



321 Ferntree Gully Road
Mount Waverley Vic 3149
Australia



**UNITED ENERGY
Distribution**

United Energy Distribution Pty Ltd
ABN 70 064 651 029

321 Ferntree Gully Road
Mount Waverley Victoria 3149
Australia
Telephone (03) 8544 9000
Facsimile (03) 8544 9927

Manager, MCE Secretariat
Department of Industry, Tourism and Resources,
GPO Box 9839
Canberra ACT 2601

Email: mcemarketreform@industry.gov.au

9 February 2007

Dear Sir

Response by United Energy Distribution and Multinet Gas to Retail Policy Working Group Working Paper 2

United Energy Distribution Pty Limited and Multinet Gas Pty Limited (UED/Multinet) welcomes the opportunity to provide comments on the Retail Policy Working Group Working Paper 2 (the Paper). UED/Multinet support a nationally consistent framework for distribution and retail regulation. However, it is concerned that the Paper interprets 'consistent' to be 'identical in all aspects'. UED/Multinet, has interests in both gas and electricity distribution and understands that there are inherent physical, economic, commercial and market difference between gas and electricity. The inherent differences in gas and electricity must be recognised and sufficient flexibility allowed, under a common framework, to accommodate these differences. A nationally consistent framework must also be able to accommodate transition from existing regulatory structures.

UED/Multinet support a simple, consistent overarching architecture that describes how the Law and Rule operate. The Law should set the high level principles while the Rules should provide direction to the distributors and the regulator. The details of the reference tariffs and reference services (in gas) Price, default Use of System Agreements and deemed Distribution Contracts (in electricity) should be developed by the distributors and approved by the regulator, within the guidance set by the Rules.

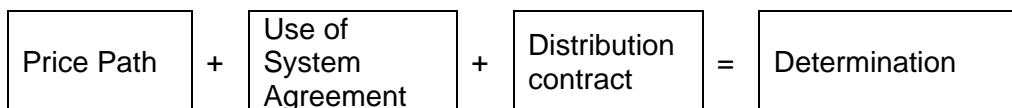
UED/Multinet believes that in moving to a national framework for retail and distribution regulation, it is important to minimise the impact on existing arrangement. Additionally, a number of frameworks exist that effectively deal with the matters discussed in the Paper and the experience gained from these frameworks should not be ignored. UED/Multinet strongly believes that the current framework for both gas and electricity and across the various jurisdictions share a common approach and can be simply brought together into a nationally consistent approach.

Current gas regulation, under the National Gas Access Regime, is based on a principle of negotiation between distributors and users around reference tariffs and reference services. Further, distributors propose their reference tariffs and reference services, within broad regulatory guidelines, that reflect the commercial and physical needs of their network. This approach has been very effective in the past. UED/Multinet cannot see any justification for the Paper's proposal of including model terms for the deemed Distribution Contract and default Use of System Agreement in the Rules. To the contrary, the approach proposed is likely to stifle negotiation and innovation. UED/Multinet strongly opposes over-prescription in the Rules.

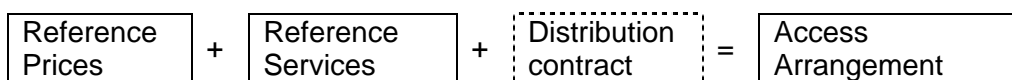
In electricity, the components of the Price Determination, Default Use of System Agreements and Deemed Distribution Contracts define the price and services the distributor delivers and the relationship between the parties.

Similarly, in gas, the reference prices and reference services define these matters.

Components of an Electricity Price Determination



Components of a Gas Access Arrangement



UED/Multinet believes that the current overarching approaches to regulation of gas and electricity distribution can be developed into a nationally consistent framework without the very significant upheaval that would result from the proposal in the Paper.

UED/Multinet believes that the Law should:

- Define the relationship between distributor, retailer and customer as a 'linear relationship' with the provision to remove certain elements and to be dealt with these elements between the distributor and customer directly;
- State that the relationships are to be defined by contracts
- Where a 'Deemed Distribution Contract' is required, deem that the customer is a party to the approved deemed contract.

The Rules should provide:

- A list of the areas that must and may be included in a Use of System Agreement/Standard terms and conditions;
- A list of the areas that must and may be included in default Distribution contract;
- Criteria by which the regulator would approve the default a Use of System Agreement/Standard terms and conditions and the default Distribution contract;

In setting the rules, UED/Multinet believe that the AEMC must play a pivotal role, even in the initial rules. The AEMC should set the initial rules, accommodating transitional arrangements as required, and then refine these rules over time through the rule change process.

UED/Multinet would welcome the opportunity to discuss its concept of a nationally consistent framework for retail and distribution with the Retail Policy Working Group and looks forward to further engagement on these matters.

Yours sincerely

Hugh Gleeson
CEO United Energy Distributon and Multinet Gas