



GOLDFIELDS GAS PIPELINE

APPROVED

ACCESS ARRANGEMENT

Approved by
Economic Regulation Authority

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GOLDFIELDS GAS PIPELINE CONTACT DETAILS

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| | | |
|-----------|--|-----------|
| 1 | ACCESS ARRANGEMENT | 2 |
| 1.1 | Access Arrangement | 2 |
| 1.2 | Reference Service | 2 |
| 1.3 | Ownership and Management of Pipeline | 2 |
| 1.4 | Service Provider | 2 |
| 2 | INTERPRETATION | 2 |
| 2.1 | Definitions and Interpretation | 2 |
| 3 | TERM AND REVIEW | 2 |
| 3.1 | Term | 2 |
| 3.2 | Review of Access Arrangement | 3 |
| 4 | SERVICES POLICY | 3 |
| 4.1 | Reference Service - Firm Service | 3 |
| 4.2 | Negotiated Services | 3 |
| 4.3 | Variation of General Terms and Conditions | 3 |
| 5 | TARIFFS AND REFERENCE TARIFF POLICY | 4 |
| 5.1 | Transportation Tariff for Reference Service | 4 |
| 5.2 | Reference Tariff Policy | 4 |
| 5.3 | Approved Reference Tariff Variation Method | 6 |
| 6 | APPLICATION FOR SERVICE | 7 |
| 7 | QUEUING POLICY | 7 |
| 7.1 | Queuing Policy for Provision of Service | 7 |
| 8 | TERMS AND CONDITIONS FOR PROVIDING SERVICE | 9 |
| 8.1 | Terms of Reference Service | 9 |
| 8.2 | Service Agreement | 9 |
| 8.3 | Conditions | 9 |
| 8.4 | Alternative Date of Agreement | 10 |
| 8.5 | Toll and Capacity Reservation Tariff | 10 |
| 9 | TRADING POLICY | 10 |
| 9.1 | Rights to Transfer or Assign | 10 |
| 10 | EXTENSIONS/EXPANSION POLICY | 10 |
| 10.1 | Extensions/Expansions | 10 |
| 10.2 | Investigations as to Developable Capacity | 11 |
| 10.3 | Application of Arrangement to Pipeline Extension/Expansion | 11 |
| 10.4 | Pipeline Extension/Expansion and Tariffs | 11 |



| | | |
|--|---|-----------|
| 11 | CAPACITY MANAGEMENT POLICY | 12 |
| 11.1 | Contract Carriage Pipeline..... | 12 |
| APPENDIX 1 – DEFINITIONS AND INTERPRETATION | | |
| APPENDIX 2.1 – ENQUIRY FORM | | |
| APPENDIX 2.2 – ORDER FORM | | |
| APPENDIX 3 - GENERAL TERMS AND CONDITIONS | | |

INTRODUCTION

The Goldfields Gas Pipeline was constructed by the Goldfields Gas Transmission Joint Venture pursuant to the 23rd March 1994 Goldfields Gas Pipeline Agreement entered into with the State of Western Australia (**GGP Agreement**). This was ratified by the *Goldfields Gas Pipeline Agreement Act 1994* (WA)

Completed in 1996, the Goldfields Gas Pipeline is the sole conduit for delivery of natural gas from the vast offshore gas fields in the north west of Western Australia to the mineral rich, inland regions of the State. Gas is delivered to outlets along the length of the pipeline, primarily for use in electricity generation facilities associated with mining and minerals processing.

Its construction was underpinned by certain initial commitments to capacity reserved by each Joint Venturer for the requirements of each Joint Venturer and its "associates" (as defined in the GGP Agreement) and any commitments to purchase capacity procured from Third Parties (as defined in the GGP Agreement and which includes any Joint Venturer acting independently of the other Joint Venturers and outside of the joint venture). These commitments are referred to in the GGP Agreement as "**Initial Committed Capacity**".

In all cases, the transportation service required by users of the Goldfields Gas Pipeline is for transportation of gas on a firm basis from the pipeline's inlet. There are no other gas sources located along the route of the pipeline. It is anticipated that this will continue to be the service required by all or most of the users of the pipeline. Accordingly, the only Reference Service offered under this Access Arrangement) is a Firm Service.

This Access Arrangement sets out terms and conditions for the Reference Service. Section 2.25 of the Code prohibits the approval of an Access Arrangement if any provision of it would deprive a person of such pre-existing contractual rights (other than an exclusivity right, as defined in the Code, which arose on or after 30 March 1995).

