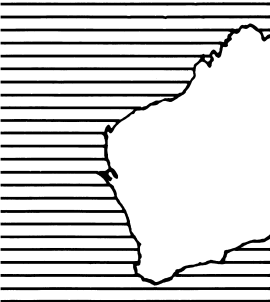




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GAS SUPPLY (GAS QUALITY SPECIFICATIONS) ACT 2009

**GAS SUPPLY (GAS QUALITY
SPECIFICATIONS)
REGULATIONS 2010**

Western Australia

Gas Supply (Gas Quality Specifications) Regulations 2010

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Gas Supply (Gas Quality Specifications) Act 2009

Gas Supply (Gas Quality Specifications) Regulations 2010

Made by the Governor in Executive Council.

Part 1 — Preliminary

1. Citation

These regulations are the *Gas Supply (Gas Quality Specifications) Regulations 2010*.

2. Commencement

These regulations come into operation on the day on which section 34 of the Act comes into operation.

3. Terms used

(1) In these regulations —

AS, followed by a designation consisting of a number and a reference to a year, refers to the text, as from time to time amended and for the time being in force, of the document so designated, published by Standards Australia;

cubic metre, of gas, means a cubic metre at a pressure of 101.325 kPa (absolute) and a temperature of 15°C;

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 1** Preliminary**r. 3**

Dampier to Bunbury Natural Gas Pipeline means the pipeline covered by the following licences under the *Petroleum Pipelines Act 1969* or any licence under that Act that replaces one or more of those licences — PL 40, PL 41, PL 47 and PL 69;

Department means the department of the Public Service principally assisting in the administration of Part 2 of the Act;

gas day means the 24 hour period beginning at 08:00 hours on a day and ending at 08:00 hours on the following day;

gas facility, in the definition of **worst possible gas composition**, means a facility by which a gas consumer conducts the consumer's operations, a gas transmission pipeline or a gas storage facility;

gas transportation service means a service, provided for by a pipeline services agreement, which entails the receipt of gas at an inlet point on the pipeline and the delivery of gas at an outlet point on the pipeline, whether or not that service is expressed to include the transportation or haulage of gas;

Goldfields Gas Pipeline means the pipeline covered by licence PL 24 under the *Petroleum Pipelines Act 1969* or any licence under that Act that replaces that licence;

higher heating value means the number of megajoules liberated when one m³ of gas is completely burnt in air and all the water formed by the combustion reaction is condensed to the liquid state, under the test conditions set down in ISO 6974 — 1984(E) for the analysis of the natural gas, using ISO 6976 — 1995(E) for the calculations from that analysis;

ISO, followed by a designation consisting of a number and a reference to a year, refers to the text, as from time to time amended and for the time being in force, of the document so designated, published by the International Organisation for Standardisation;

Gas Supply (Gas Quality Specifications) Regulations 2010

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Part 1

r. 3

Macedon inlet point means the inlet point on the DBNGP where gas from the Macedon gas field will flow into the DBNGP;

Mid West Pipeline means the pipeline covered by licence PL 43 under the *Petroleum Pipelines Act 1969* or any licence under that Act that replaces that licence;

Mondarra Gas Storage Facility means the gas storage facility operated under the petroleum production licence L1R1 under the *Petroleum and Geothermal Energy Resources Act 1967* or any licence under that Act that replaces that licence;

Mondarra Interconnect Pipeline means the pipeline covered by licence PL 23 under the *Petroleum Pipelines Act 1969* or any licence under that Act that replaces that licence;

outlet point, on a gas transmission pipeline, means —

- (a) a point on the pipeline at which gas flows out of the pipeline; or
- (b) a number of such points that are adjacent to each other and that are declared to be a single point by these regulations;

Parmelia Pipeline means the pipeline covered by the following licences under the *Petroleum Pipelines Act 1969* or any licence under that Act that replaces one or more of those licences — PL 1, PL 2, PL 3 and PL 5;

Parmelia Pipeline standard specification means the gas quality specification set out in Schedule 1 clause 2(2);

Part 4 pipeline has the meaning given in section 15 of the Act;

relevant section of a pipeline has the same meaning as in regulation 17;

short-term situation has the meaning given in section 10 of the Act;

system use gas, in relation to a gas transmission pipeline, means gas used or vented in operating the pipeline or lost or unaccounted for;

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 1** Preliminary**r. 3**

Western Australian standard specification means the gas quality specification set out in Schedule 1 clause 1(1);

Wobbe index means the result obtained using the following formula —

$$\frac{\text{Higher heating value}}{\sqrt{\text{Relative density}}}$$

calculated in accordance with ISO 6976 — 1995(E);

worst possible gas composition, in relation to a particular person, gas facility and gas quality specification, means the composition of gas that —

- (a) complies with the gas quality specification; and
 - (b) has the most adverse effect for the person on the capacity of the facility or the operations and maintenance of the facility; and
 - (c) is capable of existing in a natural environment; and
 - (d) has been determined in accordance with ISO 6976 — 1995(E).
- (2) A reference in these regulations to the contact details of a business entity (for example, a body corporate, a joint venture or a partnership) is a reference to the address and telephone number of the business entity's principal place of business in the State (or any other address and telephone number in the State provided by the business entity for this purpose) and the Australian email address and the Australian website address of the business.
- (3) If a sequence of letters and numbers is used to identify a point on a gas transmission pipeline (for example, I1-01), that sequence refers to that point as described in the most recent description of the pipeline in the licence or licences in respect of the pipeline under the *Petroleum Pipelines Act 1969*.

Gas Supply (Gas Quality Specifications) Regulations 2010

Preliminary

Part 1

r. 4

- (4) In these regulations these abbreviations are used —
DBNGP for the Dampier to Bunbury Natural Gas Pipeline;
GGP for the Goldfields Gas Pipeline;
***m*³** for cubic metres;
TJ for terajoules.

4. Use of notes and examples

A note or example included in these regulations is explanatory and is not part of these regulations.

5. Gas transmission pipelines

For the purposes of the definition of ***gas transmission pipeline*** in section 3(1) of the Act, the DBNGP and the Mid West Pipeline are declared to be gas transmission pipelines.

6. Gas storage facilities

For the purposes of the definition of ***gas storage facility*** in section 3(1) of the Act, the Mondarra Gas Storage Facility is prescribed.

7. Reference gas quality specifications

For the purposes of the definition of ***reference specification*** in section 3(1) of the Act, the reference specifications for gas transmission pipelines are set out in Schedule 2.

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 1** PIA pipelines**r. 8**

Part 2 — Gas quality and capacity of PIA pipelines**Division 1 — PIA pipelines****8. Application for making, amending or revoking a declaration**

- (1) A person may apply for a declaration under section 5 of the Act or for an amendment of, or the revocation of, such a declaration.
- (2) An application for a declaration under section 5 of the Act or for an amendment of, or the revocation of, such a declaration must include, or be accompanied by the following —
 - (a) the applicant's name and contact details;
 - (b) the number of the licence or licences under the *Petroleum Pipelines Act 1969* in respect of the pipeline;
 - (c) a description of the pipeline, which must match or be a subset of the description of the pipeline in the licence or licences;
 - (d) an explanation as to why the applicant considers the pipeline should be a PIA pipeline or an existing declaration should be amended or revoked;
 - (e) any other information required by the Minister.
- (3) The Minister may amend or revoke a declaration under section 5 of the Act that a gas transmission pipeline is a PIA pipeline without an application for the amendment or revocation.

9. Criteria for making a declaration

- (1) This regulation applies to the Minister when deciding whether to make a declaration under section 5 of the Act.
- (2) The Minister must be satisfied that it is reasonably likely that —
 - (a) if gas that does not comply with the reference specification for the pipeline flows into the pipeline, the capacity of the pipeline will be reduced; and

Gas Supply (Gas Quality Specifications) Regulations 2010

Gas quality and capacity of PIA pipelines

Part 2

PIA pipelines

Division 1**r. 10**

-
- (b) as a consequence of that reduction, the operator of the pipeline will fail to comply with the operator's obligations under one or more pipeline services agreements that relate to the pipeline.
- (3) The Minister must take into account the following —
- (a) the extent to which the failure to comply with the operator's obligations is in relation to firm gas transportation services or interruptible gas transportation services;
- (b) in relation to a failure to comply with an obligation in relation to an interruptible gas transportation service — the degree of interruptibility of the service;
- (c) the consequences to the operator of the failure to comply with the operator's obligations, including the possibility and extent of loss of revenue.
- (4) The Minister may take into account the following —
- (a) the degree of commercial risk taken by the operator of the pipeline;
- (b) the advantages and disadvantages of making the declaration, in relation to users of the pipeline and other persons whose interests may be affected by the declaration;
- (c) the public interest;
- (d) any other matter the Minister considers relevant.

