

DECISION ON REVOCATION OF THREE QUEENSLAND GAS PIPELINES

I, the Hon Senator Nick Minchin,
Minister for Industry, Science and Resources,
and the Relevant Minister for Coverage Decisions for Queensland Transmission Pipelines, under
the National Third Party Access Code for Natural Gas Pipeline Systems,

Make the following Decision in relation to the Application for Revocation of Coverage of the
Peabody-Mitsui, Kincora and Dawson Valley Pipelines.

23 November 2000

DECISION

In accordance with section 1.34 of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code), I have decided to revoke coverage of the Peabody-Mitsui, Dawson Valley and Kincora gas transmission pipelines.

The decision has effect from 8 December 2000 (being not earlier than 14 days after the decision).

Code Requirements

My decision complies with the requirement in the Code (section 1.34 and 1.36) that I, as the Relevant Minister must make a decision on Revocation of Coverage.

1.34 ...the Relevant Minister must make a decision:

(a) that Coverage of the Covered Pipeline is revoked; or

(b) that Coverage of the Covered Pipeline is not revoked.

1.36 The Relevant Minister must decide not to revoke Coverage of the Covered Pipeline, to any extent, if the Relevant Minister is satisfied of all of the matters set out in paragraphs (a) to (d) of section 1.9, but the Relevant Minister must decide to revoke Coverage of the Covered Pipeline (either to the extent described, or to a greater or lesser extent than that described, in the application) if not satisfied of one or more of those matters.

My decision is based on the criteria in section 1.9 of the Code:

1.9 Subject to sections 1.4(a) and 1.10, the NCC must recommend that the Pipeline be Covered (either to the extent described, or to a greater or lesser extent than that described, in the application) if the NCC is satisfied of all of the following matters, and cannot recommend that the Pipeline be Covered, to any extent, if the NCC is not satisfied of one or more of the following matters:

(a) that access (or increased access) to Services provided by means of the Pipeline would promote competition in at least one market (whether or not in Australia), other than the market for the Services provided by means of the Pipeline;

(b) that it would be uneconomic for anyone to develop another Pipeline to provide the Services provided by means of the Pipeline;

- (c) *that access (or increased access) to the Services provided by means of the Pipeline can be provided without undue risk to human health or safety; and*
- (d) *that access (or increased access) to the Services provided by means of the Pipeline would not be contrary to the public interest.*

Description of the pipelines

My decision relates to the three Queensland pipelines described below and summarised in **Table 1**.

Peabody-Mitsui Pipeline

The Peabody-Mitsui Pipeline carries gas for a distance of 23 km from the Moura Mine gas drainage operation to the inlet on the Duke Queensland pipeline and the service line inlet of the Queensland Nitrates Pty Limited plant. The pipeline is covered by pipeline licence Qld:PPL 61 (formerly Qld2:ML 80032).

Dawson Valley Pipeline

The Dawson Valley Pipeline transports gas 47 km from the Dawson Valley coal seam methane gas fields in the Bowen Basin to the Duke Queensland Pipeline. The pipeline is covered by pipeline licence Qld:PPL 26.

Kincora Pipeline

The Kincora Pipeline transports gas 53 km from the Kincora gas processing plant in the Surat Basin to the Roma to Brisbane pipeline. The pipeline is covered by pipeline licence Qld:PPL 3.

Table 1
Pipelines Subject to Revocation Applications

Pipeline Licence	Pipeline Owner	Pipeline Operator	Location/Route	Length (km)	Diameter (mm)
Qld:PPL 3	Oil Company of Australia Limited	Oil Company of Australia Limited	<i>Kincora to Wallumbilla</i>	53	219.1
Qld:PPL 26	Oil Company of Australia (Moura) Transmissions Pty Limited	Oil Company of Australia (Moura) Transmissions Pty Limited	<i>Dawson Valley to Duke Queensland Gas Pipeline</i>	47	168.3
Qld:PPL 61 (formerly Qld2:ML 80032)	Peabody Moura Investments Pty Limited and Peabody Moura Mining Pty Limited	Peabody Moura Mining Pty Limited	<i>Moura Mine to Duke Queensland Gas Pipeline</i>	23	219.1

Coverage Process

In August 2000, the NCC received an application from Peabody Moura Mining Pty Ltd to revoke coverage of the Peabody-Mitsui gas transmission pipeline. The NCC also received applications from Oil Company of Australia Ltd for revocation of coverage of its Dawson Valley and Kincora to Wallumbilla gas transmission pipelines. The applications were made under the *Gas Pipelines Access (Queensland) Act 1997*, which applies the Code to gas pipelines in Queensland.

The NCC released its draft recommendation on revocation on 6 October 2000, and its final recommendation on 3 November 2000. The NCC received seven submissions. The NCC's Recommendation is available on the NCC's website at <http://www.ncc.gov.au>.

