

BUNBURY CHAMBER OF COMMERCE AND INDUSTRY SUBMISSION

Mr Robert Pullella
Office of Gas Access Regulation
6th Floor
197 St Georges Terrace

Dear Mr Pullella

Submission - Draft Decision: Proposed Access Arrangement, Dampier to Bunbury Natural Gas Pipeline

We submit that the proposed transmission tariffs in the Draft Decision may

1. Provide a significant competitive advantage to existing users, and
2. Act as a barrier to entry for new gas users and potential limit industrial expansion.

We understand that there is very little excess capacity in the existing pipeline, and that the next significant new user would make expansion necessary. We also understand that expansion of the pipeline is a commercial decision that would be made by Epic Energy and that new tariffs would be determined by them on that basis. As a consequence, Epic Energy would appear likely to charge a tariff to new clients considerably higher than the existing \$1.08/Gj which applies today in the South West.

This would serve to create two rates: a low rate that applies to existing users, and a new, potentially higher rate for new customers (or higher start-up costs by capital contribution). Existing users would of course pay a higher rate if they required additional delivery, but would in the short term be able to average the cost with existing gas delivery to maintain a competitive advantage. New users would have no such advantage and would need to consider the viability of their projects with regard to significantly higher costs. We are concerned that this would have the effect of acting as a disincentive to industrial expansion in our region.

In the long term we believe that even the existing users would be at a disadvantage when their ability to average higher charges for new supply with their existing supply would become less effective.

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One illustration of the potential impact of the lower tariff recommendation concerns the state government's policy of deregulation of power generation. Currently Western Power is considering tendering to private providers for a new gas-fired power station to be sited between Geraldton and Bunbury. This 240Mw station would represent a new client for Epic, with the consequent increase in supply cost being paid by the provider through increased tariff or capital contribution. There is little doubt that the viability of the new development will be influenced by this higher cost.

In relation to the proposed tariff in the Draft Decision, we ask that consideration be given to the potential for the recommended tariff to create a medium to long term barrier to industrial development. We would support Epic Energy's existing tariff levels.

Yours faithfully
Bunbury Chamber of Commerce and Industries (Inc.)

David Kerr
President

Tuesday, 14 August 2001

Cc: Hon E S Ripper MLA; Hon C M Brown MLA