



Ms. Michelle Groves,
CEO Australian Energy Regulator
GPO Box 520
Melbourne Victoria 3001

Dear Ms. Groves,

Re: Jemena Gas Networks (NSW) Proposed Access Arrangement - Impact on Amcor

I am writing to you as I am very concerned about the potential impact on Amcor's businesses in NSW of Jemena's proposed Access Arrangement for its NSW gas network.

Amcor is a major gas user in Sydney with the largest load being Amcor Paper's Botany Mill. This plant consumes approximately 1.6 PJ/yr of natural gas.

The site currently pays \$[REDACTED]/yr in gas network charges to Jemena and under the gas access arrangement currently proposed by Jemena this would increase to \$[REDACTED]/yr; an increase of \$[REDACTED] or 69% - this is manifestly excessive!

Under this proposed access arrangement other Amcor sites in Sydney would receive increases in gas network charges of between 40% and 45%.

We understand that one of the major factors behind this proposed massive increase is due to Jemena rolling the trunk pipeline charges into the distribution charges and smearing the costs across all users on a postage stamp basis, regardless of where they are located in the gas network.

We also understand that Jemena's reason for doing so is ostensibly that it will make their operations easier to manage under the new gas Short Term Trading Market.

In their proposal Jemena has stated that overall the Demand Customer revenue will not alter, but there will be some winners and losers.

We believe that Jemena has used this argument to cross-subsidise gas users in Newcastle at the expense of those in Sydney so as to protect their revenue in the event of some Newcastle users being supplied directly from SE Queensland.

By rolling the trunk charges into their distribution charges and using postage stamp pricing rather than locational pricing they would be able to achieve this objective.

This is just the kind of action that monopoly businesses can take if not properly regulated.



The Amcor Board is soon to decide on an investment of \$550M to build a world class paper mill at the Botany site but major increases in costs such as this, plus the recently announced increases in Energy Australia's electricity network charges, only make it more difficult to do business in NSW and place such an investment in jeopardy.

We urge the AER to demonstrate that it does not just accept such unjustified proposals put forward by monopoly businesses such as Jemena who have shown a complete disregard to many of their major customers.

Attached are our calculations of the cost impact of Jemena's proposed tariffs on all Amcor's Botany Mill and Amcor's other manufacturing sites in NSW.

We believe that Jemena's proposal and the potential cost increases to be unreasonable and urge you to direct Jemena to provide gas network tariffs with cost reflective pricing to all customer classes.

Yours sincerely,

Nigel Garrard,
Managing Director, Amcor Australasia

CC Mr. Steve Edwell, Chairman AER, Mr. Roman Domanski CEO EUAA