Overview of the 2026–31 revised Access Arrangement

Amadeus Gas Pipeline

January 2026

Contents

About this document

APA has prepared this overview of the revised Access Arrangement proposal for the 1 July 2026 to 30 June 2031 regulatory period.

All dollars reported are Real 30 June 2026 unless otherwise stated. Totals may not add due to rounding.

At APA, we acknowledge the Traditional Owners and Custodians of the lands on which we live and work throughout Australia.

We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present, and commit to ensuring APA operates in a fair and ethical manner that respects First Nations peoples' rights and interests.

Executive summary

We are pleased to submit our revised Access Arrangement (**revised proposal**) to the Australian Energy Regulator (**AER**) for the Amadeus Gas Pipeline (**AGP**) for the five-year period from 1 July 2026 to 30 June 2031 (**2026–31**).

AGP's initial Access Arrangement proposal was lodged with the AER on 1 July 2025 and the AER's draft decision was published on 28 November 2025. We appreciate the AER's thorough review and welcome the draft decision, accepting most of its elements. However, this revised proposal revisits and responds to a few key items.

Along with updates for 2024–25 actual capital and operating expenditure and the latest Consumer Price Index (**CPI**) forecasts, the key highlights of this revised proposal include:

— **Amended capital expenditure forecast**

Whilst we have accepted most of the draft decision regarding capital expenditure, we have provided further justification for some elements that were not accepted by the AER. Our revised capital expenditure of $18.5 million ($1.4 million higher than the draft decision) will ensure the AGP continues to reliably deliver gas. Further details are in the *Capital expenditure* section.

— **Explanation as to why the Capital Expenditure Sharing Scheme should not be applied to AGP**

We do not support the proposed application of the Capital Expenditure Sharing Scheme (**CESS**) to the AGP for a number of reasons:

- As a fully contracted, contract carriage pipeline, AGP already has strong incentives to manage its expenditure
- Regulated tariffs are just one factor that inform contract prices
- Accurately forecasting unforeseen events or failures that have historically led to overspends, and providing supporting information that would satisfy AER scrutiny, would be extremely challenging
- Such a change to the forecasting and budgeting approach would likely lead to higher reference tariffs given the need to inflate forecasts to better allow for potential unexpected events.

More information can be found in the *Capital Expenditure Sharing Scheme* section.

— **Changes to the proposed gas specification**

In response to stakeholder concerns, we are no longer proposing to align the Higher Heating Value and Wobbe Index with the qualities in the Australian Standard – AS4564. However, we are maintaining the proposed alteration of 'Glycols' to 'Oils' to align with AS4564. Although Stakeholders offered high-level comments, they did not identify any specific concerns with this proposed change. Further details can be found in the *Gas specification* section

— **A total five-year revenue requirement that is 1% higher than the draft decision**

The combined impact of our revisions results in a smoothed revenue requirement that is $1.4 million higher over the five years. More information can be found in the *Our revised building blocks and revenue requirement* section.

These revisions have been made in consultation with our stakeholder group, comprising representatives of both small and large gas customers, gas suppliers, shippers, power generators and retailers. This group of stakeholders has played a vital role in shaping our revised proposal. We sincerely thank the members for their time, insights, and constructive feedback over the past two years.

This revised proposal supports AGP's continued delivery of affordable, reliable, and secure gas transmission services. We look forward to working collaboratively with the AER to finalise this process.

About the AGP

The Amadeus Gas Pipeline (**AGP**) is a transmission pipeline that extends approximately 1,600 km from the gas fields in the Amadeus Basin in central Australia to Darwin.

The AGP transports natural gas to Darwin, Alice Springs and regional centres, principally to fuel electricity generation. It is bi-directional and interconnects with the Northern Gas Pipeline at Warrego, near Tennant Creek. Gas can flow north from the Amadeus Basin to the Northern Gas Pipeline and on to Darwin but can also flow south, from Ban Ban Springs to the Northern Gas Pipeline.

The AGP is a scheme pipeline under the access regime of the National Gas Law (**NGL**) and the National Gas Rules (**NGR**) and has a full Access Arrangement in place regulated by the AER.

APT Pipelines (NT) Pty Limited (ABN 40 075 733 336), a wholly owned entity within the APA Group, is the covered pipeline service provider for the AGP.

Key facts and figures

Transports gas to Darwin and other regional locations, mainly to fuel **electricity generation** (12 TJ per annum)

~1,600 Km
transmission pipeline (including laterals)

165 TJ
per day nameplate pipeline capacity

25-50 PJ
gas transported each year

Bi-directional
operates like a two-way highway for gas to be transported north and south

3
critical large customers – Power and Water Corporation is the main user

4
depots supporting the maintenance of the pipeline – Palmerston, Katherine, Tenant Creek and Alice Springs

~$165M
value of Regulated Asset Base

Operating environment

The environment in which AGP operates is challenging and the area is environmentally sensitive.

In addition, many areas are prone to flooding in the wet season, increasing the risk of corrosion and rendering sections of the pipeline inaccessible by road for months and even years. The associated forces from ground expansion during flooding and contraction when the earth subsequently dries out can also damage the pipeline and weld margin wrapping, further increasing the risk of corrosion.

The remoteness of much of the pipeline means there is a large reliance on stand-alone power supplies. In addition, compound equipment must be able to withstand vermin and the extreme temperatures and climate range of the Northern Territory.

1986
the year the pipeline was commissioned

~34 years
average asset age

100%
scheme pipeline – subject to full regulation by the AER under the NGR

Climate extremes
the pipeline spans arid (in the south) and tropical (in the north) areas

Corrosion
key processes in place to detect, monitor, assess and repair in a timely manner

Hazardous area
electrical equipment in a hazardous area is a potential source of ignition or explosion

High rainfall
in the wet season, parts of the pipeline become inaccessible by any means other than helicopter.

Obsolete
risk of key electrical equipment becoming obsolete


Mereenie inlet station

Our engagement for the 2026–31 Access Arrangement

Our engagement consisted of a co-creation workshop and six stakeholder meetings with a diverse group of AGP stakeholders. We reconnected with this group following the AER's Draft Decision and this is reflected in the timeline of engagement interactions shown below.