10. Criteria for revoking a declaration

- (1) This regulation applies to the Minister when deciding whether to revoke a declaration made under section 5 of the Act.
- (2) The Minister must —
- (a) be satisfied that the Minister could not make a declaration (under regulation 9) that the gas transmission pipeline is a PIA pipeline; and

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 1** PIA pipelines**r. 11**

- (b) take into account the advantages and disadvantages of revoking the declaration, in relation to the operator of the pipeline, users of the pipeline and other persons whose interests may be affected by the revocation.
- (3) The Minister may take into account the following —
 - (a) the public interest;
 - (b) any other matter the Minister considers relevant.

11. Criteria for amending a declaration

- (1) If the Minister is to make an amendment to a declaration under section 5 of the Act that would have the effect that part of a gas transmission pipeline becomes, or becomes part of, a PIA pipeline, regulation 9 has effect in relation to the amendment as if a reference to a declaration were a reference to such an amendment.
- (2) If the Minister is to make an amendment to a declaration under section 5 of the Act that would have the effect that part of a gas transmission pipeline ceases to be, or be part of, a PIA pipeline, regulation 10 has effect in relation to the amendment as if a reference to revoking a declaration were a reference to such an amendment.

12. Procedure for making, amending or revoking a declaration

- (1) Before making, amending or revoking a declaration under section 5 of the Act, the Minister must —
 - (a) if the operator of the pipeline is not the applicant for the declaration, amendment or revocation — consult with the operator; and
 - (b) if the Minister calls for submissions — consider all written submissions that are received within the time for receipt of submissions.
- (2) The Minister need only comply with subregulation (1)(b) to the extent practicable.

Gas Supply (Gas Quality Specifications) Regulations 2010

Gas quality and capacity of PIA pipelines

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PIA pipelines

Division 1**r. 13**

- (3) The Minister may require the applicant to provide further information to support the application and may refuse to deal with the application until that requirement is met.
- (4) The Minister may deal with an application for a declaration under section 5 of the Act, or for an amendment of such a declaration, by amending an existing declaration or making a new declaration that replaces an existing declaration.
- (5) Subregulation (1) does not limit the procedure that the Minister may follow before making, amending or revoking a declaration.

13. Content of certain decisions, and to whom copies must be given

- (1) A declaration under section 5 of the Act, an amendment or a revocation of such a declaration and a decision to reject an application for such a declaration must include —
 - (a) the applicant's name and contact details and those of the operator of the pipeline if the operator is not the applicant; and
 - (b) the number of the licence or licences under the *Petroleum Pipelines Act 1969* in respect of the pipeline; and
 - (c) a description of the pipeline, which must match or be a subset of the description of the pipeline in the licence or licences.
- (2) The Minister must —
 - (a) within 30 days of making a declaration, amendment or revocation or a decision to reject an application for a declaration (a **decision**) — give a copy of the decision to the operator of the pipeline, and to the applicant for the decision if the applicant is not the operator of the pipeline; and
 - (b) within 45 days of making the decision — ensure that the decision is published on the website of the Department.

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 1** PIA pipelines**r. 14**

- (3) The operator of the pipeline must, within 30 days of receiving a copy of the decision, give a copy of it to —
- (a) each user of the pipeline; and
 - (b) the operator of each gas transmission pipeline and each gas distribution system that is connected to the pipeline; and
 - (c) each gas producer who supplies gas that will flow into the pipeline.

Penalty: a fine of \$5 000 for each person the operator fails to give a copy to, up to a maximum of \$50 000.

14. Publishing description of a PIA pipeline

- (1) The operator of a PIA pipeline must maintain an up-to-date description of the PIA pipeline on the website of the operator.
Penalty: a fine of \$5 000.
- (2) The description of the PIA pipeline in subregulation (1) must, to the extent practicable, match or be a subset of the description of the pipeline in the licence or licences in respect of the pipeline under the *Petroleum Pipelines Act 1969*.

15. Transitional provision for DBNGP and GGP

Regulations 8, 9 and 12 do not apply to the first declarations under section 5 of the Act that the DBNGP and the GGP are, or that parts of those pipelines are, PIA pipelines.

Gas Supply (Gas Quality Specifications) Regulations 2010

Gas quality and capacity of PIA pipelines

Part 2

Content of pipeline impact agreements

Division 2**r. 16****Division 2 — Content of pipeline impact agreements****16. Additional minimum requirements for a pipeline impact agreement**

For the purposes of section 7(1)(g) of the Act, the following matters are prescribed —

- (a) a description of the gas processing plant that will process the gas to be supplied, sufficient to identify the plant;
- (b) an estimate of any increase in the supply of system use gas that will be required as a result of the gas flowing into the pipeline, and how that increase is to be dealt with.

Division 3 — Relevant effects on a PIA pipeline**17. Working out the relevant effect on a pipeline's capacity**

- (1) For the purposes of section 7(3) of the Act, the relevant effect on the capacity of a PIA pipeline is to be worked out for each relevant section of the pipeline.
- (2) The relevant sections of a pipeline are set out in Schedule 3.
- (3) In working out the relevant effect on the capacity of a relevant section of a pipeline attributable to gas the subject of a, or a proposed, pipeline impact agreement flowing into the section of the pipeline, the following method applies —
 - (a) work out the capacity of the section of the pipeline that would be required for the operator of the pipeline to provide a firm gas transportation service in respect of the gas, on the basis that the gas is supplied by the gas producer at —
 - (i) the maximum quantity permitted by the pipeline impact agreement; and
 - (ii) the reference specification for the pipeline;

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 3** Relevant effects on a PIA pipeline**r. 17**

- (b) work out the capacity of the section of the pipeline that would be required for the operator of the pipeline to provide a firm gas transportation service in respect of the gas, on the basis that the gas is supplied by the gas producer at —
 - (i) the maximum quantity permitted by the pipeline impact agreement; and
 - (ii) the gas quality specification in the pipeline impact agreement;
 - (c) the difference between the capacity worked out under paragraph (a) and the capacity worked out under paragraph (b) is the change in the capacity of the section of the pipeline;
 - (d) the change in capacity is to be expressed as, or converted into, TJ/gas day.
- (4) In working out a capacity of a section of a pipeline for the purposes of subregulation (3), the following assumptions are to be made —
- (a) that the assumed conditions apply;
 - (b) that the same assumed conditions apply each time that capacity is to be worked out;
 - (c) that the amount and proportion of the gas in the section of the pipeline does not change along the length of the section.
- (5) The assumed conditions (for example, ambient temperature, ground temperature, load conditions and line pack) are those most recently assumed by the operator of the pipeline when determining the maximum capacity of the pipeline, or the relevant section of the pipeline, available for firm gas transportation services.
- (6) In subregulation (3), a reference to supplying gas at a particular gas quality specification is a reference to supplying the gas at the worst possible gas composition for the operator of the

Gas Supply (Gas Quality Specifications) Regulations 2010

Gas quality and capacity of PIA pipelines

Part 2

Formation of pipeline impact agreements

Division 4**r. 18**

pipeline in relation to the section of the pipeline and the gas quality specification.

18. Working out the relevant effect on a pipeline's operations and maintenance

- (1) For the purposes of section 7(3) of the Act, in working out the relevant effect on the operations and maintenance of a pipeline attributable to gas the subject of a, or a proposed, pipeline impact agreement flowing into the pipeline, the following apply —
 - (a) only those changes to the operations and maintenance programme of the operator that result directly from the gas flowing into the pipeline may be considered as a relevant effect;
 - (b) only those changes to the operations and maintenance programme of the operator that a reasonable and prudent operator of the pipeline would undertake, while seeking to efficiently and sustainably minimise costs, may be considered as a relevant effect.
- (2) Changes in the amount of system use gas required as a result of the gas flowing into the pipeline are to be determined in TJ/gas day.

