

Non-Scheme Pipelines - Financial Reporting Guideline

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1 Nature and authority

1.1 Introduction

On 23 December 2017, a new information disclosure and arbitration framework was established in Western Australia with the aim to facilitate access on reasonable terms to services provided by non-scheme pipelines. A key component of the framework is to provide **prospective users** of non-scheme pipelines with increased information in an effort to reduce the imbalance in bargaining power they can face when negotiating with **service providers**.

Under Part 23 of the National Gas Rules (**NGR**), **service providers** for non-scheme pipelines are required to publish specific information, including financial information and **weighted average price information**. Financial and **weighted average price information** is intended to assist **prospective users** to carry out a high-level assessment of the reasonableness of the **service provider's** standing price, as well as the terms and conditions associated with the service.

This Financial Reporting Guideline for non-scheme pipelines (**Guideline**) is published by the **ERA** in accordance with rule 557 of the **NGR**. Broadly the **NGR** requires that the **Guideline**:

- provide for the publication of financial information about each non-scheme pipeline on a pipeline by pipeline basis and in respect of the financial year of the **service provider** for the pipeline;
- specify the methods, principles and inputs to be used to calculate **weighted average price information** and the form this information is to take;
- specify the level of detail of information required, which must be the level of detail reasonably required given the objectives of Part 23;
- specify any accounting or audit standards that apply to the reported information; and
- specify the level of audit assurance required for the financial information and weighted average price information.

The **Guideline** refers to the **financial reporting template** and sets out the requirements for **service providers** to complete the template. This **Guideline** is to be read in conjunction with the Financial Reporting Guideline for Non-Scheme Pipelines Explanatory Statement.

This **Guideline** prescribes:

- the form and content of financial information required to be published;
- the methodology, principles and inputs used to calculate the financial information;
- the form and content of the **weighted average price information** to be published;
- the methodology, principles and inputs used to calculate the **weighted average price information**; and
- the manner in which the above information must be certified by an independent auditor.

1.2 Application of this Guideline

1.2.1 Legal framework

The National Gas Law (**NGL**) applied in Western Australia is set out in Schedule 1 to the *National Gas Access (WA) Act 2009*. It is a modified version of the NGL that applies in other Australian jurisdictions. In addition to the NGL text set out in Schedule 1, a number of amendments have been declared under section 7A of the *National Gas Access (WA) Act 2009*. These amendments include those contained in the *National Gas (South Australia) (Pipelines Access – Arbitration) Amendment Act 2017*.¹

Under the *National Gas Access (WA) Act 2009*, the National Gas Rules (**NGR**) applying in Western Australia is version 1 of the National Gas Rules, as amended by the Australian Energy Markets Commission in accordance with its rule making power under section 74 of the **NGL**. The **NGR** applied in Western Australia also incorporates rule changes made through the application of the *National Gas (Pipelines Access – Arbitration) Amendment Rule 2017*.²

The *National Gas (South Australia) (Pipelines Access – Arbitration) Amendment Act 2017* introduced a new section 83A (relating to information) and a new Chapter 6A, amended section 271 and gave the South Australian Minister the power to make the initial rules about, among other things, access proposals, access disputes and arbitrations under Chapter 6A.

The initial rules comprised of a new Part 23 in the **NGR** and a new Schedule 4 to the **NGR**. Schedule 4 sets out derogations and transitional provisions.

This **Guideline** should be read in conjunction with:

- the *National Gas Access (WA) Act 2009* – Schedule 1 – **NGL**
- the **NGR** and, in particular Part 23
- the Non-scheme Pipeline Arbitration Guide³
- the Gas Pipeline Information Disclosure and Arbitration Framework⁴

1.2.2 The role of the ERA

The ERA was established by the *Economic Regulation Authority Act 2003*. The ERA is responsible for regulating third party access to gas pipelines in Western Australia.

¹ The *National Gas Access (WA) Adoption of Amendments Order 2017* was published in the Western Australian Government Gazette on 22 December (see page 5984) This Order declared the amendments contained in the *National Gas (South Australia) (Pipelines Access – Arbitration) Act 2017* were relevant to the WA text.

² The changes to the NGR as applied in Western Australia were implemented by the *National Gas Access (WA) (Act Amendment) Regulations 2017*, which was published in the Western Australian Government Gazette on 22 December (see pages 5985-5986).

³ When this is published by the Economic Regulation Authority.

⁴ Gas Market Reform Group, Gas Pipeline Information Disclosure and Arbitration Framework Initial Gas Rules Explanatory Note, 2 August 2017.

The **ERA** has two roles under Chapter 6A of the **NGL** and Part 23 of the **NGR**, as both regulator and scheme administrator. This **Guideline** is published by the **ERA** in its capacity as regulator.

As regulator, the **ERA** has the monitoring, investigative and enforcement powers conferred on it by the **NGL**. The enforcement options available to the **ERA** depend, in part, on whether the provisions in the **NGL** or **NGR** are designated as civil penalty provisions and/or conduct provisions in the **NGL** or the regulations made under the **NGL**.

1.2.3 Commencement

This **Guideline** commences on 23 May 2018. Further detail regarding transitional reporting following this date is provided in Section 2.1.

1.2.4 Application

The information disclosure and arbitration framework, as articulated in Part 23 of the **NGR**, applies to non-scheme **transmission** and **distribution pipelines**. The term “non-scheme pipeline” is defined in section 83A of the **NGL** as a **transmission** or **distribution pipeline** that is not a scheme pipeline, while the term “scheme pipeline” is defined in section 2 of the **NGL** as:

- a covered pipeline; or
- an international pipeline to which a price regulation exemption applies.

1.2.5 Process for revisions

The **ERA** may amend or replace this **Guideline** from time to time, in accordance with rule 557(3) of the **NGR** and the standard consultative procedure in rule 8 of the **NGR**. A version number and date of issue will identify each version of this **Guideline**.

1.3 Interpretation

In this **Guideline**, unless the contrary intention appears:

- A term in bold type that is expressly defined in Section 1.4 of this **Guideline** has the meaning set out in that Section.
- A term in bold type that is not expressly defined in Section 1.4 of this **Guideline** has the same meaning it has in the **NGR**.
- The singular includes the plural, and vice versa.
- A reference to any legislation, legislative instrument or other instrument is a reference to that legislation or instrument as in force from time to time.
- Explanations in this **Guideline** about why certain information is required are provided for guidance only. They do not limit in any way the **ERA**'s objectives, functions or powers.

