21 October 2016

Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted by email: rbp2017@aer.gov.au

Dear Mr Anderson

Roma (Wallumbilla) to Brisbane Pipeline – Access Arrangement 2017-22

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Roma to Brisbane Pipeline (RBP) Access Arrangement Proposal 2017-22. As a large transmission pipeline servicing both a major demand centre and key trading point on the east coast, the RBP Access Arrangement will play an important role in facilitating further gas market development over the outlook period.

Under the fully regulated framework, it is essential the Access Arrangement addresses the needs of users and ensures all revenue requirements, associated tariffs and charges, and non-price terms and conditions are reasonable, justifiable, cost-reflective and transparently determined. Such outcomes are in the long-term interests of consumers and promote the National Gas Objective (NGO).

In this context, it is clear efforts have been made by APT Petroleum Pipelines Pty Limited (APTPPL) to account for changes in underlying gas market dynamics and demand for services. But Origin has identified a number of elements within the proposal that warrant further consideration by the Australian Energy Regulator (AER), as discussed below.

Removal of the throughput charge

Setting reference tariffs at the appropriate level is critically important, particularly given they form the basis for negotiating all other RBP services and their rates. But the structure of reference tariffs must also be carefully considered to ensure charges are efficiently and equitably allocated to market participants. The proposed transition to a 100 per cent capacity charge for the Short Term Firm Service (STFS) and Long Term Firm Service (LTFS) is highly relevant in this regard.

A throughput charge is generally applied to account for the incremental and variable costs of transporting gas. As such, the rationale for removing this element and proceeding to a single capacity based charge is unclear. Careful consideration should therefore be given to ensuring there is a justifiable link between the structure and level of the tariffs and their underlying cost drivers.

Capacity trading provisions

It is not clear why the capacity trading provisions included within the proposed Access Arrangement are only applicable to the LTFS. Where a market participant pays for firm capacity (whether on a short or long term basis), Origin believes they should not be precluded from trading that capacity. Such an approach will assist with facilitating more flexible access to gas supply and is consistent with the broader direction of gas market reform on the east coast.

Queuing

Origin is open to considering opportunities for improving the queuing process, noting we do not consider the current first come first served policy to be fundamentally flawed. But Additional information is necessary to determine whether concerns previously raised by the AER around the appropriateness of an auction regime (as proposed by APTPPL) have been adequately addressed. Further, additional consideration would need to be given to the rationale for ranking bids for capacity on the basis of net present value (NPV), since market participants could simply structure bids in a way that inflates the NPV of their offer. This could undermine the overall intent of the auction process, which is to facilitate more efficient allocation of spare or developable capacity.

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at shaun.cole@originenergy.com.au or on 03 8665 7366.

Yours Sincerely,

Steve Reid
Manager Wholesale Regulatory Policy

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