

Our Ref: 1044/99

NOTICE
PARMELIA PIPELINE (WA: PL 1-3, 5 & 23)
PROPOSED ACCESS ARRANGEMENT
GST PASS-THROUGH

On 7 May 1999, CMS Gas Transmission of Australia (CMS) submitted a proposed Access Arrangement for the Parmelia Pipeline for approval under the *National Third Party Access Code for Natural Gas Pipeline Systems* (the Code). A Draft Decision was issued on the 27 October 1999 seeking 41 amendments to the proposed Access Arrangement. One of the amendments sought was that the proposed Reference Tariff for transmission of gas on the pipeline be reduced from 83 cents per gigajoule (GJ) to 55 cents per GJ, including both reservation and commodity components.

Prior to the release of the of the Final Decision on the proposed Access Arrangement, CMS on the 17 October 2000 made application for Reference Tariffs on the Parmelia Pipeline to be increased by 10.0%, being the net pass-through of the Goods and Services Tax (GST) introduced on 1 July 2000.

CMS advised that most of the costs associated with the operation of the Parmelia Pipeline are financing costs, depreciation of the existing pipeline and other capital assets that do not provide any cost savings under The New Tax System. In addition, CMS advised that previously it was entitled to Wholesale Sales Tax exemptions on a large range of equipment which now attract GST and that the majority of its suppliers have advised not to expect any cost savings as a consequence of the introduction of GST. CMS has also had to incur additional costs associated with the introduction of the GST.

Prior to Final Approval of the proposed Access Arrangement, CMS will be required to provide an independent accounting opinion on the appropriateness of the methodology used in determining its proposed GST pass-through proportion for Reference Tariff purposes taking into account the tax savings available.

In addition to the above, the Final Decision will separately account for the effect of the GST on the Consumer Price Index (CPI) and seek an adjustment to the CPI tariff escalation factor to ensure that this factor is appropriately adjusted for GST.

The impact of reductions in the corporate tax rate will also be separately accounted for in issuing the Final Decision on Reference Tariffs for the Parmelia Pipeline.

Accordingly, I intend reflecting the proposed GST related net increase of 10 percent in Reference Tariffs for the Parmelia Pipeline in my Final Decision on the proposed Access Arrangement. The Final Decision for this pipeline will be issued shortly.

Please direct any inquiries to Mr Mike Jansen +061 8 9213 1925.

KEN MICHAEL
GAS ACCESS REGULATOR

19 October 2000