



DBNGP (WA) Transmission Pty Limited
ABN 69 081 609 190
Level 7 GHD House
239 Adelaide Terrace
Perth WA 6000
Postal Address
PO Box Y3196
26 East St Georges Terrace
Perth WA 6832
Telephone: +61 8 9223 4300
Facsimile: + 61 8 9223 4301

7 November 2006

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
Gas Division
Level 6
197 St Georges Terrace
PERTH WA 6000

Attention: Mr Russell Dumas

Dear Lyndon

PROPOSED REVISIONS TO DBNGP ACCESS ARRANGEMENT

In recent discussions on DBP's further expansion of the Dampier to Bunbury Natural Gas Pipeline ("DBNGP"), the Economic Regulation Authority ("ERA") observed that the Reference Tariff Policy of the DBNGP Access Arrangement did not contain a speculative investment fund to allow for the operation of section 8.19 of the Code.

In a letter to DBP on 10 August 2006, the ERA advised that, if DBP made a suitable application to amend its Reference Tariff Policy to provide for a speculative investment fund, the ERA would treat it as a non material amendment under section 2.33 of the Code and attempt to have a decision within 5 to 10 working days following receipt of the application.

In accordance with section 2.28 of the Code, DBP submits to the ERA the proposed revisions to the DBNGP Access Arrangement set out in Schedule 1 to this letter. If approved, the revisions would have the effect of amending the Reference Tariff Policy to allow creation of a speculative investment fund.

The revisions proposed are of limited scope. They are, principally, the revisions to clauses 7.3 and 7.4 of the DBNGP Access Arrangement to permit creation of the speculative investment fund, and a number of minor consequential amendments which would have the effect of ensuring that all other aspects of the current Access Arrangement remain unchanged if the Authority were to approve the revisions.

The revisions proposed are not required by the DBNGP Access Arrangement. Furthermore, they do not result in changes to the Reference Tariff, or in changes to the Services that are Reference Services. DBP believes the revisions are such that the ERA can treat them as revisions which are not material under section 2.33 of the Code. The ERA can therefore

dispense with the requirement to produce Access Arrangement Information in respect of the proposed revisions, and may approve or not approve the revisions without consultation with, or receiving submissions from, persons other than DBP.

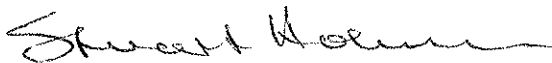
In these circumstances, DBP has:

- (a) set out the proposed revisions to the DBNGP Access Arrangement in a schedule to this letter (rather than in a proposed revised Access Arrangement); and
- (b) not prepared Access Arrangement Information in respect of the proposed revisions.

DBP has deliberately chosen to set out the proposed revisions to the DBNGP Access Arrangement in a schedule to this letter, rather than in a proposed revised Access Arrangement. As DBP advised the ERA in the letter covering submission of its proposed revisions to the DBNGP Access Arrangement in January 2005, DBP's board has determined that it can not submit proposed revisions which would, if approved, make available to shippers and prospective shippers, as a Reference Service, the T1 service of DBP's Standard Shipper Contract. Were DBP to do so, and propose a Reference Tariff for that service which is below the tariff of the Standard Shipper Contract, DBP would, in all likelihood, be in breach of the gas transportation contracts which had been entered into at the time of pipeline sale (in October 2004) and subsequently. Moreover, the financial viability of DBP's business would be threatened. DBP notes that, in any event, it is not proposing such revisions to the services policy of the DBNGP Access Arrangement.

DBP believes its proposed revisions are not material, and looks forward to your early advice that the ERA has approved them. DBP's regulatory team would be pleased to provide further information on the revisions should this be of assistance to the Authority in giving its approval.

Yours sincerely



Stuart Hohnen
Executive Chairman

Schedule 1
Proposed Revisions to DBNGP Access Arrangement, October 2006

1. Clause 1.2 is amended to read as follows:

“It comprises:

 - (a) revisions to the access arrangement drafted and approved on 15 December 2005 by the Regulator (“First Revised Access Arrangement”); and
 - (b) revisions to the access arrangement submitted by the Service Provider and approved on [date to be inserted] by the Regulator which amend the Reference Tariff Policy to provide for a Speculative Investment Fund in accordance with section 8.19 of the Code.”
2. Clause 4.1 is amended to read as follows:

“The revisions referred to in clause 1.2(a) commence on 30 December 2005, and the revisions referred to in clause 1.2(b) commence on the date specified by the Regulator in accordance with section 2.48 of the Code.”
3. The heading for clause 6.3 is amended to read as follows:

“6.3 P1 Service”
4. The heading on clause 6.4 is amended to read as follows:

