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# Victorian Transmission System 2023-27 access arrangement (AA6).

## AER public forum

25 July 2022



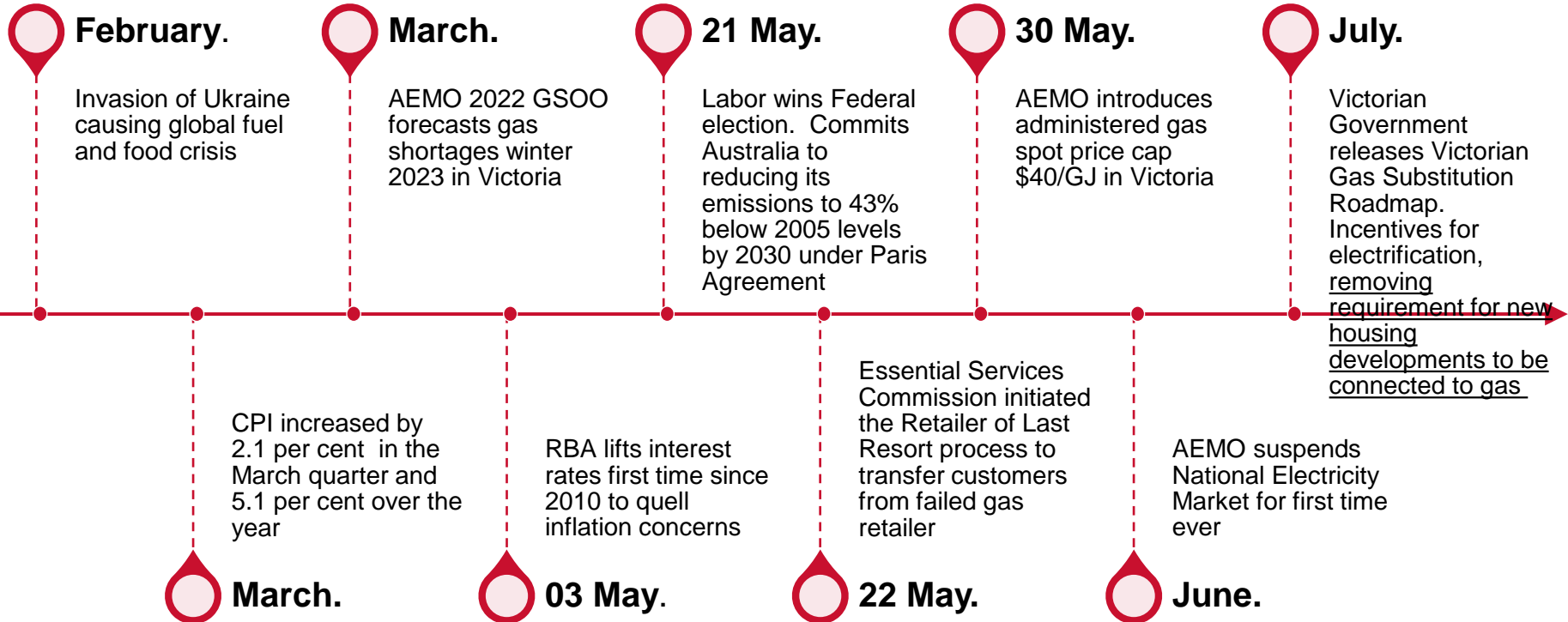
# Much has changed since we lodged access arrangement proposal in December 2021

Dynamic state, national and global environment impacting energy markets

Impacting on cost of living for consumers

Impacting on demand forecasts and affecting investment decision; impact on tariffs

Impacting on supply forecasts and security of supply



*It will be very difficult to compare our December 2021 proposal with the AER's June 2022 draft decision*

