Economic Regulation Authority

# Access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030)

Issues Paper

4 March 2025

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# Invitation to make submissions

**Submissions are due by Tuesday, 1 April 2025**

The ERA invites submissions on this paper and encourages all interested parties to comment on the matters raised in this paper and any other issues or concerns not already raised.

We would prefer to receive your comments via our online submission form:

https://www.erawa.com.au/consultation

You can also send comments via:

Email: publicsubmissions@erawa.com.au
Post: Level 4, Albert Facey House, 469 Wellington Street, Perth WA 6000

Please note that submissions provided electronically do not need to be provided separately in hard copy.

All submissions will be made available on our website unless arrangements are made in advance between the author and the ERA. This is because it is preferable that all submissions be publicly available to facilitate an informed and transparent consultative process.

Parties wishing to submit confidential information are requested to contact us to discuss the nature of the information to be provided.

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# Contents



## List of appendices

# 1. Introduction

The Dampier to Bunbury Natural Gas Pipeline (DBNGP) is one of the largest capacity natural gas transmission pipelines in Australia, spanning 1,600 kilometres starting near the township of Dampier, running parallel to the coast of Western Australia and finishing near Bunbury, south of Perth (Figure 1). The pipeline links the gas fields located in the Carnarvon and Perth basins to mining, industrial and commercial customers via the Mid-West and South-West gas distribution network.

Dampier Bunbury Pipeline (DBP) is the owner and operator of the DBNGP and is part of the Australian Gas Infrastructure Group (AGIG).

**Figure 1: Dampier to Bunbury Natural Gas Pipeline**


*Source: AGIG – Dampier Bunbury Pipeline (online) (accessed February 2025)*

The DBNGP access arrangement sets out the terms and conditions under which DBP will provide third party users access to the pipeline. The last scheduled revisions to the access arrangement were approved in April 2021 for the fifth access arrangement period from 1 January 2021 to 31 December 2025 (AA5).

On 2 January 2025, DBP submitted its access arrangement proposal for the next (sixth) access arrangement period from 1 January 2026 to 31 December 2030 (AA6). DBP's proposal, access arrangement information and other supporting documentation is published on the ERA website.

Stakeholder submissions are an integral part of our considerations and decision making process. Our decision on DBP's proposal affects users and prospective users of the DBNGP for a five-year period. Hence, it is important for users and prospective users of the pipeline to have a say now on the proposed gas tariffs and services to be provided over this period.

For AA6, reference tariffs are expected to increase significantly on 1 January 2026. DBP has proposed a full haul (T1) reference tariff of $2.45 per gigajoule of gas, which is a 56 per cent increase on the current (2025) tariff and since the beginning of AA5 represents a 79 per cent price increase for many of DBP's customers.[1] The proposed tariff increase is reflective of DBP's increased revenue requirement, which has been affected by inflation and depreciation.[2]

AA6 will see DBP recover $81 million ($real Dec2024) of depreciation that was deferred in AA5. DBP's proposal for this recovery results in a materially higher depreciation amount for 2026 compared to the remaining years of AA6 (2027 to 2030). DBP will also continue to manage its uncertainty of future gas demand with depreciation, consistent with the AA5 approach to cap the economic lives of assets to 2063.

DBP's full haul equivalent demand forecast reflects the observed trend of shippers relinquishing full haul capacity since AA3. For AA6, DBP has forecast an average 548.6 terajoules of gas per day of contracted capacity, and 481.1 terajoules of gas per day of gas throughput.

Although demand is forecast to decrease compared to AA5 levels, DBP's operating expenditure to operate and maintain the pipeline is forecast to increase by 20 per cent to $652 million ($ real December 2024) for AA6. DBP has also forecast that it will overspend its approved capital expenditure allowance for AA5 by 17 per cent, by spending $212 million ($ real December 2024) of capital expenditure during AA5. For AA6, DBP is proposing $288 million ($ real December 2024) in capital expenditure.

While DBP has acknowledged shipper concerns for out of specification gas liability, DBP has not proposed any changes to the terms and conditions for reference services that impact liability provisions. For AA6, DBP has stated that the provisions covering liability for out of specification gas will remain the same as the existing AA5 provisions.

The required access arrangement provisions for queuing, capacity trading, extensions and expansions, and receipt/delivery points also remain unchanged. However, DBP has proposed some amendments to other access arrangement provisions which range from minor administrative amendments to update dates and fix referencing, to more substantive changes to introduce new provisions and/or amend existing provisions. For example, DBP has proposed a new part to clause 18 (Annexure A) of the access arrangement to introduce provisions within the tariff variation mechanism to cover future adjustments for the Federal Government's Safeguard Mechanism.

[1] The reference tariffs approved for 2025 and published on the ERA website take into account the rebate from rebateable services.

[2] Higher levels of actual inflation have increased the value of the AA5 asset base, which has led to a total revenue requirement that is 20 per cent above the approved AA5 requirement (which was set using a forecast of inflation). Updated rates of return account for 58 per cent of the change to AA6 revenue.

DBP's proposed changes are set out in its Final Plan (access arrangement information) and supporting documentation. A high level summary of DBP's proposal is set out in Appendix 6 of this paper.

After an initial review of DBP's proposal, we have identified several areas of interest and are seeking comments from interested parties on some specific matters. Submissions on these matters will assist with our decision making on certain elements of the access arrangement. While we have identified these areas of interest, comments on any other matters related to DBP's access arrangement proposal are encouraged.

# 2. Matters for consideration

To assist interested parties in making submissions, we have identified several key areas for consideration, which are discussed in no particular order below. This is not an exhaustive list of matters, and we encourage you to provide comments on any matters related to DBP's access arrangement proposal that, in your opinion, require our consideration.

## 2.1 Liability for out of specification gas

Natural gas is made up of a mixture of gases (predominantly methane) and the percentage of each gas type directly affects the overall quality. Gas specification defines the outer limits of each gas component and ensures specific gas qualities are met in Western Australia's pipelines. The *Gas Supply (Gas Quality Specifications) Act 2009* was developed to broaden existing gas specifications while still meeting safety standards.[3] Subsequently, this allowed gas producers to supply broader quality gas to shippers in WA.

Out of specification gas ("off-spec gas") refers to gas that fails to meet prescribed gas standards. As pipelines are engineered to only accommodate certain compositions of gas, off-spec gas may damage facilities and increase operating and maintenance costs. If off-spec gas is delivered into the DBNGP, it also increases the probability of shippers (including those not responsible for delivering the off-spec gas) receiving off-spec gas at an outlet point; and this may breach existing contract agreements and operating licences potentially damaging downstream user facilities.

The ERA is aware that the process for managing off-spec gas is a matter that has been raised by shippers during the current access arrangement period due to a new automated notification system administered by DBP which has provided more frequent notification of off-spec gas. Previously, the process for notifying gas specification was handled manually.

DBP held a dedicated Shipper Roundtable to discuss the issues surrounding off-spec gas.[4] DBP summarised the outcomes of this meeting in its Final Plan, with further details provided in the KPMG prepared Customer Engagement Report.[5] While DBP provided information to clarify its operational procedures and responded to shippers queries and concerns, DBP informed shippers that there would be limited resolution to the off-spec gas issues and reiterated that their contractual relationship lies solely with shippers and not the producers of gas.

**DBP AA6 proposal**

Whilst DBP has made changes to its operational procedures in an effort to address off-spec gas concerns and mitigate risks for shippers, DBP has not proposed any changes to the provisions in the terms and conditions for reference services that cover off-spec gas.[6] DBP's reasons for not making any changes are set out in Attachment 15.1 of its Final Plan.[7]

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3 *Gas Supply (Gas Quality Specifications) Act 2009*

4 Shipper Roundtable 6 on 29 October 2024.

5 DBP, *Final Plan 2026-2030*, January 2025, pp. 50-51.
DBP, *Final Plan 2026-2030, Attachment 5.4: Customer Engagement Report December 2024*, January 2025.

6 Terms and conditions for reference services (T1, P1 and B1 Services).

7 DBP, *Final Plan 2026-2030, Attachment 15.1: Submissions for changes to AA6 Reference Contract*, January 2025, section 5 (online) (accessed February 2025).

Off-spec gas is addressed by clause 7 of the terms and conditions, with liability provisions for off-spec gas set out in clauses 7.6, 7.8 and 7.9.[8]

DBP submits that the drafting of clause 7 has remained materially unchanged since the access arrangement period commencing 2005 (AA2) and mirrors the same clause in the Standard Shipper Contract.

In terms of risk allocation, clause 7.9(b) states that if off-spec gas is delivered to a shipper at an outlet point without the shipper's prior agreement, then DBP is liable to the shipper for direct damage arising in respect of the off-spec gas, except to the extent that the shipper caused the gas in the DBNGP to be off-spec by delivering off-spec gas to the inlet point. In each case, subject to any agreement reached between the Shipper and the Operator.

As proposed by DBP, the risk allocation in clause 7 will remain unchanged for AA6.

**Questions**

1. The ERA has identified clauses 7.6, 7.8 and 7.9 within the reference service terms and conditions that relate directly to liability for out of specification gas. Are there any other clauses within the terms and conditions and/or provisions within the access arrangement that need to be reviewed when considering liability for out of specification gas?
2. In your opinion, who should be liable for damages caused by out of specification gas entering the DBNGP? In answering this question, please:
    a. Provide reasons as to why a particular party should (or should not) be held liable for damages.
    b. Outline specific circumstances, if any, under which a party should (or should not) be held liable for damages.
3. DBP has revised its operational processes and procedures to improve the notification process for gas specification. Given these operational measures do not directly form part of the terms and conditions for reference services, do DBP's revised processes and procedures adequately mitigate shippers' risk for out of specification gas? In answering this question, please provide details that explain and support your position.

### Goldfields Gas Pipeline terms and conditions

The approved terms and conditions for the Firm Transportation Service within the Goldfields Gas Pipeline access arrangement includes various provisions that cover gas quality (clause D.23).[9] The term "non-specification gas" is used to mean "substances with one or more characteristics outside the limits defined in the gas specification", with the gas specification set out in Appendix 2 of the terms and conditions. The provisions under clause D.23:

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8 DBP, *DBNGP Access Arrangement 2026-2030 - Attachment 2: T1 Reference Service Terms and Conditions*, January 2025 (online) (accessed February 2025).
DBP, *DBNGP Access Arrangement 2026-2030 - Attachment 3: P1 Reference Service Terms and Conditions*, January 2025 (online) (accessed February 2025).
DBP, *DBNGP Access Arrangement 2026-2030 - Attachment 4: B1 Reference Service Terms and Conditions*, January 2025 (online) (accessed February 2025).

9 *Goldfields Gas Pipeline 2025-29 Access Arrangement (ERA approved 18 December 2024)* (online) (accessed February 2025).

- Require the user and service provider to notify the other immediately when becoming aware that gas offered for transportation or delivery at any delivery point is, or may be, non-specification gas.
- Allow the user and servicer provider to refuse to accept for transport or delivery all or any portion of non-specification gas, with notification of such refusal given to the other as soon as is reasonably practicable.
- Provide indemnity against any loss or damage suffered or incurred in certain circumstances for both the service provider (Goldfields Gas Transmission) and user.

Clauses D.23.5 and D.23.6 state the following:

> **[clause D.23.5]**
>
> Subject to the responsibilities of Service Provider in clause D.23.6 of these Terms and Conditions, if the User requests that Service Provider agrees to receive, transport and deliver Non-Specification Gas, and Service Provider accedes to that request, then the User is responsible for and indemnifies and holds harmless Service Provider from and against any loss or damage suffered or incurred by Service Provider to the extent it results from the receipt, transportation and delivery of that Gas by Service Provider and was not caused by any negligence, breach of contract or other default on the part of Service Provider, any of its related bodies corporate or any person acting for or on behalf of any of them or by any Force Majeure Event. The amount of this indemnity will be reduced to the extent Service Provider does not use reasonable endeavours to mitigate its loss. This indemnity is not limited by clause D.34.1.
>
> **[clause D.23.6]**
>
> If the User instructs Service Provider in writing not to receive, transport or deliver any Non-Specification Gas, and Service Provider continues to receive, transport and or deliver the Non-Specification Gas notwithstanding the instruction, then:
>
> (a) User is not required to pay any Throughput Charge, Overrun Charge, Imbalance Charge, Daily Variance Charge or any other tariff or charge based on quantity of Gas received, transported or delivered in respect of that Non-Specification Gas;
>
> (b) that Non-Specification Gas will not count towards the User's Firm MDQ, MDQ or MHQ or to the calculation of any Overrun, Imbalance or Daily Variance; and
>
> (c) Service Provider is responsible for and indemnifies and holds harmless the User from and against all and any loss or damage suffered or incurred by Service Provider, the User or any other person as a result of the continued receipt, transportation or delivery of the Gas after the time at which Service Provider, in accordance with Good Engineering and Operating Practice, could reasonably have stopped receipt, transportation or deliveries. The amount of this indemnity will be reduced to the extent the User does not use reasonable endeavours to mitigate its loss. This indemnity is not limited by clause D.34.1.

A shipper has informed and expressed interest to the ERA about incorporating the provisions of clause D.23.6 into the DBNGP access arrangement reference service terms and conditions. This shipper considers that such a clause in the DBNGP reference terms and conditions would provide both the operator (DBP) and shippers with fairer liability cover.

The ERA notes that DBP has indicated that clause D.23.5 is not appropriate for the DBNGP.[10] However, it has not expressed any views on the appropriateness of clause D.23.6.

**Questions**

4. Do you agree with DBP's position that clause D.23.5 of the Firm Transportation Service terms and conditions for the Goldfields Gas Pipeline access arrangement is inappropriate for the reference service terms and conditions for the DBNGP access arrangement? In answering this question, please provide your reasons as to why you agree/disagree.
5. Would a clause similar to clause D.23.6 of the Firm Transportation Service terms and conditions for the Goldfields Gas Pipeline access arrangement help to address the concerns of shippers for liability for out of specification gas? In answering this question, please provide details that explain and support your position, including any amendments to the drafting of this clause that you consider necessary to be relevant to the DBNGP.

## 2.2 Reference tariffs

For AA6, DBP has not proposed any material changes to the structure of reference tariffs. The reference tariff continues to comprise two charges: a capacity (or reservation) charge and a commodity (or throughput) charge. The capacity charge is set to cover the fixed costs of delivering reference services, while the commodity charge is set to cover the variable costs of delivering reference services.

### *2.2.1 Reference tariffs and tariff variation mechanism*

DBP's Final Plan presents an indicative 1 January 2026 full haul (T1) reference tariff of $2.45 per gigajoule (GJ) of gas (Table 1). The indicative part haul (P1) and back haul (B1) tariffs reflect a distance factor of the full haul tariff.

While DBP has retained the structure for reference tariffs, it has proposed a slight change to the ratio of the capacity and commodity charges. For AA6, DBP is proposing that the capacity to commodity ratio be 95:5 (compared to 94:6 in AA5). DBP submits the reason for this change is the result of non-system use gas costs increasing at a faster rate than system use costs, which means that the proportion of fixed and variable costs has shifted.[11]

[10] DBP, *Final Plan 2026-2030, Attachment 15.1: Submissions for changes to AA6 Reference Contract*, January 2025, section 5.5, footnote 1.

[11] DBP, *Final Plan 2026-2030*, January 2025, p. 131.

**Table 1: DBP proposed tariffs for AA6 at 1 January 2026 (indicative only)**

| Tariff component | T1 (full haul) Service | P1 (part haul) Service and B1 (back haul) Service |
|---|---|---|
| Capacity (reservation) charge | 2.323912 ($/GJ) | 0.001661 ($/GJ/km) |
| Commodity (throughput) charge | 0.123728 ($/GJ) | 0.000088 ($/GJ/km) |
| **Total tariff** | **2.447640 ($/GJ)** | **0.001750 ($/GJ/km)** |

*Source: DBP, Final Plan 2026-2030, January 2025, Table 14.3, p.131.*

DBP states that the proposed 1 January 2026 full haul reference tariff of $2.45 is a 56 per cent increase on current reference prices and since the beginning of the current (AA5) access arrangement period is a 79 per cent price increase for many of its customers.[12] DBP submits that the tariff increases are necessary to recover the higher proposed revenue requirement for AA6. Rising interest rates in AA6 compared to the historic lows in AA5 have led to a higher rate of return, which has in turn materially increased DBP's revenue requirement. The effect of the rate of return and inflation are discussed in further detail in section 2.2.3 of this paper.

