

Ref: MR:JC:C1388134

3 August 2010

Mr Warwick Anderson
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Dear Mr Anderson

Access Arrangement - Wagga Wagga Natural Gas Distribution Network 1 July 2010 to 30 June 2015 (the Access Arrangement)

Country Energy Gas Pty Limited (Country Energy Gas) is writing to the Australian Energy Regulator (AER) to advise of an error in calculations that form part of the Access Arrangement.

Country Energy Gas has recently discovered that the approved value of the tax asset base inadvertently includes an intangible amount that should not form part of the equivalent value of the regulatory asset base, based upon information provided by Country Energy Gas in error. Accordingly, the value of the tax asset base is overstated by the amount of this intangible.

Variation to Access Arrangement

National Gas Rule (NGR) 68 enables the AER to vary or revoke the Access Arrangement during the access arrangement period if it appears that the determination is affected by a material error or deficiency. Such error includes a mistake or miscalculation.

Country Energy Gas believes that its mistake in calculating the tax asset base is an error of the kind that the AER has a discretion to correct under NGR 68. It is also of the view that NGR 68 is the most appropriate mechanism to correct the error as such correction will not change the substance of the AER's Access Arrangement decision. Country Energy Gas therefore requests the AER utilise its discretion under NGR 68 to amend the Access Arrangement to the extent of the relevant error.

Revised calculations

Country Energy Gas has amended the opening value of the tax asset base in the Post Tax Revenue Model (PTRM) used in the final decision to exclude the intangible amount of \$14.2 million. This results in a revised value for the opening tax asset base at 1 July 2010 of \$41.8 million. The relevant tax remaining lives have also been amended to

reflect this change. All amendments have been made in accordance with the AER's final decision.

Country Energy Gas proposes to include the impact of the amendment in the X-factor for 2011/12, as the prices for the current year have already been implemented. The revised X-factor for 2011/12 is calculated to be -3.39 per cent, compared to the original 2011/12 X-factor used in the AER's final decision of -2.5 per cent. The amended PTRM is attached for your review.

Country Energy would be pleased to discuss this matter further. Should you require further information or clarification please feel free to contact Jason Cooke on 02 6338 3685.

Yours sincerely



Col Ussher
Executive General Manager Infrastructure Strategy