



Gas Distribution Licence Application

Jemena East

A division of Alinta Asset Management Pty Ltd

ABN 52 104 352 650

30 January 2009

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Jemena East

A division of Alinta
Asset Management
Pty Ltd

ABN 52 104 352 650

TABLE OF CONTENTS

1	INTRODUCTION.....	2
2	APPLICANT DETAILS	5
2.1	Corporate Structure	5
2.2	AAM Board Structure	6
2.3	Management Structure	7
2.4	Jemena East Leadership Team	9
3	SCOPE OF OPERATIONS FOR WHICH THE LICENCE IS SOUGHT	12
4	INDUSTRY EXPERIENCE AND KNOWLEDGE	13
4.1	Technical Capacity.....	13
	<i>Construction and maintenance capability</i>	<i>13</i>
	<i>Emergency Response Management</i>	<i>14</i>
4.2	Service Arrangements	14
	<i>Service Arrangements with Jemena Limited's Enterprise Support Functions.....</i>	<i>14</i>
	<i>Service Arrangements with Enterprise Business Services (Australia) Pty Ltd</i>	<i>15</i>
	<i>Service Arrangements with SP AusNet</i>	<i>15</i>
	<i>Service Arrangements with External Service Companies</i>	<i>15</i>
4.3	Risk Management Policy	15
4.4	Privacy Policy	16
4.5	Customer Relations	16
4.6	Regulatory Management.....	16
5	FINANCIAL VIABILITY	18
	<i>Singapore Power</i>	<i>18</i>
	<i>AAM East financial statements</i>	<i>18</i>
	<i>Jemena East Business Plan</i>	<i>18</i>
6	THE COMMISSION'S OBJECTIVES.....	20



Jemena East

A division of Alinta Asset Management Pty Ltd

ABN 52 104 352 650

1 Introduction

Alinta Asset Management Pty Ltd (AAM) (ACN 104 352 650) is a registered company under the Corporations Act 2001. Its registered office and operational headquarters are at Mount Waverley, Victoria. AAM was previously named Alinta Network Services Pty Ltd which was registered in Western Australia on the 28 April 2003.

On 31 August 2007 a consortium comprising Singapore Power International Pte Ltd (SPI), Babcock and Brown (BNB), Babcock & Brown Infrastructure (BBI), Babcock & Brown Power (BBP), and Babcock & Brown Wind (BBW), (together the 'Consortium'), acquired Alinta Limited and its controlled entities (the 'Alinta group') including AAM.

SPI created a new wholly owned subsidiary SPI (Australia) Assets Pty Ltd (**SPIAA**) to hold the companies and assets it acquired as part of the Consortium. Among other assets, SPIAA (indirectly) acquired 49% of AAM and BBI acquired the other 51% of AAM. The AAM Board established and appointed two operating committees: the Eastern Committee and the Western Committee. The AAM board delegated the day to day management of the business and operations in the Eastern States to the Eastern Committee and the day to day management of the business and operations in the Western States to the Western Committee. The Eastern Committee comprises SPIAA's nominees.

Under the Amended and Restated Umbrella Agreement between the consortium members, SPI had a legal obligation to use its reasonable endeavours to rebrand the companies and assets in which it acquired an interest under the Umbrella Agreement. Consequently, the Eastern division of AAM was rebranded "Jemena". However, AAM itself was not rebranded as it is not wholly owned by SPIAA.

AAM currently provides services to the Dampier to Bunbury Natural Gas Pipelines (DBNGP) and the Alinta gas distribution network (AGN) in Western Australia, and to Multinet, United Energy Distribution (UED), VicHub, TGP, EGP, and QGP in the Eastern States.

AAM is currently 49% owned by a subsidiary of SPIAA and the balance is held by a subsidiary of BBI. The portion of AAM in which SPIAA has an interest is currently trading as Jemena East. Under the Umbrella Agreement the Consortium proposes to transfer the other 51% of AAM ownership to SPIAA. However, that transfer of the 51% of AAM ownership currently held by BBI's subsidiary to SPI's subsidiary, SPIAA, requires the consent of the owners of the DBNGP, AGN, UED and Multinet. Effectively this means that cooperation and consent is required from DUET, which is the majority owner of Multinet and UED, and an investor in two Western Australia-based customers of AAM. Although these consents



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

cannot be unreasonably withheld pursuant to the terms of the applicable contracts, the relevant asset owners have not yet granted consent. It is open to AAM to seek to compel consent through dispute resolution mechanisms. The shareholders of AAM are working cooperatively with DUET and others to resolve this issue as soon as possible.

