



Level 14, 480 Queen Street  
Brisbane, Queensland 4000  
Australia

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T +61 7 3622 4698  
[bhp.com](http://bhp.com)

**George Passmore**  
Director, Business Performance  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

Dear George

***Darlymple Bay Infrastructure Management - 8X Expansion Pricing Method***

BHP Billiton Mitsui Coal (**BMC**) owns and operates coal mines and development projects within the Bowen Basin and is an existing user of the Darlymple Bay Terminal (**DBT**).

BMC understands that, on 16 March 2021, Darlymple Bay Infrastructure Management (**DBIM**) applied to the Queensland Competition Authority (**QCA**) under s.5.12.(a) of the DBT 2017 Access Undertaking (**AU**) for a ruling that the Socialised Pricing Method should apply to its proposed 8X expansion (**8X**), and that the QCA is now investigating the application in accordance with s.150H of the *Queensland Competition Authority Act 1997* (Qld) (**QCA Act**).

BMC endorses that a Socialised Pricing Method is adopted for the whole of 8X. For the reasons set out in this submission, BMC considers there are strong grounds for concluding that the Socialised Pricing Method is justified against the criteria in s.11.13(c) of the AU.

**Summary**

BMC submits the following circumstances justify Socialisation:

- DBIM's modelled increase in the existing Termination Infrastructure Charge (**TIC**) as a result of full Socialisation of 8X is not material. Further, 8X will deliver benefits to all users by significantly reducing Operating & Maintenance costs on a per tonne basis. DBIM's modelling indicates that the Total Access Costs (**TAC**) will be reduced by 1%. This is because the increase in TIC will be more than offset by the reduction in Operating and Maintenance costs, which are a larger component of TAC than the TIC.
- BMC has not independently verified DBIM's modelling. However, DBIM's submission is supported by a report prepared by PricewaterhouseCoopers Consulting (Australia) Pty Limited (**PwC**), commissioned by the DBT User Group, in respect of DBIM's modelling of terminal and operating charges. While PwC concluded that DBIM's interpretation of Differentiated pricing potentially amplified the apparent difference between access charges for users of existing and expanded capacity, fundamentally PwC was largely able to replicate the modelling results presented by DBIM. PwC found that a Socialised Pricing Method would have minimal impact on TAC for existing users, with an increase in the TIC largely offset by a decrease in Operating & Maintenance costs. A copy of PwC's report is **enclosed**.
- While BMC anticipates that there may be some differences among stakeholders about how to model the price impacts (despite the PwC report), it considers that the modelled increase in the TIC does not justify treating the Terminal Capacity Expansion as a Differentiated Capacity Component given the factors outlined below.

- The 8X expansion infrastructure is of such a nature that it will be highly integrated and not separable from the Existing Terminal. It is therefore not appropriate to treat it as a stand-alone development.
- This conclusion is reinforced by the fact that 8X will deliver benefits to existing users through the forecast reduction in Operation and Maintenance on a per tonne basis, as well as reduced risk of throughput losses as it will substantially incorporate projects that would otherwise need to be undertaken as Non-Expansionary Capital (**NECAP**) projects (and would therefore likely be approved by users)—in fact, almost half of 8X would replace NECAP projects. If those NECAP equivalent components were removed from 8X, then it would no longer be a Cost Sensitive Expansion and therefore costs would, by default, be Socialised.
- Existing users face minimal risk from the expansion, and will likely benefit from increased reliability and efficiency as a result of the 8X expansion infrastructure. As the Capacity Expansion will be operated in an integrated way, the risk to all users is essentially the same.
- 8X will increase total system capacity to 99.1 Mtpa by 2028, in circumstances where BMC understands that DBT is fully contracted to its current system capacity of 84.20 Mtpa from July 2022 until the first contract expires in June 2028, and there is also a significant queue, peaking at 25.1 Mtpa from July 2025.
- By contrast, if 8X were Differentiated, DBIM's modelling indicates that the Reference Tariff would increase by 500% and the TAC for new users would increase by more than 200%. This is because 8X will improve the whole-of-life costs of the Existing Terminal. In other words, 8X benefits all users, not only the underwriting users notwithstanding the underwriting users will have an option to use the expanded capacity.
- BMC understands that 8X is proposed on the basis that the Socialisation Pricing Method will apply, and therefore DBIM is unlikely to proceed if it is treated as a Differentiated Expansion Component. If 8X does not proceed, then the material benefits associated with it will not be realised.

### **Expansion Pricing Principles**

8X is a Cost Sensitive Expansion because it may have the effect of increasing the Reference Tariff for users of the Existing Terminal by increasing the TIC. However, s.11.13(c) of the AU provides that a Cost Sensitive Expansion may be treated as part of the Existing Terminal where circumstances exist to justify Socialisation.

The AU provides that, in determining whether there are circumstances that warrant Socialisation, consideration shall be given to:

- (1) the materiality of the increase in the Existing Terminal's Reference Tariff that would be affected by socialising the Cost Sensitive Expansion;
- (2) the extent to which assets or infrastructure the subject of the Cost Sensitive Expansion will operate wholly or partly, in an integrated way with the Existing Terminal or as a stand-alone development;
- (3) the extent to which the Cost Sensitive Expansion is likely to benefit users of the Existing Terminal (for example, such as through higher efficiency, reliability or flexibility of the Existing Terminal);
- (4) any differences in the risks of providing Access to users of the Existing Terminal in respect of additional Terminal Capacity created by the Cost Sensitive Expansion; and
- (5) any other factor that the QCA considers relevant.