1.4 Definitions

In this **Guideline**:

- **AASB** means the accounting standards prescribed by the Australian Accounting Standards Board.
- **AER** refers to the Australian Energy Regulator.
- **capital base**, in relation to a pipeline, means the capital amount to be attributed, in accordance with this Guideline, to pipeline assets. The capital base calculation methodology differs for section 3 and section 4. In section 3 acquisition costs can be used where certain criteria are met. In section 4, construction cost is to be used, and where this is not available, an estimate provided.
- **capital expenditure** means pipeline expenditure of a capital nature that complies with the criteria specified in Section 3.2.2.
- **commencement date** means 23 May 2018.
- **construction cost** means the costs of construction of an asset. The construction costs for **pipeline assets** can be capitalised where they meet the requirements for capitalisation according to the **AASB**. Where an asset was not constructed by the service provider, the acquisition cost should be used for section 3 only. Acquisition cost is not to be used for section 4.
- **depreciation** means depreciation of the **capital base** for section 3 calculated using methods available under the **AASB**. Depreciation calculated using methods available under the **AASB** does not apply in the section 4 calculation.
- **ERA** refers to the Economic Regulation Authority.
- **exemption** means an exemption granted by the **ERA** in accordance with Division 6 of Part 23 of the **NGR**.
- **financial reporting template** means the financial reporting template for non-scheme pipelines developed in accordance with this **Guideline** using the format, structure and calculation methodology provided.
- **GMRG** refers to the Gas Market Reform Group.
- **Guideline** refers to the financial reporting guideline for non-scheme pipelines.
- **initial financial reporting and average weighted prices** has the meaning set out in Schedule 4, Part 1 of the **NGR** and refers to the information prepared for an initial six-month period.
- **NGL** refers to the National Gas Law as applied in Western Australia through the operation of the *National Gas Access (WA) Act 2009*.
- **NGR** refers to the National Gas Rules as applied in Western Australia.
- **operating expenditure** means operating, maintenance and other costs and expenditure of a non-capital nature incurred in providing pipeline services. For section 3, **operating expenditure** includes any **depreciation** and amortisation expenses but excludes interest and tax. For section 4 depreciation and amortisation expenses, interest and tax are excluded.
- **pipeline** has the meaning in the **NGL**.
- **pipeline assets** in relation to a pipeline, means capital assets that constitute the pipeline or are otherwise used by the **service provider** to provide services, including

construction costs capitalised (or acquisition costs capitalised where allowed in section 3 only), capitalised maintenance, any other capital improvements.

- **prospective user** has the meaning in section 216B of the **NGL** and is used to refer to existing and prospective shippers (it is used interchangeably with the term shipper).
- **related party** has the meaning given to it in the *Corporations Act 2001*.
- **reporting period** means the annual financial year for which the **reporting entity** ordinarily prepares financial information.
- **return of capital** has the meaning specified in Section 4.
- **service provider** of a pipeline has the meaning given in section 8 of the **NGL**.
- **shared supporting assets** are assets used to support the operation of multiple pipelines and/or other revenue generating activities other than just the pipeline. Where an asset is used to support the operation of multiple pipelines or other revenue generating activities, an apportionment of the asset is required as outlined in Section 3.2.1.
- **weighted average price information** has the meaning defined in section 556 of the **NGR**.

1.5 Other issues

1.5.1 Establish and maintain accounts

To enable **service providers** to meet the assurance requirements discussed at Section 8 of this **Guideline** (below), appropriate internal accounting procedures must be established and maintained by the **service provider**. These internal accounting procedures must allow the **service provider** to demonstrate the extent and nature of transactions associated with each non-scheme pipeline, and the allocation of applicable revenues, costs and assets.

1.5.2 Inflation

No values provided in the **financial reporting template** for the current or previous year are to be restated for inflation.

This includes **pipeline assets** which are not to be indexed from the date of construction/acquisition.

1.5.3 Currency and GST

All financial information must be presented in Australian dollars. Where currency is required to be converted to Australian dollars, the requirements in the relevant **AASB** standard should be followed.

All amounts provided in the **financial reporting template** are required to be provided in Australian Dollars and exclusive of goods and services tax (GST).

1.6 Publication

All **service providers** are required to publish the information specified in the **Guideline**.

Where more than one entity meets the definition of **service provider**, each **service provider** is taken to be a member of a **service provider** group for that pipeline.

The members of a **service provider** group are required to publish the information specified in the **Guideline** separately. However, by notifying the **ERA** in writing, members of a **service provider** group may appoint one of the members to be the responsible **service provider** for the pipeline. The notification must include evidence that all members of the **service provider** group endorse the appointment and that the nominee has access to, and the legal right to publish, the required information.

Where a responsible **service provider** is appointed by the **service provider** group:

- a) the responsible **service provider** is the pipeline reporting entity for the relevant **pipeline**;
- b) the responsible **service provider** must update the information about the **service provider** group if there is any change;
- c) each member of the **service provider** group must procure and where necessary must facilitate, the compliance of the responsible **service provider** with its obligations under this **Guideline**; and
- d) each other member of the **service provider** group is exempt from the requirement to prepare publish and maintain the financial information and weighted average price information specified in this **Guideline**.

1.7 Exemptions

For the avoidance of doubt, this section is for information only, and does not alter or qualify the **ERA's** discretions or functions relating to **exemptions** under Part 23 of the **NGR**.

A non-scheme pipeline **service provider** may apply to the **ERA** for an **exemption** from the information disclosure and arbitration framework where the pipeline satisfies a relevant **exemption** criteria as stipulated in rule 585 of the **NGR**. There are three categories of **exemptions** for non-scheme pipelines as outlined in Table 1.

Table 1: Exemptions available under Part 23 of the NGR

Exemption category	Exemption criteria
Category 1: Exemption from arbitration of access disputes	The pipeline does not provide third party access
Category 2: Exemption from information disclosure provisions	Either of the following: The pipeline does not provide third party access. The pipeline is a single shipper pipeline.
Category 3: Exemption from publishing service usage information, service availability information and financial information	At any time, the average daily injection of natural gas into the non-scheme pipeline calculated over the immediately preceding 24 months is less than 10TJ/day.

