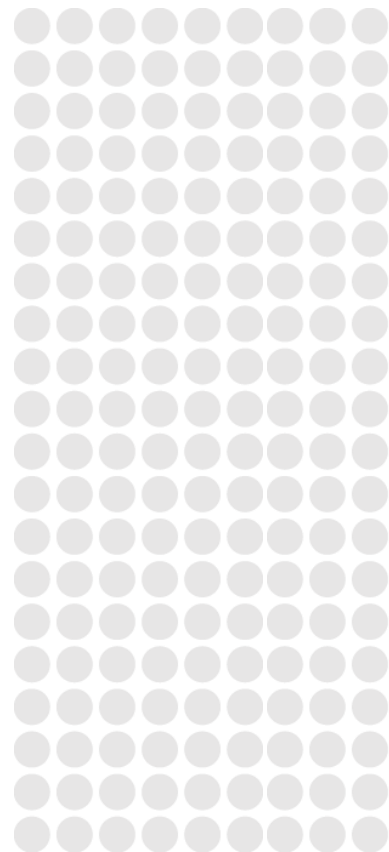




June 2020

Roma Brisbane pipeline reference service proposal

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energy. connected.

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1 Introduction

This document sets out the reference service proposal for the Roma Brisbane Pipeline (**RBP**), approval of which is to precede submission of a full access arrangement proposal for the pipeline on 1 July 2022.

The proposal has been prepared by the service provider, APT Petroleum Pipelines Pty Limited (**APTPLL**), and submitted to the Australian Energy Regulator (**AER**) for approval, in accordance with rule 47A of the National Gas Rules (**NGR**).

APTPLL proposes two reference services on the RBP:

- Firm Transportation Service – Eastbound
- Firm Transportation Service - Westbound

In response to feedback from a stakeholder APTPLL will propose as part of its access arrangement proposal that Firm Park and Firm Loan be treated as rebateable services. This recognises concerns expressed in relation to these services and the difficulty in establishing them as a reference service.

APTPLL will also publish information about revenue and customer numbers by service once the external audit of these numbers is complete.

APTPLL appreciates the time and effort contributed by key stakeholders to the preparation of this reference service proposal for the RBP.



2 Covered pipeline, service provider and requirement for reference service proposal

2.1 Pipeline and service provider

The RBP is a covered pipeline under the access regime of the National Gas Law and the NGR.

A service provider is a person who owns, controls or operates a covered pipeline¹. APTPPL owns and operates the RBP. APTPPL is the service provider for the RBP for the purposes of the access regime of the National Gas Law and the NGR.

Rule 47A of the NGR, which came into effect on 1 April 2019, requires a full regulation pipeline (a covered pipeline that is not a light regulation pipeline) service provider to submit to the AER a reference service proposal prior to the full access arrangement proposal. The reference service proposal must be submitted no later than 12 months prior to the review submission date in the current access arrangement (NGR, rule 47A(3)).

The RBP is a full regulation pipeline, and the review submission date in the current Access Arrangement is 1 July 2021.

¹ National Gas Law, s. 8(1)

3 Roma Brisbane Pipeline

3.1 Pipeline description

The RBP was commissioned in its original configuration in 1969. It now consists of a mainline, which is both compressed and looped, and four lateral pipelines; Peat and Scotia laterals, connecting it to coal seam methane gas sources near Peat and Scotia, Swanbank Lateral, feeding into Swanbank Power Station and Lytton Lateral, supplying the Caltex Refinery. The mainline is approximately 440 km long with 34 km of its length running through Brisbane to Gibson Island.

The original 410 km section from Wallumbilla to Ellengrove is 273 mm in diameter (DN250). This section is looped with a 406 mm diameter pipeline (DN400). The looping was carried out in several stages, between 1988 and 2002, after the original line had been fully compressed.

The Swanbank lateral was completed in 2001 and is 8 km long with a current capacity 52TJ/day. The Peat lateral was completed in the same year (the Scotia extension was completed in 2003) and is 121 km long with a current nominal capacity of 74 TJ/day. The Peat lateral became part of the covered pipeline on 1 January 2006 after APTPPL elected for it to be covered. The 6km Lytton lateral was completed in 2010.

The pipeline originally supplied the Brisbane area with gas from Surat Basin fields close to Roma. In 2001 and 2002 the RBP was extended via the Peat Lateral to enable Coal Seam Methane (CSM) from the Peat and Scotia gas fields to be supplied into south-east Queensland. The RBP also connects with the Queensland Gas Pipeline (QGP), which runs from Wallumbilla to Rockhampton (via Gladstone). This allows Wallumbilla to function as a hub for the supply of gas in Queensland.

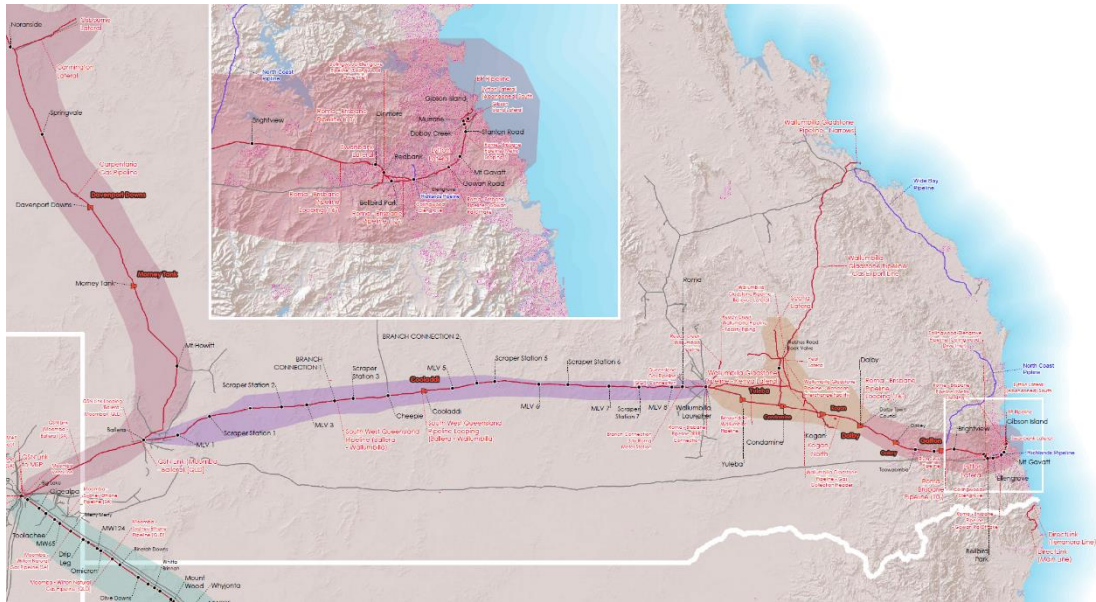
There are six compressor stations along the length of the pipeline. although the compressor station at Dalby is the only one still in operation.

