



11 September 2009

Mike Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator GPO Box 3131
Canberra ACT 2601

By email to: nswactgas@aer.gov.au

Dear Mr Buckley

APA Submission on the ActewAGL Distribution Network Access Arrangement Proposal for the ACT, Queanbeyan and Palerang Gas Distribution Network

This submission focuses on the forecast of new capital expenditure to allow construction of the Hoskinstown Fyshwick Loop (HFL) which will create sufficient storage to ensure security of supply for the gas networks in the ACT and Queanbeyan.

APA Group (APA) is of the opinion that the ActewAGL proposal does not sufficiently demonstrate that the HFL is the lowest cost option to achieve the required level of security of supply. APA considers that more detailed evaluation of options involving the Moomba Sydney Pipeline and Dalton to Watson lateral will demonstrate that the required level of security of supply can be achieved at a significantly lower cost.

APA makes no comment on any other parts of the Access Arrangement proposal, nor whether ActewAGL has demonstrated a need for investment to provide such security of supply.

APA and its Relationship with ActewAGL

APA is an Australian energy transmission company with interests in almost 12,000 km of natural gas pipeline infrastructure and over 2,800 km of gas distribution networks in Australia.

APA owns and operates the Moomba Sydney Pipeline (MSP) that delivers the majority of gas to the ActewAGL gas networks via the Dalton to Watson lateral. Through the Albury – Culcairn Interconnect, the MSP connects to the Victorian Transmission System which is also owned by APA. Accordingly, the MSP delivers gas from production fields in South Australia, Queensland and Victoria.

The ActewAGL Gas Network is also supplied by the Eastern Gas Pipeline (EGP) at Hoskinstown. The EGP is owned and operated by Jemena, which also owns 50% of the ActewAGL ACT and Queanbeyan network and operates this network. The EGP transports gas from Bass Strait.

The MSP and EGP compete to transport gas to various demand centres, including the ACT and Queanbeyan.



Proposed Hoskinstown – Fyshwick loop

The HFL is forecast to cost \$134.3 million and involves a 21 kilometre loop of the Hoskinstown to Fyshwick trunk main. The HFL will store gas delivered into the network from the EGP. It is unclear whether gas stored in the HFL could be re-delivered into the EGP or would displace service requirements on the EGP.

The justification for the forecast capital expenditure is described as the creation of pipeline storage of approximately 88TJ for security of supply purposes.

APA Comment

In their current configurations, both the MSP and EGP have the design capacity to independently meet gas demands in the ACT and Queanbeyan network for most days in the year. With some infrastructure augmentation, both pipelines would be able to independently meet peak day demands in the ACT and Queanbeyan network.

Consequently, through being served by two major transmission pipelines, the ActewAGL network has a relatively secure supply.

On the basis of information provided with the Access Arrangement proposal, APA considers that there are more cost effective solutions to provide security of supply, with the most obvious alternative being based on the enhanced utilisation of the existing large diameter MSP pipeline. This could be achieved, for example, through the installation of an additional compressor at Young on the MSP mainline and on the Dalton to Watson lateral. Suitable arrangements could be developed to provide ActewAGL with comfort that the capacity provided by the compressors would be made available to provide the required level of security of supply for the ACT and Queanbeyan.

APA estimates that such a storage option could be substantially less expensive than the option proposed in the revised Access Arrangement. .

Such a solution will also improve ACT security of supply from a gas production perspective. The MSP can receive, and therefore store, gas produced in South Australia, Queensland and Victoria. Accordingly, Victorian gas could be utilised in the event of a failure at Moomba or in Queensland (or vice versa). In contrast, the HFL will only receive and store gas from Victoria.

APA has commenced preliminary discussions with ActewAGL regarding the various potential storage options utilising the MSP.

Please contact me if you wish to discuss this submission.

Yours faithfully

Sandra Dureau
General Manager Regulatory