



**SUBMISSION 24: Response to Halcrow Pacific Issues  
Report / Request of Information**



**Date Submitted: 23 July 2010**

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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 information 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. A subsequent submission (submission 23), with additional information to that contained in Submission 18, was submitted on 21 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, 18 and 23.

Item	Description	Comment	Status of Information Provision
<b>1</b>	<b>General</b>		
1.1	<i>Please provide a copy of the Asset Management Plan</i>	<i>To get an understanding of the asset management strategy adopted by DBP including the infrastructure replacement strategy.</i>	<i>Information has been provided.</i>
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	<i>Please provide a copy of the capitalisation policy.</i>	<i>To understand what is capitalised versus operating expenditure.</i>	<i>Information has been provided.</i>
1.4	<i>Please explain how DBP has entered into an Alliance arrangement with a service provider.</i>	<i>To get an understanding of how DBP has gone to the market to put into place an Alliance arrangement.</i>	<i>Information has been provided through discussions at the meetings/dissuasions with DBP.</i>
1.5	To get an understanding of the IT strategy for the \$9m 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	<i>Please provide details of the pipeline modelling used in determining the pipeline augmentation required and the timing of the augmentation.</i>	<i>To get an appreciation of the methodology used to determine the extent and timing of the augmentation.</i>	<i>Information has been provided.</i>
1.9	<i>Please provide the inflation factors that have been used in the forecast capital.</i>	<i>To be able to convert the costs to real dollars (\$)</i>	<i>Information has been provided.</i>

## Response to 1.5

- 2.3. DBP refers to the previous service plans submitted to the ERA in response to this item. In those documents, it should be noted that the IT strategy is for the period to the end of financial year 2013/14. Additional estimates of IT capital expenditure have been made for calendar years 2014 and 2015 for the purpose of preparing the proposed revised reference tariffs of the Access Arrangement. With the exception of the estimate for an identified requirement for a GIS upgrade in 2014, those estimates are similar to the estimates for the preceding years. (The SCADA upgrade and GIS upgrade are shown, together with other forecast IT capital expenditure, in the SIB CAPEX data sheet of the tariff model which DNP has lodged with the ERA)
- 2.4. In addition to this, DBP's ICT strategy is focused on the following:
- (a) The organisational structure for the delivery of DBP's ICT service needs
  - (b) The infrastructure required for DBP's ICT service needs.
  - (c) The software required for DBP's ICT service needs.
  - (d)
- 2.5. In relation to the organisational structure strategy, following the completion of Project TX2 when the operation and maintenance resources were transferred to DBP, DBP's ICT Strategy is to shift its service from one that is provided by an Owner to a hybrid system where multiple sources are engaged under DBP's direct management for the provision of ICT services. This is seen as consistent with DBP having full legal and contractual responsibility for the operation and maintenance of the DBNGP and the delivery of capacity services.
- 2.6. Critical in the review and delivery of ICT are:
- Service levels and standards
  - Confidentiality and governance
  - Stability and longevity of the service provider
  - Cost effectiveness of the services
- 2.7. DBP will focus attention in the next 5 years on the development of an internally managed but multi sourced model.
- 2.8. In mature organisations and businesses, ICT and sourcing strategies are tightly aligned. The ICT organisation proactively offers solutions to its users, leading to the development of a portfolio of services, comprised of internally and externally provided services. The ICT organisation begins to view external sourcing as an opportunity and starts analysing resource and sourcing options based not simply on availability, but on what the business

value is in each of the options. Sourcing decisions become strategic and business metrics are used to evaluate their overall business effectiveness.

2.9. In conjunction with the above organisational structure strategy, DBP has an infrastructure strategy to support and compliment this initiative. In conjunction with the SCADA upgrade, PABX replacement, Southern Communication upgrade and relocation of the Microwave management and control servers have reinforced the need for a DBP Data Centre. Planning is underway to run all non-shared ICT systems on DBP owned equipment. The creation of a production Data Centre consequentially gives rise to the need for a Disaster Recovery Data Centre.

