

**Roma to Brisbane
Roundtable
Monday 15 May 2006
ACCC Brisbane Office**

Attendees:

Clint Adams (CA)	Arrow Energy
Larry Kramer (LK)	Queensland Gas Company
Clem Hodda (CH)	Queensland Gas Company
Craig Langford (CL)	Santos
Robert Timmons (RT)	Origin Energy
Michael Handley (MH)	Origin Energy
John Rich (JR)	BHP-Billiton
Ken Moyle (KM)	Orica
Caroline Buchanan (CB)	BP
Trevor Johnson (TJ)	Energex
Patrick Whish-Wilson (PW)	Energex
Gordon Buck (GB)	Enertrade
Sandra Dureau (SD)	APT
Stuart Ronan (SR)	APT
Rod Johannessen (RJ)	APT
Kelvin Askew (KA)	ERM Group
Paul Connolly (PC)	Ergon Energy
Mike Buckley (MB)	ACCC/AER
Patricia Pascuzzo (PP)	ACCC/AER
Robert Millar (RM)	ACCC/AER
Ross Calvert (RC)	ACCC/AER

1. Introduction

MB: Welcomed the participants to the roundtable. The purpose of the roundtable is to provide a forum to discuss the trading and queuing policies of the proposed Roma to Brisbane Pipeline (RBP) Access Arrangement. It will be used to inform the ACCC on whether the queuing policy will facilitate timely expansion of the pipeline and whether there are any impediments to capacity trading.

2. Queuing – Policy and Operations

MB: The proposed queuing policy is similar to that in the current access arrangement. The ACCC is seeking to achieve economically efficient outcomes in its review process but needs to be informed through user comments. The ACCC has a particular interest in users' access to developable and accessible capacity. The Round Table seeks to identify what information users require to enable a queuing policy to work as intended.

SR: The Code recognises the need for a queue. Expansion of the pipeline is dependent on the commercial commitment of users seeking access to expanded capacity. The queuing policy is consistent with this premise. The queuing policy in

the revised access arrangement includes a provision for users to fund investigations into the feasibility of expanding the pipeline. It is a fair approach.

SD: The Code requires a queuing policy regardless of whether there is spare capacity or not but it only comes into play where there are capacity constraints. By implication its purpose is for facilitating timely expansions of the pipeline. It is not service specific (i.e. it applies to all services – not just firm forward) and operates in a non-discriminatory fashion.

SD: Users who fund investigations are recognised as having a stronger claim to the potential capacity compared those users who opt not to fund investigations. It is a fair approach, recognising the significant costs in funding investigations.

RJ: A preliminary estimate of the tariff for extra capacity can be provided in around a week of an initial expression of interest from a user. However, a firm tariff requires more investigation. APT has an obligation to inform users if a more detailed investigation is required.

GB: Sought clarification on the investigation process. He noted the difficulties faced by users with highly uncertain final demand. Such users require some value to come out of any investigation if only through an ability to trade their capacity rights created through an expansion.

LK: Would like a commitment from APT to include a reference regarding the timing of a preliminary tariff estimate in the queuing policy.

SD: Will include such a reference in the access arrangement. However, the access arrangement is not intended to include every detailed step in the process.

RT: Asked whether, under the Code, APT is able to seek a negotiated tariff for expanded capacity. What information should be provided on the cost of expansions and how are these costs arrived at? What authority would the ACCC have to scrutinise these costs? Concerned that it is a monopoly pipeline and users have weak bargaining power as they have no other choice for pipeline transport. This approach makes the expansions potentially free from regulatory scrutiny.

SD: The Code envisages that there will be negotiations and where parties are unable to reach agreement, they may resort to arbitration.

MB: Code allows for the negotiate/arbitrate model and it is up to the ACCC to assess its appropriateness. Submissions from users form part of that process. The RBP has been expanded in the past under a negotiate/arbitrate framework, albeit one that was not subject to regulatory scrutiny.

KM: Section 6.2(a) of the Access Arrangement allows a user to reduce, but not to increase, the capacity sought in a request which is in the queue. It might be sensible to include or exclude both reductions and increases because in the preliminary stages of project development there is often uncertainty about the level of gas demand. Sections 6.4 and 6.5 fail to recognise the requirement of the end-user to seek approval

for major contracts from its own senior management (the Board) – i.e. a 30 day timetable may not always be feasible

GB: Users should be able to trade their position in the queue, including a right created where a payment for investigating an expansion has been made. Also raised the issue as to how delivery/receipt points are treated – does the load determine the delivery/receipt points?

