APA Group

Public Submission on WA Gas Networks Access Arrangement 2010-14 Draft Decision

Gas Quality Specification

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Executive Summary

The Parmelia Pipeline supplies natural gas into the Mid-West and South-West Gas Distribution Systems ("the GDS"). The gas quality specification applying to the Parmelia Pipeline reflects good industry practice at the time of its construction and subsequent operation as the sole supply of natural gas to the wider Perth area from 1971 to 1984, and a contributing supply from 2002 to the present time.

Revisions to the Access Arrangement applying to the GDS are currently being considered by the Economic Regulation Authority ("Authority"). As part of this process, the Authority published its Draft Decision regarding these revisions ("the Draft Decision") on 17 August 2010.

The Draft Decision's Amendment 16 stipulates the gas quality specification applicable to the GDS. This gas quality specification is more stringent than the Parmelia Pipeline specification with respect to hydrocarbon dewpoint, hydrogen sulphide content, water content, radioactive components content, total sulphur content, and "dust, wax, gum, etc.".

Because of this mismatch, the Draft Decision gas quality specification has the effect of excluding gas transported by the Parmelia Pipeline from entry into the GDS.

If gas transported by the Parmelia Pipeline is denied entry to the GDS:

(1) the producers currently selling gas to end users serviced by the gas transport 'chain' comprising the Parmelia Pipeline and the GDS will be denied access to that sector of the Western Australian gas market;

(2) APA will be denied access to a sector of the gas transport market;

(3) retailers may be denied access to competitive sources of natural gas;

(4) the owners of the GDS may be denied the opportunity to provide transportation services offered by the GDS;

(5) the market power of the Parmelia Pipeline's direct competitor will be increased.

These outcomes are in direct conflict with the objectives of economic regulation of natural gas transport infrastructure.

Reduction of supply to end users and increased market power is in direct contradiction to the objective of the National Gas Access (Western Australia) Act 2009 and associated National Gas Rules. Hence, the gas quality specification applying to regulated services provided by the GDS should not reflect those stipulated in the Draft Decision.

The gas quality specification proposed in WAGN's revision to the "Amended Access Arrangement for the Mid-West and South-West Gas Distribution Systems" dated 8 October 2010 addresses the problems deriving from the Draft Decision's gas quality specification and substantially lower the barriers to entry of gas transported by the Parmelia Pipeline into the GDS.

APA recommends that the Authority should reconsider the gas quality specification applying to inlets to the GDS, and revise it to allow continued delivery of gas from the Parmelia Pipeline into the GDS.

APA submits that WAGN's 8 October 2010 revised gas quality specification provides a meaningful starting point for resolving the problems deriving from the gas quality specification prescribed in the Draft Decision. APA looks forward to constructive dialogue with both the Authority and WAGN to finalise such a solution.

Introduction and Purpose of Submission

WA Gas Networks Pty. Ltd. ("WAGN") is the designated Service Provider for the Mid-West and South-West Gas Distribution Systems ("the GDS"), pursuant to the National Gas Access (Western Australia) Act 2009 ("NGA") and associated National Gas Rules ("NGR").

The GDS provides gas supply to (inter alia) industrial, commercial and residential gas consumers in the wider Perth metropolitan area.

The Parmelia Pipeline is interconnected with the GDS. As such, gas transported by the Parmelia Pipeline enters the GDS. The Parmelia Pipeline is owned and operated by the APA Group ("APA").

On 29 January 2010 WAGN submitted proposed revisions to the Access Arrangement for the GDS ("Revised AA") to the Economic Regulation Authority ("Authority") for approval under the NGA. On 17 August 2010 the Authority published its Draft Decision regarding these revisions ("Draft Decision").

The Draft Decision requires 74 amendments be made to the Revised AA.

Amendment 16 stipulates the gas quality specification applicable under the Revised AA.