28 February 2024	Co-creation workshop	— Overview of the AGP — Identification of core issues and priorities — Introduce reference services
10 April 2024	Shared output from the co-creation workshop and a draft engagement plan	
17 April 2024	Stakeholder meeting 1	— Confirm engagement approach and plan — Overview of the regulatory framework and operating context for the AGP — Understand whether changes are needed to the current reference services — Performance of AGP over the current period and future challenges and opportunities
June 2024	Shared draft Reference Service Proposal for comments and feedback	
17 July 2024	Stakeholder meeting 2	— Initial issues concerning capital expenditure and operating expenditure — Introduction to AA terms and conditions — Introduction to queuing, capacity trading, extension/expansion — Gas specification and pressure regime — Future of AGP and the Amadeus Basin
6 November 2024	Stakeholder meeting 3	— Details of operating and capital expenditure — Forecast Regulatory Asset Base — Depreciation and return on capital — Revenue forecasts
December 2024	Shared marked up terms and conditions for comments and feedback	
19 February 2025	Stakeholder meeting 4	— Confirm proposed terms and conditions — Share details of non-network expenditure over the current and forecast periods — Updates to operating and capital expenditure, and output from the efficiency carryover mechanism — Proposed changes to the gas specification — Demand outlook and forecasts — Initial revenue requirement and reference tariffs — Tariff variation mechanism
7 May 2025	Stakeholder meeting 5	— Share results of engagement in relation to changes to the gas specification — Share details of the draft Access Arrangement for final comments ahead of publishing
16 May 2025	Published a draft overview of the 2026–31 Access Arrangement and a marked-up version of the 2026–31 Access Arrangement for stakeholder review and feedback	
10 June 2025	Submissions on the Draft Documents closed	— We received one submission that raised concerns with the proposed changes to the Higher Heating Value and the Wobbe index in the absence of associated changes to the inert gas limits. We committed to continue engagement on this matter ahead of submitting our revised proposal to the AER.
16 December 2025	Stakeholder meeting 6	— Share the AER's draft decision — Discuss capital expenditure not accepted by the AER, gather feedback on the proposed gas specification and potential application of a Capital Expenditure Sharing Scheme

What we heard and how we have responded

Our initial stakeholder meeting was a co-creation workshop that sought to identify customers' priorities as well as the key Access Arrangement issues and the desired level of International Association of Public Participation engagement for each issue. The results were subsequently shared and agreed with participating stakeholders and formally included in the AGP engagement plan.

The five stakeholder priorities for the 2026–31 AGP Access Arrangement are shown below. The engagement program sought to specifically address each of these priorities, as well as other core components of the Access Arrangement.

Stakeholder priorities

Third party access

Third party access, including:

- Access of new users to the pipeline
- When capacity will extend beyond current arrangements
- Understand how a queuing system would work
- Access to existing users to both existing & expanded capacity

Future of AGP

The future of the AGP, including the below issues:

- Supply capabilities of the pipeline in the future
- Beetaloo Basin
- Understanding expansion options
- Demand on the pipeline
- Sustainability & the energy transition

Reliability & security

Reliability & security of supply

Affordability

Affordability, with interest in the priority topics of revenue & tariff setting, including:

- Tariffs for new users
- Consumer risk, Access Arrangement information & relevant costs
- Inclusion of all services within current reference tariffs
- Understanding how investments feed into tariffs

Gas specification & information

Gas specification & information:

- Quality and gas composition
- Pressure regimes
- Community information about what happens on the pipeline from day to day

The following table provides a high-level summary of stakeholder feedback from our December 2025 meeting where we discussed topics relevant to the revised proposal. Eleven stakeholders and three observers attended the session. For more details on our previous engagement, please refer to our initial Access Arrangement Overview published in June 2025 and the accompanying Engagement Summary Report.

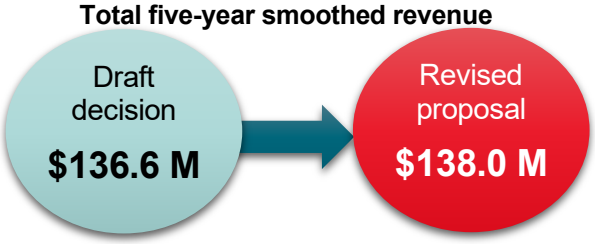
Tylers Pass – where Mereenie spur ties to the main AGP from Palm Valley

Priority theme	What we heard in shaping our original Proposal	What we heard and what has changed in our revised proposal
	Gas specification	
 Gas specification & information	— At the time of publishing our Draft Documents, stakeholders had raised no concerns with the proposed changes to the gas specification. — Following publication of the Draft Documents, one submission was received from a stakeholder who was concerned that the 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. — Two submissions were then received by the AER in response to our initial proposal, raising concerns with the proposed changes, particularly to the Higher Heating Value and the Wobbe index.	— We have removed proposed changes to the Higher Heating Value and the Wobbe index. The only change to the gas specification relates to the alteration of 'Glycols' to 'Oils'. — We discussed this proposed change with stakeholders in our December 2025 meeting. One stakeholder supported the change from Glycols to Oils and indicated it was the one change that was urgently required. Other stakeholders indicated they would check whether this change was acceptable. No additional feedback has been received indicating that this would be unacceptable.
	Capital expenditure	
 Affordability	— Stakeholders supported the expenditure put forward in our Proposal.	— We discussed each of the capital expenditure components that had not been accepted by the AER in our December meeting and indicated we would likely revisit and request most of the denied spend. — One stakeholder questioned whether the satellite data loggers would improve asset management, thereby delaying future capital expenditure. We indicated the key driver is obtaining a very accurate picture of where cathodic protection is compromised, but this could be an expected outcome in the future as the richer data set will improve the ability to predict degradation over time. — Stakeholders raised no other concerns with our proposed approach.
	Capital Expenditure Sharing Scheme	
 Affordability	— The Capital Expenditure Sharing Scheme was not discussed as part of our initial proposal but was proposed by the AER in their draft decision. The AER is seeking AGP and stakeholder feedback on the proposed application of the incentive scheme given consistent AGP's overspends in recent access periods. In particular the AER wants to understand whether stakeholders have any issues with AGP's current forecasting approach and whether there is a better method for managing overspends.	— After outlining AGP's view as to why we do not believe the Capital Expenditure Sharing Scheme should be applied to AGP, we asked stakeholders for their views and thoughts. — A stakeholder noted that the impact of the scheme on residential customers is immaterial, but it may impact large users. — A stakeholder commented that the current ex-post true-up approach seems to be working as AGP carries the risk of overspending through the time value of money and the AER still assesses prudency and efficiency. We confirmed this was the case, but the AER has indicated it is hard to assess prudency after the fact for expenditure that was not forecast. — No other perspectives or comments were made by the group.

