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1 November 2023

Mr Steve Edwell
Chair
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
PERTH WA 6000

Submitted via email: records@erawa.com.au

Dear Mr Edwell

Re: Reference Tariff Variation for period beginning 1 January 2024

In accordance with the Revised Access Arrangement (approved by the Economic Regulation Authority on 15 November 2019), ATCO has calculated the reference tariffs that will come into effect on 1 January 2024. The attached reference tariff schedule (see Attachment 1) details the revised reference tariffs that will apply from 1 January 2024 and tariff variation report (see Attachment 2) provides information to support the proposed variations to the reference tariffs.

On 1 January 2024, haulage reference tariffs will increase by 5.8%. Ancillary reference services will increase by 5.4%.

As provided for in the tariff variation mechanism, ATCO has varied its reference tariffs to account for:

- movements in inflation;
- the annual update of the debt risk premium (DRP); and
- cost pass-through events described in the tariff variation mechanism for the periods 1 October 2022 to 30 September 2023 related to:
    - **Superannuation guarantee costs –** Increased legislated superannuation guarantee costs from 1 October 2022 to 30 June 2023 due to the increase in the superannuation percentage from 9.5% to 10.5% and from 1 July to 30 September 2023 due to the increase in the superannuation percentage from 9.5% to 11.0%.
    - **Modern Slavery Act 2018 compliance** – Annual subscription for software to efficiently implement modern slavery legislation compliance requirements.
    - **Construction training fund levy** – Amendments to the levy coverage in 2018 extended coverage that included ATCO Gas. ATCO has continued to make to make levy payments.
    - **Building and Construction Industry (Security of Payment) Act 2021 -** The Act applies to all constructions contracts entered into after the date of commencement (Phase 1 being 1 August 2022) to enhance payment protections for contractors. ATCO has incurred costs to ensure compliance with the Act.
    - **Work Health and Safety Act 2020** – The Act came into effect on 31 March 2022 and the related code of practice was published on 26 August 2022. Section 4 of the Act defines “health” to include psychological health. ATCO commissioned training to ensure awareness of its obligations with regard to the Act and Code of Practice.

- **Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 -** requires responsible entities of critical infrastructure assets to establish, maintain, and comply with a Critical Infrastructure Risk Management Program (CIRMP). To ensure ATCO meets its obligations under the Act, EY were engaged to develop ATCO's CIRMP.
- **Gas Inspection team – Building and Energy directive -Delineation of duties** – The directive requires ATCO personnel with Inspectors designation must not operate as a gas fitter for consumer gas installations or related gas fitting work to avoid actual or perceived conflicts of interest and to align with Code of Practice for Inspectors (Gas) in Western Australia (the Code). The delineation of duties has created the need for additional gas inspection staff particularly to service regional areas of the MWSWGDS.
- **Australian Taxation Office Single Touch Payroll requirements phase 2** – The ATO has made amendments to its requirements to require additional information. ATCO has incurred costs complying with these new requirements.

As in prior years, ATCO has applied the tariff variation mechanism formulas, as we intended in our response to the AA5 Draft Decision. This means that we have effectively excluded the fixed component of the B3 reference tariff from the overall constraint formula consistent with the calculation of the "X factor" in the final decision tariff model.

It is requested that in order to allow sufficient time for changes to ATCO's billing system, the retail market hub and retailers' systems to account for the tariff variation that the ERA advise of its decision before the end of November.

If you have any questions or would like to discuss this tariff variation further, please contact me or Hugh Smith, General Manager Regulatory Strategy and Policy.

