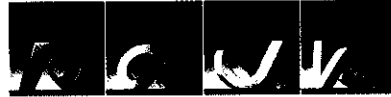


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VAW primary materials

File name:
DOC:

27 April 2001

Mr Michael Rawstron
General Manager Regulatory Affairs Division – Electricity
Australian Competition and Consumer Commission
PO Box 1199 DICKSON ACT 2602

By email, facsimile and by post

Facsimile: (02) 6243 1260

Dear Mr. Rawstron,

NETWORK PRICING AND MNSP DRAFT DETERMINATION

On 12 December 2000, the Australian Competition and Consumer Commission (the "ACCC") made a draft determination on proposed changes to the National Electricity Code (the "NEC") relating to network pricing and Market Network Service Providers. The ACCC has called for submissions from interested parties in relation to this draft determination.

VAW Kurri Kurri Pty Limited ("VAW Kurri") is a wholly owned subsidiary of VAW aluminium AG, one of Europe's largest aluminium companies. VAW Kurri owns and operates the 150,000 tonne capacity aluminium smelter (the "Smelter") at Kurri Kurri in the Hunter Valley region of NSW.

In this submission, VAW Kurri sets out in summary form the key issues concerning network pricing that are of particular importance to large intensive electricity users such as the Smelter.

Appropriate Network Pricing for Large Users

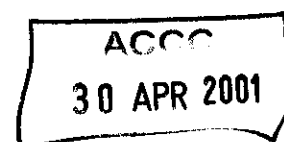
Aluminium production requires large amounts of continuous electricity. Typically, electricity is the second largest input cost after alumina. The Smelter currently operates on a flat demand of 300MW consuming energy of around 2,500GWh per annum, making it one of the largest electricity users in NSW.

VAW Kurri wishes to ensure that any network pricing methodology enforced by the ACCC should be able to produce a sensible outcome for such a user whose consumption is orders of magnitude greater than the overwhelming majority of other users. Specifically, VAW Kurri believes that a methodology producing a dollars per MWh network usage price that is fair to most users may produce a dollar value cost which is excessive for a large user.

VAW Kurri urges the ACCC to ensure that the NEC contains specific provisions to ensure that network pricing outcomes are fair to large users.

Long Term Pricing for Capital Intensive Industries

Aluminium production is a capital intensive industry, requiring an investment horizon of typically more than twenty years. Ongoing investment decisions such as modernisation and expansion are only possible where costs can be controlled in the long term.



Electricity network charges are a significant cost to an intensive user like the Smelter. Accordingly, the ability to lock in network charges under a long term contract is a critical requirement to allow ongoing investment in the Smelter.

VAW Kurri urges the ACCC to ensure that the NEC allows users to negotiate certainty of long term network pricing with network service providers.

Ongoing Consultation

VAW Kurri is keen to be involved in the consultation process in relation to the regulation of network pricing and would be pleased to discuss any matter raised in this submission further. Please direct any communications in the first instance to our financial advisers, Dresdner Kleinwort Wasserstein on the contact details below.

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Yours sincerely,
VAW Kurri Kurri Pty Limited


P.P. Trevor Coombe
Chief Executive Officer