



**Submission to IPART on
AGL Gas Networks Limited
Access Arrangement
for NSW Network**

Joint Submission
Prepared by EnergyAdvice Pty Ltd
on behalf of

ACI Glass Packaging
Austral Bricks
Boral Limited
Crane Group
CSR Limited
Hunter Gas Pipeline
Hydro Aluminium
Pilkington (Australia) Limited
Readymix Holdings
Weston Aluminium

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1. INTRODUCTION

This is a joint submission to IPART on the proposed revisions to the AGL Gas Networks Limited (AGLGN) Access Arrangement for NSW Network. EnergyAdvice has prepared this submission on behalf of the following companies who are large contract gas consumers and whose sites are predominantly located in the Sydney and Newcastle Regions:

- ACI Glass Packaging
- Austral Bricks
- Boral Limited
- Crane Group
- CSR Limited
- Hydro Aluminium
- Pilkington Australia Limited
- Readymix Holdings
- Weston Aluminium

These users, in aggregate, consume over 12 PJ per annum at over 30 sites throughout the State. They represent over 10% of the total NSW gas market demand, and almost 20% of the AGLGN contract market load. These users' sites represent a broad cross-section of contract user sites in terms of gas demand, proximity to the trunk main, range of local network charges and potential to bypass. The issues and concerns raised by these companies might reasonably be considered to be broadly representative of the views of typical contract users on the AGLGN gas distribution network.

The other party to this submission is Hunter Gas Pipeline Pty Limited, which shares many of the concerns raised by the above contract users, but is primarily concerned with those issues related to terms and conditions for connection to AGLGN trunk mains for an Embedded Network. Hunter Gas Pipeline has recently applied for a permit for the construction of a pipeline connected to the AGLGN trunk south of Newcastle for supply of gas primarily to the Hunter Economic Zone, an industrial development near Kurri Kurri.

The issues relevant to Hunter Gas Pipeline's proposed Embedded Network are relevant for a number of the large contract users identified above, and these companies submit that the Access Arrangement must have appropriate terms and conditions which support Embedded Networks that may result from bypass of parts of the AGLGN network.

2. STRUCTURE OF SUBMISSION

In this submission we have attempted to identify and provide comment on those matters included in the proposed Access Arrangement that require review and further consideration by AGLGN and IPART. These issues are of relevance to companies represented in this joint submission and other large contract consumers.

This submission does not attempt to comment on all aspects of the proposed Access Arrangement. The focus is on areas specific to the contract user market, particularly in relation to trunk services and matters related to those services.

We have additionally raised a number of issues that we believe are not adequately covered under the proposed Access Arrangement, which should be considered at this time.

3. GENERAL COMMENT

The proposed changes to the Access Arrangement provide some positive outcomes compared with the current Access Arrangement. Of particular note is the introduction of full cost allocation methodology across the contract and tariff markets. Previously AGLGN requested (and IPART approved) the use of stand-alone contract cost allocation – despite objections from various parties, including this group of contract users. This change is welcomed.

The companies represented in this submission are generally satisfied with the tariff outcomes proposed by AGLGN, with particular exceptions being:

- the averaging of prices over Sydney trunk zones have lead to some unreasonable increases for contract customers in current trunk zone 3 injecting at Horsley Park; and
- the allocation of contract users into Local Network “zones” remains somewhat arbitrary and, particularly in the Newcastle region, depending on the outcome of that arbitrary assessment, expensive;
- Basic Metering Equipment charges have risen by 12.8%, which we believe is an unwarranted increase that cannot be justified.

There are further comments in relation to these issues below.

There are also a number of issues that were raised in 1999 and 2000 in relation to the current Access Arrangement that were not, in our view, satisfactorily resolved and, in some cases, not addressed by AGLGN and IPART. We will again bring these issues to the attention of IPART in this submission.

