Draft decision

Amadeus Gas Pipeline access arrangement 2026 to 2031

(1 July 2026 to 30 June 2031)

November 2025

AUSTRALIAN ENERGY REGULATOR

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Invitation for submissions and next steps

In response to our draft decision, APT Pipelines (NT) Pty Limited can submit a revised proposal for its upcoming 2026–31 access arrangement by 14 January 2026.

A public forum will be held on Monday, 8 December 2025 to discuss our 2026–31 gas access arrangement draft decisions. Stakeholders can register their interest online through Eventbrite.

Interested stakeholders are also invited to make submissions on our draft decision and APTNT's revised proposal (once submitted) by Friday, 13 February 2026. Our final decision on APTNT's access arrangement will be published by 15 May 2026.

Submissions and enquiries should be sent to: AERgasresets2026-31@aer.gov.au

Alternatively, submissions can be sent to:

Kami Kaur
General Manager
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Submissions should be in Microsoft Word or another text readable document format.

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. We will treat submissions as public documents unless otherwise requested.

Parties wishing to submit confidential information should:

1. clearly identify the information that is the subject of the confidential claim.
2. provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submission will be published on our website.[1]

[1] See the ACCC/AER Information Policy for further information.

Executive summary

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia. The regulatory framework governing gas transmission and distribution networks is the National Gas Law and Rules (NGL and NGR). Our work is guided by the National Gas Objective (NGO).

APT Pipelines (NT) Pty Limited (ABN 40 075 733 336) (APTNT) operates the Amadeus Gas Pipeline (Amadeus Pipeline), which plays a major role in energy supply in the Northern Territory, transporting natural gas to Darwin, Alice Springs and regional centres.[2]

As a regulated business, APTNT must periodically apply to us for a decision on network charges. This is submitted to us in the form of a proposed access arrangement, specifying the services it will provide, the tariffs for those services, and the other terms and conditions on which they will be provided. Our role is to assess access arrangement proposals against the requirements of the NGL and NGR.

On 1 July 2025, APTNT submitted its access arrangement proposal (proposal) for the period 1 July 2026 to 30 June 2031 (2026–31 period). This draft decision sets out our initial response to APTNT's proposal.

Our draft decision

We do not approve APTNT's proposal for the Amadeus Pipeline. Our draft decision is to allow APTNT to set gas network charges resulting in recovery of an expected $147.4 million (nominal, smoothed) in revenue from consumers over the 2026–31 period.[3] This is an increase of $1.2 million (0.8%) from APTNT's proposal. This increase is mainly due to our draft decision on a smaller negative carryover amount under the opex Efficiency Carryover Mechanism (ECM) compared to APTNT's proposal.

Compared to the current access arrangement period (2021–26), our draft decision is $47.1 million (46.9%) higher than APTNT's allowed revenue in the 2021–26 period, in nominal terms.[4] This increase is driven by an increase in APTNT's higher operating expenditure (opex) requirements. It is also driven by movements in market factors outside the control of the network including higher inflation and interest rates.

Key elements of our draft decision include:

2 Customers of the pipeline's services are called shippers. Shippers or potential shippers act like wholesalers and on-sell gas to customers.

3 Our decision on an access arrangement proposal must be to either approve it in its entirety, or not at all. Our draft decision indicates whether we are prepared to approve the proposal as submitted and, if not, the nature of the amendments that are required to make the proposal acceptable to us.

4 In real terms, our draft decision represents an increase of $20.7 million (17.9%) in APTNT's allowed revenue compared to the current 2021−26 period.

- Not accepting APTNT's proposed capital expenditure (capex) and substituting an alternate estimate of $17.1 million ($30 June 2026). This is $3.2 million (15.9%) lower than APTNT's proposal.
- Accepting APTNT's proposed opex of $75.6 million ($2025–26), including debt raising costs, as our alternate estimate is not materially different to APTNT's proposal (1.4% higher).
- Accepting APTNT's proposed approach to regulatory depreciation, including its proposed 2 new asset classes.
- Requiring APTNT to apply the Capital Expenditure Sharing Scheme (CESS) and seeking APTNT's and stakeholder feedback on its application.
- Accepting APTNT's proposed structure of reference tariffs for the 2026–31 period, but the quantum of reference tariffs must be amended to reflect our assessment of the building block proposal.
- Not accepting APTNT's proposed reference tariff variation mechanism and requiring amendment to one consumer price index (CPI) element.
- Not accepting the proposed changes to APTNT's gas specifications included as part of its non-tariff components.

Capex overspends and the incentive mechanism framework

During the 2021−26 period APTNT expects to incur actual capex of $33.5 million ($2025–26), which is $18 million (86.1%) higher than our allowance. This is now a pattern, and we observe that APTNT has overspent its capex forecast in the past 3 access arrangement periods from 2011–26.

The incentive-based regulatory framework is designed to incentivise a business to undertake efficient capex forecasting during a period. Businesses are rewarded or penalised depending how they perform against their capex allowance. Efficiency gains or losses are shared between the business and network users.[5] Currently, an incentive scheme only applies for over or under spends on opex for the Amadeus Pipeline through the efficiency carryover mechanism (ECM). APTNT has incurred negative ECM carryovers (penalties) as a result of the operation of the ECM in the 2026–31 period.

Currently, APTNT is not subject to the CESS, which is the standard incentive scheme for capex. To date, the CESS has not been applied to scheme gas transmission businesses.[6] We have considered whether applying the CESS would incentivise APTNT to improve the robustness of its capex forecasting and impose expenditure discipline.

Our draft decision is to apply the CESS to the Amadeus Pipeline for the 2026–31 period. We consider it would likely result in better capex forecasts over time, and the more efficient

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5 AER, *Capital expenditure incentive guidelines v 4*, August 2025.

6 Gas distribution businesses that currently have the CESS applied to them include Jemena Gas Networks, Evoenergy, Australian Gas Networks, AusNet, and Multinet.

provision and use of pipeline services, including efficient investment in the pipeline to provide these services.

We acknowledge that APTNT did not propose the CESS. In developing its revised proposal, we encourage APTNT to seek stakeholder feedback on the potential application of the CESS. We also welcome stakeholder views in submissions to us, in response to our draft decision and to APTNT's revised proposal.

Use of the Amadeus Pipeline is changing

Prior to 2019 the Amadeus Pipeline was principally used to transport gas northwards from central Australia to fuel electricity generation close to Darwin in the Northern Territory.[7] However, in January 2019 the Northern Gas Pipeline (NGP) began operations. By intersecting with the Amadeus Pipeline at Warrego, 1,000 kms south of Darwin, the NGP enabled gas to flow east from the Amadeus Pipeline into Queensland. From there, gas can flow via other pipelines into Australia's eastern gas market.[8]

APTNT submitted that gas has indeed been carried from the Amadeus Pipeline to the NGP. The Amadeus Pipeline now sometimes carries gas south towards the Warrego intersection with the NGP, in addition to also carrying gas north for electricity generation. This change in use of the Amadeus Pipeline is now accompanied by potentially significant new gas supply in the Northern Territory's emergent Beetaloo Basin.[9]

The combination of new pipeline connections to the eastern gas market and new sources of gas supply in the Northern Territory means that shippers could seek more Amadeus Pipeline capacity. However, even with these changing dynamics, APTNT has forecast that overall demand for Amadeus Pipeline capacity will remain largely unchanged over the 2026–31 period. While APTNT acknowledged there is interest from stakeholders in seeing additional Amadeus Pipeline capacity being provided, primarily for transportation to the NGP, APTNT indicated that shippers are waiting for greater certainty around the Beetaloo Basin. [10]

Notwithstanding APTNT's view that additional Amadeus Pipeline capacity is not yet warranted, APTNT has proposed to align some of the Amadeus Pipeline's gas specifications to match the standards of the eastern gas market.[11] APTNT submitted:

> with the expected increase in producers connecting to the Amadeus Pipeline the growth of the East Coast gas market presents an opportunity to increase throughput by aligning some gas qualities…[12]

We received 2 submissions, from Jemena and Power and Water Corporation (Power and Water), with both supporting the overall objective of APTNT's proposed changes to the Amadeus Pipeline's gas specifications. However, they also raised concerns about potential

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7 AGP, *AAR 2026–31 - Access Arrangement Information*, June 2025, p. 8.

8 AGP, *AAR 2026–31 - Access Arrangement Information*, June 2025, p. 9.

9 AGP, *AAR 2026–31 - Access Arrangement Information*, June 2025, p. 24.

10 AGP, *AAR 2026–31 - Access Arrangement Information*, June 2025, p. 24.

11 AGP, *AAR 2026–31 - Access Arrangement Overview*, June 2025, p.21. East Coast Market standards are set at Australian Standard – AS 4564.

12 AGP, *AAR 2026–31 - Access Arrangement Overview*, June 2025, p.21.

unintended consequences that the changes might have, for example on downstream contracts. Given the concerns raised by stakeholders, our draft decision is to not accept APTNT's proposed changes to the gas specifications. We have taken this position to allow APTNT and its stakeholders more time to negotiate on the most appropriate gas specifications for the Amadeus Pipeline. We also encourage stakeholders to provide submissions to us, on this issue, in response to our draft decision and to APTNT's revised proposal.

Engagement with stakeholders

APTNT's stakeholder engagement has been steadily improving. With our 2021–26 access arrangement decision for APTNT, we observed the marked improvement in the scope and nature of its stakeholder engagement to inform that access arrangement proposal compared to its engagement to inform previous access arrangement proposals.

With respect to its 2026−31 access arrangement proposal, we consider APTNT has continued to develop and refine its engagement approach. We support this ongoing evolution in APTNT's approach and encourage it to continue.

As noted above, there remain issues on which we consider further engagement is now required to inform APTNT's 2026−31 access arrangement revised proposal, including its proposed gas specification changes and our draft decision to apply the CESS.

1 Our draft decision

APTNT's proposed access arrangement sets out the services it will provide in the 5 years from 1 July 2026 to 30 June 2031 (2026–31 period), the tariffs for those services, and the other terms and conditions on which they will be provided.

APTNT's has submitted an access arrangement proposal for the Amadeus Pipeline that would allow it to set gas transmission charges resulting in the recovery of an expected $146.2 million ($ nominal, smoothed) in revenues from consumers from 1 July 2026 to 30 June 2031.

Our decision on an access arrangement proposal must be to either approve it in its entirety, or not at all. Our draft decision indicates whether we are prepared to approve the proposal as submitted and, if not, the nature of the amendments that are required to make the proposal acceptable to us.

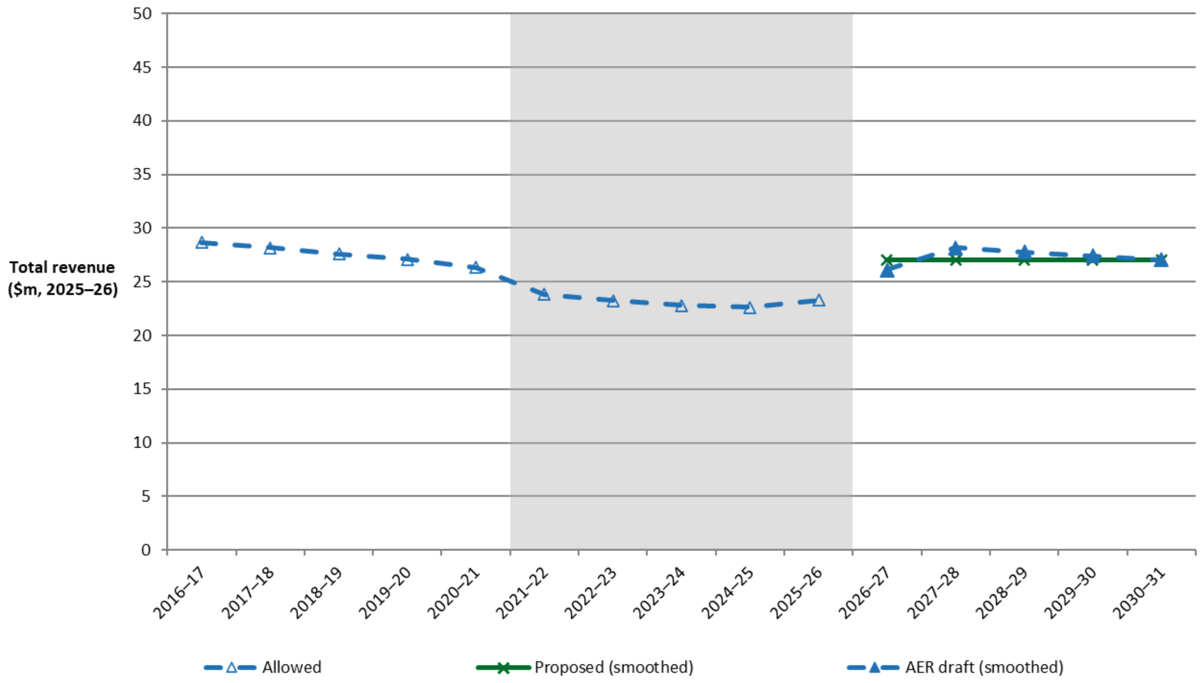
Our draft decision is to not approve APTNT's proposal. In this section, we briefly outline what is driving the expected revenue in this draft decision, and the key differences between our draft decision revenue of $147.5 million ($ nominal, smoothed) compared to APTNT's proposed $146.2 million.

1.1 What is driving revenue

Over time, inflation impacts the spending power of money. To compare revenue from one period to the next on a like-for-like basis, in this section we use 'real' values based on a common year ($2025–26) that have been adjusted for the impact of inflation instead of the nominal values above.

Where the assumptions in APTNT's proposal would result in total smoothed real revenue that was $19.3 million (16.7%) higher than approved for the current period, the estimated impact of our draft decision is an increase of $20.7 million (17.9%). Figure 1-1 shows how real revenue would change over the next 5 years under this draft decision, compared to APTNT's proposal.

Figure 1-1 Changes in regulated revenue over time ($million, 2025–26)



Source: AER analysis.

There are several reasons for this increase in revenue. Figure 1-2 highlights the key drivers of the change between the expected real revenue approved for the APTNT's 2021–26 period and that approved in this draft decision for the 2026–31 period. It shows that our draft decision provides for increases in the building blocks for:

- return on capital, which is based on the opening capital base, forecast capex and rate of return. This is $10.5 million (29.3%) higher than the 2021–26 period. As shown in Figure 1-3, APTNT's capital base is projected to decline in real terms over the 2026–31 period. Forecast capex is lower than the actual capex incurred in the previous periods, in real $2025–26 terms. The forecast represents business as usual capex. The actual capex in the current period includes significant expenditure for the lease and building costs of new office and workshop facilities in Darwin and Australian Pipeline Limited (APA Group) allocations of information and operational technology expenditure that were more than double those of the forecast period. However, forecast inflation and rate of return in the 2026–31 period are higher than the 2021–26 period, more than offsetting the decrease in the return on capital as a result of a reduced capital asset base. cost of corporate income tax, which is $1.4 million higher than the 2021–26 period, primarily due to a higher return on equity and a higher regulatory depreciation in the 2026–31 period compared to the 2021–26 period[13]
- return of capital (regulatory depreciation), which is $3.1 million (22.7%) higher than the 2021–26 period. This is primarily driven by higher straight-line depreciation, reflecting that a greater proportion of total forecast capex in the 2026–31 period relates to shorter-

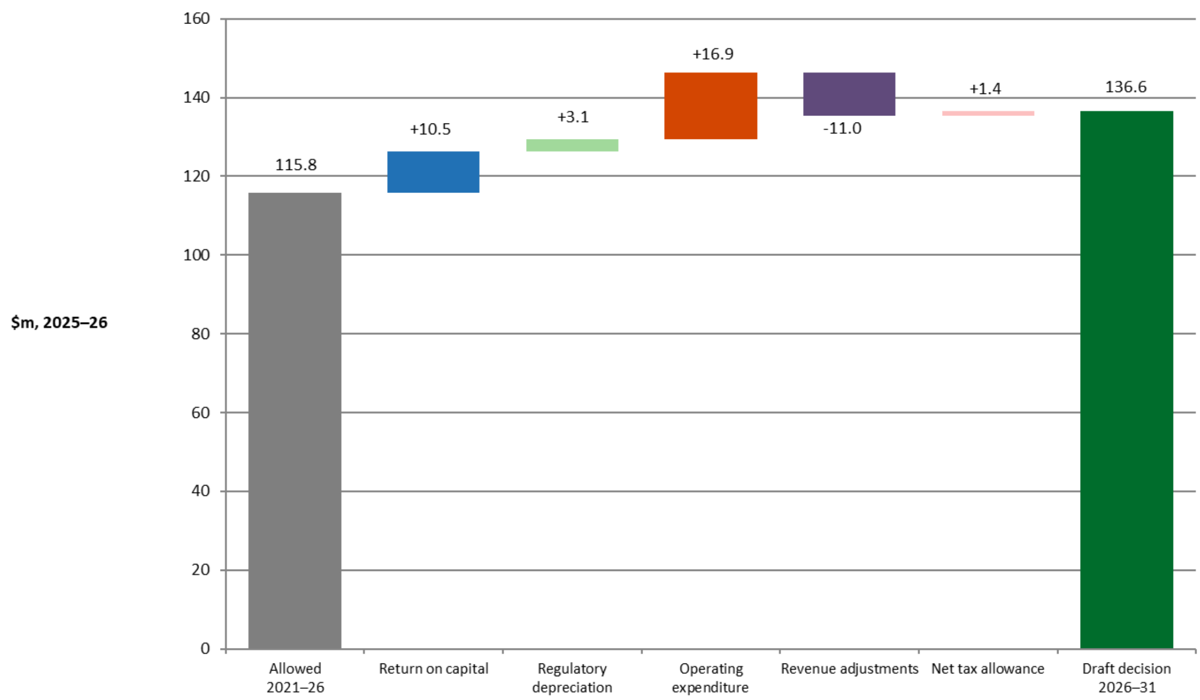
[13] Both return on equity and regulatory depreciation are components of revenue for tax purposes. All else equal, higher return on equity and regulatory depreciation amounts will lead to a higher taxable income and in turn a higher cost of corporate income tax amount.

lived assets compared with the 2021–26 period. This more than offsets the impact of the higher indexation of the capital base resulting from the higher expected inflation in the 2026–31 period

- forecast opex for the 2026–31 period is $16.9 million (28.8%) higher than APTNT's 2021–26 access arrangement. The increase is largely due to higher forecast expenditure in APTNT's base year, price growth and higher in-line inspection costs reflecting the variable 10-year pipeline inspection cycle.

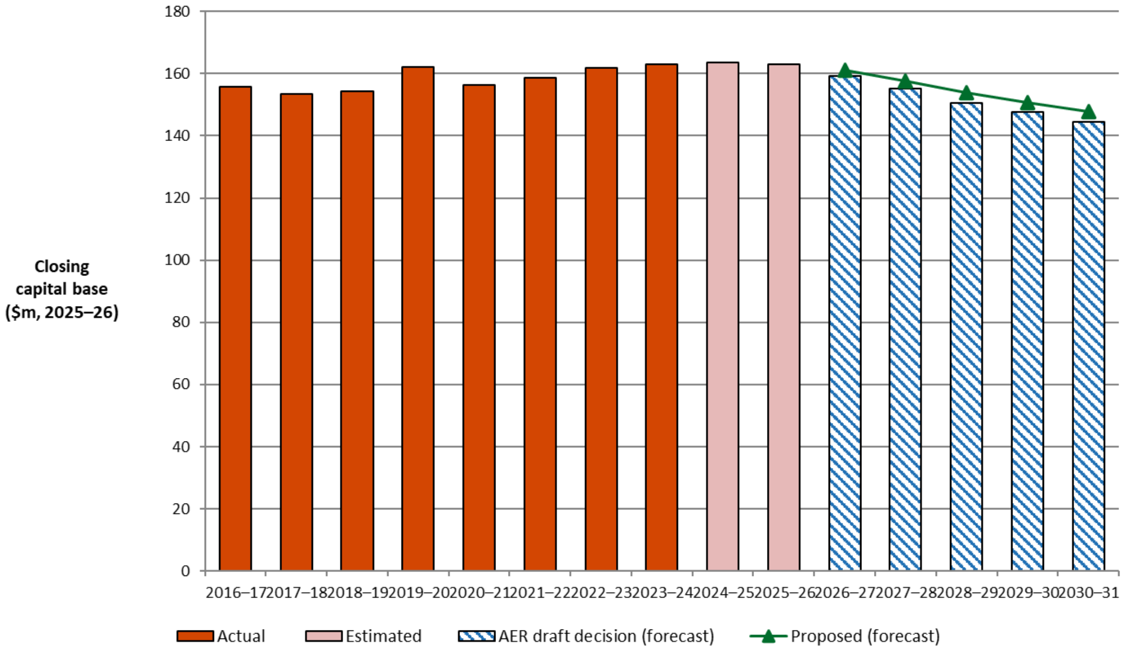
Figure 1-2 also shows that our draft decision provides for a decrease in revenue adjustments, which are $11.0 million lower than the 2021–26 period, mainly due to a negative opex ECM amount determined in the 2026–31 period compared to a positive amount in the 2021–26 period.

Figure 1-2 Changes in total revenue between 2021–26 period and 2026–31 period ($million, 2025–26 unsmoothed)



Source: AER analysis.
Note: Allowed revenue and proposed revenue in the chart are total unsmoothed revenue for the access arrangement period. The 2021–26 allowed revenues (including opex) are converted to real 2025–26 dollars using lagged consumer price index (CPI).

Figure 1-3 APTNT's capital base value over time ($ million, 2025–26)



Source: AER analysis.

1.2 Key differences between this draft decision and APTNT's proposal

In real terms, this draft decision would allow APTNT to recover a total building block revenue of $136.6 million ($2025–26, unsmoothed) over the 2026–31 period. This increase is mainly due to our draft decision on a smaller negative carryover amount under the opex ECM compared to APTNT's proposal.

We have reduced APTNT's proposed forecast capex, reflecting our decision not to include capex for APTNT's new cathodic protection satellite data loggers program and compound improvements, and to reduce the APA Group allocation of information and operational technology and the capex allowance for other major maintenance.

Movements in market variables have also led to the different revenue outcome in our draft decision compared with APTNT's proposal, all else being equal. These include:

- our updated calculation of APTNT's rate of return, which reduced to 6.1% from APTNT's placeholder estimate of 6.3%[14], resulting in a lower return on capital amount compared with APTNT's proposal
- higher expected inflation, based on the Reserve Bank of Australia's (RBA) August 2025 Statement on Monetary Policy (2.55% per annum compared with 2.65% in APTNT's proposal), has slightly reduced the regulatory depreciation amount relative to APTNT's proposal.

[14] Average nominal vanilla WACC over 2026–31.

These updates in market variables are a standard part of our decision-making process and do not reflect areas of difference between us and APTNT.

This draft decision marks the mid-point in our consultation on APTNT's proposal, and final decision outcomes on most of these components are likely to differ. The components of forecast revenue will also change when we update our final decision for movements in market variables, such as interest rates, bond rates and inflation.

It is open to APTNT to submit additions or other amendments in an access arrangement revised proposal to address matters raised in this draft decision.[15] The amendments must be limited to those necessary to address matters raised in our draft decision unless we approve further amendments.[16] They should be limited to externally driven changes that APTNT was not in a reasonable position to respond to at the time of its initial proposal. We would encourage APTNT, where possible, to continue to engage with its consumers on issues for consideration in its revised proposal.

1.3 Expected impact of our draft decision on tariffs

We combine our forecast revenue requirement for APTNT with forecast demand to determine its network tariffs. In simple terms, tariffs are determined by dividing cost (total revenue requirement) by total demand. This means that for the same level of demand, an increase in revenue will lead to an increase in tariffs.

