



Economic Regulation Authority

Access Arrangement Information for the Goldfields Gas Pipeline (2025 to 2029)

ERA APPROVED

18 December 2024

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Access Arrangement Information

Overview

This document comprises the Access Arrangement Information (AAI) for the revised access arrangement for the Goldfields Gas Pipeline (GGP) that was proposed by the ERA and given effect on 18 December 2024, pursuant to rule 64(4) of the National Gas Rules (NGR).¹

The purpose of this document is to:

- Set out the information necessary to enable users and prospective users to understand the background to the access arrangement.
- Enable users and prospective users to understand the derivation of the elements of the access arrangement for the fifth access arrangement period (AA5) – 1 January 2025 to 31 December 2029.

The provision of AAI is also necessary for compliance with the NGR.

The GGP is a 1,378 kilometre transmission pipeline that receives natural gas from offshore fields in the northwest of Western Australia. Two receipt points of the GGP are located at Yarraloola, and the pipeline extends to Kalgoorlie in the Goldfields-Esperance region. The 47 kilometre Newman Lateral is also part of the GGP.

In June 2023, the Northern Goldfields Interconnect (NGI) commenced operations and connects to GGP approximately 40 kilometres south of Leinster. The NGI adds a third receipt point to the GGP and has the potential to add capacity to the GGP. Additional capacity created on the GGP by NGI is treated as covered capacity.

The GGP comprises two notional pipelines, which are the same physical pipeline. For AA5, because of the forecast capacity from the NGI, about 58 per cent of the GGP capacity is classified as a scheme pipeline for the purposes of the access regulatory regime of the *National Gas Access (WA) Act 2009*. The GGP is required to have an access arrangement approved for this (fully regulated) capacity. The remaining capacity is not regulated by the access regime and is a non-scheme pipeline.

The GGP is owned by an unincorporated joint venture. The owners comprise Southern Cross Pipelines Australia Pty Ltd, Southern Cross Pipelines (NPL) Australia Pty Ltd and APA GGT Pty Ltd.² Goldfields Gas Transmission Pty Ltd (GGT) controls and operates the GGP for and on behalf of each of the owners.

Interpretation

Unless the contrary intention is expressed, words or phrases in this document have the same meaning as those defined in Schedule C (Definitions and Interpretation) of the revised access arrangement for the GGP.

¹ ERA, *Final Decision on Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement for 2025 to 2029*, 18 December 2024.

² On 1 November 2023, APA acquired Alinta Energy Pilbara Holdings Pty Ltd including Alinta's share of the GGP. The name 'Alinta Energy GGT P/L' has been changed to 'APA GGT P/L'. APA Group now owns 100 per cent of GGP.

A reference in this document to:

- “access arrangement period” means the fifth access arrangement period or AA5 (1 January 2025 to 31 December 2029); and
- “earlier access arrangement period” or “previous access arrangement period” means the fourth access arrangement period or AA4 (1 January 2020 to 31 December 2024) which preceded the access arrangement period.

Where a word or phrase has not been defined in this document then, unless the contrary intention is expressed, the word or phrase is to be given the meaning prescribed in the National Gas Law, Rules or Regulations (as relevant and applicable in Western Australia).^{3, 4}

Structure and compliance

This document follows the structure of rule 72 of the NGR, which sets out specific requirements for AAI relevant to revenue and price regulation (Table 1).

Table 1: Requirements for access arrangement information relevant to price and revenue regulation

National Gas Rule	Requirement for Access Arrangement Information (AAI)	AAI Table Reference
72(1)(a)	<p>[Expenditure and pipeline usage]</p> <p>If the access arrangement period commences at the end of an earlier access arrangement, AAI must include:</p> <ul style="list-style-type: none"> • Capital expenditure (by asset class) and operating expenditure (by category) over the earlier access arrangement period. • Usage of the pipeline over the earlier access arrangement period showing: <ul style="list-style-type: none"> – For a distribution pipeline: minimum, maximum and average demand and customer numbers in total and by tariff class. – For a transmission pipeline: minimum, maximum and average demand for each receipt or delivery point and user numbers for each receipt or delivery point. 	<p>Table 3</p> <p>Table 4</p> <p>Table 5</p> <p>Table 6</p>
72(1)(b)	<p>[Opening capital base]</p> <p>AAI must include 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.</p>	Table 7

³ The current rules that apply in Western Australia are available from the Australian Energy Market Commission: AEMC, ‘National Gas Rules (Western Australia)’ ([online](#)) (accessed December 2024). At the time of publication, National Gas Rules – Western Australia version 12 (1 February 2024) was in effect.