If the consents referred to above are not obtained, AAM will continue to operate under the present structure described above. If the consents are obtained, then the remaining 51% of the AAM asset would be transferred to SPIAA and AAM would seek to novate the operating service agreements for the DBNGP and AGN to a subsidiary of BBI.

As described above, Jemena East provides a variety of asset management, and construction services to owners of infrastructure. The assets under its current management are Eastern Gas Pipeline, Tasmanian Gas Pipeline, Queensland Gas Pipeline, Vic Hub, United Energy Distribution electricity distribution networks and Multinet gas distribution networks in Victoria.

Jemena East provides asset management and operation services to Multinet in respect of Multinet's gas Distribution System¹ under and in accordance with the terms of an Operating Services Agreement (OSA) dated 23 July 2003.

In the judgment² given on 22 August 2007, the Supreme Court of Victoria held that:

- (a) AAM is providing services by means of a distribution pipeline, namely the Multinet gas distribution system, as either principal or agent;
- (b) AAM is an operator of a pipeline, namely the Multinet gas distribution system; and
- (c) AAM is required to comply as a Service Provider, within the meaning of the *Gas Pipelines Access (Victoria) Law*, with the *National Third Party Access Code for Natural Gas Pipeline Systems*.

AAM appealed against the judgment of the Victorian Court of Appeal. The appeal was dismissed on 18 December 2008.

¹ Distribution System has the meaning given to that term in the Multinet Access Arrangement as approved by the ESC on 2 December 2002

² *Alinta v Essential Services Commission (No 2)* [2007] VSC 210

Gas Distribution Licence Application



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

As a consequence of this decision, AAM hereby applies for a gas distribution licence in accordance with Section 25 of the *Gas Industry Act 2001* (Vic) and with the guidance notes published by the Essential Services Commission (ESC), so that it can be properly authorised to continue providing services in respect of the Multinet gas Distribution System in accordance with the OSA.

Contact person on behalf of the applicant is:

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Jemena East

A division of Alinta Asset Management Pty Ltd

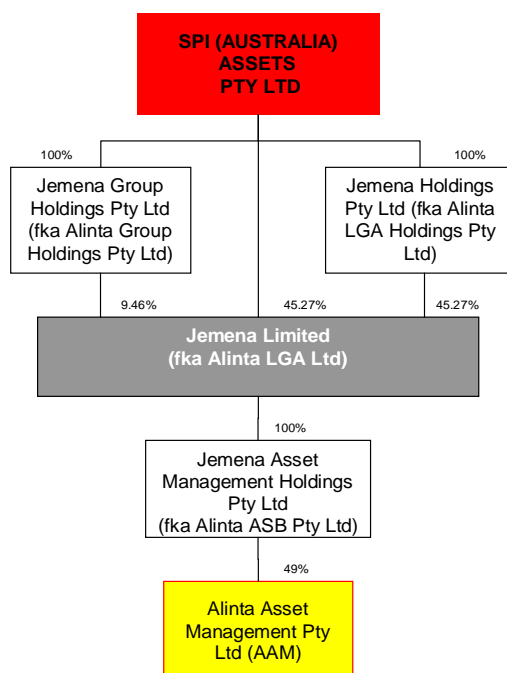
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2 Applicant Details

2.1 Corporate Structure

AAM is currently 49% owned by a subsidiary of SPIAA and the balance is held by a subsidiary of BBI. Each of SPIAA and BBI has an equal number of representatives on the AAM board. The SPIAA appointees oversee the day-to-day operations of the eastern Australian management activities (trading as Jemena East), but SPIAA does not control the AAM board. The BBI appointees oversee AAM’s activities in servicing the Western Australian business. All activities and operations remain subject to the general management and control of the AAM board.

Figure 1 – Corporate Structure of Jemena East, a division of Alinta Asset Management Pty Ltd



2.2 AAM Board Structure

The AAM board is composed of four directors – two from SPI and the other two from BBI. They are:

Mr Yap Chee Keong

Ms Lim Lay Hong is the Chief Financial Officer of the Singapore Power Group where she is responsible for providing financial strategy and leadership. This includes overseeing the corporate finance, treasury, financial management, tax planning and risk management functions of the Group.