Our revised building blocks and revenue requirement

We accept the AER's draft decision regarding the opening RAB, return on capital, regulatory depreciation, revenue adjustments and net tax allowance. The only changes in our revised proposal relate to:

- Updated inflation forecasts
- Updates for 2024–25 actual operating and capital expenditure
- The re-inclusion of some capital expenditure that was not accepted in the draft decision. Further justification for these amounts can be found in the *Capital expenditure* section.



The revised revenue needed to operate and maintain AGP for the 2026–31 period is set out below. The total required revenue is 1% higher than the draft decision.

$46.4M

Return on capital

AGP has used the AER's Rate of Return Instrument 2022 to calculate the Rate of Return. Based on the available data, the estimated nominal Weighted Average Cost of Capital for the financial year 2026–27 is 6.02%.

$15.8M

Regulatory depreciation

Regulatory depreciation (return of capital) recovers a share of the outstanding cost of previous investments that AGP has made to ensure ongoing reliable operation.

$75.6M

Operating expenditure

AGP's operating activities are focused on delivering safety, security and reliability for the pipeline. We have adopted the AER's preferred method for forecasting operating expenditure the 'Base, Trend, Step' method.

$1.1M

Revenue adjustments

Revenue adjustments account for penalties and rewards earned though the efficiency carryover mechanism.

$1.4M

Net tax allowance

Taxation is calculated based of forecast revenue, operating expenditure tax depreciation and tax rates.

$0.1M

Revenue smoothing

Adjustment to smooth prices within the period and reduce price volatility in the following regulatory period.

$138.0M

Smoothed maximum allowed revenue (2026–31)

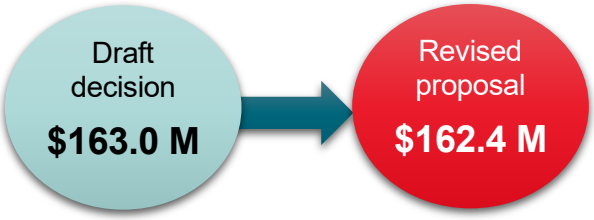
The forecast of the revenue expected to be earned by AGP for the period.

Opening capital base as at 1 July 2026

Updates for 2024–25 actual capital expenditure and the latest 2025–26 inflation forecast have decreased the proposed opening capital base.

Both actual 2024–25 incurred and as commissioned net capital expenditure were $0.9 million lower than expected, whilst the latest forecast inflation rate for 2025–26 is higher at 3.30% than the 3.00% in the draft decision. When combined, these changes have reduced the opening capital base by $0.6 million.

Opening as incurred asset value at 1 July 2026

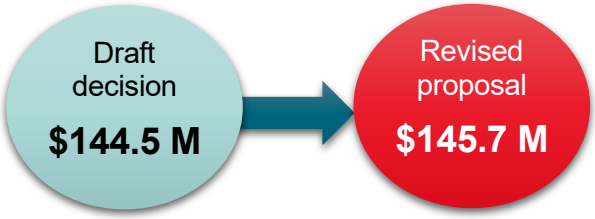


Updates for actual 2024–25 expenditure has also altered the re-allocation of some existing assets from the 'O&M facilities' asset class to the new 'Corporate Assets (IT)' asset class, however, this update does not affect the total opening capital base value at 1 July 2026.

Forecast closing capital base at 30 June 2031

Our forecast closing capital base at 30 June 2031 is $1.2 million higher than the draft decision. This is mainly due to the small increase in proposed capital expenditure (as outlined in the *Capital expenditure* section), though the impact has been slightly reduced by the latest inflation rate forecasts which are higher than what was included in the draft decision.

Closing as incurred asset value at 1 June 2031

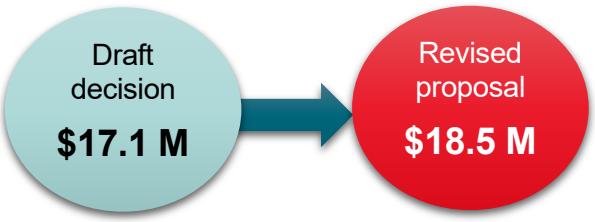


Tennant Creek regulating metering station

Expenditure in detail

Capital expenditure

The draft decision did not accept $3.4 million (16.2%) of AGP's proposed capital expenditure. We accept many aspects of the draft decision, however our revised proposal provides further justification for some capital expenditure elements and has been updated to include the latest CPI forecast.



We accept the AER's decisions regarding:

- Heat shrink sleeve replacements
- New cathodic protection sites
- Replacement of cathodic protection units
- Cathodic protection site easements
- Hazardous area rectification
- Remote terminal unit upgrades
- Battery and charger replacements
- Mainline valve actuator upgrades
- Miscellaneous capital
- Motor vehicles and corporate office leases
- Palmerston office/warehouse costs
- Capitalised corporate overheads, and
- Disposals.

Our revised proposal contains additional information to justify expenditure related to:

- Ground bed replacements
- Satellite data loggers
- Compound improvements, and
- Major capitalisable maintenance.

We had intended to provide updated forecasts for Information Technology and Operating Technology in our revised proposal. However, the forecasts were not available in time for this revised proposal. Accordingly, we accept the AER's draft decision total placeholder of $2.6 million for this program. As requested in the draft decision, we have also provided further information to support the Darwin City Gate coating repairs.

Table 1: Comparison of our initial proposal, the draft decision and our revised proposal capital expenditure by program

$ million Real 30 June 2026	Initial proposal	Draft decision	Revised proposal
Heat shrink sleeve replacements	4.1	4.1	4.0
Cathodic protection upgrades	5.0	3.7	4.2
Facilities upgrades and replacements	3.4	3.1	3.4
Other major maintenance	2.8	1.9	2.6
Information Technology and Operating Technology	3.3	2.6	2.6
Other non-network capital expenditure and corporate overheads	2.3	2.2	2.2
Total gross capital expenditure	**20.9**	**17.5**	**19.0**
Disposals	0.6	0.4	0.4
Net capital expenditure	**20.3**	**17.1**	**18.5**

A comparison of our revised proposed capex by expenditure category compared to the current period's expenditure and allowance is shown in the figure and accompanying table below.

