Revised Final Plan
Attachment 9.11

# Response to Draft Decision on Capital Expenditure

August 2025

PUBLIC

Dampier Bunbury Pipeline

# 1. Response to Draft Decision on Capital Expenditure

**We are investing $262 million on the DBNGP over AA6. Our proposed capex will ensure we maintain our strong safety, reliability and service performance in AA6. This is $25 million less than we proposed in our Final Plan and $43 million more than the ERA's Draft Decision.**

## 1.1. Overview

This attachment sets out our response to the ERA's Draft Decision on capital expenditure (capex) for the DBNGP over the 2026-30 Access Arrangement Period (AA6). In particular, we are responding to the following proposals in the Draft Decision:

**Amendment 4.1**
A reduction of $19.7m (9%) to DBP's proposed AA5 conforming capex to $193.1 million; and

**Amendment 4.2**
A reduction of $68.2m (24%) to DBP's proposed AA6 capex allowance to $219.8 million.

We will invest $211.8 million ($ real as at December 2024) in AA5, $1.1 million less than our Final Plan AA5 capex estimate and $18.7 million more than the ERA's Draft Decision for AA5 capex. The key reason for the change is that we have provided additional information on our AA5 Jandakot Facility Redevelopment, Meter Stations and IT Sustaining Applications projects, which demonstrates that the expenditure is conforming.

We propose to invest $262.0 million ($ real as at December 2024) in AA6, $26.1 million less than our Final Plan AA6 capex and $42.1 million more than the ERA's Draft Decision for AA6 capex. We have closely considered the ERA's Draft Decision and the report of its technical consultant, EMCa, in developing our revised capex forecast for AA6. The key differences between the revised Final Plan and the ERA's Draft Decision capex largely reflect an updated cost information in respect of specific projects and a differing view on the prudency of the projects disallowed by the ERA and EMCa. In particular, we have:

- Accepted some of the ERA and EMCa's proposed project deferrals into AA6;
- Provided more information to support the Jandakot facility Redevelopment, Meter Stations and IT Sustaining Applications programs as conforming capex in AA5;
- Proposed updated capex forecasts for our AA6 programs, providing more information for each project in response the ERA's decision; and
- Accept the decision on real labour cost escalation.

In this document, we provide an overview of our response to the ERA's Draft Decision for AA5 and AA6 conforming capex, which forms our revised Final Plan.

More detail on specific issues raised in the Draft Decision can be found in Attachment 9.12 Response to Draft Decision: Capex. Our response to common themes raised by the ERA across the capital program are provided in section 1.3.4.

## 1.2. ERA Draft Decision

### 1.2.1. AA5 Capex

The ERA has accepted $193.1 million (or 91%) of our investments during AA5 as conforming capital expenditure. The ERA has not accepted $19.7 million of AA5 capex as it did not have sufficient information to confirm these investments would be consistent with that incurred by a prudent service provider acting efficiently.[1]

The ERA's technical consultant, EMCa, concluded:

> *We consider that not all of the capex that DBP has proposed meets the criteria to be considered conforming capex. We consider that part of its significant cost overrun on its OneERP project, some metering costs and some expenditure on its proposed Jandakot redevelopment are not conforming.*[2]

A summary of the ERA's Draft Decision by business case category is in Table 1.1 below.

Table 1.1: Summary of the ERA's Draft Decision by AA5 Business case

| Business Cases | ERA Draft Decision | ERA comments |
|---|---|---|
| **DBP01 Compressor stations** | Accept | Accepted our investment in compressor stations during AA5. |
| **DBP02 Pipeline and MLV** | Accept | Accepted our investment in Pipeline and MLV during AA5. |
| **DBP03 Operating Technology (OT)** | Accept | Accepted our investment in Operating Technology (OT) during AA5. |
| **DBP08 Northern Comms Replacement** | Accept | Accepted our investment in the replacement of the Northern Communications System during AA5. |
| **DBP09 Compressor package control system replacement** | Accept | Accepted our investment on the replacement of compressor package control system replacement during AA5. |
| **DBP10 Jandakot facility redevelopment** | Modify | Accepted $1.4 of the $3.5m invested in the Jandakot Facility Redevelopment in AA5. This includes acceptance of the new Jandakot warehouse dome of $0.1 million and the replacement of the server room air conditioner at Jandakot at $0.6 million.<br>The $2.1m not accepted relates to disallowance whereby:<br>• The ERA applied a 75% reduction to the Jandakot Site Redevelopment expenditure, reducing the allowance to $0.7 million, on the basis of costs associated with design and architect fees<br>• DBP's proposal being around four times higher capex for AA6 than the originally planned in AA5, and the business case |

[1] ERA, Draft decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030) – Attachment 4: Regulatory capital base, p 1

[2] EMCa, Review of Proposed DBNGP Access Arrangement (AA6) 2026 – 2030, June 2025, p. 26.

| Business Cases | ERA Draft Decision | ERA comments |
|---|---|---|
| | | showing it is for a considerably more elaborate redevelopment, but DBP has not justified the increased scope or cost. While planning and design work has begun, DBP hasn't provided evidence of need for the increased scope, or internal governance that demonstrates the evidence of consideration and endorsement of the significant change;<br>• DBP's planning and design work focuses on concept and site development plans for a large-scale redevelopment but lacks a clear strategic assessment of long-term accommodation needs across its sites. This early design work is seen as premature and unlikely to deliver meaningful benefits to DBNGP customers; and<br>• DBP's proposed redevelopment appears designed to serve broader AGIG needs, not just the DBNGP. However, DBP has not identified or adjusted for the portion of costs attributable to non-DBNGP or non-regulated activities in its AA5 or AA6 capex proposals. |
| **DBP11 Maximo and DMZ** | Accept | Accepted our investment on Maximo and DMZ technology during AA5. |
| **DBP12 Safety case revisions** | Accept | Accepted our investment to review and revise our safety case during AA5. |
| **DBP15 Meter stations** | Modify/Reject | Accepted $17.8m of the $19.5m invested in Meter Stations in AA5. The $1.7m not accepted relates to:<br>• $0.3m of work done on the five odorant facilities. However, one of these is Carnarvon Meter Station, which is not an Existing Station, therefore this expenditure was considered non-conforming;<br>• $0.1m of work at Mondarra Meter Station, which is not an Existing Station and is therefore not conforming; expenditure at the other nine sites was conforming;<br>• $0.4m of work on the Burrup Fertiliser MS Flow Meter which was considered not conforming as neither the Burrup Fertilisers nor the Cape Preston Meter Station is an Existing Station;<br>• $0.3m of work on Safe Access Upgrades to MS which was rejected on the basis that appear to be a routine maintenance activity required to ensure that access roads into meter stations are always safe for use by light vehicles;<br>• $0.4m of work on the retrofit of the Remote Isolation Valve Actuator at meter stations. The project name implies the expenditure is was related to FY15/16 only, resulting in the spend to be considered non-conforming; and<br>• $0.2m on new Gas Analysers, which were at unspecified locations and were assumed as preparatory work for project DBP15-New-04 in AA6 which requires analysers to be installed at inlet points. Gas quality at the inlets is the |

