



INVESTMENT PTY LTD
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SUBMISSION

Provided to the Australian Competition and Consumer Commission in response to the submission lodged by AGL Sales (Queensland) Pty Limited in relation to the Access Arrangement for the Dawson Valley Pipeline

1. Introduction

- 1.1 Anglo Coal (Dawson) Limited, Mitsui Moura Investment Pty Ltd and Anglo Coal (Dawson Management) Pty Ltd (**Service Providers**) are Service Providers for the Dawson Valley Pipeline (**DVP**).
- 1.2 On 5 February 2007, the Service Providers submitted a proposed Access Arrangement and Access Arrangement Information for the DVP to the Australian Competition and Consumer Commission (**ACCC**) pursuant to section 2.2 of the National Third Party Access Code for Natural Gas Pipeline Systems.
- 1.3 On 15 February 2007, the ACCC invited interested parties to make submissions on any issues relevant to the proposed Access Arrangement by 16 March 2007. AGL Sales (Queensland) Pty Ltd (**AGL**) lodged a submission on 19 March 2007.
- 1.4 The Service Providers appreciate this opportunity to respond to AGL's submission. Each issue is addressed below in the order in which it was raised by AGL.

2. Access Arrangement

- 2.1 In relation to AGL's concerns about the inclusion in the Access Arrangement of a mechanism which provides for a review of the Reference Tariff if there is a material increase in use of the DVP, the Service Providers confirm that section 10.2(b) of the Access Arrangement is such a mechanism and has been included to ensure that the Reference Tariff will be reviewed if there is a material increase in throughput on the DVP.
- 2.2 In relation to AGL's queries about the adoption of the CPI formula and the Residual Value of \$8.344 million at the end of the Access Arrangement Period, the Service Providers confirm that the Residual Value at the end of an Access Arrangement Period ending 30 June 2016 is \$6.113 million (2006\$) or \$8.344 million (2016\$). However, as the Access Arrangement for the DVP will commence on 1 July 2007, the relevant commencement date of the next Access Arrangement is 1 July 2017. At this date, the Residual Value will be \$8.393 million (2017\$) or \$5.960 million (2006\$).

3. Access Arrangement Information

- 3.1 The post tax nominal cost of equity used in the calculation of the price path for the DVP is 11.74% as stated at dot point 2, page 6 of the Access Arrangement Information. The 12.64% stated at the top of page 6 is a typographical error.
- 3.2 The Service Providers confirm that the proposed post tax weighted average cost of capital (WACC) of 8.86% is appropriate and corresponds to the post tax nominal cost of equity of 11.74%.

4. Terms and Conditions

- 4.1 In relation to the clause 7 of the standard terms and conditions, the Service Providers consider that a User is best placed to manage its receipts and deliveries. Clause 7 does not require a User to manage flows on the DVP but to control its nominations to maintain balance between its receipts and deliveries. The Service Providers agree that allocation between multiple shippers may be problematic in the event that Unauthorised Overruns by multiple shippers occur but note the likelihood of this occurring is small. The Service Providers are currently the only shippers on the DVP.
- 4.2 In relation to the time period for variation of nominations by notice in clause 4.3, the Service Providers are prepared to amend the clause to permit Users to notify Anglo Coal of a variation to its nomination 24 hours in advance. The amended clause 4.3 would

begin *'Not less than 24 hours prior to the Day on which the User requires Natural Gas to be delivered to the Delivery Point'*. The Service Providers note that clause 4.4 would require consequential amendment to begin *'Not later than 12:noon on the Day which is one (1) Day prior to the Day of delivery'*.

- 4.3 The Service Providers disagree with AGL's suggestion in relation to clause 11.1(c) that if no metering facilities exist and the parties cannot agree on gas quantities, the method for calculating gas volumes should be determined by agreement with the User. Clause 11.1(c) provides scope for the parties to agree on gas quantities (such quantities may be agreed after the application of one of the methods listed in clause 11.1(c)). The Service Providers consider that it is important that Anglo Coal, as the operator of the DVP, retains the sole discretion to determine the method for calculating gas quantities in the event that the parties cannot agree.

5. Conclusion

- 5.1 This submission addresses the three key issues raised by AGL in its submission.

- 5.2 In summary, the Service Providers submit that:

- (a) section 10.2(b) of the Access Arrangement ensures that the Reference Tariff will be reviewed if there is a material increase in throughput on the DVP;
- (b) the Residual Value at the end of the Access Arrangement Period will be \$8.393 million (2017\$);
- (c) the post tax nominal cost of equity used in the calculation of the price path for the DVP is 11.74%; and
- (d) they are prepared to amend clause 4.3 of the standard terms and conditions to permit Users to notify Anglo Coal of a variation to its nomination 24 hours in advance.