She is also responsible for corporate planning and strategic investments and has oversight of the overseas investments of Singapore Power Limited which include its Australian investments.

Ms Lim sits on the Boards of certain subsidiaries of Singapore Power Limited including SPI Management Services Pty Ltd, the manager of SP AusNet (which is listed on the Singapore Exchange and the Australia Securities Exchange).

Prior to joining Singapore Power Ltd, Ms Lim held a number of management and executive positions in a Singapore-based bank.

Ms Lim has a Bachelor of Accountancy degree from the National University of Singapore and a Master of Business Administration (Finance) from the New York University.

Mr Lim Howe Run

Mr Lim Howe Run, Managing Director of Strategic Investments of SP, is responsible for the management of SP's overseas investments. Mr Lim is also the Deputy CEO of Jemena Limited. Prior to his appointment as Managing Director of Strategic Investments of SP and Deputy CEO of Jemena Limited, Mr Lim held various positions in risk management, asset management and business development within the SP Group. Mr Lim holds a Bachelor of Engineering (Mechanical) degree from the National University of Singapore.

Mr Michael Thomas Cummings

Mr Cummings was appointed Chief Operating Officer – Energy Transmission and Distribution for BBI in February 2008. Prior to joining BBI, Mr Cummings was Divisional CEO, Gas for Vector Limited, an energy infrastructure company in NZ, where he was



Jemena East

A division of Alinta Asset Management Pty Ltd

ABN 52 104 352 650

responsible for all aspects of the company’s gas business including processing, transmission, distribution and sales. He was also Chairman of the Gas Association of NZ. Mr Cummings has significant international experience in the energy industry having held several senior commercial, regulatory and technical roles. He has also successfully managed a number of integration and expansion projects. Mr Cummings holds a Bachelor of Engineering with honours from the University of Edinburgh in Scotland and is a Graduate of the Strategic Leadership Program at Millbrook, NZ. Mr Cummings is a member of the Institution of Professional Engineers NZ and Australian Institute of Company Directors.

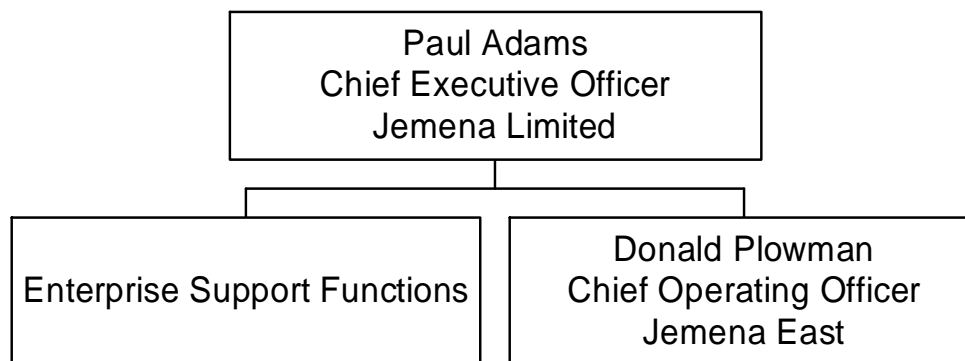
Mr Jonathon Sellar

Mr Sellar joined Prime Infrastructure Group (now know as Babcock & Brown Infrastructure Group) in November 2002. From 1 July 2005, Mr Sellar was re-employed by BBIM firstly as the BBI Group Financial Controller before assuming the role of Chief Financial Officer in September 2005 under the management agreements between BBI and BBIM. His most recent role prior to joining BBI was Project Controller of InterGen’s Australian power stations. Prior to this role at InterGen, Mr Sellar was Senior Audit Manager (Energy and Mining) at PricewaterhouseCoopers Brisbane which included a two and a half year secondment to the United Kingdom. Mr Sellar holds a Bachelor of Business (Accountancy) degree from the Queensland University of Technology (Brisbane), and has been a member of the Institute of Chartered Accountants in Australia since 1996.

2.3 Management Structure

Jemena East provides asset management and operation services to Multinet in respect of Multinet’s gas Distribution System under and in accordance with the terms of an Operating Services Agreement (OSA) dated 23 July 2003.

