

Dr. Patrick Walsh
Chairperson
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

Dear Dr. Walsh,

RE : Proposed Revisions to the Access Arrangement for the South Australian Gas Distribution System – Draft Determination

I refer to ESCOSA's recent draft decision regarding the proposed revisions to the Access Arrangement for the South Australian Gas Distribution System.

As you will be aware, TRUenergy made comment on this matter in response to the Commission's issues paper (September 2005). A follow up letter was written to ESCOSA on 9 March 2006.

The central theme in both of TRUenergy's letters to the Commission related to the effect on retail competition in South Australia from constraints within Envestra's gas distribution system. In this regard, we are pleased to see that the draft determination has accommodated augmentation works in the northern regions of Adelaide (i.e. Elizabeth). As identified in our letters to ESCOSA, this region has proved to be problematic in the past with the result that customers have not been able to receive competitive offers from TRUenergy. However we are disappointed that Envestra was not made an application for similar augmentation works for the Taperoo area (this being another area of Adelaide which has been difficult to access for TRUenergy). We urge the Commission to work with Envestra to eliminate this second, important competitive bottleneck in the retail market.

A further aspect of the Commission's draft determination that is of interest to TRUenergy is approval for the allocation of capital expenditure for the "MAP-SEAGas interconnector". This project has been verified in the Energy Consulting Group's (ECG) review of Envestra's proposed expenditure as being "prudent and efficient"¹. We understand that Envestra's description of this project is detailed in their Asset Management Plan. Unfortunately, Envestra's Asset Management Plan has not been made available to Users or to prospective Users as part of the Commission's consultation pack. This notwithstanding, we understand from the ECG review that the interconnector work is one of two, priority 3 projects that will be included in Envestra's CAPEX program.

The ECG review describes the purpose of priority 3 projects as being defined by Envestra as "principally to reduce the risk of disruption to supply". The ECG report also indicates that Envestra have proposed that the Interconnect project will be undertaken in 2010/2011.

¹ Envestra Ltd Capital and Operating Expenditure Review – ECG, page 94

Envestra has confirmed separately that the interconnector project is for emergency purposes only (i.e. a valve that would be turned-on in the event that gas supply from Moomba was interrupted).

From TRUenergy's perspective the interconnector project would appear to have the potential to significantly mitigate the competitive retail market problems in the Adelaide region of SA as identified in our submissions to ESCOSA. By modifying the project to include the requisite control equipment and meter station, the interconnector could be used for normal operational purposes rather than solely in emergencies. We believe that any extra costs would be more than offset by the resulting efficiencies that would result in the retail market.

With this in mind, we are of the view that the nature of the MAPS-SEAGas interconnector project as proposed by Envestra should be expanded to address competition problems caused by constraints in the distribution network. With this expanded objective for the project, we further suggest that the project should have a priority one rating.

Whilst we acknowledge that the role of the Commission in considering TRUenergy's proposal for the interconnector may be limited, we urge the Commission to work with the SA Government in convincing Envestra to change the nature of the project and to bring forward its priority rating. We maintain that this project will be worthwhile in addressing competition problems faced by new entrant retailers and perhaps more importantly, we believe that this project will be key to delivering South Australia's competition policy for gas.

In respect of the Commission's draft determination regarding Envestra's terms and conditions, I make the following observations:

Amendment 12

Clause 19 of the proposed revised Access Arrangement must be revised to have network charges payable one month in arrears, as follows, effective as of 1 July 2007. Envestra must also revise clause 19 to establish transition arrangements to this outcome.

TRUenergy agrees that Envestra's proposal for payment in advance of service provision is not standard in the energy industry. We also agree with the Commission's conclusion that the proposed revised Access Arrangement already contains a credit policy that effectively deals with Envestra's concerns regarding bad debt.

