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Dear Mr Pullella

**EPIC ENERGY ACCESS ARRANGEMENT FOR THE DBNGP
WESTERN POWER'S SUBMISSION NUMBER 5
OTHER REFERENCE SERVICE ISSUES AND POLICIES**

In previous submissions to the OffGAR, Western Power detailed concerns on the following aspects of Epic Energy's proposed Access Arrangement for the DBNGP:

- Submission 1: Carnarvon
- Submission 2: Pilbara
- Submission 3: Reference Tariff
- Submission 4: Requirement for T1, T2 and T3 equivalent Reference Services

In this submission, Western Power details its present concerns regarding other Reference Service issues and policies arising from Epic Energy's proposed Access Arrangement.

BACKGROUND

As a foundation shipper on the DBNGP, Western Power has reserved capacity and interruptible transport entitlements, which covers part haul and full haul requirements to delivery points in the Pilbara, Gascoyne, Mid West and to the South West. In addition, Western Power has a share of the transport capacity reserved for the Worsley Cogeneration Plant.

The terms and conditions of Western Power's gas transport contracts are in accordance with the *Gas Transmission Regulations 1994* ("GTR"), as amended up to and including 1998 (i.e. the "grandfathered" Prior Contracts referred to in Epic Energy's proposed Access Arrangement).

If Western Power accepts an offer from Epic Energy under Section 20 of the *Dampier to Bunbury Pipeline Act 1997* ("DBPR"), an issue which remains unresolved, there are potentially substantial future cost exposures to the grandfathered contracts. This cost

exposure would be a result of the potential impact on the statutory price of the Regulator's determination of the Reference Tariff for the presently proposed Firm Service.

PROPOSED REFERENCE SERVICE – MARKET REQUIREMENT

Western Power has argued in Submission Number 4, that the proposed Firm Service does not meet the requirements of Section 3.3 (a) of the Code, because it is not sought by a significant part of the market.

In that Submission, Western Power welcomed Epic Energy's willingness to innovate regarding haulage services, and to further improve the form of haulage service created by the GTR. Nonetheless, given the extensive industry consultation which went into developing and refining the GTR, Western Power submitted that the balance of risk and flexibility between the pipeline operator and the shippers in the GTR contracts should be used as a benchmark to assess the fairness and appropriateness of the proposed Firm Service.

Furthermore, the Access Arrangement for the DBNGP needs to have appropriate Reference Services that enable the transition to statutory pricing for grandfathered contracts. This is particularly important if the proposed Reference Service is not likely to be sought by GTR shippers. It is also important for the gas industry in general to have certainty regarding DBNGP transport pricing for the vast majority of the market.

In this submissions Western Power addresses a number of other issues with the proposed Reference Service and Policies set out in the Access Arrangement.

Western Power makes these submissions in support of its contention that the Firm Service as proposed should be withdrawn and replaced by fairer, more balanced and more appropriate Reference Services. In addition, the following analysis is proffered to assist the Regulator to identify items to consider in any replacement Reference Services proposed by Epic Energy.

PROPOSED FIRM SERVICE –TERMS AND CONDITIONS

Surcharges - Generally

Western Power has commented in its previous submissions to the Regulator on the punitive nature of the proposed level of surcharges (i.e. \$15/GJ) in Schedule 1 to the proposed Terms and Conditions for the Firm Service.

Western Power submits, for reasons that follow, that the various charges set out in Schedule 1 to the Terms and Conditions constitute unlawful penalties, and that the Regulator should not approve an Access Arrangement containing clauses, which will be struck down as invalid.

The surcharges would appear to bear little relationship to any potential cost impacts. Some surcharges would appear to be structured as deterrent penalties only, rather than aimed at cost recovery.

If the surcharges are intended to be deterrents, they are likely to be unlawful penalties. If the surcharges are not intended to be deterrents, then each surcharge should reflect the cost of remedying the effects of the relevant breach. Western Power considers this to be a

significant issue and much more information is needed before the matter can be considered by all parties.

The following are indications that a clause is a penalty:

- It is included in the contract to coerce one party to comply with its obligations – this is certainly the case for the nominations penalty, because there is already an obligation to nominate in good faith;
- It is not a genuine pre-estimate of damage – the fact that all the penalties in Schedule 1 are set at the same level of that 1500% of the Zone 9 full-haul tariff (and many times that again, for part-haul contracts) strongly suggests that they meet this requirement; and
- A single amount being payable for more than one event, where such events would be expected to result in different levels of damage, this is the case with Schedule 1.

