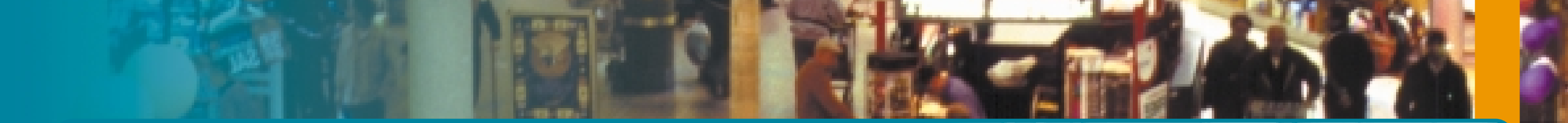

A revolution in gas

Billing and other services involved in supplying energy and telecommunications to households are likely to undergo a revolution in the near future.

Full deregulation in the United Kingdom has transformed the system — now, rather than receiving separate bills for electricity, phone and gas they can be integrated. Different energy and phone retailers offer different deals, involving credit cards, frequent flyer points etc.

In Australia, the process of utility market reform is well under way. While reform in the gas market is lagging behind electricity, it has a very different appearance to that of a few years ago.

Previously State corporations owned a significant proportion of the infrastructure, except the wells where the gas was drilled. Trade between States was restricted, and the exploration and processing was carried out by a few companies operating under long-term leases granted by State and Territory Governments.

Usually a single transmission pipeline connected a single gas basin to the major population centre and regional markets.

In 1994 the Council of Australian Governments (COAG) decided the industry could do with a series of reforms. These included opening up access to gas fields to new explorers and producers; allowing trade between States; and restructuring the gas utilities. State Governments have separated the various elements — transmission, distribution and retail — and sold them to private investors. The most dramatic restructuring of this kind occurred in Victoria.

The National Gas Code was also developed and implemented. It sets out the procedure the ACCC, and the State and Territory regulators, must follow when assessing proposals from pipeline operators to sell transmission and distribution services to customers.

So now the chain is clear. The elements are now largely independent: the exploration company (such as Santos or BHP), the transmission company or pipeline operator (such as Duke, Epic or EAPL) which owns the huge pipes linking the wells to the distribution centres, the distributors (such as AGL or Envestra) which pipe the gas to households and businesses, and the retailers (AGL Retail, Energy 21 or Kinetic) which actually sell the gas.

It is anticipated that the most competitive link in the chain will be the retailers who supply the customer with the product. Because of the huge costs involved in setting up the infrastructure, the other elements are traditionally less competitive, although this is gradually changing. As more major pipelines are built between gas basins and distribution centres, the whole process will become more competitive.

reform is well under way

In the meantime, the pace of reform continues, albeit not as quickly as some would like.

The ACCC is the designated regulator for gas transmission pipelines in all States and Territories except WA. This involves assessing applications by new and existing companies seeking access to pipelines, arbitrating disputes between pipeline owners and other companies seeking access, and other steps involved in making sure gas is supplied as competitively as possible.

The ACCC also regulates the gas industry through other parts of the Trade Practices Act, such as the sections covering mergers, anti-competitive conduct, fair trading and consumer protection.

Full retail competition will allow industrial and commercial customers to negotiate contracts that suit their needs.

All this is ultimately good news for consumers. Competition generally leads to lower prices and greater choice. It also leads to greater transparency of pricing.

Major consumers, like big manufacturing businesses, will be able to strike better deals. And even individual consumers will benefit by being able to choose between retailers and the different deals they offer.