| Business Cases | ERA Draft Decision | ERA comments |
|---|---|---|
| | | responsibility of the shippers and should be recovered from the shippers directly. As such, the cost was deemed to be non-conforming. |
| **DBP16 Tools** | Accept | Accepted our investment in our tools replacement program during AA5. |
| **DBP17 Fleet and civil equipment** | Accept | Accepted our investment in our fleet and civil equipment program during AA5. |
| **DBP18 Turbine exhaust replacement** | Accept | Accepted our investment in our turbine exhaust replacement program during AA5. |
| **DBP20 Customer Reporting System (CRS)** | Accept | Accepted our investment to upgrade our CRS during AA5. |
| **DBP21 IT sustaining applications** | Modify | Accepted $22.4 million of the $38.2 million proposed capex as conforming. The remaining $15.8 million not accepted relates to the 56% disallowance of the OneERP S/4HANA Implementation project as conforming capex.<br>The ERA noted that DBP incurred $3.5 million in AA4, with DBP proposing a further $28.1 of conforming capex for AA5, exceeding the allowance for AA5 of $11.4 million. |
| **DBP22 IT Enabling** | Accept | Accepted our investment in IT Enabling initiatives during AA5. |
| **DBP23 Network Security** | Accept | Accepted our investment in Network Security initiatives during AA5. |
| **DBP27 Office relocation** | Accept | Accepted our investment on our office relocation during AA5. |
| **DBP28 Southern communications upgrade** | Accept | Accepted our investment on communications infrastructure upgrade for the southern section of the DBNGP during AA5. |
| **DBP30 IT sustaining infrastructure** | Accept | Accepted our investment on our IT Sustaining infrastructure program during AA5. |
| **DBP31 DBP Decarbonisation Strategy** | Accept | Accepted our investment on our DBP Decarbonisation Strategy during AA5. |
| **DBP32 DBNGP Corridor** | Accept | Accepted our investment on our DBNGP Corridor program during AA5. |
| **DBP35 Power Generation and Management** | Accept | Accepted our investment on our Power Generation and Management program during AA5. |
| **DBP38 Structures & Operational Sites** | Accept | Accepted our investment on our Structures & Operational sites program during AA5. |

### 1.2.2. AA6 Capex

The ERA has reduced our forecast capex for AA6 to $219.9 million, a reduction of $68.1 million or 24%. EMCa's technical assessment found the following:

- AA6 expenditure is a notable increase in comparison to AA5 and AA4 levels.[3] Whilst the ERA expected some level of increase through early consultation with DBP, robust evidence to support the scale of the uplift was not provided, particularly for projects not directly related to gas transmission infrastructure;
- While reasonable evidence of need was presented, the justification for the proposed higher capex allowance was insufficient.[4] Although evidence highlighted the need for investment across multiple asset classes, the supporting detail was often lacking, particularly in demonstrating that the preferred options were prudent, cost-effective, or clearly superior to alternatives;
- Options analysis is under-developed and lacks quantified benefits[5] where the business cases identify two extreme investment options, typically a 'do nothing' and a 'full replacement' scenario, before settling on a middle ground option, lacking further analysis or justification; and
- Proposed capex relating to IT systems and corporate initiatives fall outside DBP's core gas supply infrastructure.[6] These investments require more rigorous justification to ensure they are applicable to DBNGP customers.

For our AA6 business cases, EMCa concluded that:

> *While our assessment is based strictly on the information provided to us, in aggregate we consider that DBP will find that the adjusted allowance that we propose will be sufficient.*[7]
>
> *We have taken a strict view of our obligations to advise the ERA based on the information that DBP has provided us, and there are many instances where DBP has not provided adequate justification that its proposed programs or individual projects are reasonably required or, if so, that the proposed option is prudent or that the proposed expenditure is an efficient estimate of its requirements. We consider that, assuming it undertakes a prudent work program and efficiently executes that program, DBP will find that it requires less capex than it has proposed. On the information DBP has provided, however, we consider that it is reasonable to assume that this will nevertheless be slightly more than DBP spent in AA5.*

In terms of our cost estimation, EMCa found that:

- After assessing each business case and asset class, a $68 million reduction, equating to 24% of the proposed capex, is to be applied, resulting in a revised capex forecast of $219.9 million.[8] This adjusted level of capex is considered a more efficient and prudent estimate of actual investment.
- DBP's forecast for labour cost escalation within capex was accepted as reasonable and consistent with the assumptions adopted in the opex forecast.[9] This component was well supported and aligned with broader market expectations.

[3] EMCa, as above, p. 105
[4] EMCa, as above, p. 105
[5] EMCa, as above, p. 106
[6] EMCa, as above, p. 105
[7] EMCa, as above, p. 106
[8] EMCa, as above, p. 106
[9] EMCa, as above, p. 106

A summary of the ERA's Draft Decision by business case category is provided in Table 1.2 below.