Western Power notes that in the Access Arrangement for the Moomba to Adelaide Pipeline System, Epic Energy has proposed to apply the following surcharges:

- Excess imbalance charge of \$0.30/GJ whenever the difference between the deliveries and receipts exceeds 8% on a daily basis. Shippers may exchange imbalances (DBNGP: \$15.00/GJ on a 2% limit); and
- Hourly peaking charge of \$0.30/GJ whenever a shipper supplies or takes delivery of a quantity of gas in excess of the Maximum Hourly Quantity (DBNGP: \$15.00/GJ on a 120% limit).

It can be seen by the foregoing discussion that a wide ranging assessment of the impacts of the proposed surcharges is required before anyone could validly determine that the surcharges are related to cost recovery.

Much more information is required to enable affected shippers to comment in detail, and therefore, the Regulator is asked to request Epic Energy to provide the level of detail that is required.

As the general claim for surcharges appears to be based on matters raised several years ago at the Gas Transmission Consultation Committee (“GTCC”), Western Power proposes that the Regulator refer to the records of the considerations given and ultimate conclusions incorporated in the GTR by the 20 November 1997 amendments and then adopted in the DBPR.

One important consideration regarding the issue of shippers varying their usage is that the pipeline operator has the capacity to curtail gas delivery before any additional gas delivery costs of any substantial scale are incurred. Epic Energy should not be permitted to establish penalty regimes for revenue gathering.

Western Power requests the Regulator to, at the very least, require Epic Energy to provide full details of the cost basis for each of the penalties in Schedule 1.

Balancing

In Western Power's view, the Code and the proposed Access Arrangement should support the most efficient way of delivering gas by the DBNGP.

Epic Energy and North West Shelf Gas Joint Venture Partners ("NWSJVPs") have an arrangement whereby gas is delivered into the DBNGP at line pressure in a style consistent with shippers' inlet or outlet nominations. Any differences between gas delivered and shippers' inlet nominations are allocated into the Pilbara zone, essentially as an accounting adjustment.

Under this operating regime, everyone benefits - Epic Energy is able to run a high linepack and minimise compression costs, NWSJVPs are able to operate their plant at a steady pressure and deliver gas that would otherwise not be available to customers, and the shippers are more likely to receive nominated gas deliveries.

Accordingly, Epic Energy has on occasion, allowed the shippers to accumulate very high imbalances (e.g. >100TJ). However, the proposed Access Arrangement is silent on this current operational benefit. Instead, it approaches balancing on a bipartite basis between Epic Energy and the shipper, which disregards the operational reality that on a day-to-day basis the operational agreement between NWSJVPs and Epic Energy attempts to maintain a positive imbalance to provide greater certainty of delivery.

Epic Energy states in Section 6 of the proposed Firm Service Terms and Conditions that imbalances will be calculated on the absolute imbalance at the completion of each gas day. To do this, shippers need to determine the quantity of gas delivered during the previous day.

However, Epic Energy has no obligation under the proposed Access Arrangement to provide information to a shipper which would enable it to determine that it is likely to exceed, or even has exceeded, the proposed imbalance limit (2%). Shippers can not determine their imbalance positions if Epic Energy is not required to advise shippers concerning daily and hourly deliveries.

Furthermore, Epic Energy's proposed removal of the ability to renominate, limits shippers' ability to remedy imbalances in order to avoid the penalties.

A shipper, after negotiation or arbitration, may be able to secure a Non-Reference Park and Loan Service, on as yet undisclosed tariffs and terms, to achieve a level of balancing flexibility similar to that set for the DBNGP by the GTCC's consultative industry review process. However, Western Power submits that this would be an unsatisfactory process for shippers.

Western Power also notes that Epic Energy proposes that it not be required to provide notice before refusing to accept or deliver gas. In such circumstances, the likelihood of a shipper incurring an imbalance through no fault of their own is obvious.

Western Power submits that there should be a provision removing all imbalance limits on gas days when Epic Energy has interrupted or curtailed a shippers' capacity, as was the case under the GTR 184(2).

Western Power requests the Regulator to require Epic Energy to introduce reasonable balancing limits consistent with operational effectiveness of the DBNGP.

