Economic Regulation Authority

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

Overview

7 July 2025

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Invitation to make submissions

Submissions are due by Wednesday, 17 September 2025

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.

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1. Overview

This draft decision is the ERA's response to Dampier Bunbury Pipeline's proposed five-year access arrangement for the Dampier to Bunbury Natural Gas Pipeline. It covers the period from 1 January 2026 to 31 December 2030 (the sixth access arrangement period, referred to as AA6).

To make this decision, the ERA has undertaken a detailed assessment of Dampier Bunbury Pipeline's (DBP) proposal to ensure that all intended expenditure is efficient and prudent, and the reference tariffs and terms and conditions are reasonable.

The Dampier to Bunbury Natural Gas Pipeline (DBNGP) is one of the largest capacity natural gas transmission pipelines in Australia, spanning 1,600 kilometres from Dampier in the north-west, running down the coast to Bunbury, south of Perth. The pipeline links the gas fields located in the Carnarvon and Perth basins to mining, industrial and commercial customers, as well as customers on the Mid-West and South-West gas distribution network.

Over the long term, the outlook for gas use is increasingly uncertain, as federal and state governments plan for a net-zero emissions future. However, for the next five years DBP assumes a modest decline in demand but significant increases in investment. The ERA considers that DBP's demand forecast for the next five years is likely to be lower than AA5, but greater than what DBP has proposed. For AA6, the ERA requires DBP to consider potential new capacity required by shippers (uncontracted capacity) in its revised demand forecast.

Generally, the largest difference between the current access arrangement (AA5) and AA6 is the higher cost of capital. Changing economic and financial conditions are important factors in determining DBP's cost of capital and the regulatory value of its capital base.

A higher rate of return accounts for 20 per cent of the total increase in revenue between what we approved for AA5 and AA6 draft decision revenue. Higher rates of inflation account for 29.3 per cent of the total increase in revenue between AA5 and this draft decision revenue.

These higher costs flow through to higher tariffs, but the ERA has mitigated this wherever possible by ensuring that DBP's proposed expenditure for the pipeline is prudent and efficient. The ERA has made reductions to capital and operating expenditure allowances where this is not the case.

The higher tariffs will be reduced somewhat by revenue from rebateable services. In AA5, the ERA required that DBP rebate 70 per cent of revenue earned from four non-reference rebateable services. For AA6, we consider that DBP should rebate 90 per cent of revenue earned from these rebateable services.

Draft decision

The ERA has approved total revenue of $2,390.9 million in this draft decision, $152.8 million lower than DBP's proposal of $2,543.7 million.

The main areas where we have approved lower levels of expenditure are:

- Operating expenditure, with $535 million approved; $118 million lower than DBP's proposal:
  - We removed an internal accounting policy increase to wages and salaries ($42.5 million less than DBP's proposal). DBP's accounting policy change benefits other entities owned by DBP's parent company, the Australian Gas Infrastructure

Group, as well as DBP's unregulated services. We consider that an additional impost for wages and salaries for DBP's steady state operating business is not justified.

  - We reduced IT expenditure ($13.7 million less than DBP's proposal) because DBP has not provided the cost benefit analysis to justify the increase over an already significant base IT cost.

- Capital expenditure for AA5, with $193.1 million approved; $19.7 million lower than DBP's proposal:
  - We have removed $15.8 million for IT expenditure on DBP's 'OneERP' project, a project to manage day to day business operations across DBP's parent entities businesses, which as a result of project management and vendor implementation issues resulted in cost overruns that were not deemed to be prudent and efficient expenditure.
  - We have removed $1.8 million for metering assets that should have been funded separately by shippers and not part of the reference tariffs, and also identified similar assets that should have been removed from AA6 forecasts.
- Capital expenditure for AA6, with $219.8 million approved; $68.1 million lower than DBP's proposal:
  - We have reduced the allowance for the Jandakot redevelopment by $25.0 million to match the scope that the ERA approved in its AA5 final decision (which was deferred) due to a lack of substantiation by DBP on the need for a significantly increased scope of redevelopment.
  - We have reduced proposed IT expenditure by $15.0 million as DBP's allowances for end user equipment, application upgrades and infrastructure network projects are not justified.

For this draft decision we used a placeholder value for the cost of capital of 7.12 per cent (nominal after-tax) based on more recent market data than that of DBP's proposal, which used a cost of capital of 6.93 per cent. However, following this decision, DBP will propose an averaging period, to be agreed with the ERA, to determine the cost of capital for use in the final decision.

Reference tariffs

DBP offers three reference services, for which the ERA sets regulated tariffs – full haul (T1), part haul (P1), and back haul (B1) services.

The ERA's draft decision will increase the full haul T1 Tariff by 33 per cent (in real terms) on 1 January 2025. Under DBP's original proposal, this tariff would have increased by 56 per cent.

The part haul and back haul tariffs are determined using the full haul tariff on a per kilometre basis.

Reference services

The ongoing development of onshore gas in Western Australia prompted stakeholders to request the ERA to revisit our previous consideration of reference services for the DBNGP – particularly whether two additional services should be considered as reference (or regulated) services.

The Ullage Service was introduced in AA5 to deliver gas from the Perth Basin to the Karratha Gas Plant – initially for the one onshore domestic gas project that was permitted to export its gas by the Western Australian Government. With the State Government now allowing some further exports of onshore gas until 2030, stakeholders suggested that demand for the Ullage Service was likely to increase.

