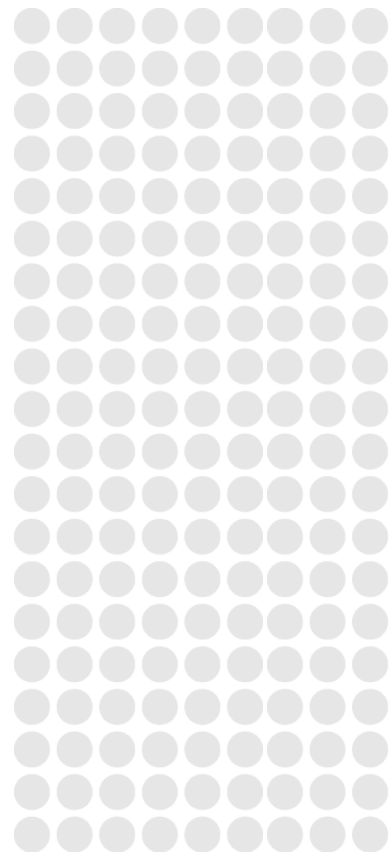




June 2021

# Reset RIN - Roma Brisbane Pipeline

**Basis of preparation financial years 2016 to 2020 historical information**



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## 1 Introduction

On 10 March 2021, the Australian Energy Regulator (“AER”) issued APT Petroleum Pipelines Pty Limited (“RBP” or “APTPPL”) (the Service provider for Roma Brisbane Pipeline) with a Regulatory Information Notice (“RIN”) under Division 4 of Part 1 of Chapter 2 of the National Gas Rules (Queensland) Law (“NGL”).

The RIN specifies information to be provided to the AER by RBP.

Data supplied in this RIN relates to the historical information and the regulatory years (as defined in the workbook 2 of Appendix A to the RIN) (“2016 to 2020”) from financial year “2015-16 to 2019-20”). RBP reporting commences 1 July 2015 (the 2016 regulatory year) as per excel *workbook 2 - Historical expenditure*.

This Basis of Preparation document applies to the RIN issued to Roma Brisbane Pipeline and the service provider is APT Petroleum Pipelines Pty Limited.

### 1.1 Pipeline-specific information

#### 1.1.1 Roma Brisbane Pipeline

RBP (also known as the Roma to Brisbane Pipeline) is a transmission pipeline owned and operated by APA Group through its wholly owned subsidiary APT Petroleum Pipelines Pty Limited.

The RBP was constructed in 1969 and consists of:

- (a) the mainline pipeline from Wallumbilla (near Roma) to Brisbane and associated facilities (Mainline);
- (b) the lateral pipeline known as the “Lytton Lateral”); and
- (c) the lateral pipeline from Arubial on the Mainline to Peat/Scotia, and associated facilities (“Peat Lateral”).

It transports gas between the Wallumbilla gas hub (near Roma), Brisbane and regional centres along its route. Gas is sourced from gas fields (conventional gas and coal seam gas) in the Bowen-Surat basin via the Wallumbilla supply hub, the Kogan North gas plant and the Peat lateral pipeline.

The mainline of the RBP is 438 km in length and is fully looped. The Brisbane metro section of the pipeline is partially looped. The associated 121-kilometre Peat lateral pipeline, constructed in 2001, is a transmission pipeline and connects the Peat and Scotia gas fields to the RBP mainline at Arubial.

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In 2015, RBP was upgraded to provide bi-directional flow, allowing gas to be transported from coal seam gas fields located part way along the length of the pipeline to flow to the Wallumbilla gas supply hub.

RBP (mainline and Peat lateral) was a covered pipeline and regulated by the ACCC under the Gas Code. It is currently subject to full regulation under the NGR by the AER.

#### 1.2 How RBP's response to each variable meets the requirements of the RIN

RBP has reported all information consistent with the requirements of the RIN:

- The reporting templates have been prepared in accordance with the requirements of the RIN and definitions as set out in Appendix F of the RIN.
- The basis of preparation which sets out the following:
  - The sources of the provided information.
  - The reporting methodology and assumptions
  - Where adopted, the basis of estimates and assumption utilised.
- Relevant supporting information or documentation for meeting the RIN requirements.
- The audit report in accordance with the requirements of the RIN and this Basis of Preparation by 1 July 2021.

#### 1.3 Definitions of actual and estimated information

The definition of actuals is in line with Appendix F and consistent with the definition in the RIN. RBP has applied the following definition of actual information in its response to the RIN:

Information presented in response to the Notice whose presentation is materially dependent on information recorded in the pipeline service provider's accounting records or other records used in the normal course of business, and whose presentation for the purposes of the notice is not contingent on judgements and assumptions for which there are valid alternatives, which could lead to a materially different presentation in response to the notice.

