



**16 March 2000**

**Mr Robert Pullella  
Office of Gas Access Regulation  
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**Robert [Pullella@offgar.wa.gov.au](mailto:Pullella@offgar.wa.gov.au)**

**Dear Mr Pullella**

## **EPIC ENERGY'S ACCESS ARRANGEMENTS FOR THE DAMPIER TO BUNBURY GAS PIPELINE**

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**The Bunbury Wellington Economic Alliance is an organisation set up to promote the interests of the Collie, Dardanup, Capel, Bunbury and Donnybrook Shires. We make this submission in the interest of current and prospective users.**

**Based on the information available, the Bunbury Wellington Economic Alliance is concerned about changes proposed by Epic Energy to the current access arrangements.**

**Our concerns are centred on the following main issues –**

### **1. Economic Efficiency**

**Commercial returns expected after the purchase of the pipeline by Epic Energy are based on a bid process that encourages a high capital base. The price paid should be seen as two parts –**

- a) DAC/DORC**
- b) Goodwill.**

**The DAC and/or DORC have not been nominated. The earnings multiple (goodwill) should not be capitalised.**

### **2. Access restrictions to dry gas exist due to the LNG requirements of Zone 9, increasing the costs in Zone 10.**

- 3. Gas take-off for LNG production reduces line pressure substantially, requiring a compressor station for Zone 10. As gas costs are based on capital utilisation, Zone 10 users bear the cost of an activity in Zone 9.**

**It is the Alliance's understanding that the South West Region (Zone 10) users will be at a competitive disadvantage due to these issues. Effectively, users of 80% of the pipeline's capacity subsidise users in Zones 1 – 9; that is, without Zone 10 the pipeline would not be viable.**

**The current access proposal does not give an equitable distribution of charges along the pipeline and is seriously detrimental to regional development in the South West.**

**Obviously, this is a highly complex issue with many facets to be considered. Essentially, however, the outcome will influence the international competitiveness of industries that currently produce several billion dollars worth of exports from the Bunbury Wellington Region. Their future expansions and, in some cases, the viability of new development will hinge on the delivered cost of energy in our region.**

**We look forward to your draft ruling so that we may assess its impact more specifically to users within our region.**

**Yours sincerely**

**Clayton Hyder  
Chairman**