⁴ The NGL as implemented in Western Australia is set out as a note in the *National Gas Access (WA) Act 2009*. See: Western Australian Legislation ([online](#)) (accessed December 2024). At the time of publication, *National Gas Access (WA) Act 2009*, 25 January 2024 was in effect.

National Gas Rule	Requirement for Access Arrangement Information (AAI)	AAI Table Reference
72(1)(c)	<p>[Projected capital base]</p> <p>AAI must include the projected capital base over the access arrangement period, including:</p> <ul style="list-style-type: none"> • 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. 	Table 8 Table 9 Table 10
72(1)(d)	<p>[Forecast demand]</p> <p>To the extent it is practicable to forecast capacity and utilisation over the access arrangement period, AAI must include a forecast of pipeline capacity and utilisation of pipeline capacity over the period and the basis on which the forecast has been derived.</p>	Table 12
72(1)(e)	<p>[Forecast operating expenditure]</p> <p>AAI must include a forecast of operating expenditure over the access arrangement period and the basis on which the forecast has been derived.</p>	Table 13 Table 14
72(1)(f)	<p>[Deleted]</p> <p><i>Note: Rule 72(1)(f) was deleted from the NGR in 2019.</i></p>	N/A
72(1)(g)	<p>[Rate of return]</p> <p>AAI must include the allowed rate of return for each regulatory year of the access arrangement period.</p>	Table 15
72(1)(h)	<p>[Estimated cost of income tax]</p> <p>AAI must include the estimated cost of corporate income tax, calculated in accordance with rule 87A, including the allowed imputation credits referred to in that rule.</p>	Table 16 Table 17 Table 18
72(1)(i)	<p>[Efficiency gains and/or losses]</p> <p>If an incentive mechanism operated in the previous access arrangement period, the AAI must include the proposed carry over of increments or decrements for efficiency gains or losses, and a demonstration of how an allowance is to be made for any such increments or decrements.</p>	N/A
72(1)(j)	<p>[Approach to setting tariffs]</p> <p>AAI must include the proposed approach to setting tariffs including:</p> <ul style="list-style-type: none"> • The suggested basis of reference tariffs, including the method used to allocate costs and a demonstration of the relationship between costs and tariffs. • A description of any pricing principles employed, but not otherwise disclosed. 	Table 19 Table 20
72(1)(k)	<p>[Reference tariff variation mechanism]</p> <p>AAI must include the service provider's rationale for any proposed reference tariff variation mechanism.</p>	(refer to page 22)

National Gas Rule	Requirement for Access Arrangement Information (AAI)	AAI Table Reference
72(1)(l)	[Proposed incentive mechanism] AAI must include the service provider's rational for any proposed incentive mechanism.	(refer to page 24)
72(1)(m)	[Total revenue] AAI must include the total revenue to be derived from pipeline services for each regulatory year of the access arrangement period.	Table 21

Financial information

Rule 73 of the NGR specifies the basis on which financial information is to be provided.

Financial information in this document is provided on both a nominal and real basis. All real financial information is expressed in constant prices as at 31 December 2023.

Where necessary, to express financial values in dollar values of 31 December 2023, financial values prior to this date were escalated at the rate of inflation as measured by the *Consumer Price Index (All Groups, Weighted Average of Eight Capital Cities)* as published by the Australian Bureau of Statistics.

Financial values after 31 December 2023 are de-escalated using the rate of inflation from the weighted average cost of capital (WACC) parameter estimates shown in Table 15.

Table 2 shows actual consumer price index and forecast inflation values used to provide financial information in this document.

Table 2: Actual and forecast consumer price index and inflation rates

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual					Forecast					
December CPI	116.2	117.2	121.3	130.8	136.1	139.2	142.3	145.5	148.8	152.2	155.6
Inflation (%)	1.8	0.9	3.5	7.8	4.1	2.3	2.3	2.3	2.3	2.3	2.3

Forecasts and estimates

Rule 74 of the NGR contains specific requirements for the provision of forecasts and estimates.

