



# Roma to Brisbane Pipeline (RBP)

## 2022–27 Gas Access Arrangement Proposal

Public forum  
4 August 2021

[aer.gov.au](http://aer.gov.au)

# Agenda

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| Time          | Item  |
|---------------|---|
| 10:00 – 10:10 | <b>AER:</b> Welcome & introductions                           |
| 10:10 – 10:30 | <b>AER:</b> Initial observations & how to get involved        |
| 10:30 – 11:00 | <b>APT Petroleum Pipelines Pty Ltd (APTPPL):</b> Presentation |
| 11:00 – 11:30 | Discussion/Q&A  |
| 11:30 – 11:35 | <b>AER:</b> Thank you & close                                 |

# Who are we?

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- The AER works to make Australian energy consumers better off by:
  - Regulating electricity networks and covered gas pipelines in all jurisdictions, except WA
  - Enforcing laws for the NEM and spot gas markets in southern and eastern Australia
  - Protecting interests of household and small business consumers by enforcing the NERL.

## About this process

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- The AER regulates full regulation gas pipelines under an approved access arrangement (AA).
- AA specifies pipeline services (reference services), and price and non-price terms and conditions on which reference services will be offered.
- AA forms the foundation for negotiations between pipeline operators and users.

# Our determination for RBP

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- In this determination process, the AER will make a regulatory decision on the revenue APTPPL can recover from users of its reference services.

# Delivering improved outcomes for consumers

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- Strong consumer engagement helps us test access arrangement proposals.
- Our framework for considering consumer engagement includes the following elements:
  - nature of engagement
  - breadth and depth of engagement
  - clearly evidenced impact
  - assessment of outcomes (or ‘proof points’)
- APTPPL self-assessed against the framework in its proposal

# Key stakeholder issues

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- Prominent themes from APTPPL's consumer engagement:
  - Future of the DN250 pipeline
  - Accelerated depreciation
  - Affordability

# Assessment of outcomes

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- Our initial observations are presented on the following slides.
- Stakeholders can assist our process by providing their views on these observations, or any other aspect of the RBP 2022–27 proposal.



