



**DRAFT DECISION**  
**Amadeus Gas Pipeline**  
**Access Arrangement**  
**2016 to 2021**

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

November 2015

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## Note

This attachment forms part of the AER's draft decision on the access arrangement for the Amadeus Gas Pipeline for 2016–21. 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

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## Shortened forms

Shortened form	Extended form
AA	Access Arrangement
AAI	Access Arrangement Information
AER	Australian Energy Regulator
AGP	Amadeus Gas Pipeline
ATO	Australian Tax Office
capex	capital expenditure
CAPM	capital asset pricing model
CESS	Capital Expenditure Sharing Scheme
CPI	consumer price index
DRP	debt risk premium
EBSS	Efficiency Benefit Sharing Scheme
ERP	equity risk premium
Expenditure Guideline	Expenditure Forecast Assessment Guideline
gamma	Value of Imputation Credits
GSL	Guaranteed Service Level
MRP	market risk premium
NEGI	north eastern gas interconnector
NGL	national gas law
NGO	national gas objective
NGR	national gas rules
NPV	net present value
opex	operating expenditure
PFP	partial factor productivity
PPI	partial performance indicators
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

Shortened form	Extended form
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 requires the access arrangement to identify:

- the pipeline which the access arrangement relates to, and
- the services which APT Pipelines (NT) Pty Limited (APTNT) proposes to offer to provide by means of that pipeline.<sup>1</sup>

## 1.1 Draft decision

We accept APTNT's proposal as it is compliant with the NGR.<sup>2</sup>

## 1.2 APT Pipelines (NT) Pty Limited's proposal

APTNT proposed to offer the following services on its network over the 2016–21 access arrangement period:

- the firm service as the only reference service
- the non-reference services:
  - interruptible service
  - negotiated services.<sup>3</sup>

## 1.3 AER's assessment approach

APT Pipelines (NT) Pty Limited is required by the NGR to specify all reference services in its access arrangement proposal.<sup>4</sup> A reference service is a pipeline service that is likely to be sought by a significant part of the market. A pipeline services is a:

- service provided by means of a pipeline, including a:
  - haulage service
  - service facilitating the interconnection of pipelines
- service ancillary to either of the above listed services.

APT Pipelines (NT) Pty Limited's proposed reference service is also required to be consistent with the National Gas Objective.<sup>5</sup>

Our approach to assessing these requirements is to identify:

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<sup>1</sup> NGR, rr. 48(1)(a), 48(1)(b).

<sup>2</sup> NGR, r. 48(1).

<sup>3</sup> APTNT, *Access arrangement for the Amadeus Gas Pipeline: 1 July 2016 to 30 June 2021*, August 2015, cl. 2; APTNT, *Amadeus Gas Pipeline access arrangement revision proposal submission*, August 2015, pp. 23–24.

<sup>4</sup> NGR, r. 48.

<sup>5</sup> NGR, r. 100(a).

- 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 to review the service provider’s description of the pipeline services and reference services.

## 1.4 Reasons for draft decision

Our assessment considers APTNT has complied with the NGR’s service requirements as outlined in Table 1.1 and section 1.4.1. We note APTNT’s proposed reference service for the 2016–21 access arrangement is generally consistent with the reference service we found compliant with the NGR for the current access arrangement.

**Table 1.1 Assessment of APTNT’s compliance with the NGR**

NGR requirements	AER assessment
A full access arrangement must:	
identify the pipeline to which the access arrangement relates and include a reference to a website at which a description of the pipeline can be inspected—NGR clause 48(1)(a)	Compliant. Section 1.1 of the AGP access arrangement proposal.
describe the pipeline services the service provider propose to offer to provide by means of the pipeline — NGR clause 48(1)(b)	Compliant. Section 2 of the AGP access arrangement proposal.
specify the reference services — NGR 48(1)(c)	Compliant. Section 2.3 of the AGP access arrangement proposal.
specify for each reference service:	
(i) the reference tariff; and	Compliant. Sections 2.3.4 & 4.1 and Schedules 1 & 3 of the AGP access arrangement proposal.
(ii) the other terms and conditions on which the reference service will be provided	
— NGR clause 48(1)(d)	
if the access arrangement is to contain queuing requirements – set out the queuing requirements — NGR clause 48(1)(e)	Compliant. Section 6 of the AGP access arrangement proposal.
set out the capacity trading requirements — NGR clause 48(1)(f)	Compliant. Section 5 of the AGP access arrangement proposal.
set out the extension and expansion requirements — NGR clause 48(1)(g)	Compliant. Section 7 of the AGP access arrangement proposal.
state the terms and conditions for charging receipt and delivery points — NGR clause 48(1)(h)	Compliant. Section 4 & 5 and Schedule 3 of the AGP access arrangement proposal.
if there is to be a review submission date – state the review submission date and the revision commencement date — NGR clause 48(1)(i)	Compliant. Section 1.6 of the AGP access arrangement proposal.
if there is to be an expire date – state the expiry date — NGR 48(1)(j)	Not applicable.

Source: AER analysis; NGR clause 48(1); APTNT, *Access arrangement for the Amadeus Gas Pipeline: 1 July 2016 to 30 June 2021*, August 2015.



### 1.4.1 Reference services

We accept APTNT's proposed reference service (the firm service) as we consider it will be sought by a significant part of the market.<sup>6</sup> This means it must be covered by the access arrangement.

As noted by APTNT, 100 per cent of the firm capacity is contracted on the pipeline.<sup>7</sup> After two access arrangement periods characterised by significant operational changes, the period covered by this decision reflects a transition to more stable operating and commercial conditions. The contractual arrangements for the Amadeus Gas Pipeline (AGP) pipeline are well established.

The only uncertainty during the 2016–21 access arrangement period which could impact on the reference services is the anticipated connection of the new North East Gas Interconnector (NEGI) to the AGP. As discussed in the draft decision overview (and further in attachment 12), rather than speculate what this uncertainty will mean for the AGP, our draft decision requires APTNT to include a trigger for acceleration of the review submission date. This trigger will allow APTNT, stakeholders and us to consider the implications of the NEGI for the access arrangement as a whole, when sufficient information becomes available.

### 1.4.2 Non-reference services

APTNT proposed to offer the following non-reference services:

- interruptible service—a gas transport service from any receipt point to any delivery point on the AGP, where APTNT is entitled to cease (or interrupt) the receipt of gas from, or delivery of gas to, the user when:
  - the pipeline capacity is constrained/curtailed, or
  - to meet the capacity requirements of other users of the firm service
- negotiated service—a service negotiated to meet the needs of a user which differ from those of the firm or interruptible service, including potential as available services.<sup>8</sup>

The AER agrees that the above services are non-reference services as they are not likely to be sought by a significant part of the market and should not be specified as a reference service.<sup>9</sup>

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<sup>6</sup> NGR, r. 101(2).

<sup>7</sup> APTNT, *Amadeus Gas Pipeline access arrangement revision proposal submission*, August 2015, pp. 23–24.

<sup>8</sup> APTNT, *Amadeus Gas Pipeline access arrangement revision proposal submission*, August 2015, p. 23.

<sup>9</sup> NGR, r. 101.