Expenditure and Pipeline Usage – NGR 72(1)(a)

Table 3: AA4 capital expenditure by asset class
(\$ million real at 31 December 2023)

Asset class	2020 actual	2021 actual	2022 actual	2023 actual	2024 forecast	Total
Pipeline and laterals	0.14	0.01	-0.01	0.01	0.11	0.26
Main line valves and scraper stations	0.00	0.00	0.00	0.03	1.28	1.31
Compressor stations	3.29	9.07	4.27	4.93	7.82	29.38
Receipt and delivery point facilities	0.84	0.01	0.00	0.00	0.20	1.05
SCADA and communications	2.12	0.17	0.28	0.51	0.20	3.28
Cathodic protection	0.00	0.00	0.00	0.22	0.12	0.34
Maintenance bases and depots	0.16	0.82	0.77	0.14	0.00	1.89
Other assets	0.86	0.07	0.39	0.56	0.63	2.51
Equity raising costs	0.02	0.00	0.00	0.00	0.00	0.02
Total	7.43	10.16	5.70	6.39	10.36	40.04

Source: ERA, Final Decision Attachment 4 and Tariff Model, December 2024.

Table 4: AA4 operating expenditure by category (\$ million real at 31 December 2023)

Category	2020 actual	2021 actual	2022 actual	2023 actual	2024 forecast	Total
Pipeline operation	13.53	16.47	17.38	17.04	17.16	81.57
Major expenditure jobs	0.03	0.30	0.50	0.20	0.21	1.24
Commercial operation	0.56	0.80	0.95	0.66	0.88	3.85
Regulatory costs	0.56	0.51	0.55	1.10	0.52	3.23
Corporate costs	4.79	4.93	7.89	13.47	10.40	41.49
Total	19.48	23.00	27.27	32.46	29.16	131.38

Source: GGT, Goldfields Gas Pipeline access arrangement supporting information (Opex Model), 5 September 2024.

Table 5: AA4 minimum, maximum and average demand for pipeline services (TJ / day)

	2020 actual	2021 actual	2022 actual	2023 actual	2024 forecast
Contracted capacity					
Maximum	108.5	111.4	115.7	120.1	113.9
Minimum	108.5	108.5	108.5	108.2	108.4
Average	108.5	109.5	110.8	112.9	123.9
Throughput					
Maximum	112.2	107.9	112.8	116.1	112.3
Minimum	78.4	76.3	77.0	72.6	76.1
Average	96.8	94.6	97.2	101.8	106.2

Source: GGT, Goldfields Gas Pipeline Access Arrangement Information (in response to ERA draft decision), 5 September 2024.

Table 6: AA4 number of receipt points, delivery points and users (customers)

	2020 actual	2021 actual	2022 actual	2023 actual	2024 forecast
Receipt points	2	2	2	3	3
Delivery points	16	16	17	17	17
Users	13	13	13	16	16

Source: GGT, Goldfields Gas Pipeline Access Arrangement Information (in response to ERA draft decision), 5 September 2024.

Opening Capital Base – NGR 72(1)(b)

The opening capital base for the access arrangement period (that is, the capital base at 1 January 2025) is determined in accordance with the formula in rule 77(2) of the NGR.

The NGR define *conforming capital expenditure* as “capital expenditure that complies with the new capital expenditure criteria”, which is set out in rule 79 of the NGR.

Conforming capital expenditure

Conforming capital expenditure was assessed using the following framework:

- Determine whether the expenditure satisfies the prudent service provider criteria set out in rule 79(1) of the NGR. That is, the expenditure would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing services.
- Determine whether the expenditure is justifiable on one or more of the grounds set out in rule 79(2) of the NGR.
- Assess whether forecasts or estimates comply with rule 74(2) of the NGR, which requires a forecast or estimate to be arrived at on a reasonable basis and represent the best forecast or estimate possible in the circumstances.

Conforming capital expenditure made during the earlier access arrangement period is shown in Table 7 (below).

Amounts added under rules 82, 84 and 86

Rules 82, 84 and 86 of the NGR cover provisions for capital contributions by users to new capital expenditure, the speculative capital expenditure account and the re-use of redundant assets.

There were no amounts added to the opening capital base under rules 82, 84 or 86.

Depreciation

The depreciation method used for calculating the depreciation on the regulatory asset base over the earlier access arrangement period was the straight-line depreciation method (or otherwise a current cost accounting approach). This approach is consistent with the depreciation criteria set out in rule 89 of the NGR.

