

Reference Service Proposal for the Dampier Bunbury Natural Gas Pipeline

1 January 2026 – 31 December 2030

Reference Service Proposal
December 2023

1.1. Introduction

We are developing our plans for the Dampier Bunbury Natural Gas Pipeline (DBNGP) for the January 2026 – December 2030 period (the next Access Arrangement (AA) period).

By 1 January 2024, we are required to submit to the Economic Regulation Authority (ERA), the economic regulator in Western Australia, a Reference Service Proposal (RSP) for the DBNGP. The RSP sets out all the pipeline services available on the DBNGP, and nominates, by application of the reference service factors contained within the National Gas Rules (NGR), which of those pipeline services are to be reference services.

Consistent with our objective of delivering plans capable of acceptance, as well as our commitment to a “no surprises” approach, as part of this process, we consulted on a Draft Reference Service Proposal. This helps to ensure our plans are developed based on services appropriate to our customers’ needs.

1.2. Pipeline services

We offer several pipeline services to meet customer needs, which are specified below:

- reference services, which form the basis of the prices and terms and conditions we develop for the next AA period. Tariffs for reference services are set by the Economic Regulation Authority (ERA).
- non-reference services which are generally less frequently used services. Prices and terms and conditions for these services reflect the cost of providing the service but are not determined by the ERA.

The classification of a service as either a reference or non-reference service is considered at the beginning of the AA review process, at least two years before the commencement of the next AA period.

We apply the reference services factors outlined in clause 47A (15) of the NGR to classify a service as either reference or non-reference, which then must be approved by the ERA. This is discussed further in section 1.5 below.

Table 1 provides a summary of the services offered during the current AA period and Table 2 sets out the proposed services for the next AA period.

We are proposing that our suite of reference services will remain the same. For the next AA period, this document outlines:

- our pipeline services;
- stakeholder engagement which has been undertaken about our services; and
- which of our services we propose will form reference services and why, based on the reference service factors.

1.3. About AGIG

Australian Gas Infrastructure Group (AGIG) is one of Australia’s largest gas infrastructure businesses. We have over two million customers across every Australian mainland state and the Northern Territory, 34,900km of distribution networks, over 4,300km of gas transmission pipelines and 60 petajoules of gas storage capacity.

In Western Australia, we own and operate assets that deliver and store natural gas including the DBNGP.

1.4. Dampier Bunbury Pipeline

The DBNGP is Western Australia’s most critical piece of domestic energy infrastructure and is the backbone of the state’s economy.

It is one of the largest capacity natural gas pipelines in Australia and carries gas from

production facilities to customers throughout the state.

