

APT PARMELIA

PUBLIC SUBMISSION

**ALINTAGAS NETWORKS PTY LTD
ACCESS ARRANGEMENT
DRAFT DECISION**

**Submitted to Economic Regulatory Authority
on 31 March 2005**

INTRODUCTION

In August of 2004, the Australian Pipeline Trust completed its acquisition of the assets formerly owned by CMS Gas Transmission of Australia (CMS) including the Parmelia Pipeline. The acquired entity is now called APT Parmelia (APT).

As CMS had previously submitted on 14 May 2004 (the CMS Submission), APT believes that fair and reasonable access to interconnection will benefit Users and end-customers of the AlintaGas Network (AGN) GDS; in contrast, continued delays or failure to effect satisfactory arrangements for interconnection will seriously disadvantage the Users and will not advance the intent of the Code. In light of the clear benefits of further interconnection, it is desirable that such arrangements are able to be negotiated promptly. Whilst recognising that inclusion of an interconnection service as a Reference Service could be problematic, the delays experienced to date in seeking to negotiate access suggest that it would be beneficial to include in the Access Arrangement key commercial terms required in relation to interconnection arrangements.

The interconnection of the Parmelia Pipeline and the AGN GDS has clear benefits for users of the AGN GDS. The absence of benchmark terms and conditions contributes to uncertainty and delays in negotiations which is evidenced by the following;

- CMS had been in negotiations with AGN to obtain permanent and multiple interconnection upon fair and reasonable terms for in excess of 5 years prior to the purchase of the Parmelia Pipeline by APT; and
- Although the Code and the AGN GDS proposed Access Arrangement provides a right to seek a Service, negotiation has failed to obtain any permanent interconnection access.

JOINT RETAILER SUBMISSION

APT also notes that a joint submission by certain retailers was provided, contemporaneously with the CMS Submission, to the Authority in relation to this Access Arrangement (Joint Submission). Those retailers, in addition to CMS, included Western Power Corporation, Origin Energy and AGL Gas Trading. The Joint Submission also addressed the issue of the needs for interconnection and how costs should be allocated in relation to the same.

In particular, the Joint Submission highlighted the extended period over which attempts have been made to negotiate a permanent arrangement in relation to interconnection and that in the absence of benchmark terms for an Interconnection Service, a barrier to entry would exist for new gas retailers in the relevant market.

COST RECOVERY

In addition to the CMS Submission taking issue with the need for interconnection generally, that submission also took issue with the manner in which AGN proposed to allocate the costs arising in relation to interconnection. APT acknowledges that these matters have now been addressed by the Draft Decision. In particular, proposed Amendment 5 requires that the revised Access Arrangement should be amended to

include provision, in accordance with the Code, by which reference tariffs are developed to recover from the Users of the AGN GDS the costs associated with heating value management. At paragraph 110 of the Draft Decision, the Authority indicates that with a mechanism in place for the recovery of costs of managing heating values through Reference Tariffs no basis exists for the issue of costs recovery to arise in the negotiation of interconnection contracts. However, APT is of the view that further elaboration is required from the ERA in relation to the handling of costs in all of the complex circumstances surrounding the issue of interconnection. That is, further clarification is required as to what is contemplated in relation to allocation of all possible costs concerning interconnection.

Additionally, the Draft Decision proposes that AGN remove clauses 16, 17 and 18 of Part B regarding the recovery of reasonable capital costs and Non-Capital Costs.

APT supports these requirements as representing a reasonable balance between the interests of AGN in the orderly and efficient management of the GDS without putting unnecessary burdens on the owner of the interconnecting pipeline.

APT accepts the Draft Decision proposal that an Interconnection Service should not be a Reference Service, but proposes that it must be a Service which is adequately described in the Services Policy. In particular, this approach would see AGN, as part of the Access Arrangement, establish a set of general terms that would form the basis for negotiating permanent interconnection arrangements. In this respect, APT refers to the set of terms which are similar to those submitted as a “Terms Sheet for Proposed Interconnection” in the CMS Submission.

The set of benchmark terms are expressed generically and have been formulated by reference to the kinds of considerations that form part of the current interim interconnection contracts between Parmelia and AGN. Adoption of benchmark terms has the benefit of reducing the scope for uncertainty (and thus delay) while providing flexibility to enable AGN and potential interconnection parties to negotiate an agreement reflecting the particular circumstances arising from a proposed interconnection.

Benchmark Terms for Interconnection Service

Term	The term of an interconnection contract should be for such term as a valid pipeline licence operates for the interconnecting Pipeline.
Curtailement	Arrangements should be provided for which cater for permissible curtailement in the event of force majeure. These arrangements should be consistent with the AGN GDS Access Arrangement.
Title to and transfer of Gas	Title to gas passes at the gate station delivery point, consistent with the AGN GDS Access Arrangement. Transfer of gas from the shipper to the user should be governed by the Retail Market Rules.
Costs	The pipeline operator bears all costs associated with any costs arising upstream of the gate station delivery point and the AGN GDS operator bears any costs associated with any matter downstream of the delivery point. The costs related to the transfer of gas from the shipper to the user are to be governed by the Retail Market Rules.
Gas conditions	Pipeline operator to use reasonable endeavours to maintain the gas delivery pressure below the MAOP of the high pressure system supplying the AGN GDS and the pipeline operator to use reasonable endeavours to maintain the gas delivery temperature within specification.
Gas Quality Specifications	The pipeline operator must use reasonable endeavours to ensure that gas delivered by it to the interconnection point complies with the Gas Standards (Gas Supply and System Safety) Regulations 2000.
Indemnity	The parties agree to mutually indemnify each other in relation to direct losses caused by or contributed to by a negligent act the other party. (maximum liability A\$5,000,000).