BMC's view is that each of these circumstances apply to 8X and justify Socialisation.

### **Materiality of the increase in Reference Tariffs**

BMC's view, informed by DBIM's modelling as largely replicated by PwC, is that any increase in the Reference Tariffs will not be material and, in fact, the TAC payable by DBT Access Holders and Access Seekers will decrease by a marginal amount.

As the QCA would be aware, the TAC payable by DBT Access Holders and Access Seekers relevantly include an Operation & Maintenance Charge and the TIC. DBIM's and PwC's modelling suggests that, if Socialisation applies, 8X will result in an increase in the TIC by 13%. However, that increase would be more than offset by an 11% reduction in Operating & Maintenance Charges on a per tonne basis (which comprise a large component of TAC). As a result, 8X will effectively deliver a reduction in TAC by 1%.

If the outcomes suggested by the modelling are correct, then this is a significant circumstance in favour of Socialisation. This is particularly the case when the position is compared to the pricing outcomes if a Differentiated Pricing Method is applied to 8X. If that occurred, both DBIM's and PwC's modelling forecast the TIC would materially increase (by 514% on DBIM's modelling) and Operating & Maintenance Costs would also materially increase (by 24% on DBIM's modelling), leading to a materially higher TAC (of 225% on DBIM's modelling). This illustrates the fact that the benefits of 8X are widely distributed to all users, and not only the users that Access the Capacity Expansion. PwC's modelling largely replicated these outcomes, albeit with some relatively non-material differences over the forecasting period.

PwC did find that DBIM's approach to Differentiation potentially amplified the apparent difference between TAC for existing and expanding users, and identified some ways in which that difference may be reduced. However, the potential adjustments identified by PwC would (among other things) involve additional costs being taken on by existing users under Differentiation (rather than being solely covered by expanding users; in other words, an element of Socialisation), potentially treat different phases of 8X differently (again, to incorporate an element of Socialisation), and require DBIM to take greater risk through a longer depreciation profile. As a result, while they might serve to reduce the cost difference between Socialisation and Differentiation, this is at least in part on the basis that some of the costs were Socialised instead of Differentiated.

The position for existing users under Differentiation is likely only hypothetical in any event. This is because, on any reasonable view of pricing, if 8X costs are Differentiated, then 8X is unlikely to proceed. Effectively, the choice is between Socialisation and 8X not proceeding.

Consequently, even if there are differences in stakeholder views about modelling, BMC considers any increase in the TIC does not justify treating the Terminal Capacity Expansion as a Differentiated Capacity Component. The other factors outlined below further support this conclusion.

### **Extent to which 8X assets and infrastructure will operate in an integrated way with Existing Terminal**

8X is not a stand-alone development. This is illustrated by the fact that DBIM estimates that about 46% of the total costs of 8X is NECAP-type work, which will be undertaken if 8X does not proceed. 8X will enable the Existing Terminal, as expanded, to operate with a higher system capacity than is currently the case. Access to the expanded Existing Terminal will continue to be provided in an integrated way. In no meaningful sense will the Capacity Expansion be operated by use of separate infrastructure or otherwise on a stand-alone basis.

### **Benefit to all users**

It follows that 8X will increase the overall system capacity of the Existing Terminal to 99.1 million tonnes (a 14.9 million tonne increase), and reduce throughput risk for all users, especially by the Operating & Maintenance improvements arising from the NECAP-type components of 8X. If Differentiated prices were applied, then the users of the Capacity Expansion would be funding improvements enjoyed by all users.

### **Differences in risks**

The delivery of 8X will necessarily give rise to an interface risk for all users during construction and commission, and that risk will be shared by users of the Existing Terminal. That risk may be increased if 8X is Differentiated rather than Socialised.

This is because, if the Differentiated Pricing Method is applied, then users, particularly larger users, may choose to negotiate with existing users to secure additional capacity rather than paying a higher amount for accessing the expansion capacity to the extent capacity can be secured from that market.

It may even be the case that some or all of 8X may become stranded if the forecast demand does not eventuate (although BMC recognises there is forecast significant demand for capacity, including the expanded capacity).

In the circumstances, BMC considers that it is more appropriate that the risk of default is Socialised to avoid the corresponding risks arising from 8X construction and commissioning being delayed or prolonged, and to reduce the risk to DBIM of the 8X infrastructure being stranded.

Following commissioning, as 8X will be integrated into the Existing Terminal, and is expected to deliver lower Operating & Maintenance costs, and reduced risks for all users, there are no identifiable differences in risks in providing Access to users of the Existing Terminal in respect of additional Terminal Capacity created by 8X (apart from the risk to DBIM of stranding). The users of the additional Terminal Capacity will, in effect, be subject to the same throughput and other risks as all users of the Existing Terminal. Consequently, BMC's view is this further justifies Socialisation.

#### **Other factors**

There is strong demand for the additional Terminal Capacity. DBT is fully contracted to its current system capacity of 84.20 Mtpa from July 2022 until the first contract expires in June 2028, and there is also a significant queue, peaking at 25.1 Mtpa from July 2025. The strong pipeline of demand means that a prudent operator of DBT would pursue a Capacity Expansion. The only reason not to do so is if the impact on prices will be such that it will not be economic to proceed. In this regard, as indicated above, if the Differentiated Pricing Method is adopted, then it is unlikely 8X will proceed. This is because the costs will be wholly recovered from the DBT Access Seekers utilising the additional Terminal Capacity, resulting in a very significant increase in TIC as well as an increase in Operating & Maintenance Costs, even though 8X will deliver benefits in reduced risk and greater efficiency for all users. If 8X does not proceed, those benefits for all users will be lost, and only recovered to the extent that DBIM determines to proceed with some components of 8X as NECAP (in which case, those costs would be Socialised).

