



Economic Regulation Authority

# Reference service proposal decision

Proposed reference service for the Goldfields Gas Pipeline  
submitted by Goldfields Gas Transmission

21 June 2023

## **Economic Regulation Authority**

Level 4, Albert Facey House

469 Wellington Street, Perth WA 6000

**Telephone** 08 6557 7900

**Email** [info@erawa.com.au](mailto:info@erawa.com.au)

**Website** [www.erawa.com.au](http://www.erawa.com.au)

This document can also be made available in alternative formats on request.

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## Decision

The Economic Regulation Authority regulates gas transmission and distribution networks in Western Australia. We regulate under the *National Gas Law* and *National Gas Rules*, as applied in WA. The ERA's decisions made under this regulatory framework support the national gas objective to promote efficient investments in, and efficient operation and use of, natural gas services for the long term interests of gas consumers.

The Goldfields Gas Pipeline (GGP), which transports gas to support mining operations throughout the Pilbara and Goldfields regions in Western Australia, is one of the three fully regulated gas pipelines required to have an access arrangement approved by the ERA.<sup>1</sup> Goldfields Gas Transmission Pty Ltd (GGT) is the service provider responsible for operating the GGP and complying with the obligations established under the regulatory framework for gas. GGT is due to submit scheduled access arrangement revisions for the GGP for the next access arrangement period. The review of an access arrangement is a two-stage process: (i) Reference Service Proposal, and (ii) Access Arrangement Proposal.

A reference service proposal identifies all services that can be reasonably offered by means of the pipeline and determines which of these services should be specified as a reference service.<sup>2</sup>

On 21 December 2022, GGT submitted a reference service proposal for the GGP. The ERA is required to assess GGT's proposal by 1 July 2023. The ERA's decision is to approve GGT's proposal to specify the firm transportation service as the single reference service for the GGP. In making our decision, the ERA had regard to the reference service factors and the outcome of consultations held by the ERA and GGT. Details of the ERA's assessment are set out in this decision document.

The ERA has observed that there is high demand for the interruptible transportation services on the GGP. The capacity of the GGP for the firm transportation service was fully contracted at the time of GGT's reference service proposal and GGT could only offer an interruptible transportation service to a prospective user.

Given this circumstance, the ERA considered that there may have been reasonable grounds to specify the interruptible transportation service as a reference service.<sup>3</sup>

However, the ERA also recognises that pipeline users and consumers are better informed about their preferences than the regulator. In the absence of any submissions from users (including prospective users), the ERA accepts GGT's proposal to specify the firm transportation service as the only reference service, and to keep the interruptible transportation service as a non-reference service for the next access arrangement period.

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<sup>1</sup> Only 54.5 per cent of the capacity of the GGP is classified as a scheme pipeline which must have an approved access arrangement for the purposes of the access regulatory regime of the *National Gas Access (WA) Act 2009*. The remaining 45.5 percent of capacity is not regulated by the access regime and is considered a non-scheme pipeline. These percentages may change once the Northern Goldfields Interconnect Pipeline is operational in 2023.

<sup>2</sup> A "reference service" is a pipeline service that has a reference tariff and other terms and conditions set (approved) by the regulator under the access arrangement framework, with the "reference tariff" being the price that the pipeline operator can charge its customers. The reference service and reference tariff may form the basis for arbitration in the event of an access dispute.

<sup>3</sup> The ERA considers the interruptible transportation service is not substitutable with any other service and that approved terms, conditions and prices for the service would likely benefit prospective users.

As an approved reference service, the firm transportation service will form part of GGT's access arrangement proposal for the next access arrangement period, which is due to commence on 1 January 2025.

GGT must submit its access arrangement proposal to the ERA by 1 January 2024.<sup>4</sup> The proposal will set out GGT's proposed terms, conditions and prices for the firm transportation service, along with proposed revisions to the other access arrangement provisions.

However, should a material change arise (for instance, there is demand for another pipeline service to be specified as a reference service), the ERA is able to depart from this decision as part of its review of GGT's access arrangement proposal.

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<sup>4</sup> 1 January 2024 is the review submission date for the access arrangement.