Figure 1: AGP's proposed capital expenditure is consistent with the current period's allowance

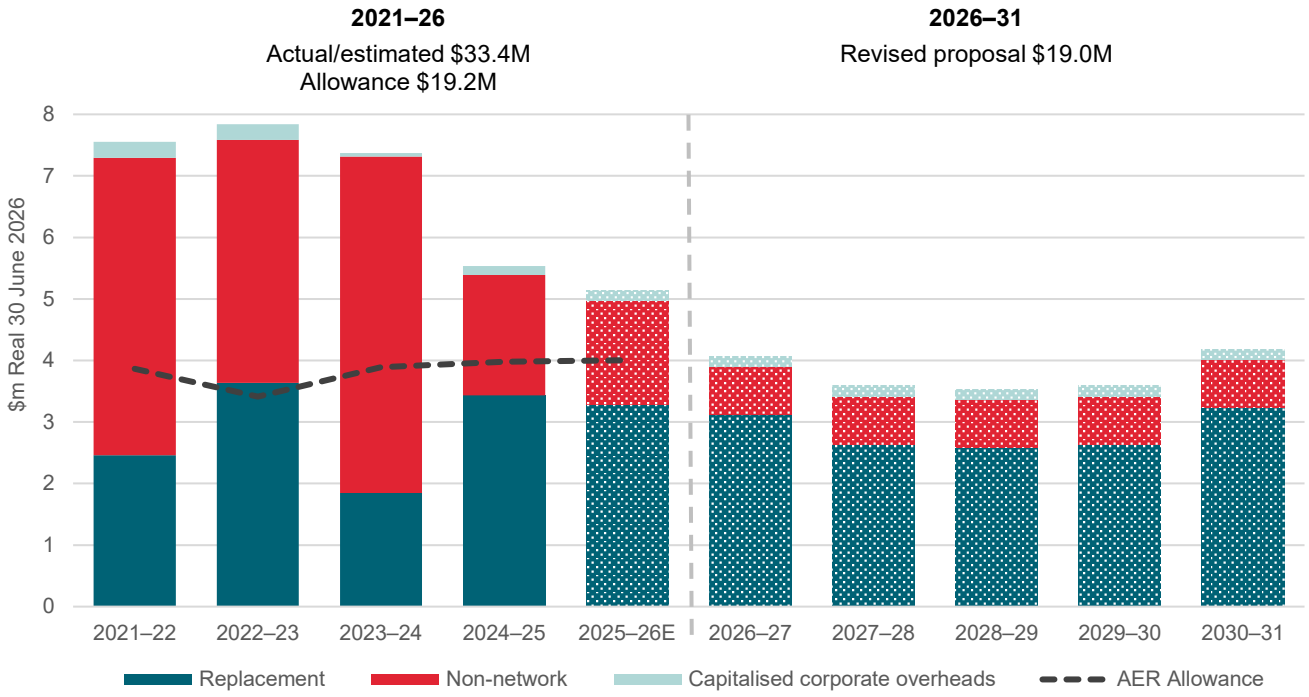


Table 2: Actual and proposed capital expenditure by driver

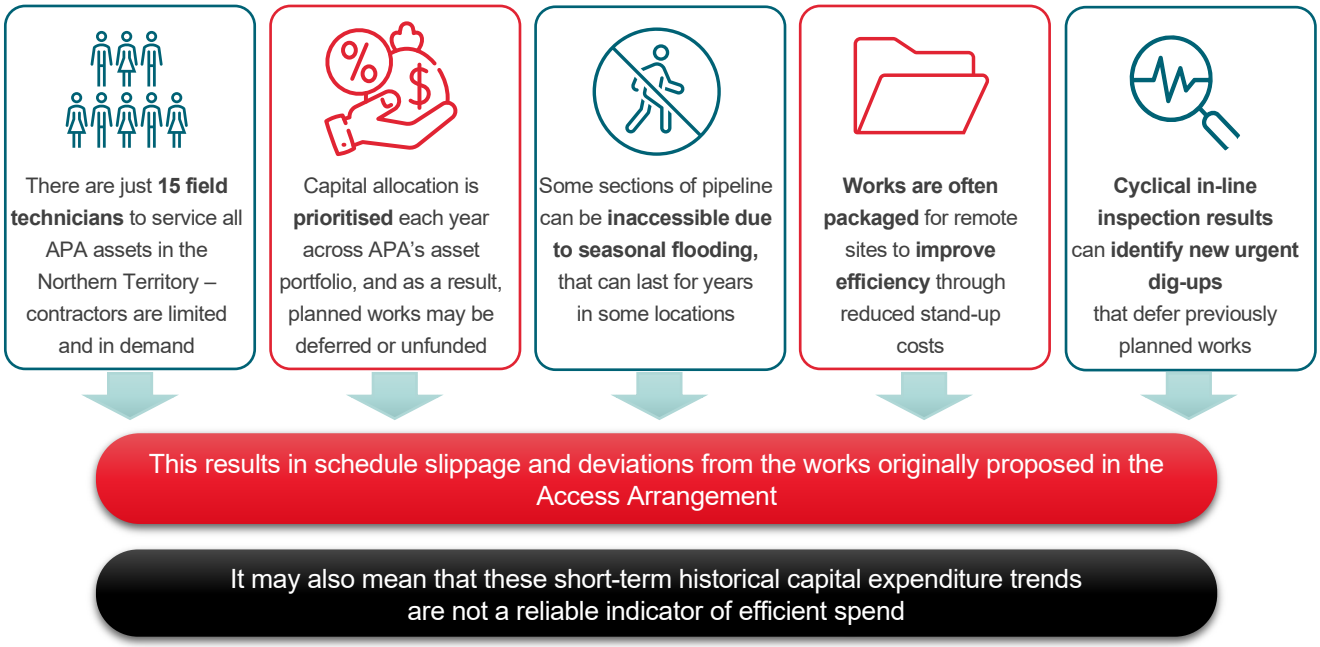
$ million Real 30 June 2026	Actual /estimated 2021–26	Revised proposal 2026–31	Difference – Revised proposal higher/(lower)
Replacement	14.7	14.2	**(0.5)**
Non-network	17.9	3.9	**(14.0)**
Corporate overheads	0.9	0.9	**–**
Total expenditure	**33.4**	**19.0**	**14.5**

As outlined in the Access Arrangement Information that accompanied our original proposal, the principal driver for the variance in capital expenditure over the current access period related to the construction of a new Palmerston office/warehouse in the Northern Territory, the accompanying costs of relocation, construction, installation of information technology and the capitalisation of the new site lease. This has accounted for approximately $8 million from 2021–22 to 2023–24.

