

APTPPL Comment on Responses to ACCC Issues Paper

1. Introduction

APTPPL wishes to respond to several points in the submissions of TRUenergy, Origin Energy QGC and Energex (published on the ACCC's website between 18 May and 21 June). These are outlined below. While APTPPL does not agree with all other comments in those submissions, it has limited its comments at this time to major issues in those submissions.

2. Additional Reference Services

Respondents are seeking the inclusion of additional Reference Services:

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All of the services identified by these parties can be obtained by shippers as a Negotiated Service. There are currently negotiated backhaul and interruptible services being provided on the RBP.

The Code (section 3.3(b)) requires that a Reference Service should be a Service sought by a significant part of the market – there is no evidence that these services are sought by a significant portion of the market.

This seems to be supported by TRUenergy (p2) who propose that “the opening assumption for APT's revenue is that income from these reference services [ie services that are not firm forward haul] will be minimal”. No party has provided evidence that these sorts of services will be sought by a significant part of the market over the next five years.

3. Expansions Policy

All respondents had a view on the Expansions Policy. These views differed with TRUenergy supporting the policy and Origin and QGC seeking changes to the policy.

Origin sought more transparency on how incremental tariffs will be calculated under the expansions policy and suggested a surcharge approach as per the Code. In particular Origin (pp5-6) argues the Code precludes the provision of a negotiated tariff for incremental capacity on covered pipelines. Similarly Energex (p3) considered an expansions policy with a negotiated service is in conflict with the purpose of the Gas Code.

APTPPL believes this interpretation of the Code is incorrect. For example the RBP 2002 Access Arrangement (clause 7.2), as approved by the Commission, allows expansions to be a negotiated service:

Where an expansion is Covered and is subject to this Access Arrangement, access to that capacity will be offered as a Negotiated Service at a negotiated tariff.

In addition this interpretation misconceives the fundamental premise under the Code that owners and users are free to negotiate services, and that an access arrangement does not automatically apply to future expansions or extensions of a Covered Pipeline.

4. Trading Policy

Origin, Energex and QGC expressed concerns with the Trading Policy. These concerns focussed on the alleged 'excessive' discretion of APTPPL to reject transfer requests and response times.

The proposed Trading Policy is very similar to trading policies in other Access Arrangements which have been approved by the Commission.

APTPPL also notes the Code clearly contemplates that the trading policy may allow for the exercise of discretion by the Service Provider in respect of a transfer other than a Bare Transfer (see Code sections 3.10 b) and c)), and the fact that Code section 3.11 is expressly described as "examples", and not as an exhaustive list.

APTPPL also notes that response times suggested (eg Energex suggested 48 hours) may not allow adequate time to assess system implications of a trade (depending on the details of the trade), particularly a trade other than a Bare Transfer.

Energex (p10) notes that they are

not aware of the availability of a register providing for information about available capacity e.g. storing information about contracted but unutilised capacity

APTPPL maintains a public capacity register on the RBP and has provided a copy to the ACCC. APTPPL notes that in relation to information concerning contracted but unutilised capacity, the Code 5.8 places the following requirements on shippers

where a User does not expect to utilise fully its Contracted Capacity and where the unutilised Contracted Capacity is a Marketable Parcel then the User:

(a) must promptly provide to any person who requests it information about the quantity, type and timing of the unutilised Contracted Capacity and may make publicly available the proposed terms and conditions (which may include price) for the sale of the unutilised Contracted Capacity; and

(b) may notify the Service Provider of the unutilised Contracted Capacity, including the quantity, type and timing of the unutilised Contracted Capacity and the proposed terms and conditions (which may include price) for the sale of the unutilised Contracted Capacity.

To the extent that information concerning contracted but unutilised capacity is required it should be sought from shippers in the first instance. APTPPL can only make available any information which is made known to it, and even then can only disclose information if permitted to do so under section 4.1 of the Code.

QGC's (p11) asserts that:

APT has not offered intra-pipeline capacity trading to existing Shippers and new shippers. Its Bare Transfer provision does not work in practice because of current refusals to allow Shippers to add receipt points and change existing negotiated contracted delivery points in the absence of technical grounds.

Section Five of the Access Arrangement outlines a Trading Policy that offers capacity trading to existing and new shippers. This is consistent with the Trading Policy in the existing Access Arrangement.