For the above reasons, BMC endorses the application of the Socialised Pricing Method to 8X.

Yours sincerely



**Roxann Di Pietro**  
BHP Billiton Mitsui Coal  
Manager Access and Commercial

# DBCT User Group

Review of Dalrymple Bay Terminal 8X Expansion  
FEL2 Study: Application for Ruling on Pricing Method

20 May 2021



## **Disclaimer**

We prepared this report solely for the DBCT User Group's use and benefit in accordance with and for the purpose set out in our engagement letter with the DBCT User Group dated 27 April 2021. In doing so, we acted exclusively for the DBCT User Group and considered no-one else's interest. We accept no responsibility, duty or liability:

- to anyone other than the DBCT User Group in connection with this presentation
- to the DBCT User Group for the consequences of using or relying on it for a purpose other than that referred to above.

We make no representation concerning the appropriateness of this report for anyone other than the DBCT User Group. If anyone other than the DBCT User Group chooses to use or rely on it they do so at their own risk.

The information, statements, statistics and commentary (together the 'Information') contained in this report have been prepared by PwC from publicly available material, confidential information provided by Dalrymple Bay Infrastructure Management (DBIM), and from material provided by the DBCT User Group and its constituent User companies. PwC has relied upon the accuracy, currency and completeness of that Information. The Information contained in this report has not been subject to an audit. PwC may in its absolute discretion, but without being under any obligation to do so, update, amend or supplement this presentation.

Our modelling is reliant on the assumptions and forecasts as described in this report. These assumptions and forecasts are uncertain and the results are intended to be indicative only, and future outcomes may be different.

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# Background

This report examines the socialised pricing approach proposed by DBIM for the 8X expansion

## ***Introduction***

In March 2021, Dalrymple Bay Infrastructure Management (DBIM) submitted to the Queensland Competition Authority (QCA) an application<sup>1</sup> for a ruling in support of its proposal that pricing for the proposed 8X terminal expansion be determined using a ‘socialised’ approach.

The 8X expansion has an estimated cost of \$1,276 million (excluding interest during construction), and would allow DBIM to contract an additional 14.9 million tonnes, taking the expanded terminal’s total contracted capacity to 99.1 million tonnes. The expansion is proposed to be completed by 2029, with the initial expansion phases operational by 2027.

The QCA’s consideration of the ruling for a pricing method for the 8X expansion will consider a range of factors, including the materiality of any increase in the terminal infrastructure charge (TIC), integration with the existing terminal, benefits and risks to existing users, and impacts on total access charges. This report focuses primarily on the modelling prepared by DBIM comparing the materiality of the terminal charges under either a socialised or differentiated pricing approach.

## ***Important qualifications***

This report summarises the findings of our review of the modelling presented in DBIM’s *Application for Ruling on Pricing Method*. It seeks to highlight key assumptions, forecasts and other variables relevant to DBIM’s suggestion that a socialised pricing approach would result in no material impact on total terminal access charges for existing users.

We undertook high-level modelling of terminal and operator charges seeking to proxy the (more detailed) analysis undertaken by DBIM. Our analysis relies on the summary information provided in DBIM’s public submission, confidential information provided by DBIM, information provided by the User Group, and application of current Queensland Competition Authority (QCA) regulatory pricing principles as per the current terminal Access Undertaking.

Our analysis relies on a number of important simplifying assumptions. The assumptions and forecasts adopted in this report are uncertain and the results are intended to be indicative only. Indeed, users should note that DBIM provides no warranty as to the forecasts and assumptions provided in its submission, noting that “*these calculations cannot be treated as forecasts other than for the purposes of comparing Socialisation and Differentiation of 8X pursuant to s.5.12(b)(9) of the [Access Undertaking], and as further qualified in this submission*” (para 12.5).

<sup>1</sup> Dalrymple Bay Infrastructure Management Pty Ltd (2021), Dalrymple Bay Terminal 8X Expansion - FEL2 Study: Application for Ruling on Pricing Method, March 2021  
<https://www.qca.org.au/wp-content/uploads/2021/03/dbim-application-for-qca-ruling-on-pricing-method-Redacted-version.pdf>

