



# Premier & Cabinet

Ms Teresa McMichael  
A/Director  
General Purpose Standing Committee No 1  
Legislative Council  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

28 JAN 2011

Dear Ms McMichael

I refer to your correspondence to the Premier dated 18 January 2011 concerning the inquiry of the General Purpose Standing Committee No 1 into the Gentrader transactions.

Answers to each of the forty-five additional Questions on Notice from the Committee dated 17 January 2011 are attached.

Answers to Questions taken on notice during the evidence given on 17 January 2011 are also attached.

Minor editorial corrections to the transcript of evidence given on 17 January 2011 are marked up in the attached uncorrected proof.

Yours sincerely



Vicki D'Adam

**Deputy Director General (Policy and Strategy)**

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 1 - 7**

**Transcript Page Reference: N/A**

**Question from: Opposition**

## **Consultant Costs**

1. *How much has the taxpayer spent on consultants costs for this transaction?*
2. *How much has John Wylie and Lazard Carnegie Wylie (investment bank) been paid for their work on this transaction so far?*
3. *How much has Credit Suisse (investment bank) made out of the transaction so far?*
4. *How much has Baker and McKenzie made out of the transaction so far?*
5. *How much as Ernst and Young made out of the transaction so far?*
6. *How much is Col Gellatly being paid for the whole of this transaction process?*
7. *How much is Kim Yeadon being paid for the whole of this transaction process?*

## **Answer:**

1. The total transaction costs from 17 December 2007 to 17 January 2011 are \$165.8 million (inclusive of GST).
2. Lazard has been paid, to date, \$2,859,679 inclusive of GST
3. Credit Suisse has been paid, to date, \$8,710,431 inclusive of GST
4. Baker & McKenzie has been paid, to date, \$28,501,956 inclusive of GST
5. Ernst & Young has been paid, to date, \$30,854,515 inclusive of GST
6. Col Gellatly & Associates have been paid, to date, \$363,000 inclusive of GST
7. Kim Yeadon has been paid, to date, \$423,001 inclusive of GST

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 8 - 13**

**Transcript Page Reference: Page 33 - 35**

**Question from: Opposition**

## **Consultant Costs**

8. *How did Mick Lilley come to be appointed to the Board of Delta Electricity?*
9. *Mick Lilley used to work at Macquarie Bank didn't he?*
10. *Is it correct that the transaction for the Delta Coastal Gentrader is still underway?*
11. *Is Macquarie Bank a bidder for the Delta Coastal Gentrader?*
12. *Is Macquarie Bank advising any of the other bidders for the Delta Coastal Gentrader?*
13. *Did you see any legal advice as to whether Mr Lilley's former employment with Macquarie Generation might constitute a conflict of interest?*

## **Answer:**

8. Mr Lilley was interviewed and identified as a suitable candidate in late 2010 by NSW Treasury for a director's position with one of the energy state owned corporations. The Shareholding Minister appointed Mr Lilley in accordance with Energy Services Corporation Act.
  9. Mr Lilley's employment history is a matter for Mr Lilley.
  10. Yes, we can confirm the transaction for the Delta Coastal Gentrader is still underway.
  11. Due to confidentiality obligations and commercial sensitivities we are unable to disclose details about our bidders and their advisors.
  12. Due to confidentiality obligations and commercial sensitivities we are unable to disclose details about our bidders and their advisors.
  13. This is a matter between Mr Lilley and Delta Electricity to be managed through the conflict of Interest declaration process.
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# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 14 - 17**

**Transcript Page Reference: N/A**

**Question from: Opposition**

14. *In proceeding with the GenTrader Transaction, has the Government proceeded on the basis of the Key Matters for Consideration (Page 5 of the Auditor General's Report pursuant to s 63G of the Public Finance and Audit Act 1963)? If not, why not?*
15. *What assumptions were applied in calculating the retention value?*
16. *What was the book value of these assets that were sold in the transaction?*
17. *At the beginning of the sale process in 2008, did the Government's financial advisers, Credit Suisse and Lazards, prepare preliminary valuation for the Government? What was this valuation? Could the Government provide to the Inquiry any valuation materials Credit Suisse and Lazards gave to the Government at the beginning of the process?*

