

REF: 2138/01/263002

GT

28 August 2001

Mr Andrew Chow
Director, Gas Ports and Water
Office of the Regulator General
35 Spring Street
Melbourne VIC 3000

Mr David Hatfield
Australian Competition and Consumer Commission
470 Northbourne Avenue
Dickson ACT 2602

Dear Andrew and David

TENDER APPROVAL REQUEST – SUPPLY OF NATURAL GAS TO THE LODDON MURRAY REGION

The Rural City of Swan Hill and the Gannawarra and Loddon Shires have been examining the feasibility of obtaining a natural gas supply to the Loddon Murray region for some time. In 1998 the three councils formed the Loddon Murray Gas Supply Group (LMGSG) with a view of progressing supply to the region in a co-ordinated manner. The LMGSG believes that a natural gas supply to the region would enhance the attractiveness of the region to business and residents, and would provide an important competitive alternative to electricity and LPG.

Following preparation of a Consultants Report in 1999, the LMGSG has been considering options for taking the matter forward, including direct negotiations with gas companies, conducting a tender consistent with the provisions of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code), or conducting a tender outside of the provisions of the Code. On balance, the LMGSG believes that a competitive tender consistent with the Code is the most appropriate course of action on the basis that:

- a competitive tender under the Code is likely to produce the best outcome for potential gas consumers;
- the outcomes of such a tender are 'locked in' to the regulatory process going forward, giving certainty both to consumers and gas suppliers; and
- the ORG's Gas Industry Guideline No. 2 suggests that a competitive tender under the Code is appropriate where more than 1000 customers might be supplied with natural gas.

A tender pursuant to the Code has widespread support from Councils and potential major users in the Loddon Murray Region. Significantly, it also has support from the Victorian Government which, in recognition of the importance of natural gas to the region and the appropriateness of the tender process, has agreed to fund half the cost of conducting the tender.

The tender will be carried out by the Swan Hill Rural City Council on behalf of the LMGSG.

The supply of natural gas to the region will have two components – the construction of a transmission pipeline to extend the existing transmission system into the region, plus the construction of distribution infrastructure to reticulate natural gas to users. Under the Code the ORG is responsible for the regulation of distribution pipelines and the ACCC is responsible for the regulation of transmission pipelines. The LMGSG therefore understands it is required to submit a Tender Approval Request (TAR) to the ORG as well as to the ACCC.

This correspondence is a TAR to the ORG and ACCC to approve the use of a tender process to determine Reference Tariffs for certain Reference Services to be provided by means of proposed new pipelines.

It is important to note up-front that the distribution and transmission components of the project are inextricably linked. It is not practical to conduct a separate transmission tender and a separate distribution tender in isolation of each other – the distribution component of supply will depend fundamentally on the location, physical characteristics of supply, tariffs and other arrangements pertaining to the transmission component, and vice-versa. Despite the two separate regulatory approvals that are required, it is essential that the LMGSG operate a single tender to the maximum extent possible. One of the implications of this is that the successful tenderer (or consortium) will be selected principally on the basis that it can provide for the supply of natural gas to consumers at the lowest sustainable **combined** distribution and transmission tariffs. The successful tenderer will not necessarily have either the lowest distribution or transmission tariff when considered separately.

However, the tender will require separate tariffs to be provided for the distribution and transmission components and these tariffs will be ‘locked in’ going forward via the outcome of the tender and the Access Arrangement process.

We note that the ORG and ACCC have agreed to act co-operatively in relation to this tender and note that a similar co-operative approach operated successfully in relation to the approval of the Access Arrangements submitted by TPA and the Victorian gas distributors in 1997.

This TAR is structured as follows:

- Attachment 1 to this covering letter addresses the items required to be provided in a TAR by the Code and the ORG’s Gas Industry Guideline No. 2;

- Attachment 2 is a copy of the proposed tender documentation which will be issued to prospective tenderers. It comprises three sections:
 - Section 1, a background to the tender and the gas regulatory regime;
 - Section 2, the rules for conducting the tender, the criteria for determining the successful tender and other information that must be provided by the LMGSG in conducting the tender, as well as information that must be provided by tenderers in submitting a conforming tender. This section reflects the information provided in Attachment 1; and
 - Section 3, information on the Loddon Murray region. In the tender documentation that will be issued this section will be supplemented by relevant maps of the region.

- Attachment 3 is a copy of the advertisement which the LMGSG will place in local and national newspapers calling for tenders to supply gas to the region; and

- Attachment 4 is a confidential Attachment **which must not be made public either through the TAR process or to potential tenderers**. It comprises:
 - a copy of the abovementioned Consultants Report on the supply of gas to the region; and
 - information to assist the ORG and ACCC to judge whether the tender process is in the public interest, is an appropriate mechanism for determining Reference Tariffs, and is likely to ensure a competitive outcome.

I trust that you find this information satisfies the requirements of the TAR. Please direct any questions you may have on this TAR to myself on 03 5032 3033 or mobile 0419 754 185.

Yours sincerely

Garry Tepper
Economic Development Manager
Swan Hill Rural City Council
on behalf of the Loddon Murray Gas Supply Group

Attachment 1

Information required to be provided in a TAR by the Code and Guideline No. 2.

Locations from where the Pipeline will take gas

The tender documentation specifies that the proposed transmission Pipeline will take gas from one or more of the following locations:

- the GPU GasNet transmission system at Echuca;
- the GPU GasNet transmission system at Bendigo;
- the Envestra transmission system at Mildura;

In accordance with section 3.28 (f) of the Code, with the exception that the proposed transmission Pipeline must be constructed so as to allow the construction of a distribution system to serve the gas markets described below, the route, configuration, areas to be served and other technical specifications are up to tenderers to propose.

The three potential interconnection points specified are all within Victoria. This does not reflect an attempt to restrict or limit the location of the pipeline. Rather, it simply reflects the much greater distances that must be traversed, and limited load opportunities, to interconnect with the existing NSW network.

The location and nature of the proposed distribution Pipelines is up to tenderers to determine, with the proviso that distribution Pipelines must, at a minimum, serve the gas market in the following locations:

- the general area of the township of Swan Hill; and
- the general area of the township of Kerang.

Rules and procedures in conducting the tender

The rules and procedures in conducting the tender are set out in Section 2 of the Tender Documentation – Tender Rules. The Tender Rules reflect the Code requirements and the rules typically adopted by the Rural City of Swan Hill when undertaking a tender. The Tender Rules will ensure that the objectives of the Code will be met, and that reasonable requirements in relation to probity, fairness and due process will be observed by tenderers and the Council.

In order to be considered as a Conforming Tender, tenders must meet the Requirements of Tenders specified below:

Requirements of Tenders

In order to be considered to be a Conforming Tender, tenders must:

- comply with the lodgement requirements in clause 3 of the Tender Rules;
- provide that tenderers respond to requests for further information if requested (clause 5.2 of the Tender Rules);
- provide information on the identity of the tenderer (clause 4.1 of the Tender Rules);
- not purport to limit services to which access might be sought or include elements inconsistent with the Code (clause 4.3 of the Tender Rules);
- comply with the reasonable probity requirements of clause 7 of the Tender Rules;
- nominate a Revisions Commencement Date;
- provide information on Reference Tariffs for both Pipelines for the period to 31 December 2011, and (where different) the Revisions Commencement Date (including the manner in which Reference Tariffs will change over time) and a description of why the Reference Tariffs and Reference Tariff Policy are consistent with the objectives in clause 8.1 of the Code and reflect an allocation of costs that is fair and reasonable (clauses 4.2.1-4.2.8 of the Tender Rules);
- provide an Additional Revenue Policy for both Pipelines, and a description of why the Additional Revenue Policies are consistent with the Code (clauses 4.2.9-4.2.12 of the Tender Rules);
- forecast volumes of gas transported and revenue for both pipelines (clauses 4.2.13 to 4.2.16 of the Tender Rules);
- details of the capital and operating costs for both Pipelines (clauses 4.2.17-4.2.18 of the Tender Rules);
- provide details of the number of End Users that are connected, and able to be connected, to the distribution Pipelines (clause 4.2.19 of the Tender Rules);
- indicate the proposed Residual Value of the Pipelines at the Revisions Commencement Date (clauses 4.2.20 and 4.2.21 of the Tender Rules);
- provide details of the tenderer's technical and prudential capabilities (clause 4.2.22 of the Tender Rules);
- provide a description of the areas to be served (clause 4.2.23 of the Tender Rules); and
- nominate a Revisions Commencement date (clause 4.2.24 of the Tender Rules).

These requirements are consistent with the requirements of the Code, and in particular sections 3.28 (d) and (e). Information pursuant to section 4.2 in respect of volumes, revenue, costs and areas served is necessary to ensure that assessment of the tenders against the selection criteria can be made.

Proposed selection criteria

A selection process involving the following selection criteria will apply:

Stage 1

All tenders received will be subject to initial review. Tenders which do not satisfy the Requirements of Tenders above will be considered to be Non-Conforming Tenders and will not be considered further.

Stage 2

The following aspects of each Conforming Tender will be assessed:

- the Additional Revenue Policies; and
- the technical and prudential attributes of the tenderer;

Tenders which do not, in the opinion of the LMGSG meet the following minimum criteria:

- incorporate Additional Revenue Policies that are appropriate for the transmission and distribution Pipeline on the basis of the proposed tariffs (including but not limited to Reference Tariffs); or
- demonstrate to the satisfaction of the LMGSG that the tenderer has sufficient technical and prudential capacity to own and operate a gas transmission Pipeline and a gas distribution Pipeline.

will not be considered further.

In considering whether the tenderer has sufficient technical and prudential capacity to own and operate a gas transmission Pipeline and a gas distribution Pipeline, the LMGSG will have regard to the level of technical capacity required in order to obtain a distribution and/or transmission licence in the Australian gas industry. In general, unless the LMGSG becomes aware of reasons to the contrary, tenderers that can demonstrate that they (or where the tenderer is a consortium, the individual members of the consortium or where relevant, the parent or relevant related companies to the members of the consortium) hold an active distribution or transmission licence (or recognised equivalent) in Australia will automatically be considered to meet this criteria.

The criteria above are minimum criteria. For example, no additional ‘credit’ will be given to tenderer A that can demonstrate a slightly higher level of technical expertise than tenderer B, provided that both can meet the minimum criteria.

Stage 3

All remaining tenders will be reviewed on an equal basis in Stage 3. The preferred tenderer will be selected primarily on the basis that it has offered the lowest sustainable tariffs (including but not limited to Reference Tariffs) to Users generally over the

economic life of the proposed Pipelines, subject to the Reference Tariffs, in the LMGSG's opinion:

- achieving the objectives of a Reference Tariff and Reference Tariff Policy set out in section 8.1 of the Code; and
- containing or reflecting an allocation of costs between Services and an allocation of costs between Users which is fair and reasonable.

In assessing which tenderer is offering the 'lowest sustainable tariffs' the LMGSG will primarily take into account:

- the average combined transmission and distribution Reference Tariff per GJ of gas proposed to be delivered over the initial Access Arrangement Period;
- the average combined transmission and distribution non-Reference Tariff per GJ of gas proposed to be delivered over the initial Access Arrangement Period; and
- the residual values of the proposed pipelines as at 31 December 2011 and (where different) the Revisions Commencement Date.

The LMGSG will also take into account the areas to which gas is to be made available, the number of customers which will have access to natural gas and the proposed construction schedule. If two tenderers propose the same or similar level of tariffs, but tenderer A proposes to make gas available earlier, or to provide gas to a greater number of customers than tenderer B, then tenderer A will be selected.

In order to ensure that tenderers make realistic projections of their construction timetables and proposed service area, if the successful tenderer does not meet its proposed timetable for reasons that are not out of its control, the Loddon Murray Gas Supply Group and the three Councils reserve their right to withdraw their support and assistance to the successful tenderer and to encourage other natural gas suppliers to the region.

