

# DBNGP Access Arrangement

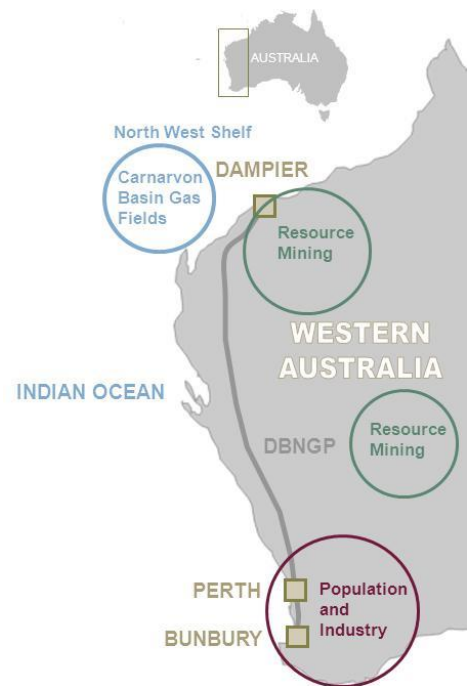
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*2016 – 2020 Access Arrangement Period  
Access Arrangement Document*

*Final – ERA Approved  
30 June 2016  
(as amended by corrigenda of 20 July 2016)*

*DBP Transmission (DBP) is the owner and operator of the Dampier to Bunbury Natural Gas Pipeline (DBNGP), Western Australia's most important piece of energy infrastructure.*

*The DBNGP is WA's key gas transmission pipeline stretching almost 1600 kilometres and linking the gas fields located in the Carnarvon Basin off the Pilbara coast with population centres and industry in the south-west of the State*



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## 1. INTRODUCTION

- 1.1 This document is the applicable access arrangement that is a full access arrangement (**Access Arrangement**) for the Dampier to Bunbury Natural Gas Pipeline (DBNGP) pursuant to the requirements of the National Gas Access (WA) Act 2009 (**NGA**), the National Gas Access (Western Australia) Law (**NGL(WA)**) and National Gas Rules (Version 28)<sup>1</sup> (**NGR**).
- 1.2 The DBNGP is an old scheme covered pipeline, a scheme pipeline and a covered pipeline under the NGA, the NGL and the NGR.
- 1.3 This document revises the access arrangement for covered pipeline services that was approved by the ERA on 5 October 2012 (Revised by reason of and pursuant to orders of the Australian Competition Tribunal made 26 July 2012) (**Prior Access Arrangement**).
- 1.4 Operator is DBNGP (WA) Transmission Pty Limited ACN 081 609 190 (**Operator**). Operator is a covered pipeline service provider who submitted the revisions to the Prior Access Arrangement. Operator is a complying service provider for the purposes of section 10 of the NGL. It submitted the revisions on its own behalf and on behalf of DBNGP (WA) Nominees Pty Limited ACN 081 609 289 (**Nominees**) as Trustee for the DBNGP WA Pipeline Trust, who is also a covered pipeline service provider.
- 1.5 This Current Access Arrangement sets out the terms and conditions about access to Pipeline Services provided or to be provided by means of the DBNGP.

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<sup>1</sup> Version 28 was current as at 22 December 2015, a copy of which is available [here](#)

## 2. PIPELINE DESCRIPTION

2.1 The DBNGP is made up of the assets that are:

- (a) as described in the following pipeline licences issued under the Petroleum Pipelines Act 1969 (WA):
  - (i) PL 40 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (ii) PL 41 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (iii) PL 47 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (iv) PL 69 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (v) PL 91 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (vi) PL 94 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (vii) PL 95 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (viii) PL 100 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement);
  - (ix) PL 101 (as amended or varied before the date the revisions to the Access Arrangement for the DBNGP commence to have effect under clause 14.1 of this Current Access Arrangement); and
- (b) the BEP Capacity.

2.2 A detailed description of the DBNGP is provided in **Attachment 1** to the Access Arrangement, which includes a schematic of the pipeline system. A description of the DBNGP can also be found at: <http://www.dbp.net.au>

### 3. PIPELINE SERVICES

3.1 Operator, on its behalf and on behalf of Nominees, proposes to offer the following pipeline services on the DBNGP:

- (a) Reference Services
  - (i) Full Haul T1 Service (T1 Service)
  - (ii) Part Haul P1 Service (P1 Service)
  - (iii) Back Haul B1 Service (B1 Service)
- (b) Non-Reference Services
  - (i) Operator proposes, subject to availability of Capacity (as determined by Operator as a reasonable and prudent service provider), to offer to Prospective Shippers the following pipeline services:
    - (A) Spot Capacity Service;
    - (B) Park and Loan Service; and
    - (C) Seasonal Service;
  - (ii) Operator proposes, subject to Operational Availability (as determined by Operator as a reasonable and prudent pipeline operator), to offer to Prospective Shippers the following pipeline services:
    - (A) Peaking Service;
    - (B) metering information service;
    - (C) pressure and temperature control service;
    - (D) odourisation service;
    - (E) co-mingling service;
    - (F) pipeline impact agreement service; and
    - (G) interconnection service;
  - (iii) Non-Reference Services also include pipeline services provided by Operator under Access Contracts entered into prior to commencement of the Current Access Arrangement Period which are not for a Reference Service; and
  - (iv) Operator is prepared to negotiate to provide a Prospective Shipper with any other pipeline service.

3.2 A description of each of the above pipeline services follows.

#### 3.3 T1 Service

- (a) T1 Service is a Full Haul service in which Operator (subject to availability of Capacity):
  - (i) takes receipt, at one or more Inlet Points on a Day, of a quantity of the Shipper's gas not exceeding:
    - (A) the sum of the Shipper's MDQ;
    - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
  - (ii) delivers to the Shipper at one or more Outlet Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) The reference tariff for T1 Service (T1 Tariff) is:
  - (i) made up of the following components:
    - (A) the T1 Capacity Reservation Tariff; and
    - (B) the T1 Commodity Tariff; and
  - (ii) varied in accordance with clause 11 of this Current Access Arrangement.

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- (c) As at 1 July 2016:
  - (i) the T1 Capacity Reservation Tariff is \$1.165954/GJ (\$2016); and
  - (ii) the T1 Commodity Tariff is \$0.128597/GJ (\$2016);
  - (iii) making a T1 Tariff of \$1.294551/GJ (\$2016).
- (d) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for T1 Service, unless Operator in its absolute discretion agrees otherwise.
- (e) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for T1 Service, unless Operator in its absolute discretion agrees otherwise.

### 3.4 P1 Service

- (a) P1 Service is a Part Haul service in which Operator (subject to availability of Capacity):
  - (i) takes receipt, at one or more Inlet Points on a Day, of a quantity of the Shipper's gas not exceeding:
    - (A) the sum of the Shipper's MDQ;
    - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
  - (ii) delivers to the Shipper at one or more Outlet Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) The reference tariff for P1 Service (P1 Tariff) is:
  - (i) made up of the following components:
    - (A) the P1 Capacity Reservation Tariff; and
    - (B) the P1 Commodity Tariff; and
  - (ii) varied in accordance with clause 11 of this Current Access Arrangement.
- (c) As at 1 July 2016:
  - (i) the P1 Capacity Reservation Tariff is \$0.000833/GJ MDQ\*km (\$2016); and
  - (ii) the P1 Commodity Tariff is \$0.000092/GJ\*km (\$2016); and
  - (iii) making a P1 Tariff of \$0.000925/GJ\*km (\$2016).
- (d) Reference to 'km' is the distance, specified in the DBNGP Pipeline Description from the inlet point to the outlet point at which the shipper has contracted capacity.
- (e) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for P1 Service, unless Operator in its absolute discretion agrees otherwise.
- (f) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for P1 Service, unless Operator in its absolute discretion agrees otherwise.

### 3.5 B1 Service

- (a) B1 Service is a Back Haul service in which Operator (subject to availability of Capacity):
  - (i) takes receipt, at one or more Inlet Points on a Day, of a quantity of the Shipper's gas not exceeding:
    - (A) the sum of the Shipper's MDQ;
    - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and

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- (ii) delivers to the Shipper at an Outlet Point located upstream of the relevant Inlet Point on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) The reference tariff for B1 Service (B1 Tariff) is:
  - (i) made up of the following components:
    - (A) the B1 Capacity Reservation Tariff; and
    - (B) the B1 Commodity Tariff; and
  - (ii) varied in accordance with clause 11 of this Current Access Arrangement.
- (c) As at 1 July 2016:
  - (i) the B1 Capacity Reservation Tariff is \$0.000833/GJ MDQ\*km (\$2016); and
  - (ii) the B1 Commodity Tariff is \$0.000092/GJ\*km (\$2016);
  - (iii) making a B1 Tariff of \$0.000925/GJ\*km (\$2016).
- (d) Reference to 'km' is the distance, specified in the DBNGP Pipeline Description from the inlet point to the outlet point at which the shipper has contracted capacity.
- (e) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for B1 Service, unless Operator in its absolute discretion agrees otherwise.
- (f) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for B1 Service, unless Operator in its absolute discretion agrees otherwise.