DBP's proposed increase in required revenue for AA6 will directly translate into higher tariffs; that is, the additional revenue will be recovered via higher tariffs over the access arrangement period. For AA6, DBP has proposed a smoothed tariff price path, which is subject to the Reference Tariff Variation Mechanism.[13] This mechanism largely remains unchanged from the current mechanism that has operated for AA5, which includes an annual scheduled variation (to adjust tariffs for inflation, the cost of debt and rebateable services), and variations for tax changes and cost pass through events.

For AA6, DBP has a proposed an amendment to the tariff variation formula that is related to the Commonwealth Government's Safeguard Mechanism. The proposed amendment to Annexure A (clause 18) of the access arrangement will allow DBP to recover costs incurred to comply with the Safeguard Mechanism by applying these costs to increase the reference tariffs.[14]

**Questions**

6. In setting the capacity and commodity charges, DBP has proposed a change to the capacity to commodity ratio. For AA6, the capacity to commodity ratio will be 95:5 (compared to the current 94:6 for AA5). Do you agree with this proposed change? In answering this question, please provide details to support your view, including your proposed ratio if you disagree with DBP.
7. DBP has proposed a significant tariff increase on 1 January 2026, followed by a smoothed tariff price path over the course of the access arrangement period (2027 to 2030). Is DBP's proposed price increase and smoothed tariff path a concern to you? If so, please provide details of your concern and suggest ways to address it (for example, is there an alternative tariff price path that should be considered).

12 DBP, *Final Plan 2026-2030*, January 2025, p. 132.

13 DBP, *DBNGP Access Arrangement 2026-2030*, January 2025, Clause 11 and Annexure A.

14 DBP, *DBNGP Access Arrangement 2026-2030*, January 2025, Annexure A (clauses 18.21 to 18.24).

8. DBP has proposed to largely retain the Reference Tariff Variation Mechanism that currently exists for AA6, with the addition of new provisions to allow the costs associated with the Safeguard Mechanism to be recovered via an adjustment to reference tariffs. Do you agree with this proposed change? In answering this question, please provide reasons as to why you agree/disagree.

### 2.2.2 Rebateable non-reference services

Under the regulatory framework, DBP can specify a non-reference service as a "rebateable" non-reference service. As a rebateable service, DBP is required to rebate an appropriate portion of the service revenue back to customers via an adjustment to the reference tariff (with DBP retaining the other portion of the service revenue).

For AA6, DBP has proposed to classify the Pilbara Service as a rebateable non-reference service, in addition to the four current rebateable services.[15] Section 2.6.5 of this paper considers DBP's proposal for pipeline services, which include reference, non-reference and rebateable services.

For AA6, DBP has proposed to maintain the portion of rebateable services revenue to be returned (rebated) to customers at 70 per cent. That is, DBP will reduce its total revenue requirement by this rebateable amount which in turn lowers the reference service tariffs that are calculated. This rebate will be calculated annually through the tariff variation mechanism. DBP's reasons for retaining the 70 per cent rebateable portion include that it appropriately balances the allocation of efficient costs between rebateable and other services, providing a reasonable incentive for continued service provision while ensuring efficiency in operating expenditure.[16] Furthermore, a 70 per cent rebateable portion is consistent with other access arrangement decisions, such as, for example, the AER's decision for the Roma to Brisbane Pipeline.

**Questions**

9. DBP has proposed to retain the 70 per cent rebateable portion for rebateable services. That is, for AA6, DBP will rebate 70 per cent of rebateable services revenue to customers through an adjustment to total revenue and tariffs (and will keep the other 30 per cent of rebateable services revenue). Do you support DBP's proposal to leave the rebateable portion unchanged? In answering this question, please provide details that explain and support your position, including the rebateable portion that you think should apply, if different, and why.

### 2.2.3 Rate of return and inflation

Changing economic and financial conditions are outside the control of both DBP and the ERA yet are important factors in determining DBP's cost of capital and inflation of the capital base and drive a large change in the proposed revenue.

15 Spot Capacity Service, Other Reserved Service, Peaker Service and Ullage Service.

16 DBP, *Final Plan 2026-2030*, January 2025, pp. 65-66.

Higher levels of inflation have increased the value of the AA5 asset base, which has led to a total revenue requirement that is 20 per cent above the approved AA5 requirement. Updated rates of return account for 58 per cent of the change to AA6 revenue.

The rate of return provides service providers with the funding to pay interest on loans and give a return on equity to investors. The rate of return is expressed as a weighted average cost of capital (WACC).

A gas rate of return instrument is required under the NGL.[17] The gas instrument sets out the methods the ERA and service providers will use to estimate the allowed rate of return and value of imputation credits for gas transmission and distribution service providers.

The ERA published the current gas instrument on 16 December 2022.[18] On 12 September 2023, the rate of return instrument was amended due to the cessation of the Reserve Bank of Australia's (RBA) F16 statistical table. The amended instrument applies to this current review of DBP's access arrangement.

**DBP's proposed rate of return and inflation**

DBP's rate of return and inflation estimates are consistent with the methods detailed in the gas rate of return instrument.

DBP's proposed WACC and inflation are materially higher than those in AA5 due to changes in market conditions that have increased the cost of finance over the past few years.

DBP has proposed an average nominal post-tax WACC of 6.93 per cent for AA6, compared with 3.45 per cent approved in AA5.[19] DBP has estimated inflation of 2.18 per cent for AA6, compared with 1.15 per cent that was approved in AA5.[20,21]

DBP has used placeholder values for the average of 20 trading days in September 2024 for its proposed WACC calculation. These placeholders will be replaced with the most current values closer to the time of the ERA's final decision. DBP must nominate an averaging period in advance, which must be close and prior to the access arrangement final decision. The nominated averaging period will affect various rate of return parameters that are calculated using market data.

DBP's proposed change to the WACC, consistent with the gas rate of return instrument, is set out in Table 4, which compares DBP's AA6 proposal with the ERA's AA5 final decision. DBP's proposal increases revenue from return on assets by approximately $305 million compared to the AA5 final decision.

17 NGL, section 30D, 30E.

18 ERA, *Notice – 2022 gas rate of return instrument review: Publication of final gas instrument and explanatory statement*, 16 December 2022 (online) (accessed February 2025).

19 DBP, *Final Plan 2026-2030*, January 2025, p. 113.

20 DBP, *Final Plan 2026-2030*, January 2025, p. 112.

21 ERA, *Final Decision – Appendix 6 DBNGP Tariff Model (Public)*, April 2021.

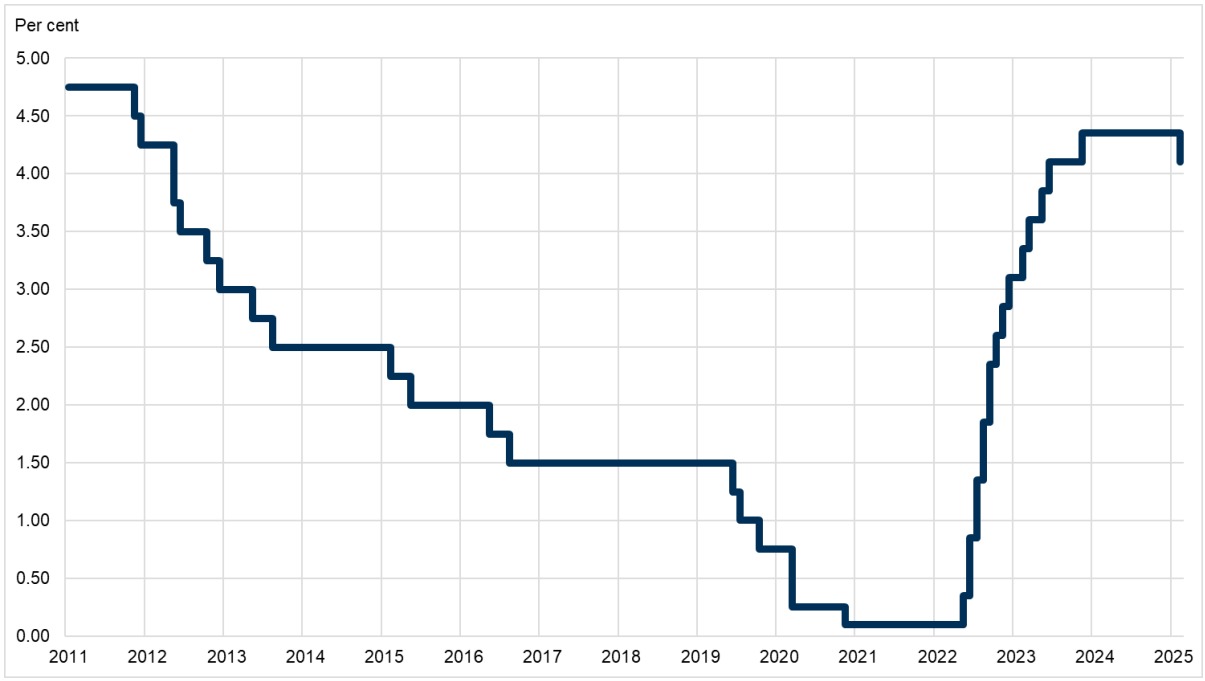
**Table 2: DBP rate of return estimate for AA6 and approved AA5 values**

| Component | DBP's AA6 proposal | ERA approved AA5 |
|---|---|---|
| Forecast inflation (%) | 2.18 | 1.15 |
| Cost of equity (%) | 8.23 | 4.49 |
| Cost of debt (%) | 5.87 | 2.77 |
| Nominal after-tax WACC (%) | 6.93 | 3.54 |
| Average regulated asset base over regulatory period ($m) | 3,224.2 | 3,756.6 |
| **Total WACC revenue ($m)** | **748.9** | **444.3** |

*Source: ERA analysis; DBP, Final Plan 2026-2030, p.110-115.*

Figure 2 illustrates the size and the speed of changes in interest rates since that start of AA5. The RBA has increased the cash rate between May 2022 and November 2023. The cash rate had been held flat throughout 2024 at 4.35 per cent. On 18 February 2025, the RBA reduced the cash rate by 25 basis points to 4.10 per cent.

**Figure 2: Reserve Bank of Australia cash rate target**



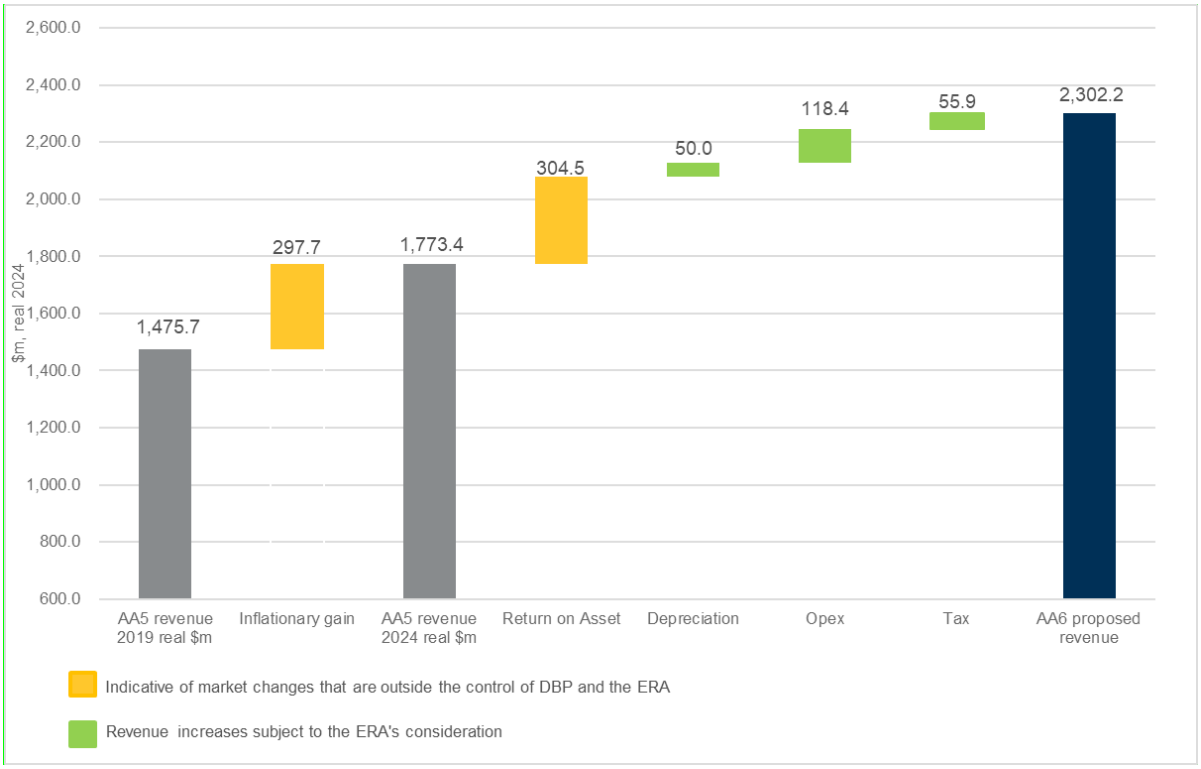

*Source: ERA analysis based on Reserve Bank of Australia F1 statistical tables.*

The change in the cash rate illustrates changes in broader financial markets. Increasing pressures in financial markets contribute to higher costs of debt, which represents the interest rate a firm pays on its borrowings. Similarly, higher interest rates increase the cost of equity that equity investors expect. Increases in both the cost of debt and equity have led to a higher WACC for AA6 compared to AA5.

Increases in inflation and interest rates have led to a large increase in target revenue from DBP's last access arrangement and are responsible for the largest increase in proposed revenue.

The ERA estimates that the impact of the WACC and expected inflation on the change in AA6 proposed revenue is approximately 37 per cent and 36 per cent respectively (Figure 3).

**Figure 3: Change in revenue (unsmoothed) from AA5 to AA6, by building block ($million real as at December 2024)**




*Source: ERA analysis.*

## 2.3 Deferred depreciation in AA6

The proposed depreciation amount for 2026 is around 54 per cent higher than every other AA6 year (2027 to 2030) due to deferred depreciation arrangements from AA5. This deferred depreciation resulted from the asset re-categorisation that occurred in AA5, where new asset categories were created for the transfer of assets that were more representative than their pre-AA5 categories.[22]

At the time of AA5 the full recognition of that depreciation from asset re-categorisation would have adversely affected tariffs. Therefore, the AA5 final decision supported the deferral of approximately $100 million ($ real December 2024) of under-depreciated assets to future

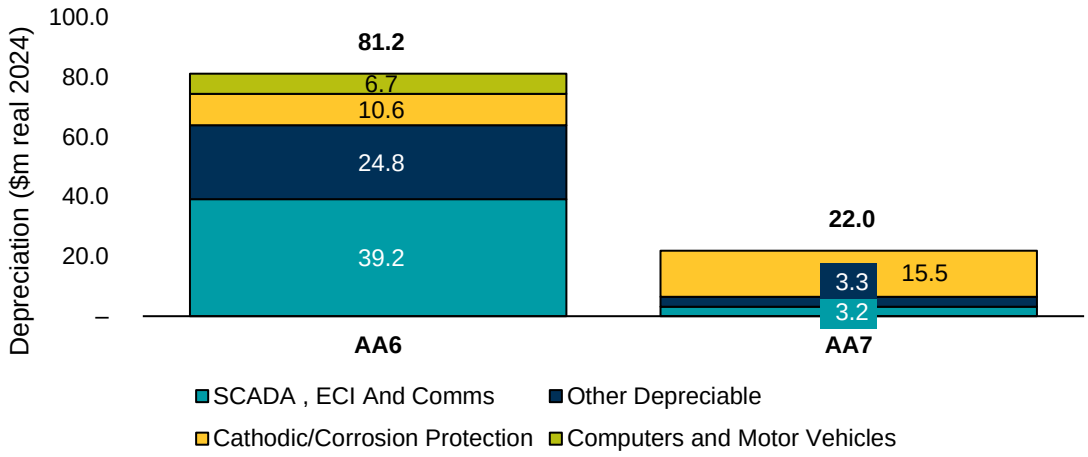
[22] For example, DBP previously classified computers and motor vehicles into the "Other" asset category, where the AA5 re-categorisation moved this to the new category of "Computers and motor vehicles".

access arrangements.[23] However, the AA5 final decision did not explicitly state the amount or timing of these deferrals.[24]

While DBP's revised AA5 proposal outlined a potential deferral schedule that spread payments from AA6 to AA8, this was not directly specified in DBP's Final Plan for AA6.[25]

We have conducted an initial review of DBP's tariff model in an attempt to identify possible deferred depreciation payments in Figure 4.[26] The interactions between various worksheets in DBP's tariff model results in a transition profile that front loads the recovery of deferred depreciation to AA6. We also note that a front-ended transition profile places further upward pressure on AA6 tariffs as the payments are concentrated into the first year of AA6 (2026).