Figure 2 – Jemena Limited’s Management Leadership Team





Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

Paul Adams

Mr Paul Adams was appointed Chief Executive Officer of Jemena Limited in November 2008. Paul was previously General Manager, Network Services Group at SP Ausnet. Paul brings with him a breadth of experience in the electricity and gas industries having worked across a variety of senior roles managing and operating networks over the past 25 years. Paul began his career as a trainee at the State Electricity Commission of Victoria where he worked in electricity distribution, transmission, generation and, retailing. Paul holds qualifications in engineering, finance and management.

Don Plowman

Mr Don Plowman is the Chief Operating Officer of Jemena East. Prior to his appointment as Chief Operating Officer in January 2007, Don was General Manager Asset Services, AAM. He has had a varied career in senior management roles in a number of energy companies. His career includes roles as a Network Manager, and Asset Manager for gas as well as electricity assets and experience in large scale business transformation projects. Don also has extensive experience in the implementation of large scale IT projects in the energy, mining and agribusiness sectors as an independent Project Director. Don holds a Bachelor of Engineering (Elec), and an Executive Diploma in Business Administration.

Enterprise Support Functions

Jemena Limited's Enterprise Support Functions are led by six senior executive managers.

The Enterprise Support Functions group provides the following services to AAM:

- Financial
- Business Strategy
- Energy Investments including Regulatory
- Human Resources
- Legal
- Information Technology.



Jemena East

A division of Alinta Asset Management Pty Ltd

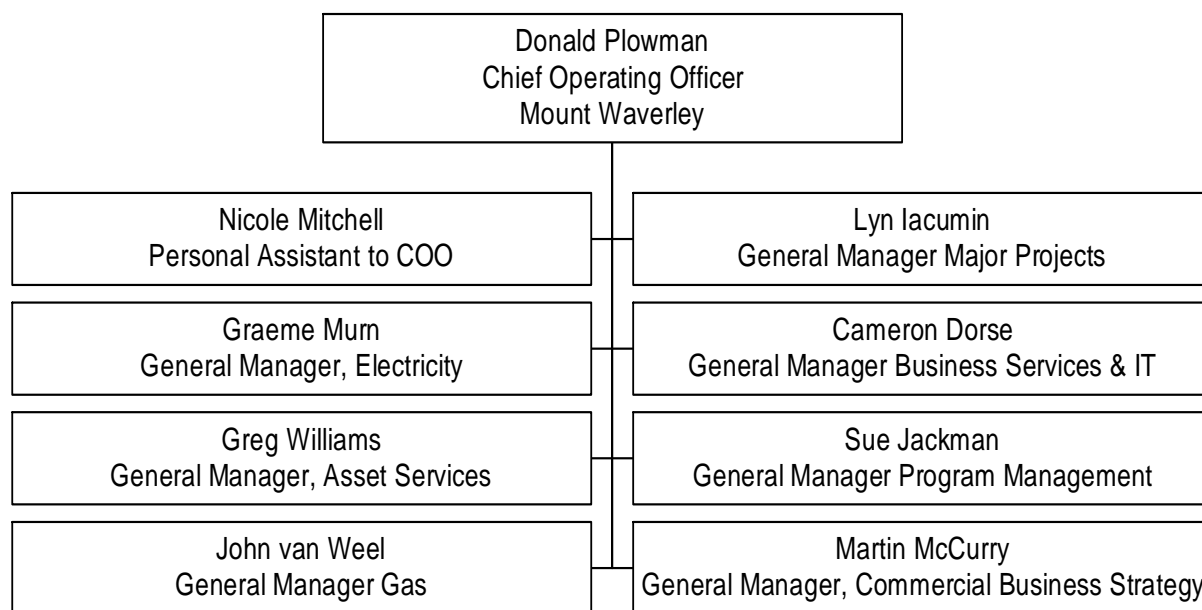
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2.4 Jemena East Leadership Team

At the time of this application Jemena East employs over 950 people managing, operating and maintaining assets in Victoria, New South Wales, Queensland and Tasmania.

Jemena East’s Management Leadership Team is as follows:

Figure 3 – Jemena East’s Management Leadership Team



The experience of professionals in the Leadership Team who are central to the delivery of asset management and operation services to Multinet under the OSA is as follows:

John van Weel

John van Weel was appointed as General Manager, Gas for Jemena East Asset Management (formerly Alinta East) in October 2008. John was previously Manager, Gas Transmission at Alinta Asset Management.