### 3.6 Other Non-Reference Services

- (a) Spot Capacity Service: a Spot Capacity Service is a pipeline service available on an interruptible basis (and at varying levels of interruptibility), subject to availability of Capacity in accordance with the following principles.
- (b) Until otherwise advised by Operator, the following principles apply to Spot Capacity and Spot Transactions (as the case may be) (which principles form the basis of the Spot Market Rules):
  - (i) If the Shipper seeks to bid for Spot Capacity for a Gas Day it must, by notice to Operator at any time no later than 15:00 hours on the Gas Day before that Gas Day, notify Operator of the amount of Spot Capacity it requires for that Gas Day (Daily Bid) and the price it offers to pay for that Spot Capacity for that Gas Day (Daily Spot Bid Price).
  - (ii) Operator must by no later than 16:00 hours on each Gas Day before the relevant Gas Day allocate Spot Capacity for the relevant Gas Day between Daily Bids on the basis (subject to clause 5.3(d)(i)) of the Shipper bidding the highest Daily Spot Bid Price for that Gas Day being allocated the Spot Capacity it bid for, the shipper bidding the second highest Daily Spot Bid Price for that Gas Day being allocated the Spot Capacity it bid for, and so on until all Daily Bids are satisfied or until all available Spot Capacity is allocated to Daily Bids. If two or more Shippers bid the same Daily Spot Bid Price and there is not sufficient available Capacity to allocate to each of them the amount of Spot Capacity bid for by each of them, the Spot Capacity available to be allocated between them shall be allocated in proportion to the amount of Spot Capacity bid for by each of them respectively at the said Daily Spot Bid Price for that Gas Day.
  - (iii) Subject to clause 3.6(b)(v), if the Shipper is allocated Spot Capacity for a Gas Day in response to a Daily Bid the Shipper must pay the Daily Spot Bid Price bid by it for that Spot Capacity for that Gas Day whether or not it uses the Spot Capacity.
  - (iv) Operator may set a minimum bid price (Minimum Bid Price) for Daily Bids and is not obliged to allocate Spot Capacity to any shipper bidding a Daily Spot Bid Price which is less than the Minimum Bid Price. The Minimum Bid Price for Daily Bids may not be set by Operator at a price greater than 115% of the Base T1 Tariff as defined in the standard



shipper contract published by Operator on its nominated website from time to time applying on the relevant Gas Day.

- (v) The Shipper is relieved from paying the Daily Spot Bid Price in relation to Spot Capacity allocated to it for a Gas Day only where Operator interrupts or curtails the Spot Capacity which has been allocated to the Shipper, and then only to the extent of that interruption or curtailment.
- (vi) Operator must provide the following information to the Shipper in respect of each Gas Day as soon as practicable after that Gas Day:
  - (A) the quantities the subject of Daily Bids which relate to that Gas Day;
  - (B) the quantities of Spot Capacity allocated for that Gas Day; and
  - (C) the Daily Spot Bid Prices for all bids allocated Spot Capacity for that Gas Day.
- (vii) Operator will not bid for Spot Capacity and if an Operator Entity, Alcoa, or a Related Body Corporate of Alcoa bids and is allocated Spot Capacity, Operator must indicate on its electronic customer reporting system that the relevant Spot Capacity has been allocated to an Operator Entity, Alcoa or a Related Body Corporate of Alcoa without disclosing the identity of the Operator Entity, Alcoa or a Related Body Corporate of Alcoa.
- (viii) Operator may unilaterally determine (and, if applicable, vary) over time rules governing the market for Spot Capacity in addition to the principles in this clause 3.6(b), provided that those rules are designed with a view to achieving the following objectives:
  - (A) there is no discrimination among shippers (other than in respect of price) in respect of the terms and conditions upon which, and the circumstances in which, Spot Capacity is granted;
  - (B) hindering market manipulation and gaming by Operator or shippers; and
  - (C) consistent with this clause 3.6(b).
- (c) Park and Loan Service: Shippers or Prospective Shippers serving end users with Gas demands that are difficult to predict from day to day, or who face the prospect of outages of their Gas suppliers, may find the maintenance of their Accumulated Imbalances within the tolerance specified in the Access Contract for the Reference Service (or any other Haulage Service as the case may be) difficult. To assist these Shippers and Prospective Shippers, Operator will offer a Park and Loan Service, permitting limited Gas storage in the DBNGP, and/or taking of additional Gas from the DBNGP when required. Operator's ability to offer a Park and Loan Service is restricted by the operating characteristics of the DBNGP. A Shipper must also contract for a Haulage Service when contracting for a Park and Loan Service.
- (d) Seasonal Service: Capacity in the DBNGP varies inversely with ambient temperature. A higher pipeline Capacity is available during winter months when ambient temperatures are low. A lower Capacity is available during summer months, with the lowest Capacity usually available in January. Operator may, in these circumstances, have unused Capacity when ambient temperatures are low, and this Capacity can be made available to shippers for use as Seasonal Service. Seasonal Service will only be made available subject to Operational Availability (as determined by Operator as a reasonable and prudent pipeline operator) and Operator meeting its obligations under Gas transportation contracts entered into prior to the commencement of the Access Arrangement Period.
- (e) Peaking Service: This service will enable an increase in the MHQ at an Outlet Point for a specified period.
- (f) Metering information service: This service will entail the provision of metering and operational data directly to a Shipper in addition to the data the Operator agrees to provide under an Access Contract for the Reference Service.
- (g) Pressure and temperature control service: This service will entail the provision of a service by the Operator to vary the temperature and/or pressure at which the Operator shall deliver Gas at an Outlet Point.
- (h) Odourisation service: This service will entail the provision of a service by the Operator to odourise the Gas being delivered at an Outlet Point.

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- (i) Co-mingling service: This service entails the agreement by the Operator with a Shipper to blend Out-of-Specification Gas with the main Gas stream such that the aggregate of the main Gas stream is within specification.
- (j) Pipeline impact agreement service: This service encompasses any service DBP may agree to provide to facilitate the receipt into the DBNGP of Gas as a result of the application of the *Gas Supply (Gas Quality Specifications) Act 2009 (WA)*.
- (k) Interconnection service: This service will entail the construction of facilities to connect the DBNGP with another pipeline system and the terms and conditions for the ongoing operation and management of the interconnection facilities.

## 4. TERMS AND CONDITIONS

- 4.1 The terms and conditions upon which Operator will grant parties access to the T1, P1 and B1 Services, are those terms and conditions for the T1, P1 and B1 Services contained in the Access Contract Terms and Conditions as amended or varied from time to time in accordance with clause 4.3 of the Access Arrangement.
- 4.2 At the commencement of the Access Arrangement Period, the Access Contract Terms and Conditions are set out in
- (a) For the T1 Service – **Attachment 2**;
  - (b) For the P1 Service – **Attachment 3**; and
  - (c) For the B1 Service – **Attachment 4**.
- 4.3 Operator may amend or vary the Access Contract Terms and Conditions in accordance with:
- (a) Part 8, Division 10 of the NGR;
  - (b) Part 8, Division 5 of the NGR; and
  - (c) in the case of the Reference Tariff, the Reference Tariff Variation Mechanism in this Access Arrangement.

## 5. QUEUING REQUIREMENTS

### 5.1 Informal Requests and Reports:

- (a) Shippers and Prospective Shippers are encouraged to consult with Operator on available Capacity and facilities prior to making an Access Request.

### 5.2 Submission of Access Request

- (a) Subject to clause 5.2(b), a Prospective Shipper may apply for access to a service by submitting an Access Request in accordance with this clause 5.2.

- (b) An Access Request must be lodged by a Prospective Shipper if:

- (i) the Prospective Shipper requests a feasibility study to be prepared by Operator;
- (ii) the Prospective Shipper requests a terms sheet to be prepared or considered by Operator; or
- (iii) Operator advises in the course of consultation under clause 5.1 that investigations are required under NGR 112(3)(b).

- (c) An Access Request must be made in writing and must state:

- (i) whether the service requested is a Reference Service or a Non-Reference Service;
- (ii) in the case of an Access Request for a Non Reference Service, the type of Non-Reference Service that is requested;
- (iii) a Commencement Date for the service, which must be a date at least 30 Gas Days after the date the Access Request is submitted or such earlier date as the service Provider agrees;
- (iv) a Capacity End Date for the service, which must, in the case of an Access Request for a Reference Service, be a date no earlier than the date 2 years after the Commencement Date;
- (v) relevant technical details (including the proposed Gas specification) for the connection to the pipeline and for ensuring safety and reliability of the supply of Gas to, or from, the pipeline, as outlined in the customer requirements form available on Operator's website;
- (vi) Relevant financial information that would be required by a reasonable and prudent person to assess the Prospective Shipper's ability to meet financial obligations made under the Access Contract.
- (vii) in the case of a Reference Service and any other capacity related Non-Reference Service:
  - (A) each Inlet Point and Outlet Point for the service; and
  - (B) the amount of the requested service (in TJ/d) for each Inlet and Outlet point;
- (viii) the terms and conditions on which the service is requested, by:
  - (A) in the case of a Reference Service, stating that the Prospective Shipper accepts the Access Contract Terms and Conditions;
  - (B) in the case of a Non-Reference Service (other than a Spot Capacity Service), specifying either:
    - (a) that it accepts the terms and conditions of any Access Contract for the relevant Non-Reference Service that the Operator has posted on its website; or
    - (b) the terms and conditions the Prospective Shipper proposes should apply to the service or requesting Operator to propose the terms and conditions for provision of the service; or
  - (C) in the case of a Spot Capacity Service, stating that the Prospective Shipper accepts the Spot Transaction Terms and Conditions and agrees to comply with the Spot Market Rules; and
- (ix) any conditions that apply to the Access Request.

- (d) An Access Request must:
- (i) be in the form for the particular service requested, as specified from time to time by Operator on its nominated website (Access Request Forms). As at the commencement of the Current Access Arrangement Period, the Access Request Forms are available at: < <http://www.dbp.net.au> >; and comprise:
    - (A) the Reference Service Access Request Form, for use for an Access Request for a Reference Service;
    - (B) the Non-Reference Service (other than Spot Capacity Service and Non-Transportation Services) Access Request Form, for use for an Access Request for a Non-Reference Service (other than Spot Capacity Service);
    - (C) the Spot Capacity Service Access Request Form, for use for an Access Request for Spot Capacity Service; and
    - (D) the Non-Transportation Services Access Request Form (used for such services as data, blending and park and loan services);
  - (ii) be executed by or on behalf of the Prospective Shipper in accordance with sections 127(1), (2) or (3) of the Corporations Act or in such other manner as Operator, acting reasonably, may approve; and
  - (iii) be submitted in duplicate to the address from time to time specified by Operator for this purpose on the Access Request Form.
- (e) A Prospective Shipper may withdraw an Access Request at any time before Operator accepts the Access Request by giving notice in writing of the withdrawal to Operator.
- (f) A Prospective Shipper may amend an Access Request at any time prior to its acceptance by Operator by submitting a further Access Request which states expressly that it amends the previous Access Request (**Original Access Request**) and where the Access Request Form is marked up to show the changes from the Original Access Request. The amended Access Request supersedes the Prospective Shipper's Original Access Request.

