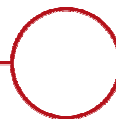


APA Group



**Public Submission regarding
DBNGP Revised Access
Arrangement dated 18 April 2011**

20 May 2011

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This submission by APA Group ("APA") addresses selected key issues regarding the gas transportation services offered by the Dampier to Bunbury Natural Gas Pipeline ("DBNGP"). In particular, it addresses part haul and back haul services and their relationship to access to, and the efficient operation of, the Mondarra Gas Storage Facility ("MGSF") and hence the importance to prospective users of MGSF services (i.e. the gas market).

The companion document titled "Annexure: Public Submission regarding DBNGP Revised Access Arrangement dated 18 April 2011" dated 20 May 2011 contains further detail and context regarding the issues under consideration.

DBNGP Part Haul and Back Haul Services

DBNGP part haul and back haul services fall into two categories: Reference Services specified in the DBNGP Access Arrangement, and Non-Reference Services which are open to negotiation.

In March 2011 the Economic Regulation Authority ("ERA") issued its Draft Decision for the DBNGP's Revised Access Arrangement submitted in 2010 ("the 2010 Revised AA"). The Draft Decision requires services providing part haul and back haul transport to be offered as Reference Services.

In response to the Draft Decision, DBNGP (WA) Transmission Pty. Ltd. ("DBP"), the operator of the DBNGP, submitted a further revision to its Access Arrangement ("the 2011 Revised AA"). The 2011 Revised AA does not include Reference part haul and back haul services, but rather contains only a single full haul Reference Service, the R1 Service, and several Non-Reference Services, including (*inter alia*) the P1 Part Haul Service and the B1 Back Haul Service (i.e. as proposed in the 2010 Revised AA).

APA submits that Reference part haul and back haul services should be prescribed by the ERA in its Final Decision. Further, in prescribing these services the ERA should incorporate APA's submission on clarifying the drafting of the definition and terms of the part haul and back haul to ensure certainty for prospective users of both these services on DBNGP and of the MGSF (see discussion on "Enabling" model below).

DBNGP Services and the Mondarra Gas Storage Facility

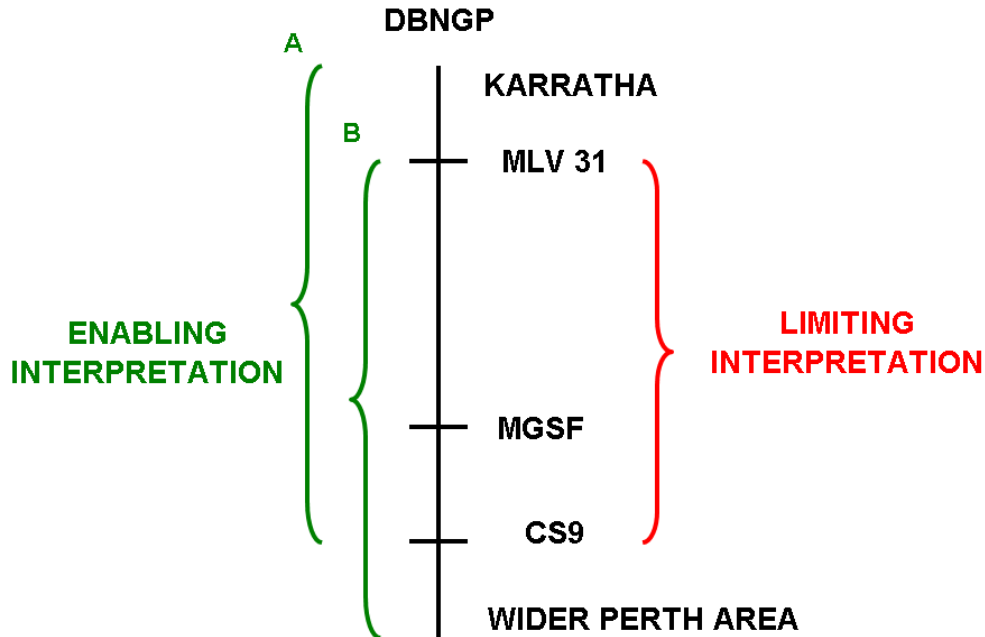
Analysis by APA indicates that the relevant Reference Services proposed by the ERA in its recent Draft Decision and the Non-Reference Services offered and proposed by DBP do not facilitate access to, or efficient operation of, the MGSF. Consequently, they adversely impact the prospective use of MGSF services in the wider gas market. This submission draws a distinction between an "Enabling" model of part haul and back haul services (achieved by addressing the uncertainty arising from the drafting of existing services), and a "Limiting" model which adversely impacts prospective users of MGSF services. In point form summary:

- (1) Under a "Enabling" interpretation, "Part Haul" means either:
 - (a) transport between inlets upstream of MLV 31 and outlets upstream of CS9 (e.g. from the Pilbara to the MGSF);
 - or

- (b) transport between inlets downstream of MLV 31 and outlets downstream of CS9 (e.g. from the MGSF to the wider Perth area).

