Draft Decision

Roma to Brisbane Pipeline
Access Arrangement 2022 to 2027

Attachment 2
Capital base

November 2021

AUSTRALIAN
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Note

This attachment forms part of the AER's draft decision on the access arrangement that will apply to APT Petroleum Pipelines Pty Limited (APTPPL)'s Roma to Brisbane Pipeline (RBP) for the 2022–2027 access arrangement period. 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 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

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2 Capital base

The capital base roll forward accounts for the value of regulated assets in APTPPL's Roma to Brisbane Pipeline (RBP) over the access arrangement period. The opening capital base value for a regulatory year within the access arrangement period is rolled forward by indexing it for inflation, adding any conforming capital expenditure (capex), and subtracting depreciation and other possible factors (for example, disposals).[1] Following this process, we arrive at a closing value of the capital base at the end of the relevant year. The opening value of the capital base is used to determine the return of capital (regulatory depreciation) and return on capital building blocks.

This attachment sets out our draft decision on APTPPL's RBP opening capital base as at 1 July 2022 for the 2022–27 access arrangement period (2022–27 period). It also sets out our draft decision on APTPPL's RBP projected capital base for the 2022–27 period.

2.1 Draft decision

For this draft decision, we accept APTPPL's proposed RBP opening capital base of $498.2 million ($ nominal) as at 1 July 2022.[2] APTPPL submitted an updated proposed roll forward model (RFM)[3] which reflected our suggested amendments to the nominal weighted average cost of capital (WACC), forecast straight-line capital base depreciation and actual capex inputs.[4]

To determine the opening capital base as at 1 July 2022, we have rolled forward the capital base over the 2017–22 period to determine a closing capital base value at 30 June 2022, in accordance with our RFM.[5] This roll forward includes an adjustment at the end of the 2017–22 period to account for the difference between updated actual 2016–17 capex and the amount approved in our 2017–22 decision.[6]

We also accept APTPPL's proposal to merge the 'Original pipeline' and 'Pipelines' asset classes for regulatory depreciation purposes (Attachment 4). This involves reallocating the opening capital base value as at 1 July 2022 from the 'Original pipeline' asset class to the 'Pipelines' asset class, and does not affect the total value of the opening capital base at 1 July 2022.

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

2 For our draft decision we have amended the 2016-17 actual consumer price index (CPI) to be rounded to two decimal places consistent with our RFM for the 2017–22 access arrangement. This amendment reduces the opening capital base by less than $0.01 million.

3 Compared to the initial proposal submitted on 1 July 2021.

4 In its updated proposed RFM, APTPPL also amended actual capex in 2018–19 and 2019–20, and updated estimated capex for 2020–21 with actual (unaudited) capex. APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated transmission roll forward model,* 30 September 2021.

5 AER, *Gas transmission network service providers: Roll forward model (version 1)*, 7 April 2020.

6 The end of period adjustment will be positive (negative) if actual capex is higher (lower) than the estimate approved at the 2017–22 decision.

Table 2.1 summarises our draft decision on the roll forward of APTPPL's capital base during the 2017–22 period.

Table 2.1 AER's draft decision on APTPPL's RBP capital base roll forward for the 2017–22 period ($ million, nominal)

	2017–18	2018–19	2019–20	2020–21[a]	2021–22[b]
Opening capital base	452.1	456.8	462.0	475.9	481.0
Net capex[c]	12.7	17.1	22.2	12.6	16.7
Indexation of capital base[d]	8.6	6.1	10.1	5.3	11.7
Less: straight-line depreciation[e]	16.7	17.9	18.5	12.7	10.7
Interim closing capital base	456.8	462.0	475.9	481.0	498.7
Difference between estimated and actual capex in 2016–17					–0.4
Return on difference for 2016–17 capex					–0.1
Closing capital base as at 30 June 2022					**498.2**

Source: AER analysis.

(a) Based on actual (unaudited) capex. We will review this against the reporting of actual (audited) capex and may update the capital base roll forward for any changes in the final decision.