**Figure 4: Recovery profile for deferred depreciation from AA5 ($m real Dec 2024)**




*Note: SCADA, ECI and Comms refers to Supervisory Control & Data Acquisition, Electrical, Control & Instrumentation and Communications assets.*

*Source: ERA analysis of DBP, Final Plan 2026-2030, January 2025, Tariff Model.*

### Questions

10. DBP's proposed depreciation amount for 2026 is materially higher than the remaining years of AA6 (2027 to 2030) due to deferred depreciation arrangements from AA5. Do you support DBP's proposed recovery arrangements for the deferred depreciation from AA5? If no, what recovery arrangements should apply and why?

[23] ERA, *Final decision on proposed revisions to the Dampier to Bunbury Natural gas Pipeline access arrangement 2021 to 2025*, 1 April 2021, pp. 339, 342.

[24] ERA, *Final decision on proposed revisions to the Dampier to Bunbury Natural gas Pipeline access arrangement 2021 to 2025*, 1 April 2021, p. 342.

[25] ERA, *Final decision on proposed revisions to the Dampier to Bunbury Natural gas Pipeline access arrangement 2021 to 2025*, 1 April 2021, p. 350.

[26] A schedule of deferred payments has also been provided by DBP in an information request (ERA03) that align with the values presented in Figure 4.

## 2.4 Future of gas

AA5 introduced an economic life cap of 2063 for all DBP assets except for 'buildings'. Prior to AA5, the regulatory lives of DBP's pipeline assets had meant that new pipeline assets (with 70 year economic lives) undertaken in AA5 would only be fully recovered in 2091; while existing pipeline assets associated with major expansions would be fully depreciated between 2077 and 2081.[27]

An economic life cap was proposed by DBP due to a possible diminishing market for gas transmission due to technological and policy change which resulted in uncertainty for the future of gas. The economic life need not match the technical life of the asset – a pipeline that is technically sound may have no economic worth if no one demands its services at a price that covers its operating costs, or if the upstream supply of gas is no longer available.

The ERA's AA5 final decision accepted that DBP had established that the expected economic life of the DBNGP would decline such that its economic life would be less than its technical life. The ERA considered that adjustment of depreciation schedules based on a capped economic life of 2063 was consistent with the requirements of the regulatory framework. Given uncertainties, the range of potential economic lives of the DBNGP was wide, and DBP's proposed economic end life of 2063 sat within a range of plausible outcomes.[28]

DBP's AA6 proposal maintains the approach to asset lives established in AA5. In supporting the continuation of an economic life cap of 2063, DBP and its consultants (CarbonTP) have undertaken future scenario modelling of demand, revenues, depreciation and prices in an environment of future uncertainty. DBP has concluded that the current AA5 approach of an economic life cap of 2063 was sufficient to avoid price shocks and provides an appropriate balance of risk between itself and its shippers.

DBP's AA6 proposal continues the use of straight-line depreciation, which recovers equal annual depreciation payments over an asset's life.

**Changes since the ERA AA5 final decision in April 2021**

The policy environment has evolved significantly since 2021 with Australia's adoption of net zero targets across various jurisdictions. The Commonwealth Government has established a 2030 target to reduce emissions by 43 per cent below 2005 levels and for net zero emissions by 2050.[29] The Commonwealth has also released the Future Gas Strategy, which recognises emissions policies.[30] Notably, the DBNGP and many of its shippers are covered under the Safeguard Mechanism. The Safeguard Mechanism places obligations on liable parties for increasing emissions reductions on a path to net zero by 2050.

The Western Australian Government has also committed to a net zero target by 2050 and released the Sectoral Emissions Strategy in December 2023.[31] This strategy outlines the transition plan with a significant expected decline in natural gas usage.

27 ERA, *Final decision on proposed revisions to the Dampier to Bunbury Natural gas Pipeline access arrangement 2021 to 2025*, 1 April 2021, p. 339.

28 ERA, *Final decision on proposed revisions to the Dampier to Bunbury Natural gas Pipeline access arrangement 2021 to 2025*, 1 April 2021, pp. 350 - 357.

29 AEMC, *Emissions targets statement under the national energy laws*, June 2024.

30 Australian Government, *Future Gas Strategy*, May 2024.

31 WA Government, *Sectoral emissions reduction strategy for Western Australia*, December 2023.

**DBP AA6 proposal**

Consultation on the future of gas

In preparation for AA6, DBP consulted with its shippers across multiple stakeholder forums, along with presenting aspects of the modelling approach for the future of gas with the ERA. A summary of stakeholder feedback and DBP's response is provided in the Final Plan.[32]

DBP initially discussed the potential need for accelerated depreciation for AA6. However, DBP's final stakeholder update maintained the 2063 economic life cap from AA5, and the placeholder accelerated depreciation values were not included in DBP's Final Plan.

Updated modelling approach on the future of gas

DBP's AA5 proposal was based on an approach that analysed the competitiveness of gas compared with alternatives under a modified Window of Opportunities Past (WOOPS) model. This identified a point in time where gas might be uncompetitive post 2060, where the ERA's AA5 final decision accordingly applied an economic life cap of 2063.

For AA6, DBP has reviewed and updated its modelling approach to better model its major shipper segments in a more granular way, while considering the requirements of the wider energy system. Modelling was performed to understand demand, revenue, depreciation and prices across multiple scenarios. DBP stated that its guiding principle for the future of gas was to estimate the appropriate amount of depreciation that results in an expected price path that does not result in price shocks and has a constant relationship to the price of gas substitutes.[33]

DBP has modelled gas demand using three scenarios that it developed with its consultant as described in Table 3. Further information regarding the scenarios is presented in DBP's Final Plan Attachment 6.2.

**Table 3: DBP AA6 future of gas modelling scenarios**

| | Base | Medium | Accelerated |
|---|---|---|---|
| Growth of renewables to 2049 | 6.5% pa | 7.2% pa | 7.6% pa |
| 2050 percentage of electricity generated by renewables for SWIS | 70% | 80% | 90% |
| Percentage of electricity generated by gas for SWIS | 30% | 20% | 10% |
| Domgas policy outcome | Success | Partial Success | Failure |
| Gas price mean value | Low ($5/GJ) | BAU ($9/GJ) | LNG netback ($13+/GJ) |

*Source: ERA analysis of DBP Final Plan Attachment 6.1 (page 17) and Attachment 6.2.*

DBP has adopted a granular approach in modelling future individual shipper demand in key industries, which were judged to be alumina refining, chemicals and gas processing. The general modelling logic is that each shipper has some technology available to move away from gas, which depends on the technology's technical and commercial viability. At each

[32] DBP, *Final Plan 2026-2030*, January 2025, p. 54.

[33] DBP, *Final Plan 2026-2030, Attachment 6.1: Future of Gas Rationale and Modelling*, January 2025, p.16.

access arrangement period, the technology is tested for adoption. For example, for DBP's largest shipper customer segment, alumina, the adoption of mechanical vapour recompression for the electrification of alumina would have a significant affect.

For the gas powered generation estimates, DBP has relied upon on an external model called GridCog that simulates electricity system dynamics to determine SWIS gas demand exclusive of identified shippers. Details regarding the operation of this model is provided in DBP's Final Plan Attachment 6.2. The remaining shipper load due to gas powered generation is estimated by DBP. Additionally, DBP has analysed the use of both changing economic lives and applying a tilt to vary depreciation profiles.[34] These two methods can be used separately or together in calculating depreciation payments to see how consistent it is with DBP's new proposed depreciation goal.

These models are then combined to estimate:[35]

- Future shipper demand based on their alternatives to gas and operational activities in the presence of a carbon price.
- The price impact of reducing demand of one shipper on remaining shippers.
- Possible depreciation pathways that could avoid price shocks for remaining shippers due to the above.

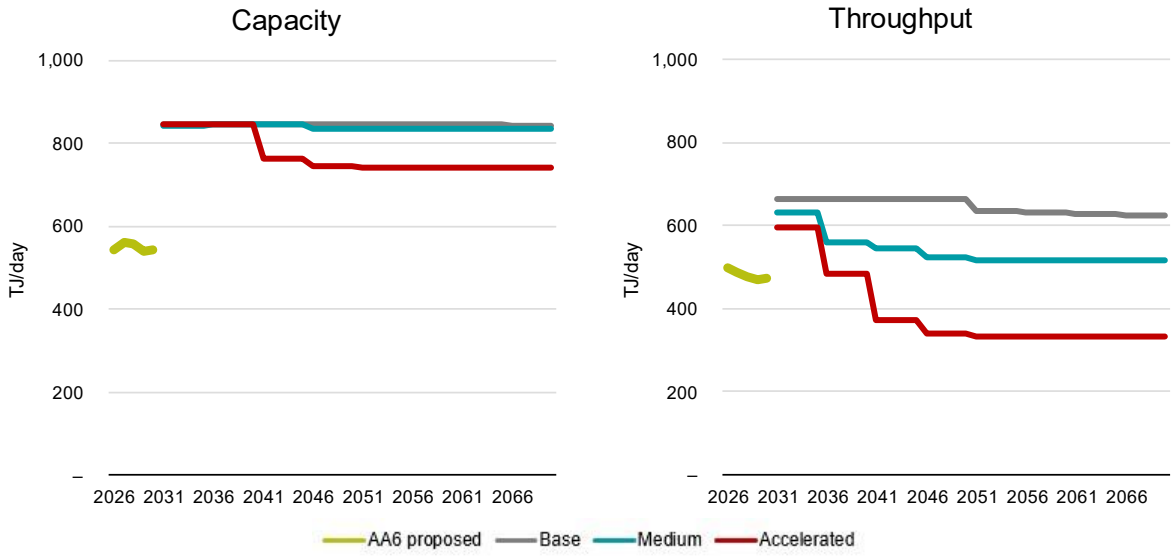
Estimates of long run demand

DBP estimated long run gas demand for both capacity and throughput under three scenarios, where the resulting long term forecasts are presented in Figure 5. The decarbonisation of alumina is not included, and scenarios are adjusted separately. DBP's modelling includes numerous parameters that can vary demand, but initial ERA analysis indicates that most of the variation in DBP's modelled demand is driven by the choice of scenario and whether alumina production is assumed to continue.

[34] A tilt is used to provide for a depreciation payment profile that may be accelerated. For example, a 2 per cent tilt results in payments that decrease by 2 per cent a year, which is accomplished by increasing initial payments such that it can decline by the tilt factor and ensure all capital is recovered by the end of the economic life.

[35] DBP, *Final Plan 2026-2030*, January 2025, p. 53.

**Figure 5: Forecast DBNGP capacity and throughput (TJ/day)**




*Source: ERA analysis of DBP's Final Plan Attachment 6.3 and Attachment 14.1.*

*Note: The different lines represent the three different scenarios along with the AA6 proposal. Assumes that alumina production continues in the modelled period.*

It is important to note that DBP's assumptions, including the further development of renewables and storage and the decarbonisation of alumina, remain constant post 2050. Therefore, forecast long term demand remains constant in the backend of the period.

We note that under all scenarios, forecast demand and throughput for the next access arrangement period is higher than the current AA6 proposal. This is due to the increased gas demand that DBP expects for gas powered generation. We also note that the results for gas powered generation come from the external GridCog model, where only the outputs were made available to the ERA.

DBP has modelled long term demand as AA6 proposed demand plus expected changes in current shipper demand and gas powered generation.[36] DBP's proposal indicates that current shipper demand is expected to decrease for both capacity and throughput. However, this is offset by increased gas demand due to gas powered generation for both the base and medium scenarios. The accelerated scenario expects that gas demand due to gas powered generation increases capacity but decreases throughput.

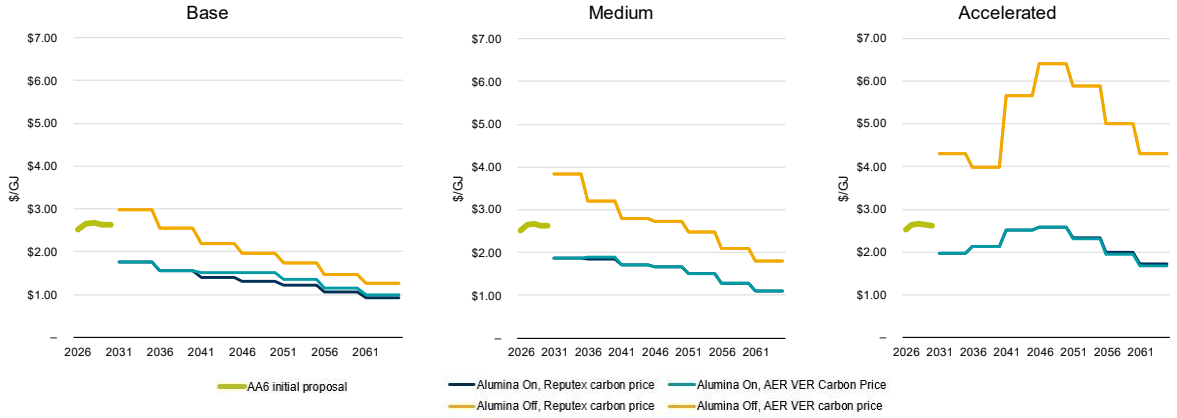
DBP sought advice from consultant CarbonTP who considered that the role of the DBNGP would change over time driven by policy and market factors, but the pipeline would be an integral part of the Western Australian energy transition by providing low-cost gas, access to gas powered generators in the SWIS. Initially, the retirement of coal from the SWIS will create baseload demand for gas, before progressively returning to a peaking service to assist with the management of renewable intermittency. Further, electrification of industry will also change the demand for gas. Similarly, the size and speed of future renewable energy and storage development will affect the level of both long term capacity and throughput requirements of gas generation.

[36] Long term demand = AA6 proposed demand + Changes in current shipper demand over the modelled period + Changes due to gas powered generation over the modelled period.

Estimates of long run tariffs

Conceptually, the forecast tariff is determined by estimates of long run demand and cost of service. DBP applied the long run demand from each scenario as described above to its estimate of long run cost of service to provide forecast tariffs to assess against its stated criterion of avoiding price shocks. The long run cost of service estimate includes the depreciation component that applies DBP's selected depreciation profile. DBP's modelling results in the forecast tariff profiles shown in Figure 6.