The **ERA** determines whether or not an **exemption** is granted. **Exemptions** may be time-limited, subject to conditions and varied at the **ERA's** discretion.

Exemptions do not apply automatically. To benefit from an **exemption**, the **service provider** for the non-scheme pipeline must apply to the **ERA** under Division 6 of Part 23 of the **NGR** and be granted the **exemption**.

A **service provider** who wishes to apply for an **exemption** must complete the application form available on the **ERA** website. All applications will be assessed by the **ERA** in accordance with the **NGR**.

Non-scheme pipelines that hold an **exemption** will be identified in a public register of **exemptions** on the **ERA** website. The public register contains additional information including the location and/or part of the pipeline, the category of **exemption**, the date the **exemption** was granted and applicable conditions.

2 Timing of information publication

A non-scheme pipeline is required to commence publication of information in accordance with the **Guideline** where the **service provider's reporting period** ends after 1 December 2017.

In accordance with rule 552(2) of the **NGR**, the financial information and **weighted average price information** must be published annually within four months of the end of the **service provider's reporting period**. Table 2 sets out the dates by which **service providers** must publish this information.

Table 2: Reporting dates for financial information and weighted average prices

Reporting period	Reporting dates
1 January to 31 December	By 30 April 2019 and every year thereafter
1 April to 31 March	By 31 July 2019 and every year thereafter
1 July to 30 June	By 31 October 2019 and every year thereafter
1 October to 30 September	By 31 January 2020 and every year thereafter

2.1 Transitional arrangements

The *National Gas (Pipelines Access-Arbitration) Amendment Rule 2017* contains transitional rules that form part of Schedule 4 of the **NGR**. The transitional rules address the transitional arrangements in relation to the initial **Guideline** and the **initial financial reporting and average weighted prices**.

Under the transitional rules, **initial financial reporting and average weighted prices** covering a six month period must be published in October 2018 or January 2019, depending on the **service provider's reporting period**. This transitional reporting requirement only applies to pipeline statements and **weighted average price information**. There is also no requirement for a comparison to be carried out with a prior year.

Table 3 sets out the reporting dates for the **initial financial reporting and average weighted prices**.

Table 3: Reporting dates for initial financial information and average weighted prices

Reporting period	Reporting date
1 January to 31 December	By 31 October 2018 for period 1 January 2018-30 June 2018
1 July to 30 June	By 31 October 2018 for period 1 January 2018-30 June 2018
1 April to 31 March	By 31 January 2019 for period 1 April 2018-30 September 2018
1 October to 30 September	By 31 January 2019 for period 1 April 2018-30 September 2018

Prior **reporting period** information is not required to be submitted in the first year that the reporting requirements apply.

3 Requirement to publish financial information – pipeline statements

3.1 Pipeline statements

Rule 555 of the **NGR** requires a **service provider** of a non-scheme pipeline to prepare and publish on its website financial information about each of its non-scheme pipelines.

This part of the **Guideline** sets out the financial information required to be completed in the **financial reporting template**. The methodology and principles to be followed are set out at Section 3.2.

In the **financial reporting template**, **service providers** are required to set out the Statement of Pipeline Revenue and Expenses, and Statement of Pipeline Assets for:

- the most recent financial year, and
- the prior financial year.

Different arrangements are in place for the transitional period as outlined in Section 2.1.

There is no requirement for prior financial year information to be included in the **financial reporting template** until the year following the first full year for which information is reported.

A single set of financial statements will be reported for each non-scheme pipeline even if there is more than one **service provider**.

In preparing the **financial reporting template**, **service providers** are required to comply with the **AASB**, except where the **Guideline** provides a methodology that is not consistent with that disclosed under the **AASB**.

Terms in the **financial reporting template** have the same meaning as those set out in the Accounting Standards unless specified otherwise in this **Guideline**.

3.1.1 Statement of Pipeline Revenue and Expenses

The Statement of Pipeline Revenue and Expenses at worksheet 2 of the **financial reporting template** provides an overview of the revenue generated from pipeline operations and the costs associated with the pipeline.

3.1.1.1 Revenue

Revenue is to be reported at worksheet 2.1 of the **financial reporting template**.

Revenue is to be reported by service category, and the service categories are set out in the **financial reporting template**. Where there is uncertainty as to which service category revenue applies, the **service provider** is to disclose in the basis of preparation the reason for allocation to a particular revenue category.

The **service provider** is required to comply with revenue recognition principles in the **AASB**.

The **service provider** is required to provide notes regarding the preparation of the Statement of Pipeline Revenue and Expenses, as detailed in Section 3.1.3, in the basis of preparation.

The **service provider** is required to separately identify items in the Statement of Pipeline Revenue and Expenses which relate to transactions with **related parties** as these may not be based on normal commercial terms. Further information regarding **related party** transactions is provided in Section 3.2.6.

Where revenue is allocated to the pipeline which is not 100 per cent attributable to the pipeline the basis for allocation must be provided, as discussed in Section 3.2.4.

Where an exemption has been granted by the **ERA** to aggregate revenue categories in the **weighted average price information**, these categories can also be aggregated in the Statement of Pipeline Revenue and Expenses.

3.1.1.2 Costs

In reporting costs incurred in the operation of the pipeline in the Statement of Pipeline Revenue and Expenses, **service providers** are to categorise costs in accordance with the following categories, as provided in the **financial reporting template**:

Direct costs

- Repairs and maintenance
- Wages
- Depreciation
- Insurance
- Licence and regulatory costs
- Directly attributable finance charges
- Leasing and rental costs
- Other direct costs

Shared costs

- Shared Employee costs
- Information technology and communication costs
- Indirect operating expenses
- Shared asset **depreciation**
- Rental and leasing costs
- Impairment Losses (nature of the impairment loss)
- Other shared costs
- Total shared costs allocated

Service providers are required to allocate only a fair proportion of shared costs such as corporate overheads to each pipeline. Further detail regarding cost allocation principles is provided in Section 3.2.4.

Shared costs which are paid to related parties cannot include any component of profit to the related party.

Guidance regarding the reporting of **depreciation** costs is provided in Section 3.2.5.

Service providers are not required to separate expense items by service type in the **financial reporting template**, however, this information may be required in the event of an arbitration.

