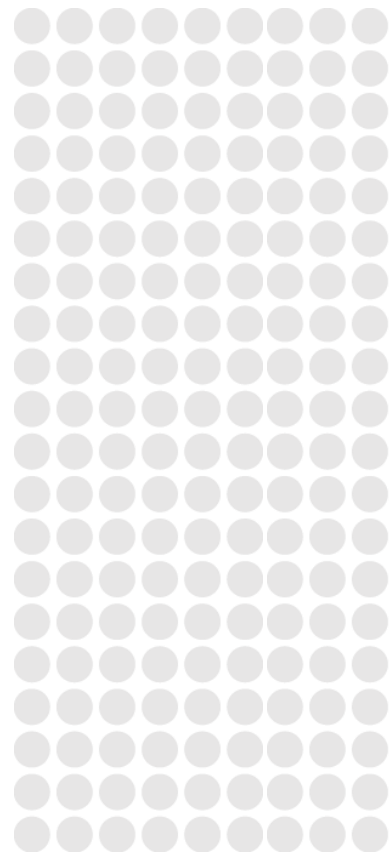




amadeus gas pipeline

2021-26 access arrangement — engaging with you on our plans

Draft for consultation December 2019



energy. connected.



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1 message from the ceo

APA proudly owns and operates the Amadeus Gas Pipeline (AGP), which plays an important role transporting natural gas to Darwin, Alice Springs and regional centres throughout the Northern Territory. The gas transported in the AGP is primarily used to power communities and industry in the Northern Territory.

APA's Purpose is to strengthen communities through responsible energy. This means doing the right thing, even in tough situations; creating value for all our stakeholders; taking a long-term view and being here for our future generations; investing in future technologies and new energy; and innovating for a sustainable future.

The community engagement we are undertaking as part of our access arrangement plans for the AGP is perfectly aligned with our Purpose. By consulting widely with all interested parties and stakeholders, including current and potential pipeline customers and end consumers, APA will be able to prepare an access arrangement for 2021 through 2026 that truly does strengthen communities through responsible energy.

This is an especially important process for APA as our community engagement for the AGP's access arrangement will be our pilot for how we involve the various pipeline stakeholders across our infrastructure portfolio into the future.

In June 2020, we will submit our proposed five-year plans for the AGP to the regulator. Beforehand, we want to know what you, or the individuals and businesses you represent, have to say about our plans.

To that end, we have established the Amadeus Gas Pipeline Consumer Reference Group to provide community perspectives about our preliminary thinking. You will find the details of this Group, when and where it will be meeting and how you can participate in the following pages of this report.

This is an exciting and important initiative for APA and we are looking forward to hearing from you.

Rob Wheals
CEO and Managing Director

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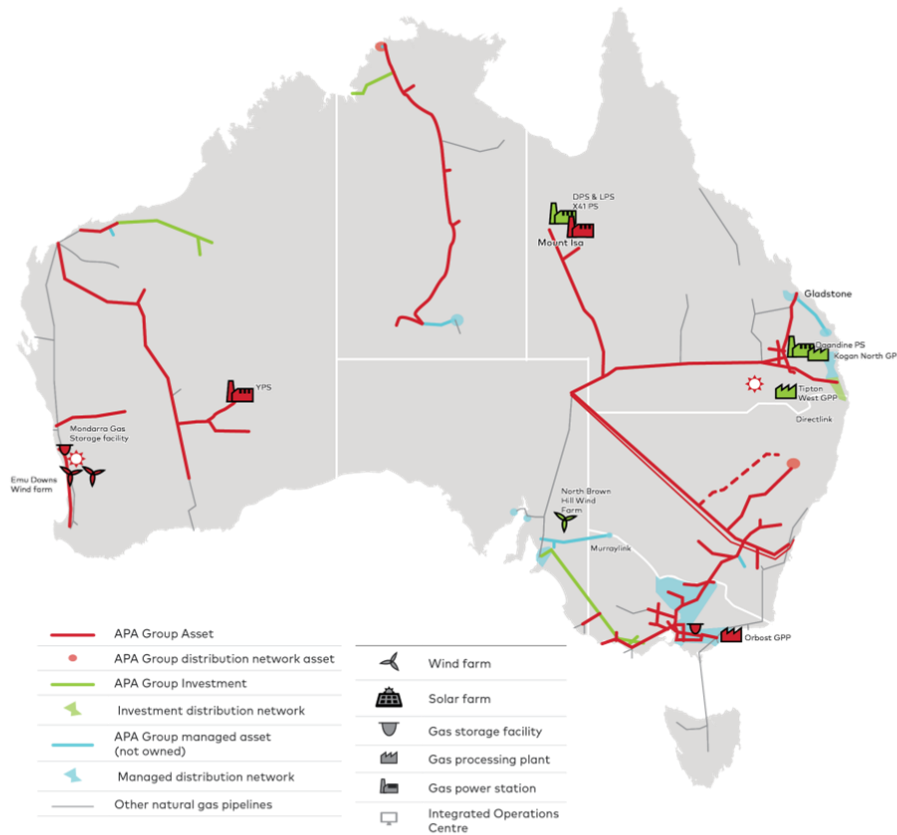
2 introduction