## Reasons for decision

### Decision making framework

#### *Regulatory framework*

1. The National Gas Law (NGL) and National Gas Rules (NGR), as enacted by the *National Gas (South Australia) Act 2008*, establish the legislative framework for the independent regulation of certain gas pipelines in Australia. The *National Gas Access (WA) Act 2009* implements the NGL and NGR in Western Australia.<sup>5</sup>
2. The legislative framework for the regulation of gas pipelines includes a central objective, being the national gas objective, which is:
 

... to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.<sup>6</sup>
3. Under the legislative framework, the Goldfields Gas Pipeline (GGP) is one of three regulated pipelines that require an access arrangement to be approved by the ERA.<sup>7</sup>
4. An access arrangement provides details of the terms and conditions, including prices, for the provision of pipeline services to a third party seeking to transport and/or receive gas. The service provider is responsible for developing and proposing a relevant access arrangement for the pipeline. The ERA (as the regulator) is responsible for assessing the proposed access arrangement against the legislative requirements set out in the NGL and NGR and approving a compliant access arrangement. Once approved, the access arrangement may serve as a benchmark for negotiating access to pipeline services that are offered by means of the regulated pipeline.

#### *Pipeline access arrangement*

5. Once an initial access arrangement is proposed and approved for a regulated pipeline, the access arrangement remains in effect, with scheduled revisions, until coverage of the pipeline is revoked.<sup>8</sup> The GGP access arrangement was initially approved in July 2005. The last scheduled revisions to it were approved by the ERA in December 2019 for the fourth access arrangement period (2020 to 2024).
6. Goldfields Gas Transmission Pty Limited (GGT) is required to submit proposed revisions for the next (fifth) access arrangement period by 1 January 2024. Prior to submitting its access arrangement proposal, the NGR requires GGT to submit a reference service proposal to the ERA for approval. The ERA's decision on the reference service proposal approves the reference services that GGT must include in

<sup>5</sup> The NGL as implemented in Western Australia is set out as a note in the *National Gas Access (WA) Act 2009*. This note does not form part of the Act but shows the text that applies as the *National Gas Access (Western Australia) Law*. In this decision, references to the "NGL" are references to the Western Australian National Gas Access Law text, unless otherwise specified.

<sup>6</sup> NGL, section 23.

<sup>7</sup> The other pipelines which require an approved access arrangement in Western Australia are the Dampier to Bunbury Natural Gas Pipeline and the Mid-West South-West Gas Distribution Systems.

<sup>8</sup> NGR, rule 49(1).

its access arrangement proposal, and for which GGT must propose the terms, conditions and prices for access to these services.

### ***Submission and content of a reference service proposal***

7. GGT was required to submit its reference service proposal to the ERA by 1 January 2023, being no later than 12 months prior to the review submission date for the GGP access arrangement.<sup>9</sup> The ERA was then required to publish GGT's proposal for public comment before making its reference service proposal decision by 1 July 2023 (which is six months prior to the date when GGT is required to submit its proposed revisions to the access arrangement).<sup>10</sup>
8. The purpose of a reference service proposal is to identify the services that can be provided by the pipeline and determine which of these services should be specified as a reference service under the access arrangement. A "reference service" is a pipeline service that has a reference tariff and other terms and conditions approved by the ERA under the access arrangement framework, with the "reference tariff" being the price that GGT can charge its customers as the pipeline operator.
9. A reference service proposal must:<sup>11</sup>
  - Identify the pipeline to which the proposal relates and include a reference to a website where a description of the pipeline can be reviewed.
  - Set out all the pipeline services that the service provider can reasonably provide by means of the pipeline, and provide a description of those services with consideration given to the different characteristics of each service, such as:
    - The service type (for example, is the service a forward haul, backhaul, connection, or park and loan service).
    - The priority of the service relative to other pipeline services of the same type.<sup>12</sup>
    - The receipt and delivery points.
  - From the list of pipeline services that the service provider can reasonably provide, identify at least one of those services as a proposed reference service. In identifying the proposed reference service(s), consideration must be given to the "reference service factors" and any supporting information required by the ERA.
  - Where the service provider has engaged with pipeline users and/or other interested parties in developing the proposal, describe the feedback received from those users/parties about what pipeline services should be specified as a reference service.

<sup>9</sup> NGR, rule 47A(3).

The review submission date for the GGP access arrangement is 1 January 2024. This is the date that GGT must submit an access arrangement proposal. This proposal sets out GGT's proposed revisions to the access arrangement for the next (fifth) access arrangement period, which is expected to commence on 1 January 2025.

<sup>10</sup> NGR, rules 47A(6) and 47A(9).

<sup>11</sup> NGR, rule 47A.

<sup>12</sup> This refers to the priority ranking of a service in relation to other pipeline services when scheduling services and in the event of curtailment.

10. The reference service factors are set out in the NGR:<sup>13</sup>
- (a) actual and forecast demand for the pipeline service and the number of prospective users of the service;
  - (b) the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;
  - (c) the feasibility of allocating costs to the pipeline service;
  - (d) the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:
    - (i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;
    - (ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and
    - (iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;
  - (e) the likely regulatory cost for all parties (including the [ERA], users, prospective users and the service provider) in specifying the pipeline service as a reference service.