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

As General Manager, he manages the functions of design, construction, operation, and maintenance to deliver effective management of gas transmission and distribution networks on the east coast of Australia including the Jemena Gas Networks in New South Wales, Multinet Gas in Victoria, Powerco in Tasmania, the Eastern Gas Pipeline, the Queensland Gas Pipeline, and the Tasmanian Gas Pipeline.

In the past 21 years, John has worked in a variety of senior roles and organisations including National Power Services as General Manager, Gas and Water; AlintaGas Networks as Manager, Network Operations; and previously held various general and engineering management roles at United Energy, Multinet Gas, the Gas & Fuel Corporation of Victoria and the Rural Water Commission of Victoria.

John holds a Bachelor of Engineering (Civil) degree from the Chisholm Institute in Victoria and a Management Diploma from Deakin University also in Victoria.

He is a Member of the Australian Pipeline Industry Association.

Cameron Dorse

Cameron Dorse is the General Manager Business Services and IT and is accountable for providing strategic and tactical planning, evaluation, development, execution and coordination of a range of services across Jemena East. These include:

- Information Technology
- Strategic sourcing
- Contract development
- Program management of enterprise activities
- Market services
- Asset data services
- Stakeholder relationships.

Cameron has had broad experience within the energy industry where he has held CIO and senior business operational positions at both TXU and TRU Energy. During that time, he was responsible for TXU's entry into the mass contestable markets in Victoria. In addition Cameron has significant international experience in Hong Kong and Singapore with Mars Incorporated, rolling out new processes and systems in emerging and developing markets.

Cameron holds a Master of Science applied to Medicine and Genetics, and a Bachelor of Science in Mathematics and Statistics.



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

Sue Jackman

Sue Jackman holds a Bachelor of Engineering (Civil) degree, with advanced studies in Financial Project Control, and brings a background of experience founded in the Victorian utilities industry while working for companies such as Melbourne Water and the Gas and Fuel Corporation. Sue also expanded her experience in Engineering, Program Management and Quality Assurance while consulting in the United Kingdom in the late 1990s. Following her time in the UK, Sue spent 7 years in the North American electric and gas utilities sector where she worked for TXU while consulting to many large utilities such as Sempra Energy (San Diego Gas & Electric), Northeast Utilities (Connecticut Light and Power, Yankee Gas Services Company), Essex Power and Erie Thames Power of Ontario, Canada.

In her current role, of General Manager Program Management, Sue leads the Jemena East's Program Management team. Prior to her appointment, Sue was JAM's national Manager Works Program Management, leading teams located in Perth, Sydney and Melbourne.

The Program Management group is responsible for the collation and monitoring of the physical capital and maintenance works programs for each of Jemena East's foundation contracts (including Multinet) and reporting back to the leadership and management teams on progress and performance. Annual and quarterly activities for the group include collation of budget data to facilitate the development of 5-year asset management works programs, and facilitation of the approvals process for each asset under Jemena East's management. Each month the Program Management team also assists with month-end financial validation and variation analysis activities associated with capital and maintenance projects/programs for the leadership team.

3 Scope of Operations for which the Licence is sought

The OSA

AAM, through Jemena East, provides asset management and construction services to Multinet under the OSA. The services provided by Jemena East can be classified into six main categories. They are:

- (a) Network management: including management of the business, the network and associated assets and network planning, engineering and market development services;
- (b) Network operation: including network incident management and network supervision and control;
- (c) Construction management: including network expansion and replacement of minor and major capital items;
- (d) Network planning and engineering services: including network design and planning, network asset data management and network engineering support;
- (e) Regulatory services: including proposing reference tariffs, drafting submissions to the ESC in relation to revisions to the Multinet access arrangement and other regulatory matters, making recommendations to Multinet for the setting of charges for services that are not reference services under the Multinet Access Arrangement and providing reports to the ESC as required³; and
- (f) Network customer services: including retailer management, tariff management, billing and access systems and policies.

³ Note, however, that regulatory strategy including strategy for network pricing and tariff reassignment are among the services expressly excluded from the OSA.

4 Industry Experience and Knowledge

Jemena East has a well-established reputation for providing safe, reliable and efficient asset management services. Jemena East provides services to the owners of a significant portfolio of gas and electricity distribution assets and gas transmission assets in Victoria, Tasmania, New South Wales, the Australian Capital Territory and Queensland. It combines management, operations, construction and maintenance functions in a streamlined structure.

