



20 August 2014

Australian Energy Market Commission (AEMC)
PO Box A2449
Sydney South NSW 1235

Submission to the National Gas Amendment (Setting the Opening Capital Base) Rule 2014

AEMC reference GRC 0025

The Major Energy Users (MEU) welcomes the opportunity to provide its comments regarding the rule change proposed by the Australian Energy Regulator (AER) for the setting of the Opening Capital Base in relation to gas network regulation. The MEU and its affiliates have been involved in providing consumer input to network regulations for nearly two decades (since 1996) and fully appreciates the intricacies of monopoly network regulation.

MEU affiliate Energy Users Coalition of Victoria (EUCV) was a respondent to the 2012 review by the AER of the APA GasNet application for a revenue reset which triggered the AER decision to introduce the rule change proposed. At the time, the EUCV was quite concerned at the decision by APA GasNet to challenge what the EUCV considered was an appropriate approach to setting the regulated asset base and was pleased that the AER decided to implement the rule change to clarify the intent of the Rules.

The MEU considered that AER proposal proposed rule change was an appropriate response to address what is a clear anomaly in the current Rules and considered that it would be essentially a non-contentious rule change. With this in mind, the MEU was surprised that APA Group and its representative organisation Australian Pipeline Industry Association (APIA) have opposed the proposed rule change.

The MEU considers that the AER provided very sound reasons for seeking the rule change and that its arguments provided supporting its conclusions are compelling. In counterpoint, the MEU was not convinced by the APA group and APIA arguments for the retention of the status quo, and considers that the arguments provided could be quite self-serving and not in the long term interests of consumers.

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The MEU is therefore pleased that the AEMC has issued a draft decision that supports the AER proposed rule change and provides compelling arguments for making the change and rejecting the APA Groups and APIA reasons for not making the change.

The MEU notes that the Economic Regulation Authority (ERA) supported the intent of the AER proposal and suggested an alternative for addressing the problem. The MEU has some support for the ERA proposal as it recovers the cost to consumer more quickly at the expense of less price stability; the AEMC draft decision considers that price stability has more value than faster return of unnecessary costs.

The MEU is concerned that the issue of price stability has such a high standing in the assessment by the AEMC. Its approach to price stability is based on the assumption that consumers are content to receive a financial benefit at some point in the future whereas the MEU has a view that many would prefer to have a saving they are entitled to as quickly as possible. The MEU is aware of consumer surveys that have been undertaken that support the concept of greater price stability but the MEU is unaware of any consumer surveys that ask the question whether lower costs now are less preferred than in the future in order to provide price stability. This is an area where the AEMC might seek greater clarification of consumer interests.

The MEU supports the draft decision and considers the AEMC arguments are for its decision are well founded.

Should you wish to discuss the MEU views expressed in this response in more detail please contact the undersigned at davidheadberry@bigpond.com or on (03) 5962 3225

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Headberry', with a checkmark at the end.

David Headberry
Public Officer