Economic Regulation Authority

Draft decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030)

Attachment 4: Regulatory capital base

7 July 2025

D293485

Acknowledgement of Country

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Note

This attachment forms part of the ERA's draft decision on the proposed revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline. It should be read in conjunction with all other parts of the draft decision, which is comprised of the following document and attachments:

- Draft decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline - Overview, 7 July 2025
  - Attachment 1: Access arrangement and services
  - Attachment 2: Demand
  - Attachment 3: Revenue and tariffs
  - Attachment 4: Regulatory capital base (this document)
  - Attachment 5: Operating expenditure
  - Attachment 6: Depreciation
  - Attachment 7: Return on capital, taxation, incentives
  - Attachment 8: Other access arrangement provisions
  - Attachment 9: Service terms and conditions

Attachment 4. Summary

The setting of the capital base is an important step in determining two elements of the revenue required by DBP to operate and maintain the gas transmission pipeline: the *return on* the capital base (covered in Attachment 7); and the *return of* the capital base (depreciation) (covered in Attachment 6).

The regulatory framework requires the roll forward of the capital base from the current access arrangement period (AA5) to the new access arrangement period (AA6). Actual capital expenditure incurred during AA5 is reviewed by the ERA and once approved, it can be added into the capital base going forward and used in setting the opening capital base for AA6. As the actual capital expenditure for the last year of AA5 (2025) will not be known before the publication of the ERA's final decision, there will need to be an adjustment for any under or over forecast of expenditure when the assessment for the next access arrangement period (AA7) is carried out. The projected capital base for AA6 must be reviewed in AA7 before it can be approved for addition to the capital base. The projected capital base for AA6 is important for setting the tariffs during AA6 so must reflect the best possible forecast of prudent and efficient investment and allow an appropriate amount of depreciation.

The ERA considered information provided by DBP, public submissions and findings from the ERA's technical consultant (EMCa) to determine the amount of capital expenditure that meets the requirements of the National Gas Rules (NGR).

The ERA found that DBP's capital expenditure proposal was consistent with DBP's overarching framework documents.

The ERA assessed DBP's proposed actual and forecast capital expenditure for AA5 and AA6 in accordance with the NGR using a three-step framework:

- Consider whether the expenditure is justifiable under the various capital expenditure criteria (economic, incremental revenue, safety, integrity).[1]
- Evaluate whether the expenditure would be undertaken by a prudent service provider acting efficiently, in accordance with accepted good industry practice to achieve the lowest sustainable cost of providing services consistent with the national gas objective.[2]
- Assess whether forecasts or estimates have been arrived at on a reasonable basis and do they represent the best forecast or estimate possible in the circumstances.[3]

Opening capital base

The opening capital base for the start of AA6 (1 January 2025) is $3,425.8 million. This reflects the ERA's draft decision on the amount of conforming capital expenditure for AA5 and the inclusion of the approved AA5 depreciation. The ERA's draft decision is to approve actual (2021, 2022, 2023 and 2024) and forecast (2025) capital expenditure of $193.1 million for AA5. This is 9 per cent lower than DBP's proposed AA5 capital expenditure of $212.8 million.

1 NGR, rule 79(1)(b) and 79(2).

2 NGR, rule 79(1)(a).

3 NGR, rule 74(2).

The main differences from DBP's proposal are:

- Removal of expenditure relating to DBP's OneERP project that encountered a number of project implementation issues that resulted in an inefficient overspend;
- Removal of expenditure relating to DBP's Jandakot Facility Redevelopment that was scheduled to be undertaken in AA5 but was predominately deferred into AA6;
- Removal of metering expenditure that relates to meter stations that should be shipper funded.

Projected capital base

The projected capital base for the end of AA6 (31 December 2029) is $2,860.5 million. This reflects the ERA's draft decision on the amount of conforming forecast capital expenditure and depreciation for AA6.

The ERA's draft decision is to approve forecast capital expenditure of $219.9 million for AA6. This is 24 per cent lower than DBP's proposal of $288.0 million. The main changes from DBP's proposal are:

- Buildings: DBP deferred the Jandakot Facility Redevelopment project from AA5 into AA6. The cost of the project has increased significantly between access arrangements, which can be partially explained by the increase in building construction costs between the periods. However the main driver of the increase in the costs is due to a change in scope for the project. This change in scope has not been adequately explained and justified by DBP resulting in a reduction in DBP's proposed AA6 capital expenditure for the project.
- Information Technology (IT): The main reduction in the IT asset class relates to the upgrades and enhancements of IT sustaining applications with all enhancement projects not being deemed to be conforming capital expenditure based on the information provided not showing the benefits to DBNGP customers from undertaking the projects.
- Compression: The proposed compression expenditure has been reduced to take into account over-estimated unit costs that were used in the business plan, as well as the removal of a number of projects that have not been sufficiently justified in the documentation provided to date.
- Metering: As in the AA5 expenditure review, the metering category was amended to remove capital expenditure at meter stations that is the requirement of shippers to fund separately under the reference service terms and conditions.

Summary of Required Amendments

Required Amendment 4.1

DBP must amend its access arrangement information to revise its AA5 forecast capital expenditure to $193.1 million ($ real as at 31 December 2024)

Required Amendment 4.2

DBP must amend its access arrangement information to revise its AA6 forecast capital expenditure to $219.9 million ($ real as at 31 December 2024).

Regulatory requirements

1. The *National Gas Access (WA) Act 2009* implements a modified version of the National Gas Law (NGL) and National Gas Rules (NGR) in Western Australia. The rules referenced in this decision are those that apply in Western Australia.[4]

2. Under the regulatory framework, these definitions apply in the NGR:[5]

> **Capital base**, in relation to a pipeline, means the capital value to be attributed, in accordance with [Part 4 of the National Gas Rules], to pipeline assets.
>
> **capital expenditure** means costs and expenditure of a capital nature incurred to provide, or in providing, pipeline services.
>
> **conforming capital expenditure** means capital expenditure that complies with the new capital expenditure criteria.
>
> **depreciation** means depreciation of the capital base.
>
> **new capital expenditure criteria** mean the criteria stated in rule 79.
>
> **non-conforming capital expenditure** means capital expenditure that does not comply with the new capital expenditure criteria.

3. The NGR requires the following capital base information to be included in the service provider's Access Arrangement Information (AAI).[6]

   - Information on how the capital base is arrived at; and if the access arrangement period commences at the end of an earlier access arrangement period, information that demonstrates how the capital base increased or decreased over the previous access arrangement period (rule 72(1)(b)).

   - Information on the projected capital base over the access arrangement period, including a forecast of conforming capital expenditure and a forecast of depreciation (rule 72(1)(c)).

4. Rules 77 to 86 of the NGR set out various provisions for the capital base, which cover:

   - How the opening capital base is to be determined (rule 77):

     – Where an access arrangement period follows directly on from an earlier access arrangement period, the opening capital base for the later access arrangement period is to be calculated as follows:[7]

       – The opening capital base at the start of the earlier access arrangement period adjusted for any differences between forecast and actual capital expenditure included in that opening capital base;

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4 The current rules that apply in Western Australia are available from the Australian Energy Market Commission: AEMC, 'National Gas Rules (Western Australia)' (online) (accessed July 2025).
At the time of this decision, *National Gas Rules – Western Australia version 12 (1 February 2024)* was in effect.

5 NGR, rule 69.

6 AAI is information that is reasonably necessary for users (including prospective users) to understand the background to the access arrangement; and the basis and derivation of the various elements of the access arrangement.

7 NGR, rule 77(2).

  - ***plus***: conforming capital expenditure made, or to be made, during the earlier access arrangement period;
  - ***plus***: any amounts to be added for capital contributions, speculative capital expenditure or the reuse of redundant assets;
  - ***plus***: the value of any extensions to the pipeline;
  - ***less***: depreciation over the earlier access arrangement period;
  - ***less***: redundant assets identified during the earlier access arrangement period;
  - ***less***: the value of pipeline assets disposed of during the earlier access arrangement period.

- How the projected capital base is to be determined (rule 78):
  - The opening capital base;
    - ***plus***: forecast conforming capital expenditure for the period;
    - ***less***: forecast depreciation for the period and the forecast value of pipeline assets to be disposed of over the course of the period.

- The criteria for new capital expenditure (rule 79):
  - Conforming capital expenditure is expenditure that would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable costs of providing services; and is justifiable on one of the grounds stated in rule 79(2); and is properly allocated in accordance with rule 79(6).
  - Rule 79(2) states that capital expenditure is justifiable if it meets one or more of the following criteria:

    (a) the overall economic value of the expenditure is positive; or

    (b) the present value of the expected incremental revenue to be generated as a result of the expenditure exceeds the present value of the capital expenditure; or

    (c) the capital expenditure is necessary:

    (i) to maintain and improve the safety of services; or

    (ii) to maintain the integrity of services; or

    (iii) to comply with a regulatory obligation or requirement; or

    (iv) to maintain the service provider's capacity to meet levels of demand for services existing at the time the capital expenditure is incurred (as distinct from projected demand that is dependent on an expansion of pipeline capacity); or

    (v) to contribute to meeting emissions reduction targets through the supply of services; or

    (d) the capital expenditure is an aggregate amount divisible into 2 parts, one referable to incremental services and the other referable to a

purpose referred to in paragraph (c), and the former is justifiable under paragraph (b) and the latter under paragraph (c).

  - Rule 79(6) states that conforming capital expenditure must be for expenditure that is allocated between reference services; other services provided by means of the covered pipeline; and other services provided by means of uncovered parts (if any) of the pipeline.[8]

- Provisions for the regulator to make an advanced determination about future capital expenditure (rule 80).
- An express provision that allows a service provider to make capital expenditure during an access arrangement period that is, in whole or in part, non-conforming capital expenditure (rule 81).
- Provisions for users to make capital contributions towards a service provider's capital expenditure (rule 82).
- Provisions for the service provider to be able to recover non-conforming capital expenditure by means of a surcharge (rule 83).
- The establishment of a speculative capital expenditure account (rule 84):
  - To the extent that non-conforming capital expenditure is not recovered via a surcharge on users, the non-conforming expenditure may be added to a notional fund (the "speculative capital expenditure account") until it is determined that it complies with the criteria for conforming capital expenditure.
- Provisions for capital redundancy (rule 85).
- Provisions for the reuse of redundant assets (rule 86).

5. Further to the provisions covering the capital base, rule 71 of the NGR sets out the considerations that the regulator may and should have regard to when evaluating whether capital expenditure satisfies the governing criteria for new capital expenditure. The regulator:

   - May, without embarking on a detailed investigation, infer compliance from the operation of an incentive mechanism or on any other basis that is considered appropriate.
   - Must consider and give appropriate weight to, submissions and comments received in response to an invitation for submissions on whether a service provider's access arrangement proposal should be approved.

8 The allocation of capital expenditure to these categories of services must be done in accordance with rule 93.

DBP proposal

Actual (AA5) capital expenditure

6. In AA5, DBP has projected it will spend $212.8 million on capital expenditure. This expenditure is $30.7 million (16.8 per cent) more than the $182.1 million approved in the ERA's final decision for AA5.

Table 4.1: DBP AA5 actual/forecast capital expenditure by asset class ($ million real at 31 December 2024

Asset class	2021	2022	2023	2024	2025	Total AA5		
						Actual / Forecast (A)	Approved (B)	% Variance (A - B)
Pipeline	0.0	2.5	1.1	0.0	0.0	3.6	0.0	NA
Compression	3.2	4.2	5.1	1.6	1.3	15.4	19.6	(21.4)
Metering	4.7	2.9	3.6	3.3	2.5	17.0	8.3	104.8
Other depreciable	2.9	2.7	0.5	1.8	1.8	9.7	9.7	0.0
Computers and motor vehicles	17.3	7.1	18.2	5.2	9.2	57.0	32.7	74.3
Cathodic/Corrosion Protection	4.8	6.1	7.0	3.9	3.0	24.8	16.7	48.5
SCADA, ECI and Comms	9.3	16.5	16.7	20.9	15.1	78.5	75.2	4.4
Building	0.6	1.2	(0.2)	1.0	4.4	6.9	19.8	(65.2)
Total	**42.6**	**43.1**	**52.0**	**37.7**	**37.3**	**212.8**	**182.1**	**16.8**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 5.1, p.27 and ERA analysis.

7. DBP noted its capital expenditure in AA5 was driven by the need to:

- Replace, repair and undertake corrosion prevention works on its compressor stations.
- Replace a large number of end-of-life metering assets.
- Replace its northern communications system.
- Replace and refurbish pipeline and main line valve assets.
- Replace compressor unit control systems along the pipeline.
- Maintain a stable set of Information Technology (IT) applications that is current and fit for purpose.
- Refurbish/renovate original compressor station accommodation.
- Invest in IT security.

8. DBP noted that its AA5 capital expenditure program was adversely impacted by the COVID-19 pandemic, which disrupted global supply chains, with the mismatch between supply and demand driving up both materials and contractor labour costs over the period.

9. DBP considered that these increases were particularly felt in Western Australia with its closed borders constraining supply of materials and contractor labour. In response to these pressures, DBP notes that it prudently deferred some projects and insourced where possible to mitigate overspend against benchmark.

Forecast (AA6) capital expenditure

10. For AA6, DBP has proposed to spend $288.0 million of capital expenditure. This proposed expenditure is $105.9 million more than the $182.1 million approved in the ERA's final decision for AA5, and $75.2 million higher than DBP's projected actual capital expenditure for AA5 of $212.8 million.

Table 4.2: DBP AA6 forecast capital expenditure by asset class ($ million real at 31 December 2024)

Asset class	2026	2027	2028	2029	2030	AA6 Total
Pipeline	0.2	0.2	0.2	0.2	0.2	**1.0**
Compression	7.8	6.7	8.1	5.3	5.3	**33.3**
Metering	8.8	8.8	5.9	4.2	4.1	**31.8**
Other depreciable	1.4	1.6	1.1	1.3	1.1	**6.4**
Computers and motor vehicles	17.8	11.9	8.6	12.3	8.3	**59.0**
Cathodic/Corrosion Protection	5.5	4.9	4.5	4.4	4.3	**23.6**
SCADA, ECI and Comms	18.2	16.4	16.1	17.3	13.3	**81.2**
Building	1.4	23.4	17.8	6.6	2.6	**51.8**
Total	**61.1**	**73.9**	**62.3**	**51.6**	**39.2**	**288.0**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.1, p.57

11. DBP noted its capital expenditure for AA6 is driven by the need to:

- Undertake preventative work and repairs to protect compressor stations from corrosion and conduct hazardous area rectifications.
- Replace metering assets, recalibrate/recertify meters and purchase spares to ensure billing accuracy.
- Upgrade Supervisory Control and Data Acquisition (SCADA) hardware and software.
- Replace ageing and out of date accommodation at two compressor stations and install two dongas and build a northern hub in Karratha.
- Replace obsolete gas engine alternator control systems.
- Install new gas chromatographs and analysers.

- Maintain its “OneERP” and Maximo software with major and minor upgrades.
- Replace IT hardware including laptops and switches and transition its data centre to the cloud.
- Undertake ongoing replacement of vehicles and civil equipment.

12. DBP used a bottom-up approach to forecast its AA6 capital expenditure, which is consistent with its approach in previous periods, with a strong emphasis on meeting the requirements of its Safety Case, Asset Management Plan and Risk Management Framework.

Submissions

13. Submissions from three parties addressed matters related to regulatory capital:

    - Wesfarmers Chemicals, Energy & Fertilisers (WesCEF);
    - NewGen Power Kwinana;
    - Horizon Power.

14. In summary, these stakeholders:

    - Encouraged the ERA to review DBP's proposal to ensure that all proposed expenditure including forecasts and assumptions are absolutely necessary and not discretionary in nature and to assess if all efforts have been made to defer any expenditure to later periods.
    - Noted that with the increased uncertainty as to the future of gas, that all expenditure should be scrutinised, especially when the technical life of assets exceeds their economic life, ensuring the assets provide a net benefit to users.

15. Details of the matters raised in submissions are discussed further as part of the ERA's draft decision considerations.

Draft decision

Opening capital base

16. DBP proposed an opening capital base for AA6 of $3,453.1 million at 1 January 2026. Table 4.3 details DBP's opening capital base calculation.

Table 4.3: DBP's closing capital base for AA5 ($ million real at 31 December 2024)

	2021	2022	2023	2024	2025
Capital base at 1 January	**4,003.6**	**3,833.4**	**3,741.3**	**3,655.6**	**3,555.2**
PLUS: Conforming capital expenditure	42.6	43.1	51.9	37.4	37.3
PLUS: Equity raising costs	2.4	1.8	1.6	1.8	1.7
LESS: Disposals and redundant assets	0.0	0.0	0.0	0.0	0.0
Depreciation	(215.2)	(137.0)	(139.2)	(139.6)	(141.1)
Capital base at 31 December	**3,833.4**	**3,741.3**	**3,655.6**	**3,555.2**	**3,453.1**

Source: ERA analysis

17. Rule 79 of the NGR sets out the criteria of conforming capital expenditure. Under 79(1) of the NGR, the capital expenditure must be such as would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing services in a manner consistent with the achievement of the national gas objective. Under rule 79(2)(a) to (c) of the NGR, conforming capital expenditure must also be justifiable on one of the following grounds:

    - The overall economic value of the capital expenditure is positive.
    - The present value of the expected incremental revenue to be generated as a result of the expenditure exceeds the present value of the capital expenditure.
    - The capital expenditure is necessary to:
        - Maintain and improve safety of services.
        - Maintain the integrity of services.
        - Comply with a regulatory obligation or requirement.
        - Maintain the service provider's capacity to meet levels of demand for services existing at the time the capital expenditure is incurred.
        - Contribute to meeting emissions reduction targets through the supply of services (applies to expenditure incurred after 1 February 2024).

