

# Revised Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline

Economic Regulation Authority

 WESTERN AUSTRALIA

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## TABLE OF CONTENTS

1.	INTRODUCTION.....	3
2.	[DELETED].....	4
3.	THE DBNGP (DESCRIPTION OF THE PIPELINE SYSTEM).....	5
4.	COMMENCEMENT .....	6
5.	ACCESS REQUESTS AND QUEUING POLICY .....	7
6.	SERVICES POLICY.....	13
7.	REFERENCE TARIFF POLICY.....	18
8.	REFERENCE TARIFF STRUCTURE AND CHARGES.....	25
9.	TERMS AND CONDITIONS.....	26
10.	TRADING POLICY .....	27
11.	EXTENSIONS/EXPANSIONS POLICY .....	28
12.	CAPACITY MANAGEMENT POLICY .....	30
13.	REVIEW DATE .....	31
14.	DEFINITIONS .....	32

### Appendix 1 – Terms and Conditions for Reference Services

## **1. INTRODUCTION**

- 1.1 This document comprises the revised Access Arrangement (“Access Arrangement”) for the Dampier to Bunbury Natural Gas Pipeline (“DBNGP”) pursuant to the requirements of the Gas Pipelines Access (Western Australia) Act 1998, which incorporates the National Third Party Access Code for Natural Gas Pipeline Systems (“Code”).
- 1.2 It comprises:
- (a) revisions to the access arrangement drafted and approved on 15 December 2005 by the Regulator (“First Revised Access Arrangement”); and
  - (b) revisions to the access arrangement submitted by the Service Provider and approved on 21 November 2006 by the Regulator which amend the Reference Tariff Policy to provide for a Speculative Investment Fund in accordance with section 8.19 of the Code.
- 1.3 The DBNGP is operated by DBNGP (WA) Transmission Pty Ltd (“Operator”) and is owned by DBNGP (WA) Nominees Pty Ltd (“Nominees”) as Trustee for the DBNGP WA Pipeline Trust.
- 1.4 This Access Arrangement sets out the policies and basic terms and conditions applying to third party access to services provided by Operator in relation to the DBNGP.
- 1.5 Operator will negotiate access to services on the pipeline. If, however, prospective shippers are unable to conclude negotiations for access, this Access Arrangement contains the terms and conditions for access to the Reference Services.

2. [DELETED]

### **3. THE DBNGP (DESCRIPTION OF THE PIPELINE SYSTEM)**

3.1 The DBNGP is as described in the following pipeline licences:

- (a) PL 40 (as amended or varied before the date the Access Arrangement for the DBNGP commences to have effect);
- (b) PL 41 (as amended or varied before the date the Access Arrangement for the DBNGP commences to have effect); and
- (c) PL 47 (as amended or varied before the date the Access Arrangement for the DBNGP commences to have effect).

3.2 A detailed description of the DBGNP and maps showing the pipeline system are annexed to the Access Arrangement Information.

#### **4. COMMENCEMENT**

- 4.1 The revisions referred to in clause 1.2(a) commence on 30 December 2005, and the revisions referred to in clause 1.2(b) commence on the date specified by the Regulator in accordance with section 2.48 of the Code.

## **5. ACCESS REQUESTS AND QUEUING POLICY**

### **5.1 Informal Requests and Reports**

- (a) Prospective Shippers are encouraged to consult with Operator on available capacity and facilities prior to making an Access Request.
- (b) [Deleted]
- (c) [Deleted]

### **5.2 Submission of Access Requests**

- (a) Prospective Shippers may apply for access to a Service by submitting an Access Request in accordance with this clause 5.2.
- (b) An Access Request must specify:
  - (i) whether the Service requested is a Reference Service or a Non-Reference Service;
  - (ii) a Commencement Date for the Service, which must be a date at least 30 days after the date the Access Request is submitted;
  - (iii) a Capacity End Date for the Service, which must, in the case of an Access Request for a Reference Service, be a date no earlier than the date 2 years after the Commencement Date;
  - (iv) in the case of a Reference Service and any other capacity related Non-Reference Service:
    - (A) each Receipt Point and Delivery Point for the Service; and
    - (B) the amount of the requested Service (in TJ/d) for each Receipt Point and Delivery Point;
  - (v) the terms and conditions on which the Service is requested, by:
    - (A) in the case of a Reference Service, stating that the Prospective Shipper accepts the Access Contract Terms and Conditions or identifying any variations the Prospective Shipper proposes to the Access Contract Terms and Conditions;
    - (B) in the case of a Non-Reference Service (other than a Spot Capacity Service), specifying the terms and conditions the Prospective Shipper proposes should apply to the Service or requesting Operator to propose the terms and conditions for provision of the Service; or
    - (C) in the case of a Spot Capacity Service, stating that the Prospective Shipper accepts the Spot Transaction Terms and Conditions and agrees to comply with the Spot Market Rules; and
  - (vi) any conditions that apply to the Access Request.

- (c) An Access Request must:
  - (i) contain or be accompanied by any other information or documents identified in the Information Package;
  - (ii) be in the form for the particular Service requested specified from time to time by Operator on its nominated website. As at the date of this Access Arrangement, the Access Request forms comprise:
    - (A) the Reference Service Access Request Form, for use for an Access Request for a Reference Service;
    - (B) the Non-Reference Service (other than Spot Capacity Service) Access Request Form, for use for an Access Request for a Non-Reference Service (other than Spot Capacity Service) or an Access Request for a Reference Service in circumstances where the Prospective Shipper proposes variations to the Access Contract Terms and Conditions; and
    - (C) the Spot Capacity Service Access Request Form, for use for an Access Request for Spot Capacity Service;
  - (iii) be executed by or on behalf of the Prospective Shipper in accordance with sections 127(1), (2) or (3) of the Corporations Act 2001 or in such other manner as Operator, acting reasonably, may approve; and
  - (iv) be submitted in duplicate to the address from time to time specified by Operator for this purpose on its nominated website.
- (d) [Deleted]
- (e) A Prospective Shipper may withdraw an Access Request at any time before Operator accepts the Access Request by giving notice in writing of the withdrawal to Operator.
- (f) A Prospective Shipper may amend an Access Request at any time prior to its acceptance by Operator by submitting a further Access Request which states expressly that it amends the previous Access Request ("Original Access Request") and is marked up to show the changes from the Original Access Request. The amended Access Request supersedes the Prospective Shipper's Original Access Request.

