Economic Regulation Authority

Final decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030)

Attachment 4: Regulatory capital base

18 December 2025

D302603

Acknowledgement of Country

At the ERA we value our cultural diversity and respect the traditional custodians of the land and waters on which we live and work.

We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

Economic Regulation Authority

Level 4, Albert Facey House

469 Wellington Street, Perth WA 6000

Telephone 08 6557 7900

Email info@erawa.com.au

Website www.erawa.com.au

This document can also be made available in alternative formats on request.

National Relay Service TTY: 13 36 77

Contents

Attachment 4. Summary 1

Regulatory requirements 3

ERA draft decision 6

- Opening capital base 6
- Projected capital base 7

DBP response to draft decision 10

Submissions to the ERA 11

Final decision 12

- Opening capital base 12
  - Pipeline 14
  - Compression 14
  - Metering 14
  - Other depreciable 17
  - Computers and motor vehicles 17
  - Cathodic/corrosion protection 21
  - SCADA, ECI and communications 21
  - Buildings 22
- ERA decision – Opening capital base 23
- Projected capital base 25
  - Labour cost escalation 26
  - Compression 26
  - Metering 28
  - Cathodic/corrosion protection 28
  - Pipeline 29
  - SCADA, ECI and communications 29
  - Computers and motor vehicles 29
  - Buildings 32
  - Other depreciable assets 36
- ERA decision – Projected capital base 36

List of appendices

Appendix 1 List of Tables 39

Note

This attachment forms part of the ERA's final decision on the proposed revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline. It should be read in conjunction with all other parts of the final decision, which is comprised of the following document and attachments:

- Final decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline - Overview, 18 December 2025
  - Attachment 1: Access arrangement and services
  - Attachment 2: Demand
  - Attachment 3: Revenue and tariffs
  - Attachment 4: Regulatory capital base (this document)
  - Attachment 5: Operating expenditure
  - Attachment 6: Depreciation
  - Attachment 7: Return on capital, taxation, incentives
  - Attachment 8: Other access arrangement provisions
  - Attachment 9: Service terms and conditions

Numerical amounts in tables throughout this document are generally shown to 1 decimal place. Total numerical amounts that are shown may not add exactly due to rounding. The tariff (revenue) model that was used for this decision should be used for accurate unrounded numerical amounts.

Attachment 4. Summary

The setting of the capital base is an important step in determining two elements of the revenue required by DBP to operate and maintain the gas transmission pipeline: the return on the capital base (covered in Attachment 7); and the return of the capital base (depreciation) (covered in Attachment 6).

Opening capital base

The opening capital base for the start of AA6 (1 January 2025) is $3,438.0 million. This reflects the ERA's final decision on the amount of conforming capital expenditure for AA5 and the inclusion of approved AA5 depreciation.

The ERA has determined that $205.3 million in AA5 is conforming capital expenditure.

DBP's revised proposal rejected the ERA's draft decision and proposed AA5 capital expenditure of $211.8 million; $1.0 million less than its initial proposal and $18.7 million more than the draft decision. DBP updated its 2025 forecast expenditure for the Jandakot redevelopment, resulting in the revised proposal being $1.0 million less than its initial proposal.

The ERA's approved final decision on capital expenditure increased by $12.3 million from the draft decision, mainly driven by:

- Buildings (+ $1.0 million): DBP has provided significant additional information to justify the increase cost of the Jandakot redevelopment project it is undertaking in AA6 that justifies the planning expenditure in AA5.

- Information Technology (IT) (+ $9.4 million): Additional information regarding the OneERP project accounts for the increase in approved IT expenditure in AA5.

- Metering (+ $3.5 million): The ERA has reconsidered applying a different treatment to metering cost recovery for certain assets and will now apply this from AA6 onwards instead of retrospectively during AA5.

Projected capital base

The projected capital base for the end of AA6 (31 December 2029) is $2,888.9 million. This reflects the ERA's final decision on the amount of conforming forecast capital expenditure and depreciation for AA6.

The ERA's final decision is to approve forecast capital expenditure of $250.8 million for AA6. This is 4 per cent lower than DBP's revised proposal of $262.0 million.

DBP's revised proposed AA6 capital expenditure was $26.1 million less than its initial proposal but $42.1 million more than the ERA's draft decision for AA6. DBP's revised expenditure reflected updated cost information for specific projects and its differing assessment of the prudency of projects disallowed by the ERA.

The increase in the ERA's approved final decision capital expenditure of $30.9 million from the draft decision is mainly driven by:

- Buildings (+ $18.0 million): DBP has provided significant additional information to justify the increased cost of the Jandakot redevelopment project in AA6, with the majority of the expenditure now meeting the conforming capital expenditure criteria. The ERA has made a reduction to this project to account of use of the site by non-regulated DBNGP entities and DBP's parent company, the Australia Gas Infrastructure Group (AGIG).

- IT (+ $9.2 million): We initially reduced expenditure for a number of IT projects based on a lack of information and justification of the benefits of the projects. DBP has provided greater information in its revised proposal, resulting in the acceptance of most IT related expenditure in the final decision.
- Compression (+ $3.5 million): DBP provided additional information and more detailed unit rates in its revised proposal removing the need for a business case wide unit cost percentage reduction which was applied in the draft decision.

Summary of required amendments:

Required amendment 4.1

The opening capital base for AA6 (closing capital base for AA5) must be amended in the access arrangement information to reflect the values in Table 4.8 of Final Decision Attachment 4.

Required amendment 4.2

The projected capital base for AA6 (closing capital base for AA6) must be amended in the access arrangement information to reflect the values in Table 4.16 of Final Decision Attachment 4.

Regulatory requirements

1. The *National Gas Access (WA) Act 2009* implements a modified version of the National Gas Law (NGL) and National Gas Rules (NGR) in Western Australia. The rules referenced in this decision are those that apply in Western Australia.[1]

2. Under the regulatory framework, these definitions apply in the NGR:[2]

> **Capital base**, in relation to a pipeline, means the capital value to be attributed, in accordance with [Part 4 of the National Gas Rules], to pipeline assets.
>
> **capital expenditure** means costs and expenditure of a capital nature incurred to provide, or in providing, pipeline services.
>
> **conforming capital expenditure** means capital expenditure that complies with the new capital expenditure criteria.
>
> **depreciation** means depreciation of the capital base.
>
> **new capital expenditure criteria** mean the criteria stated in rule 79.
>
> **non-conforming capital expenditure** means capital expenditure that does not comply with the new capital expenditure criteria.

3. The NGR requires the following capital base information to be included in the service provider's Access Arrangement Information (AAI).[3]

    - 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, information that demonstrates how the capital base increased or decreased over the previous access arrangement period (rule 72(1)(b)).
    - Information on the projected capital base over the access arrangement period, including a forecast of conforming capital expenditure and a forecast of depreciation (rule 72(1)(c)).

4. Rules 77 to 86 of the NGR set out various provisions for the capital base, which cover:

    - How the opening capital base is to be determined (rule 77):
        - Where an access arrangement period follows directly on from an earlier access arrangement period, the opening capital base for the later access arrangement period is to be calculated as follows:[4]
            - The opening capital base at the start of the earlier access arrangement period adjusted for any differences between forecast and actual capital expenditure included in that opening capital base;
            - ***plus***: conforming capital expenditure made, or to be made, during the earlier access arrangement period;

1 The current rules that apply in Western Australia are available from the Australian Energy Market Commission: AEMC, 'National Gas Rules (Western Australia)' (online) (accessed December 2025). At the time of this decision, *National Gas Rules – Western Australia version 12 (1 February 2024)* was in effect.

2 NGR, rule 69.

3 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.

4 NGR, rule 77(2).

  - ***plus***: any amounts to be added for capital contributions, speculative capital expenditure or the reuse of redundant assets;
  - ***plus***: the value of any extensions to the pipeline;
  - ***less***: depreciation over the earlier access arrangement period;
  - ***less***: redundant assets identified during the earlier access arrangement period;
  - ***less***: the value of pipeline assets disposed of during the earlier access arrangement period.

- How the projected capital base is to be determined (rule 78):
  - The opening capital base;
    - ***plus***: forecast conforming capital expenditure for the period;
    - ***less***: forecast depreciation for the period and the forecast value of pipeline assets to be disposed of over the course of the period.
- The criteria for new capital expenditure (rule 79):
  - Conforming capital expenditure is expenditure that would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable costs of providing services; and is justifiable on one of the grounds stated in rule 79(2); and is properly allocated in accordance with rule 79(6).
  - Rule 79(2) states that capital expenditure is justifiable if it meets one or more of the following criteria:

    (a) the overall economic value of the expenditure is positive; or

    (b) the present value of the expected incremental revenue to be generated as a result of the expenditure exceeds the present value of the capital expenditure; or

    (c) the capital expenditure is necessary:

      (i) to maintain and improve the safety of services; or

      (ii) to maintain the integrity of services; or

      (iii) to comply with a regulatory obligation or requirement; or

      (iv) to maintain the service provider's capacity to meet levels of demand for services existing at the time the capital expenditure is incurred (as distinct from projected demand that is dependent on an expansion of pipeline capacity); or

      (v) to contribute to meeting emissions reduction targets through the supply of services; or

    (d) the capital expenditure is an aggregate amount divisible into 2 parts, one referable to incremental services and the other referable to a purpose referred to in paragraph (c), and the former is justifiable under paragraph (b) and the latter under paragraph (c).
  - Rule 79(6) states that conforming capital expenditure must be for expenditure that is allocated between reference services; other services provided by means of the covered pipeline; and other services provided by means of uncovered parts (if any) of the pipeline.[5]

5 The allocation of capital expenditure to these categories of services must be done in accordance with rule 93.

- Provisions for the regulator to make an advanced determination about future capital expenditure (rule 80).
- An express provision that allows a service provider to make capital expenditure during an access arrangement period that is, in whole or in part, non-conforming capital expenditure (rule 81).
- Provisions for users to make capital contributions towards a service provider's capital expenditure (rule 82).
- Provisions for the service provider to be able to recover non-conforming capital expenditure by means of a surcharge (rule 83).
- The establishment of a speculative capital expenditure account (rule 84):
  – To the extent that non-conforming capital expenditure is not recovered via a surcharge on users, the non-conforming expenditure may be added to a notional fund (the "speculative capital expenditure account") until it is determined that it complies with the criteria for conforming capital expenditure.
- Provisions for capital redundancy (rule 85).
- Provisions for the reuse of redundant assets (rule 86).

