Roma Brisbane Pipeline

Reset RIN response

1 July 2021

energy. connected.

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Abbreviations

AER	Australian Energy Regulator
COAG	Council of Australian Governments
GJ	Gigajoule
IP	Intellectual property
LNG	Liquefied natural gas
MW	Megawatt
NGL	National Gas Law
NGR	National Gas Rules
r	Rule
RBP	Roma Brisbane Pipeline
RIN	Regulatory Information Notice
s	Section
T&T	Transformation & Technology
TJ	Terajoule

List of attachments

Att.	Document	Filename
1	Roma to Brisbane System Life Cycle Management Plan FY23 - FY27 and Business Cases	RBP-Attachment 1-Life Cycle Management Plan & Business Cases-210701-Public
2	Roma Brisbane Pipeline Gas Transmission Roll Forward Model	RBP-Attachment 2-RFM-210701-Public
3	Roma Brisbane Pipeline Gas Transmission Post-tax Revenue Model	RBP-Attachment 3-PTRM-210709-Public
4	Roma Brisbane Pipeline Forecast Capex Model	RBP-Attachment 4-Forecast Capex Model-210709-Public
5	Roma Brisbane Pipeline OPEX Model	RBP-Attachment 5-OPEX model-210709-Public
6	ACIL Allen Roma to Brisbane Demand Forecasts Final Report	RBP-ACIL Allen-Attachment 6-APA demand forecasts-210621-Public
7	Roma Brisbane Pipeline Rate of Return Averaging Periods (Confidential)	RBP-Attachment 7-Rate of Return Averaging Periods-210702-Confidential
8	Roma Brisbane Pipeline Reference Tariff Model	RBP-Attachment 8-Reference Tariff Model-210709-Confidential
9	Audit Opinion	RBP-Deloitte-Attachment 9-Audit Opinion Signed-210701-Public
10	APA Cost Allocation Method	RBP-Attachment 10-APA Cost Allocation Methodology-210701-Public
11	APA Rate of Return calculation	RBP - Attachment 11 - rate of return calculation - 210701-Public
12	APA Regulatory Accounting Principles	RBP - Attachment 12 - Regulatory Accounting Principles–201231-Public

13	Statutory Declaration - N Codevelle	RBP-Attachment 13-Statutory Declaration-210713-confidential
14	Confidentiality Register	RBP-Attachment 14-Confidential information-210702-public
15	Estimate of Capital Expenditure for FY 21 and FY 22	RBP-Attachment 15-Estimate of current AA Capex-Public-210708

Roma to Brisbane Pipeline

RBP Access Arrangement revision proposal

The Roma Brisbane Pipeline (RBP) system has played an important role in bringing gas to southeastern Queensland since its commissioning in 1968.

The RBP consists of the 438- kilometre mainline pipeline from Wallumbilla (near Roma) to Brisbane and associated facilities (Mainline); the lateral pipeline known as the Caltex Lateral located at Lytton (Lytton Lateral); and the 121-kilometre Peat lateral pipeline connecting the Peat and Scotia gas fields to the RBP. The RBP is bi-directional.

The RBP is owned by APT Petroleum Pipelines Pty Limited ABN 39 009 737 393.

The RBP is a covered pipeline under the access regime of the National Gas Law (NGL). As a covered pipeline RBP must submit to the Australian Energy Regulator (AER), for approval by the AER under the National Gas Rules (NGR) revisions to the current full access arrangement by 1 July 2021.

An Access Arrangement must, as a minimum, contain the elements described in Rule 48. These include: (a) the terms and conditions on which Service Provider will provide each Reference Service; and (b) capacity trading and queuing requirements, as well as how extensions and expansions will be treated for the Pipeline.

The RBP Access Arrangement revision proposal comprises three documents:

- *Proposed Revised Access Arrangement for the RBP Gas Pipeline 1 July 2022 to 30 June 2027, (1 July 2021)*
- *Proposed Revised Access Arrangement for the RBP Gas Pipeline 1 July 2022 to 30 June 2027 (changes tracked) (1 July 2021)*
- *Proposed Revised Access Arrangement Information for the RBP Gas Pipeline, 1 July 2021.*

A fourth document, *RBP Gas Pipeline: 2022-27 Access Arrangement revision proposal overview*, was submitted with the RBP Access Arrangement revision proposal. This document provides a summary of the proposed access

arrangement revision; and the stakeholder engagement undertaken and how stakeholder feedback has been incorporated into the access arrangement revision.

Reset Regulatory Information Notice

On 10 March 2021, the AER issued a Regulatory Information Notice (**Reset RIN**) to RBP under Division 4 of Part 1 of Chapter 2 of NGL. The Reset RIN requires that RBP keep and provide, to the AER, certain information on the RBP (the covered pipeline).

The information is to be provided in the form of regulatory templates (Microsoft Excel workbooks), which were provided with the Reset RIN, and which are to be completed in accordance with instructions in the Reset RIN.

Paragraph 1.4 of the Reset RIN requires that RBP provide the AER with material used for the purposes of preparing the RBP Access Arrangement revision proposal including:

- all consultants' reports commissioned and relied upon in whole or in part
- all material assumptions relied upon
- a table that references each response to a paragraph in Schedule 2 of the notice and where it is provided in or as part of the access arrangement proposal
- a table that references each document provided in or as part of the access arrangement proposal and its relationship to other documents provided.

Paragraph 1.5 of the Reset RIN requires that RBP provide for each material assumption identified in the response to paragraph 1.4(b):

- its source or basis
- if applicable, its quantum
- whether, and how, the assumption has been applied and was taken into account

- the effect or impact of the assumption on the capital and operating expenditure forecasts in the next access arrangement period taking into account
    - the actual expenditure incurred during the current access arrangement period
    - the sensitivity of the forecast expenditure to the assumption.

All of the information which RBP is to provide to the AER, other than the information in the regulatory templates themselves, is provided in the following sections of this **Reset RIN response**.

To facilitate access to this information, the numbering of these sections of the Reset RIN response is the same as the numbering used in Schedule 2 to the Reset RIN. The Reset RIN response, itself, tabulates the responses to the requirements of Schedule 2, and where those responses "fit" within the RBP Access Arrangement revision proposal.

All other documents provided in, or as part of, the RBP Access Arrangement revision proposal are provided as attachments to this Reset RIN response. Each of these documents, and its relationship to other documents provided in or as part of the access arrangement revision proposal, are set out in the appropriate sections of the Reset RIN response. The Reset RIN response is the table required by paragraph 1.4 of the Reset RIN.

Schedule 2 – Reset Information

General Requirements

1 Service provider details and business context

1.1 Local agent of a service provider

Provide all details of any local agent(s) of RBP (s. 11 of the NGL).

Roma Brisbane is not a foreign company and does not have a local agent.

2 Background to the pipeline

2.1 Pipeline and pipeline services

For the current access arrangement period for each pipeline service provided by way of RBPs' gas transmission pipeline that are other services provided as a covered pipeline in RBPs' access arrangement proposal, provide in the materials submitted to the AER:

(a) the annual volume of gas metered as having been transported by the gas transmission pipeline; and

(b) the number of users.

For services provided using the covered pipeline which are "other services", the annual volumes of gas metered as having been transported by the RBP are shown in Table 1.

Table 1: Other services: annual volumes metered as having been transported

Demand Other Services (PJ)	FY17	FY18	FY19
Firm	46.2	56.5	54.8
Int/AA	8.1	2.5	2.4
Auction	0.0	0.0	1.5

The numbers of users of those services were as shown in Table 2.

Table 2: Other services: numbers of users

Users	FY17	FY18	FY19
Firm	16	19	20
Int/AA	13	14	14
Auction			4

Expenditure Requirements

3 Capital expenditure

3.1 Information to be retained for Reference and non reference services

The information required to be provided, prepared, kept or maintained in this part of the notice relates to all pipeline services, including reference services and other services provided as a covered pipeline.

RBP has complied with this requirement.

3.2 Capital expenditure in the previous and current access arrangement period

Provide capital expenditure at a project level and at a capital expenditure subcategory level in Workbook 2 – Historical data and Workbook 4 – Annual data, regulatory templates E2 to E13. Where data is either not available to RBP or it is not practical to produce the data:

(a) explain why

(b) provide data at the most disaggregated level available.

Consistent with the AER's requirements Roma Brisbane has applied a $500,000 threshold to project identification in the RIN. However, given the project identification, in particular the stay in business category, all historic capital expenditure is captured in this table.

Project level capital expenditures have been provided in the completed regulatory template Workbook 2 – Historical data. (Workbook 4, which is to provide historical data for 2020-21 is to be provided by November 2021.)

Expansion capital expenditure by project is provided in section 3.2.1 of worksheet E3. Expansion – Historic data

Replacement capital expenditure, by project, is provided in section E2.2.1 of worksheet E2. Repex of Workbook 2.

No volumes have been provided in section E2.2.2 of worksheet E2. Repex. The scales of the projects which RBP has undertaken cannot be assessed on the dimension of length. The projects are for specific items of equipment associated with the proper functioning of the pipeline.

3.3 Capital expenditure in the current access arrangement period

Explain in the materials submitted to the AER:

(a) in terms of the nature of the work undertaken (scope, scale or other deviation from proposed works), the volume and the cost (deviation in unit rates), any material difference for each capital expenditure category between:

(i) the capital expenditure approved by the AER and the actual and/or estimated capital expenditure for the current access arrangement period; and

(ii) the capital expenditure proposed by RBP and the actual and/or estimated capital expenditure for the current access arrangement period; and

(b) whether and how RBP considers that conforming capital expenditure to be added to the capital base in the current access arrangement period meets the requirements of r. 79 of the NGR.

(a)(i) Comparing AER approved with actual and estimated capital expenditure

Actual Capital Expenditure

The actual incurred capital expenditure from FY18 to FY22 is $10.1m higher than the AER's forecast for the same period. This is a difference of 14% higher compared to the AER forecast amount.

Estimate vs Forecast

In its final decision for the current access arrangement the AER approved forecast capital expenditure of $72.2 million (Real FY22) as conforming capital expenditure for the current access arrangement period.

RBP is expecting to incur, during the current access arrangement period, actual and estimated capital expenditure of $ 82.4 million (Real FY22), which is $10.1m higher than the AER allowance. The capital expenditure approved by the AER, actual and estimated expenditures, and the differences by driver are summarised in the Table 3 and Table 4 below.

Table 3: CAPEX: actual and AER Forecast ($m, real FY22))

Historic Capex ($m Real FY22)	FY18	FY19	FY20	FY21	FY22	Total
AER Forecast	28.6	17.6	7.6	9.2	9.2	72.2
Actuals	13.3	18.7	22.4	11.6	16.3	82.4
Difference	-15.3	1.1	14.8	2.4	7.1	10.1
Difference %						**14%**

There are two main differences between AER 's forecast and the actuals incurred by RBP.

- The expenditure associated with new connections on the pipeline (no new connections were forecast); and
- Expenditure associated with DN250 security of supply project which is transitioning customers across from the 250mm pipeline to the 400mm pipeline.

Table 4: RBP CAPEX: actual and estimated compared to AER approved: by driver ($m, real 2022)

Historic Capex ($m Real FY22)	FY18	FY19	FY20	FY21	FY22	Total
Expansion/Extension	-	-	-	-	-	-
Replacement	9.6	11.3	6.0	7.5	7.0	41.5
Stay in business	19.0	6.3	1.6	1.7	2.2	30.7
Total	28.6	17.6	7.6	9.2	9.2	72.2
Actual	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**Total**
Expansion/Extension	0.0	1.0	0.0	-	-	1.0
Replacement	1.2	0.0	0.5	4.1	6.2	12.1
Stay in business	12.1	17.7	21.9	7.5	10.1	69.3

Total	13.3	18.7	22.4	11.6	16.3	82.4
Difference	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**Total**
Expansion/Extension	-0.0	-1.0	-0.0	-	-	-1.0
Replacement	8.4	11.3	5.5	3.4	0.8	29.4
Stay in business	7.0	-11.4	-20.4	-5.8	-7.9	-38.5
Total	15.3	-1.1	-14.8	-2.4	-7.1	-10.1

Capital expenditure by driver & key projects

Expansion

There were two customer connections that were constructed during the current access arrangement period that were not forecast at the time of the AER's Final Determination. Customer connections are entirely customer driven and APA is not in a position to be able to forecast them. These connections accounted for $1m capital expenditure.

