BHP Billiton Petroleum Pty Ltd
600 Bourke Street
Melbourne Victoria 3000 Australia
GPO Box 86A
Melbourne Victoria 3001 Australia
Tel +61 3 9609 3333 Fax +61 3 9609 3015
bhpbilliton.com

17 May 2002

Mr. Greg Shales
Acting General Manager-Gas
Australian Competition and
Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Shales

Victorian Natural Gas Transmission Access Arrangements

Please find attached BHP Billiton's initial views on GasNet's and VENCorp's Access Arrangements applications.

We have reviewed all the information that has been publicly released and state categorically that we do not understand the derivation of the tariff elements, particularly in GasNet's Access Arrangements application.

BHP Billiton formally requests the ACCC, under Section 2.9 (b) of the Third Party Access Code to consider whether the Access Arrangement Information filed by GasNet and VENCorp for the Victorian transmission network complies in full with Sections 2.6 and 2.7 of the Code.

BHP Billiton formally requests the ACCC review GasNet's claims for confidentiality with respect to Annexures 2, 3, 4, 5, 6, 7, and 8 and to release the material for public assessment in terms of Clause 42 (2)(a) of the Gas Pipeline Access Law.

A range of additional information must also be disclosed and details are provided in BHP Billiton's submission.

Yours sincerely,

David Murphy
Marketing Manager

Comments On

GasNet's And VENCorp's

Access Arrangements Applications

BY BHP BILLITON
MAY 2002

TABLE OF CONTENTS

BHP Billiton: Comments on GasNet and VENCorp's Access Arrangements Applications

Introduction

BHP Billiton welcomes the opportunity to provide its initial views on GasNet's and VENCorp's Access Arrangements applications to the Australia Competition and Consumer Commission. The comments provided in this submission primarily relate to GasNet's application, unless otherwise stated. These comments address the material submitted by GasNet and VENCorp in their Access Arrangements (AA) applications and their Access Arrangements Information (AAI) documentation.

Section I seeks to reiterate the regulatory standards and specific Code requirements to which GasNet's and VENCorp's application should be assessed. The failure of GasNet, in particular, to meet those requirements (despite the selective information provided) is pointed out. **Section II** discusses the specific information disclosure requirements under the Code. **Section III** specifically addresses the deficiencies in the material provided, especially by GasNet, and details the additional disclosures necessary to satisfy the Code's criteria for efficiency, competitiveness and fairness to GasNet's customers.

BHP Billiton, having reviewed all the information that has been publicly released, states categorically that we do not understand the derivation of the tariff elements in the proposed AA and AAI submissions.

BHP Billiton considers that compliance with the Code is not optional for the Access Arrangements applicants or the regulator. The ACCC is required to enforce all aspects of the Code and cannot legally approve any Access Arrangement that does not comply with the Code.

Section I: The Access Arrangements Applications Must Be Assessed Against Standards Established By The Code

Both GasNet and VENCorp have lodged their AA and AAI submissions under the National Gas Code. The objectives of the Code are to establish a framework for third party access to gas pipelines that:

> "(a) facilitates the development and operation of a national market for natural gas;
> (b) prevents abuse of monopoly power;

(c) promotes a competitive market for natural gas in which customers may choose suppliers, including producers, retailers and traders;
(d) provides rights of access to natural gas pipelines on conditions that are fair and reasonable for both Service Providers and Users; and
(e) provides for solution of disputes."

BHP Billiton considers that the Code's objectives should be borne in mind when evaluating GasNet's and VENCorp's AA and AAI submissions. More specifically, the Code specifies a number of requirements in which regulated charges, such as GasNet's, are to be assessed by regulators like the ACCC. These requirements include:-

- The charges must be consistent with the *"public interest, including the public interest in having competition in markets."* (Section 2.24 (e)).

- Such charges must take into account the interests of *"Users and Prospective Users."* (Section 2.24 (f)).

- The result of applying the reference tariffs should *"replicate a competitive market."* (Section 8.1).

- The reference tariffs are not to distort *"investment decisions in Pipeline transportation systems or in upstream and downstream industries."* (Section 8.1 (iii)).

