18 April 2007

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Ms Meredith Hooper
Australian Energy Regulator
Level 7, Angel Place
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SYDNEY NSW 2001

Dear Meredith

Questions of 12 April 2007

We refer to your email of 12 April 2007 attaching a list of further questions in relation to the Dawson Valley Pipeline (**DVP**).

We have addressed each of your questions below in the order in which they were asked.

Non-capital costs

1. The budget for direct costs as proposed is for a typical year. The figures were developed against the background of information provided by Origin.

2. The budget for indirect costs as proposed is for a typical year.

3. Anglo considers that its percentage allocation method is consistent with the objectives in section 8 of the National Third Party Code for Natural Gas Pipeline Systems (**Code**) as it reflects the efficient costs of delivering the Reference Service and captures costs which would be incurred by a prudent Service Provider, acting efficiently in accordance with accepted and good industry practice, and to achieve the lowest sustainable cot of delivering the Reference Service.

   The budget for indirect costs is determined as a percentage allocation of both the total annual overheads of the operator, Anglo Coal (Dawson Management) Pty Ltd and the total corporate costs of Anglo Coal Australia Pty Ltd. Anglo considers that the percentage allocation method is the most fair and reasonable method for determining a budget for indirect costs for three reasons:

   (a) as the AER is aware, the DVP was a recent acquisition and Anglo itself does not have any historical cost data upon which a budget could be based;

   (b) both Anglo Coal (Dawson Management) Pty Ltd and Anglo Coal Australia Pty Ltd are involved in various business activities, only one of which is the provision of

Services on the DVP. Prior to 1 January 2007, there was no specific recording on a time basis of some aspects of costs including maintenance time between the DVP and related assets; and

(c) the relevant employees who are/will be involved in providing the Services have had input into the percentage cost allocation based on their estimate of the proportion of their time that is likely to be spent on the provision of the Services. As the percentage allocation of costs applied to the total costs of Anglo Coal (Dawson Management) Pty Ltd and Anglo Coal Australia Pty Ltd (12% and 6% respectively) is the proportion of time estimated by the relevant management level employees as time likely to be spent on the provision of the Services, Anglo considers it reflects the efficient costs of delivering the Reference Service and captures the costs which would be incurred by a prudent Service Provider and is therefore consistent with the objectives in section 8 of the Code.

4. As stated at page 7 of its application for waiver, Anglo intends to engage consultants when the need arises on a contractual basis to undertake the marketing functions of the DVP including to respond to customer requests and to negotiate gas transportation agreements. As there are no current third party users of the DVP and the Access Arrangement is not in place, Anglo has not yet engaged consultants and subsequently has not incurred any costs in relation to consultants.

Load factor

5. The assumption of an 100% load factor was based upon historical throughput as evidenced by the graph of historical production provided as part of the Confidential Supporting Information on 5 February 2007 (**Production Graph**). A review of the Production Graph shows that in each calendar year from 2002 to 2004, the average throughput was 8,000GJ. For calendar year 2002, the average throughput was 8,000GJ. For calendar years 2003 and 2004, the average throughput was greater than 8,000GJ. For calendar years 2005 and 2006, the average throughput has been slightly less than 8,000GJ. Subsequently, Anglo submits that 100% is an appropriate assumption of future load factor and considers that it is likely that the DVP will operate at this load. As at 17 April 2007, the DVP is operating at approximately 90% load factor.

6. Anglo expects that the load factor will remain similar to historic levels as it does not foresee any new Users of the DVP or any significant increase in use by existing Users during the Access Arrangement Period. Consequently, Anglo expects the DVP to operate at the average load factor of 100% during the Access Arrangement Period. Anglo acknowledges that, based on the Graph, the load factor may not be 100% in each calendar year of the Access Arrangement Period.

If you have any queries, please contact Margaret Brown on (07) 3119 6388.

Yours faithfully
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