(b) Based on estimated capex provided by APTPPL. We expect to update the capital base roll forward with a revised capex estimate in the final decision, and true-up the capital base for actual capex at the next access arrangement review.

(c) As-incurred, net of disposals, and adjusted for actual CPI and half-year WACC.

(d) We will update the capital base roll forward for actual CPI for 2021–22 in the final decision.

(e) Adjusted for actual CPI. Based on forecast as-commissioned capex.

We determine a projected RBP closing capital base of $512.9 million ($ nominal) as at 30 June 2027, which is $6.1 million (1.2 per cent) higher than APTPPL's proposed closing capital base of $506.8 million.[7] Our draft decision on the forecast closing capital base value reflects our draft decision on the expected inflation rate (Attachment 3), forecast depreciation (Attachment 4) and forecast capex (Attachment 5).[8]

We accept APTPPL's proposal to establish the RBP opening capital base as at 1 July 2027 using the approved depreciation schedules based on forecast capex over the 2022–27 period.[9] These depreciation schedules will be adjusted for actual inflation outcomes over this period.

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[7] APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated Post-tax revenue model,* 30 September 2021.

[8] Capex enters the capital base net of forecast disposals. It includes equity raising costs (where relevant) and the half-year WACC to account for the timing assumptions in the PTRM. Therefore, our draft decision on the forecast capital base also reflects our amendments to the rate of return for the 2022–27 access arrangement period (attachment 3).

[9] APTPPL, *Roma to Brisbane Pipeline 2022–27 Proposed revised access arrangement, 1 July 2022–30 June 2027*, July 2021, cl. 3.6.

Table 2.2 sets out the projected roll forward of the capital base during the 2022–27 period.

Table 2.2 AER's draft decision on APTPPL's RBP projected capital base roll forward for the 2022–27 period ($ million, nominal)

	2022–23	2023–24	2024–25	2025–26	2026–27
Opening capital base	498.2	512.4	512.5	511.2	508.5
Net capex[a]	16.8	3.5	2.9	2.2	5.6
Indexation of opening capital base	11.2	11.5	11.5	11.5	11.4
Less: straight-line depreciation[b]	13.7	15.0	15.7	16.3	12.7
Closing capital base	**512.4**	**512.5**	**511.2**	**508.5**	**512.9**

Source: AER analysis.

(a) As-incurred, and net of forecast disposals. In accordance with the timing assumptions of the post-tax revenue model (PTRM), the capex includes a half-year WACC to compensate for the six month period before capex is added to the capital base for revenue modelling.

(b) Based on as-commissioned capex.

2.2 APTPPL's proposal

APTPPL proposed a RBP opening capital base of $452.1 million ($ nominal) as at 1 July 2017. Rolling forward this capital base and using depreciation based on forecast capex approved for the 2017–22 period, APTPPL proposed a RBP closing capital base of $498.2 million ($nominal) as at 1 July 2022.[10] It has done so by adding actual net capex, removing approved forecast depreciation and adding inflation indexation on the opening capital base in each year of the 2017–22 period.[11]

APTPPL's proposed RBP capital base roll forward during the 2017–22 period is shown in Table 2.3.

10 APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated transmission roll forward model,* 30 September 2021.

11 APTPPL, *Roma to Brisbane Pipeline 2022–27 – Reset RIN response Schedule 2*, July 2021, p. 51.

Table 2.3 APTPPL's RBP proposed capital base roll forward during the 2017–22 period ($ million, nominal)

	2017–18	2018–19	2019–20	2020–21[a]	2021–22[b]
Opening capital base	452.1	456.8	462.0	475.9	481.0
Net capex[c]	12.7	17.1	22.2	12.6	16.7
Indexation of capital base	8.6	6.1	10.1	5.3	11.7
Less: straight-line depreciation[d]	16.7	17.9	18.5	12.7	10.7
Interim closing capital base	456.8	462.0	475.9	481.0	498.7
Difference between estimated and actual capex in 2016–17					–0.4
Return on difference for 2016–17 capex					–0.1
Closing capital base as at 30 June 2022					**498.2**

Source: APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated transmission roll forward model,* 30 September 2021.