We also considered whether the Peaker Service, which allows shippers access to additional peak capacity by exceeding peaking limits in standard services, should be a reference service. As coal power stations are retired and with the transition to renewable energy, there is likely to be a greater need for gas-fired generation plants to meet peak electricity demand over the medium term.

Ultimately, after reconsidering the Ullage and Peaker services against the criteria for reference services set out in the National Gas Rules, we have decided these services should remain as non-reference rebateable services for AA6.

While our assessment did confirm the Ullage and Peaker services met some of the criteria to become a reference service, on balance, they will remain as non-reference services given the limited period for onshore gas exports in the case of the Ullage Service; and in the case of the Peaker Service, the uncertainty over the transition to renewable sources and its effect on peak gas use. Both of these services will continue to be rebateable services and as mentioned above DBP will give back a greater proportion of the revenue earned from these services in AA6 to lower reference service tariffs.

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.

We invite submissions from interested parties on any aspect of our draft decision. We will consider these submissions ahead of our final decision, which is expected later this year.

2. Draft decision

The ERA's draft decision is to not approve DBP'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.[1]

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 DBP to make are included in the attachments where each respective element of the proposed access arrangement is considered.

DBP may now submit a revised access arrangement proposal that addresses the ERA's required amendments by 19 August 2025.

The ERA invites submissions on its draft decision. The closing date for submissions is 17 September 2025, which allows interested parties to comment on both the draft decision and DBP's response to it.

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

The ERA expects to publish its final decision by December 2025.

[1] 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 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.

3.1.1 Pipeline description and key dates

In its access arrangement proposal, DBP:

- Identified the pipeline to which the access arrangement relates as DBNGP, with a detailed description of the pipeline provided in Attachment 1 to the access arrangement. This and additional information about the pipeline are provided on DBP's website.
- Specified the access arrangement review submission date and revision commencement date as 1 January 2030 and 1 January 2031, respectively.
- Specified a total of three reference services to be offered under the access arrangement (Full Haul T1 Service, Part Haul P1 Service, and Back Haul B1 Service), which are consistent with the reference services approved in DBP's reference service proposal.

The ERA received no submissions from interested parties on the requirements for pipeline specification and access arrangement dates, and the ERA has no reason to require any changes to DBP's proposal for these elements. DBP's proposal for these elements met the regulatory requirements, and on that basis the ERA has approved these elements of DBP's access arrangement proposal.

3.1.2 Pipeline and reference services

A "reference service" is a pipeline service that has a reference tariff that is set (approved) by the regulator under the access arrangement framework.

The ERA received one submission that stated there was a need to reassess the reference services to be offered under the access arrangement due to a material change in circumstances since the ERA's July 2024 reference service proposal decision. The ERA has reconsidered the classification of the Ullage and Peaker Services, as requested. After reconsidering these services against the reference service factors, the ERA has decided to

maintain its reference service proposal decision for the Ullage and Peaker Services to be offered as non-reference services because, on balance, these services do not meet the criteria to be considered reference services.

DBP's access arrangement proposal for reference and non-reference services is consistent with the services in its approved reference service proposal, except for the Pilbara Service. DBP has proposed to reclassify this service as a *rebateable* non-reference service.

To be a rebateable service, the service must not be a reference service and there must be substantial uncertainty concerning the extent of the demand for the service or the revenue to be generated from the service. As a rebateable service, a portion of the revenue from the sale of the service is rebated (refunded) back to users of reference services.

DBP stated that there is substantial demand variability for the Pilbara Service and on this basis should be reclassified as a rebateable non-reference service for the next access arrangement period. The information DBP has provided does not adequately substantiate its position that expected demand for the service is substantially different to current demand. On this basis, the ERA has decided that the Pilbara Service should continue to be classified as a non-reference (non-rebateable) service. An allocation of costs for non-reference (non-rebateable) services is discussed in section 3.3.

3.2 Demand

Demand forecasts directly influence the levels of capital and operating expenditure required by the service provider over the access arrangement period. These forecasts serve as a primary input into the revenue model used to determine the network tariffs the service provider is permitted to charge.

Demand for the three reference services (T1, P1, B1) is measured using two metrics: unweighted volume (gas demand) and distance-weighted Full Haul Equivalent (FHE) volume, known as FHE demand. Gas demand comprises contracted capacity and throughput, while FHE demand is derived from the underlying gas demand and is used to calculate the applicable reference tariff.[2]

For AA6, DBP acknowledged that the transition to a net zero emissions economy makes forecasting gas demand more complex. Consequently, DBP has used the contracted capacity of its shippers as the basis to forecast gas demand for reference services over the period.

DBP's approach to forecasting contracted capacity for AA6 aligns with the methodology for AA5, by using committed contracted capacity, and known additional capacity expected to be finalised during AA6. The forecast excludes any other new capacity that may be required by shippers, with DBP indicating that no further capacity requirements are expected during AA6. The throughput forecast is derived by applying historical utilisation rates (load factors) to the projected contracted capacity.

