

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

3rd October 2012

Dear Mr Pierce

Re: Reference GRC0012

Consultation Paper National Gas Amendment (reference Service and Rebateable Service definitions) Rule 2012-10-03

Australian Power and Gas (APG) welcomes the opportunity to comment on the above Consultation Paper released by the Australian Energy Market Commission (AEMC). APG is a national retailer of gas, electricity and green electricity products to the energy market. We have both gas and electricity licenses in Victoria, New South Wales, Queensland, ACT and South Australia. We currently have in excess of 300,000 customers in Victoria, New South Wales and Queensland.

As a Market Participant on the Declared Transmission System ('DTS') and the Short Term Trading Market (STTM) APG takes particular interest in the outcome of this proposed rule change and its impact. While we welcome the positive step of providing greater flexibility to the Australian Energy Regulator (AER) in the amended definition of Rebateable Service for the Victorian DTS, we believe that this should be extended to other pipelines that are governed by the NGR.

APG supports the concept that AMDQCC be formally recognised as a Rebateable Service, with rebates on tariffs clearly visible to the market. In the recent consultation to the Victorian APA GasNet Access Arrangement we stated our support for the AER proposed rule change to ensure the AER has flexibility in determining Reference and Rebateable Services under the NGR. We noted that in its response to the AEMC Draft Rule Determination in respect to Reference and Rebateable Services, APA GasNet considered that any additional revenue from unused AMDQ Credit Certificates contract

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capacity is returned as a rebate against all tariffs¹. The extent to which this has occurred is not transparent to the market. We do not believe AMDQ CC revenues are appropriately dealt with in this way and we argued for at least greater scope to formally define AMDQ CC rebates in the tariff calculation.

We see the proposed changes to *both* definitions as a small step to provide greater clarity to defining AMDQ CC, but importantly the amended definition to Rebateable Services should extend to other pipelines for services that are currently ambiguous, or fall outside of regulatory treatment when they clearly should not. As a shipper on the Roma to Brisbane Pipeline (RBP), we see the challenges of contracting for non-regulated services with a monopoly provider. In our submission to the recent consultation on the RBP Access Arrangement, we questioned the extremely high and punitive imbalance/ variance charges that were accepted by the AER. It is problematic when the *intraday nomination service* that provides flexibility to shippers to effectively manage nominations and to avoid these excessive variance charges falls outside the scope of regulatory oversight and is also excessively high and punitive. We are effectively penalised either way in managing the risk in a complex, single pipeline environment presented by the STTM in Queensland.

In response to our submission for the RBP Access Arrangement, the AER noted in the Final Decision that "intra-day renomination services do not satisfy the definition of a 'rebateable service' in r. 93(4) as this service is not in a substantially different market to the reference service"². We see it is important that the AER is given flexibility to determine whether other services that derive revenue on pipelines such as those on the RBP should be classified as reference services or indeed *rebated* against reference services. Such regulatory oversight would determine if the service charges are excessive or rather offered in a cost reflective manner. Further it would ensure that revenues derived from complimentary or auxiliary services on wholly regulated pipelines are fair and transparent.

If you wish to discuss our comments or issues we have raised, please call Libby Hawker, Market Development Manager on 03 8621 3701.

Yours sincerely

Shelley Reed

General Manager Wholesale Gas & Carbon

¹ APA GasNet submission letter to the AEMC Draft Rule Determination on definition of Reference and Rebateable Services, page 2, dated April 26th 2012.

² AER Final decision Roma to Brisbane Pipeline Access Arrangement 2012–13 to 2016–17 August 2012, page13