

3 November 2017

Dr Michael Vertigan AC
Independent Chair
Gas Market Reform Group
c/o Australian Energy Market Commission
Level 6, 201 Elizabeth Street
SYDNEY NSW 2000

Dear Dr Vertigan,

RE: DRAFT FINANCIAL REPORTING GUIDELINES FOR NON-SCHEME PIPELINES

Thank you for the opportunity to comment on the Gas Market Reform Group's discussion paper regarding *Draft Financial Reporting Guidelines for Non-Scheme Pipelines*. This letter outlines ATCO Gas Australia's (AGA) submission as a gas distribution network service provider that is subject to the National Gas Law and regulatory oversight by the Economic Regulation Authority.

Background

ATCO Gas Australia (AGA) is part of the ATCO Australia Group. AGA owns and operates the vast majority of Western Australia's gas distribution network, serving approximately 750,000 end users via the Mid-West and South West Gas Distribution System. In addition to the WA gas distribution network, the ATCO Australia Group includes businesses that operate within the electricity sector through the ownership and operation of gas-fired power stations in Karratha (wholly-owned) and Adelaide (co-owned).

The ATCO Australia Group is part of the worldwide ATCO Group of companies with more than 7,000 employees and assets of approximately \$20 billion. ATCO is engaged in pipelines and liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); electricity (electricity generation, transmission, and distribution); retail energy; and structures and logistics.

Draft guidelines

AGA supports the overarching objective of the information disclosure and arbitration framework applicable to non-scheme pipelines, namely facilitating access to services



provided by non-scheme pipelines on reasonable terms and conditions that, as far as is practical, reflect the outcomes that would occur in a workably competitive market.

AGA owns two non-scheme gas pipeline systems that could qualify for a 'Category 3' exemption from the financial reporting obligations in Division 2 Part 23 of the *National Gas Rules*. These two pipeline systems are in regional Western Australia (Kalgoorlie and Albany) and are very small in volume terms, with total volume in each system typically averaging around 1TJ per day.

The availability of an exemption from the financial reporting obligations for small non-scheme pipelines (like the two distribution pipeline systems owned by AGA) is an important acknowledgement that regulatory costs can be significant for small networks. For these two small distribution systems it is likely the regulatory costs associated with preparing and publishing detailed financial information would outweigh any potential benefit for current or prospective users of these systems.

This is particularly the case for the regional distribution pipeline systems owned by AGA, which have low total system demand and limited market power. Any potential market power that the distribution pipeline may have is effectively offset by the negotiating power of the single shipper in both of these systems, which is a well-informed, well-resourced, and commercially motivated entity. In addition, in both distribution systems, there are readily available substitutes for reticulated gas applications, particularly from 'bottled' liquefied petroleum gas, but also electricity.

Finally, AGA considers that its business and negotiating behaviour is an important contributor to good consumer outcomes in both of its small regional distribution pipeline systems. AGA operates transparently, manages both pipeline distribution systems prudently and efficiently, and negotiates in good faith.

If you have any questions or would like to discuss any of these issues further, please contact me or Matthew Cronin, General Manager Regulation ATCO Gas Australia.

Yours sincerely



Pat Donovan
President ATCO Gas Australia