For this draft decision, the ERA has assessed DBP's gas demand forecast for reference services. We have used information submitted by DBP, actual gas demand for reference services during AA5, stakeholder submissions in response to the ERA's issue paper, as well

[2] The full haul distance is 1,399 kilometres. The FHE factor of part haul (P1) and back haul (B1) services is the contracted distance proportionate to the full haul distance, with a maximum factor of 1.0 for the full haul (T1) service. The FHE demand is calculated as gas demand multiplied by the FHE factor.

"Contracted capacity" is the volume of gas reserved during the contracted period; whereas "throughput" is the actual volume of gas transported.

as information from the Australian Energy Market Operator, and Department of Industry, Science and Resources.

The ERA considers that it is not sufficient to only forecast committed and known additional capacity. Where new shippers or projects are expected to connect during AA6, the ERA requires DBP to incorporate a reasonable capacity forecast in its revised proposal. This will enhance the robustness of the demand forecast. For this draft decision, the ERA has also incorporated additional contracted capacity for existing contracts based on DBP's additional information provided after the submission of its initial proposal.

The ERA considers that using actual AA5 load factors that reflect historical trends is a reasonable approach to forecast gas throughput. For this draft decision, the ERA has revised the throughput forecast using the most recent actual load factor data and has undertaken an assessment at both the contract and shipper levels.

Table 1 and Table 2 present DBP's gas demand and full haul equivalent (FHE) demand forecast, and the ERA's revised forecast as determined by this draft decision for AA6.

Table 1: Reference service gas demand forecast comparison between DBP proposal and ERA draft decision (average TJ/d)

	DBP proposal	ERA draft decision	Variance	Variance %
Contracted capacity				
Full haul	481.4	482.4	1.0	0.2
Part haul	252.0	262.8	10.8	4.3
Back haul	332.6	333.0	0.4	0.1
Total	**1,066.0**	**1,078.2**	**12.2**	**1.1**
Throughput				
Full haul	438.1	439.1	1.0	0.2
Part haul	136.7	149.5	12.8	9.4
Back haul	174.8	229.7	54.9	31.4
Total	**749.6**	**818.3**	**68.7**	**9.2**

Table 2: Reference service FHE demand forecast comparison between DBP proposal and ERA draft decision (average TJ/d)

	DBP proposal	ERA draft decision	Variance	Variance %
Contracted capacity				
Full haul	481.4	482.4	1.0	0.2
Part haul	34.8	37.9	3.1	8.9
Back haul	32.4	32.4	0.0	0.0
Total	**548.6**	**552.7**	**4.1**	**0.8**
Throughput				
Full haul	438.1	439.1	1.0	0.2
Part haul	26.6	29.7	3.1	11.7
Back haul	16.4	22.7	6.3	38.4
Total	**481.1**	**491.5**	**10.4**	**2.2**

3.3 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 DBP with the ability to recover its efficient costs to operate the DBNGP for the long-term interest of natural gas users. DBP's revenue includes the following "building blocks":

- A return on the projected capital base (section 3.7 of this overview).
- Depreciation on the projected capital base (section 0 of this overview).
- The estimated cost of corporate income tax (section 3.7 of this overview).
- A forecast of operating expenditure (section 3.5 of this overview).
- Adjustments to reflect the operation of the "E Factor" incentive mechanism (section 3.7 of this overview).

Once the efficient amount of revenue (the "total revenue requirement") is determined, reference tariffs are calculated by allocating the portion of the revenue relevant to the provision of reference services (section 3.1) and dividing by the forecast demand (section 3.2) for those services.

3.3.1 Total revenue

DBP proposed a total revenue requirement for AA6 of $2,543.7 million. The ERA has determined a total revenue requirement for AA6 of $2,390.9 million based on its assessment of the "building blocks" that make up total revenue (Table 3).

A comparison of DBP's proposed total revenue by component and the ERA's draft decision total revenue is shown in Table 4.

Table 3: ERA draft decision total revenue requirement for AA6 ($ million, nominal)

Building block	2025	2026	2027	2028	2029	Total
Return on capital base	248.7	245.8	242.5	238.3	234.0	1,209.3
Regulatory depreciation						
Depreciation	157.5	168.1	172.3	175.5	181.2	854.5
Inflationary gain	(66.3)	(65.6)	(64.7)	(63.6)	(62.4)	(322.6)
Operating expenditure	109.8	117.3	117.4	113.7	118.6	576.9
Regulatory corporate income tax						
Corporate income tax	33.2	41.5	42.7	53.5	54.2	225.0
Imputation credits	(16.6)	(20.8)	(21.3)	(26.7)	(27.1)	(112.5)
Incentive mechanism adjustment (E factor)	(3.7)	(11.9)	(14.0)	(10.2)	-	(39.7)
Total revenue (unsmoothed)	**462.5**	**474.6**	**474.8**	**480.6**	**498.4**	**2,390.9**

Table 4: ERA draft decision total revenue requirement for AA6 compared to DBP proposal ($ million, nominal)

Building block	DBP proposed (A)	ERA draft decision (B)	Difference (B – A)
Return on capital base	1,208.7	1,209.3	0.6
Regulatory depreciation			
Depreciation	906.4	854.5	(51.9)
Inflationary gain	(380.8)	(322.6)	58.3
Operating expenditure	698.9	576.9	(122.1)
Regulatory corporate income tax			
Corporate income tax	221.0	225.0	4.1
Imputation credits	(110.5)	(112.5)	(2.0)
Incentive mechanism adjustment (E factor)		(39.7)	(39.7)
Total revenue (unsmoothed)	**2,543.7**	**2,390.9**	**(152.8)**

3.3.2 Allocation of total revenue

The ERA's draft decision allocation ratio of efficient costs between reference and non-reference services is 95:5. That is, this decision has allocated 95 per cent of the total revenue requirement to reference services, and 5 per cent to non-reference services (Table 5).