Division 4 — Formation of pipeline impact agreements**19. Default procedure**

- (1) For the purposes of section 8 of the Act, this Division sets out the default procedure for the formation of a pipeline impact agreement in respect of the supply of gas that flows or that will flow into a PIA pipeline at an inlet point.

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 4** Formation of pipeline impact agreements**r. 20**

- (2) The default procedure does not apply to the formation of the pipeline impact agreement if —
- (a) the gas the subject of the pipeline impact agreement does not comply with the standard specification for the pipeline; and
 - (b) the gas producer proposes that the relevant effects be dealt with by the warehousing method (prescribed by regulation 25).

20. Extension of time

- (1) A time period in a provision of this Division, within which a person must or may do a thing, may be extended by the Minister in a particular case if the Minister is satisfied that extenuating circumstances apply.
- (2) If the Minister extends a time period in a particular case, a reference in this Division to that time period is a reference to that period as extended.
- (3) The Minister cannot extend a time period that has expired.
- (4) The Minister may extend a time period any number of times.

21. Application for a pipeline impact agreement — step 1

- (1) If a gas producer gives the operator of the PIA pipeline an application for a pipeline impact agreement in relation to the supply of gas, the operator must, within 15 days after the day on which the gas producer gave the application, determine whether or not the application meets the application criteria and notify the gas producer accordingly.
- (2) The application criteria are that the application sets out the approximate location of the inlet point, and sets out the quantity and quality of the gas to be supplied by —
- (a) setting out the maximum quantity of gas to be supplied (in TJ/gas day); and

Gas Supply (Gas Quality Specifications) Regulations 2010

Gas quality and capacity of PIA pipelines

Part 2

Formation of pipeline impact agreements

Division 4**r. 21**

-
- (b) setting out a gas quality specification, with which the gas is to comply, that includes the following components (assuming metric standard conditions) —
- (i) maximum total inert gasses (in mol%);
 - (ii) maximum carbon dioxide (in mol%);
 - (iii) minimum and maximum higher heating values (in MJ/m³);
 - (iv) minimum Wobbe Index;
 - (v) maximum Wobbe Index;
 - (vi) maximum total sulphur, unodorised gas (in mg/m³);
 - (vii) maximum total sulphur, odorised gas (in mg/m³);
 - (viii) maximum hydrogen sulphide (in mg/m³);
 - (ix) maximum oxygen (in mol%);
 - (x) maximum water (in mg/m³);
 - (xi) hydrocarbon dewpoint over the pressure range 2.50 to 8.72 MPa (absolute) (in °C).
- (3) If the operator fails to comply with subregulation (1) and no arbitration of a dispute about the application has commenced before the end of the last day of the period referred to in subregulation (1), the operator is to be taken —
- (a) to have notified the gas producer that the application meets the application criteria; and
 - (b) to have done so on the last day of the period referred to in subregulation (1).
- (4) An arbitration of a dispute about the application —
- (a) cannot be commenced unless the operator has notified the gas producer, under subregulation (1), that the application does not meet the application criteria; and
 - (b) cannot be commenced more than 15 days after the last day of the period referred to in subregulation (1).

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 4** Formation of pipeline impact agreements**r. 22**

- (5) An arbitrator of a dispute about the application must determine whether or not the application meets the application criteria within 45 days of the arbitration commencing.

22. Determining the relevant effects on the pipeline — step 2

- (1) This regulation applies if —
- (a) the operator has notified the gas producer that the application meets the application criteria; or
 - (b) an arbitrator has determined that the application meets the application criteria.
- (2) If this regulation applies, the operator must —
- (a) determine what are the relevant effects on the capacity, operations and maintenance of the pipeline of the gas flowing into it, and the extent of those effects; and
 - (b) notify the gas producer of that determination,
- within 30 days after the day on which —
- (c) the operator notified the gas producer that the application meets the application criteria; or
 - (d) the arbitrator determined that the application meets the application criteria.
- (3) If the operator complies with subregulation (2), the gas producer may, as many times as is necessary until the operator gives the gas producer a notice of acceptance under subregulation (4)(a), propose changes to the operator's determination of the relevant effect and their extent.
- (4) If the gas producer proposes changes to the operator's determination, the operator must, within 30 days after the day on which the gas producer proposes the changes, give the gas producer a notice —
- (a) accepting the changes; or

Gas Supply (Gas Quality Specifications) Regulations 2010

Gas quality and capacity of PIA pipelines

Part 2

Formation of pipeline impact agreements

Division 4**r. 22**

-
- (b) setting out the operator's determination of the relevant effects and their extent, whether it incorporates any of those changes or not.
- (5) If—
- (a) the gas producer proposes a change to the operator's determination of the relevant effect and their extent; and
 - (b) the operator fails to comply with subregulation (4) in relation to the proposed change; and
 - (c) no arbitration of a dispute about the relevant effects or their extent, has commenced before the end of the last day of the period referred to in subregulation (4) in relation to the proposed change,
- the operator is to be taken to have given the gas producer a notice of acceptance under subregulation (4)(a) and to have done so on the last day of the period referred to in subregulation (4) in relation to the proposed change.
- (6) An arbitration of a dispute about the relevant effects or their extent, cannot be commenced unless —
- (a) the operator has notified the gas producer of the operator's determination of the relevant effects and their extent, under subregulation (2); or
 - (b) the operator fails to comply with subregulation (2).
- (7) An arbitrator of a dispute described in subregulation (6) must determine the relevant effects and their extent, within 60 days of the arbitration commencing.

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 4** Formation of pipeline impact agreements**r. 23**

23. Choosing a method to deal with the relevant effects — resolving dispute — step 3

- (1) The following indicate that the relevant effects on the capacity, operations and maintenance of the pipeline of the gas flowing into it, and the extent of those effects, are not in dispute —
 - (a) that an arbitrator has, under regulation 22(7), determined what the relevant effects are and their extent;
 - (b) that the gas producer, after receiving the operator's determination of the relevant effects and their extent (whether an initial or subsequent determination), has given the operator a notice under subregulation (3) proposing that the relevant effects be dealt with by a particular method prescribed by regulation 25;
 - (c) that the operator gives the gas producer a notice of acceptance under regulation 22(4)(a).
- (2) Subregulation (1) is not an exhaustive list.
- (3) If, for the purposes of section 8(3) of the Act the gas producer —
 - (a) proposes that the relevant effects be dealt with by a particular method prescribed by regulation 25; and
 - (b) gives the operator all of the necessary information in relation to the matters identified, in the default pipeline impact agreement for the particular method, as matters that the parties may resolve,

the operator must, within 30 days after the day on which the gas producer gives the information, determine whether or not the information is complete, accurate and correct, and notify the gas producer accordingly.

Gas Supply (Gas Quality Specifications) Regulations 2010

Gas quality and capacity of PIA pipelines

Part 2

Formation of pipeline impact agreements

Division 4**r. 24**

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- (4) An arbitration of a dispute about the completeness, accuracy or correctness of the information referred to in subregulation (3) —
- (a) cannot be commenced unless —
 - (i) the operator has notified the gas producer, under subregulation (3), that the information is not complete, accurate or correct; or
 - (ii) the operator has failed to comply with subregulation (3);
 - and
 - (b) cannot be commenced more than 6 months after the last day of the period referred to in subregulation (3).
- (5) An arbitrator of a dispute about the completeness, accuracy or correctness of the information must determine whether or not the information is complete, accurate and correct within 60 days of the arbitration commencing.

24. Lapse of procedure for delay by gas producer

- (1) A step in the default procedure in this Division that can be taken by a gas producer cannot be taken more than 12 months after the first day on which that step could have been taken.
- (2) Subregulation (1) does not apply to a step in the procedure for which an express time limit is provided.

