APA
Australia's energy infrastructure partner

Annual RIN reporting – VTS

RIN response and basis of preparation for year end 31 December 2025

April 30, 2026

Contents

1. Introduction

On 1 April 2025, the Australian Energy Regulator ("AER") issued APA VTS Australia (Operations) Pty Limited (VTS) with a Regulatory Information Notice (RIN) under Division 4 of Part 1 of Chapter 2 of the National Gas (Victoria) Law (NGL.

APA VTS Australia (Operations) Pty Limited is the pipeline service provider for the VTS. The VTS is a scheme pipeline. APA VTS is entirely owned by APA Group (APA).

Information provided in this RIN and the Basis of Preparation relates to the 2025 regulatory year, being from 1 January 2025 to 31 December 2025 ('2025 regulatory year' or '2025').

1.1. Pipeline-specific information

1.1.1. VTS and the market carriage system

VTS transports natural gas within Victoria, supplying the Melbourne metropolitan area and regional areas. It also supplies gas to (and from) NSW via the Interconnect with the Moomba Sydney Pipeline (MSP) at Culcairn, and to South Australia via the SEA Gas Pipeline at Port Campbell. The average annual throughput of the VTS is about 200 PJ per annum.

The VTS operates under the declared wholesale (market carriage) gas market established under Part 19 of the National Gas Rules, rather than a contract carriage framework. APA VTS Australia (Operations) Pty Limited, as the transmission service provider, owns and maintains the VTS in accordance with the Service Envelope Agreement (SEA) with AEMO. AEMO, as the market and system operator, is responsible for the operation of the VTS, including compressor dispatch and valve actuation necessary to facilitate gas flows.

Persons seeking to ship gas through the VTS must be registered with AEMO as Market Participants and are subject to the obligations imposed under Part 19 of the National Gas Rules. Consistent with those Rules, Market Participants must also have appropriate connection and transportation arrangements in place to enable gas to be delivered to, or received from, the VTS.

Under the terms of a Transmission Payment Deed, each shipper who ships gas on the VTS must agree to pay transmission tariffs directly to APA as owner of the VTS.

1.1.2. VTS access arrangements and regulatory determinations

Forecasting information was used from four VTS access arrangement (AA) periods. Below is an overview of commencement and what period relates to which access arrangement.

AA referred to in this basis of preparation:	**"2008–12"**	**"2013–17"**	**"2018–22"**	**"2023–27"**
Final decision for the specific AA (Final determination - per AER website)	30 April 2008	15 March 2013	30 November 2017	9 December 2022
VTS's calendar years included in each AA	2008 2009 2010 2011 2012	2013 2014 2015 2016 2017	2018 2019 2020 2021 2022	2023 2024 2025 2026 2027
VTS regulatory considerations within respective access arrangement determination	Each year represents 12 months capex, revenue and opex	This AA only contained forecast from 1 July 2013 as the period 1 January to 30 June included VTS actuals. This has no implication on the actual numbers reported here.	Each year represents 12 months capex, revenue and opex	Each year represents 12 months capex, revenue and opex
Debt rasing cost allowance	Allowance provided by the ACCC, recorded as actuals in the RIN reporting	Allowance provided by the AER, recorded as actuals in the RIN reporting	Allowance provided by the AER, recorded as actuals in the RIN reporting	Allowance provided by the AER, recorded as actuals in the RIN reporting
Equity raising cost allowance	NA	No allowance provided by the AER, 0 reported as actuals	No allowance provided by the AER, 0 reported as actuals	No allowance provided by the AER, 0 reported as actuals

1.2. How VTS' response to each variable meets the requirements of the RIN

VTS has reported all information consistent with the requirements of the RIN:

- The reporting templates have been prepared in accordance with the requirements of the RIN and definitions as set out in Appendix F of the RIN.
- The basis of preparation which sets out the following:
  - The sources of the provided information.
  - The reporting methodology and assumptions.
  - Where adopted, the basis of estimates and assumption utilised.
- Explanations where VTS has provided a null response to a RIN requirement.
- Relevant supporting information or documentation for meeting the RIN requirements.
- The audit and review reports in accordance with the requirements of the RIN and this Basis of Preparation by the due date of 30 April 2026.

1.3. Definitions of actual and estimated information

The definition of actuals is in line with Appendix F and consistent with the definition in the RIN. VTS has applied the following definition of actual information in its response to the RIN:

> *Information presented in response to the Notice whose presentation is materially dependent on information recorded in the pipeline service provider's accounting records or other records used in the normal course of business, and whose presentation for the purposes of the notice is not contingent on judgements and assumptions for which there are valid alternatives, which could lead to a materially different presentation in response to the notice.*

Non-financial information is sourced from records used in the normal course of business including APA's Grid System – Energy Components (EC) – APA's hydrocarbon accounting which holds the physical parameters for the asset – meters and delivery points and the shipper parameters for billing, Maintenance Management and incident management database (Maximo), Integrity Management Systems (IMS) and Supervisory Control And Data Acquisition (SCADA) system. VTS has reported these amounts as estimates in the Estimate Historical Performance Data workbook or in the Estimate Annual Performance Data workbook (Estimate Regulatory Template) subject to limited assurance in line with RIN guidelines.

Information involving a calculation presented in response to the RIN is, in certain instances considered actual information, as this information is retrieved from VTS' accounting and business records and does not include significant judgements and assumptions. Examples of such calculations are the regulatory finance expense, debt raising costs and shared corporate expenditure allocation.

Specific operating expenditure categories in the Historical and Annual Performance Data tables have been categorised as actual information based on allocation methodologies and categorisation judgements. The allocation methodologies are described in the relevant sections throughout the basis of preparation document.

Actual financial information may include accounting estimates and adjustments made to the accounting records in accordance with the regulatory accounting principles to populate the pipeline service providers' regulatory accounts and responses to the RIN.

Information is classified as estimated where it is not classified as actual.

The methodologies, assumptions and judgements made in respect of various parts of the Regulatory template are described in the relevant sections throughout this basis of preparation document.

1.4. Best estimates

Where VTS could not populate the information templates with actual information, VTS has provided its best estimate. For each instance where VTS has provided best estimate information, this basis of preparation document provides explanations in the relevant section as required by Section 1.2 of Schedule of the RIN.

1.5. Attachments

- The regulatory accounting principles and policies for the relevant regulatory year;
- The Cost Allocation Methodology ("CAM");
- The capitalisation policy for the relevant regulatory year;
- The statement of policy for determining the allocation of overheads in accordance with the cost allocation method for the relevant regulatory year;
- APA organisational chart;
- Audit opinion;
- Review conclusion;
- Limited assurance opinion for Non-financial data;
- Regulatory templates – Annual Performance Data workbook for 2025;
    - Consolidated;
    - Estimates – subject to review for the financial data and subject to limited assurance for the non-financial data; and

- Actuals – subject to audit.

In the materials submitted to the AER, no material changes occurred in the capitalisation policy from the previous regulatory period.

1.6. Rounding

Totals in the templates provided may not add due to rounding.

1.7. Update

2025 published information in April 2026

Payroll review

As at 1 January 2025, the payroll provision was $15 million at an APA Group level. Of this amount, $2 million was paid to relevant stakeholders. No other adjustments were made to the provision, therefore there was no impact to the VTS, resulting in a closing balance of $13 million.

2024 published information in April 2025

Payroll review

As at 1 January 2024, the payroll provision was $18 million at an APA Group level. Of this amount, $3 million was paid to relevant stakeholders. No other adjustments were made to the provision, therefore there were no impact to the VTS resulting in a closing balance of $15 million.

2023 published information in April 2024

Payroll review

APA Group

In CY23, the second stages of the historical payroll review and the payment of the shortfall in wages resulted in an updated provision of $18 million at an APA Group Level. The update to the payroll provision was accounted for in CY23 and has been allocated to pipelines on a consistent basis. We believe that the amounts charged to the profit or loss in CY23 relating to prior periods had no material impact.

2022 published information in May 2023

Payroll review

APA Group

In CY22, the APA Group conducted the first stage of a historical payroll review which identified that certain employees across the APA Group were not paid in full compliance with obligations under APA's enterprise agreements. A provision of $35 million (which related to a 7-year period) was recorded in connection with the payroll review in the records of the APA corporate entity.

For financial accounting purposes, the cumulative payroll adjustment for all years was accounted for in CY22 and prior periods were not restated. The payroll adjustment has been allocated to individual pipelines based on a combination of direct costs attributable to pipelines and, where the cost was not directly attributable (i.e. relating to corporate activities), allocated to assets on the basis of a revenue relevant non-causal driver. APA has concluded that the amounts charged to the profit or loss in CY22 relating to prior period had no material impact for regulatory reporting purposes. On that basis, APA has not restated the ARIN relating to previous periods.

Capex as incurred

Capex as incurred, reported in Tables E1.1 – Capex and F2.4.2 Actual – As Incurred of the reporting template, included an immaterial adjustment relating to the prior year, for the reversal of the accounting capitalisation of borrowing costs (for further information on the capitalisation of accounting treatment of borrowing costs, refer to section Table E1.1 – Capex, of this document). As the AER has made a final decision in relation to the capital

base value as at 2022, APA does not propose to re-submit the prior period Annual RIN reporting template. The impact of making the adjustment in the 2022 Annual RIN has also been assessed as immaterial.

2. General overview and information

2.1. Sources of information

APA's Enterprise Resource Planning (ERP), Workday is the financial reporting system which comprises a number of modules or activities for managing the recording, processing and reporting of all business transactions from initiation through to payment. These modules or activities include General Ledger, Projects, Fixed Assets, Payables, Receivables and Cash management. This system is the underlying source of financial information disclosed in APA's consolidated financial statements. This statutory financial information is prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Financial information extracted from the Workday financial reporting system underpins the reported amounts in the RIN unless specified in the separate sections. Mainly:

- **Revenue**: APA obtains volumetric data on a monthly basis from AEMO which is entered into APA hydrocarbon system (Grid System – Energy Components), and which is automatically recorded into the Workday financial reporting system. VTS' revenue recognition complies with the revenue recognition principles in accordance with the requirements of Australian Accounting Standards.
- **Operating direct costs**: Operating cost categories are materially in line with the categories identified in the RIN.

APA has allocated to VTS, shared corporate expenditure based on a revenue allocation method, and corporate shared assets on the basis of allocated shared corporate expenditure. For further details of allocation methods, refer to Section 5.1.2 for shared corporate expenditure allocation and 4.1.1.4 for shared assets for further details.

For other financial information, VTS has sourced financial information from the AER's VTS access arrangement final decision (e.g. roll forward and the post-tax revenue model) and tax returns.

For the purposes of non-financial information, VTS sourced information from APA's Grid System - Energy Components, AEMO's volumetric data, Maintenance Management and Incident management database ("Maximo"), Integrity Management Systems, and Supervisory Control and Data Acquisition ("SCADA") system.

2.2. VTS audit of statutory account balances

The RIN requires VTS to use the audited statutory trial balances ("Audited Statutory Trial Balances") as the foundation for the RIN reporting and VTS has complied with this requirement for 2025.

2.3. General methodology and principles

Methodologies used for the preparation of the annual RIN numbers are identical to the methods used in the preparations of APA's statutory financial accounts, except for the classification of revenue, operating costs, shared corporate expenditure and shared support assets.

Financial information has mostly been derived from VTS' statutory trial balance which forms part of APA Group's Consolidated Statutory Financial Statements.

The requested information for the annual RIN reporting broadly aligns with legal entity reporting. VTS owns scheme assets and other non-regulated assets (such as the metering business and the Dandenong LNG facility). The trial balances represent the financial information for the legal entity, APT VTS Australia (Operations) Pty Ltd, the VTS service provider in accordance with the definition above. This trial balance is made up of several reporting business segments. Of the several reporting business segments, one related to the covered pipeline, while the other reporting business segments do not form part of the regulated asset and are outside of the RIN scope. The Annual RIN reporting only relates to the financial information for the covered pipeline. The reported financial information provided is supported by VTS' regulatory accounts, underlying customer contracts, direct costs and detailed reviews of invoices and asset registers as relevant.

The Annual Performance Data workbook ("the Regulatory Template") has been subject to audit and or review as required in accordance with the RIN requirements. The regulatory reporting period ("regulatory reporting period") is for the 12 months ended 31 December 2025 (2025) or (CY25).

Definitions are in line with Appendix F to the RIN unless otherwise stated in the sections.

All amounts are presented in nominal terms unless stated otherwise.

2.3.1. Assurance aspect with the AEMO data

As AEMO is the operator and provides VTS with the transaction volumetric data, VTS is unable to determine whether there has been any cut-off, accuracy, integrity and completeness issues with the data.

For more detailed information on the AEMO data, please refer to section 6.2 in this document.

2.4. Reference services on VTS

The VTS has one reference service known as the Tariffed Transmission Service. All VTS customers are using the reference service, the Tariffed Transmission Service. There are no non-reference services offered on VTS. Therefore, all revenue is reported as revenue from reference services.

Capital and operating expenditure incurred in delivering the reference service is treated under the access arrangement as expenditure incurred to provide the reference service. All capital and operating expenditures are reported in accordance with the methodologies and definitions in the VTS access arrangement and reported as reference service information.

2.5. Maintaining information

APA's ERP system Workday provides the capability to record and report all base financial information for both statutory and regulatory purposes. Reports developed from the base financial information are prepared in accordance with necessary accounting, legislative and regulatory standards and guidelines. Detailed costing reports (General Ledger, project-based and activity-based) are generated from the /Workday system and supporting analytical spreadsheet packages.

VTS will maintain records of cost attribution and allocations as follows:

- All base financial records will be extracted from APA's financial systems;
- APA's statutory financial statements and associated accounting records will form the basis of all reporting requirements;
- Analytical templates and work papers prepared for regulatory reporting;
- All records will be kept for at least seven years from the date of initial regulatory years submission and for the subsequent regulatory years, for at least 7 years from the date of the respective submission and
- All records will be available to independent auditors and the AER.

These records will be maintained to:

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

3. The Annual Regulatory template

3.1. Entry of variables

1. Variables in yellow cells

Yellow cells required input per the RIN. If a yellow cell is not applicable to VTS the cell has been left blank as a null response with an explanation in this document. In those instances where VTS intends a zero value, the input is 0 which in the regulatory template format is presented as (-).

These cells have been subject to Audit, Review or Limited Assurance in line with the RIN requirements.

2. Variables in grey cells

Grey cells do not require input by VTS; or may contain formulas based on inputs from yellow cells. These cells have not been subject to any Audit, Review or Limited assurance as in line with the RIN requirements.

3. Numerical inputs

All amounts are unrounded and reported on a one-for-one basis.

3.2. Financial information compliance

Compliance Requirement	**VTS Compliance**
Appendix E - 1 Part A: ***General*** 1.1 The *financial information* must: (a) Be derived from the *audited statutory accounts*;	VTS's financial information is derived either from VTS's statutory trial balance or from AER determinations. As noted in section 2.2, VTS has derived information from its audited statutory trial balance for the reporting year.
(b) Be verifiable by reference to the *audited statutory accounts*;	All information has been reconciled to the audited statutory trial balances for the regulatory year.
(c) Be prepared using the accrual basis of accounting;	VTS has consistently used the accrual basis of accounting in line with AASB requirements for the regulatory reporting period.
(d) Report the substance, over the form, of a transaction, taking into account all aspects, implications and expectations of and motivations for the transaction and that a group or series of transactions that achieves, or is designed to achieve, an overall commercial effect shall be viewed in aggregate;	In line with the requirements of the AASB accounting standards. This covers underlying transactions for the financial information as reported in the RIN.
(e) Only include costs that are incurred in or relate to the provision of *pipeline services*;	All cost reported as part of the financial information is either directly incurred by VTS or allocated to VTS and incurred in the provision of *pipeline services*.
(f) Be presented on a fair and consistent basis, from the *accounting records* that underlie the costs, revenue, *assets* employed and liabilities which may be reasonably attributed to the *pipeline service provider*;	VTS has complied with this requirement throughout the RIN by ensuring a consistent application and fair basis of costs has been attributed to the service provider. Where relevant, further information has

	been provided in section 5.1.1 in the basis of preparation.
(g) Be prepared using the classification of services and *cost allocation method* for the relevant *regulatory year*;	VTS has consistently applied the same cost allocation method for the relevant regulatory year, consistent with the VTS's Cost Allocation Methodology ("CAM").
(h) In so far as is reasonably practicable, be prepared in accordance with the general rules and format and use the accounting principles and policies applicable to the *audited statutory accounts* except as otherwise required by this *notice*.	For the reporting year, the financial information was derived from the audited statutory trial balance. VTS has prepared the Regulatory template in accordance with the general rules and format of the RIN. Accounting principles and policies have been applied consistently throughout the RIN as outlined in this document.
(i) Be presented in an understandable manner, without sacrificing relevance or reliability;	VTS has complied with this requirement by preparing this Basis of Preparation in an understandable manner without sacrificing relevance or reliability.
(j) State fairly the financial position of the *pipeline service provider*; and	For the reporting year, the financial information was derived from the audited statutory trial balance in line with the RIN requirements. The VTS Statutory Trial Balance for the reporting year has been audited.
(k) Unless otherwise specified, not be adjusted for inflation.	Inflation has only been applied in those instances as allowed under the RIN.
1.4 Where information provided in the *regulatory templates* has previously been reported to the *AER*: (a) This information must reconcile with the previously provided information; or	VTS has not identified instances where previously reported information does not reconcile.
(b) The *pipeline service provider* must explain why the information does not reconcile with the previously provided information in its *basis of preparation*.	VTS has not identified instances where previously reported information does not reconcile.
1.5 Actual capital expenditure and operating expenditure must be reconciled to the pipeline service provider's audited statutory accounts. Where the pipeline service provider is part of a corporate group that reports this information at the corporate group level, the pipeline service provider must reconcile to the information reported at the corporate group level. Where reconciliation is at the corporate group level the pipeline service provider must:	Refer to section 11.1.1 in Table F1.1 Audited statutory accounts.
(a)Allocate statutory reported expenditures to the pipeline service provider and indicate the method of allocation;	Refer to section 5.1.1 Costs and section 5.1.2 Shared corporate expenditure.