Table 1.2: Summary of ERA's Draft Decision by AA6 Business Case

| Business Cases | ERA Draft Decision | ERA comment |
|---|---|---|
| **DBP01 Compressor stations** | Modify | Accepted the need for the program but has reduced the level of proposed forecast expenditure by $4.4 million (20%) to account for scope for deferring work to AA6 or delivering work at a lower cost.[10] A further 10% reduction was applied to compression expenditure due to rounded unit costs. These reductions mainly relate to:<br>• $2.8 million reduction in the Compressor station replacement of parts;<br>• Rejected $0.3 million for Rotor bundle replacement in favour of deferral; and<br>• Rejected 30% of our proposed expenditure in relation to Compressor Air Package Replacement, Compressor Station valve replacement and replacement/upgrading of existing GCs. |
| **DBP02 Pipeline and MLV** | Modify | Accepted the need for the program but has reduced the level of proposed forecast expenditure:<br>• by 10% to account for the conservatively high assumptions made on the volume of work required and proposed costs in AA6[11]. |
| **DBP03 Operating Technology (OT)** | Modify | Accepted the need for our proposed SCADA program on the basis that these upgrades necessary,[12] with adjustments to the expenditure relating to:<br>• $1.87 million reduction to the replacement of SCADA, RTUs, UPS, and network equipment reflecting potential delivery constraints. |
| **DBP08 Northern communications systems** | Accept | Accepted our proposal to replace the northern communication system but has modified the proposed forecast expenditure to reflect ERA's adjustment of a discrepancy, a reduction of $0.9 million, aligning costs with the total proposed cost of the proposal.[13] |
| **DBP09 Compressor package control system replacement** | Accept | Accepted that the proposed control system replacements are necessary to maintain the integrity of the services on the DBNGP and expenditure is justified.[14] |
| **DBP10 Jandakot facility redevelopment** | Modify | Accepted the need to redevelop the Jandakot facility, but has reduced the forecast expenditure by $23 million. This reflects the lack of justification of the scope increase from the original proposal with no clear comparison to the previous scope to provide evidence that it was no longer sufficient.[15] The net benefit to the customers of the DBNGP was unclear. |

[10] EMCa, as above, p. 60
[11] EMCa, as above, p. 63
[12] EMCa, as above, p. 67
[13] EMCa, as above, p. 67
[14] EMCa, as above, p. 69
[15] EMCa, as above, p. 97 to 102

| Business Cases | ERA Draft Decision | ERA comment |
|---|---|---|
| **DBP12 Safety case revisions** | Accept | Accepted our Safety Case Revision and remaining life review as reasonable.[16] |
| **DBP15 Meter stations** | Modify/Reject | Accepted most of the work proposed as it would contribute to maintaining the safety and integrity of services on the DBNGP, as well as complying with our regulatory obligations, however proposed expenditure has been reduced by $15.4 million.[17] The reduction of expenditure relates to:<br>• Reduction of $2.4 million in the refurbishment of below ground pipework, earthing replacement and painting of facilities, as the list of facilities was not provided;<br>• Reduction of $0.8 million for meter rectification;<br>• Rejected $6 million for GC installation at producer inlets as it was considered as non-conforming capex;<br>• Rejected $4.7 million for Analyser installation at intake sites work as it was considered as non-conforming capex;<br>• Rejected $0.8 million for Annual USM meter replacement as it was considered that none of the priority sites are existing stations under the DBNGP Reference Service T&C Clause 15; and<br>• Rejected $0.7 million for Spare Meter for calibration as it was considered that none of the priority sites are existing stations under the DBNGP Reference Service T&C Clause 15. |
| **DBP16 Tools** | Accept | Accepted that the regular inspection and periodic replacement of the tools and equipment used to perform work on the DBNGP is necessary for safety and integrity, as well as to comply with DBP's regulatory obligations.[18] |
| **DBP17 Vehicles** | Modify | Accepted our proposed expenditure for civil equipment replacements would be incurred by a service provider acting efficiently and in line with good industry practice.<br>Reduced our proposed fleet vehicle replacement expenditure by $0.9 million as it is expected that the life can be extended on some vehicles.[19] |
| **DBP18 Turbine exhaust replacement** | Modify | Accepted proactive turbine exhaust replacements would be incurred by a service provider acting efficiently and in line with good industry practice.<br>However, reduced proposed expenditure by $0.6 million as the costs are double those in AA5.[20] |
| **DBP21 Corporate Sustaining Apps** | Modify/Reject | Accepted our proposed capex as reasonable but has adjusted the labour cost escalation component.[21] |

[16] EMCa, as above, p. 104
[17] EMCa, as above, p. 74
[18] EMCa, as above, p. 107
[19] EMCa, as above, p. 92
[20] EMCa, as above, p. 60 to 61
[21] EMCa, as above, p. 77 to 82

| Business Cases | ERA Draft Decision | ERA comment |
|---|---|---|
| **DBP23 Network Security** | Accept | Accepted our proposed capex for Network Security as reasonable.[22] |
| **DBP30 IT Sustaining Infrastructure** | Modify/Reject | Reduced the amount of proposed expenditure by $11.1 million23 to reflect:<br>• Reduction of $1.23 million in the IT Sustaining Applications - refreshes of core business applications – TBS project;<br>• Reduction of $2.4 million in the other application upgrades- SAP S/4HANA, Maximo V9, GIS, SuccessFactors, Protecht GRC, HSE INX, Data archiving, App architecture tool, other core systems projects; and<br>• Rejected $7.4 million on Core business applications - System enhancements, CMS Tool, Maximo incremental functionality and S/4HANA incremental functionality as these projects rely on qualitative descriptions of benefits, without evidence of quantified benefit assessments or cost-benefit analysis. |
| **DBP35 Power Generation and Management** | Accept | Accepted our proposed capex for Power Generation and Management as reasonable[24]. |
| **DBP38 Structures & Operational Sites** | Modify/Reject | Accepted most of the programs proposed, however expenditure has been reduced by $5.7 million.[25] The reduction of expenditure relates to:<br>• Reduced compressor station site accommodation by $2.0 million, as there is a lack of justification of the Northern Depot;<br>• Reduced Replacement of RO units by $0.15 million due to high cost per unit proposal;<br>• Reduced Working at heights upgrades at compressor stations by $0.2 million;<br>• Reduced refurbishment of assets at compressor stations by $0.7 million;<br>• Rejected $1.6 million for the Site Building Conversion project;<br>• Rejected $0.6 million for Helicopter landing pads; and<br>• Rejected $0.4 million for Oil farms project. |