3.1.2 Statement of Pipeline Assets

Service providers are required to provide a Statement of Pipeline Assets for the pipeline at worksheet 3 of the **financial reporting template**. The Statement of Pipeline Assets provides an overview of the assets utilised in the pipeline operations.

Unless specified otherwise in this **Guideline**, **AASB** methods should be applied in determining asset and liability values.

3.1.2.1 Assets

For reporting purposes, **service providers** are required to classify assets into the following categories:

- **Pipeline assets**
- **Shared supporting assets** that are apportioned to the pipeline.

Guidance on capitalisation and the valuation of assets in each of these categories is provided in Section 3.2.

Details of the calculation of **depreciation** and the carrying value of each category of assets is provided in Section 3.2.5.

3.1.3 Disaggregation of the pipeline statements

The Statement of Pipeline Revenue and Expenses is required to be disaggregated as follows:

- A breakdown of revenue by service type (worksheet 2.1 of the **financial reporting template**).
- A list of capital contributions received (including both customer and government contributions) (worksheet 2.2 of the **financial reporting template**).
- A list of the indirect revenue allocated to the pipeline and an explanation of the basis for allocation (worksheet 2.3 of the **financial reporting template**).
- A list of the shared costs allocated to the pipeline and an explanation of the basis for allocation (worksheet 2.4 of the **financial reporting template**). Each category of shared costs that is greater than 5 per cent of the total shared costs allocated must be separately disclosed.

The Statement of Pipeline Assets, which provides the calculation for the carrying value in accordance with the methodology provided in Section 3.2 (worksheet 3 of the **financial reporting template**) is required to be disaggregated as follows:

- The asset useful life schedule, which provides the basis for calculating **depreciation** for different classes of assets and the reason for choosing this basis (worksheet 3.1 of the **financial reporting template**).
- A schedule of impairments made to **pipeline assets** and impairment reversals (worksheet 3.2 of the **financial reporting template**).
- A depreciation schedule to show the **depreciation** calculation for **pipeline assets** (worksheet 3.3 of the **financial reporting template**).
- The **shared supporting** asset schedule, which provides the basis for allocating shared assets to the pipeline (worksheet 3.4 of the **financial reporting template**).

In addition, the following information is optional, but may be included in the basis of preparation:

- A schedule of asset values adjusted for indexation
- A schedule that sets out any revaluations to **pipeline assets** – note that these revaluations cannot be included in the Statement of Pipeline Assets
- Any other notes that the **service provider** wishes to provide.

3.2 Methods, principles and inputs used

3.2.1 Asset valuation principles

Asset valuation principles apply to the following categories of assets:

- **Pipeline assets.**
- **Shared supporting assets.**

Upward revaluation of assets are not allowed for any category of assets disclosed.

Where assets have been revalued upwards for reporting outside the scope of this **Guideline**, the revalued value and the reason for revaluation can be disclosed in the basis of preparation.

3.2.1.1 Pipeline assets

Pipeline assets include the following categories of assets:

- Pipelines
- Compressors
- City gates, supply regulators and valve stations
- Metering
- Odorant plants
- SCADA (Communications)
- Buildings
- Land and easements
- Other depreciable **pipeline assets**
- Other non-depreciable **pipeline assets**

For **pipeline assets**, an accounting based depreciation is to be provided in accordance with the **AASB** and the asset lives set out in worksheet 3.1 (“depreciated book value method”).

The depreciated value is used to determine asset carrying values in the pipeline Statement of Pipeline Assets and **depreciation** for the Statement of Pipeline Revenue and Expenses.

Service providers are required to report **pipeline assets** by asset class, and value at acquisition/construction cost less **depreciation** in accordance with **AASBs**, unless the **AASBs** are inconsistent with the **Guideline**.

Each of these asset classes should be determined at cost (where applicable) and if the asset class is depreciated in accordance with the **AASB**.

3.2.1.2 Shared supporting assets

Shared supporting assets are required to be apportioned between the non-scheme pipeline and other operations of the service provider. **Service providers** must disclose the basis for this allocation and provide an explanation for the use of this basis in the basis of preparation. Guidance regarding the allocation of **shared supporting assets** is provided in Section 3.2.4.

3.2.1.3 Depreciated book value method

The value of an asset under the depreciated book value method is calculated as:

- the historical construction cost of the **pipeline asset** (or acquisition cost if the asset was acquired by the **service provider**), less any impairment amounts;
- plus any **capital expenditure** or acquisitions during the period (at cost);

- less the value of any assets disposed of during the period; and
- less **depreciation** incurred using the methodology set out in Section 3.2.5 below.

If an asset is acquired from a **related party**, the construction cost or acquisition cost paid by the **related party** to an unrelated third party must be used.

Construction, acquisition and maintenance costs should be capitalised in accordance with the **AASBs** and Section 3.2.2.

3.2.1.4 *Land and easements*

Where land or easements are owned by **the service provider**, these assets are required to be recorded at historical cost and not depreciated.

3.2.2 *Capitalisation principles*

Service providers are required to determine whether expenditure is appropriately classified as an operating expense or **capital expenditure**. This classification should be undertaken in accordance with the **AASBs** and any exclusions set out in the **Guideline**.

Additional guidance material is set out below.

3.2.2.1 *Construction cost*

The construction costs for **pipeline assets** are able to be capitalised where they meet the requirements for capitalisation according to the **AASB**. Where an asset was not constructed by the service provider, the acquisition cost should be used. Where acquisition cost is used, the date of acquisition must be reported in the basis of preparation.

3.2.2.2 *Expenditure on pipeline assets*

In accordance with **AASB**, certain expenditure on **pipeline assets** can be capitalised as part of the cost of that asset. Broadly, expenditure on **pipeline assets** can be capitalised where the expenditure results in an improvement to the **pipeline asset**. That is, as a result of the expenditure the **pipeline asset's** condition is enhanced beyond its original standard of performance or capacity. Examples of such enhancements include:

- increasing the **pipeline asset's** useful life, function or service capacity;
- enhancing the quality of services delivered using the asset; or
- significantly reducing the operating costs associated with the asset.

Where a significant component of a **pipeline asset** is replaced, this can also be capitalised into the carrying value of the asset, however the value of the component that is being removed must be simultaneously derecognised as a disposal.

