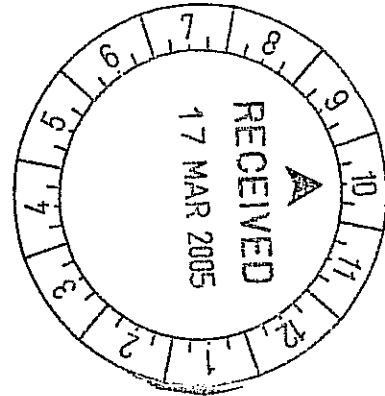


File No: MA202.001

14 March 2005

Ms Annette Watkins
Manager Projects
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Tce
Perth WA 6000



Dear Ms Watkins

SUBMISSION ON THE PROPOSED REVISED ACCESS ARRANGEMENT

This letter responds to the Authority's request for submissions on the proposed revisions to Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (DBNGP) submitted by DBNGP (WA) Transmission Pty Ltd (DBNGPT) (**Proposed Revised Access Arrangement**) on 21 January 2005.

Apache Energy Limited through its subsidiaries (**Apache**) is Operator for the Harriet, East Spar and John Brookes gas fields. Harriet has been supplying gas to the DDNGP since 1992, East Spar since 1996 and John Brookes will be supplying in mid 2005. The Sellers have been and will be supplying significant quantities of gas to the Pilbara, Goldfields and South West of the State.

Apache has concerns in two areas: that the Operating and Broadest Specifications in the Proposed Revised Access Arrangement (**Specifications**) do not adopt as a minimum the Broadest Specification provided for in the Pipeline's Regulations 1998 (WA) (**Regulations**) (**Broadest Specification**); and that the Tf Service does not provide for a part haul forward haul or part haul back haul service as a Reference Service.

The letter provides a submission on these matters. A lack of submissions on other matters should not be taken of acceptance of those matters in the Proposed Revised Access Arrangement

Broadest Specification

There are a number of concerns with respect to the Specifications and their operation. First, the Specification in Schedule 2 does not conform as a minimum to the Broadest Specification. It has long been anticipated by producers, industry and Government that the Broadest Specification will be introduced on 1 July 2005 and will be applicable to all gas transmission contracts in the DBNGP.

Further, it was recognised in the forums chaired by the Office of Energy in the mid 1990's that there were no technical or safety issues that would arise because of the introduction of the Broadest Specification.

Finally, any commercial considerations that may arise have been recognised for over 10 year's giving more than adequate time for them to be addressed by the affected party(s). It is also inconceivable that the current owners did not recognise and price the risk of a change to the Specifications that might arise from the current review process.

Apache would go further and observe that the maximum CO₂ could be increased to 4 mol % and total inerts to 7%, making the gas specification in an approved Access Arrangement more consistent with the Australian Standard, and the other gas specifications that apply in the State.

Secondly, the tests provided in clause 2.10 could in any event frustrate the application of a wider specification by giving weight to the commercial interests of another shipper or the DBNGPT despite the shipper's and DBNGPT's prior knowledge of the potential for conflict or costs.

Further to this point, the change in law clause proposed in clause 2.8 puts the discretion for a change in specification effectively in the hands of a shipper with a vested interest in blocking the change, again, despite these changes having been mooted for at least 10 years.

In order to take these matters beyond doubt and the influence of the owners of the DBNGP Schedule 2 should be amended to contain only the Broadest Specification (as may be widened) and clauses 2.8 to 2.10 should be deleted.

In more general terms, the widening the gas specification would facilitate a competitive market for natural gas by providing the framework for fields to be produced that might otherwise be uneconomic and would provide a more general consistency within Western Australia and at a national level.

In the absence of a wider specification producers will be required to install expensive gas treatment facilities that might not otherwise be required or to change what might otherwise be the most cost effective development scenarios to provide for gas that meets the more restrictive Specifications.

Part Haul Service

The Tf Service in the Revised Proposed Access Arrangement provides a part haul service only as a Non Reference Service. The Reference Service must include a distance related back haul and forward haul tariff path for part haul service as this service is and will be required by a significant number of shippers and potential shippers. By the middle of this year for example, Apache will be shipping in excess of 110TJ/d of part-haul gas.

Please note that Apache understood from discussions prior to the purchase of the DBNGP that distance related part haul tariffs would be proposed/offered under the new ownership.

Apache submits a distance related tariff should be determined as a Reference Service and apply from the 0km mark down to at least the CS9 mark, prorata to the full haul tariff. We

agree that this should replace the previous zonal structure. It should be described in Schedule1.


Conclusions

We submit that as a minimum the Broadest Specification should replace the Specifications and that consideration be given to widening it to allow suppliers to deliver gas with up to 4 mol % CO₂ and 7 mol % total inerts. This would align the specification with most other pipelines and the Australian Standard. Clauses 2.8 to 2.10 should be deleted.

In addition, we submit that a part haul tariff should be determined as a Reference Service based on a distance related tariff for forward or back haul from the 0km mark to CS9, prorata to the full haul tariff. Schedule 1 should be amended.

Should you have any questions on this submission, please contact the undersigned.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Stephenson', followed by a long horizontal line extending to the right.

Russell G Stephenson
Gas Marketing Manager
Apache Energy Limited