25. Prescribed method

- (1) For the purposes of section 8(3)(b) of the Act, the warehousing method is prescribed.
- (2) The warehousing method entails the gas producer reserving, directly or indirectly, a specified amount of the capacity of the pipeline, or of one or more relevant sections of the pipeline, by committing to pay for and committing not to use that capacity.

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 2** Gas quality and capacity of PIA pipelines**Division 4** Formation of pipeline impact agreements**r. 26**

26. Default pipeline impact agreements

For the purposes of section 8(3) of the Act, the default pipeline impact agreement for the warehousing method is —

- (a) in relation to the DBNGP — the standard form agreement, titled “Standard Form Agreement — Warehousing Method — DBNGP”, most recently published in the *Gazette* prior to the gas producer proposing, under regulation 23(3), that the relevant effect be dealt with by the warehousing method; and
- (b) in relation to the GGP — the standard form agreement, titled “Standard Form Agreement — Warehousing Method — GGP”, most recently published in the *Gazette* prior to the gas producer proposing, under regulation 23(3), that the relevant effect be dealt with by the warehousing method.

27. Standard form agreements — publishing requirements

For the purposes of section 8(7) of the Act, a standard form agreement must be published in the *Gazette*.

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Modifying gas contracts **Part 3**

r. 28

Part 3 — Modifying gas contracts

28. Standard gas quality specifications for pipelines

For the purposes of section 13 of the Act, the standard gas quality specifications for gas transmission pipelines are set out in Schedule 1.

29. Application of this Part before 1 July 2012

This Part does not have effect so as to modify a gas contract until 1 July 2012.

30. Modifying gas contracts — gas quality specifications

(1) If —

- (a) a gas contract has effect in relation to the delivery or receipt of gas at or adjacent to a point that is or is of a type listed in the Table; and
- (b) a circumstance listed in the Table in relation to that or that type of point applies in relation to the point,

the contract is modified in relation to the delivery and receipt of gas at or adjacent to the point so that the gas quality specification specified in the Table for the or the type of point, and the circumstance, applies in substitution for the gas quality specification which would otherwise apply in relation to the delivery and receipt of gas at or adjacent to that point.

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Item	Description of point	Circumstance	Gas quality specification
1.	an inlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to all gas flowing into the pipeline at that point	the gas quality specification set out in the pipeline impact agreement
2.	an outlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to all gas flowing out of the pipeline at that point	the gas quality specification set out in the pipeline impact agreement
3.	an inlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the pipeline at that point	the Western Australian standard specification

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Item	Description of point	Circumstance	Gas quality specification
4.	an outlet point on a gas transmission pipeline	one particular pipeline impact agreement has effect in relation to some but not all gas flowing out of the pipeline at that point	the Western Australian standard specification
5.	an inlet point on a gas transmission pipeline into which gas from the Parmelia Pipeline flows	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the pipeline at that point	the Parmelia Pipeline standard specification or the Western Australian standard specification when the Parmelia Pipeline standard specification is not the standard specification for the Parmelia Pipeline

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Item	Description of point	Circumstance	Gas quality specification
6.	an outlet point on the Parmelia Pipeline	one particular pipeline impact agreement has effect in relation to some but not all gas flowing out of the pipeline at that point	the Parmelia Pipeline standard specification or the Western Australian standard specification when the Parmelia Pipeline standard specification is not the standard specification for the Parmelia Pipeline
7.	a point at which gas flows out of a gas distribution system	one particular pipeline impact agreement has effect in relation to some but not all gas flowing out of the system at that point	the gas quality specification in AS 4564 — 2005
8.	a point at which gas flows into the Mondarra Gas Storage Facility	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the facility at the point	the Western Australian standard specification

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Item	Description of point	Circumstance	Gas quality specification
9.	a point at which gas flows out of the Mondarra Gas Storage Facility	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the facility at the point referred to in item 8	the Western Australian standard specification
10.	a point not on a gas transmission pipeline, through which gas, that has already flowed through a gas transmission pipeline, flows (other than a point to which item 7 applies)	one particular pipeline impact agreement has effect in relation to some but not all gas flowing through the point	the Western Australian standard specification

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 3** Modifying gas contracts**r. 30**

Item	Description of point	Circumstance	Gas quality specification
11.	a point not on a gas transmission pipeline, through which gas, that has already flowed through the Parmelia Pipeline, flows (other than a point to which item 7 applies)	one particular pipeline impact agreement has effect in relation to some but not all gas flowing through the point	the Parmelia Pipeline standard specification or the Western Australian standard specification when the Parmelia Pipeline standard specification is not the standard specification for the Parmelia Pipeline
12.	a point, at or between the point on the DBNGP identified as BP-LPGO and a point just downstream of the AGR off-take, at which gas that will flow into the DBNGP is delivered or received	one particular pipeline impact agreement has effect in relation to some but not all gas flowing into the plant at the inlet point to the plant	the reference specification for the DBNGP

(2) In subregulation (1) item 12 —

AGR off-take means the Australian Gold Reagents off-take point within the Wesfarmers LPG plant at Kwinana.

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Modifying gas contracts **Part 3**

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- (3) If a particular point is covered by more than one item of the Table, the more specific item applies to the point to the exclusion of the other item or items.
- (4) Subregulation (5) applies to a gas contract that has effect in relation to the delivery or receipt of gas at or adjacent to a point described in subregulation (1) item 12 if the contract is modified by subregulation (1).
- (5) While gas flowing into the Wesfarmers LPG plant at Kwinana does not comply with one or more components of the reference specification for the DBNGP, the gas contract is to be taken to be further modified in relation to the delivery or receipt of gas at or adjacent to the point referred to in subregulation (4) so that the gas quality specification applicable under subregulation (1) is modified, in relation to gas to be delivered or received at or adjacent to that point, so that each component of the specification with which the gas did not comply becomes what the gas composition of that gas was in respect of that component.
- (6) However, subregulation (5) does not have effect to modify the gas quality specification applicable under subregulation (1) to provide for a component of the specification that is less stringent than the corresponding component of the Western Australian standard specification.
- (7) Subregulation (9) applies to a gas contract that has effect in relation to the delivery or receipt of gas at or adjacent to a point described in subregulation (1) item 12 if —
 - (a) the contract was in force immediately before 1 January 2009; and
 - (b) the contract is not an extension (by renegotiation, or exercise of an option to extend, on or after 1 January 2009) of such a contract; and
 - (c) the contract is, or would but for subregulation (9) be, modified by subregulation (1).

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- (8) Subregulation (9) does not apply in respect of a provision of a contract described in subregulation (7) if the provision is not in the same form as it was immediately prior to 1 January 2009, except for any modification by this regulation.
- (9) Subregulations (1) and (5) do not have effect to modify the contract in relation to the delivery or receipt of gas at or adjacent to the point to the extent to which a modification would otherwise result in the application of a gas quality specification in relation to the delivery or receipt of gas at or adjacent to the point that is more stringent than the gas quality specification which would, by operation of the contract, apply in relation to the delivery or receipt of gas at or adjacent to the point in the absence of subregulations (1) and (5).
- (10) However, a gas quality specification in respect of which subregulation (1) or (5) does not have effect, to some extent, because of subregulation (9), is modified to the extent necessary to ensure that it does not contain a component of the specification that is less stringent than the corresponding component of the Western Australian standard specification.

31. Modifying gas contracts — system use gas

- (1) Each gas contract under which a person is required to supply system use gas to the operator of the pipeline is modified so that the person cannot be required to supply more system use gas to meet the requirements of the operator arising from gas that does not comply with the reference specification for the pipeline flowing into the pipeline.
- (2) Subregulation (1) does not apply to a gas contract to the extent to which the person and the operator agree otherwise.

