



INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
OF NEW SOUTH WALES

Our reference: 03/690

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16 August 2004

Mr Greg Martin  
Managing Director  
The Australian Gas Light Company  
PO Box 944  
NORTH SYDNEY NSW 2059

Dear Mr Martin

**Review of AGL Gas Networks (AGLGN) Access Arrangement**

The Tribunal has commenced its analysis of AGLGN's proposal to reduce the number of trunk zones from seven to five, which AGLGN has stated is to enable a gas swap hub for the proposed new gas swap service. We are concerned that, on the face of it, having five zones is less cost-reflective than having seven zones. A move from seven to five zones may therefore be contrary to the objectives of the National Gas Code.

It would assist the Tribunal if you would elaborate on the proposal by providing answers to the following questions:

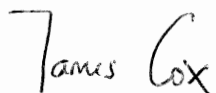
- Are there justifications for the reduction in the number of trunk zones other than the introduction of the gas swap service and the creation of a trading hub?
- Is it technically or commercially impractical or unreasonable to offer the gas swap service and maintain the current seven trunk zones? If so, why?
- If the seven zone structure was retained, would it mean that the gas swap service, or any other new design feature or service, could not be offered?
- Is the zone merger a necessary precursor to the offering of the gas swap service?
- What are the advantages of pairing the zone merger and the gas swap service?

The Tribunal would also be pleased to consider any other information you wish to provide to support this aspect of the proposed Access Arrangement.

I would expect that your response, along with this letter, would be made public.

As the timetable for this review is tight, I would be pleased if you would be able to provide a response by Friday 27 August 2004.

Yours sincerely

A handwritten signature in black ink that reads "James Cox". The signature is written in a cursive style with a large, stylized 'J' and 'C'.

James Cox  
*Acting Chairman*