

# APA Cost Allocation Methodology

Prepared for Regulatory Reporting purposes  
27 June 2025



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## 1. Nature, Scope and Purpose

The purpose of this document is to set out the Cost Allocation Methodology (“CAM”) adopted by APA Group (APA) for regulatory reporting purposes only. This CAM document has been developed with references to the Australian Energy Regulator’s (AER) guideline for electricity distribution businesses as set out in “Electricity distribution network services providers, cost allocation guidelines” (“CAG”) published in June 2008<sup>1</sup>. The CAG has been used as a guide, as there are currently no cost allocation methodology guidelines available for gas transmission businesses (see Appendix A for compliance with the guideline structure).

The purpose of the CAM is to set out the policy for attributing and allocating costs to services in accordance with the National Gas Rules (NGR), and for reporting operating and capital costs information to the AER.

The CAM shall be read in conjunction with the relevant Basis of Preparation for each regulatory reporting regime.

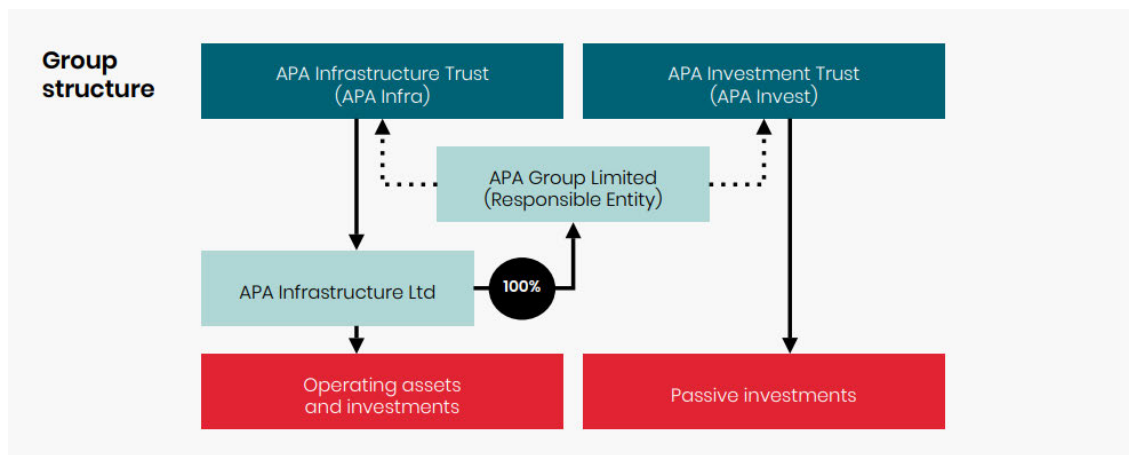
This document also provides guidance for APA management and staff in relation to regulatory cost allocation principles and policies.

## 2. Group and Operating structure

### 2.1. Group Structure

APA is listed as a stapled structure on the Australian Securities Exchange (ASX:APA). APA is comprised of two registered managed investment schemes – APA Infrastructure Trust (“APA Infra”) and APA Investment Trust (“APA Invest”) – and their controlled entities. The securities of APA Infra and APA Invest are stapled together and traded on the ASX.

APA Group Limited is the responsible entity of APA Infra and APA Invest. APA Infrastructure Limited, a company wholly owned by APA Infra, is APA’s borrowing entity and the owner of the majority of APA’s operating assets and investments.



### 2.2. Operating Structure

APA’s business is structured to align with APA’s Purpose and Strategy. APA’s Purpose is “securing Australia’s energy future”. APA’s strategy is to be “the partner of choice in delivering infrastructure solutions for the energy transition”.

APA’s business operations are overseen and managed by the CEO & MD, and Group Executives from each of APA’s 5 corporate functions alongside the 3 business units which has been described below.

<sup>1</sup> See Electricity distribution network service providers, cost allocation guideline:  
<https://www.aer.gov.au/system/files/Distribution%20cost%20allocation%20guidelines%20and%20Victorian%20guidelines%200%2826%20June%202008%29.pdf>

## Corporate functions

**Sustainability and Corporate Affairs** builds and protects APA's brand, reputation and social licence, while shaping an internal and external environment that enables the successful delivery of the APA customer-focused growth strategy.

**Legal and Governance** functions exist to support APA to manage legal risk through the delivery of independent, commercially orientated, cost effective, high quality and timely legal advice and services. This also includes the Company Secretariat function.

