

NOTICE

FURTHER FINAL DECISION AND FINAL APPROVAL DAMPIER TO BUNBURY NATURAL GAS PIPELINE

The Economic Regulation Authority (**Authority**) today issued its Further Final Decision and Final Approval on the revisions proposed by DBNGP (WA) Transmission Pty Limited (**DBP**) to the Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (**DBNGP**).

The Further Final Decision of the Authority is to not approve the proposed revised Access Arrangement submitted by DBP on 30 November 2005.

The Authority considered that DBP's proposed revised Access Arrangement did not incorporate, or substantially incorporate, all of the 21 amendments specified in the Authority's Final Decision or otherwise address to the Authority's satisfaction the reasons identified in the Final Decision for requiring the amendments. The Authority has, therefore, drafted and approved its own revised Access Arrangement consistent with the requirements of the *National Third Party Access Code for Natural Gas Pipeline Systems* (**Code**).

Third party access to pipelines such as the DBNGP is provided for under the Code, with the Authority being the Relevant Regulator responsible for approving Access Arrangements for regulated pipelines. An Access Arrangement sets out the terms and conditions for third party use of a regulated pipeline.

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 DBP and is owned by DBNGP (WA) Nominees Pty Ltd as Trustee for the DBNGP (WA) Pipeline Trust. The Diversified Utilities and Energy Trusts is the majority owner of the DBNGP with minority owners being Alcoa of Australia Ltd and Alinta Ltd.

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

DBP submitted a proposed revised Access Arrangement on 21 January 2005. The Authority issued its Final Decision on the proposed revised Access Arrangement for the DBNGP on 2 November 2005. The Final Decision was to not approve the proposed revised Access Arrangement and the Final Decision required 21 amendments that would need to be made before the Access Arrangement would be approved.

PROPOSED REVISED ACCESS ARRANGEMENT SUBMITTED BY DBP

On 30 November 2005 DBP submitted, in response to the Authority's Final Decision, a proposed revised Access Arrangement together with two submissions. A list of the documents submitted by DBP is outlined in Appendix 1 of the Further Final Decision.

Public versions of these documents are available on the Authority's website (www.era.wa.gov.au).

The two submissions from DBP have been considered by the Authority only to the extent they are relevant to the Authority's consideration of DBP's proposed revised Access Arrangement under the appropriate provisions of the Code.

The Authority determined, in its Further Final Decision, that the proposed revised Access Arrangement submitted by DBP on 30 November 2005 had incorporated or substantially incorporated or otherwise addressed the reasons for the amendments in the case of 8 of the 21 amendments required in the Final Decision.

In drafting and approving its own Access Arrangement, the Authority has modified the proposed revised Access Arrangement submitted by DBP on 30 November 2005 only to the extent necessary for it to comply with the Final Decision. The Authority's changes were to the remaining 13 amendments where the proposed revised Access Arrangement submitted by DBP did not incorporate, substantially incorporate or otherwise address the reasons for the amendments as required in the Final Decision.

KEY ASPECTS OF THE FURTHER FINAL DECISION

Rate of Return and Total Revenue

The Final Decision required that the reference tariffs for reference services should be based on cost parameters which included a real pre-tax rate of return, as proposed by DBP, of 7.24 per cent.

The Authority also concluded, in the Final Decision, that the total revenue amount (in present value terms) to be earned by DBP over the period of the Access Arrangement of \$1,200 million was consistent with the Code. Calculated on a comparable basis and based on its proposed revised Access Arrangement submitted on 30 November 2005, DBP had inferred a total revenue figure of \$1,213 million. The main difference in these figures is due to the Authority not being satisfied that the forecast of fuel gas costs proposed by DBP was consistent with the Code.

The Authority determined in its Further Final Decision that the proposed revised Access Arrangement submitted by DBP on 30 November 2005 did not incorporate, substantially incorporate or otherwise address the reasons for the amendment specified in the Final Decision relating to the determination of a reference tariff for the "T1 Service".

The Authority's approved revised Access Arrangement specifies the following reference tariffs (based on 100 per cent load factor) for the "T1 Service":

Capacity Reservation Charge:	\$0.899899/GJ MDQ
Commodity Charge:	\$0.103122/GJ

The reference tariffs have been corrected from the tariffs published in the Final Decision to reflect a correction made by DBP to information previously supplied to the Authority on the location of delivery points for part haul services.

Reference Services and Gas Quality

The Authority determined in its Further Final Decision that the proposed revised Access Arrangement submitted by DBP on 30 November 2005 did not incorporate, substantially incorporate or otherwise address the reasons for a number of the amendments specified in the Final Decision. Key amendments which were not incorporated, substantially incorporated or otherwise addressed include:

➤ **Reference Services**

The Final Decision required that the “Tf Service” proposed by DBP should be removed and replaced by a “T1 Service” as a reference service on the terms and conditions set out in the Final Decision. The Final Decision also required that part haul and back haul services should be reference services on the terms and conditions set out in the Final Decision.

➤ **Part Haul and Back Haul Reference Tariffs**

The Final Decision required that the reference tariffs for the part haul and back haul reference services required under the Final Decision should be determined as a distance-based proportion of the reference tariff for the full haul reference service.

➤ **Gas Quality**

The Final Decision required the terms and conditions for reference services to include an operating specification for gas quality (based on the *Dampier to Bunbury Pipeline (WA) Regulations 1998* and the *Gas Standards Regulations 2000*) which was broader than that proposed by DBP.

FURTHER INFORMATION

The approved revised Access Arrangement will commence on 30 December 2005.

Copies of the Further Final Decision and Final Approval together with the approved revised Access Arrangement documents are available on the Authority’s website (www.era.wa.gov.au). Printed copies of these documents are available from the Authority on request at a cost of \$25.00 each.

For information contact:

General Enquiries

Mr Russell Dumas
Director, Gas and Rail Access
Economic Regulation Authority
Tel: (08) 9213 1953
Fax: (08) 9213 1999
Email: russell.dumas@era.wa.gov.au

Media Inquiries

Mr Paul Byrne
Byrne & Byrne Corporate
Communications
Tel: (08) 9385 9941
Mob: 0403 835 733

LYNDON ROWE
CHAIRMAN

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