Accordingly certain provisions of this Access Arrangement are made subject to those pre-existing contractual rights. Should a User or Prospective User of the Goldfields Gas Pipeline have needs which cannot be accommodated through a Reference Service, GGT will discuss the provision of Negotiated Services.

Prospective pipeline users are encouraged to discuss their gas transportation needs with GGT so that, if necessary, new or varied services may be developed to meet users' requirements where these cannot be satisfied through a Reference Service.

1 ACCESS ARRANGEMENT

1.1 Access Arrangement

This Access Arrangement is lodged by Goldfields Gas Transmission Pty Ltd, ACN 004 273 241 (GGT).

1.2 Reference Service

This Access Arrangement sets out the policies, terms and conditions applying to provision of a Reference Service in the Goldfields Gas Pipeline.

1.3 Ownership and Management of Pipeline

The Pipeline is owned by an unincorporated joint venture comprising:

- Southern Cross Pipelines Australia Pty Limited, ACN 084 521 997 whose Individual Share is 62.664%;
- Southern Cross Pipelines (NPL) Australia Pty Ltd, ACN 085 991 948 whose Individual Share is 25.493%; and
- Alinta DEWAP Pty Ltd Pty Ltd, ACN 058 070 689 (formerly known as Duke Energy WA Power Pty Ltd) whose Individual Share is 11.843%

(collectively the **Owners**).

1.4 Service Provider

The Pipeline is operated by GGT for and on behalf of each of the Owners and GGT is the Service Provider under the Code.

2 INTERPRETATION

2.1 Definitions and Interpretation

The definitions and interpretation provisions set out in Appendix 1 form part of this Access Arrangement.

3 TERM AND REVIEW

3.1 Term

This Access Arrangement Period comes into effect on the Effective Date. The Access Arrangement Period or term of the Access Arrangement will expire on the Revisions Commencement Date.

3.2 Review of Access Arrangement

In accordance with Section 3.17 of the Code:

- (a) the Revisions Submission Date is 1 April 2009; and
 - (b) the Revisions Commencement Date is the later of 1 January 2010 and the date a revised Access Arrangement approved by the Regulator takes effect.
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4 SERVICES POLICY

4.1 Reference Service - Firm Service

- (a) The Reference Service offered by GGT is a Firm Service.
- (b) Subject to there being sufficient Spare Capacity in the Pipeline GGT will make available to Prospective Users the Reference Service for the receipt of Gas at the Inlet Point, the transmission of Gas to, and the delivery of Gas at, agreed Outlet Point(s) as more particularly described in clause 4 of the General Terms and Conditions.

4.2 Negotiated Services

- (a) Should any User or Prospective User have requirements which cannot be satisfied through a Reference Service, including for gas transportation from Inlet Points other than Yarraloola, GGT will consider the development of Negotiated Services to meet that person's specific requirements. Negotiated Services will be provided on the terms and conditions negotiated between GGT and the User.
- (b) No provision of this Access Arrangement necessarily limits or circumscribes the terms and conditions which may be negotiated for the provision of one or more Negotiated Services.

4.3 Variation of General Terms and Conditions

- (a) A Prospective User may seek variations of the General Terms and Conditions applicable to the Reference Service.
 - (b) Such variations constitute a request for a service which differs from the standard service provided for by the Reference Service and hence will be treated as a request for a Negotiated Service for the purposes of this Access Arrangement. GGT will negotiate the tariffs and other terms and conditions for such a Negotiated Service with the Prospective User in good faith.
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5 TARIFFS AND REFERENCE TARIFF POLICY

5.1 Transportation Tariff for Reference Service

GGT will make available the Reference Service at the Transportation Tariff as set out in clause 9 of the General Terms and Conditions, as varied in accordance with the provisions of this clause 5.

5.2 Reference Tariff Policy

- (a) The following principles apply to the development of the Reference Tariff under this Access Arrangement:
- (1) the Reference Tariff is derived through a price path approach¹ under which Reference Tariffs are determined for the whole Access Arrangement Period to follow a path forecast to deliver a Total Revenue ;
 - (2) the Total Revenue is calculated according to the Cost of Service methodology²;
 - (3) the Total Revenue is designed to permit GGT to recover the efficient costs of the Pipeline over the expected life of the assets used in the provision of Services, including recovery of a rate of return commensurate with conditions in the market for funds for development of the Pipeline and provision of Services; and
 - (4) the Initial Capital Base is established in accordance with Sections 8.1, 8.10 and 8.11 of the Code.
- (b) The Initial Capital Base is set at 1 January 2000, and is then depreciated on a straight line basis from that date over a remaining economic life of 64.5 years³.
- (c) The Reference Tariff for the Reference Service is designed to recover Total Revenue from the Users of the Reference Service and is structured in three parts:
- Toll Charge** (capacity based) as described in clause 9.4(a) of the General Terms and Conditions;
- Capacity Reservation Charge** (capacity and distance based) as described in clause 9.4(b) of the General Terms and Conditions; and