The above set of obligations contained in the Code clearly indicate that the ACCC's review of the AA and AAI submissions is not only to set tariffs based on the applications' recorded costs so that the applicants can *"earn a stream of revenue that recovers the efficient costs of delivering the Reference Service…."* (Section 8.1 (a)), but also to ensure **wider objectives** such as the *"public interest,"* promoting *"competition in markets"* and protecting the interests *of "Users and Prospective Users".* In addition, under Section 8.1 (a) of the Code reference tariffs should be designed with a view to, inter alia, "*replicating the outcome of a competitive market*" and under Section 8.2 (c) reference tariffs must be *"recovered from the Users of that Reference Service consistently with the principles contained in this Section 8".* Implicit in these principles is that reference tariffs must be competitively neutral (as between different competitors) and are not to contain cross subsidies to tilt the competitive playing field in favor of any one party.

The Code also stipulates that **economic efficiency** is a significant consideration in any Access Arrangement, especially in the context of its objectives of promoting a competitive market for natural gas and preventing the abuse of monopoly power. Economic efficiency does not require that the regulator takes a pro-infrastructure approach in setting reference tariffs as proposed by GasNet (submission, pgs. 14-16). Nor does economic efficiency require that the regulator takes an approach that results in over-investments in regulated infrastructure. What it requires is that the regulator takes an approach that keeps infrastructure costs at efficient levels, that expands infrastructure services (and output), and that promotes the economy-wide benefits of infrastructure may they be in upstream and/or downstream industries (in recognition that GasNet's services are inputs into other production decisions).

Thus, the Code is clear on the efficiency criteria of any Access Arrangements:-

- A regulator must take into account *"the economically efficient operation of the Covered Pipeline."* (Section 2.24 (d)).

- The tariff policy should *"give the Service Provider the incentive to reduce costs and develop the market."* (Section 8.2 (i)).

- The tariff policy should be designed to promote *"efficiency in the level and structure of the Reference Tariff."* (Section 8.1 (e)).

The critical question is, therefore, whether in particular GasNet's AA and AAI submission meets the regulatory standards and requirements of the Code.

BHP Billiton considers that GasNet's application falls well short of these standards by denying the rights of its customers to know the elements of its charges by inadequate disclosure of key relevant information. These deficiencies are detailed in Section II.

Section II: Information Requirements Under The Code

It is widely recognised that regulators and infrastructure users face significant information and resource asymmetry problems under the system of access reviews established by the National Gas Code. Access regulation is, at best, only a surrogate for imposing a competitive market environment on a monopoly network service provider.

Thus, when establishing the Code, legislators were at pains to ensure to the greatest extent possible and reasonable, that transparency and accountability should inform the access review process. Behind this was the recognition that one of the key aspects of competent access regulation and, hence, achieving efficient regulatory outcomes, was to facilitate maximum input from a wide range of market participants. And a key source of input would come from the parties who use the regulated services and are the ultimate providers of the revenues sought by the service provider. Failure to achieve **informed** input is likely to result in poor regulatory outcomes, bringing disputes and dissatisfaction to the whole access arrangement process.

Accordingly, the principle of **informed participation** in access reviews is embedded in the Gas Code as follows:-

> *"2.6 Access Arrangement Information must contain such information as in the opinion of the Relevant Regulator would*

enable Users and Prospective Users to understand the derivation of the elements in the proposed Access Arrangement and to form an opinion as to the compliance of the Access Arrangement with the provisions of the Code.“

“2.7 the Access Arrangement Information may include any relevant information but must include at least the categories of information described in Attachment A.”

The principle is further enunciated by the extent of information required to be disclosed in Attachment A to the Code, which details the type and of categories information as examples *of the minimum disclosure requirements* for the service provider to disclose.

Furthermore, Section 2.9 of the Code requires obligations on the part of the regulator with respect to disclosure of information:-

“*At any time after the receipt of the applicable Access Arrangement Information under sections 2.2 or 2.3 and before a decision is made to approve an Access Arrangement, the Relevant Regulator:*

(a) may, on its own volition require the Service Provider to make changes to the Access Arrangement Information if the Relevant Regulator is not satisfied that the Access Arrangement Information meets the requirements of sections 2.6 and 2.7; and

(b) must, if required to do so by any person, consider whether the Access Arrangement Information meets the requirements of sections 2.6. and 2.7 and decide whether or not to require the Service Provider to make changes to the Access Arrangement Information accordingly.”

Moreover,

Whilst the Gas Pipeline Access (SA) Act 1997 (schedule 1 clause 42) allows that a service provider is not required to have publicly divulged information where implicitly

“(i) that the disclosure of the information or document would cause detriment to the person supplying it or to the person from whom that person received it; or

(ii) that, although the disclosure of the information or document would cause detriment to such a person, the public benefit in disclosing it does not outweigh that detriment.” [1]

[1] These words are a reversal of the words in the Gas Law appendix 1 clause 42 (2)(a)(i) and (ii)

Section III: Information Deficiencies In The Access Arrangements Applications

BHP Billiton's specific comments on the deficiencies in GasNet's and VENCorp's AA and AAI submissions follow.