2.10. DBP's infrastructure strategy plans to:

- Develop the Jandakot Facility as the Production Data Centre for all Information, Communication and Operational Technology equipment and systems. This is consistent with the long term plan to consolidate Jandakot at DBP's Operation and Maintenance Centre
- Develop Kwinana Junction site as the Disaster Recovery Centre for all Information, Communication and Operational Technology equipment and systems
- Directs that all systems and equipment owners within DBP must plan to relocate existing systems and equipment to these sites
- Directs that all new equipment and systems will be located at these sites
- Directs that all equipment and services be subject to best industry practice for renewing and upgrading (eg Workstations replaced at three years and Servers at four years)

2.11. Management of software is a critical part of the DBP business and has therefore DBP has developed its software strategy for upgrades and replacement on the basis of keeping all software at a release level of n-2. For example the current version of Microsoft Office is 2010 and so we should be operating on MS Office 2007 SP1. Adoption of this strategy will enable DBP to:

- Plan for timely upgrades (manage forecast costs)
- Maintain currency of software and systems portfolio
- Take advantage of new stable functionality
- Maximise value of its Microsoft Enterprise Agreement

2.12. In addition, DBP seeks to operate on a stable platform in servicing its business needs and therefore critical that systems used to underpin its business are in stable environments. The 'n-2' approach is based on good industry practice to ensure that all software revisions are properly debugged and stability is achieved in production before DBP applies its upgrade process.

2.13. DBP is presently committed to WestNet as its IT service provider in accordance with the OSA and the service plan previously submitted until 2013. However, with the imminent departure of WestNet Rail (WNR) from the WestNet support structure and with significant uncertainty surrounding the WestNet business given that Prime Infrastructure has announced that this business is being held for sale, there is an increased urgency for DBP to implement multi-sourcing for its ICT support and data centres.

2.14. There are eight high level phases to the separation from WestNet as DBP's provider of IT services.

<b>Phase</b>
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1. Creation of DC at Jandakot
2. Physical separation of all non-shared Corporate ICT systems and services
3. Replication and separation of all corporate ICT shared systems and services
4. Design, Plan and socialise internal ICT section
5. Formation of an internal ICT section within DBP from existing and additional resources
6. Set up multi-sourcing contracts and governance
7. Creation of DR facility at Kwinana Junction
8. Execute the Handback

### 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, 18 and 23.

Item	Description	Comment	Status of Information Provision
<b>2</b>	<b>Expansion Capital Expenditure (2005 to 2010)</b>		
2.1	<i>Please provide the actual gas quality reading since 2005.</i>	<i>To understand the impact of the actual versus minimum specified gas quality.</i>	<i>Information has been provided.</i>
2.2	In <i>Submission 9</i> , 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 <i>Submission 9</i> , 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 <i>Submission 9</i> , 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	<i>Submission 9</i> , 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.	<i>To understand the impact of the interest charges on the construction costs.</i>	<i>Information has been provided.</i>



Item	Description	Comment	Status of Information Provision
2.6	<i>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.</i>	<i>To understand the impact of HHV and Wobbe index on DBP expansion program.</i>	<i>Information has been provided.</i>
2.7	<i>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.</i>	Understand the materiality of the sale of the alternators.	Information not yet provided.
2.8	Additional data to support <i>Submission 9, Attachment 12 - Audit Report Capex Stage 5A</i> 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 <i>Submission 14</i> ) that it not able to provide a final audit report at this time is noted.
2.9	<i>Is there a document covering Stage 5B Looping - Design Basis?</i>	<i>It is understood that the Stage 5B design was closely based on Stage 5A.</i>	<i>Information has been provided.</i>
2.10	<i>Is there a document covering Stage 5B Compression - Design Basis?</i>	<i>It is understood that the Stage 5B design was closely based on Stage 5A.</i>	<i>Information has been provided.</i>
2.11	<i>Explanation of Submission 9, Attachment 15 - Stage 5 Technical Review, 29 June 2006 is required.</i>	<i>Capacity figures, stages, scope of work appear to be different to other documentation?</i>	<i>Information has been provided.</i>
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 AAM 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	<i>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.</i>	<i>To provide an improved understanding of these fees and their applicability to the capital programs.</i>	<i>Information has been provided.</i>

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 attaches as attachment 2.2a, the Stage4 Expansion Reconciliation spreadsheet for stage 4. It is slightly different to the spreadsheets to reconcile expenditure for each of stages 5A and 5B against the budgets and which were attached to submission 18.