### 5.3 Assessment of Access Requests

- (a) Operator will assess and respond to an Access Request in accordance with NGR 112 based on the information provided to it with the Access Request.
- (b) The information specified in the Access Request Form does not necessarily contain all of the information Operator may need to assess an Access Request. If Operator requests more information it must, within 20 Business Days of receiving an Access Request from a Prospective Shipper:
- (i) request further information from a Prospective Shipper (including any evidence reasonably required by Operator that the Access Contract that would be formed by Operator's acceptance of the Access Request would be a valid and binding obligation of the Prospective Shipper);
  - (ii) advise the Prospective Shipper that investigations are required to be undertaken prior to responding to the Access Request. If so, the Operator must, in the advice to the Shipper, outline a proposal to the Prospective Shipper for carrying out the further investigations (**FEED Proposal**). The FEED Proposal must include:
    - (A) a statement of the nature of the investigation;
    - (B) a plan (including a time schedule) for carrying out and completing the investigation;
    - (C) a statement of the reasonable costs of the investigation the Prospective Shipper would be required to meet; and
    - (D) any other information reasonably required by the Operator for the purposes of the investigation.
- (c) If an Access Request is for a Non-Reference Service and the Prospective Shipper does not agree to the terms and conditions for the relevant Non-Reference Service as posted on the Operator's website, the Prospective Shipper must promptly, on request by Operator, proceed to negotiate in good faith with Operator the terms and conditions on which the service is to be provided.
- (d) Operator may accept an Access Request:

- (i) where the Access Request is for a Reference Service and is made on the basis of the Access Contract Terms and Conditions or is for a Spot Capacity Service, by executing the 2 copies of the Access Request Form executed by the Prospective Shipper and returning one executed copy to the Prospective Shipper; or
  - (ii) where the Access Request is for a Non-Reference Service (other than a Spot Capacity Service), and Operator and the Prospective Shipper have agreed the terms and conditions for the service, by submitting an Access Contract in the form agreed to the Prospective Shipper for execution. If the Access Contract is not executed by the Prospective Shipper and returned to Operator (together with any evidence reasonably required by Operator that the Access Contract is a valid and binding obligation of the Prospective Shipper) within 10 Business Days, the Access Request will be deemed to have been withdrawn by the Prospective Shipper.
- (e) Subject to clause 5.3(f), Operator may reject an Access Request at any time prior to its acceptance in any of the following circumstances:
  - (i) the Access Request is incomplete or otherwise does not comply with the requirements specified in clause 5.2;
  - (ii) Operator considers, acting as a reasonable and prudent pipeline operator, that the Prospective Shipper is not capable of meeting its obligations under the Access Contract;
  - (iii) the Prospective Shipper fails to comply with a reasonable request by Operator for further information under clause 5.3(b)(i) within 20 Business Days after the date of such request;
  - (iv) where the Access Request requires the terms and conditions of the Access Contract to be negotiated between Operator and the Prospective Shipper, and the Prospective Shipper fails to negotiate in good faith when required to do so under clause 5.3(c);
  - (v) acceptance of the Access Request would require an expansion of or extension to the DBNGP and the expansion or extension is inconsistent with the Extensions and Expansions Requirements of this Access Arrangement;
  - (vi) the requested service cannot be provided having regard to the load characteristics set out in the Access Request and the load characteristics of Other Shippers;
  - (vii) the Access Request is for substantially the same service as another current Access Request submitted by the Prospective Shipper; or
  - (viii) Operator considers, acting as a reasonable and prudent pipeline operator, that the Access Request is not a bona fide request for access.
- (f) The Operator must reject an Access Request if the Operator and the Prospective Shipper are unable to agree on the FEED Proposal issued by the Operator under clause 5.3(b)(ii), or on some modification to it, within 20 Business Days of the date of the FEED Proposal.
- (g) If the Operator rejects an Access Request, it must notify the Prospective Shipper in writing and include reasons for rejecting it.

#### 5.4 Queuing Requirements

- (a) If Operator notifies a Prospective Shipper in accordance with NGR 112 that Spare Capacity does not exist to satisfy an Access Request, Operator will create a queue for determining the priority of access to Spare Capacity and Developable Capacity that will apply as between that Access Request and any other Access Request.
- (b) Operator will maintain a single queue for access to Reference Services and Non-Reference Services that are Haulage Services (**Queue**).
- (c) Access Requests are to have priority of access to Spare Capacity and Developable Capacity in the order in which they are entered in the Queue by Operator in accordance with this clause 5.4. Subject to clauses 5.4(d) to 5.4(k), Operator will enter Access Requests in the Queue with a priority date being the date on which they are received (or, as appropriate, deemed to be received) by

Operator. Access Requests entered in the queue with the same priority date will have equal priority in the queue as between each other.

- (d) Subject to clauses 5.4(e) and 5.4(f), an Access Request will only be entered in the Queue if it complies with the requirements specified in clause 5.2.
- (e) If an Access Request is incomplete or otherwise does not comply with the requirements of clause 5.2 and, in Operator's reasonable opinion, the Prospective Shipper remedies the deficiencies within 10 Business Days after being given notice of the deficiencies by Operator (which notice must be given promptly), the Access Request may be entered in the Queue with a priority date being the date on which the original Access Request was received by Operator. This clause only applies once. Otherwise, the Access Request will be entered in the Queue with a priority date being the date on which, in Operator's reasonable opinion, the deficiencies are remedied.
- (f) If an Access Request requires the terms and conditions of the Access Contract to be negotiated between Operator and the Prospective Shipper or is subject to conditions, the Access Request will be entered in the Queue with a priority date being the date of receipt of the Access Request by Operator. However, unless:
  - (i) where Operator notifies Shipper in accordance with NGR 112 that there is Spare Capacity sufficient to satisfy the Access Request, within 40 Business Days after the date Operator responds to the Prospective Shipper in accordance with NGR 112 in respect of the Access Request; or
  - (ii) where Operator notifies Shipper in accordance with NGR 112 that there is not Spare Capacity sufficient to satisfy the Access Request and the parties agree to a FEED Proposal, within 60 Business Days after the date the Shipper receives the report on the investigations to be provided to the Shipper under the FEED Proposal,either:
  - (iii) the negotiations are completed and/or the conditions are satisfied; or
  - (iv) the Prospective Shipper has agreed to amend the Access Request such that it becomes an Access Request for a Reference Service made on the basis of the Access Contract Terms and Conditions,
  - (v) the Access Request will be removed from the Queue and will subsequently be re-entered in the Queue with a priority date being the date that negotiations are completed and/or the conditions are, in Operator's opinion, satisfied. However, where a dispute between Operator and the Prospective Shipper arises in respect of the terms and conditions of access and that dispute is referred to arbitration under section 181 of the NGA, the period of time remaining pursuant to clauses 5.4(f)(i) and 5.4(f)(ii) (as applicable) will be suspended from the date the dispute is referred to arbitration (**Referral Date**) until 4 months after the Referral Date.
- (g) Operator may deal with Access Requests out of order provided that:
  - (i) the Access Request that is being dealt with out of order is materially different to the Access Requests which have the same or earlier priority dates; and
  - (ii) Prospective Shippers with the Access Requests which have the same or earlier priority dates do not suffer any material prejudice as a result.
- (h) Access Requests received by mail are deemed to be received on the day they are delivered to Operator. Access Requests delivered by hand are received on the date actually received.

- (i) Any Access Request for a service that was made prior to the revisions to this Access Arrangement coming into effect (***Prior AA Access Requests***) will have priority over Access Requests made after the revisions to this Access Arrangement come into effect. The priority amongst Prior AA Access Requests is to be determined in accordance with the order in which they were received by Operator.
- (j) If an Access Request is rejected, that Access Request's priority in the Queue is lost.
- (k) If a Prospective Shipper amends an Access Request in accordance with clause 5.2(f), the following applies:
  - (i) the amended Access Request will have the same priority date as the Original Access Request if the amendment complies with clause 5.2(f) and if:
    - (A) the amendment is limited to a reduction in the amount of the service requested or a change in the requested Commencement Date; or
    - (B) the amendment is not in Operator's reasonable opinion a material change to the Original Access Request; and
  - (ii) in all other cases, the amended Access Request will be removed from the Queue and will subsequently be re-entered in the Queue with a priority date being the date the amended Access Request is received by Operator.
- (l) These Queuing Requirements are subject to any Capacity Expansion Options which may be granted by Operator from time to time under the Extensions and Expansions Requirements of the Access Arrangement. Nothing in the Queuing Requirements prevents Operator offering a Capacity Expansion Option in accordance with the Extensions and Expansions Requirements of this Access Arrangement at any time or complying with its obligation to provide Capacity to a Prospective Shipper in accordance with a Capacity Expansion Option.
- (m) Where a Prospective Shipper has lodged an Access Request and Operator has agreed to undertake an expansion to satisfy the Access Request (including by the creation of a Capacity Expansion Option in accordance with the Extension and Expansion Requirements of this Access Arrangement) the Prospective Shipper's Access Request will remain in the Queue until the expansion capacity has become available to satisfy it. If Spare Capacity becomes available to satisfy the Access Request prior to completion of the expansion and Operator and the Prospective Shipper agree, that Spare Capacity may be made available to satisfy the Access Request (in accordance with its priority in the queue at that time) in place of the proposed expansion capacity.
- (n) Queuing Requirements do not apply to access to a service secured pursuant to a Spot Capacity Service or to a Pipeline Service that is not a Haulage Service.
- (o) Within a reasonable time of Operator becoming aware of any material change (in the context a Prospective Shipper's Access Request) in the expected timing of when the Prospective Shipper's Access Request in the Queue will be satisfied, Operator will notify the Prospective Shipper of the change.