5. Further to the provisions covering the capital base, rule 71 of the NGR sets out the considerations that the regulator may and should have regard to when evaluating whether capital expenditure satisfies the governing criteria for new capital expenditure. The regulator:

   - May, without embarking on a detailed investigation, infer compliance from the operation of an incentive mechanism or on any other basis that is considered appropriate.
   - Must consider and give appropriate weight to, submissions and comments received in response to an invitation for submissions on whether a service provider's access arrangement proposal should be approved.

ERA draft decision

6. To make its draft decision, the ERA considered information provided by DBP, public submissions and findings from the ERA's technical consultant (EMCa) to determine the amount of capital expenditure that meets the requirements of NGR.

Opening capital base

7. The ERA determined the opening capital base for the start of AA6 (1 January 2026) to be $3,425.8 million (Table 4.1). This reflected the ERA's decisions on the amount of conforming capital expenditure for AA5 and the inclusion of approved AA5 depreciation.

8. The ERA's draft decision approved actual (2021, 2022, 2023 and 2024) and forecast (2025) capital expenditure of $193.1 million for AA5, which was 9 per cent lower than DBP's proposed AA5 capital expenditure of $212.8 million (Table 4.2). The main differences from DBP's proposal were:

   - Removal of expenditure relating to DBP's OneERP project that encountered several project implementation issues. The ERA considered resulting was an inefficient overspend.
   - Removal of expenditure relating to DBP's Jandakot Facility Redevelopment that was scheduled to be undertaken in AA5 but was predominately deferred into AA6.
   - Removal of metering expenditure that relates to meter stations that should be shipper funded.

Table 4.1: ERA Draft Decision determined closing capital base for AA5 ($ million, real 31 December 2024)

	2021	2022	2023	2024	2025
Capital base at 1 January	3,994.38	3,817.81	3,724.06	3,630.45	3,529.84
PLUS: Conforming capital expenditure	35.91	41.28	43.77	36.92	35.20
PLUS: Equity raising costs	2.36	1.78	1.62	1.79	1.65
LESS: Disposals and redundant assets	-	-	-	-	-
LESS: Depreciation	214.85	136.81	138.99	139.33	140.88
Capital base at 31 December	**3,817.80**	**3,724.06**	**3,630.46**	**3,529.83**	**3,425.80**

Source: ERA, Draft decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030) - Attachment 4: Regulatory capital base, 7 July 2025, Table 4.13.

Table 4.2: ERA Draft Decision adjustments to DBP AA5 capital expenditure by asset class ($ million, real 31 December 2024)

Asset class	DBP proposal	ERA adjustment	Conforming AA5 capital expenditure	Variance %
Pipeline	3.6	0	3.6	0
Compression	15.4	(0.1)	15.3	(1)
Metering	17.0	(1.8)	15.2	(11)
Other depreciable	9.7	0	9.7	0
Computers and motor vehicles	57.0	(15.8)	41.2	(28)
Cathodic/corrosion protection	24.8	(0.1)	24.7	0
SCADA, ECI and comms	78.5	(0.1)	78.4	0
Buildings	6.9	(2.0)	4.9	(29)
Total	**212.9**	**(19.9)**	**193.0**	**(9)**

Source: ERA, Draft decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030) - Attachment 4: Regulatory capital base, 7 July 2025, Table 4.11.

Projected capital base

9. The ERA determined the projected capital base for the end of AA6 (31 December 2029) to be $2,860.5 million (Table 4.3). This reflected the ERA's decisions on the amount of conforming forecast capital expenditure and depreciation for AA6. The ERA's draft decision approved forecast capital expenditure of $219.9 million for AA6, which was 24 per cent lower than DBP's proposal of $288.0 million (Table 4.4). The main changes from DBP's proposal were:

- Buildings: DBP deferred the Jandakot Facility Redevelopment project from AA5 into AA6. The cost of the project increased significantly between access arrangements, which was partially explained by the increase in building construction costs between the periods. However, the main driver of the increase in the costs was due to a change in scope for the project. This change in scope was not adequately explained and justified by DBP resulting in a reduction in DBP's proposed AA6 capital expenditure for the project.
- IT: The main reduction in the IT asset class related to the upgrades and enhancements of IT sustaining applications, with all enhancement projects not being deemed to be conforming capital expenditure because the information provided did not identify the benefits to DBNGP customers from undertaking the projects.
- Compression: The proposed compression expenditure was reduced to take into account over-estimated unit costs that were used in the business plan, as well as the removal of several projects that were not sufficiently justified in the documentation provided.
- Metering: As in the AA5 expenditure review, the metering category was amended to remove capital expenditure at meter stations that were subject to the requirement for shippers to fund separately under the reference service terms and conditions.

Table 4.3: ERA Draft Decision determined closing capital base for AA6 ($ million, real 31 December 2024)

	2026	2027	2028	2029	2030
Capital base at 1 January	**3,425.80**	**3,322.89**	**3,217.23**	**3,102.91**	**2,989.57**
PLUS: Conforming capital expenditure	47.33	51.78	44.02	45.15	31.56
PLUS: Equity raising costs	1.40	1.47	1.43	1.25	1.11
LESS: Disposals and redundant assets	-	-	-	-	-
LESS: Depreciation	151.64	158.91	159.77	159.74	161.81
Capital base at 31 December	**3,322.89**	**3,217.23**	**3,102.91**	**2,989.57**	**2,860.43**

Source: ERA, Draft decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030) - Attachment 4: Regulatory capital base, 7 July 2025, Table 4.32.

Table 4.4: ERA Draft Decision adjustments to DBP AA6 capital expenditure by asset class ($ million, real 31 December 2024)

Asset class	DBP proposal	ERA adjustment	Conforming AA6 capital expenditure	Variance %
Pipeline	1.0	(0.1)	0.9	(10)
Compression	33.3	(9.4)	23.9	(28)
Metering	31.8	(13.1)	18.7	(41)
Other depreciable	6.4	0.1	6.5	2
Computers and motor vehicles	59.0	(14.9)	44.1	(25)
Cathodic/corrosion protection	23.6	(3.1)	20.5	(13)
SCADA, ECI and comms	81.2	(2.7)	78.5	(3)
Buildings	51.8	(25.0)	26.8	(48)
Total	**288.0**	**(67.9)**	**219.9**	**(24)**

Source: ERA, Draft decision on revisions to the access arrangement for the Dampier to Bunbury Natural Gas Pipeline (2026 to 2030) - Attachment 4: Regulatory capital base, 7 July 2025, Table 4.30.

Required amendments

10. The ERA set out the following draft decision required amendments:

Draft Decision Required Amendment 4.1

DBP must amend its access arrangement information to revise its AA5 forecast capital expenditure to $193.1 million ($ real as at 31 December 2024)

Draft Decision Required Amendment 4.2

DBP must amend its access arrangement information to revise its AA6 forecast capital expenditure to $219.9 million ($ real as at 31 December 2024).

DBP response to draft decision

11. In response to the ERA's draft decision, DBP updated its 2024 actual costs and 2025 Jandakot forecast. DBP also provided further information on why its Jandakot redevelopment, Meter Stations program, and IT Sustaining Applications program should all be treated as conforming capital expenditure.

12. DBP's revised proposal forecasts AA6's capital expenditure to be $262 million, which is around $42 million higher than the ERA's draft decision, but $26 million below DBP's initial proposal. DBP:[6]

- Accepted some of EMCa's proposed project deferrals into AA6 and identified several that can be safely deferred into early AA6—including selected compressor station works, valve replacements, control system and UPS upgrades, HMI software updates, and part of the Jandakot redevelopment.
- Proposed an updated forecast (+ $13 million) for Compressor Stations, including acceptance of the ERA's decision to reduce Rotor Bundles.
- Re-proposed (+ $1.8 million) for Pipeline and Mainline Valves (MLV).
- Re-proposed (+ $34.6 million) for the Jandakot Facility Redevelopment, including a refined project scope and additional information to support approval.
- Re-proposed (+ $6.8 million) for Meter Stations, while reflecting the ERA's draft decision (- $10.7 million) to exclude gas chromatograph installations at producer inlets and gas analysers at intake sites.
- Re-proposed (+ $9.1 million) for vehicles and (+ $5.8 million) for Turbine Exhaust Replacement.
- Revised the forecast (+ $17.2 million) for Corporate Sustaining Applications and Sustaining Infrastructure.
- Revised the forecast (+ $12.7 million) for IT Sustaining Infrastructure.
- Revised the forecast (+ $6.3 million) for Structures and Operational Sites.
- Accepted the ERA's position on real labour cost escalation.

[6] DBP, Revised final plan 2026-2030, Attachment 8.6, August 2025, pp 12-16.

Submissions to the ERA

13. Following publication of DBP's initial proposal and our issues paper, we received submissions from Wesfarmers Chemicals, Energy & Fertilisers (WesCEF), NewGen Power Kwinana and Horizon Power. In summary, these stakeholders:

- Encouraged the ERA to review DBP's proposal to ensure that all proposed expenditure, including forecasts and assumptions, was necessary and not discretionary in nature; and to assess if all efforts had been made to defer any expenditure to later periods.
- With the increased uncertainty as to the future of gas, noted that all expenditure should be scrutinised, especially when the technical life of assets exceeds their economic life to ensure the assets provide a net benefit to users.

14. The ERA addressed the above matters as part of its draft decision.

15. Additional comments on capital expenditure were received from Newgen Power Kwinana's following the draft decision and DBP's revised proposal.[7] NewGen was generally supportive of the ERA's draft decision but pushed us to seek additional information from DBP and further independent review by EMCa. NewGen:

- Expressed concern about the scale of DBP's IT expenditure and recommended further EMCa review of how IT cost risks are being managed.
- Questioned the transparency and adequacy of DBP's capital expenditure justification, noting a lack of detailed evidence and cost breakdowns.

16. The ERA has addressed the above matters as part of its final decision considerations.

[7] NewGen Power, *Submission in response to ERA's draft decision and DBP's revised proposal*, 17 September 2025.

Final decision

17. The ERA has assessed DBP's revised proposed opening and projected capital base for AA6. The sections below assess the conforming capital expenditure to be added to the opening and projected capital bases. Further information on the amount of depreciation is provided in attachment 6 of this final decision.

