SUBMISSION 23: Response to Halcrow Pacific Issues Report / Request of Information

[redacted]

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1. INTRODUCTION

1.1. On Friday 4 June 2010, the Economic Regulation Authority (**ERA**) issued DBP with an Information Request (**Information Request**) to assist in the assessment of the proposed revisions to the Access Arrangement. DBP has been provided with two documents outlining the Information Request's requirements:

(a) Report prepared by ERA consultants Halcrow Pacific Pty Ltd (Halcrow Report); and

(b) DBP's confidential tariff model with highlighted areas indicating requests for further information.

1.2. The ERA asked DBP to provide a response by Tuesday 15 June 2010 and met with Halcrow Pacific for workshop discussions the week that commenced Monday 5 July 2010.

1.3. DBP provided the ERA with a submission on Tuesday 15 June and subsequent submission on Friday 25 June containing informing that was able to be brought together within the timeframe.

1.4. Subsequent to the workshop discussions the ERA issued DBP with a Follow-up Request for Information on Monday 12 July 2010.

1.5. DBP provided an initial submission (submission 18) in response to the Follow-up Request for Information on 18 July 2010.

1.6. This submission details DBP's further response to the Follow-up Information Request.

1.7. As advised in the initial submission of 15 June, there are a number of overarching concerns DBP has with the nature and type of information being requested in the Information Request and the Follow-up Request for Information. These concerns are outlined in section 2 of submission 14.

1.8. Given the above, DBP is providing this information in the interests of transparency. However, by making this submission, it should not be construed that DBP concedes that the ERA has a need to access this information in order to perform its statutory function of assessing the access arrangement proposal.

1.9. The sections of this submission that follow section 1 are structured using the same structure used in the Halcrow Report.

2. GENERAL INFORMATION REQUESTED

2.1. The Halcrow Report has requested some general information requested about DBP and the DBNGP, as outlined in the following table.

2.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment	Status of Information Provision
1	**General**		
1.1	*Please provide a copy of the Asset Management Plan*	*To get an understanding of the asset management strategy adopted by DBP including the infrastructure replacement strategy.*	*Information has been provided.*
1.2	Please provide a copy of the Safety Case.	To get an understanding of the safety regime.	Only Sections 0 and 1 of the Safety Case have been provided. It is requested that the balance of the document, specifically sections related to description of the assets and the risk assessment, are provided.
1.3	*Please provide a copy of the capitalisation policy.*	*To understand what is capitalised versus operating expenditure.*	*Information has been provided.*
1.4	*Please explain how DBP has entered into an Alliance arrangement with a service provider.*	*To get an understanding of how DBP has gone to the market to put into place an Alliance arrangement.*	*Information has been provided through discussions at the meetings/dissuasions with DBP.*
1.5	To get an understanding of the IT strategy for the $[redacted] adopted by DBP including the replacement plan and the adoption of new technology.	IT Services Plan 2009-2010 and IT Services Plan 2010-2011 have been provided. DBP indicated during the meetings/discussions, however, that this information does not accurately reflect its IT Strategy. It is requested that appropriate information be provided.	
1.6	Please provide details of the costing methodology adopted for the 2010 capital expenditure and the rationale justifying the projects.	To understand how the 2010 capital projects have been derived and costed.	A Process Flow Chart, Charter for the PRC and PRC Guidelines have been provided. Project Estimating Guidelines have also been provided, however, Appendix A – Contingency on Small Projects. It is requested that this Appendix be provided.
1.7	Please provide details of the costing methodology adopted for the 2011 to 2015 capital expenditure and the rationale justifying the projects.	To understand how the 2011 to 2015 capital projects have been derived and costed (It is acknowledged that this request could be covered in the Asset Management Plan).	As for Item 1.7.

Item	Description	Comment	Status of Information Provision
1.8	*Please provide details of the pipeline modelling used in determining the pipeline augmentation required and the timing of the augmentation.*	*To get an appreciation of the methodology used to determine the extent and timing of the augmentation.*	*Information has been provided.*
1.9	*Please provide the inflation factors that have been used in the forecast capital.*	*To be able to convert the costs to real dollars ($)*	*Information has been provided.*

Response to 1.5

2.3. DBP is in the process of collating this information which will be made available as soon as possible.

Response to 1.6

2.4. In submission 18, DBP advised that it is unable to provide the attachment referenced in the Project Estimation Guidelines as it does not presently exist.

2.5. However, in addition to the documentation that has already been provided, to further assist the consultant, DBP attaches to this submission copies of the following documents which should assist in outlining the rationale justifying all of the stay in business capital projects:

(a) attachment 1.6a – the stay in business risk ranking process

(b) attachment 1.6b – a presentation outlining the overall stay in business process, the risk ranking process and explaining how the risk ranking model works

Response to 1.7

2.6. DBP also refers to the additional documentation referred to in paragraph 2.5 as being relevant to the request item 1.7.

3. HISTORICAL CAPITAL EXPENDITURE

3.1. The Halcrow Report has outlined specific and general information which it requires for the actual capital expenditure incurred in the period 2005 to 2010, as outlined in the following table.

3.2. DBP has shaded out items that have are completed by submissions 14, 17 and 18.

Item	Description	Comment	Status of Information Provision
2	**Expansion Capital Expenditure (2005 to 2010)**		
2.1	*Please provide the actual gas quality reading since 2005.*	*To understand the impact of the actual versus minimum specified gas quality.*	*Information has been provided.*
2.2	In *Submission 9*, section 9.4, DBP advised that it has used a different ledger for recording different actual expenditure. What is the difference in to the previous ledger that makes it difficult to reconcile the information provided to the ERA in 2005.	To be able to make comparison of the actual versus forecast provided in 2005.	Information not yet provided.
2.3	In *Submission 9*, section 9.10, in respect to the FEED study, DBP indicated that the cost included both internal and external feed consultant cost. Please provide supporting information to show that the internal cost has not also been included in the operating cost or in the overheads.	To ensure that there is no double counting in the capital project cost.	The intent of statement at section 9.10 is not apparent; it appears to relate to the FEED study line items in the table at section 9.7. Please provide a breakdown of the inclusions within the FEED cost line items.
2.4	In *Submission 9*, section 9.18, DBP indicated that duty is payable at 5% of the cost of pipe. Please provide supporting information that shows that DBP is required to pay the duty.	To justify the cost of the purchase of the pipes.	DBP has advised that, in some cases, it is granted exemptions in respect to the payment of duty. It is understand that DBP is endeavouring to provide a reconciliation, however, this is not yet available.
2.5	*Submission 9, section 9.19 states that interest costs during construction have been included. Please provide a spreadsheet showing how the interest charges have been included in the construction costs.*	*To understand the impact of the interest charges on the construction costs.*	*Information has been provided.*

Item	Description	Comment	Status of Information Provision
2.6	*Submission 9, section 10.38 discusses how the effect of HHV and Wobbe index experienced since 2005 has impacted on DBNGP capacity and DBP's ability to meet its existing contractual obligations. Please provide information on the variability of the HHV and Wobbe index and the impact on DBP's ability to meet its contractual obligations. Please detail the number of incidents that have occurred. Please indicate whether DBP has incurred additional costs as a result of this issue.*	*To understand the impact of HHV and Wobbe index on DBP expansion program.*	*Information has been provided.*
2.7	*Submission 9*, section 11.10 states that increased electric power generation capability will be required and, as such, existing gas engine alternators have to be replaced. Please advise whether the existing units have been disposed of or sold. If sold please indicate the sell price of these items.	Understand the materiality of the sale of the alternators.	Information not yet provided.
2.8	Additional data to support *Submission 9*, Attachment 12 - Audit Report Capex Stage 5A is requested.	Attachment 12 is a table – are there any BDO Audit Reports or documents to support the figures?	Information not yet provided. DBP's advice (refer *Submission 14*) that it not able to provide a final audit report at this time is noted.
2.9	*Is there a document covering Stage 5B Looping - Design Basis?*	*It is understood that the Stage 5B design was closely based on Stage 5A.*	*Information has been provided.*
2.10	*Is there a document covering Stage 5B Compression - Design Basis?*	*It is understood that the Stage 5B design was closely based on Stage 5A.*	*Information has been provided.*
2.11	*Explanation of Submission 9, Attachment 15 - Stage 5 Technical Review, 29 June 2006 is required.*	*Capacity figures, stages, scope of work appear to be different to other documentation?*	*Information has been provided.*
2.12	Please provide financial audit report for the expenditure for Stage 5B for the current period.		DBP has advised that this is not yet available and is unlikely to be available within the review timeline.
2.13	Please explain what is included in the DBP overhead cost and the [redacted] margin costs on overheads in the table in section 11.12	Understand what is included in the overheads and margin.	Information not yet provided.

Item	Description	Comment	Status of Information Provision
2.14	*In Submission 9, section 17.13(b), DBP states that it has informal supporting information from a number of reputable consulting firms that the project management fees are in accordance with accepted industry practice; and in section 17.13(d) say that recent market information (publicly available) shows (i) that it is accepted industry practice for project management fees to be included into contracts for infrastructure construction, and (ii) that the 3% fee compares favourably with other fees payable in similar circumstances. Please make this information available for review.*	*To provide an improved understanding of these fees and their applicability to the capital programs.*	*Information has been provided.*

3.3. DBP provides responses below to the following requests for information from the above table.

Response to 2.2 – Project Ledgers

3.4. DBP is in the process of finalising a spreadsheet for stage 4 which is similar to the spreadsheets for each of stages 5A and 5B attached to submission 18 which:

(a) allocates the actual expenditure incurred for stage 4 into the categories of expenditure that were used in the budget for that stage (as was previously provided to the ERA). The categories used in the budget are called cost time resources (CTRs) and are referred to as such in the spreadsheets; and

(b) reconciles these budgeted expenditure categories (ie CTRs - which were activity based) with the categories of expenditure used in DBP's filing (which were asset based).

3.5. A copy of this spreadsheet will be provided as soon as possible. There have been difficulties collating this spreadsheet because of the change in accounting systems since the project was completed and the changes in the asset manager's personnel during that period.

3.6. In addition, DBP has previously advised the ERA that the forecast capital expenditure for stage 5B that was included in DBP's revised access arrangement proposal (original forecast):

(a) Omitted certain amounts of expenditure that should have been included in the original forecast; and

(b) Did not reflect savings that DBP has identified and publicly announced in a public statement of April 2010, following the lodgement of the proposal.

3.7. In addition, DBP has identified certain amounts of expenditure in the original forecast which have also been included elsewhere in DBP's proposal and therefore should be removed from the forecast expenditure for stage 5B.

3.8. The most current and accurate forecast of expenditure for Stage 5B is $675million ("current estimate").

3.9. The variance between the original estimate and the current estimate can be summarised as follows:

Item	Adjustment as at 30 June 2010 $m	Forecast Expenditure $m
Original estimate as filed on 1 April 2010	[redacted]	[redacted]
BEP Lease		
Capitalisation of interest		
Capitalisation of borrowings		
Decommissioning costs		
Savings identified in baseline budget as outlined in media statement in April 2010		
Current forecast for the access arrangement		

3.10. DBP proposes to amend its proposed revised access arrangement to incorporate the revised forecast expenditure following the released of the draft decision.

Response to 2.3 – Consultant Costs

3.11. DBP provides the following information to substantiate the submission that internal labour costs that have been capitalised in the expansion related FEED studies (or any other FEED studies for that matter) are not also included in the operating expenditure or in the overheads – ie that there is no double counting of labour costs.

