



MEDIA RELEASE

IAN MACFARLANE

Minister for Industry, Tourism and Resources

19 November 2003

DECISION ON APPLICATION TO REVOKE GAS PIPELINE COVERAGE

The Federal Energy Minister, Ian Macfarlane, today released his decision on an application to revoke National Gas Code coverage for the Moomba-Sydney Mainline (MSP) and Canberra Lateral pipelines.

East Australian Pipeline Limited, the operator of the Moomba to Sydney Pipeline system, applied for the MSP and Canberra Lateral systems to be removed from regulation under the Code which has four criteria against which the need for regulation, or coverage, is judged.

Mr Macfarlane's decision is:

- To retain coverage of the Canberra Lateral; and
- To revoke coverage of the MSP Mainline between Moomba and Marsden, but not between Marsden and Sydney.

"I do not take this decision lightly. There were many factors to consider and I believe this is the right decision considering the range of services provided by the MSP Mainline. I have recognised the increased interconnection in South East Australia as well as the practical implications for gas customers, particularly regional customers," said Mr Macfarlane.

The decision to revoke the Moomba to Marsden section is based on the developing network in South East Australia which limits the proponent's ability to exercise monopoly power in markets serviced by three or more pipelines.

"Users in major centres may have a choice of supply options but regional customers are often still reliant on a monopoly supplier. This decision was the best way to recognise the developing network while being mindful of the position of consumers at the end of the line."

Regulation under the Gas Code requires that competitive parts of a business are kept legally and financially separate from regulated parts. The Moomba-Sydney Pipeline System is owned by Australian Pipeline Trust (APT) in which AGL has a 30 per cent stake.

"The dominance of AGL in the Sydney, Canberra and regional markets, coupled with its stake in the MSP, was a key consideration. Regulation, and the separation of the businesses, ensures other operators are able to pipe gas into downstream markets and compete."

"We are moving away from an assumption of regulation in this sector, but this case warrants some degree of regulation. I'm focused on creating a competitive energy market and some level of regulation is needed while we are still in a transitional phase," he said.

A Statement of Reasons accompanying the decision can be found at www.industry.gov.au/gaspipelines or on the industry website under "What's New".

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Decision on Application to Revoke Gas Pipeline Coverage

In accordance with section 1.34 of the National Third Party Access Code for Natural Gas Pipelines, the Hon Ian Macfarlane MP, Australian Government Minister for Industry, Tourism and Resources, is required to make a decision on the application by East Australian Pipeline Limited for revocation of certain parts of the Moomba to Sydney Pipeline System.

Please find attached the proposed media release announcing this decision, which will be released in 15 minutes.

Yours sincerely

Bill Crawshaw for Kevin O'Brien

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