

13<sup>th</sup> March 2013

Mr Ross Campbell  
Director  
National Competition Council  
GPO Box 250  
Melbourne, Vic. 3001

By email to: [Ross.Campbell@ncc.gov.au](mailto:Ross.Campbell@ncc.gov.au)

Dear Mr Campbell

**Re: KCA Application for Coverage of the South Eastern Pipeline System (SEPS)**

Uniting Communities represents the interests of residential and disadvantaged energy consumers throughout South Australia. We have been active in many issues addressing energy poverty in the State and nationally and have deep concerns about the Government decision to revoke retail energy price caps on the supply of gas and electricity to our constituents.

We accept that it is suggested that the prime protection for energy consumers is provided by strong competition at all levels in the energy supply chain and we have provided our views to governments (State and Federal) and to the energy market regulators (Australian Energy Markets Commission – AEMC and Australian Energy Regulator – AER) on aspects of the effectiveness of competition in energy markets. We note that the AEMC in 2009 advised the State Government that there was effective retail competition in SA in gas and electricity at all levels of user and the recent revocation of retail energy price caps is predicated on there being such competition throughout the State.

It was in this context that we identified that Kimberly-Clark had sought for the gas transmission pipeline serving Mount Gambier (SEPS) to be a covered pipeline. Whilst there was a retail gas price cap we were assured that the monopoly providers delivering gas to consumers at Mount Gambier (Origin Energy and APA Group) could not use their market power to increase gas prices to residential consumers. With the revocation of the retail price caps, we are concerned that there is now no countervailing competitive pressure on either Origin Energy or APA Group to constrain their ability to set prices in Mount Gambier in excess of what are reasonable prices.

In particular, we are of the view that regulation of any monopoly asset should occur unless there are sound reasons not for this to occur. Regulation on all gas transport applied across the State until there was competition to the Moomba Adelaide Pipeline from the SEAGas pipeline. Regulation is still applied to the Envestra gas distribution assets because it has no competition. We see it as inequitable that the NCC, in its draft recommendation, openly accepts that a monopoly asset (i.e. SEPS) should not be regulated unlike other gas transport assets that have no competition.

We do not consider that the NCC has addressed that, without coverage, the potential APA has to set tariffs on SEPS at whatever level it wants, regardless as to which retailer uses the pipeline. This means that Mount Gambier consumers will almost certainly have to pay higher prices for their gas than other residential gas users where there is competition or regulation to constrain gas transport prices.

Should you wish to discuss this matter further, please contact our Manager of Advocacy and Communication, Mr Mark Henley at [MarkH@unitingcommunities.org](mailto:MarkH@unitingcommunities.org)

Yours sincerely



Simon Schrapel  
Chief Executive  
Uniting Communities