A condition of continuing to operate a **pipeline asset** may be performing regular major inspections for faults. Consistent with **AASB 116**, regardless of whether this inspection results in faults being identified and rectified, the **service provider** may include the cost of the major inspection in the carrying value of the **pipeline asset** in the capital maintenance line in the **financial reporting template**. However, any remaining costs of a previous major inspection relating to that asset must be simultaneously derecognised.

In contrast, routine maintenance, day-to-day servicing, replacement of minor parts and repairs are not considered to be improvements and cannot be capitalised. Costs associated with routine maintenance and repairs, including the following must be expensed when incurred:

- administration and general overhead costs;
- labour and consumables associated with routine repairs and maintenance; and
- costs of staff training.

Please see **AASB 116 – Property, plant and equipment** which provides more details of expenditure on property, plant and equipment that may and may not be capitalised.

3.2.2.3 Research and development

General research and development costs must be expensed or capitalised in accordance with **AASB 138 – Intangible assets**. That is, expenditure on research must be expensed when it is incurred whilst expenditure on development can only be capitalised where it meets all the conditions listed at 57(a)-(f) of **AASB 138 – Intangible assets**.

3.2.3 Asset life principles

Asset lives are relevant for the purposes of determining:

- depreciation expense in the Statement of Pipeline Revenue and Expenses; and
- the carrying value of assets reported in the Statement of Pipeline Assets.

Service providers are required to disclose in worksheet 3.1 of the **financial reporting template** the asset life based on a range of standard lives for asset classes set out at Appendix A or, if a different asset life is considered appropriate, provide an explanation for the use of an alternative asset life in the basis of preparation.

3.2.4 Allocation principles

This section sets out the principles, methodology and arrangements **service providers** should adopt to determine:

- the allocation of costs to the pipeline, including direct costs and indirect (shared) costs for the purpose of completing the Statement of Pipeline Revenue and Expenses;
- the allocation of revenues to the pipeline, and the allocation of revenue between the categories of service for the purpose of completing the Statement of Pipeline Revenue and Expenses; and
- the allocation of assets to the pipeline for the purpose of completing the pipeline Statement of Pipeline Assets.

If the **ERA** has previously approved an allocation method used by the **service provider** for a covered pipeline operated by the **service provider** the same allocation methodology should be used. If the **service provider** owns more than one non-scheme pipeline the same allocation methodology should be used for each non-scheme pipeline.

3.2.4.1 *General principles for allocation of costs*

Each **service provider** is responsible for developing the detailed principles and policies for attributing costs to a pipeline.

A **service provider's** detailed principles and policies for attributing costs directly or indirectly to a pipeline must meet the following requirements:

- The allocation of costs must be determined according to the substance of a transaction or event rather than its legal form.
- Only the following costs may be allocated to a pipeline:
 - Costs that are directly attributable to the provision of services for the pipeline only (direct costs).
 - Costs that are not directly attributable to the provision of the pipeline's services, but which are incurred in providing those services (shared costs), in which such costs must be allocated to the provision of those services using an appropriate allocator which should:
 - except to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be causation based; and
 - to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be an allocator that accords with a well-accepted cost allocation method.
- The same cost must not be allocated more than once.

3.2.4.2 *Information on methodology to be disclosed*

The **service provider** must disclose in the basis of preparation:

- How the direct costs have been identified, and how they are recorded and tracked in the financial management information systems.
- For shared costs:
 - the nature of the allocator, or allocators, to be used for allocating each cost item, the reasons for selecting the allocator, or allocators, for each cost item;
 - an explanation of why the allocator or allocators used is the most appropriate available allocator, or set of allocators, for the cost item; and
 - the numeric quantity or percentage of the allocator to be applied for each cost item, including an explanation of how the numeric quantity or percentage has been calculated, including where the data for determining this numeric quantity or percentage have been sourced.

The **financial reporting template's** compliance with the allocation principles will need to be independently audited, as outlined in Section 8.

3.2.4.3 *General principles for allocation of revenue to a pipeline*

Each **service provider** is responsible for developing the detailed principles and policies for attributing revenue to a pipeline. A **service provider's** detailed principles and policies for attributing revenue directly or indirectly to a pipeline, and between categories of services, must meet the following requirements:

- All revenue directly earned by the pipeline must be allocated to the pipeline (direct revenue).
- Any revenue that is generated under agreements that do not separate the revenue by pipeline must be allocated to each pipeline using an appropriate allocator or allocators.
- Any other revenue that does not directly relate to a specific pipeline must be allocated to each pipeline using an appropriate allocator or allocators (indirect revenue).
- Allocation of revenue between pipelines must be based on a causal or well accepted allocation methodology.
- For revenue that is indirect or relates to more than one pipeline, the **service provider** must disclose in the basis of preparation:
 - the nature of the allocator, or allocators, to be used for allocating each revenue item, the reasons for selecting the allocator, or allocators, for each revenue item;
 - an explanation of why the allocator or allocators used is the most appropriate available allocator, or set of allocators, for the revenue item; and
 - the numeric quantity or percentage of the allocator to be applied for each revenue item including an explanation of how the numeric quantity or percentage has been calculated, including where the data for determining this numeric quantity or percentage have been sourced.

3.2.4.4 *General principles for allocation of assets to the Statement of Pipeline Assets*

Each **service provider** is responsible for developing the detailed principles and policies for attributing assets directly or indirectly to a pipeline. A **service provider's** detailed principles and policies for attributing assets directly or indirectly to a pipeline, and between categories of assets, must meet the following requirements:

- All assets directly used by a specific pipeline must be allocated to that pipeline.
- Any assets that are shared between pipelines must be allocated to each pipeline using an appropriate allocator or allocators.
- Allocation of assets between pipelines must be based on a causal or well accepted allocation methodology.
- For assets that are shared assets the **service provider** must disclose in the basis of preparation:
 - the nature of the allocator, or allocators, to be used, the reasons for selecting the allocator, or allocators for each asset or liability;

- an explanation of why the allocator or allocators used is the most appropriate available allocator, or set of allocators, for the asset or liability; and
- the numeric quantity or percentage of the allocator to be applied for each asset or liability including an explanation of how the numeric quantity or percentage has been calculated, including where the data for determining this numeric quantity or percentage has been sourced.

3.2.5 Depreciation principles

The **depreciation** principles set out the basis on which **pipeline assets** and supporting assets are to be depreciated.

Assets are required to be depreciated using methods prescribed under the **AASB** based on asset lives set out in worksheet 3.1.

