

Ref: DAK.GPC.NL-0084

14 October 2005

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St. George's Terrace
PERTH WA 6000

By Facsimile: 9213 1999

Dear Lyndon

DBP Access Arrangement — Submission Part Haul Tariff

I write in reference to the meeting on 6 September 2005 between officers of the Authority and representatives from APT in which the Dampier to Bunbury Pipeline (DBP) Access Arrangement was discussed.

This letter is in response to your request for written confirmation of the concerns raised by APT during the meeting relating to the issues of the need for a Part Haul Service on the DBP.

As an owner and operator of gas pipelines across Australia, we do not normally comment on the regulatory arrangements for those pipelines owned or operated by other parties. However, in the case of the DBP which supplies gas into the Mondarra gas storage facility (MGSF) and competes with the Parmelia Pipeline for transport of gas into Perth, APT considers that the broader interests of the Users and the possibility of enhanced competition and use of the MGSF justify the making of a submission.

APT takes the view that the easy availability of a Reference Tariff for part haul would enhance the development of both the MGSF and competition between the DBP and the Parmelia Pipeline, APT supports the inclusion of a Reference Tariff structure that accommodates part haul services. This would be generally consistent with the proposal in the Draft Decision that DBP be required to provide a Part Haul Reference Service.

Without such a Reference Tariff structure, shippers and potential users may be unable to successfully negotiate a part haul service and associated tariff on the DBP. In particular, if the approved Reference Tariff structure requires payment of a postage stamp tariff for transportation of gas through any part of the DBP, there will be no clear mechanism available to shippers to require DBP to agree to a part haul service and tariff and access to the MGSF. Instead of promoting competition, such a tariff structure will prevent the further development of competition as it will mean shippers would be penalised economically for bringing north west gas through the DBP and then to MGSF or to the Parmelia Pipeline. This, in turn, may well result in there being no demand for expansion of, and access to, the gas storage facilities at Mondarra, notwithstanding the benefits, including security of supply, such expansion would provide.

A significant number of submissions received by the Authority outlined the requirement for the provision of such a service, on the basis it provides them with flexibility, especially for peaking purposes. Therefore it is correct to conclude that a Reference Service with such a tariff structure will be sought by a reasonable proportion of market.

From a historical perspective, the availability of a part haul tariff is not new on the DBP; in fact, the original Gas Transmission Regulations provided for a distance based tariff and the approved 2004 Access Arrangement also provided for a part haul tariff based on a zonal structure.

In addition to the relevance of a part haul tariff to the Parmelia Pipeline and the MGSF and its users, current and potential shippers on the DBP may require transport for only part of the distance. Obvious examples are the offtake to the Midwest Pipeline and for an interconnection with the Goldfields Gas Pipeline.

Given the clear benefits of requiring a part haul tariff be **published** by the DBP, it is our view that the Authority should require a Reference Tariff structure which recognises part haul.

If you have any further queries relating the above, please do not hesitate in contacting Mr Graeme Carlin on 9320 5613.

Yours sincerely

David A King
State Manager, WA