

Esperance Pipeline Company Pty Ltd

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File Ref: C9900.3

24th November 2009

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
GPO Box 8469
Perth Business Centre
WA 6849

Dear Sir,

DRAFT DECISION ON GOLDFIELDS GAS TRANSMISSION PTY LTD'S PROPOSED REVISIONS TO THE GOLDFIELDS GAS PIPELINE ACCESS ARRANGEMENT

Thank you for your letter reference GAR0039 of the 16th October 2009. Esperance Pipeline Company (EPC) welcomes the opportunity to comment on the ERA's draft decision concerning Goldfields Gas Transmission's (GGT) proposed revisions to the Goldfields Gas Pipeline (GGP) Access Arrangement.

As a general comment, EPC supports any ERA decision which ensures a competitive, efficient and fair commercial environment for third party users of the GGP.

EPC currently transports gas to the Esperance power station and gas distribution network through the Kambalda to Esperance Gas Pipeline (KEGP), downstream of the GGP. The ERA's draft decision to reduce the GGT's proposed reference tariff charges will help promote the development of new opportunities along the KEGP and economic operation of Esperance power station.

Although EPC welcomes the ERA's view that access prices should promote the efficient use of, and investment in GGP assets, we would like the Authority to note the following key comments in drafting its final decision.

- a) Suggests that the gas demand growth forecast is being understated and will impact on the regulated tariff.
- b) Submits that the tariff proposed by GGT may be excessive and will impose an unacceptable burden on users in the Access Arrangement.
- c) Concurs with ERA that the modelling approach for Reference Tariffs should be on a quarterly basis instead of an annual basis, as using the latter could understate the rate of return in GGT's favour and therefore resulting in a higher Reference Tariff for GGP Users.
- d) Supports the inclusion of an Interruptible Service (which is not a Reference Service) to be described in the Services Policy as a Negotiated Service.
- e) Recent legislation to allow lower quality gas to travel through WA's pipelines will impact on GGP's pipeline capacity, flow and system linepack. ERA's final decision should cover

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whether GGT is able to include increased compression cost in the Total Revenue calculation or its impact to the Reference Tariff.

- f) GGP's Access Arrangement provides for an Extensions/Expansions Policy that is associated with capacity only, not the extension to, or expansion of, the Covered Pipeline itself which is outlined under the National Third Party Access Code (Code). The Authority's decision to amend GGT's Extensions/Expansions Policy is to be commended.**
- g) Supports the need to have in place mechanisms to motivate accurate nominations to assure efficient operation of the pipeline.**

EPC has approach this review on the premise that customers and the West Australian economy as a whole are the key beneficiaries of a fair and transparent Access Arrangement between GGP and users.

EPC submits that the Reference Tariff proposed by GGT in its revisions to the Goldfields Gas Pipeline Access Arrangement is deemed to be excessive and will impose an unacceptable burden on users during the proposed Access Arrangement period.

Whilst EPC generally agrees with the ERA's draft decision findings, given the desirability of consistency with the Code, it is mindful that an unreasonably low Reference Tariff ruling may inhibit new facilities investments which would be to the detriment of prospective users.

If you or your officers would like to discuss further on the issues raised, please contact our Business Manager, Mr Lawrence Teo, on (08) 92788386.

**Yours faithfully,
Esperance Pipeline Company Pty Ltd**

**Mike Morley
Manager Asset Services**