

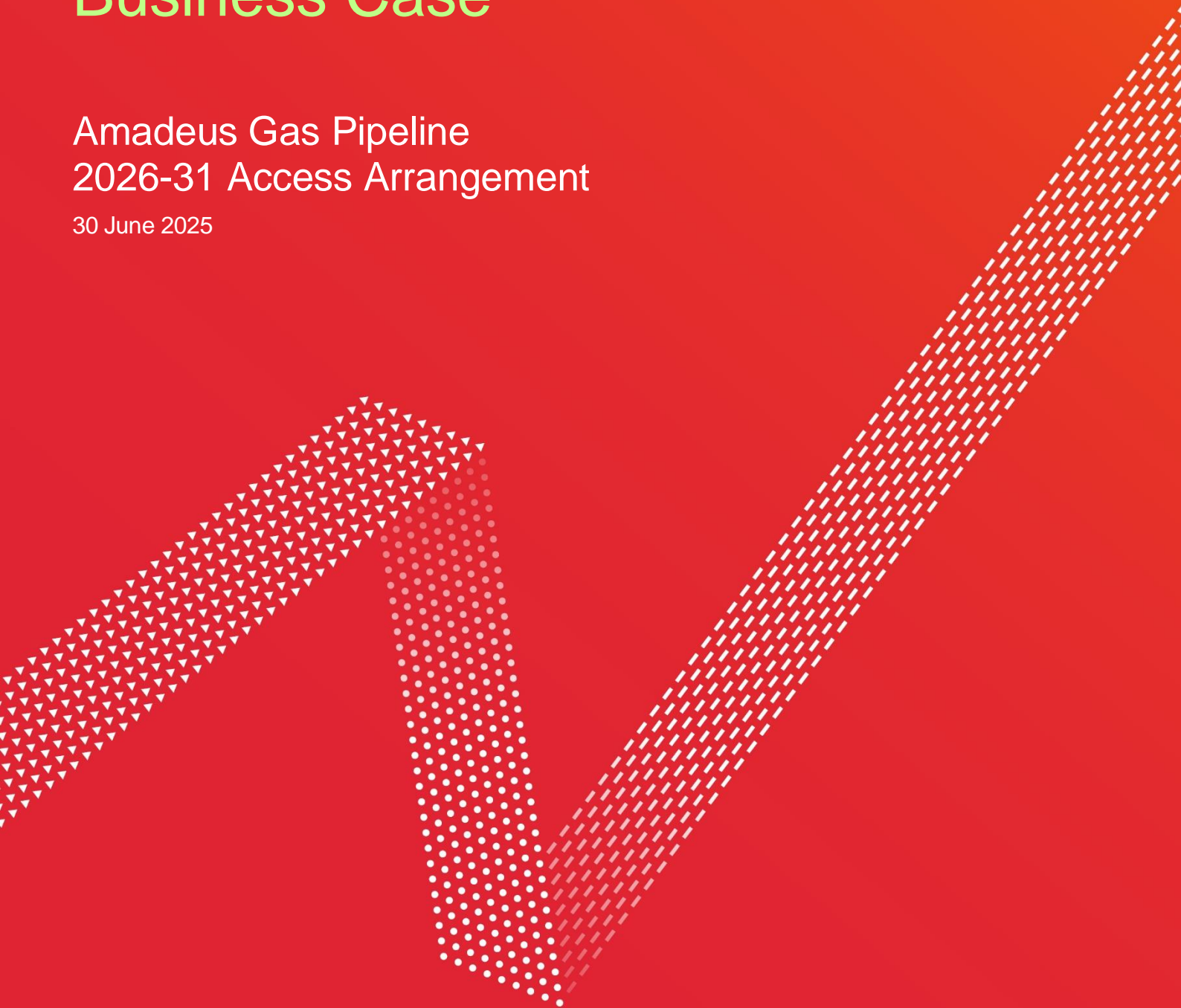


Australia's energy  
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# Other capital expenditure programs - Business Case

