

**Minutes of the Queensland public forum on APT Allgas and
Envestra access arrangement revision proposals (1 July 2011 to 30
June 2016)**

28 October 2010

Location: Mercure Brisbane
85-87 North Quay
Date: 28 October 2010
Forum chair: Warwick Anderson
Attendees: (see appendix 1)

1. Introduction of APT Allgas

Warwick Anderson opened the forum and introduced APT Allgas

2. Presentation by Scott Young (APT Allgas), John Ferguson (APT Allgas)

3. Questions and discussion

Moston Neck- Noting APT Allgas' view of gas as a 'fuel of choice' and the apparent strong price competition between gas alternative fuels, how does APT Allgas justify its expenditure proposals that would push gas prices up?

Scott Young- APT Allgas recognises that there is a constant tension between required price increases and the forces of competition. Where price increases are proposed, APT Allgas considers they are necessary to provide a reliable and safe product.

Patrick Whish-Wilson- APT Allgas has indicated that per-user consumption is steadily decreasing. Does the rate of decline vary based on the distribution of customer types?

Scott Young- APT Allgas has sliced up different tranches of customers and considers that the decline in domestic per customer consumption appears to be driven largely by reductions in hot water usage and in space heating demand. Gas usage by larger customers is so diverse as to not allow any meaningful signals to emerge.

Craig Meiklejohn- Noting the increasing use of MHQ rather than MDQ, will gas transition towards the need for peak load reduction measures?

Scott Young- Gas has the advantage of storing much better than electricity, and the capacity in pipes gives some scope to manage load fluctuations and problems. However, this flexibility is probably not enough to manage the morning peak in gas usage.

4. Introduction of Envestra Qld

Warwick Anderson introduced Envestra Qld

5. Presentation by Andrew Staniford (Envestra)

6. Questions and discussion

Patrick Whish-Wilson- Why is Envestra's proposed mains replacement capex so high when UAFG costs are so low?

Andrew Staniford- The UAFG numbers that you are referring to are unreliable, and most likely incorrect. They significantly understate the actual leakage in Envestra's network. Envestra would like to replace its mains over the next period to minimise UAFG in the longer term.

Patrick Whish-Wilson- Envestra are forecasting comparable customer connection growth to the current period, so why have Envestra proposed that the costs of network growth capex will be 30-40% higher?

Andrew Staniford- The gas sector is facing much higher unit rates, which drive up the relative cost of expenditure categories. In particular, there is a lot of pressure on unit rates due to the high demand for skilled labour in the infrastructure/resource sector.

Moston Neck- Why has Envestra taken a relatively more aggressive approach to mains replacement compared to APT Allgas when it is source of limited additional revenue?

Andrew Staniford- Mains replacement is a legacy issue from the old steel pipes and will need to be eventually replaced. Envestra mains replacement program will allow replacement to occur in the next regulatory period. In subsequent regulatory periods, mains replacement capex will almost disappear under Envestra's proposal, halving future capex and contributing to lower prices to consumers. Envestra is also eager to undertake investment necessary to position the business to take advantage of the opportunities that a carbon constrained economy will present for natural gas. Mains replacement will allow Envestra to increase pressures throughout its network providing customers with a higher quality service.

Appendix 1

Appendix 1. Attendees

Warwick Anderson, AER

Moston Neck, AER

Scott Young, APA Group

John Ferguson, APA Group

John Jamieson, APA Group

Sashie Naidoo, APA Group

Peter Bolding, APA Group

Mick Cullity, APA Group

Andrew Staniford, Envestra

Ralph Mignone, Envestra

Craig de Laine, Envestra

Ian Delahunty, EnergyAdvice

Stuart Hoffman, EnergyAdvice

Dennis Dudley, Queensland Urban Utilities

Jessica Freeman, Queensland Urban Utilities

Angus Duncan, Department of Employment, Economic Development and Innovation

Alex McPherson, Energex

Craig Meiklejohn, AGL Energy

Drew McKillican, AGL Energy

Paul Rohl, Swift Australia

Patrick Whish-Wilson, Origin Energy

Paul Balfe, ACIL Tasman