# We lodged our proposal based on AEMO's 2021 GSOO

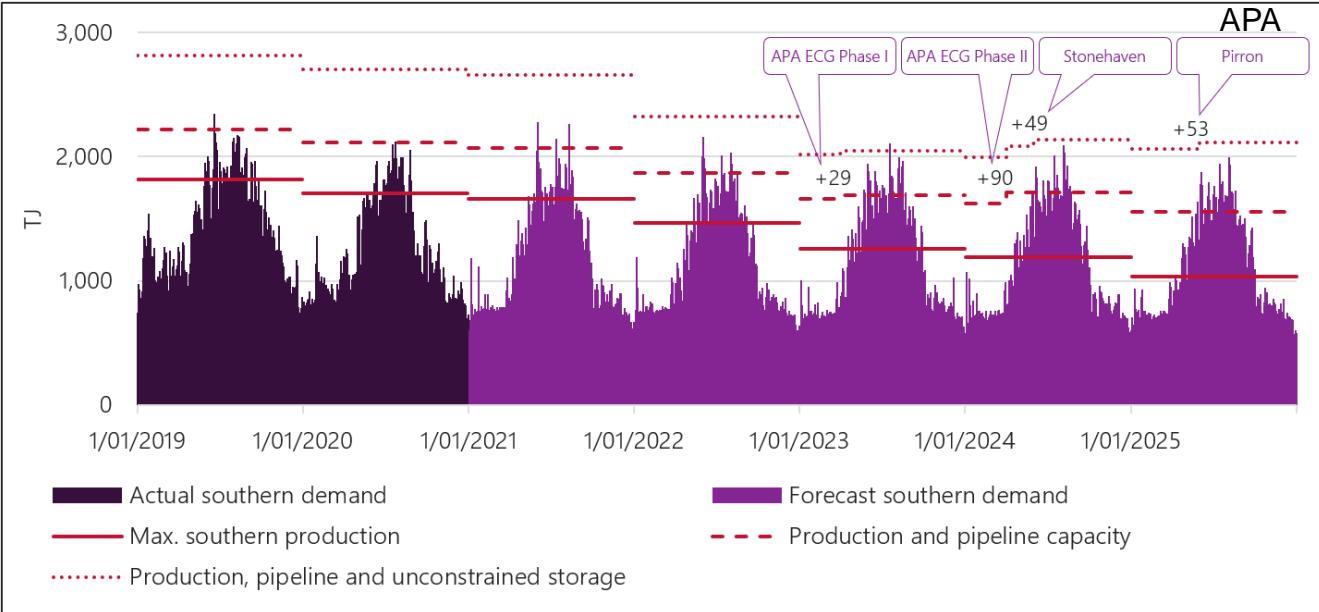
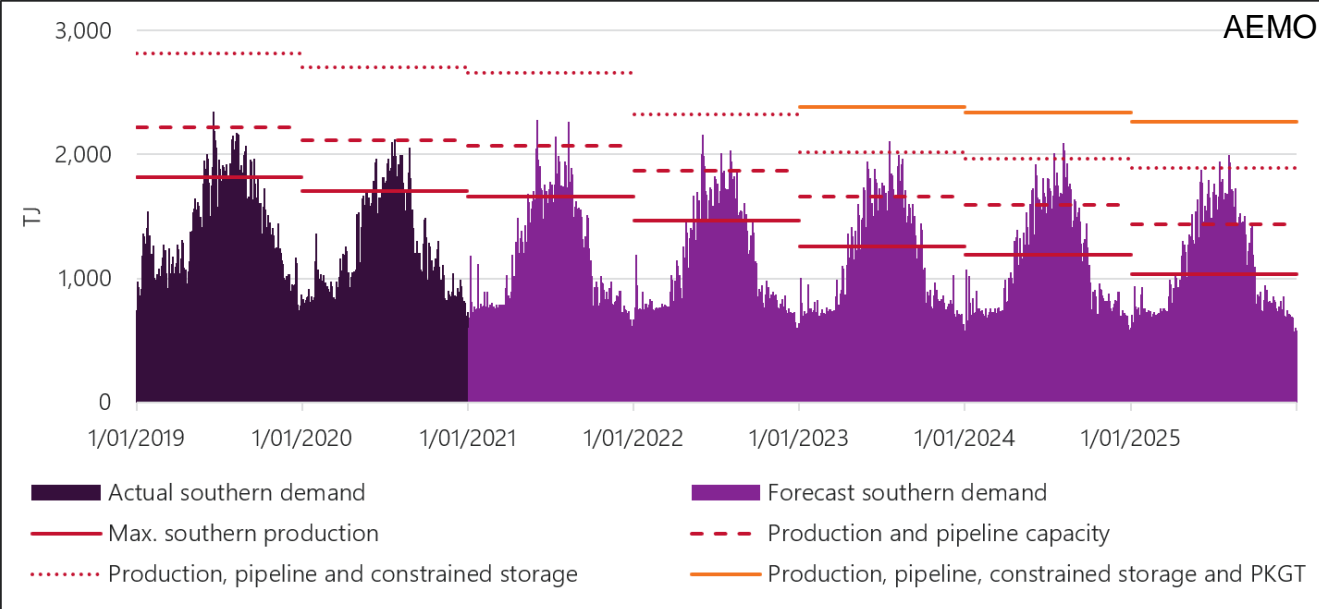
AEMO's 2021 GSOO cast the Port Kembla Gas Terminal as a committed project