My decision is based on consideration of the recommendation made by the NCC.

Reasons for the Decision

I am not satisfied that the Peabody-Mitsui, Dawson Valley and Kincora gas pipelines meet coverage criterion (a) and (d) of the Code. The reasons for my decision are set out below.

Criterion (a)

that access (or increased access) to Services provided by means of the Pipeline would promote competition in at least one market (whether or not in Australia), other than the market for the Services provided by means of the Pipeline

I agree with the NCC's conclusion, and their reasons supporting that conclusion, that regulated access to the three pipelines would not promote competition in another market.

I agree with the NCC's finding that the relevant market, in which access to the pipeline may promote competition, is the Queensland gas sales market. I also agree that the services provided by means of the pipelines are those related to the transportation of natural gas from the Moura Mine to the Duke Queensland Pipeline, from the Oil Company of Australia gas fields in the Dawson Valley to the Duke Queensland Pipeline, and from Kincora to the Roma to Brisbane Pipeline as well as to all possible destinations between these start and finish points and proximate to the three pipelines.

I therefore consider that criterion (a) is not met.

The reasons for criterion (a) not being met for the individual pipelines are detailed below.

Dawson Valley Pipeline

Despite a number of exploration prospects in the proximity of the Dawson Valley pipeline, no gas explorer or prospective producer has indicated any intention to seek interconnection or access to the pipelines.

There is currently only one gas user in the Dawson Valley area with a long term gas supply contract so it would not benefit from the pipeline remaining covered by the Code.

I am therefore not satisfied that access (or increased access) to the Dawson Valley Pipeline would promote competition in any other market and I agree with the NCC that the Dawson Valley pipeline does not meet criterion (a).

Peabody-Mitsui Pipeline

Despite a number of exploration prospects in the proximity of the Peabody-Mitsui Pipeline, no gas explorer or prospective producer has indicated any intention to seek interconnection or access to the pipeline.

The only other possible user of gas in the proximity of the Peabody-Mitsui Pipeline is the Queensland Cotton Corporation. However, considering the small amount of gas that the company would consume, the construction of a 5 km lateral to connect with the Peabody-Mitsui Pipeline is unlikely to be commercially viable.

I am therefore not satisfied that access (or increased access) to the Peabody-Mitsui Pipeline would promote competition in any other market and I agree with the NCC that the Dawson Valley pipeline does not meet criterion (a).

Kincora Pipeline

The gas fields in the Kincora area are mature, and have rapidly declining reserves. While there is exploration activity in the Kincora area, there appear to be no known gas reserves near the Kincora pipeline which would require its use. In the absence of any new discoveries in the Kincora area, the NCC considered that there is presently not a strong likelihood of a producer seeking access to the Kincora pipeline.

I agree with the NCC's view that the Kincora pipeline does not meet criterion (a).

Criterion (b)

that it would be uneconomic for anyone to develop another Pipeline to provide the Services provided by means of the Pipeline

I am satisfied, on the evidence available, that it would be uneconomic to develop other pipelines to provide the services of the Peabody-Mitsui, Dawson Valley, and Kincora pipelines.

I am satisfied that the Peabody-Mitsui, Dawson Valley, and Kincora pipelines exhibit natural monopoly characteristics. This, coupled with their significant spare capacity, will make it uneconomic to develop another pipeline to provide the services of the pipelines.

I am satisfied, from the available information and the examination by the NCC of the characteristics of the Peabody-Mitsui, Dawson Valley, and Kincora pipelines, that it is uneconomic from a social perspective to develop existing pipelines, or build other pipelines to provide the services provided by these pipelines.

I am satisfied that criterion (b) is met for the Peabody-Mitsui, Dawson Valley, and Kincora pipelines.

Criterion (c)

that access (or increased access) to the Services provided by means of the Pipeline can be provided without undue risk to human health or safety

I am satisfied that access (or increased access) to the Peabody-Mitsui, Dawson Valley, and Kincora pipelines, facilitated by the Code, can be safely provided without undue risk to human health or safety.

I note that the Queensland has regulations dealing with the safe operation of gas pipelines, and that none of the public submissions argued that this criterion was not met.

I am satisfied that criterion (c) is met for the Peabody-Mitsui, Dawson Valley, and Kincora pipelines.

Criterion (d)

that access (or increased access) to the Services provided by means of the Pipeline would not be contrary to the public interest

I agree with the NCC's conclusion, that access to the services provided by means of the Peabody-Mitsui, Dawson Valley, and Kincora pipelines would not confer net public interest benefits.

I note the NCC's finding that it was unable to identify any relevant benefits that might offset the regulatory and compliance costs associated with regulated access of the Peabody-Mitsui, Dawson Valley, and Kincora pipelines under the Code.

I am satisfied that criterion (d) is not met for the Peabody-Mitsui, Dawson Valley, and Kincora pipelines.

Nick Minchin