

28 May 2019

Dear Stakeholder

I am writing to inform you of two consultation processes that the AER is commencing and on which I invite you to engage – this could be through a written submission or you may wish to meet with the relevant team.

### **1. Development of light regulation financial reporting guideline**

The AER is required by the National Gas Rules to prepare a financial reporting guideline for light regulation pipelines (the Guideline) by 31 October 2019.<sup>1</sup>

In preparing the Guideline, we will rely on the existing non-scheme financial reporting guidelines as our foundation,<sup>2</sup> with the most notable exception being that the recovered capital method will not be a relevant form of asset valuation under this guideline.<sup>3</sup>

In the lead up to release of a draft Guideline (with accompanying explanatory statement and financial reporting template) in June 2019, we would welcome the views of stakeholders, whether by written submission or by meeting with the team to convey your suggestions.

Updates relating to the preparation of the Guideline will be posted on the AER's website. Attachment A to this letter details the 5 light regulation pipelines currently operating in Australia that the AER Guideline will apply to.

We look forward to your engagement on the Guideline, and ask that you direct any inquiries to Ms Kami Kaur ([Kami.Kaur@aer.gov.au](mailto:Kami.Kaur@aer.gov.au), 02 9230 9163).

### **2. Review of standardised gas transport agreements**

The National Gas Rules require the AER to review and report by 1 March 2020 on compliance with the requirements for standard Operational Transportation Service Agreements (OTSAs).

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<sup>1</sup> NGR version 65 Part 12, r. 63, p. 633.

<sup>2</sup> AER, *Financial Reporting Guideline for Non-Scheme Pipelines*, December 2017, <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/non-scheme-pipeline-financial-reporting-guidelines>.

<sup>3</sup> For a discussion of depreciation methodologies and the discretion afforded by the NGR which the AER may exercise in selecting the appropriate methodology in the Guideline, see AEMC, *Review into the scope of economic regulation applied to covered pipelines: Final Report*, 3 July 2018, <https://www.aemc.gov.au/sites/default/files/2018-07/Final%20Report.PDF>, pp. 149, 150.

These are the standardised gas transportation agreements for facilities covered by the new capacity trading mechanisms provided for by the National Gas Rules – the day-ahead auction and the capacity trading platform. A list of those facilities is at Attachment B.

The AER's review will assess the terms and conditions of the OTSAs published by each facility operator to ensure the terms and conditions comply with the National Gas Rules and the OTSA Code. The review will also examine whether any standardisation charges comply with applicable cost recovery principles.

For the purposes of the review the AER is engaging directly with the operators of facilities subject to the day ahead auction and capacity trading platform. However, we wish to ensure the review is informed by the perspectives and experiences of all stakeholders, including shippers and their representative bodies.

We would therefore welcome your participation in the OTSA review, whether by written submission or by meeting with the team to convey your suggestions. Further information about the OTSA rules are on the AER's website<sup>4</sup>, along with details on how to make a submission to the OTSA review.

Please direct any inquiries to Mr Matthew Dines (08 8456 3539, [matthew.dines@aer.gov.au](mailto:matthew.dines@aer.gov.au)).

Yours sincerely



Sebastian Roberts  
General Manager  
Transmission and Gas

Sent by email on: [Click here to enter a date.](#)

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<sup>4</sup> <https://www.aer.gov.au/wholesale-markets/pipeline-capacity-trading-and-day-ahead-auction/operational-transportation-service-code>

## Attachment A: East Coast light regulation gas pipelines

Pipeline	Operator	Transmission or Distribution
Moomba to Sydney <sup>5</sup>	APA	Transmission
Central West Pipeline <sup>6</sup>	APA	Transmission
Carpentaria Gas Pipeline <sup>7</sup>	APA	Transmission
Allgas gas distribution network <sup>8</sup>	APA	Distribution
Envestra gas distribution network (Queensland) <sup>9</sup>	AGN (formerly Envestra Limited)	Distribution

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<sup>5</sup> <https://www.apa.com.au/our-services/gas-transmission/east-coast-grid/moomba-sydney-pipeline/>

<sup>6</sup> <https://www.apa.com.au/our-services/gas-transmission/east-coast-grid/central-west-pipeline/>

<sup>7</sup> <https://www.apa.com.au/our-services/gas-transmission/east-coast-grid/carpentaria-gas-pipeline/>

<sup>8</sup> <https://www.apa.com.au/our-services/gas-distribution/allgas-gas-distribution-network/>

<sup>9</sup> <https://www.aemc.gov.au/energy-rules/national-gas-rules/gas-scheme-register/qld-envestra-gas-distribution-network>

## **Attachment B: Facilities subject to by capacity trading mechanisms**

### **Pipelines**

South West Queensland Pipeline

Roma to Brisbane Pipeline

BWP

WGP

CGP

Moomba to Sydney Pipeline

SESA

Eastern Gas Pipeline

Vic Hub

Queensland Gas Pipeline

DDP

NGP

Moomba to Adelaide Pipeline

SEPS

PCA

PCI

TGP

### **Compressors**

Moomba

Wallumbilla

Iona

Ballera