



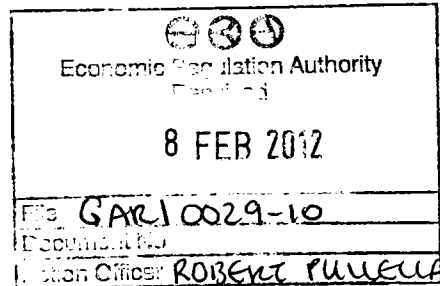
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3 February 2012

Lyndon Rowe
Chairman
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000



Dear Lyndon

DBNGP Tariff Variation January 2012

As you would be aware from our correspondence to Mr Rob Pullella on 20 January 2012, the corrected Access Arrangement issued by the ERA on 12 January 2012 still requires changes to the ERA's tariff variation mechanism in the access arrangement to provide certainty as to the reference tariffs applicable on 1 January 2012.

DBP understands from discussions with your officers that of the two options outlined in our email of 20 January 2012 which, in DBP's view, would correct the error, the ERA intends to accept DBP's Option 1 (provided as Schedule 1 of this letter). However, a corrigenda giving effect to the correction will only be issued at the conclusion of DBP's application to review the ERA's access arrangement currently being heard by the Australian Competition Tribunal.

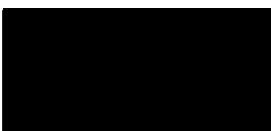
While there is presently no uncontracted firm full haul capacity on the pipeline that would be able to be accessed on the terms and conditions of the reference service, DBP considers that it is important to have certainty on the T1 reference tariffs as soon as possible.

In light of the above, DBP would like the ERA to accept this as a notice, pursuant to clause 11.2(e) of the Access Arrangement, advising of the application of the CPI Formula Variation.

Accordingly, please find enclosed as Schedule 2 to this letter:

- DBP's notice of the CPI Formula Variation for the period from 20 January 2012;
- The workings of the mechanism; and
- The resultant varied Reference Tariffs for each of the T1, P1 and B1 reference services.

Yours sincerely



Anthony Cribb
General Manager Corporate Services

Economic Regulation Authority 08 Feb 2012

**Schedule 1 –
Tariff Variation Mechanism – Option 1**

The tariff provisions in the ERA's corrected access arrangement issued on 12 January 2012 has 2 issues that need addressing because as presently drafted, one is not able to determine:

- what the reference tariffs are as at 1 January 2012; and
- how the tariff variation mechanism in clause 11.2(c) works.

The two issues are:

1. because of the interaction of clause 3.3(c) and 11.2(c) (and also clauses 3.4(c) and 3.5(c)), as currently drafted, there is uncertainty as to what is the level of the starting tariff for 1/1/2012. This is because:
 - a. each of clauses 3.3(c), 3.4(c) and 3.5(c) state what the tariff is as at 1/1/2012 but the values are in \$2010 values; and
 - b. clause 11.2(c) says that each of the reference tariffs are varied on 1 January in 2012,
2. the tariff variation mechanism in clause 11.2(c) does not work because of incorrect clause referencing in the definition of Tariffb in that clause. It states that the tariff that is adjusted is the Capacity Reservation Tariff or Commodity Tariff (as the case may be) set out in clause 3.3(b), 3.4(b) and 3.5(b) of the Current Access Arrangement. However, there are no tariffs set out in these clauses. Rather there are tariffs set out in clause 3.3(c), 3.4(c) and 3.5(c).

At 20 January DBP proposed 2 Options of changes to the drafting of these clauses in order to address the above issues.

The ERA have now indicated that it intends to adopt DBP's Option 1 (provided below).

DBP noted in its correspondence of 20 January that if Option 1 were to be adopted, an application would have to be made to the ERA for approval to vary the tariff as at 1 January 2012.

Option 1

3.3 T1 Service

- (a) T1 Service is a Full Haul Service in which Operator (subject to availability of Capacity):
 - (i) takes receipt, at one or more Inlet Points on a Day, of a quantity of the Shipper's gas not exceeding:
 - (A) the sum of the Shipper's MDQ;
 - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
 - (ii) delivers to the Shipper at one or more Outlet Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) The reference tariff for T1 Service (T1 Tariff) is:
 - (i) made up of the following components:
 - (A) the T1 Capacity Reservation Tariff; and
 - (B) the T1 Commodity Tariff; and
 - (ii) varied in accordance with section 11 of this Current Access Arrangement.
- (c) As at 1 January 2012:
 - (i) the T1 Capacity Reservation Tariff is \$1.087228/GJ (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)); and
 - (ii) the T1 Commodity Tariff is \$0.092402/GJ (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)), making a T1 Tariff of \$1.179630/GJ (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)).
- (d) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for T1 Service, unless Operator in its absolute discretion agrees otherwise.

- (e) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for T1 Service, unless Operator in its absolute discretion agrees otherwise.