# RBP proposal – what it means for customers?

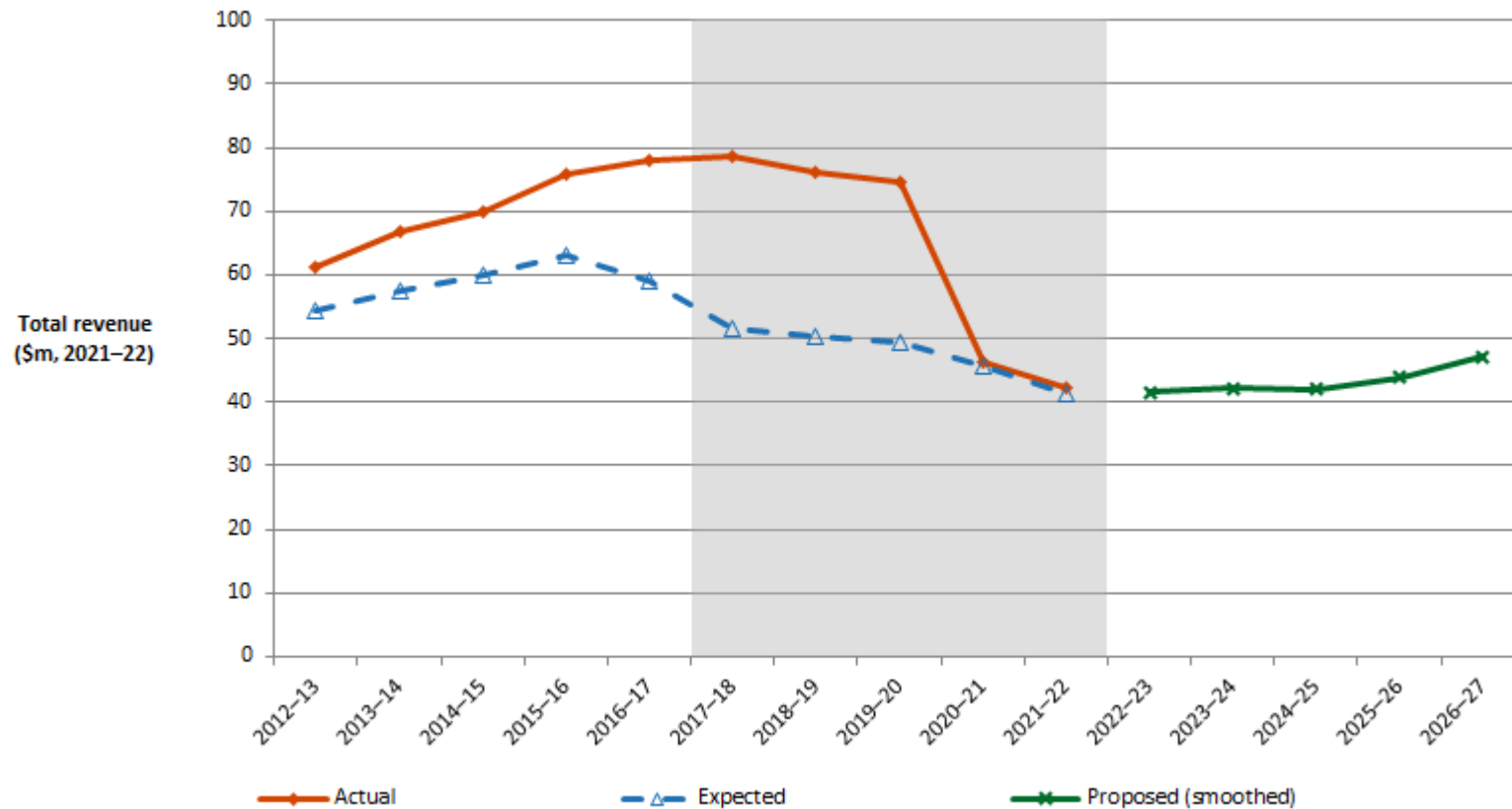
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- APTPPL’s network costs account for 3.38% of residential and small business consumers’ retail bill.
- Bill impact of the RBP proposal for 2022–27:

|   | <b>Residential</b><br>(7.8 GJ/Yr customer) | <b>Small business</b><br>(100 GJ/Yr customer) |
|---|--|---|
| <b>Base bill</b>                                  | \$671                                      | \$3896  |
| <b>\$ Nominal</b><br><b>(change over 5 years)</b> | 1.5% or \$10                               | 1.5% or \$58                                  |
| <b>Avg change per year</b>                        | 0.3% or \$2                                | 0.3% or \$12                                  |

