Bentley Office
18 Brodie Hall Drive
Technology Park
Bentley WA 6102
PO Box 1066
Bentley DC WA 6983
Telephone (08) 6310 1000
Facsimile (08) 6310 1010
www.horizonpower.com.au

26 March 2025

To: Economic Regulatory Authority (ERA)
Level 4, Wellington Street
Perth WA 6000

Submitted via email to: publicsubmissions@erawa.com.au

HP reference: DM: 47172698

Dear ERA

Horizon Power's Response to Questions Raised by the ERA – Access Arrangement 6 for the Dampier to Bunbury Natural Gas Pipeline for 2026 to 2030 (4 March 2025)

This submission represents Horizon Power's view and feedback regarding questions raised by the ERA's issues paper (dated 4 March 2025) regarding AGIG's proposed AA6 submission for the DBNGP for the period 2026 to 2030.

1. Liability for out of specification gas

Shippers should not be liable for damages caused by out of specification gas on the DBNGP. Shippers have no control over stopping the flow of out of specification gas into the DBNGP however, DBP has full control over the flow of gas in and out of the DBNGP. As a Shipper, Horizon Power does not want to receive any out of specification gas. Horizon Power is happy to pay the potential imbalance charge associated with not receiving out of specification gas rather than being liable for damages caused by out of specification gas.

DBP has revised and automated its operational processes and procedures to improve the notification process for gas specification. However, the revised automated process does not mitigate the Shipper's risk for out of specification gas. Horizon Power does not have a 24/7 gas trading desk. Many of the automated out of specification notices were received during the night and can only be actioned the next morning when it is too late. Horizon Power has off specification gas notice obligations under its down-stream agreements. DBP's automated process caused an exponentially increase in notifications to its downstream generation facilities.

W.r.t clauses D.23.5 and D.23.6 under the Goldfields Gas Pipeline terms and conditions to be incorporated into the DBNGP access arrangement reference service terms and conditions. Horizon Power does not agree with DBPs position that clause D.23.5 is inappropriate for the access arrangement reference service terms and conditions. In addition, clause D.23.5 should make provision for Shippers to provide DBP with a written standing out of specification rejection notice as Horizon Power does not have a 24/7 gas trading desk.

Horizon Power belief a clause similar to clause D.23.6 of the Firm Transportation Service terms and conditions for the Goldfields Gas Pipeline access arrangement will help to address the concerns of shippers for liability for out of specification gas. As mentioned above, Horizon Power does not have control over the flow of gas into or out of the DBNGP and Horizon Power does not want to receive any out of specification gas.

2. Reference Tariffs

DBP has proposed a change to the capacity to commodity ratio. For AA6, the capacity (fixed charge) to commodity (variable charge) ratio will be 95:5 (compared to the current 94:6 for AA5). This is not a material change and will provide DBP more certainty of revenue income. DBP's proposal can be accepted if DBP is willing to accommodate the out of specification gas amendments proposed in 1 above.

The significant reference tariff increase proposed by DBP for the AA6 (which is a 56% increase on the current (2025) tariff and since the beginning of AA5 represents a 79% price increase) is of concern to Horizon Power. This tariff increase will have a material increase in Horizon Power's cost to supply which will ultimately be passed onto Horizon Power's customers. With the already high cost of living pressures, higher energy prices will put more pressure on Horizon Power's customers. With no competition for DBP, Horizon Power request the ERA to do everything in its power to ensure DBPs proposed AA6 capital spend, and forecasts/assumptions are absolutely necessary, justified and reasonable.

3. Rebate able non-reference services

DBP has proposed to retain the 70 per cent rebate able portion for rebate able services. Horizon Power supports DBP's proposal as it is in line with other access arrangement decisions, such as, for example, the AER's decision for the Roma to Brisbane Pipeline. Including DBP's proposal to classify the Pilbara Service as a rebate able non-reference service. These non-reference services provide additional flexible options to Shippers, and it is important providing a reasonable incentive for continued service provision while ensuring efficiency in operating expenditure.

4. Rate of Return and inflation

Horizon Power understand changing economic and financial conditions are outside the control of both DBP and the ERA. Horizon Power request the ERA to do everything in its power to ensure DBPs proposed AA6 capital spend, and forecasts/assumptions are absolutely necessary, justified and reasonable.

5. Future of gas

DBP has considered the future of its gas transmission infrastructure in a decarbonised energy environment. Based on available information, DBP proposed an economic end of life of 2063 for the DBNGP as what was determined under the AA5. The 2063 end of life year may have to be revisited considering the impact American president Donald Trump may have on global energy transition. Donald Trump's return to the White House has raised fears that the global energy transition will be thrown into reverse. In the US, the Trump administration is already taking steps to loosen environmental and climate regulations, promote domestic oil and gas production, support the outlook for gas-fired power plants, and end clean-energy and EV-adoption incentives. Refer to article "*Trump 2.0 will slow, not kill, the global energy transition*" by Ian Bremmer, 13 March 2025 (President and Founder, Eurasia Group).

An energy transition slowdown may delay a reduction in cost of renewable energy solutions which will prolong the future of gas.

6. Demand Forecast

DBP has based its demand forecast on firm contracts and contracts yet to be signed for AA6. Horizon Power's view is DBP should also include potential uncontracted capacity (that DBP is reasonably certain of materialising) that may occur during AA6 in its demand forecast. For example, Horizon Power's firm contract expires during AA6 for which Horizon Power will require a new firm contract.

7. Operating expenditure (Opex)

One of the reason's DBP provided for the 20% increase in Opex is the tight labour market. The Australian labour market has shown signs of easing especially on the backdrop of weaker iron ore prices over the past 12 months.

The ERA should review DBPs Opex forecast assumptions for the AA6 and ensure they are justified and reasonable as it may reduce forecast operating expenditure.

Horizon Power looks forward to the outcome of the ERA's review process.

Yours sincerely

Regional Power Corporation (trading as Horizon Power)