

**GGT**



**GOLDFIELDS**

**G A S**

**TRANSMISSION**

# **Goldfields Gas Pipeline**

## **Reference service proposal**

December 2022

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# 1 Introduction

This document sets out the reference service proposal for the Goldfields Gas Pipeline (GGP) in relation to the forthcoming 2025-29 access arrangement proposal.

The proposal has been prepared by the service provider, Goldfields Gas Transmission Pty Ltd (ABN: 87 004 273 241)(GGT). The proposal is submitted to the Economic Regulation Authority (ERA) for approval in accordance with rule 47A of the National Gas Rules (NGR). The ERA is to make a reference proposal decision prior to submission of the access arrangement proposal.

GGT proposes a firm transportation service as the single reference service on the GGP.

## 2 Scheme pipeline, service provider and requirement for reference service proposal

### 2.1 A portion of the GGP is a scheme pipeline

The *National Gas Access (WA) Act 2009* implements the National Gas Law (NGL) and National Gas Rules (NGR) in Western Australia.

Approximately 50% of the capacity of the GGP is classified as a scheme pipeline for the purposes of the access regulatory regime of the *National Gas Access (WA) Act 2009*. The scheme pipeline portion of the GGP is a full regulation pipeline (as opposed to a light regulation pipeline). The GGP is required to have an access arrangement approved for this fully regulated capacity. The review submission date in the current Access Arrangement is 1 January 2024.

### 2.2 Service provider of GGP

A service provider is a person who owns, controls or operates a scheme pipeline.

Under the GGT Joint Venture Agreement (**GGTJV Agreement**), three joint venturers own GGP. Currently, these joint venturers are:

- Southern Cross Pipelines (NPL) Australia Pty Limited (ABN: 99 085 991 948) (**SCPNPLA**)
- Southern Cross Pipelines Australia Pty Limited (ABN: 64 084 521 997) (**SCPA**)
- Alinta Energy GGT Pty Limited (ABN: 71 167 710 590) (**Alinta Energy**).

GGT is the Manager of the GGTJV Agreement and is the complying service provider for the GGP for the purposes of the access regime of the NGL and the NGR.

### 2.3 Requirements for reference service proposal

Rule 47A of the NGR, which came into effect on 1 April 2019, requires a full regulation pipeline service provider to submit to the ERA a reference service proposal prior to the full access arrangement proposal. The reference service proposal must be submitted no later than 12 months prior to the review submission date in the current access arrangement (NGR, rule 47A(3)).

The reference service proposal that GGT must submit in accordance with rule 47A is to:

- a) Identify the GGP and include a reference to a website where a description of the pipeline can be inspected (NGR, rule 47A(1)(a)).
- b) Set out a list of all the pipeline services that GGT can reasonably provide on the GGP, and a description of those pipeline services fitting the characteristics in subrule 47A(2) (NGR, rule 47A(1)(b)).
- c) Identify, from the services in this list, at least one pipeline service that GGT proposes to specify as a reference service meeting the reference service factors<sup>1</sup>, and provide relevant supporting information (NGR, rule 47A(1)(c)).

The characteristics referred to in subrule 47A(2) are:

- Type of service.
- Priority of service relative to other pipeline services of the same type.
- Receipt and delivery points.

### **2.3.1 Reference service factors**

The ERA must have regard to the reference service factors in making the reference service proposal as set out in NGR, rule 47A(15). These factors are:

- a) Actual and forecast demand for the pipeline service, and the number of prospective users of the service.
- b) The extent to which the service is substitutable with another pipeline service to be specified as a reference service.
- c) The feasibility of allocating costs to the service.
- d) The usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:
  - i. Reference services serve as a comparison for the assessment of other pipeline services by a user or prospective user when negotiating access to those other services.
  - ii. A reference tariff serves as a price benchmark for other pipeline services.
  - iii. Reference service terms and conditions serve as a template for the terms and conditions of other pipeline services.
- e) The likely regulatory cost for all parties (including the ERA, users, prospective users and the service provider) in specifying the pipeline service as a reference service.

GGT has applied the reference service factors in preparing the reference service proposal. How these reference service factors are applied is discussed in section 6.

### **2.3.2 Consultation**

If the service provider has engaged with pipeline users and end users in developing a reference service proposal, the proposal should describe any feedback received from those users about which pipeline services should be specified as reference services (NGR, rule 47A(1)(d)).

### **2.3.3 GGT addresses the above requirements**

GGT addresses each of the above requirements in the following sections of this proposal.

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<sup>1</sup> See discussion in section 2.3.1.

