



NOTICE

Further Final Decision

Goldfields Gas Pipeline – Revised Access Arrangement

The Authority today issued its [Further Final Decision](#) on the revisions proposed by Goldfields Gas Transmission Pty Ltd (GGT) to the access arrangement for the Goldfields Gas Pipeline (GGP). The Further Final Decision is to not approve the proposed revised access arrangement submitted by GGT on 4 June 2010.

The Authority considered that GGT's proposed revised access arrangement did not incorporate or substantially incorporate all the amendments required in the Authority's Final Decision or otherwise address to the Authority's satisfaction the matters identified in the Final Decision as being the reasons for requiring these amendments.

Consequently, the Authority has drafted and approved its own revised access arrangement consistent with the requirements of the *National Third Party Access Code for Natural Gas Pipeline Systems (Code)*. This access arrangement becomes effective on 20 August 2010.

BACKGROUND

The GGP runs from compressor station 1 on the Dampier to Bunbury Natural Gas Pipeline at Yarraloola to Kalgoorlie via the East Pilbara and the North East Goldfields region. The access arrangement sets out the terms and conditions, including price, under which GGT will provide access to the GGP for third party users.

The GGP provides gas predominantly to the mining industries in the East Pilbara and the North East Goldfields region. The GGP also transports gas used to service households and small businesses in Kalgoorlie and Esperance.

Regulated gas pipelines in the Eastern States operate under the *National Gas Law* which came into effect in July 2008. In Western Australia, legislation of a similar nature, the *National Gas Access (Western Australia) Act 2009*, came into effect on 1 September 2009. However, only Sections 1 and 2 of the Act were proclaimed at that time. The remainder of this Act and associated regulations came into force on 1 January 2010.

As GGT's proposed revisions to the GGP access arrangement were submitted under the Code, the revised access arrangement issued with this Further Final Decision will be administered under the Code even though the Code was repealed on 1 January 2010. When GGT lodges its revisions to this revised access arrangement in the future, scheduled for 2014, these revisions will come under the *National Gas Access (Western Australia) Act 2009 (NGA)* and the associated regulations.

Small gas customers such as households and small businesses at Kalgoorlie and Esperance are unlikely to be significantly impacted by the Further Final Decision, as the gas transportation cost is a relatively small component of the retail tariffs. In any case, the retail tariffs for Kalgoorlie are set by the Government and usually vary once a year as they are linked by government regulation to the Consumer Price Index (CPI). The most recent increase was on 1 April 2010.

REVISED ACCESS ARRANGEMENT

In response to the Authority's Final Decision, GGT submitted a proposed revised access arrangement and access arrangement information together with a confidential submission on 4 June 2010. GGT's proposed revised access arrangement is available on the Authority's [website](#).

The Authority determined, in its Further Final Decision, that the proposed revised access arrangement submitted by GGT on 4 June 2010 had incorporated, substantially incorporated or otherwise addressed to the Authority's satisfaction 7 of the 10 amendments required to the revised access arrangement in the Final Decision.

As a result of the Authority's decision not to approve GGT's proposed revised access arrangement of 4 June 2010, the Authority is required under the Code to draft and approve its own revised access arrangement for the GGP.

In drafting and approving its own access arrangement, the Authority has modified the proposed revised access arrangement submitted by GGT on 4 June 2010 to the extent necessary for it to comply with the Final Decision as set out in the Further Final Decision. The Authority's access arrangement has amended GGT's proposed revised access arrangement to incorporate the 3 amendments in the Final Decision which the proposed revised access arrangement submitted by GGT did not incorporate, substantially incorporate or otherwise address to the Authority's satisfaction.

The Further Final Decision sets out the details of the Authority's decision in relation to GGT's proposed revised access arrangement of 4 June 2010 for each of the amendments required in the Final Decision.

ACCESS ARRANGEMENT INFORMATION

In addition to the Final Decision amendments required to GGT's proposed revised access arrangement as discussed above, the Final Decision required 11 amendments to the amended access arrangement information submitted by GGT on 4 June 2010. The Authority determined, in its Further Final Decision, that GGT's amended access arrangement information only complied with 4 of these required amendments.