18. The regulatory framework requires the roll forward of the capital base from the current access arrangement period (AA5) to the new access arrangement period (AA6). Actual capital expenditure incurred during AA5 is reviewed by the ERA and once approved, it can be added into the capital base going forward and used in setting the opening capital base for AA6. As the actual capital expenditure for the last year of AA5 (2025) is not known before the publication of this final decision, there will be an adjustment for any under or over forecast of expenditure for this year when the assessment for the next access arrangement period (AA7) is carried out. Similarly, the projected capital base for AA6 must be reviewed in AA7 before it can be approved for addition to the capital base.

19. As the projected capital base for AA6 is used to set the tariffs during AA6, the project capital base must reflect the best possible forecast of prudent and efficient investment and allow for an appropriate amount of depreciation.

20. Information provided by DBP and findings from the ERA's technical consultant have been considered to determine the amount of capital expenditure that meets the requirement so the National Gas Rules (NGR).

21. The ERA assessed DBP's proposed actual and forecast capital expenditure for AA5 and AA6 in accordance with the NGR using a three-step framework:

    – Consider whether the expenditure is justifiable under the various capital expenditure criteria (economic, incremental revenue, safety, integrity).[8]

    – Evaluate whether the expenditure would be undertaken by a prudent service provider acting efficiently, in accordance with accepted good industry practice to achieve the lowest sustainable cost of providing services consistent with the national gas objective.[9]

    – Assess whether forecasts or estimates have been arrived at on a reasonable basis and represent the best forecast or estimate in the circumstances.[10]

Opening capital base

22. DBP's revised proposal included an opening capital base for AA6 of $211.8 million at January 2026. Table 4.5 details DBP's revised proposal opening capital base calculation.

[8] NGR, rule 79(1)(b) and 79(2).

[9] NGR, rule 79(1)(a).

[10] NGR, rule 74(2).

Table 4.5: DBP's closing capital base for AA5 ($ million, real 31 December 2024)

	2021	2022	2023	2024	2025
Capital base at 1 January	3,994.38	3,824.53	3,732.64	3,647.24	3,547.44
PLUS: Conforming capital expenditure	42.63	43.13	51.98	37.73	36.28
PLUS: Equity raising costs	2.36	1.78	1.62	1.79	1.65
LESS: Disposals and redundant assets	-	-	-	-	-
LESS: Depreciation	214.85	136.81	138.99	139.33	140.88
Capital base at 31 December	**3,824.53**	**3,732.64**	**3,647.24**	**3,547.44**	**3,444.48**

Source: DBNGP – Response to the Draft Decision, Attachment 14.1A, Revised Final Plan Model.

23. Rule 79 of the NGR sets out the criteria for conforming capital expenditure. Under 79(1) of the NGR, the capital expenditure must be such as would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing services in a manner consistent with the achievement of the national gas objective. Under rule 79(2)(a) to (c) of the NGR, conforming capital expenditure must also be justifiable on one of the following grounds:

- The overall economic value of the capital expenditure is positive.
- The present value of the expected incremental revenue to be generated as a result of the expenditure exceeds the present value of the capital expenditure.
- The capital expenditure is necessary to:
  - Maintain and improve safety of services.
  - Maintain the integrity of services.
  - Comply with a regulatory obligation or requirement. – Maintain the service provider's capacity to meet levels of demand for services existing at the time the capital expenditure is incurred.
  - Contribute to meeting emissions reduction targets through the supply of services (applies to expenditure incurred after 1 February 2024).

24. DBP submits that all the past capital expenditure satisfies NGR 79(1)(a) and is justifiable on the grounds stated in NGR 79(2).

25. As noted above, DBP has proposed to add $211.8 million for the AA5 period to the opening capital base.

26. The ERA has assessed DBP's proposed opening capital base for the AA6 period pursuant to rules 77 and 79 of the NGR. This included:

- Determining DBP's opening capital base for AA6, and assessing:
  - Conforming capital expenditure in AA5
  - Capital contributions
  - Depreciation.
- Assessing DBP's general method of calculating the capital base.

27. The ERA appointed EMCa to provide an independent assessment of whether DBP's actual and proposed capital expenditure during AA5 was conforming capital expenditure that should be rolled into the opening capital base of AA6.

28. EMCa reviewed the information provided by DBP to support the capital expenditure incurred (or to be incurred) in the AA5 period and sought further information or clarification where required. EMCa has assessed the extent to which the actual and estimated capital expenditure is likely to satisfy the capital expenditure criteria under the NGR.

29. The ERA's assessment is that $6.5 million is not conforming capital expenditure under rule 79 of the NGR and should not be rolled into the opening capital base of AA6. The capital expenditure that is not conforming comprises expenditure relating to the OneERP project in the computers and motor vehicles asset category.

30. The ERA's assessment on each asset class is presented in the following paragraphs of this final decision.

Pipeline

31. In the draft decision, the ERA accepted DBP's initial proposal of $3.6 million for pipeline expenditure in AA5 as conforming capital expenditure. In its revised proposal, DBP has again proposed AA5 expenditure of $3.6 million for pipeline expenditure.

32. The ERA has reviewed DBP's revised proposal and notes that the expenditure incurred is for the same business cases as approved in the draft decision.

33. As a result, the ERA considers that the $3.6 million incurred by DBP for AA5 pipeline expenditure is conforming capital expenditure.

Compression

34. The ERA accepted DBP's initial proposal of $15.4 million for compression capital expenditure in the draft decision as AA5 conforming capital expenditure. DBP's revised proposal maintained its proposed AA5 expenditure of $15.4 million for compression capital expenditure.

35. The ERA considers that the $15.4 million incurred by DBP for AA5 compression capital expenditure is conforming capital expenditure.

Metering

36. In the draft decision, the ERA did not accept DBP's initial proposal of $17.0 million for metering capital expenditure in AA5. The ERA determined that $15.2 million of the expenditure was conforming capital expenditure. In its revised proposal, DBP has again proposed $17.0 million for metering capital expenditure in AA5.

37. Most of the excluded expenditure in the draft decision related to works on inlet and outlet points that were installed after 1 January 1995. The Reference Service Contract allows DBP to impose charges on shippers to fully fund this expenditure, including for operations and maintenance expenditure.

38. Clause 6.12(b) of the reference service contract states:

> The operator is not entitled to impose any charges under clauses 6.6, 6.8, or 6.11 or otherwise under this Contract in respect of Existing Stations, except in relation to the incremental costs of the design, installation, maintenance and operation of a modification of an Existing Station which occurred, or occurs, after 1 January 1995.

39. The $1.8 million in non-conforming capital expenditure consisted of eight metering projects that we did not accept, either in part or in full.

40. In its revised proposal, DBP has provided additional information regarding these eight metering projects including clarifications around the sites at which the work was undertaken and the type of work undertaken.

41. EMCa has reviewed DBP's revised proposal documentation and considered that for six of the projects the expenditure does now meet the criteria for conforming capital expenditure.

42. The ERA has reviewed these six projects and notes that the clarification provided by DBP shows that the work is being undertaken at existing stations where the cost of the works cannot be recovered directly from causer shippers. The ERA considers, based on the additional information, that this expenditure incurred by DBP in AA5 now meets the criteria to be conforming capital expenditure.

43. For the remaining two projects, EMCa considered that despite the additional information provided by DBP, these projects do not meet the criteria to be considered conforming capital expenditure as they were undertaken at metering stations built post 1 January 1995. These two projects total $0.3 million in AA5.

44. EMCa's assessment is based solely on its interpretation of the provisions of the Reference Service Contract, and that meter station expenditure should be at the expense of relevant shippers, unless it relates to existing stations.

45. In its response to our draft decision, DBP noted that it has a number of problems with EMCa's assertion that all capital and forecast expenditure related to meter stations and associated facilities constructed after 1995 be excluded from regulated revenue and instead recovered directly from shippers. DBP's submits:

    - This is an unjustified and material change in charging approach, changing an accepted precedent established in all prior access arrangement periods.
    - While the Reference Service Contract provides an entitlement to recover costs directly from the shipper, it does not provide a legal obligation to do so.
    - There is nothing in NGR 79 – which is the test for conforming capital expenditure – that states or implies that costs that could otherwise be recovered directly from shippers (causers) are automatically non-conforming.
    - The proposed change would be inconsistent with the National Gas Objective and NGR.

46. EMCa noted that it assessed the relevant costs consistent with clauses in the Reference Service Contract that stipulate that, other than for existing stations, the shippers using a particular station are responsible for the costs of operating and maintaining that station.

47. EMCa noted that DBP has said that while it is entitled to charge shippers directly, it is not obliged to. EMCa considers that while DBP may choose not to charge shippers, this does not shift the responsibility to pay these costs to other parties. EMCa consider it a reasonable interpretation that, where a given party is designated as responsible for

certain expenses, it is not consistent to assume that these expenses should be charged instead to other parties.

48. Based solely on interpretation of the provisions of the Reference Services Contract, EMCa consider that metering is at the expense of relevant Shippers, unless it relates to existing stations.

49. DBP does not agree with EMCa and the ERA's position, which assumes that, where for any reason DBP is entitled to recover costs directly from shippers, but cannot, or choose not to do this for practical reasons, expenditure is non-conforming. DBP is not clear why this would be the default position.

50. The ERA considers that if a cost can be recovered directly from a shipper, but this cost is not recovered from the shipper or shippers directly, and instead the costs are socialised and recovered from all shippers[11], that these costs cannot be considered prudent and efficient. These costs could have been recovered outside of the regulated asset base, therefore reducing the costs of all other shippers on the network.

51. DBP submitted that the proposed change would be inconsistent with the National Gas Objective and NGR. DBP considered that its historical approach to allocating costs associated with stay-in-business projects is necessary to ensure DBP is able to best meet obligations for the prudent and efficient delivery of pipeline services, consistent with achieving the lowest sustainable cost of providing those services.

52. The ERA considers that recovering costs from shippers where appropriate and not making all users of the pipeline pay costs above what they are required to, meets the National Gas Objective, in particular by achieving the lowest sustainable cost of providing the services.

53. DBP considers the relevant criteria for conforming capital expenditure is provided in NGR 79 (New capital expenditure criteria). DBP considers that neither EMCa nor the ERA provide reasonable justification why stay-in-business capital expenditure on post-1995 meter stations, which have been deemed conforming in every access arrangement for the past 25 years, are now considered to no longer satisfy the criteria under NGR 79. DBP submits that there is nothing in NGR 79 that states or implies that costs that could otherwise be recovered directly from shippers (causers) are non-conforming.