4. TRUNK CHARGES AND FLEXIBILITY

AGLGN has proposed that the number of Trunk Zones be reduced from 7 to 5 by the merging of Zones 1-3, covering Wilton through Horsley Park. At the 19 February 2004 presentation of its proposed Access Arrangement, AGLGN pointed out that this would be an important change required to facilitate trading and flexibility in receipt of gas into the AGLGN network from different sources, ie from the MSP (Moomba to Sydney Pipeline) and EGP (Eastern Gas Pipeline) under a new gas swap service.

This proposed variation in tariff structure – and it represents the major variation to the structure under the current Access Arrangement – is clearly a most contentious change.

At face value, the change to a single zone provides for free carriage for gas delivered along the 50 kilometres of Trunk from Wilton to Horsley Park. Given the construction of the EGP in 2000 through to Horsley Park, following the failure to reach a negotiated arrangement between Duke Energy and AGLGN allowing Duke to inject EGP gas into the AGLGN network further upstream of Horsley Park, this change hardly represents an equitable outcome for parties injecting gas into the AGLGN at Horsley Park.

AGLGN-related retail companies source the majority of their gas for the Sydney market from Moomba, thereby injecting such gas into the AGLGN at Wilton. A change to a single pricing zone would provide a pricing advantage to their benefit against the interests of other market participants injecting their gas supplied into the AGLGN at Horsley Park.

This proposed change is not required or reasonable.

We also propose that there needs to be sufficient flexibility in AGLGN's operation of its network to allow shippers to inject gas at either location (Wilton or Horsley Park) without penalty. This means that there is increased opportunity for parties to source gas from different fields from time to time, to inject gas at either Wilton or Horsley Park in varying proportions or quantities from time to time – including from day to day. There is no necessity that this requires a single Trunk Zone to support such flexibility.

Shippers on the AGLGN should pay the appropriate Trunk charge for gas injected on a given day at either Wilton or Horsley Park.

It is presumed that AGLGN was able to adequately cope with such a requirement during January-February this year when AGL Retail switched its receipt point from Wilton to Horsley Park as it sourced alternative gas supplies during the Moomba gas crisis.

5. INTERCONNECTION OF EMBEDDED NETWORK SERVICES

Section 2.8 of the Access Arrangement outlines the terms and conditions for interconnection of Embedded Network Services.

The detail provided by AGLGN in the Access Arrangement is very light on, making it difficult to provide any detailed analysis.

There are a number of matters that we believe need clarification. The lack of detail leads to uncertainty and therefore is a disincentive for pipeline developers and large gas users to build or connect to dedicated pipelines into new development areas.

5.1 Nomination of Quantities

AGLGN states in the proposed Access Arrangement that:

“the Embedded Network Operator will be required to specify an annual quantity, MHQ and MDQ which fairly reflects the maximum annual, Hourly and Daily requirements at the Delivery Point, as well as the 24 hour profile of hourly flow based on prior consumption when the information is available.” (page 31).

Questions arise as to whether the quantities are to reflect the maximums over the period of a connection agreement or may be varied from time to time to reflect the Embedded Network Operator’s customer base and those customers’ requirements.

The Access Arrangement additionally states:

“AGLGN’s maximum obligation to deliver gas to the Delivery Point under transportation agreements with all Users is the MHQ in any Hour and the MDQ on any Day specified by the Embedded Network Operator.”

For contract users to take gas through an Embedded Network, those contract users must have at least a trunk or local network service from AGLGN. The Embedded Network Operator in all probability will not be a contract user except in regard to the initial pressurising of the bypass pipeline and maybe line pack. In our view AGLGN should be required to provide the total of the quantities it has contracted for with contract users (and the Embedded Network Operator, if applicable) and not just the quantities that it agrees with the Embedded Network Operator.

If AGLGN contracted with the Embedded Network Operator for quantities less than the aggregate of quantities it has contracted with all contract users of the embedded network, then some contract users, at times of peak demand, may not be able to receive the full entitlement for which they have contracted with AGLGN. As these pipelines will build up contract users and load over time, the connection agreement should be flexible and amend quantities in line with users’ contracted quantities with AGLGN for the trunk or local network service as the case be.

