

22nd July 2004

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

FILE No:

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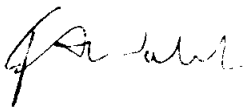
MARS/PRISM:

Dear Mr Buckley,

**2003/04 Ring Fencing Compliance Report – GasNet System – Your ref 2004/70**

I refer to your letter of 31<sup>st</sup> May 2004 and now enclose the Ring Fencing Compliance Report for the GasNet System in accordance with the National Third Party Access Code for Natural Gas Pipeline Systems.

Yours faithfully,



Felicity Walsh  
Legal Counsel

AUST. COMPETITION &  
CONSUMER COMMISSION

27 JUL 2004

# Ring Fencing Compliance Report for GasNet Australia (Operations) Pty Ltd for the year ended June 2004 submitted to the ACCC

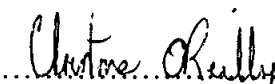
## Statement of Compliance

### Statement of Compliance for GasNet Australia (Operations) Pty Ltd for the year ended June 2004

GasNet Australia (Operations) Pty Ltd – GasNet System (GNS)

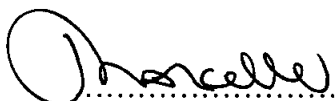
1. Attached is the annual Ring Fencing Compliance Report for the year ending 30 June 2004. It should be noted that the reporting entity has a financial year ending 31<sup>st</sup> December 2003. GasNet Australia (Operations) Pty Ltd has not varied the Ring Fencing Compliance Report or Statement of Compliance from the original forms sent by the ACCC, other than to provide the information required.
2. GasNet Australia (Operations) Pty Ltd 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. GasNet Australia (Operations) Pty Ltd 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 GasNet Australia (Operations) Pty Ltd 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;
  - (e) the compliance program is reviewed regularly and as necessary.
4. The Board of Directors of GasNet Australia (Operations) Pty Ltd has approved this report at its meeting on 16<sup>th</sup> July 2004.

Signed by:

  
NAME: CHRISTINE O'REILLY

CHIEF EXECUTIVE OFFICER

DATE: 16/7/04

  
NAME: ROW KELLER

EXTERNAL DIRECTOR

DATE: 16/7/04

# Ring Fencing Compliance Report

**Ring Fencing Compliance Report for GasNet Australia (Operations) Pty Ltd for the year ended June 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

GasNet Australia (Operations) Pty Ltd 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.

GasNet Australia (Operations) Pty Ltd 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.*

State whether GasNet Australia (Operations) Pty Ltd is a legal entity, the full name of the entity and under which law it is registered.

GasNet Australia (Operations) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at 180 Greens Road Dandenong, Victoria

### 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).*

Describe the business activities of GasNet Australia (Operations) Pty Ltd and state whether these activities include any producing, purchasing or selling natural gas.

GasNet Australia (Operations) Pty Ltd is predominately a gas transmission company and does not carry on any related business as defined by the National Access Code. It does not produce or sell natural gas, other than to the extent necessary to provide a safe and reliable operation of the covered pipeline

Please fill out the table below for all GasNet Australia (Operations) Pty Ltd's Associates with any involvement in natural gas:

| <b>Entity</b>  | <b>Business carried on</b> | <b>Assets owned</b>   |
|--|----------------------------|---|
| GasNet Australia (Operations) Pty Ltd  | Gas Transmission           | GNS Assets (excluding the NSW assets)   |
| GasNet Australia (NSW) Pty Ltd – subsidiary of GasNet Australia (Operations) Pty Ltd | Gas Transmission           | Assets residing within NSW known as part of the interconnect zone – part of the GNS |
| Gas Transmission Services WA (Operations) Pty Ltd                                    | Gas Transmission           | Pipeline residing in WA supplying Telfer  |

### **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.*

Describe the measures taken to ensure that a separate set of accounts has been established and maintained in respect of the Services provided by each Covered Pipeline for which GasNet Australia (Operations) Pty Ltd is a Service Provider (for example, describe how you ensure that costs incurred in relation to a Covered Pipeline are allocated to the relevant set of accounts).

GasNet Australia (Operations) Pty Ltd maintains a single general ledger covering all of its activities. The ledger system's chart of account and the chart of accounts of the subsidiary job costing ledger are designed to allow segregation of revenues and costs between the GasNet Transmission System (GNS) and Non Regulated Assets for which GasNet is a service provider.

