



**ActewAGL**  
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Mr Mike Buckley  
General Manager  
Network Regulation North Branch  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Dear Mr Buckley

***Supplementary information on security of supply risks for the ActewAGL  
Distribution gas network***

ActewAGL Distribution provides this submission to the Australian Energy Regulator to supplement information included in its Access Arrangement Revision Proposal for the ACT, Queanbeyan and Palerang gas distribution network, submitted to the AER on 6 January 2010.

ActewAGL Distribution's January 2010 Access Arrangement Revision Proposal included expenditure for a security of supply project involving the installation of a compression facility augmenting the Dalton to Watson lateral and associated network reinforcement, to enable this supply point to meet peak demand volumes. This expenditure was supported by an economic appraisal by the Centre for International Economics (CIE), which based its estimates of demand and probabilities of failure on system modelling by Jemena Asset Management (JAM). Based on the CIE analysis, including unquantifiable risks and costs of a widespread supply outage, ActewAGL Distribution submitted that augmentation of the Dalton to Watson Lateral was economically justified and should proceed.

As noted in the Access Arrangement Information Addendum and CIE report, there was scope for further work on the probability of supply failure that would impact the underlying probability of a security of supply event. ActewAGL Distribution subsequently commissioned Zincara P/L to review the reasonableness of JAM's assumptions used in determining the probability of failure of upstream supply.

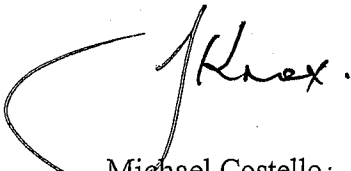
Zincara largely confirmed JAM's analysis. Zincara concluded that JAM's use of "Mean Time Before Failure" (MTBF) as a measure of reliability was appropriate, and that the calculations carried out by JAM were logical and consistent with the approach adopted by various industries for determining the MTBF. Zincara considered, however, that the inputs into calculations of pipeline failure rates required

reconsideration; specifically that the JAM assumptions on the MTBF for the Eastern Gas Pipeline (EGP) had been underestimated based on statistical analysis of expected failure rate curves and international experience.

This revision to the underlying probabilities increases the expected quantified costs of an outage (project benefit) from the \$14.1 million in the original CIE report to \$22.3 million, and would then be subject to appropriate sensitivity testing. This new information significantly strengthens the economic case for the project, taking account of the other unquantified risks and costs of a supply outage that also contribute to its value, as noted in the Access Arrangement Revision Proposal.

Please contact Mr Macleay Connelly, Manager Gas Network, on (02) 6270 7420 to discuss any aspect of this submission.

Yours sincerely



el- Michael Costello  
Chief Executive Officer