

Financial Reporting Guideline for Non-Scheme Pipelines

Explanatory statement

December 2017

© Commonwealth of Australia 2017

This work is copyright. In addition to any use permitted under the Copyright Act 1968, all material contained within this work is provided under a Creative Commons Attributions 3.0 Australia licence, with the exception of:

* the Commonwealth Coat of Arms
* the ACCC and AER logos
* any illustration, diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright, but which may be part of or contained within this publication. The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 3.0 AU licence.

Requests and inquiries concerning reproduction and rights should be addressed to the   
Director, Corporate Communications,   
Australian Competition and Consumer Commission,   
GPO Box 3131,   
Canberra ACT 2601   
or publishing.unit@accc.gov.au.

Inquiries about this publication should be addressed to:

Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Tel: 1300 585165

Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)  
AER Reference: 62617

Contents

[Shortened forms iii](#_Toc500915227)

[1 Introduction 1](#_Toc500915228)

[1.1 Overview 1](#_Toc500915229)

[1.2 Key elements of the guideline 2](#_Toc500915230)

[1.3 Background 3](#_Toc500915231)

[1.4 Asset Valuation 4](#_Toc500915232)

[1.5 Legal Framework 5](#_Toc500915233)

[1.6 Objective of the framework and the NGO 5](#_Toc500915234)

[1.7 Assessment of the costs and benefits of the information disclosure 6](#_Toc500915235)

[2 About the Guideline 10](#_Toc500915236)

[2.1 Application 10](#_Toc500915237)

[2.2 Reporting requirements 10](#_Toc500915238)

[2.2.1 Transitional reporting requirements 10](#_Toc500915239)

[2.3 Process for revisions 11](#_Toc500915240)

[2.4 Terminology/definitions 11](#_Toc500915241)

[2.5 Structure of this paper 11](#_Toc500915242)

[3 Pipeline financial statements 12](#_Toc500915243)

[3.1 Statement of pipeline revenues and expenses 12](#_Toc500915244)

[3.1.1 Reporting requirements 13](#_Toc500915245)

[3.1.2 Deliberation in setting the reporting requirements 13](#_Toc500915246)

[3.2 Statement of pipeline assets 14](#_Toc500915247)

[3.2.1 Reporting requirements 14](#_Toc500915248)

[3.2.2 Deliberation in setting the reporting requirements 17](#_Toc500915249)

[3.3 Pipeline performance information 18](#_Toc500915250)

[3.4 Other considerations 18](#_Toc500915251)

[3.4.1 Multiple service providers 18](#_Toc500915252)

[3.4.2 Entity financial statements 18](#_Toc500915253)

[3.4.3 Confidentiality 19](#_Toc500915254)

[4 Asset value using the recovered capital method 20](#_Toc500915255)

[4.1 Requirement to report the recovered capital value 21](#_Toc500915256)

[4.2 Calculation of the recovered capital value 22](#_Toc500915257)

[4.3 Deliberation in setting the RCM reporting requirements 24](#_Toc500915258)

[5 Weighted average price 27](#_Toc500915259)

[5.1 Reporting requirements 27](#_Toc500915260)

[5.2 Deliberation on the weighted average prices reporting requirements 28](#_Toc500915261)

[6 Assurance requirements 30](#_Toc500915262)

[6.1 Reporting requirements 30](#_Toc500915263)

[6.2 Deliberation in setting the assurance requirements 30](#_Toc500915264)

[7 Compliance and enforcement 33](#_Toc500915265)

[Annexure A: Overview of consultation approach 34](#_Toc500915266)

[A.2 List of stakeholders that provided submissions 34](#_Toc500915267)

# Shortened forms

|  |  |
| --- | --- |
| Shortened Form | Extended Form |
| AASB | Australian Accounting Standards Board |
| AER | Australian Energy Regulator |
| COAG | Council of Australian Governments |
| EBIT | Earnings before interest and tax |
| ERA | Economic Regulation Authority (Western Australia) |
| GMRG | Gas Market Reform Group |
| NGO | National Gas Objective |
| NGL | National Gas Law |
| NGR | National Gas Rules |

# Introduction

## Overview

The information disclosure and arbitration framework, as implemented through the National Gas (Pipelines Access-Arbitration) Amendment Act and Rule 2017, aims to facilitate access to services provided by non-scheme pipelines.[[1]](#footnote-2) A key component of the framework is to provide prospective users of non-scheme pipelines with increased information to reduce the imbalance in bargaining power they can face when negotiating with service providers.

Under Part 23 of the National Gas Rules (NGR), non-scheme pipeline service providers are required to publish a range of information, including financial information and weighted average price information. Prospective users need financial and weighted average price information to assess the reasonableness of the service provider’s standing price, and the terms and conditions associated with the service.

The NGR stipulates 'the Australian Energy Regulator (AER) must publish and maintain financial reporting guidelines (guideline)'.[[2]](#footnote-3) In keeping with this rule, the guideline must:

* provide for the publication of financial information about each non-scheme pipeline on a pipeline by pipeline basis and in respect of the financial year of the service provider for the pipeline
* specify the methods, principles and inputs to be used to calculate weighted average price information and the form this information is to take
* specify the level of detail of information required, which must be the level of detail reasonably required given the objectives of Part 23
* specify any accounting or audit standards that apply to the reported information, and
* specify the level of audit assurance required for the financial information and weighted average price information.

The transitional provisions in the NGR require the initial guideline to be published prior to 1 January 2018.

The AER, in consultation with the Gas Market Reform Group (GMRG),[[3]](#footnote-4) the Economic Regulation Authority Western Australia (ERA) and consultants McGrathNicol, developed a draft financial reporting guideline and financial reporting template for non-scheme pipeline service providers.

On 9 October 2017 a consultation paper accompanied by the draft guideline and financial reporting template was published on the [GMRG website](http://gmrg.coagenergycouncil.gov.au/publications/draft-financial-reporting-guidelines-non-scheme-pipelines-0). The paper set out the proposed approach to the reporting of financial information and weighted average price information, identified the key issues involved and sought stakeholder feedback on these issues.

Stakeholders were asked to provide feedback on the consultation paper and were also invited to attend industry roundtable discussions held in Melbourne and Perth. Twenty-one organisations with interests in non-scheme pipelines, upstream production, retailing, generation and industrial gas use participated in the roundtable discussions. Twelve organisations provided written submissions. Some stakeholders also provided feedback through bilateral discussions with the AER, GMRG and/or McGrathNicol.

We have now published the guideline having had regard to the feedback provided by stakeholders, the overarching objective of the framework and the National Gas Objective (NGO).

#### Summary of amendments to the draft guideline

Several sections of the guideline have been amended from the draft guideline, as we took into account information provided by stakeholders. Significant amendments include:

* revenue and expenses are to be reported on an earnings before interest and tax (EBIT) basis which is exclusive of interest and tax (section 3.1)
* assets are to be reported but not debt or liabilities (section 3.2)
* entity financial statements are not required (section 3.4.2)
* estimates may be used in certain circumstances where actual historical data is not available (specifically for the recovered capital method asset valuation) (section 4)
* weighted average prices are only required for more commonly used services (section 5).

Each of these changes is discussed in detail in the relevant section of this explanatory statement.

## Key elements of the guideline

The table below summarises the key elements of the guideline.

Table 1.1 Key elements of the guideline

|  |  |
| --- | --- |
| Reporting obligations | Requirements |
| Pipeline service and access information | Service providers are required to publish basic information about the pipeline, service provision to related parties and other parties and information on the derived rate of return for the pipeline. |
| Pipeline financial statements | Service providers are required to publish financial statements for individual pipelines. Pipeline financial statements consist of:  - statement of pipeline revenues and costs  - statement of pipeline assets  - basis of preparation |
| Recovered capital method - Asset valuation | Service providers are required to publish an asset valuation using the recovered capital methodology (RCM) set out in r. 569(4)(b) of the NGR. The RCM asset valuation is distinct from the asset values published in the pipeline financial statements.  This asset valuation must be published with a basis of preparation. |
| Weighted average price | Service providers are required to publish weighted average price information for individual pipeline services. Service providers are required to publish pipeline revenue disaggregated by service categories and by charging method to support the calculation of weighted average price information.  The weighted average price information must be published with a basis of preparation. |

All information is to be published annually, on the service provider's website.

## Background

On 19 August 2016, the COAG Energy Council (the Council) directed the Independent Chair of the GMRG, Dr Michael Vertigan AC, to examine the current test for the regulation of gas pipelines, in consultation with stakeholders.

Dr Vertigan undertook the Examination of the current test for the regulation of gas pipelines (Examination) in the latter half of 2016. The examination recommended that steps be taken to strengthen the bargaining power of shippers by:

* requiring service providers to publish the information that prospective users need to make an informed decision about whether to seek access to a pipeline service and to assess the reasonableness of an offer made by the service provider; and
* introducing a binding commercially oriented arbitration mechanism into the National Gas Law (NGL) that would be available to parties as a backstop if commercial agreement cannot be reached.

