

Energy Markets Reform Forum
GPO Box 2100
Sydney NSW 2001

28th January 2003

Mr Russell Phillips
Acting General Manager
Regulatory Affairs – Gas
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

Dear Mr Phillips

Moomba to Sydney Pipeline (MSP) Proposed Access Arrangement

I attach the Energy Markets Reform Forum's views on the proposed MSP access arrangement in relation to the implications arising from the EPIC Decision of the WA Supreme Court.

In summary, we do not believe that the EPIC Decision, has in any way, invalidated the ACCC's original draft decision. In particular, there is nothing in the EPIC Decision that would support EAPL's proposal to raise its ICB to \$768 million. To allow this would mean raising tariffs to a level that would mean the embedding of supra normal monopoly rents, and therefore clearly against the interests of users and prospective users of the MSP (and inconsistent with the principles and interpretation of the Code as covered in the EPIC Decision).

As to the proposed gas balance arrangements, we would like to make it clear that we object to the application of a new charge, called "imbalance charge" of \$0.50 to \$1.50 per GJ. One of the benefits of using natural gas to consumers is the flexibility available compared with electricity. Each gas contract provides for an MDQ, which is the limit of purchases on any one day. For spot gas its use is on the basis that it is available and special pipeline charges are levied. For this reason no additional charge on EAPL is warranted and any charge would act as a means of restricting gas consumption or unreasonably increasing the price.

The EAPL pipeline is not operating into a gas pool, and therefore the Victorian comments (where imbalance charges are smeared across all consumers currently) are irrelevant in the case under consideration.

Yours sincerely

Ron Hardwick
Energy Markets Reform Forum