## GGT's reference service proposal

11. On 21 December 2022, GGT submitted its reference service proposal for the GGP in relation to its forthcoming access arrangement review.
12. The GGP is the gas transmission pipeline defined in Pipeline Licence 24 issued under the *Petroleum Pipelines Act 1969 (WA)*. It is owned by participants of the GGT Joint Venture Agreement: Southern Cross Pipelines (NPL) Australia Pty Limited; Southern Cross Pipelines Australia Pty Limited; and Alinta Energy GGT Limited. GGT is the manager of the joint venture agreement and is the complying service provider for the GGP for the purposes of the access regime established by the NGL and NGR.
13. The GGP is 1,378 kilometres long, commencing from the Yarraloola inlet/compressor station, traversing inland in a south-easterly direction and terminating at the Kalgoorlie south delivery station. The pipeline feeds into several laterals supplying natural gas to support mining operations throughout the Pilbara and Goldfields regions. From the first quarter of 2023, the GGP is expected to be interconnected with the Northern Goldfields Interconnect (NGI) south of Leinster.<sup>14</sup> Additional information on the GGP can be found on the APA website.<sup>15</sup>

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<sup>13</sup> NGR, rule 47A(15).

<sup>14</sup> GGT, *Reference Service Proposal*, 21 December 2022, pp. 6-7.

<sup>15</sup> APA, 'goldfields gas pipeline' ([online](#)) (accessed May 2023).



## Proposed reference service

14. GGT identified eight pipeline services that it can reasonably provide via the GGP and proposed to retain the existing “firm transportation service” as the single reference service for the next (fifth) access arrangement period (Table 1). Detailed descriptions for each service are set out in section 4 of GGT’s reference service proposal.<sup>16</sup>

**Table 1: Pipeline services provided by means of the GGP**

Pipeline Service	Description
<b>Reference service</b>	
Firm transportation service	<ul style="list-style-type: none"> <li>• Transportation from a receipt point to a delivery point.</li> <li>• Highest priority service.</li> <li>• Available between any receipt point<sup>17</sup> and any delivery point.</li> </ul>
<b>Other (non-reference) services</b>	
Interruptible transportation service	<ul style="list-style-type: none"> <li>• Transportation from a receipt point to a delivery point.</li> <li>• Lower priority service (may not be available on a day).</li> <li>• Available between any receipt<sup>17</sup> point and any delivery point.</li> </ul>
Firm parking service	<ul style="list-style-type: none"> <li>• Pipeline storage of gas.</li> <li>• Highest priority right to store.</li> </ul>
Interruptible parking service	<ul style="list-style-type: none"> <li>• Pipeline storage of gas</li> <li>• Lower priority service (may not be available on a day).</li> </ul>
Firm loan service	<ul style="list-style-type: none"> <li>• Borrowing of gas from pipeline line pack.</li> <li>• Highest priority right to borrow.</li> </ul>
Interruptible loan service	<ul style="list-style-type: none"> <li>• Borrowing of gas from pipeline line pack.</li> <li>• Lower priority service (may not be available on a day).</li> </ul>
In-pipe trade service	<ul style="list-style-type: none"> <li>• Facilitation of trade of gas between pipeline users.</li> </ul>
Interconnection service	<ul style="list-style-type: none"> <li>• Provision, or facilitation, of interconnection to the pipeline.</li> </ul>

Source: GGP Reference Service Proposal

15. GGT noted that it is prepared to negotiate with prospective users with respect to its non-reference services. It also noted the current constraints in the capacity of GGP. Since the capacity for the provision of firm transportation service is currently fully contracted to users, GGT may only be able to offer a prospective user interruptible transportation service and an interruptible park or loan service.

<sup>16</sup> GGT, *Reference Service Proposal*, section 4, pp. 8-12.

<sup>17</sup> The receipt point is likely to be either Yaraloola or the NGI-GGP Interconnection point.

## Stakeholder engagement feedback

16. In preparing its reference service proposal, GGT submitted that it engaged with customers of the GGP to discuss the proposal for the forthcoming access arrangement process.
17. GGT stated that its customers provided the following feedback:
- Customers were supportive of GGT offering the services as proposed.
  - Customers were supportive of the firm transportation service being the single reference service for the forthcoming access arrangement period.
  - Customers considered the current firm transportation service as the single reference services, was suitable given the current gas pipeline utilisation uncertainty.
  - Gas pipeline uncertainty was driven by increasing penetration of renewable energy and emission reduction initiatives in Western Australia.
  - Customers considered that greater adoption of renewables will require more customised and flexible energy solutions in the future.<sup>18</sup>

## Consideration of reference service factors

18. In determining which of its pipeline services to specify as a reference service, GGT needed to consider the reference service factors. GGT assessed each of the pipeline services against the reference service factors in accordance with identified criteria (Table 2).