Non-financial information for the RIN is sourced from records used in the normal course of business including APA's Grid System ("Energy Components" APA's hydrocarbon accounting system which holds the physical parameters for the asset (metres and delivery points) and the shipper parameters for billing), Maintenance Management and incident management database ("Maximo"), Integrity Management Systems ("IMS") and Supervisory Control And Data Acquisition ("SCADA") system.

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Information involving a calculation or an allocation presented in response to this RIN is, in certain instances considered actual information, as this information is retrieved from RBP's accounting and business records and does not include significant judgements and assumptions. Examples of such calculations are shared corporate expenditure allocation and shared support asset allocation.

Actual financial information may include accounting estimates and adjustments made to the accounting records in accordance with the regulatory accounting principles to populate the pipeline service provider's regulatory accounts and responses to the RIN.

All information is classified as estimated where it is not classified as actual.

The methodologies, assumptions and judgements made in respect of various parts of the Regulatory template are described in the relevant sections throughout this basis of preparation document.

#### 1.4 **Best estimates**

Where RBP could not populate the information templates with actual information, RBP has provided its best estimate. For each instance where RBP has provided best estimate information, this basis of preparation document provides explanations in the relevant section as required by section 1.2 of Schedule 4 of the RIN.

In the materials submitted to the AER, no material changes occurred in the capitalisation policy or the cost allocation methodologies for the relevant regulatory years. Policies are identical to the policies submitted as part of the RBP Annual RIN in December 2020 and have been re-submitted for convenience.

#### 1.5 **Rounding**

Totals in the templates provided may not add due to rounding.

## 2 General overview and information

### 2.1 Sources of information

RBP's Enterprise Resource Planning ("ERP") system, Oracle is the financial reporting system used which comprises a number of modules for managing the recording, processing and reporting of all business transactions from initiation through to payment. These modules include General Ledger, Projects, Fixed Assets, Payables, Receivables and Cash management. Oracle is the primary source of financial information. Costs are captured through cost centres and project reporting. The cost centre and project reporting provides details on the activity type of the costs, reflecting categories of capital, operating and maintenance activities and services.

Oracle is the underlying source of financial information used to produce the RBP's statutory trial balance. RBP's statutory trial balance is prepared in accordance with the requirements of Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Financial information extracted from the Oracle financial reporting system underpins the reported amounts and cost categories in Oracle are materially in line with the categories identified in the RIN unless specified in the separate sections. Mainly:

APA has allocated to RBP shared corporate expenditure based on a revenue allocation method and shared assets on the basis of allocated shared corporate expenditure. For further details of allocation methods, refer to section 5.1.2 for shared corporate expenditure allocation and 4.1.2.4 for shared assets.

A covered pipeline service provider is a legal entity registered under Corporations Act 2001 of the Commonwealth as in accordance with section 131, chapter 4 part 1 of the National Gas Law.

The trial balances represents the financial information for the legal entity, APT Petroleum Pipelines Pty Ltd, the RBP service provider in accordance with the definition above. This trial balance is made up of two reporting business segments. One business segment which records the activities of the covered pipeline and another business segment which records third party activities which does not form part of the regulated asset and is not within the scope of this RIN. The historical RIN reporting only relates to the financial information for the covered pipeline.

For other financial information, RBP has sourced financial information from the regulatory Access Arrangement determinations (e.g. roll forward model and the post-tax revenue model) and tax returns.

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For the purposes of non-financial information, RBP sourced information extracted from APA's Grid System ("Energy Components"), Maintenance Management and incident management database ("Maximo"), Integrity Management Systems and Supervisory Control and Data Acquisition ("SCADA") system.

#### 2.2 RBP's audit of statutory account balances

The Annual RIN as reported to the AER in December 2020 required RBP to use audited statutory trial balances as the foundation for the RIN reporting. Prior to the Annual RIN (reportable for the first time in 2020), there were no regulatory requirements for RBP to have the service provider's trial balances audited.

AER approved in written form that the service provider was not required to prepare audited statutory trial balances for year 2012-13 to 2018-19. Due to the audit relief, the service provider reported in the Annual RIN in December 2020 the unaudited statutory trial balance capex and operating expenditure for the regulatory years.

The AER has provided written consent to the approach of reporting information sourced from unaudited statutory trial balances.

The relevant amounts reported by the service provider in this table in the historical regulatory reporting are deemed actuals as unaudited statutory trial balances were sourced from the Oracle financial system.

