

10 February 2011



ACN 104 499 569

87 George Street
P O Box 858
Launceston
Tasmania 7250

T+ 61 3 6336 9350
F+ 61 3 6336 9355

www.tasgas.com.au

The Panel
Electricity Review
PO Box 123
Hobart TAS 7001

Dear Panel Members,

Statement of Approach

Tas Gas, as Tasmania's Natural Gas Distributor, welcomes the forthcoming review and congratulates the State on its approach in formulating such an enquiry incorporating an open and broad consultative process and a high quality and truly independent panel.

Natural gas was introduced to Tasmania in 2001/2002. Since its establishment in 2003 Tas Gas has invested more than \$700 million in the gas distribution network, which now extends to more than 8,000 gas connections. Tas Gas employs 77 people and spends in excess of \$40 million each year on its day to day operations and further network expansion. Natural gas is now established in Tasmania as a safe, reliable, low-emission, economic alternative to electricity. An overview of our network and operations is attached.

Tas Gas is wholly owned by Brookfield Infrastructure Partners L.P., a global leader in the ownership and operation of high quality infrastructure assets. Brookfield is an experienced developer and investor in energy infrastructure and Tas Gas is part of its platform for future investment in the Australian energy sector.

Tas Gas is a relatively small new entrant in the Tasmanian energy sector that is dominated by the state-owned electricity companies. To date, most decisions on industry structure and energy policy have been made from the perspective of supporting the interests of the incumbent state-owned electricity companies. Independent, privately-owned enterprises, such as Tas Gas, find it difficult to get a seat at the table.

As such we believe we are in a unique position to provide an alternative view and make a constructive contribution to the forthcoming inquiry. This review is critically important to the economic future of Tasmania and we intend to make the most of the opportunity to provide the Panel with our views on the sector.

In response to the Statement of Approach released in December 2010 and more particularly those issues raised in item 7: *Opportunity for Input*, Tas Gas provides the following comments.

Are there broad areas of interest that the Panel should consider addressing that it has not identified in this Statement of Approach?

Finding effective solutions to Tasmania's energy needs will require the Panel to look beyond electricity to other forms of energy, including natural gas. We note that the enquiry was originally couched as an electricity enquiry and we are pleased that the Panel has interpreted its scope to extend to the energy industry as a whole (as gleaned from points 1 and 5 of the Terms of Reference).

A broader approach is required to examine inter-fuel competition, particularly between natural gas and electricity where there is the possibility of direct substitution of gas for electricity, the growing importance of gas fired generation and the development of more distributed models of generation, particularly around co-generation.

The interplay between natural gas and electricity becomes particularly significant in Tasmania, where the existing electricity infrastructure is under stress, whilst the gas infrastructure remains under utilised and where the delivered price of gas is on average 30% to 50% less than electricity. Under these circumstances there are clear opportunities for providing low cost solutions by converting electricity load to gas load. This can avoid expensive electricity system upgrades.

Tas Gas has reservations regarding the ability of the current regulatory arrangements to bring all practical energy solutions to the table. The regulatory requirement for electricity companies to consider non-network solutions, as an alternative to network expansion, do not appear to be having the desired effect. This is an issue that Tas Gas will expand on in a submission to the Panel.

It would be worthwhile for the Panel to be fully informed on the total energy market in Tasmania including oil, liquid fuels, coal and wood, as well as on the nature of inter-fuel competition and the cost of living impact.

Whilst we note that there appears to be a significant part of the review that is dedicated to understanding past events, Tas Gas would strongly urge the Panel to focus on looking forward to developing a structure that allows the development of effective and practical solutions to meeting Tasmania's energy needs.

Are there matters that will have a bearing on the proposed timetable that the Panel should be aware of in readjusting timeframes for the Review?

Given the importance of this review Tas Gas would support a flexible approach to developing the timetable, including the consideration of a time extension, to ensure that the process is not jeopardised by a lack of time for comprehensive consultation and review.

Is the broad approach outlined in Section 5 (e.g. Consultation, the holding of hearings, release of issues papers) workable and acceptable?

Tas Gas supports the Panel's approach to a series of open consultative hearings and the publication of submissions. Tas Gas welcomes a seat at the hearings and will make resources available to supply any appropriate information that may be useful to the Panel.

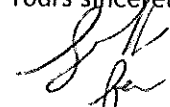
Do you have views on the ways in which the Panel could consider communicating with interested parties?

We support the Panel's approach to assessing priorities in accordance with their relevance to the terms of reference and materiality. We support the Panel raising questions and issues as they arise and seeking input from relevant parties systematically as the review

progresses. In this respect we would recommend direct emails be sent to those parties who have expressed an interest in the process with referrals where necessary to your website.

Should there be any queries or concerns in respect of the above please feel free to contact me on 0417 126 940.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richie Sheather', written in a cursive style.

Richie Sheather
General Manager