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Energy Market Review
Department of Environment, Land, Water and Planning

Via email: EnergyMarket.Review@delwp.vic.gov.au

To whom it may concern

Review of the Electricity and Gas Retail Markets in Victoria – Consultation

This submission is provided by Tas Gas Retail (TGR) in response to both the Independent Review of the Electricity and Gas Retail Markets in Victoria dated August 2017 (Review) and the Victorian Government's March 2018 response to the Review which has formed the basis of consultation. We thank you for the opportunity to respond.

In 2017 TGR commenced retailing natural gas (only) in: Kerang, Terang, Nathalia, Heathcote, Maldon, Robinvale and Swan Hill (still being commissioned Marong, Lakes Entrance, Orbost). Gas is purchased from a natural gas retailer (under a commercial agreement) by a related entity where it is compressed and trucked into these towns before being reticulated through traditional distribution networks (owned and operated by Enwave Victorian Networks). Demand across all networks in 2018 will be no more than 10 TJs which is also likely to be the case for the next couple of years. The network will pass 12,500 premises across these 10 towns. While there are no direct natural gas retail competitors, there is strong competition with LPG which is the incumbent gas supplier.

Due to tight competition with LPG and conversion costs, we are not expecting more than 10% penetration after the first 5 – 10 years of operation. Further we do not anticipate any retail competition due to the small size of the markets and unique transmission method. However, there are no impediments to a new retailer entering the market.

In the attached submission we provide a brief executive summary, comments regarding the review itself followed by comments and recommendations regarding Review Recommendations 1 – 3.

If you have any questions regarding our response to this consultation process, please do not hesitate to contact me on 0408 329 394 or at kate.daley@tasgas.com.au.

Yours sincerely

KDaley

Kate Daley
Manager

RETAIL

Executive Summary

In considering the Review, the issues it identified regarding concerns about retail margins and pricing do not exist for natural gas in the markets in which we operate. Further, our presence in these towns has been positive for the communities by driving down the price of LPG. Therefore, in responding to the consultation process we have highlighted our unique situation and have suggested exemptions with regards to the Review's recommendations on reference pricing and marketing information on prices. Apart from these suggested exemptions we support most of the findings and recommendations of the Review.

In our submission we have highlighted the following:

- natural gas and electricity are in different product lifecycles, with natural gas use likely to decrease overtime in part driven by the Australian Government's Emissions Reduction Target;
- gas supply shortages are driving high gas prices and the Victorian Government can assist in alleviating high gas bills in future by lifting it's onshore gas explorations bans;
- regulatory anomalies exist between LPG and natural gas which are interchangeable products for small retail customers;
- market conditions are naturally putting downward pressure on natural gas prices for retail customers and therefore further regulation of natural gas may not be warranted. For example, renewables uptake and decreases in LPG prices have led to increased competition with natural gas;
- cost of regulation is an impediment for small retailers and the cost of compliance is increasing as the energy market becomes more complex which may force smaller retailers like TGR out of the market; and
- the benefit of increased regulation to customers is not clear.

Review comments

As a small natural gas (only) retailer we have the following concerns with the Review:

I. The Review had a particular focus on electricity pricing and only considers gas prices based on standing offers. Of the two market based studies commissioned, the first looked specifically at electricity prices that retailers were offering to new customers (Jacobs analysis) and the second looked prices of energy contracts being offered to new and existing customers for both gas and electricity (CME analysis). The CME analysis took a sample of 685 customer bills, however, it notes that due to challenges in the data collection gas analysis was not included.

   As a niche natural gas retailer, we have reservations regarding the relevance of some recommendations to natural gas given the limited analysis of natural gas pricing contained within the Review. As mentioned, as we are serving a new market, there are elements of the review which do not apply to our circumstance.

II. The review's consideration of the impact of wholesale energy (gas and electricity) and distribution costs is limited and speculative which is noted by the following comment in the Review: "While this report acknowledges the potential impact of wholesale and network costs on consumer energy prices, the review panel's primary focus was to understand the impact of the retail charge on consumer energy prices." For example, the Report makes assumptions about the wholesale price of gas in the Victorian market at Figure 6. The gas prices are not reflective of actual prices paid in firm contracts for supply which underpin retail pricing to small customers.

