

28 February 2005

Dr Michael Keating
Chairman
Independent Pricing and Regulatory Tribunal
Level 2, 44 Market Street
Sydney NSW 2000

Dear Sir,

PUBLIC SUBMISSION
Review of AGL Gas Networks NSW Access Arrangement

EnergyAdvice would like to provide some brief comments in relation to the IPART Draft Decision dated December 2004 on the proposed AGLGN Access Arrangement.

During 2004, EnergyAdvice has made two submissions on behalf of a group of key stakeholders, predominantly being large gas users in the NSW market, in relation to this AGLGN Access Arrangement review process. Having regard to particular aspects of the IPART Draft Decision, a number of these companies have on this occasion prepared individual submissions to enable their specific circumstances to be fully tabled to IPART.

In our submission dated May 2004, EnergyAdvice (in a joint submission on behalf of ten companies) argued that the proposed changes to the Access Arrangement provide some positive outcomes compared with the current Access Arrangement, and that the companies represented in the submission were generally satisfied with the tariff outcomes proposed by AGLGN, other than in a couple of areas, whilst various other matters remained of concern, and these were spelt out in some detail.

The key issues of concern related to issues such as:

- Trunk charges and zones
- Access to partial use of system
- Load shedding priority for embedded network users
- Increases in Basic Metering Equipment charges
- Metering contestability
- Access to Meter Data
- Flexibility in term of Service Agreements

The current AGLGN Access Arrangement has worked successfully in many areas, particularly when one has regard to the extent of changes introduced from the last Access Arrangement review process. But it should remain subject to scrutiny and open to ideas from stakeholders on areas in which it is either deficient or can be improved. Reasonable requests from Users and end-users – who deal with the Access Arrangement every day – should be given full consideration by IPART.

The various submissions to this current review process show that the Access Arrangement can be improved. We trust that IPART (and its consultants) have recognised this in assessing stakeholder's comments.

We are pleased that IPART have determined in their Draft Decision that the proposed trunk charges and zones submitted by AGLGN were rejected, thereby requiring retention of the existing zonal tariff structure for trunk services

However in terms of the other issues raised in the EnergyAdvice submission, that was about it !!

In relation to the other key issues, we provide the following comments in response to IPART's Draft Decision.

Access to partial use of system

- IPART has rejected submissions requesting removal of the linking of Trunk and Local Network Services – ie AGLGN's requirement that a trunk Reference Service is only available in conjunction with a corresponding Local Network Reference Service (and vice versa). This rejection goes totally against the requirement for provision of separate Services required by IPART during the last Access Arrangement review.
- If Summer Tranche Capacity, Short Term Capacity, Gas Swap Service, Backhaul Service and Throughput Service are not sought by a significant share of the market, why are these services included in the Access Arrangement? Because they are valid and reasonable services.
- If users seeking to obtain a service which includes only those elements that the user wishes to be included in the service, is that also not a valid and reasonable request?
- The Trunk and Local Network Services are de-linked for distribution users in Port Kembla, ie BlueScope Steel and others.
- Orica has previously indicated that it only pays trunk charges and has no interest in the local network.
- A separate Trunk Service is only being sought in relation to users seeking gas delivered into an Embedded Network, including Hunter Gas Pipeline and Macquarie Generation.
- Separate Trunk and Local Network Services will ensure AGLGN pricing must remain efficient against the threat of bypass.
- At least 20 PJ of the market either has or is seeking separate Trunk and Local Network Services, by any measure a significant share of the market.
- EnergyAdvice believes IPART has not had sufficient regard to the provisions of sections 2.24(d)-(g) nor interpreted section 3.2 appropriately having regard to the all of the above-mentioned factors.

Load shedding priority for embedded network users

- IPART failed to differentiate between Embedded Network services and the right of any user utilising the AGLGN gas network. There are two separate issues here.
- All users must be treated in a non-discriminatory manner for the purposes of load shedding priority. A Delivery Point which is the inlet of an Embedded Network should be treated no differently than a Delivery Point at a user's site. In each case, the user is contracting for the same Service from AGLGN.

- Negotiations surrounding load shedding protocols are a separate issue which obviously require negotiation and agreement as part of the Embedded Network Service, but again these are different from the rights of the individual user booking a Service on the AGLGN gas network.

Increases in Basic Metering Equipment charges

- IPART has determined that the proposed increase in Basic Metering Equipment charges is appropriate, notwithstanding concerns expressed by various stakeholders. Our only comment with that decision is that the increased charges cannot be tested against the market if metering contestability is not considered.

Metering contestability

- There was no reference to the issue of metering contestability in either the ACG report or the IPART Draft Decision.
- IPART is silent on the issue notwithstanding its statements on page 193 of the 2000 Draft Decision in favour of competition in metering services.
- EnergyAdvice requests that IPART reviews its statements of 1999-2000 and address the issue of metering contestability. The issue of contestability includes both provision of metering and meter data agent.

Access to Meter Data

- IPART (and ACG) have rejected requests for AGLGN to be required to provide an additional service to supply Meter Data directly to end-users.
- EnergyAdvice believes this issue to be of fundamental concern to a number of users, and we would seek to be able to address this issue further in the Public Forum on 23 March 2005.

Flexibility in Term of Service Agreements

- EnergyAdvice argued the need for flexibility in the term of service agreements (currently minimum of one year in Access Arrangement) in allowing cancellation of services where a plant closes or seeks to fully cease taking a particular AGLGN service and take a service from an Embedded Network.
- We argued that IPART should require AGLGN to act reasonably in allowing cancellation of services, in particular where a service is no longer required.
- Notwithstanding that submissions were made by EnergyAdvice, TXU and EnergyAustralia on this issue, the issue was not addressed by IPART in the Draft Decision other than to state that “(the Tribunal) is satisfied that AGLGN’s proposed such terms and conditions on term are reasonable”
- Yet IPART provided no details of their considerations in determining not to require AGLGN to amend the proposed Access Arrangement re term.
- ACG addressed this issue on pages 135-140 and we have issue with a number of their statements.
- “These minimum terms have the effect of allocating to the user the risk of changes in gas demand during the term of the contract.” (ACG page 139)

- Response: To what extent is that risk not more appropriate to be retained by AGLGN. AGLGN has the upside benefit on demand, but transfers downside?
- “The proposed minimum term is relatively short (at one year) which in itself limits the exposure to risks of changes in demand” (ACG page 139)
- Response: AGLGN also happens to have expensive gas distribution charges relative to Victorian and SA. Where large users are paying distribution charges in the \$100,000’s pa to AGLGN, this is hardly small change.
- “Users also have a number of means of limiting their exposure to risks of changes in demand, including the ability to trade unused capacity” (ACG page 139) and “The trading policy for AGLGN’s distribution network provides for a change in delivery point under a service agreement” (ACG page 140).
- Response: how is it actually possible to trade capacity when there is no flexibility in relation to Term. Every user has to book a minimum of one year, so there is no market to trade into. There is no secondary market for trading capacity.
- We do not agree with ACG in their approach in relation to the issues raised by each of EnergyAdvice, TXU and EnergyAustralia.
- EnergyAdvice seeks IPART’s response to the issues raised by EnergyAdvice, TXU and EnergyAustralia.

EnergyAdvice would appreciate the opportunity to participate in the proposed roundtable discussion on 23 March 2005, and to make a presentation to that discussion in relation to the above issues.

Yours sincerely

Phil Randall
Managing director