Economic Regulation Authority

Media Statement

25 July 2024

Draft decision for regulated Goldfields Gas Pipeline

The Economic Regulation Authority has released its draft decision on Goldfields Gas Transmission's proposed five-year plan for the Goldfields Gas Pipeline.

The ERA's draft decision reduces the proposed increase in tariffs from 54 per cent down to 34 per cent in 2025, rising at the rate of inflation for the remaining four years.

The Goldfields Gas Pipeline (GGP) is a 1,378 kilometre transmission pipeline that begins at Yarraloola and extends to Kalgoorlie in the Goldfields-Esperance region. Its customers are mainly mining companies and electricity generators serving mining operations.

The GGP is operated by Goldfields Gas Transmission (GGT), a subsidiary of APA Group.

ERA Chair Steve Edwell said that GGT's proposal for the pipeline for the next five years assumed largely business-as-usual conditions, with two exceptions.

"First GGT, like all business, is operating in a higher cost environment. Changes in financial conditions that affect the overall value of the pipeline are driving about half of GGT's proposed tariff increase," Mr Edwell said.

Second, the capacity of the pipeline has increased through the new Northern Goldfields Interconnect, which provides a new connection point to bring gas from the Dampier to Bunbury Natural Gas Pipeline into the GGP.

"The GGP is unusual, as it has both covered or fully regulated capacity, and uncovered capacity that is only lightly regulated," Mr Edwell said.

"The ERA must carefully ensure that only efficient costs are allocated to the covered pipeline and therefore charged to those customers using that regulated service."

As the Northern Goldfields Interconnect has increased the covered capacity of the GGP, GGT proposed to increase the level of shared capital and operating expenditure allocated to the covered pipeline.

However, the ERA's draft decision finds that the interconnect has not meaningfully increased GGT's capital cost base, and so there is no justification for covered pipeline customers to pay a greater share of the pipeline capital costs.

The ERA has approved total revenue of $323.6 million in this draft decision, $65 million lower than GGT's proposal.

Another matter the ERA has considered is GGT's substantial under-estimation of its capital expenditure for the previous five-year period – from its forecast of $17.6 million to now seeking to add $70.2 million to the regulated capital base.

After considering whether this expenditure was prudent and efficient expenditure, the ERA has approved only $32.3 million of this capital expenditure overspend for the previous five-year period - $38 million less than sought by GGT.

Background

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

GGT submitted its proposal on 21 December 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 Communications
Ph: +61 428 859 826
media@erawa.com.au

D279021