- This project has still not publicly announced FID

APA VTS adjusted AEMO's forecasts to only reflect projects that had reached Final Investment Decision

- APA's expansion of its East Coast Grid (ECG)
- Lochard Energy's expansion of Iona gas storage deliverability

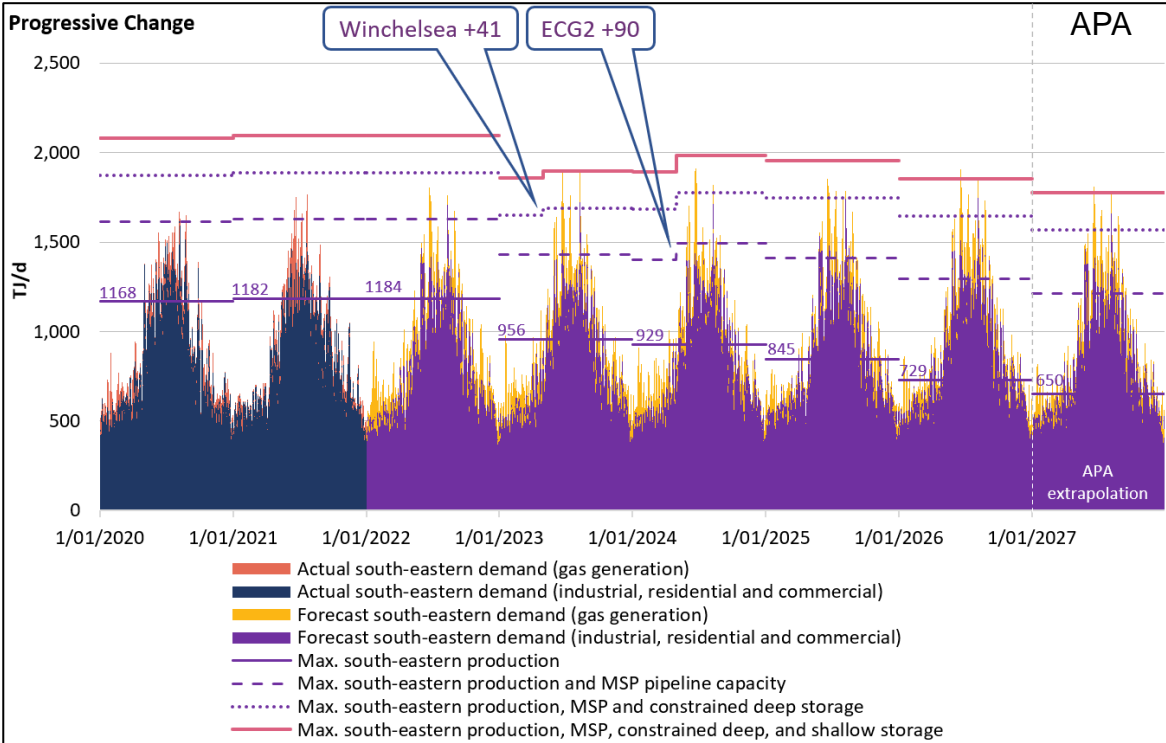
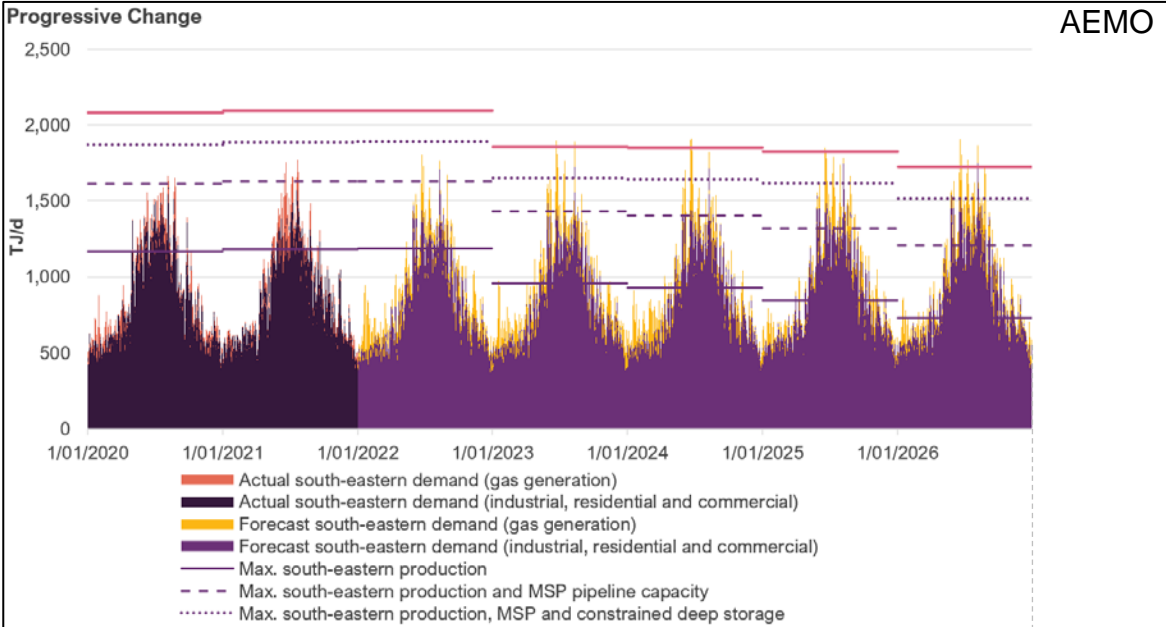
We advised that we would update based on AEMO's 2022 GSOO



