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27 November 2006

Mr Mike Buckley
General Manager
Network Regulation North
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

By email

Dear Mr Buckley

RBP and Capital Contributions

We refer to your letter of 24 November 2006, where you sought comment from APTPPL on recent correspondence to the Commission by Energex (Sun Retail) and Origin Energy which related to the role of capital contributions in determining the initial capital base (ICB) for the Roma to Brisbane Pipeline (RBP).

In relation to capital contributions APTPPL believes that the Code provides a remedy for specific users who may have paid capital contributions via arbitration, not an adjustment to the ICB, which in turn applies to all users. An adjustment to the ICB, even if warranted or permitted under the Code, favours users who may not have paid capital contributions in the past, and to this extent may provide non-cost reflective price signals.

In response to specific issues raised by respondents:

Origin: Origin appears to broadly agree with APTPPL's position and consequently APTPPL has no comment;

Energex: Energex (Sun Retail) appears to oppose APTPPL's position by relying on the following decisions:

- IPART Final Decision – Revised Access Arrangement for AGL Gas Networks, April 2005
- ICRC Final Decision – Review of Access Arrangement for ActewAGL gas system in ACT, Queanbeyan and Yarrowlumla, October 2004
- QCA Final Decision – Revised Access Arrangement for Gas Distribution Networks: Allgas Energy, May 2006

- QCA Final Decision – Revised Access Arrangement for Gas Distribution Networks: Envestra, May 2006

None of these decisions relate to setting an ICB under s8.10 of the Code. Rather, these decisions relate to taking a previously determined capital base and rolling it forward for the next access period. In this roll-forward, capital contributions that were made in the previous regulatory period do not form part of the capital base as it is being rolled-forward. These decisions are silent on the treatment of any capital contributions made prior to the determination of the ICB, although APTPPL notes that in the 1997 determination of the AGL Gas Networks ICB IPART explicitly considered and rejected the recognition of capital contributions in the determination of the ICB.

APTPL believes the issues raised by Energex are not relevant to the determination of the ICB under section 8.10 of the Code.

In the context of historic capital contributions, Energex also raises the issue of tariffs for potential expanded capacity. APTPL believes historic capital contributions and future capital expansion are separate issues and therefore no weight should be given to this submission.

Feel free to contact me on 96930038 to further discuss this issue.

Yours sincerely

Stuart Ronan
Regulatory Manager