For the year 2019-20 the service provider has had its statutory trial balance audited. The values in the year 2019-20 represents actuals as the audited statutory trial balances were sourced from the Oracle financial system.

Based on discussions with the AER, RBP's audited trial balance requirements are as follows:

##### ***Historical reporting (Regulatory year 2015-16 to 2018-19):***

No assurance requirements for the audited statutory trial balance for the 2015-16 to 2018-19 regulatory years.

##### ***Annual reporting (Regulatory year 2019-20 onwards):***

Audited statutory trial balance requirements for each regulatory year subject to audit for the year 2019-20 onwards.

#### 2.3 General methodology and principles

Methodologies used for the preparation of the Reset RIN historical numbers are identical to the methods used in the preparation of APA's statutory financial accounts, except for revenue categorisation, operating cost, shared corporate expenditure and shared support assets.

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Financial information has for the Reset RIN historical purposes been derived from RBP's statutory trial balance which forms part of APA Group's Consolidated Statutory Financial Statements.

The requested information for the Reset RIN historical reporting does broadly align with legal entity reporting. Roma Brisbane owns only scheme assets and has no subsidiaries. The reported financial information provided is supported by RBP's regulatory accounts, direct costs and asset registers as relevant.

With respect to capex amounts in Workbook 2 Historical expenditure (the 2015-16 to 2019-20 financial information *actual amounts* for RBP have been audited by APA's external auditor, Deloitte Touche Tohmatsu ("the Auditor"), in accordance with the Australian Auditing Standards and under the Reset RIN reporting obligations.

Definitions are in line with Appendix F to the RIN unless otherwise stated in the sections.

All amounts are presented in nominal terms unless stated otherwise.

All information is presented on a *regulatory year* basis.

#### 2.4 **Maintaining information**

APA's ERP system Oracle provides the capability to record and report all base financial information for both statutory and regulatory purposes. Reports developed from the base financial information are prepared in accordance with necessary accounting, legislative and regulatory standards and guidelines. Detailed costing reports (General Ledger, project based and activity based) are generated from the Oracle system and supporting analytical spreadsheet packages.

RBP will maintain records of cost attribution and allocations as follows:

- All base financial records will be extracted from APA's financial systems;
- APA's statutory financial statements and associated accounting records will form the basis of all reporting requirements;
- Analytical templates and work papers prepared for regulatory reporting;
- All records will be kept for at least seven years from date of initial regulatory year submission; and for the subsequent regulatory years, for at least 7 years from the date of the respective submission
- All records will be available to independent auditors and the AER.

These records will be maintained to:

- Demonstrate the attribution of costs to, or allocation of costs between APA's assets.



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- Allow attributions or allocations to be audited or otherwise verified by a third party, including the AER.

### 3 Workbooks

#### 3.1 Entry of variables

##### 1. Variables in yellow cells

Yellow cells required input per the RIN. If a yellow cell is not applicable to RBP the cell has not been populated e.g. as a "null" or "n/a" response with an explanation in this document. In those instances where RBP intends a zero value, the input is "0" which in the regulatory template format is presented as dash ("-")

For the historical reporting period workbook 2 Historical expenditure, these cells have been subject to Audit assurance in line with RIN requirements.

##### 2. Variables in grey cells

Grey cells do not require input by Roma Brisbane; or may contain formulas based on inputs from yellow cells. These cells have not been subject to Audit assurance as in line with the RIN.

##### 3. Numerical inputs

All amounts are unrounded and reported on a one-for-one basis.

Roma Brisbane has for the Excel workbook 2 completed and submitted an actual information workbook, which also represents the consolidated version. No information in workbook 2 was deemed confidential.

#### 3.2 Financial information compliance

Compliance Requirement	RBP Compliance
Appendix E - 1 Part A: <b>General</b> 1.1 The <i>financial information</i> must: (a) Be derived from the <i>audited statutory accounts</i> ;	RBP's financial information is derived from RBP's statutory trial balance.  As noted in section 2.2 RBP has derived information for its historical reporting template from its unaudited statutory trial balances for the period 2015-16 to 2018-19.  For the period ending 30 June 2020 financial information was derived from the audited statutory trial balance.
(b) Be verifiable by reference to the <i>audited statutory accounts</i> ;	All information for the historical reporting period (2015-16 to 2018-19) has been reconciled to the unaudited statutory trial balances for the regulatory years.