### 5.3 Assessment of Access Requests

- (a) Operator will assess and respond to an Access Request in accordance with section 5.4 of the Code based on the information provided to it with the Access Request.
- (b) The information specified in the Access Request Form and the Information Package does not necessarily contain all of the information Operator may need to assess an Access Request. Operator may:
  - (i) request further information from a Prospective Shipper (including any evidence reasonably required by Operator that the Access Contract that would be formed by Operator's acceptance of the Access Request would be a valid and binding obligation of the Prospective Shipper); or



- (ii) advise the Prospective Shipper that investigations are required to be undertaken prior to responding to the Access Request, as contemplated by section 5.4(c) of the Code,

if it reasonably considers that such information or investigations are necessary to assess the Prospective Shipper's Access Request.

- (c) If an Access Request requires the terms and conditions of the Access Contract to be negotiated between Operator and the Prospective Shipper because the Access Request is:

- (i) for a Non-Reference Service; or
- (ii) for a Reference Service but the Prospective Shipper has not indicated its acceptance of the Access Contract Terms and Conditions,

the Prospective Shipper must promptly on request by Operator proceed to negotiate in good faith with Operator the terms and conditions on which the Service is to be provided.

- (d) Operator may accept an Access Request:

- (i) where the Access Request is for a Reference Service and is made on the basis of the Access Contract Terms and Conditions or is for a Spot Capacity Service, by executing the 2 copies of the Access Request Form executed by the Prospective Shipper and returning one executed copy to the Prospective Shipper; or
- (ii) where the Access Request is for a Non-Reference Service (other than a Spot Capacity Service), or is for a Reference Service otherwise than on the Access Contract Terms and Conditions, and Operator and the Prospective Shipper have agreed the terms and conditions for the Service, by submitting an Access Contract in the form agreed to the Prospective Shipper for execution. If the Access Contract is not executed by the Prospective Shipper and returned to Operator (together with any evidence reasonably required by Operator that the Access Contract is a valid and binding obligation of the Prospective Shipper) within 10 Business Days, the Access Request will be deemed to have been withdrawn by the Prospective Shipper.

- (e) Operator may reject an Access Request at any time prior to its acceptance if:

- (i) the Access Request is incomplete or otherwise does not comply with the requirements specified in clause 5.2;
- (ii) the Prospective Shipper fails to comply with a reasonable request by Operator for further information within 20 Business Days (or such longer period as Operator may agree in a particular case) after receipt of such request or proposed plan and cost allocation;
- (iii) Operator considers, acting as a reasonable and prudent pipeline operator, that the Prospective Shipper is not capable of meeting its obligations under the Access Contract;
- (iv) acceptance of the Access Request would require an expansion of or extension to the DBNGP and the expansion or extension is inconsistent with the extensions and expansions policy set out in clause 11;

- (v) the requested Service cannot be provided having regard to the load characteristics set out in the Access Request and the load characteristics of Other Shippers;
- (vi) where the Access Request requires the terms and conditions of the Access Contract to be negotiated between Operator and the Prospective Shipper, the Prospective Shipper fails to negotiate in good faith when required to do so under clause 5.3(c);
- (vii) the Access Request is for substantially the same Service as another current Access Request submitted by the Prospective Shipper; or
- (viii) Operator considers, acting as a reasonable and prudent pipeline operator, that the Access Request is not a bona fide request for access.

#### 5.4 Queuing Policy

- (a) If Operator notifies a Prospective Shipper in accordance with section 5.4 of the Code that Spare Capacity does not exist to satisfy an Access Request, Operator will create a queue for determining the priority of access to Spare Capacity and Developable Capacity that will apply as between that Access Request and any other Access Request.
- (b) Operator will maintain a single queue for access to Reference Services and Non-Reference Services.
- (c) Access Requests are to have priority of access to Spare Capacity and Developable Capacity in the order in which they are entered in the queue by Operator in accordance with this clause 5.4. Subject to sub-clauses 5.4(d) to 5.4(k), Operator will enter Access Requests in the queue with a priority date being the date on which they are received (or, as appropriate, deemed to be received) by Operator. Access Requests entered in the queue with the same priority date will have equal priority in the queue as between each other.
- (d) Subject to clauses 5.4(e) and (f), an Access Request will only be entered in the queue if it complies with the requirements specified in clause 5.2.
- (e) If an Access Request is incomplete or otherwise does not comply with the requirements of clause 5.2 and, in Operator's reasonable opinion, the Prospective Shipper remedies the deficiencies within 10 Business Days after being given notice of the deficiencies by Operator (which notice must be given promptly), the Access Request may be entered in the queue with a priority date being the date on which the original Access Request was received by Operator. This clause only applies once. Otherwise, the Access Request will be entered in the queue with a priority date being the date on which, in Operator's reasonable opinion, the deficiencies are remedied.
- (f) If an Access Request requires the terms and conditions of the Access Contract to be negotiated between Operator and the Prospective Shipper or is subject to conditions, the Access Request will be entered in the queue with a priority date being the date of receipt of the Access Request by Operator. However, unless:
  - (i) where Operator notifies Shipper in accordance with section 5.4 of the Code that there is Spare Capacity sufficient to satisfy the Access Request, within 40 Business Days after the date Operator responds to

the Prospective Shipper in accordance with section 5.4 of the Code in respect of the Access Request; or

- (ii) where Operator notifies Shipper in accordance with section 5.4 of the Code that there is not Spare Capacity sufficient to satisfy the Access Request, within 60 Business Days after the date Shipper consents to a plan and allocation of costs for investigations proposed by Operator and referred to in section 5.4 of the Code in respect of the Access Request,

either:

- (iii) the negotiations are completed and/or the conditions are satisfied; or
- (iv) the Prospective Shipper has agreed to amend the Access Request such that it becomes an Access Request for a Reference Service made on the basis of the Access Contract Terms and Conditions,

the Access Request will be removed from the queue and will subsequently be re-entered in the queue with a priority date being the date that negotiations are completed and/or the conditions are, in Operator's opinion, satisfied. However, where a dispute between Operator and the Prospective Shipper arises in respect of the terms and conditions of access and that dispute is referred to arbitration under section 6 of the Code, the period of time remaining pursuant to paragraphs (i) and (ii) (as applicable) will be suspended from the date the dispute is referred to arbitration ("Referral Date") until 4 months after the Referral Date.