These recommendations were endorsed by the Council on 14 December 2016 and work commenced on the development of the information disclosure and arbitration framework shortly thereafter.

The new framework is set out in the National Gas (Pipelines Access – Arbitration) Amendment Act 2017 and the National Gas (Pipelines Access - Arbitration) Amendment Rule 2017, which came into effect on 1 August 2017 in all jurisdictions excluding Western Australia.[[4]](#footnote-5)

The overarching objective of the information disclosure and arbitration framework is set out in r. 546 of the NGR. In short, the objective is to facilitate access to services provided by non-scheme pipelines on reasonable terms, which is taken to mean at prices and on terms and conditions that, so far as practical, reflect the outcomes that would occur in a workably competitive market. To that end, the framework:

* provides for the publication and exchange of information to facilitate timely and effective commercial negotiations;
* provides for a commercially-oriented arbitration process to resolve disputes about proposed terms and conditions of access in a cost-effective and efficient manner; and
* sets out the principles an arbitrator must have regard to when determining disputes, consistent with the outcomes that would be expected in a workably competitive market.

The information disclosure regime, as reflected in r. 552 of the NGR, requires service providers of non-scheme pipelines that are not subject to an exemption, to publish a range of information on their website (or provide a link to the information if it is published on the Natural Gas Services Bulletin Board), including financial information and weighted average price information. The disclosure regime also requires any information published under Part 23 to be prepared and maintained in accordance with the access information standard in the NGR, which means the information:[[5]](#footnote-6)

* is not false or misleading in a material particular;
* where of a technical nature, is prepared in accordance with the practices, methods and acts that would reasonably be expected from an experienced and competent person engaged in the ownership, operation or control of a pipeline in Australia acting with all due skill, diligence, prudence and foresight; and
* in relation to a forecast or estimate, is supported by a statement of the basis of the forecast or estimate and:
* is arrived at on a reasonable basis; and
* represents the best forecast or estimate possible in the circumstances.

The information to be disclosed in accordance with r. 552 of the NGR is intended to provide a prospective user with adequate information to consider whether it should seek access to services on a non-scheme pipeline. Prospective users can use the information to assess the reasonableness of the service provider’s standing price, as well as the terms and conditions associated with the services available.

## Asset Valuation

The financial reporting guideline includes two approaches to asset valuation:

* book value
* recovered capital method (RCM).

The book value asset valuation is included in section 3 under the statement of pipeline assets. It calculates depreciated book value plus or minus any additions or disposals. The guideline requires assets to be depreciated using methods prescribed under the AASB based on asset lives set out in the financial reporting template (see worksheet 3.1). The book value approach allows acquisition costs to be used as the base for determining the opening balance.

The RCM asset valuation is included in section 4. It calculates the depreciated cost of constructing the pipeline, with the depreciation component reflecting the return of capital generated since the pipeline was constructed (i.e. revenue less operating expenditure less the return on capital less net tax liabilities). It is intended to provide service providers and prospective users with greater understanding of the residual value of the asset by showing the capital that has been recovered from users since the pipeline was constructed.

The RCM asset valuation is intended to align with the building block approach applied to regulated pipelines, in situations where the regulated pipeline was constructed after the regulatory framework for gas pipelines came into effect (i.e. post November 1997). However, the AER recognises that there may be circumstances where this approach is inconsistent with the workably competitive market objective set out in rule 546(1) of the NGR, and the asset value could be different to that derived using the RCM. Therefore, the book value is also required to be published to provide an alternative measure for comparison.

## Legal Framework

The NGL is set out in a schedule to the *National Gas (South Australia) Act 2008 (SA)*. The NGL applies in each participating jurisdiction (other than Western Australia) under application legislation of each jurisdiction. The NGR are made under the NGL and have the force of law.

The *National Gas (South Australia) (Pipelines Access—Arbitration) Amendment Act 2017* introduced a new section 83A (relating to information) and a new Chapter 6A, amended section 271 and gave the South Australian Minister the power to make the initial rules about, among other things, access proposals, access disputes and arbitrations under Chapter 6A.

The initial rules made by the Minister are set out in Part 23 of the NGR, while Schedule 4 to the NGR sets out a number of derogations and transitional provisions.

The guideline should be read in conjunction with:

* the NGL;
* the NGR and, in particular Part 23;
* the Non-Scheme Pipeline Arbitration Guide;[[6]](#footnote-7) and
* the Gas Pipeline Information Disclosure and Arbitration Framework.[[7]](#footnote-8)

## Objective of the framework and the NGO

Rule 557 of the NGR sets out the nature and scope of the financial information and weighted average price information to be reported. It also gives the AER discretion to determine the type and level of detail of information to be reported, the methods, principles and inputs to be used and the audit assurance requirements.

In exercising this discretion, we have had regard to:

* the NGO, which states:[[8]](#footnote-9)

The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

* the objective of the information disclosure and arbitration framework set out in r. 546 of the NGR, which states that:

(1) The objective of this Part is to facilitate access to pipeline services on non-scheme pipelines on reasonable terms, which, for the purposes of this Part, is taken to mean at prices and on other terms and conditions that, so far as practical, reflect the outcomes of a workably competitive market.

(2) This Part is intended to contribute to achieving the objective in subrule (1) by means of:

(a) requirements for the publication and exchange of information to facilitate timely and effective commercial negotiations in relation to access to non-scheme pipelines;

(b) a commercially-orientated arbitration process to resolve access disputes in a cost-effective and efficient manner; and

(c) principles that the arbitrator must have regard to when determining access disputes, which are consistent with the outcomes of a workably competitive market.

## Assessment of the costs and benefits of the information disclosure

In deciding the content of the proposed guideline, the AER had regard to the costs and benefits from the resulting information disclosure, in the context of the legislative objectives noted above.

The benefits of the information disclosure regime arise from addressing the issues considered in Dr Vertigan’s *Examination.* Dr Vertigan found that the operators of existing pipelines have market power and, in some instances, the exercise of this power was resulting in inefficient outcomes that did not promote the NGO. Exercise of market power also limits the achievement of the Council’s Australian Gas Market Vision for of ‘a liquid wholesale gas market that provides market signals for investment and supply’.[[9]](#footnote-10) Dr Vertigan found that the principal problem shippers face when seeking access to pipeline services is an imbalance in bargaining power.

The information disclosure and arbitration framework is intended to facilitate timely and effective commercial negotiations and access on terms that, so far as practical, reflect the outcomes of a workably competitive market.

The financial reporting guideline is a key element of the framework. The benefits of the information disclosure requirements in this guideline include (but are not limited to):

* enabling a consistent set of information to be collected from service providers that prospective users can use to inform their assessment of the reasonableness of a service provider’s standing price, and terms and conditions associated with the services offered
* reducing the degree of information asymmetry currently faced by prospective users and, in so doing, facilitating more timely and effective negotiations and minimise the risk (and hence cost) of an access dispute and arbitration
* allowing prospective users to more readily identify the efficient pricing of pipeline services and, in so doing, constraining service providers pricing policies, which should result in:
* the prices charged for pipeline services better reflecting the cost of service provision and the prices that would prevail in a workably competitive market
* more efficient investment in, and efficient operation and use of, natural gas services over the longer term.

The ultimate beneficiaries of these improvements will be gas consumers. Further information on the benefits associated with information disclosure is provided in Sections 3, 4 and 5.

We understand from service providers that the information disclosure requirements set out in the guideline, particularly the RCM asset valuation, is likely to be both time consuming and costly.[[10]](#footnote-11) Therefore, it is important to weigh the above benefits against the costs likely to be incurred in complying with the guideline.

The following summarises our assessment of the likely costs that may be incurred by an efficient service provider when complying with the guideline:

* **Pipeline service and access information:** The service providers are not expected to incur significant costs in collecting, collating and reporting this information. This type of information will be held as a normal part of doing business.
* **Pipeline financial information**: We expect the financial information service providers are required to publish is (for most pipelines) already collected in the normal operation of the business. We are aware some of the information may be collected at an entity level rather than for a specific pipeline and there may be some additional costs associated with allocating on an asset basis. However, the cost of meeting the requirement to publish this information should not be substantial for an efficient service provider. Service providers will incur costs associated with having the information independently audited each year.
* **Asset valuation using the recovered capital method**: We understand from service providers that some of the data required may be difficult to source or no longer available. The level of difficulty increases for older pipelines and those that have changed ownership multiple times, as records of relevant transactions may not be readily available for all years back to the date of construction.

The RCM asset value provides prospective users with an indication of the cost of service provision to the service provider, which they can use to assess the reasonableness of the price of the services offered. Further, the publication of this information is expected to impose greater discipline on service providers when setting prices, as it assists market participants and policy makers assess whether standing offers are consistent with what would prevail in a workably competitive market.

We have tried to limit the cost associated with the provision of this information by allowing service providers to estimate some of this information in the event historical information is unavailable. Costs of provision are also mitigated by the lower level of assurance required, compared to that applying to financial information.

We also note that the costs of developing the RCM asset valuation are significantly less once an initial valuation is determined. The roll forward of the RCM asset value will be able to utilise information already prepared in the previous calculation of the RCM asset value and current statements of pipeline revenue and expenses.