This submission by APA seeks to identify the detrimental consequences of Amendment 16, and discusses the alternative gas quality specification for the GDS contained in the revision to the "Amended Access Arrangement for the Mid-West and South-West Gas Distribution Systems" dated 8 October 2010 submitted by WAGN to the Authority. The latter gas quality specification substantially resolves the problems deriving from the gas quality specification published under Amendment 16 of the Draft Decision.

Historical Background and Context

The Parmelia Pipeline has played a key role in the development of Western Australia, and today occupies a position which is unique amongst natural gas transmission pipelines in the country. It is therefore relevant to present a brief history of the pipeline to place its current circumstances - as affected by the Draft Decision - in context.

The Parmelia Pipeline was constructed and commissioned in 1971. This makes it the first natural gas transmission pipeline in Western Australia, and one of the first gas transmission pipelines in Australia. This heritage is relevant to the issues surrounding its gas quality specification and correspondingly the gas quality specification applying to the GDS.

Natural gas was first discovered in the Perth Basin in 1964 at Yardarino, near the coastal fishing town of Dongara, located approximately 350 kilometres north of Perth. In the same year, drilling near the town of Gingin, located approximately 80 kilometres north of Perth, discovered a field which was given the town's name. Subsequent drilling in 1966 discovered the Dongara and Mondarra fields, located near the town of Dongara. In 1971, the Walyering field, located midway between Perth and Dongara, was discovered.

The Yardarino, Gingin, Mondarra, and Walyering fields proved to be comparatively small, but the Dongara field provided a sufficient reserves base to underpin a new

development. Consequently, the Parmelia Pipeline was constructed to deliver natural gas to industrial, commercial, and residential consumers in the Perth area.

Initial customers included the Midland Brick Company, Swan Cement, Western Mining, Alcoa, the Fremantle Gas and Coke Company, and the (then) State Electricity Commission ("SEC"). Supply to industrial customers facilitated the substitution of alternate fuels with more 'environmentally friendly' natural gas. Supply to the SEC and the Fremantle Gas and Coke Company facilitated the replacement of manufactured gas with natural gas for the domestic (i.e. commercial and household) market in the Perth metropolitan area.

This commercial and household supply (in particular) was provided continuously from 1971 to 1984.

Gas from the Dongara, Yardarino, Mondarra, Walyering, and Gingin fields was processed to the 'pipeline quality' standards generally applicable at the time. These standards were less restrictive in some areas than those which subsequently applied to the Dampier to Bunbury Natural Gas Pipeline (see below).

The progressive depletion of the Dongara area, Walyering, and Gingin gas fields through the 1970s and lack of exploration success in the Perth Basin prompted the State Government to seek new gas supplies. During the early 1980s it negotiated with the North West Shelf Joint Venture for the purchase of gas by the (then) State Energy Commission of Western Australia ("SECWA") from the North Rankin, and later Goodwyn, offshore fields.

The Dampier to Bunbury Natural Gas Pipeline ("DBNGP") was constructed by SECWA in 1983 / 84 to transport North West Shelf gas from the Carnarvon Basin to markets in and around Perth. The DBNGP runs close to the Parmelia Pipeline for much of the latter's length.

The DBNGP gas quality specification was considerably more stringent than that applying to the Parmelia Pipeline. It is likely that such 'tightening' of this specification reflected the capabilities of the North West Shelf gas processing plant and the coincident development of a Liquefied Petroleum Gas extraction plant in Kwinana.

The DBNGP gas quality specification was not motivated by technical or safety considerations. This conclusion is evidenced by the fact that the Parmelia Pipeline gas quality specification continued to meet the requirements of the Gas Standards Regulations after the DBNGP came into operation.

In the early 1980s the Woodada gas field, located near the town of Eneabba, was discovered. Starting in 1982, gas from the Woodada field was transported by the Parmelia pipeline on behalf of SECWA to permit a ramp up of the Perth gas market in anticipation of the availability of North West Shelf gas.

In order to facilitate the rapid introduction of Woodada gas to the wider Perth market, the gas quality specification applying to that gas afforded concessions to the field operator. Such concessions removed the need for additional gas processing by the field operator which could have made the field's development uneconomic.

