

13 August 2009

Mr Chris Pattas
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Sir

Decision on CitiPower's current approach to charge new customers capital contribution for upstream network augmentation and Consultation on Fair and Reasonable Charging Rates

Lend Lease Development is currently developing Victoria Harbour, in the Docklands precinct of Melbourne. Our development on completion will consist of approximately 350,000 sqm of commercial space, 1800 residential apartments and a range of supporting retail and community buildings. Since 2001, we have developed approximately 65% of the commercial space and 20% of the residential space and we expect the remaining space to be developed over the next 10 years or so. CitiPower is the electrical distributor for our precinct.

Background

Over the past 7 years of development, we have found considerable increases in the customer contribution for buildings of similar type and electrical demand. In a number of cases, these contributions have trebled between 2006 and 2008 on a like for like basis. The current process of assessing customer contributions does not assist our planning for new projects as we are faced with significantly increased customer contributions relatively late in our development process. This increased cost is usually borne by the developer of the project. The detail of this process is discussed below.

As we develop each building and have sufficient design and load details, we complete a Network Connection Agreement with CitiPower that agrees the scope of connection works and customer contribution. Due to the details needed in this application, we receive this offer relatively late in the development process and generally have no option other than accept the offer by CitiPower. We have found that there is limited transparency in the calculation of costs, revenues and customer contribution and we have very little time to negotiate on the offer or discuss alternatives, due to the urgency of meeting our development program. Generally, we accept the agreement without issue, as the cost of delay in getting power to the building far outweighs any disputed amount.

Over the course of our project, we have and will continue to fund a significant amount of electrical infrastructure works and believe we should have a more transparent and equitable arrangement to finalise the customer contribution for each of our projects. We also believe that our sustainability initiatives and diversity of load have the potential to differentiate our precinct from many other parts of the network. In recent years, we have been working

hard to include many demand reduction initiatives across all our buildings at Victoria Harbour. Going forward, we intend to continue this focus and to explore the options for embedded generation with CitiPower. We believe that both these approaches should deliver benefits to all stakeholders, including CitiPower, and these shared benefits should be reflected in a transparent cost model. We are particularly committed to exploring and developing up these sustainability initiatives with CitiPower and believe a more flexible process of cost apportionment should be utilised based on our precinct requirements rather than a standard network charging model.

Recommendation

We recommend that a schedule of electrical infrastructure charges is established for our precinct in the CitiPower network as part of an overall approach to such a major urban redevelopment. This schedule should be based on a total precinct servicing cost model and would allocate costs fairly across the development. The cost model should be fully transparent and subject to review by all stakeholders on a nominated and regular basis.

Using this approach, we would hope that we could continue to justify investing in sustainable building and infrastructure initiatives that provide a range of shared benefits to all stakeholders. Importantly, under this process, both CitiPower, the developers and the investors would have confidence in the forecast costs going forward and be able to plan suitably in advance.

Yours sincerely



Stuart Eagleton
Manager, Sustainability & Infrastructure
Lend Lease Development