[22] EMCa, as above, p. 69
[23] EMCa, as above, p. 82 to 90
[24] EMCa, as above, p. 68 to 69
[25] EMCa, as above, p. 74

## 1.3. Our Response to the Draft Decision

### 1.3.1. AA5 Capex

The ERA accepted most of our AA5 capex. The adjustments in conforming capex include our Jandakot Facility, Meter Stations and IT Sustaining Applications projects.

We have provided additional information sought by the ERA through information requests on these projects, demonstrating why this expenditure should be considered as conforming capex.

In response to the ERA's draft decision, we have updated 2024 actuals in our forecast for the AA5 period along with some minor adjustments in 2025 to reflect an updated forecast of costs in relation to Jandakot. In addition we are also proposing the following in our response to the Draft Decision:

- Propose an update to the Jandakot facility redevelopment, providing more information to support the program as conforming capex;
- Propose an update to the Meter Stations program, providing further information and evidence to support the program as conforming capex; and
- Propose an update to the IT Sustaining Applications program to support the program as conforming capex.

A summary of our response to the ERA's Draft Decision by business case is set out below in Table 1.3.

Table 1.3: Summary of ERA's Draft Decision and our response on Capital Expenditure

| Business Cases | ERA Draft Decision | Our Response | Our comments |
|---|---|---|---|
| **DBP01 Compressor stations** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP02 Pipeline and MLV** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP03 Operating Technology (OT)** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP08 Northern Comms Replacement** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP09 Compressor package control system replacement** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP10 Jandakot facility redevelopment** | Modify | Modify | We have revised our capex estimate for the Jandakot Facility Redevelopment to $2.5 million, which includes $1.7 million incurred in AA5. We maintain this expenditure should be treated as conforming capex, as the investment in design, scoping, and planning is essential for the redevelopment and aligns with typical costs for projects of this scale. |

| Business Cases | ERA Draft Decision | Our Response | Our comments |
|---|---|---|---|
| **DBP11 Maximo and DMZ** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP12 Safety case revisions** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP15 Meter stations** | Modify/Reject | Modify | We re-propose $19.6 million for Meter Station capex as it has historically been treated consistently across all stations (pre- and post-1995) as system-wide benefit projects, with costs recovered through the Access Arrangement as supported by shippers. Proposed changes by the ERA and EMCa for AA5 and AA6 depart from this approach and are considered impractical.<br><br>Several projects, including Cape Preston GC, road upgrades, overpressure protection, and gas quality flow studies deliver network-wide benefits such as improved safety, billing accuracy, and gas quality management. As such, these projects should be classified as conforming capital expenditure. |
| **DBP16 Tools** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP17 Fleet and civil equipment** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP18 Turbine exhaust replacement** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP20 Customer Reporting System (CRS)** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP21 IT sustaining applications** | Modify | Modify | We re-propose $38.2 million for IT Sustaining Applications, including $28.1 million for the S/4 HANA implementation under the OneERP project. We consider it unreasonable to apply a blanket 50% reduction based on hindsight, particularly given the inherent risks of all IT projects. Our actions in response to implementation challenges and the difficult market conditions at the time represented the most prudent decisions possible with the information available, and should therefore be recognised as conforming expenditure. |
| **DBP22 IT Enabling** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP23 Network Security** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP27 Office relocation** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |

| Business Cases | ERA Draft Decision | Our Response | Our comments |
|---|---|---|---|
| **DBP28 Southern communications upgrade** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP30 IT sustaining infrastructure** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP31 DBP Decarbonisation Strategy** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP32 DBNGP Corridor** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP35 Power Generation and Management** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP38 Structures & Operational Sites** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |

### 1.3.2. AA6 Capex

The ERA's Draft Decision accepted approximately $219.9 million (76%) of our proposed capex for AA6. After accepting 47 of the 71 recommendations made by the ERA and EMCa, we consider the required capex for AA6 to be $262.0 million. To substantiate the additional $42.2 million investment, we have:

- Accepted some of EMCa's proposed project deferrals into AA6;
- Proposed an updated capex forecast for Compressor Stations, including acceptance of the ERA's decision to reduce Rotor Bundles;
- Proposed an updated capex forecast for Pipeline and Mainline Valves (MLV);
- Proposed an updated capex forecast for Operating Technology;
- Revised the capex forecast for the Jandakot Facility Redevelopment, including a refined project scope and additional information to support approval;
- Proposed an updated capex forecast for Meter Stations, reflecting the ERA's decision to exclude gas chromatograph installations at producer inlets and gas analysers at intake sites;
- Proposed updated capex forecasts for Vehicles and Turbine Exhaust Replacement;
- Revised forecasts for Corporate Sustaining Applications and Sustaining Infrastructure;
- Proposed an updated capex forecast for Structures and Operational Sites; and
- Accepted the ERA's position on real labour cost escalation.

A summary our response to the ERA's Draft Decision by business case is found in Table 1.4 below.

