Lot 22, Leath Road
NAVAL BASE WA 6165

PO Box 349
KWINANA WA 6966

T: +61 8 9410 7700
F: +61 8 9410 7799

22 September 2025

Tyson Self
Assistant Director - Gas
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000

Dear Tyson,

Re: Response to ERA Draft Decision Dampier Bunbury Pipeline (DBP) Access Arrangement (AA6) Revised Final Plan 2026-30

Newgen Power Kwinana (**NPK**) appreciates the opportunity to provide this submission in response to the Economic Regulation Authority's (**ERA**) Draft Decision on DBP's Access Arrangement 6 (**AA6**) (**Draft Decision**) and DBP's Revised AA6 made in response to the Draft Decision.[1]

Overall impressions

NPK is broadly of the view that ERA and its engineering consultant, Energy Market Consulting associates (**EMCa**), have undertaken a rigorous analysis of DBP's AA6 and taken on-board feedback received from key stakeholders, including NPK. NPK is generally supportive of ERA's Draft Decision.

Our response is structured in two sections, as follows:

- **Section 1** addresses feedback to specific matters discussed in ERA's Draft Decision and DBP's Revised Final Plan; and
- **Section 2** includes observations on DBP's proposed Opex and Capex.

[1] All financial information is expressed in December 2024 dollars (real dollars), unless otherwise stated.

Section 1 – Feedback on Draft Decision & Revised Final Plan

Key revenue and price outcomes

ERA's Draft Decision determines DBP's total revenue to be $2,390.9m in the AA6 period, which is a 6% reduction on DBP's proposed total revenue. Given its demand assumptions, ERA's Draft Decision proposes T1, P1 and B1 tariffs that are around 10.7% lower than what DBP proposed in its origin al AA6.

- The T1 tariff is $2.1860 GJ/day compared to DBP's proposed $2.4476 GJ/day.

However, the potential uncertainties about this indicative T1 (and P1 and B1) price relate to:

- the WACC and to what extent the risk-free rate changes between now and ERA's Final Decision, which will have the largest effect on the cost of equity, as well as cost of debt (the cost of debt is estimated on a 10-year trailing average basis, which softens the effect of risk free rate movements);
- the extent to which ERA accepts those parts of DBPs Revised Final Plan that either propose increases in expenditure compared to the Draft Decision or a different treatment of issues to that set out in the Draft Decision (e.g. of Rebatable service revenues); and
- the size of DBP's Rebatable service revenue reported between 1 October 2024 and 30 September 2025, which will reduce the T1 tariff from the indicative $2.1860/GJ/day in the Draft Decision;
    - ERA notes that for DBP's 2025 tariff variation, there was a $0.2417/GJ/day reduction in the T1 tariff due to DBP's Rebatable revenue.

NPK has provided responses in relation to the following issues for the ERA's consideration:

- Revenue allocation and rebating
- Demand
- Operating expenditure (Opex)
- Capital expenditure (Capex)
- Depreciation
- WACC and taxation
- E-Factor Mechanism

Revenue allocation and rebating

Key issues raised in relation to revenue allocation and rebating include:

- Reference and Non-Reference Service cost allocation
- Tariff structure ratio (capacity vs throughput charges)
- Rebatable service revenue allocation
- Tariff variation mechanism

Table 1: Comparison of Draft Decision and Revised Final Plan

ERA's Draft Decision	DBP's Revised Final Plan	NPK Response
Reference and Non-Reference Service Cost Allocation		
DBP's total revenue is to be allocated between Reference and Non-Reference Services based on a 95:5 ratio reflecting DBP's reported revenue in the 2021 to 2024 period. This compares to DBP's proposed 99.5:0.5 allocation ratio. The reasons for the difference are ERA's rejection of DBP's Pilbara Services as a non-Rebatable services and its inclusion of overrun charges as a Non-Reference service.	DBP accepts ERA's Draft Decision that the Pilbara Service should not be re-classified as a non-Rebatable service. DBP rejects ERA's 95:5 revenue allocation ratio between Reference and Non-Reference Services and instead proposes a 98:2 ratio. DBP also rejects ERA's treatment of overrun charges as a Non-Reference Service.	NPK supports ERA's Draft Decision to not accept the Pilbara Service as a non-Rebatable service.
Tariff Structure Ratio		
ERA determines a capacity to commodity tariff charge ratio of 94:6 compared to DBP's proposed 95:5 ratio. ERA's decision is based on including turbine and GEA overhaul Opex as a variable cost, plus system use gas (SUG). DBP's tariff structure ratio originally assumed only SUG as a variable cost.	DBP accepts ERA's Draft Decision.	NPK supports ERA's Draft Decision.