The ERA's allocation ratio is consistent with DBP's method and reasoning for its allocation ratio. Using 2024 Regulatory Information Notice data, DBP generated $73.76 million from the provision of non-reference services (inclusive of overrun charges) over the period 2021 to 2024. This represents 5 per cent of total revenue generated for that period.[3]

Table 5: ERA allocation of total revenue between reference and other (non-reference) services for AA6 ($ million, nominal)

	2021	2022	2023	2024	2025	Total
Total revenue	**462.5**	**474.6**	**474.8**	**480.6**	**498.4**	**2,390.9**
Allocation to reference services	440.6	452.0	452.1	457.5	474.5	2,276.7
Allocation to other (non-reference) services	21.9	22.6	22.7	23.1	23.9	114.2

3.3.3 Reference tariffs

The ERA's indicative draft decision reference tariffs for 1 January 2026, compared to DBP's proposed tariffs are shown in Table 6. Tariffs in the years following 2026 will be adjusted in accordance with the tariff variation mechanism.

Table 6: ERA draft decision reference tariffs for 1 January 2026 – indicative only ($, nominal)

Tariff component	DBP proposed 2026 tariff	ERA draft decision 2026 tariff
Full Haul (T1)		
Capacity (reservation) charge ($/GJ/day)	2.323912	2.054124
Commodity (throughput) charge ($/GJ/day)	0.123728	0.131888
Total	**2.447640**	**2.186012**
Part Haul (P1)		
Capacity (reservation) charge ($/GJ/km/day)	0.001661	0.001468
Commodity (throughput) charge ($/GJ/km/day)	0.000088	0.000094
Total	**0.001750**	**0.001563**

[3] The ERA has included the revenue generated from overrun charges given its magnitude; accounting for 63 per cent of non-reference service revenue generated between 2021 and 2024.

Tariff component	DBP proposed 2026 tariff	ERA draft decision 2026 tariff
Back Haul (B1)		
Capacity (reservation) charge ($/GJ/km/day)	0.001661	0.001468
Commodity (throughput) charge ($/GJ/km/day)	0.000088	0.000094
Total	**0.001750**	**0.001563**

3.3.4 Tariff variation mechanism

Reference tariffs for 2027 onwards will be determined in accordance with the tariff variation mechanism, which remains largely unchanged from the current AA5 mechanism. The tariff variation mechanism is comprised of an annual scheduled variation (to adjust tariffs for inflation, the cost of debt and a proportion of revenue from rebateable services), and variations for tax changes and cost pass through events.

For AA6, DBP proposed an amendment to the tariff variation formula to address the Commonwealth Government's Safeguard Mechanism for greenhouse gas emissions.

The ERA has considered the tariff variation mechanism to apply for AA6 and has:

- Identified some general drafting amendments that are required to correct administrative errors.
- Required an increase to the rebateable portion for rebateable services revenue to rebate 90 per cent of revenue back to reference service users (instead of 70 per cent).
- Approved DBP's proposed amendments to cover the Safeguard Mechanism, subject to DBP making some further amendments to better clarify certain provisions.

The ERA has also decided against introducing a tariff variation mechanism to address demand forecasting uncertainty as was suggested in a submission to the ERA. Demand forecasts, like other forecasts, are inherently uncertain; the regulatory framework acknowledges this uncertainty with explicit provisions for forecasting. The ERA considers that the focus should remain on assessing DBP's forecasting and estimating methods to ensure these methods produce demand forecasts that are arrived at on a reasonable basis and represent the best forecast possible.

3.4 Regulatory capital base

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

The projected capital base for AA6 is important for setting the tariffs during AA6, so must reflect the best possible forecast of prudent and efficient investment and allow an appropriate amount of depreciation. The ERA considered information provided by DBP, public submissions and findings from the ERA's technical consultant (EMCa) to determine the amount of capital expenditure that meets the requirements of the NGR.

The ERA found that DBP's capital expenditure proposal was consistent with DBP's overarching framework documents.

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

- Consider whether the expenditure is justifiable under the various capital expenditure criteria (economic, incremental revenue, safety, integrity).
- Evaluate whether the expenditure would be undertaken by a prudent service provider acting efficiently, in accordance with accepted good industry practice to achieve the lowest sustainable cost of providing services consistent with the national gas objective.
- Assess whether forecasts or estimates have been arrived at on a reasonable basis and do they represent the best forecast or estimate possible in the circumstances.

3.4.1 Opening capital base

The opening capital base for the start of AA6 (1 January 2025) is $3,425.8 million. This reflects the ERA's draft decision on the amount of conforming capital expenditure for AA5 and the inclusion of the approved AA5 depreciation.

The ERA's draft decision is to approve actual (2021, 2022, 2023 and 2024) and forecast (2025) capital expenditure of $193.1 million for AA5. This is 9 per cent lower than DBP's proposed AA5 capital expenditure of $212.8 million. The main differences from DBP's proposal are:

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

3.4.2 Projected capital base

The projected capital base for the end of AA6 (31 December 2029) is $2,860.5 million. This reflects the ERA's draft decision on the amount of conforming forecast capital expenditure and depreciation for AA6.