5.2 Metering

Under the Access Arrangement “AGLGN will provide Measuring Equipment for the Delivery Point” and “will provide daily meter reading.” (page 31).

We question the adequacy of AGLGN providing a “daily meter reading”. The Embedded Network Operator most likely requires real time on-line metering for operational control of the Embedded Network. Is AGLGN providing such a service? Is the Embedded Network Operator to provide it from AGLGN Measuring Equipment? Or is the Embedded Network Operator required to duplicate the Measuring Equipment to gain such a service?

AGLGN further states,

“charges will be agreed between the Embedded Network and AGLGN (for):

- (i) Charge for engineering investigation
- (ii) Charge for provision of interconnection facilities
- (iii) Provision of Measuring Equipment.”

How are these changes to be established? The Embedded Network Operator is at a negotiating disadvantage when AGLGN will provide the services. An obligation should be placed on AGLGN to provide costs that are reasonable and transparent to enable the prospective Embedded Network Operator to test those charges with independent suppliers of such equipment and services. Will AGLGN provide a tender process for items (ii) and (iii) under which the Embedded Network Operator is entitled to scrutinise tenders?

Presuming the Embedded Network Operator can prove to AGLGN’s reasonable satisfaction that it can meet AGLGN’s reasonable standards in terms of engineering, safety and construction, it should not be presumed that only AGLGN should have the right to design and construct pipeline connections and metering.

5.3 Load Shedding Priority for Embedded Network Users

It is accepted that prospective users of the AGLGN and Embedded Networks connected to the AGLGN will be subject to load shedding arrangements – as long as prospective users are not unfairly disadvantaged under the load shedding priority allocated under a connection agreement between AGLGN and the Embedded Network Operator.

The Access Arrangement states:

“Unless there is an agreement on load shedding between AGLGN and the Embedded Network Operator, the Embedded Network Operator will be subject to Load Shedding priority 2 as described in Schedule 4. Network transportation services for the delivery of gas to the Embedded Network Delivery Point will be subject to the same Load Shedding priority.” (pages 32 and 33).

An issue which emerges from the above statement is whether it is reasonable to apply priority 2 to a user of the Embedded Network simply because of a failure of AGLGN and the Embedded Network Operator to reach agreement on the issue. We are of the opinion that all Users of the AGLGN, whether or not they happen to utilise an Embedded Network, should have the same Load Shedding arrangements/principles applied.

Schedule 4: Operational Principles – Load Shedding states:

“This policy will apply to all Local Network and Trunk Services, irrespective of the Receipt Point of user’s upstream arrangements.”

That statement should be extended to include “downstream arrangements.” The contract users served by an Embedded Network should, for the purposes of load shedding, be treated exactly the same as AGLGN’s other customers. It should be mandatory for Embedded Network Operators and AGLGN to apply the AGLGN Load Shedding priorities to contract users of the Embedded Network as if they were exclusively served by the AGLGN. It is not acceptable to potentially leave certain contract users unduly exposed simply because they are being supplied from an Embedded Network. Such a position would not exclude the Embedded Network Operator from initiating different arrangements where load shedding was required due to circumstances exclusive to the Embedded Network.

5.4 Right of Embedded Network Users to access Reference Service for partial use of AGLGN

In the Final Decision 2000 (page 224), IPART stated:

“In the draft decision, the Tribunal required AGLGN to introduce reference services which allow for partial use of assets. AGLGN has argued that a significant part of the market will not require this service and has proposed that this service be a negotiated service. The Tribunal is now satisfied with AGLGN’s explanation that a significant part of the market will not require this service at present. Partial use of the network should therefore be specified as a negotiated service in the Access Arrangement.”

The decision by IPART in 2000 has been carried forward by AGLGN in the proposed Access Arrangement for 2005.

