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Peter Naughton
Manager, Market Development
DOI Energy and Security Division
80 Collins Street
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12 July 2005

Proposed Arrangements for the VENCORP MSO Rules

Dear Peter,

I refer to Richard Bolt's letter dated 28 June 2005 to Greg Martin, AGL's Managing Director.

AGL understands that the industry-agreed changes through the GMCC consultative process to the MSOR, which will bring in Stage One of the Pricing and Balancing Review (PBR), will be implemented by Order in Council with reliance on clause 52(5) of the Gas Industry Act 2001. The Order in Council relating to the Stage One MSOR modifications will be enacted in August or September of this year. AGL further understands that future changes to the MSOR beyond that required to usher in Stage One will be referred to the Australian Energy Market Commission (AEMC) for approval and that the AEMC process will replace authorisation of the MSOR under the Trade Practices Act.

AGL understands that the prime drivers for the proposed arrangements are (1) to streamline the regulatory approval process, and (2) to align the regulatory process in gas with the new legislative/regulatory structure that applies in electricity. AGL is pleased to endorse this proposal on the basis that it will hasten the timeframe associated with changes to regulatory instruments, thus reducing the period of regulatory uncertainty that may impede changes to systems and industry processes.

AGL looks forward to the forthcoming consultation by your office in relation to the Order in Council which will give effect to the changed arrangements for the Victorian gas market.

Should you have any queries in relation to this correspondence, please call George Foley on (03) 9201-7309.

Kind regards,

A handwritten signature in blue ink that reads 'Jeff Dimery'.

Jeff Dimery

General Manager Victoria