

Amadeus Consumer Reference Group 2021–26 access arrangement revision



Roundtable 5. AER Draft Decision
Tuesday 15 December 2020 via Microsoft Teams

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Agenda for today



Agenda item	Content	Timing
1	Welcome	5 mins
2	Purpose and update	10 mins
3	AER Draft Decision <ul style="list-style-type: none">• Overview• A small change in proposed reference services• A small difference in total revenue• Key aspects of the proposal accepted by the AER• AER required amendments• Pipeline expansion	40 mins
4	Next steps and wrap up	5 mins

Acknowledgement of traditional custodians



We would like to begin by acknowledging the traditional custodians of country throughout Australia and their continuing connection to land and community.

We pay our respect to them and their cultures, and to the elders both past and present.

Welcome & house rules

- **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.

Purpose and update



Purpose and update

- The Australian Energy Regulator's Draft Decision on the Amadeus Access Arrangement revision proposal was issued on 27 November 2020.
- Our response to the Draft Decision is to be in the form of a revised proposal; this revised proposal must be submitted to the AER by 15 January 2021.
- Much of what Amadeus proposed was accepted in the Draft Decision, but some 15 amendments are required to make to the revision proposal acceptable to the AER.
- In our view, these amendments are all relatively minor; they are matters of detail.
- At this stage, we are working to make all of the amendments: before we can complete our work, we wish to hear from you, the Amadeus stakeholders.
- **Any questions or comments?**

AER Draft Decision



Overview of AER Draft Decision

- **Key themes of the Draft Decision were:**
 - ensuring consumers pay no more than they need for safe and reliable gas services
 - interest from stakeholders in expanding the capacity on the Amadeus Gas Pipeline
- **AER said:**
 - Amadeus's consumer engagement has indicated that energy prices are the number one concern for businesses and electricity consumers in the Northern Territory.
 - In response to these concerns, Amadeus submitted a proposal to us that puts downward pressure on gas network charges in the 2021–26 period.
 - A marked improvement in the consumer engagement by APA, compared to engagement in relation to previous access arrangements.
- **This improvement in our engagement was possible because you – our stakeholders – have participated in these roundtable meetings since they commenced in July 2019: we appreciate, and thank you, for the contribution you have made.**

A small change in proposed reference tariffs

- That the amendments to our access arrangement revision proposal are matters of detail, and are all relatively minor, can be seen in the AER's decision on the proposed reference tariffs.
- The small change reference tariffs is a consequence of a small difference between the total revenue of our revision proposal, and the total revenue determined by the AER for its Draft Decision.

- Our proposed firm service reference tariff

Tariff	2021-22
\$/GJ MDQ	0.3168

- AER Draft Decision

Tariff	2021-22
\$/GJ MDQ	0.3177

- The difference: 0.09 cents, or 0.3%.
- We also proposed a nominally identical interruptible service tariff of \$0.3168/GJ (on volume, not MDQ); the AER requires \$0.3177/GJ.

Do you have any questions about the structures and levels of the reference tariffs?

A small difference in total revenue

- AER accepted our capacity and throughput forecasts for the Amadeus Gas Pipeline.
- The small change reference tariffs is a consequence of a small difference between the total revenue of our revision proposal, and the total revenue determined by the AER for its Draft Decision.
- Our proposed total revenue

\$m, nominal	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total revenue	18.5	19.8	17.6	18.7	19.0	93.5

- AER Draft Decision

\$m, nominal	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total revenue	18.8	20.1	17.6	18.5	18.7	93.7

Are there any aspects of total revenue determination which you would like to explore with us?

Key aspects of our proposal accepted by the AER

- Proposed CAPEX 2021-26 is approved as conforming.
- Application of the current rate of return instrument is accepted.
- Amadeus's OPEX forecast is accepted: meets the OPEX criteria, and rule requirements for forecasts.
- Use of the PTRM to estimate the cost of corporate income tax is accepted: implementation of the findings of the AER's 2018 regulatory tax review has been taken into account.
- Proposed changes to the terms and conditions of the firm service reference service (all relatively minor) are accepted.
- Proposed terms and conditions for new interruptible transportation service are accepted.

Are there any of these aspects of Amadeus's proposal on which you would like further information?

