

Allgas Energy Pty Limited
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Allgas Energy Pty Limited
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Allgas Toowoomba Pty Limited
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10 June 2014

Mr Peter Adams
Acting General Manager—Wholesale Markets
Australian Energy Regulator
PO Box 520
Melbourne Vic 3001

Dear Peter,

Application by AGL for recovery of NSW ROLR system establishment costs

On 8 October 2013 AGL submitted a default retailer of last resort (RoLR) cost recovery application to the AER. The AER sought additional information from AGL, and AGL completed this request on 8 April 2014.

Key aspects of the AER application include:

- AGL Sales Pty Limited asserts that it is the default RoLR for gas customers in NSW who are connected to the gas distribution system of Allgas Energy Pty Limited.
- AGL's application for preparatory RoLR capability is seeking \$48, 917.00 cost recovery.
- AGL proposes to recover costs through the distributor payment determination.

AGL proposes to recover costs through the distributor payment determination. The proposed quantum of the distributor payment is to be split equally between each of the four affected networks. The proposal is equal division because the RoLR preparatory costs are all fixed costs and independent of customer volumes. This equates to in the order of \$12,000 each distributor business; clearly not a material impact.

Allgas Energy serves approximately 1200 customers in Tweed Heads and Banora Point, NSW.

Allgas Energy accepts that AGL should be entitled to recover the default ROLR establishment costs, and accepts that the costs are reasonably incurred. Allgas also accepts that the quantum of costs to be passed on to each distributor is not material.

However, AGL's application includes a minor error - it is indeed not the default RoLR for gas customers in NSW who are connected to the gas distribution system of Allgas Energy Pty Limited. In 2011 Allgas sent information to DTIRIS requesting that the relevant NSW NECF regulations exclude Tweed Heads and Banora Point because these networks whilst geographically located in NSW, were operated from Queensland.

The NSW Government agreed, and per regulation 18(2) of the *National Energy Retail Law (Adoption) Regulation 2013*, Allgas Energy Pty Ltd has been excluded from compliance with

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the NSW application of NECF on the basis that this entity will comply with the *Gas Supply Act QLD 2003*.

In summary the Queensland ROLR provisions apply to Allgas customers served in NSW. Allgas accordingly should not bear the costs (as reasonable and immaterial as they are) of establishing NSW ROLR arrangement which do not apply.

Please do not hesitate to contact Scott Young on (02) 9275 0031 should you wish to discuss this matter.

Yours sincerely

A handwritten signature in blue ink, appearing to read "P. Bolding", is written over a light blue horizontal line.

Peter Bolding
General Manager, Regulatory and Strategy