

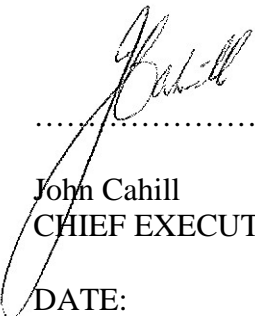
Statement of Compliance

Statement of Compliance for Alinta DEQP Pty Ltd (“Alinta DEQP”) for the financial year 2005/06

Alinta DEQP- Queensland Gas Pipeline (“QGP”)

1. Attached is the annual Ring Fencing Compliance Report for the year ending 30 June 2006. Alinta DEQP has not varied the Ring Fencing Compliance Report or Statement of Compliance from the original forms sent by the ACCC, other than to provide the information required.
2. Alinta DEQP is not aware of any breach of any of the obligations listed in section 4.1 of the Code other than as detailed in this report.
3. Alinta DEQP has maintained a compliance program during the relevant period that ensures that:
 - (a) appropriate internal procedures have been established and maintained to ensure compliance with the obligations in section 4.1 of the *National Third Party Access Code for Natural Gas Pipeline Systems* (the Code);
 - (b) an accurate assessment of these procedures has been made;
 - (c) the Chief Executive Officer of Alinta DEQP is made aware of any breaches of the ring fencing obligations;
 - (d) remedial action is taken as soon as possible to rectify breaches of the minimum ring fencing obligations and that completion of this action is reported to the Board of Directors;
 - (e) the compliance program is reviewed regularly and as necessary.
4. The Board of Directors of Alinta DEQP has approved this report.

Signed by:



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John Cahill
CHIEF EXECUTIVE OFFICER

DATE:



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Stephen Gobby
DIRECTOR

DATE:

Ring Fencing Compliance Report

Ring Fencing Compliance Report for Alinta DEQP for the financial year 2005/06

Definitions

Unless otherwise defined, all capitalised terms used in this document have the meaning given to them in section 10.8 of the Code.

Compliance with minimum ring fencing obligations

Alinta DEQP submits this report under section 4.13 of the Code. The report describes the measures taken to ensure compliance with its obligations under section 4 and provides an accurate assessment of the effect of those measures.

Alinta DEQP will, pursuant to section 4.14 of the Code, notify the Commission immediately on becoming aware of a breach (or potential breach) of its obligations under section 4 of the Code. Notification should be directed to the General Manager, Regulatory Affairs – Gas, ACCC.

1. Service Provider is a legal entity

Section 4.1(a) of the Code requires a Service Provider to be a legal entity.

Alinta DEQP (ACN 083 050 104) is the legal and beneficial owner of 25% of the QGP via the Queensland Pipeline Partnership with Alinta DQP Pty Ltd (ACN 083 050 284) (“**Alinta DQP**”) holding the remaining 75%. Alinta DEQP is a legal entity registered under the Corporations Act 2001. Alinta DEQP and Alinta DQP are wholly owned subsidiaries of Alinta Infrastructure Limited (**AIL**). AIL forms part of a triple stapled entity known as Alinta Infrastructure Holdings (**AIH**). AIH is listed on the ASX.

2. Not carry on a Related Business

Section 4.1(b) of the Code requires that a Service Provider not carry on a Related Business (essentially a business of producing, purchasing or selling natural gas).

The only business that Alinta DEQP undertakes is the respective ownership interest and operation of the QGP through the QGP partnership. Accordingly, this represents the entire business of the Service Provider. Alinta DEQP does not carry on a Related Business.