**Answer:**

14. The AG wrote "I suggest that after the passing of enabling legislation and after Treasury and its advisers have conducted a marketing effort, further consideration be given to the following, which in my view could enhance the strategy:"

AG's Key matters: extract	Treasury's response
AG's proposals for "further consideration"	How the transaction unfolded in practice
Use simultaneous rather than sequential Generator/Retailer transactions	Simultaneous bidding was conducted
Hold separate tenders for (a) generation development site(s)	Separate tenders were held
Calculate a Retention Value for each Generator and Retailer using consistent assumptions prior to commencing each transaction	A retention value was calculated for each Generator and Retailer. The valuation approach for generators was consistent across each of the generation businesses. In addition, the valuation approach for the retailers was consistent across each

AG's Key matters: extract	Treasury's response
	of the retail businesses. The retention values were calculated prior to receiving any bids.
Document contingency plans prior to commencing the first transaction which inter alia include the setting of a reserve price for each transaction and considerations if the reserve price is not achieved	Contingency plans were developed for an IPO. A reserve price for the combined Gentraders/Retailers, was adopted by Government prior to receipt of any bids.
Treasury continuously evaluate the restructuring process after the marketing effort and before the first transaction	At the time of the AG's 2008 report, Treasury was managing the day-to-day transaction process. Subsequent to this, the Government established an "Electricity Reform Taskforce" reporting directly to the Responsible Minister, with a dedicated taskforce responsible for the day-to-day management of the transaction. The Energy Reform Steering Committee (comprising of representatives from NSW Treasury, Department of Premier and Cabinet and Department of Industry and Investment) is responsible for key decision making to meet the objectives of the Energy Reform Strategy. Where appropriate, recommendations from the Energy Reform Steering Committee will be presented to the Government for its consideration.
Treasury continuously evaluate the likelihood of success of subsequent transactions and whether contingency plans require executing	As per the previous response

15. This was matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.
16. Energy Australia, Country Energy and Integral Energy, disclose the book value of assets of their combined retail and distribution businesses, in their Annual Report, but do not separately disclose the values attaching to their retail businesses.

For each of the State-owned Generation businesses, the book value of "property plant and equipment" and the book value of the inventories (primarily coal) are disclosed in the annual reports of each of the respective businesses.

Under the Gentrader Agreement, the economic services provided by the property plant and equipment are transferred to the benefit of the Gentrader. Under the 'Coal On-sale Agreements', the inventories of coal are sold to the Gentrader.

The Book values for these assets for the parent entities of Eraring Energy and Delta Electricity, as at 30<sup>th</sup> June 2010, are reported in their respective annual reports.

The book values of assets are not directly comparable with the Gentrader contracts and reflect different assumptions and are therefore not the right measure of comparison of value.

17. A preliminary valuation was provided to the Government in June 2008. The valuation was based on a process of leasing the existing State-owned Generation businesses to the private sector. We are unable to provide a copy of the report as it was considered by Budget Committee of Cabinet.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 18 - 19**

**Transcript Page Reference: N/A**

**Question from: Opposition**

18. *What did the Directors of Eraring Energy assert was the affect of the Gentraders Transactions to have on the value of their company?*
19. *What did the Directors of Delta Electricity assert was the affect of the Gentraders Transactions to have on the value of their company?*

**Answer:**

The Gentrader Agreements, were drafted in consistent manner across all Gentrader Bundle contemplated the by State. Due to the ongoing nature of the Project, including ongoing negotiations with bidders, we are not able to disclose such documents without prejudicing the interests of the State and impacting the maximisation of value for the remaining assets.

## QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 20**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*Has the Government calculated what tax equivalent payments will be forgone as a result of the Gentrader Transaction through the length of the Gentrader contracts? What are those figures?*

**Answer:**

The retention value for each business was derived from forecast dividends and tax equivalent payments. The estimated tax equivalent payments forgone over the life of the Gentrader contracts cannot be disclosed as those figures have been used to derive retention values in relation to the generation businesses.

