

28 February 2001

Ms Kanwaljit Kaur
General Manager
Regulatory Affairs - Gas
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

Dear Ms Kaur

Draft Decision – Access Arrangement by East Australian Pipeline Limited for the Moomba to Sydney Pipeline System: Submission by AGL Wholesale Gas Limited

AGL Wholesale Gas Limited have reviewed the Draft Decision on Access Arrangement by East Australian Pipeline Limited (EAPL) for the Moomba to Sydney Pipeline System and our comments are attached.

We trust this submission will assist the Commission in reaching its Final Decision on the EAPL Access Arrangement.

If you have any questions regarding our comments, please contact Kevin Windybank, Manager Gas Contracts, on (02) 9712 6276 or email kwindyba@agl.com.au.

Yours faithfully

Phil James
General Manager Business Strategy

**Draft Decision – Access Arrangement by East Australian Pipeline Limited (EAPL)
for the Moomba to Sydney Pipeline System: Submission by AGL Wholesale Gas
Limited (AGLWG)**

1. Reference tariffs for laterals (Amendments A2.10 and A2.11)

AGLWG notes that the Commission has determined that the reference tariffs applicable to any segments of the MSP should be no higher than tariffs consistent with that segments tariffs based on DORC (plus operating and maintenance costs) and that EAPL should introduce more cost reflective tariff structure by dispensing with the phasing in of the lateral tariffs.

The Commission appears to have accepted the initial proposals by EAPL to segregate the pipelines into mainline and laterals and has proposed to accept the 100 km cap on lateral tariffs proposed for the initial access arrangement period.

There have been submissions that have argued for full cost reflective tariffs for laterals based on the principle of ‘user pay’ and state that it is inappropriate for Sydney customers to subsidise assets they do not use.

The Commission notes that incremental costs and stand-alone costs define the lower and upper bounds in assessing the extent of any cross-subsidies. It is not clear that there is a cross-subsidy from mainline users to lateral users.

AGLWG proposes that there be a single distance based tariff for the entire existing pipeline system provided that such approach does not result in reference tariffs that are below incremental costs or exceed the stand-alone costs. AGLWG believes that such an approach will ensure:

- that there are no price shocks to customers,
- simplicity of recognition in terms of the tariff,
- ease of administration,
- ease of marketing of services,
- assistance in regional development, and
- increased penetration of gas in country areas thereby increasing contribution towards costs of laterals.

AGLWG stresses that this proposal relates to the current pipeline system and that any proposed new laterals will need to be justified commercially with an appropriate reference tariff.

2. Removal of rebatable services – WFT, OFT, and IT (Amendment A3.1)

AGLWG notes that the Commission requires EAPL to remove rebatable services known as the Winter Season Firm (WFT), Off Season Firm (OFT) and Interruptible (IT) services from the proposed access arrangement.

AGLWG concurs with the Commission's proposed amendment but suggests that an interruptible transportation service be offered as a reference service. The nature of this service may take the following form:

- the term for the service be a minimum of one month and a maximum of one year
- the service be subject to capacity being available and be subject to whole or partial interruption at any time or by the user on short notice
- the service be available at a premium at say, 110 to 130 % of the Firm Transportation Reference Tariff

AGLWG supports that the Negotiable Service be maintained in the access arrangement to meet the requirements of prospective users where circumstances vary significantly from those conditions on which reference tariff for reference services is based. The ability of EAPL to provide a special "start up" tariff to a new industry should also be encouraged.

3. Access arrangement provisions prevail over all other current and future documents relating to provision of access (Amendment A3.2)

The Commission requires that in order for EAPL's access arrangement for the MSP to be approved, the access arrangement must clearly specify that the access arrangement provisions in general, and specifically, attachments 3 and 4 of the access arrangement prevail over the term sheets, standard service agreements, EAPL's nominations and balancing procedures and any other existing or future documents relating to the provision of access.

With respect to nominations and balancing procedures, the NSW gas industry has chosen to provide for industry agreed arrangements to prevail over those provided for in AGL Gas Networks Limited's (AGLGN) access arrangement. The procedures defined as "fallback" arrangements will only apply if any industry accepted arrangements are not in place. The AGLGN access arrangement also provides for variation the nominations and balancing procedures over time acknowledging the evolving nature of full retail contestability in NSW.

Nominations and balancing procedures adopted on the network and those upstream need to complement each other.

AGLWG therefore proposes that only the principles of nominations and balancing process be defined in the access arrangement, and if required a "fallback" arrangement be provided for in the access arrangement. The access arrangement

should provide for changes to nominations and balancing arrangements with prior industry consultation.

4. Operational and balancing provisions (Amendment A3.6)

The Commission requires that EAPL include in the access arrangement a provision that the proposed review of operational and balancing provisions and charges will be conducted within six months of approval of the access arrangement by the Commission.

AGLWG supports the proposed amendment and hopes that this process will provide the users with the opportunity to provide input into the development of reasonable and equitable operational requirements and balancing provisions.

AGLWG shares the Commission's concern for greater clarification of the operational requirements and balancing provisions in Attachment 4 of the access arrangement. AGLWG recognises that the current procedures are provisional and are subject to amendment as operational practices are improved and the as the upstream and downstream arrangements change.

AGLWG understands that the suggested imbalance tolerance limits and time periods defined in Attachment 4 of the access arrangement relate to a user's aggregate quantity transported through the pipeline. AGLWG would be concerned if the tolerance limits applied on an individual delivery point basis. Tight tolerance limits for small country delivery points are inappropriate.

5. Exclusion of EAPL's right to obtain commercially sensitive information (Amendments 3.9 and 3.11)

EAPL under its proposed access arrangement requires a prospective user to reasonably demonstrate that it has made appropriate arrangements for upstream and downstream transport and supply of gas. The Commission requires amendments to limit EAPL's ability to obtain commercially sensitive information.

AGLWG supports this amendment, however it is of the view that it is critical that all users on the pipeline have appropriate arrangements in place for the supply and transport of gas upstream and downstream. Absence of appropriate arrangements can result in inaccurate allocation of gas to users potentially resulting in undue costs or financial penalties to those users.