Economic Regulation Authority

Draft decision on revisions to the access arrangement for the Goldfields Gas Pipeline

Overview

25 July 2024

D278789

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

List of appendices

Invitation to make submissions

Submissions are due by Tuesday, 8 October 2024

The ERA invites submissions on this draft decision. Interested parties are encouraged to comment on the matters raised in this decision overview and its separate attachments.

Submissions should be lodged online using the ERA's submission portal:

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

Alternatively, submissions can be made via:

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

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

All submissions will be made available on our website unless arrangements are made in advance between the author and the ERA. This is because it is preferable that all submissions be publicly available to facilitate an informed and transparent consultative process. Parties wishing to submit confidential information are requested to contact us at info@erawa.com.au.

For further information please contact:

General Enquiries

Tyson Self
Ph: 08 6557 7900
info@erawa.com.au

Media Enquiries

Ph: +61 428 859 826
media@erawa.com.au

1. Overview

This draft decision is the ERA's response to Goldfields Gas Transmission's proposed five-year plan for the Goldfields Gas Pipeline (referred to as an access arrangement). It covers the period from 1 January 2025 to 31 December 2029 (the fifth such access arrangement period, referred to as AA5).

Goldfields Gas Transmission's (GGT) proposal for AA5 largely assumes a similar operating environment for the Goldfields Gas Pipeline (GGP) as in AA4, with two main exceptions.

First, pipeline capacity has recently increased, through the interconnection of the Northern Goldfields Interconnect pipeline, which provides a new connection point to bring gas from the Dampier to Bunbury Natural Gas Pipeline into the GGP.

The GGP has both covered (regulated as part of this access arrangement process) and uncovered capacity. This means pipeline costs must be identified and allocated to the two types of capacity so only efficient costs are allocated to the covered pipeline and therefore charged to those customers using the regulated (reference) service. The new Northern Goldfields Interconnect has increased the covered capacity of the GGP. Therefore, GGT increased the level of shared capital and operating expenditure allocated to the covered pipeline.

The ERA considers the commissioning of the Northern Goldfields Interconnect has not meaningfully increased GGT's capital cost base, and so there is no justification for customers using covered pipeline services to pay a greater share of the pipeline capital costs.

Second, GGT is operating in a higher cost environment. GGT proposed a large, one-off tariff increase of around 54 per cent in 2025, with an annual increase for inflation for each of the remaining years of AA5. Changes in financial conditions make up about half of this proposed tariff increase, through a higher rate of return (7.41 per cent forecast for AA5 compared to 4.09 per cent in AA4) and higher inflation (2.58 per cent for AA5 up from 1.14 per cent in AA4).

The other major area of consideration in this draft decision for the ERA is a very significant overspend of capital expenditure of $70.2 million for AA4 relative to the AA4 forecast capital expenditure of $7.5 million set in 2019. The regulatory framework requires the ERA to evaluate this overspend to ensure it was prudent and efficient expenditure before it can be added to the capital base.

GGT has attributed the increase in AA4 capital expenditure, relative to the forecast, to:

- Not anticipating some categories of expenditure, and so omitting them in the forecast.
- Uncertainty in the scope of key programs, for example maintenance projects that had been identified but not yet costed.
- The difficult operating environment, including global and local supply chain constraints and higher costs for specialised equipment, support and labour, particularly in remote areas.[1]

GGT expects that this higher level of capital expenditure will continue in the next period, albeit at a slightly lower amount of $62.9 million. This AA5 capital expenditure includes major asset replacement and maintenance programs already underway, assumes ongoing high interest

[1] GGT, GGP 2025-2029 AA Proposal, AAI, Jan 2024, pp. 64 and 65.

rates and inflation forecasts, and reflects a focus on emissions reductions and cyber and physical security.[2]

Draft decision

The ERA has approved total revenue of $323.6 million in this draft decision, $65 million lower than GGT's proposal. The forecast increase in the reference tariff for 1 January 2025 is about 34 per cent, with increases for each remaining year of AA5 at the rate of inflation.[3]

The major differences between GGT's proposal and the ERA's draft decision are:

- $18.9 million lower forecast capital expenditure for AA5 and $38 million lower approved capital expenditure for AA4.
- $19.9 million lower operating expenditure.
- Higher forecast gas throughput to align the expected capacity used by gold mining customers with recent actual pipeline use and strong forecasts for gold exports.
- The removal of some proposed cost pass through events for insurance and regulatory changes, to keep the tariff variation mechanism simple and relevant in its application.

The ERA has accepted GGT's proposed asset life cap, to ensure that no asset life exceeded the weighted average remaining life of the pipeline assets, which results in a small $0.2 million increase in revenue for AA5.

The ERA's draft decision provides GGT with sufficient revenue to operate and maintain the covered GGP over AA5.

Capital expenditure

GGT has proposed AA4 capital expenditure of $70.2 million, of which $39.8 million is for "stay in business" activities and $30.4 million is for a share of parent company APA Group's corporate capital expenditure. GGT has included actual expenditure up to 2022 and forecast expenditure for 2023 and 2024 as actual expenditure was not available at the time of GGT's submission to the ERA. The 2024 expenditure will not be finalised before the ERA's draft or final decisions and any difference between forecast and actual capital expenditure will be assessed at the next review.

For AA5, GGT has proposed capital expenditure of $62.9 million, of which $47 million is for "stay in business" and $15.9 million is for APA Group's costs.

The ERA has determined that some of GGT's AA4 and AA5 capital expenditures, particularly for its shared corporate costs, are non-compliant with the expenditure rules and cannot be added to the capital base.

The APA Group applies a charge to GGT for operating expenditure, which covers corporate and management services such as information technology and leased assets. The ERA has not approved further corporate expenditure being allocated to the capital expenditure categories for AA4 and AA5 as GGT has not demonstrated that this expenditure would not already be covered by that existing APA Group charge.

---

2 GGT, *GGP 2025-2029 AA Proposal, AAI,* Jan 2024, p. 63.

3 The tariff increase is based on the tariffs for a customer connected at Kalgoorlie which received 1TJ a day of gas from Yarraloola and its throughput equals its maximum daily quantity.

Operating expenditure

GGT has proposed $130.8 million for operating expenditure for AA5. This is derived by establishing a base year, identifying and quantifying any substantial new expenditure required, and accounting for expected increases (or decreases) in wage and supply costs.

The ERA reviewed GGT's proposed operating expenditure and reduced expenditure across its general pipeline expenditure, major projects, regulatory costs and corporate costs. The ERA has approved new expenditure for infrastructure security and carbon emission requirements and has updated GGT's proposed labour cost escalation to reflect the most recent data from the May 2024 State Budget. Together, these changes result in a lower efficient operating expenditure for AA5 of $110.9 million.

Demand

The covered GGP services a small number of large customers, most of which are mining companies, or electricity generators that supply mine sites. This means that forecast demand for the GGP is greatly informed by the expected performance of the mining sector.

GGT's proposed pipeline capacity and throughput for AA5 is largely the same as for AA4, with some new capacity coming through the interconnection of the Northern Goldfields Interconnect, and the ERA has largely approved these forecasts in the draft decision.

However, GGT's proposed throughput rate for some of its existing contracts with gold miners is lower than the AA4 actual throughput rate for these contracts. GGT has not provided a clear explanation for this change. The ERA has adjusted the forecast throughput rate for gold contracts to reflect the actual throughput rate during AA4, as well as export forecasts for gold in AA5.

This document sets out the ERA's high-level reasoning for its draft decision, the components of which are set out in more detail in separate attachments that together comprise the full draft decision.

2. Draft decision

The ERA's draft decision is to not approve GGT's proposed access arrangement revisions for its gas transmission pipeline.

A summary of the ERA's draft decision considerations is provided in section 3 of this document. The process the ERA followed to make its draft decision is set out in section 4.

The detailed reasons for the decision are set out in the following (separate) attachments, which together form the ERA's draft decision.[4]

Attachment 1: Access arrangement and services

Attachment 2: Demand

Attachment 3: Revenue and tariffs

Attachment 4: Regulatory capital base

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

The amendments the ERA requires GGT to make are included in the attachments where each respective element of the proposed access arrangement is considered.

GGT may now submit a revised access arrangement proposal that addresses the ERA's required amendments by 5 September 2024.

The ERA invites submissions on its draft decision. The closing date for submissions is 8 October 2024, which allows interested parties to comment on the draft decision and GGT's response to it.

Before making its final decision, the ERA must consider GGT's revised access arrangement proposal (if submitted), any submissions received on the draft decision and/or GGT's revised proposal, and any additional access arrangement information submitted by GGT.

The ERA expects to publish its final decision by December 2024.

[4] This document and its attachments are available from the ERA website.

3. Draft decision considerations

A summary of the key matters addressed in, and reasons for, the ERA's draft decision is provided here. This summary is not intended to be a comprehensive statement of the ERA's considerations. The ERA's detailed reasons are set out in the attachments to this document, which together comprise the ERA's draft decision.

3.1 Regulatory framework in Western Australia

The National Gas Law (NGL) and National Gas Rules (NGR), as enacted by the *National Gas (South Australia) Act 2008*, establish the legislative framework for the independent regulation of certain gas pipelines in Australia. The *National Gas Access (WA) Act 2009* implements a modified version of the NGL and NGR in Western Australia.[5]

In its issues paper, the ERA highlighted several changes to the legislative framework that were not yet in effect in Western Australia or had recently come into effect. Notably, the emissions reduction objective in the NGL commenced in Western Australia on 25 January 2024. The NGR were amended on 1 February 2024 to align the rules with the emissions reduction objective.[6] The amendments make clear that gas network service providers can propose expenditure that contributes to meeting emissions reductions targets set by governments. Transitional provisions for access arrangement reviews that commenced prior to 1 February 2024 allow the ERA to adopt either the old expenditure rules or the new expenditure rules.[7]

GGT's access arrangement proposal was developed prior to Western Australia adopting the new national gas objective and capital and operating expenditure assessment rules. In the issues paper, the ERA stated that it would assess GGT's proposal under the regulatory framework that is current at the time of making each of its decisions (draft and final).