**Finance & Technology** facilitates management decision-making and organisational performance by establishing APA accounting policies and governance for the Group's financial systems, plans, processes and procedures.

**People, Safety and Culture** provides specialist advice and services to ensure that the organisation has the frameworks, policies, systems and processes to provide APA with access to the right talent, at the right time, through building a positive culture and employee experience.

**Strategy & Corporate Development** facilitates, owns and continuously optimises the corporate strategy development process. It also owns, develops, and executes APA's commercial strategy aligned to the APA corporate strategy.

## Business units

**Operations** manage a large and growing portfolio of renewables, gas firming generation, and electricity transmission infrastructure asset, including more than 15,000 kilometres of gas transmission pipelines; solar and wind farms; and gas storage, processing and distribution and electricity transmission infrastructure.

**Infrastructure Delivery** exists to ensure the fulfilment of the APA strategy through the effective gaining of access and approvals, development and delivery of design, procurement, construction and commissioning of growth projects, and the design and implementation of world-class engineering standards.

**Energy Solutions** focuses on partnering with existing customers to deliver pipeline transmission and contracted Variable Renewable Energy and firming solutions and focus on a large organic development pipeline.

## 3. Accountabilities and Responsibilities

Table 3-1 Regulatory CAM responsibilities sets out the key accountabilities and responsibilities for updating, maintaining, applying and monitoring the CAM.

Table 3-1 Regulatory CAM responsibilities

Role	Responsibility
Chief Financial Officer	<ul style="list-style-type: none"> <li>Approval of the CAM</li> </ul>
General Manager Integrated Business Planning & Reporting	<ul style="list-style-type: none"> <li>Overall accountability for the CAM</li> <li>Implement the CAM and maintain associated costing procedures and guidelines for staff</li> </ul>
Regulatory Reporting Team	<ul style="list-style-type: none"> <li>Apply the CAM in preparation of regulatory reporting to the AER, and development of supporting workpapers.</li> <li>Day-to-day responsibility for updating, maintaining, internally monitoring and reporting on the application of CAM.</li> </ul>
Finance Teams	<ul style="list-style-type: none"> <li>Recognise and report financial information in accordance with accounting policies, accounting standards and the CAM.</li> </ul>
Regulatory Team	<ul style="list-style-type: none"> <li>Provide advice on design, implementation and ongoing compliance for the CAM.</li> <li>Advise the relevant changes to regulation or any other regulatory developments that may impact the CAM.</li> </ul>
Operational Managers	<ul style="list-style-type: none"> <li>Comply with the CAM and support its application within relevant area of responsibility.</li> </ul>
All staff	<ul style="list-style-type: none"> <li>Comply with all relevant costing procedures and guidelines issued to ensure that APA complies with the CAM.</li> </ul>

While significant responsibilities lie within the Regulatory Reporting Team for the application of the CAM, all APA management and staff share responsibility for compliance and for the provision of accurate costing inputs and information (e.g. timesheet, vendor invoices) used within the cost allocation process.

## 4. APA's Reportable Segments

### 4.1. Reportable Segments

APA operates in one geographical segment, being in Australia and the revenue from major products and services is shown by the reportable segments.

APA comprises the following reportable segments in Table 4-1.

*Table 4-1 APA Reportable Segments*

Segments	Division description and activities
<b>Energy Infrastructure</b>	APA's wholly or majority owned energy infrastructure assets across gas transmission, compression, processing, storage, electricity generation and transmission (gas and renewables), and battery energy storage system.
<b>Asset Management</b>	The provision of asset management and operating services for third parties and the majority of APA's Energy Investments
<b>Energy Investment</b>	APA's interest in energy infrastructure investments.

Supporting each of these areas are APA's corporate functions, these functions include Sustainability and Corporate Affairs, Legal and Governance, Finance & Technology, People, Safety & Culture and Strategy and Corporate Development.

### 4.2. Transmission Services

Within Transmission Services under the Energy Infrastructure segment, APA provides:

- Pipeline services, which include reference services and non-reference services outlined in the services policy section of APA's Access Arrangements as approved by the AER for the relevant regulatory period;
- Non-pipeline services, which are not within the scope of APA's Access Arrangement as approved by the AER for the relevant regulatory period.

APA records its costs between these categories of the services to the extent applicable under each Access Arrangement.



