



**Moomba to Adelaide Pipeline  
Revised Access Arrangement  
Response to ACCC Issues Paper**

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## Introduction

- 1.1 Epic Energy South Australia Pty Ltd (“Epic Energy”) filed an amended version of the Access Arrangement for the Moomba to Adelaide Pipeline (“MAP”) with the ACCC on 18 May 2001 which incorporates a number of the changes to the document originally filed on 1 April 1999. The version filed was marked up to show all such changes. The amended version does not represent a complete response to the Draft Decision or even the Final Decision when that is issued.
- 1.2 Epic Energy has continued to review that document and refine it as it has discovered typographical errors and drafting errors in that version. Epic Energy has prepared a further amended version of the Access Arrangement which is marked up to show the changes from the 18 May 2001 version. This version will be provided to the ACCC on or before Monday 2 July 2001.
- 1.3 With the further revised version of the Access Arrangement will be a table explaining the main changes. Also the Schedules have been reviewed in the light of the significant changes to the Access Arrangement originally filed. A number of amendments are required. These will be provided, also marked up to show the changes, at the same time.
- 1.4 The ACCC issued an Issues Paper on 25 May 2001 (“Issues Paper”) in respect to the Revised Access Arrangement. Epic Energy has made its position clear to the ACCC on the matters raised in Section 3 of the Issues Paper and does not propose to say anything further on those matters. However there are 2 issues raised in Section 4 which Epic Energy comments on.

## 2. Extensions/expansions Policy

- 2.1 At Section 4.1 of the Issues Paper the ACCC refers to the dilemma facing Epic Energy in relation to expansion of the MAP, namely that the cost of incremental expansion to meet new demand will produce a tariff significantly higher than that proposed by the ACCC as the outworking of its Draft Decision. The ACCC said:

*“The Commission is concerned that Epic’s revised extensions/expansions policy may result in multiple tariffs for haulage on the MAPS because there is currently no provision for ‘rolling in’ incremental investment to the capital base. In the absence of such a provision, users who are unable to acquire existing capacity may face a significantly higher tariff for haulage services (because of the higher cost of incremental capacity) than those customers with access to existing capacity.”*

The ACCC then refer to section 8.16 of the Code which deals with New Facilities Investment.

- 2.2 While the ACCC does not draw any particular conclusion as to how the dilemma currently facing Epic Energy in relation to the MAP, there are a number of aspects to the comments that are interesting.
- 2.3 The ACCC refer to the need for expansions post 2006 and observe that the reference tariff will have potential to “impact” negotiations for transportation services post 2006. They feel it is important to cover expansions expected to

be required to satisfy demand post 2006. Those statements are at odds with the ACCC's comments in the Draft Decision at p.69-70 where they refer to the fact that given the pipeline is fully contracted until 2006 it has reduced risk which in part was then reflected in the WACC used. The ACCC now appear to be taking a reversed approach on an aspect they clearly perceive is in the customer's interest as opposed to the situation at p.69-70 which could be perceived as being in the Service Providers interest. This demonstrates a clear lack of taking a balanced approach.

- 2.4 The next aspect is that expansions of the nature contemplated will only be undertaken by Epic Energy in the event that at the time the proposed extension is, inter alia, economically feasible. That can not be judged now and certainly the parameters the ACCC have proposed in their Draft Decision for existing capacity would not satisfy that test.
- 2.5 The situation highlighted by the ACCC and the implied strict application of section 8.16 highlight the significant difficulties the Code or the current application of the Code is presenting for new investment in gas transmission pipelines.
- 2.6 Clearly different tariffs applying to different users for the same type of service is not a desirable situation.

### **3. Part Haul and Back Haul Services**

- 3.1 In section 4.2 of the Issues Paper the ACCC referred to their statements in the Draft Decision requiring a proposed amendment for trigger events for these services.
- 3.2 Epic Energy has not seen any evidence that section 3.3(b) of the Code has been satisfied in relation to the regulatory period.
- 3.3 Epic Energy believes it is not reasonable to incorporate a trigger event as suggested by ACCC again on the basis of the comment in paragraph 5.2 above, or any demonstrated argument that the arbitrator would have an insufficient reference point with the current Access Arrangement to enable the arbitrator to deal with any request for a part haul or back haul service, should such be required. In the circumstances this is something that could well be dealt with at the next filing should an issue have presented itself.
- 3.4 Epic Energy fails to see how or why principles should be incorporated in the Reference Tariff Policy for potential services that may be contracted some time in the future.
- 3.5 Epic Energy is particularly mindful that the ACCC has taken a particularly narrow approach in limiting to the regulatory period when dealing with rates of return, but seems to want to take a much broader view when looking at other aspects. This lack of consistency demonstrates a lack of balance of interest.

### **4. Conclusion**

- 4.1 At the timing of filing this paper Epic Energy has not seen submissions from any other person and therefore has not been able to address any issues that may be raised by them.