



Western Australia

# *Economic Regulation Authority*

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## NOTICE

### DRAFT DECISION – DAMPIER TO BUNBURY NATURAL GAS PIPELINE

The Economic Regulation Authority (**Authority**) today issued its Draft Decision on the revisions proposed by DBNGP (WA) Transmission Pty Ltd (**DBNGPT**) to the Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (**DBNGP**).

Third party access to pipelines such as the DBNGP is provided for under the *National Third Party Access Code for Natural Gas Pipeline Systems* (**Code**). Under the Code, the Authority is the Relevant Regulator responsible for the approval of Access Arrangements for regulated pipelines. An Access Arrangement sets out the terms and conditions for third party use of a covered pipeline.

The Draft Decision of the Authority is that it proposes to not approve the proposed revisions to the Access Arrangement. The reasons for the Authority's decision are based on information made available by DBNGPT and other interested parties through submissions.

The Draft Decision by the Authority requires DBNGPT to make amendments to its proposed services and tariffs and to the terms for access to the DBNGP.

### BACKGROUND

The DBNGP consists of the gas pipeline system as described by Western Australian pipeline licences WA: PL 40, WA: PL 41 and WA: PL 47. The pipeline system links gas suppliers in the north-west of Western Australia with markets principally in the south-west of the State.

The DBNGP is operated by DBNGPT and is owned by DBNGP (WA) Nominees Pty Ltd as Trustee for the DBNGP (WA) Pipeline Trust.

An Access Arrangement for the DBNGP was approved by the then Western Australian Independent Gas Pipelines Access Regulator (**Regulator**) on 30 December 2003. The functions of the Regulator were transferred to the Authority on 1 January 2004.

### KEY ASPECTS OF THE DRAFT DECISION

#### Rate of Return and Total Revenue

The Authority's Draft Decision is to approve the real pre-tax rate of return of 7.24% proposed by DBNGPT for the DBNGP.

In the Authority's view, the adoption of the rate of return proposed by DBNGPT together with the revised values for Non Capital Costs and New Facilities Investment will best achieve the competing objectives in section 8.1 of the Code for the Access Arrangement Period. The Authority has considered the total revenue (in present value terms) that DBNGPT would earn over the Access Arrangement period of six years (2005-2010) under the proposed tariffs and has concluded that an amount of \$1,261.78 million is consistent with the Code. Calculated on a comparable basis, DBNGPT submitted a figure of \$1,291.42 million. The main difference between these amounts is attributable to the Authority not being satisfied that the values proposed by DBNGPT for the starting value of the Capital Base, New Facilities Investment and Non Capital Costs are appropriate values under the relevant provisions of the Code.

### **Reference Services**

DBNGPT proposed a single Reference Service, known as the "Tf Service".

The Authority's Draft Decision states that the proposed Access Arrangement should be amended to remove the "Tf Service" and to include a Reference Service that is of the nature of the full-haul "T1 Service" to which the Standard Shipper Contract relates, with a minimum contract term of 2 years when made available through utilisation of spare capacity and a minimum term of 15 years when made available through Developable Capacity.

In addition, the Authority has decided that the proposed Access Arrangement should be amended to include Part Haul and Back Haul Services in the nature of the "T1 Service" to which the Standard Shipper Contract relates.

### **Gas Quality**

Several parties made submissions to the Authority that the gas quality specification for the Reference Services included in the Access Arrangement should conform to a specification known generally as the "Broadest Specification" which was originally set out in the *Dampier to Bunbury Pipeline (WA) Regulations 1998*.

Following consideration of submissions and matters relevant to this issue as set out in the Code, including the factors in section 2.24, the Authority considers that the persistence of the current gas quality specification for the DBNGP and the potential for substantial further delay in adoption of a wider gas quality specification is unreasonably contrary to:

- the interests of most pipeline users and gas producers; and
- the public interest in expanding the potential sources of supply to the DBNGP.