- (g) Operator may deal with Access Requests out of order provided that:
  - (i) the Access Request that is being dealt with out of order is materially different to the Access Requests which have the same or earlier priority dates; and
  - (ii) Prospective Shippers with the Access Requests which have the same or earlier priority dates do not suffer any material prejudice as a result.
- (h) Access Requests received by mail are deemed to be received on the day they are delivered to Operator. Access Requests delivered by hand are received on the date actually received.
- (i) Any Access Request for a Service that was made prior to the revisions to this Access Arrangement coming into effect ("prior AA Access Requests") will have priority over Access Requests made after the revisions to this Access Arrangement come into effect. The priority amongst prior AA Access Requests is to be determined in accordance with the order in which they were received by Operator.
- (j) If an Access Request is rejected, that Access Request's priority in the queue is lost.
- (k) If a Prospective Shipper amends an Access Request in accordance with clause 5.2(f), the following shall apply:
  - (i) if the amendment is made in accordance with clause 5.4(f), is limited to a reduction in the amount of the Service requested or a change in the requested Commencement Date, or is not in Operator's reasonable opinion a material change to the Original Access Request, the amended Access Request will have the same priority date as the Original Access Request; and

- (ii) in all other cases, the amended Access Request will be removed from the queue and will subsequently be re-entered in the queue with a priority date being the date the amended Access Request is received by Operator.
- (l) This Queuing Policy is subject to any Capacity Expansion Options which may be granted by Operator from time to time under clause 11. Nothing in this Queuing Policy prevents Operator offering a Capacity Expansion Option in accordance with clause 11 at any time or complying with its obligation to provide Capacity to a Prospective Shipper in accordance with a Capacity Expansion Option.
- (m) Where a Prospective Shipper has lodged an Access Request and Operator has agreed to undertake an expansion to satisfy the Access Request (including by the creation of a Capacity Expansion Option in accordance with clause 11), the Prospective Shipper's Access Request will remain in the queue until the expansion capacity has become available to satisfy it. If Spare Capacity becomes available to satisfy the Access Request prior to completion of the expansion and Operator and the Prospective Shipper agree, that Spare Capacity may be made available to satisfy the Access Request (in accordance with its priority in the queue at that time) in place of the proposed expansion capacity.
- (n) This Queuing Policy does not apply to access to a service secured pursuant to a Spot Capacity Service.
- (o) Within a reasonable time of Operator becoming aware of any material change (in the context a Prospective Shipper's Access Request) in the expected timing of when the Prospective Shipper's Access Request in the queue will be satisfied, Operator will notify the Prospective Shipper of the change.

## **6. SERVICES POLICY**

### **6.1 Services**

Operator offers the following Services on the DBNGP:

(a) Reference Services

The Reference Services offered by Operator are:

- (i) Full Haul T1 Service (T1 Service)
- (ii) Part Haul T1 Service (P1 Service)
- (iii) Back Haul T1 Service (B1 Service)

(b) Non-Reference Services

- (i) The Services referred to in this sub-clause are Non-Reference Services.
- (ii) Operator will, subject to availability of Capacity (as determined by Operator as a reasonable and prudent pipeline operator), make available to a Prospective Shipper the following Service or Services:
  - (A) [Deleted];
  - (B) [Deleted];
  - (A) Spot Capacity Service;
  - (B) Park and Loan Service; and
  - (C) Seasonal Service;
- (iii) Operator will, subject to Operational Availability (as determined by Operator as a reasonable and prudent pipeline operator), make available to a Prospective Shipper the following Service or Services:
  - (A) Peaking Service;
  - (B) metering information service;
  - (C) pressure and temperature control service;
  - (D) odourisation service; and
  - (E) co-mingling service.
- (iv) Non-Reference Services also include services provided by Operator under contracts entered into prior to commencement of the Access Arrangement Period.
- (v) Operator is prepared to negotiate to provide a Prospective Shipper with any other service that is not a Reference Service.

## 6.2 T1 Service

- (a) T1 Service is a Full Haul Service in which Operator (subject to availability of Capacity):
  - (i) takes receipt, at one or more Receipt Points on a Day, of a quantity of the Shipper's gas not exceeding:
    - (A) the sum of the Shipper's MDQ;
    - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
  - (ii) delivers to the Shipper at one or more Delivery Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for T1 Service, unless Operator in its absolute discretion agrees otherwise.
- (c) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for T1 Service, unless Operator in its absolute discretion agrees otherwise.

## 6.3 P1 Service

- (a) P1 Service is a Part Haul Service in which Operator (subject to availability of Capacity):
  - (i) takes receipt, at one or more Receipt Points on a Day, of a quantity of the Shipper's gas not exceeding:
    - (A) the sum of the Shipper's MDQ;
    - (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
  - (ii) delivers to the Shipper at one or more Delivery Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for P1 Service, unless Operator in its absolute discretion agrees otherwise.
- (c) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for P1 Service, unless Operator in its absolute discretion agrees otherwise.

## 6.4 B1 Service

- (a) B1 Service is a Back Haul Service in which Operator (subject to availability of Capacity):
  - (i) takes receipt, at one or more Receipt Points on a Day, of a quantity of the Shipper's gas not exceeding:

- (A) the sum of the Shipper's MDQ;
- (B) plus or minus the quantity of gas required to correct any Imbalance on the preceding Day; and
- (ii) delivers to the Shipper at one or more Delivery Points on that Day a quantity of gas not exceeding the Shipper's MDQ, without interruption or curtailment except as permitted by the Access Contract.
- (b) Prospective Shippers seeking access to Spare Capacity of the DBNGP as it is configured at the time of approval of this Access Arrangement must nominate a minimum term of 2 years when lodging an Access Request for B1 Service, unless Operator in its absolute discretion agrees otherwise.
- (c) Prospective Shippers seeking access for Developable Capacity must nominate a minimum term of 15 years when lodging an Access Request for B1 Service, unless Operator in its absolute discretion agrees otherwise.