(b) Show calculations for any allocation; and	Refer to section 4.1.1.1 for allocation of shared corporate assets, and section 5.1.2 for shared corporate expenditure.
(c) Indicate where any changes in allocation method or calculations have occurred in relation to the historical or annual data and how these changes have been adjusted for in the use of the data.	If applicable this will be reported in the relevant section.

4. Worksheet E1. Expenditure summary

4.1. Table E1.1 - Capex

4.1.1. Table E.1.1.1 – Reference Services

4.1.1.1 Definition

Relevant definitions for the reporting of Capex in Table E1.1 are:

Capital expenditure (Capex) is defined as any expenditure that has been included in the capital base of the pipeline service provider that:

- Relates to the purchase or construction of a new asset; or
- Increases the functionality of the asset; or
- Extends the service life of the asset.

Capital expenditure ("purposes") is defined in accordance with the AASB definition of an asset plus regulatory adjustments and is reported under the following categories:

- Replacement capital expenditure;
- Expansion capital expenditure;
- Non-system (non-network) capital expenditure;
- Capitalised network overheads;
- Capitalised corporate overheads; and
- Other capital expenditure.

Table E.1.1 required the capital expenditure to be reported in the categories detailed above. VTS has applied the definitions as reported in the RIN Appendix F.

Directly attributable expenses can be defined as:

- Capital expenditure that is directly related to a work activity, project or work order;
- In-house costs of direct labour, direct contract costs; and
- Other directly attributable costs (refer to Section 5.1.1).

Directly attributable costs exclude any overheads unless the expenditure related to capitalised corporate overheads or capitalised network overheads.

Based on discussions with the AER, VTS has applied the definition of "directly attributable costs" from the Appendix F to this RIN for the regulatory year. In particular, this definition provides that "directly attributable costs exclude any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads".

VTS reported capitalised corporate overheads and capitalised network overheads as directly attributable expenses in the RIN.

In line with the definitions detailed above, in the reporting templates previously submitted with the AER, capitalised corporate overhead amounts have been attributed to the three capital expenditure purposes in the tables based on the asset classification: Replacement, Expansion or Non-network as directly attributable expenses.

It is important to note that there was a change to the disclosure of 'overheads' in Table E1 from 2021, in the regulatory templates. That is capitalised corporate overheads, which despite being directly attributable and forming part of capitalised expenditure, are disclosed in Table E1 within the 'overhead' category. This change to the disclosure of 'overheads' is due to the discussions with the AER as part of the 2023-2027 Access Arrangement process and their expectation of the disclosure of such costs.

Capitalised corporate overheads and capitalised network overheads incurred during the relevant year are reported as part of Capitalised corporate 'overheads' category in Table E.1.1.1 of the Reporting template.

It is also important to note that AASB 123 *Borrowing costs*, permits borrowing costs that are directly attributable to the construction of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its

intended use, to be capitalised as part of the cost of the asset when the recognition criteria is met. For accounting purposes as the Western Outer Ring Main (WORM) and the Winchelsea Compressor Unit 2 projects are qualifying assets where the recognition criteria had been met, borrowing costs are capitalised as part of these projects. For regulatory purposes, borrowing costs in accordance with *AASB 123 borrowing costs* are not capitalised as the AER's Asset Base Roll Forward Model allows for financing costs to be added to current year capex in determining the regulatory capex values, please refer to section 18.1.2 for further information regarding the calculation of financing costs per the AER's Roll Forward Model.

4.1.1.2 Compliance with requirements of notice

Compliance Requirement	**VTS Compliance**
Appendix E - 1 Part A: General 1.6 All costs that relate to or are incurred in the provision of pipeline services in the audited statutory accounts, must be allocated to the pipeline service provider in accordance with the following cost allocation principles:	VTS financial information is derived from VTS's trial balance and/or AER determinations. For the reporting year, the financial information will be derived from the audited statutory accounts. All information has been reconciled to the statutory trial balance for the relevant regulatory year.
(a) Costs that are directly attributable to the pipeline service provider, must be allocated on that basis;	Refer to section 5.1.1 regarding costs.
(b) Capital expenditure items are to be allocated to a capital expenditure purpose on a directly attributable basis or a causation basis using an appropriate allocator. Where this is not possible the capital expenditure must be allocated using an appropriate allocator, in accordance with Schedule 1, paragraph 2.3;	Refer to section 5.1.1 regarding costs.
1.7 All costs allocated to the pipeline service provider in the response to paragraph 1.6 must in turn be allocated to services in accordance with the following cost allocation principles:	Refer to section 5.1.1 regarding costs.
(a) Costs that are directly attributable to either reference services or other services provided as a covered pipeline must be allocated on that basis;	All Capital expenditure is directly attributable to reference services and has been allocated 100% on that basis. Refer section 5.1.1 for more information.
(b) Costs that are not directly attributable to either reference services or other services provided as a covered pipeline are	Complied with and referring to section 5.1.1 regarding costs and the Cost Allocation Methodology.
(i) To be allocated on a causation basis using an appropriate allocator; and	Complied with and referring to section 5.1.1 regarding costs and the Cost Allocation Methodology.
(ii) Where (i) is not possible, to be allocated using an appropriate allocator, in accordance with Schedule 1, paragraph 3.4.	Complied with and referring to section 5.1.1 regarding costs and the Cost Allocation Methodology.
1.8 Asset revaluations or adjustments for impairment (whether increasing or decreasing asset values) are not permitted unless agreed to or required by the AER.	None recognised for VTS in the regulatory reporting period.

1.9 Revaluations or adjustments for impairment (whether increasing or decreasing asset values) made in the audited statutory accounts must not be made in the regulatory templates.	None recognised for VTS in the reporting period. No revaluations or adjustments are made in the reporting template.
1.10 Capital expenditure must be allocated to a capital expenditure purpose or asset class and must not be shown under a work-in-progress heading.	Any capital work in progress at period end has in all instances been added to the capital expenditure for each respective asset category. No separate work in progress heading is being reported.
1.11 Goodwill and any related impairments must not be allocated to a capital expenditure purpose or asset class.	Goodwill and any other related impairments have not been allocated to a capital expenditure purpose or asset class.
1.12 Impairment losses must not be reported in an operating expenditure category. Impairment losses must only be reported in the 'Impairment losses' row of Workbook 1 & 2 – Historical and Annual Performance Data, regulatory template F1. Income.	No impairment losses have been incurred or recognised on VTS. Hence a zero is reported in this cell in Worksheet F1.
2. Part B: Explanatory Instructions - Workbook 1 & 2 2.1 Workbook 1 & 2 – Historical and Annual Performance Data, regulatory templates E1. Expenditure Summary instructions: (a) In Table E1.1.1 for each regulatory year, the pipeline service provider must report the capital expenditure for each reference services capital expenditure purpose gross of capital contributions. The total capital contributions for reference services are also to be identified as the last row in Table E1.1.1.	VTS has complied with this in Table E.1.1.1 In all cases for statutory reporting, items of property, plant and equipment are capitalised when commissioned. For reporting purposes under this RIN VTS has included capital work in progress at period end (if applicable). This is reported in each respective asset category as the RIN prohibits any work in progress heading. For reporting purposes for this requirement, VTS has reported the capital expenditure on an 'as-incurred' basis in this Table. The information has been sourced from the capital work in progress report. The table presents the Capex Gross of capital contributions with the capital contributions being identified on the last row in line with the ARIN.

4.1.1.3 Sources of information

The amounts for these tables were sourced from APA's Workday financial reporting system for the regulatory period and represent actuals.

4.1.1.4 Methodology and assumptions

VTS capital expenditure is captured in the Workday financial reporting systems through cost centre and project reporting. Capital costs are recognised in accordance with *AASB 116 Property, Plant and Equipment* ("AASB 116"). Once it has been determined that it is appropriate to capitalise the costs, they have been attributed directly to the pipeline via the cost allocation drivers described in Section 5.1.1 Costs.

Construction, acquisition, major maintenance, and asset replacement costs are capitalised in accordance with AASB 116 in the VTS trial balance. For statutory reporting, for the purposes of constructing property, plant and equipment, as asset is capitalised as capital work in progress when incurred. When the asset is commissioned, it is reclassified in the fixed asset register and statutory depreciation commences. For these reporting purposes VTS has added capital work in progress to the relevant capital expenditure categories as the RIN prohibits the reporting of a separate capital work in progress asset category. In compliance with this RIN, VTS has reported the capital expenditure on an "as-incurred" and "as-commissioned" basis, the information has been sourced from capital work in progress reported for the regulatory year.

The following costs associated with routine maintenance and repairs are expense as incurred in accordance with Capitalisation policy and AASB 116:

- Administration and general overhead costs;
- Labour and consumables; and
- Staff training costs.

In addition to directly attributed capital expenditure and other attributable costs, each pipeline has been allocated a portion of the shared support assets using a revenue-based allocator, consistent with the categorisations in the access arrangement determinations. This was presented in the access arrangement's asset class category 'Other'.

APA does not allocate its total shared support assets (for example, shared IT systems) among its pipelines (for example, VTS) in the /Workday financial system for statutory reporting purposes. Shared assets have been considered in the roll forward models (RFM) when determining VTS' regulatory asset base.

In order to determine the value of shared support assets attributable to each service provider, VTS adopted the ratio of attributed shared corporate costs to total APA corporate costs for the reporting period:

$$\text{Service provider shared support assets} = \text{Specific APA shared support assets which benefits VTS} \times \frac{\text{Service provider corporate costs}}{\text{APA corporate costs}}$$

The proportion of shared support assets attributable to the service provider is included in the directly attributable capital expenditure amounts in the Table E.1.1.1 and is reported in the Non-Network category.

4.1.1.5 Use of estimated information

There are no estimates applied in the reported tables. All other amounts presented in these tables are actuals for the year as this information was either retrieved from regulatory determinations or from APA's financial system and business records.

4.1.1.6 Material accounting policy changes or changes of allocation

Not applicable.

4.1.1.7 Reconciliation

Not applicable.

4.1.2. Table E.1.1.2 – Table intentionally omitted by the AER from their template

4.1.3. Table E.1.1.3 – Other services provided as a covered pipeline

VTS' capital expenditure has been made in relation to reference services. No other capital expenditure was spent for other non-reference services.

The compliance requirement is that the pipeline service provider must report the capital expenditure for other non-reference services provided (gross of capital contributions). VTS has incurred no capital expenditure for other services provided as a covered pipeline.

4.1.4. Table E.1.1.4 – Table intentionally omitted by AER from their template

4.1.5. Table E.1.1.5- All Capex

Given VTS has no other services provided as a covered pipeline, the capital expenditure reported in this table represents the total capital expenditure for reference service and numbers are identical to section ***4.1.1 - E1.1.1 Reference Service*** for reasons mentioned in section 2.4.

In table E1.1.5, the pipeline service provider must report the total capital expenditure for each capital expenditure purpose: Replacement, Expansion or Non-Network (gross of capital contributions). The total capital contributions reported in table E1.1.5 complies with the requirements.

The capital expenditure reported for each capital expenditure purpose in Tables E1.1.1 and E1.1.3 should reconcile to the total capital expenditure reported for each capital expenditure purpose in Table E1.1.5. The pipeline service provider must provide a reconciliation in the basis of preparation if this does not occur. The Table E1.1.1 reconciles in its totality with Table E1.1.5. No further reconciliation is necessary.

4.2. Table E1.2 – Operating expenditure

In this table VTS reported the total operating expenditure across the following categories: repair and maintenance, other operating expenses or debt and equity raising.

All operating expenditure has been attributed to the reference services, in line with the Access Arrangement determination.

4.2.1. Table E.1.2.1 – Reference Service

4.2.1.1 Definition Repairs and maintenance

Repairs and maintenance expenditure is the expenditure incurred by the pipeline service provider that is directly attributable to repair and maintenance activities and is not capital in nature.

VTS has defined repairs and maintenance costs as costs directly associated with operating the pipeline such as O&M contracting cost inclusive of VTS staff servicing, salaries and wages plus on-costs, tools and protective gear for the staff, staff training, employee insurance and associated fees and taxes.

Other operating costs are all other expenses not deemed repairs and maintenance, such as rent and property outgoings and professional consulting, advertising, office administration, shared corporate expenditure allocations, and general O&M costs (if any) that do not meet the definition of repairs and maintenance. The reporting of other operating costs is in compliance with the RIN requirements.

4.2.1.2 Definition of debt raising and equity raising costs

The definition is in accordance with Appendix F to the RIN.

The transaction costs incurred by the pipeline service provider in relation to raising debt and equity instruments to fund the asset base.

4.2.1.3 Compliance with the requirement of notice

Compliance Requirement	VTS Compliance
2. Part B: Explanatory Instructions – Workbook 1 2.1(e) In table E1.2.1 for each regulatory year, the pipeline service provider must report the operating expenditure for each reference services operating expenditure category. The operating expenditure reported for each reference services operating expenditure category must be inclusive of any attributable (non-capitalised) corporate and network overhead operating expenditure.	Operating expenditure is reported in line with the relevant access arrangement determination and is incurred to support the reference service. As a result, the information will be populated in the reference services boxes throughout the RIN. Consequently, all non-reference services tables for operating expenditure are not applicable and have not been populated.

2.1 (f) In table E1.2.3 for each regulatory year, the pipeline service provider must report the operating expenditure for each other services provided as a covered pipeline operating expenditure category. The operating expenditure reported for each other services provided by means of the covered pipeline operating expenditure category must be inclusive of any attributable (non-capitalised) corporate and network overhead operating expenditure.	Operating expenditure is reported in line with the relevant access arrangement determination and is incurred to support the reference service. Therefore, in line with the requirements the information is populated in the reference services boxes throughout the RIN. As a result, all non-reference services tables for operating expenditure are not applicable and have not been populated.
2.1 (g) In table E1.2.5 for each regulatory year, the pipeline service provider must report the operating expenditure for each operating expenditure category. The operating expenditure reported for each operating expenditure category must be inclusive of any attributable (non-capitalised) corporate and network overhead operating expenditure.	VTS has reported the categories and the total expenditure inclusive of any attributable (non-capitalised) corporate and network overhead operating expenditure.
2.1 (h) The total operating expenditure for each operating expenditure category reported in E1.2.5 should reconcile to the operating expenditure regulatory template F4. Opex in table F4.1.3. The pipeline service provider must provide a reconciliation in the basis of preparation if this does not occur.	The total operating expenditure for each operating expenditure category reported in E1.2.5 reconciles to tab F4 Opex Table F4.1.3 Opex for Transmission business. Total operating expenditure also reconciles to the regulatory accounts. No further reconciliation is necessary.
2.1 (i) The operating expenditure for each operating expenditure category in tables E1.2.1 and E1.2.3 should reconcile to the total operating expenditure reported for each operating expenditure category in table E1.2.5. The pipeline service provider must provide a reconciliation in the basis of preparation if this does not occur	Operating expenditure is reported in line with the access arrangement determination and is incurred to support the reference service. Therefore, in line with the requirements the information will be populated only in the reference services tables throughout the RIN. As a result, all non-reference services tables for operating expenditure are not applicable and have not been populated. Therefore, Table E1.2.1 reconciles to the Table E1.2.5.
Appendix E: instructions 1 Part A: General Paragraph 1.6c Cost allocation principles (c) operating expenditure items are to be allocated to an operating expenditure category on a directly attributable basis or a causation basis using an appropriate allocator. Where this is not possible the operating expenditure must be allocated using an appropriate allocator, in accordance with Schedule 1, paragraph 2.3.	Refer to section 5.1.1 and the CAM.

4.2.1.4 Sources of information

Repairs and Maintenance & Other Operating

The amounts for these tables were sourced from APA's Workday financial system for the reporting regulatory period.

Debt raising costs

Debt raising costs have been determined using the average regulatory asset base multiplied by the AER-approved debt raising cost for the applicable access arrangement period.

The average regulatory asset base value for the year is calculated based on applying actual capital expenditure or the approved forecast of capex (for the last year of the access arrangement period) inputs to the AER's asset base roll forward model, adjusted for actual CPI (average Australian eight capital cities). The AER-allowed debt raising cost percentage rate has been referenced to the relevant AER Final Decision Post-Tax Revenue Model (PTRM) for the relevant access arrangement.

Equity raising costs

VTS has followed the principles set out in the AER's 2023–27 Final Decision PTRM equity raising cost analysis. The AER's approach determines the need to raise equity capital based on an analysis of cash flows and assumptions on internal funding capacity.

No allowance was provided by the AER for Equity raising costs.

4.2.1.5 Methodology and assumptions

Repairs and maintenance and other operating

In certain circumstances where VTS was unable to determine the incurred costs as repairs and maintenance, the expenditure was categorised as other operating expenses.

Debt raising

APA Group raises debt at the corporate level and does not allocate the debt raising costs to its various subsidiaries.

Debt raising costs applicable to VTS have been determined using the approach applied by the AER in its final PTRM for the relevant Access arrangement period.

In the relevant access arrangement determinations, the AER has approved debt raising costs by applying the approved factor (2023-27=0.087%) to the debt-funded proportion of the forecast opening capital base for each regulatory year.

Consistent with the methodology utilised in the AER determination, VTS has applied the same approach to the average value of the capital base reflecting actual capital expenditure over the relevant periods since the AER's last capital base determination.