18. DBP submits that all the past capital expenditure satisfies NGR 79(1)(a) and is justifiable on the grounds stated in NGR 79(2).

19. As noted above, DBP has proposed to add $212.8 million for the AA5 period to the opening capital base

Table 4.4: DBP proposed conforming capital expenditure for AA5 by asset class compared to ERA AA5 final decision forecast ($ million real as at 31 December 2024)

Asset class	2021	2022	2023	2024	2025	Total AA5		
						Actual / Forecast (A)	Approved (B)	Variance (A - B)
Pipeline	0.0	2.5	1.1	0.0	0.0	3.6	0.0	3.6
Compression	3.2	4.2	5.1	1.6	1.3	15.4	19.6	(4.2)
Metering	4.7	2.9	3.6	3.3	2.5	17.0	8.3	8.7
Other depreciable	2.9	2.7	0.5	1.8	1.8	9.7	9.7	0.0
Computers and motor vehicles	17.3	7.1	18.2	5.2	9.2	57.0	32.7	24.3
Cathodic/Corrosion Protection	4.8	6.1	7.0	3.9	3.0	24.8	16.7	8.1
SCADA, ECI and Comms	9.3	16.5	16.7	20.9	15.1	78.5	75.2	3.3
Building	0.6	1.2	(0.2)	1.0	4.4	6.9	19.8	(12.9)
Total	**42.6**	**43.1**	**52.0**	**37.7**	**37.3**	**212.8**	**182.1**	**30.7**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 5.1, p.27 and ERA analysis.

20. The ERA has assessed DBP's proposed opening capital base for the AA6 period pursuant to rules 77 and 79 of the NGR. This included determining DBP's opening capital base for AA6 by assessing conforming capital expenditure for AA5 and assessing DBP's general method of calculating the capital base.

21. The ERA appointed Energy Market Consulting associates (EMCa) to provide an independent assessment of whether DBP's actual and proposed capital expenditure during AA5 was conforming capital expenditure that should be rolled into the opening capital base of AA6.

22. EMCa reviewed the information provided by DBP to support the capital expenditure incurred (or to be incurred) in the AA5 period and sought further information or clarification where required. EMCa has assessed the extent to which the actual and estimated capital expenditure is likely to satisfy the capital expenditure criteria for the purposes of assisting the ERA in determining the level of conforming capital expenditure under the NGR.

23. DBP's proposed conforming capital expenditure of $212.8 million for the AA5 period is $30.7 million, or 16.9 per cent, more than the ERA's AA5 final decision forecast, as shown in Table 4.4.

24. The ERA's assessment of DBP's AA5 capital expenditure shows that a total of $19.7 million is not conforming capital expenditure under rule 79 of the NGR, and should not be rolled into the opening capital base of AA6.

25. The capital expenditure that is not conforming comprises:

- Metering - $1.8 million.
- Computers and motor vehicles - $15.8 million.
- Buildings - $2.1 million.

26. Table 4.5 shows DBP's actual and estimated capital expenditure over AA5, the capital expenditure that is not conforming based on the ERA's assessment, and the ERA's amended conforming capital expenditure (AA5) by asset class. The ERA's assessment on each asset class is presented in the following paragraphs of this draft decision.

Table 4.5: DBP actual and estimated capital expenditure for AA5 and ERA's assessment of conforming capital expenditure for AA5 by asset class ($ million real as at 31 December 2024)

Asset class	DBP's actual & estimated AA5 capital expenditure (A)	Capital expenditure that is not conforming (B)	Conforming capital expenditure for AA5 (A-B)
Pipeline	3.6	0.0	3.6
Compression	15.4	0.0	15.4
Metering	17.0	1.8	15.2
Other depreciable	9.7	0.0	9.7
Computers and motor vehicles	57.0	15.8	41.2
Cathodic/Corrosion Protection	24.8	0.0	24.8
SCADA, ECI and Comms	78.5	0.0	78.5
Building	6.9	2.1	4.8
Total	**212.8**	**19.7**	**193.1**

Source: ERA analysis.

Pipeline

27. DBP estimates it will incur $3.6 million in AA5 for pipeline asset capital expenditure, compared to the ERA's AA5 final decision, which did not include an allowance for pipeline expenditure. Despite not including an allowance for pipeline capital expenditure in the AA5 final decision, we have found that all $3.6 million of the expenditure is conforming capital expenditure.

28. DBP incurred expenditure for pipeline related projects that were not envisaged in its AA5 submission. Two significant projects in this category include costs incurred for the introduction of the *Aboriginal Cultural Heritage Act 2021* and the Wheatstone to Ashburton West Pipeline (WAWP) Loop 1 interconnection, accounting for $3.2 million of the $3.6 million incurred for pipeline capital expenditure.

29. The Western Australian Parliament passed the *Aboriginal Cultural Heritage Act* in 2021 but it was repealed in 2023. The Act imposed greater obligations on businesses and individuals than the former *Aboriginal Heritage Act 1972*, which was reinstated in 2023.

30. As a result of the greater obligations, DBP incurred expenditure in preparation for the introduction of the Act and during its time of operation. The ERA considers this expenditure to be conforming capital expenditure in order to comply with a regulatory obligation.

31. DBP's business case notes the following regarding the WAWP Loop 1 interconnection project:

> The WAWP to Loop 1 interconnection is a 1.8km pipeline construction project, which is necessary to maintain security of supply for all DBNGP-connected customers commencing in the Pilbara, the mid-west, metropolitan area and the southwest (from Dampier to Bunbury).
>
> The interconnection pipeline was identified during a review of opportunities to use bi-directional flows and the changing hydraulics of the pipeline to provide security of supply and continuity of service for the benefit of our customers and shippers. By installing this pipeline, we can help ensure customers connected all along the DBNGP experience the current good levels of service and security of supply. Without this investment, there is a risk that the changing hydraulics, flows and usage patterns in the DBNGP may result in supply being compromised. Installing the WAWP Loop 1 interconnection mitigates this risk and locks in the benefit of current service levels for all customers.[9]

32. EMCa noted that the relatively small investment of $2.0 million is prudent to mitigate the risk of gas flows or gas quality being impacted by outages at any of the Carnarvon Basin producer facilities in an environment where multiple producers are supplying gas at varying rates on a daily basis.

33. The ERA has assessed the WAWP Loop 1 interconnection expenditure and considers the expenditure is conforming capital expenditure.

34. The ERA considers the total $3.6 million incurred by DBP for AA5 Pipeline expenditure is conforming capital expenditure.

Compression

35. DBP estimates it will incur $15.4 million in AA5 for Compression capital expenditure, which is $4.2 million less than the ERA's final decision allowance of $19.6 million. The ERA's assessment of the AA5 Compression capital expenditure has found that all $15.4 million of the expenditure is conforming capital expenditure.

36. DBP undertook a number of projects relating to the Compression asset expenditure category that roll-up into four of DBP's business cases as set out in the table below.

[9] DBP Non Expansion Project Business Case 2022 – Wheatstone to Ashburton West Pipeline (WAWP) to Loop 1 interconnection, provided in response to EMCa information request EMCa07, 9 April 2025.

Table 4.6: Summary of AA5 compression asset capital expenditure by business case (real million as at 31 December 2024)

Business case	AA5 allowance (A)	AA5 actual (B)	Variance (B-A)
DBP01: Compressor stations	11.9	9.3	(2.6)
DBP02: Pipeline and MLV	1.5	1.0	(0.5)
DBP18: Turbine exhaust replacement	5.8	2.8	(3.0)
DBP: 38: Structures and operational sites	0.5	2.4	1.9
Total	**19.6**	**15.4**	**(4.2)**

Source: ERA analysis.

37. On aggregate, DBP has underspent in the Compression asset category for AA5 by $4.2 million. EMCa looked at all projects in the business cases but focused on three projects for which there was either no allowance or a minimal allowance. These projects were: working at heights upgrades; compressor air package replacement; and relocating unit piping above ground at Compressor Station 3.

38. For the working at heights upgrades, DBP noted that an audit of compliance with Australian Standard 1657 was conducted in 2023/24 and identified 733 non-compliances. DBP assessed the risks and prioritised the work on sites with the highest risk ranking in the AA5 period.

39. The compressor air package replacement was for assets that reached their end of life where replacement was inevitable. EMCa noted that while no replacement was originally planned by DBP in AA5, the program was bought forward based on risk assessment. DBP demonstrated that this action was reasonable during onsite meetings held between DBP, EMCa and the ERA. DBP has proposed to continue this programme of works in the AA6 period as well.

40. The relocation of unit piping to above ground at Compressor Station 3 was planned in AA5, however, a site inspection and subsequent risk assessment identified that the original proposed approach to the project would not be prudent. Accordingly, a different approach requiring additional resources but with an acceptable risk rating was developed and implemented.

41. Of the remaining projects, the aggregate spend was less than the allowance with work either not required in the period and deferred into AA6 or a portion of the work was undertaken with the remainder pushed into AA6.

42. The ERA has assessed the compression asset category expenditure for AA5 and considers that all $15.4 million is conforming capital expenditure.

Metering

43. DBP estimates it will incur $17.0 million in AA5 for Metering asset capital expenditure, which is $8.7 million more than the ERA's final decision allowance of $8.3 million. The

ERA's assessment of the AA5 metering capital expenditure has found that $1.8 million of this expenditure is not conforming capital expenditure.

44. EMCa considered information to confirm whether the project assets are pre-1995 or post-1995, which determines whether the expenditure is considered conforming capital expenditure in relation to the covered pipeline.

45. EMCa notes that Clause 6.12(b) of the Reference Service Contract states:

> The Operator is not entitled to impose any charges under clauses 6.6, 6.8 or 6.11 or otherwise under this Contract in respect of Existing Stations, except in relation to the incremental costs of the design, installation, maintenance and operation of a modification of an Existing Station which occurred, or occurs, after 1 January 1995.

46. EMCa notes that this is because all new inlet and outlet points installed after 1 January 1995 were fully funded, including operations and maintenance, alternations and enhancements by shippers.

47. As a result of this distinction in the allocation of costs for inlet and outlet stations pre-1995 and post-1 January 1995, EMCa has reviewed DBP's projects relating to metering stations to determine if the work is to be undertaken at a pre-1 January 1995 location (existing station) or a post-1 January 1995 station (new station).

48. In response to EMCa information request EMCa08, DBP identified if the work was carried out at existing or new stations for a number of projects. For a project to upgrade the odorant facilities at meter stations, work was done on five odorant facilities, with one facility, the Carnarvon Meter Station, not being an existing station.

49. For the project of Turbine meter refurbishment and replacement, work was done at 10 sites, with one of these sites, the Mondarra Meter Station, not being an existing station. As a result, the works undertaken at these non-existing stations is not conforming capital expenditure and should have been shipper funded.

50. However, the project costs are not disaggregated between inlet and outlet stations pre-1995 and post-1 January 1995. As a result, EMCa has recommended a pro-rata adjustment based on the ratio of works carried out at pre-1995 and post-1 January 1995 facilities. EMCa suggested that for the odorant facilities project a reduction of 20 per cent (one of five facilities) and for the meter replacement project a reduction of 10 per cent (one of ten facilities) be applied.

51. Additionally, EMCa noted that part of the cause for the actual expenditure exceeding the AA5 allowance was attributable to a number of new projects that were not envisaged when the allowance was set for the period. EMCa again assessed these projects for works carried out at existing stations and new stations.

52. Works carried out at the Burrup Fertilisers and Cape Preston meter stations are not existing stations and accordingly not conforming capital expenditure. EMCa identified another project which occurs at a meter station constructed in 2015/16 making it a new station and non-conforming capital expenditure.[10]

[10] Expenditure for DBP's project labelled CP1700167.

53. EMCa has also identified another project that appears to be a routine maintenance activity of ensuring access roads to meter stations remain safe and does not meet the requirements to be regarded as conforming capital expenditure.[11]

54. DBP included a project for the acquisition of new gas analysers which are required at inlet stations.[12] EMCa notes that the responsibility of the quality of the gas delivered into the pipeline is the responsibility of shippers, this expenditure should be recovered from the shippers using the relevant inlet points and would therefore not be conforming capital expenditure.

55. The ERA has assessed DBP's AA5 metering expenditure and taken into account EMCa's assessment and has determined that not all of DBP's AA5 metering expenditure is conforming capital expenditure. The ERA considers that $1.8 million of the expenditure is not conforming capital expenditure leaving $15.8 million as conforming capital expenditure.

Other depreciable

56. DBP estimates it will incur $9.7 million in AA5 for Other depreciable assets capital expenditure, which is the same as the ERA's final decision allowance value. DBP's Other depreciable assets category includes assets that do not fit in any of its specific asset categories. Examples of the expenditure in the asset class includes office fit-outs and equipment, tools and staff amenities.

57. EMCa noted in its review that while the actual expenditure incurred by DBP was in aggregate the same as the AA5 final decision allowance, there was some minimal individual project variances. EMCa reviewed the projects and noted that the individual variances reflect reasonable reprioritisations during the period.

58. The ERA's assessment of the AA5 Other depreciable assets capital expenditure has found that all $9.7 million of the expenditure is conforming capital expenditure.

Computers and motor vehicles

59. DBP estimates it will incur $57.0 million in AA5 for Computers and motor vehicles capital expenditure, which is $24.3 million more than the ERA's final decision allowance of $32.7 million. The ERA's assessment of the AA5 computers and motor vehicles capital expenditure has found that $15.8 million of this expenditure is not conforming capital expenditure.

60. Of the $24.3 million overspend in this category, $1.1 million relates to motor vehicles while the majority, $23.3 million relates to IT projects (computers). Of the $23.3 million overspend on IT projects, the majority of that relates to one project, the "OneERP S/4HANA implementation" project, which was $16.6 million over its allowance in AA5.

61. The OneERP project is undertaken by DBP's parent entity, Australian Gas Infrastructure Group (AGIG) for its group businesses.

62. The OneERP project began in AA4 with some initial expenditure occurring at the end of AA4 with the remainder of the project to be completed in AA5. The ERA approved DBP's AA4 allocation of expenditure and provided an allowance in the AA5 final

[11] Expenditure for DBP's project labelled Project 2024-New9.

[12] Expenditure for DBP's project labelled CP1700471.

decision to complete the project. In AA5 the allowance was $11.5 million in 2024 dollars.

63. In its review, EMCa notes that AGIG's implementation of its OneERP was problematic. AGIG commenced the project with initial vendor, [redacted], which had won a competitive tender. AGIG's information shows that the initial vendor did not perform and after protracted delays, increased costs and an unsatisfactory level of gaps and defects, AGIG replaced [redacted] and restructured the project.

64. An excerpt from an AGIG board submission dated 9 June 2022 noted:

[redacted]

65. As a result, AGIG determined that [redacted] was not capable of delivering the rest of the project and replaced them with the next ranked vendor from the tender process. AGIG commissioned the second vendor, [redacted], to undertake a gap analysis on the project prior to its engagement. [redacted] quoted an extra $0.5 million on top of its original estimate to rescue the project from its current state.

66. In restarting the project, AGIG also switched from [redacted] to [redacted] to provide project management support and increased the level of internal labour dedicated to the project.

67. DBP had based its proposed AA5 allowance on a total AGIG costing of $19.1 million for the OneERP project. By June 2022, AGIG advised its Board of updated estimates that summed to $31.3 million. DBP noted in a response to an EMCa information request that the eventual cost was $49.4 million, which EMCa assumed (since DBP directly made the comparison) to be in dollar terms consistent with the AA5 allowance, that is, 2019 or 2020 dollars.

68. When EMCa converted DBP's allocation of its share of the AGIG project ($31.7 million summing over AA4 and AA5) grossing up by the stated 58.9 per cent allocation to DBP, EMCa derived an inferred AGIG total project cost of $53.7 million, in 2024 dollars.

69. As shown in Table 4.7, an excerpt from the EMCa review, the main sources of increase were:

- A more than doubling of the original vendor implementation costs, with the actual cost being also 50 per cent higher than the updated estimate provided to the Board in 2022.
- External technical resource requirements eight times higher than originally estimated, and a similar amount higher than the update provided to the Board in 2022.
- Internal resource requirement around 2.5 times higher than originally estimated, and 50 per cent higher than the updated estimate provided to the Board in 2022.

Table 4.7: AGIG's OneERP Total project costs allowances, estimates and actual costs ($ million).[13]

Cost component	Basis for AA5 allowance (2020)[15]	[redacted]	[redacted]	Competed total cost[16]
Vendor implementation	10.8	[redacted]	[redacted]	24.3
SAP licence	1.2	[redacted]	[redacted]	2.2
MS Azure	0.4	[redacted]	[redacted]	0.8
External technical	0.8	[redacted]	[redacted]	6.6
AGIG project resources	5.9	[redacted]	[redacted]	15.5
Contingency		[redacted]		
Total cost	**19.1**	[redacted]	[redacted]	**49.4**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 5.14, p.43.

70. DBP confirmed in an information request to EMCa that when the project went live in October 2023, no material additional functionality was included as part of this process.

13 The denomination of these costings is not entirely clear. While the ERA approved costs were in $2019, DBP refers to them in places as being in $2020 (though inflation was minimal between these years). As DBP presents the completed total cost in the same table, and uses it to derive a variance, we assume it is presented on the same basis. The basis of the Board Paper costings is not stated, but a default assumption is that these would be nominal dollars of around that time – ie 2022.