Here we provide an introduction to who we are and what we do.

2.1 who is APA

APA has been connecting Australians to energy since 2000. We started with one gas transmission pipeline and now own and operate the largest interconnected gas transmission network in Australia. We carry around half of the gas used in Australian homes and businesses.

And it's not just pipelines. We also own and operate a distribution network, gas storage and processing facilities, wind and solar farms, and a gas power station.





We own and operate \$21 billion of energy infrastructure assets across Australia and have a skilled workforce of in excess of 1,800 people.

2.2 what we stand for?

All APA employees work according to our Purpose, Vision, Strategic Imperatives and Culture.

Purpose: We strengthen communities through **responsible energy**.

Vision: To be **world class** in energy solutions.

Strategic Imperatives: **People and Culture, Operational Excellence, Customer Centric, Financial Strength, Growth and Innovation, Stakeholder Relationships.**

Culture: Built on our **STARS values**, we are customer focused, innovative and collaborative, with empowered and energised teams.

Our STARS values are Safe, Trustworthy, Adaptable, Results and Service.

2.3 the Energy Charter

APA is a founding member of the Energy Charter, which is an industry-led initiative aimed at improving outcomes for all customers across the spectrum, including households, small businesses, and medium to large enterprises.

As a signatory to the Energy Charter, we have committed to five key principles:

1. We will put customers at the centre of our business and the energy system.
2. We will improve energy affordability for customers.
3. We will provide energy safely, sustainably and reliably.
4. We will improve the customer experience.
5. We will support customers facing vulnerable circumstances.

2.4 our customer promise

APA launched its Customer Promise in 2019. This Promise clearly states how all APA people will keep our customers at the centre of everything we do.

A graphic with a black background. On the left, the text 'apa's customer promise' is written in white, bold, sans-serif font. Below the text is a red icon of two hands shaking. On the right, a large white circle contains a red circle. Inside the red circle, the text 'Our promise is to deliver service you value.' is written in white. Below this, the text 'We will...' is written in white, followed by a bulleted list of three items: 'Listen to understand.', 'Enable our people to respond.', and 'Do what we say we'll do.'.

**apa's
customer
promise**

**Our promise is to
deliver service
you value.**

We will...

- Listen to understand.
- Enable our people to respond.
- Do what we say we'll do.

The customer in Our Customer Promise refers not only to users of our pipelines, called shippers, but also the end users of the gas we are transporting.



3 about the Amadeus Gas Pipeline

An overview of the Amadeus Gas Pipeline and the regulatory landscape that applies to the way we operate it.

3.1 Amadeus Gas Pipeline — serving the Northern Territory

The Amadeus Gas Pipeline (AGP) has an important role in powering communities and the economy of the Northern Territory.

The AGP started delivering gas in January 1987. It extends approximately 1,500 kilometres, from gas fields in the Amadeus Basin, in central Australia, to Darwin. It transports natural gas to Darwin, Alice Springs and regional centres throughout the Northern Territory, primarily to fuel electricity generation. APA does not own the gas in the pipelines. We provide services to the businesses that do.

