APPLICATION FOR COVERAGE REVOCATION DETERMINATION IN RESPECT OF DAWSON VALLEY PIPELINE

1. **WestSide Corporation Limited ACN 117 145 516 ("WestSide")** on behalf of **WestSide CSG A Pty Ltd ACN 138 989 358 ("WestSide A"), WestSide CSG D Pty Ltd ACN 140 474 362 ("WestSide D")** and **Mitsui E&P Australia Pty Ltd ACN 108 437 529 ("MEPAU")** ("**Participants**") applies to the National Competition Council ("**NCC**") for a coverage revocation determination for the whole of the Dawson Valley Pipeline ("**DVP**").

2. The Participants have appointed WestSide the operator of the Meridian SeamGas Joint Venture. Pursuant to a resolution of the Joint Venture dated 23 November 2013, WestSide is authorised to make this application on behalf of the Participants.

3. This application is made pursuant to sections 102 to 108 of the National Gas Law and has been prepared in accordance with clauses 18 to 20 of the National Gas Rules.

4. The Applicant submits that the coverage revocation determination should be made as the DVP does not satisfy either criterion (a) or criterion (d) of the pipeline coverage criteria.

5. As the DVP is a transmission pipeline located solely within Queensland, the Applicant submits that under section 98 of the National Gas Law the relevant Minister is the Commonwealth Minister for Industry, the Honourable Ian MacFarlane MP.

6. Applicant's name and contact details:

Applicant:	**WestSide Corporation Limited ACN 117 145 516** as operator on behalf of WestSide CSG A Pty Ltd ACN 138 989 358, WestSide CSG D Pty Ltd ACN 140 474 362 and Mitsui E&P Australia Pty Ltd ACN 108 437 529, comprising the Meridian SeamGas Joint Venture ("**JV**" or "**Meridian JV**")
Contact Details:	Garth Borgelt Commercial Manager WestSide Corporation Limited Level 8, 300 Queen Street, Brisbane, Qld 4000 PO Box 1211, Brisbane Qld 4000 Phone: 07 3020 0900 Email: garth.borgelt@westsidecorporation.com.au

7. The attached supporting submission is structured as follows:

   Section 1: Background information on the DVP

   Section 2: Background information on the Meridian SeamGas Joint Venture

   Section 3: Regulatory history of the DVP

SUBMISSION IN SUPPORT OF APPLICATION FOR REVOCATION OF COVERAGE OF DAWSON VALLEY PIPELINE

1. The Dawson Valley Pipeline (DVP)

1.1. Description of DVP

1. The DVP (Petroleum Pipeline Licence 26) transports gas produced in or near the Petroleum Lease No 94 ("**PL94"**), also referred to as the "Meridian SeamGas fields", located approximately 160 kilometres west of Gladstone in Queensland's Bowen Basin. The location of the Meridian SeamGas Project is shown in **Attachment A.**

2. The DVP is approximately 47 km long, 168mm (6") diameter, with a 3.7km long, 114mm (4") off-take to the Queensland Nitrates Plant ("**QNP**") at Moura. The DVP starts at the Dawson River Central Gas Processing facility and interconnects with the Queensland Gas Pipeline ("**QGP**") at the Jemena Moura meter station. In addition to the Dawson River facility, gas is also received into the DVP at the Moura Processing Facility. The DVP has 2 delivery points – QNP and the inlet to the QGP. A detailed map of the DVP, including inlet and outlet points is shown in **Attachment B(i).**

3. In its current configuration and based on the originally tested MAOP and to meet contractual delivery pressure requirements on the QGP, the DVP's current capacity is approximately 21TJ/day. For operational reasons the capacity is deemed to be 18 TJ/day under current conditions.

4. The JV owns another pipeline in close proximity to the DVP, known as the ML Pipeline (Petroleum Pipeline Licence 61). The ML Pipeline runs from the Hillview Compressor Station to the QGP via QNP. This pipeline is approximately 21 km long, 220mm (8") diameter, with a short offtake to QNP. The location of the ML Pipeline is shown on **Attachment B(i)**.

5. The DVP and the ML Pipeline both interconnect with the QGP at the same location. While there were originally 2 separate receipt (metering) points on the QGP, the configuration of the QGP was changed by the owner of the QGP (Jemena) shortly before the JV was established and acquired the DVP. The result of this change is that there is effectively a single receipt point. Gas delivered into the QGP from the DVP and the ML Pipeline is not separately measured and metering data does not differentiate between gas delivered through the two pipelines.

1.2. Services provided by means of the pipeline

6. The services provided by means of the DVP are a forward haul gas transportation service in the direction from the Dawson River Central Processing Plant to the existing delivery points.

7. Gas delivered into the QGP from the DVP enters the Queensland gas infrastructure network; consumers of gas delivered through that network are able to source gas from a range of retailers and producers. QNP, which uses gas primarily as a feedstock, is able to source gas delivered through the QGP under a backflow arrangement on the ML Pipeline, which has historically occurred at times when the JV did not produce sufficient gas to enable AGL to meet its contractual obligations to QNP on any given day. [Confidential]

1.3. Sources of gas

8. All gas transported through the DVP is owned by the JV, and comes from two sources:

- **(a)** gas produced by the JV from its own activities on Petroleum Lease 94 ("PL94"); and
- **(b)** gas produced under arrangements with the Harcourt JV (previously known as the Molopo JV) which subleases part of PL94 (see paragraphs 10-14).

9. PL94 and the Mining Leases in the vicinity of the DVP are shown on **Attachment B(ii)**.

10. Prior to the acquisition of the DVP by the JV in mid 2010, the previous owners of PL94 subleased part of PL 94 to a joint venture ("**ATP564PJV**" or "**Harcourt JV**")[1] comprising MEPAU, Harcourt (Queensland) LLC ABN 23 005 405 986[2] and Harcourt Petroleum N.L. ABN 37 055 269 040[3]. MEPAU holds [confidential]% interest and the Harcourt entities hold [confidential]%.

11. Harcourt (Queensland) LLC and Harcourt Petroleum N.L. are both subsidiaries of PetroChina International Investment (Australia) Pty Limited ABN 47 152 953 529, which acquired the Bowen Basin coal seam gas assets previously owned by Molopo Energy Limited in August 2012. The ultimate holding company is China National Petroleum Corporation, a Chinese state owned enterprise.

12. Under the arrangement described in paragraph 10, raw gas extracted by the Harcourt JV is delivered through the Harcourt JV's network of low pressure gathering lines to the Moura compressor and processing facility which is owned by the Meridian JV. The gas is processed, compressed and measured by the Meridian JV. The Meridian JV purchases the Harcourt entities' proportion of the processed gas at the outlet of the processing facility. WestSide A and WestSide D also acquire a proportion of the gas allocated to MEPAU under the Harcourt JV arrangements, with the result that the Meridian JV own all of the gas allocated to MEPAU from the Harcourt JV. The result of these arrangements is that all gas extracted on the subleased area is owned by the Meridian JV prior to delivery of that gas into the DVP.