54. The ERA contends that there is also nothing in NGR 79 that states or implies that costs that could otherwise be recovered directly from shippers (causers) and were not, are conforming capital expenditure. NGR 79 does not specifically mention a situation like this other than to say the expenditure would be incurred by a prudent service provider acting efficiently to achieve the lowest sustainable cost of providing the services.

55. The ERA considers that a prudent service provider would, if they had the opportunity to, not pass on costs to all shippers that it has the ability to recover from individual shippers or a smaller number of shippers.

56. The ERA notes that the way these costs are to be treated is a change from previous access arrangements. The ERA notes that while this provision has been in the reference services terms and conditions in previous access arrangements, it has not been applied by the ERA.

11 Including those that do not use that inlet or outlet point.

57. The ERA considers this provision should be applied to ensure that there is no double recovery of these costs directly from the shipper and then again in the reference service tariff. In addition, as DBP has stated for other projects, this approach would not put upward pressure on the regulated tariff.

58. However, as this is a change from previous access arrangements it should only apply from AA6 onwards. The ERA considers that the expenditure undertaken during AA5 was based on the determination made in the AA5 access arrangement and that to remove this expenditure might not give DBP the opportunity to now recover it from shippers in retrospect.

59. The ERA notes that this change in approach to the treatment of post-1995 meter stations was signalled in the draft decision and DBP had an opportunity to make any amendments to the Reference Services Contract terms and conditions, however no additional changes to the terms and conditions relating to this matter were included in DBP's revised proposal.

60. Based on all the information available, the ERA consider that a prudent and efficient service provider would be mindful of pipeline costs that could be avoided by having shippers pay and have then not form part of the regulated asset base.

61. As a result, the ERA considers that the full $17.0 million in AA5 metering capital expenditure is conforming capital expenditure.

Other depreciable

62. In the draft decision, the ERA accepted DBP's initial proposal of $9.7 million for other depreciable assets capital expenditure in AA5 as conforming capital expenditure. In its revised proposal, DBP has maintained its proposed AA5 expenditure of $9.7 million for other depreciable assets capital expenditure.

63. The ERA has reviewed DBP's revised proposal and notes that the expenditure incurred is for the same business cases as approved in the draft decision.

64. As a result, the ERA considers that the $9.7 million incurred by DBP for AA5 other depreciable assets capital expenditure is conforming capital expenditure.

Computers and motor vehicles

65. In the draft decision, the ERA did not accept DBP's initial proposal of $57.0 million for computers and motor vehicles capital expenditure in AA5. The ERA determined that $41.2 million of the expenditure was conforming capital expenditure.

66. The ERA excluded expenditure related to one project, the "OneERP S/4HANA implementation" project.[12] DBP proposed expenditure of $28.1 million for this project, of which the ERA considered only $12.3 million as conforming capital expenditure.

67. The OneERP project was undertaken by DBP's parent entity AGIG with DBP allocated a share of the costs between 2020 to 2023. In AA4, the ERA allowed for the

[12] OneERP was an enterprise-wide project undertaken by DBP's parent organisation, AGIG, to implement an enterprise resource planning suite into the organisation and subsidiaries. AGIG's chosen software to implement was SAP S/4HANA

commencement of the work at a value of $3.5 million and provided a further allowance of $11.5 million in AA5.

68. The initial vendor did not perform and after protracted delays, increased costs and an unsatisfactory level of gaps and defects, AGIG replaced the initial vendor and restructured the project. DBP was allocated $28.1 million in costs for this project in AA5.

69. The ERA determined in its draft decision that the proposed capital expenditure was not prudent and efficient expenditure and paying more than twice the original tendered value and proposed budget for the project, without receiving any advanced functionality and or efficiency benefits, cannot be considered efficient and prudent expenditure.

70. In its revised proposal, DBP has maintained its proposed $57.0 million for computers and motor vehicles capital expenditure in AA5 and has included the full $28.1 million for the OneERP project as conforming capital expenditure. DBP's primary points of contention were:

- Ex-post review should not be led by hindsight: "It is not reasonable to conclude that the subsequent costs resulting from the decision to appoint [the original] vendor are, in hindsight, non-conforming."[13]
- Original forecast was wrong: "A significant portion of the overspend compared to the 2019 (AA5) estimate was due to an original under forecast and not an inefficient delivery'. Also that '…just because the original forecast was wrong, does not automatically mean the variance in costs is non-conforming."[14]
- Cost was prudent and efficient in the circumstances: DBP asserts that "all the implementation costs incurred were necessary in the circumstances" and that "the actions AGIG took to address an underperforming vendor during an extraordinary economic period and through a pandemic were those of a prudent service provider, acting efficiently."[15]
- Cost benchmarks with peers: "The end cost of implementing the S/4HANA solution is comparable with peers, is appropriate for an IT project of this scale and complexity and that the original forecast was substantially underestimated."[16]
- Write-down across whole project spend is not justified: "We do not believe it is appropriate under the ex-post regulatory review to apply this 50% assumption to the entire project, thereby effectively writing down half the costs incurred during the AA4 period."[17]

71. In its revised report, EMCa has addressed DBP's points of contention. EMCa considers:

- It is a reasonable position that an *ex-post* review should not be based on hindsight, and that this was not the basis on which EMCa undertook its assessment of DBP's initial proposal, nor did it reflect the approach in its revised report.

13 DBNGP Revised Final Plan – Attachment 9.12 – OneERP, August 2025, p.18
14 DBNGP Revised Final Plan – Attachment 9.12 – OneERP, August 2025, page 4
15 DBNGP Revised Final Plan – Attachment 9.12 – OneERP, August 2025, page 2
16 DBNGP Revised Final Plan – Attachment 9.12 – OneERP, August 2025, page 2
17 DBNGP Revised Final Plan – Attachment 9.12 – OneERP, August 2025, page 5

- It is reasonable that variances between actual cost and an original forecast do not automatically mean that the variance is non-conforming. However, original forecasts are reasonable factors to consider, since at some stage these were held to represent the business' most reasonable cost estimate and were the estimate that the regulator assessed for that prior decision.
- DBP's statement to prudency and efficiency "in the circumstances" seeks to qualify the meaning of the relevant NGR criteria, since there will always be circumstances that have led to a particular cost being incurred. Such an interpretation is not compatible with the NGR criteria. While risk factors can impact a project outcome, it is not reasonable for a project that was significantly impaired as a result of an underperforming vendor, and that took twice as long as planned to deliver and with a major cost overrun, to be considered prudent and efficient. It is consistent with the NGR for customers to be charged based on a reasonable assessment of the costs of a prudent and efficient provider, but which may not always reflect the costs that the actual provider incurs.
- It is useful that DBP has provided some benchmark comparator information in its revised proposal. EMCa agreed with DBP's statement that this does suggest that its original forecast was substantially underestimated. However, the provision of benchmarking information in itself does not demonstrate that its proposed expenditure meets the NGR criteria for conforming capital expenditure.
- In considering alternative AA5 conforming capital expenditure for the project, the project must be assessed as a whole total cost. The expenditure on the project that had already been deemed conforming capital expenditure for AA4 remained unchanged and that the disallowance of non-conforming capital expenditure related to DBP's AA5 expenditure.

72. DBP provided additional information on the project including a breakdown of the cost of the project. This cost breakdown and explanatory information provide further insights that assisted EMCa with its assessment. EMCa grouped the costs of the project to consider the extent to which the grouped items of expenditure fall within a reasonable proportionate range for IT projects of this nature.

73. EMCa's analysis indicated that DBP's costs were broadly within the range of proportions for each category of services undertaken, though the implementation services costs were at the top of the range. EMCa concluded that this was understandable as it included the implementation services of the original vendor and the replacement vendor, and with the extended amount of 'project management' and assurance, which also involved two vendors.

74. EMCa formed the view that an IT implementation in which a vendor fails to deliver, the project is paused, and the vendor is then replaced to complete the project, is not a prudent and efficient implementation. DBP's own advisor noted:

> Once it became evident that [the original vendor] was not capable of contract performance [DBP had to] replace [the original vendor] with [the replacement vendor], which resulted in significant additional project and change request costs to complete the project.[18]

[18] DBP advice letter from A&O Shearman, 13 August 2025, provided as Appendix B to DBP's response

75. EMCa sought to identify those costs that resulted directly or indirectly from the failure of DBP's original vendor and to quantify the 'significant additional costs' that it incurred. The following costs were identified:

- Of the [redacted] change requests of $2.0 million, DBP's information indicates that 42 per cent of this was for program delays "in part due to pandemic restrictions and [redacted] underperformance." This comprises $0.84 million.
- DBP's payment of $2.1 million to its original vendor would not have been required if that vendor had delivered.
- Gap assessment of $0.4 million would not have been required if the vendor had delivered.
- DBP's payments to [redacted] totalling $1.4 million were important in identifying [redacted] failure to deliver. However, when taken in conjunction with the $1.7 million paid to [redacted] to continue what was in effect a similar service, the aggregate of such costs clearly result in part directly from dealing with [redacted] underperformance and in part from the effective doubling of the project timeframe, and the consequent need to engage such services over this protracted timeframe. EMCa considered that a reasonable approach would be to combine these costs (totalling $3.1 million) but to discount them by one-third in determining a prudent and efficient amount. This reflects a view that, while a purely time-based approach could suggest halving the amount (to account for the doubling of project duration) there is an element of additional value that DBP would have gained from employing the two providers, albeit at different stages of the project.
- The costs for third-party contractors, DBP internal resources and AGIG internal resources total $7.5 million. While the majority of this work would have been required regardless of the performance of the principal vendor, a degree of inefficiency would inevitably have resulted from dealing with vendor non-performance and the protracted project timeframe. EMCa conservatively estimate the impact of this at 20 per cent, being $1.5 million.

76. EMCa considered that the benchmarking information is consistent with DBP's claim that its original estimate of $12.9 million was understated. However, EMCa did not consider that it provided the support that DBP claims for the comparability of its eventual actual cost. While the benchmarking and cost comparator information that DBP presented provides some form of context of the costs that it has incurred, it does not validate its actual costs as prudent and efficient.

77. As a result of its assessment, EMCa has proposed an alternative conforming capital expenditure value for the OneERP project. The cost breakdown provided by DBP was in nominal dollars, with EMCa removing the costs that resulted directly or indirectly from the failure of DBP's original vendor set out above. This reduction of costs equated to a percentage reduction of 20 per cent of DBP's proposed expenditure.

