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Mr Lyndon Rowe  
Chairman  
Economic Regulation Authority  
Level 6 Governor Stirling Tower  
197 St Georges Terrace  
PERTH WA 6000

Dear Mr Rowe

**Extension of time for GDS access arrangement revisions**

We refer to the access arrangement for the Mid-West and South-West Gas Distribution Systems (GDS). As you are aware, WA Gas Networks Pty Ltd (WAGN) is the service provider for the GDS under the National Third Party Access Code for Natural Gas Pipeline Systems (Gas Code).

The access arrangement specifies 31 March 2009 as the Revision Submission Date. This means that WAGN must submit revisions to the access arrangement under Section 2.28 of the Gas Code on or before that date.

Further to our previous discussion late last year, WAGN is applying to the Economic Regulation Authority under Section 7.19 of the Gas Code for an extension of time in which to submit its revisions. WAGN requests an extension of six months to 30 September 2009.

WAGN's submission supporting this request is attached.

If you would like to discuss this issue further, please contact either myself or Deborah Evans, Manager Regulatory Services, on 6213 7151 (office) or 0414 946 112.

Yours faithfully

John Cleland  
Chief Executive Officer  
WestNet Infrastructure Group



## **REASONS FOR SEEKING THE EXTENSION**

WAGN would prefer to submit the revisions to the access arrangement under the new regulatory framework. As a consequence, WAGN will need to take into account and comply with:

- The National Gas Law (as amended by the National Gas Bill);
- The National Gas Rules; and
- The regulations to be made under the National Gas Bill.

### **3.1 Uncertainty over the introduction of the National Gas Bill**

It is anticipated that the National Gas Bill will be passed and then come into force in the early part of 2009, but it is still not clear whether this will happen before the Revision Submission Date or indeed by any date in particular. There remains the possibility that the delay may be significant.

### **3.2 Regulations not yet available**

In late October 2008, the Office of Energy outlined regulations it proposes to make under the National Gas Bill. The structure and level of the capped retail tariffs will influence the form and content of the regulations. Capped retail tariffs are likely to be reset in July 2009. The modelling for, and calculation of, revised reference tariffs for the GDS as part of the revised access arrangement, will have to take into account the effect of the regulations to be made under the National Gas Bill.

### **3.3 Economic conditions**

Econometric models are used for energy market forecasting and the models make use of data on levels of activity in the national and State economies. This data is sourced from the Australian Bureau of Statistics. To better understand the quantitative impact of the economic downturn, the December quarter 2008 national accounts estimates are required. These estimates are not expected to be available from the Australian Bureau of Statistics until March 2009.

### **3.4 Time required to prepare access arrangement revisions**

The National Gas Bill is not yet in force in Western Australia, and there is still uncertainty as to when this may occur. There is also uncertainty about regulations to be made under the new legislation, and about the Government's intentions in respect of gas retail tariffs. Once this uncertainty is removed, WAGN will be able to complete its preparation of proposed revisions to the access arrangement for the GDS.

If the regulations to be made under the new legislation require anything other than a pass through of distribution reference tariffs to capped retail tariffs, changes may be required to the structure of the reference tariffs to ensure that the results it produces are both compliant with the National Gas Rules and consistent with the capped retail tariffs. Work on these changes can commence only once the capped retail tariffs are known in July.