An additional driver of the variance in non-network capital expenditure related to AGP's allocation of shared corporate assets. These costs increased over the 2021–26 period in line with APA's increased investment in information technology capability and well as the additional expenditure on information technology and physical security due to new regulatory obligations.

Important considerations in assessing AGP capital expenditure

A range of factors influence program delivery on the AGP:



Bearing these considerations in mind, further justification for the specific elements of each capital expenditure program that were not accepted by the AER in the draft decision are outlined below.

Cathodic protection upgrades

Ground bed replacements

Elements revisited in our revised proposal	AER draft decision	AGP revised proposal
Ground bed replacements	$0.2 M	$0.5 M
Satellite data loggers	$ – M	$0.3 M

The AER approved expenditure for just two ground bed replacements, rather than the three proposed on the basis of a strict interpretation of the business case, which referenced one ground bed replacement every two years. Under this interpretation, with three replacements planned during the current 2021-26 period, only two replacements would be required in 2026–31.

Whilst experience to date has indicated a ground bed replacement rate of one every two years, the need for ground bed replacements is not linear and the business case indicates this is the *typical* replacement rate. As the AGP ages and new cathodic protection sites are added, the associated number of ground beds grows – this will necessarily accelerate the typical replacement rate. Ground bed replacements are informed by the results of annual cathodic protection surveys, and three sites have been identified as requiring replacement in the 2026–31 period.

The AER also assumed ground beds could be replaced at the historical average cost of $0.1 million per replacement rather than the $0.15 million proposed. There are several factors that impact ground bed replacement costs: the scope of works, the remoteness of the site, and whether any efficiencies can be realised through works packaging. Whilst the most recent ground bed replacements have, fortunately, been limited to just cable replacement (the trenching and laying of a new, larger cable), the forecast cost of $0.15 million allows for a full ground bed replacement (which also includes anode replacement and the associated additional ground works).

It is worth highlighting that, where possible, AGP adopts cost-saving measures to help reduce the costs of ground bed replacements. This is achieved by having staff or contractors who have already been mobilised to attend a remote site for one reason, also undertake the preparatory works for upcoming ground bed replacements to save additional mobilisation costs in the future (for example augering the ground for the beds, then casing and capping them until the replacement is scheduled).

Satellite data loggers

The AER did not accept our proposed $1.0 million to install 101 new satellite data loggers at cathodic protection sites along the AGP, to provide year-round data on the effectiveness of the cathodic protection. This was based on the view that labour resources being redirected to other AGP maintenance tasks, rather than employed in manually testing the sites, did not equate to actual cost savings.

Whilst there is no direct cost saving from the program, there are non-financial benefits arising from the use of satellite data loggers compared to the current manual testing approach – these are outlined in the table below.

Table 3: The benefits of satellite data loggers compared manual testing

	Manual testing	Satellite Data Loggers
Resourcing	— 110 days of staff time is spent manually testing each year	— 110 days of staff time is freed up and can be redirected to other maintenance tasks on the pipeline
Data points	— One data point is received for each of the 760 or so cathodic protection test sites each year	— Eight readings received per day (2,920 data points a year) for each 15 km section of pipeline
Seasonality	— Given testing relies on access to each site (when the ground is dry), test results do not appropriately consider seasonality — Seasonality greatly impacts cathodic protection as it is significantly reduced when the ground is dry and resistance is lowered, but improved when the ground is wet	— Detailed and timely data as to the effectiveness of cathodic protection and how this varies by season
Data use	— Informs where further inspections or cathodic protection augmentation may be required to prevent corrosion on the pipeline.	— Informs where further inspections or cathodic protection augmentation may be required to prevent corrosion on the pipeline — A richer data set will improve understanding of the impact of seasonal influences on pipeline degradation and inform improvements to APA's corrosion growth model – in time this can be expected to defer integrity improvement works until they are absolutely necessary.

Rather than installing satellite data loggers along the length of the pipeline, our revised proposal instead proposes installation of 25 satellite data loggers along 25% of the pipeline in the final year of the 2026–31 period, with a focus on the segments that experience the worst corrosion – as identified through the number of dig-ups and heat shrink sleeve replacements. This will effectively serve as a trial of the technology on the AGP and a focus on the worst sections can be expected to deliver the greatest benefits.

Facilities upgrades and replacements

Compound improvements

The AER did not accept the proposed expenditure to improve AGP compounds as it considered the works to be repairs and the expenditure to, therefore, be included in the operating expenditure allowance.

Repairs and maintenance are undertaken to maintain the current state of an asset, whereas improvements extend the life of an asset beyond its current state and can be capitalised under accounting standards.

Elements revisited in our revised proposal	AER draft decision	AGP revised proposal
Compound improvements	$ – M	$0.3 M
Darwin City Gate coating repairs	$0.4 M subject to provision of further information	$0.4 M

Explanations as to how AGP's proposed works meet this key accounting difference are outlined below:

— Repairing vermin holes in a hut will maintain the hut (operating expenditure), but vermin proofing the hut prevents further vermin access that would otherwise, in time, undermine its structural integrity. So, vermin proofing extends the life of the hut and is capital expenditure.

- When the paint on huts begins to degrade or a roof begins to leak, the degraded sections could be patched/painted over (operating expenditure) or a protective coating upgrade (capital expenditure) can be applied to the whole hut/roof, extending its service life by approximately 10 years. Protective coating upgrades are essential given the weather extremes experienced in the Northern Territory.
- Dilapidated fencing could be patched (operating expenditure) but where entire sections are replaced, it is capital expenditure as the life of that section of the asset has been extended.
- Restoring worn down or washed-out areas of ground (operating expenditure) differs from reshaping the ground to prevent wear and divert washouts to prevent erosion from occurring (capital expenditure).

