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Access Arrangement RIN response
Schedule 3

December 1, 2021

APA VTS



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Appendix C Schedule 3 – Historical Information

<p>SCHEDULE 3 – HISTORICAL INFORMATION</p> <p>REGULATORY INFORMATION NOTICE UNDER DIVISION 4 OF PART 1 OF CHAPTER 2 OF THE NATIONAL GAS (VICTORIA) LAW ISSUED TO</p> <p>APA VTS AUSTRALIA (OPERATIONS) PTY LIMITED (ABN 65 083 009 278)</p> <p>Note: (a) All information and answers to be provided relate to the <i>current access arrangement period</i> unless otherwise stated.</p>	
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C.1 Provide historical financial information

C.1.1 Regulatory accounting principles and policies

<p>1. PROVIDE HISTORICAL FINANCIAL INFORMATION</p> <p>1.1 If not previously provided to the <i>AER</i>, provide in the materials submitted to the <i>AER</i>:</p> <ul style="list-style-type: none"> (a) the <i>regulatory accounting principles and policies</i> and the <i>capitalisation policy</i> for the relevant <i>regulatory year</i>; (b) the <i>cost allocation methodology</i> for the relevant <i>regulatory year</i>; (c) a statement of policy for determining: <ul style="list-style-type: none"> (i) the allocation of costs for the relevant <i>regulatory year</i>; and (ii) the allocation of overheads for the relevant <i>regulatory year</i>.

Regulatory accounting principles and policies, capitalisation policy, methods of cost allocation, and cost allocation policies, relevant to the historical financial information, have been provided to the AER. The documents were submitted along with the Basis of Preparation document which VTS was required to complete and submit to the AER on 30 April 2021 in response to the Annual Regulatory Information Notice, issued on 1 April 2020 as varied, requiring the reporting of historical financial information for the regulatory years 2011 to 2019 and the Annual financial information for 2020 regulatory year. There has been no change to the documents since submission.

C.1.2 Material changes in policies

<p>1.2 Identify all <i>material</i> changes in the policies provided in the response to paragraph 1.1(c) compared to information previously provided to the <i>AER</i>. For each change identified:</p> <ul style="list-style-type: none"> (a) explain the nature of and the reasons for the change; and (b) quantify the effect of the change on the <i>regulatory templates</i> for the relevant <i>regulatory year</i>.
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There was no material change in the policies for determining the allocations of costs and overheads referred to in paragraph 1.1(c) for the reported regulatory periods.

C.2 Compliance with current access arrangement

C.2.1 Cost pass through

<p>2. COMPLIANCE WITH CURRENT ACCESS ARRANGEMENT</p> <p>Cost pass through</p> <p>2.1 Describe in the materials submitted to the AER the processes and procedures VTS has in place to:</p> <ul style="list-style-type: none">(a) identify negative cost pass through events under the <i>current access arrangement</i>, and(b) determine the materiality (as defined in clause 4.5.5 of the <i>current access arrangement</i>) of cost decreases.
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Administration of the Access Arrangement for the VTS is the responsibility of the Economic Regulatory and External Policy function within APA's Governance and External Affairs business unit. The functional accountabilities of this subunit are:

- APA's economic regulation strategy, standards and processes, and external policy framework
- APA's external policy position advocacy
- Regulatory market monitoring
- Stakeholder engagement strategy
- Regulatory compliance plans
- Business education
- Regulatory advice to business
- Management of access arrangements
- Regulatory compliance reporting and responses.

Members of Economic Regulatory and External Policy function meet at least once every week to review and discuss regulatory matters. If the negative cost pass through events to occur, cost pass through events under the current the Access Arrangement for the VTS would be identified by this function.

Section 4.6.3 of the Access Arrangement allows, subject to AER approval, cost pass throughs for seven types of cost pass through events. They are:

- insurance cap event
- insurer credit risk event
- natural disaster event
- regulatory change event
- service standard event
- tax change event
- terrorism event

Each of these events is broadly defined, and determination of the increase or decrease in costs on realisation of any one of them would require close examination of the specific circumstances of the event.

The Economic Regulatory and External Policy function monitors APA Group regulated pipelines, including VTS, to determine, initially, whether there have been any “events” which result in costs which may qualify for pass-through treatment.

Should costs be found to change, assessment of whether the change is, or is not, material is in accordance with the criterion (materiality threshold) in the paragraphs of section 4.6.4 of the Access Arrangement:

For the purpose of a defined Cost Pass-through Event which has a materiality threshold of materially increasing or decreasing the costs to Service Provider of providing the Reference Service, an event is considered to materially increase or materially decrease costs where that event is reasonably expected to have an impact of one per cent of the smoothed forecast revenue, approved by the AER in its final decision on the Access Arrangement, in the year of the Access Arrangement Period that the costs are incurred. The defined Cost Pass-through Events with this materiality threshold are: Insurance Cap Event; insurer credit risk event; natural disaster event; pre-approved capex event; regulatory change event; service standard event; tax change event; and terrorism event.

