

Victorian Transmission System Stakeholder Engagement Group 2023-27 access arrangement.

Roundtable 3 – Wednesday 10 February 2021
- Asset management

presented by: Daniel Tucci, Scott Young, Nives Matosin



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Acknowledgement of Traditional Owners



We would like to begin by acknowledging the Traditional Owners as the custodians of country throughout Australia and their continuing connection to land, waters and community.

We pay our respect to Traditional Owners, their cultures, and to their elders past and present.

Discussion points



- 1 Welcome back, house rules, purpose of today
- 2 Recap of discussion so far
- 3 Asset management at APA
- 4 VTS asset management – strategic issues
- 5 Wrap up

Introductions and house rules



- We ask that discussions during the roundtable are respectful.
- This is intended be an open discussion between the engagement group and APA.
- We welcome you to raise any issues or questions about the access arrangement.
- We will keep notes of discussions.
- We are not intending to attribute any comments or questions to you or your organisation, unless requested.

Purpose of today's roundtable



Purpose of Roundtable 3 is to inform, consult, and involve the stakeholder engagement group:

- Recap what we've discussed so far
- To talk about about APA's asset management framework (information session)
- Consult on the strategic asset management issues for VTS and provide opportunity for your input into what are the strategic issues from your perspective (session to consult and involve).

Recap of discussions so far



Topics covered so far

So far we have covered ...

These have mostly been information sessions ...

| Roundtable | Date | Proposed topics |
|---|------------------|---|
| 1. Setting the scene - overview | 28 October 2020 | <ul style="list-style-type: none"> • Introduction to APA • About the VTS and east coast market • Regulatory landscape (including overview of reference services) • What's top of mind for us (tariff restructure) • Proposed engagement plan and timeframe |
| 2. Victoria's market carriage model; and reference service | 25 November 2020 | <ul style="list-style-type: none"> • Describing the market carriage model • Presentation by Roger Shaw from AEMO on entry/ exit certificates • Proposed reference services • Feedback from previous meeting |

What we heard at Roundtable 2



| Topic | Issues raised by stakeholders | Comment/ response |
|--|--|---|
| Capex | <ul style="list-style-type: none"> Discussion about the different Floating Storage and Regassification Unit (FSRU) options in Victoria and Port Kembla in NSW. Seems to be hurdles that cause uncertainty for proponents of FSRUs. Why can't the FSRU proponents pay for the additional capex required to extend the pipelines to get the gas to market. Does rule 80 replicate the contingent projects (in the National Electricity Rules). | <p>Future capital requirements for VTS is complex We are preparing a short issues paper on capex for review and comment by the group</p> |
| Declared Wholesale Gas Market – entry and exit certificates | <ul style="list-style-type: none"> What is the difference between the exit and entry certificates and the current AMDQ arrangements? | <p>Roger Shaw addressed these issues during the roundtable. The entry and exit certificates will be auctioned every six months. Capacity certificates are for entry or exit within a zone and AEMO is required to determine the capacity certificates zones and publish these in a register. Note further information available at https://www.aemc.gov.au/sites/default/files/2020-03/GRC0051%20Improvement%20to%20AMDQ%20regime%20final%20determination%2012%20March%202020%20info%20sheet%20%28final%29.pdf</p> |
| | <ul style="list-style-type: none"> What's to stop a shipper with deep pockets from hoarding all the capacity and preventing smaller shippers from getting certificates. | <p>Roger Shaw explained that because the mechanism is a market based one, the thing that will stop hoarding is price. Because you are continually required to buy it. Each month will generally have six auctions. If you miss out the first time, you should be able to buy the next time round</p> |

