Economic Regulation Authority

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

Attachment 5: Operating expenditure

7 July 2025

D293486

Acknowledgement of Country

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

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

Economic Regulation Authority

Level 4, Albert Facey House

469 Wellington Street, Perth WA 6000

Telephone 08 6557 7900

Email info@erawa.com.au

Website www.erawa.com.au

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

National Relay Service TTY: 13 36 77

© 2025 Economic Regulation Authority. All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged

Contents

List of appendices

Note

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

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

Attachment 5. Summary

A forecast of operating expenditure needed over the access arrangement period is one of the components used to determine the amount of revenue that DBP requires to operate the DBNGP.

DBP has proposed $652.5 million for operating expenditure for 2026 to 2030 (the sixth access arrangement period or AA6), or an average of $130.5 million per year, which represents an increase of $21.2 million per year (19.4 per cent) more than DBP's AA5 average annual expenditure to date.[1]

The ERA has reviewed DBP's proposal and considers that an AA6 operating expenditure forecast of $535 million is prudent and reasonable. This is close (in real terms) to DBP's actual operating expenditure in AA5.

The main reasons for the difference of around $118 million between DBP's AA6 proposal and our proposed operating expenditure include:

- Removing the internal accounting policy increase for wages and salaries and not including an allowance for increased staff headcount (a decrease of $61 million).
  - DBP proposed a base year value of $43.0 million for wages and salaries that incorporated an assumed change in its internal accounting policy that had the effect of increasing wages and salaries of employees charging to operating costs as compared to capital costs. DBP's actual cost for this expense category in 2023 was $30.2 million, and its five-year average cost was $31.8 million.
  - ERA's technical consultant, EMCa found that the accounting policy change benefits other entities owned by DBP's parent company, the Australian Gas Infrastructure Group (AGIG), as well as DBP's unregulated services, although it also reduces future labour costs charged to DBNGP capital expenditure.
  - The ERA considers that the additional impost for wages and salaries on DBNGP customers for its steady state operating business is not justified.
- Using our forecast of demand and the price assumptions per contract information received from DBP following its proposal, we reduced system use gas (SUG) expenditure (a decrease of $19 million).
- Reducing the Information Technology (IT) base and step changes proposed because DBP has not provided justification for an increase beyond the 2024 actual and has not provided the cost benefit analysis to justify the step increase over a significant base IT cost (a decrease of $13.7 million).
- Reductions to the level of insurance premium increases to reflect market cost estimates (a decrease of $7.2 million).
- Removing [redacted] in the turbine and exchange overhaul expenditure as the increased preventative maintenance program should result in fewer failures (a decrease of $3.3 million).

DBP's input cost factor, which allows for an annual 0.67 per cent real labour cost increase, is reasonable.

[1] This has been calculated for the four years to 2024 based on actual operating expenditure.

The ERA has considered information provided by DBP, public submissions and findings from the ERA's technical consultant (EMCa) to determine the amount of operating expenditure that meets the requirements of the National Gas Rules.

The summary of the ERA's determined operating expenditure for AA6 of $535 million is set out below:

Table 5.1: AA6 operating expenditure summary draft decision ($ million, December 2024)

	2025	2026	2027	2028	2029	2030	Total
Efficient base year	73.2	73.2	73.2	73.2	73.2	73.2	366.1
Bottom-up		31.8	35.8	33.3	27.2	28.9	157.2
Step changes		0.2	1.1	1.3	1.8	2.3	6.7
Labour cost escalation		0.5	0.7	1.0	1.2	1.5	5.0
Total		**105.8**	**110.9**	**108.9**	**103.5**	**106.0**	**535.0**

Source: ERA, Operating Expenditure Model, July 2025.

Summary of Required Amendments

Required Amendment 5.1

DBP must amend its operating expenditure forecast to $535 million ($ million real at 31 December 2024) to reflect the values in Table 5.14 of Draft Decision Attachment 5.

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.[2]

2. Under the regulatory framework, operating expenditure means:

> Operating, maintenance and other costs and expenditure of a non-capital nature incurred in providing pipeline services and includes expenditure incurred in increasing long-term demand for pipeline services and otherwise developing the market for pipeline services.[3]

3. A forecast of operating expenditure is one of the components (or building blocks) for determining the service provider's total revenue requirement using the building block approach, which is required by the regulatory framework set out in the NGR.[4] The total revenue requirement is the amount that is needed by the service provider to recover the efficient costs incurred in operating the pipeline (that is, the service provider's cost of service).

4. The criteria governing operating expenditure is set out in rule 91:

   - The operating expenditure must be expenditure such as would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable costs of delivering pipeline services in a manner consistent with the achievement of the national gas objective.

   - The forecast of operating expenditure required must be expenditure that is allocated between reference services; other services provided by means of the covered (regulated) pipeline; and other services provided by means of uncovered (unregulated) parts of the pipeline (if any), in accordance with the allocation provisions set out in rule 93.

5. Rule 71 sets out the considerations that the regulator may and should have regard to when evaluating whether operating expenditure satisfies the governing criteria. The regulator:

   - May, without embarking on a detailed investigation, infer compliance from the operation of an incentive mechanism or on any other basis that is considered appropriate.

   - Must consider and give appropriate weight to, submissions and comments received in response to an invitation for submissions on whether a service provider's access arrangement proposal should be approved.

---

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

3 NGR, rule 69.

4 NGR, rule 76.

DBP proposal

AA5 operating expenditure

6. DBP's actual/forecast operating expenditure for AA5 is $545.3 million ($ real December 2024), which is $33.4 million higher than the operating cost approved in the ERA's final decision for AA5. DBP provides the following explanation for the variance:[5]

    - Controllable operating expenditure (that is, expenditure excluding expenses that are dependent on throughput, and "inspections and other asset management" items) is $3.7 million higher than the ERA-approved AA5 allowance. The one per cent increase over the approved allowance reflects continued efficiency by DBP under challenging operating and economic circumstances:

        – Wage and salary expenses are forecast to be $16.1 million above the ERA-approved AA5 allowance for these costs. This is mainly due to the labour cost rate update, which is discussed in detail in the AA6 assessment.

        – Field expenses were impacted by the COVID-19 pandemic in 2021 and 2022, resulting in costs being $9.4 million below the ERA-approved AA5 allowance. Government charges and reactive maintenance costs were also below the ERA-approved allowances by $2.7 million and $2.5 million, respectively.

        – Non-field expenses are $2.4 million above the ERA-approved AA5 allowance. Inspection and other asset management costs are $3.5 million above the approved allowance.

    - Total SUG costs are forecast to be $19.6 million above the ERA-approved AA5 allowance. The main driver for higher SUG costs in AA5 was higher throughput than forecast (which increases the quantity of SUG required).

    - Turbine and Gas Engine Alternator (GEA) overhaul costs are forecast to be $4.4 million above the ERA-approved AA5 allowance. This reflects [redacted] premature failures of turbines and higher full haul throughput among other reasons.

