



**ALINTAGAS NETWORKS PTY LTD**

**MID WEST AND SOUTH WEST GAS DISTRIBUTION  
SYSTEMS  
PROPOSED REVISED ACCESS ARRANGEMENT**

**SUBMISSION#1  
INTERCONNECTION ISSUES**

**PUBLIC VERSION**

**3 AUGUST 2004**

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## 1. Introduction

- 1.1 On 31 March 2004, Alinta Gas Networks (“Alinta”) lodged proposed revisions to its access arrangement for the mid west and south west gas distribution systems (“GDS”).
- 1.2 The proposed revised access arrangement contains a proposed “interconnection service” as a non reference service.
- 1.3 In discussions with staff of the Regulator, questions have been asked about the status and details of the interconnection arrangements in place between the Alinta and the Service Provider of the DBNGP.
- 1.4 [Deleted – Confidential]
- 1.5 Epic Energy’s submission is being made only in respect of a particular aspect of the proposed revised access arrangement – the proposal to provide an interconnection service.
- 1.6 The lack of any comment by Epic Energy on any other aspect of the proposed revisions should not be construed by the Regulator as an endorsement of any other aspects of Alinta’s proposal.

## 2. Interconnection Arrangements between the DBNGP Owner and Alinta

- 2.1 In discussions with staff of the Regulator, questions have been asked about the status and details of any interconnection arrangements in place between the Alinta and the Service Provider of the DBNGP.
- 2.2 [Deleted – Confidential].
- 2.3 [Deleted – Confidential]
- 2.4 Epic Energy submits that:
- (a) [Deleted – Confidential];
  - (b) [Deleted – Confidential];
  - (c) Regardless of points (a) and (b) above, the matters dealt with in the 199C Arrangement are matters which are dealt with in transmission contracts or the Retail Market Rules. Epic understands that Alinta appears to be relying on the Retail Market Rules and not the 199C Arrangement for access to information.
- 2.5 [Deleted – Confidential].

### ***Relevant facts relating to the establishment of Interconnection Arrangements for the DBNGP***

- 2.6 The following facts may assist the Regulator to understand the basis of Epic Energy's submissions in paragraph 2.4 above.
- 2.7 [Deleted – Confidential].
- 2.8 [Deleted – Confidential].
- 2.9 [Deleted – Confidential].
- 2.10 [Deleted – Confidential]
- 2.11 [Deleted – Confidential]
- 2.12 [Deleted – Confidential]
- 2.13 [Deleted – Confidential]
- [Deleted – Confidential]



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2.14 [Deleted – Confidential]

2.15 There are at least 5 reasons justifying this position:

(a) The operational relationship between a transmission pipeline system and a distribution pipeline system is not a matter that traditionally requires contractual agreement between the Service Providers of both systems. Rather, it is a matter between the Service Provider of the distribution pipeline system, its Users and the Shippers who supply gas to Users from a transmission pipeline system. The obligation of a transmission pipeline Service Provider extends only to delivering gas to shippers at Delivery Points (or, in at least the case of the DBNGP at Physical Delivery Points associated with Notional Delivery Points). In the case of the DBNGP, all of the matters which Alinta suggests should be included in an Interconnection Contract are already the subject of the terms and conditions of Epic Energy's reference service. What shippers then do with the gas is no business of the Service Provider, except in situations where the gas is delivered to Delivery Points immediately adjacent to the shipper's own installation, in which case, the installation complies with the appropriate safety standards.

(b) [Deleted – Confidential]

(c) [Deleted – Confidential]

(d) [Deleted – Confidential]

(e) [Deleted – Confidential]

2.16 [Deleted – Confidential]

2.17 [Deleted – Confidential]

2.18 [Deleted – Confidential]

### 3. Alinta's Proposal – Interconnection Services

3.1 This submission deals with the following 2 aspects of Alinta's proposed revised access arrangement relating to the interconnection of the GDS with Transmission pipelines, as they are directly affected by the status of the 199C Interconnection Arrangement (as outlined in section 2 of this submission):

- The proposed Interconnection Service; and
- The requirement, under the Haulage Contract (see clause 4), for an Interconnection Contract to be in place for a receipt point before a Haulage Contract can be entered into.

#### *Proposed Interconnection Service*

3.2 In clauses 21 to 23 of Part A of Alinta's proposed revisions to the Access Arrangement, Alinta proposes to continue to offer an Interconnection Service on negotiated terms, conditions and pricing.

3.3 Epic Energy takes the position that these provisions do not apply to it in so far as it relates to the existing connection points between the GDS and the DBNGP.

3.4 However, if the provision remains, it will most likely be relevant to any future interconnection point between the DBNGP and the GDS that is sought to be constructed.

