Goldfields Gas Pipeline

2025-29 Access Arrangement proposal

Cost Allocation Method

January 1, 2024

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1. Introduction

1.1. Purpose

Goldfields Gas Transmission Pty Ltd (GGT) is revising the Goldfields Gas Pipeline (GGP) access arrangement for the regulated (covered) parts of the GGP (covered GGP) as required under the national gas legislative framework. The proposed revisions to the GGP access arrangement are to apply from 1 January 2025 to 31 December 2029.

GGP is owned by the Goldfields Gas Transmission Joint Venture (GGT JV) participants, Southern Cross Pipelines Australia Pty Ltd, Southern Cross Pipelines (NPL) Australia Pty Ltd and Alinta Energy GGT Pty Ltd. On 1 November 2023, APA acquired Alinta Energy Pilbara Holdings Pty Ltd including Alinta's share of the GGP. APA Group now owns 100 per cent of GGP.

The pipeline manager is Goldfields Gas Transmission Pty Ltd (GGT).

The cost allocation requirements of the NGR, and the principles and approach GGT has applied in preparing the access arrangement revision proposal are set out in this report.

The cost allocation approach to GGP requires several steps including the allocation of costs between the covered and uncovered portions of the GGP, and an allocation of shared corporate costs from the APA Group (APA).

GGT's cost allocation approach is consistent with the approach approved by the ERA's in the 2019 Final Decision on Proposed Revisions to the GGP Access Arrangement for 2020 to 2024 (ERA 2019 Final Decision).[1]

1.2. NGR requirements

The allocation of the total revenue and costs to reference services and other services for the purpose of reference tariff determination and cost recovery are governed by rules 93 and 95 of the NGR.

Under Rule 93, total revenue is to be allocated between reference and other services in the ratio in which costs are allocated between reference and other services. Costs are to be allocated between reference and other services in the following way:

- costs directly attributable to reference services are to be allocated to those services
- costs directly attributable to pipeline services that are not reference services are to be allocated to those services, and

[1] ERA (2019), Final Decision on Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement for 2020 to 2024, 19 December 2019, paras 155-156, and 325.

- other costs are to be allocated between reference and other services on a basis (which must be consistent with the revenue and pricing principles) determined or approved by the regulator.[2]

Rule 95 sets out the way revenue and costs are to be allocated to tariffs. A tariff for a reference service provided by means of a transmission pipeline must be designed to generate from the provision of each reference service the portion of total revenue referable to that reference service; and (as far as is practicable) to generate from the user, or the class of users, to which the reference service is provided, the portion of total revenue referable to providing the reference service to the particular user or class of users.[3]

The portion of total revenue referable to a reference service(s) is to be determined from costs directly attributable to that reference service(s). Other costs attributable to a references service is to be allocated to the reference service(s) on a basis set out by the regulator. The basis must be consistent with the revenue and pricing principles.[4]

Similarly, the portion of total revenue referable to providing a reference service to a particular user or class of services is to be determined from costs directly attributable to the user or class of users. Other costs are to be allocated between the user or class of users and other users on a basis set out by the regulator. The basis must be consistent with the revenue and pricing principles.[5]

[2] NGR, rule 93.
[3] NGR, rule 95(1)
[4] NGR, rule 95(2)
[5] NGR, rule 95(3)

2. Cost allocation principles and approach

2.1. Purpose

The GGT Cost Allocation Method (CAM) is used to allocate costs between covered and uncovered GGP, and to allocate shared corporate costs from the APA Group (APA) to covered GGP. The allocation of costs between covered and uncovered GGP is used for:

- Allocation of actual costs (for reporting information to the regulator and other internal reporting)
- To forecast costs for access arrangement revisions.

The forecast costs are used for the determination of regulated tariffs for reference services. In the case of GGP, costs allocated to covered GGP are used to determine the regulated tariff for the reference service. The reference service is provided by covered GGP.

The cost allocation principles and approach has been developed to align with the NGR requirements. GGT has ensured that the cost allocation complies with the ERA's cost allocation approach set out in the ERA 2019 Final Decision.[6]

2.2. Impact of Northern Goldfields Interconnect

The Northern Goldfields Interconnect (NGI) was commissioned end of June 2023. The NGI connects to the Dampier to Bunbury Natural Gas Pipeline (DBNGP) at Ambania, about 50 km east of Geraldton, and connects into the GGP approximately 40 kilometres south of Leinster. The NGI conveys gas in one direction from west to east. The primary function of the NGI is to convey gas to industrial customers located in the mid-west and Goldfields regions. APA owns and operates the new pipeline.