7. The AA5 operating expenditure details are used in the assessment of the AA6 operating expenditure.

AA6 operating expenditure

8. DBP has forecast $652.5 million ($ real December 2024) of operating expenditure for AA6, which is an increase of about 20 per cent (or $107 million) compared to its AA5 operating expenditure. DBP provided the following reasons for the increase:[6]

    - A tight labour market and other wages and salary expense pressures, as well as unavoidable increases in insurance, utility, field, rental and other costs.

5 DBP, *Final Plan 2026-2030*, January 2025, p. 81.

6 DBP, *Final Plan 2026-2030*, January 2025, pp. 69-70.

- Higher inspection and other asset management item costs for critical inspection, safety and other assessment management related activities.

- An uplift in DBP's IT capability to address operation risks in IT and operational technology (OT).

9. To forecast its AA6 operating expenditure, DBP has continued to use the hybrid forecasting approach used for previous (AA4 and AA5) access arrangements, which comprises:

    - For most operating expenditure categories – a "base year roll-forward" forecasting approach (or otherwise known as the "base-step-trend" approach).

    - For three operating expenditure categories – SUG, turbine and GEA overhauls, and inspections and other asset management works – a "bottom-up" forecasting approach where it considered these costs were not representative of the true on-going cost.

10. To apply the base-step-trend approach, the latest revealed (actual) cost is used as a base for future costs. The latest actual costs available prior to the commencement of this AA6 review, and so DBP's base year, is 2024. For AA6, DBP has made some increasing adjustments to the base year costs to reflect the extent of rising costs that it has experienced towards the end of the AA5 period. DBP has proposed four step changes from 2026 for insurance and IT costs and has applied a real cost escalation to labour costs.

11. Consistent with the bottom-up forecasting approach, DBP has determined separate forecasts for the following categories, which are then added to its base-step-trend forecast:

    - SUG: SUG costs are determined as a function of the quantity required and a forecast of the gas price.

    - Turbine and GEA overhauls: Turbine and GEA overhaul costs are determined as a function of the unit run hours and the costs per unit.

    - Inspections and other asset management works: Pipeline, mainline valve and station inspections, other minor pipeline works, decommissioning activities and health and safety initiatives are generally all non-recurrent costs. These costs are determined as a function of the number of activities/initiatives required and the cost per activity/initiative.

Incentive scheme

12. For AA5, the ERA approved an operating expenditure efficiency incentive mechanism (the E Factor). The E Factor applies to the operating expenditure that is incurred by DBP to deliver its pipeline services. The intent of the scheme is to provide DBP with a continuous incentive to achieve efficiency gains throughout the access arrangement period. It works by establishing an operating expenditure benchmark, which DBP is incentivised to outperform across all years of the access arrangement period.

13. Applying the E Factor for AA5, DBP has calculated a negative efficiency carryover of $21.4 million in AA6. That is, DBP has made incremental efficiency losses since 2023

that outweigh the efficiency gains from 2021 and 2022 that are still carried over in AA6. DBP has provided details of this calculation in its supporting information.[7]

14. DBP has proposed to keep the E Factor for AA6, with some amendments to the provisions in section 15 of the proposed access arrangement.

15. DBP's application of the E Factor for AA5 and proposed changes to it for AA6 are set out Draft Decision Attachment 7.

[7] DBP, *Final Plan 2026-2030, Attachment 12.1: E-Factor Calculation Model*, January 2025.

Submissions

16. Submissions related to operating costs were received from two stakeholders – Horizon Power and NewGen Power Kwinana.

17. Horizon Power notes that one of the reasons DBP has provided for the 20 per cent increase in operating expenditure is the tight labour market. It stated that the Australian labour market has shown signs of easing, especially with weaker iron ore prices over the past 12 months. Horizon Power requested the ERA to review DBPs operating expenditure forecast assumptions for the AA6 and ensure they are justified and reasonable.[8]

18. NewGen submitted that the 20 per cent increase in forecast operating expenditure is substantial and the ERA must investigate in detail all cost categories to determine whether the proposed increases are appropriate. NewGen provided the following comments on the various cost categories:[9]

    - **Base and base year adjustments**: NewGen considered that the detailed breakdown of DBP's "controllable" operating expenditure over the period including explanations for the increases and an explanation of variances between the AA5 forecast and AA5 actuals would help determine if 2024 is an appropriate base year. NewGen suggested that ERA confirm whether some of these base year adjustments should instead be considered as step changes. On IT and insurance, NewGen suggested a check for any double counting between the base year and the base year adjustments.

    - **Step changes**: On the IT related step changes, NewGen suggested a check to test that operating expenditure/capital expenditure trade-offs are demonstrated and that net benefits are demonstrated for the expenditure incurred.

    - **Bottom up/Non recurrent**: NewGen considered these categories as reasonable but suggests comparing the AA5 and AA6 costs.

8 Horizon Power, *Response to ERA issues paper*, March 2025, pp. 2,3.

9 NewGen Power, *Response to ERA issues paper*, March 2025, pp. 8-10.

Draft decision

19. The ERA has reviewed DBP's proposed operating expenditure and considered advice from EMCa and submissions from stakeholders to make this draft decision. Changes are required to DBP's proposal forecast, primarily for base operating expenditure and step changes.

20. The ERA's draft decision is set out following the base-step-trend components and the bottom up forecasts for SUG, GEA and turbine overhauls, and inspection and other asset management works. In addition, real labour cost escalation is added to the labour component of operating expenditure.

21. DBP's forecast operating expenditure for AA6 is $652.5 million over the five years. This is an increase of around $109 million (or 20 per cent) compared to its actual performance over the AA5 period.[10]

22. DBP's AA6 operating expenditure proposal summary is set out below:

Table 5.2: AA6 operating expenditure summary DBP proposal ($ million, December 2024)

	2025	2026	2027	2028	2029	2030	Total
Efficient base year	89.2	89.2	89.2	89.2	89.2	89.2	446.2
Bottom-up		32.8	41.2	37.2	33.0	38.2	182.4
Step changes		1.8	2.9	3.4	4.2	5.0	17.3
Labour cost escalation		0.7	1.0	1.3	1.6	2.0	6.6
Total		**124.5**	**134.4**	**131.1**	**128.0**	**134.4**	**652.5**

Source: DBP, Final Plan 2026-2030, Attachment 8.1: Opex Model, January 2025.

Table 5.3: AA6 operating expenditure summary DBP proposal by category ($ million, December 2024)

Category	2026	2027	2028	2029	2030	Total
Wages & Salaries	45.2	45.5	45.8	46.1	46.4	229.1
Field expenses	13.4	13.4	13.4	13.4	13.4	67.1
Non-field expenses	20.2	21.4	21.9	22.7	23.6	109.7
Government Charges	11.6	11.6	11.6	11.6	11.6	57.9
System Use Gas	23.1	22.0	22.3	22.5	26.7	116.6
Reactive maintenance	1.3	1.3	1.3	1.3	1.3	6.3

[10] DBP, *Final Plan 2026-2030*, January 2025, p. 69.