Further, the RCM is established in r. 569(4) of the NGR as the approach to asset valuation that must be taken into account during arbitration, unless to do so would be inconsistent with the objective of the framework set out in r. 546(1). Prospective users may also request information during negotiations undertaken under Part 23, in accordance with r. 562. Prospective users have advised they are likely to seek this information during commercial negotiations.[[11]](#footnote-12) Relative to collecting and presenting the information during negotiations and/or arbitration, the additional costs that service providers are likely to incur in providing it as part of the information disclosure include:

* the costs associated with preparing the information for publication and loading it on their website with their financial statements; and
* the cost of obtaining the required level of assurance.

However, audit assurance may also be necessary in making this data available during negotiation and/or arbitration.

* **Weighted average prices**: Service providers are not expected to incur significant costs in collecting, collating and reporting this information. Similar to the financial information, the data used to determine weighted average prices (revenue and volume) are already collected by service providers in the normal operation of the business. Revenue by service type is required to be reported in accordance with the financial information reporting obligations. Other inputs are expected to already be calculated as a part of a service providers invoicing process. While, there may be some additional costs associated with calculating and presenting the weighted average pricing information, this should not give rise to a significant cost for an efficient service provider. Service providers will incur costs associated with having the information independently audited each year. We have tried to limit the cost associated with reporting this information by allowing latitude for the service provider to estimate some of these inputs when necessary and applying a lower level of audit assurance for this information.

We have taken a number of steps to strike an appropriate balance between minimising the overall costs associated with compliance and maximising the utility of the information reported. The guideline has been amended to minimise the cost of compliance in the following ways:

* removing the requirement for service providers to publish entity financial statements because the costs associated with provision are likely to outweigh the benefits
* requiring the reporting of the pipeline revenues statement to an earnings before interest and tax (EBIT) level only, given the difficulty associated in allocating interest and tax
* allowing the service provider to estimate components of the RCM for asset valuation where they have demonstrated they have taken all reasonable steps to source the information (proving it is genuinely not available) and have clearly presented the methods, principles, inputs and assumptions used in determining the estimate in the basis of preparation
* reducing the number of service categories required to report weighted average price to those that are most likely to be sought by prospective users
* ensuring the assurance requirements are fit for purpose and are not unnecessarily costly but provide for transparency and confidence in the information published.

Additionally, the framework established under the NGR also includes measures to alleviate costs. The framework provides for an exemption mechanism which allows service providers to apply to the AER for an exemption from some or all of the information disclosure requirements, as follows:

* Pipelines that do not provide third party access or are single user pipelines are not required to publish information under Division 2 of Part 23 of the NGR. These exemptions recognise that the costs associated with information provision by pipelines that do not provide third party access or are used by a single shipper would outweigh the benefits
* Small pipelines that have an average daily injection of less than 10TJ per day over the previous 24 months are only required to publish pipeline information (in accordance with r. 553(2)) and pipeline service and access information.[[12]](#footnote-13) This exemption recognises that the costs associated with smaller pipelines reporting other types of information, including financial and weighted average price information, would likely outweigh the benefits.

Weighing the costs described above against the likely benefits of the regime, the AER is satisfied that the reporting obligations set out in the guideline will promote the objective of Part 23 of the NGR and contribute to the achievement of the NGO. We are also satisfied that the reporting requirements are fit for purpose, targeted and proportionate to the issues it intends to address and will not impose an excessive burden on non-scheme service providers.

# About the Guideline

## Application

The information disclosure and arbitration framework, as articulated in Part 23 of the NGR, applies to non-scheme transmission and distribution pipelines. The term “non-scheme pipeline” is defined in s. 83A of the NGL as a transmission or distribution pipeline that is not a scheme pipeline, while the term “scheme pipeline” is defined in s. 2 of the NGL as:

* a covered pipeline; or
* an international pipeline to which a price regulation exemption applies.

The guideline applies in relation to each service provider of a non-scheme pipeline that is not subject to an exemption.

A non-scheme pipeline service provider may apply to the AER for an exemption from the information disclosure and arbitration framework where the pipeline satisfies the relevant exemption criteria stipulated in r. 585. Exemptions do not apply automatically. To rely on an exemption, the service provider for the non-scheme pipeline must apply to the AER under Division 6 of Part 23 and be granted the exemption.

Further information on the exemptions available can be found in Section 1.7 of the guideline and on the AER website.

## Reporting requirements

In accordance with r. 552(2) of the NGR, the financial information and weighted average price information must be published annually within four months of the end of the service provider’s reporting period. The table below sets out the dates by which service providers of non-scheme pipelines must publish this information.

Table 2.1: Reporting dates for annual financial reporting and weighted average price information

|  |  |
| --- | --- |
| Reporting period | Reporting dates |
| 1 January – 31 December | By 30 April 2019 and every year thereafter |
| 1 July – 30 June | By 31 October 2019 and every year thereafter |
| 1 April – 31 March | By 31 July 2019 and every year thereafter |

### Transitional reporting requirements

Schedule 4 of the NGR contains a number of transitional rules for Part 23 of the NGR, including transitional rules relating to the initial guideline and the publication of financial information and weighted average prices.

Under the transitional rules, initial financial reporting and weighted average prices covering a six month period must be published in October 2018 or January 2019, depending on the service provider’s reporting period. Under the guideline there is also no requirement for this initial financial reporting to include a comparison to a previous year.

The table below sets out the reporting dates for the publication of the initial six month financial information and weighted average price information.

Table 2.2: Reporting dates for initial financial reporting and weighted average price information

|  |  |
| --- | --- |
| Reporting period | Reporting dates |
| 1 January – 31 December | By 31 October 2018 for period 1 January 2018-30 June 2018 |
| 1 July – 30 June | By 31 October 2018 for period 1 January 2018-30 June 2018 |
| 1 April – 31 March | By 31 January 2019 for period 1 April 2018-30 September 2018 |

## Process for revisions

The AER may amend or replace the guideline from time to time, in accordance with r. 557(3) and the standard consultative procedure in r. 8 of the NGR. A date of issue will identify each version of the guideline.

## Terminology/definitions

The terms and definitions used in this Explanatory Statement are as specified in Section 1.4 of the guideline, unless indicated otherwise.

## Structure of this paper

The remainder of this explanatory statement is structured as follows:

* Section 3 outlines the reporting obligations for pipeline financial statements;
* Section 4 focuses on the reporting obligations for the asset valuation using the methodology specified in r. 569(4) of the NGR;
* Section 5 outlines the reporting obligations for the weighted average price information;
* Section 6 focuses on the assurance requirements; and
* Section 7 outlines the compliance and enforcement arrangements.

# Pipeline financial statements

Rule 557(2)(a) requires the guideline to provide for the publication of annual financial information about each non-scheme pipeline on a pipeline-by-pipeline basis, which may include:

* financial statements
* information on the methods, principles and inputs used to calculate asset values, depreciation allowances and for cost allocation purposes
* financial performance metrics.

It is critical to highlight that the asset valuation in Section 3 of the guideline (statement of pipeline assets) differs from the RCM valuation in Section 4 of the guideline.

Service providers are required to provide a basis of preparation separate to the financial reporting template. This must be published on the service provider's website with the financial reporting template.[[13]](#footnote-14) The pipeline financial statements section of the basis of preparation document requires details of the sources of information used in the preparation of the financial reporting template, any amendments to the data from previous years, identification of shared assets and the method for allocating these from the entity to the individual pipeline. The basis of preparation will:

* Enable an understanding of how the amounts reported in the pipeline financial statements are determined or calculated.
* Assist with interpretation of information reported in the pipeline financial statements.
* Assist with comparison of information provided in the pipeline financial statements to the service provider as a whole.
* Provide an understanding of how shared amounts are allocated.

The guideline requires the service provider to publish financial statements, in respect of the pipeline, that include:

* A statement of pipeline revenues and expenses
* A statement of pipeline assets
* Pipeline information

Each of these requirements is discussed separately in the remainder of this chapter.

## Statement of pipeline revenues and expenses

The statement of pipeline revenues and expenses provides an overview of the revenue generated from pipeline operations and the costs associated with earning this revenue. Providing a statement of revenue and expenses for the pipeline provides prospective users with an understanding of the returns generated and profitability of a particular pipeline, which will assist them to assess the reasonableness of the standing prices and services offered.

### Reporting requirements

The pipeline financial statements, including the statement of revenue and expenses must be based primarily on principles contained in Australian Accounting Standards.[[14]](#footnote-15) However, unlike a standard income statement, service providers are not required to report interest and tax expenses in the statement of revenue and expenses. Interest and tax are typically reported at the entity level, so there is a risk that allocating these to the pipeline level would be misleading.

