



19 December 2011

Mr Warwick Anderson
General Manager, Network Regulation Branch
Australian Energy Regulator

Email rbp@aer.gov.au

RBP Access Arrangement — 1 July 2012 to 30 June 2017

Dear Mr Anderson,

AGL Energy Limited ("AGL") submits this response in relation to the proposed Access Arrangement by APA for the Roma to Brisbane Pipeline ("RBP") to take effect from 1 July 2012. AGL wishes to thank the AER for having arranged a public forum in Brisbane on this matter on 30 November 2011 — it provided a useful overview of the process and of APA's proposal as well as an opportunity to meet with some of the principal participants and stakeholders in this regulatory process. AGL is both a shipper and an incumbent user (licensed retailer) in Queensland and therefore has a very keen interest in the outcome of this consultation.

AGL offers the following comments in relation to the proposed Access Arrangement. Our commentary is necessarily brief because our relationship with APA with respect to the RBP is governed principally by our commercially negotiated contractual arrangements.

Proposed auction for spare and new capacity

APA's proposed queuing policy as set out in Chapter 6 of the Access Arrangement is worthy of comment. AGL is of the view that this is a sensible approach to the allocation of capacity, be it existing or yet-to-be-built. We have already seen instances of this in the Victorian gas market where APA have sought expressions of interest in order to allocate existing rights and capacity via competitive tender, albeit in the area of unregulated services. Notwithstanding that, the allocation of rights through an auction process is workable and ensures that capacity or rights go to those parties who value it most. We see this as being very much in keeping with and furthering the National Gas Objective as set out in section 23 of the National Gas Law.



As part of the implementation of this new queuing policy, APA are proposing to set aside queues formed under the previous queuing policy, which was essentially a first-come-first-served arrangement. We believe the setting aside of previous queues to be an acceptable implementation cost. Of course, had any consideration been provided by those in the queue, those prospective customers should be able to look forward to a full refund from APA.

Forecast gas load

We do wish to make comment on the forecast customer number and volumes as provided in Chapter 4 of the Access Arrangement Information (AAI). The total volume of gas falls by 4,776 TJ in 2016/17, a fall of some 6.6% on the volume expected in 2015/16. The rationale for this decline is a customer coming off contract. It would appear that APA are not willing to allow for this released capacity and throughput to be allocated to other parties for the purpose of the access arrangement.

We find this to be an unusual and questionable practice. Whilst the “missing” volume represents 1.36% of the aggregate 5-year volume and could be argued to be not material, it would be a different story had the customer in question come off contract in Year 1 of the revised access arrangement. It would stretch credibility as well as credulity to have had a 6.8% decline in volume for the total duration of the access arrangement simply because a customer was coming out of contract and APA was not prepared to wear the risk of being under-booked. Given the expected greater reliance on gas in future, accelerated by the carbon pricing regime, and given the anticipated efficacy of APA’s new queuing policy, it does seem a questionable practice at best.

Should you require any further information in relation to this, please feel free to contact me on (03) 8633 6239.

Yours sincerely,

George Foley
Manager Gas Market Development