#### 6.5 Non-Reference Services

- (a) [Deleted]
- (b) [Deleted]
- (c) Spot Capacity Service

Spot Capacity Service means a Service for Spot Capacity by way of one or more Spot Transactions. Until otherwise agreed, the following principles shall apply to Spot Capacity and Spot Transactions (as the case may be) (which principles form the basis of the Spot Market Rules):

- (i) If the Shipper seeks to bid for Spot Capacity for a Day it must, by notice to Operator at any time no later than 15:00 hours on the Day before that Day, notify Operator of the amount of Spot Capacity it requires for that Day ("Daily Bid") and the price it offers to pay for that Spot Capacity for that Day (the "Daily Spot Bid Price").
- (ii) Operator must by no later than 16:00 hours on each Day before the relevant Day allocate Spot Capacity for a Day between Daily Bids on the basis (subject to clause 6.3(c)(iv)) of the Shipper bidding the highest Daily Spot Bid Price for that Day being allocated the Spot Capacity it bid for, the shipper bidding the second highest Daily Spot Bid Price for that Day being allocated the Spot Capacity it bid for, and so on until all Daily Bids are satisfied or until all available Spot Capacity is allocated to Daily Bids. If two or more shippers bid the same Daily Spot Bid Price and there is not sufficient available Capacity to allocate to each of them the amount of Spot Capacity bid for by each of them, the Spot Capacity available to be allocated between them shall be allocated in proportion to the amount of Spot Capacity bid for by each of them respectively at the said Daily Spot Bid Price for that Day.
- (iii) Subject to clause 6.3(c)(v), if the Shipper is allocated Spot Capacity for a Day in response to a Daily Bid the Shipper must pay the Daily Spot Bid Price bid by it for that Spot Capacity for that Day whether or not it uses the Spot Capacity.
- (iv) Operator may set a minimum bid price ("Minimum Bid Price") for Daily Bids and is not obliged to allocate Spot Capacity to any shipper

bidding a Daily Spot Bid Price which is less than the Minimum Bid Price. The Minimum Bid Price for Daily Bids may not be set by Operator at a price greater than 115% of the Base T1 Tariff as defined in the Standard Shipper Contract published by Operator on its nominated website from time to time applying on the relevant Day.

- (v) The Shipper is relieved from paying the Daily Spot Bid Price in relation to Spot Capacity allocated to it for a Day only where:
  - (A) Operator interrupts or curtails the Spot Capacity which has been allocated to the Shipper, and then only to the extent of that interruption or curtailment; or
  - (B) The Shipper does not use the Spot Capacity which has been allocated to it in circumstances where there were no other shippers bidding for Spot Capacity for that Day to which the Spot Capacity allocated to the Shipper could otherwise have been allocated.
- (vi) Operator must provide the following information to the Shipper in respect of each Day as soon as practicable after that Day:
  - (A) the quantities the subject of Daily Bids which relate to that Day;
  - (B) the quantities of Spot Capacity allocated for that Day; and
  - (C) the Daily Spot Bid Prices for all bids allocated Spot Capacity for that Day.
- (vii) Operator will not bid for Spot Capacity and if an Operator Entity, Alcoa, Alinta Limited (ABN 40 087 857 001) or a Related Body Corporate of either Alcoa or Alinta Limited bids and is allocated Spot Capacity, Operator must indicate on its electronic customer reporting system that the relevant Spot Capacity has been allocated to an Operator Entity without disclosing the identity of the Operator Entity.
- (viii) Operator may unilaterally determine (and, if applicable, vary) over time rules governing the market for Spot Capacity in addition to the principles in this clause 6.3(c), provided that those rules are designed with a view to achieving a market with the following objectives:
  - (A) non-discriminatory in respect of the terms and conditions upon which, and the circumstances in which, Spot Capacity is granted to shippers;
  - (B) hindering market manipulation and gaming by Operator or other shippers; and
  - (C) consistent with this clause 6.3.
- (d) **Park and Loan Service**

Shippers or prospective Shippers serving end users with gas demands that are difficult to predict from day to day, or when faced with an outage from their gas supplier, may find the maintenance of their Imbalances within the tolerance specified in the Access Arrangement difficult. To assist these Shippers and prospective Shippers, Operator will offer a Park and Loan Service, permitting limited gas storage in the DBNGP, and/or taking of additional gas from the DBNGP when required. Operator's ability to offer a



Park and Loan Service is restricted by the operating characteristics of the DBNGP.

(e) Seasonal Service

Capacity in the DBNGP varies inversely with ambient temperature. A higher pipeline Capacity is available during winter months when ambient temperatures are low. A lower capacity is available during summer months, with the lowest Capacity usually available in January. Seasonal Service will only be made available subject to Operational Availability (as determined by Operator as a reasonable and prudent pipeline operator) and Operator meeting its obligations under gas transportation contracts entered into prior to the commencement of the Access Arrangement Period.

(f) Peaking Service

This Service will enable an increase in the MHQ at a Delivery Point for a specified period.

(g) Metering information service

This Service will entail the provision of metering and operational data directly to a Shipper in addition to the data the Operator agrees to provide under an Access Contract for the Reference Service.

(h) Pressure and temperature control service

This Service will entail the provision of a Service by the Operator to vary the temperature and/or pressure at which the Operator shall deliver gas at a Delivery Point.

(i) Odourisation service

This Service will entail the provision of a Service by the Operator to odourise the gas being delivered at a Delivery Point.

(j) Co-mingling service

This Service entails the agreement by the Operator with a Shipper to blend Out-of-Specification gas with the main gas stream such that the aggregate of the main gas stream is within specification.

