



28 July 2006

Mr Mike Buckley
General Manager
Network Regulation North
Australian Energy Regulator
P O Box 1199
Dickson ACT 2602

Dear Mr Buckley

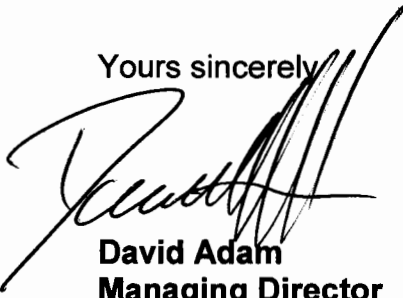
RING FENCING COMPLIANCE REPORT

As requested, please find enclosed our 2005 - 2006 Ring fencing Compliance Report for the Central Ranges Pipeline.

Presently, the Central Ranges Pipeline is in pre-commissioning phase and we expect to be in operation in July 2006.

Thank you for your assistance in providing a pro-forma report.

Yours sincerely



David Adam
Managing Director

STATEMENT OF COMPLIANCE

Statement of Compliance for Central Ranges Pipeline for the financial year 2005 - 2006.

1. Attached is the annual Ring Fencing Compliance Report for the year ended 30 June 2006. Central Ranges Pipeline has not varied the Ring Fencing Compliance Report or Statement of Compliance from the original forms provided by the ACCC other than to provide the information required.
2. Central Ranges Pipeline is not aware of any breach of any of the obligations listed in 4.1 of the Code other than information detailed in this report.
3. Central Ranges Pipeline has maintained a compliance program during the relevant period that ensures that:
 - (i) 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 Piping Systems (the "Code").
 - (ii) An accurate assessment of these procedures has been made.
 - (iii) The Chief Executive Officer of Central Ranges Pipeline is made aware of any breaches of the ring fencing obligations.
 - (iv) During the period, there have been no breaches of the minimum ring fencing obligations.
 - (v) The compliance program is reviewed regularly as necessary.
4. The Board of Directors of Central Ranges Pipeline has approved this report at its meeting held on 28 July 2006.

Signed by:



David Adam
Chief Executive Officer

Date: 28.7.06



David Paterson
Director

Date: 28.7.06



RING FENCING COMPLIANCE REPORT

Ring Fencing Compliance Report for Central Ranges Pipeline for the financial year 2005 - 2006.

Compliance with minimum ring fencing obligations.

Central Ranges Pipeline submits this report under Section 4.13 of the Code. The report describes the measures taken to ensure compliance with its obligation under Section 4 and provides an accurate assessment of the effect of these measures.

Central Ranges Pipeline will, pursuant to Section 4.14 of the Code, notify the Commissioner 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 as a Legal Entity

Central Ranges Pipeline Pty Ltd, ABN 38 108 218 355 is a fully owned subsidiary of Country Pipelines Pty Ltd ACN 108 218 346, both companies are registered in Victoria under the Corporations Act 2001.

2. Not Carry On a Related Business

Central Ranges Pipeline currently transports natural gas from the Central West Pipeline at Dubbo to the City of Tamworth. The entity does not produce, purchase (except for initial commissioning line pack) or sell natural gas.

Central Ranges Pipeline has no association with any other involvement in natural gas except that it holds a gas reticulation licence under its own name.

3. Establish and Maintain Separate and Consolidated Sets of Accounts

Central Ranges Pipeline owns the transmission pipeline for which it has an access arrangement approved by ACCC and it owns the distribution network for which it has an access arrangement approved by IPART.

Separate accounts are maintained for the pipeline and network and the costs are allocated according to their activities. The costs are allocated to the separate accounts, which are audited by the company's auditor, Grant Thornton. A certificate is produced which verifies the allocation of these costs and also the calculation of the capital value as required by these access arrangements.

A set of audited consolidated financial statements is also produced annually by the service provider.

4. Allocation of Shared Costs

The method of cost allocation may be summarised as follows:

(i) Direct Costs

A number of costs are allocated between the various services because they are specified in a contract. For example, Agility's annual quote for operation and maintenance services has been split between transmission and network.

(ii) Costs By Activity

A number of costs are allocated between the various services based upon their activity. For example, insurance costs for the property liability of \$60 million is allocated according to the capital costs of the total transmission and network capital costs incurred to-date.

(iii) Shared Costs

This category mainly refers to general operating costs such as office rents, telephone, salaries, accounting, printing and stationery costs. These costs are allocated between the transmission and distribution network based upon the capital costs spent on these services during that year. This allocation is made each year based upon the level of expenditure.

5. Treatment of Confidential Information

Central Ranges Pipeline has only two employees, i.e. the Managing Director and the Manager in Tamworth, and three additional company directors. All of them are well aware of the requirements and have signed confidentiality agreements.

Other end users, retailers and the commercial services provider (Agility) functions are carried out under the rules of the Gas Market Company which Central Ranges Pipeline is a member and bound by its rules.

Central Ranges Pipeline occupies its own premises in Tamworth which are new and secured. Electronic data is provided only through the Gas Market Company on to Directors (this applies to sensitive marketing and confidential information).

6. Marketing Staff

Central Ranges Pipeline has only two employees being the Manager in Tamworth and the Managing Director, both of them are aware of the ring fencing provision of the Code. In the Tamworth office, we have a hand copy of the Code and a Ring Fencing Compliance Manual. Any new employees will be trained in the ring fencing provision as part of the company's induction process.

Central Ranges Pipeline has gas transportation agreements with Country Energy and Origin Energy, both of these retailers are independent in their operation from our staff and our staff do not work with them in their retail business dealings.