(a) Based on actual (unaudited) capex.

(b) Based on estimated capex.

(c) As-incurred, net of disposals, and adjusted for actual CPI and half-year WACC.

(d) Adjusted for actual CPI. Based on forecast as-commissioned capex.

APTPPL proposed a RBP projected closing capital base of $506.8 million ($ nominal) as at 30 June 2027. This value reflects its proposed opening capital base, forecast capex, expected inflation, and forecast depreciation over the 2022–27 period.

APTPPL also proposed merging the 'Original pipeline' with the 'Pipelines' asset classes as part of its proposed accelerated depreciation of the DN250 pipeline. This included reallocating the opening capital base value as at 1 July 2022 from the 'Original pipeline' asset class to the 'Pipelines' asset class.[12]

The projected roll forward of the capital base during the 2022–27 period is shown in Table 2.4.

12 APTPPL also proposed a similar reallocation for the opening tax asset base as discussed in Attachment 7. Accelerated depreciation is discussed further in Attachment 4.

Table 2.4 APTPPL's proposed RBP projected capital base roll forward during the 2022–27 period ($ million, nominal)

	2022–23	2023–24	2024–25	2025–26	2026–27
Opening capital base	498.2	511.3	510.1	507.5	503.7
Net capex[a]	16.8	3.5	2.9	2.2	5.6
Inflation indexation on opening capital base	10.0	10.2	10.2	10.1	10.1
Less: straight-line depreciation[b]	13.7	14.9	15.6	16.2	12.5
Closing capital base	**511.3**	**510.1**	**507.5**	**503.7**	**506.8**

Source: APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated Post-tax revenue model,* 30 September 2021.

(a) As-incurred, and net of forecast disposals. In accordance with the timing assumptions of the PTRM, the capex includes a half-year WACC to compensate for the six-month period before capex is added to the capital base for revenue modelling.

(b) Based on as-commissioned capex.

APTPPL proposed to use forecast depreciation to determine the RBP opening capital base as at the commencement of the 2027–32 period, consistent with the approach applied in the 2017–22 period.[13]

2.3 Assessment approach

Our approach to assessing APTPPL's projected RBP capital base is consistent with that adopted in previous gas access arrangement decisions made under the National Gas Rules (NGR).[14] To determine the opening capital base, we developed a capital base RFM that the service provider must use in preparing its proposal.[15] In accordance with rules 77(2) and 78 of the NGR, we applied three steps to calculate the projected capital base:

- First, we confirm the value of the opening capital base for the first year of the 2017–22 period (in this case, 1 July 2017). This includes making an adjustment to account for any difference between actual and estimated capex in the final year of the previous period (in this case, 2016–17).[16] This adjustment is made at the end of the 2017–22 period, and must also remove any benefit or penalty associated with any difference between the estimated and actual capex for that year.[17]

13 APTPPL, *Roma to Brisbane Pipeline 2022–27 Proposed revised access arrangement, 1 July 2022–30 June 2027*, July 2021, cl. 3.6.

14 For example, AER, *Final decision: APA VTS Australia access arrangement 2018–22*, November 2017; AER, *Final decision: AusNet Services access arrangement 2018–22*, November 2017; AER, *Final decision: Multinet gas access arrangement 2018–22*, November 2017; AER, *Roma to Brisbane Gas Pipeline access arrangement 2017–22,* November 2017; AER, *Australian Gas Networks Victoria and Albury access arrangement 2018–22,* November 2017; AER, *Final decision: Jemena Gas Networks (NSW) access arrangement 2020–25*, June 2020; AER, *Final decision: Australian Gas Networks (SA) access arrangement 2021–26,* April 2021; AER, *Final decision: Evoenergy access arrangement 2021–26,* April 2021; AER, *Final decision: Amadeus Gas Pipeline access arrangement 2021–26,* April 2021.

15 NGR, rr. 72(3) and 75A(2).

16 Our final decision for the 2017–22 access arrangement included actual capex for 2016–17. However, this has been updated in APTPPL's proposal for the 2022–27 access arrangement.