Other Capital expenditure

Excluding the expansion capital expenditure, the other capital expenditure is 10% greater than the forecast by the AER in $FY22. This is within the material level of differences that could be expected with any forecast as far into the future as is required by the National Gas Rules.

(a)(ii) Comparing Forecast with Actual and estimated capital expenditure

The forecast capital expenditure is substantially lower than the capital expenditure incurred in the current access arrangement. This is largely the product of the proposal to withdraw the DN250 from service.

Table 5:RBP CAPEX: actual and estimated compared to Forecast:

Capex ($m FY22)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Current AA capex	13.3	18.7	22.4	11.6	16.3	**82.4**
Forecast AA capex	16.3	3.5	3.3	2.6	5.7	**31.4**
Forecast as percent of actual						**38%**

Ongoing review and assessment

The APA Asset Management Policy and Framework, used by RBP embeds continuous review and re-prioritisation of capital projects as more up-to-date information becomes available closer to project delivery. The continuous review of projects results in changes to the capital expenditure requirements compared to those approved in November 2017.

All proposed projects undergo risk assessment during an identification stage which is validated and adjusted, if necessary, during a subsequent concept development stage. Risk assessment is carried out against APA's corporate risk matrix, which is based on AS2885.6 but also incorporates additional APA criteria.[1]

During the access arrangement period project delivery is reviewed each month, and expenditure is re-assessed, by project delivery teams.

Capital projects are closely monitored and scrutinised, ensuring expenditures can be kept to a minimum while meeting APA's preferences for risk.

This process has resulted in:

- prioritisation of projects that had not been anticipated at the time of the 2017 RBP Access Arrangement revision.
- differences between the amounts that were included in the AER November 2017 approved capital expenditure and the actual and estimated expenditure for the current access arrangement period.

Further information about APA's asset management policy is provided in Roma to Brisbane System FY23-FY27 Lifecycle Management Plan and Business Cases (Refer to Attachment 1 of this Reset RIN response).

Capital expenditure in the current access arrangement period is conforming and can be added to the capital base

Conforming capital expenditure is expenditure that:

- would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing services.
- is justifiable against the criteria of r. 79(2) of the NGR.

The criteria of NGR r. 79(2) are:

- the overall economic value of the expenditure is positive.

[1] The APA corporate risk matrix is provided in Appendix B to the Lifecycle Management Plan Amadeus Gas System FY22 – FY26, which is Attachment 1 to the Reset RIN response.

- the present value of the expected incremental revenue to be generated as a result of the expenditure exceeds the present value of the capital expenditure.
- the capital expenditure is necessary to:
  - maintain and improve the safety of services
  - maintain the integrity of services
  - comply with a regulatory obligation or requirement
  - maintain the service provider's capacity to meet levels of demand for services existing at the time the capital expenditure is incurred (as distinct from projected demand that is dependent on an expansion of pipeline capacity).

RBP considers that the actual and estimated capital expenditure in the current access arrangement period is conforming capital expenditure in accordance with the requirements of r. 79(2).

> *RBP's asset management approach has complied, and continues to comply, with relevant Australian Standards and Codes representing good industry practice.*

RBP has in place detailed capital expenditure governance processes to ensure that projects undertaken are prudent, efficient and in line with overall strategy. Prudent asset management involves reviewing expenditure requirements closer to delivery to take into consideration new information, changes in customer requirements and changes in circumstances.

The capital expenditure over 2018-23 reflects what would be incurred by a prudent service provider acting efficiently. APA's asset management approach over the 2018-23 period reflects a reasonable and prudent basis for making efficient decisions about capital investment needs.

3.4 Speculative capital expenditure account, reused redundant assets, redundant assets and disposals

Speculative capital expenditure account, reused redundant assets, redundant assets and disposals in the current access arrangement period

Provide an explanation in the materials submitted to the AER whether and how RBP considers the requirements of r. 79 of the NGR are met for any amounts added to or deducted from the opening capital base:

(a) from the speculative capital expenditure account

(b) for the reuse of redundant assets

(c) for redundant assets

(d) for disposals.

No amount, from a speculative capital expenditure account has, in the current access arrangement period, been added to the opening capital base for the next access arrangement period.

No amount for the reuse of redundant assets in the current access arrangement period has been added to the opening capital base for the next access arrangement period.

No amount for redundant assets in the current access arrangement period has been deducted from the opening capital base for the next access arrangement period.

The amounts from asset disposals in the current access arrangement period shown in Table 9 have been deducted from the opening capital base for the next access arrangement period. The deduction of these amounts has been effected through their use as inputs into the Roll Forward Model (RFM).

RBP-RFM-210701-Public is Attachment 2 to the Reset RIN *response.*

3.5 Forecast conforming capital expenditure in the next access arrangement period

For each capital expenditure category identified in the Workbook 1 – Reset (forecast) data, regulatory templates E2 to E13, provide in the materials submitted to the AER an overall description including:

(a) **a definition and explanation of any materiality threshold test that RBP intends to apply to categorise forecast conforming capital expenditure projects**

(b) **the nature of forecast conforming capital expenditure projects or programs material to each capital expenditure category, including a brief description of the capital expenditure and, where relevant, the location of the expenditure on the transmission pipeline**

(c) **key drivers of the proposed expenditure**

(d) **an explanation of how expenditure is distinguished between:**

(i) **expansion capital expenditure, replacement capital expenditure, non-system capital expenditure and other capital expenditure**

(ii) **any capital expenditure category or operating expenditure category where RBP considers that there is reasonable scope for ambiguity in categorisation or capitalisation.**

(e) **details as to whether the forecast conforming capital expenditure is to be funded by parties other than RBP; and**

(f) **details of contractual agreements with parties where capital contributions are made by users to new capital expenditure (see r. 82).**

Materiality threshold

The capital expenditure forecasts have been prepared in accordance with APA's asset management policy and framework using a bottom-up, risk-based approach.

RBP has applied a materiality threshold for business cases of $1 million for the provision of a separate stand-alone business case replacement / stay-in-business capital expenditure.

Roma Brisbane has not attempted to individually forecast minor capital projects as this is impossible into the future, instead has relied on a historic average over the period FY17-FY20 to forecast minor projects. The AER can be confident this is an efficient forecast because the inherent incentives to prudent and efficient expenditure that is inherent in the National Gas Framework that is provided by the fixed nature of forecast revenue under reference services.

Nature of forecast conforming capital expenditure

The nature of conforming capital expenditure for the RBP during the next access arrangement period, consists of replacement of assets due to the condition or safety requirements of existing assets (Also referred to by APA as Stay-in-business capital expenditure). The replacement capital expenditure includes the cost of control and management services attributable to RBP replacement programs and projects.

No expansion capital expenditure is forecast for the period.

Non-network capital expenditure is expenditure on assets which are not part of the pipeline system itself (the pipeline and facilities directly connected to the pipeline). Expenditures on Corporate IT, buildings and motor vehicles are examples of non-network capital expenditures.

The total capital expenditure forecast is $26.7m (real FY22).

Key drivers of the proposed expenditure

Replacement capital expenditure

Fundamentally, the RBP stay-in-business replacement capital program is based on the need to maintain the reliability, safety and integrity of the RBP to ensure capability to continue meeting customer service requirements.

The requirements for the forecast RBP replacement program and the costs expected to be incurred, are outputs from RBP's ongoing asset management planning. The Roma Brisbane System FY23-27 Lifecycle Management Plan sets out the key technical aspects of ongoing management activities for the RBP (Attachment 1 to the Reset RIN response).

The underlying drivers for replacement capital program and expenditure during the 2022-27 access arrangement period include mitigating:

- Pipeline integrity risk
- Structural integrity and security of supply risk (related to management of DN250)
- Obsolescence of equipment risk
- Liquids in pipeline risk.

Further details about the proposed capital expenditure projects, including the locations at which work is to be carried out, are provided in Attachment 1 Roma to Brisbane System FY23-FY27 Lifecycle Management Plan.

Distinguishing categories of capital expenditure

The categorisation of capital expenditure between expansion capital expenditure, replacement capital expenditure, non-system capital expenditure and other capital expenditure is based on the definitions in Appendix F of the RIN.

Replacement capital expenditure is expenditure which is required to ensure that existing levels of service to pipeline users can be maintained in the future. It includes expenditures to replace items of plant and equipment that have reached end-of-life, and expenditures to prolong the service lives of plant and equipment. Replacement expenditure also includes expenditures on the replacement of equipment required for continued operation which can no longer be maintained because components and technical expertise are obsolete and are not supported and/ or parts are no longer available from equipment manufacturers or suppliers.

RBP includes in its actual capital expenditure corporate capital overheads. These expenditures are allocations of APA Group corporate level expenditures to operating businesses. They comprise, mostly, expenditures on information and communications systems, corporate buildings and corporate vehicles. The allocations are made based on RBPs share of APA opex. This method is set out in APA Cost Allocation Method (Attachment 10 to the Reset RIN response) No scope exists for ambiguity in the categorisation or capitalisation of expenditures planned for the next access arrangement period.

None of the forecast capital expenditure is to be funded by a party other than RBP.

3.6 NGR Capital Expenditure Criteria

For forecast conforming capital expenditure, in total and in terms of each capital expenditure category, explain in the materials submitted to the AER:

(a) how it reasonably reflects the new capital expenditure criteria set out in r. 79(1) of the NGR, and how RBP has interpreted these criteria

(b) how the forecast conforming capital expenditure is justified under r. 79(2) of the NGR and how RBP has interpreted these sub-rules

(c) how any plans, policies, procedures, regulatory obligations or requirements, consultants' reports, economic analysis and assumptions have been used to justify the forecast conforming capital expenditure.

The Roma to Brisbane System FY23-FY27 Lifecycle Management Plan_1 July_2021- public and supporting Business Cases (Attachment 1 to the Reset RIN response) provide the required explanations for the replacement expenditure forecasts.

3.7 Overall Economic Value

If r. 79(2)(a) is relied on to justify the forecast conforming capital expenditure, provide in the materials submitted to the AER:

(a) the calculations of the economic value of the capital expenditure that directly accrues to the service provider, gas producers, users and end users; and

(b) an explanation of the nature and quantification of the economic value that directly accrues to the service provider, gas producer, users and end users (see r. 79(3)).

R. 79(2)(a) has not been relied upon to justify any of the forecast conforming capital expenditure.

3.8 Expected value of incremental revenue

If r. 79(2)(b) is relied on to justify forecast conforming capital expenditure, provide in the materials submitted to the AER:

(a) the information RBP relied on to determine the expected incremental revenue to be generated as a result of the forecast conforming capital expenditure;

(b) a description of the incremental service or services (see r. 79(4)(a))

(c) the gross revenue derived from the incremental service (see r. 79(4)(b))

(d) the incremental expenditure (see r. 79(4)(b))

(e) the discount rates that RBP used to determine the present value of the incremental revenue.

R. 79(2)(b) has not been relied upon to justify any of the forecast conforming capital expenditure.

3.9 Capital expenditure is necessary

If r. 79(2)(c)(i), (ii) or (iii) is relied on to justify the forecast conforming capital expenditure, provide in the materials submitted to the AER:

(a) an explanation of which item in r. 79(2)(c)(i), (ii) or (iii) is relied on

(b) the relevant regulatory obligation or requirement (if any) and the relevant authority or body enforcing it

(c) an explanation of whether and how RBP considers that the forecast conforming capital expenditure satisfies the item in r. 79(2)(c)(i), (ii) or (iii) being relied on

(d) any supporting technical or other external or internal reports about whether and how RBP considers that the forecast conforming capital expenditure addresses the relevant item in r. 79(2)(c)(i), (ii) or (iii).

