



Anna

15 May 2000

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Australian Quality Award  
for Business Excellence



Dr Tom Parry  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box Q290, QVB Post Office  
SYDNEY NSW 1230

Dear Dr Parry

**PRICING OF CAPITAL CONTRIBUTIONS TO ELECTRICITY NETWORKS –  
DISCUSSION PAPER DP-38**

I have been advised that the Tribunal would be unable to modify Integral Energy's capital expenditure in the building blocks used in the recent Determination and guarantee an appropriate and prompt return on the new investment that would flow **from** the implementation of Option 2 of the above discussion paper. As suggested in my letter of 2 May 2000, Integral's preferred option will therefore be a development of Option 3. If necessary this could be one option of a "menu" system where other distributors were free to choose a different option.

We see that Option 3 has the potential to resolve some of the interpretation issues that are causing confusion, particularly in rural areas, while effectively maintaining the financial status quo. To be both workable and fair the proposal would need to:

1. define limits on the responsibility of customers to make direct contributions to shared assets, possibly on the basis of customer class, size or region; and
2. limit the application of the reimbursement scheme, which could become unmanageable if applied extensively in urban situations.

Integral Energy Networks  
A business unit of Integral Energy Australia  
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Our precise recommendations for changes to definitions and other arrangements are attached. For further information or clarification, please contact Frank Nevill on (02) 9853 6598.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Frank Nevill', written in a cursive style.

**Frank Nevill**  
**Acting Manager**  
**Network Business Services**

Attach

## Pricing of Capital Contributions to Electricity Networks – DP-38

### Implementation of Option 3

#### Proposed definition changes

1. **Connection Costs**, for the purpose of determining contribution responsibilities associated with the supply of new load to a customer or group of customers are:

The cost of works to provide new *network extension*, plus *dominant load augmentation costs*, plus any appropriate *reimbursement* to previous contributing customers.

2. New **Network Extension** is defined as:
  - OH Line extension where no OH line currently exists;
  - UG cable extension where no UG cable route currently exists;
  - Substation establishment where no substation currently exists;
  - Supply and installation of OH line or UG cable at a higher voltage than currently installed;
  - Upgrading of substation and line from SWER to 1, 2 or 3 phase;
  - Upgrading of substation and line to provide additional phases
3. **Dominant Load Augmentation Costs**, are the costs of work on existing assets (ie. other than new network assets) where the customer's total load is:
  - greater than 100 amps for non-urban customers, or
  - greater than 50% of the capacity of the existing asset to be augmented for urban customers.

The cost of augmentation works other than for dominant load customers will not be charged directly to customers.

4. **Reimbursement** of costs to previous contributing customers will be appropriate for non-urban customers within 6 years of the original contribution if the new customer utilises a portion of the assets previously contributed. The reimbursement(s) will be calculated in proportion to the relative utilisation by each customer.

Note: The cost of providing service lines and consumer mains are the responsibility of the customer.