In particular,

- All direct costs such as materials, contract services, utility charges are recorded in the job costing ledger against job codes that are specific to the assets of the transmission systems;
- Other operational costs such as telephones and motor vehicles are collected by operational department and are allocated on an asset value basis;
- Direct Overhead costs are allocated by a combination of effort and asset value. Effort involves the labour time component of activities such as central store operations, Occupational Health & Safety support, maintenance and breakdown response, house keeping functions such as asset management and procedure writing;
- Indirect overheads include the costs associated with the corporate departments. These costs are allocated on an asset value basis.

Describe the measures taken to ensure that a consolidated set of accounts has been established and maintained in respect of the entire business of GasNet Australia (Operations) Pty Ltd.

Under the Corporations Act, GasNet Australia (Operations) Pty Ltd has a requirement to produce accounts for its entire business. As all revenues, costs, assets and liabilities are recorded in the consolidated ledger, GasNet Australia (Operations) Pty Ltd has in place financial reporting systems that allow for the production of a set of such accounts.

#### **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.*

Provide details of the method of cost allocation used to allocate shared costs between Services provided by each Covered Pipeline and any other activity. If there is more than one method used, indicate which costs are allocated under which method. (It is not sufficient to merely assert that costs are allocated on a fair and reasonable basis in accordance with section 8.1 - please provide details of *how* these costs are allocated.)

- ❑ Direct costs that are not identified to a particular asset within an operation department's costs are reallocated based on an asset value basis;
- ❑ Direct overhead costs are allocated by a combination of effort and asset value. Effort involves the labour time component of activities such as central store operations, Occupational Health & Safety support, maintenance and breakdown response, house keeping functions such as asset management and procedure writing;
- ❑ Indirect overheads includes, the costs associated with the corporate departments. These costs are allocated on an asset value basis.

#### **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.*

Provide details of any policies or measures taken by GasNet Australia (Operations) Pty Ltd to ensure that all Confidential Information it obtains is treated as specified in sections 4.1(f) and 4.1(g) of the Code. Examples include measures in place to ensure security of electronic and

hard copy information, physical barriers such as secure access and confidentiality agreements signed by relevant staff.

Describe the measures in place to ensure that these policies have been successful and are regularly evaluated. Outline how often these policies are reviewed and assessed.

GasNet maintains security of relevant information through the following physical and procedural measures :

- Access to GasNet Offices is controlled through an electronic door access system. Access to the buildings is via coded access cards. The cards control access during and outside of normal business hours. Procedures are in place for the issuing of cards and for the cancelling of cards.
- During normal business hours, all visitors to GasNet Offices must register at a reception area and be issued with a visitor's pass. GasNet employees escort visitors from reception.
- The offices are monitored after hours by an intruder alarm system, which is linked to an external security monitoring company.
- There is also an after hours security patrol service in operation to prevent unauthorised access.
- Access to computer systems is through individual passwords and user names. Passwords are changed at periodic intervals.
- Firewall protection is in place to prevent unauthorised access to electronically stored information via the internet.
- A Human Resource Policy, GasNet Australia Statements of Policy-Business Conduct, Conflict of Interest and Political Contributions (HRP 6.1) governs the treatment of confidential information by employees.
- Where appropriate, confidentiality agreements are put in place with contractors and organisations with access to commercially sensitive information.

## 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'.*

Please indicate whether any of GasNet Australia (Operations) Pty Ltd's Marketing Staff are also servants, consultants, independent contractors or agents of an Associate that takes part in a Related Business. If so, please describe the situation.

None Applicable.

Please indicate whether any of GasNet Australia (Operations) Pty Ltd's servants, consultants, independent contractors or agents are also Marketing Staff of an Associate that takes part in a Related Business. If so, please describe the situation.

None Applicable.

Describe the procedures that GasNet Australia (Operations) Pty Ltd has in place to ensure that it complies with section 4.1(h) and 4.1(i) of the Code (for example, declarations signed by new staff). Outline how often these procedures are reviewed and assessed.

- Procedures as per the Human Resources Policies identified above are reviewed by way of the employee completing the Annual Certificate of Compliance.
- Contractors have not been engaged in Marketing activities in the reporting period.