More specifically, Jemena East has been providing asset management and construction services to Multinet under the OSA since 23 July 2003. The safety of its employees, its clients and their customers is its number one priority, and is a key performance criterion for Jemena East.

Jemena East has a proven track record of providing excellent asset management and operational services to Multinet. This is well known to the ESC and is evidenced by the relatively favourable performance of Multinet as reported by the ESC in its annual Gas Distribution Businesses Comparative Performance Reports.

4.1 Technical Capacity

Jemena East has all the required technical expertise, knowledge and skill base to manage a gas distribution network. This technical capability was originally transferred to Jemena East (a division of AAM) from Multinet when Alinta Network Services, the predecessor to AAM, was formed in 2003. Since then, Jemena East has expanded and improved its technical capacity through skill transfer gained through managing gas distribution networks in New South Wales, the Australian Capital Territory, and Western Australia, as well as electricity distribution networks in Victoria.

Construction and maintenance capability

The construction of new and replacement mains and services is performed by contractors through a selective competitive tendering process. A key criterion for the selection of an approved contractor is their ability to fulfil occupational, health and safety (OH&S) and gas safety requirements. Jemena East has a dedicated project team to coordinate and manage major mains replacements and associated upgrades and reinforcements.

All other construction and maintenance work are undertaken by Jemena East in alliance with Bilfinger Berger Asset Services (the Alliance) and other approved sub-contractors.

Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

Additionally, Jemena East has service arrangements with a number of external service providers who provide maintenance and construction services supplementing Jemena East's own internal work force.

All activities are supervised and quality-assured to comply with relevant standards and codes. Only suitably trained and qualified personnel are permitted to engage in critical tasks in the construction and maintenance of gas mains and services.

Those who perform critical tasks must hold a current Certificate of Authorisation from Jemena East for the type of task being performed. A 'Skills Accreditation Database' is maintained by Jemena East, containing details of contractor personnel qualified to perform critical tasks. The qualifications of contractors are verified using this database, prior to award of contracts, to ensure that the integrity of the gas supply system is maintained.

Emergency Response Management

As a responsible provider of asset management and construction services, Jemena East has an incident and emergency response management plan, which is developed to ensure that Jemena East can respond effectively to emergency situations either within or associated with the gas industry. The plan contains details of the key processes of notification, escalation and mobilisation, the source and organisation of resources and the actions which should be considered. The plan forms part of Jemena Limited's overall plan and framework for emergency response and management.

4.2 Service Arrangements

Jemena East has a number of service arrangements with internal and external service providers to deliver asset management and operation services to Multinet under the OSA. They include:

Service Arrangements with Jemena Limited's Enterprise Support Functions

Jemena Limited's Enterprise Support Functions provide Jemena East with the following services:

- Financial
- Regulatory
- Human Resources
- Legal.

Service Arrangements with Enterprise Business Services (Australia) Pty Ltd

Enterprise Business Services (Australia) Pty Ltd (EB Services) provides all Information Technology (IT) support functions to Jemena East. EB Services is an internal IT service provider to the SPI group of companies based in Australia.

Service Arrangements with SP AusNet

Jemena East procures a range of back office, construction and maintenance services from SP AusNet. These services include:

- Call centre functions;
- B2B service desk functions;
- Meter data management
- Meters installations;
- Maintenance of commercial and industrial meters; and
- Maintenance of remote terminal units.

Service Arrangements with External Service Companies

Jemena East procures:

- Faults desk and billing services from United Customer Management Solutions Pty Ltd.
- Meter reading services from Skilltech Meter Reading Services Pty Ltd.

4.3 Risk Management Policy

It is the policy of Jemena Limited to integrate risk management into the management culture of Jemena, and to use a structured approach to the identification, monitoring and mitigation of risks. The Chief Executive Officer is ultimately responsible to the Board for risk management, with all Jemena employees responsible for managing risks within their area of accountability.

The foundation of this policy is the obligation and desire to protect:

- Jemena's people and its customers;
-

- The environment in which Jemena operates; and
- Jemena's position as provider of the highest quality products and related services.

The risk management governance structure includes a Board subcommittee on Risk (RMC), a Leadership Team risk committee (ERMC), and an independent risk management group. The Policy is supported by a Risk Management Framework that provides greater guidance to the business for managing risk.