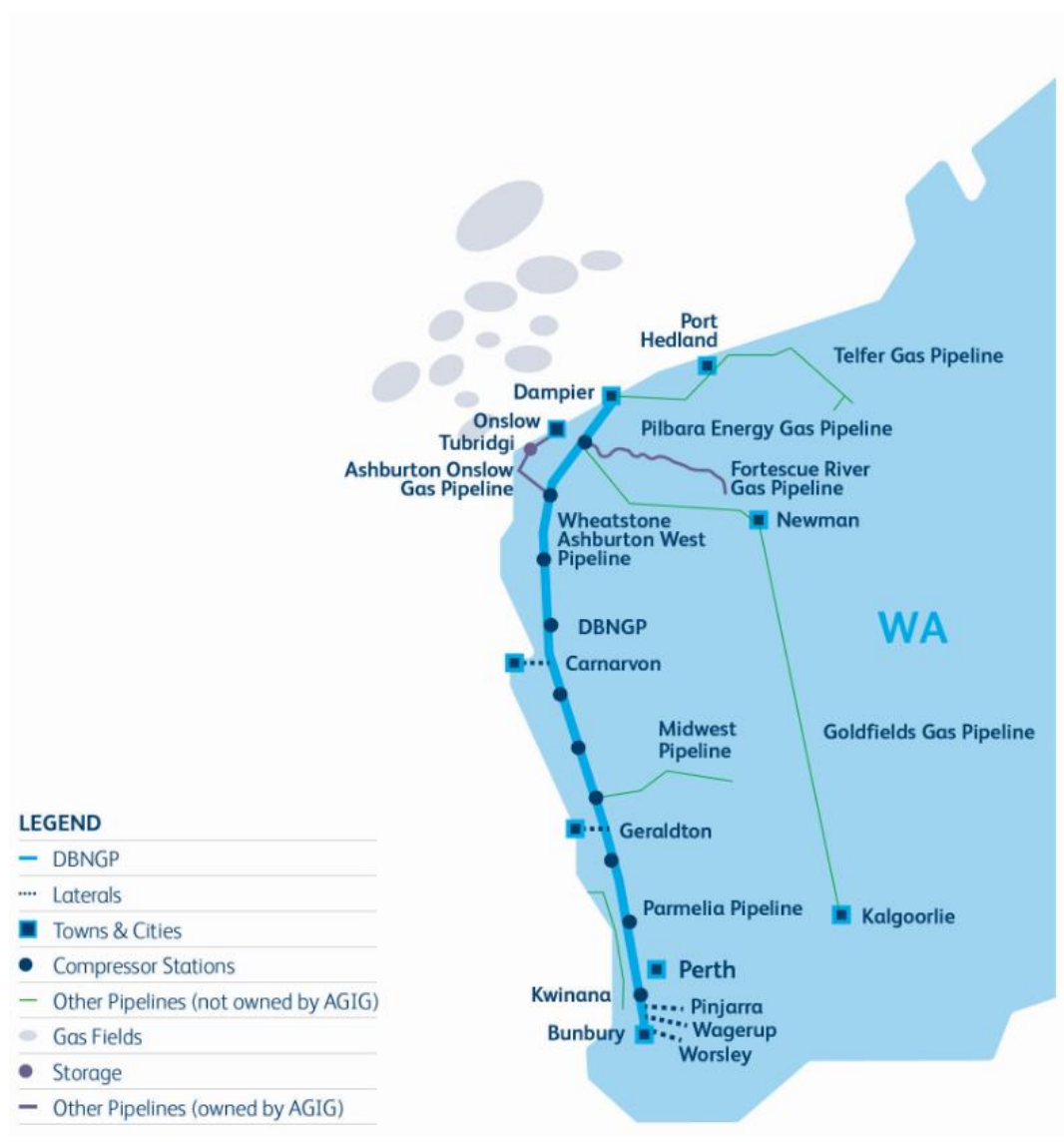
Customers, also known as shippers, receive gas transportation and other services from the pipeline. It is our job to transport large quantities of gas safely and reliably every day in meeting these service needs.

Figure 1 shows the DBNGP, and a description of the pipeline and services is available on our website <https://www.agig.com.au/the-pipeline>.

Starting near the township of Dampier, the pipeline runs parallel to the coast of Western Australia and finishes near Bunbury south of Perth.

It stretches almost 1,600km, linking the gas fields located in the state’s northwest directly to mining, industrial and commercial customers, and ultimately via distribution networks (not owned by AGIG) to residential customers in Perth.

Figure 1 The Dampier to Bunbury Pipeline



1.5. Regulatory framework

Under Rule 47A of the NGR, we are required to provide the ERA with a Reference Service Proposal 12 months prior to the submission of our Final Plan (or AA proposal) for DBP.

Our Reference Service Proposal must list all the services we can reasonably offer on the network and specify at least one service as a reference service, which forms the basis of the reference tariffs approved by the ERA.

The ERA considers and approves our proposed reference services based on reference service factors specified in the NGR,¹ and can also undertake its own consultations with service users. The reference service factors are, in summary:

- actual and forecast demand for the service;
- whether the service is substitutable for another service;
- whether it is feasible to allocate costs to the service;
- whether the service is useful in supporting access negotiations; and
- the likely regulatory costs of making the service a reference service.

1.6. Customer and Stakeholder Engagement

In developing our plans for the next AA period, we are undertaking a four-stage approach to engage and involve customers, namely our shippers, and other stakeholders. The Final Engagement Plan can be found here:

<https://gasmatters.agig.com.au>

In **Stage 1** (June to September 2023), we have sought to understand stakeholder needs and expectations and consult on our proposed engagement approach. We also held our first roundtable on 23 August 2023

and other one-on-one meetings with shippers. We shared our proposed reference and non-reference services and the rule requirements for this Reference Service Proposal at the roundtable, and we published our Draft Reference Service Proposal for feedback.

