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Dear Mr Soltyk

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**RE: DRAFT WORKING PAPER GAS EXCHANGEABILITY IN WESTERN
AUSTRALIA GAS QUALITY SPECIFICATIONS OF INTERCONNECTED
PIPELINE SYSTEMS OCTOBER 2007: APPEA COMMENTS**

INTERNET
<http://www.appea.com.au>

The following comments are provided by the Australian Petroleum Production & Exploration Association (APPEA) in response to the Economic Regulation Authority Western Australia's (ERA WA) draft working paper, *Gas Exchangeability in Western Australia Gas quality specifications of interconnected pipeline systems*. APPEA welcomes the opportunity to provide comment on this draft working paper.

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APPEA represents the upstream oil and gas industry in Australia. Collectively, APPEA member companies produce around 98 per cent of Australia's oil and gas.

A number of APPEA member companies have provided ERA WA with detailed technical comments on the draft working paper and APPEA would refer you to these comments for additional upstream oil and gas industry input.

APPEA welcomes the release of this paper and ERA WA's interest in advancing the debate around matters of gas quality and their impact on access to gas pipelines.

APPEA's view, as recently expressed to the Ministerial Council on Energy / Ministerial Council on Mineral and Petroleum Resources Joint Working Group on Natural Gas Supply, is that a significant barrier to natural gas supply in Western Australia has been presented by restrictive gas quality specifications on some gas pipelines, particularly the Dampier to Bunbury Natural Gas Pipeline (DBNGP).

While the issue of pipeline gas quality has been addressed across most of Australia via governments adopting the relevant Australian Standard (AS 4564-2005: *Specification for general purpose natural gas (AS 5464)*), it

has not been addressed in Western Australia where different quality specifications exist on different pipelines (for example, the specifications for the different pipelines systems in Western Australia are all different). The most restrictive quality specification applies to the main pipeline in the State, being the DBNGP. Further, the Western Australian Gas Regulations are significantly more restrictive than the Australian Standard. The gas quality specifications in the State are therefore impacting the ability of producers to bring gas into the Western Australian domestic market.

APPEA has therefore recommended to the JWG and recommends that the ERA WA adopt the existing Australian Standard as a matter of urgency.

In that context, APPEA agrees with the paper's conclusion that such a move (to the Australian Standard) would have significant benefits including encouraging the development of otherwise marginal gas fields, increased utilisation of gas from oil-associated fields and the promotion of direct gas-on-gas competition.

APPEA notes there are no significant concerns that would prevent such a move, and considers that some of the issues raised in the draft paper distract from the importance of the decision to move to the Australian Standard:

- the concern about the impact on existing appliances is misplaced. Our understanding is that there are no special requirements for gas appliances in Western Australia, that is, appliances are imported and distributed nationally without a Western Australia specialisation. Given this, risks around converting to the Australian Standard are negligible and do not present a valid barrier to such a move;
- APPEA does not agree with the paper's implication that the Australian Standard may be unsafe at some of its theoretical extremes. The Australian Standard was formulated by a group with representation from across the gas chain (producers to appliance manufacturers) and included the Gas Technical Regulators Committee. The Standard was approved on behalf of the Gas Technical Standards Council. As with the development of all Australian Standards, it can be assumed that the this group undertook appropriate testing and analysis in the formation of the Standard; and
- as has been noted by APPEA members, it is incorrect to state that there are two Australian Standards, the official Australian Standard AS 4564 and an "implied Australian Standard" (as noted in page 25 of the draft paper with reference to Table 4). There is only one Australian Standard – AS 4564 – as published by the peak standards development body in Australia, Standards Australia.

In moving to the Australian Standard, care needs to be taken, however, to ensure that the owners of such transmission infrastructure are prohibited from capitalising on any change in gas specifications, by increasing tariffs

on the basis of lower energy capacity in the pipeline (via the gas specifications change). Changes in pipeline specifications have been planned for some time resulting in an appropriately discounted cost of the infrastructure at the time of original acquisition.

Should you wish to discuss this further, do not hesitate in contacting Mr Damian Dwyer, Director, Economic and Trade via telephone on (02) 6267 0902 or via e-mail at ddwyer@appea.com.au.

Yours sincerely

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CHIEF EXECUTIVE