Equity raising

APA Group raises equity at the corporate level and does not allocate the equity raising costs to its various subsidiaries.

Equity raising costs applicable to VTS have been determined using the approach applied by the AER in its final PTRM for the 2023-27 Access arrangement period.

The AER's approach determines the need to raise equity capital based on an analysis of cash flows and assumptions on internal funding capacity and applies an approved cost rate to the amount of equity capital determined to be required to be raised.

In the 2023-27 access arrangement period, the AER determined that VTS would not need to raise equity capital to fund its capital expenditure program, and accordingly calculated a zero allowance for the equity raising costs.

It should be noted that the AER PTRM records equity raising costs as capital expenditure, whereas the RIN table E1.2.1 requires equity raising costs to be reported as Operating expenditure.

Shared corporate expenditure

Please refer to section 5.1.2 of this document for further information on Shared Corporate expenditure.

4.2.1.6 Use of estimated information

Repairs and maintenance and other operating

All amounts represent actuals and includes no estimates.

Debt and equity raising

As VTS has applied the AER debt and equity raising cost methodologies and applied the approved debt raising cost allowance to the value of the capital base reflecting actual capital expenditure and inflation, VTS has considered debt and equity raising costs to be actual.

4.2.1.7 Material accounting policy changes or changes of allocation

Repairs and maintenance and other operating

None in the period.

Debt and equity raising

None in the period.

4.2.1.8 Reconciliation

Repairs and maintenance and other operating

VTS has previously not reported actual repairs and maintenance and other operating expenditure incurred during the regulatory year, therefore, a reconciliation to previously reported amounts are not required.

Debt and equity raising

The debt raising costs have been determined using the average regulatory capital base which has been calculated consistent with the RFM principles. No reconciliation is required.

It should be noted that the AER PTRM records equity raising costs as capex, whereas the RIN Table E1.2.1 requires equity raising costs to be reported as Operating expenditure. While both are zero in this case, this will represent a reconciling item should future VTS capex levels provide for equity raising costs to be calculated in AER's PTRM and estimated for RIN purposes.

4.2.2. Table E.1.2.2 – Table intentionally omitted by the AER from their template

4.2.3. Table E.1.2.3 – Other services provided as a covered pipeline

Operating expenditure has been reported in the access arrangement determination as relating to the reference tariff. As a result, the information has been reported in the reference services tables throughout the RIN. No operating expenditure was reported for "other services".

4.2.4. Table E.1.2.4 – Table intentionally omitted by the AER from their template

4.2.5. Table E.1.2.5 – All opex

All operating expenditure has been reported in the reference service table.

Therefore, Table E.1.2.1 reconciles without exception to Table E.1.2.5.

4.3. Table E1.3 – Capital Contribution (Capcons)

4.3.1. Table E.1.3.1 – Reference Services

No capital contributions have been received in 2025.

4.3.1.1 Definition capital contribution

Cash or in-kind contributions to capital expenditure projects including gifted assets. This definition is in line with the Appendix F definition to this RIN.

4.3.1.2 Compliance with requirement of notice

Compliance Requirement	VTS Compliance
Capital contributions	
Appendix E Instructions. Part A: General Capital Contributions paragraph 1.13 1.13 Capital contributions treated as revenues in audited statutory accounts and included in the value of assets must not be carried forward into the capital base, unless the AER has included the capital contributions in a final decision of the pipeline service provider's capital base. 1.14 Capital contributions must be treated in accordance with the method approved in the pipeline service provider's access arrangement.	There are no capital contributions in the VTS.
2. Part B: Explanatory Instructions – Workbook 1 2.1 (j) In table E1.3.1 for each regulatory year, the pipeline service provider must report the capital contribution for each reference services capital expenditure purpose. The total capital contribution expenditure must reconcile with the capital contributions for reference services identified as the last row in Table E1.1.1.	There are no capital contributions in the VTS.
2.1 (k) In table E1.3.3 for each regulatory year, the pipeline service provider must report the capital contribution for each other services provided as a covered pipeline capital expenditure purpose. The total capital contribution expenditure must reconcile with the capital contributions for other services provided as a covered pipeline identified as the last row in Table E1.1.3.	There are no capital contributions in the VTS.
2.1 (l) In table E1.3.5 for each regulatory year, the pipeline service provider must report the total capital contribution for each capital expenditure purpose. The total capital contribution expenditure must reconcile with the capital contributions identified as the last row in Table E1.1.5.	There are no capital contributions in the VTS.
2.1 (m) The capital contributions reported for each capital expenditure purpose in tables E1.3.1 and E1.3.3 should reconcile to the total capital contributions reported for each capital expenditure purpose reported in table E1.3.5. The pipeline service provider must provide a reconciliation in the basis of preparation if this does not occur.	There are no capital contributions in the VTS.

4.4. Table E1.4 – Capitalised overheads

4.4.1. Table E.1.4.1 – Reference services

4.4.1.1 Definition of directly attributable expenses

Directly attributable expenses can be defined as:

- capital expenditure that is directly related to a work activity, project or work order;
- in-house costs of direct labour, direct contract costs;
- other directly attributable costs; and
- Directly attributable costs excluding any overheads unless the expenditure relates to capitalised corporate overheads or capitalised network overheads.

Based on discussions with the AER, VTS applied the definition of 'directly attributable costs' from the Appendix F to this Annual Reporting RIN for the regulatory year. In particular, this definition provides that 'directly attributable costs' excludes any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads.

VTS does report capitalised corporate overheads and capitalised network overheads as per the definition of directly attributable expenses in Appendix F to the RIN.

It is important to note that there was a change to the disclosure of 'capitalised overheads' in table E1.4 in the 2021 regulatory template. That is capitalised overheads, which despite being directly attributable and forming part of capitalised expenditure, are disclosed in table E1.4 as a 'capitalised overhead'. This change to the disclosure of 'overheads' in E1.4 is due to the discussions with the AER as part of the 2023-2027 Access Arrangement process and their expectation of the disclosure of such costs.

As a result, table E1.4 reports capitalised overheads, directly attributable, by capital expenditure purpose (i.e.by Replacement; Expansion or Non-network) while historically no 'capitalised 'overheads' were reported in this table.

4.4.1.2 Compliance with requirement of notice

Compliance Requirement	**VTS Compliance**
Capitalised overheads	
2. Part B: Explanatory Instructions – Workbook 1 2.1 (n) In table E1.4.1 for each regulatory year, the pipeline service provider must report the capitalised overhead expenditure for each reference services capital expenditure purpose listed in E1.4.1. The total capital expenditure reported in table E1.4.1 must reconcile with the cumulative capital expenditure reported for capitalised network overheads and capitalised corporate overheads in table E1.1.1.	The service provider has reported the capitalised overhead expenditure for each reference services capital expenditure purpose listed in E1.4.1. The total capital expenditure reported in table E1.4.1 reconciles with the cumulative capital expenditure reported for capitalised network overheads and capitalised corporate overheads in table E1.1.1
2.1 (o) In table E1.4.3 for each regulatory year, the pipeline service provider must report the capitalised overhead expenditure for each other services provided as a covered pipeline capital expenditure purpose listed in E1.4.3. The total capital expenditure reported in table E1.4.3 must reconcile with the cumulative capital expenditure reported for capitalised network overheads and capitalised corporate overheads in tables E1.1.3.	N/a to the services provided, as such no values are reported in table 1.4.3

2.1 (p) In table E1.4.5 for each regulatory year, the pipeline service provider must report the capitalised overhead expenditure for each capital expenditure purpose listed in E1.4.5. The total capital expenditure reported in table E1.4.5 must reconcile with the cumulative capital expenditure reported for capitalised network overheads and capitalised corporate overheads in table E1.1.5.	The pipeline service provider has reported the capitalised overhead expenditure for each capital expenditure purpose listed in E1.4.5. The total capital expenditure reported in table E1.4.5 reconciles with the cumulative capital expenditure reported for capitalised network overheads and capitalised corporate overheads in table E1.1.5.
(q) The capitalised overhead expenditure reported for each capital expenditure purpose in tables E.1.4.1 and E1.4.3 should reconcile to the total capitalised overhead expenditure for each capital expenditure purpose listed in E1.4.5. The pipeline service provider must provide a reconciliation in the basis of preparation if this does not occur.	The capitalised overhead expenditure reported for each capital expenditure purpose in tables E.1.4.1 and E1.4.3 reconciles to the total capitalised overhead expenditure for each capital expenditure purpose listed in E1.4.5.

4.4.2. Table E.1.4.2 – Table intentionally omitted by the AER from their template

4.4.3. Table E.1.4.3 – Other services provided as a covered pipeline

No capitalised corporate overhead expenditure was reported for “other services”.

4.4.4. Table E.1.4.4 – Table intentionally omitted by the AER from their template

4.4.5. Table E.1.4.5 – All capitalised overhead

The capitalised overhead expenditure reported for each capital expenditure purpose in Tables E.1.4.1 and E.1.4.3 reconciles to the total capitalised overhead expenditure for each capital expenditure purpose listed in Table E.1.4.5.

4.5. Total actual capital and operating expenditure and total forecast expenditure

The service provider must identify each difference (where the difference is equal to or greater than ± 10 per cent) between the amount reported in the regulatory templates and if relevant, the amounts approved by the AER in the final decision PTRM for the relevant reporting year;

(a) Total actual operating expenditure and total forecast operating expenditure;
(b) Total actual capital expenditure and total forecast capital expenditure; and
(c) Total volume of gas metered as having been transported throughout the gas transmission network and total volume of gas metered forecast to be transported throughout the gas transmission network.

VTS agreed with the AER that the ‘relevant’ differences to explain were ones that had not already been subject to AER review in an access arrangement reset setting.

VTS identified the operation of RIN sections 1.5 and 1.6 – VTS need only ‘identify’ for those years where the relevant variance has been more than +/- 10%, and it is only for these years that explanations are required. VTS confirmed with the AER that these explanations are required at the ‘total opex’ and ‘total capex’ levels rather than at the more granular reporting levels as suggested in the RIN. On variation in throughput, VTS is unable to comment; as pipeline services are demand derived for the desire for natural gas and VTS does not have visibility of the causes of any increases or decreases in gas demand.

4.5.1. Annual variations in actual total operating expenditure and AER allowance under the current access arrangement determination

In 2022, the AER adopted its own operating expenditure forecast in preference to that proposed by VTS in response to the draft determination. The operating expenditure forecast methodology adopted by the AER was the base-step-trend approach. Base-step-trend is the AER's preferred forecasting methodology for operating expenditure. The base-step-trend approach together with the AER's Efficiency Benefit Sharing Scheme (EBSS) provides an incentive for VTS to operate efficiently. The EBSS is designed to reveal efficient operating costs.

This approach means that the forecast does not reflect expected variations in individual cost categories, rather the expectation that opex in total will remain largely static. Total annual actual operating expenditure and the 2025 AER allowance is shown in the Table 1 below. In order to facilitate direct comparison, we have adjusted the AER's forecast as contained in the PTRM for actual inflation incurred using a December-on-December inflation year.

Table 1 – Annual variations in actual total operating expenditure and 2025 allowance ($nominal)

	Unit	2025
AER 2022 opex allowance (excluding debt raising costs)	000s $nominal	38,994
VTS actual opex (excluding debt raising costs)	000s $nominal	45,846
Variance	000s $nominal	(6,852)
Variance	%	17.6

VTS actual operating costs exceeded the yearly allowance due to increases in operating costs relating to land tax, insurance, and corporate costs.

Key drivers for this variance are as follows:

- Land taxes: the 2025 allowance is based on a roll-forward of the base-step-trend approach, using 2020 as the base year. As discussed in both the APA VTS access arrangement revision proposal and revised proposal, the Victorian State Revenue Office retrospectively increased the taxes applicable to land held by APA VTS. The AER rejected both a proposed adjustment to the APA VTS base year costs, and a proposed step change to account for these retrospective increases in land taxes. This increase in land taxes is now reflected in the actual costs but not reflected in the AER forecast.
- Insurance: Insurance costs for the VTS have outpaced CPI since 2020 and are higher than forecast.
- Corporate costs: APA's corporate costs have increased since the 2020 base year, primarily due to increases in headcount at the corporate level and investment in corporate capabilities including: technology (SaaS) and business resilience; regulatory, risk and compliance; sustainability and corporate affairs. This investment was necessary in order to accommodate the increased complexity of business, regulatory reporting requirements and to meet new legislative obligations.

4.5.2. Annual variations in actual total capital expenditure and AER allowance under the current access arrangement determination

In 2025, the actual capex ('as incurred') exceeded the AER-allowed forecast. The actual capital expenditure for 2025 compared to the 2025 allowance is shown in Table 2 below.

Table 2 – Variations in actual total capital expenditure and 2025 AER allowance by year ($nominal)

	Unit	2025
AER 2022 capex allowance	000s $nominal	23,103
VTS actual capex	000s $nominal	48,213
Variance	000s $nominal	(25,110)
Variance	%	(108.7)

The nature and timing of projects undertaken, vary due to changes in circumstances, re-assessment of priorities and reprofiling. The key projects & drivers that make up the majority of the variance are:

- Western Outer Ring Main (WORM): The WORM project was originally forecast to be largely completed by 2023 and was ultimately commissioned in 2024, so no expenditure was forecast for 2025. However, there are several outstanding matters for which APA has not been able to reach agreement with landowners on the value of compensation for easements that were compulsory acquired. In 2025, $9.6 million of expenditure incurred, largely comprised of costs associated with the settlement of compensation claims with several landowners.
- Pipeline Integrity: During the year, actual capital expenditure for pipeline integrity projects was $14.2 million compared with a forecast of $8.3 million, resulting in a $5.9 million variance. The primary driver of the overspend was the number and complexity of validation digs required under this program. Validation digs involve excavating the pipeline to physically confirm its condition and validate in-line inspection results. Due to increasing urban encroachment across the VTS, many of these digs occurred in challenging locations, significantly increasing costs. Validation digs totalled $6.6 million in 2025, including several complex excavations such as works under a creek bed and beneath a shopping centre carpark that required removal and reconstruction. In addition, the supplier of the Magnetic Flux Leakage (MFL) and Electro Magnetic Acoustic Transducer (EMAT) inspection tools increased equipment costs by 20–60% in 2025; as they are the sole provider of this technology APA had limited ability to mitigate these increases.
- The Unpiggables Program: The program was originally forecast to finish in 2024, but due to reprioritisation of some of the pipelines identified for this work, the project was delayed and has continued into 2025. This is reflected in the underspend in prior years. The overspend in 2025 relates to the Oakleigh unpiggable project, which adopted a new delivery approach using a robotic pig rather than a full conversion. While this resulted in higher costs in 2025, the total cost of the project remains consistent with the overall forecast for the access arrangement period, with the difference attributable solely to a change in the timing of the spend.
- Shared corporate assets: During the year, actual capital expenditure for shared corporate assets was $9.5 million compared with a forecast of $2.3 million, resulting in a $7.2 million variance. This variance is largely driven by an under-forecast of IT project costs, particularly the APA Grid Solutions program, which incurred $2.4 million in 2025 versus $0.8 million forecast. In addition, APA entered into a new lease for one of its corporate premises in 2025, which was not included in the original forecast.

	Unit	2025
WORM		
Forecast[1]	000s $nominal	-
Actual	000s $nominal	9,649
Variance	000s $nominal	(9,649)
Pipeline Integrity projects		
Forecast[2]	000s $nominal	8,299
Actual	000s $nominal	14,215
Variance	000s $nominal	(5,916)
Unpiggables		
Forecast[3]	000s $nominal	-
Actual	000s $nominal	1,394
Variance	000s $nominal	(1,394)

1 Source: AER Final Decision capex model tab 5.5
2 Source: AER Final Decision capex model tab 5.5
3 Source: AER Final Decision capex model tab 5.5

Shared corporate assets		
Forecast[4]	000s $nominal	2,302
Actual	000s $nominal	9,486
Variance	000s $nominal	(7,184)

4.5.3. Annual variation in actual immediate expensing of capital for tax purposes under the current access arrangement determination

In 2025, the AER allowed forecast exceeded the actual immediate expensing of capital. The 2025 allowance compared to the actual expenditure for 2025 is shown in Table 3 below.

Table 3 – Variations in actual immediate expensing of capital capex and 2022 AER allowance by year ($nominal)

	Unit	2025
AER 2022 immediate expensing of capital allowance	000s $nominal	19,920
VTS actual immediate expensing of capex	000s $nominal	33,492
Variance	000s $nominal	(13,572)
Variance	%	68.1

VTS has included immediately deductible expenses in the APA consolidated tax return for the year ended 30 June 2025. Due to the implementation of the Workday ERP System in CY24, only a portion of the capital costs eligible for an immediate deduction were claimed in FY24, resulting in an underspend compared to the AER allowed forecast. This underspend was carried into CY25, increasing the deduction claimed. In addition actual expenditure on pipeline integrity in CY25 was higher than forecast and as such costs are immediately expensed for tax purposes, this has also contributed to the overspend.

4 Source: AER Final Decision capex model tab 5.5

5. Worksheet E11. Labour

5.1. E11.3 Labour/Non-labour expenditure split

5.1.1. Costs

All costs (operating and capital expenditure) are captured in APA's financial reporting system Workday through cost centre and project reporting. The cost centre and project reporting provide details on the activity type of the costs, reflecting categories of capital, operating & maintenance activities, and services.

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

The key cost allocation principles VTS has adopted are as follows:

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

When assessing VTS operating and capital costs, the majority of VTS costs fall within two categories:

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

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

  For 2025, the service provider continued being the employing entity for segments of the workforce. All directly attributable costs are recorded in VTS for these employees. APT Management Services (APTMS) is the employing entity for the remaining employees. APTMS recharges salary and wages from APTMS to VTS on a monthly basis. A consistent approach to recoveries and recharged has been applied.

