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Mr Tyson Self
Economic Regulation Authority
PO Box 8469
Perth BC WA 6849

Public Submission by Santos in Response to the Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement and Access Arrangement Information 15 August 2014

Dear Mr Self

Santos is grateful for the opportunity to provide comment on the proposed revisions to the access arrangement for the Goldfields Gas Pipeline (GGP).

Background

Santos Ltd is one of Australia's largest producers of gas to the domestic market and has the largest exploration and production acreage position in Australia of any company. In Western Australia, Santos is the third largest provider of gas to the WA market through its joint venture positions on Varanus Island and Devil Creek. All gas produced through the Varanus Island facility flows directly into both the GGP and the Dampier to Bunbury Natural Gas Pipeline (DBNGP).

Access Arrangement Amendments

Goldfields Gas Transmission (GGT) has proposed many amendments to the 2015-2019 GGP Access Arrangement when it is compared to the 2010-2014 Access Arrangement. Santos questions the need for such wholesale change. It creates an unnecessary burden on all stakeholders particularly in terms of analysing and ensuring that changes do not result in a deterioration of rights for both new and existing shippers or for any party which supplies gas into the pipeline.

The regulatory cost in this process becomes unnecessarily high, particularly considering that GGT recovers its regulatory costs from the shippers. The continual changes to terms and conditions also creates an exposure for shippers which need to be aware of their ever-changing obligations. The regulatory process should provide a stable backdrop for both the users and the pipeliner. Certainty is critical. Change should only be necessary where a clear error has occurred or where conditions have altered to the extent that a change is absolutely necessary. GGT has not adequately demonstrated the need for change.

A good example of the point above are the unwarranted and repeated attempts by GGT to amend the gas specification over the last two access arrangement processes. There have been many submissions over recent years to both the Authority and the Public Utilities Office regarding this matter. Tightening the specification on the GGP is contrary to the intention of the Gas Supply (Gas Quality Specifications) Regulations. Also contrary to the Regulations is GGT's proposal to penalise shippers through reduced capacity and higher tariffs should they obtain gas from a supplier utilising a broader specification field.

A further example is the proposal to replace the independent expert with senior management for resolving disputes. This removal provides no protection to the Shipper in the event of a dispute. Santos believes that the Regulator should force the GGT to remove ambit claims such as this before others are asked to make submissions, particularly when a matter has been adequately dealt with in previous reviews of access arrangements.

Santos notes that there have been a significant number of changes to the services in this proposed Access Arrangement which have been justified as bringing them into line with other APA Access Arrangements. Should any of these changes result in a deterioration of the level of service or an increase in the penalty regime to the shipper, the Authority should reject the change.

Gas Pipeline Access

The Authority's Access Arrangement Guideline (Guideline) for regulated gas transmission and distribution service providers considers issues relevant to the Authority's regulatory function. The Guideline states "*The purpose of an access arrangement is to provide details of the terms and conditions, including price, upon which an independent third party user can gain access to the pipeline.*" Currently it does not appear that a third party can enforce a right to gain access to the pipeline through access arrangement terms and conditions if they are required to expand the pipeline capacity or fund construction of a new lateral or delivery station.

The reason that a pipeline is regulated is to ensure the objective of section 23 of the National Gas Law NGL(WA) is met. "*The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.*" The Authority should consider whether an Access Arrangement should contain clearer provisions to regulate pipeline expansion for third party access. This would enable a third party to be able to access capacity with minimal negotiation with a monopoly service provider. Importantly, the terms and conditions associated with the expansion gas transportation agreement should also be those contained in the Access Arrangement. Should a party require something other than those terms and conditions, a negotiated service would then be appropriate however it should not be the default position for all new shippers. Regulating the rate of return on an expansion and providing access to access arrangement terms and conditions is the most desirable way to achieve the objective.

Santos notes with concern that the process proposed by GGT relating to developable capacity in 5.3.3 does not even oblige GGT to undertake a development if it chooses not to. This right would further entrench the potential for monopolistic behaviour. If a pipeline expansion is technically feasible and economically viable, there should not be an opportunity to prevent it going ahead. Again this is inconsistent with the NGL(WA) objective and will further diminish the effectiveness of the Authority.

Santos again thanks the Economic Regulation Authority for the opportunity to provide comment on the proposed Access Arrangement and should you have any queries on this matter, please feel free to contact me on 9333 9607.

Yours sincerely

Dave Rafferty
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Santos Ltd