Wesfarmers Chemicals, Energy & Fertilisers

Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth
Western Australia 6000

17 November 2025

Re: Wesfarmers Chemicals, Energy & Fertilisers submission on the proposed Dampier to Bunbury Natural Gas Pipeline Access Arrangement 6 (2026-2030) – further consultation

Dear Sir/Madam,

WesCEF appreciates the opportunity to comment on the Economic Regulation Authority's (ERA) Further Consultation Notice dated 10 November 2025 covering two topics: the treatment of overrun revenue; and the mechanism for demand uncertainty.

<u>Overrun revenue</u>

WesCEF is broadly supportive of the approach taken by the ERA on overrun revenue and agrees with the recognition of the revenue as reference service revenue. WesCEF maintains its objection to AGIG's proposed increase in the overrun rate as it already provides a premium to AGIG for the service and as outlined in WesCEF's second submission, it is increasingly difficult to avoid using overrun as renewable generation increases and gas peaker generation becomes more volatile. This latter point also suggests that overrun revenue is likely to increase, supporting ERA's recognition of the associated revenue as a part of reference services.

Returning the value of the overrun revenue to Shippers is also an important consideration. The method proposed, means that Shippers will not see the benefit for two years. Even though the revenue will be adjusted for CPI and the WACC, the latter is a generic utility WACC and most Shippers will expect higher returns for their money. WesCEF suggests using a similar method to that used for the rebatable revenue, where for the first year in AA6 (2026) revenue could be accrued until the end of September and then passed back to Shippers in 2027. For subsequent year the full year of revenue could be accrued from October to September and passed back the following year. To simplify the process of allocating costs, could a predetermined rate, similar to the rebate concept, be used?

WesCEF's main motivations in relation to this matter are to have a lower tariff sooner (particularly in light of the significant increase in the tariff for AA6) and to improve our ability to forecast any adjustments to the base tariff. To assist with this it will be important for the ERA to publish the overrun revenue to allow Shippers to forecast future adjustments. WesCEF is also of the view that as much information as possible relating to the rebateable services should be published for the same reason. AGIG has been reluctant to provide a forecast of the rebate and instead only publishes the base tariff pre-rebate which is substantially higher than the ultimate tariff paid by Shippers which does not assist Shippers to make important investment decisions. This will be exacerbated further with the inclusion of the overrun adjustment.

<u>Mechanism for demand uncertainty</u>

WesCEF is also broadly supportive of this concept to recognise the challenges in forecasting demand. Similar to the comments above, WESCEF would recommend making the adjustment as soon as possible in AA6 rather than waiting until AA7. In this situation a two year delay such that the adjustment is applied in year$_{N+2}$ would be WesCEF's preference. In the situation where demand increases, Shippers should benefit from lower costs sooner. Conversely, if demand decreases, having a more cost reflective tariff sooner would enable businesses to plan and adjust accordingly. Having all adjustments accrued until year one of AA7 could distort the tariff significantly.

WesCEF would also challenge the appropriateness of sharing the benefits equally outside of the plus/minus 5 per cent threshold. If demand were to increase, as many suggest will be the case, AGIG stands to benefit significantly if it only has to redistribute 50 per cent of the additional revenue. If demand does decrease, a higher percentage would be more cost reflective for AGIG. WesCEF encourages the ERA to look closely at the percentage to be shared to better recognise the pain/gain relationship.

Should you wish to discuss any points raised in this submission please contact the undersigned.

Yours sincerely,

[redacted]

Nick Rea
Manager, Wholesale
Wesfarmers Chemicals, Energy and Fertilisers