## **3 Goldfields Gas Pipeline**

### **3.1 Pipeline description**

The Goldfields Gas Pipeline (GGP) is the gas transmission pipeline system defined in Pipeline Licence PL 24 issued under the Petroleum Pipelines Act 1969 (WA).<sup>2</sup>

Natural gas enters the GGP at the Yarraloola inlet/compressor station located on Mardie Station, where the gas is filtered, analysed, metered and flow-controlled. The gas is then compressed, odorant is injected, and the gas enters the mainline.

The GGP is 1,378-kilometre in length. From the Yarraloola Compressor Station the pipeline traverses inland in a south-easterly direction, supplying natural gas to a number of mine sites and/or power stations through to the Goldfields Western Australia, terminating at the Kalgoorlie South Delivery Station.

#### **3.1.1 Laterals and interconnects**

The GGP feeds into a number of laterals supplying pipeline natural gas to support mining operations throughout the Pilbara and Goldfield regions.

In addition, from the first quarter of 2023, the GGP is expected to be interconnected with the Northern Goldfield Interconnect (NGI) at south of Leinster.

The geographic location and route of the GGP are shown in Figure 1.

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<sup>2</sup> Pipeline Licence PL 24 is available from the Petroleum and Geothermal Register which can be accessed from the website of the Western Australian Department of Mines, Industry Regulation and Safety (at <http://www.dmp.wa.gov.au/Petroleum-Geothermal-Register-1505.aspx>)



## 4 Services that can reasonably be provided using the Goldfields Gas Pipeline

The services GGT can reasonably provide on the GGP are listed in Table 1. They are described in greater detail in the paragraphs that follow.

**Table 1: Services that can reasonably be provided using the Goldfields Gas Pipeline**

Service	Description
Firm transportation service	<ul style="list-style-type: none"> <li>• Transportation from a receipt point to a delivery point.</li> <li>• Highest priority service.</li> <li>• Available between any receipt point and any delivery point.</li> </ul>
Interruptible transportation service	<ul style="list-style-type: none"> <li>• Transportation from a receipt point to a delivery point.</li> <li>• Lower priority service (may not be available on a day).</li> <li>• Available between any receipt point and any delivery point.</li> </ul>
Firm parking service	<ul style="list-style-type: none"> <li>• Pipeline storage of gas.</li> <li>• Highest priority right to store.</li> </ul>
Interruptible parking service	<ul style="list-style-type: none"> <li>• Pipeline storage of gas.</li> <li>• Lower priority service (may not be available on a day).</li> </ul>
Firm loan service	<ul style="list-style-type: none"> <li>• Borrowing of gas from pipeline line pack.</li> <li>• Highest priority right to borrow.</li> </ul>
Interruptible loan service	<ul style="list-style-type: none"> <li>• Borrowing of gas from pipeline line pack.</li> <li>• Lower priority service (may not be available on a day).</li> </ul>
In-pipe trade service	<ul style="list-style-type: none"> <li>• Facilitation of trade of gas between pipeline users.</li> </ul>
Interconnection service	<ul style="list-style-type: none"> <li>• Provision, or facilitation, of interconnection to the pipeline.</li> </ul>

### 4.1 Firm transportation service

Pipeline service users requiring highly reliable gas supplies typically require a correspondingly reliable gas transportation service. To meet this requirement, most gas transmission usage is driven by the business needs of pipeline users. Those business needs are, in turn, driven by the end users of gas transported by pipeline users. Users transporting gas to facilities or end pipeline service providers offer firm transportation service.

Firm transportation service is the most reliable service the provider can make available on its pipeline. Should the interruption or curtailment of pipeline services be necessary, firm transportation service has priority ahead of other types of transportation service and other services using pipeline capacity (such as interruptible parking service). To allow provision of the firm transportation service to continue, firm transportation service is not interrupted or curtailed until all of these other services have been interrupted or curtailed to the extent necessary.

For GGP firm transportation service, GGT:

- Receives, from a user, at a receipt point specified in the user's gas transportation agreement, on a day, a quantity of gas not exceeding the maximum daily quantity (MDQ) specified in the user's gas transportation agreement.
- Delivers to the user, at a delivery point specified in the user's gas transportation agreement, on the same day, a quantity of gas not exceeding the user's MDQ.

Provision of firm transportation service is not subject to interruption or curtailment, except in the specific circumstances set out in the user's gas transportation agreement.

The circumstances when firm transportation service may be interrupted or curtailed without GGT incurring any liability to the user include:

- Interruption or curtailment necessary for safe operation of the pipeline.
- Interruption or curtailment resulting from planned or unplanned maintenance carried out by the service provider in accordance with the relevant provisions in the user's gas transportation agreement.
- Interruption or curtailment resulting from a force majeure event.