1. Errors and Omissions

Both GasNet and VENCorp are aware that the information they provide to the ACCC and users will provide the basis of the decisions and recommendations made in regard to the access arrangements. There is a need, therefore, for GasNet and VENCorp to declare that the information provided is correct and that they take responsibility for any material errors included within the information provided.

In addition, there needs to be a review to ensure the accuracy of the information provided. For example, schedule 7 of GasNet's submission is unclear and confusing, and would appear to be headed incorrectly, in that the left hand column is headed "Injections from WUGS to PTS", and the right hand column is headed "Withdrawals from PTS to WUGS (refill)". Essentially these headings would appear to mean the same thing, yet there are different numbers in each column. Clarification is required.

Both GasNet and VENCorp should review the documents provided to ensure the information they have provided is comprehensive, accurate and clear.

2. Sources of information

There are two sources of information that GasNet has failed to supply - these are those which GasNet has deliberately declared to be "confidential" and information which GasNet has not provided.

2.1 Confidential information

GasNet has classified as "confidential" a number of annexures to its access arrangement but has not provided any substantive reasons.

By far the greatest cost borne by users of the GasNet system is that related to the return on assets used. The issue of what the Regulatory Asset Base should be is addressed later, but the derivation of the rate of return is an essential part of the review, particularly as the bulk of the asset base has been previously established.

However, GasNet has claimed "confidentiality" for reports on

1. market risk premium (annexure 2);

2. regulatory treatment on accelerated tax depreciation (annexure 3);
3. imputation credits (annexure 4);
4. asset, equity and debt beta's (annexure5);
5. economic life of GasNet assets (annexure 6);
6. valuation of non-insured risks (annexure 7); and
7. comparative benchmarking for the gas pipeline industry (annexure 9).

The first four embargoed reports have a significant impact on the construction of the (very high) weighted average cost of capital which GasNet is seeking.

The fifth embargoed report provides an essential insight into the rate of depreciation for GasNet assets and is required to better understand the somewhat perverse asset lives GasNet wishes to use, particularly for the Longford to Melbourne assets and for the South West Pipeline assets.

The sixth embargoed report could well provide a better understanding as to why GasNet should be permitted to pass the fixing of certain normal business risks to being fully variable (ie to become a user risk) when GasNet is not only able to better manage such risks, but where GasNet actions could be the cause of any increase in the cost of managing the risk.

For example, GasNet has claimed there are a number of asymmetric risks (submission, pg 100) which GasNet believes exposes them to costs which should be included in the reference tariffs. In Schedule 4 GasNet refers to work by Trowbridge (quantifying certain asymmetric risks) but embargoes the Trowbridge report from public exposure - see annexure 7.

The seventh embargoed report would provide users with access to useful performance benchmarks. Attachment A to the Gas Code is quite specific in that the service provider must furnish comparative benchmarks to demonstrate that the costs claimed are "reasonably incurred".

It is presumed that the embargoed reports provide useful inputs into the setting of parameters which have considerable significance to developing the revenue sought by GasNet. The decision to embargo them from general review implies that the contents may well include assumptions and conclusions which do not stand public scrutiny.

The ACCC should make known the reasons why GasNet wishes these documents to remain confidential and to make these reasons public. If the reason is that there is certain information included in the document that requires confidentiality, and the ACCC agrees with this assertion, those sections of the document should be deleted (leaving headings so that interested parties can see what has been deleted) and the balance of the document be released.

The ACCC should also make public its reasons for agreeing why certain documents or elements of documents to which "confidentiality" has been claimed is being upheld.

2.2 ***Information omitted from the GasNet and VENCorp Access Arrangements***

The requirements of the Gas Code with regard to information disclosures are quite specific. Further there is a clear listing of information which is to be disclosed and this is explicitly expressed in Attachment A to the Code.

2.2.1 ***Who is the "service provider"?***

In the discussion of the terms and conditions to apply (Submission section 10) GasNet proposes to "normalise" the provision of services between itself and VENCorp. GasNet needs to advise whether the legal rights of shippers are affected by the proposed changes, bearing in mind that VENCorp has no liability to shippers for its actions.

