

7 November 2005

Mr Warwick Anderson
Acting General Manager
Access Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602



FILE No:
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MARS/PRISM:

Dear Mr Anderson

ENERGEX has followed the PNG Gas Project and the PNG Gas Project Application for Authorisation with great interest, and wishes to make the following supplementary submission to the Australian Competition and Consumer Commission's December 2004 Issues paper. The comments herein confirm and summarise the views detailed to you at our meeting in Brisbane on 19 October 2005.

As outlined in our February 2005 submission, ENERGEX strongly supports the PNG Gas Project, and recognises the significant benefits that the project could potentially bring to Australia, and in particular Queensland. ENERGEX is also firmly committed to the operation of competitive markets, and as such expressed concerns in our February 2005 submission regarding the PNG Gas Project Participants' application for authorisation to jointly market PNG gas. This supplementary submission seeks to reinforce that position, and to vary ENERGEX's earlier view that authorisation for joint marketing should be granted for a period of up to three years following financial close. ENERGEX now considers that the joint marketing arrangement should cease following financial close.

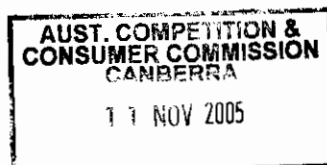
Since making our submission in February 2005, ENERGEX has been involved in discussions with various parties regarding gas supply, in particular for electricity generation in Townsville, Queensland. For an agreement to be commercially acceptable to ENERGEX, the gas supply must be competitively priced and must be flexible in terms of contract length and volume offtake. To date, ENERGEX has observed an unwillingness by parties to:

- Engage in separate negotiations where they are in joint marketing arrangements.
- Offer flexible, innovative and competitive products.
- Offer terms other than very long term contracts.
- Offer "unbundled" contracts or other flexibility such as backhaul and pipeline storage options that assist with gas-fired generation.

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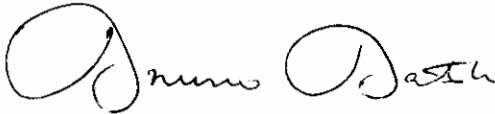
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ENERGEX is concerned that common prices, terms and conditions imposed by joint marketing arrangements impede optimal investment in gas reliant projects, notably gas-fired electricity projects. Townsville has limited gas supply options and hence our view is that negotiation of PNG gas via a joint marketing body substantially reduces competition in the Townsville region.

ENERGEX recognises the need for joint marketing to facilitate the project reaching financial close. However an authorisation for a period following financial close would likely result in the continuation of monopoly pricing, and would provide little incentive for the PNG Gas Project Participants to offer the innovative products required by gas customers to pursue optimal energy solutions. ENERGEX is firmly of the view that authorisation for joint marketing should cease following financial close.

If you have any questions or require further information, please contact Rebecca Pickering, Group Manager Regulatory Affairs, on (07) 3404 1869.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bruno Bertolo', written in a cursive style.

Bruno Bertolo
Acting General Manager Retail