# Key observations

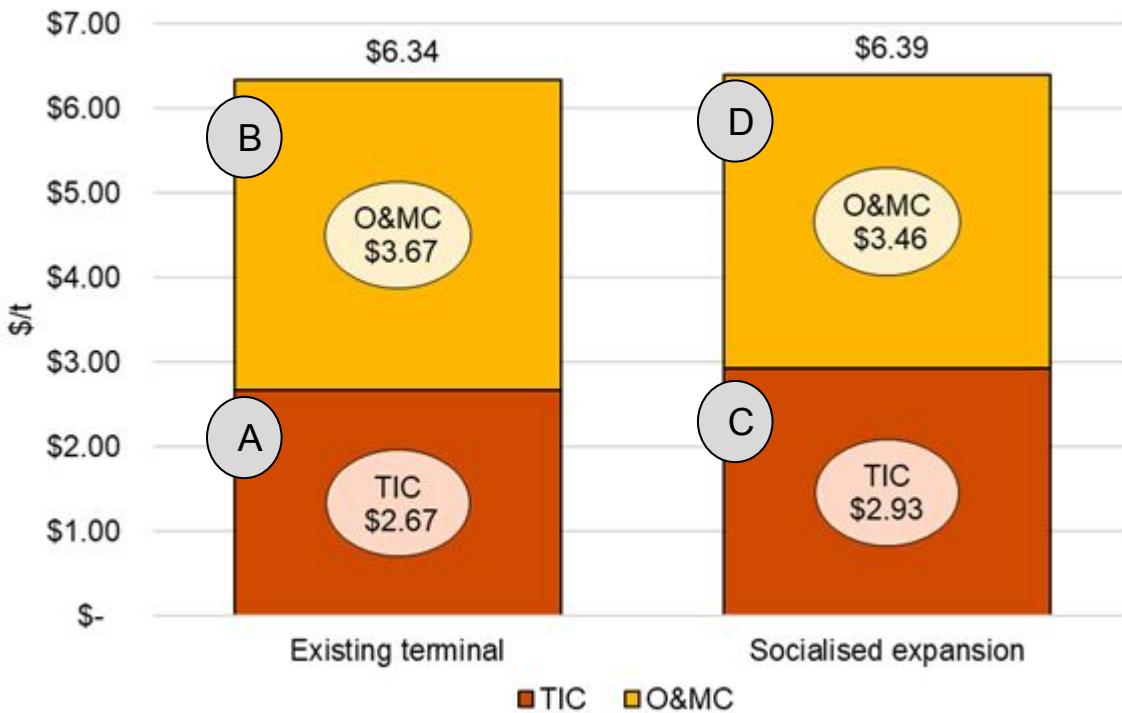
DBIM suggests socialised pricing would have minimal impact on total access charges for existing users, with an increase in the TIC largely offset by a decrease in Operator's handling charges

Key observations	Report reference
<p>Our indicative modelling was largely able replicate the modelling results presented by DBIM, in terms of the order of magnitude difference between terminal charges for existing and expanding users, under either a socialised pricing approach or the particular form of differentiated charging proposed by DBIM:</p> <ul style="list-style-type: none"><li>the differences between our indicative modelling and the DBIM projections are likely caused by differences in NECAP and other simplifying modelling assumptions, in particular the timing for capitalisation and depreciation profile of the 8X expansion phases</li><li>our estimate of the Terminal Infrastructure Charge (TIC) for existing users in 2027 applies the commercial parameters from the existing undertaking (WACC, depreciation period etc). These commercial parameters would be updated based on the operation of the new Undertaking from 2021</li></ul>	Refer pages 6 & 8 for a comparison of our indicative terminal charges modelling with DBIM's presented charges
<p>Terminal access charges would be lower for existing users under a differentiated pricing approach; however, DBIM considers this gain is illusory, as the materially higher differentiated access charge (in the order of \$20 per tonne by 2029) would be commercially infeasible for expanding users, and the 8X expansion would not proceed on that basis.</p>	Refer page 5 for a summary of the socialised pricing proposal impacts on existing user terminal access charges
<p>DBIM's modelling suggests a socialised expansion pricing approach would have minimal impact on total access charges for existing users, with an increase in the TIC largely offset by a decrease in Operator's handling charges</p>	
<p>DBIM has proposed a particular interpretation of differentiated pricing which amplifies the apparent difference between access charges for existing and expanding users:</p> <ul style="list-style-type: none"><li>existing users would benefit from additional contracted capacity such that both terminal and handling charges for existing users are <i>lower</i> under a differentiated expansion pricing proposal than they would be without the expansion proceeding</li><li>all incremental expansion-related costs, both capital and operating, are allocated exclusively to expanding users, even though some of the expansion costs are "likely NECAP" or "definite NECAP" in character</li><li>under the differentiated pricing scenario, all 8X expansion costs are depreciated over a (shorter) 10 year term, aligned to the proposed term of access agreements with expanding users</li><li>the 8X expansion is treated as a single expansion project, with no consideration as to whether differentiation/socialisation might be applied to differently to phases 1 - 4 of the expansion</li></ul>	Refer page 11 for illustrative modelling of how alternative interpretations of differentiated pricing could narrow the apparent difference in terminal access charges

# DBIM is proposing a socialised pricing approach for the 8X expansion

DBIM's modelling suggests a socialised expansion would have minimal impact on total access charges, with an increase in the TIC largely offset by a decrease in Operator's handling charges

Forecast access charge per tonne (2027)<sup>3</sup>



## **Total access charges would be around 1 per cent lower for existing terminal users**

DBIM's modelling suggests that, over the ten year period 2027 to 2036, the total access charge payable by existing users would not increase as a result of socialisation of the costs of the proposed 8X expansion.

An initial small increase in 2027 (see Figure opposite) would reverse in the following year, and by 2036 total access charges would be around \$0.06/tonne, or 1 per cent, lower (\$7.29 versus \$7.34 per tonne). Of particular relevance:

