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29 May 2009

The General Manager
Adjudication Branch
Australian Competition and Consumer Council
GPO Box 3131
CANBERRA ACT 2601

Dear Sir/Madam

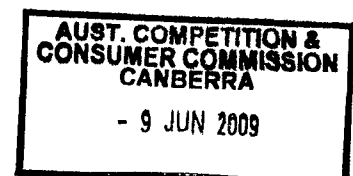
Retail Energy Market Company Ltd (REMCo) authorisation applications A91136-A91138

DBNGP (WA) Transmission Pty Ltd ("DBP" is the operator of the Dampier to Bunbury Natural Gas Pipeline ("DBNGP"), and as such is a pipeline operator for the purposes of the REMCo Gas Retail market Scheme ("Scheme").

During the development of the Retail Market Rules ("RMR") it was generally agreed that, while anomalies exist, the Scheme should be implemented with these matters to be reviewed over time. During this time in 2004, DBP also wrote to the Co-ordinator of Energy advising of concerns with the RMR, but agreeing to not impede the operation of the Scheme.

From direct operating experience over the last five years DBP would like to highlight the unworkable issues in relation to the allocation of gas delivered from the DBNGP into a distribution system, which is covered under chapter 5 that is the subject of the re-authorisation request by REMCo.

1. The RMR require REMCo to provide daily allocations of actual deliveries of gas to each shipper at a distribution gate point to the pipeline operator by **1230 hours** on the following Gas Day. The Pipeline operator is then required to allocate transportation capacity on the pipeline for the relevant Gas Day in accordance with the allocations received from REMCo. This obligation is inconsistent with DBP's obligations to shippers to provide allocations and Accumulated Imbalance Notices before **1100 hours**. This inconsistency has featured in litigation between DBP and a shipper in regard to the levying of Imbalance Charges.
2. When an error in a daily allocation provided by REMCo is identified, that error is corrected over the ensuing 28 days. This leads to inconsistencies between actual daily gas deliveries to shippers and the allocations to those shippers.



The result is differences between physical imbalances in the pipeline and contractual imbalances based on allocated gas quantities. For the 28 day period during which the corrections are being made, potentially both the shippers and pipeline operator are at risk of breaching their contractual obligations which requires both the shipper and pipeline operator to maintain an accumulated imbalance and physical pipeline imbalance of zero respectively.

These issues have, in practice, led to operational difficulties from time to time and have led to disputes between the pipeline operator and shippers, so the initial expectation that these matters could be accommodated by operational protocols between the affected parties has not been achieved.

DBP suggest that the RMR should be amended to recognise the prior contractual obligations of parties and that REMCo's systems be modified to permit parties to meet their contractual obligations.

Should you wish to discuss these matters further, please contact the undersigned on telephone 9223 4305.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Cooper', written in a cursive style.

Mark Cooper
General Manager Commercial