Revisions Commencement Date

The LMGSG has nominated a possible Revisions Commencement Date of 1 January 2012. Tenderers will be required to submit Reference Tariffs for the proposed transmission Pipeline and the proposed distribution Pipeline to apply to this date, and a residual value for the transmission Pipeline and distribution Pipeline as at this date. This will enable the consistent assessment of tenders. However, tenderers are free to propose an alternative Revisions Commencement Date in their proposal.

New Pipelines

The proposed Pipelines will be new Pipelines.

Public Interest

Confidential Attachment 4 provides information that demonstrates that the tender process is in the public interest, is an appropriate mechanism for determining Reference Tariffs, and is likely to ensure a competitive outcome.

Other items to be determined by the tender process

As set out in clause 8.2 of the Tender Rules, it is proposed that the following items in the Code be determined by the tender process:

- the Revisions Commencement Date;
- Reference Tariffs for the period to the Revisions Commencement Date. Reference Tariffs are the key object of the tender process and their determination is mandated by the Code;
- elements of the Reference Tariff Policy, to the extent that those elements directly determine the manner in which the Reference Tariffs will change over the period to the Revisions Commencement Date. It is envisaged that this will simply relate to the manner in which Reference Tariffs will move on an annual basis relative to the CPI, and possibly movements in relation to external ‘shocks’ such as changes in taxes. These elements of the Reference Tariff Policy are directly relevant to the determination of Reference Tariffs, as set out in section 3.28 (g) of the Code; and
- the Additional Revenue Policy. The determination of the Additional Revenue Policy is mandated by section 3.28 (d) (ii) of the Code.

Consistent with the intention of the Code, as expressed in section 5.9 of Guideline No. 2, the LMGSG has kept these items to a minimum on the basis that the inclusion of other elements is:

- generally not fundamental to the determination of Reference Tariffs; and
- likely to make the comparison and assessment of competing bids more complex.

While it may be argued that the Terms and Conditions of access are fundamental to determining tariff levels, these are not the subject of the tender and it is proposed these be dealt with via the Access Arrangement process. Inclusion of terms and conditions will complicate the tender process, and it is the LMGSG’s view that the key price-influencing terms and conditions to apply to the pipelines will simply reflect conditions imposed via the ORG’s new areas distribution licence, and the various Codes and Rules (including the

MSOR (if applicable), the Customer Service Code, the Victorian Distribution System Code (as amended, if required)).

Similarly items such as the Trading Policy, Queuing Policy and Capacity Management Policy are unlikely to be material for the new Pipelines, as gas flows during the initial Access Arrangement Period are likely to be well below the capacity of the Pipeline.

The Revisions Submission Date is likely to be immaterial to the determination of Reference Tariffs, and the Extensions/Expansions policy also unlikely to be important on the basis that the Code provides relatively firm guidelines in relation to Extension/Expansion related matters such as Surcharges, Capital Contributions and New Facilities Investment.

Period to submit tenders

The period between the time the tender is first advertised to the closing date will be 8 weeks.

Upon submission of the TAR to the ORG and the ACCC the LMGSG intends writing to all known potential gas transmission and distribution businesses advising of its intention to conduct a tender. At the same time it also intends making the proposed tender known through industry publications such as *Gas Week*.

This will ensure that on top of the 8 week formal tender period potential tenderers have at least an additional 6 weeks to prepare a tender. The LMGSG believes that this aggregate period of 14 weeks is adequate given the scope and complexity of the proposed project.

Attachment 3

Advertisement

Upon approval of the Tender Approval Request the LMGSG intends to place the advertisement below in a regional and national newspaper. Publicity regarding the tender will also be provided to industry publications, such as *Gas Week*. Major gas distribution companies will also be notified directly and provided with a copy of the tender documentation.

Loddon Murray Gas Supply Group

Provision of Natural Gas to the Loddon Murray Region

The Loddon Murray Gas Supply Group (LMGSG) comprises representatives from the Swan Hill Rural City Council, the Gannawarra Shire Council and the Loddon Shire Council. Together, these municipalities generally cover the area north of Bendigo to the Murray River, including towns such as Swan Hill, Kerang, Robinvale and Cohuna.

The Loddon Murray Region is one of the few remaining areas in Victoria without a natural gas supply. With a rapidly expanding food processing industry and employment and population growth, the municipalities wish to ensure that appropriate energy supplies are in place to cater for expected demand.

The LMGSG is conducting a tender under the National Gas Code to determine a preferred supplier of natural gas to the region, and the tariffs that would apply to residents and businesses for the haulage of gas on the supplier's pipelines.

Enquiries and requests for tender documentation should be directed to:

Mr Garry Tepper
Economic Development Manager
Swan Hill Rural City Council

Telephone: 03 5032 3033
Facsimile: 03 5032 3032
Email: gtepper@swanhill.vic.gov.au

Tenders close on [date to be inserted – to be 8 weeks from first advertisement of tender]



**SWAN HILL RURAL CITY COUNCIL
ON BEHALF OF THE LODDON MURRAY GAS SUPPLY GROUP**

**PROVISION OF NATURAL GAS TO THE LODDON MURRAY
REGION**

**TENDER TO BE CONDUCTED IN ACCORDANCE WITH THE
NATIONAL THIRD PARTY ACCESS CODE FOR NATURAL GAS
PIPELINE SYSTEMS**

**SECTION 1 – BACKGROUND TO THE TENDER AND THE GAS
REGULATORY REGIME**

PREPARED BY THE SWAN HILL RURAL CITY COUNCIL
45 SPLATT STREET
SWAN HILL 3585
VICTORIA
AUSTRALIA

ON BEHALF OF
LODDON MURRAY GAS SUPPLY GROUP

1. INTRODUCTION

The Rural City of Swan Hill and the Gannawarra and Loddon Shires have been examining the feasibility of obtaining a natural gas supply to the Loddon Murray region for some time. In 1998 the three councils formed the Loddon Murray Gas Supply Group (LMGSG) with a view of progressing supply to the region in a co-ordinated manner. The LMGSG believes that a natural gas supply to the region would enhance the attractiveness of the region to business and residents, and would provide an important competitive alternative to electricity and LPG.

Swan Hill, the major population centre in the Loddon Murray region, is more than 100km from existing natural gas transmission pipelines. Accordingly, any supply to the region will require the construction of a transmission pipeline as well as the construction of distribution infrastructure, including gate stations and pipelines.

The LMGSG has considered a number of options for taking the matter forward. It has decided that the best way to do so is to conduct a competitive tender consistent with the provisions of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code). Under the Code, a competitive tender may be carried out such that the successful tenderer's proposed tariffs (and certain other outcomes) are 'locked in' and can bypass the normal regulatory approvals that are otherwise required.

A tender pursuant to the Code has widespread support from Councils and potential major users in the Loddon Murray region. It also has support from the Victorian Government which, in recognition of the importance of natural gas to the region and the appropriateness of the tender process, has agreed to fund half the cost of conducting the tender.

The tender will be carried out by the Swan Hill Rural City Council for the LMGSG.

The Tender Documentation encompasses the following three documents.

- Section 1 (this document), the Background to the Tender and the Gas Regulatory Regime which provides basic information on the region, the gas regulatory regime, the competitive tender process and the Victorian gas industry;
- Section 2, the Tender Rules, which details the tender process, the rules with which tenderers must comply, information to be provided in tenders and the criteria by which the successful tenderer will be chosen; and
- Section 3, Information on the Region, which provides data on the region which potential tenderers may find assists them in the preparation of their bids. This data includes maps of key towns in the region, which are provided in electronic format on CD.

Information provided in the above documents is provided in good faith to tenderers. However, it does not purport to contain all of the information that a tenderer may need

in order to submit a tender. Furthermore, no representation or warranty (express or implied) is made in relation to any forecasts that may be provided. Tenderers should make their own independent enquiries and investigations of matters including the operation of the Code, regulatory and technical requirements in the Victorian gas sector and energy usage in the Loddon Murray region. None of the Rural City of Swan Hill, the Loddon Murray Gas Supply Group, the Shire of Gannawarra, the Shire of Loddon or their consultants and advisors, to the extent permitted by law, will have any liability (whether arising from negligence or otherwise) for any representation of warranties (express or implied) or information contained or referred to in, or for any omissions from the tender documentation or any other written, oral or other communications transmitted to tenderers.

2. BACKGROUND TO THE REGION

For the purposes of this tender, the key area under consideration covers the Swan Hill Rural City Council, the Shire of Loddon and the Shire of Gannawarra. This area is referred to as the Loddon Murray region throughout the Tender Documentation.

General overview maps of the region may be found on Melways pages 514, 520 and 521. Detailed maps of towns in the region are also provided on CD-ROM.

The Loddon Murray region is a major irrigation and dryland agriculture region of northern Victoria. Irrigation supplies are sourced from the Murray, Goulburn and Loddon river systems. While already a major dairy production area and a large supplier of horticultural produce, the region is well placed to take advantage of further growth in high value horticulture industries with its secured water supplies, favourable Mediterranean climate and ample land of suitable soil quality. Already significant development has occurred and is in progress. Major expansion is occurring in the olive, winegrape, fruit, vegetables and nut industries.

Expansion in the horticultural and dairying industries is expected to continue with the region anticipated to become one of the larger irrigation regions in Australia and matching the Sunraysia and Goulburn Valley. The growth of these irrigation industries is leading to improved opportunities for value adding and processing establishments which will be large users of energy. In addition, the improvement in the regional economy is resulting in employment and population growth and this general prosperity is producing new opportunities for commercial and community service expansion.

Local Governments and the State Government are confident that the future long-term prosperity of the region is sustainable and are ensuring that the appropriate infrastructure, including energy supplies, is in place to facilitate the development and prosperity of the region.

2.1 Rural City of Swan Hill

The city of Swan Hill is located 338kms north west of Melbourne on the Murray River.

The other principal urban centre in the Rural City is Robinvale, situated some 130 kilometres downstream from Swan Hill. Swan Hill has a population of approximately 10,000 people whilst Robinvale's is 1800. Other smaller towns in the Rural City include Nyah, Boundary Bend and Lake Boga. The Swan Hill Rural City services a greater regional population of over 40,000 people. The economic catchment area includes the Mallee, parts of the Sunraysia districts, the Murray and the Western Riverina area in New South Wales.

The Swan Hill Rural City is dominated by two distinct geographic regions; the river environs which is suitable for intensive irrigated agriculture and horticultural production and the Mallee, which is most suited to broadacre pursuits.

2.2 Gannawarra Shire

The Gannawarra Shire covers an area of some 3736 square kilometres. The Shire is approximately 280 kilometres north west of Melbourne and is bordered by the Murray River to the north-east, which provides water for the irrigated area of the Shire. The municipal administrative centre is located in Kerang, a town of 3883 people. Other major centres in the Shire include Cohuna, Koondrook, and Leitchville.

Geographically the terrain is generally flat and is a very productive dairy region from approximately 10 kilometres east of Kerang to the Murray River. The remainder of the shire is used for broadacre cereal production, prime lambs, beef, rice, timber milling/forestry, viticulture and horticulture. The Shire contains many large lakes and wetlands, including Lake Cullen, Lake Charm and Lake Bael Bael, which are popular tourist attractions.

2.3 Loddon Shire

The Loddon Shire covers an area of 6,700 square kilometres. The municipal administrative centre is located in Wedderburn. Unlike the Gannawarra Shire and Swan Hill Rural City, the Loddon Shire's population is spread relatively evenly over several small rural towns and does not focus on one or two larger centres. The main towns in the Shire include Boort, Bridgewater, Inglewood, Pyramid Hill, Wedderburn and Serpentine.

