

12 August 2011

Mr Tom Leuner
General Manager
Network Operations and Development Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001



Dear Tom

Consultation on AER's Exempt Selling Guideline and the AER approach to electricity network service provider exemptions.

Envestra, a natural gas distributor in all mainland states except for Western Australia, welcomes the opportunity to submit comments relating to the broader implications for gas distribution arising from the AER documents referred to above.

Envestra notes that the AER's Exempt Selling Guidelines applies to both gas and electricity, whereas the AER approach to electricity network service provider exemptions by definition applies to electricity only. Arrangements for gas distribution network exemptions continue to be managed by the relevant jurisdictional regulator.

It is important for a cohesive and effective framework that gas retail exemptions and gas distribution network exemptions work together. Envestra is concerned that these arrangements are far from aligned at this stage. If the two frameworks do not align then the situation could arise whereby an embedded network operator (ENO) is permitted to sell gas under the AER framework, but may be prevented from delivering the same gas by not having the required matching jurisdictional gas distribution network exemption. As the AER's framework already contains deemed and registrable classes for Retail Exemptions, the same framework must be adopted by the jurisdictions if this is to operate effectively in practice. Of particular note, the Victorian framework for gas distribution network exemptions appears to be diverging, particularly with regard to exemptions for some residential situations. Envestra recommends that, if not already planned, that a precondition be established that in order to secure a gas retail exemption an ENO must also secure a gas distribution network exemption.

Envestra welcomes the opportunity to work further with the AER and jurisdictional regulators in developing a gas distribution network exemption framework which is aligned with the AER Exempt Selling Guideline. Should you wish to discuss any of these issues further please contact Ian Stewart on (03) 9463 8450 or myself on (08) 8418 1128.

Yours sincerely

A handwritten signature in blue ink, appearing to read "R Mignone", is written over a light blue horizontal line.

Ralph Mignone
Manager Engineering & Technical Regulation