

Revised Final Plan
Attachment 14.2

Response to Revenue and Pricing

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PUBLIC



Dampier Bunbury
Pipeline

1 Response to Draft Decision on Revenue and Pricing

Our revenue and prices are built from the building block model. They also impacted by how costs and revenues are allocated between reference and non-reference services.

1.1 Overview

This attachment sets out our response to the ERA's Draft Decision on revenue and pricing in Attachment 3 of the ERA's Draft Decision. In particular we are responding here to:

Required Amendment 3.1

DBP must amend the values for total revenue (nominal) to reflect the values as set out in Table 3.5 of Draft Decision Attachment 3.

Required Amendment 3.3

The reference tariffs set out in the proposed access arrangement must be amended to reflect the tariffs set out in Table 3.8 of Draft Decision Attachment 3.

We note that this Amendment also contains within it a requirement that the capacity/commodity split on tariffs must be 94/6, rather than 95/5 as proposed in our Final Plan. We deal with this issue in this Attachment. More substantively, it requires that we allocate only 95 percent of our costs to reference services, rather than 99.5 percent as we had proposed. We deal with this issue, along with other issues associated with reference and non-reference services, in Attachment 7.2.

Required Amendment 3.6

DBP must amend the provisions of Annexure A6 (Adjustments for Safeguard Mechanism) in the proposed access arrangement to:

- Make it explicit that only incremental incurred (actual) costs that are directly attributable to DBP's compliance with the Safeguard Mechanism are recoverable.
- Clarify that the allocation ratio of shared costs applies to costs incurred complying with the Safeguard Mechanism.
- Make the adjustment mechanism symmetrical in its operation, to recover costs from users and return revenue to users.
- Ensure no duplication of the recovery of costs under the existing carbon cost pass through event provisions and any proposed Safeguard Mechanism tariff variation adjustment.

There is also a requirement that we make the Pilbara Service a non-rebateable non-reference services (Required Amendment 3.2) and that we amend the rebateable amount for non-reference services from 70 percent to 90 percent. We deal with these issues, along with the issue noted above in respect of cost allocation, in Attachment 7.2.

Finally, there is Required Amendment 3.4 which requires us to address a number of administrative errors in Annexure A. We deal with this in Attachment 15.5.

The reason for dealing with issues in different places is to match the format of our Final Plan.

1.2 ERA Draft Decision

The three amendments (3.1, 3.2 and 3.6) give rise to five changes to our Final Plan, and we deal with four of these here, being:

- The value for total revenue.
- The value of tariffs.
- The split between capacity and commodity charges in tariffs; and
- The adjustments required to Annexure 6 of the Access Arrangement to better deal with the safeguard mechanism

Of these, the first two are simply consequences of other changes in our Revised Final Plan, such as capex and opex, which then feed through into both total revenues and tariffs. In fact, even if we agreed with every aspect of the ERA's Draft Plan, both of these items would change by the time of the Final Plan because the allowed rate of return would change.

In keeping with other Attachments, because the ERA disagrees with our total revenue and tariffs due to disagreements with other building blocks, and there is no disagreement about how the total revenues and tariffs are formed from the building blocks, we label this a modification, rather than rejection.

The second two amendments are more consequential.

Table 1-1: Summary of ERA's Draft Decision on the Future of Gas and Depreciation

	ERA Draft Decision	ERA Comment
Value for total Revenue (Required Amendment 3.1)	Modify	The total revenue requirement has been set out based on the building block model, building block amounts determined in other parts of the Draft Decision and efficient costs for each building block, including consideration of the E-Factor incentive scheme. ¹
Fixed/variable tariff split (one component of Required Amendment 3.2)	Reject	Observations that WesCEF and NewGen make about turbine and GEA overhaul opex being a function of throughput and therefore variable costs are reasonable and on this basis, the capacity commodity split is set at 94/6. ² Costs associated with the quick ramp-up of compressors to meet variable demand is an issue which appears to be related to non-reference service demand and should therefore not be included in the reference service tariff structure. ³
The value for tariffs (Required Amendment 3.2)	Modify	Tariffs for 2026 will be set based on considerations for total revenue and the allocation of this between reference and non-reference services, the two-part tariff ratio, and forecast capacity and throughput for AA6. ⁴ Tariffs for the years 2027 to 2030 will be determined by the tariff variation mechanism, which includes adjustments for inflation, debt risk premium updates, rebateable service revenue and cost pass through events ⁵
Amendments to the tariff variation mechanism	Modify	DBP already has a clause in its Access Arrangements (Clause 11.5) designed to deal with the cost pass-through of carbon prices that can be