**Figure 6: Forecast tariffs by scenarios ($/GJ real Dec 2024)**




*Source: ERA analysis of DBP's Final Plan Attachment 6.3 and Attachment 14.1.*

*Note: Base, Medium and Accelerated refer to the scenarios proposed by DBP. Alumina On refers to the scenario where alumina production occurs over the modelled period. Carbon prices are either from Reputex or the AER's VER estimates. The selected depreciation profile maintains the asset life cap of 2063 from AA5. Forecast tariffs are stated in effective terms that scales the capacity reservation charge by the ratio of capacity reservation to commodity demand, which is added to the commodity component.*

Figure 6 demonstrates that maintaining the AA5 depreciation approach of capping asset lives at 2063 avoids price shocks for all scenarios when alumina production is assumed to continue. Further, the AA5 approach is also capable of resulting in decreasing future tariffs for the base and medium scenarios. These forecast prices are below that of the AA6 proposal, which is driven by higher gas demand due to gas powered generation and lower capital payments. However, this is not the case for the accelerated scenario where prices are more volatile, initially decreasing from AA6 proposed levels before rising and falling.

DBP has also analysed a scenario where alumina production ceases during the modelled period (the orange lines in Figure 6). It should be noted that DBP's consultant did not see sufficient evidence for the cessation of alumina prior to 2050, but DBP maintains that a loss of social licence could occur nonetheless.[37] Alumina production is a material assumption that affects both capacity and throughput. If alumina production ceases (whether from curtailment or electrification), a tariff shock would be experienced across all scenarios, with the shock being greater for the medium and accelerated scenarios.

However, capping asset lives is still effective in the sense that prices do not remain elevated except for the accelerated scenario. The accelerated scenario is the worst case as modelled by DBP, where the combination of lower general gas demand and the loss of alumina production results in highly volatile tariffs.

[37] DBP, *Final Plan 2026-2030, Attachment 6.1: Future of Gas Rationale and Modelling*, January 2025, p. 22.

DBP's proposal for the depreciation profile and approach appear effective in mitigating price shocks under most conditions without requiring any additional changes to the AA5 approach.

Uncertainty still exists for the future role of gas and the DBNGP

When looking at the role of DBP's transmission pipeline in the long term there exists uncertainty and it is difficult to be definitive and confident about any one forecast. There is no one precise answer that has a high degree of confidence. Many variables can change that affect the future role of gas including policy, technology, commercial and gas availability changes. Furthermore, any one change may have a compounding effect to further influence long term gas demand and the future role of the DBNGP. Therefore, there exist a range of plausible future scenarios.

While it is not possible to place complete confidence in the year 2063, the question needs to be asked whether 2063 is materially unreasonable, rather than trying to refine the economic cap of 2063 (by moving it forward or backward a few years). Do stakeholders think that the circumstances have changed which make 2063 a materially unreasonable date?

As information becomes clearer at each future access arrangement the economic life cap will have to again be reviewed in light of the better information.

**Questions**

11. DBP has considered the future of its gas transmission infrastructure in a decarbonised energy environment. Based on available information, is an economic end of life of 2063 for the DBNGP reasonable and does is lie within a range of plausible outcomes? Do these plausible outcomes include an appropriate range of futures for DBP's largest customer segments of alumina and gas power generation?

## 2.5 Demand forecasts

Demand forecasts and modelling are critical areas assessed by the ERA when considering an access arrangement proposal. Demand forecasts directly influence the levels of capital and operating expenditure required by the service provider and serve as a primary input into the revenue model that is used to determine the network tariffs the service provider can charge.

Based on 2022 actual demand, DBP noted that 46 per cent of demand came from the mining sector, 35 per cent from the industrial sector, 16 per cent from the electricity sector and the remaining three per cent from retail and other sectors.

For AA6, DBP has recognised that the transition toward a net zero emissions economy makes forecasting demand for the DBNGP challenging. Consequently, DBP has relied on the contracted capacity of its shippers to forecast reference services demand for AA6, which is consistent with the approach that was taken for AA5.[38]

The contracted capacity forecasts are based on the actual contracted capacity for AA6 and contracts yet to be finalised in the coming years (2025 and 2026). DBP did not include uncontracted demand for AA6 and indicated that no additional capacity requirements are

[38] "Contracted capacity" is the firm volume of gas reserved during the contracted period; whereas "throughput" is the actual volume of gas taken.

expected during AA6. The throughput forecasts are based on the historical utilisation rate over the contracted capacity forecast. DBP's AA6 demand forecast is shown in Table 4.

**Table 4: DBP AA6 proposed demand forecast (TJ/d)**

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|
| **Contracted Capacity** | | | | | |
| Full haul | 481.3 | 494.3 | 489.3 | 469.5 | 472.5 |
| Part haul | 265.1 | 262.0 | 245.0 | 244.0 | 244.0 |
| Back haul | 332.6 | 332.6 | 332.6 | 332.6 | 332.6 |
| **Throughput** | | | | | |
| Full haul | 458.9 | 443.7 | 434.9 | 424.1 | 429.0 |
| Part haul | 144.9 | 144.4 | 131.9 | 131.2 | 131.2 |
| Back haul | 174.8 | 174.8 | 174.8 | 174.8 | 174.8 |

*Source: DBP, Final Plan 2026-2030, January 2025, p.127.*

DBP measured its demand forecast against Australian Energy Market Operator's (AEMO) *Western Australian Gas Statement of Opportunities* (WA GSOO) for 2024 and outlined the differences, including gas flow in other pipelines, the restarting of curtailed plants, fuel switching by industrial producers, the timing of certain projects and sources of gas supply, and capacity from non-reference services.

For AA6, DBP has forecast an average 548.6 TJ per day full haul equivalent (FHE) for contracted capacity, and 481.1 TJ per day FHE for throughput. DBP stated that the demand forecast on FHE basis reflected the observed trend of shippers relinquishing full haul capacity since AA3.[39] DBP's AA6 FHE demand forecast is shown in Table 5.

[39] Full haul equivalent demand is calculated as the volume weighted against distance travelled over the full length of the pipeline for a contract. The calculated tariff under the access arrangement is based on full haul equivalent demand.

**Table 5: DBP AA6 proposed full haul equivalent demand forecast (TJ/d)**

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|
| **Contracted Capacity (full haul equivalent)** | | | | | |
| Full haul | 481.3 | 494.3 | 489.3 | 469.5 | 472.5 |
| Part haul | 30.6 | 34.9 | 34.2 | 37.2 | 37.2 |
| Back haul | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 |
| **Total** | **544.3** | **561.6** | **555.9** | **539.1** | **542.1** |
| **Throughput (full haul equivalent)** | | | | | |
| Full haul | 458.9 | 443.7 | 434.9 | 424.1 | 429.0 |
| Part haul | 22.3 | 26.7 | 25.9 | 28.9 | 28.9 |
| Back haul | 16.4 | 16.4 | 16.4 | 16.4 | 16.4 |
| **Total** | **497.6** | **486.8** | **477.3** | **469.4** | **474.4** |

*Source: DBP, Final Plan 2026-2030, January 2025, p. 127.*

**Questions**

12. DBP has based its demand forecast on firm contracts and contracts yet to be signed for AA6. Should DBP have included potential uncontracted capacity that may occur during AA6 in its demand forecast? If yes, please provide details of any potential uncontracted capacity that you consider to be relevant.

## 2.6 Other matters

A high-level overview of DBP's access arrangement proposal is provided in Appendix 6 of this paper. This section highlights some general matters related to DBP's proposal that we are interested in receiving comments on. It is not an exhaustive list of matters that will be considered, and you are encouraged to provide comments on any aspect of DBP's proposal that you would like to draw our attention to.

### *2.6.1 Revenue and cost allocation*

The regulatory framework contains revenue and pricing principles, which establish a framework for the construction of reference tariffs. Fundamental to this framework is the requirement for the price control in an access arrangement to enable the service provider to earn sufficient revenue to cover its efficient costs of providing reference services, including a return on investment commensurate with the commercial risks involved.

Rule 76 of the NGR requires that total revenue be determined for each year of the access arrangement period using the "building block" approach, in which the building blocks are: a

return on the capital base, depreciation of the capital base, the cost of income tax, any incentive mechanism increments/decrements and operating expenditure.

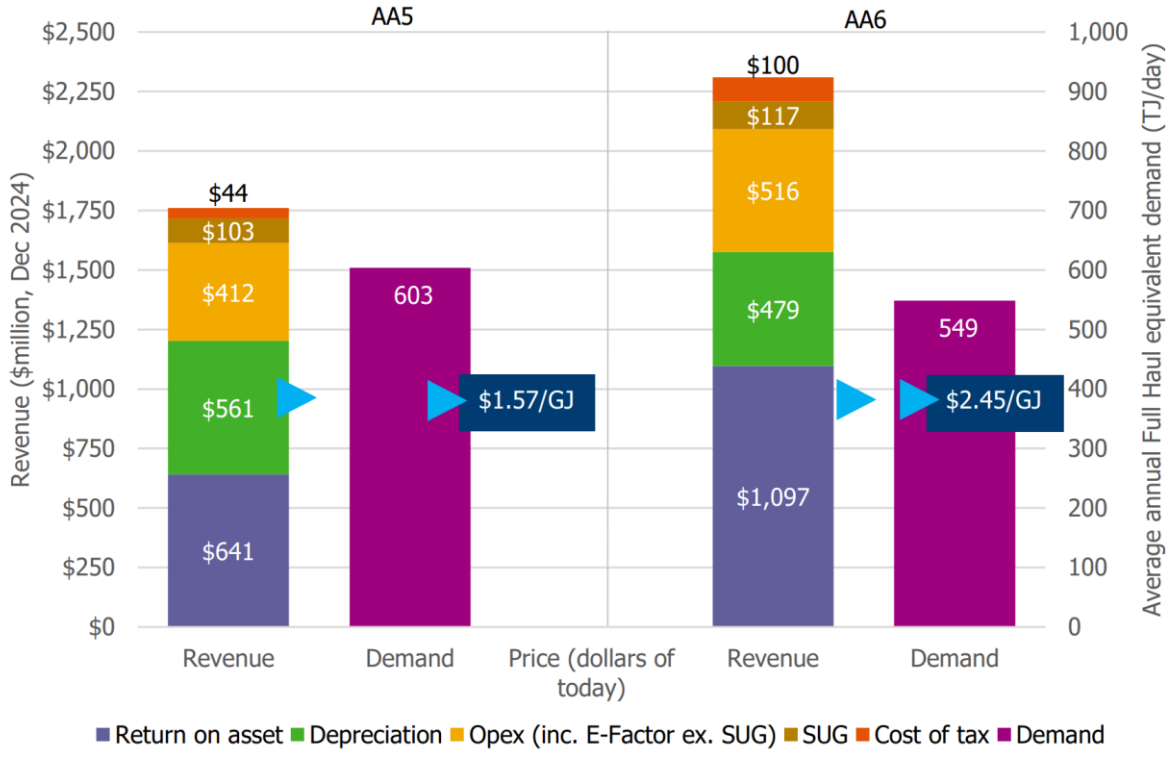
In determining its reference tariffs, the service provider must allocate its total revenue and costs in accordance with the provisions set out in rule 64. These provisions require that total revenue is allocated between reference and other services so that:

- Costs directly attributable to reference services are allocated to those services.
- Costs directly attributable to pipeline services that are not reference services are allocated to those services.
- Other costs are allocated between reference and other services on a basis (which must be consistent with the revenue and pricing principles) determined or approved by the regulator.

Further to these provisions, rule 95 sets out allocation provisions specific to transmission pipeline tariffs. The tariff for a reference service provided by means of a transmission pipeline must be designed to generate the portion of total revenue related to that reference service; and as far as practicable, generate this revenue from the user (or class of user) to which the reference service is provided.

For AA6, DBP has calculated its total revenue (using the building block approach) as $2,309 million ($ real December 2024). This is $548 million more than the total revenue for AA5 ($1,761 million), which combined with a lower demand forecast, has resulted in a higher full haul reference tariff (Figure 7).

**Figure 7: DBP total revenue, demand and tariff for AA5 and AA6 comparison**




*Source: DBP, Final Plan 2026-2030, January 2025, p. 25.*

To allocate total revenue and costs, DBP has retained the approach used in AA5 that was approved by the ERA. However, DBP has proposed a change in the allocation ratio between

reference and rebateable non-reference services, and other non-reference services from 99:1 to 99.5:0.5.[40] That is, DBP expects 99.5 per cent of its revenue for AA6 to be derived from reference services and rebateable non-reference services, and only 0.5 per cent of its revenue to be derived from the provision of other non-reference services (that are not rebateable).

**Questions**

13. For the purpose of determining reference tariffs, DBP has allocated its total revenue and costs as required by the NGR. In doing so, DBP has changed the allocation ratio that was used in AA5 (i.e. DBP has changed the ratio from 99:1 to 99.5:0.5). Do you agree with DBP's proposed change? If no, please provide reasons as to why you disagree, including your proposed allocation ratio and reasons for it.

### *2.6.2 Operating expenditure*

DBP incurs operating expenditure (opex) to undertake activities to allow it to operate and maintain the DBNGP.

**AA6 (forecast) operating expenditure**

DBP has forecast $652 million ($ real December 2024) of operating expenditure for AA6, which is an increase of about 20 per cent (or $109 million) compared to its AA5 operating expenditure. The following reasons are provided by DBP for the increase:[41]

- A tight labour market and other wages and salary expense pressures, as well as unavoidable increases in insurance, utility, field, rental and other costs.
- Higher 'inspection and other asset management' item costs for critical inspection, safety and other assessment management related activities.
- An uplift in DBP's information technology (IT) capability to address operation risks in IT and operational technology (OT).

In forecasting its AA6 operating expenditure, DBP has continued to use the hybrid forecasting approach that was used for previous (AA4 and AA5) access arrangements, which comprises:

- For most operating expenditure categories, a "base year roll-forward" forecasting approach (or otherwise known as the "base-step-trend" approach).
- For three operating expenditure categories – 'system use gas (SUG)', 'gas engine alternator (GEA) overhauls' and 'inspections and other asset management works' – a "bottom-up" forecasting approach.

In applying the base-step-trend approach, the latest revealed (actual) cost is used as a base for future costs. The latest actual costs available prior to the commencement of this AA6 review, and hence DBP's base year is 2024. For AA6, DBP has made some increasing adjustments to the base year costs to reflect the extent of rising costs that it has experienced

40 DBP, *Final Plan 2026-2030*, January 2025, pp. 66-67.

41 DBP, *Final Plan 2026-2030*, January 2025, pp. 69-70.

towards the end of the current (AA5) period.[42] In applying the 'step' and 'trend' components, DBP has proposed four step changes from 2026 for insurance and IT costs and has applied a real cost escalation to labour costs.

Consistent with the bottom-up forecasting approach, DBP has determined separate forecasts for the following categories, which are then added to its base-step-trend forecast:

- 'SUG': SUG costs are determined as a function of the quantity required and a forecast of the gas price.
- 'Turbine and GEA overhauls': Turbine and GEA overhaul costs are determined as a function of the unit run hours and the costs per unit.
- 'Inspections and other asset management works': Pipeline, mainline valve and station inspections, other minor pipeline works, decommissioning activities and health and safety initiatives are generally all non-recurrent costs. These costs are determined as a function of the number of activities/initiatives required and the cost per activity/initiative.

**Questions**

14. DBP has forecast a 20 per cent increase in its operating expenditure for AA6 (compared to its actual operating expenditure for AA5). DBP's forecasting approach and justification for this increase is detailed in chapter 8 of its Final Plan. Are there any specific considerations that you think the ERA needs to be aware of when assessing DBP's forecast operating expenditure for AA6? If yes, please provide details of the considerations, including any impacts they may have on the access arrangement (for example, tariff impacts).