The rising revenue over the 2026–31 period is that this draft decision will increase APTNT's tariffs relative to the current period. For illustrative purposes, we estimate the impact of this draft decision would be to increase tariffs by around 33.0% in nominal terms by 2030–31 compared to 2025–26 levels, or an average nominal increase of 5.9% per annum.[17]

Figure 1-4 compares the tariff path for APTNT's gas transportation reference services under this 2026−31 draft decision with that approved previously for the 2021–26 period, and with APTNT's proposal. These are simple estimates only, calculated in aggregate rather than for individual tariff classes. Note also that while our decision establishes tariffs for year 1 (2026–27), tariffs for years 2 to 5 will be set via the annual reference tariff variation mechanism reflecting actual inflation, updated return on debt and any cost pass throughs.[18]

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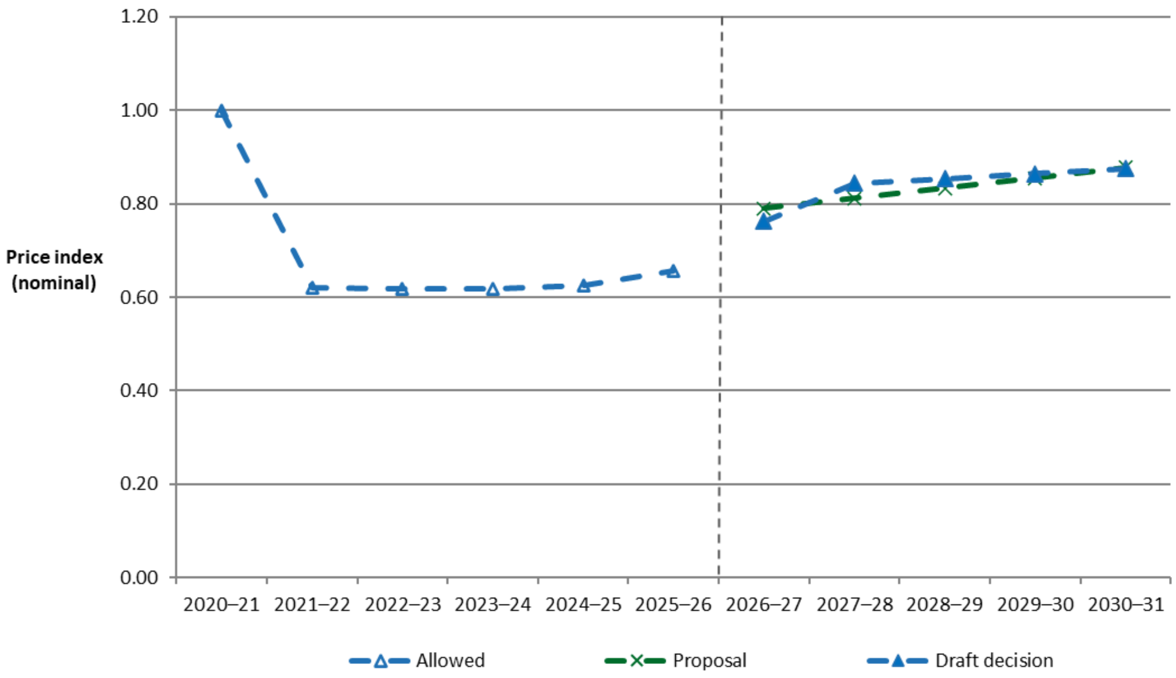
15 NGR, r. 60(1).

16 NGR, r. 60(2).

17 In real ($2025–26) terms, the impact of this draft decision on APTNT's tariffs is an increase of around 17.2% by the end of the 2026–31 period, or an average real increase of 3.2% per annum.

18 The reference tariff variation is discussed in section 5.2 of this draft decision.

Figure 1-4 Indicative reference tariffs paths for APTNT's reference services from 2026 to 2031 (Price index, nominal)



Source: AER analysis.

1.4 APTNT's stakeholder engagement

High quality consumer engagement is critical to developing proposals that support delivery of services that meet the needs of consumers at a price that is affordable and efficient. The Better Resets Handbook sets out principle-based expectations for considering consumer engagement, covering the nature of engagement, the breadth and depth of engagement, and clearly evidenced impact from this engagement.[19]

Consumer engagement is an important facet of our assessment; however, we must be satisfied the proposed forecast reasonably reflects prudent and efficient costs and a realistic expectation of future demand and cost inputs.

APTNT's proposal states that its engagement approach was:

> committed to embedding quality stakeholder engagement into our business to ensure our actions are directly underpinned by the views of the consumers and communities we serve.[20]

APTNT invited a broad group of stakeholders to attend regular online meetings, rather than relying on a dedicated smaller advisory group. It considered that this approach would enable more stakeholders to participate in the engagement process, as it allowed for flexible

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19 AER, *Better resets handbook*, December 2021.

20 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, p. 4.

attendance around competing work priorities and multiple engagement processes taking place in the energy sector.[21]

APTNT began engagement in February 2024 with a stakeholder workshop to co-design its engagement program, which included identifying the core issues and priorities to consider.[22] The co-design workshop explored a range of issues of interest from stakeholders with the 5 top priorities identified as:

- Third party access, which included discussion of access for new and existing users, when capacity will extend beyond current arrangements, understanding queuing requirements.
- The future of the Amadeus Pipeline, including discussion of Beetaloo Basin, supply capabilities and demand on the pipeline.
- Reliability and security of supply.
- Affordability, including tariffs for new users and customer risk.
- Gas specifications and information, including quality and gas composition and pressure regimes.[23]

APTNT outline it addressed the priorities identified, as well as the Handbook expectations in its engagement plan developed, which was reviewed and approved by its stakeholders.[24]

Through a series of 5 stakeholder meetings, APTNT engaged on the priorities identified, as well as broader elements of its proposal such as its proposed capex, opex, ECM penalty, terms and conditions of the access arrangement, and even the AER models used to develop the proposed RAB and revenue requirements.[25]

We observed that while stakeholder attendance fluctuated for stakeholder meetings, participants that attended were engaged, and APTNT would respond appropriately to enquiries from stakeholders. An example of a consistent issues raised by stakeholders was the impact on utilisation and demand for Amadeus Pipeline services from Beetaloo in 2026–29 and whether the system will be capable of receiving gas at that time. To this APA explained:

> …that there is currently unused capacity in the AGP [Amadeus Pipeline], driven by external market conditions. APA works with stakeholders to ensure gas can be successfully moved to the markets where it is required.[26]

Similarly, demand uncertainty was a reoccurring topic, with APTNT acknowledging that some change between now and its revised proposal may be expected. APTNT engaged

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21 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, p. 4.

22 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, p. 7.

23 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, p. 6.

24 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, p. 6.

25 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, pp. 10-16. This section outlines a full list of the engagement topics covered and how APTNT addressed and responded to stakeholder feedback and questions.

26 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, p. 13.

throughout the stakeholder meetings on its proposed changes to its terms and conditions, and in December 2024 no concerns were raised. However, following the publication of its draft documents it received a submission raising concerns that:

> proposed changes to the [Higher Heating Value] and the Wobbe index have failed to consider the calorific value of processed gas following the removal of nitrogen. It was thought the concentration of inert gas limits needs to also be considered and that full alignment to AS 4564 would better achieve the stated aims. [27]

APTNT's proposal indicated that it would continue to work with stakeholders on resolving concerns in preparation for its revised proposal on its gas specification changes. Through our consultation process, we received 2 submissions from Jemena and Power and Water, which identify these ongoing concerns about the proposed gas specification changes and name plating.[28] This is discussed further at section 5.5.

Overall, we consider that APTNT has set out to genuinely engage with its stakeholders and provided well developed information and responses. We consider that the targeted engagement undertaken by APTNT in developing its proposal was appropriate. However, we would encourage APTNT to continue engaging with its stakeholders on those issues that they continue to raise concerns with, including changes to its proposed gas specification.

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27 AGP, *AAR 2026–31 - Engagement Summary Report*, June 2025, p. 16.

28 We received 2 submissions for the Amadeus Pipeline access arrangement from Jemena, *Submission on Amadeus Gas Pipeline 2026–31 Access Arrangement Proposal*, August 2025; Power and Water, *Submission - Amadeus Gas Pipeline 2026–31 access arrangement*, October 2025.

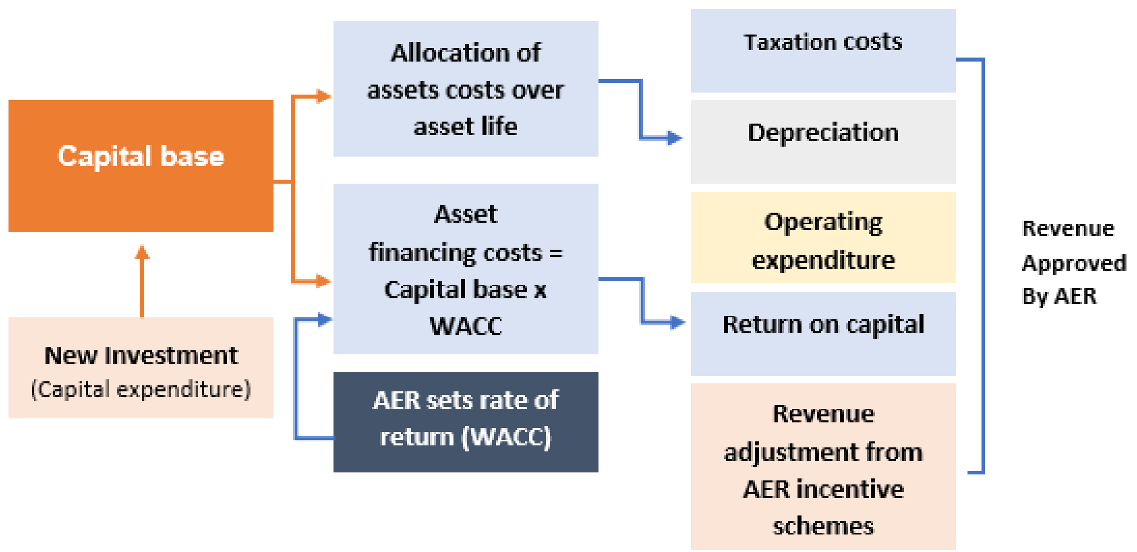
2 Total elements of our draft decision on revenue

The foundation of our regulatory approach is a benchmark incentive framework to setting revenues: once regulated revenues are set for the 5-year period, a network that keeps its actual costs below the regulatory forecast of costs retains part of the benefit. Service providers have an incentive to become more efficient over time, as they retain part of the financial benefit from improved efficiency. Consumers also benefit when efficient costs are revealed, and a lower cost benchmark is set in subsequent access arrangement periods.

APTNT's proposed revenue requirement, and our assessment of it under the NGL and NGR is based on six cost components or building blocks, illustrated in Figure 2-1.

- return on the capital base – to compensate investors for the opportunity cost of funds invested in this business
- depreciation of the capital base – or return of capital, to return the initial investment to investors over time
- capex – the capital costs and expenditure incurred in the provision of network services, which directly affects the size of the capital base and, therefore, the revenue generated from the return on capital and depreciation building blocks
- forecast opex – the operating, maintenance and other non-capital expenses, incurred in the provision of network services
- revenue increments/decrements resulting from the application of incentive schemes, such as the ECM and CESS
- estimated cost of corporate income tax.

Figure 2-1 The building block approach to determining total revenue



Source: AER.

2.1 Draft decision on total revenue

The total revenue requirement is a forecast of the efficient cost of providing gas transmission services over the access arrangement period. We determine annual revenue, and the total revenue requirement, in nominal terms that take expected future inflation into account. We use 5-year inflation expectations to convert revenues to nominal values.

Our draft decision on APTNT's total revenue requirement is $147.5 million ($ nominal, smoothed). This is an increase of $1.2 million (0.8%) from APTNT's proposal.

Table 2-1 AER's draft decision on APTNT's smoothed total revenue and X factors for the 2026–31 period ($ million, nominal)

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Return on capital	9.8	9.9	10.0	10.0	10.3	50.0
Regulatory depreciation[a]	3.4	3.8	4.2	3.2	3.2	17.9
Operating expenditure[b]	14.8	17.5	16.4	16.2	16.6	81.5
Revenue adjustments[c]	–4.0	–0.2	1.9	0.0	–1.3	–3.6
Cost of corporate income tax	0.0	0.1	0.6	0.4	0.4	1.6
Total revenue (unsmoothed)	24.1	31.1	33.2	29.9	29.2	147.5
Forecast revenue (smoothed)	26.8	29.6	30.0	30.3	30.7	147.4
X factor[d]	–13.20%	–7.79%	1.30%	1.30%	1.30%	n/a

Source: AER analysis.
n/a: not applicable.
(a) Under the CPI–X form of control, a negative X factor is an increase in revenues in real terms. The X factor for 2026–27 reflects revenue change in real terms. Our decision establishes 2026–27 tariffs by dividing the 2026–27 revenue allocated to each tariff by demand for each tariff, rather than referencing a change from 2025–26 tariffs. The X factors for 2027–28 to 2030–31 will be revised to reflect the annual return on debt update.

2.2 Revenue smoothing and tariffs

The APTNT operates under a weighted average price cap as its tariff variation mechanism. A weighted average price cap is where the total revenue is divided by forecast demand for each tariff category. The average tariff for 2026–27 determined in our decision becomes the reference tariff which forms the starting point for adjusting the price path over the remaining years of the 2026–31 period under the CPI–X tariff variation mechanism.

As part of the annual reference tariff variation process, we combine the X factors we have determined in our decision with actual inflation to create reference tariffs for the coming year. This means that the average prices paid by consumers, and therefore the revenues received by the network business, change with the X factor plus actual inflation.[29]

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[29] Under the CPI–X form of control, a positive X factor represents a decrease in revenue (and, therefore, in price). Conversely, a negative X factor represents an increase in revenue (and, therefore, in price).

Our decision on APTNT's proposal includes a determination of APTNT's total building block revenue (unsmoothed revenue), and a smoothed revenue profile across the 2026–31 period.

By smoothing revenue, we aim to minimise price volatility between and within access arrangement periods by keeping the difference between smoothed and unsmoothed revenue in the final year of each period as close as possible, and to provide price signals across tariffs that reflect APTNT's underlying, efficient costs of providing services. Our standard approach has been to keep a divergence of up to +/–3% between the smoothed and unsmoothed revenues for the last year of the period if this can achieve smoother price changes across the access arrangement periods.

APTNT's proposed smoothing profile provided an expected initial real revenue increase of 17.1% in 2026–27, followed by no real increase (0%) for the reminder 4 years of the 2026–31 period.

Our draft decision determines higher unsmoothed revenues than that of APTNT's proposal. Applying the same smoothing profile as the proposal would lead to a significant increase in revenue by 18.3% in 2026–27, in real terms. This profile would also lead to a final year difference between the smoothed and unsmoothed revenues of –6%, which is outside of our target range of +/–3%.

We have smoothed the real increase in forecast revenues to achieve a relatively stable price path over the 2026–31 period while reducing the final year revenue difference as much as possible to minimise price volatility at the start of the 2031–36 period. Consequently, we have relaxed our standard target range for the final year difference between the smoothed and unsmoothed revenues. In the present circumstances, we have determined that the final year revenue difference is 5%. The draft decision smoothing profile provides real revenue increases of 13.2% in year 1 (2026–27) and 7.8% in year 2 (2027–28), followed by moderate decreases of 1.3% per annum over the remaining 3 years (2028–29 to 2030–31) of the 2026–31 period. We are satisfied that the draft decision tariff path strikes a reasonable balance between minimising the impact of revenue increases on year 1 tariffs and reducing price volatility within the 2026–31 period and at the start of the 2031–36 period.

The average annual tariffs in year 1 (2026–27) determined in our draft decision are 3.4% lower in nominal terms than that proposed by APTNT, reflecting the smoothed revenue profile in our draft decision. This is not necessarily indicative of final decision tariffs, which will change again with our final decision on revenue and forecast demand. While our decision establishes tariffs for year 1 (2026–27) directly, tariffs for years 2 to 5 will be set as part of the annual reference tariff variation mechanism reflecting actual inflation, updated return on debt and any cost pass throughs.[30]

30 The annual reference tariff variation mechanism is discussed in section 5.2.

3 Key elements of our draft decision on revenue

The components of our draft decision include the building blocks we use to determine the total revenue requirement. The following sections summarise our revenue decision by building block. The attachments to this draft decision provide a more detailed explanation of our analysis and findings.

3.1 Capital base

The capital base roll forward accounts for the value of regulated assets in APTNT's transmission network in the Northern Territory over the access arrangement period. The opening capital base value for a regulatory year within the access arrangement period is rolled forward by indexing it for inflation, adding any conforming capex, and subtracting depreciation and other possible factors (for example, disposals).[31] Following this process, we arrive at a closing value of the capital base at the end of the relevant year. The opening value of the capital base is used to determine the return of capital (regulatory depreciation) and return on capital building blocks.

3.1.1 Draft decision

We determine an opening capital base value of $163.0 million ($ nominal) as at 1 July 2026 for APTNT. This value is $1.1 million (0.7%) lower than APTNT's proposed opening capital base of $164.2 million ($ nominal) as at 1 July 2026.[32] The reduction is due to our update to the roll forward model (RFM) for a lower estimated CPI of 3.0% for 2025–26 compared to 3.7% proposed by APTNT.[33] We have updated the estimated CPI for 2025–26 with the RBA's forecast published in its August 2025 Statement on Monetary Policy to reflect updated economic conditions.[34]

As the capital base must be maintained in real dollar terms by indexing for inflation, the 2025–26 CPI update results in a reduction to the opening capital base value as at 1 July 2026 by $1.1 million (0.7%) compared to APTNT's proposal, all else being equal. The CPI input for 2025–26 will be updated again to reflect the actual CPI published by the Australian Bureau of Statistics (ABS) for our final decision. We accept APTNT's proposed method for calculating the opening capital base as it is consistent with our standard approach. To determine the opening capital base as at 1 July 2026, we have rolled forward the capital base over the 2021–26 period to determine a closing capital base value at 30 June 2026 in accordance with our RFM.[35] This roll forward process includes an adjustment at the end of the 2021–26 period to account for the difference between actual 2020–21 capex and the

31 The term 'rolled forward' means the process of carrying over the value of the capital base from one regulatory year to the next.

32 APTNT, *AGP - AAR 2026–31 - Roll Forward Model (RFM),* June 2025.

33 APTNT, *AGP - AAR 2026–31 - Roll Forward Model (RFM),* June 2025.

34 RBA, *Statement on Monetary Policy, Table 3.1: Detailed Forecast Table*, August 2025, p. 58.

35 AER, *Gas Transmission roll forward model - v1.1*, May 2022.

estimates approved in the 2021–26 determination.[36] All other adjustments are applied as part of the final year adjustments at 30 June 2026 to establish the opening capital base value at 1 July 2026.[37]

Table 3-1 sets out our draft decision on the opening capital base as at 1 July 2026 and the roll forward of APTNT's capital base over the 2021–26 period.

Table 3-1 AER's draft decision on APTNT's capital base for the 2021–26 period ($ million, nominal)

	2021–22	2022–23	2023–24	2024–25[a]	2025–26[b]
Opening Capital Base	127.6	134.1	147.3	154.5	158.8
Net capex[c]	6.4	7.4	6.5	6.2	5.6
Inflation on opening capital base[d]	4.5	10.5	6.0	3.7	4.8
Less: straight-line depreciation[e]	4.4	4.7	5.2	5.6	6.0
Interim closing capital base	134.1	147.3	154.5	158.8	163.2
Difference between estimated and actual capex in 2020–21	-	-	-	-	–0.1
Return on difference for 2020–21 capex	-	-	-	-	–0.0
Closing capital base as at 30 June 2026	**-**	**-**	**-**	**-**	**163.0**

Source: AER analysis.
(a) Based on estimated capex provided by APTNT. We will update the capital base roll forward with actual capex in the final decision.
(b) Based on estimated capex provided by APTNT. We expect to update the capital base roll forward with a revised capex estimate in the final decision, and true-up the capital base for actual capex at the next access arrangement review.
(c) Net of disposals and capital contributions and adjusted for actual CPI and half-year weighted average cost of capital (WACC).
(d) We will update the capital base roll forward for actual CPI for 2025–26 in the final decision.
(e) Adjusted for actual CPI. Based on forecast capex.

We determine a forecast closing capital base value as at 30 June 2031 of $163.9 million ($ nominal) for APTNT. This is $4.6 (2.7%) million lower than APTNT's proposed closing capital base value of $168.5 million ($ nominal).[38] This reduction is mainly due to our draft decision on a lower forecast capex (section 3.4). Our draft decisions on the opening capital base as at 1 July 2026 (section 3.1.4.1), the expected inflation rate (section 3.2) and forecast

[36] The end of period adjustment will be positive (negative) if actual capex is higher (lower) than the estimate approved at the 2021–26 determination.

[37] This includes adjustments for asset reallocations from the existing 'O&M facilities' asset class to the new 'Corporate assets (IT)' asset class. This is a capital base reallocation and does not affect the total value of the opening capital asset base at 1 July 2026.

[38] APTNT, *AGP - AAR 2026–31 - Post-Tax Revenue Model (PTRM)*, June 2025.

depreciation (section 3.3) also affect the forecast closing capital base value as at 30 June 2031.[39]

Table 3-2 sets out our draft decision on the forecast capital base values for APTNT over the 2026–31 period and the closing capital base as at 30 June 2031.

Table 3-2 AER's draft decision on APTNT's capital base for the 2026–31 period ($ million, nominal)

	2026–27	2027–28	2028–29	2029–30	2030–31
Opening capital base	163.0	163.4	163.3	162.4	163.2
Net capex[a]	3.8	3.7	3.4	3.9	4.0
Inflation on opening capital base	4.2	4.2	4.2	4.1	4.2
Less: straight-line depreciation	7.6	8.0	8.4	7.3	7.4
Closing capital base	**163.4**	**163.3**	**162.4**	**163.2**	**163.9**

Source: AER analysis.
(a) Net of forecast disposals and capital contributions. In accordance with the timing assumptions of the PTRM, the capex includes a half-year WACC allowance to compensate for the six-month period before capex is added to the capital base for revenue modelling.

We accept APTNT's proposal to establish the opening capital base as at 1 July 2031 using the approved depreciation schedules based on forecast capex over the 2026–31 period.[40] These depreciation schedules will be adjusted for actual inflation outcomes over this period.

3.1.2 Overview of proposal

APTNT used our RFM to establish an opening capital base as at 1 July 2026 and the Post Tax Revenue Model (PTRM) to roll forward the capital base over the 2026–31 period. It proposed an opening capital base value as at 1 July 2021 of $127.6 million ($ nominal). Rolling forward this capital base with actual/estimated capex and using depreciation based on forecast capex approved for the 2021–26 period, APTNT proposed a closing capital base value of $164.2 million ($ nominal) as at 30 June 2026. APTNT's proposal sets out the details of its capital base roll forward over the 2021–26 period.[41] APTNT proposed to re-allocate some existing assets from the 'O&M facilities' asset class to the new 'Corporate assets (IT)' asset class for depreciation purposes. However, this re-allocation does not affect the total opening capital base value as at 1 July 2026.

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39 Capex enters the capital base net of forecast disposals and capital contributions. It includes equity raising costs (where relevant) and the half-year WACC to account for the timing assumptions in the PTRM. Therefore, our draft decision on the forecast capital base also reflects our amendments to the rate of return for the 2026–31 period (section 3.2).

40 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31,* p. 14, July 2025.

41 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31*, pp. 22–23, July 2025.

APTNT proposed a forecast closing capital base as at 30 June 2031 of $168.5 million ($ nominal). This value reflects its proposed opening capital base, forecast capex, expected inflation, and depreciation (based on forecast capex) over the 2026–31 period. APTNT's proposal sets out the details of its capital base roll forward over the 2026–31 period.[42]

APTNT proposed to use forecast depreciation to determine the opening capital base as at the commencement of the 2031–36 access arrangement period (2031–36 period), consistent with the approach applied in the 2021–26 period.[43]

3.1.3 Assessment approach

In appendix A.1, we set out our assessment approach for the capital base.[44]

3.1.4 Reasons for draft decision

We determine an opening capital base value of $163.0 million ($ nominal) as at 1 July 2026 for APTNT, a reduction of $1.1 million (0.7%) from the proposed value. We forecast a closing capital base value of $163.9 million by 30 June 2031. This represents a reduction of $4.6 million (2.7%) compared with APTNT's proposal. The reasons for our decision are discussed below.

3.1.4.1 Opening capital base as at 1 July 2026

We determine an opening capital base value of $163.0 million ($ nominal) as at 1 July 2026 for APTNT. This value is $1.1 million (0.7%) lower than ANTNT's proposed opening capital base value of $164.2 million ($ nominal) as at 1 July 2026.[45] This reduction is due to our update to the estimated CPI input for 2025–26 in the RFM, which reflects more up-to-date economic conditions. Our updated CPI estimate is lower than the value adopted in APTNT's proposed RFM.

Figure 3-1 shows the key drivers of the change in the value of APTNT's capital base over the 2021–26 period for this draft decision. Overall, the closing capital base at the end of the 2021–26 period in our draft decision is estimated to be 27.8% higher than the opening capital base at the start of that period, in nominal terms. The net capex increases the capital base by 25.1%, and inflation indexation increases it by 23.1%. Depreciation,[46] on the other hand, reduces the capital base by 20.3%. End of period adjustments reduce the capital base by 0.1%.

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42 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–3*1, p. 23, 1 July 2025.