## **7. REFERENCE TARIFF POLICY**

### **7.1 General Principles**

- (a) Operator's Reference Tariff has been designed to recover from Shippers using the Reference Service, that portion of the Total Revenue that reflects:
  - (i) those costs (including capital costs) which are directly attributable to the provision of the Reference Service; and
  - (ii) a share of those costs (including capital costs) which are attributable to provision of the Reference Service jointly with Services provided to other shippers with contractual rights existing prior to 1 January 2005 and other Services which Operator considers are reasonably foreseeable to be offered during the period from 1 January 2005 until 31 December 2010.
- (b) [Deleted]

### **7.2 Calculation of Total Revenue**

- (a) The Total Revenue has been calculated using the 'cost of service' ("COS") method described in section 8.4 of the Code. The application of this method for calculation of the Total Revenue is outlined in clauses 7.3 to 7.8 of the Access Arrangement.
- (b) The Total Revenue has been calculated as the sum over the period from 1 January 2005 until 31 December 2010 of the costs in each year of that period that comprise the sum in each year of:
  - (i) return on the Capital Base;
  - (ii) depreciation; and
  - (iii) non capital costs.
- (c) The COS method has been applied in accordance with section 8.5A(b) of the Code, in accordance with which a pre-tax real rate of return is applied to a real Capital Base.

### **7.3 Calculation of Capital Base**

- (a) The Initial Capital Base at 1 January 2000 was \$1,550.00 million.
- (b) For each year after 2000, and until 1 January 2005, the Capital Base for the DBNGP at the beginning of the year was:
  - (i) the Capital Base at the beginning of the immediately preceding year; plus
  - (ii) actual New Facilities Investment during the preceding year that meets the requirements of section 8.16 of the Code; less
  - (iii) the value of depreciation for the preceding year made for the purpose of determining the Reference Tariff for that year.
- (c) The calculation of the Capital Base was undertaken in real terms with all values expressed at 31 December 2004 prices.

- (d) Consistent with the Cost of Service methodology of section 8.4 of the Code, the Reference Tariff for the Access Arrangement Period is determined on the basis of New Facilities Investment that is forecast to occur during the period from 1 January 2005 until 31 December 2010, and which is expected to pass the requirements of section 8.16(a) when the investment is forecast to occur.
- (e) The Capital Base at the commencement of the next Access Arrangement Period is to be determined as:
  - (i) the capital base at 1 January 2005; plus
  - (ii) subject to section 8.16(b) and sections 8.20 to 8.22 of the Code, the New Facilities Investment or Recoverable Portion (whichever is relevant) during the period from 1 January 2005 until 31 December 2010; plus
  - (iii) all or part of Speculative Investment that, in accordance with the provisions of the Access Arrangement, may be added to the Capital Base; less
  - (iv) the sum of the values of depreciation determined for the purpose of determining the Reference Tariffs for the period from 1 January 2005 until 31 December 2010,

subject to adjustment for inflation so that the Cost of Service methodology can be applied on a real basis (under which the Capital Base, Depreciation and all costs and revenues are expressed in constant prices and a real Rate of Return is allowed).

#### 7.4 Forecast New Facilities Investment

- (a) New Facilities Investment forecast to occur during the period from 1 January 2005 until 31 December 2010 is reasonably expected to pass the requirements of section 8.16 of the Code when that New Facilities Investment is forecast to occur.
- (b) For the purposes of calculating the Capital Base at the commencement of the next Access Arrangement Period in accordance with section 8.9 of the Code, the New Facilities Investment will consist only of actual New Facilities Investment that has occurred during the period from 1 January 2005 until 31 December 2010.
- (c) Operator may undertake New Facilities Investment that does not satisfy the requirements of the Code. If Operator does undertake such New Facilities Investment and the New Facilities are part of the Covered Pipeline pursuant to the Extensions/Expansions Policy, then the Capital Base may be increased by the Recoverable Portion.
- (d) The difference between the New Facilities Investment and the Recoverable Portion, less any amount that Operator notifies the Regulator (at the time expenditure is incurred) is to be recovered through a Surcharge, is to be Speculative Investment.
- (e) Subject to clauses 7.4(f) and (g), where clause 7.4(d) applies, the following amounts may be added to the Capital Base:
  - (i) all or part of an amount which is Speculative Investment; and

- (ii) an amount that equals the annual increase in the Speculative Investment referred to in clause 7.4(e)(i) calculated on a compounded basis at a rate of return approved by the Regulator (which rate of return may, but need not, be different from the rate of return implied in the Reference Tariff).
- (f) Clause 7.4(e) will only apply in relation to Speculative Investment where the type and volume of Services provided using the New Facilities change such that any part of the Speculative Investment, plus the annual increase as determined in accordance with clause 7.4(e)(ii), would then satisfy the requirements of the Code for addition to the Capital Base.
- (g) Clause 7.4(e) will not apply if it relates to Speculative Investment which has been previously added to the Capital Base.

#### 7.5 Return on the Capital Base

The return on the Capital Base has been determined by multiplying the Capital Base at 1 January 2005, and at the beginning of each subsequent year until 1 January 2010, by the Rate of Return.

#### 7.6 Calculation of Rate of Return

- (a) The Rate of Return has been set as a pre-tax real weighted average of the returns applicable to debt and equity.
- (b) The return on equity referred to in sub-clause 7.6(a) has been determined using the capital asset pricing model.
- (c) The return on debt referred to in sub-clause 7.6(a) has been determined as the sum of a risk free rate of return, an estimate of the corporate debt margin, and an estimate of the costs of raising debt.
- (d) [Deleted]

#### 7.7 Depreciation Schedule

- (a) A separate depreciation schedule has been determined for each of the 4 groups of physical assets that form the DBNGP, these 4 groups are:
  - (i) pipeline assets;
  - (ii) compressor station assets;
  - (iii) metering assets; and
  - (iv) other assets.
- (b) For the assets in each of the 4 groups, depreciation has been determined using the straight-line method.
- (c) The Depreciation Schedule has been designed so that:
  - (i) each group of assets is depreciated over the economic life of that group; and
  - (ii) each group of assets is depreciated only once (that is, so that the sum of the Depreciation that is attributable to each group over the life of the assets is equivalent to the value of that group of assets at the time at

which that value was first included in the Capital Base, subject to such adjustment for inflation as is appropriate given the approach to inflation adopted pursuant to section 8.5A(c) of the Code).

#### 7.8 Non-Capital Costs

The Reference Tariff provides for the recovery of all forecast non-capital costs to the extent permitted under section 8.37 of the Code.

#### 7.9 Allocation of Costs Between Services

In determining the Reference Tariff for the T1 Service, the P1 Service and the BT1 Service, costs have been allocated to the Services provided to Shippers with Access Contracts entered into prior to the commencement of this Access Arrangement Period, as if those Shippers had been provided with the respective Reference Services.