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Compensation

Part 4

Preliminary

Division 1**r. 32****Part 4 — Compensation****Division 1 — Preliminary****32. Terms used**

(1) In this Part —

facility means a gas storage facility or a facility by which a gas consumer conducts the consumer's operations;

fixed cost means a cost that is not an ongoing cost;

ongoing cost means a cost that is incurred repeatedly, for example, the cost of system use gas, an operating or maintenance cost, or the cost of using other fuels;

OOS gas, in relation to a particular gas quality specification, means gas that does not comply with the gas quality specification, that is, out of specification gas;

relevant cost means a cost that is a relevant cost under regulation 34(1)(c);

time value rate, for a particular relevant cost, means an interest rate that is 4 percentage points higher than —

- (a) the average rate (rounded up to 4 decimal places) for bank accepted bills having a term equal to or nearest to 90 days as displayed on the "BBSW" page of the Reuters Monitor System at or about 10.30 a.m. Eastern Standard Time on the relevant day; or
- (b) if the rate is not displayed on that day, the rate displayed on the most recent day before that day;

total of the claimable ongoing costs, for a financial year, is the amount worked out under regulation 36(2).

(2) In this Part —

- (a) a reference to the conduct or requirements of a prudent consumer or operator is a reference to what a reasonable and prudent consumer or operator would do or require in

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the particular circumstance, while seeking to efficiently and sustainably minimise costs; and

- (b) a reference to delivering or receiving gas at the relevant gas quality specification for a consumer or operator is a reference to delivering or receiving the gas at the worst possible gas composition for the consumer or operator in relation to the facility or pipeline of the consumer or operator and the relevant gas quality specification for the consumer or operator.

Division 2 — Entitlement and liability to compensation**33. Agreements as to compensation**

This Part does not prevent parties from entering into agreements that provide for compensation in relation to the costs or losses otherwise provided for by this Part.

34. Entitlement to compensation — costs incurred

- (1) A gas consumer, operator of a Part 4 pipeline or operator of a gas storage facility is entitled to compensation under this Part if —
- (a) the consumer or operator is delivered gas that does not comply with the relevant gas quality specification for the consumer or operator, other than as a consequence of a short-term situation; and
- (b) the consumer or operator has incurred a material, direct cost as a result of or in anticipation of the delivery of the gas; and
- (c) the direct cost is a *relevant cost*, that is, one or more of the following apply —
- (i) the cost was incurred to restore a reduction, or in anticipation of a reduction, in the capacity of the facility or pipeline, resulting from being delivered the gas;

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-
- (ii) the cost is a plant and equipment cost incurred as a result of, or in anticipation of, being delivered the gas;
 - (iii) the cost was incurred as a result of increases in operating and maintenance requirements resulting from being delivered the gas;
 - and
 - (d) the relevant cost is compensable and claimable under this Part to some extent.
- (2) The extent to which a relevant cost is compensable, at a point in time, is worked out under Division 3.
 - (3) The extent to which a relevant cost is claimable, at a point in time, is worked out under regulation 37.
 - (4) If a gas consumer, operator of a Part 4 pipeline or operator of a gas storage facility incurs a relevant cost in anticipation of being delivered gas that does not comply with the relevant gas quality specification for the consumer or operator, Division 3 applies to the cost as if it had been incurred after the delivery of the gas in relation to which the cost was incurred had commenced, unless the contrary intention appears.
 - (5) A cost that a gas consumer, operator of a Part 4 pipeline or operator of a gas storage facility incurs in anticipation of being delivered gas that does not comply with the relevant gas quality specification for the consumer or operator is not compensable to the extent to which it would otherwise become compensable and claimable under this Part more than 7 years after having been incurred.
 - (6) In working out what is a direct cost, the following apply —
 - (a) a cost is a payment by the consumer or operator to another person or entity for goods or services, and any financing costs associated with the payment;

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- (b) a cost is direct if it arises in dealing with the effect, or anticipated effect, of being delivered the gas;
 - (c) for the purposes of paragraph (b) — the effect being dealt with is a limitation or other detriment to the facility or pipeline of the consumer or operator that has occurred or, in the case of an anticipated effect, that would have occurred but for it being dealt with in advance.
- (7) The employment costs of an employer for an employee for a period are direct costs if —
 - (a) the employee is diverted, for the period, from his or her normal duties to deal with the effect of the employer being delivered gas that does not comply with the relevant gas quality specification; and
 - (b) the employer has a system in place that records the amount of time certain employees spend on particular tasks (for example, a system of cost-coding for employees); and
 - (c) the system was in place before the delivery of the gas commenced; and
 - (d) the employer can verify, using that system, that the employee's time was spent on dealing with the effects described in paragraph (a).
- (8) Subregulation (7) does not limit subregulation (6) except in relation to working out whether employment costs in relation to an employee are direct costs.
- (9) If the effects on the capacity, operations and maintenance of the facility or pipeline of being delivered the gas are dealt with, wholly or in part, by enriching the gas and the enriching fuel is not purchased on the open market, then, for the purposes of subregulation (6)(a) —
 - (a) the consumer or operator is to be taken to have purchased the enriching fuel from another person or entity, if that was not the case; and

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Division 2**r. 35**

- (b) the cost of the enriching fuel is its market value.

35. Entitlement to compensation — loss of capacity of gas storage facility

- (1) An operator of a gas storage facility is entitled to compensation under this Part if —
- (a) the operator is delivered gas that does not comply with the relevant gas quality specification for the operator, other than as a consequence of a short-term situation; and
 - (b) there is a loss of capacity of the facility resulting from the operator being delivered the gas; and
 - (c) the operator commences restoring, or partly restoring, the capacity of the facility.
- (2) The operator is entitled to compensation for the loss of capacity during a period during which —
- (a) the gas storage facility is being modified to restore, or partly restore, the loss of capacity; and
 - (b) the operator —
 - (i) fails to provide a storage service that it is obliged to provide as a result of the loss of capacity; or
 - (ii) could have sold the capacity being restored were it available;
 - and
 - (c) the operator minimises, to the extent prudent, the loss of capacity and the duration of the modifications.
- (3) The amount of compensation is the market value, during the period referred to in subregulation (2), of the capacity being restored.
- (4) The operator is not entitled to compensation for the loss of capacity described in subregulation (2) to the extent to which

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compensation for it has already been provided whether under this Part or under an agreement referred to in regulation 33.

36. Total amount of compensation

- (1) The amount of compensation to which a gas consumer, operator of a Part 4 pipeline or operator of a gas storage facility is entitled, at a point in time, is worked out by adding together all of the following amounts —
 - (a) for each relevant cost of the consumer or operator that is a fixed cost — the amount of the compensable and claimable proportion of the relevant cost as adjusted under regulation 38;
 - (b) for the ongoing costs of the consumer or operator incurred in each completed financial year — the total of the claimable ongoing costs for the year, worked out under subregulation (2);
 - (c) for a loss of capacity of a gas storage facility — the amount of compensation to which the operator of the facility is entitled at that time under regulation 35.
- (2) The *total of the claimable ongoing costs* for a financial year is worked out as follows —
 - (a) the amount of the compensable and claimable proportion of each relevant cost that is an ongoing cost incurred in the financial year is added to become the provisional total of the claimable ongoing costs for the financial year; then
 - (b) the provisional total of the claimable ongoing costs for the financial year is reduced by the value of any collateral advantage, determined under subregulation (3), that the consumer or operator derived from the gas in that year; then
 - (c) the amount derived from paragraph (b) is adjusted under regulation 39.

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- (3) If, in the financial year, the consumer or operator derived some ongoing (even if not continuous) advantage in relation to the facility or pipeline from the delivery of the gas, the value of the collateral advantage referred to in subregulation (2)(b) is the value of that advantage for the year.

37. The extent to which a relevant cost is claimable

- (1) A relevant cost, to the extent to which it is compensable, is claimable if —
- (a) in the case of a fixed cost — the cost has been incurred and the delivery of the gas in relation to which the cost was incurred has commenced; and
 - (b) in the case of an ongoing cost — the cost has been incurred, the delivery of the gas in relation to which the cost was incurred has commenced and the financial year in which the cost was incurred has ended.
- (2) A relevant cost, to the extent to which it is compensable, is not claimable to the extent to which compensation for it has already been provided whether under this Part or under an agreement referred to in regulation 33.
- (3) A relevant cost of a gas consumer is not claimable unless the consumer is entitled to the delivery of the gas under a downstream agreement that —
- (a) was in force immediately before 1 January 2009; and
 - (b) is not an extension (by renegotiation, or exercise of an option to extend, on or after 1 January 2009) of such an agreement.
- (4) A relevant cost of a gas consumer is not claimable if the cost was incurred in relation to gas that was, or is to be, delivered on or after 1 January 2029.

