



Notice

30 June 2016

Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline

FINAL DECISION

The Economic Regulation Authority (**ERA**) has published its Final Decision on DBNGP (WA) Transmission Pty Ltd's (**DBP**) proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline (**DBNGP**). The ERA has not approved the revised access arrangement for the DBNGP but has published a revised Access Arrangement and Access Arrangement Information for the DBNGP.

The ERA's detailed reasons are outlined in the Final Decision document together with 41 required amendments to the revised access arrangement for the fourth access arrangement period from 1 January 2016 to 31 December 2020.

The revised Access Arrangement for the DBNGP will take effect on 1 July 2016 and sets out the terms and conditions as well as the tariffs for the reference services that DBP must offer independent third parties seeking access to the DBNGP.

The ERA's detailed reasons for not approving DBP's proposal, as required by the National Gas Access (Western Australia) Law and the National Gas Rules, are set out in the Final Decision document. The Final Decision, revised access arrangement and supporting access arrangement information are available on the ERA's [website](#).

The ERA's Final Decision has reduced the reference tariffs that were originally proposed by DBP in its revised access arrangement for AA4 by 18 per cent. This reduction is the result of the ERA's comprehensive assessment of DBP's proposal. Whereas DBP had proposed a forecast reference service revenue requirement of \$2,341 million for the five year regulatory period, the Authority has determined this requirement to be \$1,845 million. Despite this reduction, the ERA notes that its forecast revenue for the DBNGP will be sufficient for DBP to efficiently maintain and operate the DBNGP and achieve an adequate return on capital invested over the regulatory period.

The main differences between the ERA's Final Decision and DBP's proposal are:

- A revised rate of return to yield a nominal post-tax WACC of 5.83 per cent, compared to DBP's proposed value of 7.69 per cent.
- A reduced allowance for capital expenditure over the forthcoming access arrangement period from \$154.29 million to \$104.94 million in real terms.
- A reduced allowance for operating expenditure over the forthcoming access arrangement period from \$560.84 million to \$514.68 million in real terms.

As a result of the ERA's Final Decision, the tariff for the DBP's reference service during the fourth access arrangement period will be approximately 4 per cent lower than the current reference tariffs.

The ERA's Final Decision will ensure the efficient use of and investment in the DBNGP for the long term interests of users of gas pipeline services in Western Australia. As the DBNGP is vital

to the transmission of gas from the Carnarvon Basin to the South West of the State, the ERA's Final Decision should have a positive impact on all gas users in Western Australia, ranging from the 700,000 households and small businesses that are connected to the Mid-West and South-West Gas Distribution System to companies that have substantial industrial and mining operations.

BACKGROUND

The Dampier to Bunbury Natural Gas Pipeline is the longest gas transmission pipeline in Australia that runs entirely underground, stretching almost 1600 kilometres, to link the gas fields in the Carnarvon Basin with population centres and industry in the South West. The DBNGP is currently owned and operated by DBP.

On 31 December 2014, DBP submitted to the ERA its proposed revisions to the access arrangement for the DBNGP that would apply in its fourth access arrangement. Over the consultation period on DBP's proposed revisions, which ended on 2 June 2015, the ERA received submissions from six interested parties.

On 22 December 2015, the ERA published its Draft Decision that did not approve DBP's proposed revisions to the DBNGP access arrangement for AA4. The Draft Decision included a statement of reasons and set out 74 amendments that were required before the Authority would be prepared to approve the revised access arrangement that DBP had proposed.

On 22 February 2016, the DBP submitted to the ERA its amended proposal for the revised access arrangement. The ERA also received submissions from four other interested parties responding to the ERA's Draft Decision.

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