# AEMO's 2022 GSOO predicted 2023 shortfalls

Following the release of the 2022 GSOO, APA worked closely with AEMO, the Victoria Government and the AER to be able to deliver a project to avoid 2023 shortfalls.

- Winchelsea compressor now features in 2022 and 2023 capex. Target in-service May 2023.
- Stonehaven and Pirron compressors have been withdrawn



# Questions remain about the future demand outlook

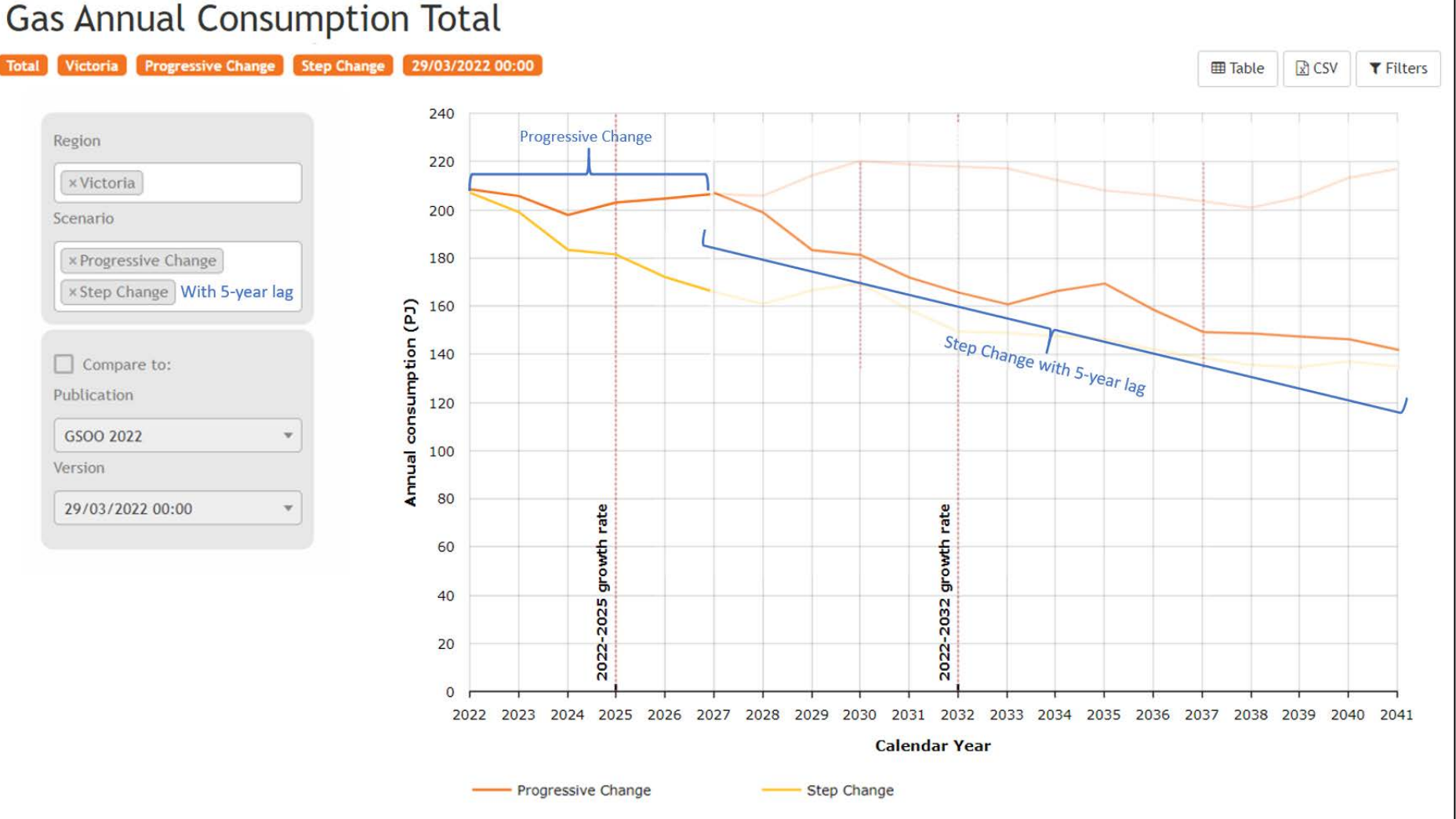
This will have significant implications for tariffs and the need for accelerated depreciation

## Three demand (consumption) scenarios

1. Step change
2. Progressive change
3. Hybrid of 1 & 2- assumes a five-year “policy lag”

## Reasoning for hybrid assumptions:

- The Victoria Gas Substitution Road Map was just published, June 2023
- Expect lag in changes to planning requirements in Victoria and flow through to consumer behaviour
- Will developers electrify housing stock?
- Lag in consumer behaviour to switch to electric appliances
- Consumer preferences? Will consumers choose to switch?