13. A small quantity (approximately [confidential] TJ/day) is currently processed and purchased under the arrangements described in paragraph 12.

---

1 This JV was formerly known as the Molopo JV.
2 Harcourt (Queensland) LLC was previously known as Molopo (Queensland) LLC
3 Harcourt Petroleum N.L. was previously known as Molopo Petroleum N.L.

14. [Confidential]

15. The Meridian JV is also party to a Co-Development Agreement under which the JV de-gasses coal located on Mining Leases adjoining PL 94. The holders of the Mining Leases are Anglo Coal (Dawson) Limited, Anglo Coal (Dawson South) Pty Limited and Mitsui Moura Investment Pty Limited. The Meridian JV holds the rights to produce and own gas within this Co-Development Area. [Confidential] [T]he gas is transported through the ML Pipeline.

16. The JV is in the final stages of being granted an area pipeline license which will enable gas transfers between the Mining Leases and PL94, and vice versa. If this license is granted, gas produced by the JV on PL94 or on the Mining Leases will be transported to market through a combination of both the DVP and the ML Pipeline.

1.4. Utilisation

17. Currently, the DVP is operating significantly below its capacity.

18. The JV's total production is approximately [confidential] TJ/day, and this total quantity is transported through the DVP and the ML Pipeline. Typically, approximately [confidential] TJ per day or 38% of total production is transported through the DVP although the quantities and relativities change slightly from day to day.

19. The JV has recently entered into a long term gas sales agreement with the GLNG project participants ("**GLNG**") under which gas produced by the JV is to be sold to GLNG for a 20 year period commencing in 2015. Gas will be delivered to a new interconnection with the GLNG pipeline (Petroleum Pipeline Licence 166) as well as into the QGP. It is expected that as production on the Meridian fields ramps up, there will be no spare capacity in either the DVP or the MLP. Maximum volumes contracted under the GLNG sales agreement are in excess of the current combined capacity of the DVP and the MLP. Further detail on this agreement is contained in paragraphs 24 and 25.

1.5. Gas Sales Contracts

20. The JV has had two gas sales contracts in place, both with AGL Sales (Queensland) Pty Limited ("**AGL**"). Under these agreements, the JV sells gas to AGL at nominated delivery points, being either the QNP facility or the Moura inlet point on the QGP. Gas is delivered through the DVP and the ML Pipeline. Title to the gas transfers to AGL at the delivery points. Both of these contracts pre-dated the establishment of the Meridian JV and were assigned to the JV as part of its acquisition of the Meridian SeamGas assets.

21. [Confidential]

22. Gas in excess of the quantity required by QNP is delivered into the QGP on behalf of AGL. Approximately [confidential] TJ/day is currently being delivered into the QGP.

23. [Confidential]

24. The recently announced agreement with the GLNG project (see paragraph 19) provides for future sales volumes of up to 65 TJ per day. The agreement provides for staged ramp up in volumes to match deliverability and available financial resources. The JV intends to significantly increase production from existing levels, and conservative development planning would see the JV supplying 40 TJ per day by 2017.

25. Under the GLNG agreement, gas produced by the JV may be delivered into the GLNG pipeline or, although the gas will be of a higher specification than the general specification for natural gas, into the QGP pipeline.

1.6. Existing transportation agreements

26. There are no third party users of services provided by means of the DVP.

27. There is currently one transportation arrangement in place for services provided by the DVP, in relation to the transportation of gas for the JV. Under this arrangement, the JV reserves all capacity required by it to satisfy gas sales agreements existing at the time of the JV's acquisition of the DVP unless the parties agree otherwise. The JV is able to notify an increase in the capacity reservation from time to time by giving notice.

28. The arrangement referred to in paragraph 27 is documented in a Term Sheet dated 12 August 2012, which was provided to the AER as part of the JV's application in 2012 for a waiver of the minimum ringfencing obligations under the NGL ("**Ringfencing Waiver Application**") (see paragraphs 61 to 63).

29. [Confidential]

30. At least during the time the DVP has been owned by the JV, no parties including Molopo entities, the Harcourt JV or the holders of the Mining Leases referred to in paragraph 15, have sought or enquired about a gas transportation service.

31. The absence of current or prospective users of services on the DVP was also recognised by the AER in the Draft Decision on the Ringfencing Waiver Application[4].

1.7. Other pipelines

32. There are five other pipelines which pass within 100km of locations served by the DVP:

- **(a)** ML Pipeline owned by the JV (see paragraph 4 above);
- **(b)** Queensland Gas Pipeline (QGP) (PPL 30), owned by Jemena;
- **(c)** GLNG gas export pipeline (PPL 166) (developed by the Santos/Petronas/Total/Kogas consortium) which runs parallel to the QGP and is in close proximity to the DVP at the connection point to the QGP;
- **(d)** APLNG gas export pipeline (PPL 163) (developed by the Origin/Conoco Phillips/Sinopec consortium) which is approximately 70km to the south / east of PL94; and
- **(e)** QCLNG gas export pipeline (PPL 163) (developed by the British Gas/Queensland Gas Company consortium) which is approximately 70km to the south / east of PL94.

33. The location of the ML Pipeline is shown on **Attachment B(i).**

34. The locations of the pipelines referred to in paragraphs 32(b) – (e) are shown on **Attachment C**.

4 Draft Decision, June 2012, page 10 and page 18

2. Meridian SeamGas Joint Venture

2.1. Participants and activities of Meridian SeamGas Joint Venture

35. The DVP is owned by the Meridian JV, constituted by:

- WestSide CSG A Pty Ltd ACN 138 989 358 ("**WestSide A**") – 25.5%%
- WestSide CSG D Pty Ltd ACN 140 474 362 ("**WestSide D**") – 25.5%
- Mitsui E&P Australia Pty Ltd ACN 108 437 529 ("**MEPAU**") – 49%

36. WestSide Corporation Limited ACN 117 145 516 ("**WestSide Corporation**") is the operator of the JV, including being the operator of the DVP

37. The JV is engaged in the business of gas exploration and production in the Meridian SeamGas fields.

38. In July 2010, the JV acquired the Meridian SeamGas fields (then known as the Dawson CSG fields) from Anglo Coal (Dawson) Limited, Anglo Coal (Dawson Management) Pty Limited and Mitsui Moura Investment Pty Ltd. WestSide A and WestSide D acquired the 51% interest held by the two Anglo companies; MEPAU acquired the 49% interest held by Mitsui Moura Investment. Following this acquisition, the fields were renamed the Meridian SeamGas fields.

39. The JV's assets comprise the DVP (PPL 26) together with the "ML Pipeline" (PPL 61), Petroleum Lease 94, gas rights in mining leases under the Co-Development Agreement, and gas processing and compression infrastructure. Gas produced by the JV is delivered to QNP or into the Queensland gas infrastructure network through the interconnection with the QGP.

40. WestSide Corporation has been appointed the operator of the Meridian JV, and is responsible for all activities required for the operation of the JV and its assets.

