



Global Asset Management

Colonial First State Global Asset Management

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Dear Glenda

### **Gas Industry Company FY2017 Statement of Intent and Levy**

Colonial First State Global Asset Management (Colonial) is pleased to make this submission on the Gas Industry Company's (GIC) FY2017 Statement of Intent and Levy consultation process. Colonial appreciates the opportunity to submit on this process. While our investments in gas infrastructure assets are still being completed, we clearly have an interest in the GIC's planned activities and resourcing over the coming year.

#### **We encourage the GIC to carefully consider the link between economic regulation and access arrangements**

We have reviewed the GIC's consultation document and we generally support the GIC's proposed work plan. The plan continues progress on work streams that are already underway, and we welcome this predictability and steady focus. We also support the GIC's approach of working with industry players and consumer groups to inform how best to achieve its objectives.

The only comment we wish to make at this stage relates to the inter-dependency of the GIC's work plan with the Commerce Commission's (Commission) current consultation processes on the economic regulation of gas pipelines. We consider that the decisions made by the Commission this year through its Input Methodologies review and reset of the default price-quality path (DPP) will play an important role in enabling convergence of the two transmission pipeline operating codes (the VTC and MPOC). We have emphasised to the Commission that ensuring transmission pipelines face less commercial risk on access terms and conditions (by implementing a revenue cap with a wash-up) will help facilitate changes towards the most efficient access regime.<sup>1</sup>

#### **The GIC's work on access arrangements should reflect the timing of decisions on the economic regulation of gas pipelines**

The Commission is expecting to finalise any changes to the Input Methodologies by the end of calendar year 2016. By that time, the Commission will also have reached substantive decisions for the next DPP period for gas infrastructure (2017-2022). While we are not expecting wholesale changes in the form of economic regulation, these decisions will provide greater clarity on the regulatory settings for gas infrastructure over the next several years.

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<sup>1</sup> See Colonial 'Submission on the Gas Pipeline Stakeholder Meeting: Review of Input Methodologies' 1 February 2016, accessible at [this link](#).

We see some opportunities for the GIC's work plan and priorities to reflect the timing of decisions being made by the Commission. For example, work on access arrangements and code convergence could initially focus on aspects of the code that are not closely affected by economic regulation. Focus could then shift to the more commercial arrangements under the codes once the Input Methodologies have been finalised and more is known about the DPP.

**Thank you for the opportunity to make this submission**

We look forward to continuing our constructive engagement with the GIC.

Best regards,

A handwritten signature in blue ink, appearing to read 'GKerr', with a large loop at the start and a horizontal flourish at the end.

Gavin Kerr

Director, Unlisted Infrastructure Investments  
Colonial First State Global Asset Management