

Commonwealth Bank of Australia
ACN 123 123 124

Institutional Banking WA

Level 6
150 St George's Tce
Perth WA 6000
Australia

GPO Box A32
PERTH
WA 6001

Telephone (08) 9482 6903
Facsimile (08) 9482 6099
DX 143 Perth 6350 001

Dr K Michael
Western Australian Independent Gas Pipelines Access Regulator
Office of Gas Access Regulation
6th Floor
197 St Georges Terrace
PERTH WA 6000

Attention: Mr Robert Pullella

21 September 2001

Dear Sir

Submission in relation to the Draft Decision on Access Arrangements for the DBNGP

We constitute 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.

The Bank Syndicate has provided acquisition facilities totalling \$1.91 billion to Epic Energy on a limited recourse basis. Accordingly, the Bank Syndicate has a significant financial interest in the Pipeline and as a participant we are writing in response to the draft decision issued by the Western Australian Independent Gas Pipelines Regulator (the "Regulator") on the proposed access arrangement for the Pipeline.

We understand that Epic Energy intends submitting a comprehensive response addressing in detail the validity of the draft decision (together with responses to all of the specific amendments proposed in the draft decision by the Regulator).

As the Commonwealth Bank's participation in the Bank Syndicate occurred through the purchase of the Colonial group last year, we are not in a position to comment regarding the expectations of Epic Energy at the time of the purchase of the Pipeline. However, based on our review of the draft decision and discussions with Epic Energy, we wish to outline our principal concern that should the draft decision be implemented, then the financial consequences for Epic Energy are likely to be significant.

From our comparison of the base case under the finance documents and the base case which the Regulator developed, it appears there will be a reduction in the tariff Epic Energy will receive of about 25%. We would point out that since Epic Energy acquired the Pipeline tariffs have already reduced by about 25%.

We are most concerned that this further reduction in the tariff would reduce the revenues of Epic Energy to such an extent that it would be likely to:

- (a) restrict Epic Energy's ability to fund further development of the Pipeline; and
- (b) result in Epic Energy being unable to meet its obligations under the finance documents which would result in an event of default thereunder.

Yours faithfully

Frank Houwen
Relationship Executive
Institutional Banking WA