R. 72(2)(c)(i), (ii) and (iii) have been relied upon to justify conforming capital expenditure for the replacement stay-in-business program.

Justifications for this expenditure is provided in the Roma to Brisbane System Lifecycle Management Plan FY23-FY27 and supporting Business Cases (Attachment 1 to the Reset RIN response).

3.10 Maintain capacity

If r. 79(2)(c)(iv) is relied on to justify forecast conforming capital expenditure, provide in the materials submitted to the AER:

(a) an explanation of how the conforming capital expenditure is necessary to maintain RBP's capacity to meet levels of demand for services; and

(b) any reports or other information and documentation that supports whether and how RBP considers that the forecast capital expenditure will maintain the capacity to meet the levels of demand for services.

Rule 79(2)(c)(iv) has not been relied upon to justify any of the forecast conforming capital expenditure.

3.11 Capital expenditure purpose

For the expansion capital expenditure, replacement capital expenditure, non-system capital expenditure and other capital expenditure purpose provide a project list which details for each project in the capital expenditure purpose:

(a) an internal identification code, which will enable RBP to report actual capital expenditure against forecast capital expenditure

(b) the project name used internally by RBP

(c) the cost and timing of the project capital expenditure

(d) a brief description of the project and its scope.

The project name is the relevant internal identification code for a project until an Authority for Expenditure is issued, when a financial system identification code is assigned.

For replacement capital expenditure, project names used internally by RBP, the costing and timing of project capital expenditures, and brief descriptions of projects and their scopes are provided in Attachment 1 Roma to Brisbane

System FY23-FY27 Lifecycle Management Plan and supporting Business Cases.

3.12 Capital expenditure forecast method

Describe in the materials submitted to the AER how the forecast conforming capital expenditure was prepared, including:

(a) the forecasting methodologies used

(b) how its preparation differed or related to budgetary, planning and governance processes used in the normal running of RBP' business

(c) processes for ensuring amounts are free of error and other steps in quality assurance; and

(d) if and how RBP considered the resulting amounts, when translated into price impacts, were in the long term interest of consumers.

Descriptions are provided in the document Roma Brisbane System FY23-FY27 Lifecycle Management Plan and supporting Business Cases (Attachment 1 to the Reset RIN response).

The total capital expenditure forecast for the next access arrangement period is in the long-term interest of consumers: it is necessary to continue service provision using the RBP.

The forecast total capital expenditure increases the building block revenue by approximately 3.5% by the end of the period. This increase is in the context of an overall reduction in the firm service tariff, at the start of the next access arrangement period, of approximately 12.2% eastbound and 9% westbound.

3.13 Source material

In relation to any source material (including models, documentation or any other items containing quantitative data) used by RBP to develop its forecast conforming capital expenditure, provide in the materials submitted to the AER:

(a) a copy of this source material

(b) all calculations that demonstrate how data from the source material has been manipulated or transformed to generate data provided in the regulatory templates.

The source material for the forecast conforming replacement capital expenditure is the Roma Brisbane System FY23-FY27 Lifecycle Management Plan and supporting Business Cases (Attachment 1 to the Reset RIN response).

The transformation of the source data to generate data provided in the regulatory templates has been the recasting of the source data into the relevant inflation year ($real FY 2022). Roma Brisbane's inflation adjustment of the source data is set out in the spreadsheet model, RBP - Forecast Capex Model - – 210701- Public which is Attachment 4 to the Reset RIN response.

Roma Brisbane has identified the labour components within the forecast capital expenditure and has applied a real labour cost escalator to the labour costs.

The real cost escalator was taken from the Powerlink Transmission Determination Proposal submitted to the AER in January 2021.

3.14 Derivation

Identify which particular items of RBP's forecast conforming capital expenditure have been:

(a) derived directly from competitive tender processes;

(b) based upon competitive tender processes for similar projects;

(c) based upon estimates obtained from contractors or manufacturers;

(d) based upon independent benchmarks

(e) based upon actual historical costs for similar projects

(f) are reflective of any amounts for risk, uncertainty or other unspecified contingency factors, and if so, how these amounts were calculated and deemed reasonable.

The forecast conforming capital expenditure for replacement capital expenditure have been derived from actual historical costs for similar projects. RBP can draw from a significant database of historical costs, from across APA Group, including costs from original equipment manufacturers, and the costs of projects delivered by independent contractors.

There is no contingency built into the forecasts.

Capitalised overhead costs include capitalised Transformation & Technology (T&T) forecasts, Corporate Leased Assets (property and motor vehicles). The forecast for capitalised corporate T&T has been derived from RBP's share of historical averages. The forecast for capitalised property leases has been derived from RBPs share of estimated future corporate lease renewals and their Right of Use (RoU) asset values. The estimate is based on new executed leases to date of submission of this proposal or based on assumptions of a like for like future replacement for those corporate leases expiring in the next five years. Forecasts for capitalised motor vehicle leases are based on current actual leasing RoU asset values as APA is forecasting to maintain a consistent level of leased vehicles for corporate use during the forecast period. Decision making documents

Provide in the materials submitted to the AER any relevant internal decision making documents relating to approval of the forecast conforming capital expenditure and any other internal or external documentation or models that justify the forecast conforming capital expenditure, including but not limited to:

(a) business cases

(b) feasibility studies

(c) forecast demand studies and internal reports

(d) the date of any relevant internal decision-making body/management decisions and board decisions.

The Roma Brisbane System FY23-FY27 Lifecycle Management Plan and supporting Business Cases (Attachment 1 to the Reset RIN response) provides information on internal decision-making processes for replacement capital expenditure.

3.15 Supporting documents

Provide in the materials submitted to the AER all documents which were taken into account and relate to the deliverability of forecast conforming capital expenditure and explain the proposed deliverability.

Capital expenditure forecast for the next access arrangement period is mainly for replacement of items of plant and equipment which are routine on transmission pipelines. No issue of deliverability is expected.

3.16 Non-conforming capital expenditure in the next access arrangement period

Provide in the materials submitted to the AER in relation to non-conforming capital expenditure:

(a) details of the mechanism to prevent RBP from benefiting, through increased revenue, from the capital contributions by a user in the next access arrangement period (see r. 82(3)).

Section 3.3 of the current RBP Access Arrangement includes a surcharge provision, as permitted by the NGR, allowing RBP to levy a surcharge on users for non-conforming capital expenditure.

No non-conforming expenditure has been forecast for the 2022-2027 access arrangement period.

3.17 Capital redundancy policy in the next access arrangement period

If relevant, provide in the materials submitted to the AER:

(a) an explanation of the proposed mechanism to remove redundant assets from the capital base including:

(i) when the mechanism will take effect; and

(ii) whether the mechanism includes a proposal for cost sharing between the service provider and users associated with a decline in demand for pipeline services

(b) an explanation of why the mechanism is being included;

(c) an explanation of what uncertainty the mechanism may cause; and

(d) the effect of this uncertainty on RBP.

Section 3.5 of the current RBP Access Arrangement sets out a mechanism for removing redundant assets from the capital base at 1 July 2022.

RBP proposes to include a capital redundancy mechanism in the 2022-2027 access arrangement based on the current capital redundancy mechanism.

RBP proposes that the capital redundancy mechanism in the 2022-2027 access arrangement:

- Will take effect from 1 July 2027
- Include a proposal for cost sharing between RBP and users associated with a decline in demand for pipeline services
- deleting the words “weighted average cost of capital” and replacing them with “rate of return”.

4 Operating expenditure

4.1 Operating expenditure in the current access arrangement period

For the current access arrangement period in the materials submitted to the AER:

(a) identify all relevant related parties

(b) provide an explanation of any non-recurring expenditures and the expenditure incurred for each non-recurring expenditures each regulatory year.

There is an operating expenditure agreement in place with APA-owned South-West Queensland Pipeline (SWQP) and RBP to provide connections for customers to inject gas into the RBP towards Wallumbilla.

The operating agreement is for the SWQP to provide pipeline and compression services to RBP for servicing RBP customers. The operating expenditure agreements was a more prudent and efficient option than alternative capital expenditure solutions which were more expensive.

There is no non-recurring expenditure in the current access arrangement period.

4.2 Forecast operating expenditure in the next access arrangement period

For forecast total operating expenditure provide in the materials submitted to the AER:

(a) a description and explanation of the major drivers for the increase/decrease in expenditure for each operating expenditure category between the current access arrangement period and the next access arrangement period

(b) information on any changes to the operations of the pipeline from the current access arrangement period that have resulted in material changes to operating

expenditure categories and total operating expenditure in the next access arrangement period, including a definition of the materiality threshold used by RBP to identify such changes

(c) the models or methodology used to develop the forecast total operating expenditure

(d) a description of how the forecast was prepared, including:

(i) how forecast operating expenditure reasonably reflects the criteria set out in r. 91(1) of the NGR

(ii) if a revealed cost base year approach was used to forecast total operating expenditure:
(1) what the base year is
(2) why that base year represents efficient, recurrent costs

(iii) if a revealed cost base year approach was not used to forecast total operating expenditure
(1) whether there was a year of historical operating expenditure available that represents efficient, recurrent costs
(2) if not, why no year of historical operating expenditure represents efficient, recurrent costs

(iv) any non-recurrent expenditure in the base year and each year of the next access arrangement period.

RBP applies the base-step-trend and the efficiency carryover mechanism (ECM) and does not report opex against categories.

In the current access arrangement period RBP experienced increases in the following costs.

- Increases due to the forecast Corporate T&T costs for cloud-based services. The cost for these services at this stage have yet to be finalised and specifically identified between opex and capex. We have assumed that these cloud-based costs are 50% of the Corporate T&T costs allocated to RBP. Roma Brisbane anticipates having better information by the end of 2021 Increase in licensing

costs paid to the Queensland Government for the recharging of AEMO fees.

- An increase in insurance costs
- Increases in labour costs.

Changes to the operations of the pipeline

There have been no changes to operations from the current access arrangement period that have resulted in material changes to operating expenditure categories and total operating expenditure in the next access arrangement period.

Methodology

RBP has used a revealed cost method – the base, step and trend method – to forecast total operating expenditure for the next access arrangement period. When applying the base, step and trend method, RBP chose FY2020 as the base year.

The costs of operating the RBP are the largely fixed costs of providing the existing capacity. They largely do not depend on the volume of gas transported and delivered. Maintenance costs, in particular, are the costs of scheduled preventative maintenance routines. They do not change with a change in the volume transported (unless the capacity of the pipeline is expanded to allow that increase).

In these circumstances, the base, step and trend method can provide a forecast of operating expenditure which has been arrived at on a reasonable basis.

Preparation of forecast

In addition to choosing FY2020 as the base year, RBP has, when applying the base, step and trend method:

- removed Corporate Lease Assets from opex to be consistent with the accounting policy changes

- trended the recurrent base year costs forward across the next access arrangement period applying a series of indices to reflect expected increases in costs
- adjusted for step changes (as discussed in paragraph 5 - Step Changes – below)
- The forecast of total operating expenditure for the next access arrangement period includes a forecast of debt raising costs. This forecast of debt raising costs is the forecast generated by the Post-tax Revenue Model.

Meeting opex criteria

With a mechanism in place to provide incentives for efficiency, use of the base, step and trend method can deliver a forecast which is likely to be the expenditure which would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of delivering pipeline services. Such an incentive mechanism is in place in the RBP Access Arrangement.

The forecast of operating expenditures for the RBP obtained using the base, step and trend method represents a best possible forecast in the circumstances.

4.3 Output growth

Provide in the materials submitted to the AER:

(a) all output growth drivers included in the forecast;

(b) any economies of scale factors applied to the growth drivers

(c) evidence that the growth drivers explain cost changes due to output growth

(d) any weightings applied if multiple output growth drivers have been used.