Redundant and disposed assets

There were no redundant assets identified during the earlier access arrangement period.

There were no asset disposals during the earlier access arrangement period.

Opening capital base

The opening capital base at 1 January 2025, which is equivalent to the closing capital base for 2024, is \$416.81 million (Table 7).

Table 7: Opening capital base at 1 January 2025 (\$ million real at 31 December 2023)

	2020	2021	2022	2023	2024
Opening capital base (AA4)	444.40	439.00	435.19	426.89	419.25
Plus: Capital expenditure	7.43	10.16	5.70	6.39	10.36
Less: Depreciation	12.83	13.96	14.00	14.03	12.80
Closing capital base	439.00	435.19	426.89	419.25	416.81

Source: ERA, Final Decision Attachment 4 and Tariff Model, December 2024.

Projected Capital Base – NGR 72(1)(c)

The projected capital base for the access arrangement period is determined in accordance with the formula in rule 78 of the NGR.

The return on the projected capital base for each year of the access arrangement period is determined in accordance with the formula in rule 87 of the NGR.

No pipeline assets are expected to be disposed of during the access arrangement period.

The projected capital base for the access arrangement period is shown in Table 8.

Table 8: Projected capital base for AA5 (\$ million real at 31 December 2023)

	2025	2026	2027	2028	2029
Opening capital base	416.81	427.34	421.98	413.21	402.15
Plus: Capital expenditure	23.61	9.17	6.06	3.95	0.97
Less: Depreciation	13.08	14.53	14.83	15.01	15.11
Closing capital base	427.34	421.98	413.21	402.15	388.01

Source: ERA, Final Decision Attachment 4 and Tariff Model, December 2024.

Forecast conforming capital expenditure (NGR 72(1)(c)(i))

The NGR define *conforming capital expenditure* as “capital expenditure that complies with the new capital expenditure criteria”, which is set out in rule 79.

Forecast conforming capital expenditure for the access arrangement period was assessed using the following framework.

- Determine whether the expenditure satisfies the prudent service provider criteria set out in rule 79(1) of the NGR. That is, the expenditure would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing services.
- Determine whether the expenditure is justifiable on one or more of the grounds set out in rule 79(2) of the NGR.
- Assess whether forecasts or estimates comply with rule 74(2) of the NGR, which requires a forecast or estimate to be arrived at on a reasonable basis and represent the best forecast or estimate possible in the circumstances.

Table 9 shows the forecast conforming capital expenditure for the access arrangement period by asset class.

Table 9: AA5 forecast conforming capital expenditure by asset category (\$ million real at 31 December 2023)

Asset category	2025	2026	2027	2028	2029	Total
Pipeline and laterals	0.00	0.00	0.04	0.04	0.00	0.08
Main line valve and scraper stations	1.78	1.30	1.15	1.12	0.33	5.68
Compressor stations	11.39	4.21	4.27	2.40	0.33	22.60
Receipt and delivery point facilities	0.00	0.00	0.01	0.01	0.00	0.02
SCADA and communications	0.00	0.00	0.00	0.00	0.00	0.00
Cathodic protection	0.21	0.18	0.07	0.00	0.01	0.47
Maintenance bases and depots	0.00	0.15	0.39	0.24	0.00	0.78
Other assets	9.97	3.33	0.14	0.14	0.30	13.88
Equity Raising Cost	0.26	0.00	0.00	0.00	0.00	0.26
Non-depreciable assets	0.00	0.00	0.00	0.00	0.00	0.00
Total	23.61	9.17	6.06	3.95	0.97	43.76

Source: ERA, Final Decision Attachment 4 and Tariff Model, December 2024.

Forecast of depreciation (NGR 72(1)(c)(ii))

Rule 88 of the NGR sets out the requirements for the depreciation schedule.

Rules 89 and 90 of the NGR set out the depreciation criteria and requirements for the calculation of depreciation for establishing the opening capital base for the next access arrangement period.

A current cost accounting approach (that is, a straight-line depreciation method) is used to calculate the depreciation on the regulatory asset base for the access arrangement period. The approach is consistent with the criteria under rule 89(1) of the NGR.

Table 10 shows the forecast of depreciation for the access arrangement period by asset category. The assets lives used to calculate the forecast are shown in Table 11 (page 11).