The guideline specifies the revenue and expense categories to be reported.[[15]](#footnote-16) Revenue is classified as either direct revenue or indirect revenue. Further disaggregation of direct revenue is required for specific services. Service providers must also publish details of contributions made by customers or governments that are included in the reported revenues. Indirect revenues may be allocated to the pipeline.[[16]](#footnote-17) Details on sources of indirect revenues are also required. Where an allocation of indirect revenues is made, the basis of the allocation must be disclosed and the methodology included in the basis of preparation. Related party transactions impacting both direct and indirect revenues must also be disclosed by the service provider.[[17]](#footnote-18)

Expense categories are classified as either direct costs or shared costs. Shared costs may be allocated to the pipeline, but costs relating to interest and taxes are not required to be reported. Details on sources of shared costs are also required. Where an allocation of shared costs is made, the basis of the allocation must be disclosed and the methodology included in the basis of preparation. Related party transactions impacting both direct and shared costs must also be disclosed by the service provider.

The guideline includes a principle that shared costs paid to related parties cannot include any component of profit to the related party.

Service providers are required to provide a basis of preparation separate to the financial reporting template. This is to be published on the service provider's website with the financial reporting template.[[18]](#footnote-19) The statement of pipeline revenues and expenses section of the basis of preparation requires:

* details of the sources of information used in the preparation of the financial reporting template
* any amendments to the data from previous years
* identification of shared revenues and expenses and the method for allocating these from the entity to the pipeline.

### Deliberation in setting the reporting requirements

Throughout the stakeholder consultation process, service providers noted that the categories provided for revenue and expenses were too granular, which would lower audit materiality and create potential confidentiality issues.[[19]](#footnote-20) In reviewing this issue, it was considered that aggregating categories would reduce the meaningfulness of the revenue and expenses data. Therefore, the guideline does not allow aggregation of revenue and expense amounts, to preserve clarity on the cost structure of a pipeline.

Service providers also raised concerns around disclosure of the allocation method and publication of the balance of total amounts of shared revenue and expenses.[[20]](#footnote-21) However, it was considered that the publication of the allocation method is a necessary component of the guideline. Requiring the publication of the total amount of shared revenue and expenses and the basis of allocation will allow shippers to form a view regarding the appropriateness of the allocation method used and the proportion of costs and revenues allocated to a particular pipeline.

In considering the costs of developing and publishing the allocation method, it was recognised that the cost in the initial reporting year may be significant, as the service provider will be required to establish and validate the allocation method. However, the process of allocation will be less onerous for subsequent years, as it would be expected to follow the same allocation method. It was considered that allocating these amounts is necessary to ensure the statement of pipeline revenue and expenditure is reflective of the complete cost of operating the pipeline and/or returns generated on the pipeline.

While it was considered that it may be appropriate to use different causal allocators for shared revenue and cost, there is also a risk that service providers may have an incentive to allocate a greater level of shared costs to a pipeline and a lower level of shared revenue.

Given that a service provider must disclose the allocation methodology utilised in the basis of preparation, the guideline permits the use of different causal allocators, in recognition that not all shared costs are allocated on the same basis.[[21]](#footnote-22) Disclosure of details of the cost allocation method and how it is applied reduces the risk of incorrect allocation.

Service providers noted that interest and tax expenses are difficult to measure/allocate as funding and tax are determined at a group level and are not relevant to the functions of individual pipelines.[[22]](#footnote-23) Prospective users also noted that interest and tax expenses are typically managed at the entity level and may be misleading, when applied at the pipeline level.[[23]](#footnote-24) Therefore, relative to the income statement proposed in the draft guideline, which included interest and tax, the final guideline limits reporting on revenue and expenses to an EBIT level only.[[24]](#footnote-25) However, it is noted that reporting at an EBIT level means that there are likely to be additional tax and finance costs borne by servicer providers which are not captured in this information.

## Statement of pipeline assets

The 'statement of pipeline assets' provides prospective users with an overview of the assets used in the pipeline’s operations and/or attributable to a pipeline. The statement of pipeline assets provides shippers with an understanding of the asset base, for use when considering the financial performance of a pipeline.

### Reporting requirements

Asset values are to be reported at book value in accordance with accounting standards.[[25]](#footnote-26) This allows the asset values to be reported based on acquisition (in specific circumstances) or construction cost plus capitalised expenditure (noting that upward revaluations are not allowed), less depreciation and impairment. The guideline provides further detail regarding the determination of an asset’s opening value, capitalised expenditure, depreciation and impairment.[[26]](#footnote-27)

Unlike a balance sheet, service providers are not required to report debt and liabilities in the statement of pipeline assets. Debt and liabilities are typically managed at the entity level, so there is a risk that allocating these to the pipeline level would be misleading.

These financial statements are to be prepared in accordance with accounting standards and the methods, principles and inputs specified when reporting:

* asset values (including capitalisation principles);
* depreciation allowances; and
* related party transactions.

The guideline requires assets disclosed in the statement of pipeline assets sheet of the financial reporting template (worksheet 3) to be valued as:

* construction or acquisition cost (where the asset was acquired prior to the commencement of the guideline);
* plus certain expenditure which meets the requirements to be capitalised since asset acquisition or construction;
* less accumulated depreciation;
* less disposals;
* less any impairment charges.

Where a pipeline is acquired following the commencement of the guideline, the opening asset value for the reporting period should be reported in accordance with the closing balance from the financial reporting template prepared by the previous service provider. Where an asset has been acquired from a related entity prior to the commencement of the guideline (i.e. 1 January 2018), this asset value must be reported at construction cost or the cost at which the related entity previously acquired the asset from an unrelated third party. This recognises the potential for related party transactions to not reflect an arm’s length market value.

In order to minimise the potential for asset values and rate of return measures to be inflated through revaluation, the guideline does not permit assets to be revalued.[[27]](#footnote-28) Service providers can choose to disclose revalued amounts in the basis of preparation document. However, these values cannot be used in determining asset value (worksheet 3 - Statement of Pipeline Assets).

Pipeline assets are likely to be impairment tested regularly as part of the service provider’s group audit procedures. Asset impairments are able to be included in the statement of pipeline assets, but the reasons and amounts must be disclosed in the basis of preparation. Similarly, impairments can be reversed, but the reasons and amounts must be disclosed in the basis of preparation.

The guideline does not provide for the indexation of pipeline assets. Some service providers expressed concerns that this would lead to misleading information as prices charged to customers will increase for inflation over time.[[28]](#footnote-29) However, this approach is consistent with Australian Accounting Standards, which do not allow asset values to be indexed for inflation. Including indexation would also add further complexity to the preparation of the statement of pipeline assets. However, should they wish to do so, service providers can detail pipeline asset values adjusted for inflation in the accompanying basis of preparation.

A number of service providers have complex corporate structures that result in transactions with related parties (for example, one entity may own the pipeline assets and lease this asset to the entity that operates the pipeline or have an outsourcing arrangement with a related party).

The guideline requires related party transactions in the reporting period to be separately disclosed.[[29]](#footnote-30) This information is required to be reported because, as noted above, there is the potential for related party transactions to not reflect arm’s length market rates and the process required to confirm an arm’s length market rate may significantly increase the costs of auditing the financial reporting template.

The guideline does not permit assets to be revalued upward, to minimise the potential for asset values and rate of return measures to be inflated through revaluation.[[30]](#footnote-31) The guideline allows impairment reversals, with a requirement to disclose the reasons for any impairment reversals in the basis of preparation.[[31]](#footnote-32) Impairment reversals cannot exceed prior impairment amounts.

To maintain consistency with accounting standards, acquisition values have been allowed except in certain circumstances. The asset value provided in the statement of pipeline assets section should not be determinative of the asset base for assessing the appropriateness of returns. The asset valuation approach in the statement of pipeline assets is separate and not to be reflected in the r. 569(4) calculation.

The guideline specifies that the following methods, principles and inputs are to be used in determining the statement of pipeline assets.[[32]](#footnote-33)

#### Capitalisation principles

Assets are to be capitalised at either construction cost or acquisition cost in accordance with the guideline. The conditions for an amount to be capitalised are specified in the guideline, and are broadly consistent with the approach adopted in the Australian Accounting Standards.

#### Asset life principles

A range of common useful lives for various classes of assets is included in Appendix A of the guideline. Where an asset’s useful life does not fall within this range, the service provider is required to explain why this is the case in the basis of preparation. The explanation is intended to provide shippers with an understanding of why the asset life is longer or shorter than those for similar types of assets (for example, a pipeline with a longer potential operational life may be depreciated over a shorter estimated useful life when there is an expectation that gas will no longer be required due to changing customer needs).

The inclusion of a range of useful lives is intended to reduce the burden on service providers, because if their asset lives fall within the range they will not be required to provide an explanation for the basis for the asset’s useful life. If a range of asset lives were not prescribed, service providers would be required to explain the basis of the useful life for each asset (or class of assets) disclosed.

#### Allocation principles

Service providers are given some flexibility to develop their own policies to allocate revenue, expenses and assets to a pipeline consistent with the broad principles set out in the guideline.

The basis used to allocate assets must be provided in the basis of preparation document.

#### Depreciation principles

For simplicity, the guideline requires assets to be depreciated in accordance with methods provided in the Australian Accounting Standards. In order for the depreciation method to be changed, the requirements provided in the Australian Accounting Standards must be met.