In 1984, North West Shelf gas replaced Dongara gas as the supply to the Perth household and commercial market segments. The Parmelia Pipeline continued to supply industrial customers, providing the majority of these with a dual supply in conjunction with gas from the DBNGP. In 2002, interconnection between the

Parmelia Pipeline and the GDS was re-established, and the Parmelia Pipeline has contributed to the supply of gas into the GDS from that time to the present day.

In 1990, the Beharra Springs gas field, located adjacent to the Parmelia Pipeline around 30 kilometres south of Dongara, was discovered. After the field was declared commercially viable, all gas produced was transported via the Parmelia Pipeline to end users in the wider Perth area.

In 1994, the DBNGP and the Parmelia Pipeline were interconnected at Mondarra (i.e. one of the original gas fields supplying the Perth gas market) to facilitate the transport of associated gas from oil production operations surrounding Thevenard Island (approximately 20 kilometres north of Onslow; in the Carnarvon Basin) to consumers in the wider Perth area. That midstream component of the gas 'chain', which involved four separately owned pipelines, a third party gas processing facility, and a natural gas storage facility (the depleted Mondarra field itself) was at the time the most complex in Australia.

The Mondarra field is currently (late 2010) being further developed by APA as a major gas storage field.

The Mondarra interconnection is also used to permit the transport of third party gas through the DBNGP and the Parmelia Pipeline from producers in the Carnarvon Basin to markets in the Perth area.

The Parmelia Pipeline Gas Quality Specification

As identified above, the gas quality specification applying to the Parmelia Pipeline reflects good industry practice at the time of its construction and subsequent operation as the sole supply of natural gas to the wider Perth area from 1971 to 1984, and a contributing supply from 2002 to the present time.

The gas quality specification for the Parmelia Pipeline was subsequently approved (in 2000) by the (then) Office of Gas Access Regulation as part of the (former) Access Arrangement applying to the Parmelia Pipeline[1], and is reproduced immediately below.

Table 1: Parmelia Pipeline Access Arrangement Gas Quality Specification - As Published

> Gas entering and being transported through the Parmelia Pipeline must at all times comply with, for each component of the following gas quality specifications, the most stringent component of the following:
>
> (a) the standards detailed in regulation 5 of the Gas Standards (Gas Supply and System Safety) Regulations 2000, excluding the requirement to odorise the gas detailed in regulation 6; and
>
> (b) the specification requirements detailed in the table below:

[1] The Parmelia Pipeline is no longer subject to economic regulation; "coverage" was revoked in 2002.

Component	Units	Min	Max
Carbon Dioxide	mol %		4.0
Total Inerts	mol %		7.0
Hydroc. Dewpoint 1.5 to 7.5 MPa	Deg C		10
Oxygen by Volume	mol %		0.2
Total Sulphur (unodorised)	mg/m^3		10
Hydrogen Sulphide	mg/m^3		4.6
Delivery Temperature	Deg C		50
WOBBE Index	MJ/m^3	46.0	51.5
Water Vapour	mg/m^3		100
Gross Heating Value	MJ/m^3	35.1	42.3
Radioactive Components	$Becq/m^3$		600

Note: Gas entering the Parmelia Pipeline shall be unodorised.

The outworking of this specification is presented in the table immediately below.

Table 2: Outworking of Parmelia Pipeline Access Arrangement Gas Quality Specification

		Parmelia Access Arrange-ment Table (b)		Gas Standards Regulations		Parmelia Gas Quality Specification: Most Stringent	
Component	**Units**	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Carbon Dioxide	mol %		4.0				4.0
Total Inerts	mol %		7.0				7.0
Hydrocarbon Dewpoint 1.5 to 7.5 MPa	Deg C		10				10
Oxygen by Volume	mol %		0.2				0.2
Total Sulphur (unodorised)	mg/m^3		10		50		10
Hydrogen Sulphide	mg/m^3		4.6				4.6
Delivery Temperature	Deg C		50				50
WOBBE Index	MJ/m^3	46.0	51.5	46.5	51.0	46.5	51.0
Water Vapour	mg/m^3		100				100
Gross Heating Value	MJ/m^3	35.1	42.3	37	42.3	37	42.3
Radioactive Components	$Becq/m^3$		600				600

The Draft Decision's Gas Quality Specification

Paragraph 1329 of the Draft Decision prescribes the gas quality specification for the GDS, and is reproduced immediately below.