When using the base, step and trend method to forecast operating expenditure, RBP has not included any output growth driver.

Pipeline capacity is not forecast to change, and there is no plan to extend the RBP, during the next access arrangement period. No new delivery point is to be added to the pipeline.

In these circumstances, the operating costs of the RBP are principally the costs of operating and maintaining the existing assets which comprise the pipeline. These costs are not dependent on the quantity of pipeline capacity contracted to users, and are not dependent on the volumes of gas which those users decide to transport.

4.4 Growth Drivers

Explain in the materials submitted to the AER:

(a) how the growth drivers have been applied in the operating expenditure forecast

(b) how the forecast method accounts for economies of scale.

No growth driver has been applied when forecasting operating expenditure, and RBP has not needed to account for economies from increased scale of operation.

4.5 Real price changes

Explain in the materials submitted to the AER:

(a) how the real price measures have been applied in the operating expenditure forecast

(b) whether the labour price measure compensates for any form of labour productivity change.

In its forecast of operating expenditure Roma Brisbane has applied a real labour escalator taken from the Powerlink regulatory proposal [Powerlink

operating expenditure model – January 2021[2]]. Roma Brisbane selected the Powerlink proposal as being the closest in time and geography to the RBP. Roma Brisbane recognises these inputs will be updated as the AER progresses through its determinations for both RBP and Powerlink.

4.6 Productivity change

Explain in the materials submitted to the AER:

(a) how the forecast changes in productivity have been applied in the operating expenditure forecast

(b) whether the forecast productivity changes capture the historical trend of cost increases due to new regulatory obligations or requirements and changes to industry best practice

(c) whether the productivity measure used to forecast operating expenditure includes productivity change compensated for by the labour price measure used to forecast the change in the price of labour.

Roma Brisbane has not included productivity growth in its forecast operating expenditure.

There has been no easing of regulatory obligations or industry best practice requirements on the RBP in recent history, therefore it is impossible that productivity changes resulting from regulation or best industry practice could be positive ie greater than zero.

Real labour cost escalation has been borrowed from the Powerlink proposal price growth as a means of minimising the administration costs of the proposal to avoid multiple expenditures by the AER and businesses on consultants' reports.

We have not included productivity growth in the forecast because our view for a combination of factors:

[2] Calc | Rate of Change, I24:M24)

- Powerlink applied the price increase to all costs reflecting a mix of labour and non labour price changes whereas Roma Brisbane has only applied it to labour resulting in a conservative outcome.
- Deterioration in the aging asset is more than likely to offset any potential gains in labour productivity again resulting in the estimate being a conservative estimate.

5 Step Changes

5.1 Step Changes

For all step changes in forecast operating expenditure (including due to changes in policies, strategies and obligations) provide in the materials submitted to the AER:

(a) a description of the step change, including when the change occurred, or when it is expected to occur, what its driver is, and how the driver has changed (e.g. the change in a regulatory obligation)

(b) a demonstration, including all supporting justifications, for when and how the step change affected or is expected to affect expenditures (historical and forecast), with respect to:

(i) any of the operating expenditure categories

(ii) total operating expenditure.

RBP is proposing a step change for Transformation & Technology (T&T) related expenditure.

APA is currently undertaking a review of T&T solutions to replace obsolete legacy systems. APA does not yet have a settled position on the corporate T&T requirements. At this stage we are considering greater migration to cloud-based services, APA is considering a range of business solutions and whether solutions are software as a service (SaaS) arrangements; platform as a service (PaaS); infrastructure as a service (IaaS).

The IFRS Interpretations Committee (IFRIC®) has published two agenda decisions clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service (SaaS), should be accounted for.

The first agenda decision, published in March 2019, concludes that SaaS arrangements are likely to be service arrangements, rather than intangible or leased assets. This is because the customer typically only has a right to receive

future access to the supplier's software running on the supplier's cloud infrastructure and therefore the supplier controls the intellectual property (IP) of the underlying software code.

The second agenda decision, published in April 2021, deals with specific circumstances in relation to configuration and customisation costs incurred in implementing SaaS. In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset where the customer controls the IP of the underlying software code. In other instances, configuration and customisation costs will be an operating expense. They are generally recognised in profit or loss as the customisation and configuration services are performed or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided.

This conclusion could result in increased operating expenses. RBP has taken a conservative approach and assumed that 50% of the corporate T&T forecast will be opex. RBP is likely to have better information in the next few months.

5.2 Step Change explanation

For each step change identified in response to paragraph 5.1, explain in the materials submitted to the AER:

(a) why the efficient costs of the step change are not provided by other aspects of the operating expenditure forecast including, for example, base operating expenditure, output growth, real price growth or forecast productivity change

(b) why the step change is required to contribute to a total forecast operating expenditure that reasonably reflects the criteria set out in r. 91(1) of the NGR.

The cloud-based T&T opex step change is not a new cost but simply a shift from capex to opex driven by a recent clarification to accounting standards as discussed above. The step change forecast is 50% of the total forecast for

T&T expenditure. The step change has been added to the opex forecast and the same amount has been removed from the capex forecast. This allocation is the best available information we have at this time. The step change is necessary in anticipation of compliance with the recent clarification of existing accounting standards. Expenditure on T&T is becoming increasingly important with the digitalisation of energy businesses in accordance with accepted good industry practice. RBP is likely to have better information on the T&T program, scope, cost and required step change for migration to cloud-based solutions in the next few months.

For all step changes in forecast expenditure provide:

(a) In Workbook 1 – Reset (forecast) data, regulatory template E17 the step changes expenditure:

(i) forecast for each year of the forthcoming access arrangement period

(ii) expected to be incurred in the current access arrangement period

(b) a description of the step change.

A description of the single step change which RBP proposes to include in its forecast of operating expenditure for the next access arrangement period is provided in paragraphs 5.1 and 5.2 above.

Forecasts of the step change in expenditure expected to be incurred in the current access arrangement period, and in each year of the next access arrangement period, are provided in worksheet E17. Step changes of completed regulatory template Workbook 1 – Reset (forecast) data.

5.3 Timing and Driver

For each step change listed in response to paragraph 5.3, provide in the materials submitted to the AER an explanation of:

(a) when the change occurred, or is expected to occur;

(b) what the driver of the step change is;

(c) how the driver has changed or will change (for example, revised legislation may lead to a change in a regulatory obligation or requirement); and

(d) whether the step change is recurrent in nature.

The occurrence and the driver of the step change in operating costs have been explained in paragraph 4.8 above.

RBP expects the step change to be recurrent in nature.

5.4 Operating expenditure impact

For each step change listed in response to paragraph 5.3, provide in the materials submitted to the AER justification for when, and how, the step change affected, or is expected to affect:

(a) the relevant operating expenditure category

(b) the relevant capital expenditure category

(c) total operating expenditure

(d) total capital expenditure.

The step change is expected to affect total operating expenditure in each year of the next access arrangement period.

The step change is not expected to affect any category of capital expenditure. The step change will reduce capital expenditure forecasts by reducing them by the same amount.

5.5 Cost benefit analysis

For each step change listed in response to paragraph 5.3, provide in the materials submitted to the AER the process undertaken by RBP to identify and quantify the step change; and the cost benefit analysis that demonstrates RBP proposes to address the step change in a prudent and efficient manner, including:

(a) the timing of the step change

(b) if RBP considered a 'do nothing' option, evidence of how RBP assessed the risks of this option compared with other options.

The step change will take effect from FY2023. RBP has not considered a "do nothing" option as we are proposing the step change to comply with a clarification of existing accounting standards. RBP has not carried out a cost-benefit analysis of possible – non-compliant – alternatives.

5.6 Regulatory obligation

If the step change was due to a change in a regulatory obligation or requirement provide in the materials submitted to the AER:

(a) an explanation of any variations or exemptions granted from a regulatory obligation or requirement during the previous access arrangement period or the current access arrangement period

(b) any compliance audits conducted during the previous access arrangement period or the current access arrangement period.

The step change which RBP proposes is due to clarification ofexisting accounting standards as explained paragraphs 4.8 and 4.9 above.

5.7 Relevant legislation

For each step change listed in response to paragraph 5.7, provide in the materials submitted to the AER, with reference to specific clauses of the relevant legislative instrument(s), the:

(a) previous regulatory obligation or requirement

(b) how the changed regulatory obligation or requirement is driving the step change.

The step change which RBP proposes is a result of clarification of existing accounting standards in relation to cloud-based services.

5.8 Category specific operating expenditure

For all category specific forecasts in forecast operating expenditure provide in the materials submitted to the AER:

(a) a description of the category specific forecast

(b) the process undertaken to identify and quantify the category specific forecast

(c) an explanation of why the efficient costs of the category specific forecast is not provided by other aspects of the operating expenditure forecast including, for example, base operating expenditure, output growth, real price growth or forecast productivity change

(d) an explanation of why the category specific forecast is required to contribute to a total forecast operating expenditure that reasonably reflects the criteria set out in r. 91(1) of the NGR.

RBP has not proposed category specific forecasts.

6 Forecast price changes

6.1 Labour and material price changes

Identify in the materials submitted to the AER, the labour and material price changes proposed in the estimation of the forecast capital expenditure and the forecast operating expenditure.

Forecasts of capital expenditure for the next access arrangement period were initially prepared late in 2020 and early in 2021. RBP has assumed that the forecasts were made in FY 2022 prices.

The labour component of the capital expenditure and operating expenditure forecasts was identified. A real cost escalator was applied to these numbers.

Roma Brisbane has used as the measure of price inflation the CPI, All Groups Weighted Average Eight Capital Cities, published by the Australian Bureau of Statistics (ABS Catalogue 6401.0), for the period from March 2017 to March 2021. The series has been extended using the AER's inflation forecasting methodology as set out in the AER's Post Tax revenue Model.

A labour escalator has been applied to both capital expenditure and operating expenditure. The escalator included in the proposal was borrowed from the Powerlink Transmission Determination submission. This being the most recent calculation of wage escalators relevant to Queensland. The final years escalation was set equal to year four escalation.

The calculations are set out in the spreadsheet model, Roma Brisbane Pipeline OPEX Model which is Attachment 5 to the Reset RIN response.

6.2 Provide in the materials submitted to the AER:

(a) the model(s) used to derive and apply all price changes assumed in the estimation of the forecast capital expenditure proposal and the forecast operating expenditure proposal, including any proprietary model(s) provided by a third party

(b) in relation to labour escalators, a copy of the current Enterprise Agreement or equivalent agreement

(c) evidence that the price measures explain those cost changes which are attributed to price changes, including evidence of any materials price forecast method which explains the historical change in the price of materials purchased by network service providers.

No model has been developed to derive price changes assumed in the estimation of forecast capital expenditure.

No current Enterprise Agreement or equivalent agreement has provided a basis for determining labour cost escalation, and no copies of agreements are provided with the Reset RIN response.

6.3 Explain in the materials submitted to the AER:

(a) the methodology underlying the calculation of each price change, including sources, data conversions, the operation of any models provided under paragraph 6.2(a) and the use of any assumptions, such as lags or productivity gains

(b) whether the same price changes have been used in developing both the forecast capital expenditure proposal and forecast operating expenditure proposal

(c) if the response to paragraph 6.3(b) is no, why it is appropriate for different expenditure escalators to apply.

The way in which Roma Brisbane has applied price changes in forecasting capital expenditure and forecasting operating expenditure for the RBP for the next access arrangement period, and the sources of the data used, have been discussed above. The application of these price changes is set out in the capital expenditure model, which is Attachment 4 to the Reset RIN response, and in the operating expenditure model, which is Attachment 5.

The same price changes have been used in developing the proposed forecast capital expenditure and the proposed forecast operating expenditure to the category specific components of operating expenditure.

6.4 Agreement expiry

If an agreement provided in response to paragraph 6.2(b) is due to expire during the next access arrangement period, explain in the materials submitted to the AER the progress and outcomes of any negotiations to date to review and replace the current agreement.