The asset base used to calculate **depreciation** for each class of asset includes:

- the construction or acquisition cost
- acquisitions
- capitalised maintenance
- less disposals
- less any impairments.

Upward revaluations above the original cost base of any of the above items or the total asset base are not permitted in the Statement of Pipeline Assets. Where assets are revalued by the **service provider**, these revaluations can be disclosed in the basis of preparation. Where assets are impaired, the reasons for impairment should be disclosed in worksheet 3.2 and in the basis of preparation. Where impairments are reversed, the reasons for reversal should be disclosed in the notes at worksheet 3.2 and in the basis of preparation. The reasons for reversal must be in accordance with the **AASB**.

The useful life of the asset and the reason for choosing this useful life is required to be disclosed in worksheet 3.1 of the **financial reporting template and the basis of preparation**. These should be consistent with asset life principles in Section 3.2.3.

Revaluation Models are not allowed.

3.2.6 Related party transactions

Related party transactions where a pipeline transacts with a **related party** are required to be separately reported in the Statement of Pipeline Revenue and Expenses, Statement of Pipeline Assets and the basis of preparation.

3.3 Pipeline information and financial performance

Service providers are required to report the details of the pipeline, pipeline services provided and whether these services are provided to related parties and non-related parties in worksheet 1 of the **financial reporting template**.

Service providers are required to report the following financial performance metrics in the **financial reporting template**:

- Return on assets (Earnings Before Interest and Tax (EBIT) on total assets) in worksheet 1.1.

Return on assets is to be provided on a standalone pipeline basis.

3.4 Assurance

The financial statements for individual non-scheme pipelines must be assured by an independent auditor in the manner specified in Section 8.2 and prepared in accordance with the access information standard discussed in Section 8.1.

4 Asset valuation using the recovered capital method

The asset valuation method arising from the application of the method set out in rule 569(4)(b) of the **NGR** (the recovered capital method) is required to be disclosed in worksheet 4 of the **financial reporting template** but does not impact the asset values reported in the pipeline Statement of Pipeline Assets or depreciation in the Statement of Pipeline Revenue and Expenses.

Rule 569(4) of the **NGR** states that the value of any assets used in the provision of the pipeline service:

- a) must be determined using asset valuation techniques that are consistent with the objectives of this Part set out in rule 546(1); and
- b) unless inconsistent with (a), the value of any assets is to be calculated as:
 - i) the cost of construction of the pipeline and **pipeline assets** incurred before commissioning of the pipeline (including the cost of acquiring easements and other interests in land necessary for the establishment and operation of the pipeline);

plus:
 - ii) the amount of **capital expenditure** since the commissioning of the pipeline;

less:
 - iii) the **return of capital** recovered since the commissioning of the pipeline; and
 - iv) the value of **pipeline assets** disposed of since the commissioning of the pipeline.

This asset valuation is one approach that may be considered in the event of an arbitration. In arbitration, the inputs and methodology to calculate should be assessed and reliance should not be placed on amounts prepared in accordance with this **Guideline**.

The approach in this section should be considered in isolation from the guidance material provided in Section 3 for preparing the Pipeline Statement of Assets.

To determine the reported value of **pipeline assets** under this method, **service providers** are to complete the schedule at worksheet 4 of the **financial reporting template**.

In preparing the **financial reporting template**, **service providers** are to provide the following:

- The construction date of the **pipeline assets**.
- The **construction cost** of the **pipeline assets**, by year. Where an asset has a required decommissioning cost (i.e. negative residual value), this should be included in the cost base.
- For shared assets:
 - the **construction cost**, by year, if the asset is of a type constructed by **service providers**; or
 - the acquisition costs, by year, if the asset is not of a type constructed by **service providers** (for example, motor vehicles and information technology equipment). For clarity, if a **service provider** does not build **pipeline assets** but acquires them, they are not able to use the acquisition cost of the asset but must use historical construction cost.
 - Shared assets are assets that support multiple pipeline operations rather than assets that are used for the operation of a single pipeline or other business operations.
- Any **capital expenditure** that has been incurred, by year, and at cost.
- Any disposals of **pipeline assets**, by year, and at cost.
- The **return of capital** calculated using the methodology provided below.

The recovered capital method is designed to take into account the capital that has already been recovered by the **service provider** and can be expressed formulaically as follows:

$$\begin{aligned}
 \text{Value of Capital Base}_t &= \text{Construction Cost}_0 + \sum_{i=1}^t \text{Capex}_i - \sum_{i=1}^t \text{Return of Capital}_i \\
 &\quad - \sum_{i=1}^t \text{Asset Disposals}_i
 \end{aligned}$$

Where

$$\sum_{i=1}^t \text{Return of Capital}_i = \left[\sum_{i=1}^t \text{Revenue}_i - \left(\sum_{i=1}^t \text{Opex}_i + \sum_{i=1}^t \text{Return on Capital}_i + \sum_{i=1}^t \text{Net Tax Liabilities}_i \right) \right]$$

The term **return of capital** in this formula is used to refer to the change in the economic value of the asset and is equal to the difference between:

- the revenue earned by the **service provider**; and

- the costs incurred by the **service provider**, where costs include operating expenditure, net tax liabilities and a return on capital.

In order to calculate the **return of capital** for **pipeline assets**, the **service provider** will require the following information:

- the actual revenue earned by the **service provider** from the provision of all services by the pipeline in each year following the construction of the asset;
- the **operating expenditure** incurred by the **service provider** in each year following the construction of the asset;
- the net tax liabilities incurred by the **service provider** in each year following the construction of the asset; and
- the return on capital required by the **service provider** in each year, which will require information on:
 - the closing value of the capital base in each year
 - the rate of return to be applied to the closing value of the **capital base** from the immediately preceding year, which should be determined for each year and should be commensurate with the prevailing conditions in the market for funds and reflect the risks the **service provider** faces in providing pipeline services.

Where relevant, the inputs used in this calculation should be subject to the same allocation principles as those used for the pipeline statements as referred to in Section 3.

The source of information used in the calculation of the value of the **capital base** should be documented in the basis of preparation.

Capital expenditure amounts, which are more than 5 per cent of the construction cost, should be disclosed in worksheet 4.1 of the **financial reporting template**.

