

13 May 2003

Dr Ken Michael AM  
Acting WA Independent Gas Pipelines Access Regulator  
Level 6, 197 St George's Terrace  
Perth WA 6000

Dear Dr Michael

### **EMPLOYEES OF EPIC ENERGY**

We are writing to express our concern that a company of the calibre of Epic Energy finds itself in a situation where there is doubt that its business is viable – which viability will be directly impacted by your final decision. We are writing of our own volition independent of Epic Energy management. We feel very strongly about the future of our company.

As voters and taxpayers, we write to make you aware that more than 200 employees and our families are concerned about the security of our jobs. If your final decision forces an administrator to be appointed, our jobs are at risk. It is of great concern to us that we are in a situation of limbo with our futures in jeopardy.

Why has it taken almost the same time to set the tariff as it took to build the pipeline? It would appear that the process is very effective in generating a mountain of paperwork. While you have an obligation to consider submissions put forward by parties, there is also a need for you to ensure that the process is resolved in a timely manner. The regulatory process is intended to be a defacto commercial negotiation. It would be amazing if parties to such a negotiation would be able to afford stringing out a negotiation for so long. They just could not afford to run their business with such uncertainty. The lack of timeliness not only creates uncertainty for the business but also creates uncertainty for employees.

To give us certainty, this process can not drag on further.

We wrote to the Premier and his Government as the elected representatives of the public and the people responsible for representing the public interest. He wrote back to us. For your information, we attached copies our correspondence with the Premier's office.

His response indicates that it is not his role to provide guidance on matters of public interest. To us this is an abrogation of his responsibility to us as voters but also to you as Regulator. We find this incredible and this should also be of concern to you. We believe that the Government was elected to ensure that the public's interest is best served and reflected in decisions of such public importance as the one you are about to make. You should not be in a position where you have to make calls on such important matters of public interest as this decision with no input from the Government.

Is it in the public's best interest if Epic being is put into administration? We believe that the independence of the Regulator would not be in jeopardy if the Government supported what is truly in the public's best interest, by supporting the sale process and ensuring that Epic Energy's genuine business interests are being served. These were aimed at promoting development in the State - Epic Energy committed to spending \$875 million in the first 10 years of ownership in expanding the pipeline. We are at a loss as to why the Government, which represents the views and values of the Western Australian community, will not

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support Epic Energy, its employees and our families. *What sort of message does this send about our State?*

It is also very embarrassing to us, as Western Australians how this on-going saga is being perceived by potential corporate investors. We want to see our State develop and prosper.

Epic Energy's purchase of the DBNGP in 1998 delivered enormous benefits to Western Australia, massively reducing the State's debt, enabling the Convention Centre to be built, the DBNGP corridor to be widened and computers to be put in our children's schools.

Epic Energy honoured its commitments in Western Australia by –

- reducing the gas tariff
- relocating our national head office and gas control centre to Perth
- creating job opportunities for Western Australians, and
- investing a further \$160 million to expand the DBNGP and other pipeline projects in this State, including the important Burrup & Pilbara Pipeline systems.

**We are at a loss as to why Epic Energy is not getting a fair go.**

In 1997, prior to Epic Energy's purchase of the DBNGP, the gas transportation price was \$1.27. In the first two years of ownership, Epic Energy reduced the tariff to \$1.00. As domestic gas consumers, we have not seen that decrease passed on - in fact, our gas bills have increased. Epic Energy's tariff has been static at around \$1.00 for the last four years. If Epic Energy had been allowed to charge the same tariff at the time of the sale and to increase that tariff in the same manner as the domestic gas price, its current tariff would be \$1.35 with provision for increases tied to inflation in future years.

However, Epic Energy proposed a tariff of \$1.00 to Perth that would apply to existing and future customers. This price structure would have allowed Epic Energy to continue to honour its development pledge and therefore create further jobs for Western Australians.

A new owner will be under no obligation to honour Epic Energy's commitments to the State. They would be in a position to dictate the terms under which they operate. You would no doubt be aware that the DBNGP is almost fully contracted. It will need to be expanded to help get new projects and development in this State. This is critical at a time when the State is locking in new and needed power generation. The tariffs for that new capacity could return to the rate of \$1.27 (the rate charged prior to Epic Energy's involvement) or perhaps higher if Epic Energy's sale commitments are not honoured.

We are proud to be part of the great team at Epic Energy; we have worked hard to build our reputation as a Western Australian success story. We are proud of our company and the fact that it not only provides employment for us but it also supports a number of charities and environmental projects. It would be a great loss for us, for this State and for the projects we support, to witness the demise of Epic Energy through the bureaucratic mayhem that currently prevails. As one of the few head offices located in Perth with a \$3.5 billion business, it would be tragic to see its loss.

Could you please consider our letter as a submission and exercise your discretion under the Code to take it into account. We believe it critical to your considerations, particularly given the recent conjecture in the media concerning the possible tariff to be included in your Final Decision. We would have no objection to this submission being posted on your website.

Yours sincerely

**FOR THE CONCERNED EMPLOYEES OF EPIC ENERGY**

Sam Binder, Don Bower, Gay Jeffreys