



# Media Statement

24 April 2024

## Draft decision for WA's major gas distribution network

The Economic Regulation Authority has published its draft decision for the access arrangement for ATCO's Mid-West and South-West Gas Distribution System, which is Australia's largest gas distribution network, delivering gas to more than 800,000 households and businesses in Perth, Kalgoorlie, Geraldton and the South West.

ATCO's network charges make up around 30 per cent of the average household gas bill, and are determined through the access arrangement review process every five years.

"Although ATCO has proposed to maintain a similar level of pipeline maintenance and other programs to the previous access period, these activities are taking place in a higher cost environment, including higher interest rates and inflation," ERA Chair Steve Edwell said.

ATCO proposed a one-off gas network bill increase of 40.7 per cent in 2025 for the average residential customer, followed by an annual increase for inflation for 2026 to 2029.

Under the ERA's draft decision, the forecast increase in the gas network bill for the average residential customer is 12.5 per cent on 1 January 2025, followed by inflation-only increases over the next four years.

Mr Edwell said that the State Government sets the maximum retail gas price for small business and household customers.

"Following the final decision, it will be up to gas retailers to decide if or when they pass on these network tariff increases to customers."

Mr Edwell said that the ERA's analysis shows fairly strong support for the continued use of gas by households and businesses over the next five years.

However, ATCO has submitted that over the longer term the outlook for pipeline operators is more uncertain, with an increased focus on reducing emissions by using other sources of energy.

ATCO has attempted to manage this uncertainty by recovering its investment sooner through accelerated depreciation.

The ERA has not approved ATCO's proposal to recover \$80 million in accelerated depreciation over the next five years.

"Generally, accelerated depreciation is a reasonable regulatory tool to manage uncertainties around future pipeline use and customer demand," Mr Edwell said.

“However, ATCO’s proposal for accelerated depreciation is not robust and not supported by strong economic modelling, and so does not justify the effect this proposal would have on consumers through higher prices.”

The ERA has also not approved ATCO’s proposal to spend \$26.4 million to voluntarily reduce either its own or customers’ carbon emissions – through injecting renewable gases like hydrogen into the pipeline or purchasing carbon credits.

“While the ERA strongly supports the vital work of emissions reduction across the economy, ATCO’s proposals are not feasible under the current regulatory framework that we are tasked with enforcing,” Mr Edwell said.

“And even if they were permitted under the framework, ATCO has not demonstrated that these are the most cost-efficient and prudent solutions to reduce emissions.”

ATCO may now submit a revised proposal, addressing the ERA’s draft decision. The ERA invites stakeholder feedback on its draft decision, and on ATCO’s revised proposal once received.

The ERA expects to publish its final decision in November 2024.

The ERA’s draft decision is [available on our website](#).

## **Background**

The ERA regulates three gas pipeline networks in Western Australia. Every five years, those pipeline operators submit an access arrangement proposal to the ERA for approval.

ATCO submitted its proposal on 1 September 2023, for the access period 1 January 2025 to 31 December 2029.

An access arrangement sets out the terms and conditions, including prices, under which third-party users like gas retailers and large mining operators can access the network to transport and receive gas.

## **About the ERA**

The ERA is Western Australia’s independent economic regulator. We aim to benefit all Western Australians by promoting strong economic outcomes through effective regulation and decision making. We strive to make sure current and future consumers pay no more than necessary for safe and reliable utilities.

### **For further information contact:**

Natalie Warnock  
Manager Strategic Communications  
Ph: +61 428 859 826  
[media@erawa.com.au](mailto:media@erawa.com.au)

D275549