Rebatable revenue proportion		
ERA's Draft Decision determines a Rebatable proportion of 90:10 compared to DBP's proposed ratio of 70:30 but does not separately allocate shared costs to Rebatable services.	DBP rejects ERA's Draft Decision and proposes a Rebatable proportion of 75%. DBP argues that if the rebatable proportion is to be based on costs as ERA argues, then the rebate proportion should be 80:20 because ERA has missed some key costs. DBP does not substantiate its 75:25 rebate proportion.	NPK considers that a Rebatable proportion of 80%, which reflects DBP's estimate of costs being allocated between Reference and Non-Reference Services is appropriate. NPK considers that the Non-Reference Services being offered by DBP are well-established services not new services and that it should have a good understanding of the cost relationships underpinning provision of those services, which should underpin their prices. DBP argues that there needs to be incentives to offer Rebatable Services. NPK agrees that there needs to be an incentive and if the highest incremental cost of the four Rebatable Services is for Spot Capacity and the non-Rebatable Service Proportion is set to ensure that the incremental cost of Spot Capacity is covered, then there would be incentive for DBP to offer the other three services. The availability of a Spot Capacity Service is, in fact, a risk mitigant that enables DBP to extract unregulated revenue in situations where it may have spare capacity, given demand conditions
Tariff Variation Mechanism		
ERA's Draft Decision identifies several required amendments to DBP's tariff variation mechanisms to address errors. It also determines that the Safeguard Mechanism should be treated as an	DBP accepts ERA's Draft Decision.	NPK supports ERA's proposed amendments to DBP's tariff variation mechanism and to ERA's required treatment of Safeguard Mechanism costs under the tariff variation mechanism.

incremental cost and be symmetrical i.e. it could be a negative or positive tariff adjustment.		NPK's views in relation to the treatment of demand uncertainty under the tariff variation mechanism are discussed in our response to Demand Forecast issues below.

Demand Forecasts

Key issues raised in relation to the AA6 demand forecasts include:

- Apparent discrepancy in DBP's Revised Final Plan compared to the Draft Decision
- Extent of uncertainty in DBP's AA6 demand forecasts
- AA6 demand uncertainty and the tariff variation mechanism.

Table 2: Comparison of Draft Decision and Revised Final Plan

ERA's Draft Decision	DBP's Revised AA6	NPK Response
Apparent discrepancy in Revised Final Plan AA6 demand forecasts		
Attachment 2 of the Draft Decision (Tables 2.8 and 2.9) presents ERA's draft approved AA6 demand and full haul equivalent demand forecasts.	Table 1-3 of Attachment 13.3 of DBP's Revised Final Plan presents DBP's revised AA6 demand forecasts and the Draft Decision's AA6 demand forecasts	There appears to be a discrepancy in the presentation of ERA's Back Haul and Part Haul AA6 forecasts in DBP's Revised Final Plan compared to the Draft Decision. The discrepancy is that DBP's Revised Final Plan presents ERA's proposed AA6 Part Haul forecasts as Back Haul forecasts and vice versa. This apparent discrepancy means it is not possible for NPK to easily compare the Revised Plan's Part Haul and Back Haul forecasts compared to those in the Draft Decision. NPK requests that ERA seek clarification from DBP about this apparent discrepancy.

ERA's Draft Decision	DBP's Revised AA6	NPK Response
		It does not appear that this discrepancy will have affected the Part Haul and Back Haul tariffs presented in the Revised Final Plan but this should also be clarified with DBP.
Extent of uncertainty in AA6 demand forecasts		
ERA's AA6 Contracted Capacity forecast was 1.1% higher than DBP's forecast driven primarily by a higher Part Haul forecast. ERA's Throughput forecast was 9.2% higher than DBP's forecast, driven by materially higher Part Haul (9.4%) and Back Haul (31.4%) forecasts. In full haul equivalent terms, ERA's Contracted Capacity forecast was 0.8% higher and for Throughput was 2.2% higher. ERA noted that it had not adjusted its Contracted Capacity AA6 forecast to reflect potential gas from shippers transitioning to renewable sources or for new, expansion or transitioning projects that will use gas as a primary energy source. It required DBP to consider these matters and incorporate any reasonable projections in its revised AA6 forecast.	DBP's has developed revised AA6 gas demand forecasts, which it suggests address ERA's Draft Decision requirements. Of most significance, DBP's revised Full Haul demand forecast for Contracted Capacity and Throughput are 0.65% and 0.78% lower respectively for both the Draft Decision demand and full haul equivalent forecasts.	NPK notes the high degree of uncertainty regarding gas demand in the AA6 period, which is evident in the Draft Decision and DBP's Revised Final Plan AA6 forecasts. Based on NPK's review of the Draft Decision and DBP's response to it, we consider that the AA6 demand forecasts err on the conservative, and thus low, side such that DBP is more likely to benefit from potential demand upside than downside, which would result in higher AA6 Reference Tariffs than would otherwise be the case. This is the situation that has presented so far in the AA5 period where actual full haul equivalent Contracted Capacity and Throughput demand have exceeded the forecasts each year from 2021 to 2024. In 2023, actual Contracted Capacity was 9.4% higher than forecast and in 2024 it was 17.9% higher than forecast. (ERA Draft Decision, Attachment 2: Demand, p11.)