Gas conveyed along the NGI will flow into the GGP. Additional capacity may be created on certain sections of the GGP because of the connection of the NGI to GGP. Under the access arrangement, clause 7.2(b) requires that expansions during the access arrangement period are to be subject to the access arrangement. On this basis, we have assumed that the flow of gas from the NGI into GGP and the additional capacity created is to be treated as covered capacity.

The NGI has increased demand forecasts for contracted capacity and throughput on the covered GGP in the 2025-29 period. Accordingly, we have changed the proportion of GGT costs allocated to covered GGP to reflect the increase in contracted capacity for covered GGP. The cost allocation percentages for allocating GGT incurred costs between covered and uncovered for the forecast period (2025-29) have increased the proportion of costs allocated to covered capacity.

[6] ERA (2019), Final Decision on Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement for 2020 to 2024, 19 December 2019.

3. Summary of cost allocation method

A high-level illustration of the cost allocation approach for GGP is shown in Table 1, Table 2 and Table 3.

Table 1 Cost allocation principles for directly attributable costs (GGP covered and uncovered)

Cost allocation principles for GGP (covered and uncovered GGP – excluding shared corporate expenditure)	
Directly attributable	**Other directly attributable**
Directly attributable costs assigned by asset or project code	• Time/effort • Customer based • Headcount • State-based

Table 2 Cost allocation between covered and uncovered GGP (excluding shared corporate expenditure)

Cost allocation between covered GGP and uncovered GGP	
Opex	**Capex**
Directly attributable/ directly assigned. Not-directly assigned: • APA Operations (various methods) • GGT Operations (various methods) • APA commercial (various methods).	Directly attributable/ directly assigned. Not-directly assigned: • Compressor related. Number of covered compressor units/ total number of compressor units • Non-compressor related. Number of TJ/day of contracted capacity provided using the covered pipeline to (b) the number of TJ/day of contracted capacity provided using the entire GGP.

Table 3 Cost allocation for shared corporate expenditure

Shared corporate expenditure	
Opex	**Capex**
• Shared corporate opex is calculated. ▪ GGP is apportioned a share of this based on GGP revenue to total APA revenue. ▪ GGP covered and uncovered shares are split based on the (a) number of TJ/day of contracted capacity provided using the covered pipeline to (b) the number of TJ/day of contracted capacity provided using the entire GGP.	• Shared corporate capex is calculated. ▪ GGP is apportioned a share of this based on GGP revenue to total APA revenue. ▪ Corporate assets allocated to GGP) have been further allocated between services provided using the Covered Pipeline, and services provided using the uncovered part of the GGP. (Refer section 8).

4. GGP cost allocation principles

4.1. ERA 2019 Final Decision for 2024-29 period

GGT has followed the principles in the NGR to allocate costs to GGP. GGT has also been guided by the ERA's 2019 Final Decision[7] for the AA4 period.

Operating costs

The cost allocation method for GGP aligns with the ERA 2019 Final Decision:[8]

- APA operations costs (except for engineering and field services) and commercial and GGT operations operating expenditure (except for regulatory expenditure) would be allocated to the covered pipeline according to the ratio of the number of terajoules per day (TJ/d) of contracted capacity provided using the covered pipeline to the number of TJ/d of contracted capacity provided using the whole GGP (covered and uncovered pipelines) in the year in which the expenditure was incurred.
- Regulatory costs are to be allocated 75% to the covered pipeline.
- APA operations expenditures within the engineering and field services categories would be allocated to the covered pipeline based on the expected relative direct costs of those services.

