

22 August 2008

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DATE RECEIVED

Mr E. J. Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001



Dear Mr Hall

ENERGEX's Full Retail Competition (FRC) Cost Pass-Through Application

ENERGEX is aware that the Queensland Competition Authority (QCA) is in the process of finalising its Decision regarding the approval of pass-through costs for ENERGENX's network expenditure for the implementation of full retail competition (FRC).

Since ENERGENX submitted its FRC Pass-Through Application and Response to the QCA's Draft Decision, commercial circumstances have changed with respect to ENERGENX's FACOM IT asset. ENERGENX has recently been in negotiations with a third party for the purchase of this software asset.

As ENERGENX is now expected to receive some value for the cost of developing and upgrading its FACOM software asset from this transaction, ENERGENX does not consider it appropriate to include such costs as pass-through costs for the purposes of FRC expenditure.

Accordingly, ENERGENX advises the QCA that it wishes to remove from the Pass-Through Application, costs associated with upgrading FACOM to facilitate network FRC capability.

In order to reflect the above, ENERGENX reduces the value of capital expenditure included in its application by \$4.88 million to \$52.23 million, representing a reduction of \$4.83 million for software and \$0.05 million for hardware. The associated annual asset service charges to be removed from ENERGENX's application are \$1.95 million for 2007/2008, \$1.81 million for 2008/2009 and \$1.67 million for 2009/10. Attachments 1 and 2 provide a summary of the revised capital expenditure and pass-through costs reflecting the above reductions.

Should you have any further questions in relation to this matter, please refer them to Louise Dwyer, Group Manager Regulatory Affairs on (07) 3407 4161.

Yours sincerely


Terry Effenev
Chief Executive Officer

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Attachment 1

ENERGEX FRC PROJECT - CAPITAL EXPENDITURE

Asset	2005/06 - Actual	2006/07 - Actual	2007/08 - Actual	Total FRC CAPEX
FDU - Peace	\$2,215,300	\$13,213,798	\$9,488,137	\$24,917,235
Labour				
Peace	\$792,878	\$5,681,898	\$5,430,108	\$11,904,884
Accenture	\$1,303,496	\$4,880,503	\$943,007	\$7,127,007
ENERGEX	\$106,480	\$1,132,620	\$1,296,345	\$2,535,445
SPARQ	\$12,446	\$1,398,242	\$1,569,927	\$2,980,615
Software	-	\$120,535	\$248,750	\$369,285
Hardware	-	\$862,737	\$642,456	\$1,505,193
TOHT	\$662,803	\$3,630,674	\$1,727,941	\$6,021,418
Labour				
Datec	\$97,014	\$763,695	\$612,420	\$1,473,129
Accenture	\$521,398	\$1,338,751	\$345,850	\$2,206,000
ENERGEX	\$31,944	\$258,991	\$260,282	\$551,217
SPARQ	\$12,446	\$1,269,237	\$501,389	\$1,783,072
Software	-	-	\$8,000	\$8,000
Hardware	-	\$202,448	\$53,538	\$255,986
NEMLink	\$91,804	\$797,380	-	\$889,184
Labour				
Accenture	\$65,175	\$97,536	-	\$162,711
BEA	\$9,758	-	-	\$9,758
ENERGEX	\$10,648	-	-	\$10,648
SPARQ	\$6,223	\$699,843	-	\$706,066
Force	\$92,694	\$276,152	-	\$368,845
Labour				
Accenture	\$65,175	\$54,412	-	\$119,587
ENERGEX	\$21,296	\$69,089	-	\$90,385
SPARQ	\$6,223	\$152,650	-	\$158,873
FFA-FRC	-	\$1,982,810	\$956,754	\$2,939,564
Labour				
TUSC	-	\$1,038,400	\$46,374	\$1,084,774
Accenture	-	\$24,096	\$85,245	\$109,341
ENERGEX	-	\$86,814	\$115,645	\$202,459
SPARQ	-	\$775,900	\$667,190	\$1,443,091
Software	-	\$57,600	\$42,300	\$99,900
Hardware	-	\$8,800	\$107,076	\$115,876
ArcFM	-	\$2,537,620	\$1,687,913	\$4,225,533
Labour				
ESRI	-	\$802,076	\$222,312	\$1,024,388
Accenture	-	\$433,491	\$226,921	\$660,412
ENERGEX	-	\$367,665	\$515,610	\$883,275
SPARQ	-	\$710,567	\$723,071	\$1,433,638
Software	-	\$223,820	-	\$223,820
Hardware	-	\$76,896	\$107,076	\$184,072
Integration	\$620,850	\$5,159,517	\$1,840,535	\$7,620,902
Labour				
BEA	\$185,411	\$1,576,681	-	\$1,762,092
Accenture	\$391,049	\$2,912,374	\$537,008	\$3,840,431
ENERGEX	\$31,944	\$29,227	\$133,366	\$194,537
SPARQ	\$12,446	\$472,072	\$950,848	\$1,435,366
Software	-	\$169,164	\$219,313	\$388,477
Hardware	-	\$114,521	\$107,076	\$221,597
Reporting	-	\$533,600	\$89,008	\$622,608
Labour				
Accenture	-	\$24,096	-	\$24,096
ENERGEX	-	\$349,849	-	\$349,849
SPARQ	-	\$158,672	\$89,008	\$247,679
Software	-	\$984	-	\$984
TCE	-	\$508,054	-	\$508,054
Labour				
ENERGEX	-	\$70,753	-	\$70,753
SPARQ	-	\$425,891	-	\$425,891
Software	-	\$11,410	-	\$11,410
Hardware	-	\$71,545	-	\$71,545
GUS	-	\$291,653	-	\$291,653
Labour				
ENERGEX	-	-	-	-
SPARQ	-	\$291,653	-	\$291,653
EMAS	-	\$188,396	\$65,018	\$253,415
Labour				
SPARQ	-	\$188,396	\$65,018	\$253,415
SLIM	-	-	\$1,163,433	\$1,163,433
Labour				
Accenture	-	-	\$248,262	\$248,262
ENERGEX	-	-	\$346,076	\$346,076
SPARQ	-	-	\$569,095	\$569,095
Hardware	-	-	\$53,533	\$53,533
Total Software	\$3,683,451	\$29,119,654	\$17,018,739	\$49,821,844
Total Hardware	-	\$1,336,847	\$1,070,761	\$2,407,607
Total FRC CAPEX	\$3,683,451	\$30,456,500	\$18,089,500	\$52,229,451