14 9 June 2022 Board Paper. ('Updated estimate' derived by EMCa from sum of 'incurred to date' and 'forecast additional' costs.

15 DBP response to EMCa11, Q12e.2. (Some row labels have been shortened and rationalised for comparison with other information).

16 DBP response to EMCa11, Q12e.2.

17 [redacted]

71. When considering the significant cost increase for the project, EMCa considers DBP's response effectively excludes as a hypothesis that it was due to a scope increase which may have delivered a greater benefit to DBP. As a result, EMCa concludes that the need remains only to consider the cost side of the equation, namely, the extent to which it can be considered prudent and efficient expenditure.

72. EMCa's review considers that the conforming capital expenditure that DBP has proposed, does not meet the required criteria. EMCa came to this conclusion based on the following factors:

- The project took longer and cost significantly more than budgeted for reasons that appear to be largely due to the non-performance of the original systems integrator and ultimately its failure to deliver the project.
- The cost of the systems integrator was competitively tendered, and both the original winner and subsequent vendor who completed the project offered similar prices which were slightly less than the $10.8 million used as the basis for DBP's AA5 allowance for vendor implementation. This led EMCa to the view that the original budget for the systems integration component was a reasonable estimate of a prudent and efficient amount.
- The amounts paid to the original systems integrator do not appear to reflect the value that it provided. DBP states that at the time of its termination, [redacted] had completed to Milestone 8 and had commenced Milestones 9 and 10. This suggests that [redacted] were considered to have completed between 57.5 per cent to 80 per cent of the project. Yet it cost a similar amount to what both [redacted] and [redacted] each had tendered in the first place, to complete the project from that point.
- The protracted project implementation timeframe together with time incurred by the business and its advisors in identifying and managing resolution of defects, and the ineffective and therefore inefficient use of time referred to in undertaking dress rehearsals that were ineffectual because of defects, all contributed to an ineffective level of internal and external resource cost.
- The cost of conducting a gap analysis at $0.6 million as part of scoping the restart of the project would not have been required if the first system integrator had been able to complete the project.

73. EMCa considers that a reasonable estimate for a prudent and efficient cost for this project would be 50 per cent of the cost allocated to DBP for the project. This would reflect:

- The need effectively to undertake the main part of the project, the systems integration, twice, at a cost that was more than twice the budget that formed the basis of DBP's AA5 proposal to the ERA.
- External and internal resource costs that were over three times the amount allowed for in the amount that formed the basis of DBPs AA5 proposal to the ERA.

74. EMCa notes that because part of the project cost was included in AA4 (and has already been determined as conforming capital expenditure) the 50 per cent reduction in the aggregate cost results in a slightly greater proportionate adjustment for AA5 as shown in the table below.

Table 4.8: Derivation of alternative conforming capital expenditure amount for S/4HANA project ($ real million as at 31 December 2024)

	Aggregate	2021	2022	2023	2024	2025
DBP incurred in AA4	3.6					
DBP proposed conforming capital expenditure for AA5	28.1	10.8	2.8	14.5	(0.1)	0.0
Total DBP proposed project cost allowance	**31.7**					
Less: 50 per cent reduction	(15.8)					
Less: Costs incurred in AA4	(3.6)					
Adjusted conforming capital expenditure allowance for AA5	**12.3**	**4.7**	**1.2**	**6.3**	**0.0**	**0.0**
Implied AA5 adjustment	(15.8)	(6.1)	(1.6)	(8.2)	(0.1)	0.0

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 5.15 p.45.

75. The ERA has reviewed the OneERP S/4HANA project along with review undertaken by EMCa as part of its report. The ERA agrees that the project encountered a number of problems in its implementation resulting in very significant cost overruns compared to its original budget and approved allowance from the ERA.

76. The ERA considers that DBP's proposed AA5 capital expenditure for the project is not prudent and efficient expenditure. Paying more than twice the original tendered value and proposed budget for the project, without receiving any advanced functionality and or efficiency benefits cannot be considered efficient and prudent expenditure.

77. The ERA has reviewed EMCa's report and consider that a 50 per cent reduction to the cost allocated to DBP, would be more reflective of the efficient cost. As a result, the ERA considers that $15.8 million of the capital expenditure is not conforming capital expenditure for the AA5 period.

78. Other significant IT projects undertaken by DBP in AA5 include the Maximo process redesign, refresh of the transmission billing system and Data Centre infrastructure. These projects either were not accounted for in DBP's AA5 allowance or exceeded the allowance significantly.

79. EMCa notes that the Maximo process redesign project for AA5 is $3.4 million compared to the ERA's allowance of $1.4 million. EMCa reviewed additional information provided by DBP and noted that the documents reflect a reasonable response to realisation of the volume of work required and to revealed opportunities to add to the scope of the project and therefore to more fully realise the potential benefits from the Maximo application. EMCa considers this project expenditure was prudent and reasonable.

80. For the refresh of the transmission billing system project, EMCa notes that in its AA5 allowance, DBP at the time proposed upgrading it Customer Reporting System (CRS), however, this did not proceed and DBP instead switched to an option to build a new system, which it referred to as the Transmission Billing System (TBS).

81. EMCa in its review noted that in the business case for the TBS, that there was continued evidence to support the need to replace or upgrade the CRS, however, DBP did not prefer the original option after receiving a poor response from the vendor and some limitations with the fundamental concepts and structure of the CRS.

82. EMCa considers that DBP's reasoning, including its risk analysis, provided reasonable ground for its decision to not pursue the CRS option. The preferred option was to build a system on a hosted and readily customisable platform which EMCa considers was a justifiable solution, as a result of the enhanced functionality, including hydrocarbon accounting and other information that will assist with compliance and customer reporting.

83. DBP's proposed expenditure for the data centre infrastructure project was not included in the ERA's AA5 allowance. DBP has incurred $1.9 million in the AA5 period for this project. In its Final Plan, DBP refers to this project as reflecting "a change in approach to the managed IT infrastructure services and consolidating data centres as part of transition to the shared AGIG infrastructure, enabling us to leverage economies of scale for long-term benefits."

84. EMCa sought additional information from DBP regarding this project and in response to an information request DBP noted that:

- The expected total cost of the Western Australian data centre ($6.1 million) was allocated to three AGIG entities, with DBP's share being 32 per cent.
- The project is forecast to be delivered by October 2025.
- The data centre is hosted at [redacted] in Perth. Other information that DBP provided suggest that the infrastructure is being moved out of its current corporate premises and DBP states that the data centre could be relocated to Jandakot in the future.

85. EMCa noted that while DBP claims to have provided a Cost Benefit Analysis (CBA) for the project in its business case, EMCa does not consider what was provided to be a valid CBA. In addition, the options analysis in the business case is a simple undertake the project for $6.1 million or "do nothing".

86. Despite the lack of options analysis or valid CBA, EMCa considers in its review that the performance issues for DBP staff and other users in Western Australia together with the claimed future cost efficiency benefits likely are sufficient to justify the investment.

87. The ERA has reviewed the Maximo process redesign, refresh of the transmission billing system and Data Centre infrastructure. The ERA has taken into consideration DBP's proposal and subsequent information request responses and EMCa's review and considers the DBP proposed AA5 expenditure for these projects to be conforming capital expenditure. The ERA notes that while the data centre infrastructure project information was lacking in some areas, the potential benefits and performance improvements justify the expenditure on this project.

88. The ERA has also reviewed the remaining other IT-related projects and is satisfied that the expenditure on these projects is prudent and reasonable to be considered conforming capital expenditure.

89. DBP's AA5 expenditure for motor vehicles is $6.8 million, which is $1.1 million more than the ERA's AA5 allowance of $5.7 million. The ERA has reviewed DBP's capital expenditure for motor vehicles and notes that the overspend is a result of expenditure

on a number of small value motor vehicle projects that were not included in the AA5 allowance. The ERA has reviewed the capital expenditure for motor vehicles and considers that all $6.8 million is conforming capital expenditure.

90. After reviewing DBP's computer and motor vehicle AA5 capital expenditure, the ERA considers that $15.8 million incurred by DBP for AA5 is not conforming capital expenditure.

91. As a result, the ERA considers that $41.2 million of AA5 capital expenditure for computers and motor vehicles is conforming capital expenditure.

Cathodic/Corrosion Protection

92. DBP estimates it will incur $24.8 million for AA5 for Cathodic/Corrosion Protection capital expenditure, which is $8.0 million more than the ERA's final decision allowance of $16.7 million. The ERA's assessment of the AA5 Cathodic/Corrosion Protection capital expenditure has found that all $24.8 million of the expenditure is conforming capital expenditure.

93. Two projects within the Cathodic/Corrosion Protection asset category contribute almost entirely to DBP spending more than the ERA allowance. The table below sets out the AA5 Cathodic/Corrosion Protection capital expenditure.

Table 4.9: Summary of AA5 capital expenditure for the Cathodic/Corrosion Protection ($ real million as at 31 December 2024)

Project	AA5 allowance (A)	AA5 actual (B)	Variance (B-A)
CP1700076: Annual dig up program based on Runcom results	0.2	1.9	1.7
CP1700560: Rectification of Corrosion under Insulation at CS	0.0	6.2	6.2
All other projects	16.6	16.7	0.1
Total	**16.8**	**24.8**	**8.0**

Source: ERA analysis.

94. The annual dig up program completed more dig-ups than forecast during AA5 as DBP found more issues requiring rectification. Based on the information provided, this expenditure is reasonable and justified.

95. EMCa noted in its review for the rectification of corrosion under insulation project that corrosion under insulation is a known issue for pipelines, with the problems increasing as they age. DBP noted that the work done during AA5 helped to clarify the issue.

96. EMCa noted in its review that from the photographic evidence provided, industry experience and the comprehensive list of sites to be rectified indicate that the work to identify the issues and commence rectification was prudent. EMCa further noted that the explanations provided regarding the nature and complexity of the works within operating facilities demonstrates the costs were reasonable.

97. For the remaining projects, EMCa noted that in aggregate the actual expenditure was consistent with the allowance, with variances for individual projects reflecting responses to information revealed in the period on condition and opportunities for prudent deferral.

98. The ERA has reviewed the Cathodic/Corrosion Protection projects and notes that the increase for the annual dig-up project and the expenditure for works carried out for the rectification of corrosion under insulation project were prudent decisions made during the period. In addition, the other projects undertaken for this asset category were also adjusted up or down where required during the period as a result of a reprioritising by DBP, again a prudent decision.

99. The ERA considers the total $24.8 million incurred by DBP for AA5 Cathodic/Corrosion Protection is conforming capital expenditure.

SCADA, ECI and Comms

100. DBP estimates it will incur $78.5 million in AA5 for SCADA, Electrical Control and Instrumentation (ECI) and Communications capital expenditure, which is $3.2 million more than the ERA's AA5 final decision allowance of $75.2 million. The ERA's assessment of the AA5 SCADA, ECI and Communications capital expenditure has found that all $78.5 million of the expenditure is conforming capital expenditure.

101. The major expenditure project in this category was for the replacement of the Northern Communication System for which DBP incurred $35.3 million. In the AA5 final decision, the ERA approved an allowance of $30.3 million for the Northern Communication System project.

102. The Northern Communication System project also includes expenditure in the Building asset category (evaluated in the Building review section for AA5) and includes forecast AA6 expenditure in the SCADA, ECI and communications asset category (evaluated in the that asset category in the AA6 review).

103. DBP delayed the commencement of this project for around two years due to logistical challenges from the COVID-19 lockdowns and then due to excessive quotes received from the market. As a result, DBP made the decision to manage the project in-house to alleviate budget concerns.

104. EMCa noted in its review that it saw evidence of DBP having modified its approach in response to changing information and circumstances and on balance considers that DBP has prudently incurred expenditure to date (AA5) by reprioritising expenditure away from the building component towards the SCADA, ECI and Communications component of the project.

105. The ERA has assessed the Northern Communications System project expenditure and considers the AA5 expenditure to be conforming capital expenditure.

106. The remaining projects for the SCADA, ECI and Communications asset category incurred expenditure of $43.2 million against an AA5 final decision allowance of $44.9 million, an underspend of $1.7 million for the AA5 period.

107. EMCa reviewed the remaining projects and noted that on aggregate there was the above-mentioned underspend of $1.7 million which came about from a range of "unders and overs" on individual projects, though the net result largely stems from several projects that were included in the allowance, not being required.

108. The ERA has reviewed the remaining SCADA, ECI and Communications projects and notes that a number of projects included in the AA5 final decision allowance were not undertaken while there were also some projects undertaken that were not included in the allowance as well as a result of a reprioritising by DBP.

109. The ERA considers the total $78.5 million incurred by DBP for AA5 SCADA, ECI and Communications is conforming capital expenditure.

Building

110. DBP estimates it will incur $6.9 million in AA5 for Building capital expenditure which is $12.9 million less than the ERA's final decision allowance of $19.8 million. The ERA's assessment of the AA5 building capital expenditure has found that $2.1 million of this expenditure is not conforming capital expenditure.

111. Four projects within the building asset category make up the total actual capital expenditure for AA5, three of which were included in the ERA allowance. The table below sets out the AA5 building capital expenditure.

Table 4.10: Summary of AA5 capital expenditure for the Buildings asset class ($ million real as at 31 December 2024.

Project	AA5 allowance (A)	AA5 actual (B)	Variance (B-A)
CP1700207: Compressor Station Site Accommodation	5.1	3.4	(1.7)
CP1700458: Replacement of Northern Communications System	6.2	0.6	(5.6)
DBP10-NEW-02: Jandakot Site Redevelopment	8.5	2.8	(5.7)
CP1700571: New Jandakot Warehouse Dome	0.0	0.1	0.1
Total	**19.8**	**6.9**	**12.9**

Source: ERA analysis.

112. EMCa has reviewed DBP's AA5 capital expenditure for the Buildings asset class. EMCa notes that the actual expenditure for the compressor station accommodation and the northern communications system was under the ERA allowance while the new Jandakot warehouse dome was not originally included in the AA5 allowance. EMCa considers the expenditure for these three projects is reasonable and conforming capital expenditure.

113. For the Jandakot site redevelopment, DBP has proposed conforming capital expenditure of $2.8 million, which is $5.7 million less than the ERA's AA5 allowance of $8.5 million. DBP explains this underspend was because the development was deferred. DBP has re-proposed the Jandakot redevelopment in its AA6 proposed capital expenditure at a significantly higher cost than was allowed in AA5.

114. EMCa notes that in DBP's AA5 proposal in 2020, DBP submitted that its Jandakot site comprised 30-year-old facilities which no longer meet business requirements,

operational or safely needs. In the ERA's final decision, the ERA accepted DBP's proposal for the Jandakot site redevelopment.

115. In its AA6 proposal, DBP notes that it did not proceed at the time with the proposed redevelopment largely due to the COVID pandemic. EMCa notes that despite the issues that DBP flagged as being of sufficient concern to warrant the proposed work, DBP has provided no evidence to indicate that it has undertaken any part of the redevelopment work it had proposed and was provided an allowance for by the ERA. DBP shows no capital expenditure against this project for any of the years 2020 to 2024.

116. As noted, DBP has included a revised proposal in its AA6 expenditure for the Jandakot site redevelopment for a considerably more elaborate redevelopment than DBP had originally proposed at a cost that is around four times greater. EMCa notes that DBP has not provided evidence to support the need for the increased scope or information on internal governance processes that might have shown evidence of consideration and endorsement of this significant change.

117. EMCa notes that DBP refers to increases in building costs since its original submission but from DBP's own information this does not explain the increase in the redevelopment cost that it now proposes.

118. EMCa notes that the planning and design work that DBP refers to appears to comprise site architectural concept designs and associated site development plans for a redevelopment of a scope and scale that DBP has defined to external parties. EMCa considers that these are not supported by evidence of a coherent long-term strategic assessment of DBP's accommodation and facilities needs and options for the Jandakot site in conjunction with DBP's other accommodation in the Perth region, such as its current accommodation and facilities in Perth CBD.

119. EMCa considers that engaging in site design and associated site development planning is premature and contributes little to outcome that will eventually benefit DBNGP customers. EMCa also notes that the proposed development is referred to in DBP documentation as an AGIG development and appears to be scaled to be able to provide staffing and ICT facilities that go beyond the requirements of its DBNGP operations.

120. As a result of its review, EMCa considers that the AA5 capital expenditure for the Jandakot site redevelopment at the level proposed by DBP is not conforming capital expenditure. EMCa, however, assumes that a part of the expenditure that it has incurred will contribute to decisions that it needs to make on an appropriately justified redevelopment and considers that a reasonable alternative estimate of the capital expenditure that can be considered as conforming for DBNGP customers is 25 per cent of the DBP proposed value.

121. The ERA has reviewed DBP's AA5 capital expenditure for buildings including additional information provided in response to information requests and the review undertaken by EMCa. The ERA considers that the capital expenditure for the compressor station accommodation, Northern Communications system and Jandakot warehouse dome is reasonable and prudent expenditure and is conforming capital expenditure.

122. The ERA considers that the change in scope for the Jandakot site redevelopment including the deferral of the project into AA6 with a substantial increase in costs without appropriate approval documentation is an area of concern. The deferral of the project due to the COVID pandemic is justifiable, however, the expenditure of funds on site architectural concept designs and associated site development plans without the

relevant documentation showing approval for the change in scope is not prudent expenditure.

123. The ERA considers that such expenditure is not conforming capital expenditure. However, as noted by EMCa, some of the expenditure incurred for the work undertaken in AA5 could contribute to decisions it makes going forward on the project and as such considers that a reasonable amount of the expenditure incurred that could be regarded as conforming capital expenditure would be $0.70 million, or 25 per cent of DBP's proposed expenditure for AA5.