Capital costs

The cost allocation method set out in the final decision for AA3 was that any capital expenditure on assets that could be used in the delivery of services by both the covered pipeline and uncovered pipeline would be allocated between the two notional pipelines as follows:

- For expenditure on compressor station assets where capital expenditure could not be attributed to a specific compressor unit, the amount of that expenditure allocated to the covered pipeline would be apportioned according to the ratio of covered pipeline compressor units to the total number of compressor units at that station.
- For expenditure on other assets that could be used for both the covered pipeline and uncovered pipeline, the amount of that expenditure allocated to the covered pipeline would be apportioned according to the ratio of terajoule kilometres of contracted capacity provided using the covered pipeline to the number of terajoule kilometres of contracted capacity provided using the GGP in the year in which the expenditure was made. GGT estimated that this ratio was 69.9 per

7 ERA (2019), Final Decision on Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement for 2020 to 2024, 19 December 2019, paras 155-156

8 ERA (2019), Final Decision on Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement for 2020 to 2024, 19 December 2019, paras 155-156

cent for the AA3 period. The ERA reviewed this estimate and considered that it had been calculated in accordance with the agreed cost allocation method.[9]

4.2. Principles

Most costs fall into two categories:

- **Directly attributable costs to the pipeline service provider**: Expenses that are clearly associated with a specific asset. Such costs are coded to the asset or to a project relating to the asset. This is done through creation of a purchase order at the time of purchase or direct employees charging their time to the asset or project. The employees charge their times using an hourly rate derived from employee payroll costs.
- **Other directly attributable costs to the pipeline service provider**: Expenses that are directly attributable to a number of the service providers. To give a true reflection of the cost of running an asset, it is necessary to allocate a portion of such costs to the relevant assets that have benefited from the activity provided.

Table 4 Examples of cost categories for directly attributable

Directly attributable costs	Other directly attributable costs
• materials expenses directly attributed to repair and maintenance of a pipeline • costs of employees who are solely dedicated for providing field services to a pipeline	• APA's Integrated Operations Centre (IOC) assets

For the "other directly attributable costs", the causation based, and cost allocation methodologies are as follows:

- Time/effort based - national transmission pipeline services such as the IOC costs are assigned to each pipeline, reflective of time spent.
- Customer based - national cost centres that provide transmission services such as daily nominations, invoicing and billing allocate their costs based on the number of customers or number of contracts.
- Headcount based - national services such as human resources training and development, and facilities recharges are allocated to the business based on the overall headcount in the business.
- State based - national services such as health, safety, environment and heritage are provided by state-based employees. The state-based costs are allocated to the pipelines within that state using the aforementioned cost allocators.

9 ERA (2019), Final Decision on Proposed Revisions to the Goldfields Gas Pipeline Access Arrangement for 2020 to 2024, 19 December 2019, para 325.

The above principles do not apply to the allocation of shared corporate expenses as discussed in Section 8.

5. Covered GGP and uncovered GGP

GGP is subject to the regulatory arrangements in the NGR. About half of GGP is subject to full regulation (covered), the other half to light regulation. As such, for regulatory purposes the GGP is two notional pipelines - the covered pipeline and the uncovered pipeline.

Every five years, GGT JV, as owner of GGP, is required to submit an access arrangement proposal for the covered portion of GGP (covered GGP) to the regulator to approve.

The GGP assets that form part of the covered pipeline and subject to full regulation under the NGR include:

- The GGP mainline between the receipt points at the Yarraloola Compressor Station and the inlet to the Newman Lateral
- The GGP mainline between the inlet to the Newman Lateral and the delivery point at Kalgoorlie South
- Compressor Units 1 and 2 at Yarraloola
- Compressor Unit 1 at Paraburdoo
- The compressor stations at Ilgarari
- The compressor stations at Wiluna
- The pipeline between the Apache Energy meter station and the Yarraloola Compressor Station (Apache-GGP Interconnect Pipeline)
- Part of the DBNGP-GGP Interconnect Pipeline upstream of the Yarraloola Compressor Station
- The Newman lateral.

The covered pipeline has capacity of approximately 109 TJ/day.

The GGP assets that are uncovered for the purposes of the access regulatory regime include:

- Paraburdoo Compressor Station (Unit 2)
- Wyloo West Compressor Station
- Ned’s Creek Compressor Station
- Yarraloola Compressor Station, unit 3
- Paraburdoo Compressor Station, unit 3
- Turee Creek Compressor Station

- Custody transfer meter stations at Boonamich Well and Yarnima
- Wiluna, Murrin Murrin, Mt Keith, Leinster and Parkeston laterals.

As only the covered portion of the GGP falls under the regulatory regime, a cost allocation methodology is required to apportion costs between the covered and the uncovered GGP.

