



Office of Gas Access Regulation
PO Box 8469
Perth Business Centre 8849
enquiry@offgar.wa.gov.au

10th August, 2001.

Re Transportation Rates on the Dampier to Bunbury Natural Gas Pipeline (DBNGP)

Dear Sir,

I refer to the Draft Decision by your Office handed down on the 21st June concerning transportation rates for the Dampier to Bunbury natural gas pipeline.

OneSteel is a major provider of pipe for Natural Gas transmission and as such has an interest in the impact regulatory pricing decisions could have on the potential future investment decisions by participants in the industry.

We are also a supplier of pipe to Epic Energy.

It is our understanding that the current DBNGP is close to full capacity, and to accommodate any future loads arising from increased industrial demand would require some incremental expansion.

For expansion of the DBNGP to take place, commercial rates of return need to be generated to attract the investment needed to fund the expansion. From what we can determine from discussions with Epic Energy and other interested parties, the current draft determination puts at risk both expansion and extensions of the DBNGP to Albany and Esperance.

As a potential supplier of pipe for any expansion and extension projects, we are concerned that the draft determinations represent a significant discount on current rates which in themselves are lower than they were at the time the West Australian Government sold the pipelines.

The proposed rates may not make future investment commercially viable for pipeline builders and managers, and as such, OneSteel may see current potential projects shelved or stopped altogether. This would impact our pipeline manufacturing and supply business.

OneSteel is also a major user of energy both in electricity and gas. As a significant Australian manufacturer of steel and steel products, the company consumes high levels of energy.

From what we have experienced in other States, a lack of investment in energy infrastructure over the longer term puts at risk the ability to develop new industry, as well as impacting the performance of existing industry through unexpected increases in prices and short supply. OneSteel is experiencing this exact situation in South Australia where we have major manufacturing facilities.



As a major energy user we look to lock in certainty in pricing even if this means the company has to pay a slightly higher price. It is better to pay a slight premium now rather than have lower prices and a threat to supply in future years.

If the pricing and investment incentive regime is not correctly managed with a long term outcome in mind, the potential rectification costs of an inefficient market in the future can be excessive, and through pricing mechanisms, place unwarranted burden on industry to eventually foot the bill.

We would request that the Office of Gas Access Regulation take the points we have raised into consideration when making their final determinations. Should you wish further clarification of any of the points raised in this submission, please do not hesitate to contact me on 02 9239 6616.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Mark Gell".

Mark Gell
Vice President
External Affairs and Investor Relations
OneSteel Limited.