Table 1.4: Summary of ERA's draft decision and our response to the draft decision on Capital Expenditure

| Business Cases | ERA Draft decision | Our Response | Our comments |
|---|---|---|---|
| **DBP01 Compressor stations** | Accept/Modify | Accept/Modify | Modify the decision by the ERA. The modifications we make include the following:<br>• Accept the ERA's decision and propose $8 million for the replacement of other parts and equipment at compressor stations;<br>• Accept the ERA's decision to modify $1.5 million for the replacement of Rotor bundles to $1.2 million;<br>• Propose $2.2 million for the compressor air package replacement program;<br>• Propose $1.4 million for the Compressor station valve replacement program; and<br>• Propose $1.3 million for the replacement and upgrade of existing GCs. |
| **DBP02 Pipeline and MLV** | Modify | Accept/Modify | Modify the decision by the ERA. The modifications we make include the following:<br>• Accept the ERA's decision to modify $7.5 million for the digup of un-piggable pipework, digup based on runcom results, TRU replacements etc to $6.7 million; and<br>• Re-propose $2.6 million for the Pig barrel isolation valve replacement program. |
| **DBP03 Operating Technology (OT)** | Modify | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP08 Northern Comms Replacement** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP09 Compressor Unit Control Systems Replacement** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DP10 Jandakot Facility Redevelopment** | Modify | Reject | We reject the ERA's decision and re-propose $34.6 million for the Jandakot Facility Redevelopment, consistent with costs for projects of a similar scale. Our revised proposal includes additional information on the redevelopment, such as adjustments to the project scope and the annual cost savings to be achieved through workforce transition to the new facility. |
| **DP12 Safety Case** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DP15 Meter Stations** | Modify/Reject | Accept/Modify | Modify the decision by the ERA. The modifications we make include the following:<br>• Accept the ERA's decision to reject $6.0 million for GC installation at producer inlets; |

| Business Cases | ERA Draft decision | Our Response | Our comments |
|---|---|---|---|
| | | | • Accept the ERA's decision to reject $4.7 million to install Gas analysers at intake sites;<br>• Re-propose $4.0 million for the refurbishment of below ground pipework, earthing replacement and painting of facilities;<br>• Re-propose $1.3 million for the meter rectification program;<br>• Re-propose $0.8 million for the annual USM meter replacement program; and<br>• Re-propose $0.7 million for the spare meter calibration program. |
| **DP16 Tools** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DP17 Vehicles (Fleet & civil equipment)** | Modify | Reject | Reject the decision by the ERA. The revisions we make include the following:<br>• Re-propose $9.1 million for the replacement of fleet vehicles. |
| **DBP18 Turbine exhaust replacement** | Modify | Reject | Reject the decision by the ERA. The revisions we make include the following:<br>• Re-propose $5.8 million for the Turbine exhaust replacement program. |
| **DBP21 Corporate IT Sustaining Apps** | Modify/Reject | Accept/Modify | Modify the decision by the ERA. The modifications we make include the following:<br>• Accepted the ERA's decision not to include $1 million for the CMS Tool program;<br>• Propose $0.8 million for the TBS upgrades;<br>• Propose $11.3 million for the upgrade of other applications including the Maximo and SAP S/4HANA upgrades;<br>• Propose $2.1 million for the upgrade of core business applications;<br>• Re-propose $1.0 million for the Maximo incremental functionality program; and<br>• Propose $3.0 million for the S/4HANA incremental functionality program. |
| **DBP23 Network Security** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP30 IT Sustaining Infrastructure** | Modify/Reject | Accept/Modify | Modify the decision by the ERA. The modifications we make include the following:<br>• Accept the ERA's decision of $0.9 million for the data centre program;<br>• Accept the ERA's decision and repropose $1.1 million for Network and Currency; |

| Business Cases | ERA Draft decision | Our Response | Our comments |
|---|---|---|---|
| | | | • Accept the ERA's decision and repropose $5.5 million for the AGIG OneIT program;<br>• Accept the ERA's decision of $3.1 million for End user devices;<br>• Re-propose $0.6 million for Meeting room refresh; and<br>• Accept the ERA's decision of $1.5 million proposed for Field mobility devices. |
| **DBP35 Power Generation & Management** | Accept | Accept | We accept the ERA's Draft Decision. No update to capex proposed. |
| **DBP38 Structures & Operational Sites** | Modify/Reject | Modify/Reject | Modify the decision by the ERA. The modifications we make include the following:<br>• Propose $0.9 million proposed by the ERA for the Replacement of RO units;<br>• Re-propose $2.3 million for the Working at height upgrades at Compressor Stations;<br>• Propose $0.6 million for rectification work at the Northen hub at Karratha<br>• Propose $1.0 million for the refurbishment of equipment;<br>• Accept the ERA's decision of $0.9 million for the Site building conversion program;<br>• Propose $0.4 million of Helicopter Landing Pads; and<br>• Accept the ERA's decision of $0.2 million for the Oil Farms program. |

### 1.3.3. Project deferrals

In response to the ERA's Draft Decision, we have undertaken another detailed review of our AA6 capex program. We are conscious of the impact of our capex program within and across regulatory cycles and the need to reduce impact on customers to the maximum extent that we can.

Our review incorporated new asset and condition information available since we locked in our AA6 program late last year. Following our review, we have identified the following opportunities to defer some costs into the AA6 period where we have assessed this to be safe and at no material risk to our performance. This is approximately half of the deferrals outlined in the ERA's Draft Decision. In particular:

- projects relating to the Compressor Stations program of work;
- a one year deferral of the pig barrel isolation valve replacements and one other project under the Pipeline and MLV program of work;
- planned replacement of GEA control systems; and

- planned replacement of compressor package control systems;
- replacement of UPS system upgrades, UPS system 110V and UPS system 24V;
- planned upgrade of Nuovo Pigone HMI Software; and
- partial deferral of expenditure allocated to the Jandakot Facility redevelopment.

The deferred projects outlined above will need to be completed early in the AA6 period. Therefore, these cost savings do not represent efficiencies (i.e. delivering the same outcome for lower cost and have an immaterial impact on the prices paid by our customers). As a prudent operator, we will continue to monitor the risk and drivers for these projects and may still need to deliver them during the AA6 period if the risk becomes untenable.

### 1.3.4. The ERA's top-down reductions do not reflect best estimates

While we remain committed to delivering our programs at the lowest sustainable cost, we do not consider the ERA's reduction of AA6 capex in its Draft Decision to represent the best possible forecast in the circumstances. Our customers place high value on 100% reliability of the DBNGP, and reductions of the level proposed by the ERA in many cases may have a material impact on the risk to the safety and reliability of the DBNGP in AA6 and beyond.

