Economic Regulation Authority

# Final decision on access arrangement for the Goldfields Gas Pipeline (2025 to 2029)

## Attachment 2: Demand

18 December 2024

D284884

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## List of appendices

# Note

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

- Final decision on access arrangement for the Goldfields Gas Pipeline (2025 to 2029) – Overview, 18 December 2024:
  - Attachment 1: Access arrangement and services
  - Attachment 2: Demand (this document)
  - Attachment 3: Revenue and tariffs
  - Attachment 4: Regulatory capital base
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  - Attachment 9: Service terms and conditions

# Attachment 2. Summary

Demand forecasts are used to determine required levels of capital and operating expenditure, and to set reference tariffs for the access arrangement period. There is only one reference service, the Firm Transportation Service, provided by the covered (regulated) GGP. The ERA has reviewed GGT's revised demand forecast for this service for the five-year access arrangement period: 1 January 2025 to 31 December 2029 (AA5).

GGT's revised demand forecast is based on forecasts of contracted capacity and throughput from the Yarraloola receipt point and the newly commissioned Northern Goldfields Interconnect (NGI) receipt point. The NGI 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 receipt point.

GGT slightly increased the contracted capacity forecast at the Yarraloola receipt point during AA5 by 0.3 petajoules (PJ) from its initial proposal, attributing this increase to gold mining and electricity generation contracts. GGT also reassessed demand at the NGI receipt point since its initial proposal, incorporating changes such as contract delays and, notably, excluding contracts previously considered as highly probable that are not confirmed for AA5. As a result, GGT reduced the contracted capacity forecast at the NGI receipt point by 29 PJ.

GGT revised its gas throughput forecast for existing contracts by incorporating 2023 actual demand into its load factor (gas throughput rate) analysis.[1] For existing contracts, the gas throughput forecast is based on a weighted average actual load factor of each contract during AA4. For new contracts, GGT applied the weighted average load factor of all contracts on the covered GGP to forecast AA5 gas throughput. Total gas throughput decreased by 23 PJ mainly attributed to the exclusion of previously considered "highly probable" contracts at the NGI receipt point, as noted above, and a decrease in gas throughput demand in the nickel sector following BHP's announcement of the suspension of Nickel West's operation.

For AA5, GGT has forecast a contracted capacity of 227 PJ and a gas throughput of 195 PJ, with an average load factor of 86 per cent.[2]

The ERA has reviewed GGT's revised demand forecast and considers that GGT has taken reasonable steps to reassess the demand forecast. The ERA accepts GGT's revised demand forecast, except the gas throughput forecast for gold mining contracts.

The ERA maintains its draft decision position that the load factor for new gold mining contracts should be based on the actual average load factor between 2020 and 2023 for the gold mining sector, rather than the weighted average load factor of all contracts on the covered GGP.[3]

For AA5, the ERA forecasts contracted capacity of 227 PJ, which is the same as GGT, and gas throughput of 198 PJ, which is 3 PJ higher than the GGT forecast.

Table 2.1 below compares the ERA's and GGT's demand forecast.

1 Load factor = (gas throughput) / (reserved capacity).

2 Contracted capacity forecast = (average daily contracted capacity) * (total days in the year) * (number of years in AA5).

Throughput forecast = (average daily throughput) * (total days in the year) * (number of years in AA5).

3 See paragraphs 18 to 22

**Table 2.1: AA5 Firm Transportation Service demand forecast comparison between GGT revised proposal and ERA final decision (PJ)**

| | GGT revised proposal | ERA final decision | Variance | Variance (%) |
|---|---|---|---|---|
| **Yarraloola receipt point** | | | | |
| Maximum contracted capacity | 201.5 | **201.5** | 0.0 | 0.00 |
| Average contracted capacity | 201.5 | **201.5** | 0.0 | 0.00 |
| Average gas throughput | 172.1 | **174.4** | 2.3 | 1.34 |
| **NGI receipt point** | | | | |
| Maximum contracted capacity | 25.6 | **25.6** | 0.0 | 0.00 |
| Average contracted capacity | 25.6 | **25.6** | 0.0 | 0.00 |
| Average gas throughput | 22.6 | **23.5** | 0.9 | 3.98 |
| **Covered GGP total** | | | | |
| Maximum contracted capacity | 227.1 | **227.1** | 0.0 | 0.00 |
| Average contracted capacity | 227.1 | **227.1** | 0.0 | 0.00 |
| Average gas throughput | 194.7 | **197.9** | 3.2 | 1.64 |

### Summary of Required Amendments

2.1 The capacity and throughput forecasts for AA5 must be amended to reflect the values in Table 2.3 of this Final Decision Attachment 2.