Firm transportation service is a service between any GGP receipt point, and any delivery point on the pipeline. The specific receipt and delivery points to which the firm transportation service rates are specified in the user's gas transportation agreement.<sup>3</sup>

#### **4.1.1 Firm transportation service interruption and curtailment priorities**

Under a gas transportation agreement for firm transportation service, the user nominates, prior to the start of a day, the quantity of gas to be transported from a receipt point to a delivery point, on the day, and GGT is obliged to accept a nomination that does not exceed the MDQ specified at those receipt and delivery points in the user's gas transportation agreement.

The user's entitlement to its MDQ on a day may be restricted by specification, in the user's gas transportation agreement, of the maximum quantity of gas GGT is obliged to receive from the user at a receipt point in any hour, or by the maximum quantity of gas GGT is obliged to deliver at a delivery point in any hour. These maximum hourly quantities are determined by the physical operating characteristics of the GGP.

If, on a day, there is insufficient pipeline capacity available to transport all of the quantities of gas that have been scheduled for firm transportation service, GGT may interrupt or curtail its receipt and delivery of gas in accordance with the interruption and curtailment priorities set out in the user's gas transportation agreement.

#### **4.1.2 Short-term and long-term firm transportation service**

Firm transportation service may be provided long term or short term. When executing a gas transportation agreement for long term firm transportation service, a prospective user commits to taking the service for a period longer than 12 months. GGT may decline a request for firm transportation service over a shorter period if granting that request would materially reduce the ability of another prospective user to obtain long term firm transportation service.

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<sup>3</sup> The receipt point is likely to be either Yarraloola or the NGI-GGP interconnection point.

## **4.2 Interruptible transportation service**

Pipeline users or end users with facilities that can tolerate interruptions to gas supplies (because, for example, they can curtail their operations or quickly switch to alternative fuels) may seek services that are less reliable than firm transportation service. Most gas transmission pipeline service providers then offer, in addition to firm transportation service, interruptible transportation service, which is only available when circumstances permit.

At any particular time, the service provider may not be able to offer the firm transportation service, but its pipeline may be capable of providing service at lower levels of reliability. This service may not be available at the same level of reliability as the firm transportation service because:

- Certain plant and equipment items comprising the pipeline (for example, gas compressors) must be periodically withdrawn from service for routine maintenance.
- Pipeline plant and equipment has mechanical, electrical and electronic components that may fail after long periods of intermittent operation.
- Some pipeline users, typically users of firm transportation service, may have higher priority access to pipeline services.

In these circumstances, when firm transportation service cannot be offered because the pipeline capacity used to provide that service has been fully contracted, the service provider may offer an interruptible transportation service.

An interruptible transportation service is a pipeline service whereby the service provider accepts, from a user, a nomination for transportation of a quantity of gas on a day, to a delivery point specified in the user's gas transportation agreement. In addition, the service undertakes to deliver to the user, at that delivery point, on that day, the user's nomination subject to capacity being available. Provision of this service is subject to any interruption or curtailment of capacity on the day.

Interruptible transportation service has a lower priority than some other types of service. In particular, interruptible transportation service has lower priority than firm transportation service.

GGT can offer interruptible transportation service using the GGP. That service is a service between any GGP receipt point<sup>3</sup> and any delivery point on the pipeline.

## **4.3 Firm and interruptible parking services**

The primary business of a gas pipeline service provider is the provision, to users of its pipeline, of the service of transporting gas from one or more receipt points on the pipeline to one or more delivery points.

However, in addition to being a vehicle for gas transportation, a pipeline is also a vessel that can be used for the storage of gas additional to the volumes of gas being transported. This storage of gas in a pipeline is called parking, and some pipelines can offer parking service, which may be either firm or interruptible.

Parking service is not a transportation service. It is a service offered to a user who has an agreement with the service provider for the transportation of gas.

Parking service allows a user or end user flexibility in the management of disruptions to gas supplies, and in the management of plant shutdowns for planned and unplanned maintenance. Such flexibility is enabled through the storage of gas in a pipeline, and the subsequent withdrawal of that gas for use.

A firm parking service is a service whereby:

- The service provider stores in its pipeline, gas received from a user, up to a quantity of gas not exceeding the parking allowance specified in the user's gas transportation agreement, without interruption or curtailment, except in the specific and limited circumstances set out in the user's gas transportation agreement.
- The user can withdraw, on another day, gas it has stored in the pipeline by nominating, and having the service provider schedule, transportation to a delivery point, in accordance with the terms of a transportation service specified in the user's gas transportation agreement.

Firm parking service has priority ahead of other types of parking service.

Parking service may not always be available. By storing gas in its pipeline, the service provider restricts the capacity of the pipeline for the provision of firm transportation service. Parking service may not be available if all of the capacity of the pipeline has been made available to users for the provision of firm transportation service.