> 1329. The Authority considers it appropriate for the gas quality specifications in the Template Haulage Contract to be the more stringent of the Western Australian standard specification in the *Gas Supply (Gas Quality Specifications) Regulations 2010* and the *Gas Standards (Gas Supply and System Safety) Regulations 2000*, as proclaimed from time to time. The Authority therefore requires WAGN to amend Annexure A to the Template Haulage Contract.

The outworking of this specification is presented in the table immediately below.

Table 3: Outworking of the Draft Decision Gas Quality Specification

		WA Standard Specification		**Gas Standards Regulations**		**Draft Decision: Most Stringent**	
Component	**Units**	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Carbon Dioxide	mol %		4.0		n/a		4.0
Total Inerts	mol %		7.0		7.0		7.0
Hydrocarbon Dewpoint	Deg C		below 0 degC 2.5 to 8.72 MPaa		2.0 degC at 3.5 MPag		below 0 degC 2.5 to 8.72 MPaa
Oxygen by Volume	mol %		0.2		0.2		0.2
Total Sulphur (unodorised)	mg/m^3		10		n/a		10
Hydrogen Sulphide	mg/m^3		2.0		5.7		2.0
Delivery Temperature	Deg C		n/a		n/a		n/a
WOBBE Index	MJ/m^3	46.0	52.0	46.0	52.0	46.0	52.0
Water Vapour	mg/m^3		48.0		dew point 0 degC at highest MAOP & less than 112.0		dew point 0 degC at highest MAOP & less than 48.0
Gross Heating Value	MJ/m^3	35.1	42.0	37.0	42.3	37.0	42.0
Radioactive Components	Becq/ m^3		Note 1		n/a		Note 1
Total Sulphur (odorised)	mg/m^3		20		50		20
Dust, wax, gum, etc.			Note 1		n/a		Note 1

Nomenclature "n/a": no specification limit prescribed
Note 1: "free by normal commercial standards"

Impact of the Draft Decision on the Parmelia Pipeline

In order for the Parmelia Pipeline to deliver gas into the GDS, the gas being transported by the Parmelia Pipeline must meet the GDS' gas quality specification. In order for this to be the case, the gas quality specification for the GDS must not be more stringent than the Parmelia Pipeline's gas quality specification. This is true for every specification parameter.

This consideration necessarily leads to comparison of the two specifications, presented in the table immediately below. Its nomenclature is articulated immediately below the table itself.

Table 4: Comparison of Gas Quality Specifications: Parmelia Pipeline and Draft Decision

		Parmelia Pipeline Gas Quality Specification		**Draft Decision Gas Quality Specification**		**Comparison: Parmelia Pipeline & Draft Decision**	
Component	**Units**	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Carbon Dioxide	mol %		4.0		4.0		--
Total Inerts	mol %		7.0		7.0		--
Hydrocarbon Dewpoint	Deg C		10		below 0 degC 2.5 to 8.72 MPaa		**PP denied access**
Oxygen by Volume	mol %		0.2		0.2		--
Total Sulphur (unodorised)	mg/m^3		10		10		--
Hydrogen Sulphide	mg/m^3		4.6		2.0		**DD is tighter**
Delivery Temperature	Deg C		50	n/a	n/a		--
WOBBE Index	MJ/m^3	46.5	51.0	46.0	52.0	--	--
Water Vapour	mg/m^3		100		dew point 0 degC at highest MAOP & less than 48.0		**PP denied access**
Gross Heating Value	MJ/m^3	37	42.3	37.0	42.0	--	
Radioactive Components	Becq/ m^3		600		Note 1		**DD is tighter**
Total Sulphur (odorised)	mg/m^3		n/a		20		**DD is tighter**
Dust, wax, gum, etc.			n/a		Note 1		**DD is tighter**