The table below identifies all the Alinta DEQP Associates with any involvement in natural gas:

Entity	Business carried on	Assets owned
Alinta DQP Pty Ltd	Transmission	75% of QGP
Alinta DTH Pty Ltd	Transmission	Tasmanian Gas Pipeline
Alinta DEGP Pty Ltd	Transmission	50% interest in the Eastern Gas Pipeline (“ EGP ”)
Alinta DEEGP Pty Ltd	Transmission	50% interest in the EGP
Alinta DEWAP Pty Ltd	Transmission	11.843% interest in the Goldfield Gas Transmission Pipeline and 99% interest in the Port Headland and Newman Power Stations.
Alinta DVH Pty Ltd	VicHub - an interconnect facility situated at Longford, that enables gas to flow between the EGP, TGP and GasNet’s Victorian gas transmission system	Vic Hub
Alinta EA Pty Ltd	Administration	N/A
Alinta DENSWGH Pty Ltd	Holding company	Holding company of Alinta DEGP Pty Ltd and Alinta DEEGP Pty Ltd.
Alinta DEWAH Pty Ltd	Holding Company	Holding company of Alinta DEWAP Pty Ltd and 1% interest in the Port Hedland and Newman Power Stations
Alinta ED Ltd	Holding company	50% interest in each of Alinta DENSWGH Pty Ltd, Alinta DTH Pty Ltd, Alinta DVH Pty Ltd, Alinta DEWAH Pty Ltd, and Alinta DVP Pty Ltd; 100% interest in each of Alinta DAPH Pty Ltd, Alinta EH Pty Ltd and Alinta DIC Pty Ltd
Alinta Energy Holdings Pty Ltd	Holding company	Holding company of Alinta ED Ltd, 100% entitlement to the Alinta Gas Trust and the Alinta Power Trust
Alinta Gas Transmission Pty Ltd	Trustee company	Trustee of the Alinta Gas Trust. Alinta Gas Trust holds a 50% interest in each of Alinta DENSWGH Pty Ltd, Alinta DTH Pty Ltd, Alinta DVH Pty Ltd
Alinta Energy 3 Pty Ltd	Trustee company	Trustee of the Alinta Energy Trust 3 which holds on trust a 100% interest in Alinta Energy Holdings Pty Ltd
Alinta Energy 2 Pty Ltd	Trustee company	Trustee of the Alinta Energy Trust 2 which holds on trust a 100% interest in Alinta Trust 3
Alinta Energy 1 Ltd	Trustee company	Trustee of the Alinta Energy Trust 1 which holds on trust a 100% interest in the Alinta Energy Trust 2

Alinta Infrastructure Ltd	Holding company	Holds 100 % interest in each of Alinta Energy 1 Ltd, Alinta Energy 2 Pty Ltd, Alinta Energy 3 Pty Ltd, Alinta Gas Transmission Pty Ltd and Alinta Power Pty Ltd
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3. Establish and maintain separate and consolidated sets of accounts

Section 4.1(c) of the Code requires Service Providers to establish and maintain separate accounts for the activity that is the subject of each Access Arrangement.

Section 4.1(d) of the Code requires Service Providers to establish and maintain a consolidated set of accounts for all the activities undertaken by the Service Provider.

3.1 Maintenance of a separate set of accounts for each Service Provider

The Service Providers, Alinta DQP and Alinta DEQP, hold a 75% and 25% interest respectively in the QGP partnership and only provide services on one Covered Pipeline, namely the QGP and do not provide services on any other pipeline.

Separate accounts are kept for Alinta DEQP and Alinta DQP respectively for various reasons including:

1. Requirement for each Service Provider to comply with section 4.1 (c) of the Code;
2. Corporations Act requirement to prepare annual audited special purpose financial statements for each statutory entity; and
3. Internal reporting requirements.

Section 5 of Alinta Limited’s Ring Fencing Policy and Procedures (which have been adopted by the AIH group which include Alinta DQP and Alinta DEQP) sets out the general requirements which must be followed to ensure that Alinta DQP/Alinta DEQP is able to “establish and maintain separate accounts in respect of the services provided by each Alinta pipeline”, including QGP.