The expansions of RBP capacity and the construction of the Lateral pipeline occurred in response to market growth, and were underpinned by contracts negotiated with third parties such as producers, power stations, gas utilities and major industrial customers. The RBP currently receives gas from numerous receipt points and delivers gas to numerous delivery points. Additional receipt and delivery points have been added from time to time.

The geographic location and route of the RBP are shown in Figure 1. A pipeline schematic is provided in Figure 2 in section 4.2.2.

Roma Brisbane pipeline
reference service proposal — June 2020

Figure 1 — Roma Brisbane Pipeline: geographic location and route



The principal sections of the RBP are listed in Table 1.

Table 1 — Roma Brisbane Pipeline: principal sections

Section	Length (km)	Diameter (mm)
Wallumbilla to Ellengrove	410	406
Wallumbilla to Ellengrove	410	273
Ellengrove to Gibson Island (Metro Section)	34	324
Peat Lateral	121	273
Scotia Lateral	24	273
Lytton Lateral	6	273
Swanbank Lateral	8	406



3.2 Website

Additional information on the RBP is available at [here](#).



4 Services that can reasonably be provided using the Roma Brisbane Pipeline

A complete list of the services that APA offers customers on the RBP is available on APA's website [here](#).

The list in Table 2 does not include the exchange capacity trading service, which APTPPL can, and must, provide in accordance with specific regulatory requirements of the NGR. Neither APTPPL, nor the AER, has discretion regarding such services in the context of deciding reference services for the RBP.

The services are described in greater detail in the paragraphs that follow.

Table 2: Services that can reasonably be provided using the Roma Brisbane Pipeline

Service	Description
Firm transportation service – Eastbound	<ul style="list-style-type: none"> - Transportation east from a receipt point to a delivery point. - Highest priority service. - Available between any receipt point and any delivery point east.
Firm transportation service – Westbound	<ul style="list-style-type: none"> - Transportation west from a receipt point to a delivery point. - Highest priority service. - Available between any receipt point and any delivery point west.
Interruptible transportation service - Eastbound	<ul style="list-style-type: none"> - Transportation from a receipt point east to a delivery point. - Lower priority service (may not be available on a day). - Available between any receipt point and any delivery point east. - Not available when firm capacity is available in the corresponding direction - Subordinate to capacity bought in the capacity auction
Interruptible transportation service - Westbound	<ul style="list-style-type: none"> - Transportation from a receipt point west to a delivery point. - Lower priority service (may not be available on a day). - Available between any receipt point and any delivery point west. - Not available when firm capacity is available in the corresponding direction



Service	Description
	- Subordinate to capacity bought in the capacity auction
Firm parking service	- Pipeline storage of gas. - Highest priority right to store.
Firm loan service	- Borrowing of gas from pipeline line pack. - Highest priority right to borrow.
Interruptible parking service	- Pipeline storage of gas. - Lower priority service (may not be available on a day).
Interruptible loan service	- Borrowing of gas from pipeline line pack. - Lower priority service (may not be available on a day).
In-pipe trade service	- Facilitation of trade of gas between pipeline users.
Operational capacity transfer service	- Facilitation of transfer of firm transportation capacity between pipeline users.
Interconnection service	- Provision, or facilitation, of interconnection to another pipeline.

Current constraints on APTPPL's provision of services on the RBP are discussed further in section 6 below. In the following paragraphs, APTPPL describes each of the services listed in Table 2.

4.1 Transportation services

Pipeline service usage is driven by the business needs of pipeline users. Those business needs are, in turn, driven by the gas consumers needs being transported by pipeline users.

4.1.1 Nominations

Under a gas transportation agreement for firm transportation service, the user nominates, prior to the start of a day, the quantity of gas to be transported from a receipt point to a delivery point, on the day, and APTPPL is obliged to accept a nomination that does not exceed the MDQ specified in the user's transportation agreement.

The user's entitlement to its MDQ on a day may be restricted by specification, in the user's gas transportation agreement, of the maximum quantity of gas APTPPL is obliged to receive from the user at a receipt point in any hour, or by the maximum quantity of gas APTPPL is obliged to deliver at a delivery point in any



hour. These maximum hourly quantities are determined by the physical operating characteristics of the RBP.

Following receipt of the user's nomination, APTPPL must schedule receipt and delivery of the user's gas. If APTPPL does not expect to have sufficient pipeline capacity available, on the day, to transport all of the quantities of gas nominated by all firm transportation service users, APTPPL must limit the quantities scheduled for receipt and for delivery in accordance with the scheduling limitations set out in the user's transportation agreement.

4.1.2 Interruption/Curtailment

If, on a day, there is insufficient pipeline capacity available to transport all of the quantities of gas that have been scheduled for firm transportation service, APTPPL may interrupt or curtail its receipt and delivery of gas in accordance with the interruption and curtailment priorities set out in the user's transportation agreement.

The circumstances when firm transportation service may be interrupted or curtailed without APTPPL incurring any liability to the user include:

- Interruption or curtailment necessary for safe operation of the pipeline.
- Interruption or curtailment resulting from planned or unplanned maintenance carried out by the service provider in accordance with the relevant provisions in the user's gas transportation agreement.
- Interruption or curtailment resulting from a force majeure event.

4.2 Firm services

Users transporting gas to facilities or gas consumers requiring highly reliable gas supplies typically require a correspondingly reliable gas transportation service. To meet this requirement, most gas transmission pipeline service providers offer firm transportation service.

Firm transportation service is the most reliable service the provider can make available on its pipeline. Should the interruption or curtailment of pipeline services be necessary, firm transportation service has priority ahead of other types of transportation service and other services using pipeline capacity (such as interruptible parking service). Firm transportation service is not interrupted or curtailed until all of these other services have been interrupted or curtailed to the extent necessary to allow provision of the firm transportation service to continue.

4.2.1 Different firm transportation services

Firm transportation service may be provided long term or short term. Currently when executing a gas transportation agreement for long term firm transportation service, a prospective user commits to taking the service for a period longer than 3 years. APTPL may decline a request for firm transportation service over a shorter period if granting that request would materially reduce the ability of another prospective user to obtain long term firm transportation service.