(a) For the costs associated with DBP employees, for the period 2005-2009, each employee performed an effort survey to identify the percentages of their time they were likely to spend on expansion related work (including FEED studies) and other projects (such as shipper funded capital works and minor stay in business projects).

(b) This effort survey was repeated twice a year.

(c) The relevant percentage was then applied as the basis for capitalising a portion of each DBP employee's labour cost and booking that cost to the relevant project/s under the general ledger of salaries.

(d) For operating expenditure, the full salary of each DBP employee was booked to the operating expenditure general ledgers relating to salaries. However, there was then a reversal of an amount from the operating expenditure ledgers equal the amount that was being capitalised to relevant projects. This reversal is recorded in the general ledger called "Settlement to COGS". This amount equals the amounts of all DBP employees' salaries which have been capitalised to expansion projects, stay in business capital projects and shipper funded projects.

(e) For the period 2009 onwards, instead of an effort survey being undertaken, time sheeting was undertaken so that each employee had to complete a monthly timesheet and record the number of hours actually worked per week on relevant capital projects (including expansion and other capital projects. The labour costs for this amount of time was then allocated to each relevant capital project under the ledgers relating to salaries.

(f) The same procedure was followed for operating expenditure for the period 2009 onwards as was followed before 2009 – ie the full salary of each DBP employee was booked to the general ledger for salaries but then there was a reversal of a portion of each salary (based on the time sheeted information) under the same general ledger called "Settlement of COGS".

(g) For the costs associated with Alinta/WestNet employees, the process followed was slightly different but still, there was no doubling up of costs in DBP's filing.

(h) Firstly, staff recorded time spent on capital projects (including expansion and shipper funded projects and minor capital works for the DBNGP and (where relevant) other non DBP owned assets) on monthly timesheets. These amounts were then recorded in the general ledger maintained by WestNet/Alinta for each project called direct labour.

(i) Secondly, the full salary of each WestNet/Alinta employee was booked to the WestNet/Alinta's operating expenditure general ledgers relating to direct labour. However, there was, at the same time, a reversal of an amount from the operating expenditure ledgers equal the amount that was being capitalised to relevant projects. This reversal is recorded in the WestNet/Alinta general ledger called "Settlement to COGS". This amount equals the amounts of all WestNet/Alinta employees' salaries which have been capitalised to expansion projects, stay in business capital projects and shipper funded projects (for both the DBNGP and other assets).

(j) Thirdly, WestNet/Alinta then invoiced DBP, as a Reimbursable Cost under the Operating Services Agreement (being the operating expenditure incurred by WestNet / Alinta), only the net amount of WestNet/Alinta's labour costs that related to time spent on DBNGP matters. These reimbursable costs were then recorded in DBP's general ledger for contractors instead of salaries.

(k) Again, the amount in the WestNet/Alinta general ledger called "Settlement to COGS" equals the amount capitalised to direct labour for all capital projects (including expansion, stay in business, and shipper funded capital projects).

3.12. It is not possible to provide a sample of the ledgers for DBP's operating costs, WestNet/Alinta's operating costs and the expansion projects to verify that there is no doubling counting of WestNet's internal labour costs for the following reasons:

(a) Some WestNet/Alinta employees worked on both DBNGP and non DBNGP capital projects.

(b) Where WestNet/Alinta employees worked on DBNGP capital projects, in some instances, employees worked on both expansion and other capital projects.

4. STAY-IN-BUSINESS EXPENDITURE (2005 TO 2010)

4.1. The Halcrow report has outlined specific and general information which it requires for the stay-in-business expenditure incurred in the period 2005 to 2010, as outlined in the following table.

4.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment	Status of Information Provision
3	**Stay-in-Business Capital Expenditure (2005 to 2010)**		
3.1	*Computers – [redacted] at Esplanade $[redacted] in 2007; please provide details of the $[redacted] (eg. design, procurement, installation, overheads etc) and the business case.*	*To understand the different components of the costs for the relocation of the control room.*	*Information has been provided.*
3.2	*Motor Vehicles – Please provide a copy of the vehicle replacement policy and outline the types of vehicles included in the cost category.*	*To get an appreciation of the frequency of vehicle replacement.*	*Information has been provided.*
3.3	*SCADA – Please provide a copy of the SCADA strategy prepared in 2006.*	*To understand the justification for the upgrade.*	*Information has been provided.*
3.4	*SCADA – In 2010, there is a cost of $[redacted] please provide details of the project scope, details of the cost and business case.*	*Explanation in Submission 10 is not clear in respect to what is proposed for 2010.*	*Information has been provided.*
3.5	*CCTV – Please provide scope of works, details of the cost of $[redacted] in 2010 and the business case for the project.*	*No details of the project were provided in Submission 10.*	*Information has been provided.*
3.6	Software – Please provide the scope of works, details of the cost of $[redacted] in 2010 and the business case for the Maximo project.	Project was only shown as Corporate system in *Submission 10*.	Some explanation has been provided in *Submission 14*; *Submission 17* indicates that DBP is compiling further information. It is requested that the additional information be provided.
3.7	*Compression – Please provide a copy of the replacement philosophy adopted for compressors.*	*To get an understanding of the frequency of replacement.*	*Information has been provided.*
3.8	Compression – CS6/2 Nuova Pignone Low Pressure Turbine replacement at a cost of $[redacted] in 2009. Please provide scope of works, details of costs and business case.	To understand the scope of works and the cost.	Information not yet provided.

Item	Description	Comment	Status of Information Provision
3.9	Compression – CS2/2 Solar Mars 100 cost $[redacted] in 2009. Please provide scope of works, details of costs and business case.	To understand the scope of works and the cost.	Information not yet provided.
3.10	Compression – CS8/2 Solar Mars 100 cost $[redacted] in 2009. Please provide scope of works, details of costs and business case.	To understand the scope of works and the cost.	Information not yet provided.
3.11	Compression – Please provide scope of works, details of the cost of $13.1m in 2010 and the business case for the projects.	No details of the project were provided in *Submission 10.*	Information not yet provided.
3.12	*Microwave – Please provide scope of works, details of the cost of $[redacted] in 2010 and the business case.*	*To understand the scope of works and the cost.*	*Information has been provided.*
3.13	DBNGP Signage – Please provide scope of works, details of the cost of $[redacted] in 2010 and the business case.	To understand the scope of works and the cost.	Information not yet provided.
3.14	Compressor Station Pipework – Please provide scope of works, details of the cost of $[redacted] in 2010 and the business case for the project/s.	To understand the scope of works and the cost.	Some explanation provided in *Submissions 14 and 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
3.15	Transition Costs – Please provide scope of works, details of the cost of $[redacted] in 2010 and the business case for the project/s.	To understand the scope of works and the cost.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
3.16	Coating and Earthing Replacement – Please provide scope of works, details of the cost of $[redacted] in 2010 and the business case for the project/s.	To understand the scope of works and the cost.	Some explanation provided in *Submissions 14 and 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).

4.3. DBP provides responses below to the following requests for information from the above table.

Response to 3.6 – Software (Maximo)

4.4. In providing the project ledgers in response to request item 2.2, DBP has identified that some of the costs for the Maximo upgrade have been included twice – once in the

expenditure for the 5A expansion project and the second time in the stay in business project called Software (Maximo) upgrade.

4.5. Further submission will be provided as soon as possile to explain the adjustment.

5. FORECAST CAPITAL EXPENDITURE

5.1. The Halcrow Report has outlined specific and general information which it requires for the forecast capital expenditure, as outlined in the following table.

5.2. DBP has shaded out items that have are completed by submissions 14, 17 and 18.

Item	Description	Comment
4	**Expansion Capital Expenditure (2011 to 2015)**	
4.1	Pipeline – Please provide details of the scope of works.	To understand the extent of work and expenditure required to complete Stage 5B.
4.2	Compression – Please provide details of the scope of works.	To understand the extent of work and expenditure required to complete Stage 5B.
4.3	Other – Please provide details of the scope of works.	To understand the extent of work and expenditure required to complete Stage 5B.

6. STAY-IN-BUSINESS CAPITAL EXPENDUTRE (2011 TO 2015)

6.1. The Halcrow Report has outlined specific and general information which it requires for the stay-in-business capital expenditure incurred in the period (2011 to 2014), as outlined in the following table.

6.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment	Status of Information Provision
5	**Stay-in-Business Capital Expenditure (2011 to 2015)**		
5.1	Compressor Stations – Replacement of compressor control at CS2, 4 & 7 at a cost of $[redacted] in 2011 and $[redacted] in 2012. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. Reference is made to a FEED Study from which costs were derived; it is requested that a copy of the FEED Study/cost derivation be provided.
5.2	Compressor Stations – Replacement of compressor control at CS10 to cost $[redacted] in 2012. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.3	*Compressor Stations – Replacement of station PLC 5 at ACS sites and CS10 $[redacted] in 2011. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.*	*To understand the scope of works and the costing methodology.*	*Information has been provided.*
5.4	Compressor Stations – CS6 NP exhaust replacement $[redacted] in 2014. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.5	Compressor Stations – Underground pipework at compressor station at $[redacted] per annum. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).

Item	Description	Comment	Status of Information Provision
5.6	Compressor Stations – Replace compressor station copper earthing (CS1, 5 & 8) at $[redacted] per annum from 2011 to 2013. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.7	Compressor Stations – Replacement of stage 3A turbine air inlet filters cost $[redacted] in 2011. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.8	Compressor Stations – Upgrade of compressor station costs $[redacted] in 2015. Please provide scope (age of building, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.9	Compressor Stations – GEA overhaul costs $[redacted] per annum. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Information not yet provided.
5.10	Meter Stations – Flow computer upgrades cost $[redacted] in 2012 and $[redacted] in 2013 and 2014. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived.	To understand the scope of works and the costing methodology.	Information has been provided.
5.11	Pipeline – South West Communication Upgrade cost $[redacted] per annum from 2011 to 2013. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived. Please clarify what is meant by "changes in the associated assets".	To understand the scope of works and the costing methodology.	Explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).

Item	Description	Comment	Status of Information Provision
5.12	Pipeline – Replacement of CCVT cost $[redacted] in 2011, $[redacted] in 2012 and $[redacted] in 2013. Please provide scope (age of equipment, work carried out internal/external) and details of the cost including how they have been derived. Please clarify the difference between the project in 2010 as compared to what is proposed from 2011 to 2013.	To understand the scope of works, the costing methodology and the difference between work in 2010 as compared to the forecast period.	Some explanation provided in *Submission 17*, however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.13	Other – Jandakot office construction. Please provide details of cost including how they have been derived. Please detail if there are any cost savings as a result of the move.	To understand the benefit in the move, costing methodology and any cost savings.	Information not yet provided.
5.14	Other – SCADA upgrade of $[redacted] in 2011. Please provide details of the project, the cost and how it has been derived. Please clarify the difference in the project in 2010 and 2011.	To understand the scope of works and the costing methodology.	Information not yet provided.
5.15	Other – Please provide the IT strategy that determines the requirements of: ▪ ICT (SAP, Maximo, CRS) replacement and the proposed timing; and ▪ Lap top replacement and the proposed timing. Also provide details of the costs and how they have been derived.	To understand the scope of works, the justification and the costing methodology.	Information not yet provided.
5.16	Other – Replacement vehicles cost $[redacted] per annum; consistent with item 3.2 please provide details of the number, types of vehicles to be replaced and the costs per vehicle.	To understand the scope of works, the justification and the costing methodology.	*Information has been provided.*
5.17	Other – Software licences cost $[redacted] per annum. Please detail how this provision has been derived and what type of licences they cover.	To understand the scope of works, the justification and the costing methodology.	Information not yet provided.
5.18	Other – Management of change; please provide details of what type of changes have been provision for and how the costs of $[redacted] per annum has been derived.	To understand the scope of works, the justification and the costing methodology.	Information not yet provided.