The ERA's draft decision is to approve forecast capital expenditure of $219.9 million for AA6. This is 24 per cent lower than DBP's proposal of $288.0 million. The main changes from DBP's proposal are:

- Buildings: DBP deferred the Jandakot Facility Redevelopment project from AA5 into AA6. However, the cost of the project has increased significantly between access arrangements, which can be partially explained by the increase in building construction

costs between the periods, however, the main driver of the increase in the costs is due to a change in scope for the project. This change in scope has not been adequately explained and justified by DBP resulting in a reduction in DBP's proposed AA6 capital expenditure for the project.

- Information Technology (IT): The main reduction in the IT asset class relates to the upgrades and enhancements of IT sustaining applications with all enhancement projects not being deemed to be conforming capital expenditure based on the information provided not showing the benefits to DBNGP customers from undertaking the projects.

- Compression: The proposed compression expenditure has been reduced to take into account over-estimated unit costs that were used in the business plan, as well as the removal of a number of projects that have not been sufficiently justified in the documentation provided to date.

- Metering: As in the AA5 expenditure review, the metering category was amended to remove capital expenditure at meter stations that is the requirement of shippers to fund separately under the reference service terms and conditions.

3.5 Operating expenditure

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 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.[4]

The ERA has reviewed DBP's proposal and considers that an AA6 operating expenditure forecast of $535.0 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 $118.0 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 $61.0 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, as well as DBP's unregulated services, although it also reduces future labour costs charged to DBNGP capital expenditure.

[4] This has been calculated for the four years to 2024 based on actual operating 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, reduced system use gas 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 an allowance for a premature failure 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, was considered to be reasonable.

3.6 Depreciation

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

DBP's proposed approach to calculating depreciation for AA6 includes two parts:

- *Base depreciation allowance*: DBP proposed that the depreciation approach used in the AA5 access arrangement be maintained. This approach continues the straight-line depreciation of assets, where the pipeline asset classes were subject to an economic asset life cap of 2063. DBP's proposed base allowance was $741.0 million (real 2024) over AA6.

- *Deferred depreciation allowance*: DBP proposed that $81.2 million (real 2024) be included in the first year of AA6 due to the restructure of the regulated asset base in AA5.

The ERA has considered and accepted DBP's approach to calculate base depreciation. DBP has analysed a range of credible scenarios that indicate the 2063 economic life end date is still capable of balancing the risks between DBP and shippers given current information.

Accordingly, the ERA has allowed for a total of $710.5 million (real 2024) for base depreciation over AA6, which varies from DBP's proposed amount due to the ERA's approved capital expenditure levels in this draft decision.

The ERA has not accepted DBP's proposed deferred depreciation approach that front loads deferred depreciation into the first year of the access arrangement. While the deferred depreciation amount is similar to that proposed by DBP, we have sought to simplify its implementation and spread the deferred depreciation over the access arrangement period it applies to. This approach is consistent with the amounts of deferred depreciation resulting from the AA5 final decision; it maintains net present value neutrality and smooths tariff increases.

This results in $81 million (real 2024) of deferred depreciation being provided over AA6. The ERA's forecast regulatory depreciation allowance for AA6 is shown in Table 7.

Table 7: ERA draft decision regulatory depreciation ($ million, real at 31 December 2024)

	2026	2027	2028	2029	2030	Total
Straight-line depreciation	135.3	142.7	143.5	143.5	145.5	710.5
Add: Deferred depreciation	16.2	16.2	16.2	16.2	16.2	81.0
Total regulatory depreciation	**151.5**	**158.9**	**159.7**	**159.7**	**161.7**	**791.5**

3.7 Return on capital, taxation and incentives

3.7.1 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.[5] 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.

The rate of return DBP used in its access arrangement proposal for AA6 is consistent with the application of the gas rate of return instrument.

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

Higher rates of inflation account for 20 per cent of the total increase in revenue from the amount approved for AA5 and the amount approved in this draft decision for AA6. Updated rates of return also account for 29.3 per cent of the total increase in revenue between the AA5 approved revenue and AA6 draft decision revenue.

The rate of return in this draft decision is 7.12 per cent (nominal after-tax) and was updated for current market conditions, with a 20-day averaging period to 30 April 2025. DBP is required to nominate the averaging period to be used to calculate the rate of return for the final decision.

3.7.2 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.

DBP's proposed method to calculate AA6 taxation is consistent with the approach used in AA5 and has been accepted by the ERA with updates to reflect the approved input values used in this draft decision.

5 NGL, section 30D, 30E.

3.7.3 Incentive mechanisms

The regulatory framework provides that a full access arrangement may include incentive mechanisms to encourage efficiency in the provision of services by the service provider. An incentive mechanism may provide for the carrying over of increments for efficiency gains and decrements for efficiency losses from one access arrangement period to the next.

The current AA5 access arrangement contains the Efficiency Factor (E Factor) scheme. DBP has proposed to continue the E Factor scheme for AA6, with some minor amendments to the wording of the scheme. The ERA has accepted these amendments but requires an adjustment to the way in which the E Factor outcomes are disclosed within the access arrangement. To enhance transparency, the E Factor outcomes (increments/decrements) must be shown as a "building block" component for total revenue and the E Factor benchmarks must continue to be disclosed in the access arrangement provisions.