Amadeus Gas Pipeline  
2026-31 Access Arrangement

30 June 2025



# Contents

<b>1. Overview</b>	<b>3</b>
<b>2. Project objective and scope</b>	<b>4</b>
<b>3. Background</b>	<b>4</b>
3.1. Major capitalisable maintenance	4
3.2. Miscellaneous capital expenditure	4
<b>4. Assessment of options</b>	<b>4</b>
4.1. Risk assessment	5
4.2. Financial assessment	5
<b>5. Consistency with the National Gas Rules</b>	<b>6</b>
<b>6. Proposed costs for 2026–31</b>	<b>6</b>

## 1. Overview

Number/ identifier	AGP_SIB_Other
<b>Description of Issue/ Project</b>	This business case is the supporting evidence for capital expenditure for Major Capitalisable Maintenance and Miscellaneous Capital.
<b>Options considered</b>	<p>Major capitalisable maintenance includes works that extend the life of assets through statutory inspections and proof of condition. These include:</p> <ul style="list-style-type: none"> <li>• Pressure vessel inspections; and</li> <li>• Pressure safety valve (PSV) inspections and proving.</li> </ul> <p>Miscellaneous Capital includes capital upgrades of substantial tooling and equipment.</p>
<b>Proposed Solution</b>	The recommendation is to provide for the typical experienced expenses that the above categories have incurred through either the set maintenance regimes or the typical end of life timeframes for existing equipment.
<b>Estimated Cost</b>	\$2.8 million (\$ Real 30 June 2026)
<b>Relevant standards</b>	<ul style="list-style-type: none"> <li>• AS 1210 Pressure Vessels</li> <li>• AS 4041 Pressure Piping</li> <li>• AS 2885.3 Pipelines: Gas and Liquid Petroleum Operations and Maintenance</li> <li>• AGP Pipeline Licence</li> </ul>
<b>Consistency with National Gas Rules</b>	<p>The licencing of registered pressure vessels sets the design life and inspection regimes that they require. These periodic inspections confirm the vessel's condition and have the capacity to then extend the operational life of that asset.</p> <p>Significant operational tooling is required to maintain the AGP and these tools have a finite life expectancy. Replacement and upgrades of tools is essential for the ongoing safe operation and maintenance of the AGP.</p>

## 2. Project objective and scope

This business case supports on-going funding for the replacement of capital items that do not warrant their own capital expenditure class, and the purchase of tools and materials required to maintain and operate the AGP.

## 3. Background

Stay-in-business capital expenditure on the AGP relates to projects that are directly related to maintaining the ongoing integrity of the pipeline to ensure it remains fit-for-purpose over its intended operating lifetime. This 'Other capital expenditure programs' business case focuses on two aspects:

- Major capitalisable maintenance; and
- Miscellaneous capital expenditure.

### 3.1. Major capitalisable maintenance

Major capitalisable maintenance relates to other activities and expenditure that extend the life of assets. Typically, the expenditure is incurred as part of the four yearly inspections of pressure vessels, such as filter separators, and water bath heaters at metering stations.

This is conducted by certified external parties and AGP operational technicians. Proving the pressure vessels are still at full capacity extends the life of the assets.

### 3.2. Miscellaneous capital expenditure

This expenditure relates to the replacement of other pipeline or asset components that do not warrant their own capital expenditure category.

These tend to be replaced in an ad hoc fashion in response to failure or the inability to maintain the asset on an on-going basis, due to a lack of spares or obsolescence. An example would be minor valve upgrades at end-of-life. It also encompasses the purchase of tools and equipment as required.

The standards relevant to this business case are :

- AS 1210 Pressure Vessels,
- AS 4041 Pressure Piping, and
- AS 2885.3 Pipelines: Gas and Liquid Petroleum Operations and Maintenance

## 4. Assessment of options

The following options are considered for the access arrangement period;

- Option 1: No allowance provided for replacing tools, equipment and other miscellaneous asset components necessary to operate the AGP.
- Option 2: Plan for an efficient amount of expenditure for replacing tools, equipment and other miscellaneous asset components to ensure the AGP remains operational.