This submission contends that any contract user, including users of Embedded Networks, should have a right to acquire either a trunk reference service or a local network service where they do not require the other corresponding service and not be forced to seek a negotiated service under the Access Arrangement. The reality is that the starting point for any negotiations with AGLGN for a negotiated service will be at the charges for the applicable reference service and any lesser charge will only be achieved by the good grace of AGLGN. Users only requiring partial use of the system are in a poor bargaining position, therefore having a right to access the required reference service places a cap on the cost of acquiring that service.

Under the various reference service terms and conditions included in the Access Arrangement, the trunk and local network reference services are only available with the corresponding service, although the services are separately costed and priced. There is no need to create a new reference service – simply remove the requirement that the service “can only be taken in conjunction with the corresponding trunk/local network service.” As assets employed, costs and revenue have been allocated to each reference service we believe there is no impediment to de-linking trunk and local network services so they can be offered as stand alone reference services.

The negotiated service could remain in place for those users who consider their particular situation may require variations to the standard services or be such that AGLGN may be amenable to negotiating a charge for service lower than that payable for the reference service.

This submission requests that IPART reconsider its 2000 decision on partial use of assets and allow contract users to gain a reference service for partial use of the AGLGN system.

6. LOAD SHEDDING POST-MOOMBA INCIDENT

Schedule 4: Operational Principles – contains the Load Shedding Priorities 1-10. We are of the view that there needs to be a higher level of communication and transparency in relation to the rules of curtailment and where particular sites fit in relation to the load shedding priorities.

Of particular concern – and one which IPART needs to satisfy itself that the issue is being properly implemented – is the issue of curtailment where there has been an interruption to a supply source.

The Moomba incident on 1 January 2004 clearly highlighted conflict within industry as to the reasonable implementation of load shedding principles. AGLGN interpreted the supply shortfall caused by the interruption to supply from Moomba as a potential delivery constraint in the network – and sought to implement curtailment across all contract users and sites served by the network.

A number of parties have expressed serious concern with this approach. No emergency provisions were invoked by the State Government, and in any event, should this not have been treated as a supply interruption rather than a distribution problem?

Fortunately, the situation eventuated where only a small number of customers were required to curtail – note that it is not clear whether they were curtailed by AGL Retail or AGLGN. However, it was very close to a higher level of load shedding being invoked by AGLGN.

Is it appropriate to curtail all contract users of the network if only one of the supply sources was affected. For example, a contract user sourcing its gas from the Gippsland Basin via the EGP was being treated the same as contract users sourcing gas from a retailer supplied from Moomba (ie AGL Retail).

It is a reasonable question to ask whether AGLGN's interpretation advantaged AGL Retail's customers to the potential detriment of, for example, EnergyAustralia's customers. This issue is one which IPART should consider and provide direction to AGLGN and guidance to the market generally.

7. PROVISION OF BASIC METERING EQUIPMENT CHARGES

The “Addendum to AGL Gas Networks Access Arrangement for NSW – Schedule of Prices in 2004/2005 Dollars” documented on page 10 sets out the metering equipment charges from January 2005 to June 2010. The charge rates included in the table for the period 1 January 2005 – 30 June 2005 propose a 12.8% increase on those applicable to 31 December 2004.

At the 19 February 2004 presentation, AGLGN, in replying to questions regarding the large increase in Metering Charges, commented to the effect that they had to recover a block of revenue from their customers but as customer numbers had decreased, the charges had to rise to the remaining customers.

The Access Arrangement Information for NSW Network – September 2000 on page 53 gives the total number of customers with an annual usage of over 10TJ as 500, while the Access Arrangement Information for NSW Network – December 2003 on page 67 advises that this customer group has dropped to 465, a decrease in customer numbers of 7%, which is roughly consistent with the statements made by AGLGN on 19 February 2004.

