

19 August 1999

Dr Ken Michael  
Gas Access Regulator  
Office of Gas Access Regulation  
GPO Box 8469  
Perth Business Centre WA 6849

Dear Dr Michael

**PROPOSED ALINTAGAS'S ACCESS ARRANGEMENT FOR THE MID-WEST  
AND SOUTH-WEST GAS DISTRIBUTION SYSTEMS**

The Chamber of Commerce and Industry of Western Australia (CCI) submits for your review queries it has with the proposed AlintaGas's Access Arrangement for the Mid-West and South-West Gas Distribution Systems.

CCI's specific queries are submitted below.

**Reference Tariff Structure**

In the AlintaGas's Access Arrangement for the Mid-West and South-West Gas Distribution Systems, Reference Tariff A will apply for gas customers who take a minimum of 35 Terajoules of gas per year from a single delivery point from a third party supplier. It appears to CCI that the cost of transporting gas through AlintaGas's mid-west and south-west distribution network under Reference Tariff A will be higher for some customers than they currently face or were expecting to pay as per the Gas Distributions Regulations 1996 (GDR).

Two examples which have been forwarded to us are the following:

1. A 100 Terajoules per year gas customer whose closest gas transmission pipeline (Parmelia or Dampier to Bunbury Natural Gas Pipeline (DBNGP))<sup>1</sup> is 1 kilometre away would be paying approximately \$0.05/Gigajoule for transportation under the GDR and \$0.59/Gigajoule for transportation under the proposed Access Arrangements.
1. A 365 Terajoules per year gas customer located within 1 kilometre of the nearest gate station on the DBNGP, and 0.14 kilometres from the Parmelia Pipeline would be paying

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<sup>1</sup> See following discussion.

approximately \$0.039/Gigajoule for transportation under the GDR and \$0.15/Gigajoule for transportation under the proposed Access Arrangements.

In calculating the two cited examples it was taken into account that the Demand and Usage Charge components of Reference Tariff A in the proposed Access Arrangements are a function, inter alia, of the distance between the user's gas delivery point and the nearest transmission pipeline. This effectively means that Reference Tariff A is to be calculated as the shortest distance from the user's gas delivery point to either the Parmelia Pipeline or DBNGP, whichever is closer. Under the GDR the distance value used in calculations was measured to the nearest DBNGP gate station, and therefore was always greater than or equal to that used in calculating the transport tariffs under the proposed Access Arrangements.

CCI understands that most of the variance in the cost of gas transport in AlintaGas's network between the two tariff regimes is attributable to the fact that the new Access Arrangements incorporate a yearly \$50,000 standing charge which is levied at a user's metered delivery point. CCI has been informed and would like OffGAR to examine the claim that in most cases any savings a potential user in the Perth metropolitan area may gain from the lessening of the distance component of the tariff structure are more than offset by the imposition of the standing charge.

CCI recognises that the standing charge covers the costs of installing, operating and maintaining a gas distribution system. However, OffGAR must ensure that the standing charge and the resulting Reference Tariff A accurately reflect the cost of providing the Reference Service. If costs are not accurately reflected, CCI is concerned that competition in the gas supply market may be impeded.

We also note that there is no scope in the Access Arrangements for the agglomeration of proximal gas users and the spreading of this standing charge amongst the agglomerated parties.

### **Peak Demand Factor**

Currently, under the GDR, the peak demand factor is the average of the five highest daily peak hour gas flows in Gigajoules/hour that were metered in the preceding months of June, July, August and September. However, CCI is unsure how the peak demand factor, a variable used in the calculation of the Demand Charge for Reference Tariff A is to be calculated under the proposed Access Arrangements. OffGAR needs to clarify the measurement of the peak demand factor.

### **Interconnection Distance**

As outlined above the Demand Charge and Usage Charge components of Reference Tariff A are a function, inter alia, of the shortest distance from the user's gas delivery point to either the Parmelia Pipeline or DBNGP, whichever is closer.

The justification for the adoption of this distance criteria is that it "is intended to mitigate the risk of inefficient by-pass of the AlintaGas's Network".

OffGAR should examine whether this is reflective of the cost of providing the service and therefore whether this is contrary or not to the Reference Tariff Principles which state "that the overarching requirement is that when Reference Tariffs are determined and reviewed,

they should be based on the efficient cost (or anticipated efficient cost) of providing the Reference Services”.

Particular concern has of course been raised regarding the relative effect the new determination of interconnection distance will have on the gas transport price users pay in the Welshpool to Kwinana region of Perth, where the Parmelia pipeline and DBNGP diverge, vis a vis the price customers pay to transport gas outside this area.

In addition, in the proposed Access Arrangements it is not clear as to how many decimal places the interconnection distance, in kilometres, is to be determined, and thus used to calculate Reference Tariff A. OffGAR needs to clarify how accurately interconnection distance is to be determined.

CCI acknowledges that the Reference Tariff Structures are not exclusive and that third party suppliers and AlintaGas are able to enter into negotiated gas haulage contracts. However, notwithstanding this, we have raised a number of issues in this submission relating to Reference Tariff A that OffGAR needs to address. It is important that in any change of the access arrangements to AlintaGas’s mid-west and south-west distribution network that competition in the gas distribution market is not impeded, and that therefore gas customers can continue to reap the price benefits that competition or the prospect of competition has delivered.

Yours sincerely

W S Sashegyi  
**Manager Industry and Resources**