1 Permitted under Code, Section 8.3(a)

2 Code, Section 8.4

3 Being 70 years from the grant of the Pipeline Licence 27 January 1995.

Throughput Charge (throughput and distance based) as described in clause 9.4(c) of the General Terms and Conditions.

- (d) The Reference Tariff is designed to ensure that no User pays a tariff which is more than the stand alone cost of provision of the Service and no User pays a tariff which is less than the marginal cost of the provision of the Service.
- (e) The Incentive Mechanism adopted in calculation of the Reference Tariff is as follows:
 - (1) the Reference Tariff will apply during each Year of the Access Arrangement Period regardless of whether the forecasts on which the Reference Tariff was determined are realised⁴;
 - (2) the prospect of retaining improved returns for the period to 31 December 2009 provides an incentive to GGT to increase the volume of sales and to minimise the overall cost of providing Services⁵; and
 - (3) in determining Reference Tariffs after 31 December 2009, Users will benefit from increased efficiencies achieved by GGT up to that date through the recovery through the subsequent Access Arrangement Period of non-capital costs reflecting the efficiencies gained during this Access Arrangement Period.
- (f) GGT may undertake New Facilities Investments that do not satisfy the requirements of Section 8.16 of the Code and may include in the Capital Base that part of the New Facilities Investment which does satisfy Section 8.16 of the Code⁶.
- (g) An amount in respect of the balance after deducting the Recoverable Portion of New Facilities Investment may subsequently be added to the Capital Base if at any time the type and volume of Services attributable to the New Facility change such that any part of the Speculative Investment Fund would then satisfy the requirements of the Code for inclusion in the Capital Base⁷.

⁴ A mechanism of this type is recognised by Section 8.45(a) of the Code

⁵ Code Section 8.1(f) provides that one of the objectives that a Reference Tariff and Reference Tariff Policy should be designed to achieve is ‘providing an incentive to the Service Provider to reduce costs and to develop the market for Reference and other Services’.

⁶ Code, Section 8.18

⁷ Code, Section 8.19

5.3 Approved Reference Tariff Variation Method

Except as expressly provided in the Service Agreement, the Transportation Tariff will be adjusted by:

- (a) CPI in accordance with clause 9.8 of the General Terms and Conditions; and
- (b) a "Specified Event" as referred to in clause 5.3(c) (being a Tax Change Event or a Regulatory Change Event).
- (c) GGT has established the Transportation Tariff for the Reference Service on the basis of Taxes and regulatory requirements applying at 30 September 2004. If:
 - (1) a Tax Change Event, being any new or increased Tax, occurs during the Term of the Agreement, GGT has a discretion to adjust the Transportation Tariff to recover the financial impact of those new or increased Tax; or
 - (2) during the Term of the Agreement:
 - (A) a Tax Change Event, being a material reduction in the level of Taxes below the level assumed by GGT in deriving the Transportation Tariff occurs; or
 - (B) a Tax Change Event being a removal of Tax occurs;
 - (3) and that Tax Change Event has a significant impact on the level of GGT's costs, GGT will adjust the Transportation Tariff to recover the financial impact of those reductions or removals of the Taxes (as the case may be); or there is a Regulatory Change Event, GGT may adjust the Transportation Tariff to reflect the financial impact of that change.
- (d) Before GGT adjusts the Transportation Tariff as provided for in clause 5.3(c) GGT must:
 - (1) provide a written notice to the Regulator specifying the new, increased, reduced or removed Taxes or Regulatory Change Event (as the case may be); the scope of the financial impact; explaining how the claim is consistent with clause 5.3(c); the proposed variations to the Transportation Tariff and an effective date for the changes (a **Specified Event Notice**); and
 - (2) use reasonable endeavours to provide the Regulator with documentary evidence (if available) which substantiates the financial impact set out in the Specified Event Notice.
- (e) GGT may submit one or more Specified Event Notices each Year. This notice may incorporate a number of claims relating to the changes. For the purposes of Section 8.3D(b)(i) of the Code the

minimum notice period for a Specified Event Notice is 15 Business Days.