41. Other than as set out in this submission, there is no relationship between the JV and WestSide and users of pipeline services or suppliers or consumers of gas in a location or geographical area served by the DVP.

2.2. Background: WestSide Corporation

42. WestSide Corporation Limited (ASX code: WCL) is a publicly listed Brisbane-based coal seam gas explorer and producer with a portfolio of projects in Queensland. WestSide A and WestSide D are both wholly owned subsidiaries of WestSide Corporation. Attachment D lists parties with a direct or indirect shareholding of more than 5% in WestSide Corporation as of 12 May 2014. None of these parties is involved in the operation of the JV.

43. In addition to the interest in the Meridian JV, WestSide subsidiaries are currently operating an exploration and appraisal program at the ATP 769P (Paranui) and ATP 688P (Tilbrook and Mount Saint Martin) sites in the Bowen Basin. WestSide holds a 25.5% interest in each area and MEPAU holds a 24.5% interest. Subsidiaries of Queensland Gas Company ("QGC") hold the other 50%. WestSide is the operator of these jointly held tenements. No commercial or production activity is undertaken in relation to these investments as they are currently in the exploration phase.

44. These investments are not part of the Meridian JV and are undertaken by different subsidiaries in the WestSide group.

45. WestSide's most recent financial results are as follows:

- **(a)** In FY2010/11, WestSide reported earnings/revenue of $12.1m and an operating loss after tax of $9.4m.
- **(b)** In FY2011/12, Westside reported earnings/revenue of $8.76m and an operating loss after tax of $7.8m

46. Additional information is available on WestSide's website: http//: www.westsidecorporation.com

2.3. Background: Mitsui E&P Australia Pty Ltd

47. MEPAU is a subsidiary of one of Japan's biggest corporations, Mitsui & Co. Ltd. The Mitsui group has approximately 150 offices around the world, spanning 66 countries. The major shareholders in Mitsui & Co, Ltd as at 31 March 2014 are The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), Sumitomo Mitsui Banking Corporation, Mitsui & Co., Ltd., Nippon Life Insurance Company, Barclays Securities Japan Limited, Mitsui Sumitomo Insurance Company, Limited.

48. MEPAU is a member of the Harcourt JV (specifically ATP564PJV described above in paragraph 9) which holds Authority to Prospect ATP564 and a sublease from the Meridian JV over part of PL94. Additionally, MEPAU and Harcourt entities are in ATP602PJV, which holds Authority to Prospect ATP602. The respective holdings in this JV are MEPAU [confidential]%, Harcourt [confidential]%. Both of these Authorities are in the vicinity of the Meridian JV's fields.

49. In addition to its interest in the Meridian JV and the Harcourt JV, MEPAU's portfolio includes interests in a number of oil and gas fields, including the investments described in paragraph 46, and in the Carnarvon Basin, Exmouth/Browse Basin, Otway/Sorell Basin.

50. MEPAU has no active involvement in the operation of the Meridian JV.

51. Mitsui & Co. Ltd is a participant in the North West Shelf (NWS LNG Project) through a 50 per cent share in Japan Australia LNG (MIMI) Pty Ltd, which is one of seven shareholders in the NWS LNG Project.

52. Additional information is available on Mitsui's website: http://www.mitsui.com/au/en/index.html

2.4. *Size of the DVP in the eastern Australian gas market*

53. The DVP, and the gas produced by the JV, are small parts of the overall gas supply chain in eastern Australia, as demonstrated by the indicators set out in paragraphs 54 and 55 below.

54. The quantities of coal seam gas and conventional gas produced in eastern Australia in the year to June 2013, and the relative quantities produced by the JV and transported through the DVP in that year are as follows[5]:

	Coal Seam Gas production	**Conventional gas production**	**Total gas production**
Volume – Eastern Australia[6]	253 PJ	481 PJ	734 PJ
Volume produced by Meridian JV	4.55 PJ	N/A	4.55 PJ
Volume produced by Meridian JV as %	1.8%	N/A	0.6%
Volume transported (PJ) on DVP[7]	[confidential] PJ	0	[confidential] PJ
Volume transported on DVP as % of total	[<1.0]%	0	[<1.0]%

55. In terms of pipeline length and capacity, the size of the DVP relative to major gas pipelines (as defined in the AER's State of the Energy Market Report, 2013) in Queensland and eastern Australia is as follows[8]:

	Pipeline length – Queensland	**Pipeline length – eastern Australia**[9]	**Pipeline capacity – Queensland**	**Pipeline capacity – eastern Australia**
Total	3,601 km	11,864 km	1,411 TJ/day	3,981 TJ/day
DVP[10]	47 km	47 km	18 TJ/day	18 TJ/day
DVP as percentage	1.30%	0.4%	1.27%	0.45%

5 AER, State of the Energy Market Report, 2013, Table 3.1, page 88
6 Defined in the Report as Cooper, Gippsland, Otway, Bass, Surat-Bowen and NSW basins
7 For convenience, it has been assumed that 38% of the total quantity of gas produced by the JV was transported through the DVP, consistent with the utilisation detailed in paragraph 18
8 AER, State of the Energy Market Report, 2013, Table 4.1, page 108.
9 Defined in the Report as Queensland, NSW, Victoria, South Australia, Tasmania
10 The AER State of the Energy Market Report refers to the capacity of the DVP as 30TJ/day. If this capacity is used, the relevant percentage is 2.12% (Pipeline capacity – Queensland) and 0.75% (Pipeline capacity – eastern Australia)

3. Regulatory history

3.1. *Previous coverage and revocation decisions*

56. When the National Gas Pipelines Access Code was introduced in 1998, the DVP was automatically covered. In 2000, the Minister revoked coverage of the DVP on the basis of the recommendation by the National Competition Council that regulated access to the DVP would not promote competition in another market or confer net public benefits.

57. On 26 April 2006, following an application by Molopo Australia Limited, the Commonwealth Minister for Industry, Tourism and Resources decided that the DVP should be covered ("**2006 Decision**"). The Minister's decision was based on a Recommendation and Supplementary Advice from the NCC ("**2005 Recommendation**"). Following the 2006 Decision, an Access Arrangement was developed and was approved by the ACCC in 2007. The DVP is now subject to full regulation under the NGL.

58. In the 2005 Recommendation and the 2006 Decision, emphasis was placed on 2 elements:

(a) the existence of an actual third party and potential third party user of pipeline services; and

(b) the common ownership of the MLP and DVP, which was regarded as meaning that the then-owner of the DVP would have the ability and incentive to leverage its market power into the relevant upstream market.

The Applicant submits that neither of these elements is persuasive in relation to this Application for the reasons in paragraphs 59 and 60 below.

59. In relation to paragraph 58(a), the current situation is materially different from 2005-6:

(i) in 2005-6, the Molopo JV (now the Harcourt JV) was a third party user of the DVP and submitted that it would continue to be a user of pipeline services into the future;

(ii) currently, the Meridian JV is the only user of the DVP. [Confidential]

(iii) despite the fact the DVP is a full regulation pipeline, with published terms and conditions, no third parties have required transportation services on the DVP or even requested a proposal for services; and

(iv) the AER, in considering the Ringfencing Waiver Application, noted that there were no actual or likely users of pipeline services on the DVP[11].