Category	2026	2027	2028	2029	2030	Total
GEA & Turbine overhauls	4.9	8.8	4.5	6.9	7.8	32.8
Inspections & Other Asset Management	4.8	10.4	10.4	3.6	3.7	33.0
Total	**124.5**	**134.4**	**131.1**	**128.0**	**134.4**	**652.5**

Source: DBP, Final Plan 2026-2030, Attachment 8.1: Opex Model, January 2025.

Assessment of base year and base year adjustments

Selection of the base year

23. DBP has proposed 2024 as the base year for forecasting much of the AA6 operating expenditure. This is the penultimate year of the current AA5 period and DBP states that this is consistent with regulatory practice across Australia.[11]

24. At the time of its proposal, DBP's forecast comprised nine months of actual operating expenditure and three months of budget operating expenditure for 2024. DBP provided unaudited 2024 actual operating expenditure to the ERA in April 2025, which has been used to inform our assessment.

25. The ERA accepts DBP's proposal for the selection of 2024 as the base year.

DBP proposed base year expenditure

26. DBP's estimated actual/forecast 2024 base, excluding those items for which it provides a bottom-up forecast,[12] was $81.9 million. DBP proposes adjustments of $7.3 million meaning that it proposes an adjusted base year operating expenditure value of $89.2 million.

27. Table 5.4 details the components of DBP's base operating expenditure, including its proposed adjustments.

Table 5.4: DBP proposed AA6 base operating expenditure summary ($ million, December 2024)

Category / Subcategory	Actual Jan-Sep 24	Forecast Oct -Dec 24	Actual & forecast	Base year adjustments	Base year
Wages & Salaries					
Salaries	31.1	8.8	40.0	3.0	43.0
Salaries - Contractors	1.2	0.4	1.6		1.6

11 DBP, *Final Plan 2026-2030*, January 2025, p. 74.

12 DBP, *Final Plan 2026-2030*, January 2025, p. 69.

Category / Subcategory	Actual Jan-Sep 24	Forecast Oct -Dec 24	Actual & forecast	Base year adjustments	Base year
Non-field expenses					
Employee Expenses	0.9	0.1	1.0		1.0
Advertising	0.0	0.0	0.1		0.1
Consulting	2.3	0.8	3.0	0.9	3.9
Entertainment	0.2	0.1	0.3		0.3
IT	4.3	1.6	5.9	1.7	7.6
Insurance	2.6	1.2	3.7	0.7	4.4
Office & Admin	0.7	0.1	0.8		0.8
OHS	0.2	0.1	0.3		0.3
Field expenses					
Motor Vehicle	1.3	0.3	1.6		1.6
Repairs & Maintenance	6.0	1.9	7.8		7.8
Training & Development	1.1	0.5	1.6		1.6
Travel & Accommodation	1.8	0.6	2.4		2.4
Reactive Maintenance					
Reactive Operating expenditure	0.9	0.3	1.3		1.3
Government Charges					
Utilities Rates & Taxes	3.6	1.2	4.8	1.0	5.8
Permits, Licence Fees, Rates & Taxes	4.4	1.4	5.8		5.8
Total	**62.5**	**19.4**	**81.9**	**7.3**	**89.2**

Source: DBP, Final Plan 2026-2030, Attachment 8.1: Opex Model, January 2025.

28. In the subsections below, ERA details its assessment of the categories.

Wages and salaries

29. DBP proposes wages and salaries expenditure of $44.6 million. DBP states that its wages and salaries costs are projected to be higher than in 2024 due to the impact of a labour cost rate update, an adjustment for the legislated increase in the Superannuation Guarantee contribution (a further 0.5 per cent by 2026), the cost of the field staff remuneration increase from the second half of 2024 being extrapolated to a full year, and a provision for further filling of vacancies post-COVID. DBP provided further detail in its final plan to justify the increase:

- **Impact of labour cost rate update**: Wages and salary expenses for the DBNGP have increased by an estimated $8.5 million per year from 2024 because of the reduction to labour charge out rates for DBP staff (which in turn increases the allocation to operating expenditure e.g. from capital expenditure projects). DBP provided attachment 8.3 of its proposal as external advice on the prudency and efficiency of the increase and the implications to the business.

- **Comparison of expense levels:** Excluding the impact of this rate adjustment, wages and salaries expenses in 2024 are forecast to be $4.1 million lower than 2021 levels ($ December 2024). Forecasts in AA6 are also just 10 per cent higher than projected AA5 performance (which includes the impacts of COVID) without the change.

- **Continued need to fill staff vacancies**: There were 302 staff and 24 (8 per cent) vacancies to operate the DBNGP at the end of November 2024, which DBP considered as a need to continue to fill vacancies to maintain the safety and integrity of the pipeline post-COVID.

- **Field staff remuneration increase:** Wages and salaries expenses have increased from 2024 by $1.6 million per year with the increase in remuneration for field staff. This change aligns DBP salary rates with market rates to promote staff retention and to fill vacancies faster. Confidential Attachment 8.5 of DBP's proposal provides more information on the market assessment underpinning this renumeration increase.

- **Superannuation contributions:** The legislated requirement for employer Superannuation Guarantee contributions increased by 0.5 per cent per year from 1 July 2021 to 30 June 2026. This has added $0.21 million to the base year estimate in 2026.

Assessment of wages and salaries expenditure

30. DBP's proposed wages and salaries expenditure of $44.6 million is $11.1 million higher than the average for the previous five years (2019 to 2023) and $3.3 million higher than its full-year unaudited actual for 2024.[13]

Table 5.5: DBP proposed base year wages and salaries expenditure ($ million, December 2024)

Wages and salary	DBP proposed base year	Average (2019-2023)	2024 actual	Variance (proposed to avg.)	Variance (proposed to 2024)
Salaries	43.0	31.8	40.3	11.2	2.7
Salaries - contractors	1.6	1.8	1.0	-0.1	0.7
Total	**44.6**	**33.5**	**41.3**	**11.1**	**3.3**

Source: Derived from DBP operating expenditure model and response to EMCa information request (EMCa 01).

31. A significant portion of this increase is a result of DBP applying a reduced charge out rate of labour costs to regulated capital expenditure, other AGIG entities and to its

[13] EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, p. 116.

provision of uncovered services, thereby increasing the salary costs ascribed to DBNGP regulated services.