We received one written submission on the Draft Reference Service Proposal, which made various recommendations for changes to the proposed list of services. The issues raised and our responses are summarised in Table 2. We also met with this shipper to discuss the matters raised directly and considered the merits and implications of each of the recommendations carefully.

In **Stage 2** (October 2023 to March 2024), we considered the feedback we received on our Draft Reference Service Proposal to December 2023 and have incorporated this into our final Reference Service Proposal, as appropriate, for submission to the ERA by 1 January 2024.

In Stage 2 we will also hold further roundtables and other one-on-one meetings with stakeholders to consult on key topics to guide the development of our Draft Plan.

In **Stage 3** (April to June 2024), we will publish and distribute our Draft Plan, focusing on consultation to discuss the Plan.

In **Stage 4** (July to December 2024), we will use consultation feedback from Stage 3 to finalise our Plan for the AA period 2026 to 2030 for submission to the ERA by 1 January 2025.

Throughout this process, our open and transparent approach is integral to making sure there are 'no surprises' for our customers and stakeholders.

¹ NGR 47A(15).

1.7. Services in 2021 to 2025

The reference and non-reference services offered on the DBNGP in the current AA period are outlined in Table 1.

We have removed the 'Storage' service from the list of non-reference services approved for the current AA period as it is no longer offered due to the change in operational dynamics on the DBNGP and the availability of dedicated

storage facilities such as Mondarra and Tubridgi.

We also intend to remove 'Data Services' from our service offerings because of the very low demand for this service. In addition, other ancillary services are excluded because they form part of standard contractual terms, rather than being stand-alone services. These include the 'Seasonal', 'Metering and Temperature' and 'Odourisation' services.

Table 1: Stand-alone Pipeline Services available on the Dampier Bunbury Pipeline over the current AA period

Service name	Service description
Reference Services (descriptions applicable to reference and negotiated shipper contracts):	
Full Haul T1 Service	Forward Full Haul (subject to available capacity) with outlet point downstream of CS9, regardless of the location of inlet point upstream of MLV31
Part Haul P1 Service	Forward Part Haul (subject to available capacity) with outlet point upstream of CS9, regardless of the location of inlet point
Back Haul B1 Service	Back Haul (subject to available capacity) service where the inlet point is downstream of the outlet point.
Non-reference Services	
Spot capacity service	Allows access to gas transmission capacity on a day ahead basis where available via auction (subject to available capacity)
Pipeline impact agreement (PIA)	An agreement specified under the Gas Supply (Gas Quality Specifications) Act 2009 developed to allow gas producers to supply broader quality gas in Western Australia
Data services	A service developed to assist gas producers in providing gas allocations to shippers on the DBNGP (subject to operational availability)
Inlet sales agreement	A pipeline service that facilitates the trading of gas between shippers at a single inlet point on the DBNGP (subject to operational availability)
Other reserved service	A suite of interruptible services offered on a bespoke basis to shippers with new projects and/or uncertain demand, often ahead of a firm service. The services have a reservation charge but exclude T1, P1, B1 and spot capacity.
Pilbara service	An interruptible gas transportation service on the DBNGP where deliveries are within the Pilbara Zone (between I1-01 and MLV31, inclusive of I1-01 and MLV31)
Peaking service	An interruptible pipeline service where a shipper can obtain additional peaking limits to those set in standard terms (subject to operational availability)
Backflow service (Ullage)	A bespoke capacity service where gas is required to be delivered to the Karratha Gas Plant

Table 2: Summary of stakeholder feedback on the Draft Reference Service Proposal and our responses

