

Economic Regulation Authority  
Level 4, Albert Facey House  
469 Wellington Street  
Perth  
Western Australia 6000

22 March 2016

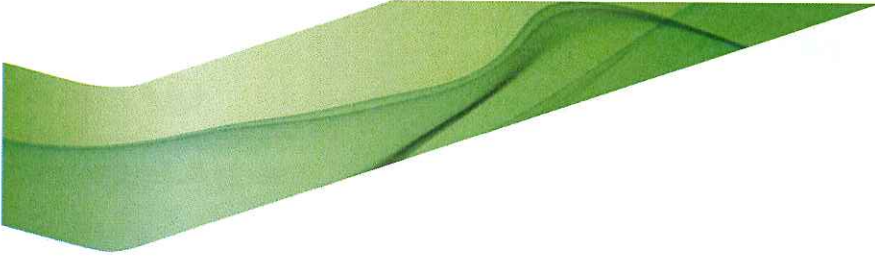
**Re: Wesfarmers Chemicals, Energy & Fertilisers further submission on the proposed Dampier to Bunbury Natural Gas Pipeline Access Arrangement (2016-2020).**

Dear Sir/Madam,

Wesfarmers Chemicals, Energy and Fertilisers ("**WesCEF**") refers to:


- the revisions to the Dampier to Bunbury Natural Gas Pipeline ("**DBNGP**") 2016-2020 Access Arrangement proposed by DBNGP (WA) Transmission Pty Limited ("**DBP**") on 31 December 2014;
- the submissions made by the WesCEF shippers dated 2 June 2015 ("**Initial WesCEF Submissions**");
- the draft decision of the Economic Regulation Authority ("**ERA**") dated 22 December 2015 ("**Draft Decision**");
- the further proposed revisions to the DBNGP 2016-2020 Access Arrangement proposed by DBP on 22 February 2016.

In relation to Required Amendments 3, 4, 5, 9, 10, 11, 12, 14, 15, 16, 19, 20, 21, 23, 24, 25, 28, 32, 35, 36, 37, 38, 44, 46, 48, 49, 50, 52, 53, 54, 55, 57, 60, 63, 64, 65, 67, 70, 73 and 74 set out in the Draft Decision ("**Required Amendments**"), WesCEF notes that DBP has not accepted or adopted the ERA's Required Amendments. In relation to each of these Required Amendments, other than as noted in the below further submissions, WesCEF

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- repeats any submissions that it made in the Initial WesCEF Submissions on these matters;
  - agrees with the ERA's position on these matters as set out in the Draft Decision; and
  - submits that DBP should be required to accept and adopt the Required Amendments in accordance with the Draft Decision.

In particular, WesCEF makes the following submissions:

1. Required Amendments 3, 4 and 32 – WesCEF repeats its submissions on these matters as set out in the Initial WesCEF Submissions and notes that WesCEF is of the view that there is likely to be demand for a part haul service in the future and that there is no valid justification for requiring a shipper who only requires a part haul service to pay a full haul tariff.
2. Required Amendment 14 - WesCEF repeats its submission with regards to DBP's calculation of the rate of return. WesCEF believes DBP should adopt the methodology supported by the ERA. In particular, WesCEF does not agree with DBP's reasoning for the selection of its cost of equity methodology and believes the ERA's methodology is more appropriate.
3. Required Amendments 20 and 21 – WesCEF is not particularly concerned that clauses 11.4 and 11.5 of the Access Arrangement be merged, provided that the drafting is consistent (and reflects the Draft Decision) and that there is no scope for “double recovery” by DBP.
4. Required Amendment 23 - WesCEF repeats its objection to the DBP's proposed revenue cap adjustment. The proposed adjustment is unacceptable as it transfers volume risk to the shippers, which is inconsistent with the regulated rate of return for the asset. The adjustment will also introduce volatility in tariff prices.
5. Required Amendment 28 – WesCEF is of the view that the words “and any penalties reasonably incurred in managing or complying with such obligations” in the definition of “carbon costs” should be amended to read “and any penalties reasonably incurred in managing or complying with such obligations, provided that such penalties are not incurred as a result of the Operator failing to act as a Reasonable and Prudent Person who is endeavouring to minimise the overall costs referred to in this definition.” or similar to ensure that the Operator is not able to recover penalties incurred where it has not acted reasonably.
6. Required Amendments 35 and 60 – in WesCEF's view, it is not reasonable to change the current regime where the shipper has an option to extend the term to require the shipper to elect whether to exercise options at an earlier date if the Operator has received an access request and there is insufficient



spare capacity. This is inconsistent with DBP pushing for the removal of the general right of relinquishment (see Required Amendment 60) and creates greater uncertainty and flexibility for shippers, particularly those considering investment in infrastructure. Further, shippers may not have certainty over gas supply at a time when they are being asked to commit to exercise an option for gas transmission capacity. WesCEF submits that clause 4.8 should be deleted and the general relinquishment right reinstated (see Required Amendment 60). An alternative approach may be to allow shippers to voluntarily relinquish capacity, or voluntarily waive its option rights in the event that there is insufficient spare capacity. If the DBP's proposed new clause 4.8 is accepted (which WesCEF submits it should not be), then the timeframe in clause 4.8(b) does not provide a shipper with anywhere near enough time to make an important decision about exercise of option, and should be, at a minimum 90 days.