What we heard at Roundtable 2



| Topic | Issues raised by stakeholders | Comment/ response |
|---------------------------------------|---|---|
| Tariff structures – cost reflectivity | <ul style="list-style-type: none"> The VTS tariffs are complex but they are cost reflective. Acknowledge that there are competing matters to balance such as locational pricing, load factors etc Tariffs aren't cost reflective with respect to load factors. There is cross-subsidising of smaller customers using during winter - because of the allocation of prices based on 10 days of maximum load capacity. | To be discussed in the tariff structure issues paper. |
| Tariff structures - simplicity | <ul style="list-style-type: none"> More explanation is needed of the tariff structures which read like hieroglyphics. More supportive information is required. Explain tariffs in simple terms. How does it work? Who bears the risk? How much do customers pay? | We will take this into consideration in our presentations |
| Tariff structures | <ul style="list-style-type: none"> Discussion about scope for price changes and within period changes and side constraints. Large customers do not want significant changes to Tariff D. | These matters will be considered as part of the Tariff issues paper. |
| Engagement plan | <ul style="list-style-type: none"> Suggest that at each roundtable we let people know where it is on the IAP2 engagement spectrum (Inform, consult, involve, collaborate, empower) There was a request for an early version of the draft proposal to be available for consultation. | <p>From now on, at the start of each roundtable we will indicate where on the IAP2 spectrum we sit</p> <p>We have incorporated a draft consultation proposal into our engagement process.</p> |

Any questions?



**Are there any questions?
Are there any further things arising
from the first two roundtables?**

Asset management at APA



Daniel Tucci, Asset Manager

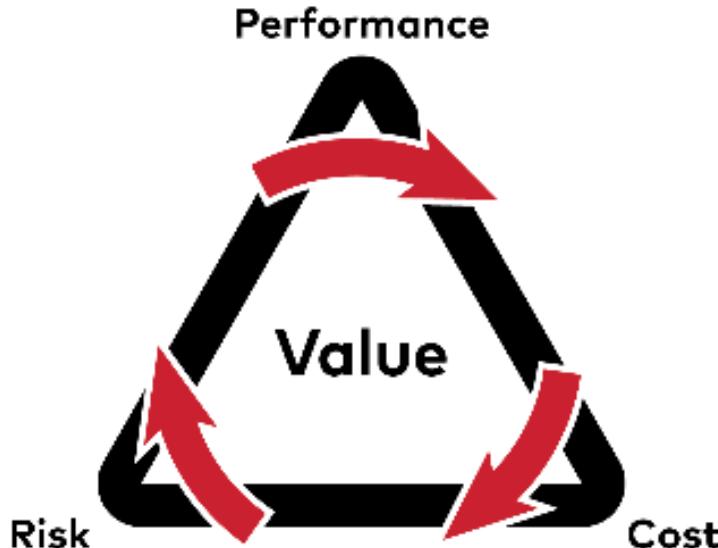
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Asset management at APA

- APA manages assets to ensure that we meet our obligations under the National Gas Rules, other regulatory requirements and the Service Envelope Agreement with AEMO
- Purpose of this session is to inform you about APA
 - Asset management framework, and
 - Strategic issues for asset management planning for the VTS
- Asset management planning will inform our expenditure requirements for the 2023-27 access arrangement period



