

BALLANCE AGRI-NUTRIENTS (KAPUNI) LIMITED

2 July 2004

Paul Melville
Investigator
Network Performance Group
Business Competition Branch
Commerce Commission
PO Box 2351
WELLINGTON

Dear Paul,

RE: SUBMISSION TO THE COMMERCE COMMISSION – GAS CONTROL ENQUIRY

This submission is made by Ballance(Kapuni) Limited (Ballance), a New Zealand owned and operated company engaged in production of urea from New Zealand's only ammonia urea plant, which is based at Kapuni, Taranaki. Ballance is a subsidiary of Ballance Agri-Nutrients Co-Operative Limited, New Zealand's leading fertiliser marketing and manufacturing company.

Ballance has a direct interest in the outcome of this inquiry as a significant direct acquirer of both High CO₂ gas and gas pipeline services.

In its draft report (page 232) the Commission did not reach a final conclusion as to whether the proposed change in use of the LTS pipeline was a sufficient reason to exclude the pipeline from the inquiry. NGC had earlier submitted that it had never considered the LTS line a Transmission line, that the LTS line had been constructed to transport High CO₂ gas between Kapuni and Waitara Valley, and that the LTS line should not be considered a Transmission line because the LTS line would in future be utilised to transport untreated gas from fields including Surrey and Kahili.

Ballance disagrees with NGC's submission on the exclusion of the LTS line in the inquiry.

The purpose of this submission is to point out that:

- (a) Ballance is a customer of NGC using LTS gas. Prior to decommissioning the line to Methanex, Ballance used the same gas from the pipeline to blend in with Specification gas to achieve the correct carbon balance in the gas. This balance is currently being achieved with raw LTS from the Kapuni Field blending into Specification Gas.
- (b) Ballance currently has no contract for gas beyond 31 May 2005.
- (c) Ballance has some flexibility to manage non-specification gas in its facility. Depending on the terms of supply (quantity, term, price) Ballance would be willing to make an investment on its own site to further treat gas.
- (d) The source of non-specification gas could conceivably come from a number of on-shore Taranaki gas fields. A significant High CO₂ gas market (including Greymouth Petroleum Kaimiro and Ngatoro gas, AustralPacific Cardiff gas and Bridge Stratford gas amongst other resources) is likely to require transport through the LTS line.
- (e) If the supplier of this gas to Ballance is not NGC then there has to be a competitively priced transmission system available to bring this gas to our Plant.
- (f) Competition is limited as the NGC specification gas line between Kapuni and Faull Road is not a potential substitute for the High CO₂ LTS gas line;

- (g) There would be very real benefit in control, including introduction of additional gas at both ends of and along the LTS pipeline to markets at the Kapuni and Faull Road ends of the LTS pipeline;
- (h) Control is needed to ensure continued availability of pipeline services.
- (i) NGC can provide a pure gas transport price for service on the LTS line that is independent of LPG recovery effects and further gas processing

In Ballance's submission, the LTS transmission pipeline should not be excluded from the Commission's inquiry. In Ballance's further submission, the LTS pipeline is a fundamental component of the gas infrastructure in Taranaki. It has played a critical role in enabling High CO₂ gas to be brought to market and, as the industry further diversifies with more producers making available quantities of High CO₂ gas, the LTS pipeline's importance to the industry grows. As market activity increases, it becomes increasingly apparent that a seller of gas and supplier of gas transmission services like NGC must not be able to act anti-competitively to restrict access to a pipeline upon which the market depends.

In Ballance's submission, the NGC LTS pipeline should be subject to controls under the Commerce Act. Ballance submits that it is clearly in the interests of acquirers or suppliers of gas services provided by NGC's LTS pipeline for those services to be controlled.

Yours faithfully,

Len Houwers
Site Manager