



11 August 2004

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

Dear Sir,

Epic Energy – Ballera to Wallumbilla Pipeline Revised Access Principles

Xstrata Copper's interest in the proposed access principles arises from its ownership of the Mount Isa operations (operated by Mount Isa Mines Limited, or **ISA**) and the Ernest Henry Mine (Ernest Henry Mining Pty Limited, or **EHM**), both of which are supplied with energy from the gas fired Mica Creek Power Station (**MCPS**). In addition, ISA utilises gas as fuel for its smelters and other facilities at Mount Isa Operations.

A. Background:

Xstrata Copper frequently requires additional gas to its 15PJ/a contracted supply with the South West Queensland Gas Producers (**SWQGP**). Xstrata Copper is keenly interested in developing a reliable source of supply to Mount Isa as an alternative gas supply to that available from the SWQGP. Through their ownership and operation of the Ballera plant, SWQGP exercise significant influence over the introduction of alternate gas (physically and through swaps) into the Mount Isa market.

An interconnector pipeline is installed between the Ballera to Wallumbilla Pipeline (**SWQP**) and the Carpentaria Gas Pipeline (**CGP**) and physical flow is dependent on the existence of a pressure (positive) difference between the SWQP and the CGP. Epic Energy has recently (July 2004) commissioned a 'back-pressure valve', which is intended to facilitate reliable flows from the SWQP into the CGP, and provides the prospect for the introduction of a reliable source of alternative gas supply. A backhaul service on the SQWP is required for the introduction of an alternative gas supply.

It is recognized that conditions are likely to change in mid 2007 when the SWQGP's contract to provide delivered supply to Incitec- Pivot (in Brisbane) terminates.

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B. Submission:

1. Services Policy - Reference Services:

For the reasons apparent from the background, until July 2007, Xstrata Copper considers that a backhaul service is a necessary service to be offered for the SWQP as a reference service. Epic Energy should not be permitted to withdraw a reference service at a time when that service could now be utilised by the market (upon the commissioning of the back-pressure value).

Allowing a backhaul service to be offered only on a negotiated basis exposes potential users to uncertainty and cost risk, and is not acceptable.

2. Extensions & Expansions Policy

Given the state of the market, the contracted reserves position of the SWQGP and the current utilisation of the SWQP, the most likely augmentation to the SWQP would be an extension, in the form of an interconnection with to Moomba to Sydney Pipeline (**MSP**). Because of the important role that such an interconnector would play, it is considered that it must be a covered pipeline. Accordingly, Xstrata Copper considers that it is not appropriate for the initial coverage decision to rest with the service provider in this instance as Epic Energy proposes.

Further, it is understood that the current interconnector between the SWQP and the CGP (described as a delivery point) is not covered. Notwithstanding that the current capacity of that interconnector is contracted to a party (Energex Retail), Xstrata Copper considers that the interconnector (which was constructed after the SWQP was constructed and after the derogations were made) should be covered, and a service defined and a tariff developed for it.

3. Term and Review:

Xstrata Copper does not oppose a two-year access arrangement period.

We consider that (what is currently) the forward haul service would need to be reviewed if the pipeline operations substantially changed (such as might occur on termination of the Incitec-Pivot contract in 2007, or on interconnection with the MSP). Accordingly, we do not understand the reasons for the requested deletion of the trigger mechanism.

Please contact Mr. Ross Thompson, Energy and Utilities Manager Xstrata Copper on 07 4744 3756 or 0417 603 372 to obtain further information and to discuss the submission.

Yours sincerely

Ross Thompson
Energy and Utilities Manager
Xstrata Copper