

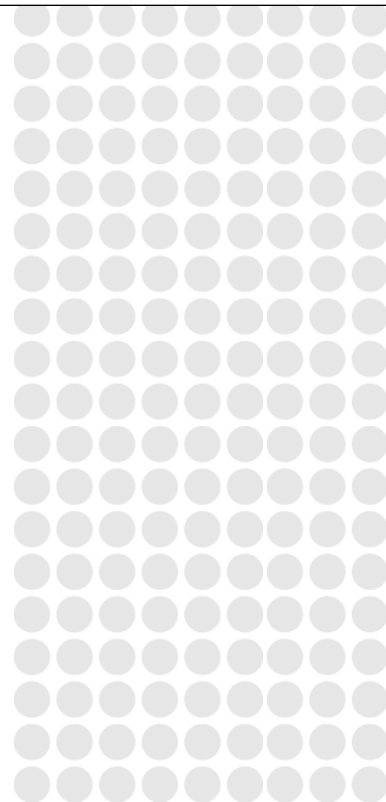


# Victorian Transmission System

## 2023-27 access arrangement - engagement plan

October 2020

Draft for comment by end November 2020





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## 1 Foreword

APA proudly owns the Victorian Transmission System which plays an important role providing gas to Victorian households and businesses. The gas transported on the VTS is used to power communities and the economy in Victoria.

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 stakeholder engagement we are undertaking as part of our access arrangement plans for the VTS is aligned with our Purpose. By consulting widely with parties impacted by the VTS, APA will be able to prepare an access arrangement for 2023 through 2027 that truly does strengthen communities through responsible energy.

In December 2021, we will submit our proposed five-year plans for the VTS 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 Victorian Transmission System Stakeholder engagement 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 engaging with you.



## 2 Ways of engaging with you

APA owns the Victorian Transmission System and we are required to review the access arrangement for VTS for the 2023-27 period. The access arrangement contains the terms and conditions for access to the VTS.

APA is committed to better engagement with stakeholders. Your input will help shape our 2023-27 access arrangement proposal for the VTS.

### 2.1 APA engagement for regulated assets

The main purpose of the VTS engagement plan is to receive insights and input from the community of gas customers, consumers and stakeholders in Victoria who are impacted by the VTS.

We want the community to have a better understanding of our proposed plans for operating and investing in the VTS over the 2023-2027 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 VTS.

### 2.2 Engagement principles

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

- **No surprises.** We want stakeholders 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 monthly roundtables before submitting our access arrangement proposal by 1 December 2021.
- **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.

- **Provides for influence.** We aim to be open about what is and what isn't open to stakeholder 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.

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

We will seek your feedback on the engagement process, and we will ask you to rate us on the above principles at the end of the engagement for the revised access arrangement.

## 2.3 Ways we will engage

We want to make stakeholder engagement accessible to the people and businesses impacted by the VTS. We are looking to engage using a number of different ways.

This document represents our proposed plans to engage with stakeholders. We are interested in hearing your views on the draft engagement plan.

### 2.3.1 VTS stakeholder engagement group

APA has established the VTS Stakeholder Engagement Group, which includes representatives from a wide section of the VTS community. We have invited direct customers, prospective customers, industry representatives, consumer advocates, and Victorian Government. We have also invited the Australian Energy Regulator to attend as an observer.

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

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.



### 2.3.2 Roundtables

APA proposes to hold monthly roundtables VTS Stakeholder Engagement Group. The roundtables will be held between October 2020 and November 2021 our revised access arrangement proposal. At this stage, we are proposing conduct the meeting online via MS Teams. We may review this format in due course.

The indicative timelines for the roundtable are discussed in section 6.

### 2.3.3 VTS engagement webpage

We will establish an engagement page on the APA website for the VTS 2023-2027 access arrangement revision. All the engagement documents for VTS will be placed on this page during the engagement process.

### 2.3.4 Meetings

Stakeholders who are not able to attend the roundtables or wish to meet face-to-face may request a separate meeting. We are willing to meet with people on an individual basis.

## 2.4 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 stakeholder engagement 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 engagement group.