Topic	Recommendation in submission	Our Response
Proposed service removal	Not remove Data Services and instead upgrade them to include pipeline pressure maps and gas quality/ chromatography reports showing gas specification at each Inlet point, which would offer real and valuable data to customers.	<p>For clarity, the Data Services AGIG refers to is not a service where pipeline data is shared from the operator to other parties.</p> <p>Data Services have been provided in the current AA period to assist gas producers (and marketers) in setting gas allocation rules or methods with the pipeline operator on behalf of shippers on the DBNGP (subject to operational availability). Where feasible and appropriate to be used, this service avoids double handling and reduces operational burden on shippers.</p> <p>We propose to remove these Data services from our offerings because of the very low demand. There have been few requests for this service in recent years and average revenue has been low (around \$100,000 p.a.) over 2021, 2022 and 2023 to date.</p> <p>Under cl.15.5 of the Standard Shipper Contract (SSC), shippers can request access to metering data and information, so long as the data is not commercially sensitive (such as related to others’ pressure obligations, for example).</p> <p>Any enhancement of data provision services to shippers (for pipeline pressure maps and gas quality chromatography reports etc.) would require considerable investment and could only be provided on request by shippers if the information was not commercially sensitive and there were funding arrangements with the shipper(s) in place to cover the cost of such services.</p>
Equity of access to reference services	Gas producers may have access to Data services that are not offered to shippers. If this is the case, then all customers should instead to be treated the same, and if not, then the Proposal should be clearer on this point.	Shippers are treated equitably however they do not require the allocation service at Inlet points. They can already provide allocations under Clause 6.4 of the reference terms and conditions. In addition, as stated above, the SSC already allows shippers to request metering data and information, which is not commercially sensitive.
Proposed service removal	<p>Not remove Storage Services within the pipeline because:</p> <ul style="list-style-type: none"> removing the service may be considered anti-competitive, and with the current markets demand for more storage services and insufficient Tubridgi extraction capacity, it is imperative that it continues to be a service available to the 	<p>We have proposed removing the Storage Service due to the change in operational dynamics on the pipeline and the availability of dedicated storage facilities such as Mondarra and Tubridgi. From 2021, no shippers have used the Storage service on the pipeline.</p> <p>The availability of gas storage on the pipeline is complex – it depends on the displacement of fuel gas and line pack, which has recently been close to its higher and lower range limits during unplanned producer outages. While these events do not necessarily prohibit the provision of a pipeline storage service, it dramatically impacts the value, availability and attractiveness to shippers as firm withdrawal rights cannot be offered at times they are of most value.</p> <p>Further, due to the imbalance between gas production volumes and shipper transportation demand at a given time, we do not consider we can offer pipeline storage as a firm service, without compromising the reliability of firm haulage services.</p>

Topic	Recommendation in submission	Our Response
	<p>market (non-reference services is reasonable initially, with a view to the storage services becoming regulated in the future or combined with Tubridgi to enhance Tubridgi gas storage services).</p> <ul style="list-style-type: none"> unlike Tubridgi and Mondarra storage facilities, AGIG can offer customers a more flexible, low-volume, intra-day and day ahead service. it allows for a negative balance via the gas loan service, providing an extra gas supply in a constrained gas market. a surge in demand will make this service increasingly prevalent over the AA6 Period. 	<p>However, if there is demand for such a services AGIG can offer a Storage Service as an interruptible (injection and withdrawal) service if shippers see the value in it.</p> <p>In response to concern about competition for storage services, the Mondarra storage facility, which is not owned and operated by an AGIG business (instead the APA Group), provides competition to the Tubridgi storage option on the pipeline, notwithstanding the distance between them.</p> <p>When CK Consortium (which owns the DBNGP) proposed the acquisition of the APA Group, the ACCC's Public Competition Assessment (24 October 2018) required it to divest the Mondarra facility. The ACCC considered that separated ownership of the assets (which is now the case) would resolve any competition concerns concerning gas transmission storage services in WA (https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/ck-consortium-proposed-acquisition-of-apa-group).</p>
Contractual rights for certain ancillary services	Provide more explanation around the removal of other ancillary services (Seasonal, Metering/Temperature and Odourisation services) and whether contractual rights give access to these.	<p>Contractual rights for reference services already provide access to Seasonal, Metering / Temperature and Odourisation services, which is the reason for the removal from the list of ancillary non-reference service offerings. They are not stand-alone services, and no additional revenue was generated for these services in AA4 or AA5.</p> <p>Odourisation obligations are provided for under cl.7.12 of the SSC in accordance with the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000 (WA)</i> and gas temperature and pressure conditions are provided for under cl.7.4.</p> <p>Seasonal needs can be catered for via the standard nomination of capacity for each month of the year (cl.8 of the SSC), capacity expansion options (cl.16) and the general right of relinquishment (cl.26).</p>
Proposed reference services	Consolidate all T1, P1, B1 and Pilbara services into a single Gas Transport service offering distance-factored point to point on 2 services being Firm and Interruptible. This simplification will benefit all	<p>The firm nature of our reference services provides an efficient allocation of the DBNGP costs, which are mostly fixed costs. Our reference services provide a price constraint for other non-reference services. Shippers are encouraged to access firm capacity (T1, P1, B1) first or when they require a more bespoke service to meet their needs more customised terms can be discussed.</p> <p>The reference services are all priced on an equivalent distance-factored basis (including T1 at 1,399km), given the homogenous nature of the</p>

