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Mr Tyson Self
Assistant Director - Gas
Economic Regulation Authority
469 Wellington Street
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Dear Tyson

Thank you for the opportunity to respond to the ERA's recent Position Paper on the classification of our pipeline services on the DBNGP as either reference and non-reference services. We consider that the Position Paper's proposed classification into reference and non-reference services, and which non-reference services should be rebateable, provides for an appropriate regulatory framework for the five year period commencing 1 January 2021.

We note there is strong alignment between the ERA's Position Paper and our revised Final Plan submitted in October 2020. In particular we:

- Agree with the ERA's position that the Ullage Service should be classified as a non-reference, rebateable service.
- Agree that there is no need for a trigger mechanism in respect of the Ullage Service. Understand and agree with the ERA's revised position that Seasonal, Metering and Temperature and Odorant Services be re-inserted into the AA document and classified as non-reference ancillary services.
- Agree with the ERA that our pipeline services will be re-assessed as either reference or non-reference services at the outset of the 2026 to 2030 Access Arrangement period consistent with the requirements of the National Gas Rules (NGR).

We believe the approach that the ERA has taken in the Position Paper is consistent with the NGR and represents a practical outcome in respect of the different services which are offered on the DBNGP and the need to have flexibility in respect of service offerings.

As the ERA clearly understand, the intent of the NGR is for reference services to form an appropriate benchmark around which shippers and pipeline operators can negotiate. This is crucial for gas pipelines, where shippers often have highly diverse and bespoke needs. We believe that the set of reference services provides a solid foundation around which our shippers and ourselves can negotiate.

It is also key that the correct capacity for reference services is set. The derivation of our reference tariffs can only be based on reference service capacity expressed as Full Haul equivalent (FHE) capacity - that is, capacity that either relates to the Full Haul reference service, or capacity that can expressed as Full Haul capacity equivalent, such as part haul and backhaul reference services. Put differently, any capacity (where relevant) relating to the provision on non-reference services should not be used to set reference tariffs.

The ERA has designated the following as non-reference services in the Position Paper:

- The Ullage service is a new, limited opportunity service which will only be used by one shipper and has little relevance as a reference service. However, since it uses existing assets paid for by reference shippers in the reference service tariff, it is appropriate that it be rebated.

- The peaker service is likewise new, not commonly used by shippers and has uncertain demand, which makes it unsuitable as a reference service.
- Other reserve services are a collection of bespoke services we typically offer for shippers who have temporary needs or who have new demand and is, by its nature, subject to uncertain demand, which makes it suitable as reference service.
- Pilbara service provides shippers with the ability to ship gas from any inlet point to any outlet point within the prescribed Pilbara zone.

While we note the proportion of rebate is not discussed in the Position Paper, and consistent with our earlier submissions, we consider the ERA's Draft Decision in respect of the peaker service rebate of 70% is also appropriate for the other non-reference services classified as rebateable.

As noted by the ERA in paragraph 1236 of its Draft Decision, the AER has previously made a decision in respect of the proportion of a non-reference service to be rebated for the APA owned Roma to Brisbane pipeline. In that Final Decision, the AER considered a 70:30 sharing ratio (based on the incentive mechanisms sharing ratio) is appropriate as:

> *"… the adoption of this sharing ratio provides a reasonable balance between:*
>
> - *promoting the efficient use of the pipeline (e.g. by ensuring the prices charged for reference services are relatively cost reflective), and*
> - *providing effective incentives to service providers to promote economic efficiency in relation to the services it provides (e.g. by rewarding APTPPL for responding to customer needs), which will, in turn, promote the efficient provision of pipeline services and efficient investment in the pipeline over the longer term. "*

As noted earlier, we appreciate the ERA providing early guidance on the important matter and for providing the opportunity to respond to the Position Paper. Please contact Peter Bucki at any time to discuss any aspect of this submission further, along with any other matter raised in our revised Final Plan.

Yours sincerely

[redacted]

Craig de Laine
General Manager - People and Strategy