



**epicenergy**

Epic Energy Holdings Pty Ltd  
ACN 109 054 855

Level 8, 60 Collins Street  
Melbourne VIC 3000

Telephone (03) 8626 8400

Facsimile (03) 8626 8454

Web Site [www.epicenergy.com.au](http://www.epicenergy.com.au)

Our Ref: SWQP 2007 AA

Your Ref: S2006/96

22 August 2006

Mr Mike Buckley  
General Manager  
Regulatory Affairs - Gas  
Australian Competition & Consumer Commission  
GPO Box 3648  
SYDNEY NSW 2001

Dear Mr Buckley

**Re: SWQP Access Arrangement Revisions – Planned Flow Reversal**

I refer to your letter dated 1 August 2006 requesting Epic's advice on matters relating to flow reversal on the South West Queensland Pipeline (SWQP).

Below please find a description of the demand and supply factors that Epic believes are relevant in estimating the level of demand and additional revenue from Western Haul services in the period to 31 December 2008.

*Demand for Western Haul Service*

I reaffirm the discussion between Mr Steve Banning and Mr Michael Walsh that no contracts are yet in place for transporting gas westwards on the SWQP. Epic is, however, currently in discussions regarding establishing a delivery point on the SWQP at Ballera into the Ballera Gas Centre, and the transportation of coal seam gas between Wallumbilla and the Ballera Gas Centre.

While Epic has had discussions regarding a firm Western Haul service, it is difficult at this time for Epic to predict whether those parties will commit to any material firm Western Haul quantities and from what date. In discussion with these parties, they have made it clear to Epic that they have a number of options available for use of their Queensland gas other than flowing the gas in a westerly direction on SWQP. These options include:

- Wallumbilla to Newcastle Pipeline;
- Alternative routes to market;
- Utilisation of other gas assets;
- Power generation in Queensland; and
- Other Queensland demand (existing and new).

Clearly, given that the parties have identified these options to Epic, it is difficult for Epic to predict likely demand for Western Haul services.

#### *Supply of Western Haul Service*

There are a number of matters that will limit Epic's ability to provide material Western Haul services in the short term including new delivery points, and other work required to allow flow reversal (including the reduction of line pack in the SWQP to suit the lower receipt point pressure available at Wallumbilla).

Once a delivery point is established at Ballera, the only gas that today can physically be received at Wallumbilla for a Western Haul service is gas from the Spring Gully to Wallumbilla pipeline. However, pressure in the SWQP will limit the capacity of the SWQP in the westerly direction without further compression. The current lead time for compression equipment is around 2 years due to high world demand from the oil and gas industry.

Epic is also currently contemplating undertaking a Front End Engineering and Design (FEED) study for a Ballera to Moomba Interconnect (BMI). It is likely we will be making an announcement to the market regarding this study in the near term. However, to the extent construction of this pipeline was to proceed, it is likely completion would be during 2008.

It is Epic's view that the above matters will limit the ability to provide material Western Haul services in the short term until a commercial decision is made to install compression at Wallumbilla and to establish a permanent delivery point at Ballera, and/or the construction of the BMI. Until then, most of the gas received at Wallumbilla is likely to be simply redirected onto the Roma to Brisbane pipeline.

#### Conclusion

Considering all of the above, Epic does not anticipate that the demand and additional revenue from Western Haul services in the period to 31 December 2008 will be material. The outcome of the developments identified above will become clearer over the next 12-24 months, after which time Epic will be more able to accurately forecast the demand for services on the SWQP. It is for this reason that Epic has sought to simply defer the review of non-reference services for a further two years.

In the meantime, the tariff that Epic is using for enquiries received for firm Western Haul services (excluding New Facilities Investment charges) is at or below the undertaking provided to the ACCC in the past (ie no greater than the previous backhaul reference service tariff of ~\$0.38/GJ).

In response to your specific questions, please refer to the information below.

**1. Actual demand for the reference service and each non-reference service for the current access arrangement period (2004-2006):**

Confidential

**2. Expected Demand for the reference service and each non-reference service for the forthcoming five years (2007-2011) and the basis of these expectations:**

Confidential

**3. Actual and expected revenue relating to the reference service and each non-reference service in relation to 2004-2011:**

Confidential

**4. Actual and Expected supply source details for 2004-2011:**

Confidential.

**5. Any changes Epic Energy considers may be appropriate to the proposed revised access arrangement to reflect potential flow reversal:**

Given the comments above, at this stage Epic does not believe there is the need to include any changes to the Access Arrangement to reflect the potential flow reversal.

Epic will continue to provide the reference and non-reference services defined in the Access Arrangement based on the existing terms of the Access Arrangement. Any new non-reference services (including Western Haul service) will be made available by Epic on terms very similar to the Access Arrangement terms with regards to the allocation of commercial risk between Epic and any shipper, which terms will be negotiated with any potential shipper taking into account the physical capabilities of the SWQP.

We are happy to meet with you to better understand your information requirements and to further discuss the SWQP position and prospects.

Regards

Stephen Livens  
Manager, Risk and Regulation