This leads to a second issue concerning the lack of information. Users are obliged to take a "bundled" service from GasNet/VENCorp for the provision of the service. Thus there needs to be an aggregation of the costs to be incurred for the aggregated service. These costs need to be broken down so that proper comparisons of kpi's can be made and appropriate benchmark comparisons made with other transmission pipeline businesses. Further, the aggregated "terms and conditions" applying to the aggregated services need to be presented. It is not the role of the ACCC nor of users to make their own decisions and estimates of the cost and conditions applying to the full service.

2.2.2 ***Information Regarding Capital Costs***

GasNet should be required to provide information in terms of Category 2, Attachment A of the Code. In particular, the asset values for each pricing zone, service, or category of asset, and data on depreciation and accumulated depreciation. This is critical as significant pipeline assets are proposed to be 'rolled-in' (see later).

2.2.3 ***Forecasts of demand***

There is extensive detail provided on the forecasts of demand. But omitted from the detail are the impact of Yolla introducing gas at Lang Lang (omitted because GasNet was of the view that the Yolla project will not proceed, but there appears to be an inconsistency here as Yolla is included for a prudent discount arrangement: see AAI, page 29; refer also to the Origin press statement, reported on 20 April in The Age), of Minerva gas going to South Australia, and of TXU shipping gas to South Australia from Iona. Also omitted is the gas demand for each of the zones which is required to demonstrate the appropriateness of the zonal tariffs.

Implicit in the depreciation proposals for the Longford - Melbourne and the South West Pipeline, is an expectation of reduction of Longford supply after 20 years and a growth or maintenance of Otway supply for 50 years! The forecast proposals supplied do not range this far forward, and need to be provided, with substantiation to support the expectations stated.

2.2.4 Volume usage

The detail provided does give a view as to the total annual demand forecast over the period of the access arrangement. However, implicit in the forecast growth of the different elements of the demand (eg power generation vs. domestic demand) there is a strong element of non-coincidence (power generation growth is related to high electricity peaks in summer whereas domestic growth is related to home heating in winter).

The gas network is designed to provide for the peak demand at any one time. Thus MDQ is the key driver of network sizing, and likelihood of constraint. Whilst there is information provided of annual and monthly demands for each region, as GasNet proposes to use 10 day average maximums (currently 5 day average maximums) then the data provided should include for MDQ, and 5 and 10 day average maximum demands for each zone. This data needs to be compared to the actual capacity of the different zones.

Historically, the gas transmission network has been constrained in winter. GasNet has averred that the winter warming will act to reduce the winter demand. Implicitly the growth in power generation demand is summer driven. Thus, there is a need for additional data to recognise the implicit change in the shape of the demand profile over the period to reflect the changed uses of gas in the Victorian market. This will have a marked impact on the future capex needs, both with regard to location and life extension.

2.2.5 Rolling-in of WTS and SWP

GasNet has requested the “rolling-in” of the South West Pipeline (SWP) and WTS into the PTS. However, there is a need to ensure that there is no underlying cross-subsidisation between WTS, SWP and PTS. GasNet needs to detail how it prevents any under- or over-run of revenue from these two elements will not be involved with the total revenue requirement implicit in the K-factor roll forward arrangements. Also, it is not clear what costs are being incurred by end-users arising from the “rolling-in”. How are proposed tariffs calculated? In particular, we require a build-up of the cost components to ensure a full understanding of the derivation of the tariffs proposed to be charged by SWP and WTS, including specifically capital costs, WACC, capex, and all elements of opex.

GasNet has provided little information on the amount of gas demand in SWP for either forward or back haul either in the past or into the future. Once the pipeline from Iona to Adelaide is completed there is potential for TXU (owners of WUGS and user of gas in Adelaide) to source gas for its Adelaide needs from WUGS. This probability appears not to be factored into the volume forecasts, and its potential will significantly affect the tariff regime on SWP. For ACCC and users to assess the appropriateness of such a roll-in, or indeed of the tariffs proposed, requires full details of the timing, volume and flow direction underpinning the efficacy of the SWP, its benefit to users of the GasNet system, and the cost of any benefit. That GasNet advises that it "…is confident that … sufficient volumes are likely to flow on SWP …" (submission, Section 5.6.1(c)) is insufficient information on which to base the payment of significant additional revenue arising from SWP being rolled in.

In the BHP Billiton submission of 17 January 2001 to ACCC regarding the rolling-in of SWP, a number of issues (cost/benefit vs. alternative options, State government capital contributions, gas flows, forecasting scenarios, etc) were raised demonstrating the need for detailed and accurate information to support (or refute) the appropriateness of the rolling-in of the SWP. The GasNet submission does not provide the information necessary to carry forward this assessment.