ERA decision – Opening capital base

124. The ERA has considered information provided by DBP, public submissions and EMCa's report to determine the amount of capital expenditure that meets the requirements of the NGR.

125. Table 4.11 provides the ERA's adjustments to DBP's proposed AA5 capital expenditure and Table 4.12Table 4. sets out the ERA's draft decision amended conforming capital expenditure by asset class.

Table 4.11: ERA adjustments to DBP AA5 capital expenditure by asset class ($ million real at 31 December 2024)

Asset class	DBP proposal	ERA adjustment	Conforming AA5 capital expenditure	Variance %
Pipeline	3.6	0	3.6	0
Compression	15.4	(0.1)	15.3	(1)
Metering	17.0	(1.8)	15.2	(11)
Other depreciable	9.7	0	9.7	0
Computers and motor vehicles	57.0	(15.8)	41.2	(28)
Cathodic/Corrosion Protection	24.8	(0.1)	24.7	0
SCADA, ECI and Comms	78.5	(0.1)	78.4	0
Buildings	6.9	(2.0)	4.9	(29)
Total	**212.9**	**(19.9)**	**193.0**	**(9)**

Source: ERA analysis.

Table 4.12: ERA amended conforming capital expenditure for AA5 by Asset Class ($ million real at 31 December 2024)

Asset class	2021	2022	2023	2024	2025	Total
Pipeline	0.0	2.5	1.1	0.0	0.0	3.6
Compression	3.2	4.1	5.1	1.6	1.3	15.3
Metering	4.1	2.6	3.5	2.5	2.5	15.2
Other depreciable	2.9	2.7	0.5	1.8	1.8	9.7
Computers and motor vehicles	11.2	5.6	10.0	5.2	9.2	41.2
Cathodic/Corrosion Protection	4.8	6.1	6.9	3.9	3.0	24.7
SCADA, ECI and Comms	9.2	16.5	16.7	20.9	15.1	78.4
Buildings	0.6	1.2	-0.2	1.0	2.3	4.9
Total	**36.0**	**41.3**	**43.6**	**36.9**	**35.2**	**193.0**

Source: ERA analysis.

126. The ERA's determined closing capital base for AA5 (opening capital base for AA6) is set out in Table 4.13 below.

Table 4.13: ERA determined closing capital base for AA5 ($ million real at 31 December 2024)

	2021	2022	2023	2024	2025
Capital base at 1 January	3,994.4	3,817.8	3,724.1	3,630.5	3,529.8
PLUS: Conforming capital expenditure	35.9	41.3	43.8	36.9	35.1
PLUS: Equity raising costs	2.4	1.8	1.6	1.8	1.7
LESS: Disposals and redundant assets	0.0	0.0	0.0	0.0	0.0
LESS: Depreciation	214.9	136.8	139.0	139.3	140.9
Capital base at 31 December	**3,817.8**	**3,724.1**	**3,630.5**	**3,529.9**	**3,425.8**

Source: ERA Analysis.

Required Amendment 4.1

DBP must amend its access arrangement information to revise its AA5 forecast capital expenditure to $193.1 million ($ real as at 31 December 2024)

Projected capital base

127. DBP's AA6 capital expenditure forecasts use a bottom-up approach which DBP notes is consistent with its approach in previous periods, with a strong emphasis on meeting the requirements of its Safety Case, Asset Management Plan and Risk Management Framework.

128. DBP has proposed to incur $288.0 million for capital expenditure in the AA6 period as set out by asset class in Table 4.14 below.

Table 4.14: DBP proposed conforming capital expenditure for AA6 by asset class ($ million real as at 31 December 2024)

Asset class	2026	2027	2028	2029	2030	Total
Pipeline	0.2	0.2	0.2	0.3	0.2	1.0
Compression	7.8	6.7	8.1	5.3	5.3	33.3
Metering	8.8	8.8	5.9	4.2	4.1	31.8
Other depreciable	1.4	1.6	1.1	1.3	1.1	6.4
Computers and motor vehicles	17.8	11.9	8.6	12.3	8.3	59.0
Cathodic/Corrosion Protection	5.5	4.9	4.5	4.4	4.3	23.6
SCADA, ECI and Comms	18.2	16.4	16.1	17.3	13.3	81.2

Asset class	2026	2027	2028	2029	2030	Total
Building	1.4	23.4	17.8	6.6	2.6	51.8
Total	**61.1**	**73.9**	**62.3**	**51.6**	**39.2**	**288.0**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.1, p.57.

129. The ERA assessed DBP's proposed capital expenditure forecast for AA6 in accordance with the NGR using a three-step approach:

- Consider whether the expenditure satisfies the prudent service provider test set out in rule 79(1)(a) of the NGR.
- Evaluate whether the expenditure is justifiable on the grounds set out in rule 79(2) of the NGR.
- Assess whether forecasts and estimates comply with rule 74(2) of the NGR.

130. The ERA's assessment of DBP's AA6 capital expenditure finds that a total of $68.2 million is not conforming capital expenditure under rule 79 of the NGR.

131. The capital expenditure that is not conforming comprises:

- Buildings of $25.0 million
- Computers and motor vehicles of $15.0 million
- Metering of $13.0 million
- Compression of $9.3 million
- Cathodic / Corrosion protection of $3.2 million
- SCADA, ECI and comms of $2.8 million

132. The ERA's assessment of each asset class is presented in the following paragraphs of this draft decision.

Compression

133. As show in Table 4.15 below, DBP's AA6 forecast capital expenditure for the Compression asset class is $33.3 million. This is $17.9 million more than DBP's actual AA5 capital expenditure. The ERA has assessed each business case below and separately the unit costs used in all business cases.

Table 4.15: DBP's proposed AA6 capital expenditure for the Compression asset class ($million real at 31 December 2024)

		AA6					
Business case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 total**
DBP01: Compressor Stations	9.3	3.9	2.5	4.9	2.5	3.5	17.3
DBP02: Pipeline and MLV	1.0	0.9	0.9	0.5	0.0	0.0	2.3
DBP18: Turbine exhaust replacement	2.8	1.0	1.4	1.4	1.3	0.6	5.8
DBP38: Structures & operations sites	2.4	2.1	1.9	1.5	1.4	1.2	8.0
Total	**15.4**	**7.8**	**6.7**	**8.2**	**5.3**	**5.3**	**33.3**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.2, p.59.

DBP01: Compressor Stations

134. DBP has proposed 10 compressor station projects in AA6 that are predominately associated with replacement of plant and equipment at end-of-life or refurbishment.

135. EMCa noted that while DBP's business cases for these replacements provide evidence of need in most cases, EMCa considers that not all projects are adequately justified and that, as it did in AA5, DBP will find opportunities to defer or otherwise not proceed with some projects.

136. EMCa came to this conclusion based on the following factors:

- DBP has a comprehensive compressor unit overhaul programme based on condition monitoring and Original Equipment Manufacturer recommendations. This program will reduce the requirement for replacement of equipment as life-extension options are developed from the knowledge gained from the condition monitoring activities.
- Forecast reduced throughput and increasing production from the Perth Basin will reduce the requirement for Compressor Stations 1 to 6 to operate at the same duty as in previous periods.
- DBP's proposed allowance of $2.8 million for compressor air package replacement is a significant uplift on the $0.8 million incurred in AA5 for which life extension options do not appear to have been fully explored at this stage.
- DBP has proposed $1.8 million for compressor station valve replacements. DBP underspent the ERA allowance in AA5 and it is likely that condition monitoring information will reveal opportunities for life extension in some cases.
- DBP's proposed allowance of $1.5 million for rotor bundle replacement at this stage appears to be a speculative allowance and further monitoring and inspection information will reveal life extension opportunities.

137. EMCa considers that as was the case for AA5, DBP is likely to spend around 20 per cent less than it has proposed due to prudent deferral factors noted above. This is primarily because DBP has demonstrated that it updates its age-based or condition-based assessment of the asset health which can lead to prudent deferral of work.

138. The ERA has reviewed the compressor stations business case and the proposed capital expenditure and considers that the justification for the total value proposed is not evident. The ERA considers that as DBP noted in its documentation deferral of work is possible but DBP does not appear to make any allowance for any deferrals, despite being able to achieve such deferrals in previous access arrangements. In addition, for some projects it appears not all options have been fully explored and that some proposed expenditure appears speculative at this stage.

139. As a result, and consistent with the expert advice from EMCa, the ERA considers that DBP's proposed capital expenditure for compressor stations is overstated and has reduced DBP's proposed capital expenditure by 20 per cent for likely prudent deferrals resulting in a reduction of $3.4 million over AA6. The ERA considers that this reduction will provide a reasonable estimate to undertake the works required during the period.

DBP02: Pipeline and MLV [Main line Valve]

140. DBP has proposed to undertake one project for pipeline and MLV compression, being a Pig barrel isolation valve replacement at a cost of $2.3 million.

141. EMCa noted that based on condition information, EMCa considers that DBP has provided adequate justification of the need to undertake the project.

142. The ERA has reviewed the proposed pipeline and MLV AA6 expenditure and considers the capital expenditure to be justified.

DBP38: Structures and operational sites

143. DBP has proposed nine projects for structures and operational sites at a forecast cost of $8.0 million.

144. EMCa has identified in its review of the business cases, that it considers several projects are at a speculative stage for which there is insufficient justification. These projects are:

- $1.5 million for building conversion
- $0.6 million for helicopter landing pads
- $0.4 million for oil farms.

145. In addition, EMCa notes that while there is reasonable evidence of a need to address working at heights issues, DBP's proposed allowance of $2.3 million appears to be a generalised allowance that it expects will be reduced once needs are considered at a site-specific level.

146. EMCa considers that while some work will be required, on balance it considers that DBP's more likely expenditure requirement for this category is around 40 per cent, or $3.2 million less than it has proposed.

147. The ERA has reviewed the structures and operational sites proposed expenditure. The ERA also considers a number of projects are speculative with insufficient justification. Also, the working at heights proposed expenditure is high-level, and overly generalised.

The ERA considers these factors result in a level of proposed expenditure that is not prudent and efficient.

148. The ERA determines that a reduction of 40 per cent of DBP's proposed capital expenditure for structures and operational sites is required to address these concerns.

DBP18: Turbine exhaust replacement

149. DBP has proposed one project to replace four turbine exhausts at a total cost of $5.8 million.

150. Based on the evidence provided in the business case, EMCa notes this category of estimated expenditure is very generalised and approximately double the actual costs incurred in AA5 on a per unit basis. However, the units to be replaced are the oldest on the pipeline and of a more complex design and installation. On this basis, EMCa considers the proposed expenditure to be reasonable.

151. The ERA considers that the four turbine exhaust replacements appear prudent and that they are likely to be more expensive on a per unit basis than AA5.

Unit costs

152. As part of its review, EMCa assessed the unit rates proposed by DBP in its business cases that form part of its AA6 proposal.

153. EMCa has noted that for the most part it observed unit costs for AA6 that were broadly consistent (in real terms) with similar projects in AA5. An exception was the project for turbine exhaust replacement, for which the average unit cost for the two replacements recorded in AA5 was $705,000 per replacement, whereas the AA6 forecast shows an average of $1.43 million per replacement.

154. EMCa also observed that many unit rates are highly rounded. For example, all reverse osmosis unit replacements are costed at $300,000, helicopter landing pads at $200,000 each and replacement of gas chromatographs at $200,000 each. These rounded estimates are a further indication of the relatively low level of maturity of much of the project budget for compressor station work and suggest that for much of its program, DBP lacks hard evidence of project costs at this stage that it can utilise in deriving its forecasts.

155. EMCa considers it likely that there was a tendency to round up the unit costs applied in developing DBP's AA6 forecast and proposes an across the board 10 per cent reduction in DBP's allowance for this asset class, to account for this over estimation.

156. The ERA in its review of the compression asset class proposed expenditure, notes EMCa's review of the unit costs used by DBP in its proposal. Due to the use of some high-level unit cost values in its proposal, the ERA considers an asset class unit cost reduction is required to ensure the proposed capital expenditure allowance for compression expenditure is prudent and efficient.

157. A reduction of 10 per cent for the asset class will be applied to all AA6 compression expenditure. This 10 per cent reduction will apply in addition to any other reduction to a project as set out above.

ERA decision

158. In aggregate the ERA considers that some of the proposed AA6 capital expenditure for the compression asset class is not prudent and efficient. Table 4.16 below sets out

DBP's proposed capital expenditure, the ERA's proposed adjustments and the ERA's draft decision adjusted AA6 capital expenditure.

Table 4.16: DBP proposed, ERA adjustments and ERA draft decision adjusted AA6 capital expenditure for compression assets ($ million real at 31 December 2024)

Business case	DBP proposed	ERA adjustment	ERA adjusted	Variance %
DBP01: Compressor Stations	17.2	(4.8)	12.4	(28)
DBP02: Pipeline and MLV	2.3	(0.2)	2.0	(10)
DBP18: Turbine exhaust replacement	5.8	(0.6)	5.2	(10)
DBP38: Structures & operations sites	8.0	(3.7)	4.3	(46)
Total	**33.3**	**(9.3)**	**23.9**	**(28)**

Source: ERA analysis.

Cathodic/Corrosion Protection

159. As shown in Table 4.17 below, DBP's AA6 forecast capital expenditure for the Cathodic/Corrosion Protection asset class is $23.6 million. This is $1.2 million less than DBP's actual AA5 capital expenditure. The ERA has assessed each business case below.

Table 4.17: DBP's proposed AA6 capital expenditure for the Cathodic / Corrosion Protection asset class ($million real at 31 December 2024)

		AA6					
Business case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 total**
DBP01: Compressor Stations	18.4	2.8	2.4	2.3	2.1	2.1	11.7
DBP02: Pipeline and MLV	4.1	1.8	1.6	1.4	1.4	1.4	7.5
DBP15: Meter stations	2.3	0.8	0.8	0.8	0.8	0.8	4.0
DBP38: Structures & operations sites	0.0	0.1	0.1	0.1	0.1	0.1	0.5
Total	**24.8**	**5.5**	**4.9**	**4.5**	**4.4**	**4.3**	**23.6**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.4, p.62.

DBP01: Compressor Stations

160. DBP has proposed five compressor station projects in AA6 for the cathodic/corrosion protection asset class.

161. In AA5 DBP found evidence of significant corrosion under insulation which necessitated rectification that had not been foreseen at the time of its AA5 regulatory proposal. DBP undertook work at 12 sites in AA5 and proposes to rectify a further three in AA6.

162. DBP also found evidence of underground pipework corrosion at compressor stations and, after rectifying two sites in AA5, DBP plans rectification works at a further five in AA6 at a cost of $8.1 million. EMCa considers that the evidence provided in the business case supports the proposed work in AA6.

163. The ERA has reviewed the projects in the compressor station business case and notes that the works proposed are a continuation of rectification works started in AA5. The ERA considers this work and the proposed capital expenditure for AA6 is prudent and efficient.

DBP02: Pipeline and MLV

164. DBP has proposed to undertake 10 projects in DBP02 relating to cathodic/corrosion protection at a total cost of $7.5 million.

165. EMCa considers it likely that DBP will need to spend more than in AA5 for this category of expenditure, however, the volume of work required is pending further investigation and refinement.

166. EMCa notes, for example, that DBP found the need to spend only $0.4 million on its "digging up un-piggable pipework at facilities" project in AA5 compared to an allowance of $1.1 million in AA5, yet it has again proposed an allowance of $1.1 million for AA6.

167. EMCa considers on balance that DBP has made conservatively high assumptions on the volume of work required in AA6 for pipeline and MLV cathodic/corrosion protection, and has therefore proposed a 10 per cent reduction to pipeline and MLV capital expenditure.

168. The ERA has reviewed the projects in the pipeline and MLV business case. The ERA considers that DBP requires further investigation and refinement of the volume of work in the business case. The ERA considers the work is required but the proposed allowance is overstated. As a result, the ERA has taken into account EMCa's experience and expert advice and reduced the proposed costs by 10 per cent ($0.8 million over AA6) to provide a reasonable estimate allowance to undertake the work required during the period.

DBP15: Meter Stations

169. DBP has proposed four projects for meter stations in AA6 at a forecast cost of $4.0 million.

170. The works proposed by DBP for the AA6 period are to address significant corrosion issues identified at a number of sites along the DBNGP and, in particular, issues with corrosion under insulation and at the ground to air interface ($2.3 million), as well as a continuation of earthing replacement from AA5 ($0.5 million) and painting of facilities at a similar level to AA4 ($1.2 million).

171. EMCa considers that DBP has demonstrated that the four projects are justified.

172. EMCa notes that as these issues are common to all sites and DBP has not provided a list of sites at which work is proposed, it is assumed that work will occur at existing meter stations and other sites proportionately. As noted in the earlier section assessing

AA5 capital expenditure, meter stations (inlet points and outlet points) along the DBNGP are classified as either existing stations or new stations. For existing stations, DBP is responsible for the operations and maintenance costs under clauses 6 and 15 of the DBNGP Reference Service Terms and Conditions. At all other stations, the shippers using a particular station are responsible for the costs of operating and maintaining that station.

173. Currently on the pipeline there are 26 existing meter stations out of 67 on the network resulting in a ratio of 39 per cent for existing meter stations and 61 per cent for new meter stations. EMCa considers that a reasonable allowance will be 61 per cent ($2.4 million), less than DBP has proposed, on a pro-rata basis.