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	For the period ending 30 June 2020 financial information was derived from the audited statutory trial balance.
(c) Be prepared using the accrual basis of accounting;	RBP has consistently used the accrual basis of accounting in line with AASB requirements for the regulatory reporting periods.
(d) Report the substance, over the form, of a transaction, taking into account all aspects, implications and expectations of and motivations for the transaction and that a group or series of transactions that achieves, or is designed to achieve, an overall commercial effect shall be viewed in aggregate;	In line with the requirements of the AASB accounting standards. This covers underlying transactions for the financial information as reported in the RIN.
(e) Only include costs that are incurred in or relate to the provision of <i>pipeline services</i> ;	All cost reported as part of the financial information is either directly incurred by RBP or allocated to RBP and incurred in the provision of <i>pipeline services</i> .
(f) Be presented on a fair and consistent basis, from the <i>accounting records</i> that underlie the costs, revenue, <i>assets</i> employed and liabilities which may be reasonably attributed to the <i>pipeline service provider</i> ;	RBP has complied with this requirement throughout the RIN by ensuring a consistent application and fair basis of costs has been attributed to the service provider. Where relevant, further information has been provided in section 5.1.1 in the basis of preparation.
(g) In so far as is reasonably practicable, be prepared in accordance with the general rules and format, and use the accounting principles and policies applicable to the <i>audited statutory accounts</i> except as otherwise required by this <i>notice</i> .	As noted in section 2.2 RBP has derived information from its unaudited statutory trial balances for the period 2010-11 to 2018-19.  For the period ending 30 June 2020 financial information was derived from the audited statutory trial balance.  RBP has prepared the Regulatory template in accordance with the general rules and format of the RIN. Accounting principles and policies have been applied consistently throughout the RIN as outlined in this document.
(h) Be presented in an understandable manner, without sacrificing relevance or reliability;	RBP has complied with this requirement by preparing this Basis of Preparation in an understandable manner without sacrificing relevance or reliability.

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<p>(i) State fairly the financial position of the <i>pipeline service provider</i>; and</p>	<p>Prior to the RIN requirement, RBP was not required to have audited statutory trial balances.</p> <p>AER has agreed to remove assurance requirements for the audited statutory trial balance for the 2015-16 to 2018-19 regulatory years. Based on the agreed process with the AER, the Auditor is not required to opine on RBP's financial position as historical statutory trial balances are not required to be audited for the years 2015-16 to 2018-19.</p> <p>For the period ending 30 June 2020 financial information was derived from the audited statutory trial balance in line with the RIN requirements.</p> <p>The rest of the reported financial information in the Regulatory template has been subject to an audit and review for the period 2015-16 to 2018-19.</p>
<p>(j) Unless otherwise specified, not be adjusted for inflation.</p>	<p>Inflation has not been applied to any actual historical amounts. Inflation might have been applied in those other instances as allowed under the RIN.</p>
<p>1.9 Where historical information provided in the <i>regulatory templates</i> has previously been reported to the AER:</p> <p>(a) This information must reconcile with the previously provided information; or</p>	<p>The reported information in Workbook 2 is identical to the Annual RIN information for RBP submitted to the AER in December 2020.</p>
<p>(b) The <i>pipeline service provider</i> must explain why the information does not reconcile with the previously provided information in its <i>basis of preparation</i>.</p>	<p>No reconciling differences to the ARIN data provided in December 2020.</p>
<p>1.11 Actual capital expenditure and operating expenditure must be reconciled to the pipeline service provider's audited statutory accounts. Where the pipeline service provider is part of a corporate group that reports this information at the corporate group level, the pipeline service provider must reconcile to the information reported at the corporate group level. Where</p>	<p>AER approved in written form that the service provider was not required to prepare audited statutory trial balances for year 2015-16 to 2018-19.</p> <p>The AER has provided written consent to the approach of reporting information sourced from unaudited statutory trial balances.</p>

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<p>reconciliation is at the corporate group level the pipeline service provider must:</p>	<p>The amounts reported by the service provider in this table in the historical regulatory reporting are deemed actuals as unaudited statutory trial balances were sourced from the Oracle financial system.</p> <p>For the year 2019-20 the service provider has had its statutory trial balance audited. The table in the annual RIN year 2019-20 represents actuals as the audited statutory trial balances were sourced from the Oracle financial system.</p>
<p>(a) Allocate statutory reported expenditures to the pipeline service provider and indicate the method of allocation;</p>	<p>Refer to section 5.1.1 Costs and section 5.1.2 Shared corporate expenditure.</p>
<p>(b) Show calculations for any allocation; and</p>	<p>Refer to section 4.1.2.1 for allocation of shared corporate assets, and section 5.1.2 for shared corporate expenditure.</p>
<p>(c) Indicate where any changes in allocation method or calculations have occurred in relation to the historical or annual data and how these changes have been adjusted for in the use of the data.</p>	<p>If applicable this will be reported in the relevant section.</p>

#### 3.2.1 **Reconciliation of previously reported actual historical information to the AER**

The RIN requires RBP to report if information provided in the Annual RIN agrees with information previously provided to the AER, and if it does not agree, to reconcile the two. Capital expenditure is required to be reported in categories that RBP does not use for the statutory financial reporting. For reconciliation purposes, RBP has provided information where the capital expenditure in aggregate reconcile to previously provided information.