The Regulator needs to ensure that any Access Arrangement that contains a high cost penalty regime also must provide shippers with information concerning daily and hourly deliveries, and provide for adequate notice to shippers who may be refused receipt or delivery of gas on the DBNGP.

Balancing Penalties

Western Power has concerns about the basis for the proposed imbalance surcharges, which Epic Energy has failed to demonstrate.

The key criteria in setting any such surcharges, should be the operational impact of shipper imbalances on the DBNGP. Western Power points out that the overall state of imbalance on the DBNGP should be the paramount focus, not whether a particular individual shipper is out of balance.

The tolerance limits for imbalances are substantially more restrictive (2% for Firm Service versus 8% for GTR services), and will be applied daily in the proposed arrangement. The imbalance penalty (\$15/GJ) is considered to be punitive and is unrelated to any likely operation impact on the DBNGP resulting from shipper imbalances. The proposed regime does not provide scope to balance over a number of days, as is presently the case.

Epic Energy has not recognised the value of shippers' load diversity, whereby, the combined effect of all shippers' balance positions may be that the pipeline is in overall balance. Furthermore, the proposed Access Arrangement does not allow shippers to trade imbalances.

What in effect can happen is that if one shipper is 5GJ in positive imbalance above contracted capacity and another is 5GJ in negative imbalance then Epic Energy will be paid for an imbalance of 10GJ, where this is no net impact on Epic Energy.

Western Power notes that shippers will have the right to trade imbalances (on such terms as they may agree) in Epic Energy's proposed Access Arrangement for the Moomba to Adelaide Pipeline System.

In proposing new imbalance tolerance limits and surcharges for the DBNGP, Epic Energy has failed to recognise the different consequences on the DBNGP arising from positive and negative imbalances. The implication of a positive imbalance is that the pipeline operator is able to use shippers' imbalance gas as linepack and/or compressor fuel. This is in contrast to the situation of a shipper having a negative imbalance, whereby that shipper is borrowing gas from the linepack, probably created by other shippers' positive imbalances.

Western Power asks the Regulator to carefully consider the issues raised in this Submission concerning Epic Energy's proposed balancing arrangements in the determination of the Access Arrangement, so that Epic Energy does not obtain a windfall.

Peaking Penalties

The Firm Service seeks to impose \$15/GJ peaking penalties on a daily and hourly basis; whereas peaking penalties have not previously been required. The proposed peaking penalties would apply to every hour that the shippers' gas demands exceeds 120% of 1/24 of the shippers MDQ (i.e. MHQ) at each delivery point.

It appears that unlike the position under the GTR contracts, shippers will not be able to aggregate peaking imbalances across multiple receipt and delivery points. This will maximise revenue, but there seems little operational justification. Also, because Epic Energy is not proposing to provide hourly metering data to shippers, shippers will have no way of monitoring or regulating their imbalances.

Western Power recommends to the Regulator that similar peaking provisions to the existing arrangements be retained in the Access Arrangement for the DBNGP.

Overrun Penalties

The overrun penalties (\$15/GJ) proposed for the Firm Service are excessive when compared to the existing situation for the DBNGP, whereby Epic Energy may make interruptible full-haul capacity available at the AT3 level (\$1.15/GJ), or at 105% - 110% of the T1 price for part haul (i.e. authorised/unauthorised service surcharge).

Western Power requests the Regulator to ensure that an equitable regime of overrun surcharges, comparable to that provided under the current contracts, is incorporated into the Access Arrangement for the DBNGP.

Metering

Accurate metering is essential for the commercial workability of any access contract, particularly one that seeks to impose penalties. Under the GTR contracts, Epic Energy provides metering data to shippers, whereas under the proposed Access Arrangement, the shipper will be required to pay a separate charge for this information.

The absence of this obligation on Epic Energy to provide shippers with metering data, is a significant omission.

Further, Section 10.3 of the proposed Access Arrangement allows Epic Energy to vary parts of any shippers contract without reference to the shipper or the Regulator. Western Power considers that Epic Energy, having a unilateral discretion to vary part of any shipper's contract is inappropriate in any event, but in the context of metering, it permits Epic Energy to vary metering information and accuracy limits without reference to other parties. Such discretion will result in uncertainty for the shippers, and may jeopardise the working of upstream and downstream gas purchase and sale contracts.