6.3. DBP provides responses below to the following requests for information from the above table.

Response to 5.2

6.4. DBP attaches the following documents to substantiate the inclusion of the capital expenditure for this project in the capital base:

(a) Project justification form – attachment 5.2a

(b) Monte Carlo costing analysis spreadsheet – attachment 5.2b

Response to 5.5

6.5. DBP attaches the following documents to substantiate the inclusion of the capital expenditure for this project in the capital base:

(a) A document explaining the project – attachment 5.5a

(b) Monte Carlo costing analysis spreadsheet – attachment 5.5b

Response to 5.6

6.6. DBP attaches the following documents to substantiate the inclusion of the capital expenditure for this project in the capital base:

(a) A document explaining the project – attachment 5.6a

(b) FEED Study costing spreadsheet – attachment 5.6b

Response to 5.8

6.7. DBP attaches the following documents to further substantiate the inclusion of the capital expenditure for this project in the capital base:

(a) A document explaining the project – attachment 5.8a

Response to 5.9

6.8. In addition to the submissions made in respect of this project in submission 18, DBP attaches the following documents to further substantiate the inclusion of the capital expenditure for this project in the capital base:

(a) A document explaining the project – attachment 5.9a.

Response to 5.13 - Jandakot Office

6.9. DBP is in the process of collating this information which will be made available as soon as possible.

Response to 5.14 – SCADA

6.10. DBP is in the process of collating this information which will be made available as soon as possible.

Response to 5.15 – IT Strategy

6.11. DBP is in the process of collating this information which will be made available as soon as possible.

7. HISTORICAL OPERATING EXPENDITURE

7.1. The Halcrow Report has outlined specific and general information which it requires for the historical operating expenditure, as outlined in the following table.

7.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment	Status of Information Provision
6	**Historical Operating Expenditure (2005 to 2010)**		
6.1	A breakdown of historical operating expenditure on the same basis as provided for forecast expenditure (refer Table 2 in *Submission 12*).	To understand the detailed makeup of the historical operating expenditure and thereby confirm the baseline level of operating expenditure.	There are errors in the information provided; please provide corrected information.
6.2	A comparison of actual operating expenditure to the proposed operating expenditure as identified in the (existing) 2005 Access Arrangement. The comparison should preferably be presented on the same basis (ie. breakdown) as provided for forecast expenditure (refer Table 2 in *Submission 12*).	To understand the detailed makeup of the historical operating expenditure and changes from the expenditure forecast in the 2005 Access Arrangement.	Information not yet provided.
6.3	Details demonstrating the correlation between changes in operating expenditure and the growth of DBP's asset portfolio (inventory) on an annual basis over the period from 2005 to 2010.	To understand the operating and maintenance costs attracted by each item of infrastructure.	Overview provided in interviews. It is requested that documented response be provided.
6.4	Correlation of historical staffing levels with operations and maintenance activities.	To enable allocation of staffing costs to specific activities.	Overview provided in interviews. It is requested that documented response be provided.
6.5	*Clarification as to the correct timeframe over which the growth in DBNGP assets has been assessed in Submission 12, section 6.4 [it is noted that the text and Table 5 caption refer to the period 1999 to 2009/10, whilst the table header row shows 2004 and 2009/10].*	*To clarify the rate of asset growth.*	*Clarification has been provided.*

Item	Description	Comment	Status of Information Provision
6.6	*Details of adopted/assumed inflationary factors and the net impact over the period 2005 to 2010 [it is noted that Submission 12 provides a discussion of the impact of inflation over the period 1999 to 2009, with a further adjustment to 2010 for the adopted factors (unless the references to 1999 in sections 6.5 and 6.7 are errors)].*	*To understand DBP's submission in respect to the impact of inflation on historical operating costs.*	*Clarification has been provided.*
6.7	*Documentation demonstrating the proposed fee increases under the Access Right, including the timeframe under which they will become applicable.*	*To understand the breakdown of the "Utility Rates and Taxes" expenditure category.*	*Documentation has been provided.*
6.8	*Details of a risk assessment or business case that underpins the need to increase aerial surveillance of the DBNGP pipeline corridor, together with details of scope and cost of surveillance activities both prior and subsequent to the increased surveillance frequency.*	*To understand the basis for and magnitude of surveillance cost increases.*	*Documentation has been provided.*
6.9	Clarification of the timing when cost sharing of the microwave maintenance costs ceased.	To understand that impact of changes to microwave maintenance arrangements on operating expenditure.	General overview provided during interviews. It is requested that a documented response be provided (refer to Item 10.7).
6.10	Details of the need to install a new microwave system, including assessment of options taking into account whole of life (including maintenance) costs [it is noted in *Submission 12* that maintenance costs are higher than for the previous system].	To understand that impact of changes to microwave maintenance arrangements on operating expenditure.	Overview provided during interviews. Response to request still outstanding.
6.11	Details of the additional costs incurred by engineering consultancies, including details of the nature of the work undertaken, the associated costs and justification for the increased activity.	To understand the significance and impact of the increased expenditure.	General overview provided during interviews. It is requested that a documented response be provided.
6.12	Details of the reasons for the increased Information Technology Costs including changes to the Operating Services Agreement and details as to whether alternative supply options were considered.	To understand the impact of changes to the Operating Services Agreement.	General overview provided during interviews. It is requested that a documented response be provided.

Item	Description	Comment	Status of Information Provision
6.13	Details of the increased obligations that have resulted in increased Audit Costs.	To understand the impact of changing regulatory obligations.	Information not yet provided.
6.14	*Identification of the categories (refer Table 2 in Submission 12) to which Information Technology and Audit costs have been allocated.*	*To understand the compilation of expenditure categories.*	*Clarification has been provided.*
6.15	Details of the correlation between calculated (forecast) and actual quantities of fuel gas used during the current Access Arrangement period.	To confirm the veracity of the fuel gas forecasting model.	Information not yet provided.
6.16	Details of actual self insurance events during the current Access Arrangement period, including details of associated costs.	To understand the nature and extent of self insurance events.	Information not yet provided.

7.3. DBP provides responses below to the following requests for information from the above table.

Response to 6.1 – Historical operating expenditure

7.4. As discussed during the workshops held with Halcrow, DBP has broken down the historical operating expenditure for the 2008 and 2009 calendar years on the same basis as provided for in the forecast expenditure for 2011 to 2015. In relation to the operating expenditure for 2010, DBP has also broken it down on a similar basis however, it should be noted that the operating expenditure for that year includes actual operating expenditure for the first half of that year and the forecast expenditure for the period from 1 July 2010.

7.5. DBP is unable to breakdown the expenditure for the 2005-2007 calendar years on the same basis because the then asset manager of the DBNGP recorded expenditure in a format and using systems which means that it is impossible to accurately undertake the breakdown for these years.

7.6. The breakdown of expenditure for the 2008 and 2009 years in the same categories as is used to breakdown the forecast operating expenditure is contained in the worksheets in the spreadsheet in attachment 6.1a named "opex by GL account".

Response to 6.2 – Comparison with 2005 access arrangement

7.7. As discussed at the workshops, DBP is unable to provide this requested information on an accurate basis for the following reasons:

(a) The forecasts provided in 2005 for the period 2005 to 2010 were based on operating expenditure forecasts prepared at a time where there was significant change in the ownership and asset management arrangements for the DBNGP. These forecasts were prepared as a set of transitional arrangements by the prior owners. This is explained in submission 4 filed with the regulator as part of the 2005 Access Arrangement approvals process (a copy of which is attached as attachment 6.2a).

(b) The change in asset management arrangements discussed in paragraph 7.5 above.

7.8. Nevertheless, DBP understood from the meeting that Halcrow no longer requires this information.

Response to 6.3 - Asset Growth

7.9. DBP refers to the spreadsheet attached as attachment 6.1a and the worksheets in that spreadsheet called "graphs". The following table is included in that worksheet which summarises the areas of expenditure that have changed levels of expenditure from 2008 to 2011:

	$ million, real 31-Dec-10
Salaries	3.1
Consulting	1.9
IT Expenses	4.7
Insurance	0.8
Utilities, rates and taxes	5.2
CPRS costs	10.9
Compressor overhauls	9.0
	35.6

7.10. Of these expenditure categories which have changed levels of expenditure, the following can be attributable to the growth in the asset:

(a) Insurance – DBP's insurance premiums for property damage and business interruption insurance cover are determined by multiplying a percentage rate by the value of the asset and value of the revenue earned. The unit rate has remained relatively constant over the period. The following is the rate that has applied over the past 3 years:

(i) 2009-10 - rate [redacted]

(ii) 2008-09 - rate [redacted]

(iii) 2007-08 – rate [redacted]

(b) Notwithstanding this, the value of the asset and revenue earned has increased significantly as a result of the sustained capacity expansion program over the last five years, thereby resulting in increased premiums.

(c) Compressor overhauls – in the actual operating expenditure figures submitted, no allowance is made for the overhauls of compressors. As is outlined in response to item 10.15, for the period 2005 to 2010, DBP has capitalised these costs for accounting purposes and the historical operating expenditure submitted was based on the operating expenditure in DBP's end of year financial statements. Accordingly, 100% of the costs increase for forecast expenditure for compressor overhauls is attributable to the fact that DBP has proposed to expense these costs as opposed to capitalising them. Although, it should be noted that the number of overhauls has increased since 2005 given the number of compressors that have been added to the pipeline system since 2005.

(d) IT costs – as outlined earlier in this submission, the IT expenditure includes the payment of a usage fee which reflects the recovery by WestNet of the capital costs associated with new IT assets purchased by it to provide service to (among others) DBP. This usage fee was first payable by DBP in 2009. As a result of the expansions, DBP has increased the number of employees working for the business and there has been a need to provide IT hardware to enable these employees to undertake their functions. The capital costs for the provision of this additional

hardware and software has been passed on to DBP as part of the usage fee under the OSA and this therefore explains only approximately $[redacted] pa of the increase in IT costs.

(e) Salaries – As outlined in the spreadsheet attached as attachment 6.1a, the number of FTEs has increased and is forecast to increase generally across all divisions in the business but most importantly in the maintenance and engineering divisions. This is explained in more detail in DBP's response to item 6.4 below.

(f) CPRS Costs – while the CPRS is no longer certain to be implemented as a legislative framework to apply in Australia, had DBP not undertaken the expansions using compression as a means of providing the additional capacity, its potential liability under such a scheme would not be as high as the amount included in the proposed access arrangement revisions.

(g) Utilities Rates and Taxes – one of the most significant charges DBP is liable to pay to the State is the access fee payable under DBP's access right granted to it under the Dampier to Bunbury Act for the right to access the land corridor (called the DBNGP corridor). The charge DBP pays is determined by the amount of the DBNGP corridor that is occupied by the DBNGP. As the DBNGP has been looped, and the area of the DBNGP corridor occupied by the pipeline system increases, the fee has been increased following the completion of each stage. The details of the quantum of the increase can be provided if necessary.

Response to 6.4 – Historical Staffing Levels

7.11. DBP refers to the spreadsheet attached as attachment 6.1a and the worksheets in that spreadsheet called "Data for graphs" and "graphs".

