

3 May 2002

Mr Michael Walsh
Project Manager
Regulatory Affairs - Gas
ACCC
GPO Box 3648
Sydney NSW 1044

Dear Michael

Revisions to the Victorian Natural Gas Transmission Access Arrangements

I refer to the ACCC Issues Paper with regard to the proposed access arrangements submitted by GasNet Australia (Operations) Pty Ltd and the Victorian Energy Networks Corporation for approval under the provision of the National Third Party Access Code for Natural Gas Pipelines Systems.

We note that the Issues Paper does not attempt to replicate the detailed documents lodged by the applicants, and should be read in conjunction with them, and that the ACCC invites submissions from interested parties on the applications which should be received by the Commission by 13 May 2002.

Following an initial review of the documentation and initial discussions with GasNet about our concerns we believe it necessary to seek clarification on a number of issues before a substantive submission can be prepared.

The approach taken by GasNet in its submission appears particularly complex. This has made it difficult to read and understand in the short time available for reply. TXU believes that GasNet should be required to resubmit the application removing the complexity, improving clarity of information provided and demonstrating substantiation for many of the changes proposed.

If attention cannot be given to a clearer submission from GasNet then TXU seeks further information to form its view.

Key areas where clarification is sought include:

- (i) Justification for the apparent re-opening of the asset base (ie. inclusion of extra \$35.8M claimed shortfall – refer Issues Paper, S 2.3.1). There is particular concern that this has a significant affect on tariffs, may not be allowed under the Code and would set an undesirable precedent. If re-opening the asset base is not justified a re-cut of the proposed tariffs will be necessary. Note that other matters requiring comment will be affected by the outcome of this matter.

- (ii) Statement of historical operating costs and capital expenditure, to provide a baseline, and a comparison going forward with proposed costs and expenditure. Differences should be clearly explained and substantiated.
- (iii) Clarify the explanation that underpins the proposed capital expenditure in the 'subsequent regulatory period', and whether there should be an independent engineer's evaluation of the prudent value of proposed capital expenditure.
- (iv) Justification for change in the expected lifetime allocated to assets. Specifically, making public Annexure 6.
- (v) Comparison and demonstration of the impact the proposed tariff changes have on end-use customer charges.
- (vi) Extent that assets funded by government payments have been accounted for in the asset base (eg. payments referred to in Auditor General Report, Victoria, 1998-99 – S 6.67 and GasNet Prospectus 2001, Southwest Pipeline Trust, page 53).

If information / clarity is not available, then TXU requests additional time in order to prepare an appropriate response.

If you require any further information please call Greg Culley on 03 8628 1122 at your convenience.

Yours sincerely

Caryle Demarte
General Manager
Government & Regulatory Affairs