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Mr Warwick Anderson  
General Manager - Network Finance and Reporting  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

[Amadeus2015GAAR@aer.gov.au](mailto:Amadeus2015GAAR@aer.gov.au)

Dear Mr Anderson

### **Amadeus Gas Pipeline: Access Arrangement Revision Proposal 2016-21**

Santos welcomes the opportunity to comment on APT Pipelines (NT) Pty Limited's (**APTNT**) access arrangement proposal for the Amadeus Gas Pipeline (**AGP**).

A proudly Australian company, Santos is a leading Australian oil and gas exploration and production company in the Northern Territory, with a significant presence both on and offshore. The company's partnership with the Northern Territory stretches back many years, having been the major supplier of gas to the local market through our Mereenie operations west of Alice Springs, as well as a gas exporter through Darwin LNG, at Wickham Point near Darwin.

Santos notes that within the access arrangement period (2016 - 2021) there is a proposal to build the North East Gas Interconnector (**NEGI**) from the Northern Territory to either Moomba or Mt Isa, joining the currently isolated onshore gas of the Northern Territory to the East Coast market. Both of these options would require a sizable portion of gas to travel via the AGP to the inlet of the NEGI.

APTNT in their submission correctly characterise the minimal information to build a credible demand forecast and capital expenditure profile due to there being so many variables still unknown regarding the NEGI. We do however note that the proposal to utilise the extension and expansion policy to review the impacts of the NEGI may not adequately account for the changes. The use of this policy could possibly result in customers paying higher charges than allowed for in the tariff setting mechanism under the National Gas Rules as the construction of the NEGI could result in materially different flows from the historic flow patterns which form the basis of the forecast utilisation.

Under the tariff-setting process prescribed in the National Gas Rules, a lower volume (or demand) of gas that flows through the existing pipeline results in a higher reference tariff (on a per Gigajoule basis) if the costs remain constant. However, the connection of the NEGI will result in a substantial increase in throughput through the existing infrastructure and would result in a lower tariff. We are unable to see how this decrease in the Reference Tariff would be realised through the provisions of the extension and expansion provisions of the current access arrangement proposal.

Moreover, it is uncertain how the proposed method for including NEGI into the access arrangements factors in the resultant increased flow on the existing pipeline due to shippers sending additional gas, *prior* to any additional capital spend requirements relating to the tie-in of the NEGI to the AGP. The advent of the NEGI may not necessarily require significant investment in the existing pipeline as this is not currently fully physically utilised along all sections of the pipeline. However it is likely that additional gas will flow in advance of the connection of the NEGI and the resultant decrease in tariffs needs to be transparently factored into the access arrangement.

To assist in adequately accounting for the uncertainties and impacts of including a substantial interconnector to the AGP, Santos believe that additional options may need to be considered. These may include a shorter access arrangement period to take into account the completion of NEGI or a re-opening of the current access arrangement with new, more detailed flow information once more information is available.

Should you have any questions in relation to this submission, please contact me at [matt.sherwell@santos.com](mailto:matt.sherwell@santos.com) or on (08) 8116 5824.

Yours sincerely

Matt Sherwell

**Strategy, Portfolio and Markets Manager**  
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