

28 September 2001

Mr Robert Pullella
Office of Gas Access Regulation
Level 6, Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

**DRAFT DECISION DAMPIER TO BUNBURY NATURAL GAS PIPELINE:
OBJECTION TO BROADENING THE GAS SPECIFICATION**

Dear Mr Pullella,

Wesfarmers CSBP uses natural gas as the major process feedstock in the production of ammonia, an important input to downstream fertiliser and chemical processing in Western Australia. In particular, ammonia is an input to the manufacture of ammonium nitrate and sodium cyanide and to the nickel industry.

In 2001, CSBP commissioned a new \$150 million ammonia plant at Kwinana, more than doubling the previous production capacity. This new plant consumes approximately 9 PJ per year of natural gas, which is all supplied via the Dampier to Bunbury Natural Gas Pipeline.

The Draft Decision of the Gas Access Regulator proposed in Amendment 9 that the gas quality specifications in the DBNGP be changed to the broadest specifications contained in the Dampier to Bunbury Pipeline Regulations 1998, with effect from 1 July 2005.

We strongly oppose this proposed amendment on three counts:

1. The introduction of lower quality gas into the DBNGP would have a negative impact on our plant production capacity and energy efficiency, which in turn would increase CSBP's ammonia production cost. This would have the potential to cause consequent cost increases to downstream users.
2. The 1998 Regulations provide a process for review of the gas quality specifications, which take account of existing contractual arrangements, whereas the proposed amendment appears to be in conflict with this process.
3. CSBP has gas transmission contracts with Epic Energy which extend beyond 30 June 2005 and which contain gas quality specifications significantly more stringent than the broadest specifications. We are concerned, therefore, that the proposed amendment in the Draft Decision, if implemented, would deprive CSBP of its contractual rights with respect to gas quality.

We should emphasise that the contractual arrangements for the supply and transmission of natural gas were important considerations in the decision to invest \$150 million in the new ammonia plant at Kwinana.

Furthermore, in the wider context, if Western Australia is to grow its chemical industry, based on natural gas as a feedstock not just as an energy source, the quality of gas should be maintained or improved in the longer term in order to attract capital investment in major new chemical processing industry.

In summary, we urge the Regulator to reconsider the adoption of a broader specification for natural gas distribution through the DBNGP for the reasons explained above.

If you have any questions regarding this submission, please do not hesitate to contact me.

Yours sincerely
Wesfarmers CSBP Limited

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