

The Hon Tom Koutsantonis MP
Member for West Torrens

MMRE15D00916



**Government
of South Australia**

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Minister for Finance
**Minister for State
Development**
**Minister for Mineral
Resources and Energy**
Minister for Small Business

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Mr Warwick Anderson
General Manager, Network Finance and Reporting
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Dear Mr Anderson

I am writing to you in relation to Australian Gas Networks' (AGN) proposed Access Arrangement for 2016-2021.

This correspondence is additional to the submission made by the Government of South Australia to the formal consultation process and has resulted from my recent discussions with AGN.

AGN has indicated to me that they are currently reviewing the viability of providing access to natural gas to Mount Barker. AGN advise that this network extension will cost no more than \$3 per customer.

The Government of South Australia has considered this proposal and considers that there are many benefits of extending the gas network into Mount Barker. Access to natural gas will allow Mount Barker residents to take advantage of an alternative low emission energy source for various applications including cooking, water heating and space and central heating. Natural gas can also be used for a wide range of commercial and industrial applications. Provision of natural gas in Mount Barker will offer residents and businesses greater choice and improve energy security.

AGN has estimated that the Mount Barker extension will create around 30 jobs during construction. Further, it expects that around 7,500 residential and 50 industrial and commercial customers will connect to the network over a 20 year period, which will include customers along the pipeline route.

It is for these reasons that I would like to formally advise the Australian Energy Regulator that the Government of South Australia supports AGN's proposal to extend its distribution network to Mount Barker at a cost of no more than \$3 per customer.



We understand that this project is likely to fall under the Significant Extension cost pass through event. The AER will recall the Government's original submission which provided that in broad terms the Government is concerned with wide-ranging application of cost pass through events because such events represent increased risk and can harm price stability for gas customers. While the Government's submission did not oppose the intention of the Significant Extension cost pass through event, it did provide that more work was required on the definition and on the proposals' parameters, including the possibility of a cap on the amount that can be recovered from customers.

The Government's support of AGN's network extension to Mount Barker is not a departure from the Government's original submission and we maintain our position that the definition and parameters of the proposed Significant Extension cost pass through event should be tightened. In fact, our explicit support of the Mount Barker extension provides at least one tangible project with predetermined scope and monetary cap that could fall under the definition of Significant Extension event.

Should you have any question relating to this matter, please contact Mr Vince Duffy, Executive Director of the Energy Markets and Programs Division, Department of State Development on (08) 8226 5500.

Yours sincerely



Hon Tom Koutsantonis MP
Minister for Mineral Resources and Energy

20th November 2015



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of South Australia**

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