Interruptible parking service is a form of storage service with lower reliability. It is a service whereby the service provider stores, in its pipeline, gas received from a user, on a day, up to a quantity of gas not exceeding the interruptible parking allowance specified in the user's gas transportation agreement. If the provision of interruptible parking service on a day is expected to restrict the service provider's ability to provide transportation service on the day, the service provider may ask the user of the parking service to reduce the volume of gas stored in the pipeline.

Interruptible parking service has lower priority than some other types of service. In particular, the service has lower priority than firm parking service.

#### **4.4 Firm and interruptible loan service**

Loan service is a service offered by a pipeline service provider whereby a user can borrow gas from the service provider's line pack (the gas the service provider has stored in the pipeline to allow the pipeline to operate as a transportation vehicle).

Loan services, like parking services, are not transportation services. They are services offered to users who have agreements for the transportation of gas, and who require flexibility in the management of disruptions to gas supplies, or in the management of plant shutdowns.

A firm loan service is a service whereby the service provider delivers to a user, at a delivery point, on a day, a quantity of gas not exceeding the loan allowance specified in the user's gas transportation agreement, without interruption or curtailment, except in the circumstances set out in the transportation agreement.

Firm loan service has priority ahead of other types of loan service.

Firm loan service is typically available at one or more delivery points on a pipeline.

Loan service may not always be available. If a part of the pipeline line pack is used to provide loan service, the service provider's ability to provide transportation services — in particular, its ability to provide firm transportation service — may be restricted.

In these circumstances, the service provider may offer a lower priority interruptible loan service. Interruptible loan service is a service whereby the service provider delivers gas to a user, on a day, up to a quantity of gas not exceeding the interruptible loan allowance specified in the user's gas transportation agreement. If the provision of interruptible loan service on a day is expected to

impair the service provider's ability to provide transportation service on the day, the service provider may ask the user of the loan service to replenish the pipeline line pack.

Pipeline capacity and line pack used to provide a user with interruptible loan service may be required to meet the prior claim of another user of that service, or to meet the prior entitlements of the users of other types of service.

#### **4.5 In-pipe trade service**

The In-pipe trade service provides flexibility by facilitating the trading of gas between pipeline users. It is not a transportation service and is only available to users that have agreements with the service provider for provision of transportation services.

In the case of the GGP, in-pipe trade service is a service whereby GGT recognises, in a user's gas transportation agreement, that user's delivery of gas, on a day, to a notional point (in-pipe delivery point) in the GGP, and recognises, in a second user's gas transportation agreement, receipt of that gas at a notional point (in-pipe receipt point) in the GGP, thereby facilitating the trade of gas between GGP users.

#### **4.6 Interconnection service**

Interconnection service is an engineering and construction service, and not a pipeline transportation service. It is the service provider's provision or facilitation of interconnection to another pipeline, and usually involves the construction of a new receipt point or a new delivery point. The scope and scale of an interconnection service depend on the user's specific requirements for interconnection.

#### **4.7 Current constraints on service provision**

Currently, the capacity of the GGP available for the provision of firm transportation service is fully contracted to users. GGT may be able to offer a prospective user interruptible transportation service.

GGT is similarly not able to provide firm park or loan services as capacity is contracted under the firm transportation service. GGT may be able to offer a prospective user an interruptible park or loan service.

## **5 Engagement with pipeline users and gas consumers**

### **5.1 GGT consultation process**

GGT regularly engages with its customers to discuss commercial, operational and regulatory matters. Through this regular engagement, GGT seeks to understand the needs of customers including:

- gas demand and utilisation
- coordination of planned maintenance activities and availability of services
- future needs, and
- any regulatory impacts on customers.

In preparing the reference service proposal, GGT has engaged with customers of the GGP to discuss the reference service proposal for the forthcoming access arrangement process.

### **5.2 Outcome of consultation**

In summary, customers provided the following feedback:

- Customers were supportive of GGT offering the services as proposed.
- Customers were supportive of the firm transportation service being the single reference service for the forthcoming access arrangement period.
- Customers considered the current firm transportation service as the single reference service, was suitable given the current gas pipeline utilisation uncertainty.
- It was recognised that gas pipeline utilisation uncertainty was driven by increasing penetration of renewable energy and emission reduction initiatives in Western Australia.
- Customers considered that greater adoption of renewables will require more customised and flexible energy solutions in the future.

## 6 Reference service proposal assessment

Section 4 sets out each service that can reasonably be provided by the GGP. This section 6 assesses, against the reference service factors of NGR rule 47A(15), as to whether each of these services should be a reference service.

Guided by the ERA's [Gas Access Arrangement Guideline](#)<sup>4</sup>, the GGT assesses each of the services against the reference service factor in accordance with the proposed criteria as set out in Table 2.