## 6. CAPACITY TRADING REQUIREMENTS

- 6.1 A Shipper of any Haulage Service may transfer all or any of the Shipper's contracted capacity:
- (a) Where the Operator is registered as a participant in a particular gas market - in accordance with the rules or procedures governing the relevant gas market; or
  - (b) Where the Operator is not registered for the purposes of clause 6.1(a) - in accordance with NGR 105 and clauses 6.2 to 6.5 below.
- 6.2 A Shipper of any Haulage Service may:
- (a) without the Operator's consent transfer by way of subcontract, all or any of the Shipper's contracted capacity to another Shipper in accordance with clause 27.2 of the Access Contract Terms and Conditions for each reference service.
  - (b) Subject to any Pre-existing Contractual Right, with the Operator's prior written consent transfer all or any of the Shipper's contracted capacity to another (Third Party) in accordance with clauses 27.3 and 27.4 of the Access Contract Terms and Conditions for each reference service and clauses 6.3 and 6.5 below.
- 6.3 Operator must not withhold its consent under clause 6.2(b) unless it has reasonable grounds, based on technical or commercial grounds for doing so.
- 6.4 In addition to any conditions outlined in clauses 27.3 and 27.4 of the Access Contract Terms and Conditions for each reference service, and without limitation, the following are examples of reasonable technical or commercial grounds that the Third Party and the Shipper must comply with before Operator will consent under clause 6.2(b):
- (a) The Third Party must comply with the Queuing Requirements in clause 5.4.
  - (b) The Shipper must reimburse Operator for all costs incurred by Operator in processing and determining the Shipper's consent request (including legal costs, internal costs and other costs as reasonably determined) whether or not the transfer proceeds to completion, provided that the Operator can demonstrate that the costs have been reasonably and properly incurred.
- 6.5 If Operator consents to the transfer of all or any of the Shipper's contracted capacity to a Third Party under clause 6.2(b), the following consequences arise:
- (a) the Shipper's rights and obligations are terminated except that any rights or liabilities that accrued under, or in relation to, the Access Contract before the date on which Operator grants consent are not affected; and
  - (b) an Access Contract arises between the Operator, DBNGP (WA) Nominees Pty Ltd (in its capacity as Trustee for the DBNGP WA Pipeline Trust) and the Third Party on terms and conditions determined by or in accordance with this clause 6.

## 7. EXTENSIONS AND EXPANSIONS

- 7.1 The Operator is not required to fund part or all of the expansion (except in relation to a Capacity Expansion Option, where the provisions of the Capacity Expansion Option require the expansion to be funded by the Operator or an Operator Entity).
- 7.2 Subject to clause 7.3(b), an expansion of the DBNGP pursuant to the exercise of a Capacity Expansion Option by the holder is to be treated as part of the Covered Pipeline.
- 7.3 If the Operator proposes to extend or expand the DBNGP for a purpose other than meeting its obligations to the holder of a Capacity Expansion Option that was originally entered into before 1 July 2016:
- (a) an extension is to become part of the Covered Pipeline immediately when the consent to operate the extension is granted to the Operator under the *Petroleum Pipelines Act 1969 (WA)*, unless, before that occurs, the Operator elects otherwise and gives the Regulator notice of the extension which the Operator elects will not become part of the Covered Pipeline; and
  - (b) an expansion is to become part of the Covered Pipeline immediately when the consent to operate the expansion is granted to the Operator under the *Petroleum Pipelines Act 1969 (WA)*, except in instances where, before that occurs, the Operator gives the Regulator notice of the expansion which the Operator does not wish to become part of the Covered Pipeline and demonstrates to the Regulator's reasonable satisfaction that application of the access arrangement to such expansion is inconsistent with the National Gas Objective and the Regulator issues a notice that it is thus satisfied.
- 7.4 In considering whether to treat an extension as part of the Covered Pipeline, the Operator may have regard to the following factors:
- (a) the application of the matters set out in NGR 104 in respect of the facilities comprising the extension;
  - (b) the extent to which the Capacity resulting from the extension is Contracted Capacity;
  - (c) the legitimate business interests of Operator;
  - (d) the application of any voluntary right of access to the Capacity resulting from the extension; and
  - (e) the extent to which any Access Contract under which the extension or expansion capacity is contracted relies upon a determination of the Reference Tariff.
- 7.5 If an extension or expansion of the DBNGP becomes part of the Covered Pipeline, the extension, expansion or enhancement will not affect the Reference Tariff before the Revisions Commencement Date for the Next Access Arrangement. Although, if an extension, expansion or enhancement of the DBNGP becomes part of the Covered Pipeline:
- (a) Operator may seek a Capital Contribution from Prospective Shippers or levy a Surcharge on Incremental Shippers in accordance with NGR 82 and 83; and
  - (b) Operator may submit proposed revisions to this Access Arrangement under NGR 50.
- 7.6 Operator may (as determined by Operator in its sole discretion) from time to time seek Surcharges or Capital Contributions from Prospective Shippers in respect of capital expenditure for assets in accordance with NGR 82 and 83. If Operator intends to levy a Surcharge on Shippers, it will provide written notice, including to the Regulator, of its intention to do so.
- 7.7 Except where Operator imposes a Surcharge or seeks a Capital Contribution, or where clause 7.10 applies, Shippers using Incremental Capacity will pay the Reference Tariff.
- 7.8 To assist Prospective Shippers with their future Gas transportation needs, the Operator may from time to time offer Capacity Expansion Options. The Operator acknowledges that at the commencement of this Access Arrangement Period, Capacity Expansion Options have already been granted to certain Shippers on the DBNGP.

- 7.9 A Capacity Expansion Option gives a Prospective Shipper a right to a specified quantity of Capacity on the terms and conditions specified in the Capacity Expansion Option. A Capacity Expansion Option will have a purchase price to be determined by Operator and is able to be traded by the Prospective Shipper to another Prospective Shipper on the terms outlined in the Capacity Expansion Option.
- 7.10 If any extension, enhancement or expansion to be undertaken as a result of the application of the provisions of the *Gas Supply (Gas Quality Specifications) Act 2009 (WA)* is to be part of the Covered Pipeline and in circumstances where the funding of that extension or expansion was made by someone other than the Operator or its Related Bodies Corporate (**PIA Expenditure**) the Operator and Nominees will not benefit, through increased revenue, from each amount of PIA Expenditure that has been rolled into the capital base through a mechanism equivalent to that in clause 12.4.

## 8. CHANGING INLET AND OUTLET POINTS

8.1 In accordance with NGR 106, the Shipper under a haulage service Access Contract may:

- (a) change inlet and outlet points; and
- (b) relocate all or any part of its Contracted Capacity from an existing inlet point or an existing outlet point to which the Access Contract relates (**Change Request**) in accordance with the following principles:
  - (i) a Shipper must make a Change Request to the Operator in writing;
  - (ii) the Operator must consent to a Change Request from the Shipper before any change or relocation that is the subject of the Change Request becomes effective; and
  - (iii) the Operator must not withhold its consent to a Change Request unless it has reasonable grounds, based on technical or commercial considerations, for doing so.

8.2 Without limitation, the considerations which the Operator will take into account in deciding whether to consent to a request under clause 8.1 include:

- (a) technical considerations;
- (b) commercial considerations;
- (c) in the case of a Change Request for a Reference Service, the considerations outlined in clause 14 of the Access Contract Terms and Conditions.

## 9. DEPRECIATION

9.1 In accordance with NGR 90, this clause 9:

- (a) Governs the calculation of depreciation for establishing the Opening Capital Base for the Next Access Arrangement Period after the Current Access Arrangement Period (that is, the Opening Capital Base for the access arrangement period that is due to commence in accordance with clause 14.3).
- (b) Provides the basis for the depreciation of the projected Capital Base during the Current Access Arrangement Period.

### Depreciation for establishing the Opening Capital Base for the Next AA Period

9.2 As part of the formula for establishing the Opening Capital Base for the Next Access Arrangement Period, the Operator will use the sum of the values of depreciation determined for the purpose of determining the Total Revenue for the Current Access Arrangement Period. Depreciation of the projected capital base during the Current AA Period

9.3 [DELETED]

9.4 Subject to clause 9.5 and following, the amount of depreciation determined for the purpose of determining the Total Revenue for each year of the Current Access Arrangement Period is determined using the following principles:

- (a) A separate depreciation schedule has been determined for each of the 5 groups of physical assets that form the DBNGP, these 5 groups are:
  - (i) pipeline assets;
  - (ii) compressor station assets;
  - (iii) metering assets;
  - (iv) BEP Lease; and
  - (v) other assets.
- (b) For the assets in each of the 5 groups, depreciation has been determined using a straight-line method.
- (c) Each depreciation schedule has been designed so that:
  - (i) each group of assets is depreciated over the economic life of that group; and
  - (ii) each group of assets is depreciated only once (that is, so that the sum of the depreciation that is attributable to each group over the life of the assets is equivalent to the value of that group of assets at the time at which that value was first included in the Capital Base (subject to such adjustment for inflation as is appropriate given the approach to inflation adopted)).

9.5 For the purposes of NGR 77(2)(d), depreciation over the Current Access Arrangement Period is to be calculated in accordance with the current cost accounting depreciation method, consistent with the Australian Energy Regulator's Post Tax Revenue Model method – where first, the real opening capital base in any year is divided by the remaining asset life to calculate the real depreciation for the regulatory year, second, indexation is applied to the real depreciation to convert it to nominal terms, and third, the nominal depreciation is adjusted for the resulting double count of inflation by subtracting the value ascribed to inflation from the opening regulatory asset base for that regulatory year, and is to be the sum of:

- 1) depreciation on the Opening Capital Base over the Current Access Arrangement Period; and

- 2) depreciation of the forecast Capital Expenditure for the Current Access Arrangement Period (being the amount of forecast Capital Expenditure used for the purpose of determining Tariffs for the Current Access Arrangement Period).
- 9.6 The ERA has, since the release of the Guidelines, adopted the approach that the inflationary gain on the capital base caused by adopting a nominal approach to the calculation of the Total Revenue should not be offset from the nominal depreciation on the projected capital base.
  - 9.7 Given that the ERA's accounting for removing the effect of inflationary gains on the capital base (caused by adopting a nominal approach to determining the Total Revenue) has the same practical effect as how the AER's accounts for it in its application of the PTRM (i.e. it is included in the calculation of the building block called "depreciation of the projected capital base"), the issue is more a matter of "form over substance" than anything else.
  - 9.8 The Operator has therefore accounted for it in the Total Revenue calculation table in the Access Arrangement Information (in section 17) as a separate line item (to align with the approach of the ERA). However, for the purposes of complying with the requirements of the NGR, it is to be treated as part of the depreciation schedule used to determine the building block called "depreciation on the projected capital base".