**Table 2: GGT assessment criteria for whether a pipeline service should be a reference service based on the reference service factors**

Reference service factor	Identified assessment criteria
Rule 47A(15)(a): Actual and forecast demand for the pipeline service and the number of prospective users of the service	A reference service should have sufficient: <ol style="list-style-type: none"> <li>a. Actual and forecast demand and/or</li> <li>b. Prospective users</li> </ol>
Rule 47A(15)(b): The extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service.	Each reference service should be unique and therefore not substitutable with other reference services (for example, if two reference services are substitutable, one of them would be redundant in playing its role as a point of reference for the other service).
Rule 47A(15)(c): The feasibility of allocating costs to the pipeline service.	It should be feasible to allocate costs to the reference service. If there are shared costs, it should be feasible to allocate them to the service.
Rule 47A(15)(d): The usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services.	The reference service should provide a point of reference or benchmark such that the service is such that the service is useful in supporting access negotiations and dispute resolution for other pipeline services.

<sup>18</sup> GGT, *Reference Service Proposal*, p. 13.

Reference service factor	Identified assessment criteria
Rule 47A(15)(e): The likely regulatory costs for all parties (including the ERA, users, prospective users and the service provider) in specifying the pipeline service as a reference service.	The regulatory cost associated with the reference should: <ul style="list-style-type: none"> <li>a. be low; or</li> <li>b. not exceed the expected revenue from providing the reference service; or</li> <li>c. not exceed the benefit of having the service as a reference service.</li> </ul>

Source: GGT Reference Service Proposal, p. 14.

19. GGT submitted that the firm transportation service, on balance, satisfied the reference service factors since:<sup>19</sup>
- There is high demand for the service.
  - It is feasible to allocate costs to the service.
  - The service is useful in supporting access negotiations and dispute resolution for other pipeline services.
  - There is low regulatory cost to administer the service.

## ERA's reference service proposal decision

20. In making its reference service proposal decision, the ERA:
- Assessed GGT's reference service proposal to ensure compliance with the requirements of the NGR.
  - Considered the matters that it is required to consider, including:<sup>20</sup>
    - Submissions made in response to the ERA's invitation for submissions on GGT's reference service proposal.
    - Feedback GGT received from pipeline users during the development of its reference service proposal.
    - The reference service factors.<sup>21</sup>
    - Any other matter considered relevant.

### Proposal requirements

21. The NGR set out the requirements for GGT's reference service proposal. If the ERA considers the proposal does not comply with the rule requirements it may notify the service provider to resubmit the reference service proposal prior to assessing and deciding whether to approve (or not approve) it.<sup>22</sup>
22. The ERA undertook a preliminary compliance check of GGT's reference service proposal before publishing it for public comment. Table 3 sets out the results of this

<sup>19</sup> GGT, *Reference Service Proposal*, p.16.

<sup>20</sup> NGR, rule 47A(13).

<sup>21</sup> The reference service factors are set out at paragraph 10 of this decision.

<sup>22</sup> NGR, rule 47A(4).

compliance check. The proposal was found to be compliant with the requirements of the NGR.

**Table 3: Preliminary compliance check of GGT’s reference service proposal against the requirements set out in the National Gas Rules**

NGR requirement	Compliance status
<b>Submission of proposal</b>	
For a full regulation pipeline where an existing access arrangement applies, proposal submitted no later than 12 months prior to the review submission date for the access arrangement (NGR 47A(3)(a)).	Compliant
<b>Content of proposal</b>	
Proposal identifies the pipeline to which it relates, including a reference to a website where a description of the pipeline can be reviewed (NGR 47A(1)(a)).	Compliant
Proposal sets out all the pipeline services that the service provider can reasonably provide by means of the pipeline, including a description of each of the services (NGR 47A(1)(b)).	Compliant
Proposal identifies, from the list of pipeline services that the service provider can reasonably provide, at least one service to be specified as a reference service (NGR 47A(1)(c)).	Compliant
Where the service provider has engaged with pipeline users in developing its proposal, proposal describes any feedback from those users about which pipeline services should be specified as a reference service (NGR 47A(1)(d)).	Compliant

## **Public consultation**

23. The ERA must consider the consultation undertaken by GGT in developing its reference service proposal and any submissions received in response to the ERA’s consultation process.<sup>23</sup>

## **GGT’s consultation**

24. GGT submitted that it consulted with customers of the GGP to discuss the reference service proposal for the forthcoming access arrangement process and provided a summary of the consultation outcomes.
25. The ERA considered that GGT’s proposal lacked details on the level of stakeholder engagement undertaken and requested additional information from GGT to further explain its consultation process.
26. In response to the ERA’s request, GGT reiterated that its consultation process for the reference service proposal was undertaken as part of its regular stakeholder engagement. A total of eight customers were individually consulted from 19 October 2022 to 19 December 2022.