6. Allocation of opex between GGP covered and GGP uncovered

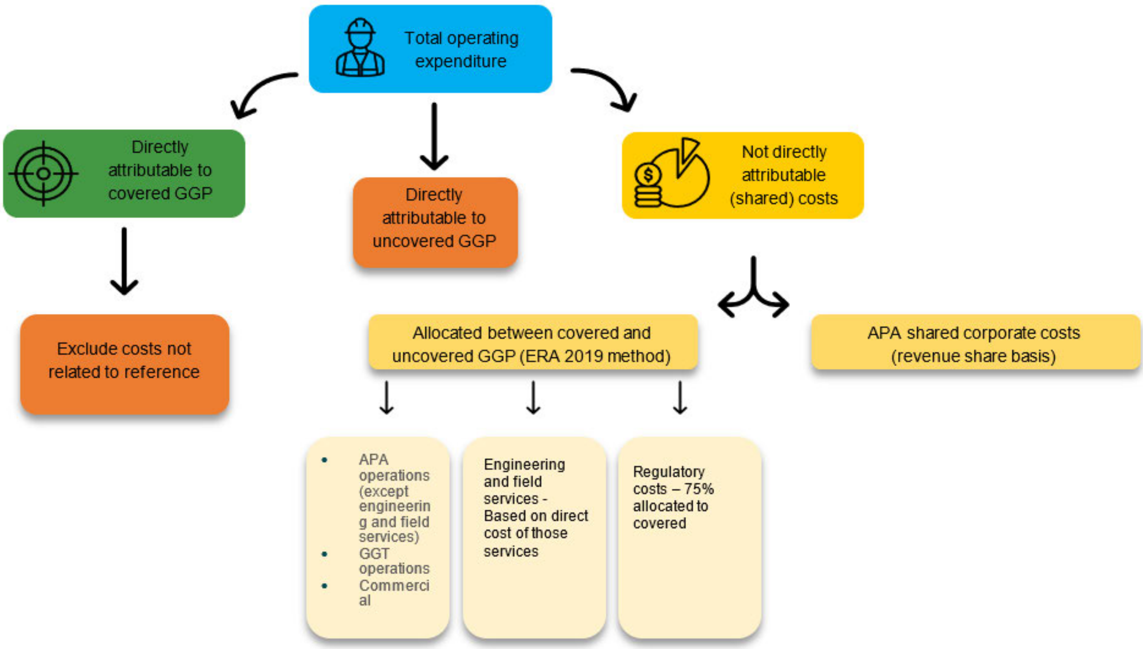
GGP operating expenditure is classified as follows:

- **APA operations costs** - the expenditures which GGT incurs through its sourcing of engineering and field services for the GGP under an Operating Agreement with APT Pipelines (WA) Pty Ltd
- **GGT operations costs** - the expenditures which GGT incurs through its direct sourcing of services to support the provision of pipeline services using the GGP
- **APA commercial operations** - the expenditures which GGT incurs through its sourcing of commercial and related services for the GGP through a Commercial Services Agreement with APT Goldfields Pty Ltd
- **Shared corporate expenditure** (discussed in Section 8)

Figure 1 shows how the above classifications map to the regulatory cost categories. Figure 2 provides a summary of GGT's cost allocation methodology for GGP operating expenditure.

Figure 1 Mapping of opex classifications to regulatory cost categories

Figure 2 Cost allocation approach for GGP operating expenditure



APA Operations, GGT Operations, and APA Commercial costs are allocated to the covered pipeline in the manners as set out in Table 5, Table 6 and Table 7 respectively. Additional detail on each of these expenditure categories is provided below each table. Corporate costs are discussed in Section 8.

6.1. APA operations costs

GGT, as manager appointed under the GGT Joint Venture agreement, is responsible for the development, operation and maintenance of the GGP. The GGT JV participants intended that the manager be a small entity which obtained resources from the participants, and GGT is a company with only three employees (General Manager, Office Manager and Management Accountant). Resources for the day-to-day operation and management of the GGP are provided by others.

The GGT JV Agreement authorises GGT, as manager, to delegate the operation and maintenance of the GGP to an operator via an operating agreement. In 2003, GGT and the GGT participants entered into an agreement, the Operating Agreement, with APT Pipelines Ltd and APT Pipelines (WA) Pty Limited for provision of the services required for the “proper and efficient operation” of the GGP. The operation and maintenance of the pipeline continues to be in accordance with the terms of this agreement although the ownership of the Joint Venture participants has changed since the agreement was executed.

