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APA Group

Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

APT Petroleum Pipelines Limited
ABN 39 009 737 393

09 May 2014

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

Dear Chris,

ROMA BRISBANE PIPELINE - NOTIFICATION OF ANNUAL TARIFF INCREASE
(Reference Tariffs Effective 1 July 2013 to 30 June 2014)

This notice updates the previous notice provided to the AER on 16 April 2014 that included an estimated value for the March quarter CPI. This notice also revises the approach to reflecting the carbon cost pass through, following discussions with the AER staff.

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

$$RT_n = RT_{n-1} \times \left(1 + (CPI_{n-1} - CPI_{n-2}) / CPI_{n-2}\right) \times (1 - X)$$

Where:

$$CPI_{n-1} = 105.4$$

$$CPI_{n-2} = 102.4$$

$$X (1 \text{ July } 2014) = -4\%$$

Tariffs to apply from 1 July 2014

$$\text{Capacity Charge} = 0.5692 \times \left[1 + \frac{(105.4 - 102.4)}{102.4}\right] \times (1 - (-0.04))$$

$$= 0.5692 \times [1 + 0.029] \times (1.04)$$

$$= \mathbf{0.6093 \$/GJ \text{ of MDQ/day}} \text{ (exclusive of GST)}$$

$$\text{Throughput Charge} = 0.0381 \times \left[1 + \frac{(105.4 - 102.4)}{102.4}\right] \times (1 - (-0.04))$$

$$= 0.0381 \times [1 + 0.029] \times (1.04)$$

$$= \mathbf{0.0408 \$/GJ} \text{ (exclusive of GST)}$$



The same tariffs, GST inclusive are

Capacity Charge = 0.6702 \$/GJ of MDQ/day (inclusive of GST)

Throughput Charge = 0.0449 \$/GJ (inclusive of GST)

The actual CPI figure for All Groups – Weighted Average Eight Capital cities for the quarter ended March 2013 of 102.4 and for the quarter ended March 2014 of 105.4 has been applied.

Carbon cost pass through

The RBP Access Arrangement includes a forecast for carbon costs as part of the operating expenditure. The Access Arrangement also includes a procedure to reconcile the forecast carbon costs against the actual costs of acquiring the required number of carbon permits. This reconciliation occurs in the second year following the year in which the liability for carbon costs was incurred.

On 14 February 2014, APTPPL lodged a pass through application with the AER including this reconciliation. Following discussion at the officer level, the agreed amount of carbon cost pass through for the 2012/13 carbon year has been estimated at \$427,391. This amount is subject to final approval by the AER board.

The 2012-17 RBP AA derives tariffs on the basis that 95% of revenues are to be recovered through capacity charges and 5% are to be recovered through throughput charges. The pass through amount has been allocated to capacity and throughput revenue on that same basis, and divided by the forecast volumes as reflected in the Access Arrangement Information to derive the tariff impact of the pass through, as follows:

	Capacity charge	Throughput charge
2014/15 forecast revenue per PTRM (\$m)	50.5	2.8
Proportion of revenue	95%	5%
Allocated amount of carbon cost pass through amount	406,021	21,370
Forecast volumes per AAI Tables 4.3, 4.1	228.0 TJ/day	69,752 TJ
Pass through tariff impact	0.0049 \$/GJMDQ/day	\$0.0003 /GJ



Tariffs reflecting pass through amount

	Capacity charge \$/GJMDQ/day	Throughput charge \$/GJ
2014/15 tariff	0.6093	0.0408
Pass through tariff impact	-0.0049	-0.0003
Net tariffs (ex GST)	0.6044 \$/GJMDQ/day	0.0405 \$/GJ
Net tariffs (including GST)	0.6648 \$/GJMDQ/day	0.0445 \$/GJ

We would be pleased to discuss any questions you may have. Please contact Scott Young on 02 9275 0031.

Regards

Peter Bolding
General Manager Regulatory and Strategy