<sup>23</sup> NGR, rules 47A(13)(b) and (c).

## *ERA's consultation*

27. The ERA published GGT's reference service proposal on 10 February 2023 and invited interested parties to make submissions by 10 March 2023. The ERA highlighted two key issues for interested parties, which were aimed at: (i) identifying any additional pipeline services and/or reference services (whether existing or prospective) that can be provided by means of the GGP such as backhaul service and (ii) providing additional feedback on GGT's consultation process.<sup>24</sup>
28. The ERA received one submission, which was from GGT.
29. In its submission, GGT sought to clarify that a backhaul service was already provided for under the existing transportation services (either firm or interruptible), and that specification of "backhaul service" was not needed. GGT submitted:
- ... [transportation services are] available between any receipt and any delivery point. In doing so, the transportation services offered are agnostic of service direction. That is, regardless of whether the transportation service is offered with or against the prevailing flow of gas on the pipeline, APA potentially offers Firm and Interruptible transportation services.
- In GGT's service framework described above, a backhaul service, as commonly understood in respect of gas transportation services, is not a different or additional service to those already proposed. GGT's view is that there is no need to refer to a specific backhaul service as, from our service structure/contract arrangements, they are identical to a transportation service. As such, backhaul is already incorporated in the proposed definition of transportation service in our reference service proposal.<sup>25</sup>
30. Further to its public invitation for submissions on GGT's reference service proposal, the ERA used its discretion and directly contacted some known users of the GGP asking for any feedback on the reference service proposal and/or any other issues relevant to the transportation of gas via the GGP.<sup>26</sup> The ERA received feedback from one user concerning pipeline operations.
31. The ERA considers that pipeline operations is a matter more relevant to the assessment of GGT's access arrangement proposal rather than the current assessment of GGT's reference service proposal. As such, the ERA will take account of the feedback received when assessing GGT's access arrangement proposal.

## *Reference service factors*

32. In assessing GGT's reference service proposal, the ERA considered GGT's assessment of pipeline services against the reference service factors.
33. The ERA's consideration of each the reference service factors in Table 2 is set out at paragraphs 34 to 54 below. In considering the reference service factors, the ERA has sought to determine the circumstances in which each factor would be reasonably satisfied. The ERA considers that a pipeline service that can reasonably satisfy most of the reference service factors should be, on balance, specified and offered as a reference service unless there are valid reasons for the service to be offered as a non-reference service.

<sup>24</sup> ERA, *Notice – Reference service proposal for the Goldfields Gas Pipeline: Invitation for public submissions*, 10 February 2023 ([online](#)) (accessed February 2023).

<sup>25</sup> GGT submission, 10 March 2023.

<sup>26</sup> NGR, rule 47A(8).

*Factor A: Actual and forecast demand for the service and number of prospective users of the service*

34. Factor A requires consideration of actual and forecast demand for the pipeline service and the number of prospective users of the service. The ERA considers that a service with high actual and forecast demand and a high number of prospective users would reasonably satisfy this factor. Offering pipeline services that are in high demand as reference services is in the long term interest of gas consumers. The approved terms and conditions (including prices) for these services will be useful to a larger number of existing or prospective users. Consequently, the benefits of specifying these services as reference services are relatively high.
35. GGT assessed each pipeline service against Factor A by considering whether the service has sufficient actual and forecast demand and/or prospective users. GGT submitted that:
- The firm transportation service and the interruptible transportation service both have sufficient demand and/or prospective users. Demand remains high (with capacity fully contracted) for firm transportation services to support expanding and new mining and minerals processing projects in the Pilbara and Goldfields regions. Prospective users of the GGP seek access to the interruptible transportation service because:
    - capacity for a firm transportation service is currently unavailable; or
    - an additional transportation service (to supplement its existing firm transportation service) is needed to meet short-term demand requirements.
  - The other pipeline services (parking and loan services, in-pipe trade service and interconnection service) have either low or uncertain forecast demand and therefore do not satisfy Factor A.
36. The ERA notes that GGT did not provide any actual or forecast demand data for the firm and interruptible transportation services, parking services and loan services in its reference service proposal to substantiate its assessment of these services against Factor A. The ERA requested this demand data from GGT on 2 May 2023.
37. GGT provided the requested information on 22 May 2023.<sup>27</sup> The data substantiates GGT's assessment that there is high demand for the firm and interruptible transportation services relative to the other services. The ERA notes a rise in demand for the interruptible transportation service, which according to GGT is due to the firm transportation service being unavailable due to current capacity constraints. There should be prospective additional capacity available from 2023 once the GGP is interconnected with the Northern Goldfields Interconnect Pipeline. In circumstances where there is additional capacity to provide a firm transportation service, the ERA considers that demand for the interruptible transportation service would likely decrease while demand for the firm transportation service would increase.