The Shire covers a broad range of land types. The terrain in the north of the Shire is reasonably flat and has large areas of irrigated land and dryland broadacre agriculture. The south of the Shire is more forested and undulating and includes the peak of Mt. Kooyoora, 409m above sea level and the Kooyoora State Park.

Significant growth in agribusiness has taken place in the northern and central sections of the Shire.

3. THE VICTORIAN GAS INDUSTRY AND REGULATORY REGIME

3.1 The Victorian Gas Industry

Victoria is the second largest gas consuming state in Australia, with higher residential and commercial consumption than any other state. Domestic consumption of gas is largely influenced by weather conditions, therefore gas consumption in Victoria is highest during winter when there are considerable heating loads. Statistical information and data on the Victorian and Australian natural gas industry is prepared by the Australian Gas Association, which may be contacted on 02 6272 1555.

Reticulation of gas in Victoria commenced following the establishment of the Gas and Fuel Corporation of Victoria (GFCV) by the Victorian Government in 1950. Australia's first long distance high pressure pipeline was completed in 1956 to link Morwell (where gas was manufactured) and Melbourne. In 1965 a joint venture between Esso and BHP discovered natural gas in Bass Strait off the coast of Gippsland and in 1969 natural gas was introduced to the GFCV network.

In 1997, the Victorian Government introduced a series of reforms in the gas industry aimed at reducing prices and improving customer service through the introduction of competition and privatisation. As part of this reform process, the Government disaggregated the Gas and Fuel Corporation into a series of businesses covering transmission, distribution and retail functions.

The Victorian Government established and privatised three separate franchises for the distribution of gas in existing reticulated geographical areas, together with a related or 'stapled' retailer. The distribution of gas to areas that are currently unreticulated is not restricted to a particular distributor and open to competitive processes.

The three new business franchises initially operated as separate divisions of a single entity in July 1997, were fully corporatised in December 1997, and then privatised early in 1999. The sales of the distribution businesses were completed by March 1999.

The three distributors are:

- United Energy (formerly Multinet) – which distributes gas to about 600 000 customers in Melbourne's eastern suburbs;
- Envestra Limited (formerly Stratus Networks) - which distributes gas to about 410 000 customers in both rural and urban areas. Its areas include the northern, outer-eastern and southern areas of Melbourne, which take in several growth corridors, rural communities in the northern part of Victoria, and the semi-rural Mornington Peninsula; and
- TXU Networks (formerly Westar) – which distributes gas to about 420 000 customers in Melbourne's western suburbs and 19 country centres in western

Victoria, including Geelong, Ballarat, Bendigo and Warrnambool. TXU Networks provides gas to a significant proportion of Victoria's large, high load factor industrial customers.

GPU GasNet owns the Principal Transmission system and the recently interconnected Western Transmission System. The vast majority of the Victorian distribution systems are connected to the GPU GasNet Pipelines. Other key transmission pipelines include the Envestra-owned Mildura transmission pipeline, which serves Mildura from an interconnection point on the Riverland Pipeline in South Australia and the Eastern Gas Pipeline, which supplies gas from Longford to Sydney, and is owned by the Duke group of companies.

As noted above the three distributors are each associated with a stapled "franchise" retailer. In addition, at present twelve companies hold licences to retail gas to non-franchise customers in Victoria.

An independent system operator, VENCORP, operates the high pressure transmission pipelines in accordance with the Market System Operating Rules (MSOR).

There is currently no natural gas supply to the Loddon Murray region, the nearest points of the GPU GasNet transmission system being at Bendigo (188km by road) and Echuca (158km by road).

A number of large gas development projects have recently been foreshadowed, including:

- a transmission pipeline from Longford to Tasmania; and
- a transmission pipeline from Port Campbell to South Australia.

3.2 Retail Prices and Contestability

As noted above, the three gas retailers each serve a 'franchise' customers in a defined geographic area. Tariffs for these franchise customers are fixed. Over time these customers will become 'contestable' and have the ability to choose their retailer and negotiate prices.

The initial position was that all customers in currently unsupplied areas, such as the Loddon Murray region are contestable. However, it is understood that the Government intends to enable monopoly retail franchises to be given to new areas. Tenderers should familiarize themselves with these new proposals in order to ascertain the opportunity to obtain a franchise in the Loddon-Murray region.

3.3 Summary of Regulatory Arrangements

Economic regulation of the Victorian gas system occurs pursuant to three key statutes: the *Gas Industry Act 1994*, the *Office of the Regulator-General Act 1994*, and the *Gas Pipelines Access (Victoria) Act 1998*. Under these first two Acts the Office of the Regulator General (ORG) has broad regulatory powers in the Victorian gas industry.

3.3.1 Licensing Arrangements

Licence holders must pay a licence fee, which is set by the Treasurer on an annual basis and payable in four equal instalments each year. The annual gas licence fees for the 1999/2000 financial year for 'new areas' are \$25,000 for a distributor and \$5,000 for a retailer shown below. There is no application fee.

There are no gas transmission licence requirements.

3.3.2 The Office of Gas Safety

The Office of Gas Safety (OGS) is a Victorian statutory authority established under the *Gas Safety Act 1997* to monitor and promote gas safety in Victoria. Its role includes overseeing and administering gas safety standards in the industry. Under the Gas Safety Act each gas distributor is required to submit to OGS a plan which sets out its management policies and procedures relating to gas safety. The OGS is responsible for approving the plan and auditing compliance with the plan.

The *Gas Industry Act 1994* (Division 2, Part 4A) requires that gas distributors and retailers be licensed by the ORG. Under the *Gas Industry Act 1994*, the ORG's specific objectives in relation to the gas industry are to:

- facilitate and promote open, efficient and competitive markets for and in relation to gas and to safeguard against misuse of monopoly power;
- administer and Access Code providing a right of access to services provided by means of distribution pipelines on fair and reasonable conditions; and
- protect the interests of consumers with respect to gas prices and the quality of gas supply; and facilitate the maintenance of a financially viable gas industry.

The ORG is permitted to impose such licence conditions as determined by it, including, amongst other things, conditions requiring licensees to enter agreements on specified terms or terms of a specified type and to observe specified industry codes and rules.

Currently, each of the distributors has a distribution licence that requires compliance with the:

- Distribution System Code;
- Customer service Code.
- all guidelines applicable to the licensee and published by the ORG.

In particular, the Distribution System Code sets out minimum standards for operating and using a gas distribution system including requirements for installing

and maintaining connections and metering installations, disconnections and reconnections, and for providing metering data. It also sets out the minimum terms and conditions (other than tariffs) for gas distribution services.

3.3.3 The Code

The *Gas Pipelines Access (Victoria) Act 1998* provides for the operation of the Code in Victoria.

Under the Code transmission pipelines are regulated by the Australian Competition and Consumer Commission (ACCC) and distribution pipelines are regulated by the ORG, through Access Arrangements which are in place and apply to the end of 2002. Access Arrangements set out the tariffs and terms and conditions upon which third party access to these pipelines is available.

A more detailed explanation of the operation of the Code is set out below.

4. THE CODE

4.1 Background to the Code

In 1994 the Australian Government began a major restructuring of the Australian gas industry, aimed at transforming it to an industry competitive on price and service levels. This involved the disaggregation of the industry into its various monopoly and competitive elements.

Competition reform in the Australian natural gas industry was based upon the *Competition Policy Reform Act 1995*. The Federal, State and Territory Governments made a commitment to achieve ‘free and fair trade in natural gas’. There were 3 underlying objectives to the reform process:

- to remove policy and regulatory impediments to retail competition in the natural gas sector;
- to remove restrictions on interstate trade; and
- to encourage the development of a nationally integrated and competitive natural gas market, by establishing a national regulatory framework for third party access to natural gas pipelines and facilitating the interconnection of pipeline systems.

The reforms centred on the development of a national access regime, which had at its core the Code (introduced in November 1997). The objective of the Code is “to establish a uniform national framework for third party access to natural gas pipelines” that:

- facilitates the development and operation of a national market for natural gas;
- prevents abuse of monopoly power;
- promotes a competitive market for natural gas in which customers may choose suppliers, including producers, retailers and traders;
- provides rights of access to natural gas pipelines on conditions that are fair and reasonable for both Service Providers and users; and
- provides for resolution of disputes.

The Code and associated legislation provides for the appointment of independent regulators to administer the access regime, procedures by which the Code can be amended and the provision of power to the regulator(s) to obtain information and impose penalties as required.

3.2 Key Features of the Code

Key features of the Code are:

- mechanisms by which pipelines become subject to the Code;
- reliance on an up front Access Arrangement outlining services to be offered and benchmark (Reference) Tariffs for those services;
- pricing principles to be used in the development of the Reference Tariffs;

- ring fencing arrangements, which require Service Providers to separate their business of providing services relating to a covered pipeline from any other presence they have in the gas industry;
- binding arbitration in the event of a dispute;
- information disclosure requirements; and
- specific timelines for all processes.

Not all Service Providers must comply with the Code. Compliance is only required if the pipeline in question is ‘Covered’ by the Code, which can arise through four means:

- all transmission and distribution pipelines throughout Australia that were agreed jointly by Commonwealth and/or State Governments as passing certain coverage tests were automatically covered;
- upon receiving a request from any person, a case by case approach using specific criteria applies to other pipelines;
- if not covered under the specific criteria, a Service Provider can request coverage by submitting an Access Arrangement to the relevant regulator for approval; and
- if the Service Provider for a new pipeline is selected by competitive tender, that pipeline will be covered.

If a pipeline is covered by the Code, the Service Provider must submit an Access Arrangement for regulatory approval. The regulator must publish details of the arrangement and seek consultation with interested parties before granting its approval.

An Access Arrangement details the tariffs, terms and conditions which apply to users for access to the regulated services provided by the covered pipeline. The process is designed to allow a Service Provider to develop its own tariffs and formulate the other terms and conditions under which it will make access to the relevant pipeline available to users or prospective users.

While the Service Provider and a user can agree to different tariffs, terms and conditions, in the event of an access dispute, a regulator must apply the provisions of the Access Arrangement (eg the Reference Tariffs) in resolving the dispute.

3.4 Regulatory Process

Access Arrangements generally do not apply for longer than 5 years.¹ Before the end of the period of a pricing regime (Access Arrangement Period), the Service Provider must submit revisions to the Access Arrangement (on a Revisions Submission Date) to the regulator for approval. If approved by the regulator, the revisions are to apply from the Revisions Commencement Date. The relevant dates must be specified in the Access Arrangement.

¹ Under the Code, the regulator must not approve an Access Arrangement Period longer than 5 years without considering whether mechanisms should be included in the Access Arrangement in order to address the risk of the initial forecasts (ie on which the tariffs in the Access Arrangement were based and approved) being proved incorrect. Given this, regulators have tended not to approve Access Arrangement Periods longer than 5 years.

In approving an Access Arrangement or revisions to an Access Arrangement, the regulator must follow the process set out in the Code. This process involves four general steps as follows:

1. submission of an Access Arrangement to the regulator by the Service Provider;
2. the regulator seeks submissions from interested parties in relation to the submission at step 1 (this is generally done through the release of an issues paper);
3. after considering submissions in relation to step 2, the regulator issues a draft decision setting out:
 - whether the regulator proposes to approve the Access Arrangement; or
 - the changes that would need to be made to the Access Arrangement in order for the regulator to approve it.

Through the draft decision the regulatory would also seek submissions from interested parties in relation to these matters;

4. after considering submissions in relation to step 3, the regulator issues a final decision setting out:
 - whether the regulator approves the Access Arrangement; or
 - whether the regulator does not approve the Access Arrangement (and in that case the changes that would need to be made to the Access Arrangement in order for it to be approved by the regulator).²

The Code provides for the above process (steps 1 through to 4) to take 6 months, although the regulator can extend this time period in 2 month blocks (the number of extensions not limited).

