

Ref: ST:DAK:SL-0038

2 December 2008

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Dear Mr Rowe

**Proposed Revision to Goldfields Gas Pipeline Access Arrangement
Extensions and Expansions Policy**

The Goldfields Gas Pipeline (GGP) Access Arrangement in effect 1 August 2005 contains in Section 10 the Extensions and Expansions Policy (EEP). This policy sets out the method to be applied to determine whether any expansion of capacity should be treated as part of the covered pipeline or not. This treatment is contained in Section 10.3:

10.3 Application of Arrangement to Pipeline Extension/Expansion

If GGT expands the capacity of the Pipeline, GGT will elect:

- (a) that the expanded capacity will be treated as part of the Pipeline for the purposes of the Access Arrangement and GGT will exercise its discretion to submit proposed revisions to the Access Arrangement under Section 2 of the Code; or
- (b) that the expanded capacity will not be treated as part of the Pipeline for the purposes of this Access Arrangement and that GGT will lodge a separate Access Arrangement for such expanded capacity; or
- (c) that the expansion will not be covered, subject to GGT notifying the Regulator of this fact prior to the expansion coming into operation.

On 3 October 2006, GGT wrote to the Economic Regulation Authority (Authority) advising of the election by GGT under Section 10.3(c) of the EEP, that the additional capacity resulting from the installation of an additional compressor at the Paraburdoo Compressor Station (i.e the capacity

beyond that which would have been generated by GGT's previously forecast capital expenditure) would not be covered.

The Authority issued a Notice on 20 November 2006 advising that "the Authority will not include the cost of adding the new compressor at Paraburdoo in the capital base for the pipeline when the current Access Arrangement is considered in 2009".

At the time that the EEP was drafted in the Access Arrangement, GGT did not consider that an election made under section 10.3(c) of the EEP would bind GGT to having the costs of the additional compressor excluded from the capital base for the next access arrangement period. As these costs were not included in the Reference Tariff calculation, their exclusion had no impact on the Reference Tariff for the period 2000 to 2009, and therefore such an assessment would not be required until the Access Arrangement was next revised.

GGT remains of the view that under the EEP, it is entitled to change an election it has made in relation to a particular expansion, and can therefore seek to have the additional costs included in the capital base for the next Access Arrangement period. However, to overcome any doubt as to the operation of the EEP in this regard, GGT now proposes to modify the EEP to expressly accommodate the ability to include the costs of the additional compression at Paraburdoo, and to allow for similar treatment of future expansion activity as it arises.

Therefore in accordance with section 2.28 of the Code, GGT submits to the Authority the proposed revision to the GGP Access Arrangement by adding an additional paragraph following clause 10.3(c):

GGT may at any time, change an election made under clause 10.3(c) to an election made under clause 10.3(a).

GGT would consult with the Regulator to determine if such a change of election would require a revision to the Access Arrangement under section 2.28 of the Code.

The proposed revision would allow GGT to elect to have the Authority assess the costs for providing the additional compression at Paraburdoo for inclusion in the capital base under Reference Tariff Policy clause 5.2(g).

GGT considers that the proposed revision does not have the effect of changing the Reference Tariff, or the Reference Service, and that the revision is not otherwise material.

GGT accordingly requests that the Authority dispense with the requirement of public consultation or requiring submissions from persons other than GGT under section 2.33 of the Code. GGT also requests that the Authority not require an Access Arrangement Information to be produced in respect of the proposed revision. The proposed revised Extensions and Expansions policy is attached.

GGT looks forward to your response.

Yours faithfully
David King

General Manager

10 EXTENSIONS/EXPANSION POLICY

10.1 Extensions/Expansions

Other than as required under the Code or the GGP Agreement, GGT will not incur capital to expand the capacity of the Pipeline unless a User:

- (a) satisfies GGT of the existence of reserves and demand for the economic life of the expansion;
- (b) demonstrates to GGT that the User has the financial capability to pay the costs of the provision of services provided through expanded capacity; and
- (c) commits to a Service Agreement sufficient to ensure the payment to GGT all costs incurred by GGT in expanding the capacity and the provision of Services through that expanded capacity.

10.2 Investigations as to Developable Capacity

- (a) If:
 - (1) a request for Service (including any request for Service, the effect of which is to increase an existing User's MDQ or to request additional Capacity for an existing User) is lodged;
 - (2) Spare Capacity is not likely to become available in the reasonably foreseeable future, based on current commitments, to satisfy that request for Service; and
 - (3) that request for Service is reasonably likely to be satisfied by Developable Capacity, if provided

GGT will undertake such Investigations as are reasonably required to determine the nature, extent and approximate cost required to provide that Developable Capacity, subject to clause 6.6(b) of this Access Arrangement.

- (b) GGT may of its own accord undertake investigations as to possible Developable Capacity from time to time.

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- (b) that the expanded capacity will not be treated as part of the Pipeline for the purposes of this Access Arrangement and that GGT will lodge a separate Access Arrangement for such expanded capacity; or
- (c) that the expansion will not be covered, subject to GGT notifying the Regulator of this fact prior to the expansion coming into operation.

GGT may at any time, change an election made under clause 10.3(c) to an election made under clause 10.3(a).

10.4 Pipeline Extension/Expansion and Tariffs

- (a) Pipeline extension or expansions will result in no change to the Reference Tariff applied to a User when those extensions or expansions have been fully funded by that User's capital contributions except to contribute to GGT's non-capital costs in connection with those extensions and expansions. Any change to Reference Tariffs may occur only pursuant to the process in Section 2 of the Code for revisions to Reference Tariffs.
- (b) Incremental Users as defined in the Code which have not made capital contributions towards Incremental Capacity as defined in the Code which they use and which has been funded by others will be liable to pay for surcharges as allowed for in Section 8 of the Code.
- (c) Pipeline extensions or expansions funded by GGT may result in the application of surcharges as allowed for in section 8 of the Code subject to GGT providing written notice to the Regulator, and the Regulator approving the same, in accordance with Section 8.25 of the Code.