## 10. SPECULATIVE CAPITAL INVESTMENT

- 10.1 For the purposes of NGR 84, the amount of any Non-Conforming Capital Expenditure is, to the extent that expenditure is not to be recovered through a Surcharge on Shippers or a Capital Contribution, to be added to a notional fund (***Speculative Capital Expenditure Account***) and dealt with in accordance with NGR 84(2) and NGR 84(3).

## 11. REFERENCE TARIFF VARIATION MECHANISM

11.1 The Reference Tariff will be updated on an annual basis through the Reference Tariff Variation Mechanism. The Reference Tariff Variation Mechanism for the Current Access Arrangement provides for the variation of the Reference Tariff by the Operator by way of:

- (a) Annual Scheduled Variation of Reference Tariffs;
- (b) Tax Changes Variation; and
- (c) New Costs Pass Through Variation.

### Annual Scheduled Variation of Reference Tariffs

11.2 The Annual Scheduled Variation of Reference Tariffs means the following mechanism:

- (a) The reference tariff calculated by DBP must be less than or equal to the reference tariff calculated by the model developed by the Authority, after applying the method set out in **Annexure A** to the Access Arrangement.

11.3 Within 10 Business Days of effecting the Annual Scheduled Variation of Reference Tariffs, the Operator must provide a written notice (a **Scheduled Reference Tariff Variation Notice**) to the Regulator advising of this fact and include evidence of the correct application of the mechanism and the resultant varied Reference Tariff.

### Tax Changes Variation

11.4 Tax Changes Variation means the following mechanism:

- (a) The Operator has established the Reference Tariff for the Reference Service on the basis of forecast expenses for certain Taxes for the Current Access Arrangement Period being included in the Operator's forecast operating expenditure (**Included Taxes**).
- (b) If a Tax Change occurs during the Current Access Arrangement Period, to the extent that the Tax Change changes any expenditure incurred or to be incurred by the Operator or any of its Related Bodies Corporate in providing pipeline services, then:
  - (i) if the changes in expenditure incurred or to be incurred as a result of the Tax Change are such as would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of delivering pipeline services (**Rule 91 Criteria**) and the changed amount of the relevant Included Tax is lower than the amount for that relevant Included Tax that was included in the forecast operating expenditure for the Current Access Arrangement Period - the Operator must vary the Reference Tariff to deal with the financial impact of the Tax Change; and
  - (ii) if the changes in expenditure incurred or to be incurred as a result of the Tax Change satisfy the Rule 91 Criteria and the changed amount of the relevant Included Tax is higher than the amount for that relevant Included Tax that was included in the forecast operating expenditure for the Current Access Arrangement Period - the Operator may vary the Reference Tariff to recover the financial impact of the Tax Change.
- (c) Before the Operator varies the Reference Tariff under clause 11.4(b), the Operator must provide a written notice to the Regulator (**Tax Change Notice**) which:
  - (i) in the case of a Tax Change where the changed amount of the relevant Included Tax and is lower than the amount for that relevant Included Tax that was included in the forecast operating expenditure for the Current Access Arrangement Period – is submitted within 30 Business Days of the date when the Operator became aware of the relevant Tax Change;
  - (ii) outlines the amount of the relevant Included Tax that was included in the forecast operating expenditure in the Current Access Arrangement Period (if any);



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- (iii) provides evidence of the amount of the Tax Change;
  - (iv) provides evidence that the Tax Change satisfies the Rule 91 Criteria;
  - (v) specifies the scope of the financial impact of the Tax Change;
  - (vi) outlines the calculation of the proposed variation to the Reference Tariff as a result of the Tax Change; and
  - (vii) states the effective date for the variation to the Reference Tariff to take effect.
- (d) The Operator must not vary the Reference tariff under clause 11.4(b)(ii) unless:
  - (i) the Operator provides a Tax Change Notice to the Regulator; and
  - (ii) the Regulator, after considering the Tax Change Notice, gives prior written approval to the variation.
- (e) The Operator may submit one or more Tax Change Notices each Year. Each Tax Change Notice may incorporate a number of claims relating to different Tax Changes.
- (f) The minimum notice period for a Tax Change Notice to be issued before a variation to the Reference Tariff commences to have effect is 30 Business Days.
- (g) If the Tax Change Notice results in a reduction in the Reference Tariff, the Operator must, within 50 Business Days of the date of the Tax Change Notice pay each Shipper for a Reference Service an amount equal to the difference between:
  - (i) the Charges actually paid by the Shipper between the date of the Tax Change and the date of the variation to the Reference Tariff commenced to have effect; and
  - (ii) the Charges that the Shipper would have paid for that period if the variation to the Reference Tariff had taken effect on the Date of the Tax Change.
- (h) If the Tax Change Notice results in an increase in the Reference Tariff, the Operator may, within 50 Business Days of the date of the Tax Change Notice invoice each Shipper for a Reference Service an amount equal to the difference between:
  - (i) the Charges actually paid by the Shipper between the date of the Tax Change and the date of the variation to the Reference Tariff commenced to have effect; and
  - (ii) the Charges that the Shipper would have paid for that period if the variation to the Reference Tariff had taken effect on the Date of the Tax Change.
- (i) Any variation to the Reference Tariff under this clause 0 arising from the imposition of a tax not in force as at the time that the Reference Tariff was set for the Current Access Arrangement Period must be applied appropriately to either the Capacity Charge (if the new Tax relates to a fixed cost), or the Commodity Charge (if the new Tax relates to a variable cost).
- (j) Nothing in this clause prevents the Operator seeking judicial review of a decision of the Regulator under clause 11.4.

## New Costs Pass Through Variation

11.5 New Costs Pass Through Variation means the following mechanism:

- (a) The Operator may recover certain expenses it or its Related Bodies Corporate incur or are to incur if (but only if) the expenses:
  - (i) are or will be incurred as a result of circumstances beyond the control of the Operator or the relevant Related Body Corporate;
  - (ii) satisfy the criteria in NGR 91(1) for operating expenditure;
  - (iii) were not included in the Operators' forecast operating expenditure at the time at the revisions to the Access Arrangement were approved;
  - (iv) were not included in the Total Revenue for one or more years of the Current Access Arrangement.

- (b) Expenses which satisfy all criteria in clause 11.5(a) result in a Cost Pass Through Event.
- (c) Cost Pass Through Events which can be recovered through the operation of the mechanism in clause 11.5 are:
  - (i) Carbon Costs (including any Carbon Costs attributable to the operation of the DBNGP whether incurred by the Operator directly, by payment to any third party or by reimbursement to any of its Related Bodies Corporate where any of those persons are liable for the payment of such Carbon Costs);
  - (ii) a Change in Law; and
  - (iii) additional costs not included in the forecast operating expenditure that arise from a change in the type or level of the fees payable to the Land Access Minister under any Access Right relating to the DBNGP and granted under the *Dampier to Bunbury Pipeline Act 1998*.
- (d) Before the Operator varies the Reference Tariff under this clause 0, the Operator must obtain written approval from the Regulator to vary the Reference Tariff by providing a notice to the Regulator (**Cost Pass Through Event Notice**) which:
  - (i) must include the substantiation for the Cost Pass Through Event justifying an increase to the operating expenditure that is used to calculate the Total Revenue for each year of the Current Access Arrangement Period;
  - (ii) provides evidence –
    - A. as to how the Cost Pass Through Event has increased the operating expenditure of the Operator or its Related Bodies Corporate in their roles as service providers on the DBNGP, and
    - B. that the expenses associated with the Cost Pass Through Event satisfy the Rule 91 Criteria;
  - (iii) specifies the scope of the financial impact of the Cost Pass Through Event;
  - (iv) outlines the calculation of the proposed variation to the Reference Tariff as a result of the Cost Pass Through Event; and
  - (v) states the effective date for the variation to the Reference Tariff to take effect.
- (e) The Operator may submit one or more Cost Pass Through Notices each Year. Each Cost Pass Through Notice may incorporate a number of claims relating to different Cost Pass Through Events.
- (f) The minimum notice period for a Cost Pass Through Notice to be issued before a variation to the Reference Tariff commences to have effect is 30 Business Days.
- (g) The Operator must not vary the Reference Tariff under clause 11.5(a) unless:
  - (i) the Operator provides a Cost Pass Through Event Notice to the Regulator; and
  - (ii) the Regulator, after considering the Cost Pass Through Event Notice, gives prior written approval to the variation.
- (h) If the New Costs Pass Through Variation results in a reduction in the Reference Tariff by an amount of one per cent or greater, the Operator must, within 50 Business Days of the date of the Cost Pass Through Event Notice pay each Shipper for a Reference Service an amount equal to the difference between:
  - (i) the Charges actually paid by the Shipper between the date of the Cost Pass Through Event and the date that the variation to the Reference Tariff commenced to have effect; and
  - (ii) the Charges that the Shipper would have paid for that period if the variation to the Reference Tariff had taken effect on the Date of the Cost Pass Through Event.
- (i) If the New Costs Pass Through Variation results in an increase in the Reference Tariff by an amount of one per cent or greater, the Operator may, within 50 Business Days of the date of the Cost Pass Through Event Notice invoice each Shipper for a Reference Service an amount equal to the difference between:

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- (i) the Charges actually paid by the Shipper between the date of the Cost Pass Through Event and the date that the variation to the Reference Tariff commenced to have effect; and
  - (ii) the Charges that the Shipper would have paid for that period if the variation to the Reference Tariff had taken effect on the Date of the Cost Pass Through Event.
- (j) Any variation to the Reference Tariff under this clause 0 must be applied appropriately to either the Capacity Charge (if the new Tax relates to a fixed cost), or the Commodity Charge (if the new Tax relates to a variable cost).
- (k) Nothing in this clause prevents the Operator seeking judicial review of a decision of the Regulator under clause 11.5.