32. EMCa noted in its assessment that in December 2024, AGIG engaged BDO to review DBP's labour cost charging rate. BDO reported in December 2024, advising that it considered that DBP should reduce labour on costs in its charging rate from 104 per cent to 75 per cent.[14] BDO estimated that this would result in an $8.5 million capital expenditure to operating expenditure shift.[15] BDO states that:

> We note that AGIG is no longer receiving the equivalent amount of revenue from capital expenditure projects and other areas of the business where the cost rates are charged, and it is reasonable to recover the full labour costs incurred as part of regulatory operating expenditure.[16]

33. EMCa considers that this is a misrepresentation of regulatory requirements: the DBNGP cannot be expected to effectively underwrite a shortfall in charge outs to other areas of the business, nor to absorb excess resource costs due to a reduction in capital expenditure requirements. The appropriate representation of regulated costs is that they should be prudent and efficient in meeting the specific needs of the regulated business entity. Noting that the NGR defines this separately for capital expenditure and for operating expenditure, EMCa considers that it is also the case that a reduced capital expenditure requirement does not justify loading inefficient resource costs into operating expenditure. Further detail is provided in the EMCa technical review report.[17]

34. EMCa also noted references in the BDO report to significant increases in staffing numbers, which seemed inconsistent with the relatively stable nature of DBNGP operations. EMCa's analysis showed that the increase in staff numbers does not reflect increased requirements for DBNGP operations and management.[18] Also, the vacancy rates had been gradually decreasing since 2020 and did not warrant the increase sought in wages and salary expenditure.

35. The ERA reviewed information provided by DBP and EMCa and considers that the five-year average (2019 to 2023) for salaries of $31.8 million is a reasonable representation of an efficient base year. This is also the same as DBP's 2024 actual (unaudited) expenditure, before the addition of the BDO adjustment because of DBP's proposed lower charge-out rate.

36. For the salaries – contractors component, DBP proposed $1.6 million as the base year amount, which is based on nine months actual and three months estimates. This is $0.6 million more than DBP's most recent 2024 actual. The ERA considers that the efficient base year expenditure for this category is the 2024 actual, which is $1.0 million.

37. As a result of the above, in the draft decision, the ERA has reduced the wages and salaries expenditure by $11.85 million resulting in a reduction of the proposed DBP wages and salaries expenditure from $44.6 million to $32.75 million.

---

14 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, p. 116.

15 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, p. 116.

16 DBP, *DBP, Final Plan 2026-2030, Attachment 8.3: Review of labour cost rate update*, January 2025 (incorporates BDO Report, Dec 2024, p. 4).

17 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, pp. 118-119.

18 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, p. 119.

Non-field expenses

38. DBP proposed $18.4 million for its base year non-field expenses including $3.3 million proposed adjustments to three categories: consulting, IT and insurance.

Table 5.6: DBP proposed base year non-field capital expenditure ($ million, December 2024)

Non-field expenses	Actuals/ forecast 2024	DBP proposed base year adjustments	Proposed adjusted base year 2024
Consulting	3.0	0.9	3.9
IT	5.9	1.7	7.6
Insurance	3.7	0.7	4.4
Employee Expenses	1.0		1.0
Advertising	0.1		0.1
Entertainment	0.3		0.3
Office & Admin	0.8		0.8
OHS	0.3		0.3
Total	**15.1**	**3.3**	**18.4**

Source: DBP, Final Plan 2026-2030, Attachment 8.1: Opex Model, January 2025.

39. In the subsections below, ERA details the assessment of the categories under non-field expenses.

Consulting

40. DBP takes a five-year average of its consulting costs, rather than the 2024 base year, due to the volatility that is often experienced in this cost category. DBP states that this is consistent with the approach approved by the ERA in AA5.

41. During an onsite meeting with the ERA, DBP stated that the adjustment of $0.9 million for consulting is to bring it to an equivalent five-year average, rather than its actual.

42. Consulting expenditure is cyclical in nature and using the average of five years is reasonable. The ERA considers that the proposed adjusted base year value of $3.9 million is reasonable.

Information technology

43. DBP proposed to include $7.6 million of non-field IT expenditure in its base year costs. This is a combination of $5.9 million actual/forecast expenditure for 2024 and a $1.7 million adjustment. This total proposed non-field IT expenditure is 39 per cent higher than DBP's 2024 actual (unaudited) expenditure of $5.5 million. DBP states that its adjustment to IT base year costs reflects the actual costs of its current IT operating expenditure without the adjustments for savings in AA5. DBP states that it is no longer sustainable to absorb these costs in the current economic climate for the business.

44. Further to an information request, DBP provided the 2024 actual (unaudited) IT expenditure of $5.5 million. DBP also provided a breakdown of the $5.5 million by

subcategories.[19] After reviewing these sub-categories EMCa noted that the amount appeared justified, but that DBP had provided no further evidence to support its proposed addition of $1.7 million to the actual 2024 costs.

45. The ERA considers that the actual 2024 cost of $5.5 million for IT is reasonable to include in base expenditure.

Insurance costs

46. DBP proposed $4.4 million for its base year insurance expenditure. This is a combination of $3.7 million actual/forecast and an $0.7 million adjustment. DBP proposes the adjustment to the base year of $0.7 million due to expected rising costs.[20] Additionally, DBP proposed another $4.9 million for a step change. This brings DBP's total proposed insurance cost over AA6 to $27.1 million as shown in Table 5.7.

Table 5.7: 2024 base year (9 months actual & 3 months forecast) ($ million, December 2024)

Insurance	Actuals/ forecast 2024	Proposed adjustment	2026	2027	2028	2029	2030	Total
Base	3.7	0.7	4.4	4.4	4.4	4.4	4.4	22.2
Step changes			0.0	0.2	0.8	1.5	2.3	4.9
Total			**4.4**	**4.6**	**5.3**	**6.0**	**6.8**	**27.1**

Source: DBP, Final Plan 2026-2030, Attachment 8.1: Opex Model, January 2025.

47. DBP has directly estimated insurance costs in 2026, given the significant projected increase in real terms since 2024. DBP states that the final quarter forecast in 2024 incorporates the higher premiums that were reset from September by its insurer (but not otherwise reflected in the 2024 actuals). DBP noted that this approach is different to the rolling six-year average of the insurance costs that it used to estimate these costs for AA5, because instead, DBP has a direct estimate from the insurer for total premium costs, which are rising consistently above the Consumer Price Index (CPI) from 2025 (Confidential Attachment 8.4).

48. DBP states that the higher premium costs are due to the combined effect of an insurance claim by DBP, asset revaluations and increased risks in the market more generally. DBP also has a new [redacted] insurance policy in place.

49. DBP engaged [redacted], an insurance brokerage firm, to provide an insurance cost forecast for AA6.

50. EMCa reviewed the [redacted] report and calculated that, based on the report, the total insurance cost forecast for AA6 is $22.4 million.[21]

51. The ERA, having reviewed all the information provided, considers that the [redacted] report and EMCa's analysis provides a reasonable expenditure forecast for the AA6 insurance expenditure.

52. Using the base year amount of $3.74 million as DBP has proposed without adjustment brings the total insurance premiums in AA6 to $18.7 million and therefore requires

19 DBP response to information request EMCa18.

20 DBP, *Final Plan 2026-2030*, January 2025, p. 74.

21 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, pp. 121-122, Table 7.13.

further $3.67 million in step changes (which is reported separately in the step expenditure section below).[22]

53. The ERA considers a base year amount of $3.74 million as a reasonable estimate of base year insurance costs.

Other non-field expenditure categories

54. The proposed amounts for other non-field expenditure categories are in aggregate the same as the five-year average (2019-2023) and $0.5 million lower than the 2024 full year actual (unaudited) based on DBP response to information request - EMCa01.