60. In relation to paragraph 58(b), the Applicant submits that the common ownership of the DVP and the ML Pipeline should be given limited if any weight in the assessment of whether the pipeline coverage criteria are met. In particular:

(i) the only context in which common ownership of both the DVP and the ML Pipeline was regarded as relevant in the 2005 Recommendation and the 2006 Decision was in relation to the upstream gas market – which was then narrowly defined as the market for gas production and sales in fields in the vicinity of the DVP. This definition is no longer the appropriate definition of the upstream market, as discussed in paragraphs 71-73 below;

(ii) there is no indication that any stakeholder is likely to enter into competition with the JV, and consequently to seek access to the DVP, in the foreseeable future[12]; and

(iii) the DVP is a very small part of the market for pipeline services in Queensland (see paragraphs 54 and 55) and the JV has limited potential to influence prices[13].

3.2. Waiver of ringfencing obligations - 2012

61. In 2012, the AER granted the Meridian JV an exemption from the minimum ringfencing obligations under the NGL. The exemption was granted in relation to all obligations other than the obligation to maintain separate accounts. In relation to this latter obligation, the AER considered that the costs of compliance would be low.

62. In its Draft Decision on the Ringfencing Waiver Application[14] the AER made the following observations or reached the following conclusions in relation to the DVP:

(a) The DVP is not a significant part of the gas pipeline system in Queensland: the AER reached this conclusion taking into account the number of current and prospective users on the DVP, the volume of gas transported on the DVP in comparison with total gas production in Queensland, and the capacity of the DVP in comparison with total pipeline capacity in Queensland[15];

(b) *"there is currently no upstream stakeholder that is in direct competition with the Applicants in supplying processed gas to downstream retailers that will need transportation services on the DVP"*[16] ;

11 See paragraph 62(b) and (d) below.
12 See paragraph 62(c) below in relation to findings of AER in relation to the Ringfencing Waiver Application.
13 See paragraph 62(e) below in relation to findings of AER in relation to the Ringfencing Waiver Application..
14 Draft Decision, June 2012
15 Draft Decision at paragraph 3.1.2
16 Draft Decision at paragraph 3.2.2

(c) *"the AER received no submissions which indicated that any stakeholder is likely to enter into competition with the Applicants in the foreseeable future"* [17];

(d) *"the lack of interest shown by upstream stakeholders in obtaining pipeline services on the DVP is an indication that potential entry into the upstream market and competition with the Applicants is unlikely to occur in the foreseeable future"*[18]*;*

(e) *"Domestic and international demand for natural gas in Queensland has continued to grow over the years, generating significant increase in gas production. However, the ability of the DVP and the Applicants to benefit from this is seriously limited by the relatively small capacity of the DVP as well as the limited production potential of the surrounding fields. This means that the ability of the Applicants and potential upstream competitors to influence prices in the Queensland gas market is minimal"*[19] *.*

(f) No submissions were received during the AER's public consultation process[20].

63. The AER's Final Decision was consistent with these findings and nothing has occurred since the AER's consideration of the ringfencing exemption application to invalidate these conclusions.

17 ibid
18 Draft Decision at paragraph 4.3.3
19 ibid
20 Draft Decision at section 2.2

4. Criterion (a): that access (or increased access) to pipeline services provided by means of the pipeline would promote a material increase in competition in at least one market (whether or not in Australia), other than the market for the pipeline services provided by means of the pipeline;

4.1. Relevant markets

64. Consistent with the conclusions of the Council in the South Eastern Pipeline System ("**SEPS**") and Wagga Wagga Gas Distribution Network ("**WWGDN**") matters, this submission proceeds on the basis of three dependent markets as follows:

(a) retail gas market in Queensland and/or eastern Australia;

(b) an eastern Australian upstream market for production and sale of gas; and

(c) market for gas transmission services in eastern Australia.

4.2. Retail gas market

4.2.1. Definition of retail gas market

65. The 2005 Recommendation and 2006 Decision proceeded on the basis that the relevant downstream market was a downstream Queensland gas sales market.

66. The Applicant considers it is arguable that the relevant retail market is the market for gas sales in eastern Australia, rather than in Queensland. However, given that even on the more restrictive view the coverage criteria are not satisfied, this submission proceeds on the basis of the downstream Queensland gas sales market, consistent with the 2005 Recommendation.

4.2.2. Coverage would not promote competition in the retail gas market

67. The 2005 Recommendation and 2006 Decision concluded that coverage of the DVP was not likely to promote competition in the downstream market. Key findings in the 2005 Recommendation include:

(a) [coverage of the DVP] "*would be unlikely to materially promote competition in the downstream Queensland gas sales market as a consequence of the lack of ability and incentive of the pipeline to distort competition in those markets through vertical leveraging*"[21]; and

(b) "*the small volumes of gas transported on the DVP into the Queensland gas sales market are unlikely to materially change the state of competition in that market*

21 2005 Recommendation, paragraph 7.54(a)

or to provide [the owner of the DVP] with an ability to exercise market power in that market through ownership of the DVP"[22]*.*

68. The Council's conclusion in relation to the retail gas market was not affected by the common ownership of the DVP and the MLP[23] . The same conclusion is reflected in the 2006 Decision[24].

69. The Applicant submits that there have been no developments since 2006 which could lead to a different conclusion in relation to the impact of coverage of the DVP on the downstream gas market. Further, the Applicant notes that in 2006 the maximum foreseeable volume to be delivered by the DVP represented around 5.8% of the total demand in the relevant retail market[25]. In contrast, the total volume delivered by the DVP in FY2013 was approximately [confidential] [<1.0] % of demand in the relevant retail market[26].

70. Accordingly, the Applicant submits that coverage of the DVP will not promote a material increase in competition in the downstream retail gas market.

4.3. Upstream gas market

4.3.1. Definition of upstream gas market

71. In the 2005 Recommendation, the Council considered that the relevant upstream market was *"an upstream market for gas production and gas sales from any field (including the Mungi gas field) that is within the feasible scope of connection with the DVP"*[27]. This definition was reflected in the Final Decision[28].

72. The Applicant submits that the definition of the upstream market relied upon in the 2005 Recommendation and the 2006 Decision should not be adopted. Instead, consistent with the categorisation of the "upstream market" in the SEPS and WWGDN matters, the Applicant submits that the appropriate dependent market is an *eastern Australian gas wholesale market*:

(a) In the Final Recommendation in relation to the application for coverage of SEPS, the relevant market was described as *"an (upstream) market for the production and sale of gas"*[29] as follows:

"*Australia's network of transmission pipelines provides for basin on basin competition in southern and eastern Australia. The transmission network enables, for example, gas producers in the Surat-Bowen, Gippsland, Otway, Bass and New South Wales basins to sell gas to customers across Queensland, New*

22 Ibid, paragraph 7.45
23 Supplementary Advice page 5.
24 Final Decision, paragraph 10
25 ibid
26 See table in paragraph 54.
27 Paragraph 7.24(a)
28Paragraphs 9 and 10
29 Final Recommendation, 8 April 2013, paragraph 6.8(b)

South Wales, Victoria, South Australia, Tasmania and the Australian Capital Territory" [30] .