Nomenclature

" -- ": **no adverse impact**

"n/a": **no specification limit prescribed**

"PP denied access": **Draft Decision gas quality specification results in gas from the Parmelia Pipeline being denied access under common operating circumstances**

"DD is tighter": **Draft Decision gas quality specification results in gas from the Parmelia Pipeline being denied access under uncommon but nevertheless credible circumstances**

Note 1: **"free by normal commercial standards"**

The table above comparing the Parmelia Pipeline and Draft Decision gas quality specifications segregates the gas quality specification parameters which exclude Parmelia Pipeline gas from the GDS into two categories: "PP denied access" and "DD is tighter". For convenience, these are collated immediately below.

Category	**Draft Decision Gas Quality Specification Parameter**
"DD is tighter"	hydrogen sulphide content radioactive components content total sulphur content "dust, wax, gum, etc."
"PP denied access"	hydrocarbon dewpoint water content

It is appropriate to consider each category in turn.

The composition of gas being transported by the Parmelia Pipeline varies over time, and is a function of the respective quantities of gas submitted for transport at each of the Parmelia Pipeline's (multiple) inlet points.

Specification parameters designated "DD is tighter" are those which may be met by Parmelia Pipeline gas under most operating circumstances, but not under all credible operating circumstances. As such, these specification parameters pose an intermittent threat to the entry of Parmelia Pipeline gas given current operating circumstances. However, if such circumstances change in the future, these specification parameters have the potential to exclude Parmelia Pipeline gas from the GDS on an ongoing basis.

Specification parameters designated "PP denied access" are those which may not be met by Parmelia Pipeline gas under typical operating circumstances. As such, these specification parameters constitute an ongoing barrier to entry of Parmelia Pipeline gas into the GDS under the Parmelia Pipeline's current operating circumstances.

Aggregating the impact of these two categories yields the result that Parmelia Pipeline gas is denied entry to the GDS under typical operating circumstances on a

continuous basis. Further, future changes to the Parmelia Pipeline's operating regime may result in denial of access to the GDS due to additional gas quality specification parameters coming into play.

Consequences of the Draft Decision

If gas transported by the Parmelia Pipeline is denied entry to the GDS:

(1) the producers currently selling gas to end users serviced by the gas transport 'chain' comprising the Parmelia Pipeline and the GDS will be denied access to that sector of the Western Australian gas market;

(2) APA will be denied access to a sector of the gas transport market;

(3) retailers may be denied access to competitive sources of natural gas;

(4) the owners of the GDS may be denied the opportunity to provide transportation services offered by the GDS;

(5) the market power of the Parmelia Pipeline's direct competitor will be increased.

These outcomes are in direct conflict with the objectives of economic regulation of natural gas transport infrastructure.

Section 23 of the NGA states (in full):

> The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

Reduction of supply to end users and increased market power is in direct contradiction to the objective of the NGA. Hence, the gas quality specification applying to regulated services provided by the GDS should not reflect those stipulated in the Draft Decision.

The gas quality specification proposed in WAGN's revision to the "Amended Access Arrangement for the Mid-West and South-West Gas Distribution Systems" dated 8 October 2010 addresses the problems identified above and substantially lower the barriers to entry of gas transported by the Parmelia Pipeline into the GDS. This revised specification is discussed briefly in the following text.

WAGN's Response to the Draft Decision

WAGN has submitted to the Authority a revision to its Amended Access Arrangement following the Draft Decision. This document, titled "Amended Access Arrangement for the Mid-West and South-West Gas Distribution Systems" and dated 8 October 2010, contains (at Annexure A) a revised gas quality specification applicable to the GDS.

