



# Notice

14 October 2014

## Proposed Revised Access Arrangement for the Mid-West and South-West Gas Distribution Systems - Draft Decision

### INVITATION FOR PUBLIC SUBMISSIONS

The Economic Regulation Authority (ERA) has published on its website a [Draft Decision](#) on ATCO Gas Australia Pty Ltd's (**ATCO**) proposed revised access arrangement for the Mid-West and South-West Gas Distribution Systems (**GDS**).

The ERA has not approved ATCO's proposed changes to the access arrangement for the GDS.

The Draft Decision has reduced ATCO's expected revenue for the gas distribution system for 1 July 2014 to 31 December 2019 from ATCO's proposed \$1,208.50 million to \$836.10 million which is 31 per cent lower.<sup>1</sup>

ATCO had proposed nominal increases to haulage tariffs of 5.1 per cent each year for larger users of the network in the A1, A2, B1 and B2 tariff classes. The Draft Decision results in annual nominal tariff reductions of 30 per cent in 2015 and annual nominal tariff increases of 2.2 per cent in the following years for the A1, A2, B1, and B2 tariff classes.

For residential users in the B3 tariff class, ATCO proposed an initial nominal increase in the fixed charge component of the tariff of 90 per cent and a nominal reduction to usage charge components of 28.6 per cent in 2015, followed by nominal increases of 5.1 per cent for both tariff components in the following years. ATCO's proposal would have seen the average B3 residential customer's bill fall in 2015 by \$9 (in real terms) but continue to rise by about \$7 (in real terms) each year thereafter.

The ERA has been mindful of its obligations to take account of the impact on small-use customers under the *National Gas Access (WA) (Local Provisions) Regulations 2009*. The ERA has allowed a rebalancing from variable charges (based on usage) to fixed charges as proposed by ATCO, but for this to occur over the five and a half year regulatory period instead.

Overall, the ERA's Draft Decision would see the average B3 residential customer's bill fall in 2015 by \$70 (in real terms) and remain constant in real terms every year thereafter. The nominal B3 network fixed charge would increase by 10.8 per cent in 2015 and continue increasing each year by between 8.7 per cent and 10.2 per cent. The nominal B3 network usage charge will decrease by 28.3 per cent for usage between 2 and 10 GJ and 38.5 per cent for usage above 10 GJ in 2015. Nominal usage charges will continue to decrease over the access arrangement period by between 4.1 per cent and 5.5 per cent each year as the fixed charge increases.

The main differences between the expected revenue between the ERA's Draft Decision and ATCO's proposal result from:

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<sup>1</sup> In nominal terms.



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- a rate of return on assets of 5.94 per cent compared to ATCO's proposed value of 8.53 per cent;
- a lower allowance for capital expenditure due to adjustments relating to ATCO's proposed growth and sustaining capital expenditure;
- a lower allowance for operating expenditure due to adjustments to ATCO's proposed corporate operating expenditure, IT operating expenditure and unaccounted for gas operating expenditure;
- the adoption of the current cost accounting approach to depreciation; and
- a change to the corporate income tax expense proposed by ATCO.

The ERA also recalculated the small use/residential customer (B3 tariff) fixed charge to allow ATCO to recover the avoidable costs to supply a B3 customer.

The ERA's detailed reasons are outlined in the Draft Decision document together with 45 amendments the ERA requires to enable it to approve ATCO's proposed revisions to the GDS access arrangement for the period from 1 July 2014 to 31 December 2019.

## REVISION PERIOD

Under the National Gas Rules (**NGR**), if an access arrangement draft decision requires that revision of the access arrangement proposal is necessary, the ERA must fix a revision period of at least 15 business days in order for ATCO to make its proposal acceptable. The ERA has decided to fix a revision period of 30 business days. Accordingly, ATCO may submit revisions to its proposed revised access arrangement for the GDS, but must do this by **4:00 pm (WST) on Tuesday, 25 November 2014**.

## PUBLIC SUBMISSIONS

The ERA is also required to publish on its website and in a newspaper circulating generally throughout Australia a notice inviting written submissions on its Draft Decision allowing a period of at least 20 business days from the end of the revision period stated above for consultation.

Accordingly, interested parties are invited to make submissions on the ERA's Draft Decision by **4:00 pm (WST) on Tuesday, 23 December 2014**.

Submissions should be marked to the attention of Tyson Self, Assistant Director, Gas Access.

Email address: [publicsubmissions@erawa.com.au](mailto:publicsubmissions@erawa.com.au)

Postal address: PO Box 8469, PERTH BC WA 6849

Office address: Level 4, Albert Facey House, 469 Wellington Street, Perth WA 6000



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## **CALCULATION OF TIME FOR PUBLICATION OF A FINAL DECISION**

In its notice published on 17 September 2014, the ERA stated that it would consider the revision period provided to ATCO and the public submission period on the ERA's Draft Decision as disregarded time under rule 11 of the NGR. The ERA has decided that it will disregard the time from 14 October 2014 to 23 December 2014 and as a result the final decision must now be published before 17 March 2015 (subject to any further disregarded periods).

## **CONFIDENTIALITY**

In general, all submissions from interested parties will be treated as being in the public domain and placed on the ERA's website. Where an interested party wishes to make a submission in confidence, it should clearly indicate the parts of the submission for which confidentiality is claimed, and specify in reasonable detail the basis for the claim.

The publication of a submission on the ERA's website shall not be taken as indicating that the ERA 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 ERA.

For further information contact:

### **General Enquiries**

Tyson Self  
Economic Regulation Authority  
Phone: 08 6557 7900  
Email: [records@erawa.com.au](mailto:records@erawa.com.au)

### **Media Enquiries**

Richard Taylor  
Riley Mathewson Public Relations  
Phone: 08 9381 2144  
Email: [admin@rmpr.com.au](mailto:admin@rmpr.com.au)