(b) In the Final Recommendation in relation to the application for revocation of coverage of the WWGDN, the relevant market was defined as "*an eastern Australian gas wholesale market*"[31].

73. This submission proceeds on the basis of these definition adopted in the WWGN Final Recommendation. However, the Applicant submits that for the purposes of this Application there is no material difference between the definitions adopted in the SEPS and WWGN decisions.

4.3.2. Coverage would not promote competition in the upstream gas market

74. In the SEPS Final Recommendation the Council considered that access to the SEPS was *"unlikely to promote a material increase in competition in the already competitive (upstream) gas production and sales market".* This was despite the possibility that coverage of the SEPS was *"potentially important to the competitive position of a local gas producer"* [32].

75. In the WWGDN Final Recommendation the Council considered that *"the value and volume of gas that might be transported on the WWGDN is insufficient for access to that pipeline to have any material impact on the state of competition in these upstream markets or for the state of coverage of the WWGDN to affect competition in these markets"*[33].

76. The Applicant submits that the same conclusion must apply in relation to the DVP. In particular, the volume of gas that might be transported on the DVP is similar to that which could be transported on the SEPS or the WWDN and is insufficient for access to the pipeline to have a material impact on the state of competition in the eastern Australian gas wholesale market as demonstrated below:

	Capacity	***Volume transported***	***Length***
DVP	18 TJ/day	[<2 PJ] in FY2013	47 km
SEPS	22 TJ/day	1.43 PJ in 2012	80 km (approx)
WWGDN	N/A	1.7 PJ in 2011-12	690 km

30 Ibid, paragraph 6.38
31 Final Recommendation, 8 August 2013, paragraph 4.7
32 paragraph 6.41
33 Paragraph 4.48

4.4. *Market for transmission services*

4.4.1.Definition of market for transmission services

77. In the WWGDN Final Recommendation, the Council refers to *"a separate market for transmission services linking eastern Australian gas sources to the [network]"*[34]. No similar market had been identified in the Recommendation on the SEPS application.

4.4.2.Coverage will not promote competition in the market for transmission services

78. To the extent that such a separate market does exist, the Applicant submits that coverage of the DVP will not promote a material increase in competition in that market for the reasoning adopted by the Council in the WWGDN matter.

79. In particular, adopting the language of the Council in the WWGDN Recommendation

> *"the value and volume of gas that might be transported on the [DVP] is insufficient for access to that pipeline to have any material impact on the state of competition in these upstream markets or for the state of coverage of the [DVP] to affect competition in these markets*[35]*.*

4.5. *Impact of upstream activities of the JV*

80. Unlike the service providers of pipelines under several recent coverage decisions, particularly SEPS and WWGDN, the JV is also engaged in the activities of gas production and supply. As much of the supporting argument for the Applicant's submissions on criterion (a) relies on the conclusions of the Council in those decisions, this section 4.5 seeks to demonstrate that the gas production and supply activities of the JV do not alter the applicability to the DVP of the Council's conclusions in those decisions.

81. Even if the upstream activities of the JV mean that that JV does have an incentive to adversely affect competition in a dependent market, which is not admitted, the Applicant submits that the JV does not have the ability to do so. In particular,

- **(a)** the volumes of gas which could be transported on the DVP are minor in the overall scheme of gas production, transportation and retailing in eastern Australia[36];

- **(b)** other than the Harcourt JV, there is no producer in competition with the JV which may require transportation services on the DVP[37]; and

- **(c)** the Harcourt JV has indicated no desire to acquire services on the DVP, but instead continues to request that the JV processes and purchases its gas at the JV's upstream facilities.

---

34 Paragraph 4.7

35 Final Recommendation paragraph 4.48

36 See paragraphs 54-55

37 See AER decision on the Ringfencing Waiver Application – paragraph 62(b) above;

82. This is supported by the AER's conclusions in relation to the Ringfencing Waiver Application, including the following:

> *"Domestic and international demand for natural gas in Queensland has continued to grow over the years, generating significant increase in gas production. However, the ability of the DVP and the Applicants to benefit from this is seriously limited by the relatively small capacity of the DVP as well as the limited production potential of the surrounding fields. This means that the ability of the Applicants and potential upstream competitors to influence prices in the Queensland gas market is minimal".*

83. While the AER's statement in paragraph 82 above is specifically referring to the ability to influence prices in the "Queensland gas market", the Applicant submits that the same finding as to the ability of the JV to influence prices must also in relation to the JV's ability to influence prices in the upstream market.

4.6. Conclusion on criterion (a)

84. The Applicant submits that criterion (a) is not satisfied as continued coverage would not promote a material increase in competition in any relevant market.

5. Criterion (b) – “that it would be uneconomic to develop another pipeline to provide the services provided by means of the DVP”

85. Given the conclusion in this Application that criteria (a) and (d) are not satisfied, no submissions in relation to this criterion (b) have been included. The JV would be pleased to provide the Council with information on this issue if that would assist the Council’s assessment of the application.

6. Criterion (c) – “that access (or increased access) to the services provided by the pipeline can be provided without undue risk to human health or safety

86. The Applicant accepts that access (or increased access) to the services provided by the DVP can be provided without undue risk to human health or safety. The Applicant accepts that the DVP satisfies criterion (c).

7. Criterion (d) – "access (or increased access) to the services provided by the pipeline would not be contrary to the public interest"

7.1. Approach to assessing criterion (d)

87. In the SEPS Recommendation, the Council concluded that *"Overall, the Council accepts that the costs of light regulation will not be inconsequential. In such circumstances (where the Council is not satisfied under criterion (a) that there will be a public benefit resulting from a material promotion of competition and has identified costs from regulation), the Council considers that generally it cannot be satisfied in respect of criterion (d)"*[38].

88. The Applicant submits that adopting this approach the Council cannot be satisfied that criterion (d) is satisfied in respect of the DVP.

7.2. Public Benefit

89. For the reasons set out in section 4 above, the Applicant submits that the Council cannot be satisfied under criterion (a) that there will be a public benefit resulting from a material promotion of competition.

7.3. Costs of regulation

90. In terms of estimating the costs of regulation, the Applicant notes that APA estimated that the costs to all parties for coverage of the SEPS over a 10 year period would be $2.35 million[39]. This estimate included approximately $1.2 million in owner costs, comprising $500,000 for preparation of an initial Access Arrangement, $400,000 for preparation of a subsequent 5 year Access Arrangement and on-going annual costs of approximately $30,000. This gives an annual owner cost of approximately $120,000.

