

29 March 2007

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Ms Meredith Hooper  
Australian Energy Regulator  
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Dear Meredith

## Questions of 9 March 2007

We refer to your email of 9 March 2007 attaching a list of further questions in relation to the Dawson Valley Pipeline (DVP).

We have addressed each of your questions below in the order in which they were asked.

### *Trading Policy*

- 1.1 It is not possible to indicate all reasonable commercial or technical grounds upon which a request to transfer or assign capacity or a request to change receipt and/or delivery points may be rejected.
- 1.2 In respect of a request to transfer or assign capacity, reasonable grounds may include:
  - (a) a failure of the transferee to satisfy Anglo of its creditworthiness; and
  - (b) if acceptance of the request would have a material adverse impact upon Anglo's revenue stream.
- 1.3 In respect of a request to change receipt or delivery points, reasonable grounds may include:
  - (a) if acceptance of the request would have a material adverse impact upon Anglo's revenue stream;
  - (b) where a reduction in the amount of the service provided to the original delivery point will not result in a corresponding increase in Anglo's ability to provide that service to the alternative delivery point; and
  - (c) where the requested receipt or delivery points do not have sufficient available capacity to enable the change to be completed.

### *Queuing Policy*

2. An access request will have associated with it a signed term sheet setting out the key terms upon which access will be granted including, for example, receipt point, delivery point, MDQ and charges for transportation services (see Standard Terms and Conditions in Schedule 2 of the Access Arrangement). The access request will be contractually binding on the Prospective User upon acceptance by Anglo.
3. Anglo considers that the reasonable commercial or technical grounds upon which an access request may be rejected include:
  - (a) a failure of the Prospective User to satisfy Anglo of its creditworthiness;
  - (b) lack of available spare capacity on the DVP;
  - (c) the path of transportation services sought under the access request cannot be provided by Anglo given the configuration of the DVP at the time that the access request is made; and
  - (d) if acceptance of the request would have a material adverse impact upon Anglo's revenue stream.

### *Terms and Conditions*

4. Anglo considers that notice of at least two hours before an Operational Flow Order commences is reasonable given the nature of the circumstances in which an Operational Flow Order is issued. As stated in clause 3.3 of the Standard Terms and Conditions in Schedule 2 of the Access Arrangement, an Operational Flow Order is only issued in specific circumstances where the integrity of services offered on the DVP to Users is affected or the safety or integrity of the DVP is endangered. In circumstances where safety is an issue or services may be affected, it is necessary that Anglo under the terms of the Access Arrangement can provide prompt, urgent and where necessary short notice to Users who may be affected.
5. It is generally very difficult to increase production from a coal seam methane field. Anglo will be unable to provide assistance to make up any short term shortfall in gas received from another party.
6. A ten day period for nominations is consistent with industry standards and is closely aligned with the time period for customer nominations.
7. 48 hours is a reasonable notice period for variation of nominations as it allows time for notification to customers and other Users to occur and any necessary adjustments to be made.
8. In relation to payment for construction of capital improvements of inlet and outlet facilities, Anglo does not consider that there will be any capital improvements over the life of the Access Arrangement. However, if capital improvements are required, Anglo will be prepared to negotiate the terms of payment with the User. Such terms would not necessarily include a lump sum but may include monthly fees.
9. Although it is almost impossible to predict, Anglo does not foresee any gas quality issues in the event that gas is carried for a third party providing such gas satisfies the minimum gas quality specifications as set out in the standard terms and conditions.

10. The following gas pressure control facilities, arrangements and procedures are currently in place on the DVP:
  - (a) gas pressure control on the compressor discharge; and
  - (b) a pressure control valve at the metering station.
11. Anglo considers that a witness testing interval of 12 months for metering facilities is reasonable and consistent with industry standards. Anglo would accept a testing period shorter than 12 months where the User fully funds any testing.

*Trigger Event*

12. The trigger is actual throughput in excess of the demand forecast by more than 25%. Anglo's intention by that trigger is that revisions to the Access Arrangement will be required if actual throughput increases by more than 25% of the demand forecast of 2,920TJ/year.

*Pipeline construction and operation*

13. The cathodic protection strategy used on the DVP is impressed current.
14. The typical current inlet pressures for the DVP is 11.5MPa. The typical outlet pressure from the DVP is 10.5MPa and the typical outlet pressure at the metering station varies according to the pressure in the Queensland Gas Pipeline (QGP). The QGP's maximum allowable operating pressure is 10.2MPa.
15. Anglo is not aware whether any intelligent pig runs have been conducted on the DVP since it was commissioned. Anglo has not conducted an intelligent pig run during its ownership.
16. As discussed in the teleconference of 22 March 2006 and confirmed by email of 27 March, coating defect surveys are conducted regularly on the DVP. Anglo is checking its records for the latest survey and we will forward a copy to you once it is located.
17. In relation to the further questions regarding capacity of the DVP, the outlet pressure at the metering station is dictated by the maximum allowable operating pressure of the QGP. As discussed in our letter of 16 March 2007, the DVP as currently configured is not capable of transporting 30TJ/day. The maximum flow of the DVP with existing compressors and dehydration equipment is 22-24TJ/day.
18. The existing receipt points are:
  - (a) at the outlet from the Moura Compression and Dehydration Station; and
  - (b) at the outlet from the Dawson Compression and Dehydration Station.
19. The existing delivery points are:
  - (a) the inlet to the QGP; and
  - (b) the inlet to the Queensland Nitrates plant.

20. **Attached** is Appendix A to the GHD Report in electronic form.

Yours faithfully

**MINTER ELLISON**



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