7. Required Amendment 37 – the amendments that DBP is seeking to clause 5.3(g) appear to give DBP the right to refuse to accept gas up to a shipper's Contracted Capacity for the benefit of delivering other shippers' Contracted Capacities. This would enable DBP to prefer one shipper over another (or others). WesCEF repeats its submission on clause 5.3(g) as set out in the Initial WesCEF Submissions.
8. Required Amendments 44, 50 and 57 – in WesCEF's view, there is no reason to remove the priority of Spot Transactions and the relevance of Spot Capacity when calculating the imbalance limit. WesCEF repeats its submissions on clauses 6.5(d), 9.5(a) and 17.9(c)(iii) as set out in the Initial WesCEF Submissions.
9. Required Amendments 48, 49 and 54 – WesCEF does not agree with DBP's assertion that the current arrangements relating to imbalances and unavailability notices are ineffective and unworkable. In WesCEF's view, it is entirely appropriate for shippers to have the protections that are set out in the original forms of these clauses.
10. Required Amendments 52 and 53 – WesCEF is concerned that DBP has not properly explained the reason it is seeking amendments to clauses 10.3 and 10.5. WesCEF's understanding of the peaking provisions is that the Hourly Peaking Rate applies to each GJ of Gas Received in excess of the Hourly Peaking Limit, and in excess of the Outer Hourly Peaking Limit. Accordingly, there is no difference in the rate. However, clause 10.5 provides the Operator with absolute rights under clause 10.5 if a shipper has exceeded its Outer Hourly Peaking Limit, whereas there are some considerations that need to be satisfied before the Operator exercises rights under clause 10.3 if the shipper has exceeded its Hourly Peaking Limit. In WesCEF's view, the original form of clauses 10.3 and 10.5 are appropriate and should be



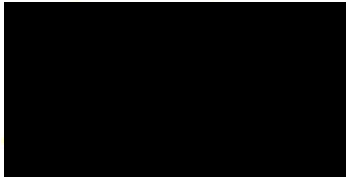
retained.

11. Required Amendment 55 – WesCEF submits that clause 17.4 should provide for the refund of the Capacity Reservation Charge for all curtailed capacity, not just in excess of the T1 Permissible Curtailment Limit, as per the original form of clauses 17.4. The amendments proposed by DBP are in the financial interests of DBP and to the financial disadvantage of shippers, with no clear adjustment elsewhere (for example by way of reduction in tariffs) to reflect the advantage to DBP and disadvantage to shippers.
12. Required Amendment 63 – WesCEF submits that the non-discrimination provisions should be retained. One shipper, Alcoa, still retains an interest in the DBNGP and there may be other, less obvious, interests that could influence behaviour. In the case of a monopoly infrastructure asset, WesCEF submits that non-discrimination clauses are appropriate and important for the protection of all shippers.
13. Required Amendments 70 and 73 – WesCEF repeats its submissions on clause 7 of the proposed revised access arrangement and supports the ERA's Required Amendment 70.
14. Required Amendment 74 – WesCEF notes that DBP has left the date for submission of a revised Access Arrangement at 4 years rather than 3 years (as per the current position) after the commencement of the current Access Arrangement. This is likely to mean that the tariff payable on 1 January 2021 will be the tariff under this 2016 to 2021 Access Arrangement, rather than under the 2021 to 2026 Access Arrangement, which WesCEF is concerned may adversely impact a number of existing shippers. The fact that even with the process commencing 3 years after the commencement of the current Access Arrangement, the 2016 to 2021 Access Arrangement is still not finalised by the end of March 2016 provides support for an earlier, rather than later, date for submission of a revised Access Arrangement. If the date is changed, WesCEF submits that it should be brought forward to provide a real prospect of a final Access Arrangement being in place by the commencement of the relevant Access Arrangement Period.
15. In relation to Table 4 of Section 3 of DBP Supporting Submission 50, WesCEF cannot see any valid justification as to why DBP shouldn't be required to provide the reason in the Initial Notice in clause 17.7(b)(i). DBP will clearly have these details and it is important for shippers' planning purposes to have this information.



Should you wish to discuss any points raised in this submission please contact Ric Colgan at [ric.colgan@csbp.com.au](mailto:ric.colgan@csbp.com.au) or Gerard Chan at [gchan@wescef.com.au](mailto:gchan@wescef.com.au).

Yours sincerely,



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