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10 November 2009

Mr Mike Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mike

Jemena Gas Networks (NSW) - Revised Access Arrangement - August 2009

CSR would like to provide this submission to AER in relation to the revised Jemena Gas Networks Access Arrangement (AA).

CSR is a party to the joint submission prepared by EnergyAdvice on behalf of a group of NSW large gas users. The joint submission covered a range of matters and recommendations which CSR fully endorses.

Under this submission, CSR would like to provide specific information to AER:

- to identify the specific cost impacts to CSR and its operations of the proposed changes to tariffs under the revised AA;
- to reinforce the need for AER to address issues related to bypass pricing and separation of trunk and local network assets.

Site Cost Impacts

In reviewing the cost impact of the proposed AA, CSR is at risk of having a cost increase of greater than 50% across its portfolio of sites, with some sites potentially exposed to increases in excess of 60% against current charges.

The overall impact is that the current network charges paid by CSR would increase by 52% under the proposed AA as tabled by Jemena. This is simply unacceptable to CSR, and is totally inconsistent with Jemena's claim of "no material change in total revenue from [the] demand service" under the proposed tariff structure. If there is "no material change", then who is benefiting at CSR's cost, and on what rational and equitable basis is such a cost reallocation being proposed by Jemena?

Bypass / Negotiated Agreement

CSR would also like to advise AER that it has previously negotiated network bypass tariffs in relation to a number of its NSW sites with Jemena's predecessor, AGL Gas Networks (AGLGN).

CSR and AGLGN negotiated a ten year pricing agreement which operated from July 1999 to June 2009. Pricing under the agreement was as a result of a negotiation between the parties to avert the risk of bypass of parts of the gas network. The terms of the recently completed bypass agreement are covered under a confidentiality agreement between the parties

In any event, it is important to note that (in CSR's view) the negotiated pricing outcome represents an appropriate guide of where bypass or stand alone pricing should be measured for the particular sites covered under that agreement.

To give AER a sense of the impact of the proposed AA from Jemena, CSR will face a 124% increase in network costs against the final year of the negotiated agreement.

It is our understanding from the work undertaken by EnergyAdvice that CSR appears to be the most negatively affected gas user as a result of the proposed increased network costs to Sydney users under the Jemena proposed AA.

CSR wishes to advise AER that any adjustment to the reference tariff structure by Jemena which removes the ability for separate trunk and local network services to be available would in effect be endorsing an attempt (whether overtly or otherwise) to eliminate cost reflective tariffs which could be justified against the risk of bypass.

In any event, CSR wishes to clearly state its opposition to the new tariff structure proposed by Jemena under the revised AA. The reallocation of tariffs away from other users and onto CSR is quite clearly not equitable against the previous approved cost allocations undertaken in the previous AA approval processes.

Please note that CSR would welcome the opportunity to further discuss this submission directly with AER. In particular, we are available to meet and discuss with you the individual cost impacts for our sites, and to discuss in further detail information regarding the bypass/negotiated agreement between AGLGN and CSR.

Yours faithfully



Geoff Rudland
General Manager Supply Chain & Group Procurement
CSR Building Products Limited

cc: Phil Randall
Managing Director
EnergyAdvice Pty Ltd