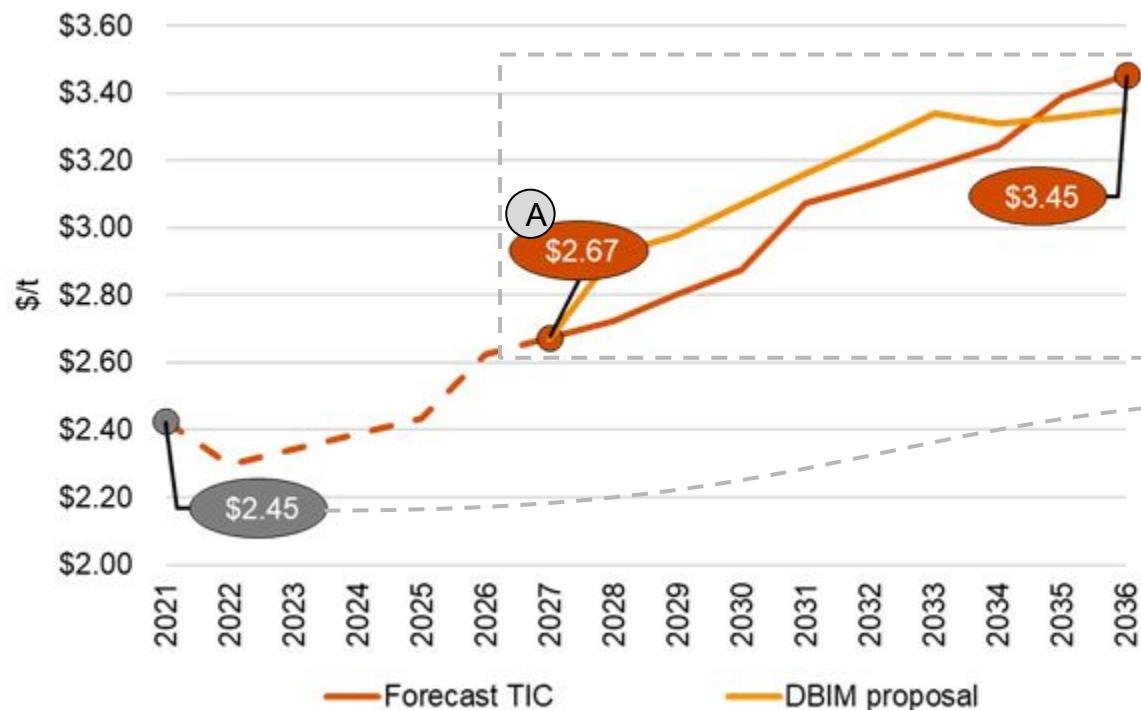
- the estimate of the TIC for existing users in 2027 is based on current commercial parameters from the existing undertaking (WACC, depreciation period etc). These commercial parameters would be updated based on the operation of the new Undertaking from 2021 (para 97 refers)
- NECAP projections are based on information provided by the Operator, which imply a material increase in the scale of NECAP expenditure over both the period to 2027 and for the ten year period following the 8X expansion
- the contribution of Operator handling charges to total access charges is based on an extrapolation of the Operator's budgeted costs to 2023-24, escalated at 3 per cent annually, plus an estimate of additional handling charges due to the 8X expansion. The effect of this is that significant economies of scale are expected to be realised, such that average (socialised) handling charges reduce by around 12 per cent (once the 8X expansion is fully commissioned).

<sup>3</sup> Refer to Table 13 on page 32 of DBIM's submission. <https://www.qca.org.au/wp-content/uploads/2021/03/dbim-application-for-qca-ruling-on-pricing-method-Redacted-version.pdf>

# Modelling the TIC for existing users

Our modelling was able to reasonably closely proxy DBIM's TIC forecasts for existing users, with variances likely reflecting the simplified profile for NECAP expenditures over the relevant period

Existing terminal, forecast terminal infrastructure charge per tonne (2021-2036)<sup>4</sup>



Indicative estimate for existing terminal TIC based on the current commercial parameters from the existing undertaking (WACC, depreciation period etc), and NECAP estimates per the “base” NECAP figure provided at Table 11 of the DBIM proposal, with a default expenditure assumption for years where there was no significant NECAP program items (\$30 million).

Variances between our indicative TIC modelling and DBIM projections are likely caused by differences in the time profile of NECAP expenditures and other simplifying modelling assumptions<sup>4</sup>.

Our modelling was calibrated to align with the 2021 TIC derived from *DBCT Management 2020-21 annual revenue requirement, reference tonnage, terminal infrastructure charge and 2019-20 NECAP*

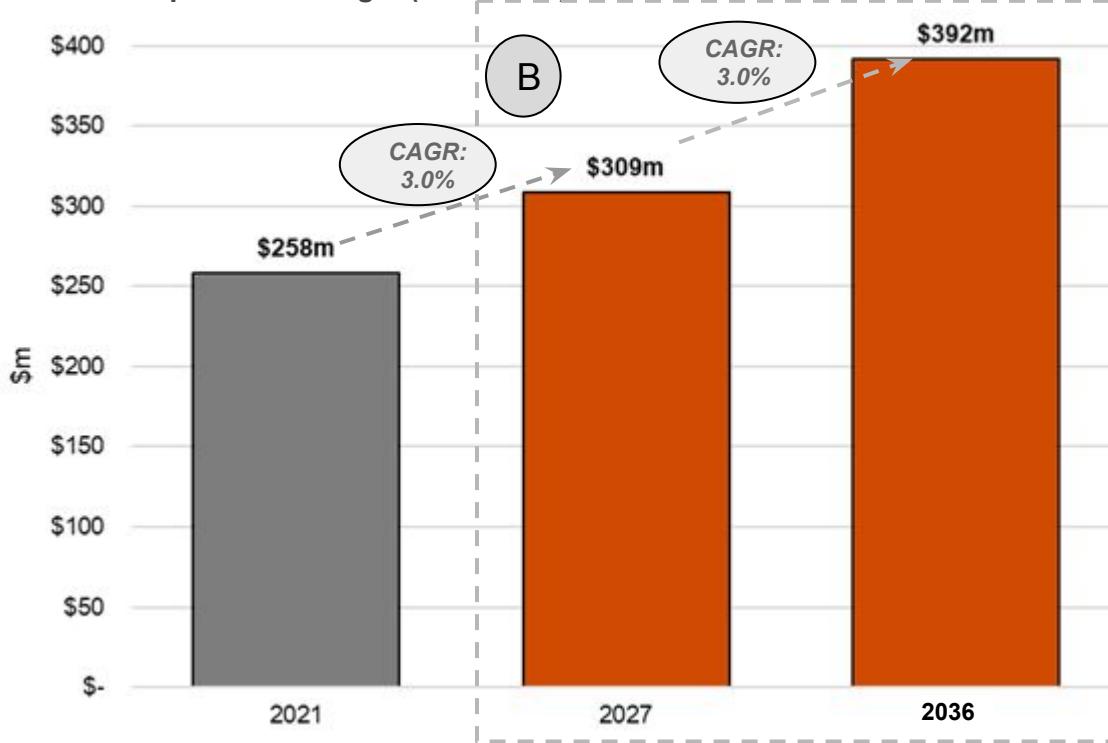
<https://www.qca.org.au/wp-content/uploads/2019/05/qca-letter-dbctms-2020-21-arr-reference-tonnage-and-2019-20-necap.pdf>