ERA's Draft Decision	DBP's Revised AA6	NPK Response
		This level of systematic demand forecasting error is of significant concern to shippers.
AA6 demand uncertainty and the tariff variation mechanism		
ERA rejected WesCEF's proposed trigger event or tariff variation mechanism demand uncertainty mechanisms to apply in the AA6 period in situations where actual demand diverged by a specified amount (e.g. 10%). The main reason for ERA's Draft Decision were that it did not want to increase regulatory complexity or dilute incentives for accurate forecasting to grow customer demand. However, ERA noted the asymmetry between a gas service provider being able to reopen an access arrangement if actual demand falls below forecast but there is no equivalent pathway for gas users. ERA concluded that a tariff variation mechanism for demand would not be workable in practice.	DBP did not address demand uncertainty in the context of the tariff variation mechanism. However, DBP notes in Attachment 13.3 (p13) in relation to actual demand exceeding forecasts that gas shippers have the option of seeking spot capacity or acquiring Non-Reference services, which are more flexible. Further, it notes that upside revenue from realised uncontracted demand is addressed under the access arrangement through the Rebatable services mechanism.	NPK considers that DBP's objective under the price cap mechanism is to present a conservative demand forecast to mitigate any downside demand risk and maximise potential upside demand risk. The WA State Government has stated the need for additional gas generation for electricity production along with AEMO forecasting increased gas usage in the GSOO. This indicates a strong likelihood that gas demand will increase into AA6 and exceed DBP's forecasts. The extent to which actual demand has exceeded forecasts in the AA5 period appears to have been reflected in DBP's large increase in overrun charges. This suggests that historical overrun demand should be consider in demand forecasts. DBP considers that these overrun charges should be excluded from the rebatable services mechanism. In other words, DBP considers that it should fully capture the upside demand risk while gas users continue to bear long term demand risk through the bring-forward of depreciation charges in Reference Tariffs. DBP further retains

ERA's Draft Decision	DBP's Revised AA6	NPK Response
		the ability to reopen the access arrangement if actual demand falls short of forecast demand. DBP's suggestion that shippers have the option of seeking spot capacity or Non-Reference services in relation to realised uncontracted demand essentially means that they would be paying higher Reference Tariffs than necessary plus additional spot capacity or Non-Reference Services charges. DBP considers that the revenue associated with these services should not be subject to the Rebatable services mechanism. Given the above factors, it appears to NPK that most short (next 5 years) and longer term demand risk under DBP's access arrangement has been shifted to gas users, notwithstanding the assumption that a price cap allocates this risk to the pipeline service provider. For this reason, NPK considers that there needs to be some form of revenue true-up mechanism applying in relation to material divergences in actual and forecast demand given the highly uncertain future demand environment. It is clear from the Revised Final Plan that DBP is not willing to bear this risk, which is understandable but nor should it be solely borne by gas users. NPK considers that a trigger event mechanism applying at the end of Year

ERA's Draft Decision	DBP's Revised AA6	NPK Response
		4 of the access arrangement would provide for a revenue true-up to be made at the commencement of the AA7 regulatory period to reflect the net effect of actual demand diverging from forecast full haul equivalent demand by 10% or more. This approach would remove the need for the AA6 determination to be re-opened but would enable a revenue adjustment to be made in Year 1 of the AA7 period. Recognising that this trigger mechanism would need to rely on an updated full haul equivalent demand forecast in Year 5 of the AA6 period (because actual demand data would not be available), any associated revenue adjustment could be carried forward into the AA7 period where the trigger mechanism would continue to apply.

Depreciation

Key issues raised in relation to the AA6 depreciation forecasts include:

- DBP's approach to economic life and base depreciation
- DBP's proposed approach to deferred depreciation.

Table 3: Comparison of Draft Decision and Revised Final Plan

ERA's Draft Decision	DBP's Revised AA6	NPK Response
Asset life and base depreciation		
ERA confirms that the economic life of the pipeline is 2063.		NPK supports ERA's Draft Decision in relation to the economic life of the

ERA's Draft Decision	DBP's Revised AA6	NPK Response
ERA accepts DBP's base depreciation profile for the AA6 period.		pipeline and DBP's base depreciation profile for the AA6 period.
Treatment of deferred depreciation		
Rather than applying the full deferred depreciation amount of $81.2m in the first year of the AA6 period as proposed by DBP, ERA smooths this deferred depreciation amount equally over the five years of the AA6 period. DBP also proposes that there will be a final increment of the deferred depreciation of $22.0m in the first year of the AA7 period, which has not been considered in the Draft Decision.	DBP accepts the Draft Decision's proposed smoothing of the recovery of the deferred depreciation amount equally over the 5 years of the AA6 period.	NPK proposes that the smoothing of deferred depreciation should occur over the AA6 and AA7 periods. In practice this would mean that the total deferred depreciation amount of $103.2m, would be spread in equal increments across the 10 years. In real terms, DBP would be no worse off applying this two-period smoothing, but it would provide smoother pricing for gas users compared to the front-loading of the deferred depreciation proposed in the Draft Decision.