3.5. It contains a worksheet entitled “Reconciliations”. A copy of that follows and can be explained in the remaining paragraphs of this section of the submission.

**Stage 1 Asset Capitalisation**

Stage	Incurred Transactions	Accruals	SAP Apr07	Re-allocation between Stages	Final SAP Balance	Accrual	Transfer to Completions Project	Final Cost at Completion <sup>(a)</sup>
Stage 4A	50,282,477.22	2,215,360.99	52,497,838.21	-4,584,327.72	47,913,510.49	0.00		47,913,510.49
Stage 4B	22,754,924.39		22,754,924.39	536,613.34	23,291,537.73	0.00		23,291,537.73
Stage 4C	24,813,968.03		24,813,968.03	0.00	24,813,968.03	0.00		24,813,968.03
Stage 4D	203,100,544.73		203,100,544.73	0.00	203,100,544.73	1,869,730.19		204,970,274.92
Stage 4E	49,132,219.79		49,132,219.79	1,193,978.80	50,326,198.59	763,589.69		51,089,788.28
Stage 4F	24,757,235.15		24,757,235.15	614,408.79	25,371,643.94	226,672.29		25,598,316.23
Stage 4G	22,131,363.09		22,131,363.09	537,570.21	22,668,933.30	128,742.29		22,797,675.59
Stage 4H	24,985,561.92		24,985,561.92	568,945.87	25,554,507.79	248,273.84		25,802,781.63
Stage 4R	4,980,581.88		4,980,581.88	0.00	4,980,581.88	61,747.36		5,042,329.24
Stage 4OH	-0.00		-0.00	0.00	-0.00	0.00		0.00
Stage 4CO	0.00		0.00	1,132,810.71	1,132,810.71		-1,132,810.71	0.00
<b>Total</b>	<b>426,938,876.20</b>	<b>2,215,360.99</b>	<b>429,154,237.19</b>	<b>0.00</b>	<b>429,154,237.19</b>	<b>3,298,755.66</b>	<b>-1,132,810.71</b>	<b>431,320,182.14</b>

SAP balance as at April 2007 includes capitalised interest and accrual of \$2,215,360.99

**Stage 2 Asset Capitalisation (Completions Project)**

Stage	Opening Transactions (as above)	Incurred Transactions	Final SAP Balance	Accrual reversal	Accrual Reversal Op Bal SAP Apr 07	TOTAL ASSETS
Stage 4CO	1,132,810.71	14,984,987.17	16,117,797.88	-3,298,755.66	-2,215,360.94	10,603,681.28
<b>Total</b>	<b>1,132,810.71</b>	<b>14,984,987.17</b>	<b>16,117,797.88</b>	<b>-3,298,755.66</b>	<b>-2,215,360.94</b>	<b>10,603,681.28</b>