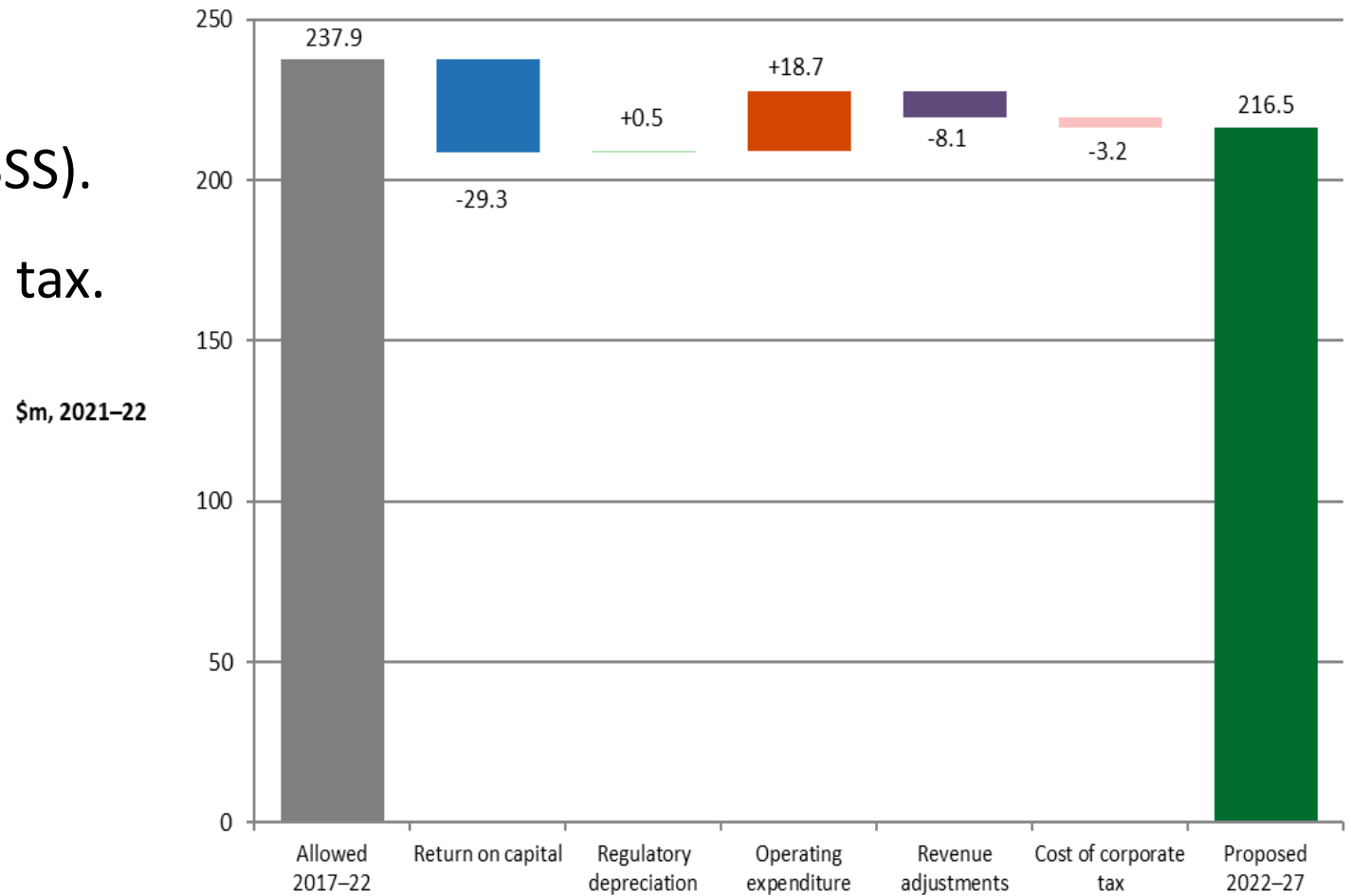
# Total revenue

- Proposed 2022–27 total revenue of \$216.7m (\$2021-22, smoothed), which is 8.9% lower than approved 2017–22 revenue.



