

GasNet Australia Major System Augmentation – Corio Loop

1. Introduction

TRUenergy supports the ACCC's "Draft-Decision" that provides an up-front binding agreement the proposed augmentation between the Corio Loop and Brooklyn (the Corio Loop) satisfies Section 8.16 (a) of the Gas Code.

We support the ACCC's Draft decision that;

- Determines a prudent value for the constructing the Corio Loop in accordance with Section 8.16 (a) (i) of the Gas Code.
- Determines the Corio Loop delivers system wide benefits in accordance with Section 8.16 (a) (ii) of the Gas Code.

2. Key Issues

2.1 Prudent construction costs

TRUenergy supports the ACCC's decision to undertake an independent review of GasNet's forecast new facilities investment for the Corio Loop and supports an allowance for the project of \$61.7million on the basis this value has been assessed by an independent consultant.

2.2 Tariff Issues

GasNet will recover 10% of its costs of the Corio Loop through existing users on the South West Pipeline. It is our view that all users should pay equally for augmentations that provide system wide benefits through a higher reference tariff, given they all benefit from the investment.

GasNet has proposed an arbitrary cost recovery scheme to recover the costs of the Corio Loop. This creates an unsatisfactory precedent as it creates "winners and losers" in terms of how the costs of these investments assets are recovered. Our view is this outcome is inconsistent with the principle of the system wide benefits.

The ACCC will defer the debate on the cost recovery on the Corio Loop until GasNet's revision of its access arrangement in 2007. We look forward to having this debate on this issue in the future.

3. Conclusion

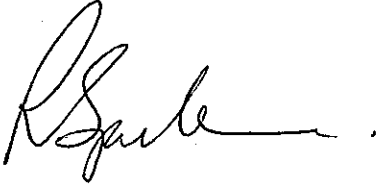
TRUenergy welcomes the Corio Loop decision to agree that forecast new facilities investment for the Corio Loop of \$61.7M meets the requirements of section 8.16(a) of the Gas Code. This provides the certainty GasNet require to start the investment during this regulatory period.

We support the ACCC's decision because the investment provides system-wide benefits to all users through:

- Addressing impending network constraints through increasing system capacity

- Providing extra supply insurance in the event that there is an outage affecting flows into the system, and
- Competition benefits due to stronger flows of gas from the Otway Basin.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'R Sparkes', with a long horizontal stroke extending to the right.

Rod Sparkes

Gas Portfolio Manager