# Regulatory requirements

1. The *National Gas Access (WA) Act 2009* implements a modified version of the National Gas Law (NGL) and National Gas Rules (NGR) in Western Australia. The rules referenced in this decision are those that apply in Western Australia.[4]

2. Further to preparing an access arrangement proposal for approval, the NGR requires the service provider to prepare and submit Access Arrangement Information (AAI).[5] 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.[6]

3. AAI must include any information that is specifically required by the NGL and NGR. Rule 72 sets out specific requirements for AAI relevant to price and revenue regulation and includes the following information needs related to demand:

   - Where the access arrangement period commences at the end of an earlier access arrangement period, AAI for a transmission pipeline must include the following usage information over the earlier access arrangement period:
     – Minimum, maximum and average demand for each receipt or delivery point.
     – User numbers for each receipt or delivery point.
   - To the extent it is practicable to forecast pipeline capacity and use of pipeline capacity over the access arrangement period, AAI must include a forecast of pipeline capacity and use of pipeline capacity over that period and the basis on which the forecast has been derived.

4. Where forecasts and estimates are provided, they must adhere to the requirements set out in rule 74:

   - The forecast or estimate must be supported by a statement that sets out the basis for the forecast or estimate.
   - The forecast or estimate must be arrived at on a reasonable basis and must represent the best forecast or estimate possible in the circumstances.

5. Additionally, under rule 75, any information that is inferred or derived from other information must be supported by the primary information on which the extrapolation or inference is based.

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

[5] NGR, rule 43.

[6] NGR, rule 42.

# ERA draft decision

6. The ERA reviewed and tested the demand forecast in GGT's initial proposal.

7. While the ERA generally accepted the gas throughput proposed by GGT, it raised concerns regarding contracts in the gold mining sector. The load factor forecast for contracts in the gold mining sector should be higher, given the strong export projection and historically high actual load factor. Consequently, the ERA used the average load factor of existing gold mining contracts to forecast gas throughput for new gold mining contracts during the AA5 period. This revised load factor was higher than GGT's initial proposal, which was the weighted average load factor of all contracts on the covered GGP. The ERA capped the maximum load factor forecast at one for all contracts.[7]

8. GGT did not publish the demand forecast for 2023 and 2024 and the minimum demand for AA4. GGT also did not publish receipt point, delivery points and the number of users for the Firm Transportation Service on the covered GGP from 2020 to 2022.

9. Table 2.2 shows a comparison of the ERA's draft decision and GGT's initial proposal.

**Table 2.2: AA5 Firm Transportation Service demand forecast comparison between GGT initial proposal and ERA draft decision (PJ)**

| | GGT initial proposal | 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 gas throughput | 170.4 | **175.5** | 5.1 | 3.0 |
| **NGI 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 gas 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 gas throughput | 217.4 | **225.9** | 8.5 | 3.9 |

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

[7] Draft decision on revisions to the access arrangement for the Goldfields Gas Pipeline, Attachment 2: Demand 25 July 2024 (online) (accessed on December 2024).

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.

# GGT response to draft decision

11. GGT submitted a revised demand proposal that incorporated 2023 actual demand and known changes to the contracts.

12. GGT accepted the ERA's draft decision required amendments 2.1 to 2.3 to publish the information required by the NGR and to amend terms used to more clearly describe the information provided.

13. GGT did not amend its demand forecast to align with the ERA's draft decision forecast as required by draft decision amendment 2.4. GGT updated its initial proposal demand forecast in the revised proposal using the following information: [8]

- Contracts at the Yarraloola receipt point have been updated to incorporate 2023 actual demand in the forecast analysis. The update at the Yarraloola receipt point is not significant for the AA5 period, with the contracted capacity forecast increased by only 0.3 PJ and gas throughput forecast increased by 1.7 PJ.
- GGT has not received requests from its customers to substantially vary the contracted capacity. Additionally, BHP Nickel West has indicated that it will retain the contracted capacity with a reduction in gas throughput while its facilities are under care and maintenance.
- GGT has capped the maximum load factor at one for all contracts.
- New contracts at the NGI have used the actual average load factor at the Yarraloola receipt point between 2020 and 2023, due to limited historical data for these contracts.
- GGT has reassessed demand at the NGI receipt point since its initial proposal. GGT noted that circumstances have changed for several customers, such as project delays, suspension of operation and considering the use of alternative energy. As a result, contracts are either delayed or have not firmed up. Therefore, GGT has updated the forecast at the NGI receipt point by adjusting the demand forecast profiles or removed the demand forecast from AA5. Compared to the initial proposal for AA5, the contracted capacity forecast decreased by 28.9 PJ and gas throughput forecast decreased by 24.4 PJ.

