

15 November 2013

Email: publicsubmissions@erawa.com.au

Re: Wesfarmers Chemicals, Energy and Fertilisers submission to the ERA Consultation Paper 'Guidelines for the Rate of Return for Gas Transmission and Distribution Networks'

Dear Sir / Madam,


Wesfarmers Chemicals, Energy & Fertilisers ("WesCEF"), a division of Wesfarmers Ltd, operates chemical, gas and fertiliser businesses that service a range of sectors in both domestic and international markets.

WesCEF appreciates the opportunity to comment on the Economic Regulatory Authority's ("ERA") approach for determining the return on debt and equity for the Rate of Return ("RoR") Guidelines for gas transmission and distribution pipelines ("Guidelines"). In this letter, WesCEF makes some comments specific to the debt component of the RoR and refers to the Cost of Debt Comparative Analysis ("Analysis") document prepared for the ERA by Chairmont Consulting ("Chairmont").

WesCEF is a significant user of regulated natural gas pipelines and distribution systems in Western Australia. As outlined in previous submissions, its main concern is that the cost of accessing these regulated assets remains competitive whilst ensuring that the regulated RoR is sufficient for owners and operators of the regulated assets to provide an adequate service and undertake necessary investment.

Chairmont's Analysis considers six different approaches for determining the debt component that will be incorporated into the Guidelines. Based on the information presented by Chairmont, WesCEF's preference is to use the "Option A: Current Model" approach which involves five yearly resets of the cost of debt using the bond yield.

WesCEF believes that the other approaches suggested by Chairmont will create unnecessary and unwarranted volatility in tariff prices, as compared to the five yearly resets of the cost of debt under the "Option A: Current Model" method. The potential for annual volatility in tariff prices is a significant risk for WesCEF and its customers. It will add complexity and cost uncertainty for a key input cost, impacting our ability to make effective and timely investment and operational decisions.



It is important to note that the comments above have been provided in good faith and reflect WesCEF's broad view on the ERA's proposed approach for the development of the Guidelines. They are not intended to be used as expert technical advice; but to provide comments for consideration by the ERA in forming its Guidelines.

Should you wish to discuss any points raised in this submission please contact Melanie Gordon on (08) 93129281 or mgordon@kleenheat.com.au.

Yours faithfully,

Melanie Gordon
Regulatory Manager Kleenheat Gas
On behalf of Wesfarmers Chemicals, Energy & Fertilisers