Yours sincerely

Hugh Smith
General Manager Regulatory Strategy and Policy

Attachment 1: 2024 Reference Tariffs

Attachment 2: 2024 Tariff Variation Report

ATTACHMENT 1: 2024 REFERNCE TARIFFS

TARIFF VARIATION 1 JANUARY 2024

GAS DIVISION

Access Arrangement 2020-24

PUBLIC
01/11/2023

2024 REFERENCE TARIFFS

FROM 1 JANUARY 2024

Table 1: Haulage reference tariffs

Charging parameter	Units	Varied Tariffs ($ nominal GST exclusive)
Reference tariff A1		
Standing charge	$/year	40,101.43
Demand charge		
First 10 km	$/GJ km	169.02
Distance > 10 km	$/GJ km	88.97
Usage charge		
First 10 km	$/GJ km	0.03575
Distance > 10 km	$/GJ km	0.01801
Reference tariff A2		
Standing charge	$/Year	22,177.58
First 10 TJ per year	$/GJ	2.16
Volume > 10 TJ per year	$/GJ	1.14
Reference tariff B1		
Standing charge	$/Year	1,121.84
First 5 TJ per year	$/GJ	4.26
Volume > 5 TJ per year	$/GJ	3.66
Reference tariff B2		
Standing charge	$/Year	281.53
First 274 MJ per day	$/GJ	7.13
Volume > 274 MJ per day	$/GJ	4.25
Reference tariff B3		
Standing charge	$/Year	139.28
First 5 MJ per day	$/GJ	-
Volume > 5 and < 27 MJ per day	$/GJ	6.56
Volume > 27 MJ per day	$/GJ	4.38

Table 2: Ancillary reference tariffs

Ancillary reference service	Varied Tariffs ($ nominal GST exclusive)
Applying a Meter Lock	58.23
Removing a Meter Lock	31.67
Deregistering a Delivery Point	145.22
Disconnecting a Delivery Point	116.05
Reconnecting a Delivery Point	164.28
Special Meter Reading	15.19

Notes

This reference tariff schedule:

- is to be read in conjunction with Annexures A and C of the Revised Access Arrangement for the ATCO Gas Australia Mid-West and South-West Gas Distribution Systems (dated 15 November 2019)
- does not supersede or amend any tariff variation or reference tariff published by the Economic Regulation Authority

ATTACHMENT 2: TARIFF VARIATION REPORT

TARIFF VARIATION 1 JANUARY 2024

GAS DIVISION

Access Arrangement 2020-24

PUBLIC
01/11/2023

Contents

1. INTRODUCTION

This variation report details the varied tariff components of the natural gas haulage reference tariffs that will apply from 1 January 2024 to 31 December 2024.

The varied tariff components have been determined in accordance with Annexure B of the Revised Access Arrangement for the Mid-West and South-West Gas Distribution Systems.

All haulage tariffs commencing 1 January 2024 have been re-calculated to reflect the X-Factor$_{2024}$ and the annual CPI adjustment.

2. CPI ADJUSTMENT

In accordance with the formulas provided in the Revised Access Arrangement for the Mid-West and South-West Gas Distribution Systems:

- haulage tariffs have been adjusted to reflect inflation (per clause 1.3 of Annexure B); and
- reference tariffs associated with ancillary services have been adjusted to reflect inflation (per clause 2 of Annexure C).

Inflation was applied using the CPI All Groups, Weighted Average of Eight Capital Cities. The following CPI values applied:

Table 2.1: CPI All Groups, Weighted Average of Eight Capital Cities

Date	CPI Index
September 2018	113.5
September 2020	116.2
September 2021	119.7
September 2022	128.4
September 2023	135.3

3. X-FACTOR CALCULATION

The X-Factor is the average rate of change in tariffs before adjustments for inflation. The X-Factor is re-calculated each year to include approved cost pass-through events and the annual update of the trailing average debt risk premium.

The X-Factor_{2024} value applied to haulage tariffs is 0.379%.

The X-Factor_{2024} has been calculated using an updated trailing average debt risk premium (DRP) of 1.964%.

The X-Factor_{2024} also includes the cost pass-through events shown in Table 3.1.