The Code is amended over time following Ministerial approval. The latest version of the Code is available from the Code Registrar website:

<http://www.coderegistrar.sa.gov.au/>

² These arrangements are a simplification of the process in the Code (eg the process includes provision where, if a Service Provider does not revise its Access Arrangement pursuant to the changes set out in the regulator's final decision, the regulator may draft and approve its own Access Arrangement).

5. TENDER ARRANGEMENTS UNDER THE CODE

5.1 Summary of Tender Arrangements

Section 3 of the Code provides for a competitive tender process to be undertaken as a way of facilitating the provision of new transmission and distribution pipelines and for determining the Reference Tariffs for those pipelines. Any person may conduct a competitive tender to determine Reference Tariffs for a new Pipeline (and a review date for those Reference Tariffs). The person conducting a tender must first obtain the approval of the Relevant Regulator for the tender process proposed. Before granting approval the Relevant Regulator must be satisfied, amongst other things, that the successful tenderer will be selected principally on the basis that the tender will deliver the lowest sustainable tariffs to users generally over the life of the proposed Pipeline.

After the tender process has been conducted and the successful tender selected, the person conducting the tender must submit the outcome of the process to the Relevant Regulator for the Relevant Regulator's final approval. Before granting final approval the Relevant Regulator must be satisfied, amongst other things, that the tender process proposed was followed and that the successful tenderer was selected in accordance with the selection criteria set out in the tender approval request. Once final approval is granted the pipeline becomes Covered under the Code and the Reference Tariffs proposed by the successful tenderer will become the Reference Tariffs for the proposed Pipeline. The successful tenderer must then submit an Access Arrangement which reflects the tender outcomes and includes proposals for those items that were not determined by the tender process. The successful tenderer is also required to obtain all other regulatory approvals and licenses.

The ORG has released *Gas Industry Guideline No. 2* which describes the regulatory processes by which gas is provided to new areas in Victoria. This Guideline includes a detailed explanation of the competitive tender process and may be obtained from the following web site: <http://www.reggen.vic.gov.au/docs/Gas/gasgui2.pdf>

It should be noted that this Guideline focuses on requirements in respect of tenders for distribution pipelines, and does not reflect the generally identical requirements for transmission pipelines.

5.2 The Tender Process

As set out in ORG Guideline No.2, the broad tender process is as follows:

- (a) a conforming Tender Approval Request is submitted to the Relevant Regulator (section 3.21 of the Code). The Tender Approval Request must contain the required information, should not be proposed by a person with a conflict of interest, and must not be made on trivial or vexatious grounds (sections 3.26 and 3.27);
- (b) within 14 days the Relevant Regulator notifies interested parties that it has received a Tender Approval Request, publishes notice of this in a National newspaper, and seeks submissions on the Tender Approval Request by a date no earlier than 14 days, or later than 28 days after the notice (section 3.23);

(c) the Relevant Regulator must make a decision whether or not to approve the Tender Approval Request within 28 days of the date specified in the notice (section 3.25);

(d) if the Relevant Regulator approves the Tender Approval Request the tender is conducted and the person who conducted the tender may then make a Final Approval Request (section 3.29). If the Relevant Regulator does not approve the Tender Approval Request it will advise of the changes that may be made to the Tender Approval Request, if any, in order to approve it (note that in some circumstances, notably where competitive outcomes are expected to be absent, the Relevant Regulator will be unable to approve the Tender Approval Request regardless of any changes that might be made);

(e) within 28 days of receiving a Final Approval Request the Relevant Regulator must decide whether or not to approve it (section 3.32);

(f) if the Relevant Regulator's decision is to approve the Final Approval Request, the Reference Tariffs and other items are deemed to be established, and the pipeline becomes a covered pipeline from the date of the decision (section 3.34); and

(g) the winning tenderer is then required to make an Access Arrangement application to the Relevant Regulator.

5.3 Specific Tender Requirements

The Code contains a number of restrictions on matters including the items that can be determined by a competitive tender, the selection criteria, the contents of a tender and the characteristics of the proposed Reference Tariffs. These restrictions are reflected in the Tender Rules.

6. THE LODDON MURRAY GAS SUPPLY TENDER

6.1 Key aspects of the tender

The provision of gas to the Loddon Murray region will involve the construction of both transmission and distribution pipelines. Accordingly, two separate sets of regulatory requirements must be met – both with the ACCC as the regulator of transmission pipelines, and with the ORG as the regulator of distribution pipelines.

The Loddon Murray Gas Supply group has submitted a Tender Approval Request to the ORG (in respect of the proposed distribution pipeline) and to the ACCC in respect of the proposed transmission pipeline. Both regulators have approved the Tender Approval Requests.

Despite these dual regulatory requirements, it is important for tenderers to understand that a single tender is being conducted. The successful tenderer will be selected principally on the basis that it can provide for the supply of natural gas to consumers at the lowest sustainable **combined** distribution and transmission tariffs. The successful tenderer will not necessarily have either the lowest distribution or transmission tariffs when considered separately.

Other key aspects of the tender include:

- the tender will determine the Revisions Commencement Date, Reference Tariffs, the Additional Revenue Policy and the Reference Tariff Policy (to the extent that it determines the manner in which Reference Tariffs will change over the period, eg in relation to changes in the CPI) for the period to the Revisions Commencement Date. Other requirements under the Code will be determined in a subsequent Access Arrangement submission to the ORG and ACCC;
- tenderers are generally free to determine the routing and technical details of the transmission and distribution pipelines, with the exception that the townships of Swan Hill and Kerang must be reticulated;
- the selection criteria involves a three stage process. All Conforming Tenders will automatically proceed to Stage 2, at which time the proposed Additional Revenue Policies and technical and prudential attributes of the tenderers will be assessed. Tenderers that are able to satisfy minimum requirements will proceed to Stage 3 where the tenderer with the lowest sustainable tariffs over the life of the Pipeline will be the successful tenderer, subject to the proposed Reference Tariffs complying with section 8.1 of the Code and reflecting a fair allocation of costs between Users.

The tender documentation sets out a possible Revisions Commencement Date of 1 January 2012 in relation to which tenderers are required to submit tenders and propose Reference Tariffs. However, tenderers are free to nominate an alternative Revisions Commencement Date.

The successful tenderer will have the full support and assistance of the LMGSG and the three Councils to bring gas to the region, including:

- support for the Access Arrangement that must be provided to the relevant Regulators;
- support in obtaining relevant Pipeline licenses and environmental approvals, and assistance other regulatory requirements; and
- co-operation and assistance from Council staff with respect to town planning and other issues associated with the laying of pipes in townships.

The successful tenderer will be required to reimburse the costs incurred by the LMGSG in conducting the tender. These costs are yet to be determined but will not exceed \$50,000. The successful tenderer will also be required to fund its own costs of having Access Arrangements (or amendments to Access Arrangements) approved by the ORG and ACCC.

Potential tenderers are referred to the Tender Rules for a complete description of the tender requirements.

6.2 Other Opportunities

In preparing their bids, potential tenderers should consider other associated opportunities that may arise. In addition to the possibility of a retail gas franchise being awarded, other opportunities may include:

- opportunities for laying telecommunications cable alongside natural gas infrastructure; and
- opportunities to supply natural gas to areas in NSW adjacent to the Loddon Murray region, including Barham, Murray Downs and Euston, and Tooleybuc.

7. OTHER INFORMATION

General enquiries regarding the tender should be directed in the first instance to Mr Garry Tepper, Economic Development Manager at the Rural City of Swan Hill on 03 5032 3033.

Potential tenderers are encouraged to contact the ORG and the Australian Competition and Consumer Commission if they have any specific questions regarding regulatory issues, particularly those associated with the provision of gas to new areas. The regulators have emphasized the importance of any approaches for clarification of information or views on potential regulatory outcomes being made **as early as possible** in order to provide the maximum opportunity for a response prior to the closing date for tenders.

Contact details are as follows:

Office of the Regulator General:

Mr Andrew Chow
Director, Gas Ports and Water
Office of the Regulator General
35 Spring Street
Melbourne VIC 3000
Telephone: 03 9651 0222
Facsimile: 03 9651 3688
email: andrew.chow@reggen.vic.gov.au

Australian Competition and Consumer Commission:

Mr David Hatfield
Australian Competition and Consumer Commission
470 Northborne Avenue
Dickson ACT 2602
Telephone: 02 6243 1266
Facsimile: 02 6243 1199
email: david.hatfield@acc.gov.au

Questions regarding the potential for a franchise over retail customers to be granted should be directed to:

Mr Peter Clements
Energy Policy Division
Department of Natural Resources and Environment
PO Box 500
EAST MELBOURNE VIC 3002
Telephone: 03 9637 8349
Facsimile: 03 9637 8835
email: info@epd@nre.vic.gov.au

8. OTHER INFORMATION

Copies of Press Releases issued by the Victorian Government and the LMGS in relation to the tender are set out below.

Media release

From the Minister for State and Regional Development

Monday, 30 April 2001

VICTORIAN GOVERNMENT GRANT TO HELP SWAN HILL RURAL CITY, GANNAWARRA SHIRE AND LODDON SHIRE COUNCILS INVESTIGATE SUPPLY OF NATURAL GAS

A Victorian Government grant will help Swan Hill Rural City, Gannawarra Shire and Loddon Shire Councils investigate the supply of natural gas to the region, the Minister for State and Regional Development, John Brumby, said today.

“The group of Council’s will use a \$35,000 Council and Regional Development Body Program grant to undertake a tender process for the supply of natural gas to the Loddon Murray region, which is one of the last in Victoria to have a reticulated natural gas supply,” Mr Brumby said.

“The Swan Hill, Loddon and Gannawarra councils are very keen to obtain low-cost energy like natural gas to help facilitate the development of industries such as food processing.

“The current lack of an alternative low-cost energy source like natural gas means that the region is less competitive in the food processing sector.”

Mr Brumby said for the region to prosper it had to become competitive with other food production areas such as the Goulburn Valley and Sunraysia districts.

He said a natural gas supply would deliver a number of benefits to the Loddon Murray region.

“A natural gas supply will help establish viable food and other processing industries in the region,” Mr Brumby said.

“The creation of these industries will widen the economic base of the Loddon Murray region directly creating new jobs plus spin-off benefits in a wide range of service industries”.

“Domestic consumers will also have the opportunity to access competitive energy”.

“The Victorian Government is pleased to be able to support this initiative, which could deliver bring many positive benefits and advantages to the Loddon Murray region in the future.”

LODDON MURRAY GAS SUPPLY GROUP

MEDIA RELEASE

GAS SUPPLY TO THE LODDON MURRAY REGION 1 May 2001

Local Councils have announced they are taking an important step to secure the supply of natural gas to the Loddon Murray Region.

The Loddon Murray Gas Supply Group (LMGSG), comprising the Swan Hill Rural City, Gannawarra and Loddon Shire Councils, will conduct a tender to determine a preferred supplier of gas to the region.

The tender follows a preliminary review in 1999 of the feasibility of a natural gas supply to the region. The review showed that prospects for a natural gas supply to the region were marginal.

Shortly after the review some gas suppliers expressed interest in the region, but no firm proposals were put forward.

However, recent developments in the gas industry, and possible government funding under new schemes such as the Regional Infrastructure Development Fund, mean that conditions may now be more favourable for potential suppliers.

“It’s now time to find out one way or another whether pipeline companies are prepared to make the investment to supply the region” said Swan Hill economic development manager Garry Tepper.

The LMGSG will be assisted to undertake the tender by gas regulatory experts from consulting firm PricewaterhouseCoopers.