The guideline does not currently provide for land or easements to be depreciated. Some service providers have, however, indicated that easements may have a fixed term life.

Where there are costs associated with decommissioning an asset (for example legally required environmental rehabilitation costs) these are to be disclosed in the basis of preparation.

### Deliberation in setting the reporting requirements

Prospective users and service providers generally agreed that the disclosure of information on liabilities and debt was of little value, as pipeline owners typically manage debt and liabilities at a corporate level, and allocation of these back to the pipeline could be misleading.[[33]](#footnote-34) Therefore, relative to the balance sheet proposed in the draft guideline it was decided not to require reporting of debt and liabilities. In the final guideline, reporting is limited to asset value and the pipeline balance sheet renamed the 'statement of pipeline assets'.

Stakeholder feedback indicated that return on assets is a more meaningful measure of the financial performance of a pipeline than return on equity.[[34]](#footnote-35) Further, the allocation of liabilities is likely to be arbitrary, as financing is often considered at a group level rather than pipeline level. Removal of liabilities and equity from this statement removes the challenges associated with allocating group liabilities such as debt and tax liabilities.

While service providers are given some flexibility to allocate shared assets to appropriate categories, the guideline requires service providers to detail the reason for allocating an asset to a specific category in the basis of preparation. Requiring the publication of the total amount of shared asset to be set out the allocation method in the basis of preparation will allow prospective users to form a view regarding the appropriateness of the allocation method used and the proportion of assets allocated to a particular pipeline.

The process of allocation for shared assets will be less onerous for subsequent years, as the same allocation method is expected to be applied. Allowance for the allocation of shared assets has been included, as not allocating these amounts would mean that the statement of pipeline assets is not reflective of the full investment in assets required to operate the pipeline.

## Pipeline performance information

The pipeline performance information required to be published is basic information on the size and location of the pipeline, and the services offered to related parties and other users, as well as a pipeline performance measure.[[35]](#footnote-36) The pipeline performance measure is a measure of profitability of the pipeline derived from the financial information reported in accordance with the guideline.[[36]](#footnote-37) The profitability measure is the return on assets, derived as EBIT as a proportion of total pipeline assets.

The pipeline performance information is included in the guideline to provide clarity about the pipeline and its services to all users of the published information. Feedback from prospective users indicated return on assets was sufficient to determine a pipeline's financial performance, with detail on return on equity unnecessary for this purpose.[[37]](#footnote-38) We note that prospective users may calculate other performance measures using information provided in the financial reporting template.

## Other considerations

### Multiple service providers

The rules require service providers to publish the information specified in the guideline. In circumstances where more than one service provider is responsible for, and/or utilising, specific pipeline assets there is potential for greater complexity to arise in the collecting, and compilation of the required information.

Service providers suggested that some flexibility is required to determine who is responsible for the publication of information in accordance with the guideline, where more than one party meets the definition of a service provider of a non-scheme pipeline.[[38]](#footnote-39)

While all non-scheme pipeline services providers are required to publish the information specified in the guideline, in situations where there is more than one service provider, the guideline allows members of a service provider group to appoint one of the members to be the responsible service provider for the pipeline. This requires members of the service provider group to notify the AER in writing of the appointment of a responsible service provider. The notification must include evidence that all members of a service provider group endorse the appointment and that the nominee has the access to, and the legal right to publish, the required information.[[39]](#footnote-40)

### Entity financial statements

Some service providers currently publish audited entity financial statements, often at a consolidated level. It was initially intended in the draft guideline to include a requirement for the entity that owns the pipeline to provide audited financial statements where they are prepared in the ordinary course of business.

However, feedback provided by service providers indicated that entity financial statements, which are typically prepared at a consolidated group level so contain other assets and business operations, are not reflective of returns generated on an individual pipeline.[[40]](#footnote-41) Prospective users expressed a similar view, indicating that the entity financial statements were of limited value where they contain combined information for multiple asset interests. Prospective users also indicated that where audited financial statements are currently available, they are not being used to assess the reasonableness of pipeline service prices offered.[[41]](#footnote-42)

Noting the issues raised in consultation, a requirement to publish entity financial statements has been removed from the final guideline.

### Confidentiality

Service providers suggested that a confidentiality regime should be included in the guideline and considered a number of information disclosure requirements would contain information that was confidential to:[[42]](#footnote-43)

* the service provider
* the service provider's suppliers
* the service provider's customers.

We acknowledge that the guideline will require publication of information that would otherwise be kept confidential and that this imposes a cost to the service provider. However, we consider this cost is justified in light of the benefits of the regime noted above.

The NGR allows service providers to apply for an exemption from the reporting requirements in certain situations.[[43]](#footnote-44) Further, to maintain the confidentiality of the pipeline users, in accordance with r. 556(3), the service provider is not required to publish the weighted average price of a service if:

* the pipeline service was provided, directly or indirectly, to no more than two users of the non-scheme pipeline and
* the service provider gives a notice to the AER at least 20 business days before the date required for publication certifying this.

The intent of the rules is to require the self-reporting of financial and weighted average prices information. As such additional confidentiality mechanisms have not been included in the guideline.

# Asset value using the recovered capital method

There is currently little publicly available information on the costs incurred by service providers in providing services and the relationship between these costs and the prices charged for services. The purpose of financial reporting is not to allow prospective users to carry out a detailed bottom-up cost of service analysis, but rather to provide prospective users with an indication of the costs associated with providing services, the revenue earned and return on assets generated by the pipeline. It is intended prospective users will use this information to assess whether a service provider's standing offer is reasonable. It will facilitate more timely and effective negotiations, by reducing the information asymmetries faced by prospective users.[[44]](#footnote-45) Publication of this information is expected to impose greater discipline on service providers when setting prices, because it will be clearer to users and policy makers if the pipeline is setting prices and earning returns in excess of what would prevail in a workably competitive market.

This is consistent with the overarching objective of Part 23 of the NGR, as set out in r. 546(1), to:

“…facilitate access to pipeline services on non-scheme pipelines on reasonable terms, which for the purposes of this Part, is taken to mean at prices and on other terms and conditions that, so far as practical, reflect the outcomes of a workably competitive market.”

The value of the assets used in the provision of services is an important input into a prospective user's assessment of the reasonableness of an offer, as reflected in r. 557(2)(a)((ii)(A) and the Explanatory note to the initial rules. In general, a large proportion of the tariffs levied by service providers are associated with the recovery of their investment in assets. While there are a number of different ways in which an asset can be valued, the pricing principles in Part 23 state that the value of any assets used in the provision of the pipeline service must be determined using asset valuation techniques consistent with the objective set out in r. 546(1) and, unless inconsistent with this, the value is to be calculated using the following methodology (the ‘recovered capital method’):

(i) the cost of construction of the pipeline and pipeline assets incurred before commissioning of the pipeline (including the cost of acquiring easements and other interests in land necessary for the establishment and operation of the pipeline);

plus:

(ii) the amount of capital expenditure since the commissioning of the pipeline;

less:

(iii) the return of capital recovered since the commissioning of the pipeline; and

(iv) the value of pipeline assets disposed of since the commissioning of the pipeline.

## Requirement to report the recovered capital value

Rule 557(2)(a)(ii)(A) of the NGR allows the AER to require the service providers of non-scheme pipelines to publish information on the methods, principles and inputs used to calculate the value of any assets used in the provision of pipeline services. While we have the power to require this information to be published, service providers have questioned whether we should exercise this power and, in doing so, have claimed that it goes beyond the policy intent of the information disclosure and arbitration framework set out in Part 23 of the NGR. It is relevant therefore to consider the intention of the new framework.

As noted in the Explanatory note to the initial rules:[[45]](#footnote-46)

“The asset valuation method set out in rule 569(4)(b) is consistent with the method in rule 77(1)(b), although the term ‘depreciation’ in rule 77(1)(b)(iii) has been replaced with ‘return of capital recovered since the commissioning of the pipeline’ to avoid any confusion about what is meant by the term ‘depreciation’. The term ‘return of capital’ is used in this context to refer to the capital recovered through tariffs and any capital contributions made by shippers…**It is intended that this value will be reported in the service provider’s financial reports under Part 23 and updated annually (i.e. to adjust for subsequent capital expenditure, capital recoveries and asset disposals) on that basis.”**

As the last sentence in this extract highlights, the GMRG expected the asset valuation arising from the application of the RCM to be reported in service providers' financial reports and updated on an annual basis. This is not surprising given it is embodied in the pricing principles that an arbitrator would be required to have regard to if an access dispute is triggered under Part 23.

As highlighted by service providers, the pricing principles in Part 23 of the NGR do not mandate the use of the RCM.[[46]](#footnote-47) Rather, r. 569(4) states that, unless inconsistent with the principle that the value of assets must be determined using an asset valuation technique that is consistent with the objective of Part 23, the value is to be calculated using the RCM. It remains open to service providers and/or shippers to argue in a negotiation or arbitration that the RCM is, in their particular circumstances, inconsistent with what would prevail in a workably competitive market. However, the construction of this rule establishes the RCM as the default method that complies with the objective of Part 23 of the NGR. The RCM can therefore be expected to be an important input into a prospective user's assessment of the reasonableness of an offer.

