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9 May 2023

Australian Energy Regulator
By email: AERgasreform@aer.gov.au

Dear Australian Energy Regulator

AER consults on gas Pipeline Information Disclosure Guidelines

We welcome the opportunity to make a submission on the development of the Pipeline Information Disclosure Guidelines, which form part of the new transparency information requirements that apply to all gas pipelines under Part 10 of the National Gas Rules (NGR).

Background

The Tas Gas Group currently owns and operates three gas pipelines that are subject to the application of Part 10 of the NGR.

Gas Networks Victoria (GNV)

GNV holds a Category 2 Exemption under the former Part 23 of the NGR on the basis it is a single user pipeline. Our understanding is that GNV will be taken to have been granted a Category 2 exemption under Part 10 of the NGR, but that this exemption will only apply to the requirement to publish financial information, historical demand information and cost allocation methodology for customers on that network.

Carisbrook to Horsham Pipeline (GPV Pipeline)

The GPV Pipeline holds a Category 3 Exemption under the former Part 23 of the NGR on the basis the average daily injection of natural gas into the pipeline calculated over the immediately preceding 24 months is less than 10TJ/day. Our understanding is that this exemption would be changed to a Category 2 Exemption under Part 10 of the NGR on the basis the nameplate rating of the pipeline is less than 10TJ/day and that, through subrule (5) of Schedule 6 of the NGR, rather than applying automatically, an exemption will only apply if the AER is satisfied (on the basis of information) that a pipeline has a nameplate rating less than 10TJ/day. We would welcome clarification on the process the AER is undertaking to grant these exemptions and whether the AER would require any further information on the GPV Pipeline in order to grant it a Category 2 Exemption.

Tas Gas Networks (TGN)

TGN holds a Category 3 Exemption under the former Part 23 of the NGR on the basis the average daily injection of natural gas into the pipeline calculated over the immediately preceding 24 months is less than 10TJ/day and notes a Category 2 Exemption under Part 10 of the NGR would require that the maximum daily capacity of the pipeline under normal operating conditions to be less than 10TJ/day.

By way of background, TGN owns gas distribution networks in Tasmania and is the sole natural gas distributor in Tasmania.

Unique to the Tasmanian energy market, all large commercial and industrial customers consuming over 5TJ/annum contract directly with TGN for the provision of network services under a Gas Distribution Services Agreement (GDSA). Each of these customers has an individually negotiated tariff that was originally tailored to incentivize them to switch from an alternative fuel to natural gas.

In the energy market in which TGN operates, natural gas is a discretionary fuel choice for customers. Low LPG prices has resulted in a number of commercial and industrial customers switching back to LPG, which we note is not subject to the requirements of Part 10 of the NGR.

TGN's gas networks are small, each with few industrial customers. All gas networks (except Hobart) were designed for a daily flow capacity of significantly less than 10TJ per day. Excluding Hobart, the nameplate capacity of our pipelines ranges from 2TJ per day through to 6 TJ per day with an average of 4.1 TJ per day.

Part 10 of the NGR now requires TGN to disclose a range of information (including actual prices payable information) on a customer/contract specific basis. As it appears there is no means under Part 10 of the NGR for a distributor to become exempt from the requirement to publish actual prices payable information, TGN will now be required to publish commercially sensitive information it was not previously required to publish. TGN is concerned this will place it at a competitive disadvantage to the alternative fuels with which it directly competes. Additionally, for the customers TGN serves in the small Tasmanian market, the disclosure of their direct energy input costs puts them at a competitive disadvantage.

From an administrative perspective, as a small distribution network, TGN is concerned about the impact of the cost and complexity of implementing these changes.

GNV Response to Pipeline Information Disclosure Guidelines – Issues Paper

The majority of the Issues Paper relates to financial information disclosures that TGN will require further time to consider given our previous Category 3 exemption under the former Part 23 of the NGR.

However, with regards to clause 3.3.4 of the Issues Paper:

a) further definition is required on the materiality threshold that is proposed for network extensions given distribution pipelines are continually extending the network to connect new customers; and
b) reporting both forecast and actual network extension costs is likely to lead to confusing reporting and reconciliation of costs pre- and post-construction, and be administratively burdensome. Further clarity is required on how to reconcile between forecast and actual costs.

Please contact our Compliance Manager, Georgia Newland, on [redacted] if you require any further information.

Yours sincerely

[redacted]

Will Temple-Smith
General Manager Commercial