



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

**Attachment 7 – Operating**  
**expenditure**

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

Attachment 10 - Reference tariff setting

Attachment 11 - Reference tariff variation mechanism

Attachment 12 - Non-tariff components

Attachment 13 - Demand

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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

Shortened form	Extended form
UAFG	unaccounted for gas
WACC	weighted average cost of capital
WPI	Wage Price Index

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## 7 Operating expenditure

Forecast operating expenditure (opex) is the forecast operating, maintenance and other non-capital expenditure incurred in the provision of reference services for a pipeline. It includes expenditures that a prudent service provider is likely to require during an access arrangement period for the efficient operation of its pipeline.

### 7.1 Final decision

We are satisfied that the forecast of total opex APTNT proposed complies with the opex criteria, and satisfies the criteria for forecasts and estimates. We therefore accept the forecast of opex APTNT included in its access arrangement proposal.<sup>1</sup>

APTNT's proposed total opex and our decision on opex for the 2016–21 access arrangement period are in Table 7.1.

**Table 7.1 APTNT opex (\$million, 2015–16)**

	2016–17	2017–18	2018–19	2019–20	2020–21	Total
APTNT's proposal	11.9	12.9	13.9	11.8	12.3	62.8
AER decision	11.9	12.9	13.9	11.8	12.3	62.8
Difference	–	–	–	–	–	–

Source: APTNT, *Access arrangement revised proposal, 2016–21 Access arrangement information*, January 2016, p. 17; AER analysis.

Note: Excludes debt raising costs.

### 7.2 APTNT's revised proposal

APTNT noted the AER's draft decision accepted APTNT's forecast opex for the access arrangement period. APTNT did not propose any further revisions to its opex forecast.

### 7.3 AER's assessment approach

Our assessment approach is the same as in the draft decision.<sup>2</sup>

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<sup>1</sup> The opex input to the PTRM in the AER draft decision was not consistent with the AER draft decision on forecast opex. Therefore the opex forecast input to the final decision PTRM has been amended.

<sup>2</sup> AER, Draft Decision, *Amadeus Gas Pipeline Access Arrangement 2016 to 2021, Attachment 7 - Operating expenditure*, November 2015, pp. 7-8 to 7-11.

## 7.4 Reasons for final decision

In our draft decision, we accepted APTNT's proposed opex forecast, which was consistent with the estimate derived from our revealed cost (base-step-trend) forecasting methodology.

We have reviewed the estimate derived for our draft decision to determine if any new information should be taken into account, including updates to inputs or submissions from interested parties. We received no specific submissions on APTNT's forecast opex. Our review has not identified any new information which impacts upon our reasoning as set out in the draft decision.

We are satisfied that APTNT's forecast opex for the 2016–21 access arrangement period complies with the opex criteria and criteria for forecast and estimates for the reasons set out in our draft decision. This conclusion must be read in conjunction with our draft decision, which details our analysis of APTNT's forecast opex.<sup>3</sup> Debt raising costs are discussed in Attachment 3.

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<sup>3</sup> AER, Draft Decision, *Amadeus Gas Pipeline Access Arrangement 2016 to 2021, Attachment 7 - Operating expenditure*, November 2015.