WACC, inflation and taxation

Key issues raised in relation to the AA6 depreciation forecasts include:

- WACC estimate
- Inflation forecast
- Taxation

Table 4: Comparison of Draft Decision and Revised Final Plan

ERA's Draft Decision	DBP's Revised AA6	NPK Response
WACC		

ERA's Draft Decision	DBP's Revised AA6	NPK Response
The Draft Decision applies ERA's Gas Rate of Return Instrument. ERA notes that DBP's WACC is indicative in the Draft Decision and will be updated in its Final Decision.	DBP applies ERA's Gas Rate of Return Instrument.	NPK support ERA's application of its Gas Rate of Return Instrument. NPK recognises that the WACC estimate for the AA6 period will be determined closer to the commencement date and will partly depend on any changes in market conditions between the Draft and Final Decisions. The significant increase in the WACC for the AA6 period compared to the AA5 period emphasises the importance of DBP's expenditure cost discipline and approach to deferred depreciation in the AA6 period to mitigate the price shocks that gas users will face arising from the higher WACC.
Inflation		
The Draft Decision applies the Fisher equation to 5-year Commonwealth Government nominal and indexed bonds to determine an inflation forecast for the AA6 period.	DBP supports the Draft Decision.	NPK supports ERA's inflation forecasting methodology. NPK recognises that the inflation forecast to apply in the AA6 period will depend on any changes in Commonwealth Government bond market conditions between the Draft and Final Decisions.
Taxation		
The Draft Decision determines DBP's taxation building block for the AA6 period using conventional Australian regulatory practice.	DBP's tax building block estimate is in accordance with conventional Australian regulatory practice	NPK supports ERA's estimation of DBP's tax building block noting that its forecast size may change if key inputs to the calculation change in ERA's Final Decision.

E-Factor mechanism (Opex Incentive Scheme)

Key issues raised in relation to the AA6 depreciation forecasts include:

- Operation of the E-Factor mechanism in the AA5 period
- Operation of the E-Factor mechanism in the AA6 period.

Table 5: Comparison of Draft Decision and Revised Final Plan

ERA's Draft Decision	DBP's Revised AA6	NPK Response
ERA makes several amendments to DBP's application of the E-Factor mechanism in the AA5 period and proposed for the AA6 period. This includes not accepting DBP's proposal for 'inspections and other asset management' to be an exclusion from the E-Factor mechanism in the AA6 period. ERA also requires that the E-Factor mechanism should be identified as a standalone revenue building block not incorporated within DBP's total Opex forecast. ERA's changes result in the E-Factor penalty in the AA5 period increasing from -$21.4m to $31.0m. The Draft Decision confirms that the E-Factor mechanism will continue to apply in the AA6 period,	DBP accepts not excluding 'inspections and other asset management' costs from the aa6 E-Factor benchmark in the AA6 period. However, DBP proposes a subset of this category relating to unforeseen asset corrosion ($1.6 million) be excluded from AA5 reported Opex used to determine the carryover amount under the mechanism into the AA6 period. DBP also proposes to exclude a share of the higher labour cost rate ($5.4 million) where there is no offset to regulatory capex as an exclusion from AA5 reported Opex used to determine the carryover amount under the mechanism into the AA6 period. DBP also accepts ERA's drafting decisions relevant to operation of the mechanism.	NPK supports all changes that ERA has determined in relation to application of the E-Factor mechanism in the AA5 and AA6 periods. NPK considers that the E-Factor mechanism is an important component of the efficiency incentives applying to DBP under the regulatory framework. Given the large forecast increase in DBP's Opex in the AA6 period, the E-Factor mechanism will provide an important discipline on DBP's actual spending. As discussed in relation to DBP's AA6 Opex, NPK does not support DBP's proposed part-inclusion of its increase in wages and salaries in its AA5 period performance under the incentive mechanism. If this proposed increase is assessed to not be efficient (i.e. that ERA's Draft Decision is maintained), then including it in the E-Factor mechanism as a means of sharing the increase between DBP and gas users is inappropriate.

ERA's Draft Decision	DBP's Revised AA6	NPK Response
		In this regard, NPK notes that the assumed sharing proportion for gas users of the rewards and penalties under the E-Factor mechanism is around 70%.

Section 2 – Feedback on Opex and Capex

This section addresses DBP's AA5 and AA6 capex forecasts and its AA6 Opex forecasts having regard to its initial proposal, ERA's Draft Decision and DBP Revised Final Plan responding to the Draft Decision.

We note that DBP in responding to the Draft Decision on capex issues has not linked its assessment to asset classes used by E RA for its reviews. It is understandable that DBP should address ERA's Draft Decision in relation to business cases as it has done, but the omission of then linking this to ERA's asset classes is concerning and makes it harder for stakeholders to understand the cha nges it is proposing in relation to the Draft Decision.

AA5 Capex

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
Meter stations					
19.6	17.8	ERA made several small reductions, most because work was for sites that were not "existing stations".	19.6	DBP argues that meter station capex has historically been treated consistently across all stations (pre- and post-1995) as system-wide benefit projects, with costs recovered through the Access Arrangement as supported by shippers. Proposed changes by the ERA and EMCa for AA5 and AA6 depart from this approach and are considered impractical. Several projects, including Cape Preston GC, road upgrades, overpressure protection, and gas quality flow studies deliver network-wide benefits such as improved safety, billing accuracy, and gas quality management. As such, these projects should be classified as conforming capital expenditure.	NPK considers that DBP makes a reasonable case for including capex for post-1995 "existing" stations, which appears to follow precedent from all previous access arrangements.