EMCa note the following in justifying their decision to reduce our proposed capex levels in AA6:[26]

- DBP provided reasonable evidence of need, but failed to justify the magnitude of the proposed increase in capex compared to AA5 and AA;
- much of the proposed increase relates to assets outside primary gas supply infrastructure, warranting greater scrutiny on customer benefit and justification;
- DBP often presented limited or superficial option analysis, typically discarding extreme alternatives and proposing a "middle" option with little supporting justification;
- despite referencing cost-benefit analysis, DBP presented minimal quantification of benefits for its proposed projects;
- numerous instances were identified where DBP did not adequately justify that programs/projects are reasonably required, prudent, or efficient; and
- EMCa expects that if DBP undertakes a prudent and efficient work program, it will require less than it has proposed, but slightly more than what was spent in AA5.

EMCa have provided an alternative AA6 forecast by adjusting each business case and asset class. These adjustments reflect perceived deficiencies in supporting information or broader systemic concerns, such as the preliminary or generic nature of the original proposal.

The ERA's $68 million (24%) reduction to our AA6 capex affects the price paid by customers by less than $0.02/GJ. However, this reduction to the proposed forecast increases the risk of supply interruption. We therefore consider this level of reduction to be disproportionate to the potential consequences.

We do not support the ERA's top-down 10% reductions applied broadly across multiple programs, including Compressor Stations, Pipeline and Mainline Valves, Meter Stations, Operating Technology, Fleet Vehicles, and Turbine Exhaust Replacement. This is because:

[26] EMCa, as above, p. 105 to 106

- improvements in our asset information and forecasting accuracy over AA5 are reflected in our AA6 capex program;
- the ERA's cost reductions do not take into account the prudent catch-up of works deferred from the previous Access Arrangement period; and
- our forecast provides the best estimate of costs in the circumstances – in many instances the ERA objected to rounded forecast unit rates. We contend that the unit rates provided reflect the true cost of completing the work and that some rounding does not reflect any deficiency in forecasting methodology.

In our revised proposal, we have provided additional information, particularly for business cases where EMCa's top-down assessment led to reductions or rejections. These include updates to the Meter Stations, Jandakot Facility Redevelopment, and IT Sustaining Applications programs.

Attachment 9.12 Addendum to Capex Business Cases sets out our detailed response for each of the business cases where the ERA has modified or rejected the proposed AA6 capex in our Final Plan.

#### 1.3.4.1. Improved asset information and forecasting accuracy

Throughout the development of our AA6 capex proposal, we have incorporated lessons learned from previous Access Arrangements and strengthened our governance frameworks to better inform investment decisions. In its review, EMCa noted:

> *DBP's documented governance and management framework is relatively thorough. However, there are elements of this framework that are weak or otherwise not evident in DBP's application of this framework as it applies to its AA6 regulatory submission. This includes relatively weak options analysis, minimal quantification of the benefits of what it proposes and bundling of projects in business cases such that there is little insight into the possibility of preferrable alternative combinations of projects*[27] *'*

EMCa suggest there is evidence of weakness in the application of our framework in regard to options analysis, cost benefit analysis, risk analysis at the portfolio level, consistency and transparency in demonstrating appropriate allocation of assets. In making these statements, the ERA and EMCa are not recognising the improvements we have made in our forecasting approach between AA5 and AA6.

Our governance and asset management systems have consistently supported prudent and efficient capex delivery. This is reflected in the ERA's approval of 91% of our actual AA5 capex (with 98% of non-IT expenditure accepted). The remaining 9% was not accepted due to insufficient information, a gap we have addressed in Attachment 9.12 for the Jandakot Redevelopment, Meter Stations, and IT Sustaining Applications.

**We have improved our forecasting approach for AA6**

We have implemented a number of improvements to our five year capex program forecasting, planning and approval process leading into AA6. This is an area we have had significant focus on in response to feedback received during the AA4 and AA5 determination processes (notably from EMCa) regarding the limitations of our forecasting approach.

We have worked extensively on projects included as part of our AA6 forecast to provide more accurate estimates and information. We submit the bottom-up build used to develop the forecast is more robust and has a greater degree of certainty than achieved during the AA5 review. We have considered opportunities to find synergies across the entire portfolio of capex projects, as

[27] EMCa, as above, p. 9

well as to defer projects to future years, resulting in significantly less opportunity to find even further efficiencies or savings.

When developing the AA6 forecasts we have incorporated more clearly defined project scopes, provided more detailed and well considered options analyses, and considered a more detailed testing of deliverability.[28] Though we are still seeking further improvements over AA6, our business cases, asset management strategies and supporting information is in a significantly more advanced stage of their project lifecycle than compared with AA5.

The improvements we have made to our forecasting approach have been acknowledged by EMCa, who found that '*DBP provided reasonable evidence of need*' and that '*there is justification for a higher capex allowance than for AA5*.'[29] This reflects the additional considerations incorporated in developing the AA6 capex forecast

As the improvements highlighted above are reflected in our forecast AA6 capex program, we expect to see less variability between our capex forecast estimates and actual expenditure for AA6. Our investment governance process will continue to deliver a prudent and efficient work program that are based on best estimates and the latest information available to the business.

In the AA5 determination process we engaged an independent firm with extensive experience in the energy and utilities industry to review our governance planning process to find further opportunities for refinement on an ongoing basis from the commencement of AA5 through annual commitment report papers that are aimed at achieving:

- improvements to our data management, leading to robust reporting;
- embedded regular review processes to track and monitor our performance against the forecast AA5 capex program; and
- enhanced communication processes to ensure project managers are kept updated on their project developments.

While there will always be some movement in the works required, particularly later in the period as we respond to new information and circumstances, our planning approach in AA6 is much more mature than it was in AA4 and AA5. Therefore, we do not think that it is appropriate to apply broad reductions to our capex proposals when evaluating the AA6 programs.