- **Other directly attributable costs** to the pipeline service provider: Other expenses are costs directly attributable to the service provider and are incurred by APA's Operations business[5]. In order to give a true reflection of the cost of running an asset, it is necessary to allocate a portion of APA's Operation costs to the asset. APA's Operation costs are reviewed periodically to determine the extent the business unit's function has a bearing on the assets.

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

For other directly attributable costs, VTS has -utilised the following cost allocation methodologies on a causation basis where APA costs are applicable:

- Time/effort based - national transmission pipeline services such as the IOC costs are assigned to each non-scheme pipeline, reflective of time spent.
- Customer based - national cost centres that provide transmission services such as daily nominations, invoicing and billing allocate their costs based on the number of customers or number of contracts.
- Headcount based - national services such as human resources training and development; and facilities recharges are allocated to the business based on the overall headcount in the business.

[5] Operation Division is responsible for the management of APA Group's Transmission, Power, Networks and Midstream infrastructure assets, including all aspects of commercial and operational performance.

- State based - national services such as health, safety, environment and heritage are provided by state-based employees. The state-based costs are allocated to the pipelines within that state using the aforementioned cost allocators.

Other expenditure subject to allocation and recharges are shared corporate expenditure which is allocated based on VTS's share of revenue. Further information is provided in section 5.1.2.

Based on discussions with the AER and the RIN requirement, VTS has applied the RIN definition to the costs identified in this section as 'directly attributable costs excluding any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads.

Since VTS has reported all its expenditure as directly attributable expenditure as required under this RIN, VTS has no expenditure:

- not directly attributable but allocated on a causation basis;
- not directly attributable and cannot be allocated on a causation basis

and therefore, the reporting of each allocator and the amount allocated is not applicable.

In the VTS access arrangements, all costs are attributed to the Reference Service, and VTS has attributed all costs to the Reference Service in accordance with the allocation methodology applied in the access arrangements.

5.1.2. Shared corporate expenditure

Since 2016, APA reports its total shared corporate expenditure at the consolidated level in its audited financial statements. APA does not allocate shared corporate expenditure to individual pipelines, business segments or subsidiaries such as VTS in its financial reporting systems.

APA has utilised a revenue-based allocation method for its allocation of shared corporate expenditure as approved by the AER in the VTS access arrangement 2023-2027.

APA has for regulatory reporting purposes consistently allocated the shared corporate expenditure as reported in APA's financial accounts to each asset in APA's portfolio based on the process described below:

1. Identification and exclusion of non-attributable expenditure

   Components of shared corporate expenditure that are not deemed to provide a benefit to the APA's portfolio of assets are excluded from the total shared corporate expenditure. These typically include costs that, by their nature or function, do not contribute to the value or operation of the portfolio of existing assets.

2. Allocation of non-operated assets

   For assets that are owned but not operated by the organisation, only relevant categories of expenditure (such as treasury or accounting-related costs) are allocated.

   This step is applicable to the Wallumbilla Gladstone Pipeline (WGP), which is owned but not operated by APA Group. In recognition of this, only treasury, accounting-related, and other related expenditure are allocated to WGP.

3. Revenue-based allocation of residual shared corporate expenditure

   The remaining shared corporate expenditure, after the exclusions made in the steps noted above is the "residual shared corporate expenditure" and is allocated to the other assets owned by APA using revenue as the basis of allocation.

The revenue used as a cost allocator is the revenue from contracts with customers of the Energy Infrastructure segment, excluding pass-through revenue, and for the APA Group a portion of revenue from contracts with customers of the Asset Management Segment.

VTS has reported its shared corporate expenditure in the reporting tables as 'Other operating expenses'. VTS has been allocated a proportional share based on reported transmission revenue.

5.1.3. Software as a Service Arrangement (SaaS)

During the year ended 30 June 2021, APA Group revised its accounting policy to account for configuration and customisation costs incurred in implementing SaaS arrangements as an operating expense within profit or loss in response to the IFRS Interpretations Committee's ("IFRIC") Agenda Decision published in April 2021 related to accounting for Software-as-a-Service ("SaaS") arrangements.

For the access arrangement period 2018 to 2022, as the AER allowance for operating expense did not include the configuration and customisation costs incurred in implementing SaaS arrangements as an operating expense, for regulatory purposes such costs continued to be treated as capital expenditure until the end of the access arrangement period.

In accordance with the Decision published on April 2021, from 2023 the configuration and customisation costs incurred in implementing SaaS arrangements have been accounted for as an operating expense.

5.1.4. Transactions with other APA entities

VTS has no related party transactions for the regulatory reporting period.

In accordance with the resolution of AER Annual RIN Issue 038, VTS has not reported costs allocated or attributed among the APA Group as related party transactions in this RIN.

As discussed with the AER, allocation of costs to the pipeline within APA does not constitute related party transactions.

It is noted that some employees are directly employed by the service provider, while others are employed by different entities within the APA Group. Based on discussions with the AER, labour costs incurred by the service provider and within the APA Group are reported as 'in-house labour expenditure'. Salaries and wages incurred are attributed and allocated to VTS in accordance with methods described in Section 5.1.1. As a result, VTS has reported all Labour expenditure as "in-house labour expenditure" in Table E11.3.

APA does not include any margins in the cost allocation process.

VTS does not have any multi-asset nor any associated contracts.

Furthermore, shared costs or any bundled service revenues were not invoices or paid to a related entity during the regulatory reporting period.

5.1.5. Table E11.1 and Table E11.2 are intentionally omitted by the AER from their template

5.1.6. Table E11.3 – Labour/non-labour expenditure split

Definitions of labour expenditure is in line with the definition in Appendix F to the RIN:

Labour expenditure	Includes all expenditure used to deliver reference services and other services provided as a covered pipeline that is associated with people. Labour expenditure relates to: • **full time, part time and casual employees;** • **ongoing and temporary employment contracts; and** • **labour hire contracts.** Labour expenditure includes wages, salaries, overtime payments, bonuses, allowances, incentive payments, superannuation contributions, taxes (e.g. payroll and fringe benefits taxes), termination and redundancy payments, workers compensation, training and study assistance, purchases made on behalf of employees (e.g. protective clothing).
Labour expenditure outsourced	Labour used in the provision of contracts for goods and services other than the provision of labour (labour hire contracts).

Transactions involving cost allocations and multi-asset services among APA Group entities were not reported as related party transactions in line with Section 5.1.3. Labour costs incurred by another APA entity will be

reported as in-house labour expenditure. Labour costs include labour, and on-costs contracting and temp staff, and training costs including a component of labour overhead expenditure. As VTS does not outsource labour to related parties, the reported in-house labour expenditure is equivalent to the reported total labour expenditure.

Non-labour expenditure is categorised as costs for contractors, materials, rent, travel, motor vehicle expenditures, plant and equipment hire, and any other non-labour related operating expenditure that does not meet the definition of labour costs.

Contractor costs reflecting part material and part labour have been classified in their entirety as non-labour expenditure due to a lack of visibility on the labour/non-labour component.

5.1.7. Table E11.3.1 – Opex

Table E11.3.1 Operating expenditure reports operating expenditure into labour and non-labour expenditure in line with the definition above and in accordance with the Cost Allocation Methodology.

5.1.7.1 Compliance with requirement of notice

Compliance Requirement	**VTS Compliance**
Labour Operating expenditure	
2.2 Workbook 1 & 2 – Historical and Annual Performance Data, regulatory template E11. Labour instructions: 2.2 (a) In table E11.3.1 the pipeline service provider must report the total operating expenditure for each regulatory year split in the following labour categories: (i) in-house labour expenditure; (ii) labour expenditure outsourced to related parties; (iii) labour expenditure outsourced to unrelated parties; and (iv) non-labour expenditure.	Compliant with requirements based on the definitions above.
2.2 (b) The total operating expenditure reported in Table E11.3.1 must reconcile with the operating expenditure reported in Table E1.2.5 of regulatory template E1. Expenditure Summary.	These amounts reconcile to Table E1.2.5.

5.1.7.2 Sources of information

The reported figures in these tables were sourced from VTS' Workday financial reporting system or business records for the regulatory reporting period.

5.1.7.3 Methodology

For further information see section 5.1.3 of this basis of preparation. As discussed with the AER, allocation of costs to the pipeline within APA does not constitute related party transactions. All allocated costs have been reported within the cost categorisations.

The service provider was the employing entity for parts of the segments of the workforce during the regulatory year. VTS incurred directly attributable labour costs from other APA entities during the reporting period.

5.1.7.4 Use of estimated information

All amounts are reported as actuals.

5.1.7.5 Material accounting policy changes or changes of allocation

The same policy has been used consistently throughout the period as presented in the regulatory template.

5.1.7.6 Reconciliation

VTS has previously not reported actual operating expenditure incurred during the regulatory year, therefore a reconciliation to previously reported operating expenditure is not required.

5.1.8. Table E11.3.2 – Capex

Capital expenditure (Capex) is defined in section 4.1.1.1 as any expenditure that has been included in the capital base of the pipeline service provider that relates to the purchase or construction of a new asset or increases the functionality of the asset or extends the service life of the asset. In this table the capex is reported on labour categories set out in the relevant table.

Labour expenditure includes all expenditure used to deliver services that is associated with people. For further detail please refer to section 5.1.5 where the definitions have been discussed in more detail.

In-house labour expenditure includes all labour expenditure incurred by the pipeline service provider except outsourced labour expenditure. It is noted that the service provider is an employing entity for segments of the workforce. Based on discussions with the AER, labour costs incurred by another APA entity are reported as 'in-house labour expenditure'. Salaries and wages incurred are attributed and allocated to VTS in accordance with methods described in section 5.1.1 and 5.1.5. As a result, VTS has reported all Labour expenditure as 'in-house labour' in Table E11.3.

5.1.8.1 Compliance with requirement of notice

Compliance Requirement	**VTS Compliance**
Labour Capex	
2.2 In Table E11.3.2 the pipeline service provider must report the total capital expenditure for each regulatory year using the following labour categories: (i) in-house labour expenditure; (ii) labour expenditure outsourced to related parties; (iii) labour expenditure outsourced to unrelated parties; and (iv) non-labour expenditure.	Complied with in Table E11.3.2. The total capital expenditure has been reported into the relevant labour categories.
2.2 (d) The total capital expenditure reported in Table E11.3.2 must reconcile with the capital expenditure reported in Table E1.1.5 of regulatory template E1. Expenditure Summary.	Complied with as these amounts reconcile to table E1.1.5.

5.1.8.2 Sources of information

The amounts for these tables were sourced from the Workday financial system for the regulatory period and represents actuals.

5.1.8.3 Use of estimated information

All amounts are reported as actuals.

5.1.8.4 Methodology and assumptions

APA has no related party transactions for the regulatory reporting period as stated in section 5.1.3.

VTS incurred directly attributable labour costs from other APA entities during the reporting period. As discussed with the AER, allocation of costs to the pipeline within APA does not constitute related party transactions. No margin is earned on any labour cost transferred from other entities. All allocated costs have been reported within the cost categorisations.

5.1.8.5 Material accounting policy changes or changes of allocation

The same method has been used consistently throughout the period as presented in the regulatory template.

5.1.8.5 Reconciliation

VTS has previously not reported actual capital expenditure data during the regulatory year, therefore a reconciliation to previously reported revenue is not required.

6. Worksheet N1. Demand

6.1. Background and overview of data flow for non-financial information

Field devices at various locations on the VTS continuously record meter data. Flow data is calculated and accumulated in volume and energy. The energy value of the gas is determined based on the characteristics of the gas, which is continuously measured at the entry points and specific exit points. At the end of each gas day the field device performs a calculation from the accumulation registers to determine the Last Gas Day totals.

All data that is determined and recorded in these field devices is conveyed to the VTS SCADA ('supervisory control and data acquisition') system. In the SCADA system, every data point is monitored and alarmed for the appropriate 'off-normal' limits to ensure that the quality of the data is known, and the performance of the field devices is maintained.

6.2. A note on data provided by AEMO

Under the market carriage model, all gas and transmission services are allocated through the Declared Wholesale Gas Market. AEMO settles the market and provides historical volumetric data to VTS for billing purposes. All volumetric data provided as part of the Annual RIN (in worksheet N1. Demand excluding all forecast data in Tables N1.3.3 and N1.4.3) is information provided by AEMO.

VTS has no visibility of any adjustments or corrections that AEMO may have made to the data provided to VTS. VTS has relied on the information provided by AEMO and disclaims responsibility for its accuracy.

There are occasionally errors in the data or data processing between VTS and AEMO. Where errors are identified and corrected in the same calendar year, they will not be apparent in the RIN data. However, where an error is corrected in a subsequent calendar year, the error will impact the RIN information twice: once when the error is made and again when the error is corrected.

Any AEMO data adjustments or corrections may impact the amounts reported in the following tables:

- N1–1 - Demand - By User Type
- N1–2 - Demand - By Reference Services
- N1.3 – A - Peak Withdrawal Volume - By Location – Minimum
- N1.3 – B - Peak Withdrawal Volume - By Location – Maximum
- N1.3 – C - Peak Withdrawal Volume - By Location – Average
- N1.3 – 2 - Annual Volume - By Location
- N1.4 – A - Peak Injection Volume - By Location – Minimum
- N1.4 – B - Peak Injection Volume - By Location – Maximum
- N1.4 – C - Peak Injection Volume - By Location – Average
- N1.4 – 2 - Annual Injection Volume - By Location
- N2.3 – Average Utilisation – By Pipeline

As this impacts the assurance aspect on these tables, please refer to section 2.3.1.

6.3. Compliance with requirements of notice

Compliance Requirement	VTS Compliance
2. Part B: Explanatory Instructions - Workbook 1 & 2 2.3 Workbook 1 & 2 – Historical and Annual Performance Data, regulatory template N1. Demand instructions: (a) For each regulatory year, the pipeline service provider must report in table N1.1 the volume of gas metered as	To populate this table VTS reviewed each delivery site on the pipeline and categorised the site based on VTS knowledge of the intended use of the gas when it leaves VTS. Sites with electricity generating equipment connected to an electricity network have

having been transported by the gas transmission pipeline for gas powered generation in the regulatory year.	been classified Electricity Generation for this RIN. Table N1.1 aggregates part of the totals from table N1.3.2 – Annual volume. Refer section 6.3.1.3
(b) For each regulatory year, in Table N1.3.1 the pipeline service provider must report the minimum, maximum and average peak volumes which have been withdrawn at each withdrawal point on the gas transmission pipeline.	Refer section 6.3.3
(c) For each regulatory year, in Table N1.3.2 the pipeline service provider must report the amount of gas metered which has withdrawn at each withdrawal point location within their gas transmission pipeline.	Refer section 6.3.3
(d) For each regulatory year, in Table N1.3.3 the pipeline service provider must provide the amount of gas which was forecast to be withdrawn at each withdrawal point location within their gas transmission pipeline.	Refer section 6.3.3.1
(e) The pipeline service provider must explain in the basis of preparation the reason for material difference between the amount of gas metered withdrawn at each withdrawal point, and the amount of gas forecast to be withdrawn at each withdrawal point, if the difference is equal to or greater than +/- 10 per cent.	Refer to section 6.4
(f) For each regulatory year, in Table N1.4.1 the pipeline service provider must report the minimum, maximum and average peak volumes which have been injected at each injection point on the gas transmission pipeline.	Refer to section 6.3.4
(g) For each regulatory year, in Table N1.4.2 the pipeline service provider must report the amount of gas metered which has injected at each injection point location within their gas transmission pipeline.	Refer to section 6.3.4.1
(h) For each regulatory year, in Table N1.4.3 the pipeline service provider must provide the amount of gas which was forecast to be injected at each injection point location within their gas transmission pipeline.	Refer to section 6.5
(i) The pipeline service provider must explain in the basis of preparation the reason for material difference between the amount of gas metered injected at each injection point, and the amount of gas forecast to be withdrawn at each injection point, if the difference is equal to or greater than +/- 10 per cent.	Refer to section 6.5

6.3.1. Table N1.1 – Demand by User Type – Electricity generation users

6.3.1.1 Definition

Electricity generation customers	A business or individual who uses gas transported by the gas transmission pipeline for the purposes of gas-powered generation.

6.3.1.2 Sources of information

Refer to Section 6.1 for sources of information.

The information has been extracted from Energy Component (EC).

6.3.1.3 Methodology and assumptions

VTS market participants transport gas to a number of locations for a variety of purposes. To populate the table VTS reviewed each delivery site on the pipeline and categorised the site based on VTS' knowledge of the intended use once it leaves the VTS. Sites with electricity generating equipment connected to an electricity network have been classified Electricity Generation for this RIN.

Sites categorised as Mixed Purpose may have electricity generation equipment but are:

- not connected to a network; or
- have electricity generation equipment connected to the network but not sending any generation into the grid; or
- generation used for other purposes.

These usage amounts have not been included in the tabled totals.

Table N1.1 aggregates the annual volume for Loy Yang, Valley Power, (both La Trobe zone) Laverton North, Somerton, Newport (all Metro NW zone), and Jeeralang (Tyers zone). None of these tariff zones exclusively serve Gas Powered Generation (GPG) shippers.

6.3.1.4 Use of estimated information

The reported Gas Usage figures are estimates and have been included in the Estimate workbook.

6.3.1.5 Material accounting policy changes

None in the period disclosed.

6.3.1.6 Reconciliation

VTS has previously not reported actual demand data during the regulatory year, therefore a reconciliation to previously reported demand data is not required.

