

14 May 2015

Mr Chris Pattas
General Manager
Network Operations and Development Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Chris,

ROMA BRISBANE PIPELINE - NOTIFICATION OF ANNUAL TARIFF INCREASE
(Reference Tariffs Effective 1 July 2015 to 30 June 2016)

This notice updates the previous notice provided to the AER on 20 April 2015 that included an estimated value for the March quarter 2015 CPI.

In accordance with section 4.5 of the Access Arrangement for the Roma Brisbane Pipeline (RBP), APT Petroleum Pipeline Limited (APTPPL) intends to vary the RBP Reference Tariffs via the following tariff escalation calculation.

$$RT_n = RT_{n-1} \times \left[1 + \frac{(CPI_{n-1} - CPI_{n-2})}{(CPI_{n-2})} \right] \times (1 - X)$$

Where:

$$X \text{ (1 July 2015)} = -4\%$$

$$CPI_{n-2} = \text{CPI figure for All Groups – Weighted Average Eight Capital cities, March 2014} = 105.4$$

$$CPI_{n-1} = \text{CPI figure for All Groups – Weighted Average Eight Capital cities, March 2015} = 106.8$$

Reference Tariffs to apply from 1 July 2015

$$\begin{aligned} \text{Capacity Charge} &= 0.6093 \times \left[1 + \frac{(106.8 - 105.4)}{(105.4)} \right] \times (1 - (-0.04)) \\ &= 0.6093 \times [1 + 0.0133] \times (1.04) \\ &= \mathbf{0.6421} \quad \text{\$/GJ of MDQ/day} \quad (\text{exclusive of GST}) \\ &= 0.7063 \quad \text{\$/GJ of MDQ/day} \quad (\text{inclusive of GST}) \end{aligned}$$

$$\begin{aligned} \text{Throughput Charge} &= 0.0408 \times \left[1 + \frac{(106.8 - 105.4)}{(105.4)} \right] \times (1 - (-0.04)) \\ &= 0.0408 \times [1 + 0.0133] \times (1.04) \\ &= \mathbf{0.0430} \quad \text{\$/GJ of MDQ/day} \quad (\text{exclusive of GST}) \\ &= 0.0473 \quad \text{\$/GJ of MDQ/day} \quad (\text{inclusive of GST}) \end{aligned}$$

Carbon cost pass through

The RBP Access Arrangement includes a forecast for carbon costs as part of the operating expenditure. The Access Arrangement also includes a procedure to reconcile the forecast carbon costs against the actual costs of acquiring the required number of carbon permits. This reconciliation occurs in the second year following the year in which the liability for carbon costs was incurred.

2013/14 carbon year

Attached as an Appendix to this tariff application is the Payment Advice received from the Clean Energy Regulator in evidence of the actual carbon cost liability for the 2013/14 carbon year.

This Payment Advice indicates that the actual carbon cost liability for the 2013/14 carbon year is \$613,241. This amount being lower than the amount recovered through tariffs, this application proposes a negative pass through as follows:

| | |
|--|-----------|
| Forecast 2013/14 carbon costs included in opex | 722,039 |
| Actual incurred carbon costs | 613,241 |
| Allowance for indexation and carrying costs | (10,338) |
| Negative pass through amount in respect of the 2013/14 carbon year | (119,136) |

2014/15 carbon year

On 17 July 2014, the carbon tax was repealed, with effect from 01 July 2014. By email dated 24 July 2014, the AER advised:

Gas network operators may immediately remove the carbon cost component from reference tariffs (prices). This would mean the operators would choose to recover in prices less than the reference tariffs approved by the AER. Moreover, the AER will take into account any voluntary under recovery by pipeline operators in respect of carbon costs when assessing negative pass through application.

By letter dated 13 August 2014, APTPPL advised the AER that it would voluntarily depart from the AER-approved reference tariffs, with effect from 01 July 2014, to reduce reference tariffs to give immediate effect to the removal of the carbon tax. Carbon tax is therefore neither charged nor levied in this year.

2015/16 carbon year

On 27 August 2014, APTPPL lodged a negative cost pass through application to give effect to this repeal. That application remains pending at the date of writing. Giving effect to that pass through application would result in a negative pass through in respect of 2015/16 Reference Tariffs of \$781,649.

Summary

In summary, this tariff application reflects carbon cost pass through adjustments as follows:

| | |
|---|-----------|
| In respect of the 2013/14 carbon year (t+2 true-up) | (119,136) |
| In respect of the 2014/15 carbon year | Nil |
| In respect of the 2015/16 carbon year | (781,649) |
| Total negative pass through amount | (900,785) |

This amount is reflected in the tariff calculation below.

