

CMS GAS TRANSMISSION of AUSTRALIA

PUBLIC SUBMISSION

DRAFT DECISION for PARMELIA PIPELINE

by the

**INDEPENDENT GAS PIPELINES REGULATOR
(WESTERN AUSTRALIA)**

Submitted to OffGAR on 25 November 1999

CMS Gas Transmission of Australia (CMS) welcomes the opportunity to make this public submission in response to the notice of 28 October 1999 published by the Office of Gas Access Regulation (OffGAR) which invites submissions on the Draft Decision by the Independent Gas Pipelines Access Regulator (the Regulator) regarding the proposed Access Arrangement submitted by CMS for its Parmelia Pipeline.

While there is a divergence of views in the issues identified below and in a few other minor areas, CMS acknowledges the manifest difficulties which face the Regulator in his dichotomous task of arbitrating between the market forces of supply and demand. As such, CMS would like to compliment the Regulator and the Office of Gas Access Regulation on the thoroughness with which both parties have applied to the review of the Parmelia Pipeline Access Arrangement.

CMS is encouraged to see the recognition by the Regulator of the realities of the diverse nature of natural gas pipeline operations in Australia and the different business risks faced by the industry, differentiated as it is by the nature of gas supply, customer end use, population base and geography.

The intended purpose of this submission is to recognise that the Regulator has not accepted the initial Parmelia Pipeline Access Arrangement as submitted but that CMS intends to reasonably comply with the requests of the Regulator in amending its submission.

This submission does not seek to provide commentary on the entire Draft Decision. CMS intends to discuss the Parmelia Pipeline Draft Decision in detail with OffGAR during the process of negotiating Amendments to the Access Arrangement.

CMS accepts the Reference Tariff and the general thrust of the Amendments to the Access Arrangement mandated by the Regulator in the Draft Decision. As such, CMS looks forward to negotiating Amendments to the Parmelia Pipeline Access Arrangement which will lead to an affirmative Final Decision.

However, CMS wishes to put on record that it does not feel the WACC values being espoused by the Australian regulatory community are sufficient to attract significant new investment in pipeline infrastructure, nor are they sufficient for pipelines that serve remote regions with demand dominated by large mining projects. We state this in order to put forward the view that elements of the Parmelia Pipeline Draft Decision should not constitute binding precedent for other regulatory decisions for natural gas pipelines in Western Australia and elsewhere in the country.

CMS does not share the opinion that the regulatory process must result in reduced tariffs, but rather considers that the process should always strive to achieve tariffs which are just and reasonable.

Notwithstanding the concerns expressed above, and with the due reservations incumbent upon any company which must ultimately account to its customers, shareholders, and wider stakeholders, CMS accepts without prejudice the general thrust of the mandated Amendments and the tariff outcome which has been handed down by the Regulator in the Parmelia Draft Decision. Consequently, CMS will be developing and presenting amendments to the Access Arrangement in accordance with the directions desired by the Regulator.