**Table 2: assessment criteria - whether a service should be a reference service based on the reference service factor**

NGR section	Reference service factor	GGT Proposed assessment criteria
47A(15)(a)	NGR 47A(15)(a): Actual and forecast demand for the pipeline service and the number of prospective users of the service	A reference service should have sufficient: <ol style="list-style-type: none"> <li>actual and forecast demand and/or</li> <li>prospective users.</li> </ol>
47A(15)(b)	NGR 47A(15)(b): The extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service.	Each reference service should be unique and therefore not substitutable with other reference services. <sup>5</sup>
47A(15)(c)	NGR 47A(15)(c): The feasibility of allocating costs to the pipeline service.	It should be feasible to allocate costs to the reference service. If there are shared costs, it should be feasible to allocate them to the service.
47A(15)(d)	NGR 47A(15)(d): The usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services.	The reference service should provide a point of reference or benchmark <sup>6</sup> such that the service is useful in supporting access negotiations and dispute resolution for other pipeline services. <sup>7</sup>
47A(15)(e)	NGR 47A(15)(e): The likely regulatory cost for all parties (including the ERA, users, prospective users and the service provider) in specifying the pipeline service as a reference service.	The regulatory cost associated with the reference service should: <ol style="list-style-type: none"> <li>be low; or</li> <li>not exceed the expected revenue from providing the reference service; or</li> <li>not exceed the benefit of having the service as a reference service.</li> </ol>

On balance, GGT recommends that the firm transportation service to be the single reference service for GGP. Details of the assessments are set out in the remaining of this section 6.

Table 3 summarises the outcome of the assessment.

<sup>4</sup> See Figure 10 in page 35 of the guideline.

<sup>5</sup> For example, if two reference services are substitutable, one of them would be redundant in playing its role as a point of reference for the other service.

<sup>6</sup> Both in terms of tariff and terms and conditions.

<sup>7</sup> See NGR 47A(15)(d)(i), 47A(15)(d)(ii) and 47A(15)(d)(iii)

**Table 3: assessment of each service against the reference service factors**

	Reference service factors				
	Sufficient demand or users	Substitutivity (unique)	Feasible to allocate cost	Useful benchmark for negotiation or dispute resolution	Regulatory cost
<b>Firm transportation service</b>	✓	NA	✓	✓	✓
<b>Interruptible transportation service</b>	✓	✗	✗	✗	✗
<b>Parking and loan service</b>	✗	✓	✗	✗	✗
<b>In-pipe trade service</b>	✗	✓	✗	✗	✗
<b>Interconnection service</b>	✗	✓	✗	✗	✗

Green tick (✓) means the service satisfies the reference service factor

Red cross (✗) means the service does not satisfy the reference service factor

## **6.1 Firm transportation service**

Firm transportation service is proposed to be a reference service for the following reasons:

- ✓ High demand for the service.
- ✓ Feasible to allocate cost to the service.
- ✓ Useful in supporting access negotiations and dispute resolution for other pipeline services.
- ✓ Low regulatory cost for administering the service.

### **6.1.1 High demand for the service**

To date, demand remains high for firm transportation services to support expanding and new mining and minerals processing projects in the Pilbara and the Goldfields regions. This service is required for the resource sector to achieve production targets and uninterrupted safe and reliable mining operations.

### **6.1.2 Feasible to allocate cost to the service**

Although gas transmission pipelines can provide, to varying degrees, other types of service, they are designed and built to provide firm transportation service. The costs incurred in building and operating a transmission pipeline are largely the costs of providing the firm transportation service.

### **6.1.3 Useful in supporting access negotiations and dispute resolution**

Compared to the other services, a firm transportation service is comparatively more “vanilla”. Such service also operates under parameters that are subject to less uncertainty compared to the parameters for the other services. As such, a prior and complete specification of firm transportation service provides a well-defined point of reference against which a prospective user can assess another pipeline service (including interruptible transportation service) for the purpose of negotiating access to that other service. This also provides a useful benchmark for supporting access negotiations and dispute resolution for other pipeline services.

Some of the other pipeline services (for example, interruptible transportation service) are often priced with reference to the price of firm transportation service. Therefore, specification of a firm transportation service as a reference service, and the setting of a reference tariff for that service, provides a benchmark for the prices of pipeline transportation services that are not reference services.

### **6.1.4 Low regulatory cost for administering the service**

In specifying firm transportation service as a reference service in a revised GGP Access Arrangement, due to the “vanilla” nature of the service, GGT expects the incremental cost to administer the service to be low.

## 6.2 Interruptible transportation service

Interruptible transportation service is not proposed to be a reference service for the following reasons:

- × Interruptible service is substitutable with the firm transportation service.
- × Not feasible to allocate cost to the service.
- × The service is not useful for supporting access negotiations and dispute resolution for other pipeline services.
- × If interruptible transportation service is a reference service, the associated regulatory cost is likely to be high.