IPART, in its Final Decision of July 2000 on pages 113-117, discusses the issue of capital redundancy and required AGLGN to maintain an asset register. IPART stated that:

“In its Access Arrangement, AGLGN must include in its Reference Tariff Policy a capital redundancy mechanism that permits the Relevant Regulator, with effect from the commencement of the next Access Arrangement Period, to reduce the Capital Base by an amount representing:

- (a) any assets that in the reasonable opinion of the relevant Regulator, have ceased to contribute to the delivery of Services;

This paper contends that on the basis of AGLGN’s comments on 19 February 2004 that some of AGLGN contract customer meter stock has obviously become redundant and therefore the capital base should be reduced.

The 2000 Final Decision further stated that:

“In assessing the reduction in the Capital Base to decreased utilisation of assets resulting from a decline in the volume of sales of a Service, the Relevant Regulator may take into account the reduction in Total Revenue and any possible increase in Tariff paid by Users resulting from the decline in utilisation of assets.”

The large increase in metering charges clearly suggests that IPART needs to examine the appropriateness of retaining redundant metering assets in the capital base.

8. METER DATA SERVICE AND METER CONTESTABILITY

Under the heading Meter Data Service (page 26) of the proposed Access Arrangement, AGLGN states:

“This Reference Service, or relevant elements thereof, will cease to be offered as a Reference Service, and at AGLGN’s discretion, as a Service, on the date of the enactment of provisions under the Gas Retail Market Business Rules that permits the provision of meter reading or on-site data and communication by a person other than AGLGN.”

We note that IPART in its Final Decision in 2000 made reference to a recommendation by Minister of Energy, Utilities and Sustainability’s Gas Retail Project that “some components of metering services become contestable” with “meter reading and on site data logging and daily communication facilities would become contestable.” It is nearly 4 years since the Final Decision 2000, yet AGLGN still retains exclusivity on this service, albeit regulated and notwithstanding IPART’s statement on page 193 of the Final Decision 2000 “the Tribunal considers metering services should become contestable as the gas market is opened to competition.”

This submission contends it is restrictive to allow AGLGN to retain a monopoly position over metering services for up to another 5 years under the proposed Access Arrangement. We believe that IPART should determine to have this section of the market opened to competition.

9. ACCESS TO METER DATA

Direct access to meter data by contract users has been a concern to many large contract users for a number of years.

While we welcome AGLGN’s comments on data availability, “the information in relation to such quantities will be accessible to AGLGN, the User and other persons permitted by the User, at the User’s cost, or in accordance with the requirements of the National Code.” (Page 26 of Access Arrangement), AGLGN’s proposal does not, where a particular retailer is the User contracting with AGLGN, readily or automatically allow the customer (or the customer’s authorised representative) to gain direct access independent of the customer’s retailer.

Contract users require metering data for a number of reasons, including internal energy management, monitoring and reporting and account auditing. Furthermore, on occasions, contract users may not wish to flag their intention to their retailer by having to seek data from AGLGN via the retailer.

This submission asserts that contract users should have a right to access their metering data directly from AGLGN, with AGLGN having an obligation to provide that data independent from and without the permission of their retailer (ie the User under the Access Arrangement).

It should not be difficult for AGLGN to provide such a service:

- for an agreed period;
- in a form (electronic or hard copy); and
- at daily/monthly intervals as required, directly to contracts users.

This submission seeks that contract users have entitlement to – and direct access to – daily load data and that AGLGN provide a Metering Data Service independent from retailers.

In conjunction with the comments above in relation to metering contestability, opening up access to meter data will improve energy management process for contract users in the future. These same contract users already have the right to choose their preferred meter provider in relation to electricity – this has been contestable for a number of years – and certain meter providers provide data streams to contract users on a daily or as required basis. It is appropriate to implement processes to support similar competition for metering services and data access for contract users in the gas market.