Applicable X Factor reflecting carbon cost pass through

The 2012-17 RBP AA derives tariffs on the basis that 95% of revenues are to be recovered through capacity charges and 5% are to be recovered through throughput charges. The pass through amount has been allocated to capacity and throughput revenue on that same basis, and divided by the forecast volumes as reflected in the Access Arrangement Information to derive the tariff impact of the pass through, as follows:

| | Capacity charge | Throughput charge |
|---|--------------------------|--------------------------|
| Proportion of revenue | 95% | 5% |
| Allocated amount of carbon cost pass through amount | (855,746) | (45,039) |
| Forecast volumes per AAI Tables 4.3, 4.1 | 230.9 TJ/day | 71,410 TJ |
| Pass through tariff impact | (0.0102) \$/GJMDQ/day | \$(0.0006) /GJ |

Tariffs reflecting this negative pass through are shown below.

Tariffs reflecting pass through amount

| | Capacity charge \$/GJMDQ/day | Throughput charge \$/GJ |
|-----------------------------|---|------------------------------------|
| 2015/16 Reference Tariff | 0.6421 | 0.0430 |
| Pass through tariff impact | (0.0102) | (0.0006) |
| Net tariffs (ex GST) | 0.6319 \$/GJMDQ/day | 0.0424 \$/GJ |
| Net tariffs (including GST) | 0.6951 \$/GJMDQ/day | 0.0466 \$/GJ |

If you have any questions, please contact Scott Young on 02 9275 0031.

Regards,

[signed]

Peter Bolding
General Manager Strategy and Regulatory

Appendix: APTPPL carbon cost payment advice



Payment Advice Purchase of Carbon Units Carbon Pricing Mechanism

APT PETROLEUM PIPELINES PTY LIMITED

ABN: 39 009 737 393

Client Reference Number: 100017159

| | |
|-------------------|---------------------|
| Advice Date | 23/01/2015 |
| Payment Reference | 100003034 |
| Surrender Period | Final |
| Amount Payable | \$613,240.95 |
| Payment Due Date | 02/02/2015 |

Failure to pay this on time may result in a shortfall charge of \$31.40 for every carbon unit in shortfall

This payment advice provides the payment details for charges payable by you before carbon units can be issued by the Clean Energy Regulator under section 100(1) of the *Clean Energy Act 2011* ("the Act").

Please note that if payment is not received in full to the nominated bank account by the payment due date, the Regulator will be unable to issue these carbon units and surrender them against your liability by the surrender deadline (payment due date). Please ensure your financial institution can process your payment to the Regulator bank account by the due date.

The Regulator will issue and automatically surrender carbon units only when *full* payment is received against this payment advice in the nominated bank account by the due date. If any change is required to the number of units to be purchased please contact the Regulator.

If you have not surrendered sufficient eligible emissions units by the surrender deadline you may need to pay a unit shortfall charge.

Details

| Unit Type | Vintage Year | Charge per unit | Date of Application | Quantity | Amount (AUD) |
|-----------------------------|--------------|-----------------|---------------------|----------|---------------------|
| Carbon Unit | 2013-14 | \$24.15 | 23/01/2015 | 25,393 | \$613,240.95 |
| Total Amount payable | | | | | \$613,240.95 |

No GST has been charged. This advice becomes a tax invoice upon payment.



Payment Method

Payments must be made directly to the Regulator through your financial institution using the details below:

BSB: 092-009
Account Number: 120367
Account Name: Clean Energy Regulator
Official Administered Receipts Account
Bank: Reserve Bank of Australia
Payment Reference: Please quote the above reference number(s) with your payment

Important Message

To ensure the Regulator can reconcile the payment on time, please quote the payment reference number shown above when making the payment.

This payment advice does not create an obligation for you to make this payment to purchase carbon units from the Regulator, however it is your responsibility to satisfy your obligation under the Act by acquiring and surrendering sufficient eligible emissions units by the due date.

The details presented in this payment advice are based on information supplied by you to the Regulator. Merely acting on this payment advice may not be sufficient to satisfy your obligations under the legislation. You are responsible for determining your obligations under the law, and for applying the law to your individual circumstances.

If you believe that information contained in this payment advice is incorrect, please contact the Regulator.

Further Information

If you have any questions or seek further information please contact the Regulator on:

Phone: 1300 553 542
Email: reporting@cleanenergyregulator.gov.au
Or visit our web address at www.cleanenergyregulator.gov.au