3.4 P1 Service

- (a) P1 Service is a Part Haul Service in which Operator (subject to availability of Capacity):
- (i) takes receipt, at one or more Inlet Points on a Day, of a quantity of the Shipper's gas not exceeding:
 - (A) the sum of the Shipper's MDQ;
 - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
 - (ii) delivers to the Shipper at one or more Outlet Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) The reference tariff for P1 Service (P1 Tariff) is:
- (i) made up of the following components:
 - (A) the P1 Capacity Reservation Tariff; and
 - (B) the P1 Commodity Tariff; and
 - (ii) varied in accordance with section 11 of this Current Access Arrangement.
- (c) As at 1 January 2012:
- (i) the P1 Capacity Reservation Tariff is \$0.000777/GJ MDQ*km (\$2010); (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)) and
 - (ii) the P1 Commodity Tariff is \$0.000066/GJ*km (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)), making a P1 Tariff of \$0.000843/GJ*km (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)).
- (d) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for P1 Service, unless Operator in its absolute discretion agrees otherwise.
- (e) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for P1 Service, unless Operator in its absolute discretion agrees otherwise.

3.5 B1 Service

- (a) B1 Service is a Back Haul Service in which Operator (subject to availability of Capacity):
- (i) takes receipt, at one or more Inlet Points on a Day, of a quantity of the Shipper's gas not exceeding:
 - (A) the sum of the Shipper's MDQ;
 - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
 - (ii) delivers to the Shipper at one or more Outlet Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) The reference tariff for B1 Service (B1 Tariff) is:
- (i) made up of the following components:
 - (A) the B1 Capacity Reservation Tariff; and
 - (B) the B1 Commodity Tariff; and
 - (ii) varied in accordance with section 11 of this Current Access Arrangement.
- (c) As at 1 January 2012:
- (i) the B1 Capacity Reservation Tariff is \$0.000777/GJ MDQ*km (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)); and
 - (ii) the B1 Commodity Tariff is \$0.000066/GJ*km (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)); making a B1 Tariff of \$0.000843/GJ*km (\$2010) (to be converted to \$2012 values by applying the variation mechanism in clause 11.2(c)).

- (d) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for B1 Service, unless Operator in its absolute discretion agrees otherwise.
- (e) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for B1 Service, unless Operator in its absolute discretion agrees otherwise.

11.2 The CPI Formula Variation means the following mechanism:

- (a) The Reference Tariffs in clauses 3.3(b), 3.4(b) and 3.5(b) of this Access Arrangement will be periodically varied for the effects of inflation during the Current Access Arrangement Period.
- (b) Each Reference Tariff will be varied annually on 1 January of each year of the Current Access Arrangement Period for the effects of inflation.
- (c) This variation of each Reference Tariff will be effected by adjustment on 1 January in each of the years 2012, 2013, 2014 and 2015 in accordance with CPI on the following basis:

where:

Tariff_n = Capacity Reservation Tariff or Commodity Tariff (as the case may be) in year n, where year n is each of the years 2012, 2013, 2014 and 2015;

Tariff_b = Capacity Reservation Tariff or Commodity Tariff (as the case may be) set out in whichever of clauses 3.3(c), 3.4(c) and 3.5(c) of the Current Access Arrangement is applicable;

CPI_n = CPI for the quarter ending on 30 September of the year before the year for which the Reference Tariff is being adjusted; and

CPI_b = CPI for the quarter ending on 30 September 2009.

- (d) CPI means the Consumer Price Index, All Groups, weighted average of eight capital cities as published by the Australian Bureau of Statistics.
- (e) Within 10 Business Days of effecting the CPI Formula Variation, the Operator must provide the ERA with a written notice advising of this fact and include the application of the mechanism and the resultant varied Reference Tariff.

Dampier to Bubury Natural Gas Pipeline

Reference Tariff Variation: Varied Reference Tariffs effective on and from 20 January 2012

T1 Reference Tariff adjustment		
CPI _b = CPI for quarter ending 30 September 2010		173.3
CPI _n = CPI for quarter ending 30 September 2011		179.4
T1 Capacity Reservation Tariff		
Tariff _b = Capacity Reservation Tariff	\$/GJ	1.087228
Tariff _n = adjusted T1 Capacity Reservation Tariff	\$/GJ	1.125497
T1 Commodity Tariff		
Tariff _b = Commodity Tariff	\$/GJ	0.092402
Tariff _n = adjusted T1 Capacity Reservation Tariff	\$/GJ	0.095654

P1 Reference Tariff adjustment		
CPI _b = CPI for quarter ending 30 September 2004		173.3
CPI _n = CPI for quarter ending 30 September 2010		179.4
P1 Capacity Reservation Tariff		
Tariff _b = Capacity Reservation Tariff (GJ MDQ*km)	\$/GJ	0.000777
Tariff _n = adjusted P1 Capacity Reservation Tariff (GJ MDQ*km)	\$/GJ	0.000804
P1 Commodity Tariff		
Tariff _b = Commodity Tariff (GJ*km)	\$/GJ	0.000066
Tariff _n = adjusted P1 Capacity Reservation Tariff (GJ*km)	\$/GJ	0.000068

B1 Reference Tariff adjustment		
CPI _b = CPI for quarter ending 30 September 2004		173.3
CPI _n = CPI for quarter ending 30 September 2010		179.4
B1 Capacity Reservation Tariff		
Tariff _b = Capacity Reservation Tariff (GJ MDQ*km)	\$/GJ	0.000777
Tariff _n = adjusted B1 Capacity Reservation Tariff (GJ MDQ*km)	\$/GJ	0.000804
B1 Commodity Tariff		
Tariff _b = Commodity Tariff (GJ*km)	\$/GJ	0.000066
Tariff _n = adjusted B1 Capacity Reservation Tariff	\$/GJ	0.000068