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Mr Lew Owens
Chairman
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Dear Mr Owens,

**2006 Review of Envestra's Gas Distribution Access Arrangement
Issues Paper**

AGL welcomes the opportunity to provide comment on the Commission's Issues Paper relating to the review of Envestra Limited's Access Arrangement for the covered South Australian gas distribution system.

In July 2004, AGL South Australia Pty Limited (AGL) entered into a haulage agreement with Envestra Limited (Envestra) for the provision of network services to Adelaide and various regional areas. The Covered Pipeline Haulage Agreement comprises the standard *Terms and Conditions applicable to the provision of Reference Services*, found in Annexure E of the Access Arrangement, as well as the Specific Terms and Conditions set out in the Haulage Agreement itself. As such, AGL considers critical its participation in the Access Arrangement review process currently being undertaken by the Commission.

AGL would like to provide comment on a few specific issues:

Services Policy

AGL supports the inclusion in Envestra's Services Policy of a specification of the levels of service to be delivered. In particular, network users need a different level of service in respect of demand delivery point customers.

AGL would like to see some standards addressing the quality and timeliness of demand delivery point metering data provided to network users. Currently, an unacceptable amount of demand delivery point metering data is estimated and then replaced with real data at a later date. This provides uncertainty to demand customers, who rely on accurate and timely metering data to adjust their MDQs.

In addition, AGL would like more obligation on the service provider to provide demand customer usage profiles in a timely manner to a prospective retailer when authorised to do so by a consumer. To date, this information has not been forthcoming, making it difficult for prospective retailers and consumers to negotiate supply terms and conditions.

AGL believes that more general service levels, particularly those relating to domestic delivery points, should be addressed in a separate "use of system" type of agreement between Envestra and network users. AGL is keen to establish such an agreement as it will improve the efficiency and effectiveness of retail competition and the standard

of service provided to customers. For example, there are improvements to be made when customers are moving premises.

Reduction in Demand Delivery Point MDQs

AGL is concerned that the current Access Arrangement does not place any obligation on Envestra to reduce a demand delivery point MDQ upon the request of a network user.

Many businesses in Australia compete either interstate or internationally and cannot afford to be paying for capacity no longer needed. A network user should be allowed to re-set an MDQ after a minimum of 12 months at that MDQ. There should not be a floor on the MDQ re-set as Envestra is protected from a network user setting an MDQ too low by their automatic MDQ increase mechanism.

Site shut-down can also occur from time-to-time when a customer either goes into receivership or simply decides to "shut up shop". A network user should have the right to terminate network services when any capital commitment to Envestra has been paid off and where they have been taking gas at the site for longer than 12 months.

Price Structure Issues

AGL believes that there should be restrictions on the extent to which Envestra can restructure prices for different types of haulage services, as any such restructure will fall on network users to manage and implement. For example, there should be a transition path to smooth prices and avoid any potential "price shocks" to consumers.

AGL considers that farm taps should be negotiated services. In NSW, farm taps are priced on a set \$/GJ MDQ per annum charge and a charge based on the distance from the nearest pressure reduction station. AGL believes that the current farm tap pricing methodology lacks transparency.

If you have any questions on the above comments please direct them to Catherine Rousch, Manager Market Development, on (08) 8299 4071.

Yours Sincerely,



Sean Kelly
General Manager Retail Regulation