The AGP is a bi-directional pipeline, meaning gas can flow north to the interconnection with the Northern Gas Pipeline, and to Darwin; and gas can flow south, from Ban Ban Springs, to the interconnection with the Northern Gas Pipeline.

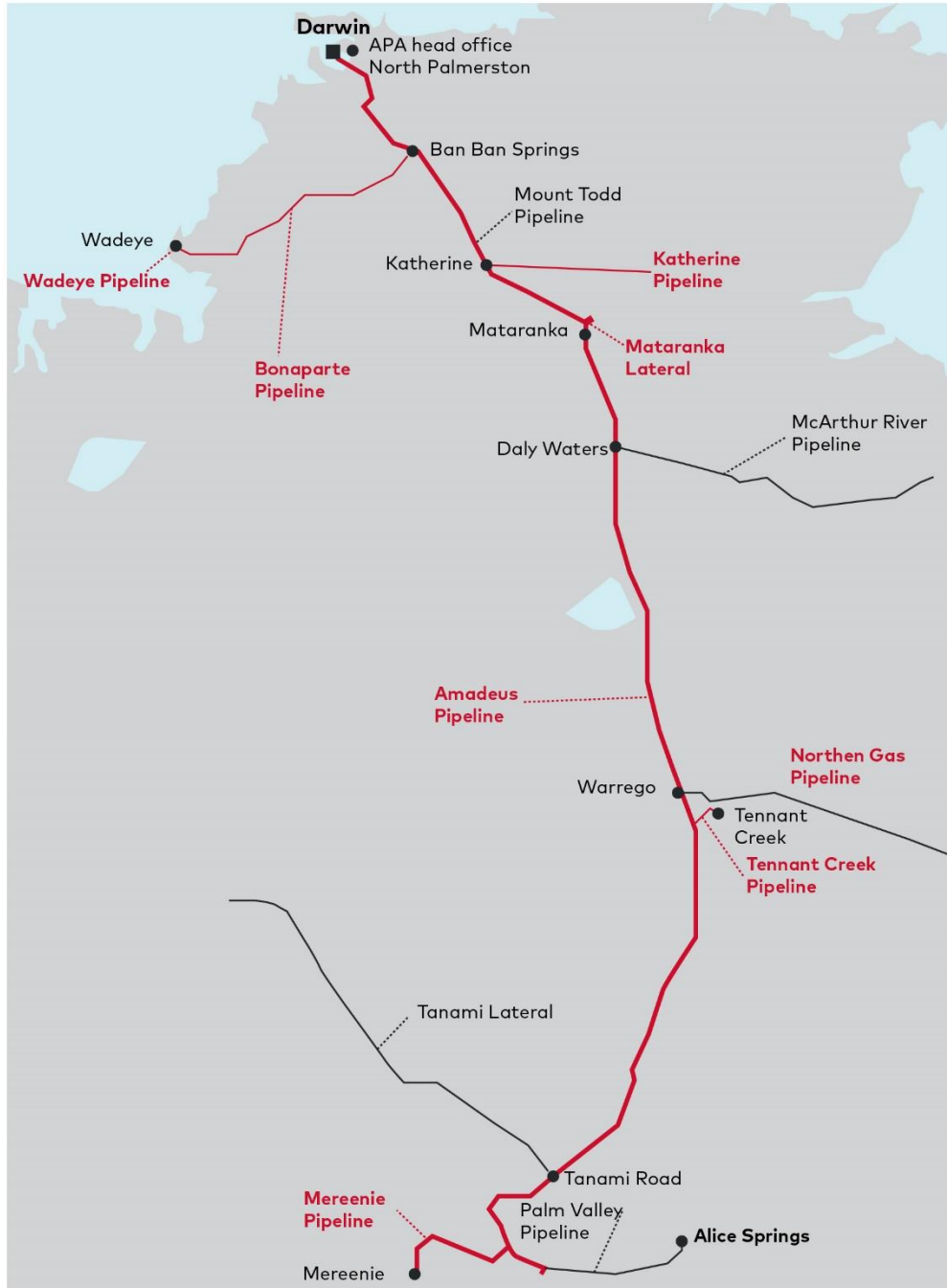
The geographic location and route of the AGP are shown in the map.

