



Ayres Lisa

From: rhking@duke-energy.com
Sent: Wednesday, 27 September 2000 3:40 PM
To: Ayres Lisa
Cc: pstaveley@duke-energy.com
Subject: Re: Application for authorisation of Joint Marketing by PNG Gas Producers



Microsoft Word 4

Lisa

Attached is a response from Duke Energy International to the ACCC's recent request for comments on the Santos ringfencing statement provided in support of the PNG joint marketing authorisation.

Regards

Richard King

(See attached file: Letter on Santos Ringfencing.doc)

Ayres Lisa <lisa.ayres@ACCC.GOV.AU> on 26/09/2000 04:04:27 PM

To:
cc: (bcc: Richard H King/AsiaPacific/International/EnergyServices)
Subject: Application for authorisation of Joint Marketing by PNG Gas Producers

I refer to previous correspondence dated 12 September 2000 relating to an application for authorisation of joint marketing by PNG gas producers. The applicants have provided a further statement in support of their application

- a description of Santos' involvement in the PNG Gas Project.

This paper sets out the various Santos business units throughout Australia and South East Asia and describes the ring fencing procedures in place to restrict the flow of confidential information between them.

Given that a number of the submissions received by the Commission raised the need for ring fencing provisions, I attach the statement provided by the Applicants for your comment.

As most interested parties have encouraged the Commission to consider this matter as expeditiously as possible, I seek your comments on the proposed ring fencing arrangements by no later than midday on Tuesday 3 October 2000.

Depending on the nature of any issues raised in these submissions, the Commission intends to formally consider this application for interim authorisation on Wednesday 4 October 2000.

It would greatly assist the Commission if you could e-mail submissions to lisa.ayres@acc.gov.au and provide a signed hard copy in the mail. The Commission will place all submissions on the public register unless confidentiality is requested. If making a claim for confidentiality, please

provide both a public version and a confidential version of your submission
(with the confidential sections clearly marked).

Kanwarjit Kaur
Acting General Manager - Gas

<<SantosFa.DOC>>

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27-9-2000

Ms Kanwaljit Kaur
Acting General Manager - Gas
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

Dear Ms Kaur

Re: Santos Ringfencing

Reference is made to your email of 26-9-2000 seeking comments from interested parties on ringfencing procedures within Santos and between the Santos group of companies with regard to PNG marketing arrangements.

As detailed in Duke Energy International's (DEI) submission to the Australian Competition and Consumer Commission (ACCC) our primary concern is the likelihood of market information being acquired by the Santos group of companies through involvement in joint marketing which would (a) distort commercial incentives (b) impede market competition and (c) result in losses to social welfare. The recent submission provided by Santos on ringfencing does not alleviate these concerns.

The Santos submission notes that:

"currently, no one within any of the business units is privy to any information concerning Santos' potential interest in the PNG Gas Project".

DEI's concern is not with the extent of current information residing with Santos employees but potential future access to information which may distort competition and market development, particularly in Queensland. This concern is highlighted where Santos notes that:

"in the medium term it is proposed to transfer responsibility of Santos' interest in PDL1 to SEABU".

In this respect, senior officers within SEABU will have information that in the future may guide advice on the operations and commercial direction of Santos' marketing activities in Queensland.

In general terms, and as a matter of principle, given the position which Santos enjoys within the Queensland gas market, the access of Santos employees to PNG marketing and commercial information provides the potential for the internal transfer of information which may lead to a distortion of the Queensland market. The non-transparency of the ringfencing proposed in Santos' letter provides little reassurance that inappropriate and advantageous communication of information will not occur internally to Santos.

DEI would urge the ACCC to give careful consideration to the impact that information asymmetries and information spillovers would have on the future direction of gas market development in Queensland. The concerns expressed in our submission to the ACCC on joint marketing remain despite Santos' ringfencing procedures.

Yours sincerely

Peter Staveley
Group Manager – Government Policy