Because of the regulatory approvals that must be obtained from the Office of the Regulator General and the Australian Competition and Consumer Commission, under the National Gas Code, the tender process is likely to take around six months. If the tender process is successful, the supply of gas to the region would take another 12-18 months at the earliest.

In recognition of its importance to the region the State Government is contributing to half the cost of the tender.

.....

Contact: Garry Tepper, Economic Development Manager, Swan Hill Rural City Council ph 5032 3033.



**SWAN HILL RURAL CITY COUNCIL
ON BEHALF OF THE LODDON MURRAY GAS SUPPLY GROUP**

PROVISION OF NATURAL GAS TO THE LODDON MURRAY REGION

**TENDER TO BE CONDUCTED IN ACCORDANCE WITH THE
NATIONAL THIRD PARTY ACCESS CODE FOR NATURAL GAS
PIPELINE SYSTEMS**

SECTION 2 - TENDER RULES

**PREPARED BY THE SWAN HILL RURAL CITY COUNCIL
45 SPLATT STREET
SWAN HILL 3585
VICTORIA
AUSTRALIA**

**ON BEHALF OF
LODDON MURRAY GAS SUPPLY GROUP**

1. INTRODUCTION

1.1 Definitions

In these Tender Rules and the Tender Documentation, the following terms have the meanings indicated, unless inconsistent with the context:

"**ACCC**" means the Australian Competition and Consumer Commission;

"**Closing Time for Tenders**" has the meaning ascribed to it by clause 3.2;

"**Code**" means the National Third Party Access Code for Natural Gas Pipeline Systems

"**Conforming Tender**" means a tender which is not a Non-Conforming Tender;

"**Non-Conforming Tender**" means a tender which does not comply with any requirement specified in these Tender Rules, including those in clauses 3, 4, 5 and 7;

"**ORG**" means the Office of the Regulator General, Victoria;

"**Schedule**" means a schedule to these Tender Rules;

"**Tender Documentation**" incorporates Section 1 – Background to the Tender, Section 3 – Information on the Loddon Murray Region, and these Tender Rules;

"**the Tender Box**" has the meaning ascribed to it by clause 3.1.

Except in clause and sub-clause headings, other capitalised terms in the Tender Documentation that are not defined above or whose meaning is not otherwise obvious have the meaning ascribed to them in the Code.

2. NATURE OF TENDER

2.1 Tenderer To Make Enquiries

Information provided in the Tender Documentation, and particularly information provided in Section 3 – Information on the Loddon Murray Region, is provided in good faith to tenderers. However, it does not purport to contain all of the information that a tenderer may need in order to submit a tender. Furthermore, no representation or warranty (express or implied) is made in relation to any forecasts that may be provided. Tenderers should make their own independent enquiries and investigations of matters including the operation of the Code, regulatory and technical requirements in the Victorian gas sector and energy usage in the Loddon Murray Region. None of the Rural City of Swan Hill, the Loddon Murray Gas Supply Group, the Shire of Gannawarra, the Shire of Loddon or their consultants and advisors, to the extent permitted by law, will have any liability

(whether arising from negligence or otherwise) for any representation of warranties (express or implied) or information contained or referred to in, or for any omissions or errors in the Tender Documentation or any other written, oral or other communications transmitted to tenderers.

2.2 **Contact Staff**

All enquires regarding the Tender Documentation and the tender process must be directed in the first instance to Mr Garry Tepper, Economic Development Manager, on 03 5032 3033.

3. **TENDERS**

3.1 **Place to Lodge Tenders**

Tenders are to be lodged **only** in the **tender box**, at the place stated in Schedule 1 ("the Tender Box").

3.2 **Time for Lodging Tenders**

Tenders will be received in the Tender Box **only** until the time and date stated in Schedule 1 ("Closing Time for Tenders").

3.3 **Number of Copies**

The number of copies of the tender stated in Schedule 1 must be lodged in the Tender Box.

3.4 **Late Tenders**

The Council will only consider tenders formally receipted by a recognised courier or postmarked prior to the closing time as late tenders. Otherwise the Council will not consider late tenders.

3.5 **Tenders from Council Staff**

Staff of the Swan Hill Rural City Council, the Shire of Gannawarra and the Shire of Loddon may NOT submit a tender.

4. **INFORMATION**

4.1 **Information on Tenderer**

Each tender must state the name, ACN (if applicable) and address of the tenderer submitting the tender (or, where the tenderer is a partnership/consortium, the name, ACN (if applicable) and address of each of the individual members of the partnership/consortium) and provide the name, telephone and facsimile details of a contact person to whom enquiries regarding the tender can be directed. Each tender must state the relationship between members of the consortium and the respective roles to be undertaken (eg owners/operators/constructors of transmission/distribution Pipelines);

4.2 **Information to enable Evaluation of Tenders**

In order to be considered as a Conforming Tender and to enable the evaluation of tenders in accordance with the evaluation criteria, tenders must provide the following information:

Information required under clauses 4.2.13 to 4.2.19 must be provided in the format set out in Schedule 2.

- 4.2.1 the Reference Tariffs to apply to the transmission Pipeline for the period to 31 December 2011 and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), and a statement of the Reference Services to which the Reference Tariffs apply. Reference Tariffs should be provided in real (July 2001) dollars;
- 4.2.2 the Reference Tariffs to apply to the distribution Pipeline for the period to 31 December 2011 and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), and a statement of the Reference Services to which the Reference Tariffs apply. Reference Tariffs should be provided in real (July 2001) dollars;
- 4.2.3 to the extent that they describe the manner in which the Reference Tariffs will change over the period to 31 December 2011 and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), the elements of the Reference Tariff Policy that directly determine the manner in which Reference Tariffs will change for the transmission Pipeline. For example, the Reference Tariff Policy might provide that Reference Tariffs move relative to the movement in the CPI;
- 4.2.4 to the extent that they describe the manner in which the Reference Tariffs will change over the period to 31 December 2011 and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), the elements of the Reference Tariff Policy that directly determine the manner in which Reference Tariffs will change for the distribution Pipeline. For example, the Reference Tariff Policy might provide that Reference Tariffs move relative to the movement in the CPI;
- 4.2.5 a description of why the Reference Tariffs and Reference Tariff Policy elements for the transmission Pipeline achieve the objectives in section 8.1 of the Code;
- 4.2.6 a description of why the Reference Tariffs and Reference Tariff Policy elements for the distribution Pipeline achieve the objectives in section 8.1 of the Code;
- 4.2.7 an explanation of the manner in which the costs of the transmission Pipeline have been allocated between Services and Users, and why that allocation of costs is fair and reasonable;
- 4.2.8 an explanation of the manner in which the costs of the distribution Pipeline have been allocated between Services and Users, and why that allocation of costs is fair and reasonable;
- 4.2.9 an Additional Revenue Policy for the transmission Pipeline which details whether the additional revenue which would result if the volume of gas transported by the transmission Pipeline exceeds a

certain volume will either be retained or returned in whole or part to Users in the form of lower charges or some other form;

- 4.2.10 an Additional Revenue Policy for the distribution Pipeline which details whether the additional revenue which would result if the volume of gas transported by the distribution Pipeline exceeds a certain volume will either be retained or returned in whole or part to Users in the form of lower charges or some other form;
- 4.2.11 a description of why the Additional Revenue Policy for the proposed transmission pipeline is appropriate for the transmission Pipeline on the basis of the proposed tariffs;
- 4.2.12 a description of why the Additional Revenue Policy for the proposed distribution pipeline is appropriate for the distribution Pipeline on the basis of the proposed tariffs;
- 4.2.13 the forecast volume of gas to be transported through the transmission Pipeline (excluding unaccounted for gas) for each calendar year to the calendar year ending 31 December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), allocated as follows:
 - i. volume of gas for each Reference Service to be provided; and
 - ii. total volume of gas for non-Reference Services.
- 4.2.14 the forecast volume of gas to be transported through the distribution Pipeline (excluding unaccounted for gas) for each calendar year to the calendar year ending 31 December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), allocated as follows:
 - i. volume of gas for each Reference Service to be provided; and
 - ii. total volume of gas for non-Reference Services.
- 4.2.15 details of the forecast revenue to be generated by the transmission Pipeline for each calendar year to the calendar year ending 31 December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), allocated as follows:
 - i. revenue from each Reference Service to be provided;
 - ii. revenue to be earned from non-Reference Services as a result of the haulage of gas through the transmission Pipeline; and
 - iii. revenue to be earned from other non-Reference Services.
- 4.2.16 details of the forecast revenue to be generated by the distribution Pipeline for each calendar year to the calendar year ending 31

December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), allocated as follows:

- i. revenue from each Reference Service to be provided;
 - ii. revenue to be earned from non-Reference Services as a result of the haulage of gas through the distribution Pipeline; and
 - iii. revenue to be earned from other non-Reference Services.
- 4.2.17 details of the capital costs of the transmission Pipeline (on a calendar year basis to the year ending 31 December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011)) and the annual Non-Capital Costs and Depreciation of the transmission Pipeline on a calendar year basis to the calendar year ending 31 December 2011 and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011);
- 4.2.18 details of the capital costs of the distribution Pipeline (on a calendar year basis to the year ending 31 December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011)) and the annual Non-Capital Costs and Depreciation of the distribution Pipeline on a calendar year basis to the calendar year ending 31 December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011);
- 4.2.19 details of the number of End Users anticipated to be able to connect to the distribution Pipeline at July 1 in each calendar year to the year ending 31 December 2011, and to the Revisions Commencement Date nominated under clause 4.2.24 (where this date is beyond 31 December 2011), and the number of End Users anticipated to be receiving a Service via the distribution Pipeline at July 1 in each calendar year

- 4.2.20 the proposed residual value of the transmission Pipeline at 31 December 2011 and at the Revisions Commencement Date nominated under clause 4.2.24. This residual value must be based on depreciation of the transmission Pipeline over the transmission Pipeline's economic life and tenders must state that this is the case;
- 4.2.21 the proposed residual value of the distribution Pipeline at 31 December 2011 and at the Revisions Commencement Date nominated under clause 4.2.24. This residual value must be based on depreciation of the distribution Pipeline over the distribution Pipeline's economic life and tenders must state that this is the case;
- 4.2.22 provide a statement of the tenderer's technical and prudential capabilities, including:
- i. details of the tenderer's (or where the tenderer is a consortium, the individual members of the consortium or where relevant, the parent or relevant related companies to the members of the consortium) experience in the gas industry;
 - ii. a summary of the skills and experience of the tenderer (or where the tenderer is a consortium, the individual members of the consortium or where relevant, the parent or relevant related companies to the members of the consortium) directors and senior managers, especially those relating to the gas industry;
 - iii. confirmation that the tenderer is familiar with the operation of the Victorian gas industry, and agrees to comply with the various Codes, Rules, Procedures and Guidelines relevant to its tender;
 - iv. a statement of the Australian states and territories, and overseas countries, where the tenderer (or where the tenderer is a consortium, the individual members of the consortium or where relevant, the parent or relevant related companies to the members of the consortium) is a licensed or otherwise recognised gas transmission or distribution pipeline owner or operator;
- 4.2.23 a broad description of the tenderer's proposed capital works program and a description of the areas including the towns to be reticulated with natural gas and the timeframe that it is anticipated gas will first be available in that area or town. In order to be a Complying Tender, tenders must provide for the reticulation of natural gas to the townships of Swan Hill and Kerang; and
- 4.2.24 nominate a proposed Revisions Commencement Date.

4.3 **Other Code Requirements**

Any tender which limits or purports to limit the Services to which access might be sought under the Code or otherwise includes elements inconsistent with the Code, except as contemplated by section 3.34 of the Code, will be considered to be a Non-Conforming Tender.

5. **EVALUATION OF TENDERS**

5.1 **Evaluation Criteria**

The Loddon Murray Gas Supply Group will evaluate tenders in accordance with the evaluation criteria set out in Schedule 3.