Table 3.1: Cost pass-through events ($ actual)

	1. ALLOCATION: ATCO ENTITIES				2. ALLOCATION: ATCO GAS AUSTRALIA SERVICES			3. ALLOCATION: OPEX AND CAPEX	
	TOTAL	OTHER ATCO ENTITIES	ATCO GAS AUSTRALIA	NON-PIPELINE SERVICES	ALBANY KALGOORLIE	NON-REFERENCE SERVICES	REFERENCE SERVICES	OPEX	CAPEX
Increased superannuation guarantee charge	513,480	-	513,480	6,447	6,653	10,120	490,260	336,341	153,919
Modern Slavery Act 2018	78,780	45,701	33,079	2,215	642	186	30,036	27,033	3,004
Construction Industry Training Fund levy	61,805	-	61,805	45,772	308	-	15,725	-	15,725
Building and Construction Industry (Security of Payment) Act 2021	20,000	-	20,000	-	388	23	19,589	19,589	-
Work Health and Safety Act 2020 (WHS Act) compliance	30,000	6,140	23,860	301	463	28	23,068	15,686	7,382
Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 (SLACIP Act)	30,844	2,409	28,436	-	-	-	28,436	19,905	8,531
Gas Inspection team – Building and Energy directive - Delineation of duties	230,682	-	230,682	-	4,474	-	226,208	203,953	22,255
ATO Single Touch Payroll Phase 2	33,387	6,106	27,281	1,498	410	474	24,899	-	24,899
Total	**998,978**	**60,355**	**938,623**	**56,233**	**13,337**	**10,831**	**858,221**	**622,507**	**235,714**

3.1 Annual update of trailing average debt risk premium

There is an automatic annual adjustment to the rate of return for the revised debt risk premium. The trailing average debt risk premium has been updated to incorporate DRP_{2024}.

The ten DRP estimates used to derive the trailing average debt risk premium are listed in the table below.

Table 3.2: 2024 trailing average debt risk premium

	DRP_t
Calendar year 2015: **DRP_{2015}**	1.953%
Calendar year 2016: **DRP_{2016}**	2.467%
Calendar year 2017: **DRP_{2017}**	2.326%
Calendar year 2018: **DRP_{2018}**	1.689%
Calendar year 2019: **DRP_{2019}**	1.663%
Calendar year 2020: **DRP_{2020}**	1.770%
Calendar year 2021: **DRP_{2021}**	2.075%
Calendar year 2022: **DRP_{2022}**	1.562%
Calendar year 2023: **DRP_{2023}**	2.215%
Calendar year 2024: **DRP_{2024}**	1.924%
2024 TRAILING AVERAGE	**1.964%**

4. COST PASS-THROUGH EVENTS

4.1 Superannuation guarantee percentage increase

On 1 July 2021, the Superannuation Guarantee percentage increased from 9.5% to 10%, with further increases from 10% to 10.5% on 1 July 2022 and to 11.0% on 1 July 2023. These increases were not included in the forecast costs for the fifth access arrangement period (2020 to 2024).

The changes to the Superannuation Guarantee percentage are a change in law and, therefore, a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

Legislative context

The *Superannuation Guarantee (Administration) Act 1992* (the Act) at clause 19(2) sets out the Superannuation Charge percentage. The percentages were set in 2014 by amendment to the *Superannuation Guarantee (Administration) Act 1992* via Schedule 6 of the *Minerals Resource Rent Tax Repeal and Other Measures Bill 2014.* The table at clause 19(2) of the Act states the Superannuation Guarantee charge increased from 9.5% to 10% on 1 July 2021, 10.5% on 1 July 2022 and to 11.0% on 1 July 2023.

Although the forecast superannuation guarantee percentage has been specified in legislation since 2014, there has been no certainty the law will stand as legislated. For example, the proposed 2014 increase in the superannuation guarantee charge was deferred by the Abbott Government following its election in 2014.

The history of amendments to the Superannuation Guarantee percentage and the apparent power of the Government of the day to alter the timing and amount of the percentage mean that the Superannuation Guarantee percentage cannot be considered to be in force until confirmed by the Government of the day. Therefore, the changes of the Superannuation Guarantee percentage on July 2021 and subsequently are a change in the law at the date of the change for the purpose of being a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

Due to the uncertainty around the Superannuation Guarantee changes, increases in the Superannuation Guarantee percentage were not included in the forecast costs for the access arrangement review period 2020 to 2024.

Impact on ATCO

About 88 of ATCO Gas' employment contracts are covered by an enterprise bargaining agreement which includes the following obligation in clause 19(a):

> *"The Company will contribute, on the Employee's behalf, an amount prescribed by the Superannuation Guarantee (Administration) Act 1992 (Cth) into a complying superannuation fund of the Employee's choice."*

For the other approximately 350 employment contracts, ATCO Gas has been compelled to increase the overall labour costs, to include the Superannuation Guarantee percentage increase, due to labour market conditions. Western Australia is currently experiencing a surge in infrastructure activity, as is elsewhere in Australia, causing a shortage of skilled personnel.