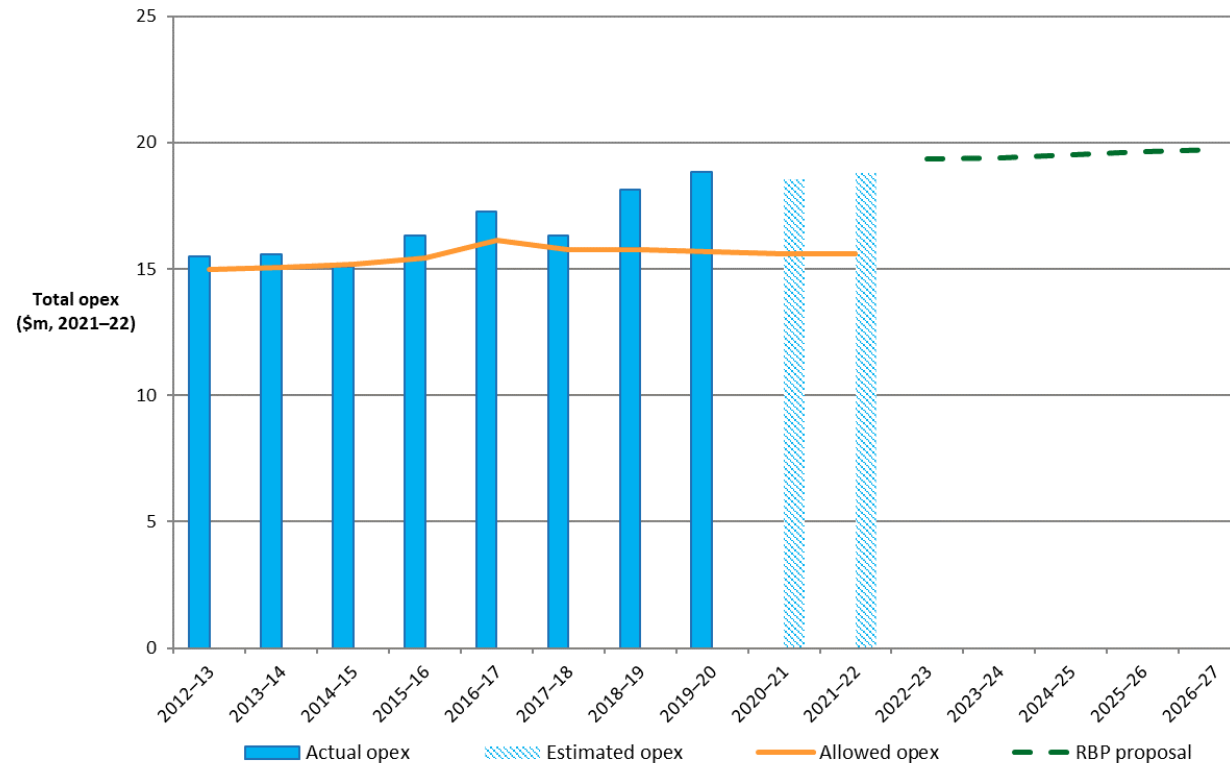
# Building blocks

- Proposed lower revenue at the ‘building block’ level driven by:
  - return on capital.
  - revenue adjustments (EBSS).
  - cost of corporate income tax.