## 5. Cost Allocation Principles and Policies

The key cost allocation principles that APA applies are as follows:

- Costs are not allocated more than once;
- Costs cannot both be treated as directly attributed cost and other directly attributable costs; and
- Costs are allocated on a causal basis, in instances where direct attribution is not possible.

The CAM covers attribution of costs to, and allocation of costs between the reference service and non-reference services.

### 5.1. Overview of Approach

All costs (operating and capital) are captured in APA's Enterprise Resource Planning (ERP) system which comprises of a number of modules for managing, the recording, processing and reporting of all business transactions from initiation through to payment. Costs are captured through cost centres and project reporting. The cost centre and project reporting provide details on the activity type of the costs, reflecting categories of capital, operating & maintenance activities and services.

APA attribute costs directly to capital or operating projects, activities and services where possible and appropriate. Where costs are shared, and unable to be directly attributed, activity-based costing and appropriate cost allocators are used to allocate costs across projects, activities and services.

### 5.2. Cost allocation principles

When assessing APA's operating and capital costs, the majority of APA's costs fall within two categories:

- Directly attributable costs
- Other directly attributable costs

#### 5.2.1. Directly attributable costs

Expenses that are clearly associated with a specific pipeline asset. Direct costs are coded to the asset or to a project relating to the asset, through creation of a purchase order at the time of purchase or direct employees charging their time to the asset or project, using an hourly rate derived from employee payroll costs.

For example, such costs include the pipeline and materials expenses directly attributed to repair and maintenance of a pipeline and the employees who are solely dedicated in providing field services to the pipeline.

#### 5.2.2. Other directly attributable costs

Other directly attributable expenses are costs directly attributable to the assets and are incurred by APA's Operation business. In order to give a true reflection of the cost of running an asset, it is necessary to allocate a portion of APA Operations costs to the asset. APA Operations costs are reviewed periodically to determine the extent to which the business unit's function has a bearing on the assets.

Examples of such costs include the allocation of APA's Integrated Operating Centre ("IOC") which manages APA's non-scheme and regulated pipelines throughout Australia.

For other directly attributable costs, APA has utilised (but not limited to) the following cost allocation methodologies:

- Time/effort based – costs associated with operating and capital expenditure services are allocated to pipelines or business units based time or effort spent.
- Customer based – functions supporting commercial operations are allocated based on the number of customers or contracts managed.
- Headcount based – support services are allocated based on the relative headcount of each business unit or cost centre.

- State based – national services are allocated to pipelines or business units, using a combination of the above allocators as appropriate.

## 5.3. Shared corporate cost allocation

Shared corporate costs are costs incurred at the corporate level and provide benefits across the entire business. These costs are reported at the consolidated level in APA audited financial statements and are not allocated to individual assets within the Group's financial reporting system.

Shared corporate costs consist of two components, shared corporate expenditure and shared corporate assets.

As these costs support the broader APA portfolio, for regulatory purposes, a portion of these costs is reflected in the regulatory templates.

APA has applied an allocation method consistent with the approach previously approved by the AER in previous VTS access arrangements and has been consistently applied to other pipelines.

The allocation methods, described in the following sections, consistently apply to APA entire portfolio of assets, including pipelines assets.

### 5.3.1. Shared corporate expenditure

Shared corporate expenditure refers to operating costs incurred at the corporate level from corporate functions which support the operations of the APA business, such as:

- Executive management and administration (including board of directors, chief executive officer, head office and administration and people, safety and culture);
- Legal and corporate affairs (including general counsel, company secretarial and risk management);
- Finance (including treasury, general financial accounting, general management accounting, financial reporting, the provision of financial services such as accounts payable and accounts receivable, tax and investor relations);
- Information and communications technology services (including the operation and maintenance of company-wide compatible IT and communications systems, and maintaining IT systems security); and
- External relations (including government relations, sustainability and corporate affairs, business strategy and planning) and contract management.

APA applies a revenue-based allocation method to allocate shared corporate expenditure across its portfolio of assets, based on the following process:

#### 1. Identification and exclusion of non-attributable expenditure

APA identifies components of shared corporate expenditure not deemed attributable to its portfolio of assets and excludes this expenditure from the total shared corporate expenditure. These include costs, due to the nature or function, that do not provide a benefit to the portfolio of existing assets.

#### 2. Allocation of Wallumbilla Gladstone Pipeline (WGP)

APA owns, but does not operate, the WGP. In recognition of this, the APA allocates only treasury, accounting-related, and other related expenditure to the WGP.