Whilst we generally support the Commission's proposed wording for Clause 19, we suggested that sub clause 19.3 (Payment of invoices) should compel payment of Envestra's network bills no later than 10 business days rather than 14 days as proposed by ESCOSA. The suggested change allows retailers sufficient time to process invoices during the Easter, Christmas period.

Amendment 14

Clause 2.5 (Gas Balancing within the network of Annexure G) must be deleted.-

TRUenergy supports the Commission's conclusions regarding this clause. Our view is that clause 2.5 as suggested by Envestra goes well beyond a simple statement that gas balancing in the distribution network is not under Envestra's control. On balance, we agree that this clause should be deleted.

Amendment 15

Clause 5.4(a) (Gas balancing within gas delivery zones) of Annexure G must be revised to read. “unless otherwise agreed by Envestra or if otherwise required by the Retail Market Rules,”.

We agree that clause 5.4 (a) should be moderated as suggested by the Commission. To ensure that Envestra acts commercially, we suggest that the words “such agreement not to be unreasonably withheld” should be added after “ agreed by Envestra”.

Amendment 17, Amendment 18 (Quantities Received)

TRUenergy endorses the Commission’s suggested changes for clause 5.5 and 5.5(c). We agree with the ESCOSA’s conclusion that the facility in Clause 5.5 (c) will likely never be needed. However, given that Envestra has proposed its inclusion in the Access Regime, we prefer a less unilateral approach to the failsafe facility as suggested in the Commission’s draft determination.

Amendment 24

Clause 16.4 of Annexure G must be amended to add the following sentence: “Envestra will provide, upon the Network User’s reasonable request, details of Envestra’s determination under this clause.”

Whilst TRUenergy acknowledges that in times of curtailment, the network business should be allowed sufficient operational discretion to react to emerging complex situations, we nevertheless maintain that information flow to retailers is vital for customer communication. We are of the view that the Commission’s suggestion in respect of Clause 16.4 delivers a reasonable compromise for both the network user and the service provider.

Amendment 25

Clauses 17 and 18 of Annexure G must be deleted.

Part 3.5 of the Retail Market Rules already provides a detailed description of the SA obligations for disconnection and reconnection of delivery points. Division 4.2.3 of the Retail Market Rules similarly describes the requirements of parties for special meter readings. Envestra’s proposal for the inclusion of clause 17 &18 will at best duplicate, or at worst contradict the Retail Market Rules. Moreover, established processes are already in place through REMCo for managing emerging issues that require Rule changes. TRUenergy supports the Commission’s suggestion to delete these clauses from the access arrangement.

4.4.16 Right to Set-Off or Suspend Services (Clause 23.2)

TRUenergy believes that it is inequitable for the access arrangement to mandate set-off against any other commercial contract with Envestra. These other commercial contracts may be unrelated to Envestra’s substantive network service provision role. Whilst TRUenergy does not at present have additional contracts with Envestra, in principle we are against restricting normal commercial terms and conditions through a regulated process that is meant to determine access arrangement for monopoly services.

Moreover, we note that the Commission has retained (substantially unchanged) the no set-off provision for Network Users under clause 22.2. Notwithstanding the matters raised by the Commission in their draft determination, it would appear to be inequitable for the access arrangement not to allow Network Users set-off and, at the same time to permit this facility for Envestra.

We agree with Origin Energy, AGL and the EA-IPR Retail Partnership that clause 23.2 should be deleted and we urge the Commission to re-consider this matter in their final determination.

Amendment 33

Clause 27 of Annexure G must be revised to make the Force Majeure provisions symmetric by altering references to “Envestra” to incorporate, either explicitly or by implication, either party to the agreement.

The words in sub clause 27.2(b) “to the Network User” should be revised to “to the other party”.

TRUenergy supports the Commission’s conclusion that the access arrangement should contain reciprocal Force Majeure provisions.

Thank you for providing the opportunity to make comment on the Commission’s draft determination

Yours truly,

Con Noutso
Manager Regulation (Access)