If ATCO were to pass on the cost of the Superannuation Guarantee percentage increase in the form of a cut to take-home pay, it would inevitably result in the loss of skilled staff, not to mention the impact on overall staff morale. The consequential effect would be a deleterious effect on ATCO Gas' ability to provide services in a safe and efficient manner due to the lack of experienced staff. It is in the long-term interests of consumers for ATCO Gas to retain experienced staff to provide safe and reliable services at the lowest sustainable cost.

Only costs related to employees on the Mid-West and South-West Gas Distribution Network have been included. Amounts for non-pipeline and non-reference services have been deducted from the total costs incurred based on hours timesheeted to services. A further 1.94% was deducted as an estimate of the costs related to Albany and Kalgoorlie based on the number of delivery points consistent with the regulatory accounts cost allocation method. The remaining amount relating to reference services has been allocated between operating and capital expenditures based on timesheeted hours and ATCO's accounting allocation of overheads to capex. The cost pass-through amount relating to ATCO Gas' Mid-West and South-West Gas Distribution network is $336,341 operating expenditure and $153,919 capital expenditure.

The cost pass-through amount has increased relative to the prior year ($180,569 operating expenditure and $103,533 capital expenditure) amount as prior year related to only a three-month period of a 1.0% increase in the superannuation guarantee charge and 9 months of a 0.5% increase. The current year cost pass-through amount, however, is comprised of a 1.5% increase for a period of 3 months and a 1.0% increase for a period of 9 months, causing an increase in the cost pass-through amount.

4.2 Commonwealth Modern Slavery Act 2018

The Commonwealth Modern Slavery Act 2018 (the Act) entered into force on 1 January 2019. The Act established a national Modern Slavery Reporting Requirement (Reporting Requirement). This Reporting Requirement applies to large businesses and other entities in the Australian market with annual consolidated revenue of at least AUD$100 million.

Entities required to comply with the Reporting Requirement, including ATCO Gas Australia, must prepare annual Modern Slavery Statements. These statements must set out the reporting entity's actions to assess and address modern slavery risks in their global operations and supply chains.[1] The Australian Government publishes these statements through an online central register. The first reporting cycle was the year ended 30 June 2021.

The *Commonwealth Modern Slavery Act 2018* is a change in law and, therefore a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

To efficiently implement the reporting requirements, ATCO has invested in software to compile and collate the necessary supplier data. [redacted]. 37.5% of the total cost was allocated to ATCO Gas Australia based on an equal weighting of the number of suppliers and purchase value compared to the ATCO Australia Group of companies utilising the software. A further 1.94% of the 37.5% was deducted as an estimate of the costs related to Albany and Kalgoorlie based on the number of delivery points consistent with the regulatory accounts cost allocation method. The net amount allocated to the Mid-West and South-West Gas Distribution Network is $26,888. An amount of $1,836 was deducted as relating to non-pipeline services and $154 related to non-reference services based on timesheeted hours. The net amount relating to reference services is $24,898.

1 Guidance on the reporting requirements can be found on the Australian Border Force website. At the following website link. https://modernslaveryregister.gov.au/resources/modern-slavery-reporting-entities_guidance.pdf

An additional cost of USD $3,800 (which converted to AUD $5,659) was incurred for the detailed Modern Slavery risk assessments for high risk/high spend ATCO Gas suppliers in our supply chain in accordance with our commitments made in our Modern Slavery Statement[2].

This cost relates only to ATCO Gas and no allocation is required to other ATCO entities. The supporting invoice is contained in Appendix A.1. 1.94% of the costs was deducted as an estimate of the costs related to Albany and Kalgoorlie based on the number of delivery points consistent with the regulatory accounts cost allocation method. The net amount allocated to the Mid-West and South-West Gas Distribution Network is $5,549. An amount of $379 was deducted as relating to non-pipeline services and $32 related to non-reference services based on timesheeted hours. The net amount relating to reference services is $5,138.