91. The Applicant submits that this or a similar level of costs is applicable to the DVP. While an initial Access Arrangement has already been established, the JV does not have internal regulatory expertise and would have a greater reliance on external advisers for the management of the Access Arrangement. Accordingly, while the JV does not incur annual regulatory costs of $30,000, across a regulatory period of 10 years the total costs which would be incurred by the JV would be at approximately the level indicated by APA.

92. These costs are particularly significant in light of the size of the Meridian JV and the small volumes of gas transported on the DVP:

(a) under the current Access Arrangement, the forecast annual revenue for FY15 which would be recoverable if the DVP were fully contracted is approximately $1.2 million. Over a 10 year period, the owner's costs of regulation would therefore represent more than 10% of recoverable revenue; and

38 Final Recommendation page 39
39 Ibid, page 37

(b) assuming the current volumes of gas continue to be transported on the DVP, approx [confidential] per GJ would be added to the cost of gas transport.

7.4. Conclusion on criterion (d)

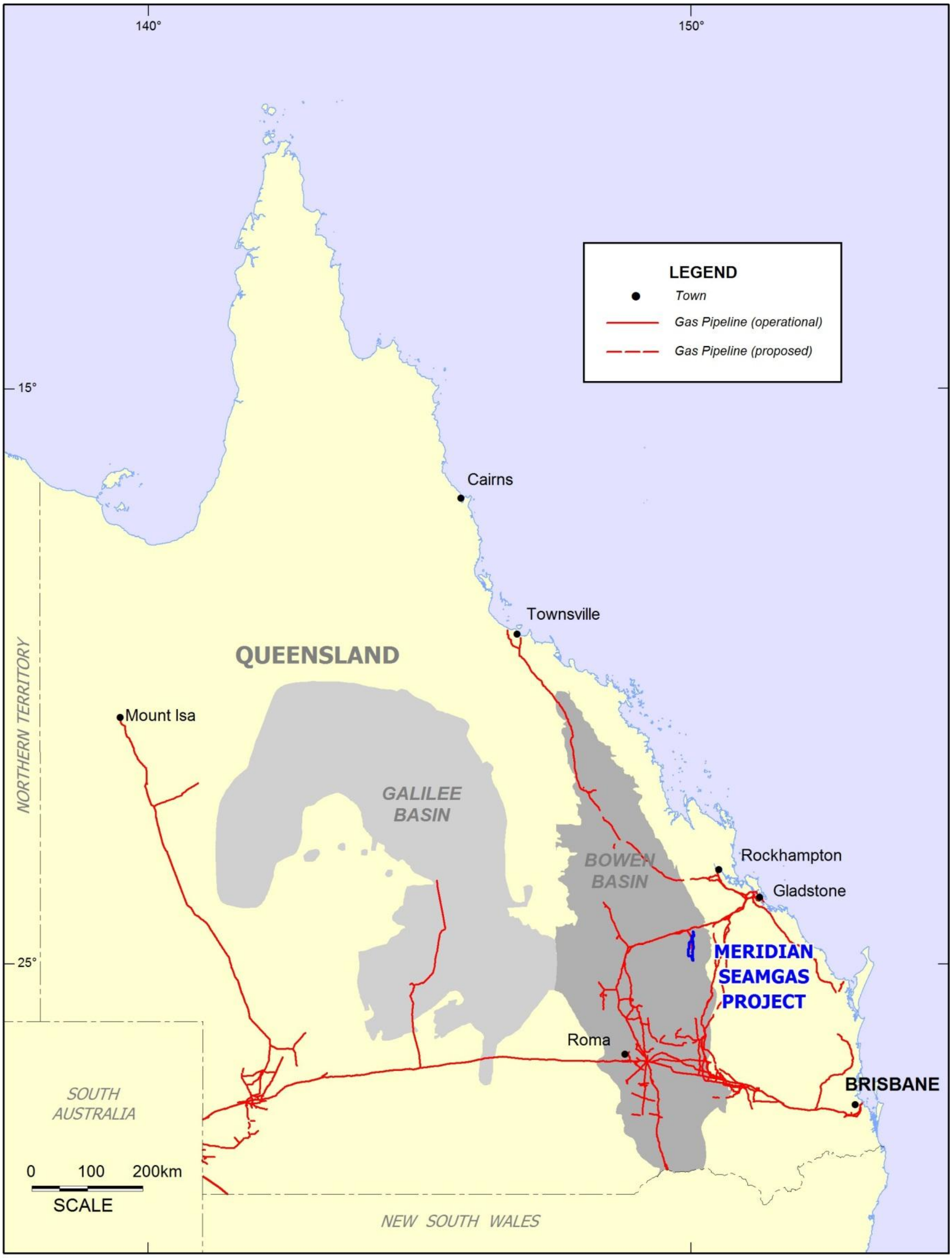
93. The Applicant therefore submits that in the absence of benefits arising from a material promotion of competition, the Council cannot be satisfied that criterion (d) is satisfied.

8. Conclusion: revocation.

.

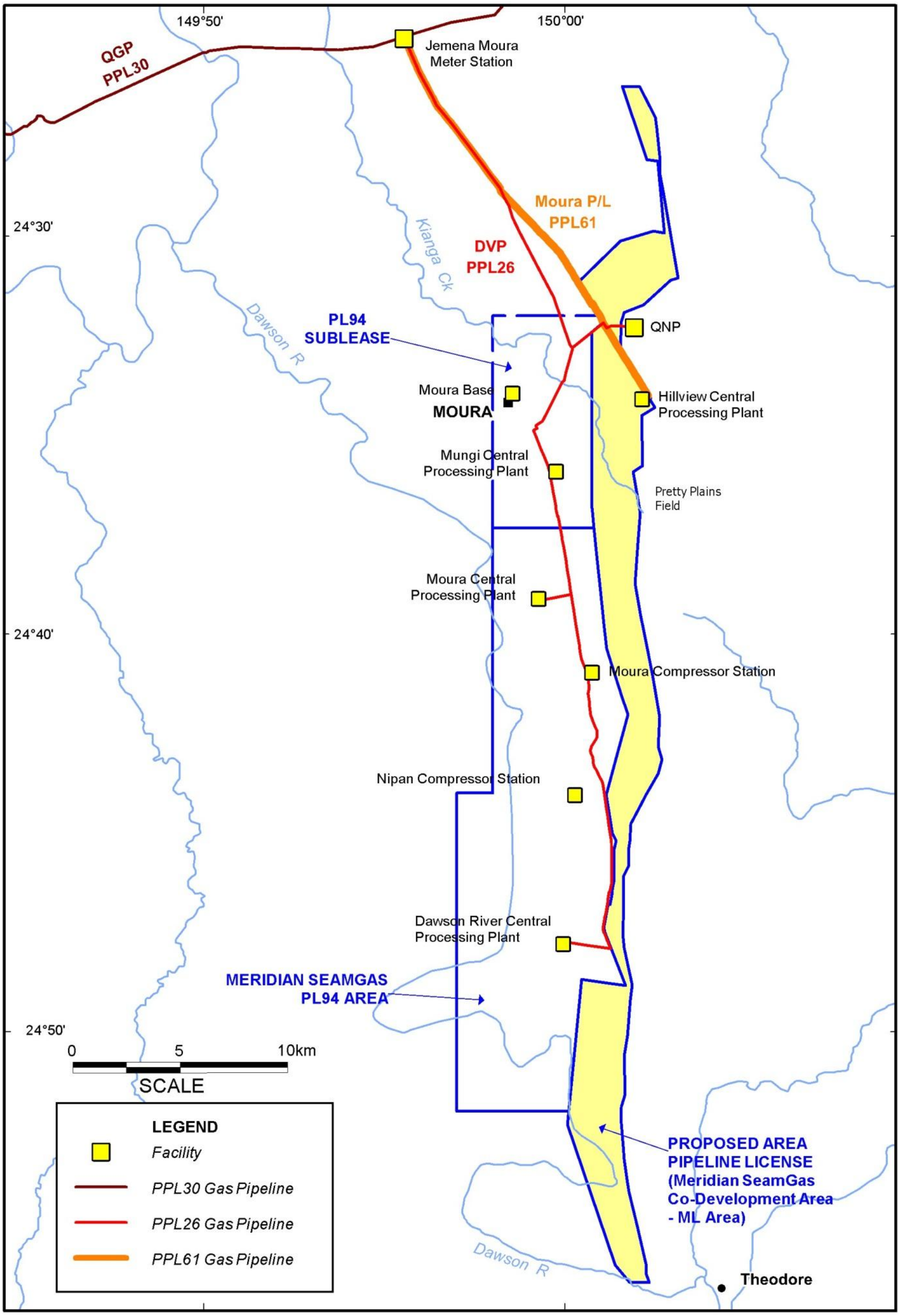
94. The Applicant submits that as the Council cannot be satisfied that criterion (a) or (d) are satisfied, a coverage revocation determination should be made.