Table 10: AA5 forecast depreciation (\$ million real at 31 December 2023)

Asset category	2025	2026	2027	2028	2029	Total
Pipeline and laterals	8.76	8.77	8.77	8.77	8.77	43.84
Main line valve and scraper stations	0.30	0.34	0.38	0.41	0.44	1.87
Compressor stations	2.31	2.71	2.85	2.99	3.07	13.93
Receipt and delivery point facilities	0.09	0.15	0.15	0.15	0.15	0.69
SCADA and communications	0.91	0.74	0.57	0.56	0.55	3.33
Cathodic protection	0.00	0.04	0.05	0.05	0.05	0.19
Maintenance bases and depots	0.26	0.30	0.30	0.31	0.32	1.49
Other assets	0.47	1.46	1.74	1.74	1.74	7.15
Equity Raising Cost	0.00	0.01	0.01	0.01	0.01	0.04
Non-depreciable assets	0.00	0.00	0.00	0.00	0.00	0.00
Total	13.08	14.53	14.83	15.01	15.11	72.56

Source: ERA, Final Decision Attachment 6 and Tariff Model, December 2024.

Table 11: AA5 asset lives (years)

Asset categories	Asset lives
Pipeline and laterals	41, capped at 2065
Main line valve and scraper stations	41, capped at 2065
Compressor stations	30
Receipt and delivery point facilities	30
SCADA and communications	10
Cathodic protection	15
Maintenance bases and depots	41, capped at 2065
Other assets	10
Equity raising cost	31.2

Source: ERA, Final Decision Attachment 6 and Tariff Model, December 2024.

Forecast Demand – NGR 72(1)(d)

Table 12: AA5 forecast demand (capacity and throughput) for pipeline services (TJ/day)

	2025	2026	2027	2028	2029
Yarraloola					
Maximum contracted capacity	110.36	110.36	110.36	110.36	110.36
Average contracted capacity	110.36	110.36	110.36	110.36	110.36
Average gas throughput	95.49	95.49	95.49	95.49	95.49
Northern Goldfields Interconnect					
Maximum contracted capacity	12.90	14.30	14.30	14.30	14.30
Average contracted capacity	12.90	14.30	14.30	14.30	14.30
Average gas throughput	11.88	13.12	13.12	13.12	13.12
Total (Covered GGP)					
Maximum contracted capacity	123.26	124.66	124.66	124.66	124.66
Average gas throughput	107.37	108.61	108.61	108.61	108.61

Source: ERA, Final Decision Attachment 2, December 2024.

Forecast Operating Expenditure – NGR 72(1)(e)

Rule 91 of the NGR sets out criteria governing operating expenditure.

Table 13 shows the forecast operating expenditure over the access arrangement period. The forecast was derived on the following basis.

- Estimates for operating expenditure were derived using the base-step-trend method. Under this method, operating expenditure forecasts were based on costs incurred in an efficient base year plus adjustments to account for unanticipated difference between the base year (2023) and the AA5 years.
- A specific yearly forecast for ‘cyber security’ was calculated as the expenditure profile for these costs were not suitably captured by the base-step-trend method.
- Step changes included the ‘safeguard mechanism initiative’, ‘AA6 regulatory proposal’ and ‘enterprise resource planning’.

Table 14 shows the forecast operating expenditure by category for AA5.

Table 13: AA5 forecast operating expenditure (\$ million real at 31 December 2023)

	2025	2026	2027	2028	2029	Total
Base year operating expenditure	21.98	21.98	21.98	21.98	21.98	109.88
<i>Add: Separate forecasts</i>						
Cyber security	1.54	1.39	1.25	1.15	1.15	6.47
Baseline operating expenditure	23.51	23.37	23.22	23.12	23.12	116.35
<i>Add: Step changes</i>						
Safeguard mechanism	0.55	0.70	0.73	0.73	0.77	3.48
AA6 regulatory proposal	-	-	-	0.58	-	0.58
Enterprise resource planning	-	-	-	-	-	0.00
Asset utilisation charge	3.77	2.30	1.52	1.40	1.31	10.30
<i>Add: Real labour cost escalation</i>						
Labour cost	0.17	0.25	0.34	0.43	0.51	1.71
Total operating expenditure	28.00	26.63	25.81	26.26	25.72	132.42

Source: ERA, Final Decision Attachment 5 and Tariff Model, December 2024.

