

TRUenergy's response to the Issues Paper

Revisions lodged by APT Petroleum Pipelines Ltd. for the Roma to Brisbane Pipeline access arrangement

A. Introduction

TRUenergy welcomes the opportunity to comment on APT Petroleum Pipelines Ltd. (APTPPL) revised access arrangement. The company supports the proposed access arrangement subject to the following key conditions;

1. The ACCC requires APTPPL to include an interruptible tariff to form part of its reference services. It has the power to request this under Section 3.2 (a) (ii) of the Gas Code.
2. The ACCC requires APTPPL to include a wider range of tariffs as part of its reference services. It has the power to request this under Section 3.2 (a) (ii) of the Gas Code.
3. The ACCC is satisfied the dispute resolution processes in chapter 6 of the Gas Code adequately addresses disputes relating to price between an access seeker and the pipe liner where a dispute arises in relation to the pricing of negotiated services under the extensions policy.

B. Interruptible service to be offered as part of the reference services

TRUenergy believes APTPPL should offer an interruptible tariff as part of its reference service. An interruptible service will be beneficial to competition in the retail market giving new entrant retailers better access to the market. There are two key reasons for this;

1. Without the inclusion of an interruptible tariff that forms part of the reference service in this access arrangement, TRUenergy's only alternatives for access to the Brisbane market are to negotiate separately through the negotiated services regime with APTPPL or one of the existing contracted parties. (ie potentially our rivals). Whilst APTPPL have stated in their proposal that the dispute resolution process in the Gas Code will apply to negotiated services in the event of a pricing dispute, this process will be time consuming and costly. The possible lengthy protracted process of bilateral negotiations with APTPPL followed by a formal dispute resolution procedure could delay market entry and increase costs unnecessarily. This represents a sub-optimal outcome for new retailers seeking access on a pipeline already congested.
2. The advantage of including an interruptible service through the access arrangement is certainty of price and certainty in the terms & conditions. Apart from price (which is usually 30% higher than the firm forward haul tariff) access to the pipeline on substantially the same terms and conditions provides a level-playing field for all prospective new entrants.

C. A wider range of tariffs should be offered as reference services as this is critical to the success of FRC in Queensland.

New entrant access to the gas market is particularly important during the APT's access arrangement period because it coincides with the timing of Full Retail Contestability (FRC) in Queensland. TRUenergy believes that the success (or otherwise) of the Queensland Government's FRC policy for gas reform is critically linked to ability of new entrants to have access to capacity on APT's pipeline (because access to the transmission network is a necessary precondition for entry to the SE Queensland gas market).

APT has indicated that the pipeline is fully contracted throughout the period of the proposed access arrangement. This creates problems for new entrant retailers seeking access to the SE Queensland gas market. Under APT's proposal for a single reference service, the only alternative for new entrant retailers will be to negotiate access through the framework of negotiated services that could prove time consuming.

In an FRC environment where competition between retailers does not result in incremental load growth for the transmission pipeline owner (ie competition outcomes simply result in customer churn between retailers) it would be inefficient to compel new entrant retailers to go through a complex negotiation process that could end in a dispute as a prerequisite for market access. This being so, the likely result of new entrant retailer negotiations with APT under the proposed single reference service model would be to agree an interruptible service for existing capacity on the transmission network. Further, it is more than likely that the agreement of the parties would reference commonly accepted pricing models within the gas industry for interruptible services and precedence of

past Regulatory decisions. Under such a likely dynamic, there is little to be gained from not including, from the outset, an interruptible service as a reference service within the access arrangement.

The description above outlines a possible dynamic in a single scenario, however many varied scenarios are likely in the embryonic environment of the emerging FRC market in SE Queensland. It would be difficult at this time and in the confines of the ACCC consultation process to propose solutions to the range of problems likely to be encountered by new entrant retailers. TRUenergy believes that a better approach would be for the APT access arrangement to support FRC by providing a platform of varied services that would allow both incumbent and new entrant retailers to tailor solutions to meet their needs.

In this respect, whilst we regard the inclusion of an interruptible service as a reference service as being crucial to the APT's access arrangement, we urge the Commission to consider mandating a full suite of "normal" gas pipeline services into APT's application as a necessary adjunct to support Queensland's FRC gas reforms. We consider the services identified in the issues paper to be a suitable product-set (i.e. Pressure service, Interruptible service, Backhaul service, Spot service, and Park and loan service). Further, we suggest that the prices for these services should be based on industry normal practices (ie interruptible service = 130% of firm forward haul price, backhaul = 50% of firm forward haul price etc) but we propose that the opening assumption for APT's revenue is that income from these reference services will be minimal.

D. The ACCC has the discretion to direct a pipe liner to include an additional reference service as part of its access arrangement under Section 3.2 (a) (ii) of the Gas Code.

Section 3.2 (a) (ii) of the Gas Code provides the ACCC with the discretion to direct APTPPL to include an additional reference service to form part of its access arrangement. Whilst this provision does not explicitly outline the circumstances under which the ACCC would direct a pipe liner to include an additional reference service in its access arrangement, TRUenergy believes that incorporating a more flexible range of tariffs under APTPPL's reference services (which includes an interruptible tariff) will support new entrants obtain access to this market. Enhancing competition in the retail market represents a solid reason for the ACCC to provide a more flexible range of tariffs to form part of APTPPL 's reference services and is consistent with Queensland's FRC policy objective. In these circumstances, TRUenergy believes the ACCC should direct APTPPL to provide a wider range of tariffs to form part of their reference tariffs, especially if this will enhance retail contestability.

E. TRUenergy supports capacity expansions been provided as a negotiated service under a negotiated tariff.

TRUenergy supports APTPPL expansions policy that provides expansions will be undertaken as a negotiated service through a negotiated tariff. However, it supports this subject to the condition the ACCC is satisfied that the dispute resolution procedures in the Gas Code will adequately address disputes that arise.

Retailers will be able to negotiate with the pipe liner to resolve the amount and form of charges to be paid by the use of these services. At the same time, where a dispute arises in relation to the pricing of these services, parties can use the dispute resolution mechanism in chapter 6 of the Gas Code to resolve disputes.

Yours sincerely

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