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National Energy Retail Law: Review of Operation in South Australia (Draft Report)

Australian Gas Networks Limited (AGN) is one of Australia's largest natural gas distribution companies. AGN owns approximately 23,000 kilometres of natural gas distribution networks and 1,100 kilometres of transmission pipelines, serving over 1.2 million consumers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

AGN's South Australian gas distribution network has its origins dating back over 150 years when the South Australian Gas Company was formed in 1861. Today, we facilitate the safe and reliable supply of natural gas to more than 400,000 South Australians from our Adelaide-based corporate head office.

AGN welcomes the opportunity to make a submission to the Essential Services Commission of South Australia (ESCOSA), in relation to its Draft Report on the "*National Energy Retail Law (NERL): Review of Operation in South Australia*" (the report). AGN understands that following this consultation period, ESCOSA will submit a Final Report to the Minister for Mineral Resources and Energy in April 2016. The Final Report will then be tabled in state Parliament, consistent with the requirements of the NERL (South Australia) Act 2011.

The report focuses on the impact of the NERL on South Australian energy consumers and whether the implementation of the NERL has:

- Adversely affected consumer protection in pursuit of national consistency; or
- Resulted in increased efficiencies.

AGN considers that the report provides a balanced and reasonable overview of the key matters relevant to the operation of the NERL in South Australia and provides its response to these two key questions below.

1. Has the implementation of the NERL adversely affected consumer protection in pursuit of national consistency?

AGN notes that the purpose of the implementation of the NERL was to introduce a range of consumer protections for residential and small business customers in their dealings with energy retailers and distributors.¹ As natural gas is a fuel of choice, AGN considers it has always been

¹ ESCOSA, "*National Energy Retail Law: Review of Operation in South Australia*", November 2015, pg. 1.

subject to competition with electricity, and as such has been incentivised to deliver a high level of service to consumers.

This is supported by the stakeholder engagement activities AGN conducted in 2015 which found that our South Australian customers are generally satisfied with the performance of the company, particularly in relation to customer service and reliability.²

Although AGN does not consider that the implementation of the NERL has significantly improved the consumer protections afforded to gas consumers, we equally do not consider that the NERL has adversely affected consumers. Furthermore, AGN does not have any additional significant impacts of the NERL implementation to report at this time.

2. Has the implementation of the NERL resulted in increased efficiencies?

As ESCOSA comments:

“Given that, unlike energy retailing, energy distribution is state-based (notwithstanding they may be part of a national company or affiliated with other distributors), it is not surprising that the South Australian energy distributors were not able to identify any benefits as a result of the NERL (that is, no direct benefits from having national rules operate in more than one jurisdiction.”³

AGN operates in several other states across Australia, including Queensland. Consistent with ESCOSA’s comment above, since the implementation of the NERL in Queensland on 1 July 2015 AGN has realised only minimal benefit in terms of the economies of scale that could be leveraged off of the expertise that has already been developed within its South Australian operations.

As such, AGN has not experienced any material efficiency improvements due to the nationalisation of reporting requirements under the NERL, as AGN is still subject to various state-based reporting requirements.

3. Other matters

Additionally, AGN supports the Conservation Council of South Australia’s (CCSA’s) view on the need for consistent and transparent reporting of greenhouse gas information to customers⁴. Although AGN agrees with the ESCOSA assessment that the removal of this requirement has not adversely affected customer protection,⁵ it has reduced customers’ ability to readily and easily understand their greenhouse gas emissions.

AGN does not consider that this is in the long term interest of consumers and encourages ESCOSA to consider the CCSA’s submission.

² Australian Gas Networks, “Access Arrangement Information”, <http://www.aer.gov.au/system/files/Australian%20Gas%20Networks%20-%20Access%20arrangement%20Information%20-%20July%202015.pdf>, July 2015, pg. 59.

³ ESCOSA, “National Energy Retail Law: Review of Operation in South Australia”, November 2015 pg. 46.

⁴ ESCOSA, “National Energy Retail Law: Review of Operation in South Australia”, November 2015 pg. 61.

⁵ ESCOSA, “National Energy Retail Law: Review of Operation in South Australia”, November 2015 pg. 62



Please contact either Ashley Muldrew (08 8418 1115) or myself (08 8418 1129) if you would like to discuss the matters raised in this submission further.

Yours sincerely



Craig de Laine
General Manager – Regulation