Objectives of asset management at APA

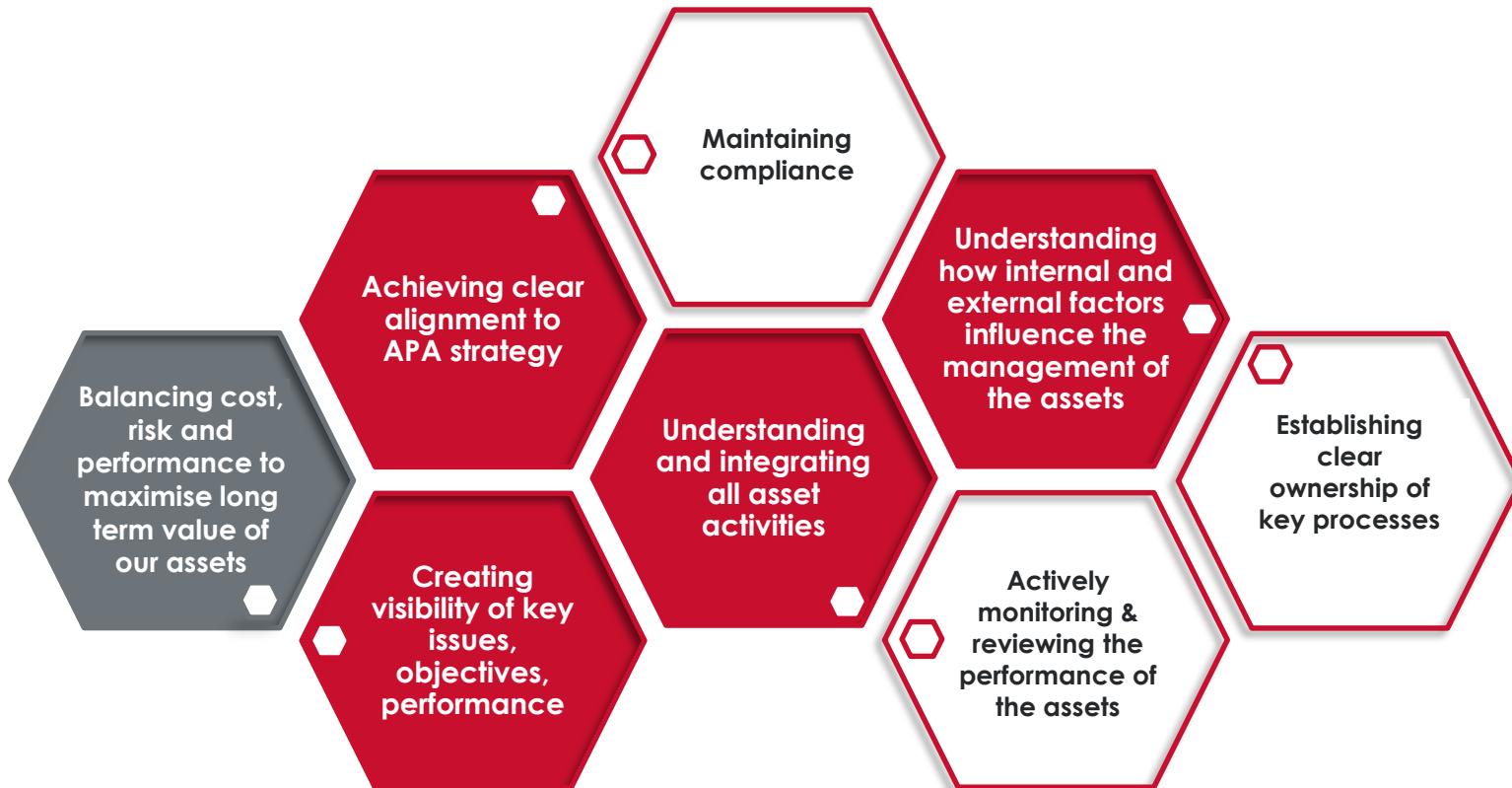


- Performance from the perspective of all stakeholders
- The systematic and coordinated activities and practices through which we optimally and sustainably manage our assets, their associated performance, revenues, risks and expenditures over the asset life cycles.
- Focus on top-down strategic input, bottom-up business planning
- Pragmatic risk and opportunity based approach to maximise whole-of-life asset value.

Overview of asset management



Asset Management is the coordinated activity of an organisation to realise value from assets (as defined in ISO 55000)



Asset management hierarchy



Asset Management at APA will drive a consistent approach to the following documents:



Asset Management Standard

The standard describes the high-level principles, rules and processes that are common to all users, are repeatable, and define the minimum performance requirements for the company in relation to asset management.