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38. Adjustment of the compensable and claimable proportion of a relevant cost — fixed costs

- (1) For the purposes of regulation 36(1)(a), the amount of the compensable and claimable proportion of the relevant cost is —
- (a) increased by 10%; then
 - (b) if the amount became claimable more than 12 months after the day on which the cost was incurred — increased to adjust for the time value of expended money under subregulation (2).

- (2) For the purposes of subregulation (1)(b), the amount is increased in accordance with the following formula —

$$RC_f = RC_i \left(1 + \frac{TV}{1200} \right)^n$$

where —

n is the number of whole months commencing more than 12 months after the day on which the cost was incurred and ending before the day on which the amount became claimable;

RC_f is the increased amount;

RC_i is the amount, after the application of subregulation (1)(a);

TV is the time value rate applicable on the day when the relevant cost was incurred.

- (3) If —
- (a) the amount, as adjusted under subregulation (1)(a) and (b) (when relevant), has been claimed; and
 - (b) full compensation for the amount has not been provided within 45 days after the day on which the amount was claimed,

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then, while the amount remains uncompensated to some extent, the uncompensated amount (as increased by any previous application of this subregulation) is increased, at the end of each month that commences after the 45 days, and after the 12 months after the day on which the cost was incurred, by the amount (*I*) worked out in accordance with the following formula —

$$I = UA \times \frac{TV}{1200}$$

where —

- I* is the amount by which the amount is increased;
- TV* is the time value rate applicable on the day when the relevant cost was incurred;
- UA* is the uncompensated amount (as increased by any previous application of this subregulation).

39. Adjustment of the total claimable ongoing costs

- (1) For the purposes of regulation 36(2)(c), the amount derived from regulation 36(2)(b) is —
 - (a) increased by 10%; then
 - (b) increased (when relevant) to adjust for the time value of expended money under subregulation (2).
- (2) If —
 - (a) the amount (as adjusted under subregulation (1)(a)) has been claimed; and
 - (b) full compensation for the amount has not been provided within 45 days after the day on which the amount was claimed,

then, while the amount remains uncompensated to some extent, the uncompensated amount (as increased by any previous application of this subregulation) is increased, at the end of each

Gas Supply (Gas Quality Specifications) Regulations 2010**Part 4** Compensation**Division 2** Entitlement and liability to compensation**r. 40**

month that commences after the 45 days, by the amount (*I*) worked out in accordance with the following formula —

$$I = UA \times \frac{TV}{1200}$$

where —

- I* is the amount by which the amount is increased;
- TV* is the time value rate applicable on the day when the amount was claimed;
- UA* is the uncompensated amount (as increased by any previous application of this subregulation).

40. Liability to compensation and extent of liability

- (1) A gas producer is liable to provide compensation to a gas consumer, operator of a Part 4 pipeline or operator of a gas storage facility who is entitled to compensation under this Part if the gas producer supplies gas —
 - (a) at least some of which flows into the facility or pipeline of the consumer or operator; and
 - (b) which does not comply with —
 - (i) in the case of an operator of a Part 4 pipeline — the reference specification for the pipeline; or
 - (ii) in the case of a gas consumer or an operator of a gas storage facility — the reference specification for a gas transmission pipeline through which the gas flowed before it was delivered to the consumer or operator.
- (2) A gas producer is not liable to provide compensation in relation to a supply of gas the quantity of which does not exceed 1500 TJ/year.

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- (3) A gas producer is not liable to provide compensation in relation to a supply of gas for any period during which —
- (a) the effects on the capacity, operations and maintenance of the first pipeline into which the gas flows are dealt with by way of a gas blending arrangement; and
 - (b) there is no reduction in the capacity of the pipeline attributable to the gas flowing into it.
- (4) In subregulation (3) —
- gas blending arrangement**, in relation to the supply of gas (the **OOS gas**), means an arrangement, to which the gas producer is a party, under which a gas producer agrees to supply, or to continue to supply, gas that offsets the effects of the supply of the OOS gas on the capacity, operations and maintenance of the pipeline.
- (5) The extent of the gas producer's liability to the consumer or operator, at a particular point in time, is worked out in accordance with the following formula —

$$EL = (C_f \times GPP_f) + (C_o \times GPP_o)$$

where —

- C_f is the amount of compensation to which the consumer or operator is entitled under regulation 36, at that point in time, that is made up of fixed costs;
- C_o is the amount of compensation to which the consumer or operator is entitled under regulation 36, at that point in time, that is made up of ongoing costs;
- EL is the extent of the gas producer's liability;
- GPP_f is the proportion of the producer's contribution to the OOS gas delivered to the consumer or operator worked out under subregulation (6) in relation to fixed costs;
- GPP_o is the proportion of the producer's contribution to the OOS gas delivered to the consumer or operator worked out under subregulation (7) in relation to ongoing costs.

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- (6) The proportion of the producer's contribution to the OOS gas delivered to the consumer or operator in relation to fixed costs is worked out in accordance with the following formula —

$$GPP_f = \frac{\sum_{i=1}^n PIAQ_i \times (RHHV - PIAHHV_i)}{\sum_{j=1}^m PIAQ_j \times (RHHV - PIAHHV_j)}$$

where —

- RHHV is the lowest HHV permitted by the relevant gas quality specification for the consumer or operator;
- m is the number of pipeline impact agreements in respect of a supply of gas some of which flows into the facility or pipeline of the consumer or operator;
- n is the number of pipeline impact agreements, to which the producer is a party, in respect of a supply of gas some of which flows into the facility or pipeline of the consumer or operator;
- PIAQ_i is the maximum quantity (in TJ/gas day) at which gas may be supplied under the ith pipeline impact agreement to which the producer is a party;
- PIAQ_j is the maximum quantity (in TJ/gas day) at which gas may be supplied under the jth pipeline impact agreement;
- PIAHHV_i is the lowest HHV permitted by the gas quality specification in the ith pipeline impact agreement to which the producer is a party;
- PIAHHV_j is the lowest HHV permitted by the gas quality specification in the jth pipeline impact agreement.

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- (7) The proportion of the producer's contribution to the OOS gas delivered to the consumer or operator in relation to ongoing costs incurred in a financial year is worked out in accordance with the following formula —

$$GPP_o = \frac{\sum_{i=1}^n PIAQ_i \times (RHHV - PIAHHV_i)}{\sum_{j=1}^m PIAQ_j \times (RHHV - PIAHHV_j)}$$

where —

- RHHV is the lowest HHV permitted by the relevant gas quality specification for the consumer or operator;
- m is the number of pipeline impact agreements in respect of a supply of gas some of which flows into the facility or pipeline of the consumer or operator;
- n is the number of pipeline impact agreements, to which the producer is a party, in respect of a supply of gas some of which flows into the facility or pipeline of the consumer or operator;
- PIAQ_i is the quantity of gas supplied in the financial year under the ith pipeline impact agreement to which the producer is a party;
- PIAQ_j is the quantity of gas supplied in the financial year under the jth pipeline impact agreement;
- PIAHHV_i is the average HHV at which gas was supplied in the financial year under the ith pipeline impact agreement to which the producer is a party;
- PIAHHV_j is the average HHV at which gas was supplied in the financial year under the jth pipeline impact agreement.

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- (8) If an arbitrator decides that subregulations (5) to (7) do not adequately take into account the particular circumstances, the arbitrator is not bound by the provisions, but may use them as a guide, modified as necessary, to achieve a result that —
- (a) is fair and equitable to all the parties to the arbitration; and
 - (b) to the extent practicable, shares the liability to pay compensation amongst the liable gas producers in proportion to each producer's contribution to the OOS gas delivered to the consumer or operator.

41. Recovery of compensation

- (1) If an amount of compensation to which a person is entitled under this Part has been determined by arbitration of a dispute, the person may recover the amount from the liable gas producer or producers as a debt in a court of competent jurisdiction.
- (2) If subregulation (1) does not apply, a person who is entitled to compensation under this Part may seek an order for the recovery of the compensation from the liable gas producer or producers in a court of competent jurisdiction.
- (3) A court may issue an order for the purposes of subregulation (2) if satisfied that the person is entitled to the compensation and the gas producer is or the gas producers are liable to provide the compensation.