5.2 **Post-Tender Submissions**

The Council may require a tenderer to submit additional information concerning its tender, clarify information provided in its tender, or to personally discuss its tender.

Should a tenderer fail to -

5.2.1 submit the additional information or provide clarification so required by; or

5.2.2 attend personally to discuss its tender at -

the date and time stipulated by the Loddon Murray Gas Supply Group, its tender may not be further considered.

6. **SUCCESSFUL TENDER**

6.1 **Successful Tenderer**

The successful tenderer will be notified in writing.

Following notification, the successful tenderer will be required to assist the Loddon Murray Gas Supply Group to make a Final Approval Request to the ACCC and ORG.

7. **PROBITY OF TENDER PROCESS**

7.1 **Receipt of Addenda**

An acknowledgement in the form of Schedule 4 must be made by a person authorised to make such a declaration on behalf of the tenderer and submitted with its tender.

7.2 **Statutory Declaration**

A statutory declaration in the form of Schedule 5 must be made by a person authorised to make such a declaration on behalf of the tenderer and submitted with its tender.

7.3 **Canvassing**

Tenderers must not approach, or request any other person to approach -

7.3.1 any member of the Council's staff; or

7.3.2 councillor of the Council; or

7.3.3 Commissioner -

individually:

7.3.4 to solicit support for their tenders; or

7.3.5 otherwise seek to influence the outcome of the tender process.

The tender of any tenderer which engages in conduct prohibited under this clause will be considered to be a Non-Conforming Tender.

8. **ITEMS TO BE DETERMINED BY THE TENDER**

8.1 **Items to be determined**

In accordance with the Code, the following items are to be determined by the tender:

8.1.1 Reference Tariffs for the period to the Revisions Commencement Date;

8.1.2 elements of the Reference Tariff Policy, to the extent that those elements directly determine the manner in which the Reference Tariffs will change over the period to the Revisions Commencement Date;

8.1.3 the Additional Revenue Policy; and

8.1.4 the Revisions Commencement Date.

8.2 **Other Items**

Other items required to be included in an Access Arrangement will be determined through the submission of Access Arrangements (or amendments to existing arrangements) by the successful tenderer to the ORG and the ACCC within 90 days of the ORG and ACCC approving Final Approval Requests. The costs of the successful tenderer in preparing this documentation and having the Access Arrangement or amendments approved will be borne by the successful tenderer.

9. **OBLIGATIONS ON SUCCESSFUL TENDERER**

9.1 **Reimbursement of Tender Costs**

The successful tenderer will be required to reimburse the costs incurred by the Loddon Murray Gas Supply Group in conducting the tender. These costs are yet to be determined but will not exceed \$50,000. Reimbursement must be made within 28 days of the tenderer being advised that it is the successful tenderer by the Loddon Murray Gas Supply Group in accordance with clause 6.1.

9.2 **Construction timetable**

The successful tenderer must use its best endeavours to ensure that the Pipelines are constructed and natural gas is made available to customers in accordance with the timetable provided under clause 4.2.23. Where, in the opinion of the Loddon Murray Gas Supply Group, the successful tenderer does not meet the timetable for reasons that are not out of the control of the successful tenderer, the Loddon Murray Gas Supply Group and the three Councils reserve their right to withdraw their full support and assistance to the successful tenderer and to encourage other natural gas suppliers to the region.

SCHEDULE 1

The location of the Tender Box is (clause 3.1):

At the Swan Hill Rural City Council Offices 45 Splatt Street, Swan Hill 3585

The time and date by which tenders must be lodged are (clause 3.2):

[date to be inserted – to be 8 weeks from first advertisement of tender]

The number of copies of the tender to be lodged in the Tender Box is (clause 3.3):

One Master Document and four copies of all documentation separately bound and collated

SCHEDULE 2

INFORMATION TO BE PROVIDED IN ACCORDANCE WITH CLAUSES 4.2.13 to 4.2.19

Tender Rules Ref.		Calendar Year									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Volume of gas to be transported through the transmission Pipeline and:										
4.2.13(i)	- Sold as part of Reference Service 1 (GJ)										
4.2.13(i)	- Sold as part of Reference Service 2 (GJ)										
4.2.13(i)	- Sold as part of Reference Service 3 (GJ)										
4.2.13(i)	- etc										
4.2.13(ii)	- Sold as part of a Non-Reference Service (GJ)										
	Volume of gas to be transported through the distribution Pipeline and:										
4.2.14(i)	- Sold as part of Reference Service 1 (GJ)										
4.2.14(i)	- Sold as part of Reference Service 2 (GJ)										
4.2.14(i)	- Sold as part of Reference Service 3 (GJ)										
4.2.14(i)	- etc										
4.2.14(ii)	- Sold as part of a Non-Reference Service (GJ)										
	Forecast Revenue to be generated by the transmission Pipeline										
4.2.15(i)	- From Reference Service 1 (\$'000)										
4.2.15(i)	- From Reference Service 2 (\$'000)										
4.2.15(i)	- From Reference Service 3 (\$'000)										
4.2.15(i)	- etc										
4.2.15(ii)	- From haulage-based Non-Reference Services (\$'000)										
4.2.15(iii)	- From other Non-Reference Services (\$'000)										
	Forecast Revenue to be generated by the distribution Pipeline										
4.2.16(i)	- From Reference Service 1 (\$'000)										
4.2.16(i)	- From Reference Service 2 (\$'000)										
4.2.16(i)	- From Reference Service 3 (\$'000)										
4.2.16(i)	- etc										
4.2.16(ii)	- From haulage-based Non-Reference Services (\$'000)										
4.2.16(iii)	- From other Non-Reference Services (\$'000)										
4.2.17	Capital Cost of the transmission Pipeline (\$'000)										
4.2.17	Non-Capital Costs of the transmission Pipeline (\$'000)										
4.2.17	Depreciation of the transmission Pipeline (\$'000)										
4.2.18	Capital Cost of the distribution Pipeline (\$'000)										
4.2.18	Non-Capital Costs of the distribution Pipeline (\$'000)										
4.2.18	Depreciation of the distribution Pipeline (\$'000)										
4.2.19	Number of End Users able to connect to the distribution Pipeline at July 1										
4.2.19	Number of End Users receiving a Reference Service or haulage-based Non-Reference Service via the distribution Pipeline at July 1										
	All dollar values are to be expressed in real (July 2001) terms										

Where the Revisions Commencement Date nominated under clause 4.2.24 is beyond 31 December 2011 this information should be provided for each calendar year beyond 2011 to the Revisions Commencement Date.

SCHEDULE 3

SELECTION CRITERIA AND SELECTION PROCESS

A selection process involving the following selection criteria will apply:

Stage 1

All tenders received will be subject to initial review. Tenders which do not comply with these Tender Rules will be considered to be Non-Conforming Tenders and will not be considered further.

Stage 2

The following aspects of each Conforming Tender will be assessed:

- the Additional Revenue Policies; and
- the technical and prudential attributes of the tenderer;

Tenders which do not, in the opinion of the Loddon Murray Gas Supply Group meet the following minimum criteria:

- incorporate Additional Revenue Policies that are appropriate for the transmission and distribution Pipeline on the basis of the proposed tariffs (including but not limited to Reference Tariffs); or
- demonstrate to the satisfaction of the Loddon Murray Gas Supply Group that the tenderer has sufficient technical and prudential capacity to own and operate a gas transmission Pipeline and a gas distribution Pipeline.

will not be considered further.

In considering whether the tenderer has sufficient technical and prudential capacity to own and operate a gas transmission Pipeline and a gas distribution Pipeline, the Loddon Murray Gas Supply Group will have regard to the level of technical capacity required in order to obtain a distribution and/or transmission licence in the Australian gas industry. In general, unless the Loddon Murray Gas Supply Group becomes aware of reasons to the contrary, tenderers that can demonstrate that they (or where the tenderer is a consortium, the key individual members of the consortium or where relevant, the parent or relevant related companies to the members of the consortium) hold an active distribution or transmission licence (or recognised equivalent) in Australia will automatically be considered to meet this criteria.

The criteria in this Stage 2 are minimum criteria. This means that, for example, no additional ‘credit’ will be given to tenderer A that can demonstrate a slightly higher level of technical expertise than tenderer B, provided that both can meet the minimum criteria.

Stage 3

All remaining tenders will be reviewed on an equal basis in this Stage 3. The successful tenderer will be the tenderer that can deliver the lowest sustainable tariffs (including but not limited to Reference Tariffs) to Users generally over the economic life of the proposed Pipelines, subject to the Reference Tariffs, in the Loddon Murray Gas Supply Group’s opinion:

- achieving the objectives of a Reference Tariff and Reference Tariff Policy set out in section 8.1 of the Code; and
- containing or reflecting an allocation of costs between Services and an allocation of costs between Users which is fair and reasonable.

In assessing which tenderer is offering the ‘lowest sustainable tariffs’ the Loddon Murray Gas Supply Group will primarily take into account:

- the average combined transmission and distribution Reference Tariff per GJ of gas proposed to be delivered over the initial Access Arrangement Period;
- the average combined transmission and distribution non-Reference Tariff per GJ of gas proposed to be delivered over the initial Access Arrangement Period; and
- the residual values of the proposed pipelines at the Revisions Commencement Date.

The Loddon Murray Gas Supply Group will also take into account the areas to which gas is to be made available, the number of customers which will have access to natural gas and the proposed construction schedule. If two tenderers propose the same or similar level of tariffs, but tenderer A proposes to make gas available earlier, or to provide gas to a greater number of customers than tenderer B, then tenderer A will be selected.

SCHEDULE 4

RECEIPT OF ADDENDA

The tenderer is to list below addenda that it received prior to the Closing Time for Tenders from the Council. The tenderer acknowledges that its tender has been prepared having regard to these addenda.

Addenda No.	Brief Description (with page no., clause no. or schedule no.)	Date Received

NAME OF TENDERER: _____

SIGNATURE OF TENDERER: _____ **DATE:** _____
(or authorised representative)

SCHEDULE 5

STATUTORY DECLARATION

I, _____ do solemnly and sincerely declare that:

Definitions

1. In this Statutory Declaration:

"**Bidders**" means any tenderers and includes the Tenderer;

"**Industry Association**" means any organisation of which Bidders are members;

"**the Tenderer**" means [insert name of company, other body corporate, firm, or individual]

*Introduction

2. I am the Tenderer and make this declaration on my own behalf.

*Introduction

2. 2.1 I hold the position of _____ [insert Managing Director or other title] of the Tenderer and am duly authorised by the Tenderer to make this declaration on its behalf.

2.2 I make this declaration on behalf of the Tenderer and on behalf of myself.

[*Delete alternative which is not applicable]

No knowledge of tenders

3. Prior to the Tenderer submitting its tender, neither the Tenderer, nor any of its employees or agents, had knowledge of the details of the tenders of any other Bidder who submitted a tender, or of any person, company, other body corporate or firm that proposed to submit a tender.

Disclosure of tender

4. Prior to the close of tenders, neither the Tenderer, nor any of its employees or agents, disclosed details of the Tenderer's tender to:

4.1 any other Bidder who submitted a tender;

4.2 any person, company, other body corporate or firm proposing to submit a tender; or

- 4.3 any person or organisation connected or associated with a Bidder, person, company, other body corporate or firm of a kind referred to in clauses 4.1 or 4.2.

Provision of Information

5. Neither the Tenderer, nor any of its employees or agents, has provided information to:
 - 5.1 any other Bidder who has submitted a tender;
 - 5.2 any person, company, other body corporate or firm proposing to submit a tender; or
 - 5.3 any other person, company, other body corporate or firm for the purpose of assisting in the preparation of a tender.

