



Environmental Land Services (AUST) Pty. Ltd.

ABN 14 380 892 123

RE: Inquiry into Regulatory arrangements for Small Scale Water, Sewerage and Energy Services

Environmental Land Services Pty Ltd Submission to ESCOSA

Introduction

Thank you for the opportunity to provide feedback to your inquiry into small scale Water Sewerage and Energy Services.

Environmental Land Services (Aust) Pty Ltd (ELS) is the owner and operator of (currently) three underground LPG gas distribution systems in the Mt Barker area that deliver LPG to approximately 700 Customers.

ELS commenced construction of the network in 2008 under an LPG Distribution Licence Exemption and has been operating since August 2013 under a LPG Distribution Licence for Mount Barker. Prior to 2008 Residents of Mount Barker had no access to reticulated gas.

Distribution Network

ELS is responsible for the installation of infrastructure up to the Customers' individual pressure reduction regulators and gas meter sets. ELS has responsibility for safe operation of the Network (working under a SRMTMP approved by OTR), taking quarterly gas meter readings and forwarding that information to the Retailer who bills the Customers for gas consumed.

Under present commercial arrangements with a Gas Retailer (ELGAS), ELS is responsible for transporting the LPG, that the Retailer delivers and stores in its bulk vessels at "tank farms" and delivers to the individual Customers via ELS' underground PE pipe network.

ELS Responses to Questions Published for the purposes of the Inquiry

Q1

A) What issues are current customers concerned about?

Primary concerns of customers in our view include Cost, Access to Reticulated Gas, Safe and Reliable Supply and Environment

B) Does our current regulatory framework allow suppliers the flexibility to respond to issues raised by customers?

The regulatory framework that governs the operation of the ELS Network to date has provide adequate framework to deal to customer issues

C) Where customers are not provided with a choice of supply arrangements, what information do they need to understand the service they receive?

Customers need to know the energy they consume is cost competitive relative to other suppliers of comparable networks and geography.

D) What are the appropriate indicators to allow us to monitor customer confidence, engagement and satisfaction in these markets.

Specific to the ELS distribution Network we believe the compliance to our SRMTMP provide appropriate assurance to customers of the safe and reliable delivery of energy to their homes.

Q2

A) Are there any difficulties in suppliers setting prices to recover the long term efficient costs of running their business? If so how could the regulatory framework assist in addressing the issue?

As the LPG Network in Mount Barker is standalone the costs to construct the network coupled with compliance costs to meet the license obligations require a certain scale to be commercially sustainable. ELS understand that investing further in the expansion of the network will help recover the negative returns it has experienced to date. ELS's view that issuing of another Licence to Distribute Gas in Mt Barker will have an adverse impact on the investment made to date by ELS and will add an unnecessary layer of cost to customers. Requiring another SRMTMP for a separate network and duplicating operating costs that could ordinarily be dispersed across the wider network in Mount Barker.

B) Are there any concerns that suppliers are over-recovering their long-term efficient costs? If so how could our framework assist to address this.

The cost to customers of reticulated LPG in Mount Barker relative to Natural Gas customers in metropolitan Adelaide remains highly competitive and comparable notwithstanding the network is standalone and unregulated. The LPG energy supply service is competing head to head against other energy sources and the ongoing emerging technologies that inevitably will require less energy to operate eg. Solar, Wind & Battery Storage etc. If gas does not remain cost effective, energy efficient and clean then customers have the ultimate choice to disconnect and opt for a more contemporary energy solution. The power of choice will force gas distributors and retailers into a constant drive to lower cost to serve and introduce innovation to compete against new disruptive technologies.

Q3

A) Does our current regulatory framework present any issues or challenges for new entrants offering new small scale utility services? If so how?

With respect to the distribution of LPG in Mount Barker please refer to the answer in Question 2A)

The ELS business model could conceivably cater for multiple gas retailers – if

1. ELS provided the LPG into the system and charged the retailer for the gas, haulage and metering or;

2. Natural Gas was connected to ELS network and retailers could compete on the same basis as exists in metropolitan Adelaide.

ELS believe there needs to be a minimum scale for effective retail competition and that threshold in our view is in the order of 10,000+ customers.

B) Are there any new or emerging business models that will create a different relationship between suppliers and customers?

Not to our knowledge.

C) Where customers are provided with choice of supply arrangements, what information will they need to make informed decisions?

Not Applicable – No Comment

Q4

A) How much does it cost for suppliers to comply with their obligations under our current regulatory arrangement?

Costs to invest in the gas infrastructure and comply with the regulatory framework require a critical mass. In the larger scale Natural Gas Distribution (eg. Adelaide Metropolitan) there is genuine competition but only at the Retail level. In SA there are two sources of NG supply – the Moomba pipeline and gas from Victoria (SEAGAS). There is only one Natural Gas Distributor (AGN). ELS charges for provision of its “Gas Haulage and Metering Services”, from which it recovers its capital investment in the distribution infrastructure and operating costs. ELS have taken a long term view to recover its costs in Mt Barker and believe a network of 8000-10000 connections can be cost efficient and commercially sustainable.

B) Are there any areas where more than one regulator is seeking to deal with same matter?

ELS respond to ESCOSA on Licensing matters and OTR on Technical and Operating matters. These regulators only overlap when preparing our annual submission.

C) Are there any areas where no regulator is dealing with a matter but should be?

Not to our knowledge

D) Are there any emerging risks that we need to take into account?

Not to our knowledge.

Q5

A) Are there any other issues that we should consider as part of this inquiry?

Not to our knowledge

ELS remain available to ESCOSA to discuss in further detail the LPG Network in Mount Barker and the broader questions around regulation and customer driven outcomes.

*Managing Director
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