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5. Nominations and Imbalances

Both Origin and QGC raise possible concerns with nominations and imbalances. These possible concerns focus on managing linepack and balancing issues and include the desirability of a linepack swap service or imbalance transfer service.

QGC (p11) takes the view that

At present there is no avenue available to users to amend pipeline nominations within appropriate timeframes and, despite awareness of changes to characteristics of consumption or gas sourcing, are forced to incur variance or imbalance quantities that may impact on market operations.

APTPL disagrees with QGC's assertion. Standard pipeline nomination provisions deal with this matter and typically users are obligated to, and do, make changes to their receipts and deliveries nominations where significant changes occur in their receipt or delivery profiles. Again, we note that QGC is not a shipper on the pipeline and may therefore not be aware of the nomination provisions and their practical application on the pipeline.

Additionally, the imbalance or daily variance charges under the proposed Access Arrangement are not easily incurred – for example, the balancing provisions give an extensive period for a shipper to correct an imbalance, and the daily variance charges only apply where the shipper's nominations are significantly different from actual receipts or deliveries on a number of occasions. In this respect, APTPL also notes that shippers, rather than APTPL, are responsible for the quantities delivered into the pipeline, and delivered from the pipeline.

In relation to variance charges QGC (p17) also asserts

as long as the aggregate of delivery points and aggregate of receipt volumes are in balance over a period of three days there should be no impact on the pipeline.

This suggestion fails to recognise the operational requirements of the pipeline and the fact that shippers should be responsible to properly manage the amounts delivered into, and withdrawn from, the pipeline. Controls on matching receipt and delivery quantities with nominated quantities is essential to ensure that a user's failure to comply with its nominations does not adversely impact the ability of the pipeline to meet the needs of other users. The proposed Access Arrangement requires shippers to be within 10% of their line pack target. This already allows shippers a range of 90% to 110% of their target before they are required to take action to address their failure to match receipts and deliveries. If a shipper is outside these limits it is assessed intra-day. Delaying action for three days would not be consistent with good operating practice as it would potentially

expose the pipeline operator (and therefore other shippers and end users) to a situation where contracted deliveries could not be maintained.

More generally QGC appears opposed to all additional charges such as imbalance charges, variance charges, overrun charges etc claiming such charges “should not be a feature of an access arrangement” (p12), “don’t seem to serve any meaningful purpose” (p17) and “there is no apparent economic need for overrun charges/premiums in a stagnant or growth market” (p17).

The Commission and other regulators have regularly accepted inclusion of such charges in recognition of the fact that they provide incentives for user behaviour that contributes to the prudent operation of the pipeline. They also recognise that it is shippers, and not the pipeline operator, who control, or are best able to control, the quantities of gas delivered into, and withdrawn from, the pipeline. Additionally, as the history of the RBP demonstrates, the charges are rarely incurred to any material level, which is reflective of the fact that the incurring or avoidance of such charges is a matter within the control of the shipper.

6. Receipt Points

Origin (p7) proposes that flexibility would be enhanced considerably if the four Wallumbilla Receipt Points are considered as a single receipt point, with appropriate limits associated with each branch.

While there may be benefits to shippers who contract for transport from Wallumbilla in having access to all Meter Runs, there are practical considerations as capacity on most runs is limited relative to the total capacity of the pipeline. Additionally arrangements to provide access to all Meter Runs at Wallumbilla would need to recognise

- The need for arrangements to be in place in relation to the treatment of Meter Runs as separate points for the purpose of nomination, scheduling and curtailment of receipts;
- receipt pressure requirements of each Meter Run;
- APTPPL’s existing contractual obligations;
- agreement by the various owners of the meter runs and the various upstream producers;
- in the event that the total nominations for receipts through a Meter Run exceed the capacity of that Meter Run the allocation rules used to determine which Users are scheduled for capacity on a Meter Run on a day are determined by the parties that own the facilities upstream of each Meter Run

In light of these issues, requiring the access arrangement to treat the Meter Runs as one Receipt Point is impractical and unreasonable.

7. Pipeline Capacity and Pressure

QGC (p4) asserts

The incremental mainline capacity...is sufficient to more than meet the projected growth in the non-generation market over the next 5 years. With the combined steady state flow capacity of the looped pipelines then in excess of 260TJ/day, it is indeed sufficient to allow some connected idle gas-fired generation assets to be employed, thus it is of fundamental importance to establish this capacity value.