7.12. DBP does not have numbers of FTE equivalent staff working on the DBNGP prior to 2008. The number of staff working on the pipeline was then a matter for WestNet Energy Services in accordance with the Operating Services Agreement. In the planning for "internalisation" of DBNGP operation within DBP, estimates were made of the number of FTE staff working on the pipeline for the purpose of determining the number of staff to be transferred from WestNet Energy Services to DBP. This number was about 170 FTE staff. By June 2009, the DBP staff complement was - 181.7 FTE staff (excluding contractors) - comprising existing DBP staff (10), staff transferring from WestNet Energy Services, and new recruits. These staff, and the, organization units to which they were assigned, are shown in the following table.

FTE staff	2008	2009	2010	2011	2012	2013	2014	2015
Executive		0	1	1	1	1	1	1
Finance and administration		12.7	16.1	17.1	17.1	17.1	17.1	17.1
System Design and Operations		27	29.8	31.8	31.8	31.8	31.8	31.8
Maintenance		111.6	111.9	118.9	118.9	118.9	118.9	118.9
Corporate Services		9.6	10.8	12.7	12.7	12.7	12.7	12.7
Commercial		20.8	21.6	23.3	23.3	23.3	23.3	23.3
	181.6	**181.7**	**191.2**	**204.8**	**204.8**	**204.8**	**204.8**	**204.8**

7.13. The number of FTE staff increased by approximately 10 between 2008 and 2010, and a further increase of 13 is anticipated. The largest component of the increase (7) is in Maintenance, the additional resources being required for the increased maintenance task associated with the additional 1,011 km of looped pipeline constructed as the Stage 5A and

Stage 5B expansion programs. These expansions added some 209TJ/d of full haul firm capacity, for 22 shippers, at a capital cost of $1,316 million. Expansion on this scale has required additional resources in Finance and Administration (4.4 FTE staff) to manage reporting and other obligations to lenders which come with the increase in DBP's debt portfolio, and additional staff in System Design and Operations (4.8 FTE staff) for strategic asset management and operational engineering activities associated with the expanded pipeline system.

7.14. The DBNGP (like most other transmission pipelines) operates on a daily cycle in which shippers nominate, for the day ahead, gas deliveries into the pipeline, and receipts of gas from the pipeline, in the context of a previously submitted forecast of weekly nominations, and (subject to operational constraints) renominate within the gas day for the purpose of maintaining balance between receipts and deliveries. For the management of their gas flows, shippers require (and DBP is obliged to provide under its shipper contracts) flow information at delivery points and receipt points within each day, daily and periodically for billing. A further 3.1 FTE staff are required in Corporate Services, and 2.5 in Commercial, are required for the additional contract administration resulting from the new shipper contracts which justified expansion and as a result of increased regulatory obligations such as those under the climate change legislative framework.

Response to 6.9 & 6.10 - Microwave

7.15. DBP refers to its response to request 3.12 which explains the background to the microwave system and the change in the commercial arrangements with Western Power.

7.16. Two key parts of that change involved:

(a) the separation of the DBP and Western Power joint ownership of the system and the transfer of ownership from Western Power to DBP of its interest in the system; and

(b) Western Power ceasing to have any responsibility for the operation and maintenance of any part of the microwave system.

7.17. In addition, as is outlined elsewhere in DBP's submissions, in 2009, the microwave system was upgraded due to the fact that much of the system was no longer able to be serviced and spare parts could no longer be obtained.

7.18. With DBP being the sole user of the system and having very little expertise in the maintenance of equipment apart from Telstra's services, a tender process was called for the O&M of the Microwave system. United was the successful tender. The contract term commenced in February 2009.

7.19. The annual cost to DBP is approximately $[redacted] for this service. A copy of the maintenance contract with United is attached as attachment 10.8.

7.20. The costs for this contract are booked to the "Consultant" general ledger code as an engineering relating consultancy.

Response to 6.11 – Engineering Consultancies

7.21. Engineering consultancies are used in the following areas of DBP's work program:

(a) Engineering Services of Momentum, Worley or Plexal to support operational engineering works. These are engineering works that are more specialized and which each of the discipline engineering groups may call upon to provide additional information and verification to DBP's engineering processes

(b) The CP contractor that provides the CP Survey works on the pipeline. This is the annual survey of the pipeline for CP and Coating Performance. This cost also includes the annual CP dig ups that is used to test for CP performance and includes DBP's program of 'Looking for SCC'

(c) The consultant used by DBP to conduct its annual Hazardous Area Audits and completions of any restoration works. The Hazardous Area Audit/Inspection is outsourced to a specialist consultant for the annual scope of work to cover our 3 yearly audit program. The audit is done on a 3 yearly basis with Meter Station in Year 1, Compressor Station in Y2 and Pipeline Y3 with rectification works interleaving these years with an offset.

(d) The review of the AMP and design basis including specifications review to support the Project Management Office. This scope includes the services required to our Asset Strategy Business Process to review critical strategic and tactical documents for the Expansion and Capex business processes as well as the Operation and Maintenance business processes.

(e) Microwave system maintenance costs (as outlined in DBP's response to item 6.9).

Response to 6.12 – IT Costs

7.22. In 2008, IT services were provided to the DBNGP, by WestNet Energy Services, under the terms of the Operating Services Agreement (OSA). For these services, DBP paid IT software and maintenance support charges of about $[redacted] per month to WestNet Energy Services. Other costs of providing IT support, including a proportion of the costs of the IT staff employed by WestNet Energy Services, were recovered through other charges levied under the OSA.

7.23. Restructuring of WestNet Energy Services during 2009, with the transfer of gas transmission operations to DBP (and the transfer of gas distribution operations to WA Gas Networks) triggered a review of IT services charging within WestNet Energy Services (which would continue to provide those services to DBP and WA Gas Networks). A new scheme of charges was developed by WestNet Energy Services which provided for recovery of those costs of IT service provision which had previously been recovered through other charges levied under the OSA (approximately $[redacted] million annually), and which provided a return on and return of WestNet Energy Services investment in IT assets (approximately $[redacted] million annually). The IT charges previously payable to WestNet Energy Services had not allowed for any return on or return of IT investment.

7.24. Further details of Information technology costs are set out in Table 2 of Attachment 6.1.

Response to 6.13 – Audit Costs

7.25. DBP refers to the submissions provided in responses to item 1.2 outlining the increased obligations under the Petroleum Pipeline legislation in WA.

7.26. In addition, additional obligations have arisen the following legislative frameworks and which are likely to result in increased audit costs:

(a) National Gas Law and Rule – more detailed compliance and auditing obligations

(b) ACCC Undertakings

(c) Under the proposed climate change reforms, companies subject to the emissions trading scheme will be required to be audited.

Response to 6.15 – Fuel gas veracity

7.27. DBP is in the process of collating this information which will be made available as soon as possible.

Response to 6.16 – Self insurance

7.28. DBP refers Halcrow to Submission 12 from paragraph 6.12 which details the self insurance element of the access arrangement.

8. FORECAST OPERATING EXPENDITURE

8.1. The Halcrow Report has outlined specific and general information which it requires for the historical operating expenditure, as outlined in the following table.

8.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment	Status of Information Provision
7	**Forecast Operating Expenditure (2011 to 2015)**		
7.1	In Submission 12, DBP has used the term "operator" in the same context as DBP. Clarification is required as to which entity operates the pipeline; if not DBP, details of the relationship between the parties are required.	To understand how operation and maintenance of the pipeline is administered.	Clarification has been provided.
7.2	Detailed breakdown of proposed expenditure by activity, preferably in MSExcel (or similar) format to enable detailed analysis, together with spreadsheet models (which detail key assumptions and methods) used to determine forecast operating expenditure [it is noted that DBP has advised that all budgets are "zero" based].	To understand how DBP has derived its forecast operating expenditure and how it relates to the historical operating expenditure.	Information not yet provided.
7.3	A copy of the Safety Case and any further correspondence with Western Australia's Safety and Technical Regulator in relation to its assessment of the Safety Case, which is likely to have an impact on operating expenditure.	To provide details of the changes to the Safety Case, as required by the Western Australian Government.	Refer also to Item 1.2 (**Section** Error! Reference source not found.). Only Sections 0 and 1 of the Safety Case have been provided. It is requested that a copy of any relevant correspondence with Western Australia's Safety and Technical Regulator be provided.
7.4	Details of the increased compliance obligations that will need to be included in the Safety Case, and the resultant impact on Operating Expenditure.	To understand the impact of regulatory obligations and related changes on operating costs.	Information not yet provided. It is requested that documentation indentifying additional obligations be provided (if available).
7.5	Asset Management Plan/Maintenance Plans (both routine and reactive) for all items of infrastructure, showing proposed maintenance activities and associated costs on an annual basis.	To understand basis of operating and maintenance costs allocated to each item of infrastructure.	Asset Management Plan provided. Details of proposed maintenance activities and associated costs not yet provided (refer to Items 10.10 and 10.11, **Section** Error! Reference source not found.).

Item	Description	Comment	Status of Information Provision
7.6	*A copy of DBP's Audit Schedule, including identification of all Mandatory Audits. The scope and timing of all audits should be identified.*	*To understand the impact of regulatory obligations on operating costs.*	*Documentation has been provided.*
7.7	Correlation of forecast staffing levels with operations and maintenance activities.	To enable allocation of staffing costs to specific activities.	Overview provided in interviews. It is requested that documented response be provided.
7.8	*Details of the calculation of labour costs and the basis of the assumed 2 percent labour cost escalation rate.*	*To confirm justification for the adopted labour cost escalation rate.*	*Response has been provided.*
7.9	Details of DBP's assessment of risk and the basis for the agreements with Alcoa in respect to the supply of Fuel Gas. When is it expected that Alcoa will be supplying its own fuel gas and what will the impact be on the quantity of fuel gas forecast in the Access Arrangement?	To understand the cost of mitigating risks associated with the System Use Gas Agreement.	General overview provided during interviews. It is requested that a documented response be provided.
7.10	Documentation supporting the adopted weighted fuel gas cost ($[redacted]/GJ.in 2011 rising to $[redacted]/GJ in 2015).	To justify the adopted cost of fuel gas.	Information not yet provided.
7.11	Details of DBP's assumptions in respect to "hardening of the insurance market in the upcoming period", including comparison with actual insurance premiums paid during the period 2005 to 2010 and assumptions in respect to the increased asset portfolio.	To understand how the forecast insurance costs have been derived.	Some information has been provided. Additional response required (refer Item 10.9, **Section** Error! Reference source not found.).
7.12	Details of the self insurance risks demonstrating the quantification of the potential risk and the mitigation measures implemented (or planned to be implemented) in respect to uninsured risks, together with details of the associated costs.	To understand how the forecast self insurance costs have been derived.	Information not yet provided.