[8] Goldfields Gas Pipeline 2025-2029 Access arrangement, Revised proposal September 2024 (online) (accessed on December 2024).

# Final decision

14. The ERA did not receive any public submissions regarding the proposed demand for the Firm Transportation Service.

15. The ERA reviewed GGT's revised demand forecast for the Firm Transportation Service on the covered GGP for AA5. As in the initial proposal, GGT's demand forecast considered projections in the mining sector, which makes up most of the demand on the covered GGP.

16. The ERA has included the actual demand from 2023 and known changes in its analysis to reach the final decision. The ERA has capped the maximum load factor at one for the gas throughput forecast, consistent with GGT's approach.

17. The ERA accepts GGT's revised contract capacity forecast at the Yarraloola receipt point. GGT has provided sufficient information to justify the revised contract capacity profile for firm contracts and the exclusion of highly probably contracts at the NGI receipt point. Therefore, the ERA accepts the downward revision of contracted capacity at the NGI receipt point. [9]

18. The ERA accepts the gas throughput forecast at both the Yarraloola, and the NGI receipt points, except for new gold mining contracts.

19. The gas throughput forecast for new gold mining contracts should be higher than GGT's revised proposal. During AA4, the actual average load factor for gold mining contracts is higher than the weighted average of all contracts on the covered GGP, which was used by GGT to forecast gas throughput.

20. Consistent with the draft decision, the ERA reviewed Australia's gold production projections from the Resources and Energy Quarterly publication from the Department of Industry, Sciences and Resources. The ERA's assessment includes information from the September 2024 quarterly report.

21. In its assessment, the ERA estimates that the production level for AA5 should be only marginally lower by 0.2 per cent compared to the production level observed during AA4, when there was high gas throughput demand on the covered GGP among gold mining producers.[10]

22. Therefore, the ERA maintains its draft decision that the load factor for new gold mining contracts should be based on the actual average load factor of existing gold mining contracts in AA4, which is higher than the weighted average of all gas contracts used by GGT. As a result, the ERA's gas throughput forecast is higher than GGT's revised proposal.

23. The ERA's final decision demand forecast for the Firm Transportation Service is shown in Table 2.3 below.

[9] GGT provided supplementary information to justify the removal of the contracts at the NGI receipt point (ERA information request 13, confidential).

[10] The estimate of Australian gold production for the AA5 period is based on the compound annual growth rate.

**Table 2.3: Firm Transportation Service demand forecast for AA5 (TJ/day)**

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| **Yarraloola receipt point** | | | | | |
| Maximum contracted capacity | 110.4 | 110.4 | 110.4 | 110.4 | 110.4 |
| Average contracted capacity | 110.4 | 110.4 | 110.4 | 110.4 | 110.4 |
| Average gas throughput | 95.5 | 95.5 | 95.5 | 95.5 | 95.5 |
| **NGI receipt point** | | | | | |
| Maximum contracted capacity | 12.9 | 14.3 | 14.3 | 14.3 | 14.3 |
| Average contracted capacity | 12.9 | 14.3 | 14.3 | 14.3 | 14.3 |
| Average gas throughput | 11.9 | 13.1 | 13.1 | 13.1 | 13.1 |
| **Covered GGP total** | | | | | |
| Maximum contracted capacity | 123.3 | 124.7 | 124.7 | 124.7 | 124.7 |
| Average contracted capacity | 123.3 | 124.7 | 124.7 | 124.7 | 124.7 |
| Average gas throughput | 107.4 | 108.6 | 108.6 | 108.6 | 108.6 |

**Required Amendment**

2.1 The capacity and throughput forecasts for AA5 must be amended to reflect the values in Table 2.3 of this Final Decision Attachment 2.

# Appendix 1 List of Tables