#### Tell us what you think:

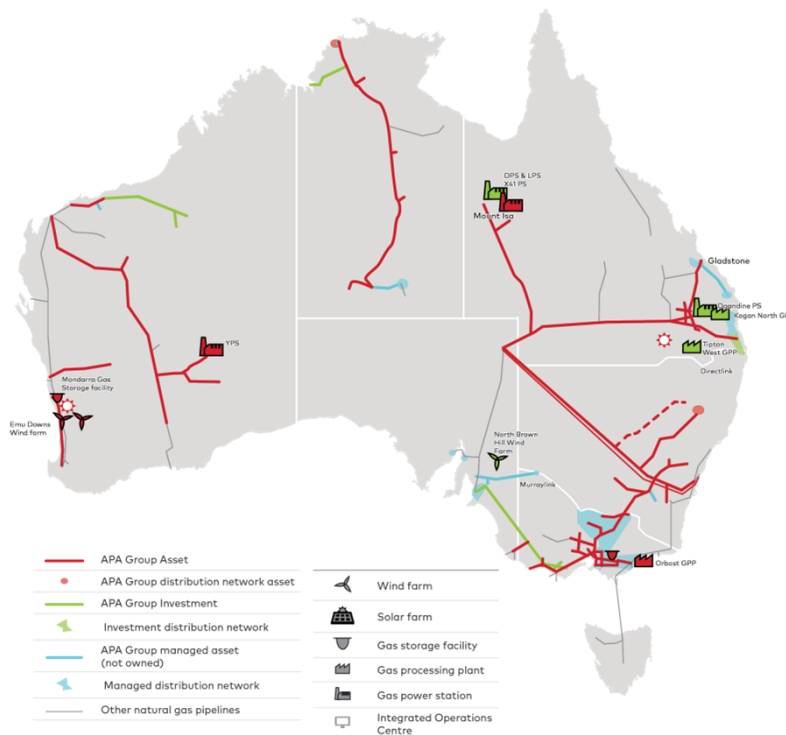
1. Do you have any comments about the way we propose to engage? Do you have any suggestions?

### 3 About APA

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

#### 3.1 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 distribution networks, gas storage and processing facilities and power generation assets.

We own and operate \$22 billion of energy infrastructure assets across Australia and employ over 1,900 people.

#### 3.2 Our Purpose, vision, values

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.

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

### 3.3 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.



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.

### 3.4 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 including putting customers at the centre of our business.





## 4 About the Victorian Gas Transmission System

An overview of the VTS and the regulatory landscape that applies to the way we operate it.

### 4.1 Victorian Transmission System — serving Victorian customers & community

Almost all the gas consumed by Victorians is transported along the VTS. The VTS transports over 200 petajoules of gas per year to customers located in Victoria, and across the east coast of Australia.

The transported gas is split evenly between industrial customers and residential, small business and small commercial customers.

The VTS comprises over 2000 kilometres of pipelines and associated facilities supplying the Melbourne metropolitan area, country Victoria. The VTS is a critical link in the interconnected east coast gas transmission grid - supplying gas in New South Wales and South Australia.

Further information on the VTS is available on our website at <https://www.apa.com.au/our-services/gas-transmission/east-coast-grid/victorian-transmission-system/>

Figure 1 Map of the Victorian Transmission System



During the engagement, we will be presenting information on our plans for meeting the long term interests of consumers.

#### 4.2 Victorian wholesale gas market

The Victorian Wholesale Gas Market is a market carriage system, implemented by the Victorian Government as part of the restructuring and privatisation of the Victorian gas industry in 1997 and 1998. The Victorian. The market carriage system is unique to Victoria.

Wholesale Gas Market is a Declared Wholesale Gas Market under the NGL. Market Carriage incorporates a number of important features that are different from traditional contract carriage arrangements. In particular:

- shippers are not required to reserve capacity under long-term take or pay contracts in order to ship gas; tariffs are pay-as-you-go;
- AEMO operates a spot market into which Market Participants must bid gas supply

### 4.3 Service agreement with AEMO

As a declared transmission system, APA has a service agreement with AEMO for the control, operation, safety, security and reliability of the declared transmission system. APA makes the VTS available to AEMO, and in doing so provides a pipeline service within the meaning of the NGL.

The current SEA expires on 31 December 2022.

**Tell us what you think**

2. Is there other information you want us to provide about the Victorian Transmission System?
3. Is there other information you want us to provide about the Victorian Transmission System access arrangements?

## 5 Regulation of gas transmission pipelines

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

### 5.1 Regulatory landscape for VTS

The VTS is regulated under the National Gas Law and the National Gas Rules. The VTS is a fully regulated pipeline system, 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”.***

The current 2106-2021 access arrangement requires APA to submit access arrangement revisions on 1 December 2021, and those revisions are expected to have effect for a period of five years from 1 January 2023.

We are now preparing the revised access arrangement for the 2023-2027 regulatory period.

## 5.2 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 the Australian Energy Regulator and APA are required to follow are shown below.

Indicative timeline	Milestone	Description
<b>November 2020</b>	APA engages with VTS stakeholder engagement group about reference services	This will be discussed at roundtables 1 and 2.
<b>1 December 2020</b>	APA submits reference services proposal to AER	AER will call for submissions to APA's reference services proposal
<b>TBA</b>	AER calls for submissions to the reference service proposal.	Anyone can make a submission.
<b>1 June 2021</b>	AER to publish reference service proposal decision (no later than six months prior to the review submission date – that date APA's access arrangement revision proposal needs to be submitted)	AER makes a decision on the reference services, taking into consideration our proposal and submissions.  The VTS review submission date is 1 December 2021.
<b>1 December 2021</b>	APA submits access arrangement proposal to AER	Our proposed access arrangement revision will set out our regulatory revenue requirements for reference services and the revised access arrangement.
<b>TBA</b>	AER publishes APA proposal and invites submissions.	The AER will publish our proposal soon after it is submitted and request submissions
<b>TBA</b>	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.



