# Tasmanian Gas Pipeline Pty Ltd
# Financial Information Publication for 2020-2021

31 October 2021

Tasmanian
Gas Pipeline

# Introduction

## Purpose

Under Part 23 of the National Gas Rules, Service Providers for non-scheme pipelines are required to publish specific information including financial information and weighted price information.

The provision of this 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.

A copy of the Financial Reporting Template is included at Appendix A. The Basis of Preparation, as outlined in Section 2 provides information in relation to the inputs and disclosures of the Financial Reporting Template. TGP has identified and adjusted certain formulas and column heading errors within the template as appropriate.

In line with Sections 8.4.1 and 8.4.2 of the Financial Reporting Guideline for Non-Scheme Pipelines (December 2017), An audit of the information contained in the Statement of Pipeline Revenue and Expenses and Pipeline Statement of Assets has been conducted 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*. A review in accordance with *ASRE 2405 Review of Historical Information Other than a Financial Report* has been conducted on the Recovered Capital Method and Weighted Average Price Information. Copies of the audit and review reports are included in Section 3.

Information contained within this Basis of Preparation and the subsequent reporting Template is taken from a number of sources, including:

- Historical and current year audited financial statements
- Customer contracts
- TGP's nomination, scheduling and billing system

# Basis of Preparation

| Template Reference | Basis of Preparation |
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| **1. Pipeline Information** | The Commencement Date of the Guideline is 1 January 2018. Current year results reflect the 1 July 2020 to 30 June 2021 financial year. Prior year comparisons are reported for the period 1 July 2019 to 30 June 2020.<br>All financial information has been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, with the exception of any divergence from these requirements as specifically required under Part 23 of the National Gas Rules. These are detailed below where applicable.<br>All financial information has been prepared under the historical cost convention and on an accrual accounting basis.<br>Related Party has the same meaning as per the *Corporations Act 2001*. TGP does not have any related party dealings that would impact disclosure in the Template. |
| **2. Revenues and Expenses** | **Direct Revenue**<br>Revenue is measured net of the amount of goods and services tax (GST). All revenue earned is directly attributable to TGP and is categorised as follows:<br>• Firm forward haul transportation services, which includes all TGP's firm revenue from these services |

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| | • Interruptible or as available transportation services, which includes all TGP's revenue from these services<br>• Park services, which includes all TGP's revenue from storage and park services<br>• In pipe trading services, which includes all TGP's revenue from these services<br>• Other direct revenue, which includes ad-hoc volumetric charges for overruns, imbalance revenue, metering, specific facility shipper charges and pass-through charges<br>**Indirect Revenue**<br>Indirect revenue is not included on the basis TGP has not earned revenue unrelated to its principal activities.<br>**Direct Costs**<br>Expenditure is measured net of GST where applicable. As a single use asset, TGP classifies all cost as direct, split into the following categories:<br>• Repairs and Maintenance include all scheduled and ad-hoc repair and maintenance work completed on the TGP<br>• Wages are not included on the basis TGP does not have any direct employees. Operational and asset management staff are allocated to TGP via external Operational and Management Agreements in place<br>• Depreciation is calculated on a straight-line basis over the estimated useful life of an asset<br>• Insurance includes directly attributable insurance policies to the pipeline<br>• Licencing and Regulatory Costs include license fees and fees attributed to regulatory obligations<br>• Directly attributable finance charges - TGP does not incur directly<br>• Leasing and Rental Costs refers to an office lease directly held and utilised directly by TGP<br>• Other Direct Costs refers to all other direct costs incurred by TGP in the Reporting Period in relation to the operation of the pipeline<br>• Costs relating to interest and taxes are not reported in the Template<br>**Shared Costs**<br>TGP is a single pipeline business and does not have a shared cost structure. Costs incurred by TGP are directly attributable to the operation and maintenance of the pipeline.<br>TGP however, benefits from a lower operating cost base given the synergies of management costs from a portfolio approach of the asset manager. This means that TGP's operating costs are lower than what would be the case if TGP was managed as a standalone asset. |
| **3. Statement of Pipeline Assets** | **Plant and Equipment**<br>Each class of plant and equipment is carried at cost, less accumulated depreciation.<br><br>**Depreciation**<br>The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the of the economic benefits embodied in the asset. Land is not depreciated.<br><br>**Easements**<br>Easements are recorded at cost, being the present value of identified net cash flow streams (including renewal options) and are amortised on a straight line based over the estimated lives (in line with the expected useful life of the pipeline). TGP note, amortisation of easements is not included as a calculation formula in the Template. |