Total Asset Constructed 441,923,863.42

- 3.6. Firstly, the total capital expenditure of \$441.923m was capitalised in two stages:
- (a) In 2008 – an amount of \$431.320m was capitalised
  - (b) In 2009 – an amount of \$10.603m was capitalised
- 3.7. The incurring of the amount of \$431.320million can be explained as follows:
- (a) Firstly, at the time the expenditure was capitalised (in April 2008), there was a total of \$426.936m of incurred transactions together with \$2.215m of accruals, making a total of \$429.154m. This is recorded in the worksheet under the column headed “Final SAP Balance” and is broken down by invoice in the worksheets entitled “Pivot” and “Stage 4 SSC Line items 300407”.
  - (b) The column headed “Re-allocation between stages” outlines capital amounts from the column headed “Final SAP balance” that needed to be re-allocated from one sub-stage to other sub-stages.
  - (c) In addition to the accruals referred to above, prior to the capitalisation occurring, there was also another amount for accruals that had to be recorded to the project based on invoices received. This amount was \$3.299m
  - (d) In addition, there was also a total expenditure of \$1.133m which was booked to the project but which related to completions work that, at the time of capitalisation in 2008, had not been completed – the capital costs for this completion work could only be capitalised in 2009 when the completion project had been completed.
  - (e) The breakdown of the \$431m into various asset categories under the worksheet “Stage 4 Asset (final)”
- 3.8. The incurring of the amount of \$10.604m in expenditure that was capitalised in 2009 can be explained as follows:
- (a) In 2008, a list of projects was identified for completion. The amount allocated to this completion project is classified in the row entitled “Stage 4CO”.
  - (b) This is explained as follows:
    - (i) \$1.133m was carried over from the initial capitalization done in 2008 given that it related to assets that had not, in 2008, been completed.
    - (ii) There were \$14.985m in transactions incurred following the capitalization of the initial phase in 2009. This is broken down by invoice in the worksheets entitled “{Stage 4 SSC Line items 010507 on”
    - (iii) However, of this total amount, \$5.514m in invoices related to various sub stages in stage 4 and therefore required a reversal of accruals for these amounts.

#### 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, 18 and 23.

Item	Description	Comment	Status of Information Provision
<b>3</b>	<b>Stay-in-Business Capital Expenditure (2005 to 2010)</b>		
3.1	<u>Computers</u> – ██████████ at Esplanade \$██████ in 2007; please provide details of the \$██████ (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	<u>Motor Vehicles</u> – 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	<u>SCADA</u> – Please provide a copy of the SCADA strategy prepared in 2006.	To understand the justification for the upgrade.	Information has been provided.
3.4	<u>SCADA</u> – In 2010, there is a cost of \$██████ 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	<u>CCTV</u> – Please provide scope of works, details of the cost of \$██████ 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	<u>Software</u> – Please provide the scope of works, details of the cost of \$██████ 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	<u>Compression</u> – 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	<u>Compression</u> – CS6/2 Nuova Pignone Low Pressure Turbine replacement at a cost of \$██████ 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	<u>Compression</u> – CS2/2 [REDACTED] [REDACTED] 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	<u>Compression</u> – CS8/2 [REDACTED] [REDACTED] 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	<u>Compression</u> – 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 <i>Submission 10</i> .	Information not yet provided.
3.12	<u>Microwave</u> – 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	<u>DBNGP Signage</u> – 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	<u>Compressor Station Pipework</u> – 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 <i>Submissions 14 and 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
3.15	<u>Transition Costs</u> – 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 <i>Submission 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
3.16	<u>Coating and Earthing Replacement</u> – 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 <i>Submissions 14 and 17</i> , 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. Reference is made to DBP's response to request item 2.2 which submits 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. However, only some of the expenditure for the Maximo upgrade project has been recorded in both the Stage 5A expansion project and the particular stay in business project.

4.5. This is explained in the following table:

Item	Original  CY 2010 \$m	Adjustment  \$m	Forecast Expenditure  as at 30 June 2010 \$m
Maximo as reported in Stay in Business			
Maximo as reported in Stage 5A expansion			
<b>Total Maximo Project</b>			

4.6. DBP has proposed to remove an amount of [REDACTED] from the 2010 stay in business expenditure (making the amount contributable the Maximo stay in business project \$ [REDACTED] M for 2010). This adjustment will be made to the proposed revisions to the access arrangement to be submitted following the draft decision.

## 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, 18 and 23.

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 EXPENDITRE (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, 18 and 23.

