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Ms Wendy Heath
Senior Manager, Regulatory
Energy Division
Essential Services Commission
2nd Floor, 35 Spring St
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Dear Wendy

CALL FOR SUBMISSIONS - REVIEW OF ENERGY REGULATORY INSTRUMENTS

Alinta LGA Ltd has prepared this submission on behalf of United Energy Distribution (UED), Alinta AE (AAE) and Multinet Gas (the licensees). The licensees consider this review to be timely, given the number of work streams currently underway in relation to the transfer to national regulators. Removal of spent, redundant, duplicate and inappropriate obligations in the regulatory instruments, including licences, codes and guidelines will improve and streamline the regulatory framework for consumers and the industry.

The regulatory obligations for the electricity distribution industry are currently set out in a number of codes and guidelines. UED and AAE support consolidation of obligations that are still relevant into a single instrument such as a code, where it is practical to do so. For example, the gas distribution businesses have been well served by a single code – namely the Gas Distribution System Code – which includes key regulatory obligations such as customer connection, network augmentation and all manner of metering obligations.

Following the transition to national regulatory instruments, it is proposed that the key obligations contained in the current electricity guidelines, and all those relevant obligations remaining in the electricity customer metering code and the customer transfer code be located in a single regulatory instrument. This we believe will significantly contribute to the Essential Services Commission's (ESC) objective to improve and streamline the regulatory framework for customers and the energy industry. Additionally, sunset clauses should be provided for those obligations currently undergoing change to facilitate transition to national regulators.

We note that the ESC has sought comments on the incorporation of potential regulatory obligations to facilitate the orderly roll out of advanced metering infrastructure (AMI). The Victorian AMI project has held a number of workshops over the past few months to develop an AMI operating business model. This work is currently being finalised. The business model work in Victoria should be given a chance to be completed with sign off by the Industry Steering Committee.

UED and AAE wish to avoid the creation of rail gauge problems with the national smart metering program to the greatest extent possible. Accordingly, where regulatory obligations need to be clarified or amended, we strongly support this being done within the national context, via the appropriate regulatory instruments such as the National Electricity Rules, National Metrology Procedure, national licensing arrangements, codes and guidelines.

There are a number of spent obligations in the electricity distribution licence, which can now be removed. Moreover, there are a number of obligations that are impractical for distribution business to comply. These should be amended to reflect current industry practices.

The number of gas regulatory instruments that applies to the gas industry is less than those that apply to the electricity industry, and they are relatively uncomplicated in comparison. Therefore, our comments are limited to only two gas regulatory instruments.

Specific comments on the regulatory instruments on the ESC's website, which are relevant to the distribution businesses, are set out below.

Regulatory Instrument	Distribution licensees' comments
Electricity System Code	<p>United Energy Distribution (UED) and Alinta AE (AAE) concerns relate to a number of date driven obligations in the System Code. UED and AAE suggest the target dates are removed from the following obligations:</p> <p>Clause 110.2.1(b)(1) – This requirement adds unnecessary compliance burden on a distributor. The target voltage levels do not change on an annual basis. A distributor submitting the same target voltage levels for the supply points on an annual basis adds very little value. We suggest the clause be amended by removing the words <i>“On or before 15 May each year”</i> and replacing the word <i>“must”</i> with <i>“should”</i> and inserting a sentence <i>“The advice be provided on a needs basis.”</i> at the end of the clause.</p> <p>Clause 110.2.1(b)(3) – There is no reason to wait until 15 May to advise VENCORP that an agreement cannot be reached. This issue could arise at any time between parties. It is proposed the obligation be amended by removing the words <i>“on or before 15 May in a particular year”</i>.</p> <p>It is suggested the words <i>“on or before 1 June”</i> in Clause 110.2.1(b)(5) is also removed.</p>
Electricity Customer Metering Code (ECMC)	<p>By 31 July 2008, a National Metrology Procedure will take effect covering the majority of 1st tier and 2nd tier jurisdictional requirements from the ECMC. The remaining clauses, for example those relating to customer requests and cost recovery, have been highlighted to the ESC by NEMMCO. UED and AAE recommend that the ECMC be revoked by 31 July 2008 to avoid regulatory overlap and that the remaining clauses should be dealt with in a new smaller instrument by the ESC.</p>
Electricity Customer Transfer Code (ECTC)	<p>The ECTC was instigated initially to require compliance with the MSATS procedures. At the commencement of full retail contestability, there was no head of power in the National Electricity Rules (NER). There is now less of a requirement for the ECTC to continue to exist. Clauses requiring the distributor to provide back up National Meter Identifiers (NMI) discovery support or to enable transfers on actual reads, but not estimates, could now be readily incorporated into the MSATS procedures where they are best placed. Similarly, the provisions for Retailer of Last Resort or trade sales are covered in the Retail Energy Code, MSATS procedures</p>