Total capital expenditure agrees to amounts previously reported.

## 4 Capital expenditure

### 4.1 Capex

All costs (operating and capital expenditure) are captured in APA's financial reporting system Oracle through cost centre and project reporting. The cost centre and project reporting provides details on the activity type of the costs, reflecting categories of capital, operating & maintenance activities and services.

#### 4.1.1 *Definition of capex in the RIN*

Relevant definitions for the reporting of Capex in Workbook 2 Historical expenditure are:

Capital expenditure ("Capex") is defined as any expenditure that has been included in the capital base of the pipeline service provider that:

- Relates to the purchase or construction of a new asset; or
- Increases the functionality of the asset; or
- Extends the service life of the asset;

Capital expenditure ("purposes") is defined in accordance with AASB definition of an asset plus regulatory adjustments and is reported under the following categories:

- Replacement capital expenditure;
- Expansion capital expenditure;
- Non-system (non-network) capital expenditure;
- Capitalised network overheads; and
- Other capital expenditure.

Table E2.1 to Table E13.1 requires the capital expenditure to be reported in the categories detailed above. RBP has applied the definitions as reported in the RIN Appendix F.

Directly attributable expenses can be defined as:

- Capital expenditure that is directly related to a work activity, project or work order;
- In-house costs of direct labour, direct contract costs; and
- Other directly attributable costs (refer section 5.1.1.)

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- Directly attributable costs excludes any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads.

Based on discussions with the AER, RBP has applied the definition of “directly attributable costs” from the Appendix F to this RIN for the historical and annual years. In particular, this definition provides that “directly attributable costs excludes any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads”.

RBP reported capitalised corporate overheads and capitalised network overheads as directly attributable expenses in the RIN. Capitalised corporate overhead amounts have been attributed to the three capital expenditure purposes in the tables based on the asset classification: Replacement, Expansion or Non-network as directly attributable expenses.

#### 4.1.2 *Capex by driver - split*

In workbook 2 and 4, the RIN requires RBP to report the net “as-incurred” capital expenditure split by driver (direct labour, direct material, direct contractor, other direct expenditure and overheads) based on the categories for each capital expenditure purpose (Replacement capex, expansion and non-network overheads and other capex).

Definitions for the capex driver are in line with the definition in Appendix F to the RIN or as otherwise specified:

Labour expenditure	<p>Includes all expenditure used to deliver reference services and other services provided as a covered pipeline that is as set out below.</p> <p>Labour expenditure relates to:</p> <ul style="list-style-type: none"> <li>○ full time, part time and casual employees;</li> <li>○ ongoing and temporary employment contracts; and</li> <li>○ labour hire contracts.</li> </ul> <p>Labour expenditure includes wages, salaries, overtime payments, bonuses, allowances, incentive payments, superannuation contributions, taxes (e.g. payroll and fringe benefits taxes), termination and redundancy payments, workers compensation, training and study assistance, purchases made on behalf of employees (e.g. protective clothing).</p>
Direct labour	<p>No specific definition in appendix F, however RBP has interpreted it as any labour expenditure in line with definition from appendix F that can be directly attributable to RBP by project or work order.</p>
Directly attributable	<p>Directly attributable costs include in-house costs of direct labour.</p>
Direct materials	<p>Materials are the raw materials, standard parts, specialised parts and sub-assemblies required to assemble or manufacture a network/non-network asset or to provide a network/non-network service. Direct materials costs are attributable to a specific asset or service, cost centre,</p>

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or work order, and exclude materials provided under external-party contracts. Includes:

- the cost of scrap;
- normally anticipated defective units that occur in the ordinary course of the production process;
- routine quality assurance samples that are tested to destruction; and
- the net invoice price paid to vendors to deliver the material quantity to the production facility or to a point of free deliver

Direct contractor	Contractor expenditure attributable to a specific asset or service, cost centre, work activity, project or work order.
Other direct expenditure	Anything that does not fit the category direct labour, direct material or direct contractor

In certain circumstances where RBP was unable to determine the incurred capex as direct labour, direct material or direct contractor, the expenditure was categorised as other direct expenditure such as plant and equipment hire, travel, motor vehicle expenditures and other expenditure.