<sup>4</sup> Modelling applies a constant annual inflation estimate of 2 per cent, holds corporate overhead, tax and remediation allowance amounts constant in real terms, and assumes a constant 84.2 million tonne capacity assumption (existing terminal) from 2022 onwards.

# Handling charges account for more than half of total access charges

Handling charges are based on an extrapolation of the Operator's budgeted costs to 2023-24, escalated at 3 per cent annually

Forecast Operator's budget (2021-2036)



## *Impact of Operator Handling Charges*

Handling charges are applied as fixed and variable (HCF and HCV, respectively) charges levied by the Operator to DBIM, and passed through to terminal users.

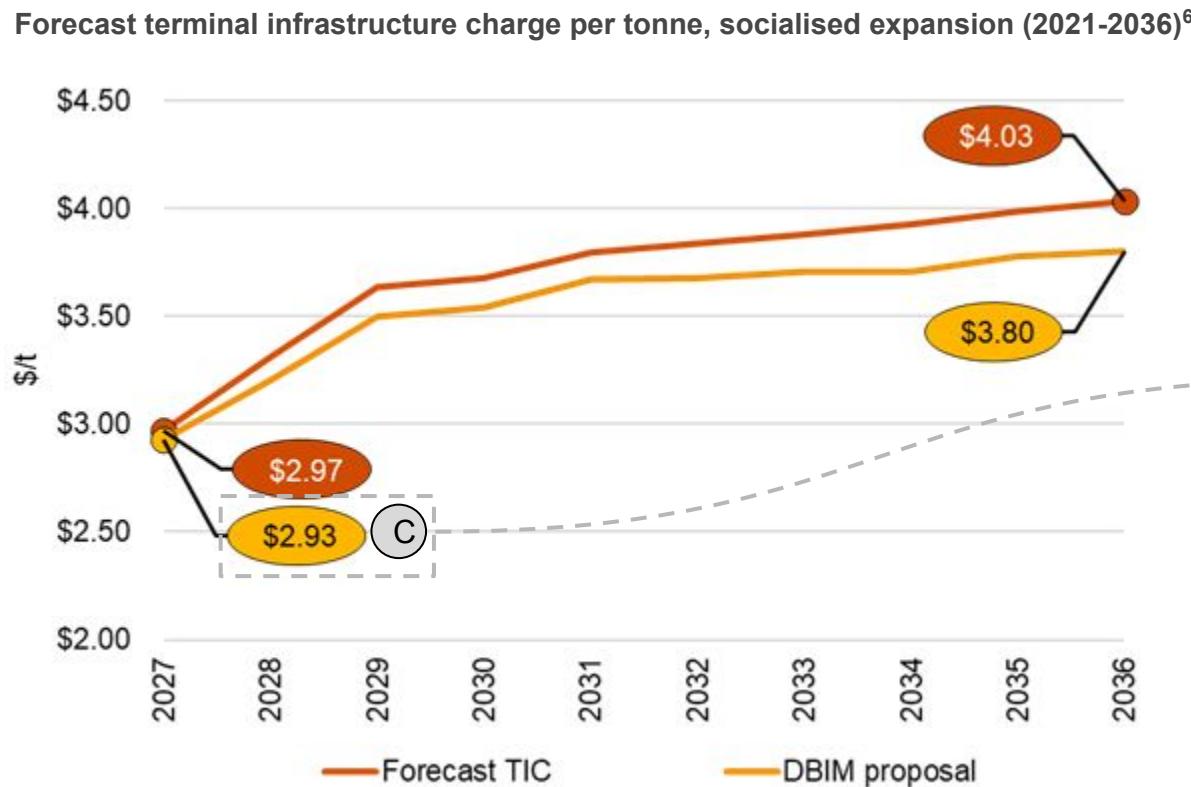
For 2021, the Operator's costs (including margin) are estimated at \$258 million<sup>5</sup>, or around \$3.13 per tonne. DBIM notes that cumulative average growth in Operator handling charges has been approximately 4 per cent over the past ten years (para 285 refers).

By 2027 the Operator's budget for the existing terminal is projected by DBIM to be \$309 million, equivalent to around \$3.67 per tonne (based on contracted tonnage of 84.2 million tonnes).

<sup>5</sup> Handling charges are applied to contract and shipped tonnes, such that the HCF and HCV components cannot be simply added together. This calculation is based on aggregate reference tonnage of 82.4 million, per the QCA's 2020-21 annual revenue requirement derivation.