78. This percentage reduction was then applied to DBP's actual claimed cost of $31.6 million (AA4: $3.5 million plus AA5: $28.1 million) resulting in a $6.5 million reduction to the total project cost, making it $25.1 million.

79. The $3.5 million already incurred and approved as conforming capital expenditure from AA4 was maintained, leaving a conforming capital expenditure for the AA5 period of $21.6 million.

80. The ERA has reviewed DBP's revised proposal and EMCa's revised report. The ERA notes that DBP has stated that this project was understated significantly. This raises concern around DBP's project management processes at the planning stages of projects.

81. Putting aside DBP's project management of this project, the ERA maintains the position that the full costs of a project with failures of the magnitude that required the replacing of the implementation vendor and also of the project management vendor cannot be considered prudent and efficient.

82. The ERA notes DBP's benchmarking information and considers that it validates DBP's position that the original estimate was grossly understated. The ERA does not however, consider that this validates DBP's actual costs incurred for the project as being prudent and efficient.

83. The ERA agrees with EMCa's calculation of an alternative cost for the total project and subsequent breakdown between AA4 and AA5 costs. As a result, the ERA determines that $21.6 million can be regarded as prudent and efficient expenditure for the OneERP project in AA5.

84. As noted above, the ERA in the draft decision accepted all other costs in the computer and motor vehicles asset category (apart from the OneERP project) and that DBP has resubmitted these projects unchanged in its revised proposal.

85. Consequently, the ERA considers the total $50.5 million of the incurred capital expenditure by DBP in AA5 for computers and motor vehicles is conforming capital expenditure.

Cathodic/corrosion protection

86. In the draft decision, the ERA accepted DBP's initial proposal of $24.8 million for cathodic/corrosion protection capital expenditure in AA5 as conforming capital expenditure. In its revised proposal, DBP has again proposed AA5 expenditure of $24.8 million for cathodic/corrosion protection capital expenditure costs.

87. The ERA has reviewed DBP's revised proposal and note that the expenditure incurred is for the same business cases as approved in the draft decision.

88. As a result, the ERA considers the total $24.8 million incurred by DBP for AA5 cathodic/corrosion protection capital expenditure is conforming capital expenditure.

SCADA, ECI and communications

89. In the draft decision, the ERA accepted DBP's initial proposal of $78.5 million for Supervisory Control and Data Acquisition (SCADA), Electrical Control and Instrumentation (ECI) and communications capital expenditure in AA5 as conforming capital expenditure. In its revised proposal, DBP maintained its AA5 expenditure of $78.5 million for SCADA, ECI and communications capital expenditure costs.

90. The ERA has reviewed DBP's revised proposal and note that the expenditure incurred is for the same business cases as approved in the draft decision.

91. As a result, the ERA considers that the $78.5 million incurred by DBP for AA5 SCADA, ECI and communications capital expenditure is conforming capital expenditure.

Buildings

92. In the draft decision, the ERA did not accept DBP's initial proposal of $6.9 million for buildings capital expenditure in AA5 as conforming capital expenditure. The ERA determined that only $4.9 million of DBP's initial proposal was conforming capital expenditure.

93. In its revised proposal, DBP has proposed AA5 expenditure of $5.9 million for buildings capital expenditure, being $1.0 million more than the ERA's draft decision and $1.0 million less than DBP's initial proposal.

94. DBP has again proposed four projects within the building asset category for AA5. The ERA accepted in full three of the four projects in the draft decision, with the Jandakot redevelopment being only partially accepted as conforming capital expenditure.

95. DBP's revised proposal includes the same expenditure value for the three approved projects in the ERA's draft decision with the $1.0 million reduction in the building asset category relating to the Jandakot redevelopment project.

96. As a result, the ERA considers the three approved projects from the draft decision to be conforming capital expenditure.

97. For the Jandakot redevelopment, DBP originally proposed $2.8 million of which the ERA determined in the draft decision that $0.7 million met the criteria to be considered conforming capital expenditure. DBP has revised its proposal to $1.7 million.

98. In the draft decision, the ERA determined that DBP's AA5 expenditure for the Jandakot redevelopment was excessive and premature based on the delay in the project from AA5 into AA6 and a lack of evidence of a coherent long-term strategic assessment of DBP's accommodation and facilities needs for the site.

99. In its revised proposal, DBP updated its forecast for the remainder of 2025 and revised its expenditure down to $1.72 million from $2.78 million in its initial proposal. DBP considers these costs were (and continue to be) necessary to deliver the redevelopment project.

100. EMCa noted that it saw evidence of DBP's more mature planning for the Jandakot redevelopment in its revised proposal and that the amount proposed is considerably less than DBP had initially proposed.

101. EMCa considered the expenditure to be reasonably proportionate relative to the overall cost of the redevelopment and that DBP has now also provided more substantial justification for these costs as part of the revised proposal documentation for the redevelopment project.

102. DBP has provided substantially more detail regarding the Jandakot redevelopment in its revised proposal to consider the expenditure as conforming capital expenditure. As set out later in the AA6 capital expenditure section of this final decision, the ERA considers that the Jandakot redevelopment project is justified at a significantly increased value than the ERA approved in the draft decision.

103. As a result, the ERA considers that the AA5 expenditure for the Jandakot site redevelopment which was for project scoping, design and development application costs is conforming capital expenditure at the DBP proposed value of $1.7 million.

ERA decision – Opening capital base

104. The ERA has considered information provided by DBP, public submissions and EMCa to determine the amount of capital expenditure that meets the requirements of the NGR.

105. Table 4.6 provides the ERA's adjustments to DBP's proposed AA5 capital expenditure and Table 4.7 sets out the ERA's final decision conforming capital expenditure by asset class.

Table 4.6: ERA adjustments to DBP AA5 capital expenditure by asset class ($ million, real 31 December 2024)

Asset Class	DBP revised proposal	ERA adjustment	Conforming AA5 capital expenditure	Variance %
Pipeline	3.6	0.0	3.6	
Compression	15.4	0.0	15.4	
Metering	17.0	0.0	17.0	
Other depreciable	9.7	0.0	9.7	
Computers and motor vehicles	57.0	(6.5)	50.6	(11.3)
Cathodic/corrosion protection	24.8	0.0	24.8	
SCADA, ECI and comms	78.5	0.0	78.5	
Buildings	5.9	0.0	5.9	
Total	**211.9**	**(6.5)**	**205.3**	**(3.1)**

Source: ERA Analysis

Table 4.7: ERA amended conforming capital expenditure for AA5 by Asset Class ($ million, real 31 December 2024)

Asset class	2021	2022	2023	2024	2025 (forecast)	Total
Pipeline	0.0	2.5	1.1	0.0	0.0	**3.6**
Compression	3.2	4.1	5.1	1.6	1.3	**15.4**
Metering	4.7	2.9	3.6	3.3	2.5	**17.0**
Other depreciable	2.9	2.7	0.5	1.8	1.8	**9.7**
Computers and motor vehicles	14.8	6.5	14.9	5.2	9.2	**50.6**
Cathodic/corrosion protection	4.8	6.1	6.9	3.9	3.0	**24.8**
SCADA, ECI and comms	9.2	16.5	16.7	20.9	15.1	**78.5**
Buildings	0.6	1.2	(0.2)	1.0	3.3	**5.9**
Total	**40.1**	**42.5**	**48.6**	**37.8**	**36.3**	**205.3**

Source: ERA Analysis

106. The ERA's determined closing capital base for AA5 (opening capital base for AA6) is set out in Table 4.8 below.

Table 4.8: ERA determined closing capital base for AA5 ($ million, real 31 December 2024)

	2021	2022	2023	2024	2025
Capital base at 1 January	3,994.4	3,822.0	3,729.5	3,640.8	3,541.0
PLUS: Conforming capital expenditure	40.1	42.5	48.7	37.7	36.2
PLUS: Equity raising costs	2.4	1.8	1.6	1.8	1.7
LESS: Disposals and redundant assets	0.0	0.0	0.0	0.0	0.0
LESS: Depreciation	214.9	136.8	139.0	139.3	140.9
Total	**3,822.0**	**3,729.5**	**3,640.8**	**3,541.0**	**3,438.0**

Source: ERA Analysis

Required amendment 4.1

The opening capital base for AA6 (closing capital base for AA5) must be amended in the access arrangement information to reflect the values in Table 4.8 of Final Decision Attachment 4.

Projected capital base

107. DBP's revised proposal included a closing value for the projected capital base for AA6 of $2,898.6 million at 31 December 2030. Table 4.9 details DBP's revised proposal opening capital base calculation.

Table 4.9: DBP projected capital base for AA6 ($ million, real 31 December 2024)

	2026	2027	2028	2029	2030
Capital base at 1 January	3,444.5	3,337.9	3,243.0	3,139.0	3,027.5
PLUS: Conforming capital expenditure	53.2	66.8	58.4	49.1	34.4
PLUS: Equity raising costs	1.5	1.6	1.6	1.3	1.1
LESS: Disposals and redundant assets	0.0	0.0	0.0	0.0	0.0
LESS: Depreciation	(161.3)	(163.2)	(164.0)	(161.9)	(164.5)
Total	**3,337.9**	**3,243.0**	**3,139.0**	**3,027.5**	**2,898.6**

Source: DBNGP – Response to the Draft Decision, Attachment 14.1A, Revised Final Plan Model.

108. DBP's revised proposal includes $261.9 million for capital expenditure in the AA6 period as set out by asset class in Table 4.10 below.

Table 4.10: DBP revised proposed conforming capital expenditure for AA6 by asset class ($ million, real 31 December 2024)

Asset class	2026	2027	2028	2029	2030	Total
Pipeline	0.2	0.2	0.2	0.3	0.2	**1.0**
Compression	6.7	5.8	6.6	4.6	4.1	**27.7**
Metering	4.0	3.8	4.9	4.2	4.1	**21.0**
Other depreciable	1.4	1.6	1.1	1.3	1.1	**6.4**
Computers and motor vehicles	17.3	11.3	7.7	11.1	6.8	**54.1**
Cathodic/corrosion protection	5.3	4.7	4.4	4.3	4.2	**22.8**
SCADA, ECI and comms	17.0	16.0	15.7	16.9	12.9	**78.5**
Buildings	1.4	23.4	17.8	6.6	1.2	**50.3**
Total	**53.2**	**66.8**	**58.4**	**49.1**	**34.4**	**261.9**

Source: DBNGP – Response to the Draft Decision, Revised Final Plan - Attachment 9.6A, Capital Expenditure Model 2026-30, August 2025

109. The ERA assessed DBP's proposed capital expenditure forecast for AA6 in accordance with the NGR using a three-step approach:

- Consider whether the expenditure satisfies the prudent service provider test set out in rule 79(1)(a) of the NGR.
- Evaluate whether the expenditure is justifiable on the grounds set out in rule 79(2) of the NGR.
- Assess whether forecasts and estimates comply with rule 74(2) of the NGR.