### AA5 (actual) operating expenditure

DBP is forecasting to spend a total of $543.9 million ($ real December 2024) of operating expenditure for the AA5 period, which is an overspend of its AA5 operating allowance. DBP submits:[43]

- "Controllable" operating expenditure (that is, expenditure excluding expenses that are dependent on throughput, and 'inspections and other asset management' items) is $370.9 million higher than the ERA approved AA5 allowance.
- Total SUG costs are forecast to be $19.6 million above the ERA approved AA5 allowance for SUG costs.
- Turbine and GEA overhaul costs are forecast to be $4.4 million above the ERA approved AA5 allowance for these costs.
- Wage and salary expenses are forecast to be $16.1 million above the ERA approved AA5 allowance for these costs.
- Field expenses were impacted by the Covid-19 pandemic in 2021 and 2022, resulting in costs being $9.4 million below the ERA approved AA5 allowance. Government charges

[42] DBP has made the following adjustments: 'Wages and salaries' (+$3 million), 'Consulting' (+$0.9 million), 'IT' (+$1.7 million), 'Insurance' (+$0.7 million) and 'Government charges' (+$1 million).
DBP, *Final Plan 2026-2030*, January 2025, p. 74.

[43] DBP, *Final Plan 2026-2030*, January 2025, p. 81.

and reactive maintenance costs were also below the ERA approved allowances by $2.7 million and $2.5 million, respectively.

- Non-field expenses are $2.4 million above the ERA approved AA5 allowance, along with inspection and other asset management costs being $3.5 million above the approved allowance.

Under the regulatory framework there is no ex-post assessment of operating expenditure (that is, operating expenditure is approved based on a forward-looking forecast). While this is the case, consideration of DBP's actual operating expenditure for AA5 is still important because the base-step-trend approach is being used to forecast operating expenditure for AA6. As explained above, the base-step-trend approach starts with establishing a base year that is representative of actual base costs. For this reason, we are interested in stakeholder views as to whether there are any circumstances relating to DBP's AA5 operating expenditure that should be considered when assessing DBP's proposed base year costs to forecast its operating expenditure for AA6.

**Questions**

15. DBP is forecasting an overspend of its approved operating expenditure allowance for AA5. While there is no ex-post assessment of operating expenditure under the regulatory framework, DBP's actual operating expenditure for AA5 is still an important consideration when assessing DBP's forecast expenditure for AA6. Are there any circumstances relating to DBP's AA5 (actual) operating expenditure that should be considered when assessing DBP's proposed base year costs that are used to forecast operating expenditure for AA6? If yes, please provide details of the circumstances, including any impacts they may have on the assessment of DBP's operating expenditure forecast for AA6.

### *2.6.3 Capital expenditure*

DBP incurs capital expenditure (capex) to ensure the ongoing safe and reliable supply of natural gas via the DBNGP. The assessment of DBP's capital expenditure is required to set the capital base, with the setting of the capital base being an important step in determining two elements of the revenue required by DBP to operate and maintain the pipeline: the return on the capital base and the return of the capital base (depreciation).

The regulatory framework requires the roll forward of the capital base from the current (AA5) period to the next (AA6) period. Actual capital expenditure incurred by DBP during AA5 must be assessed as conforming expenditure before it can be added to the capital base and used to set the opening capital base for AA6.[44] DBP's forecast capital expenditure for AA6 is then used to determine the projected capital base, which is an important input to set the reference tariffs that will apply during AA6.

**AA5 (actual) capital expenditure**

DBP is forecasting $212 million ($ real December 2024) of capital expenditure for AA5, which is 17 per cent ($30 million) more than the ERA approved AA5 capital expenditure allowance.

DBP submit that its AA5 capital expenditure program was adversely impacted by the Covid pandemic, which disrupted global supply chains and increased material and contractor labour

[44] Conforming capital expenditure is expenditure that complies with the new capital expenditure criteria set out in rule 79 of the NGR.

costs. In response to increasing price pressures, DBP deferred some projects and insourced where possible to mitigate overspend.[45]

DBP provides an overview of the key projects it has delivered in AA5 in its Final Plan.[46] The ERA will consider each of these key projects as part of its assessment of DBP's actual capital expenditure for inclusion into the capital base.

**Questions**

16. The capital expenditure incurred by DBP in AA5 must be assessed as conforming expenditure before it can be added to the capital base. Are there any circumstances relating to DBP's AA5 capital investment that should be considered when assessing the expenditure for inclusion into the capital base? If yes, please provide details of the circumstances, including any amounts of expenditure that you consider to be non-conforming.

### AA6 forecast capital expenditure

For AA6, DBP is forecasting to spend $288 million ($ real December 2024) in capital expenditure. DBP submits the proposed expenditure is driven by the need to undertake preventative works and repairs, replace old infrastructure/equipment, upgrade and maintain IT hardware and software.[47]

DBP's forecast has been developed using three forecasting methods, which consider actual historic costs, specialised engineering advice and market testing through vendor quotes and expressions of interest. The actual method used is dependent on the nature of the work involved (that is, project/program work that is ongoing; periodic; or one-off, new or discreet).

DBP provides an overview of the key projects it will deliver in AA6 in its Final Plan.[48] The ERA will consider each of these key projects as part of its assessment of DBP's forecast capital expenditure for inclusion into the projected capital base.

**Questions**

17. The capital expenditure forecast by DBP for AA6 must be assessed as forecast conforming expenditure before it can be added to the projected capital base. Are there any circumstances relating to DBP's forecast AA6 capital investment that should be considered when assessing the expenditure for inclusion into the projected capital base? If yes, please provide details of the circumstances, including any amounts of expenditure that you consider to be non-conforming.

45 DBP, *Final Plan 2026-2030*, January 2025, p. 85.

46 DBP, *Final Plan 2026-2030*, January 2025, pp. 105-107.

47 DBP, *Final Plan 2026-2030*, January 2025, pp. 84-85.

48 DBP, *Final Plan 2026-2030*, January 2025, pp. 91-100.

### 2.6.4 Incentive scheme

An operating cost efficiency incentive mechanism – the "E Factor" – was introduced in the access arrangement for AA5. The E Factor applies to the operating expenditure (opex) that is incurred by DBP to deliver its pipeline services.

The E Factor provides DBP with a continuous incentive to achieve efficiency gains. It works by establishing an operating expenditure benchmark, which is the sum of all forecast operating expenditure within DBP's control that has been calculated using the top-down, roll-forward method. If DBP outperforms the benchmark (that is, spends less than the benchmark), DBP can retain approximately 30 per cent of the savings (the "efficiency gain") with the remaining 70 per cent returned to customers via an adjustment to the tariff revenue in the next access arrangement period. To ensure the incentive to outperform is even across all years of the access arrangement period (and can span between periods) the incremental efficiency gains or losses are carried forward for five years.

Applying the E Factor, DBP has calculated a negative efficiency carryover of $21.4 million in AA6. Details of this calculation is provided in supporting information.[49]

DBP has proposed to keep the E Factor for AA6, with some amendments to the E Factor provisions in clause 15 of the proposed access arrangement. These amendments include:

- Some basic drafting amendments to reflect defined terms used in the access arrangement.
- The removal of redundant provisions (clauses 15.4 and 15.5).
- The addition of 'inspections and other asset management expenditure' as a cost that may be excluded from the E Factor when determining the E Factor benchmark (clause 15.9(b)).

DBP submits that the nature of inspections and other asset management expenditure is generally non-recurrent and can be dependent on factors outside of DBP's control of efficiency (such as, for example, asset condition, throughput and climatic factors). Furthermore, when unforeseen events occur (such as more defects being identified in pipe), the need for more expenditure might be required to ensure the integrity of the pipeline.[50] It is for these reasons that DBP has proposed to exclude this expenditure from the E Factor.

**Questions**

18. Do you agree with DBP's proposal to keep the E Factor for AA6, including DBP's proposed amendments to the provisions for the E Factor in clause 15 of the proposed access arrangement? In answering this question, please provide reasons to explain why you agree/disagree.

### 2.6.5 Pipeline services

The ERA assessed DBP's reference service proposal in July 2024. Consistent with the approved reference service proposal, DBP is continuing to provide three reference services for AA6: full haul T1 Service, part haul P1 Service and back haul B1 Service.

[49] DBP, *Final Plan 2026-2030, Attachment 12.1: E-Factor Calculation Model*, January 2025.

[50] DBP, *Final Plan 2026-2030*, January 2025, p. 120.

In addition to reference services, DBP will provide nine non-reference services: Spot Capacity Service, Park and Loan (Storage) Service, Pipeline Impact Agreement Service, Data Service, Inlet Sales Service, Other Reserved Service, Pilbara Service, Peaker Service and Ullage (Backflow) Service.

The regulatory framework allows DBP to specify a non-reference service as a "rebateable service". As a rebateable service, part of the revenue from the sale of the service is rebated (refunded) to users of reference services. To be a rebateable service, the service must meet the criteria set out in the NGR: the pipeline service cannot be a reference service and there must be substantial uncertainty about the extent of the demand for the service or of the revenue to be generated from the service.[51]

For AA6 DBP has proposed to specify the Pilbara Service as a rebateable service, which will increase the number of rebateable services under the access arrangement from four to five (existing rebateable services include the Spot Capacity Service, Other Reserved Service, Peaker Service and Ullage Service).

**Questions**

19. DBP's proposed reference and non-reference services for AA6 are consistent with the reference service proposal approved by the ERA in July 2024. Has there been any changes in circumstances that affect this decision? That is, should there be any changes to the reference and/or non-reference services to be offered under the access arrangement for AA6?
20. For AA6, DBP has proposed to reclassify the Pilbara Service from a non-reference service to a *rebateable* non-reference service. As a rebateable service, part of the revenue from the Pilbara Service will be rebated (refunded) back to reference service users through an adjustment to DBP's revenue requirement, and consequently, the reference tariffs charged by DBP. Do you support DBP's proposal to make the Pilbara Service a rebateable non-reference service for AA6? In answering this question, please provide details that explain and support your position.

### Terms and conditions for reference services

For each reference service, DBP must set out the reference tariff and the other terms and conditions on which each reference service will be provided.

DBP has set out the proposed reference tariffs (at 1 January 2026) for the reference services in clause 3 of the proposed access arrangement. Reference tariffs are identified as a specific matter for consideration in section 2.2 of this paper.

DBP's proposed terms and conditions for the reference services are set out in clause 4 and Attachments 2, 3 and 4 of the proposed access arrangement. DBP has proposed various amendments to the terms and conditions, which include both minor administrative type changes (for example, changes to drafting to improve readability and consequential updates to clause references); and more substantial amendments that change existing provisions or introduce new provisions. DBP has highlighted its proposed amendments in marked-up

[51] NGR, rule 93(4).

versions of the terms and conditions and has provided reasoning for the proposed changes in its supporting information.[52]

While liability for out of specification gas has been identified as a specific matter for consideration in section 2.1 of this paper, we are interested in stakeholder views on all the changes to the terms and conditions proposed by DBP. We are also interested in whether there should be any additional changes to the terms and conditions that have not been proposed by DBP.

**Questions**

21. DBP has proposed numerous amendments to the terms and conditions for each reference service (T1, P1 and B1 Services).
    a. Do you agree with DBP's proposed amendments? In answering this question, please provide reasons to explain why you agree/disagree with the proposed amendments.
    b. Are there any other amendments to the terms and conditions that you consider necessary? If yes, please provide details of the amendments, including your reasons for the amendments and your proposed amended provisions.

### *2.6.6 Other access arrangement provisions*

DBP must include requirements for queuing, extensions and expansions, and capacity trading in the access arrangement for the DBNGP. Principles for changing receipt and delivery points must also be included. DBP sets out these requirements and principles in the following clauses of the proposed access arrangement, which remain unchanged from the requirements and principles applying in AA5:

- Clause 5.4: Queuing Requirements[53]
- Clause 6: Capacity Trading Requirements
- Clause 7: Extensions and Expansions
- Clause 8: Changing Inlet and Outlet Points.

[52] DBP, *Final Plan 2026-2030, Attachment 15.1: Submissions for changes to AA6 Reference Service Contract*, January 2025.

[53] DBP has made two minor referencing amendments in clause 5.4(k) of the access arrangement that are consequential to another proposed amendment to the access arrangement.

**Questions**

22. Apart from a minor consequential amendment in clause 5.4(k) of the access arrangement, clauses 5.4, 6, 7, and 8 of the access arrangement remain unchanged from AA5. These clauses cover provisions for queuing, extensions and expansions, capacity trading, and receipt and delivery points as required by the NGR. Do you agree with DBP's proposal to leave these provisions unchanged? If no, what changes to these provisions should be considered for AA6 and why?

While the above clauses remain unchanged, DBP has proposed amendments to other access arrangement clauses as highlighted in a marked-up version of the access arrangement and explained in Final Plan Attachment 15.5.[54]

DBP's proposed amendments include both minor administrative type changes (for example, updates to dates and cross-references) and more substantive changes to introduce new provisions and/or amend existing provisions. For example, DBP has proposed a new part to clause 18 (Annexure A) of the access arrangement to introduce provisions within the tariff variation mechanism to cover future adjustments for the Federal Government's Safeguard Mechanism.

**Questions**

23. DBP has highlighted proposed amendments to various clauses of the access arrangement in a marked-up version of the document and Final Plan Attachment 15.5.
    a. Do you agree with DBP's proposed amendments? In answering this question, please provide detailed reasons to explain why you agree/disagree with the proposed amendments.
    b. Are there any other amendments to the access arrangement provisions that you consider necessary? If yes, please provide details of the amendments, including your reasons for the amendments and your proposed amended provisions.

[54] DBP, *Final Plan 2026-2030, Attachment 15.5: Submissions on Proposed AA6 Document Changes*, January 2025.

# Appendix 1 List of Tables

# Appendix 2 List of Figures

# Appendix 3 Abbreviations

| | |
|---|---|
| AA5 | fifth access arrangement period (1 January 2021 to 31 December 2025) |
| AA6 | sixth access arrangement period (1 January 2026 to 31 December 2030) |
| AAI | Access Arrangement Information |
| AEMO | Australian Energy Market Operator |
| AGIG | Australian Gas Infrastructure Group |
| capex | capital expenditure |
| DBP | Dampier Bunbury Pipeline |
| ERA | Economic Regulation Authority |
| FHE | full haul equivalent |
| GEA | Gas Engine Alternator |
| NGL | National Gas Law |
| NGR | National Gas Rules |
| opex | operating expenditure |
| SUG | System Use Gas |
| SWIS | South West Interconnected System |
| WA GSOO | Western Australian Gas Statement of Opportunities |

# Appendix 4 Summary of questions for comment

*Note: The questions listed below are asked throughout this paper as part of the ERA's consideration of identified matters. You are encouraged to consider these questions when making your submission, in addition to providing comments on any other matters related to DBP's access arrangement proposal that you wish to raise.*

1. The ERA has identified clauses 7.6, 7.8 and 7.9 within the reference service terms and conditions that relate directly to liability for out of specification gas. Are there any other clauses within the terms and conditions and/or provisions within the access arrangement that need to be reviewed when considering liability for out of specification gas?
2. In your opinion, who should be liable for damages caused by out of specification gas entering the DBNGP? In answering this question, please:
    a. Provide reasons as to why a particular party should (or should not) be held liable for damages.
    b. Outline specific circumstances, if any, under which a party should (or should not) be held liable for damages.
3. DBP has revised its operational processes and procedures to improve the notification process for gas specification. Given these operational measures do not directly form part of the terms and conditions for reference services, do DBP's revised processes and procedures adequately mitigate shippers' risk for out of specification gas? In answering this question, please provide details that explain and support your position.
4. Do you agree with DBP's position that clause D.23.5 of the Firm Transportation Service terms and conditions for the Goldfields Gas Pipeline access arrangement is inappropriate for the reference service terms and conditions for the DBNGP access arrangement? In answering this question, please provide your reasons as to why you agree/disagree.
5. Would a clause similar to clause D.23.6 of the Firm Transportation Service terms and conditions for the Goldfields Gas Pipeline access arrangement help to address the concerns of shippers for liability for out of specification gas? In answering this question, please provide details that explain and support your position, including any amendments to the drafting of this clause that you consider necessary to be relevant to the DBNGP.
6. In setting the capacity and commodity charges, DBP has proposed a change to the capacity to commodity ratio. For AA6, the capacity to commodity ratio will be 95:5 (compared to the current 94:6 for AA5). Do you agree with this proposed change? In answering this question, please provide details to support your view, including your proposed ratio if you disagree with DBP.
7. DBP has proposed a significant tariff increase on 1 January 2026, followed by a smoothed tariff price path over the course of the access arrangement period (2027 to 2030). Is DBP's proposed price increase and smoothed tariff path a concern to you? If so, please provide details of your concern and suggest ways to address it (for example, is there an alternative tariff price path that should be considered).
8. DBP has proposed to largely retain the Reference Tariff Variation Mechanism that currently exists for AA6, with the addition of new provisions to allow the costs associated with the Safeguard Mechanism to be recovered via an adjustment to reference tariffs. Do you agree with this proposed change? In answering this question, please provide reasons as to why you agree/disagree.
9. DBP has proposed to retain the 70 per cent rebateable portion for rebateable services. That is, for AA6, DBP will rebate 70 per cent of rebateable services revenue to customers through an adjustment to total revenue and tariffs (and will keep the other 30 per cent of rebateable services revenue). Do you support DBP's proposal to leave the rebateable portion unchanged? In answering this question, please provide details that explain and support your position, including the rebateable portion that you think should apply, if different, and why.
10. DBP's proposed depreciation amount for 2026 is materially higher than the remaining years of AA6 (2027 to 2030) due to deferred depreciation arrangements from AA5. Do you support

DBP's proposed recovery arrangements for the deferred depreciation from AA5? If no, what recovery arrangements should apply and why?