6.3.2. Table N1.2 – Demand – by reference services

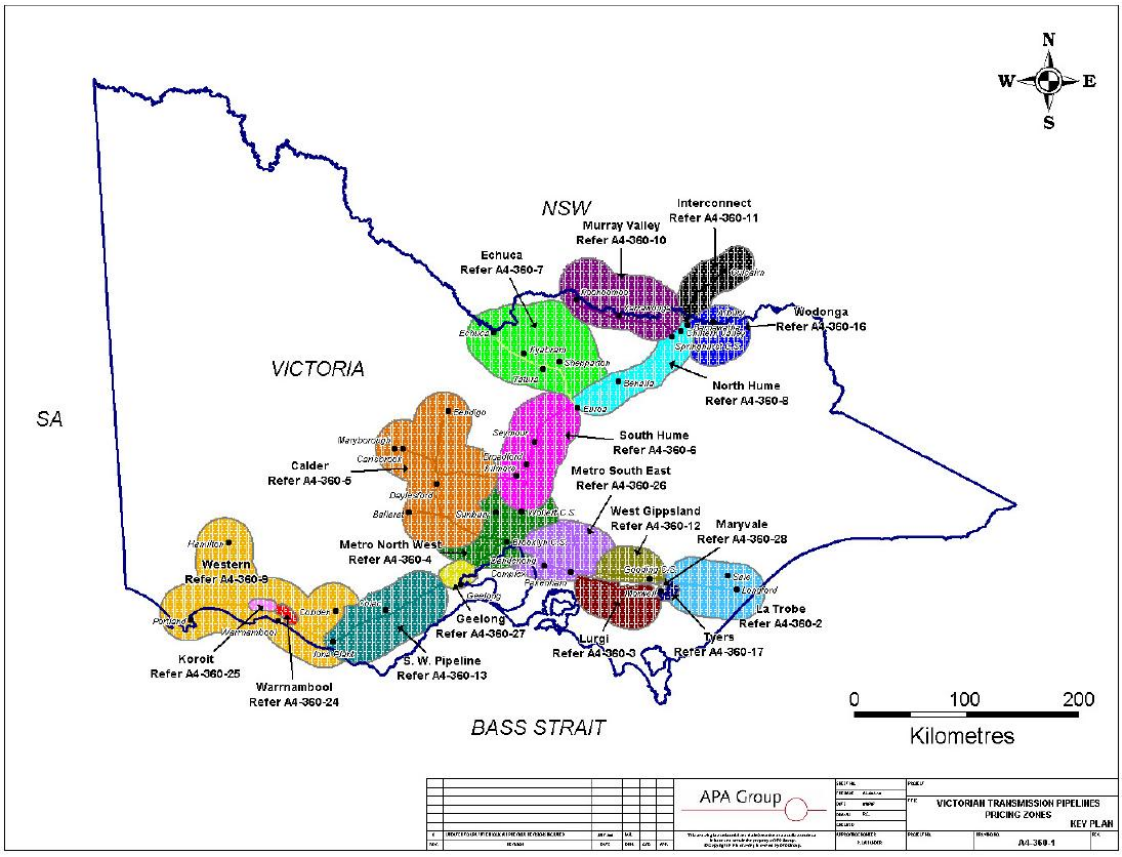
As discussed above, under the market carriage model, VTS owns and maintains the VTS, but then makes the system available to AEMO to operate. Under this model, VTS offers only one service, the Tariffed Transmission Service[6]. All gas transmission services are provided under this service.

6.3.3. Table N1.3 – Withdrawals

This information, using AEMO data, is provided by tariff zone as approved in the access arrangement applicable to the relevant reporting year. Most tariff zones include a number of delivery points, while some include only one.

A map of the delivery zones is shown below:

6 Up until 31 December 2017 provision of AMDQcc was also a reference service. AMDQcc provide 'tie-breaking' rights in the DWGM; it is not a transportation service.



The Tariffed Transmission Service also applies to volumes that cross the VTS, for which a Cross System Charge is levied. However, as these 'cross system' volumes are not *withdrawals* from the system, they must serve as a reconciling item when reviewing the volumes. In particular, the total volume transported under the Tariffed Transmission Service in Table N1.2 is equal to the total of the Annual Volumes – by Location reported in Table N.1.3.2 including the Cross System volumes.

Cross System volumes are calculated by AEMO as part of its VTS settlement algorithm and reported to APA monthly for billing purposes. VTS does not have data to report the Minimum, Maximum or Average amount of Cross System volumes in Tables N1.3.1 A, B or C.

6.3.3.1 Table N1.3.3 – Forecast annual volume – by withdrawal location

This table reports forecast withdrawal volumes as reported in the Price Control Model approved by the AER in the context of Access Arrangement for the relevant year.

Please note that there are no forecasts of Cross System volumes.

6.3.4. Tables N1.4, N1.4.1, N1.4.2 – Injections

This data is provided by AEMO – see the note on AEMO data in section 6.2 above.

6.3.4.1 Table N1.3.2 – Forecast Annual Volume – by injection location

This table reports forecast injection volumes as reported in the Price Control Model approved by the AER in the context of the annual tariff variation process.

It should be noted that VTS injection tariffs are based on the top ten winter peak days[7]; – VTS does not forecast total injection volumes. The forecast volumes therefore represent the sum of the top ten winter peak days and will not relate to the annual or daily data provided by AEMO.

7 See https://www.apa.com.au/globalassets/our-services/gas-transmission/east-coast-grid/victorian-transmission-system/vts-annual-peak-days.pdf

VTS has addressed the question of variances between forecast injection volumes (top ten winter peak days) and actual injection volumes (top ten winter peak days) refer to section 6.5 in this document.

6.4. Response to 2. Part B: Explanatory Instructions – Workbook 2

2.3 Workbook 2 – Annual Performance Data, regulatory template N1 part (e) requires

(e) The *pipeline service provider* must explain in the basis of preparation the reason for material difference between the amount of gas metered withdrawn at each withdrawal point, and the amount of gas forecast to be withdrawn at each withdrawal point if the difference is equal to or greater than ± 10 per cent.

The amount of gas forecast to be withdrawn from the VTS over the access arrangement period can be found in Attachment 12 to the AER Final Decision of 9 December 2022[8]:

Table 12.1 AER's final decision for APA withdrawal volumes

	2023	2024	2025	2026	2027
Withdrawal volumes (TJ)					
Tariffs V&D	192,883	190,774	197,335	197,343	191,206
Gas powered generation	7,100	4,000	3,500	4,400	4,657
Exports	6,294	5,778	4,051	1,778	1,072
Subtotal	206,277	200,553	204,886	203,521	196,935
Storage refill	18,100	18,100	18,100	18,100	18,100
Total	224,377	218,653	222,986	221,621	215,035

In the completed Regulatory template, worksheet N1. Demand sets out actual demand (gas deliveries) data for VTS.

Actual volumes are as follows:

Withdrawal volumes (TJ)	**2023**	**2024**	**2025**
Tariffs V&D	175,540	174,747	166,616[9]
Gas powered generation	3,910	7,929	7,335
Exports	13,137	15,460	30,354
Storage refill	20,808	19,224	27,297
Sub total	213,394	217,361	231,602
Cross system[10]	7,324	6,089	5,719
Total	**220,718**	**223,449**	**237,321**

It is important to note that the majority of the forecast volumes in the VTS Access Arrangements are not prepared by VTS but rather by AEMO. As a result, VTS does not have visibility of the assumptions underpinning the AEMO forecasts and cannot explain where actual outcomes have differed from the AEMO assumptions.

[8] See https://www.aer.gov.au/documents/aer-final-decision-apa-vts-2023-27-access-arrangement-attachment-12-demand-december-2022
[9] Tariff V = 110,062 TJ; Tariff D = 56,554 TJ
[10] See section 6.3.3. of this document for further information on Cross system volumes.

Notwithstanding that the difference between the total 2025 forecast and actual volumes is within the 10% variance limit, there is variance between individual user classes. VTS can provide some explanation in two key areas:

1. The extent to which differences between forecasts and actuals are driven by Tariff-V and Tariff-D users.
2. The extent to which actual GPG volumes differ from forecast.

Tariff V&D variance

Tariffs V&D	2023	2024	2025
Forecast	192,883	190,774	197,335
Actual	175,540	174,747	166,616
Difference	-17,343	-16,027	-30,719

Tariff V consumption continued its downward trend in 2025 and fell marginally from 2024 to 2025, despite both a colder winter and a colder year overall. AEMO attributed this to the electrification of some gas end users and reduced demand from small commercial customers. AEMO also considers government policies to be contributing to lower Tariff V gas consumption, with the reductions observed in 2024 and 2025 aligning with increased registrations of Victorian Energy Efficiency Certificates (VEECs) for space heating, water heating, and weather-sealing activities.[11] AEMO also believes that cost-of-living pressures are contributing to lower Tariff V demand.[12]

Regarding Tariff D consumption, AEMO noted in the 2025 VGPR (p. 24) that Victoria has experienced significant declines in manufacturing, with the majority of the reduction in demand between 2021 and 2024 attributed to:

- The closure of large heavy industrial facilities, including Qenos and the Altona refinery. Another major industrial gas user, Oceania Glass, ceased production in February 2025.
- Dairy sector closures, including facilities operated by Saputo, Murray Goulburn, Fonterra and Lactalis.
- Additional closures across the food manufacturing and paper industries.[13]

AEMO further reported in the March 2026 VGPR update that Tariff D consumption fell by a further 6% from 2024 to 2025, driven by additional industrial closures during 2025.[14]

Gas-fired power generation

Gas-fired power generation (GPG) is very difficult to forecast, as GPG gas usage is driven primarily by the circumstances of the electricity market.

Forecast and actual GPG usage is presented below:

VTS-connected GPG (TJ)	2023	2024	2025
Forecast	7,100	4,000	3,500
Actual	3,910	7,929	7,335
Difference	-3,190	3,929	3,835

Note that the forecast and actual GPG volumes in this document relate to VTS-connected GPG units only. Other units, such as the Mortlake power station, are not connected to the VTS but are reported as Victorian GPG consumption in AEMO's Victorian Gas Planning Report (VGPR).[15]

[11] AEMO, Victorian Gas Planning Report Update, March 2026, p. 6. 2026-victorian-gas-planning-report-update.pdf
[12] AEMO, Victorian Gas Planning Report Update, March 2026, p. 22. 2026-victorian-gas-planning-report-update.pdf
[13] AEMO, Victorian Gas Planning Report Update, March 2025, p. 24. 2025-victorian-gas-planning-report.pdf
[14] AEMO, Victorian Gas Planning Report Update, March 2026, p. 6. 2026-victorian-gas-planning-report-update.pdf
[15] See AEMO | Victorian Gas Planning Report https://www.aemo.com.au/energy-systems/gas/gas-forecasting-and-planning/victorian-gas-planning-report

Higher than forecast GPG consumption in 2025 was primarily driven by unusually high generation in June, with monthly consumption reaching 3 PJ in that month alone. This elevated usage was the result of cold weather conditions, limited wind generation, and outages among coal-fired generators.[16]

6.5. Response to 2. Part B: Explanatory Instructions – Workbook 1&2

2.3 Regulatory template, worksheet N1

(i) The pipeline service provider must explain in the basis of preparation the reason for material difference between the amounts of gas metered injected at each injection point, and the amount of gas forecast to be injected at each injection point, if the difference is equal to or greater than +/- 10 per cent.

Under the AER-approved Price Control Model (PCM) injection tariffs for the VTS are levied on the top ten winter peak days in each calendar year. Accordingly, VTS does not forecast the annual volume of gas to be injected at each injection point – only the amount of gas forecast to be injected at each injection point for the top ten winter peak days.

As required by the RIN, VTS has reported the *annual* amount of gas actually injected, by injection point, in Table N1.4.2. This will not reconcile with the top ten winter peak day forecast.

VTS publishes the dates of each year's top ten winter peak demand days on its website[17]. For example, in 2025, the top ten winter peak injection days at each Close Proximity Point (CPP)[18] occurred on:

Victorian Transmission System Annual Peak Days Historical Data

2025 Injection			
Longford	Culcairn	Pt Campbell	Pakenham
1-Jul-25	7-Jun-25	26-Jun-25	8-Jun-25
30-Jun-25	8-Jun-25	13-Jun-25	10-Jun-25
29-Aug-25	27-Aug-25	12-Jun-25	5-Aug-25
25-Jun-25	6-Jun-25	18-Jun-25	5-Sep-25
10-Jun-25	26-Jun-25	19-Jun-25	4-Sep-25
21-Jul-25	5-Jun-25	17-Jun-25	7-Aug-25
26-Aug-25	24-Aug-25	27-Jun-25	6-Aug-25
26-Jun-25	9-Jun-25	30-Jun-25	7-Jun-25
28-Jul-25	14-Jun-25	25-Jun-25	8-Jul-25
28-Jun-25	4-Jun-25	11-Jun-25	2-Jun-25

It is noteworthy that there was no single day that was one of the top ten peak injection days for all four Close Proximity Points simultaneously.

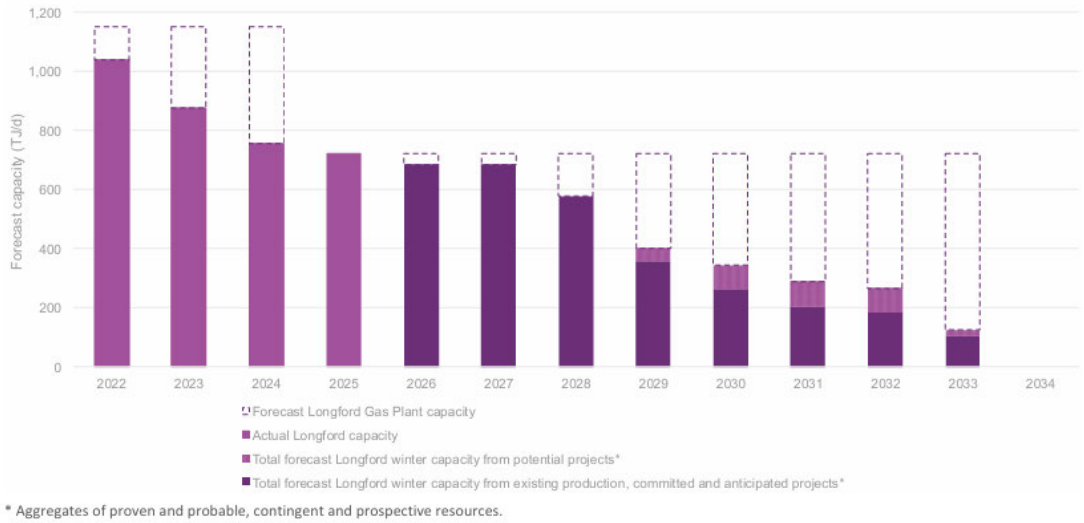
[16] AEMO, Victorian Gas Planning Report Update, March 2026, p. 7. 2026-victorian-gas-planning-report-update.pdf
[17] https://admin.apa.com.au/media/w1iaadeu/251030_vts_annual_peak_days_2013-2025.pdf
[18] A close Proximity Point is the collection of individual injection points at a particular location. For example, the Longford CPP would encompass Tas Hub and Vic Hub injections; the Port Campbell CPP includes Iona storage, Pt Campbell production, and injections from the SEA Gas Pipeline.

Variances by injection point on top 10 days

2025 TJ	Forecast[19]	Actual	Variance TJ	Variance %
Longford	8,177	5,420	-2,757	-34%
Culcairn	806	1,355	549	68%
Pt Campbell	1,739	4,955	3,216	185%
Pakenham	272	263	-9	-3%
Total	10,994	11,993	999	9%

The total variance in top ten-day injection volumes remains within 10%. However, there has been significant variation across individual injection points. This highlights Victoria's increasing reliance on the Port Campbell injection point (which includes the Iona Underground Gas Storage facility) to meet demand on the top ten peak days. This trend is consistent with the actual and forecast decline in Longford Gas Plant winter capacity, as shown in the figure below.[20]

Figure 4 Actual and forecast Longford Gas Plant winter capacity, 2022 to 2034 (TJ/d)



* Aggregates of proven and probable, contingent and prospective resources.

The wide variation across individual injection points also reflects changes in gas supply arrangements over the reporting period. These patterns are driven by market participants' contracting positions, to which VTS has no visibility.

[19] Source: VTS Tariff Model, 'Injection_Tariffs_BO'!AP28:AP45
[20] AEMO, Victorian Gas Planning Report Update, March 2026, p. 10. 2026-victorian-gas-planning-report-update.pdf

7. Worksheet N2. Network Characteristics

7.1. Background/Overview

VTS delivers gas to the Melbourne metropolitan area, regional Victoria, New South Wales, and South Australia. VTS transports gas to more than 2 million residential consumers, and 60,000 industrial and commercial users throughout Victoria. VTS is more than 2,300 kilometres long and consists of over 50 licensed pipelines and associated facilities.

Construction of VTS began in the mid-1950s. Gas can enter or exit the system from the Longford gas plant and the Vic Hub in the east; Culcairn in New South Wales; the western underground gas storage (WUGS) facility at Iona; the SEA Gas Pipeline; Otway Gas Plant and Mortlake Pipeline through their connection to the SEA Gas Pipeline at Port Campbell; the Pakenham facility; and the Dandenong LNG facility. Gas can also be injected from the Tasmanian Gas Pipeline (Tas Hub) into the VTS at Longford. Gas is principally sourced from offshore gas fields in the Gippsland, Bass and Otway basins.

The capacity of the VTS has been progressively expanded between 2014–17 to transport additional gas between New South Wales and Victoria at Culcairn. In 2015, additional capacity on the South West Pipeline was added for gas flows from the facilities at Iona and the SEA Gas Pipeline at Port Campbell. The second Winchelsea compressor unit was commissioned in winter 2023, hence increasing the capacity of the South West Pipeline. The Western Outer Ring Main (WORM) was commissioned in 2024 and has further increased the capacity of the South West Pipeline.