This revised gas quality specification reflects WAGN's desire to maintain the Parmelia Pipeline as a supply of gas to the GDS and consequent rejection of the Draft Decision's gas quality specification. In its "Submission: Response to Draft Decision" dated 8 October 2010, WAGN's states (at page 89; in part) that:

... some of the components of the gas quality specification referred to by the Authority in Required Amendment 16 are not suitable for the Parmelia Pipeline.

The revised gas quality specification proposed by WAGN is reproduced (in full) immediately below:

1. Subject to clause 2 of this Annexure, "Gas Quality Specifications" in this Haulage Contract means the specifications, standards and requirements described at (a) and (b) of this clause 1 and where there are conflicting specifications, standards or requirements the most stringent specification, standard or requirement applies:

   (a) Regulations 5 and 6 of the Gas Standards Regulations; and

   (b) the Western Australian standard specification as defined in the *Gas Supply (Gas Quality Specifications) Regulations 2010.*

2. The specifications, standards and requirements for maximum water content, maximum hydrogen sulphide and hydrocarbon dewpoint in the Gas Quality Specifications referred to in clauses 1(a) and 1(b) of this Annexure are replaced with the following requirements:

Component	**Unit of Measurement**	**Specification Limit**
Maximum water content	mg/m3	100
Maximum hydrogen sulphide	mg/m3	4.6
Hydrocarbon dewpoint over the pressure range 2.5 to 8.72 MPa absolute	°C	Below the Minimum Receipt Temperature applying for the Physical Gate Point

The outworking of this specification is presented in the table immediately below.

Table 5: Outworking of WAGN's 8 October 2010 Revised Gas Quality Specification

		WAGN Revised Specification: 8 October 2010	
Component	**Units**	**Min**	**Max**
Carbon Dioxide	mol %		4.0
Total Inerts	mol %		7.0
Hydrocarbon Dewpoint	Deg C		**Below the Minimum Receipt Temperature applying for the Physical Gate Point**
Oxygen by Volume	mol %		0.2
Total Sulphur (unodorised)	mg/m^3		10
Hydrogen Sulphide	mg/m^3		**4.6**
Delivery Temperature	Deg C		n/a
WOBBE Index	MJ/m^3	46.0	52.0
Water Vapour	mg/m^3		**100**
Gross Heating Value	MJ/m^3	37.0	42.0
Radioactive Components	Becq/ m^3		Note 1
Total Sulphur (odorised)	mg/m^3		20
Dust, wax, gum, etc.			Note 1

Nomenclature

"n/a": no specification limit prescribed

Note 1: "free by normal commercial standards"

Comparison of this specification with the Parmelia Pipeline gas quality specification reveals that its implementation will substantially lower the barriers to entry of gas transported by the Parmelia Pipeline into the GDS. As such, it substantially resolves the problems associated with the gas quality specification published under Amendment 16 of the Draft Decision.

The following table demonstrates for each specification parameter the outcomes of the application of WAGN's 8 October 2010 revised gas quality specification.

Table 6: Comparison and Outcomes:
WAGN's 8 October 2010 Revised Gas Quality Specification and Parmelia Pipeline Gas Quality Specification

		Parmelia Pipeline Gas Quality Specification		WAGN's 8 October 2010 Revised Gas Quality Specification		Outcome
Component	**Units**	**Min**	**Max**	**Min**	**Max**	
Carbon Dioxide	mol %		4.0		4.0	allows entry
Total Inerts	mol %		7.0		7.0	allows entry
Hydrocarbon Dewpoint	Deg C		10		**Below the Minimum Receipt Temperature applying for the Physical Gate Point**	**Workable outcome**
Oxygen by Volume	mol %		0.2		0.2	allows entry
Total Sulphur (unodorised)	mg/m^3		10		10	allows entry
Hydrogen Sulphide	mg/m^3		4.6		**4.6**	allows entry
Delivery Temperature	Deg C		50		n/a	allows entry
WOBBE Index	MJ/m^3	46.5	51.0	46.0	52.0	allows entry
Water Vapour	mg/m^3		100		**100**	allows entry
Gross Heating Value	MJ/m^3	37	42.3	37.0	42.0	**Workable outcome**
Radioactive Components	$Becq/m^3$		600		Note 1	**Workable outcome**
Total Sulphur (odorised)	mg/m^3		n/a		20	**Workable outcome**
Dust, wax, gum, etc.			n/a		Note 1	**Workable outcome**

