

Decision

I, Wayne Anthony Matthew
Minister for Minerals and Energy
South Australia's Relevant Minister in relation to Coverage Decisions under the Code

make the following Decision in relation to

Application to the National Competition Council requesting that Coverage of the South East Pipeline System (SA PLs 3 &4) be revoked

6 April 2000

In accordance with section 1.36 of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code), and after consideration of the Final Recommendation from the National Competition Council received on 16 March 2000, I make the following decision under section 1.34 of the Code:

that Coverage of the South East Pipeline System, subject to the licences SA PL 3 & 4, issued under the *Petroleum Act 1940*, is revoked.

The decision has effect on 20 April 2000. This is also the date before which a person adversely affected by the decision may apply to the South Australian Gas Review Board for a review of the decision under section 38 of the Gas Pipelines Access Law (contained in Schedule 1 of the *Gas Pipelines Access (South Australia) Act 1997*).

(Cont'd)

Description of the Covered Pipeline the subject of this decision

Pipeline Licence	Location/ Route	Operator	Length (km)	Diameter (mm)	Regulator
	South East Pipeline System	Epic Energy Pty Ltd			ACCC
SA: PL3	Katnook to Safries		4.5	60.3	
SA: PL4	Katnook to Glencoe		26.7	168	
	Glencoe to Mt Gambier		18.9	168	
	Glencoe to Snuggery		19.4	168	

The Pipeline is listed in Schedule A to the Code and as such was Covered at the commencement of the Code in South Australia.

The Application

On 3 December 1999, an application under section 1.25 of the Code was made to the National Competition Council (the NCC) requesting that Coverage of the South East Pipeline System be revoked. The applicant is Epic Energy Pty Ltd, the operator of the pipeline.

The Public Consultation Process

The following organisations have made submissions to the NCC under section 1.26 of the Code.

The Boral Joint Venture
Boral Head Office
Envestra

In addition, submissions were made to the NCC following its draft recommendation by:

Envestra

Kimberly Clark Australia Pty Ltd

Provisions of the Code

I make the decision in accordance with section 1.36 of the Code, which provides that:

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

In reaching this decision, I have considered the following criteria for Coverage contained in section 1.9 of the Code:

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- (a) that access (or increased access) to Services provided by means of the Pipeline would promote competition in at least one market (whether or not in Australia), other than the market for the Services provided by means of the Pipeline;*
 - (b) that it would be uneconomic for anyone to develop another Pipeline to provide the Services provided by means of the Pipeline;*
 - (c) that access (or increased access) to the Services provided by means of the Pipeline can be provided without undue risk to human health or safety; and*
 - (d) that access (or increased access) to the Services provided by means of the Pipeline would not be contrary to the public interest."*

Coverage in respect of a Pipeline must be revoked unless it meets all of the above criteria.

Reasons for the Decision

I have made the decision after consideration of the Final Recommendation received from the NCC on 16 March 2000. Reasons for the decision that Coverage of the South East Pipeline System (SA PLs 3 & 4) is revoked are as follows:

1. I consider that the South East Pipeline System does not meet criteria (a) in section 1.9 of the Code.

Based on the NCC's analysis, given that this pipeline system is in a relatively isolated location, and that there are at present no commercially developable gas discoveries in the region (apart from those at and around Katnook currently under production) and therefore it is unlikely that third parties will seek to interconnect their pipelines with it in the

foreseeable future, I am not satisfied that access to the South East Pipeline System would promote competition in another market.

2. I consider that the South East Pipeline System does not meet criteria (d) in section 1.9 of the Code.

Given that it is likely that the regulatory compliance costs involved in establishing access arrangements for the South East Pipeline System would outweigh the benefits, I consider that continued Coverage of the Pipeline is not in the public interest.

I note, however, that in the event a third party does seek access to the Pipeline in the future, it would be possible for that party to seek re-Coverage of that Pipeline under the mechanisms provided in the Code.

Detailed analysis in relation of the criteria against which the application was assessed can be found in Part B of the NCC's Final Recommendation.

A handwritten signature in black ink, appearing to read 'Wayne', with a long horizontal flourish extending to the right.

Hon. Wayne Matthew MP
MINISTER FOR MINERALS AND ENERGY
MINISTER ASSISTING THE DEPUTY PREMIER