With respect to the amendments to align the NGR with the emissions reduction objective and the transitional provisions that allow the ERA to apply either the old or new expenditure rules for this review, the ERA will apply the new expenditure rule for capital expenditure that was incurred or is forecast to be incurred after 1 February 2024 and the old expenditure rule for capital expenditure that was incurred prior to 1 February 2024.[8] Forecast operating expenditure for the next access arrangement period will be assessed based on the new expenditure rules.

3.2 Stakeholder engagement

The ERA received one submission, from Alinta Energy, in response to GGT's proposal and the ERA's issues paper. Alinta's submission was focussed on issues that were more relevant to the setting of the ERA's rate of return instrument, which is a separate process outside the access arrangement review. The rate of return instrument, once set by the ERA, is binding on both the ERA and service providers to determine the process for setting the rate of return.

The ERA notes GGT's engagement approach to develop its proposal centred around engaging with key customers in individual (confidential) settings. Over a two-month period

---

5 Extracts of the NGR that are referenced in this document are provided in Appendix 4 for information.

6 AEMC, *National Gas Amendment (Harmonising the national energy rules with the updated national energy objectives) Rule 2024*, 1 February 2024.

7 NGR, Schedule 1 Part 20, rule 103.

8 NGR, rule 79 (new expenditure rule to apply from 1 February 2024 and old expenditure rule to apply before 1 February 2024).

(September to October 2023), GGT conducted 13 individual customer interviews that canvased various elements of the access arrangement (such as for example, the regulatory framework, pipeline performance and new obligations).[9] GGT then published a positions paper in late November 2023, which addressed the information that was gathered from customer interviews.[10]

The ERA considers that GGT's stakeholder engagement was somewhat restricted given the limited timing between GGT's "first look positions paper" (published in late November 2023) and GGT's formal submission to the ERA (made on 21 December 2023). Nevertheless, stakeholders have had various opportunities to provide comments on and raise any issues with GGT's proposal, including the period of time following the publication of the ERA's issues paper that highlighted areas for direct comment.

3.3 Access arrangement and services

An access arrangement must, among other things:

- Identify the pipeline to which the access arrangement relates and include a reference to a website that provides a description of the pipeline.
- Describe all the pipeline services that the service provider can reasonably provide and specify the reference services to be offered, and for this description and specification of services to be consistent with the service provider's approved reference service proposal.
- State the review submission and revision commencement dates for the access arrangement.

3.3.1 Pipeline description and key dates

GGT identified the pipeline to which the access arrangement relates as the "Goldfields Gas Pipeline" (GGP), with a detailed description of the pipeline available on the APA website.[11]

GGT stated the access arrangement review submission date and revision commencement date as 1 January 2029 and 1 January 2030, respectively.[12]

GGT has satisfied the requirements of the NGR to state the review submission and revision commencement dates. While GGT has also satisfied the requirements of the NGR to identify the pipeline and to provide a reference to a website where a description can be found, the ERA considers that the description of the pipeline could be improved.

The description of the pipeline on the APA website includes a diagram of the GGP that shows, among other things, details of receipt and delivery points. The ERA considers that it would be beneficial if GGT included kilometre reference points as part of the receipt and delivery point details. Such information will assist prospective and existing users understand and verify the charges payable that include a distance based charge.

9 GGT, *Goldfields Gas Pipeline AA5 - Proposal Overview*, 1 January 2024, p. 20.

10 GGT, *Goldfields Gas Pipeline 2025-29 Access Arrangement: First look at positions*, November 2023.

11 APA is the parent company for GGT.
APA, 'Goldfields Gas Pipeline' (online) (accessed Month 2024).

12 In the proposed access arrangement, GGT stated 1 January 2028 as the review submission date. The ERA has confirmed with GGT that this is an error and the date should be 1 January 2029.

3.3.2 Pipeline and reference services

GGT specified a single reference service (the Firm Transportation Service) to be offered under the access arrangement for AA5. The service, which is described in section 2.2 of the proposed access arrangement, is materially consistent with GGT's approved reference service proposal.

GGT further specified seven other pipeline services that are non-reference services, which will be offered as negotiated services under section 2.3 of the proposed access arrangement.[13] These services are materially consistent with the services that were identified in GGT's reference service proposal.

There has been no material change in circumstances since the ERA's approval of GGT's reference service proposal in June 2023. These services will now form part of GGT's access arrangement for AA5.

3.4 Demand

Demand forecasts are used to determine the necessary levels of capital and operating expenditure, as well as setting the reference tariffs for AA5. There is only one reference service (Firm Transportation Service) provided by the covered GGP. The ERA has reviewed GGT's forecasts for this service for AA5.

For AA5, GGT forecasts contracted capacity of 256 Petajoules (PJ) and gas throughput of 217 PJ. The average throughput rate is 85 per cent of the contracted capacity.

The proposed contracted capacity forecast is based on both actual and highly probable contracted volumes; and includes volumes from the Yarraloola receipt point and the new Northern Goldfields Interconnect receipt point. The Northern Goldfields Interconnect was commissioned in July 2023, providing another connection conveying gas from the Dampier to Bunbury Natural Gas Pipeline to the GGP, approximately 1,062 kilometres south of the Yarraloola connection point. The throughput forecast is based on a three-year weighted average actual throughput rate (load factor).

The covered GGP services a small number of large shippers (customers) at multiple delivery points. The majority of shippers on the pipeline are mining or electricity generation companies. The miners are involved in mineral extraction and processing operations, supplying gold, nickel, iron ore and rare earths to the global market. Consequently, the global demand and prices for these natural resources are important factors for the demand forecast.

GGT assessed the outlook for Western Australia's mineral production and exports, and concluded that the outlook for iron ore, gold and nickel are largely positive. GGT expects contracts expiring during AA5 to be renewed at their existing contracted capacity.

The ERA reviewed GGT's assessment of the outlook for Western Australia's mineral production and exports with reference to the commodity market projections by the Federal Department of Industry, Science and Resources, World Bank, and International Energy Agency. The ERA used this information to assess the reasonableness of GGT's firm transportation service demand.

The ERA considers that the contracted capacity and throughput forecast proposed by GGT for most contracts is reasonable, except for the throughput forecast in contracts for shippers

[13] These services include the: Interruptible Service; Firm Parking Service; Firm Loan Service; Interruptible Parking Service; Interruptible Loan Service; In-pipe Trade Service; and Interconnection Service.

in the gold mining operations. The throughput forecast for some of these contracts are lower than the average actual throughput rate between 2020 and 2022. The ERA considers that it is reasonable to increase the throughput forecast for these contracts to reflect the average actual throughput rate between 2020 and 2022, given strong gold production and exports as projected by the World Bank and the Commonwealth Department of Industry, Science and Resources during AA5. Table 1 compares the ERA's and GGT's demand forecast.

Table 1: AA5 firm transportation service demand forecast comparison between GGT proposal and ERA draft decision (petajoules)

	GGT proposal [14]	ERA draft decision	Variance	Variance (%)
Yarraloola receipt point				
Maximum contracted capacity	201.2	201.2	0.0	0.0
Average contracted capacity	201.2	201.2	0.0	0.0
Average throughput	170.4	175.5	5.1	3.0
Northern Goldfields Interconnect receipt point				
Maximum contracted capacity	54.5	53.6	(0.9)	(1.7)
Average contracted capacity	54.5	53.6	(0.9)	(1.7)
Average throughput	47.0	50.4	3.4	7.2
Covered GGP total				
Maximum contracted capacity	255.7	254.8	(0.9)	(0.4)
Average contracted capacity	255.7	254.8	(0.9	(0.4)
Average throughput	217.4	225.9	8.5	3.9

GGT included actual and highly probable contracts at the Northern Goldfields Interconnect receipt point but did not include likely contracts at the Northern Goldfields Interconnect receipt point. The ERA requires GGT to include any likely contracts that become highly probable in its demand forecast in response to this draft decision.

3.5 Revenue and tariffs

The regulatory framework provides for an amount of revenue to be determined for each year of the access arrangement period to provide GGT with its efficient costs to operate the GGP for the long-term interest of customers.

[14] The proposed forecast contains an error in the contracted capacity at 0.5 TJ per day, which is corrected in the ERA's draft decision.

GGT's revenue includes:

- A return on the projected capital base (see section 3.9 of this overview).
- Depreciation on the projected capital base (see section 3.8 of this overview).
- The estimated cost of corporate income tax (see section 3.9 of this overview).
- A forecast of operating expenditure (see section 3.7of this overview).

Reference tariffs are then calculated by allocating the portion of the costs/revenue relevant to those reference services and dividing by the forecast demand (section 3.4) for those services.

3.5.1 Total revenue

GGT proposed a total revenue requirement for AA5 of $388.6 million (nominal), compared to $213.1 million (nominal) for AA4, and submitted the increase was mainly due to higher interest rates and operating costs.

The ERA has determined a total revenue requirement for AA5 of $323.6 million based on the decisions for the components of revenue (Table 2).

Table 3 provides a comparison of GGT's proposed revenue by component and the ERA's draft decision, which shows the main variances for depreciation and operating expenditure.

