



Submission to AEMC
Draft Rule Determination:
Regulation of Covered Pipelines

31/01/2019

APGA Submission to AEMC Draft Rule Determination National Gas Amendment (Regulation of Covered Pipelines) Rule 2019

Introduction

The Australian Pipelines and Gas Association (APGA) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Rule Determination. We also appreciate the AEMC's constructive and consultative approach to what has been a lengthy and complex review process.

APGA is the peak body representing the owners and operators of Australasia's gas pipeline infrastructure. Our member businesses deliver all of the gas used in Australia. The regulatory framework which applies to gas transmission pipelines is critical to maintaining the attractiveness of the pipeline sector as a destination for investment. Gas transmission pipelines are capital intensive investments that are built to provide location specific gas transportation and storage services. The success of any pipeline investment is reliant on a strong gas market and the success of its customers businesses. It is in the interests of gas transmission businesses to work with customers to deliver affordable, tailored services that contribute to the success of each customer's business.

Key Issues

- APGA notes the Draft Rule Determination relating to the regulation of covered pipelines, and finds it broadly consistent with the relevant recommendations in the AEMC Final Report on the Review into the scope of economic regulation applied to covered pipelines ('AEMC Final Report').
- APGA considers the relevant policy positions described in the AEMC Final Report to be accepted policy and is not seeking to re-argue them in this submission. Rather, our focus is on ensuring that the proposed rules are practical to implement as drafted. Accordingly, we have very few comments to make at this stage in the process.

Extensions and expansions

- Consistent with the AEMC Final Report, the Draft Rule treats all future pipeline extensions and expansions as indistinct from the relevant covered pipeline – thereby applying either light or full regulation as per the original pipeline. This removes the regulator's discretion to exclude expansions from light regulation pipelines.
- APGA has no concerns with the proposal as it applies to pipeline extensions, but notes that more work is required in relation to uncovered expansions to covered pipelines. It is our understanding that this issue will be addressed as part of the COAG Regulation Impact Statement (RIS) to consider and develop further options for rule and law changes that is expected to be developed in 2019.

Determining efficient costs

- APGA notes that the draft rule clarifies the assessment criteria for capital expenditure, cost allocation requirements and non-tariff terms and conditions. APGA is comfortable with the proposals as drafted, but also notes that this section has significant commercial implications for transmission service providers.

Negotiation and Information

- APGA notes that the draft rule includes measures to strengthen information reporting obligations on full and light regulation pipelines. For example, the draft amendments extend Bulletin Board reporting to all covered transmission pipelines and they also require financial information, similar to that for non-scheme pipelines under Part 23 of the NGR, to be disclosed on light regulation pipelines.

- APGA is in general agreement with these proposals which help to improve reporting consistency between Part 23 and light and full regulation pipelines. However, we note that implementation of parts of this will be disproportionately more expensive for smaller pipelines as they do not currently supply this information.