GGT stands ready to negotiate interruptible transportation service with prospective users but does not propose offering this service as a reference service.

Prospective users of the GGP have sought access to interruptible transportation service either (a) because capacity for firm transportation service is currently unavailable or (b) as supplement to their existing firm services to meet short-term additional demand requirements.

### 6.2.1 Interruptible service is substitutable with the firm transportation service

Interruptible transportation service provided on the GGP can be a substitute for the firm transportation reference service of the current GGP Access Arrangement in some circumstances. However, it is not a perfect substitute for that service. In the absence of spare pipeline capacity for firm transportation service, users have substituted for that service lower priority – less reliable – interruptible transportation service.

In these circumstances, the price for interruptible transportation service is often set by reference to the price for firm transportation service, typically as a proportion of the firm service price, reflecting the relative priorities of the services.

Due to substitutability of interruptible transportation service with another reference service, GGT considers it not appropriate to designate the interruptible transportation service as reference service.

### 6.2.2 Not feasible to allocate cost to the service

Interruptible transportation service is, by its very nature, subject to uncertainty. Interruptible transportation service may or may not be available on a day, and this uncertainty is reflected in the terms and conditions for, and the pricing of, the service.

If there is insufficient pipeline capacity available on a day to transport all of the quantities of gas nominated by users of interruptible transportation service, GGT must allocate the available capacity to those users. Currently, capacity is to be allocated based on a priority listing as defined in the gas transport agreements. Such allocation arrangement depends on a range of factors including gas nominations, interruption events and contracting arrangements. The outcomes of these factors combined are not known prior to the scheduling of service for a day.

As the quantity of interruptible transportation service available to users on any day is not known prior to the scheduling of service for that day, making any prior and precise allocation of costs to the service, as would be required for cost-based price setting, infeasible.

### **6.2.3 Not useful for supporting access negotiations and dispute resolution**

Prior specification of the terms and conditions of interruptible transportation service is unlikely to provide a point of reference from which other services sought by prospective users can be assessed and, is unlikely to assist access negotiations and dispute resolution for other pipeline services that can reasonably be provided on the GGP. This is because the inherent difficulty of precisely specifying, in advance, the priority of interruptible transportation service.

The difficulty of specifying, in advance, the priority of the interruptible transportation service is a consequence of uncertainty, analogous to the difficulties forecasting the quantity of, and the allocation of costs to, interruptible transportation service. These difficulties of forecasting quantity, and of allocating costs, substantially reduce the usefulness of any price for interruptible transportation service as a benchmark for the price of any other service that can reasonably be provided on the GGP.

The terms and conditions, including the price, for lower priority interruptible transportation service are, then, of limited use as benchmarks for the terms and conditions, and the prices, of other pipeline services, including firm transportation service. Rather, the terms and conditions of firm transportation service, including its price, provide benchmarks for the terms and conditions, and the price, for interruptible transportation service.

### **6.2.4 High regulatory cost**

As discussed earlier, interruptible transportation service is subject to uncertainty. Dealing with such uncertainty is likely to be complex.

The regulatory costs associated with handling such complexity is expected to be high.

## **6.3 Parking and loan services**

Parking and loan services are not proposed to be reference services for the following reasons:

- × Low and uncertain forecast demand.
- × Not feasible to allocate cost to the service.
- × The services are not useful for supporting access negotiations and dispute resolution for other pipeline services.
- × Regulatory costs expected to exceed benefits.

GGT stands ready to negotiate parking and loan services with prospective users but does not propose offering this service as reference services.

Parking and loan services are not gas transportation services. They are services providing users of a pipeline with greater flexibility in the way they use gas transportation services.

GGP does not, for reasons discussed below, propose offering parking and loan services as reference services.

GGT stands ready to negotiate such services with prospective users.

### **6.3.1 Low and uncertain forecast demand due to constrained capacity**

Given the GGP's current and projected contracted position for firm transportation services, there is little or no spare pipeline capacity that can be accessed to provide additional parking service. Furthermore, high utilisation of the capacity available in this long and linear pipeline infrastructure

means GGT has little scope for varying the GGP line pack for the purpose of providing loan services.

Only one user has contracted for interruptible parking and loan service on the GGP, and the contract was for a short-term duration.

### **6.3.2 Not feasible to allocate cost to the service**

Due to uncertainty in demand, it would be difficult to allocate cost to this service.

### **6.3.3 Not useful for supporting access negotiations and dispute resolution**

The nature of parking and loan service is not comparable to the other services that can reasonably be provided by the GGP. Therefore, terms and conditions, including the prices, for parking and loan services cannot serve as benchmarks for the terms and conditions of other pipeline services.

Consequently, the prior specification of parking and loan services as reference services is unlikely to provide points of reference from which other pipeline services sought by prospective users of the GGP could be assessed and, is unlikely to assist the negotiation of other pipeline services or the resolution of disputes that might arise over access to those services.