#### 7.10 Allocation of Costs Between Shippers

- (a) The portion of Total Revenue attributable to provision of each of the Reference Services is recovered through the respective Reference Tariff.
- (b) For the purpose of recovery of costs from Shippers, each of the Reference Tariffs is divided into:
  - (i) Capacity Reservation Tariff; and
  - (ii) Commodity Tariff.
- (c) The Capacity Reservation Tariff for each Reference Service recovers from each Reference Service Shipper a proportion of the return and depreciation on, and a proportion of the non capital costs incurred in operating and maintaining the DBNGP.
- (d) The Commodity Tariff for each Reference Service recovers from each Reference Service Shipper a proportion of the cost of the fuel gas used on the DBNGP.

#### 7.11 Form of Regulation

- (a) The Reference Tariffs will vary within the Access Arrangement Period in accordance with a 'price path' approach as described in section 8.3 of the Code.
- (b) This variation of the Reference Tariff will be effected by adjustment on 1 January in each of the years 2006, 2007, 2008 and 2009 in accordance with CPI on the following basis:

$$Tariff_n = Tariff_b \times \left( \frac{CPI_n}{CPI_b} \right)$$

where:

Tariff <sub>n</sub>	=	Capacity Reservation Tariff or Commodity Tariff (as the case may be) in year n, where year n is each of the years 2006, 2007, 2008, 2009;
Tariff <sub>b</sub>	=	Capacity Reservation Tariff or Commodity Tariff (as the case may be) set out in Schedule 2 to the Access Contract Terms and Conditions;
CPI <sub>n</sub>	=	CPI for the quarter ending on 30 September of the year before the year for which the Reference Tariff is being adjusted; and
CPI <sub>b</sub>	=	CPI for the quarter ending on 30 September 2004.

#### 7.12 Use of Incentive Mechanism

- (a) The adoption of the 'price path' approach is intended to provide an incentive to develop the market and reduce costs.
- (b) For the Access Arrangement Period commencing on 1 January 2011, the Total Revenue from which the Reference Tariff is to be determined is to include, in addition to the costs listed in clause 7.2(b) of this Access Arrangement, a share of any returns to Operator from the sale of Full Haul, Part Haul and Back Haul Services in the previous Access Arrangement Period that exceeded the level of returns that were expected during that previous Access Arrangement Period from the sale of such Services.
- (c) The share of returns to Operator referred to in clause 7.12(b) of this Access Arrangement is to be calculated, for each year, as shown below:

Year	Share of returns
2011	$S_{2011} = E_{2006} + E_{2007} + E_{2008} + E_{2009}$
2012	$S_{2012} = E_{2007} + E_{2008} + E_{2009}$
2013	$S_{2013} = E_{2008} + E_{2009}$
2014	$S_{2014} = E_{2009}$
2015	$S_{2015} = 0$

where:

- $E_t$  = 0, if  $[D_t - D_{t-1} \times (CPI_t/CPI_{t-1}) \times R_t] \times I_s \leq 0$ , and  $[D_t - D_{t-1} \times (CPI_t/CPI_{t-1}) \times R_t] \times I_s$ , if  $[D_t - D_{t-1} \times (CPI_t/CPI_{t-1}) \times R_t] \times I_s > 0$ , for year t, where t = 2006, 2007, 2008, and 2009;
- $D_t$  = 0, if  $(F_t - A_t) \leq 0$ , and  $(F_t - A_t)$  if  $(F_t - A_t) > 0$ ;
- $R_t$  = adjustment required for real escalation applied to labour costs in year t, as shown in the following table:

t	2006	2007	2008	2009
$R_t$	1.0044	1.0039	1.0041	1.0042

- $I_s$  = inflation factor for year s, where s = 2011, 2012, 2013, 2014, 2015, which adjusts  $[D_t - D_{t-1}] \times (CPI_t/CPI_{t-1}) \times R_t$  for inflation from year t to year s;
- $F_t$  = the forecast of non-capital costs for year t made for the purpose of determining the Reference Tariff for the current period from 1 January 2005 until 31 December 2010;
- $A_t$  = actual non-capital costs for year t;
- $F_{t-1}$  = the forecast of non-capital costs for year t - 1 made for the purpose of determining the Reference Tariff for the current period from 1 January 2005 until 31 December 2010;
- $A_{t-1}$  = actual non-capital costs for year t - 1;
- $CPI_t$  = CPI for the quarter ending on 30 September of year t; and
- $CPI_{t-1}$  = CPI for the quarter ending on 30 September of year t - 1.
- (d)  $A_t$  and  $A_{t-1}$  must be determined using the same cost categories and methods used to determine, respectively,  $F_t$  and  $F_{t-1}$ .
- (e) For the purposes of this clause 7.12, non-capital costs for any year of the period from 1 January 2005 until 31 December 2010 do not include the costs associated with:
- (i) Gas used as compressor fuel during the year;
  - (ii) Gas used as fuel in gas engine alternators and heaters;
  - (iii) Gas which is vented during maintenance activities;
  - (iv) Gas which is lost from the DBNGP; or
  - (v) Charges levied on Operator pursuant to the Economic Regulation Authority (Gas Pipelines Access Funding) Regulations 2003.

#### 7.13 Reference Tariff Principles Not Subject to Review

- (a) The following are Fixed Principles in accordance with section 8.47 of the Code:
- (i) the method of determination of the Capital Base at the commencement of each year of the Access Arrangement Period as set out in clause 7.3 of the Access Arrangement;

- (ii) the revenue earned by Operator during the period commencing on 1 July 2005 and ending on 31 December 2015 from the sale of any Services which is in excess of the amount (in net present value terms) equal to the sum of:
  - (A) the revenue that would have been earned had any of those Services which were Full Haul Services been sold at the Reference Tariff; and
  - (B) the revenue actually earned from the sale of those Services which were Services other than Full Haul Services,must not:
  - (C) be taken into account directly or indirectly for the purposes of setting a Reference Tariff or determining or applying the Reference Tariff Policy which applies on or after 1 January 2011; or
  - (D) otherwise be taken into account directly or indirectly by the Relevant Regulator in performing any of its functions under the Code.
- (iii) [Deleted]
- (b) For the purposes of the Fixed Principles referred to in clause 7.13 of this Access Arrangement, the Fixed Period is until 31 December 2031.