In response, we have provided additional information for the relevant programs that we have reproposed to ensure they comply with Rule 74 of the National Gas Rules. This demonstrates that the submitted estimates reflect our best available forecasts at the time of submission. We have also updated unit rate costs to reflect variability across a range of factors, including:

- Condition of the unit or equipment being replaced;
- Size and type of the equipment;
- Significant variation in the cost of parts;
- Instances where components (e.g. valves or seals) may remain fit for purpose and not be replaced, though disassembly costs are still incurred;
- Site location; and
- Complexity of the issues involved.

[28] The lack of these were a criticism highlighted by EMCa during the AA4 review.
[29] EMCa, as above, p.105

### 1.3.4.2. Our options analysis is significantly improved

EMCa have commented that the options analysis we presented "*remains relatively simplistic and in most instances does little to establish DBP's adoption of a prudent course of action*".[30]

We acknowledge that this assessment may be applicable to the IT Sustaining Applications program, where the options presented showed application upgrades with very similar timing across different options. In response, we have reevaluated the timing of each required upgrade to improve the options analysis provided in the business case.

However, for the remaining business cases, we consider that appropriate options analysis has been undertaken, supported by external consultants, to ensure a robust and prudent assessment of alternatives. We have given serious consideration to deferral of programs of work where risks can be appropriately managed and have forecasted at a detailed level with reference to historic costs.

### 1.3.4.3. Our forecasting approach is consistent with prior decisions made by the ERA

Our forecasting approach is consistent with the previous methodology the ERA has applied in the past. However, the ERA has changed their approach to assessing some business cases. This is particularly evident in the Meter Stations related business cases where the ERA concluded:

> "*There are 67 meter stations (Inlet Points and Outlet Points) along the DBNGP. Of these, 26 (or 39%) are identified as Existing Stations for which DBP is responsible for 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. Where DBP's proposed projects do not relate to a specific station, they should not therefore be assigned in full to the DBNGP; a reasonable assumption is to apportion the costs on the basis of 39% to Existing Stations (and therefore complying) and 61% to other stations for which costs are recoverable from shippers.*"[31]

This represents a clear departure from the established approach to meter station capex applied over multiple Access Arrangement periods, during which similar expenditure was approved in full. Further, the ERA and EMCa maintain that if DBP is entitled to recover costs directly from shippers, but cannot or choose not to, then that expenditure is non-conforming.

Operationally, if direct recovery from individual shippers were to become the norm, we have serious concerns around the potential for inconsistent asset treatment across meter stations. One of the key benefits of socialising SIB work across all customers is that it enables a consistent, risk-based approach to asset replacement and upgrades. This consistent approach is managed by DBP according to our program of works and Safety Case, with visibility across the entire asset, which enables a coordinated approach to risk management. Under the current framework, when DBP identifies an asset risk, it can undertake the works as required with confidence that the costs will be conforming and recovered via the RAB.

Moving to a model where individual shippers must authorise and fund works is likely to result in a patchwork of asset treatments, driven by each shipper's willingness or ability to pay. This creates a risk of non-standardised and ad-hoc investments, with variations in gas quality, measurement accuracy, and asset condition across the network. Such fragmentation would not only complicate asset management but also introduce inefficiencies and potential safety risks, undermining the principles of prudent and efficient network operation.

[30] EMCa, as above, p.i

[31] EMCa, as above, p.71

In addition to the operational and safety concerns, DBP's opex would increase as it would be in constant communication with shippers in relation to required works on the DBNGP. Each program of work would have to be communicated, followed up, negotiated, assessed and monitored. There would be additional administrative, engineering and legal costs due to the inherent inefficiency of such a model. We estimate that significant additional resources would be required to manage the asset in this manner, which would increase our opex. This inefficiency would then be passed on to all shippers. The current model whereby we manage the maintenance and replacement of assets on the DBNGP is in the best interests of all parties both from a financial and safety perspective.

## 1.4. Summary

### 1.4.1. Our performance in AA5

We have invested $175.5 million of capex during AA5 up to the end of 2024 and are forecasting to invest a further $36.3 million in 2025, totalling $211.8 million by the end of the period, which is consistent with our Final Plan.

We have provided additional information on our Jandakot facility redevelopment, IT Sustaining Applications and Meter Stations business cases, where aspects of them were not accepted in the ERA's Draft Decision. A summary of our AA5 capex is provided in Table 1.2.

Table 1.2: Summary of AA5 Capex ($million, December 2024)

| Business Case | Final Plan | ERA Draft Decision | Revised Final Plan | Variance to Final Plan | Variance to Draft Decision |
|---|---|---|---|---|---|
| DBP01 Compressor Stations | 37.7 | 37.7 | 37.7 | - | - |
| DBP02 Pipeline and MLV | 11.1 | 11.1 | 11.1 | - | - |
| DBP03 Operating Technology (OT) | 2.3 | 2.3 | 2.3 | - | - |
| DBP08 Northern Comms Replacement | 35.9 | 35.9 | 35.9 | - | - |
| DBP09 Compressor Unit Control Systems Replacement | 18.4 | 18.4 | 18.4 | - | - |
| DBP10 Jandakot Facility Redevelopment | 3.5 | 1.4 | 2.5 | -1.1 | 1.1 |
| DBP11 Maximo and DMZ | 0.4 | 0.4 | 0.4 | - | - |
| DBP12 Safety Case | 0.6 | 0.6 | 0.6 | - | - |
| DBP15 Meter Stations | 19.6 | 17.8 | 19.6 | - | 1.8 |
| DBP16 Tools | 2.2 | 2.2 | 2.2 | - | - |
| DBP17 Vehicles (Fleet & civil equipment) | 6.8 | 6.8 | 6.8 | - | - |
| DBP18 Turbine exhaust replacement | 2.8 | 2.8 | 2.8 | - | - |
| DBP20 CRS / Transmission Billing System | 1.8 | 1.8 | 1.8 | - | - |
| DBP21 Corporate IT Sustaining Apps | 38.2 | 22.4 | 38.2 | - | 15.8 |
| DBP22 IT Enabling | 0.9 | 0.9 | 0.9 | - | - |
| DBP27 Office Relocation | 1.0 | 1.0 | 1.0 | - | - |
| DBP28 Southern Comms Replacement | 1.3 | 1.3 | 1.3 | - | - |
| DBP30 IT Sustaining Infrastructure | 5.8 | 5.8 | 5.8 | - | - |
| DBP31 DBP Decarbonisation Strategy | 0.6 | 0.6 | 0.6 | - | - |
| DBP32 DBNGP Corridor | 1.2 | 1.2 | 1.2 | - | - |
| DBP35 Power Generation and Management | 11.2 | 11.2 | 11.2 | - | - |
| DBP38 Structures & Operational Sites | 6.0 | 6.0 | 6.0 | - | - |
| **Total** | **212.8** | **193.1** | **211.8** | **-1.1** | **18.7** |

