

20<sup>th</sup> September, 2002

Ms K Kaur  
General Manager  
ACCC – Gas Group  
470 Northbourne Avenue  
DICKSON ACT 2602

Dear Kanwaljit,

**RE : Response to Draft Decision on GasNet Access Arrangement**

We refer to the Draft Decision of the Commission on GasNet's proposed Access Arrangement released on 14 August 2002. Please find attached our Response to the Draft Decision, and a separate confidential annexure.

In tabling the Response, GasNet would like to highlight the following concerns about key elements of the Draft Decision.

1. There appears to be a focus on customer's short-term interests without an appropriate consideration of the legitimate business interests of GasNet. In particular, the Commission does not appear to have given appropriate consideration to matters such as the reasonable expectations of investors in the recent float of GasNet, and of lenders in the subsequent debt refinancing that there would be a consistently applied regulatory regime.
2. In respect of the determination of the Rate of Return, the Commission appears to have made a 'sea-change' in its thinking, following a long period where outcomes have been relatively predictable and consistent. There is no compelling evidence for the proposed change in thinking, and if implemented, it will inevitably lead to an increase in regulatory risk and greater uncertainty for companies intending to make investments in the future.
3. There is no substantive evidence provided by the Commission to support a lowering of the equity beta from 1.2 to 1.0. The Commission's position is premised on a very small sample of companies that would not be considered by statisticians to provide a rational or prudent basis for determining the asset beta.
4. The Commission continues to employ the five-year bond rate to determine the risk free rate. This puts the Commission at odds with both Australian state regulators and UK regulators.

GasNet is taking further advice on a number of these matters, and may seek to make additional submissions. We may also wish to respond to submissions that are lodged by other interested parties.

Yours sincerely,

Christine O'Reilly  
CHIEF EXECUTIVE OFFICER