



14 March 2005

Annette Watkins
Manager Projects
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Dear Ms Watkins

**Proposed Revised Access Arrangement for the Dampier to Bunbury
Natural Gas Pipeline**

WMC is an interested party, being an end customer of the Dampier to Bunbury Gas Pipeline system ("**DBNGP**") as a consumer of natural gas at the Kwinana Nickel Refinery, south of Kwinana Junction. WMC is a significant gas user of the DBNGP and through its gas supplier is a user of part haul facilities on the DBNGP from CS1 to Mondarra. WMC welcomes the opportunity to comment on the Proposed Revised Access Arrangement ("**Revised AA**").

The purpose of this submission is to comment on the gas quality specification in the Revised AA and the fact that it is proposed that part haul service is provided only as a Non Reference Service.

Gas Quality Specification

The gas quality specification in the Revised AA in general has a higher minimum Higher Heat Value ("**HHV**") than is specified in the Gas Standards (Gas Supply and System Safety) Regulations 2000 ("**Gas Standards**"). Similarly, the minimum Wobbe Index in the Revised AA is higher than that specified in the Gas Standards. In addition, it is noted that the amount of elemental sulphur has been reduced significantly in the Revised AA.

WMC understands from Energy Safety's public submission that there is no technical or safety impediment to the adoption of a broader gas specification. the submission. We understand that the use of the Gas Standards has been foreshadowed since 1995 and that industry has been expecting this reform for 10 years.

WMC submits that the Revised AA should conform to the Gas Standards to ensure as many gas producers as possible have access to the DBNGP. This will in turn promote market competition between gas suppliers.

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Part Haul Service

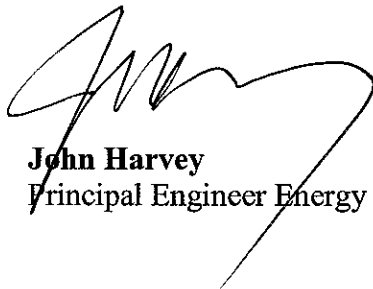
As stated earlier, WMC is a part haul user of the DBNGP and accordingly believes that part haul should be considered a Reference Service. The proposed Access Arrangement provides a part haul service only as a Non Reference Service. The Reference Service must include a distance related back haul and forward haul tariff path for part haul service in Schedule 1 as this service is and will be required by a significant number of shippers and potential shippers.

WMC is concerned that if part haul is specifically excluded as a Reference Service, part haul users may be vulnerable to the extraction of monopoly rents when negotiating an access arrangement.

In particular, there is the prospect of a conflict of interest when DBNGPT is negotiating a part haul contract. This arises because part haul from CS1 to Mondarra also relies on the user negotiating a service from Mondarra to the user inlet point on the Parmelia Pipeline ("PP") which is in direct competition with the DBNGP. As you are aware, coverage of the PP has been revoked due to direct competition with the DBNGP. If DBNGPT is able to negotiate part haul service without regulatory oversight, from CS1 to Mondarra, it is in DBNGPT's interests to ensure the full haul service is more attractive to users than the combination of part haul and the use of the PP. Accordingly, the absence of regulation may enable DBNGPT to extract monopoly rents in regard to part haul service.

If you have any questions or comments, please contact me on (08) 9479 8387.

Yours sincerely
WMC Resources Ltd



John Harvey
Principal Engineer Energy Supply