#### 4.1.2.1 Compliance with requirements of notice

RBP has derived information from net as-incurred capital expenditure reports in Oracle for each regulatory year. All information has been reconciled to unaudited statutory trial balance for the period 2015-16 to 2018-19.

For the period ending 30 June 2020 financial information was derived from the audited statutory accounts.

All costs that relate to or are incurred in the provision of pipeline services in the audited statutory accounts, must be allocated to the pipeline service provider in accordance with the following cost allocation principles: Costs that are directly attributable to the pipeline service provider, must be allocated on that basis. Refer to section 5.1.1 regarding costs.

Any capital work in progress at period end has in all instances been added to the capital expenditure category. No separate work in progress heading is being reported.

In all cases for statutory reporting, items of property, plant and equipment are capitalised when commissioned. For reporting purposes under this RIN RBP has included capital work in progress at period end (if applicable). This is reported in each respective asset category as the RIN prohibits any work in progress heading.

For reporting purposes for this requirement, RBP has reported the capital expenditure on an "as-incurred" basis in this Table. The information has been sourced from the capital work in progress reports each year.



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#### 4.1.2.2 Sources of information

The amounts for these tables were sourced from RBPs Oracle financial system for the regulatory period and represents actuals.

#### 4.1.2.3 Methodology and assumptions - capex

RBP capital expenditure is captured in the Oracle financial reporting system through cost centre and project reporting. Capital costs are recognised in accordance with *AASB 116 Property, Plant and Equipment*. Once it has been determined that it is appropriate to capitalise the costs, they have been attributed directly to the pipeline via the cost allocation drivers described in section 5.1.1 Costs.

Construction, acquisition, major maintenance and asset replacement costs are capitalised in accordance with *AASB 116 Property Plant and Equipment* in the RBP trial balance. For statutory reporting, for the purposes of constructing Property, plant and equipment, an asset is capitalised as capital work in progress when incurred. When the asset is commissioned, it is reclassified in the fixed asset register and statutory depreciation commences. For these reporting purposes, RBP has added capital work in progress to the relevant capital expenditure categories as the RIN prohibits the reporting of a separate capital work in progress asset category. In compliance with this RIN RBP has reported the capital expenditure on an "as-incurred" basis. The information has been sourced from capital work in progress reports each year.

The following costs associated with routine maintenance and repairs are expensed as incurred in accordance with the Capitalisation policy and AASB 116:

- Administration and general overhead costs;
- Labour and consumables; and
- Staff training costs.

#### 4.1.2.4 Methodology and assumptions - shared support assets

In addition to directly attributed capital expenditure and other attributable costs, each pipeline has been allocated a portion of the shared support assets using a transmission revenue based allocator, consistent with the categorisations in the access arrangement' determinations. This was presented in the access arrangement's asset class category Operations and Management ("O&M") facilities.

APA does not allocate its total shared support assets (for example, shared IT systems) among its pipelines (for example, RBP) in the Oracle financial system for statutory reporting purposes. Shared assets have been considered in the roll forward models ("RFMs") for the last two access arrangements and are included on an ongoing basis.

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In order to determine the value of corporate support assets attributable to each service provider, RBP had adopted the ratio of attributed shared assets to APA revenue for the 2015-16 reporting period in line with the approved operating expenditure for the regulatory year in the August 2012 RBP access arrangement determination.

#### Methodology for 2015-16 regulatory year

$$\begin{array}{l} \text{Service} \\ \text{provider} \\ \text{shared} \\ \text{support} \\ \text{assets} \end{array} = \begin{array}{l} \text{Specific APA} \\ \text{shared support assets} \\ \text{which benefits RBP} \end{array} \times \frac{\text{Service provider revenue}}{\text{Total APA revenue}}$$

#### Methodology for 2016-17 regulatory year and subsequent years

RBP developed a consistent approach for all regulatory and non-scheme assets and applied this on RBP in the following year 2016-17. For the subsequent regulatory years, RBP has adopted the ratio of attributed shared assets to APA corporate costs for the 2015-16 reporting period in line with the regulatory accounting principles.