Jandakot facility redevelopment					
3.5	1.4	ERA raises concerns associated with a significant increase in the cost and apparent elaborateness of Jandakot facility, most of which is proposed to be spent in AA6, plus the lack of a coherent long-term strategic assessment of DBP's other accommodation in the Perth region	2.45	DBP revised its capex estimate for the Jandakot Facility Redevelopment to $2.45 million, which includes $1.27 million incurred in AA5 plus $0.13m for the new Jandakot Warehouse dome and $0.60 for the Jandakot facility upgrade. DBP maintains this expenditure should be treated as conforming capex, as the investment in design, scoping, and planning is essential for the facility's redevelopment and aligns with typical costs for projects of this scale.	NPK considers inclusion of the $1.27m needed for planning of the Jandakot Facility Redevelopment is reasonable. However, NPK agrees there is a missing piece identified by EMCa which is a long-term strategic plan for all DBP accommodation that provides confidence that the Jandakot Facility Redevelopment is part of DBP's broader plans for accommodation of its workforce.
IT sustaining applications					
38.2	22.4	56% discount of OneERP S/4HANA implementation	38.2	DBP's $38.2 million forecast includes $28.1 million for the S/4 HANA implementation under the OneERP project. DBP considers it unreasonable to apply a blanket 50% reduction based on hindsight, particularly given the inherent risks of all IT projects. DBP argues its actions in response to implementation challenges and the difficult market conditions at the time represented the most prudent decisions possible with the information available and should therefore be recognised as conforming expenditure.	NPK notes that IT expenditure is one of the largest areas of DBP's capex program (both in AA5 and forecast for AA6). For this reason, NPK expects a high degree of discipline to be applied by DBP in relation to this expenditure category, including managing the potential upside cost risks of such expenditure. Proper assessment of the merits of DBP's response to ERA's Draft Decision requires further consideration by EMCa given its expertise in this area, including how IT cost pressures have been managed by other gas and electricity infrastructure service providers.

AA6 Capex Forecasts

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
Compressor stations					
34.8	30.0	Accepted the need for the program but has reduced the level of proposed forecast expenditure by $4.4 million (20%) to account for scope for deferring work to AA6 or delivering work at a lower cost. A further 10% reduction was applied to compression expenditure due to rounded unit costs.	31.6	Modify the decision by the ERA. The modifications include the following: • Accept the ERA's Draft Decision and propose $8 million for the replacement of other parts and equipment at compressor stations; • Accept the ERA's decision to modify $1.5 million for the replacement of Rotor bundles to $1.2 million; • Propose $2.2 million for the compressor air package replacement program; • Propose $1.4 million for the Compressor station valve replacement program; and • Propose $1.3 million for the replacement and upgrade of existing gas chromatographs.	The ERA's Draft Decision should prevail. The revised plan deferrals appear trivial resulting in a reduction of 13%. We would expect that all expenditure could be deferred by at least 12 months. This would increase the reduction available by more than 20% Without a more realistic scenario the 20% approved by the ERA appears very reasonable. DBP has provided clear evidence to support its unit rates and the ERA's 10% reduction is not supported by that evidence.
Pipeline and MLV					
12.1	11.2	Accepted the need for the program but has reduced the level of proposed forecast expenditure: by 10% to account for the conservatively high assumptions made on the volume of work required and proposed costs in AA6	11.4	Modifies the ERA's Draft Decision to include the following: • Accept the ERA's decision to modify $7.5 million for the dig-up of un-piggable pipework, dig-up based on runcom results, TRU replacements etc. to $6.7 million; and • Re-propose $2.6 million for the Pig barrel isolation valve replacement program.	DBP appear justified in pushing back on the Pig Barrel isolation valve forecast because both EMCa and ERA state that the capex on this item is justified and have provided no basis for the 10% reduction for this item suggesting that it was an oversight.
Jandakot Facility Redevelopment					
34.6	11.7	Accepted the need to re-develop the Jandakot facility but has reduced the forecast expenditure by $23 million. This reflects the lack of justification of the scope increase from the original proposal with no clear comparison to the previous scope to provide evidence	34.6	Rejects the ERA's decision and re-propose $34.6 million for the Jandakot Facility Redevelopment, consistent with costs for projects of a similar scale. DBP's revised proposal includes additional information on the redevelopment, such as adjustments to the project scope.	DBP has provided new information/evidence and reasoning to support the higher forecast estimate that it continues to propose. Given the amount of work on the proposed development since its initial