11. DBP has considered the future of its gas transmission infrastructure in a decarbonised energy environment. Based on available information, is an economic end of life of 2063 for the DBNGP reasonable and does is lie within a range of plausible outcomes? Do these plausible outcomes include an appropriate range of futures for DBP's largest customer segments of alumina and gas power generation?
12. DBP has based its demand forecast on firm contracts and contracts yet to be signed for AA6. Should DBP have included potential uncontracted capacity that may occur during AA6 in its demand forecast? If yes, please provide details of any potential uncontracted capacity that you consider to be relevant.
13. For the purpose of determining reference tariffs, DBP has allocated its total revenue and costs as required by the NGR. In doing so, DBP has changed the allocation ratio that was used in AA5 (i.e. DBP has changed the ratio from 99:1 to 99.5:0.5). Do you agree with DBP's proposed change? If no, please provide reasons as to why you disagree, including your proposed allocation ratio and reasons for it.
14. DBP has forecast a 20 per cent increase in its operating expenditure for AA6 (compared to its actual operating expenditure for AA5). DBP's forecasting approach and justification for this increase is detailed in chapter 8 of its Final Plan. Are there any specific considerations that you think the ERA needs to be aware of when assessing DBP's forecast operating expenditure for AA6? If yes, please provide details of the considerations, including any impacts they may have on the access arrangement (for example, tariff impacts).
15. DBP is forecasting an overspend of its approved operating expenditure allowance for AA5. While there is no ex-post assessment of operating expenditure under the regulatory framework, DBP's actual operating expenditure for AA5 is still an important consideration when assessing DBP's forecast expenditure for AA6. Are there any circumstances relating to DBP's AA5 (actual) operating expenditure that should be considered when assessing DBP's proposed base year costs that are used to forecast operating expenditure for AA6? If yes, please provide details of the circumstances, including any impacts they may have on the assessment of DBP's operating expenditure forecast for AA6.
16. The capital expenditure incurred by DBP in AA5 must be assessed as conforming expenditure before it can be added to the capital base. Are there any circumstances relating to DBP's AA5 capital investment that should be considered when assessing the expenditure for inclusion into the capital base? If yes, please provide details of the circumstances, including any amounts of expenditure that you consider to be non-conforming.
17. The capital expenditure forecast by DBP for AA6 must be assessed as forecast conforming expenditure before it can be added to the projected capital base. Are there any circumstances relating to DBP's forecast AA6 capital investment that should be considered when assessing the expenditure for inclusion into the projected capital base? If yes, please provide details of the circumstances, including any amounts of expenditure that you consider to be non-conforming.
18. Do you agree with DBP's proposal to keep the E Factor for AA6, including DBP's proposed amendments to the provisions for the E Factor in clause 15 of the proposed access arrangement? In answering this question, please provide reasons to explain why you agree/disagree.
19. DBP's proposed reference and non-reference services for AA6 are consistent with the reference service proposal approved by the ERA in July 2024. Has there been any changes in circumstances that affect this decision? That is, should there be any changes to the reference and/or non-reference services to be offered under the access arrangement for AA6?
20. For AA6, DBP has proposed to reclassify the Pilbara Service from a non-reference service to a *rebateable* non-reference service. As a rebateable service, part of the revenue from the Pilbara Service will be rebated (refunded) back to reference service users through an adjustment to DBP's revenue requirement, and consequently, the reference tariffs charged by DBP. Do you support DBP's proposal to make the Pilbara Service a rebateable non-reference service for AA6? In answering this question, please provide details that explain and support your position.

21. DBP has proposed numerous amendments to the terms and conditions for each reference service (T1, P1 and B1 Services).
    a. Do you agree with DBP's proposed amendments? In answering this question, please provide reasons to explain why you agree/disagree with the proposed amendments.
    b. Are there any other amendments to the terms and conditions that you consider necessary? If yes, please provide details of the amendments, including your reasons for the amendments and your proposed amended provisions.
22. Apart from a minor consequential amendment in clause 5.4(k) of the access arrangement, clauses 5.4, 6, 7, and 8 of the access arrangement remain unchanged from AA5. These clauses cover provisions for queuing, extensions and expansions, capacity trading, and receipt and delivery points as required by the NGR. Do you agree with DBP's proposal to leave these provisions unchanged? If no, what changes to these provisions should be considered for AA6 and why?
23. DBP has highlighted proposed amendments to various clauses of the access arrangement in a marked-up version of the document and Final Plan Attachment 15.5.
    a. Do you agree with DBP's proposed amendments? In answering this question, please provide detailed reasons to explain why you agree/disagree with the proposed amendments.
    b. Are there any other amendments to the access arrangement provisions that you consider necessary? If yes, please provide details of the amendments, including your reasons for the amendments and your proposed amended provisions.

# Appendix 5 Regulatory framework and timeframes

The National Gas Law (NGL) and National Gas Rules (NGR), as enacted by the *National Gas (South Australia) Act 2008*, establish the legislative framework for the independent regulation of certain gas pipelines in Australia. The *National Gas Access (WA) Act 2009* implements a modified version of the NGL and NGR in Western Australia.[55]

The legislative framework for the regulation of gas pipelines includes a central objective, being the national gas objective, which is:

> To promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to—
>
> (a) price, quality, safety, reliability and security of supply of natural gas; and
>
> (b) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.
>
> **Note—**
>
> The AEMC must publish targets in a targets statement: see section 72A.[56]

Under the legislative framework, the ERA is responsible for regulating third-party access to gas pipelines in Western Australia. DBP's gas transmission pipeline is one of three regulated pipelines that require an access arrangement to be approved by the ERA under the legislative framework.[57]

An access arrangement provides details of the terms and conditions, including prices, for the provision of pipeline services to a third party to transport and/or receive gas. Once approved, the access arrangement may serve as a benchmark for negotiating access to pipeline services that are offered by means of the regulated pipeline.

As the service provider, DBP is responsible for developing and proposing a relevant access arrangement for its transmission pipeline. As the regulator, the ERA is responsible for assessing the proposed access arrangement against the legislative requirements set out in the NGL and NGR and approving a compliant access arrangement.

## Requirements for an access arrangement

The required content of an access arrangement is set out in rule 48 of the NGR and are summarised in Table 6). In addition, rules 90 and 92 set out specific requirements relating to the calculation of depreciation and revenue equalisation.

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55 Government of Western Australia, 'Western Australian Legislation: National Gas Access (WA) Act 2009' (online) (accessed February 2025).
AEMC, 'National Gas Rules (Western Australia)' (online) (accessed February 2025).

56 NGL, section 23.
The national gas objective has changed since the last review of DBP's access arrangement. The amended objective came into effect in Western Australia on 25 January 2024. See: *Western Australian Government Gazette 24 January 2024 No.8* (online) (accessed February 2025).

57 The other two pipelines which require an approved access arrangement in Western Australia are the Goldfields Gas Pipeline (a transmission pipeline) and the Mid-West and South-West Gas Distribution Systems (a distribution pipeline).

Access Arrangement Information (AAI) must accompany an access arrangement proposal. AAI is information that is reasonably necessary for users (including prospective users) to understand the background to the access arrangement and the basis and derivation of the various elements of the access arrangement. AAI must include any information that is specifically required by the NGL and NGR. For example, rule 72 of the NGR sets out AAI requirements relevant to price and revenue regulation (these requirements are summarised in Table 7). The NGR also provides for the following general requirements for all financial information:

- All financial information must be provided on a nominal or real basis, or some other recognised basis for dealing with the effects of inflation (rule 73).
- All information in the nature of a forecast or estimate must be supported with a statement explaining it. A forecast or estimate must be arrived at on a reasonable basis and must represent the best forecast or estimate possible (rule 74).
- Information that is of the nature of an extrapolation or inference must be supported by the primary information on which the extrapolation or inference is based (rule 75).

**Table 6: Requirements for an access arrangement proposal**

| Legislative requirement | Legislative reference |
|---|---|
| Proposal identifies the pipeline to which the access arrangement relates and includes a reference to a website where a description of the pipeline can be inspected. | NGR 48(1)(a) |
| Proposal describes all the pipeline services that the service provider can reasonably provide (and is consistent with the ERA's reference service proposal decision, unless there has been a material change in circumstances). | NGR 48(1)(b) |
| Proposal specifies the reference services (and is consistent with the ERA's reference service proposal decision, unless there has been a material change in circumstances). | NGR 48(1)(c) |
| If the pipeline services and reference services information is different to the ERA's reference service proposal decision, proposal describes the material change in circumstances that necessitated the change having regard to the reference service factors. | NGR 48(1)(c1) |
| For each reference service, proposal specifies the reference tariff and the other terms and conditions on which each reference service will be provided. | NGR 48(1)(d) |
| If the access arrangement is to contain queuing requirements, proposal sets out the queuing requirements. | NGR 48(1)(e) |
| Proposal sets out the capacity trading requirements. | NGR 48(1)(f) |
| Proposal sets out the extension and expansion requirements. | NGR 48(1)(g) |
| Proposal states the terms and conditions for changing receipt and delivery points | NGR 48(1)(h) |
| If there is to be a review submission date, proposal states the review submission date and the revision commencement date. | NGR 48(1)(i) |
| If there is to be an expiry date, proposal states the expiry date. | NGR 48(1)(j) |

**Table 7: Requirements for access arrangement information relevant to price and revenue regulation**

| Legislative requirement | Legislative reference |
|---|---|
| If the access arrangement period commences at the end of an earlier access arrangement period, AAI must include:<br>• Capital expenditure (by asset class) over the earlier access arrangement period.<br>• Operating expenditure (by category) over the earlier access arrangement period.<br>• Pipeline use over the earlier access arrangement period showing:<br>– for a distribution pipeline: minimum, maximum and average demand; and for a transmission pipeline: minimum, maximum and average demand for each receipt or delivery point.<br>– for a distribution pipeline: customer numbers in total and by tariff class; and for a transmission pipeline: user numbers for each receipt or delivery point. | NGR 72(1)(a) |
| AAI must include information on how the capital base is arrived at and, if the access arrangement period commences at the end of an earlier access arrangement period, a demonstration of how the capital base increased or diminished over the previous access arrangement period. | NGR 72(1)(b) |
| AAI must include the projected capital base over the access arrangement period, including:<br>• A forecast of conforming capital expenditure for the period and the basis for the forecast.<br>• A forecast of depreciation for the period including a demonstration of how the forecast is derived on the basis of the proposed depreciation method. | NGR 72(1)(c) |
| AAI must include, to the extent it is practicable to forecast pipeline capacity and utilisation of pipeline capacity over the access arrangement period, a forecast of pipeline capacity and utilisation of pipeline capacity over that period and the basis on which the forecast has been derived. | NGR 72(1)(d) |
| AAI must include a forecast of operating expenditure over the access arrangement period and the basis on which the forecast has been derived. | NGR 72(1)(e) |
| AAI must include the allowed rate of return for each regulatory year of the access arrangement period. | NGR 72(1)(g) |
| AAI must include the estimated cost of corporate income tax calculated in accordance with rule 87A, including the allowed imputation credits referred to in that rule. | NGR 72(1)(h) |
| If an incentive mechanism operated for the previous access arrangement period, AAI must include the proposed carry-over of increments for efficiency gains, or decrements for efficiency losses, in the previous access arrangement period and a demonstration of how allowance is to be made for any such increment or decrements. | NGR 72(1)(i) |
| AAI must include the proposed approach to the setting of tariffs, including the suggested basis of reference tariffs including the method used to allocate costs and a description of any pricing principles employed. | NGR 72(1)(j) |

| Legislative requirement | Legislative reference |
|---|---|
| AAI must include the service provider's rationale for any proposed reference tariff variation mechanism. | NGR 72(1)(k) |
| AAI must include the service provider's rationale for any proposed incentive mechanism. | NGR 72(1)(l) |
| AAI must include the total revenue to be derived from pipeline services for each regulatory year of the access arrangement period | NGR 72(1)(m) |

## Review process

The process for gas access arrangement reviews has changed since the ERA's last review of DBP's access arrangement for its transmission pipeline in 2021. There are now two key stages involved in the assessment process for an access arrangement:

- Stage A: Reference service proposal submission and assessment.
- Stage B: Access arrangement proposal submission and assessment.

### Reference service proposal

The reference service proposal is focused on identifying the full range of pipeline services that can be offered by means of the pipeline and determining which of these services should be specified as a reference service under the access arrangement. The proposal must be submitted at least 12 months prior to the access arrangement proposal.

DBP submitted its reference service proposal on 8 December 2023. After a period of consultation, the ERA published its decision on 1 July 2024. The decision did not approve DBP's proposal. The ERA subsequently published its own reference service proposal, which retained the current three reference services (Full Haul, Part Haul and Back Haul) and required the specification of data and storage services as pipeline services that can reasonably be provided.

The ERA's approved reference service proposal has determined which pipeline services are to be specified as reference services in the access arrangement for the DBNGP. DBP must set out its proposed terms, conditions and prices for the approved reference services, along with proposed revisions to other access arrangement provisions, in its access arrangement proposal.

### Access arrangement proposal

Scheduled revisions to the DBNGP access arrangement were last approved in April 2021 for the period 1 January 2021 to 31 December 2025, being the fifth access arrangement period (AA5). The review submission date in the AA5 access arrangement is 1 January 2025.

DBP submitted its access arrangement proposal for the next (AA6) access arrangement period, 1 January 2026 to 31 December 2030, in accordance with the AA5 review submission date. The ERA must now assess the proposal in accordance with the provisions of the regulatory framework. The procedure for dealing with an access arrangement proposal is set out in rules 58 to 62 of the NGR.

## Review timeframe

In most cases, specific review processes are subject to legislated timeframes. These timeframes may change over the course of the review, to the extent the legislation allows, depending on the circumstances at the time.[58] A timeframe for the review of DBP's access arrangement proposal is set out in Table 8.