Over the forward estimates period (financial years 2011 to 2014), the total financial distributions forgone (dividend plus tax equivalent payments), for the three retail businesses and the Eraring and Delta West Gentrader bundles is estimated to be approximately \$600 million.

Lower dividend and tax equivalent payments will be off-set by reduced interest costs from a lower debt level (as the State-owned Generation businesses' debt will be paid off from the proceeds) and an increase in potential earnings from financial assets (if proceeds are invested in superannuation assets).

We are unable to provide the Committee with further information in respect to the retention value analysis as this was a matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.



# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

## Question No. 21

Transcript Page Reference: N/A

Question from: Opposition

*Has the Government calculated what dividends currently paid by the retailers will be forgone as a result of the transaction? What are those figures for in respect of Eraring Energy, Delta, and if Macquarie Generation is eventually sold, what those payments will be?*

### Answer:

The retention value for each business was derived from forecast dividends and tax equivalent payments. The estimated dividends forgone for the three retail businesses cannot be disclosed as those figures have been used to derive retention values in relation to the retail businesses.

Over the forward estimates period (financial years 2011 to 2014), the total financial distributions forgone (dividend plus tax equivalent payments), for the three retail businesses and the Eraring and Delta West Gentrader bundles is estimated to be approximately \$600 million.

Lower dividend and tax equivalent payments will be off-set by reduced interest costs from a lower debt level (as the State-owned Generation businesses' debt will be paid off from the proceeds) and an increase in potential earnings from financial assets (if proceeds are invested in superannuation assets).

As the transactions for the remaining Gentrader bundles (Macquarie Generation and Delta Coast) are still underway, we are unable to disclose details of financial forecasts.

We are unable to provide the Committee with further information in respect to the retention value analysis as this was a matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.

## QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 22**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*What will be the impact of the transaction upon the receipt of tax equivalent payments from the generators through the length of the gentrader contracts?*

**Answer:**

Given the generators revenue will be fixed under the Gentrader contracts to cover future operating and maintenance costs, it is prudent that the generators are withdrawn from the national tax equivalent regime.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 23**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*What will be the overall impact of the transaction upon income received by the State year by year through the length of the Gentrader contracts?*

**Answer:**

Lower dividend and tax equivalent payments will be off-set by reduced interest costs from a lower debt level (as the State-owned Generation businesses' debt will be paid off from the proceeds) and an increase in potential earnings from financial assets (if proceeds are invested in superannuation assets).

## QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 24 – 25**

**Transcript Page Reference: N/A**

**Question from: Opposition**

24. *Will you confirm that in respect of Delta Electricity its forecast dividend is anticipated to decrease from \$60.3 million in 2011/12 to \$49.8 million in 2012/13, what modelling has been done to determine the impact of the sale of the Gentrader rights on the dividend stream from Delta Electricity.*
25. *Has Delta Electricity provided updated earnings before interest, tax and depreciation forecasts since the completion of the transaction?*

### **Answer:**

This is a matter for Delta Electricity and reporting to NSW Treasury will be conducted through normal business practice and reporting processes for Parliament.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 26**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*In respect of Eraring, what are the anticipated earnings before interest, tax and depreciation in 2010/11 and 2011/12?*

**Answer:**

As stated in Eraring Energy's annual report, as at 30 June 2010, the forecasts earnings before interest and tax was \$122.8 million in 2010/11 and \$145.1 million in 2011/12. Note these figures exclude AASB139 fair value profit movements.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 27**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*In respect of Eraring, have they undertaken an analysis of earnings before interest, tax and depreciation since the completion of the transaction?*

**Answer:**

This is a matter for Eraring Energy and reporting to NSW Treasury will be conducted through normal business practice and reporting processes for Parliament.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 28**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*What forecasts have been done on the impact of the transaction on the earnings of the generators, on the tax equivalent payments to the State and on the dividend stream to the State?*

**Answer:**

Financial modelling has been undertaken to analyse the potential impact the contractual parameters set out in the Gentrader contracts (such as unavailability penalties) may have on the cashflow of the State-owned Generation businesses.

