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20 July 2017

Gas Market Reform Group
c/o Australian energy Market Commission
PO Box A2449
Sydney South NSW 1235

Via email: Gas Market Reform Group (GMRG) at
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Gas Pipeline Information Disclosure and Arbitration Framework

BlueScope Steel (hereafter 'BlueScope') welcomes the opportunity to comment on the Gas Pipeline Information Disclosure and Arbitration Framework draft Initial National Gas Rules.

BlueScope is Australia's largest steel manufacturer and the only flat steel producer. We employ 6,500 people in Australian regions and cities to supply our nationwide customers in the building and construction, manufacturing, transport, and agriculture sectors. BlueScope also exports steel products and is a global leader in premium coated and painted steel products, operating in 17 countries.

Energy affordability and security are fundamental to the competitiveness of our business. Over recent years, BlueScope has transformed its operations to return to profitability. Keeping domestic production costs competitive remains paramount and energy is a major cost in steelmaking. Purchased energy (electricity and gas) represents approximately 15 per cent of the company's costs at its Australian integrated iron and steel plant, the Port Kembla Steelworks. Energy costs are also an important component of costs at the company's metal coating and painting plants at Erskine Park (Western Sydney), Western Port (Hastings, Victoria) and Acacia Ridge (Brisbane, Queensland). All of these plants are important local/regional employers. Rising energy costs represent the single largest increase in BlueScope's local production costs. More expensive energy directly affects our capacity to invest and provide employment.

Limited access to reasonably priced, domestically sourced natural gas has become a serious and increasing concern for BlueScope. The unprecedented rise in domestic prices for natural gas has increased costs for industries such as steelmaking that are reliant on gas for production and has also contributed to higher electricity costs.

BlueScope is supportive of the actions taken by the Gas Market Reform Group (GMRG) to reduce the market power of unregulated gas pipelines through a combination of improved transparent information disclosure and a binding commercially orientated arbitration mechanism if commercial agreement cannot be reached. This market reform is significant and unlike others in that, if properly implemented, the benefits will be apparent to users from their first opportunity to negotiate an agreement under the new framework.

As such, BlueScope supports the submission made by the Energy Users Association of Australia with respect to the draft framework.



We believe the method used to measure asset valuation is a key issue that needs to be addressed to ensure the success of this reform. We support the intent of the proposed alternative wording for rule 569(2)(a) on page 23 of the Explanatory Note, particularly the concept that the current asset valuation must "...take into account past recoveries of capital".

However, we believe that the rules should give much more explicit guidance on what that means to ensure that the overarching "workably competitive" objective is met. This explicit guidance would ensure that the capital component of past tariffs would be used to measure past recoveries on a pipeline specific basis. Users of gas transport services should only pay "once" for the capital costs associated with the provision of that service.

The success of this Framework should be measured by the number of successful negotiations without having to resort to arbitration and the absence of monopoly profits identified by the ACCC's Inquiry into the east coast gas market in April 2016. We believe the asset valuation approach outlined here and detailed in the EUAA submission is key to a successful Framework.

Thank you for the opportunity to make this submission. For further information, please contact Bridgette Carter, Manager Energy Sourcing & Utilisation on 02 4240 1749, or David Jenkins, Manager Government Relations on 03 9666 4022.

Yours sincerely

A handwritten signature in blue ink, appearing to read "BCarter".

Bridgette Carter
Manager Energy Sourcing & Utilisation