    As a small retailer with limited economies of scale and scope, the price at which TGR acquires gas and related services for our customers will naturally be different to retailers who are of a substantial size and/orare vertically integrated with upstream supply/generation. For example, as we have minimal gas volumes due to our new market, our gas is currently sourced from another retailer under a commercial agreement.

    Further, the Review does not contemplate variations in transmission and distribution charges that relate to the age of infrastructure, penetration (consumer uptake) and or innovations. For example, we retail to areas not connected to the declared transmission system. Natural gas is trucked in to each town. The network is a brand-new asset and there is no established customer base. Each customer connected is challenging as we must create a value proposition to convince them to move away from their traditional energy sources, largely at their own cost of conversion.

III. The review is based on anecdotal information on retailer costs only. Further, increasing compliance costs were not a consideration but pose a barrier to entry for small retailers.

    Retail costs will vary greatly depending on the size and scale of a retailer. TGR is concerned that recommendations are not sufficiently evidenced based to look at the value of different types of retailers and their products in the market that benefit consumers.

While the Review eluded to the following reports, we note that the recommendations of the review do not allow for consideration of:

- the Australian Energy Market Commission's (AEMC's) 2017 Retail Energy Competition Review which identified "increases in wholesale energy market costs and hence retail energy prices, are driven by factors that are unrelated to the state of competition within the retail energy sector itself[1]"(p. i). The Review also identified concerns about Victorian retail margins, particularly those of the larger retailers indicating that this may be a matter for the Australian Consumer and Competition Commission (ACCC) to investigate; and

[1] https://www.aemc.gov.au/sites/default/files/content/006ad951-7c42-4058-9724-51fe114cabb6/2017-AEMC-Retail-Energy-Competition-Review-FINAL.pdf

- the ACCC inquiry into electricity supply and prices which is due to the Australian Treasurer by mid-2018.

While electricity and natural gas are both essential services, they are uniquely different fuels. For small retail customers electricity is in a growth phase due to renewables and emerging technology whereas arguably the natural gas market has reached maturity and will begin to decline. Some market forces will drive the decline, however, one of the most significant drivers is the Australian government's investment in the growth of renewables and conversely, concerted efforts to reduce and then phase out natural gas over the next 15- 30 years as part of its Paris Agreement Emission Reduction Targets[2]. The Victorian Government is also an active contributor to incentivising the growth of renewables in the State. We consider that the market circumstance of each fuel type warrants separate consideration with regards to regulation as a single approach to pricing and regulation does not recognise the vastly different markets and circumstances of these competing fuels.

TGR is concerned about the impact of rising energy prices on consumers. We want to work with the Victorian Government and other parties for the benefit of our current and potential customers. However, we do not consider that increased regulation is warranted without further detailed evidenced based research.

1. Review Recommendation 1 & 2

Recommendation 1 – Basic Service Offer 1A
Require all retailers to provide a Basic Service Offer that is not greater than a regulated price, based on annual usage, to be determined by the ESC.
i. In implementing the regulated price, the review panel recommends:
- The regulated price to be based on the efficient cost to run a retail business
- The regulated price includes an allowance for a maximum retail profit margin
- The regulated price must not include customer acquisition and retention costs or headroom.
ii. In implementing the Basic Service Offer, the review panel recommends:
- The retailer to determine the tariff type used in the Basic Service Offer, provided it stays below the regulated price for all usage levels
- The Basic Service Offer is unconditional
- The Basic Service Offer includes an obligation to supply
- Retailers may make any other offers available to consumers, including offers priced above their Basic Service Offer
- The Basic Service Offer to be made available to customers within embedded networks and where there is a single gas retailer.
Recommendation 2 – Abolish standing offers 2A
Abolish the requirement for retailers to offer standing offer contracts.

TGR has the following issues with regards to Recommendation 1:

1. price regulation may not result in better outcomes for our customers;
2. price regulation may disadvantage small retailers which will in turn may impact retail competition;
3. the requirement to make a basic offer available to customers where there is a single gas retailer may not be in the best interests of customers; and

[2] http://www.environment.gov.au/climate-change/government/international

4. there are no exemption considerations.