10. FLEXIBILITY IN TERM OF SERVICE AGREEMENTS

It is noted that AGLGN seeks to retain the standard term for the Capacity Reservation Service and other Reservation Services to be for a “minimum of one year and a maximum of two years from the commencement of the Service.” We understand that the principle of the Capacity Reservation Service is peak day demand based and does not include seasonal charging components, and therefore requires – from AGLGN’s viewpoint – booking period of no less than an annual basis to preserve the charge basis. Accordingly, AGLGN might have the view that a minimum annual term is required to prevent “gaming” – in the sense of only booking capacity in peak demand periods.

However, this principle does not automatically flow into requiring a term to be a minimum one year and a maximum of two years. A customer may require a shorter, in between or longer period:

- to align with a gas supply arrangement which is not for one or two years;
- to complete a short-term infrastructure project, eg. temporary asphalt plant;
- where the site or facility is to be shutdown or significantly reduce its operations; or
- to change its future supply requirements, for example via a decision to fully cease taking a particular AGLGN service and taking a service from an Embedded Network.

IPART should require AGLGN to act reasonably in allowing cancellation of services, in particular where a service is no longer required. For example:

- Requiring a contract user to pay out the remainder of a term if a plant closes is punitive. The particular site may have been in operation for a number of years when a decision is made to partially or fully close operations.
- In the case of Embedded Networks, maintaining that a contract user cannot transfer at their preferred timing could be construed as unreasonably impeding competition.

In both of the above examples, it is not reasonable for the contract user to have to pay out to AGLGN for a further term beyond the closure or transfer dates (as applicable) as it is clearly not “gaming” the capacity booking.

From a contract user’s point of view, fixed one or two-year service agreements tend to frustrate the cost effectiveness of gas, having to pay for a period of service they may not require. Where customers contract with retailers and the period of service booked by them with AGLGN is not consistent with the term of the gas supply arrangement, retailers require that customers reimburse them for AGLGN costs should the gas supply arrangement terminate early and, in some cases, where the customer fails to renew a gas supply arrangement nor transfers to another retailer. There needs to be greater flexibility in the term of service agreements to cater for customer’s needs and not just what AGLGN perceives as its needs.

The question of whether having a fixed term contract is appropriate should also be considered. In Victoria, GasNet charges apply monthly but users can terminate the service effective the end of a month without penalty. AGLGN’s fixed term service agreements require contract users to pay for the service for the fixed term notwithstanding the service is not required. Contract users may, because of a downturn in demand for their product, find they either have to reduce production requiring lower quantities or even closing a production facility. We contend there is a need for such contract users to have options to deal with the unexpired term of the service agreement such as assigning it. Contract users are currently required to pay the charges for the unexpired term with no way of extracting any value from the charges payable.

We request that AGLGN and IPART examine options for providing some relief for contract users who find themselves with excess capacity and/or unexpired term of service under service agreements.

11. DISCLOSURE OF BOOKING INFORMATION

There have been various instances during the term of the current Access Arrangement where a contract user has sought information from AGLGN in relation to Services Agreements for that contract user’s specific site or sites, generally in relation to the period and quantity of booking which had been entered into by a User/retailer with AGLGN.

There have been a number of occasions where AGLGN has declined to provide details of the booking period to the contract user – on the basis that the contract user is not the contracting party with AGLGN.

IPART should require AGLGN to disclose relevant information to the contract user which impacts on that contract user and its sites. It is unreasonable for a contract user not to have access to relevant site booking information from AGLGN, if it seeks such information.

12. TERM OF PROPOSED ACCESS ARRANGEMENT

AGLGN has requested the term of its proposed Access Arrangement to be for a period of 5½ years (1 January 2005 to 30 June 2010), with a key factor being to line up the dates with end-June bookings and financial year reporting. This longer period is in addition to the decision by IPART to grant AGLGN's request to extend the term of the current Access Arrangement from 30 June 2004 to 31 December 2004.