55. The ERA considers that DBP's 2024 proposed base year amounts for employee expenses, advertising, entertainment, office and administration and occupation health and safety (OHS) are reasonable.

Field expenses

56. Field expenses include expenses related to Motor Vehicles, Repairs & Maintenance, Training & Development and Travel & Accommodation. DBP proposed $13.4 million as base year field expenditure. This is $2.2 million more than the five-year average (2019 to 2023) but $0.6 million less than its most recent actual full year 2024.[23]

57. The ERA considers that DBP's proposed base year expenditure for field expenditure is reasonable considering that it is in-line with the 2024 expenditure.

Government charges

58. DBP proposed $11.6 million for government charges in its operating expenditure base year. This is a combination of $10.6 million actual/forecast and $1.0 million adjustment. The expenditure is shown under two categories – Utilities rates and charges; and Permits, license fees, rates and taxes.

59. DBP's adjustment to the base year forecast for government charges is for higher utility charges, higher telecommunication charges (such as for the new datacentre) and higher rental expenses for certain facilities, which will occur from 2025. DBP states that there are no corresponding reductions in government charges expected.

60. EMCa analysed the expenditures proposed and compared them to the five-year average (2019 to 2023) and the 2024 actual. This shows that DBP's proposed amount is $2.9 million higher than the five-year average and $1.1 million higher than the 2024 full year actual respectively.[24]

61. While there have been increases in such costs, DBP proposes more than a doubling of costs for Permits, Licence Fees, Rates and Taxes. DBP's proposed adjustment of $1.0 million for Utilities Rates and Taxes represents a 21 per cent increase. DBP's explanation for this is insufficient to support an increase that would add $5 million to its allowance over AA6.

---

22 [redacted] report insurance costs of $22.6 million minus the DBP proposed AA6 base year insurance costs of $18.7 million.

23 *DBP, Final Plan 2026-2030, Attachment 8.1: OPEX model, January 2025;* and DBP response to information request EMCa01.

24 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, pp. 124-125.

62. The ERA considers that the actual 2024 expenditure (estimated as $10.5 million) is a prudent and reasonable amount for the base year government charges.[25] This amount is equivalent to DBP's proposed 2024 (actual/estimate) without its proposed $1.0 million adjustment.

Reactive operating cost expenditure

63. DBP proposed $1.3 million on reactive maintenance for the base year. This is $0.3 million higher than its 2024 full year actual.

64. The ERA considers that $1.0 million, which is the 2024 actual cost, is a reasonable base year cost for the reactive operating base cost expenditure.

Summary on base year expenditure

65. A summary of DBP's proposed base year expenditure, the adjustments made in this draft decision and the resulting base year expenditure is shown in Table 5.8.

Table 5.8: Base year operating expenditure proposed and draft decision ($ million, December 2024)

Category / Subcategory	DBP proposed	ERA draft decision adjustments	ERA draft decision
Wages & Salaries			
Salaries	43.0	-11.2	31.8
Salaries - Contractors	1.6	-0.7	1.0
Non-field expenses			
Employee Expenses	1.0	0.0	1.0
Advertising	0.1	0.0	0.1
Consulting	3.9	0.0	3.9
Entertainment	0.3	0.0	0.3
IT	7.6	-2.1	5.5
Insurance	4.4	-0.7	3.7
Office & Admin	0.8	0.0	0.8
OHS	0.3	0.0	0.3
Field expenses			
Motor Vehicle	1.6	0.0	1.6
Repairs & Maintenance	7.8	0.0	7.8
Training & Development	1.6	0.0	1.6

[25] DBP's response to EMCa 01 provided the latest actual 2024 expenditure which was slightly different to what was initially proposed.

Category / Subcategory	DBP proposed	ERA draft decision adjustments	ERA draft decision
Travel & Accommodation	2.4	0.0	2.4
Reactive Maintenance			
Reactive Operating expenditure	1.3	-0.2	1.0
Government Charges			
Utilities Rates & Taxes	5.8	-1.1	4.7
Permits, Licence Fees, Rates & Taxes	5.8	0.0	5.8
Total	**89.2**	**-16.0**	**73.2**

Source: DBP, Final Plan 2026-2030, Attachment 8.1: Opex Model, January 2025.
ERA, Operating Expenditure Model, July 2025.

Step changes expenditure

66. DBP has included four step changes in AA6, as follows:

- Further projected above-CPI increases in insurance premium costs from 2027 ($4.9 million in total over AA6).
- New recurrent costs for “IT sustaining applications”, including Software as a Service (SaaS) and Platform as a Service (PaaS) applications ($8.3 million).
- New recurrent costs for “IT sustaining infrastructure” ($1.8 million).
- New recurrent costs for various cybersecurity initiatives ($2.3 million).

Insurance premium

67. DBP estimates a step change cost of $4.9 million for AA6. DBP states that the higher premium costs are due to the combined effect of an insurance claim by DBP, asset revaluations and increased risks in the market more generally.

68. DBP proposes a base year adjustment and a step change which together are to cover its forecast increase in insurance costs. The insurance cost allowance is discussed in the base expenditure - insurance costs (paragraph 50) which highlighted that DBP’s insurance cost proposal would exceed the forecast that DBP’s advisers had provided.

69. As a result, the ERA considered that an alternative base year and step change amount was reasonable and that results in the step change insurance premium expenditure being $3.7 million instead of $4.9 million.

70. The ERA considers an insurance step expenditure of $3.7 million as prudent and reasonable.

IT applications

71. The expenditure includes licensing costs for DBP's replacement applications for human capital management and billing, as well as to improve business processes. DBP also incurs additional operating expenditure related to the provision of Maximo, and for the PaaS SAP RISE, which replaces the existing on-premises SAP licence. The total step cost expenditure for IT is $12.4 million, which comprises $8.3 million for sustaining applications; $1.8 million for sustaining infrastructure and $2.3 million for cybersecurity initiatives.

IT sustaining applications

72. DBP proposes $8.3 million as a step change for AA6 IT sustaining applications. The details are in its capital expenditure business case (DBP21 – IT sustaining applications) and primarily arises from investments that it has already made in AA5.[26]

73. DBP has accounted for increases in IT operating expenditure due to increased licence and subscriptions costs such as for PaaS and SaaS. DBP has offset against these costs, the costs for those licences and subscriptions that were included in its base year operating expenditure that it no longer requires.

74. EMCa found that DBP had made major investments in business systems providing corporate, commercial and technical support including its [redacted] development, a new billing system, new HR systems and Maximo business process redesign. In the business cases provided, DBP has not quantified the benefits from these but as a minimum, the benefits should offset the higher IT operating costs. EMCa considered that while some increase in operating costs may be required, it was reasonable to offset the 2026 proposed operating cost step change of $1.5 million (totalling $7.5 million for AA6) given the significant spend in IT expenditure in AA5.

