



**DRAFT DECISION  
APA VTS Australia  
Gas access arrangement  
2018 to 2022**

**Attachment 1 – Services  
covered by the access  
arrangement**

July 2017

© Commonwealth of Australia 2017

This work is copyright. In addition to any use permitted under the Copyright Act 1968, all material contained within this work is provided under a Creative Commons Attributions 3.0 Australia licence, with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration, diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright, but which may be part of or contained within this publication. The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 3.0 AU licence.

Requests and inquiries concerning reproduction and rights should be addressed to the:

Director, Corporate Communications  
Australian Competition and Consumer Commission  
GPO Box 4141, Canberra ACT 2601

or [publishing.unit@acc.gov.au](mailto:publishing.unit@acc.gov.au).

Inquiries about this publication should be addressed to:

Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Tel: 1300 585 165

Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

## Note

This attachment forms part of the AER's draft decision on the access arrangement for APA VTS Australia for 2018–22. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 - Services covered by the access arrangement

Attachment 2 - Capital base

Attachment 3 - Rate of return

Attachment 4 - Value of imputation credits

Attachment 5 - Regulatory depreciation

Attachment 6 - Capital expenditure

Attachment 7 - Operating expenditure

Attachment 8 - Corporate income tax

Attachment 9 - Efficiency carryover mechanism

Attachment 10 - Reference tariff setting

Attachment 11 - Reference tariff variation mechanism

Attachment 12 - Non-tariff components

Attachment 13 - Demand

# Contents

Note .....	1-2
Contents .....	1-3
Shortened forms .....	1-4
1 Services covered by the access arrangement .....	1-5
1.1 Draft decision .....	1-5
1.2 APA's proposal .....	1-5
1.3 Assessment approach.....	1-5
1.4 Reasons for draft decision.....	1-6

## Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
ATO	Australian Tax Office
capex	capital expenditure
CAPM	capital asset pricing model
CPI	consumer price index
DRP	debt risk premium
ECM	(Opex) Efficiency Carryover Mechanism
ERP	equity risk premium
Expenditure Guideline	Expenditure Forecast Assessment Guideline
gamma	Value of Imputation Credits
MRP	market risk premium
NGL	National Gas Law
NGO	national gas objective
NGR	National Gas Rules
NPV	net present value
opex	operating expenditure
PTRM	post-tax revenue model
RBA	Reserve Bank of Australia
RFM	roll forward model
RIN	regulatory information notice
RPP	revenue and pricing principles
SLCAPM	Sharpe-Lintner capital asset pricing model
STTM	Short Term Trading Market
TAB	Tax asset base
UAFG	Unaccounted for gas
WACC	weighted average cost of capital
WPI	Wage Price Index

# 1 Services covered by the access arrangement

The NGR require an access arrangement to identify:

- the pipeline which the access arrangement relates to, and
- the services which APA VTS Australia (Operations) Pty Limited (APA) proposes to offer to provide by means of that pipeline; and
- the reference services<sup>1</sup>

## 1.1 Draft decision

We accept APA's proposal as it is compliant with the NGR.

## 1.2 APA's proposal

APA proposes to offer the following service on the VTS during the 2018–22 access arrangement period:

- the tariffed transmission service reference service<sup>2</sup>

The tariffed transmission service is a bundled service comprising the transportation of gas in accordance with the NGR for a declared transmission system.

The VTS was extended during the current access arrangement period to accommodate the connection of the Tasmanian Gas Pipeline as a new injection point into the VTS (TasHub injection point).<sup>3</sup>

## 1.3 Assessment approach

The NGR requires APA to identify the pipeline to which its access arrangement relates, describe pipeline services it proposes to offer, and specify all reference services in its access arrangement proposal.<sup>4</sup> A full access arrangement must specify at least one reference service to customers, on the basis that it is likely to be sought by a significant part of the market.<sup>5</sup>

A pipeline service is a:

- service provided by means of a pipeline, including a:
  - haulage service
  - service providing for, or facilitating the interconnection of pipelines.

---

<sup>1</sup> NGR, r. 48(1)(a), 48(1)(c).

<sup>2</sup> APA VTS, *Victorian Transmission System Revision proposal submission*, January 2017, January 2017, p.14.

<sup>3</sup> APA VTS, *Victorian Transmission System Revision proposal submission*, January 2017, January 2017, p.6.

<sup>4</sup> NGR, r 48(1).

<sup>5</sup> NGR, r101(1)

- service ancillary to either of the above listed services.

APA's proposed reference service is also required to be consistent with the National Gas Objective.<sup>6</sup>

Our approach to assessing these requirements is to identify:

- the covered pipeline under the current access arrangement
- any extensions or expansions that were completed during the earlier access arrangement and which are taken to be 'covered' under that access arrangement's extension and expansion requirements.

The next step is for us to review the service provider's description of the pipeline services and reference services.

We received no submissions in relation to APA's services proposal.

## 1.4 Reasons for draft decision

We consider APA has complied with the NGR's service requirements.

During the current access arrangement period, APA extended the Longford gas pipeline to facilitate the connection of the Tasmanian Gas Pipeline as a new injection point (TasHub injection point) into the Declared Transmission System.

In accordance with its extension and expansions provisions in the 2013–17 access arrangement, APA applied to the AER for a decision as to whether this extension was to form part of the covered pipeline such that it would be subject to the access arrangement provisions. We recently determined that it does form part of the covered pipeline and therefore is subject to the 2013–17 access arrangement. Therefore it is automatically subject to the forthcoming 2018-2022 access arrangement.

APA's proposed reference service for the 2018–22 access arrangement is consistent with the reference service we approved for the current access arrangement.

We consider that the service (see section 1.2) is likely to be sought by a significant part of the market. Market participants using the VTS are registered with the Australian Energy Market Operator to operate in the Victorian wholesale gas market. Apart from the expected registration of two new participants in 2017, APA does not have any knowledge of further registrations of Market Participants nor of any current Market Participants withdrawing from the Victorian gas market. On this basis APA forecasts that the number of users of the VTS will remain at 2017 levels over the access arrangement period.<sup>7</sup>

---

<sup>6</sup> NGR, r. 100(a)

<sup>7</sup> APA VTS, *Victorian Transmission System Revision proposal submission*, January 2017, p.46.

We note the provision of Authorised Maximum Daily Quantity Credit Certificates (AMDQ CC) is identified as a reference service in the 2013–17 access arrangement but will not be a reference service during the 2018–22 access arrangement. This is because the Australian Energy Market Operator is now responsible for conducting the AMDQ CC auction based on the AEMC's rule change on 24 March 2016<sup>8</sup> and in accordance with the Wholesale Market AMDQ Procedures (Victoria).

---

<sup>8</sup> National Gas Rule 329G; see AEMC Rules Change, 24 March 2016, National Gas Amendment Rule (DWGM - AMDQ allocation) Rule 2016 No. 1.