No agreement has been provided in response to paragraph 6.2(b).

7 Interaction between CAPEX and OPEX

7.1 Interaction between capital expenditure and operating expenditure

Identify in the materials submitted to the AER any material interactions between RBP' forecast conforming capital expenditure and forecast operating expenditure.

For replacement expenditure, specific components within an existing, larger technical system are to be replaced, upgraded or extended. This replacement, upgrading or extension of specific components, rather than replacement, upgrading or extension of the larger technical systems of which the components are parts, limits the scope for material interaction between forecast conforming capital expenditure and forecast operating expenditure.

When components are replaced, consideration is given to the maintenance requirements of the replacement components. However, without changes to the larger technical systems in which these components are parts, there is little scope to use the capital replacement process to materially reduce operating expenditure, or to avoid the capital cost associated with obsolescence or component failure by incurring additional operating – maintenance – expenditures.

In the case of the cloud-based migration step change, there is a trade-off with capex. At this stage RBP is not certain of the costs of the T&T program nor the proportion of the program that will be cloud-based opex.

Our proposal is based on our best estimate at this time.

7.2 Taken into account

Explain in the materials submitted to the AER how these interactions have been taken into account when developing forecasts of capital expenditure and operating expenditure, and otherwise in providing responses to items under paragraphs 5 and 6.

No change because opex is related to management of Easements which is shared with DN400.

No other material interaction between forecast conforming capital expenditure and forecast operating expenditure has been taken into account when developing forecasts of capital expenditure and operating expenditure.

Capital Base and Tax Reporting

8 Capital Base

8.1 Opening and closing capital base

Provide RBP' calculation of the capital base using the AER's RFM and PTRM which are to be submitted as part of the access arrangement proposal, including RBP' calculation of the opening and closing capital base for each regulatory year of the current access arrangement period and next access arrangement period.

Following a Final Decision on 7 April 2020, the AER published, in accordance with NGR r. 75A, two financial models:

- Gas Transmission Service Provider Roll Forward Model, version 1
- Gas Transmission Service Provider Post-tax Revenue Model, version 1.

If the AER publishes a financial model under r. 75A, a service provider must use the model.

RBP has used the AER's Gas Transmission Service Provider Roll Forward Model, version 1, to calculate the capital base for each regulatory year of the current access arrangement period.

RBP has used the AER's Gas Transmission Service Provider Post-tax Revenue Model, version 1, to calculate the capital base for each regulatory year of the next access arrangement period.

The Roll Forward Model (RFM) and the Post-tax Revenue Model (PTRM) for the RBP are attachments to the Reset RIN response.

Attachment 2 – RBP-RFM-210701-Public – is the AER's Gas Transmission Service Provider Roll Forward Model, version 1, with the required input for the RBP.

Attachment 3 – RBP-PTRM-210701-Public is the AER's Gas Transmission Service Provider Post-tax Revenue Model, version 1, with the required input for the RBP (**Post-tax Revenue Model**).

8.2 Changes to RFM or PTRM

If RBP proposes to change the underlying methods in the AER's RFM and/or PTRM compared with the current access arrangement's AER final decision RFM and/or PTRM for the calculation referred to in paragraph 8.1, describe in the materials submitted to the AER the reasons for the changes.

RBP does not propose to change the underlying methods in the AER's Gas Transmission Service Provider Roll Forward Model, version 1, or in the AER's Gas Transmission Service Provider Post-tax Revenue Model, version 1.

8.3 Re-use of redundant assets

If the opening value of the capital base as at the start of the next access arrangement period is proposed to be adjusted because of re-use of redundant assets or exclusion of redundant assets, provide details in the materials submitted to the AER including relevant supporting information used to calculate that adjustment value.

No adjustment to the opening capital base, for the re-use of redundant assets, or for the exclusion of redundant assets, is proposed for the start of the next access arrangement period.

9 Depreciation Schedules

9.1 Calculation of RBP

Provide in the materials submitted to the AER RBP's calculation of the depreciation amounts for the relevant gas transmission pipeline for each regulatory year of:

(a) the current access arrangement period using the AER's RFM, which is to be submitted as part of the access arrangement proposal

(b) the next access arrangement period using the AER's PTRM, which is to be submitted as part of the access arrangement proposal.

Roma Brisbane's calculations of depreciation for the RBP for each regulatory year in the current access arrangement period are in the model – RBP-RFM-210701-Public which is provided as Attachment 2 to the Reset RIN response.

Roma Brisbane's s calculations of depreciation for the RBP for each regulatory year in the next access arrangement period are in the model Roma Brisbane Pipeline Gas Transmission PTRM which is provided as Attachment 3 to the Reset RIN response.

9.2 Changes to depreciation

If RBP proposes to change the underlying depreciation methods in the AER's RFM and PTRM compared with the current access arrangement's AER final decision RFM and PTRM for the calculations referred to in paragraph 9.1, describe in the materials submitted to the AER the reasons for the changes.

RBP does not propose to change the underlying depreciation methods in the AER's Gas Transmission Service Provider Roll Forward Model, version 1, or in the AER's Gas Transmission Service Provider Post-tax Revenue Model, version 1.

9.3 Changes to standard asset lives

For the standard asset lives applied in the PTRM, identify any changes from the standard asset lives approved in the AER's final decision for the current access arrangement for existing asset classes. Explain in the materials submitted to the AER the reason/s for the change and provide relevant supporting information.

The standard asset lives applied in the Post-tax Revenue Model have been changed from the standard asset lives approved in the AER's final decision for the current access arrangement. The changes, which are for only three of the ten RBP asset classes, are shown in Table 6.

Table 6 Standard asset lives and proposed standard lives

Asset class	Standard life (Years)	Proposed standard life (years)
Pipelines	80.0	49.5
Compressors	35.0	25.9
Regulators and meters	40.0	36.7

At the commencement of the next access arrangement period, the existing RBP pipeline assets will have a remaining life of 49.5 years. Currently, there is insufficient information to justify a reduction in this remaining life.

At the commencement of the next access arrangement period, the existing RBP Compressor station assets will have a remaining life of 25.9 years. Currently, there is insufficient information to justify a reduction in this remaining life.

At the commencement of the next access arrangement period, the existing RBP Regulators and meters will have a remaining life of 36.7 years. Currently, there is insufficient information to justify a reduction in this remaining life.

No change has been made to the standard tax asset lives for existing asset classes approved for the current access arrangement.

9.4 New asset classes

For any proposed new asset classes, explain the reason/s for using these new asset classes and provide in the materials submitted to

the AER the relevant supporting information on their proposed standard asset lives.

Roma Brisbane is not proposing any new asset classes.

9.5 Remove asset classes

If existing asset classes approved in the AER's final decision for the current access arrangement are proposed to be removed at the start of the next access arrangement period and their residual values are to be reallocated to other asset classes, explain in the materials submitted to the AER the reason/s for the change and provide relevant supporting information. This should include a demonstration of the materiality of the change on the forecast depreciation allowance.

Roma Brisbane has removed the "Original pipeline" asset class and reallocated the value to the "Pipelines" asset class. It has taken a weighted average life for the remaining life based on asset value for both asset classes to calculate the remaining asset life for the combine asset "Pipelines". The calculation is set out in the PTRM, PTRM Inputs tab, in Columns S to X.

Roma Brisbane has removed the "other" asset class from the Post Tax Revenue model reflecting this asset class has never been used.

It has removed the asset classes "PMA" and "Redundant Compressors" from the PTRM as they reached the end of their average remaining life in the current access arrangement. The residual negative value produced the calculation of indexation in the RAB Roll forward model has been added to the SIB Capex asset class.

9.6 Method for depreciation

Describe in the materials submitted to the AER the method used to depreciate existing asset classes as at 1 July 2023 and provide supporting calculations. This may include calculations to estimate remaining asset lives.

The method used to depreciate existing asset classes as at 1 July 2023 is the indexed straight-line method of calculating regulatory depreciation used in the AER's Gas Transmission Service Provider Post-tax Revenue Model, version 1. That model, with the required input for RBP, is provided as Attachment 3 to the Reset RIN response. Supporting calculations are set out, in full, in the model.

9.7 Immediate expense capex

Explain in the materials submitted to the AER the approach RBP used to forecast its immediate expensing capital expenditure for the next access arrangement period, as provided in the access arrangement proposal PTRM.

Roma Brisbane has claimed immediately deductible expenses as part of the APA consolidated tax return. The types of capital expenditure treated as immediate expense capital expenditure and claimed as a deduction in the tax return of the Head entity of the APA tax consolidated group are expenditure related to stress corrosion cracking, pigging, sleeving, coating and systematic pipeline integrity projects and costs incurred as a supporting, indirect activity related to construction of an asset.

Roma Brisbane's forecast Capital expenditure, relating to the activities noted above, form part of the forecast of immediate expense capex.

9.8 Diminishing value method

The AER's PTRM applies the diminishing value (DV) method for tax depreciation purposes to all new depreciable assets except for certain assets. Where RBP proposes capital expenditure associated with buildings and in-house software to be exempted from the DV method of tax depreciation, please confirm that the proposal satisfies the following requirements:

(a) buildings: capital expenditure for buildings may be depreciated using the SL method if it satisfies the definition

of a capital work under section 43.20 of the Income Tax Assessment Act 1997 (ITAA)

(b) in-house software: capital expenditure for in-house software may be depreciated using the SL method if it satisfies the definition of in-house software under section 995.1 of the ITAA, and may be depreciated using the SL method, consistent with section 40.72 of the ITAA.

Roma Brisbane has not proposed that any capital expenditures associated with buildings and in-house software be depreciated for tax purposes in ways different from the diminishing value method of tax depreciation as applied within the Post-tax Revenue model.

10 Corporate income tax

10.1 Calculation of corporate tax

Provide in the materials submitted to the AER RBP' calculation of the estimated cost of corporate income tax for the next access arrangement period using RBP' PTRM which is to be submitted as part of the access arrangement proposal.

Roma Brisbane has calculated the estimated cost of corporate income tax during the next access arrangement period using the Post-tax Revenue Model, which is Attachment 3 to the Reset RIN response.

10.2 r87A compliance

Demonstrate in the materials submitted to the AER that the calculation referred to in paragraph 10.1 complies with r. 87A of the NGR.

NGR. 87A requires that the estimated cost of corporate income tax (ETCt) in each regulatory year of an access arrangement period be estimated in accordance with the formula

$$ETCt = (ETIt \times rt)\ (1 - \gamma),$$

where:

- ETIt is an estimate of the taxable income for regulatory year t that would be earned by a benchmark efficient entity as a result of the provision of reference services if such an entity, rather than the service provider, operated the business of the service provider;
- rt is the expected statutory income tax rate for that regulatory year t
- γ is the allowed imputation credits for the regulatory year.

This calculation is carried out in the worksheet Analysis in the Post-tax Revenue Model which is Attachment 3 to this Reset RIN response.

The estimated taxable income for each regulatory year in the next access arrangement period is calculated in row 54 of the worksheet. The estimate of tax payable on this taxable income is calculated in row 56, the using 30.0% as the expected statutory income tax rate in each regulatory year. The expected statutory income tax rate is in cells G471 to K471 of the worksheet PTRM input, in the Post-tax Revenue Model which is Attachment 3.

The tax payable is shown in row 34 of the worksheet Analysis in the Post-tax Revenue Model.

Row 35 of the Post-tax Revenue Model shows the negative of the product of the tax payable in row 34, and the allowed value for imputation credits. Imputation credits has been set equal to 0.585, which is the value to be given to that parameter in accordance with paragraph 27 of the AER's December 2018 Rate of return instrument.

Adding the amounts in rows 34 and 35 of the PTRM, in each regulatory year, adds to total revenue:

$$TAX\ PAYABLE - \gamma \times TAX\ PAYABLE$$

$$= TAX\ PAYABLE \times (1 - \gamma)$$

$$= ESTIMATED\ TAXABLE\ INCOME \times TAX\ RATE \times (1 - \gamma)$$

That is, the amount added to total revenue is the amount calculated in accordance with r. 87A.

