

29 June 2001

MS Kanwalijit Kaur
General Manager
Regulatory Affairs - Gas
Australian Competition and Consumer Commission
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Dear Kanwalijit

Proposed Access Arrangements MAPS

Following is NRG Flinders comments on EPICs revised proposal for access arrangements to the MAPS.

1. Key Amendments

1.1 Queuing policy and extensions/expansions policy

Although NRG Flinders agrees with the proposed queuing policy it should not be left to Epics discretion to include or not include New Facilities as part of the Covered Pipeline. The ability to exclude New Facilities from the Covered Pipeline should require regulator approval.

1.2 Incentive mechanism

NRG Flinders primary concern with this clause 5.3 is that Epic should not be allowed to recover the full capital cost of the pipeline in the FT Capacity Charging Rate and also including a capital charge in the IT Commodity Charge Rate. Otherwise NRG Flinders would have no disagreement with a tariff structure that includes different rates.

1.3 Extension of Term

NRG Flinders agrees that there should be no automatic rollover or extension of contracts and that new agreements should be negotiated at or before the termination of existing agreements.

1.4 Liability for Fraud or wilful disregard

NRG Flinders agrees with clause 35.3 regarding fraud or wilful disregard.

2 Other matters

Rolling in Investment.

NRG Flinders is fundamentally opposed to rolling in proposed future investment to the Capital Base of the MAPS. Should additional marginal capacity be required the marginal shipper should pay for the augmentation in facilities needed to meet the increase in demand. The existing users should not be penalised if new shippers require additional capacity on the MAPS. Should new capacity be rolled into the existing capital base of the MAPS the existing shippers will in affect be subsidising new shippers, that may or may not take up the capacity at some undetermined time in the future.

Part haul or Back haul service.

NRG Flinders believes that the inclusion of tariffs for part haul and back haul services is of extreme importance. The historical assumption that the gas load centre is only being located at the Adelaide end of MAPS is certain to change in the near future with additional electricity generation being installed part way along the MAPS.

Considering the current tight supply demand balance for electricity in South Australia new investment in generation capacity is likely with possible sites being situated part way along the MAPS. Therefore future Access Arrangement should include the provision for part haul and back haul services.

The service provider should provide a description of Reference Tariffs for back-haul services or should provide a statement of principles to apply for the calculation of tariffs.

NRG Flinders does not believe that the inclusion of trigger mechanism for early review of agreements is a satisfactory outcome in relation to part haul or back-haul services. Should a trigger mechanism be included in the access arrangements, ACCC authorisation will be required in order to set the back-haul or part-haul tariffs leading to another lengthy and unnecessary consultation process.

Yours sincerely

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