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SoftLaw Community Projects Limited • ACN 053 167 187 • ABN 48 053 167 187
PO Box 442, Civic Square ACT 2608 •Mobile: 0428 264 342
E-mail: scp@softlaw.org.au • Web: www.softlaw.org.au

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

21/9

Dear Mr Buckley

ActewAGL Proposal for Gas Access Arrangements

SoftLaw Community Projects (SCP) wishes to comment on ActewAGL's gas access proposal which was the subject of a Public Forum on 27 July 2009. This SCP submission is a little late as I have been out of Canberra in the past few weeks. However, this delay has afforded me the opportunity to read the APA Submission which SCP suggests is a useful contribution to the debate.

Summary of Comments

1. SCP supports the proposed Capex for market expansion ($35M) and capacity development, such as the Tuggeranong Primary Main extension ($22M).

2. SCP opposes approval of expenditure of $134M on the proposed Hoskinson Fyshwick Loop (HFL) and recommends that the AER require ActewAGL to undertake further work on demand management options and alternate, less expensive supply-side options such as that suggested by APA.

Demand Management

ActewAGL is proposing a very expensive supply-side solution - $134M - to an infrequent, winter peak problem in ACT gas supply. It ignores possible demand management solutions because:

- these do not add to the company's capital base and ultimately its revenues and profit;
- similarly to other energy distribution businesses, the company focuses on engineering solutions to capacity issues rather than a more holistic approach.

There has been discussion of the supply shortage which occurred in Autumn 2008 because of an unseasonal early cold snap. The shortage occurred not because of capacity limitations, but rather because ActewAGL had not brought down enough gas into the ACT system for market cost/inventory management reasons. The proposed HFL is irrelevant to this problem.

The HFL is proposed because there will be, in some years, a cold snap in deep winter which draws down gas for domestic heating at a rate possibly higher than current pipeline capacity. However $134M is a very high price to pay for an occasional one-off problem. Solutions which could be investigated include:

- Demand management by arrangements with industry for load shedding and by marginal substitution from gas heating to electricity heating in the short time periods involved. It should be noted that the Canberra Winter gas heating peak is counter cyclical to the Summer electricity peak in the Eastern States.
- Simple capacity expansion through additional compression, etc;
- Expenditure of a lesser amount than $134M on thermal improvements in all gas-heated domestic residences in Canberra. An investment of $100M in energy efficiency would sharply reduce Winter gas demand in Canberra, possibly even to an extent which would cap gas peak demand to less than present demand out to at least 2020.

These options should be fully explored before the expensive HFL proposal is approved at massive cost to Canberra households.

Yours sincerely

Peter Sutherland
Director

17 September 2009