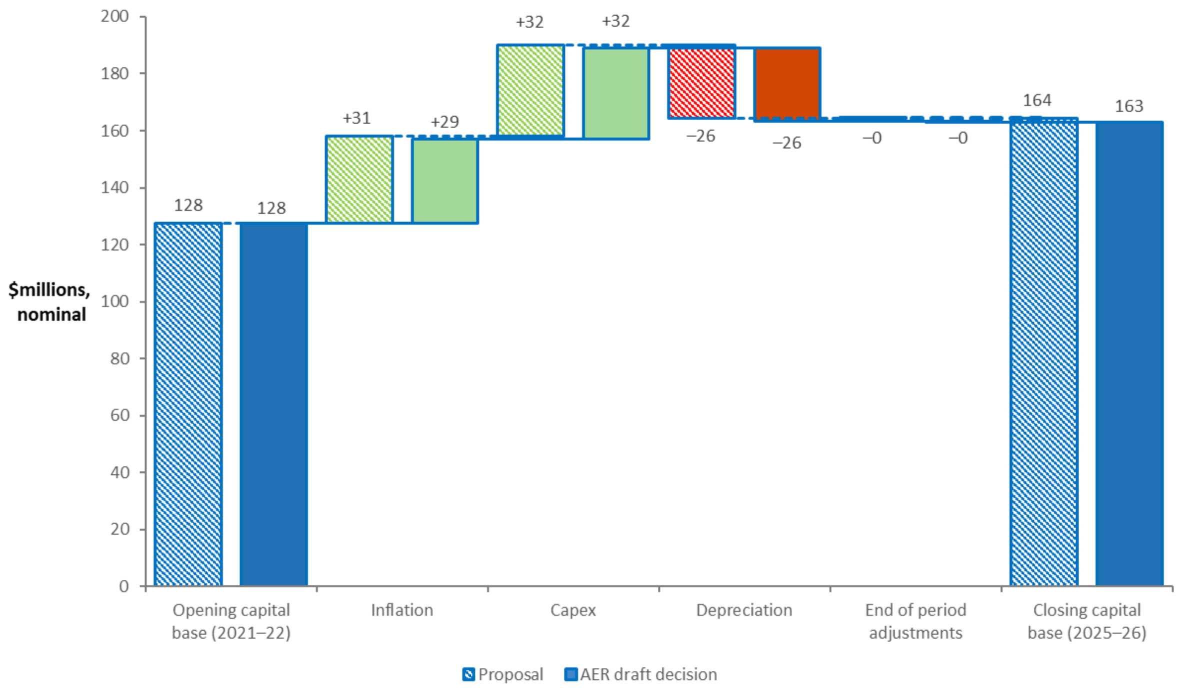
43 APTNT, *Amadeus Gas Pipeline: AAR 2026–31 - Access Arrangement 2026–31,* p. 14, July 2025.

44 See AER, *Draft decision - Amadeus Gas Pipeline access arrangement 2026–31 - Appendix A - Assessment approach,* November 2025

45 APTNT, *AGP - AAR 2026–31 - Roll Forward Model (RFM),* June 2025.

46 This refers to straight-line depreciation. Regulatory depreciation is straight-line depreciation less the inflation indexation of the capital base.

Figure 3-1 Key drivers of changes in the capital base over the 2021–26 period—APTNT's proposal compared with AER's draft decision ($ million, nominal)



Source: AER analysis.
Note: Capex is net of disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the RFM.

In the following sections we discuss our assessment of APTNT's proposed inputs in the RFM and the conforming capex in the 2021–26 period for capital base roll forward purposes.

Key inputs in the RFM

APTNT proposed an opening capital base as at 1 July 2026 using our RFM. We reviewed the key inputs of APTNT's proposed RFM such as actual inflation, the rate of return, gross capex values, asset disposal values, forecast depreciation amounts and asset lives. We found these inputs were correct and reconciled with relevant data sources such as ABS data, annual reporting Regulatory Information Notices (RINs) and the 2021–26 decision models.[47]

However, we have updated APTNT's 2025–26 CPI estimate of 3.7% which was based on the RBA's forecast published in February 2025 with a more up-to-date estimate of 3.0%, reflecting the RBA's forecast published in August 2025.[48] In addition, we have amended the inputs associated with the proposed re-allocation of some existing assets from the 'O&M facilities' asset class to the new 'Corporate assets (IT)' asset class to reflect the latest available data. We note that these input changes will affect the forecast depreciation amount,

47 At the time of this draft decision, the roll forward of APTNT's capital base includes estimated capex values for 2024–25 and 2025–26. We expect to update the 2024–25 estimated capex with actuals in the final decision. We may also update the 2025–26 estimated capex with a revised estimate in the final decision.

48 RBA, *Statement on Monetary Policy, Table 3.1: Detailed Forecast Table*, August 2025, p. 58.

but do not affect the total opening capital base value as at 1 July 2026. APTNT agreed to these amendments in response to our information request.[49]

Conforming capital expenditure in the 2021–26 period

Our assessment of conforming capex is set out in section 3.4.3. In determining APTNT's opening capital base as at 1 July 2026, we assessed whether its proposed capex amounts for 2020–21 and the 2021–26 period are properly accounted for in the capital base roll forward.

We accept APTNT's actual capex for 2020–21 as conforming capex, for the reasons set out in section 3.4.3. The 2020–21 capex was an estimated value at the time we made our 2021–26 final decision. We have assessed whether this is conforming capex as part of this access arrangement review. We also accept APTNT's actual capex for 2021–22 to 2023–24 as conforming capex.[50] Therefore, we accept that actual conforming capex for these years have been properly accounted for in the proposed capital base roll forward consistent with the requirements of the NGR.[51]

However, we note that the proposed capex for 2024–25 and 2025–26 are estimates. We expect APTNT will update the capex for 2024–25 with actuals and may revise the capex estimate for 2025–26 in its revised proposal. We will assess whether the actual capex for 2024–25 is conforming capex in our final decision. We will assess whether APTNT's actual capex for 2025–26 is conforming capex under the NGR and adjust for any differences between actual and estimated capex, in the subsequent (2031–36) access arrangement review.[52]

3.1.4.2 Forecast closing capital base as at 30 June 2031

We forecast a closing capital base value of $163.9 million ($ nominal) by 30 June 2031 for APTNT, which represents a reduction of $4.6 million (2.7%) compared to APTNT's proposed amount of $168.5 million ($ nominal). The reduction reflects our draft decision on the inputs for determining the forecast capital base in the PTRM.

The change in the size of the capital base over the 2026–31 period depends on our assessment of its various components including forecast depreciation (section 3.3), expected inflation (section) and forecast capex (section 3.4). Inflation and capex increase the capital base, while depreciation and asset disposals reduce it.

To determine the projected capital base value for APTNT, we amended the following PTRM inputs:

- We reduced APTNT's proposed opening capital base value as at 1 July 2026 by $1.1 million ($ nominal) or 0.7% (section 3.1.4.1).
- We updated APTNT's proposed expected inflation rate of 2.65% per annum to 2.55% per annum over the 2026–31 period (section 3.2). Compared to the proposal, our draft

49 APTNT, *Response to AER information request IR#001*, 19 August 2025.

50 See section 3.4 of this draft decision for details.

51 NGR, r. 77(2)(b) and 79.

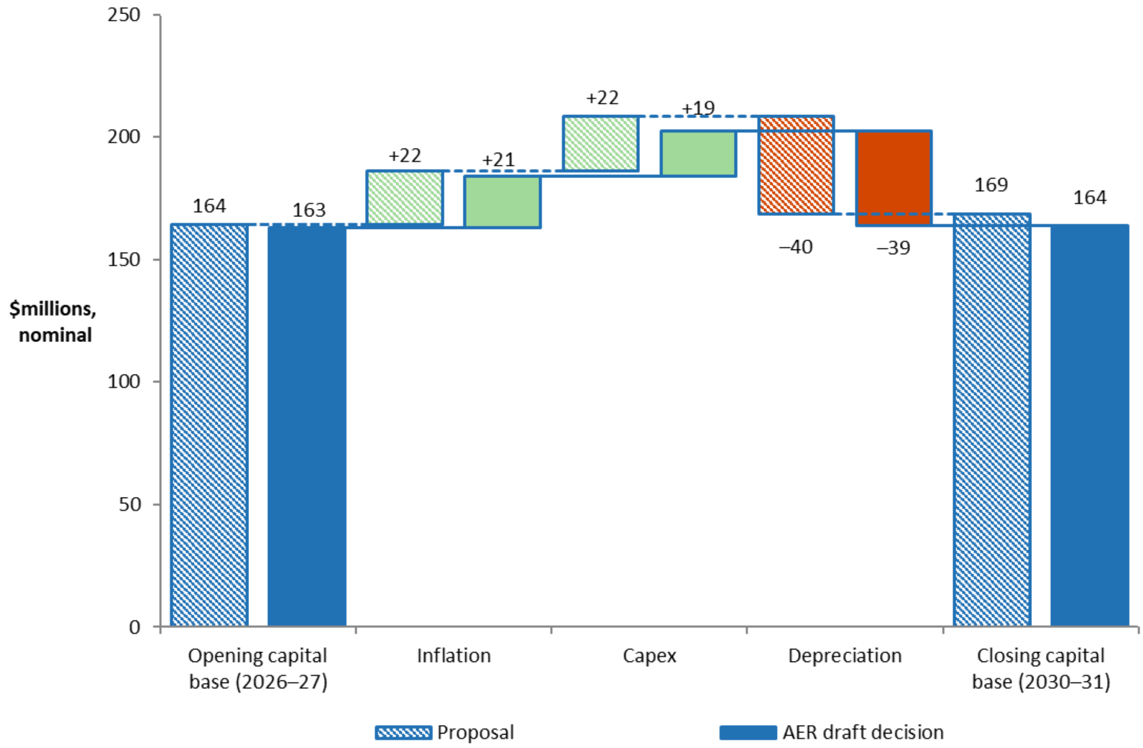
52 NGR, rr. 77(2)(b), 79.

decision results in a reduction to the indexation of the capital base component for the 2026–31 period by $1.2 million ($ nominal) or 5.4%.[53]

- We reduced APTNT's proposed forecast straight-line depreciation for the 2026–31 period by $1.4 million ($ nominal) or 3.4% (section 3.3).
- We reduced APTNT's proposed forecast capex for the 2026–31 period by $3.7 million ($ nominal) or 16.3%.[54] Forecast net capex is a significant driver of the increase in the capital base. Our review of APTNT's forecast capex is set out in section 3.4.

Figure 3-2 shows the key drivers of the change in APTNT's capital base over the 2026–31 period for this draft decision. Overall, the closing capital base value at the end of the 2026–31 period in our draft decision is forecast to be 0.5% higher than the opening capital base at the start of that period, in nominal terms. The approved forecast net capex increases the capital base by 11.5%, and expected inflation increases it by 12.8%. Forecast depreciation, on the other hand, reduces the capital base by 23.7%.

Figure 3-2 Key drivers of changes in the capital base over the 2026–31 period – APTNT's proposal compared with the AER's draft decision ($ million, nominal)



Source: AER analysis.
Note: Capex is net of forecast asset disposals. It is inclusive of the half-year WACC to account for the timing assumptions in the PTRM.

53 The increase in the indexation of the capital base is largely due to the lower expected inflation rate used in our draft decision.

54 Capex is net of forecast asset disposals, and inclusive of half-year WACC adjustment.

3.1.4.3 Depreciation approach for establishing the opening capital base at the next access arrangement review

We determine that the depreciation approach to be applied to establish APTNT's opening capital base at the commencement of the 2031–36 period will be based on the depreciation schedules (straight-line) using forecast capex at the asset class level approved for the 2026–31 period.

We accept APTNT's proposal to establish the opening capital base as at 1 July 2031 using the approved depreciation schedules based on forecast capex over the 2026–31 period.[55] This is consistent with the requirement in APTNT's current access arrangement which requires that depreciation be based on forecast capex.[56] We approved such an approach in our other recent gas access arrangement decisions. This approach is also consistent with the approach outlined in our Access Arrangement Guideline.[57] The amount of the forecast depreciation is to be approved by us in the final decision for the 2026–31 period.

3.2 Rate of return and value of imputation credits

The AER's 2022 Rate of Return Instrument (RORI) sets out the approach we will use to estimate the return on debt, the return on equity and the overall rate of return.[58]

The return each business is to receive on its capital base, known as the 'return on capital', is a key driver of proposed revenues. We calculate the regulated return on capital by applying a rate of return to the value of the capital base.

We estimate the rate of return by combining the returns of 2 sources of funds for investment: equity and debt. The allowed rate of return provides the business with a return on capital to service the interest rate on its loans and give a return on equity to investors.

The estimate of the rate of return is important for promoting efficient prices in the long-term interests of consumers. If the rate of return is set too low, the network business may not be able to attract sufficient funds to be able to make the required investments in the network and reliability may decline. Conversely, if the rate of return is set too high, the network business may seek to spend too much, and consumers will pay inefficiently high prices.

We are required by the NEL and NER to apply the RORI to estimate an allowed rate of return. For this draft decision, we have applied the 2022 RORI.[59]

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55 APTNT, *AGP - AAR 2026–31 - Roll Forward Model (RFM),* June 2025.

56 AER, *Draft decision: Amadeus Gas Pipeline Access Arrangement 2021 to 2026 Attachment 2 – Capital base*, November 2020, p. 14.

57 For example, AER, *Final decision: Jemena Gas Networks (NSW) - Access arrangement 2025–30*, 14 May 2025; AER, *Final decision: AusNet Services - Access arrangement 2023–28*, 2 June 2023; AER, *Final decision: Australian Gas Networks (Victoria and Albury) 2023–28 – Attachment 2 Capital base*, June 2023, p. 8; AER, *Final decision: Multinet Gas - Access arrangement 2023–28 – Attachment 2 Capital base*, June 2023, p. 9.

58 AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

59 AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

APTNT's proposal adopted the 2022 RORI.[60] The 6.02% (nominal vanilla) rate of return in this draft decision is lower than the 6.10% placeholder in the proposal, reflecting a lower risk-free rate and cost of debt.

Our calculated rate of return in Table 3-3 applies to the first regulatory year of the 2026–31 period. A different rate of return may apply for the remaining years of the period. This is because we will update the return on debt component of the rate of return each year, in accordance with the 2022 RORI, to use a 10-year trailing average portfolio return on debt that is rolled-forward each year. Hence, only 10% of the return on debt is calculated from the most recent averaging period, with 90% from prior periods.

Our draft decision accepts APTNT's proposed risk-free rate and debt averaging periods because they are consistent with the 2022 RORI.[61]

We specify these periods in confidential Appendix B and they will be used to update the risk-free rate and return on debt in the final decision.[62]

Table 3-3 Draft decision on APTNT's rate of return (nominal)

	AER's previous decision (2021–26)	APTNT's proposal (2026–31)	AER's draft decision (2026–31)	Allowed return over the regulatory control period
Nominal risk-free rate	1.34%	4.48%	4.34%[a]	
Market risk premium	6.1%	6.2%	6.2%	
Equity beta	0.6	0.6	0.6	
Return on Equity (nominal post-tax)	5.00%	8.20%	8.06%	Constant (%)
Return on debt (nominal pre-tax)	4.69%[c]	4.70%	4.66%[b]	Updated annually
Gearing	60%	60%	60%	Constant (60%)
Nominal vanilla WACC	4.81%[c]	6.10%	6.02%	Updated annually for return on debt
Expected inflation	2.00%	2.65%	2.55%	Constant (%)

Source: AER analysis; AER, *Final decision – Amadeus Gas Pipeline access arrangement 2021–26*, 30 April 2021, p. 24; APTNT, *AGP - AAR 2026–31 - Access Arrangement Information*, June 2025, pp. 33-34; APTNT, *AGP - AAR 2026–31 - Post-Tax Revenue Model (PTRM)*, June 2025.

(a) Calculated using a placeholder averaging period of 20 business days ending 30 September 2025, which will be updated for the final decision.

60 APTNT*, AGP - AAR 2026–31 - Access Arrangement Information,* June 2025, p. 33.

61 AER, *Rate of return Instrument (version 1.2)*, March 2024, cll 7–8, 23–25.

62 AER, *Draft decision – Amadeus Gas Pipeline access arrangement 2026–31 - CONFIDENTIAL Appendix B - Rate of* return, November 2025.

(b) Calculated using a placeholder averaging period of 20 business days ending 30 September 2025, which will be updated for the final decision.
(c) Applied to the first year of the 2021–26 period.

3.2.1 Debt and equity raising costs

In addition to compensating for the required rate of return on debt and equity, we provide an allowance for the transaction costs associated with raising debt and equity. We include debt raising costs in the opex forecast because these are regular and ongoing costs which are likely to be incurred each time service providers refinance their debt. On the other hand, we include equity raising costs in the capex forecast because these costs are only incurred once and would be associated with funding the particular capital investments. Our approach to forecasting debt and equity raising costs is set out in more detail in our past determinations.[63] APTNT has proposed to use our approach to estimate debt and equity raising costs.[64]

Our draft decision accepts APTNT's proposed opex, including debt raising costs, as set out in section 0.

We have updated our estimate for the 2026–31 period based on the benchmark approach using updated inputs. This results in zero equity raising costs.

3.2.2 Imputation credits

Our draft decision applies a value of imputation credits (gamma) of 0.57, as set out in the 2022 RORI.[65] APTNT's proposal also adopted the same value.[66]

3.2.3 Expected inflation

As set out in Table 3-4, our estimate of expected inflation is 2.55%. It is an estimate of the average annual rate of inflation expected over a 5-year period based on the outcome of our 2020 inflation review.[67] APTNT's proposal also adopted our approach.[68]

Table 3-4 Draft decision on APTNT's forecast inflation (%)

	Year 1	Year 2	Year 3	Year 4	Year 5	Geometric average
Expected inflation	2.60%	2.58%	2.55%	2.53%	2.50%	2.55%

Source: AER Analysis; *RBA, Statement on Monetary Policy Table 3.1: Detailed Forecast Table*, August 2025, accessed 8 October 2025.

63 AER, *AER - Draft Decision Attachment 3 - Rate of return - Ergon Energy - Distribution revenue proposal 2025-30,* 23 September 2024, pp. 4-6.

64 APTNT, *AGP - AAR 2026–31 - Post-Tax Revenue Model (PTRM)*, June 2025.

65 AER, *Rate of return Instrument (version 1.2)*, March 2024, cl. 27.

66 APTNT, *AGP - AAR 2026–31 - Access Arrangement Information,* June 2025, p. 35.

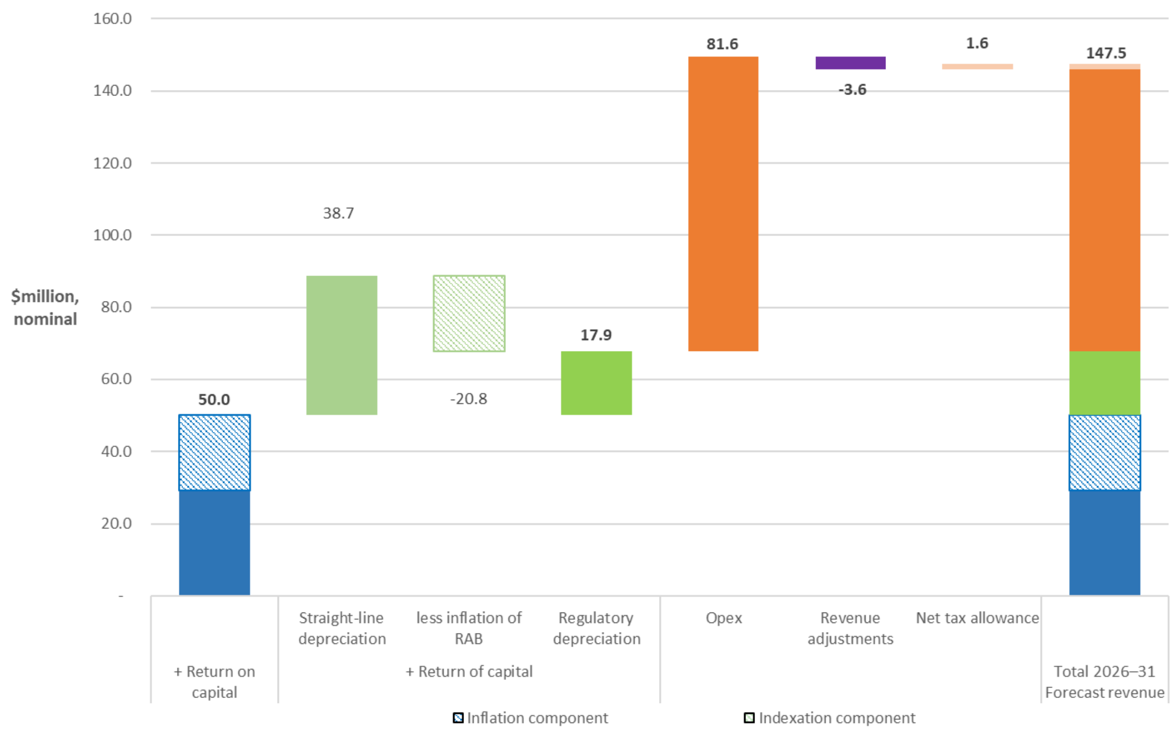
67 AER, *Final position, Regulatory treatment of inflation*, December 2020.

68 APTNT, *AGP - AAR 2026–31 - Access Arrangement Information*, June 2025, p. 3; APTNT, *AGP - AAR 2026–31 - Post-Tax Revenue Model (PTRM)*, June 2025.

Our draft decision uses the RBA's August 2025 Statement on Monetary Policy which contains a CPI forecast for the year-ending June 2027. This means the first year of the 2026–31 period is based on RBA forecasts and, thereafter, a linear glide-path from year 2 to the mid-point of the RBA's inflation target band of 2.5% in year 5.

Figure 3-3 isolates the impact of expected inflation from other parts of our draft decision, to illustrate its impact on the return on capital and regulatory depreciation building blocks and the total revenue allowance. Other elements held constant, lower inflation reduces the return on capital but increases regulatory depreciation.

Figure 3-3 Inflation components in draft decision revenue building blocks ($ million, nominal)



Source: AER analysis.

3.3 Regulatory depreciation (return of capital)

Regulatory depreciation is the amount provided so capital investors recover their investment over the economic life of the asset (return of capital). When determining the total revenue for APTNT's, we include an amount for the depreciation of the projected capital base.[69] Under the building block framework, regulatory depreciation consists of the net total of the straight-line depreciation less the indexation of the capital base.

This section sets out our draft decision on APTNT's regulatory depreciation amount. It also presents our draft decision on the proposed depreciation schedules, including an assessment of the proposed standard and remaining asset lives used for calculating straight-line depreciation.

69 NGR, r. 76(b).

3.3.1 Draft decision

We determine a regulatory depreciation amount of $17.9 million ($ nominal) for APTNT for the 2026–31 period. APTNT proposed a regulatory depreciation amount of $18.1 million ($ nominal).[70] Our draft decision represents a reduction of $0.2 million (1.0%) from the proposed amount.

This reduction is primarily due to our draft decision on a lower forecast capex and a lower opening capital base at 1 July 2026, which reduced the straight-line depreciation amount by $1.4 million. This is also due to updates to the forecast as-commissioned asset disposal inputs in the PTRM for the 2026–31 period based on the corrected values provided by APTNT.[71] This reduction is partly offset by a lower indexation of the capital base (since indexation is deducted from straight-line depreciation). The indexation of the capital base is $1.2 million lower than the proposal, largely due to our draft decision on a lower expected inflation rate of 2.55% per annum compared to APTNT's proposed 2.65% per annum.

In coming to this decision on APTNT's regulatory depreciation:

- We accept APTNT's proposed straight-line depreciation method used to calculate the regulatory depreciation amount.
- We accept APTNT's proposal to continue using the weighted average remaining live (WARL) approach for implementing straight-line depreciation of its existing assets and its forecast capex.
- We accept APTNT's proposed existing asset classes and the standard and remaining asset lives for these asset classes.
- We accept APTNT's proposed two new asset classes, 'Corporate assets (IT)' and 'Leased assets post 2021', and the proposed standard asset life of 5 years and 15 years for these asset classes, respectively (section 3.3.4.2).
- We accept APTNT's proposal to re-allocate the residual value of IT assets to the new 'Corporate assets (IT)' asset class. However, we made a minor amendment to the residual value because we corrected some inputs in APTNT's calculation (section 3.3.4.2).
- We accept APTNT's proposed remaining asset life of 7.6 years for the 'Leased Assets post 2021' asset class for depreciating existing leases signed during the 2021–26 period.

We made determinations on other components of APTNT's proposal which affect the forecast regulatory depreciation—for example, the opening capital base at 1 July 2026

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70 APTNT*, Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31,* APTNT*, AAR 2026–31 - Post-Tax Revenue Model (PTRM)*, 1 July 2025.

71 APTNT, *Response to AER information request IR#001*, 19 August 2025. This correction results in a $0.6 million ($2025–26) increase to the forecast asset disposal on an as-commissioned basis. This leads to a $0.1 million reduction to the forecast regulatory depreciation amount. This is because a higher asset disposal value on as commissioned basis reduces the net forecast capex amount and in turn reduces the amount of forecast depreciation.