DBP also proposed to add "inspections and other asset management" expenditure as a specific cost exclusion when determining the E Factor benchmarks. The ERA has not approved this exclusion on the basis that these costs are of a routine and recurrent nature and so are largely within DBP's control. In circumstances where unexpected costs do arise from routine inspections and other asset management activities, and are outside of DBP's control (for example, additional operating costs to rectify an uncovered fault), these costs may be considered under other provisions of the E Factor that provide for the exclusion of:

- Any operating expenditure not forecast but that meets the criteria for operating expenditure and was incurred for the purpose of reducing capital expenditure.
- Any operating expenditure amount that the ERA agrees or requires DBP to exclude.

After assessing the application of the E Factor for AA5 and the continuation of the scheme in AA6, the ERA has decided to redraft some clauses to simplify and clarify the provisions of the scheme.

3.8 Other access arrangement provisions

The DBNGP access arrangement must include requirements for queuing, extensions and expansions, and capacity trading; as well as principles for changing inlet and outlet points.

DBP did not propose any amendments to the queuing requirements, extension and expansion requirements, capacity trading requirements or principles for changing inlet/outlet points for AA6. These access arrangement provisions remain unchanged from the AA5 access arrangement provisions.

DBP did propose some amendments to the requirements for access requests to clarify the terms of existing reference contracts and to update the requirements for executing access requests. The ERA considers that DBP's amended requirements for access requests do not materially change the intent of the provisions and approves these amendments.

The ERA does require DBP to make some minor amendments to the requirements for queueing to clarify how contract terms are updated and that delivery of access requests by mail includes electronic mail (email).

An access arrangement may also include optional fixed principles to provide certainty that specific elements of the access arrangement will remain unchanged for a set period, which may extend across more than one access arrangement period. DBP has elected to carryover

the current fixed principles in the AA5 access arrangement to AA6 with some minor date amendments. The ERA requires some additional amendments to better clarify the operation of the fixed principle for the rebate mechanism across access arrangement periods.

The ERA has decided against introducing a trigger event mechanism to address demand forecasting uncertainty as was suggested in a submission to the ERA. A trigger event for demand would bring forward the review submission date for the access arrangement and reopen the entire access arrangement for review. To be truly beneficial, the trigger event would need to occur within the first two years of the access arrangement period, which is when demand uncertainty is typically lower. However, the regulatory costs incurred by all parties involved to undertake an earlier review of the access arrangement is likely to outweigh any material benefits. A trigger event occurring in the last three years of the access arrangement period is also unlikely to provide any material benefits given that the review of the next access arrangement would already be underway.

3.9 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 can be used to guide an arbitrator in an access dispute.

DBP's proposed amendments to the terms and conditions consist of general administrative changes to improve drafting, additional wording to some clauses for better clarity, and revisions to the access request form. Subject to some additional drafting changes, the ERA has accepted DBP's proposed amendments to the terms and conditions on the basis that the amendments were necessary to reflect legislative requirements and/or operational needs, to correct errors, and/or to improve drafting.

DBP did not propose any changes to clause 7 (operating specifications) despite concerns raised by multiple shippers. In their submissions to the ERA, shippers expressed that they have limited authority over the management of out of specification (or "off-spec") gas but bear most of the associated liability risks. Off-spec gas is gas that does not meet contractual specifications when injected into the pipeline.

Based on information provided in submissions and further discussions with DBP, the ERA considers that it is reasonable for shippers to manage their own liability for off-spec gas when entering into gas supply agreements with gas producers.

After careful consideration, the ERA requires DBP to make an administrative change to the terms and conditions to introduce a new heading – "7.9A Operator's Liability for Out of Specification Gas" – to reflect and clarify DBP's liability for off-spec gas. This administrative amendment improves readability and enhances transparency for shippers and prospective shippers by making it clear that, under certain circumstances, liability for off-spec gas also rests with DBP.

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. The *National Gas Access (WA) Act 2009* implements a modified version of the NGL and NGR in Western Australia.[6] The rules referenced in this decision are those that apply in Western Australia.[7]

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.[8]

Under the legislative framework, the ERA is responsible for regulating third-party access to gas pipelines in Western Australia. DBP'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.[9]

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, DBP is responsible for developing and proposing a relevant access arrangement for its transmission pipeline. As the regulator, the ERA is responsible for

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6 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.

7 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.

8 NGL, section 23.

The national gas objective has changed since the last review of DBP'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 2025).

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

assessing the proposed access arrangement against the legislative requirements set out in the NGL and NGR and approving a compliant access arrangement.

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 8. In addition, rules 90 and 92 set out further requirements relating to the calculation of depreciation and revenue equalisation.

Table 8: 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).[10] 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.[11] AAI must include any information that is specifically required by the NGL and NGR. Specifically, rule 72

[10] NGR, rule 43.

[11] NGR, rule 42.

sets out requirements for AAI relevant to price and revenue regulation. These requirements are summarised in Table 9.

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 9: 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)

Legislative requirement	Legislative reference
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)
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 DBP's access arrangement for its transmission pipeline in 2020. 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.

Stage A: 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.[12] The proposal must be submitted at least 12 months prior to the access arrangement proposal.

