

ENERGY MARKETS REFORM FORUM

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Mr Luke Berry
National Competition Council
GPO Box 250B
MELBOURNE VIC 3001

10 April 2000

Dear Mr Berry,

Application For Coverage Of Eastern Gas Pipeline (EGP)

The Energy Markets Reform Forum (EMRF) welcomes the opportunity to provide its views on the above-mentioned issue.

The EMRF represents a group of major gas using companies in New South Wales and its members include: Tomago Aluminium, INCITEC and Amcor. We have come together as a group to promote gas competition in NSW with the objective of ensuring internationally competitive gas prices (including transportation tariffs).

The EMRF is strongly supportive of inter-basin gas competition in NSW. The structural arrangements in NSW have for many years prevented competition and hence, facilitated the attainment of monopoly rents by incumbent asset owners. Even now, the existence of a major vertically integrated operator has made it difficult to achieve efficient third party access to distribution networks, thereby impeding retail competition in gas. It is worth pointing out that EGP has had to be extended by some \$30 million (because of the 'inefficient' duplication of pipelines) primarily as a result of the failure of NSW Third Party Access regulation and the barriers erected. The structure of the upstream arrangements in the Cooper Basin also impedes gas competition in this State, in the absence of access to new sources of gas.

The Eastern Gas Pipeline is, therefore, a refreshing and pro-competitive development which has the potential to enable (for the first time) inter-basin gas competition in NSW. It is against this background that the EGP application should be considered. And it is imperative that the process surrounding the application does not hinder nor delay the scheduled availability of

Gippsland Basin gas. There could be vested interests seeking to engender delays, thereby creating uncertainty and hindering gas competition.

The question of coverage under *Part III A of the Trade Practices Act* or under the *National Third Party Access Code for Natural Gas Pipeline Systems* should not be an issue which leads to delaying competition. Whether EGP should be a 'covered' pipeline or not, should be deferred and considered at a later date, say 5 years hence. In this regard, it would not be advisable to provide EGP with a 20 year regime, but to review the arrangements again in another 5 years. We should also mention that any suggestion that the Gas Code is defective should be substantiated.

We believe, also, that EGP should provide more financial information, including its modelling, to enable testing of assumptions and assessments. In this regard the NCC would no doubt seek to establish that future customers would not be disadvantaged because of the foundation contracts. We also believe that sufficient information needs to be publicly available to foster inter-pipeline competition (i.e. between EGP and EAPL).

We will be glad to discuss the above issues with NCC officials.

Yours sincerely

Warren Martin
Chairman, Energy Markets Reform Forum and
Company Secretary, Tomago Aluminium