## 12. CAPITAL CONTRIBUTIONS

### Capital Contributions made or to be made

- 12.1 Shippers have made capital contributions to Operator's capital expenditure during the earlier access arrangement period and may, in the Current Access Arrangement Period, make capital contributions to Operator's capital expenditure (or the purposes of this clause, each such Shipper is defined as a **Funding Shipper**).

### Third party use of Funded Capital Expenditure

- 12.2 Capital expenditures to which Funding Shippers have made (or will make as the case may be) capital contributions (Funded Capital Expenditure) have created (or will create) pipeline assets (Contributed Assets) which are used (or will be used) in the provision of pipeline services, and which may be used in provision of a pipeline service.

### Capital Contributions included in the capital base

- 12.3 Funded Capital Expenditure has been rolled into the capital base of the DBNGP.

### No benefit by Operator from Funded Capital Expenditure

- 12.4 The Operator and Nominees will not benefit, through increased revenue, from each amount of Funded Capital Expenditure that has been rolled into the capital base through the following mechanism:
- (a) Subject to clause 12.4(b), Funded Capital Expenditure is included in the Total Revenue determined for each year of the Current Access Arrangement Period on the basis that, the portion of the Total Revenue for each year of the Current Access Arrangement that equals the sum of the return on the Funded Capital Expenditure and the depreciation of the Funded Capital Expenditure will not be allocated to any pipeline service.
  - (b) Operator may levy a charge on any Shipper other than a Funding Shipper (Shipper Specific Facilities Charge) if:
    - (i) Shipper requests a pipeline service and, to provide that service, Operator must use contributed assets;
    - (ii) Operator's contract with a Funding Shipper (Contributing Agreement) requires payment to the Funding Shipper for use by other Shippers of those contributed assets;
    - (iii) the Shipper Specific Facilities Charge is equal to the amount the Operator is required to pay to the Funding Shipper to which the contributed assets relate; and
    - (iv) Operator pays the proceeds from the levy of the Shipper Specific Facilities Charge to the relevant Funding Shipper in accordance with the terms of the Contributing Agreement.

## 13. FIXED PRINCIPLES

13.1 The following are Fixed Principles in accordance with NGR 99:

- (a) the method of determination of the Capital Base at the commencement of each year of each access arrangement period as set out in section 7 of the Current Access Arrangement Information;
- (b) the revenue earned by Operator during the period commencing on 1 July 2005 and ending on 31 December 2015 from the sale of any services which is in excess of the amount (in net present value terms) equal to the sum of:
  - (i) the revenue that would have been earned had any of those services which were Full Haul services been sold at the Reference Tariff; and
  - (ii) the revenue actually earned from the sale of those services which were services other than Full Haul services,must not:
  - (iii) be taken into account directly or indirectly for the purposes of setting a Reference Tariff or determining or applying any aspect of the price and revenue elements of the Access Arrangement which applies on or after 1 January 2011; or
  - (iv) otherwise be taken into account directly or indirectly by the relevant Regulator in performing any of its functions under the NGA, NGL or NGR.

13.2 For the purposes of the Fixed Principles referred to in clauses 13.1(a) and 13.1(b) of this Access Arrangement, the fixed period is until 31 December 2031.

## **14. REVISION AND COMMENCEMENT DATE**

- 14.1 The Current Access Arrangement Period commences on 1 July 2016.
- 14.2 The review submission date for the Current Access Arrangement is 1 January 2020.
- 14.3 The revision commencement date for the Next Access Arrangement is 1 January 2021.

## 15. DEFINITIONS

**Access Arrangement** means Operator's access arrangement for the DBNGP as approved, varied or substituted by the Regulator.

**Access Contract** means a contract between Operator and a Shipper for a Pipeline Service.

**Access Contract Terms and Conditions** means the terms and conditions for the Reference Services contained in Attachment 1, 2 and 3 as may be altered or varied by Operator from time to time.

**Access Request** means a request for access to a service provided by means of the DBNGP as described in clause 5.2 of this Current Access Arrangement.

**Access Request Form** means the Access Request forms for lodging Access Requests for Reference Service and Non-Reference Service in accordance with the Access Arrangement as specified from time to time by Operator and made available on Operator's nominated website, or as the context requires, the Access Request Form forming part of an Access Contract Terms and Conditions.

**AER** means the Australian Energy Regulator.

**Alcoa** means Alcoa of Australia Limited ABN 93 004 879 298.

**Annexure** means an annexure to this Current Access Arrangement.

**B1 Capacity Reservation Tariff** has the meaning provided for in the Access Contract Terms and Conditions and, as at 1 July 2016 is the amount provided for in clause 3.5(c) of this Current Access Arrangement.

**B1 Commodity Tariff** has the meaning provided for in the Access Contract Terms and Conditions and, as at 1 July 2016 is the amount provided for in clause 3.5(c) of this Current Access Arrangement.

**B1 Service** means the service described in clause 3.5(a) of this Current Access Arrangement.

**B1 Tariff** has the meaning provided for in clause 3.5(b) of this Current Access Arrangement.

**Back Haul** means the haulage of Gas from inlet point which is downstream of the outlet point.

**Back Haul service** means a pipeline service to provide Back Haul on the DBNGP.

**BEP Agreement** means an agreement between the Operator and Nominees and the owner of the BEP pursuant to which the Operator is granted a lease of the BEP Capacity (**BEP Lease**).

**BEP Capacity** means the capacity on the BEP with respect to which the Operator and Nominees are granted a lease of the capacity, pursuant to the BEP Agreement.

**Business Day** means any Monday, Tuesday, Wednesday, Thursday or Friday which is not gazetted as a public holiday in the Perth metropolitan area.

**Capacity** means the capacity in the DBNGP, as it is configured at the commencement of the Access Arrangement, to transport quantities of Gas from an Inlet Point to an Outlet Point.

**Capacity Expansion Option** means an option for Capacity on the DBNGP which requires an expansion.

**Carbon Cost** means any costs arising in relation to the management of and complying with any obligations or liabilities that may arise under any Law in relation to greenhouse gas emissions. For the avoidance of doubt, such costs may include the costs reasonably incurred by the Operator or its Related Bodies Corporate of actions taken by any of them to reduce greenhouse gas emissions or mitigate their effect, and the costs incurred by the Operator or its Related Bodies Corporate in acquiring and disposing of or otherwise trading emissions permits and any penalties reasonably incurred by any of the Operator or its Related Bodies Corporate in managing or complying with such obligations, provided that such penalties are not incurred as a result of the Operator or its Related Bodies Corporate failing to act as a Reasonable and Prudent Person.

**Change in Law** means the enactment or promulgation of any new Act of Parliament or regulation, the amendment of any existing Act or regulation, or a material change to the basis or method of calculation of any existing charge relating to:

- (a) the management or protection of the environment which is specifically directed at industries which consume hydrocarbon fuels;
- (b) the health and safety of workers;
- (c) access to the DBNGP Corridor; or
- (d) the operation and management of gas pipelines.

**Change Request** has the meaning given to it in clause 8.1 of this Current Access Arrangement.

**Commencement Date** means 08:00 hours on the date for commencement of the service set out in the Access Request executed by the Operator.

**Compressor Station(s)** means the compressor stations located at various intervals on the DBNGP.

**Contributed Assets** has the meaning given to it in clause 12.2 of this Current Access Arrangement.

**Contributing Agreement** has the meaning given to it in clause 12.4(b)(ii) of this Current Access Arrangement.

**Corporations Act** means Corporations Act 2001 (Cth).

**Cost Pass Through Event** has the meaning given to it in clause 11.5(b) of this Current Access Arrangement.

**Cost Pass Through Event Notice** has the meaning given to it in clause 11.5(d) of this Current Access Arrangement.

**Coverage Criteria** means the criteria in section 15 of the NGL.

**Covered Pipeline** means the Dampier to Bunbury Natural Gas Pipeline which is described in clause 2.

**CPI Formula Variation** has the meaning given to it in **Annexure A** of this Current Access Arrangement.

**Current Access Arrangement** means the Access Arrangement for the services on the DBNGP, the revisions for which commence in accordance with clause 14.1 of this Current Access Arrangement.

**Current Access Arrangement Period** means the period for the Current Access Arrangement that commences under clause 14.1.

**Daily Bid** has the meaning given to it in clause 3.6(b)(i) of this Current Access Arrangement.

**Daily Spot Bid Price** has the meaning given to it in clause 3.6(b)(i) of this Current Access Arrangement.

**DBNGP** means the Covered Pipeline as it is configured at the commencement of the Access Arrangement Period as described in clause 2 of this Current Access Arrangement and any extension or expansion of the DBNGP which becomes covered under the Current Access Arrangement pursuant to clause 11 of this Current Access Arrangement.

**Depreciation Schedule** means the schedule described in the Access Arrangement Information.

**Developable Capacity** means the difference between the Capacity and the capacity of the DBNGP which would be available if additions of plant and/or pipeline were made, but does not include any extension of the geographic range of the DBNGP.

**DRP Approach** means the approach to the estimation of the debt risk premium Section 13 of the Access Arrangement Information.

**ERA** means the Economic Regulation Authority which is the independent economic regulator for Western Australia.

**FEED Proposal** has the meaning given to it in clause 5.3(b)(ii) of this Current Access Arrangement.



**Forward Haul** means the haulage of Gas on the DBNGP where the inlet point is upstream of the outlet point.

**Full Haul service** means a Forward Haul pipeline service on the DBNGP where the Inlet Point is upstream of mainline valve 31 (MLV31) on the DBNGP and the Outlet Point is downstream of Compressor Station 9 on the DBNGP.