Table 2: ERA draft decision total revenue requirement for AA5 ($ million nominal)

Building blocks	2025	2026	2027	2028	2029	Total
Regulatory operating expenditure	22.81	23.77	24.53	25.48	26.01	122.60
Return on capital base	31.33	32.99	33.46	33.65	33.60	165.03
Regulatory depreciation						
Depreciation	13.07	15.03	15.75	16.36	16.88	77.09
Inflationary gain	(10.54)	(11.10)	(11.26)	(11.33)	(11.31)	(55.54)
Regulatory corporate income tax						
Corporate income tax	5.42	5.24	5.55	6.03	6.51	28.75
Imputation credits	(2.71)	(2.62)	(2.78)	(3.01)	(3.25)	(14.37)
Total revenue (unsmoothed)	59.38	63.31	65.25	67.18	68.44	323.56

Table 3: ERA total revenue requirement for AA5 compared to GGT's proposal ($ million nominal)

Building blocks	GGT proposal	ERA draft decision	Difference
Regulatory operating expenditure	145.94	122.60	(23.34)
Return on capital base	176.62	165.03	(11.59)
Regulatory depreciation			
Depreciation	112.72	77.09	(35.63)
Inflationary gain	(61.46)	(55.54)	5.92
Regulatory corporate income tax			
Corporate income tax	29.54	28.75	(0.79)
Imputation credits	(14.77)	(14.37)	0.40
Total revenue (unsmoothed)	**388.58**	**323.56**	**(65.02)**

3.5.2 Allocation of total revenue

There is only one reference service for the GGP and all costs are allocated between the covered and uncovered portions of the pipeline. As a result, 100 per cent of the revenue determination in this draft decision is allocated to the covered pipeline and is recovered from the reference tariff for the Firm Transportation Service.

3.5.3 Reference tariffs

The ERA's decisions on the revenue and demand forecasts have led to more moderate tariff increases than GGP's proposal. These tariff increases are now largely driven by rising inflation and increased cost of capital.

GGT proposed to retain the same reference tariff structure in AA5 for the single reference service as it provided in AA4.[15] It is comprised of three components or charges:

- Toll charge: 11.3 per cent of total revenue allocated.
- Capacity reservation charge: 72.2 per cent of total revenue allocated.
- Throughput charge: 16.5 per cent of total revenue allocated.

A comparison of the ERA draft decision reference tariff increase in 2025 compared to GGT's proposal is shown in Table 4. Tariffs in the years following 1 January 2025 will be adjusted in accordance with the tariff variation mechanism.

15 The ERA notes that GGT did raise the idea of redesigning the tariff structure (for the next (AA6) review) to a capacity based charging approach relative to throughput if volumes of throughput start to fall due to customers shifting to renewables.

Table 4: ERA draft decision tariff increases in 2025 compared to GGT's proposal (nominal percentage change in tariffs)

Tariff component	GGT proposal (%)	ERA draft decision (%)
Toll	31	7.3
Capacity reservation	66	35.8
Throughput	63	29.3

3.5.4 Tariff variation mechanism

The reference tariff variation mechanism allows the reference tariff to vary over the course of the access arrangement period. The mechanism includes an annual tariff adjustment to account for differences between actual and forecast inflation and other approved tariff adjustments for cost pass through events where relevant.

For AA5, GGT proposed to retain the two existing cost pass through events and proposed six new cost pass through events:

- Change in law event [existing]
- Tax change event [existing]
- Insurance cap/coverage event [new]
- Insurer credit risk event [new]
- Natural disaster event [new]
- Terrorism event [new]
- Carbon cost event [new]
- Regulatory change event [new]

GGT stated that the additional cost pass through events were needed to mitigate increasing operational risks. The ERA has reviewed GGT's reasoning and agrees to the inclusion of three new cost pass through events for natural disaster, terrorism and carbon cost events. The other cost pass through events have not been approved. GGT has a level of control over its insurance related costs and the regulatory change event is covered by the existing change in law event.

To encourage efficient regulatory costs, the ERA has adjusted the materiality threshold for claiming cost pass through events to a minimum value of $1 million.

With the introduction of new cost pass through events for natural disasters, terrorism and carbon costs for AA5, there may need to be an increase to the minimum notification period for cost pass through events to provide the ERA with adequate time to undertake a thorough assessment, which may include consultation with stakeholders and/or obtaining independent specialist advice. The assessment of these types of cost pass throughs is likely to be more complex than the existing change in law and tax change cost pass throughs and hence take longer to assess. As such, the ERA has asked GGT consider extending the notification period for cost pass through events.

3.6 Regulatory capital base

3.6.1 Opening capital base

3.6.1.1 Actual (AA4) capital expenditure

GGT's proposed capital expenditure for AA4 is $70.2 million, which is significantly higher than both its AA4 forecast ($17.6 million) and the ERA's AA4 final decision ($7.5 million). GGT has included actual expenditure up to 2022 and forecast expenditure for 2023 and 2024 as actual expenditure was not available at the time of GGT's submission to the ERA. The 2024 expenditure will not be finalised before the ERA's draft or final decisions and any difference between forecast and actual capital expenditure will be assessed at the next review.

GGT stated that the following factors led to the AA4 forecasting inaccuracy:

- Exclusion of key expenditure categories: The increase in expenditure, relative to the forecast, was primarily because entire categories of spend were not anticipated and not included in the forecast. This included all information technology and operational technology costs, all cyber security expenditure, costs to maintain the physical security of the pipeline and shared corporate costs (such as office fit outs and APA wide programs of work).
- Scope uncertainty: While equipment failures (which put reliability at risk) were known by GGT when the AA4 forecast was prepared, investigations into the cause of these issues had not yet been completed.
- Supplier cost pressures: Global and local supply chain constraints have increased the cost of specialised equipment, support, and labour, particularly in the remote areas in which the GGP operates. As a result, there has been a step change in the cost to undertake works across the GGP.

The ERA has determined that GGT's conforming AA4 capital expenditure needs to be adjusted:

- GGT's proposed stay in business conforming capital expenditure for AA4 is reasonable, except for some over allocations of stay in business expenditure to the covered pipeline.
- GGT states that the omission of $30.4 million shared capital expenditure from its AA4 proposal was an oversight. However, the ERA is of the view that these costs should have been accounted for as part of the AA4 operating costs.

For AA4 capital expenditure, the ERA's draft decision is to allow $32.3 million to be added to the capital base as conforming capital expenditure, compared with GGT's proposal of $70.2 million (Table 5).

Table 5: ERA draft decision AA4 capital expenditure by asset category ($ million real at 31 December 2023)

Category	2020	2021	2022	2023	2024	Total
Pipeline and laterals	0.1	0.0	0.2	0.0	0.0	0.3
Main line valve and scraper stations	0.0	0.0	0.0	0.2	1.0	1.2
Compressor stations	4.9	6.1	3.7	4.1	7.0	25.8
Receipt and delivery point facilities	0.0	0.0	0.0	0.0	0.0	0.0
SCADA and communications	0.1	0.1	0.1	0.5	0.4	1.2
Cathodic protection	0.0	0.0	0.0	0.0	0.1	0.1
Maintenance bases and depots	0.1	0.7	0.6	0.2	0.0	1.6
Other assets	0.4	0.1	0.7	0.4	0.5	2.1
Equity raising cost	0.0	0.0	0.0	0.0	0.0	0.0
Information technology and operational technology	0.0	0.0	0.0	0.0	0.0	0.0
Cyber	0.0	0.0	0.0	0.0	0.0	0.0
Other shared corporate	0.0	0.0	0.0	0.0	0.0	0.0
Total	5.7	7.0	5.2	5.4	9.0	32.3

Source: ERA draft decision capital expenditure model; equity raising cost from ERA model.

3.6.2 Projected capital base

3.6.2.1 Forecast (AA5) capital expenditure

AA5 forecast capital expenditure covers the investment needed to ensure safe, secure, and reliable operation of the GGP. GGT has proposed to invest a total of $62.9 million for replacement and stay in business programs, information technology and operational technology, and security of critical infrastructure programs. GGT's proposed capital expenditure for AA5 is 11 per cent lower than the actual estimated capital expenditure for AA4 ($70.2 million).

GGT's proposed capital expenditure for AA5 includes major asset replacement and maintenance programs, as well as a significant in-line inspection program that is scheduled to occur in 2025. Stay in business investments make up 75 per cent of the total forecast capital expenditure for the 2025 to 2029 period. Information and operational technology, cyber costs and property related costs comprise the balance.

GGT has stated that the age of the pipeline was a key driver for increased capital expenditure, as many of its mechanical, electrical, and control components are nearing the end of their useful life. Additionally, investment requirements are growing due to the increasingly complex external environment. Over the last five years GGT has seen significant cost increases and supply shortages (particularly in remote areas), greater focus on emissions reductions and heightened focus on cyber and physical security.

The ERA has determined that GGT's AA5 capital expenditure needs to be reduced.

- GGT's proposed stay in business conforming capital expenditure for AA4 is reasonable, except for some over allocations of stay in business expenditure to the covered pipeline.
- GGT proposed $15.9 million as shared AA5 capital expenditure. For the reasons explained above for AA4 capital expenditure, the ERA considers that this amount is not conforming capital expenditure.

For AA5 capital expenditure, the ERA's draft decision is to approve $44.3 million, compared with GGT's proposal of $62.9 million (Table 6).

Table 6: ERA draft decision AA5 capital expenditure by asset category ($ million real at 31 December 2023)

Category	2025	2026	2027	2028	2029	Total
Pipeline and laterals	0.0	0.0	0.0	0.0	0.0	0.0
Main line valve and scraper stations	1.7	1.2	1.1	1.1	0.3	5.4
Compressor stations	11.4	4.2	4.3	2.4	0.3	22.6
Receipt and delivery point facilities	0.1	0.4	0.4	0.0	0.0	0.9
SCADA and communications	0.1	0.0	0.0	0.0	0.0	0.1
Cathodic protection	0.2	0.2	0.1	0.0	0.0	0.5
Maintenance bases and depots	0.0	0.1	0.4	0.2	0.0	0.7
Other assets	9.9	3.3	0.1	0.1	0.3	13.7
Equity raising cost	0.3	0.0	0.0	0.0	0.0	0.3
Information technology and operational technology	0.0	0.0	0.0	0.0	0.0	0.0
Cyber	0.0	0.0	0.0	0.0	0.0	0.0
Total AA5 capital expenditure	23.6	9.5	6.4	3.9	0.9	44.3

Source: ERA capital expenditure model; equity raising cost from ERA revenue model.

3.7 Operating expenditure

GGT has proposed $130.8 million for operating expenditure for AA5. Estimated operating expenditure for AA4 is $109.8 million.