Labour cost escalation

110. In determining the conforming capital expenditure for DBP's AA6 proposed expenditure, the ERA has reviewed DBP's labour cost escalation rate used in its revised proposal.

111. DBP's model includes a labour cost escalator of 0.67 per cent and a labour weighting of 38 per cent. The ERA accepts DBP's labour weighting of 38 per cent. However, the ERA does not accept that the labour cost escalator of 0.67 per cent remains the best estimate.

112. The ERA has adopted a labour escalation formula used in previous access arrangements and data from the Western Australian Treasury forecasts for Wage Price Index (WPI) and Consumer Price Index (CPI) to calculate a labour cost escalator.

113. Based on the latest available WA Treasury data, the ERA has determined a labour cost escalator of 0.63 per cent to be used in the escalation of AA6 proposed expenditure.

114. As a result of applying this revised labour cost escalator, values which the ERA determined in the draft decision, and which were subsequently accepted by DBP in its revised proposal have changed. In the assessment of each asset class below, where this occurs it will be noted.

Compression

115. In the draft decision, the ERA did not accept DBP's initial proposal of $33.3 million for compression capital expenditure in AA6. The ERA determined that $24.0 million of the expenditure was prudent and efficient capital expenditure. In its revised proposal, DBP has proposed $27.7 million for compression capital expenditure in AA6 which is $5.6 million less than its initial proposal but $3.7 million more than the draft decision.

Table 4.11: AA6 compression expenditure comparison ($ million, real 31 December 2024)

Business case	DBP initial proposal	ERA draft decision	DBP revised proposal
DBP01: Compressor stations	17.3	12.4	14.0
DBP02: Pipeline and MLV	2.3	2.0	2.3
DBP18: Turbine exhaust replacement	5.8	5.2	5.8
DBP38: Structures & operations sites	8.0	4.3	5.7
Total	**33.3**	**24.0**	**27.7**

Source: ERA analysis.

116. In the draft decision the ERA applied a 10 per cent reduction to all business case projects in the compression expenditure category. This reduction was made as a result

of an observation that many unit rates used were highly rounded indicating a relatively low level of maturity of the project budgets.

117. The additional information provided in the revised proposal and the significant adjustments made to a number of projects by DBP has resulted in a greater number of instances where DBP's forecasts now align adequately with its historical unit rates. Accordingly, the ERA no longer considers that an across the board 10 per cent reduction is required and should be considered on an individual project basis.

118. As a result, the ERA accepts DBP's proposal for business case DBP02 (Pipeline and MLV) of $2.3 million and DBP18 (Turbine exhaust replacement) of $5.8 million, which in the draft decision had a reduction of 10 per cent each for unit rates.

DBP38 (Structures & operations sites)

119. EMCa noted for DBP38 (Structures & operations sites), that DBP has accepted the draft decision for projects in this business case, except for the Working at Heights project and with respect to application of the 10 per cent overall unit cost adjustments.

120. DBP has provided additional information of the requirement for this project, which EMCa considered now provides sufficient evidence of a reasonable forecast. For the other projects, DBP has accepted the reductions in the draft decision, which EMCa considered allayed its concerns regarding the extent to which these represented speculative allowances for relatively undefined potential projects.

121. Based on DBP's additional information and its acceptance of other project reductions the ERA considers that DBP's revised proposal for DBP38 is prudent and efficient.

DBP01 (Compressor stations)

122. DBP has adjusted cost downwards for a number of its projects in the DBP01 business case. EMCa noted that DBP's revised plan reflects the result of a reasonable and prudent challenge process that has led it to reduce these forecasts.

123. EMCa has reviewed the projects that make up the business case and consider that for the majority of the projects the revised forecast is now reasonable compared to historical unit cost information. However, for two projects EMCa considered that DBP has not provided evidence to support its costings and, absent this, considered that the concerns it had regarding rounded-up cost estimation that it raised in its initial report continue to apply for these two projects.

124. The ERA considers the lack of supporting evidence for these two projects and the rounded-up forecast costings leads to the same conclusion as in the draft decision that these projects are not sufficiently mature to consider the forecast reasonable and as a result require a reduction to the unit rates of 10 per cent.

125. The reduction results in $0.2 million being removed from the forecast for business case DBP01.

ERA decision

126. The ERA considers that $0.2 million of DBP's revised proposed $27.7 million forecast for AA6 compression expenditure is not prudent and efficient expenditure. As a result, the ERA considers that $27.5 million in forecast expenditure for compression in AA6 is prudent and efficient.

Metering

127. The ERA accepted $18.8 million of metering forecast capital expenditure in the draft decision as prudent and efficient out of DBP's initial proposal of $31.8 million. The $13.0 million of excluded forecast expenditure was for, in part or whole, non-existing stations which the ERA considered should be recovered from shippers directly. Another project was excluded for a lack of information.

128. All reductions in the draft decision related to business case 15 (meter stations). Within this business case DBP proposed 15 projects. The ERA made amendments to five of those projects. The ERA accepted all other metering expenditure in the draft decision.

129. In its revised proposal, DBP has proposed $21.0 million in metering forecast capital expenditure. DBP accepted the removal of two projects in full as determined in the draft decision. DBP resubmitted the remaining three projects that were amended in the draft decision in full in its revised proposal. Those three projects relate to the issue around non-existing stations, as already discussed in the AA5 metering section of this document.

130. As set out in the AA5 metering section discussion, the ERA has maintained the view that if DBP has the ability to recover costs directly from a shipper then it should act prudently and efficiently and do so and not force these costs on to all shippers.

131. As a result, the ERA has maintained the amendments made in the draft decision for two of the projects which related to non-existing stations. For the third project which was rejected based on a lack of information, DBP has provided some additional information. EMCa has reviewed this information and considers that the project is reasonable, however DBP did not provide detailed information about where the spare meters would be used. As a result, EMCa presumed that some of these meters would be used at existing stations and accordingly has pro-rated the forecast value proposed by DBP.

132. As a result, the ERA has determined that $2.0 million of DBP's proposed expenditure does not meet the criteria for conforming capital expenditure. The ERA determines that $19.0 million of DBP's forecast capital expenditure for metering assets in AA6 is prudent and efficient.

Cathodic/corrosion protection

133. The ERA accepted $20.4 million of cathodic/corrosion protection forecast capital expenditure in the draft decision as prudent and efficient out of DBP's initial proposal of $23.6 million. The majority of this reduction related to the expenditure around non-existing stations with a small amount relating to a 10 per cent reduction of the pipeline business case to reduce proposed costs down to a more reasonable allowance.

134. DBP accepted the 10 per cent reduction to the pipeline business case in its revised proposal, but did not accept the reduction to the Meter stations business case for non-existing stations. DBP's revised proposed AA6 capital expenditure for cathodic/corrosion protection is $22.8 million.

135. As set out in the AA5 metering section, the ERA has maintained the view that if DBP has the ability to recover costs directly from a shipper then it should act prudently and efficiently and do so and not recover these costs from all shippers.

136. Accordingly, the ERA has made the same amendments to projects in the metering stations business case as it did in the draft decision. The ERA determines that

$2.4 million of the proposed expenditure is not prudent and efficient expenditure. The ERA determines that $20.4 million of DBP's forecast capital expenditure for cathodic/corrosion protection in AA6 is prudent and efficient.

Pipeline

137. In the draft decision, the ERA accepted DBP's initial proposal of $1.0 million for forecast pipeline expenditure in AA6 as prudent and efficient. In its revised proposal, DBP has maintained forecast AA6 expenditure of $1.0 million for pipeline expenditure costs.

138. The ERA has reviewed DBP's revised proposal and notes that the expenditure proposed is for the same business cases as approved in the draft decision.

139. As a result, the ERA considers the projects under the pipeline asset category for AA6 are justified and the proposed AA6 capital expenditure of $1.0 million is prudent and efficient.

SCADA, ECI and communications

140. The ERA did not accept DBP's initial proposal of $81.2 million for forecast SCADA, ECI and communications expenditure in the draft decision. The ERA determined that $78.5 million of the expenditure was prudent and efficient expenditure. In its revised proposal, DBP accepted the ERA's draft decision forecast of $78.5 million in SCADA, ECI and communications forecast expenditure.

141. The ERA has reviewed DBP's revised proposal and notes that the expenditure proposed is for the same business cases as approved in the draft decision.

142. As a result, the ERA considers the projects under the SCADA, ECI and communications asset category for AA6 are justified and the proposed AA6 capital expenditure of $78.5 million is prudent and efficient.

Computers and motor vehicles

143. In the draft decision, the ERA did not accept DBP's initial proposal of $59.0 million for computers and motor vehicles capital expenditure in AA6. The ERA determined that $44.1 million of the expenditure was prudent and efficient capital expenditure. In its revised proposal, DBP has proposed $54.1 million for computers and motor vehicles capital expenditure in AA6, which is $4.9 million less than its initial proposal but $10.0 million more than the draft decision.

Table 4.12: AA6 computers and motor vehicles expenditure comparison ($ million, real 31 December 2024)

Business case	DBP initial proposal	ERA draft decision	DBP revised proposal
DBP03: Operating technology	3.9	3.9	3.9
DBP17: Fleet and civil equipment	12.7	11.8	12.7
DBP21: Corporate IT sustaining apps	21.4	10.3	18.2
DBP23: Cyber security	6.4	6.4	6.4

Business case	DBP initial proposal	ERA draft decision	DBP revised proposal
DBP30: IT sustaining infrastructure	14.5	11.6	12.8
DBP38: Structures & operations sites	0.2	0.2	0.2
Total	**59.0**	**44.1**	**54.1**

144. In the draft decision, the ERA accepted DBP's initial proposal for computers and motor vehicles for business cases DBP03 (operating technology), DBP23 (cyber security) and DBP38 (structures & operations sites). DBP has accepted the ERA's draft decision and submitted the same values for these three business cases in its revised proposal.