- (f) For the avoidance of doubt, any Transportation Tariff variation relating to a Tax Change Event or Regulatory Change Event must be conducted in accordance with Sections 8.3D to 8.3H of the Code.

6 APPLICATION FOR SERVICE

A Prospective User that wishes to apply for a Service must observe the process outlined in the GGT Information Package.

7 QUEUING POLICY

7.1 Queuing Policy for Provision of Service

- (a) As between Prospective Users seeking a Reference Service, the priority for allocation of Spare Capacity and Developable Capacity will, in respect of the Services, be determined on a first come, first served basis when a completed and executed Order Form is received by GGT under clause 1.3 of the GGT Information Package on the basis that an Order Form having an earlier receipt date will have priority over an Order Form having a later receipt date.
- (b) GGT will ensure that, as between Prospective Users, Order Forms are processed and Spare Capacity will be allocated in the order which reflects their priority or deemed priority under clause 7.1(a).
- (c) A Prospective User will cease to maintain its priority for allocation of Spare Capacity or Developable Capacity if:
- (1) its Order Form is rejected pursuant to clause 1.8(a) of the GGT Information Package; or
 - (2) its Order Form is rejected pursuant to clause 1.8(b)(2) of the GGT Information Package; or
 - (3) the Prospective User withdraws its Order Form; or
 - (4) fails to comply with the terms of the Service Agreement; or
 - (5) an Insolvency Event occurs in relation to the Prospective User.
- (d) If a Prospective User submits an amended application pursuant to clause 1.8 of the GGT Information Package, subject to clause 1.8(b) of the GGT Information Package, the amended application or notional

supplementary application will have priority according to the date of receipt of the amendments by GGT.

- (e) If a User no later than 12 months prior to the expiry of the then Term of the Agreement:
- (1) gives a notice of exercise of an option under the Service Agreement to extend the initial Termination Date; and
 - (2) if the conditions precedent in clauses 1.5(e) and 1.5(f) of the GGT Information Package have been satisfied

then the User will be deemed not to be a Prospective User and will be allocated its then Firm Service Reserved Capacity at the Transportation Tariff for the duration of the extension, subject to continued performance of the terms and conditions of the Service Agreement by the User as though these terms had been incorporated into the existing Service Agreement.

If a User:

- (1) later than 12 months prior to the expiry of the then Term of the Agreement gives a notice of exercise of an option under the Service Agreement to extend the initial Termination Date; or
- (2) makes under clause 1.10(a) of the GGT Information Package an Application for Service Contract Variation

then

- (3) the exercise of the option or Application for Service Contract Variation (as applicable) will be deemed to be a new application for Spare Capacity and Developable Capacity and be in a position in the queue for Spare Capacity and Developable Capacity; and
- (4) the User will be deemed to be a Prospective User and the date GGT receives notice of the exercise of the option or Application for Service Contract Variation will determine the priority accorded to the new application.

If Spare Capacity becomes available or Developable Capacity is provided, GGT will use all reasonable endeavours to notify Prospective Users of that Spare Capacity or Developable Capacity in an order and manner which has regard to the rights of Users under Existing Contracts.

The rights of any Prospective User under and the operation of this clause is subject to and conditional on GGT complying with and satisfying any legal or contractual obligations it has to provide additional Capacity under, or to extend the term of, an Existing Contract.

8 TERMS AND CONDITIONS FOR PROVIDING SERVICE

8.1 Terms of Reference Service

The terms and conditions on which the Reference Service will be provided by GGT to a Prospective User are those contained in

- (a) the Order Form executed by the Prospective User and accepted by GGT; and
- (b) the General Terms and Conditions.

8.2 Service Agreement

GGT and the Prospective User become bound to the Service Agreement and bound to satisfy or observe all Conditions:

- (a) in the case where Spare Capacity exists to satisfy the request for the Service, from the date that GGT becomes bound by the Service Agreement; and
- (b) in the case where Spare Capacity does not exist to satisfy the request for the Service and the Prospective User has indicated a preparedness to contribute reasonable costs towards Investigations and installation of Developable Capacity, from the date that GGT gives a notification.