TGR supports Recommendation 2.

1.1 Price regulation and customer outcomes

TGR (for the markets it serves) supports the AEMC's conclusion that energy market disruption is causing price increases in bills not a failure of retail competition in the Victorian market. Wholesale costs of electricity and natural gas have risen substantially since 2016. A widely publicised natural gas shortage is affecting prices[3]. Further a majority of Victoria's gas supply comes from the Gippsland Basin which has been widely reported as in decline (most recently by the ACCC[4]). With bans on gas exploration in southern Australia, future gas supply is likely to come from northern Australia which will be costly to transport and will continue to put pressure on the price of delivered gas to Victorian consumers.

The ACCC in its 2016 East Coast Gas Review identified that high gas prices are in part a result of constraints of new gas coming to market imposed by the Victorian Government. Therefore, the Victorian Government could directly contribute to a reduction in consumer's future energy bills by allowing new gas supply to come to market by lifting its ban on onshore gas exploration.

With market disruption, there is increasing demand for renewables, smart meter technology and other emerging energy management technologies to reduce household exposure to rising energy prices. This increases competition between electricity and gas. Because of increased gas prices, there is wide speculation that households will transition overtime to more efficient electrical appliances and to reduce exposure to fixed daily energy charges[5]. However, Energy Networks Australia has identified that "the electricity required to replace the energy provided by gas networks will require vast upgrades to electrical generation, transmission and distribution infrastructure[6]." Therefore, natural gas needs to remain affordable in the short-medium term to reduce cost pressures on bills associated with potential costly network upgrades.

For natural gas retailers such as TGR, the fast-evolving market for renewables naturally puts downward pressure on gas pricing. Further, households and small businesses on natural gas are largely able to switch to LPG which is less encumbered with regulation in comparison to natural gas. Natural gas must be financially attractive to customers to remain relevant. If a gas heater fails, it can be replaced with an electric heater. Therefore, TGR concludes that natural gas does not require price regulation as the market is working effectively to curb unnecessary price increases.

The entry of renewables and new metering technology is causing further disruption by increasing the number and complexity of offers and information. While new products may be beneficial for customers (including vulnerable customers) the choice and information may be overwhelming. Consumers increasingly need more personalised information and

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[3] Australian Energy Market Operator, 2017 "Update to Gas Statement of Opportunities."
[4] https://www.accc.gov.au/media-release/east-coast-gas-market-supply-imbalance-needs-to-be-addressed
[5] ATA, 2014 "Are we still cooking with gas" and Grattan Institute, 2014 "Gas at the crossroads Australia's hard choice."
[6] Energy Networks Australia, 2017 "Decarbonising Australia's gas networks."

assistance to make the right choice including understanding schemes available to them such as the Victorian Energy Efficiency Target Scheme.

Concerns about the impact of rising energy costs are not endemic to Victoria or Australia. The UK has similar issues and concerns and has been tyring various methods of regulation to protect vulnerable customers. In the ACCC's 2017 Network publication for the Utility Regulators Forum, Stephen Littlechild (Fellow at the Judge Business School, Cambridge University and Emeritus Professor at the University of Birmingham) examines the UK regulatory experience. He makes similar observations to that of the AEMC in the Australian market that increasing wholesale costs are driving price increases rather than a lack of retail competition.

Further, from his research, he observes that there no evidence that consumers are better off under price regulation. For example, in the UK there was no increase in customer switching when price cap regulation and price standardisation was introduced. Further, innovative products were forced out of the market that were unable to fit within the regulated framework which left some customers worse off. Littlechild concludes that rather than moving to price regulation, vulnerable customers can be assisted through increased government concessions, greater advisory services and giving suppliers discretion to offer targeted tariffs for vulnerable customers[7]. TGR support's Littlechild's conclusions in the context of the Victorian market.