(section 3.1), expected inflation (section 3.2), and forecast capex (section 3.4) including its effect on the projected capital base over the 2026–31 period.[72]

Table 3-5 sets out our draft decision on APTNT's regulatory depreciation amount over the 2026–31 period.

Table 3-5 AER's draft decision on APTNT's forecast depreciation for over the 2026–31 period ($ million, nominal)

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Straight-line depreciation	7.6	8.0	8.4	7.3	7.4	38.7
Less: inflation indexation on opening capital base	4.2	4.2	4.2	4.1	4.2	20.8
Regulatory depreciation	**3.4**	**3.8**	**4.2**	**3.2**	**3.2**	**17.9**

Source: AER analysis.

3.3.2 Overview of proposal

APTNT proposed a total forecast regulatory depreciation amount of $18.1 million ($ nominal) for the 2026–31 period. To calculate the depreciation amount, APTNT proposed to use:[73]

- the straight-line depreciation method employed in the AER's PTRM
- the closing capital base value at 30 June 2026 derived from the AER's RFM
- its forecast capex for the 2026–31 period
- an expected inflation rate of 2.65% per annum for the 2026–31 period
- the AER's WARL depreciation approach in the RFM, which implements the straight-line method to calculate the forecast depreciation (over the 2026–31 period) of the opening capital base as at 1 July 2026
- the same asset classes and standard asset lives for depreciating its forecast capex for the 2026–31 period, which are consistent with those approved in the 2021–26 access arrangement.
- two new asset classes, 'Corporate assets (IT)' and 'Leased assets post 2021', with a standard asset life of 5 years and 15 years respectively.
- re-allocated $4.9 million (on an as commissioned basis) of IT related assets from the to the existing 'O&M facilities' asset class to the new 'Corporate assets (IT)' asset class with a remaining asset life of 3.2 years.

72 Capex enters the capital base net of forecast disposals and capital contributions. It includes equity raising costs (where relevant) and the half-year weighted average cost of capital (WACC) to account for the timing assumptions in the PTRM. Our draft decision on the capital base (section 3.1) also reflects our updates to the WACC for the 2026–31 period.

73 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31,* APTNT, *AAR 2026–31 - Post-Tax Revenue Model (PTRM),* July 2025.

- proposed a remaining asset life of 7.6 years for the 'Leases Assets post 2021' asset class for depreciating exiting leases signed during the 2021–26 period.

3.3.3 Assessment approach

In appendix A.2, we set out our assessment approach for regulatory depreciation.[74]

3.3.4 Reasons for draft decision

We accept APTNT's proposed straight-line depreciation method for calculating the regulatory depreciation amount as set out in the PTRM. However, we have reduced APTNT's proposed forecast regulatory depreciation amount for the 2026–31 period by $0.2 million (1.0%) to $17.9 million ($nominal).

This reduction is mainly due to our draft decision on a lower opening capital base as at 1 July 2026 (section 3.1) and a lower forecast capex (section 3.4). Our draft decision on a lower expected inflation rate (section 3.2) partly offsets this reduction.

We accept APTNT's proposal to apply the weighted average method to calculate the remaining asset lives as at 1 July 2026. However, we have updated the remaining asset lives to reflect amendments we made in the RFM.

We accept APTNT's proposed new asset classes for 'Corporate assets (IT)' and 'Leased assets post 2021', and the proposed standard asset lives of 5 years and 15 years for these new asset classes respectively.

In the following sections, we discuss our assessment of APTNT's proposed standard and remaining asset lives.

3.3.4.1 Remaining asset lives

We accept APTNT's proposal to use the WARL method to calculate the remaining asset lives as at 1 July 2026. The proposed method is a continuation of the approved approach used in the 2021–26 access arrangement and applies the approach as set out in our RFM.

APTNT proposed to apply the same approach implemented in our RFM to calculate the residual value and the remaining asset life for these assets. We consider this approach to be reasonable.

As discussed in section 3.3.4.2, we accept APTNT's proposal to add two new asset classes, 'Corporate assets (IT)' and 'Leased Assets post 2021' from the 2026–31 period. However, we identified a few input errors in APTNT's calculation of the residual value and remaining asset life for the assets to be re-allocated to the 'Corporate Assets (IT)' asset class. Accordingly, we have re-calculated the residual value and the remaining asset lives as at 1 July 2026 for these assets in the RFM to reflect these error corrections.[75]

In accepting the weighted average method, we have updated APTNT's remaining asset lives to reflect our adjustments to the proposed RFM (section 3.1). This is because changes

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[74] See AER, *Draft decision - Amadeus Gas Pipeline access arrangement 2026–31 - Appendix A - Assessment approach,* November 2025

[75] Our draft decision determined a residual asset value of $5.2 million and remaining asset life of 3.2 years for these assets on an as commissioned basis, compared to $4.9 million and 3.1 years proposed by APTNT.

affecting the capital base value in the RFM in turn impact the calculation of the remaining asset lives as at 1 July 2026.

We also accept APTNT's proposed 7.6 years remaining asset life for the 'Leases Assets post 2021' asset class, as we consider that the proposed remaining life correctly reflects the weighted average remaining terms of the existing leases signed during the 2021–26 period.

For this draft decision, the remaining asset lives as at 1 July 2026 reflect estimated capex values for 2024–25 and 2025–26. As part of the final decision, we will update the 2024–25 estimated capex with actuals and the 2025–26 estimated capex may be revised based on more up-to-date information from APTNT in its revised proposal.

3.3.4.2 Standard asset lives

We accept APTNT's proposed standard asset lives for its existing asset classes in respect of the forecast capex to be incurred in the 2026–31 period. This is because they are consistent with those approved for the 2021–26 period and are largely comparable with the standard asset lives used by other network businesses for similar asset classes.

We accept APTNT's proposed 2 new asset classes for 'Corporate assets (IT)' and 'Leased assets post 2021' and the proposed standard asset lives of 5 years and 15 years for these asset classes, respectively:

- For the 'Corporate assets (IT)' asset class, we consider it reasonable to establish a separate asset class for IT-related assets, as these assets typically have materially shorter economic lives than the current 15 years standard asset life assigned to them.[76] The proposed standard asset life of 5 years is consistent with the technical life of typical IT assets. It is also aligned with the asset lives we have previously approved for similar IT-related asset classes for other pipeline service providers.[77]
- For the 'Lease Assets post 2021' asset class, we consider it reasonable to the establish a separate asset class for leases signed post 2021. At the 2021–26 access arrangement review, we did not assign a standard asset life for the existing 'Leased assets' asset class as there were no forecast capex for leases at the time of the 2021–26 decision. However, APTNT has incurred some costs for leases during the 2021–26 period. As such, we consider it appropriate to establish a new asset class so that these costs can be depreciated over the remaining terms of the leases (discussed in section 3.3.4.1). We also consider the proposed standard asset life of 15 years for depreciating the forecast leases for the 2026–31 period to be reasonable as it reflects a weighted average of the expected terms of the forecast leases.[78]

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[76] In the previous access arrangement periods, IT related assets has been allocated in the existing 'O&M facilities' asset class with a much longer asset life of 15 years.

[77] For example, AER, *Final decision: Jemena Gas Networks (NSW) - Access arrangement 2025–30, attachment 4 Regulatory depreciation*, May 2025, p. 27; AER, *Final decision: AusNet Services - Access arrangement 2023–28, attachment 4 Regulatory depreciation*, June 2023, p. 15; AER, *Final decision: Australian Gas Networks (Victoria and Albury) 2023–28 – Attachment 4 Regulatory depreciation*, June 2023, p. 13; AER, *Final decision: Multinet Gas - Access arrangement 2023–28 – Attachment 4 Regulatory depreciation*, June 2023, p. 12.

[78] APTNT, *Email to AER, Revised RFM, PTRM, Dep'n module and 'Leased assets post 2021' avg. and std life calculations*, 13 February 2025.

For the 'Equity raising costs' asset class, we assigned a standard asset life of 'n/a' (not applicable) on the basis that forecast capex determined for APTNT did not meet a level to trigger any benchmark equity raising costs. We have assigned a standard and remaining asset life of 'n/a' to the 'Land and Easement' asset class in the PTRM because these assets are non-depreciable.

Our draft decision PTRM sets out APTNT's standard and remaining asset lives for each of its asset classes over the 2026–31 period.[79] We are satisfied that the asset lives approved in this draft decision will result in a depreciation schedule that reflects the depreciation criteria in the NGR.[80]

3.4 Capital expenditure

Capital expenditure (capex) refers to the capital costs and expenditure incurred in the provision of pipeline services.[81] This investment mostly relates to assets with long lives and these costs are recovered over several access arrangement periods. In this section, we outline our assessment of APTNP's capex proposal for the 2026–31 period.

3.4.1 Draft decision

Our draft decision is to not accept APTNT's proposed net capex of $20.3 million (real $30 June 2026) for the 2026–31 period. Instead, we include net capex of $17.1 million (real $30 June 2026) in our alternative forecast of the revenue requirement for the 2026–31 period.

Following outlines our assessment of APTNT's proposal and our reasoning for our draft decision. In some instances, we are seeking further evidence of the prudency and efficiency of the proposed capex.

3.4.2 APTNT's proposal and our assessment

APTNT's proposal included its actual and estimated capex for the 2020–21 and the 2021–26 period as well as its proposed capex for the 2026–31 period.

We must make 2 decisions on APTNT's capex.

First, we assess past capex to determine whether it is conforming capex that can be added to the opening capital base.[82] Our assessment is based on APTNT's submission and supporting information.

Second, we assess APTNT's forecast of required capex for the 2026–31 period to determine whether it meets the new capex criteria set out in the NGR.[83] To do this, we assess the key drivers of forecast capex to consider whether the proposed capex complies with the new capex criteria. In doing so, we relied on the following information:

79 AER, *Draft decision PTRM for APTNT*, September 2025, PTRM input sheet – cells L7–L56 and O7–O56.

80 NGR, r. 89.

81 NGR, r. 69.

82 Under NGR, r. 77(2)(b), we add capital expenditure to the capital base only if it is conforming capital expenditure.

83 NGR, r. 79.

- APTNT's proposal and access arrangement information, which outlines its capex program and the main drivers of those programs
- business cases that detail the expenditure requirements for specific projects
- APTNT's RIN responses
- APTNT's capex forecast model
- responses to information requests
- submissions from interested parties.

Interrelationships

In assessing APTNT's total forecast capex we considered other components of its proposal, including the trade-off between potential capex and opex solutions.

3.4.3 Reasons for the draft decision

3.4.3.1 Capex for 2020–21 and the 2021–26 period

We approve APTNT's actual capex for 2020–21 and 2021–24 period as conforming capex.

Our final decision for APTNT's 2021–26 access arrangement included an estimate of capex for 2020–21 as actual capex was not yet available. To determine the opening capital base for the 2021–26 period, we are required to assess and determine the prudency and efficiency of the actual capex in 2020–21.

Our draft decision includes APTNT's proposed net capex of $5.2 million ($2025–26) for 2020–21 as conforming capex as it is consistent with our final decision allowance of $5.3 million.[84]

We are also required to establish the opening capital base for the 2026–31 period. To determine the opening capital base for the 2026–31 period we are required to assess and determine the prudency and efficiency of the actual capex in the years 2021–22 to 2023–24.

Our draft decision includes APTNT's estimate of capex from 2024–25 and 2025–26 in the capital base, as actual capex is not yet available.[85] We will assess whether APTNT's actual capex for 2024–25 is conforming capex in our final decision for the 2026–31 access arrangement, as actual expenditure will be available. We will assess whether APTNT's actual

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84 APTNT, *AGP - AAR 2026-31 - Roll Forward Model (RFM)*, June 2025; AER, *Final Decision - Amadeus Gas Pipeline access arrangement 2021-26*: AER, *Final Decision - Amadeus Gas Pipeline access arrangement 2021-26 – RFM*, 30 April 2021.

85 While 2024–25 and 2025–26 are estimates, APTNT reported that: 2024–25 capex for New Cathodic Protection Sites is $91,581 compared to $540,000 in the capex model.

- capex for Cathodic Protection – Replacement ground beds is $50,279 in 2024–25 and estimated to be $140,000 in 2025–26 compared to $280,000 in 2024–25 and $0 in 2025–26 ($2023-24) in the capex model.
- 2024–25 capex of $60,000 for CPU replacements has been deferred, and
- capex for the MLV Actuators Upgrade Program for 2025–26 ($235,000 ($2023-24) in the capex model) is no longer to be incurred.

capex for 2025–26 is conforming capex in the subsequent (2031–36) access arrangement review and adjust for any differences between actual and estimated capex.[86]

APTNT proposed net capex of $33.5 million ($2025–26) for the 2021–26 period. This is 86.1% higher than the $18.0 million ($2025–26) net capex we approved in our final decision in April 2021 (see Table 3-6).[87]

Table 3-6 Comparison of APTNT's 2020–26 expenditure and our final decision on capex ($million, $2025-26)

Year	2020-21	2021-22	2022-23	2023-24	2024-25(e)	2025-26(e)	Total 2021-26
APTNT							
Gross capex	5.4	7.5	7.7	7.3	6.2	5.5	34.2
Disposals	0.2	0.0	0.0	0.6	0.0	0.0	0.7
Net capex	5.2	7.4	7.7	6.6	6.2	5.5	33.5
AER final decision (April 2021)							
Gross capex	5.3	3.8	3.3	3.8	3.9	3.9	18.8
Disposals	0.0	0.2	0.2	0.2	0.2	0.2	0.8
Net capex	5.3	3.6	3.2	3.7	3.7	3.8	18.0
Difference	**-0.1**	**-3.7**	**-4.4**	**-3.5**	**-2.3**	**-1.5**	**-15.5**

Note: (e) estimate
Source: APTNT, *AGP - AAR 2026-31 - Roll Forward Model (RFM)*, June 2025; AER, *Final Decision - Amadeus Gas Pipeline access arrangement 2021-26 - PTRM* - April 2021.

We requested further information on expenditure that was significantly higher than the AER allowance in the final decision.

APTNT submitted that the higher expenditure was attributable to:[88]

- Leasing and building its office and workshop in Winnelli in Darwin, consolidating from 2 different sites (approx. $8.0 million over 2021–22 to 2023–24).
- APA Group allocation for information technology, which significantly increased in 2022–23 and 2023–24 for the Secure Energy Program and APA's IT transformation program. The Secure Energy Program was to meet the IT and physical security requirements of

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86 This is consistent with our obligations under NGR, rr. 77(2), 79.

87 APTNT, *AGP - AAR 2026-31 - Roll Forward Model (RFM)*, June 2025; AER, *Final Decision - Amadeus Gas Pipeline access arrangement 2021-26*: AER, *Final Decision - Amadeus Gas Pipeline access arrangement 2021-26 - RFM* - 30 April 2021.

88 APTNT, *Response to AER Information Request #003*, questions 15, 18, 24, received 13 October 2025, pp.13, 14-15, 17-18.

the *Security of Critical Infrastructure Act 2018*. The IT transformation program includes shifting IT to cloud based services

- Undertaking a greater number of heat shrink sleeve repairs in 2022–23 than were forecast.

We approved expenditure for APTNT to consolidate and update its office/workshop space in Darwin in the 2016–21 access arrangement. APTNT deferred this project to the 2021–26 period. It submitted that it would realise operational efficiencies from this project.

The APA IT program has been a large program but is to be completed before the next regulatory period. It is expected to deliver efficiencies in updating IT programs and in operations and maintenance activities.[89] We note that the APA Group allocation share has declined from 1.69% in 2021–22 to a forecast allocation of 1.26% in 2024–25 which, should, all else equal, cause these costs to reduce.[90]

In relation to the heat shrink sleeve repairs, APTNT submitted that the number of replacements is influenced by factors that impact delivery, such as site accessibility (whether the ground is flooded), security of supply, resource constraints or alignment of works to take advantage of improved resource mobilisation (efficiency). It stated that a greater number were undertaken to catch up for lower numbers replaced in earlier years.[91]

We consider these expenditures were prudent and efficient, being required to realise operational and maintenance efficiencies, meet regulatory obligations, and maintain the heat shrink sleeve repair program within the prudent replacement timeframes.

3.4.3.2 Capex for the 2026–31 period

Our draft decision is to not accept APTNT's proposed $20.3 million (real $30 June 2026) in capex for the 2026–31 period. Our alternative forecast of net capex is $17.1 million ($30 June 2026) (see Table 3-7). This is a 15.9% decrease from APTNT's proposed net capex and a 49.0% decrease compared to APTNT's 2021–26 period net capex of $33.5 million ($2025-26).

Our reasons for our draft decision on the forecast period capex are set out below.

Table 3-7 Comparison of APTNT's proposal and our draft decision on capex for the 2026–31 period ($m, real $30 June 2026)

Capex driver category	APTNT's proposal	AER Draft Decision	Difference ($m)	Difference (%)
Cathodic protection	5.0	3.7	-1.3	-25.6%
Facilities	3.4	3.1	-0.3	-9.6%
Heat shrink sleeves	4.1	4.1	0.0	0.0%

89 APTNT, *Response to AER Information Request #003*, question 18, received 13 October 2025, p.15.

90 APTNT, *Response to AER Information Request #003*, question 19, received 13 October 2025, p.15.

91 APTNT, *Response to AER Information Request #003*, question 15, received 13 October 2025, p.13.

Capex driver category	APTNT's proposal	AER Draft Decision	Difference ($m)	Difference (%)
Other network	2.8	1.9	-0.9	-32.6%
Non-network	5.1	3.9	-1.2	-23.0%
Corporate overheads	0.6	0.9	0.3	53.1%
Gross capex	**20.9**	**17.5**	**-3.4**	**-16.2%**
Disposals	0.6	0.4	-0.2	-26.2%
Net capex	**20.3**	**17.1**	**-3.2**	**-15.9%**

Source: APTNT, *AGP - AAR 2026-31 - Post-Tax Revenue Model (PTRM)*, June 2025.

3.4.3.2.1 Cathodic protection

APTNT proposed $5.0 million of capex for 5 cathodic protection programs.

These programs are to maintain the pipeline' integrity. Our draft decision is to include an alternative estimate of $3.7 million of capex for the reasons below.

Our assessment included seeking additional information from APTNT regarding the program history (start date, failure rates, replacements by location, and expected timing of the replacement program) and explanation of the variation from the 2021–26 period expenditure.

New cathodic protection sites

Our draft decision includes APTNT's proposed $2.9 million for the installation of the cathodic protection at 5 sites, being $0.58 million per site.

APA reports that for each access arrangement period, based on the previous and current period experience, they expect that they will need to install cathodic protection at 5 new sites along the Amadeus pipeline. APA stated that 5 new sites have been identified for the 2026–31 period from the current cathodic protection survey data. APA proposed a total of $2.9 million for the installation of the cathodic protection at these sites, being 5 sites at $0.58 million per site. The easements for these sites will be acquired in 2025-26 of the current period.[92]

APA will undertake 3 new cathodic protection site installations in the current period, with an average cost of completion of $0.55 million for 2 of them.[93]

We consider that the survey basis and historical costs support the capex proposed by APA and we have included $2.9 million in our alternative forecast for new cathodic protection sites.

92 APTNT, *AGP - AAR 2026-31 - Business Case - Cathodic Protection,* June 2025, pp.8-10; APTNT, *Response to AER Information Request #003*, question 5, received 13 October 2025, p.5.

93 APTNT, *Response to AER Information Request #003*, question 5, received 13 October 2025, p.5.

Cathodic protection – Replacement ground beds

Our draft decision includes an alternative estimate of $0.2 million for the replacement ground beds. Our draft decision is based on one replacement every second year (2027–28 and 2029–30) consistent with the lifecycle management plan and the historical average cost of $0.1 million per bed replacement.

APTNT has included $0.5 million for the replacement of 3 ground beds, located in Daly Waters, Kelly Well, and Mereenie.[94]

There are 35 cathodic protection sites/ground beds installed along the Amadeus Pipeline. Annual surveys and SCADA data identify poorly protected areas of the pipeline. APTNT submitted the current replacement rate is one ground bed replacement every 2 years. However, APTNT is replacing 3 ground beds over the 2021–26 period, so it would be expected that only 2 ground beds need to be replaced in the 2026–31 period.[95]

APTNT proposed an average cost of $151,426 per replacement for the 2026–31 period but spent an average of $97,329 ($30 June 2026) over the 2021–26 period.[96]

We consider APTNT has not sufficiently justified the increase in bed replacements from one every second year, to three per 5-year period, nor has it justified the increase in expenditure from the average cost over the 2021–26 period to the forecast amount.

Cathodic protection unit (CPU) replacement program

Our draft decision includes APTNT's proposed $0.2 million for the replacement of one to two CPUs per year in the 2026–31 period.

APTNT stated that it forecast the number of cathodic protection units to be replaced based on historical replacement rates. Replacement is required when the cathodic protection unit becomes obsolete due to age or the unavailability of replacement parts, or they fail, generally as a result of a lightning strike. The program consists of the replacement of failed units and proactive replacement of one to two older, obsolete units per year. APTNT stated that cathodic protection unit replacement costs are relatively smooth on an average basis but, at remote locations and those with access issues, it is more economical to undertake replacements in conjunction with other electrical upgrades at the site.[97]

APTNT's forecast number of replacements is consistent with the current period and the forecast replacement cost is less than the historical average.

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94 APTNT, *AGP - AAR 2026-31 - Business Case - Cathodic Protection*, June 2025, pp.14-15; APTNT, *Response to AER Information Request #003*, question 2, received 13 October 2025, pp.1-2.

95 APTNT, *AGP - AAR 2026-31 - Lifecycle Management Plan*, June 2025, pp. 12-13; APTNT, *AGP - AAR 2026-31 - Business Case - Cathodic Protection*, June 2025, pp.14-15; APTNT, *Response to AER Information Request #003*, question 2, received 13 October 2025, pp.1-2.

96 APTNT, *AGP - AAR 2026-31 - Capex Model*, June 2025; APTNT, *Response to AER Information Request #003, question 5,* received 13 October 2025, p.5.

97 APTNT, AGP - AAR 2026-31 - Lifecycle Management Plan - June 2025, pp. 12-13; APTNT, AGP - AAR 2026-31 - Business Case - Cathodic Protection - June 2025, pp.11-13; APTNT, Response to AER Information Request #003, question 3, received 13 October 2025, pp.2-4.

Cathodic protection site easements

Our draft decision includes APTNT's proposed $0.4 million for the acquisition of easements for 5 new sites where cathodic protection is forecast to be installed in the 2031–36 period. The easements are all to be acquired in 2030–31 to save on transactions costs.[98]

APTNT stated the forecast costs are based on the historical cost of $20,000 per easement. Although it expects site costs to increase by between $5,000 to $20,000 due to increased 10-year lease costs and by between $25,000 and $60,000 due to the introduction of the requirement for Aboriginal Area Protection Agency certification. APTNT noted costs of $99,364 for 2024–25 and an estimate of $60,000 for 2025–26.[99]

We consider that the proposed site easement costs have been arrived at on a reasonable basis given the expected increases in lease costs and the introduction of the new Aboriginal Area Protection Agency certification costs.

New – Cathodic protection satellite data loggers

Our draft decision is not to include an alternative allowance for the cathodic protection satellite data loggers.

APTNT proposed $1.0 million for the installation of 101 new cathodic protection satellite data loggers along the Amadeus Pipeline to provide year-round data on the effectiveness of the cathodic protection. The unit rate cost of installing the satellite data loggers is $10,170 ($30 June 2026). Subsequent battery replacement on the data loggers would be required every 5 years. APTNT's proposed the benefit of installing the data loggers would be the reduction in manual surveys of each cathodic protection test point from an annual basis to once every 5-years.[100]

We requested APTNT provide a cost benefit analysis for this program of work. We note that while the annual survey labour cost was included as a cost saving, APTNT indicated staff would be allocated to other works, so in a net sense, no saving would be realised.[101] When this is accounted for, the cost benefit analysis is not positive. Therefore, we have not included the cathodic protection satellite data loggers capex in our alternative capex forecast.

3.4.3.2.2 Facilities

APTNT proposed $3.4 million of expenditure for 6 facilities programs.

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98 APTNT, AGP - AAR 2026-31 - Lifecycle Management Plan - June 2025, pp. 12-13; APTNT, AGP - AAR 2026-31 - Business Case - Cathodic Protection - June 2025, pp.8-10; APTNT, Response to AER Information Request #003, question 6, received 13 October 2025, pp.5-6.

99 APTNT, AGP - AAR 2026-31 - Lifecycle Management Plan - June 2025, pp. 12-13; APTNT, AGP - AAR 2026-31 - Business Case - Cathodic Protection - June 2025, pp.8-10; APTNT, Response to AER Information Request #003, question 6, received 13 October 2025, pp.5-6.