GGT forecast its AA5 operating expenditure using two approaches: the base-step-trend method and a specific forecast. To determine forecasts using the base-step-trend method, GGT used its actual operating expenditure from the most recent complete calendar year at the time of its proposal, being 2022.

3.7.1 Base year

GGT's base year operating costs were $27.3 million. GGT proposed to adjust the base year upwards by $0.2 million, to account for a forecast increase in capacity from the Northern Goldfields Interconnect pipeline in AA5.

GGT also proposed to remove $3.3 million in non-recurrent costs (including payroll adjustment, demand side management and APA operations and commercial management fees). In addition, GGT proposed to remove $0.8 million of costs relating to the security of critical infrastructure that it has included elsewhere.

The ERA has determined that an additional $4.3 million in expenditure (from corporate costs, pipeline operations and major expenditure jobs) should be removed from the base year.

The ERA has determined an efficient base year cost of $20.2 million per year for AA5, which results in a total of $101.187 million for base year operating expenditure.

3.7.2 Specific forecasts and step changes

GGT has provided a specific forecast of its expenditure for security of critical infrastructure due to the varying costs to be incurred on a yearly basis. GGT has proposed expenditure for security of critical infrastructure of $3.7 million for AA5.

GGT has also proposed three step changes in its forecast operating expenditure for AA5 totalling $7.0 million.

The ERA has determined that one step change can be accepted in full, one accepted in part and one not accepted as it has not met the criteria for inclusion. As a result, the ERA has determined a total of $4.1 million in step changes meets the criteria for inclusion in GGT's operating expenditure for AA5.

3.7.3 Trends

GGT has included operating expenditure to account for forecast increases in real labour costs during AA5 (costs in addition to inflation). GGT employed a similar method to the ERA's preferred method for determining labour cost escalation. GGT's method used only four years of data, while the ERA's preferred method is to use five-year data. GGT stated that it used four years of data as the fifth year was not representative of the future period.

The ERA has updated GGT's proposed escalation to include five years of data, using the most recent figures from the May 2024 State Budget. This amends GGT's proposed escalation of 0.67 per cent down to 0.58 per cent.

This results in a reduction of GGT's proposed real labour escalation from $2.5 million to $1.9 million.

3.7.4 Draft decision operating expenditure

The ERA has determined that the total efficient amount for operating expenditure for AA5 is $110.9 million (Table 7).

Table 7: ERA draft decision forecast operating expenditure for AA5 ($ million real at 31 December 2023)

Category	2025	2026	2027	2028	2029	Total
Pipeline operation	13.33	13.41	13.49	13.56	13.64	**67.43**
Major expenditure jobs	0.50	0.50	0.50	0.50	0.50	**2.51**
Commercial operation	1.35	1.50	1.52	1.53	1.57	**7.46**
Regulatory costs	0.55	0.62	0.66	0.87	0.66	**3.36**
Corporate costs	5.97	6.04	6.05	6.05	6.05	**30.15**
Total	**21.71**	**22.07**	**22.21**	**22.51**	**22.41**	**110.90**

3.8 Depreciation

Depreciation of the capital base is one component of total revenue and allows for the recovery of approved capital expenditure over time.

GGT's proposed approach to calculating regulatory depreciation for AA5 has two parts:

- *Base depreciation allowance*: GGT has proposed maintaining the depreciation approach used in AA4 and calculated a base level of depreciation. This approach continues the straight line depreciation of assets, where the proposed base level of depreciation was $100.9 million (real, 2023) over the AA5 period.
- *Asset life cap:* GGT has proposed to cap asset lives at the weighted average remaining life of the pipeline and laterals asset class. GGT has included an additional $0.3 million (real, 2023) of revenue by capping asset lives for assets.

The ERA accepts GGT's base depreciation approach and, consistent with the required amendments in this draft decision, has recalculated total forecast base depreciation.

The ERA has considered GGT's asset life cap proposal and has accepted the proposed amount.

The national gas objective requires the consideration of the long-term interests of consumers, which for depreciation involves the allocation of capital costs across current and future consumers for the life of an asset. The revenue and pricing principles also guide regulatory allowances so that GGT is provided with a reasonable opportunity to recover efficient capital expenditure.

The NGR require a depreciation schedule to be designed to allow, as far as reasonably practicable, for adjustments that reflect changes in the expected economic life of a particular asset or group of assets.

The asset life cap approach is consistent with providing a reasonable opportunity to recover efficient capital expenditure and would support efficient investment in the pipeline to maintain a safe and reliable pipeline to service customers over its remaining economic life.

The asset life cap proposal results in a small $0.2 million (real, 2023) increase in revenue for AA5.

The ERA's forecast regulatory depreciation allowance is shown in Table 8.

Table 8: ERA draft decision regulatory depreciation ($ million real at 31 December 2023)

	2025	2026	2027	2028	2029	Total
Straight-line depreciation	12.4	13.9	14.2	14.4	14.5	69.4
Add: Changes due to capping asset life	0.0	0.1	0.1	0.0	0.0	0.2
Total regulatory depreciation	12.4	14	14.3	14.4	14.5	69.6

3.9 Return on capital, taxation and incentives

3.9.1 Return on the regulatory capital base

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

A gas rate of return instrument is required under the NGL.[16] The gas instrument sets out the methods the ERA and service providers must use to estimate the allowed rate of return and the value of imputation credits for gas transmission and distribution service providers. GGT's rate of return used in its access arrangement proposal is consistent with the gas rate of return instrument.

Changing economic and financial conditions are important factors in determining GGT's cost of capital and the regulatory value of its capital base.

Higher rates of inflation have increased the value of the AA4 asset base, which has led to a total revenue requirement that is 20 per cent above the approved AA4 requirement. Updated rates of return account for 40 per cent of the total increase between the AA4 approved revenue and the AA5 proposed revenue. The nominal after-tax WACC has increased from 4.09 per cent in AA4 to a proposed value of 7.41 per cent for AA5.

The rate of return in this draft decision was updated for current market conditions, with a 20-day averaging period to 30 April 2024. For the draft decision, the ERA determines a nominal after-tax WACC of 7.46 per cent. GGT is required to nominate the averaging period to be used for the rate of return for the final decision.

3.9.2 Taxation

A tax building block is included in the annual revenue requirement estimate for each year. The taxation cost is calculated by multiplying the estimated taxable income by the statutory income tax rate of 30 per cent. The estimated taxation payable is calculated by deducting the value of imputation credits.

GGT's proposed method to calculate AA5 taxation is consistent with its approach in AA4. GGT proposed an estimated cost of net corporate income tax for AA5 of $14.8 million ($ nominal).

[16] NGL, section 30D, 30E.

Based on the forecast corporation income of this draft decision the ERA has estimated the taxation cost at $14.4 million ($ nominal).

3.9.3 Incentive mechanisms

The NGR provides that a full access arrangement may include incentive mechanisms to encourage efficiency in the provision of services by the service provider. The current AA4 access arrangement does not contain any incentive mechanisms, and GGT has not proposed any incentive mechanisms for AA5.

3.10 Other access arrangement provisions

As a transmission pipeline, the GGP access arrangement must contain queuing requirements. It must also contain extension and expansion requirements, capacity trading requirements and principles for changing receipt and delivery points.

3.10.1 Queuing requirements

GGT has proposed extensive drafting changes to the queuing requirements for AA5 to simplify the requirements and ensure they are commercially workable.

Overall, the ERA considers that GGT's amended queuing requirements do improve the readability and understanding of the requirements for access to services and the requirements for queuing when access to services cannot be provided. The amended queuing requirements also better align with the queuing requirements set out in the NGR.

However, the ERA has identified further amendments that must be addressed. These amendments further clarify certain provisions and/or correct drafting errors, and include:

- Clarifying:
  - That GGT may treat an existing user's capacity as spare capacity at the expiry of the user's gas transportation agreement when the user confirms that it does not intend to extend its agreement beyond the expiry date.
  - The requirement to meet any prudential requirements is limited to only those requirements that are reasonably necessary in the circumstances.
  - What happens to registrations of interest after 12 months.
  - The information required to be provided when notifying prospective users and the regulator of the outcomes from a Spare Capacity Notice and/or Auction for Spare Capacity.
- Correcting and/or addressing:
  - Headings and/or formatting of the queuing requirements to improve readability and understanding.
  - Identified drafting errors.

3.10.2 Other requirements

GGT did not propose any amendments to the extension and expansion requirements, capacity trading requirements or principles for changing receipt/delivery points – these access arrangement provisions remain unchanged from the current provisions. Given the provisions are consistent with the requirements of the NGR and that there were no submissions raising any concerns with the provisions, the ERA considers that there is no reason to require any amendments to these provisions for AA5.

3.11 Service terms and conditions

The regulatory framework requires the access arrangement to specify, for each reference service, a reference tariff and the other terms and conditions on which the service will be provided.

The terms and conditions approved under an access arrangement establish standard terms and conditions that users can either accept or use as a point of reference to negotiate their own terms and conditions to meet specific operational needs. In the event terms and conditions cannot be agreed, the access arrangement may be used to guide an arbitrator in an access dispute.

GGT provides a single reference service under the access arrangement: the Firm Transportation Service. The terms and conditions for the Firm Transportation Service are set out in Section 2.2 and Schedules D and T of the proposed access arrangement. While GGT has proposed some changes to the terms and conditions, the terms and conditions remain materially unchanged from the current (AA4) terms and conditions.

GGT's proposed changes comprise:

- An update to incorporate the Northern Goldfields Interconnect receipt point.
- Drafting amendments to clarify existing terms and conditions.
- Administrative amendments to update the name of the reference service, cross references to sections of the access arrangement and dates.

Considering the nature of GGT's proposed changes, and absent any submissions that raised concerns over the terms and conditions, the ERA has approved the terms and conditions for the Firm Transportation Service subject to some minor further amendments. These amendments require GGT to update a defined term to be consistent with the term used in the access arrangement; and to consider further formatting amendments to incorporate the defined terms into the terms and conditions.

