



12 September 2000

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Regulatory Affairs Division - Gas Group  
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Dear Sir,

### **Epic Access Arrangement**

The SA Gas & Electricity Users Group (SAGEUG) wishes to make the following submission in response to the Draft Decision dated 16<sup>th</sup> August 2000.

### **Capital Cost and WACC**

The group has no position on the correct Capital Base and WACC values, but understands that the Capital Base, once set, is not reviewed in future Access Arrangements. The group believes that a fair and reasonable value for both, benefiting all parties, should be approved.

### **Epic's Tariff Escalator**

We support the ACCC position and submissions by various parties for a CPI-x escalation factor.

The group believes that the tariffs and annual escalation factor should not be based on current contracts providing a guaranteed income stream until 2005. The Tariffs should be based on the fair and reasonable investment and the fair and reasonable returns that can be expected from this investment.

### **Capital Contributions and Queuing**

The capital contribution policy provides a disincentive to investors by charging an application fee and then queuing until the following July for an annual review. This procedure delays any expansion of the system for up to 18 months from the previous review and as the Commission has suggested, this discourages industrial customers from joining the queue and shipping their own gas requirements.

We therefore support the Commission's call for a three-monthly clearance of the queue.

The SAGEUG supports in principle the ACCC call for an order of priority in the queue. Some discussion is necessary on who prioritises the queue. A "first-come first-served" allocation of spare capacity would not benefit all parties by allowing existing shippers to tie up spare capacity.

The group is also concerned about a cap being placed on perspective investment annually. If the queue calls for investment and the proposals meet sound investment guidelines then we feel investment should go ahead. Investors are being asked to contribute to costs up front and we would expect that expansion would go ahead if the system requires it.

The application fee of \$5,000 seems excessive, if it is designed to discourage speculators then perhaps a proportion of the fee could be reimbursed on augmentation taking place.

### **Reallocation of Capacity**

We fully support the proposal that capacity can be transferred in the event of customers changing retailers. The SAGEUG sees this as promoting competition. Some consideration may need to be given to “Retailer of Last Resort” and the distribution of gas in the network. The decision on redistribution in this case may be controlled by Government rather than the market.

### **Review Trigger**

The SAGEUG supports in principle the proposal for an early trigger being made available to the Commission but before fully supporting the proposal we would prefer to better understand what defines a ‘significant major event’.

We would like the review to include tariffs, capital contribution, queuing, and additional services such as backhaul tariffs. By acting on behalf of interested parties the Commission would be ensuring competition is maintained.

### **Contestable Market.**

The SAGEUG still has major concerns about the lack of a contestable gas market and the lack of a contestable MAPS system until after the existing contracts roll off in 2005. The group understands that capacity can be increased but with substantial investment by prospective shippers.

The SAGEUG is very concerned that the existing agreements between Epic Energy, TGT and Origin Energy can be extended in substance beyond 2006, tying up capacity, bypassing the Access Arrangement and resulting in a continuation of the existing non-competitive market conditions.

We fully support the Commission’s call for an increase in competition at the wellhead and support proposals that will encourage and deliver competitive, contestable, alternative gas supplies into South Australia. We encourage the Government to give consideration to policies which would accelerate the rate at which additional supplies are brought to market.

Yours sincerely,

Andrew Haines  
Chairman  
SA Gas & Electricity Users Group