Alinta Limited (“**Alinta**”), who provides services to Alinta DEQP and Alinta DQP under an Operating Services Agreement (“**OSA**”), has established a procedure that requires Alinta staff to diligently assign all expenses and revenue to a correct general ledger account, cost centre, work order, internal order or asset, to ensure that a business can satisfy its internal and external reporting requirements and comply with ring fencing obligations.

More specifically the process includes, but is not limited to:

- QGP Revenue is recorded in the partnership based on volumes and contract terms on a monthly basis.
- Expenses are recorded in the partnership based on costs directly charged to the partnership via invoices and indirect costs allocated to each AIH asset on a reasonable basis (refer to 3 below for further information).
- On a monthly basis, the management accountant and financial controller of AIH review these revenues and expenses and a monthly report is prepared and distributed to the AIH management and Board explaining any variance from approved budgets and forecasts.

- The profit or loss and assets and liabilities of the partnership are then allocated and recognised in the accounts of Alinta DQP and Alinta DEQP in proportion to their respective interests in the partnership.
- A monthly reconciliation folder is maintained showing the transactional details of movements in the accounts and where appropriate the supporting documentation for these movements. This reconciliation folder is reviewed by the Pipeline Management Accountant and the Financial Controller of AIH.
- Annually, a set of statutory financial statements for Alinta DQP, as a large proprietary company, are prepared and signed off by the directors and external auditors. Statutory financials are not prepared for Alinta DEQP, as there is no requirement to do so.

3.2 Establishment and maintenance of separate consolidated accounts in respect of the entire business of the Service Provider

Section 4.1 (d) of the Code requires a Service Provider to “establish and maintain a separate consolidated set of accounts in respect of the entire business of the Service Provider.”

The only business that each Service Provider undertakes is the respective ownership interest and operation of the QGP through the QGP partnership. Accordingly, this represents the entire business of each Service Provider. Therefore the consolidated accounts of each Service Provider are the same as the accounts referred to in 3.1 above and no separate consolidated financial statements as such are prepared.

Alinta is of the view that 4.1(d) only applies to a Service Provider which has interests in other businesses such as another gas transmission pipeline. This is not the case with respect to Alinta DQP and Alinta DEQP.

4. Allocation of shared costs

Section 4.1(e) of the Code requires Service Providers to allocate costs in a fair and reasonable manner that is consistent with the principles in section 8.1 of the Code.

The Alinta Ring Fencing Policy and Procedures establish that “where costs are directly attributable to a particular pipeline, they must be assigned accordingly”. Costs incurred by the QGP comprise direct and indirect costs.

All costs which are directly incurred in operating the QGP (i.e. direct costs) are charged directly to the QGP partnership, which is in turn recognised in the Service Provider’s accounts according to their respective interest in the QGP partnership. These costs include pipeline marketing expenses, maintenance labour costs, and maintenance capital items. These costs are clearly identifiable as being directly attributable to the operation of the pipeline.

In addition to direct costs, various indirect costs are incurred by AIH in supporting the operation of all assets within its portfolio including the QGP. These costs comprise corporate support services, which include financial services, IT services, insurance services, human resources, internal audit, legal services and property management.

These costs are allocated to all AIH’s assets on a fair and reasonable basis generally according to various cost drivers. Some examples include:

- revenue as a proportion of total revenue for the group;
- asset base as a proportion of total assets for the group; and

- effort (time) as determined by key management staff .

Pursuant to the OSA, these costs are generally incurred by Alinta or Alinta Asset Management Pty Ltd (a wholly owned subsidiary of Alinta) and invoiced monthly to the AIH group, which includes the QGP Service Providers. A reconciliation is undertaken at least annually to ensure the appropriate costs are passed on to the AIH entities such as Alinta DQP and Alinta DEQP in accordance with the OSA.