**Funded Capital Expenditure** has the meaning given to it in clause 12.2 of this Current Access Arrangement.

**Funding Shipper** has the meaning given to it in clause 12.1 of this Current Access Arrangement.

**Guidelines** means the ERA's Rate of Return Guidelines released in December 2013 pursuant to NGR 87(13).

**Haulage Service** means a Pipeline Service involving the contracting of capacity on the DBNGP;

**Included Taxes** has the meaning given to it in clause 11.4(a) of this Current Access Arrangement.

**Incremental Capacity** means Capacity over and above T1 Service Capacity.

**Incremental Shippers** means any Shipper utilising Incremental Capacity.

**Inlet Point** means a flange joint or other point at which any shipper on the DBNGP has Contracted Capacity from time to time for the Delivery of Gas by it to the Operator.

**Minimum Bid Price** has the meaning given to it in clause 3.6(b)(iv).

**New Costs Pass Through Variation** has the meaning given to it in clause 11.5 of this Current Access Arrangement.

**Next Access Arrangement** means the Access Arrangement for the services on the DBNGP which will incorporate revisions and which will commence in accordance with clause 14.3.

**Next Access Arrangement Period** means the period for the Next Access Arrangement.

**NGA** means the *National Gas Access (WA) Act 2009 (WA)*.

**NGL** means the *National Gas Access (Western Australia) Law* being the provisions which apply because of section 7 of the NGA.

**NGR** means the *National Gas Rules* which are referred to in section 294 of the NGL.

**Nominees** means DBNGP (WA) Nominees Pty Limited ACN 081 609 289.

**Non-Reference Service** means any of the services referred to in clause 3.1(b) of this Current Access Arrangement.

**Opening Capital Base** has the meaning given in NGR 77.

**Operator** means DBNGP (WA) Transmission Pty Limited ACN 081 609 190

**Operator Entity** means the Operator, all of the Operator's Related Bodies Corporate and all entities controlled (as that word is defined in the Corporations Act as at the Commencement Date) by any of the foregoing.

**P1 Capacity Reservation Tariff** has the meaning provided for in the Access Contract Terms and Conditions and, as at 1 July 2016 is the amount provided for in clause 3.4(c) of this Current Access Arrangement.

**P1 Commodity Tariff** has the meaning provided for in the Access Contract Terms and Conditions and, as at 1 July 2016 is the amount provided for in clause 3.4(c) of this Current Access Arrangement.

**P1 Service** means the service described in clause 3.4(a) of this Current Access Arrangement.

**P1 Tariff** has the meaning provided for in clause 3.4(b) of this Current Access Arrangement.

**Park and Loan Service** is a service where the Operator agrees that a Shipper may deliver a quantity of Gas into the DBNGP at an Inlet Point on a Gas Day, without the Shipper taking delivery of that Gas at an Outlet Point on the same Gas Day (Park Service) or where the Operator agrees that a Shipper may take a quantity of Gas at an Outlet Point without supplying an equivalent quantity of

Gas at an Inlet Point on the same Gas Day and consequently that Gas is delivered to Shipper out of linepack (Loan Service).

**Part Haul service** means a pipeline service to provide Forward Haul on the DBNGP which is not a Full Haul service and which includes, without limitation:

- services where the Inlet Point is upstream of main line valve 31 on the DBNGP and the Outlet Point is upstream of Compressor Station 9 on the DBNGP;
- services where the Inlet Point is downstream of main line valve 31 on the DBNGP and the Outlet Point is downstream of Compressor Station 9 on the DBNGP; and
- services where the Inlet Point is downstream of main line valve 31 on the DBNGP and the Outlet Point is upstream of Compressor Station 9 on the DBNGP.

**Pipeline Service** means either a Reference Service or a Non-Reference Service.

**Pre-existing Contractual Right** means a “relevant protected contractual right” as defined in section 321 of the NGL.

**Prior AA Access Requests** has the meaning given to it in clause 5.4(i) of this Current Access Arrangement.

**Prior Access Arrangement** means the Access Arrangement as in force before the commencement of the Current Access Arrangement.

**Prospective Shipper** means an entity who wishes to be a Shipper on the DBNGP.

**PTRM** means the model known as the Post Tax Revenue Model developed by the AER.

**Public Register** means the register of spare capacity that a scheme pipeline service provider must establish and maintain under NGR 111.

**Queue** has the meaning given to it in clause 5.4(b) of this Current Access Arrangement.

**RBA Index** means the Reserve Bank of Australia, Aggregate Measures of Australian Corporate Bonds Spreads and Yields – F3, updated monthly.

**Reference Service** means the T1 Service, P1 Service or B1 Service.

**Reference Tariff** means the Operator’s reference tariff for a Reference Service.

**Regulator** has the meaning given in the NGA.

**Related Body Corporate** has the meaning given in the Corporations Act.

**Risk Free Rate Setting Period** means the period for the setting of inflation for first year of the Current Access Arrangement Period as set out in section 2.4 of the Access Arrangement Information.

**Seasonal Service** means the Gas haulage service made available by the Operator in relation to a particular Gas Month out of Incremental Capacity available due to seasonal factors.

**Shipper** means the Shipper specified in the Access Request.

**Shipper Specific Facilities Charge** has the meaning provided in clause 12.4(b) of this Current Access Arrangement.

**Spare Capacity** has the meaning given to that term in the NGA.

**Spot Capacity** means any capacity on the DBNGP on a Gas Day (being the capacity available after all Nominations for Reserved Capacity for that Gas Day have been allocated by the Operator for that Gas Day), which capacity, is, according to the Operator (acting in good faith) available for purchase.

**Spot Capacity Service** means a service for Spot Capacity by way of one or more Spot Transactions.

**Spot Market Rules** means the rules published by the Operator from time to time to apply to Spot Capacity Service and the market for Spot Capacity, which the Operator will make available on its website.

**Spot Transaction** means a transaction for a Spot Capacity Service between the Operator and Shipper in accordance with the Spot Transaction Terms and Conditions.

**Spot Transaction Terms and Conditions** means the terms and conditions for the Spot Capacity Service as determined by negotiation with Shippers and Prospective Shippers, which terms and conditions are consistent with the principles and objectives in clause 3.6(a) of this Current Access Arrangement.

**System Use Gas** means Gas used by the Operator for the following purposes:

- (a) replacing Gas consumed in the operation of the DBNGP (including, but not limited to:
  - (i) compressor fuel;
  - (ii) gas engine alternator fuel;
  - (iii) heater fuel; and
  - (iv) increases to linepack, other than:
    - (A) when caused by or for the purposes of a supply of linepack gas to a third party under a balancing or back up service arrangement; or
    - (B) repacking the linepack of the DBNGP after an Expansion which involves looping of the pipeline); and
- (b) replacing gas which leaks or otherwise escapes from the DBNGP (whether in normal operational circumstances or due to any rupture or other abnormal leakage) and Gas vented as part of the normal operation of the DBNGP.

**T1 Capacity Reservation Tariff** has the meaning provided for in the Access Contract Terms and Conditions and, as at 1 July 2016 is the amount provided for in clause 3.3(c) of this Current Access Arrangement.

**T1 Commodity Tariff** has the meaning provided for in the Access Contract Terms and Conditions and, as at 1 July 2016 is the amount provided for in clause 3.3(c) of this Current Access Arrangement.

**T1 Service** means the service described in clause 3.3(a) of this Current Access Arrangement.

**T1 Tariff** has the meaning provided for in clause 3.3(b) of this Current Access Arrangement.

**Tax** means a tax, levy, charge, impost, fee, deduction, withholding or duty of any nature (other than income tax, capital gains tax, fines or penalties).

**Tax Change** means:

- (a) any Tax which was not in force as at the commencement of the Current Access Arrangement Period is validly imposed on the Operator or any of its Related Bodies Corporate;
- (b) any Tax which was in force and validly imposed on the Operator or any of its Related Bodies Corporate as at the commencement of the Current Access Arrangement Period is repealed;
- (c) the rate at which a Tax is levied is validly varied from the rate prevailing as at the commencement of the Current Access Arrangement Period; or
- (d) the basis on which a Tax is levied or calculated is validly varied from the basis on which it is levied or calculated as at the Execution Date,

**Tax Change Notice** has the meaning given to it in clause 11.4(c) of this Current Access Arrangement.

**Tax Changes Variation** has the meaning given to it in clause 11.4 of this Current Access Arrangement.

**Third Party** has the meaning given to it in clause 6.

**Total Revenue** means revenue calculated in the manner described in the Access Arrangement Information.

**Trailing Average Cost of Debt Annual Update** has the meaning given to it in **Annexure A** of this Current Access Arrangement.

- 15.2 Unless the context otherwise requires, terms used in capitals in this Current Access Arrangement have:

## **DBNGP Access Arrangement**

- (a) the meaning given above in this clause 15;
  - (b) if no meaning is given above in this clause 15, the meaning given in the Access Contract Terms and Conditions; and
  - (c) if no meaning is given above in this clause 15 or in the Access Contract Terms and Conditions, the meaning given in the NGA, NGL, or the NGR.
- 15.3 Terms used in capitals in the Access Arrangement Information have the same meaning as if they were included in the Current Access Arrangement, unless the context otherwise requires.