		that it was no longer sufficient. The net benefit to the customers of the DBNGP was unclear.			proposal (6 months) NPK would have expected a refined cost estimate, but DBP has persisted with the same estimate as for its initial proposal. Any cost savings or efficiencies associated with the redevelopment are not identified or quantified. Unfortunately, significant parts of the Attachment covering the Jandakot Facility Development have been redacted, so that NPK is unable to verify if the evidence in the redacted section supports DBPs forecast. In this regard, three key pieces of evidence need detailed scrutiny: 1. The amount of the underestimate for the AA5 version of the Jandakot Facility Redevelopment. 2. The effect of input price escalation since 2020. 3. The detailed estimate available because of work undertaken by DBP over the past 6 months. 4. Claims of annual cost savings from the new facility have not been provided in the Attachment.
Meter stations					
32.6	17.2	ERA accepted most of the work proposed by DBP as it would contribute to maintaining the safety and integrity of services on the DBNGP, as well as complying with DBP's regulatory obligations. However, DBP's proposed expenditure has been reduced by $15.4 million. The reduction of expenditure relates to	21.9	Modifies the Draft Decision as follows: • Accept the ERA's decision to reject $6.0 million for GC installation at producer inlets; • Accept the ERA's decision to reject $4.7 million to install Gas analysers at intake sites; • Re-propose $4.0 million for the refurbishment of below ground pipework, earthing replacement and painting of facilities;	As far as NPK has been able to review, DBP's Attachment substantiating its Meter Stations forecast, it does not address AA6 capex issues raised by the ERA with two exceptions: • Whether capex relates to existing stations should be considered conforming • Recalibration of spare meters

		individual components of the meter stations.		• Re-propose $1.3 million for the meter rectification program; • Re-propose $0.8 million for the annual USM meter replacement program; and • Re-propose $0.7 million for the spare meter calibration program.	It appears that DBP has provided no support for its re-proposals. This appears to be an oversight on DBPs part. Without it, the ERA should not accept DBP's revised forecast. It would be reasonable to ask DBP if the justifications for AA6 Meter Station capex were inadvertently omitted.
Vehicles (Fleet and civil equipment)					
12.7	11.8	Accepted DBP's proposed expenditure for civil equipment replacements, which reflects a service provider acting efficiently and in line with good industry practice. ERA reduced DBP's proposed fleet vehicle replacement expenditure by $0.9 million as it is expected that the life can be extended on some vehicles.	12.7	DBP rejects the Draft Decision and re-proposes $9.1 million for the replacement of fleet vehicles. DBP provides a sound statistical case for no deferrals of fleet replacement.	NPK considers that DBP's re-proposed fleet replacement expenditure forecast appears reasonable based on its additional supporting information subject to ERA confirming.
Turbine exhaust replacement					
5.8	5.2	ERA accepted DBP's proposed expenditure for civil equipment replacements indicating that it reflects a service provider acting efficiently and in line with good industry practice. However, it did not accept the $5.8 million forecast for turbine replacements.	5.8	DBP rejects ERA's Draft Decision and re-proposes $5.8 million for the turbine exhaust replacement program and provides a breakdown of its estimate by taking the most recent turbine exhaust replacement for CS6, including costs it argues reflect economies of scale and scope making ERA's proposed 10% reduction unnecessary.	Without a more detailed understanding of the cost components, NPK cannot authoritatively comment on DBPs proposed turbine exhaust replacement program.
Corporate IT sustaining applications					
21.4	10.3	Accepted DBP's proposed capex as reasonable but has adjusted the labour cost escalation component.	18.2	Modifies the Draft Decision as follows: • Accepts the ERA's decision not to include $1 million for the CMS Tool program; • Proposes $0.8 million for the Transmission Billing System upgrades • Proposes $11.3 million for the upgrade of other applications including the Maximo and SAP S/4HANA upgrades	DBP has provided new evidence about the need for the various IT sustaining applications that the ERA has discounted or eliminated. This has included bottom-up re-estimates of capex for various items of software, including deferrals of projects. NPK considers that to properly assess DBP's revised estimates and reasoning

				• Proposes $2.1 million for the upgrade of core business applications • Re-proposes $1.0 million for the Maximo incremental functionality program • Proposes $3.0 million for the S/4HANA incremental functionality program.	requires an appropriate IT professional. We support the ERA requesting EMCa to review the new information provided by DBP
IT sustaining infrastructure					
14.5	11.5	ERA reduced the amount of proposed expenditure to $11.1 million to reflect: • Data Centre – DBP's plan to gradually move to the cloud is reasonable and the lowest cost options but it has not clearly demonstrated cost saving – forecast reduced by 10% • Network and Currency – DBP's refresh cycles, ranging from 2 to 5 years, suggest multiple refresh rounds over 15 year ERA believes DBP is likely to find further deferral opportunities in AA6 as it did in AA5 and that its proposed spending is not reasonable – forecast reduced by 20% • End user devices – Growth in head count and increased use of field devices, along with rising costs in real terms are reasonable drivers of the need for some increase in expenditure. However, proposed capex is considered unreasonable as DBP will find some opportunities to extend lifecycles relative to assumptions it has made for its proposal – forecast reduced by 20% • Meeting room refresh – DBP provides minimal information on the meeting room refresh. The AV equipment was installed in 2021 and is planned for replacement in 2026, but DBP hasn't	12.8	DBP modifies ERA's Draft Decision as follows: • Accept Draft Decision of $0.9 million for the data centre program • Accept Draft Decision of $1.1 million for Network and Currency • Accept Draft Decision of $5.5 million for the AGIG OneIT program • Accept ERA's Draft Decision of $3.1 million for End user devices • Re-propose $0.6 million for Meeting room refresh • Accept Draft Decision of $1.5 million for Field mobility devices.	NPK's view about DBP's proposed IT sustaining infrastructure capex forecast for the AA6 period is that it should be shown to be necessary and that it will be delivered at demonstrable least cost. In addition, for any proposed IT system or application upgrades, quantifiable customer benefits should be demonstrated. In the absence of quantified customer benefits, NPK does not consider that the forecast expenditure should be approved. Further to these points, DBP has provided new evidence about the need for the various IT sustaining infrastructure that the ERA discounted or eliminated in its Draft Decision. This has included bottom-up re-estimates of capex for various items of software, including deferrals of projects. However, to properly assess DBP's revised estimates and additional reasoning requires an appropriate IT expert. NPK supports the ERA requesting EMCa to review the new information provided by DBP.

