

OFFICE OF GAS ACCESS REGULATION

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NOTICE

DRAFT DECISION ON THE TUBRIDGI PIPELINE SYSTEM ACCESS ARRANGEMENT (WA: PL 16 & 19)

This is to notify that a Draft Decision has been issued in respect of the proposed Access Arrangement for the Tubridgi Pipeline System (WA: PL 16 & 19), which was lodged on 21 October 1999.

The Draft Decision is to not approve the proposed Access Arrangement in its current form. Amendments are required to the proposed Access Arrangement and Access Arrangement Information including to the Rate of Return and Initial Capital Base. In addition, the Draft Decision requires that the forecast gas throughput be reviewed.

On the basis of independent advice, I have concluded that the appropriate rate of return on equity for the Tubridgi Pipeline System should be 14.2% (nominal post-tax). This rate of return is consistent with a Weighted Average Cost of Capital of 8.2% (real pre-tax).

In relation to the Initial Capital Base, an amount of \$16.9 million has been assessed as appropriate for the Tubridgi Pipeline System recognising an accelerated depreciation of the assets due to uncertain long term gas supply.

The throughput forecasts for the Tubridgi Pipeline System are also required to be updated to take into account changes in anticipated forecasts since the proposed Access Arrangement was lodged.

On the basis of the above required amendments and assumptions made by me as to the forecast throughput for the purposes of the Draft Decision, the Reference Tariff for gas transmission on the Tubridgi Pipeline System is estimated at 22.9 cents per gigajoule excluding GST, or 25.3 cents per gigajoule including GST. This estimated Reference Tariff is significantly lower than that originally proposed in the Access Arrangement of 42.7 cents per gigajoule, excluding GST.

This decision has been made after considering the interests of all stakeholders and the risks faced by the Tubridgi Joint Venture Parties. Each regulated pipeline is assessed on a case by case basis and the decisions for the Tubridgi Pipeline System would not necessarily apply to other regulated pipelines.



A copy of the Draft Decision can be obtained from the Office of Gas Access Regulation at a cost of \$25, but is available for download from the Internet at <http://www.offgar.wa.gov.au/> free of charge.

The Office of Gas Access Regulation will hold a public meeting on the issues raised in the Regulator's Draft Decision. Details of the meeting can be obtained by contacting Mr Mike Jansen at the Office of Gas Access Regulation (telephone +61 8 9213 1925) and will be posted on the Office's website (<http://www.offgar.wa.gov.au/calendar.cfm>).

Submissions

In handing down this Draft Decision, I have set a period of 31 days for responses from interested parties. Submissions should be received by the Office of Gas Access Regulation by close of business Friday 8 September 2000.

Confidentiality

In general, all submissions from interested parties will be treated as in the public domain and placed on the *OffGAR* web site. Where an interested party wishes to keep part or all of the contents of a submission confidential, it should indicate these parts clearly. However, where the information is not considered to be 'unduly harmful' to the legitimate business interests of any party, the submission may be returned to the party making the submission with the option of revising or withdrawing it.

In making a submission, the Respondent warrants to the Regulator that its submission does not contain information, which the Respondent is under an obligation of confidentiality to any person not to disclose.

Format for Submissions

Submissions with comments on the proposed Access Arrangement should be in both written and electronic form and addressed to:

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KEN MICHAEL
GAS ACCESS REGULATOR

7 August 2000