These are the types of works that fall into the 'Compound improvements' category – hence their capital expenditure treatment. Our revised proposal has reinstated this proposed expenditure of $0.3 million. This expenditure is capitalised in AGP's statutory accounts, and it is preferable to maintain consistent treatment between statutory and regulatory accounts.

Darwin City Gate coating repairs

The draft decision included $0.4 million of deferred expenditure, from the 2021–26 period, as a placeholder for coating repairs at the Darwin City Gate facilities in 2026–27, with a request for further information, to demonstrate the proposed costs are prudent and efficient.

Direct Current Voltage Gradient survey results identified a lack of protection at the City Gate station. Like any Direct Current Voltage Gradient survey, the precise location of reduced cathodic protection is unknown, so a dig-up of about 10% of the station was undertaken. This revealed porosity across the coatings of all visible pipelines, raising the concern that all pipework at the station would be similarly affected.

A new coating was applied to all the exposed pipes before they were reburied, however subsequent cathodic protection survey results did not show any improvement. This confirmed that pipework porosity is an issue across the entire station.

The costs for the project are based on the escalated costs from 15 years ago, when the coating was last replaced at the Darwin City Gate station.

Other major maintenance

Major capitalisable maintenance

Elements revisited in our revised proposal	AER draft decision	AGP revised proposal
Major capitalisable maintenance	$0.5 M	$1.2 M

The AER did not accept our proposed $1.2 million for other activities and expenditure that extend the life of assets in line with statutory requirements. Typically, this expenditure is incurred as part of the four yearly inspections of pressure vessels, such as filter separators, and water bath heaters at metering stations. The AER instead approved $0.5 million, in line with recent historic spend.

As outlined in the *Important considerations in assessing AGP capital expenditure* section, there are a range of factors that impact AGP expenditure. For major capitalisable maintenance, the use of contractors and the packaging of many of these works has impacted the accuracy of recorded historic expenditure. Works packaging sees contractor costs recorded under the primary program driver for the contractor's site visit. In theory, journals should then adjust the expenditure into the relevant capital expenditure category, but in practice this does not always occur for smaller costs.

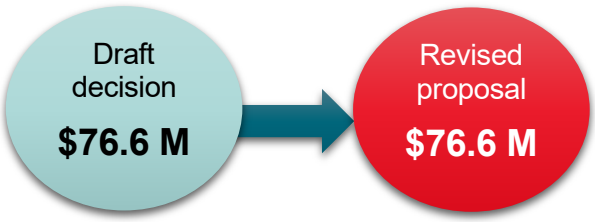
This means many of the relatively small historic costs that comprise the 'Major capitalisable maintenance' category have been captured under different capital expenditure categories. This is best demonstrated by comparing our total proposed capital expenditure against the current period's allowance (see *Figure 1: AGP's proposed capital expenditure is consistent with the current period's* allowance), rather than focussing on individual capital expenditure programs.

We note that AGP has commenced performing these activities in-house, which will improve the accuracy of how costs are recorded under the relevant expenditure category.

Operating expenditure

We accept the AER's draft decision regarding operating expenditure.

We have updated our revised proposal to replace the previous 2024–25 forecast with actual results.



Katherine regulating metering station

Pricing

Revenue smoothing

We accept the AER's draft decision regarding revenue smoothing and have amended the quantum of the proposed reference tariffs to reflect the changes to the building block proposal put forward in this revised proposal.

Reference tariff mechanism

We have amended the CPI element of the scheduled reference tariff variation mechanism to escalate year two to five prices by CPI and brought the submission date for the scheduled reference tariff variation process forward as requested by the AER.

Proposed 2026–27 prices

Our 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.

Our revised proposed 2026–27 tariffs are shown below.

$ Nominal	Share of 2026–27 building block revenue	Forecast 2026–27 demand	Proposed 2026–27 reference service tariff
Firm transportation *based on firm contracted capacity*	**$24.3M**	**52.9TJ**	**$0.4589*/GJ/day**
Interruptible transportation *based on forecast volumes over 2026–31*	**$2.5M**	**5.5TJ**	**$0.4589*/GJ**

* This compares to the 2025–26 tariffs of $0.3951/GJ/Day ($ nominal) for firm transportation and $0.3951/GJ ($ nominal) for interruptible transportation.

Gas specification

In response to stakeholder concerns, we are no longer proposing changes to align the Higher Heating Value and Wobbe Index with the qualities in the Australian Standard – AS4564.

We maintain the proposed alteration of 'Glycols' (which are used in the process of removing liquids out of the gas stream and measured in milligrams per standard cubic metres) to 'Oils' of 20 millilitres per terajoule.

Revised gas quality change

Current specification	*Proposed specification*
1 mg/Sm^3	20 mL/TJ

Alter 'Glycols' to 'Oils'

Stakeholder submissions had raised no direct concerns with the Glycols to Oils change, whereas the changes to align the Higher Heating Value and Wobbe Index with AS4564, in isolation of changes to other gas components, was noted as something that could have implications for safety and customer equipment.

The Glycols to Oils change is the only component that needs to be changed at this stage and our subsequent stakeholder engagement has heard no concerns with this change.

In response to gas supply shortages in the Northern Territory, the NGP was recently reversed to allow AS4564-specification gas to flow into the AGP and support the NT market. This reversal operated from 16 to 28 December 2025.

Throughout this period, no stakeholder concerns were raised, no issues were reported in relation to the differing gas specification, and no safety or equipment concerns were identified or experienced.

Considering changes in future gas supplies and the increasing reliance on an interconnected gas system, we plan to transition the AGP gas specification to align with AS4564 over the coming years. We will continue to work closely with customers to ensure the transition occurs with adequate notice and in a way that minimises disruption. Some consumers may need to undertake modifications to their equipment, and upgrades are likely to be required at Jemena's nitrogen processing facility.

Stakeholder feedback on the gas specification

At our December stakeholder meeting we floated the idea of only changing the 'Glycols' to 'Oils' component to align with AS4564 – removing any proposed changes to the Higher Heating Value and the Wobbe index.

One stakeholder made their support for the change from Glycols to Oils apparent, indicating it was the one change that was urgently required. Other stakeholders indicated they would check whether this change was acceptable with their customers.

