

# In the Pipeline

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Australian  
Pipeline Trust

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[www.pipelinetrust.com.au](http://www.pipelinetrust.com.au)



**Dear Unitholder,**

Welcome. This is my first opportunity to address you as the new Chief Executive Officer of Australian Pipeline Trust (APA), having now stepped into Jim McDonald's shoes. I don't mind telling you that they are very big shoes to fill. I relish the opportunity to build on APA's success.



Jim's leadership, mentoring and contribution to the success of Australian Pipeline Trust from its public float in June 2000, has been tangible and significant. Together with my staff, I wish Jim well in his future endeavours, and sincerely thank him for his leadership over many years.

This edition of "In the Pipeline" will update you on the status of our current projects, operations, ongoing regulatory issues and personnel changes.

## **OPERATIONAL REVIEW**

### **Braemar Power Project**

In April, APA agreed to a 10-year gas transportation deal to the new Braemar power station in Queensland. Starting in 2006, APA will supply six petajoules of gas per annum via its wholly owned Roma to Brisbane Pipeline. The development of this project emphasises the importance of gas-fired power generation as part of the electricity generation mix for eastern Australia.

The agreement offers a firm service with a fixed revenue component, which provides APA with certainty for the 10-year period. There is also an interruptible service with a variable revenue component.

## **Austral Bricks**

In May, APA signed a four-year contract with Western Power to transport gas for supply to Austral Bricks in Western Australia. The contract is estimated to deliver between \$2 million and \$5 million of revenue over the four-year period.

APA will transport gas via its wholly owned Parmelia Gas Pipeline to Austral Bricks – Australia's largest brick manufacturer.

## **Trans Territory Pipeline Project**

In March 2005, a consortium of Australian Pipeline Trust and ANZ Infrastructure Services was named as the preferred bidder to build, own and operate the 940 km Trans Territory Pipeline, subject to final project approval by the Alcan board. The pipeline will extend from Wadeye to Gove in the Northern Territory and will supply gas to Alcan's bauxite and alumina refinery at Gove.

The AMEC SPIE Capag – Lucas joint venture is the consortium construction partner, with major experience in building pipelines in difficult environments, most recently the Seagas pipeline in southern Australia.

Financial close was scheduled for June 2005 but has been extended to July.

Construction is scheduled to commence in 2006 and delivery of gas to Alcan is scheduled for late 2007.

## **STRESS CORROSION CRACKING UPDATE**

### **Moomba to Sydney Pipeline (MSP)**

Since our last newsletter, further analysis work has been undertaken to determine the extent of stress corrosion cracking (SCC) on sections of the MSP. The analysis work, which included running an "intelligent pig" through the gas stream in the pipeline and recording irregularities in the steel

wall of the pipe, has now been completed and preliminary data obtained.

On the basis of the preliminary data, six sites were identified where defects required immediate action. Work was successfully carried out in May 2005 on the six sites. The work undertaken will allow MSP to continue to operate at sufficient pressure to meet expected load requirements for winter 2005. Final reports on the impact of SCC are expected in early July, which will enable APA to develop a long-term SCC management plan.

## REGULATORY REVIEW

### **Moomba to Sydney Pipeline**

The ACCC has appealed to the Federal Court on the Australian Competition Tribunal Merits Review of the Moomba to Sydney Pipeline Access Arrangement.

As outlined in the last "In the Pipeline", the Australian Competition Tribunal (Tribunal) in 2004 held that an ACCC decision relating to the Moomba to Sydney Pipeline Access Arrangement and Initial Capital Base was unreasonable. The Tribunal held further hearings on this matter and determined that our methodology for determining Initial Capital Base was appropriate

The ACCC has lodged an appeal with the Federal Court. A hearing date has now been set for August 2005. APA does not have any reason to doubt that the Federal Court will uphold the decision of the Tribunal.

## **Goldfields Gas Transmission Pipeline**

In May, Western Australia's Economic Regulation Authority (ERA) released its decision on the Goldfields Gas Transmission Pipeline (GGT) access arrangement. APA owns 88.12% of the pipeline.

APA is of the view that ERA has made several incorrect assumptions in its analysis, and that we will be able to demonstrate that the GGT should be permitted to recover higher revenues than those indicated in the decision.

APA will have responded to the decision by mid June and will then assess what action is necessary following ERA's response.

## **Energy Infrastructure Policy Developments**

The Productivity Commission's Report on the National Gas Access Regime was released in 2004. APA has been working through, the Australian Pipeline Industry Association (APIA) to have the recommendations of the Report implemented.

Within the industry, concern has been building about the delay in the implementation of the recommendations. Relevant legislation is not expected until 2006.

Also in May 2005, the Report to the Prime Minister by the Exports and Infrastructure Taskforce was released. This Report was consistent with the direction of the Productivity Commission report and reinforced the need for a greater reliance on "light-handed" regulation in those instances where regulation is needed.

APA and the industry will be working to ensure the recommendations of both Reports are implemented. Implementation will allow pipeline industry participants to make long-term commitments to future infrastructure investment.

## DISTRIBUTION REINVESTMENT PLAN (DRP) –SUSPENDED FROM DECEMBER 2004

A number of unitholders have contacted APA to enquire as to why the DRP has been suspended.

The Board has previously expressed its intention to raise funds through the DRP, where doing so meets the medium to long-term strategic direction of the business. The Board has determined that it is not in the best interests of all unitholders to reactivate the DRP at this time. The Board will review whether to reactivate the DRP at each subsequent meeting at which the quarterly distribution is considered.

## BOARD CHANGES

Since the last "In the Pipeline", director, John Fletcher has retired and been replaced by Jane McAloon. John Fletcher was a foundation director and we thank him for his contribution over the past five years.

Jane McAloon is appointed by The Australian Gas Light Company in accordance with the Australian Pipeline Limited constitution.

Biographical details are available on the APA website – [www.pipelinetrust.com.au](http://www.pipelinetrust.com.au).

## MANAGEMENT CHANGES

Stephen Ohl has been appointed as General Manager Operations to fill the vacancy created by my promotion to Chief Executive Officer. Stephen has more than 30 years experience in the petrochemical, oil and gas pipeline industries, of which 15 years were spent managing and operating APA assets when owned by AGL.

I have much faith in Stephen and believe he will add significant depth to APA's management team.

Stephen will be responsible for the business performance of all APA assets, including the operation, contract management, commercial development and technical regulation of all existing pipelines and related assets. Stephen has tertiary qualifications in engineering and management. A detailed biography is available on the APA website.



## YEAR END TIMETABLE

- Annual distribution statement – will be with your distribution advice posted to you on 28 June 2005
- Results for 30 June 2005 will be released to the market on 30 August 2005. We are intending to provide a webcast. Details will be available on our website – [www.pipelinetrust.com.au](http://www.pipelinetrust.com.au) from the week before 30 August.
- Annual report for 30 June 2005 will be delivered if previously requested on 26 September 2005, together with notice of meeting for the annual meeting.
- Fourth and final distribution for 30 June 2005 will be paid on 29 September 2005
- Annual Meeting is scheduled to be held on 21 October 2005 at the Hotel Inter-Continental, Sydney. Full details will be provided in the Annual Report and on our website closer to the date.

A handwritten signature in dark ink, appearing to read 'MJCC'.

M J McCormack

**Chief Executive Officer**

Questions or feedback please email to:

**[feedback@pipelinetrust.com.au](mailto:feedback@pipelinetrust.com.au)**

**Australian Pipeline Limited**

ACN 091 344 704

PO Box 934 Mascot NSW 2020

Phone: 61 2 9693 0000

Fax: 61 2 8339 0005