Gas Networks

countryenergy

Ref: *JC:JC:C1213531*

12 February 2010

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

Dear Mr Buckley

Country Energy Gas Networks' Revised Access Arrangement Proposal for the Wagga Wagga Natural Gas Distribution Network 1 July 2010

Country Energy Gas Networks appreciates the opportunity to make further submissions in relation to its revised Access Arrangement proposal for the Wagga Wagga natural gas distribution network (the revised proposal).

Overruns

In reviewing the revised proposal, Country Energy Gas Networks has identified a minor inconsistency between the Overrun provision in clause 10.2.4(d) of the Access Arrangement and clause 8.1.3 of the Access Arrangement Information. Clause 10.2.4(d) of the Access Arrangement should be amended to read as follows:

> 'If an *Overrun* that has not been authorised occurs more than three times in any one month or a maximum of five in that *Year*, then *Country Energy Gas* will reset the *MDQ* established in accordance with section 10.2.3 to a level consistent with the highest unauthorised *Overrun* that occurred in that month or, in the case of the fifth unauthorised *Overrun* in that *Year,* the month in which the highest unauthorised *Overrun* occurred. The revised *MDQ* shall be used to calculate *Capacity Charges* for the remaining duration of the *Agreement* including the month in which the unauthorised *Overruns* occurred.'

This effectively means that amendment 12.26 of the Australian Energy Regulator's (AER's) draft decision would now not be fully incorporated by Country Energy Gas Networks. Country Energy Gas Networks is of the view that the highest unauthorised Overrun in a year is the most appropriate MDQ to be used to ensure the efficient and effective operation of the pipeline.

Labour Cost Escalators

In the revised proposal, Country Energy Gas Networks set out its reasons for not accepting amendment 3.5 of the AER's draft decision. As foreshadowed in the revised proposal, Country Energy Gas Networks was to provide an updated report from KPMG Econtech detailing labour cost forecasts to be used in escalating operating and capital expenditures over the Access Arrangement period commencing 1 July 2010. This report is now submitted to the AER and can be found at Attachment 1.

The forecast annual real labour cost growth rates from table D2 of the KPMG Econtech report should be used by the AER when escalating operating and capital expenditures for their final decision, and will necessarily result in consequential changes to other aspects of the revised proposal.

Demand Forecasts

In late January 2010 Country Energy Gas Networks was informed that a contract customer had requested deactivation of its gas connection. Consequently, the demand forecasts summarised in table 8 of the revised proposal will need to be reduced.

Below is an amended table 8, taking into account the loss of this contract customer. Consequential changes will need to be made to the post tax revenue model and cost of supply model for the AER's final decision.

***Customers* (No), Volume (*GJ*)**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Volume load forecasts					
Volume Customers	18,959	19,249	19,539	19,829	20,119
Total volume load	905,392	917,699	928,016	939,215	950,339
Contract load forecasts					
Contract Customers	14	14	14	14	14
Bomen zone load	461,372	461,193	461,013	460,834	460,655
Central/Fringe zone load	184,972	184,802	184,632	184,461	184,291
Total contract load	646,344	645,995	645,645	645,295	644,946
Total load	**1,551,736**	**1,563,694**	**1,573,661**	**1,584,510**	**1,595,285**
Contract *MDQ*					
Bomen zone MDQ	2,884	2,884	2,884	2,884	2,884
Central/Fringe zone MDQ	1,084	1,084	1,084	1,084	1,084

Table 8 – Total forecast load for the *Access Arrangement*

Country Energy Gas Networks would be pleased to discuss this submission further.

Should you require additional information or clarification please feel free to contact Jason Cooke on 02 6338 3685.

Yours sincerely

Natalie Lindsay
General Manager Regulatory Affairs and Revenue Systems

Att. 1.