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16 November 2007

Attention: Mr Russell Dumas  
Economic Regulation Authority  
Level 6 Governor Stirling Tower  
197 St George's Terrace  
PERTH WA 6000

Dear Russell

**ALINTAGAS NETWORKS PTY LTD ACCESS ARRANGEMENT FOR THE MID-WEST AND SOUTH-WEST GAS DISTRIBUTION SYSTEMS: VARIATION REPORT FOR VARIATION YEAR 2008**

Attached for your information is the Variation Report detailing the new reference tariffs that will apply from 1 January 2008.

The individual tariff components have been adjusted in accordance with clauses 3 to 10 of Part B of AlintaGas Networks Pty Ltd's current Access Arrangement for the Mid-West and South-West Gas Distribution Systems. Supporting documentation is provided and the relevant calculations are detailed.

An electronic copy of the Variation Report will be forwarded to you for publication on the website of the Economic Regulation Authority. I can be contacted on 08 6213 7151 should you have any queries.

Yours sincerely

**Deborah Evans**  
**Manager Regulatory Services**

**Encl:**

**ACCESS ARRANGEMENT FOR THE MID-WEST AND SOUTH-WEST GAS  
DISTRIBUTION SYSTEMS  
VARIATION REPORT FOR VARIATION YEAR 2008**

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This variation report details the varied tariff components of the reference tariffs for application during variation year 2008.

The determination of the varied tariff components has been undertaken in accordance with Clauses 3 to 10 of Part B of the AlintaGas Networks Pty Ltd Access Arrangement for the Mid-West and South-West Gas Distribution Systems.

The varied reference tariffs, excluding GST, are listed below and will be applicable from 1 January 2008. Details of the individual calculations are provided in the attached spreadsheet.

**Varied Reference Tariff A1:**

- (i) the standing charge is \$44,286.96 (ex GST) per year;
- ( ) the demand charge rate is:
  - A. \$182.86 (ex GST) per gigajoule per kilometre per year for the first 10 kilometres of the interconnection distance; and
  - B. \$91.43 (ex GST) per gigajoule per kilometre per year for any part of the interconnection distance in excess of 10 kilometres;
- ( ) the usage charge rate is:
  - C. \$0.0446 (ex GST) per gigajoule per kilometre for the first 10 kilometres of the interconnection distance; and
  - D. \$0.0223 (ex GST) per gigajoule per kilometre for any part of the interconnection distance in excess of 10 kilometres;

**Varied Reference Tariff A2:**

- (i) the standing charge is \$526.04 (ex GST) per year;
- (ii) the usage charge rate is:
  - A. \$4.85 (ex GST) per gigajoule for the first 5 terajoules of gas delivered to the user per year;
  - B. \$4.60 (ex GST) per gigajoule for gas delivered to the user in excess of 5 terajoules per year and up to 10 terajoules per year; and
  - C. \$1.21 (ex GST) per gigajoule for gas delivered to the user in excess of 10 terajoules per year;

**ACCESS ARRANGEMENT FOR THE MID-WEST AND SOUTH-WEST GAS  
DISTRIBUTION SYSTEMS  
VARIATION REPORT FOR VARIATION YEAR 2008**

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**Varied Reference Tariff B1:**

- (ii) the standing charge is \$526.04 (ex GST) per year;
- (iv) the usage charge rate is:
  - A. \$4.85 (ex GST) per gigajoule for the first 5 terajoules of gas delivered to the user per year;
  - B. \$4.60 (ex GST) per gigajoule for gas delivered to the user in excess of 5 terajoules per year; and

**Varied Reference Tariff B2:**

- (i) the standing charge is \$210.96 (ex GST) per year; and
- (ii) the usage charge rate is:
  - A. \$5.36 (ex GST) per gigajoule for the first 100 gigajoules of gas delivered to the user per year; and
  - B. \$4.84 (ex GST) per gigajoule for gas delivered to the user in excess of 100 gigajoules per year;

**Varied Reference Tariff B3:**

- (i) the standing charge is \$27.05 (ex GST) per year; and
- (ii) the usage charge rate is:
  - A. \$8.99 (ex GST) per gigajoule for the first 15 gigajoules of gas delivered to the user per year;
  - B. \$5.69 (ex GST) per gigajoule for gas delivered to the user in excess of 15 gigajoules per year and up to 45 gigajoules per year; and
  - C. \$3.86 (ex GST) per gigajoule for gas delivered to the user in excess of 45 gigajoules per year;