Further information on the Amadeus Gas Pipeline is available on our website at <https://www.apa.com.au/our-services/gas-transmission/central-region-pipelines/amadeus-gas-pipeline/>.



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3.2 regulatory landscape for gas transmission

Amadeus, like other nationally important gas transmission pipelines, is regulated under the National Gas Law and the National Gas Rules. The Amadeus Gas Pipeline is a fully regulated pipeline, which means that prices for reference services, and the terms and conditions on which those services are provided, are subject to regulatory oversight by the Australian Energy Regulator.

Oversight of a fully regulated pipeline is achieved through the Australian Energy Regulator approving an initial access arrangement for the pipeline, and subsequently approving periodic revisions to the access arrangement.

The access arrangement for a fully regulated pipeline sets out, among other things, the reference services that can be provided using the pipeline, the terms and conditions on which those services will be provided, and the reference tariffs for the services. The form and content of the access arrangement, and the approval process which must be followed by the Australian Energy Regulator when approving access arrangement revisions, are specified in the National Gas Rules.

The provisions of the access arrangement must be consistent with the national gas objective. Access arrangement revision, and the approval of revisions by the Australian Energy Regulator are, therefore, guided by that objective. The national gas objective is, "The promotion of efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas".

As an economic regulator, the Australian Energy Regulator is focused on ensuring that our operations and investments are prudent and efficient, and, in the long-term interests of consumers.

An initial access arrangement for the Amadeus Gas Pipeline was approved in March 2003. Revisions to that access arrangement were approved, by the Australian Energy Regulator, in 2011 and in 2016.

The revised access arrangement approved in 2016 requires APA to submit further revisions on 1 July 2020, and those revisions are expected to have effect for a period of five years from 1 July 2021.

We are now preparing the revised access arrangement for the 2021-26 regulatory period.



Changes to the National Gas Rules, in 2019, introduced new steps into the access arrangement revision process to allow pipeline users and gas consumers to consider, and to provide the Australian Energy Regulator with their views on, the services that should be included in the next access arrangement revisions for a pipeline. These new steps allow time for careful consideration of the key issue of which services are to be reference services before revisions to an access arrangement are prepared and submitted.

In July 2019, we held a workshop to engage on the reference services for Amadeus. At the end of July, we submitted our reference service proposal to the Australian Energy Regulator.

Our proposal was for only firm transportation service to be a reference service. Firm service means we give the user the highest priority access to capacity on the pipeline. If we can provide them, we will offer other services on a negotiated basis. The proposal was published on the regulator's website. One written submission was made on the proposal. That submission, and our response, are also on the regulator's website.

At the time of preparing this document, the Australian Energy Regulator had not yet published its decision on the reference service proposal.

Further information on APA's reference service proposal for Amadeus is available at <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/amadeus-gas-pipeline-access-arrangement-2021-26>.

3.3 Amadeus firm service

At present, all of the capacity available for the provision of firm service is used by a single user under a long-term gas transportation agreement negotiated before the current access arrangement for the pipeline came into effect.

Given the capacity for firm transportation service on Amadeus is fully contracted, APA is only able to offer a prospective user seeking transportation an interruptible transportation service.

Tell us what you think

1. Is there other information you want us to provide about the Amadeus Gas Pipeline?
2. Do you have any questions about the current arrangements for the AGP?



4 regulation of gas transmission pipelines

The regulation of gas transmission pipelines is prescribed in the National Gas Law and Rules.

4.1 regulatory process

The National Gas Rules set out the way the Australian Energy Regulator assesses our proposed revisions to the access arrangement.

The key regulatory milestones and the indicative timeline Australian Energy Regulator and APA are required to follow are shown below.