EnergyAdvice has previously indicated to IPART and this submission reiterates our concern in relation to the grounds submitted by AGLGN for extension of the current Access Arrangement term. We further submit that there is no basis for agreeing to AGLGN's request for a longer term under the proposed Access Arrangement.

There continues to be developments in the energy market that impact the shape and operations of the various State gas and electricity markets. These developments include regulatory, industry and competitive changes. In the past five years, the NSW gas market has seen:

- The introduction of gas supplied into the Sydney market via the EGP;
- Substantially increased inter-basin supply competition;
- New retailer entries and competition;
- Emergence of coal seam gas (CSG) developments in the Sydney Basin;
- Potential for further pipeline developments in the medium term to support further CSG opportunities from either the Hunter region or further north.

There are a number of key areas of both opportunity and uncertainty in the near to medium term for the NSW market. These need to be capable of development having regard to future supply sources and impacts on the operation of the market. As a key instrument to facilitating these future developments, the Access Arrangement needs to be sufficiently relevant, flexible and appropriate to meeting the market needs.

The term of the proposed Access Arrangement should not be extended beyond 30 June 2009, and furthermore, IPART should flag its preparedness to review aspects of the proposed Access Arrangement during the term of that Access Arrangement in the event of significant industry developments, which might include new pipeline connections to the AGLGN.

13. PEAKING ELECTRICITY GENERATION

With the increasing demand for electricity in Eastern Australia, particularly in Summer for air conditioning loads, there is likely to be a marked increase in need for gas fired peaking electricity generation. Such generators bid prices for electricity into the National Electricity Market and when nominated to generate, are required to provide that electricity at the time required. The input costs of these generators is crucial to setting their bid price and such costs must be reasonable to ensure they attain minimum operating hours each year to justify the investment in the facility. With the exception of the Throughput Service (trunk and local network), which we believe, is not cost efficient, the Capacity Reservation Service and Managed Capacity Service are based on annual charges.

We believe it is time for AGLGN and IPART to look at the requirements of peaking generators (ie. predominantly off peak supply, short notice periods, limited operating hours, require reasonable and predictable cost of service) and investigate the opportunities for providing a suitable reference tariff.

We agree there will be relatively few such customers and a reference service may not be justified on that basis, but the public interest element in having peak electricity demand met may provide the necessary impetus to provide a service where the generator user only pays for periods for which the service is required. Such generators could be limited to connection to trunk mains, which have at this time sufficient capacity to meet increased demand, particularly during non-system peak periods.

14. BACKHAUL

AGLGN has proposed that trunk services are available as forward haul or back haul from any Trunk Receipt Point to any Trunk Exit Zone.

In the event of a new pipeline connection into Newcastle, it would be inappropriate for the Trunk tariff for use only of the Newcastle zone (proposed Zone D) to be as high as \$42/GJ of MDQ per annum. AGLGN should be required to review its proposed back haul charges applicable for such a service.

15. DISPUTE RESOLUTION

This submission requests IPART to consider and advise the basis upon which particular disputes between a party (whether a User/retailer or contract user) and AGLGN, which may emerge from time to time, can be managed under a dispute resolution process.

Typical disputes may vary from:

- The imposition of particular terms and conditions in AGLGN's Transportation Services Agreement which the counterparty may consider to be unreasonable;
- Where AGLGN is required to act reasonably or pass on reasonable costs, and a party perceived that AGLGN is not acting reasonably under the required terms of the Access Arrangement;
- Where terms and conditions offered by AGLGN under a negotiated service are deemed by the other party to be unreasonable or anti-competitive.
- AGLGN not consenting to a transfer/trading of capacity on the basis of reasonable commercial and technical grounds which the party disputes.
- Under the various terms of the Access Arrangement stating that "consent of AGLGN which shall only be withheld on reasonable commercial and technical grounds" or that AGLGN will be "reasonable endeavours" and the other party considers that AGLGN is not acting reasonably.