174. The ERA has reviewed the projects under the meter stations asset class. The ERA considers that the work is required in AA6. However, DBP has not provided a list of sites at which the works will occur. As a result, the ERA has taken the approach to pro-rata the expenditure between existing stations and new stations.

175. Accordingly, 61 per cent ($2.4 million) of the proposed expenditure should be recoverable from specific shippers leaving 39 per cent, $1.5 million as prudent and efficient capital expenditure.

DBP38: Structures and operational sites

176. DBP has proposed one project for structures and operational sites in AA6 at a forecast cost of $0.5 million. The project is for “earthing grid refurbishment at aboveground sites other than compressor stations”.

177. EMCa has reviewed this business case and considers the project is adequately justified from the information provided.

178. The ERA has reviewed the project under the structures and operational sites business case and considers the project is justified and the proposed AA6 capital expenditure is prudent and efficient.

ERA decision

179. In aggregate, the ERA considers that not all of the proposed AA6 capital expenditure for the Cathodic/Corrosion Protection asset class is prudent and efficient expenditure. Table 4.18 below sets out DBP’s proposed capital expenditure, the ERA’s proposed adjustments and the ERA’s draft decision adjusted AA6 capital expenditure.

Table 4.18: DBP proposed, ERA adjustments and ERA draft decision adjusted AA6 capital expenditure for cathodic/corrosion protection assets ($ million real at 31 December 2024)

Business case	DBP proposed	ERA adjustment	ERA adjusted	Variance %
DBP01: Compressor Stations	11.7	0.0	11.7	0
DBP02: Pipeline and MLV	7.5	(0.8)	6.7	(10)
DBP18: Turbine exhaust replacement	4.0	(2.4)	1.5	(61)
DBP38: Structures & operations sites	0.5	0.0	0.5	0
Total	**23.6**	**(3.2)**	**20.4**	**(13)**

Source: ERA analysis.

Pipeline

180. As shown in Table 4.19 below, DBP's AA6 forecast capital expenditure for the Pipeline asset class is $1.0 million. This is $2.6 million less than DBP's actual AA5 capital expenditure. The ERA has assessed each business case below.

Table 4.19: DBP's proposed AA6 capital expenditure for the Pipeline asset class ($ million real at 31 December 2024)

		AA6					
Business case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 total**
DBP02: Pipeline and MLV	2.3	0.1	0.1	0.1	0.2	0.1	0.5
DBP38: Structures & operations sites	0.0	0.1	0.1	0.1	0.1	0.1	0.5
Other project	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Total	**3.6**	**0.2**	**0.2**	**0.2**	**0.3**	**0.2**	**1.0**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.6, p.65.

DBP02: Pipeline and MLV and DBP38: Structures and operational sites

181. DBP has proposed two projects under the pipeline and MLV business case and one project under the structures and operational sites business case in AA6 at a total forecast cost of $1.0 million. The projects are for pipeline corridor erosion repair; piggability of mainline south and replacement of compound fencing.

182. EMCa has reviewed these projects and from the condition information provided in DBP's business cases, considers that this work is required and that it is prudent to undertake in AA6.

183. The ERA has reviewed the projects under the pipeline and MLV and structures and operational sites business cases and considers the projects are justified and the proposed AA6 capital expenditure is prudent and efficient.

SCADA, ECI and Communications

184. As shown in Table 4.20 below, DBP's AA6 forecast capital expenditure for the SCADA, ECI and Communications asset class is $81.2 million. This is $2.7 million more than DBP's actual AA5 capital expenditure. The ERA has assessed each business case below.

Table 4.20: DBP's proposed AA6 capital expenditure for the SCADA, ECI and Communications asset class ($million real at 31 December 2024)

		AA6					
Business case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 total**
DBP01: Compressor stations	7.4	1.1	0.2	1.1	0.8	0.8	4.1
DBP02: Pipeline and MLV	2.0	0.0	0.0	0.0	0.3	1.5	1.8
DBP03: Operating Technology (OT)	2.0	3.0	3.9	3.9	4.1	3.7	18.7
DBP08: Northern Comms replacement	35.3	4.8	0.0	0.0	0.0	0.0	4.8
DBP09: Compressor unit control systems replacement	18.4	3.1	3.1	3.1	3.1	3.2	15.7
DBP23: Network security	0.5	0.2	0.2	0.4	0.2	0.2	1.2
DBP35: Power Gen & Mgt	11.2	5.9	8.9	7.5	8.7	4.0	35.0
Other projects (not proposed for AA6)	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Total	**78.5**	**18.2**	**16.4**	**16.1**	**17.3**	**13.3**	**81.2**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.7, p.66.

DBP01: Compressor stations and DBP02: Pipeline and MLV

185. DBP has proposed six projects under the compressor stations business case and three projects under the pipeline and MLV business case at a forecast cost of $4.1 million and $1.8 million respectively.

186. EMCa has reviewed these projects and notes that the works represent a continuation of ongoing replacement and minor upgrades. In addition, the proposed expenditure under these business cases is less than or broadly commensurate with its AA5 expenditure. EMCa considers the proposed expenditure for these two business cases to be reasonable.

187. The ERA has reviewed the projects under the compressor stations and pipeline and MLV business cases that are continuations of ongoing replacement and minor works.

The ERA notes EMCa's advice and considers the projects are justified and the proposed AA6 capital expenditure is prudent and efficient.

DBP03: Operating Technology

188. DBP has proposed to undertake 18 projects under the operating technology business case at a total cost of $18.7 million. This is $16.7 million more than DBP's actual AA5 capital expenditure for operating technology.

189. DBP is proposing a large-scale replacement of its operating technology in AA6. DBP describes the need as follows:[18]

190. EMCa noted in its review that operating technology replacement will reduce the risk of failures and improve the reliability of information required to operate and report on the operations of the pipeline. EMCa also noted that a factor it considers to be relevant in reviewing these projects is the cyber security offered by current technologies is considerably stronger, thereby further reducing risk to DBP.

191. EMCa considers that DBP's business case demonstrates that it has considered reasonable options and that DBP is justified in rejecting a 'run to failure' option, due to the risks that it would impose. DBP also considered an accelerated option but provides its assessment that it can adopt a prioritised approach which will allow it to defer some elements of the replacement program and that it will utilise usable spares to extend the program where possible.

192. DBP proposes to undertake 18 operating technology projects in AA6. EMCa considers that DBP's proposed program represents a prudent approach, however, EMCa considers that DBP will face challenges in delivering the scale of replacement that it has proposed within the timeframe, and that it will find prudent opportunities to defer some replacements.

193. As a result, EMCa considers that a 10 per cent lower capital expenditure allowance would provide DBP with sufficient allowance to maintain its intended risk position.

194. The ERA has reviewed the projects under the operating technology business case. The ERA notes the significant increase in the proposed expenditure and in the volume of work to be undertaken between access arrangements.

195. The ERA considers that the proposed work is justified, however, the planned volume of work appears ambitious for the AA6 period. As DBP has noted in its submission and EMCa has agreed with in its report, during the AA6 period there will be opportunities to defer replacements.

196. As a result, the ERA considers that a reduction of 10 per cent of DBP's proposed AA6 capital expenditure for operating technology projects would be a better representation

[18] DBP03 business case, January 2025, p.84.

of a prudent and efficient value. A 10 per cent reduction ($1.9 million) results in an AA6 capital expenditure allowance of $16.8 million as being prudent and efficient.

DBP08: Northern Communications System replacement

197. DBP has proposed two projects for the Northern Communications System replacement business case in AA6 at a forecast cost of $4.8 million.

198. DBP has largely undertaken its replacement of the Northern Communications System in the AA5 period. DBP has advised that its expected total project cost for the Northern Communications System replacement is $38.8 million.

199. The ERA has accepted all of DBP's AA5 capital expenditure for the project as conforming. As a result, DBP's proposed AA6 capital expenditure for this project would lead to a total allowance that exceeds its currently expected cost. EMCa considers this difference to essentially be a contingency against the possibility of a cost and/or time over-run into AA6.

200. As a result of DBP advising that it expects the total project cost to come in on budget ($38.8 million), EMCa has proposed an adjustment of $0.9 million to DBP's proposed AA6 allowance of $4.8 million, which has the effect of providing a total expenditure allowance across the two periods (AA5 and AA6) equal to DBP's expected total cost for the project.

201. The ERA has reviewed the projects for the Northern Communication System replacement business case. The ERA notes this is a carryover project from AA5 due to be completed in the first year of AA6. The ERA notes DBP's documentation shows that the AA6 proposal includes contingency amounts but that it expects to be able to deliver the project on budget.

202. With the project in its final stages, the inclusion of a contingency is not warranted, and the ERA considers that a reduction to the value of $0.9 million to bring the project back to its budgeted cost is warranted. As a result, the ERA considers an AA6 capital expenditure allowance of $3.9 million is prudent and efficient.

DBP09: Compressor Unit Control Systems replacement

203. DBP has proposed one project for compressor unit control systems replacement at a forecast cost of $15.7 million. This project is a continuation from AA5 and AA4.

204. DBP stated in its business case that compressor turbine control systems have a design life of 18 years after which the original equipment manufacturer (OEM) will no longer provide support or spare parts, and the equipment quickly becomes incompatible with current systems. EMCa notes that DBP's continuing replacement programme meets this OEM requirement.

205. EMCa notes that the OEM has introduced improvements to its control systems to improve compressor unit operational efficiency and provide better diagnostics as issues develop. These enhancements should deliver benefits in future periods.

206. EMCa considers that the costs are based on DBP's experience of conducting this programme through AA4 and AA5 and considers the expenditure is reasonable.

207. The ERA has reviewed the project for the compressor unit control systems replacement and considers that from a risk perspective, the replacement of systems that are no longer supported or have spare parts available from the OEM is a reasonable decision.

The ERA considers the proposed AA6 capital expenditure for this project is prudent and efficient.

DBP23: Network security

208. DBP has proposed three projects for the network security business case in AA6 at a forecast cost of $1.2 million.

209. EMCa has reviewed these projects and considers that for DBP to maintain its current risk levels that the proposed expenditure is justified and reasonable.

210. The ERA has reviewed the projects in the network security business case and based on a risk tolerance, considers the project to be justified and the proposed AA6 capital expenditure to be prudent and efficient.

DBP35: Power generation and management

211. DBP has proposed 14 projects for the power generation and management business case in AA6 at a forecast cost of $35.0 million.

212. Of the 14 projects, 80 per cent of the expenditure comes from three projects which are:

- Gas Engine Alternator (GEA) engine replacement ($11.7 million)
- GEA and Diesel engine alternator (DEA) control system replacement ($6.8 million)
- Closed cycle vapor turbogenerators (CCVT) replacement ($9.6 million)

GEA engine replacement

213. DBP is proposing $11.7 million for replacement of GEA's during AA6.

214. EMCa noted that the GEA's are end of life and DBP has considered reasonable options for replacement. In addition, emissions reduction obligations add a new dimension to the evaluation of options. DBP's preliminary cost benefit analysis demonstrates a positive net present value of $73,000, including environmental benefits in contributing to meeting DBP's emissions reduction obligations.

215. After reviewing the business case and responses to information requests, EMCa considers that there is justification for this programme and that the costs are reasonable.

GEA and DEA control system replacement

216. DBP is proposing $6.8 million for replacement of GEA and DEA control systems during AA6.

217. This project is being undertaken in accordance with the OEM recommendations and an independent study carried out by Motherwell Systems in 2012. DBP notes that the work is being scheduled with the GEA replacement project to optimise resource and staff deployment and minimise duplication of personnel visiting a site.

218. EMCa considers this project, and expenditure is justified and reasonable.

CCVT replacement

219. DBP has proposed $9.5 million for replacement of CCVT's during AA6.

220. EMCa has reviewed the business case and responses to information requests and considers that DBP has undertaken a thorough review of power generation options for

remote MLV sites. In addition, the existing CCVT's are end of life and no longer supported by the OEM, so an alternative is required.

221. EMCa considers the project and expenditure is justified and reasonable.

Other power generation and management projects

222. EMCa noted that the remaining 11 projects in the business case that DBP proposes for AA6 are largely end of life replacements or the continuation of existing projects, with some also prompted by the introduction of renewables. These are individually relatively small projects with what should be well understood costs.

223. EMCa has reviewed these projects and considers that they are justified and that DBP's proposed allowance for these projects is reasonable.

Overall

224. The ERA has reviewed the projects in the power generation and management business case. The ERA considers that all the projects are justified given many items are reaching end of life and will be unsupported going forward. The ERA considers the proposed AA6 capital expenditure for the power generation and management projects is prudent and efficient.

ERA decision

225. In aggregate the ERA considers that not all of the proposed AA6 capital expenditure for the SCADA, ECI and communications asset class is prudent and efficient expenditure. Table 4.21 below sets out DBP's proposed capital expenditure, the ERA's proposed adjustments and the ERA's draft decision adjusted AA6 capital expenditure.

Table 4.21: DBP proposed, ERA adjustments and ERA draft decision adjusted AA6 capital expenditure for SCADA, ECI and communications assets ($ million real at 31 December 2024)

Business Case	DBP Proposed	ERA Adjustment	ERA Adjusted	Variance %
DBP01: Compressor stations	4.1	0.0	4.1	0%
DBP02: Pipeline and MLV	1.8	0.0	1.8	0%
DBP03: Operating Technology	18.7	(1.9)	16.8	(10%)
DBP08: Northern Comms replacement	4.8	(0.9)	3.9	(19%)
DBP09: Compressor unit control systems replacement	15.7	0.0	15.7	0%
DBP23: Cyber security	1.2	0.0	1.2	0%
DBP35: Power Generation and management	35.0	0.0	35.0	0%
Total	**81.2**	**(2.8)**	**78.5**	**(3%)**

Source: ERA analysis.

Metering

226. As shown in Table 4.17 below, DBP's AA6 forecast capital expenditure for the metering asset class is $31.8 million. This is $14.8 million more than DBP's actual AA5 capital expenditure. The ERA has assessed each business case below.

Table 4.22: DBP's proposed AA6 capital expenditure for the Metering asset class ($million real at 31 December 2024)

		AA6					
Business Case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 Total**
DBP03: Operating technology	0.2	0.0	0.2	0.7	0.7	0.7	2.2
DBP15: Meter stations	16.8	8.4	8.5	5.1	3.5	3.4	28.7
DBP38: Structures & operational sites	0.0	0.5	0.1	0.1	0.0	0.0	0.9
Total	**17.0**	**8.8**	**8.8**	**5.9**	**4.2**	**4.1**	**31.8**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.9, p.71.

DBP03: Operating Technology

227. DBP has proposed one project for operating technology expenditure in AA6 at a forecast cost of $2.2 million.

228. The project is to replace flow computers for which DBP spent $2.4 million on this project in AA4, followed by $0.2 million in AA5. In AA6, DBP proposes to replace 64 flow computers at 24 sites. DBP's business case notes that the replacement of flow computers is part of a larger programme to replace obsolete operating technology equipment at compressor stations and meter stations.

229. EMCa has reviewed DBP's business case and considers the proposed expenditure is justified and the forecast is reasonable.

230. The ERA has reviewed the project in the operating technology business case and notes that this project is a continuation from previous access arrangements to replace obsolete equipment. The ERA considers the project is justified and that the proposed AA6 capital expenditure is prudent and efficient.

DBP15: Meter stations

231. DBP has proposed 11 projects for the meter stations business case in AA6 at a forecast cost of $28.7 million.

232. As noted in the earlier section assessing AA5 capital expenditure, meter stations (inlet points and outlet points) along the DBNGP are classified as either existing stations or new stations. For existing stations, DBP is responsible for the operations and maintenance costs under clauses 6 and 15 of the DBNGP Reference Service Terms and Conditions. At all other stations, the shippers using a particular station are responsible for the costs of operating and maintaining that station.

233. Along the DBNGP there are 67 meter stations of which, 26 (or 39 per cent) are identified as Existing Stations for which DBP is responsible. However, DBP's proposed projects do not always state the meter station location or relate to a specific meter station. In these situations, the project costs should not be assigned in full to the DBNGP. The ERA consider that a reasonable assumption is to apportion the project costs between DBP and shippers on the basis of allocating 39 per cent to existing stations for which DBP is responsible and 61 per cent to new stations for which costs are recoverable directly from shippers.

234. EMCa has reviewed the significant projects within this business case as follows:

Gas chromatograph installations at producer inlets and at upstream of CS1 & CS2[19]

235. DBP has proposed an AA6 capital expenditure allowance of $6.0 million for the installation of gas chromatographs at inlet stations and at upstream of Compressor Stations 1 and 2. DBP indicated at the onsite meeting on 17 and 18 March 2025 that these gas chromatographs were requested by shippers as the information provided by producers has been unreliable.

236. EMCa notes that Clause 6 of the Reference Service Terms and Conditions stipulates that the provision of metering at inlet points is the responsibility of the shippers, but the shippers may engage DBP to install, operate and maintain the facilities at the shippers' expense.

237. EMCa considers that should the project proceed, the full costs should be recovered from the relevant shippers, and as such the expenditure is not considered conforming capital expenditure.

238. The ERA has reviewed the gas chromatograph installations project and based on the Reference Service Terms and Conditions, considers that the proposed AA6 capital expenditure is the responsibility of individual shippers and does not meet the criteria to be included in the capital base for the DBNGP. The ERA considers this project is not conforming capital expenditure.

Analyser installation at intake sites[20]

239. DBP has proposed an AA6 capital expenditure allowance of $4.7 million to install gas analysers at intake stations.

240. As was noted above with the gas chromatographs, Clause 6 of the Reference Service Terms and Conditions stipulates that the provision of metering at inlet points is the responsibility of the shippers, but the shippers may engage DBP to install, operate and maintain the facilities at the shippers' expense.