DBP submitted a reference service proposal for its transmission pipeline on 8 December 2023. After a period of consultation, the ERA decided to not approve DBP's reference service proposal. The ERA disagreed with DBP's decision to remove data services and storage services from its list of pipeline services due to low or no forecast demand for these services.[13] Consequently, the ERA revised DBP's reference service proposal and published its own reference service proposal, listing these services as pipeline services that can be offered by

[12] 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.

[13] ERA, *Reference service proposal decision: Proposed reference services for the Dampier to Bunbury Natural Gas Pipeline submitted by DBNGP (WA) Transmission Pty Ltd*, 1 July 2024 (online) (accessed April 2025).

means of the DBNGP, as required under the NGR.[14] The ERA did, however, agree with DBP's proposed reference services for AA6 (being the full haul T1 Service, part haul P1 Service and back haul B1 Service).

The ERA's approved reference service proposal determined which pipeline services are to be specified as reference services in the access arrangement for DBP's transmission pipeline.[15] DBP must set out its proposed terms, conditions and prices for the approved reference services, along with proposed revisions to other access arrangement provisions, in its access arrangement proposal.

Stage B: Access arrangement proposal

Scheduled revisions to DBP's access arrangement for its transmission pipeline were last approved by the ERA in April 2021 for the period 1 January 2021 and finish 31 December 2025, being the fifth access arrangement period (AA5).[16] The review submission date in the AA6 access arrangement is 1 January 2025.

DBP submitted its access arrangement proposal for the next (AA6) access arrangement period, 1 January 2026 to 31 December 2030, in accordance with the AA6 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.

4.3.1 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.[17] A timeframe for the review of DBP's access arrangement proposal is set out in Table 10.

[14] ERA, *Reference service proposal for the Dampier to Bunbury Natural Gas Pipeline: 1 January 2026 – 31 December 2030,* 1 July 2024 (online) (accessed April 2025).

[15] Rules 48(1)(c) and (c1) of the NGR allow DBP 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.

[16] ERA, *Final Decision on Proposed Revisions to the Dampier to Bunbury Natural Gas Pipeline Access Arrangement for 2021 to 2025: Submitted by DBNGP (WA) Transmission Pty Ltd*, 1 April 2021.

[17] 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 10: Timeframe for the review of DBP's access arrangement proposal

Review process stage	Legislated timeframe	Actual date (Indicative date)
Stage A: Reference service proposal (completed)		
DBP reference service proposal submitted to ERA	12 months prior to the review submission date for the access arrangement	8 December 2023
Public consultation on DBP's proposal	A period of at least 15 business days	9 February 2024 to 11 March 2024
ERA reference service proposal decision published	No later than 6 months prior to the review submission date for the access arrangement	1 July 2024
Stage B: Access arrangement proposal (in progress)		
DBP access arrangement proposal submitted to ERA	By the review submission date in the current access arrangement	2 January 2025
Initiating notice published by ERA to notify of DBP'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 DBP to correct the deficiency)	23 January 2025
Public consultation (1st round) on DBP's proposal	A period of least 20 business days after publication of initiating notice	23 January 2025 to 1 April 2025
ERA issues paper published	[not applicable]	4 March 2025
ERA draft decision published	**No legislated timeframe**	**7 July 2025**
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 DBP 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	8 July 2025 to 19 August 2025
Public consultation (2nd round) on ERA draft decision and DBP's revised proposal	A period of at least 20 business days from the end of DBP's s revision period	20 August 2025 to 17 September 2025
ERA final decision published	Within 8 months from the receipt of DBP's access arrangement proposal, with an extension of up to an additional 2 months (i.e. 10 months in total)	(December 2025)
Access arrangement start date	Date specified in the final decision (or otherwise 10 business days after the date of the final decision)	(1 January 2026)

Appendix 1 List of Tables

Appendix 2 List of Required Amendments

In making its draft decision, the ERA has identified various required amendments for DBP 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

Required Amendment 1.1

DBP must amend the specification of the Pilbara Service to be a non-reference service only (rather than a non-reference rebateable service).

Attachment 2: Demand

Required Amendment 2.1

DBP is required to amend the gas demand and Full Haul Equivalent (FHE) demand forecasts in its revised proposal to reflect the following:

- The ERA's forecast values as set out in Table 2.8 and Table 2.9 in Draft Decision Attachment 2.
- The ERA's determinations as outlined in Draft Decision Attachment 2.
- Any additional demand that DBP becomes aware of prior to the submission of its revised proposal.

Attachment 3: Revenue and tariffs

Required Amendment 3.1

DBP must amend the values for total revenue (nominal) to reflect the values as set out in Table 3.5 Draft Decision Attachment 3.

Required Amendment 3.2

DBP must amend clause 18.19 of the proposed access arrangement to remove the reference to the Pilbara Service being a rebateable non-reference service.

Required Amendment 3.3

The reference tariffs set out in the proposed access arrangement must be amended to reflect the tariffs set out in Table 3.8 of Draft Decision Attachment 3.

Required Amendment 3.4

DBP must address the administrative errors identified in Annexure A (tariff variation mechanism) of the proposed access arrangement to reflect the amendments set out in Table 3.9 of Draft Decision Attachment 3.

