

3 November 2020

Tyson Self
Assistant Director Gas
Economic Regulation Authority of WA
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Dear Tyson Self

NewGen Power Kwinana Pty Ltd (**NPK**) welcomes the opportunity to respond to the Economic Regulation Authority of WA (**ERA**) consultation on proposed revisions to the DBNGP Access Arrangement for the 2021 to 2025 regulatory period (**AA5**).

Background

The Kwinana Power Station is a 335 MW combined-cycle, gas-fired power station located at the Kwinana industrial estate, 30km south of Perth, Western Australia. The Kwinana power station provides highly-efficient, reliable and low cost electricity for Western Australia.

The Kwinana Power Station provides approximately 12% of the South West Interconnected System's (**SWIS**) electricity demand and contributes to the stability and reliability of electricity supply in the SWIS.

Reliable gas supply is critical to the operation of NPK's Kwinana Power Station. NPK has been a party to the DBNGP Standard Shipper Contract since 2005, has a significant level of T1 Full Haul contracted capacity which will not change from AA4 to AA5 and has been a participant in expansions of the DBNGP throughout its history. We therefore have a strong interest in the outcome of the ERA's Access Arrangement review and have been an active participant in the AGI Groups Shipper Round Table consultative process.

While not a focus of our submission, we appreciate AGIG consulting with stakeholders, outlining the various regulatory building blocks to determine the allowable total revenue. NPK is broadly supportive of AGI Group's position on key building blocks and we expect the ERA's final determination to be a reasonable outcome in this respect.

NPK notes the ERA's position in its Draft Decision in regards to the forecast demand on the DBNGP, specifically Contracted Capacity. We understand this is relevant in setting the reservation component of the overall tariff and recovery of the fixed costs of pipeline operations.

Our comments are largely focused on the level of contracted capacity the ERA has adopted for the AA5 period in its Draft Decision.

AA5 Forecast Contracted Capacity

While NPK has not been provided disaggregated capacity or shipper contractual information, which we understand to be commercially sensitive, we do agree with AGI Group's principled position that wherever possible, the ERA adopts actual Shippers contracted capacity evidenced in firm full haul gas transportation agreements. The ERA's consideration of the contracted capacity specified in contracts is vital to arrive at a forecast that is determined on a reasonable basis and represents the best possible forecast in the circumstances.

NPK considers that adopting 2020 levels of contracted capacity isn't reasonable or appropriate where AGI Group has provided evidence to demonstrate its shippers have reduced levels of contracted capacity going forward.

NPK is concerned that forecast contracted capacity, based on 2020 levels, would make it impossible for AGI Group to recover the revenue determined by the ERA. Such an outcome may have detrimental effect to the continued safe and reliable operation of the DBNGP.

Should you have any question please contact me on [REDACTED] or [REDACTED]

Regards

[REDACTED]
Paul Arias

General Manager – Trading, Commercial and Regulatory