

5th October 2004

Mr James P Cox
Acting Chairman
Independent Pricing and Regulatory Tribunal
P O Box Q290
QVB Post Office NSW 1230

Dear Mr Cox,

RE: AGLGN PROPOSED ACCESS UNDERTAKING,
GAS SWAP SERVICE AND TRUNK ZONE STRUCTURE.

Country Energy is writing in response to the invitation to comment on the proposed AGLGN Access Arrangement for the ensuing period. In the revision by The Allen Consulting Group there are concerns raised on many issues by other users which are appropriate for IPART to consider, however the main points we wish to highlight are:-

1) The document is not all inclusive and refers to other documents to be read in conjunction with this document. This and the basic structure allow the document to lose clarity and allows for variation in areas that might allow an unnatural competitive advantage to an individual user.

2) Smoothing of charges by amalgamating five network zones into three is of concern to Country Energy. Our unease is not on the basis that the change is anti competitive, rather a "natural advantage" that Alinta has constructed will be effaced. Nullification of this natural advantage will reduce the competitiveness of retailers using this system to supply the Sydney metropolitan market.

It appears that the price variation (natural advantage) between keeping the three zones and restructuring it into one zone is 2.6 cents/Gj at 100% load factor. A normal industrial customer with a load factor of 70% would be impacted by 3.7 cents/Gj price differential due to natural variation. We believe this value of cost is instrumental in swaying some customer's decisions

It is our belief the relatively new EGP transmission line and its associated Natural Gas supply, requires this "natural advantage" to remain competitive with the APT line and its original wholesale contracts associated with the base retailer on that system.

3) The proposed Gas Swap Service is an interesting and possibly advantageous inclusion to the access arrangement. While we appreciate the merits of flexibility to support the evolving gas market, we agree with Allen Consulting Group's recommendation that IPART 'seeks further information from AGLGN on the intended purpose of, and operation of the Gas Swap Service to enable these limitations to be fully understood and to enable a determination to be made on the reasonableness of the limitations'¹.

¹ Allen Consulting Group 2004 *AGLGN Access Arrangement Revisions - Terms and Conditions*<http://www.ipart.nsw.gov.au/> last accessed 05/10/2004. P.100

Only when greater detail has been provided on the operational complexity of the Gas Swap Service, will Country Energy be in a position to comment on the Service's potential commercial benefit or detriment.

Our preferred position is for the proposed Gas Swap service to remain as a component in the new access arrangement (once comments made in point 3 above have been addressed) with the differential cost remaining for the three zones being discussed, allowing the original "natural advantage" to remain as originally conceived by EGP.

Having stated our current preferred position, we would embrace further consultation on this undertaking once clarity has been provided to the subjects raised above.

Yours sincerely

John Adams
Group General Manager, Retail