100 APTNT, AGP - AAR 2026-31 - Business Case - Cathodic Protection - June 2025, pp.16-18; APTNT, Response to AER Information Request #003, question 4, received 13 October 2025, p.4.

101 APTNT, *Response to IR#003: AGP R#003 - Satellite data loggers NPV*, received 13 October 2025.

Hazardous area rectification

Our draft decision includes APTNT's proposed $0.5 million as a placeholder for hazardous area rectification works for 4 to 5 above ground sites where there is degraded electrical equipment and instruments.

APTNT described that 'hazardous area works are to remove the risk that aged or decaying assets within hazardous area zones provide an ignition source or conduit for flammable gas. This included instruments with electrical control and/or feedback and their connecting cables, glanding and junction boxes. Instruments and devices could include pressure and pressure transmitters, proximity indicators, valve actuators, gas quality measurement devices, flow metres etc'.[102] This program began in 2022 and is focused on remediating identified issues at the sites. APTNT indicated it may be necessary to revisit sites as not all rectification works are undertaken in one site visit due to operating conditions and resource constraints.[103]

We requested the detail of the hazard rectification works required for the 4 stations (Darwin City Gate, Katherine, Mereenie, Pine Creek) which APTNT has not yet provided.

Remote terminal units (RTU) upgrades

Our draft decision includes APTNT's proposed $1.4 million as a placeholder to upgrade 15 to 20 original RTUs to reduce obsolescence risk and free up spare parts for the other existing unsupported units.

APTNT stated there are currently 39 units, of which 80% are the Foxboro family type, which have been superseded and are to be replaced. The other 20% are ControlWave Micro units.

While 9 RTUs were included in the current period capex allowance, 6 are expected to be upgraded in the current period, costing $686,425. The delay in replacing the remaining 3 RTUs is due to a change in procurement to SCADAPack 474 units due to the discontinuation of ControlWave Micro units.[104]

We note the significant increase in expenditure for the 2026–31 period compared to the 2021–26 period. APTNT stated the forecast expenditure for the 2026–31 period reflects the trialling and expected troubleshooting following the initial upgrades to SCADAPack 474 units, with 'catch-up' expenditure forecast for latter years. APTNPT noted it did not have failure information.[105]

Our draft decision is a placeholder as we expect APTNT's revised proposal to include detailed information to justify the scale and costs of its large volume replacement program.

Battery and charger replacements

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102 APTNT, *Response to AER Information Request #003, question 8*, received 13 October 2025, p.7.

103 APTNT, *AGP AAR 2026-31 - Business Case – Facilities*, June 2025, p. 7-9; APTNT, *Response to AER Information Request #003, question 8*, received 13 October 2025, pp.7-8.

104 APTNT, *AGP AAR 2026-31 - Lifecycle Management Plan*, June 2025, p. 15; APTNT, *AGP - AAR 2026-31 - Business Case – Facilities*, June 2025, pp.10-13; APTNT, *Response to AER Information Request #003, question 7*, received 13 October 2025, pp.6-7.

105 APTNT, *Response to AER Information Request #003, question* 7, received 13 October 2025, pp.6-7.

Our draft decision includes APTNT's proposed $0.4 million for the replacement of batteries and chargers used to control, monitor, or provide cathodic protection. APTNT proposed 6 to 8 battery sites and 2 to 3 chargers to be replaced in each year of the 2026–31 period.

APTNT stated there are 37 sites with batteries, with each site having between 12 and 24 batteries. APTNT stated that while manufacturer' battery life expectation is 7 to 10 years, it has found that the average battery life is 5 to 7 years due to heat. The charger life is 15 years. APTNT submitted the average battery cost is between $6,000 and $12,000 per site and the battery charger upgrade ranges between $2,000 and $6,000.[106]

Our assessment of APTNT's proposal to replace 6 to 8 battery sites and 2 to 3 charges per year indicates that replacing 7 sites per year at an average $9,000/site and 2.5 chargers at per year at an average of $4,000/charger would replace all the batteries and chargers over their expected life. This results in capex of $0.4 million for the 5-years, which we consider reasonable.

Mainline valve actuator upgrades

Our draft decision includes APTNT's proposed $0.3 million to replace 5 mainline valve actuators in the 2026–31 period.

There are 20 mainline valves installed on the Amadeus Pipeline alongside scraper stations and at critical mid-sections to enable isolation of the pipeline in emergency conditions. The valves are operated by actuators and can be operated locally or remotely via SCADA.[107]

There are 9 remaining Limitorque Shafer actuators[108] that require replacement as the replacement components are no longer available as the manufacturer is no longer supporting them. At the last access arrangement APTNT indicated that the replacement program was expected to be completed in 2024.[109] However, APTNT reported it will not be replacing any actuators in the 2021–26 period, due to reprioritising higher risk works.[110] Given it has not undertaken any replacements in the 2026–31, we assess that its proposal reasonable.

Compound improvements

Our draft decision includes an alternative estimate of $0.0 million for compound improvements. APTNT included $0.3 million for compound improvements. This included fencing upgrades, erosion repair, vermin proofing, hut painting, and roof repairs.

APTNT stated the compounds along the Amadeus Pipeline consist of fencing, grounds and huts to protect pipeline equipment and its described that the proposed expenditure is

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106 APTNT, *AGP - AAR 2026-31 - Lifecycle Management Plan*, June 2025, pp. 13; APTNT, *AGP - AAR 2026-31 - Business Case – Facilities*, June 2025, pp.14-16; APTNT, *Response to AER Information Request #003, question 9*, received 13 October 2025, pp.8-9.

107 APTNT, *AGP - AAR 2026-31 - Business Case – Facilities*, June 2025, pp.17-18.

108 18 actuators were required to be replaced. 9 have already been replaced.

109 APA, *Lifecycle Management Plan, Amadeus Gas System FY22 – FY26*, 30 June 2020, p. 18.

110 $254,180 was included in 2025-26 for the replacement of actuators. Based on APA's advice that this expenditure will not be incurred we have removed it from the capex model.

required to upgrade fencing, repair erosion damage, repair roofs and paint huts, as identified through regular maintenance and inspection programs.[111]

However, we consider the majority of the works are repair works and should therefore be considered maintenance and repair costs, which would be included in the opex allowance, consistent with accounting standards (AASB116). In response to our opinion, APTNT submitted:

> The proposed expenditure for compound improvements is treated as capex rather than opex because the nature and scope of the works go beyond routine maintenance and result in a material upgrade and extension of the useful life of the assets.
>
> While elements like painting huts and repairing erosion damage may appear to be maintenance, the overall package – which includes upgrading fencing and repairing roofs – contributes to the enhancement of the compounds' functionality, security, and structural integrity. This aligns with accounting standards that classify expenditure as capex when it leads to a significant improvement of an asset, rather than simply maintaining it in its current state. [112]

While we acknowledge APTNT's response, we maintain the view that the majority of the works described are repairs and maintenance (opex) rather than capital improvements (capex). On this basis, our draft decision does not include the proposed capex in our alternative estimate.

We note there is an allowance of $1.2 million for major capitalisable maintenance and $1.2 million for miscellaneous capital. Further, $1.3 million of expenditure for physical security was included in the 2024–25 capex.

We expect APTNT to provide specific information for the capital improvement projects, where these have been identified, in its revised proposal.

Darwin City Gate - Coating Repairs

Our draft decision includes APTNT's proposed $0.4 million as a placeholder for coating repairs at the Darwin City Gate facilities in 2026–27. This expenditure is deferred expenditure from the 2021–26 period.[113]

APTNT expects to commence the project in 2025–26 and be completed in 2026–27, with $0.4 million allocated to both 2025–26 and 2026–27.[114] APTNT did not provide information on this project in its Lifecycle Management Plan or Facilities Business Case. We expect APTNT's revised proposal to provide further information, including survey results and the

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111 APTNT, *AGP - AAR 2026-31 - Lifecycle Management Plan*, June 2025, pp. 14; APTNT, *AGP - AAR 2026-31 - Business Case – Facilities*, June 2025, pp.20-22; APTNT, *Response to AER Information Request #003, question 12*, received 13 October 2025, p.11.

112 APTNT, *Response to AER Information Request #003*, question 12, received 13 October 2025, p.11.

113 This work was originally proposed as part of the 'Below ground station pipe work recoating – phase 2' program.

114 APTNT, *Response to AER Information Request #003*, question 10, received 13 October 2025, pp.9-10.

cost information from of the previous Amadeus Pipeline coating campaigns, to demonstrate the proposed costs are prudent and efficient.

3.4.3.2.3 Heat Shrink Sleeves

Our draft decision includes APTNT's proposed $4.1 million as a placeholder for the replacement of heat shrink sleeves. APTNT submitted the replacements are driven by in-line inspection results, the associated corrosion growth assessment and any associated dig-ups. It stated that on average, a yellow jacket dual layer wrap repair is expected to last 50 years.[115]

APTNT stated that over recent years it has carried out 15 to 20 corrosion repairs per year[116] and it proposed to maintain this level of repair. However, it reported that it has undertaken 303 repairs over the calendar years 2021 to 2025 and is forecasting higher numbers of replacements and expenditure in 2025–26.[117]

While the annual forecast expenditure is in line with the average actual annual expenditure over the 2021–26 period, it is significantly greater than the $1.3 million ($2020–21) proposed and approved for the 2026–31 period. The volume of replacements is also significantly greater than what is proposed in the lifecycle management plan.[118]

We expect APTNT's revised proposal to provide further information to demonstrate that the accelerated replacement program is prudent and efficient.

3.4.3.2.4 Other network expenditure

APTNT proposed $2.8 million for other network expenditure, consisting of major capitalisable maintenance and a miscellaneous capital provision.

Major capitalisable maintenance

Our draft decision includes an alternative estimate of $0.5 million for major capitalisable maintenance.

APTNT proposed $1.2 million for expenditure such as the four yearly inspections of pressure vessels at metering stations and for items such as filter separators and water bath heaters. APTNT submitted 4 years of actual expenditure for the current period. On average $0.1 million was spent annually.[119]

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115 APTNT, *AGP - AAR 2026-31 - Lifecycle Management Plan*, June 2025, p. 14; APTNT, *AGP - AAR 2026-31 - Business Case - Heat Shrink Sleeves,* June 2025, pp.; APTNT, *Response to AER Information Request #003*, questions 13-15, received 13 October 2025, pp.11-13.

116 The Lifecycle Management Plan (p.14) stated that 13 – 17 corrosion repairs per year have been carried out and that this level of repair was intended to be maintained.

117 APTNT, *Response to AER Information Request #003*, question 15, received 13 October 2025, p.13.

118 APTNT, *AGP - AAR 2026-31 - Lifecycle Management Plan*, June 2025, p. 14.

119 APTNT, *AGP - AAR 2026-31 - Lifecycle Management Plan*, June 2025, p. 15; APTNT, *AGP - AAR 2026-31 - Business Case – Other*, June 2025, pp.4-6; APTNT, *Response to AER Information Request #003, questions 16*, received 13 October 2025, p.13.

We consider that APTNT has not provided sufficient justification for the proposed increase in costs. Based on the historical expenditure, we have included $0.5 million in our alternative forecast.

Miscellaneous capital

Our draft decision includes an alternative estimate of $1.4 million for miscellaneous capital.

APTNT proposed $1.6 million for miscellaneous capital. This is minor plant and equipment purchased throughout the period, for example, minor valve upgrades, tools and equipment. APTNT submitted data of their miscellaneous capital expenditure for the past four years. On average $0.3 million was spent annually.[120]

We consider that APTNT has not provided sufficient justification for the proposed increase in costs. Based on historical expenditure, we include $1.4 million in our alternative forecast.

3.4.3.2.5 Non-network capex

Non-network capex consists of an APA Group allocation of the capex for leases for motor vehicles and corporate offices, Amadeus Pipeline buildings and an APA Group allocation of the capex for information and operational technology (IT/OT).

Leases (Motor vehicles & corporate offices)

Our draft decision includes APTNT's proposed $1.3 million for leases.

APTNT is allocated an amount of APA Group costs for motor vehicles and corporate office leases. The allocation is based on Amadeus Pipeline's share of the total revenue of APA Group assets.[121]

APTNT forecast the 2026–31 allocation based on the amount incurred in 2023–24. In total this was $0.26 million ($2025–26) annually, apportioned as $0.17 million annually for corporate offices and $0.09 million for motor vehicles.[122]

We consider this forecast reasonable and include these costs in our alternative forecast of capex.

APTNT allocated this cost to O&M facilities, which is inconsistent with its proposal that leases be allocated to a new asset class, 'Leased assets post 2021'. As such we include the entirety of the lease expenditure in the new asset class.

Amadeus Pipeline buildings (NT)

Our draft decision includes an alternative estimate of $0.0 million for Amadeus Pipeline buildings.

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120 APTNT, *AGP - AAR 2026-31 - Lifecycle Management Plan*, June 2025, p. 14; APTNT, *AGP - AAR 2026-31 - Business Case – Other*, June 2025, pp.4-6; APTNT, *Response to AER Information Request #003*, questions 17, received 13 October 2025, p.14.

121 APTNT, *Response to AER Information Request #003,* questions 19, 22, 24, received 13 October 2025, pp.15, 16, 17-18.

122 APTNT, *AGP - AAR 2026-31 - Capex Model*, June 2025.

APTNT included $3.3 million in lease costs for the new Winnelli office and workshop in 2023-24. It no longer leases the Palmerston or other Darwin premises. However, APA included Palmerston office/warehouse costs of $0.09 million annually in the 2026-31 period. [123]

We have not included these costs in our alternative forecast as the Palmerston office/warehouse is no longer being leased.

Corporate information and operational technology

Our draft decision includes an alternative estimate of $2.6 million as placeholder for corporate information and operational technology.

APTNT proposed $3.3 million which represent its share of the APA Group information and operational technology programs and is based on the Amadeus Pipeline's share of total revenue of APA Group's assets.

However, there are several programs in the group allocation that we consider should have been allocated to the specific assets to which the expenditure relates (for example OT Asset Integration and Asset Integration Technology Program – Technology Program Management Office which relate to APA's power generation assets, North West Power System Expansion, Pilbara Expansion, Online-Sim Scenario Manager for South West Queensland Pipeline, Roma to Brisbane Pipeline, Carpentaria Gas Pipeline. Our draft decision removes these program allocations from the forecast.[124]

There were also a number of IT programs for which we requested further information (eg. Software as a Service, Operational efficiencies, Grid). APTNT indicated that it would provide updated forecasts in its revised proposal.

After adjusting for these programs, we have included a placeholder amount of $2.6 million in our alternative forecast for corporate information and operational technology.

3.4.3.2.6 Capitalised corporate overheads

Our draft decision includes an alternative estimate of $0.9 million for capitalised corporate overheads.

APTNT included $0.6 million for the APA Group allocation of corporate overheads. Amadeus Pipeline is allocated corporate overheads based on its share of the total revenue of all APA Group assets. APA forecast this based on the current period annual average, however, APA did not forecast an overhead allocation in 2024–25 and 2025–26.[125]

APTNT subsequently provided an estimate for 2024–25 of $0.14 million.[126]

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123 APTNT, *Response to AER Information Request #003*, questions 20, received 13 October 2025, p.15; APTNT, *AGP - AAR 2026-31 - Capex Model*, June 2025.

124 APTNT, *AGP - AAR 2026-31 - Capex Model*, June 2025.

125 APTNT, *AGP - AAR 2026-31 - Capex Model*, June 2025.

126 APTNT, Response to AER Information Request #003, question 23, received 13 October 2025, pp.16-17.

We have included this estimate for 2024-25 and applied the 2021–25 average of $0.18 million in 2025–26. The resultant annual average corporate overhead for the 2026–31 period is $0.18 million, a total of $0.9 million.

3.4.3.2.7 Allocation of capex by driver to asset class

APTNT allocated corporate motor vehicle leases, corporate overheads and Darwin city gate coating repairs to O&M Facilities.

As described above we assess that corporate motor vehicle leases should be allocated to its proposed asset class, ‘Leased assets post 2021’, consistent with its proposal.

We have apportioned corporate overheads across all network capex on the basis that it is capex required to deliver the works (excluding IT and leases, which are already corporate allocations) rather than to O&M Facilities alone.

We have allocated Darwin city gate coating repairs to pipelines, on the basis that it is expenditure which increases the life of pipelines in line with the pipeline asset life.

3.4.3.2.8 Disposals

Our draft decision includes an alternative estimate of $88,611 annually for forecast disposals.

APTNT forecast disposals based on an annual average using data from between 2012–13 and 2022–23. This resulted in an annual average of $119,954. [127]

APTNT excluded 2023–24 from calculating its forecast expenditure. We agree with excluding it as it was an outlier year, reflecting the removal from the capital base of the significantly large Darwin office/workshop leases which were cancelled due to the new Winnelli office/workshop leases commencing in this same year.

However, we have applied an annual average using the latest 4-years of actual data, 2019–20 to 2022–23, yielding an annual average of $88,611.

3.5 Operating expenditure

3.5.1 Draft decision

Our draft decision is to accept APTNT’s proposed total forecast opex of $75.6 million ($2025–26),[128] including debt raising costs.[129] This is because our alternative estimate of $76.6 million is not materially different ($1.0 million or 1.4% higher) from APTNT’s total

[127] APTNT, *AGP - AAR 2026-31 - Capex Model*, June 2025.

[128] APTNT, *AGP – AAR 2026–31 – Opex Model*, June 2025.

[129] All dollar amounts in this section reflect $2025–26 terms, unless otherwise indicated.

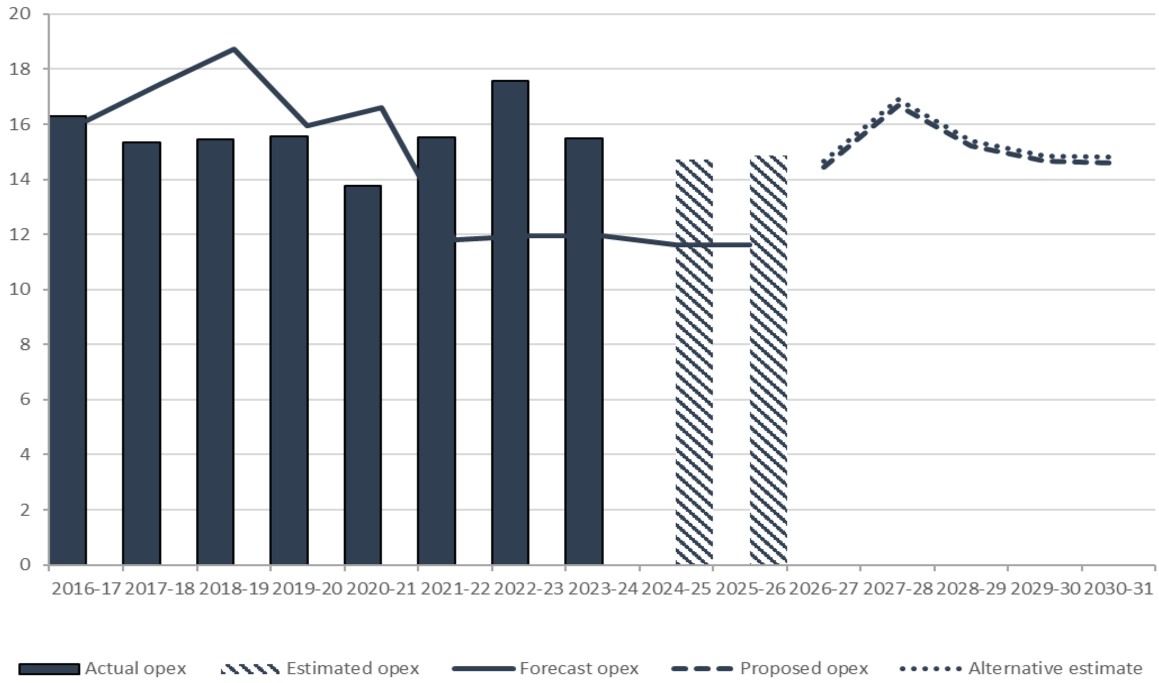
forecast opex proposal. Therefore, we consider that APTNT's total forecast opex satisfies the opex criteria,[130] and the criteria for forecasts and estimates.[131]

Our draft decision is to include APTNT's total forecast opex for the 2025–30 period of $75.6 million. This draft decision is:

- $16.7 million (28.3%) higher than the opex forecast we approved for the 2021–26 period.
- $2.6 million (3.3%) lower than APTNT's actual and estimated opex for the 2021–26 period

Figure 3-4 compares our alternative estimate of opex to APTNT's proposal for the next access arrangement period. We also show the forecasts we approved for the last 2 access arrangement periods and APTNT's actual and estimated opex over these periods.

Figure 3-4 Historical and forecast opex ($2025–26)



Source: APTNT, *Regulatory accounts*, 2016 to 2026; APTNT, A*GP – AAR 2026-31 – Opex Model,* June 2025; APTNT, *Access arrangement, PTRM* (multiple periods: 2016–20, 2020–25); AER analysis.

Table 3-8 sets out APTNT's opex proposal, our alternative estimate for the draft decision and the differences between these forecasts.

130 Under rule 91 of the National Gas Rules (NGR), opex 'must be such as would be incurred by service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of delivering pipeline services.' Where opex satisfies the test in rule 91, we say it satisfies the opex criteria.

131 Under rule 74 of the NGR, information in the nature of a forecast or estimate must be supported by a statement of the basis of the forecast/estimate. Further, forecasts and estimates must be arrived at on a reasonable basis and must represent the best forecast or estimate possible in the circumstances. Where a forecast or estimate meets the requirements of this rule, we say it satisfies the forecasts and estimates criteria.

Table 3-8 Comparison of APTNT's proposal and our draft decision on opex ($million, 2025–26)

Driver	APTNT's proposal	AER Draft decision	Difference, $m
Based on reported opex in 2023–24	**76.4**	**77.5**	**1.1**
Base adjustment: Technology and Transformation spending	–3.8	–3.8	–
Base adjustment: Payroll Adjustment	–	–0.9	–0.9
Total base year adjustments	**–3.8**	**–4.6**	**–0.9**
2023–24 to 2025–26 increment	–1.6	–1.7	–0.1
Remove category specific forecasts	*–1.2*	*–0.2*	*1.1*
Trend: Output growth	–	–	–
Trend: Price growth	1.6	1.4	–0.1
Trend: Productivity growth	–1.0	–1.0	–0.0
Total trend	**0.6**	**0.4**	**–0.1**
Total step changes	**–**	**–**	**–**
In-line inspection costs	4.8	4.8	–
Debt raising costs	0.4	0.4	–
Total opex, including debt raising costs	**75.6**	**76.6**	**1.0**

Source: APTNT, *AGP – AAR 2026-31 – Opex Model*, June 2025; AER analysis.
Note: Numbers may not add up to total due to rounding. Differences of '0.0' and '–0.0' represent small variances and '–' represents zero.

3.5.2 APTNT's opex proposal and our assessment

APTNT's proposal applied a "base-step-trend" approach to forecast opex for the 2026–31 access arrangement period,[132] consistent with our standard approach. We discuss the components and our assessment of APTNT's proposal below.

3.5.3 Base Opex

3.5.3.1 Base year

APTNT proposed a base year of 2023–24 as it considers it:[133]

- is the most recent financial year with completed financial accounts

[132] APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 28.
[133] APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 28.

- is most reflective of current conditions and will best reflect the actual costs of operating and maintaining the asset; and
- reflects a 'revealed cost' approach as preferred by the AER.

Consistent with our preferred approach, we consider it is reasonable for APTNT to use 2023–24 as the base year. This is because it reflects audited actual opex for a recent year which we consider is reasonably representative of the nature of base opex costs that are required for the next access arrangement period.

3.5.3.2 Efficiency of APTNT's base opex

Our preferred approach for forecasting opex is to use a revealed cost approach. This is because opex is largely recurrent and stable at a total level.

We are satisfied that APTNT's opex in 2023–24 is representative of its efficient opex requirements for the 2026–31 access arrangement period. This is because APTNT faces financial incentives under the regulatory framework in the current access arrangement period to incur only efficient costs. This gives us comfort that the actual level of opex incurred should provide a good estimate of the efficient costs required for it to operate a safe and reliable network and meet its relevant regulatory obligations.

APTNT has been subject to the incentives of an ex ante regulatory framework including the application of an ECM in the 2021–26 period. This is designed to give it a continuous incentive to reduce its opex throughout the 2021–26 period, including its proposed base year. While APTNT would receive a higher opex forecast under the revealed cost forecasting approach as a result of overspending in the base year against our previous opex forecast, it also receives a negative ECM carryover of -$3.5 million. The ECM shares all opex overspend and underspend relative to our opex forecast between APTNT and consumers, providing a disincentive for APTNT to spend more than necessary to operate its network.

