

DATED 10<sup>TH</sup> MAY 2004

**MEMORANDUM OF UNDERSTANDING**

**between**

**THE SOUTH AUSTRALIAN MINISTER  
FOR ENERGY**

**and**

**ORIGIN ENERGY RETAIL LIMITED  
(ABN 22 078 868 425)**

**THIS MEMORANDUM** is dated 10<sup>th</sup> May 2004.

**BETWEEN:**

**THE MINISTER FOR ENERGY**, a body corporate established under the *Administrative Arrangements Act, 1994*, for and on behalf of the Crown in right of the State of South Australia ("**the Minister**");

**AND**

**ORIGIN ENERGY RETAIL LIMITED (ABN 22 078 868 425)**, of Level 6 1 King William Street Adelaide South Australia ("**Origin Energy**").

**RECITALS:**

- A. It is intended that the gas market in South Australia be fully competitive by July 2004 ("**Gas FRC**").
- B. To enable Gas FRC to occur, all market entrants must be able to access the metropolitan and regional gas distribution infrastructure to deliver gas to end users.
- C. Currently, gas transported through the Moomba to Adelaide pipeline is transferred into the metropolitan and regional distribution systems via twenty-five gate stations and associated laterals.
- D. It is understood that access to the gate stations and associated laterals listed in Schedule 1, is the subject of contractual arrangements between EPIC Energy South Australia Pty Limited (ABN 54 068 599 815) ("**EPIC Energy**") and Origin Energy.
- E. It is also understood that the haulage capacity on the Katnook transmission pipeline, and all infrastructure required to transport gas from the transmission pipeline to the distribution system in the South East of South Australia ("**associated infrastructure**"), is subject to contractual arrangements between EPIC Energy and Origin Energy.
- F. The gate stations and laterals listed in Schedule 1, the Katnook transmission pipeline and associated infrastructure (referred to in Recital E) that are the subject of contractual arrangements with Origin Energy, will hereinafter be referred to as the "fully contracted infrastructure".



- G. It is further understood that Origin Energy has entered into contractual arrangements with the Katnook Producers [Omega Oil NL, SAGASCO Southeast Inc and Origin Energy Resources] for the purchase of gas in the South East of South Australia.
- H. In order to facilitate Gas FRC, all market entrants will have to negotiate with Origin Energy for access to the fully contracted infrastructure and may have to negotiate for the provision of gas from the Katnook gas basin.
- I. This MoU establishes the guiding principles and a process framework for negotiations between Origin Energy and all market entrants relating to those matters referred to in Recital H of this MoU.

1. **INTENTION TO CREATE LEGAL RELATIONS:**

The parties acknowledge that this MoU is not intended to create legal relations.

2. **GUIDING PRINCIPLES:**

The guiding principles for negotiations between Origin Energy and all market entrants in relation to those matters referred to in Recital H of this MoU, are as follows:

- 2.1 To encourage and promote a competitive market for natural gas;
- 2.2 That there be no unreasonable barriers to entry to the retail natural gas market;
- 2.3 That negotiations shall proceed on non-discriminatory terms and conditions;
- 2.4 The terms for access to the fully contracted infrastructure and for the provision of gas from the Katnook gas basin shall be fair, commercial and negotiated in good faith;
- 2.5 That all regional and metropolitan fully contracted infrastructure is available for access by all market entrants;
- 2.6 The preservation of Origin Energy's existing contractual rights and obligations over the fully contracted infrastructure or for provision of gas from the Katnook basin, but agreement that any unused capacity will be made available for all new market entrants;
- 2.7 The preservation of the rights of third parties who successfully negotiate access rights with Origin Energy over the fully contracted infrastructure or for the provision of gas from the Katnook basin;



- 2.8 That whilst this MoU provides for a process framework for negotiations between Origin Energy and all market entrants, market entrants may with agreement of Origin Energy adopt any preferred procedure; and
- 2.9 That Origin Energy will submit to the independent dispute resolution arrangements to be undertaken by the Essential Services Commission of South Australia (“ESCOSA”) in accordance with this MoU.

3. **TIMING:**

This MoU will commence on 31 March 2004.

4. **CONTACT PERSON:**

- 4.1 There will be a person nominated by Origin Energy to be contacted in relation to any matters arising from this MoU.
- 4.2 The contact details for the person will be posted on the Origin Energy website, (and updated if the contact person or the contact details are changed).

