

DBP

Dampier Bunbury Pipeline

DBNGP (WA) Transmission Pty Limited
ABN 69 081 609 190
Level 6, 12-14 The Esplanade
Perth WA 6000
Postal Address
PO Box 3196
Perth Adelaide Tce WA 6832
Telephone: +61 8 9223 4300
Facsimile: + 61 8 9223 4301

28 September 2007

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
PO Box 8469
Perth BC WA 6849

Dear Lyndon

Review of REMCo Gas Retail Market Scheme

DBNGP (WA) Transmission Pty Ltd ("**DBP**") is the operator of the Dampier to Bunbury Natural Gas Pipeline ("**DBNGP**"), and as such is a *pipeline operator* for the purposes of the REMCo Gas Retail Market Scheme ("**Scheme**").

DBP is generally satisfied with the operation of the Scheme and has no specific concerns in relation to the specific issues raised by the Authority in its Issues Paper.

However, DBP has some issues with the interaction between the Scheme and the contracts for gas transportation on the DBNGP. These issues were raised during the development of the Retail Market Rules ("**RMR**") and it was generally agreed that, while anomalies exist, the Scheme should be implemented with these matters to be reviewed over time. In fact, DBP (then known as Epic Energy (WA) Transmission Pty Ltd) wrote to the Co-ordinator of Energy on 23 July 2004 advising of concerns with the RMR, but agreeing to not impede the operation of the Scheme.

These issues relate to the allocation of gas delivered from the DBNGP into a distribution system.

1. The RMR require REMCo to provide daily allocations of actual deliveries of gas to each shipper at a distribution gate point to the pipeline operator by 1230 hours on the following Gas Day. The pipeline operator is then required to allocate transportation capacity on the pipeline for the relevant Gas Day in accordance with the allocations received from REMCo. However, this obligation is inconsistent with DBP's obligations to shippers to provide allocations and Accumulated Imbalance Notices before 1100 hours. This inconsistency has, in fact, featured in litigation between DBP and a shipper in regard to the levying of Imbalance Charges.
2. When an error in a daily allocation provided by REMCo is identified, that error is corrected over the ensuing 28 days. This leads to inconsistencies between actual daily gas deliveries to shippers and the allocations to those shippers. The result is differences between physical

7

imbalances in the pipeline and contractual imbalances based on allocated gas quantities. This potentially puts both shippers – who have a contractual reasonable endeavours obligation to maintain an accumulated imbalance of zero – and the pipeline operator – who has a reasonable endeavours obligation to maintain a physical pipeline imbalance of zero – at risk of breaching their contractual obligations for the 28 day period during which the corrections are being made.

These issues have, in practice, led to operational difficulties from time to time and have led to disputes between the pipeline operator and shippers, so the initial expectation that these matters could be accommodated operational protocols between the affected parties has not been achieved. Therefore DBP suggests that the RMR should be amended to recognise the prior contractual obligations of parties and that REMCo's systems be modified to permit parties to meet their contractual obligations.

DBP has obligations to manage the peaking behaviour of shippers to ensure that one shipper's behaviour does not impact on the rights of another shipper. While DBP polls its SCADA system at least each 6 minutes and can therefore monitor the flow at each outlet point, it is not able to determine which shipper or shippers are flowing gas at a particular time through a multi-shipper outlet point. The RMR and associated agreements between DBP and shippers requires DBP to allocate capacity at outlet points in accordance with the allocation advice received from REMCo. This advice is not received until 1230 hours on the day following the Gas Day while the management of peaks requires real time monitoring of actual flows for each shipper. DBP suggests that REMCo should be required to provide hourly flow data immediately following the relevant hour in a form which can be accessed by pipeline operators, which may be on a web site.

A recent issue which has arisen is the introduction of Daylight Saving into Western Australia. The RMR do not currently make any allowance or provision for Daylight Saving for WA, despite such a provision being incorporated in the RMR for South Australia. The RMR should be amended to include provision for Daylight Saving in Western Australia.

Should you wish to discuss these matters further, please contact the undersigned on telephone 9223 4305.

Yours sincerely

Mark Cooper
General Manager Commercial