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Office of Gas Access Regulation
P.O. Box 8469
Perth Business Centre WA 6849

Dear Sir,

Submission re Draft Decision on the DBNGP Rates Case.

As a consultant to the Australian Pipeline Industry, Gas Measurement and Auditing Pty. Ltd. Wishes to express a specific concern regarding the draft decision on the DBNGP rates case. Although not qualified to comment on the financial or contractual matters associated with the decision, we do wish to highlight a potential casualty should Epic Energy see the final decision as being unfavourable to their ongoing operational requirements. Should Epic Energy see the need to curtail expenditure levels, and/or further review activities currently conducted to maintain their pipeline service level, then it is believed there is a real risk that current contributions to non-core activities, such as research and development (R & D), could suffer.

This submission is based around a unique concern, namely that of the ability to maintain ongoing financial, and more importantly "in-kind" support for local and national based research work into natural gas transmission pipeline related issues. It has to be appreciated that Australian pipelines can be subjected to somewhat unique phenomena that can adversely impact operational conditions. For example, a number of natural gas transmission pipelines in Australia are experiencing unexpected operational difficulties, and cost, due to the formation of elemental sulphur within their transmission systems. Unfortunately the operational requirements and conditions of the local pipeline industry cannot necessarily be modelled on that of like overseas facilities.

Currently, the kinetics associated with the formation of elemental sulphur is poorly understood and needs to be urgently addressed. A research project into this phenomena is currently being undertaken at the University of Western Australia. This project is being supported by the national pipeline industry. Epic Energy, as the owner and operator of the largest natural gas transmission pipeline system in Australia, is by far the largest stakeholder and overall contributor to this project.

Research work not only relies on financial support, but also is very dependent on the quality, consistency and timely provision of field data and general pipeline operational and maintenance information. It is also very dependent on the ready access and goodwill of relevant pipeline company employees. This “in-kind” support, which does consume and depend upon the utilisation of company resources, cannot readily have a monetary value assigned to it. Unfortunately as R & D is not a readily quantified operation, and does not form part of the core activity of any pipeline business, it is easy to appreciate that this would be one function that would be readily curtailed in the event of any business downsizing.

Any self-interest issue is not driving this submission, as Gas Measurement & Auditing Pty. Ltd. is not a contractor to Epic Energy (WA) Transmission Pty. Ltd. Indeed the required research and associated activities are currently a substantial financial liability to the company. Although the research activities would definitely suffer should Epic Energy cease to have the flexibility and means to meet the anticipated ongoing research requirements, our concern is to the broader impact on the future of research into transmission pipeline matters in this country. This situation, together with the impact on gas consumers, particularly the large industrial consumers, is seen as real.

Although pipeline operators will gain from the successful outcome of pipeline related research activities, gas end users and the general community are also beneficiaries. Such benefits would be derived through increased reliability of gas supply, greater confidence in natural gas as a fuel of choice, decreased need to vent gas due to a reduction in the required maintenance activities, and the resulting ability to direct resources to more productive activities. Without the ability to resolve complex operational requirements will, no doubt, result in increased costs to the end consumer. It also will not enhance the attractiveness of natural gas as “the Clean Fuel.”

Currently the operators of affected pipelines are conducting extensive ongoing maintenance programs to clean their plant / equipment of the elemental sulphur deposits. Clearly the pipeline operators are able to keep the deposition problem under control through the additional maintenance activities. However, to the credit of all pipeline operators, which includes Epic Energy, support is currently being given for the research activities. Encouragement should be given to these organizations to continue with their R & D support. This will help ensure our pipeline systems are operated in the most efficient manner. It would be very unfortunate if this support were to cease.

Yours sincerely

David J. Pack