As metering information forms the basis for all billing, Western Power considers it inappropriate for Epic Energy to have a unilateral power to vary contracts in relation to metering. Western Power is of the opinion that if a discretion to unilaterally vary access contracts is to be retained in the Access Arrangement at all, which Western Power submits should not be the case, then metering should be included in the list of protected Terms and Conditions in paragraph 10.30.

Maximum Daily Quantity (MDQ)

The regulations which underpin the foundation shippers contracts were put in place to optimise the use of the DBNGP around the summer/winter capacity characteristic of that pipeline, and to ensure the contracting of capacity in an efficient way.

Western Power submits that the Regulator is able, under the Code, to ensure that third party access is implemented for the DBNGP in a manner which recognises the physical characteristics of the DBNGP, and the seasonal/temperature dependant nature of the Western Australian gas market, particularly for a peaking electricity generator.

Western Power submits to the Regulator that the current proposed Access Arrangement fails to do this, and so is inappropriate.

Western Power is concerned that the Terms and Conditions and the Access Request Forms together with the proposed Non-Reference Seasonal Service (on presently undisclosed tariff and terms), implies that the Firm Service is for a fixed MDQ and does not provide for different levels of MDQ on a daily or monthly basis. An annual fixed MDQ would place an additional burden on gas competitiveness in the marketplace that has substantially reduced loads on weekends and seasonal variations of significant magnitude. If variable MDQs cannot be achieved through the Firm Service then shippers that must provide utility services will have to:

- Reserve higher capacity close to their maximum quantities possibly relying on the proposed Park and Loan arrangements for meeting peak requirements;
- When they do not need all of that capacity, utilise the proposed inflexible Secondary Market continuously to attempt to recover capacity charges for non peak periods; and
- Accept exposure to charges such as the proposed Delivery Point Charges irrespective of capacity trades.

Western Power submits to the Regulator that it is a historical and operational reality that the DBNGP has substantial seasonal variations in throughput capability. This is a fact that the operator and users of the DBNGP alike have had to come to terms with. The GTR/DBPR regime recognised that fact, and integrated seasonal capacity fluctuations into the services at no extra charge. Although, as noted above, Western Power welcomes Epic Energy's innovation in developing its services, Western Power submits that Epic Energy should not be permitted to disregard the particular operating and historical circumstances of the DBNGP in a way that disadvantages existing or new shippers.

In Western Power's view, the proposal to offer a year-round fixed MDQ with the Firm Service would be a retrograde step for all parties, because it would result in reduced flexibility, increased tariffs and administrative overheads, so that it would necessarily be less efficient.

The Regulator is requested to ensure that the proposed Firm Service MDQ should reflect the seasonal capacity availability on the DBNGP, in a manner comparable to the GTR/DBPR regimes, in order to match the well established gas market requirements in Western Australia.

Nominations

GTR services allow shippers to renominate within a gas day, whereas, the proposed Firm Service excludes this flexibility. A new nomination penalty of \$15/GJ may be imposed in some circumstances under the Firm Service. The imposition of \$15/GJ penalty on every gigajoule of a nominations inaccuracy, not just the gigajoules in excess of the 10% threshold, seems impossible to justify on cost-recovery grounds.

To a significant extent, variations in Western Power's gas usage within a gas day (such as might cause gas consumption to depart from nomination levels) are driven by customer load, and on occasions, by unplanned outages of generation units. Both of which, are factors not within Western Power's immediate control. The imposition of very large nomination penalties is unfair in this circumstance.

The inability to make renominations during the gas day will limit shippers' ability to optimise gas deliveries and remain within the 2% imbalance tolerance.

Western Power requests the Regulator to require Epic Energy to amend its proposed Access Arrangement to enable renominations within a gas day, and to adopt an equitable regime for nomination surcharges.

Zone 9 / Zone 10 Tariff Boundary

Western Power endorses the significant concerns raised by Worsley Alumina in its submission to the Regulator regarding the tariff boundary between the proposed Zone 9 and Zone 10.

The initial design of the DBNGP and the original definition of full haul capacity (to delivery points south of CS9) did not contemplate a tenth compressor station. The proposed introduction of Zone 10 would mean that users on the Kwinana and Rockingham laterals (including, from Western Power's view, the Kwinana Power Station, Mission Energy and Tiwest), pay compressor capacity and fuel charges for CS10, even though those laterals are located upstream of CS10 and so obtain no benefits from it.

Consequently, the above fact brings into doubt the equity of the proposed Compression Capacity and Compressor Fuel Charges for Zone 10. Furthermore, there is insufficient information in the Access Arrangement to support the choice of boundary location between zones, and in particular, to support the different treatment of Zone 10.

