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Media Release

NCC decision unjust and flawed says Pipeline owner

Today's decision by the National Competition Council to recommend continued regulation of the Moomba to Sydney pipeline system was unjust and appeared arbitrary, according to Australia's largest natural gas pipeline company, The Australian Pipeline Trust (APA).

APA managing director Jim McDonald said the NCC, in reaching its decision after almost 18 months, threatened to stifle competition and drive away much needed investment in the natural gas industry.

"We are dismayed by the NCC's decision which we believe ignores the objectives of competition reform in the gas pipeline industry," said Mr McDonald.

East Australian Pipeline Limited (EAPL), a wholly owned subsidiary of APA, applied in June 2001 for removal of regulatory coverage of the Moomba to Sydney Pipeline system which brings gas from Moomba in South Australia and from Victorian gas fields to the gas markets of NSW and the ACT. EAPL is the owner and operator of the pipeline system.

The application was sought following an earlier decision by the Australian Competition Tribunal to exclude the Duke Eastern Gas Pipeline, which also brings Gippsland gas to the same two markets, from regulation under the Gas Access Code.

"In determining that EAPL should still be regulated whilst the competing Eastern Gas Pipeline is not, the NCC has created an unfair playing field effectively choosing to give Duke Energy a significant competitive advantage over EAPL," said Mr McDonald.

"The fact that it took 18 months to reach its decision suggests the NCC had some doubt about whether EAPL should be covered. Furthermore, its own consultant found the case for coverage was not compelling. A regulator's role is to administer the law, not make the law. There is a clear test for competition which sets out whether coverage should apply to a gas transmission pipeline and the NCC has chosen to ignore it," said Mr McDonald.

Mr McDonald added "The NCC had the opportunity to enhance competition reform and send a signal that they support investment in a truly competitive infrastructure system. Instead they have chosen to entrench the power base of the regulatory

Level 5 Phone: 61 2 9693 0000
Airport Central Tower Fax: 61 2 8339 0005
241 O'Riordan Street www.pipelinetrust.com.au
PO Box 934
Mascot NSW 2020

Australian Pipeline Trust

Australian Pipeline Ltd
ACN 091 344 704

ARSN 091 678 778

bureaucracy and stifle competition, a decision which will ultimately be to the detriment of all consumers of natural gas."

"It is gas transmission companies and their owners who are investing in infrastructure that will enable competition in the natural gas industry. These sorts of arbitrary decisions are driving investment away."

The NCC stance justifies the concerns of the Productivity Commission which identified the need for reform of the coverage test in its 33 recommendations for change to the National Access Regime.

Mr McDonald said he was hopeful Resources Minister, Ian Macfarlane would recognise the NCC's recommendation as flawed and damaging to the natural gas industry, and reject it.

Background

East Australian Pipeline Ltd made its application for revocation of coverage of the Moomba to Sydney Pipeline System to the NCC in June 2001.

In December 2001 the NCC made a draft recommendation with the final recommendation expected to be published in February 2002. There have been at least five extensions to the date of its final recommendation before today's decision.

The Moomba to Sydney pipeline system transports natural gas from the Moomba gas fields in South Australia to Sydney and Canberra and regional NSW. It is also connected to the Victorian system with the Interconnect pipeline across the Murray River, which is able to contract gas transportation bi-directionally.

Historically the Moomba to Sydney pipeline system has delivered all the gas requirements of both NSW and the ACT. Following commissioning of the Duke Eastern Gas Pipeline in September 2000 there is a second competing pipeline also capable of supplying NSW and ACT markets.

The Australian Pipeline Trust is Australia's major listed natural gas pipeline company, with interests in over 7,000 kilometres of pipeline infrastructure. It transports almost 25 per cent of the country's natural gas to a variety of customers including AGL, Cooper Eromanga Basin Producers, MIM, Normandy, CS Energy, BHP Minerals, Pasminco, Incitec and WMC.

The natural gas market for NSW and the ACT services approximately 900,000 customers and is valued in excess of $1 billion per annum.

Contact: Jim McDonald, Australian Pipeline Trust
Telephone:- (02) 9693 0011 or 0417 692 338
Email:- jmcdonald@pipelinetrust.com.au
http://www.pipelinetrust.com.au

Level 5 Phone: 61 2 9693 0000
Airport Central Tower Fax: 61 2 8339 0005
241 O'Riordan Street www.pipelinetrust.com.au
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