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18 October 2005

Economic Regulation Authority
Level 6 Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

ATTENTION: MR RUSSELL DUMAS

Dear Russell,

**CALL FOR SUBMISSIONS ON ALTERNATE PART HAUL AND BACK HAUL
TARIFF METHODOLOGY FOR THE DBNGP REVISED ACCESS
ARRANGEMENT**

Further to our letter of 14 October 2005 responding to the ERA's notice of 3 October 2005 on this subject, we have completed our modelling of DBP's proposed alternate tariff methodology.

Western Power does not support DBP's alternate part haul tariff methodology as it:

- (a) seeks to allocate more costs to part-haul and back-haul services than the previously adopted approach of distance-based tariffs (roughly 8% higher); and
- (b) results in Western Power, as a significant part-haul shipper, bearing a significant proportion of the additional costs allocated to part-haul revenue.

In support of this position, Western Power submits that:

1. the part-haul tariff methodology has always been distance-based and there is no reason why it should be changed now;¹
2. Schedule 9 of Western Power's 27 October 2004 Shipper Contract (and the DBP Standard Shipper Contract) uses distance-based modelling; and
3. distance-based modelling is simpler to apply than a different allocation for each non capital cost (we note that DBP has identified 17 different categories of non capital costs to be factored into the part-haul tariff calculation).

¹ Part-haul tariff methodology was distance based in the *Gas Transmission Regulations 1994*, under the *DBNGP Access Manual* and under the original DBNGP Access Arrangement (see Annexure A: Reference Tariff, which adopted a zonal tariff structure).

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Even if DBP's alternate methodology was to be adopted, Western Power considers that the categories of Transportation Services and Engineering Services included in DBP's proposed non capital cost allocation (see Table 1 of 3.11 in DBP's Submission #48) are more appropriately distance rather than capacity related (i.e. they should be allocated on GJ MDQ km not GJ MDQ).

Please do not hesitate to contact us if you have any questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Everett', with a stylized flourish at the end.

**ANDREW EVERETT
PRINCIPAL ADVISER NEW BUSINESS
GENERATION**