17 March 2000

Mr Robert Pullella
Office of Gas Access Regulation
Level 6, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Dear Mr Pullela

Re: Proposed Access Arrangement by Epic Energy
for the
Dampier to Bunbury Natural Gas Pipeline

AGL Gas Trading Pty Limited ('AGLGT'), a subsidiary of the Australian Gas Light Company ('AGL') operates in AGL's Energy Sales and Marketing division as a purchaser and seller of gas and as a shipper of gas through pipelines. AGLGT currently holds a Grant of Capacity in the DBNGP and submits the following comments to The Office of Gas Access Regulation ('OffGAR') in connection with OffGAR's current consideration of the Proposed Access Arrangement ('the Proposal') submitted on 15 December 1999 by Epic Energy (WA) Transmission Pty Ltd ('Epic').

AGLGT has several concerns with the Proposal in its current form. The main concerns are as follows

Initial Capital Base (ICB)

The National Access Code ('the Code') (Cl 8.10) requires the Regulator to take into consideration, among other things, the depreciated actual cost ('DAC') and the depreciated optimised replacement cost ('DORC') in determining the ICB.

AGLGT requests that the Regulator require Epic to calculate and submit the DAC and DORC as part of information in the Proposal being considered. AGLGT may wish to make comment in the event that this is done and the information made public.

Although the Code also requires that the Regulator consider information other than the DAC and DORC in determining the ICB, the Code (Cl 8.11) also states that the ICB should not normally fall outside the range of these two values. It is our experience that all ICB determinations made to date under the Code have fallen within this range and we would expect that to also be the case for the DBNGP.

AGLGT questions the appropriateness of the use of 'deferred depreciation' in this situation. It would appear that if the ICB was established between the DAC and the DORC there would be no need to defer depreciation. The impact of the 'deferred depreciation' appears to be to retain exclusively for Epic any benefit from future operating efficiencies.

Reference Service

While the Reference Service purports to continue the existing $ 1.00/GJ full haul rate (at 100% load factor), the terms have been restructured to allow the pipeline owner to receive a significant increase in revenue for providing the same service as shippers currently enjoy. This has been done mainly by introducing punitive charges (such as peaking and imbalance surcharges), restricting relocation of delivery points, constricting imbalance limits, increasing the amount of the capacity charge in relation to the commodity charge and withdrawing the availability of spot or interruptible services.

This is of particular concern to shippers who hold existing contracts under the Gas Transmission Regulations ('GTR') or Dampier Bunbury Pipeline Regulations ('DBPR') and which they have understood would be 'grandfathered' so that they would not face terms and conditions more onerous than those currently applying. For those shippers the Proposal represents a potential 'rate shock' in circumstances where obligations entered into with third parties downstream do not provide a mechanism to recover those increased costs.

AGLGT requests that the Regulator provide certainty for existing shippers that current terms and conditions will not be adversely affected under the new access arrangements (perhaps by means of a Firm Service equivalent to the GTR/DBPR services) and that an interruptible service be required as a Reference Service.

Miscellaneous

AGLGT notes that a delivery point charge has been introduced 'to recover the cost of the delivery point facilities used by the shipper'. In the case of AGLGT's existing contract, AGLGT paid the full cost of construction of the delivery point facilities and therefore there is no capital cost for Epic to recover.

AGLGT notes that the Eradu Road offtake (to send gas into the Mid West Pipeline) is within one kilometre downstream of the CS7 isolation valve (MLV 90) and therefore should be within zone 6 and not zone 7 as stated in the Proposal.

Should you require further information concerning this submission, please contact me by phone on (02) 9922 8738.

Yours sincerely

Graham Balfe
Manager Wholesale Market Development
AGL Energy Sales and Marketing