The RBP is a bidirectional pipeline, it can deliver gas into two directions:

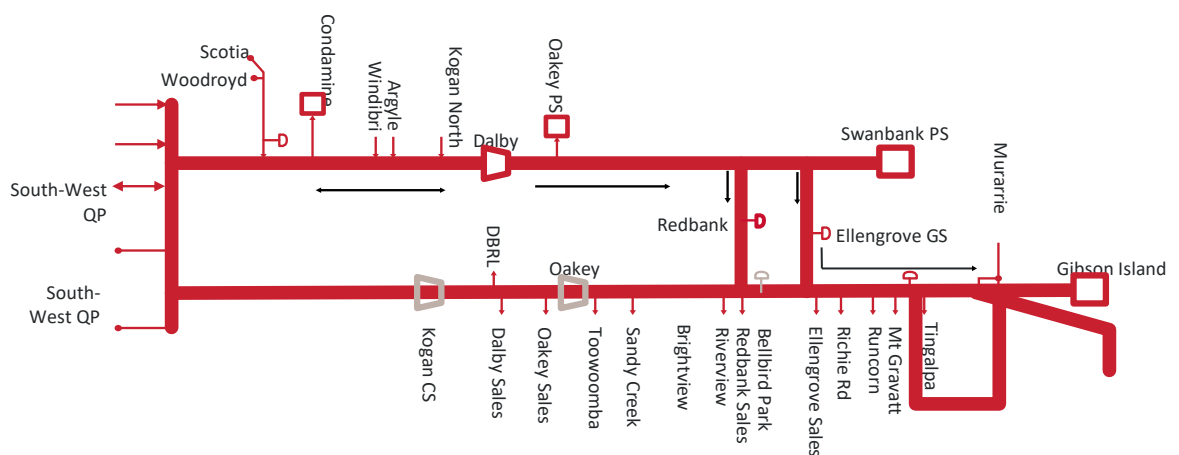
- Eastbound to Direct Connect customers and Brisbane
- Westbound to the Wallumbilla Hub

A combination of physical and commercial factors means these transportation agreements are being treated as separate services for the purposes of setting a reference tariff (see below).

4.2.2 Physical

The capacity of the RBP and the directions of its flows are determined by the level, and pressure, of injections and withdrawals and the operation of compression at Dalby.

Figure 2 — Roma Brisbane Pipeline: pipeline schematic



There are five receipt points on the RBP

- Wallumbilla,
- Scotia/Peat,
- Windibri,

- Argyle, and
- Kogan North

There are several large withdrawal points, including those supporting the Toowoomba, Brisbane and Gold Coast areas. Two of the withdrawal points are open cycle gas fired generators.

The maximum pressure at Wallumbilla and Scotia/Peat is lower than at Windibri, Argyle and Kogan North.

The open cycle generators require large quantities of gas for short periods of time with a high degree of reliability. The operation of these generators affects the pressures and capacities of the pipeline heading east further differing the operation characteristics of the pipeline east and west.

There is a compressor station located at Dalby which is east of all injection points on the RBP. The Dalby Compressor station supports east flows on the RBP.

Collectively these factors mean that that capacity and operational characteristics of the RBP is different in an east direction than it is west.

4.2.3 Commercial

4.2.3.1 Eastbound

All natural gas delivered by pipeline into Brisbane, including the STTM, is transported on the RBP. While the gas can be traded in the STTM any gas delivered into the STTM and any gas withdrawn from the STTM is transported on the RBP.

With the exception of the Wallumbilla delivery point, all the delivery points on the RBP are all connections to consumers of natural gas. This is used by consumers whose need of pipeline services is linked directly to their consumption profile. With the exception of gas fired generation this means long term stable consumption.

The nature of the customer is largely reflected in the nature of shippers who are nominating gas for these delivery points, ie shippers who have a retail presence in Australia, or are customers who are directly consuming the gas.

4.2.3.2 Wallumbilla

The Wallumbilla Gas Hub is one of the major hubs on the east coast gas network. Gas flows from Wallumbilla to all parts of the East Coast Market, including for export at Gladstone. These gas flows are flowing into a market where customers have a lot of other potential gas sources. the gas may not be traded, but the flows to this point are driven by relative gas prices for gas traded or transiting

Wallumbilla, including for export at Gladstone. The nature of this market is reflected in the shippers who are shipping gas westbound on the RBP.

The westbound service reflects the injection of gas on the RBP laterals and delivery to Wallumbilla. The gas produced by the gas fields close to the RBP have some characteristics that makes it attractive for conversion to Liquid Natural Gas (LNG). This gives it a different dynamic to the operation of the pipeline eastbound.

The contracts tend to be shorter term and more volatile.

There are non APA owned pipelines that provide competitive alternative shipping services, or have potential to ship, gas from those coal seam methane fields to Wallumbilla, in particular the Darling Downs pipeline.

While this will have a direct impact on the tariff setting process in any commercial arrangement, in the context of setting a reference service it means that gas transportation services west has different characteristics than east (because some gas fields have alternative flow paths) that bypass the RBP altogether.

Therefore APTPPL propose the following reference services both relate to contracts of a minimum of 12 months in length.

4.3 Firm transportation service - eastbound

For RBP firm transportation service – east APTPPL:

- Receives, from a user, at a receipt point, on a day, a quantity of gas not exceeding the maximum daily quantity (MDQ) specified in the user's gas transportation agreement.
- Delivers to the user, at a contractually specified delivery point east of the receipt point, on the same day, a quantity of gas not exceeding the user's MDQ, without interruption or curtailment².

4.4 Firm transportation service - westbound

For RBP firm transportation service – west APTPPL:

- Receives, from a user, at a receipt point, on a day, a quantity of gas not exceeding the maximum daily quantity (MDQ) specified in the user's gas transportation agreement.

² except in the specific circumstances set out in the user's gas transportation agreement

- Delivers to the user, at a contractually specified delivery point west of the receipt point, on the same day, a quantity of gas not exceeding the user's MDQ, without interruption or curtailment³.

In the event that in the future there are services entirely on north/south laterals then westbound means a withdrawal further from the RBP mainline than the receipt point and eastbound vice versa.

4.5 Interruptible transportation service

In circumstances, where firm transportation service cannot be offered because the pipeline capacity used to provide that service has been fully contracted, the service provider may offer an interruptible transportation service.

Pipeline users or gas consumers with facilities that can tolerate interruptions to gas supplies (because, for example, they can curtail their operations or quickly switch to alternative fuels) may be able to operate with services that are less reliable than firm transportation service. Most gas transmission pipeline service providers then offer, in addition to firm transportation service, interruptible transportation service, which is only available when circumstances permit.

