

Voters in dark over pipeline shutdown

THE WESTERN FRONT: Nigel Wilson | *January 07, 2008*

A RELATIVELY innocuous electrical sub-station fault has exposed the limitations of Australia's biggest gas transmission system.

The fault in the North West Shelf project site on the Burrup Peninsula resulted in a halt in production of LNG, domestic gas, LPG and condensate from the \$20 billion Shelf development.

While the Shelf joint venturers are primarily concerned with maintaining the project's reputation -- and that of Australia -- as a reliable LNG supplier to Japan, it is the domestic ramifications of the fault that have led to concerns at a political level.

While Woodside as project operator kept federal and state politicians informed, it was a lack of information to some stakeholders, particularly in the power industry, that has led to criticism.

While domestic gas supplies from the North West Shelf are an important aspect of Woodside's business, they are not "material" in terms of stock exchange reporting. After letting the exchange know on Wednesday there was a problem that would not materially affect its results, there was no further formal statement from Woodside.

That rankled with some customers and the operators of the Dampier to Bunbury pipeline (DBP), which delivers NW Shelf gas 1500km to the major markets in Western Australia's south-west.

The main concern for the state Government was the potential impact on electricity supplies to customers -- that is, voters -- in the south-west interconnected system.

The DBP is the main delivery system to the south-west while the NW Shelf project is the main gas supplier.

No gas meant no supplies down the system to customers.

While Woodside won't comment on how much gas was not delivered -- it normally supplies about 600 terajoules into the system each day -- it is fortunate this shutdown occurred during the commercial shutdown over the Christmas-New Year holidays.

Even so, it was a close call.

Gas began flowing back into the system on Friday afternoon as Alcoa, the biggest customer for domestic gas, was warning it was facing plant problems because its output was down by two thirds.

The possibility of a total alumina production shutdown was not far away, with all the ramifications that held for the reputation of both the company and the state: WA is one of the world's largest alumina producers.

The Burrup shutdown is the most significant to hit the NW Shelf project since domestic gas production began in 1986.

In the aftermath of the Piper Alpha disaster in the North Sea in 1988, a decision was made to upgrade the two North West Shelf production platforms, 135km off Dampier, which necessitated cutting gas supplies to the Burrup plant.

But that outage was planned and the pipeline, smaller then than it is now, was filled with gas, so-called linepack.

Linepack was thought to be able to cope with demand for six days. But it didn't because the pipeline began closing down automatically as gas pressure reduced.

Last week's incident was far better managed, both at the production plant and through a more robust pipeline system.

But that did not stop Alcoa, the major domestic gas customer, from having huge production problems.

While the predictable response came at the residential customer level even though domestic electricity supplies were not affected, Alcoa's situation demonstrates the fragility of having essentially a single gas delivery system.

Because the NW Shelf fault occurred at a point before gas was delivered into the main pipeline, no amount of fiddling other pipelines and other electricity supplies could alleviate the huge discrepancy between Alcoa's demand and supplies.

Shortly before gas was restored, Alcoa said its production was down by two thirds and it was concerned it would not be able to meet shipping schedules.

State Energy Minister Francis Logan hid behind the "once in a lifetime" defence, similar to that used by Victorian politicians after the disastrous Longford gas plant explosion in 1998, which exposed the limitations of a single gas delivery system.

He ruled out the state Government building a second pipeline to the south-west, ignoring the fact that the Government owns the easement in which the existing DBP is located, which is wide enough for a competing line.

If domestic electricity supplies had been disrupted, Mr Logan would certainly have found his response as inadequate as the gas system itself to meet unexpected faults.