2.2.6 <u>Details of zones</u>

Zonal costing is the basis used by GasNet in order to comply with the Code requirement for cost reflectivity. GasNet has proposed to use the same zones as currently operating, although they do state that additional zones are contemplated to avoid bypass, and split the metro zone into two in order to rationalise for better cost reflectivity. It is a Code requirement that where a zonal approach is proposed, that each zone be assessed on its merits, detailing how the tariff is structured, the details of how the costs of the service provider are allocated to each zone, and what volume of gas the costs are being spread over. From this data the build up of each zonal tariff can be reviewed for compliance with the Code for cost reflectivity.

To recognise the zones proposed, a description or map is required.

To comply with this requirement for additional information, there is needed data on the demand of each zone (MDQ), total volume over which the costs are to be spread, the number of customers, the value of the capital assets involved, planned capex for each zone, the various elements of non-capital items (operations and maintenance, marketing costs, administration and overhead costs, etc), the age of the assets and the depreciation rate proposed. This information is required to be provided as detailed in Attachment A of the Code. Based on this information GasNet should prepare separate calculations underpinning the proposed tariffs in each zone.

GasNet should then re-aggregate the total revenue calculated from each zone, the assets involved, customers served, etc, to demonstrate the sum of the parts equals the whole.

2.2.7 *Past capex*

In the capex permitted to be included in the **current** access arrangement, there were certain expectations resulting from the commitment. GasNet, however, elected to use capex for other purposes. But there is insufficient detail provided to demonstrate that the changed use of capex has resulted in the outcomes expected at the time of setting the current access arrangement.

GasNet is proposing new capex for the coming access arrangement. It does not, however, define the outcomes expected from the new capex so that analysis can be undertaken later to confirm (or otherwise refute) the efficacy of the capex injection.

GasNet alleges the ageing of parts of the system. It does not, however, provide data which demonstrates the age of the various elements (nor enable independent assessment of its veracity as this information would appear to be embargoed as annexure 6) nor the targeted use of capex to levelise the age of the system.

2.2.8 *Opex and Marketing*

It is not possible for a monopoly service provider to benchmark its performance in a competitive way, because by the very nature of being a monopoly, it does not operate in a competitive market. Thus it is not directly subject to the rigours of competition. One regularly reads of competitive enterprises being forced to review costs in order to stay in business. Monopolies, however, face regulation as the principal driver to reduce unjustifiable and excessive prices to consumers and so the regulator must assess reasonable efficient costs for the monopoly business. The only way this can be done is by "competition by comparison"

GasNet has provided three categories only for describing nearly 80% of its requested opex allowance, divided nearly equally between "maintenance" and "general and administrative". GasNet has provided limited comparative data demonstrating these amounts are reasonable, and no international benchmarks. In order for international benchmarking GasNet should ensure that the amounts in each category are appropriately aggregated for direct comparability, and use a sensible benchmarking divisor eg G&A costs are probably more related to numbers of customers served than GJ of gas transported, therefore requiring a number of different benchmarking divisors to be assessed rather than the single benchmark divisor offered in the application.

Further, opex costs should also be related to the benefit the consumer gets from the investment in these activities. In particular, GasNet includes an allowance for marketing of gas. It does not, however, provide substantiation of the need for this activity by GasNet (as distinct from other entities interested in the maintenance or growth of gas usage). Further, GasNet does not include what outcomes (or measurable) are expected from this marketing activity so that future reviews can assess the efficacy of the activity or the funds used.

2.2.9 Efficacy of the proposed tariffs

GasNet has not provided calculations demonstrating the effect of the new tariffs to provide the expected revenue. This needs to be carried out for each pricing zone and then aggregated to demonstrate compliance with the revenue cap and to demonstrate that there is no cross subsidisation.

We have a major concern with this particular issue as there is potential under the application of the K-factor adjustment to implicitly recompense areas of under-recovery. If this recovery is permitted to occur, then the proposal put by GasNet to segregate revenue of WTS and SWP from PTS by having dedicated tariffs for WTS and SWP to replicate a stand-alone approach looses force, and the request for “rolling-in” of these additional piping systems should receive an emphatic negative response rather than a more considered response.

It is necessary to demonstrate that the proposed new tariffs do in fact return the appropriate revenue to each of the zones, that each zone has been costed correctly, and that GasNet has not unbalanced the tariffs. Under the Code the tariffs must be cost reflective, and be demonstrated to be the case.