On the face of it, that different treatment appears to be driven solely by a desire to increase revenue, by applying the higher tariff to the W LPG plant and to the large loads in the Kwinana area. Such manipulation of zone boundaries brings into questions the credibility of Epic Energy's implication of a zone pricing structure.

Accordingly, Western Power requests the Regulator to require Epic Energy to demonstrate the equity of the proposed Zone 10 boundary location, and to advance operational and cost-allocation justifications for all zone boundaries.

Forecast Capital Expenditure

The requirement for the Forecast Capital Works Expenditure is not adequately explained in Epic Energy's Access Arrangement in accordance with the Code.

The Regulator is requested to ask Epic Energy to justify the planned expenditure.

Delivery Point Allocation

Epic Energy proposes that the fixed Delivery Point Charge be shared between shippers on the basis of the total quantity of gas delivered, rather than respective MDQ's. As discussed in Submission Number 2, determining individual shipper daily gas deliveries at multi-shipper outlet points is fraught with difficulty, and is unmanageable in Western Power's view, for example, in the Pilbara.

Western Power proposes that capital and fixed O & M costs should be allocated in proportion to shippers MDQ's and that variable O & M costs should be allocated on a throughput basis.

Relocation of Capacity

Relocation of capacity between delivery points under the Epic Energy proposal, is more restrictive than the current GTR/DBPR position, and therefore, likely to be substantially more expensive for shippers using the proposed Firm Service arrangements for transfer of capacity between zones.

This limits shippers' ability to defray the cost of temporarily unneeded capacity, for example, during plan maintenance periods. On the other hand, it allows Epic Energy to sell more capacity.

Western Power asks the Regulator to ensure that the costs associated with capacity relocations under the proposed Access Arrangement are reasonable and are not factors which may constrain shippers ability to transfer capacity between delivery points.

Customer Reporting Systems (CRS)

Section 3.6 of the Formal Submission, details Committed Capital Works and Capital Investment, including the development of the CRS to process, manage and provide data.

The proposed Access arrangement is not clear as to whether the CRS costs apply solely to the DBNGP, and are separate for CRS costs for operating other Epic Energy pipeline systems in South Australia, Queensland and the Dampier to Port Hedland Pipeline, which may be recovered in other Access Arrangements.

Western Power asks the Regulator to ensure that Epic Energy correctly apportions CRS costs between its separate pipeline businesses in so far as the Access Arrangement for the DBNGP is concerned.

Assignment

It would be reasonable to expect a prospective shipper under the proposed Access Arrangement to have identical assignment provisions to those proposed for Epic Energy. Furthermore, the trading policy proposed by Epic Energy is not strictly compliant with the Code.

Western Power asks that the Regulator ensure that the proposed assignment terms in Epic Energy's Access Arrangement comply with the Code.

PROPOSED POLICIES

Trading Policy

Existing GTR services provide shippers with flexibility in acquiring additional capacity on a short term basis, by means of capacity trading between shippers, as an alternative to the AT3 interruptible capacity service.

The proposed Firm Service, however, does not have this flexibility, only firm capacity can be procured through the proposed Secondary Market Service. It appears that shippers with GTR contracts will not have the same trading entitlements as Firm Service shippers in the Secondary Market.

Western Power questions how Epic Energy can provide access to spare capacity to shippers with GTR contracts, while operating a Secondary Market for eligible shippers.

Western Power submits that Epic Energy should not be allowed to implement the proposed market trading regime, which effectively removes the rights of GTR shippers to have access to daily interruptible capacity, unless the GTR shippers are eligible to purchase and sell capacity in the Secondary Market, and the Secondary Market rules are less restrictive.

Epic Energy seeks to have a dual role in the Secondary Market. It proposes to operate and manage the market, and it may also supply uncontracted capacity into the market, thus influencing the market depending on the time of offering capacity. Western Power submits that these two roles should be, at the least, ring-fenced.

Furthermore, because (as is appropriate) the Access Arrangement places no restriction on Epic Energy contracting with shippers for interruptible capacity on flexible terms. Epic Energy has the ability to bypass the Secondary Market by selling flexible interruptible capacity in a way that undercuts shippers, who are compelled by the Secondary Market rules to offer only Firm Service capacity.