To claim that this value would not be relevant until an arbitration is triggered ignores the context in which negotiations are expected to take place under the new information disclosure and arbitration framework. It also discounts the overarching objective of the new framework, which is to facilitate access on reasonable terms. As a number of prospective users pointed out, if this information is not published in the financial statements they will request it during negotiations.[[47]](#footnote-48) Service providers will therefore need to be in a position to provide this information to prospective users. The incremental costs associated with publishing this information in the financial reports can therefore be expected to be relatively low.[[48]](#footnote-49)

The benefits of publishing this information are clear and, as prospective users have highlighted, will contribute to the achievement of the objective of Part 23 of the NGR, in the following ways:

* The publication of this information will reduce the degree of information asymmetry between service provers and prospective users. It will facilitate more timely and effective negotiations and encourage the resolution of disputes without the need to resort to arbitration.
* Prescribing the approach that service providers are to use when calculating the RCM asset value in the guideline will provide prospective users with greater clarity about what the asset value represents and how it has been calculated. It will also reduce the risk of service providers employing different methods when calculating the RCM and/or providing different estimates of the recovered capital value to different shippers. The publication of this information will ensure that all prospective users, regardless of their size and bargaining power, will have access to the same information about the RCM asset value to assess the reasonableness of the offer.
* The RCM asset value, in conjunction with other information from the pipeline statements and the weighted average prices, will enable prospective users to assess whether the price offered is consistent with what would be expected in a workably competitive market. In the absence of this information, prospective users would only be able to have recourse to the accounting based book value, which could, depending on how this value has been determined, result in either:
* prospective users paying more for services than would be expected to prevail in a workably competitive market, or
* more protracted negotiations between prospective users and service providers and a greater number of arbitrations.

Greater transparency can be expected to impose more discipline on service providers when determining the price of services and discourage exercises of market power that would otherwise operate to the detriment of consumers and economic efficiency. When coupled with the other benefits outlined above, the AER considers that the benefits of requiring the RCM to be published in the financial statements will exceed the costs and promote the NGO. It is also clear from the discussion on the rationale for introducing Part 23 and the information disclosure requirements that the GMRG and the COAG Energy Council expected this type of information to be published in the financial reports.[[49]](#footnote-50) We are therefore satisfied that this information should be reported by service providers in their financial statements and updated on an annual basis.

## Calculation of the recovered capital value

The guideline requires service providers to disclose the value arising from the application of the RCM set out in r. 569(4)(b) at worksheet 4 of the financial reporting template.

The RCM formula in the guideline is as follows:[[50]](#footnote-51)

Where

The term return of capital in this formula is used to refer to the change in the economic value of the asset and is equal to the difference between: [[51]](#footnote-52)

* the revenue earned by the service provider
* the costs incurred by the service provider, where costs include operating expenditure, net tax liabilities and a return on capital.

To calculate the RCM asset value, service providers will require historic information on:

* the cost of constructing the pipeline (including shared assets)
* any capital expenditure that has occurred since the pipeline was constructed
* asset disposals that have occurred since the pipeline was constructed
* the return of capital that has occurred since the pipeline was constructed, which requires historic information on:
* revenue that has been generated since the pipeline was constructed from the provision of all pipeline services;
* the operating expenditure that has been incurred since the pipeline was constructed
* the net tax liabilities that have been incurred since the pipeline was constructed
* the return on capital required by the service provider in each year, which will require information on:
  + the closing value of the capital base in each year
  + the rate of return to be applied to the closing value of the capital base from the immediately preceding year, which should be determined for each year and based on a commercial rate of return that is commensurate with the prevailing conditions in the market for funds and reflect the risks the service provider faces in providing services.

## Deliberation in setting the RCM reporting requirements

Service providers identified a number of challenges with calculating the recovered capital value. The main challenge that was identified was the difficulty in obtaining historic information on key inputs, which stakeholders suggested could be addressed through the use of estimates.[[52]](#footnote-53) A number of service providers also identified challenges with estimating the commercial rate of return, and the proposed treatment of tax and shared assets. They also questioned the certification process and the definitions relating to the RCM.[[53]](#footnote-54)

However, this needs to be balanced against the benefits of the RCM asset valuation to prospective users. The RCM asset value reduces the information asymmetry and imbalance in bargaining power, enabling prospective users to assess the reasonableness of a service provider’s offers and facilitate more timely and effective negotiations.

In balancing the feedback from service providers and prospective users, we decided to retain the requirement for service providers to publish a RCM asset value in their financial statements.

We recognise that in some circumstances, particularly for older pipelines and those pipelines that have changed hands on numerous occasions, it may not be possible to obtain historic information on some of these inputs. The guideline therefore states that:[[54]](#footnote-55)

1. Service providers must take all reasonable steps to obtain this information. Section 4.1 of the guideline sets out a non-exhaustive list of potential sources of information, including:

* requesting information from prior owners if a pipeline has been acquired
* having recourse to information contained in ASIC register searches, ASX announcements, historic media information and other public sources
* where a pipeline was previously regulated, requesting information from the relevant regulator
* freedom of information requests to the Australian Taxation Office
* information requests to other parties involved in the pipelines construction, such as building contractors and materials suppliers.

The guideline does not mandate specific steps be taken, rather it provides examples of the steps that could be taken to obtain the information.

The guideline also states that if a pipeline was previously regulated and a determination made on the depreciated actual cost, the service provider may use this value as the opening value for the calculation under this method from the date the determination was made and to roll it forward using the method set out in the guideline.[[55]](#footnote-56)

1. If having taken all reasonable steps to obtain the historic information, service providers are unable to find the required information, they will be allowed to use an estimate for the relevant piece of information.[[56]](#footnote-57) If estimates are used, service providers will be required to set out and/or demonstrate in the basis of preparation that:

* the steps it has taken to locate the relevant information
* how the estimate was arrived at, including any methods, principles, assumptions or inputs that have been used to develop the estimate
* the estimate has been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.[[57]](#footnote-58)

While some prospective users have suggested there may be value in requiring a valuation expert to prepare or review these estimates,[[58]](#footnote-59) in our view there is greater benefit in ensuring prospective users have enough information to critically evaluate the RCM asset value themselves. The guideline requires the initial RCM asset value and ongoing annual updates of the asset value to be subject to assurance assessment, as outlined in section 6.2 of this Explanatory Statement.

The guideline also makes clear that while it may be necessary to utilise estimates for historic information, going forward service providers will be expected to utilise actual information on capital expenditure, asset disposals and the return of capital.[[59]](#footnote-60)

In response to the other issues that stakeholders have raised about the challenges associated with calculating the RCM asset value, we note the following:

* **Commercial rate of return** - Service providers will be able to determine how this input is estimated, but will be required to document the method, principles, assumptions and inputs that have been used in their basis of preparation and demonstrate that the estimate has been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.
* **Treatment of tax** - Service providers will have the option to account for tax using either a pre-tax commercial rate of return, or the post-tax approach with net tax liabilities modelled explicitly. The service provider's choice will need to be documented in the financial reporting template and the basis of preparation. The basis of preparation will also need to specify the method, principles, assumptions and inputs used to account for tax and demonstrate that any estimates have been arrived at on a reasonable basis and represent the best estimate possible in the circumstances.
* **Treatment of shared assets** - Service providers will only be permitted to include shared assets in the calculation of the RCM if those assets support the pipeline operations. In response to stakeholder concerns regarding the potential for cost shifting, the guideline requires service providers to disclose the basis used for the allocation of shared assets and use similar causal allocators to those used in the statement of pipeline revenue and expenses.
* **Definitions for the RCM - In response to stakeholder feedback, the definitions developed for the RCM are clearly distinguished in the guideline from those relied upon in relation to the pipeline financial statements. The definitions also makes it clear that acquisition costs can only be used if the asset is not of a type constructed by the service provider (for example, motor vehicles and information technology equipment).**
* **Provision of demand information - While prospective users have suggested that additional demand information should be published in the financial statements, we understand that service providers will be required by r. 553 to publish some of the service usage and availability information they have suggested. Amongst other things, this rule requires service providers to publish an outlook of the firm capacity that they will have available for sale for each month in the next 36 month period. We do not therefore see a need to require any additional demand information to be published at this time.**

Finally, it is worth noting that while service providers will be required to publish the recovered capital value, arbitrators will not, as noted in the Explanatory note to the initial rules, be bound by this information or by any of the methods, principles or inputs specified in the guideline. Prospective users and service providers will therefore have an opportunity to debate the methodology and inputs used in the calculation of the RCM asset value if an access dispute arises and proceeds to arbitration under Part 23 of the NGR.

# Weighted average price

Weighted average price information provides a measure of the amount that users are charged, on average, for a particular service. This information is intended to enable prospective users to determine whether the price they are being charged or offered is higher or lower than the average price paid by existing pipeline users in the most recent financial year.