Attachment 2

ENERGEX Total FRC Costs (\$000 nominal)

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Forecast	2009/10 Forecast	Total
FRC Project Implementation Costs						
Project Management and Implementation Costs						
Labour Internal	143	1,899	681	-	-	2,522
Labour - Contract	231	844	1,858	-	-	2,933
Other Project Administrative Costs	18	159	671	-	-	848
Corporate Communications						
Corporate Communications	-	227	-	-	-	227
IT & Business Systems						
CVU-IVR	-	82	182	-	-	264
Data Extraction	-	-	480	-	-	480
PEACE Post Production Support	-	-	470	-	-	470
Post Go Live Enhancements - Stage 1	-	-	594	-	-	594
SPARQ (ICT)- Asset Service Charge	770	-	10,527	14,122	13,201	38,620
Total Project Costs	1,161	3,011	15,464	14,122	13,201	46,958
FRC Operational Costs - Ongoing						
IT & Business Systems Maintenance and Support						
SPARQ (ICT) - Maintenance & Support Contract	-	-	3,821	4,022	4,126	12,069
Labour for ongoing FRC activities						
Labour - Internal	-	55	3,723	4,975	5,199	13,952
SEPL - Labour	-	32	547	-	-	579
Metering Dynamics - Labour	-	55	1,466	1,613	1,685	4,819
Load Profiling						
Metering Dynamics - Sample Meters	-	-	240	247	253	740
Total FRC Operational Costs	-	143	9,896	10,856	11,264	32,159
FRC Costs	1,161	3,153	25,359	24,978	24,465	79,117
Less Removal of ICT costs In 2005 Determination						
ROA & Depreciation on FACOM	-	-	-	107	99	206
Maintenance & Support FACOM	-	-	-	368	378	742
ROA & Depreciation on NETWORK BILLING	-	45	290	319	524	1,737
Total FRC Pass-through	1,117	2,864	25,040	23,945	23,466	76,432

The costs in the above table represent ENERGEX's total FRC claim including Stage 1 costs from ENERGEX's Supplementary Submission after removal of the Asset Service Fee relating to FACOM, plus the Stage 2 costs included in ENERGEX's Response to the Draft Decision.