



East Australian Pipeline Limited

15 October 2004

Mr Mike Buckley
General Manger
Regulatory Affairs – Gas
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Buckley

2003/04 Ringfencing Compliance Reports

I refer to our letter of 9 September enclosing the Ringfencing Compliance Report for the Moomba-Sydney Pipeline for the year ending 30 June 2004.

It has come to our attention that the Report requires clarification in several matters and we enclose a revised Report. While Mr McDonald, the chairman of EAPL, is currently not available, the Report has been signed by two directors of the company.

Please contact either myself or Sandra Dureau if you have any questions in relation to the revised Report or if you require any further information.

Yours sincerely

Michael McCormack
Chief Operating Officer
Tel: 02 9693 0006

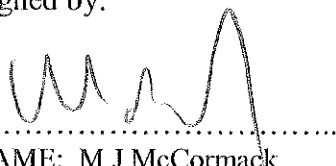
Statement of Compliance

Statement of Compliance for East Australian Pipeline Limited ACN 064 629 009 ("EAPL") for the financial year 2003/04

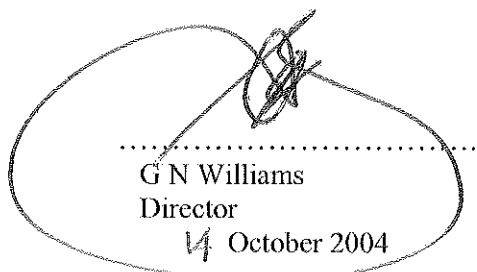
EAPL – Moomba to Sydney Pipeline

1. Attached is the annual Ring Fencing Compliance Report for the year ending 30 June 2004. EAPL has not varied the Ring Fencing Compliance Report or Statement of Compliance from the original forms sent by the ACCC, other than to provide the information required. Attachment 1 shows all companies in the APT Group, rather than only those companies which are “associates” as defined in the Code.
2. EAPL is not aware of any breach of any of the obligations listed in section 4.1 of the Code other than as detailed in this report.
3. EAPL has maintained a compliance program during the relevant period that ensures that:
 - (a) appropriate internal procedures have been established and maintained to ensure compliance with the obligations in section 4.1 of the *National Third Party Access Code for Natural Gas Pipeline Systems* (the Code);
 - (b) an accurate assessment of these procedures has been made;
 - (c) the Chief Executive Officer of EAPL is made aware of any breaches of the ring fencing obligations;
 - (d) remedial action is taken as soon as possible to rectify breaches of the minimum ring fencing obligations and that completion of this action is reported to the Board of Directors; and
 - (e) the compliance program is reviewed regularly and as necessary.
4. The Board of Directors of EAPL has approved this report at its meeting on 14 October 2004.

Signed by:



NAME: M J McCormack
Director
14 October 2004



G N Williams
Director
14 October 2004

Ring Fencing Compliance Report

Ring Fencing Compliance Report for East Australian Pipeline Limited ACN 064 629 009 ("EAPL") for the financial year 2003/2004

Definitions

Unless otherwise defined, all capitalised terms used in this document have the meaning given to them in section 10.8 of the Code.

Compliance with minimum ring fencing obligations

EAPL submits this report under section 4.13 of the Code. The report describes the measures taken to ensure compliance with its obligations under section 4 and provides an accurate assessment of the effect of those measures.

EAPL will, pursuant to section 4.14 of the Code, notify the Commission immediately on becoming aware of a breach (or potential breach) of its obligations under section 4 of the Code. Notification should be directed to the General Manager, Regulatory Affairs – Gas, ACCC.

1. Service Provider is a legal entity

Section 4.1(a) of the Code requires a Service Provider to be a legal entity.

East Australian Pipeline Limited, A.C.N. 064 629 009 ("EAPL") is a legal entity incorporated under the *Corporations Act 2001*.

2. Not carry on a Related Business

Section 4.1(b) of the Code requires that a Service Provider not carry on a Related Business (essentially a business of producing, purchasing or selling natural gas).

EAPL's sole business is the ownership and operation of the Moomba-Sydney Pipeline ("MSP"). EAPL does not produce natural gas, and does not purchase or sell natural gas other than for operational purposes. The sale and purchase of natural gas for operational purposes is not a Related Business as defined in section 10.8 of the Code.

Attachment 1 lists the companies in the APT Group. During the reporting period, EAPL and these entities were all wholly owned subsidiaries of APT Pipelines Limited, other than NT Gas Pty Limited, NT Gas Distribution Pty Limited, SCP Investments (No.1) Pty Limited, SCP Investments (No.2) Pty Limited, SCP Investments (No.3) Pty Limited, Southern Cross Pipelines Australia Pty Limited, Southern Cross Pipelines (NPL) Australia Pty Limited, and Goldfields Gas Transmission Pty Limited.

3. Establish and maintain separate and consolidated sets of accounts

Section 4.1(c) of the Code requires Service Providers to establish and maintain separate accounts for the activity that is the subject of each Access Arrangement.