AIH and Alinta Management are currently undertaking a project to further define the allocation methodology of indirect costs amongst the AIH assets. The objective of this project is to enhance the documentation of the allocation methodologies for each cost type and in turn further refine the process for allocating costs to the Service Providers such as Alinta DEQP and Alinta DQP.

5. Treatment of Confidential Information

Under sections 4.1(f) and (g) of the Code, Service Providers must ensure that:

- *Confidential Information provided by a user or prospective user is used only for the purposes for which it was provided and is not disclosed without the user or prospective user's consent; and*
- *Confidential Information obtained by a Service Provider which might reasonably be expected to materially affect the commercial interests of a user or prospective user is not disclosed to any other person without the permission of the user or prospective user to whom the information pertains.*

Note that where functions of the Service Provider have been outsourced to a third party, the Service Provider is responsible for ensuring that any Confidential Information provided to the third party is handled in accordance with sections 4.1(f) and (g) of the Code.

Under the OSA, Alinta is obliged to provide various services to Alinta DEQP and Alinta DQP. Those services include services in respect of the QGP.

AIH and Alinta maintain Ring Fencing Policy and Procedures which detail the ring fencing requirements of the Gas Pipelines Access Law and the Code and are required to be complied with when providing services to AIH. The Alinta group requires as a condition of employment that these policies and procedures must be complied with. The objectives of these ring fencing policies and procedures are:

- Provision of training and support to all staff;
- Regular monitoring of compliance;
- Identification of instances on non-compliance;
- The adoption of measures to prevent non-compliance; and
- Reviews of the effectiveness of the system.

The Ring Fencing Policy and Procedures contains detailed policies and procedures in relation to the use and protection of confidential information.

During the 2005/06 period marketing activities for the QGP were undertaken by Alinta employees who are seconded to AIH under detailed secondment agreements. These employees report to the Board of Directors of AIH through the Chief Executive Officer of AIH.

All confidential information received by those marketing staff was strictly controlled in a manner consistent with the Code requirements.

With respect to electronic information, computer security protocols were established to ensure that only the AIH seconded marketing staff were able to access such information. Any paper copies of confidential information are kept separately by relevant marketing staff. These procedures are monitored on a day to day basis through on going training and awareness processes.

6. Marketing Staff

Service Providers must ensure that:

- *their Marketing Staff (essentially those directly involved in sales, sale provision or advertising for the Service Provider) are not also working for an Associate that takes part in a Related Business (section 4.1(h) of the Code); and*
- *the Marketing Staff of an Associate involved in a Related Business are not also working for the Service Provider (section 4.1(i) of the Code).*

Note that in answering the questions below, the broadest possible meaning is to be given to ‘servants, consultants, independent contractors or agents’.

Alinta DEQP is a holding company for 25% of the QGP. It does not have any employees. As noted in item 5 above, staff who provide marketing services in respect of the QGP are employed by Alinta but are on secondment to the AIH group. The marketing staff are not also servants, consultants, independent contractors or agents of an Associate that takes part in a Related Business.

AIH is committed to ensuring that it does not allow its marketing staff to work for an Associate involved in a Related Business as prescribed by the Code. Should this ever inadvertently occur, AIH is committed to removing such staff from their position.

AIH and Alinta have established ring fencing policies and procedures, which as a condition of employment must be complied with. The objectives of these ring fencing policies and procedures are:

- Provision of training and support to all staff;
- Regular monitoring of compliance;
- Identification of instances on non-compliance;
- The adoption of measures to prevent non-compliance; and
- Reviews of the effectiveness of the system.

This policy provides strict guidelines in relation to the employment and activities of Marketing Staff and the procedure deals with the treatment of Marketing Staff including the immediate removal of staff if a contravention inadvertently has or is likely to occur.

The Alinta Ring Fencing Policy and Procedures detail the ring fencing requirements of the Gas Pipelines Access Law and the Code. Half yearly reviews of the Ring Fencing Policy and Procedures have been and continue to be undertaken by Alinta.