

23 NOV 2006

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**Queensland  
Government**

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**Treasury***Our Reference: TRO-18773*

22 NOV 2006

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

Dear Mr Hall

**Government's Response to Capital Expenditure Pass-Through Application from Energex Ltd**

I refer to the Queensland Competition Authority's (QCA) invitation to provide comments on the Capital Expenditure Pass-Through Application from Energex Ltd (the Application).

The electricity distribution system is one of the most critical elements of Queensland's economic and social infrastructure. The services provided by Distribution Network Service Providers (DNSPs) enhance the welfare of the population and promote the national and international competitiveness of state-based industries. Consequently, decisions taken by these businesses in relation to levels of demand growth and the size of future capital expenditure (capex) programs will have considerable ramifications for the Queensland economy.

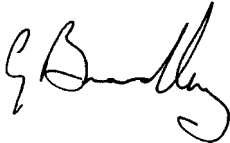
In light of the importance of the electricity industry to the Queensland Economy, the Electricity Distribution and Service Delivery (EDSD) Review assessed the performance of Queensland's electricity distribution networks, identifying a number of shortcomings in regard to the DNSPs' service standards and expenditure programs. In this context, the EDSD Review set out a number of recommendations to rectify these problems, and ensure the future reliability of supply to Queensland customers in an environment of high growth in energy demand. In doing so, the EDSD Review foreshadowed the need for levels of capex and operating and maintenance (opex) expenditure significantly above previous regulatory allowances.

Energex has now had an opportunity to further assess its capex and opex requirements in the context of what is currently allowed, and what is required if it is to deliver fully on its obligation to implement the EDSD recommendations. Energex has also assessed its capacity to deliver on the extensive capital works program that the implementation of its EDSD obligations entails. Accordingly, the Government is strongly of the view that the regulatory framework should provide Energex with sufficient capex and opex allowances to enable it to meet all of its EDSD obligations.

As you would also be aware, the Government released the South East Queensland Regional Plan in June 2005. The South East Queensland Infrastructure Plan identifies the infrastructure (including electricity infrastructure) required to achieve the Regional Plan and sustainably manage growth in the region over the next 20 years. Government is also of the view that the regulatory framework should allow Energex with sufficient capex and opex allowances to deliver and supply the infrastructure projects identified in the South East Queensland Infrastructure Plan.

If you have any further queries, or require additional information, please contact Miss Kellie Jones on telephone (07) 3224 4996.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Bradley', with a stylized flourish at the end.

Gerard Bradley  
Under Treasurer