9 May 2002

Ms Kanwaljit Kaur
General Manager
Regulatory Affairs - Gas
Australian Competition and Consumer Commission
PO Box 1199
Dickson
ACT 2602

Dear Ms Kaur

Review of GasNet Australia's Access Arrangement (commencing 1 January 2003)

The following response expresses the views and opinions of AGL Energy Sales & Marketing in relation to the above proposed Access Arrangement. We appreciate that to develop such an arrangement is not necessarily an easy task. The overall impression that we have is that GasNet have endeavoured to heed any comments and suggestions that have occurred since the start of the current Access Arrangement.

In response to the specific matters raised within these documents, AGL would like to make the following responses.

1. **Peak Injection Charge:**

   GasNet have moved some way to removing the difficulties associated with the peak day charges by removing the peak withdrawal charge. However, GasNet appear to have foregone the opportunity to totally remove any uncertainty by not only maintaining a peak injection charge structure but also increasing the number of days over which this is measured from five to ten. The inevitable reconciliations due to the differences between the forecast and actual injections would still make it difficult to insulate the final customers from the effect of these uncertainties.

   GasNet further propose that they will develop a forecast for these injection charges for each injector. There does not seem to be any reference as to the methodology that will be used in the development of these forecasts, or if there is any involvement from the injectors themselves?

2. **Removal of the Culcairn Withdrawal Charge:**

   There seems to be an apparent inconsistency within the tariff structure regarding gas injected and withdrawn at Culcairn. GasNet indicates at paragraph 5.7.6 of schedule 5 to its submission that no exports to NSW are forecast. A 'notional' tariff is proposed, however, to reflect increased usage of the Wollert to Wodonga pipeline if such exports do occur. By contrast, GasNet indicates at paragraph 5.12.2 that the allocated costs of the interconnect pipeline are to be recovered entirely from the Culcairn injection tariff. The argument presented at paragraph 5.9.4, apparently in defence of this inconsistency, is not convincing.

   In fact there is, and has been, northward flows of gas from Victoria to NSW. Given the developing interconnected gas market in South East Australia it would seem to be more reasonable and prudent to anticipate the potential of northward gas flows and establish tariffs for gas flows through the interconnect pipeline in both directions.

3. **Cross System Tariff (Schedule 1, Section 1.5(d)):**

   This section refers to gas being injected into the GNS attracting an additional Tariff (the Cross System Tariff) should it be deemed that any such gas is withdrawn in Withdrawal Zones where the gas has "pass through" the Metro Withdrawal Zone. In effect any gas injected at either Port Campbell or Culcairn would attract this tariff for any gas deemed to be withdrawn east of the Metro zone. Similarly, gas injected at Longford and Culcairn would attract this tariff for gas withdrawn within the Western Zone.

   This methodology would appear to open the possibility of a potential over-recovery by GasNet. The structure of these tariffs results in higher charges being applicable the further that any gas is taken out of the GNS from the injection point. This applies for gas flows in either direction.

   However, these "commercial" flows are not necessarily reflective of the physical flow of gas in the system. Gas injected at one point in the system, such as Culcairn, would physically supply any customer close to the injection point, reducing the need for other gas to flow north. However, any injector (at Longford or Port Campbell) supplying a customer in the north of Victoria would pay a withdrawal tariff as if all of their gas had been carried through the transmission system. The converse would also be true for an injector at Culcairn supplying a customer near Longford.

   Further this injection of gas would tend to delay any enhancement that may otherwise be required on the Wollert-Wodonga pipeline. Consequently there is a potential windfall gain if there are significant north to south gas flows. Whilst this is considered in the North Hume Zone by means of a Matched Withdrawal Tariff, there is no similar acknowledgment of this benefit for other zones on or off the Wollert-Wodonga pipeline (such as Interconnect and Wodonga zones).

4. **Withdrawal Zones:**

With the increased number of Withdrawal Zones some clarification needs to be made with respect to Zones 11 and 19. Schedule 2 Section 2.2 details the following Zones as:

- Zone 11 (Interconnect) containing Culcairn (MIRN V0000M126) and Walla Walla.
- Zone 19 (Culcairn) containing Culcairn (MIRN V0000M126).

We understand the inclusion of Culcairn in both zones to be an error which GasNet will correct.

5. **Load Forecasts:**

It would seem that GasNet and VENCorp have based their tariffs on different load forecasts (GasNet reference in Annex 8 a CSIRO document).

The general impression is that GasNet have adjusted VENCorps forecasts down because of events such as urban warming. However, to some extent VENCorp recognised this through the downward adjustment of their EDD calculations.

Whilst load forecasts are in themselves speculative, the effect of a reduced load forecast coupled with an proposed increased capital base would tend to infer higher overall tariff rates than would otherwise be the case.

Should you need any further information or clarification please feel free to contact Mr Peter Flood, Manager Gas Trading Operations, on (02) 9712 6155 or pflood@agl.com.au.

Yours sincerely

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