Under a "Limiting" interpretation, "Part Haul" means transport between inlets downstream of MLV 31 and outlets upstream of CS9.

ALTERNATIVE INTERPRETATIONS: DBNGP REFERENCE P1 SERVICE



Note: the Enabling Interpretation provides for part haul gas transport within either of the sections designated A or B. Section A comprises the proposed North West and Mid West Zones, and section B comprises the proposed Mid West and South West Zones (see Annexure).

APA submits that the "Limiting" interpretation may be seen to apply.

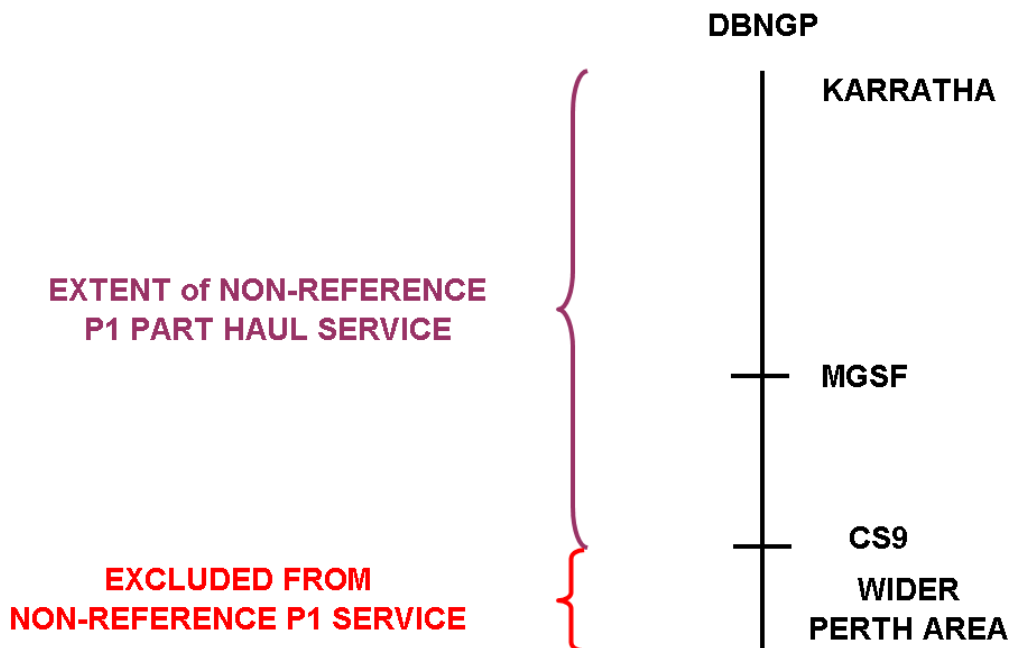
The operation of the MGSF and consequently the interests of users of MGSF services are disadvantaged by the Reference P1 Part Haul Service as contained in the 2005 approved DBNGP Access Arrangement and prescribed by the Draft Decision for inclusion in the 2011 DBNGP Revised Access Arrangement. This is because the Reference P1 Part Haul Service as reasonably interpreted does not accommodate transport of gas:

- from the Pilbara to the MGSF; and / or
- from the MGSF to the wider Perth area

APA submits that the Reference P1 Part Haul Service should be revised so that the "Enabling Interpretation" applies unambiguously.

- (2) The Non-Reference P1 Part Haul Service as proposed by DBP does not facilitate the efficient operation of the MGSF, because this Service does not provide for transport from the MGSF to the wider Perth area. This constraint is demonstrated schematically in the figure below.

DBNGP NON-REFERENCE P1 SERVICE



Further, the contract term for this Service, and also for the Non-Reference B1 Back Haul Service, is unreasonably long and inflexible.

- (3) The Terms and Conditions for the Reference B1 Back Haul Service infer that back haul transport within the wider Perth area under that Service could be construed to be Full Haul.
- (4) In the interests of clarity, APA requests that the Terms and Conditions for all Reference Services explicitly incorporate an Access Request Form. APA further requests that in the interests of clarity the Terms and Conditions for all Reference Services explicitly provide for the availability of Inlet Points and Outlet Points at Mondarra.

Conclusions

The constraint on access to, and the efficient operation of, the MGSF resulting from the nature of DBNGP gas transport services is significant in the wider context of the Western Australian natural gas market. The further development and expansion of the MGSF offers several benefits to Western Australia. These include:

- security of gas supply;
- more efficient use of gas transportation infrastructure;
- facilitation of gas trading and development of the WA gas market;
- facilitation of separate gas marketing by upstream joint ventures; and
- increased gas delivery competition.