Thus, shippers who have, for example, been forced by the inflexible treatment of seasonal capacity to acquire excess MDQ for their seasonal requirements, may be left stranded paying the 95% take-or-pay tariff, while Epic Energy is free to sell the unutilised capacity at a substantial discount, effectively selling the same capacity twice for a windfall gain.

Epic Energy should be asked by the Regulator to justify this proposed Trading Policy and Secondary Market rules, noting that it could damage grandfathered shippers.

Queuing Policy

While the Queuing Policy proposed might meet the Code requirements in terms of a policy, there is too little information to identify how the policy is to be implemented.

Whenever a shipper makes an Access Request for the Reference Service, and there is insufficient capacity to meet the request, then information is provided by Epic Energy to the shipper in respect of this shipper's place in the queue and a non-binding estimate of when capacity may become available.

However, there needs to be appropriate provision in the Access Arrangement for routinely updating this information depending on the requested Commencement Date and the current status in respect of criteria to be met in relation to an expansion or enhancement.

Where a shipper makes an Access Request for a Non-Reference Service and that service cannot be made available, then Epic Energy provides the shippers with information regarding their place in the queue and a non-binding estimate of when the service may become available. As well as providing for routinely updating this information as outlined above, there is a question as to whether there should be separate queuing for each service or a single queue for all services. To the extent that services are independent then queues for each service would be appropriate and vice versa.

For instance a Park and Loan Service may conflict with a request for a Seasonal Service, but would not conflict with a request for Firm Service. Such analysis supports the proposed Queuing Policy, but only so far as the two services do not interact. However, a Non-Reference full-haul firm service Access Request, which may clash with a Firm Service Access Request, should be included in the same queue to ensure an equitable allocation of spare capacity.

The proposed Access Arrangement allows Epic Energy to deal with Access Requests out-of-order providing earlier Access Requests are not ultimately disadvantaged. Western Power considers that in such instances the prior written consent of the affected shipper should be sought by Epic Energy and provision made to arbitrate any dispute. It seems unreasonable that Epic Energy should be able to determine such a matter in its sole discretion.

The Regulator is requested to consider the limitation that appears to stem from Epic Energy's interpretation of the Code, insofar as only one queue is outlined in their submission. This, if implemented, would inhibit access to a range of services.

The Regulator's attention is also drawn to comments below, regarding the proposed Capacity Expansion Options

Extensions/Expansions Policy

The Extensions/Expansions Policy provides for extensions and expansions to be treated as part of the Covered Pipeline unless Epic Energy states otherwise. However it does not provide the basis or method upon which Epic Energy may make such a decision and as such does not appear to conform to the Code.

Epic Energy's policy proposes that it may offer Capacity Expansion Options. Until such Capacity Expansion Options are issued, shippers' rights for additional capacity presumably lie in Access Requests and their position in the Reference Queue.

It is unclear how these two methods of indicating a desire for additional capacity are to interact. In the absence of Capacity Expansion Options, an Access Request seeking additional capacity must remain active and could be accepted at any time. It is not tradeable. On the other hand, Capacity Expansion Options will be tradeable and will rank in priority to queued Access Requests.

This means that an incumbent applicant in the queue for the proposed Firm Service could be displaced by the device of offering a subsequent applicant a Capacity Expansion Option, to be taken up immediately. This does not appear consistent with the requirements set out in Section 3.13 of the Code.

The policy adequately describes the impact of extensions/expansions on the Reference Tariff except that it is not clear that if a capital contribution is made the tariff will be reduced by an amount to reflect the value of the capital contribution. This may perhaps be remedied by making it clear that Epic Energy's ability to seek surcharges and capital contributions is subject to the Code, which may well be intended in any event.

Western Power asks the Regulator to ensure that the proposed Queuing Policy by Epic Energy concerning capacity extensions and expansions, complies with the Code.

Date for Review

The dates proposed appear reasonable, however, triggers that may be considered appropriate for earlier review are:

- Completion of a significant expansion (indicating a significant change in use not foreshadowed in the previous Access Arrangement)
- New gas supply sourcing is becoming available to the DBNGP at points downstream of Zone 1 (implying some restructuring of the method of cost allocation).

Western Power asks the Regulator to take the above comments into account concerning opportunities for the DBNGP Access Arrangement review date.

