

Dr Tom Parry
Chairman
Independent Pricing and Regulatory Tribunal
Level 2, 44 Market Streets
SYDNEY NSW 2000

25 July 2003

Dear Dr Parry

Integral Energy Response to draft Meritec Total Cost Review Report

In response to IPART's public release of Meritec's draft Total Cost Review report, Integral offers the comments set out in the following paragraphs.

Integral notes that the draft report contained primarily high level details and analysis. This has led to a situation where substantive discussion and analysis of DNSP positions is occurring late in the project. The result of this delay is that the DNSPs' analysis and responses to Meritec's conclusions have been condensed into a very tight timeframe. Integral is however pleased that this discussion is now occurring with Meritec.

The draft report contained many generalisations across all DNSPs and in a number of cases misrepresented Integral's position, either due to unresolved data issues or misinterpretation of Integral's approach to developing expenditure forecasts. A number of material issues related to the treatment of operating expenditure for line costs and "possibly excluded services" now appear to be resolved but Integral notes that others are still outstanding. It is therefore important that discussions between Meritec and Integral continue until all material issues are resolved.

Given the ongoing nature of these discussions, Integral reserves the right to make further comments on the process and outcomes when Meritec's recommendations are more clearly defined.

Please feel free to contact me on 02 9853 6166 if you have any queries.

Yours sincerely



Karen Waldman
Acting Chief Executive Officer