#### 3. Revenue-based allocation of residual shared corporate expenditure

The remaining shared corporate expenditure, after the exclusions made in Step 1 and allocations to WGP in Step 2, is the "residual shared corporate expenditure" and is allocated to the other assets owned by APA (excluding WGP) using revenue as the basis of allocation.

The revenue used as a cost allocator is the revenue from contracts with customers of the energy infrastructure segment, excluding pass-through revenue, and a portion of the revenue from contracts with customers of the asset management segment, as reported in APA's financial statements.



## **5.4. Attribution of costs and allocation of costs between the reference service and non-reference service**

Each access arrangement determination stipulates the costs attributed to the Reference services and Non-Reference Services. Each service provider attributes all costs to the Reference Service and Non-Reference service in accordance with the allocation methodology applied in the access arrangement.

### **5.4.1. Specific to VTS**

In the case of the VTS, the access arrangement process approves the allocation of costs between the VTS and the unregulated Victorian metering business, and the non-scheme Brooklyn to Altona (Qenos) Pipeline.

## **5.5. Cost to services allocation**

### **5.5.1. Specific to VTS**

Under the market carriage model, the VTS provides only one service, the Tariffed Transmission Service. There are no other services available. Accordingly, all costs are attribute to the single Tariffed Transmission Service.

## 6. Records Management

The information reported is sourced from the service provider's audited statutory trial balance at the pipeline level, which is extracted from APA ERP system. The ERP system is the source of financial data used and underpins the reported amounts in the reporting financial template.

The trial balance reflects the finalised general ledger balances for the periods presented in reporting template and includes all accounting adjustments and accruals consistent with applicable accounting standards. Information has been extracted and reclassified, where necessary to align with the requirements of the CAG. The information reported in the trial balance is traceable to the ERP records and ultimately to the relevant supporting documentation.

APA records of cost attribution and allocations are maintained as follows:

- All base financial records are extracted from APA's ERP systems;
- APA's statutory financial statements and associated accounting records will form the foundation for all reporting requirements;
- Analytical templates and work papers prepared for regulatory reporting;
- All records will be kept for at least seven years from the date of each regulatory submission; and
- All records will be available to independent auditors and the AER.

These records will be maintained to:

- Demonstrate the attribution costs to, or allocation of costs between APA's assets;
- Allow attributions or allocations to be audited or otherwise verified by a third party, including the AER.

## 7. Compliance

The CAM will be the primary guide for cost allocation for regulatory reporting purposes. It is primarily used for all forms of regulatory reporting in determining the appropriate costs to support and substantiate access arrangement submissions to the AER.

APA will monitor its compliance with the CAM by undertaking internal annual reviews of its cost allocation models, template and work papers and ensuring the APA Cost Allocation Methodology is up to date. This review is to be undertaken by the Regulatory Reporting Team.

In accordance with Appendix D - Assurance obligations, of the AER's Pipeline Information Disclosure Guidelines, the AER requires this documentation to be reviewed as part of its assurance process. Please refer to Appendix B for the audit report.

The AER may require external auditors to review or audit the financial data contained in the Regulatory Information Notice (RIN) for compliance with the CAM prior to it being submitted to the AER. APA engages independent auditors to audit the annual statutory financial statements, internal controls and the regulatory reporting templates, which have all utilised the CAM as part of their preparation.

APA has ongoing annual internal and external audit programs that are in addition to those specified above.

## Appendix A

### A.1 Document Structure

The structure of APA's CAM and the corresponding regulatory requirements of the CAG are outlined in Table A-1 CAM Structure.

Table A-1 CAM Structure

Section	Title	Purpose	CAG Section
Contents page	Version history, date of Effect, and authorisation	Sets out the version number, history, authorisation, date of issue and effect of this document.	3.2(a)(1) 3.2(a)(9)
1	Nature, Scope and Purpose	Provides a statement of the nature, scope and purpose of the CAM.	3.2(a)(2)
2	Group and Operating structure	Describes APA's group and operating structure	3.2(a)(4)
3	Accountabilities and Responsibilities	Sets out the way in which it is to be used by APA, including: <ul style="list-style-type: none"> <li>Accountabilities for implementing the CAM; and</li> <li>Responsibilities for updating, maintaining, and applying the CAM, and for monitoring and reporting on its application.</li> </ul>	3.2(a)(3)
4	APA's Reportable Segments	Summarises the categories of services to which the costs are allocated.	3.2(a)(5)
5	Cost allocation Principles and Policies	Outlines the principles and policies to be used for attributing costs directly to, or allocating costs between, categories of transportation services that meet the requirement of cl.2.2 of the CAG.	3.2(a)(6)
6	Records management	Describes how APA will maintain the records relating to the attribution and allocation of costs to, or between, categories of transportation services.	3.2(a)(7)
7	Compliance	Describes how APA will monitor its compliance with the CAM and CAG.	3.2(a)(8)