Indicative timeline	Milestone	Description
August 2019	AER publishes reference service proposal	APA submitted our proposed reference services.
6 September 2019	Submissions on the reference service proposal close	The AER received one submission to our proposal. APA has responded to the AER.
December 2019	AER to publish reference service proposal decision	AER makes a decision on the reference services, taking into consideration our proposal and submissions.
1 July 2020	We submit access arrangement proposal	Our proposed access arrangement revision will set out our regulatory revenue requirements for reference services and the revised access arrangement.
August 2020	Submissions on access arrangement proposal close	The AER will publish our proposal soon after it is submitted and request submissions
November 2020	AER to publish access arrangement draft decision	The AER considers the submissions to the proposal and must make a draft decision indicating whether or not the AER is prepared to approve the access arrangement. If not, the AER will set out the changes needed for it to accept the proposal.



January 2021	APA submits revised access arrangement proposal	We will consider the AER's draft decision, and if necessary make a revised access arrangement proposal
February 2021	Submissions on APA's revised access arrangement proposal close	The AER will publish our revised proposal soon after it is submitted and request submissions
April 2021	Final decision published	AER publishes its final decision

4.2 revenue building block approach

To determine the allowed regulatory revenue used to calculate prices for reference service (the reference tariffs of the access arrangement), the Australian Energy Regulator applies the building block method. The building block components represent the costs that are allowed to be recovered as revenue from reference services.

The Regulator will carefully scrutinise our proposed building block components to ensure that they represent the prudent and efficient costs we will incur in providing reference services.

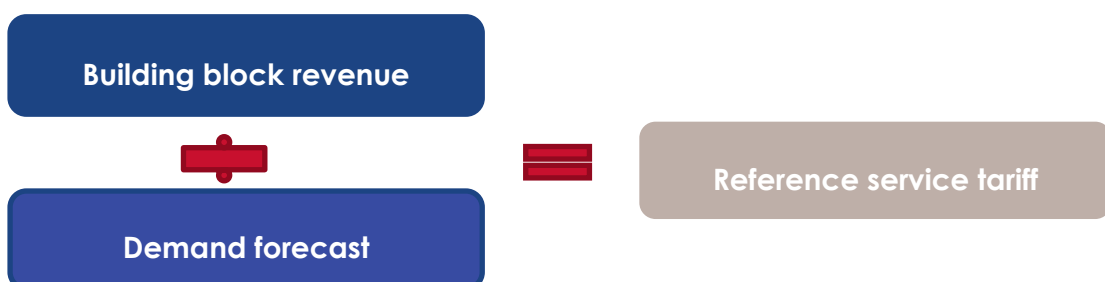
The building block components are illustrated in the following diagram.

Components of the regulatory building block revenue



4.3 tariff setting

The Australian Energy Regulator makes a decision about the revenue requirement for regulated reference services then derives a tariff based on forecast demand. This decision is guided by provisions in the National Gas Rules.





5 new ways of engaging with you...

Your input will help shape our 2021-26 proposal for the Amadeus Gas Pipeline. We are proposing a number of activities to engage with consumers.

5.1 why are we engaging on Amadeus?

In July 2019, we held a workshop in Darwin to discuss proposed reference services for Amadeus. The workshop revealed a significant interest in the future plans for the AGP. We decided to broaden the engagement plan to include a wider group of consumers to help develop the proposed access arrangement for the 2021-26 period.

The main purpose of the Amadeus engagement plan is to receive insights and input from the community of gas customers, consumers and stakeholders in the Northern Territory who are impacted by the Amadeus Gas Pipeline.

We want the community to have a better understanding of our proposed plans for operating and investing in the AGP over the 2021-26 access arrangement period. We want to hear your views on our proposed operating expenditure and investments, and we want you to provide the community perspective. Your input will help to shape our thinking for the AGP.

5.2 principles of engaging with you

APA will utilise best practice principles when engaging with AGP stakeholders. This means:

- **No surprises.** We want to reveal as much as possible about our plans ahead of making our submission to the regulator. We want consumers and the regulator to feel that during the engagement process we have revealed the details, both big and small, of our plans and thinking.
- **Clear, accurate and timely communication.** We will aim to prepare information with sufficient time for you to consider and provide feedback. We intend to hold four roundtables before submitting our proposal by 30 June 2020.