3.5 On that basis, Epic Energy makes the following submissions:

3.6 First, as stated in section 2 of this submission, the operational relationship between a transmission pipeline system and a distribution pipeline system is not a matter that requires contractual agreement between the Service Providers of both systems. Rather, it is a matter between the Service Provider of the distribution pipeline system, its Users and the Shippers on the transmission pipeline system who supply to Users gas from a transmission pipeline system. The obligation of a transmission pipeline Service Provider extends only to delivering gas to shippers at Delivery Points (or, in at least the case of the DBNGP at Physical Delivery Points associated with Notional Delivery Points). In the case of the DBNGP, all of the matters which Alinta suggests should be included in an Interconnection Contract are already the subject of the terms and conditions of Epic Energy's reference service in its access arrangement. What shippers then do with the gas is no business of the Service Provider of the transmission pipeline, except in situations where the gas is delivered to Delivery Points immediately adjacent to the shipper's own installation, in which case, the installation must comply with the appropriate safety standards.

- 3.7 Second, if the Regulator is to require the inclusion of an Interconnection Service in the Access Arrangement, the Regulator should require the Access Arrangement to be amended to make it clear that the Interconnection Service provisions do not apply to existing connection points between transmission pipelines and the GDS.
- 3.8 Third, the matters that are the subject matter of an Interconnection Contract are extremely broad and seek to “double up” on matters that are already the subject of contractual arrangements for a transmission pipeline system or are not appropriate to include in such a contract. Such matters include:
- (a - part) ...ownership and funding of Physical Gate points and associated facilities – these issues are already covered in access contracts on the DBNGP.
  - (c) management plans for gas quality, odourisation, metering and management of heating values - these issues are already covered in access contracts on the DBNGP and also the Gas Standards Act and the proposed HHV Regulations.
  - (d) Reimbursement by the Pipeline Operator of Alinta’s capital and non-capital costs of implementing the interconnection - any reimbursement should be by the party requiring the facility being the User. It is totally unacceptable to require the Transmission pipeline operator to bear this obligation. Shippers have the responsibility for construction under transmission contracts so any funding required for enhancement etc must be at the Shipper’s account, not the Service Providers.
  - (e) the Minimum Receipt Temperature for each receipt point - this issue is already covered in access contracts on the DBNGP.
  - (f) Any other relevant matters – Epic Energy would be concerned for such a broad ranging matter to be the subject of a service that the Regulator required to be included as a reference service. Such a residual matter is unacceptable
- 3.9 Fourth, there are other matters (such as “operational matters”) that are also the subject of the Retail Market Rules and again, if included in the access arrangement, would amount to a “doubling up”.
- 3.10 Fifthly, if the Regulator proposes to include the Interconnection Service in the Access Arrangement, it is not necessary for the Interconnection Service to be a reference service as it is not a service which, based on Epic Energy’s internal forecasting, is likely to be sought by a significant part of the market.
- 3.11 Finally, Epic Energy would be concerned if the Regulator were to impose a set of terms and conditions, or any requirement for that matter, in the Alinta Access

Arrangement, the result of which would be that a mirror provision had to be included in the access arrangement for the DBNGP. Without providing the DBNGP owner with an opportunity to comment on the appropriateness of such terms would amount not only to a breach of the rules of procedural fairness but also to a fundamental infringement of property rights, not to mention an attempt to deal with matters that potentially are more appropriately dealt with in an access arrangement for a transmission pipeline.

***Requirement for Users and Related Shippers to have an Interconnection Contract in place for Receipt Points***

- 3.12 It is noted that there is a requirement (in clause 21 of the proposed revised access arrangement) for each Related Shipper to have in place an Interconnection Contract for each receipt point that the Related Shipper is to access.
- 3.13 It is also noted that the proposed terms of the Haulage Contract (clause 4) requires all Users of the GDS to have in place an Interconnection Contract for each receipt point that they wish to access.
- 3.14 Epic Energy draws the following points to the Regulator's attention in respect of these provisions.
- 3.15 First, as noted in section 2 of this submission, it is not the role of a Transmission pipeline Service Provider to have to enter into an interconnection agreement with the Service Provider of a distribution pipeline system. Rather, interconnection issues should be subject to agreement between the Service Provider of the distribution pipeline system, the User of the distribution pipeline system and any Shipper of the transmission system that provides gas to the User. Accordingly, Epic Energy considers these provisions should be removed.
- 3.16 Second, if these provisions are to remain, then because of the status of the 199C Arrangement, no User will be able to enter into a Haulage Contract which seeks access to a receipt point in the GDS that interconnects with the DBNGP. Epic Energy questions whether such an outcome is intended or consistent with the Code.
- 3.17 Third, under the current practical arrangements, there is no charge levied by Epic Energy for the benefit that Alinta receives. This cost structure should be reflected in any pricing arrangement for users on the GDS although it is noted that in clause 62 of the proposed revised access arrangement, Alinta reserves the right to recover costs.



## **4. Confidentiality**

4.1 [Deleted – Confidential]