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20 January 2014

Mr. Lyndon Rowe
Chairman
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000

 Economic Regulation Authority Received 21 JAN 2014	
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Action Officer	TYSON SELF

Dear Mr. Rowe

Goldfields Gas Pipeline: Annual (Schedule 1) Tariff Variation 2014

On 6 December 2013, Goldfields Gas Transmission Pty Ltd (GGT) submitted to the Economic Regulation Authority (ERA) its intended annual variation of the reference tariff for the Goldfields Gas Pipeline (GGP) for 2014. The varied tariff had been determined in accordance with the procedure set out in Schedule 1 of the GGP Access Arrangement. Following discussions with ERA Assistant Director Gas, Tyson Self, an amendment was made to the proposed tariff variation, and this amendment was submitted to the ERA on 14 January 2014.

After further discussions with Tyson Self, GGT amended the tariff variation which had been submitted on 14 January. This further amendment and the reasons for it are set out in the attachments to this letter, and in the spreadsheet on the CD enclosed with the letter.

The varied reference tariff is shown in the following table:

Tariff	Toll \$/GJ	Capacity Reservation \$/GJ km	Throughput \$/GJ km
1 January 2014 to 31 March 2014	0.214195	0.001470	0.000385

The varied tariff for the GGP, which is to apply during the first quarter of 2014, has been calculated in accordance with the formulae set out in Schedule 1 of the GGP Access Arrangement.

I have enclosed with this letter:

- (i) a public version of the tariff variation calculation in PDF format;
- (ii) a schedule setting out information supporting the calculation of the varied reference tariff;
and
- (iii) a CD containing the - confidential - spreadsheet used to calculate the varied reference tariff.

The spreadsheet shows that:

- (i) the proposed varied reference tariff is within the limitation on movement of the January-on-January weighted average price basket set out in Schedule 1 of the GGP Access Arrangement;
- (ii) the varied tariff components are within the range permitted by Schedule 1; and
- (iii) each variable used in calculating the varied reference tariff has been established in accordance with the relevant formulae and definitions in Schedule 1.

GGT has now needed to make two changes to the tariff variation proposal submitted on 6 December 2013. We have appreciated the ERA's assistance and forbearance in dealing with this matter.

Goldfields Gas Pipeline - Access Arrangement 2010-14 as revised by ERB 30 March 2012

Tariff Calculation: Schedule 1 "Reference Tariff Adjustment Mechanism"

PUBLIC VERSION

Annual Adjustment to establish: Jan - Mar 2014 Reference Tariff

year 2012 2013 2014

Toll Tariff \$/GJ as applied in 1st quarter of year	0.215595	0.214195
Reservation Tariff \$/GJ.km as applied in 1st quarter of year	0.001478	0.001470
Throughput Tariff \$/GJ.km as applied in 1st quarter of year	0.000383	0.000385

Price Basket Limit check: RHS minus LHS 4.38853E-07 price basket check OK
 Tariff Component Variation check component check OK

September CPI for given year	101.8	104.0
assumed future annual rate of CPI increase 2.50%		
Arc actual Regulatory Costs for given year \$m	0.149	0.017
Frc forecast Regulatory Costs for given year \$m	0.000	0.000
WACC (from FFD) %	10.47748%	10.47748%
Rrev Total Revenue for given year (AAI Table 1) \$m	84.9884	86.1985
R Schedule 1 definition 2.5		
Y Schedule 1 definition 0.02		
Drc deadband 0.5%		
rounding (number of decimal places) for tariff components 6		
x Schedule 1 definition 0.025		
Drc as calculated \$m	0.149	0.017
Drc as used after applying deadband \$m	0.000	0.000
Rt Regulatory Costs Factor		0.00E+00

Drc_{t-1} as percentage of Total Revenue 2012 0.02%

PRICE BASKET LIMIT CALCULATION

RHS of price basket limit i.e. (SepCPIt-1/SepCPIt-2)*(1-x)*(1+Rt) 0.996

transport revenue for numerator of LHS of price basket limit \$m 81.207
 transport revenue for denominator of LHS of price basket limit \$m 81.527

LHS of price basket limit i.e. (sum:Pt*Qt-2)/(sum:Pt-1*Qt-2) 0.996

RHS of Price Basket Limit minus LHS of Price Basket Limit 4.39E-07 price basket OK

TARIFF COMPONENT VARIATION CALCULATION

Tariff Component Variation multiplier (RHS of formula) i.e. (SepCPIt-1/SepCPIt-2)*(1-x)*(1+Rt)*(1+Y) 1.015992141

toll tariff using Tariff Component Variation \$/GJ	0.215595	0.219043	tariff component variation OK
reservation tariff using Tariff Component Variation \$/GJ.km	0.001478	0.001502	tariff component variation OK
throughput tariff using Tariff Component Variation \$/GJ.km	0.000383	0.000389	tariff component variation OK

PRICE BASKET CALCULATION:

TOLL REVENUE: \$000's	Year t-1	Year t
RESERVATION REVENUE: \$000's	8.301	8.247
THROUGHPUT REVENUE: \$000's	61.014	60.683
TOTAL REVENUE: \$000's	12.213	12.277
	81,527	81,207