QGC's statement appears to infer that the capacity of the RBP is 260 TJ/day following an increase in operating pressure of the 400mm (ie 16") line to 9.6 MPa. This is incorrect.

The possible expansion being considered by APTPPL will probably involve an increase in operating pressure of the 400mm line, reconfiguration and relocation of the existing compressors and the addition of new compression. This expansion is anticipated to add an additional 20 - 30 TJ/day (the actual additional capacity will depend on the final compression configuration). This will result in the pipeline having a capacity of approximately 220 to 230 TJ/day.

APTPPL's assessment of the expanded capacity of the RBP has been developed following modelling of pipeline flows and capacity by the current operator of the pipeline and is based on actual pipeline data. It is unclear on what basis, if any QGC has determined the capacity to be 260 TJ/day.

QGC (p6) further claims

Further looping of 12.5km of the metropolitan section between Ellen Grove and Runcorn would allow growth in delivery capacity of some 30TJ per day at the Murarrie terminus of the pipeline. This capacity represents a 15% capacity gain (15% of overall pipeline throughput or a 25% gain in metropolitan throughput) for expenditure approximating 5% of the proposed initial capital base

Again it is unclear on what basis QGC has calculated these figures.

QGC (p8) make further claims relating to pressure including

Delivery pressure obligations adopted by the pipeline operator are artificially low and do not meet the market requirements. It is not possible to operate the mainline down at 1500kPa, indeed the gas turbines used in the midline compression require much higher pressures on the suction side – a more reasonable operating figure would be 50% of the MAOP, being 4800kPa for the 16" line and 3550kPa for delivery points serviced by the 10" line. An acceptable position would be 4500kPa for the 16" line that would not impair efficient operation of the mainline pipeline yet meet the requirements of modern gas turbines. ...Similarly, the minimum

delivery pressure at all delivery points on the existing metropolitan section should be increased to 50% of MAOP – any enhanced metropolitan line should carry with it the attendant benefit of higher delivery pressure.

The current delivery point pressures, which are reflected in the Access Arrangement, have been set through negotiation with the respective users. Higher delivery point pressures may be achievable through further capital expenditure on the pipeline. To date, users have not chosen to contract for higher pressures in preference for alternative mechanisms available to them and consequently lower tariffs. QGC is not currently a shipper on the pipeline and therefore unlikely to be aware of the actions of the end users of the pipeline and their decisions in this regard.

APTPPL does not know the basis or information on which QGC has undertaken these calculations.

Mandating higher delivery point pressures will require additional capital expenditure with a corresponding increase in tariff to be borne by end users, many of which are unlikely to achieve any benefit.

8. Gas Composition and Specification

QGC (p16) states that

The capacity limits of a pipeline are specified by reference to the ability to transport energy, not volume.

APTPPL disagrees with this statement. While the “headline” terms of a GTA are expressed in energy terms (eg MHQ and MDQ) and the GTA is billed in energy terms (eg \$/GJ), the reality is that pipelines transport physical volume (ie m³). A pipeline’s capacity to carry energy is determined by both its capacity to carry volume and the energy characteristics of the volume carried. In particular this capacity is determined by:

- Receipt Points: pressure, MDQ, MHQ, location
- Delivery Points: pressure, MDQ, MHQ location
- Physical factors (gas temperature, friction factor, air temperature and height above sea level for compressors, etc), and
- Gas quality (which includes a number of factors, the most material one being heating value)

Accordingly the QGC statement should not be taken to be correct.

QGC (p18) also states that

The standard of AS 4564/QLD legislation should be adopted without tinkering (as manipulation has occurred in the table on page 47 with respect to inclusion of a CO₂ limit).

APTPPL considers limits on CO₂ to be an important technical requirement and refers the Commission to the APTPPL comment relating to gas specification in the initial APTPPL response to the Issues Paper.

9. Capital Contributions

QGC (p6) raised the issue of direct capital contributions made by users. QGC is not a contracted current or past user of the pipeline. Given this, APTPPL submits that no weight can be given to these comments as QGC can have no knowledge of what, if any, contributions may have been made by other users.