At any particular time, the service provider may not be able to offer the firm transportation service, but its pipeline may be capable of providing service at lower levels of reliability. This service may not be available at the same level of reliability as the firm transportation service because:

- Certain plant and equipment items comprising the pipeline (for example, gas compressors) must be periodically withdrawn from service for routine maintenance.
- Pipeline plant and equipment has mechanical, electrical and electronic components that may fail after long periods of intermittent operation.
- Some pipeline users, typically users of firm transportation service, may have higher priority access to pipeline services.

Usage on one part of the pipeline can affect the pressure, and therefore, the capacity of the pipeline downstream of that location.

An interruptible transportation service is a pipeline service whereby the service provider accepts, from a user, a nomination for transportation of a quantity of gas on a day, to a delivery point specified in the user's gas transportation agreement, and undertakes to deliver to the user, at that delivery point, on that day, the user's

³ except in the specific circumstances set out in the user's gas transportation agreement

nomination subject to capacity being available, and subject to any interruption or curtailment of capacity on the day.

Interruptible transportation service has a lower priority than some other types of service. Interruptible transportation service has lower priority than firm transportation service and capacity bought through the contracted but unominated capacity auction.

4.6 Firm park service

The primary business of a gas pipeline service provider is the provision, to users of its pipeline, of the service of transporting gas from one or more receipt points on the pipeline to one or more delivery points.

However, in addition to being a vehicle for gas transportation, a pipeline is also a vessel that can be used for the storage of gas additional to the volumes of gas being transported. This storage of gas in a pipeline is called parking, and some pipelines can offer parking service, which may be either firm or interruptible.

Parking service is not a transportation service. It is a service offered to a user who has an agreement with the service provider for the transportation of gas.

Parking service allows a user or gas consumer flexibility in the management of disruptions to gas supplies, and in the management of plant shutdowns for planned and unplanned maintenance, through the storage of gas in a pipeline, and the subsequent withdrawal of that gas for use.

Parking service may not always be available. By storing gas in its pipeline, the service provider restricts the capacity of the pipeline for the provision of firm transportation service. Parking service may not be available if all of the capacity of the pipeline has been made available to users for the provision of firm transportation service.

4.7 Interruptible parking services

Interruptible parking service is a form of storage service with lower reliability. It is a service whereby the service provider stores, in its pipeline, gas received from a user, on a day, up to a quantity of gas not exceeding the interruptible parking allowance specified in the user's gas transportation agreement. If the provision of interruptible parking service on a day is expected to impair the service provider's ability to provide transportation service on the day, the service provider may ask the user of the parking service to reduce the volume of gas stored in the pipeline.

Interruptible parking service has lower priority than some other types of service.



4.8 Loan service

Loan service is a service offered by a pipeline service provider whereby a user can borrow gas from the service provider's line pack (the gas the service provider has stored in the pipeline to allow the pipeline to operate as a transportation vehicle).

Loan services, like parking services, are not transportation services. They are services offered to users who have agreements for the transportation of gas, and who require flexibility in the management of disruptions to gas supplies, or in the management of plant shutdowns.

Loan service may not always be available. If a part of the pipeline line pack is used to provide loan service, the service provider's ability to provide transportation services — in particular, its ability to provide firm transportation service — may be restricted.

In these circumstances, the service provider may offer a lower priority interruptible loan service. Interruptible loan service is a service whereby the service provider delivers gas to a user, on a day, up to a quantity of gas not exceeding the interruptible loan allowance specified in the user's gas transportation agreement. If the provision of interruptible loan service on a day is expected to impair the service provider's ability to provide transportation service on the day, the service provider may ask the user of the loan service to replenish the pipeline line pack.

Pipeline capacity and line pack used to provide a user with interruptible loan service may be required to meet the prior claim of another user of that service, or to meet the prior entitlements of the users of other types of service.

4.9 In-pipe trade, operational capacity transfer and redirection services

In-pipe trade and operational capacity transfer services provide flexibility by facilitating the trading of gas, and of pipeline capacity, between pipeline users. They are not transportation services and are only available to users that have agreements with the service provider for provision of transportation services.

In the case of the RBP, in-pipe trade service is a service whereby APTPL recognises, in a user's gas transportation agreement, that user's delivery of gas, on a day, to a notional point (in-pipe delivery point) in the RBP, and recognises, in a second user's gas transportation agreement, receipt of that gas at a notional point (in-pipe receipt point) in the RBP, thereby facilitating the trade of gas between RBP users.

Operational capacity transfer service facilitates the transfer of entitlements to capacity for firm transportation service between users of the RBP. It is a service

whereby APTPPL facilitates, through provisions in a user's gas transportation agreement, the user's purchase of all or part of another user's entitlement to firm transportation service (MDQ) on a day, or the user's sale of all or part of its entitlement to firm transportation service (MDQ), on a day, to another user.

Operational capacity transfer service is available to users bilaterally trading capacity with each other, or by trading capacity through the exchange capacity trading arrangements administered by the Australian Energy Market Operator (AEMO).

Redirection service is receipt and delivery of gas at points within one of APA's facilities, where there is no additional pipeline transportation service in respect of the receipt and delivery.

4.10 Current constraints on service provision

The current constraint on service provision is the physical capacity of the RBP. This is published on AEMO's bulletin board ([here](#)).

5 Engagement with pipeline users and gas consumers

APTPL engaged with RBP users and potential users, and with gas consumers, during the preparation of this reference service proposal.

Engagement focused on two groups of stakeholders:

- Existing and prospective pipeline users, and gas consumers.
- A wider group, principally in Queensland, who might represent gas consumers, or who might be interested in energy supply and use, and in gas transmission as a key element of energy supply chains (but who were not pipeline users or gas consumers themselves).

APTPL explained the immediate purpose of engagement — development of the reference service proposal for the RBP — and also explained that reference service specification was the start of a more extensive regulatory review.

Stakeholders were advised that, once reference services had been specified and approved by the AER, APTPL would prepare, and submit to the regulator for approval, an access arrangement revision proposal for the RBP. This proposal would set out, in addition to the approved reference services, information on the facilities needed to provide those services, contract terms and conditions for the services, and prices — known as reference tariffs — for the reference services.

The access arrangement revision proposal is to be submitted to the AER on 1 July 2021, and regulatory approval of the revision proposal was expected to be completed by 1 July 2022.

The reference service proposal was the first in a series of opportunities for stakeholders to engage in this more extensive regulatory review, both with the service provider (APTPL) and with the AER.

