



COMBUSTION AIR *PTY.
LTD.*

Our Ref : Parmelia AAI
Your Ref : Gas Safety
November 24, 1999

Philip Brown Office of Gas Access Regulation
Level 6, 197 St Georges Tce
PERTH WA 6000

Subject : Public Submission 2 - CMS Parmelia Pipeline Access Arrangement - Draft Decision

Dear Mr Brown,

This letter responds to the Office of Gas Access Regulation (OffGAR) notice of an extension of time (to November 25, 1999) being granted for interested parties to make submissions on the DRAFT DECISION (the decision) on Access Arrangements (AA) submitted by CMS Gas Transmissions Australia, a Cayman Islands Corporation, in respect to the Parmelia Pipeline, decision dated 27 October, 1999.

We take this opportunity to augment concerns raised in our letter dated November 5, 1999 (Draft Decision - Submission 1) with information published since that date.

Our concerns regarding the decision focused on Section 9 of Part B "Supporting Information" for the decision. We note that OffGAR sought independent expert advice on the levels of capital and operating expenditure and investment and activities necessary to meet safety standards, and on the basis of this advice, is satisfied that the elements of the decision adequately account for safety matters. Our contention is that these criteria must be a matter for public record. We submit that OffGAR's assurance falls short of the Code's requirement for a tariff design to ensure the safe and reliable operation of the pipeline.

We note the recent tabling in Parliament of the 45th Report of the Joint Standing Committee on Delegated Legislation, the report dated November 9, 1999 into the Gas Standards (Gasfitting and Consumer Gas Installations) Regulations (WA) 1999 recommends that the Minister for Energy should take steps to amend the Act and Regulations to better serve the interests of gas safety. It appears that the Joint House Committee holds similar views to this company in regard to the need for transparency and public scrutiny of gas supplier safety inspection obligations. Quoting from Section 5 "The Committee's Concerns" ...

"5.37 The Committee is of the view that in order to support the safety regime set up by the Regulations, consideration should be given to amending the Act to provide for the publication in the Government Gazette of the approved inspection plan and policy statement of all entities granted a section 13 (2) exemption. Publication will result in the documents being exposed to public scrutiny and independent assessment, ensure that there is transparency of the Minister's action in granting an exemption and improve public confidence in the safety practices of gas suppliers."

We contend that the Code at section 8.1(c) would preclude any self-certification, deemed to comply on declaration of the first party; or an adoption of an opinion of any second party. Pipeline safety and a gas suppliers' safety obligations to consumers can only be ensured by demonstration of compliance with the legislation and appropriate safety standards; detailing obligations in the "Service" and funding safety in the "Tariff" under the Code. Transparency in the final decision and public confidence in the safety practices of the applicant would be ensured by amending the AA to include:

- Publication of the Parmelia Pipeline safety systems criteria in the AAI.
- Accounting for and quarantining the funding commitment to the pipeline safety management system, the safety case and specific consumer inspection obligations in the final decision of the AA.
- Implementing a system similar to the Victorian Office of the Regulator General (ORG), in the final decision, to put in place reliability targets, pipeline asset management policies and a system for the ongoing auditing by ORG of expenditure related to key performance indicators to ensure gas safety.

The cost of maintaining gas safety is of interest and concern to the public, industry and Government. We note the recent trend toward the use of safety management systems and safety cases to demonstrate the capacity of a pipeline operator/gas supplier to manage risk. As a prudent Service Provider, acting efficiently in accordance with accepted and good industry practice, the Parmelia Pipeline AA should demonstrate that the commitment to safety has been properly discharged and recovered in the Reference Tariff as provided by Section 8.37 of the Code.

The opportunity to make further comment on the Access Arrangement Draft Decision is appreciated. We seek your consideration of pipeline safety and gas suppliers safety obligations in the AA and AAI and urge you to consider the approach adopted by ORG in the Victorian decision and to incorporate these considerations in the OffGAR Final Decision.

Yours faithfully,

PETER J. STEWART
Director
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