		shown that it's no longer fit for purpose – forecast removed			
Structures & operational sites					
27.3	21.7	ERA accepted most of DBPs proposed programs but reduced forecast expenditure by $5.7 million. The reduction of expenditure relates to seven cost elements that were reduced or rejected	23.6	DBP modifies the Draft Decision as follows: • Accepts $0.9 million proposed by the ERA for the replacement of RO units • Re-proposes $2.3 million for the working at height upgrades at compressor stations • Proposes $0.6 million for rectification work at the Northern hub at Karratha • Proposes $1.0 million for the refurbishment of equipment • Accepts the ERA's decision of $0.9 million for the site building conversion program • Proposes $0.4 million for helicopter landing pads • Accepts the ERA's decision of $0.2 million for the oil farms program.	Based on our review of DBP's new information, NPK considers that in general, there is little or no evidence to support DBP's proposed capex that is based largely on vague arguments of principle. For example, we can find no reference to RO units in any of the documents. DBP also provides no cost breakdown to support the $2.3m forecast for working at height upgrades at compressor stations.

AA6 Operating Expenditure

Base-step-trend Opex

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
Base year (dollar amounts in this table present the adjustments to 2024 base year amounts not the base amount itself unless stated)					
N/A	N/A	ERA accepts DBP's proposed 2024 base year. However, ERA makes several downward adjustments to DBP's proposed 2024 base amount.	N/A	DBP makes several increases to the 2024 Opex base year estimate presented in the ERA's Draft Decision.	NPK supports ERA approving a 2024 base year estimate that is closely aligned to DBP's 2024 reported costs. This is consistent with the revealed cost approach underpinning the base step trend forecasting methodology.
Base year adjustments – wages and salaries					
3.3	-11.9	ERA rejects DBP's proposed wages and salaries adjustment compared to 2024 reported costs reducing it by $11.2m.	5.0	DBP reinstates all increased wage and salary costs that ERA rejected, plus an additional amount to reflect wage and salary pressures. DBP provides additional supporting evidence for its revised forecast, including disputing that 2019 to 2023 is a reasonable benchmark period to assess its labour cost efficiency and disputing that DBP is in a steady state. DBP also includes a portion of its proposed higher wage and salary costs in its calculation of the E-Factor mechanism rewards/penalties in the AA5 period.	NPK considers that ERA and EMCa are best placed to determine DBP's labour cost efficiency. NPK also notes that DBP's proposed increase in wages and salaries relates to a change in DBP's capitalisation policy, which suggests that this is fundamentally a cost allocation issue, which appears to have impacted on DBP's capex program, as well as more broadly to its Non-Reference services and parent entity AGIG. NPK agrees with ERA that users of the DBNGP should not carry the burden of any such capitalisation changes that are not reflected in efficiencies.

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
Base year adjustments – consulting					
0.9	0.9	ERA uses a 5-year average to determine the AA6 consulting cost forecast.	1.2	DBP re-estimates the consulting cost forecast using a 5-year average including 2024 actual data, which increases the forecast from $3.9 million to $4.2 million.	NPK accepts the use of a 5-year average to forecast AA6 consulting costs given annual variability in these costs.
Base year adjustments – IT					
1.7	0.0	ERA rejected a base year adjustment that would result in a $7.6 million increase in IT base year costs in 2026, on the grounds that DBP provided no supporting information to justify a higher level than the 2024 cost estimate.	0.0	DBP accepts ERA's Draft Decision. However, it makes related adjustments to its proposed IT step changes (discussed further below).	NPK supports ERA's Draft Decision, particularly the need for strong substantiation of costs and benefits of any increases in DBP's IT expenditure.
Base year adjustments – Insurance					
0.7	0.0	ERA approved a lower forecast than proposed by DBP based on its review of DBP's confidential insurer's report.	0.0	DBP accepts the Draft Decision but has updated its proposed insurance step change.	NPK supports ERA reviewing DBP's revised AA6 insurance forecast recognising that the confidential information supporting DBP's forecast is not available to gas users.
Base year adjustments – Government charges					
1.0	0.0	ERA reduces DBP's forecast for government levies and charges by $1.1m.	0.4	DBP accepts that its proposed base year adjustment was too high and re-proposes a lower modified adjustment to 2024 base year costs to reflect higher rent and power costs.	NPK considers that ERA is best placed to assess the efficiency of DBP's re-proposed forecast government charges.
Base year adjustments – other expenses					
0.0	-0.2	ERA made some adjustments to DBP's 'other expenses' forecasts based on using either a 5-year average (2019-23) where only nine months of actual data was available, or 2024 actual data if it was available. This resulted in a small reduction in DBP's proposed adjustment.	1.1 (in 2026, not 2024)	DBP re-proposes a higher 'other expenses' forecast for the 2024 base year based on its 2024 reported data.	NPK supports 2024 actual data being used to establish the Opex base provided the actual expenditure is not atypical given the past expenditure profile for these expense items. NPK considers that ERA is best placed to assess the efficiency of the re-proposed AA6 forecast 'other expenses'.

