

27 September 2001

Our Ref: 012700007

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Dear Dr Michael

**DAMPIER-TO-BUNBURY NATURAL GAS PIPELINE  
DRAFT DECISION ON ACCESS ARRANGEMENT**

As the operator of Australia's largest undeveloped natural gas reserve, the Greater Gorgon fields, Chevron has a strong interest in matters that have an impact on the development of gas pipeline infrastructure in Western Australia.

Chevron believes that as a result of the State's vast reserves of natural gas, Australia has the opportunity to become a regional leader in clean energy, both as an exporter of LNG and producer of gas-based fuels, providing a catalyst for substantial industrial growth throughout the State. This will only occur, however, if large volumes of competitively priced gas are widely available.

Crucial to the provision of gas for industrial development is a viable and expanding gas pipeline network throughout the State. Government policy and regulatory actions, therefore, should be directed at encouraging investment in the growth of pipeline infrastructure.

In general, there is likely to be a negative impact on new gas supply and market developments if the result of the imposition of an inappropriate tariff structure is to discourage new pipeline investment or threaten the viability of existing pipeline operations.

While Chevron does not wish to comment in detail on either the draft decision or the resulting submissions, there are two broad policy issues that are of importance to the Gorgon project.

**SECOND CLASS CITIZENS**

The first involves the considerable discussion about the emergence of a disadvantaged customer group ("second class citizens") if the draft decision is implemented. If this occurred, it would be a strong disincentive to industrial growth as new consumers would be expected to pay

a gas price “premium” compared to their established competitors. Not only would this have an impact on potential customers, the consequential limiting of growth in gas sales would impact on the attractiveness of new gas developments such as Gorgon.

### **ADDITIONS TO CAPITAL BASE**

The second relates to the proposal in submissions to OffGAR to use of the National Access Code as a means of allowing pipeline owners to add the cost of expansion to the capital base, thereby avoiding the creation of a set of “second class citizens.” Key to this solution is the acknowledgement that expansion of capacity has system wide benefits.

Chevron believes the Regulator should take a receptive position on expansion and extension of gas infrastructure and capacity, acknowledging it provides system wide benefits through increased reliability and security of supply and, importantly, increased competition from new gas supplies.

Currently there are few gas suppliers to the WA gas market. Allowing expansions and extensions (including supply laterals) to be included in the capital base not only would have substantial system wide benefits but would provide positive encouragement for the introduction of new gas in the market, thereby enhancing competition, growing the market and providing greater security of supply.

Central to both Government policy and regulatory framework is the need to encourage competition within the Western Australian gas market while growing the market and the infrastructure serving it. None of these objectives will be achieved if those seeking to enter the market, either as a suppliers or customers, face uncertainty, disincentive or disadvantage.

Yours faithfully

**Peter Coghlan**

Manager – Business Policy & HSE