

INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

Statement of Reasons for Decision

Central Ranges Pipeline Pty Limited notice of variation to reference tariffs for the Central Ranges Pipeline Gas Network – effective 1 July 2007

Details of Decision

Tribunal member: Mr James Cox

Decision date: Friday 25 May 2007

Decision: The reference tariff variation is approved

Reasons for Decision

Background

On 18 April 2007, Central Ranges Pipeline (CRP) submitted notification of its intention to vary the reference tariffs contained in its access arrangement on 1 July 2007.

Section 8.3A of the *National Third Party Access Code for Natural Gas Pipeline Systems* (Gas Code) states that reference tariffs may only be changed in accordance with an approved variation method in an access arrangement. Sections 8.3B and 8.3C require CRP to provide a notice of variation to the Tribunal, which the Tribunal is obliged to make publicly available. The Tribunal may only disallow the variation if it considers, on reasonable grounds, that the proposed variation is inconsistent with, or not permitted under, the approved reference tariff variation method (section 8.3E) in the access arrangement. The Tribunal must publish reasons for its decision at the time of allowing or disallowing the variation (section 8.3F).

The access arrangement approved for CRP in December 2005 provides for reference tariffs to remain constant in real terms. Reference tariffs are to be adjusted on 1 July each year to account for the change in the CPI.

The access arrangement requires CRP to give the Tribunal 50 business days' notice of proposed reference tariff variations.

Proposed reference tariff variation

The notice provided by CRP states its intention to vary the reference tariffs in its access arrangement (expressed in 2003/04 dollars) at 1 July 2007 as a result of the escalation of reference tariffs for the three years to 2007/08. It sets out each of the tariffs in the access arrangement in 2006/07 prices and shows how the change in CPI brings them to the 2007/08 level.

Consideration of whether the variation is consistent with the access arrangement

Section 3 of the access arrangement sets out reference tariffs in 2003/04 dollars. It states that CRP's reference tariffs will remain constant in real terms. Sections 3.2 and 3.3 of the access arrangement state that reference tariffs will be adjusted on 1 July of each year to allow for changes in the CPI.

The access arrangement defines the relevant CPI as the weighted average of eight capital cities published by the Australian Statistician. The relevant CPI value to be used in the variation of reference tariffs is the average of the CPI for the four quarters to December in Year n-1 divided by the average of the CPI for the four quarters to December in the Year n-2.

CRP has calculated the tariffs in the access arrangement for the year 1 July 2007 to 30 June 2008 using the formula specified in the access arrangement. CRP has included both GST-exclusive and GST-inclusive tariffs for 2007/08.

CRP has also set out the 2007/08 charges for additional services in its variation notice. The same CPI figures have been used to index these charges from the 2004/05 dollar values set out in the access arrangement.

Conclusion

The Tribunal has reviewed CRP's methodology and calculations for the escalation of reference tariffs to reflect changes in the CPI. For the reasons set out above, the Tribunal considers that the variations are consistent with the approved method in the access arrangement.

Accordingly, the Tribunal approves the reference tariff variation submitted by CRP. The variation will take effect from 1 July 2007.