Of the total cost pass through amount, $30,036 comprising the net AUD amount relating to reference services of $24,898 plus $5,138, $3,004 relates to capex activity and $27,033 to opex activity consistent with the accounting treatment of the expenditure.

4.3 Construction Industry Training Fund

The *Building and Construction Industry Training Fund and Levy Collection Act 1990* (the Act) was assented to in December 1990. The associated regulations, which define the scope of activities subject to the Building and Construction Industry Training Fund (CITF) Levy, were amended by the Building and Construction Industry Training Fund and Levy Collection Amendment Regulations 2018, effective from 1 October 2018. The effect of the amended regulations was to broaden the scope of activities subject to the regulations such that ATCO Gas construction activities were now subject to the levy.

The training levy is calculated at 0.2 per cent of the total value of construction and is to be paid prior to the start of the project. The project owner is responsible for payment of the levy and reporting of project details to the Construction Training Fund (CTF), which administers the levy. Generally, the project owner is the head contractor where they are engaged to carry out or cause to be carried out all of the construction work.

Building and Construction Industry Training Fund and Levy Collection Amendment Regulations 2018 are a change in law and, therefore, a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

Construction activities subject to the levy are:

- Construction of new assets where the value of the works relating to those assets exceeds $20,000; and
- Works relating to replacement, alteration, renovation, reconfiguration or relocation – a threshold of $10 million applies.

At ATCO, this means the CTF Levy amounts that we are seeking to recover through this tariff variation relate to growth projects, reinforcement projects, mains extensions and open trench works to reticulate subdivisions. Because the CTF Levy applies to projects that are directly related to haulage reference services on our gas distribution network, an allocation to non-reference services is not required. Examples of our non-reference services include, disconnecting a service in the street or relocating a gas meter. These projects do not fall within the scope of the CTF Levy.

[2] Available at https://modernslaveryregister.gov.au/statements/13971/

The total amount paid to the CTF from October 2022 to September 2023, not claimed in previous tariff variation mechanisms, is $61,805. Of that amount, $45,772 was allocated to non-pipeline services, a further $308 was related to projects in Albany and Kalgoorlie, leaving a net amount of $15,725 as a cost to the Mid-West and South-West Gas Distribution Network as a cost pass-through event.

These amounts have been treated as capital expenditure consistent with the accounting treatment of the expenditure. [redacted]

4.4 Building and Construction Industry (Security of Payment) Act 2021

In July 2021, the *Building and Construction Industry (Security of Payment) Act 2021 (SOPA)* came into force introducing new laws to enhance payment protections for contractors. The Act applies to all construction contracts (written, oral or a combination of both) entered into after the date of commencement (Phase 1 being 1 August 2022) in which a person agrees to undertake 'construction work' and/or supply of 'related goods and services' within Western Australia.

The *Building and Construction Industry (Security of Payment) Act 2021* is a change in law and, therefore, a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

In response to the SOPA requirements, ATCO took the following actions:

- An IT solution was developed to deal with SOPA claims. Process flow analysis was undertaken to determine the best way to utilise the software.
- Contracted a Change Manager to:
  - Assist with management of the project as it required changes to processes within a defined timeframe while internal resources were stretched.
  - Implement a change process to ensure new processes were adopted, such as payment approval within SOPA timeframes to allow compliance with SOPA.
- Adjust payment terms to 20 business days to meet the legislative requirements, as well as making more regular payment runs.

A total of $20,000 costs specific to ATCO Gas Australia were incurred. Costs have been allocated based on employee timesheeted hours to non-reference services. Costs have been allocated to Albany and Kalgoorlie based on the number of MIRNS (delivery points). These bases of allocation are consistent with the allocation of total operating costs to these services in the Cost Allocation Methodology (CAM). The net amount related to the Mid-West and South-West Gas Distribution Network reference services is $19,589.

These amounts have been treated as operating expenditure consistent with the accounting treatment of the expenditure. [redacted]

4.5 Work Health and Safety Act 2020

The Work Health and Safety Act 2020 and accompanying regulations came into effect on 31 March 2022. The Work Health and Safety Act and regulations establishes the duties of the Person conducting the Business or Undertaking (PCBU) regarding workers and others psychological health.