In order to determine the value of shared support assets attributable to each service provider, RBP adopted the ratio of attributed shared corporate costs to total APA corporate costs for the reporting period:

$$\begin{array}{l} \text{Service} \\ \text{provider} \\ \text{shared} \\ \text{support} \\ \text{assets} \end{array} = \begin{array}{l} \text{Specific APA} \\ \text{shared support assets} \\ \text{which benefits RBP} \end{array} \times \frac{\text{Service provider corporate costs}}{\text{APA corporate costs}}$$

The proportion of shared support assets attributable to the service provider is included in the directly attributable capital expenditure amounts in the Table E.2.1 and E3.1.

#### 4.1.2.5 Use of estimated information

There are no estimates applied in the reported tables. All other amounts presented in these tables are actuals for all the years as this information was retrieved from RBP financial systems and business records.

#### 4.1.2.6 Material accounting policy changes or changes of allocation

As mentioned in section regarding changed allocation methodology of shared support assets 4.1.2.4.

## 4.2 Capitalised overheads

### 4.2.1.1 Definition directly attributable expenses

Directly attributable expenses can be defined as:

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- capital expenditure that is directly related to a work activity, project or work order;
- in-house costs of direct labour, direct contract costs;
- other directly attributable costs; and
- Directly attributable costs excluding any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads.

Based on discussions with the AER during the Annual RIN process, RBP has continued to apply the definition of “directly attributable costs” from the Appendix F to this Reset Reporting RIN for the historical information. In particular, this definition provides that “directly attributable costs excludes any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads.”

RBP reported capitalised corporate overheads and capitalised network overheads as per the definition of directly attributable expenses in Appendix F to the RIN. Capitalised corporate overhead amounts has been attributed onto the capital expenditure purposes in the tables based on the asset classification - Replacement; Expansion or Non-network as directly attributable expenses since it relates to capitalised corporate overheads.

As a result table E10.1 and E10.2 are zero. The capitalised overhead was attributed to each of the three capex expenditure purposes (Replacement, Expansion and non-network) in the table E2, E3 and E6 as directly attributable expenses in line with RBP’s interpretation of the definition of directly attributable expenses.

Complying with the RIN and as a result these overheads tables and lines are zero.

## 5 Cost allocation

### 5.1 Attribution methods

#### 5.1.1 Costs

All costs (operating and capital expenditure) are captured in APA's financial reporting system Oracle through cost centre and project reporting. The cost centre and project reporting provides details on the activity type of the costs, reflecting categories of capital, operating & maintenance activities and services.

RBP has attributed costs directly to capital or operating projects, activities and services where possible and appropriate. Where costs are shared within APA, and unable to be directly attributed, activity-based costing and appropriate cost allocators are used to allocate costs across projects, activities and services to RBP.

The key cost allocation principles RBP has adopted are as follows:

- Costs are not allocated more than once;
- Costs cannot both be treated as a directly attributed cost and other directly attributable cost;
- Costs are allocated on a causal basis, in instances where direct attribution is not possible.

When assessing RBP operating and capital costs, the majority of RBP costs fall within two categories:

- **Directly attributable costs** to the pipeline service provider: Expenses that are clearly associated with a specific or regulated asset. Direct costs are coded to the asset or to a project relating to the asset, through creation of a purchase order at the time of purchase or direct employees charging their time to the asset or project, using an hourly rate derived from employee payroll costs.

Examples of such costs include the pipeline and materials expenses directly attributed to repair and maintenance of pipelines and the employees who are solely dedicated in providing field services to the pipeline.

For regulatory years 2015-16 to 2019-20, the service provider was not the employing entity. APT Management Services ("APTMS") is the employing entity. APTMS recharges salary and wages from APTMS to RBP on a monthly basis. A consistent approach to recoveries and recharges has been applied.

- **Other directly attributable costs** to the pipeline service provider: Other expenses are costs directly attributable to the service provider and are incurred by APA's

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Transmission business<sup>1</sup>. In order to give a true reflection of the cost of running an asset, it is necessary to allocate a portion of APA's Transmission costs to the asset. APA's Transmission costs are reviewed periodically to determine the extent the business unit's function has a bearing on the assets.

Examples of such costs include the allocation of APA's Integrated Operations Centre ("IOC") which manages APA's non-scheme and regulated pipelines throughout Australia.

For other directly attributable costs, RBP has utilised the following cost allocation methodologies on a causation basis where APA costs are applicable:

- Time/effort based - national transmission pipeline services such as the IOC costs are assigned to each non-scheme pipeline, reflective of time spent.
- Customer based - national cost centres that provide transmission services such as daily nominations, invoicing and billing allocate their costs based on the number of customers or number of contracts.
- Headcount based - national services such as human resources training and development; and facilities recharges are allocated to the business based on the overall headcount in the business.
- State based - national services such as health, safety, environment and heritage are provided by state based employees. The state based costs are allocated to the pipelines within that state using the aforementioned cost allocators.