17 NGR, r. 77(2)(a).

- Second, the opening capital base as at 1 July 2017 is rolled forward to determine the closing capital base as at 30 June 2022. This closing capital base is also used as the value of the opening capital base for the 2022–27 period as at 1 July 2022. This involves:[18]
  - adding conforming actual capex for each year – this requires assessing the capex and determining that it is consistent with the provisions of the 2017–22 access arrangement and data from historical Regulatory Information Notices (RINs), as well as the definition of 'conforming capital expenditure' in the NGR[19]
  - removing depreciation for each year based on the approach approved for the 2017–22 period
  - adding any speculative capex or previously redundant assets that will be reused during the 2022–27 period
  - removing any redundant assets and disposals during the 2017–22 period
  - indexing the roll forward each year for actual inflation.
- Third, the capital base is projected over the 2022–27 period by rolling forward the opening capital base as at 1 July 2022 to 30 June 2027. This involves performing the following on the opening capital base:[20]
  - adding forecast conforming capex for each year (net of any forecast capital contributions)
  - removing forecast depreciation for each year
  - removing the forecast value of assets to be disposed of during the 2022–27 period
  - indexing the capital base of the roll forward each year for expected inflation.

2.3.1 Interrelationships

The size of the capital base substantially impacts the service provider's revenue and the price consumers pay. It is an input into the determination of the return on capital and depreciation (return of capital) building blocks.[21] Factors that influence the capital base will therefore flow through to these building block components and the annual building block revenue requirement. Other things being equal, a higher capital base increases both the return on capital and depreciation amounts. In turn, it increases the service provider's revenue, and prices for its services.

The capital base is determined by various factors, including;

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[18] NGR, r. 77(2).

[19] NGR, r. 79(1).

[20] NGR, r. 78.

[21] The size of the capital base also impacts the benchmark debt raising cost. However, this amount is usually relatively small and therefore not a significant determinant of revenues overall.

- the opening capital base (meaning the value of existing assets at the beginning of the access arrangement period)
- net capex[22]
- depreciation
- indexation adjustment – so the capital base is presented in nominal terms, consistent with the rate of return.

The opening capital base depends on the value of existing assets as well as actual conforming net capex, actual inflation outcomes and depreciation in the past.

The capital base when projected to the end of the access arrangement period may increase due to forecast new capex and the indexation adjustment. The size of the indexation adjustment depends on expected inflation (which also affects the nominal rate of return or WACC) and the size of the capital base at the start of each year throughout the access arrangement period.

Depreciation reduces the capital base. The depreciation amount depends on the size of the opening capital base, the forecast net capex and the depreciation schedules applied to the assets.

We maintain the capital base in real terms by indexing for inflation. A nominal rate of return WACC is multiplied by the opening capital base to produce the return on capital building block.[23] To prevent double counting of inflation through the nominal WACC and indexed capital base, the regulatory depreciation building block has an offsetting reduction for indexation of the capital base.[24] Indexation of the capital base and the offsetting adjustment made to depreciation results in smoother revenue recovery profile over the life of an asset than if the capital base was un-indexed. The implications of our approach to indexing the value of the capital base on revenues are discussed further in Attachment 4.

Figure 2.1 shows the key drivers of the change in the capital base over the 2022–27 period as proposed by APTPPL. Overall, the closing capital base at the end of the 2022–27 period would be 1.7 per cent higher than the opening capital base at the start of that period based on the proposal, in nominal terms.[25] The proposed forecast net capex increases the capital base by about 6.2 per cent, while expected inflation increases it by about 10.2 per cent. Forecast depreciation, on the other hand, reduces the capital base by about 14.6 per cent.