145. As a result, the ERA considers that the proposed expenditure for business cases DBP03, DBP23 and DBP38 in the computers and motor vehicles asset category are prudent and efficient forecasts.

DBP17 Fleet and civil equipment

146. In the draft decision, the ERA determined that $11.8 million of DBP's proposed $12.7 million for fleet and civil equipment was prudent and efficient forecast expenditure.

147. The $0.9 million reduction related to a 10 per cent reduction to the fleet vehicles project. The draft decision accepted DBP's preferred option for fleet vehicle replacements however it was noted that DBP had a policy of seeking to extend the life of vehicles based on assessment of the vehicle condition which DBP did not appear to have considered as part of its replacement program, resulting in the 10 per cent reduction to the project.

148. In its revised proposal, DBP maintained its forecast expenditure of $12.7 million. In response to the draft decision, DBP noted that it is applying life extension strategies to approximately 26 per cent of its total fleet and that an additional 10 per cent reduction would result in only 54 vehicles being replaced instead of the 60 it proposes. This would result in 34 vehicles remaining over the 150,000km threshold, being almost a third of its fleet.

149. EMCa has reviewed DBP's revised proposal for fleet and civil equipment. EMCa noted that while DBP's proposed replacement program does leave it with a number of vehicles having travelled more than 150,000km, by DBP's own explanation this is not a hard threshold where continued operation is at a non-acceptable risk level.

150. EMCa noted that DBP claims that evidence of its condition-based life extension is that it has not proposed its "option 3", which would have replaced all vehicles of 150,000km. DBP currently has 60 of its 106 vehicles over the threshold in 2025. Under DBP's preferred option, DBP would replace 60 vehicles in AA6, but would still have 28 vehicles over the 150,000 km threshold by the end of AA6. The proposed 10 per cent reduction would add an additional six vehicles to this list.

151. EMCa noted that DBP states that it maintains its vehicles in line with manufacturers' requirements and that it experiences good reliability and durability. EMCa considers that it will find it is able to continue to operate its fleet reliability with far fewer very high mileage vehicles, albeit still with a number being prudently managed beyond 150,000km.

152. The ERA has reviewed DBP's revised proposal and notes that DBP has stated that it would have liked to undertake option 3 in which it replaces 80 vehicles and has no vehicles over the 150,000km threshold at the end of AA6 from a risk reduction strategy but that DBP recognises a longer-term approach is required so as not to put upward pressure on the regulated tariffs.

153. As noted above, by replacing 60 vehicles in the period instead, DBP will still have 28 vehicles over the 150,000 km threshold at the end of AA6 which increases by six vehicles to 34 if the 10 per cent reduction in expenditure is applied. This would be a reduction of almost half of the vehicles which DBP currently has in 2025 with 60 vehicles over 150,000km.

154. The ERA considers that applying the 10 per cent reduction to DBP's revised proposal results in the most prudent option which allows additional savings but still at a position where the continued operation of the vehicles is at an acceptable balance between cost and risk..

155. As a result, the ERA determines that the prudent and efficient amount for AA6 fleet and civil equipment is $8.2 million.

DBP21 Corporate IT sustaining apps

156. In the draft decision, the ERA determined that $10.3 million of DBP's proposed $21.4 million for corporate IT sustaining apps was prudent and efficient forecast expenditure.

157. Of the $11.1 million in forecast expenditure excluded, $7.4 million was from four projects which were excluded in full. The remaining excluded expenditure came from reductions of 20 per cent from all the remaining projects except for one which had a 70 per cent reduction.

158. These exclusions and reductions were based on a number of reasons including the possibility of deferrals of some elements of the projects, a lack of benefit realisation from undertaking the projects, possible use of the services by non-regulated entities not being taking into account and business cases based on historical costs when the project was intended to include lower ongoing costs.

159. Of the 15 projects that made up the corporate IT sustaining apps business case in DBP's initial proposal, DBP's revised proposal has removed one project entirely, amended downwards eight projects and resubmitted six projects unchanged.

160. EMCa reviewed the business case projects and noted that DBP has made reductions to a number of the projects and accepted some aspects of the ERA's draft decision for corporate IT sustaining apps.

161. In its revised proposal, DBP provided additional information on a number of the projects which now provides reasonable evidence of the need to undertake the project and how the costings have been derived, including assurances that all costings relate only to the provision of regulated services. As a result. EMCa considered that DBP's revised proposal for corporate IT sustaining apps is now reasonable.

162. The ERA has reviewed the corporate IT sustaining apps business case and note that DBP has provided significant additional information to both justify the undertaking of the projects and that they relate to only regulated services. DBP has also assessed the need for all of the projects and has made a number of reductions of projects in line with

the draft decision determination. The ERA consider that DBP has now adequately justified the forecast expenditure of $18.2 million for this business case as being prudent and efficient.

DBP30 IT sustaining infrastructure

163. In the draft decision, the ERA determined that $11.6 million of DBP's proposed $14.5 million for IT sustaining infrastructure was prudent and efficient forecast expenditure.

164. Of the $2.9 million in forecast expenditure excluded, $0.6 million was from one project, - meeting room refresh - which was excluded in full due to a lack of information regarding the project. The remaining excluded expenditure came from reductions of 10 per cent to 20 per cent from all the remaining projects based on DBP finding opportunities to defer some elements of projects or find cost efficiencies, a lack of justification in the project documentation and some projects containing unreasonable allowances.

165. Of the 15 projects that made up the IT sustaining infrastructure business case, DBP made adjustments downwards to five of the projects, the remaining projects have been resubmitted in DBP's revised proposal unchanged from its initial proposal.

166. EMCa has reviewed the business case projects and noted that DBP has accepted some aspects of the ERA's draft decision for IT sustaining infrastructure and that it has reassessed the need for and /or ability to defer some projects and as a result considers that DBP's revised proposal for IT sustaining infrastructure is now reasonable.

167. The ERA has reviewed the IT sustaining infrastructure business case and notes that DBP has provided additional information along with a number of reassessments of projects in line with the draft decision determination. The ERA considers that DBP has now adequately justified the forecast expenditure of $12.8 million for this business case as being prudent and efficient.

Buildings

168. In the draft decision, the ERA did not accept DBP's initial proposal of $51.8 million for buildings capital expenditure in AA6. The ERA determined that $26.8 million of the expenditure was prudent and efficient capital expenditure. In its revised proposal, DBP has proposed $50.3 million for buildings capital expenditure in AA6, which is $1.5 million less than its initial proposal but $23.5 million more than the draft decision.

Table 4.13: AA6 buildings expenditure comparison ($ million, real 31 December 2024)

Business case	DBP initial proposal	ERA draft decision	DBP revised proposal
DBP10: Jandakot facility redevelopment	34.6	11.7	34.6
DBP38: Structures & operations sites	17.1	15.1	15.7
Total	**51.8**	**26.8**	**50.3**

DBP38 Structures & operations sites

169. In the draft decision, the ERA determined that $15.1 million of DBP's proposed $17.1 million of buildings expenditure for the structures & operations sites business case was prudent and efficient expenditure.

170. The $2.0 million reduction related to the Northern Hub at Karratha project which was rejected based on the information provided in DBP's initial proposal which was only at a preliminary stage and did not meet the criteria to be considered as prudent and efficient capital expenditure. The expenditure was for preliminary works and purchase of a site.

171. In its revised proposal, DBP has resubmitted expenditure for the Northern Hub, but at a reduced value of $0.6 million. All other projects in the structures & operations sites business case have remained unchanged.

172. DBP has noted that the $0.6 million is again for preliminary works, such as design and architectural planning, site surveying, and detailed construction planning. DBP no longer proposes an allowance to purchase a site within the AA6 period. DBP noted that it believed it could defer the purchase of the land until AA7 without much delay in delivery of the northern depot but would still need to undertake preliminary works during the AA6 period.

173. The ERA considered in the draft decision that there was a case for the project to be undertaken but that the information provided was too preliminary at the time for the scope of the project.

174. Based on DBP's reduction to its proposed expenditure for the Northern Hub and additional information on what preliminary works would be undertaken, the ERA considers that DBP has now met the criteria to consider this forecast expenditure as prudent and efficient.

175. As a result, the ERA considers that DBP's revised proposal of $15.7 million of structures & operations sites forecast expenditure in the buildings asset category is prudent and efficient expenditure.

DBP10 Jandakot facility redevelopment

176. In the draft decision, the ERA determined that $11.7 million of DBP's proposed $34.6 million of buildings expenditure in AA6 for the Jandakot redevelopment business case was prudent and efficient.

177. The Jandakot project was previously approved in the AA5 access arrangement as the project was to be undertaken in that period. However, due to the COVID-19 pandemic and subsequent disruptions, the project was deferred from AA5 into AA6. In AA5, the ERA approved expenditure for the project of $8.5 million (in $2019).

178. In its initial proposal for AA6, DBP resubmitted the Jandakot project at a significantly increased forecast of $34.6 million (in $2024). In the draft decision, the ERA accepted, as it did in AA5, that the project was justified, however the ERA was concerned by the lack of quality and sophistication of the documentation to justify its proposed expenditure. The initial proposal included a significant increase in forecast expenditure that was not justified.

179. The ERA determined that the main driver for the increase between access arrangements was due to a change in scope for the project and that without justification for the change in scope, the ERA could not consider the proposed capital expenditure for the Jandakot redevelopment to be prudent and efficient expenditure.

180. In the absence of this information, the ERA determined to escalate the approved AA5 value by inflation and by increased building construction costs to calculate a prudent and efficient AA6 forecast.

181. In its revised proposal, DBP did not accept the ERA's draft decision and resubmitted the Jandakot redevelopment at a forecast value of $34.6 million. DBP made a number of key points in response to the draft decision:

- The main reason for the increase in forecast cost was not due to increased scope. DBP stated that the main reason for the increase was that the original AA5 estimate was substantially under forecast.
- Construction costs have significantly increased post-pandemic.
- The design of the new site facility has shifted in line with changing workforce expeditions and retention strategies, and the inclusion of a [redacted]

182. DBP noted that at the time of the AA5 proposal, designs were preliminary, and costings had been conducted at a high level. DBP noted that in retrospect, the forecast for the 2019 proposal was immature and significantly underestimated. DBP noted that notwithstanding the increase in construction costs that followed the pandemic, even in a pre-pandemic market a more realistic cost estimate for the development of this magnitude would have been closer to $25 million to $30 million (in 2019 dollars).