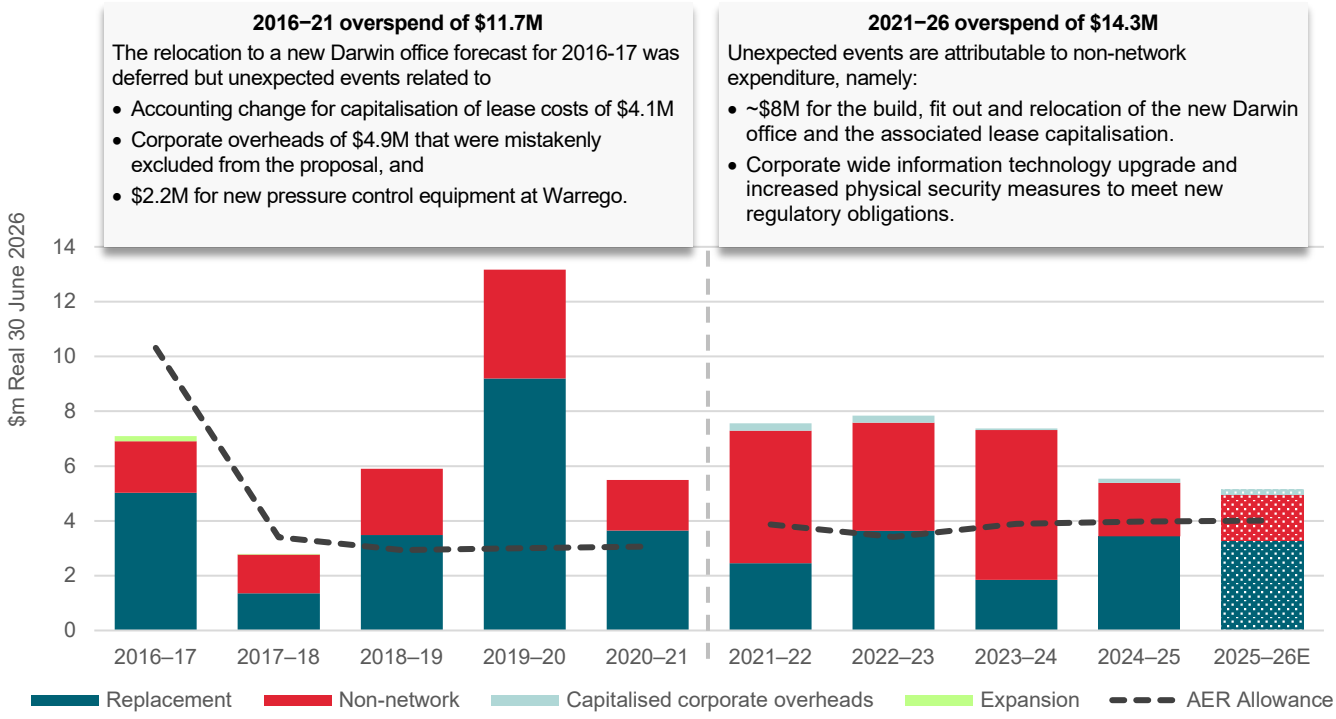
No additional feedback has been received indicating that this change would be unacceptable.

Capital Expenditure Sharing Scheme

The draft decision proposed application of the Capital Expenditure Sharing Scheme (**CESS**) given AGP has overspent its allowance for the last three access periods. The AER suggests the scheme would incentivise more robust capital expenditure forecasting, encourage expenditure discipline across the access period and, given the application of the Efficiency Carryover Mechanism, will balance incentives across operating and capital expenditure.

We do not support the application of the CESS to AGP. Historic overspends on the AGP have resulted from cyclical in-line inspections identifying works that were not previously forecast as well as other unplanned events (including unexpected replacements and failures) – see *Figure 2* below. These events are unrelated to efficiency improvements, which the CESS is intended to drive, and application of the scheme would see AGP punished for its inability to accurately forecast unexpected events – an impossible task.

Figure 2: Historic capital expenditure overspends are driven by the results of cyclical in-line inspections and other unplanned events