1.1.1. Recommendations

We recommend:

- that the Victorian Government lift its ban on onshore gas exploration so that supply can be bought to market to put downward pressure on future gas prices and therefore consumer prices.
- that natural gas does not need price regulation as prices are constrained by competition:
  - with electricity by way of renewables, ability to switch to more efficient electrical appliances and emerging technology such as smart meters; and
  - LPG which is highly competitive with natural gas, particularly for small businesses using less than 1000 GJs per annum as a substitutable product
- that instead of pursuing price regulation that the Victorian Government divert further resources to directly assisting vulnerable consumers through increased concessions, increased information and assistance services and provide opportunity for retailers to offer tailored packages to vulnerable customers at their discretion (supports Review Recommendations 6 & 7); and
- if the Victorian Government does consider price regulation, it considers a sunset clause as they did in the UK to remove regulatory burdens if they are not found to benefit the market after a specified period of time.

[7] Australian Competition and Consumer Commission, "Network," Issue 63, June 2017

1.2 Price regulation may disadvantage small retailers which in turn may impact retail competition

Australia is going through unprecedented change in the energy sector. Rising natural gas prices, retiring coal fired generation and vast amounts of new renewable energy generation coming into the market are impacting the delivered price of energy for customers. Further, with high levels of market disruption, regulatory frameworks are also undergoing rapid change. In the gas market, the Gas Market Reform Group (established by the Council of Australian Government's Energy Council) has increased regulation for transmission and distribution pipelines and is currently implementing reforms to increase the liquidity of the east coast gas market. These reforms add complexity making it increasingly difficult for small retailers to participate in this market.

The proposed National Energy Guarantee currently proposes that it will be retailers who will be required to contract with, or invest in generation, storage or demand response to improve reliability of supply and to contribute to emission reduction targets[8]. As a result, lobby groups such as the Energy Users Association have flagged that small to medium sized retailers are at risk of leaving the market due to the cost of compliance.

TGR does not have the economies of scale or scope in which to disperse increasing regulatory and compliance costs of participating in the market. Due to the abovementioned challenges, it will be increasingly difficult for new small retailers to both enter and remain viable in Victoria. The loss of smaller retailers will dampen competition, reduce niche innovative products entering the market and will force increased concentration of customers to big retailers. These effects are likely to be detrimental to retail competition and to Victorian customers by increasing the concentration of market power. TGR considers that it is in the interests of the Victorian Government to consider how it may reduce regulation in the market place to allow small energy retailers to prosper and offer affordable products to Victorian consumers.

With the Victorian Government considering a regulated price, TGR is concerned that its relative small size (which impedes its economies of scale and scope) will be a disadvantage if it is treated in the same manner as larger retailers who may be vertically integrated with upstream generation and or gas supply and have substantially larger customer bases in which to spread their costs. In reviewing the consultation paper for the reference price methodology, it is evident that there will be issues regarding our unique circumstances and the application of a standardised reference price.

1.2.1 Recommendations

TGR recommends that if the Victorian Government does price regulate, it considers:

- the impact on small retailers of compliance and how these may be minimised;
- the impact that the loss of small retailers will have on competition and consumers; and
- the ability for small new entrants with innovative offerings to enter the market.

[8] Energy Security Board National Energy Guarantee Consultation Paper, chapter 2, page 10.

It is TGR's preference for reduced regulation for small retailers to allow it to establish a foothold in the market which is impeded by high regulatory costs.

