

23 May 2001

Mr Nick Parkhurst
Office of Gas Access Regulation
6th Floor, 197 St Georges Terrace
PERTH WA 6000

Dear Mr Parkhurst

Submission on Draft Decision on GGT Pipeline

This submission is made by WMC Limited (WMC), in response to the invitation issued by the Office of Gas Access Regulation (OffGAR) when it issued its Draft Determination on the 10th April 2001.

WMC is the major customer of the Goldfields Gas Transmission (GGT) pipeline system — being a consumer of natural gas from the Southern Cross Energy gas and power supply systems which now supply the Mt Keith/Leinster and Kalgoorlie/Kambalda operations. WMC was the largest participant in, and Manager of, the original GGT Joint Venture which developed the GGT pipeline system. WMC sold its interest in the pipeline system to Southern Cross Pipelines in early 1999. At the time of the sale, it was well understood by the purchasers of the pipeline that Access Arrangements needed to be submitted and assessed under the procedures of the Gas Code, with revised arrangements to apply as from the start of the year 2000.

As an interested party in the outcome of the Access Undertaking process, WMC made a submission in response to the OffGAR issues paper, and we note with some pleasure that all of the points raised by WMC have been addressed by OffGAR in the Draft Determination, with close agreement being evident on all of the major matters.

WMC notes that OffGAR has requested a total of 49 amendments to the Access Undertaking conditions and reference tariffs as proposed by the proponents.

WMC finds itself in agreement with the OffGAR recommendations in all major respects, and we trust that the requirements as set out by OffGAR will be fully reflected in the final Access Undertaking.

In relation to the major matters affecting the Reference Tariffs, WMC agrees with the general approach taken by OffGAR in relation to the Initial Capital Base, the value of WACC proposed, the estimates for future capital and operations and maintenance expenditures and the treatment of depreciation.

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We note that OffGAR has not yet finalised its position on the matter of the forecasts of future pipeline throughputs. We respectfully refer OffGAR to the original WMC submission on the matter, where we pointed out the extreme sensitivity of the Reference Tariff calculation to the future throughput assumptions (and the necessity for the proponents to document the exact assumptions made in this respect in the Reference Tariff calculation).

WMC remains of the view that the Reference Tariff calculation should be made on the assumption that the future pipeline throughput should at least remain constant at the levels predicted for the first five years i.e. an annual throughput averaging around 72 TJ/day. Even this assumption may be regarded as being on the conservative side in the light of the comments regarding pipeline risk made earlier. Note that WMC's internal forecasts show an increase in gas throughput in the short to medium term, an example of our positive outlook is the purchase earlier this year of the Yakabindie Nickel Project which is located adjacent to the pipeline between Mount Keith and Leinster.

[At the request of WMC Resources Ltd this version of the submission has been modified to remove reference to information which may be confidential.]

We trust that OffGAR finds these comments from WMC to be of assistance in finalising the Access Undertaking for this particular pipeline system.

Yours sincerely

John Harvey,
Manager – Energy Supply
WMC Resources Ltd

cc K Modra
 A Wood