7.2. Compliance with requirements

For the relevant regulatory year, the pipeline service provider must report for each pipeline that forms part of the gas transmission pipeline (including any laterals):

(i) the length of the pipeline (table N2.1)
(ii) the capacity (GJ/day) of the pipeline (table N2.2);
(iii) the average utilisation of the pipeline (table N2.3); and
(iv) the capacity of the pipeline that has been contracted on a firm basis to users (table N2.4).

The requirements are complied with and reported under each section.

This worksheet is subject to limited assurance by the auditors and the information has been deemed an estimate as per RIN requirements.

7.2.1. Table N2.1 – Network length – by pipeline

The pipeline lengths have been expressed by the relevant configuration for the year. Section lengths have been calculated based on the section distances between facilities using the kilometre points (KPs). The length of the pipeline in table N2.1 represents the regulatory asset including the required laterals. The VTS consists of over 50 licensed pipelines and VTS considers that reporting all the pipeline lengths in that way is not meaningful; a geographical aggregation of certain segments provides more meaningful data.

VTS has reported the lengths of the pipelines consistent with the sections of the pipeline as presented in the yearly AEMO Victorian Gas Planning Report[21] and prior years RIN reporting, notably:

- Longford to Melbourne (LMP)
- South West Pipeline (SWP)
  - Iona to Melbourne
  - Melbourne to Iona
- The Western Transmission System (WTS)
  - Iona to Port Campbell to Portland

21 See AEMO, Victorian Gas Planning Report, https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/vgpr/2019/2019-victorian-gas-planning-report.pdf?la=en Table 19.

- Victorian Northern Interconnect (VNI)
  - Melbourne to Culcairn
  - Culcairn to Melbourne

As some of these pipelines are looped, VTS has reported route kilometres rather than pipeline kilometres.

For those interested in the lengths of all the particular pipeline segments, please refer to the schedule in the Service Envelope Agreement, as posted on the AEMC pipeline register.[22]

System	Length Description	Pipeline Route System Length (km)
LMP	Longford to Melbourne	174.2 [23]
SWP	Iona to Melbourne	252.9[24]
	Melbourne to Iona	
WTS	Iona to Portland	224.9
VNI	Melbourne to Culcairn	331.9[25]
	Culcairn to Melbourne to Iona	
Total		**983.9**

7.2.2. Table N2.2 – Network capacity – by pipeline

As discussed above, the VTS consists of over 50 licensed pipelines. The VTS being a largely integrated network, the capacity of any one of the VTS pipelines depends significantly on the dynamics of injections and withdrawal volumes and locations, and the pressures and flows of pipelines upstream. As a result, VTS does not report the capacity of individual pipelines within the VTS system.

As with pipeline lengths discussed above, VTS has reported pipeline capacity of the pipelines consistent with the yearly AEMO Victorian Gas Planning Report[26]. This is also consistent with the way VTS has reported pipeline capacity in previous Access Arrangement reset RINs.

System	Section	Maximum Capacity (TJ/d)	Maximum Operating Capacity (TJ/d)	Comments
LMP	Longford to Melbourne	1,126	1,126	Decrease from the previous year (CY24:1,160), due to a reduction in overall system demand.
SWP	Iona to Melbourne	506	506	Total Iona Injection is 523 TJ/d, that is, 506 TJ/d Iona to Melbourne plus 17 TJ/d demand to Western Transmission system. Decrease from the previous year (CY24: 513), due to a reduction in system demand.

[22] https://www.aemc.gov.au/sites/default/files/content/e07a1ce3-a8e2-49ee-9aae-bb4f03da34ae/VTS-Pipeline-description-Gas-Scheme-register-Feb-2017.doc
[23] The LMP length including loops is 258 km.
[24] Includes 51 km of Western Outer Ring Main (WORM)
[25] The VNI length taking into both the T74 pipeline and T119 (VNI) pipeline is 590.5 km. The VNI expansion which looped the T74 pipeline from 2014-2017 increased the length by 258.6 km
[26] See AEMO, Victorian Gas Planning Report 2025 Victorian Gas Planning Report (aemo.com.au).

	Melbourne to Iona	341	341	Increase in capacity from previous year (CY24:328TJ/d), due to change in modelling assumptions at Culcairn.
WTS	Iona to Portland	28	28	No change from previous years
VNI	Culcairn to Melbourne	224	180	The NSW Transmission pipeline has a maximum capacity to deliver 195 TJ/d, however the facility at Culcairn is limited to 180 TJ/d to flow into the VTS.
	Melbourne to Culcairn	218	193	193 TJ/d is the maximum capacity achieved during summer conditions when the system demand is low.
Total		**2443**	**2374**	

This form of reporting accommodates the fact that some of these pipelines are bi-directional. Furthermore, reporting consistent with other sources should allow for easier verification by AER.

7.2.3. Table N2.3 – Average utilisation – by pipeline

The average utilisation values in Table N2.3 have been calculated by average daily net injection volumes from Table N1.4.1C expressed as a percentage of injection pipeline capacity from Table N2.2 in each year. Where more than one injection point is situated on the injection pipeline, the averages from Table N1.4.1C are added (that is, reported volumes are Average (Longford) + Average (Pakenham) rather than Average (Longford + Pakenham)). The same approach applies to the Iona Close Proximity Point.

7.2.4. Table N2.4 – Firm contracted capacity – by pipeline

Under the market carriage model, users are allocated pipeline access according to their dispatch of gas through the Declared Wholesale Gas Market. As a result, there is no scope to contract for firm capacity on the VTS. As VTS does not have any firm contracts on the VTS this table will report NIL values.

8. Worksheet S1. User numbers

Definition as per Appendix F to the RIN.

User numbers	The number of users of each withdrawal point on the gas transmission pipeline.

'User' is defined in the NGL as 'a person who is a party to a contract with a service provider under which the service provider provides or intends to provide a pipeline service to that person by means of a scheme pipeline'. In the context of the VTS, we have defined 'user' as a Declared Wholesale Gas Market (DWGM) Participant that has executed a Transmission Payment Deed with VTS as required under Rule 237. The counterparty to a Transmission Payment Deed may not have used the system in the reported year.

8.1.1. Table S1.1 – Electricity user numbers – by user type

Strictly speaking, VTS does not have visibility of the use of the gas downstream from the delivery point. The following response is based on our commercial knowledge of the pipeline and its customers. On this basis, the VTS has decided to only includes those locations and meter readings for gas fired power stations for this purpose. VTS had six electricity generation users (representing the volumes for the shippers who have gas fired power generation) in the relevant year: Loy Yang, Valley Power, (both La Trobe zone) Laverton North, Somerton, Newport (all Metro NW zone), and Jeeralang (Tyers zone).

8.1.2. Compliance with requirements

Compliance Requirement	VTS Compliance
2.5 Part B: Explanatory Instructions - Workbook 1 & 2 Historical and Annual Performance Data, regulatory Template S.1 User numbers. 2.5 (a) For each regulatory year, the pipeline service provider must report in table S1.1: (i) the total new users. This is the total number of users who commenced using gas transported by the gas transmission pipeline for the purpose of gas-powered generation in the regulatory year; and (ii) the total user abandonments. This is the total number of users who no longer use gas transported by the gas transmission pipeline for the purpose of gas-powered generation in the regulatory year.	Refer row 13 in the table S1.1. VTS defines new user as the new users that have executed a Transmission Payment Deed in the reporting year. A Transmission Payment Deed is terminated only on the party ceasing to be a Market Participant, or on an insolvency event. By this definition, no disconnections occurred during the year.
2.5 (b) The users on the last day of each regulatory year in table S1.1 is the total of: (i) the users on the first day of each regulatory year; (ii) plus (+) the total new users; and (iii) less (-) the total user abandonments	Refer to table S1.1 for the total of users.
2.5 (c) In table S1.1, the number of users on the first day of each regulatory year should equal the number of users on the last day of the previous regulatory year as provided in (b) above. The pipeline service provider must provide a reconciliation in the basis of preparation if this does not occur.	Compliant with requirements as the numbers reconciles.

8.1.3. Table S1.2.1 & S1.2.2 – User numbers as at 1 January and 31 December

As discussed in the context of Table N1.2, under the market carriage model. VTS offers only one service – the Tariffed Transmission Service. All users are served under this single service.

9. Worksheet S10. Supply quality

9.1. Table S.10 Supply quality

9.1.1. Table S10.1 – Pressure Faults – Definition as per Appendix F to the RIN

Poor pressure event	An event where pipeline pressure was outside the normal range, and action was taken to restore pressure.

The RIN definition of poor pressure events uses the term 'normal range' but does not specify what a normal range might be. Pressure variation occurs regularly, as a result of operating conditions, shipper nominations, receipts and deliveries. This, however, is considered 'normal' in the operation of a pipeline.

In the context of its regulated contract carriage pipelines, and based on discussions with the AER, APA has interpreted the definition of 'poor pressure event' to refer to pressure events where the Service provider failed to meet its contractual pressures to its customers.

Under the Declared Wholesale Gas Market, the Declared Transmission System Service provider (VTS) must enter into an agreement under s91BE(1) of the National Gas Law (the Service Envelope Agreement) for the control, operation, safety, security and reliability of the declared transmission system. VTS makes the system available to AEMO according to the Service Envelope Agreement; AEMO is responsible for operating the system in such a way as to meet the pressure obligations outlined in the connection agreements with direct customers and distribution networks. For the purpose of this Annual Reporting RIN, VTS has defined 'poor pressure event' as an event in which it has failed to meet its obligations under the Service Envelope Agreement.

However, Table S10.1 requires VTS to report 'Poor pressure events impacting users. In this respect the poor pressure event would be one that caused AEMO to dispatch out-of-merit-order gas in the settlement of the Declared Wholesale Gas Market (DWGM), which resulted in uplift payments under the DWGM. Rule 240(9) provides for a DTS Service provider uplift 'attributable to the failure of the declared transmission system service provider to fulfil its obligations under its service envelope agreement'. In this regard, VTS reports those instances when a poor pressure event has impacted users; that is, where the poor pressure event has resulted in the dispatch of out-of-merit-order gas and AEMO has required VTS to pay a DTS Service provider uplift.

In the s10.1 pressure events tables, the same poor pressure events are represented as user impact events and Force Majeure or Non-Force Majeure events. They are, however, the same events. Where VTS has reported a poor pressure event, it will report poor pressure events arising from matters outside its control as Force Majeure events (Row 16). VTS will report 'Non-Force Majeure' pressure events (Row 17) as those that resulted in VTS not meeting its obligations under the Service Envelope Agreement.

9.1.1.1 Poor Pressure events impacting users (row 12)

In table S10.1 (row 12) VTS reported no poor pressure events for the reporting year.

9.1.1.2 Poor Pressure events >12 hours resolution (row 13)

None reported for VTS.

9.1.1.3 Poor pressure events – Force Majeure

None reported for VTS.

9.1.1.4 Poor pressure events – Non-Force Majeure

None reported for VTS.

Compliance Requirement	VTS Compliance
2.6 Part B: Explanatory Instructions - Workbook 1 & 2 Historical and Annual Performance Data, regulatory Template S10 Supply Quality: (a) For each regulatory year, in table S10.1 the pipeline service provider must report:	
(i) the poor pressure events which relate to force majeure events; and	None for the reporting period.
(ii) the poor pressure events which do not relate to force majeure events.	None for the reporting period.
2.6 (b) For each regulatory year, in table S10.1 the pipeline service provider must also report all poor pressure events which affect more than one user or take over 12 hours to resolve.	None for the reporting period.

10. Worksheet S14. Network integrity

10.1. Table S14 – Loss of containment

APA undertakes the activities detailed in Table 1 below to identify leaks and corrosion to the pipeline. Leaks can also be identified by the public by the odorization of gas giving it a peculiar 'smell'. Furthermore, leaks from a gas transmission pipeline will be at high pressure and will normally be accompanied by a loud hissing noise.

Table 1: Survey Types APA undertakes, frequency and purpose

Type of Survey	Frequency	Purpose	Reported as 'Survey' in RIN
Vehicle Patrol	Daily	High consequence areas only: Prevent damage to pipeline by third parties (predominantly civil works).	No
Vehicle Patrol	Fortnightly	Prevent damage to pipeline by third parties (predominantly civil works). Monitor for washouts (e.g. soil cover removed by flooding river). Check for damage to compounds or pipeline marker signs. APA employees performing foot patrol to prevent damage to pipeline and monitor pipeline compounds.	No
Aerial Patrol	Fortnightly		No
Foot Patrol	Fortnightly		No
CP survey	Annual/ Six monthly	Measure the level of Cathodic protection at all CP test posts. Monitor functionality and condition of power units and anode bed installations.	No
DCVG survey	Ad hoc	Identify coating defects.	Yes
In-line Inspection	10-15 years	Identify and locate manufacturing and construction defects, corrosion, cracking, mechanical and/or environmental (e.g. strain) damage to the pipeline.	Yes
*CP = Cathodic Protection			

APA undertakes many types of surveys, however, not all surveys are reported in the reporting template. It is important to note that only surveys relating to condition monitoring activities, have been reported. Please refer to section 10.1.2.1 of this document for further details.

10.1.1. Table S14.1 Number of leaks – publicly reported (row 11)

There were no publicly reported leaks in this reporting period.

10.1.2. Table S14.1 Number of leaks – found through survey (row 12) and Length of network subject to survey (row 14)

During this reporting period, there were no leaks found through survey and 419 kilometres subject to survey.

10.1.2.1 Relevant information relating to 'Surveys'

VTS Length of Network subject to survey definition:

The term 'survey' is not defined in Appendix F Definitions.

Through discussions with the AER, VTS has landed on the following definition:

In this RIN response 'Length of pipeline subject to survey' is defined as follows:

'**Survey**' includes any type of inspection or condition monitoring activity, including:

- Pigging (intelligent or otherwise);
- Visual inspection;
- Direct Current Voltage Gradient (DCVG) testing (including DCVG dig-ups);
- Cathodic protection surveys;
- Coating inspections; and
- Any other activities that inspect and monitor the condition of the pipeline.

Completed surveys that are not related to condition monitoring have not been included in the reporting template. For example, aerial surveys from a plane or helicopter, which are completed on a monthly basis for the entire length of the asset, will not be reported as a 'survey' for the purpose of this RIN.

- '**Subject to**' means that the activity was undertaken for the relevant year.

Except as described more fully below, the distance reported in kilometres reflect the number of kilometres where particular inspection activities (pigging, Direct Current Voltage Gradient (DCVG) testing and dig-ups, visual inspection, cathodic protection survey, coating inspections etc.) have been undertaken. For example, in instances where multiple inspection activities have been completed on a single kilometre of pipeline, VTS has reported that one kilometre of pipeline being 'subject to inspection'.

In interpreting this information, it is important to be cognisant of the looped nature of some of the VTS pipelines. As discussed below, some measures will be reported over 'route kilometres' whereas others will be reported over 'pipeline kilometres''. The distance reported in kilometres reflect the number of *route kilometres* subject to cathodic protection survey, and the number of *pipeline kilometres* where pigging, Direct Current Voltage Gradient (DCVG) testing and dig-ups, visual inspection and coating inspections have been undertaken.

To detect integrity issues that can lead to leaks, VTS uses:

- In-line inspection (ILI) tools, known in the industry as Intelligent Pigs, whereby an instrument is inserted into the pipeline and pushed along by the gas flow measuring the amount of metal left in the pipeline and most importantly, areas where corrosion or other pipeline damage has occurred.
- Coating Surveys using the DCVG technique.
- Easement Patrols where a technician drives on or adjacent to the pipeline easement looking for signs of leaks.

The frequency of pipeline easement patrols varies across the VTS according to the location class of each pipeline section and varies from daily in metropolitan areas through to monthly in rural areas. Pipeline patrols are a combination of ground and aerial patrols, and the frequency is determined on a risk assessed basis confirmed by the 5 yearly Safety Management Study.

The patrols are used to check the condition of the easement for line of sight, signage, gas leaks, check for weeds and erosion and detect unauthorised encroachment.

Sightings from patrols are recorded via a formal 'sighting report' and actioned as corrective maintenance via the computerised maintenance management system.

Ground patrols are performed daily on weekdays on all metropolitan and T1 (general urban development/housing of a non-high-density class) classification pipelines in 23 locations, weekly at three locations, quarterly at 30 locations and six monthly at 13 locations across the VTS.

10.1.2.2 Cathodic Protection Surveys

Cathodic Protection (CP) surveys are being conducted on a 6 monthly or 12 monthly basis to ensure that the system is operating effectively and that the physical components of a CP point were in working order.

Data loggers have been installed on all pipelines which allows for CP points and their performance to be tracked with live data. This has resulted in some CP surveys being extended to an annual basis, with 6 monthly desktop surveys being conducted remotely. If a test point is not operating properly the data logger can identify it for a corrective maintenance work order to be issued.

10.1.3. Table S14.2 Instances of damage

Definition

Definitions per Appendix F to the RIN:

Instances of damage	An event in which damage occurs to the gas transmission pipeline.
Damage	Any physical impairment that adversely affects the operation of the gas transmission pipeline including deformation, gouge, coating deterioration and corrosion.

VTS notes that a definition of an instance of damage is a physical impairment *adversely* affecting the operations of the gas transmission pipeline.

VTS perform routine maintenance activities (such as dig ups and corrosion and coating repairs) without impacting the flowing conditions of the asset. These do not adversely affect the operation of the gas transmission pipeline and are not reported as instances of damage.

