

4 October 2004

Mr Mike Buckley
General Manager
Regulatory Affairs Division– Gas
ACCC, GPO Box 3648
Sydney NSW 1044

Dear Mr Buckley

Re: Revisions to the GasNet System Access Arrangement

AGL welcomes the opportunity to comment on GasNet’s proposed revisions to the Access Arrangement covering the GasNet System in Victoria.

AGL understands there are four main changes proposed. AGL provides comments on each of these below.

1. Price control formula

AGL supports GasNet’s proposal to ensure that any over-recovery of the maximum average revenue in any year is returned to users over the remainder of the access arrangement period, rather than all in the year following the over-recovery. This should also apply to any under recovery.

This will provide both GasNet and users with less volatility in their revenue and costs each year.

2. Transmission refill tariff

AGL agrees with GasNet’s view that participants who inject gas into the Iona facility and then withdraw gas into the SEAGas pipeline, should pay the same tariff as if it were withdrawn directly from the GasNet System into the SEAGas pipeline. The purpose of the lower underground storage tariff should be to encourage participants to store gas which can be used at peak times. This behaviour benefits the entire market by decreasing the likelihood of gas shortages.

However, AGL notes that GasNet’s proposal states:

“...when gas is injected from the storage into the GNS, GasNet will provide a rebate on the injections to bring the original withdrawal tariff down to equal the special Transmission Refill tariff.”



The rebate effectively raises the current rate users pay for gas injected into underground storage and reinjected into the GNS. This is due to the fact that the rebate will be paid sometime after the gas was first injected, thereby causing retailers to forego the benefit from the lower tariff for a period of time. It is important to note that it could be a reasonable period of time before this gas is reinjected into the GNS.

AGL notes that GasNet's revision proposes that users which inject gas into underground storage and then withdraw into SEAGas will be paying more and therefore could be providing GasNet with a substantial over recovery.

AGL would support GasNet's requested changes if users which reinject gas into the GNS, are not disadvantaged and that any over recovery is paid back to users, thereby effectively maintaining tariffs between GNS and UGS at their current levels.

3. Forecast volumes

AGL supports the alteration of GasNet's forecast volumes (on which tariffs are based), in light of the new weather standard adopted by VENCORP in November 2003. This will ensure that there is consistency between VENCORP and participant forecasts.

4. Rules governing the alterations to tariffs

AGL supports GasNet's proposal to allow GasNet to resubmit their tariff adjustment based on any decisions the Commission makes to revise their revised access arrangement. In this regard, the Commission should maintain its discretion in assessing any submissions by GasNet.

If you have any queries, please contact Michelle Shepherd, Manager Market Development, on ph: 03 9201 7232.

Yours sincerely

Mike Bailey
General Manager, Wholesale Energy