4. Review process

4.1 Regulatory framework

The NGL and NGR, as enacted by the *National Gas (South Australia) Act 2008*, establish the legislative framework for the independent regulation of certain gas pipelines in Australia.[17] The *National Gas Access (WA) Act 2009* implements a modified version of the NGL and NGR in Western Australia.[18]

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

> … to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to—
>
> (a) price, quality, safety, reliability and security of supply of natural gas; and
>
> (b) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.
>
> **Note—**
>
> The AEMC must publish targets in a targets statement: see section 72A.[19]

Under the legislative framework, the ERA is responsible for regulating third-party access to gas pipelines in Western Australia. GGT's gas transmission pipeline is one of three regulated pipelines that require an access arrangement to be approved by the ERA under the legislative framework.[20]

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

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

17 Extracts of the NGR that are referenced in this document are provided in Appendix 4 for information.

18 The NGL as implemented in Western Australia is set out as a note in the *National Gas Access (WA) Act 2009*. This note does not form part of the Act but shows the text that applies as the *National Gas Access (Western Australia) Law*. In this paper, references to the "NGL" are references to the Western Australian National Gas Access Law text, unless otherwise specified.

19 NGL, section 23.

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

20 The other pipelines which require an approved access arrangement in Western Australia are the Dampier to Bunbury Natural Gas Pipeline (a transmission pipeline) and the Mid-West and South-West Gas Distribution Systems (a distribution pipeline).

4.2 Access arrangement requirements

Rule 48 of the NGR sets out the required content of an access arrangement. These requirements are summarised in Table 9. In addition, rules 90 and 92 set out further requirements relating to the calculation of depreciation and revenue equalisation.

Table 9: Required content of an access arrangement proposal

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

In addition to its access arrangement proposal, the service provider must submit Access Arrangement Information (AAI).[21] 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.[22] AAI must include any information that is specifically required by the NGL and NGR. In particular, rule 72 sets out requirements for AAI relevant to price and revenue regulation. These requirements are summarised in Table 10.

21 NGR, rule 43.

22 NGR, rule 42.

The NGR also provide for the following general requirements for all financial information:

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

Table 10: Requirements for Access Arrangement Information (AAI) relevant to price and revenue regulation

Legislative requirement	Legislative reference
If the access arrangement period commences at the end of an earlier access arrangement period, AAI includes: • Capital expenditure (by asset class) over the earlier access arrangement period. • Operating expenditure (by category) over the earlier access arrangement period. • Pipeline use over the earlier access arrangement period showing: – for a distribution pipeline: minimum, maximum and average demand; and for a transmission pipeline: minimum, maximum and average demand for each receipt or delivery point. – for a distribution pipeline: customer numbers in total and by tariff class; and for a transmission pipeline: user numbers for each receipt or delivery point.	NGR 72(1)(a)
AAI includes information on how the capital base is arrived at and, if the access arrangement period commences at the end of an earlier access arrangement period, a demonstration of how the capital base increased or diminished over the previous access arrangement period.	NGR 72(1)(b)
AAI includes the projected capital base over the access arrangement period, including: • A forecast of conforming capital expenditure for the period and the basis for the forecast. • A forecast of depreciation for the period including a demonstration of how the forecast is derived on the basis of the proposed depreciation method.	NGR 72(1)(c)
AAI includes, to the extent it is practicable to forecast pipeline capacity and utilisation of pipeline capacity over the access arrangement period, a forecast of pipeline capacity and utilisation of pipeline capacity over that period and the basis on which the forecast has been derived.	NGR 72(1)(d)
AAI includes a forecast of operating expenditure over the access arrangement period and the basis on which the forecast has been derived.	NGR 72(1)(e)
AAI includes the allowed rate of return for each regulatory year of the access arrangement period.	NGR 72(1)(g)
AAI includes the estimated cost of corporate income tax calculated in accordance with rule 87A, including the allowed imputation credits referred to in that rule.	NGR 72(1)(h)

Legislative requirement	Legislative reference
If an incentive mechanism operated for the previous access arrangement period, AAI includes the proposed carry-over of increments for efficiency gains, or decrements for efficiency losses, in the previous access arrangement period and a demonstration of how allowance is to be made for any such increment or decrements.	NGR 72(1)(i)
AAI includes the proposed approach to the setting of tariffs, including the suggested basis of reference tariffs including the method used to allocate costs and a description of any pricing principles employed.	NGR 72(1)(j)
AAI includes the service provider's rationale for any proposed reference tariff variation mechanism.	NGR 72(1)(k)
AAI includes the service provider's rationale for any proposed incentive mechanism.	NGR 72(1)(l)
AAI includes the total revenue to be derived from pipeline services for each regulatory year of the access arrangement period	NGR 72(1)(m)

4.3 Processes and timeframes

The process for gas access arrangement reviews has changed since the ERA's last review of GGT's access arrangement for its transmission pipeline in 2019. There are now two key stages involved in the assessment process for an access arrangement:

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

4.3.1 Reference service proposal

The reference service proposal is focused on identifying the full range of pipeline services that can be offered by means of the pipeline and determining which of these services should be specified as a reference service under the access arrangement.[23] The proposal must be submitted at least 12 months prior to the access arrangement proposal.

GGT submitted a reference service proposal for its distribution network on 21 December 2022. After a period of consultation, the ERA approved the single reference service set out in GGT's reference service proposal on 21 June 2023.[24]

The approved reference service proposal determined which pipeline services are to be specified as reference services in the access arrangement for GGT's transmission pipeline.[25] GGT must set out its proposed terms, conditions and prices for the approved reference

[23] A "reference service" is a pipeline service that has a reference tariff that is set (approved) by the regulator under the access arrangement framework, with the reference tariff being the price that a pipeline operator can charge its customers.

[24] ERA, *Reference service proposal decision: Proposed reference services for the Goldfields Gas Pipeline submitted by Goldfields Gas Transmission*, 21 June 2023 (online) (accessed July 2024).

[25] Rules 48(1)(c) and (c1) of the NGR allow GGT to specify different reference services in its access arrangement proposal if there has been a material change in circumstances since the ERA's reference service proposal decision.

services, along with proposed revisions to other access arrangement provisions, in its access arrangement proposal.

4.3.2 Access arrangement proposal

Scheduled revisions to GGT's access arrangement for its transmission pipeline were last approved in December 2019 for the period 1 January 2020 and finish 31 December 2024, being the fourth access arrangement period (AA4).[26] The review submission date in the AA4 access arrangement is 1 January 2024.

GGT submitted its access arrangement proposal for the next (AA5) access arrangement period, 1 January 2025 to 31 December 2029, in accordance with the AA4 review submission date. The ERA is to assess the proposal in accordance with the provisions of the regulatory framework. The procedure for dealing with an access arrangement proposal is set out in rules 58 to 62 of the NGR.

4.3.3 Timeframes

In most cases, individual review processes are subject to legislated timeframes. These timeframes may change over the course of the review, to the extent the legislation allows, depending on the circumstances at the time.[27] A timeframe for the review of GGT's access arrangement proposal is set out in Table 11.

[26] ERA, *Final Decision on Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement for 2020 to 2024: Submitted by Goldfields Gas Transmission Pty Ltd*, 19 January 2019.

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

Table 11: Timeframe for the review of GGT's access arrangement proposal

Review process stage	Legislated timeframe	Actual date (Indicative date)
Stage A: Reference service proposal (completed)		
GGT reference service proposal submitted to ERA	12 months prior to the review submission date for the access arrangement	21 December 2022
Public consultation on GGT's proposal	A period of at least 15 business days	10 February 2024 to 10 March 2024
ERA reference service proposal decision published	No later than 6 months prior to the review submission date for the access arrangement	21 June 2023
Stage B: Access arrangement proposal (in progress)		
GGT access arrangement proposal submitted to ERA	By the review submission date in the current access arrangement	21 December 2023
Initiating notice published by ERA to notify of GGT's proposal	As soon as practicable after receipt of proposal (a delay of up to 30 business days is allowed if the ERA finds the proposal to be deficient and requires GGT to correct the deficiency)	29 January 2024
Public consultation (1st round) on GGT's proposal	A period of least 20 business days after publication of initiating notice	29 January 2024 to 8 April 2024
ERA issues paper published	[not applicable]	12 March 2024
ERA draft decision published	No legislated timeframe	25 July 2024
Hearing about the ERA draft decision (if, requested by a person and/or provided by ERA)	If a hearing is to be requested by a person, the request must be made within 10 business days after the publication of the draft decision	[not scheduled]
Revision period for GGT to submit a revised proposal in response to the ERA draft decision	A period of at least 30 business days after publication of the draft decision	26 July 2024 to 5 September 2024
Public consultation (2nd round) on ERA draft decision and GGT's revised proposal	A period of at least 20 business days from the end of GGT s revision period	6 September 2024 to 8 October 2024
ERA final decision published	Within 8 months from the receipt of GGT's access arrangement proposal, with an extension of up to an additional 2 months (i.e. 10 months in total)	(December 2024)
Access arrangement start date	Date specified in the final decision (or otherwise 10 business days after the date of the final decision)	(1 January 2025)

Appendix 1 List of Tables

Appendix 2 List of Required Amendments

In making its draft decision, the ERA has identified various required amendments for GGT to address. These required amendments appear in the attachments to the draft decision which set out the ERA's considerations and reasoning for its decision. A summary of these required amendments is provided here.

Attachment 1: Access arrangement and services

1.1 GGT should amend the pipeline description to include kilometre reference points for each receipt and delivery point on the pipeline.

1.2 GGT must correct the review submission date in Section 1.7 of the proposed access arrangement from 1 January 2028 to 1 January 2029.

Attachment 2: Demand

2.1 GGT must publish the minimum, maximum and average demand on the covered GGP, including actuals and forecasts for AA4, for each receipt or delivery point.

2.2 GGT must publish user numbers on the covered GGP, including actuals and forecasts for AA4, for each receipt or delivery point.