VTS has reported 3 instances of damage during the reporting period that affected the operation adversely.

Compliance Requirement	**VTS Compliance**
2.7 Part B: Explanatory Instructions - Workbook 1 & 2 Historical and Annual Performance Data, regulatory Template S14 Network Integrity: (a) For each regulatory year, in table S14.1 the pipeline service provider must report the length of the gas transmission pipeline subject to leak survey in kilometres.	See section 10.1.1.2.
(b) For each regulatory year, in table S14.2 the pipeline service provider must report the instances of damage per kilometre of gas transmission pipeline. For other asset types the pipeline service provider must report the cumulative instances of damage.	See section 10.1.2.

11. Worksheet F1. Income

11.1. Table F1. Income

During the year APA's Workday Enterprise Resource Planning (ERP) systems was the primary source of financial information.

The Workday financial reporting system comprises a number of modules or activities for managing the recording, processing and reporting of all business transaction from initiation through to payment. These modules or activities include General Ledger, Projects, Fixed Assets, Payables, Receivables and Cash management. These systems are the underlying source of financial information disclosed in APA's audited consolidated financial statements. These statutory financial statements are prepared in accordance with the requirements of the *Corporations Act 2001*, AAS and other authoritative pronouncements of the AASB and also comply with the International Financial Reporting Standards issued by the International Accounting Standards board.

Financial information extracted from the Workday financial system underpins the reported amounts in the VTS ARIN reporting unless otherwise specified. Mainly:

- **Revenue:** VTS revenue recognition complies with the revenue recognition principles prepared in accordance with the requirements of Australian Accounting Standards. APA obtains volumetric data on a monthly basis from AEMO which is entered into APA's hydrocarbon system (Grid System - Energy Components) and automatically into Workday.
- **Operating direct costs:** VTS operating cost categories are materially in line with the categories identified in the RIN.

For these reporting purposes, APA has allocated to VTS, shared corporate (opex) expenditure based on a revenue allocation method and shared assets based on the allocation of shared corporate expenditure. Refer to Section 5.1.2 for corporate cost allocation 4.1.1.4 for shared assets for further details.

A covered pipeline service provider is a legal entity registered under *Corporations Act 2001* of the Commonwealth as in accordance with section 131, chapter 4 part 1 of the National Gas Law.

The trial balance represent the financial information for the legal entity, APT VTS Australia (Operations) Pty Ltd, the VTS service provider in accordance with the definition above. This trial balance is made up of several reporting business segments. Of the several reporting business segments, one relates to the covered pipeline, while the other reporting business segments do not form part of the regulated asset and are outside of the RIN scope. The Annual RIN reporting only relates to the financial information for the covered pipeline.

11.1.1. Table F1.1 Audited statutory accounts

In this table, the pipeline service provider must report the audited statutory trial balance revenue, expenditure, and income tax expense/(benefit) for the service provider for the regulatory year using the appropriate categories set out in the table.

The service provider has reported the audited statutory trial balance revenue, expenditure, and income tax expense/(benefit) for the regulatory year using the appropriate categories set out in the table.

11.1.1.1 Table F1.1.1 Revenue

This tables includes the total revenue, capital contributions, profit from sale of fixed assets and other revenue as derived from the trial balance for the service provider, not only for the regulated business.

Transmission revenue as defined in Appendix F to this RIN:

Transmission revenue	Revenue earnt by the pipeline service provider from the provision of reference services and other services provided as a covered pipeline. This excludes capital contributions.

- Capital contributions represent revenue received from third party works.
- Profit from sale of fixed assets represents the accounting standards defined profit from sale of assets.

- Other revenue consists of deferred revenue amortisation from non-transmission contracts and other sundry revenue items.

11.1.1.2 Compliance with requirements

Compliance Requirement	VTS Compliance
2. Part B: Explanatory Instructions - Workbook 1 2.8 Workbook 1 & 2 – Historical and Annual Performance Data, regulatory template F1. Income instructions: (a) In table F1.1 the pipeline service provider must report the audited statutory accounts revenues, expenditure and income tax expense (/benefit) for the regulatory year using the appropriate category set out in table F1.1.	The RIN requires VTS to report financial transactions starting from audited statutory accounts less adjustment to derive regulatory accounts for the transmission pipeline service provider. Refer table F1.1.1 – Revenue, F1.1.2 – Expenditure and F1.1.3 Profit for the reported amounts.
(b) In table F1.2 the pipeline service provider must report the adjustments made to the audited statutory accounts to report the gas transmission pipeline's revenues, expenditure and income tax expense(/benefit) for the regulatory year using the appropriate category set out in table F1.2.	The adjustments are required to reflect the regulatory accounts which represents the roll forward asset base and other regulatory adjustments such as depreciation and net finance expenses.
(c) For each adjustment made in table F1.2 the pipeline service provider must in the basis of preparation:	Adjustments from table F1.2 are further explained in section 11.1.2 until 11.1.5.
i) specify the amount of the adjustment; and	Refer to the adjustment part of the regulatory reporting template on tab F1 table F1.2
ii) describe the nature and basis of each adjustment.	Refer to the description above.

11.1.1.3 Table F1.1.2 Expenditure

Operating expenditures are reported as incurred in the trial balance of the underlying service provider in accordance with VTS applied regulatory accounting policies and principles on a consistent basis.

Depreciation expenses are generated from the fixed asset register in line with the accounting standards and depreciated based on the VTS accounting useful lives for each asset class.

Net finance expenses in the trial balance before adjustments represents an amount of intra entity interest expense allocated on a causation basis. APA Group raises capital at the corporate level; accordingly, the VTS trial balance records no amounts for interest costs or debt raising costs.

Loss from sale of fixed assets represents the accounting standard's defined loss from sale of fixed assets.

No impairment losses have been recorded for VTS during the regulatory period.

11.1.1.4 Table F1.1.3 Profit

The income tax expense is equal to 30% of the accounting profit for the calendar year.

11.1.1.5 Reconciliation

VTS has previously not reported actual profit and loss items for the regulatory year therefore a reconciliation to previously reported profit and loss items are not required.

11.1.2. Table F1.2 – Adjustments

The adjustments are the amounts necessary to derive at the regulatory accounts for the regulated business and are reported in the table F1.2.1. The adjustments represent the exclusion of the other activities that are not related to the covered pipeline and regulatory adjustments.

In this table, the pipeline service provider must report the adjustments made to the audited statutory trial balances to report the gas transmission pipeline's revenue, expenditure, and income tax expense (or benefit) for the regulatory year using the appropriate categories set out in the table.

The amounts reported by the service provider in this table are deemed as actuals as the audited statutory trial balances were sourced from the Workday financial system and business records. The service provider has reported the adjustments, and the amounts of the adjustments are detailed in F.1.2.1-Revenue, F1.2.2-Expenditure and F1.2.3 – Profit.

11.1.3. Table F1.2.1 – Revenue

Adjustments in Table 1.2.1 are:

- Transmission revenue adjustments relate to revenue that does not meet the transmission revenue definition as per Appendix F to the RIN; and

- Profit from sale of fixed assets represents a reversal of the profit under financial accounting to reflect the cash proceeds for the regulatory approved capex.

11.1.4. Table F1.2.2 – Expenditure

Operating expenditure adjustments reported in Table F1.2.2 relates to:

- The allocation of shared corporate expenditure as these costs are no longer recorded directly in the statutory ledger (see Section 5.1.2);
- Operating expenditure adjustment to exclude the operating expenditure relating to third-party activities; and
- Other regulatory adjustments such as costs treated as capital expenditure for the statutory reporting purposes and operating expenditure for the access arrangement.

Depreciation adjustments represent the adjustment necessary to reflect the total regulatory depreciation expenses which is the forecast depreciation drawn from the AER's approved Post-Tax Revenue Models relating to relevant access arrangement and includes the indexation on the opening capital base and the WACC adjustment on additions, as discussed in Section 18.1.2.

The net finance expenses adjustment represents the amounts necessary to derive the regulatory finance expenses for the service provider in line with the regulatory accounts. The finance expense amount reported in the regulatory accounts represents interest expense on the notional debt funded portion of the regulatory capital base and debt raising costs.

Interest expense applicable to VTS has been determined by applying the AER's approved Nominal Pre-Tax Return on Debt to the debt-funded proportion of the forecast average capital base for each regulatory year. The Nominal Pre-Tax Return on Debt rates used to calculate interest expense has been sourced from the AER's PTRM which is updated annually.

Debt raising costs applicable to VTS have been determined by applying an approved factor to the debt-funded proportion of the average capital base for the regulatory year.

The total regulatory net finance expenses after adjustments in Table F1.4.2 reconciles to the regulatory accounts. The debt raising cost in Table E1.2.1 is only the debt raising costs of the amount in Table F1.4.2. These amounts are deemed actuals as the calculations are based on the approved approach applied by the AER in its final determination for the relevant access arrangement period.

11.1.5. Table F1.2.3 – Profit

The adjusted profit number is based on an assumed 30% corporate tax rate on profit before tax after adjustments.

11.1.6. Table F1.3 – Table intentionally omitted from the AER template

11.1.7. Table F1.4 – Transmission business

These amounts represent the regulatory accounting values and reconcile to the regulatory accounts that VTS prepare in compliance with section 141 of the NGL.

VTS deems these amounts to be actuals.

11.1.8. Reconciliation

VTS has previously not reported actual profit and loss items adjusted for regulatory purposes for the regulatory year therefore a reconciliation to previously reported amounts are not required.

12. Worksheet F2. Capital expenditure

12.1. Table F2. Capital expenditure by asset class

All tables in this section starts from Table F2.4. Any previous tables (F2.1-F2.3) have been excluded by the AER from the RIN template.

The pipeline service provider must list in column B in tables F2.4 to F2.7 each asset class listed in the applicable access arrangement's AER final decision PTRM or any updates to the AER final decision PTRM for the relevant regulatory year.

VTS's categories of capital expenditure as defined in the last access arrangement determination, have been used for these RIN reporting requirements.

The capital expenditure definitions are in line with the definitions as in Appendix F and as previously disclosed in section 5.1.7.1.

12.1.1. Table F2.4.1 Table intentionally omitted from the AER template

12.1.2. Table F2.4.2 – Actual – As-incurred

In table F2.4.2 the pipeline service provider must report the 'as-incurred' capital expenditure by asset class for the regulatory year. The pipeline service provider must not include the capital expenditure funded by capital contributions (i.e. the capital contributions should not be included in each asset class's capital expenditure) when reporting the net as-incurred capital expenditure by asset class.

The pipeline service provider has reported 'as incurred' capital expenditure, sourced from capital expenditure reports from Workday.

Asset classes are presented in line with the last access arrangement determination.

Capital expenditure funded by capital contributions has not been included.

Capital expenditure in accordance with *AASB 123 Borrowing costs* has not been included, please refer to Section 4.1 Table E1.1 – Capex of this document.

The total reported in table F2.4.2 ties with the total reported in table E1.1.1 – reference services as both tables requires the 'as incurred' numbers to be reported.

12.1.3. Table F2.4.3 – Movement in provision allocated to As-incurred capex

VTS reported no provisions for the regulatory reporting periods that impacts 'as incurred' capex. Therefore, the requirement is not applicable.

12.1.4. Table F2.4.4 – Actual – As-commissioned

In table F2.4.4 the pipeline service provider must report the as-commissioned capital expenditure by asset class for the regulatory year. The pipeline service provider must not include the capital expenditure funded by capital contributions (i.e. the capital contributions should not be included in each asset class's capital expenditure) when reporting the net as-commissioned capital expenditure by asset class.

The pipeline service provider has reported the 'as-commissioned' capital expenditure, sourced from capital expenditure reports from Workday.

Asset classes are presented in line with the last access arrangement determination.

Capital expenditure funded by capital contributions has not been included.

Capital expenditure in accordance with *AASB 123 Borrowing costs* has not been included, please refer to Section 4.1 Table E1.1 – Capex of this document.

12.1.5. Table F2.4.5 – Movement in provision allocated to As-commissioned capex

VTS reported no provisions for the regulatory reporting year which impacts capex. Therefore, the requirement is not applicable.

12.1.6. Table F2.5 Capital contribution by asset class

12.1.7. Table F2.5.1 Actual – As-incurred

VTS must report the 'as incurred' capital expenditure funded by capital contributions by asset class.

As VTS has no capital expenditure funded by capital contributions, no capital contributions were reported during the year.

12.1.8. Table F2.5.2 Actual – As-commissioned

VTS must report the 'As-commissioned' capital expenditure funded by capital contributions by asset class.

As VTS has no capital expenditure funded by capital contributions, no contributions were reported during the year.

12.1.9. Table F2.6 – Disposal by asset class

12.1.10. Table F2.6.1 – Table intentionally omitted from the AER template

12.1.11. Table F2.6.2 - Actual - as de-commissioned

This table represents the decommissioned assets based on gross proceeds from sale of assets in line with the requirements in the RIN. The pipeline service provider must report disposals when there has been a sale of an asset. During the year, the pipeline service provider received proceeds from sale of assets and as such the proceeds are reported. This table reconciles to the table F10.1.

12.1.12. Table F2.7 – Immediate expensing of capex

While VTS reports for regulatory purposes on a calendar year basis, it lodges tax returns as part of a tax consolidated group on a June fiscal year basis. In Table F2.7.1 Immediately expensing of capex, capex deductable for tax purposes is reported on a June fiscal year basis, which is in line with the tax return. This approach has been confirmed in discussion with the AER.

12.1.13. Table F2.7.1 – Actual as-commissioned

The table is reported on an 'as-incurred' basis notwithstanding the table heading in table F2.7.1 indicates reporting on 'as-commissioned'. It is noted that the immediately deductible costs for tax purposes are reported on an 'as-incurred' basis for income tax return purposes in line with the RIN requirement.

The table represents amounts reported on a June fiscal year basis in line with the RIN requirement requesting the reported numbers to be as per the tax return. Table headings indicate the numbers are to be reported on a calendar year basis, which is not the case.

Compliance Requirement	VTS Compliance
Immediately expensing of capex	
Schedule 1 7. IMMEDIATE EXPENSING OF CAPEX FOR TAX PURPOSES 7.1 The pipeline service provider must report the immediate expensing capital expenditure by asset class for the relevant regulatory year. This capital expenditure should be consistent with the value of immediate expensing capital expenditure included in the income tax returns lodged by the pipeline service provider, whether Federal or National Tax Equivalent Regime, for the relevant regulatory year. These reported values may be updated through a Resubmission of Information process (see paragraph 11) to reflect updates to these values arising from the Australian Taxation Office's decision-making process.	VTS is part of APA's tax consolidated Group and the standalone VTS entity does not lodge its own tax return. VTS is not the Head entity of the tax consolidated group. VTS has claimed immediately deductible expenses as part of the APA consolidated tax return in accordance with the 'as-incurred' records for the regulatory year. The reported numbers are on a June fiscal year basis rather than calendar year basis despite headings indicating a calendar year basis. The capital expenditure immediately expensed for tax purposes is claimed in the year the capital expenditure is incurred. No resubmission of any tax information has occurred.
Schedule 1 7. Immediate expensing of capital expenditure 7.2 Please list and explain in the basis of preparation, the types of capex (such as refurbishment capex and capitalised overheads) associated with the immediate expensing capital expenditure as reported in regulatory template F2. Capex table F2.7.	The types of capital expenditure treated as immediately expensed capital expenditure and claimed as a deduction in the tax return of the Head entity of the APA tax consolidated group are expenditure related to stress corrosion cracking, pigging, sleeving, coating and systematic pipeline integrity projects and costs incurred as a supporting, indirect activity related to construction of an asset.
2.9 Workbook 1 & 2 – Historical and Annual Performance Data, regulatory template F2. Capex instructions: 2.9 (i) In table F2.7 for each regulatory year the pipeline service provider must report the immediate expensing capital expenditure for each asset class. Where there is no forecast or actual immediate expensing capital expenditure for a specific asset class for the relevant regulatory year, the pipeline service provider is to input the value 'zero'.	Actual amounts immediately expensed for tax purposes have been reported for the year. Claims on immediately deductible items do not include claims on any capital contributions. To date APA has not changed its tax policy on capex immediately deductible for tax purposes. APA will review the policy annually and advise the AER of any material changes.

2.9 Workbook 1 & 2 – Historical and Annual Performance Data, regulatory template F2. Capex instructions: 2.9 (k) The pipeline service provider must provide in its basis of preparation, the type of capital expenditure (i.e. refurbishment and capitalised overheads) provided to the Australian Tax Office associated with the immediate expensing capital expenditure.	Specifically, for income tax purposes expenditure incurred by VTS that: • Is solely used for the purpose of producing assessable income; • has the character of being a 'repair' and • is not capital in nature; should be immediately deductible under section 25-10 of Income Tax Assessment Act 1997. Repair is restoration by renewal or replacement of subsidiary parts of a whole. Renewal or reconstruction, as distinguished from repair, is restoration of the entirety. The most important factor to be considered is whether the work "… restores the efficiency of function of the property without changing its character…" Minor improvements, additions or alterations to property may still constitute repairs. However, substantial improvements, 'initial repairs', modernisations, reconstructions, additions or alterations are not deductible under section 25-10. Pigging, sleeving, coating and systematic pipeline integrity projects undertaken by VTS are considered 'repairs' for tax purposes. Costs incurred as a supporting; indirect activity related to construction of an asset will be immediately deductible.
2.9 Workbook 1 & 2 – Historical and Annual Performance Data, regulatory template F2. Capex instructions: 2.9 (j) The pipeline service provider must explain the main factors driving the difference between the forecast and actual immediate expensing capital expenditure for tax purposes reported in table F2.7.1, if the difference is equal or greater than +/- 10 per cent.	VTS has forecast immediate expensing of capex for the regulatory period 2023-2027. Please refer to Section 4.5.3 for the Annual variation in actual immediate expensing of capital for tax purposes and the 2023-2027 AER allowance.

