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Gas Market Reform Group
C/- Australian Energy Market Commission
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To whom it may concern



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Information disclosure and arbitration framework implementation

In response to the Gas Market Reform Group's (GMRG's) consultation process on the draft initial National Gas Rules implementing the final design of the information disclosure and arbitration framework agreed by COAG Energy Council's Standing Committee of Officials (SCO) on 2 June 2017, please find below Tas Gas Retail's feedback:

Draft Rules	Issue	Feedback
569	Pricing and other principles	<p>In relation to the GMRG's suggested alternative approach to asset valuation we recommend that the original recommendation made by Dr Michael Vertigan should be adhered to and the revised Rule 569 (2) (a) should not be adopted.</p> <p>The key principles of the NGO refer to efficient investment and operation of the gas network, which relies on efficient pricing outcomes. To achieve the NGO, the asset valuation approach which produces efficient pricing outcomes should be used. The price that would prevail in a competitive market is likely to be the best proxy for this and the asset valuation method should reflect this, notwithstanding the practical challenges this creates. An historic cost approach is unlikely to achieve this because:</p> <ul style="list-style-type: none">• it uses an asset value which does not necessarily reflect the market value of the assets; and• it is not likely to produce pricing outcomes consistent with a competitive market. <p>As a result of the above, it is likely to send the wrong price signals which will not promote the efficient investment in, operation and use of gas pipeline assets.</p> <p>The use of a historic cost approach would result in gas pipelines assets being valued using a different approach to the vast majority of regulated infrastructure in Australia, including covered gas networks. It is difficult to see how this could promote the NGO.</p>

If you have any queries in relation to this submission, please contact me on 03 6336 9332.

Yours sincerely

Kate Daley
Manager