**Table 14: AA5 forecast operating expenditure by category
(\$ million real at 31 December 2023)**

Category	2025	2026	2027	2028	2029	Total
Pipeline operation	14.69	14.77	14.86	14.94	15.03	74.29
Major expenditure jobs	0.21	0.21	0.21	0.21	0.21	1.05
Commercial operations	1.16	1.31	1.33	1.34	1.38	6.52
Regulatory costs	0.52	0.52	0.52	1.09	0.52	3.17
Corporate costs	11.43	9.82	8.90	8.68	8.59	47.42
Total	28.00	26.63	25.81	26.26	25.72	132.42

Source: ERA, Final Decision Attachment 5 and Tariff Model, December 2024.

Rate of Return – NGR 72(1)(g)

The rate of return, based on the Weighted Average Cost of Capital (WACC), provides for a return on the regulatory asset base.

The allowed rate of return is determined in accordance with the gas rate of return guidelines, which became a binding instrument in Western Australia in September 2023.⁵

Table 15 shows the rate of return parameters for the access arrangement period.

Table 15: Rate of return parameters for AA5

Parameter	Value
Return on debt	
5-year interest rate swap (effective yield)	3.829
Debt risk premium (10-year average)	1.967
Debt issuing cost	0.165
Debt hedging cost	0.123
Nominal return on debt (%)	6.084
Return on equity	
Nominal risk free rate (%)	3.98
Market risk premium (%)	6.1
Equity beta	0.7
Nominal return on equity (%)	8.25
Other parameters	
Debt proportion (%)	55
Inflation rate (%)	2.26
Corporate tax rate (%)	30
Franking credits	50.0
Nominal after-tax WACC (%)	7.06
Real after-tax WACC (%)	4.69

Source: ERA, Final Decision Attachment 7 and Tariff Model, December 2024.

⁵ ERA, 2022 Final Rate of Return Guidelines, 12 September 2023.

Estimated Cost of Income Tax – NGR 72(1)(h)

AAI must include the estimated cost of corporate income tax, calculated in accordance with rule 87A of the NGR, including the allowed imputation credits referred to in that rule.

Table 16 shows the estimated cost of corporate income tax for the access arrangement period.

Table 16: AA5 estimated cost of corporate income tax (\$ million nominal)

	2025	2026	2027	2028	2029
Total (unsmoothed) revenue	66.21	68.15	68.94	70.90	71.57
Tax expenses					
Operating expenditure	29.28	28.48	28.22	29.36	29.41
Debt servicing cost	13.95	14.30	14.12	13.83	13.46
Tax depreciation	4.36	7.43	7.63	7.21	6.70
Total tax expenses	47.59	50.20	49.97	50.41	49.57
Tax					
Estimated taxable income	18.62	17.94	18.97	20.50	22.00
Carried forward tax loss	-	-	-	-	-
Estimated taxable income (net of tax loss)	18.62	17.94	18.97	20.50	22.00
Estimated cost of income tax	5.59	5.38	5.69	6.15	6.60
Value of imputation credits	(2.79)	(2.69)	(2.85)	(3.07)	(3.30)
Estimated cost of corporate income tax	2.79	2.69	2.85	3.07	3.30

Source: ERA, Final Decision Attachment 7 and Tariff Model, December 2024.

Taxable income

Taxable income is estimated using the following method:

Smoothed tariff revenue:

plus	revenue from prudent discounts
plus	ancillary service revenue
minus	approved forecast operating expenditure
minus	depreciation of the tax asset base, which excludes capital contributions
minus	debt servicing costs ⁶
equals	estimated taxable income

Tax asset lives

The tax asset categories and respective tax lives for the access arrangement period are shown in Table 17.

Table 17: AA5 tax asset categories and tax lives

Asset category	Tax life
Pipeline and laterals	20
Main line valve and scraper stations	20
Compressor stations	20
Receipt and delivery point facilities	20
SCADA and communications	10
Cathodic protection	10
Maintenance bases and depots	20
Other depreciable assets	10

Source: ERA, Final Decision Attachment 7 and Tariff Model, December 2024.

Tax depreciation method

Depreciation of the tax asset base is calculated using a straight-line method for assets.

