

## OFFICE OF GAS ACCESS REGULATION

6th Floor, 197 St Georges Terrace, Perth WA 6000  
GPO Box 8469, Perth Business Centre WA 6849

Telephone: (08) 9213 1900  
Facsimile: (08) 9213 1999

Email: [enquiry@offgar.wa.gov.au](mailto:enquiry@offgar.wa.gov.au)  
Website: <http://www.offgar.wa.gov.au>



Our Ref: 3020/50

23 May 2003

### SUMMARY

The final decision that I have published today concerns the terms of access proposed for the Dampier to Bunbury Natural Gas Pipeline ("the Pipeline") by Epic Energy. The Pipeline is the main gas transmission system between Dampier in the north west of Western Australia to Bunbury in the south west of Western Australia.

Under the *National Third Party Access Code for Natural Gas Pipeline Systems* ("the Code") I am required to decide whether to approve the access arrangement proposed by Epic Energy for the Pipeline. If I decide not to approve the access arrangement then I must state the amendments that would have to be made in order for me to approve it. One of the matters to be included in an access arrangement is a Reference Tariff for a service that is likely to be sought by a significant part of the market. The process of considering whether the access arrangement complies with the Code involves a balancing of competing interests of different parties.

In balancing those interests, I have decided that the price that Epic Energy paid for the Pipeline was not based upon a sound commercial assessment and the consequences of this for the financial viability of Epic Energy have less weight in balancing Epic Energy's legitimate business interests against the interests of users and the public interest in having competition in markets and in a supply of competitively priced gas.

I have also decided that Epic Energy's purchase price for the Pipeline was not affected by any representations or statements by the Government as to the tariffs that may apply under the Code subsequent to 1 January 2000. However, I have found that statements by Government at the time created expectations for users as to the tariff that would apply in the future and that is a material consideration.

I have decided that in addition to Epic Energy's proposed Firm Service, the proposed Access Arrangement should include a Reference Service with the characteristics of the Firm Service but allowing for:

- receipt of gas into the Pipeline at any location on the Pipeline;
- a minimum contract term of no greater than two years; and
- the timely provision to users of metering information so they can assess their potential liability for penalty charges and take steps to avoid those charges.



Also, I have found that the Reference Tariff for the Firm Service should be revised to reflect the following parameters:

- an initial capital base of \$1,550 million as at 31 December 1999
- a present value of total revenue (with a discount rate equal to real pre-tax rate of return of 7.4%) of \$768.53 million in dollar values as at 31 December 1999.

The levels of the Reference Tariff that will result from these parameters will vary depending upon cost allocations and the structure of the tariff. However, I have estimated that the average 100% load factor tariff that would result from these parameters is \$0.95/GJ as at 1 January 2000 and \$1.01/GJ as at 1 January 2003.

This average tariff of \$1.01/GJ as at 1 January 2003 corresponds to a tariff for the T1 service applicable under current regulation of \$1.08 and represents a 5.1% increase in the full haul T1 service tariff of \$1.02/GJ that was introduced on 1 January 2003 and currently applies.

*This statement has been prepared to assist members of the public in understanding the overall nature of the decision that I have made. It is not intended to be a substitute for the reasons for my decision and does not form part of my reasons for the purposes of the Code.*

**KEN MICHAEL**  
**GAS ACCESS REGULATOR**

For further information please contact Mr Peter Kolf on +61 8 9213 1900.