Table 5 Allocation of APA operations costs to covered pipeline

Cost category	Allocation method to the covered pipeline
Administration (business services)	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
Operations (field services) costs	In general, field services expenditures are identifiable as associated with the covered pipeline (or as associated with the uncovered GGT assets). The exceptions are expenditures on Paraburdoo Compressor Unit 1 (PAC1, covered pipeline) and Paraburdoo Compressor Unit 2 (PAC2, uncovered GGT asset); they are not separately identifiable. Expenditures on PAC1/PAC2 are to be allocated 50% to the covered pipeline (and 50% to the uncovered GGP assets).
Engineering	Engineering expenditure to be allocated to the covered pipeline in the same ratio as field services costs.
Major expenditure jobs	In general, major expenditure jobs are identifiable as associated with the covered pipeline (or as associated with the uncovered GGT assets).

The costs of operating and maintaining the GGP incurred under the Operating Agreement, portions of which are allocated to the covered pipeline in the ways noted in Table , are classified as:

- Administration (business services)[10]
    - The administrative and office services support for the provision of pipeline engineering and field services to the covered pipeline.
- Engineering
    - Professional engineering support provided to pipeline operation and maintenance and includes integrity assurance and management; risk assessment and mitigation; maintenance of mechanical and rotating equipment; maintenance of electrical equipment, control systems and instrumentation; data communications engineering; corrosion protection; and technical compliance management and reporting.
- Field services

[10] The subcategory "administration" appears in three of the five major categories of operating expenditure. The expenditures are incurred in the management of the activities of three different entities, performing different activities, in three different contexts. There is no “double counting” of expenditure on administrative functions.

  - Activities include overall monitoring and control of the pipeline, operation and routine maintenance of field plant and equipment, operational and statutory monitoring and inspections, maintenance and patrolling of the pipeline easement, liaison with the technical staff of users taking delivery of gas, liaison with landowners and related public relations, warehousing and spares inventory management, vehicle fleet management, and record keeping and reporting.
- Major expenditure jobs
  - The suppliers of services under the Operating Agreement also undertake large scale, non-recurrent maintenance activities referred to as major expenditure jobs.

6.2. GGT operating costs

GGT not only incurs the costs of services provided under the Operating Agreement. GGT incurs directly, and not via a services agreement, certain costs of operating and maintaining the pipeline.

Table 6 Allocation of GGT operations costs to covered pipeline

Cost category	Allocation method to the covered pipeline
Administration	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
APA operations labour recoverable	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
APA operations management fee	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
APA operations commercial fee	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
Newman lateral expenditure	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.

Projects/operations expenditure	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.

The costs of operating and maintaining the GGP incurred under GGT operating costs which are allocated to the covered pipeline in the ways noted in Table , are classified as:

- Administration (GGT)
    - Certain administrative services supporting the overall management of the GGP. Expenditures in this category are rents paid for business premises, pipeline licence fees and the safety levy payable to the Western Australian Department of Mines, Industry Regulation and Safety.
- APA operations labour recoverable
    - The principal providers of services to the covered pipeline are APT Pipelines Ltd and APT Pipelines (WA) Pty Limited (providers of engineering and field services under the Operating Agreement), and APT Goldfields Pty Ltd (provider of commercial operations services under the Commercial Services Agreement, see commercial costs). Personnel employed by each of these companies work in business premises rented by GGT, and GGT recovers a portion of the rent its pays from each of the two service providers. This recovery of premises rent is accounted for as a reduction in the total cost of operating the GGP.
- APA operations management fee
    - The amount payable by GGT for the management of engineering and fields services under the Operating Agreement with APT Pipelines Ltd and APT Pipelines (WA) Pty Limited. These fees will be removed from the AA5 forecast as APA acquired the Alinta portion of the GGP in 2023.
- APA commercial management fee
    - The amount payable by GGT, under the Commercial Services Agreement with APT Goldfields Pty Ltd, for the management of commercial operations associated with the gas transportation business based on the GGP. These fees will be removed from the AA5 forecast as APA acquired the Alinta portion of the GGP in 2023.
- Newman lateral expenditure
    - The Newman Lateral is some 48 kilometres of 200-millimetre (nominal) diameter pipeline, which provides a connection between the GGP main line and gas-fired power generation facilities located close to the town of Newman. GGT uses a contractor to provide field services for the operation

and maintenance of the Newman Lateral. The amount paid annually to the contractor depends on the work to be done on the lateral.

