



**BALLERA TO WALLUMBILLA NATURAL GAS PIPELINE
(South West Queensland Pipeline)**

**SUBMISSION#3
RESPONSE TO MORE THIRD PARTY SUBMISSIONS**

PUBLIC VERSION

AUGUST 2004

**Epic Energy Queensland Pty Ltd
ABN 67 066 656 219
Level 7, 239 Adelaide Terrace
Perth WA 6000
CONTACT: Anthony Cribb
TELEPHONE: 9492 3803**

1. Introduction

1.1 On 16 August 2004, the ACCC issued the following notice to interested stakeholders:

The ACCC has recently received a submission from Epic in addition to two submissions from other stakeholders (see attachments). The ACCC is seeking to test the submissions through further public consultation and therefore invites interested parties to comment by COB Monday 23 August 2004.

1.2 On 24 August, Epic Energy provided a further submission (submission #2) in response to third party submissions. Since then, 2 further submissions have been made available to Epic Energy:

- Submission from Enertrade
- Submission from Santos Limited.

1.3 While these submissions raise issues which Epic Energy has already dealt with in its submissions 1 & 2, they raise other issues which need to be responded to. Accordingly, this is the purpose of the submission.

1.4 [Deleted – confidential].

2. Response to Enertrade Submission¹

2.1 The Enertrade Submission raises the following issues:

- The Cheepie to Barcaldine pipeline takes gas from the SWQP at Cheepie under backhaul arrangements and supplies it to the gas fired Barcaldine power station.
- Discontinuing reference tariffs for AFT Services 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.
- AFT Services are increasingly likely to be sought by users and therefore should remain as reference services for a number of reasons:
 - Coal seam methane exploration and production is likely to see significant additional gas available for injection into the SWQP at Roma;
 - A significant number of users on the CGP and the Cheepie pipeline are likely to seek backhaul services;
 - The SWAP arrangement between Origin and Santos does not result in an equal amount of gas at Ballera being swapped for gas at Moomba, thus potentially resulting in a net decrease in gas available at Ballera which could result in an increase in demand for backhaul;
 - There is a reasonable likelihood that in the future the SWQP will be extended westward or southward to connect with either the MSP or MAPS;
 - The Queensland Government's proposed introduction of legislation to promote the use of gas will increase demand for backhaul services.
- Including AFT Services as reference services is important in promoting competition in the supply of gas from the Bowen/Surat basins to users along the SWQP.
- The access arrangement may need reviewing if the flow in the SWQP changes.

¹ Enertrade Submission to the ACCC in relation to the proposed revisions to the SWQP Access Arrangement, dated 23 August 2004.

2.2 Epic Energy comments on the following of the above issues:

The Cheepie to Barcaldine pipeline takes gas from the SWQP at Cheepie under backhaul arrangements and supplies it to the gas fired Barcaldine power station

2.3 [deleted – confidential]

2.4 It is Epic Energy's understanding that Enertrade is reviewing the operation of the Barcaldine Power Station, which if anything, may result in a reduction in gas requirements.

2.5 Epic Energy understands that apart from the power station at Barcaldine, there is no substantial demand in the foreseeable future for gas along the Cheepie pipeline that would warrant a substantial part of the market likely to seek a backhaul or forward haul service along the SWQP.

2.6 Furthermore, to the extent that there is any substantial incremental demand for gas along the route of the Cheepie pipeline, any gas that would be sourced from fields requiring transportation on the SWQP would be competing with gas sourced from the Gilmore field, which is supplied directly into the Cheepie pipeline. Thus, the gas that would need to be supplied via the SWQP would be competing at a cost disadvantage to the Gilmore gas. For Epic Energy to realise greater flows in its pipeline, it would therefore need to offer market based tariffs.

2.7 In spite of the above, Epic Energy is willing to continue to provide part backhaul services to Cheepie, on the current terms if that is what the market requires, for any demand that arises and as long as Epic Energy is able to provide a backhaul service on its pipeline.

Discontinuing reference tariffs for AFT Services effectively has the potential to considerably impede the finalisation of tariff arrangements for AFT Services.

2.8 As Epic Energy has outlined in earlier submissions, Epic Energy has never denied a party access to the pipeline for an AFT Service. [deleted – confidential].²
[deleted – confidential]

2.9 Epic Energy's preparedness to offer reduced tariffs for services is occurring at a time when there are significant amounts of uncontracted capacity on the pipeline. Accordingly, the claim by Enertrade is unfounded and moreover there is compelling evidence that Epic Energy has been encouraging the finalisation of tariff arrangements.

The Queensland Government's proposed introduction of legislation to promote the use of gas will increase demand for backhaul services

2.10 Epic Energy has encouraged the introduction of government initiatives to promote the use of gas. However, with the physical impediments that exist between Ballera and Moomba, Epic Energy does not see how a substantial part

² [deleted – confidential]



SWQP PROPOSED REVISED ACCESS ARRANGEMENT

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of the market for the supply of gas is likely to enter into a contract for a backhaul service at least during the regulatory period. Furthermore the uncertainty of forward haul quantities in the SWQP caused by the Origin/ SWQ Producers gas swap is a significant deterrent to other potential backhaul shippers during the regulatory period, because Epic Energy is unable to guarantee the availability of backhaul capacity without committing to an expansion of the SWQP to allow the receipt of gas into the SWQP at Wallumbilla and the physical reversal of flow in the pipeline. The current configuration of the SWQP does not allow such flow reversal to occur.

- 2.11 As said above, if parties are concerned at there being no posted tariff, Epic Energy would be more than prepared to continue the current posted tariffs.

3. Response to Santos Submission³

3.1 The Santos submission raises the following issues:

- It is concerned that the reference services are being removed at a time where more flexibility is required in response to changing imperatives and there is no apparent reason of the change.
- There appears to be no valid reason for the change to the extensions and expansions policy to provide that no extensions or expansions are part of the pipeline unless Epic Energy elects otherwise.
- It opposes the removal of the major events trigger.

3.2 Epic Energy has responded to these issues in its earlier submissions.

³ Submission by Santos Limited to the ACCC dated 25 August 2004