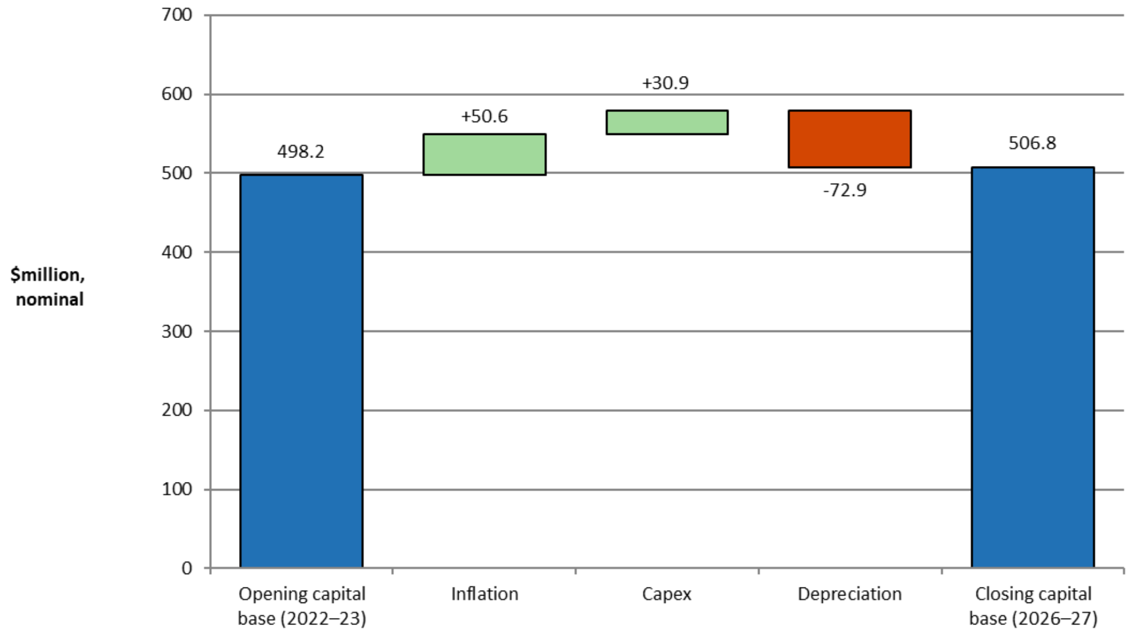
22 Net capex is gross capex less disposals and capital contributions.

23 NGR, r. 87.

24 If the asset lives are extremely long, such that the capital base depreciation rate is lower than the inflation rate, then negative regulatory depreciation can emerge. The indexation adjustment is greater than the capital base depreciation in such circumstances. Please also refer to section 4.3.1 of Attachment 4 of this draft decision for further explanation of the offsetting adjustment to the depreciation.

25 In real terms, the capital base would decrease by 7.5 per cent over the 2022–27 period.

Figure 2.1 Key drivers of changes in the RBP capital base proposed by APTPPL ($ million, nominal)



Source: APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated Post-tax revenue model,* 30 September 2021.

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

APTPPL's proposed forecast straight-line depreciation for the RBP for the 2022–27 period is $72.9 million ($ nominal). The depreciation amount largely depends on the opening capital base, which in turn depends on capex in the past.[26] Depreciation associated with forecast capex is a relatively smaller amount. We have accepted most aspects of APTPPL's depreciation proposal. This is discussed in Attachment 4.

In this draft decision, we accept APTPPL's proposed total net capex for the RBP for the 2022–27 period, with updates for real cost escalation, resulting in a conforming capex of $29.2 million ($2021–22).[27] Our review of APTPPL's forecast capex is set out in Attachment 5 of this draft decision.

A 10 per cent increase in the opening capital base causes revenues to increase by about 5.2 per cent ($ nominal). However, the impact of the annual change in capital base on revenues depends on the source of the capital base change, as some drivers affect more than one building block cost.[28]

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26 At the time of this draft decision, the roll forward of APTPPL's capital base includes estimated capex values for 2020–21 and 2021–22. We expect to update the 2020–21 estimated capex with actuals in the final decision. We may also update the 2021–22 estimated capex with a revised estimate in the final decision.

27 This amount is net of asset disposal and excludes half-year WACC adjustment.

28 If capex causes the capital base to increase—return on capital, depreciation, and debt raising costs all increase too. If a reduction in depreciation causes the capital base to increase, revenue could increase or decrease. In the latter case, the higher return on capital is offset (perhaps more than offset) by the reduction in the depreciation amount. Inflation naturally increases the capital base in nominal terms.