Topic	Recommendation in submission	Our Response
	customers, reduce paperwork and the volume of agreements.	<p>services. The distinction between the three is applied as a practical way to better define the specific extent and direction of services contracted for, whether they are full or part haul and forward or back haul.</p> <p>Other services have been developed to meet different shipper needs over time. For example, the Pilbara Service has addressed the specific needs of shippers in the region to simplify access with many varied short haul positions at different inlet and outlet points, and the Peaking Service meets the higher peaking limit needs of power generation shippers. For this reason, we do not consider a consolidation of these services would best meet the demands of all shippers.</p>
Classification changes from non-reference to reference services	<p>Shift all proposed non-reference services to reference services, including:</p> <ul style="list-style-type: none"> Spot capacity service which should become 3 spot services (T1, P1, B1). Pilbara service which should be a Firm and Interruptible reference service because multiple producers are now insisting on a "portfolio" Delivery Point and pricing on this service is materially greater than its substitutes (P1, B1 services). Backflow service which should be a Firm and Interruptible reference service given the importance of the Perth Basin producers to all WA gas consumers. 	<p>We do not agree with all non-reference services becoming reference services because it would place a high regulatory cost burden relative to the benefits, noting individual non-reference services all make up less than 5% of revenues in the current AA period.</p> <p>The current non-reference services do not meet every RSF, with many of the services offered on a bespoke and/or interruptible basis, with more variable and unpredictable demand (relevant to NGR 47A 15(a) regarding forecast demand and 15(c) regarding the feasibility of allocating costs). In addition, the bespoke nature of most of the non-reference services means they do not meet NGR 47A 15(d) to serve as a useful benchmark for other service negotiations. The ERA considered whether many of the non-reference services should be reference services in the AA5 process and determined that they did not meet all the RSFs, and we do not consider that circumstances applicable to the determination process have changed.</p> <p>The Spot capacity service has a lower order on the curtailment plan than other firm haulage services and is not provided in its own right. It can only be offered to a shipper if it has an SSC in place for T1, P1 or B1 services. This service also has highly variable demand, which is difficult to forecast.</p> <p>The Pilbara service continues to be demanded by a small number of shippers only. As the ERA noted, the Pilbara Service tariff was derived from the part haul and back haul reference services, so the reference services provided a constraint on prices. The service is limited in its usefulness for access negotiations and dispute resolution (NGR 47A 15(d)).</p> <p>Similarly, the Backflow service also represents minimal usefulness as an aid to negotiations for other services. This is a bespoke, capacity-based service to facilitate a temporary export opportunity only. It is specific in terms of gas volume and conditions. The State Government has indicated that it will no longer consider exemptions from the WA Domestic Gas Policy for onshore gas developments on the existing pipeline network to export LNG, including those in the Perth Basin (https://www.wa.gov.au/government/announcements/update-domestic-gas-policy). Therefore, we cannot foresee any similar services being offered in the current policy environment.</p>
Changes to Pilbara Service	Expand the Pilbara service to include Inlets and Outlets in the Perth Basin and retain the distance-factored	The Pilbara service was introduced to meet the needs of short haul gas transportation needs in the Pilbara region and is currently based on postage stamp pricing. This service allows shippers flexibility within the Pilbara area of the pipeline area avoiding the need to enter into multiple transport agreements to get the coverage required. Reverting

