apa

15 April 2019

Mr Chris Pattas
General Manager Distribution
Australian Energy Regulator
GPO Box 520, Melbourne VIC 3001
Via email Chris.Pattas@aer.gov.au

Dear Chris,

ROMA BRISBANE PIPELINE - NOTIFICATION OF ANNUAL TARIFF ADJUSTMENT
(Reference Tariffs Effective 1 July 2019 to 30 June 2020)

In accordance with section 4.5 of the Access Arrangement for the Roma Brisbane Pipeline (RBP), APT Petroleum Pipeline Limited (APTPPL) intends to adjust the RBP Reference Tariffs via the following tariff adjustment calculation.

$$RT_n = RT_{n-1} \times \left[1 + \frac{(CPI_{n-1} - CPI_{n-2})}{(CPI_{n-2})} \right] \times (1 - X) \times (1 - RB_n)$$

Where:		Value for the purpose of this Notice:
RT_n	means the Long Term Firm Service Tariff in Year n	(see below)
n	means the Year in which the adjusted Long Term Firm Service Tariff is to be applied	2019
RT_{n-1}	means the Long Term Firm Service Tariff in Year n -1	
CPI CPI_{n-1} $CPI_{2019} =$ CPI_{n-2} $CPI_{2018} =$	means Consumer Price Index (All Groups — weighted Average Eight Capital Cities) published quarterly by the Australian Bureau of Statistics. means the CPI published for the March quarter in Year n-I. For tariffs in 2018-19, n-1 is March quarter 2018 CPI figure for All Groups – Weighted Average Eight Capital cities, March 2019 = means the CPI published for the March quarter in Year n-2. For tariffs in 2018-19, n-2 is March quarter 2017. CPI figure for All Groups – Weighted Average Eight Capital cities, March 2018 =	 Forecast 115.4 112.6
X $X_{2019}=$	the X factor for each financial year of the 2017–22 access arrangement period as determined in the PTRM as approved in the AER's final decision, and annually revised for the changes in the return on debt	Draft 2.42%
RB_n	The *rebateable services adjustment factor* calculated as follows: $RB_n = \dfrac{(1 + RB'_n)}{(1 + RB'_{n-1})} - 1$ where: RB'_{n-1} is zero when financial year n-1 refers to financial year 2017–18, and the value of RB'_n determined in the financial year n-1 for all other years in the access arrangement period and $RB'_n = 0.70 \left[\dfrac{R_{n-1}(1 + WACC_n)}{(1 + CPI_n)(1 - X_n) \sum\limits_{i=1}^{n} \sum\limits_{j=1}^{m} RT_{n-1} q_{n-2}} \right]$ where: R_{n-1} is: any rebateable service revenue amount earned by APTPPL in whole or part in calendar year n-1 for services classified as rebateable services. $RT_{n-1}q_{n-2}$ is: the estimated revenue from reference service services in the year n-1, where RT refers to the Reference Tariff for the relevant year, and q refers to the AER-approved forecast demand in the relevant year. $WACC_n$ is: the approved nominal weighted average cost of capital (WACC) for the relevant regulatory year using the following method: $NominalvanillaWACC_n = ((1 + realVanillaWACC_n) \times (1 + CPI_n)$ where: $realVanillaWACC_n$ is as set out in the final decision PTRM and updated annually. 0.70 is the sharing ratio between APTPPL and shippers who are taking the reference service.	$RB'_{n-1} = 0$ $R_{n-1} = \$3.077m$ (see below) $RT_{n-1} = 0.7147$ $q_{n-2} = 200$ TJ/day realWACC =3.08% Draft $CPI_n = 2.5\%$ Draft 0.70

Tariffs reflecting the rebate of the Rebateable Service adjustment factor are shown below.

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Reference Tariffs to apply from 1 July 2019

$$\text{Long Term Firm tariff}_n = RT_{n-1} \times \left[\, 1 + \frac{(CPI_{n-1} - CPI_{n-2})}{(CPI_{n-2})} \,\right] \times (1 - X) \times (1 - RB_n)$$

$$\text{Long Term Firm tariff}_n = 0.7147 \times \left[\, 1 + \frac{(115.4 - 112.6)}{(112.6)} \,\right] \times (1 - 0.0242) \times (1 - 0.0436)$$

$$= 0.7147 \times \left[\, 1 + 0.025 \,\right] \times (0.9758) \times (0.9564)$$

$= 0.7148$ (Reference Tariff before impact of rebateable services) $\times (0.9564)$

RT_{2019} **= 0.6836** **\$/GJ of MDQ/day** (exclusive of GST)

Reporting of rebateable services revenue

As part of its annual tariff variation notice for tariffs commencing each 1 July, APTPPL is required to report on the revenues it has earned during the prior calendar year in respect of: park and loan services (provided on either a firm or interruptible basis); in-pipe trading services; or capacity trading services, on the Roma to Brisbane Pipeline during 2017–22. The value of those revenues will then be input into the rebateable services adjustment factor formula.

Rebateable Services Revenue Calendar 2018:		
Park and Loan	$2,673,218	
In-Pipe Trading	$343,041	
Capacity Trading	$60,367	
Total		$3,076,654
Rebate proportion		70%
WACC adjustment		5.645%
Rebateable amount		$2,275,230
Forecast volume		200 TJ/day
Rebateable Services Tariff Impact ($/GJMDQ/day)		$0.0312

This notice will be updated following the publication of the March 2019 CPI, and the AER advice to APT Petroleum Pipeline Limited of the revised X Factor to apply following the AER's annual update to the cost of debt.

If you have any questions, please contact Scott Young on 02 9275 0031 or scott.young@apa.com.au.

Regards,

Peter Bolding
General Manager Strategy and Regulatory