

28 March 2008

Carpentaria Gas Pipeline – access arrangement review trigger mechanism

The access arrangement for the Carpentaria Gas Pipeline (CGP), also known as the Ballera to Mt Isa Pipeline, contains a ‘review trigger mechanism’ under the *National Third Party Access Code for Natural Gas Pipeline Systems* (the code). This requires the service providers, Roverton Pty Limited and APT Pipelines (Qld) Pty Limited (both subsidiaries of the APA Group (APA)), to submit revisions to the access arrangement before the scheduled review date if a specified event occurs.

Specifically, clause 8.4 of the CGP access arrangement states:

If:

- (a) a Specified Event as defined below occurs, and
- (b) the Specified event substantially changes the types of Services that are likely to be sought by the majority of Users, or has a substantial effect on the direction of the flow of gas in the Pipeline,

CGPJV will submit to the Regulator proposed revisions to the non-tariff elements of this Access Arrangement. Such revisions will reflect the impact on the non-tariff elements of the Specified Event. CGPJV will submit such proposed revisions with three months of the occurrence of the Specified Event.

“Specified Event” means:

- (a) the interconnection of another pipeline with the CGP (other than an extension to the CGP); or
- (b) the introduction of a significant source of gas supply to the market served by the CGP.

In June 2007 the ACCC commenced a review to investigate whether either of the specified events had occurred that would have the effect of triggering a review of the CGP access arrangement. APA was the only party to provide a submission in response to the ACCC’s invitation to interested parties to make submissions.

Epic Energy, the owner of the South West Queensland Gas Pipeline (SWQP), informed the ACCC that the reversal of flow of gas on the SWQP occurred in August 2007. Given this new information the ACCC requested APA to make a further submission on the likely effect, if any, of this event on the CGP access arrangement. APA wrote to the ACCC on 15 November 2007. APA submitted that, even if the reversal of flow of gas on the SWQP constituted a new source of gas supply to the CGP, neither the direction of the flow of gas on the CGP had been reversed nor was there likely to be any substantial change in the types of services sought by the market. Therefore, APA submitted that the reversal of flow on the SWQP did not trigger a review of the CGP access arrangement.

APA’s submissions and other relevant material can be obtained from the Australian Energy Regulator’s (AER’s) website at <http://www.aer.gov.au/content/index.phtml?itemId=712492>.

The ACCC is now seeking submissions from interested parties on APA's views on the implications of the reversal of flow on the SWQP for the CGP access arrangement. In particular, the ACCC seeks comments on whether, as a result of the reversal of flow on the SWQP, there has been a substantial change in the types of services sought by the market.

The occurrence of a specified event, in this case the introduction of a new source of gas supply as a result of the reversal of flow on the SWQP, is not in itself sufficient to trigger a review of the CGP access arrangement. Either one of the two conditions contained in clause 8.4 of the CGP access arrangement must also be met. Specifically in this case, the issue is whether the specified event has led to a change in the types of services sought by the market. Moreover, in respect of the impact on the types of services provided on the CGP, any change must be substantial and a direct consequence of the occurrence of the specified event.

The ACCC understands that the proposed new National Gas Law (NGL) is expected to commence by, or soon after, 1 July 2008, which may have implications for the classification of certain pipelines in the future. The NGL provides for more distinction in the nature of covered pipelines than currently provided for under the current regulatory regime, which may be of relevance to the CGP. Moreover, the CGP and other Queensland gas transmission pipelines are subject to local transitional arrangements under the current regulatory regime and it is unclear how these current arrangements may be transitioned and accommodated under the NGL. The ACCC will monitor any developments regarding the NGL implementation and commencement date that may have implications for the CGP access arrangement, irrespective of whether or not a trigger event has occurred. If the commencement of the NGL is delayed significantly or developments warrant further communication, the AER may provide further notice as appropriate to interested parties on this matter.

Interested parties are invited to make submissions to the ACCC in relation to this matter, and specifically the issues raised by APA. Submissions are due by 18 April 2008 and may be sent electronically to aer inquiry@aer.gov.au.

Submissions will be regarded as public documents and posted on the AER's website, unless otherwise advised. The ACCC will assess the submissions received and publish the results of its review of this matter, as a potential trigger event for the CGP access arrangement, on the AER's website.

Please contact Mr John Bastick in the first instance on (02) 6243 1364 if you have any questions regarding this matter.