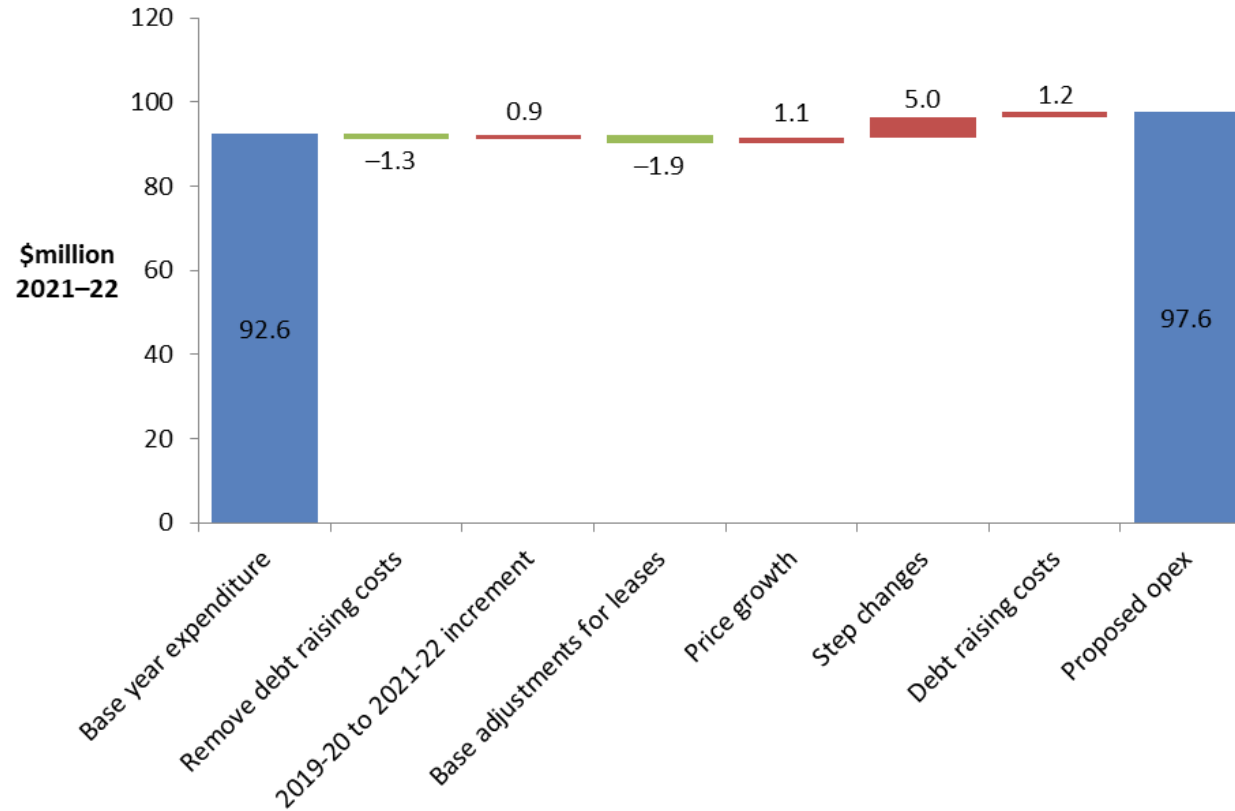
# Operating expenditure (opex)

- Proposed opex is \$97.6m (\$2021–22) for the 2022–27 period, which is:
  - \$6.9m more than the actual/estimated opex for the 2017–22 period
  - \$19.2m more than the approved opex forecast for the 2017–22 period.



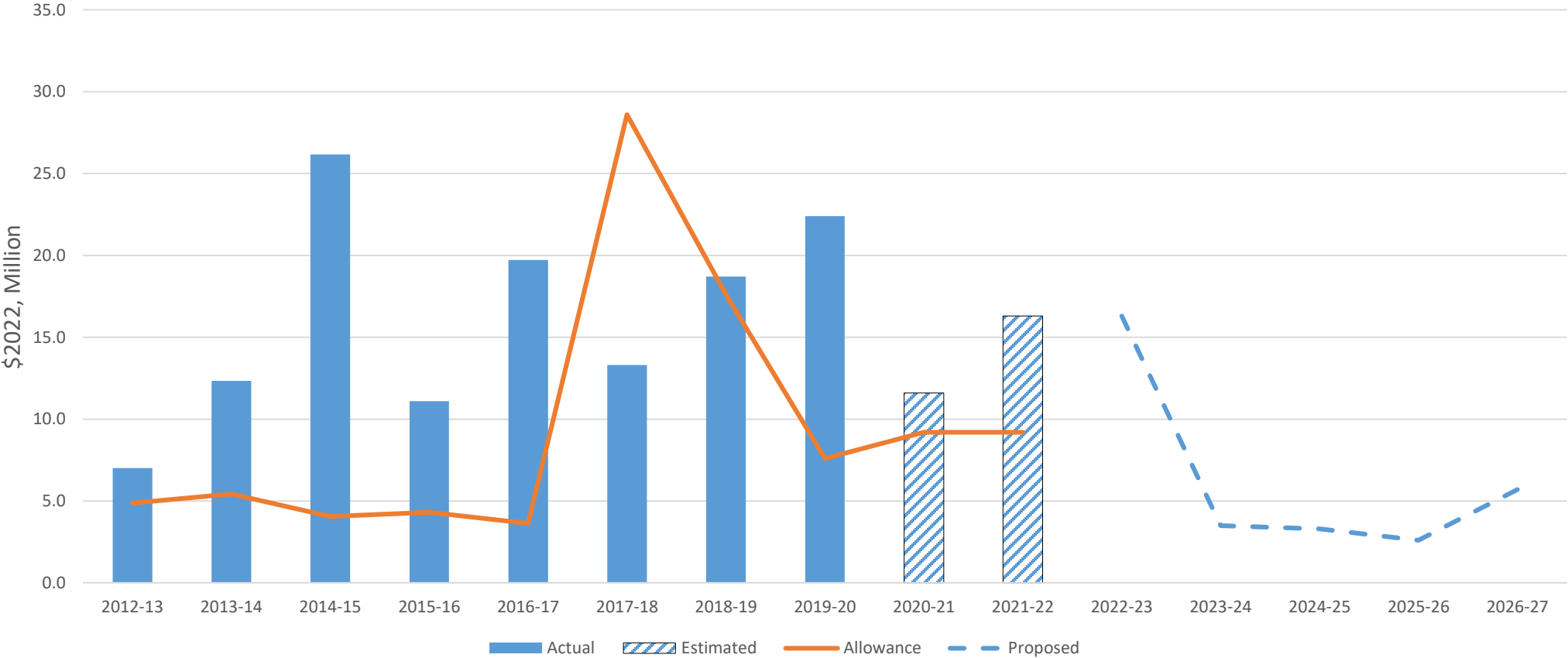
# Operating expenditure (opex) – key drivers

