

4 April 2003

Mr Robert Pullella
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BY FACSIMILE: (08) 9213 1999

Dear Mr. Pullella

Submission in relation to the proposed access arrangement for the DBNGP

Deutsche Bank is a part of the syndicate financiers (the "Bank Syndicate") which financed the purchase by Epic Energy of the Dampier to Bunbury Natural Gas Pipeline (the "Pipeline") from the Western Australian Government in 1998. In addition, funds managed by Deutsche Asset Management (Australia) Limited hold a one-ninth interest in Epic Energy.

Based on our significant financial interest in Epic Energy, as well our broader interest in the regulatory environment as a leading participant in the Australian financial markets, we wish to outline our principal concerns and expectations in relation to the final tariff determination for the Pipeline. These are:

1. The methodology and tariff level in the draft determination will not sustain the financial obligations of Epic Energy under the senior debt facilities.
2. The \$1.00/\$1.08 tariff level is consistent with the legitimate expectations of Epic, the investment community and debt providers at the time of the purchase in accordance with the guidelines of the bid.

The potential implications of a final determination inconsistent with the \$1.00/\$1.08 tariff level is particularly significant and far-reaching. Such implications are discussed below.

- A final determination which will not sustain the financial obligations of Epic Energy under the senior debt facilities is likely to result in enforcement of the Bank Syndicate's secured rights and foreclosure of the Pipeline. Such outcome is inconsistent with the objectives of the regulatory regime in promoting a sustainable investment and expansionary environment for the benefit of the Pipeline users and Epic Energy. Nor is such an outcome in the interests of the State of Western Australia and Pipeline users.
- Failure to adopt Epic Energy's approach of factoring future capital expenditure in the current tariff would diminish Epic Energy's incentive and capacity for investment in the Pipeline's expansion.
- Forcing Epic Energy to recover capital expenditure in accordance with the draft methodology would
 - discriminate against new customers in favour of existing customers; and

- create a major disincentive for Epic Energy to undertake capacity expansion due to the significant additional risk of adequate revenue recovery.
- A final determination which does not take into account the purchase price paid for the Pipeline and the legitimate interests of Investors (both debt and equity) would adversely affect investor confidence in the State's regulatory environment and consequently future investment in the State.

Deutsche Bank believes it is important the final determination recognises the interests of equity and debt providers, to ensure that access to both foreign and domestic capital for the State of Western Australia is not impeded.

Deutsche Bank looks forward to a final determination which supports the financial viability of Epic Energy and encourages future investment not only in the Pipeline but the State in general.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Darvall', with a stylized, cursive script.

Chum Darvall