

GOLDFIELDS ESPERANCE DEVELOPMENT COMMISSION

Dr K Michael AM
Gas Access Regulator
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Dear Dr Michael

RE: DRAFT DECISIONS FOR DAMPIER TO BUNBURY NATURAL GAS PIPELINE & GOLDFIELDS GAS PIPELINE ACCESS ARRANGEMENT

This office has been contacted by Epic Energy Corporate and Goldfields Gas Transmission Pty Ltd drawing our attention to your draft decisions relating to their respective operations.

Epic argues that the draft decision "has significant implications for future investment in Western Australia.....there will also be significant negative consequences for the future regional development of the gas industry in Western Australia. These include:

- At these proposed rates, it may not be commercially viable for Epic to expand the capacity of the pipeline. If new customers seek incremental capacity on the pipeline, they will be paying more for it than existing customers. This will create an unlevel playing field and a situation of "second class citizens" on our pipeline.
- The proposed rates would act as a barrier to competition for new entrants in industries such as power generation, and make it difficult for new entrants to compete in areas such as power generation against Western Power. This is in clear conflict with the State Government's energy policy directive to source all future generation capacity from the private sector.

It will also have major implications for regional economic growth, regional employment and regional development, particularly the Pilbara, Geraldton and in the state's south."

GGT concludes "that the tariff reductions being currently proposed in the Draft Decision are not only unwarranted and inequitable, they have been arrived at on basis that is inappropriate to the specific history, circumstances and intended outcome. In fact it seems likely that the extent and nature of the tariff reductions proposed in the current Draft Decision are more likely to result in a stifled investment and sustained economic downturn in the resource sector than in any measurable social or economic benefits."

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I am aware that as The Regulator you are bound by the Gas Code but that you also have the objectives of promoting competition, encouraging economic development, provide value to users and reasonable return to owners when determining your Decisions.

Whilst recognising the complexity of the interplay of the requirements of the Code and the above mentioned objectives in reaching your Decisions; the Commission, a body charged with promoting regional development, would urge that the objective of encouraging economic development be given due consideration when all the various factors are weighed up in reaching your final Decisions in these matters.

Yours sincerely

Colin Purcell
Chief Executive Officer

10th August 2001