<b>TBA</b>	APA submits revised access arrangement proposal	We will consider the AER's draft decision, and if necessary make a revised access arrangement proposal
<b>TBA</b>	Submissions on APA's revised access arrangement proposal close	The AER will publish our revised proposal soon after it is submitted and request submissions
<b>Expected by 30 November 2022</b>	Final decision published by AER	
<b>1 January 2023</b>	Access Arrangement and revised tariffs become effective	

<b>Tell us what you think:</b>
4. Is there any further information you would like to know about the regulatory landscape for the VTS?

## 6 Indicative timeline and topics

We have set out indicative timelines for engagement.

### 6.1 The plan is to be flexible

The indicative timing for the roundtables and discussion topics is set out in this table. It is only indicative because we will be flexible and 'play it by ear' as to the topics for discussion. We encourage your guidance on topics you'd like to discuss.

Roundtable	Timing (indicative)	Proposed topics
<b>1. Setting the scene - overview</b>	October 2020	<ul style="list-style-type: none"> <li>• Introduction to APA</li> <li>• About the VTS and east coast market</li> <li>• Regulatory landscape (including overview of reference services)</li> <li>• What's top of mind for us (tariff restructure)</li> <li>• Proposed engagement plan</li> </ul>
<b>2. Victoria's market carriage model; and reference service</b>	Mid-November 2020	<ul style="list-style-type: none"> <li>• Describing the market carriage model</li> <li>• Proposed reference services</li> <li>• Feedback from previous meeting</li> </ul>
<b>3. VTS Asset management - key issues &amp; projects for 2023-27 period</b>	Mid-February 2021	<ul style="list-style-type: none"> <li>• VTS Asset management</li> <li>• Key projects for 2023-27 period</li> </ul>
<b>4. VTS demand and utilisation. AEMO Victorian Gas Planning Report</b>	Mid-March 2021	<ul style="list-style-type: none"> <li>• Demand forecasts and utilisation. Why they are important</li> <li>• Tariffs for reference services – proposal for changes</li> <li>• Feedback from previous meeting</li> </ul>
<b>5. Regulatory building block; and forecast operating costs</b>	Mid-April 2021	<ul style="list-style-type: none"> <li>• Recap on the regulatory building block</li> <li>• Calculating tariffs from the building block revenue</li> </ul>
<b>6. Capital</b>	Mid-May 2021	<ul style="list-style-type: none"> <li>• Forecast capital expenditure</li> <li>• Forecast depreciation and</li> <li>• Forecast regulatory asset base</li> <li>• Proposed rate of return</li> </ul>
<b>7. AER decision on reference services, Access arrangement general</b>	Mid-June 2021	<ul style="list-style-type: none"> <li>• Asset base</li> <li>• Return on revenue and depreciation</li> <li>• Total revenue (including cost of tax)</li> </ul>

		<ul style="list-style-type: none"> <li>• Tariff structure and indicative tariff</li> <li>• Access arrangement</li> </ul>
<b>8. Total revenue, revenue allocation and tariffs/ pricing structures</b>	Mid-July 2021	<ul style="list-style-type: none"> <li>• Proposed revisions to the access arrangement</li> </ul>
<b>9. Proposed tariff structure</b>	Mid-August 2021	<ul style="list-style-type: none"> <li>• Proposed tariff restructure (how we've incorporated feedback)</li> </ul>
<b>10. Proposed tariff structure</b>	Mid-September 2021	<ul style="list-style-type: none"> <li>• Discuss AER decision on reference services (likely to be released early September)</li> </ul>
<b>11. Our preliminary positions</b>	Mid-October 2021	<ul style="list-style-type: none"> <li>• Present where we are at with our positions</li> <li>• Obtain your feedback</li> </ul>
<b>12. Our proposals and how you shaped our thinking?</b>	Mid-November 2021	<ul style="list-style-type: none"> <li>• Present our proposed positions</li> <li>• How we've incorporated your feedback in our proposal</li> </ul>

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

**Tell us what you think:**

5. What are your views about the indicative timeframe and the proposed discussion topics?
6. Are there other things you wish to discuss during APA's engagement on VTS?



## 7 Next steps... tell us what you think so far

We welcome your feedback on this proposed engagement plan.

### 7.1 Feedback

We would appreciate your views on the following questions by end November 2020.

#### We would welcome feedback on the following questions

1. Do you have any comments about the way we propose to engage? Do you have any suggestions?
2. Is there other information you want us to provide about the Victorian Transmission System?
3. Is there other information you want us to provide about the Victorian Transmission System access arrangement?
4. Is there any further information you would like to know about the regulatory landscape for the VTS?
5. What are your views about the indicative timeframe and the proposed discussion topics?
6. Are there other things you wish to discuss during APA's engagement on VTS?

### 7.2 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:

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Please contact Scott or Nives if you want any further information or to set up a meeting to discuss any aspect of the engagement plan for VTS.