241. EMCa considers that should the project proceed, the full costs should be recovered from the relevant shippers, and as such the expenditure is not considered conforming capital expenditure.

242. The ERA has reviewed the analyser installation at intake sites project and based on the Reference Service Terms and Conditions, considers that the proposed AA6 capital expenditure is the responsibility of individual shippers and does not meet the criteria to

19 DBP Project CP1700261

20 DBP Project New 04

be included in the capital base for the DBNGP. The ERA considers this project is not conforming capital expenditure.

Meter recertification[21]

243. DBP has proposed an AA6 capital expenditure allowance of $1.3 million to recertify meters.

244. In reviewing this project, EMCa sought additional information from DBP on the sites for the relevant meters. In its response to the information request, DBP stated that:

> For meter replacement or recertification projects it is not practicable to identify specific sites at this time. We have based the forecast volumes on historical averages.

245. As noted above, there are 67 meter stations on the DBNGP, of which 26 are existing stations for which DBP must meet the costs of operations and maintenance. At the other 41 stations, shippers are responsible for the costs for operations and maintenance, including maintenance capital expenditure.

246. As a result, using a *pro rata* of the costs in proportion to the number of existing stations and new stations, 39 per cent or $0.5 million of the expenditure can be regarded as conforming capital expenditure with the remainder ($0.8 million) recoverable from shippers.

247. The ERA has reviewed the meter recertification project and considers the project to be justified. However, as the specific sites have not yet been identified, it would be prudent to pro-rata the expenditure in this project between existing stations and new stations.

248. As a result, the ERA considers that 61 per cent ($0.8 million) of the proposed expenditure is not conforming capital expenditure and that 39 per cent ($0.5 million) is considered prudent and efficient expenditure.

Spare meters for recalibration[22]

249. DBP has proposed an AA6 capital expenditure allowance of $0.7 million to recalibrate spare meters.

250. EMCa notes that clause 15 of the DBNGP Reference Service Terms and Conditions sets out the requirements for metering at inlet and outlet points, specifically at clause 15.4(b) the requirements include the provision of alternative metering equipment at all locations with a design capacity greater than 5TJ/day.

251. EMCa considers that given this redundancy requirement for meters in situ, there is insufficient justification provided by DBP to allow inclusion of pre-emptive recalibration of DBP's stock of spare meters, as DBP has proposed for its AA6 capital expenditure allowance. In addition, clause 15 states that it is the shipper's responsibility to provide the metering equipment.

252. As a result, EMCa considers the proposed capital expenditure is not conforming capital expenditure.

253. The ERA has reviewed the spare meters for recalibration project and based on the Reference Service Terms and Conditions, considers that the proposed AA6 capital

[21] DBP Project New 04

[22] DBP Project New 03

expenditure is the responsibility of individual shippers and, therefore, does not meet the criteria to be included in the capital base for the DBNGP. The ERA considers this project is not conforming capital expenditure.

Annual Ultrasonic meter (USM) replacement[23]

254. DBP has proposed an AA6 capital expenditure allowance of $0.8 million for annual USM replacement.

255. EMCa noted that from a response by DBP to an additional information request, none of the priority sites identified for replacement is an existing station. Accordingly, under the DBNGP Reference Service Terms and Conditions, the shippers are responsible for the operations and maintenance of these stations and the proposed expenditure would not be conforming capital expenditure.

256. The ERA has reviewed the annual USM replacement project and based on the Reference Service Terms and Conditions, considers that the proposed AA6 capital expenditure is the responsibility of individual shippers and does not meet the criteria to be included in the capital base for the DBNGP. The ERA considers this project is not conforming capital expenditure.

Upgrade of odorant facilities meter stations and Kingtool filling facilities[24]

257. DBP has proposed an AA6 capital allowance of $2.4 million to upgrade odorant facilities at meter stations and Kingtool odorant filling facilities.

258. DBP's response to an EMCa information request provided additional information on the rationale and prioritisation of sites for upgrade of odorant facilities and replacement of the end-of-life Kingtool odorant filling facilities. EMCa notes that all of the sites at which work is proposed in AA6 are existing stations. EMCa considers that the information provided justified the proposed expenditure as conforming capital expenditure.

259. The ERA has reviewed the upgrade of odorant facilities project and notes that all the works are proposed to take place at existing stations. The ERA considers that the works proposed are justified and that the proposed AA6 capital expenditure is prudent and efficient.

Turbine meter refurbishment and replacement[25]

260. DBP has proposed an AA6 capital expenditure allowance of $3.3 million for turbine meter refurbishment and replacement.

261. EMCa noted that all of the turbine meters proposed for replacement during AA6 are located at existing stations and are at end of life, being at least 25 years old. EMCa considers the project works are justified, and the expenditure is reasonable.

262. The ERA has reviewed the turbine meter refurbishment and replacement project and considers that as a result of the end of life of the assets that the works proposed are justified and that the proposed AA6 capital expenditure is prudent and efficient.

23 DBP Project New 02.

24 DBP Project CP1700017.

25 DBP Project CP1700476.

Heater fuel gas train replacement[26]

263. DBP has proposed an AA6 capital expenditure allowance of $3.9 million for heater fuel gas train replacements.

264. In AA5, DBP spent $2.5 million on heater fuel gas train replacement. EMCa has reviewed this AA6 project and considers the project is justified and the proposed expenditure is conforming capital expenditure.

265. The ERA has reviewed the heater fuel gas train replacement project and considers that the works proposed are justified and that the proposed AA6 capital expenditure is prudent and efficient.

Remaining Meter Stations business case projects

266. EMCa has reviewed the remaining projects under the meter stations business case. EMCa considers that the remaining three projects are required and justified to be undertaken, and the proposed expenditure costs are conforming capital expenditure for AA6.

267. The ERA has reviewed the remaining meter stations business case projects and considers that the works proposed are justified and that the proposed AA6 capital expenditure is prudent and efficient.

DBP38: Structures and operational sites

268. DBP has proposed three projects for the structures and operational sites business case in AA6 at a forecast cost of $0.9 million.

269. As set out in DBP's business case, the project for the replacement of air conditioners at meter stations is an ongoing programme to replace units at their end of life.

270. The project for the refurbishment of concrete bunds at odorant facilities is undertaken based on a site-by-site assessment. These facilities have deteriorated due to their age.

271. The project to install Palisade fencing at Kwinana Junction is driven by previous security breaches and the criticality of the site.

272. EMCa has reviewed the three projects and considers that the proposed expenditure is justified, and the forecasts are reasonable.

273. The ERA has reviewed the projects in the structures and operational sites business case. The ERA notes that the projects are all justified albeit for varying reasons, such as end of life, deterioration and for security of the pipeline. The ERA considers the proposed AA6 capital expenditure for the projects is prudent and efficient.

ERA decision

274. In aggregate the ERA considers that not all of the proposed AA6 capital expenditure for the meter station asset class is prudent and efficient expenditure. Table 4.23Table 4.18 below sets out DBP's proposed capital expenditure, the ERA's proposed adjustments and the ERA's draft decision adjusted AA6 capital expenditure.

[26] DBP Project CP1700482

Table 4.23: DBP proposed, ERA adjustments and ERA draft decision adjusted AA6 capital expenditure for meter station assets ($ million real at 31 December 2024)

Business case	DBP Proposed	ERA Adjustment	ERA Adjusted	Variance %
DBP03: Operating technology	2.2	0.0	2.2	0
DBP15: Meter stations	28.7	(13.0)	15.7	(45)
DBP38: Structures & operational sites	0.9	0.0	0.9	0
Total	**31.8**	**(13.0)**	**18.8**	**(41)**

Source: ERA analysis.

Computers and motor vehicles

275. As shown in Table 4.24 below, DBP's AA6 forecast capital expenditure for the Computers and motor vehicles asset class is $59.0 million. This is $2.0 million more than DBP's actual AA5 capital expenditure. The ERA has assessed each business case below.

Table 4.24: DBP's proposed AA6 capital expenditure for the computers and motor vehicles asset class ($million real at 31 December 2024)

		AA6					
Business case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 total**
DBP03: Operating technology	0.2	2.6	0.8	0.6	0.0	0.0	3.9
DBP17: Fleet and civil equipment	6.8	3.2	2.6	2.3	2.2	2.3	12.7
DBP21: Corporate IT Sustaining Apps	38.2	4.8	3.3	2.9	7.7	2.6	21.4
DBP23: Cyber Security	2.9	2.3	1.4	1.1	0.9	0.6	6.4
DBP30: IT Sustaining Infrastructure	5.8	4.8	3.7	1.8	1.5	2.7	14.5
DBP38: Structures & operational sites	0.0	0.1	0.1	0.0	0.0	0.0	0.2
Other projects (not included in AA6)	3.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	**57.0**	**17.8**	**11.9**	**8.6**	**12.3**	**8.3**	**59.0**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.11, p.75.

DBP03: Operating Technology

276. DBP has proposed one project for the operating technology business case in AA6 at a forecast cost of $3.9 million.

277. DBP proposed to upgrade its enterprise SCADA systems which it notes was deployed in 2011, was last upgraded in 2016 and is at the end of its technical life in 2024. DBP associates this cost with the Jandakot Facility Redevelopment, establishing the new control room there, as the two projects would need to align for efficiency reasons.

278. EMCa noted that DBP made a reasonable case for large scale replacement of its SCADA in the SCADA, ECI and Communications asset class proposed expenditure. EMCa considers that regardless of the scale and scope of the proposed Jandakot Facility Redevelopment (assessed in the Buildings asset class section) that it is likely to include a new control room and that it would be prudent to replace the SCADA system at this time.

279. EMCa reviewed DBP's estimated costs and considers that the project and proposed AA6 capital expenditure is reasonable and prudent expenditure.

280. The ERA has reviewed DBP's proposed expenditure for the upgrade to its enterprise SCADA systems and notes that DBP has linked this project with its Jandakot Facility Redevelopment. As set out in the AA6 Buildings section of this draft decision, the ERA has approved a portion of DBP's proposed expenditure for the Jandakot Facility Redevelopment which would likely include a new control room. As a result, the ERA considers upgrading the SCADA system in conjunction with the Jandakot Facility Development would be efficient.

281. The ERA considers the proposed AA6 capital expenditure for the upgrade to its enterprise SCADA systems is prudent and efficient.

DBP21: IT Sustaining Applications

282. DBP has proposed 15 projects for the IT sustaining applications business case in AA6 at a forecast cost of $21.4 million.

283. EMCa notes that DBP in its business case classifies its proposed expenditure on IT sustaining apps into enhancements and upgrades. From its descriptions, what DBP refers to as upgrades are in effect version upgrades, which maintain the currency of the application.

284. DBP describes its IT asset management approach as follows:

> Our approach is to ensure our business-critical systems remains available and secure for our staff and our shippers, minimising system interruption risks. We apply upgrades, patches and application enhancements based on consideration of business purpose, system criticality, and vendor recommendations on upgrade patches and version support.
>
> We apply an underlying principle of staying at a minimum of N-1 (i.e. systems will remain operational given the failure of any single component) for application upgrades. The alignment with industry practice of N-1 ensures ongoing vendor support and mitigates the risk of security breaches, system outages and potential regulatory non-compliance.

285. EMCa considers that these statements of approach reflect good industry practice and sought evidence that DBP has applied this approach prospectively in proposing its forecast allowances.

286. DBP presents three strategic development options in its business case being:

- Option 1: Upgrade all systems based on vendor recommended cycles ($25.3 million).

- Option 2: Deliver upgrades and application enhancements on a risk-based assessment of business need ($21.1 million).
- Option 3: Deliver the upgrades program only with no application enhancements ($13.8 million).

287. All three options moderate the high and intermediate risks to "as low as reasonably possible". DBP dismisses option 1, which has the highest cost. However, EMCa observed that for seven of the proposed application upgrade allowances, the costs are the same between options 1 and 2.

288. DBP's option 3 has the same cost estimates as option 2 for application upgrades but has no allowance for enhancements.

289. In discussing why it considers option 2 to be the prudent option, DBP states that option 2 is "the most cost-effective way of dealing with the risks posed by outdated and unsupported applications." DBP further refers to the need to "minimise business disruption" and to "mitigate risk by ensuring software currency."

290. In the business case, DBP's primary statements on the risk outcomes are the same, in that they moderate all high and intermediate risks to as low as reasonably possible, with the one proviso on option 3 being that it may compromise the ability to address future risks. The ERA notes that these future risksare unknown and unspecified in DBP's documentation.

291. Given the implied conditionality of this statement, EMCa further considers the extent to which the anticipation of such possible future risks warrants the considerably higher cost of adopting option 2, relative to option 3. EMCa did so by considering the specifics of each of the enhancement projects that DBP proposed.

Application upgrades

292. In Appendix A.1 of its business case DBP presents upgrades by reference to project lifecycles and the need to maintain the currency of the suite of applications. DBP also refers to the need for such upgrades as being "compounded by business needs that change over time and result(s) in either manual workarounds or changes to the IT application over time." In this appendix to its business case, DBP presents background context information on each of the proposed upgrade projects.

293. EMCa has reviewed the descriptions of each of these projects, and their claimed rationale, and notes the following:

- DBP's proposal provides for a significant upgrade of the 'SAP S4/HANA 2029' system and it is reasonable to consider the need for such an allowance, given that the system went live in 2023. However, within the AA6 timeframe, it may be found that a deferral or an interim investment is possible; also that savings from leveraging between AGIG businesses under the OneERP investment may allow for a lower investment cost to DBNGP customers.
- With regard to the proposed allowance for Transmission Billing System (TBS) upgrades:
  - DBP states that its cost estimates are "based on advice from the vendor" and "historical averages of upgrades and enhancements made to the old CRS system." Yet in DBP's detailed business case, DBP estimated that maintaining the CRS would cost $1.2 million in capex over five years, but that for the TBS no post-implementation capex would be required.

  - DBP states that significant factors in its choice of system include that it is "easy to support and maintain (all included in subscription)" and that "changes to configuration can be made by AGIG staff with Excel skills or outsourced [redacted] or other [redacted] resellers/partners" and that "other skills required to make changes or enhancements [are] commonly available."

  - To the extent that upgrades are required to meet the complexities of non-regulated contracts, these should not be charged to DBNGP.

- The proposed allowances for architecture management and for [redacted] appear to provide new functionality, for which the net benefit is not demonstrated.

294. While DBP states that its chosen option (option 2) assumes that it will undertake a risk-based assessment of need over AA6, its proposed program for seven of the proposed upgrades is the same for this option as for option 1, which assumes upgrades according to vendor recommendations.

295. EMCa notes in its review that as a bottom-up forecast, it considers that in applying the management approach described earlier in this subsection involving an "N-1" approach and risk-based criteria, DBP will find that it is able to defer some upgrades and/or is able to avail itself of lower-cost options and/or that some costs will not be attributable to DBNGP.

Application enhancements

296. DBP has proposed an allowance of $7.4 million for application enhancements. DBP describes application enhancements as those that provide additional functionality, which may be offered by the vendor or identified by users.

297. EMCa sought further information on the process by which DBP identifies and determines the enhancements that it will undertake, and the benefits achieved from them. DBP's response described the role that Business Process Owners have in deciding whether to proceed with each enhancement that is under consideration and refers to 'cost benefit analysis' being required and undertaken.

298. However, the examples that DBP provided all rely on qualitative descriptions of benefits or outcomes; DBP did not provide evidence for quantified assessment of benefits or quantified CBA. Some examples were referred to as CBAs, and included calculation of Net Present Values (NPVs), but the NPVs were simply present value equivalents of the proposed costs.

299. Without attempting to quantify benefits, EMCa considers that such analyses as DBP undertakes cannot be considered to be CBAs and consequently DBP provided no evidence that it monitors benefits realisation. EMCa considers that:

- DBP has not provided evidence that the enhancements that it proposes either will deliver benefits, or will only be undertaken on the basis of providing realisable benefits,

- To the extent that DBP does identify such enhancements, then it is reasonable to expect that they will realise benefits in excess of the investment and which would therefore warrant DBP's investment regardless of the prospective regulatory allowance.

300. DBP's 'option 3' would exclude all application enhancements. DBP's determining criterion for rejecting this option appears to be that it "could place business operations at risk if the enhancement is required to address a material issue."

301. EMCa considers the reference to business risk was misplaced for this category, and inconsistent with DBP's explanation of enhancements as providing what are better characterised as operational benefits.

302. EMCa considers that DBP's forecast for upgrades is overstated and it has not demonstrated the justification for proposed enhancements, it considers that DBP has not demonstrated that its proposed allowance for IT sustaining applications is a reasonable estimate of prudent and efficient requirements.

303. EMCa considers that DBP has not justified the need to allow $1.8 million over AA6 or annual upgrades of the TBS, which is newly developed, exists in part to manage billing of customers under non-regulated contractual arrangements and for which, in its business case, DBP forecast no further capital expenditure requirement beyond the initial deployment. Absent justification that addresses these matters, EMCa considers that a reasonable allowance is for 30 per cent of what DBP has proposed.

304. EMCa also considers that a reasonable alternative allowance for upgrades (excluding the TBS project evaluated in the paragraph above) would be to provide 20 per cent less than DBP has proposed for upgrades, allowing for a proportion of deferrals and adoption of lower cost options and on the basis that no prospective benefits are identified and that, if they are, then DBP has the incentive to make the necessary investments, EMCa considers that the proposed allowance for enhancements is not reasonable.