The Work Health and Safety Act section 17 contains provisions that establish the principles to be followed when managing the risk of psychological harm. Furthermore, section 4 of the Work Health and Safety Act defines health to include psychological health.

WorkSafe WA also released on 26 August 2022 an 'approved code of practice' regarding psychosocial hazards titled, 'Psychosocial hazards in the workplace' (Code of Practice). It sets out the minimum requirements for a PCBU to comply with its obligations for psychological health under the provisions of the WHS Act.

Section 275 confirms the legal status of the Code of Practice.

The Work Health and Safety Act 2020 and accompanying regulations are a change in law and, therefore, a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

To efficiently comply with The Work Health and Safety Act 2020 and accompanying regulations in accordance with the WorkSafe WA code of practice ATCO purchased software on an annual licence basis [redacted]. The software assists ATCO to comply with The Work Health and Safety Act 2020 and accompanying regulations according to the WorkSafe WA code of practice by providing:

- Providing a rigorous framework for psychological risk assessment
- Providing a framework to plan and implement necessary controls identified by the risk assessment

Use of the software has allowed ATCO to ensure ongoing compliance with the legislation using its own staff rather than external consultants.

Costs of the software have been shared among ATCO entities and have been allocated based on employee numbers being the driver of psycho social hazards risk. Costs have been allocated to non-pipeline services and non-reference services based on employee timesheeted hours. Costs have been allocated to Albany and Kalgoorlie based on the number of delivery points. These bases of allocation are consistent with the allocation of total operating costs to these services in the Cost Allocation Methodology (CAM). The net amount related to the Mid-West and South-West Gas Distribution Network reference services is $23,068. Of the total cost pass through amount, $7,382 relates to capex activity and $15,686 to opex activity consistent with the accounting treatment of the expenditure.

[redacted]

4.6 Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 (SLACIP Act)

The *Security Legislation Amendment (Critical Infrastructure Protection) Act 2022* (SLACIP Act) amends the *Security of Critical Infrastructure Act 2018* (the SOCI Act) to build upon the existing framework and uplift the security and resilience of Australia's critical infrastructure.

The SLACIP Act requires responsible entities of critical infrastructure assets to establish, maintain, and comply with a Critical Infrastructure Risk Management Program (CIRMP). This requires entities to take a holistic and proactive approach in identifying and mitigating hazards that pose material risks to the availability, integrity, reliability or confidentiality of the asset.

- Entities must identify, (and as far as is reasonably practicable) prevent and mitigate 'material risks' that could have a 'relevant impact' on the asset.
- A material risk refers to those risks and hazards that, if realised, may affect the availability, integrity, reliability and confidentiality of critical infrastructure assets.

Entities are required to review the CIRMP on a regular basis and ensure the program is up to date. Entities must provide an annual report within 90 days of the end of the Australian financial year. The SOCI Act also requires the annual report to be in an approved form including an attestation that the information contained within the annual report was approved by the board or governing body of the entity.

The MWSWGDS falls within the definition of a critical infrastructure asset defined in section 5, section 9 and sections 10-12KA of the Security of Critical Infrastructure Act 2018 (SOCI Act) and the Security of Critical Infrastructure (Definitions) Rules 2021. Responsible entities such as ATCO have to comply with risk management program obligations under the SLACIP Act.

The Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 (SLACIP Act) is a change in law and therefore, a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

To ensure ATCO meets its obligations under the SLACIP Act, consultants were engaged to develop ATCO's CIRMP. Specifically they were tasked to:

- Advise ATCO regarding the tasks to adopt and maintain a Critical Infrastructure Risk Management Program to manage material risks that can substantially impact the availability, reliability and integrity of critical infrastructure assets;
- Determine the gap between ATCO's current control maturity and legislative requirements; and,
- Assist with Identifying, assessing and documenting SoCI-related material risks and treatment plans.

The assessment was for all ATCO operating entities and so an allocation of $2,409 has been made to other entities based on an equal weighting of employee numbers and asset cost being indicators of the extent of the work required by the consultant which required site visits and evaluation of critical employee risk. As the critical infrastructure asset is the MWSWDGS no allocation of the cost has been made to non-refence services nor Albany and Kalgoorlie.