Attachment A: Map of Queensland showing location of Meridian SeamGas assets including DVP

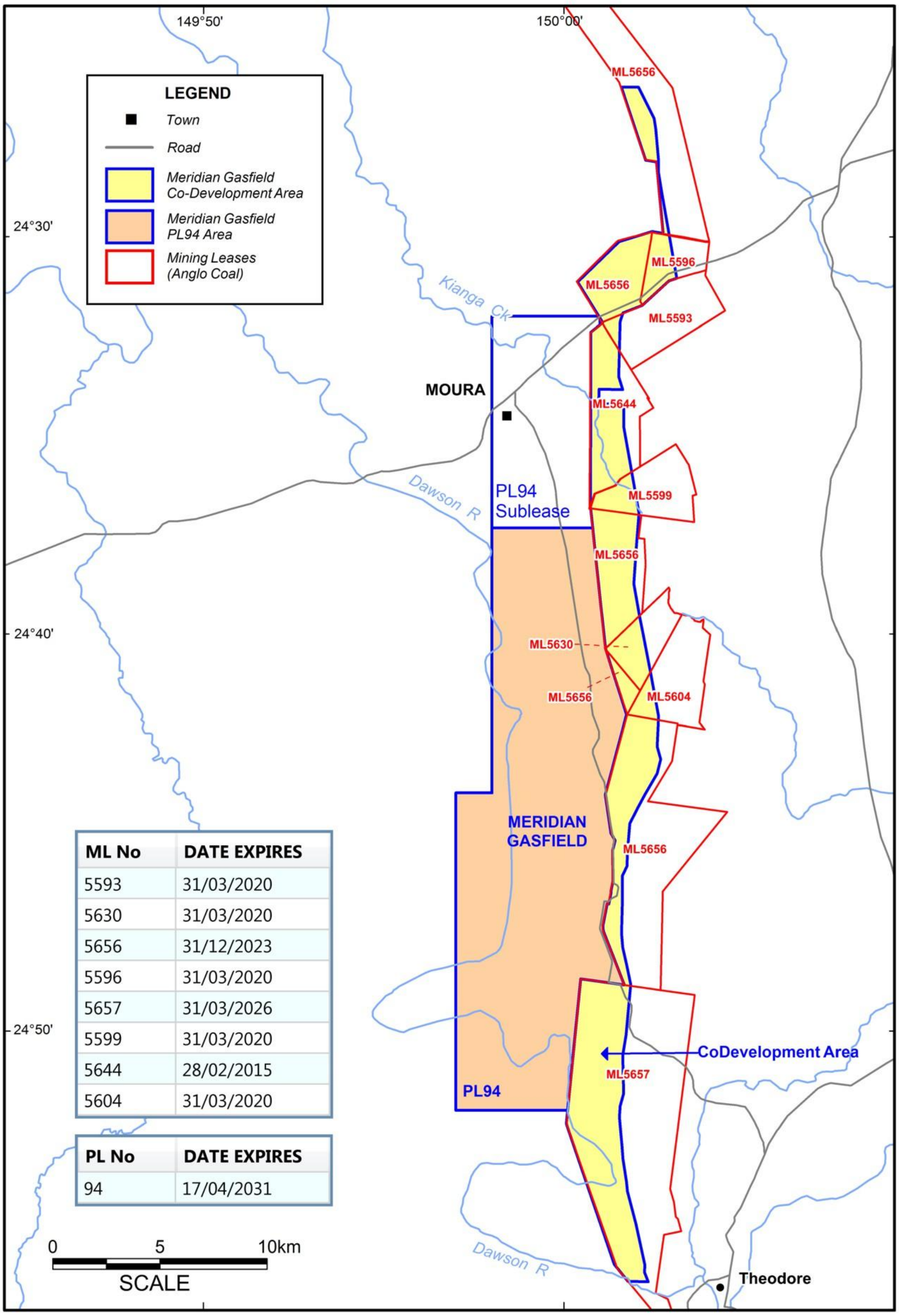


QD_004b_Meridian.wor

Attachment B (i): Map of DVP, MLP, PL94 and Co-Development Area



Attachment B (ii): Map Co-Development Area and surrounding Mining Leases



ML No	DATE EXPIRES
5593	31/03/2020
5630	31/03/2020
5656	31/12/2023
5596	31/03/2020
5657	31/03/2026
5599	31/03/2020
5644	28/02/2015
5604	31/03/2020

PL No	DATE EXPIRES
94	17/04/2031

Based on or contains data provided by the State of Queensland Department of Natural Resources and Mines (DNRM) 2014. In consideration of the state permitting use of this data you acknowledge and agree that the State gives no warranty in relation to the data (including accuracy, reliability, completeness, currency or suitability) and accepts no liability (including without limitation, liability in negligence) for any loss, damage or costs (including consequential damage) relating to any use of the data. Data must not be used for direct marketing or be used in breach of the privacy laws.

(i) Westside Corporation Limited (WCL) and Sun Drafting Pty Ltd accepts no responsibility for any loss or damage suffered howeverso arising to any person or corporation who may use or rely on this plan in contravention of the terms of this clause or clauses (ii) & (iii).

