

10 May 2004

Ms Ruth Lavery
Program Manager – Gas
Independent Pricing and Regulatory Tribunal
Level 2, 44 Market Street
Sydney NSW 2000

Dear Ruth,

Demand Forecasts for AGLGN Access Arrangement

Further to our phone discussion last week, I wish to confirm my comments to you in relation to assessments of demand forecasts currently being undertaken by McLennan Magasanik Associates (MMA) for IPART on the AGLGN Access Arrangement review.

Having reviewed MMA's draft report dated 5 April 2004, attended the presentation of Draft Findings of Gas Demand Study held on 29 April 2004 and following a subsequent phone discussion with Michael Goldman on 5 May 2004, EnergyAdvice wishes to make the following comments on the assessment of demand forecasts:

- Only a proportion of major gas users have been consulted in relation to future gas requirements - MMA indicated "about half" of the identified "majors".
- MMA has not disclosed which companies have been consulted, nor a contact name within those companies. I indicated that EnergyAdvice advised a number of major users, including for example ACI (which Michael did acknowledge had been spoken with) but then advised that "I can't tell you who I spoke to" on the basis of confidentiality.
- MMA is not or has not made any allowances in its assessments of the forecasts for major new loads. We are concerned that the statement in section 3.5 of MMA's draft report "AGLGN has confirmed that it is not aware of any [significant new generation or cogeneration] projects" is incorrect. For example, there have been ongoing discussions between AGLGN and Macquarie Generation in relation to the proposed Tomago power project.
- MMA stated at the 29 April 2004 presentation that the Macquarie Generation project had been disregarded for the purposes of their assessment, but then conceded that no contact has been made with Macquarie Generation. In the past year, all formal approvals have been completed for this project. This project needs to be properly considered for the purposes of future gas demand on the AGLGN trunk pipeline to Newcastle. Please note that EnergyAdvice has offered to set up a meeting / conference call between MMA and appropriate Macquarie Generation personnel, which is intended to be held during this week.

- Hunter Economic Zone (HEZ), an industrial development near Kurri Kurri, has not been considered for the purpose of its impact on future demand. Formal consideration of the HEZ project should be included in any demand assessments.

EnergyAdvice is an advisor to a number of large industrial gas users in NSW. We are concerned that if an assessment of “majors” is to be conducted thoroughly, then a formal process of consultation needs to be undertaken, and given the relatively small number of such users, each of the identified “majors” should be consulted. This should require written questions rather than a cold call by telephone. Furthermore, it is imperative that any discussions re demand forecasts should be directed to the appropriate spokesperson for each company.

EnergyAdvice would be pleased to assist IPART and/or MMA in relation to ensuring contact with the appropriate person/s in relation to the various clients we represent that fit the definition of “majors”. These clients include:

- ACI Glass Packaging
- Alcoa Kaal Aluminium
- Austral Brick Company
- BlueScope Steel Limited
- Boral Limited
- CSR Limited
- Hunter Economic Zone
- Hydro Aluminium
- Macquarie Generation
- Pilkington (Australia) Limited

Please do not hesitate to contact me if you would like to discuss the above with me further.

Yours sincerely

Phil Randall
Director