Other expenditure subject to allocation and recharges are shared corporate expenditure which is allocated based on RBP's share of revenue. Further information is provided in section 5.1.2.

Based on discussions with the AER and the RIN requirement, RBP has applied the RIN definition to the costs identified in this section as "directly attributable costs excluding any overheads, unless the expenditure relates to capitalised corporate overheads or capitalised network overheads."

Since RBP has reported all its expenditure as directly attributable expenditure as required under this RIN, RBP has no expenditure:

- not directly attributable but allocated on a causation basis;
- not directly attributable and cannot be allocated on a causation basis

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<sup>1</sup> Transmission Division is responsible for the management of APA Group's transmission and gas storage assets, including all aspects of commercial and operational performance.

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and therefore the reporting of each allocator and the amount allocated is not applicable.

#### 5.1.2 *Shared corporate expenditure*

Since 2016 APA reports its total shared corporate expenditure at the consolidated level in its audited financial statements. APA does not allocate shared corporate expenditure to individual pipelines, business segments or subsidiaries such as RBP in its financial reporting systems.

APA has utilised the revenue based allocation method for its allocation of shared corporate expenditure as approved by the AER in the APA Victorian Transmission System ("VTS") access arrangement 2018-2022.

APA has for regulatory reporting purposes consistently allocated the shared corporate expenditure as reported in APA's financial accounts to each asset in APA's portfolio based on the process described below:

1. APA identifies shared corporate expenditure not deemed directly attributable to APA's portfolio of assets and excludes this expenditure from the total shared corporate expenditure.

APA has identified shared corporate expenditure that is directly attributed to certain assets as a result of the nature of the shared corporate expenditure and the type of asset. APA's shared corporate structure means certain costs incurred at the corporate level are only applicable to certain type of assets (for example, network costs to network assets, corporate service recharge costs to the management of APA's investments.)

2. Shared corporate expenditure not allocated in Step 1 ("residual shared corporate expenditure") is allocated to assets APA owns (excluding WGP) using revenue as the basis of allocation.

The revenue used for allocating shared corporate expenditure is the revenue from contracts with customers of the energy infrastructure segment, excluding pass-through revenue, and a portion of the revenue from contracts with customers of the asset management segment, as reported in APA's financial statements.

RBP has reported its shared corporate expenditure in the reporting tables as part of its "actual operating expenses". RBP has been allocated a proportional share based on reported transmission revenue.

Prior to 2016, the shared corporate expenditure was directly allocated to the service provider's trial balance.

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#### 5.1.3 *Debt raising costs*

Source of the information is the average regulatory asset base value for the year calculated in line with the AER's roll forward model. Since 2013, the debt raising costs have been determined using the average regulatory capital base. The regulatory capital base has been calculated based on applying actual capital expenditure inputs to the AER's asset base roll forward model, adjusted for actual CPI (average Australian eight capital cities). The reported amounts are in accordance with the accompanying RIN templates. The AER-allowed debt raising cost percentage rate was referenced to the relevant AER Final Decision post tax revenue model ("PTRM") for the relevant access arrangement.

#### 5.1.4 *Reporting operating expenditure*

The RIN requires RBP to report financial transactions starting from statutory trial balances less adjustment to report the covered pipeline's actual regulatory operating expenditure.

Actual operating expenditure are reported as incurred in the trial balance of the underlying service provider in accordance with RBP applied regulatory accounting policies and principles on a consistent basis.

The operating expenditure adjustments applied to the trial balance for regulatory reporting relates to:

1. excluding expenditure incurred from activities independent from the provision of services provided by the covered pipeline, i.e. recoverable works activities;
2. other regulatory adjustments which are expenditures treated differently for statutory purposes and those under the access arrangement, i.e. access arrangement costs, pigging costs and excavation projects recorded as capital at the statutory trial balance but required to be recorded as an operating expense for the purpose of the service provider's access arrangement; and
3. expenditure not recorded at the statutory trial balance level but is required to be recorded as an operating expense for the purpose of the service provider's access arrangement
  - a. shared corporate expenditure allocation. Adjustments in the period 2016-2020 representing the allocation of shared corporate costs as they are no longer recorded directly in the statutory trial balances (see section 5.1.2);
  - b. debt raising costs for regulatory purposes. Debt raising cost is based on the approved approach applied by the AER in its final

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determination for the relevant access arrangement period (refer to section 5.1.3).

These adjustment amounts are reported as actuals and are based on the amounts incurred and calculations from business records.