### **6.3.4 Regulatory costs expected to exceed benefits**

If park and loan services are offered as reference services, due to the uncertain nature of their availability and demand, design for such services is likely to be complex. It is also expected that the ERA, GGT and shippers will face material implementation challenges.

Given the expected low demand and complexity associated with these services, GGT anticipates that the cost of specifying the park and loan services as reference service will far outweigh the benefit.

### **6.3.5 Substitutability with another pipeline service to be specified as a reference service**

A degree of substitutability exists between firm and interruptible parking services, and between firm and interruptible loan services. However, neither the parking services, nor the loan services, are substitutes for any of the other services that can reasonably be provided on the GGP.

The lack of substitutability would provide some grounds for proposing some of these services to be reference services. However, on balance, GGT does not make such recommendations for reasons stated in sections 6.3.1 to 6.3.4 of this document.

## **6.4 In-pipe trade service**

In-pipe trade service is not proposed to be a reference service for the following reasons:

- × Likely low demand for this service.
- × Not feasible to allocate cost to the service.
- × The service is not useful for supporting access negotiations and dispute resolution for other pipeline services.
- × If in-pipe trade service is a reference service, the associated regulatory cost is likely to exceed the revenue earned from this service.

GGT stands ready to negotiate in-pipe trade services with prospective users but does not propose offering this service as a reference service.

In-pipe trade service is not a transportation service and is not sought in its own right. It is a service providing users with flexibility in the way they can use gas transportation services under their transportation agreements.

GGP does not, for reasons discussed below, propose offering in-pipe trade service as a reference service.

GGT stands ready to negotiate such service with prospective users.

#### **6.4.1 Demand for, and revenue earned from, the service is likely to be low**

In-pipe trade service is not a service routinely sought by pipeline users.

To date, GGT has only received a total of less than \$50,000 revenues from in-pipe trade service on the GGP. Such low revenue reflects low demand for the service. There is currently only one user for this service.

APA Group currently offers in-pipe trade service as a standard service on its pipelines, including the GGP. The listed price for the service is approximately \$0.0112/GJ, capped at \$3,937.1048 per month per gas transportation agreement.<sup>8</sup>

#### **6.4.2 Not feasible to allocate cost to the service**

There is no reliable data to forecast the demand for GGP-specific in-pipe trade service. In the absence of such demand forecast, allocation of cost of this service is not feasible.

The costs of providing in-pipe trade service are the costs of developing the systems to manage service provision, and the on-going costs of gas accounting and billing. These costs are incurred by the wider APA Group<sup>9</sup>, rather than specifically by GGT. The costs are allocated to provision of the service across all APA owned and controlled pipelines at the portfolio level<sup>10</sup>. There is no reliable basis for allocation such costs specifically to GGP given the uncertainty of demand for the service.

#### **6.4.3 Not useful for supporting access negotiations and dispute resolution**

In-pipe trade service is not comparable with any other pipeline service that can reasonably be provided using the GGP. Consequently, terms and conditions for the service cannot serve as a benchmark for the terms and conditions for any of the other services that can reasonably be provided on the GGP.

As such, prior specification of an in-pipe trade service as a reference service is unlikely to provide a point of reference from which other services sought by prospective users can be assessed and is unlikely to assist access negotiations and dispute resolution for other pipeline services.

#### **6.4.4 Regulatory cost likely to exceed revenue**

Due to the low revenues earned from the provision of that service to GGP user, regulatory costs incurred by GGT and the ERA in specifying an in-pipe trade service as a reference service are likely to exceed the revenue.

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<sup>8</sup> Rates effective 1 July 2022, see <https://www.apa.com.au/our-services/gas-transmission/tariffs-and-terms/#Other>

<sup>9</sup> That is, the costs are shared costs.

<sup>10</sup> This portfolio includes the GGP.

#### **6.4.5 Substitutability with another pipeline service to be specified as a reference service**

In-pipe trade service is not a substitute for any of the other pipeline services that can reasonably be provided on the GGP. This would support the case for proposing this service to be a reference service. However, on balance, GGT does not make such recommendations for reasons stated in sections 6.4.1 to 6.4.5 of this document.

### **6.5 Interconnection service**

Interconnection service is not proposed to be a reference service for the following reasons:

- × Low demand for the service.
- × Not feasible to allocate cost to the service.
- × The service is not useful for supporting access negotiations and dispute resolution for other pipeline services.
- × High regulatory cost in specifying the pipeline service as a reference service.

GGT stands ready to negotiate interconnection services with prospective users but does not propose offering interconnection service as a reference service.

Interconnection service is usually the construction of a new receipt point, or the construction of a new delivery point, on a pipeline. Interconnection is not a transportation service.