2.4 Reasons for draft decision

We accept APTPPL's proposed RBP opening capital base of $498.2 million ($ nominal) as at 1 July 2022.

We forecast a closing capital base value of $512.9 million by 30 June 2027. This represents an increase of $6.1 million (1.2 per cent) compared to APTPPL's proposal. This results from our draft decision on the inputs used to determine the projected capital base in the PTRM. We are satisfied this amendment is necessary having regard to the requirements of the NGR.

The reasons for our decision are discussed below.

2.4.1 Roll forward of capital base during 2017–22 period

APTPPL has established the RBP opening capital base as at 1 July 2022 using our RFM. Therefore, we reviewed the key inputs of APTPPL's proposed RFM submitted in July 2021,[29] such as actual inflation, rate of return, gross capex values, forecast depreciation amounts and asset lives. We found these inputs were mainly correct and reconciled with relevant data sources such as Australian Bureau of Statistics data, RINs and the 2017–22 decision models.[30]

However, we suggested the following amendments in our information request, which increased the initial proposed opening capital base value by $0.7 million (0.1 per cent):

- Use the nominal WACC values for 2020–21 and 2021–22 to be consistent with those in the 2021–22 return on debt update for the 2017–22 PTRM.
- Use the 2019–22 forecast straight-line capital base depreciation to be consistent with the values in the 2021–22 return on debt update for the 2017–22 PTRM.
- Use the as-commissioned actual capex for the 'Group IT' asset class in 2016–17 to be consistent with APTPPL's annual reporting RIN for that year.

APTPPL submitted an updated proposed RFM to reflect these changes.[31] Further, APTPPL updated the capex inputs for 2018–21 in the RFM by:

- Reducing 2018–19 and 2019–20 capex values for the 'Original pipeline' asset class by $0.9 million to remove BRAEMAR 2 customer connection, which was incorrectly identified as expansion or extension of the pipeline.
- Updating 2020–21 estimated capex with actual (unaudited) capex.

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29 APTPPL, *Roma to Brisbane Pipeline 2022–27, Attachment 2 – Roll forward model*, July 2021.

30 At the time of this draft decision, the roll forward of APTPPL's capital base includes actual (unaudited) capex values for 2020–21 and estimated capex values 2021–22. The 2020–21 actual (unaudited) capex may be updated for any changes when the actual audited capex values become available for the final decision. We may also update the 2021–22 estimated capex with a revised estimate in the final decision.

31 APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated transmission roll forward model,* 30 September 2021.

For the reasons discussed below on conforming capex for the 2017–22 period, we are satisfied with adopting these capex updates for the purposes of this draft decision.

We also accept APTPPL's proposal to merge the 'Original pipeline' and 'Pipelines' asset classes as part of its proposed accelerated depreciation of the DN250 pipeline. For the reasons discussed in Attachment 4, we consider the age and condition of the DN250 pipeline likely warrants its retirement. We agree with APTPPL that a reduced remaining asset life of two years is consistent with the requirements of the NGR because this reflects the changed expected economic life of the asset. We also agree with APTPPL's proposal that merging the two pipeline asset classes avoids the very large increases to revenue and tariffs that would otherwise result from the reduced remaining asset life of two years for the DN250 pipeline. We consider that merging the two pipeline asset classes is consistent with the NGR because it provides for a price path that will promote efficient growth in reference services. We therefore accept the reallocation of the opening capital base value as at 1 July 2022 from the 'Original pipeline' asset class to the 'Pipelines' asset class. The reallocation does not affect the total value of the opening capital base at 1 July 2022.

Conforming capital expenditure in the 2017–22 period

Our assessment of conforming capex is set out in Attachment 5. In determining the RBP opening capital base as at 1 July 2022, we assessed whether APTPPL's proposed capex amounts for the 2017–22 period are properly accounted for in the capital base roll forward.