Item	Description	Comment	Status of Information Provision
5	<b>Stay-in-Business Capital Expenditure (2011 to 2015)</b>		
5.1	<u>Compressor Stations</u> – Replacement of compressor control at CS2, 4 & 7 at a cost of \$████ in 2011 and \$████ 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 <i>Submission 17</i> , 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	<u>Compressor Stations</u> – Replacement of compressor control at CS10 to cost \$████ 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 <i>Submission 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.3	<u>Compressor Stations</u> – Replacement of station PLC 5 at ACS sites and CS10 \$████ 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.	<i>Information has been provided.</i>
5.4	<u>Compressor Stations</u> – CS6 NP exhaust replacement \$████ 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 <i>Submission 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.5	<u>Compressor Stations</u> – Underground pipework at compressor station at \$████ 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 <i>Submission 17</i> , 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	<u>Compressor Stations</u> – Replace compressor station copper earthing (CS1, 5 & 8) at \$█████ 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 <i>Submission 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.7	<u>Compressor Stations</u> – Replacement of stage 3A turbine air inlet filters cost \$█████ 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 <i>Submission 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.8	<u>Compressor Stations</u> – Upgrade of compressor station costs \$█████ 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 <i>Submission 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.9	<u>Compressor Stations</u> – GEA overhaul costs \$█████ 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	<u>Meter Stations</u> – Flow computer upgrades cost \$█████ in 2012 and \$█████ 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	<u>Pipeline</u> – South West Communication Upgrade cost \$█████ 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 <i>Submission 17</i> , 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	<u>Pipeline</u> – Replacement of CCVT cost \$█ in 2011, \$█ in 2012 and \$█ 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 <i>Submission 17</i> , however, no supporting documentation has yet been provided. It is requested that relevant supporting documentation be provided (if available).
5.13	<u>Other</u> – 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	<u>Other</u> – SCADA upgrade of \$█ 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	<u>Other</u> – Please provide the IT strategy that determines the requirements of: <ul style="list-style-type: none"> <li>▪ ICT (SAP, Maximo, CRS) replacement and the proposed timing; and</li> <li>▪ Lap top replacement and the proposed timing.</li> </ul> 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	<u>Other</u> – Replacement vehicles cost \$█ 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.	<i>Information has been provided.</i>
5.17	<u>Other</u> – Software licences cost \$█ 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	<u>Other</u> – Management of change; please provide details of what type of changes have been provision for and how the costs of \$█ 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 5.13 - Jandakot Office**

6.4. The Jandakot site is used by DBP as office space and storage warehousing for DBNGP field personnel involved in operations and maintenance activities.

6.5. The site currently includes offices, storage of spare parts, laboratory and a small workshop. No maintenance activities are carried out on the site.

6.6. Generally less than 20 staff is on site as maintenance takes place in the field between Dampier and Bunbury.

6.7. DBP is investigating a long term plan to consolidate its operations at the Jandakot site, including:

- (a) Consolidation of the control room at this site when the lease expires at the Esplanade
- (b) Relocation of the key engineering team to be collocated with the Maintenance team.
- (c) Consolidation of Disaster recovery requirements at Jandakot underpinned by the upgrading of the southern area communications network.
- (d) Centralisation of procurement and accounts payable processes.
- (e) Additional services and parking to cater for the increased workforce planned at the site.

6.8. To implement this plan, a new office building will be required.

6.9. DBP, using its project cost estimation methodology, has estimated the expenditure required to be in the order of \$4million.

**Response to 5.14 – SCADA**

6.10. The project costs for the SCADA upgrade stay in business project has been incorrectly accounted for in the proposed revisions to the Access Arrangement.

6.11. DBP advises that the total project cost is expected to be in the range of \$3.6 million as outlined in response to item 3.4.

6.12. DBP proposes to remove the amount of \$1,107,683 from the forecast stay in business that is being double counted. This adjustment will be made to the proposed revisions to the access arrangement to be submitted following the draft decision.