2.2.10 Efficacy of capex and other investments

GasNet has provided qualitative analysis supporting its proposed capex for the new access arrangement. There is, however, no quantitative analysis provided to support the contemplated augmentation of the network. At the very basic level, what GasNet needs to provide is the probable return for the capex injected, although for the level of capex suggested a more detailed financial assessment is clearly needed.

Users will be expected to fund GasNet to improve the operation of the system. However, GasNet has not provided a cost/benefit analysis of investment of human or financial resources achieved from the current access arrangements. GasNet needs to provide likely or expected outcomes from the future proposed investment of human and financial resources.

2.2.11 Key performance indicators

GasNet has provided some kpi’s with reference to some other pipeline systems operating in Australia. As there are a relatively few independent gas transmission system service providers in Australia, this approach is insufficient, as for each of these service providers to compare themselves only to each other will result ultimately in circular prophesies. GasNet must be required to identify comparable overseas benchmarks for comparison purposes.

2.2.12 VENCorp Issues

In November 2001, BHP-B provided a response to VENCorp on issues surrounding its activities. A copy of this was provided to ACCC and this raises a number of matters surrounding VENCorp operations and benchmarking. In particular information was requested with respect to benchmarking VENCorp costs, and identifying benefits from its operations. The submission from VENCorp does not address this request for information which remains valid.

As a bare minimum VENCorp should benchmark its costs against NEMMCo which has a similar role to that of VENCorp, although by aggregating VENCorp and GasNet costs in the area of opex, comparisons between the operating costs for providing the entire gas delivery service can be benchmarked with operating costs for local and overseas gas delivery services.

Conclusions and Recommendations

BHP Billiton is deeply concerned with the extent and significance of the information deficiencies, particularly in the GasNet Access Arrangement application. We maintain that compliance with all the provisions of the National Gas Code is not optional for any network service provider or regulator. The ACCC must, therefore, ensure that GasNet and VENCorp comply with the requirements of Sections 2.6. and 2.7 of the Code. Accordingly,

- **BHP Billiton formally requests the ACCC, under Section 2.9 (b) of the Third Party Access Code to consider whether the Access Arrangement Information filed by GasNet and VENCorp for the Victorian transmission network complies in full with Sections 2.6 and 2.7 of the Code; and**
- **BHP Billiton formally requests the ACCC review GasNet's claims for confidentiality with respect to Annexures 2, 3, 4, 5, 6, 7, and 8 and to release the material for public assessment in terms of Clause 42 (2)(a) of the Gas Pipeline Access Law.**

BHP Billiton proposes to provide detailed and specific comments on many key aspects of GasNet's and VENCorp's Access Arrangements applications and the above information sought under Attachment A of the Code and in terms of Clause 42 (2) (a) of the Gas Pipelines Access Law will assist in BHP Billiton's ability to respond in an informed manner. However, there is also a range of additional material that must be disclosed to enable BHP Billiton, as a major user of the system, to understand the derivation of the elements of the Access Arrangement and to form an opinion as to overall compliance with the Code. Accordingly, **BHP Billiton requires more information on the following:-**

- **Who is the “service provider”?**
- **MDQ, and 5 and 10 day average maximum demands for each zone;**
- **Change in the shape of the MDQ profile over the period;**
- **SWP MDQ forward and back haul charges in the past and the future;**
- **Answers to queries raised about SWP in BHP Billiton submission of 17 January 2001 to ACCC;**
- **Outcomes expected of past and future capex ;**
- **Outcomes expected of past and future marketing allowances;**
- **Calculations demonstrating the efficacy of the proposed tariffs to achieve the target revenue, and demonstrating there will be no cross subsidy either explicit or implicit between WTS, SWP and PTS;**
- **Answers to queries raised by BHP Billiton submission of December 2001, regarding VENCorp costs;**
- **Benchmarking of aggregated GasNet and VENCorp costs; and**
- **International benchmarking of GasNet and VENCorp costs.**

BHP Billiton will be providing a detailed submission (by 14 June) responding to the ACCC’s Issues Paper (within the constraints of the currently available but information deficient GasNet and VENCorp AA and AAI applications). When further information is made available by the applicants to comply with BHP Billiton’s concerns about information deficiencies, BHP Billiton reserves the right to lodge further submissions on key relevant issues. In addition, BHP Billiton is foreshadowing to the ACCC that it proposes to lodge further submissions on specialist issues, including the Capital Base, the WACC, and on GasNet’s Pricing Structures and Tariff Structures.

May 2002