



G O L D F I E L D S
G A S
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Mr Lyndon Rowe
Chairman
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St. George's Terrace
PERTH WA 6000

Dear Mr Rowe

Revised Access Arrangement for Goldfields Gas Pipeline (GGP)

We refer to our meeting with you held on 13 January 2005, at which time we discussed the revised Access Arrangement lodged in relation to the GGP on 17 November 2004.

During that meeting, clarification was sought from GGT as to the status of GGT's original Access Arrangement lodged in December 1999. Further, the discussion also touched on assertions by WMC in its September 2004 submission concerning values they attribute to the various sales on the GGP. This letter addresses certain aspects of these matters.

Status of original Access Arrangement and revised Access Arrangement

The original proposed Access Arrangement was lodged pursuant to section 2.2 of the Code. That proposed Access Arrangement has been the subject of a draft decision and, more recently, an amended draft decision (ADD) issued by the Authority pursuant to section 2.13 of the Code. In particular, by the ADD dated 29 July 2004, the Authority proposed not to approve GGT's Access Arrangement, and set out the amendments (or nature of the amendments) which would have to be made to the Access Arrangement in order for the Authority to approve it.

Pursuant to section 2.15A, GGT has now submitted a revised Access Arrangement (and supporting submissions).

It is GGT's submission that the Authority's statutory function, as set out in section 2.16(b) is to proceed to issue a final decision which either approves the revised Access Arrangement, or does not approve the revised Access Arrangement, and states the amendments (or nature of the amendments) which would have to be made to the revised Access Arrangement in order for the Authority to approve it. The Authority is able to approve that revised Access Arrangement pursuant to the powers granted by section 2.16(b)(i) as the revised Access Arrangement either incorporates the amendments (in whole

or substantially) specified in the ADD or otherwise addresses the matters identified in the ADD as being the reasons for requiring the amendments. While the original proposed Access Arrangement must continue to form part of the Authority's deliberations, it is not the 1999 Access Arrangement which is to be the subject of the Authority's final decision under section 2.16.

In this regard, GGT submits that WMC's submission of 6 January 2005 is incorrect in asserting that GGT has gone beyond the rights granted to it pursuant to section 2.15A of the Code. The basis of WMC's assertion is that the revised Access Arrangement does not 'give effect to the burden or spirit of the reasoning' as set out in the amended draft decision. Even if there is such a limitation expressed or implied by the wording of section 2.15A (which GGT does not agree), the basis for WMC's assertion appears to be nothing more than the fact that GGT has not simply adopted the amendments proposed in the ADD.

Further, in terms of WMC's concern that GGT did not provide a revised Access Arrangement Information document, we note that this is not required by the Code, and had not understood it to be desired by the Authority. If provision of such a document would assist the Authority's consideration of the revised Access Arrangement, GGT is able to provide such a document.

WMC Submissions

As the Authority has indicated that it wishes to issue a Final Decision as soon as possible, we do not intend to respond in a detailed fashion on the various submissions that have been lodged to date. Apart from selectively addressing certain specific matters in relation to WMC's September 2004 and January 2005 submissions in the attached GGT submission, we reserve our right to address errors arising from other parties' submissions in the event that incorrect or unsubstantiated assertions in those submissions are taken into account, or relied upon, in the Final Decision.

Purchase price

The September 2004 submission included a report by Project Consultancy Services which concluded that the recent acquisition by Australian Pipeline Trust (APT) from CMS had an "implied value" for the GGP of \$493 million. This is addressed in the accompanying letter from APT.

Key Errors and Misunderstandings

We attach GGT's submission, which responds to issues raised in its WMC's September 2004 and January 2005 submissions, a letter from Venton & Associates Pty. Ltd. which addresses those matters in the WMC January 2005 submission that were directed to Venton & Associates Pty. Ltd.

If you wish to discuss any of the above in further detail please contact Suzy Tasnady on (08) 9320 5610.

Yours sincerely



David A King
General Manager