

11 October 2005

Our Reference: 3768 DC



Mr Lyndon Rowe  
Chairman  
Economic Regulation Authority  
GPO Box 8469  
PERTH WA 6849

Dear Lyndon

**SUBJECT: Call for Submissions on an Alternate Part Haul and Back Haul  
Tariff Methodology for the DBNGP Revised Access Arrangement**

Further to the preceding submissions by North West Shelf Gas Pty Ltd (**NWSG**), on behalf of its joint venture participants, Woodside Energy Ltd., BP Developments Australia Pty. Ltd., Shell Development (Australia) Proprietary Limited, BHP Billiton Petroleum (North West Shelf) Pty. Ltd. and Chevron Australia Pty Ltd. NWSG makes the following submission to the Economic Regulation Authority (**the Authority**) in regard to the provision of Part Haul and Back Haul Reference Services in the Proposed Revised Access Arrangement.

NWSG supports the Regulator's requirement to include Part Haul and Back Haul Reference Services within the Proposed Revised Access Arrangement consistent with the Draft Decision dated 11 May 2005. In our view, demand for new pipeline transport is in a growth phase due to the resources boom and will remain strong during the next Access Arrangement period. Therefore, we do not believe that the submission of Dampier Bunbury Pipeline is correct in stating that these services will not be sought by a significant part of the market.

Access to transparent Part Haul and Back Haul transport services, with associated terms and conditions consistent with the Standard Shipper Contract, will remove the requirement for time consuming negotiations by users interested in these services. This will ensure the availability of competitively priced gas in regions north of Perth.

It is the view of NWSG that the tariff mechanism should be a purely distance-based calculation determined by the parties' pro-rated share of the full haul, part haul and back haul contracted capacity, a methodology embraced by the gas industry over time. Whilst a view is expressed by the Operator of the DBNGP that some costs associated with the tariff may be allocated on a distance-based apportionment, other costs are not proportional to the distance of transport.

Operator has identified individual components of cost and tabled its view of the appropriate cost allocations. Operator's rationale for this distance based and capacity allocation methodology being that a purely distance based tariff distorts access prices to the benefit of Part Haul and Back Haul shippers and "precludes any approximation to efficiency in the level and structure of the Reference Tariffs, and has the potential to distort investment decisions in Pipeline transportation systems, and in upstream and downstream industries" (DBP Submission #48, Clause 1.8).

In table 3.12 of the *Extract of Confidential Submission #48*, Operator suggests an uplift of approximately 9% should apply to Part Haul and Back Haul services. NWSG believes that Operator has not included efficiencies across the system due to the associated benefits of utilising Part Haul and Back Haul services to maximise pipeline capacity and reduce compressor fuel costs. Whilst NWSG does see merit in the Operator's identification of distance-based and capacity-based cost allocations, the application of those costs appear to have unreasonably skewed the Part Haul and Back Haul tariffs relative to the Full Haul tariff.

NWSG reasserts its support for the Authority's intention to include Part Haul and Back Haul Reference Services in the Final Decision and the resultant Proposed Revised Access Arrangement.

If you have any questions regarding this submission, please contact Mr David Cullen, NWSG on 9348 4146.

Kind regards

A handwritten signature in purple ink, appearing to read 'Fiona Brooks', with a large circular flourish at the end.

**FIONA BROOKS**  
General Manager