

28 February 2005

Chairman
Independent Pricing and Regulatory Tribunal
GPO Box Q290
QVB Post Office NSW 1230

Attention: Mr James Cox

Dear Mr Cox

Review of Revised Access Arrangement for AGL Gas Networks

Origin Energy (Origin) welcomes the opportunity to comment on the Revised Access Arrangement for AGL Gas Networks (AGLGN) to take effect from 1 July 2005.

Origin is of the firm view that customers are the key beneficiaries of vigorous competition in the energy industry. As real competition takes shape, customers receive the benefit from new entrants and incumbents competing for market share by offering cheaper and more innovative services.

While the gas industry is well established in NSW, effective competition measured by customer churn rates, in the NSW gas market is somewhat less advanced than Victoria and South Australia. Origin contends that effective gas market competition is fostered in an environment where barriers to competition are minimised.

Origin encourages the removal of key barriers to retail competition such as inconsistency between Use of System Agreements and Access Arrangements between States and Fuels. Inconsistencies such as these lead to costly variations to the systems and processes required by participants to operate in the energy industry across different states.

Another barrier to competition is preferential treatment of one industry participant over another. Access Arrangements, if developed in accordance with the National Third Party Access Code for Natural Gas Pipeline Systems, have the potential to minimise preferential treatment and thus enhance retail competition.

In the interests of industry efficiency, Origin encourages initiatives that, where possible, support consistency between Energy Distribution and Retailing across State jurisdictions and preclude preferential treatment between participants.

Two of the stated objectives of the National Third Party Access Code are to "... prevent abuses of monopoly power ..." and "... provide rights of access to natural gas pipelines that are fair and reasonable for both service providers and users ..." Origin is keen for these principles to be upheld in AGLGN's Access Arrangement through the inclusion of straightforward terms and conditions.

Origin Energy applauds the Tribunal's initiative of simplifying the terms and conditions of the Access Arrangement. However, Origin remains concerned that some unnecessary difficulty remains in the terms and conditions.

Dispute Resolution Procedures

Origin notes that IPART has not required AGLGN to include a dispute resolution clause in its Access Arrangement and is concerned that this does not give users the comfort of a

default dispute resolution process should the parties be unable to negotiate a satisfactory arrangement at the time that the user seeks access.

Generally when parties negotiate an Access Agreement, the party seeking access is usually under pressure to complete the agreement in order to provide access for a proposed customer. Given the asymmetry of bargaining power in favour of the network operator in such situations, the party seeking access may be unlikely to arrive at an agreement that is equally favourable to both parties. Origin contends that a default dispute resolution procedure in the Access Arrangement that parties could re-negotiate, if so inclined, would assist both parties in quickly reaching a fair and even-handed agreement.

In the interests of efficient negotiation, Origin encourages IPART to provide a default dispute resolution process for the Access Arrangement similar to other jurisdictions.

Gas Swap Service and Aggregation of Delivery Zones

Origin is in favour of AGLGN's proposal to implement a gas swap service and its proposed merger of trunk zones. Origin believes that this initiative will assist in facilitating an effective gas swap market.

However, Origin is concerned that this gas swap service without the aggregation of delivery zones would introduce a number of unnecessary inefficiencies which are likely to detract from the benefit of the proposed gas swap service. We therefore urge the Tribunal to allow the aggregation of delivery zones as proposed by AGLGN.

Origin Energy trusts that this submission assists the Tribunal in its deliberation on the final Access Arrangement. However, please contact David Grove (02) 8345 5481 if you need more information.

Yours Sincerely

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