



19 April 2017

Chris Pattas
General Manager
Network Operations and Development Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: Chris.Pattas@aer.gov.au

Dear Mr Pattas

Amadeus Gas Pipeline Access Arrangement: Reference Tariff Variation 1 July 2017

APT Pipelines (NT) Pty Limited (APT NT) may, in accordance with clause 4.7.2 of the Access Arrangement approved by the Australian Energy Regulator (AER) in May 2016, vary the reference tariff of the Amadeus Gas Pipeline (AGP). This letter notifies the AER of the varied reference tariff which is to have effect from 1 July 2017.

Pursuant to clause 4.7.1 of the Access Arrangement, the reference tariff for the AGP Firm Service is to be varied using the following formula:

$$\text{Reference Tariff}_t = \text{Reference Tariff}_b \times \frac{\text{CPI}_t}{\text{CPI}_b} \times \prod_{j=1}^t (1 - X_j) \times (1 + \text{PT}_t)$$

where:

- Reference Tariff_t is the Reference Tariff for the Firm Service for year t;
- t is the year in which the adjusted Reference Tariff is to be applied (from 1 July);
- Reference Tariff_b is the Reference Tariff for the Firm Service for the year 2016–17;
- CPI is the Consumer Price Index, All Groups, Weighted Average of Eight Capital Cities, published by the Australian Bureau of Statistics;
- CPI_t is the CPI for the December quarter in financial year t – 1;
- CPI_b is the CPI for the December quarter in financial year 2015–16;
- X is the X factor for each financial year of the 2016–21 access arrangement period as determined in the PTRM as approved in the AER's Final Decision, and annually revised for the return on debt update calculated for the relevant financial year during the access arrangement period in accordance with the method approved in the AER's Final Decision; and
- PT_t is the cost pass through factor for financial year t calculated in the way set out in the Access Arrangement.

For the financial year 2017-18:

$$t = 1;$$

$$\text{Reference Tariff}_b = \$0.5959/\text{GJ};$$

$$\text{CPI}_t = 110.0;$$

$$\text{CPI}_b = 108.4;$$

$$\prod_{j=1}^1 (1 - X_j) = 1 - X_{2017-18};$$

$$X_{2017-18} = 3.51\%; \text{ and}$$

$$\text{PT}_t = 0 \text{ (there is no cost pass through).}$$

The X factor for 2017-18, 3.51%, has been determined using the AER's Final Decision PTRM with an updated return on debt for that year of 5.52%. This return on debt is a weighted average of the Final Decision rate of return on debt, 5.56%, and an estimate for the relevant averaging period of 5.09%, with weightings 0.90 and 0.10, respectively. The return on debt for the relevant averaging period has been calculated as a simple average of an estimate made from RBA data on the credits spreads of BBB-rated non-financial corporation (5.10%), and an estimate made using the Bloomberg service BVAL curve for term to maturity of 10 years (5.08%).

The updated return on debt and the X factor are those in the letter which the AER sent to APA Group earlier today. APT NT agrees with the AER's calculations.

Applying the reference tariff variation formula of the Access Arrangement, and the X factor of 3.51%, the AGP reference tariff from 1 July 2017 will be \$0.5835/GJ of Firm MDQ.

Please contact John Williams, Regulatory Manager, on 08 6189 4594 if you have any questions on this reference tariff variation notice.

Yours sincerely



Peter Bolding
General Manager Regulatory and Strategy