(ii) The dimensions, areas, numbers of lots, size & location of corridor information are approximate only and may vary.

(iii) This plan may not be copied unless this note is included.

Source: WCL; DNRM (QLD); Geoscience Australia; Bing Maps

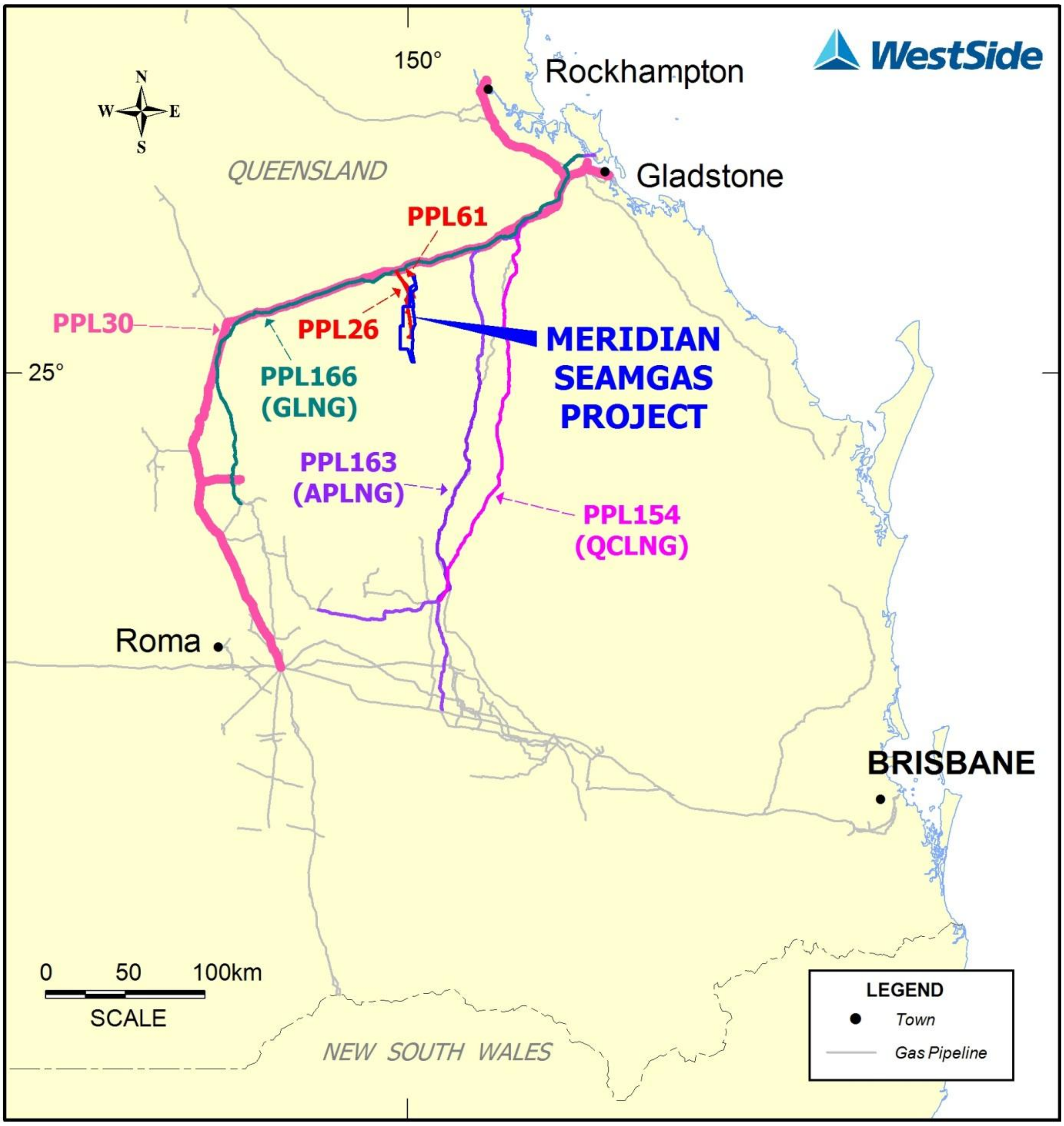
Compiled: G.Borgelt
Checked: G.Borgelt
Drawn: T.N.
Date: 7.5.2014
Datum: GDA94
Approved: G.Borgelt

WestSide

MERIDIAN GASFIELD TENEMENT MAP

ME_092.wor

Attachment C: Map showing location of other pipelines in vicinity of DVP



QD_006.wor

Attachment D: Shareholding in WestSide Corporation as at 12 May 2014.

WestSide Corporation Limited
Fully Paid Ordinary Shares
Shareholders holding >5% interest

Holder Name	Balance at 12-05-2014	%
LANDBRIDGE ENERGY AUSTRALIA PTY LTD	88,976,079	19.990
UNIFORD PTY LTD	78,446,133	17.624

Attachment E: Index of compliance with National Gas Rules requirements

Rule	Requirement	Location
18(1)(a)	Applicant's name & contact details	Application page 1, paragraph 6
18(1)(b)	Whether application is for revocation is for the whole, or part only, of the covered pipeline	Application page 1, paragraph 1
18(1)(c)	Reasons for the application (including a demonstration of how the coverage revocation determination would give effect to the pipeline coverage criteria)	Submission, sections 4-7
18(1)(d)	Include information, and be accompanied by the documents, on which the applicant relies in support of the application	Included in Submission
18(2)(a)	Capacity of the pipeline and the extent to which that capacity is currently utilised	Submission, paragraphs 3, 17-19
18(2)(b)	For a transmission pipeline, a description of: (i) all locations served by the pipeline (ie. all locations at which receipt or delivery points for natural gas carried by the pipeline exist),	Submission, paragraphs 1-2, 5
	(ii) all pipelines that currently serve the same locations; and	Submission, paragraph 4-5, 32
	(iii) all pipelines that currently pass within 100km of any location served by the pipeline	Submission, paragraph 32-34
18(2)(c)	Not relevant – relates to distribution pipelines	
18(2)(d)	A description of the pipeline services provided, or to be provided, by the pipeline	Submission, paragraph 6
18(2)(e)	An indication of any other sources of energy available to consumers of gas from the pipeline	Submission, paragraph 7
18(2)(f)	The identity of the parties with an interest in the pipeline and the nature and extent of each interest	Submission, section 2 & Attachment D
18(2)(g)	A description of the following relationships: (i) any relationship between the owner, operator and controller of the pipeline (or any 2 of them); (ii) any relationship between the owners, operator or controller of the pipeline and a user of pipeline services or a supplier or consumer of gas in a location or geographical area served by the pipeline; (iii) any relationship between the owner, operator or controller of the pipeline and the owner, operator or controller of any other pipeline serving any one or more of the same locations or the same geographical locations	Submission, section 2

18(2)(h)	An estimate of the annual cost to the service provider of regulation	Submission, paragraph 91
18(2)(i)	Any other information the applicant considers relevant to the application of the National Gas Objective r the pipeline coverage criteria in the circumstances of the present owner	Included in Submission