Section 4.1(d) of the Code requires Service Providers to establish and maintain a consolidated set of accounts for all the activities undertaken by the Service Provider.

Prior to commencement of the Access Arrangement, EAPL's statutory accounts represented its activities as it undertook no activities other than provision of services through the MSP and Interconnect. From commencement of the Access Arrangement (8 January 2004) to the date of revocation of coverage (20 April 2004), EAPL's statutory accounts represented both the provision of services under the Access Arrangement and the provision of services through the Interconnect.

On 20 April 2004, the Minister's decision to revoke coverage of part of the MSP became effective. As a result of that decision, only the Marsden-Wilton section of the Mainline and the Regional Laterals are covered and subject to the Access Arrangement. Since the revocation of coverage, no Services under the Access Arrangement have been requested or provided through the covered pipeline.

A consolidated set of accounts is maintained for the entire business of EAPL, as required under the *Corporations Act 2001*.

4. Allocation of shared costs

Section 4.1(e) of the Code requires Service Providers to allocate costs in a fair and reasonable manner that is consistent with the principles in section 8.1 of the Code.

Direct costs of owning, managing, operating and marketing the MSP are charged directly to EAPL. These include but are not limited to:

- labour costs for marketing personnel;
- contracts for asset management of the pipeline;
- contracts for operation and maintenance of the pipeline;
- costs such as legal, regulatory, license fees, insurance etc; and
- marketing costs.

Other costs, which are shared by EAPL and other entities in the APT Group, are allocated to EAPL as follows:

- for shared labour and labour overheads, costs are allocated on the basis of estimates of the proportion of each employee's activities in relation to EAPL and the MSP; and
- for corporate overheads, costs are allocated on the basis of EAPL's contribution to total APT Group revenues.

As a result of the Minister's decision on revocation of coverage, only part of the MSP is used for the provision of Services under the Access Arrangement. EAPL is developing an allocation methodology to ensure that tariffs charged to users of the covered part of the MSP reflect the efficient costs of providing the Services. In doing so, EAPL is considering how to address issues arising from the recent regulatory developments affecting the MSP, including the Tribunal's decision on the valuation methodology to be applied, the setting of the asset life for the mainline at 60 years, revocation of coverage and the need to allocate the initial capital base between the covered and uncovered parts of the MSP. Pending resolution of these issues, costs are allocated between the covered and uncovered parts of the MSP on the basis of ORC.

5. Treatment of Confidential Information

Under sections 4.1(f) and (g) of the Code, Service Providers must ensure that:

- *Confidential Information provided by a user or prospective user is used only for the purposes for which it was provided and is not disclosed without the user or prospective user's consent; and*
- *Confidential Information obtained by a Service Provider which might reasonably be expected to materially affect the commercial interests of a user or prospective user is not disclosed to any other person without the permission of the user or prospective user to whom the information pertains.*

Note that where functions of the Service Provider have been outsourced to a third party, the Service Provider is responsible for ensuring that any Confidential Information provided to the third party is handled in accordance with sections 4.1(f) and (g) of the Code.

- EAPL is part of the Australian Pipeline Trust ("APT"). Employees of APT who are involved with the MSP have been informed of their obligations with respect to Confidential Information. Employees are required to sign confidentiality agreements upon commencement;
- APT has also required contractors having access to Confidential Information to observe the requirements of the Code in relation to such Confidential Information. In particular, Agility Management Pty Limited which provides a range of operations and regulatory services to APT has advised APT that it is aware of, and complies with, its obligations to maintain the confidentiality of all information/data that may come into its possession while providing such services to APT;
- APT offices are secured; and
- APT's computer network has security arrangements which provide access only to approved personnel.
- APT reviews its procedures and policies annually.

6. Marketing Staff

Service Providers must ensure that:

- *their Marketing Staff (essentially those directly involved in sales, sale provision or advertising for the Service Provider) are not also working for an Associate that takes part in a Related Business (section 4.1(h) of the Code); and*
- *the Marketing Staff of an Associate involved in a Related Business are not also working for the Service Provider (section 4.1(i) of the Code).*

Note that in answering the questions below, the broadest possible meaning is to be given to 'servants, consultants, independent contractors or agents'.

EAPL does not have any Associates which take part in a Related Business other than:

- NT Gas Distribution Pty Limited; and
- NT Gas Pty Limited.

APT assigns staff directly to EAPL to perform the marketing function for the MSP, and these persons do not provide services to either NT Gas Pty Limited or NT Gas Distribution Pty Limited. None of EAPL's servants, consultants, contractors or agents are Marketing Staff of NT Gas or NT Gas Distribution.

As indicated above, EAPL's Marketing Staff do not provide services to other parties. In addition, EAPL requires that its other servants, consultants, contractors or agents do not act as Marketing Staff for an Associate that carries on a Related Business.