

24 January 2013

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged online: www.aemc.gov.au

Project reference: **GRC0017**

**National Gas Amendment (Pipeline operator
cost recovery processes) Rule 2012**

Dear Mr Pierce

AGL wishes to submit the following in relation to the above rule change proposed by the Australian Energy Regulator (AER).

The rule change proposed by the AER is seeking to introduce clarity and further detail into a process that had been set out at a high level in the National Gas Rules (NGR). It is worth noting that the proposal has been supported by the Australian Energy Market Operator (AEMO) who currently have the role of assessing cost invoices from pipeline operators. The decision to provide a cost recovery framework for pipeliners was taken by the Gas Market Leaders Group (GMLG) in recognition of the principle that pipeline operators needed to be compensated for providing services critical to the reforms being pursued but which were not recoverable from their shippers — because they did not relate directly to their normal business of providing haulage services. There was a related coverage argument, that MOS service costs could not be allocated to shippers who delivered to delivery points outside of the STTM. It will be recalled that the GMLG was set up in 2005 or 2006 to provide an interim governance framework for effecting MCE-led gas market reforms such as the National Gas Bulletin Board (BB), the Gas Statement of Opportunities (GSOO), and the Short Term Trading Market (STTM), until such time as the National Gas Law (NGL) and NGR were finalised.

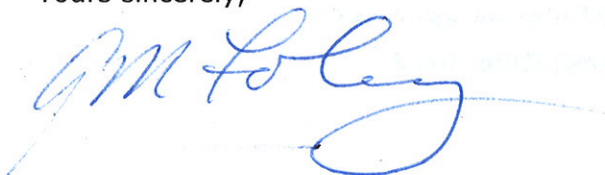
AGL endorses the proposed changes as they are seen to have the potential to bring about the following outcomes:

- A more efficient process for cost recovery by pipeline operators with respect to costs incurred for the purposes of calculating Market Operator Service allocations for the Short Term Trading Market and for aggregation and information services in the Bulletin Board;
- Enhanced effectiveness and transparency for cost recovery including clarifying the points within the decision-making process and the responsibilities within that process attached to the Australian Energy Market Operator and the Australian Energy Regulator;
- Greater role clarity between the AER and AEMO;
- Appropriate assignment of the assessment role to AER as this aligns with one of their key statutory roles, which is to determine the appropriateness of cost submissions by regulated entities; and
- Enhanced confidence in the process for shippers, users, and ultimately end-users.

The above outcomes are seen by AGL as being contributory to the National Gas Objective (NGO) in a positive sense, both individually and collectively.

AGL also supports the inclusion of cost recovery by pipeline operators in relation to the National Gas Bulletin Board in this rule change. We would however caution against any retrospective application of any approved rule change.

Yours sincerely,



George Foley

Manager Gas Market Development