**Response to 5.15 – IT Strategy**

6.13. DBP refers to the IT Service Plans that were attached in earlier submissions that responded to requested item 1.5 – in particular the service plans attached to submission 14 for details on most of the ICT equipment.

## 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, 18 and 23.

Item	Description	Comment	Status of Information Provision
<b>6</b>	<b>Historical Operating Expenditure (2005 to 2010)</b>		
6.1	A breakdown of historical operating expenditure on the same basis as provided for forecast expenditure (refer Table 2 in <i>Submission 12</i> ).	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 <i>Submission 12</i> ).	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	<i>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].</i>	<i>To clarify the rate of asset growth.</i>	<i>Clarification has been provided.</i>

Item	Description	Comment	Status of Information Provision
6.6	<i>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)].</i>	<i>To understand DBP's submission in respect to the impact of inflation on historical operating costs.</i>	<i>Clarification has been provided.</i>
6.7	<i>Documentation demonstrating the proposed fee increases under the Access Right, including the timeframe under which they will become applicable.</i>	<i>To understand the breakdown of the "Utility Rates and Taxes" expenditure category.</i>	<i>Documentation has been provided.</i>
6.8	<i>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.</i>	<i>To understand the basis for and magnitude of surveillance cost increases.</i>	<i>Documentation has been provided.</i>
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	<i>Identification of the categories (refer Table 2 in Submission 12) to which Information Technology and Audit costs have been allocated.</i>	<i>To understand the compilation of expenditure categories.</i>	<i>Clarification has been provided.</i>
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 6.15 – Fuel gas veracity**

- 7.4. DBP provides attachment 6.15 a Fuel gas in response to request item 6.15.
- 7.5. The ERA’s consultants have asked to detail the correlation between calculated forecast and actual quantities of fuel gas used during the current Access Arrangement.
- 7.6. DBP can not detail correlations between the fuel gas forecast approved by the Regulator in 2005 as the fuel curves (based on consistent assumptions) change significantly at each expansion stage due to changes to the asset.
- 7.7. However, Attachment 6.15 a details the basic compressor fuel calculations, fuel curves, fuel gas assumptions applied and how fuel ratios on the DBNGP are tracked.
- 7.8. The attachment describes the way in which the "fuel curves" used for forecasting quantities of compressor fuel are determined, and shows the correlation between actual and forecast fuel ratios for the period from July 2002 to the present. The actual fuel ratio has tracked reasonably close to the forecast ratio, except during periods of major expansion and during the period in 2005 and 2006 when producers "lowered" the quality of the gas delivered into the DBNGP.

## 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, 18 and 23.

Item	Description	Comment	Status of Information Provision
<b>7</b>	<b>Forecast Operating Expenditure (2011 to 2015)</b>		
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 ( <b>Section Error!</b> 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, <b>Section Error!</b> Reference source not found.).

Item	Description	Comment	Status of Information Provision
7.6	<i>A copy of DBP's Audit Schedule, including identification of all Mandatory Audits. The scope and timing of all audits should be identified.</i>	<i>To understand the impact of regulatory obligations on operating costs.</i>	<i>Documentation has been provided.</i>
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	<i>Details of the calculation of labour costs and the basis of the assumed 2 percent labour cost escalation rate.</i>	<i>To confirm justification for the adopted labour cost escalation rate.</i>	<i>Response has been provided.</i>
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 (\$█/GJ.in 2011 rising to \$█/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, <b>Section Error!</b> 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 <sub>2</sub> 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, ILL 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 <i>Submission 12</i> , 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 7.10 – Weighted fuel gas**

8.4. DBP's commercial arrangements with its shippers, including Alcoa of Australia, lie outside the scheme of the national gas access regulatory regime. This creates a paradox. For the purposes of the regime, the DBNGP is a covered pipeline, but there is no capacity for provision of reference service, and no "divisor" for the purpose of determining a reference tariff. Since the first filing of a proposed Access Arrangement for the DBNGP in 1999, this paradox has been resolved (in a way consistent with the legal rules of the regulatory regime) by assuming, for reference tariff determination, that all firm service contracted capacity is reference service capacity, and that all shippers (notionally) pay the reference tariff. DBP's commercial arrangements outside the regulatory regime can then be ignored (as the regime requires) without users of the reference service (if there were to be any)

being disadvantaged by the tariff they would pay. All shippers would, at least notionally, bear the same cost per unit of contracted capacity. If spare capacity were to become available for provision of the reference service, that capacity could then be made available to a prospective user at the correct - regulated – reference tariff.

