

Ian Devenish
9486 3210

21 September 2001

Mr Robert Pullella
Office of Gas Access Regulation
Level 6, Governor Stirling Tower
197 St George's Terrace
PERTH WA 6000

Dear Mr Pullella

DBNGP Draft Decision - Hourly Peaking

This Submission has been prepared by AlintaGas Networks Pty Ltd (**“Networks”**) following the Draft Decision on Epic Energy’s proposed Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (**“DBNGP”**) by the Western Australian Independent Gas Pipelines Access Regulator (**“Regulator”**).

The Draft Decision, if approved, will enable Epic Energy to apply hourly peaking penalties, which are penalties imposed on a shipper whenever the shipper’s gas demand within a zone in any hour exceeds 120% of the shipper’s firm contracted capacity in that zone. Amendment 5 in the Draft Decision requires inclusion of “... the timely provision to Users of metering information necessary to assess potential liabilities for penalty charges and enable Users to take actions to avoid those charges”. Basically, this amounts to a requirement for Epic Energy to provide shippers with hourly on-line data.

The Government recently established the Gas Retail Deregulation Project Steering Group (**“GRDPSG”**) to oversee and facilitate the development of a set of market rules and systems to allow for full retail competition (**“FRC”**). Networks submits that the Regulator’s/Epic Energy’s hourly peaking penalty proposals, if approved, will add significantly to the complexity and costs associated with FRC, with these costs likely to be borne by market participants other than Epic Energy. If Epic Energy is to obtain a benefit from hourly peaking proposals, then it should also bear the costs.

If a shipper is to have the information it needs to manage its hourly deliveries on the DBNGP, deliveries at each notional gate point on the DBNGP will need to be allocated between shippers on an hourly basis. This requires systems to be developed that will allocate, on an on-line basis, hourly gas deliveries between retailers on the gas distribution system, which also requires an hourly allocation of all periodically read and non-interval meters. Networks submits that an hourly allocation of deliveries would further complicate the development of extensive and expensive computer systems, and will require significant resources to manage on an on-going basis. Further, Networks submits that such requirements are not necessary for the

success of FRC. For example, in both New South Wales and Victoria, FRC processes and systems cater only for the daily settlement of gas deliveries.

When the Regulator assesses the net financial impact of having hourly peaking penalties on the DBNGP, Networks submits that the Regulator should include, as part of the assessment, those costs that will be incurred in allocating, on an hourly basis, deliveries at notional gate points.

Networks further submits, that if the Regulator does approve the imposition of hourly peaking penalties, the Regulator should require Epic Energy to contribute in some way to the costs associated with the hourly allocation of deliveries.

This is only a brief submission, intended to alert the Regulator to the fact that there are envisaged to be significant cost implications if deliveries at notional gate points are to be allocated between shippers on an hourly basis. As the work of the GRDPSG progresses, the quantum of the cost implications are expected to become clearer. It is anticipated that the GRDPSG will keep the Regulator informed on that and other FRC issues as they progress.

I would be pleased to discuss the matters further with you, or others from the Office of Gas Access Regulation, at your convenience.

Yours faithfully

Ian Devenish
Manager Full Retail Contestability