- Projects/operations expenditure
    - Projects/operations activities are operations-related activities associated with the repair of damage to the pipeline easement, and to surface facilities which are part of the GGP, because of tropical cyclones which regularly cross the route of the GGT.

6.3. APA commercial operations

GGT also incurs the costs of commercial operation of the gas transportation business based on the GGP.

In 2003, GGT, as manager appointed by the GGT JV participants, and the participants themselves, entered into an agreement, the Commercial Services Agreement, with APT Goldfields Pty Ltd for the provision of services which support commercial operation of the gas transportation business based on the GGP. The services provided by APT Goldfields include marketing of the services of the covered pipeline, identification of new business opportunities, negotiation of gas transportation agreements, and the ongoing administration of those agreements. APT Goldfields also manages public relations, including relationships with industry associations, with local governments and with the Government of Western Australia.

Table 7 Allocation of APA commercial operations to covered pipeline

Cost category	Allocation method to the covered pipeline
Administration	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
Legal	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
Marketing	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
Demand side management	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.

Public relations	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
Safeguard mechanism	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
GGT regulatory costs	75% of expenditure of GGP regulatory expenditures during year to be allocated to covered pipeline.
Communications equipment lease and maintenance	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.
Insurance	Ratio of number of TJ/d of contracted capacity provided using the covered pipeline during year to the number of TJ/d of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during year.

The costs of these commercial support activities which are allocated to the covered pipeline in the ways noted in Table , are classified as

- Administration
  - The administrative services supporting the commercial operation of the GGP.
- Legal
  - Legal services are an important input into the commercial operation of the GGP. Services provided using the pipeline are provided to users under long term gas transportation agreements, and legal advice is required when those agreements are negotiated, when they are modified or extended, and when contractual matters are in dispute, or a user defaults.
  - Legal services for commercial operations are obtained mainly from APA's General Counsel's office, and the associated expenditure is part of corporate costs. Some legal services are, however, sourced externally.
- Marketing
  - Marketing activities are focused on generating new business for the GGP, and on securing the retention of existing users.
  - Marketing is an increasingly important part of commercial operations. Prospective users, and smaller existing users with gas transportation

agreements due for renewal, now have many options in addition to gas delivered by pipeline, for meeting their future energy needs.

- Demand side management
  - Provides a load reduction service allowing firm service to be maintained during times of peak demand and planned and unplanned maintenance.
- Public relations
  - Expenditures classified specifically as public relations are contributions to community development programs in remote areas. These expenditures have been small historically.
- Safeguard mechanism
  - The Commonwealth Government's emissions reform driving Australia towards its 2030 and 2050 reductions targets. The reformed Safeguard Mechanism commenced from 1 July 2023 and legislative rules were registered on 5 May 2023.
- Communications equipment lease and maintenance
  - Certain items of electronic communications equipment, including equipment for communication, via satellite, of the data generated and used by the GGP SCADA system, were leased.
- Insurance
  - The cost of insurance attributable to the GGP is a portion of the APA cost of insuring the assets of its component infrastructure businesses. A portion of the insurance costs attributable to the GGP is, in turn, attributable to the provision of pipeline services using the covered pipeline.
  - Corporate insurance includes policies for industrial special risks, public and product liability, fidelity guarantee, motor vehicles, marine transit and workers' compensation.
- Regulatory costs
  - the standing and other charges levied by the ERA on the covered pipeline.
  - GGT regulatory expenditure incurred in managing the economic regulation of the covered pipeline.

7. Allocation of capex between GGP covered and GGP uncovered

Where it is possible to assign a GGP capital expenditure to the covered or uncovered portion of the pipeline, such expenditures will be allocated to the covered and uncovered portion accordingly.

Under the circumstance where it is not possible to assign the GGP capital expenditures to the covered or uncovered portion of the pipeline, allocation of the capital expenditure to each of the portions has been carried out in the following manners:

- **Compressor related capital expenditure**: where there are both covered and uncovered compressor units installed at a compressor station, the allocation of capital expenditure between services provided using the covered pipeline and services provided using the uncovered GGP assets is the ratio of (a) the number of covered pipeline compressor units at that compressor station to (b) the total number of compressor units at the station.
- **Non-compressor related capital expenditure**: capital expenditures are allocated to the covered pipeline in the ratio of (a) number of TJ/day of contracted capacity provided using the covered pipeline to (b) the number of TJ/day of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during the year.