Regulatory Instrument	Distribution licensees' comments
	and in the National Metrology Procedure, which takes effect on 31 July 2008. We recommend that the MSATS and National Metrology Procedure be assessed and amended to cover any remaining obligations that are needed and that this Code be revoked to simplify the regulatory environment.
Victorian Electricity Supply Industry Metrology Procedure	This instrument has been superseded by the National Metrology Procedure. However, the clauses in the Electricity Customer Metering Code (ECMC) still relate to this procedure. If the ECMC is revoked, this procedure should be removed from the ESC website as it has been several years since it was the "current" instrument.
Guideline No. 12: Electricity Industry Reversion and Contract Termination	We suggest that this guideline be revoked. The ESC has already undertaken considerable work on the termination fees that retailers are able to charge customers and any meter reversion aspects should be adequately covered in the NER and National Metrology Procedure.
Guideline No. 14: Electricity Industry Provision of Services by Electricity Distributors	Guideline No. 14 covers a distributor's obligation concerning new connection and augmentation works, contestability options and guidance on present value calculations. UED and AAE consider Guideline No. 14, with the exception of section 5, would be better placed in the Electricity Distribution Code (EDC), akin to the Gas Distribution System Code (GDSC). For example, the Gas Distribution System Code covers a distributor's obligation to connect including guidance on determining connection charges. It has served the industry well.
Guideline No. 15: Electricity Industry Connection of Embedded Generation	Guideline No. 15 is a concise document and the relevant generator issues are laid out in a very comprehensible way. UED and AAE consider that this generator connection guideline would be better placed in the Electricity Distribution Code (EDC) in order to minimise the number of guidelines.
Electricity Distribution Licence	<p><u>Clause 11.1 – Requirements For Offers</u></p> <p><i>A Licensee's obligation to make an offer within a number of business days under clause 6, 7, 8, 9 or 10 begins on the date when the Licensee receives the request or the date when the Licensee receives all information which the Licensee reasonably requires to make the offer, whichever is the later.</i></p> <p>This obligation should be amended to allow flexibility for distributors and customers to agree to vary the '20 business days' requirement. In practice, some customers especially land and property developers agree to receive connection offers beyond the specified 20 business days due to the technical complexity of the connection project.</p>

Regulatory Instrument	Distribution licensees' comments
	<p><u>Clause 15. National Metering Identifiers</u></p> <p><i>The Licensee must issue a unique NMI for each metering installation in its distribution area (even in those cases where the National Electricity Code does not require it to do so) in a manner consistent with its obligations under the National Electricity Code.</i></p> <p>UED and AAE suggest Clause 15 be revoked because the obligation is adequately covered off in the NER.</p> <p>Schedule 3 refers to deadlines of distributor systems and processes to be operational for full retail contestability in Victoria. These systems and processes have all been implemented. We recommend that this schedule be revoked.</p>
Gas Distribution System Code	<p><i>Clause 2.4(b) – With respect to 2.4(a), a Distributor must give written notice to VENCORP by 30 April each year of the volume of gas withdrawn by the Distributor for a customer;</i></p> <p>A distributor has to first reach agreement with the host retailer on the volume of gas withdrawn. This in practice takes place well after the deadline. VENCORP will not accept any written notice until the both parties have reached agreement. Furthermore, distributors get gas injection data from VENCORP early in July of each year. This data is necessary for the reconciliation of unaccounted for gas. Therefore, it is not practical for distributors to comply with the 30 April deadline in Clause 2.4(b). It is proposed the 30 April deadline be changed to allow a sufficient period for the parties to reach agreement. There also needs to be a reciprocal deadline placed on the host retailer to ensure parties promptly reach agreement on reconciliation of unaccounted for gas.</p>
Guideline No. 2: Gas industry provision of gas to areas not serviced by an existing distributor	<p>Guideline No. 2 sets out the regulatory processes, procedures and requirements that must be followed in order to provide gas to a new area. Multinet Gas considers that these provisions are adequately covered in the Access Arrangements and the new National Gas Code. We suggest that this guideline be revoked.</p>

Should the ESC require elaboration on the matters discussed above, please contact me on 03 8544 9442 or Verity Watson on 03 8544 9447.

Yours sincerely

Siva Moorthy
 Manager Network Regulation and Compliance