- **Easy to understand.** We will prepare and provide accessible, non-technical information that can be read and understood by a wide audience. We propose to make this information available on our website.
- **Transparent.** We aim to be transparent about our thinking and plans. But, as an ASX-listed company, there are rules about what we can and can't make public. The information we provide to you will meet the disclosure requirements.
- **Consumer influence.** We aim to be open about what is and what isn't open to consumer influence. We will let you know about these in advance. For example, our operating and capital expenditure plans are open to influence, however, rates of return have essentially been predetermined and we will be presented for information only.
- **Measurable.** We will seek your feedback on the engagement process, and we will ask you to rate us on the above principles.

Ultimately, when developing the regulatory proposal, we want to have an open and honest dialogue with truly engaged consumers.

5.3 ways we will engage

We want to make consumer engagement accessible to the people and businesses impacted by the Amadeus Gas Pipeline. We are looking to engage consumers and stakeholders using a number of different ways.

5.3.1 engagement plan for Amadeus

This document represents our proposed plans to engage with consumers on the revised access arrangement for the Amadeus Gas Pipeline. We are interested in hearing your views on the draft engagement plan. We have set out questions seeking your views on a number of topics in section 8.

5.3.2 amadeus consumer reference group

APA has established the Amadeus Consumer Reference Group, which includes representatives from a wide section of the AGP community. We have invited direct customers, prospective customers, industry, consumer advocates, land owners, and the Northern Territory Government. We have also invited the Australian Energy Regulator to attend as an observer.



Participants on the Amadeus Consumer Reference Group include:

- Council of the Ageing NT (COTANT)
- St Vincent de Paul
- NT Cattleman's Association
- Power and Water Corporation
- Central Petroleum
- McArthur River Mine (Glencore)
- Northern Cement / Adelaide Brighton Limited
- Darwin Galvanising
- Manufacturing Australia
- Santos
- Origin Energy
- Gas Trading Australia
- Department of Trade, Business and Innovation (NT)
- Australia Energy Regulator (observer)

The role of the consumer reference group is to provide APA with consumer and community perspectives, review our plans, and question our intentions for the access arrangement. We are seeking to better understand what consumers want us to focus on when we prepare our plans.

The role of the consumer reference group is to tell us what you think about our plans while developing our proposed access arrangement. We will use this feedback to help shape our proposal. The proposed access arrangement will then be submitted to the Australian Energy Regulator for a decision.

5.3.3 roundtables

APA proposes to hold four roundtables with the Amadeus Consumer Reference Group. The roundtables will be held between December 2019 and May 2020, prior to submitting our proposal. We are proposing to meet in

Darwin and to use virtual meeting room technology for those who cannot attend in person.

APA will record the minutes of these roundtables, take questions on notice and publish responses on our website. This will provide transparency for those attending and for those unable to attend but still interested in the engagement process.

The indicative timelines for the roundtable are discussed in section 7.

5.3.4 Amadeus webpage

We have established an engagement page on the APA website for the Amadeus Gas Pipeline 2021-26 access arrangement revision. All the engagement documents for Amadeus will be placed on this page during the engagement process.

The engagement plans for Amadeus can be found at:

<https://www.apa.com.au/about-apa/our-projects/amadeus-gas-pipeline-access-arrangement/>

5.3.5 meetings

Some consumers may wish to meet with us rather than raise matters in a public roundtable.

We are willing to meet with consumers on an individual basis.

5.4 ways of working

5.4.1 scope of engagement

While we will be seeking your views on a wide range of topics, there are some things that are essentially finalised under the regulatory rules that we operate under. We will let you know when this is the case.

The main areas where we seek your views are likely to be for our capital and operating expenditure proposals.

We expect that the consumer reference group members will represent the views of their organisations. We value the likely broad range of views and will consider them preparing our final proposal. We are not seeking consensus of views from the reference group.

5.4.2 *house rules*

The main rule we propose is that the discussions during the roundtable are respectful.

We are not intending to attribute any comments or questions to you or your organisation, unless you want us to.

Tell us what you think:

3. Are you happy with the way we propose to engage with the AGP consumer reference group?
4. Can you suggest other ways we may better engage with you?



6 things we want you to consider...

