

Victorian Transmission System Stakeholder Engagement Group

2023-27 access arrangement.

Roundtable 1. 28 October 2020

presented by: Scott Young, Nives Matosin



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Discussion points



1	Acknowledgement of Country and traditional owners, introductions, house rules
2	Setting the scene – what we're doing
3	About APA and what do we do?
4	Victorian Transmission System and some issues for the upcoming period
5	Regulatory landscape for VTS
6	Proposed engagement plan
7	Wrap up

Acknowledgement of Traditional Owners



In the spirit of reconciliation, we acknowledge the Traditional Custodians of country throughout Australia and their connections to land, sea and community and especially to the custodians for the lands on which the Victorian Transmission System is located.

We pay our respect to their elders past and present.

We extend that respect to all Aboriginal and Torres Strait Islander peoples attending today.

Introductions and house rules

- Hello from the APA team.
- This is intended be an open discussion between the engagement group and APA.
- We welcome you to raise any issues or questions about the access arrangement.
- We ask that discussions during the roundtable are respectful.
- We will keep notes of discussions.
- We are not intending to attribute any comments or questions to you or your organisation, unless requested.

Setting the scene – what we are doing



Setting the scene – what we are doing



APA owns the Victorian Transmission System (VTS) and we are required to review the access arrangement for VTS for the 2023-27 period. The access arrangement contains the terms and conditions for access to the VTS.

APA is committed to better engagement with stakeholders. We are embedding engagement into our regulatory processes.

We have established the Victorian Transmission System Stakeholder Engagement Group to provide input and insights from a range of consumer, business and government stakeholders about our plans for the VTS.

By consulting widely with interested parties APA hopes to be able to prepare an access arrangement for 1 January 2023 through 31 December 2027 that is balanced and takes into consideration the views of stakeholders.

As an ASX-listed company, there are some things we may not be able to disclose. We will let you know if this happens.

About APA

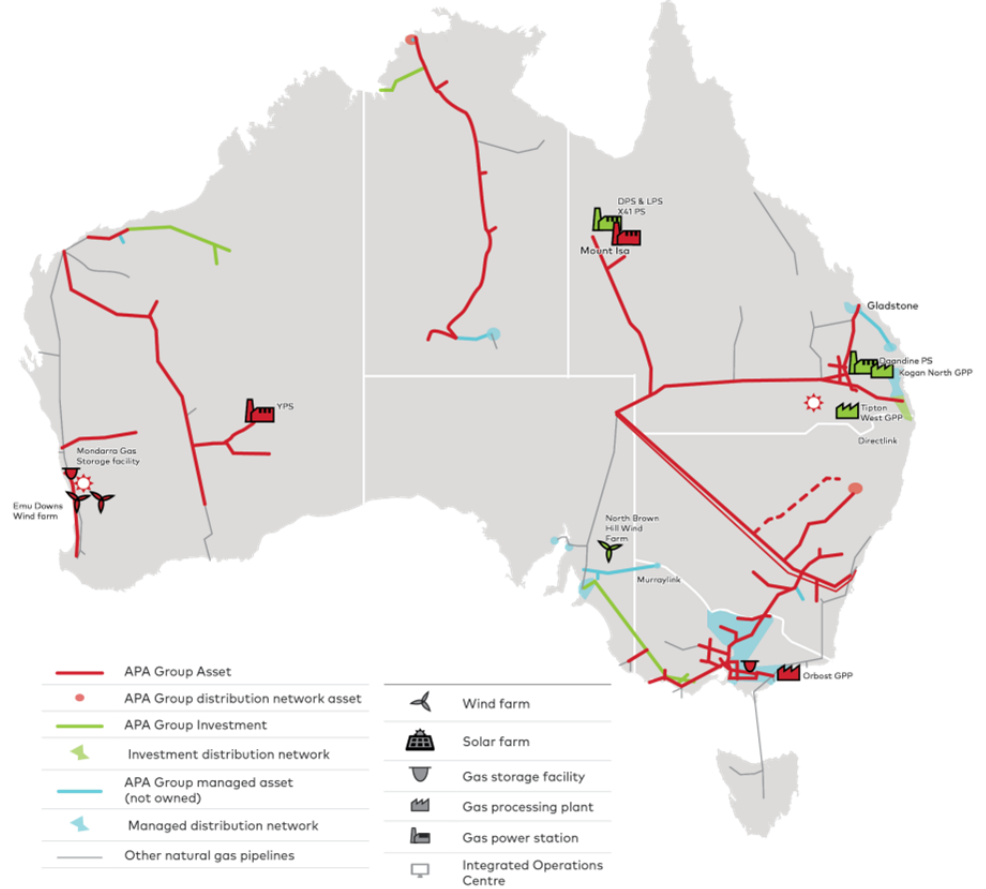


We provide energy services to customers across Australia.

APA's assets are an important part of Australia's energy supply chains.

