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30 August 2010

Mr Peter Williams
Acting General Manager Regulatory Affairs and Revenue Systems
Country Energy Gas Pty Ltd
GPO Box 718
QUEANBEYAN NSW 2620

Dear Mr Williams

Decision to vary Country Energy's Wagga Wagga gas distribution network access arrangement

I refer to your letter dated 3 August 2010 about the access arrangement for the Wagga Wagga natural gas distribution network (the access arrangement). In that letter you notified the AER of a mistake in calculating the taxation asset base.

Under rule 68 of the National Gas Rules (NGR) the AER is required to consult with Country Energy Gas Pty Ltd (Country Energy Gas) before it varies an access arrangement.

I am writing to advise that the Australian Energy Regulator (AER) intends to vary the access arrangement. The AER would seek as part of the variation process, a reconciliation of the total revenue impacts (including the change in estimated taxation) and tariff changes in the second year of the access arrangement period, to verify the impact of the change. The AER's intention is that this reconciliation be provided at the time of the 2011-12 tariff variation application.

In addition, the AER requests that Country Energy Gas confirms that the effect and removal of the intangible amount in the taxation asset base does not also need to be accounted for and removed from the approved capital asset base.

I have attached the proposed variations to the access arrangement information for review. In addition, please provide any feedback about the proposed process to verify the impact of the change to the taxation asset base on revenue components and 2011-12 tariffs.

We would appreciate a reply by 5 pm on 1 September 2010.

Should you have any queries please feel free to contact me on (02) 6243 1240.

Yours sincerely



Warwick Anderson
General Manager
Network Regulation North Branch