



19 October 2016

Dr Michael Vertigan AC  
Examination of the Coverage Test  
COAG Energy Council Secretariat  
GPO Box 787  
Canberra ACT 2601

Dear Dr Vertigan

I welcome the consultation on the appropriate settings for the coverage criteria under the National Gas Law. This is a critical policy decision on how the pipeline industry should be regulated with implications for other infrastructure in Australia.

A change to the coverage criteria in the manner proposed by the ACCC would represent a fundamental change of the approach to regulation of pipelines which has been in place for 20 years and which has underpinned billions of dollars of investment. It would also be a rejection of the consistent approach to access regulation under the Competition and Consumer Act, the National Access Regime, the recent Productivity Commission review, and the "root and branch" Harper Review findings in the Competition Policy Review: Final Report released in March 2015. It would impose an untested bespoke regime which is out of step with access regulation for other infrastructure.

The ACCC is seeking changes to the coverage criteria as an outworking of its recently completed East Coast Gas Inquiry. This submission is APA's first opportunity to formally respond to the ACCC's assertions in its Inquiry Report.

APA operates a mix of fully regulated, light regulated and unregulated assets. It does not dispute the need for regulation or that full economic regulation of assets may be appropriate in certain circumstances. However, a fundamental regulatory change must be based on:

- proper evidence;
- an understanding of the benefits and costs of the change;
- an analysis of whether the changes will achieve the desired policy objectives; and
- having regard to the above, an independent assessment of whether the case for change is established.

APA's submission addresses each of these points and concludes that the ACCC has not established a case to justify such a far reaching change to the coverage test.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. McCormack', with a small 'r' at the end.

Mick McCormack  
**Managing Director**