

9 June 2000

Mr Stephen Dillon
National Competition Council
Level 12, Casselden Place
Melbourne VIC 3000

Facsimile: (03) 9285 7477

Dear Mr Dillon

RE: Supplementary Information on the Application for Revocation of Coverage:

**Palm Valley Pipeline
Alice Springs Distribution Network**

Envestra lodged with the National Competition Council on 12 April 2000 applications for revocation of coverage from the National Third Party Access Code for Natural Gas Pipeline Systems ("the Code") for the Palm Valley to Alice Springs pipeline and the Alice Springs distribution network.

In the applications Envestra estimated that the costs associated with the preparation of Access Arrangement and Access Arrangement Information documents would be in the order of \$150,000 to \$250,000.

In response to a telephone conversation with Mr Stephen Dillon on 2 June regarding the estimated regulatory costs, outlined below is a summary of how the costs were derived. They are based on the actual costs of preparing Access Arrangements for other Envestra owned pipelines such as the Mildura distribution network, the Riverland pipeline and the South Australian distribution network. The actual costs incurred by Envestra associated with each of the Access Arrangements are as follows:

Mildura Transmission Pipeline	Cost to December 1999
Internal labour	XXX
Consultants	XXX
TOTAL	\$188,484

Riverland Transmission Pipeline	Cost to December 1999
Internal labour	XXX
Consultants	XXX
TOTAL	\$154,215

South Australian Distribution Network	Cost to December 1999
Internal labour	XXX
Consultants	XXX
TOTAL	\$1,154,537

Note: Additional costs will be incurred as part of the process of responding to draft regulatory decisions and finalising the Access Arrangements.

Internal labour relates to the time spent collecting data, tariff design, financial analysis, consultations and drafting documentation. Consultants are used to provide expert advice on a range of legal, economic and technical matters (*e.g.* engineering analysis for DORC). The above costs do not take into account the on-going expenses that will be incurred in managing the regulatory obligations for each asset.

It should be noted that Access Arrangements for distribution networks require significantly more analysis than Access Arrangements for transmission pipelines, which is reflected in the above table.

Epic Energy South Australia Pty Ltd submitted in their application for revocation of coverage of the South East Pipeline System (PLs 3 and 4) in South Australia that the direct costs of preparing and Access Arrangement would likely be in the order of \$150,000. Epic Energy's cost estimate is comparable to the costs incurred by Envestra in developing the Access Arrangement for the Riverland transmission pipeline. Using this as an external benchmark, Envestra's estimated costs of \$150,000 to \$250,000 for each of the Palm Valley to Alice Springs pipeline and the Alice Springs distribution network are considered reasonable.

If you have any questions on this submission please contact Andrew Staniford on 08 8217 5568.

Yours sincerely

O G Clark
Managing Director