**Table 8: Timeframe for the review of DBP access arrangement proposal**

| Review process stage | Legislated timeframe | Actual date (Indicative date) |
|---|---|---|
| **Stage A: Reference service proposal (completed)** | | |
| DBP reference service proposal submitted to ERA | 12 months prior to the review submission date for the access arrangement | 8 December 2023 |
| Public consultation on DBP's proposal | A period of at least 15 business days | 9 February 2024 to 11 March 2024 |
| ERA reference service proposal decision published | No later than 6 months prior to the review submission date for the access arrangement | 1 July 2024 |
| **Stage B: Access arrangement proposal (in progress)** | | |
| DBP access arrangement proposal submitted to ERA | By the review submission date in the current access arrangement | 1 January 2025 Note1 |
| Initiating notice published by ERA to notify of DBP's proposal | As soon as practicable after receipt of proposal (a delay of up to 30 business days is allowed if the ERA finds the proposal to be deficient and requires DBP to correct the deficiency) | 23 January 2025 |
| Public consultation (1st round) on DBP's proposal | A period of least 20 business days after publication of initiating notice | 23 January 2025 to 1 April 2025 |
| ERA issues paper published | [not applicable] | 4 March 2025 |
| ERA draft decision published | No legislated timeframe | (July 2025) |
| Hearing about the ERA draft decision (if, requested by a person and/or provided by ERA) | If a hearing is to be requested by a person, the request must be made within 10 business days after the publication of the draft decision | To be advised |
| Revision period for DBP to submit a revised proposal in response to the ERA draft decision | A period of at least 30 business days after publication of the draft decision | (July/August 2025) |

[58] Further to setting timeframes for specific processes, the NGR allows certain time periods ('stop-the-clock' periods) to be disregarded when calculating the time elapsed for a process. For example, under rule 11(1)(c), any period allowed for public submissions on an access arrangement proposal or on the ERA's draft decision can be disregarded when calculating the time elapsed for the publication of the ERA's final decision.

| Review process stage | Legislated timeframe | Actual date (Indicative date) |
|---|---|---|
| Public consultation (2nd round) on ERA draft decision and DBP's revised proposal | A period of at least 20 business days from the end of DBPs revision period | (July/August 2025) |
| ERA final decision published | Within 8 months from the receipt of DBP's access arrangement proposal, with an extension of up to an additional 2 months (i.e. 10 months in total) | (December 2025) |
| Access arrangement start date | Date specified in the final decision (or otherwise 10 business days after the date of the final decision) | (1 January 2026) |

*Note1: As the review submission date of 1 January 2025 was a recognised national public holiday, DBP was able to submit its proposal on 2 January 2025, being the next business day.*

# Appendix 6 Summary of DBP's proposal

The following summary provides a high level overview of DBP's access arrangement proposal. This summary should not be used as a substitute for the information provided by DBP.

## Revenue and tariffs

DBP's access arrangement proposal (Final Plan) delivers a revenue requirement for AA6 of $2,309 million, representing a real increase of $549 million (or 31 per cent) compared to AA5.[59]

The reference tariff comprises two components: a capacity (or reservation) charge and a commodity (or throughput) charge. DBP has set the capacity commodity ratio for AA6 as 95:5, compared to 94:6 in AA5, to reflect its forecast non-system use gas costs increasing at a faster rate that system use gas costs.

DBP's proposed 1 January 2026 full haul (T1) reference tariff is $2.45 (Table 9). The proposed part haul (P1) and back haul (B1) tariffs reflect a distance factor of the full haul tariff.

**Table 9: DBP proposed tariffs for AA6 at 1 January 2026 (indicative only)**

| Tariff component | T1 (full haul) Service | P1 (part haul) Service and B1 (back haul) Service |
|---|---|---|
| Capacity (reservation) charge | 2.323912 ($/GJ) | 0.001661 ($/GJ/km) |
| Commodity (throughput) charge | 0.123728 ($/GJ) | 0.000088 ($/GJ/km) |
| **Total tariff** | **2.447640 ($/GJ)** | **0.001750 ($/GJ/km)** |

*Source: DBP, Final Plan 2026-2030, January 2025, Table 14.3, p.131.*

The reference tariffs for subsequent years of the access arrangement period (that is, from 1 January 2027 onwards) will be determined by the tariff variation mechanism. The provisions of this mechanism are set out in clause 11 of the proposed access arrangement, with specific calculation details for the mechanism set out in clause 18 (Annexure A).

For AA6, DBP has proposed to retain the existing tariff variation mechanism from AA5, which comprises three variation components (annual scheduled variation, tax change variation and new cost pass through variation), with the addition of a new factor to cover future adjustments for the Federal Government's Safeguard Mechanism.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 14)*

*DBP, Final Plan 2026-2030 – Attachment 14.1 Tariff Model (public)*

*DBP, DBNGP Access Arrangement 2026-2030 (clause 11 and Annexure A) (clean and marked-up versions)*

[59] Dollar amounts are stated in real terms ($real December 2024).

## Engagement with stakeholders

In developing its Final Plan, DBP undertook a four-staged engagement approach:

- Stage 1 – Strategy and Research: DBP sought to better understand customer and stakeholder needs and expectations. During this stage, DBP tested its assumptions about what was important to identify topics for engagement.
- Stage 2 – Developing DBP's Draft Plan: DBP used insights from Stage 1 to inform the drafting of its (draft) plan. DBP undertook targeted engagement activities on its investment proposals and regulatory modelling. A series of Shipper Roundtables (meetings) were held to consult on key topics.
- Stage 3 – Consultation on DBP's Draft Plan: DBP consulted on its Draft Plan and actively engaged on it to ensure it delivered for its customers.
- Stage 4 – Refinement and Engagement: DBP used feedback on its Draft Plan (from Stage 3) to inform its Final Plan.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 5)*

*DBP, Final Plan 2026-2030 – Attachment 5.1 Draft Engagement Plan June 2023*

*DBP, Final Plan 2026-2030 – Attachment 5.2 Final Engagement Plan August 2023*

*DBP, Final Plan 2026-2030 – Attachment 5.3 Draft Plan Feedback*

*DBP, Final Plan 2026-2030 – Attachment 5.4 Customer Engagement Report December 2024*

*DBP, Final Plan 2026-2030 – Attachment 15.1 Submissions for changes to AA6 Reference Service Contract*

*DBP, Final Plan 2026-2030 – Attachment 15.5 Submissions on Proposed AA6 Document Changes*

## Future of gas

DBP has considered the future of gas transmission infrastructure in a decarbonised energy environment. Decarbonisation by DBP's shippers (customers) and of the pipeline itself impacts the long term demand for DBP's pipeline services.

For AA6, DBP has built on the approach that was taken in AA5, which included changes to the depreciation profile for the pipeline.

DBP's AA6 modelling approach considers the likely options each of its largest shippers could use to reduce their gas demand and the conditions under which they might take a particular option. This information is then used by DBP to consider the price impacts for remaining shippers. Additionally, DBP has examined possible depreciation pathways to ascertain whether changes in the depreciation profile can avoid price shocks for remaining shippers, if, and when, a particular shipper reduces its gas demand.

DBP's Final Plan concludes that the modelling approach used in AA5 is sufficient to avoid price shocks over the longer term and maintain the risk balance between DBP and its shippers. DBP has therefore not proposed any changes from the depreciation approach used in AA5.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 6)*

*DBP, Final Plan 2026-2030 – Attachment 6.1 Future of Gas Rationale and Modelling Approach*

## Pipeline and reference services

DBP's proposed pipeline and reference services for AA6 are materially consistent with the ERA's reference service proposal decision that was made in July 2024. For AA6, DBP will offer three reference services and nine non-reference services (Table 10).

**Table 10: DBP pipeline services for AA6**

| Service | Service description |
|---|---|
| **Reference Services (description applicable to Reference and Negotiated Shipper Contracts)** | |
| Full Haul T1 Service | Forward Full Haul (subject to available capacity) with outlet point downstream of CS9, regardless of the location of inlet point upstream of MLV31. |
| Part Haul P1 Service | Forward Part Haul (subject to available capacity) with the inlet point upstream of the outlet point, regardless of the location of the outlet point, and is not a Full Haul Service. |
| Back Haul B1 Service | Back Haul (subject to available capacity) service where the inlet point is downstream of the outlet point. |
| **Non-reference Services** | |
| Spot Capacity Service | Allows access to gas transmission capacity on a day ahead basis where available via auction (subject to available capacity). |
| Pipeline Impact Agreement | An agreement specified under the Gas Supply (Gas Quality Specifications) Act 2009 developed to allow gas producers to supply broader quality gas in Western Australia. |
| Data Service | A service developed to assist gas marketers in providing gas allocations on Shippers' behalf on the DBNGP (subject to operational availability). |
| Inlet Sales Agreement | A pipeline service that facilitates the trading of gas between Shippers at a single inlet point on the DBNGP (subject to operational availability). |
| Other Reserved Service | A suite of interruptible services offered on a bespoke basis to Shippers with new projects and/or uncertain demand, often ahead of a firm service. The services have a reservation charge but exclude T1, P1, B1 and spot capacity. |
| Pilbara Service | The Pilbara Service is an interruptible transportation service on the DBNGP where deliveries are within the Pilbara Zone (between I1-01 and MLV31 includes I1-01 and MLV31). |

| Service | Service description |
|---|---|
| Peaking Service | A pipeline service where a Shipper can obtain additional peaking limits to those set in standard terms. |
| Storage Service | A Park and Loan service, permitting limited gas storage in the DBNGP, and/or taking additional gas from the DBNGP when required (subject to operational availability). |
| Backflow Service (Ullage Service) | A bespoke capacity service where gas is required to be delivered to the Karratha Gas Plant. |

*Source: DBP, Final Plan 2026-2030, January 2025, Table 7.2, p.64.*

**Rebateable services**

The regulatory framework allows some pipeline services to be classified as "rebateable" services, where part of the revenue from the sale of these services is rebated (or refunded) to users of reference services. To be a rebateable service, the pipeline service cannot be a reference service and there must be substantial uncertainty about the extent of the demand for the service or of the revenue to be generated from the service.

There are currently four rebateable services under the current (AA5) access arrangement: the Spot Capacity Service, Other Reserved Service, Peaking Service and Backflow (Ullage) Service. For AA6, DBP has proposed to retain these rebateable services and specify the Pilbara Service as an additional fifth rebateable service.

DBP has proposed no change to the rebateable portion of revenue to be rebated back to reference service users, which remains at 70 per cent. That is, for each year of AA6, reference tariffs will be adjusted to return 70 per cent of the revenue earned from the provision of rebateable services to users via an adjustment to lower reference tariffs.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 7)*

*DBP, DBNGP Access Arrangement 2026-2030 (section 3)*

## Operating expenditure (opex)

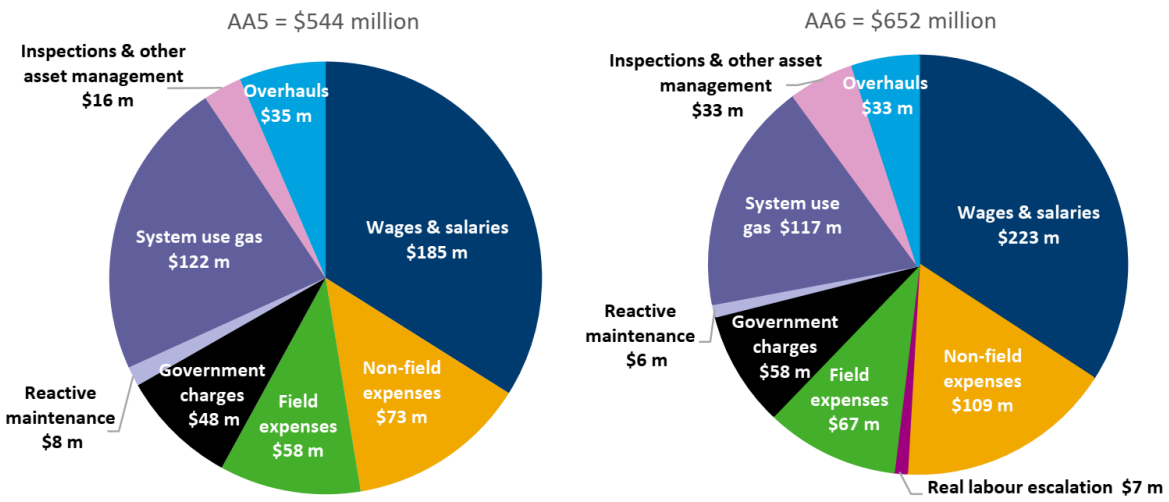
*Note: All operating costs in this section are in real dollars ($real December 2024) unless otherwise stated.*

DBP incurs operating expenditure (opex) to undertake activities that allow it to safely, reliability and efficiently operate and maintain the DBNGP. For AA6, DBP has forecast $652 million of opex, which is about 20 per cent (or $109 million) more than DBP's opex for AA5 (Figure 8).

To develop its opex forecast for AA6, DBP has continued to use its hybrid top-down and bottom-up approach to forecasting, which is consistent with the approach used for the two previous access arrangements (AA4 and AA5). DBP's top-down forecasting approach applies to most opex categories, whereas the bottom-up forecasting approach applies only to three opex categories.[60]

[60] Bottom-up forecasting applies to 'System Use Gas (SUG)', 'Turbine and Gas Engine Alternator (GEA) Overhauls' and 'Inspections and other 'Asset Management' opex categories.

**Figure 8: DBP total forecast AA5 and AA6 operating expenditure by category ($real December 2024)**




*Source: DBP, Final Plan 2026-2030, January 2025, Figure 8.1, p.70.*

A summary of DBP's opex forecasting approach for AA6 is as follows.

- The latest revealed (actual) costs have been used as a base for future costs. By the time prices (and other access arrangement provisions) are approved for AA6, the latest actual costs will be for 2024.[61] DBP's proposed base year is therefore 2024.
- Adjustments have been made to base year costs for some opex categories where costs are not reflective of the efficient costs likely to be incurred in a typical year. For AA6, DBP has made the following adjustments:
  - An increase of $3 million for 'wages and salaries'. DBP expects its wage and salary costs to be higher than 2024 costs due to the legislated increase in the superannuation guarantee contribution, increased field staff renumeration and the filling of vacancies post the Covid pandemic.
  - An increase of $0.9 million for 'consulting'. DBP uses a five-year average of its consulting costs, rather than the 2024 base year cost, due to the price volatility experienced in this cost category. This is consistent with the approach used for AA5.
  - An increase of $1.7 million for 'information technology (IT)'. DBP's adjustment reflects the actual costs of its current IT opex without adjustments for savings that were sought in AA5. DBP submits it is no longer sustainable to absorb these costs given the current economic climate.
  - An increase of $0.7 million for 'insurance'. DBP has directly estimated its insurance costs in 2026. This approach is different to the rolling six-year average of DBP's insurance costs that was used for AA5 because DBP has a direct estimate from its insurer for total premium costs, which are rising consistently above the consumer price index from 2025. DBP submits that its higher premium costs are due to the

[61] At the time of submission, DBP's Final Plan comprises nine months of actual opex and three months of budget (forecast) opex for 2024. As part of the ERA's review process, DBP will update its opex to reflect actual opex for 2024.

combined effect of an insurance claim by DBP, asset revaluations and increased market risks. DBP has also obtained a new cybersecurity insurance policy.

  - An increase of $1.0 million for 'government charges'. DBP has factored in higher government charges, including higher utility charges, telecommunications charges and rental expenses for certain facilities. DBP submits that there are no corresponding reductions in government charges that are expected to maintain the 2024 cost level or an historical cost average.

- Adjustments for 'step-changes' have been made to reflect changes in legislation, regulatory obligations and/or new activities. Step changes for AA6 include:
  - Projected increases in insurance premium costs (above consumer price index increases) from 2027 ($4.9 million).
  - New recurrent costs for IT sustaining applications ($8.3 million) and IT sustaining infrastructure ($1.8 million).
  - New recurrent costs for cybersecurity initiatives ($2.3 million).
- Adjustments to reflect cost escalation have been made – these adjustments account for costs that are increasing at a faster rate than inflation (that is, real cost escalation). DBP has applied a real cost escalation of 0.67 per cent per year to its labour costs.
- The following categories of opex are forecast using a 'bottom-up' forecasting approach:
  - 'System Use Gas (SUG)' costs are a function of forecast quantity and the forecast gas price. DBP has forecast $116.6 million for SUG costs in AA6, which are reflective of lower throughout forecasts and higher forecast gas prices.
  - 'Turbine and Gas Engine Alternator (GEA) overhauls' costs are a function of unit run hours and the estimated cost per unit. DBP has forecast $32.8 million for turbine and GEA overhauls in AA6.
  - 'Inspections and other asset management' costs of $33.0 million are forecast for AA6 to cover asset inspections, decommissioning activities, health and safety initiatives and other asset management needs.