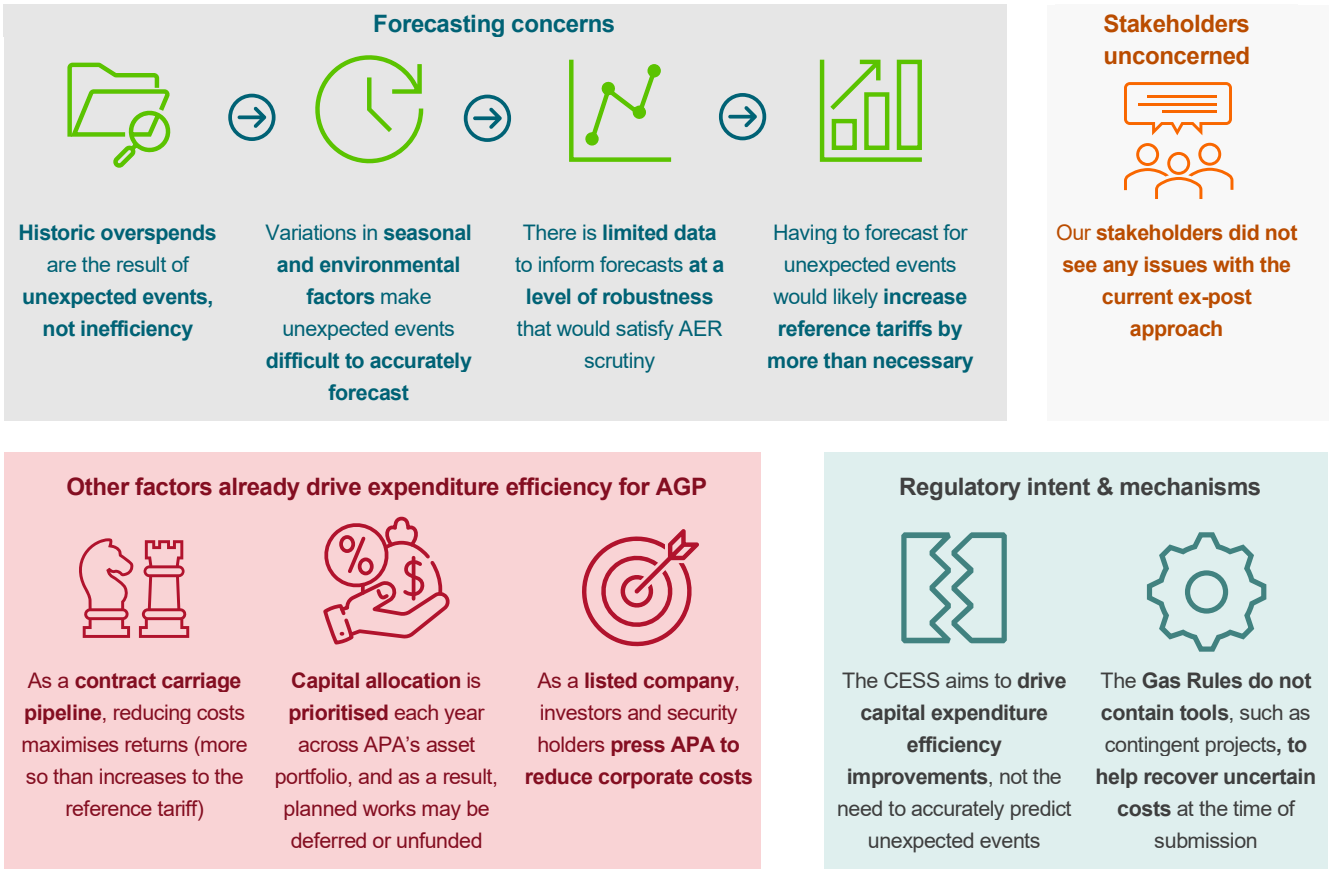


AGP anticipates that actual capital expenditure for the 2026–31 period will likely exceed the current proposed amount, however, the specific drivers, timing, and magnitude of this additional spend are uncertain. The timeframe between the publication of the draft decision and submission of our revised proposal does not allow sufficient opportunity to implement such a fundamental change in regulatory approach, develop a revised capex forecast, and prepare the associated business cases.

The factors outlined in the *Important considerations in assessing AGP capital expenditure* section highlight that, as a remote gas transportation pipeline, AGP faces a CESS disadvantage compared to electricity networks and gas distributors. These networks are generally more visible and urbanised and do not encounter the same remote and seasonal challenges.

In addition, a range of reasons why we do not support application of the CESS to the AGP is shown through the visual overview in Figure 3. Further details follow.

Figure 3: Reasons why the CESS should not be applied to AGP



As a fully contracted, contract carriage pipeline, AGP already has the incentive to minimise costs – contracted revenue is known, so any reduction to operating and capital expenditure enhances pipeline returns. Whilst the regulated revenue and resulting tariffs do inform and provide a benchmark for contract prices, they are not the only driver of contract prices.

There are also other pressures at play that drive cost efficiency, including the fight for scarce capital as part of APA's annual budget process and pressure from APA's investors and security holders to reduce corporate costs.

The current regulatory approach allows AGP to propose stay-in-business capital expenditure and then recover any unexpected expenditure above the AER's allowance on an ex-post basis. This is a suitable regulatory approach, given these costs cannot be accurately forecast, gas networks are unable to put forward contingent projects under the National Gas Rules (not that these costs would come close to meeting the current $30 million contingent project threshold) and the limited data to support any such forecast would lack the robustness required to satisfy AER scrutiny.

As such, the current approach delivers the lowest cost outcome for customers given only prudent and efficient ex-post costs flow through to reference tariffs. Requiring the inclusion of unexpected costs in AGP's proposal for the sake of applying the CESS would require a fundamental overhaul to planning and budgeting in the business and create an incentive to over-forecast for costs that may not actually eventuate – delivering a worse outcome for customers.

Stakeholder feedback on the CESS

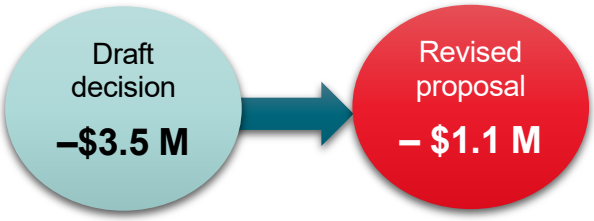
At our December stakeholder meeting, we shared AGP's view as to why we do not believe the CESS should be applied to AGP. We then asked stakeholders for their views and thoughts. The group identified that:

- The **impact of the CESS would be immaterial to residential and small business customers**, though it may impact larger customers.
- The **current ex-post true-up approach seems to be working** as AGP carries the risk of overspending through the time value of money and the AER still assesses prudency and efficiency.

The group provided no further thoughts or comments.

Other matters

Efficiency carryover mechanism



We accept the AER's draft decision regarding changes to the calculation of the efficiency carryover mechanism.

The only changes in our revised proposal relate to replacing the previous 2024–25 operating expenditure forecast with the actual amount and updating the 2025–26 CPI forecast to align with the latest RBA Statement of Monetary Policy.

These two changes have reduced the efficiency carryover mechanism penalty applied in 2026–31 from $3.5 million to $1.1 million.

Cost pass throughs

We accept the AER's decision regarding cost pass throughs and have amended the wording regarding the AER's timeframe for notifying the Service Provider from 90 business days to within 40 business days.

Supplier Curtailment Methodology

We have included a specific section in the Access Arrangement explaining AGP's supplier curtailment methodology to align with changes to the NGL, as recommended by the AER in the draft decision. This methodology describes the circumstances in which the AGP may curtail the injection of covered gas at a receipt point.

Newcastle Waters cathodic protection site

Glossary

Term	Meaning
2021–26	The current Access Arrangement period beginning 1 July 2021 and ending on 30 June 2026
2026–31	The Access Arrangement period beginning 1 July 2026 and ending on 30 June 2031
AER	Australian Energy Regulator
AGP	Amadeus Gas Pipeline
AS4564	General-purpose natural gas standard – sets out the requirements for providing natural gas, suitable for both transportation and general-purpose use and provides the range of gas properties consistent with safe operation of natural gas appliances
CESS	Capital Expenditure Sharing Scheme – the scheme that aims to incentivise efficient capital expenditure
CPI	Consumer Price Index
GJ	Gigajoules
GJ/day	Gigajoules per day
Km	Kilometres
Mg/Sm^3	Milligrams per standard cubic metre
mL/TJ	Millilitres per terajoule
M	Millions of dollars
NGL	National Gas Law
NGR	National Gas Rules
NT	Northern Territory
OT	Operating technology
PJ	Petajoule
TJ	Terajoule