

4 April, 2001

Mr Robert Pullella
Senior Business Analyst
Office of Gas Access Regulation
PO Box 8469
PERTH BUSINESS CENTRE WA 6849

Dear Mr Pullella,

Issues Paper – Proposed Haulage Contract between Alintagas Networks Pty Limited and Alintagas Sales Pty Limited

AGL Energy Sales and Marketing (AGL) is pleased to provide comments on the proposed haulage contract (Associate Contracts) between Alintagas Networks Pty Limited and Alintagas Sales Pty Limited.

AGL notes that the proposed Associate Contracts relate to sites where Alintagas Sales Pty Limited have entered into contracts prior to the Regulator's approval of the Access Arrangements. AGL also notes that the proposed tariffs may, in some cases, be substantially different to current reference tariffs. It is, however, not clear whether the total cost savings arising from the 24 sites in question would amount to a substantial cost savings to Alintagas Pty Limited.

AGL does not understand the rationale in this case behind transferring revenue between related companies. Lower tariffs are generally offered to support a business development or to avoid by-pass risks.

Tariff Issues

Without the benefit of the specific details pertaining to the sites in question it is difficult to assess whether the Associate Contracts would have the effect of substantially lessening, preventing, or hindering competition. On face value it does not appear unreasonable that tariffs for these sites be reduced to enable the retailer to meet the cost of supply, particularly when such reduction does not result in increase in tariffs elsewhere. AGL would recommend that the Office of Gas Regulation take the following issues into account:

- whether the contracted sites in question enable the host retailer to derive benefits that would not be available to other retailers, such as lower upstream costs, thereby limiting the ability of new entrants to compete in a particular geographic region, and
- whether these tariffs would be made available to other users in similar circumstances.

These considerations will ensure an objective assessment of whether or not the tariffs have the potential to have an impact on competition.

AGL supports the ability of retailers to negotiate tariffs lower than reference tariffs provided such lower tariffs are available to all retailers who can then have the opportunity to compete to supply a customer on an equal basis. The term of the proposed tariffs should be for the Access Arrangement period and any variations over this period should be made available to customers (as opposed to

being made public) to enable them to seek alternative offers when contracts expire. This requirement to offer discounted tariffs to all users should be binding on Alintagas Networks Pty Limited.

Non-Tariff Issues

AGL is of the view that terms and conditions should remain consistent with the Access Arrangement. Any changes to the terms and conditions of the Access Arrangement should be through a review process.

Where Alintagas Networks Limited now considers that terms and conditions are an improvement on the Access Arrangement provisions (clauses 14(2), 14(3), 20, and 23), these arrangements should also be made available to all users.

Specific comments:

Clauses 3 and 4: AGL believes that the start date and end date of distribution services should be provided and should indicate the prices over the Access Arrangement period to enable other users to compete to supply the sites in question with certainty.

Paragraph 6(4) h: AGL does not see any reason to vary the Access Arrangement terms with respect to amortisation.

Clause 7: Increases to contracted peak rate should be subject to the Queuing Policy.

Clause 8: Detailed provisions regarding pipeline interconnections are necessary for safety and security of supply reasons. The arrangements in the Associate Contract is a bi-lateral agreement between Alintagas Networks Limited and Alintagas Sales Limited. The broader issues of whether such arrangements could become barriers to entry should be considered if they are to be adopted as industry practice.

Clause 14(1) and clause 19: AGL supports the ability of a user to negotiate for additional services if it is seen as necessary to conduct business provided that there is a consistent framework for the provision of such additional services.

If you have any questions regarding this submission, please contact Kam Khelawan, Manager Regulatory Development, on (02) 9922 8611 or email khelawan@agl.com.au.

Please also note that the address for correspondence to AGL Energy Sales & Marketing Limited is: (Previously I advised it was to be Michael Fraser)

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Yours sincerely,

Robert Petersen
Acting General Manager Business Strategy