Asset Management Processes

APA has identified 34 key processes that integrate to ensure our assets are operated, maintained and improved to maximise value in a safe, compliant and effective manner.



Asset Management Plan

Executive summary of the Business Objectives (commercial, regulatory & financial) and how they will be met through the asset's integrity management regime, maintenance strategy and operations strategy to maximise long term asset value.

Asset management operating rhythm



- **Asset Management Plan**
 - Scan the environment
 - Review Business Objectives
 - Review the asset
 - Life cycle workshop
 - Update business plan, risk register and forward budget cycle

- **Asset Deep dive**
 - Integrated team – connect and team health check
 - Refresh asset mission
 - What's changed or likely to change
 - Risk register refresh
 - Large scale intervention required in any key areas

- **Asset Champion**
 - Integrates stakeholder interests into decision-making
 - Integrating knowledge base across functional experts
 - Support integrated decision-making
 - Drive function teams to Asset Mission
 - Support activities that support mission and objectives

- **Asset Performance Review**
 - Regulatory/ commercial status
 - Review risk register and movements, escalate if required
 - Review Action and assurance activities
 - HSE
 - Compliance/ regulatory
 - Set direction and actions for next month

Questions



Do you have any questions about APA asset management framework?

Victorian Transmission System Asset management plan – strategic issues

Daniel Tucci, Asset Manager



Asset description

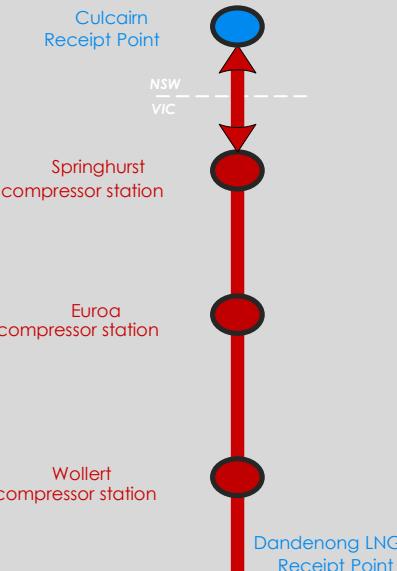
Victorian Transmission System

- Pipeline Overview

VTS Regulatory Arrangement

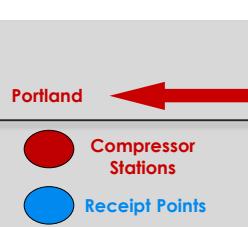
- Third Party Operator (Australian Energy Market Operator (AEMO)).
- AEMO is responsible for the transport of gas.
- Market carriage system under the National Gas Rules (NGR).
- Covered pipeline under the National Gas Law (NGL) and the NGR.
- APA is the 'service provider' under the NGL and not AEMO.
- Full Access Arrangement (current period 1 January 2018 to 31 December 2022).

Victorian - Northern Interconnect

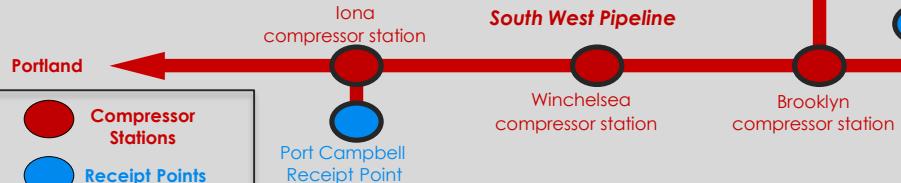


VTS Attributes

- 2,267km natural gas transmission system with receipt points at Longford, Port Campbell, Culcairn, Pakenham and Dandenong servicing load centres throughout Victoria.
- Very large consumption base (>2 million residential and ~60,000 industrial and commercial (I&C) users).
- Supplies a number of gas powered generators (GPG) at Laverton North, Somerton, Valley Power, Jeeralang and Newport.