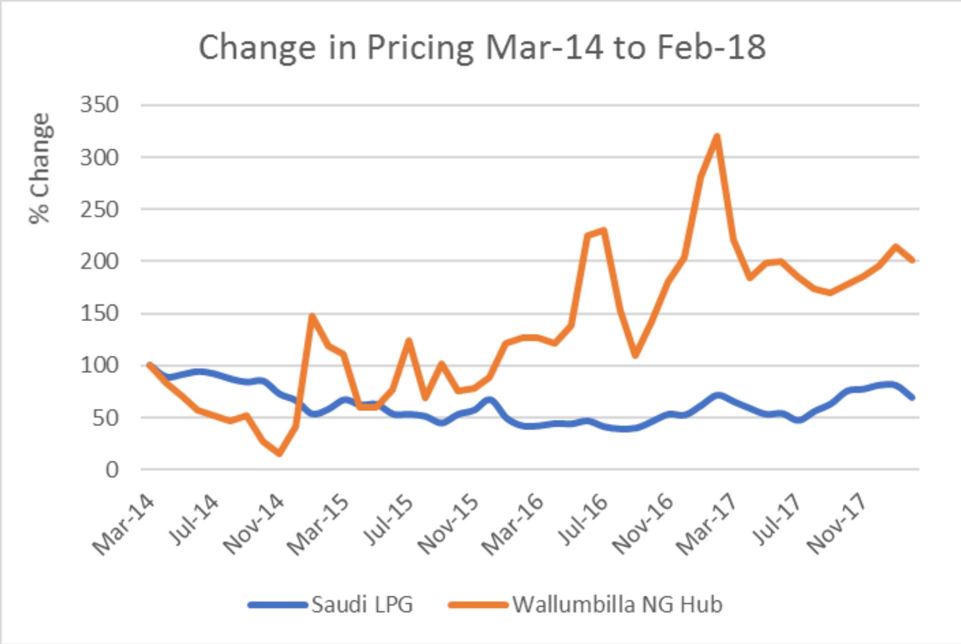
1.3 The requirement to make a basic offer available to customers where there is a single gas retailer may not be in the best interests of customers

TGR retails only to towns in regional Victoria where natural gas has only been available since 2017 with new towns being connected through 2018 as well. As a new fuel source, there is no established customer base. Each customer connected is challenging as we must create a value proposition to convince them to move away from their traditional energy sources, largely at their own cost of conversion. In these towns we are competing against electricity, LPG and wood to attract new customers to connect. We are the only retailer and due to the unique nature of gas compression (single meter from a distribution network) and transmission (via truck), direct competition may not eventuate.

As a small retailer with a single product in natural gas, it is our preference to have one price offer for our small retail customers. However, our main competition is from LPG who are regulated differently and are not required to publish a standing offer. As such when we publish our standing offers, the local LPG providers undercut our offers to maintain their customer base. This has forced us to provide market retail contracts for small commercial customers (in particular) to enable price competition with LPG. For residential customers we have only one offer, our standing offer which represents our most competitive price. We have found in the residential sector that LPG providers are less willing to sacrifice their margins.

Graph 1 shows the percentage change in LPG price versus natural gas (using Wallumbilla Hub). This shows the decline and stability in LPG pricing versus natural gas where the spot price has significantly increased. The effect of the price differential is that natural gas has lost its competitive foothold in the market versus LPG and the risk of customers switching to LPG away from natural gas is increasing. In entering regional Victorian markets where LPG has a reasonable presence, we have found that LPG providers are defending their market share through highly competitive pricing, particularly for customers consuming more than 100 GJs per annum.

Graph 1 – Graph showing indicative price of LPG in regional Victoria



Source: AER wholesale data, Saudi Aramco price (in $AU)

1.3.1 Recommendations

If the Victorian Government does seek to price regulate we recommend exemptions for single retailers in instances where there is low market penetration (for example less than 30%) to allow the establishment of new and innovative product offers to enter the market and increase price competition with existing products with substantial market share.

1.4 Exemption considerations

The Review categorises retailers as a largely homogenous with some notable large players. However, each retailer does offer a different value proposition to the market. Increased regulation will constrain differentiation in the market place with may disadvantage customers. We have demonstrated our own unique circumstance in the Victorian market. We are not a mainstream retailer and we do not have an established customer base. Therefore, if the Victorian Government is considering price regulation, it would be prudent to ensure that there are clear exemption options to allow innovation to occur in the market and reduce barriers to entry for small retailers.

In the UK, price regulation only applied to retailers with a customer base more than 250,000. Further, they found that the number of small retailers entering the market increased with reduced regulation[9].

It should be noted that TGR has an agreement with Regional Development Victoria regarding pricing for small retail customers. It is dependent on achieving reasonable penetration rates in each town upon which our price will be capped in relation to the

[9] Australian Competition and Consumer Commission, "Network," Issue 63, June 2017

standing offer of retailers in the nearest town connected to the declared transmission system.