Of the total cost pass through amount of $28,436 related to the MWSWGDS, $8,531 relates to capex activity and $19,905 to opex activity consistent with the accounting treatment of the expenditure .

[redacted]

4.7 Gas Inspection team – Building and Energy directive -Delineation of duties

In May 2022, Director Electricity, Gas and Plumbing Compliance [redacted] (the Director), *Department of Mines, Industry Regulation and Safety (DMIRS) Building and Energy Division* advised ATCO Gas Australia (ATCO) that:

- ATCO personnel with Inspectors designation must not operate as a gas fitter for consumer gas installations or related gas fitting work to avoid actual or perceived conflicts of interest and to align with Code of Practice for Inspectors (Gas) in Western Australia (the Code) requirements.

- The Director only intends to designate ATCO personnel as Gas Inspectors for the purpose of undertaking Inspection activities as their primary function. This change is to avoid conflicts of interest with gas fitting related activities that may be undertaken by ATCO Gas Distribution Officers (GDOs) and ATCO approved Contractors conducting prescribed activities on the ATCO Gas Distribution System (GDS) network such as Gas Meter Changes.

A copy of the letter from the Director explaining the change in interpretation of the Code is attached in appendix A.6. Being a changed interpretation of the Code, this change is a change in law and, therefore, a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

Prior to this change in law ATCO was able to obtain efficiencies in operation of the network, particularly in regional areas such as Geraldton, Bunbury and Busselton, by utilising Gas Distribution Officers (GDO's) to undertake gas inspections in addition to their usual customer service tasks such as leak repair.

As a consequence of this change:

- Gas Distribution Officers (GDO's) within the Customer Service Team ceased conducting inspections as part of their duties.
- Three GDOs (Designated Inspectors) were recruited into the Gas Inspection team from the Customer Service Team to undertake Inspection related activities in metro and regional areas to meet inspection requirements.
- One new supervisor role was created and recruited to support the team expansion.
- There are ongoing Increased travel related expenses (i.e. motor vehicle, flight, accommodation, auxiliary allowances) to undertake regional inspection related activities, including inspections, investigation, Notice of Defect (NOD) re-inspections.
- Training of the 4 new staff, including, Certificate IV Government Investigation Training.

The four positions in the Customer Service team were backfilled to meet gas distribution licence requirements to have staff available to respond to leaks and other incidents in the timeframes specified in the licence conditions. However, as these staff are no longer performing gas inspections, they have been assigned other tasks to fully utilise their time resulting in an estimated saving of the cost of 2 GDO's. Therefore, the incremental cost in terms of staffing is only 1 GDO and 1 supervisor.

The cost pas through amount relating to additional staff and their training is summarised in table 4.1.

4.1: Gas Inspection incremental cost to 30 September 2023

INCREMENTAL COST	$
Gas Inspector	[redacted]
Supervisor	[redacted]
Training 4 new gas inspectors	9,400
Total incremental cost	223,642
Less Albany and Kalgoorlie allocation	4,338
AMOUNT RELATING TO THE MWSWGDS	**219,304**

Additionally, the discontinuation of Inspector's designation for ATCO customer service staff requires the development and implementation of an ATCO Work Order (WO) or Compliance Notice for alerting customers of defects and making consumer gas installations safe in the event defects are identified while conducting prescribed activities on the ATCO GDS network in lieu of the current Building and Energy Inspectors Order process. ATCO contracted IT support [redacted] at a cost of $7,040 up to 30 September 2023 to develop the necessary software.

All costs included relate to the provision of reference services on the Mid-West and South-West Gas Distribution Network. The total incremental cost incurred is $230,682. Costs of $4,474 have been allocated to Albany and Kalgoorlie based on the number of MIRNS (delivery points) consistent with the allocation of total operating costs to these services in the Cost Allocation Method (CAM). The net amount related to the Mid-West and South-West Gas Distribution Network reference services is $226,208.

Of the total cost pass through amount related to the MWSWGDS, $22,255 relates to capex activity and $203,953 to opex activity consistent with the accounting treatment of the expenditure.

