



18 June 2012

Mr Sebastian Roberts
General Manager
2012 Victorian Gas Access Arrangement Review
Australian Energy Regulator

Email VicGAAR@acc.gov.au

AGL Submission — GasNet AA 2013 - 2017

Dear Mr Roberts,

AGL Energy Limited ("**AGL**") submits this response in relation to the proposed Access Arrangement by APA for the Victorian Transmission System ("**VTS**"), which is to take effect from 1 January 2013. AGL is an active Market Participant in Victoria, being both a shipper and an incumbent user (licensed retailer), and therefore has a very keen interest in the outcome of this consultation.

AGL offers the following comments in relation to one particular aspect of the proposed Access Arrangement. Our main concern is that information that we provided to APA GasNet in the course of preliminary commercial negotiations may have been misunderstood, and we are anxious to clarify what we had in mind at the time.

APA GasNet Capex Forecast

Table 3.3 of the Access Arrangement Information ("**AAI**") presents the forecast capital expenditure at \$364.9m across the AA period, consisting predominantly of additional pipelines (\$252.0 m) and compressors (\$72.2 m).

The pipeline and compressor capex spend is due in large part to the inclusion of the Gas to Culcairn Project. APA have kindly provided AGL with a redacted copy of their Business Case, a document which we believe has been submitted to the AER as part of the deliberation behind the capital expenditure component of this access arrangement. According to that document, the Gas to Culcairn Project consists of:

- the Stonehaven compressor (at \$38.3m providing an additional 53 TJ/d on the SWP but with a capacity of 59 TJ/day); and
- the Northern zone augmentation (at \$118.58m including the looping of a pipeline from Wollert to Wandong and additional pipework upstream and downstream of the Euroa compressor providing 45 TJ/day Victorian export capability to NSW through Culcairn).



We understand from our reading of the Business Case that the Stonehaven compressor component of this project can be done separately from the Northern looping project.

APA has justified this capex based on a forecast incremental volume as set out below in Table 1. The forecast contained in this table is not an accurate representation of AGL's demand as discussed below.

Table 1 - APA incremental volume forecast

Incremental Volume (TJ/d)	Receipt Point			Delivery Point		
	Iona	Culcairn	Melbourne	Iona	Culcairn	Melbourne
AGL	■	■	■	■	■	■
Other	■	■	■	■	■	■
Total	53	45	0			

AGL is of the view that expansion to the South West Pipeline should be subject to the most economic option for delivery of peak-winter capacity to Melbourne, which may include the EGP, Culcairn or Iona.

APA's representation of AGL's demand in the Gas to Culcairn Project documentation needs to be clarified on the following points:

- Contract requirement rather than incremental requirement*

Table 1 above represents a contracting requirement for AMDQ for AGL only and is not a representation of the total system requirement for incremental volume on the South West Pipeline. On 6 February 2012, AGL provided APA indicative information of its Authorised MDQ contractual requirements on the South West Pipeline of an additional ■ TJ/day to maintain its current contracted level at ■ TJ/d.
- Peak winter capacity not commodity*

Table 1 represents a contracted peak winter capacity only rather than an additional energy requirement to ship commodity on the South West Pipeline. Table 4.2 of the AAI document presents forecasts of increased utilisation on the South West Pipeline towards 40.6% post 2015. AGL does not anticipate it will contribute to any increase of utilisation leading to the proposed increases and expects the utilisation to drop in future years with reduced reserves, as has been the trend since 2009 (see table 2 below). AGL notes that the underground storage facility has a higher capacity than the South West Pipeline that could deliver.

AGL has conducted its own analysis of the utilisation rate on the South West Pipeline, drawing on data that is publicly available through AEMO. These results are set out in Table 2, with the total capacity reflecting AMDQ credit certificates issued (353 TJ/day) multiplied by 365 — in effect, the capacity at 100% load factor. Based on our computations, we do not necessarily agree with the upward trend in the utilisation factor of the South West Pipeline as is being suggested by APA.



Table 2- South West Pipeline utilisation

Year	Gas shipped into Melb (TJ)	Utilisation
2009	52,307	40.6%
2010	44,973	35.0%
2011	37,015	28.7%
2012 YTD	12,185	28.5%

Source: AEMO

- *Destination of gas*
Table 1 suggests AGL's incremental volume received at Iona will be delivered to Culcairn (at ■ TJ/day) and Melbourne (at ■ TJ/day). AGL does not support this allocation of peak-supply capacity as all ■ TJ/day of AGL's contracted capacity should be deliverable to the Victorian Market. At this stage AGL does not support an expansion of the Northern network to be included as part of this AA.
- *Matching the tariff against the withdrawal tariff*
Most of AGL's Victorian demand occurs through the Metro South East and Metro North West supply point tariffs that are projected to increase under the APA AA by approximately 11%. Customers within the metro area will not benefit from the Northern looping project and only partially benefit from the Stonehaven compressor. The allocation of cost increases faced by the Gas to Culcairn project should be on a user pays basis.

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

Yours sincerely,

G M Foley
Manager Gas Market Development