2.3 GGT must amend the terms "maximum capacity" and "average capacity" in the demand model and the demand forecast report to "maximum contracted capacity" and "average contracted capacity".

2.4 GGT must amend the capacity and throughput forecasts to reflect the ERA's forecasts in Table 2.5 of Draft Decision Attachment 2.

Attachment 3: Revenue and tariffs

3.1 GGT must amend the values for total revenue (nominal) to reflect the values as set out in Table 3.9 of Draft Decision Attachment 3.

3.2 Schedule A of the proposed revised access arrangement, which details the reference service tariff, should be amended to reflect the ERA approved tariffs set out in Table 3.10 of Draft Decision Attachment 3.

3.3 GGT must delete the "insurance cap event" and "insurer credit risk event" from Section 4.5.2(c) of the proposed access arrangement.

3.4 GGT must amend the definition of "natural disaster event" to include the following provision: "iii. whether a declaration has been made by a relevant government authority that a natural disaster event has occurred".

3.5 GGT must amend Section 4.5.2(c) of the proposed access arrangement to include the meaning of "natural disaster event", which must be the same definition that is set out in GGT's Proposal Overview (subject to Required Amendment 3.4 above).

3.6 GGT must amend the meaning of "terrorism event" in Section 4.5.2(c) of the proposed access arrangement to match the definition that is set out in GGT's Proposal Overview.

3.7 GGT must amend the definition of "carbon cost event" in Section 4.5.2(c) of the proposed access arrangement, to:

a. ensure only carbon costs that are directly related to the operation of the GGP are captured as a carbon cost event; and

b. make explicit that a carbon cost event applies to both material increases and material decreases in costs.

3.8 GGT must delete the “regulatory change event” from Section 4.5.2(c) of the proposed access arrangement.

3.9 GGT must amend section 4.5.2(d) of the proposed access arrangement to change the materiality threshold to a minimum value of $1 million.

Attachment 4: Regulatory capital base

4.1 GGT must amend its access arrangement information to revise its AA4 forecast capital expenditure to $32.3 million ($ real as at 31 December 2023), consistent with Table 4.6 of Draft Decision Attachment 4.

4.2 GGT should update its AA4 capital costs with the latest labour cost escalation update available and provide the ability for the ERA to update this its final decision model.

4.3 GGT must amend its access arrangement information to revise its AA5 forecast capital expenditure to $44.3 million ($ real as at 31 December 2023), consistent with Table 4.11 of Draft Decision Attachment 4.

4.4 GGT should update its AA5 capital costs with the latest labour cost escalation update available and provide the ability for the ERA to update this in its final decision model.

Attachment 5: Operating expenditure

5.1 GGT must amend its access arrangement information to revise its AA5 operating expenditure to $110.90 million ($ million real as at 31 December 2023), consistent with Table 5.8 of Draft Decision Attachment 5.

Attachment 6: Depreciation

6.1 GGT must amend the forecast depreciation of the capital base for AA5 to $69.6 million (real as at 31 December 2023). The yearly values for each year of the access arrangement period are set out in Table 6.5 of Draft Decision Attachment 6.

Attachment 7: Return on capital, taxation and incentives

7.1 Subject to the nomination of a final averaging period, GGT must update its rate of return to be 7.46 per cent (vanilla nominal after-tax).

7.2 GGT must amend the estimated cost of corporate income tax in accordance with Table 7.14 of Draft Decision Attachment 7.

Attachment 8: Other access arrangement provision

8.1 GGT must amend Section 5.2 of the access and queuing requirements to add a new provision to confirm that if the existing user responds to the service provider’s request for continuation of service information to confirm that it does not intend to extend its gas transportation agreement, the service provider may treat the user’s capacity as spare capacity at the expiry of the user’s agreement.

8.2 GGT must amend Section 5.5.1(b) of the access and queuing requirements so that the requirement to meet any prudential requirements is limited to those that are reasonably necessary to lodge a registration of interest. To assist with clarity, GGT should provide examples of the types of prudential requirements that may be specified.

8.3 GGT must include a provision in Section 5.5 of the access and queuing requirements to confirm what happens to a registration of interest after 12 months from receipt of the registration of interest by the service provider.

8.4 GGT must amend Section 5.6 of the access and queuing requirements to change the heading from "Service Provider can provide service with Spare Capacity" to "Spare Capacity", which better reflects the provisions of this section.

8.5 GGT must correct the drafting error in Section 5.7(a) of the access and queuing requirements so that the drafting reads "… 30 Business Days after the date specified in the Spare Capacity Notice (access request date)".

8.6 GGT must amend the access and queuing requirements to confirm the information required when notifying prospective users (under Section 5.8.3(d)) as to whether they were allocated any spare capacity in an auction, and the regulator (under Section 5.8.3(e) of the outcomes of a Spare Capacity Notice and Auction for Spare Capacity. As a minimum, the information required must be such as to enable a prospective user to determine the prospective user's position in the queue, the order of which was determined by prioritising the auction bids based on the criteria set out in Section 5.8.3(b).

8.7 GGT must correct the drafting error in Section 5.8.1(d)(iii) of the access and queuing requirements to remove the words "For example, terms that … compared to standard Terms & Conditions" (these words should form part of the new drafting in Section 5.8.1e)). GGT must also correct the drafting error in Section 5.8.3(e) to refer to the "Spare Capacity Notice" (not "Notice of Spare Capacity").

8.8 GGT must correct the drafting error in Section 5.9(b) of the access and queuing requirements to change the reference to "Capacity Queue" to "Capacity Deposit".

8.9 GGT must delete proposed Section 5.10 of the access and queuing requirements, unless GGT can confirm that this section is only relevant in relation to an access request made under Section 5.1 and access offer made under Section 5.3.2.

Attachment 9: Service terms and conditions

8.1 GGT must amended the definition of "receipt point" in Schedule T of the proposed access arrangement to match the amended definition of "receipt point" in Schedule C of the proposed access arrangement (noting that there is a drafting/formatting error in the amended definition for "receipt point" in Schedule C that needs to be addressed).

8.2 GGT should consider amending the structure of the proposed access arrangement to incorporate the definitions that apply to the reference service terms and conditions into those terms and conditions (i.e. existing Schedule T (C1 Definitions and Interpretation) should form part of Schedule D (Terms and Conditions applying to the Firm Transportation Service).

Appendix 3 Submissions

Submissions from interested parties are listed below.

Submissions on GGT proposal and/or ERA issues paper
Alinta Energy (Alinta)

Appendix 4 National Gas Rules

The *National Gas Law* (NGL) and *National Gas Rules* (NGR) establish the framework for the economic regulation of gas pipelines. In Western Australia, the NGL and NGR are implemented by the *National Gas Access (WA) Act 2009*.

The following extracts of the NGR, as they apply in Western Australia, are provided for information.

11 Calculation of time

(1) If the Law fixes a time limit within which a decision maker must make a decision on a proposal, then for the purpose of calculating elapsed time, and of the following periods is, if the decision-maker so decides, to be disregarded:

- (a) any period allowed the proponent for correction or revision of the proposal;
- (b) any period taken by the proponent or any other person to provide information, relevant to the decision maker's decision on the proposal, in response to a notice or requirement issued or made by the decision maker under the Law;
- (c) any period allowed for public submissions on the proposal or on a draft decision on the proposal;
- (d) any period allowed for submissions on a proposal by the [ERA] to disclose confidential information, any period then taken by the [ERA] to consider the submissions and decide whether to disclose the information, and any period occupied by a review of the decision;
- (e) the period between commencement and conclusion of court proceedings to determine questions arising from the proposal or the decision maker's handling of the proposal.

(2) The decision-maker must:

- (a) give notice of a decision under this rule to the proponent; and
- (b) publish notice of the decision on its website.

…

42 General requirements for access arrangement information

(1) Access arrangement information for an access arrangement or an access arrangement proposal is information that is reasonably necessary for users and prospective users:

- (a) to understand the background to the access arrangement or the access arrangement proposal; and
- (b) to understand the basis and derivation of the various elements of the access arrangement or the access arrangement proposal.

(2) Access arrangement information must include the information specifically required by the Law.

43 Requirement to provide access arrangement information

(1) A service provider, when submitting an access arrangement proposal for the [ERA's] approval, must submit, together with the proposal, access arrangement information for the access arrangement proposal.

Note:

This subrule is classified as a civil penalty provision under the National Gas (South Australian) Regulations. See clause 6 and Schedule 3 of the National Gas (South Australian) Regulations.

(2) If particular information (sensitive information) is confidential, and its public disclosure could cause undue harm to the legitimate business interests of the service provider, a user or prospective user, the AER may permit the service provider to submit access arrangement information in a form, approved by the [ERA], in which the sensitive information:

(a) is aggregated or generalised so as to avoid disclosure of the elements that make it sensitive; or

(b) if that is not possible – is entirely suppressed.

(3) If information submitted as access arrangement information is, in the [ERA's] opinion, deficient in its comprehensiveness or in any other respect, the [ERA] may require the proponent:

(a) to make the revisions necessary to correct the deficiency and to re-submit the access arrangement information; or

(b) to submit further access arrangement information as an addendum to the information already submitted.

…

47A Reference services

(1) A service provider in respect of a full regulation pipeline must, whenever required to do so under subrule (3), submit to the [ERA] a reference service proposal in respect of a forthcoming full access arrangement proposal that:

(a) identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;

(b) sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in subrule (2);

(c) from the list referred to in subrule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as reference services having regard to the reference service factors including any supporting information required by the [ERA]; and

(d) if the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.

(2) A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including:

(a) the service type (for example, forward haul, backhaul, connection, park and loan);

(b) the priority of the service relative to other pipeline services of the same type; and

(c) the receipt and delivery points.

(3) A service provider in respect of a full regulation pipeline must submit a reference service proposal to the [ERA]:

(a) no later than 12 months prior to the review submission date for the access arrangement; or

(b) if no access arrangement applies, in accordance with rule 46.

