



15 April 2005

Manager - Energy Market Reform Team
National Energy Market Branch
Department of Industry, Tourism and Resources
GPO Box 9839
Canberra ACT 2601

Dear Sir

Draft Report Options for the Development of the Australian Wholesale Gas Market

The Australian Pipeline Trust (APA) welcomes the opportunity to respond to the Draft Report prepared by The Allen Consulting Group "Options for the Development of the Australian Wholesale Gas Market".

APA understands that the Energy Market Reform Team will receive a response to the Draft Report from the Australian Pipeline Industry association (APIA). APA fully endorses the APIA response.

In particular APA strongly supports the Draft Report's Option One as its preferred option. APA believes under Option One the wholesale gas market will develop in response to market pressures. This development will increase industry efficiency and support appropriate additional pipeline infrastructure investment, which will allow increased numbers of producers and purchasers to trade. There is therefore no need to act in the absence of demonstrated benefits from statutory intervention.

In the absence of demonstrated benefits APA does not support:

- any proposals that require involuntary involvement in bulletin boards, city gate pricing schemes or extensions of market carriage;
- any proposals that require uncovered pipelines to meet any Code obligations.

The Draft Report proposes an option (Option 3) whereby a spot market scheme would operate at city gate hubs. Pipeliners would be forced to provide an approved city gate scheme, the details of which are as yet undeveloped, and to amend current procedures to fit the scheme, but would not administer the scheme. The scheme would be administered by an independent market entity.

APA notes the APIA response opposes the introduction of the city gate scheme as the model for the Australian wholesale gas market. APA supports this position and

Level 5
Airport Central Tower
241 O'Riordan Street
PO Box 934
Mascot NSW 2020

Phone: 61 2 9693 0000
Fax: 61 2 8339 0005
www.pipelinetrust.com.au

Australian
Pipeline Trust



Australian Pipeline Ltd
ACN 091 344 704

ARSN 091 678 778

wishes to make several additional points, specifically in its capacity as owner of the Moomba to Sydney Pipeline.

It is proposed that a pilot city gate scheme may be put in place for the Sydney City Gate by June 2006. A fundamental concern with this proposal is that in order to satisfy a theoretical model it is contemplated that APA's operational and commercial control of one of its major assets be removed, or at least substantially constrained. Further, APA would incur substantial costs (including costs from disruption, re-training, deferment of other projects due to resource constraints etc) in responding to such a scheme.

There is no assurance that any pilot scheme will not breach current contracts or regulatory arrangements. If a pilot scheme is implemented and is not successful it will also be difficult to reinstate previous contracts, regulatory arrangements and operational practices. Neither of these matters is adequately addressed in the Draft Report.

APA cannot support the mandating of any city gate scheme. If city gate hubs are to emerge they should evolve as the market develops, they should not be imposed by regulatory instruments.

APA would welcome the opportunity to further discuss this response with the Energy Market Reform Team.

Yours sincerely

Stuart Ronan
Regulatory Manager