Tax asset base

The forecast tax asset base for the access arrangement period is shown in Table 18 and is determined using the following (roll forward) method:

⁶ Debt serving costs were calculated by multiplying the debt portion of the opening regulatory asset base by the debt to equity ratio (assumed at 55 per cent). The nominal cost of debt was based on the rate of return.

Opening value at 1 January 2025:

Plus: forecast capital expenditure (net of capital contributions) to be incurred in AA5

Less: depreciation based on the forecast of capital expenditure

Less: any forecast asset disposals during AA5.

No asset disposals are forecast for the access arrangement period.

Table 18: AA5 forecast tax asset base (\$ million nominal)

	2025	2026	2027	2028	2029
Opening tax asset base	36.83	57.16	59.53	58.54	55.74
Capital expenditure	24.69	9.81	6.63	4.41	1.11
Asset disposals	-	-	-	-	-
Tax depreciation	4.36	7.43	7.63	7.21	6.70
Closing value	57.16	59.53	58.54	55.74	50.15

Source: ERA, Final Decision Attachment 7 and Tariff Model, December 2024.

Statutory income tax rate

The expected statutory income tax (r_t) for each regulatory year of the access arrangement period is 30 per cent.

Imputation credits

As required by the gas rate of return guidelines, a value of 0.5 is used for the value of imputation credits (γ).⁷

⁷ The gas rate of return guidelines became a binding instrument in Western Australia in April 2019.

Efficiency Gains and/or Losses – NGR 72(1)(i)

There was no incentive mechanism that operated in the previous (earlier) access arrangement period.

Approach to Setting Tariffs – NGR 72(1)(j)

Rule 95 of the NGR sets out the requirements for determining reference tariffs for transmission pipelines.

Section 4.1 of the access arrangement for the GGP details the reference tariff and charges for the single reference service offered – the Firm Transportation Service.

The reference tariff is a three-part tariff, comprising:

- A **toll charge**, which is a capacity-based charge.
- A **capacity reservation charge**, which is a capacity and distance-based charge.
- A **throughput charge**, which is a throughput and distance-based charge.

The toll and capacity reservation charges represent access charges that aim to recover the fixed costs of the GGP, while the throughput charge aims to recover variable costs.

The capacity reservation and throughput charges are distance-based charges. This distance-based charging structure aims to make the tariff reflective of the costs of the resources used to provide pipeline services to individual users at different locations along the GGP.

The tariff components (charges) are calculated assuming the allocation of GGT's total revenue requirement in the proportions set out in Table 19. That is:

- The *toll tariff* was calculated as the price during the access arrangement period, which set the present value of the forecast revenue from the tariff equal to 11.3 per cent of the present value of total revenue.
- The *capacity reservation tariff* was calculated as the price during the access arrangement period, which set the present value of the forecast revenue from the tariff equal to 72.2 per cent of the present value of total revenue.
- The *throughput tariff* was calculated as the price during the access arrangement period, which set the present value of the forecast of revenue for the tariff equal to 16.5 per cent of the present value of total revenue.

The discount rate used to calculate the present values was 7.06 per cent (nominal after-tax).

Table 19: Allocation of total revenue to reference tariff components

Tariff component	Proportion (%)
Toll	11.3
Capacity reservation	72.2
Throughput	16.5

Table 20 (below) shows the reference tariff for the Firm Transportation Service that apply at the start of the access arrangement period (1 January 2025). This tariff will vary throughout the access arrangement period based on the tariff variation mechanism.

Table 20: Reference tariff for the Firm Transportation Service at 1 January 2025 (\$ nominal)

Tariff component*	Tariff
Toll (\$/GJ)	0.171632
Capacity reservation (\$/GJ MDQ km)	0.001205
Throughput (\$GJ/km)	0.000314

* GJ = gigajoule, MDQ = maximum daily quantity, km = kilometre

Reference Tariff Variation Mechanism – NGR 72(1)(k)

Rule 92 of the NGR requires the access arrangement for the GGP to include a reference tariff variation mechanism, which must be designed to equalise (in terms of present values) the forecast revenue from reference services over the access arrangement period and the portion of total revenue allocated to reference services for the access arrangement period.

Rule 97 of the NGR specifies the requirements (or mechanisms) for reference tariff variations.