Generally speaking, these incentives mean we can somewhat rely on the revealed cost forecasting approach to forecast APTNT's opex for the 2026–31 period, in the absence of benchmarking, unless there is clear evidence of material inefficiency. While there is evidence of APTNT historically overspending relative to its opex forecast in the current period (see Figure 3-4), we are not certain that this threshold of material inefficiency has been breached. Rather, we consider this over expenditure to be the result of forecast opex for the current period potentially being lower than what was prudent and efficient for APTNT, in addition to large atypical costs related to payroll adjustments and APTNT's share of APA's Security of Critical Infrastructure compliance.

In addition, as noted below, APTNT has also included a negative productivity forecast in the 2026–31 period, to further encourage good industry practice.

3.5.3.3 Adjustments to base year opex

APTNT has proposed the following adjustments to its base year opex, removing[134]:

- category specific forecasts:

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[134] APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 28.

  - in-line inspections costs as they are forecast separately
  - debt raising costs as they are determined separately in the PTRM
- expenditure related to payroll adjustments as these are one-off costs, and
- non-recurrent expenditure on significant technology projects undertaken by APTNT in that year, as these were atypical costs that did represent a standard operating year.

We are satisfied that removal of these costs from APTNT's base year is prudent and efficient and aligns with our standard opex forecasting approach. We have therefore made the same adjustments in our alternative estimate. The only difference in our alternative estimate is that we have treated APTNT's payroll adjustment as a separate base year adjustment (as APTNT has done for its non-recurrent technology costs) rather than a removal of a category specific forecast item.

3.5.3.4 Final year increment

Our standard practice to calculate 'final year opex' is to add the estimated change in opex between the base year (2023–24) and the final year (2025–2026) of the current (2021–26) period to the base year opex amount.[135]

We have included –$1.7 million for the final year increment in our alternative estimate, which is $0.1 million lower than APTNT's proposed amount due to using the most recent inflation data.

3.5.4 Rate of change

Having determined an efficient starting point, or base opex, we trend it forward to account for the forecast growth in prices, output and productivity. We refer to this as the rate of change.[136]

APTNT has applied our standard approach to forecasting the rate of change.[137] The only difference in our alternative estimate has a slightly lower price growth forecast due to using the most up to date inflation data:

- **Price growth:** APTNT adopted the input price weightings of 70.0% labour and 30.0% non-labour, as used in our annual benchmarking report. It forecast labour price growth using a forecast wage price index (WPI) growth (for all of Australia) from its consultant, BIS Oxford Economics. We applied an average of 2 WPI forecasts, from APTNT's consultant (BIS Oxford Economics) and our own consultant (Deloitte Access Economics).
- **Output growth:** consistent with its 2021–26 period determination and our approach for interconnectors, APTNT has proposed output growth of 0%.
- **Productivity growth:** consistent with its previous access arrangements, APTNT has again proposed productivity growth of 0.5% per year. We are comfortable accepting this productivity growth forecast.

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135 AER, *Expenditure forecast assessment guideline for electricity transmission,* November 2013, pp. 22–23.

136 AER, *Expenditure forecast assessment guideline for electricity transmission*, November 2013, pp. 23–24.

137 APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 29–30.

The rate of change proposed by APTNT contributed $0.6 million to its total opex forecast of $75.6 million. This equates to opex increasing 0.3% on average each year. We have included a rate of change that increases opex by 0.2% on average each year in our alternative estimate. We compare both forecasts in Table 3-9, and the reasons for the differences are set out below.

Table 3-9 Forecast annual rate of change in opex (%)

	2025-26	2026-27	2027-28	2028-29	2029-30
APTNT's proposal					
Price growth	0.8	0.6	0.8	0.9	0.8
Output growth	–	–	–	–	–
Productivity growth	0.5	0.5	0.5	0.5	0.5
Rate of change	**0.3**	**0.1**	**0.3**	**0.4**	**0.3**
AER alternative estimate					
Price growth	0.7	0.6	0.7	0.8	0.8
Output growth	–	–	–	–	–
Productivity growth	0.5	0.5	0.5	0.5	0.5
Rate of change	**0.2**	**0.1**	**0.2**	**0.3**	**0.3**
Difference	**–0.1**	**–**	**–0.1**	**–0.1**	**–**

Source: APTNT, *AGP – AAR 2026–31 – Opex Model*, June 2025; AER analysis.

3.5.5 Category specific forecasts

APTNT's proposal included two category specific forecasts, which were not forecast using the base-step-trend approach. These were for in-line inspection and debt raising costs.[138] We have accepted both of the forecasts and include them in our alternative estimate. We discuss these items below.

3.5.5.1 In-line inspection costs

APTNT proposed a category specific forecast of $4.8 million over the 2026–31 period for costs related to inspecting its pipeline. We have included these costs on our alternative estimate as we consider them prudent and efficient.

Table 3-10 APTNT's in-line inspection costs ($million, 2025–26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
APTNT's proposal	0.4	2.6	1.1	0.5	0.4	4.8
AER draft decision	0.4	2.6	1.1	0.5	0.4	4.8

138 APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, pp. 30–31.

Difference	**–**	**–**	**–**	**–**	**–**	**–**

Source: APTNT, *AGP – AAR 2026-31 – Opex Model,* June 2025; AER analysis.
Note: Numbers may not add up to totals due to rounding. Values of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

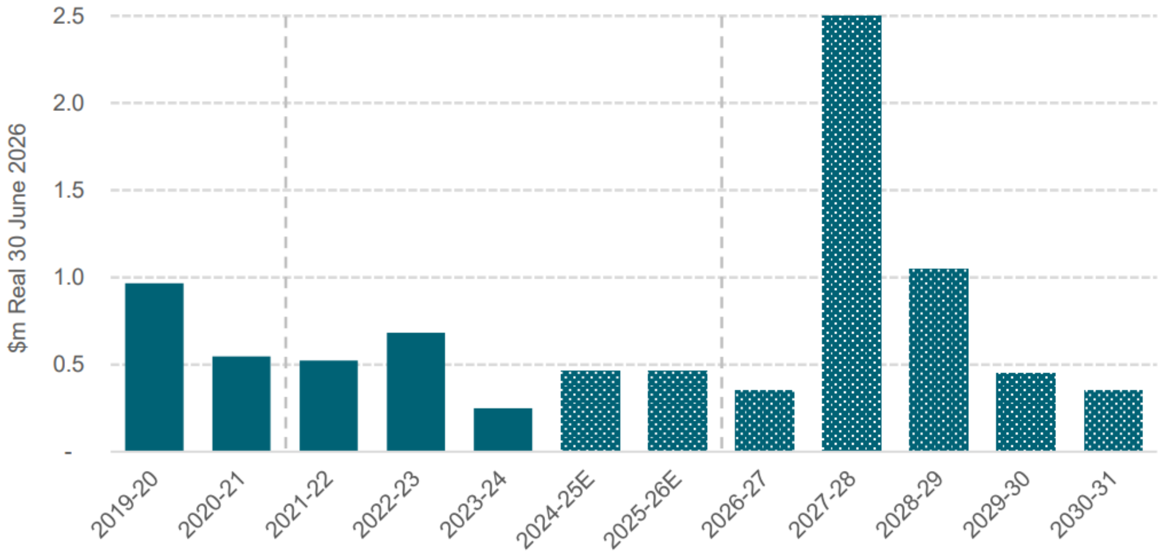
APTNT submitted that in-line inspection of its pipeline is an activity undertaken in accordance with its pipeline integrity management plan,[139] derived from Part 3 of AS 2885, the Australian standard for the operation and maintenance of gas and petroleum pipelines.

In-line inspection requires using a remotely controlled inspection tool (an "intelligent pig"), which is run through the pipeline to collect data on its internal condition, and on the thickness of the pipe (allowing the identification of damaging sites of corrosion and metal loss).

Excavations are undertaken after an in-line inspection to both validate the results of the inspection process and allow for identified defects in the pipe and protective coating to be repaired. This process is important to maintaining the integrity of a gas transmission pipeline.

We included in-line inspection costs as a category specific forecast in APTNT's current access arrangement due to their year-to-year variability. APTNT submitted that inspections are carried out on a 10 year cycle and different sections of the pipeline are grouped by geography or pipe diameter and performed in different years defined by historical sequencing. This leads to higher opex in the years when a significant number of sections of its pipeline are to be inspected (such as in 2027–28 as shown below).

Figure 3-5 APTNT's actual and forecast in-line inspection costs ($2025–26)



Source: Amadeus, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 31.

It is for this reason that APTNT's forecast inspection costs for 2026–31 are anticipated to be higher than its current period costs, as it intends to inspect 7 sections of its pipeline in 2027–28 due to their close geographic proximity.

139 APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 31.

We therefore consider it prudent and efficient to include these costs in our alternative estimate and to continue to treat them as a category specific forecast. We would also expect these costs to be materially lower in APTNT's next access arrangement period.

3.5.5.2 Debt raising costs

We have included debt raising costs of $0.4 million in our alternative estimate, which is the same as APTNT's proposed amount.

Table 3-11 Debt raising costs ($million, 2025–26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
APTNT's proposal	0.1	0.1	0.1	0.1	0.1	0.4
AER alternative estimate	0.1	0.1	0.1	0.1	0.1	0.4
Difference	–	–	–	–	–	–

Source: APTNT, *AGP – AAR 2026-31 – Opex Model*, June 2025; AER analysis.
Note: Numbers may not add up to totals due to rounding. Values of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

Debt raising costs are transaction costs incurred each time a business raises or refinances debt. Our preferred approach is to forecast debt raising costs using a benchmarking approach rather than a service provider's actual costs in a single year. This provides consistency with the forecast of the cost of debt in the rate of return building block.

3.6 Revenue adjustments

3.6.1 Efficiency carryover mechanism (ECM)

An ECM is intended to provide a continuous incentive for service providers to pursue efficiency improvements in opex and provide for a fair sharing of these between service providers and network users. This section sets out our draft decision on the ECM carryover amounts accrued over the 2021–26 period for APTNT, and the ECM that we will apply in the 2026–31 period.

3.6.1.1 Draft Decision

Our draft decision is to approve carryover amounts totalling –$3.5 million ($2025–26) from the application of the ECM in the 2021–26 access arrangement period. This is $2.6 million higher than APTNT's proposal of –$6.1 million.[140]

The difference between our draft decision and APTNT's proposal reflects adjustments we have made to account for recent updates to actual and forecast inflation, as well as including APTNT's payroll base year adjustment in our calculation of its ECM carryover amount. APTNT excluded this amount to maintain consistency with our preferred approach to exclude cost categories from the ECM that cannot be forecast using a single year revealed cost forecasting approach, such as debt raising costs. While APTNT's payroll adjustment is a non-recurrent cost, we consider it part of its business-as-usual activities and that it should be

140 APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 36.

included in the ECM. This is primarily why our ECM alternative estimate is higher than APTNT's proposal.

We set out our estimate of the ECM carryover amounts APTNT accrued due to the operation of the ECM in the 2021–26 period in Table 3-12, along with APTNT's proposal and the difference.

Table 3-12 AER's draft decision on APTNT's carryover amounts ($million, 2025–26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
APTNT's proposal	–4.7	–1.9	1.1	0.0	–0.6	–6.1
AER alternative estimate	–3.9	–0.2	1.8	0.0	–1.1	–3.5
Difference	**0.8**	**1.7**	**0.7**	**0.0**	**–0.5**	**2.6**

Source: APTNT, *AGP - 2026-31 - Reset RIN - Workbook 3 - Efficiency Carryover Mechanism*, June 2025; AER analysis.
Note: Numbers may not add up to totals due to rounding. Values of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

In our final decision, we will update to reflect the full year of actuals for 2024–25, and update our inflation forecast for 2025–26.

Our draft decision is to continue to apply version 2 of the ECM to APTNT in the 2026–31 period.

More information on the nature of the ECM and our assessment approach can be found in the draft decision ECM attachments for AGN and Evoenergy of these 2026–31 access arrangements.

3.6.2 Capital Expenditure Sharing Scheme (CESS)

Our draft decision is to apply a CESS to APTNT. We will review our position for the final decision taking into account any further submissions and information provided by APTNT regarding the appropriateness of a CESS.

APTNT has not had a CESS in place to date and did not propose the introduction of one in its proposal.

Under rule 98(1) of the NGR, the AER may 'require an access arrangement to include one or more incentive mechanisms to encourage efficiency in the provision of services by the service provider'. Consistent with the NGO[141] and relevant revenue and pricing principles[142], we consider that the application of a CESS to APTNT would promote economic efficiency in providing pipeline services and the use of the pipeline[143] for the following reasons.

Firstly, a CESS, by virtue of the associated revenue incentives, is designed to incentivise a business to increase the robustness of its capex forecasting and apply expenditure

141 NGL, s. 23.

142 NGR, r. 98(3).

143 NGL, s. 24(3).

discipline across an access arrangement period. Over the last 3 access arrangement periods, APTNT has significantly overspent its capex allowance, by between 49.2% and 92.7% (see Table 3-13).

Some of the reasons for the overspends have been due to acceleration of replacement programs and APA Group allocations that were greater than forecast or there was no forecast allocation. The other reasons include 2 expansion projects that were not included in the revenue forecasts, reclassification of leases from opex to capex, and the increase in the costs of moving the Darwin office /warehouse.

Table 3-13 Comparison of APTNT's actual capex and AER's capex allowance over access arrangement periods ($30 June 2026)

	2011–16	2016–21	2021–26
APTNT's actual capex	50.9	33.8	35.3
AER's capex allowance	31.1	22.7	18.3
Difference (%)	63.8%	49.2%	92.7%

Source: AER, *Final decision Amadeus Gas Pipeline access arrangement - Capex model*, May 2016; AER, *Final Decision Amadeus Gas Pipeline access arrangement - Post-tax revenue model,* May 2016; AER, *Final Decision Amadeus Gas Pipeline access arrangement - Roll forward model,* May 2016; AER, *Final Decision - Amadeus Gas Pipeline access arrangement 2021-26 – PTRM*, 30 April 2021; AER, *Final Decision - Amadeus Gas Pipeline access arrangement 2021-26 – RFM,* 30 April 2021; AGP - *AAR 2026–31 -RFM*, June 2025.

While these overspends are subject to ex post reviews, it is difficult at times to establish the prudency and efficiency of the overspend due to factors including different unit rates applying due to different ground and climate conditions and site functions.

This results in an overspend in the one period being rolled into the capital base, which results in a higher reference tariff price in the next period. While reference services are not currently demanded on the Amadeus Pipeline as the pipeline capacity is subject to commercial contracts, the reference tariff is used in commercial contract negotiations. Hence, inefficiently high reference tariffs have the potential to create market inefficiencies. Unutilised firm capacity is released for use by other shippers as interruptible capacity. If this capacity was made available as a reference service, the shipper would benefit from lower reference tariffs.

Second, we have applied an ECM to Amadeus Pipeline since the 2016–21 period. Applying a CESS would balance incentives across opex and capex.

Absent a CESS, there is a potential incentive for APTNT to move expenditure from opex to capex under an ECM, in order to maximise the incentive payments associated with underspending the opex allowance. We assess that APTNT proposed minor movements of opex to capex for the 2021–26 and 2026–31 periods. We consider applying a CESS would balance APTNT's incentives when considering whether to classify expenditure as either opex or capex.

For example, APTNT proposed $0.3 million for compound improvements in the 2021–26 and 2026–31 periods. This includes expenditure to upgrade fencing, repair erosion damage, repair roofs and paint huts at the various compounds along the pipeline. As described above, we assess this to be expenditure mostly for repairs rather than the creation of an asset (ie. improvements). Hence, we consider it opex rather than capex.

In deciding to apply a CESS to the Amadeus Pipeline, we have weighed these potential advantages of a CESS against the ability of APTNT to respond to the CESS incentive.

In particular, we have considered whether APTNT has the capacity to reprioritise its capex allowance, when an unexpected capital expense arises. The small capex allowance that Amadeus Piepline has and the limited number of line items within its capex portfolio could be expected to be challenging. However, we consider that a significant proportion of Amadeus Pipeline capex is for:

- replacement expenditure for routine programs, which are already being slowed down, when reprioritisation is required; and
- APA Group allocations of IT/OT and corporate overheads, which should take into account regulatory allowances, rather than being independently imposed on regulated businesses.

On balance, we consider applying the CESS would incentivise APTNT to increase the robustness of its capex forecasting and apply expenditure discipline across its access arrangement period. We also consider it would likely result in efficient provision and use of pipeline services, and to the degree there might be use of reference services in the future, efficient investment in the pipeline to provide these services.[144]

The CESS has applied to gas distribution businesses since the Victorian gas distribution businesses requested its introduction in the 2018-22 Access Arrangement review. The CESS is now applied to Jemena, Evoenergy, Australian Gas Networks, AusNet, and Multinet. The CESS that is applied to gas distribution businesses incorporates a network performance measure (which modifies the CESS payment) using unplanned System Average Interruption Frequency Index (SAIFI), unplanned System Average Interruption Duration Index (SAIDI), mains and services leaks, meter leaks, poor quality supply, and meter read estimation rate.

We propose applying a similar CESS for APTNT's Amadeus Pipeline, where the network performance measure would be based on the measures currently collected in the annual RIN. These include pressure faults (poor pressure events impacting users, pressure events with >12 hr resolution) and network integrity (number of leaks – publicly reported, number of leaks – found through survey, repaired leaks).

We are seeking stakeholder views on our draft decision to apply the CESS in the 2026–31 period.

3.7 Corporate income tax

Our determination of the total revenue for APTNT includes the estimated cost of corporate income tax for APTNT's 2026–31 period.[145] Under the post-tax framework, a corporate income tax amount is calculated as part of the building blocks assessment using our PTRM.

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144 NGL, ss. 23, 24(3).

145 NGR, r. 76(c).

This amount allows APTNT to recover the estimated cost of corporate income tax for the 2026–31 period.

This section presents our assessment of APTNT's proposed corporate income tax amount for the 2026–31 period. It also presents our assessment of the proposed opening tax asset base (TAB) and the standard tax asset lives used to estimate tax depreciation for the purpose of calculating tax expenses.

3.7.1 Draft decision

We determine an estimated cost of corporate income tax amount of $1.6 million ($ nominal) for APTNT over the 2026–31 period. This amount is $0.3 million (20.9%) higher than APTNT's proposed cost of corporate income tax amount of $1.3 million. This increase is mainly due to a lower opening TAB value as at 1 July 2026.[146]

Table 3-14 sets out our draft decision on the estimated cost of corporate income tax for APTNT over the 2026–31 period.

Table 3-14 AER's draft decision on APTNT's cost of corporate income tax for the 2026-31 period ($million, nominal)

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Tax payable	0.0	0.3	1.4	1.0	0.9	3.7
Less: value of imputation credits	0.0	0.2	0.8	0.6	0.5	2.1
Net cost of corporate income tax	**0.0**	**0.1**	**0.6**	**0.4**	**0.4**	**1.6**

Source: AER analysis.

For our draft decision on APTNT's estimated cost of corporate income tax:

- We determine an opening TAB value of $45.4 million ($nominal) as at 1 July 2026 for APTNT. This is $3.1 million (6.4%) lower than the $48.5 million proposed by APTNT (section 3.7.4.1).
- We accept APTNT's proposed approach for forecasting its immediately expensed capex, and we also accept the proposed forecast immediately expensed capex of $5.1 million for the 2026–31 period. (section 3.7.4.2).
- We accept APTNT's proposal to use the year-by-year depreciation tracking method as set out in our depreciation module in the RFM to calculate the forecast tax depreciation of its existing assets (section 3.7.4.4).
- We accept APTNT's proposed standard tax asset lives for its existing asset classes for the 2026–31 period. The proposed standard tax asset lives are broadly consistent with the tax asset lives prescribed by the Commissioner of Taxation in Australian Taxation Office (ATO) Taxation Ruling 2022/1 and/or are the same as the approved standard tax

[146] A lower opening TAB value as at 1 July 2026 will reduce the tax depreciation over the 2026–31 period. Tax depreciation is a tax expense, a lower tax expense will increase the taxable income and therefore increase the cost of corporate income tax, all else equal.

asset lives for the 2021–26 period.[147] We also accept APTNT's proposed new asset classes for 'Corporate Assets (IT)' and 'Leased assets post 2021', including its proposed standard tax asset life of 4 years and 15 years for these asset classes respectively (section 3.7.4.5).

- We accept APTNT's proposed re-allocation of existing IT related assets from the existing 'O&M Facilities' asset class to the new 'Corporate Assets (IT)' asset class and applying a reduced remaining tax asset life as at 1 July 2026. However, we made some minor updates to the remaining tax asset value and the remaining tax asset life inputs (section 3.7.4.6).

Our adjustments to the return on capital (sections 3.1 and 3.2) and the regulatory depreciation (section 3.3) building blocks affect revenues, which in turn impact the calculation of the cost of corporate income tax for this draft decision.

3.7.2 Overview of proposal

APTNT proposed an estimated cost of corporate income tax of $1.3 million ($ nominal) for the 2026–31 period using our PTRM,[148] and with the following inputs:[149]

- an opening TAB value as at 1 July 2026 of $48.5 million ($ nominal)
- an expected statutory income tax rate of 30% per year
- a value of imputation credits (gamma) of 0.57
- a forecast immediately expensed capex of $5.1 million ($2025–26)
- tax depreciation of the opening TAB as at 1 July 2026 for each asset class applying the year-by-year tracking approach calculated in the depreciation module of the RFM
- the same standard tax asset lives for tax depreciation of new capex for its existing asset classes in the 2026–31 period as approved for the 2021–26 period.
- a new 'Corporate Assets (IT)' asset class with a standard tax asset life of 4 years and a new 'Leased assets post 2021' with a standard tax asset life of 15 years.
- re-allocated $4.3 million of IT related assets from the existing 'O&M Facilities' asset class to the new 'Corporate Assets (IT)' asset class. It applied a remaining tax asset life of 2.3 years as at 1 July 2026 for tax depreciation, which is reduced from the current life 8.3 years for these assets.

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147 ATO, *Taxation Ruling TR2022/1 – Income tax: effective life of depreciating assets (applicable from 1 July 2022)*, June 2022.

148 Our published gas PTRM uses the diminishing value tax depreciation approach for all new assets with the exception of in-house software, buildings (capital works) and equity raising costs. All assets acquired prior to 1 July 2021 will continue to be depreciated using the straight-line depreciation method for regulatory tax purposes, until these assets are fully depreciated. The PTRM also allows for the immediate expensing of certain capex for tax purposes.

149 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31, APTNT - AAR 2026–31 - Post-Tax Revenue Model (PTRM)*, 1 July 2025.

APTNT's proposal sets out the details of its cost of corporate income tax over the 2026–31 period.[150]

3.7.3 Assessment approach

In appendix A.3, we set out our assessment approach for the estimated cost of corporate income tax.[151]

3.7.4 Reasons for the draft decision

We determine the estimated cost of corporate income tax amount is $1.6 million ($ nominal) for APTNT over the 2026–31 period. This represents an increase of $0.3 million from APTNT's proposal of $1.3 million. The following sections discuss the reasons for our draft decision on:

- the opening TAB value as at 1 July 2026
- final year tax asset adjustment
- the forecast immediately expensed capex
- assets to be exempted from the diminishing value method for tax depreciation
- the year-by-year tracking approach for tax depreciation
- the standard tax asset lives for depreciating forecast capex over the 2026–31 period.

3.7.4.1 Opening tax asset base as at 1 July 2026

We accept APTNT proposed method to establish the opening TAB value as at 1 July 2026. This is because APTNT's proposed approach is based on our RFM and consistent with that previously approved for the 2021–26 period. Based on the proposed approach, we determine APTNT opening TAB value as at 1 July 2026 to be $45.4 million ($ nominal). This represents a reduction of $3.1million (6.4%) compared to its proposal, based on our input amendment discussed below.

We have reviewed the inputs to the TAB roll forward and found they were mostly correct and reconciled with relevant data sources such as annual reporting RINs and the 2021–26 decision models. However, we updated the actual year-by-year tracking tax depreciation data for the 2021–26 period in the RFM based on the latest estimated 2024–25 and 2025–26 immediately expensed capex provided by APTNT after the submission of its proposal. The updated immediately expensed capex is higher than the amount included in APTNT's proposal, leading to a lower opening TAB value as at 1 July 2026.[152]

We note that the opening TAB value as at 1 July 2026 may be updated as part of the final decision to reflect actual 2024–25 capex and any revised 2025–26 capex estimates.

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150 APTNT*, Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31,* 1 July 2025, pp. 35–36.

151 See AER, *Draft decision - Amadeus Gas Pipeline access arrangement 2026–31 - Appendix A - Assessment approach,* November 2025

152 APTNT, *Response to AER information request IR#001*, 19 August 2025.

Table 3-15 sets out our draft decision on the roll forward of APTNT's TAB over the 2021–26 period.