The Further Final Decision requires GGT to make changes to its amended access arrangement information. These changes are required to ensure that the access arrangement information is consistent with the requirements of the Authority's Final Decision.

The Further Final Decision sets out the details of the Authority's decision in relation to GGT's amended access arrangement information of 4 June 2010 for each of the amendments required in the Final Decision. Appendix 1 of the Further Final Decision, sets out the changes that GGT is required to make to its amended access arrangement information.

The Authority requires GGT to submit a revised version of its amended access arrangement information by no later than 20 August 2010.

KEY ASPECTS OF THE FURTHER FINAL DECISION

Rate of Return

GGT responded to the Draft Decision with a preferred nominal pre-tax rate of return of 14.34 per cent. The Authority's Final Decision (Amendment 7) required a nominal pre-tax rate of

return of 10.48 per cent. GGT's response to the Final Decision set out a nominal pre-tax rate of return of 11.3 per cent, which did not comply with the value required in the Final Decision.

Extensions/Expansions

GGT responded to the Final Decision by not incorporating but otherwise addressing the amendment required in the Final Decision (Amendment 18) relating to the treatment of future extensions and expansions to the GGP. The manner in which GGT otherwise addressed this amendment did not meet the requirements of the Final Decision to the satisfaction of the Authority.

Trigger Event

GGT responded to the Final Decision by not incorporating or otherwise addressing the amendment in the Final Decision (Amendment 19) requiring a trigger event to be included. This trigger event required GGT to submit revisions to the access arrangement if it expanded the covered capacity of the GGP beyond 120 TJ/day (based on the provisions set out under Amendment 19).

Reference Service Revenue

GGT responded to the Draft Decision with a total reference service revenue value of \$15.11 million (in present value terms) for spare capacity only. The Final Decision required a total reference service revenue value in present value terms of \$321.0 million for the total capacity of the covered pipeline. GGT's response to the Final Decision set out a total reference service revenue value of \$329.0 million in present value terms for the total capacity of the covered pipeline, which did not comply with the Final Decision.

Non-Capital Costs

GGT did not incorporate the required values for pipeline operating and maintenance costs as required under Amendment 8 of the Final Decision, as its total value for these costs were \$2 million higher than required by the Final Decision.

REFERENCE TARIFFS

The table below shows the reference tariffs currently applying for the GGP. This table also shows the tariffs set out in the revised access arrangement as applying from 1 January 2010 which will come into effect when the revised access arrangement becomes effective on 20 August 2010. The revised access arrangement provides for adjustments to the reference tariff in accordance with clause 5 of the access arrangement.

	Toll \$/GJ	Capacity Reservation \$/GJ km	Throughput \$/GJ km
Current Reference Tariff	0.285797	0.001633	0.000424
Reference Tariff when revised access arrangement becomes effective on 20 August 2010	0.243262	0.001439	0.000401

ADMINISTRATIVE APPEALS

Under the National Gas Law as modified by the NGA, section 39 of the repealed gas access law related to merits review of access arrangements continues to apply. This means that where the Authority drafts and approves its own revised access arrangement, as the Authority has done for the GGP, GGT or a party who made a submission to the Authority on the basis outlined under section 39 can apply for a review of the Authority's decision.

Under the *Energy Arbitration and Review Act 1998*, the Western Australian Electricity Review Board would consider these applications. The *Electricity Industry Act 2004* requires that section 38(2) of the previous gas access law, relating to the time allowed for applications for review to be made, continues to apply. Therefore, parties eligible to lodge applications for review of the Authority's decision have 14 days from the time this decision is placed on the Code Registrar's public register to submit an application for review.

Applications for review should be marked 'Confidential – Application to the Western Australian Electricity Review Board for Review of the Authority's Decision on the Revised Access Arrangement for the GGP' and lodged with the following:

Ms Pam Herbener
Chief Financial Officer
Western Australia Energy Disputes Arbitrator
C/o Economic Regulation Authority
Level 6, 197 St Georges Terrace
Perth Western Australia 6000

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LYNDON ROWE
CHAIRMAN

5 August 2010