APTPL has seen the identification of stakeholders for the purpose of developing the reference service proposal as an opportunity to identify a potential stakeholder group to be consulted in later stages of the revision of the RBP Access Arrangement.

5.1 Users, prospective users and interconnected pipeline operators

Existing and prospective users, were contacted and provided with information on the RBP, on the reference service proposal process, and on the services that can reasonably be provided using the pipeline. APTPL offered to discuss, individually, with each user, prospective user and pipeline operator possible reference services for the RBP.



5.2 Potentially interested stakeholders

More broadly, APTPPL has contacted or met with other parties potentially interested in the Queensland energy supply chain, including:

- Allgas and AGN distribution network
- Gas consumers of gas supplied from the Allgas and Australian Gas Network distribution networks
- 18 Queensland-based organisations.
- Queensland Government agencies.

See Table 4 for the full list of potentially interested stakeholders.

Table 4: Potentially interested stakeholders contacted by APTPPL

Organization	Classification
Australian Industry Group	Consumer group
Council of the Aging	Consumer Group
Energy Consumers Australia	Consumer Group
Energy Users Association of Australia	Consumer Group
Exodus Foundation	Consumer group
Financial Counsellors' Association of Queensland	Consumer Group
Manufacturing Australia	Consumer Group
QCOSS	Consumer group
Queensland Chamber of Commerce and Industry	Consumer Group
Queensland Consumers Association	Consumer Group
Queensland Farmers Federation	Consumer Group
Queensland Resources Council	Consumer Group
St Vincent de Paul	Consumer group
Toowoomba and Surat Basin Enterprises	Consumer Group
Brisbane City Council	Council
Lockyer Valley Regional Council	Council
Toowoomba Regional Council	Council
Western Downs Regional Council	Council
Customer	Customer
Customer	Customer
Customer	Customer
Customer	Customer

APA provided a high level description of each of the services it provides on the RBP.

APTPPL identified two reference services consistent with the reference service factors:

- Firm transportation – Eastbound
- Firm transportation – Westbound

APTPPL provided an outline of the consideration of each service against the reference service factors. It also highlighted those factors for each of the services on the RBP that were most significant in arriving at a position that they were not consistent with being a reference service.

A consumer representative indicated a preference for more reference services as a means to reduce complexity for shippers and a mechanism to protect shippers and customers from the risk of monopoly pricing.

The regulatory framework set out in the National Gas Law is designed to protect against the exercise of monopoly powers. The negotiate-arbitrate framework that is inherent in the National Gas Law reflects the necessity of an approach that provides flexibility for consumers of pipeline services that is unnecessary for other regulated industries like electricity or water where a specific standardised service is possible. The reference service factors reflect that it is not possible to set a standardised service or a regulated price for all services available.

A shipper expressed a preference to know the prices and the rate of return that would apply to each reference service. APTPPL indicated that the process for setting tariffs and the determination of prices for those services are separate processes and it is not possible for APTPPL to provide an indicative tariff for the proposed reference services. APTPPL circulated the AER's rate of return determination to stakeholders involved with the video conference.

5.4 Feedback on draft reference service proposal document

APTPPL circulated a draft version of this document to the members of its Community Engagement Group prior to submission.

The Energy Users Association of Australia responded to the consultation and made three broad points, they:

- Agree with the two proposed reference services – firm transportation – east and firm transportation – west, and

- Argue that the reference services should be expanded to include firm park and loan; they believe that this conclusion is consistent with the intent of the recent changes to r47A to better achieve the National Gas Objective
- Support the alignment of the reference service proposal to the APA standard long term contract minimum term of 12 months

They also supported APTPPL providing data on revenue and customer numbers by service to facilitate better understanding for the purposes of assessing the reference service proposal.

In response to these concerns APTPPL has undertaken to include Firm Park and Firm Loan as a rebateable services in the access arrangement. The rationale for this is outlined in section 6.6.

APTPPL will also align the reference services with the length of the APA standard long term contract at 12 months.

APTPPL will also publish the revenue and customer numbers by service type for RBP once these values have completed their external audit. APTPPL works hard to protect their customers privacy so will be unable to provide this information if it reveals confidential customer information ie where there are two or less customers on that service.

As part of the reference service proposal APTPPL will provide any information, upon request by the AER, that the AER requires in order reach a decision. This would include information on historic volumes, revenues and customer numbers.,

6 Reference service proposal

An assessment of each of the services that can reasonably be provided on the RBP, against the reference service factors of NGR rule 47A(15), is made in the following subsections of this section of the proposal.

6.1 Reference Service Factors

The reference service factors as set out in NGR 47A(15) are set out below:

The reference service factors are:

- a. actual and forecast demand for the pipeline service and the number of prospective users of the service;
- b. the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;
- c. the feasibility of allocating costs to the pipeline service;
- d. the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:
 - i. reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;
 - ii. a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and
 - iii. reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;
- e. the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.

6.2 Firm transportation service – East bound

There has been significant demand for firm transportation services eastbound on the RBP (see table below)

Table 3: Demand for firm transportation service east bound

Year	2015	2016	2017	2018	2019
------	------	------	------	------	------

TJ	46,352	35,922	38,219	63,932	49,273
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The eastbound service is not substitutable with the west bound service. The nature of the pipeline and customers, the drivers of customers behaviour and their needs from the firm service are not the same between east bound and west bound (see section 4.2).

Furthermore, other pipeline services are often priced at premiums or discounts to the price of firm transportation service – for example interruptible transportation service. Specification of a firm transportation service as a reference service, and the setting of a reference tariff for that service, provides a benchmark for the prices of pipeline transportation services that are not reference services.

In specifying firm transportation service – eastbound as a reference service in a revised RBP Access Arrangement, APTPL would not expect to:

- Change the costs it incurs in managing a fully regulated pipeline.
- Increase the AER's costs of administering regulation of the RBP.
- Increase the costs users and prospective users incur in understanding and working with the access regulatory regime of the National Gas Law and the NGR as it applies to the RBP.

6.3 Firm transportation service – West bound

A firm transportation service has been available on the RBP since 2015.

There has been material demand for firm transportation services west bound on the RBP (see table below)

Table 4: Demand for firm transportation service west bound

Year	2015	2016	2017	2018	2019
TJ	1,574	16,929	29,116	25,835	29,864

Specification of a firm transportation service as a reference service provides benchmark terms and conditions of service supporting access negotiations and dispute resolution for other pipeline services, particularly transportation services, which are not reference services.