Item	Description	Comment	Status of Information Provision
7.13	Assumptions made in respect to forecast operating costs relating to Climate Change Reform, specifically the Carbon Pollution Reduction Scheme, and the impact of the Government's decision to defer implementation of the scheme on DBP's forecast operating expenditure.	To understand the impact to changes in Climate Change policy on forecast operating expenditure.	DBP modelling assumptions regarding CO_2 emissions not yet provided.
7.14	Details of basis adopted for forecasting compressor overhaul costs, including assumptions in respect to the number of units to be overhauled and the timing of such overhauls. If overhaul costs are incurred in foreign currency, provide details of assumptions made in respect to currency exchange rates used for in estimating overhaul cost.	To understand how compressor overhaul costs have been derived.	General overview provided. Additional breakdown of costs, and information on currency exchange rate assumptions is still outstanding.
7.15	Details of proposed non-recurrent expenditure, eg. DCVG surveys, ILI pigging and heater inspections, including details of the cost derivation and justification for the timing of activities.	To understand the impact of non-recurrent activities on operating expenditure.	Overview provided during interviews. Details of the cost derivation are still outstanding.
7.16	Records of unplanned repairs and maintenance activities, including costs, given that historical performance has been used as the basis for estimating forecast expenditure (refer *Submission 12*, Section 6.50).	To understand the basis upon which reactive maintenance costs have been derived.	Information not yet provided.

8.3. DBP provides responses below to the following requests for information from the above table.

Response to 7.2 – Forecast operating expenditure

8.4. As discussed in the workshops with Halcrow, within a framework of longer term financial and other corporate policies and projections, detailed budgeting takes place in about 40 function based cost centres within the DBP organisation which reflect the organisational structure of the business. At the present time, this budgeting is not on an activity basis. Budgets are prepared for the major expenditure categories identified in DBP's hierarchy of accounts. The operating expenditures classified as recurrent costs and fuel gas in Table 2 of DBP's Submission 12 (Justification of Operating Expenditure) are planned expenditures recorded at the higher levels of the accounts hierarchy.

8.5. Further details of proposed expenditures can be obtained by working down through budgets built up using the framework of the hierarchy of accounts. Indeed, the detail of the budget build up becomes clear from the level in the hierarchy which is immediately below the level used for Table 2 of Submission 12. This "next level down" comprises some 120 accounts categories (general ledger account codes). DBP has, therefore, provided in Table 1 of Attachment 6.1 a spreadsheet which sets out the planned recurrent costs for 2011 to 2015 by account at this next lower level. The attachment also sets out, for comparison, for each of those accounts categories, the "actuals" for 2008 to 2010. Figures for 2010 comprise a mix of "actual" and "forecast", and the figures for 2008 have been "reconstructed" from details of payments made by WestNet Energy Services.

Response to 7.3 – Safety case

8.6. DBP refers to its response to request item 1.2.

Response to 7.4 – Increased compliance costs

8.7. Attached as attachments 7.4a and 7.4b are copies of:

(a) DBP's submission to the Department of Mines and Petroleum to highlight DBP's concerns with the new regulations under the Petroleum Pipelines Act;

(b) An obligations register highlighting the additional obligations DBP owes as a result of these new regulations under the Petroleum Pipelines Act.

Response to 7.5 – Asset management and maintenance plan activities

8.8. Please find attached copies of the business plans for the engineering and maintenance groups within DBP (attachments 7.5a and 7.5b). The business plans outline relevant activities to be undertaken but do not show associated costs with each activities. However, the additional information contained in this submission explains the associated costs.

Response to 7.7 – Staffing levels

8.9. DBP refers Halcrow to response to item 6.4 paragraph 7.13.

Response to 7.9 – Fuel Gas

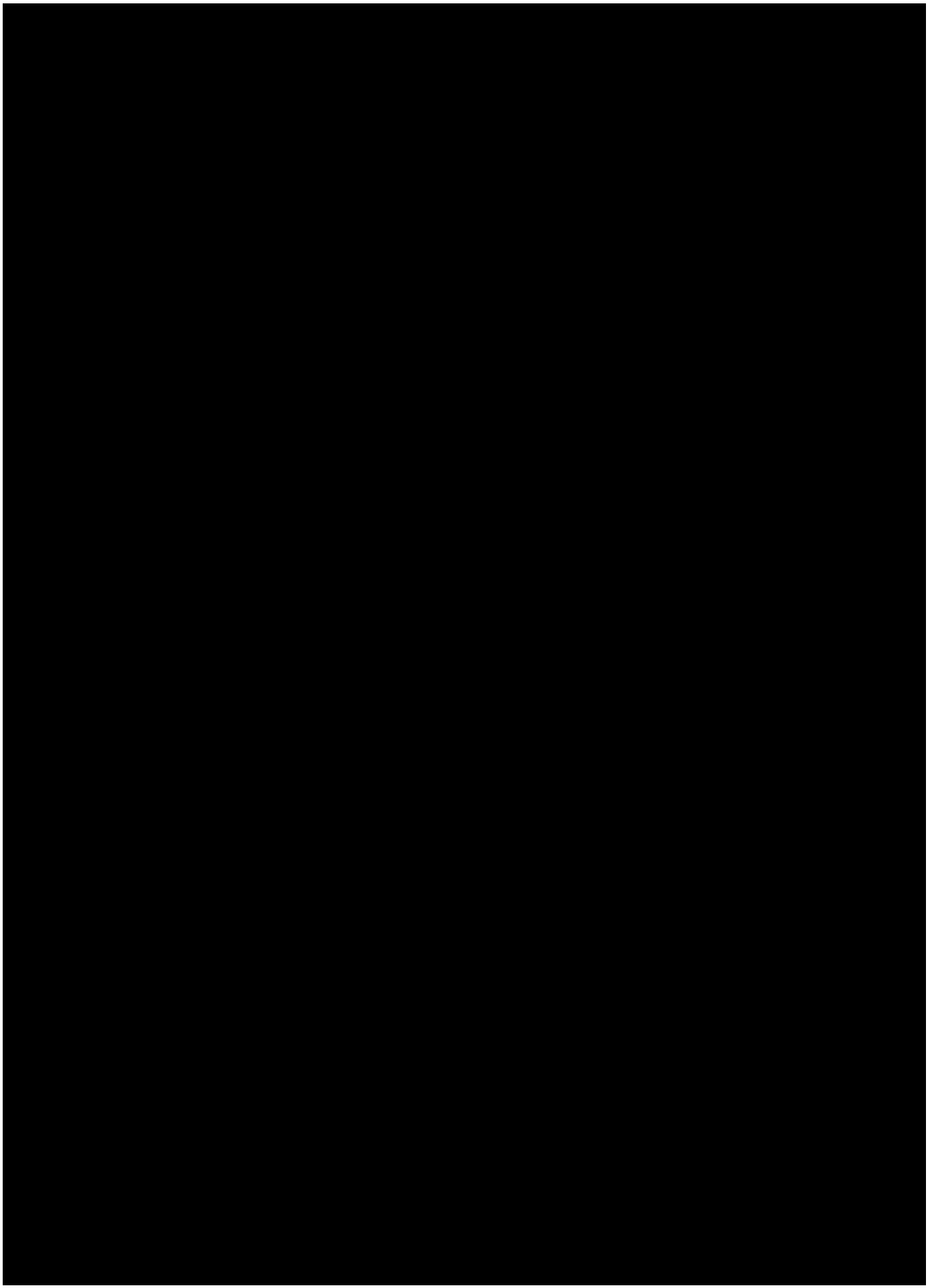
8.10. Halcrow has requested details of DBP's assessment of risk and the basis for the agreements with Alcoa in respect to the supply of Fuel Gas.

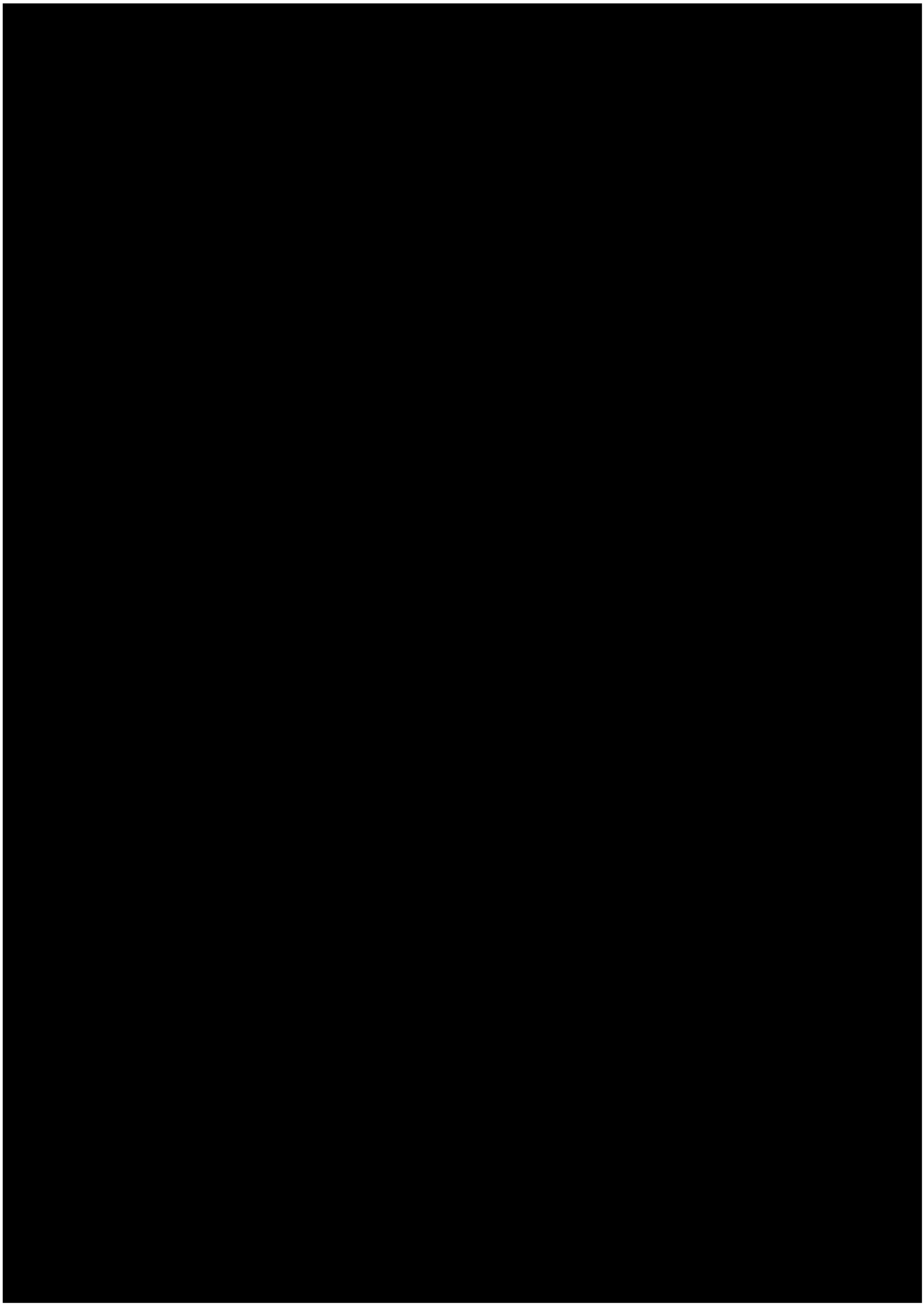
8.11. It has also requested that DBP outline when it is expected that Alcoa will be supplying its own fuel gas and what will the impact be on the quantity of fuel gas forecast in the Access Arrangement.