#### 7.14 Rebate of Charges

Operator will only rebate Charges in relation to the use of certain delivery points and then only in accordance with clause 3 of the Access Contract Terms and Conditions.



## **8. REFERENCE TARIFF STRUCTURE AND CHARGES**

### **8.1 Structure**

Each Shipper with an Access Contract for the T1 Service, P1 Service or B1 Service is to pay:

- (a) a Capacity Charge;
- (b) a Commodity Charge; and
- (c) other Charges as required by the Access Contract.

8.2 The Capacity Charge is the aggregate of the Shipper's Delivery Point MDQs multiplied by the Capacity Reservation Tariff for the relevant Reference Service.

8.3 The Commodity Charge is the aggregate of the quantity of Gas delivered to the Shipper at a Delivery Point or Delivery Points multiplied by the Commodity Tariff for the relevant Reference Service.

8.4 Other Charges are set out in the Access Contract Terms and Conditions.

### **8.5 Goods and Services Tax ("GST")**

- (a) The Capacity Charge, the Commodity Charge and all Other Charges, as determined in accordance with this clause 8, are exclusive of GST.
- (b) The manner in which GST is applicable and payable is set out in the Access Contract Terms and Conditions.

**9. TERMS AND CONDITIONS**

- 9.1 The terms and conditions upon which Operator will grant parties access to the T1 Service, P1 Service or B1 Service in the DBNGP are those terms and conditions contained in the Access Contract Terms and Conditions as amended or varied from time to time in accordance with clause 9.3 of the Access Arrangement.
- 9.2 At the date of this Access Arrangement, the Access Contract Terms and Conditions are set out in Appendix 1.
- 9.3 Operator may vary the Access Contract Terms and Conditions in accordance with section 2 of the Code.

## **10. TRADING POLICY**

### **10.1 Application of Trading Policy**

The application of this clause 10 is not limited to the Reference Services and extends to all Services provided by Operator on the DBNGP.

### **10.2 Bare Transfer**

Operator will permit a Bare Transfer of all or any part of a Shipper's Contracted Capacity the subject of an Access Contract in accordance with section 3.10 of the Code and clause 27.1 of the Access Contract Terms and Conditions for the T1 Service.

### **10.3 Conditional Transfer**

Operator will permit a conditional transfer of an Access Contract in accordance with clause 27 of the Access Contract Terms and Conditions for the T1 Service.

### **10.4 Trading Imbalances**

A Shipper may exchange all or part of its accumulated Imbalances in accordance with clause 9.9 of the Access Contract Terms and Conditions for the T1 Service.

### **10.5 Relocation of Contracted Capacity**

A Shipper may relocate all or any part of its Contracted Capacity from an existing Delivery Point to a new delivery point or from an existing Receipt Point to a new receipt point in accordance with clause 14 of the Access Contract Terms and Conditions for the T1 Service.

## **11. EXTENSIONS/EXPANSIONS POLICY**

- 11.1 Operator will expand the Capacity of the DBNGP to meet the gas transportation needs of Prospective Shippers where Operator believes the tests in section 6.22 of the Code have been satisfied, and Operator may otherwise expand the Capacity of the DBNGP to meet the needs of Prospective Shippers.
- 11.2 Unless Operator states otherwise in a Capacity Expansion Option, an expansion of the DBNGP pursuant to the exercise of a Capacity Expansion Option by the holder is to be treated as part of the Covered Pipeline.
- 11.3 If Operator proposes to extend, expand or enhance the DBNGP for a purpose other than meeting its obligations to the holder of a Capacity Expansion Option, the extension, expansion or enhancement is to become part of the Covered Pipeline unless Operator elects otherwise. Operator will give the Regulator notice of an extension, expansion or enhancement which Operator elects will not become part of the Covered Pipeline.
- 11.4 In considering whether to treat an extension, expansion or enhancement as part of the Covered Pipeline, Operator may have regard to the following factors:
- (a) the application of the matters set out in section 1.9 of the Code in respect of the facilities comprising the extension, expansion or enhancement;
  - (b) the extent to which the Capacity resulting from the extension, expansion or enhancement is Contracted Capacity;
  - (c) the legitimate business interests of Operator;
  - (d) the application of any voluntary right of access to the Capacity resulting from the extension, expansion or enhancement; and
  - (e) the extent to which any Access Contract under which the extension, expansion or enhancement capacity is contracted relies upon a determination of the Reference Tariff.
- 11.5 If an extension, expansion or enhancement of the DBNGP becomes part of the Covered Pipeline, the extension, expansion or enhancement will not affect the Reference Tariff before the next Revisions Commencement Date. Although, if an extension, expansion or enhancement of the DBNGP becomes part of the Covered Pipeline:
- (a) Operator may seek a Capital Contribution from Prospective Users or levy a Surcharge on Incremental Users in accordance with sections 8.23 to 8.26 of the Code; and
  - (b) Operator may submit proposed revisions to this Access Arrangement under section 2.28 of the Code.

- 11.6 Operator may (as determined by Operator in its sole discretion) from time to time seek Surcharges or Capital Contributions from Prospective Shippers in respect of New Facilities Investment in accordance with sections 8.23 to 8.26 of the Code. If Operator intends to levy a Surcharge on Shippers, it will provide written notice, including to the Regulator, of its intention to do so.
- 11.7 Except where Operator imposes a Surcharge or seeks a Capital Contribution, Shipper's using Incremental Capacity will pay the Reference Tariff.
- 11.8 To assist Prospective Shippers with their future gas transportation needs, Operator may from time to time offer Capacity Expansion Options. Operator acknowledges that at the commencement of this Access Arrangement Period, Capacity Expansion Options have already been granted to certain Shippers on the DBNGP.
- 11.9 A Capacity Expansion Option gives a Prospective Shipper a right to a specified quantity of Capacity on the terms and conditions specified in the Capacity Expansion Option. A Capacity Expansion Option will have a purchase price to be determined by Operator and is able to be traded by the Prospective Shipper to another Prospective Shipper.

## 12. CAPACITY MANAGEMENT POLICY

The DBNGP is to be managed as a Contract Carriage Pipeline as defined in section 10.8 of the Code.