<sup>27</sup> GGT subsequently met with the ERA on 23 May 2023 to further explain the data provided.

**Factor B:** *Extent to which the service is substitutable with another service to be specified as a reference service*

38. Factor B requires consideration as to whether the pipeline service is not substitutable with another pipeline service that is to be specified as a reference service. Given that Factor B is explicitly focused on the substitutability of a service with another service that *is to be specified as a reference service*, specific consideration needs to be given to the service substitute and whether it will be (or is already) specified as a reference service.
39. The ERA considers that for a service to be substitutable, the service substitute should aim to deliver the same service outcome to the user (customer) as the original service. Where a service does not have a service substitute, it would be appropriate to consider specifying the non-substitutable service as a reference service itself after consideration is given to the other reference service factors.
40. GGT considered that a pipeline service satisfies Factor B if the service is unique and not substitutable with other reference service. In its assessment, GGT considered that:
- The interruptible transportation service could be substituted with the firm transportation service, which is proposed to be specified as a reference service.
  - Other pipeline services, such as the parking service, loan service, in-pipe trade service and interconnection service, cannot be substituted with another service. While there is a degree of substitutability between the firm and interruptible parking service, and between the firm and interruptible loan service, neither the parking services nor loan services are substitutes for any other services that can be reasonably provided via the GGP.
  - The lack of substitutability for parking services, loan services, the in-pipe service and interconnection service may provide some grounds for proposing some of these services as reference services. However, after consideration of the other reference service factors these services should not be specified as reference services.
41. Noting GGT's assessment of pipeline services against Factor B, the ERA considers that:
- While the interruptible transportation service is theoretically substitutable with the firm transportation service, it is only substitutable to the extent that the firm transportation service is actually available. GGT has submitted that the capacity to provide the firm transportation service is fully contracted to existing users. In these circumstances, there is no alternative transportation service for a prospective user other than the interruptible transportation service. For this reason, the interruptible transportation service may be considered as not substitutable with the firm transportation service, and it may be appropriate to specify the interruptible transportation service as a reference service.
  - While GGT noted that there is a degree of substitutability between the firm and interruptible parking services, and the firm and interruptible loan services, it submitted that these services are not substitutable with any other pipeline services. Given this lack of substitutability with other services, it may be appropriate to specify the firm parking service and firm loan service as reference services. Similarly, it may also be appropriate to specify the in-pipe trade service and interconnection service as reference services given the lack of substitutability with other services.

### *Factor C: Feasibility of allocating costs to the service*

42. Factor C requires consideration of the feasibility of allocating costs to the service. The ERA considers that it is only feasible to allocate costs to a service if the direct and shared costs of providing the service can be determined.
43. GGT assessed each pipeline service against Factor C by considering whether it is feasible to allocate costs to each service, including any shared costs. GGT assessed that:
- It is feasible to allocate costs to the firm transportation service – the costs incurred in building and operating a transmission pipeline are largely the costs of providing the firm transportation service.
  - It is not feasible to allocate costs to the interruptible transportation service given that the service is subject to uncertainty. The quantity of interruptible transportation service available to users on any day is not known prior to the scheduling of services for that day, making cost-based price setting difficult.
  - It is also difficult to allocate costs to the other pipeline services (firm and interruptible parking services, firm and interruptible loan services, in-pipe trade service, and interconnection service) due to the uncertainty in demand and/or difficulty to forecast demand.
44. The ERA considers GGT's assessment to be reasonable:
- It is feasible to allocate costs to the firm transportation service because the costs can be attributed to the building and operating costs of the GGP.
  - It is not feasible to allocate costs to the parking and loan services, in-pipe trade service and interconnection service due to the nature of these services being optional ancillary services, and demand for such services will vary depending on the operational needs of users at any given point in time.
45. While cost allocation for the interruptible transportation service may not be as straightforward as it is for the firm transportation service, it should still be feasible to allocate costs given the high demand and some degree of certainty in the demand for the service.

