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17 September 2012

Mr Jeremy Threlfall
Assistant Director Rail
Economic Regulation Authority
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Dear Jeremy

REQUEST FOR SUBMISSIONS: DAMPIER TO BUNBURY NATURAL GAS PIPELINE PROPOSED REVISIONS TO THE ACCESS ARRANGEMENT – APPROPRIATE AVERAGING METHODOLOGY FOR USE IN THE DERIVATION OF THE DEBT RISK PREMIUM

Thank you for the opportunity to comment on the approach the Economic Regulation Authority (Authority) should take when deriving a value for the Debt Risk Premium (DRP) using the bond-yield approach for the Dampier to Bunbury Natural Gas Pipeline (DBNGP) Access Arrangement.

Verve Energy notes the Authority's revised decision, published 25 June 2012, for the ATCO Gas Australia Pty Ltd (ATCO) Mid-West and South-West Gas Distribution Systems, whereby the Authority reconsidered the proper application of the bond-yield approach in deciding on the DRP to allow ATCO, pursuant to orders 1(e) and 2(b) of the Australian Competition Tribunal.

Verve Energy considers the Authority's approach outlined in its revised decision for ATCO, whereby it averaged yields for a range of Australian corporate bonds according to weight given to the period to maturity and the size of the bond issue, to be an appropriate averaging methodology to apply when deriving the value for the DRP using the bond-yield approach for the revised DBNGP Access Arrangement.

Thank you again for the opportunity to comment, should you require additional information on any of the above issues, I can be contacted on (08) 9424 1917.

Yours sincerely

**JACINDA PAPPS
SENIOR REGULATORY ANALYST**