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Ref: ST.SH.SL-0094

28 September 2007

Mr Lyndon Rowe  
Chairman  
Economic Regulation Authority  
Level 6, Governor Stirling Tower  
197 St Georges Terrace  
PERTH WA 6000

via email: [michael.styles@era.wa.gov.au](mailto:michael.styles@era.wa.gov.au)

Dear Mr Rowe

## **REVIEW OF REMCO GAS RETAIL MARKET SCHEME**

APA Group (APA) welcomes the opportunity to comment on the Issues Paper - Review of the REMCo Gas Retail Market Scheme (RMS) as outlined in the Notice issued by the Economic Regulation Authority (ERA) on 20 August 2007.

As stated in the Issues Paper REMCo has also undertaken a review of the Retail Market Rules and APA has provided a submission - a copy of APA's submission is attached for your information.

As indicated in the APA submission, APA has no major concerns with the operation of the RMS to date. However APA makes the following comment:

### **Swing Service Pricing**

The allocation, reconciliation and swing processes relating to Western Australia were established in the manner as currently implemented in order that there be complete equality with the way in which balancing was to be dealt with between the two interconnection pipelines in Western Australia.

In Western Australia it is only rarely that swing is significant and the cost is a one day only cost if the shippers all nominate two days later to account for their swing. There have only been very few occasions where there has been a recurrence of significant swing and on those occasions it was caused because the shippers that had not corrected their nominations. This has been reinforced in the Issues Paper - "Since this time swing service prices in Western Australia have generally remained lower under the existing arrangements and volumes have averaged approximately 150 GJ each day during 2006/07".

**Establishment of NEMO**

APA has no major concern regarding the transfer of functions of REMCo to NEMO, however APA considers it necessary to ensure that such a process would not undermine treatment of equality between the pipelines relating to the swing process which have been long and hard fought for such that shippers would be potentially disadvantaged when using one pipeline or the other.

For the reasons outlined above, APA supports the continuing operation of the current RMS for Western Australia.

Yours faithfully

**Suzy Tasnady**  
**Regulatory and Technical Manager**



Ref: RP:SH:SL0065

1 August 2007

Mr Stephen Thomson  
Chief Executive Officer  
Retail Energy Market Company Ltd  
Suite 1.05, 737 Burwood Road  
HAWTHORN VIC 3122

Via email: [stephen.thomson@remco.net.au](mailto:stephen.thomson@remco.net.au)

Dear Stephen

## REVIEW OF REMCO RETAIL MARKET RULES

APA Group (APA) welcomes the opportunity to comment on the review of the REMCO Retail Market Rules (RRMR) as requested in your letter dated 27 June 2007.

APA agrees with your comments that in the majority of the operation of the RRMR has been generally successful and that most problems have been resolved through the rule change process.

However APA does not agree with some of your comments as discussed below.

### Allocation, reconciliation and swing processes

You state that "REMCO is also aware that, due to the complexity of the allocation, reconciliation and swing rules, there is a lack of understanding amongst the participants of how to correlate the impact of the changes to data with the final results. This has been compounded by the departure of M-Co as a potential provider of training in this..."

The allocation, reconciliation and swing processes relating to Western Australia were established in the manner as currently implemented in order that there be complete equality with the way in which balancing was to be dealt with between the two interconnection pipelines in Western Australia. If as a result of achieving this equality, the rules are "complex", then that is an inevitable consequence and the rules should be accepted rather than requiring them to be changed.

With respect to your comment - "lack of understanding amongst participants", APA suggests that this is a question of having the right people with the necessary skills to undertake that activity and not a question of changing the rules because they are difficult to understand. Also the fact that the "departure of M-Co as a potential provider of training in this area" should not be used as the reason to change the rules, rather it is a matter of finding a replacement provider of training.

## **Operation of Swing Service**

APA does not agree with your comments relating to the operation of swing gas in Western Australia that "It is generally acknowledged that these rules represent an imperfect compromise to the commercial tensions that existed when the rules were being developed and that changes are needed..."

APA understands that the concerns that have been expressed are concerns raised in the operation of swing in South Australia and not in Western Australia. In Western Australia it is only rarely that swing is significant and the cost is a one day only cost if the shippers all nominate two days later to account for their swing. There have been only a very few occasions where there has been a recurrence of significant swing and on those occasions it was caused because the shippers had not corrected their nominations.

## **Short Term Trading Market**

APA understands that the Gas Market Leaders Group is currently evaluating the potential for a Short Term Trading Market (STTM) to be implemented in Australia. APA also understands that this market is not contemplated to be introduced into Western Australia. However, should the operation of a STTM be introduced in Western Australia, APA would be concerned if the current issues regarding the treatment of equality between the pipelines relating to the swing process which have been long and hard fought for by new market entrants, be undermined such that shippers would be potentially disadvantaged when using one pipeline or the other.

For the reasons outlined above, APA supports the continuing operation of the current RRMR for Western Australia.

Yours sincerely

**Rudi Petrig**  
**Business Development Manager**