75. The ERA considers that a step change of $0.8 million for IT sustaining applications is prudent and reasonable.

Table 5.9: IT sustaining applications step change draft decision ($ million, December 2024)

	2026	2027	2028	2029	2030	Total
IT applications - proposed	1.5	1.9	1.6	1.6	1.6	8.3
Efficiency allowance	-1.5	-1.5	-1.5	-1.5	-1.5	-7.5
Total	**0.0**	**0.4**	**0.1**	**0.1**	**0.1**	**0.8**

Source: ERA, Operating Expenditure Model, July 2025.

[26] DBP, *Final Plan 2026-2030, Attachment 8.2: OPEX business cases, January 2025 (*Business Case DBP21, Table 1.4, pp. 280-281).

IT infrastructure

76. DBP proposes an operating expenditure step change of $1.8 million for IT sustaining infrastructure. DBP's definition of this expenditure is to "sustain" its infrastructure platform.

77. EMCa reviewed this expenditure and considered that AGIG has embarked on a major program to rationalise its IT infrastructure, including a West Coast Data Centre that has a dual purpose of providing primary IT infrastructure to DBP and backup infrastructure to AGIG's east coast operations. DBP claims that this [redacted] initiative will provide efficiencies, however, the proposed step increase seems inconsistent with the efficiency claim. DBP also noted the recurrent nature of ICT infrastructure requirements for the DBNGP.[27]

78. In a response to an EMCa information request, DBP noted that its current IT operating expenditure includes base year ICT infrastructure expenditure of $2.0 million for services outsourced to [redacted] that have now ceased and are insourced.[28] DBP's proposed operating cost step change shows no evidence of having netted off such savings.[29]

79. The ERA considers that the proposed step change for IT sustaining infrastructure is not reasonable as DBP has not demonstrated the need for costs that are greater than what is already included in its base year actual operating expenditure.

Cybersecurity

80. DBP proposes a $2.3 million step change for its cybersecurity initiatives.

81. DBP proposes new cybersecurity initiatives [redacted]

82. The ERA considers that the cybersecurity step change expenditure is prudent and reasonable.

Summary on step change expenditure

83. The table below summarises the step change expenditure that DBP has proposed and the draft decision outcome.

[27] EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, pp. 135-136.

[28] DBP response to information request EMCa18.

[29] EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, pp. 135-136.

Table 5.10: Step change expenditure, DBP proposal and draft decision ($ million, December 2024)

Category	DBP proposed	ERA draft decision adjustments	ERA draft decision
Insurance premium costs	4.9	-1.3	3.7
IT sustaining applications	8.3	-7.5	0.8
IT sustaining infrastructure	1.8	-1.8	0.0
Cybersecurity initiatives	2.3	0.0	2.3
Total	**17.3**	**-10.6**	**6.7**

Source: Derived from DBP's operating expenditure model and EMCa's technical review model.

Cost trends

Input cost escalation

84. DBP's input cost escalation accounts for costs that are increasing at a faster rate than inflation (real cost escalation). This labour cost escalation applies to salaries (employees and contractors) and consulting costs.

85. DBP has applied real cost escalation of 0.67 per cent per year to labour costs.[30]

86. DBP states that its approach is consistent with the approach the ERA has approved previously and is calculated by

    - Taking the Western Australian Treasury Wage Price Index (WPI) forecasts for the upcoming period (2024/25 to 2027/28 given forecasts currently available),

      Less

    - The benchmark inflation estimates for the upcoming period (2024/25 to 2027/28), based on Treasury's Perth CPI forecasts.

87. The ERA considers that DBP's proposed labour cost escalation of 0.67 per cent per year is reasonable for the purpose of this draft decision. The ERA will update this forecast in the final decision based on the latest Treasury estimates of WPI and CPI.

Productivity growth

88. DBP has not incorporated productivity improvements in the forecast operating costs citing lower throughput forecasts, tight labour market and skills and given the focus of the operating costs program is on pipeline sustaining activities.[31]

89. Based on the considerations in this draft decision, the ERA accepts DBP's proposal of no overall productivity factor.

30 DBP, *Final Plan 2026-2030*, January 2025, p. 76.

31 DBP, *Final Plan 2026-2030*, January 2025, p. 77.

Bottom-up calculated expenditure

90. SUG, turbine and GEA overhauls, and inspections and other asset management categories are estimated using the bottom-up calculation process.

System use gas

91. DBP is forecasting $116.6 million in SUG costs in AA6. DBP states that this is in line with its projected SUG costs in AA5 of $122 million ($ December 2024).[32]

92. SUG costs are a function of forecast quantity and the forecast gas price. DBP has forecast lower throughput than in AA5 and a better average projected fuel efficiency of 1.2 per cent over AA6 (compared with 1.5 per cent over AA5).

93. The forecast quantity of SUG is linked directly to the projected Full Haul throughput, and is driven by expected gas quality, the quantity required as compressor fuel to transport forecast gas throughput and the quantity required for all other operational activities including in GEAs and heaters and what is vented during normal operation and maintenance activities.

94. DBP's states that it expects the forecast price to be around $10/GJ ($ December 2024) and that is based on current market indications.

95. EMCa reviewed the SUG volumes and its relationship with throughput. It concludes that the forecast quantity is reasonable.

96. The ERA uses its AA6 draft decision Full Haul throughput forecast as the throughput volume from which the SUG is calculated.[33]

97. The ERA queried the price assumption used by DBP and asked for details of the contract. On 22 May 2025, DBP provided its contract for SUG for AA6 which has been used in the ERA's revised calculation of SUG expenditure for this draft decision. The price assumptions per the contract provided are [redacted] than what was proposed by DBP.[34]

98. The ERA also queried the change in assumptions in AA6 compared to AA5 for the DBP's adjustment for transient behaviour and the DBNGP compressor station 10 fuel. DBP responded that:[35]

    - For CS10 fuel, the change represented a [redacted] per cent increase of projected SUG overall. The increase in the allowance followed higher average use averaging [redacted] TJ/day in 2024 and looking into AA6 accounts for:
        - [redacted]
        - [redacted]

32 DBP, *Final Plan 2026-2030*, January 2025, p. 77.

33 Demand is considered in Draft Decision Attachment 2.

34 DBP response to information request ERA13.
ERA, *Operating Expenditure Model*, July 2025.

35 DBP response to information request ERA13.

- The transient behaviour assumption update from [redacted] per cent to [redacted] per cent represents an average increase of [redacted] TJ/day overall, which is another small [redacted] per cent increase to the overall SUG forecast. Short-term variation in demand (termed transient behaviour) causes actual compressor fuel usage to be higher than fuel usage calculated on the assumption of a steady state. The variation risks, which we consider are increasing into AA6, are due to a variety of factors, including:
  - Linepack level and its variation has increased.
  - Distribution of inlet gas as well as its quality, pressure and temperature.
  - Pipeline outlet load peaking levels (with continuing higher levels expected).
  - Level of part haul outlet flow (which has increased since the start of AA5).