**13. REVIEW DATE**

13.1 The Revisions Submission Date is 1 April 2010.

13.2 The Revisions Commencement Date is 1 January 2011.

## 14. DEFINITIONS

**Access Arrangement** means Operator's access arrangement for the DBNGP as approved, varied or substituted by the Regulator;

**Access Arrangement Period** means the date the Regulator approves the Access Arrangement until the start of the Revisions Commencement Date;

**Access Contract** means a contract between Operator and a Shipper for Reference Services or Non-Reference Services;

**Access Contract Period** means the term of the Access Contract specified in the Access Request;

**Access Contract Terms and Conditions** means the terms and conditions for the Reference Service contained in Annexure A as may be altered or varied by Operator from time to time;

**Access Request** means a request for access to a service provided by means of the DBNGP as described in clause 5.2;

**Access Request Form** means the Access Request forms for lodging Access Requests for Reference Service and Non-Reference Service in accordance with the Access Arrangement as specified from time to time by Operator and made available on Operator's nominated website as part of the Information Package, or as the context requires, the Access Request Form forming part of an Access Contract;

**Annexure** means an annexure to this Access Arrangement;

**B1 Service** means the Service described in clause 6.2B;

**Back Haul** means a Gas transportation service in the DBNGP where the Receipt Point is downstream of the Delivery Point;

**Capacity** means the capacity in the DBNGP, as it is configured at the commencement of the Access Arrangement, to transport quantities of gas from a Receipt Point to a Delivery Point;

**Capacity Expansion Option** means an option for Capacity on the DBNGP which requires an expansion;

**Code** has the meaning given in clause 1;

**Commencement Date** means 08:00 hours on the date for commencement of the Service set out in the Access Request executed by Operator;

**Compressor Station(s)** means the compressor stations located at various intervals on the DBNGP;

**Covered Pipeline** means the Dampier to Bunbury Natural Gas Pipeline which is described in clause 3;

**CS#** means Compressor Station 1 to 10 as the case may be on the DBNGP;

**DBNGP** means the Covered Pipeline as it is configured at the commencement of this Access Arrangement and any extension or expansion of the DBNGP which becomes covered under the Access Arrangement pursuant to clause 11;

**Depreciation Schedule** means the schedule described in the Access Arrangement Information;

**Developable Capacity** means the difference between the Capacity and the Capacity which would be available if additions of plant and/or pipeline were made, but does not include any extension of the geographic range of the DBNGP;



**Forward Haul** means a Gas transportation service on the DBNGP where the inlet point is upstream of the outlet point.

**Full Haul** means a Gas transportation service on the DBNGP where the receipt point is upstream of main line valve 31 on the DBNGP and the delivery point is downstream of Compressor Station 9 on the DBNGP.;

**Information Package** means the package of information a Service Provider is required to establish and maintain under section 5.1 of the Code and any other information that Operator considers is required to enable a Prospective Shipper to apply for access to a service on the DBNGP;

**Non-Reference Service** means any of the Services referred to in sub-clause 6.1(b);

**Operator** means DBNGP (WA) Transmission Pty Ltd (ACN 081 609 190);

**Operator Entity** means Operator, all of Operator's Related Bodies Corporate and all entities controlled (as that word is defined in the Corporations Act as at the Commencement Date) by any of the foregoing;

**P1 Service** means the Service described in clause 6.2A;

**Park and Loan Service** is a service where Operator agrees that a Shipper may deliver a quantity of gas into the DBNGP at a Receipt Point on a Day, without the Shipper taking delivery of that gas at a Delivery Point on the same Day ("Park Service") OR where Operator agrees that a Shipper may take a quantity of gas at a Delivery Point without supplying an equivalent quantity of gas at a Receipt Point on the same Day and consequently that gas is delivered to Shipper out of Linepack ("Loan Service");

**Part Haul** means a Forward Haul Gas transportation service on the DBNGP which is not Full Haul.;

**Prospective Shipper** means a person who seeks or is reasonably likely to seek to enter into a contract for Services and includes a Shipper who seeks or may seek to enter into a contract for an additional Service;

**Recoverable Portion** means that part of New Facilities Investment that meets the requirements of the Code for addition to the Capital Base.

**Reference Service** means either T1 Service, P1 Service or B1 Service as relevant;

**Reference Tariff** means Operator's reference tariff for a Reference Service as set out in the Access Contract Terms and Conditions;

**Regulator** means the regulator appointed under the Gas Pipeline Access (Western Australia) Act 1998;

**Seasonal Service** means Capacity made available by Operator in relation to a particular Month out of incremental capacity (being Capacity over and above T1 Service Capacity) available due to seasonal factors;

**Service** means either a Reference Service or a Non-Reference Service;

**Shipper** means the Shipper specified in the Access Request;

**Spare Capacity** means:

- (a) the difference between the Capacity and the Contracted Capacity; plus
- (b) the difference between the Contracted Capacity and the Contracted Capacity which is being used;

**Speculative Investment** has the meaning given in clause 7.4(d).

**Spot Market Rules** means the rules published by Operator from time to time to apply to Spot Capacity Service and the market for Spot Capacity, which Operator will make available on its website;

**Spot Capacity Service** means a Service for Spot Capacity by way of one or more Spot Transactions;

**Spot Transaction** means a transaction for a Spot Capacity Service between Operator and Shipper in accordance with the Spot Transaction Terms and Conditions;

**Spot Transaction Terms and Conditions** means the terms and conditions for the Spot Capacity Service as determined by negotiation with Users and prospective Users, which terms and conditions are consistent with the principles and objectives in clause 6.3(c);

**T1 Service** means the Service described in clause 6.2;

**Total Revenue** means revenue calculated in the manner described in the Access Arrangement Information.

Unless the context otherwise requires, terms used in capitals in this Access Arrangement have:

- (a) the meaning given above in this clause 14;
- (b) if no meaning is given above in this clause 14, the meaning given in the Access Contract Terms and Conditions; and
- (c) if no meaning is given above in this clause 14 or in the Access Contract Terms and Conditions, the meaning given in the Code.

Terms used in capitals in the Access Arrangement Information have the same meaning as if they were included in the Access Arrangement, unless the context otherwise requires.

**Appendix 1**  
**Terms and Conditions for Reference Services**