

12th September 2003

Mr Ken Michael  
Gas Access Regulator  
Office Of Gas Access Regulation

Dear Mr Michael



## **GOLDFIELDS GAS PIPELINE – AMENDED DRAFT DECISION**

In response to your letter dated the 26<sup>th</sup> August 2003, inviting Anaconda Operations (ANO) to provide comments and material responding to the submission provided to you by Goldfields Gas Transmission (GGT), dated the 13<sup>th</sup> June 2003, Anaconda provide the following comments.

### **Revocation Application or Proposed Access Arrangement**

Since the submission from GGT was provided to OffGAR, the National Competition Council (NCC) handed down its draft recommendation on the 8<sup>th</sup> September stating:

1. “The Council’s draft recommendation is that coverage under the National Gas Access Code of the GGP **should not be revoked**. The Council is satisfied that all four of the criteria in section 1.9 of the National Gas Access Code are met for the whole of the GGP.”

ANO agree with the draft recommendation handed down by the NCC and invite OffGAR to review the submission provided to the NCC on behalf of ANO dated the 15<sup>th</sup> May 2003, in response to the revocation application submitted by GGT to the NCC, dated the 26<sup>th</sup> March 2003. This is available for review on the NCC website [www.ncc.gov.au](http://www.ncc.gov.au)

Anaconda has no comment to make on whether GGT has made representations to OffGAR concerning its application to the NCC to revoke coverage of the GGP. However, Anaconda has concerns that:

- Such presentations may be used by GGT as a vehicle for making further submissions to OffGAR regarding consideration of its proposed access arrangements which are outside the public consultation process;
- OffGAR may be encouraged to take a position regarding GGT’s revocation application or, take an active role in the revocation process; and
- Those parts of the GGT submission, which are not confidential, have not been placed on the public record.

Anaconda has concerns in responding to a submission when the existence and content of the submission is not in the public domain, denying other parties interested in the resolution of GGT’s proposed access arrangement, the right to comment on conclusions drawn and arguments set out by GGT.

### **The Significance of Transmission Tariffs**

The fact that gas costs are a small part of many gas users costs should not cause surprise, nor should it impact on consideration of GGT’s proposed access arrangement. Indeed it suggests that these users are relatively price inelastic in regard to gas and that they lack the market presence to balance the monopoly power of gas transmission companies. The use of monopoly power by a gas transmission company to appropriate an additional economic rent of \$3 million a year may appear to have a marginal impact on a

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Anaconda submission 12 Sept 03 in response  
to GGT Sub Sept 03

gas user's total cost but it can have a devastating impact on a company's net revenue and profit outcomes.

### **The Objectives of the Gas Pipeline Access Law and the Code**

The objectives of the Gas Pipeline Access Law and the Code are set out in the preamble to the Gas Pipeline Access Law, in the Introduction to the Code and, in regard to tariffs, in clause 8.1 of the Code. At no point do these objectives extend to consideration of the significance of gas transmission tariffs relative to the operating costs of the types of customers using the pipeline. Indeed, whether the proportion is large or small is not an issue in itself. The matter only warrants consideration where it is integral to satisfying the objectives as they are set down in these documents. As such, the issue is of no consequence in consideration of GGT's proposed access arrangement, unless the facts of the matter can be directly and convincingly linked to achieving the stated objectives of the Gas Pipeline Access Law and the Code.

Anaconda believes that OffGAR should not consider the submission made by GGT dated the 13<sup>th</sup> June 2003, as the matters raised in that submission have no relevance to OffGAR'S consideration of GGT's proposed access arrangement. Anaconda also request that OffGAR place this reply to GGT's submission on the OffGAR website.

Yours sincerely

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**Anaconda Operations Pty Ltd**