- 8.5. If, then, Alcoa of Australia were to be required to pay the reference tariff (the assumption implicitly being made), and were to contribute the fuel gas required for the transport of gas to its refineries, it could reasonably be expected to negotiate, with DBP, a discount on the reference tariff it would otherwise have had to pay, to compensate it for the value of the fuel gas it contributed. Other shippers would be unaffected. They would continue, at least notionally, to pay the reference tariff.
- 8.6. If Alcoa were required to pay the reference tariff, were to contribute the fuel gas required for the transport of gas to its refineries, and the value of that gas were removed from the total revenue for reference tariff determination, all shippers would pay a correspondingly lower tariff. However, the reduction in the tariff (notionally) payable by Alcoa would not be sufficient to compensate the company for the value of the fuel gas it had contributed. Moreover, other shippers would benefit from a tariff reduction made possible by Alcoa's contribution of fuel gas. They would receive gas transportation service at an economically inefficient price - a price below the cost of providing the reference service.
- 8.7. To remove the inefficiency, either a value must be assigned to the gas contributed by Alcoa for reference tariff determination, or Alcoa must be "removed from the pricing equation". The removal of Alcoa, because it has commercial arrangements with DBP which lie outside the regulatory regime, is difficult. It is difficult conceptually, because all other shippers also have commercial arrangements with DBP which lie outside the regulatory regime. It is difficult practically because considerably more than the value of the fuel contributed by Alcoa would have to be removed from the total revenue for tariff determination. Alcoa's contributions to the capital and other costs of operating the DBNGP would have to be removed, and these are difficult to properly identify given the company's current and past contractual arrangements as a foundation pipeline customer.
- 8.8. The problem is most simply - and properly - resolved, by "leaving Alcoa in the pricing equation", and assigning a value to the fuel gas contributed by Alcoa. DBP has done this by assigning a price of \$ [REDACTED]/GJ (real, December 2010) to that gas. DBP understands that a portion of the fuel gas supplied under its System Use Gas Agreement with Alinta Sales was, up until the end of 2009, sourced from Alcoa. DBP has, therefore, assumed that the price at which Alcoa buys gas (the price which should be used in determining the cost of fuel gas component of DBP's total revenue) must be at or near the price at which Alinta Sales supplied gas to DBP up until December 2009. That price was \$ [REDACTED]/GJ ("notional Alcoa price").
- 8.9. The cost of fuel gas which DBP has used to determine the proposed revised reference tariff for the DBNGP has then been calculated using a weighted average of the notional Alcoa price, and the price which DBP expects to pay for gas purchased under its amended System Use Gas Agreement with Alinta Sales (which was provided as Annexures 2A and 2B to DBP's Submission 12) once the amendments to that agreement become unconditional. In the average, the Alcoa price is weighted by the ratio of Alcoa throughput to total (full haul and part haul) throughput, and the Alinta Sales price is weighted by the ratio of total throughput, less Alcoa throughput, to total throughput.
- 8.10. The price at which Alcoa purchases gas is not known to DBP and, in the absence of an assumption such as that described in paragraph 8.8 above, the current view of the market price of gas – around [REDACTED]/GJ – would have to be used in the determination of the DBNGP

fuel gas cost. Accordingly, DBP considers it is a reasonable best estimate to assume the notional Alcoa price.

- 8.11. DBP notes that, in its fuel gas calculations, both the price of gas supplied under the System Use Gas Agreement, and the assumed Alcoa price, are assumed to increase at 80% of the increase in the CPI. This is the rate of price escalation applicable in accordance with the relevant clauses of the System Use Gas Agreement.