¹ ERA Draft Decision Attachment 3 [29] and [30]

² ERA Draft Decision Attachment 3 [50] and [52]

³ ERA Draft Decision Attachment 3 [51]

⁴ ERA Draft Decision Attachment 3 [53]

⁵ ERA Draft Decision Attachment 3 [56]

	ERA Draft Decision	ERA Comment
associated with the Safeguard Mechanism (Amendment 3.6)		adapted to meet the needs of the Safeguard Mechanism. ⁶ As currently drafted, DBP's mechanism is asymmetric in that it can recover costs associated with the Safeguard Mechanism, but not share benefits if it sells credits. ⁷ There is also a need for the tariff variation mechanism to be more specific about what costs will be recovered, and that shared costs should be allocated on a 95:5 basis consistent with the reference/non-reference cost allocation. ⁸ Based on these considerations, the ERA requires the changes outlined in Required Amendment 3.6. ⁹ This can be achieved either by amending Annexure A6 to address the issues raised by the ERA, or removing Annexure 6 and amending Clause 11.5 of the Access Arrangement accordingly. ¹⁰

Note: In this 'traffic light' table, green shading represents the ERA's acceptance of our Final Plan, orange represents the ERA's modification of our Final Plan and red shading represents the ERA's rejection of our Final Plan.

1.3 Our Response to the Draft Decision

Our response to the ERA's decision for revenue and final tariffs are shown in Table 1-2.

Table 1-2: Summary of our response to the ERA's Draft Decision on the capital base

	ERA Draft Decision	Our Response	Our Comment
Value for total Revenue (Required Amendment 3.1)	Modify	Modify	We have no issue with the methodology by which total revenue is determined via the building block model approach (with the exception of cost allocation to reference services (see Attachment 7.2). However, we disagree with the ERA's Draft Decision in respect of the values of several building blocks, which flows through to a different total revenue requirement. We therefore modify the total revenue requirement. We note that the total revenue requirement would change in the Final Decision, even if we agreed with every aspect of the ERA's Draft Decision, because the allowed rate of return has yet to be determined.
Fixed/variable tariff split (one component of Required Amendment 3.2)	Reject	Accept	We accept the ERA's position in respect of the capacity/commodity charge, noting that this position also has consequences for a cost-based rebate mechanism in Attachment 7.2
The value for tariffs (Required Amendment 3.2)	Modify	Modify	We have no issue with the methodology by which tariffs are determined, but the values for the tariffs change due to disagreements in some building blocks, leading to a different value for total revenue, and subsequently for tariffs. Note that Clauses 3.3(c), 3.4(c) and 3.5(c) of the Access Arrangement currently have the ERA's Draft Decision tariffs listed. We have changed these to empty square brackets to be completed when the Final Decision is made.
Amendments to the tariff variation mechanism	Modify	Accept	We accept the ERA's proposed amendments to accommodate the Safeguard Mechanism, and have made the requisite changes to Annexure A6 of the Reference Service Terms and Conditions

⁶ ERA Draft Decision Attachment 3 [80]

⁷ ERA Draft Decision Attachment 3 [84] and [85]

⁸ ERA Draft Decision Attachment 3 [86]

⁹ ERA Draft Decision Attachment 3 [87]

¹⁰ ERA Draft Decision Attachment 3 [88]

	ERA Draft Decision	Our Response	Our Comment
associated with the Safeguard Mechanism (Amendment 3.6)			(Clauses 18.21 to 18.26). Note that in doing so, we have made a small number of minor amendments to the wording. These are detailed in Attachment 15.5 and do not change the substantive nature of the ERA's proposed changes.

