



3 January 2017

Mr Chris Pattas
General Manager – Networks
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas

APA VTS Access Arrangement revision proposal for the Victorian Transmission System

APA VTS Australia (Operations) Pty Ltd (APA VTS) is pleased to provide the enclosed Access Arrangement revision proposal (Revision Proposal) for the Victorian Transmission System (VTS) in accordance with the requirements of the National Gas Law, National Gas Rules, and the Regulatory Information Notice served on APA VTS by the AER on 28 October 2016.

This Revision Proposal includes the following information and documentation prepared and provided in compliance with the relevant regulatory instruments:

- Revised Access Arrangement
- Access Arrangement Information
- Submission supporting the Revision Proposal, including models and attachments
- Resource documents referred to in the submission

Although revenue is expected to increase in the forecast period, this is almost entirely driven by the increase in the capital base from the significant expansion of the Victorian Northern Interconnect for flows into New South Wales. It is important to note that those users that are benefiting from the capital expenditure to provide additional capacity are paying for it. The expansion is not driving an increase in costs to be recovered from other users of the VTS. In fact, this expansion and the increased gas volumes that come with it are reducing costs being recovered from other users of the VTS by driving a reduced allocation of overheads to those users under the cost allocation methodology.

Under our Revision Proposal, transport charges for a residential customer (consuming 60 GJ per annum) in the Metropolitan Melbourne area will increase by approximately 7 cents per gigajoule in 2018. This equates to an annual increase of about \$3, or about 0.3 per cent. For a business customer (consuming 500GJ/annum) in the same region, the increase in annual bill is approximately \$27, or about a 0.3 per cent increase. These increases are driven by the forecast decline in volumes, coupled with a small increase in the rate of return compared to the earlier period.

Some aspects of APA VTS's revision proposal are confidential. All confidential elements, with reasons for their being confidential, are listed in Attachment A.5 to the submission. Where possible, non-confidential versions of these documents are included with this Revision Proposal. For the avoidance of doubt, APA VTS agrees to the publication of information that is marked 'public' in its file name.

APA VTS looks forward to continued engagement with the AER throughout the VTS review process. Please contact Alexandra Curran, Regulatory Manager, on (02) 9275 0020 to discuss any aspect of this Revision Proposal.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Bolding', written over a light blue horizontal line.

Peter Bolding
General Manager Regulatory & Strategy