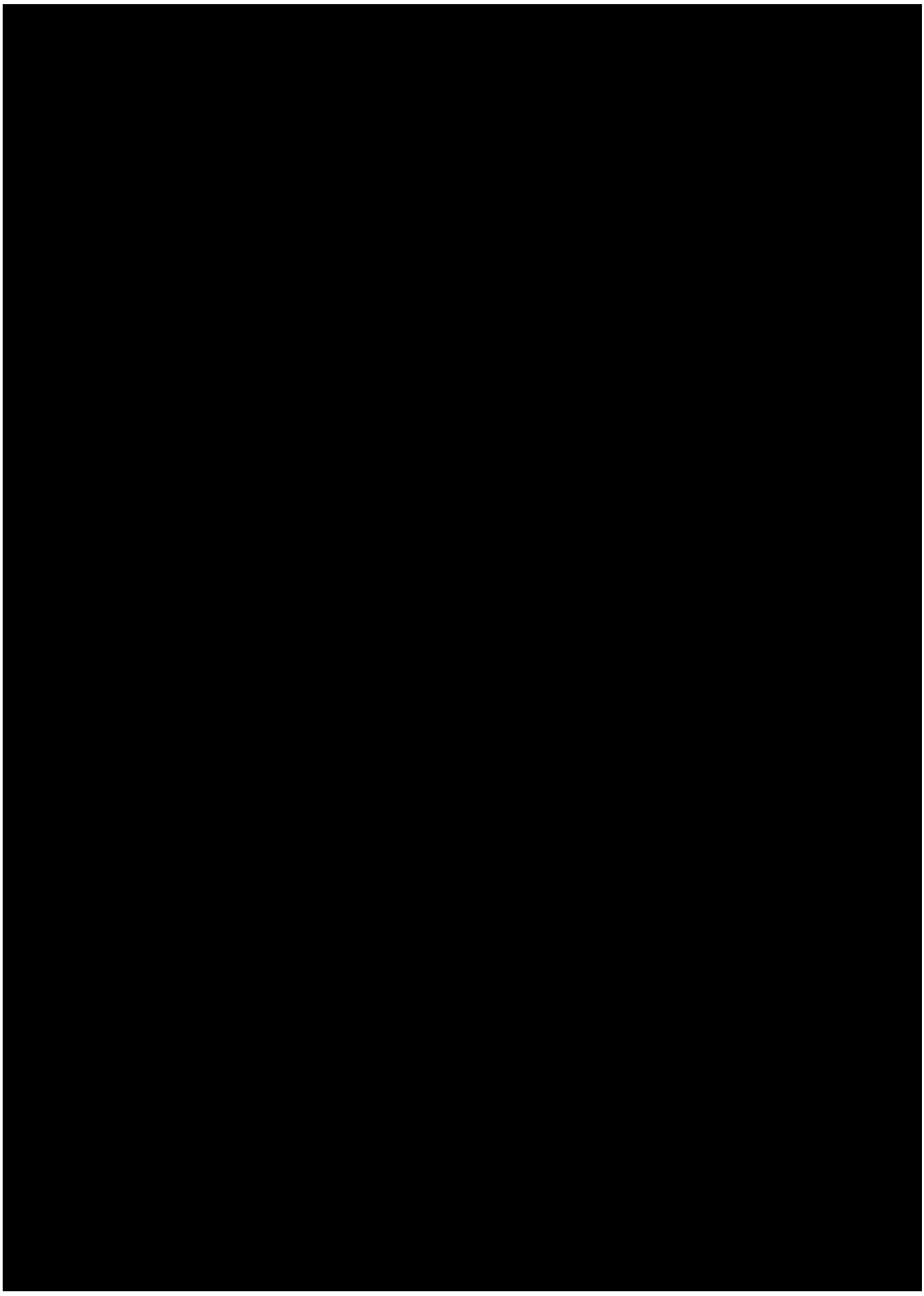
8.12. DBP considers that these requests are irrelevant to the assessment of the forecast fuel gas costs included in the forecast operating expenditure – the issue is whether the cost of fuel gas is consistent with the NGL test for operating expenditure.

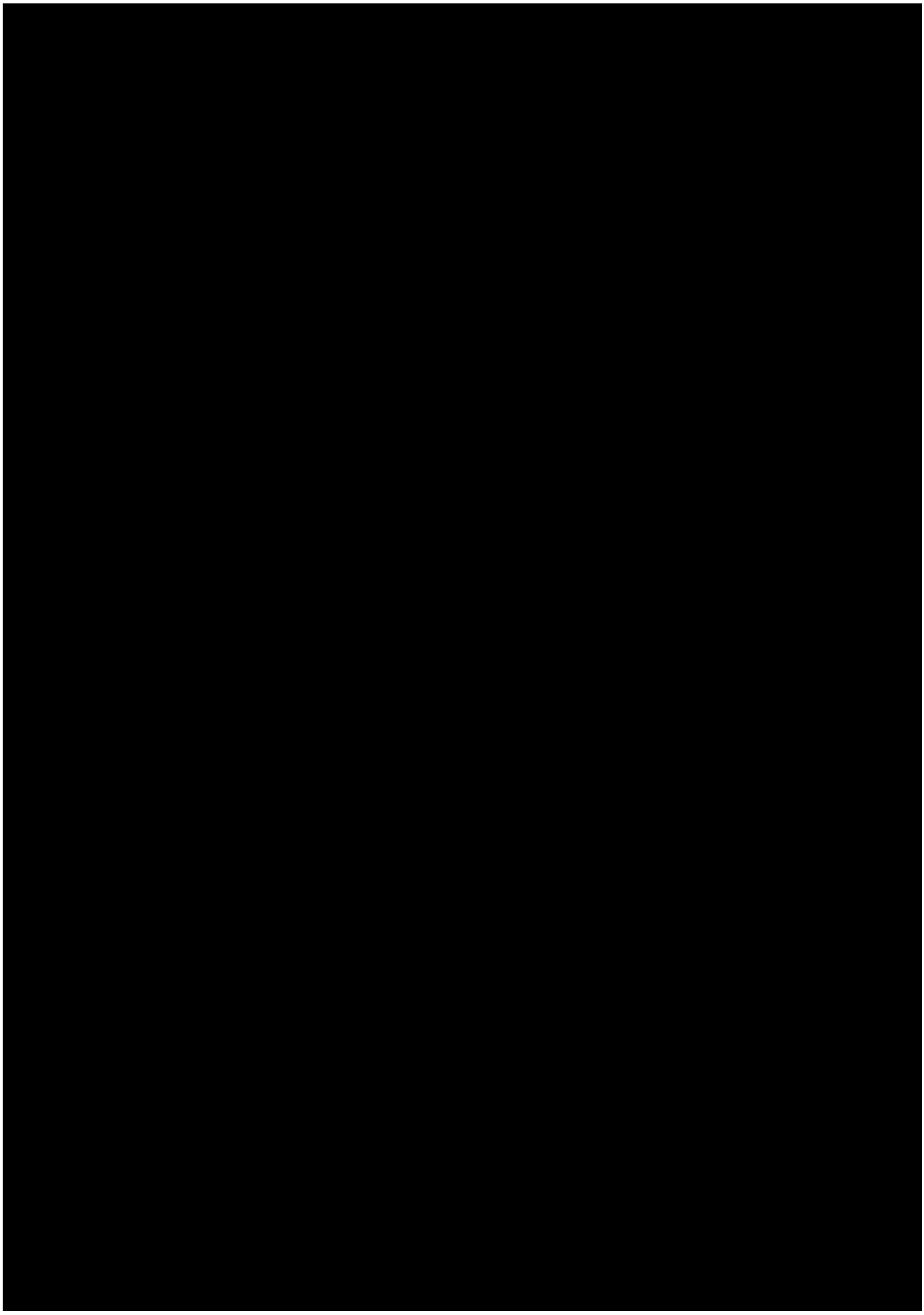
8.13. However, in the interests of transparency, it is important that the complete context of the revised fuel gas arrangements DBP entered into during 2009 and 2010 is outlined.

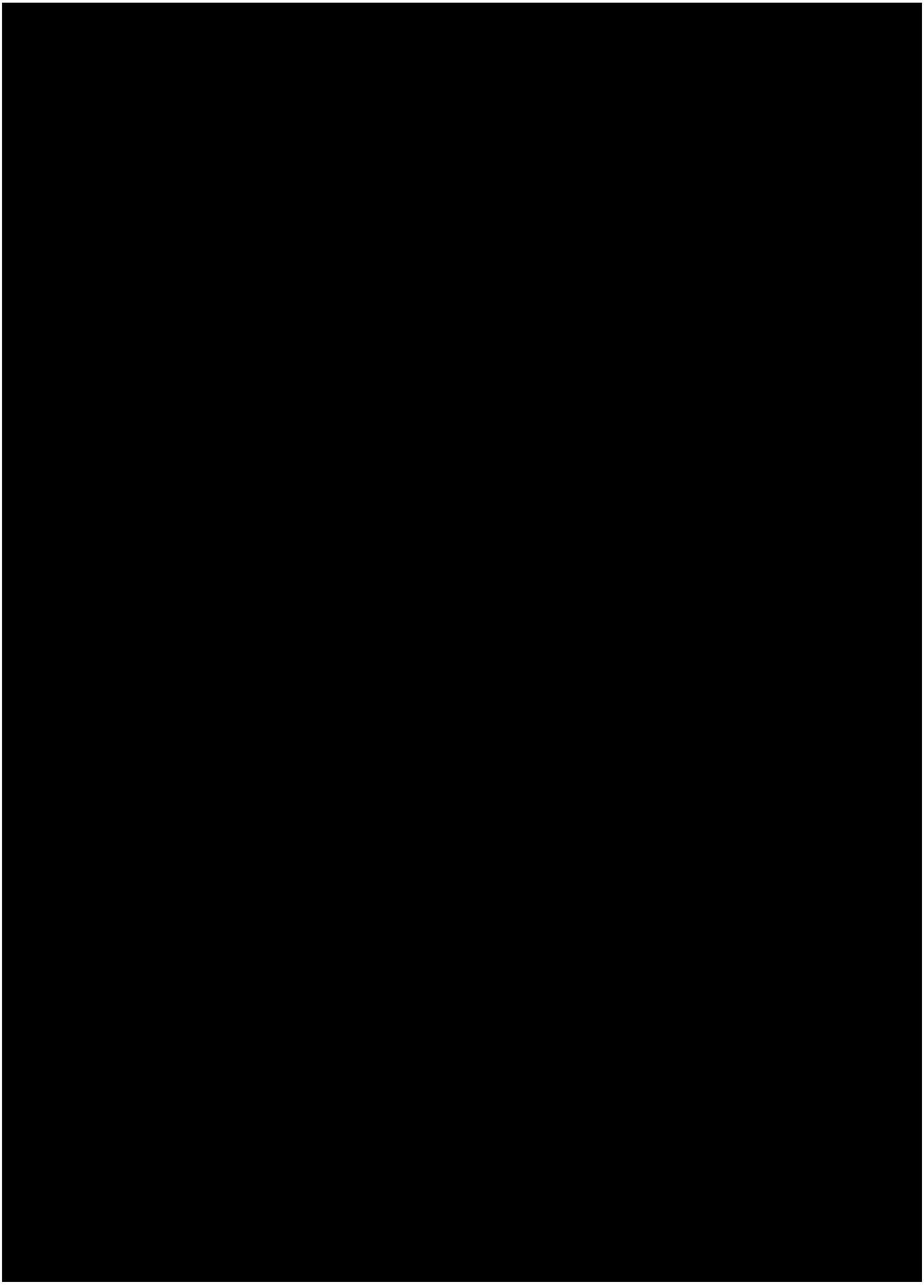
[redacted]











Response to 7.10 – Weighted fuel gas

8.46. DBP will provide a response to this information request as soon as possible.

Response to 7.11 – Insurance premiums

8.47. DBP refers to response provided to item 7.11 of submission 17. The attachment provides a qualitative account for the hardening of the insurance market based on market advice.

