



20 February 2001

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

Dear Ms Kaur,

**Re: Comments on the Access Arrangements  
for the Roma to Brisbane Pipeline**

Energex Retail Pty Ltd (ENERGEX) appreciates this opportunity to submit its concerns regarding the provisional access arrangements tendered for the Roma to Brisbane Pipeline (RBP).

- Access Arrangement Information Disclosure

As noted in the ACCC issues paper, the pipeline owners have provided only category five information (providing no supportive financial information as an aid to likely tariff derivation / validation) which fails to comply with the minimum information requirements as stipulated in the CODE (National Third Party Access Code for Natural Gas Pipeline Systems). Given past reviews for the RBP (undertaken by the ACCC for the NCC) have indicated that likely rates of returns are significantly higher than could be expected in the circumstances and are potentially inconsistent with the pricing principles of the CODE, ENERGEX believes that greater access to information is essential to ensure opportunity to negotiate appropriate tariffs and gain long term confidence in transportation costs for the system. The fact that the tariffs for the first two tranches of capacity in the pipeline have been derogated by the Queensland Government and hence information requirements have also been exempted only compounds the problem in identifying necessary information to ensure an equitable pricing treatment for the third tranche of capacity.

- RBP Transportation Tariffs

ENERGEX currently pays a high transportation price compared to other pipelines for gas delivered to South East Queensland (SEQ) via the RBP and that this point has been identified by a number of organisations (ACCC, NCC). ENERGEX believes that it is imperative that the proposed Access Arrangements go some way to providing greater transparency towards understanding these costs and ensuring that new capacity is available at appropriate and justifiable pricing configurations.

The proposal for no reference tariffs for any new customers (only negotiated tariffs) on the top tranche of RBP capacity and a lack of reference tariff principles for any new capacity is inconsistent with the intent of the CODE. ENERGEX believes that this is a fundamental deficiency in the proposed

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Access Arrangements as why should the pipeline owner be allowed to support effectively an unregulated tranche of capacity on the pipeline. How can any prospective user negotiate transportation rights with any certainty if there is no reference tariff as a starting point or supportive information to substantiate an alternative commercial position?

- Revenue Sharing Mechanism

The Access Arrangements propose no revenue sharing mechanism eg, in the event that substantial new capacity and or services are taken up, then none of the foundation shippers would see any reduction in their current tariff. The excess revenue would go straight to the pipeline owner – without regard for the significant (tens of millions) dollars ENERGEX (through Allgas) and the other foundation shippers have paid over the years. The lack of any limit on the rate of return for pipeline owners provides an open ended opportunity for additional non regulated revenues to be developed by the pipeline owners without any benefit flowing back through tariff structures (or other such means). Revenue sharing mechanisms are not new and have been proposed by many pipeline owners as a means of adjusting transportation cost in line with the revenue potential for the pipeline. ENERGEX believes that given the perceived rate of return noted for this pipeline it is believed that a revenue sharing policy would be an appropriate mechanism to compensate transportation pricing for the contracted users when above normal revenues are generated from the pipeline system.

- Trading Policies: System Use Gas and Line Pack

Little mention is made of how allocations of Line Pack (LP) and System Use of Gas (SUG) are made. At present the allocation method for LP and SUG is impenetrable to current users. Nor has any provision been made for allocating gas at SEQ gate stations to multiple parties or for additional delivery points on current contracts. The general treatment of these issues has been vague, restrictive and inflexible. Much of the discretion lies with the pipeline owner who under his interpretation of “reasonable commercial and technical grounds” arbitrates activities between pipeline users and their contracted services. ENERGEX believes that a more tangible means must be developed to facilitate these interactions other than relying on vague definitions and interpretations by the pipeliner who at many times will have a conflicting interest in the potential outcome.

Should there be any questions in regard to the points raised above please don't hesitate to contact this office for further clarification.

Yours sincerely

Dennis Cucchiaro  
Energy Regulation Manager  
ENERGEX Retail Pty Ltd