Topic	Recommendation in submission	Our Response
	<p>pricing set by ERA on full haul.</p> <p>This adjustment is further justified by the increasing production in the Perth Basin and the rising gas demand in the Pilbara region. Gas producers like Mitsui and Strike are active in the Perth Basin and the Gascoyne region is developing rapidly.</p>	<p>to distance-factored pricing would reintroduce the complexity that the Pilbara service is designed to reduce, and this option is already offered via the reference (P1 and B1) services.</p> <p>Extending the range of the Pilbara service would significantly increase its cost and the price for all Pilbara shippers. Subject to capacity and technical assessment, however, we remain open to discussing any new requirements shippers may have.</p>
Service descriptions	Include minimum and maximum terms in descriptions of reference and non-reference services.	<p>Both the ERA-approved Reference Service Terms and Conditions and SSC identify the standard terms of services. We also publish the Governing Rules for the market for Spot capacity, in accordance with the SSC. All of these documents are available on the DBP website (https://www.aqiq.com.au/customer-access).</p> <p>Under 47A 1(b) and 2 of the NGR, the description of a pipeline service should be distinct from other pipeline services and include:</p> <ul style="list-style-type: none"> • the service type (for example, forward haul, backhaul, connection, park and loan); • the priority of the service relative to other pipeline services of the same type; and • the receipt and delivery points. <p>Therefore, the description need not duplicate the details contained in contracts unless there is a need to identify defining service features.</p> <p>Otherwise, individual negotiated contracts with shippers have different minimum and maximum terms and are confidential.</p>

1.8 Proposed services for 2026 to 2030

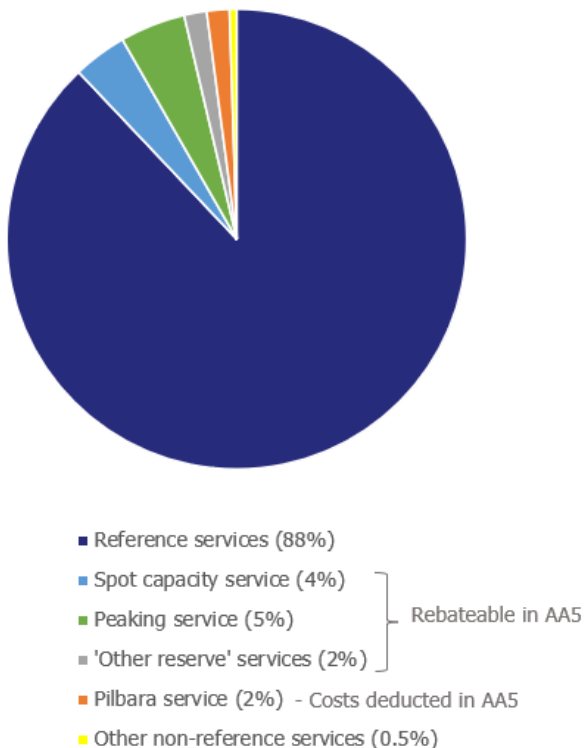
Our proposed list of services and classifications for the next AA period is in Table 3. Table 3 reflects on the reference service factors, by considering what we think are key factors for each service.

Any changes to the specific terms and conditions for each service will be considered in the next phase of our engagement program after the Reference Service Proposal is approved by the ERA.

1.8.1. Reference services

In the current AA period, the vast majority (around 88%) of our pipeline revenues continue to come from reference services (see Figure 2).

Figure 2 DBNGP actual revenue share 2021 to 2023 (as of September)



We are proposing to offer the same three reference services in the next AA period as in the current period:

- Full Haul T1 Service;
- Part Haul P1 Service; and
- Back Haul B1 Service.

Our pipeline services have been assessed against the reference service factors. These services:

- are in high demand;
- cannot be substituted with other services (meaning there is no other way shippers can obtain the service);
- form the foundation of our pipeline demand forecasts and cost allocation;
- provide prospective users with an aid for use in access negotiations; and
- minimise the cost and regulatory burden.

1.8.1.1. Potential customer impact

There will be limited impact from the continuation of the existing reference services as the actual transportation of gas will remain unchanged.

1.8.2. Non-reference services

We propose to continue to classify the other pipeline services as non-reference services. We do not consider these remaining services to be appropriate to specify as reference services having regard to the reference service factors for a range of reasons (see Table 3). This includes the following considerations, which vary across each service:

- varying degrees of certainty for demand and revenue forecasts. The Spot capacity, Peaking, Pilbara and Other reserved services are variable services demanded

more when additional capacity is required (eg, to support gas-powered electricity generation needs due to wind generation and coal outages, or when temporary gas supply shocks occur).