ACCESS ARRANGEMENT INFORMATION

Key Performance Indicators (KPIs)

Epic Energy's simplistic approach to KPIs in its proposed Access Arrangement for the DBNGP is surprising given that it is an industry leader owning a significant proportion of pipelines in Australia. Epic Energy would be expected to have internally developed KPIs that are appropriate for the management of its businesses and obtaining continuous improvement.

As a minimum, Epic Energy could have proposed some quality of service standards in place of the KPIs such as the information provided in the table below as proposed in Section 6.3 (b) of their Access Arrangement Information relating to the Moomba-Adelaide Pipeline System.

| <i>Item</i> | <i>PASA</i> | | | | <i>Epic</i> | | |
|---|----------------|----------------|----------------|----------------|-------------|-------------|-------------|
| | <i>1979/80</i> | <i>1984/85</i> | <i>1989/90</i> | <i>1994/95</i> | <i>1996</i> | <i>1997</i> | <i>1998</i> |
| <i>No. Employees (total SA)</i> | 127.0 | 188.0 | 193.0 | 127.6 | 109.8 | 103.9 | 97.8 |
| <i>Pipe operated (total SA, km)</i> | 919.0 | 1593.0 | 1739.0 | 2039.0 | 2039.0 | 2039.0 | 2040.0 |
| <i>Km pipe/employee</i> | 7.2 | 8.5 | 9.0 | 16.0 | 18.6 | 19.6 | 20.9 |
| <i>LTIs (total SA)</i> | N/A | 18 | 13 | 2 | 2 | 0 | 0 |
| <i>GUF</i> | -1.02% | -0.33% | -0.73% | -0.28% | -0.03% | +0.11% | +0.01% |
| <i>Load Factor</i> | 1.21 | 1.25 | 1.39 | 1.41 | 1.72 | 1.53 | 1.76 |
| <i>No of Restrictions (Gas not delivered, GJ)</i> | 47 | 234 | 7 | 4.5 | 0 | 0 | 0 |

COMPRESSOR FUEL SUPPLY

Prior to Epic Energy lodging its proposed Access Arrangement, it made a presentation regarding what Western Power should expect in the proposed Access Arrangement.

As part of that presentation, Epic Energy stated that there would be a provision in the proposal, which allowed shippers to provide for their own compressor station fuel, in lieu of paying a Compressor Fuel Charge.

Epic Energy has not included such a provision in the proposed Access Arrangement. The absence of such a provision in the proposal does not meet the requirements of Section 3.2(b) of the Code.

The Regulator is requested to ensure that there is an ability for shippers to provide their own compressor station fuel, in lieu of paying a Compressor Fuel Charge.

PARMELIA PIPELINE ACCESS ARRANGEMENT

Western Power submits that the outcome from the determination by the Regulator of the Access Arrangement proposed by Epic Energy should be such, that shippers will be indifferent to using the Parmelia Pipeline or the southern end of the DBNGP. This would imply (among other factors) consistency in the determination methodologies of both Access Arrangements.

CONCLUSION

Western Power recognises the challenges facing the Regulator in implementing a new regime into an existing regulatory framework in which the vast majority of the access is already taken up, and in which foundation contracts have been grandfathered.

Western Power strongly believes that the introduction of the National Access Code should not be an opportunity to destroy existing balances of risks and benefits.

Western Power, in this submission, has focused on the many elements of a gas transport regime that needs to be definitively referenced so that existing and future shippers can equitably have access to the services of the DBNGP. These “non pricing” terms and conditions are equally as important as the need for Reference Tariffs in the Western Australian gas marketplace.

As indicated, there are a great number of concerns raised by Epic Energy’s proposal. It appears that Epic Energy is focusing on using the non-pricing terms and conditions as an opportunity to develop a penalty driven revenue gathering regime.

Western Power has now made five submissions to OffGAR, requesting the Regulator to consider wide ranging issues that stem from what appears to be an ambit proposal by Epic Energy, to use the recently instituted National Access Code for restructuring gas pipeline services.

This style of proposal combined with the fact that there appears to be vital information that has been the subject of confidentiality claims, leads to the conclusion that further facts, more consideration, and therefore time, is required by all affected parties to arrive at an acceptable introduction of the National Access Code. Epic Energy has many things to be considered and resubmitted.

Western Power respectfully asks the Regulator to request further information and to ensure equity with respect to withheld information that will enable more detailed submissions to be made and therefore, lead to a determination of just limits to the matters covered by this submission.

Should you require further information concerning this submission, please contact:

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Yours sincerely

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