To ensure opex incurred is prudent and efficient, DBP operates within a framework of external and internal controls that govern its day-to-day operations. DBP's overarching Asset Management Plan and Safety Case are primary governance documents. Financial governance is guided by DBP's internal budgeting processes and financial performance reporting, while procurement is guided by DBP's Contracts and Procurement Policy and Delegation of Financial Authority.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 8)*

*DBP, Final Plan 2026-2030 – Attachment 8.1 OPEX Forecast Model*

*DBP, Final Plan 2026-2030 – Attachment 8.2 OPEX Business Cases*

*DBP, Final Plan 2026-2030 – Attachment 8.3 Review of Labour Cost Rate Update*

## Capital expenditure (capex)

*Note: All capital costs in this section are in real dollars ($real December 2024) unless otherwise stated.*

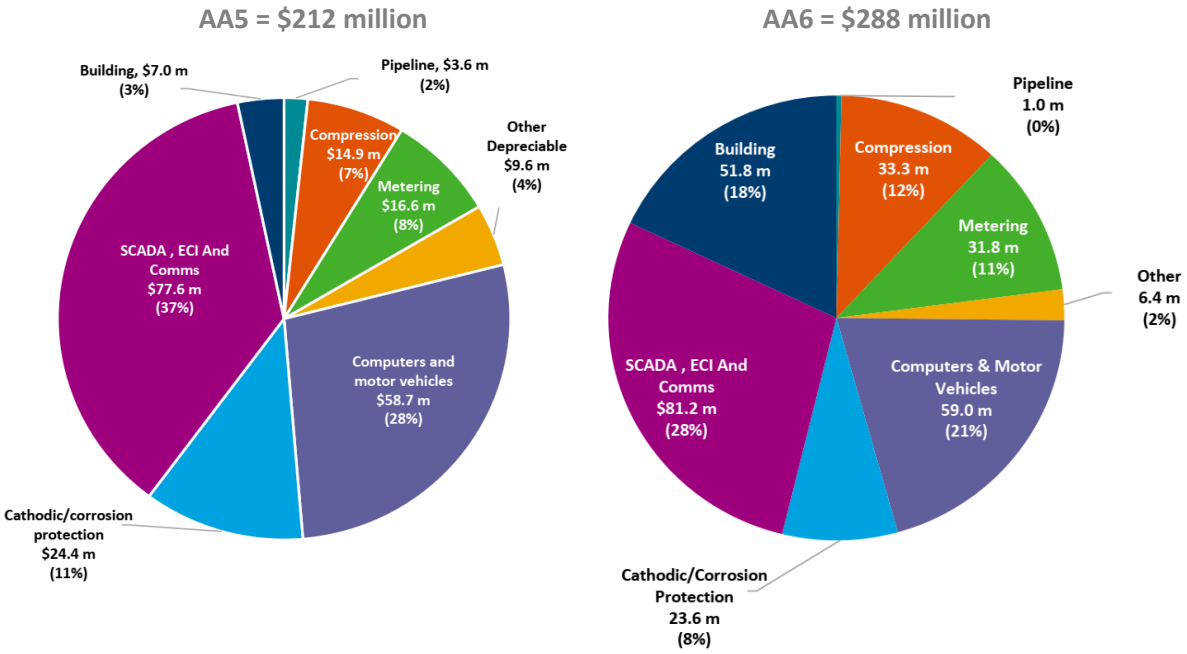
DBP incurs capital expenditure (capex) to ensure the ongoing safe and reliable supply of natural gas. For AA6, DBP has forecast $288 million of capex, which is 36 per cent (or $76 million) higher than DBP's capex for AA5 (Figure 9).

DBP's capex programs and projects are developed from its Asset Management Plan and Safety Case and represent both continuing programs of work and periodic and discreate projects.

The drivers for DBP's AA6 forecast include:

- Preventative works and repairs to protect compressor stations from corrosion and conduct hazardous area rectifications ($10 million).
- Replacement of metering assets, recalibration/recertification of meters and purchasing of spares to ensure billings accuracy ($7 million).
- SCADA hardware and software upgrades ($8 million).
- Replacement of aging and outdated accommodation at two compressor stations, installation of two dongas and building of a northern hub in Karratha to provide accommodation for field staff that is fit for purpose ($15 million).
- Replacement of obsolete GEA control systems that are no longer supported by the manufacturer ($18 million).
- Installation of new gas chromatography and analysers that detect gas compositions, moisture and sulphur ($11 million).
- Major and minor upgrades to maintain DBP's operational software: OneERP and Maximo ($11 million).
- Replacement of IT hardware and transition DBP's data centre to 'cloud' storage ($6 million).
- Ongoing replacement of vehicles and civil equipment ($13 million).

**Figure 9: DBP total forecast AA5 and AA6 capital expenditure by category ($real December 2024)**




*Source: DBP, Final Plan 2026-2030, January 2025, Figure 9.7, p.99 and Figure 9.12, p.107.*

DBP's forecast capex costs for AA6 were developed using three forecasting methods, subject the nature of the work:

- For ongoing activities that are volume driven, DBP estimates costs by identifying the volume of work to be undertaken and applying a historical average unit rate (typically the last three full calendar years). For work that is delivered externally, consideration is also given to specific projects and locations where historical work has been delivered, given the geographical isolation of parts of the pipeline.
- For periodic programs of work, cost estimates are developed with regard to historical costs (over a longer period of time) for the same, or similar, programs of work. Where the program of work has not been delivered for some time, DBP may also have regard to updated vendor and contractor quotes.
- For one-off new or discrete projects, efficient costs are determined through a competitive tender process. In instances where a tender process has yet to be undertaken, an expression of interest is undertaken, or a bottom-up cost estimate is produced.[62]

Like opex, DBP ensures that its capex is delivered efficiently by operating within a framework of internal and external controls that govern the way DBP plans, assesses, procures and delivers capital works. DBP's Safety Case and Asset Management Plans are the primary documents used by DBP. Other relevant documents include DBP's IT Investment Plan, Project Management Methodology and Contracts and Procurement Policy.

62 Bottom-up cost estimates are based on recent works where the projects are comparable, using the most recent unit rates or actual costs.

### AA5 capex performance

For AA5, DBP has invested $175 million to date and is forecast to invest a further $37 million by the end of the current access arrangement period (31 December 2025). This totals $212 million of capex, which is $30 million (or 17 per cent) more than the approved capex allowance for AA5. DBP submits the impact of the Covid pandemic on project delivery and associated delays, supply chain constraints and higher priced inputs as reasons for the higher spend.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 9)*

*DBP, Final Plan 2026-2030 – Attachment 9.4 IT Investment Plan*

*DBP, Final Plan 2026-2030 – Attachment 9.5 CAPEX Business Cases*

*DBP, Final Plan 2026-2030 – Attachment 9.6 CAPEX Forecast Model*

*DBP, Final Plan 2026-2030 – Attachment 9.7 Cost Estimation Methodology 2026-30*

*DBP, Final Plan 2026-2030 – Attachment 9.8 Operational Risk Management Framework*

*DBP, Final Plan 2026-2030 – Attachment 9.9 AGIG Purchasing Procedure*

## Capital base and financing costs

### Capital base

The capital base for AA6 is determined from the closing value of the capital base for AA5 and making adjustments for forecast capital expenditure, depreciation and inflation during AA6.

DBP has estimated that the value of its capital base at the end of AA6 (31 December 2030) will decline to $3,379.1 million in nominal terms (Table 11), or $2,924.9 million in real terms (Table 12).

**Table 11: DBP forecast capital base over AA6 ($million)**

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|
| Capital base at 1 January | 3,580.8 | 3,484.2 | 3,481.5 | 3,462.7 | 3,431.1 |
| ***Plus*** inflation | 78.2 | 76.1 | 76.0 | 75.6 | 74.9 |
| ***Plus*** conforming capital expenditure | 66.6 | 81.5 | 70.3 | 59.3 | 46.1 |
| ***Less*** disposals & redundant assets | - | - | - | - | - |
| ***Less*** depreciation | -241.4 | -160.3 | -165.1 | -166.5 | -173.1 |
| **Capital base at 31 December** | **3,484.2** | **3,481.5** | **3,462.7** | **3,431.1** | **3,379.1** |

*Source: DBP, Final Plan 2026-2030, January 2025, Table 10.6, p.112.*

**Table 12: DBP forecast capital base over AA6 ($million, real December 2024 )**

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|
| Capital base at 1 January | 3,453.1 | 3,288.1 | 3,215.3 | 3,129.6 | 3,034.8 |
| ***Plus*** conforming capex | 62.9 | 75.3 | 63.6 | 52.4 | 39.9 |
| ***Less*** disposals & redundant assets | - | - | - | - | - |
| ***Less*** depreciation | -277.8 | -148.1 | -149.2 | -147.3 | -149.8 |
| **Capital base at 31 December** | **3,288.1** | **3,215.3** | **3,129.6** | **3,034.8** | **2,924.9** |

*Source: DBP, Final Plan 2026-2030, January 2025, Table 10.7, p.112.*

### Financing costs

DBP's financing costs represent the cost of financing its capital base and meeting its tax obligations. DBP's real financing costs account for 47 per cent of its required revenue.

DBP has forecast total financing costs for AA6 comprising $749 million for the return on asset and $100 million for taxation. These financing costs have been calculated in line with the regulatory Rate of Return Instrument, which calculates a rate of return (weighted average cost of capital, or WACC) of 6.93 per cent.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 10 and chapter 11)*

## Incentive scheme

In AA5, an operating cost efficiency incentive mechanism – the "E Factor" – was introduced to apply to the operating costs incurred by DBP to deliver pipeline services.

The E Factor establishes an annual operating cost benchmark, which is the sum of all forecast operating costs that are reasonably in DBP's control and that has been calculated using the top-down roll-forward method.

The annual E Factor benchmark in AA5 was set based on the ERA's approved total operating cost forecast minus the following E Factor exclusions:

- Movement in provisions, such as, for example, the movement in employee provisions.
- Any operating cost sub-category not forecast using a top-down, revealed cost approach. These costs may include (but are not limited to) costs relating to system use gas, gas engine alternator and turbine overhauls and non-recurrent operating costs; and must not include costs previously classified as capital expenditure that was forecast on a bottom-up basis.
- Any operating cost not included in the ERA's approved total operating forecast, but that meets the requirements of National Gas Rule 91(1) and was incurred for the purpose of reducing capital expenditure.

- Any other operating costs that the ERA agrees or requires DBP to exclude from the E Factor benchmark.

Based on its forecast AA5 operating cost performance, DBP has calculated a negative efficiency carryover of $21.4 million.

For AA6, DBP has proposed to retain the E Factor with an additional E Factor exclusion to apply. DBP has proposed to exclude operating costs for 'inspections and other asset management' because it is generally non-recurrent expenditure and can be dependent on factors outside of DBP's control of efficiency.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 12)*

*DBP, Final Plan 2026-2030 – Attachment 12.1 E-Factor Calculation Model*

## Demand

Demand for DBP's pipeline services drives DBP's operations and is a key determinant in calculating the reference tariffs that can be charged to customers.

As DBP did for AA5, DBP has relied on the contracted capacity of its customers (shippers) to forecast demand for AA6. The forecast comprises two components: contracted capacity (Table 13) and gas throughput (Table 14).

DBP's AA6 demand forecast is approximately 9 per cent below its AA5 capacity and continues the trend of shippers relinquishing full haul capacity.

To verify its demand forecasts for AA6, DBP has used two approaches:

- Verification via the provision of (confidential) contract information to the ERA for all full haul T1 shippers who have completed the contracting for capacity process. For T1 shippers that are yet to complete this process, letters of commitment from the shippers have been provided.
- Reconciliation of full haul throughput against the 'South-West and Metro' demand component of the most recent Gas Statement of Opportunities (GSOO) from the Australian Energy Market Operator (AEMO).

**Table 13: DBP contracted capacity forecast for AA6 (TJ/day)**

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|
| Full Haul | 481.3 | 494.3 | 489.3 | 469.5 | 472.5 |
| Part Haul | 265.1 | 262.0 | 245.0 | 244.0 | 244.0 |
| Part Haul (full haul equivalent) | 30.6 | 34.9 | 34.2 | 37.2 | 37.2 |
| Back Haul | 332.6 | 332.6 | 332.6 | 332.6 | 332.6 |
| Back Haul (full haul equivalent) | 32.4 | 32.4 | 32.4 | 32.4 | 32.4 |
| **Total (full haul equivalent)** | **544.3** | **561.6** | **555.9** | **539.0** | **542.0** |

*Source: DBP, Final Plan 2026-2030, January 2025, Table 13.6, p.127.*

*Note: In DBP's Final Plan this table is referenced as Table 13.5 and the Back Haul (FTE) for 2028 shows as 2.4. The ERA has confirmed with DBP that these are errors and has corrected these values in this table.*

**Table 14: DBP gas throughput forecast for AA6 (TJ/day)**

| | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|
| Full Haul | 458.9 | 443.7 | 434.9 | 424.1 | 429.0 |
| Part Haul | 144.9 | 144.4 | 131.9 | 131.2 | 131.2 |
| Part Haul (full haul equivalent) | 22.3 | 26.7 | 25.9 | 28.9 | 28.9 |
| Back Haul | 174.8 | 174.8 | 174.8 | 174.8 | 174.8 |
| Back Haul (full haul equivalent) | 16.4 | 16.4 | 16.4 | 16.4 | 16.4 |
| **Total (full haul equivalent)** | **497.7** | **486.8** | **477.3** | **469.4** | **474.4** |

*Source: DBP, Final Plan 2026-2030, January 2025, Table 13.7, p.127.*

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 13)*

## Pipeline access, terms and conditions

DBP has proposed various amendments to the reference service terms and conditions and provisions of access arrangement.

The reference service terms and conditions set out the contractual arrangements between DBP and reference service customers and provide a framework for negotiation services. There are three reference services – full haul T1 Service, part haul P1 Service, back haul B1 Service – each with their own terms and conditions.

In developing its proposed terms and conditions for AA6, DBP reviewed three key issues:

- Out of specification gas ("off-spec gas") provisions, although DBP has proposed no changes to these provisions.
- The need to modify the restriction on confidential information about the generation and sale of electricity so that related body corporates of the operator (DBP) would be permitted to generate or sell electricity so as long as there is no connection to gas flows on the DBNGP.
- The need to clarify that terms of existing reference contracts are deemed to be modified to align with applicable terms under a subsequent access arrangement approved by the regulator (ERA).

The proposed changes to the terms and conditions (including changes of an administrative nature) are shown in marked-up versions of the terms and conditions.

Similarly, proposed changes to the access arrangement are shown in a marked-up version of the access arrangement document. DBP highlights that it has updated the description of the pipeline and provisions relating to the signing of access requests. Other changes to reflect the details of DBP's Final Plan have also been made, such as, for example, updates to reflect new dates and tariffs.

**Where to find more detail:**

*DBP, Final Plan 2026-2030 (chapter 15)*

*DBP, Final Plan 2026-2030 – Attachment 15.1 Submissions for changes to AA6 Reference Service Contract*

*DBP, Final Plan 2026-2030 – Attachment 15.2 T1 Service Terms and Conditions AA6 Proposed Changes (clean and marked-up versions)*

*DBP, Final Plan 2026-2030 – Attachment 15.3 P1 Service Terms and Conditions AA6 Proposed Changes (clean and marked-up versions)*

*DBP, Final Plan 2026-2030 – Attachment 15.4 B1 Service Terms and Conditions AA6 Proposed Changes (clean and marked-up versions)*

*DBP, Final Plan 2026-2030 – Attachment 15.5 Submissions on Proposed AA6 Document Changes*

*DBP, DBNGP Access Arrangement 2026-2030 (clean and marked-up versions)*