4.4 Privacy Policy

Jemena's Privacy Statement explains in general terms how Jemena protects the privacy of Personal Information. A copy of Jemena's Privacy Statement can be found on the Jemena website (<http://www.jemena.com.au/privacy/default.aspx>).

This Privacy Statement applies to SPI (Australia) Assets Pty Ltd (ABN 60 126 327 624) and companies within the group including the Eastern Division of AAM (Jemena East).

4.5 Customer Relations

As a responsible provider of asset management services, Jemena East's Customer Relations team ensures its services fully meet their clients' and consumers' expectations through effective complaints and claims handling. The Customer Relations team also provides additional services to consumers with special needs including large print information and special arrangements as required.

In relation to complaints management, the Customer Relations team tracks and resolves all complaints received from consumers and retailers in Multinet's distribution area and works closely with all areas of the business in root cause analysis to help prevent future occurrences. They are responsible for resolving complaints in a timely and effective manner. Feedback is actively sought from customers who have made Claims and Complaints as part of Jemena's drive for continuous improvement.

The Customer Relations team has a good working relationship with the Energy Water Ombudsman of Victoria (EWOV) and works closely with EWOV in resolving issues relating to customers' dissatisfaction with a service or supply.

4.6 Regulatory Management

Jemena East acquires its regulatory management services from Jemena Limited's Enterprise Support Function.

Gas Distribution Licence Application



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

The Regulatory Group within the Enterprise Support Function is very familiar with and has a thorough understanding of the regulatory framework applying to the Victorian gas industry.

The Regulatory Group is a team of eleven professionals and three support staff delivering quality regulatory analytical and support services to entities within the Jemena (SPIAA) group as well as to some of Jemena East's clients including Multinet. The Regulatory Group operates under the direction of the Group Manager Regulatory who in turn reports directly to the Executive General Manager, Energy Investments.

The Regulatory Group maintains a current knowledge of regulatory and statutory rules and obligations affecting the businesses and supports Jemena East in ensuring compliance with those rules and obligations. Given the changing nature of the workload and the need for specialist expert advice, core resources are supplemented by externally sourced experts on a needs basis.

Services provided by the Regulatory Group cover a broad spectrum, from the provision of advice through to the management of major projects such as price reviews, ensuring compliance with statutory and regulatory rules and obligations and maintaining effective working relationships with regulators and governments.

5 Financial Viability

Jemena limited (through a wholly owned subsidiary) holds 49% of the shares in AAM. Refer to Figure 1 in section 2.1 for further information of corporate structure. The remaining 51% of the shares of AAM are held by Westnet Infrastructure Group Ltd (a subsidiary of BBI) which holds debt instruments which entitle them to a revenue stream from AAM which largely reflects the earnings derived by AAM from the west coast asset management conducted by AAM.

Jemena Limited is the holding company of a large number of companies including Jemena Electricity Networks (Vic) Ltd which owns the electricity network in the north and south-west suburbs of Melbourne and Jemena Gas Networks (NSW) Ltd which owns the gas networks in New South Wales.

Singapore Power

SPIAA is a wholly owned subsidiary of Singapore Power (SP). Singapore Power is a leading energy utility company in the Asia Pacific.

With assets of S\$29.04 billion at end March 2008, it is one of the largest corporations in Singapore. It owns and operates electricity and gas transmission and distribution businesses. Singapore Power is rated 'AA -' by Standard & Poors and Aa1 by Moody's Investors Services.

AAM East financial statements

SPIAA controls the eastern operations of AAM which are conducted in the name of Jemena East. A statement of AAM East financial accounts is attached as Commercial-In-Confidence information.

Jemena East Business Plan

The asset management business manages and services a number of gas and electricity networks and gas transmission pipelines and has developed integration capabilities with respect of these assets. Jemena East has approximately A\$9 billion worth of assets under management in Victoria, NSW, Queensland, Tasmania and the ACT.

Gas Distribution Licence Application



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

A copy of the Jemena East (formerly AAM East) Business Plan FY08/09 is provided as Commercial-In-Confidence information.

Jemena East's business plan, Jemena Ltd's underlying infrastructure as well as and strong balance sheet ensures that Jemena East will have adequate capital at its disposal to fulfil its financial obligations.



Jemena East

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Management Pty Ltd

ABN 52 104 352 650

6 The Commission's Objectives

AAM has reviewed the objectives set out under sub-sections 8 (1) and (2) of the Essential Services Commission Act 2001 and for the reasons outlined below it believes that granting of a licence to AAM would be consistent with those objectives.