(4) If the [ERA] considers that the reference service proposal does not comply, in any respect, with a requirement of the Rules, the [ERA] may notify the service provider that it requires resubmission of the reference service proposal, and in doing so, must:

(a) state why, and in what respects, the [ERA] considers the reference service proposal to be non-compliant; and

(b) state a date by which the service provider is required to resubmit the amended reference service proposal.

(5) If a service provider fails to submit a reference service proposal where required to do so under these Rules by the date that is 11 months prior to the review submission date, the [ERA] must itself propose a reference service proposal for the relevant pipeline.

(6) As soon as practicable after:

(a) receiving a reference service proposal from the service provider under subrule (3) that the [ERA] does not consider needs resubmission under subrule (4);

(b) receiving the resubmitted reference service proposal under subrule (4); or

(c) proposing a reference service proposal under subrule (5), the [ERA] must publish:

(d) the reference service proposal; and

(e) an invitation for written submissions on the reference service proposal (which must be for a period of at least 15 business days after the publication of the reference service proposal).

(7) Any person may make written submissions to the [ERA] on the reference service proposal, or the issues within the proposal including, without limitation, whether the reference service proposal should specify other services as reference services.

(8) Following receipt of submissions under subrule (7), the [ERA] may, at its discretion, undertake further consultation on the reference service proposal.

(9) No later than 6 months prior to the review submission date for the access arrangement, the [ERA] must make a reference service proposal decision and give a copy of the decision to the service provider and publish its decision, together with its reasons for the decision, on its website.

(10) A reference service proposal decision is a decision to approve, or to refuse to approve, a reference service proposal.

(11) If, in a reference service proposal decision, the [ERA] refuses to approve a reference service proposal the [ERA] must revise the reference service proposal having regard to:

(a) the matters that these rules require a reference service proposal to include; and

(b) the service provider's reference service proposal; and

(c) the [ERA's] reasons for refusing to approve that proposal, and give a copy of the revised reference service proposal to the service provider and publish the revised reference service proposal on its website.

(12) If the [ERA] publishes a revised reference service proposal under subrule (11) it must as soon as practicable after publishing the revised proposal make a reference service proposal decision to give effect to the revised reference service proposal.

(13) In making its reference service proposal decision, the [ERA] must have regard to:

(a) the reference service factors;

(b) submissions made in response to its invitation under subrule (7) (within the time allowed in the invitation);

(c) where applicable, any feedback the service provider has received from pipeline users and end users, as described in accordance with subrule (1)(d); and

(d) any other matters the [ERA] considers relevant.

(14) In deciding whether or not a pipeline service should be specified as a reference service, the [ERA] must have regard to the reference service factors.

(15) The reference service factors are:

(a) actual and forecast demand for the pipeline service and the number of prospective users of the service;

(b) the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;

(c) the feasibility of allocating costs to the pipeline service;

(d) the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:

(i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;

(ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and

(iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;

(e) the likely regulatory cost for all parties (including the [ERA], users, prospective users and the service provider) in specifying the pipeline service as a reference service.

48 Requirements for full access arrangement (and full access arrangement proposal)

(1) A full access arrangement must:

(a) identify the pipeline to which the access arrangement relates and include a reference to a website at which a description of the pipeline can be inspected; and

(b) describe all of the pipeline services that the service provider can reasonably provide on the pipeline, which must be consistent with the [ERA's] reference service proposal decision under rule 47A, unless there has been a material change in circumstances; and

(c) specify the reference services, which must be consistent with the [ERA's] reference service proposal decision under rule 47A, unless there has been a material change in circumstances; and

(c1) if the information provided under subrules (1)(b) or (1)(c) is different to the [ERA's] reference service proposal decision under rule 47A, describe the material change in circumstances that necessitated the change having regard to the reference service factors; and

(d) specify for each reference service:

(i) the reference tariff; and

(ii) the other terms and conditions on which each reference service will be provided; and

(e) if the access arrangement is to contain queuing requirements – set out the queuing requirements; and

Note:

Queuing requirements are necessary if the access arrangement is for a transmission pipeline but, if the pipeline is a distribution pipeline, queuing requirements are not necessary unless the [ERA] has given prior notification of the need to include queuing requirements (See rule 103).

(f) set out the capacity trading requirements; and

(g) set out the extension and expansion requirements; and

(h) state the terms and conditions for changing receipt and delivery points; and

(i) if there is to be a review submission date – state the review submission date and the revision commencement date; and

Note:

A full access arrangement must contain a review submission date and a revision commencement date unless it is a voluntary access arrangement – See rule 49.

(j) if there is to be an expiry date – state the expiry date.

Note:

A full access arrangement may contain an expiry date if it is a voluntary access arrangement (but not otherwise) – See rule 49.

(2) This rule extends to an access arrangement proposal consisting of a proposed full access arrangement.

…

58 Notification of submission of full access arrangement proposal for approval

(1) As soon as practicable after receiving a full access arrangement proposal, or referring it (in the case of an access arrangement variation proposal) to be dealt with under this Division, the [ERA] must publish a notice (an initiating notice) on its website:

(a) notifying receipt of the proposal; and

(b) describing the proposal and giving the address of a website at which the proposal can be inspected; and

(c) inviting written submissions on the proposal by a date specified in the notice (which must fall at least 20 business days after the first publication of the notice).

(2) The [ERA] may, however, defer publication of an initiating notice for up to 30 business days after the submission of the access arrangement proposal if, on a preliminary examination of the proposal, the [ERA] considers the proposal or the related access arrangement information deficient in some respect, and allows the service provider an opportunity to correct the deficiency.

(3) A service provider may, with the [ERA's] consent, revise a full access arrangement proposal even though an initiating notice has been published.

59 Access arrangement draft decision

(1) After considering the submissions made within the time allowed in the initiating notice, and any other matters the [ERA] considers relevant, the [ERA] must make an access arrangement draft decision.

(2) An access arrangement draft decision indicates whether the [ERA] is prepared to approve the access arrangement proposal as submitted and, if not, the nature of the amendments that are required in order to make the proposal acceptable to the [ERA].

Examples:

1. If the [ERA] is not satisfied that the access arrangement proposal adequately describes the pipeline services offered, or to be offered, by the service provider, the decision might indicate the amendment or the nature of the amendment required to correct the deficiency.
2. If the [ERA] is not satisfied that the access arrangement proposal designates as reference services all pipeline services that it considers should be specified as reference services under rule 47A, the decision might indicate that further or other pipeline services should be designated as reference services.
3. The decision might indicate that specified changes, or changes of a specified nature, should be made to a reference tariff.
4. The decision might indicate changes to queuing requirements, capacity trading requirements, or extension and expansion requirements needed to make the access arrangement acceptable to the [ERA].

(3) If an access arrangement draft decision indicates that revision of the access arrangement proposal is necessary to make the proposal acceptable to the [ERA], the decision must fix a period (at least 30 business days) for revision of the proposal (the revision period).

(4) An access arrangement draft decision must include a statement of the reasons for the decision.

(5) When the [ERA] makes an access arrangement draft decision, it must:

(a) give a copy of the decision to the service provider; and

(b) publish the decision on the [ERA's] website; and

(c) publish on its website a notice:

(i) stating that an access arrangement draft decision has been made and giving a reference to a website at which the relevant access arrangement proposal and the relevant draft decision may be inspected; and

(ii) if a period has been allowed for revision of the proposal – specifying the revision period; and

(iii) inviting written submissions within the time allowed in the notice (which must be at least 20 business days from the end of the revision period).

60 Revision of access arrangement proposal in response to draft decision

(1) The service provider may, within the revision period, submit additions or other amendments to the access arrangement proposal to address matters raised in the access arrangement draft decision.

(2) The amendments must be limited to those necessary to address matters raised in the access arrangement draft decision unless the [ERA] approves further amendments.

Example:

The [ERA] might approve amendments to the access arrangement proposal to deal with a change in circumstances of the service provider's business since submission of the access arrangement proposal.

(3) If the service provider submits amendments to the access arrangement proposal, the service provider must also provide the [ERA] (together with the amendments) with a revised proposal incorporating the amendments.

(4) As soon as practicable after receiving the revised access arrangement proposal, the [ERA] must publish it on its website.

61 Hearing relating to access arrangement draft decision

(1) The [ERA] may, on its own initiative or on request by any person, hold a hearing about an access arrangement draft decision.

(2) A request for a hearing must:

(a) be made in writing within 10 business days after publication of the draft decision; and

(b) state the applicant's name and contact details; and

(c) state the applicant's reasons for requesting a hearing.

(3) If the [ERA] refuses a request for a hearing, it must give the applicant written reasons for the refusal.

Example:

The [ERA] might refuse the request on the ground that the applicant failed to make written submissions in response to the initiating notice or that the applicant's request does not disclose a sufficient reason for a hearing.

(4) If the [ERA] decides to hold a hearing (on request or on its own initiative), it must appoint a time and place for the hearing and give notice of the appointed time and place on its website.

62 Access arrangement final decision

(1) After considering the submissions made in response to the access arrangement draft decision within the time allowed in the notice, and any other matters the [ERA] considers relevant, the [ERA] must make an access arrangement final decision.

(2) An access arrangement final decision is a decision to approve, or to refuse to approve, an access arrangement proposal.

(3) If the access arrangement proposal has been revised since its original submission, the access arrangement final decision relates to the proposal as revised.

(4) An access arrangement final decision must include a statement of the reasons for the decision.

(5) When the [ERA] makes an access arrangement final decision, it must:

(a) give a copy of the decision to the service provider; and

(b) publish the decision on the [ERA's] website.

(6) If an access arrangement final decision approves an access arrangement proposal, the access arrangement, or the revision or variation, to which the decision relates, takes effect on a date fixed in the final decision or, if no date is so fixed, 10 business days after the date of the final decision.

Note:

In the case of an access arrangement revision proposal, this date may, but will not necessarily, be the revision commencement date fixed in the access arrangement.

(7) An access arrangement final decision must be made within 8 months of the date of receipt of the access arrangement proposal.