Division 3 — Extent to which relevant costs compensable**42. Extent to which relevant costs are compensable**

- (1) A relevant cost incurred to restore a reduction in the capacity of a facility or pipeline resulting from the consumer or operator being delivered the gas is compensable —
- (a) to the extent to which the cost is necessary to restore the reduction in the capacity attributable to the gas not complying with the relevant gas quality specification for

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-
- the consumer or operator, as worked out under regulation 43; and
- (b) to the extent to which a prudent consumer or operator would have incurred —
- (i) the cost, as worked out under regulation 44(2); or
 - (ii) to the extent to which it is preferable that increased operating and maintenance costs have been incurred instead — operating and maintenance costs, as worked out under regulation 44(1);
- and
- (c) when and to the extent to which the capacity is needed, as worked out under regulation 45.
- (2) A relevant cost that is a plant and equipment cost that is not covered by subregulation (1) is compensable —
- (a) to the extent to which the cost is attributable to the gas not complying with the relevant gas quality specification for the consumer or operator, as worked out under regulation 43; and
 - (b) to the extent to which a prudent consumer or operator would have incurred —
 - (i) the cost, as worked out under regulation 44(2); or
 - (ii) to the extent to which it is preferable that increased operating and maintenance costs have been incurred instead — operating and maintenance costs, as worked out under regulation 44(1).

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- (3) A relevant cost incurred because of an increase in operating and maintenance requirements is compensable to the extent to which the increase is attributable to the gas not complying with the relevant gas quality specification for the consumer or operator, that is, the extent to which the increase is attributable to the difference between —
- (a) what the operating and maintenance requirements of the facility or pipeline would be, on the basis of the gas being delivered at the relevant gas quality specification for the consumer or operator, to the extent to which those requirements are what a prudent consumer or operator would require; and
 - (b) what the operating and maintenance requirements of the facility or pipeline would be, on the basis of the averaged quality and quantity of the gas actually being delivered, to the extent to which those requirements are what a prudent consumer or operator would require.

43. Costs to restore capacity, or plant and equipment costs — compensable to the extent attributable to the gas not complying with the relevant gas quality specification

- (1) For the purposes of regulation 42(1)(a), the reduction in capacity that is attributable to the gas not complying with the relevant gas quality specification for the consumer or operator is the reduction in capacity from what the capacity of the facility or pipeline would be on the basis of —
- (a) all gas being supplied by gas producers at the relevant gas quality specification for the consumer or operator; and
 - (b) the facility or pipeline as it was immediately before 1 January 2009; and
 - (c) the averaged conditions,

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to what the capacity of the facility or pipeline would be on the basis of —

- (d) the averaged quality and quantity of the gas actually being delivered; and
 - (e) the facility or pipeline as it was immediately before 1 January 2009; and
 - (f) the averaged conditions.
- (2) For the purposes of regulation 42(2)(a), only that part or proportion of a plant and equipment cost that it is necessary for the consumer or operator to incur —
- (a) to receive gas that does not comply with the relevant gas quality specification for the consumer or operator; and
 - (b) to continue the consumer's operations, or to provide pipeline or gas storage facility services, as carried on or provided immediately before 1 January 2009,

is attributable to the gas not complying with the relevant gas quality specification for the consumer or operator.

44. Costs to restore capacity, or plant and equipment costs — compensable to the extent prudent

- (1) To the extent to which it is preferable that the reduction in capacity or the effect produced by rectifying or replacing the plant and equipment have been accommodated or brought about by incurring increased operating and maintenance costs — the extent to which a prudent consumer or operator would have incurred operating and maintenance costs is, for the purposes of regulation 42(1)(b), the extent to which a prudent consumer or operator would have incurred increased operating and maintenance costs to accommodate the reduction in capacity or bring about the effect produced by rectifying or replacing the plant and equipment.

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- (2) To the extent to which it is not preferable that the reduction in capacity or the effect produced by rectifying or replacing the plant and equipment have been accommodated or brought about by incurring increased operating and maintenance costs — the extent to which a prudent consumer or operator would have incurred the cost (referred to in regulation 42(2)) is, for the purposes of regulation 42(1)(b), the extent to which a prudent consumer or operator would have incurred the cost.
- (3) For the purposes of this regulation, it is preferable that a reduction in capacity or an effect produced by rectifying or replacing plant and equipment be accommodated or brought about by incurring increased operating and maintenance costs if —
- (a) a prudent consumer or operator would have done so; and
 - (b) to do so does not exceed normal, safe operation of the facility or pipeline of the consumer or operator.
- (4) Without limiting subregulation (2), it is prudent for a consumer or operator, in restoring a reduction in capacity of a facility or pipeline, to incur costs to increase the capacity of the facility or pipeline beyond what was needed if —
- (a) for reasons not inherently within the control of the consumer or operator, the increase could not be limited to what was needed; and
 - (b) the increase was reasonable and prudent.

Example: An increase in compression of 2 units is necessary to restore a loss in capacity. However, compression can only be increased in increments of 5 units, for engineering reasons or because of the nature of the compressors reasonably available in the market. The compensable amount of the relevant cost is limited (for the purposes of regulation 42(1)(b)) to the amount that a prudent gas consumer would incur to increase compression by 5 units.

- (5) In a case where the relevant cost was incurred to increase the capacity of a facility or pipeline in anticipation of a reduction in the capacity of the facility or pipeline that would have resulted from being delivered the gas, an assessment as to what is

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preferable or what a prudent consumer or operator would have done is to be made on the basis of the circumstances at the time that decision to incur the costs was made.

45. Costs to restore capacity — compensable when, and to the extent to which, capacity needed

- (1) For the purposes of regulation 42(1)(c), an amount of capacity is needed when —
 - (a) the consumer or operator fails to provide goods or supply a service that it is obliged to provide or supply as a result of the reduction in capacity; or
 - (b) the consumer or operator is prevented from selling or supplying goods or a service that it would ordinarily be able to sell or supply as a result of the reduction in capacity; or
 - (c) in a case where the relevant cost was incurred to increase the capacity of a facility or pipeline in anticipation of a reduction in the capacity of the facility or pipeline that would have resulted from being delivered the gas — the consumer or operator would have failed, as a result of the reduction in capacity, to provide goods or supply a service that it ordinarily provides or supplies, had the consumer or operator not increased the capacity of the facility or pipeline.
- (2) A relevant cost incurred to restore a reduction in the capacity of a facility or pipeline is not compensable to the extent to which the capacity of the facility or pipeline is increased beyond what it was immediately before 1 January 2009 unless incurring the cost to increase the capacity beyond what was needed is prudent as described in regulation 44(4).

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46. Averaged quality, quantity and conditions

- (1) For the purposes of regulations 42(3) and 43(1), the averaged quality and quantity of gas and the averaged conditions are to be —
 - (a) worked out using the method and time period agreed to by the parties to the compensation arrangement; or
 - (b) determined by the arbitrator of a dispute covering those matters,
as necessary.
- (2) The parties to a compensation arrangement are the person entitled to the compensation and the, or each, gas producer liable to provide the compensation.

47. Relevant gas quality specification for operator of the Mondarra Gas Storage Facility

For the purposes of section 18(3) of the Act, the relevant gas quality specification for the operator of the Mondarra Gas Storage Facility is the reference specification for the DBNGP set out in Schedule 2 clause 1.

48. Operating and maintenance costs — method

For the purposes of this Part, in working out costs incurred because of increased operating and maintenance requirements, the following apply —

- (a) for a Part 4 pipeline — changes in the amount of system use gas required as a result of the gas flowing into the pipeline are to be determined in TJ/gas day;
- (b) other changes to the operating and maintenance requirements of the consumer or operator are to be determined on an annual basis, in dollars per annum.