AER required amendments



Revision	Required amendment	
Roll forward of capital base from 2016-21	<ul style="list-style-type: none"> Report capitalized value of leased assets in accordance with AASB 16. Replace estimated CAPEX for 2019-20 with actual CAPEX. Update estimate of CAPEX for 2020-21. 	<ul style="list-style-type: none"> ✓ ✓ ✓
Projected capital base 2021-26	<ul style="list-style-type: none"> Amend PTRM inputs for capitalization of leased assets under AASB16. Forecast asset disposals 2021-26. Forecast capitalised corporate overheads for 2021-26 (add to forecast CAPEX). 	<ul style="list-style-type: none"> ✓ ✓ ✓
Regulatory depreciation	<ul style="list-style-type: none"> Amend remaining asset lives (at 1 July 2021) for Pipelines and Buildings to 55.8 years (from 54.9 years) and 29.7 years (from 27.3 years), respectively. Update expected inflation from 2.39% to 2.37%. 	<ul style="list-style-type: none"> ✓ ✓
Efficiency carryover mechanism	<ul style="list-style-type: none"> Update for chosen OPEX base year (2017-18). Remove lease payments from OPEX. Update forecast inflation for actual. Amend formulae for new access arrangement period (no change in substance; changes to dates). 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓
Cost of tax	<ul style="list-style-type: none"> Amend the opening tax asset base at 1 January 2021. Amend the estimated cost of corporate income tax for the period 2021-26. 	<ul style="list-style-type: none"> ✓ ✓
Reference tariffs	<ul style="list-style-type: none"> Recalculate reference tariffs using the building blocks of the total revenue as required in the Draft Decision. 	<ul style="list-style-type: none"> ✓
Tariff variation mechanism	<ul style="list-style-type: none"> Definitions of the cost pass through events (insurance credit risk, natural disaster, terrorism) in clause 4.7.3 of the Access Arrangement to be amended to be consistent with the definitions in recent AER decisions. 	<ul style="list-style-type: none"> ✓

Pipeline expansion

- The Draft Decision referred to interest in additional capacity in the Amadeus Gas Pipeline.
- Although we did not include pipeline expansion in our revision proposal, the Draft Decision advised that the AER could consider expansion as part of the revised proposal to be submitted by 15 January 2021, provided Amadeus has engaged with stakeholders.
- We do not anticipate being able to progress discussions with prospective users, complete all of the engineering studies, and reliably estimate the costs of new facilities, to allow meaningful consultation with stakeholders before 15 January 2021.
- Without further consultation, and without reliable cost estimates for tariff determination, we do not expect to be able to submit to the AER a revised proposal which includes pipeline expansion.
- An alternative is available: an expansion proposal could be progressed – at a later time – under the extensions and expansions provisions of the Amadeus Access Arrangement, and by Amadeus applying for an advance determination in respect of the capital expenditure under NGR rule 80.

Do you have any comments or questions?

Next steps and wrap up



Next steps

- In its Draft Decision, the AER has largely accepted our proposed revisions to the Amadeus Access Arrangement: we see the 15 amendments required for the revision proposal to be acceptable to the AER to be relatively minor.
- We expect to make all of the 15 amendments, and to submit a revised proposal which can be accepted by the AER.
- As we proceed, we shall be guided by the reference group as to whether:
 - We hold a further roundtable to discuss our response to the AER Draft Decision, or
 - Distribute our draft response for review and comment.
- **We must submit our response to the AER draft decision by 15 January 2021.**

Next steps

- **Our submission of a revised proposal does not close your opportunity to comment: stakeholders are invited to make submissions to AER on both draft decision and our revised proposal by 23 February 2021.**
- **The AER has indicated that it expects to make a final decision on proposed revisions to the Amadeus Access Arrangement by 30 April 2021.**

Wrap up

- Summary of the discussion today
- Invite comments from participants

Thank you for participating
Wishing everyone a safe, peaceful and happy Christmas.
See you in 2021!



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Or visit the APA website:

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Or Amadeus engagement webpage:

[apa.com.au/about-apa/our-projects/amadeus-gas-pipeline-access-arrangement/.](http://apa.com.au/about-apa/our-projects/amadeus-gas-pipeline-access-arrangement/)

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