Rule 556 requires a service provider for a non-scheme pipeline to prepare and publish on its website weighted average price information for each of its non-scheme pipelines. Weighted average price information must:[[60]](#footnote-61)

* be determined using a methodology set out in the guideline;
* be in the form and contain the information specified in the guideline; and
* be certified in the manner provided for in the guideline.

In a similar manner to financial information, r. 557 requires the guideline to specify the methods, principles and inputs to be used to calculate the weighted average price information and the form this information is to take.

## Reporting requirements

The guideline requires service providers to publish weighted average prices for each service type and charging method. Service providers are required to publish this information for the most recent financial year.[[61]](#footnote-62)

The guideline requires service providers to classify pipeline revenue for the most recent financial year into the following service categories in order to calculate separate weighted average price information for each service:[[62]](#footnote-63)

* Transportation services:
* Firm forward haul transportation services (includes bi-directional services, if a pipeline operates in a bi-directional manner).
* Interruptible or as available transportation service.
* Backhaul services.
* Stand-alone firm compression services.
* Firm storage (combined park, and park and loan) services.

To enable weighted average prices to be compared in a meaningful manner with the prices shippers are paying or are being offered, the weighted average prices charged to customers for transportation services must be further classified based on the charging method, either distance, zonal or postage stamp.

Some estimates may be required to prepare weighted average price information. For example:

* where a customer is charged for the use of more than one service type under an agreement, an estimate of the proportion of revenue that is attributable to a particular service may be required; or
* where agreements do not separate revenue under a pipeline or service type, disclosure of the basis of allocation between pipelines and service types is required in the weighted average price section of the basis of preparation.

A service provider can seek an exemption from publishing weighted average prices for a pipeline service for a financial year if:

* the service was provided, directly or indirectly, to no more than two users of the non-scheme pipeline; and
* the service provider gives a notice to the AER at least 20 business days before the date required for publication certifying this.[[63]](#footnote-64)

This exemption is designed to protect the confidentiality of prices paid by individual shippers for particular services.

When such a notice is given, the AER has the discretion, by notice to the service provider, to require services to be combined for the purpose of calculating the weighted average price.

## Deliberation on the weighted average prices reporting requirements

The draft guideline required service providers to publish weighted average prices for each service type and charging method, this included 3 classes of transportation services, 2 compression services, 4 storage services, and 4 trading, ancillary and other services. This was then overlaid by 3 charging methods (distance, zonal and postage stamp) and 2 charging bases (capacity, volumetric).

Feedback from service providers indicated that they often bundle services in an agreement, so it may be difficult to disaggregate contract revenues by service and charging method to produce a meaningful outcome. Further, service providers indicated the wide range of services provided and charging structures used on some pipelines may lead to confidential customer information being disclosed or users being able to determine what competitors are paying.[[64]](#footnote-65) However, users did not raise any concerns regarding the potential disclosure of confidential information, such as the prices they are currently paying.

Prospective users, in general, agreed to focus the weighted average prices information on the primary services offered, such as transport and storage services, indicating there was little value in providing weighted average prices for ancillary services.[[65]](#footnote-66)

To address the concerns regarding the level of disaggregation, the guideline only requires weighted average prices to be published for the most common types of services (transportation [firm, interruptible/as available, backhaul], firm storage and firm compression services). Weighted average prices are not required to be reported for trading, ancillary and other services, which typically are of lower value and provided as a complement to transport and storage services. Also, reporting is not required for interruptible/as available storage and compression services, as prospective users are expected to be able to estimate these prices based on the weighted average price of the firm service. This is expected to reduce the number of service providers seeking exemption to publish, or to aggregate weighted average price categories.

Service providers should be mindful that an exemption application can be made in accordance with r. 556(3) of the NGR which should address to some extent the confidentiality concerns raised. The guideline does not prescribe the methodology that should be used to allocate revenue to different categories but the basis of allocation must be made clear in a basis of preparation.

# Assurance requirements

Rule 557(2)(d) and (e) requires the guideline to specify any accounting or audit standards that are to apply to the reported information and to provide for the manner in which the financial information and weighted average price information is to be certified as being true and fair.

Providing assurance over information disclosed provides prospective users with greater confidence that they can rely on the information presented to inform negotiations on standing offer prices and services. Audit processes will increase the cost of compliance with the guideline, as they impose a greater discipline on the service providers who must compile the information, as well as the direct cost of paying for an audit or review to be undertaken.

There is a need to balance the cost of assurance against the value of obtaining information that can be relied upon by prospective users and having a robust reporting process that minimises the opportunity to manipulate information.

The guideline provides for two levels of audit assurance:

* Reasonable assurance - requiring the audit to comply with Auditing Standard *ASA 805* Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement and ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks, Accounts or Items of a Financial Statement. The audit report must include an opinion as to whether the financial information provided has been prepared in all material respects in accordance with the guideline.
* Limited assurance - involving a review in accordance with *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*. This provides a limited assurance review report expressing a conclusion whether, on the basis of the review, anything has come to the assurance practitioner’s attention that causes the assurance practitioner to believe that the historical financial information, other than a financial report, is not prepared, or presented fairly, in all material respects, in accordance with the applicable criteria but no opinion is provided regarding whether the information is true and fair.

## Reporting requirements

The following assurance is required under the guideline:

* Pipeline financial statements - reasonable assurance
* Interim pipeline financial statements - limited assurance
* Pipeline information (worksheets 1 and 1.1) - no assurance required
* Recovered capital method asset valuation - limited assurance
* Weighted average price information - limited assurance

## Deliberation in setting the assurance requirements

The audit requirements achieve a balance between obtaining a level of assurance that enhances the information prospective users will rely on and acknowledging that in some situations estimates and judgements will be required to produce the information.

Service providers noted several challenges with, and the associated high cost of, gaining audit assurance for the financial information required by the guideline, particularly to gain reasonable assurance. Concerns were raised around their ability to gain reasonable assurance for historic information where cost allocation methods and estimates are applied, particularly around the reporting requirements for the recovered capital method asset valuation and weighted average pricing. Further, for the initial (interim) reporting period, service providers proposed no assurance or a lower level of assurance be required.[[66]](#footnote-67)

In contrast, prospective users preferred higher levels of assurance, even for the interim reporting periods, as ongoing asset values form an integral part of the usefulness of the information. Prospective users considered limited assurance based on agreed upon procedures may be acceptable for estimated historic values under the recovered capital method for asset valuation. However, they suggested construction cost information be prepared and reviewed by an appropriately qualified valuations expert. For weighted average price information a reasonable level of assurance was preferred by prospective users.[[67]](#footnote-68)

We also sought the views of audit firms, to assess the feasibility and likely cost of the audit assurance options being suggested.

Our final position balances the need to have the most reliable information being provided by service providers against the practical issues of providing assurance against estimated data and guidance provided by auditors that agreed upon procedures is not suitable for reliance by third parties.

Reasonable assurance[[68]](#footnote-69) is required for pipeline financial statements (statement of pipeline revenues and expenses, and statement of pipeline assets). Some of this information is collected and reported at an entity level and allocation methods may need to be applied to determine this financial information at a pipeline level. In the future, it is expected that services providers will collect and/or develop systems to record this information at a pipeline level where possible. Similarly auditors may need to adapt their procedures in the initial period and first full year of reporting to assess and provide assurance at a pipeline level, but once the new systems are established they can be rolled forward in future years. We note that the cost of assurance is likely to be lower after the first full year of reporting.

Limited assurance[[69]](#footnote-70) is required for interim financial statements, in accordance with the accompanying basis of preparation and the guideline, acknowledging that this is the first reporting of the information for the individual pipeline. Where this information is collected at a consolidated group level, service providers will need to allocate it to the pipeline level. Consistent with the advice from audit firms, a lower level of assurance is accepted for the interim reporting period as it is half-year not full year reporting. For many pipelines the interim reporting will be for the second half of the financial year, which is different to the normal auditing requirements.

Limited assurance is required for the RCM asset value. The limited assurance standard required to be complied with can be used in circumstances where source documentation is not available, if the framework under which the assurance is provided includes a requirement for service providers to document the process carried out when information is not available. The guideline includes such a process by requiring a basis of preparation to be developed, and specifying the material to be presented in the basis of preparation.[[70]](#footnote-71) The auditor can provide limited assurance over the basis of preparation process documented being in accordance with the guideline where actual information is unavailable.

After the initial reporting period, much of the information required for the RCM calculation is sourced from the financial statements, which have reasonable assurance. However, there may still be a requirement to allocate or estimate certain aspects of the RCM asset value and we consider the limited assurance requirement is appropriate.

The AER considers limited assurance is appropriate for weighted average price information (ongoing and interim), in accordance with the accompanying basis of preparation and guideline, in recognition that many access agreements bundle services, so an allocation method will need to be applied to disaggregate data for the individual services. It is also noted that the revenue component of the weighted average price calculation is sourced from the financial statement, which has reasonable assurance.

In all cases, the person undertaking the audit assurance or review must meet the requirements set out in section 8.3 of the guideline, including a requirement to be independent from the service provider and all of its related bodies corporate.