8.48. Additionally, DBP refer Halcrow to the response to item 6.3 paragraph 7.10 (a) which provides the rates applied to DBP's insurance premiums.

Response to 7.12 – Self Insurance

8.49. DBP refers Halcrow to Submission 12 from paragraph 6.12 which details the self insurance element of the access arrangement.

Response to 7.13 – Climate change costs

8.50. DBP provides the following spreadsheet contain the calculations made (attachment 7.13 Total CPRS costs (final))

Response to 7.14 – Compressor Overhauls

8.51. In the forecasts of costs for the period 2011 to 2015, allowance has been made for three major overhauls of gas turbine drivers each year at a cost of $3.0 million per overhaul.

8.52. DBP refers the ERA's consultants to response to item 10.15 regarding the accounting treatment for compressor overhauls.

8.53. Additionally, DBP refers the ERA's consultants to the responses already provided to item 3.7 regarding the replacement philosophy.

8.54. As to the costs for the overhauls, this is based upon the schedule of rates agreed to with the compressor supplier and DBP's own labour costs.

Response to 7.15 – Non-recurrent

8.55. DBP refers to the Asset Management Plan (page 58) which detailed the frequency of maintenance items such as DCVG survey and ILI pigging.

8.56. Further explanation is provided for DCVG on page 5 of the Asset Management Plan. DCVG Survey is conducted every 5 years as required by the pipeline licence and Safety Case.

8.57. Additionally, AS2885 requires that the frequency of inspections are documented and approved based on the past reliability of the pipeline, historical records, current knowledge of its condition, rate of determination and statutory requirements.

8.58. The frequency of intelligent pigging depends on the age of the pipe and regulatory requirements, taking into consideration:

(a) The surveillance of the pipeline for protection of third party damage;

(b) The annual coating and CP surveys and follow up investigations;

(c) The assessment of the effectiveness of the CP and coating system to protect and stop corrosion;

(d) The monitoring and assessment of the features that can initiate SCC; and

(e) The monitoring and assessment of coating failure mechanisms

8.59. DBP notes that the forecast costs for maintenance are based on the straight line escalation of the actuals provided for maintenance. Therefore the costs associated with the non recurrent maintenance are an average of historical expenditure.

Response to 7.16 – Reactive maintenance

8.60. DBP provides the record that provided the bases for unplanned repairs and maintenance activities.

8.61. Reactive maintenance costs are volatile; however, the forecast was based on the monthly average in the vicinity of 100k supporting the per annum forecast of $1.2 million.

2007		2008		2009	
Jan		Jan		Jan	
Feb		Feb		Feb	
Mar		Mar		Mar	
Apr		Apr		Apr	
May		May		May	
Jun		Jun		Jun	
Jul		Jul		Jul	
Aug		Aug		Aug	
Sep		Sep		Sep	
Oct		Oct		Oct	

Nov	[redacted]	Nov	[redacted]	Nov	[redacted]
Dec	[redacted]	Dec	[redacted]	Dec	[redacted]
Monthly Average	[redacted]	Monthly Average	[redacted]	Monthly Average	[redacted]

9. ADDITIONAL – GENERAL

9.1. The Halcrow Report outlines additional specific and general information which it requested, as outlined in the following table.

9.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment
8.1	Please provide a copy of all presentations given during the meetings/discussions held between Halcrow and DBP.	To better inform Halcrow's understanding of the information presented.
8.2	Please provide a plan of the DBNGP showing the various expansion projects.	To get an appreciation of the DBNGP and the location of the various stages of the expansion projects.
8.3	Please provide a copy of the Capacity Management Plan (as referred to at meetings/discussions as a key element of DBP's Asset Management Framework).	To understand how pipeline capacity is managed and (presumably) additional capacity is planned.

9.3. DBP provides the presentation provided regarding maintenance as attachment 8.1 Maintenance presentation.

10. ADDITIONAL – CAPITAL EXPENDITURE

10.1. The Follow-up Request for Information outlines additional specific and general information which it requested, as outlined in the following table.

10.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment
General		
9.1	Please provide a copy of the project prioritisation (ranking) spreadsheet.	To get a better understanding of how projects are ranked.
9.2	Please provide a copy of any documents summarising standard cost rates used in the development of cost estimates.	To understand the basis of cost estimates, specifically for Stay-in Business capital expenditure.
9.3	We understand that DBP pays WNE an annual $2 million retainer fee for WNE to maintain the appropriate expertise for future expansion projects. Please clarify why DBP believes that the $2 million is an appropriate amount for the required expertise and when DBP first commenced paying the $2 million retainer.	To understand the basis of the retainer fee.
9.4	In relation to the $2 million retainer fee, please clarify what type of expertise that WNE has to maintain and how does DBP ensure itself that WNE has the appropriate expertise.	To understand how DBP assures itself that the relevant expertise has been maintained.
Expansion Capital Expenditure		
9.5	Please confirm the cost differences for Stage 5A and Stage 5B for the following gas quality scenarios: • HHV 38.5 MJ/m3; • HHV 37.7 MJ/m3; and • HHV 37.0 MJ/m3.	To understand the cost implication of the various HHV assumptions.
9.6	In *Submission 9*, page 47, the table shows a cost of $14 million for Stage 5A in 2010. Please advise what additional work is required and please provide details of the cost.	To get an appreciation of the remainder work to be carried out and details of the costs.
9.7	In *Submission 9*, page 47, the table shows the costs for Stage 5B for 2010 and 2011. Please provide details of the reconciled costs for 2010 and the scope of works and details of the costs for 2011.	To get an understanding of Stage 5B costs to be incurred in 2010 and 2011.
9.8	Please provide a copy of the FEL Study report (or similar) in respect to the Stage 4 Expansion works, including a breakdown of the cost estimate.	To better understand the cost breakdown of the Stage 4 works.
9.9	A copy of the Stage 5A FEL Studies report has been provided, although the Appendices have not been included. Please provide a copy of the Appendices.	

Item	Description	Comment
9.10	Please provide further details of the reason for discounting mid-line compression as a variable expansion option. Whilst the arguments presented during the meetings/discussions seemed logical, the figures shown in the NPV Assessment of Options presentation did not support this.	To underpin understanding of the reasons for discounting mid-line compression as a viable expansion option.
Stay-in-Business Capital Expenditure		
9.11	Management of Change – It is understood that the annual cost is an allowance for unexpected items that may arise during the year. Please advise the basis of the estimate?	To understand how the allowance has been derived.
9.12	Please provide a copy of the Long Term Equipment Strategy spreadsheet (presented at meetings/discussions by Hugo Kuhn).	To better understand the assumed life cycle of assets and the impact on Stay-in Business capital expenditure.
9.13	Please provide a copy of a typical costing report (as shown during the Monte Carlo Analysis demonstration during the meetings/discussions).	

10.3. In this section of the submission, DBP provides responses to the following requests for information from the above table.

Response to 9.2 – Unit costs (SIB)

10.4. In response to request 9.2 DBP can provide the unit rates from three key service providers who provide labour assistance for minor projects (they have been selected following a tender process undertaken in 2009), including

(a) Plexal – attachment 9.2a Plexal H162 CTR 3.140.pdf

(b) Enerflex – attachment 9.2b DBP and EFX estimate examples.pdf

(c) Momentum – attachment 9.2c Momentum agreed rates Feb 10.pdf

10.5. DBP is in the process of collating information regarding unit rates for material (to the extend that they exist) which will be made available as soon as possible.

Response to 9.5 – Gas Quality

10.6. DBP will provide a spreadsheet in response to the requested item as soon as possible. It will show the different hardware required to be constructed based on 3 gas quality scenarios.

10.7. It is important however to restate the background for why the gas quality design assumption for stage 5A changed. While this is outlined in detail in DBP's submission 9, in summary, the gas producers were able to use the ERA's decision in 2005 for the DBNGP access arrangement as a basis for forcing all new customers and some existing customers to accept gas at a lower gas quality specification – one that contained a minimum HHV content of 37.0 MJ/m3.

10.8. For DBP to therefore accommodate requests for new capacity it was forced with proceeding one of the following choices:

(a) To not agree to expand the capacity other than at the then prevailing contractual specification – ie with a minimum HHV content of 37.3 MJ/m3 (the "narrower specification"). This was clearly not a suitable option for DBP given that shippers could not secure gas supply contracts from producers at this specification and the success of the business was dependent on its ongoing expansion.

(b) To agree to expand at a narrower specification but being exposed to unacceptable risks. These risks are outlined below

(c) To agree to modify the contractual specification to the broader specification and design accordingly while obtaining compensation from shippers.

10.9. The risks to DBP of designing stage 5A based on a gas quality specification other than one which contained a minimum HHV of 37.0MJ/m3 was considered too great for DBP to contemplate in the design assumption for the Stage 5A expansion project. Accordingly, the third option was the only viable option.

10.10. As discussed in the workshops, these risks were as follows:

10.11. Firstly, DBP has long term contracts with shippers that specify contracted capacity must be delivered in accordance with the stipulated gas quality specification which includes a minimum HHV of 37.0 ML/m3.

10.12. Accordingly, if, during the course of the contract, DBP is not in a position to be able to deliver contracted capacity within that specification, DBP will be in breach of contract and most likely also in default under the contract. This entitles a shipper to terminate a shipper contract. It would not only result in potential lost revenue for DBP but could result in DBP being in default of its borrowing covenants under its financing facilities.

10.13. Given the gas quality obligation is continuing and must be met every minute of the term of the contract, there was no way DBP could build additional hardware in time to meet a change in quality, particularly when DBP has no ability to find out about a change to gas quality until after it enters the system.

10.14. Secondly, DBP's standard shipper contracts (entered into in 2004 when the pipeline was acquired) entitle shippers to take up to 108% of their contracted capacity on any day without giving notice to DBP. The Alcoa exempt contract entitles Alcoa to take a greater amount of capacity on any given day without notice. A shipper does not have to nominate for capacity in advance. Therefore, the DBNGP has to be designed and configured in a way that ensures DBP can meet these contractual obligations on any given day during the term of the contract. Most of the SSCs last until 2019 with shippers having at least two, five year options to extend the term (ie out to 2020).

10.15. If DBP does not provide a shipper with its contracted capacity, it will be in default under its contract (being a material term of the contract).

10.16. Again, given the contracted capacity obligation is continuing and must be met every minute of the term of the contract, there was no way DBP could build additional hardware in time to meet the impact on pipeline capacity caused by a change in quality, particularly when DBP has no ability to find out about a change to gas quality until after it enters the system and given it takes almost 2 years to build additional hardware.

10.17. The third risk to DBP is that the standard shipper contracts provide that DBP is only able to adjust the tariffs for additional capital costs incurred by DBP when it expands at the time that the additional capacity is commissioned. It is not able to adjust tariffs for any capital expenditure incurred at any other time which does not increase the capacity of the pipeline.

Accordingly, if DBP chose to design the expansion using a HHV assumption other than 37.0 MJ/m3 (eg 38.5MJ/m3) but 5 years later, chose to add additional hardware to accommodate a change to 37.0MJ/m3 (so as to be able to ensure it could meet its obligations to shippers if the quality changed), it had no way of recovering the associated capital costs from shippers. This would not be economic for DBP.