12.1.13.1 Sources of information

The reported figures in these tables were sourced from either APA's Workday system or business records (applicable tax return records) for the regulatory reporting period.

12.1.13.2 Methodology and assumptions

Same methodology used in the regulatory reporting period.

12.1.13.3 Use of estimated information

In the reporting template, the total capital expenditure reported in Table F2.4.2 Actual represents the actual capital expenditure incurred during the year ended 31 December 2025. While the WORM project has virtually complete, associated costs were transferred to the fixed asset register during the year. This includes the incorporation of prior period estimates and the completion of a final "true-up" to ensure that the allocation of capital expenditure by asset class accurately reflects the total project cost.

12.1.13.4 Material accounting policy changes or changes of allocation

No changes in the accounting policy during the regulatory period.

12.1.13.5 Reconciliation

Please refer to Sections 4.5.2 and 4.5.3 for the Annual variation in actual capex and actual immediate expensing of capital for tax purposes and the AER allowances provided.

13. Worksheet F3. Revenue

In accordance with Australian Accounting Standards, revenue is recognised at an amount that reflects the consideration to which the service provider expects to be entitled in exchange for the provision of services to a customer (the performance obligations) under a contract. The service provider recognises revenue when control of a product or service is transferred to the customer. Amounts disclosed as revenue are net of profit-sharing agreements and Goods and Services Taxes paid. Given the nature of the service provider's services, there is no significant right of return or warranty provided. Transmission revenue is derived from transportation services.

Under the market carriage model, there are two contractual arrangements; the Service Envelope Agreement addresses the requirements under which VTS makes the pipeline system available to AEMO, which operates it to provide services to market participants under the Declared Wholesale Gas Market. AEMO prepares usage information based on gas flow data, and summarises this information into volumetric data, which it provides to VTS. VTS then applies this information to bill market participants in accordance with the second contractual arrangement, the Transmission Payment Deed.

Revenue from contracts with customers may either be identified as separate performance obligations or a series of distinct performance obligations that are substantially the same, have the same pattern of transfer and are, therefore, treated as a single performance obligation that is satisfied over time.

The Revenue within VTS is recorded in the servicing entity.

VTS has complied with the relevant revenue recognition standards during the regulatory reporting period.

Definition of transmission revenue is in line with the definition in Appendix F.

Consistent with the data provided by AEMO, VTS reports injection revenue (including Authorised Maximum Daily Quantity – capacity certificates (AMDQcc)), withdrawal revenue and Cross System Revenue separately.

13.1.1. Table F3.1 – Reference Services

In accordance with the access arrangements, VTS offered one reference service, the Tariffed Transmission Service. All revenue relates to this service; VTS offers no non-reference services. VTS identifies the service types that have been offered on the pipeline during the reporting period: – Injection, Withdrawal or Cross System revenue.

13.1.2. Table F3.2 – Table intentionally omitted by the AER from their template

13.1.3. Table F3.3 – Rebateable Services

VTS has no rebateable services due to the market carriage model and no non-reference services are being offered. Hence this table is not applicable.

13.1.4. Table F3.4 – Table intentionally omitted by the AER from their template

13.1.5. Table F3.5 – Total Revenue

Total revenue is a grey cell sum which automatically summarises revenue from Tables F3.1, F3.3 and F3.7 with formulas. No assurance is given on grey cells. VTS must reconcile the transmission revenue for the regulatory year reported in Table F1.4.1 with the revenue reported in table F3.5 Total revenue. The pipeline service provider must provide a reconciliation in the basis of preparation if this does not occur. Row 63 in Table 1.4.1 ties to row 64 in Table F3.5. No further reconciliation is necessary.

13.1.6. Table F3.6 – Rewards and penalties from incentive schemes

VTS must report the revenue earnt or foregone from penalties or rewards of each incentive schemes. The incentive schemes are to be mutually exclusive and collectively exhaustive.

Incentive schemes are those schemes defined in the service provider's access arrangement. Generally, incentive schemes monitor actual performance against forecast, with the impact of the incentive scheme reflected in the following access arrangement.

The 2018-22 VTS access arrangement (AA) included an Efficiency Benefit Sharing Scheme, now referred to as an Operating Expenditure Incentive Mechanism (OEIM). The AER final decision[27] for the 2023-27 AA included the following amounts for the OEIM relating to the 2018-22 AA period:

Table 8.1: AER's final decision on OEIM carryover amounts ($million, 2022)

	2023	2024	2025	2026	2027	Total
APA's revised proposal	-2.3	-1.8	-2.0	–	2.9	-3.2
AER's final decision	-2.5	-2.0	-2.2	-0.2	2.8	-4.1
Difference	-0.2	-0.2	-0.2	-0.2	-0.1	-0.8

Source: APA VTS, *APA VTS – APA VTS 2023–27 AA Revised Proposal – PTRM*, August 2022; AER analysis.

13.1.7. Table F3.7 – Other Services provided as a covered pipeline

The VTS provides only one type of service to customers during the period.

13.1.7.1 Revenue allocation to service types – VTS

Revenue has been mapped to VTS Tariffed Transmission Service revenue for the reporting period. In the General Ledger (GL), VTS identifies the service types that have been offered on the pipeline during the reporting period: – Injection, Withdrawal or Cross System revenue.

Where a GL account type is directly aligned with a VTS service type, the annual allocation of revenue to that GL account type has been relied upon.

There are no other types of revenue on VTS.

13.1.8. Sources of information

The reported figures in these tables were sourced from APA's Workday system or AEMO volumetric data as well as business records for the regulatory reporting period.

All amounts are deemed actuals.

13.1.9. Methodology and assumptions

Consistent application of methodology during the regulatory year.

13.1.10. Use of estimated information

None.

13.1.11. Material accounting policy changes or changes of allocation

None in the period.

13.1.12. Reconciliation

VTS has previously not reported actual revenue derived during the regulatory year, therefore a reconciliation to previously reported revenue is not required.

27 AER, Final Decision - APA VTS access arrangement 2023 to 2027 Final Decision, December 2022. Attachment 8 – Operating expenditure incentive mechanism , p5.

14. Worksheet F4. Operating Expenditure

14.1.1. Definition and source information

All definitions are in line with the definitions in Appendix F to the RIN.

The amounts reported by the service provider in this worksheet were sourced from the service provider's regulatory accounts where the data used to prepare these accounts was sourced from the Workday accounting system and business records.

14.1.2. Table F4.1 – operating expenditure by purpose

This table represents the total operating expenditure for the service provider split by various categories. The annual RIN has eight operating expenditure categories (labour expenditure, insurance expenditure, licence and regulatory expenditure and leasing and rental expenditure plus the repair and maintenance expenditure, other operating expenditure, debt raising cost and equity raising cost).

Please note that operating expenditure is also required to be reported in other tables in the regulatory reporting template, in categories other than the categories reported above. For further details please refer to section 4.2 Table E1.2 Operating Expenditure of this document.

14.1.3. Table F4.1.1 – Audited statutory accounts

In table F4.1.1 the pipeline service provider must report the audited statutory accounts operating expenditure for the regulatory year.

The trial balance represents the financial information for the legal entity, VTS, which is the total service provider. This trial balance is made up of several reporting business segments that are not related to the regulated asset or within the scope of the RIN.

This table represents the total operating expenditure for the service provider split by the various categories as mentioned above. These amounts are deemed actual and were retrieved from Workday. Debt raising and equity raising costs were calculated applying the AER's approved approach and are therefore presented as actual.

14.1.4. Table F4.1.2. – Adjustments

The RIN requires VTS to report financial transactions starting from statutory trial balances less adjustments to report the covered pipeline's operating expenditure.

For each adjustment made to the operating expenditure in the statutory trial balance and reported in Table F4.1.2 the pipeline service provider must in the basis of preparation:

i) specify the amount of the adjustment; and

ii) describe the nature and basis of each adjustment.

Operating expenditure adjustments in Table F 4.1.2 are:

1. expenditure incurred from activities independent from the provision of services provided by the covered pipeline, i.e. recoverable works activities;
2. expenditures treated differently for statutory purposes and those under the access arrangement, i.e. access arrangement costs recorded as capital in the statutory trial balance but required to be recorded as an operating expense for the purpose of the service provider's access arrangement; and
3. expenditure not recorded at the statutory level but is required to be recorded as an operating expense for the purpose of the service provider's access arrangement:

    a. shared corporate expenditure for the year represents the allocation of shared corporate costs which is no longer recorded directly in the statutory trial balances (see Section 5.1.2);

    b. debt raising costs for regulatory purposes. Debt raising cost is based on the approved approach applied by the AER in its final determination for the relevant access arrangement period (refer to Section 4.2.1.4).

These adjustment amounts are reported as actuals and are based on the amounts incurred and calculations from business records.

14.1.5. Table F4.1.3 – Transmission business

The RIN requires VTS to report financial transactions starting from audited statutory trial balance less adjustment to derive the transmission business operating expenditure for the service provider.

This table represents the total Operating expenditure for the covered pipeline detailed by the various categories noted in section 14.1.2. The totals reconcile to the regulatory accounts.

The reported amounts in Table F4.1.3 are deemed actuals and were based on calculations from business records or retrieved from Workday.

Table F4.1.3 Transmission business operating expenditure ties to tables E1.2.1 Reference services, E1.2.5 - All Opex and E11.3.1 – Opex.

In table F4.1.3, the pipeline service provider must report the total operating expenditure for each operating expenditure category.

The operating expenditure reported for each operating expenditure category must be inclusive of any attributable (non-capitalised) corporate and network overhead operating expenditure.

14.1.6. Methodology and assumptions

VTS has applied a consistent methodology for the regulatory year.

14.1.7. Use of estimated information

None.

14.1.8. Material accounting policy change or changes of allocation

None.

14.1.9. Reconciliation

VTS has previously not reported actual operating expenditure incurred during the regulatory year, therefore a reconciliation to previously reported operating expenditure is not required.

15. Worksheet F6. Related party transactions

VTS has used the definition of 'related party' as being consistent with that in the Australian Corporations Law and definition in Appendix F.

APA Group applies an internal operations model to its portfolio of businesses. That is, APA Group personnel operate APA Group assets, including the VTS. Whilst APA Group uses specialist contractors for defined tasks, APA Group does not contract the general operation of its assets to external or related party entities. This internal operation model allows APA Group to share costs among the operating businesses and achieve synergies which results in lower costs to customers.

Many of these shared functions, such as procurement and capital raising, are performed centrally through a corporate entity. Virtually all other functions, including specialist engineering functions, are conducted through specialist teams, which work across a number of assets in the APA Group portfolio. The costs associated with these functions are allocated among the relevant APA Group operating businesses, including APA VTS Australia (Operations) Pty Limited, the VTS service provider. No margins, management fees or incentive payments are applied to costs allocated within the group.

Notwithstanding the internal operations model, VTS remains an employing entity for segments of the workforce and will report directly attributable costs in VTS for these employees. The remaining part is employed by another APA entity and salaries and wages incurred are attributed and allocated to VTS.

Through discussions with the AER to clarify the requirements of the RIN, VTS has agreed with the AER that costs incurred by APA Group entities and allocated to APA VTS Australia (Operations) Pty Limited will not be considered to be related party transactions. Therefore, no transactions are reported in table F.6.1.1 of the Annual Performance Data Regulatory template.

16. Worksheet F7. Provisions

In accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, a provision is a liability of uncertain timing or amount. VTS has several employee related provisions in its statutory trial balance.

As mentioned above, VTS has been the employing entity for segments of the workforce. Therefore, VTS has the contractual obligations to recognise the relevant employee provisions relating to those employees. The remaining part of employees working on the VTS are employed by another entity and in those instances the employment related provisions are recorded in a related entity. Employee related provisions in the RIN are presented on a net basis.

17. Worksheet F9. Pass throughs

The RIN Notice requires:

> 2.14 *Workbook 2 – Annual Performance Data*, *regulatory template* F9. Pass throughs instructions:
>
> (a) The *pipeline service provider* must report the expenditure incurred in relation to *AER* approved pass-through events or pass through events which the *pipeline service provider* will propose for *AER* approval. The pass-through events which the *pipeline service provider* will propose to the *AER*, must be expressly noted as being "proposed for *AER* approval."

The 2023-27 access arrangements include pass through provisions to accommodate unforeseen circumstances (positive or negative) in the access arrangement period. Generally, the pass-through provisions are subject to a materiality threshold such that small variations do not qualify for pass through treatment. There has been no passthroughs in the reporting year.

18. Worksheet F10. Assets

18.1.1. Compliance with requirements

The VTS RIN instructions for Schedule F10 require:

Compliance Requirement	VTS Compliance
2.15 *Workbook 1& 2 – Historical and Annual Performance Data*, *regulatory template* F10. Assets (Capital Base) instructions:	
(a) The *pipeline service provider* must reconcile the information included in table F10.1 (*capital base* values as-incurred) to:	
(i) any decision that the *AER* has made in relation to *capital base* values unless that decision incorporates forecasts (for example, additions for the last year of the previous *access arrangement period*) in which case those forecast values should be replaced with actual values where possible. Actual values must be reconciled to amounts reported for *as-incurred capital expenditure* in *regulatory template* F2. Capex; and	Actual value reported in Table F10.1 reconcile to amounts reported for as incurred capital expenditure in F2.
(ii) for years where the *AER* has not made a decision on values for the *capital base*, *capital base* values must be prepared in accordance with the instructions provided by this *notice*. In this circumstance actual additions (recognised in the *capital base*) and *disposals* must reconcile to amounts reported for *as-incurred capital expenditure* in *regulatory template* F2. Capex.	Actual additions and disposals reported in schedule F10.1 reconcile to amounts reported for as-incurred capital expenditure in F2.
(b) The *pipeline service provider* must reconcile the information included in table F10.2 (*capital base* values as-commissioned) to: (i) any decision that the *AER* has made in relation to *capital base* values unless that decision incorporates forecasts (for example, additions for the last year of the previous *access arrangement period*) in which case those forecast values should be replaced with actual values where possible. Actual values must be reconciled to amounts reported for *as-commissioned capital expenditure* in *regulatory template* F2. Capex.	Actual values reported in Table F10.2 reconcile to amounts reported for as commissioned capital expenditure in F2.
(ii) for years where the *AER* has not made a decision on values for the *capital base*, *capital base* values must be prepared in accordance with the instructions provided by this *notice*. In this circumstance actual additions (recognised in the *capital base*) and *disposals* must reconcile to amounts reported for *as-commissioned capital expenditure* in *regulatory template* F2. Capex.	Actual additions and disposals reported in schedule F10.2 reconcile to amounts reported for as-commissioned capital expenditure in F2.

18.1.2. Sources of information

The capital base reported in table F10. Assets has been calculated via the AER's Asset Base Roll Forward Model.

The opening value of the regulatory capital base is drawn directly from the ARIN as submitted to the AER in April 2024.

The opening value for the regulatory year is derived through the application of indexation, depreciation, additions, a WACC adjustment on additions, and disposals, as discussed below.

The AER's Asset Base Roll Forward Model indexes the opening value of the regulatory capital base for inflation. The capital base is indexed by the December-on-December movement in CPI (weighted average of eight capital cites) as published by the Australian Bureau of Statistics. The roll forward model indexation is separately identified in rows 13 and 27 as appropriate.

Straight line depreciation is drawn from the AER's approved Post Tax Revenue Model issued with its December 2022 final determination revenue model. Consistent with the AER's 2022 final determination, the regulatory capital base is rolled forward using forecast depreciation reflecting the forecast capital expenditure, rather than depreciation reflecting actual capital expenditure. Straight line depreciation reported is in nominal dollars. This is reflected in rows 14 and 28.

Consistent with the RIN instructions, actual additions correspond with the actual capital expenditure amounts shown in Schedule F2.4.2 and F2.4.4.

The AER's Asset Base Roll Forward Model, recognising that capital expenditure takes place over the course of the year, assumes for modelling purposes that all capital expenditure is undertaken at the midpoint of the year. The roll forward model therefore allows for a half-year of financing costs to be added to current year capex in determining the regulatory capex values. This is drawn from the AER roll forward model and reported as 'WACC adjustment' on lines 16 and 30 as appropriate.

Disposals are reported in both the roll forward model and Tab F10 at the proceeds of disposal, reflecting the amount of invested capital that has been returned to VTS through the disposal.

18.1.3. Methodology and assumptions

The title to Schedule F10.2 – Capital Base values – 'As Commissioned' clearly indicates that it is intended to roll forward the regulatory capital base for capex 'as commissioned'. While it is not clear from the RIN or the templates, VTS has presumed from the schedule titles that Schedule F10.1 is intended to report the roll forward of the regulatory capital base 'as-incurred'. VTS has reported capital expenditure in the roll forward model on an 'as-incurred' basis. The capital expenditure in Schedule F10.1 reconciles to that reported in Schedule F2.4.2 (Capex by asset class - Actual – as-incurred), whereas the capex in Schedule F10.2 reconciles to that in Schedule F

18.1.4. Use of estimated information

All information used in the preparation of Schedules F10.1 and F10.2 are actuals drawn from VTS' accounting records (e.g. actual additions, proceeds of disposal), or calculated in the AER roll forward model using the AER's calculation methodology and actual inputs (e.g. ABS-published CPI).

18.1.5. Material accounting policy changes or changes of allocation

None.

18.1.6. Reconciliation

This RIN requires actual additions in Schedules F10.1 and F10.2 to be reconciled to actual capex in Table F2 and it reconciles without exception.

Schedules F10.1 and F10.2 calculate regulatory asset value and agree to the roll forward model.