



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

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

May 2016

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## Note

This attachment forms part of the AER's final decision on the access arrangement for the Amadeus Gas Pipeline for 2016–21. It should be read with all other parts of the final decision.

The final 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
APTNT	APT Pipelines (NT) Pty Limited (APTNT)
AER	Australian Energy Regulator
AGP	Amadeus Gas Pipeline
ATO	Australian Tax Office
capex	capital expenditure
CAPM	capital asset pricing model
CPI	consumer price index
DRP	debt risk premium
ECM	Efficiency carryover mechanism
ERP	equity risk premium
Expenditure Guideline	Expenditure Forecast Assessment Guideline
gamma	value of imputation credits
GTA	Gas Transport Services Agreement
MRP	market risk premium
NGP	Northern Gas Pipeline (formerly North East Gas Interconnector/NEGI)
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
TAB	tax asset base
UAFG	unaccounted for gas

Shortened form	Extended form
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 APT Pipelines (NT) Pty Limited (APTNT) proposes to offer to provide by means of that pipeline.<sup>1</sup>

## 1.1 Final decision

For the reasons set out in our draft decision, our final decision accepts APTNT's proposed services as being compliant with the NGR.<sup>2</sup> Therefore, there are no revisions required to APTNT's proposed services covered by the access arrangement.

## 1.2 APTNT's revised proposal

APTNT's revised proposal did not contain any changes to the services approved in our draft decision.<sup>3</sup> The services it will offer over the 2016–21 access arrangement period are:

- the firm service as the only reference service
- the non-reference services:
  - interruptible service
  - negotiated services.<sup>4</sup>

## 1.3 AER's assessment approach

APTNT is required by the NGR to specify all reference services in its access arrangement proposal.<sup>5</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.

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

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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> AER, *Draft decision: Amadeus Gas Pipeline access arrangement 2016 to 2021: Attachment 1–Services covered by the access arrangement*, November 2015, p. 1-6.

<sup>4</sup> APTNT, *Access arrangement for the Amadeus Gas Pipeline: 1 July 2016 to 30 June 2021*, January 2016, cl. 2.

<sup>5</sup> NGR, r. 48.

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

## 1.4 Reasons for final decision

Our assessment considers APTNT has complied with the NGR's service requirements outlined in Table 1.1 and section 1.4.1. We note APTNT's proposed reference service for the 2016–21 access arrangement is 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
<b>A full access arrangement must:</b>	
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 rule 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 rule 48(1)(b)	Compliant. Section 2 of the AGP access arrangement proposal.
specify the reference services — NGR rule 48(1)(c)	Compliant. Sections 2.1.1 and 2.3 of the AGP access arrangement proposal.
specify for each reference service:  (i) the reference tariff; and  (ii) the other terms and conditions on which the reference service will be provided  — NGR rule 48(1)(d)	Compliant. Sections 2.3 and 4.1 and Schedules 1 and 3 of the AGP access arrangement proposal.
if the access arrangement is to contain queuing requirements – set out the queuing requirements — NGR rule 48(1)(e)	Compliant. Section 6 of the AGP access arrangement proposal.
set out the capacity trading requirements — NGR rule 48(1)(f)	Compliant. Section 5 of the AGP access arrangement proposal.
set out the extension and expansion requirements — NGR rule 48(1)(g)	Compliant. Section 7 of the AGP access arrangement proposal.
state the terms and conditions for changing receipt and	Compliant. Section 4 and 5 and Schedule 3 of the AGP

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



NGR requirements	AER assessment
delivery points — NGR rule 48(1)(h)	access arrangement proposal.
if there is to be a review submission date – state the review submission date and the revision commencement date — NGR rule 48(1)(i)	Compliant. Section 1.6 of the AGP access arrangement proposal.
if there is to be an expiry date – state the expiry date — NGR rule 48(1)(j)	Not applicable.

## 1.4.1 Reference services

For the reasons set out in our draft decision, we consider APTNT’s proposed reference service (the firm service) will be sought by a significant part of the market.<sup>7</sup> Therefore 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>8</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.

We do not accept Power and Water Corporation's submission that the interruptible service should be classified as a reference service.<sup>9</sup> We note that historically less than five per cent of gas has been transported on the AGP under arrangements other than a firm service.<sup>10</sup> Also, APTNT noted that over the previous access arrangement period prospective users generally first sought a firm transportation agreement and only took an interruptible service if the firm service was unavailable. On that basis, we do not consider that the interruptible service is sought by a significant part of the market and therefore we do not consider that it should be classified as a reference service.

As per our draft decision, the only uncertainty during the 2016–21 access arrangement period which could impact on the reference services is the anticipated connection of the new Northern Gas Pipeline (NGP) to the AGP. Rather than speculate what this uncertainty will mean for the AGP, our final decision includes a trigger event for acceleration of APTNT’s review submission date should it become clear that the implications of the NGP for this access arrangement are substantial. This will allow us to make a more informed decision on what revisions to the access arrangement—if any—may be required.

<sup>7</sup> NGR, r. 101(2).

<sup>8</sup> APTNT, *Amadeus Gas Pipeline access arrangement revision proposal submission*, August 2015, pp. 23–24.

<sup>9</sup> Power and Water Corporation, *Amadeus Gas Pipeline access arrangement 2016–21: Submission of Power and Water Corporation—Public version*, 4 February 2016, pp. 1–2.

<sup>10</sup> APTNT, *Amadeus Gas Pipeline access arrangement revision proposal submission*, August 2015, p. 8.

## 1.4.2 Non-reference services

As per our draft decision, we agree with APTNT that the following are non-reference services and are not likely to be sought by a significant part of the market, and should not be specified as 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>11</sup>

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<sup>11</sup> APTNT, *Amadeus Gas Pipeline access arrangement revision proposal submission*, August 2015, p. 23.