	31-Mar-2012	30-Jun-2012	30-Sep-2012	31-Dec-2012
LOAD: MDQ FOR YEAR t-2	104.7	105.5	105.6	105.0
LOAD: THROUGHPUT: FOR YEAR t-2	80.6	83.8	84.8	80.9
flow weighted average distance (MDQ) km	1069	1073	1074	1072
flow weighted average distance (Throughput) km	1055	1060	1057	1050

SUPPORTING INFORMATION IN CONNECTION WITH 1 JANUARY 2014 VARIATION OF THE REFERENCE TARIFF UNDER THE ACCESS ARRANGEMENT FOR THE GOLDFIELDS GAS PIPELINE

Schedule of variables used in calculating the varied reference tariff for variation year 2014

Variable	Value	Source
P_{t-1}^{ij}		Refer to spreadsheet
q_{t-2}^{ij}		Refer to spreadsheet
x	0.025	R = 2.5 (as per clause 9.8 of General Terms & Conditions of Approved Access Arrangement)
Y	+0.02	Definition of Y in Schedule 1 of Approved Access Arrangement
R_t	0.000000	Regulatory Costs factor for calendar year 2013
SepCPI _{t-1}	104.0	Index for the September 2013 quarter published by the Australian Bureau of Statistics, Table 6401.0, Consumer Price Index, Index Numbers ; All groups; Australia
SepCPI _{t-2}	101.8	Index for the September 2012 quarter published by the Australian Bureau of Statistics, Table 6401.0, Consumer Price Index, Index Numbers; All groups; Australia
t	2014	Definition of Variation Year in Schedule 1 of Approved Access Arrangement.

Variables used in calculation of R_t (Regulatory Costs factor) for 2013		
Arc_{t-1}	\$16,560	Actual Regulatory Costs for 2013 - see below
Frc_{t-1}	\$0	Forecast Regulatory Costs for 2013
Drc_{t-1}	\$16,560	$Arc_{t-1} - Frc_{t-1}$ as defined in Schedule 1
Drc_{t-1} applied	\$0	Drc_{t-1} after applying the materiality threshold.
WACC	10.48%	Nominal pre-tax WACC as per Further Final Decision (para 98, page 15) and Access Arrangement Information (Table 9, page 9)
$Rrev_t$	\$86.199 million	Total Revenue applicable to the Covered Pipeline for 2013. As per Further Final Decision (Appendix 1, Table 1, page 1) and Access Arrangement Information (Table 1, page 2)
Drc_{t-1} as percentage of Total Revenue for the Covered Pipeline for 2012	0.019%	Does not pass the deadband materiality threshold being greater than plus or minus 0.5% of Total Revenue for 2013

Actual Regulatory Costs for 2013 (Arc_{t-1}) (as defined in Schedule 1)

Costs connected to or associated with:	
(a) GGT's compliance with new or revised requirements or procedures under the <i>Petroleum Pipelines Act 1969</i> , Pipeline Licence 24, the <i>Energy Coordination Act 1994 (WA)</i> , the <i>Gas Standards Act 1972 (WA)</i> , the <i>Energy Operators (Powers) Act 1979</i> , <i>Environmental Protection Act 1986 (WA)</i> and all other applicable laws which affect the operation of the Covered Pipeline or the provision of Services;	Nil
(b) GGT's participation in regulatory policy or regulatory reform consultation processes;	\$16,560
(c) the pro rata portion of the Emissions Costs;	Nil
(d) changes to the GGP Act, GGP Agreement, Gas Pipelines Access (Western Australia) Act 1998 (WA), the Code or the Economic Regulation Authority Act 2003 (WA);	Nil
(e) the introduction of new or revised requirements under the Code which are more complex or extensive than those applying at 31 December 2008 including the introduction of the National Gas Access (Western Australia) Act 2008; and	Nil
(f) participating in legal proceedings before a Court, tribunal, arbitrator or other body of competent jurisdiction relating to this Access Arrangement or revisions (or proposed revisions) thereto.	\$Nil
Total Actual Regulatory Costs 2013 (Arc_{t-1})	\$16,560

Details of amounts falling under paragraph (b) of the definition of "Regulatory Costs"

Costs connected to or associated with:

...

(b) *GGT's participation in regulatory policy or regulatory reform consultation processes; . . .*

Paragraph (b) costs which were incurred by GGT during 2013 related to GGT discussions with the Office of Energy (now the Public Utilities Office) on aspects of the Gas Supply (Gas Quality Specifications) Act 2009 and Gas Supply (Gas Quality Specifications) Regulations 2010 specifically affecting the Goldfields Gas Pipeline. The 2009 Act requires a reference specification for the GGP, and a default pipeline impact agreement for the pipeline. (The reference specification has not yet been prescribed, and a default pipeline impact agreement has not yet been published.)

The requirements of the Gas Supply (Gas Quality Specifications) Act 2009 and Gas Supply (Gas Quality Specifications) Regulations 2010 are new regulatory requirements. They were not anticipated when revisions to the GGP Access Arrangement were prepared early 2009, and the costs of compliance were not included in the regulatory costs used in reference tariff determination.