

PROPOSED REVISIONS TO ACCESS ARRANGEMENT BY GPU GASNET FOR THE SOUTHWEST PIPELINE

Response to the Commission's Draft Decision by The Australian Gas Light Company

In its draft decision dated 11 May, file no. C2000/1412, the Commission proposes not to approve the proposed revisions to the PTS access arrangement. The Commission recognises that the Southwest Pipeline generates some system-wide benefits but is not persuaded that the proposed increase in Longford injection tariffs is justified. The Commission further notes that the circumstances of GPU GasNet's proposal do not require the Commission to indicate what changes would be needed to gain its approval. The draft decision is therefore simply to reject GPU GasNet's proposed tariffs for the Southwest Pipeline.

AGL, along with the majority of other parties which made submissions in response to GPU GasNet's application and the Commission's issues paper, supported the proposed tariffs. While we are disappointed that the Commission has taken a different view, we accept that the quantification of system wide benefits is not easy with currently available information. We do not take issue with the Commission's conclusion that it is not clear whether those benefits justify the proposed increases to existing tariffs.

It is a matter of concern, however, that the draft decision would leave the Southwest Pipeline without any reference tariff until the current PTS access arrangement expires at the end of next year. We draw the Commission's attention particularly to the fact that GPU GasNet's proposal, in addition to introducing a tariff for the injection of Otway Basin gas, provided for shippers to ship gas westwards through the Southwest Pipeline.

It may be the case that existing users of the Southwest Pipeline will be largely unaffected by the absence of a reference tariff. Those shippers utilising the pipeline in conjunction with the underground storage facility will presumably continue to operate under their existing contracts with GPU GasNet. By contrast, however, the draft decision would require AGL and other retailers seeking to compete in the retail gas markets of Western Victoria to negotiate interim arrangements with GPU GasNet to cover the period until the new access arrangement comes into force.

We acknowledge that in this situation section 2.35 of the Code does not require the Commission to nominate amendments that would be needed in order for approval to be granted. Nevertheless, AGL requests that the Commission form a view whether a reference tariff is desirable for withdrawals of gas from the PTS at Iona, and give an indication to GPU GasNet whether it would approve a revised application covering the proposed Withdrawal tariff for the new Southwest zone.