Gas Supply (Gas Quality Specifications) Regulations 2010
Dispute resolution **Part 5**

r. 49

Part 5 — Dispute resolution

49. Arbitration under the *Commercial Arbitration Act 1985*

- (1) The following disputes are to be dealt with by arbitration under the *Commercial Arbitration Act 1985* —
 - (a) a dispute between a gas producer and an operator of a PIA pipeline relating to a pipeline impact agreement or a proposed pipeline impact agreement, including disputes referred to in Part 2 Division 4;
 - (b) a dispute arising out of the compensation scheme in Part 4.
- (2) To the extent to which a dispute is an access dispute under a Gas Access Law, subregulation (1) does not prevent the dispute from being dealt with as an access dispute under the Gas Access Law.
- (3) A reference in these regulations to an arbitrator includes, in a case where there are 2 or more arbitrators, a reference to the arbitrators.

Gas Supply (Gas Quality Specifications) Regulations 2010**Schedule 1** Standard gas quality specifications for gas transmission pipelines**cl. 1****Schedule 1 — Standard gas quality specifications for gas transmission pipelines**

[r. 28]

1. Western Australian standard specification

- (1) The standard gas quality specification for each gas transmission pipeline is, subject to this clause, set out in the Table.

Table

Item	Component	Amount or range
1.	Maximum total inert gasses	7.0 mol%
2.	Maximum carbon dioxide	4.0 mol%
3.	Minimum higher heating value	35.1 MJ/m ³
4.	Maximum higher heating value	42.0 MJ/m ³
5.	Minimum Wobbe Index	46.0
6.	Maximum Wobbe Index	52.0
7.	Maximum total sulphur unodorised gas odorised gas	10 mg/m ³ 20 mg/m ³
8.	Maximum hydrogen sulphide	2.0 mg/m ³
9.	Maximum oxygen	0.2 mol%
10.	Maximum water	48.0 mg/m ³
11.	Hydrocarbon dewpoint over the pressure range 2.50 to 8.72 MPa (absolute)	below 0°C

- (2) Each amount or range assumes metric standard conditions.

Gas Supply (Gas Quality Specifications) Regulations 2010
 Standard gas quality specifications for gas transmission pipelines **Schedule 1**

cl. 2

- (3) The gas must also be free, by normal commercial standards, from dust and other solid or liquid matter, waxes, gums and gum forming constituents, aromatic hydrocarbons, radioactive components and levels of mercury, that might cause injury to or interfere with the proper operation of equipment through which it flows.
- (4) This clause does not apply in relation to a pipeline while the Parmelia Pipeline standard specification in clause 2 does.

2. Parmelia Pipeline standard specification

- (1) In this clause —
lateral pipeline connected to the Parmelia Pipeline means a gas transmission pipeline —
- (a) connected to the Parmelia Pipeline, other than one that is also connected to the DBNGP; and
 - (b) first issued a licence before 1 January 2010.
- (2) The standard gas quality specification for the Parmelia Pipeline and a lateral pipeline connected to the Parmelia Pipeline is, subject to this clause, set out in the Table.

Table

Item	Component	Amount or range
1.	Maximum total inert gasses	7.0 mol%
2.	Maximum carbon dioxide	4.0 mol%
3.	Minimum higher heating value	35.1 MJ/m ³
4.	Maximum higher heating value	42.0 MJ/m ³
5.	Minimum Wobbe Index	46.0
6.	Maximum Wobbe Index	52.0
7.	Maximum total sulphur unodorised gas	10 mg/m ³
8.	Maximum hydrogen sulphide	4.6 mg/m ³

Gas Supply (Gas Quality Specifications) Regulations 2010**Schedule 1** Standard gas quality specifications for gas transmission pipelines**cl. 2**

Item	Component	Amount or range
9.	Maximum oxygen	0.2 mol%
10.	Maximum water	100.0 mg/m ³
11.	Hydrocarbon dewpoint over the pressure range 1.50 to 7.50 MPa (absolute)	below 10°C

- (3) Each amount or range assumes metric standard conditions.
- (4) The gas must also be free, by normal commercial standards, from dust and other solid or liquid matter, waxes, gums and gum forming constituents, aromatic hydrocarbons, radioactive components and levels of mercury, that might cause injury to or interfere with the proper operation of equipment through which it flows.
- (5) The Parmelia Pipeline standard specification is the standard gas quality specification for the Parmelia Pipeline and a lateral pipeline connected to the Parmelia Pipeline while —
- (a) gas that does not comply with the maximum water component of the Western Australian standard specification (set out in clause 1) flows into the Parmelia Pipeline; and
 - (b) the gas is supplied by a gas producer whose production licence (as referred to in the definition of *gas producer* in section 3(1) of the Act) was granted before 1 January 2009.

Gas Supply (Gas Quality Specifications) Regulations 2010**Schedule 2** Reference specifications**cl. 2**

- (3) The gas must also be free, by normal commercial standards, from dust and other solid or liquid matter, waxes, gums and gum forming constituents, aromatic hydrocarbons, radioactive components and levels of mercury, that might cause injury to or interfere with the proper operation of equipment through which it flows.

2. Reference gas quality specification — the Parmelia Pipeline

- (1) The reference specification for the Parmelia Pipeline is, subject to this clause, set out in the Table.

Table

Item	Component	Amount or range
1.	Maximum total inert gasses	7.0 mol%
2.	Maximum carbon dioxide	4.0 mol%
3.	Minimum higher heating value	37.0 MJ/m ³
4.	Maximum higher heating value	42.3 MJ/m ³
5.	Minimum Wobbe Index	46.5
6.	Maximum Wobbe Index	51
7.	Maximum total sulphur unodorised gas	10 mg/m ³
8.	Maximum hydrogen sulphide	4.6 mg/m ³
9.	Maximum oxygen	0.2 mol%
10.	Maximum water	100 mg/m ³
11.	Hydrocarbon dewpoint over the pressure range 1.50 to 7.50 MPa (absolute)	below 10°C

- (2) Each amount or range assumes metric standard conditions.

Gas Supply (Gas Quality Specifications) Regulations 2010
Reference specifications **Schedule 2**

cl. 3

- (3) The gas must also be free, by normal commercial standards, from dust and other solid or liquid matter, waxes, gums and gum forming constituents, aromatic hydrocarbons, radioactive components and levels of mercury, that might cause injury to or interfere with the proper operation of equipment through which it flows.

3. Reference gas quality specification — certain lateral pipelines

- (1) In this clause —

lateral pipeline means a gas transmission pipeline —

- (a) connected to the DBNGP (downstream of the Macedon inlet point) or the Parmelia Pipeline; and
- (b) the first licence for which was issued before 1 January 2010; and
- (c) that does not have a reference specification under clause 1 or 2.

- (2) The reference specification for —

- (a) a lateral pipeline connected to the DBNGP is the reference specification for the DBNGP; and
- (b) a lateral pipeline connected to the Parmelia Pipeline, other than one that is also connected to the DBNGP, is the reference specification for the Parmelia Pipeline.

4. Reference gas quality specification — new pipelines and extensions

- (1) The reference specification for —

- (a) a new pipeline (that is, a gas transmission pipeline the first licence for which was issued on or after 1 January 2010); and
- (b) an extension of an existing gas transmission pipeline as at 31 December 2009 (other than of the Parmelia Pipeline),

is the Western Australian standard specification.

- (2) The reference specification for an extension of the Parmelia Pipeline as at 31 December 2009 is the Parmelia Pipeline standard specification.

Gas Supply (Gas Quality Specifications) Regulations 2010
Schedule 3 Relevant sections of PIA pipelines

cl. 1

Schedule 3 — Relevant sections of PIA pipelines

[r. 17]

1. Relevant sections of the DBNGP

The relevant sections of the DBNGP are as follows —

- (a) from the DOMGAS Dampier plant inlet point (I1-01) to the Macedon inlet point;
- (b) from the Macedon inlet point to Kwinana Junction (BP-KW);
- (c) from Kwinana Junction (BP-KW) to Clifton Road, Bunbury (OS6-01).

2. Relevant sections of other PIA pipelines

A PIA pipeline not covered by clause 1 has one relevant section, the whole length of the pipeline.

By Command of the Governor,

R. KENNEDY, Clerk of the Executive Council.