How might these above issues and disputes be managed more appropriately throughout an Access Arrangement period when there is a basis of concern being expressed by shippers on the network or contract users?

16. LOCAL NETWORK POSTCODE ALLOCATIONS

It is noted that AGLGN seeks to retain its Assessment Ratings system for allocating contract users by Postcode into different Contract Price Zones.

This submission seeks to ensure that IPART conducts its own independent review of AGLGN's proposed allocations to ensure appropriate levels of equity and that these allocations pass the test of "reasonableness". An arbitrary decision to allocate a contract user in a higher zone imposes significantly higher costs – particularly in the Newcastle local network region but also across the Sydney and Wollongong regions.

It is also noted that AGLGN indicated in its public presentation on 19 February 2004 that it was retaining the 2000 Access Arrangement Postcode boundaries for the purposes of allocating customers to zones. As Postcode boundaries do change from time to time, at the very least there needs to be absolute transparency as to what boundaries are applying, and relevant maps should be made available by AGLGN to IPART and publicly available to interested parties.

IPART may not be aware that there was at least one major customer (ie Hydro Aluminium), which was forced to seek written clarification from AGLGN as to the application of Postcode zones following finalisation of the current Access Arrangement. This was due to the fact that AGLGN was applying an outdated map of Postcode boundaries, and this had not been made clear to all parties during the last IPART review process. Depending on which version of Postcode boundaries was applied (AGLGN's .v. Australia Post's) had the potential to move the site from Newcastle Local Network Zone 2 to Zone 3 – a more than doubling of charges.

Transparency on Postcode maps will eliminate any concerns. However, application of current Postcode boundaries – as they apply from time to time – would provide less cause for concern and debate.

17. SUMMARY OF KEY POINTS

The key points submitted to IPART for its consideration in its review of the proposed revisions to the current Access Arrangement are:

- The proposed merging of Trunk Zones 1-3 into a single Zone A should be rejected.
- There should be sufficient flexibility and systems in place to allow parties injecting gas into the AGLGN to vary the Receipt Point – ie Wilton or Horsley Park – and proportion of injections at either Receipt Point from time to time – including from day to day.
- Terms and conditions for the connection of Embedded Networks need to be reasonable and balanced, including:
 - AGLGN’s proposed connection costs and which party can construct and meter such connections.
 - Load Shedding priority 2 should be deleted to ensure that Embedded Network Users’ customers are treated exactly the same as other AGLGN contract users.
- IPART should require AGLGN to remove the requirement that a Trunk Reference Service is only available in conjunction with a corresponding Local Network Reference Service, and vice versa.
- Partial use of the network should not be specified as a negotiated service in the Access Arrangement.
- IPART should review the reasonableness of AGLGN’s proposed load shedding priorities, which would otherwise impact supply to contract users whose supply source had not been interrupted.
- Greater transparency of load shedding priorities should be provided.
- AGLGN’s proposed increase in Meter Equipment Charges should be rejected.
- IPART should determine to have the provision of Meters and Meter Data Services open to competition/contestability.
- IPART should direct AGLGN to provide a Meter Data Service directly to contract users.
- AGLGN and IPART should examine options for providing some relief for contract users who find themselves with excess capacity and/or unexpired term of service under service agreements.

- IPART should require AGLGN to disclose relevant information to the contract user in relation to network service bookings for that contract user's site/s where so requested.
- The term of the proposed Access Arrangement should not be extended beyond 30 June 2009.
- AGLGN should be required to provide reference tariffs appropriate to encourage the development of peaking electricity generation.
- IPART should flag its preparedness to review aspects of the proposed Access Arrangement during the term of that Access Arrangement in the event of significant industry developments, which might include new pipeline connections to the AGLGN.
- AGLGN should be required to review its proposed back haul charges.
- IPART should consider and advise how a dispute resolution process can be introduced and managed under the proposed Access Arrangement.
- IPART should review and require to be published the applicable Postcode boundaries to apply under the proposed Access Arrangement.