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NSW GOVERNMENT

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SUBJECT: ACCC's Draft Decision on EAPL's Access Arrangement

I refer to ACCC's draft decision on EAPL Access Arrangement for the Moomba to Sydney Pipeline System and wish to offer the following comments.

1 **Operational requirements and balancing provisions (pages 144 and 145)**

As you may be aware, a Gas Retail Market Company (GRMCo) was recently established by gas retailers and network operators to implement and administer the "Gas Retail Market Business Rules" (GRMCo Business Rules) to support full retail competition in the NSW gas market. Part D of GRMCo Business Rules (attached) contains detailed nomination procedures that will apply to all network sections in NSW owned and operated by AGL Gas Network and Great South Energy Gas Network. GRMCo Business Rules have been developed in consultation with users, network operators and transmission pipeline operators and contain nomination procedures that would apply with and without Operational Balancing Agreement in place.

It is anticipated that the GRMCo Business Rules will be approved by the NSW Minister for Energy shortly.

Whilst the operational provisions described in section 2 of Attachment 4 of EAPL's Access arrangement are not inconsistent with the existing draft GRMCo Business Rules, it is noted that EAPL's current procedures are still under development. A concern is that any amendment of the operational provision might introduce inconsistency with GRMCo Business Rules. For example, EAPL might stipulate that nominations may not be submitted through another party.

Information is also available at the Ministry of Energy & Utilities' WebSite at www.doe.nsw.gov.au.

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Section 1 of Attachment 4 also indicates that EAPL's nomination and balancing procedures will be published by EAPL from time to time in consultation with industry participants and users. This creates another opportunity for inconsistencies with the GRMCo Business Rules to arise.

Any change to EAPL's operational and balancing provisions could affect competition and GRMCo's costs in the NSW gas retail market. To promote competition, it is important to ensure that the operational and balancing provisions for both the distribution systems and transmission pipelines are consistent.

It is therefore suggested that the proposed amendment A3.6 (pg 145) should be reworded to the effect that EAPL is required to ensure that any changes made to the operational and balancing provisions are consistent with any Government approved scheme put in place by the industry to give effect to full retail contestability.

2 Gas Quality Specification (pages 145 & 146)

It is noted that in December 1999, the AGA's Gas Specification Working Group recommended a proposed gas specification for NSW, ACT and Victoria. Although AGA has intended to adopt the proposed specification as an Australian Standard, it is unclear when this will take place. In the meantime, it is understood that Victoria has put in place a regulation adopting the AGA's proposed specification. NSW is currently developing a regulation to implement the AGA's proposed specification for the distribution networks.

From a competition viewpoint, the specification for gas to be transported through EAPL's pipeline should be as broad as possible to accommodate gas supply from various production sources. However, the proposed NSW's regulation will require any person injecting gas into or conveying gas through a distribution system to comply with the AGA's proposed specification. The regulation will be put in place by 1 July 2001.

In light of the above, it is suggested that EAPL should also be required to deliver gas to all custody transfer points (the point at which custody of the gas is transferred from the transmission operator to the distributor operator) that complies with the AGA's proposed specification. This requirement should either be put in place now or by 1 July 2001 at the latest.

I hope the above is of assistance. If you have any queries, please call Paul Wong on 9901 8847.



Phillip Lee
Assistant Director
Energy Programs and Planning

5. 2. 2000

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