- One step change for IT cloud costs.



# Capital expenditure (capex)

- Capex is \$31.4m (62%) lower for 2022–27 compared to current period spend.



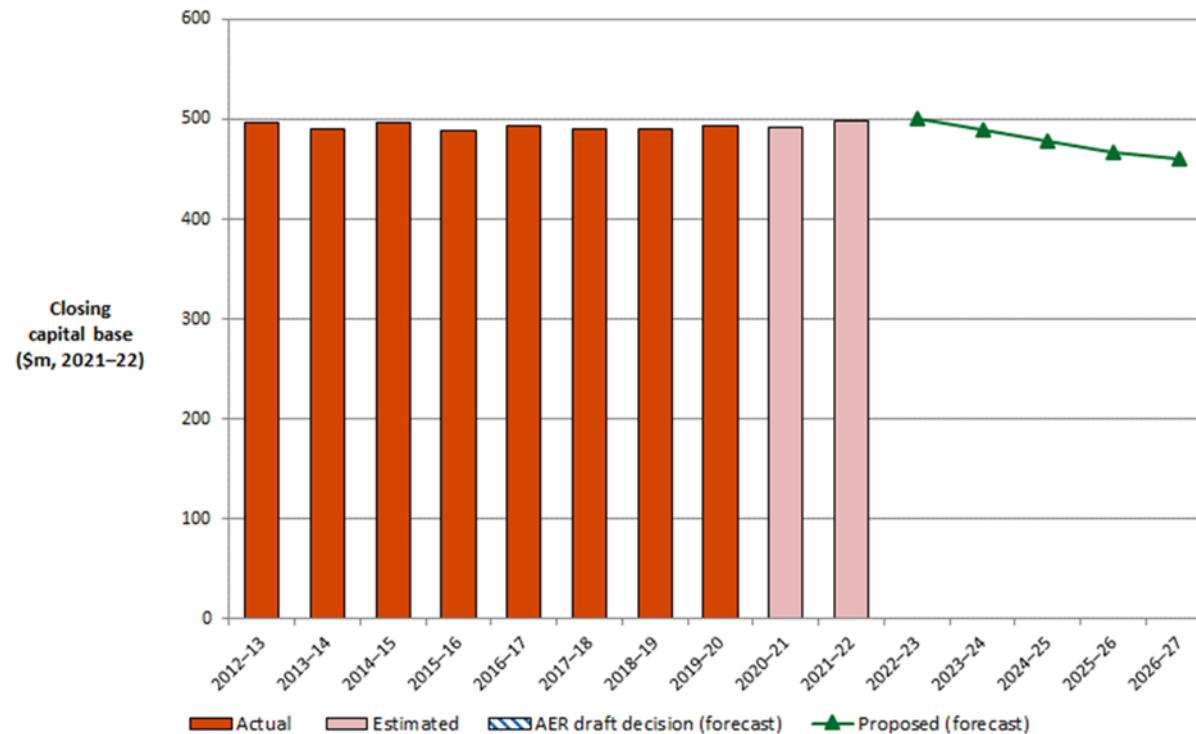
## Capital expenditure (capex) – key drivers