### 1.4.2. AA6 Capex

The ERA's Draft Decision has accepted around $220m (76%) of our proposed capex for AA6. We consider that the required capex in AA6 is $262 million. In determining that we need to invest $262 million in AA6, we have provided further detailed proposals in our revised submission.

A summary of our revised capex forecast is provided in Table 1.3.

Table 1.3: Summary of AA6 Capex Forecast ($'000, December 2024)

| Business Case | 2026 | 2027 | 2028 | 2029 | 2030 | Total AA6 |
|---|---|---|---|---|---|---|
| **DBP01 Compressor Stations** | 7.7 | 5.1 | 7.5 | 5.5 | 5.7 | 31.6 |
| **DBP02 Pipeline and MLV** | 2.6 | 2.5 | 1.8 | 1.7 | 2.8 | 11.4 |
| **DBP03 Operating Technology (OT)** | 5.3 | 4.6 | 4.7 | 4.4 | 4.0 | 23.0 |
| **DBP08 Northern Comms Replacement** | 3.9 | - | - | - | - | 3.9 |
| **DBP09 Compressor Unit Control Systems Replacement** | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 15.7 |
| **DBP10 Jandakot Facility Redevelopment** | 1.1 | 16.7 | 16.9 | - | - | 34.6 |
| **DBP12 Safety Case** | - | 0.6 | - | - | - | 0.6 |
| **DBP15 Meter Stations** | 4.3 | 4.2 | 4.9 | 4.2 | 4.2 | 21.9 |
| **DBP16 Tools** | 1.0 | 0.7 | 0.7 | 0.7 | 0.7 | 3.8 |
| **DBP17 Vehicles (Fleet & civil equipment)** | 3.2 | 2.6 | 2.3 | 2.2 | 2.3 | 12.7 |
| **DBP18 Turbine exhaust replacement** | 1.0 | 1.4 | 1.4 | 1.3 | 0.6 | 5.8 |
| **DBP21 Corporate IT Sustaining Apps** | 4.4 | 2.8 | 2.1 | 6.9 | 2.0 | 18.2 |
| **DBP23 Network Security** | 2.5 | 1.6 | 1.5 | 1.1 | 0.8 | 7.6 |
| **DBP30 IT Sustaining Infrastructure** | 4.6 | 3.5 | 1.6 | 1.2 | 1.8 | 12.8 |
| **DBP35 Power Gen & Mgt** | 5.9 | 8.9 | 7.5 | 8.7 | 4.0 | 35.0 |
| **DBP38 Structures & Operational Sites** | 2.5 | 8.5 | 2.3 | 8.0 | 2.3 | 23.6 |
| **Total** | **53.2** | **66.7** | **58.4** | **49.3** | **34.4** | **262.0*** |

*Note the sum of each business case may not reconcile to the total due to rounding

A comparison of total AA6 capex by business case compared to our Final Plan and the ERA's Draft Decision is provided in
Table 1.4.

Table 1.4: Comparison of Final Plan, Draft Decision and Revised Final Plan AA6 Capex ($ million, December 2024

| Business Case | DBP Final Plan | ERA Draft Decision | DBP Revised Final Plan | Variance to Final Plan | Variance to Draft Decision |
|---|---|---|---|---|---|
| DBP01 Compressor Stations | 34.8 | 30.0 | 31.6 | -3.2 | 1.6 |
| DBP02 Pipeline and MLV | 12.1 | 11.2 | 11.4 | -0.7 | 0.2 |
| DBP03 Operating Technology (OT) | 24.8 | 23.0 | 23.0 | -1.8 | - |
| DBP08 Northern Comms Replacement | 4.8 | 3.9 | 3.9 | -0.9 | - |
| DBP09 Compressor Unit Control Systems Replacement | 15.7 | 15.7 | 15.7 | - | - |
| DBP10 Jandakot Facility Redevelopment | 34.6 | 11.7 | 34.6 | - | 22.9 |
| DBP12 Safety Case | 0.6 | 0.6 | 0.6 | - | - |
| DBP15 Meter Stations | 32.6 | 17.2 | 21.9 | -10.7 | 4.7 |
| DBP16 Tools | 3.8 | 3.8 | 3.8 | - | - |
| DBP17 Vehicles (Fleet & civil equipment) | 12.7 | 11.8 | 12.7 | - | 0.9 |
| DBP18 Turbine exhaust replacement | 5.8 | 5.2 | 5.8 | - | 0.6 |
| DBP21 Corporate IT Sustaining Applications | 21.4 | 10.3 | 18.2 | -3.2 | 7.9 |
| DBP23 Network Security | 7.6 | 7.6 | 7.6 | - | - |
| DBP30 IT Sustaining Infrastructure | 14.5 | 11.5 | 12.8 | -1.7 | 1.4 |
| DBP35 Power Generation & Management | 35.0 | 35.0 | 35.0 | - | - |
| DBP38 Structures & Operational Sites | 27.3 | 21.7 | 23.6 | -3.7 | 1.9 |
| **Total** | **288.0** | **219.9** | **262.0*** | **-26.1** | **42.1** |

*Note the sum of each business case may not reconcile to the total due to rounding