## **Distribution Tariff Approval - AGN**

## **Proposed Distribution Tariffs**

Tariff Category	Tariff Component	P <sub>t</sub>	Q <sub>t-2</sub>	P <sub>t</sub> * Q <sub>t-2</sub>	P <sub>t</sub> (inc GST)
Tariff A1	Fixed Charge	44,286.960000	42	1,860,052	48,715.66000
Tariff A1	Usage First 10 km's	0.044600	20,681,627	922,401	0.04906
Tariff A1	Usage >10 km's	0.022300	2,780,941	62,015	0.02453
Tariff A1	Demand <10kms	182.860000	6,794	1,242,387	201.15000
Tariff A1	Demand >10km	91.430000	1,642	150,115	100.57000
Tariff A2	Fixed Charge	526.040000	84	44,187	578.64000
Tariff A2	First 5 TJ	4.850000	414,499	2,010,320	5.34000
Tariff A2	> 5 TJ's < 10 TJ's	4.600000	362,293	1,666,548	5.06000
Tariff A2	> 10 TJ's	1.210000	960,729	1,162,482	1.33000
Tariff B1	Fixed Charge	526.040000	1,085	570,753	578.64000
Tariff B1	First 5 TJ	4.850000	1,500,887	7,279,304	5.34000
Tariff B1	> 5 TJ's	4.600000	192,717	886,500	5.06000
Tariff B2	Fixed Charge	210.960000	5,774	1,218,083	232.06000
Tariff B2	First 100 GJ's	5.360000	333,961	1,790,033	5.90000
Tariff B2	> 100 GJ's	4.840000	724,445	3,506,315	5.32000
Tariff B3	Fixed Charge	27.050000	535,748	14,491,983	29.76000
Tariff B3	First 15 GJ's	8.990000	5,609,217	50,426,859	9.89000
Tariff B3	> 15 GJ's < 45 GJ's	5.690000	3,148,351	17,914,118	6.26000
Tariff B3	>45 GJ's	3.860000	939,396	3,626,068	4.25000
Tariff A1N	Total GJ's		11,617,363		
Tariff A2N	Total GJ's		374,203		
Tariff B1N	Total GJ's		11,343		
Tariff B2N	Total GJ's		2,919		
Tariff B3N	Total GJ's		0		

## Distribution Tariff Approval - AGN

### Existing Distribution Tariffs

Tariff Category	Tariff Component	P <sub>t-1</sub>	Q <sub>t-2</sub>	P <sub>t-1</sub> * Q <sub>t-2</sub>	Proposed Increase/decrease
Tariff A1	Fixed Charge	44,286.9600	42	1,860,052	0.00%
Tariff A1	First 10 km's	0.04460	20,681,627	922,401	0.00%
Tariff A1	>10 km's	0.02230	2,780,941	62,015	0.00%
Tariff A1	Demand1 (<10)	182.8600	6,794	1,242,387	0.00%
Tariff A1	Demand 2 (>10)	91.4300	1,642	150,115	0.00%
Tariff A2	Fixed Charge	526.0400	84	44,187	0.00%
Tariff A2	First 5 TJ	4.8500	414,499	2,010,320	0.00%
Tariff A2	> 5 TJ's < 10 TJ's	4.6000	362,293	1,666,548	0.00%
Tariff A2	> 10 TJ's	1.2100	960,729	1,162,482	0.00%
Tariff B1	Fixed Charge	526.04	1,085	570,753	0.00%
Tariff B1	First 5 TJ	4.85	1,500,887	7,279,304	0.00%
Tariff B1	> 5 TJ's	4.6000	192,717	886,500	0.00%
Tariff B2	Fixed Charge	210.3900	5,774	1,214,792	0.27%
Tariff B2	First 100 GJ's	5.3600	333,961	1,790,033	0.00%
Tariff B2	> 100 GJ's	4.8400	724,445	3,506,315	0.00%
Tariff B3	Fixed Charge	26.8200	535,748	14,368,761	0.88%
Tariff B3	First 15 GJ's	8.9900	5,609,217	50,426,859	0.00%
Tariff B3	> 15 GJ's < 45 GJ's	5.6900	3,148,351	17,914,118	0.00%
Tariff B3	>45 GJ's	3.8600	939,396	3,626,068	0.00%
					110,704,013

## Distribution Tariff Approval - AGN

### PRICE CONTROL FORMULA

$$B_t = (\text{Sumof } P_t * Q_{t-2}) / (\text{Sumof } P_{t-1} * Q_{t-2})$$

Sumof  $P_t * Q_{t-2}$  110,830,526

Sumof  $P_{t-1} * Q_{t-2}$  110,704,013

B<sub>t</sub>: 100.1143%

RHS: 100.1143% \$ 24

Y 2.0000%

Tariff Component 102.1166%

B<sub>t</sub> <= RHS: Price Control - OK

$$RHS = (\text{SepCPI}_{t-1} / \text{SepCPI}_{t-2})(1-X)(1+R_t)$$

SepCPI<sub>t-1</sub>: 158.60

SepCPI<sub>t-2</sub>: 155.70 1.863%

X<sub>t</sub>: 2.240%

R<sub>t</sub>: 0.536%

RHS: **100.1143%**

$$R_t = \{1 + [Drct-1 * (1+WACC)] / Rev_t\} / \{1 + [Drct-2 * (1+WACC)] / Revt-1\} - 1$$

Drct<sub>t-1</sub>: 744,669

Rev<sub>t</sub>: \$ 112,162,000

WACC: 6.78%

Drct<sub>t-2</sub>: 181,514

Rev<sub>t-1</sub>: \$ 112,490,000

R<sub>t</sub>: 0.536%

$$Drct_{t-1} = ((\text{SepCPI}_{2004} / \text{SepCPI}_{t-1}) * Arc_{t-1}) - Frc_{t-1}$$

SepCPI<sub>2004</sub> 145.40

SepCPI<sub>t-1</sub> 158.60

Arc<sub>t-1</sub> \$ 1,623,816

Frc<sub>t-1</sub> \$ 744,000

$$Drct_{t-2} = ((\text{SepCPI}_{2004} / \text{SepCPI}_{t-2}) * Arc_{t-2}) - Frc_{t-2}$$

SepCPI<sub>2004</sub> 145.40

SepCPI<sub>t-2</sub> 155.70

Arc<sub>t-2</sub> \$ 987,864

Frc<sub>t-2</sub> \$ 741,000