5. **PRICING:**

- 5.1 Pricing principles must include:
- 5.1.1 No unreasonable barriers to access to the fully contracted infrastructure or the provision of gas from the Katnook gas basin;
  - 5.1.2 Non-discriminatory terms and conditions;
  - 5.1.3 Fair, commercial terms; and
  - 5.1.4 Prices can vary across gate stations and laterals.
- 5.2 A standard schedule of prices will be developed by Origin Energy.
- 5.3 The pricing principles do not prevent Origin Energy from entering into a contract on terms that do not reflect the pricing principles.



6. **INFORMATION REQUIREMENTS:**

- 6.1 When Origin Energy receives a request to use the fully contracted infrastructure or for the provision of gas from the Katnook gas basin, the following information must be forwarded to the applicant, within 5 business days of the day of receipt of the request:
- 6.1.1 A standard application form for access to the fully contracted infrastructure and for the provision of gas from the Katnook gas basin;
  - 6.1.2 General terms and conditions for access to the fully contracted infrastructure or provision of gas from the Katnook gas basin;
  - 6.1.3 Pricing principles;
  - 6.1.4 A current price schedule for access to the fully contracted infrastructure and/or the provision of gas from the Katnook gas basin.
  - 6.1.5 The current availability of capacity in the fully contracted infrastructure for access by third parties; and
  - 6.1.6 The dispute resolution procedures.
- 6.2 Origin Energy must post on its website this MoU and the application process arising from the implementation of this MoU.

7. **PROCESS FOR ACCESS TO THE FULLY CONTRACTED INFRASTRUCTURE AND THE PROVISION OF GAS FROM THE KATNOOK GAS BASIN:**

- 7.1 When Origin Energy receives a completed application form arising from this MoU, a decision in relation to access to the fully contracted infrastructure or provision of gas from the Katnook gas basin must be made within 60 business days of receipt of the completed application form.
- 7.2 Origin Energy agrees to use its best endeavours to respond to an application pursuant to clause 6 of this MoU in the time specified in clause 7.1 of this MoU.



7.3 Origin Energy must notify EPIC Energy at least 10 business days before an agreement by Origin Energy to grant access to the fully contracted infrastructure or to provide gas from the Katnook gas basin arising from an application to enable Epic Energy to establish appropriate billing arrangements.

8. **PROCESS DISPUTES:**

8.1 If Origin Energy does not comply with any of the requirements in this MoU then that failure to comply will be deemed to be a dispute.

8.2 Once a dispute has arisen, a request may be made by the party to the application this MoU, to ESCOSA to act as a mediator in the dispute.

8.2.1 Mediation must begin no later than 20 business days after a request to mediate is received by ESCOSA; and

8.2.2 Mediation must be completed within 30 business days from commencement or extended for such period as ESCOSA considers reasonable but must be completed within 60 business days from commencement.

8.3 An interested party may seek to make submissions to ESCOSA in relation to mediation of a dispute.

8.4 An interested party is a party whose rights under an existing contract may be adversely affected by the granting of a request in an application.

9. **COSTS OF MEDIATION:**

The costs of mediation are to be agreed between the parties to the mediation and ESCOSA in accordance with the *Gas Regulations, 1997*.

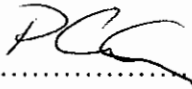
10. **VARIATION:**

10.1 This MoU may be modified at any time after its commencement.

10.2 Any modification of this MoU must be in writing and signed by each party.

**SIGNED** by )

**THE MINISTER FOR ENERGY** )



for and on behalf of the Crown in right )  
of the State of South Australia )

Hon Patrick Conlon MP

in the presence of: )



Witness

Name: DONALD FRATER

**SIGNED** by )

**ORIGIN ENERGY RETAIL LIMITED)**

**ABN 22 078 868 425** )

by two of its Directors or by one of its )

Directors and the Company Secretary )

Signed: 

Signed: 

Name: WILLIAM HUNDY

Name: A R WOOD

Position: SECRETARY

Position: DIRECTOR

**SCHEDULE 1**

**Moomba to Adelaide pipeline (MAP)**

<b>Origin Energy Laterals</b>	<b>Origin Energy Gate Stations</b>	
Angaston Lateral	Angaston ABC	Peterborough
Burra Lateral	Angaston Riverland	Pt Bonython
Nuriootpa Lateral	Angaston Township	Pt Pirie
Peterborough Lateral	Burra	Sheoak Log
Port Bonython Lateral	Elizabeth*	Taperoo*
Port Pirie Lateral	Freeling	Virginia
Taperoo Lateral	Gepps Cross*	Wasleys Farms
Whyalla Lateral	HiTech Hydroponics	Whyalla BHP
	Nuriootpa	Whyalla BHP Cogen
	Pacific Salt	Whyalla Township
	Penfield Roses	

\* Metropolitan Gate Stations

**Origin Energy Compressor Stations**

Whyte Yarcowie