Over the forward estimates period (financial years 2011 to 2014), the total financial distributions forgone for the three retail businesses and the Eraring and Delta West Gentrader bundles is estimated to be approximately \$600 million.

Lower dividend and tax equivalent payments will be off-set by reduced interest costs from a lower debt level (as the State-owned Generation businesses' debt will be paid off from the proceeds) and an increase in potential earnings from financial assets (if proceeds are invested in superannuation assets).

These numbers do not take into account the benefit to the State of investing the proceeds of the transaction or from repayment of debt.

We are unable to provide the Committee with further information in respect to the retention value analysis as this was a matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.

## QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

Questions No. 29

Transcript Page Reference: N/A

Question from: Opposition

*In Origin's statement to the Stock Exchange they stated: "the Eraring GenTrader was purchased at \$313 per kilowatt, **representing a significant discount** to the new entrant cost to build" – why are you saying that the transaction was a success, when Origin are saying that they bought the assets at a "significant discount"?*

**Answer:**

Fundamentally the value of the plant is the present value of discounted future expected net cash flows.

Eraring Energy is a 30 year old power station that you would expect to purchase (or sell) well below the cost of a brand new plant. Its remaining economic life is much less than for newly built plant.

The Eraring Gentrader was part of a bundled transaction with the Country Energy and Integral Energy retailers.

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## QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

18 JANUARY 2011

**Question No. 30 - 31**

**Transcript Page Reference: N/A**

**Question from: Opposition**

30. *Can you please clarify what amount of the \$5.3bn in stated proceeds is available in cash to the Government once the transaction has been completed?*
31. *How much of the \$5.3bn will not be available in cash upfront?*

### **Answer:**

30. \$5.3 billion will be made available to the State at completion.
31. All proceeds will be available in cash upfront.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 32**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*We understand that a coal supply contract from Cobbora coal mine has been or is intended to be entered into between the NSW Government and the successful bidders. Is this correct? How do those coal supply arrangements work? If so, what is the guaranteed coal supply price under the Cobbora coal contract? How does that compare to the current estimated long term domestic coal price of \$60/tonne?*

**Answer:**

It is intended that the NSW Government enters into coal supply contracts with successful Gentrader bidders. This will be done through a newly established wholly owned corporation entity.

The “free on rail price” (ex mine) at Cobbora is fixed to all parties. The “free on rail price” is adjusted with regard to a number of published indices including CPI, materials, fuel and labour.

Cobbora Coal Contracts involve delivered costs of coal some 25% to 50% higher than current average delivered coal costs to the Central Coast and Hunter Valley power stations.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 33**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*What estimates has the Government undertaken of the cost of these guarantees to the NSW taxpayer?*

**Answer:**

It is intended that the Cobbora Coal Mine will cover the NSW Government's cost of funds.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Questions No. 34**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*Are the Coal Contracts to be offered to Origin and TruEnergy (the successful Gentrader bidder) alone?*

**Answer:**

To comply with fair and equal treatment, all bidders have been offered the Cobbora Coal Contracts.

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# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Questions No. 35**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*What would the affect of offering below market coal contracts to the successful  
Gentrader Bidders on the entrance of other competitors into the market?*

**Answer:**

Cobbora Coal Contracts involve delivered costs of coal some 25 to 50% higher than current average delivered coal costs to Central Coast and Hunter Valley power stations.

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## QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 36**

**Transcript Page Reference: N/A**

**Question from: Opposition**

*Is the current cost estimate for developing the Cobbora coal mine still \$1.3 billion? When was the last time the State government developed a coal mine? What experience does the government have in developing coal mines and what guarantees has it put in place for ensuring these costs do not run over?*

**Answer:**

The current estimate for developing the Cobbora coal is about \$1.3-1.5 billion depending on final mine size. This will be done through a newly established wholly owned corporation entity.