10.3 Departures from PTRM

Provide in the materials submitted to the AER the details of each departure from the AER's PTRM for the calculations referred to in paragraph 10.1, and the reasons for that departure.

Roma Brisbane has not departed from the calculation of the estimated cost of corporate income tax as carried out in AER's Gas Transmission Service Provider Post-tax Revenue Model, version 1.

10.4 Changes in standard tax lives

Identify in the materials submitted to the AER any changes to standard tax asset lives for existing asset classes approved for the current access arrangement. Explain the reason/s for the change and provide relevant supporting information, including Federal tax laws governing depreciation for tax purposes.

No change has been made to the standard tax asset lives for existing asset classes approved for the current access arrangement.

10.5 Deviation from RFM

Describe in the materials submitted to the AER the method used to depreciate existing asset classes as at 1 July 2021 for tax purposes and provide supporting calculations, if the approach differs from that in the current access arrangement's AER final decision RFM.

The method Roma Brisbane has used to depreciate existing asset classes as at 1 July 2021 for tax purposes does not differ from that in the AER's November 2017 final decision roll forward model for the current RBP Access Arrangement.

10.6 Tax asset base

Provide in the materials submitted to the AER RBP' calculation of the tax asset base for each regulatory year of the current access arrangement period and next access arrangement period using RBP' RFM, PTRM and/or separate tax depreciation model.

RBP's calculation of the tax asset base for each regulatory year of the current access arrangement period is in the worksheet 'Tax value roll forward' in the Roll Forward Model which is Attachment 2 to the Reset RIN response.

RBP's calculation of the tax asset base for each year of the next access arrangement period is in the worksheet 'Assets' of the Post-tax Revenue Model which is Attachment 3 to the Reset RIN response.

10.7 Changes to underlying methods

If RBP proposes to change the underlying methods in the AER's RFM for the calculations referred to in paragraph 10.6 describe in the materials submitted to the AER the reasons for the changes.

RBP does not propose to change the underlying methods in the AER's Gas Transmission Service Provider Roll Forward Model, version 1.

10.8 Differences in capitalisation

Identify in the materials submitted to the AER any differences in the capitalisation of expenditure for regulatory accounting purposes and tax accounting purposes. Provide reasons and supporting calculations to reconcile any differences between the two forms of accounts.

Capitalisation of expenditure differ between regulatory accounting and tax accounting.

For regulatory accounting purposes the capitalisation of expenditure is in accordance with the Australian Accounting Standards whilst for tax accounting purposes the capitalisation of expenditure is in accordance with the Australian Tax Legislation.

For details of differences refer paragraph 9.6.

Network Information Reporting

11 Demand

11.1 Trends and Drivers

Provide in the materials submitted to the AER:

(a) **an explanation of any trends in demand and volumes over the current access arrangement period and the next access arrangement period**

(b) **details of the key drivers behind the demand forecasts provided in response to Workbook 1 – Reset (forecast) data, regulatory template N1. Demand**

(c) **any methodology and models that have been used to develop the demand forecasts**

(d) **any data sets used as inputs into the models**

(e) **any key inputs and assumptions that have been used in the models (including in relation to economic growth, user numbers and policy changes) and any associated models or data relevant to justifying these inputs and assumptions and how demand for pipeline services is differentiated**

(f) **an explanation of any weather normalisation models used by RBP and how weather data has been used, as well as an explanation as to how RBP' approach to weather normalisation has changed over time**

(g) **how the forecasting methodology used is consistent with, and takes into account, historical observations (where appropriate), including any calibration processes undertaken within the model (specifically whether the load forecast is matched against actual historical load); and**

(h) an explanation of how the demand forecasts have been used to develop RBP' capital expenditure and operating expenditure forecasts.

11.2 Evidence and documentation

Provide in the materials submitted to the AER:

(a) evidence that any independent verifier engaged has examined the reasonableness of the method, processes and assumptions in determining the forecasts and has the requisite expertise to undertake a verification of forecasts

(b) all documentation, analysis and models evidencing the results of the independent verification provided in paragraph 11.2(a).

In the following paragraphs, Roma Brisbane details of the key drivers behind the demand forecasts provided in Workbook 1 – Reset (forecast) data, regulatory template N1. Demand. These forecasts are largely based on trends in demand and volumes over the current access arrangement period.

Demand forecasting for the RBP is relatively simple. Forecasts are derived directly from contractual and historical data, and forecasting does not use complex methods or models.

RBP does not apply any weather normalisation when forecasting demand. As the term of the capacity reservation contract is a minimum of 12 months, it is not necessary to take account of any seasonal patterns in the demand data.

The forecasting method is consistent with, and takes into account, historical observations, but no explicit model calibration is required.

The forecasts have been discussed with the RBP Consumer Reference Group. While independent advice has been sought on aspects of the forecast, notably the GPG and westbound demand, no independent verification has been sought.

Key inputs and assumptions, and the data sets used as inputs are described and summarised. These data sets are:

- the historical contracted demand for the pipeline, including the remaining term of existing capacity contracts
- an assessment of the probability of expiring contracts to be renewed, and the level of capacity reservation at which they are likely to be renewed
- historical load patterns for existing Eastbound customers
- an analysis of the market participants that are likely to use the Westbound service, and the capacity reservation levels those customers are likely to require based on their gas production volumes and patterns

Key drivers behind the demand forecasts for the RBP are:

- continued use of firm transportation service under pre-existing agreements for the transportation of gas for residential, commercial and industrial use in the south east Queensland region
- a forecast of the National Electricity Market merit order dispatch patterns for RBP-connected gas-fired power generators, and resulting fuel usage aligned to those dispatch patterns.

ACIL Allen was engaged to advise in relation to future demand for gas transmission services on the Roma to Brisbane Pipeline. ACIL Allen's report is Attachment 6 to this Reset RIN response.

Incentive Schemes and Other Reporting

12 Proposed incentive mechanism

12.1 Revenue for increment

Provide in the materials submitted to the AER, for each incentive mechanism (including existing incentive mechanisms), details of the forecast revenue referable to increments for efficiency gains or decrements for efficiency losses for the next access arrangement period.

Roma Brisbane has applied the efficiency carryover mechanism of section 8 of the RBP Access Arrangement to calculate increments for efficiency gains, and decrements for efficiency losses, for the next access arrangement period.

The calculation of these increments and decrements is provided in the worksheet ECM of the completed regulatory template RBP 2022-26 – Reset RIN – Workbook 3 - ECM (*Workbook 3 – OPEX incentive mechanism*).

The output from the worksheet ECM (row 65, labelled PTRM inputs) has been used, without change, as an input into the Post-tax Revenue Model for calculation of the total revenue for the next access arrangement period. The input is in row 453, Operating Efficiency Carryover Mechanism, of the PTRM inputs worksheet of the Post-tax Revenue Model.

RBP notes that no input is shown for Capital Expenditure Sharing Scheme in row 454 of the PTRM inputs worksheet of the Post-tax Revenue Model. There is no capital expenditure incentive mechanism for the RBP, and none is proposed.

12.2 Explanation

Provide in the materials submitted to the AER, for each proposed incentive mechanism:

(a) an explanation of the operation of the proposed incentive mechanism

(b) an explanation of the rationale for the proposed incentive mechanism

(c) reference to the source documents used to derive exclusions and inclusions to calculate efficiency gains and losses for the next access arrangement period

(d) any relevant analyses or reports that support the proposed incentive mechanism.

Roma Brisbane has retained the Efficiency Carryover Mechanism in section 8 of the RBP Access Arrangement.

No new incentive mechanism is proposed.

13 Rate of return

13.1 Binding return instrument

RBP is required to apply the binding Rate of Return Instrument (December 2018) for determining the rate of return in its access arrangement proposal.

In December 2018, the AER made a rate of return instrument (**Rate of Return Instrument**) which sets out the ways in which the rate of return on capital and the value of the imputation credits available under Australian taxation law are to be determined.

The Rate of Return Instrument is binding on the AER when making a full access arrangement decision, and is binding on RBP in the context of its submitting, for AER approval, an access arrangement revision proposal.

Roma Brisbane has applied the binding Rate of Return Instrument when determining the rate of return in its access arrangement proposal.

13.2 Averaging period

The averaging periods nominated by RBP in accordance with the Rate of Return Instrument (December 2018) will be kept confidential by the AER.

In accordance with the Rate of Return Instrument, the risk-free rate of return and the on-the-day rate of return on debt are to be calculated from current market data. Those data are to be for:

- a period of 20 consecutive trading days;
- a period which is as close as possible to commencement of the access arrangement period; and
- a period which has not commenced at the time of its nomination.

Averaging periods of 20 days, for estimation of the components of the rate of return used in the access arrangement revision proposal, and during the access arrangement period, are set out in the document Roma Brisbane

Pipeline Rate of Return Averaging Periods (Confidential) which is Attachment 7 to the Reset RIN response.

The averaging periods nominated by RBP in accordance with the Rate of Return Instrument are to be kept confidential by the AER.

13.3 Placeholder averaging period

For the purposes of assessing RBP' proposal we require it to nominate 'placeholder' averaging periods which will be made public and have been used to calculate an indicative rate of return in RBP' access arrangement proposal.

For the purpose of preparing the access arrangement revision proposal, RBP has adopted a 'placeholder' averaging period, and has calculated an indicative rate of return using market data for that period.

Roma Brisbane has taken, as the placeholder averaging period for its indicative rate of return calculation, the period of 20 trading days to 28 February 2021.

The way in which RBP has calculated the indicative rate of return used in the access arrangement revision proposal is set out in the paragraphs which follow.

Rate of return

The rate of return is to be a nominal "vanilla" weighted average of a rate of return on equity and a rate of return on debt:

$$k_t = k^e \times (1 - G) + k_t^d \times G$$

where:

- k_t is the rate of return in regulatory year t
- k^e is the rate of return on equity for the access arrangement period
- k_t^d is the rate of return on debt for regulatory year t; and
- G is the gearing ratio.

Indicative rate of return on equity

In accordance with clause 4 of the Rate of Return Instrument, RBP has calculated the rate of return on equity component (k^e) of the indicative rate of return using the asset pricing model:

$$k^e = k^f + \beta \times MRP$$

where:

- k^f is the risk free rate of return for the access arrangement period;
- β (beta) is the equity beta; and
- MRP is the market risk premium.

RBP has estimated the risk free rate of return (k^f) as a simple average of the yields on Commonwealth Government securities with terms to maturity of 10 years over the placeholder averaging period.

The estimate of the risk free rate is 1.21%.

Clause 4 of the Rate of Return Instrument sets a value of beta of 0.6, and a sets the market risk premium at an effective annual rate of 6.1%.

Using these values, and the asset pricing model of clause 4 of the Rate of Return Instrument, the indicative the rate of return on equity is 4.87%:

$$1.21\% + 0.6 \times 6.1\% = 4.87\%$$

Indicative rate of return on debt

The return on debt in regulatory year t of the access arrangement period (k_t^d)), the Rate of Return Instrument advises, is to be a trailing average of rates of return on debt for a period of 10 years.

A transition into the trailing average is required, and the first regulatory year of the transition period for the RBP is the period of 12 months from 1 July 2017.

RBP has calculated the trailing average, which is to be the allowed rate of return on debt until that allowed rate is updated, as:

$$k^d_{2021\text{-}22} = \left(5 \times k^d_{2016\text{-}17} + \sum_{i=1}^{5} k^d_i \right)$$

where

- $k^d_{2016\text{-}17}$ is 5.56%
- k_i^d, i = 1, 2, 3, are the previously updated rates of return on debt for 2017-18, 2018-19 and 2019-20, respectively, 5.09%, 4.50% and 4.26%
- k_i^d, i = 4, 5, are estimates of the on-the-day rate of return on debt for 2020-21 and 2021-22.