## 16. ATTACHMENTS

- Attachment 1 - *Description of the Dampier to Bunbury Natural Gas Pipeline System (as at 1 January 2016)*
- Attachment 2 - *DBNGP Full Haul T1 Contract Terms and Conditions*
- Attachment 3 - *DBNGP Part Haul P1 Contract Terms and Conditions*
- Attachment 4 - *DBNGP Back Haul B1 Contract Terms and Conditions*

## 17. ANNEXURE A

### A1 Annual Scheduled Variation of Reference Tariffs

- 17.1 The Service Provider has adopted a ‘tariff basket price cap’ approach as the manner in which Reference Tariff Components may vary within this Access Arrangement Period.
- 17.2 The Service Provider may in its discretion vary any Reference Tariff Component annually (each annual period being a Variation Year) subject to the limit on the varied Reference Tariff Components and the limit on movement of the weighted average tariff basket described below. That method and formulas, which were specified in the decision on this Access Arrangement for this Access Arrangement Period, are set out below in the ‘CPI formula variation’ of the Access Arrangement (**Annexure A2**).
- 17.3 The Service Provider has also adopted a ‘trailing average’ approach to estimate the Debt Risk Premium used to determine the Reference Tariff. The trailing average approach is a method of the type referred to in Rule 87(9)(b). The change in Total Revenue which results from use of a method of the type referred to in Rule 87(9)(b) must be effected through the automatic application of a formula. That method and formulas, which were specified in the decision on this Access Arrangement for this Access Arrangement Period, are set out below in the ‘Trailing average cost of debt variation’ of the Access Arrangement (**Annexure A3**).
- 17.4 The formula effects a change in Total Revenue in each year of the Access Arrangement Period. The change in Total Revenue requires an annual adjustment to the Reference Tariff. The reference tariff calculated by the Service Provider must be less than or equal to the reference tariff calculated by the model, developed by the Authority, after applying the ‘Trailing average cost of debt variation’ of the Access Arrangement (**Annexure A3**).
- 17.5 Any annually varied Reference Tariff Component will be effective 1 January of each regulatory Year.

### A2 CPI formula variation

Limit on varied Reference Tariff Components and the Tariff Basket for Access Arrangement Period (years) 2017, 2018, 2019 and 2020

- 17.6 Each Reference Tariff Component may be varied by the Service Provider provided the varied Reference Tariff Component satisfies the following conditions.

Limit on varied Reference Tariff Components

- 17.7 This variation of each Reference Tariff will be effected by adjustment on 1 January in each of the years 2017, 2018, 2019 and 2020 in accordance with CPI on the following basis:

$$Tariff_N^{i,j} \leq Tariff_R^{i,j} \times \frac{CPI_{Sep(N-1)}}{CPI_{Sep2014}}$$

where:

$Tariff_N^{i,j}$  is the tariff value of Reference Service and Reference Tariff Component as varied from 1 January of the Variation Year N;

$Tariff_R^{i,j}$  is the tariff value in real December 2015 dollar as calculated by the Tariff Model after the Annual Update of Trailing Average Cost of Debt for Reference Service and Reference Tariff Component  $j$  as varied from 1 January of the Variation Year  $N$ ;

$R$  is the tariff calculated by the Tariff Model for the Variation Year  $N$  in real 31 December 2015 dollar;

$N$  is the Variation Year 2017, 2018, 2019 and 2020;

$i$  is the Reference Services with

$i=1$  being Full Haul T1 Service (T1 Service);

$i=2$  being Part Haul T1 Service (P1 Service); and

$i=3$  being Back Haul T1 Service (B1 Service)

$j$  is the Reference Tariff Component with

$j=1$  being Capacity Reservation Tariff;

$j=2$  being Commodity Tariff; and

$CPI_{Sep(N-1)}$  is the value of the CPI All Groups, Weighted Average of Eight Capital Cities as published by the Australian Bureau of Statistics for 30 September of the year  $(N-1)$  as a proxy to 31 December year  $N$  CPI for which the Reference Tariff is being adjusted; and

$CPI_{Sep2014}$  is the value of the CPI All Groups, Weighted Average of Eight Capital Cities as published by the Australian Bureau of Statistics for quarter ending on 30 September 2014 as a proxy to 31 December 2015 CPI.

#### Price Path of Tariff Variation

17.8 At each annual update of the tariff variation mechanism, only the latest tariff that is relevant to the variation year will be calculated and applied for the variation year. The remaining years of the Access Arrangement period will have the same tariff as that in the variation year. At the same time, the NPV of the Tariff Revenue will be computed each year using the previous (given) annual revenue values and the (updated estimated) future revenue values. The resulting NPV of the Tariff Revenue will to be equal to the approved Total Revenue of the access arrangement period, which was set out in the Access Arrangement Final Decision, albeit updated for the change in debt risk premium contributing to the rate of return.

### A3 Trailing average cost of debt variation

17.9 The mechanism for the annual update of the trailing average cost of debt is included in the reference tariff variation mechanism. This will augment the other proposed annual adjustments, such as the CPI tariff variation.

- 17.10 The annual update of the trailing average debt risk premium component of the rate of return in each year starting from 1 January 2017 of the Access Arrangement Period is to be calculated by applying the following formula:

$$TA\ DRP_0 = \frac{\sum_{t=0}^{-9} DRP_t}{10}$$

where

$TA\ DRP_0$  is the equally weighted trailing average of the DRP to apply in the following year as the annual update of the estimate used in the current year; and

$DRP_t$  is the DRP estimated for each of the 10 regulatory years

$$t = 0, -1, -2, \dots, -9.$$

$DRP_t$  refers to the DRP estimates in each year  $t = 0, -1, -2, \dots, -9$ , which are either:

the forward looking DRP estimators for the calendar year 2017, 2018, 2019 or 2020, estimated during the 40 trading days averaging period, using the method of automatic formulas set out in Appendix 4C of the Final Decision; or

the published  $DRP_t$  estimates, derived from the Reserve Bank of Australia 10 year BBB credit spread to swap interpolated daily data (up to the period 31 May 2015) and from the Authority's 10 June 2016 estimate of the DRP, as follows, as set out in Appendix 4C of the Final Decision:

calendar year 2007: DRP2007: 1.130 per cent;  
 calendar year 2008: DRP2008: 3.756 per cent;  
 calendar year 2009: DRP2009: 4.624 per cent;  
 calendar year 2010: DRP2010: 2.125 per cent;  
 calendar year 2011: DRP2011: 2.379 per cent;  
 calendar year 2012: DRP2012: 3.168 per cent;  
 calendar year 2013: DRP2013: 3.043 per cent;  
 calendar year 2014: DRP2014: 2.251 per cent;  
 calendar year 2015: DRP2015: 2.070 per cent;  
 calendar year 2016: DRP2016: 2.612 per cent.

- 17.11 The first annual update will apply for the tariff variation for the 2017 calendar year. As noted, all annual updates of the debt risk premium should be determined consistent with the automatic formulas summarised in 'Automatic formulas for updating the Debt Risk Premium' (**Annexure A4**) of the Access Arrangement and also which are set out in detail in Appendix 4C of the Final Decision. The resulting automatic annual adjustment to the rate of return, based on the outputs of the updating of the tariff model for the revised debt risk premium for the regulatory year, should be incorporated in the relevant Annual Tariff Variation.
- 17.12 The Authority required that DBP nominate, as soon as practicable after the release of the Final Decision, the averaging period for each of 2017, 2018, 2019 and 2020. The averaging periods for each of the variation years 2017 to 2020 are a nominated 20 trading days (based on eastern states holidays) in the window 1 June to 31 October in the year prior to the relevant tariff variation, to allow estimation of the updated DRP for inclusion in the relevant annual tariff variation. The nominated 20 trading day averaging period for each of the four years do not need to be identical periods, only that they occur in the period 1 June to 31 October in each relevant year, and are nominated prior.



#### A4 Automatic formulas for updating the Debt Risk Premium

- 17.13 The forward looking estimates of the debt risk premium (**DRP**) for each regulatory year will be estimated using the Authority's Revised Bond Yield Approach. Resulting estimates of the DRP will be included in the trailing average of the DRP.
- 17.14 The Authority in the Final Decision required that DBP nominate the averaging period for each annual update of the DRP applying in 2017, 2018, 2019 and 2020. The averaging periods for each year are a nominated 20 trading days (based on eastern states holidays) in the window 1 June to 31 October in the year prior to the relevant tariff variation, to allow estimation of the updated DRP for inclusion in the relevant annual tariff variation. The nominated 20 trading day averaging period for each of the four years do not need to be identical periods, only that they occur in the period 1 June to 31 October in each relevant year, and are nominated prior.
- 17.15 The first estimate of the DRP using the Revised Bond Yield Approach is that made for the 20 day period ending 10 June 2016, which has been included in the trailing average estimate of the DRP for calendar year 2016 included in the Final Decision.
- 17.16 The next DRP estimate that will be made will be based on the nominated 20 days falling in the period June to October 2016 (for DRP<sub>2017</sub>). That next DRP estimate will be incorporated in the trailing average DRP (that is, TA DRP<sub>2017</sub>), and hence the updated rate of return, which will then apply in 2017 through the annual tariff variation.
- 17.17 The following method of automatic formulas applies for updating the estimates of the DRP, and will remain unchanged for the duration of the AA3 period, and hence will apply for the estimates made for DRP<sub>2017</sub>, as well as for the estimates DRP<sub>2018</sub> and DRP<sub>2019</sub>.

Techniques to estimate the forward looking debt risk premium

- 17.18 The Authority's Revised Bond Yield Approach consists of the following six processes.

##### *Determining the Benchmark Sample*

Identifying a sample of bonds based on the benchmark sample selection criteria. This will comprise a 'cross section' of bonds.

##### *Collecting Data*

Collecting data for those bonds over the averaging period in question, for example 20 trading days. This represents 'time series' data related to each bond.

##### *Converting Yields to Australian Dollar Equivalents*

Converting yields for bonds denominated in foreign currencies into Australian dollar (AUD) equivalents so that all yields are expressed as an AUD equivalent.

##### *Averaging Yields over the Averaging Period*

Calculating an average AUD equivalent bond yield for each bond in the cross section across the averaging period. For example, where a 20 trading day averaging period applies, each bond will have a single 20 day 'average yield' calculated.

*Estimating 'Curves'*

Estimating three yield curves based on different methodologies and using the average yield for each bond; its remaining term to maturity; and AUD face value.

*Calculating the DRP*

Calculating the DRP by subtracting the average of the 10 year AUD interest rate swap (IRS) rate from the 10 year cost of debt estimate, with the latter calculated as the average of the three estimated yield curves at the ten year tenor.

- 17.19 Each process is comprised of a series of automatic formulas that will be used for the annual updates of the DRP. Further details of the automatic update approach are set out in Appendix 4C of the ERA's Final Decision.