The State Government has considerable experience in the development of the Cooranbong Colliery and Myuna Colliery mines in the early 1980s.

It is intended to ensure costs are held to budgets through strong project management and awarding contracts to highly competent companies within the framework required for good governance.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Questions No. 37**

**Transcript Page Reference: N/A**

**Question from: Dr John Kaye MLC**

*Will you take steps to put the sale of Delta Central and Macquarie Generation GenTrader bundle on hold until there can be a thorough investigation of the financial risks created for the State budget of the existing Eraring and Delta Western GenTrader bundles.*

**Answer:**

The Government remains committed to the objectives of the Energy Reform Strategy.

## QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Questions No. 38 - 39**

**Transcript Page Reference: N/A**

**Question from: Dr John Kaye MLC**

38. *Have you held discussions with the board of Macquarie Generation in advance of presenting them with Section 20N directive?*
39. *Have any board members indicated they will resign if they are presented with a 20N directive in relation to the Gentrader transaction?*

### **Answer:**

38. As the Government has not accepted a legally binding bid for the Gentrader bundle for Macquarie Generation, I, the Treasurer, have not met with Macquarie Generation regarding the Section 20N directive.
39. No.



# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

Questions No. 40 - 41

Transcript Page Reference: N/A

Question from: Dr John Kaye MLC

40. *Why did the Government not provide any details in its briefings, media statements, to parliament or on its website of the structure of the Gentrader contracts and the payments between the Gentrader and the publicly owned Generator?*
41. *Why is it that Origin provides more information to its shareholders than you have to the public?*

**Answer:**

40. The Government, in its interest of openness and transparency, has provided regular updates on the transaction via the formal energy website, [www.nsw.gov.au/energy](http://www.nsw.gov.au/energy). Refer to 'NSW Energy Reform Strategy, Delivering the Strategy: approach to transactions and market structure' for details of risk allocation and key terms.

In terms of the actual details of the Gentrader Agreements, these documents have been issued to qualified bidders under the terms of confidentiality undertakings. As the process is ongoing, any disclosure of those documents at this stage will be in breach of the confidentiality undertakings executed with the successful parties.

41. As stated above, the Government has been open and transparent in all communication related to the transaction, where appropriate. As for Origin's communications with their shareholders, this is a matter for Origin.
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# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

## Questions No. 42 - 44

Transcript Page Reference: N/A

Question from: Dr John Kaye MLC

42. *At what stage in the reform process was it decided to opt for fixed charges for operating and maintenance (O&M) costs that are fixed for the life of the contract subject to index escalation, rather than O&M charges that are renegotiated on a regular basis?*
43. *What were the factors leading to this decision?*
44. *Was this a decision taken by the Reform Project or by Cabinet?*

## Answer:

The policy was adopted during the development of the Gentrader Agreement and was approved by Energy Reform Steering Committee (comprising of representatives of NSW Treasury, Department of Premier and Cabinet and Department of Industry and Investment) and recommended and adopted by Budget Committee of Cabinet, prior to the release of the pro-form Generation Trading Agreement (Gentrader) into the bidder data room for the Gentrader transactions.

The fixed charge regime with escalation was chosen as this preserved the separation of operational matters from trading decisions.

The risk exposure of actual costs deviating from forecast costs has been analysed as part of the financial modelling undertaken on the Gentrader contracts.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

17 JANUARY 2011

**Question No. 45**

**Transcript Page Reference: N/A**

**Question from: Dr John Kaye MLC**

*In the event that the transactions with Origin and TRUenergy have not been finalised at the time the Government enters caretaker mode, will the Government delay finalisation until after the election?*

**Answer:**

Legally binding Agreements were executed on 14 December 2010 with the successful bidders under which the Government is compelled to settle.

