

8 October 2002

Dr Ken Michael  
Office of Gas Access Regulation  
6<sup>th</sup> Floor, 197 St Georges Terrace  
Perth WA 6000

OFFGAS  
11 OCT 2002

Dear Sir,

### THE PRICE OF GAS TRANSMISSION SOUTH OF KWINANA JUNCTION

Edison Mission Energy currently consume in excess of 22TJ/day of natural gas transported on the DBNGP. Our plant is connected to the main pipeline via Kwinana Junction and down pipe of the Westfarmers LPG Plant. The transport contracts for the gas reside with our gas suppliers. Nevertheless, we are indirectly a relatively large pipeline user and we will be significantly impacted by any changes to the gas access arrangement conditions and charges for this pipeline.

We are aware of the status of the proposed gas access arrangement, your draft decision and the results of the Supreme Court hearing regarding your draft decision.

It is our understanding that the Supreme Court has ruled that you should take into account section 2.24 of the Gas Access Code when you make your final determination. In particular, section 2.24(f) of the Code requires that you to take into account interests of Users and Prospective Users. In this context, we would like to draw your attention to a quality of supply issue that impacts customers and potential customers south of the Westfarmers LPG Plant. We understand that Epic Energy's proposed access scheme allows for the charge south of Kwinana Junction (and the LPG plant) to be about 9% higher than the charge for customers north of Kwinana Junction. At the same time, however, there is no mention that the supply to the south significantly decreases in quality. Gas users north of this point enjoy very stable gas quality, whereas those to the south must design their equipment to cope with sudden changes of more than 10% of calorific value and density each time the LPG plant alters its operation. This can significantly limit or eliminate the success a customer will have when employing leading edge technology that requires stable gas quality.



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We also question the validity of a step change in charge just before the off-take of the bulk of Epic's Perth area industrial users. It is our understanding that Kwinana Junction was located where it is to serve as the major metering and reticulation point for supplying large quantities of gas to industrial customers. Most of the infrastructure at Kwinana Junction services the needs of the entire pipeline to its north. With all things considered, it seems logical that this should be a reason for the gas in the Kwinana Industrial Area to be cheaper, not dearer. The large off-takes at Kwinana Junction mean that the pipeline to its south must have a lower delivery capacity than the main pipeline to its north. It is only some distance after Kwinana Junction that the cost of providing the gas transmission should increase in relative terms as from that point the pipeline covers considerably more distance with much less non-Alcoa gas being transported. Imposing a higher charge just before the Perth off-takes will essentially mean the Perth customers are subsidising the customers further south and the (supposedly) much cheaper gas transmission to the Alcoa sites.

In conclusion, we accept that an increased charge should apply where there is an increased cost of supply. However, in the proposed access scheme, there does not appear to be consideration given where the quality of the gas changes and there is no explanation for the step change in charge just prior to the Kwinana Industrial Area. We would like to encourage you to take these issues into account when you review your decision.

If at all possible, we would like the opportunity to meet with you to discuss the points raised in this letter.

Yours sincerely

Mark Bastick  
Plant Manager