It is worth highlighting that option 1 is not a realistic option as the purchase or replacement of components/ assets is required to keep the AGP operational. It is included for the purposes of assessing the efficiency of the overall business case.

## 4.1. Risk assessment

Table 1: Risk assessment of 'Other capital expenditure' business case

Risk Area	Potential Impact	Option 1		Option 2	
		Likelihood & Impact	Inherent risk rating	Likelihood / impact	Residual risk rating
Health & Safety	Injury from using incorrect equipment	Occasional / Significant	Moderate	Remote / Significant	Low
Environment	Escaped gas, erosion	Unlikely / Minor	Low	Rare / Minor	Negligible
Operational	Unplanned site visit	Occasional / Minor	Low	Remote / Minor	Negligible
Compliance	Regulatory breach, loss of licence	Occasional / Catastrophic	Extreme	Rare / Significant	Negligible
Reputation & Customer	Adverse publicity/ decline in value,	Occasional / Significant	Moderate	Rare / Minor	Negligible
Financial	Costs and penalties	Occasional / Significant	Moderate	Rare / Major	Low
Untreated risk			EXTREME		LOW

### 4.1.1. Option 1

Not spending capital expenditure tools, equipment and other miscellaneous asset components increases the risk of:

- staff injuries from using incorrect components, tools and equipment,
- supply disruptions due to failed components that cannot be replaced or inadequate tooling to complete tasks in a timely manner,
- regulatory breach and loss of licence due to failure to meet operating licence conditions, and
- regulatory breach occur and associated fines or loss of operating licence.

### 4.1.2. Option 2

Risks remain under option 2 but the likelihood and consequence is significantly reduced given reasonable expenditure is undertaken to negate potential risks. This option appropriately balances cost with reducing risk to as low as reasonably practicable, in line with Australian Standard AS2885.

## 4.2. Financial assessment

A consideration of the pros and cons of the expected financial outlays for options is shown below.

Table 2: Financial assessment of 'Other capital expenditure' business case

Commentary	
Option 1: Do not replace or purchase tools, equipment or other miscellaneous pipeline and asset components	<ul style="list-style-type: none"> <li>Using incorrect components, tools or equipment could lead to staff injury and potential supply disruptions on the pipeline. Both of these would come at a financial cost.</li> <li>The negative publicity and complaints from the accumulation of a number of small incidents could lead to regulatory and licence breaches which would likely lead to fines and potentially a loss of the pipeline licence. This would severely impact share price and the longevity of the business.</li> <li>In short, avoided costs in the earlier years are more than offset by regulatory fines and the financial costs and penalties arising from reputational damage, legal action and the loss of the AGP operating licence.</li> </ul>
Option 2: Plan for an efficient amount of expenditure	<ul style="list-style-type: none"> <li>Replacements and purchases are undertaken as required, to maintain operations and safety,</li> <li>A realistic forecast is ascertained from past experience and historical data.</li> <li>Slow and steady replacement gives predictability in expenditure.</li> </ul>

*Based on the risk and financial assessments above, option 2 is the preferred option that appropriately balances costs and risks.*

## 5. Consistency with the National Gas Rules

The AGP is a major national pipeline and good practice requires APA to be appropriately resourced to operate and maintain the pipeline in accordance with its design basis.

This capital expenditure is justified under Rule 79(2)(c)(ii) as the purchases are necessary to maintain the integrity of service.

APA considers that the capital expenditure is consistent with the requirements of the National Gas Rules as it is:

- Prudent – The expenditure is necessary in order to maintain and improve the safety of services and maintain the integrity of services to customers and is of a nature that a prudent service provider would incur; and
- Efficient – The works will be subject to APA's procurement policy.

## 6. Proposed costs for 2026–31

The total cost of the 'Other capital expenditure' business case is shown below.

Table 3: Total proposed cost of 'Other capital expenditure' (\$000s real 30 June 2026)

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Major capitalisable maintenance	238	238	238	238	238	1,190
Miscellaneous capital expenditure	324	324	324	324	324	1,622
<b>Total</b>	<b>562</b>	<b>562</b>	<b>562</b>	<b>562</b>	<b>562</b>	<b>2,812</b>