

APPENDIX 16

PB Associates, *Review of Transend's Project Cost Estimates*, May 2008





REVIEW OF TRANSEND'S PROJECT COST ESTIMATES

Prepared for



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1. EXECUTIVE SUMMARY

PB has been engaged by Transend to produce independent estimations of ten project scopes on projects prepared by Transend Networks Pty Ltd. The project was undertaken in two stages:

Stage 1: PB generated independent costs for 10 project scopes

Stage 2: individual costs were established for select equipment items.

Stage 1 – Project cost estimates

PB generated an initial estimate based on a scope provided by Transend; this stage was done without PB being party to the project cost estimates generated by Transend. This allowed for independent review by PB.

Following on from this initial stage, Transend provided additional scope detail plus costs so PB can identify where the scope differs in the two estimating methods.

Overall, PB's costs were approximately 4% lower than the costs derived by Transend. The range of cost estimation was from -21% to 13%.

In the process of evaluating the costs, the build of the Waddamana - Lindisfarne 220 kV transmission line accounted for 44% of the total allocation in costs. The high level estimate was 11% higher than PB's. Overall, the difference across the 10 projects was 5% and PB's view is that the Transend cost estimates are reasonable.

Stage 2 – Unit cost estimates

In stage 2, Transend provided its estimated costs for the major items of transmission equipment required for the 10 major projects. As these costs were forecast for a range of projects at various stages of implementation, they contained some uncertainty when compared to actual costs incurred in the past. PB considers that when comparing Transend's forecast costs with the publicly available information and the information from its own database of costs, there will be some element of error. PB is of the view that costs within 20% of the benchmark should be considered to be reasonable.

PB found 8 items where the PB cost estimate differs from the Transend estimate by more than $\pm 20\%$, but after further detailed examination PB were confident that the differences were identifiable and that Transend's costs were reflective of current market prices.

Overall, PB found that the unit costs used by Transend fall within the expected cost range and are therefore reasonable.

Conclusion

PB conducted a two stage review of Transend's cost estimating process:

Stage 1: PB generated independent costs for 10 project scopes

Stage 2: individual costs were established for select equipment items.

PB found that the costs proposed by Transend in both stages of reviewed came within the expected range and in PB's view are reasonable.