

Australia Operated Asset Team



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By Courier

8 October 2002

Mr R Pulella
Office of Gas Access Regulation
Level 6, Governor Stirling Tower
197 St George's Terrace

Dear Mr Pulella

Draft Decision Proposed DBNGP Access Arrangement

BHP Billiton submit the following comments concerning the Gas Access Regulator's draft decision on the subject access arrangements.

Apart from its interest in the North West Shelf Project BHP Billiton interests in Western Australia include the Griffin Oil Project, various oil and gas exploration acreage and two gas statics being the Macedon Gas Field and the Scarborough Gas Field. BHP Billiton has had a close association with the Western Australian domestic gas market since 1994 when the Griffin field commenced production of associated gas which is sold into the Western Australian market. That association has increased with the marketing work that has been carried out in respect of the proposed commercialisation of the Macedon Gas field.

BHP Billiton supports the Regulator's proposal to include the widest possible quality specification for the entry of gas into the Dampier to Bunbury Natural Gas Pipeline ("DBNGP") subject to world class safety considerations for the transportation, distribution and consumption of gas being met. BHP Billiton considers that the current LPG specification and, to a lesser extent, the specification for the Total Inerts content, minimum Heating Value and the minimum and maximum Wobbe Index for the entry of gas into the DBNGP, are too restrictive and hinder an increased competitive upstream gas supply market from developing in Western Australia.

BHP Billiton has been actively marketing Macedon gas and sees potential for the Macedon Project to be commercialised as market demand develops. However the continuation of a restrictive specification, particularly in relation to LPG, does not assist our commercialisation efforts.

The development of the Macedon Gas Field brings a number of benefits to the Western Australia Gas market including:

- It provides the market with increased choice of gas supply source and thereby increasing upstream gas competition.
- It provides the Western Australian market with further supply security with Macedon being a dedicated additional domestic supply source.

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- It provides Western Australia with a third gas hub and an increased ability for companies to explore and develop oil fields in the vicinity with the knowledge that they can dispose of associated and gas cap gas into the hub.
- The gas hub provides the mechanism for preventing greenhouse emissions by reducing flaring thus assisting the State to meet its environmental objectives.

We believe the continuation of the restrictive specifications in the DBNGP negate the above benefits and prevent other gas statics from being developed. The creation of a truly competitive environment in the gas industry is enhanced by the removal of unnecessary restrictive specifications for the entry of gas into the DBNGP thus further improving the competitive strength of Western Australia both domestically and internationally.

Yours sincerely,

MRJ Macdermid

Mike Macdermid
Commercial Manager