## 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, 18 and 23.

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.

## 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, 18 and 23.

Item	Description	Comment
<b>General</b>		
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.
<b>Expansion Capital Expenditure</b>		
9.5	Please confirm the cost differences for Stage 5A and Stage 5B for the following gas quality scenarios: <ul style="list-style-type: none"> <li>• HHV 38.5 MJ/m<sup>3</sup>;</li> <li>• HHV 37.7 MJ/m<sup>3</sup>; and</li> <li>• HHV 37.0 MJ/m<sup>3</sup>.</li> </ul>	To understand the cost implication of the various HHV assumptions.
9.6	In <i>Submission 9</i> , 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 <i>Submission 9</i> , 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.

Item	Description	Comment
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.	
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.
<b>Stay-in-Business Capital Expenditure</b>		
9.11	<u>Management of Change</u> – 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 provides a document that summarises the unit rates from three key service providers who provide labour assistance for minor projects (these were provided in submission 23) and the unit rates for key equipment suppliers and key cost items such as overhauls etc. See attachment 9.2a.

**Response to 9.5 – Gas Quality**

10.5. In addition to the information provided in submission 23 on this information request, DBP advises that in June 2006, DBP undertook an analysis of the different hardware required to provide the additional capacity for what, at that time, was expected to be required to be built for the stage 5A expansion project. That analysis is contained in the spreadsheet attached as attachment 9.5a

10.6. However, DBP cautions the ERA and Halcrow not to place too much importance on this document for the following reasons:

- (a) It was prepared almost 3 months before an investment decision was made on stage 5A
- (b) At the time of its preparation, the amount of additional capacity underpinning the analysis did not reflect the amount of additional capacity that the actual investment decision for stage 5A was based on.

- (c) The analysis does not contain complete costing details for the different gas quality scenarios
- (d) The analysis was undertaken before the FEL for stage 5A was prepared and therefore any costing details that are in the spreadsheet do not align with the costings included in the FEL
- (e) The primary purpose of the analysis was to understand the order of magnitude of the difference between the hardware required under each gas quality scenario. Given the risks to DBP of designing an expansion assuming a gas quality specification other than using 37.0MJ/m<sup>3</sup>, a decision was made by management not to pursue any further analysis in this regard

## 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, 18 and 23.

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 <i>Submission 12</i> .	To better understand the impact of the drivers for expenditure on consultants as identified in page 14 of <i>Submission 12</i> .
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: <ul style="list-style-type: none"> <li>• Details of the self insurance events that have actually taken place over the period since 2005 and the cost of these events; and</li> <li>• Evidence to demonstrate current insurance coverage exclusions.</li> </ul>	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: <ul style="list-style-type: none"> <li>• A breakdown of the operating expenditure that DBP forecasts it will actually incur on fuel gas (ie. excluding [REDACTED]) versus what has been included in the operating expenditure forecast;</li> <li>• A copy of the amended agreement for the purchase of fuel gas from [REDACTED] (to confirm the unit rate adopted); and</li> <li>• A copy of the agreement with [REDACTED] regarding the supply of fuel gas.</li> </ul>	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 10.20 – Further fuel gas**

11.4. DBP refers to its response to request item 7.10.

11.5. The forecast of operating expenditure related to fuel gas cannot be justified by reference to a breakdown of the operating expenditure that DBP forecasts it will actually incur on fuel gas (ie. excluding ██████) versus what has been included in the operating expenditure forecast. See Response to 7.10 above.

11.6. In addition, DBP notes that the ██████ agreement requested has already been provided as part of DBP’s submission 12.

11.7. The agreement with ██████ regarding the supply of fuel gas is, like all other agreements with Alcoa, contains strict confidentiality provisions. If the agreement is required, DBP will first need to obtain ██████ consent to its being released.

## 12. CONFIDENTIALITY