- We own and operate major gas transmission pipelines, gas storage facilities, and gas processing plants.
- We also own and operate 900MW of power generation assets (gas 46%, wind 38%, solar 16%), and two electricity transmission interconnectors.
- We also provide gas distribution services.

We employ 1,900 people across Australia.



About APA



In FY2020 we articulated our Purpose and defined our Vision

Purpose: We strengthen communities through **responsible energy**.

Responsible energy at APA means:

- Doing the right thing, even in the tough situations.
- Creating value for all our stakeholders.
- Taking a long-term view and being here for our future generations.
- Investing in future technologies and new energy.
- Innovating for a sustainable future.

Vision: To be **world class** in energy solutions.

World class means APA is known for:

- High integrity and credibility.
- Leadership in responsible energy.
- Customer focused.
- Operational capability, safety and environmental performance.
- Where people are proud to work.
- Making a positive impact in our communities.

About the VTS and some issues for the upcoming period



About the Victorian Transmission System



The VTS comprises approximately 1,992 km of pipelines which transport gas from various inlet points to load centres throughout Victoria.

- Gas enters the VTS primarily from:
- Longford/Pakenham in the east;
 - Port Campbell in the west;
 - Culcairn in the North.

The VTS is part of the inter-connected East Coast Grid.

Almost all the natural gas consumed in Victoria (about 200PJ per year) is transported through the VTS.



Source: AEMO

Some issues for the upcoming period



Security of supply

- Longford, Victoria's main source of supply, is in decline
- AEMO has forecast potential shortages as early as winter 2023 – there is a focus on getting enough gas into Victoria to meet peak demand
- There are several LNG Floating Storage and Regasification Units (FSRU) proposed to bring gas into Victoria
 - Is there sufficient injection capacity?
 - What are the capex/opex implications?
 - What are the timing implications for any capex? Rule 80?

Tariff reform

- The current VTS tariffs are very complex
- Is there scope to simplify them?
- Simpler injection tariffs? Postage stamp Tariff V?



**We look forward to your views on these issues.
What other issues concern you?**

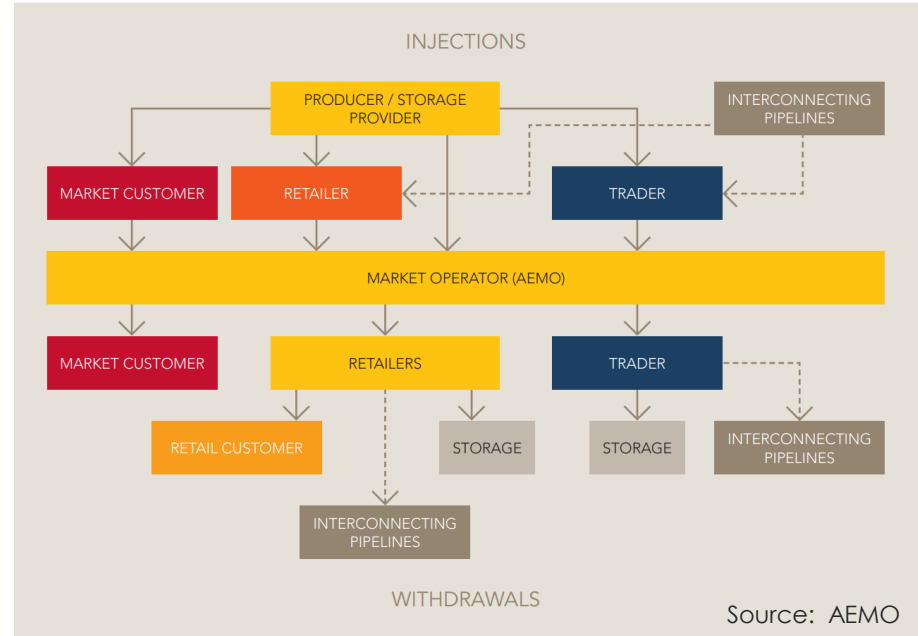
Regulatory landscape for VTS



The VTS and the Market Carriage Model

- The Victorian Transmission System (sometimes known as the Declared Transmission System, DTS) is owned and maintained by APA
- The VTS is operated by the Australian Energy Market Operator (AEMO) under a market-based centrally co-ordinated carriage system under the *National Gas Law*
 - the "Market Carriage" model
- Buyers and sellers bid their gas supply and demand through the market (the "Declared Wholesale Gas Market"), administered by AEMO
- When gas is dispatched through the market, the gas is bundled with the VTS tariffed transportation service
 - **the VTS tariffed transportation service is the access arrangement Reference Service**
 - *there is no scope for buyers or sellers to reserve pipeline capacity.*
- For more information see NGL s91B – 91BR

The Declared Wholesale Gas Market



It is important to understand the roles of APA and AEMO under the Market Carriage model

VTS Access Arrangement revision

- An access arrangement for a full regulation pipeline must be periodically revised.
- **Proposed revisions** to the access arrangement must be submitted, by the covered pipeline service provider, to the Australian Energy Regulator, for approval, under the National Gas Rules and within the time period specified by the Rules.
- APA must periodically submit, to the AER, for approval, proposed revisions to the Access Arrangement.
- **APA must submit the next revisions to the VTS Access Arrangement to the AER by 1 December 2021.**

What must be in an access arrangement?