Furthermore, other pipeline services – interruptible transportation service, as noted above, is an example - are often priced at premiums or discounts to the price of firm transportation service. Specification of a firm transportation service as a reference service, and the setting of a reference tariff for that service, provides a benchmark for the prices and conditions of pipeline transportation services that are not reference services.

In specifying firm transportation service - westbound as a reference service in a revised RBP Access Arrangement, APTPPL would not expect to:

- Change the costs it incurs in managing a fully regulated pipeline.
- Increase the AER's costs of administering regulation of the RBP.
- Increase the costs users and prospective users incur in understanding and working with the access regulatory regime of the National Gas Law and the NGR as it applies to the RBP.

6.4 In-pipe trade service

In-pipe trade service is not a transportation service, and is not sought in its own right. It is a service providing users with flexibility in the way they can use gas transportation services under their transportation agreements.

In-pipe trade service is not a substitute for any of the other pipeline services that can reasonably be provided on the RBP.

The costs of providing in-pipe trade service are the costs of developing the systems to manage service provision, and the on-going costs of gas accounting and billing. These costs are incurred by the wider APA Group, rather than specifically by APTPPL, and are allocated to provision of the service across all APA owned and controlled pipelines, including the RBP. A price for in-pipe trade service, based on this allocation of costs, is posted on the APA Group [website](#). Further allocation of the costs to the RBP is possible, but minor.

Determination of an RBP-specific price for in-pipe trade service, in the absence of forecast demand for the service, is infeasible.

As in-pipe trade service is not substitutable with any other pipeline service that can reasonably be provided using the RBP. Consequently, terms and conditions for the service cannot serve as a benchmark for the terms and conditions for any of the other services that can reasonably be provided on the RBP can be offered to prospective users.

Given the nature of the in pipe trade service prior specification of it as a reference services is unlikely to provide a point of reference from which other services sought by prospective users can be assessed, and is unlikely to assist access negotiations and dispute resolution for other pipeline services.

APA Group currently offers in-pipe trade service as a standard service on its pipelines, including the RBP. In the current access arrangement in pipe trade services are a rebateable service. This means 70 per cent of the revenue derived

from the provision of in pipe trade services is used to reduce the level of the reference tariff.

In 2019 total revenue from in pipe trade was \$199,668. This is not a material amount for the RBP.⁴

Volumes of in pipe trade on the RBP are volatile. This would make setting a reference tariff that gives RBP an opportunity to recover its efficient costs but not make it probable that RBP would generate additional volumes. The table below sets out the volumes associated with this service.

Table 5: Demand for in pipe trade service

Year	2015	2016	2017	2018	2019
TJ	24,217	26,244	53,827	177,108	166,248

APTPPL stands ready to negotiate in-pipe trade service with prospective users of the RBP but does not propose offering that service as a reference service.

6.5 Operational capacity transfer service

Like in-pipe trade service, operational capacity transfer service is not a transportation service, and is not sought in its own right. It is a service providing users with flexibility in the way they can use the gas transportation services to which they have access under their transportation agreements.

Operational capacity transfer service is not a substitute for any of the other pipeline services that can reasonably be provided on the RBP. It is, however, substitutable for the AEMO-administered exchange capacity trading service, which APTPPL must provide in accordance with Parts 24 and 25 of the NGR.

The terms and conditions of the exchange capacity trading service, and its price, are set through regulatory processes, and are benchmarks for the terms and conditions, and price, of the operational capacity trading service that APTPPL can provide on the RBP.

Neither APTPPL's operational capacity transfer service, nor AEMO's exchange capacity trading service, are a substitute for any of the other services that can be reasonably be provided using the RBP. To the limited extent that prior specification of a capacity trading service can provide a point of reference from which other services sought by prospective users can be assessed, and can assist access negotiations and dispute resolution in respect of other pipeline services, the relevant benchmark is AEMO's regulated exchange capacity trading service.

⁴ Materiality is assessed as 5% of final determination smoothed revenue. It is based on the current Access Arrangement

In these circumstances, any regulatory costs incurred by APTPPL, or by the AER, in specifying APTPPL's operational capacity transfer service as a reference service, would be costs unnecessarily — and hence, inefficiently — incurred.

APTPL stands ready to negotiate operational capacity transfer service with prospective users of the RBP but does not propose offering that service as a reference service.

6.6 Parking and loan services

Parking and loan services are not gas transportation services. They are services providing users of a pipeline with greater flexibility in the way they use gas transportation services.

A degree of substitutability exists between firm and interruptible parking services, and between firm and interruptible loan services. Neither the parking services, nor the loan services, are substitutes for any of the other services that can reasonably be provided on the RBP.

Terms and conditions, including the prices, for parking and loan services cannot serve as benchmarks for the terms and conditions of other pipeline services. The prior specification of parking and loan services as reference services is unlikely to provide points of reference from which other pipeline services sought by prospective users of the RBP could be assessed, and is unlikely to assist the negotiation of other pipeline services or the resolution of disputes that might arise over access to those services.

Parking capacity utilises the same capacity as would be used for transportation. Provision of Firm Park would reduce the capacity available for firm gas transportation service. This means a firm transportation reference service provides a strong reference point for the cost of the firm service.

Furthermore, high utilisation of the capacity available in a long, narrow diameter, pipeline, with limited compression, means APTPL has little scope for varying the RBP line pack for the purpose of providing loan service.

A stakeholder indicated a preference that these services be made a reference service as a means of removing any monopoly power over these services. However, it is impossible to adequately forecast the volumes associated with this service and therefore not possible to allocate a level of cost of the pipeline in a way that is consistent with the National Gas Laws requirement that in making an access arrangement that a pipeline be given an opportunity to recover its efficient costs.

Recognising the stakeholders concern and the difficulty of forecast volumes of firm park APTPPL is undertaking to include the firm park and firm loan services as rebateable services in its access arrangement proposal on the same basis as rebateable services in the current access arrangement.

APTPPL does not propose offering parking and loan services as reference services.

6.7 Interruptible transportation service

Prospective users of the RBP have sought access to interruptible transportation service because capacity for firm transportation service is currently unavailable.

Interruptible transportation service provided on the RBP is, clearly, a substitute for the firm transportation reference service of the current RBP Access Arrangement. However, it is not a perfect substitute for that service. In the absence of spare pipeline capacity for firm transportation service, users have substituted for that service lower priority – less reliable – interruptible transportation service.

The interruptible transportation service is subordinate in priority to the capacity auction under the National Gas Rules.

Interruptible transportation service is, by its very nature, subject to uncertainty. Interruptible transportation service may or may not be available on a day, and this uncertainty is reflected in the terms and conditions for, and the pricing of, the service.