1.4.1 Recommendations

We recommend that if the Victorian Government does seek to price regulate that it considers automatic exemptions such as:

1. requirement to publish a basic offer to only apply where a retailer has more than 250,000 customers or where market penetration is greater than 30%; and or
2. where there is an existing agreement regarding pricing with the Victorian Government, that this takes precedent.

2 Review recommendations 3

Recommendation 3 – Marketing information on prices to be easily comparable
3A Require retailers to market their offers in dollar terms, rather than as percentages or unanchored discounts.
3B Where the retailer knows the actual usage profile for a specific customer, the marketing to that customer to be based on the estimated annual costs of the offer for that customer, and the $ costs if conditions attached are not met.
3C The ESC to develop a small number of typical customer usage profiles (3–4) for use in standardised
marketing material (for 2,000 kWh, 4,000 kWh, 6,000 kWh per year).
3D Marketing of prices to appear in a standardised format and display the actual annual cost for the 3–4 standardised customer usage profiles. Annual energy costs for the standardised customer usage profiles to be the comparison rates in marketing materials.
3E The ESC to develop a standardised format for retailer information disclosure and marketing material.
3F Require retailers to notify a customer of the best offer available by that retailer, and reference the Victorian Energy Compare website, in advance of any price or benefits change.
3G Require retailers to include the following information on customer bills:
-- How the customer can access the Victorian Energy Compare website
-- How the customer can access the Basic Services Offer (see Recommendation 1)
-- The retailer's best offer for that customer based on their usage patterns
-- The total annual bill for that customer based on the customer's current offer and usage patterns.
3H Require marketing material and bills to provide GST-inclusive pricing.
3I The Victorian Government's customer engagement program to continue to focus on improving consumer awareness of the competitive market.
3J The Victorian Government's program to continue to enhance and promote the Victorian Energy Compare website and use of smart meter data.

TGR supports the following recommendations:

- 3A, 3C, 3F, 3H, 3I & 3J
- For 3C, we agree that developing some standard profiles maybe useful, however, as a small retailer, having to comply with standard marketing material may not be cost effective. We would like to have the profiles to refer to, however, we do not want them to be compulsory to contain within marketing materials.

- For 3G, we argue that at the point of offer, retailers are currently offering the customer the best energy package for that customer's circumstance. It is unclear how regulating the way these offers are made will improve the outcome for consumers other than increasing regulatory costs.

TGR has the following issues with regards to Recommendation 3:

1. the cost of compliance may make it unviable for small retailers to remain in the Victorian market – billing system augmentation and bill presentation costs are substantial (relevant to 3B, 3D, 3E, 3G & 3H) and
2. our main competition in establishing a customer base in Victoria is from LPG which does not have the same regulatory requirements to disclose prices on its marketing material (relevant to 3D & 3E)

2.1 Compliance costs and competition with LPG

We are concerned that increasing compliance in marketing and billing will translate to increased regulatory and compliance costs that will be passed through to customers. Further, there are cases such as ours in which we cannot see how the changes will benefit consumers. We consider that there are circumstances that warrant exemption from the proposed changes in recommendation 3. The Review drew its recommendations regarding customer empowerment and marketing in part from the banking sector regarding standardised mandatory comparison rate (page 56). That is fine where there are multiple direct competitors offering a largely similar product, however, there are instances, such as TGR's circumstances, where there is only one retailer with a single product.
TGR is projecting that it will have approximately 600 small retail customers by the end of 2018 across 9 dispersed rural towns in regional Victoria with a 10th town to come on in 2019. We expect future growth to be around 300 customers per annum up to 2023 after which the number of new customers will decrease (due to the limited size of each market). We have already invested hundreds of thousands of dollars in augmenting our billing system to comply with the current licence and retail code provisions as a cost of entry. The proposed marketing and billing changes, will lead to large one-off cost increases together with increase labour costs from increased compliance activities. Due to our small customer base, it is likely that these costs will not recoverable and therefore will be a loss to the business.