Table 3-15 AER's draft decision on APTNT's TAB roll forward for the 2021–26 period ($ million, nominal)

	2021–22	2022–23	2023–24	2024–25[a]	2025–26[a]
Opening TAB	45.1	46.5	50.0	48.0	47.5
Capex[b]	5.8	9.6	3.5	6.0	5.5
Less: tax depreciation	4.4	6.2	5.4	6.6	7.5
Closing TAB	**46.5**	**50.0**	**48.0**	**47.5**	**45.4**

Source: AER analysis.
(a) Based on estimated capex. We expect to update the TAB roll forward with actual capex for 2024–25 and a revised capex estimate for 2025–26 in the final decision.
(b) Net of disposals.

3.7.4.2 Forecast immediately expensed capex

APTNT proposed $5.1 million ($2025–26) of forecast capex to be immediately expensed over the 2026–31 period.[153] We consider APTNT's approach to forecast its immediately expensed capex to be reasonable as it is consistent with the approach adopted for its 2021–26 period. In addition, we found the proposed forecast amount is largely consistent with the actual immediately expensed capex reported in the annual reporting RINs for the period 2021–22 to 2023–24.

We will continue to collect actual data relating to this expenditure in our annual reporting RINs to inform our decision on the amount of forecast immediately expensed capex in the next determination for APTNT.

3.7.4.3 Assets exempt from the diminishing value method

The PTRM applies the diminishing value method as the regulatory benchmark for tax depreciation to all new capex. However, as discussed in appendix A.4, there are some exceptions to this approach under the tax law such as assets relating to in-house software and equity raising costs.[154] In the PTRM, the benchmark equity raising costs is determined within the model and depreciated using the straight-line tax depreciation method by default.

APTNT has not proposed any forecast capex that are to be depreciated using the straight-line method for tax depreciation purposes. As a result, all of APTNT's assets are subject to the diminishing value method of tax depreciation. We accept APTNT's proposal and have not allocated any forecast capex to be depreciated under the straight-line method for tax depreciation. This is consistent with the approach applied for the 2021–26 period.

153 APTNT, *Proposed PTRM*, July 2025, PTRM input sheet – cells G114–K165.

154 Asset classes 47, 48, 49 and 50 in the PTRM provide for this.

3.7.4.4 Year-by-year tracking approach

We accept APTNT's proposed to apply the 'year-by-year' tracking method as set out in our depreciation module in the RFM for calculating the tax depreciation of its existing assets as at 1 July 2026.[155]

We consider that this change is necessary for implementing the diminishing value tax depreciation method under the 2018 tax review as determined at the 2021–26 access arrangement review.[156] Under the diminishing value method, the tax depreciation of the capex for each year of the access arrangement period must be calculated individually. This could not be achieved under the weighted average remaining life approach. Therefore, APTNT is required to switch to the year-by-year tracking approach to correctly calculate its tax depreciation of existing assets in the TAB as at 1 July 2026. Unlike the weighted average remaining life approach, there will be no need to calculate a remaining tax asset life as at 1 July 2026 for each asset class under the year-by-year tracking approach.

We are satisfied that the application of the year-by-year tracking method provides an appropriate estimate of the tax depreciation amount for a benchmark efficient service provider as required by the NGR.[157]

3.7.4.5 Standard tax asset lives

We accept APTNT's proposed standard tax asset lives assigned to its existing asset classes because they are:

- broadly consistent with the tax asset lives prescribed by the Commissioner of Taxation in ATO Taxation Ruling 2022/1[158]
- the same as the approved standard tax asset lives for the 2021–26 period.

As discussed in section 3.3.4.2, we accept APTNT's proposal to create 2 new asset classes, 'Corporate assets (IT)' and 'Leased assets post 2021', with proposed standard tax asset live of 4 years and 15 years respectively. We accept the standard tax lives assigned to these asset classes. This is because:

- the proposed standard tax asset life of 4 years for the 'Corporate assets (IT)' asset class is in line with the effective life for IT assets as determined by the ATO[159] and is also

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155 Under this approach, the capex for each year of a access arrangement period is depreciated individually for tax purposes. It will result in each tax asset class having an expanding list of sub-assets to reflect the regulatory year in which capital expenditures on those assets occurred.

156 AER, *Final decision Amadeus Gas Pipeline Access Arrangement 2021 to 2026*, April 2021, p. 34.

157 Clause 87A of the NGR sets out the formula we must use to estimate corporate income tax. It requires an estimate of the taxable income of a benchmark efficient entity.

158 ATO, *Taxation Ruling TR2022/1 – Income tax: effective life of depreciating assets (applicable from 1 July 2022)*, June 2022.

159 ATO, *Taxation Ruling TR2022/1 – Income tax: effective life of depreciating assets (applicable from 1 July 2022)*, June 2022, p. 272.

consistent with the approved standard tax asset lives for similar asset classes in our decisions for other gas pipeline service providers.[160]

- the proposed standard tax asset life of 15 years for the 'Leased Assets post 2021' asset class aligns with the term of APTNT's leases.

Our draft decision PTRM sets out APTNT's standard tax asset lives for each of its asset classes.[161] We are satisfied that the standard tax asset lives are appropriate for application over the 2026–31 period. We are also satisfied that the standard tax asset lives provide an estimate of the tax depreciation amount that would be consistent with the tax expenses used to estimate the annual taxable income for a benchmark efficient service provider.[162]

3.7.4.6 Corporate assets (IT) asset class

As discussed in section 3.3.4.2, we accept APTNT's proposal to re-allocate the existing IT related assets from the 'O&M Facilities' asset class to the new 'Corporate Assets (IT)' asset class and apply a shorter remaining asset life as at 1 July 2026 for capital base depreciation purposes. APTNT proposes to apply the same approach for its tax depreciation purposes. We consider this approach is reasonable as it better reflects the effective life of the IT assets for tax depreciation. However, we identified a couple of minor errors in APTNT's calculation of the residual tax asset value to be re-allocated to the 'Corporate Assets (IT)' asset class and the remaining tax asset life input for the 'O&M Facilities' asset class. For this draft decision, we have re-calculated and updated these inputs in the RFM. However, these input changes do not have a material impact on the tax depreciation amount.

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160 For example, AER, *Final decision: Jemena Gas Networks (NSW) - Access arrangement 2025–30, attachment 4 Regulatory depreciation*, 14 May 2025, p. 27; AER, *Final decision: AusNet Services - Access arrangement 2023–28, attachment 4 Regulatory depreciation*, 2 June 2023, p. 15; AER, *Final decision: Australian Gas Networks (Victoria and Albury) 2023–28 – Attachment 4 Regulatory depreciation*, June 2023, p. 13; AER, *Final decision: Multinet Gas - Access arrangement 2023–28 – Attachment 4 Regulatory depreciation*, June 2023, p. 12.

161 AER, *Draft decision PTRM for AGP*, September 2025, PTRM input sheet – cells P7–P56.

162 NGR, r. 87A(1) .

4 Forecast demand

This chapter sets out our assessment of the demand forecasts for APTNT's Amadeus Pipeline for the 2026–31 period.

Demand is an important input into the derivation of APTNT's reference tariffs. Under a weighted average price cap, tariffs are determined by dividing cost (as reflected in forecast revenue) by total demand (TJ/day). This means that a decrease in forecast demand has the effect of increasing tariffs, and vice versa.

4.1 Draft decision forecast demand

Our draft decision is to accept APTNT's demand forecasts for the Amadeus Pipeline. We are satisfied that APTNT's proposed demand forecasts comply with rule 74(2) of the NGR.[163] The reasons for our decision are set out at section 4.3 below.

4.2 APTNT's proposal on forecast demand

APTNT stated that over the 2026–31 period it expects the Amadeus Pipeline will remain fully contracted, the NGP will be fully operational, the Sturt Plateau Pipeline will be completed and connected (which will provide additional gas, supplied from the southern Beetaloo Basin) and that there will be no material change in local NT demand, apart from the expected cessation of the Daly Waters delivery point.[164]

Based on these assumptions and with no expansion of capacity planned, APTNT has forecast no change in its nameplate capacity (165 TJ/day), firm capacity (145 TJ/day) and interruptible capacity (15 TJ/day) for the 2026–31period.[165]

APTNT noted the 2 major delivery points on the Amadeus Pipeline are the NGP offtake at Warrego and Darwin Channel Island. There has been a significant reduction in total annual demand for Amadeus Pipeline gas deliveries over the 2026–31 period which APTNT attributed to:[166]

- the closure of the NGP during 2024 and subsequent lack of demand at Warrego
- deliveries being reduced at the Darwin City Gate due to limited gas supplies, with Weddell Power Station being supplied directly from Liquefied Natural Gas producers at Wickham Point rather than through the Amadeus Pipeline.

163 Under this rule, forecasts or estimates must be arrived at on a reasonable basis, and must represent the best forecast or estimate possible in the circumstances.

164 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Overview,* 1 July 2025, p.17.

165 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Overview,* 1 July 2025, p.17.

166 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Forecast demand and utilisation,* 1 July 2025, pp. 5-6.

Consequently, the total annual gas throughput has declined from 39,759.0 TJ in 2021–22 to 25,687.1 TJ in 2023–24.[167]

4.3 Reasons for draft decision on forecast demand

Rule 74(2) of the NGR requires forecasts in access arrangement proposals to be arrived at on a reasonable basis, and to represent the best forecast possible in the circumstances.

4.3.1 Forecast methodology and assumptions

We consider the demand forecast methodology and assumptions adopted by APTNT were arrived at on a reasonable basis in accordance with relevant requirements of the NGR[168] for the following reasons:

- the expected average demand for each delivery point is based on an analysis of historic trends in gas volumes and key drivers of demand for each delivery point
- analysis of the maximum demand at each delivery point has taken into account observed historical maximums and the nature of demand at each delivery point (e.g. the demand requirements of the user and whether their demand profile is likely to change over the forecast period).

4.3.2 Minimum, maximum and average demand

Under the NGR, APTNT's proposal must include minimum, maximum and average demand for each receipt or delivery point for the earlier access arrangement period.[169] APTNT's access arrangement information satisfies these requirements.[170]

4.3.3 Forecast pipeline capacity and utilisation

The NGR require that to the extent practicable, the access arrangement information should include forecast pipeline capacity and utilisation of pipeline capacity over the access arrangement period.[171] We consider the information contained within APTNT's submission satisfies the requirement of rule 72(1)(d) of the NGR. We have formed this view taking into account that there is uncertainty around gas supplies at current receipt points and the location, timing and volumes of any additional gas supplies, for example, from the Beetaloo Basin.[172] Notwithstanding this uncertainty:

- the capacity forecast has taken into account aggregated contracted demand on the pipeline and any additional capacity that can be delivered within the physical and contractual constraints of the pipeline; and

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167 APTNT, *Amadeus (APA NT) 2023-24 - Annual - RIN Response – Consolidated*, 2 December 2024; APTNT, *Amadeus 2021–22 - Annual - Rin Response - Consolidated* , 13 January 2023.

168 NGR rr. 74(1), 74(2)(a).

169 NGR, r. 72(1)(a)(iii)(A).

170 APTNT*, Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Forecast demand and utilisation,* 1 July 2025, Table 2-1 and Figure 2-1, pp. 5–6.

171 NGR, r. 72(1)(d).

172 APTNT*, Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Forecast demand and utilisation,* 1 July 2025, p.8.

- the utilisation forecast is based on current period trends and any changes to the configuration of the Amadeus Pipeline which will impact future gas flows. [173]

4.3.1 Demand forecasts

Total demand (TJ volumes)

The nameplate rating of the Amadeus Pipeline, that is, the maximum daily capacity for the provision of firm transportation services under normal operating conditions, is 165.0 TJ/day. Utilisation of the nameplate capacity is constrained to 91.4 TJ/day of capacity at the Warrego delivery point into the NGP. The capacity of the NGP is 90 TJ/day, hence the pre-existing agreements effectively use all the capacity available for firm transportation at 145 TJ/day.[174]

APTNT reported the pre-existing agreements are expected to continue during the 2026–31 period and so expects the capacity to remain fully contracted. On this basis the forecast demand for capacity for firm service is 145.0 TJ/day annually over the 2026–31 period.[175]

While APTNT estimates around 33 TJ/d of capacity is potentially accessible for the provision of interruptible service, there has been no take-up of this service over the 2021–26 period. For this reason, as per last access arrangement review, APTNT has forecast interruptible service capacity of 15 TJ/day.[176]

Table 4-1 Forecast total volume: 2026–27 to 2030–31

	2026–27	2027–28	2028–29	2029–30[a]	2030–31[a]
Firm service	TJ	52,925	52,925	52,925	52,925
Interruptible service	TJ	5,475	5,475	5,475	5,475
Total demand (pipeline usage)	TJ	58,400	58,400	58,400	58,400

Source: APTNT, *Amadeus Pipeline 2026–31 Access Arrangement Information: AGP - AAR 2026-31 - Tariff model*, July 2025.

In assessing APTNT's proposed total gas volume forecasts (TJ), we considered APTNT's forecasts at each delivery point on the pipeline and compared these with historic volumes at each delivery point.[177] We recognise that given the nature of the end use of the gas at each delivery point, the actual and forecast volume growth differs between each delivery point. We also note that in some instances actual gas delivered at each delivery point has varied significantly from year to year in response to changed operating and gas supply conditions.

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173 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Forecast demand and utilisation,* July 2025, p.8.

174 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Access Arrangement Information,* July 2025, pp.25-26.

175 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Forecast demand and utilisation,* July 2025, p.14.

176 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Forecast demand and utilisation,* July 2025, pp.14-15.

177 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31: Forecast demand and utilisation,* July 2025, Table 6-1, p.16.

While APTNT's forecasts risk being upwardly biased relative to current period actual volumes, under a price cap, we consider that the revenue risk associated with this resides with APTNT rather than with gas transport service users. Given this, we consider APTNT has provided the best forecasts possible, based on the available data.

4.3.2 Forecast user numbers

We accept APTNT's forecast user numbers for the 2026–31 period have been arrived at on a reasonable basis.

We recognise that other users in addition to the foundation shipper have expressed interest in access to the Amadeus Pipeline for firm services, however given that the Amadeus Pipeline is expected to be fully contracted for the 2026–31 period the likelihood of additional users is limited.

Given the current contractual arrangements of the Amadeus Pipeline, we consider that it is unlikely that there will be additional users demanding significant quantities of gas over the 2026–31 period without a proposal to expand its capacity.

5 Reference services and tariffs

This section outlines our assessment of the services covered by the access arrangement, the reference tariffs and the tariff variation mechanism proposed by APTNT, against the requirements of the NGR.

APTNT's reference services are the services we directly regulate by setting reference tariffs for those services. Services which are not reference services are not regulated in the same way. The sum of all reference tariffs, plus expected demand for services reflects our assessment of the revenue required by APTNT to safely and reliably provide the reference services (see section 2: *Total elements of our draft decision on revenue*).

APTNT's reference tariffs are adjusted annually by the application of a weighted average price cap formula. Its reference tariffs are derived from the total revenue requirement after consideration of demand for each tariff category.

After the first year of the access arrangement period, APTNT's ancillary service prices are set by application of the ancillary service tariff variation formula.

Our draft decision on APTNT's total revenue requirement is set out in the executive summary to this draft decision.

5.1 Services covered by the access arrangement

The NGR require a network service provider's access arrangement to:

- identify the pipeline to which the access arrangement relates[178]
- describe all of the pipeline services the network service provider can reasonably provide on the pipeline, having regard to the characteristics of different pipeline services[179]
- specify the services the network service provider proposes as reference services.[180]

5.1.1 Draft decision

Our draft decision is to accept the reference service proposal by APTNT for the 2026–31 period.

5.1.2 Overview of Proposal

APTNT proposed to maintain its 2 reference services, the Firm transportation service and the Interruptible transportation service.[181] This is consistent with the current access arrangement

178 NGR, modified r. 48(1)(a). Modified r. 48 is referred to in NGR, schedule 1, part 12, r. 62(5).

179 NGR, modified r. 48(1)(b).

180 NGR, modified r. 48(1)(c) and r. 47A(15).

181 APTNT*, Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31,* 1 July 2025, p. 38.

and (as required under the NGR) with the reference services approved in our November 2024 reference service proposal decision.[182]

5.1.3 Assessment Approach

Our assessment approach is to identify the covered pipeline[183] that is providing these services and any additions or expansions that have occurred during the current 2021–26 period.

A full access arrangement must specify the pipeline services APTNT proposes as reference services having regard to the reference service factors.[184]

For ancillary services, we have considered the services APTNT currently offers and the amendments it proposes to these services.

We have considered the views that stakeholders submitted regarding APTNT's proposed reference service for the 2026–31 period.

For non-reference pipeline services or negotiated services, we are not required to set tariffs for these or the terms or conditions on which they will be provided.

5.1.4 Reasons for Draft Decision

We have previously assessed and approved APTNT's reference service proposal, submitted in July 2024. Our 2024 assessment incorporated a stakeholder consultation process including publishing APTNT's proposal and calling for submissions. We did not receive any submissions.

Our reasons for our draft decision to accept APTNT's reference service proposal are set out in our November 2024 reference service proposal decision.[185]

5.2 Reference tariff setting

This section outlines our assessment of the reference tariffs proposed by APTNT for the Amadeus Pipeline against the requirements of the NGR. Our assessment focuses on the structure of reference tariffs and takes into account the revenue and pricing principles.[186]

5.2.1 Draft decision

We accept APTNT's proposed structure of reference tariffs for the 2026–31 period. We are satisfied the proposed structure of the reference tariffs complies with the requirements of the

182 AER, *Amadeus 2026–31 Access arrangement - Reference service proposal - Final decision*, December 2024.

183 A covered pipeline means a pipeline that is regulated under the NGL and NGR. In that respect, it is 'covered by regulation.'

184 NGR, modified r. 48(1)(c).

185 AER, *Amadeus 2026–31 Access arrangement - Reference service proposal - Final decision*, December 2024.

186 NGL, ss. 24(2)–(7)

NGR.[187] Nevertheless, the quantum of the proposed reference tariffs must be amended to reflect our assessment of the building block proposal set out in this draft decision.

5.2.2 Overview of Proposal

APTNT proposed tariffs are derived by dividing the smoothed revenue for each year between the two reference services, based on their share of total forecast volumes, and then dividing each reference service's share of forecast revenue by their forecast volumes. This continues its current approach.[188]

APTNT's proposed prices for its 2 services, for transportation between any receipt point and any delivery point on the Amadeus Pipeline, are:

- Firm Transportation Service:
  - 2026−27 (based on Contracted Capacity) - Revenue $25.1m, demand 52.9TJ, tariff $0.4750 GJ/day[189]
- Interruptible Transportation Service:
  - 2026−27 (based on forecast volumes over 2026−31) - Revenue $2.6m, demand 5.5TJ, tariff $0.4750 GJ/day[190]

5.2.3 Assessment Approach

In an access arrangement a service provider is required to specify for each reference service, the reference tariff and proposed approach to setting the reference tariff.[191] This is done by:

- explaining how revenues and costs are allocated, including the relationship between costs and tariffs[192]
- defining the tariff classes[193]
- comparing the revenue to be raised by each reference tariff with the cost of providing each individual reference service[194]
- explaining and describing any pricing principles it employed.[195]

Following our assessment of the proposed reference tariffs, if we decide to not accept them we must determine the initial (in this case, 2026–27) reference tariffs to apply for each

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187 NGR, rr. 93, 94.

188 APTNT*, Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31,* 1 July 2025, pp. 38–40.

189 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Overview of Proposal 2026–31*, 1 July 2025, p. 20.

190 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Overview of Proposal 2026–31*, 1 July 2025, p. 20.

191 NGR, rr. 48(1)(d)(i), 72(1)(j).

192 NGR, rr. 72(1)(j)(i), 93(1)–(2).

193 NGR, r. 94(1)–(2).

194 NGR, r. 94(3).

195 NGR, r. 72(1)(j)(ii).

reference service. In our assessment of the proposed reference tariffs, we reviewed the Amadeus Pipeline 2026–31 information and proposal.[196] We have not received any submissions relating to these issues during our consultation on APTNT's proposal.[197]

5.2.4 Reasons for Draft Decision

We accept APTNT's proposed reference tariff structure because we are satisfied that it complies with the NGR requirements.[198]

The tariff structure is consistent with that applied in the current access arrangement period. However, the quantum of the proposed initial reference tariff must be amended to reflect our draft decision on APTNT's building block proposal.

We are satisfied APTNT's allocation of its revenues and costs between its services are compliant with the requirements of the NGR.[199] We note there is one significant user of the pipeline which is currently contracted for the full firm capacity of the pipeline. It is the main driver of the costs of the pipeline. The materiality of costs of the interruptible reference service is minor and therefore we accept APTNT's proposal to allocate most of its costs and revenue to the firm reference service. We note this is consistent with the approach applied for the current access arrangement period.

We are also satisfied that APTNT's tariffs will generate a portion of referable total revenue from the reference service, and from each user, as required by the NGR.[200]

The draft decision prices are:

- Firm Transportation Service:
  - 2026-27 (based on Contracted Capacity) - Revenue $24.3m, demand 52.9TJ, tariff $0.4587 GJ/day
- Interruptible Transportation Service:
  - 2026-27 (based on forecast volumes over 2026-31) - Revenue $2.5m, demand 5.5TJ, tariff $0.4587 GJ/day

5.3 Reference tariff variation mechanism

This section sets out our consideration of the reference tariff variation mechanism and cost pass through mechanism proposed by APTNT for its Amadeus Pipeline. The reference tariff variation mechanism:

- permits building block revenues to be recovered smoothly over the access arrangement period subject to any differences between forecast and actual demand
- accounts for actual inflation

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196 APTNT, Amadeus Gas Pipeline 2026–31 Access Arrangement Revision Proposal, July 2025

197 NGR, r. 59.

198 NGR, rr. 93, 95.

199 NGR, r. 93(2).

200 NGR, r. 95.

- accommodates other reference tariff adjustments that may be required, such as for an approved cost pass through event
- sets administrative procedures for the approval of any proposed changes to reference tariffs—that is, updating tariffs each year.

The cost pass through mechanism allows us to vary reference tariffs following the occurrence of a specified event which materially increases or decreases the cost of providing the reference service.

The inclusion of a pass through mechanism recognises a service provider can face risks beyond its control, which may have a material impact on costs.

5.3.1 Annual reference tariff variation mechanism

5.3.1.1 Draft decision

We do not accept APTNT's proposed reference tariff variation mechanism for the 2026–31 access arrangement period and require that APTNT in its revised proposal amend one CPI element of the scheduled reference tariff variation mechanism.

We also request that APTNT consider an earlier submission date for the scheduled reference tariff variation process. We discuss our reasons for this draft decision below.

5.3.1.2 Overview of Proposal

The reference tariff variation mechanism in APTNT's proposal allows annual variation of the reference tariff for:[201]

- current inflation
- a change in the rate of return on debt (as required by the RORI)
- a material increase in costs attributable to one or more of a small number of specified events (including regulatory change, tax change, terrorism and natural disaster).

APTNT proposed retaining this mechanism from its current 2021−26 period. It can be applied, essentially unchanged, to vary annually both the firm service reference tariff and the interruptible service reference tariff.

5.3.1.3 Assessment Approach

Our assessment approach for APTNT's proposed reference tariff variation mechanism had regard to each of the factors specified by the NGR,[202] and their implications for natural gas consumers, potential users, APTNT and other stakeholders. In doing so, we took into account the nature and scope of pipeline reference services to which reference tariffs are applicable. Our assessment also included a comparison of:

- the proposed reference tariff variation mechanism with those in the current access arrangement

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201 APTNT, *Amadeus Gas Pipeline: 2026–31 Access Arrangement Revision Proposal 2026–31,* 1 July 2025, pp. 39.

202 NGR, r. 97(3)

- consistency with other recent gas distribution access arrangement decisions (and electricity determinations under the NER)
- consistency in APTNT's approach across the provision of similar services.

We assessed the potential impact of the proposal for meeting the NGO, and the revenue and pricing principles.

We have taken into account the expected changes in gas demand over the 2026−31 period, the impact this can have on price stability over the period, and incentives on the service provider to develop efficient tariffs. We have also taken into account submissions provided to us by stakeholders.

5.3.1.4 Reasons for Draft Decision

Our draft decision does not accept APTNT's proposed weighted average price cap approach to Reference Tariff Variation, which involves the escalation of year 2-5 prices by CPI-X.

The proposal amends the year reference in the CPI_b element of the scheduled reference tariff variation mechanism to 2030–31. We will work with APTNT staff to settle the form of the tariff control formula for its revised proposal and our final decision.

