



# Notice

19 July 2016

## Mid-West and South-West Gas Distribution Systems Access Arrangement

### ORDERS REQUIRED BY THE AUSTRALIAN COMPETITION TRIBUNAL

The Australian Competition Tribunal (**Tribunal**) has made its decision on the limited merits review of the Economic Regulation Authority's access arrangement decision for the Mid-West and South-West Gas Distribution Systems (**GDS**), operated by ATCO Gas Australia.

The ERA's access arrangement decision set the reference tariffs and terms of access for gas transportation related services (reference services) for users of the GDS during the period 2014-2019. ATCO applied to the Tribunal for review of the ERA's decision on a number of grounds.

The Tribunal's decision upheld the ERA's decision on all grounds of review, apart from the value of imputation credits (gamma). In respect of gamma, during the course of the review of the ERA's decision for the ATCO GDS, the Tribunal handed down a decision on gamma in NSW (*Public Interest Advocacy Centre and Ausgrid*) in which it directed that the Australian Energy Regulator should use 0.25 as the value of gamma in its calculations of the rate of return in its decisions the subject of the NSW proceedings. The ERA considered that it would be against the public interest to re-argue matters that had already been considered and decided by the Tribunal and accepted that the value for gamma should be 0.25.

The Tribunal therefore determined that the ERA's Amended Final Decision and Access Arrangement Decision are set aside and remitted back to the ERA to make the decisions in accordance with the Tribunal's directions regarding the estimate of cost of corporate income tax by reference to a gamma (imputation credits) of 0.25, rather than the value of 0.40 used by the ERA in its Amended Final Decision. The Tribunal also directed the ERA to consider, to the extent appropriate, variation of interrelated components of the Amended Final Decision and Access Arrangement Decision as a result of the adoption of a value of gamma of 0.25.

The ERA will comply with the directions by the Tribunal and re-make its decisions with reference to a gamma of 0.25. At this stage, it is too early to estimate the impact on distribution gas tariffs. The ERA will re-make its decisions as soon as practicable.

### Background

The Mid-West and South-West Gas Distribution Systems provide reticulated natural gas to areas including Perth, Bunbury, Busselton, Capel, Eneabba, Geraldton, Harvey, Kemerton, Mandurah and Pinjarra. These combined networks cover around 13,500 km, connecting around 700,000 end users to natural gas.

On 1 October 2015, ATCO sought limited merits review of the ERA's Amended Final Decision and Access Arrangement Decision on six grounds. These grounds related to the allowed rate of return on equity, value of imputation credits, operating expenditure, capital expenditure, depreciation and the reference tariff variation mechanism. ATCO stated at the time that, if the

Tribunal found in favour of ATCO, the total revenue forecast would increase from \$859.80 million to \$959.84 million. The return on the projected capital base was the largest contributor to the increase sought by ATCO, representing \$85.18 million.

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