Nomenclature

"n/a": no specification limit prescribed

Note 1: "free by normal commercial standards"

APA submits that the WAGN's 8 October 2010 revised gas quality specification provides a meaningful starting point for resolving the problems deriving from the gas quality specification prescribed in the Draft Decision. APA looks forward to constructive dialogue with both the Authority and WAGN to finalise such solution.

Future Consequences: the *Gas Supply (Gas Quality Specifications)* Legislation

The *Gas Supply (Gas Quality Specifications) Act 2009* and the associated *Gas Supply (Gas Quality Specifications) Regulations 2010* ("GSGQS Act" and "GSGQS Regulations" respectively) deal with circumstances under which producers of natural gas which does not meet current (late 2010) gas quality specifications may gain access to Western Australian gas transportation infrastructure. APA understands that this legislation will become relevant when the Macedon gas field commences production in the near future.

GSGQS Regulation 30 Item 5 states (in full; emphasis added):

> **30. Modifying gas contracts — gas quality specifications**
>
> (1) If —
>
> (a) a gas contract has effect in relation to the delivery or receipt of gas at or adjacent to a point that is or is of a type listed in the Table; and
>
> (b) a circumstance listed in the Table in relation to that or that type of point applies in relation to the point,
>
> the contract is modified in relation to the delivery and receipt of gas at or adjacent to the point so that the gas quality specification specified in the Table for the or the type of point, and the circumstance, applies in substitution for the gas quality specification which would otherwise apply in relation to the delivery and receipt of gas at or adjacent to that point.

Table

Item	Description of point	Circumstance	Gas quality specification
1.	an inlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to all gas flowing into the pipeline at that point	the gas quality specification set out in the pipeline impact agreement
2.	an outlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to all gas flowing out of the pipeline at that point	the gas quality specification set out in the pipeline impact agreement

Item	Description of point	Circumstance	Gas quality specification
3.	an inlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the pipeline at that point	the Western Australian standard specification
4.	an outlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to some but not all gas flowing out of the pipeline at that point	the Western Australian standard specification
5.	an inlet point on a gas transmission pipeline into which gas from the Parmelia Pipeline flows	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the pipeline at that point	the Parmelia Pipeline standard specification or the Western Australian standard specification when the Parmelia Pipeline standard specification is not the standard specification for the Parmelia Pipeline
6.	**an outlet point on the Parmelia Pipeline**	**one particular pipeline impact agreement has effect in relation to some but not all gas flowing out of the pipeline at that point**	**the Parmelia Pipeline standard specification or the Western Australian standard specification when the Parmelia Pipeline standard specification is not the standard specification for the Parmelia Pipeline**
7.	a point at which gas flows out of a gas distribution system	one particular pipeline impact agreement has effect in relation to some but not all gas flowing out of the system at that point	the gas quality specification in AS 4564 — 2005
8.	a point at which gas flows into the Mondarra Gas Storage Facility	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the facility at the point	the Western Australian standard specification

