

9 May 2000

Mr Robert Pullella  
Office of Gas Access Regulation  
Level 6 Governor Stirling Tower  
197 St Georges Terrace  
PERTH WA 6000

Dear Mr Pullella

**Draft Decision : Access Arrangement  
Mid-West and South-West Gas Distribution Systems**

Apache Energy Limited offers the following comments on OffGAR's Draft Decision on the proposed AlintaGas Access Arrangement. We commend OffGAR for the very rigorous analysis it has undertaken in its review of the Access Arrangement.

Apache's focus is on ensuring that the terms and conditions of access to the Gas Distribution Systems are such that they provide for genuine, competitive access to the gas supply market. This has not been the case to date as evidenced by the lack of grants for access. Apache therefore believes it is very important that the new Access Arrangement facilitates this process.

Apache is concerned about the comments made by Perth Basin producers at last week's public forum in regard to the gas specification issue. It is in everybody's interest (except for AlintaGas) that more gas rather than less gas is allowed access into the AlintaGas network. It is our understanding that mechanisms exist to track different gas quality deliveries to consumers. Further if there are appliances that need attention this is and remains an issue for AlintaGas, not for industry, to solve.

Another issue that was raised again last week is the fact that Reference Service A tariffs for gas delivered into the Geraldton region are very high and will result in customers in that area receiving little benefit from the Access Arrangement. Exactly the same argument holds for customers south of the Clifton Road Gate Station. In each case the distribution tariff exceeds the associated transmission charge in bringing the gas to the entry point to the distribution system. While AlintaGas has indicated that it is prepared to negotiate tariffs, it is hard to see this happening while there is common ownership of the AlintaGas retail and distribution businesses. These laterals are transmission laterals and should be tarified as such. They were acquired by AlintaGas from its former transmission business.

As mentioned previously, as far as Apache is aware there has not been one grant of access to the distribution system under the terms and conditions of the Gas Distribution Regulations 1996. The proposed Reference Service A tariff, with its high Standing Charge, will in many cases be much higher than existing charges. Whilst it will be argued that the new tariffs reflect the application of the Code and the Regulator is seeking a reasonable transition from

the old to the new charges, the result is significantly higher transport costs to larger customers, and revenues to AlintaGas Distribution clearly much increased from the old regime.

This in itself raises the issue of the lack of transparency. AlintaGas Trading is not required to be ring fenced until 2002, so there is no way of confirming that these increased tariffs (or in fact the old ones) are or will be paid by Trading to Distribution. The concepts of transparency and the level playing field can therefore not be tested. The concern is that applicants will pay one price and Trading will pay another, perhaps the old price.

Apache supports the Regulator's position aiming to ensure that the tariff structures applicable to Reference Services B2 and B3, given the current regulated retail prices, are consistent with retail margins which will encourage competition in this sector of the market.

In summary, Apache believes that the combination of increased distribution tariffs for larger loads, constraints on interconnecting into the Gas Distribution Systems and distance-based calculations for Reference Service A loads, in conjunction with the continuing common ownership of the AlintaGas retail and distribution businesses, will make it extremely difficult for new suppliers to win market share via the distribution network. We anticipate there will be an increasing trend for suppliers to look at bypass options as the only real means of competing for business. Whilst this may well be AlintaGas' intention, it is inefficient to do so and is a poor second to truly opening up access to the Gas Distribution Systems.

Yours sincerely

**Eve Howell**  
Deputy Managing Director