Note: In this 'traffic light' table, green shading represents the acceptance, orange represents a modification and red shading represents a rejection.

The results of our modifications to the ERA's Draft Decision in respect of total revenue and tariffs are shown in Table 1-3 and Table 1-4 below (respectively). The total revenue requirement reflects our conclusions in respect of the allocation between reference and non-reference services (a component of the ERA's Required Amendment 3.3, with our reasoning against accepting the ERA's position provided in Attachment 7.2) as well as all of our positions in respect of the building blocks in the reference tariff model.

Table 1-3: Total revenue building blocks for AA6 (\$ million, nominal)

	2026	2027	2028	2029	2030	Total
<i>ERA Draft Decision (Table 3.5)</i>						
Return on capital base	248.7	245.8	242.5	238.3	234.0	1,209.3
<i>Regulatory depreciation</i>						
Depreciation	157.5	168.1	172.3	175.5	181.2	854.5
Inflationary gain	(66.3)	(65.6)	(64.7)	(63.6)	(62.4)	(322.6)
Operating expenditure	109.8	117.3	117.4	113.7	118.6	576.9
<i>Regulatory corporate income tax</i>						
Corporate income tax	33.2	41.5	42.7	53.5	54.2	255.0
Imputation credits	(16.6)	(20.8)	(21.3)	(26.7)	(27.1)	(112.5)
Incentive mechanism (E factor)	(3.7)	(11.9)	(14.0)	(10.2)	0.00	(39.7)
Total revenue (unsmoothed)	462.5	474.6	474.8	480.6	498.4	2,390.9
<i>Response</i>						
Return on capital base	251.6	248.8	246.7	243.7	239.9	1,230.8
<i>Regulatory depreciation</i>						
Depreciation	168.1	173.5	178.0	179.3	185.9	884.7
Inflationary gain	(72.4)	(71.6)	(71.0)	(70.2)	(69.1)	(354.3)
Operating expenditure	123.0	137.8	138.3	135.2	141.3	675.6
<i>Regulatory corporate income tax</i>						
Corporate income tax	34.8	39.7	42.1	52.2	53.2	222.1
Imputation credits	(17.4)	(19.8)	(21.1)	(26.1)	(26.6)	(111.0)
Incentive mechanism (E factor)	(7.7)	(15.9)	(18.2)	(14.5)	0	(56.4)
Total revenue (unsmoothed)	479.9	492.4	494.8	499.6	524.7	2,491.5

Table 1-4: Comparison of Final Plan, ERA Draft Decision and Revised Final Plan tariffs (\$ million nominal – indicative only)¹¹

	Final Plan 2026 Tariff (Table 14.3)	Draft Decision 2026 Tariff (Table 3.8)	Revised Final Plan 2026 tariff
<i>Full Haul (T1)</i>			
Capacity (reservation) charge (\$/GJ/day)	2.323912	2.054124	2.218738
Commodity (throughput) charge (\$/GJ/day)	0.123728	0.131888	0.132586
Total	2.447640	2.186012	2.351323
<i>Part Haul (P1)</i>			
Capacity (reservation) charge (\$/GJ/km/day)	0.001661	0.001468	0.001586
Commodity (throughput) charge (\$/GJ/km/day)	0.000088	0.000094	0.000095
Total	0.001749	0.001562	0.001681
<i>Back Haul (B1)</i>			
Capacity (reservation) charge (\$/GJ/km/day)	0.001661	0.001468	0.001586
Commodity (throughput) charge (\$/GJ/km/day)	0.000088	0.000094	0.000095
Total	0.001749	0.001562	0.001681

¹¹ Note that these tariffs will be updated in the ERA's Final Decision and that, even if our Revised proposal is accepted in its entirety, will change as the WACC used in the Final Decision will be based on a different time period than used in this Revised Final Plan.