Further, some of the changes proposed such as inclusive GST pricing on bills we cannot change for one jurisdiction and will require us to change our billing format in other States in which we operate. While we have referred to GST as an issue, we acknowledge that it is a requirement of the ACCC that consumer pricing, when given in components, should be inclusive of GST[10]. We are supportive of changing our billing structure per recommendation 3H. We believe this change to our billing system will be possible but have not assessed the cost to implement and the cost of notifying our customers of this change.

While we understand the intent of Recommendation 3B, practically we see issues in its implementation for direct mail (generic offerings) and for one on one discussions with customers. If direct mail marketing needs to be customised to existing customers, the cost

[10] https://www.accc.gov.au/business/pricing-surcharging/displaying-prices

of this will be prohibitive, particularly for small retailers. For one on one calls with customers, to provide efficient customer service, we will need some effective way of automatically generating an annual estimate based on actual historical use. This is not a standard feature of our billing system. The alternate is a manual process of looking up a customer's account and then pulling out a calculator to calculate their annual costs. However, we consider that this will result in an unsatisfactory customer experience. It would be a poor experience in terms of the time it would take for a manual calculation, the potential for errors, the time needed to add the information manually to the customer's account notes and the pass through of costs from increased labour required for compliance.

From our recent experience in augmenting our billing system for the Victorian market, we estimate that automation of this function will cost between $100,000 - $200,000. With an estimated 600 customers heading into 2019, it will be impossible to recover these costs from the market together with exceeding the revenue generated from the market. Therefore, we recommend that exemptions be provided to small retailers where the cost of augmentation outweighs the benefit.

Recommendation 3G only has relevance if there are more than two offers. For example, we have a single standing offer for our residential customers so no comparison information is needed. Our small business customers have a choice of a standing offer or market retail contract. Therefore, our small business customers can easily compare their market retail contract with the current standing offer. We recommend that the Victorian Government provide exemptions to retailers with only two offers per residential and per small business customers.

As we are competing with LPG, the information we provide to customers will be different from retailers with direct like fuel competition. TGR also differs from other retailers who may have a high focus on switching existing customers from another retailer. Our primary motivation is to attract new customers to the network and to offer attractive pricing to minimise future switching to LPG or replacing their natural gas appliances with electric ones. TGR is concerned that regulated marketing materials may not only increase our costs of operation but may not be useful to customers.

For example, relevant information for our customers is how to compare their LPG price with natural gas price (ie convert cents per litre to megajoules). Secondly customers are interested in how they work out volume comparisons between the number of LPG cylinders used per annum versus estimated natural gas usage. After price and volume considerations our prospective customers want to know about conversion costs and buying new appliances. Therefore, our marketing materials also seek to address these issues from time to time. Further, to assist our small retail customers we are also working with local gas fitters and appliance retailers to co-promote offers to customers. Standardising marketing information is unlikely to be beneficial in the markets in which we operate.

As previously outlined, TGR's presence in regional Victorian towns has been beneficial to the community as LPG providers have dropped their prices to be competitive. Due to our size and simple offering, we initially offered standing offers only. However, we found that LPG providers would reference these and would quickly undercut our prices when customers threatened to leave. In the small business market, this behaviour forced us to offer market retail contracts to improve competition.

LPG is largely a substitutable fuel in the communities in which we retail. That is there are no embedded network considerations and our customer base largely comprises standalone dwellings with space to store LPG cylinders. Standardisation of information will allow our LPG competitors to have insights into our business and marketing that is not reciprocated. As outlined earlier, our presence in rural Victoria has been highly beneficial for these communities by putting downward pressure on high LPG prices. This has been achieved by increased competition, not increased regulation.

2.1.1 Recommendations

We recommend that the Victorian Government provide the following exemptions for small retailers:

- Recommendation 3B – exemption if costs of augmentation outweigh benefits to consumers.
- Recommendation 3D – automatic exemption for retailers with no direct retail competition;
- Recommendation 3E – automatic exemption from a standard format for retailers with no direct retail competition;
- Recommendation 3G – automatic exemption where there are no more than two offers available to both residential and small business customers (each);

3 Review recommendations 4 - 11

TGR supports Recommendations 4 – 11 as stated.