We are at the early stages of preparing parts of our proposal. Here we set out the topics we propose to engage on.

6.1 information on Amadeus

We will present information about the characteristics of the Amadeus Gas Pipeline. We would like to know if there's other information you want us to provide.

6.2 reference services

We will discuss where things stand with the Australian Energy Regulator decision on reference services.

6.3 demand forecasts and utilisation

We will discuss the demand forecasts and utilisation and why they are important. We will explain our forecasting method and present actual demand and forecast demand (preliminary).

6.4 capital expenditure

We will discuss how we have developed our proposed capital expenditure plans and projects. Our discussions will cover the asset management plans which underpin proposed expenditures on capital projects. Is there any particular information on capital expenditure that you wish to discuss?

6.5 operating expenditure

We will explain our method for forecasting operating expenditure and our proposed expenditure forecast. Is there any particular information on operating expenditure that you wish to discuss?

6.6 rate of return on capital

We will discuss our proposed rate of return on investment but note that the setting of the rate of return is heavily prescribed by the Australian Energy Regulator's Rate of Return Instrument (2018).



6.7 setting the tariff for reference services

We will cover how the tariff for reference services are calculated. Currently, the reference tariff — for firm service — is a simple price per unit of contracted capacity (\$/GJ MDQ) payable for transportation between any receipt point and any delivery point.

At this stage we are proposing to retain current form of reference tariff.

Tell us what you think:

5. Do you have any comments on the topics we are proposing to engage on?
6. Are there any other topics or information you wish we include in the engagement plan for the AGP?



7 proposed timeline

We have set out indicative timelines for engagement. These are centred on regulatory timeframes and outlined in the below.

The indicative timing for the roundtables is set out in this table.

Roundtables	Timing	Proposed topics
1. Setting the scene	December 2019	Introduction to APA About Amadeus Gas Pipeline Regulatory landscape Proposed engagement plan
2. Getting to the detail	Mid-February 2020	Asset management plan Services Demand Return and inflation Capital expenditure Operating expenditure
3. More on revenue and pricing	Mid-March 2020	Asset base Return on revenue and depreciation Total revenue (including cost of tax) Tariff structure and indicative tariff Access arrangement
4. How you shaped our thinking?	Mid-April 2020	How we've incorporated your views in our proposal



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We will seek to engage again once the Australian Energy Regulator has released the draft decision in November 2020.

Tell us what you think:

7. Do you consider these timeframes for key engagement activities to be reasonable?



8 next steps... tell us what you think so far

We welcome your feedback on this proposed engagement plan and your thoughts on the first roundtable.

8.1 feedback about our proposals

We would appreciate your views on the following questions. We will forward an online survey to Amadeus consumer reference group participants for their feedback.

Please provide feedback on the following questions:

1. Is there other information you want us to provide about Amadeus Gas Pipeline?
2. Do you have any questions about the current arrangements for the AGP?
3. Are you happy with the way we propose to engage with the Amadeus consumer reference group?
4. Can you suggest other ways we may better engage with you?
5. Do you have any comments on the topics we are proposing to engage on?
6. Are there any other topics or information you wish we include in the engagement plan for Amadeus?
7. Do you consider that the timeframes for the key engagement activities are reasonable?

8.2 how to contact us

Please feel free to get in touch with us with any questions or to make other comments.

Please email your questions or comments to:

AGPAccessArrangement@apa.com.au

Or contact:

John Williams

Manager Regulatory

+61 8 61894594

john.williams@apa.com.au



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Nives Matosin

Manager Regulatory

+61 2 0693 0081

nives.matosin@apa.com.au

We would appreciate your comments by end of January 2020.

Please contact John or Nives if you want any further information or to set up a meeting to discuss any aspect of the engagement plan for Amadeus Gas Pipeline.



A your feedback

A.1 feedback about our proposed engagement plan

We would appreciate your feedback about our proposed engagement plans.

Our online survey will ask you to rate how we are going so far against some of our engagement principles.

- Information was clear, accurate and timely
- Information was easy to understand
- Transparent.

Feel free to provide any other comments to:

Email Address: AGPAccessArrangement@apa.com.au