Genuine Competition

6. The Tenderer is genuinely competing in respect of the tender.

Industry Association Agreements

7. Neither the Tenderer, nor any of its employees or agents, has entered into any contract, agreement, arrangement or understanding, that the successful Bidder will pay any money to, or provide any other benefit or other financial advantage to, an Industry Association in respect of the tender.

Unsuccessful Tenderers' Fees

8. Neither the Tenderer, nor any of its employees or agents, has entered into any contract, agreement, arrangement or understanding that the successful Bidder will pay any money to, or provide any other benefit or other financial advantage to, any other Bidder who or which has unsuccessfully submitted a tender for the Contract.

Qualifications to Tenders

9. Neither the Tenderer, nor any of its employees or agents, has entered into any contract, agreement, arrangement or understanding that Bidders would include an identical or similar condition or qualification in their tenders.

I acknowledge that this declaration is true and correct and I make it in the belief that a person making a false declaration is liable to the penalties of perjury.

DECLARED at _____ in the State of _____)
[name State or Territory] on _____ 2001)

Before Me:

Signature: _____

Full Name: _____

Address: _____

Qualifications: _____

[insert details of basis on which entitled to witness a Statutory Declaration under section 107A(1) of the *Evidence Act* 1958.]

SCHEDULE 6

CHECKLIST FOR TENDERERS

Tenderers should ensure that the following information is provided in their tenders:

- Information on the tenderer requested in clause 4.1
- Information on Reference Tariffs, cost allocation, the Reference Tariff Policy elements and Additional Revenue Policy requested in clauses 4.2.1 to 4.2.12
- Information requested in clauses 4.2.13 to 4.2.19 in the format set out in Schedule 2
- Information on the residual value of the transmission and distribution Pipelines as requested in clauses 4.2.20 and 4.2.21
- A statement of the tenderer's technical and prudential capabilities as requested in clause 4.2.22
- A broad description of the tenderer's works program and towns to be serviced, including confirmation that the townships of Kerang and Swan Hill are to be supplied with natural Gas as requested in clause 4.2.23
- A Revisions Commencement Date as requested in 4.2.24
- A completed Schedule 4
- A completed Schedule 5

TABLE OF CONTENTS

1.	INTRODUCTION	2
1.1	Definitions	2
2.	NATURE OF TENDER	2
2.1	Tenderer To Make Enquiries	2
2.2	Contact Staff	3
3.	TENDERS	
3.1	Place to Lodge Tenders	3
3.2	Time for Lodging Tenders	3
3.3	Number of Copies	3
3.4	Late Tenders	3
3.5	Tenders from Council Staff	3
4.	INFORMATION	3
4.1	Information on Tenderer	3
4.2	Information to enable Evaluation of Tenders	4
4.3	Other Code Requirements	9
5.	EVALUATION OF TENDERS	9
5.1	Evaluation Criteria	9
5.2	Post-Tender Submissions	9
6.	SUCCESSFUL TENDER	9
6.1	Successful Tenderer	9
7.	PROBITY OF TENDER PROCESS	9
7.1	Receipt of Addenda	9
7.2	Statutory Declaration	10
7.3	Canvassing	10
8.	ITEMS TO BE DETERMINED BY THE TENDER	10
8.1	Items to be determined	10
8.2	Other Items	11
9.	OBLIGATIONS ON SUCCESSFUL TENDERER	11
9.1	Reimbursement of Tender Costs	11
9.2	Construction Timetable	11
	SCHEDULE 1	12
	SCHEDULE 2	13
	SCHEDULE 3	14
	SCHEDULE 4	16
	SCHEDULE 5	17
	SCHEDULE 6	20



**SWAN HILL RURAL CITY COUNCIL
ON BEHALF OF THE LODDON MURRAY GAS SUPPLY GROUP**

**PROVISION OF NATURAL GAS TO THE LODDON MURRAY
REGION**

**TENDER TO BE CONDUCTED IN ACCORDANCE WITH THE
NATIONAL THIRD PARTY ACCESS CODE FOR NATURAL GAS
PIPELINE SYSTEMS**

SECTION 3 – INFORMATION ON THE REGION

PREPARED BY THE SWAN HILL RURAL CITY COUNCIL
45 SPLATT STREET
SWAN HILL 3585
VICTORIA
AUSTRALIA

ON BEHALF OF
LODDON MURRAY GAS SUPPLY GROUP

1. INTRODUCTION

This section provides more specific information on the Loddon Murray region including information that may be relevant to the supply of natural gas to the region. It should be read in conjunction with the broad description of the relevant municipal areas set out in Section 1 of the Tender Documentation.

Information provided in the Tender Documentation is provided in good faith to tenderers. However, it does not purport to contain all of the information that a tenderer may need in order to submit a tender. Furthermore, no representation or warranty (express or implied) is made in relation to any forecasts that may be provided. Tenderers should make their own independent enquiries and investigations of matters including the operation of the Code, regulatory and technical requirements in the Victorian gas sector and energy usage in the Loddon Murray region. None of the Rural City of Swan Hill, the Loddon Murray Gas Supply Group, the Shire of Gannawarra, the Shire of Loddon or their consultants and advisors, to the extent permitted by law, will have any liability (whether arising from negligence or otherwise) for any representation of warranties (express or implied) or information contained or referred to in, or for any omissions or errors in the Tender Documentation or any other written, oral or other communications transmitted to tenderers.

2. POPULATION AND DWELLINGS

The following table details current population and dwelling levels for each of the municipalities in the Loddon Murray region.

Municipal Council	Population (June 1996)¹	Average Annual Popln. Growth 1991-1996 (%)²	Occupied Dwellings	Unoccupied Dwellings
Swan Hill	21 112	-0.58	7 342	803
Loddon	9 805	-0.84	3 359	615
Gannawarra	12 756	-0.73	4 553	583

The Victorian Department of Infrastructure has prepared forecasts of the average annual change in population for each of the municipalities. They have each been identified as having a stable population (ie an annual forecast percentage change of between -0.5% and + 0.5%) for the period 1996 – 2021, as identified below:

Municipality	Population Growth 1996-2001	Population Growth 2001-2011	Population Growth 2011-2021
Swan Hill	0.08%	0.23%	0.28%
Loddon	0.49%	0.42%	0.33%
Gannawarra	-0.20%	-0.09%	-0.07%

Significant recent horticultural developments in the Swan Hill Rural City and northern part of the Loddon Shire may see increased population growth levels. For instance the populations of Swan Hill and Robinvale increased by 1.2% and 1.5% respectively during 1999/2000 (Department of Infrastructure – Population Trends and Prospects – May 2001).

¹ Department of Infrastructure, *Victoria in Future*, (1996)

² *ibid*

3. CLIMATE

Summary temperature and rainfall statistics for Swan Hill, Boort and Kerang are provided below³. As is suggested by the table, maximum and minimum temperatures do not vary significantly between the major population centres in the Study area. Daily minima are relatively low during the winter months.

It is however of significance to note that recorded temperatures at Wedderburn, in the south of the study area are on average lower throughout the year. The temperatures recorded at Wedderburn are indicative of the climate in the southern parts of the Loddon Murray region and may potentially result in higher demand for natural gas.

Swan Hill (Swan Hill Rural City)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Max Temp	31.4	31.2	27.9	22.8	18.4	14.9	14.4	16.3	19.3	22.9	26.8	29.8
Min Temp	15.4	15.5	13.2	9.8	7.0	4.9	4.1	5.0	6.7	9.0	11.6	13.9
Av. Rainfall	22.1	21.7	23.4	24.8	34.8	35.0	32.5	35.9	32.6	35.4	26.0	24.8

Boort (Loddon Shire Council)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Max Temp	31.4	31.0	27.6	22.5	17.9	14.4	13.9	15.7	18.6	22.2	26.2	29.5
Min Temp	14.9	15.3	13.0	9.5	6.8	4.4	3.7	4.6	6.2	8.3	10.8	13.3
Av. Rainfall	23.5	26.3	26.9	27.7	36.6	39.8	38.1	42.1	38.7	40.2	31.2	25.5

Kerang (Gannawarra Shire Council)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Max Temp	31.4	31.1	27.7	22.6	17.9	14.5	14.0	16.0	19.0	22.6	26.5	29.6
Min Temp	14.9	15.0	12.8	9.3	6.7	4.5	4.0	4.9	6.7	8.8	11.2	13.3
Av. Rainfall	22.9	23.4	27.8	26.2	37.2	36.5	35.8	37.7	36.1	39.2	26.7	27.6

³ source: Bureau of Meteorology internet site.

4. RESOURCES AND ECONOMIC ACTIVITY

4.1 Existing Activity

Economic activity in the Loddon Murray region centres around irrigated and dryland agriculture, horticulture, food processing and industrial processing. Public facilities, including aged care hostels, schools and hospitals are also large employers, particularly in Swan Hill and Kerang.

The predominant crops in the region include tomatoes, potatoes, carrots, grapes, olives, nuts, fruit and cereal crops. The region currently has the largest potato and almond plantations in the Southern Hemisphere, some of the largest dairies in Australia, the largest concentration of Australian stone fruit, is the second largest winegrape producer in Victoria and will soon have the largest single planting of olives in the world.

Food processing and packaging plants complement the horticultural and dairy activities in the region. There are at least three abattoirs, a pet food processing plant, a food/plant powders and oils processing plant, almond processing plant, a large milk processing plant, citrus and export juice processing plant, significant sawmilling operations, several wineries and numerous fruit packaging plants. Olive processing will be a new industry to the region with new processors soon to commence operations and two larger plants to commence over the next two to three years.

Aside from agriculture other industries in the region include industrial manufacturing and engineering. The diverse range includes a salt extraction works, polystyrene manufacturing, polyethylene moulding, metal fabrication to construct farm and marine machinery and a semi-trailer manufacturer.

The agricultural sector accounts for 30%⁴ of employment in the Loddon Murray region, with a significant proportion of this in horticulture. Agriculture contributes approximately \$300 million per annum to the Swan Hill municipality alone; almost half of the municipality's estimated economy.

After agriculture, the retail sector is the next largest employer in the Loddon Murray region, accounting for 14% of the labour force. This is consistent with the size of the retail sector in the rest of Victoria.

4.2 Potential Developments

A massive expansion is occurring in the region in horticultural production and there is resultant expansion in processing activities. One example is a large vegetable processing facility at Boort, which will have significant energy requirements.

⁴ Department of Infrastructure (1998) *Regional Victoria in Fact*.

Another is the Murray Goulburn factory at Leitchville which is already a significant energy user and is also expanding rapidly.

In addition to the food processing industry a number of new commercial, industry and community developments are planned for the region or are in the early stages of implementation. These indicate the level of expectations that investors, business and Governments have for the future of the region.

Swan Hill Rural City

- Target (Coles/Myer) Department Store – 3500 square metres of floor space – development commenced and expected to be completed by June 2002.
- Swan Hill Indoor Leisure Centre (\$4.4m total project) – incorporating a 25 metre six lane heated pool – development commenced June 2001 and to be completed by June 2002.
- Swan Hill TAFE (\$4m Government funding) for new consolidated tertiary and trades campus – to commence 2002.
- Grain Bulk Handling and Storage Facility, including rapid rail outloading facility (\$5.5 million project) – to be completed by late 2001.
- Swan Hill Performing Arts and Conference Facilities (\$3.1 million project)
- Swan Hill College campus consolidation (\$4.1 million project)
- Tower Hill Urban and Commercial Development (Swan Hill) – a 150 hectare development to allow for future city development – infrastructure works to commence in 2001.
- Swan Hill Abattoirs new rendering plant (to be completed during 2001) and expansion of entire works to export standard.
- Woorinen irrigation pipeline (\$18 million project cost, Government investment of \$9 million) – construction commenced May 2001 due to be completed during 2003. Will assist the local stonefruit industry double in size to a \$90 million per annum industry by 2005.
- Robinvale (Murray River) Bridge – replacement bridge due to commence construction in 2002, approximately \$40 million development cost.
- Wemen Minerals Sand mine commenced operations late 2000 – exploration continues at other sites throughout the region.