## Appendix B

### B.1 Audit Report



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#### Independent Limited Assurance Report to the Directors of APA VTS Australia (Operations) Pty Limited

##### *Conclusion*

We have undertaken a limited assurance engagement on the fair presentation of APA VTS Australia (Operations) Pty Limited relating to the Victorian Transmission Systems ("VTS") cost allocation methodology used in the preparation of Part 10 Financial Reporting Template as required by the National Gas Rules ("NGR"), as described in the accompanying Cost Allocation Methodology dated 27 June 2025 (the "Subject Matter Information") in accordance with the *Pipeline Information Disclosure Guideline for Scheme and Non-Scheme pipelines* ("the Guideline"), the principles set out in Rule 103(4) of NGR and Basis of Preparation issued 27 June 2025 as published on the APA Group's website ("the Basis of Preparation") (collectively referred to as the "Criteria") in all material respects, for the year ended 31 December 2024.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that VTS's Subject Matter Information is not fairly presented, in all material respects, in accordance with the Criteria as at 27 June 2025.

##### *Basis for Conclusion*

We conducted our limited assurance engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ASAE 3000") issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

##### *Our Independence and Quality Management*

We have complied with the independence and relevant ethical requirements which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, including those contained in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Our firm applies Australian Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

##### *Responsibilities of the Directors of APA VTS Australia (Operations) Pty Limited ("the Directors")*

The Directors are responsible:

- a) for ensuring that the Subject Matter Information is fairly presented in accordance with the Criteria;
- b) for confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information;

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- c) for designing, establishing and maintaining an effective system of internal control over its operations and financial reporting, including, without limitation, systems designed to assure achievement of its control objectives and its compliance with applicable laws and regulations; and
- d) for the electronic presentation of the Subject Matter Information and our limited assurance report on their website.

### *Responsibilities of the Assurance Practitioner*

Our responsibility is to express a limited assurance conclusion on the fair presentation of VTS's Subject Matter Information, in all material respects, in accordance with the Criteria as at 27 June 2025, based on the procedures we have performed and evidence we have obtained. ASAE 3000 requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that VTS's Subject Matter Information has not been fairly presented, in all material respects, in accordance with the Criteria as at 27 June 2025.

A limited assurance engagement on VTS's Subject Matter Information involves identifying areas where a material misstatement of the Subject Matter Information is likely to arise, performing procedures to address the areas identified, and considering the process used to prepare the Subject Matter Information. A limited assurance engagement is substantially less in scope than for a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on whether the Subject Matter Information has been fairly presented, in all material respects, in accordance with the Criteria.

Our procedures included:

- Inquiries with key data owners and internal subject matter experts at APA VTS Australia (Operations) Pty Limited responsible for preparing and completing the Subject Matter Information as required by the Criteria;
- Reviewing the methodology used by APA VTS Australia (Operations) Pty Limited in preparing the Subject Matter Information including the appropriateness of using the information, in compliance with the relevant AER definitions in the Guideline, and sufficiency of detail provided for describing how information was prepared; and
- Identifying and communicating findings and recommendations that have resulted as part of the procedures.

### *Inherent Limitations*

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that fraud, error, non-compliance with laws and regulations or misstatements in the Subject Matter Information may occur and not be detected.

### *Restricted Use*

The applicable criteria used for this engagement was designed for a specific purpose for the Directors to fulfil their reporting obligations to Australian Energy Regulator (AER), as a result, the Subject Matter Information may not be suitable for another purpose.

This report has been prepared for use by the Directors for the purpose of fulfilling their reporting obligations to the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Directors or for any purpose other than that for which it was prepared.

However, we understand that a copy of the report has been requested by the AER for the purposes of assessing APA VTS Australia (Operations) Pty Limited's compliance with the Guideline. We agree that a copy of the report may be provided to the AER for their information in connection with this purpose but only on the basis that we

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accept no duty, liability or responsibility to the AER in relation to the report. We accept no duty, responsibility or liability to any party, other than the Directors, in connection with this report or engagement.

