

23 August 2004

Ref. 479-75-71

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

Dear Mr Buckley

**Proposed revisions to access arrangements for the Ballera to Wallumbilla Pipeline**

Enertrade appreciates the opportunity to comment on Epic Energy Queensland Pty Ltd's (Epic) proposed revisions to its access arrangements for the Ballera to Wallumbilla Pipeline (better known as the South West Queensland Pipeline or SWQP). The SWQP is currently regulated under the National Third Party Access Code for Natural Gas Pipeline Services (the Code), and is the subject of an existing access arrangement.

This submission addresses the proposal to discontinue reference tariffs for all services except for full forward haul services.

Enertrade's direct interest in making this submission is that it owns the Cheepie to Barcardine pipeline and the Barcardine power station. The Cheepie to Barcardine pipeline takes gas from the SWQP at Cheepie under backhaul arrangements and supplies it north to the gas-fired Barcardine power station.

In making this submission, Enertrade does not wish to enter the debate about the merits of the Code in regulating pipeline services. The Productivity Commission recently reviewed the Code and the Commission's recommendations are being considered by the Ministerial Council on Energy. The present proposal to modify the access arrangements clearly has to be dealt with under the current Code provisions.

Epic has proposed revisions to its access arrangement that would have the effect of discontinuing reference services for AFT services. Epic is currently required to publish reference tariffs for these services under the terms of its derogation with the Queensland Government. AFT services comprise all services other than full forward haul services, and include services for which reference tariffs currently exist, including back haul, interruptible transportation, forward part haul, back part haul and interruptible part haul services. Discontinuing reference tariffs for AFT services

Level 10  
12 Creek Street  
GPO Box 10  
Brisbane Queensland  
Australia 4001  
Telephone +61 7 3331 9900  
Facsimile +61 7 3331 9901  
Email [enertrade@enertrade.com.au](mailto:enertrade@enertrade.com.au)



effectively compels parties seeking these services to negotiate them on a case-by-case basis, with the potential to considerably impede the finalisation of tariff arrangements for AFT services.

Clause 3.2(a) of the Code provides that covered pipelines must provide reference tariffs for services that are likely to be sought by a significant part of the market, or which should, in the regulator's opinion, be the subject of reference tariffs. The rationale for this provision is that the maintenance of clear and transparent reference tariffs for commonly-sought services is likely to facilitate ease of use of the Code and greater competition in the supply of gas to users.

The proposal to withdraw AFT services comes at a time when such services are increasingly likely to be sought by users. The impetus to seek AFT services comes from a number of sources.

First, the major exploration and production efforts in the Bowen/Surat basins for coal seam methane are likely to significantly expand the amount of gas available for injection into the SWQP at Roma.

Second, a significant number of users on the Carpentaria Gas Pipeline (CGP) and the Cheepie to Barcaldine pipelines are likely to seek back haul arrangements to meet their gas supply needs. Backhaul arrangements on the SWQP to supply the CGP are likely to increase given resolution of pressure supply issues on the interconnect between these pipelines.

Third, Origin and Santos recent entered gas swap arrangements to exchange gas at Ballera (Origin) for gas at Moomba (Santos). Enertrade understands that the Origin-Santos swap arrangements do not necessarily result in an equal amount of gas at Ballera being swapped for gas at Moomba. With increases in demand for gas in Sydney and Adelaide, it may be that the swap will result in a net decrease in gas available at Ballera. Thus, the swap arrangements could well increase demand for backhaul services in order to supply demand for gas along the SWQP west of Roma, and in particular for injection into the CGP and the Cheepie to Barcaldine pipeline.

Fourth, it is reasonably likely, given growing demand in Sydney and Adelaide, that the SWQP will be extended westwards or southwards in the future to connect with the Moomba to Sydney and/or Moomba to Adelaide pipelines. This would increase the probability of back haul flows on the SWQP.

Fifth, the Queensland Government is shortly due to enact the *Electricity (13% Gas Scheme) Amendment Bill 2004*. The Bill is designed to promote the use of gas in electricity generation by imposing penalties on liable parties that do not secure gas energy certificates in respect of thirteen per cent of their load. This scheme is likely to increase demand for backhaul on the SWQP since both the CGP and the Cheepie to Barcaldine pipeline supply gas to significant gas-fired power stations.

Given the above, Enertrade considers that the provision of AFT services is important in promoting competition in the supply of gas from the Bowen/Surat basins to users located along the length of the SWQP, the CGP, and the Cheepie to Barcaldine



pipeline. These users would be disadvantaged by the withdrawal of established tariffs for these services and the requirement to negotiate tariffs on a case-by-case basis for the supply of gas from producers in the Bowen/Surat basins.

At some point in the future, the flow on the SWQP may change from its current easterly direction to a westerly direction. At that time, the access arrangements may need to be reviewed.

In summary, for the reasons outlined above Enertrade urges the ACCC to continue to classify AFT Services as reference services with published tariffs and their own conditions.

Yours sincerely

Michael Cavell  
**Chief Executive Officer**

Enquiries: Luke Berry, Manager, Regulatory and Compliance  
Telephone (07) 3331 9945  
Facsimile (07) 3331 9901