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Mr Philip Brown
Office of Gas Access Regulation
Level 22 St Martins Tower
44 St Georges Terrace
PERTH WA 6000

By e-mail: Philip_Brown@offgar.wa.gov.au ; Original by mail

Dear Mr Brown,

**Re: CMS Gas Transmission Australia Access Arrangement for the
Parmelia Pipeline**

Boral Energy Holdings Limited (Boral) is pleased to provide the Office of Gas Access Regulation with written comment in response to the Access Arrangement and Access Arrangement Information submitted by CMS Gas Transmission Australia for the Parmelia Pipeline.

The Boral Energy Group is a producer and retailer of natural gas in Western Australia and is a party to transportation agreements for this pipeline system. Boral is also a significant consumer of natural gas in Western Australia through the Boral Building Products and Boral Construction Material Groups.

Our specific comments are presented in the following pages. Should you require more detail or clarification of any points, please do not hesitate to contact me.

Yours sincerely

JOHN LAWRENCE
Manager, Policy & Regulatory Affairs

Introduction

Boral Energy Holdings Limited (Boral) welcomes the opportunity to submit the following comments to the Office of Gas Access Regulation (OffGAR) for its consideration in response to the Access Arrangement submitted by CMS Gas Transmission Australia (CMS) for the Parmelia Pipeline.

Access Requests

Access Request is Irrevocable Offer

CMS propose to make an Access Request an irrevocable offer and to bind the prospective user to pay for the services it has enquired about. This requirement is excessive and is more onerous than normal commercial practice and more onerous than the normal practice for transmission pipelines in Australia. It is also peculiar and restrictive that an Access Request should be submitted under seal. Affixing the common seal of an entity to a document accepts the terms of an agreement between the parties executing the document, yet CMS suggest it is appropriate to affix the seal before any agreement has been reached. An Access Request should be an enquiry and no binding relationship should exist until the parties execute the Service Agreement.

Service Request Administration Fee

The administration fee of \$10,000 is excessive. Boral cannot accept that this fee is cost reflective for an ordinary request for service. We draw little comfort from CMS's ability to refund or waive the fee at its discretion.

General Terms & Conditions

Terms of Services

CMS are proposing a minimum term of 10 years for its Firm Extended and Interruptible Extended Services. The proposed term reflects a lack of understanding of the requirements of the market in a contestable environment.

CMS has an obligation under section 3.2 of the Code to offer "Services that are likely to be sought by a significant part of the market". A Firm Extended Service (FES) and an Interruptible Extended Service (IES) of the type offered by CMS will be the primary services sought by customers seeking access to the Parmelia Pipeline. However, the term of service sought will often be as little as one or two years, reflecting the term of retailer's contracts with their customers. The proposed term is too restrictive and will serve to reduce rather than promote competition.

The term of the Firm Spot Service (FSS) and the Interruptible Spot Service (ISS) are for one gas day. The Access Request process outlined in section 6 of the Access Arrangement would be inadequate for a single day's spot sale, not to mention the \$10,000 fee. However, clause 3.8 of the General Terms and Conditions states that a user wishing to use either the FSS or ISS on an ongoing basis can resubmit Access Requests each 12 months. CMS

obviously anticipate a relationship of duration greater than one gas day, and as such this should be accommodated in the Access Arrangement.

Spot Services Bidding

It is unclear from the General Terms and Conditions how the floor price will be determined by CMS. The floor price is instrumental in the Spot Services and the mechanism that will be used by CMS to derive it should be explained.

Quantity Variation Charges

Boral accepts the intention of CMS to use a sliding factor based on the degree of error in the calculation of quantity variation charges. However, the value attributed to PRM_GI, PRM_DO, PRM_DU, PRM_HO and PRM_MFRO of 40 would appear high, and will have the effect of imposing very high quantity variation charges.