10.18. The fourth risk is that if DBP chose consciously to design using an HHV assumption other than 37.0 MJ/m3, and shippers then chose to supply gas into the pipeline with an HHV content less than the design assumption but still within specification, DBP would be in wilful default under the contract. This would expose DBP to liability for it would be exposed to direct and indirect damages from affected shippers.

10.19. In addition, it should be noted that the new gas quality legislation does not give DBP the opportunity to recover from producers the capital costs of providing hardware to accommodate changes in gas quality other than capital costs to change from the original design assumption – so given DBP's design assumption is 37.0MJ/m3, it can only be compensated for the capital costs associated with a change from that point, not from, say 37.3 MJ/m3 or 38.5MJ/m3.

10.20. Given DBP had contracted with shippers for a gas quality specification which included a minimum HHV of 37.0 and the fact that stage 5A had been designed based on this specification, no analysis was done as part of the assessment for making a final investment decision on stage 5B on the different costs for Stage 5B assuming different gas quality design scenarios.

11. ADDITIONAL – OPERATING EXPENDITURE

11.1. The Follow-up Request for Information outlines additional specific and general information which it requested, as outlined in the following table.

11.2. DBP has shaded out items that are completed by submissions 14, 17 and 18.

Item	Description	Comment
10.1	Budgets/budget packs for each division for 2010 and 2011.	To understand the key components of operating expenditure, and the key changes between 2010 and 2011.
10.2	End of year budget versus actual reports for 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 (May report if June currently unavailable).	To understand the key movements in operating expenditure over the past 5 years.
10.3	A copy of the head count report (breaking down headcount by division) as discussed with Sharon Kershaw, and a breakdown of the wages and salaries operating expenditure by function/division.	To better understand the functions/divisions of DBP and the contribution of each to wages and salaries operating expenditure.
10.4	A breakdown of consulting costs into key contracts (CP, etc) and the increases in operating expenditure resulting from each of the key items identified on page 14 of *Submission 12*.	To better understand the impact of the drivers for expenditure on consultants as identified in page 14 of *Submission 12*.
10.5	Relevant excerpt from the Cathodic Protection Annual Survey contract showing the agreed rate/fee.	To verify the expenditure on Cathodic Protection.
10.6	A breakdown of IT expenditure forecast into key components, including forecast payments to Westnet, microwave maintenance, etc.	To understand the key components making up IT expenditure.
10.7	Additional detail to be provided on movement of microwave costs over the period since 2005, including the step changes in expenditure resulting from DBP no longer sharing the expenditure with Telstra and Western Power.	To clarify the changes in expenditure over the period since 2005.
10.8	A breakdown of the microwave maintenance operating expenditure forecast and an excerpt from Microwave contract showing rates/contracted fee for maintenance on the new microwave system.	To verify the forecast expenditure on microwave maintenance.
10.9	Assumptions made in respect of increased operating expenditure resulting from "hardening of the insurance market" (ie. what is the increase in operating expenditure forecast to account for this?).	To understand the magnitude of the increased operating expenditure associated with the hardening of the insurance market.
10.10	A copy of the latest business plan for maintenance.	To understand the maintenance activities to be undertaken in 2010, and the key activities driving repairs and maintenance expenditure.

Item	Description	Comment
10.11	Excel spreadsheet detailing key maintenance activities and forecast materials costs (for activity types).	To understand unit rates of expenditure for key maintenance activities.
10.12	Surveillance - a breakdown of the surveillance operating expenditure forecast, together with a copy of the relevant excerpt of the contract with Heliport detailing the contracted prices for surveillance activities, together with any mechanisms for variations to the contract.	To understand and verify the forecast operating expenditure on surveillance activities.
10.13	Self insurance: • Details of the self insurance events that have actually taken place over the period since 2005 and the cost of these events; and • Evidence to demonstrate current insurance coverage exclusions.	To understand the nature and extent of self insurance events.
10.14	Details on the method for estimating forecast expenditure on reactive maintenance.	To understand how reactive maintenance has been estimated.
10.15	Clarification of the accounting treatment of compressor overhauls (operating expenditure versus SIB capital expenditure), including classification of labour and materials.	To understand the change in treatment from SIB capital expenditure to operating expenditure.
10.16	The expenditure on compressor overhauls over the period since 2005 (split out by year).	To understand the historical expenditure on compressor overhauls.
10.17	Compressor overhauls – A breakdown of the expenditure making up the $3 million per overhaul.	To understand the key components of the cost estimate and key assumptions used to estimate costs.
10.18	Compressor overhauls – An indication of the labour hours required to overhaul a compressor	To understand the labour element of operating expenditure associated with compressor overhauls.
10.19	Please provide a copy of the Fuel Gas Assumptions Document (ie. the document used as the basis of the presentation regarding fuel gas by Nghia Truong).	To better understand the derivation of fuel gas requirements.
10.20	Fuel gas: • A breakdown of the operating expenditure that DBP forecasts it will actually incur on fuel gas (ie. excluding Alcoa) versus what has been included in the operating expenditure forecast; • A copy of the amended agreement for the purchase of fuel gas from Alinta Sales (to confirm the unit rate adopted); and • A copy of the agreement with Alcoa regarding the supply of fuel gas.	To justify the forecast operating expenditure related to fuel gas.

Item	Description	Comment
10.21	Clarification of what category of operating expenditure the $2 million retainer fee for Project Management Services has been allocated to (both historically and forecast).	To confirm what category of operating expenditure the expenditure has been allocated to.

11.3. In this section of the submission, DBP provides responses to the following requests for information from the above table.

Response to 10.1 – Budget packs

11.4. As noted in Response to 7.2, budgets are prepared for the major expenditure categories identified in DBP's hierarchy of accounts, and the operating expenditures classified as recurrent costs and fuel gas in Table 2 of DBP's Submission 12 (Justification of Operating Expenditure) were planned expenditures recorded at the higher levels of the accounts hierarchy.

11.5. To enable Halcrow to better understand the key components of planned operating expenditure, DBP has provided Table 1 of Attachment 6.11, which sets out budget detail at the categories (some 120 general ledger account codes) of the account hierarchy immediately below the categories of the level used for Table 2 of Submission 12.

11.6. To facilitate understanding of the changes between 2010 and 2011-2015, DBP has also provided, in Table 1 of Attachment 6.1, the "actuals", by these 120 account categories for 2008 and 2009, and estimates (actuals for 6 months, forecasts for the remainder of the year) for 2010. The figures for 2008 have been "reconstructed" from details of payments made by DBP to WestNet Energy Services.

11.7. The total operating expenditure is that reported in DBP's financial statements, but the amounts allocated to categories (which did not exist in 2008) should be regarded as "estimates" when compared against figures for 2009 and subsequent years.

Response to 10.2 – Budget versus actual

11.8. DBP refers the ERA's consultants to item 6.1 a.

Response to 10.3 – Head count

11.9. DBP refers the ERA's consultants to the response provided to item 6.4.

Response to 10.4 – Key contracts

11.10. DBP refers to response provided to consultancies already provided in response to item 6.11.

Response to 10.5 – CP costs

11.11. In response to request DBP provides the relevant aspects from the contract with the Cathodic Protection service provider GPR Electrical as attachment 10.5 GPR Electrical.

Response to 10.6 – IT expenditure

11.12. DBP refers Hacrow to response to item 6.12.

Response to 10.7 – Microwave costs

11.13. DBP refers back to 6.9 & 6.10 that provide the background resulting in DBP taking on the full maintenance costs for the microwave.

11.14. Associated costs are provided in the response below.

Response to 10.8 – Microwave operating expenditure

11.15. In response to request 10.8 DBP provides excerpt relating to rates/contracted fee for maintenance of the microwave system (attachment 10.8 Microwave Maintenance).

Response to 10.9 – Insurance market

11.16. DBP refers to response provided to item 7.11 of submission 17. The attachment provides a qualitative account for the hardening of the insurance market by on market advice.

Response to 10.10 – Maintenance business plan

11.17. DBP refers Halcrow to response to item 7.5.

Response to 10.11 – Maintenance unit rates

11.18. DBP provides the following attachments outlining unit rates costs against maintenance activities and planned frequency:

(a) 10.11 a Meter Station - PM Schedule 2009-2016

(b) 10.11 b Compressor Master Plan Rev 5 budget

(c) 10.11 c Pipe Line PM Schedule 2009-2016

11.19. DBP notes that labour hours required was to able to be provided in the above documents.

Response to 10.12 – Surveillance

11.20. DBP refers Halcrow to the attachment 10.12 Heliwest excerpts.pdf

11.21. The attachment includes the section of the agreement relevant to remuneration and direct costs and related items 5, 6 and 7.

Response to 10.13 – Self insurance

11.22. DBP refers Halcrow to Submission 12 from paragraph 6.12 which details the self insurance element of the access arrangement.

Response to 10.14 – Reactive maintenance

11.23. DBP refers to its response to item 7.16.

Response to 10.15 – Accounting treatment of compressor overhauls

11.24. In the forecasts of expenditure for the period 2011 to 2015, allowance has been made for three major overhauls of gas turbine drivers each year at a cost of $3.0 million per overhaul.

11.25. For the purpose of determining the total revenue and the reference tariff for the period 2011 to 2015, the costs of these “compressor overhauls” have been treated as operating expenditures. The forecast of operating expenditure included in the total revenue for each year included $9.0 million (real, 31 December 2010) for compressor overhauls.

11.26. For financial accounting purposes, DBP capitalizes and depreciates compressor overhauls. They are depreciated, using the straight line method, over a "life" of 5 years.

11.27. If the number of compressor units does not change, capitalizing three major overhauls each year and depreciating the cost over 5 years, would add $9.0 million of depreciation to the total revenue each year. Expensing three major overhauls a year (with total cost $9.0 million) has the same impact on total revenue.

11.28. Accordingly, DBP submits that it is appropriate to include these amounts in the forecast operating expenditure for the access arrangement period.

Response to 10.16 – Compressor overhauls

11.29. In response to request DBP provides the following table detailing expenditure on compressor overhauls over the period since 2005:

Gas Turbine Expenditure

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Est to complete	TOTAL
DBP-CS3 Unit 1 Engine Replacement	[redacted]					
CS5-2 Engine Failure Replacement						
Nuova Pignone LP-CS6 turbine charge out						
CS10/2 Insurance						
CS2-2 Engine/Turbine Exchange						
CS2-3 Turbine Warranty Repairs						
CS9 - Insurance Claim						
CS6 - 3 Buddle Removal & Repair						
48000H service @CS1GEA1						
24000H service @CS4GEA1						
24000H service @ CS8GEA1						
Gas Turbine CS8-2						
Gas Turbine CS9-1						
Gas Turbine CS7-2						
27000H service @CS7GEA3						

Response to 10.17 & 10.18– Compressor overhauls break down

11.30. DBP has provided historical costs relevant to compressor overhauls as part of responses 3.8, 3.9, 3.10 and 3.11.

Response to 10.19 – Fuel gas assumptions

11.31. DBP provides the Fuel Gas Assumptions document demonstrated during workshops discussions (attachment 10.19 DBNGP Stage 5B Fuel Assumptions).

Response to 10.20 – Further fuel gas

11.32. DBP will provide a breakdown of the operating expenditure forecast to be incurred on fuel gas, excluding Alcoa versus what has been proposed subsequent to this submission.

11.33. A copy of the Alinta sales fuel gas contract is provided as attachment 7.9 a Alinta.

Response to 10.21 – Project retainer fee

11.34. The $2 million retainer fee for project management has been applied to capital expenditure from CY 2009 onwards.

12. CONFIDENTIALITY