305. DBP has not, provided adequate justification for its proposed allowance for application enhancements. EMCa considers that applying a more transparent, criteria-based and more-often quantified test for the net benefit of enhancements would lead DBP to undertake less investment in enhancements than it has proposed and that it will by default look for internal benefits that are sufficient to justify any such investments that it chooses to make.

306. The ERA has reviewed the IT sustaining applications business case and EMCa's advice. For the upgrades portion of the business case, the ERA considers that DBP has not justified all of the total value of the TBS upgrade. The ERA considers that an appropriate allowance for the TBS upgrade is for 30 per cent of DBP's proposed AA6 expenditure.

307. For the remaining upgrades expenditure, the ERA considers that not all the full value of the proposed AA6 capital expenditure is prudent and efficient. The ERA considers that there are opportunities for deferral., As such the ERA considers that a reduction of 20 per cent is a prudent and efficient value for the remaining upgrade projects.

308. For the proposed enhancements expenditure, the ERA does not consider that DBP has provided evidence of the benefits that would be achieved from the proposed expenditure. As a result, the ERA does not consider that any of the proposed AA6 IT sustaining applications enhancements expenditure is prudent or efficient expenditure.

DBP30: IT sustaining infrastructure

309. DBP has proposed 15 projects for the IT sustaining infrastructure business case in AA6 at a forecast cost of $14.5 million.

310. These 15 projects can be grouped into five categories as shown in Table 4.25 below.

Table 4.25: DBP proposed, capital expenditure for business case DBP30: IT sustaining infrastructure ($ million real at 31 December 2024)

Project group	2026	2027	2028	2029	2030	AA6 total
Data Centre (AGIG OneIT)	0.4	0.1	0.1	0.1	0.2	1.0
Network and currency						
AGIG OneIT	1.8	2.0	0.7	0.6	0.6	5.7
Other	0.4	0.0	0.2	0.0	1.1	1.7
End user devices	0.8	0.8	0.8	0.8	0.8	3.9
Field devices	0.8	0.8	0.0	0.0	0.0	1.5
Meeting room refresh	0.6	0.0	0.0	0.0	0.0	0.6
Total	**4.8**	**3.7**	**1.8**	**1.5**	**2.7**	**14.5**

Source: ERA analysis.

311. DBP noted that in late 2019, AGIG launched its AGIG One IT strategy and roadmap, with the aim of consolidating disparate technology environments and leveraging economies of scale across the group.

312. EMCa noted that in its report to the ERA on DBP's AA5 proposal, that there was an absence of analysis of the NPV of DBP's IT sustaining infrastructure proposal for what were then referred to as group services, and which EMCa assumed were the AGIG group services now being established under OneIT.

313. EMCa notes that this is still the case: an example in the current submission is the statement that DBP's higher than forecast IT capital expenditure in AA5 was in part due to "a change in approach to the managed IT infrastructure services and consolidating data centres as part of the transition to the shared AGIG infrastructure, enabling us to leverage economies of scale for long-term benefits." However, DBP has not provided a CBA that quantifiably demonstrates these benefits at the AGIG level nor how they will flow to customers of the DBNGP.

314. DBP claims support for the AGIG OneIT strategy from the Australian Energy Regulator (AER) in its review of the Australian Gas Networks (VIC & Albury) access arrangement, and refers to statements such as the following:

> We consider AGIG's strategy of moving to a common enterprise-wide platform across its networks to be a prudent approach that is likely to minimise risks and enable economies of scale in operational planning as well as the costs of procuring and supporting IT.

315. EMCa considers that in principle, a strategy in which the relevant entities share a common infrastructure platform would appear to be prudent. The Australian Gas Networks business case that DBP refers to was produced in July 2020. It describes an AGIG IT Strategy and Roadmap for applications and infrastructure, the largest single component being the OneERP initiative. It does not explicitly address what, in the DBP proposal, are referred to as the AGIG OneIT infrastructure initiatives, including establishment of the West Coast Data Centre.

316. In the Australian Gas Networks business case section headed Summary of costs and benefits the document provides no assessment of benefits other than a claim that the chosen option (which is also the most expensive by a considerable margin) *"*is more sustainably cost efficient*"* than the lower cost option. EMCa advises that nowhere in the business case is this claim evidenced.

317. EMCa expected AGIG to have prepared an overall business case for its AGIG OneIT initiative in which it would have (as a minimum) defined the overall current state of AGIG infrastructure landscape and future infrastructure options, defined the relative costs and benefits of each option, and defined how those costs and benefits would be allocated across the AGIG entities. The apparent lack of such analysis undermines the credibility of the AGIG OneIT elements of DBP's proposed infrastructure capital expenditure for AA6.

318. As with the Australian Gas Networks business case referred to above, the DBP30 IT Infrastructure business case does not contain a CBA. In section 1.6 of the business case, DBP presents a comparison of the two options (stand-alone or AGIG OneIT for end user devices and network and currency) and including a third option (big bang cloud migration) for the Data Centre. EMCa notes that:

- There is no quantified assessment of the benefits of each option and the claimed NPV of each option is simply the present value of the costs.
- There is minimal difference in total cost between options 1 and 2 for the largest component, which is Network and Currency ($7.3 million for option 1 versus $7.2 million for option 2)
- There is also minimal difference in total cost for the Data Centre between options 2 and 3 ($2.8 million versus $2.9 million), though the proposed capital expenditure is lower for option 2.

319. EMCa considers that DBP does not present compelling justification for its identification of options or its consideration of their relative costs and benefits. EMCa considers based on its experience that a reasonable estimate of requirements will be 20 per cent less than DBP has proposed.

320. For the data centre, DBP presents the merits of an organic transfer to the cloud which EMCa considered to be reasonable on qualitative grounds, including by consideration of risk. This option also has the lowest capital expenditure, at $1.0 million total over AA6. EMCa considers it would expect to see the projects claimed cost efficiencies but these are not evident.

321. As a result, EMCa consider based on its experience that a reasonable estimate for the data centre would be 10 per cent less than DBP has proposed.

322. For the project regarding end user devices, DBP notes that growth in head count and increased use of field devices are reasonable drivers of the need for some increase in expenditure, as is the extent to which costs are increasing in real terms. In response to an information request, DBP provided a comparison of the replacement quantities and unit cost that it has assumed for each type of end-user device. As two examples, DBP's proposed AA6 replacements would comprise:

- A 28 per cent increase in the number of laptops replaced plus a 26 per cent increase in the unit cost;

- While less monitors are proposed for AA6, the unit cost increase is 411 per cent per monitor.

323. EMCa considers that DBP's proposed allowance for end user device replacements is not reasonable. EMCa considers that DBP will find some opportunities to extend lifecycles relative to the assumptions it has made for its proposal. EMCa, based on its experience, has proposed a reduction of 20 per cent on DBP's proposed expenditure to provide a reasonable estimate for the project.

324. For the project regarding field mobility devices, EMCa expected DBP would seek to justify deployment of mobility devices through some form of CBA. None was provided and EMCa sought further information through an information request.

325. In its response, DBP provided evidence of a deployment plan, including a pilot project followed by a phased rollout. The program would leverage the functionality that is inherent in applications such as Maximo and SAP 4/HANA that DBP has already deployed.

326. Despite the lack of a CBA, EMCa considers this to be a reasonable program, on the basis that it represents good industry practice, enhances the benefits from investments already made and is supported by a sound deployment plan. As a result, EMCa considers that the proposed allowance is reasonable.

327. For the meeting room refresh project, DBP provided minimal information. DBP stated that the existing meeting room AV equipment was installed in 2021 under the office fit out project and requires a refresh in 2026. DBP does not provide any evidence to suggest that the equipment is not fit for purpose, and which would warrant allowing for replacement. EMCa has considered that the total expenditure allowance is not required.

328. For the business case IT sustaining infrastructure, EMCa considers that DBP has not demonstrated that its proposed allowance is a reasonable estimate of prudent and efficient requirements.

329. EMCa considered the components of DBP's proposed allowance and their findings were as follows:

- DBP's proposed field mobility allowance is reasonable.
- DBP's proposal for end user device replacements is not reasonable and a reasonable estimate for this is 20 per cent less than DBP has proposed.
- DBP's proposed allowance for meeting room refresh is not reasonable; its proposed allowance is not justified.
- For Data Centre ongoing capital expenditure, DBP's proposed allowance is not reasonable and a reasonable estimate for this is 10 per cent less than DBP proposed.
- For Network and Currency infrastructure, DBP's proposed allowance is not reasonable and a reasonable estimate of requirements will be 20 per cent less than DBP has proposed.
- DBP's proposed expenditure for compressor station boom gates is reasonable.

330. The ERA has reviewed DBP's proposed AA6 capital expenditure for the business case IT sustaining infrastructure. The ERA notes the lack of detailed information regarding of the AGIG OneIT project and the benefits to DBP. The ERA considers that utilising

EMCa's experience a reduction of 20 per cent on the costs proposed by DBP would be a reasonable estimate of the cost for the project.

331. The ERA has reviewed the remaining projects and considers the field mobility devices proposed expenditure is prudent and efficient. The ERA considers that DBP could find opportunities to extend the assets for the end user devices project and also make efficiency savings during the period for the data centre project. As a result, the ERA considers that a reduction of 10 per cent for each project would be a reasonable estimate of the costs for these projects. Lastly, based on the lack of information provided, the ERA does not consider the proposed expenditure for the meeting room refresh is prudent and efficient expenditure for AA6.

DBP23: Cyber Security

332. DBP has proposed four projects for the cyber security business case in AA6 at a forecast cost of $6.4 million.

333. DBP's business case for cyber security is comprises IT expenditure, the $6.4 million assessed here under the computers and motor vehicles asset category and OT expenditure of $1.2 million, which was assessed and approved under the SCADA, ECI and Communications asset category.

334. DBP's business case also considers its options and expenditure requirements on a total cost basis, noting that DBP has also proposed an operating expenditure step change which the ERA has assessed and approved as prudent expenditure in Attachment 5 of this draft decision.

335. In its business case, DBP considers three options for its cyber security:

336. [redacted]

337. EMCa considers that DBP's business case provided evidence of a reasonable assessment of its cyber security risk position, its options and the suite of initiatives that will allow it to meet its cyber security objectives. DBP's business case provided evidence of a relatively granular buildup of costs, that are based on the initiatives set out in its roadmap.

338. EMCa considers that the risk-based approach that DBP has adopted is appropriate, and that its proposed expenditure for AA6 is reasonable.

339. The ERA has reviewed DBP's projects for cyber security. The ERA notes that this proposed AA6 capital expenditure in this section is IT related and is linked with

operating technology expenditure in the SCADA, ECI and communication section above that was approved as prudent expenditure. In addition, the IT and operating technology expenditure is linked to the operating expenditure step change that DBP has proposed and that in Attachment 5 the ERA has regarded as prudent expenditure.

340. The ERA considers that this IT related cyber security proposed AA6 capital expenditure also is justified and is prudent and efficient expenditure.

DBP38: Structures and operational sites

341. DBP has proposed one project for the structures and operational sites business case in AA6 at a forecast cost of $0.2 million.

342. DBP proposes to install automatic boom gates at compressor station sites. DBP noted that as per numerous Health Safety and Environment incident reports, the general public or contractors can enter DBP remote gas facilities unannounced.

343. The ERA has reviewed the project to install automatic boom gates at compressor station sites and considers the project is justified and that the proposed AA6 capital expenditure is prudent and efficient expenditure.

DBP17: Fleet and civil equipment

344. DBP has proposed four projects for the fleet and civil equipment business case in AA6 at a forecast cost of $12.7 million which is split between fleet vehicles ($9.1 million) and civil equipment ($3.6 million)

345. DBP's proposal is to spend $9.1 million on fleet vehicles and $3.6 million on civil equipment.

346. DBP has stated in its business case that the fleet vehicle expenditure has almost doubled from AA5 due to a combination of:

- An increase in the number of vehicles (from 89 at the start of AA5 to currently 106).
- A 25 per cent increase in the cost per vehicle since 2020.
- A backlog resulting from under-replacement in AA5, due in part to delayed availability of suitable vehicles during and following COVID and the need to prioritise new vehicles over replacement.

347. DBP has also noted that its fleet vehicle replacement policy has not changed: that is, to consider replacement at five years or 150,000km, however, DBP seeks to extend this where possible on assessment of vehicle condition. As at 2025, 60 of DBP's 106 vehicles are over 150,000km, including 26 of those over 250,000km.

348. DBP's business plan considered the costs of three fleet replacement strategies:

- Option 1: Replace on failure
- Option 2: Replace vehicles currently over 150,000km, over the period
- Option 3: Replace all vehicles as they reach 150,000km.

349. The ERA considers that option 1 is not a realistic option for vehicles regularly travelling in remote parts of Western Australia. DBP estimates that option 2 will require replacement of 60 vehicles while option 3 will require replacement of 80 vehicles over

the period. DBP has based its proposal on option 2, noting that this will still leave 28 vehicles over 150,000km (5 of those over 250,000km) at the end of AA6, and then expects to be able to return to a more balanced replacement schedule in AA7.

350. DBP notes in its business case that it is unlikely it would be able to access the 80 vehicles in option 3 or be able to complete the required modification works over a period of five years.

351. EMCa noted in its review that while it considers it is prudent for DBP to replace higher km vehicles as it proposes, EMCa considers that under its condition-based replacement policy for individual vehicles DBP would find that it can extend the life of some, such that its overall replacement program will be less than it has proposed. EMCa considers that a reasonable allowance was 10 per cent less than DBP had proposed.

352. The ERA has reviewed DBP's proposed capital expenditure for fleet. The ERA also does not consider option 1, replace on failure, to be a prudent option. DBP itself believes that option 3 could be unachievable and that DBP also notes in its business case that this option would put additional upward pressure on the regulated tariffs, as a result the ERA does not consider option 3 to be a prudent option.

353. The ERA considers that DBP's option 2 is the most prudent option of the three proposed by DBP. The ERA notes, however, that DBP's options analysis in AA6 is to replace vehicles either on failure, replace 60 vehicles or replace 80 vehicles. DBP itself considers it unlikely that it could replace 80 vehicles in the AA6 timeframe.

354. The ERA considers that achieving 60 vehicles in that timeframe, with the required modifications, could also be ambitious for that timeframe. DBP also has a policy of seeking to extend the life of vehicles based on an assessment of the vehicle condition. DBP notes that it maintains its vehicles in line with manufacturers' requirements by a selected fleet maintenance provider which has helped to experience good reliability and durability of the fleet.

355. As a result, the ERA considers that while option 2 is the most prudent of the proposed options, there is the ability to make additional savings in this area and has determined a reduction of 10 per cent ($0.9 million) on DBP's proposed AA6 capital expenditure to a prudent and efficient amount of $8.2 million.

356. DBP has proposed to incur $3.6 million for civil equipment in AA6. DBP business case includes replacement of eight Manitous (which are lifting vehicles), four of which were purchased in 2006. The replacement cost is $150,000 each. DBP considered extending their lives, however, the cost for a major service would be in excess of $80,000 to $100,000 each. DBP therefore proposes to replace the whole fleet, noting that most vehicles by then will be 20 years old.

357. The remainder of DBP's proposal is for replacement of trucks, graders and tractors, for which again it has a specific replacement schedule.

358. The ERA has reviewed DBP's proposed AA6 capital expenditure for civil equipment and considers the proposal and associated costings are prudent and efficient expenditure.

ERA decision

359. In aggregate, the ERA considers that not all of the proposed AA6 capital expenditure for the computers and motor vehicles asset class is prudent and efficient expenditure. Table 4.26Table 4.18 below sets out DBP's proposed capital expenditure, the ERA's proposed adjustments and the ERA's draft decision adjusted AA6 capital expenditure.

Table 4.26: DBP proposed, ERA adjustments and ERA draft decision adjusted AA6 capital expenditure for meter station assets ($ million real at 31 December 2024)

Business case	DBP proposed	ERA adjustment	ERA adjusted	Variance %
DBP03: Operating technology	3.9	0.0	3.9	0
DBP17: Fleet and civil equipment	12.7	(0.9)	11.8	(7)
DBP21: Corporate IT Sustaining Apps	21.4	(11.1)	10.3	(52)
DBP23: Cyber Security	6.4	0.0	6.4	0
DBP30: IT Sustaining Infrastructure	14.5	(2.9)	11.6	(20)
DBP38: Structures & operational sites	0.2	0.0	0.2	0
Total	**59.0**	**14.9**	**44.1**	**(25)**

Source: ERA analysis.

Buildings

360. As shown in Table 4.27 below, DBP's AA6 forecast capital expenditure for the building asset class is $51.8 million. This is $44.8 million more than DBP's actual AA5 capital expenditure. The ERA has assessed each business case below.

Table 4.27: DBP's proposed AA6 capital expenditure for the Building asset class ($million real at 31 December 2024)

		AA6					
Business case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 total**
DBP10: Jandakot Facility Redevelopment	2.9	1.1	16.7	16.9	0.0	0.0	34.6
DBP38: Structures and Operational Sites	3.4	0.3	6.7	0.9	6.6	2.6	17.1
Other projects (not included in AA6)	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Total	**6.9**	**1.4**	**23.4**	**17.8**	**6.6**	**2.6**	**51.8**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.25, p.96.

DBP10: Jandakot Facility Redevelopment

361. DBP has proposed a Jandakot Facility Redevelopment business case in AA6 at a forecast cost of $34.6 million.

362. For AA5, DBP proposed a redevelopment that was to provide improved office and training facilities, accommodation for the Transmission Operations division, a backup

SCADA control room, server and communications facilities and warehousing. DBP stated that this was to replace 30-year-old facilities which no longer meet business requirements, operational or safety needs. In its AA5 Final Decision, the ERA determined an allowance of $8.7 million (in $2019).