Given these considerations, the Authority has determined that terms and conditions for a Reference Service that do not incorporate a wider gas quality specification than the current Operating Specification beyond 30 June 2005 would be unreasonable. Accordingly, the Authority requires the Operating Specification for gas quality in the proposed Access Arrangement to be broadened, in the manner described in the Draft Decision, and to apply from the time the proposed Access Arrangement comes into effect.

## **New Facilities Investment**

In regard to forecast New Facilities Investment for expansion in the capacity of the DBNGP, subsequent to submitting its Access Arrangement Information, DBNGPT informed the Authority that the New Facilities Investment figures contained in the Access Arrangement Information were being revised. These revised figures had not been provided to the Authority at the time the Draft Decision was issued. In the event that DBNGPT provides further information following the issue of the Draft Decision, the Authority intends to provide interested parties with an opportunity to make submissions on the revised forecasts prior to the Authority issuing its Final Decision.

For the purposes of the Draft Decision, however, the Authority has considered the forecast of New Facilities Investment as set out in the Access Arrangement Information originally submitted by DBNGPT on 21 January 2005, recognising that a substantial investment in expansion of capacity of the DBNGP is intended, even though the forecast costs of this investment may be subject to revision.

Shortly before issuing the Draft Decision, DBNGPT provided the Authority with information to demonstrate that forecast New Facilities Investment for expansion in the capacity of the DBNGP may reasonably be expected to satisfy the requirements of the Code. For the purposes of the Draft Decision, the Authority has undertaken a review and assessment of this information. In the event that further information is provided after the Draft Decision, the Authority will make such information available for public comment (subject to any confidentiality issues) and address the further information and any relevant submissions prior to issuing a Final Decision.

## **REVISED ACCESS ARRANGEMENT INFORMATION**

Further to the notice of the Authority issued on 23 March 2005, the Authority has today released the revised Access Arrangement Information submitted by DBNGPT.

Consistent with the previous notice, the Authority is providing interested parties with the opportunity to make submissions in relation to the Draft Decision and revised Access Arrangement Information within the same submission period. A copy of both these documents may be downloaded from the Authority's website: [www.era.wa.gov.au](http://www.era.wa.gov.au)

## **SUBMISSIONS**

Submissions made to the Authority will be treated as in the public domain and placed on the Authority's website unless confidentiality is claimed in respect of the submission, or part of the submission, and the issues or parts of the submission in relation to which confidential treatment is sought are clearly marked. Any claim of confidentiality will be considered in accordance with the provisions of sections 7.11 to 7.14 of the Code

The receipt and publication of a submission lodged by a person with the Authority and placed on this website shall not be taken as indicating that the Authority has knowledge either actual or constructive of the contents of a particular submission and, in particular, whether the submission in whole or part contains information of a confidential nature and no duty of confidence will arise for the Authority in these circumstances.

Submissions should be received by the Authority no later than **4:00pm (WST)** on **Thursday, 26 May 2005**. All submissions must be in writing and should be provided in both hard copy and electronic format (where possible).

## **PUBLIC FORUM**

It is intended that interested parties have the opportunity to discuss the Draft Decision with the Authority. If there are sufficient parties wishing to have such discussions, a Public Forum will be arranged.

The Authority therefore requests parties wishing to discuss matters relating to the Draft Decision to register their interest with the Authority by **4:00pm** on **Friday, 13 May 2005** by email to [dbngppublicforum@era.wa.gov.au](mailto:dbngppublicforum@era.wa.gov.au) or by fax on (08) 9213 1999.

The Authority will place a notice on its website on **Monday, 16 May 2005** advising whether a Public Forum on the Draft Decision will be held. A copy of this notice will be emailed to those who have registered their interest with the Authority and other interested parties.

## **FURTHER INFORMATION**

The Draft Decision and revised Access Arrangement Information are available on the Authority's website ([www.era.wa.gov.au](http://www.era.wa.gov.au)). Printed copies of the Draft Decision and revised Access Arrangement Information are available from the Authority on request at a cost of \$25.00 each.

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LYNDON ROWE  
**CHAIRMAN**

11 May 2005