Note that under the recovered capital method, if a **service provider** has not generated sufficient revenue to recover the operating expenditure, return on capital and net tax liabilities in a year, then the **return of capital** value will be negative, which will increase the value of the capital base.

Note that if the application of this approach produces a negative value for the **capital base**, then the value of the **capital base** will be zero.

4.1 Estimates

Service providers must take all reasonable steps to obtain historical information. While appropriate potential sources of information may differ for different pipelines, the following potential sources of information may be considered:

- Where a pipeline has been acquired, requesting information from previous owners
- Searches of historical media information
- Where a pipeline was previously regulated, information requests to the **AER** or **ERA**
- Freedom of Information requests to the Australian Taxation Office

- ASX announcements
- ASIC register searches
- Information requests to other parties involved in pipeline construction such as building contractors and materials suppliers.

If having taken all reasonable steps to obtain the historic information, **service providers** are unable to locate the historical information, they may estimate the relevant information and **service providers** must document in a basis of preparation:

- the steps taken to locate the historical information; and
- how the estimate was arrived at including any methods, principles, inputs and assumptions that have been used to develop the estimate.

The following process must be followed and documented in the basis or preparation:

- where source documents are available, they have been considered
- if source documents are not used, the reasons why
- if source documents are unavailable, the process undertaken to attempt to locate them
- where estimates are used, the estimates applied and the rationale for determining a particular estimate
- the methodology applied to obtain the amount used in the **financial reporting template**, consistent with this Section 4 of the **Guideline**.

While it may be necessary to utilise estimates initially in relation to unavailable historic information, **service providers** must utilise actual information on **capital expenditure**, asset disposals and the **return of capital** to update the asset value in future years.

If a pipeline was previously regulated and a determination made on the asset value, the **service provider** may use this as the opening balance for the calculation under this method from the date the determination was made and to roll it forward using the method set out in the **Guideline**.

We note that **service providers** are required to use *best estimates* in accordance with the access information standard outlined in Section 8.1.

4.2 Assurance

The information prepared in accordance with the recovered capital method must be reviewed in the manner specified in Section 8.2 and prepared in accordance with the access information standard outlined in Section 8.1.

5 Requirement to publish weighted average price information

Service providers are required to publish **weighted average price information** for a non-scheme pipeline (see rule 556 or the **NGR**), including the weighted average prices paid by

users for pipeline services and a description of the methodology used by the **service provider** to calculate the weighted average prices.

Weighted average price information provides a measure of the amount that shippers are charged, on average, for a particular service.

Service providers are required to publish the weighted average price of each service provided in the **reporting period**. The weighted average price must be determined using the methodology set out in this **Guideline** and be in the form and contain the information specified in this **Guideline**. Where more than one charging method is used for a particular service type, the weighted average price under each charging method is to be separately disclosed for the service.

Worksheet 5 of the **financial reporting template** provides a template for **service providers** to input information to calculate **weighted average price information**.

Service providers are required to classify pipeline revenue for the **reporting period** (the most recent financial year) into the following service categories in order to calculate separate **weighted average price information** for each service:

- Transportation services
 - Firm forward haul transportation services (includes bi-directional services, if a pipeline operates in a bi-directional manner)
 - Interruptible or as available transportation service
 - Backhaul services
- Stand-alone firm compression services
- Firm storage (combined park and park and loan) services.

To enable weighted average prices to be compared with the prices shippers are paying or are being offered, the weighted average prices charged to customers for transportation services must be further classified based on the method of calculating the charges, which may include:

- The postage stamp charging method

Where the same charge is payable along the length of the pipeline, irrespective of the distance transported.
- The zonal based charging method

Where a pipeline is separated into zones and a separate tariff is calculated based on the number of zones through which gas is transported. Each zone is required to be disclosed separately.
- Distance based charging method

Where a charge for a service is based on the dollar per GJ per kilometre basis. Each major delivery point is required to be disclosed separately.

Each of these categories are then required to be further allocated between:

- Capacity based charges

Where a service is charged on a dollar per GJ of maximum daily quantity (MDQ) of reserved capacity regardless of whether the customer fully utilises this capacity

- Volumetric based charging

Where a service is charged based on each GJ of gas transported by the customer.

5.1 Methods, principles and inputs used

5.1.1 Estimates

Where a customer is charged for the use of more than one pipeline under an agreement and/or invoice an estimate of the proportion of this revenue that is attributable to a particular pipeline will be required.

Where the **financial reporting template** requires the use of an estimate, information on the nature of an estimate must be supported by a statement of the basis of the estimate. Where actual information is available, an estimate should not be used.

Estimates should be consistent with rule 551 of the **NGR** which requires that a forecast or estimate is supported by a statement of the basis of the forecast or estimate and:

- is arrived at on a reasonable basis; and
- represents the best forecast or estimate possible in the circumstances.

Where estimates are applied because agreements and/or invoices do not separate revenue under a pipeline or service type, disclosure of the basis of allocation between pipelines and service types is required in the basis of preparation.

5.1.2 Weighted average price calculations

The weighted average price calculation for the most recent financial year is determined as follows.

$$\text{Capacity based charges} = \frac{\$Revenue}{\text{Maximum daily quantity}}$$

$$\text{Volumetric based charging} = \frac{\$Revenue}{\text{Gigajoules transported}}$$

The maximum daily quantity is to be measured in GJ.

Revenue is required to be reported on an accrual basis, consistent with the revenue recognition requirements in Section 3.1.1.1.

5.2 Assurance

The **weighted average price information** must be reviewed by an independent auditor in the manner provided for in Section 8.2 and prepared in accordance with the access information standard discussed in Section 8.1.

5.3 Exemptions

To maintain the confidentiality of shippers, in accordance with rule 556(3) of the **NGR**, the service provider is not required to publish the **weighted average price information** for a pipeline service if:

- the pipeline service was provided, directly or indirectly, to no more than two users of the non-scheme pipeline; and
- the **service provider** gives a notice to the **ERA** at least 20 business days before the date required for publication certifying this.

When such a notice is given, the **ERA** may, by notice to the **service provider**, require services to be combined for the purpose of calculating the **weighted average price information**.

Where services are combined in response to a notice by the **ERA**, the **weighted average price information** for combined services are to be disclosed in row 19 of worksheet 5 and a list of the combined services must be disclosed in the exempt weighted average price worksheet 5.1.