Item	Description of point	Circumstance	Gas quality specification
9.	a point at which gas flows out of the Mondarra Gas Storage Facility	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the facility at the point referred to in item 8	the Western Australian standard specification
10.	a point not on a gas transmission pipeline, through which gas, that has already flowed through a gas transmission pipeline, flows (other than a point to which item 7 applies)	one particular pipeline impact agreement has effect in relation to some but not all gas flowing through the point	the Western Australian standard specification
11.	a point not on a gas transmission pipeline, through which gas, that has already flowed through the Parmelia Pipeline, flows (other than a point to which item 7 applies)	one particular pipeline impact agreement has effect in relation to some but not all gas flowing through the point	the Parmelia Pipeline standard specification or the Western Australian standard specification when the Parmelia Pipeline standard specification is not the standard specification for the Parmelia Pipeline
12.	a point, at or between the point on the DBNGP identified as BP-LPGO and a point just downstream of the AGR off-take, at which gas that will flow into the DBNGP is delivered or received	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the plant at the inlet point to the plant	the reference specification for the DBNGP

(2) In subregulation (1) item 12 —

AGR off-take means the Australian Gold Reagents off-take point within the Wesfarmers LPG plant at Kwinana.

(3) If a particular point is covered by more than one item of the Table, the more specific item applies to the point to the exclusion of the other item or items.

(4) Subregulation (5) applies to a gas contract that has effect in relation to the delivery or receipt of gas at or adjacent to a point described in

subregulation (1) item 12 if the contract is modified by subregulation (1).

(5) While gas flowing into the Wesfarmers LPG plant at Kwinana does not comply with one or more components of the reference specification for the DBNGP, the gas contract is to be taken to be further modified in relation to the delivery or receipt of gas at or adjacent to the point referred to in subregulation (4) so that the gas quality specification applicable under subregulation (1) is modified, in relation to gas to be delivered or received at or adjacent to that point, so that each component of the specification with which the gas did not comply becomes what the gas composition of that gas was in respect of that component.

(6) However, subregulation (5) does not have effect to modify the gas quality specification applicable under subregulation (1) to provide for a component of the specification that is less stringent than the corresponding component of the Western Australian standard specification.

(7) Subregulation (9) applies to a gas contract that has effect in relation to the delivery or receipt of gas at or adjacent to a point described in subregulation (1) item 12 if —

(a) the contract was in force immediately before 1 January 2009; and

(b) the contract is not an extension (by renegotiation, or exercise of an option to extend, on or after 1 January 2009) of such a contract; and

(c) the contract is, or would but for subregulation (9) be, modified by subregulation (1).

(8) Subregulation (9) does not apply in respect of a provision of a contract described in subregulation (7) if the provision is not in the same form as it was immediately prior to 1 January 2009, except for any modification by this regulation.

(9) Subregulations (1) and (5) do not have effect to modify the contract in relation to the delivery or receipt of gas at or adjacent to the point to the extent to which a modification would otherwise result in the application of a gas quality specification in relation to the delivery or receipt of gas at or adjacent to the point that is more stringent than the gas quality specification which would, by operation of the contract, apply in relation to the delivery or receipt of gas at or adjacent to the point in the absence of subregulations (1) and (5).

(10) However, a gas quality specification in respect of which subregulation (1) or (5) does not have effect, to some extent, because of subregulation (9), is modified to the extent necessary to ensure that it does not contain a component of the specification that is less stringent than the corresponding component of the Western Australian standard specification.

It is apparent that the Draft Decision gas quality specification will be inconsistent with the GSGQS Regulations when "broad specification gas" which is the subject of a Pipeline Impact Agreement under the GSGQS Act is delivered to end users in the wider Perth area.

Conclusions and Recommendation

The gas quality specification for the GDS prescribed in the Draft Decision has the effect of excluding gas transported by the Parmelia Pipeline from entry into the GDS.

Such exclusion is in direct conflict with the objectives of economic regulation of natural gas transport infrastructure.

APA recommends that the Authority should reconsider the gas quality specification applying to inlets to the GDS, and revise it to allow continued delivery of gas from the Parmelia Pipeline into the GDS.

APA submits that WAGN's 8 October 2010 revised gas quality specification provides a meaningful starting point for resolving the problems deriving from the gas quality specification prescribed in the Draft Decision. APA looks forward to constructive dialogue with both the Authority and WAGN to finalise such a solution.