Gannawarra Shire

- Murray Goulburn Leitchville Cheese Factory.
- Citrus and Juice export facility Koondrook.
- Machinery Manufacturer.
- Salt harvesting - Lake Charm.
- Brown Brothers vineyard – Lake Charm.
- Tomato growing – Dingwall.
- Lamb feedlotting.
- Biscuit Manufacturing – Kerang.
- Redgum furniture.
- Commercial Olive and plant nursery – Murrabit.
- Normanville pipelining of stock & domestic water.
- Apple Growing at Tragowel.

Loddon Shire

- Olivecorp Processing Plant.
- Ozimeats (Pyramid Hill) expansion.
- Vegetable Processing at Boort.
- Aquaculture.
- Pyramid Salt Expansion.
- Warranga Irrigation Channel upgrade.
- Major vineyard expansion.
- Boort container facility.

5. OTHER INFORMATION

Detailed maps of towns in the region on CD-ROM accompany this tender information. Due to copyright restrictions, these maps must only be used for the purposes of submitting a tender and must be returned to the Loddon Murray Gas Supply Group within 7 days following the Closing Time for Tenders. General overview maps of the region may be found on Melways pages 514, 520 and 521.

In addition to licences and permits required from State Government Bodies (including the Department of Natural Resources, the Office of the Regulator General, the Office of Gas Safety) the construction of pipelines and associated infrastructure to convey natural gas will require certain approvals and permits from the respective Councils. Details are provided below.

5.1 Road Opening Permits

5.1.1 Rural City of Swan Hill

If pipelines cross Council-controlled roads in the Rural City of Swan Hill a single fee of \$1000 will apply to cover the required Road Opening Permit and for final inspections. Tenderers should obtain a copy of the Council's document *Road Opening Permits – Instructions and Conditions* from the address shown in 5.4 below.

5.1.2 Loddon Shire

The fee for road opening permits for this project will be set at \$300 per town, to a maximum of \$1,000. This will cover the permit costs and the final inspections. Further information is available from the Council contact - refer 5.4 below.

5.1.3 Gannawarra Shire

If pipelines cross Council-controlled roads in the Gannawarra Shire a single fee of \$100 will apply to cover the required Road Opening Permit and for final inspections. Tenderers should obtain a copy of the Council's document – *Works within a road reserve: Procedure Manual*.

5.2 Building Approval

5.2.1 Rural City of Swan Hill

Building approvals will be required for structures which are large enough to be classed as a building. The cost depends on the cost of constructing the building.

Native vegetation removal requires a permit (which is referred to DNRE). The approximate cost is \$135.

5.2.2 *Loddon Shire*

Building Approval will be required for all structures pursuant to the Building Code of Australia. The amount of the Building Fee is dependant on the estimated cost of the structures.

5.2.3 *Gannawarra Shire*

Building permits must be obtained from a private Building Inspector as required. Fees are based on the actual cost of the building.

5.3 Planning Approval

5.3.1 *Rural City of Swan Hill*

Planning approval is required only in relation to above-ground structures – it is not necessary for underground assets such as pipelines. The cost of the permit depends on the cost of construction of each structure.

5.3.2 *Loddon Shire*

Major utility installations such as compressor stations and transmission mains (but not the low pressure reticulation mains) will require Planning Approval as will any native vegetation removal. A schedule of planning fees is available from the council.

5.3.3 *Gannawarra Shire*

Planning approvals for pipelines in the Gannawarra Shire are usually not required, although may be required in certain circumstances depending upon the supply route plan. Planning permits may be required if native vegetation has to be removed and the cost associated with this is based on the cost of the works.

5.4 Contact Information

Contact details in relation to road opening, building approval and planning approval in the municipalities are:

Engineering Department
Rural City of Swan Hill
PO Box 488
SWAN HILL VIC 3585

Telephone: 5032 0324

Gannawarra Shire Engineering Department
Mr John McCurdy
PO Box 252
COHUNA VIC 3568

Telephone: 5450 9333

Infrastructure Department
Loddon Shire Council
PO Box 21
Wedderburn VIC 3518

Telephone 5494 1200

ATTACHMENT 1

Major Employers and Potential Gas Users in the Loddon Murray Region

The tables provide summary information regarding major employers and potential gas users in the Loddon Murray Region.

Swan Hill Rural City

Business	Business Type	Employees	Contact	Telephone
McDonald's Restaurant	Hospitality	70	John Docker	5032 1444
Oasis Entertainment Complex	Hospitality	20 plus 15 cinema	Tracey Jennings	5032 2877
Eyles Engineering	General and marine Engineering	35	Peter Eyles	5032 3203
KFC	Hospitality	35	Terri Sparks	5032 4273
Visy Board	Cardboard box manufacture	4-14	Paul Lolicato	5032 3794
Lowes Windows and Joinery	Window Manufacture and Custom Joinery	22	Gary Lowe	5032 4488
Swan Hill Abattoirs	Meat Processing	80	Anton Reiter	5032 2171
Bi-Lo Fresh Supermarket	Retail	95	Simon Kemp	5032 3500
Safeway Supermarket	Retail	175	Jim Stephen	5032 2051
Ultrastak Australia	Polystyrene box (fruit, vegetables & fish) and brick manufacture	10-25	Bernie Wood	5032 9799
Swan Hill Hospital	Medical services	350 (250 full time)	Ian Fisher	5032 1111
Alcheringa Hostel	Aged care services	76	Delia Weir	5032 4053
Swan Hill College	Education	100 plus 20 casual	John Brookshaw	5032 9360
Sundowner Swan Hill Resort	Hospitality / Accommodation	28	Bob & Rosemary Whitehead	5032 2726
Grizzly Engineering	Agriculture equipment manufacture	53	Wendy McAllister	5032 9155
MacKillop College	Education	60	Bob Shaw	5032 9771
Polymaster	Polyethylene Product Manufacture (Rotational Moulders)	40	Selwyn Steele	5032 2422
Nutri-Green Pty Ltd	Health Food Manufacture	9	Gary Murphy	5033 2047
Murray Downs Golf & Country Club	Hospitality	62	Michael Alexander	5033 1422

Pumpa Engineering	Semi-trailer manufacture	35	Carole Khan	5032 1916
Hunter Marine and Engineering	Boat Manufacture	8	Andrew Ash	5032 2320
Tankworld	Fibre Reinforced Plastic Manufacture	34	John Falk	5033 1155
Swan Hill TAFE	Education	20 35 sessional	Mike McLaughlin	5036 0220
Andrew Peace Wines	Winery	25	Andrew Peace	5030 5291
Bullers Winery	Winery	11	Richard Buller	5037 6305
Bests St Andrews Winery	Winery	5	Robert Deighton	5037 2154
Kyndalyn Almonds	Almond production and processing	150	Chris Greig	5026 9216
Swan Hill Rural City Council	Local Government	252	John Webb	5032 0333
Pooles and Assocs	Accountants and Business Advisers	30	Bob Schammer	5033 1061
Dodgshun and Medlin	Accountants and Business Advisers	18	Ian Dodgshun	5032 9888
Swan Hill Primary School	Education	54	Bernie Conlan	5032 1336
Swan Hill North Primary School	Education	27	Gary Slater	5032 4577
St Mary's Primary School	Education	40	Kath Morrisy	5033 2541
Commercial Hotel	Hospitality	35	Wes & Naomi Lewis	50321214
Target Country	Retail	20 – 6part time; 4 management 10 casual	Allan Holland	50323488
Pickering Transport Group	Transport	120 (Swan Hill headquarters) 320 nationally	Roger Pickering	5032 2651
Swan Hill T&I	Agricultural Equipment Sales, Service & Manufacture	25	John Parker	5032 4555
Swan Hill Pioneer Settlement	Museum/Tourism	35	Jos Duivenvoorden	5032 1726

* Major horticultural production companies not included – many of these enterprises employ 10-50 people.

Loddon Shire

Business	Business Type	Key energy usage	Contact	Telephone
Loddon Shire Hycube Industries Boort	Lucerne cube & Hay Export	Heating, forklifts	Jan Lee	5455 2011
Boort Hospital	Hospital	Heating, cooking	Geoff Arundell	54552100
Boort Hostel	Aged care hostel.	Heating, cooking	Geoff Arundell	5455 2100
Boort Secondary College Boort	School	Heating & hot water	Bill Holmes	5455 2201
Bridgewater Tomatoes & Water Wheel Vineyards Bridgewater on Loddon	Tomato producer & winery	Hot water, forklifts	Peter Cumming	5437 3060
Loddon Valley Eggs Bridgewater on Loddon	Egg production	Heating breeding sheds	Steve Musgrove	5437 3100
Laucke Flour Mills Bridgewater on Loddon	Flour Mill	Heating, forklifts	Andrew Mullen	1800243454
Colac Stockfeeds Bridgewater on Loddon	Stockfeed manufacture		Ivan Vogel	5232 2093
Graincorp Mitiamo		Rice drying	Matt Head	5431 1215
Pyramid Salt Pyramid Hill	Salt Production	Drying	Gavan Privett	5455 1299
OziMeats Pyramid Hill	Meat processing	Heating, cooling, forklifts	Wayne Gaskell	5455 7570
Australian Speciality Pet Foods Pyramid Hill	Pet Food manufacture		Trevor Stevens	5455 7211
Wedderburn College Wedderburn	Education			54943011
Boort Tomato Growers Boort	Vegetable processing		Rob Hosking	54554389
Pyramid Hill Hostel	Aged Care			54557200

Pyramid Hill				
Boort Pre-school Boort	Education			54552292
Boort Primary School Boort	Education		Mary Holloway	5455 2160
Bridgewater on Loddon Primary School Bridgewater on Loddon	Education		Andrew Whatley	5437 3081
East Loddon P12 College Dingee	Education		Neville Sharpe	5436 8300
Inglewood Primary School Inglewood	Education		Glenn Madden	5438 3303
St Mary's Primary School Inglewood	Education			5438 3075
Pyramid Hill College Pyramid Hill	Education		John Kerr	5455 7377
St Patrick's Primary School Pyramid Hill	Education		John O'Connor	54557220

Gannawarra Shire

Business	Business Type	Employees	Contact	Phone
Macs shortbread Co.	Manufacturing	14	David McAlpine	5450 3737
Kerfab	Manufacturing	6	Keith Chirnside	5450 3092
Lake Boga Transport	Transport	10	Manager	5452 2800
Goulburn-Murray Water	Service	50	Lester Haw	5451 0111
Kerang Technical College	Education	30	Principal	5453 2401
Bar-Berri Packers	Fruit & Juice	25	Mick Hollingsworth	5453 2523
Dunstan Farmers Engineering	Manufacturing	15	Heather Dunstan	5452 1488
Gray's Bakery	Manufacturing	15	Marion Gray	5452 1655
Safeway Supermarket	Retail	145		5452 2244
Arbuthnot Sawmills	Sawmilling	12	Paul Madden	5453 2401
Rick Bilton AWMA	Manufacturing	8	Rick Bilton	
Murray Goulburn dairy plant	Cheese production	125	Manager	5451 7112
Mawsons	Quarries & Concrete	35	Manager	5456 2409

Kerang Hospital	Hospitality	35	Matron	5450 9200
Northern Herd development	Dairy Industry	30	Manager	5456 2366
Archards Irrigation	Manufacturing	25	Manager	5456 2664
Martins Nupro steel	Manufacturing	10	Laurie Martin	5452 1055