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To	Ms Annette Watkins	From	B Gaynor ☎
Company	Economic Regulation Authority	Dept	Commercial
Fax No		Fax No	
Cc		Date	14 March 2005 N° Pages 3

Worsley Alumina Pty Ltd (“WAPL”) submits the following comments on the proposed revisions to the Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline in response to the invitation from the Economic Regulation Authority (“ERA”). The comments are structured generally to follow the ERA’s Issues Paper.

Services Policy

The Code requires that the proposed Reference Service be likely to be sought by a significant part of the market. Existing shippers signed new long-term contracts with DBNGPT late last year. These contracts were for a service that is not the proposed Reference Service and contained options to request additional capacity on the same terms as the capacity already under contract. DBNGPT has presented no material to suggest that the proposed Reference Service is likely to be requested by any part of the market, let alone a significant part. Tables 10 & 11 of Annexure A to DBNGPT’s proposed Access Arrangement do not provide any breakdown of capacity or throughput by service type. [Note that capacity is a function of service type.]

WAPL contends that the only service that can be considered as a Reference Service in the current period is the service as described in DBNGPT’s Standard Shipper Contract of October 2004 and that the relevant terms and conditions for that service are as detailed in that contract. This is the service to be used by users both now and in the foreseeable future. To suggest any other service could be the ‘Reference Service’ is arrant nonsense.

WAPL contends that a reference service ought cover all services that are currently used and likely to continue to be sought by existing and new shippers or are necessary to maximize utilization of the pipeline. Specifically:

- Part-haul & Back-haul services should be part of the Reference Service
- The term for a ‘spare capacity’ service should be determined by the expected duration of spare capacity and not subject to an arbitrary minimum.

Reference Tariff

Following the comments above, WAPL believes that the tariff path must be consistent with that set out in Schedule 9 of DBNGPT’s Standard Shipper Contract of October 2004. Specifically, any tariff path must clearly lead to the outcome as at January 2016 as projected in that Schedule and as such the tariff methodology for any proposed Reference Service must be consistent with the tariff methodology as shown in that Schedule.

It is difficult to see how a Reference Tariff Policy that differs in effect from that in Schedule 9 of DBNGPT’s Standard Shipper Contract of October 2004 can represent an

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appropriate balance between the interests of the Service Provider and Users when the vast bulk, if not all, users are bound under contract to the policy that underlies that Schedule.

If the balance were only to be struck between the Service Provider and the ‘Users’ of the proposed Reference Service that would be one issue. The difficulty is, however, that the vast bulk of users of the pipeline will not use the proposed Reference Service but their economic interests will be affected by the Reference Tariff Policy in that it will determine the tariff to be applied under their Standard Shipper Contracts (from 2016).

Terms and Conditions

The terms and conditions for the proposed Reference Service should be as per DBNGPT’s Standard Shipper Contract of October 2004. Specifically:

- The gas quality specification and provisions relating to it must be the same as this contract or at least lead to no difference in gas specification at the outlet. In particular, the ‘broadest specification’ for any gas entering the pipeline must be the same under all shipping contracts. Both shipper and operator must have the right to refuse delivery into the pipeline of gas that is out of specification. The gas specification is a matter that is common to all shippers as a natural consequence of co-mingling and hence the gas specification and treatment of out of specification gas must be identical across all shipping contracts.
- It is difficult to see how the provisions dealing with inlet and outlet points can differ from those in this contract.
- The proposed curtailment provisions for the Tf service, when coupled with DBNGPT’s stated aim of only expanding the pipeline capacity in line with contracted capacity, make it unlikely that any party will request a Tf service. This condition by itself makes the terms and conditions of the Tf service unreasonable. As existing shippers are unlikely to agree to a variation in their curtailment provisions WAPL contends that the Tf ‘service’ is not a service at all and cannot be used as a Reference Service.

Capacity Management Policy

If the Tf service is to be the Reference Service and, as WAPL anticipates, no user requests a Tf service contract then it is difficult to see how the DBNGP can be classed as a Contract Carriage Pipeline.

Trading Policy

For an Access Arrangement to replicate the outcome in a competitive market there must be a secondary market for capacity.

Queuing policy

The Proposed Revised Access Arrangement does not provide sufficient detail to allow a prospective user to understand how priorities for access will be determined across the range of potential services.

Extension/Expansions policy

The Proposed Revised Access Arrangement does not provide a prospective user with adequate information to predict whether:

- An expansion or extension may or may not take place;

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- If it does, then will it be treated as part of the Covered Pipeline;
 - Whether the prospective user may be required to make a capital contribution; or
 - How any such extension or expansion may affect the tariff.
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