4/53/8-P1
Mr J E Hennessy
9486 3220

5 July 1999

Mr Philip Brown
Office of Gas Access Regulation
Level 22, St Martins Tower
44 St George's Terrace
Perth WA 6000

Dear Mr Brown,

Comments on the Proposed Access Arrangement for the Parmelia Pipeline

The following comments regarding the proposed Access Arrangement for the Parmelia Pipeline are provided from the perspective of AlintaGas' Trading Division ("**AlintaGas Trading**"). AlintaGas Trading procures, ships and markets natural gas. These activities are separate from the distribution of natural gas, which is the responsibility of AlintaGas' Distribution Division.

The following comments are brief, as most key issues have been adequately documented in other submissions, particular those submitted by Western Power, Mobil Exploration & Producing Australia Pty Ltd and the Office of Energy.

Reference Tariff

With regard to the Reference Tariff, AlintaGas Trading agrees with the general thrust of the above submissions. In particular, AlintaGas Trading is concerned that a high asset valuation, high WACC and full escalation with CPI result in a very high Reference Tariff. The Reference Tariff is such that no User is likely to contract to transport gas under the Reference Service. To the extent that Users continue to transport gas through the Parmelia Pipeline, they are likely to negotiate a Non-Reference Services at a lower price. The Reference Service could not reasonably be described as "*one that is likely to be sought by a significant part of the market*", as stipulated by clause 3.2(a)(i) of the National Access Code.

Quantity Variation Charges

With regard to additional imposts that result from the five quantity variation charges, AlintaGas Trading appreciates that pipeline operators need to have reasonable forecasts of day-to-day demand variation for transportation services by Users. The Access Arrangement Information does not provide sufficient information for AlintaGas Trading to form a view as to whether the tolerances for the application of quantity variation charges and the quantum of the penalty charges are fair and reasonable.

We are concerned that some quantity variation charges (such as the Daily Overrun Charge) are based on exceeding a User's daily nominated quantity and not, as would be more appropriate, exceeding a User's MDQ. The result is that circumstances can arise where a User will pay twice for the use of reserved capacity. Why should a User be forced to pay a penalty for exceeding its nominated quantity when the amount of gas taken is less than its MDQ? The User, after all, is already required to pay a Reservation Charge, whether or not it uses its full contractual entitlement. As a matter of principle, a User should be able to receive gas without penalty at a delivery point up to the User's MDQ, regardless of the quantity nominated. To the extent the pipeline operator wishes to sell spare capacity which is reserved (and paid for) but for which no nomination has been received, it should do so on an interruptible basis.

Receipt and Delivery Points

The proposal that the Reference Service involves delivery of gas at a single receipt point for delivery to a single delivery point is inflexible. A number of issues arise:

- Does a User that wants, say, 5 delivery points, have to make 5 different applications? If so, could CMS impose a $10,000 Fee on each application?

- How is capacity trading envisaged to occur on a day to day basis when a User does not have delivery point flexibility?

- The lack of delivery point flexibility seems to contrast with the postage stamp tariff, which is more conducive to flexibility between delivery points.

The Reference Service should provide for the right for Users to Deliver Gas at multiple inlet points and receive gas at multiple outlet points.

In addition, to facilitate capacity trading and hence increase pipeline utilisation, Clause 5.11 should be recast to provide a User with stronger rights to have **some or all** of its contracted capacity transferred to other delivery or receipt points.

Ring Fencing

CMS, in addition to operating the Parmelia Pipeline, owns and operates the Dongara Gas Gathering Facilities and the Mondara Gas Storage Facility. CMS may, all things being equal, obtain a greater commercial benefit by transporting gas that makes use of such facilities, in preference to gas that does not. CMS also buys and sells gas. The degree of ring fencing of CMS's gas transportation services from its gas production and gas marketing activities should be examined in some detail by the Regulator.

AlintaGas Trading would welcome the opportunity to provide further input and comment on any modifications to the Access Arrangement as the approval process proceeds.

Yours sincerely,

J E Hennessy
Manager Gas Supply

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