C.3 Cost allocation to VTS

C.3.1 Items not directly attributable to VTS

<p>3. COST ALLOCATION TO VTS</p> <p>3.1 Identify in the materials submitted to the AER each item in the <i>regulatory templates</i> that is:</p> <p>(a) not allocated on a <i>directly attributable</i> basis but is allocated on a <i>causation basis</i> to VTS; or</p> <p>(b) not allocated on a <i>directly attributable</i> basis and cannot be allocated on a <i>causation basis</i> to VTS.</p>

Five regulatory templates are attached as Appendix A of the Reset RIN. *Workbook 2 – Historical data* provides information relating to the current access arrangement period. This information is in the following worksheets in Workbook 2:

- E.2 Replacement CAPEX, by driver and by project
- E3. Expansion CAPEX, by driver and by project
- E6. Non-network CAPEX, by driver and by project
- E10. Overheads, which also includes OPEX.
- E13. Other capex

Worksheet E13 Other CAPEX – in Workbook 2 may also be used to report historical financial information. However, VTS has not reported any “other CAPEX”. All of VTS CAPEX is reported as replacement, expansion or non-network CAPEX in line with the current access arrangement.

Based on the agreed approach with the AER, APA has reported all capital and operating expenditures as directly attributable to the service provider and to the reference service.

All expenditure reported in worksheets E.2, E.3, E.6 and E.10 has been reported as directly attributable to VTS.

C.3.2 Causal allocation methods

<p>3.2 For each item identified in the response to paragraph 3.1(a):</p> <ul style="list-style-type: none"> (a) state the amount of the item that has been allocated to VTS; (b) explain the method of allocation and reasons for choosing that method; and (c) state the amount of each allocator used; and (d) explain the reason(s) why it cannot be <i>directly attributable</i>.

Based on the agreed approach with the AER, APA has reported all capital and operating expenditures as directly attributable to the service provider and to the reference service.

As a result, no amount has been reported as not allocated on a directly attributable basis but is allocated on a causation basis to VTS.

C.3.3 Other allocation methods

<p>3.3 For each item identified in the response to paragraph 3.1(b):</p> <ul style="list-style-type: none"> (a) state its amount; (b) state whether it was material; (c) explain the method of allocation and reasons for choosing that method; and (d) explain the reason(s) why it cannot be allocated on a <i>causation basis</i>.

No amount has been identified as not able to be allocated on a directly attributable basis and not able to be allocated on a causation basis to VTS.

C.4 Cost allocation to services

C.4.1 Allocation methods

<p>4. COST ALLOCATION TO SERVICES</p> <p>4.1 Identify each item in the regulatory templates attached at Appendix A that is:</p> <ul style="list-style-type: none"> (a) <i>directly attributable</i> from VTS to either <i>reference services</i> or <i>other services provided as a covered pipeline</i>; (b) not <i>directly attributable</i> but is allocated on a <i>causation basis</i> from VTS to <i>reference services</i> or <i>other services provided as a covered pipeline</i>; and (c) not <i>directly attributable</i> and cannot be allocated on a <i>causation basis</i> from VTS to <i>reference services</i> or <i>other services provided as a covered pipeline</i>.
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Five regulatory templates are attached as Appendix A of the Reset RIN. *Workbook 2 – Historical data* provides information relating to the current access arrangement period. This information is in the following worksheets in Workbook 2:

- E.2 Replacement CAPEX, by driver and by project
- E.3 Expansion CAPEX, by driver and by project
- E.6 Non-network CAPEX, by driver and by project
- E.10 Overheads, which also includes OPEX.

All expenditure reported in worksheets E.2, E.3 and E.10 is directly attributable from VTS to the firm service reference service of the Access Arrangement for VTS.

C.4.2 Directly attributable amounts

4.2 For each item identified in response to paragraph 4.1(a) state the amount of the item that is *directly attributable* to:

- (a) *reference services*; and
- (b) *other services provided as a covered pipeline*.

All amounts identified in response to paragraph 4.1(a) above are directly attributable to the firm service reference service of the Access Arrangement for VTS.

No amount is directly attributable to other services provided using the covered pipeline.

C.4.3 Causal allocation amounts

4.3 For each item identified in the response to paragraph 4.1(b):

- (a) state the amount of the item that has been allocated to:
 - (i) *reference services*; and
 - (ii) *other services provided as a covered pipeline*.
- (b) explain the method of allocation and reasons for choosing that method;
- (c) state the amount of each allocator used; and
- (d) explain the reason(s) why it cannot be *directly attributable*.

No amount has been identified as not directly attributable but able to be allocated on a causation basis from VTS to reference services or other services provided using the covered pipeline.

C.4.4 Other allocated amounts

4.4 For each item identified in the response to paragraph 4.1(c):

- (a) state the amount of the item that has been allocated to:
 - (i) *reference services*; and
 - (ii) *other services provided as a covered pipeline*;and whether it was *material*;
- (b) explain the method of allocation and reasons for choosing that method; and
- (c) explain the reason(s) why it cannot be allocated on a *causation basis*.

No amount has been identified as not directly attributable and not able to be allocated on a causation basis from VTS to reference services or other services provided using the covered pipeline.

C.5 Compliance with the RIN obligations

VTS has complied with the obligations in the Reset RIN in this document and in the accompanying Basis of Preparation.

- 1. Appendix 1 – Accounting Policy Capitalisation of Labour**
- 2. Appendix 2 – APA Cost Allocation Methodology**
- 3. Appendix 3 – Regulatory Accounting Principles**
- 4. Appendix 4 – Statement of Policy of Allocation of Costs**