

Amadeus Consumer Reference Group 2021–26 access arrangement revision



Roundtable 4: What we heard and how we responded; feedback
11 June 2020, via Microsoft Teams

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Agenda for today



Agenda item	Content	Timing
1	Welcome again Who's on the line House rules	5 mins
2	Recap of previous roundtable	5 mins
3	What we have heard from you and how we responded	15 mins
4	Discussion	30 mins
5	Summing up and next steps	5 mins

Welcome & house rules



- **Introductions**
- **House rules**
 - The online format has been introduced due to COVID-19
 - This is intended be an open discussion between the reference group and APA
 - We welcome any issue or question about the access arrangement and its context
 - 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 requested.

What are we hoping to achieve?



Last roundtable meeting

- **In this meeting we shall:**
 - recap – albeit briefly – on what we have learned from you in our previous roundtable meetings
 - explain how we have sought to incorporate what we have learned into our proposed revisions to the Access Arrangement for the Amadeus Gas Pipeline.
- **We shall provide the opportunity for further questions, and for an open discussion.**

Roundtable 3b: brief recap



Proposed reference tariffs

		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Firm service	\$/GJ MDQ	0.5470	0.3374	0.3284	0.3188	0.3111	0.3028
Interruptible service	\$/GJ	n.a.	0.3374	0.3284	0.3188	0.3111	0.3028

- **Significantly lower firm service reference tariff**
- **New interruptible service reference tariff**
- **Two minor changes from last meeting:**
 - Tariff for 2020-21 is no longer an estimate; AER has approved the varied tariff for the year
 - Lower tariff for 2021-22, and “flatter” tariff path

Other access arrangement issues

- **Reference tariff variation mechanism:** can apply to both firm service and interruptible service reference tariffs, requires updating – but no substantial change
- **Queuing requirements:** retain the first come, first served queue; remove priority of pre-existing agreements in respect of access to expanded capacity; change the timelines to accord with the requirements of NGR rule 112 (amended in April 2019)
- **Capacity trading:** retain the basic scheme; amend to recognize capacity trading via the capacity trading exchange administered by the Australian Energy Market Operator
- **Extension and expansion requirements:** amend to comply with rule 104 (amended in April 2019) – otherwise no major change

What have we learned?



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Setting the scene: roundtable meeting 1

- Energy prices the number one concern for businesses and electricity consumers in the Northern Territory
- Short-term businesses are facing tough conditions; longer term, lower cost energy important for long term economic development

We are aware of concerns about energy prices across Australia

We have taken a careful approach to revision of the Amadeus Access Arrangement:

- forecast capital expenditure is low (about \$2 million a year): only the expenditure necessary to replace failed or obsolete (and unable-to-be-maintained) items of plant and equipment.
- forecast operating expenditure is lower than in the previous period

We expect the firm service reference tariff (an indicator of transportation costs in the resent circumstances) to be at least 30% lower than the current tariff

Getting to the detail: roundtable meeting 2

- A key concern was the lack of available firm capacity for gas transportation in the AGP
- Relationship between Amadeus and PWC in so far as it affects the rights of other users on the AGP
- Interruptible service in APA's standard gas transportation agreement a good starting point for design of the interruptible service reference service to be included in the access arrangement

We know there is no spare firm capacity, and we are keen to expand – but interest in new capacity has not yet “firmed” into gas transportation agreements which would financially underpin pipeline expansion; we do not have enough certainty to include an expansion in the access arrangement revision proposal

We have agreed with PWC changes to their gas transportation agreement which should give other users firm rights to expanded pipeline capacity

We redrafted the Access Arrangement to incorporate an interruptible service reference service based on the interruptible service of the APA standard gas transportation agreement, and provided the drafting – we would still appreciate feedback

Revenue and pricing: roundtable meetings 3a

- Our capital expenditure forecast was questioned: further scrutiny should be given to the largest single “line item”, motor vehicles
- We were asked about the asset lives we used for calculating depreciation
- We were asked about the differences between OPEX and CAPEX, and whether expenditure be treated as OPEX rather than CAPEX

We have asked our assets management team to review motor vehicle replacements to ensure that they are in accordance with APA vehicle replacement policy.

The asset lives we used in calculating depreciation were lives commonly used for transmission pipeline assets, and have not been changed from those adopted in previous access arrangement revisions.

We explained that the Amadeus Gas Pipeline was near “mid-life”, and was in good condition: CAPEX was required to replace minor items of equipment which were either at the ends of their lives, or obsolete and unable to be maintained; there was not much scope to treat expenditures as OPEX rather than CAPEX

Revenue and pricing: roundtable meetings 3b

- We provided all of our tariff materials: demand forecast, costs (total revenue) and price calculations
- We did not receive feedback at our last meeting

There is still time for us to take into account views you may have

Discussion



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Over to you

- Questions on the information we have provided
- Questions about the process
- Comments on the reference group meetings: their form, their content, their value
- What could we do better?

Wrapping up and next steps



Wrap up

- Thank you for participating – we appreciate the time you have given to talk with us
- Thanks to Nicole and her team at GHD: for hosting our earlier meetings, and for facilitating the later web-based meetings
- This is not the end of process
- We must submit our access arrangement revision proposal by 1 July
- After that, the AER will call for submissions on the proposal before making a draft decision
- We expect to seek your views again before responding to the draft decision
- That is likely to be December

Thank you all...stay safe.



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