

19-Mar-25

Mr Tyson Self
Economic Regulation Authority
Level 4, Albert Facey House,
469 Wellington Street
Perth WA, 6000

IN RE: ACCESS ARRANGEMENTS ISSUES PAPER

Dear Tyson

Gas Trading Australia Pty Limited (“**Gas Trading**”) is pleased to provide a response to the Economic Regulation Authority (“**ERA**”) issues paper circulated on the 4th of March.

In the paper, the ERA has posed a number of questions. Gas Trading will limit our response to Questions 1 to 3 of the paper.

Questions

1. The ERA has identified clauses 7.6, 7.8 and 7.9 within the reference service terms and conditions that relate directly to liability for out of specification gas. Are there any other clauses within the terms and conditions and/or provisions within the access arrangement that need to be reviewed when considering liability for out of specification gas?

Gas Trading notes that the ERA has not included clause 7.7 in question one. Gas Trading is of the view the inclusion is extremely important in the context of the suite of clauses dealing with off specification gas (“**OSG**”). Before this is explained we wish to clarify some structural factors of the WA gas market.

The Shipper currently assumes all liability but has no power or authority to protect itself from the exposure arising from the delivery of off specification gas. There are two aspects to this risk to consider:

1. The nature of OSG clauses within the reference service contract and similar clauses in gas purchase agreements with gas producers; and
2. The lack of authority of the Shipper to prevent OSG entering the pipeline and being exposed to liability.

The most favourable off specification clauses to Shippers in a gas supply agreement enable a scenario where, should the Operator of the pipeline “knowingly” let OSG flow, then that gas is deemed to meet specification and no liability relating to damages as a result of the OSG can be passed back to the producer.

Further, the contractual mechanisms enable any gas flows into the pipeline to be deemed to meet specification and no liability can be passed back to the producer.



It is for this reason that Gas Trading supports AGIG installing new gas chromatographs at older inlet points, to better manage this risk. However, the good work of AGIG in improving operational practices and monitoring and reporting off specification gas events now reveals that AGIG are aware that off specification gas is flowing into the pipeline. Consequently, it is clear that Shippers are fully liable under the current arrangement, even with the most favourable off specification treatment in gas supply agreements.

Under the current terms of the reference service contract, the Shipper can only reject gas at the outlet point despite being exposed to liability at the inlet. Clause 7.6 is carefully crafted so the Shipper has no ability to stop the flow of gas at the inlet point yet remains liable. Despite requests to enter an agreement under clause 7.7 no response has been received from AGIG. Even with such an agreement in place it is unlikely to offer little relief. We see that there is little incentive, therefore, for AGIG to vary the liability exposure under the current arrangement.

Gas Trading sees only two possible solutions to this problem, namely:

1. The Shipper has the right to reject all OSG at the inlet to assist in managing its exposure
2. Where AGIG permits off specification gas to flow into the pipeline, it assumes full liability.

Option 1 exposes the DBNGP to operational stress by shutting in a facility suddenly and losing up to 300 TJ per day of gas commodity injections into the pipeline, but Shippers may prefer the exposure to imbalance charges rather than be exposed to liabilities for off specification gas.

Option 2 potentially exposes AGIG to costs that may arise from off specification gas entering the pipeline, but they are ideally placed to assess the impact of the off specification and the ability to blend the gas before it reaches any outlet point. AGIG would then determine if they need to shut in the production facility or will be able to blend the gas through without consequence (or if the excursion from the specification is too insignificant to worry about).

Gas Trading believes there needs to be an adjustment of the clauses 7.6(a) enabling Shippers to reject gas at the inlet or and adjustment to clause 7.7 making it clear that when AGIG receives gas at the inlet that is off specification AGIG accepts liability.

2. In your opinion, who should be liable for damages caused by out of specification gas entering the DBNGP? In answering this question, please:

- a. **Provide reasons as to why a particular party should (or should not) be held liable for damages.**
- b. **Outline specific circumstances, if any, under which a party should (or should not) be held liable for damages.**

In short, AGIG is knowingly allowing off specification gas to enter the pipeline. AGIG has the ability to shut in a facility and prevent this gas entering the pipeline. The reference service contract specifically prevents a Shipper from rejecting gas at the inlet to the pipeline and shutting a facility in, yet the Shipper is exposed to the liability at this point. Consequently, Gas



Trading is firmly of the view that either a Shipper must be able to reject gas at an inlet or AGIG should be exposed to this liability.

3. DBP has revised its operational processes and procedures to improve the notification process for gas specification. Given these operational measures do not directly form part of the terms and conditions for reference services, do DBP's revised processes and procedures adequately mitigate Shippers' risk for out of specification gas? In answering this question, please provide details that explain and support your position.

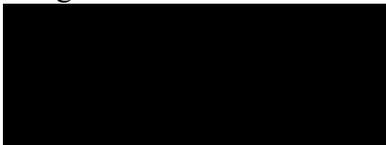
Gas Trading is of the view that the proposed processes do not go sufficiently far enough to mitigate the risks of liability of introducing OSG into the transmission pipeline. The Shippers on the pipeline are not in direct control of the injection of gas into the pipeline at the inlet point, nor do Shippers have any gas chromatography facilities at that point and rely on AGIG to monitor and maintain gas flows at the title transfer points and beyond.

The Pipeline Operator, therefore, would be the only party in the supply chain to be able to detect and mitigate gas that does not meet specification at the title transfer point at the pipeline inlet. The first check of gas at the title transfer point occurs (we are told) within six minutes of receipt of gas from the producer. At this point, the title for the gas has transferred to the Shipper as does the liability for damages as a result of any delivered OSG despite having no control over the gas transmission. At this point, AGIG would be aware that the gas does not meet specification.

Gas Trading propose that rather than the Shippers having responsibility but little to no control, that the Pipeline Operator consider using a technology that activates when OSG is detected, and the gas stream is diverted or prevented from entering the pipeline at the title transfer point or inlet. This way, the liability for downstream damages is naturally limited or prevented entirely.

We trust this provides sufficient reasoning to address the questions above from the issues paper. Gas Trading is happy to discuss this further if required.

Regards



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