(8) The time limit fixed by subrule (7) cannot be extended by more than a further 2 months.

…

64 [ERA's] power to make or revise access arrangement on refusing to approve an access arrangement proposal

(1) If, in an access arrangement final decision, the [ERA] refuses to approve an access arrangement proposal (other than a variation proposal), the [ERA] must itself propose an access arrangement or revisions to the access arrangement (as the case requires) for the relevant pipeline.

Exception:

If the access arrangement proposal is for a limited access arrangement for an international pipeline to which a price regulation exemption applies, the [ERA] may (but need not) exercise its powers under this rule. (See section 167(2) of the NGL)

(2) The [ERA's] proposal for an access arrangement or revisions is to be formulated with regard to:

(a) the matters that the Law requires an access arrangement to include; and

(b) the service provider's access arrangement proposal; and

(c) the [ERA's] reasons for refusing to approve that proposal.

(3) The [ERA] may (but is not obliged to) consult on its proposal.

(4) The [ERA] must, within 2 months after the access arrangement final decision, make a decision giving effect to its proposal.

(5) When the [ERA] makes a decision under this rule, it must:

(a) give a copy of the decision to the service provider; and

(b) publish the decision on the [ERA's] website.

(6) The access arrangement or the revisions to which the decision relates takes effect on a date fixed in the determination or, if no date is so fixed, 10 business days after the date of the decision.

…

72 Specific requirements for access arrangement information relevant to price and revenue regulation

(1) The access arrangement information for a full access arrangement proposal (other than an access arrangement variation proposal) must include the following:

(a) if the access arrangement period commences at the end of an earlier access arrangement period:

(i) capital expenditure (by asset class) over the earlier access arrangement period; and

(ii) operating expenditure (by category) over the earlier access arrangement period; and

(iii) usage of the pipeline over the earlier access arrangement period showing:

(A) for a distribution pipeline, minimum, maximum and average demand and, for a transmission pipeline, minimum, maximum and average demand for each receipt or delivery point; and

(B) for a distribution pipeline, customer numbers in total and by tariff class and, for a transmission pipeline, user numbers for each receipt or delivery point;

(b) how the capital base is arrived at and, if the access arrangement period commences at the end of an earlier access arrangement period, a demonstration of how the capital base increased or diminished over the previous access arrangement period;

(c) the projected capital base over the access arrangement period, including:

(i) a forecast of conforming capital expenditure for the period and the basis for the forecast; and

(ii) a forecast of depreciation for the period including a demonstration of how the forecast is derived on the basis of the proposed depreciation method;

(d) to the extent it is practicable to forecast pipeline capacity and utilisation of pipeline capacity over the access arrangement period, a forecast of pipeline capacity and utilisation of pipeline capacity over that period and the basis on which the forecast has been derived;

(e) a forecast of operating expenditure over the access arrangement period and the basis on which the forecast has been derived;

(f) [Deleted];

(g) the allowed rate of return for each regulatory year of the access arrangement period;

(h) the estimated cost of corporate income tax calculated in accordance with rule 87A, including the allowed imputation credits referred to in that rule;

(i) if an incentive mechanism operated for the previous access arrangement period—the proposed carry-over of increments for efficiency gains or decrements for efficiency losses in the previous access arrangement period and a demonstration of how allowance is to be made for any such increments or decrements;

(j) the proposed approach to the setting of tariffs including:

(i) the suggested basis of reference tariffs, including the method used to allocate costs and a demonstration of the relationship between costs and tariffs; and

(ii) a description of any pricing principles employed but not otherwise disclosed under this rule;

(k) the service provider's rationale for any proposed reference tariff variation mechanism;

(l) the service provider's rationale for any proposed incentive mechanism;

(m) the total revenue to be derived from pipeline services for each regulatory year of the access arrangement period.

(2) The access arrangement information for an access arrangement variation proposal related to a full access arrangement must include so much of the above information as is relevant to the proposal.

(3) Where the [ERA] has published financial models under rule 75A, the access arrangement information for a full access arrangement proposal must be provided using the financial models.

73 Basis on which financial information is to be provided

(1) Financial information must be provided on:

(a) a nominal basis; or

(b) a real basis; or

(c) some other recognised basis for dealing with the effects of inflation.

(2) The basis on which financial information is provided must be stated in the access arrangement information.

(3) All financial information must be provided, and all calculations made, on the same basis and using any applicable financial models published by the [ERA] under these Rules.

74 Forecasts and estimates

(1) Information in the nature of a forecast or estimate must be supported by a statement of the basis of the forecast or estimate.

(2) A forecast or estimate:

(a) must be arrived at on a reasonable basis; and

(b) must represent the best forecast or estimate possible in the circumstances.

75 Inferred or derivative information

Information in the nature of an extrapolation or inference must be supported by the primary information on which the extrapolation or inference is based.

…

[Pre 1 February 2024 capital expenditure criteria (old expenditure rules)]

79 New capital expenditure criteria

(1) Conforming capital expenditure is capital expenditure that conforms with the following criteria:

(a) 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; and

(b) the capital expenditure must be justifiable on a ground stated in subrule (2); and

(c) the capital expenditure must be for expenditure that is properly allocated in accordance with the requirements of subrule (6).

(2) Capital expenditure is justifiable if:

(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

(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).

(3) In deciding whether the overall economic value of capital expenditure is positive, consideration is to be given only to economic value directly accruing to the service provider, gas producers, users and end users.

(4) In determining the present value of expected incremental revenue:

(a) a tariff will be assumed for incremental services based on (or extrapolated from) prevailing reference tariffs or an estimate of the reference tariffs that would have been set for comparable services if those services had been reference services; and

(b) incremental revenue will be taken to be the gross revenue to be derived from the incremental services less incremental operating expenditure for the incremental services; and

(c) a discount rate is to be used equal to the rate of return implicit in the reference tariff.

(5) If capital expenditure made during an access arrangement period conforms, in part, with the criteria laid down in this rule, the capital expenditure is, to that extent, to be regarded as conforming capital expenditure.

(6) Conforming capital expenditure that is included in an access arrangement revision proposal must be for expenditure that is allocated between:

(a) reference services;

(b) other services provided by means of the covered pipeline; and

(c) other services provided by means of uncovered parts (if any) of the pipeline,

in accordance with rule 93.

[Post 1 February 2024 capital expenditure criteria (new expenditure rules)]

79 New capital expenditure criteria

(1) Conforming capital expenditure is capital expenditure that conforms with the following criteria:

(a) the capital expenditure must be such as would be incurred by a 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; and

(b) the capital expenditure must be justifiable on a ground stated in subrule (2); and

(c) the capital expenditure must be for expenditure that is properly allocated in accordance with the requirements of subrule (6).

(2) Capital expenditure is justifiable if:

(a) the overall economic value of the expenditure is positive, subject to subrule (3); 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).

(3) In deciding whether the overall economic value of capital expenditure is positive, consider the sum of:

(a) the economic value, other than of changes to Australia's greenhouse gas emissions, directly accruing to the service provider, producers, users and end users; and

(b) the economic value of changes to Australia's greenhouse gas emissions, whether or not that value accrues (directly or indirectly) to the service provider, producers, users or end users.

(4) In determining the present value of expected incremental revenue:

(a) a tariff will be assumed for incremental services based on (or extrapolated from) prevailing reference tariffs or an estimate of the reference tariffs that would have been set for comparable services if those services had been reference services; and

(b) incremental revenue will be taken to be the gross revenue to be derived from the incremental services less incremental operating expenditure for the incremental services; and

(c) a discount rate is to be used equal to the rate of return implicit in the reference tariff.

(5) If capital expenditure made during an access arrangement period conforms, in part, with the criteria laid down in this rule, the capital expenditure is, to that extent, to be regarded as conforming capital expenditure.

(6) Conforming capital expenditure that is included in an access arrangement revision proposal must be for expenditure that is allocated between:

(a) reference services;

(b) other services provided by means of the scheme pipeline; and

(c) other services provided by means of non-scheme parts (if any) of the pipeline,

in accordance with rule 93.

…

87A Estimated cost of corporate income tax

(1) The estimated cost of corporate income tax of a service provider for each regulatory year of an access arrangement period (ETCt) is to be estimated in accordance with the following formula:

$ETCt = (ETIt \times rt)(1 - \gamma)$

Where

ETIt is an estimate of the taxable income for that regulatory year that would be earned by a benchmark efficient entity as a result of the provision of reference services if such an entity, rather than the service provider, operated the business of the service provider;

rt is the expected statutory income tax rate for that regulatory year as determined by the [ERA]; and

γ is the allowed imputation credits for the regulatory year

…

90 Calculation of depreciation for rolling forward capital base from one access arrangement period to the next

(1) A full access arrangement must contain provisions governing the calculation of depreciation for establishing the opening capital base for the next access arrangement period after the one to which the access arrangement currently relates.

(2) The provisions must resolve whether depreciation of the capital base is to be based on forecast or actual capital expenditure.

…

92 Revenue equalisation

(1) A full access arrangement must include a mechanism (a reference tariff variation mechanism) for variation of a reference tariff over the course of an access arrangement period.

(2) Except to the extent that subrule (3) applies, the reference tariff variation mechanism must be designed to equalise (in terms of present values):

(a) forecast revenue from reference services for the access arrangement period; and

(b) the portion of total revenue allocated to reference services for the access arrangement period.

(3) If there is an interval between a revision commencement date stated in a full access arrangement and the date on which revisions to the access arrangement actually commence (the interval of delay):

(a) reference tariffs, as in force at the end of the previous access arrangement period, must continue without variation for the interval of delay; but

(b) the operation of this subrule must be taken into account in fixing reference tariffs for the new access arrangement period, such that there may be an adjustment for any under-recovery or over-recovery by the service provider as a result of the continuation of reference tariffs from the previous access arrangement period during the interval of delay.

(4) For the avoidance of doubt, once the revisions to an access arrangement actually commence the access arrangement period to which the revised access arrangement applies includes the interval of delay.