



D00/33916



RAC0006R5Z

### Facsimile

SEND TO : Regulatory Affairs Division - Gas  
 ATTENTION : David Hatfield or Lisa Anne Ayres  
 ADDRESS : PO Box 1199, Dickson ACT  
 FACSIMILE : 02 8243 1205

DATE : 22.09.2000  
 FILE(S) :  
 LETTER: 1  
 No. of PAGES: 4  
*(Including this cover page)*

---

SENT FROM : Tiffany Dudman on behalf of Adam Aspinall  
 ADDRESS : Level 21, 66 Eagle Street, Brisbane QLD 4000  
 TELEPHONE : 07 3222 9579  
 FACSIMILE : 07 3222 9353  
 Email : tdudman@csenergy.com.au

---

### Application for Authorisation of Joint Marketing by PNG Gas Producers

Dear David/Lisa Anne

Please find attached letter to Mr Kanwaljit Kaur, with regard to the above mentioned, from Mr Richard Cottee, Chief Executive of CS Energy Ltd.

If there are any questions regarding the letter, or the facsimile transmission is incomplete, please call me on the above telephone number provided.

Thank you for your time.

Reliably Yours

Tiffany Dudman  
Personal Assistant

---

CS Energy Ltd ABN 54 078 848 745

*This document and any following pages are intended solely for the addressee and are confidential. The copying, distribution or use of them or any information that they contain by anyone other than the addressee is prohibited. If you have received this document in error, please notify CS Energy by telephone (07) 3222 9333, and then return the document by mail to the address above. CS Energy shall refund costs incurred.*



22 September 2000

Attention: Kanwaljit Kaur

Acting General Manager,  
Regulatory Affairs Division - Gas  
PO Box 1199  
Dickson ACT 2602  
Australia

Dear Mr. Kanwaljit

**APPLICATION FOR AUTHORISATION OF JOINT MARKETING BY PNG GAS PRODUCERS**

Thank you for your letter of 12 September 2000, requesting comments from CS Energy on the application from the participants in the PNG gas project for interim authorisation of their joint marketing conduct.

CS energy notes that the Commission particularly sought comment of the following questions:

- (a) it is necessary for Santos and ExxonMobil to participate in the joint marketing activities, and thus for them to be granted interim authorisation?

*CS Energy has insufficient information to determine if PDL1 is absolutely necessary for the project to proceed. We would point out to the Commission that CS Energy has in fact completed negotiations of a conditional contract with Energex for gas from PNG for its recently announced Swanbank E gas turbine project. At the time of completing that agreement we were aware that Energex had initialled a preliminary arrangement with the PNG parties who were subject to the 1999 interim authorisation and that arrangement formed to the basis of their negotiating position. CS Energy believes that this would indicate that the parties who were subject to the 1999 interim authorisation believed at the time that sufficient gas was available from PDL2 for the project to proceed.*

*CS Energy believes that if the gas reserves in PDL1 are required for the project to proceed then Santos and ExxonMobil would need to participate in joint marketing through an interim authorisation.*

- (b) would any irreversible detriment (ie. detriment that could not be remedied in a final authorisation determination) result from the granting interim authorisation to Santos and ExxonMobil to participate in the proposed joint marketing activities?

*As discussed previously CS Energy has concluded conditional arrangements based on PNG gas with Energex. CS Energy believes that if Santos and ExxonMobil join the joint marketing team, that team could seek to materially change the arrangement initialled with Energex making it necessary for Energex to try to alter arrangements*

CS ENERGY LTD ACN 078 848 745

Level 21 86 Eagle Street Brisbane GPO Box 789 Brisbane Queensland 4001 Telephone (07) 3222 9333 Facsimile (07) 3222 9300  
Callide Power Station PO Box 392 Biloela Queensland 4715 Telephone (07) 4992 9329 Facsimile (07) 4992 9328  
Swanbank Power Station Mail Service 480 Ipswich Queensland 4306 Telephone (07) 3810 8800 Facsimile (07) 3810 8777

- 2 -

*with us. Should Santos and ExxonMobil subsequently not be granted full authorisation we would doubt that the other PNG producers would revert back to the original arrangements.*

In addition to these comments, the Commission has also sought our views on the Applicants' statements in support of their proposal that:

(a) the PNG Gas Project cannot proceed without Santos and ExxonMobil's involvement;  
*CS Energy has inadequate information to assess the need for this involvement. (See earlier comments).*

(b) It is necessary for Santos and ExxonMobil to participate in the joint marketing of Project gas;

*CS Energy has inadequate information to assess the need for this involvement but recognises and agrees with the argument that characteristics of a gas field, particularly where joint venture partners are seeking to develop that field, are such that joint marketing is the only practical way forward.*

(c) Santos and ExxonMobil cannot be considered competitors of the PNG Project in Queensland; and

*The PNG gas producers claim in their submission (Clause 3.4 (b)) that:*

*"neither ExxonMobil nor Santos supply gas in Queensland in sufficient quantities to be considered a competitor of the project."*

*CS Energy has entered into a firm gas supply agreement with two wholly owned subsidiary's of Santos (Moonie Oil and Vamgas) for the supply of natural gas to the Swanbank E power project. This project will compete in the gas-fired electricity generation market in Queensland.*

*This is the only project that CS Energy is aware of that is based on gas supplied by Santos subsidiaries, competes on the National Electricity Market (NEM) and has reached financial close.*

(d) any anti-competitive detriments arising from participation of Santos and ExxonMobil in the joint marketing can be addressed in the final authorisation determination or in any consideration of the gas sales agreements (GSAs) that might eventuate.

*CS Energy agrees that any potential anti-competitive detriment arising from this interim authorisation will be able to be addressed in the final authorisation determination or GSA that might eventuate.*

In addition to the requested comments, CS Energy provides the following observation in relation to the claim in the submission (Clause 3.5 b) that:

*"Currently gas only constitutes a small portion, approximately 5.2%, of the Queensland primary energy demand. It is not used extensively for power generation."*

- 3 -

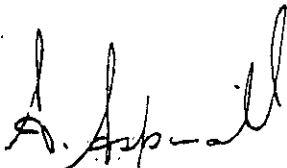
CS Energy wishes to point out to the Commission, that while we believe that this may have been an accurate assessment of primary energy demand, a number of electricity generation projects in the National Electricity Market (NEM) exist or have emerged without the support of the PNG project. These include the Roma power station (70MW), the Barcaidine power station (55MW) the Oakey power station (300 MW) and CS Energy's recently announced Swanbank E power station (385 MW) due to reach commercial load in October 2002. Other gas-fired projects such as the BP Bulwer Island power station (which is also nearing commercial load) and the Mica Creek power station (325 MW) supply electricity in Queensland outside the NEM.

In conclusion, CS Energy would support the interim authorisation sought by the PNG producers. We have taken this view because, without information to the contrary, we accept that it may be necessary to include the gas from PDL1 for the project to go ahead, and this will require Santos and ExxonMobil to become involved in a joint marketing approach.

We also take this view because, we believe that any potential anti-competitive detriment arising from the joint marketing approach of the producers can be adequately addressed in subsequent authorisations or through ACCC consideration of the Gas Sales Agreements.

We trust this information provides a constructive view for your deliberations. Please feel free to contact us if you have any further questions.

Reliably Yours,



 R. C. Cottee  
CHIEF EXECUTIVE

Enquiries: Adam Aspinall  
Telephone (07) 3222 9351  
Facsimile (07) 3222 9353