- high level of substitution with reference services where the pricing applied to reference services provides an appropriate basis on which to consider the reasonableness of prices for non-reference services (eg, the Part Haul and Back Haul reference services help to determine the needs of the Pilbara service).
- costs which are difficult to allocate due to the variable demand for the services (such as Spot capacity, Peaking and Ullage services).
- minimal usefulness as an aid to negotiations for other services (eg, the Spot Capacity service is an adjunct to the SSC and the Ullage service is a highly bespoke service to facilitate a temporary exporting opportunity only)
- imposes a high regulatory cost burden relative to the benefits, specifically where revenues generated are small relative to the likely regulatory costs (individual non-reference services all make up less than 5% of revenues in the current AA period) and demand is highly variable.

1.9. Conclusion

This Reference Service Proposal has been prepared to ensure our plans are developed based on services appropriate to our customers' needs and to meet the requirements of the NGR.

We offer several pipeline services to meet our customers' needs, including reference and non-reference services.

We are proposing a continuation of the same reference services listed in Table 3 for the next AA period, and we have consulted with our stakeholders on this proposal.

Table 3: Proposed services for the Dampier Bunbury Natural Gas Pipeline January 2026 - December 2030

NGR 47A Reference Service Factors					
	Actual and forecast demand and number of prospective customers (15)(a)	Substitutability (15)(b)	Feasibility of allocating costs (15)(c)	Usefulness in supporting negotiations and dispute resolution for other pipeline services (15)(d)	Likely regulatory costs (15)(e)
Reference Services					
T1 Full Haul	High demand forecast to continue	There are no substitutes for this service, which is our core service offering	Costs can be allocated for services	Key benchmark for negotiations for access to the DBNGP, including for other transportation services	Low cost relative to potential benefit
P1 Part Haul	Relatively high demand forecast to continue	There are no substitutes for this service, which is our core service offering	Costs can be allocated for services	Key benchmark for negotiations for access to the DBNGP, including for other transportation services	Low cost relative to potential benefit
B1 Back Haul	Relatively high demand forecast to continue	There are no substitutes for this service, which is our core service offering	Costs can be allocated for services	Key benchmark for negotiations for access to the DBNGP, including for other transportation services	Low cost relative to potential benefit
Non-reference services					
Spot capacity service	Higher demand than forecast in current period Can be forecast but has high variability	No reference service substitutes, but capacity swaps between shippers are a direct substitute	Difficult to allocate costs due to variability of demand	An adjunct to other services, so limited use to support other negotiations	High regulatory cost to specify a regulatory version of service which is consistent with what shippers want and other regulatory services

Pipeline Impact Agreement service	Low demand service which is not stand-alone and is instead designed solely to compensate DBP for the impacts of out of spec (higher quality) gas	No direct regulatory substitute Service agreements are under the <i>Gas Supply (Gas Quality Specifications) Act 2009</i>	Separate costs are directly allocated to this service	An adjunct to other services so limited use to support other negotiations	High regulatory cost relative to low revenue
Inlet Sales Agreement	Demand can be forecast Low demand and revenue to date	No direct regulatory substitute	Separate costs are directly allocated to this service	Specific service which cannot provide a basis for broader negotiations	High regulatory cost relative to low revenue
Other reserved service	Low demand and revenue Forecasts not available	Interruptible service. Reference services can be considered substitutes but are higher priority	Costs allocated on same basis as reference service	No basis for broader negotiations above that of firm service from which it is derived	Low regulatory cost if derived directly from firm service analogue
Pilbara service	Demand can be forecast but with some uncertainty Low customer numbers	Part Haul/Back Haul Reference Service is a suitable and close substitute	Difficult to allocate costs due to variability of demand	Limited use to support other negotiations due to readily available substitutes (part haul and back haul)	High regulatory cost to specify a regulatory version of service which is substitutable with other reference services
Peaking service	Demand can be forecast but with some uncertainty	Reference services can be considered substitutes but are higher priority	Difficult to allocate costs due to variability of demand	T&Cs close to reference service therefore little additional basis to support broader negotiations	High cost relative to revenue and additional customer benefit, given demand uncertainty and that service is not currently used
Ullage service (Backflow service)	Highly bespoke service specific to a single shipper Temporary demand only which will fluctuate given flexible capacity rights and uncertain availability on the pipeline	Back Haul Reference Service can be considered a substitute	Costs can be directly allocated but only on a temporary basis	No basis for broader negotiations since service is specific to the exemption under WA Domestic Gas Policy	High costs relative to revenue and additional customer benefit