AAM has been the operator of the Multinet gas distribution system since July 2003. During that time AAM has demonstrated that it has the experience, capacity and skills necessary to operate the distribution system efficiently, in accordance with all relevant regulatory requirements, and generally in a manner that is consistent with good industry practice. The Supreme Court of Victoria has now held (and the Court of Appeal has agreed) that AAM has been and is the operator of the Multinet gas distribution system under the Gas Industry Act 2001 and that it must be licensed under the Act if it is to continue in that role.

If the Commission were to decline to grant AAM a licence then AAM would be forced to cease operating the Multinet gas distribution system forthwith in order to avoid prosecution. The consequential severe disruption to the provision of management, construction and operational services to the distribution system would clearly be inconsistent with the Commission's objectives. It would not be inconsistent with the Commission's objectives in any way for the Commission to grant AAM a licence.

Section 8 (1) of the ESC Act - In performing its functions and exercising its powers, the primary objective of the Commission is to protect the long term interests of Victorian consumers with regard to the price, quality and reliability of essential services.

AAM is an established provider of asset management services to a portfolio of gas transmission, gas distribution and electricity distribution assets.

Jemena East, a division of AAM has a proven track record of providing high quality network operation, maintenance, and capital construction services to Multinet, as evidenced by the favourable reports in past Gas Distribution Businesses Comparative Performances Reports published by the ESC.



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

Section 8 (2) of the Essential Services Commission Act 2001

In seeking to achieve its primary objective, the Commission must have regard to the following facilitating objectives-

(a) to facilitate efficiency in regulated industries and the incentive for efficient long-term investment;

The Commission has, through the licensing regime and decisions it has made under the National Gas Code, established an environment which provides incentives for gas distributors to innovate and improve their efficiency.

By continuing to provide Multinet with competitive asset management and operational services, Jemena East has enabled Multinet to make long term investments in the gas distribution industry. Investments such as the low pressure pipe replacement and new towns extensions have all been managed and implemented since the formation of the OSA with Multinet.

In benchmarking studies Multinet is consistently among the most efficient operations studied.

(b) to facilitate the financial viability of regulated industries;

AAM provides a variety of management operation, construction and regulated services to owners of infrastructure across Australia. Because of the significant synergies this offers, its services and prices are competitive. AAM makes possible the financial viability of regulated businesses such as Multinet by being the principal provider of asset management and operational services and enabling Multinet to access those synergies rather than operating on a stand alone basis.

(c) to ensure that the misuse of monopoly or non-transitory market power is prevented;

As a contractor to Multinet, AAM does not determine the terms and conditions (including price) on which users are granted access to the network or how and where capacity will be made available. Granting of a gas distribution licence to AAM does not entrench monopoly or non-transitory market power.



Jemena East

A division of Alinta Asset
Management Pty Ltd

ABN 52 104 352 650

(d) to facilitate effective competition and promote competitive market conduct;

Granting of a gas distribution licence to AAM would facilitate the continued provision of competitive services to Multinet.

(e) to ensure that regulatory decision making has regard to the relevant health, safety, environmental and social legislation applying to the regulated industry;

Jemena East, a division of AAM, has been providing asset management services to Multinet since mid 2003. The safety of its employees, its clients and consumers is its number one priority, and is a key performance criterion for Jemena. Jemena East has the capabilities to deliver the objectives of the relevant health, safety, environmental and social legislation applying to the gas industry. For example Jemena East has the following well-developed and documented systems:

- Health and Safety Management System that is certified to AS4801;
- Quality System that is certified to ISO 9001; and
- Environmental Management System based upon ISO 14001.

Jemena East has a dedicated health and safety team whereby it ensures that a safe work environment is part of the culture. Audits and reviews are conducted regularly and in the event there are incidents these are used in order to develop further awareness and where appropriate, an update to working conditions.

(f) to ensure that users and consumers (including low-income or vulnerable customers) benefit from the gains from competition and efficiency;

Granting of a gas distribution licence to AAM would facilitate continuation of efficient and competitive service provision to Multinet to the ultimate benefit of users and consumers.

(g) to promote consistency in regulation between States and on a national basis.

Jemena East operates in Queensland, NSW, the ACT and Tasmania as well as in Victoria and so is well positioned to contribute to the realisation of this objective.