- Identification of the pipeline and reference to website at which a description of the pipeline is available.
- Descriptions of the **pipeline services** that can reasonably be provided.
- Specification of the **reference services** (VTS: Tariffed Transmission Service).
- For each reference service, specification of:
 - the **reference tariffs**
 - other terms and conditions on which the service will be provided.
- Queuing and capacity trading requirements.
 - There are no queuing or capacity trading arrangements under the Market Carriage Model as there is no scope to contract for capacity
- **Extension and expansion requirements.**
- Terms and conditions for changing receipt and delivery points.
- **Review submission date.**

Revision of VTS Access Arrangement

- For each reference service, we will need to set terms and conditions on which the service is to be provided.
- For each reference service, we will need to set a reference tariff.
- In setting tariffs for the Tariffed Transmission Service, we shall apply the **building blocks method** in the National Gas Rules.
- We must review all of the other elements of the Access Arrangement: pipeline extension and expansion, changing receipt and delivery points.
- **We will take you with us on our journey, seeking your views on how we should revise the VTS Access Arrangement.**

Revision of VTS Access Arrangement

- Our process has been planned around the obligation we have to submit an access arrangement revisions proposal for VTS to the Australian Energy Regulator, by 1 December 2021.
- After we submit the revisions proposal, the Australian Energy Regulator commences its approval process.
- You will have further opportunity to provide your views on the revisions proposal during the approval process:
 - The AER will call for submissions on the proposal
 - The AER will issue a draft decision, and allow us to submit a revised proposal, addressing issues raised in the decision: we expect to seek your views on this revised proposal
 - The AER will call for submission on the draft decision and the revised proposal.

Key milestones and dates for the approval process

Milestone	Indicative date
APA submits Reference Service Proposal to AER	1 December 2020
Submissions on the reference service proposal close	TBA
AER publishes reference service proposal decision	1 June 2021
APA submits access arrangement revisions proposal to AER	1 December 2021
Submissions on APA's access arrangement revisions proposal close	TBA
AER publishes access arrangement draft decision	TBA
APA submits revised access arrangement revisions proposal	TBA
Period for submissions on draft decision and revised proposal closes	TBA
AER publishes access arrangement final decision	30 November 2022
Access Arrangement and revised tariffs become effective	1 January 2023

Is there other information you want us to provide about the Victorian Transmission System access arrangement; or the regulatory landscape?

Engaging with stakeholders



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VTS engagement plan

- We want stakeholders to have a better understanding of our proposed plans for operating and investing in the VTS
- So we have considered ways to best engage with consumers and alignwith APA's refreshed **Purpose** and **Vision**
-And our commitments under the **Energy Charter** – an industry-led voluntary initiative aimed at putting the customer at the centre of our business and improving affordability and service delivery.

VTS engagement plan



What are the outcomes we want from consumer engagement?

We hope to:

- Enhance **trust** and our **reputation** with consumers, stakeholders and AER.
- Get better acceptance and understanding by consumers of our business and regulatory positions.
- Achieve greater acceptance by the AER for our regulatory positions and access arrangements.

Is there anything in particular you want to get from APA's engagement on VTS?

Engagement plan

Proposed principles of engaging with you.

We'd like to hear what you think of these principles.

We wish to apply best practice principles when engaging on VTS...

Proposed principles:

- *No surprises.*
- *Clear, accurate and timely communication.*
- *Easy to understand.*
- *Transparent.*
- *Provides for influence.*

Ways we will engage...



Engagement plan

VTS stakeholder
engagement group

Series of roundtables

Webpage

One-on-one meetings

Engagement plan - timeline



- COVID has made planning for face-to-face meetings uncertain.
- At this stage we envisage holding short roundtables on a monthly basis from now until November 2022.
- The proposed timeline is set out in the draft VTS engagement plan. It is only indicative because we will be flexible and 'play it by ear' as to the topics for discussion.
- We encourage your guidance on topics you'd like to discuss.

Engagement plan – next steps

- Provide us with your feedback about today's session and the engagement plan by end November 2020.
- We will finalise the engagement plan and publish it.
- We will hold the second roundtable in November.

We would welcome feedback on the following questions

1. Do you have any comments about the way we propose to engage? Do you have any suggestions?
2. Is there other information you want us to provide about the Victorian Transmission System?
3. Is there other information you want us to provide about the Victorian Transmission System access arrangement?
4. Is there any further information you would like to know about the regulatory landscape for the VTS?
5. What are your views about the indicative timeframe and the proposed discussion topics?
6. Are there other things you wish to discuss during APA's engagement on VTS?

Wrapping up



Wrap up



- Summary of key outcomes from today
- Suggestions on other attendees/organisations to be involved
- We'll be in touch soon about the next roundtable.

Thank you for participating



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