RBP has calculated the on-the-day rates of return on debt for 2020-21 and 2021-22 in the way required by clauses 10 to 22 of the Rate of Return Instrument, using data for the placeholder averaging period. The on-the-day rates are each 2.90%.

$k^d_{2021\text{-}22}$ is, then, 4.75%, and RBP has used this percentage as the indicative the rate of return on debt for the next access arrangement period.

Gearing

The Rate of Return Instrument requires that the gearing ratio be set at a value of 0.6, and RBP has used this value when calculating an indicative rate of return.

Indicative rate of return

RBP has used, as the indicative rate of return for the next access arrangement period, 4.79% (see Table 25 below).

Table 7: Rate of return

Component		Value
Rate of return on equity		
Risk free rate	k^f	1.21%
Beta	β	0.60
Market risk premium	MRP	6.1%
Rate of return on equity	$k^e = k^f + \beta \times MRP$	4.87% = 1.21% + 0.60 x 6.1%

Rate of return on debt		
Rate of return on debt	$k^d_{2019\text{-}20}$	4.75%
Gearing ratio	G	0.6
Rate of return	$k = k^e \times (1 - G) + k^d_{2019\text{-}20} \times G$	4.79% = 4.87% x (1 – 0.6) + 4.75% x 0.6

Revenue and Pricing

14 Revenues and prices for reference services

14.1 Calculation Smoothed and unsmoothed revenue

Provide in the materials submitted to the AER RBP' calculation of the unsmoothed and smoothed revenues, and prices for the purposes of the reference tariff variation mechanism proposed by RBP for the next access arrangement period using the AER's PTRM.

RBP has used the AER's Gas Transmission Service Provider Post-tax Revenue Model, version 1 to calculate the unsmoothed revenues for setting the proposed reference tariffs of its access arrangement proposal.

The smoothed revenue has been derived using the tariff model that operates on the same principles as the Post Tax Revenue model. It sets smoothed revenue to building block revenue in year 1 and then smoothed for NPV across the period.

It then reflects the impact of prudent discounts on the eastbound and westbound reference services by deducting both revenue and demand associated with those services and smoothing residual revenue in year one with smoothed revenue in year one and smoothing revenue across the rest of the period.

The Gas Transmission Service Provider Post-Tax Revenue Model, version 1, with the required input for RBP, is provided as Attachment 3 to the Reset RIN response.

RBP Reference Tariff model has been supplied to the AER as Attachment 8 to the Reset RIN response (on a confidential basis).

14.2 Modifications to PTRM

If RBP proposes to change the underlying methods in its access arrangement proposal PTRM compared with the current access arrangement AER final decision PTRM for the calculations referred

to paragraph 14.1 describe in the materials submitted to the AER the reasons for the changes.

The Gas Transmission Service Provider Post-tax Revenue Model, version 1, does not include the worksheet Tariff Calculation, which was included in the Post-tax Revenue Model which the AER provided with its November 2017 final decision on proposed revisions to the RBP Access Arrangement.

RBP has provided, as Attachment 8 to this Reset RIN response, a Microsoft Excel spreadsheet model, Reference Tariff Model-210701-Confidential, which calculates the firm service Eastbound and Firm Service Westbound reference tariffs, in the presence of a prudent discount, proposed in the access arrangement revision proposal.

The RBP tariff model is necessary to convert the building block revenue derived from the AER's PTRM into reference tariffs for two reference services taking into account a prudent discount.

15 Tariffs

15.1 Total revenue allocation

Provide in the materials submitted to the AER:

(a) an explanation, including any relevant calculations, of the methods or principles used to allocate relevant cost pools between the reference services and other services provided as a covered pipeline

(b) for rebateable services, provide:

(i) the reasons why the service should be treated as a rebateable service

(ii) a description of the mechanism that RBP will use to apply an appropriate portion of the revenue generated from the sale of rebateable services to price rebates (or refunds) to users of reference services (see r. 93 of the NGR).

Rule 93 of the NGR requires the allocation of the total revenue between reference and other services in the ratio in which costs are allocated between reference and other services.

Revisions to the Access Arrangement, approved by the AER in November 2017, assumed that the capacity used for services provided under pre-existing agreements for firm transportation service was capacity that would otherwise be used for the provision of the firm service reference service. All of the total revenue was, then, allocated to the provision of the firm service reference service, and the capacity used for the provision of firm transportation services under pre-existing agreements was assumed to be the capacity available for provision of the firm service reference service. This allowed a reference tariff to be set for the firm service reference service. RBP has retained this approach in setting proposed reference tariffs for the next access arrangement period, modifying it only to recognise the requirement that the revised RBP Access

Arrangement include an Eastbound Long Term Firm Service and Westbound Long Term Firm Service.

For setting proposed revised reference tariffs, RBP has assumed that all of the building block revenue is attributable to provision of the reference services.

Rebateable Services

Consistent with the existing access arrangement Roma Brisbane is proposing that the following services be treated as rebateable services.

- Park
- Capacity Transfers
- In pipe trade

The same mechanism as in the current access arrangement will be used with the rebate being set against both the Eastbound Long Term Firm Reference Tariff and the Westbound Long Term Firm Reference Tariff.

15.2 Tariffs – transmission pipelines (see r. 95 of the NGR)

For each tariff proposed by RBP for the next access arrangement period, in the materials submitted to the AER explain how it has been designed to:

(a) to generate from the provision of each reference service the portion of total revenue referable to that reference service

(b) as far as is practicable consistently with paragraph 15(a), to generate from the user (or class of users), to which the reference service is provided, the portion of total revenue referable to providing the reference service to the particular user (or class of users).

Rule 95 of the NGR requires that a tariff for a transmission pipeline reference service be designed to generate from provision of the reference service the portion of total revenue referable to that reference service.

The portion of total revenue referable to a particular reference service is determined by:

- allocating to each reference service costs directly attributable to that service
- allocating other costs attributable to reference services are to be allocated between those services on a basis (which must be consistent with the revenue and pricing principles) determined or approved by the AER.

The portion of total revenue referable to providing a reference service to a particular user or class of users is determined as follows:

- allocating costs directly attributable to supplying a user or class of users to the relevant user or class
- allocating other costs between users or classes of users on a basis (which must be consistent with the revenue and pricing principles) determined or approved by the AER.

The costs of the RBP are the costs which recover the investment in the pipeline (depreciation), a return on that investment, and the costs of operating and maintaining the pipeline. The costs of operating and maintaining the pipeline are mainly the costs of planned maintenance and other scheduled activities (for example, pipeline operation).

Neither the capital costs (depreciation and return), nor the operating and maintenance costs, are directly attributable to provision of either of the reference services. Neither the capital costs, nor the operating and maintenance costs are directly attributable to supplying particular users or particular classes of users.

The total revenue is applied to the westbound reference service, the eastbound reference and prudent discount services in the following manner.

Revenue is allocated to the Eastbound and Westbound service evenly, that is the same tariff for both directions. The Westbound prudent discount revenue is set at a competitive tariff. This reflects the allocation of costs that is consistent with the requirements of the revenue and pricing principles. In

particular, with the operation of 24(2), 24(3), 24(6) and 24(7). Such that it provides Roma Brisbane with an opportunity to recover its efficient costs and does not encourage over or under use of the RBP compared to other pipelines, in particular the Darling Downs pipeline. Over or under use would over time lead to over or underinvestment in the pipeline.

The westbound prudent discount revenue is deducted from the westbound revenue. The residual westbound revenue is smoothed across the westbound volumes using an X factor that matches year 1 smoothed revenue to year 1 building block and smooths across the rest of the period to calculate a Long Term Firm Reference Tariff. This is set out in the Roma Brisbane Pipeline Reference Tariff Model-210701 (Confidential) which is Attachment 8 to this Reset RIN response.

The same process is repeated for Eastbound revenue.

The allocation of costs in this way provides RBP with a reasonable opportunity to recover at least the efficient costs expected to be incurred in providing the reference services. Providing RBP with a reasonable opportunity to recover at least its efficient costs provides effective incentives for:

- efficient investment in the RBP (the pipeline used to provide the reference services)
- the efficient provision of pipeline services.

The AER has not previously determined or approved an allocation of costs to the reference services in this way. With only one reference service, as is currently the case, no allocation between services was required.

Calculations showing the way in which Roma Brisbane proposes to allocate costs to the reference services of the revised RBP Access Arrangement are set out in the Roma Brisbane Pipeline Reference Tariff Model210701(Confidential) which is Attachment 8 to this Reset RIN response.

15.3 Prudent discount

Identify in the materials submitted to the AER all prudent discounts that RBP proposes for the next access arrangement period and the users to whom they will apply and explain:

(a) how each prudent discount is necessary to respond to competition or maintain efficient use of the pipeline

(b) whether, including relevant calculations, reference tariffs would be higher without the prudent discount than they would be with the prudent discount.

The Calculation demonstrating that the proposed tariff with the prudent discount is in the Roma Brisbane Pipeline Reference Tariff Model 210701 (Confidential)- which is Attachment 8 to this RIN.

16 Reference tariff variations

16.1 Reference tariff variation mechanism

Provide in the materials submitted to the AER an explanation of:

(a) the proposed reference tariff variation mechanism for the next access arrangement period and the basis for any parameters used in the mechanism

(b) the administrative arrangements for periodic reviews of tariffs including the timing of notifications to the AER.

The reference tariff variation mechanism in the RBP Access Arrangement allows annual variation of the reference tariff for:

- current inflation
- a change in the rate of return on debt (as required by the Rate of Return Instrument)
- a rebate of a proportion of the revenue earned from the provision of rebateable services
- a material increase in costs attributable to one or more of a small number of specified events (including regulatory change, tax change, terrorism and natural disaster).

In the access arrangement revision proposal, RBP proposes retaining this mechanism. It can be applied, essentially unchanged, to vary annually both the Eastbound firm service reference tariff and the westbound firm service reference tariff.

In the proposed revised RBP Access Arrangement, Roma Brisbane has:

- extended application of the reference tariff variation mechanism to the reference tariff for the eastbound and westbound reference service

- updated the various formulae of the mechanism so that they refer to the years of next access arrangement period (and not to the years of the current period).

16.2 RBPs Admin cost and relevant regulatory arrangements

Identify in the materials submitted to the AER:

(a) the possible effects of the proposed reference tariff variation mechanism on RBP' administrative costs and, if known, the administrative costs of users or potential users

(b) all relevant regulatory arrangements RBP considers applicable to the relevant reference services before the commencement of the proposed reference tariff variation mechanism.

The changes which RBP has proposed to the reference tariff variation mechanism, if implemented, are expected to have little or no effect on RBP's administrative costs. RBP expects those changes to have little or no effects on the administrative costs of users or potential users, but does not have specific knowledge of those effects.

16.3 Cost pass through mechanism

For each cost pass through event in RBP' access arrangement proposal, provide in the materials submitted to the AER:

(a) a definition and description of the cost pass through event

(b) an explanation of how the cost pass through event is uncontrollable

(c) an explanation of whether the costs of the cost pass through event are already provided for through the operating expenditure or capital expenditure forecasts, the WACC (events which affect the market generally and not just the provider are systemic risk events and are already compensated through the WACC), or any other mechanism or allowance

(d) an explanation of the administrative arrangements for the cost pass through event and their relationship to other periodic reviews for other tariff variation mechanisms including the timing of notifications to the AER.

A definition and a description of each of cost pass through event are given in section 4.5.4 of the proposed revised RBP Access Arrangement.

The administrative arrangements for cost pass through events, including the timing of notifications to the AER, are set out in sections 4.5.4 and 4.5.6 of the proposed revised RBP Access Arrangement.

Variation of the reference tariffs for an approved cost pass through event is to be effected through annual application of the reference tariff variation mechanism of the proposed revised RBP Access Arrangement. The reference tariff variation mechanism is set out in section 4.5 of the proposed revised Access Arrangement. Administrative arrangements for the reference tariff variation mechanism are set out in section 4.5.7.