Section 4.5 of the access arrangement for the GGP details the reference tariff variation mechanism that applies for the access arrangement period. The mechanism comprises:

- A scheduled reference tariff variation mechanism, which provides for an annual variation of the reference tariff.
- A cost pass through reference tariff variation mechanism, which provides for the variation of the reference tariff in response to one or more cost pass through events.

Scheduled tariff variation

Schedule A of the revised access arrangement for the GGP details the operation of the scheduled reference tariff variation mechanism. This mechanism varies the reference tariff to better reflect cost variations that the tariff is to recover. It is intended to maintain efficient cost recovery during the access arrangement period.

At the commencement of each year during the access arrangement period (that is, each 1 January) the scheduled reference tariff variation mechanism:

- Adjusts the reference tariff for inflation.
- Allows the service provider to vary the individual components of the reference tariff, by up to two per cent, within a constraint on the overall revenue that might be earned at the reference tariff (the weighted average tariff basket).
- Effects a change in the reference tariff following the annual adjustment of the return of debt.

Cost pass through tariff variation

Section 4.5.2 of the revised access arrangement for the GGP details the operation of the cost pass through tariff variation mechanism. This mechanism ensures that costs resulting from material cost pass through events that affect the provision of the reference service can be recovered through the reference tariff.⁸ It is intended to maintain efficient cost recovery during the access arrangement period.

If one or more cost pass through events occur, or are expected to occur, during the access arrangement period, the cost pass through reference tariff variation mechanism allows the service provider to vary the reference tariff to recover the financial costs of the cost pass through event(s), to the extent that the costs have not already been accounted for in the reference tariff.

⁸ A cost pass through event is considered "material" where the cumulative cost of the event exceeds \$1 million.

The cost pass through events for the access arrangement period include:

- Change in law event
- Tax change event
- Natural disaster event
- Terrorism event
- Carbon cost event

Proposed Incentive Mechanism – NGR 72(1)(I)

There is no proposed incentive mechanism for the access arrangement period.

Total Revenue – NGR 72(1)(m)

Total revenue has been determined using the “building block approach” in accordance with rule 76 of the NGR.

The building blocks of total revenue (unsmoothed) for each year of the access arrangement period is shown in Table 21.

There was no incentive mechanism that operated in the earlier access arrangement period, and there is no proposed incentive mechanism for the access arrangement period. Hence, there are no increments or decrements that affect total revenue.

Table 21: Total revenue building blocks for AA4 (\$ million nominal)

	2025	2026	2027	2028	2029	Total
Regulatory operating expenditure	29.28	28.48	28.22	29.36	29.41	144.75
Return on capital base	30.09	31.54	31.85	31.89	31.74	157.11
Regulatory depreciation						
Depreciation	13.68	15.53	16.22	16.78	17.28	79.49
Inflationary gain	(9.63)	(10.10)	(10.20)	(10.21)	(10.16)	(50.30)
Regulatory tax						
Corporate income tax	5.59	5.38	5.69	6.15	6.60	29.41
Imputation credits	(2.79)	(2.69)	(2.85)	(3.07)	(3.30)	(14.70)
Total revenue (unsmoothed)	66.22	68.14	68.93	70.90	71.57	345.76

Source: ERA, Final Decision Attachment 3 and Tariff Model, December 2024.

Allocation of total revenue

Rule 93(2) of the NGR requires total revenue to be allocated between reference services and other services on an allocation of cost basis.

The NGR further allow some services, other than reference services, to be classified as *rebateable services*, with part of the revenue from the sale of these services to be rebated or refunded to users of reference services. Rule 93(4) of the NGR states that “a pipeline service is a rebateable service if the service is not a reference service; and substantial uncertainty exists concerning the extent of the demand for the service or of the revenue to be generated from the service”. There are no rebateable services for the access arrangement period.

The Firm Transportation Service is the single reference service provided under the revised access arrangement for the GGP. No other pipeline services (for example, ancillary haulage services) are provided because there is no forecast for such services. As a result, there is no need to allocate revenue and costs between reference and non-reference (other) services.

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Appendix 2 Abbreviations

AA4	Fourth Access Arrangement Period
AA5	Fifth Access Arrangement Period
AAI	Access Arrangement Information
CPI	Consumer Price Index
GGP	Goldfields Gas Pipeline
GGT	Goldfields Gas Transmission Pty Ltd
NGL	National Gas Law
NGR	National Gas Rules
WACC	Weighted Average Cost of Capital