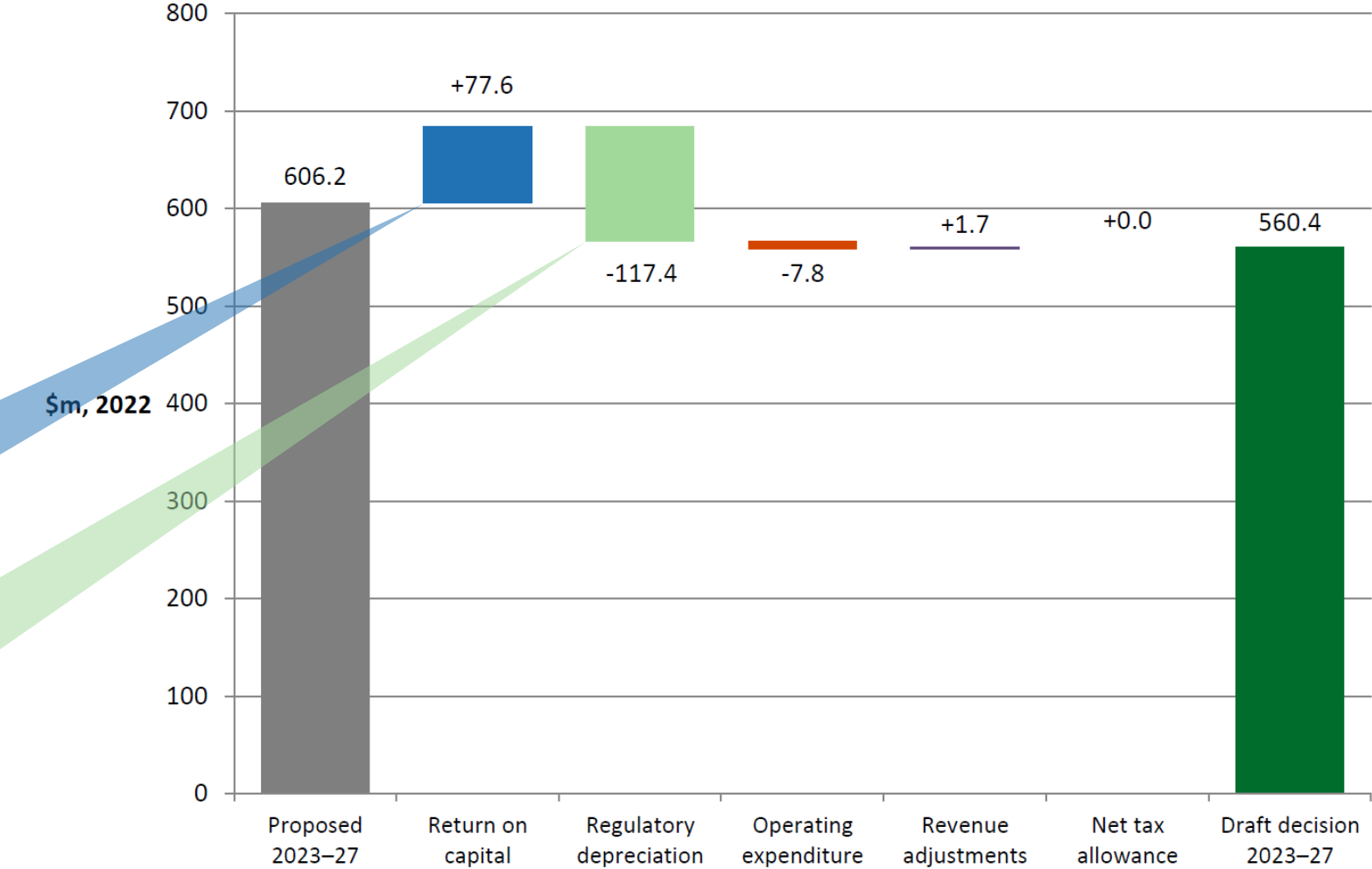
# Capital markets have also moved

The AER draft decision reflects movements in capital markets since our proposal was lodged in December 2021

The risk free rate has increased, pushing up the return on debt and the return on equity

Inflation has increased, causing a reduction in regulatory depreciation

**Figure 1 Comparison of APA's proposal and our draft decision (\$million, 2022)**



Source: AER analysis.

# APA VTS will continue its consumer engagement

## VTS key activities and dates

### Phase 4 - After we've submitted proposal

Who	Date	Activity	Topics
APA VTS	13 April 2022	Roundtable 13	AEMO to present on GSOO/ VGPR. Other updates.
APA VTS	25/05/2022	Roundtable 14	Updates & discussion of submissions
AER	30 June 2022	AER Draft Decision	AER publishes Draft Decision
APA VTS	12/07/2022	Roundtable 15	Discuss AER Draft Decision
APA VTS	21/07/2022	Roundtable 16	To be based on key stakeholder topics. (Cancelled due to MS Teams outage)
AER	25 July 2022	AER Public Forum	Draft Decision
APA VTS	28 July 2022	Roundtable 17	Revised proposal - collaborating on key positions - ACIL Allen to present on scenario analysis for accelerated depreciation
APA VTS	10 August 2022	Revised proposal	APA VTS submits revised proposal
Stakeholders	06 September	Stakeholder submissions	Submissions on revised access arrangement proposal and draft decision
AER	Early December 2022	AER Final Decision	AER publishes final decision

**For further information**

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