Roma Brisbane does not propose changing any of the cost pass through events in the current RBP Access Arrangement.

16.4 Materiality, admin cost and regulatory arrangements

Identify in the materials submitted to the AER:

(a) the materiality threshold RBP proposes for cost pass through events

(b) the possible effects of the proposed cost pass through mechanism on RBP's administrative costs and, if known, the administrative costs of users or potential users

(c) all relevant regulatory arrangements RBP considers applicable to the relevant reference services prior to the commencement of the proposed cost pass through mechanism.

Roma Brisbane does not propose any change to the materiality threshold for cost pass through events, which is set out in section 4.5.4 of the current RBP Access Arrangement, and which is reproduced in section 4.5.4 of the proposed revised Access Arrangement.

17 Non-tariff components

17.1 Non-tariff terms and conditions

Provide in the materials submitted to the AER:

(a) details of any amendments to the non-tariff terms and conditions of the access arrangement that RBP proposes for the next access arrangement period

(b) for each amendment identified in paragraph 17.1(a), explain the reasons for the proposed amendment.

The principal amendments proposed to the non-tariff terms and conditions of the RBP Access Arrangement provide for two reference services

- Eastbound Reference Service
- Westbound Reference Service

Other changes which RBP has proposed to the RBP Access Arrangement are:

- the services which Roma Brisbane may provide using the RBP have been listed
- the reference tariff variation mechanism has been updated to accommodate the Eastbound and Westbound reference services, but its form has not changed
- changes to the extension and expansion requirements, required by rule changes which came into effect in April 2019.

NGR, r. 48(1)(a) now requires that an access arrangement describe all of the pipeline services that the service provider can reasonably provide on its pipeline. Furthermore, the description must be consistent with the description of services in the AER's prior reference service proposal decision for the pipeline.

RBP has provided this description of services in section 2.1.1 of the proposed revised RBP Access Arrangement.

Amendments to NGR, r. 112, made since the last revision of the RBP Access Arrangement, have introduced new steps and new timelines into the access request process.

RBP has incorporated these new steps and new timelines into section 2.2 of the proposed revised RBP Access Arrangement.

RBP proposes retaining the reference tariff variation mechanism of the RBP Access Arrangement for the variation of the Eastbound and Westbound reference service tariff.

The change proposed to the reference tariff variation mechanism in section 4.7 of the RBP Access Arrangement is to update the various formulae of the mechanism so that they can be applied during the next access arrangement period.

NGR, r. 104 has been amended to require, among other things, that an applicable access arrangement state that the access arrangement applies to incremental services provided by any expansion of the pipeline during the access arrangement period. The option for a service provider to propose, to the AER, that the access arrangement not apply to those incremental services has been removed.

RBP has proposed an amendment to section 7 of the RBP Access Arrangement so that it accords with the current requirements of r. 104.

17.2 Queuing requirements

Provide in the materials submitted to the AER details of the process or mechanism for determining the order of priority for spare or developable capacity, for example, whether it is to be as a first-come-first-served basis or by auction.

The process for determining the order of priority for spare or developable capacity is first-come, first served.

Other than recognition of the Eastbound and Westbound service reference services, no change has been proposed to the queuing requirements of the RBP Access Arrangement.

17.3 Capacity trading requirements

Identify in the materials submitted to the AER the rules or procedures RBP must accord with under r. 105 of the NGR.

R. 105 of the NGR sets out capacity trading requirements. These requirements are in section 5 of the RBP Access Arrangement.

No amendment to the capacity trading requirements of section 5 of the RBP Access Arrangement has been proposed.

17.4 Extension and expansion requirements (see r. 104 of the NGR)

Provide in the materials submitted to the AER:

(a) details of any extension and expansion requirements where that extension and expansion requirement states that the access arrangement will apply to incremental services to be provided as a result of the extension or expansion

(b) details of the effect of those extension or expansion requirements identified in paragraph 17.4(a) on tariffs.

Extension and expansion requirements are set out in section 7 of the RBP Access Arrangement.

RBP proposes amending section 7 of the RBP Access Arrangement so that it accords with the current requirements of r. 104.

The amendment has no effect on tariffs.

17.5 Change of receipt or delivery point by user

Explain in the materials submitted to the AER:

(a) how users may obtain consent, including identifying any relevant conditions, to change receipt or delivery points as contemplated under r. 106 of the NGR

(b) where relevant, the technical or commercial considerations and other relevant conditions in the event RBP intends to withhold consent to a change in a receipt or delivery point.

Section 5.4 of the RBP Access Arrangement sets out the way in which a user may obtain consent to change a receipt point or a delivery point as contemplated under r. 106 of the NGR.

No amendment to section 5.4 of the RBP Access Arrangement has been proposed.

Section 5.4 of the RBP Access Arrangement states, among other things:

> *Service Provider may withhold its consent to all or part of the above request on reasonable commercial or technical grounds or make its consent subject to conditions which are on reasonable commercial or technical grounds.*

An example of such grounds might be if a reduction in the amount of MDQ at the initial Delivery Point will not result in a corresponding increase in Service Provider's ability to provide that service to the alternative Delivery Point.

Miscellaneous Reporting

18 Related Party Transactions

18.1 Related party transaction

Identify and describe in the materials submitted to the AER all entities which:

(a) are a related party to RBP and contribute to the provision of pipeline services

(b) have the capacity to determine the outcome of decisions about RBP' financial and operating policies.

The minimum threshold for these entities are for transactions greater than $1,000,000 in a regulatory year.

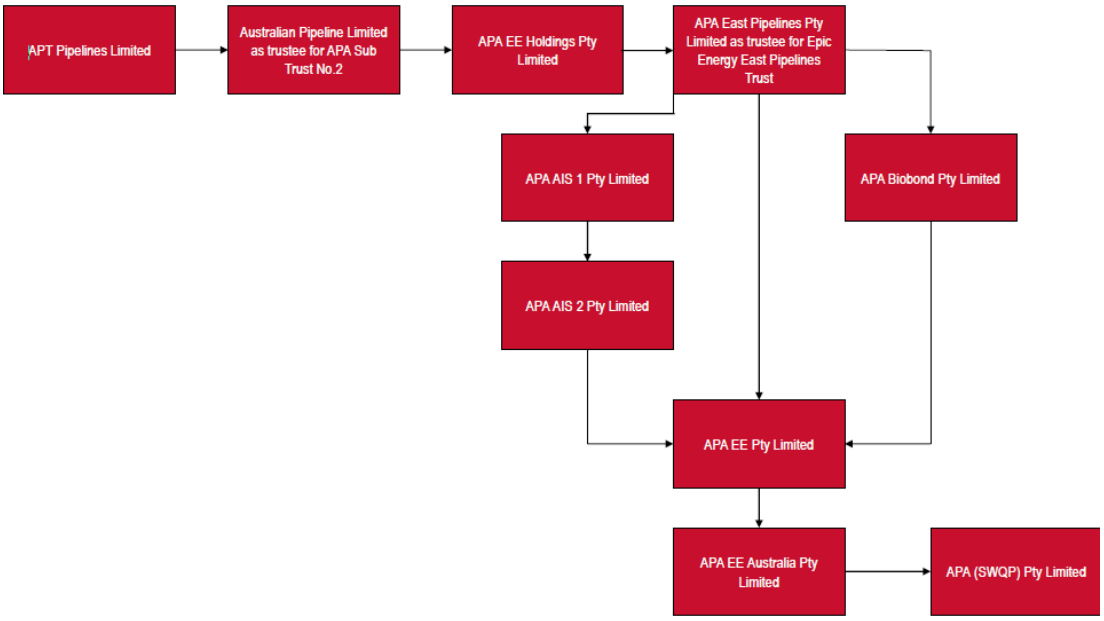
Under an arrangement with APA (SWQP) Pty Ltd compression services are provided to Roma Brisbane in order to enable customers on the RBP to access pipeline services. The arrangement enables Roma Brisbane to use compressors at Wallumbilla to flow gas. APA (SWQP) does not have the capacity to determine the outcome of decisions about RBP's financial and operating policies.

18.2 Organisational structure

Provide in the materials submitted to the AER a diagram of the organisational structure depicting the relationships between all the entities identified in the response to paragraph 18.1.

The organisational structure showing the relationship between Roma Brisbane and APA (SWQP) Pty Ltd is outlined in Figure 1.

Figure 1: Extract of APA Corporate structure



18.3 Provision of pipeline services

Identify:

(a) all arrangements or contracts between Roma Brisbane and any of the other entities identified in the response to paragraph 18.1 currently in place or expected to be in place during the period 2022-23 to 2026-27 which relate directly or indirectly to the provision of pipeline services

(b) the service or services that are the subject of each arrangement or contract.

The arrangement with APA(SWQP) Pty Ltd will be in place for the entire period FY 23 to FY 27 on a consistent basis.

The arrangement enables Roma Brisbane to provide firm transportation services to RBP customers.

18.4 Procurement process

For each service identified in the response to paragraph 18.3(b):

(a) Provide in the materials submitted to the AER:

(i) a description of the process used to procure the service

(ii) supporting documentation including, but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between RBP and the relevant provider.

(b) explain in the materials submitted to the AER:

(i) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by RBP itself

(ii) whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar)

(iii) whether the services were procured on a genuinely competitive basis and if not, why

(iv) whether the service (or any component thereof) was further outsourced to another provider.

The provision of compression services near the RBP was only possible at the Wallumbilla Compressor station owned by APA(SWQP) Pty Ltd. No competitive process made sense.

The services are procured under a stand-alone arrangement between Roma Brisbane and APA(SWQP) Pty Ltd.

The arrangement uses existing compressors at Wallumbilla, the cost of the service is less than the cost of building a compressor station on the RBP or looping the pipeline to enable the same service to be provided directly by Roma Brisbane.

18.5 Copy of arrangement

For each arrangement or contract identified in the response to paragraph 18.3 provide in the materials submitted to the AER:

(a) a copy of the arrangement or contract which sets out the obligations of both the other entity and RBP

(b) a breakdown of all services provided as part of that arrangement or contract;

(c) a breakdown of costs for each service provided as part of the arrangement or contract, including separately identifying overheads, any profit margin or management fee and incentive payments;

(d) a breakdown of all costs included in the contract price; and

(e) any methodologies, including consultant's reports, or assumptions used to determine components of those costs included in the contract price.

The AER was provided with a copy of the arrangement at the time they were notified of the related party transaction as required under NGR 33.

Other Information

19 Compliance with section 269A of the NGL

19.1 Statement

RBP must provide a statement attesting that:

(a) where any expenditure or cost has been incurred or is forecast to be incurred by RBP, as a result of or incidental to a review under Part 5 – Merits review and other non-judicial review – of the NGL, that:

(i) RBP has not included any of that expenditure or cost, or any part of that expenditure or cost, in its capital or operating expenditures for a access arrangement decision

(ii) RBP has not recovered any of that expenditure or cost, or any part of that expenditure or cost, from end users

(iii) RBP has not sought to pass through any of that expenditure or cost, or any part of that expenditure or cost, to end users

(b) where no expenditure or cost has been incurred or is forecast to be incurred by RBP, as a result of or incidental to a review under Part 5 – Merits review and other non-judicial review – of the NGL.

No expenditure or cost has been incurred, or is forecast to be incurred, by RBP, as a result of, or incidental to, a review under Part 5 of Chapter 8 of the National Gas Law (Merits review and other non-judicial review).

20 Identification of certain costs in actual and capex and opex

20.1 Merits Review

For any actual capital expenditure or operating expenditure reported in response to this notice, identify any part of that expenditure which can be attributed to any expenditure or cost that RBP has incurred as a result of, or incidental to, a review under Part 5 – Merits review and other non-judicial review – of the NGL.

No expenditure or cost has been incurred, or is forecast to be incurred, by RBP, as a result of, or incidental to, a review under Part 5 of Chapter 8 of the National Gas Law (Merits review and other non-judicial review).