### *Factor D: Usefulness of specifying service as a reference service to support access negotiations and dispute resolution*

46. Factor D requires consideration of the usefulness of specifying a service as a reference service in supporting access negotiations and dispute resolution for other services, such that:
- Reference services serve as a reference point from which pipeline services that are not reference services can be assessed by a user (or prospective user) for the purpose of negotiating access to those other services.<sup>28</sup>
  - A reference tariff (the approved price for a specified reference service) serves as a benchmark for the price of services that are not reference services.<sup>29</sup>

<sup>28</sup> NGR, rule 47(A)(15)(i).

<sup>29</sup> NGR, rule 47(A)(15)(ii).



- The approved terms and conditions for a reference service serve as a benchmark for the terms and conditions of services that are not reference services.<sup>30</sup>
47. The ERA considers that for a service to be most useful in supporting access negotiations and dispute resolution for other services, the service to be specified as a reference service would be an established service with a clearly defined service outcome, tariff structure and terms and conditions. Such features would enhance the ability of the parties involved in negotiations or resolutions to reach agreement by having a clear reference point and/or benchmark to work from.
48. GGT considered that a reference service should provide a point of reference or serve as benchmark such that it is useful in supporting access negotiations and dispute resolution for other pipeline services. GGT assessed that only the firm transportation service satisfied Factor D. GGT submitted that:
- The firm transportation service operates under parameters with more certainty and provides a well-defined point of reference which a prospective user can use when negotiating access to another pipeline service that are not reference services. Additionally, some pipeline services (for example, the interruptible transportation service) are often priced with reference to the price of the firm transportation service.
  - Prior specification of terms and conditions for the interruptible transportation service is unlikely to provide a point of reference for other services because of the inherent difficulty of precisely specifying, in advance, the priority of interruptible transportation service. Due to the uncertain nature of the service, it is difficult to forecast demand and allocate costs making its price less useful as a benchmark to price other pipeline services. Additionally, the terms and conditions for the interruptible transportation service are of limited benchmarking use as they are based on the firm transportation service.
  - As for other pipeline services (parking services, loan services, in-pipe trade service and interconnection service), the nature and specification of these services are not comparable to other services that can be provided via the GGP. Consequently, the terms and conditions for these services are not good benchmarks for other pipeline services and are unlikely to assist access negotiations and dispute resolutions.
49. The ERA considers GGT's assessment of the pipeline services against Factor D to be reasonable. The ex-ante specification of terms and conditions (including prices) for the firm transportation service provides a good benchmark for a prospective user when negotiating access to other transportation services that are not reference services. The terms and conditions would also serve as a good reference point during any dispute resolution concerning the transportation of gas via the GGP. The ERA also notes that GGT currently uses the terms and conditions for the firm transportation service to provide benchmarks for the terms, conditions, and prices for the interruptible transportation service.
50. Other pipeline services that are not transportation services can only be accessed if a user has an existing service agreement to transport gas via the GGP. These services are ancillary to the transportation of gas and would be sought by existing users based on their operational needs. The ERA considers that such optional ancillary services would not be particularly useful for access negotiations and/or dispute resolution due to specific users' operational requirements – that is, users are likely to have very specific

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<sup>30</sup> NGR, rule 47(A)(15)(iii).

operational needs for ancillary services which will need to be tailored to their existing transportation service agreement.

*Factor E: Likely regulatory cost for all parties in specifying service as a reference service*

