

Mr. Steve Edwell,
Australian Energy Regulator
Level 42, The Tower,
360 Elizabeth St.
Melbourne Central, VIC 3000.

9 January 2008

Dear Sir,

Re: ACCC Draft Decision on GasNet Australia Ltd's Revised Access Arrangement

In response to the ACCC Draft Decision concerning the 'Revised access arrangements by GasNet Australia Ltd for the Principal Transmission System' dated November 14, 2007 Australian Paper has acknowledged the position purported by the ACCC with respect to the application of 'Prudent Discounts' under section 6.1.4.5 of the document.

The Draft Decision however does not seek to remedy the anomalous outcome of GasNet Australia Ltd's (GasNet) proposed tariff arrangements, namely the effect of increasing gas transmission charges to the Maryvale Mill by approximately 160%.

In response to the Draft Decision and further to our previous submissions, Australian Paper has commissioned Marsden Jacob Associates (MJA) to conduct an independent review of GasNet's proposed access arrangements and the ACCC Draft Decision with the view to providing both an assessment of GasNet's tariffing methodology and suggestions to improve tariff outcomes as they relate to the Maryvale Mill. MJA's report on this review is attached for your information.

The MJA report outlines the case for Australian Paper's Maryvale Mill to have different costs applied compared to other gas users and notes that the proposed access arrangements have not taken this into account. In particular, MJA also notes that the arrangements approved (in draft) by the ACCC do not appear to comply with a reasonable interpretation of relevant requirements of the Gas Code.

Australian Paper has discussed the issues raised by MJA with GasNet and agreed that these issues should be addressed in the revised access arrangement. Further, Australia Paper understands that GasNet intends for the outcome of these discussions to be reflected in their response to the ACCC's Draft Decision.

Specifically, GasNet have advised that they will propose a remedy to these issues by seeking the re-application of an appropriate Prudent Discount for AA3 to, in effect, significantly reduce the presently proposed increase in gas transmission charges for Maryvale Mill.

Australian Paper is now seeking endorsement of the proposed GasNet decision by the ACCC to ensure that an appropriate Prudent Discount remains in place for AA3; thereby providing that the rights of access to the natural gas pipeline by our Maryvale Mill remains on conditions that are fair and reasonable.

Yours sincerely,

Dean Thompson,
Procurement Manager
Australian Paper