



Response to Draft Determination

National Gas Amendment (Pipeline operator cost
recovery processes) Rule 2012: GRC0017

16/05/2013

APIA, the national peak body representing the Australian transmission pipeline industry, welcomes the opportunity to comment on the Consultation Paper for the National Gas Amendment (Pipeline operator cost recovery processes) Rule 2012 proposed by the Australian Energy Regulator (AER).

Overall, APIA believes the more preferable rule proposed by the Commission is likely to better contribute to the achievement of the National Gas Objective (NGO) than the originally proposed rule change. The preferable rule deals well with APIA's issues with the objection mechanism, timeframes for decision and the differences between 'reasonable' and 'efficient' in determining the appropriateness of costs incurred.

Proposal to publish reasonable evidence submitted with invoices

APIA is concerned with the Commission's proposal that evidence supporting an invoice for costs be published along with the invoice. APIA understands that reasonable evidence must be provided with an invoice and appreciates that market participants, when invited to comment on invoices, must have some additional information to base that commentary on.

This does not change the fact that the reasonable evidence set out in the STTM Procedures, includes at 7.4 (c):

a breakdown of costs by reference to:

- (i) time allocation to tasks or process steps performed exclusively for MOS allocation services;*
- (ii) labour cost rates;*
- (iii) fixed cost allocations; and*
- (iv) any other specified costs*

This is very specific information that pipeline operators should not be required to share with other pipeline operators or market participants. **Importantly, APIA would like to bring to the Commission's attention that the STTM Procedures setting out the reasonable evidence requirements were developed when it was not a requirement that this information be published.** It is not appropriate to impose publication on the evidence set out under Procedure 7.4, when those evidentiary requirements were developed and set out in a 'not for publication' context.

APIA accepts that some explanation of the costs involved in an invoice must be published for market participants. Pipeline operators are willing to provide a qualitative explanation of these costs. It is this explanation that market participants should respond to when providing comment on the

invoices to the AER. It is neither necessary nor appropriate that market participants have access to or comment on the specific costs required to be provided by STTM procedure 7.4 (c).

It is the AER's role to assess invoices at this level of detail. It is important to note that the level of detail of costs the AER may find of interest in is far beyond that which is appropriate to publish. There is no doubt that some of this will be information necessary for the AER to make its decision. As raised in APIA's original submission, particularly sensitive information necessary to meet these requirements includes personnel labour cost rates and third party vendor rates.

By way of example of information that the AER has deemed relevant, APIA is aware that the AER has requested pipeline operators provide the names of staff to which times and costs have been allocated. Having had this information requested, pipeline operators are aware it would save time and increase efficiency in the future if this information was included with an invoice. However, pipeline operators are not willing to have this information published and are unlikely to provide it without direction if all information submitted with an invoice is to be published.

It seems there should be a distinction between 'evidence for publication' and 'evidence required by the AER but not for publication'. If publication of evidence submitted in accordance with the procedures is required under the NGR, it is unlikely that the procedures themselves can make this distinction.

APIA believes the draft rule should be amended to require the invoice, a detailed explanation and evidence be submitted to AEMO. The invoice and detailed explanation are to be published. The evidence, covering those items already set out in STTM Procedure 7.4, should be given to the AER and not published. APIA is happy to work with the AER, AEMO and STTM stakeholders to determine a useful level of information to be provided in the detailed explanation.

To discuss any elements of this submission please contact APIA's Policy Adviser, Steve Davies, on (02) 6273 0577 or sdavies@apia.asn.au.