# Compliance and enforcement

Pursuant to r. 552(3)(a), a service provider for a non-scheme pipeline must publish the financial information and weighted average price information by making the information publicly available on the service provider’s website. Service providers are required to notify the AER in writing without delay that the financial information and weighted average price information has been published in accordance with r. 553(4) and must attach the completed financial reporting template and associated review/audit reports.

A service provider for a non-scheme pipeline must ensure that historical financial and weighted average price information for its non-scheme pipeline continues to be publicly available for a period of 5 years after the date the information is first published in accordance with r. 553(6).

Section 27 of the NGL requires the AER to monitor, investigate and enforce compliance with the NGL and NGR. The AER has these roles in relation to the information disclosure requirements in Part 23, including with regard to the financial information reporting in accordance with the guideline.

As it currently stands under the NGL, if a service provider fails to comply with the guideline, the AER can:

* seek an administrative resolution, which may include a voluntary commitment by the service provider to rectify non-compliance; or
* institute civil proceedings in the Federal Court and seek an injunction or an order that the service provider cease or remedy the conduct.

We will exercise our functions and powers to monitor, investigate and enforce compliance with the financial reporting guideline consistent with *Compliance and Enforcement – Statement of Approach*.[[71]](#footnote-72)

Our aim is to see businesses achieve high levels of compliance with the NGL. We seek to demonstrate proportionality and procedural fairness (where required) in our enforcement actions.

Annexure A: Overview of consultation approach

The following approach to consultations was undertaken:

|  |  |
| --- | --- |
| Date | Description of consultation |
| 15 September 2017 | Initial consultation with service providers. Written feedback following the initial consultation was due by 18 October 2017. |
| 9 October 2017 | Draft Guideline, Financial Reporting Template and Consultation Paper released |
| 18 to 20 October 2017 | Roundtables in Melbourne and Perth with service providers and shippers. Written submissions following consultation |
| 2 November 2017 | Bilateral discussion with Epic Energy regarding weighted average price calculation |
| 3 November 2017 | Written submissions from stakeholders due. |
| 20 and 22 November 2017 | Bilateral discussions with service providers and auditor representatives. |
| 20 to 22 November 2017 | Bilateral discussions with shippers regarding asset valuations |

## 

## List of stakeholders that provided submissions

* Alinta Energy
* Santos Ltd
* Australian Gas Infrastructure Group
* Senex Energy Limited
* GLNG Operations Pty Ltd
* Jemena Limited
* Epic Energy South Australia Pty Ltd
* Central Petroleum Limited
* ATCO Gas Australia
* Australian Pipelines and Gas Association
* APA Group

1. NGL, s. 83A. Also see section 1.2.4 of the guideline and section 2.1 of this document for ‘non-scheme pipeline’ definition. [↑](#footnote-ref-2)
2. NGR, r. 557. [↑](#footnote-ref-3)
3. The GMRG was established by the Council of Australian Governments Energy Council in August 2016 to lead the design, development and implementation of a new information disclosure and commercial arbitration framework for non-scheme pipelines. [↑](#footnote-ref-4)
4. The Western Australian Government has indicated that it intends to adopt the framework, but a number of processes must be undertaken under the Western Australian version of the National Gas Law (NGL) for this to occur. [↑](#footnote-ref-5)
5. NGR, r. 551. [↑](#footnote-ref-6)
6. AER, *Non-scheme Pipeline Arbitration Guide National Gas Law and Rules Version 1*, September 2017. [↑](#footnote-ref-7)
7. Gas Market Reform Group, *Gas Pipeline Disclosure and Arbitration Framework Initial National Gas Rules Explanatory note*, 2 August 2017. [↑](#footnote-ref-8)
8. NGL, s.23. [↑](#footnote-ref-9)
9. Dr Michael Vertigan AC, Examination of the current test for the regulation of gas pipelines, 14 December 2016, p. 10. [↑](#footnote-ref-10)
10. Stakeholder feedback: APA, Epic, Jemena [↑](#footnote-ref-11)
11. Stakeholder feedback: public forum with shippers and bilateral discussion with shippers. [↑](#footnote-ref-12)
12. See NGR, r. 553(3). [↑](#footnote-ref-13)
13. See section 7 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-14)
14. See section 3.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-15)
15. See section 3.1.1.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-16)
16. This is required in worksheet 2.2 of the financial reporting template. [↑](#footnote-ref-17)
17. See section 3.1.1.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-18)
18. See section 7 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-19)
19. Stakeholder feedback: APA, APGA, Epic. [↑](#footnote-ref-20)
20. Stakeholder feedback: AGIG, Alinta, APA, Jemena. [↑](#footnote-ref-21)
21. See section 3.2.4 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-22)
22. Stakeholder feedback: AGIG, APA, Epic, GLNG, Jemena. [↑](#footnote-ref-23)
23. Stakeholder feedback: Alinta, Santos, Senex. [↑](#footnote-ref-24)
24. See worksheet 2 of the financial reporting template. [↑](#footnote-ref-25)
25. See section 3.2.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-26)
26. See section 3.2 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-27)
27. See section 3.2.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-28)
28. Stakeholder feedback: public forum with service providers. [↑](#footnote-ref-29)
29. See section 3.2.6 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-30)
30. See section 3.2.5 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-31)
31. See section 3.2.5 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-32)
32. See sections 3.2.2, 3.2.3, 3.2.4 and 3.2.5 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-33)
33. Stakeholder feedback: AGIG, APA, Epic, GLNG, Jemena, Senex. [↑](#footnote-ref-34)
34. Stakeholder feedback: APA, Jemena. [↑](#footnote-ref-35)
35. See worksheet 1 of the financial reporting template. [↑](#footnote-ref-36)
36. See worksheet 1.1 of the financial reporting template. [↑](#footnote-ref-37)
37. Stakeholder feedback: Senex. [↑](#footnote-ref-38)
38. Stakeholder feedback: Alinta, GLNG, Jemena. [↑](#footnote-ref-39)
39. See section 1.6 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-40)
40. Stakeholder feedback: AGIG, APA, Epic, Jemena, Santos. [↑](#footnote-ref-41)
41. Stakeholder feedback: public forum with shippers. [↑](#footnote-ref-42)
42. Stakeholder feedback: Alinta, APA, Epic, GLNG, Jemena. [↑](#footnote-ref-43)
43. NGR, r.585. [↑](#footnote-ref-44)
44. [↑](#footnote-ref-45)
45. Gas Pipeline Information Disclosure and Arbitration Framework Initial National Gas Rules Explanatory note, 2 August 2017, p.38. [↑](#footnote-ref-46)
46. Stakeholder feedback: APA, APGA. [↑](#footnote-ref-47)
47. Stakeholder feedback: Public forum with shippers and bilateral discussion with shippers. [↑](#footnote-ref-48)
48. Given that service providers would need to prepare this information as an input to negotiations, the cost of calculating the RCM asset value cannot be avoided. The only additional costs that service providers are likely to incur as a result of publishing the information in the financial statements are the cost of obtaining the requisite level of assurance from an independent auditor. [↑](#footnote-ref-49)
49. Stakeholder feedback: Public forum with shippers and bilateral discussion with shippers. [↑](#footnote-ref-50)
50. See section 4 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-51)
51. It is worth noting in this context that under the RCM, if a service provider has not generated sufficient revenue to recover the operating expenditure, return on capital and net tax liabilities in a year, then the return of capital value will be negative, which will increase the value of the capital base. Note also that if the application of this approach produces a negative value for the capital base, the value of the capital base will be zero. This is consistent with the principle that an asset should be depreciated only once. [↑](#footnote-ref-52)
52. Stakeholder feedback: AGIG, APA, Central Petroleum, Epic, Jemena, Santos. [↑](#footnote-ref-53)
53. Stakeholder feedback: Public forum with service providers. [↑](#footnote-ref-54)
54. See section 4.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-55)
55. See section 4.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-56)
56. See section 4.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-57)
57. See section 7 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-58)
58. Stakeholder feedback: Santos. [↑](#footnote-ref-59)
59. See section 4.1 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-60)
60. NGR, r. 556(1). [↑](#footnote-ref-61)
61. See section 5 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-62)
62. See section 5 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-63)
63. See section 5.3 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-64)
64. Stakeholder feedback: AGIG, APA, Epic, Jemena. [↑](#footnote-ref-65)
65. Stakeholder feedback: Public forum with shippers. [↑](#footnote-ref-66)
66. Stakeholder feedback: Public forum with service providers. [↑](#footnote-ref-67)
67. Stakeholder feedback: Public forum with shippers. [↑](#footnote-ref-68)
68. Reasonable assurance standard: *ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements* and ASA 800 Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks, *Accounts or Items of a Financial Statement.* [↑](#footnote-ref-69)
69. Limited assurance standard: *ASRE 2405 Review of Historical Financial Information Other than a Financial Report.* [↑](#footnote-ref-70)
70. See section 7 of the AER’s *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017. [↑](#footnote-ref-71)
71. AER, *Compliance and Enforcement – Statement of Approach,* April 2014. [↑](#footnote-ref-72)