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
Step – general					
N/A	N/A	The Draft Decision accepts three of DBP's proposed step changes for the AA6 period but not their proposed size. ERA rejects DBP's proposed IT sustaining infrastructure step change.	N/A	DBP re-proposes the four step changes it originally proposed.	NPK considers that a high threshold should be applied to step change increases in Opex, such that only externally driven increases should generally be accepted.
Step – insurance premium					
4.9	3.7	ERA approved a lower step change based on EMCa's review of a confidential insurance report provided by DBP.	5.9	DBP identifies products and fees for insurances that are applicable to DBP that are not included in the original insurer's report provided to ERA. DBP states that when these items are taken into account a higher step change is appropriate.	As DBP's insurer's report is confidential, NPK is reliant on ERA assessing the prudency and efficiency of the higher insurance forecast.
Step – IT sustaining applications					
8.3	0.8	EMCa advised ERA that there are efficiencies that should be expected with the new and upgraded applications.	5.3	DBP argues that efficiencies have already been reflected in the proposed step change. Its revised proposal adopts a lower level of ongoing efficiencies than assumed in ERA's Draft Decision.	NPK considers that the appropriate level of ongoing efficiencies from new and upgraded IT systems is a matter for EMCa's consideration given its IT expertise. However, NPK emphasises the importance of any new IT upgrades providing quantifiable benefits to gas users and that this is reflected in the AA6 Opex forecast.
Step – IT infrastructure					
1.8	0.0	The ERA concluded that efficiencies associated with new IT infrastructure, including insourcing of certain functions, have not been considered by DBP.	1.8	DBP states that efficiencies have been reflected in its proposed step change forecast.	NPK considers the appropriate level of ongoing efficiencies arising from new and upgraded systems is a matter for EMCa's consideration based on its experience reviewing other gas and electricity service providers' ICT programs.
Step – Cyber security					
2.3	2.3`	ERA accepted DBP's proposed IT cyber security forecast of $2.3 million.	2.3	DBP accepts the Draft Decision.	NPK accepts the Draft Decision.

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
Trend - escalation					
0.67%	0.67%	ERA accepts DBP's proposed labour cost escalation.	0.67%	DBP accepts the Draft Decision.	NPK accepts the Draft Decision.

Bottom-up Opex

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
SUG					
116.1	97.5	The Draft Decision applies ERA's upwardly revised demand forecast for Full Haul throughput to DBP's SUG price and quantity modelling.	94.5	DBP reduces its SUG forecast based on a lower Full Haul throughput forecast.	The higher Full Haul throughput forecast, including demand related to forecast overruns, should form the basis of the AA6 SUG forecast.
GEA and Turbine overhauls					
32.8	29.5	The Draft Decision discounts the forecast for premature turbine failures proposed by DBP by $3.25m. The Draft Decision accepts DBP's forecast for replacement of 3 GEAs ($3.5m)	32.8	DBP challenges the assumptions made by EMCa about why the number of premature turbine failures should be reduced from 2 to 1, which is the reason for ERA's lower approved forecast.	NPK is not a rotating equipment specialist so is not qualified to assess the reasonableness of DBP's arguments why the original forecasts of premature turbine failures should be accepted. We consider that ERA/EMCa are best placed to consider DBP's additional information in support of its original forecast expenditure.
Inspections and other asset management					
33.0	30.1	The Draft Decision discounts the allowance for meter station inspections on the basis that "non-existing stations" expenses should be funded by the relevant shippers.	33.0	DBP challenges the notion that Shippers should be funding capex and Opex at "non-Existing" meter stations. In addition, it argues that station inspections are for safety purposes and required of DBP regardless of station	NPK considers that the issue of shippers being responsible for "non-existing" stations needs to be resolved, including DBP's role scope and obligations in relation to undertaking meter station inspections.

Proposal Amount ($m)	Draft Decision		Revised Final Plan		NPK response
	Amount ($m)	Reasoning	Amount ($m)	Reasoning	
				ownership. Moreover, these expenses have been included in the five prior access arrangements (AA1-AA5).	

If the ERA has any questions or would like to discuss any aspects of this submission in more detail, please do not hesitate to contact me.

Yours Sincerely,

Bobby Ditric

Executive General Manager – Trading, Commercial & Regulatory

Confidential Appendix – [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]