If there is insufficient pipeline capacity available on a day to transport all of the quantities of gas nominated by users of interruptible transportation service, APTPPL must allocate the available capacity to those users. Currently, allocation is to be on an equitable basis, which may mean on the basis of the prices paid, first-come first served, or pro rata using nominated quantities. The quantity of interruptible transportation service available to users on any day is not known prior to the scheduling of service for that day, making any prior and precise allocation of costs to the service, as would be required for cost-based price setting, infeasible.

In these circumstances, the price for interruptible transportation service is often set by reference to the price for firm transportation service, typically as a proportion (a fraction between zero and one) of the firm service price, reflecting the relative priorities of the services.

Prior specification of the terms and conditions of interruptible transportation service is unlikely to provide a point of reference from which other services sought by prospective users can be assessed, and is unlikely to assist access negotiations and dispute resolution for other pipeline services that can reasonably be provided on the RBP. This is because of the presence of the firm reference service and the



existence of the contracted but un-nominated capacity auction. The contracted but un-nominated capacity auction takes priority in dispatch of the interruptible service.

The difficulty of specifying, in advance, the priority of the interruptible transportation service is a consequence of uncertainty, analogous to the difficulties forecasting the quantity of, and the allocation of costs to, interruptible transportation service. These difficulties of forecasting quantity, and of allocating costs, substantially reduce the usefulness of any price for interruptible transportation service as a benchmark for the price of any other service that can reasonably be provided on the RBP.

In the presence of a firm transportation reference service the terms and conditions, including the price, for lower priority interruptible transportation service are, then, of limited use as benchmarks for the terms and conditions, and the prices, of other pipeline services. Rather, the terms and conditions of firm transportation service, including its price, provide benchmarks for the terms and conditions, and the price, for interruptible transportation service.

In its final determination on the Amadeus Gas Pipeline the AER has accepted that the firm and interruptible transportation services are substitutes. In that case electing to make the interruptible service a reference service due to Amadeus specific circumstances affecting the availability of the firm transportation service on that pipeline. Those circumstances are not replicated on the RBP and therefore mean the interruptible and firm service are substitutes on the RBP.

APTPL proposes to continue to offer interruptible transportation service on the RBP but, consistent with the AER's rationale on the Amadeus Gas Pipeline reference service decision, not as a reference service.



7 Reference service proposal

APTPPL proposes two reference services:

- a firm transportation service – eastbound, and
- a firm transportation service – westbound

7.1 Firm Transportation Service – eastbound

The firm transportation service – eastbound is a service between any RBP receipt point, and any delivery point on the pipeline east of the receipt point, whereby:

- APTPPL receives, from a user, at a receipt point, on a day, a quantity of gas not exceeding the maximum daily quantity (MDQ) specified in the user's gas transportation agreement.
- APTPPL delivers to the user, at a delivery point specified in the user's gas transportation agreement, on the same day, a quantity of gas not exceeding the user's MDQ, without interruption or curtailment, except in the specific and limited circumstances set out in the user's gas transportation agreement.
- APTPPL is not obliged to receive from the user, at a receipt point, in any hour, a quantity of gas exceeding the maximum hourly quantity for that receipt point specified in the user's gas transportation agreement, and is not obliged to deliver to the user, in any hour, a quantity of gas exceeding the maximum hourly quantity for the receipt point specified in the transportation agreement.
- If, on a day, there is insufficient pipeline capacity available to transport all of the quantities of gas that have been scheduled for firm transportation service, APTPPL may interrupt or curtail its receipt and delivery of gas in accordance with the interruption and curtailment priorities set out in the user's transportation agreement.
- APTPPL may interrupt or curtail the service without incurring any liability to the user in limited circumstances including:
 - Interruption or curtailment is necessary for safe operation of the pipeline.
 - Interruption or curtailment resulting from planned or unplanned maintenance carried out by the service provider in accordance with the relevant provisions in the user's gas transportation agreement.
 - Interruption or curtailment results from a force majeure event.



7.2 Firm Transportation Service – westbound

The firm transportation service – west bound is a service between any RBP receipt point, and any delivery point on the pipeline west of the receipt point, whereby:

- APTPPL receives, from a user, at a receipt point, on a day, a quantity of gas not exceeding the maximum daily quantity (MDQ) specified in the user's gas transportation agreement.
- APTPPL delivers to the user, at a delivery point specified in the user's gas transportation agreement, on the same day, a quantity of gas not exceeding the user's MDQ, without interruption or curtailment, except in the specific and limited circumstances set out in the user's gas transportation agreement.
- APTPPL is not obliged to receive from the user, at a receipt point, in any hour, a quantity of gas exceeding the maximum hourly quantity for that receipt point specified in the user's gas transportation agreement, and is not obliged to deliver to the user, in any hour, a quantity of gas exceeding the maximum hourly quantity for the receipt point specified in the transportation agreement.
- If, on a day, there is insufficient pipeline capacity available to transport all of the quantities of gas that have been scheduled for firm transportation service, APTPPL may interrupt or curtail its receipt and delivery of gas in accordance with the interruption and curtailment priorities set out in the user's transportation agreement.
- APTPPL may interrupt or curtail the service without incurring any liability to the user in limited circumstances including:
 - Interruption or curtailment is necessary for safe operation of the pipeline.
 - Interruption or curtailment resulting from planned or unplanned maintenance carried out by the service provider in accordance with the relevant provisions in the user's gas transportation agreement.
 - Interruption or curtailment results from a force majeure event.

The list of characteristics for these reference services does not fully specify, APTPPL's proposed reference service. The full specification of the reference service will be specification of the firm transportation service in the RBP Access Arrangement, including the terms and conditions for that service, as approved by the AER after 1 July 2021.

8 Legal Requirements for Reference service Proposal

The reference service proposal that APTPPL must submit in accordance with rule 47A is to:

- (a) Identify the RBP, and include a reference to a website where a description of the pipeline can be inspected⁵.
- (b) Set out a list of all the pipeline services that APTPPL can reasonably provide on the RBP, and a description of those pipeline services fitting the characteristics in subrule 47A(2)⁶.
- (c) Identify, from the services in this list, at least one pipeline service that APTPPL proposes to specify as a reference service meeting the reference service factors, and provide relevant supporting information⁷.

The characteristics referred to in subrule 47A(2) are:

- (a) Type of service.
- (b) Priority of service relative to other pipeline services of the same type.
- (c) Receipt and delivery points.