363. DBP states that the global pandemic and subsequent disruptions have resulted in a 2-year deferral of the Jandakot redevelopment. Consequently, DBP did not undertake the approved development in AA5 and has instead engaged in concept design and site development planning. DBP's revised cost estimate is now $34.6 million (in $2024), which it attributes to increases in commercial construction costs.

364. DBP states that it has revisited the scope of the project, while also stating that average annual commercial construction costs have increased by 5.2 per cent per year. DBP has deleted the provision of onsite accommodation but has otherwise considerably expanded the scope of the project.

365. EMCa has reviewed DBP's AA6 business case and noted that its assessment remains unchanged since its review in 2020 for AA5, that for a range of reasons that DBP refers to, it is prudent to redevelop the Jandakot site. However, EMCa suggests that, while construction cost increases will have played a part, the main reasons for the increase in the cost estimate from $8.7 million (in $2019 terms) to $34.6 million (in $2024) now, is because of the change in scope of what DBP proposes.

366. As a result, EMCa sought additional information from DBP regarding the project. The information requests were intended to provide a better understanding of the change in scope of the project.

367. DBP describes its scope of the proposed redevelopment as including construction of new office space and parking, an additional warehouse facility, fit for purpose training rooms and appropriate facilities to house incident and emergency response, a control centre and housing for SCADA.

368. EMCa also asked DBP to describe the scope of the redevelopment that it had originally proposed for AA5, describe any changes in scope or scale of the redevelopment that forms the basis for what DBP is now proposing and provide Board or senior management decision papers that challenged and then approved the changes in scope or scale of the project.

369. DBP did not provide information on the reasons for the change in scope and scale of the redevelopment to EMCa. DBP's response was to provide the following information:

- An indicative cost estimate for the now-proposed development, together with an independent review of this cost estimate
- A document entitled AGIG Jandakot Industrial Accommodation Strategy
- A Quantity Surveyor cost comparison with alternative site options.

370. EMCa noted that the main element of DBP's business case is its consideration on whether to redevelop the Jandakot site or move to another site. .

371. EMCa considers that DBP's 'options analysis' is solely confined to consideration of alternative sites. It provides no business case consideration of alternative options at the existing site, including for the option that it proposed for AA5, and which ERA accepted in its decision at that time.

372. EMCa noted that the documentation that DBP provided does not canvass alternative development options for the Jandakot site, except with regard to architectural concepts.

373. DBP did not provide any information which would evidence some form of governance concerning the leap that is apparent from the scope of the originally proposed redevelopment, compared with the redevelopment that it now proposes. As a result, EMCa inferred from the information provided that the redevelopment scheme now proposed is considerably more elaborate than the scheme that DBP proposed in AA5.

374. DBP did not provide EMCa with a meaningful comparison between the original scope and the scope now proposed, and why it now considers that the previously proposed scope would not meet its requirements, what elements of the now-proposed scope are required to address these presumed deficiencies and justification for the additional scope.

375. EMCa noted in its report that for a redevelopment of the scale being proposed, it expected DBP to be able to provide Board/or senior management-level documentation that would indicate effective governance of the process of prescribing what is required at Jandakot, and recognising and endorsing the significant increase in scope and associated cost of the plan now proposed. EMCa considers that none of the information received provided such evidence.

376. EMCa noted information that DBP provided indicated that as late as September 2024 DBP was assuming a project cost of under $13 million, leaving little opportunity for DBP to apply rigour to the assessment of the scope and cost of the redevelopment that it has now proposed.

377. EMCa noted that, the Jandakot redevelopment is presented as a site development plan that is designed to provide AGIG with optionality to choose what to locate there and when. While the site plan documentation records certain assumptions that were provided to AGIG's development advisors, the site plan does not follow from a well-defined and justified end-objective for DBP-related requirements or a coherent and endorsed transition plan towards that objective.

378. For example, indications that the redevelopment will provide the option to relocate the AGIG West Coast data centre and other DBP IT infrastructure; that it will provide the opportunity to accommodate increased staff numbers; that it will provide the opportunity for some divisions to relocate to Jandakot and the option to relocate the control centre. But for each of these elements, DBP has not provided evidence of its own internal commitment for siting of these functions or a formalised plan to do so. At an onsite meeting it became clear that many personnel in that meeting were unaware of assumptions that had been made regarding a potential move for themselves or their divisions.

379. In response to an EMCa information request, DBP provide information on assumptions regarding staff who might relocate to Jandakot, and which total 86 staff, and that there would be provision for a total of 240 staff at Jandakot. DBP also refers to growth requirements, the need for which was unclear to EMCa given a relatively stable operational requirement for DBNGP. The concept plan briefing to its designers, however, refers *to* "zones for approximately 350 staff" and refers to the brief to "consolidate staff into one location".

380. In a further response to an EMCa information request, DBP noted that "we don't expect any significant relocation until AA7…." and therefore, did not expect any cost savings in AA6 from downsizing its office lease in Perth. This is despite DBP's proposed

redevelopment expenditure profile suggesting completion by 2028 and DBP refers in this same information request response to construction commencing in 2025, with a 24-month construction period over 2026 and 2027.

381. DBP has not provided a coherent timetabled plan that would define what functions would be located at Jandakot, whether or until when Perth CBD accommodation would be still required and the nature of that requirement and a transition plan for relocation of any staff and infrastructure facilities. EMCa expected some form of financial implications schedule and a CBA to accompany such a plan but this was not provided.

382. A further aspect of DBP's proposal that is unclear is the extent to which the proposed redevelopment reflects the needs of DBNGP customers. Documentation that DBP provided tends to be branded as meeting AGIG requirements and does not appear to distinguish any requirements that may pertain to servicing (from WA) of AGIG east coast operations or of DBP's non-regulated services. While it is understandable that parties advising on the redevelopment are being briefed with AGIG requirements, the distinction is clearly of importance in considering the regulatory inclusion of costs.

383. EMCa concluded that DBP's current business case for its proposed Jandakot development does not support its proposed expenditure allowance. The business case focuses on what DBP proposes to do, but without justifying the redevelopment that it now proposes. It presents as a 'call to action', as was the case for its AA5 proposal, and also presents sufficient evidence to support a redevelopment option as opposed to developing at a new location. However, it does not provide evidence to support the scope and scale of this proposed redevelopment and benefits to DBNGP operations sufficient to justify what it is now proposing.

384. EMCa considers that DBP had not adequately justified its proposed AA6 capital expenditure allowance for the Jandakot redevelopment. EMCa considers the basis for the project still remains , however, given the lack of justification that DBP has provided for its now-preferred option, EMCa considers that a reasonable alternative for AA6 could be to allow for what in effect would be the same allowance in the ERA's AA5 Final Decision, now deferred to 2027 and 2028, and which takes into account DBP's proposed 5.2 per cent (nominal) increase in building construction costs.[27] This would result in allowed capital expenditure of $8.0 million for 2027 and $1.7 million for 2028.

385. The ERA has reviewed the Jandakot Facility Redevelopment business case and proposed AA6 expenditure by DBP. The ERA notes that an allowance was provided in the AA5 final decision for the Jandakot Facility Redevelopment, however, this project was deferred and has again been proposed by DBP in the AA6 period.

386. The ERA in reviewing the AA6 proposal is concerned by the lack of quality and sophistication of the documentation to justify the proposed expenditure. As noted by EMCa, the basis for the project remains, with a redevelopment of the Jandakot facility being a project that meets the requirements to be undertaken, the area of concern relates to the lack of evidence for an increased scope and expenditure for the project which has not been justified.

387. DBP notes that the AA6 proposal is a deferral of the AA5 project, there is no additional basis for the project from that on which the AA5 project was approved by the ERA in the AA5 final decision. However, the proposed capital expenditure has increased

[27] In the ERA's AA5 Final Decision, the ERA allowed for $7.1 million capital expenditure in 2024 and $1.5 million capital expenditure in 2025 for the Jandakot redevelopment. These values were in 2019 dollars and have been indexed to 2024 dollars with a real cost increase for DBP's 5.2 per cent (nominal) increase in building construction costs.

significantly. DBP has claimed this is due to the increased construction costs. The ERA accepts that building construction costs have gone up since the project was given approval in the AA5 final decision, but this increase in building construction costs does not account for the total increase in the project costs.

388. Without justification for the change in scope for the project, which is the main cause of the significant increase in the project cost between access arrangements, the ERA does not consider the proposed AA6 capital expenditure for the Jandakot Facility Redevelopment to be justified and prudent and efficient expenditure.

389. However, the ERA, as in its AA5 Final Decision, still considers that there is a need to redevelop the Jandakot site to provide improved office and training facilities, accommodation for the Transmission Operations division, a backup SCADA control room, server and communications facilities and warehousing. Without the justification by DBP to change the scope in this project, the ERA considers an appropriate allowance is to escalate the approved AA5 values for both inflation and increased building construction costs.

390. As a result, the ERA considers that a prudent and efficient amount of AA6 capital expenditure for the Jandakot Facility Redevelopment is $9.7 million, being an escalation of the AA5 approved expenditure.

DBP38: Structures and Operational Sites

391. DBP has proposed four projects for the structures and operational sites business case in AA6 at a forecast cost of $17.1 million.

392. The main component of DBP's proposed expenditure is to replace accommodation at two compressor station sites. DBP also proposes some structural rectification work, some site building conversions (to repurpose some now-unused standalone compressor station buildings to be used for storage), to establish an operational hub at Karratha and for a workshop at Compressor Station 9.

393. EMCa noted in its review that DBP's case to upgrade compressor station accommodation is somewhat weakened by not having undertaken the level of work that was accepted by ERA for its AA5 allowance, however, it considers that DBP does provide sufficient evidence that this work is required and that the proposed upgrade of accommodation at two compressor stations in AA6 is reasonable.

394. DBP has noted that the current accommodation facilities are outdated and inadequate, with the age of the buildings being 32 years old or more with the last significant upgrade being done 16 years ago and only carrying out minor fixes when required. DBP has stated that the upgrades are required to bring the facilities up to current codes of practice.

395. The ERA has reviewed the compressor station accommodation upgrade project and considers the upgrades proposed are justified and that the proposed AA6 capital expenditure is prudent and efficient.

396. EMCa noted that while DBP makes a reasonable circumstantial case for creating a Northern Depot at Karratha, DBP undermines the timeliness of this by proposing only to conduct investigations with a view to purchasing a site with expenditure proposed for 2030. In addition, DBP's business case refers only to purchasing a site at this time and so does not appear to deliver a working depot in the AA6 period. EMCa considers that DBP has not adequately justified inclusion of this capital expenditure allowance for the Northern Depot and the $2.0 million proposed is not conforming capital expenditure.

397. The ERA has reviewed the Northern Depot at Karratha project and from the information provided, considers, as did EMCa, that DBP has provided a case for the project. However, the information provided is still very preliminary with only desktop research being undertaken on the possible cost of a property. DBP notes it will conduct a more detailed analysis as part of the project before committing to a property investment. The ERA considers that based on the current information that the proposed capital expenditure does not meet the criteria to be considered prudent and efficient.

398. For the remaining building projects in the structures and operational sites business case which include DBP's case for providing toilets at remote sites, conversion of current compressor stations to buildings, a workshop at Compressor Station 9 and for structural rectification work, EMCa has reviewed these projects and considers that the work is justified and the proposed capital expenditure is reasonable.

399. The ERA has reviewed the remaining building projects and considers that all the projects are justified based on the information provided and that the proposed AA6 capital expenditure is prudent and efficient.

ERA decision

400. In aggregate the ERA considers that not all of the proposed AA6 capital expenditure for the building asset class is prudent and efficient expenditure. Table 4.28Table 4.18 below sets out DBP's proposed capital expenditure, the ERA's proposed adjustments and the ERA's draft decision adjusted AA6 capital expenditure.

Table 4.28: DBP proposed, ERA adjustments and ERA draft decision adjusted AA6 capital expenditure for building assets ($ million real at 31 December 2024)

Business case	DBP proposed	ERA adjustment	ERA adjusted	Variance %
DBP10: Jandakot Facility Redevelopment	34.6	(23.0)	11.7	(66)
DBP38: Structures and Operational Sites	17.1	(2.0)	15.1	(12)
Total	**51.8**	**(25.0)**	**26.8**	**(48)**

Source: ERA analysis.

Other depreciable assets

401. As shown in Table 4.29 below, DBP's AA6 forecast capital expenditure for the Other depreciable assets asset class is $6.4 million. This is $3.2 million less than DBP's actual AA5 capital expenditure.

Table 4.29: DBP's proposed AA6 capital expenditure for the Other Depreciable Assets asset class ($million real at 31 December 2024)

		AA6					
Business case	**DBP AA5**	**2026**	**2027**	**2028**	**2029**	**2030**	**AA6 total**
DBP01: Compressor stations	2.7	0.3	0.4	0.3	0.4	0.3	1.7
DBP02: Pipeline and MLV	1.8	0.0	0.0	0.0	0.0	0.0	0.1
DBP12: Safety Case	0.6	0.0	0.6	0.0	0.0	0.0	0.6
DBP16: Tools	2.2	1.0	0.7	0.7	0.7	0.7	3.8
DBP38: Structures and Operational Sites	0.2	0.0	0.0	0.0	0.2	0.0	0.2
Other projects (not included in AA6)	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	**9.7**	**1.4**	**1.7**	**1.1**	**1.3**	**1.1**	**6.4**

Source: EMCa, Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025, Table 6.28, p.104.

402. DBP's Other depreciable assets category includes assets that do not fit in any of its specific asset categories. Examples of the expenditure in the asset class includes office fit-outs and office equipment, tools and staff amenities.

403. EMCa has reviewed DBP's proposed AA6 capital expenditure allowance in the five business cases provided by DBP and considers that the expenditure is reasonable.

404. The ERA has reviewed the proposed AA6 capital expenditure for the other depreciable assets asset category. The ERA notes that DBP's AA6 expenditure is less than AA5, however, this is in part due to the reclassification of DBP's Jandakot Facility Redevelopment expenditure from this category into buildings. In addition, there is a significantly lower proposed expenditure in the pipeline and MLV category between AA5 to AA6.

405. The ERA has reviewed the descriptions for the other depreciable assets allowance and considers that based on the information provided the proposed expenditure is justified and that the proposed AA6 capital expenditure is prudent and efficient.

ERA decision – Projected capital base

406. The ERA has considered information provided by DBP, public submissions and EMCa's report to determine the amount of capital expenditure that meets the requirements of the NGR.

407. Table 4.30 provides the ERA's adjustments to DBP's proposed AA6 capital expenditure and Table 4.31Table 4. sets out the ERA's draft decision amended conforming capital expenditure by asset class.

Table 4.30: ERA adjustments to DBP AA6 capital expenditure by asset class ($ million real at 31 December 2024)

Asset class	DBP proposal	ERA adjustment	Conforming AA6 capital expenditure	Variance %
Pipeline	1.0	(0.1)	0.9	(10)
Compression	33.3	(9.4)	23.9	(28)
Metering	31.8	(13.1)	18.7	(41)
Other depreciable	6.4	0.1	6.5	2
Computers and motor vehicles	59.0	(14.9)	44.1	(25)
Cathodic/Corrosion Protection	23.6	(3.1)	20.5	(13)
SCADA, ECI and Comms	81.2	(2.7)	78.5	(3)
Buildings	51.8	(25.0)	26.8	(48)
Total	**288.0**	**(67.9)**	**219.9**	**(24)**

Source: ERA analysis.

Table 4.31: ERA amended conforming capital expenditure for AA6 by Asset Class ($ million real at 31 December 2024)

Asset class	2026	2027	2028	2029	2030	Total
Pipeline	0.2	0.2	0.2	0.2	0.2	0.9
Compression	5.6	4.9	5.9	3.8	3.7	23.9
Metering	3.6	3.3	4.5	3.7	3.6	18.7
Other depreciable	1.4	1.6	1.1	1.3	1.1	6.5
Computers and motor vehicles	14.1	9.2	6.1	8.9	5.8	44.1
Cathodic/Corrosion Protection	4.8	4.3	3.9	3.8	3.7	20.5
SCADA, ECI and Comms	17.0	16.0	15.7	16.9	12.9	78.5
Buildings	0.7	12.3	6.6	6.6	0.6	26.8
Total	**47.3**	**51.7**	**44.0**	**45.1**	**31.6**	**219.9**

Source: ERA analysis.

408. The ERA's determined closing capital base for AA6 (opening capital base for AA7) is set out in Table 4. below.

Table 4.32: ERA determined closing capital base for AA6 ($ million real at 31 December 2024)

	2026	2027	2028	2029	2030
Capital base at 1 January	**3,425.8**	**3,322.9**	**3,217.2**	**3,102.9**	**2,989.6**
PLUS: Conforming capital expenditure	47.3	51.7	44.0	45.1	31.6
PLUS: Equity raising costs	1.4	1.5	1.4	1.3	1.1
LESS: Disposals and redundant assets	0.0	0.0	0.0	0.0	0.0
LESS: Depreciation	151.6	158.9	159.8	159.7	161.8
Capital base at 31 December	**3,322.9**	**3,217.2**	**3,102.8**	**2,989.6**	**2,860.5**

Source: ERA Analysis.

Required Amendment 4.2

DBP must amend its access arrangement information to revise its AA6 forecast capital expenditure to $219.9 million ($ real as at 31 December 2024).

Appendix 1 List of Tables