South West Pipeline



Longford - Melbourne Pipeline



Asset location and boundary

1969. Longford-Melbourne Pipeline Commissioned

1998-2000. Longford Gas Plant accident, Privatisation and Victoria Market Start

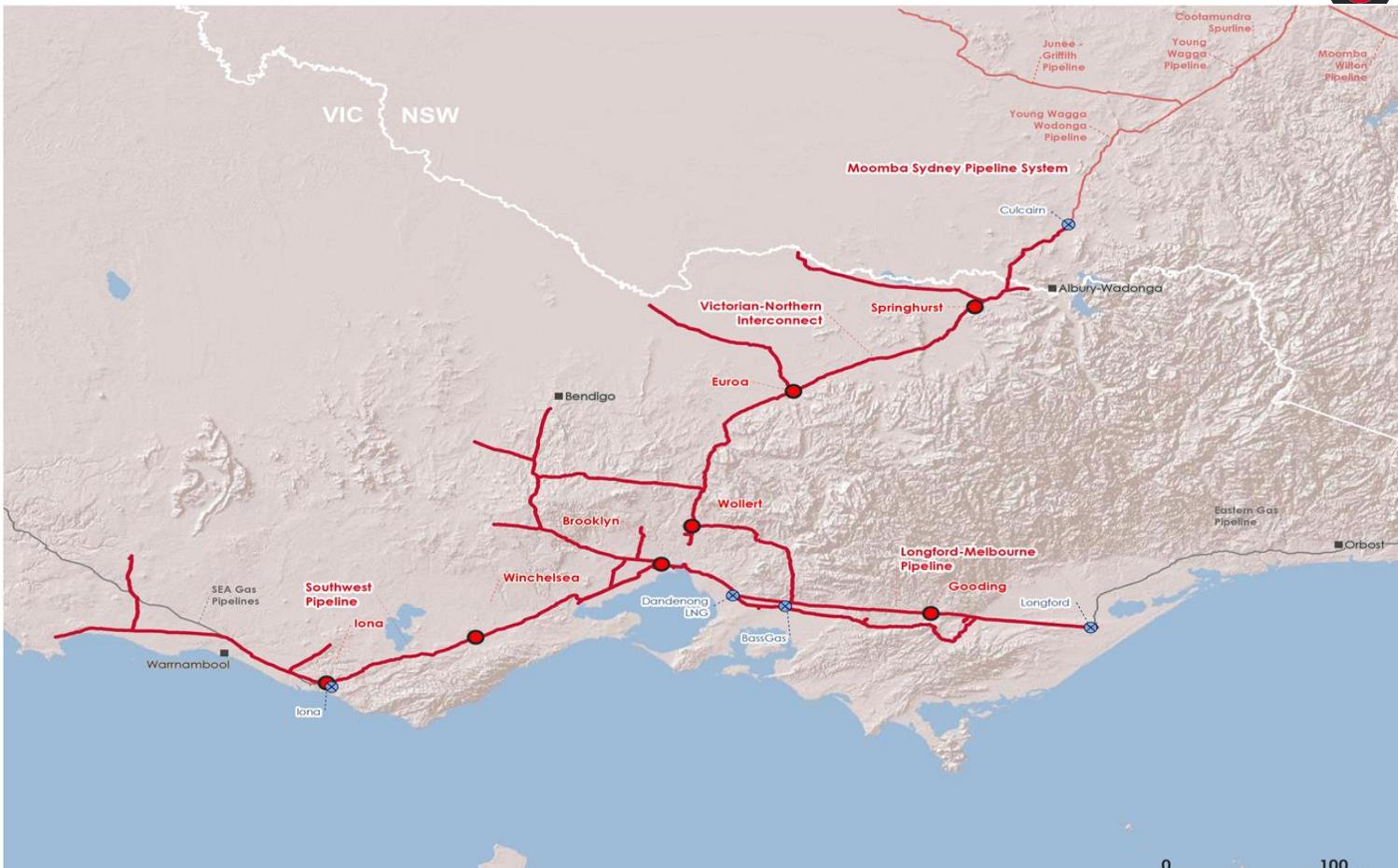
2001. VTS Listed on ASX

2006. Acquired by APA

2018. Start of Access Arrangement #5 & RAB >\$1b

2018-2019. Southwest pipeline expansion, Warragul & WORM Projects Approved

2023. Start of Access Arrangement #6



Key strategic issues for stakeholders

Supplying Victorian market

- Accommodating changes in gas supply mix – field, storage and FSRUs

AA5 Capital Program

- Western Outer Ring Main “WORM” Project
- Stay-in-business capex (and Pigging) Program
 - Unpiggables project
 - Conventional pigging projects
 - Other projects.

Operations

- AEMO constraints on maintenance scheduling windows
- Linepack management
- Aging asset - decreasing reliability and equipment approaching end of life obsolescence
- Increasing opex and Stay-in-business expenditure.

Regulatory / Access Arrangement

- Managing multiple regulators/jurisdictions/obligations, including audits and assurance programs- AER, ESV, DELWP, AEMO, EMV, EPA
- Access Arrangement (AA), both managing the current AA and planning for the next, including opex costs and prudent capex expenditure.

High Consequence Areas

- Encroachment management program, including slabbing program/ pressure management and encroachment in Metro areas
- Proactive engagement with urban planners
- Easement rehabilitation, including survey conditions, sightings, corridor protection and marker posts.

Questions



Are there other strategic issues we need to consider as part of the access arrangement?

Do you have any questions about the VTS asset management planning?

Wrapping up



Engagement webpage and plan



We have created the VTS stakeholder engagement webpage

- All the information provided during VTS stakeholder engagement is available at <https://www.apa.com.au/about-apa/our-projects/victoria-transmission-system-access-arrangement/>