The reference service factors that APTPPL should consider when specifying a reference service are set out in NGR, rule 47A(15). They are:

- (a) Actual and forecast demand for the pipeline service, and the number of prospective users of the service.
- (b) The extent to which the service is substitutable with another pipeline service to be specified as a reference service.
- (c) The feasibility of allocating costs to the service.
- (d) The usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:
 - (i) Reference services serve as a comparison for the assessment of other pipeline services by a user or prospective user when negotiating access to those other services.

⁵ NGR, rule 47A(1)(a)

⁶ NGR, rule 47A(1)(b)

⁷ NGR, rule 47A(1)(c)

- (ii) A reference tariff serves as a price benchmark for other pipeline services.
 - (iii) Reference service terms and conditions serve as a template for the terms and conditions of other pipeline services.
- (e) The likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.

If the service provider has engaged with pipeline users and gas consumers in developing a reference service proposal, the proposal should describe any feedback received from those users about which pipeline services should be specified as reference services (NGR, rule 47A(1)(d)).

APTPL addresses each of these requirements in this proposal.



Attachment 1: Stakeholder Response

Hello Mark,

Thanks for the opportunity to respond to your draft Reference Service Proposal (RSP). This response:

- Agrees with the two proposed reference services – firm transportation – east and firm transportation – west, and
- Argues that the reference services should be expanded to include firm park and loan; the EUAA believes that this conclusion is consistent with the intent of the recent changes to r47A to better achieve the National Gas Objective
- Supports the alignment of the reference service proposal to the APA standard long-term contract minimum term of 12 months

More generally we think that it would be very helpful in the reference service discussion for APA to make available data on each service provided on the RBP by \$ annual revenue and number of customers for the existing regulatory period.

While you are not required to provide this data for regulated pipelines, I understand that it is required for Part 23 and may well be required for regulated and lightly regulated pipelines following the COAG RIS. We are very appreciative of your leadership role in the Energy Charter where the better together initiatives focus on information transparency ahead of when it is required by the rules.

Regards

Introduction – the AEMC intention

As I noted in the Community Engagement Group meeting on 27th May (and which you picked up on p. 21 of your draft proposal), the EUAA is concerned where a limited number of reference services can leave shippers open to the risk of monopoly pricing for services that are not reference services. This is the concern the AEMC highlighted in its review of gas pipeline regulation that led to the introduction of the new r47A. As the [final AEMC report in 2018](#) noted:

“...the Commission has identified a number of shortcomings in the current regime for scheme pipelines, in particular that:

- too narrow a set of services are subject to the determination of a tariff by the Regulator” (p. ii)

While you note in your draft RSP:

“The regulatory framework set out in the National Gas Law is designed to protect against the exercise of monopoly powers.” (p.21)

The AEMC highlighted another shortcoming in the current regime as:

- *“arbitration is not regarded as a credible threat to the use of market power by service providers in contract negotiations.” (p.ii)*

The AEMC goes on to say:

“The Commission's key recommendations in this final report include:

- *A new approach to determine which pipeline services should be specified as reference services in a full access arrangement. The new approach responds to concerns from many stakeholders that additional services should be specified as reference services so that the regulator sets the efficient tariff for each of those services to assist prospective users in negotiating a gas transportation agreement.” (p. iii)*

Then later the AEMC notes:

“The new approach includes new criteria for reference services which enable the reference services specified in a full access arrangement to better reflect the variety of different services that have become more common of late due to recent changes in the dynamics of the east coast gas market (such as bi-directional services and park and loan services)... The expected identification of more reference services for pipelines will enable users and prospective users to be more informed in negotiating their use of pipeline services.” (p. 10)

And the final [rule determination](#) made COAG's intentions very clear:

“Introduce a new approach to determine which pipeline services should be specified as reference services in a full access arrangement, which is expected to result in additional services being specified as reference services. (p. ii)

COAG intended the increased number of reference services will reduce the likelihood of shippers having to rely on the arbitration regime which is not seen as a credible threat.

EUAA's Position

The APA proposal for RBP proposes no increase in the number of reference services from what is the current situation. APA has not provided any data to show

what percentage of total revenue these two services are of total annual pipeline revenues. We would have thought that the intent of the AEMC rule changes was to have as high a % of total revenue included in reference services as possible. For example for [AGN's South Australian network](#), non reference services are <0.5% of network revenue.

Here are our thoughts on the analysis presented in the stakeholder engagement arguing that firm park and load services do not fit the criteria for being a reference service.

Demand

APA's stakeholder engagement noted that park and loan services provided \$0.6m revenue in 2019. We note the most recent AER [annual tariff adjustment](#) showed that the revenue in 2018 was over four times that number.

Rebateable Services Revenue:	Calendar 2018	Calendar 2019
Park and Loan	\$2,673,218	\$599,583

This suggests looking at trends that the story is different from the one year data presented by APA and that demand for the service is non-trivial. The argument against including it as a reference service is that if it is demanded then the tariff can be calculated at the time through arbitration. But as the AEMC pointed out, arbitration is not a credible threat to the exercise of monopoly power. Given the revenue, a price has already been set.

Substitutable

APA argues that the firms reference transport service provides a strong reference point for the cost of the firm service. However APA provided no data to the engagement process on the price for park and loan services to support this eg how have the prices agreed for park and loan services compared with the prices for reference services?

Cost allocation

If, as APA argues, park and loan are substitutable for firm services, then cost allocation should be easy.

Use as a reference point in dispute resolution

APA's argument seems to be that 'park and loan does not need to be a standalone reference service because the firm haul reference services will provide a reference point for dispute resolution on park and loan terms and conditions'. We wonder about the effectiveness of this in practice given the agreed reluctance of shippers to go down the arbitration route and the fact that

the current prices for park and loan services do not appear to be related to the reference tariff.

Regulatory cost

We recognise that the AER in its assessment of the APA submission will balance:

- The benefits that reference services provide to prospective users eg aiding the negotiation process by narrowing the points of contention and providing greater predictability of the outcomes of any arbitration. In turn, this should constrain the use of market power of a service provider in its negotiations, reduce the prospect of negotiation leading to arbitration, and reduce the cost of arbitration in the event that it is necessary, and
- The cost and regulatory burden of the ex ante determination of reference services and corresponding reference tariff and non-tariff terms and conditions

We think that inclusion of firm park and loan as reference services will pass that test. They are used now and hence there is a price. The AER's additional costs of assessing the regulated price should be a minor cost in terms of the potential benefits and avoided transactions costs (if the shipper decides to go to arbitration) or deadweight costs if they decide to accept what might be a price resulting from the exercise of monopoly power.