99. The ERA has considered the information provided and considers that the CS10 and transient behaviour assumptions are reasonable.

100. The ERA in the draft decision has used the draft decision estimate of Full Haul throughput and the price assumptions as advised by DBP through an information request,[36] which results in the SUG expenditure being lower than the $116.6 million proposed. It considers that $97.5 million is prudent and reasonable SUG expenditure for AA6.[37]

Turbine and GEA overhauls

101. DBP is forecasting $32.8 million in turbine and GEA overhauls in AA6. These costs are a function of unit run hours and estimated costs per unit.[38]

Turbine overhauls

102. DBP proposes a total of $29.3 million, including $22.0 million for turbine exchange and overhauls expenditures. The balance is an allowance for [redacted] and a [redacted] which improves gas turbine performance and reduces damage to equipment.[39]

103. DBP's replacement strategy for the turbine units is to overhaul them after 30,000 run hours in line with manufacturer specifications.[40]

104. Based on current run hours and utilisation rates for turbine units, DBP is forecasting the overhaul of [redacted] units in AA6 [redacted]. DBP has also allowed for [redacted] additional overhauls for premature failure of turbine units in AA6, as such failures have occurred in both AA4 and AA5, including, most recently, in late 2024.[41]

105. Compressor turbine units are covered by extended warranties, conditional on DBP following the Original Equipment Manufacturer's (OEM) maintenance and overhaul

36 DBP response to information request ERA13.

37 ERA, *Operating Expenditure Model*, July 2025.

38 DBP, *Final Plan 2026-2030*, January 2025, p. 78.

39 DBP, *Final Plan 2026-2030, Attachment 8.2: OPEX business cases*, January 2025, p. 4.

40 DBP, *Final Plan 2026-2030*, January 2025, p. 78.

41 DBP, *Final Plan 2026-2030*, January 2025, p. 78.

requirements.[42] These warranties offer reduced cost repair for premature failure and exchange at maximum run-hours. The proposed program is aligned with OEM requirements.

106. The costs for turbine overhauls are also largely driven by OEM costs in accordance with warranty terms and conditions. The costs proposed are in line with costs incurred in AA5 on a per unit basis and EMCa considers these costs reasonable.

107. The ERA considers the proposed program and the cost of $22 million for AA6 as prudent and reasonable.

108. DBP additionally proposes to include a provision for [redacted] in AA6 of $6.5 million, on the basis that there were [redacted] premature failures in total across AA4 and AA5.

109. EMCa considers that there are several factors in the AA6 period that could result in lower premature failures. These include:

- DBP's comprehensive overhaul program.
- Lower forecast throughput.
- Forecast increasing Perth Basin production.

110. Based on the information reviewed, the ERA considers that a reasonable allowance would be for [redacted] premature failure, at a cost of [redacted] million.

111. The ERA considers DBP's proposal to remove [redacted] from turbine components of [redacted] million as prudent.

112. In summary, the ERA considers a reasonable expenditure for turbine exchange and overhaul operating expenditure for AA6 is $26.0 million after a reduction [redacted]

GEA overhauls

113. DBP has proposed $3.5 million to replace GEAs in AA6 that are at end-of-life and no longer fit for purpose. GEAs are the primary power source at many of DBP's remote facilities, including all compressor stations north of Perth require major services (overhauls) at 12,000, 24,000, 48,000 and 52,000 hours.

114. Based on current run hours and utilisation DBP is forecasting [redacted] GEA overhauls in AA6, averaging [redacted] per annum. DBP states that this is lower than the average cost of GEA overhauls in AA5 [redacted][43]

115. The ERA considers that the proposed AA6 operating expenditure for GEA overhauls of $3.5 million is prudent and reasonable.

[42] DBP, *Final Plan 2026-2030, Attachment 8.2: OPEX business cases, January 2025* (Business Case DBP01: Turbine overhauls).

[43] DBP, *Final Plan 2026-2030*, January 2025, p. 78.

Inspections and other asset management

116. In AA6, DBP forecasts $33.0 million in asset inspections, decommissioning activities, health and safety initiatives and other asset management needs as detailed below. Most of the forecast expenditure (almost 80 per cent) is for station and pipeline and main line valve (MLV) inspections (representing allocations of $8.7 million and $17.0 million respectively). The inspection programs align with requirements regarding Australian standards (AS 3788 and AS 2885).

Table 5.11: 2024 base year (9 months actual & 3 months forecast) ($ million, December 2024)

Category	Total AA5	2026	2027	2028	2029	2030	Total
Health, safety & environment	**0.9**	0.3	0.3	0.1	0.1	0.1	1.0
Station inspection	**5.6**	1.7	1.7	2.0	1.6	1.7	8.7
Asset management	**4.7**	1.4	1.1	1.1	0.9	1.0	5.6
Pipeline MLV Inspection	**3.0**	1.0	7.0	7.1	1.0	0.9	17.0
Decommissioning	**0.5**	0.3	0.3	0.0	0.0	0.0	0.6
Total	**14.7**	**4.8**	**10.4**	**10.4**	**3.6**	**3.7**	**33.0**

Source: DBP, Final Plan 2026-2030, Attachment 8.1: Opex Model, January 2025.

117. The table shows a significant increase, particularly in pipeline MLV inspection forecast expenditures in AA6 compared with DBP's actual AA5 expenditure which is explained below. Each sub-category of inspections and other asset management is discussed below.

Health, safety and environment

118. DBP proposes $1.0 million for health, safety and environment initiatives that continue its health and safety spending on a range of programs essential for the safety of staff and the public.

119. The expenditure is in line with expenditure in AA5 and the ERA considers this expenditure as prudent and reasonable.

Station inspection

120. DBP proposes a total of $8.7 million for station inspection in AA6, which is 56 per cent more than DBP spent in AA5. This includes expenditure for inspections at compressor sites ($3.7 million); meter stations ($4.8 million) and contamination inspection ($0.2 million).[44]

[44] DBP, *Final Plan 2026-2030, Attachment 8.2: OPEX business cases, January 2025* (Business Case DBP13, Table 1.3, p. 39).

121. The ERA, based on EMCa's recommendation, considers that the compressor sites inspection and contamination expenditures as reasonable. Further detail in relation to the meter inspections expenditure is provided below.

122. DBP has expanded the station inspection program to cover additional mechanical/rotational routine pressure valve and relief valve inspections. DBP states that this expanded inspection regime has yielded results in terms of identifying and addressing previously undetected risks. For example, during AA5 DBP detected the issue of corrosion under pipework insulation, which subsequently drove a program of work that has allowed DBP to address this corrosion issue before it escalates to a point of asset failure.[45]

123. EMCa reviewed and assessed both options that DBP has provided in its business case:

- Option 1 – Maintain compliance inspection obligations of pressure vessel, relief valves and compressor rotor bundles. The estimated cost for this option is $7.7 million.
- Option 2 – Expand the inspection program to cover additional mechanical/rotational assets, structures and site contamination. This is DBP preferred option with a cost of $8.7 million.