- **Engagement timetable has been published on the VTS engagement webpage**

Indicative engagement dates



| Topics | Dates |
|---|--|
| APA releases draft Reference Service proposal for consultation | November 2020 |
| APA submit Reference Service Proposal to AER | Tuesday, 1 December 2020 |
| Roundtable 3 - VTS Asset management - for 2023-27 period | Wednesday, 10 February 2021 |
| Roundtable 4 - Regulatory building block, tariff structures | Friday, 12 March 2021 |
| Roundtable 5 - VTS demand and utilisation. AEMO Victorian Gas Planning Report | mid-April (note Easter break is 2-5 April) |
| APA release issues paper - Capital program | Early May |
| Roundtable 6 - Proposed capital program | mid May |
| AER Reference services decision | 1-Jun-21 |

| Topics | Dates |
|--|---------------|
| Roundtable 7 - AER decision on reference services, access arrangement, preliminary discussion on tariff structures | mid-June |
| APA release issues paper - Tariff structures | |
| Roundtable 8 -Total revenue, revenue allocation and tariffs/ pricing structures | mid-July |
| Roundtable 9 - Proposed changes to tariff structures | mid-August |
| Roundtable 10 - Proposed tariff structure | mid-September |
| APA release Consultation draft proposal | early October |
| Roundtable 11 - Early consultation proposal | mid-October |
| Roundtable 12 Our proposal and how you shaped our thinking? | mid-November |
| APA submit access arrangement revisions proposal | 1-Dec-21 |

Wrap up



- **Summary of key outcomes from today**
- **Next roundtables**
 - R4 proposed for Friday 12 March
- **Forward any further comments or questions to Scott and Nives**

**Thank you for participating,
See you in March....**



Or visit the VTS stakeholder engagement webpage:

<https://www.apa.com.au/about-apa/our-projects/victoria-transmission-system-access-arrangement/>

To ask any questions or provide feedback on the APA's VTS access arrangement or stakeholder engagement plans, to request an invite to an engagement session, or to arrange a private consultation, please contact:

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