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15 April 2005

Manager – Energy Market Reform Team
National Energy Market Branch
Department of Industry, Tourism and Resources
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Dear Sir/ Madam,

Submission on the Draft MCE Report on Options for the development of the Australian Wholesale Gas Market

With reference to the Ministerial Council on Energy (MCE) call for submissions via the March 2005 Draft Report on Options for the Development of the Australian Wholesale Gas Market, the BHP Billiton entities **QNI Pty Ltd, BHPB Cannington and BHPB CBM Group** advise the following comments.

The MCE Draft Options Report focuses on four wholesale market options which in themselves could each be effective within a suitably mature level of market to match those Options. We agree with the Report that such Options are not mutually exclusive and can be evolved to adapt to the level of maturity of the market at any particular time.

However the success of the market options rely on the capability and availability of the gas transportation infrastructure to allow actual and efficient transfer of gas to market across (and within) various jurisdictions. At the moment this is not possible in a number of key areas and it is our view that until such efficient transfer is realised then the MCE Options proposed will be limited in effectiveness.

We believe the first priority should be to free up, and where necessary connect and enhance, the existing pipeline networks such that a market can work in a competitive framework. Our suggestions on providing such a competitive framework are as follows:-

- All connecting gas pipeline nodal points be allowed to transfer gas between connecting pipelines without bias or disfavour.
- Vertical integrated ownership of key gas transport infrastructure (eg. gas pipelines, nodal points, gas transportation compression, and gas processing for transport) be covered by open access regimes and suitably ringfenced.

- All transportation and associated processing facilities should be "covered" unless they pass a clear test for being "uncovered" i.e. the default position is coverage.
- No restriction on receipt and delivery points within open access principles.

Overall we believe that in a market where transport systems are open, competitive, and transparent such that gas supplies have open access to the market there should not be a need for wholesale gas market management – the market will be able to look after itself. As a result we would advocate Option 1 in the MCE Allen Consulting Group's report. The Government's role should be to encourage and ensure that suitable gas transport infrastructure (including open access regimes) is in place including a stronger overlay of pipeline access regulation.

We thank you for the opportunity to comment on the MCE's Draft Options report. If further comment or clarification is required please contact the undersigned via e-mail: John.A.Rich@BHPBilliton.com or direct on (07) 3226 0714.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Rich', written over a printed name 'John Rich'.

John Rich

For and on behalf of:-

QNI

BHPB Cannington Mine

BHPB CBM Group