51. Factor E requires consideration of the likely regulatory costs involved for all parties (including users and prospective users, the ERA and GGT) in specifying a pipeline service as a reference service. The ERA considers that the overall benefits in specifying a service as a reference service should be greater than the regulatory costs involved, and that such regulatory costs may include, for example:
  - Administrative and legal costs incurred by GGT to develop the required tariff and terms and conditions for each relevant reference service.
  - Operational costs incurred by the ERA to assess and approve the required tariff and terms and conditions for each relevant reference service.
  - The costs incurred by users and prospective users to review and implement the tariff and terms and conditions for each relevant reference service.
52. GGT considered that a pipeline service satisfies Factor E if the regulatory cost associated with the service is low, does not exceed the expected revenue from providing the service, and not exceed the benefits of specifying the service as a reference service.
53. GGT assessed each pipeline service against Factor E and considered that:
  - The incremental cost of specifying the firm transportation service as a reference service and administering the service is low due to the 'vanilla' nature of the service.
  - The associated cost in administering the interruptible transportation service is high due to the complexity in dealing with its uncertain nature.
  - The cost associated with specifying other pipeline services (parking, loan, in-pipe trade and interconnection services) as reference services outweighs the benefits given the expected low demand (or revenue) and complexity associated with administering these pipeline services.
54. The ERA assessed each pipeline service against Factor E and considers that:
  - The regulatory cost associated in the ex-ante determination of the terms and conditions for the firm transportation service is minimal given that the service is an established service and is already specified as a reference service in the access arrangement for the current (AA4) access arrangement period.
  - While there may be some additional initial regulatory costs in specifying interruptible transportation service as a reference service, the cost may be justified given the high demand for the service.
  - The likely regulatory costs in administering other ancillary pipeline services as reference services is high and will likely outweigh the benefits of doing so. Given the low demand and uncertain nature of these services, the benefit of specifying them as reference services would be minimal – users are likely to want to seek access to these services on terms that meet their specific operational needs. The net cost in administering reference services that are in low demand would be relatively high compared to a service that is in high demand.

*'On balance' consideration of factors*

55. The ERA considers that pipeline services that: are high in demand (or are increasing in demand); can have costs allocated; are useful in supporting access negotiations and dispute resolutions; and/or have minimal regulatory costs are services that, on balance, should be specified as reference services. Services that cannot be substituted with another service should also be specified as reference services, given their unique service characteristics, unless there is a specific reason not to after considering the other reference service factors. In all cases, the benefits of specifying a pipeline service as a reference service should outweigh the costs of doing so.
56. The ERA considers that, on balance, the firm transportation service meets the reference service factors and should continue to be specified as a reference service in the access arrangement for the GGP for the next (AA5) access arrangement period.
57. The ERA notes that capacity for the firm transportation service in the GGP is fully contracted, and that GGT can only offer the interruptible transportation service to a prospective user. The interruptible transportation service is currently a non-reference service in the access arrangement, and GGT has proposed that this classification is retained for the next access arrangement period. This means that prospective users must negotiate their own access terms with GGT for this service (that is, there are no terms, conditions and prices that are approved by the ERA for a non-reference service, unlike a reference service).
58. The ERA considers that there may be grounds to specify the interruptible transportation service as an additional reference service due to expected demand and non-substitutability with another pipeline service. That is, given the current capacity constraints on the GGP, there is no other transportation service available for prospective users to access over the access arrangement period.
59. The ERA notes that the GGP is scheduled to be interconnected with the Northern Goldfields Interconnect Pipeline, which may affect the capacity of the GGP and GGT's ability to offer pipeline services under the access arrangement. The ERA considers that the new interconnection may provide spare capacity for firm services and there may be a decline in the demand for the interruptible transportation service.
60. Also, the ERA notes that no existing or prospective users raised any issues during the various consultation opportunities that were provided. In the absence of any submissions from third parties about which pipeline services should be specified as a reference service, the ERA accepts GGT's proposal to keep the interruptible transportation service as a non-reference service for the next access arrangement period at this time. The ERA considers that the specification of the firm transportation service as the only reference service in the access arrangement for the GGP is satisfactory.

**Decision**

61. The ERA has decided to approve GGT's reference service proposal to specify the firm transportation service as the single reference service in the access arrangement for the GGP.
62. The approved reference service will form part of GGT's access arrangement proposal for the next (AA5) access arrangement period, which is due to commence on 1 January 2025. GGT must submit its access arrangement proposal to the ERA by 1 January

2024.<sup>31</sup> The proposal will set out GGT's proposed terms, conditions and prices for the firm transportation service, along with proposed revisions to other access arrangement provisions.

63. Should any material change arise (for instance, a demand for another pipeline service to be specified as an additional reference service), the ERA is able to depart from this decision as part of its review of GGT's access arrangement proposal.<sup>32</sup>

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<sup>31</sup> 1 January 2024 is the review submission date for the access arrangement.

<sup>32</sup> Rules 48(1) and (2) of the NGR allow for a different reference service (or set of reference services) in the access arrangement or access arrangement proposal if there has been a material change in circumstances since the ERA's reference service proposal decision.

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## Appendix 2 Abbreviations

ERA	Economic Regulation Authority
GGP	Goldfields Gas Pipeline
GGT	Goldfields Gas Transmission Pty Limited
NGL	National Gas Law
NGR	National Gas Rules

## Appendix 3 Submission received

The ERA received one submission from GGT in response to the ERA's invitation for submissions on the GGT's reference service proposal. GGT's submission is published on the ERA's [website](#).