Required Amendment 3.5

DBP must amend clause 18.20 of the proposed access arrangement as follows:

- Amend the “Rebateable Amount” for rebateable services revenue to ninety per cent (90%).
- Amend the table in subclause (a) to include Periods 5 and 6 from the previous access arrangement period (AA5) and update Period 6 for the current access arrangement (AA6) to reflect the end date of the access arrangement period, as set out in Draft Decision Attachment 3.

Required Amendment 3.6

DBP must amend the provisions of Annexure A6 (Adjustments for Safeguard Mechanism) in the proposed access arrangement to:

- Make it explicit that only incremental incurred (actual) costs that are directly attributable to DBP’s compliance with the Safeguard Mechanism are recoverable.
- Clarify that the allocation ratio of shared costs applies to costs incurred complying with the Safeguard Mechanism.
- Make the adjustment mechanism symmetrical in its operation, to recover costs from users and return revenue to users.
- Ensure no duplication of the recovery of costs under the existing carbon cost pass through event provisions and any proposed Safeguard Mechanism tariff variation adjustment.

Attachment 4: Regulatory capital base

Required Amendment 4.1

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

Required Amendment 4.2

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

Attachment 5: Operating expenditure

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.

Attachment 6: Depreciation

Required Amendment 6.1

DBP must amend the regulatory depreciation amounts for 2026 to 2030 to reflect the amounts in Table 6.8 of Draft Decision Attachment 6.

Attachment 7: Return on capital, taxation and incentives

Required Amendment 7.1

Subject to the nomination of a final averaging period, DBP must update its rate of return to be consistent with Table 7.8 of Draft Decision Attachment 7.

Required Amendment 7.2

The estimated cost of corporate income tax must be amended in accordance with Table 7.11 of Draft Decision Attachment 7.

Required Amendment 7.3

DBP must apply a negative efficiency carryover of $37.0 million (real as at 31 December 2024) in AA6 in accordance with the calculations set out in Table 7.12 and Table 7.13 of Draft Decision Attachment 7.

Required Amendment 7.4

DBP must amend section 15 the proposed access arrangement, which details the provisions for the E Factor scheme, to set out the E Factor benchmarks that will apply for AA6.

Required Amendment 7.5

DBP must amend clauses 15.9 and 15.10 of the proposed access arrangement, which detail the exclusions and adjustments that apply to the annual E Factor benchmark, to be consistent with the revised drafting set out in paragraph 135 of Draft Decision Attachment 7.

Required Amendment 7.6

DBP must update the E Factor benchmarks to apply for AA6 to reflect the benchmarks set out in Table 7.14 of Draft Decision Attachment 7. The E Factor benchmarks must be set out in the access arrangement.

Attachment 8: Other access arrangement provision

Required Amendment 8.1

DBP must amend clause 5.3(d) of the access request and queuing requirements to delete the word ‘automatically’; or otherwise amend the drafting to qualify that changes to the contract will apply automatically subject to the parties acknowledging that the changed provisions are applicable and appropriate in the circumstances.

Required Amendment 8.2

DBP must amend clause 5.4(h) to clarify that delivery of access requests by “mail” includes electronic mail (email).

Required Amendment 8.3

DBP must amend Section 13 of the proposed access arrangement to clarify the fixed periods to which the fixed principle for the rebate mechanism applies. The proposed required amendments are set out in Draft Decision Attachment 8.

Attachment 9: Service terms and conditions

Required Amendment 9.1

DBP must amend clause 7.9 to better highlight the operator's liability for out of specification gas. The amended drafting is set out in Draft Decision Attachment 9.

Required Amendment 9.2

DBP must amend the pipeline description document (provided as Attachment 1 to the proposed access arrangement) to be consistent with date references used in the terms and conditions, which has the access arrangement period commencing 1 January 2026.

Required Amendment 9.3

DBP must amend the drafting of proposed clause 38(c) to qualify that changes to the contract will apply automatically subject to the parties acknowledging that the changed provisions are applicable and appropriate in the circumstances.

Appendix 3 Submissions

Submissions from interested parties are listed below.

Submissions on DBP proposal and/or ERA issues paper
Alinta Energy
Gas Trading Australia
Horizon Power
NewGen Power Kwinana
Wesfarmers Chemicals, Energy and Fertilisers

Appendix 4 Abbreviations

AA5	fifth access arrangement period (1 January 2021 to 31 December 2025)
AA6	sixth access arrangement period (1 January 2026 to 31 December 2030)
AAI	Access Arrangement Information
ACCUs	Australian Carbon Credit Units
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CAPM	Sharpe-Lintner Capital Asset Pricing Model
CPI	Consumer Price Index
DBNGP	Dampier to Bunbury Natural Gas Pipeline
DBP	Dampier Bunbury Pipeline
ERA	Economic Regulation Authority
FHE	full haul equivalent
GCs	gas chromatographs
GSOO	Gas Statement of Opportunities
NewGen	NewGen Power Kwinana
NGL	National Gas Law
NGR	National Gas Rules
NPV	net present value
OffGAR	Office of Gas Access Regulation
off-spec gas	out of specification gas
PJ	petajoule
RBA	Reserve Bank of Australia
SMCs	Safeguard Mechanism Credits
SUG	system use gas
SWIS	Southwest Interconnected System
TJ	terajoule
WACC	weighted average cost of capital
WesCEF	Wesfarmers Chemicals Energy and Fertilisers