[redacted]

4.8 Australian Taxation Office Single Touch Payroll requirements phase 2

The Australian Tax Office (ATO) introduced a mandatory reporting change for all employers with more than 20 employees called Single Touch Payroll (STP) effective 1st July 2018. These changes were implemented by ATCO in 2018. In 2020 The Government announced that STP would be expanded to include additional information. The mandatory start date for STP Phase 2 reporting was 1 January 2022.

To comply with ATO requirements, ATCO was required to implement an expansion of the existing STP system to include reporting of additional information as mandated by the ATO employer reporting guidelines. ATCO incurred additional costs for the development of software to implement the required changes.

The amended ATO Single Touch payroll requirements are a change in law and, therefore a cost pass-through event pursuant to clause 2.1 (iii) of Annexure B of the revised access arrangement.

Amounts have been allocated to ATCO Gas Australia and other ATCO entities based on employee numbers. Costs relating to ATCO Gas Australia have been allocated based on employee timesheeted hours to non-pipeline services and non-reference services. Costs have been allocated to Albany and Kalgoorlie based on the number of MIRNS (delivery points). The net amount related to the Mid-West and South-West Gas Distribution Network reference services is $24,899. These bases of allocation are consistent with the allocation of total operating costs to these services in the Cost Allocation Methodology (CAM). These amounts have been treated as capital expenditure consistent with the accounting treatment of the project costs.

[redacted]

5. PROPOSED HAULAGE TARIFFS AND VARIED TARIFF COMPONENTS

The varied reference tariffs, excluding GST, are listed below and will be applicable from 1 January 2024. Details of the individual calculations are provided in the attached spreadsheet.

5.1 Varied reference tariff A1

The following charges will apply from 1 January 2024:

1. the Standing Charge is $40,101.43 divided by 365;
2. the Demand Charge Rate is:
    a) $169.02 for the first 10 kilometres of the Interconnection Distance; and
    b) $88.97 for any part of the Interconnection Distance in excess of 10 kilometres;
3. the Usage Charge Rate is:
    a) $0.03575 per Gigajoule per kilometre for the first 10 kilometres of the Interconnection Distance; and
    b) $0.01801 per Gigajoule per kilometre for any part of the Interconnection Distance in excess of 10 kilometres.

5.2 Varied reference tariff A2

The following charges will apply from 1 January 2024:

1. The Standing Charge is $22,177.58 divided by 365;
2. the Usage Charge Rate is:
    a) $2.16 per Gigajoule for the first 10 Terajoules of gas delivered to the User at a Delivery point per year; and
    b) $1.14 per Gigajoule for usage in excess of the first 10 Terajoules of gas delivered to the User at a Delivery point per year.

5.3 Varied reference tariff B1

The following charges will apply from 1 January 2024:

1. the Standing Charge is $1,121.84 divided by 365;
2. the Usage Charge Rate is:
    a) $4.26 per Gigajoule for the first 5 Terajoules of gas delivered to the User at a Delivery point per year; and
    b) $3.66 per Gigajoule for any usage in excess of the first 5 Terajoules of gas delivered to the User at a Delivery Point per year.

5.4 Varied reference tariff B2

The following charges will apply from 1 January 2024:

1. the Standing Charge is $28.53 divided by 365;
2. the Usage Charge Rate is:

a) $7.13 per Gigajoule for the first 274 Megajoules per day of gas delivered to the User at a Delivery point; and

b) $4.25 per Gigajoule for any usage in excess of the first 274 Megajoules of gas delivered to the User at a Delivery Point.

5.5 Varied reference tariff B3

The following charges will apply from 1 January 2024:

1. the Standing Charge is $139.28 divided by 365;
2. the Usage Charge Rate is:
   a) $0.00 per Gigajoule for the first 5 Megajoules per day of gas delivered to the User at a Delivery Point;
   b) $6.56 per Gigajoule for the next 22 Megajoules per day of gas delivered to the User at a Delivery Point; and
   c) $4.38 per Gigajoule for any usage in excess of the first 27 Megajoules per day of gas delivered to the User at a Delivery Point.