6 Compliance and enforcement

6.1 Maintaining compliance

Section 27 of the **NGL** requires the **ERA** to monitor, investigate and enforce compliance with the **NGL** and **NGR**. The **ERA** has these roles in relation to the information disclosure requirements in Part 23, including the financial information reporting in accordance with the **Guideline**.

6.2 Reporting by the ERA

The **ERA** may publish reports from time to time about **service providers'** compliance with this **Guideline**.

6.3 Complaints and investigations

The **ERA** may, at any time, require a **service provider** to provide a written response to a complaint or concern the **ERA** raises with the **service provider** about its compliance with this **Guideline**, including where the **ERA** has previously required the **service provider** to provide one or more written responses to the relevant complaint or concern.

6.4 Enforcement

Service providers must comply with the **Guideline**. Under the **NGL**, if a service provider fails to comply with the disclosure requirements, the **ERA** can:

- seek an administrative resolution, which may include a voluntary commitment by the **service provider** to rectify non-compliance; or

- institute civil proceedings in the Federal Court and seek an injunction or an order that the **service provider** cease or remedy the conduct.

7 Basis of preparation

Service providers are required to provide a basis of preparation separate to the **financial reporting template**. This is required to be published on the **service provider's** website with the **financial reporting template**.

The basis of preparation must be a separate document providing information in relation to the:

- pipeline financial statements;
- pipeline information;
- asset value determined using the recovered capital method; and
- the weighted average prices calculated,

that the **service provider** publishes with its completed **financial reporting template**.

The basis of preparation must:

- explain the source/s from which the **service provider** obtained the information provided, including where information is obtained from external sources;
- explain the methodology the **service provider** applied to provide the required information, including any assumptions the **service provider** made and inputs used;
- explain, in circumstances where the **service provider** cannot provide actual information and only estimates are available:
 - why it was not possible for the **service provider** to provide actual information;
 - what steps the **service provider** took to locate actual information;
 - if an estimate has been provided, the basis for the estimate, including the methods, assumptions and inputs used; and
 - why the estimate represents the best estimate possible in the circumstances and has been arrived at on a reasonable basis.

The basis of preparation must follow a logical structure that enables auditors, prospective users, arbitrators and the **ERA** to clearly understand how the **service provider** has complied with the requirements of the **Guideline**.

When carrying out an assurance engagement as specified in Section **Error! Reference source not found.**, an auditor shall have regard to the **service provider's** basis of preparation.

8 Assurance

8.1 Access information standard

Rule 551(1) of the **NGR** requires the information published under Division 2 of Part 23 of the **NGR** to be prepared and maintained in accordance with the access information standard. The access information standard means that the information:

- is not false or misleading in a material particular;
- where of a technical nature, is prepared in accordance with the practices, methods and acts that would reasonably be expected from an experienced and competent person engaged in the ownership, operation or control of a pipeline in Australia acting with all due skill, diligence, prudence and foresight; and
- in relation to a forecast or estimate, is supported by a statement of the basis of the forecast or estimate and:
 - is arrived at on a reasonable basis; and
 - represents the best forecast or estimate possible in the circumstances.

Where a **service provider** becomes aware that information required to be published does not comply with the access information standard, rule 551(3) of the **NGR** requires the **service provider** to publish information that does comply as soon as practicable after the **service provider** becomes aware of the non-compliance.

Rule 551(4) of the **NGR** requires information published under Part 23 to include the date of publication, the date to which the information is current and, if the information replaces an earlier version as provided for by subrule (3), notice of that fact.

8.2 Assurance obligations

The information provided in the **financial reporting template** and the accompanying basis of preparation is required to be audited or reviewed.

Assurance must be conducted in compliance with the **Guideline** and Australian Auditing and Assurance Standards, as developed by the Auditing and Assurance Standards Board.

If the **service provider** has had information provided in the **financial reporting template** for the previous **reporting period** audited in accordance with this **Guideline** and current accounting standards, it is not necessary for this data to be audited again.

However, if this previously audited information has changed from the previous reporting period, the information for the previous **reporting period** must be audited again to the standard required by the **Guideline**.

8.3 Persons to provide assurance

Assurance of the **financial reporting template** must be undertaken by a person who:

- is a registered company auditor who is a member of the Institute of Chartered Accountants Australia (CA or FCA) or of CPA Australia (CPA or FCPA) that holds a Certificate of Public Practice;
- is independent from the **service provider** and all of its related bodies corporate – that is, not a principal, member, shareholder, officer, or employee of the **service provider** or its related entities;
- is appointed for the purposes of expressing an opinion or conclusion on the audit or review requirements outlined in the **Guideline**;
- has experience in conducting financial, performance, operation or quality assurance audits or reviews of the gas pipeline industry; and
- understands the procedures and methodologies underlying the information provided.

8.4 Level of assurance required

8.4.1 Statement of pipeline revenues and expenses and statement of pipeline assets

An audit is required to be provided for the information contained in the Statement of Pipeline Revenue and Expenses and Pipeline Statement of Assets in accordance with *ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements* and *ASA 800 Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks, Accounts or Items of a Financial Statement*. The information reported in the **financial reporting template**, in accordance with the requirements of this **Guideline** must be accompanied by a basis of preparation.

8.4.1.1 Interim reporting

A variation to the requirement above is allowed for the interim Statement of Pipeline Revenue and Expenses and Statement of Pipeline Assets. A review is required to be provided in accordance with *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*.

8.4.2 Recovered capital method

Limited assurance review is required for the recovered capital method information in the **financial reporting template** in accordance with the requirements of this **Guideline** and the accompanying basis of preparation. This review is to be provided in accordance with *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*.

8.4.3 Weighted average price information

Limited assurance review is required of the **weighted average price information** in the **financial reporting template** and the accompanying basis of preparation. This review is to be provided in accordance with *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*.

Appendix 1 Pipeline asset lives

Table 4: Pipeline Asset Lives

Pipeline asset category	Low	High
Distribution pipeline		
Pipelines	50	60
City gates, supply regulators and valve stations	30	50
Metering	15	30
SCADA (Communications)	15	20
Buildings	40	50
IT systems	5	10
Transmission pipeline		
Pipelines	60	80
Compressors	30	35
City gates, supply regulators and valve stations	30	50
Metering	30	50
SCADA (Communications)	15	15
Buildings	80	80
IT systems	5	5