# QUESTION ON NOTICE – INQUIRY INTO THE GENTRADER TRANSACTIONS

18 JANUARY 2011

## Question No. 1 - 15

Transcript Page Reference: N/A

Questions from: Dr John Kaye

1. *In the studies to determine the retention values of the assets and asset bundles, was a single scenario or multiple scenarios used?*
2. *If multiple scenarios:*
  - a. *What exogenous factors were varied? Did these include a variety of market conditions*
  - b. *Were they used to produce a range of retention values of the assets or a single retention value?*
3. *In the studies to determine the assess bids for the assets and asset bundles, was a single scenario or multiple scenarios used?*
4. *If multiple scenarios:*
  - a. *What exogenous factors were varied? Did these include a variety of market conditions; and*
  - b. *Were they used to produce a range values for each bid or a single value?*
5. *In assessing the retention value of the assets and bundles of assets, how did the evaluation committee place a value on the policy flexibility provided by public ownership?*
6. *In particular, did the committee place any value on the ability to close or modify a coalfired power station in response to climate policy that is afforded by public ownership?*
7. *Without revealing actual values, please explain how the reform project placed values on the downside risk for each of the following:*
  - a. *The maintenance costs against fixed but indexed maintenance payments*

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  - Independent advice was sort from*
  - b. *The Availability Liquidated damages*
  - c. *The Cobbora Coal Supply Contract*
8. *For each of the following, did the Energy Reform Project use a single scenario or multiple scenarios used to place values?*

- a. The maintenance costs against fixed but indexed maintenance payments*
  - b. The Availability Liquidated damages*
  - c. The Cobbora Coal Supply Contract*
9. *If multiple scenarios:*
- a. What exogenous factors were varied? Did these include*
    - i. a variety of market conditions,*
    - ii. a range of availability performance outcomes for generator units and equipment,*
    - iii. a range of coal export costs*
    - iv. other factors? Please enumerate.*
  - b. Were they used to produce a range of values or a single value?*
10. *At what stage in the reform process was it decided to opt for fixed changes for operating and maintenance (O&M) costs that are fixed for the life of the contract subject to index escalation, rather than O&M charges that are renegotiated on a regular basis?*
11. *What were the factors leading to this decision?*
12. *Was this a decision taken by the Reform Project or by the cabinet?*
13. *Can you confirm that following breakdown of acquisitions and acquisition prices paid by TRUenergy?*
- a. EnergyAustralia retail \$1,480 million*
  - b. Gentrader contracts \$455 million*
  - c. Fuel stocks held by Delta West power stations \$85 million*
  - d. Power station development sites \$15 million*
14. *If any of these are incorrect, please supply the correct value.*
15. *Please provide a similar breakdown of acquisitions and prices paid by Origin Energy.*

**Answer:**

1. A base case retention value was used for the valuation of each of the assets. Sensitivity analysis was applied to various input assumptions when looking at the retention value.
2. This was matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.

3. A "base case" retention value was used for the valuation of each of the assets. Sensitivity analysis was applied to various input assumptions when looking at the retention value.
4. This was a matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.
5. This was a matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.
6. This was a matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.
7. Independent expert advice was sought on the downside risk of the charging regime for maintenance, the contractual provisions for ALD's and the Cobbora Coal Supply Contract.
8. This was a matter for Budget Committee of Cabinet. Deliberations of Cabinet are confidential. The Auditor General will report on the transaction.
9. The independent expert advice did incorporate an analysis of the uncertainty around a number of factors relevant to the decisions on value.
10. The policy to adopt fixed charges to cover the fixed operating and maintenance costs of the State-owned Generation businesses was approved by Budget Committee of Cabinet in June 2010, prior to the release of the pro-form Generation Trading Agreement (Gentrader) into the bidder data room for the Gentrader transactions.
11. This matter was a consideration of Budget Committee of Cabinet.
12. Budget Committee of Cabinet approved the Agreements incorporate a provision for fixed O&M costs for the life of the contracts subject to the escalation provisions.
13. This is a matter for TruEnergy.
14. This is a matter for TruEnergy..
15. This is a matter for Origin Energy.