TJ: Question regarding the rights of an incumbent user whose long-term contract is about to end. Does an incumbent need to request a position on the queue or are its access rights protected?

CL: Do not underestimate the difficulties users face in seeking arbitration of disputes.

GB: An end user currently supplied by an aggregator may wish to make other arrangements

JR: The Carpentaria Pipeline provides a good model for queuing in relation to expansions.

SD: The access arrangement states that requests received on the same date are treated equally and loads determine the receipt/delivery points. If APT were to give priority to existing shippers they would risk being accused of entrenching incumbents' interests. APT is neutral on this issue and will be informed through user feedback.

MB: Important to note that the proposed access arrangement cannot interfere with pre-existing contractual arrangements.

LK: Raised the issue of the potential for extra capacity as a result of the recently amended gas specifications. The new gas specification creates the potential for higher heating value gas to be supplied into the pipeline and that would effectively increase the capacity measured in terms of TJ/day.

SD: Will investigate and provide further information.

3. Trading – Policy and Operations

MB: APT's proposed trading policy is essentially the same as the current RBP access arrangement. The issue for discussion is whether capacity trading is working under the existing access arrangement, noting that the revised access arrangement advocates a postage stamp tariff structure.

SR: APT can only withhold consent to trade capacity on reasonable technical/commercial grounds. APT sees trading is essentially as an issue for users. The Code states that users have an obligation to trade unused capacity. The Ministerial Council on Energy (MCE) is reviewing trading in the context of wider gas market reforms.

SD: The Trading Policy was not written with the intention of facilitating short-term trading.

MB: Noted the principles established under the MCE for the gas market development. The aim of this process is not to get ahead of the MCE review process but rather reflect the direction it is heading in.

RT: Wants to know why consent is required to trade in some instances. For example, if a contract provides for haulage from point A to point Z, should not a shorter haulage distance (say from point A to point M) be automatically approved?

SD: In each case it needs to be considered on technical grounds. APT needs to ensure the integrity of the pipeline.

Various roundtable participants commented that they would like APT to provide more specific information regarding the circumstances that may result in its refusal of a transfer. Some users indicated that they have previously been refused requests to trade linepack. There was concern that APT may be conflicted when considering whether a trade should be allowed. For example it may reduce revenue from overrun, imbalance or variance charges. Users' concerns were not with the technical grounds but rather with "reasonable commercial grounds" because they are not specified.

TJ: Transfers of linepack should be permitted.

SD: The Trading Policy reflects the Code and does not preclude transfers of linepack. The policy covers both the reference service and negotiated services. The Code provides an example of reasonable grounds for refusal (section 3.11). APT is willing to repeat this clause in the access arrangement. SD agreed to provide more clarity in the policy about "reasonable commercial grounds". For example, the Code does not require APT to approve a capacity trade where it would be adversely affected financially by the trade. More generally, if users feel that they have been refused a request to trade in the past, users should write to APT citing specific instances.

LK: Existing contracts specify receipt and delivery points. Without the flexibility to alter these points, it is difficult to trade effectively.

GB: Existing contracts do not provide for trading. Transaction costs are quite high for trades particularly because of the legal costs. The Australian Financial Markets Association is attempting to facilitate gas trading by providing standard forms of contract.

A number of participants emphasised their desire for greater flexibility in trading with regard to receipt and delivery points.

GB: Several issues are impacting on the ability to trade capacity on the RBP. One of the issues is the adequacy of information provided to users. He also noted that trading does not necessarily result in more revenue for the service provider because of the loss of potential for requests for interruptible services. Imbalances lead to inefficient use of linepack.

TJ: The 14 day timeframe is not amenable to short-term trades such as those which could arise from plant breakdowns.

MB: Asked how short-term trades differed from long-term trades.

SD: Long term trades involve transfer of contractual rights.

KM: Indicated that the USA, Canada and other countries operate effective trading regimes. He agreed to provide some details of how these operated.

SD: Going forward users will negotiate receipt and delivery points in contracts that are consistent with the access arrangement and the Code. APT is willing to work with the ACCC on more detailed information on transfer requirements, including examples of reasons for refusing requests on commercial and technical grounds. APT is also willing to reference linepack in the trading policy and to provide greater clarity on how future contracts will allow greater access to all nominated receipt and delivery points.

4. Other Matters

KM: System use gas could be supplied by the service provider.

RT: Backhaul is often requested as a service and perhaps it could be reference service in the access arrangement.

MB: If users feel strongly on this issue, they should include it in their submissions to the ACCC.

MB: Thanked the participants and in particular, APT, for participating in the roundtable.