8. Allocation of shared corporate expenditure between GGP covered and GGP uncovered

GGP benefits from APA corporate services. APA incurs capital and operating expenditure for the services provided from corporate functions (corporate expenditure) that support the operations of APA's assets. For financial accounting purposes, corporate expenditure is recorded at the APA corporate level and is not directly recorded among its assets. However, as corporate expenditure provides a shared benefit to these assets, APA allocates each asset a portion of this expenditure.

A share of corporate operating expenditure has historically been allocated to the covered pipeline under the 'corporate costs' opex category. However, the covered portion of the GGP has never been allocated a share of APA's corporate capital expenditures for regulatory purposes. This is despite GGP benefitting from the use of APA's shared corporate assets since being acquired by APA on 18 August 2004. APA has begun apportioning these costs in the current access arrangement (2020 to 2024) and will continue to in the future.

APA shared corporate expenses are allocated to each asset on a revenue basis. That is, the revenue earned by GGP relative to the total revenue of all of APA's assets. APA applies this approach consistently for all assets, including other regulated assets. The revenue-based approach is an accepted approach by regulators.

APA considers the revenue-based allocation approach to be a reasonable and appropriate due to:

- The diverse nature of APA's asset classes, including gas (transmission, distribution and storage), electricity (transmission) and generation (gas, solar and wind).
- The diverse end users of each asset, from large mining companies to individual consumers.

Using customer numbers, total throughput or any allocator other than revenue would result in an allocation of costs that is not proportionate to the relative benefit of each of APA's assets.

We note that the ERA has previously accepted revenue as an allocator where no more reasonable approach exists.[11] We consider that using revenue will result in a reasonable allocation method for corporate costs.

The allocation methodology for operating and capital corporate expenditure is outlined below.

[11] ERA, *Final decision on proposed revisions to the Dampier to Bunbury Natural Gas Pipeline access arrangement 2021 to 2025*, 1 April 2021, p. 290.

8.1. Shared corporate opex allocation methodology

APA incurs operating expenditure for the services provided from corporate functions (corporate expenditure) which support the operations of APA's assets, such as:

- executive management and administration (including board of directors, chief executive officer, head office administration and human resources)
- legal and corporate affairs (including general counsel, company secretarial, risk management and investor relations)
- finance (including treasury, general financial accounting, general management accounting, financial reporting, the provision of financial services such accounts payable and accounts receivable, and tax)
- information and communications technology services (including the operation and maintenance of company-wide compatible IT and communications systems, and maintaining IT systems security), and
- external relations (including government relations, business strategy and planning) contract management.

The methodology to apportion these costs to GGP is as follows:

Step 1: Analyse corporate expenditure to identify costs that relate to activities that benefit APA assets and exclude costs that do not support APA assets. Costs that do not benefit APA assets include investigations into acquisition of other assets and APA's Pathfinder program (R&D program).

Step 2: Identify and remove any corporate expenditure that:

- can be directly applied to specific assets (costs recorded at the APA corporate level but are for specific assets, such as IOT and SOCI).
- which relate to specific asset classes (transmission, generation, etc.).
- is related to APA unregulated activities.

The remaining costs are net shared opex to be apportioned.

Step 3: Calculate the revenue of each asset relative to APA's total revenue, to determine a cost allocation percentage.

Step 4: Allocate corporate expenditure to each asset based on the net shared opex to be apportioned and the cost allocation percentage for each asset.

Shared corporate capex allocation methodology

Shared corporate operating expenditure includes:

- information technology relating to the development and enhancement of finance systems (i.e., ERP), human resource systems and asset management systems (i.e. Maximo)

- Right of Use assets and leasehold improvements relating to corporate premises.

GGT has previously not included a portion of any corporate capex assets in total capex despite benefiting from the use of these assets.

Step 1: Identify the corporate assets that support/benefit all APA assets.

Step 2: Allocate corporate assets identified as providing a benefit to all APA assets/service providers based on the cost allocation methodology for corporate opex.

Allocation of shared corporate expenditure to covered and uncovered GGP

Once shared corporate expenditure has been allocated to GGP, it is apportioned between the covered pipeline and the uncovered pipeline.

This allocation of expenses to the covered pipeline has used the ratio of (a) number of TJ/day of contracted capacity provided using the covered pipeline to (b) the number of TJ/day of contracted capacity provided using the GGP (the covered pipeline plus the uncovered GGP assets) during the year.

[redacted]