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- No capex relating to pipeline expansion or extension.
- Reduced maintenance and replacement costs (decommissioning DN250 pipeline).
- Two major projects relate to:
  - Pipeline integrity program: maintain the safety of the DN400 and DN300 pipelines.
  - Supply security project: supply continuity to current DN250 customers.

# Capital base

- Opening capital base of \$497.5m at 1 July 2022, \$3.4m (0.7%) increase for 2017–22 period.
- Capital base forecast to reduce \$37.1m (7.5%) for the 2022–27 period.





# Issues – (1) Regulatory depreciation

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- Proposing accelerated depreciation of pipeline assets of \$6.1m (\$nominal) over 2022-27 (2.6% of total revenue):
  - reducing remaining asset life of DN250 pipeline to 2 years (from 41.5 yrs) and merging with other pipeline asset class (remaining life 61.5 yrs) to give a new remaining life of 49.5 yrs, which increases regulatory depreciation by \$5.6m
  - shorter asset lives for new assets (pipelines, compressors, regulators and meters) which increases regulatory depreciation by \$0.5m

Do you agree with the proposed accelerated depreciation of the DN250 pipeline?

Do you agree with the reduced asset lives for new assets?

## Issues – (2) Forecast demand

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- Forecast demand is an important factor in a price cap regime.
- APTPPL's is forecasting contracted demand to decrease compared with historical contracted demand.
- The NGR requires that forecast demand is arrived at on a reasonable basis and represents the best forecast possible in the circumstances (NGR, r. 74(2)).
- We will be assessing the methodology that APTPPL used in arriving at its forecast, including underlying data and assumptions.

What are your views on the forecast decrease in demand?

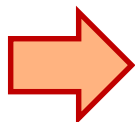
## Issues – (3) Proposed changes to Access Arrangement

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- AER approved reference service changes:
  - Reference services: two direction based reference services (eastbound and westbound)
    - Two prudent discounts (eastbound and westbound)
  - Extensions and expansions on the pipeline
  - Consistency with NGR

What are your views on the proposed changes?

# What happens next?



| Milestone   | Date (indicative)     |
|---|-----------------------|
| APTPPL submitted RBP access arrangement (AA) proposal       | 1 July 2021           |
| AER public forum on RBP AA proposal                         | 4 August 2021         |
| <b>Stakeholder submissions on RBP AA proposal</b>           | <b>18 August 2021</b> |
| AER publishes draft decision                                | 26 November 2021      |
| APTPPL submits revised AA proposal                          | 14 January 2022       |
| Submissions on draft decision and revised AA proposal close | 18 February 2022      |
| AER publishes final decision                                | 29 April 2022         |

# Questions?

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# How You Can Get Involved

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1

Write a submission to the AER

Stakeholder submissions  
due 18 August 2021

2

Subscribe to our website for updates

<https://www.aer.gov.au/newsletter/subscribe>

3

Contact us

[RBP2022@ aer.gov.au](mailto:RBP2022@ aer.gov.au)