We accept APTPPL's proposed actual capex as conforming capex during the 2017–22 period. Therefore, we accept that actual conforming capex has been properly accounted for in the proposed capital base roll forward consistent with the requirements of the NGR.[32]

However, we note that the proposed actual capex for 2020–21 is unaudited[33] and capex for 2021–22 is an estimate. Therefore the 'approved' capex in this draft decision for 2020–21 and 2021–22 are placeholder amounts. We expect that APTPPL will provide audited actual capex for 2020–21 in its revised proposal, which may or may not differ from the amount adopted for this draft decision. Further, the 2021–22 capex estimate may be revised based on more up to date information. We will assess whether the (audited) actual capex for 2020–21 and any revised estimate for 2021–22 are conforming capex in our final decision.

2.4.2 Projected capital base during 2022–27 period

We forecast a closing capital base of $512.9 million ($ nominal) as at 30 June 2027 for the RBP, which represents an increase of $6.1 million (1.2 per cent) compared to

32 NGR, r. 77(2)(b).

33 APTPPL, *Response to: Updated initial proposal PTRM and Tariff model*, 30 September 2021.

APTPPL's proposed amount of $506.8 million.[34] This results from our draft decision on the inputs for determining the projected capital base in the PTRM. We have amended the inputs in the following ways:

- We updated APTPPL's proposed expected inflation rate of 2.00 per cent per annum for the 2022–27 period to 2.25 per cent per annum (Attachment 3). Compared to the proposal, our draft decision results in an increase to the indexation of the capital base component for the 2022–27 period by $6.6 million ($ nominal) or 13.1 per cent.[35]
- We increased APTPPL's proposed forecast straight-line depreciation amount for the 2022–27 period by $0.5 million ($ nominal) or 0.7 per cent (Attachment 4).[36]

Figure 2.2 shows the key drivers of the change in APTPPL's RBP capital base over the 2022–27 period for this draft decision. Overall, the closing capital base at the end of the 2022–27 period is forecast to be 3.0 per cent higher than the opening capital base at the start of that period, in nominal terms. The approved forecast net capex and expected inflation increase the capital base by about 6.2 per cent and 11.5 per cent, respectively. Forecast depreciation, on the other hand, reduces the capital base by about 14.7 per cent.

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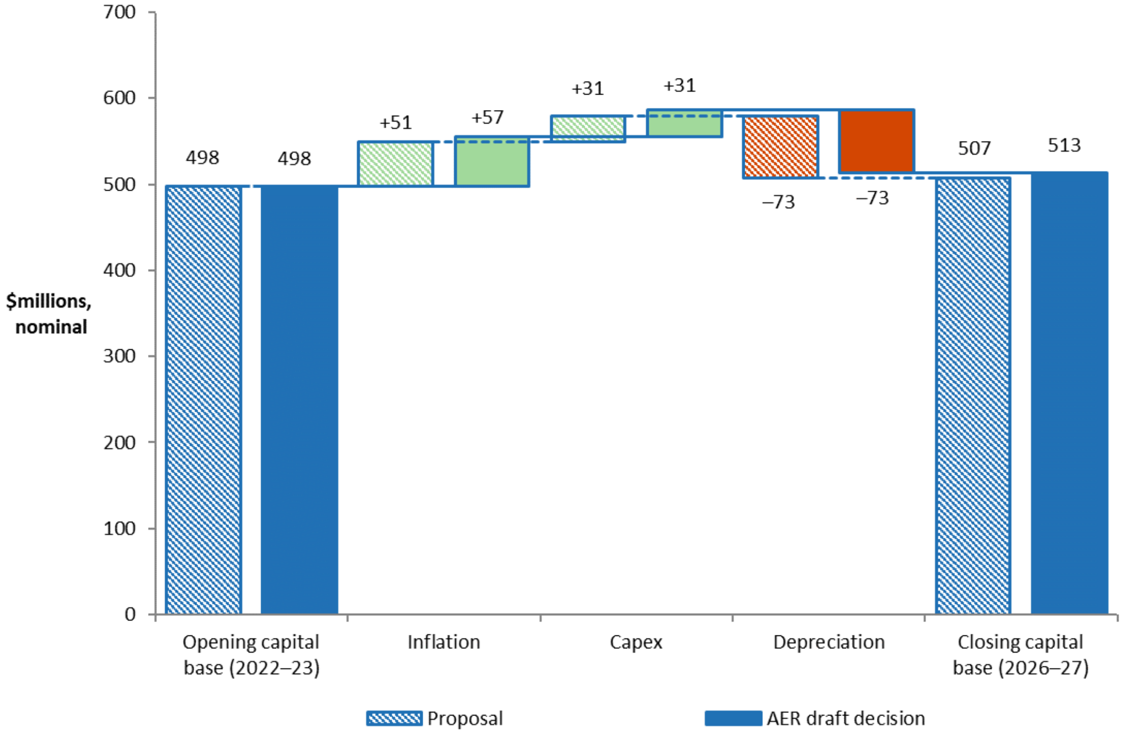
[34] APTPPL, *Roma to Brisbane Pipeline 2022–27 – Updated Post-tax revenue model,* 30 September 2021.