124. EMCa considers the station inspection regime proposed for AA6 is prudent in the light of issues discovered during AA5 as set out in its Business Case (Operating expenditure DBP13) with the exception set out in the paragraph below.

125. Regarding inspections at meter stations, there are 26 existing stations out of a total of 67 inlet and outlet stations on the DBNGP for which the operations and maintenance costs cannot be recovered separately from shippers under clauses 6.11 and 6.12 of the Reference Service Terms and Conditions T1, P1 and B1.[46]

126. As DBP did not provide a list of sites at which works are proposed during AA6 in response to an information request, EMCa considers that a reasonable allowance is for inspections at meter stations to be reduced pro-rata to the proportion of existing stations, that is, for the allowance to be reduced to 39 per cent of the proposed allowance or $1.9 million (from $4.8 million).[47, 48] This would reflect a pro-rata portion of inspections expenditure for the existing stations which are not separately funded by shippers.

127. As specified in paragraph 121 above, the ERA considers the compressor sites expenditure that DBP has proposed of $3.7 million and the contamination inspection expenditure of $0.2 million as prudent and reasonable. For the meter station inspections, the ERA considers $1.9 million as prudent and reasonable.

Asset management

128. DBP proposes $5.6 million for asset management in AA6. This is $0.9 million more than DBP spent in AA5.

---

45 DBP, *Final Plan 2026-2030*, January 2025, p. 78.

46 DBP response to information request EMCa08, and "DBNGP Pipeline Description" (online) (accessed July 2025).

47 DBP response to information request EMCa18.

48 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, pp. 130-131.

129. DBP proposes the expenditure for a range of projects aligned with its asset management program to further ensure safety and reliability of the pipeline, with a key focus on:

- Engineering and Operational Projects, including Geographical Information System mapping and control software updates and the review of critical spares.
- "Management of change" projects to address defects or unsafe situations such as corrosion repairs.
- Asset preservation including emergency equipment and spares that are in storage.

130. The ERA, based on EMCa's review of the business case and associated information, considers that the proposed asset management programs are consistent with good industry practice and therefore the proposed expenditure of $5.6 million is reasonable.

Pipeline MLV inspection

131. DBP proposes $17.0 million in pipeline MLV inspection in AA6. This is $14.1 million greater than DBP spent in AA5. The increases are in two major areas:

- In-line inspections of pipeline assets, which are required every 10 years.
- Increased inspections of interfaces between above and below ground pipework due to issues identified during AA5.[49]

132. The pipeline and MLV inspections planned expenditure continues DBP's ongoing inspection program and accounts for the in-line inspections of pipeline assets which are now due. The plan includes bringing forward the in-line inspections of the section of Mainline South between Kwinana Junction and Wagerup West to improve knowledge on the large number of identified defects in this area.

133. DBP has demonstrated that its proposed expenditure allowance is derived from a detailed schedule of requirements for this period. Certain inspections are required on cycles that exceed the length of a regulatory period and therefore can lead to fluctuations in the required expenditure, as is the case for AA6 with a significant 10-yearly inspection due in this period. Moreover, DBP has provided sound evidence of the interface issues that it identified from its inspections during AA5 and which justify significant further inspections for these issues continuing through AA6.[50]

134. The ERA considers that the proposed inspection schedule is prudent and that the associated expenditure forecast of $17.0 million is prudent and reasonable.

Decommissioning

135. DBP has planned eight assets for decommissioning activities at a cost of $0.6 million, which avoids unnecessary running costs and mitigates the risks of leaving these unused assets live. This compares with $0.53 million in AA5.

---

49 DBP, *Final Plan 2026-2030, Attachment 8.2: OPEX business cases, January 2025* (Business Cases DBP02 (Pipeline and Mainline Valves and Operating expenditure) and DBP19 (Pipeline and Mainline Valve Inspections)).

50 EMCa, *Review of DBNGP Access Arrangement (AA6) 2026-2030, June 2025*, pp. 132-133.

136. DBP has demonstrated that its proposed expenditure is based on a specific schedule of sites identified for decommissioning. Decommissioning is the prudent course of action.

137. The ERA considers the decommissioning expenditure of $0.6 million as prudent and reasonable.

Summary on bottom-up calculated expenditure

138. The table below summarises the bottom-up expenditure that DBP has proposed and the draft decision outcome.

Table 5.12: Bottom-up calculated expenditure, DBP proposal and draft decision ($ million, December 2024)

Category	DBP proposed	ERA draft decision adjustments	ERA draft decision
System use gas	116.6	-19.0	97.6
GEA and turbine overhauls	32.8	-3.3	29.5
Inspections and other asset management	33.0	-2.9	30.1
Total	**182.4**	**-25.2**	**157.2**

Source: Derived from DBP's operating expenditure model and EMCa's technical review model.

Draft decision on AA6 operating expenditure

139. The ERA's determined operating expenditure for AA6 of $535 million is set out below in Table 5.13. Table 5.14 sets out the operating expenditure by category.

Table 5.13: AA6 operating expenditure summary draft decision ($ million, December 2024)

	2025	2026	2027	2028	2029	2030	Total
Efficient base year	73.2	73.2	73.2	73.2	73.2	73.2	366.1
Bottom-up		31.8	35.8	33.3	27.2	28.9	157.2
Step changes		0.2	1.1	1.3	1.8	2.3	6.7
Labour cost escalation		0.5	0.7	1.0	1.2	1.5	5.0
Total		**105.8**	**110.9**	**108.9**	**103.5**	**106.0**	**535.0**

Source: ERA, Operating Expenditure Model, July 2025.

Table 5.14: AA6 operating expenditure summary draft decision by category ($ million, December 2024)

Category	2026	2027	2028	2029	2030	Total
Wages & Salaries	33.2	33.4	33.6	33.9	34.1	168.2
Field expenses	13.4	13.4	13.4	13.4	13.4	67.1
Non-field expenses	15.8	16.7	16.9	17.5	18.0	84.9
Government Charges	10.5	10.5	10.5	10.5	10.5	52.4
System Use Gas	22.7	20.4	19.1	17.3	18.0	97.6
Reactive maintenance	1.0	1.0	1.0	1.0	1.0	5.2
GEA & Turbine overhauls	4.9	5.6	4.5	6.9	7.8	29.5
Inspections & Other Asset Management	4.3	9.9	9.8	3.1	3.1	30.1
Total	**105.8**	**110.9**	**108.9**	**103.5**	**106.0**	**535.0**

Source: ERA, Operating Expenditure Model, July 2025.

Required Amendment 5.1

DBP must amend its operating expenditure forecast to $535 million ($ million real at 31 December 2024) to reflect the values in Table 5.14 of Draft Decision Attachment 5.

Appendix 1 List of Tables