The nature of an interconnection service is highly bespoke. This is because the scope of interconnection service varies widely depending on the location of the receipt point or delivery point, and on the prospective user's specific requirements for gas flow, composition, temperature and pressure. These requirements, and the ways in which they can be met, are issues for extended discussions between the prospective user's technical and engineering staff and advisors and GGT technical and engineering staff. Facilities to meet the prospective user's needs can be designed and costed only after those discussions have concluded.

GGP does not, for reasons discussed below, propose offering interconnection service as a reference service.

GGT stands ready to negotiate interconnection services with prospective users.

#### **6.5.1 Demand for the service is low**

An interconnection service is a bespoke service not frequently required by prospective users. For the GGP, interconnection service is generally negotiated only there is a new mining project or existing project looking for connection gas supply services.

GGT has had only five requests for interconnection service since commencement of the last revision of the GGP Access Arrangement (1 January 2020).

This low number of requests reflect low demand for the service.

#### **6.5.2 Not feasible to allocate cost to the service**

The bespoke nature of the service makes the prior allocation of costs to an interconnection service infeasible.

Any prior specification of an interconnection service as a reference service, made in advance of a specific need, is unlikely to serve as a benchmark for a particular interconnection service, and is

unlikely to serve as a benchmark for any other service that can reasonably be provided on the GGP. This makes it not feasible to adequately allocate cost to the service.

### **6.5.3 Not useful for supporting access negotiations and dispute resolution**

An interconnection service's terms and conditions are, essentially, the terms and conditions of an engineering and construction agreement.

These terms and conditions would not be compatible with those for the other services that can be reasonably provided by GGP. Therefore, it is unlikely that a prospective user seeking these other services from GGP can use the term and condition as a meaningful benchmark.

Due to the terms and conditions incompatibility, it is also unlikely that the reference tariff for an interconnection service can serve as a meaningful benchmark for the price of pipeline services that are not reference services

As such, specification of an interconnection service as a reference service would not be useful in supporting access negotiations and dispute resolution for other pipeline services.

### **6.5.4 High regulatory cost in specifying the pipeline service as a reference service**

Due to the inherent difficulty of prior specification of a standard interconnection service, the regulatory costs for administering an interconnection service as a reference service are likely to be high.

Any attempt to specify standard specification for a bespoke service is likely to give rise to implementation challenges. This leaves room for ambiguities when it comes to applying the standard conditions on a specific interconnection case.

This can in turn give rise to disputes by users, prospective users and/or service providers. The cost to be incurred by the ERA for resolving such disputes can be disproportionately high.

### **6.5.5 Substitutability with another pipeline service to be specified as a reference service**

Interconnection service is not substitutable with any other pipeline service that can reasonably be provided on the GGP. This would support the case for proposing this service to be a reference service. However, on balance, GGT does not make such recommendations for reasons stated in sections 6.5.1 to 6.5.4 of this document.

## 7 Proposed reference service

Based on an assessment of the pipeline services against the reference service factors as discussed in section 6, GGT proposes a firm transportation service as the single reference service on the GGP.

This firm transportation service is a service between any GGP receipt point and any delivery point on the pipeline, whereby:

- GGT receives, from a user, at a receipt point<sup>3</sup>, on a day, a quantity of gas not exceeding the maximum daily quantity (MDQ) specified in the user's gas transportation agreement.
- GGT delivers to the user, at a delivery point specified in the user's gas transportation agreement, on the same day, a quantity of gas not exceeding the user's MDQ.
- Provision of service is not subject to interruption or curtailment except in the specific and limited circumstances set out in the user's gas transportation agreement.
- GGT is not obliged to receive from the user, at a receipt point, in any hour, a quantity of gas exceeding the maximum hourly quantity for that receipt point specified in the user's gas transportation agreement. GGT is also not obliged to deliver to the user, in any hour, a quantity of gas exceeding the maximum hourly quantity for the receipt point specified in the transportation agreement.
- If, on a day, there is insufficient pipeline capacity available to transport all of the quantities of gas that have been scheduled for firm transportation service, GGT may interrupt or curtail its receipt and delivery of gas in accordance with the interruption and curtailment priorities set out in the user's transportation agreement.
- GGT may interrupt or curtail the service without incurring any liability to the user in limited circumstances including:
  - Interruption or curtailment is necessary for safe operation of the pipeline.
  - Interruption or curtailment resulting from planned or unplanned maintenance carried out by the service provider in accordance with the relevant provisions in the user's gas transportation agreement.
  - Interruption or curtailment results from a force majeure event.

This list characterises, but does not fully specify, GGT's proposed reference service. The full specification of the reference service will be in the GGP 2025-29 Access Arrangement, including the terms and conditions for that service, as approved by the ERA in late 2024.