[35] The increase in the indexation to the capital base is largely due to the increase in the inflation rate which more than offsets the lower forecast capex in our draft decision.

[36] Regulatory depreciation is the net total of straight-line depreciation and inflation indexation of the capital base.

Figure 2.2 Key drivers of changes in the capital base – APTPPL's RBP proposal compared with AER's draft decision ($ million, nominal)



Source: AER analysis.

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

2.4.3 Capital base at commencement of 2027–32 period

The capital base at the commencement of the 2027–32 period will be subject to adjustments consistent with the NGR. The adjustments for RBP include (but are not limited to) actual inflation and approved depreciation over the 2022–27 period.

We accept APTPPL's proposal to establish the RBP opening capital base as at 1 July 2027 using the approved depreciation schedules based on forecast capex over the 2022–27 period.[37] This is consistent with the requirement in its current access arrangement which requires that depreciation be based on forecast capex.[38] We approved such an approach in our recent gas access arrangement decisions.[39] This

[37] APTPPL, *Roma to Brisbane Pipeline 2022–27 Proposed revised access arrangement, 1 July 2022–30 June 2027*, July 2021, cl. 3.6.

[38] APTPPL, Approved *RBP Access Arrangement Information 2017–22 – final decision revisions marked*, November 2017, p. 14.

[39] AER, *Final decision: APA VTS Australia access arrangement 2018–22, Attachment 2 – Capital base*, November 2017, p. 8; AER, *Final decision: AusNet Services access arrangement 2018–22, Attachment 2 – Capital base*, November 2017, p. 23; AER, *Final decision: Multinet gas access arrangement 2018–22, Attachment 2 –*

approach is also consistent with the approach outlined in our *Access Arrangement Guideline*.[40] The amount of the forecast depreciation is to be approved by us in the final decision for the 2022–27 period.

Capital base, November 2017, p. 7; AER, *Roma to Brisbane Gas Pipeline access arrangement 2017–22, Attachment 2 – Capital base,* November 2017, p. 7; AER, *Australian Gas Networks Victoria and Albury access arrangement 2018–22, Attachment 2 – Capital base,* November 2017, p. 6; AER, *Final decision: Jemena Gas Networks (NSW) access arrangement 2020–25*, *Attachment 2 – Capital base,* June 2020, p. 14; AER, *Final decision: Australian Gas Networks (SA) access arrangement 2021–26, Attachment 2 – Capital base,* April 2021, p. 7; AER, *Final decision: Evoenergy access arrangement 2021–26, Attachment 2 – Capital base,* April 2021, p. 7; AER, *Final decision: Amadeus Gas Pipeline access arrangement 2021–26,* April 2021, p. 23.

[40] AER, *Final access arrangement guideline*, March 2009, pp. 61–62.

A. Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
APTPPL	APT Petroleum Pipelines Pty Limited
capex	Capital expenditure
CPI	Consumer price index
NGR	National Gas Rules
PTRM	Post-tax revenue model
RBP	Roma to Brisbane Pipeline
RFM	Roll forward model
RIN	Regulatory Information Notice
WACC	Weighted average cost of capital