

NOTICE

FURTHER FINAL DECISION AND FINAL APPROVAL ACCESS ARRANGEMENT FOR THE GOLDFIELDS GAS PIPELINE

The Economic Regulation Authority (the Authority) today issued its Further Final Decision and Final Approval on the revised proposed Access Arrangement for the Goldfields Gas Pipeline (GGP), proposed by Goldfields Gas Transmission Pty Ltd (GGT).

The Further Final Decision of the Authority is to approve the revised proposed Access Arrangement submitted by GGT on 17 June 2005. The decision is based on revisions made by GGT in response to the Authority's Final Decision. These revisions incorporated the amendments required by the Authority or otherwise addressed the matters the Authority identified as requiring amendments.

An Access Arrangement sets out the terms and conditions, including prices, for third party use of a gas pipeline. Third party access to such pipelines is provided for under the *National Third Party Access Code for Natural Gas Pipeline Systems* (Code).

The Access Arrangement will commence on 1 August 2005.

BACKGROUND

The GGP is a gas transmission system consisting of a main pipeline which begins at Yarraloola, near the Dampier to Bunbury Natural Gas Pipeline but is not connected to it and transports gas through 1,378 km of pipeline to Kalgoorlie.

KEY ASPECTS OF THE FINAL DECISION

Initial Capital Base

In the Final Decision issued by the Authority on 17 May 2005, the Authority determined the value of the Initial Capital Base to be \$500 million at 31 December 1999, including a value of linepack and working capital of \$2.58 million.

Subsequent to the Final Decision, GGT provided the Authority with further information on the actual revenues received in respect of the use of the GGP by the original owners in the periods subsequent to the sale of the original owners' interests in the pipeline. Taking into account this information, the Authority was of the view that a value of the Initial Capital Base of \$512 million would recognise past regulation of tariffs under the State Agreement and best meet the competing objectives of sections 8.1 and 2.24 of the Code.

However, in considering GGT's proposed Initial Capital Base of \$513.7 million, the Authority was satisfied that the difference between the value of \$512 million determined by the Authority and that proposed by GGT was not of material significance in the context of determination of the Reference Tariff and therefore accepted the value of \$513.7 million at 31 December 1999, including a value of linepack and working capital of \$2.58 million, as complying with the Code.

Rate of Return

The Authority accepts that its task is to consider whether the Rate of Return used for deriving the Reference Tariffs in GGT's revised proposed Access Arrangement falls within the range of rates that complies with the Code.

After considering the matters indicated by GGT that addressed the reasons in the Authority's Final Decision, the Authority accepted GGT's proposed rate of 10.6 percent (pre-tax nominal) as being within the range of values of the rate of return that would comply with the Code.

Total Revenue

GGT has revised the Reference Tariff to reflect revised Non Capital Costs that differ from those applied by the Authority in its Final Decision for the years 2005 to 2009. The Authority has considered the information submitted by GGT in support of its revised Non Capital Costs for the period 2005 to 2009 and relating to a range of cost line items and processes used by GGT to derive cost forecasts. On the basis of this information, the Authority is satisfied that the Non Capital Costs applied by GGT in deriving the Total Revenue and Reference Tariff included in the revised proposed Access Arrangement submitted subsequent to the Final Decision meets the requirements of section 8.37 of the Code.

The Total Revenue applied in determining the Reference Tariff is consistent with a net present value of \$475.33 million at 1 January 2000.

The Authority is satisfied that this revised Total Revenue addressed the Authority's reasons for requiring a revised Reference Tariff.

Reference Tariff

The Reference Tariff has been revised as follows, reflecting GGT's revisions to cost parameters and Total Revenue as described above. It also reflects the demand forecast applied by the Authority in the Final Decision.

Reference Tariff determined by the Authority (excluding GST)

Toll Charge (\$/GJ MDQ)	Capacity Charge (\$/GJ MDQ/km)	Throughput Charge (\$/GJ throughput/km)	Indicative Tariff at Kalgoorlie (\$/GJ, 1378 km, 85% load factor)
\$ nominal at 1 January 2000			
0.211860	0.001210	0.000315	2.64
\$ nominal at 1 January 2005			
0.243012	0.001388	0.000361	3.03

FURTHER INFORMATION

Copies of the Further Final Decision and Final Approval together with the approved Access Arrangement documents are available on the Authority's website <http://www.era.wa.gov.au>. Printed copies of these documents are available from the Authority on request at a cost of \$25.00 by telephoning the Authority on (08) 9213 1900.

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