

6 May 2004

Mr JP Cox
Acting Chairman
Independent Pricing and Regulatory Tribunal
Level 2
44 Margret Street
Sydney NSW 2000

Email: gaspricing@ipart.nsw.gov.au

Dear Acting Chairman

Orica's comment to Review of demand forecast for AGLGN by MMA

Orica is pleased to provide its views and comments to IPART on the McLennan Magasanik Associates, Review of demand forecast for the AGL Gas Networks dated 5th April 2004.

1. The initial drop in MDQ for Contract Customer in 2005 is not a valid assumption on the part of AGLGN. Orica strongly supports Recommendation 26 by MAA, "AGLGN should assume that contracted MDQ levels for the majors stay at 2002/2003 levels unless it provides evidence from customers that they intend to change their ordering behaviour or provide evidence that the incentive to some customers for reducing MDQ contracted will become greater over the new AA period." The proposed Access Arrangement uses very similar methodology to the current Access Arrangement why should there be a step change in the behaviour of some contract customers in there approach to contracting MDQ when the proposed 2004 Access Arrangement is introduced.
2. The MMA Review of demand forecasts for the AGL Gas Network not have taken into account four (4) large proposed new industries in the Hunter Valley. If these projects come to fruition they would significantly increase the MDQ for the Sydney Newcastle Trunk and the Newcastle Local network. Orica request IPART to further examine the probability for these projects being implemented and the model the likely effects on MDQ and ACQ as a result of these projects. These proposed projects are,

- Protech Steel Project on Kooragang Island
 - Macquarie Generation – Natural Gas Fired Power Station at Tomago
 - AusSteel Stainless Steel Plant at Tomago
 - Ceramic Industries Limited tile manufacturing plant at Rutherford
3. Section 3.5 of the MAA report discuss Additional Major Loads, this paragraph details the treatment of possible new significant gas users, ‘although major new project (such as steel or aluminium) are often mentioned, none is considered likely to eventuate over the next few years. We consider it appropriate for AGLGN to have not included any major new energy user in its forecast”. Has the MMA and AGLGN significantly researched these proposed new projects to make an informed evaluation and have there been any consultation between MMA, AGLGN and the potential new user?
4. Orica understands there are difficulties forecasting potential MQD and ACQ from the proposed Additional Major Loads. Orica believes the Access Arrangement should allow for an revision of the rates subjected to significant increases to MDQ for the Contract Market, this would ensure the best outcome for AGLGN and its customers.

Should you require any clarification regarding this submission please contact me on 02 49235503.

Yours sincerely

George Leong

Contracts Manger
Orica Mining Services