We are also considering the possibility of an earlier submission date for the scheduled reference tariff variation process. We believe the earlier availability of the annual update of the return on debt makes this feasible.

We are otherwise satisfied with APTNT's proposal to maintain the tariff variation mechanism that is consistent with the current access arrangement period.

We note that our support for APTNT's proposal to retain weighted average price cap regulation contrasts with our current approach to gas distribution networks. For JGN's 2025−30 access arrangement we approved a hybrid tariff variation mechanism, incorporating aspects of weighed average price cap and revenue cap regulation. Similarly, our reference service proposal decisions and our draft 2026−31 access arrangement decisions for Evoenergy and AGN (SA) incorporated hybrid tariff variation mechanisms.

This difference in our approach across the gas transmission and distribution pipeline sectors in part relates to the different ways that reference tariffs are applied across the 2 sectors. Scheme gas transmission network service providers use reference services and reference tariffs as the basis for negotiating the actual services and tariffs applicable to pipeline users. We expect actual gas transmission services and tariffs will in many cases differ from our determinations, though the reference services must be available to all pipeline users at the reference tariffs we determine.

Gas distribution networks use the reference services and reference tariffs we determine as the services used by and prices payable by pipeline users. They do not negotiate different services and tariffs.

It's also notable that the gas transmission and distribution sectors appear to be facing different futures. The Australian Energy Market Operator is forecasting significant declines in gas consumption by residential and small commercial customers served by gas distribution networks. Gas transmission networks, on the other hand, are expected to increasingly serve gas fired power stations which will offset, to a significant extent, the incremental loss of small customer gas consumption.

These differing expectations for the gas transmission and distribution sectors warrant application of differing forms of regulation – tariff variation mechanisms. Our reasons for applying hybrid tariff variation mechanisms to gas distribution networks are set out in relevant decision papers.

5.4 Cost pass through mechanism

5.4.1 Draft Decision

We accept the cost pass through events APTNT proposed for the 2026–31 period, which align with our recent determinations.[203] APTNT's cost pass through definitions are set out in its proposed access arrangement.[204]

We also accept APTNT's definition of materiality for cost pass through events.[205]

We have amended the timeframe that the AER has to make a decision on a pass through application, unless the time limit is extended, from 90 business days to 40 business days.[206] This amendment is consistent with access arrangements for other service providers.

5.4.2 APTNT's proposal

APTNT proposed 7 cost pass through events, the same as those proposed for the current period. These were:

- a regulatory change event
- a service standard event
- a tax change event
- terrorism event
- an insurer credit risk event
- an insurance coverage event, and
- a natural disaster event.

APTNT also proposed minor amendments to some of the wording of these events to:[207]

- align the definitions for Cost Pass Through Events and the Materiality Threshold with recent AER Determinations and Draft Decisions

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203 AER, *Final decision - JGN access arrangement 2025–30 - Attachment 10 - Reference tariff variation mechanism*, May 2025; AER, *Final decision Attachment 15 – Pass through events – Ausgrid – 2024–29 Distribution revenue proposal*, April 2024; AER, *Draft decision Attachment 15 – Pass through events – Ausgrid – 2024–29 Distribution revenue proposal*, September 2023; AER, *AusNet 2023–28 – Draft decision – Attachment 10 Reference tariff variation mechanism*, December 2022.

204 APTNT, *AGP – AAR 2026–31 – Access Arrangement (Clean)*, June 2025, pp. 21–25.

205 APTNT, *AGP – AAR 2026–31 – Access Arrangement (Clean)*, June 2025, p. 25.

206 APTNT, *AGP – AAR 2026–31 – Access Arrangement (Clean)*, June 2025, p. 25.

207 APTNT, *AGP – AAR 2026–31 Access Arrangement Information*, June 2025, p. 41.

- use consistent terminology for 'Reference Service' and 'Cost Pass Through Event', and
- correct minor errors in language.

For the purpose of any defined cost pass through event, an event is considered to materially increase or materially decrease costs where the costs incurred, or likely to be incurred, in any financial year of the access arrangement period, as a result of that event, has an impact that exceeds one per cent of APTNT's total transportation reference service revenue for that financial year approved by the AER.

5.4.3 Reasons for draft decision

Consistent with our past decisions, we consider that APTNT's proposed regulatory change, service standard, tax change, terrorism, insurer credit risk, insurance coverage and natural disaster events, that will remain the same as in the 2021–26 access arrangement (with minor wording and consistency updates by APTNT) are appropriate as they:

- are not covered by another category of pass through event
- can be clearly identified at the time when we are approving the access arrangement
- are of the nature or type that a prudent service provider could not reasonably prevent from occurring or substantially mitigate their cost impact, and
- are prohibitively costly to cover by full insurance, or there is no available insurance cover on reasonable.

As a result, we accept these proposed pass through events for the 2026–31 period. The full definition of these pass through events can be found in APTNT's proposal.[208]

As noted above, we accept APTNT's definition of materiality, but have amended the timeframe for the AER to make cost pass through decisions from 90 business days to 40 business days.

APTNT proposed that the AER must notify APTNT of its decision as to whether a cost pass through event has occurred, and the amount that should be passed through in APTNT's reference tariffs, within 90 business days.[209] For consistency, we propose to align the number of business days the AER has to notify network service providers of our determination, following a cost pass through application, with the timeframes set out in the NER. That is, within 40 business days of receiving an application, unless this time period is extended. Our process for reviewing cost pass through applications generally relies on the provisions set out in the NER, as the NGR is not explicit on these matters. This is also consistent with other gas access arrangements.

More information on the nature of cost pass through events and our assessment approach can be found in the reference services attachments for AGN and Evoenergy for these 2026–31 decisions.

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208 APTNT, *AGP – AAR 2026–31 – Access Arrangement (Clean)*, June 2025, pp. 21–25.

209 APTNT, *AGP – AAR 2026–31 – Access Arrangement (Clean)*, June 2025, p. 25.

5.5 Non-tariff components

This section contains our draft decision and reasons on the non-tariff components of APTNT's proposal for the 2026–31 period.

5.5.1 Draft decision

Our draft decision is to approve some, but not all, of the amendments that APTNT has proposed to its access arrangement for the 2026–31 period.

APTNT's queuing requirements, extension and expansion, and capacity trading requirements and proposed approach to changing users' receipt or delivery points are substantively unchanged from those approved for the current, 2021–26 period.

We consider these amendments consistently reflect the recent regulatory changes and terminology to ensure consistency with the approved reference services and that these requirements remain otherwise appropriate. However, we require APTNT to include the updated section referencing its supplier curtailment methodology in its revised access arrangement.

APTNT has engaged with its stakeholders in developing its 2026–31 access arrangement, including engagement on its non-tariff components. While the amendments are limited, submissions have identified some areas of concern with APTNT's proposed terms and conditions and have asked us to consider whether these amendments are required.

These concerns relate specifically to proposed amendments to APTNT's gas specifications.[210] In APTNT's proposal, it indicates it's continuing to engage with stakeholders on this issue ahead of submitting its revised proposal.[211] Noting these concerns raised by stakeholders and that further consideration is needed to address potential impacts to users, we have not accepted the proposed changes for APTNT's gas specifications and encourage APTNT to provide further supporting information on this issue in its revised proposal.

We accept APTNT's proposed review submission and commencement dates for its 2026–31 access arrangement being a review submission date of 1 July 2030 and revision commencement date of 1 July 2031.

5.5.2 Terms and conditions

The NGR require an access arrangement to specify, in addition to the reference tariff, the other terms and conditions on which each reference service will be provided.[212] When making decisions on these terms and conditions, we must (as with all of our economic regulatory functions) determine them in a manner that will best achieve the NGO.[213]

In deciding whether the terms and conditions are appropriate, we must have regard to the risk-sharing arrangements implicit in the reference tariff.[214] This requires us to assess and

210 AGP, *AAR 2026–31 - Access Arrangement (Tracked),* June 2025, p. 67 – Appendix A.

211 AGP, *AAR 2026–31 - Access Arrangement Overview*, June 2025, p. 7.

212 NGR, r. 48(1)(d)(ii).

213 NGL, s. 28(1). The NGO is set out in s. 23.

214 NGR, r. 68B(2).

balance the competing interests of the service provider, network users and consumers, in particular:

- the allocation of risk, where we consider the NGO is generally best served where a risk is borne by the party best able to manage it
- the need to ensure clarity and certainty, while avoiding an unduly prescriptive approach on commercial matters.

We have reviewed APTNT's proposed terms and conditions included in its access arrangement.[215] APTNT stated that it proposed minor changes to its terms and conditions, which remain materially unchanged from its current access arrangement.

The proposed changes comprise:

- an update to incorporate an additional receipt point on the Amadeus Pipeline
- minor drafting amendments to accommodate changes to the NGL and NGR
- changes to the gas specification
- administrative amendments to update cross references to sections of the access arrangement and dates.[216]

APTNT consulted stakeholders on its proposed terms and conditions, including via stakeholder workshops and seeking comments and feedback on its proposed changes.[217]

Gas specifications

As indicated, APTNT made changes to its gas specifications outlined in Appendix A of its access arrangement.[218]

Submissions from Jemena Northern Gas Pipeline (Jemena) and Power and Water Corporation (Power and Water) have raised concerns about the proposed changes to the values included for the Wobbe index and Gross heating value.

It is understood that the proposed change is to improve shippers' opportunity to transport gas to the east coast market.

Both Jemena and Power and Water are supportive of the objectives behind the proposed amendments.[219] However, their submissions raise concerns about potential impacts that these changes might have and suggest further consideration is required by APTNT before changes are implemented.

A key concern raised by Jemena was the proposed amendment to increase the Higher Heating Value and Wobbe Index, without adjusting for the allowable concentration of inert

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215 AGP, *AAR 2026–31 - Access Arrangement (Tracked),* June 2025.

216 AGP, *AAR 2026–31 - Access Arrangement Information*, June 2025, p. 41.

217 AGP, *AAR 2026–31 - Access Arrangement Overview*, June 2025, p. 7.

218 AGP, *AAR 2026–31 - Access Arrangement (Tracked),* June 2025, p. 67.

219 Jemena, *Submission on Amadeus Gas Pipeline 2026–31 access arrangement,* August 2025, p. 1; Power and Water, *Submission - Amadeus Gas Pipeline 2026–31 access arrangement*, October 2025, p. 1.

gases, including nitrogen and carbon dioxide.[220] Power and Water's submission considered whether 'recognising a change in gas specifications in the current access arrangement approval process will allow sufficient time for all implications to be understood and for the best approach to implementing the change to be identified.'[221]

Power and Water suggested there are potential impacts on downstream contracts, where the result in the gas specifications specified in some downstream contracts become misaligned, leading to impacted parties breaching their contractual obligations. It also notes that changes in gas specification should not have an adverse operating or safety risk for gas users.[222]

In its submission, Power and Water noted the example of the Macedon gas field, for which Western Australia legislative intervention was required to facilitate changes in the gas specification across a major supply chain. Power and Water outlined that implementation of the *Gas Quality Specifications Act 2009* (WA) provided authority to vary gas specifications in individual contracts and override inconsistent contractual provisions. [223]

APTNT responded that from a consumer perspective, there is no compliance or safety issue with the proposed changes with increases to the higher heating valve and Wobbe index.[224] APTNT have outlined that the proposed Higher Heating Value and Wobbe Index are the only changes that could affect end users but consider it is unlikely as they consider the change is relatively minor, and that most equipment and appliances are designed to use gas supplied to the East Coast gas market specifications (AS4562). APTNT acknowledged that changing the specification is not essential for its purposes at this stage.[225] However, notes:

> Given the strategic importance of Beetaloo Basin gas to the NT, to meet their energy needs and alleviate supply constraints within the East Coast market, updating the gas specification within the AGP AA is critical to enabling the flow of substantial volumes of NT gas to the east coast market.[226]

Nameplate rating for the Amadeus Pipeline

Jemena's submission also questioned why APTNT has not changed the nameplate rating for the Amadeus Pipeline, so that it can accommodate new firm capacity that may be created on the Amadeus Pipeline due to the Sturt Plateau Pipeline interconnection. It outlined that as noted in APTNT's proposal, 'there is customer interest in expanding capacity on the Amadeus Pipeline primarily for transportation to the Northern Gas Pipeline.'[227]

The nameplate rating of the Amadeus Pipeline is its maximum daily capacity to provide firm transportation service under the pipeline's normal operating conditions. The current nameplate rating is 165 TJ/d. This nameplate rating is based on the capacity constraint of

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220 Jemena, *Submission on Amadeus Gas Pipeline 2026–31 access arrangement,* August 2025, p. 1.

221 Power and Water, *Submission - Amadeus Gas Pipeline 2026–31 access arrangement*, October 2025, p. 2.

222 Power and Water, *Submission - Amadeus Gas Pipeline 2026–31 access arrangement*, October 2025, p. 2.

223 Power and Water, *Submission - Amadeus Gas Pipeline 2026–31 access arrangement*, October 2025, p. 3.

224 AGP, *Information Request #002 – Non-tariff components*, 2 October 2025, p. 1.

225 AGP, *IR#004 - Follow-up non-tariff components*,11 November 2025, p. 1.

226 AGP, *IR#004 - Follow-up non-tariff components*,11 November 2025, p. 2.

227 Jemena, *Submission on Amadeus Gas Pipeline 2026–31 access arrangement,* August 2025, p.2.

104 TJ/d flowing into the Amadeus Pipeline from the Bonaparte Gas Pipeline (BGP), combined with the maximum capacity for gas transportation north from Tylers Pass to Warrego of 61 TJ/d.[228]

We sought further information from APTNT, who have noted that if the capacity of the Northern Gas Pipeline was to increase then the nameplate rating of the Amadeus Pipeline would also be able to increase to a certain level.

We consider given the unresolved safety concerns submitted by stakeholders in relation to the proposed gas specifications changes that these should be considered further for APTNT's revised proposal. We understand that APTNT have indicated the importance of the proposed changes for potential energy security, but given the potential safety and technical implications that stakeholders have raised as a consequence of the changes we consider this should be addressed further for the revised proposal and our draft decision is to not accept APTNT's proposed changes on its terms and conditions in relation to its gas specification changes, which are set out in its Access arrangement.[229]

We would like to see for the revised proposal greater information that considers the potential impact on users.

For the revised proposal, we require APTNT to continue discussion with stakeholders and put forward a revised proposal that has taken into account ours and stakeholder concerns in relation to the gas specification changes.

5.5.3 Queuing requirements

Queuing requirements establish the priority of a prospective user, against other prospective users, to access spare or developable pipeline capacity. These must establish a process or mechanism (or both) for establishing an order of priority between prospective users of spare or developable capacity (or both) in which all prospective users (whether associates of, or unrelated to, the service provider) are treated on a fair and equal basis.

The queuing requirements must also be sufficiently detailed to enable prospective users to understand the basis of determining the order of priority and the prospective user's position in the queue.[230]

APTNT has not proposed any revisions to its queuing requirements under the current access arrangement.[231] Our draft decision is to accept APTNT's proposed provisions for queuing requirements submission for its proposed 2026–31 access arrangement.

5.5.4 Extension and expansion requirements

The extension and expansion requirements in an access arrangement specify the method for deciding whether an extension or expansion occurring during an access arrangement period will be treated as part of the covered pipeline and, if so, the impact this will have on reference

[228] AGP, *Information Request #002 – Non-tariff components*, 2 October, p. 2.

[229] AGP, *AAR 2026–31 - Access Arrangement (Tracked),* June 2025. See Appendix A – Gas specification – Amadeus Gas Pipeline.

[230] NGR, r. 68D.

[231] AGP, *AAR 2026–31 - Access Arrangement (Tracked),* June 2025, pp. 30-32. See section 6.

tariffs. An 'extension' allows the pipeline to service new locations, while an 'expansion' increases the amount of gas an existing length of pipeline can carry.

The NGR requirements for extensions and expansions provide that:

- the access arrangement may state whether it will apply to incremental services to be provided as a result of a particular extension to the pipeline, or outline how this may be dealt with at a later time[232]
- the access arrangement must state it will apply to incremental services to be provided as a result of any expansion to the capacity of the pipeline and deal with the effects of the expansion on tariffs[233]
- if the access arrangement is to apply to incremental services to be provided as a result of an extension to the pipeline, the requirements must deal with the effect of the extension on the opening capital base, the description of reference services specified in the access arrangement proposal, and tariffs[234]
- the requirements cannot require the service provider to provide funds for extension or expansion works unless the service provider agrees.[235]

APTNT proposed minor updates to the wording of (‘Extensions and expansions’) in its access arrangement to reflect changes to legislation, which update references from covered to scheme pipeline. APTNT also provided an update to remove reference to its Firm service and substitute it with Reference service.[236]

We consider that the updates to the access arrangement requirements for extensions and expansions reflect the approved Reference service proposal, and we are satisfied this approach is reasonable. Our draft decision is to accept APTNT’s proposed amendments for extensions and expansions for its proposed 2026–31 access arrangement.

5.5.5 Capacity trading requirements

An access arrangement must set out capacity trading requirements, which deal with the transfer of a user’s contracted capacity to another user, as well as setting out the supplier curtailment methodology.[237]

- under the capacity trading provisions of the rules: the requirements must provide for the transfer of capacity in accordance with relevant rules/Procedures governing the relevant gas market in which the service provide is a registered participant, or in accordance with NGR 68F if the service provider is not a registered participant or the rules/Procedures do not deal with capacity trading[238]

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232 NGR, 68E(1), (2).

233 NGR, r. 68E(3).

234 NGR, r. 68E(4).

235 NGR, r. 68E(5).

236 AGP, *AAR 2026–31 - Access Arrangement (Tracked),* June 2025, pp. 33-34. See section 7.

237 NGR, rr. 48(1)(f), and 68F.

238 NGR, rr. 48(1)(f), 48(1)(g1) and 68F.

- a user may, without the service provider's consent, transfer, by way of subcontract, all or any of the user's contracted capacity to a third party subject to rights, obligations and notification requirements set out in the rules[239]
- a user may, with the service provider's consent, transfer all or any of the user's contracted capacity to a third party subject to rights, obligations and contractual consequences set out in the rules. In this case, the service provider must not withhold its consent unless it has reasonable grounds, based on technical or commercial considerations, for doing so[240]
- the requirements may specify in advance conditions under which consent will or will not be given, and conditions to be complied with if consent is given. [241]

APTNT proposed a minor adjustment to section 5, capacity trading requirements to reflect changes to updated rules.[242]

In relation to APTNT's supplier curtailment methodology, APTNT outline that the process and conditions are contained within *Schedule 3: Terms and Conditions applying to the reference services* in the clauses covering gas quality.[243] In further information from APTNT, it acknowledges that it has not specifically outlined the supplier curtailment methodology in its revised access arrangement, and it proposes to include in its revised access arrangement a section that identifies the Supplier curtailment methodology and highlights that:

> The service provider may curtail the injection of covered gas at a receipt point if it fails to conform with the gas specification requirements included in Appendix A, and; The process for the curtailment of covered gas injected at receipt points is detailed under clauses 47-53 of Schedule 3.[244]

We consider that the updates to the access arrangement requirements for capacity trading to reflect updated rules are appropriate, and we are satisfied this approach is reasonable.

Our draft decision is to accept APTNT's capacity trading requirements submission for its proposed 2026–31 access arrangement. However, we will require APTNT to include the updated section referencing its supplier curtailment methodology in its revised access arrangement.

5.5.6 Change of receipt or delivery points

An access arrangement must set out the terms and conditions for changing receipt and delivery points.

- Under the provisions of the rules that relate to a user changing receipt or delivery points: an access arrangement must provide for the change of a receipt or delivery point by a

239 NGR, 68F(2).

240 NGR, 68F(4).

241 NGR, 68F(5).

242 AGP, *AAR 2026–31 - Access Arrangement Information*, June 2025, p. 28.

243 AGP, *IR#004 - Follow-up non-tariff components*,11 November 2025, p. 3.

244 AGP, *IR#004 - Follow-up non-tariff components*,11 November 2025, p. 3. The Amadeus Pipeline supplier curtailment methodology is on the APA webpage: Amadeus-gas-pipeline supplier curtailment methodology.

user, with the service provider's consent, where the service provider must not withhold its consent unless it has reasonable grounds, based on technical or commercial considerations, for doing so[245]

- the access arrangement may specify in advance conditions under which consent will or will not be given, and conditions to be complied with if consent is given.[246]

APTNT has not proposed any changes to the wording in the current 2021–26 access arrangement. Our draft decision is to accept APTNT's proposed change of receipt or delivery points for its 2026–31 access arrangement.

5.5.7 Review submission date and revision commencement date

The NGR requires that a full access arrangement that is not voluntary must contain a review submission date and a revision commencement date and must not contain an expiry date.[247]

Under the NGR:

- a 'review submission date' means a date on or before which an access arrangement revision proposal is required to be submitted
- a 'revision commencement date' means the date fixed in the access arrangement as the date on which revisions resulting from a review of an access arrangement are intended to take effect.

The NGR requires APTNT, as part of its access arrangement proposal, to propose a 'review submission date' and a 'revision commencement date'. The proposed revision commencement date must be not less than 12 months after the proposed review submission date. [248]

APTNT's proposed review submission date is 1 July 2030 and its proposed revision commencement date is 1 July 2031.[249] This is consistent with the 5-year outlook adopted for its 2026–31 proposal and maintains the current cycle of 5-yearly access arrangement reviews. The access arrangement period for Amadeus Gas Pipeline 2026–31 access arrangement is 1 July 2026 to 30 June 2031. The access arrangement period for Amadeus Gas Pipeline's subsequent 2031–36 access arrangement is likely to be 1 July 2031 to 30 June 2036.

Our draft decision is to accept APTNT's proposed review submission date and revision commencement date for its proposed 2026–31 access arrangement.

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245 NGR, r. 68G(1).

246 NGR, r. 68G(2).

247 NGR, r. 49.

248 NGR, r. 50.

249 AGP, *AAR 2026–31 - Access Arrangement (Tracked),* June 2025, p. 5.

6 Revisions

As outlined in this draft decision, we require the following revisions in Table 6-1 to make the access arrangement acceptable.

Table 6-1 APTNT's draft decision revisions

Section	Proposed revision
Section 3.1 – Capital base	Make all necessary amendments to reflect this draft decision on the roll forward of the capital base for the 2021–26 access arrangement period, and to reflect this draft decision on the projected capital base for the 2026–31 access arrangement period.
Section 3.2 – Rate of Return and value of imputation credit	No revisions required.
Section 3.3 – Regulatory depreciation	Make all necessary amendments to reflect this draft decision on the regulatory depreciation amounts for the 2026–31 access arrangement period.
Section 3.4 – Capital expenditure	Make all necessary amendments to reflect this draft decision for capital expenditure for the 2026–31 access arrangement period.
Section 3.5 – Operating expenditure	No revisions required.
Section 3.6 – Revenue adjustments	Make all necessary amendments to reflect this draft decision for revenue adjustments for the 2026–31 access arrangement period, including adding a capital expenditure sharing scheme to the 2026-31 access arrangement consistent with this draft decision
Section 3.7 – Corporate income tax	Make all necessary amendments to reflect this draft decision on the cost of corporate income tax amounts for the 2026–31 access arrangement period.
Section 4 – Demand	No revisions required.
Section 5.1 – Services covered by the access arrangement	No revisions required.
Section 5.2 – Reference tariff setting	The quantum of the proposed reference tariffs must be amended to reflect our assessment of the building block proposal set out in this draft decision.
Section 5.3 Reference tariff mechanism	Amend CPI element of the scheduled reference tariff variation mechanism and amend submission date for the scheduled reference tariff variation process.
Section 5.4 Cost pass through mechanism	Amend the timeframe for the AER to make decisions following notification of the costs of a Cost Pass Through Event from 90 business days to 40 business days.

Section 5.5 – Non-tariff components	Make all necessary amendments to reflect this draft decision on the non-tariff components for the 2026–31 access arrangement period.

Glossary

Term	Definition
ABS	Australian Bureau of Statistics
APA Group	Australian Pipeline Limited
Amadeus Pipeline	Amadeus Gas Pipeline
APTNT	APT Pipelines (NT) Pty Limited
CESS	Capital Expenditure Sharing Scheme
CPU	cathodic protection units
CPI	consumer price index
ECM	Efficiency Mechanism Carryover
NGO	National Gas Objective
NGL	National Gas Law
NGR	National Gas Rules
NGP	Northern Gas Pipeline
opex	operating expenditure
Power and Water	Power and Water Corporation
PTRM	Post Tax Revenue Model
RAB	regulated asset base
RBA	Reserve Bank of Australia
RFM	roll forward model
RIN	Regulatory Information Notice
RORI	Rate of Return Instrument
RPP	revenue and pricing principles
RTU	remote terminal units
SMP	Statement on Monetary Policy
WACC	weighted average cost of capital
WARL	weighted average remaining lives’