8.3 Conditions

- (a) GGT may notify a Prospective User that GGT is prepared to make available a Service subject to specified Conditions being satisfied as conditions precedent.
- (b) The Conditions may relate to GGT's reasonable requirements in respect of:
 - (1) the occurrence of a defined event including installation and commissioning of Developable Capacity or third party equipment, processing facilities or infrastructure;
 - (2) a Performance Security being provided by the Prospective User, any of its Related Corporations or any other person on terms acceptable to GGT in order to satisfy the requirements of the request for Service; and
 - (3) copies of insurance policies or other evidence reasonably required by GGT being provided, which provide a reasonable indication to GGT that the Prospective User has insurance policies sufficient to satisfy the indemnities which the Prospective User will be required to provide under the proposed Service Agreement .

- (c) Unless the Prospective User notifies GGT to the contrary within 7 Business Days of receiving notice of the Conditions, the Prospective User is deemed to have accepted and agreed to be bound by the Conditions notified by GGT, which will form part of the Service Agreement.

8.4 Alternative Date of Agreement

Notwithstanding the foregoing, GGT and a Prospective User may agree on an alternative date for becoming mutually bound to a Service Agreement.

8.5 Toll and Capacity Reservation Tariff

The Toll Tariff and Capacity Reservation Tariff apply from the later of the Date of Service Agreement or satisfaction or waiver of any Conditions, in the nature of conditions precedent.

9 TRADING POLICY

9.1 Rights to Transfer or Assign

Subject to any pre-existing contractual rights affecting the transfer or assignment by GGT or any other party of rights in relation to Capacity, including under the GGP Agreement and the GGTJV Agreement, any User of a Service may transfer or assign all or part of its rights to Capacity in the GGP as contemplated by clause 20 of the General Terms and Conditions.

10 EXTENSIONS/EXPANSION POLICY

10.1 Extensions/Expansions

Other than as required under the Code or the GGP Agreement, GGT will not incur capital to expand the capacity of the Pipeline unless a User:

- (a) satisfies GGT of the existence of reserves and demand for the economic life of the expansion;
- (b) demonstrates to GGT that the User has the financial capability to pay the costs of the provision of services provided through expanded capacity; and
- (c) commits to a Service Agreement sufficient to ensure the payment to GGT all costs incurred by GGT in expanding the capacity and the provision of Services through that expanded capacity.

10.2 Investigations as to Developable Capacity

- (a) If:
 - (1) a request for Service (including any request for Service, the effect of which is to increase an existing User's MDQ or to request additional Capacity for an existing User) is lodged;
 - (2) Spare Capacity is not likely to become available in the reasonably foreseeable future, based on current commitments, to satisfy that request for Service; and
 - (3) that request for Service is reasonably likely to be satisfied by Developable Capacity, if provided

GGT will undertake such Investigations as are reasonably required to determine the nature, extent and approximate cost required to provide that Developable Capacity, subject to clause 6.6(b) of this Access Arrangement.

- (b) GGT may of its own accord undertake investigations as to possible Developable Capacity from time to time.

10.3 Application of Arrangement to Pipeline Extension/Expansion

If GGT expands the capacity of the Pipeline, GGT will elect:

- (a) that the expanded capacity will be treated as part of the Pipeline for the purposes of the Access Arrangement and GGT will exercise its discretion to submit proposed revisions to the Access Arrangement under Section 2 of the Code; or
- (b) that the expanded capacity will not be treated as part of the Pipeline for the purposes of this Access Arrangement and that GGT will lodge a separate Access Arrangement for such expanded capacity; or
- (c) that the expansion will not be covered, subject to GGT notifying the Regulator of this fact prior to the expansion coming into operation.

10.4 Pipeline Extension/Expansion and Tariffs

- (a) Pipeline extension or expansions will result in no change to the Reference Tariff applied to a User when those extensions or expansions have been fully funded by that User's capital contributions except to contribute to GGT's non-capital costs in connection with those extensions and expansions. Any change to Reference Tariffs may occur only pursuant to the process in Section 2 of the Code for revisions to Reference Tariffs.
- (b) Incremental Users as defined in the Code which have not made capital contributions towards Incremental Capacity as defined in the Code

which they use and which has been funded by others will be liable to pay for surcharges as allowed for in Section 8 of the Code.

- (c) Pipeline extensions or expansions funded by GGT may result in the application of surcharges as allowed for in section 8 of the Code subject to GGT providing written notice to the Regulator, and the Regulator approving the same, in accordance with Section 8.25 of the Code.

11 CAPACITY MANAGEMENT POLICY

11.1 Contract Carriage Pipeline

The Pipeline is a Contract Carriage pipeline as defined in Section 10.8 of the Code.