# Our TIC modelling reconciles closely to DBIM's projections for 2027, but variances emerge over the forecast period

The TIC for existing users would increase by 10 per cent in 2027 (compared to a non-expansion scenario), increasing to around 18 per cent in 2029, when the 8X expansion is complete



## *Indicative TIC modelling for a socialised 8X expansion*

We modelled the impact of including in the DBT cost base the 8X expansion, including an allowance for interest during construction (IDC).

Holding the various commercial parameters constant from the current AU, our modelling reconciles closely to DBIM's projections for 2027, but variances emerge over the forecast period. A potential source for these variances is the capitalisation and depreciation profile used by DBIM for the 8X expansion, for which we have had to make simplifying assumptions.

The modelling uses "with 8X" NECAP projections per DBIM's submission (which are around ~\$200 million lower than the "base" NECAP projections over the period to 2036), but otherwise assumes no change in corporate overheads, remediation costs, QCA levy or tax allowance. Remediation costs, in particular, would be expected to increase materially, with the 8X expansion increasing the footprint of the terminal.

<sup>6</sup> Figures based on PwC modelling and DBIM projections. For NECAP refer to Table 11 on page 33 of the DBIM submission.

# Reductions in Operator handling charges rely on the 8X expansion causing only a marginal increase in the Operator's budgeted costs

Handling Charges would be higher for expanding users under a differentiated pricing approach

## Analysis of modelled Operator charges - socialised versus differentiated

Handling charge	Charge (\$/tonne)	Tonnes (m)	Operator budget (\$m)	Charge (\$/tonne)	Tonnes (m)	Operator budget (\$m)
<b>Socialised</b>		<b>2027</b>			<b>2036</b>	
Existing terminal	3.67	84.2	309.0	4.79	84.2	403.3
... with socialised expansion	3.46	91.2	315.6	4.21	99.1	417.2
Implied increase			6.6			13.9
<b>Differentiated</b>						
Existing terminal	3.39	84.2	285.4	4.07	84.2	342.7
Differentiated expansion	4.33	7.0	30.3	5.04	14.9	75.1
Total budget implied			315.7			417.8

### Significant economies of scale

Contracted terminal capacity increases by around 18 per cent (14.9mt increase on 84.2mt), though the Operator's total OM&C budget is projected to increase by only 3.4 per cent (\$13.9m increase from \$403.3m budget). Average handling charges therefore decline by around 12 per cent, under the socialised pricing approach.

### Setting the Operator's OMC budget

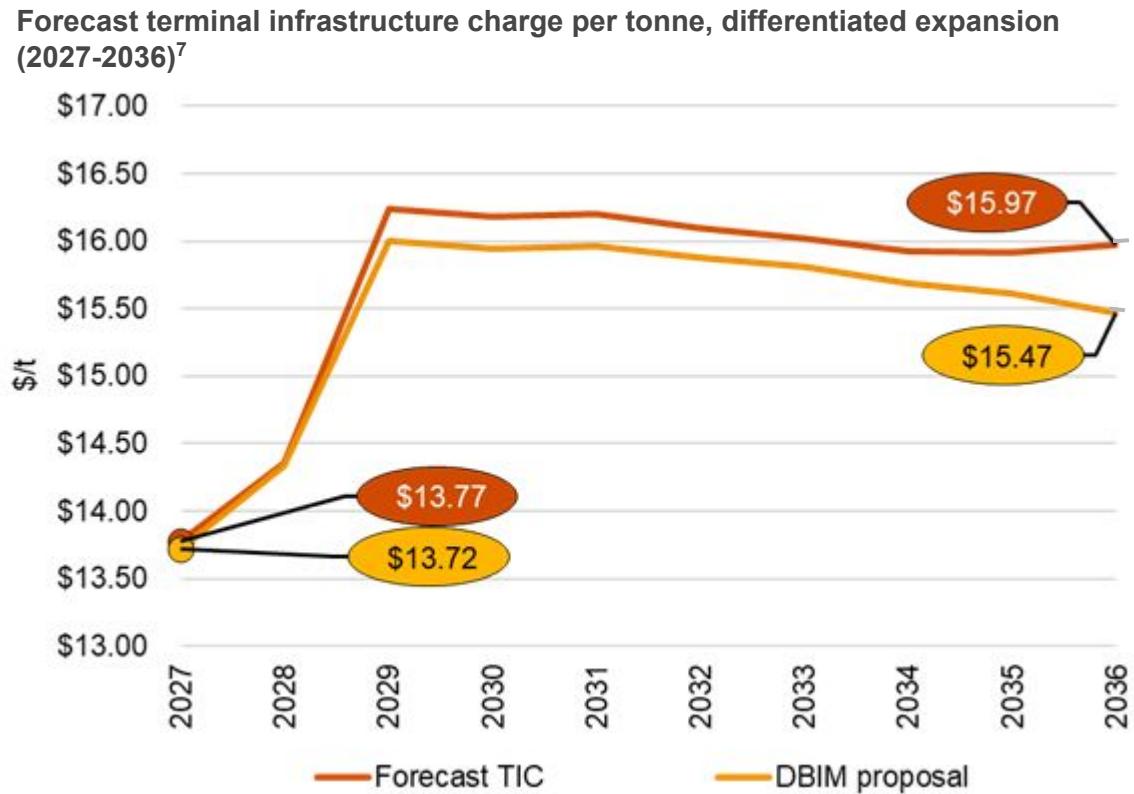
Handling charges are reset annually, based on the Operator's projected operations and maintenance budget, and are subject also to an annual 'true-up' adjustment. This introduces a degree of forecasting risk, which is relevant insofar as projected reductions in handling charges (see above) are necessary to offset increases in the TIC for existing users under a socialised pricing approach.

