

QNI Pty Ltd  
BHPB Cannington  
BHPB Coal Bed Methane



BHP Billiton  
Level 15, Riverside Centre  
123 Eagle Street Brisbane QLD 4000 Australia  
GPO BOX 1389 Brisbane QLD 4001 Australia  
Tel +61 (0) 7 3226 0600 Fax +61 (0) 7 3229 2575  
www.bhpbilliton.com

23rd September, 2004

Manager – Energy Market Reform Team  
National Energy Market Branch  
Department of Industry, Tourism and Resources  
GPO Box 9839  
Canberra ACT 2601  
E-mail: MCEMarketReform@industry.gov.au

Dear Sir/ Madam,

**Submission on the Draft MCE Principles for Gas Market Development**

With reference to the Ministerial Council on Energy (MCE) call for submissions via the August 2004 Consultation Paper on the Draft Gas Market Principles, the BHP Billiton entities QNI Pty Ltd, BHPB Cannington and BHPB CBM Group submit the following comments with reference to the Consultation Paper listed Principles.

- ***Information on market and system operations and capabilities at all stages of the gas supply chain (subject to recognition of existing contractual confidentialities) should be publicly available and frequently updated.***

Comment: This Principle as elaborated in the Draft is sound and the only amendment we suggest is the inclusion of an additional item (as the 3<sup>rd</sup> slash point) in the list following the last paragraph, as follows : “- Gas Processing Plant capacity and spare Gas Processing Plant capacity”.

- ***Gas market structure to facilitate a competitive market in all sectors.***

Comment: The options we suggest are:

1. Separate marketing of gas by J/V Producers
2. Open access principles to gas processing plants and pipelines
3. All transportation and associated processing facilities to be “covered” unless they pass a clear test for being “uncovered” i.e. the default position is coverage.
4. Pipelines to provide zonal tariffs and services
5. Cross ownership/vertical integration to be ringfenced separately along the chain.

A member of the BHP Billiton group  
which is headquartered in Australia  
Registered Office: 600 Bourke Street  
Melbourne Victoria 3000 Australia  
ABN 49 004 028 077  
Registered in Australia



BHP Billiton  
Level 15, Riverside Centre  
123 Eagle Street Brisbane QLD 4000 Australia  
GPO BOX 1389 Brisbane QLD 4001 Australia  
Tel +61 (0) 7 3226 0600 Fax +61 (0) 7 3229 2575  
www.bhpbilliton.com

- **Gas market participants should be able to freely trade between pipelines, regions and basins.**

Comment: This Principle is sound however we suggest the additions:-

- Add "and gas processing capacity") at the end of the first slash point listed item
- Add as two additional slash listed items "- A mechanism to eliminate vertical integration market control"

"- No restriction on receipt and delivery points."

- **The gas market should be able to respond effectively to price signals in the electricity market.**

Comment: Our overarching comment here is that gas and power producers must be able to compete openly in their own sectors. Likewise power transmission and gas transmission must be able to compete against each other for transportation of energy.

- **As far as practicable, there should be regulatory certainty and consistency across all jurisdictions.**

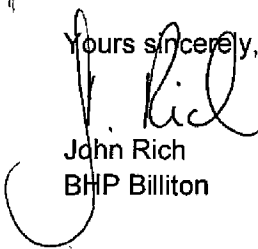
Comment: Our additional comment here is that gas and petroleum regimes should be consistent across state boundaries, and governments to address associated market driven changes expeditiously.

- **Market design and institutional requirements responsive to the needs of the market.**

Comment: If gas supplies and transport systems are open, competitive, and transparent then there should not be a need for wholesale gas market management. However gas pipeline nodal points should be subject to standard Operating Balancing Agreements (OBA's) to ensure fair and efficient transfer of gas between pipelines.

We thank you for the opportunity to comment on the MCE's Draft Principles and are encouraged by the thrust of such Principles. If further comment or clarification is required please contact the undersigned via e-mail: [John.A.Rich@BHPBilliton.com](mailto:John.A.Rich@BHPBilliton.com) or direct on (07) 32260714.

Yours sincerely,

  
John Rich  
BHP Billiton

A member of the BHP Billiton group  
which is headquartered in Australia  
Registered Office: 600 Bourke Street  
Melbourne Victoria 3000 Australia  
ABN 49 004 028 077  
Registered in Australia



**bhpbilliton**

BHP Billiton  
Level 1b, Riverside Centre  
123 Eagle Street Brisbane QLD 4000 Australia  
GPO BOX 1389 Brisbane QLD 4001 Australia  
Tel +61 (0) 7 3226 0600 Fax +61 (0) 7 3229 2575  
[www.bhpbilliton.com](http://www.bhpbilliton.com)

BCC's: T. Netcher, D. Dalla Valle, R. Gillespie, M. Wilson, R. Webb, O. Bobeldyk

A member of the BHP Billiton group  
which is headquartered in Australia  
Registered Office: 600 Bourke Street  
Melbourne Victoria 3000 Australia  
ABN 49 004 028 077  
Registered in Australia