“6.4 B1 Service”
5. Clause 7.1(a)(ii) is amended to read as follows:

“(ii) a share of those costs (including capital costs) which are attributable to provision of the Reference Service jointly with Services provided to other shippers with contractual rights existing prior to 1 January 2005 and other Services which Operator considers are reasonably foreseeable to be offered during the period from 1 January 2005 until 31 December 2010.”
6. The introduction to clause 7.2(b) is amended to read as follows:

“(b) The Total Revenue has been calculated as the sum over the period from 1 January 2005 until 31 December 2010 of the costs in each year of that period that comprise the sum in each year of:”
7. Clause 7.3(d) is amended to read as follows:

“(d) Consistent with the Cost of Service methodology of section 8.4 of the Code, the Reference Tariff for the Access Arrangement Period is determined on the basis of New Facilities Investment that is forecast to occur during the period from 1 January 2005 until 31 December 2010, and which is expected to pass the requirements of section 8.16(a) when the investment is forecast to occur.”

8. Clause 7.3(e) is amended to read as follows:

“(e) The Capital Base at the commencement of the next Access Arrangement Period is to be determined as:

- (i) the capital base at 1 January 2005; plus
- (ii) subject to section 8.16(b) and sections 8.20 to 8.22 of the Code, the New Facilities Investment or Recoverable Portion (whichever is relevant) during the period from 1 January 2005 until 31 December 2010; plus
- (iii) all or part of Speculative Investment that, in accordance with the provisions of the Access Arrangement, may be added to the Capital Base; less
- (iv) the sum of the values of depreciation determined for the purpose of determining the Reference Tariffs for the period from 1 January 2005 until 31 December 2010,

subject to adjustment for inflation so that the Cost of Service methodology can be applied on a real basis (under which the Capital Base, Depreciation and all costs and revenues are expressed in constant prices and a real Rate of Return is allowed).

9. Clause 7.4(a) is amended to read as follows:

“(a) New Facilities Investment forecast to occur during the period from 1 January 2005 until 31 December 2010 is reasonably expected to pass the requirements of section 8.16 of the Code when that New Facilities Investment is forecast to occur.”

10. Clause 7.4(b) is amended to read as follows:

“(b) For the purposes of calculating the Capital Base at the commencement of the next Access Arrangement Period in accordance with section 8.9 of the Code, the New Facilities Investment will consist only of actual New Facilities Investment that has occurred during the period from 1 January 2005 until 31 December 2010.”

11. The following additional sub-clauses are added to clause 7.4:

- “(c) Operator may undertake New Facilities Investment that does not satisfy the requirements of the Code. If Operator does undertake such New Facilities Investment and the New Facilities are part of the Covered Pipeline pursuant to the Extensions/Expansions Policy, then the Capital Base may be increased by the Recoverable Portion.
- (d) The difference between the New Facilities Investment and the Recoverable Portion, less any amount that Operator notifies the Regulator (at the time expenditure is incurred) is to be recovered through a Surcharge, is to be Speculative Investment.
- (e) Subject to clauses 7.4(f) and (g), where clause 7.4(d) applies, the following amounts may be added to the Capital Base:
 - (i) all or part of an amount which is Speculative Investment; and
 - (ii) an amount that equals the annual increase in the Speculative Investment referred to in clause 7.4(e)(i) calculated on a compounded basis at a rate of return approved by the Regulator (which rate of

return may, but need not, be different from the rate of return implied in the Reference Tariff).

- (f) Clause 7.4(e) will only apply in relation to Speculative Investment where the type and volume of Services provided using the New Facilities change such that any part of the Speculative Investment, plus the annual increase as determined in accordance with clause 7.4(e)(ii), would then satisfy the requirements of the Code for addition to the Capital Base.
- (g) Clause 7.4(e) will not apply if it relates to Speculative Investment which has been previously added to the Capital Base."

12. Clause 7.5 is amended to read as follows:

"The return on the Capital Base has been determined by multiplying the Capital Base at 1 January 2005, and at the beginning of each subsequent year until 1 January 2010, by the Rate of Return."

13. In clause 7.12(c), references to "Access Arrangement Period" are changed to read "period from 1 January 2005 until 31 December 2010".

14. The introduction to clause 7.12(e) is amended to read as follows:

"(e) For the purposes of this clause 7.12, non-capital costs for any year of the period from 1 January 2005 until 31 December 2010 do not include the costs associated with:"

15. The following definitions are added to clause 14 of the Access Arrangement:

Recoverable Portion means that part of New Facilities Investment that meets the requirements of the Code for addition to the Capital Base.

Speculative Investment has the meaning given in clause 7.4(d).