### Differentiated Handling Charges are materially higher

DBIM's interpretation of 11.10(b) of the Undertaking envisages a differentiated charge where expanding users pay both a share of existing terminal operating costs *and* all incremental costs. Handling charges would be around 24 per cent higher for expanding users, while existing users would incur a handling charge lower than if the expansion did not occur, or progressed under a socialised pricing approach.

# Similar to the socialised scenario, our modelling reconciles closely to DBIM's for 2027, but variances emerge over the forecast period

The differentiated TIC for expanding users would be five times higher than for existing users



## Indicative TIC modelling for a differentiated 8X expansion

Using DBIM's cost assumptions, we modelled an indicative TIC under a differentiated pricing approach retaining the commercial parameters from the current AU.

Similar to the socialised TIC scenario, our modelling reconciles closely to DBIM's projections for 2027, but variances emerge over the forecast period. A potential source for this variance is the capitalisation and depreciation profile used by DBIM for the 8X expansion, for which we have had to make simplifying assumptions.

## A differentiated TIC would be more than five times higher than the existing terminal TIC

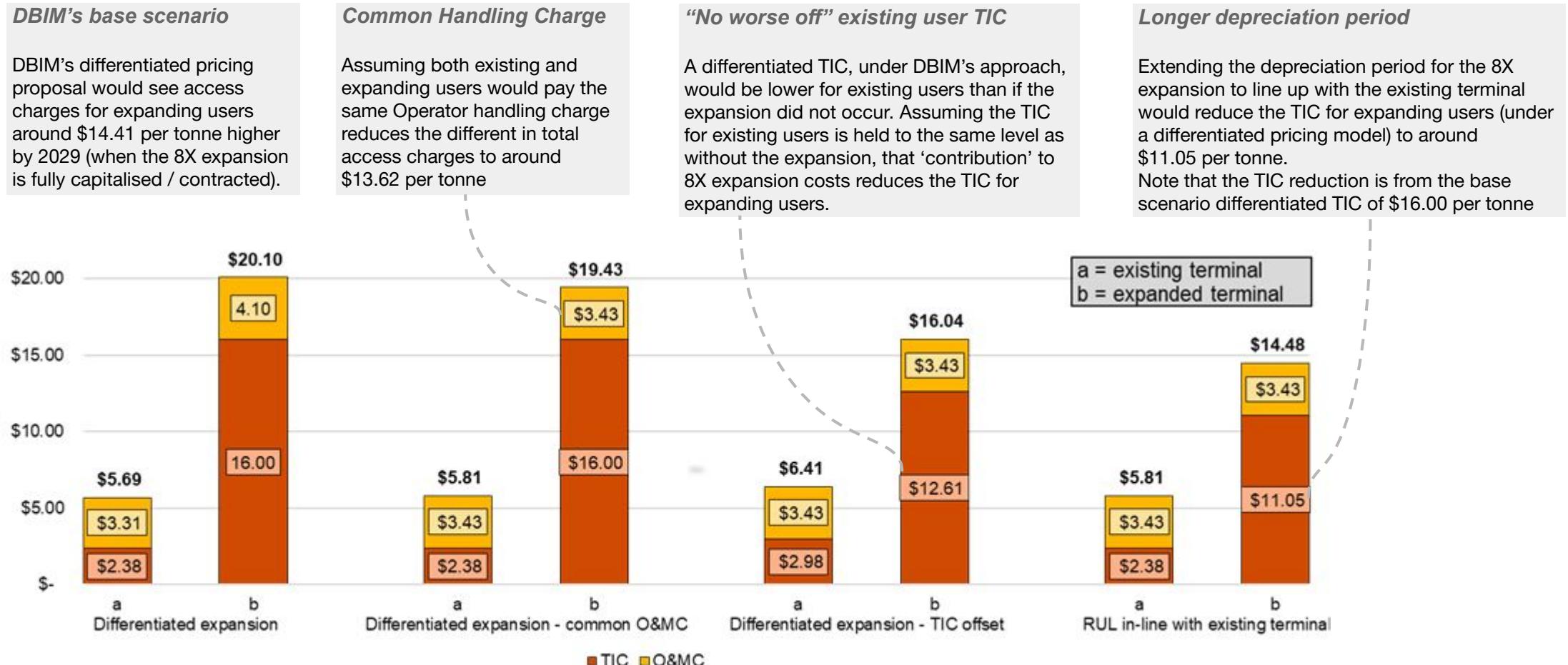
The differentiated TIC is based on expanding users paying a proportionate share of the current terminal costs, plus all 8X expansion costs. Different to the socialised pricing scenarios, and as outlined by DBIM, costs for 8X were depreciated according to an accelerated 10 year schedule to align with the term of the Expansion Parties' access agreements "in order to mitigate the risk of asset stranding".

In 2029, when the 8X expansion is fully operational, the differentiated TIC is estimated by DBIM to be \$16.00 per tonne, relative to an existing terminal TIC of \$2.98 per tonne.

<sup>7</sup> Dalrymple Bay Infrastructure Management Pty Ltd (2021), Dalrymple Bay Terminal 8X Expansion - FEL2 Study: Application for Ruling on Pricing Method, March 2021, Page 36

# Differentiated TIC

DBIM has proposed a particular interpretation of differentiated pricing which amplifies the apparent difference between access charges for existing and expanding users



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