183. DBP notes that the costs of redeveloping the neighbouring ATCO Jandakot site, which was delivered for a total cost of approximately $27 million between 2014 and 2019 validates DBP costs estimates.

184. EMCa has reviewed DBP's revised proposal for the Jandakot redevelopment and noted that DBP advised that the AA5 estimate was a high-level estimate and that this did not reflect the entire scope of works and listed twelve material items that it stated were omitted in its original costing. EMCa also noted that DBP states that it estimates the forecast error accounts for around $15 million of the variance between the AA5 and AA6 forecasts.

185. EMCa sought further information from DBP regarding these material items that were omitted in an effort to explain the increased costs. However, DBP's response did not provide the information it sought but rather reiterated that its original AA5 cost forecast was immature and that the magnitude of the underestimation is not relevant to the revised costs of the development.

186. EMCa noted that while DBP has not explained this element of the increase, it has now provided sufficient evidence that its original AA5 estimate of $8.5 million was significantly understated.

187. DBP noted in its revised proposal that there were two main scope changes between access arrangement submissions with the removal of overnight accommodation and the upgrading of the [redacted]. DBP has stated that these costs and savings essentially offset each other between submissions.

188. EMCa sought additional information from DBP regarding the increase in cost relative to its original AA5 estimate. DBP provided an additional document which set out what EMCa assumed to be current advice on the probable cost of the redevelopment. The document provided and itemised cost estimate totalling $41.3 million (in $2025 real terms), but also included tabulated saving suggestions which, when accounted for, reduce the cost estimate to $35.6 million.

189. EMCa considered that this information provided suitable evidence of a bottom-up costing, undertaken at a suitable level of detail and by an adviser qualified in cost management and quantity surveying.

190. As noted above, DBP presented the cost of ATCO's adjacent redevelopment as a useful comparison to validate DBP's cost estimates. EMCa reviewed this comparison and noted that in broad terms, it considered that there is a reasonable comparability between ATCO's redevelopment and that proposed by DBP.

191. EMCa considered that DBP's bottom-up costing presets as a reasonable, evidenced based estimate of the cost of the proposed redevelopment, and that this is further validated by comparison with the cost of the adjacent ATCO redevelopment.

192. EMCa sought additional information from DBP regarding the use of the facility after the redevelopment. In its initial report, EMCa observed that the Jandakot redevelopment was presented as an AGIG redevelopment, and the extent to which the facility might be used by DBP's non-regulated operations and wider AGIG operations was unclear.

193. The additional information from DBP identified that the redeveloped Jandakot facility will not be solely dedicated to the needs of the regulated DBNGP, and that the facilities to be provided will be utilised in part in the provision of wider AGIG services.

194. In response to an EMCa information request, DBP provided information that showed that a percentage of its employee costs were written to the provision of services other than for the DBNGP. EMCa then sought to understand DBP's current and planned staffing at Jandakot.

195. EMCa concluded that post-redevelopment staff numbers would be about 240, which would represent a doubling of staff from the current 120 that DBP advised. This would result in the relocations from head office comprising around 50 per cent of the post-redevelopment staff numbers.

196. EMCa considered that it was reasonable to assume that the current staff at Jandakot are essentially wholly assigned to DBNGP and that it is the relocated staff that are more likely to be writing a proportion of their time to non-DBNGP services. As a result, a simplified approximation would assume that the 50 per cent of post-redevelopment staff who are relocated would be writing 32 per cent of their time to non-DBNGP services (resulting in 16 per cent of all employees at Jandakot staff time being assigned to services other than DBNGP).

197. As a result, EMCa proposes a 16 per cent reduction to DBP's proposed capital expenditure for the Jandakot redevelopment to reflect the use of the facility for non-DBNGP services, resulting in a reasonable allowance of $29.1 million.

198. The ERA has reviewed DBP's revised proposal and EMCa's revised report. Firstly, the ERA is concerned with DBP's admission that its AA5 proposal was immature and was significantly understated. As noted previously, this significant underestimate of a major

project is not new to DBP with DBP's OneERP project also suffering from poor project planning and internal process reviews.

199. Setting this aside, the ERA accepts that DBP's AA5 submission was significantly understated which DBP has corrected in its AA6 submission. The ERA also, as it did in the draft decision, accepts that construction costs have increased significantly between submissions.

200. The ERA considers that DBP's AA6 submission is reasonable as evidenced by the bottom-up costing information provided by DBP and the cost comparison with the adjacent recent ATCO facility redevelopment.

201. As noted in EMCa's report, the redeveloped Jandakot facility will not be entirely utilised by the regulated DBNGP entity. The ERA considers the calculation undertaken by EMCa to be a reasonable basis on which to make a reduction to the expenditure costs for the project to account for the use by non-regulated entities and by the wider AGIG business.

202. As a result, the ERA determines that a reduction of $5.5 million, being 16 per cent of DBP's proposed $34.6 million be made to the Jandakot Facility Redevelopment project resulting in a prudent and efficient value of $29.1 million for the project.

Other depreciable assets

203. In the draft decision, the ERA accepted DBP's initial proposal of $6.4 million for forecast other depreciable assets expenditure in AA6 as prudent and efficient. In its revised proposal, DBP has again forecast AA6 expenditure of $6.4 million for other depreciable expenditure costs.

204. The ERA has reviewed DBP's revised proposal and note that the expenditure proposed is for the same business cases as approved in the draft decision.

205. As a result, the ERA considers the projects under the other depreciable asset category for AA6 are justified and the proposed AA6 capital expenditure of $6.4 million is prudent and efficient.

ERA decision – Projected capital base

206. The ERA has considered information provided by DBP, public submissions and EMCa's report to determine the amount of capital expenditure that meets the requirements of the NGR.

207. Table 4.14 provides the ERA's adjustments to DBP's revised proposed AA6 capital expenditure and Table 4.15 set out the ERA's draft decision amended conforming capital expenditure by asset class.

Table 4.14: ERA adjustments to DBP AA6 capital expenditure by Asset Class ($ million, real 31 December 2024)

Asset class	DBP revised proposal	ERA adjustment	Conforming AA6 capital expenditure	Variance %
Pipeline	1.0	0.0	1.0	
Compression	27.7	(0.2)	27.5	(0.8)
Metering	21.0	(2.0)	19.0	(9.4)
Other depreciable	6.4	0.0	6.4	
Computers and motor vehicles	54.1	(0.9)	53.2	(1.7)
Cathodic/corrosion protection	22.8	(2.4)	20.4	(10.6)
SCADA, ECI and comms	78.4	0.0	78.4	
Buildings	50.3	(5.5)	44.7	(11.0)
Total	**261.9**	**(11.1)**	**250.8**	**(4.2)**

Source: ERA analysis.

Table 4.15: ERA amended conforming capital expenditure for AA6 by Asset Class ($ million, real 31 December 2024)

Asset Class	2026	2027	2028	2029	2030	Total
Pipeline	0.2	0.2	0.2	0.3	0.2	**1.0**
Compression	6.6	5.7	6.6	4.5	4.0	**27.5**
Metering	3.6	3.4	4.5	3.8	3.7	**19.0**
Other depreciable	1.4	1.6	1.1	1.3	1.1	**6.4**
Computers and motor vehicles	17.1	11.1	7.5	10.9	6.6	**53.2**
Cathodic/corrosion protection	4.8	4.3	3.9	3.8	3.7	**20.4**
SCADA, ECI and comms	17.0	16.0	15.7	16.9	12.9	**78.4**
Buildings	1.2	20.7	15.1	6.6	1.2	**44.7**
Total	**51.9**	**63.0**	**54.6**	**48.0**	**33.3**	**250.8**

Source: ERA analysis

208. The ERA's determined closing capital base for AA6 (opening capital base for AA7) is set out in Table 4.16 below.

Table 4.16: ERA determined closing capital base for AA6 ($ million, real 31 December 2024)

	2026	2027	2028	2029	2030
Capital base at 1 January	3,438.0	3,334.0	3,237.0	3,130.5	3,018.3
PLUS: Conforming capital expenditure	51.9	63.0	54.6	48.0	33.3
PLUS: Equity raising costs	1.5	1.7	1.6	1.4	1.3
LESS: Disposals and redundant assets	-	-	-	-	-
LESS: Depreciation	157.4	161.7	162.7	161.5	164.0
Total	**3,334.0**	**3,237.0**	**3,130.5**	**3,018.4**	**2,888.9**

Source: ERA analysis

Required amendment 4.2

The projected capital base for AA6 (closing capital base for AA6) must be amended in the access arrangement information to reflect the values in Table 4.16 of Final Decision Attachment 4.

Appendix 1 List of Tables

Table 4.1: ERA Draft Decision determined closing capital base for AA5 ($ million, real 31 December 2024) 7
Table 4.2: ERA Draft Decision adjustments to DBP AA5 capital expenditure by asset class ($ million, real 31 December 2024) 7
Table 4.3: ERA Draft Decision determined closing capital base for AA6 ($ million, real 31 December 2024) 8
Table 4.4: ERA Draft Decision adjustments to DBP AA6 capital expenditure by asset class ($ million, real 31 December 2024) 9
Table 4.5: DBP's closing capital base for AA5 ($ million, real 31 December 2024) 13
Table 4.6: ERA adjustments to DBP AA5 capital expenditure by asset class ($ million, real 31 December 2024) 23
Table 4.7: ERA amended conforming capital expenditure for AA5 by Asset Class ($ million, real 31 December 2024) 24
Table 4.8: ERA determined closing capital base for AA5 ($ million, real 31 December 2024) 24
Table 4.9: DBP projected capital base for AA6 ($ million, real 31 December 2024) 25
Table 4.10: DBP revised proposed conforming capital expenditure for AA6 by asset class ($ million, real 31 December 2024) 25
Table 4.11: AA6 compression expenditure comparison ($ million, real 31 December 2024) 26
Table 4.12: AA6 computers and motor vehicles expenditure comparison ($ million, real 31 December 2024) 29
Table 4.13: AA6 buildings expenditure comparison ($ million, real 31 December 2024) 32
Table 4.14: ERA adjustments to DBP AA6 capital expenditure by Asset Class ($ million, real 31 December 2024) 37
Table 4.15: ERA amended conforming capital expenditure for AA6 by Asset Class ($ million, real 31 December 2024) 37
Table 4.16: ERA determined closing capital base for AA6 ($ million, real 31 December 2024) 38