



2 September 2005

Mr Lyndon Rowe  
Chairman  
Economic Regulation Authority  
GPO Box 8469  
Perth Business Centre  
WA 6849

Sent by email to: [russell.dumas@era.wa.gov.au](mailto:russell.dumas@era.wa.gov.au)

Dear Mr Rowe,

**RE: REPORT ON CAPACITY IMPACT OF BROADER GAS SPECIFICATION**

We refer to the Economic Regulation Authority's ("**ERA**") letter dated 23 August 2005 and the report prepared for the ERA by PB Associates evaluating the impact of a broader gas specification on the capacity of the Dampier to Bunbury Natural Gas Pipeline ("**DBNGP**").

CSBP Limited ("**CSBP**") makes the following submissions on the PB Associates report ("**the Report**"):

1. The Report only considers the theoretical impact on the capacity of the DBNGP. CSBP submits that:
  - 1.1. The Report does not evaluate the commercial and contractual impacts of the proposed broader gas specifications for shippers and DBNGP (WA) Transmission Pty Ltd ("**DBP**"). CSBP reiterates that it is extremely concerned about the issues it raised in points 1.2(l), (m) and (n) of its submission to the ERA dated 26 May 2005.
  - 1.2. The Report does not evaluate the technical impacts of the proposed broader gas specification on gas users. These impacts would include the impact on operating and capital costs for gas users.
  - 1.3. The Report does not evaluate the ERA's contentions that a broader gas specification would, as quoted in the Report, "potentially be of substantial benefit to many Users and Prospective Users...increasing competition in the upstream market" or "that widening of the gas specification would potentially reduce the cost of gas treatment prior to supply to the DBP". Further to point 1.2(j) of CSBP's submission to the ERA dated 26 May 2005, CSBP submits that the ERA should provide quantitative evidence and analysis that demonstrates that these benefits would be realised prior to adopting a broader gas specification in the DBNGP Access Arrangement.



**CSBP Limited**  
ABN 81 008 668 371  
PO Box 345, Kwinana  
Western Australia 6966  
Telephone: +61 8 9411 8777  
Facsimile: +61 8 9411 8282  
[www.csbp.com.au](http://www.csbp.com.au)



- 1.4. Pipeline capacity is only one issue and natural gas suitability for and efficiency in chemical processing plants as a feedstock remain important issues to be considered. The Report focuses on use of gas for appliances, and, to a lesser extent, on use for power generation or in boilers and ignores the impact on those who use gas as a feedstock. CSBP would expect the ERA to undertake a study on the impact on other users, including feedstock users, before making its Final Decision.
2. The Report concludes that based on projections by the main gas producers, the broader limits of the proposed specification are a theoretical rather than a practical limit (bullet point two in the Executive Summary) and that a broader specification is “unlikely to cause existing producers to change significantly from their current “normal” quality to the minimum permitted quality” (paragraph 5 of the Executive Summary). CSBP questions how these conclusions have been reached and asks what evidence, apart from gas producer projections, exists to demonstrate that the projected gas composition post broadening of the specification will be as forecast by the gas producers (who have a vested interest in ensuring that the broader specification is adopted).
3. The report references Australian Standard 4564-2003 Specification for general purpose natural gas (AS 4564):
  - 3.1. AS 4564 states that “This specification is not intended to apply to natural gas for supply as a process feedstock, but may provide a basis for such a specification”. CSBP submits that the current DBNGP operating specification defined in the Standard Shipper Contract and agreed in October 2004 was a commercially negotiated outcome that represents an appropriate balancing of the interests of gas consumers (both industrial and residential) and that there is no need to adopt the specification set out in AS 4564.
  - 3.2. The Report concludes that the ERA’s proposal to broaden the gas specification within the limits of AS 4564 is reasonable (section 2.7.1, paragraph 2). This conclusion is based on the end use for the gas being for burning in gas appliances that are sold in retail outlets and excludes the use of gas in industrial applications, such as use as a chemical process feedstock. CSBP submits that it is unreasonable to reach this conclusion without evaluating the impacts on other gas users such as feedstock users.

CSBP reiterates its position outlined in its submissions to the ERA dated 14 March 2005 and 26 May 2005 that draft amendment 15 should be withdrawn as it does not take sufficient account of the legitimate interests of all stakeholders, in particular shippers and users of the gas (who may be shippers or shippers’ customers), and could potentially cause CSBP’s existing commercial contracts to be overridden or breached.

Furthermore, CSBP submits that the ERA should not rely solely on the Report in making its Final Decision and that commercial, contractual and economic impacts on gas users, including feedstock users, DBNGP shippers and DBP need to be considered and assessed.

Yours sincerely,

CSBP Limited



Ian Hansen

General Manager – Chemicals