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| | This is a divergence from the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations.<br><br>**Impairment**<br>For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows. Assets are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired. TGP has not recognised impairment losses for year end 30 June 2021.<br><br>**Pipeline Asset Useful Life**<br>Asset lives are generally allocated in line with Appendix A of the Guidelines. Assets falling outside of this range are depreciated over their estimated useful lives.<br><br>**Leased Assets**<br>Leased assets are recognised at cost, comprising the amount of the initial measurement of the lease liability. Subsequent to initial recognition, lease assets are measured at cost, less accumulated depreciation. Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.<br><br>**Shared Supporting Assets**<br>On the basis TGP is a single pipeline business, a shared asset structure is not applicable. |
| **4. Recovered Capital** | **Pipeline Assets**<br>Construction cost and capital additions are obtained with reference to audited financial statements for TGP Pty Ltd since the commissioning of the pipeline in 2002.<br><br>**Return of capital**<br>Revenue and operating expenditure are obtained with reference to audited financial statements since construction of the pipeline.<br><br>Net tax liabilities are nil on the basis the TGP sits within a tax consolidated group.<br><br>Return on capital is the combination of the notional return on equity and notional return on debt during the applicable period. Notional return on equity is calculated using a regulated cost of equity plus a commercial rate of return. The notional cost of debt has been assumed to be the in line with historical regulatory determinations over the period. |
| **5. Weighted Average Price** | **Firm Forward haul transportation services**<br>TGP transportation tariffs are split into multiple zones and form the basis of available pricing to shippers.<br>• TVPS Zone, with a single shipper, and therefore exempt from publishing a weighted average price<br>• Zone 1, with two shippers, and therefore exempt from publishing a weighted average price<br>• Zone 2, with multiple shippers<br>• TasHub, with two shippers and therefore exempt from publishing a weighted average price<br>• Short Term Storage Products (1 Day, 7 Day and 28 Day) with a single shipper, and therefore exempt from publishing a weighted average price |

TGP's delivery Zones are classified as the below

**Zone 1 Delivery Points**

Comalco, Ecka

**Zone 2 Delivery Points**

Bridgewater, Burnie, Carrick/Hadspen(Launceston), Longford Tasmania, Port Latta, Spreyton, Ulverstone, Westbury, Westbury 2, Wynyard

**VTS Delivery Point**
TasHub

The weighted average tariff for Zone 2 is calculated by determining the overall MDQ and the overall revenue for the period 1 July 2020 to 30 June 2021.

The calculations do not factor in any variable revenue (if applicable) such as imbalance or overrun charges, Shipper Specific Facility Charges or minimum monthly service charges.

The formula used to calculate the Weighted Average Price for Firm Forward haul transportation services in Zone 2 is:

$$\frac{SUM\ of\ (individual\ shipper\ tariff\ x\ individual\ shipper\ annual\ MDQ\ contracted\ for\ Zone\ 2)}{Total\ contracted\ Zone\ 2\ MDQ\ for\ all\ shippers}$$

**Interruptible or as available transportation services**

TGP does not meet the requirements to publish the weighted average price because there is only a single shipper that utilises this service.

**Backhaul Services**

TGP does not meet the requirements to publish the weighted average price because there are only two shippers who utilise this service.

**Stand-alone compression services**
TGP does not recover revenue from this service, as it is not offered on the pipeline. Therefore, TGP does not meet the requirements to publish the weighted average price.

**Storage services**

The weighted average tariff for TGP firm storage is calculated by determining the overall MDQ and the overall revenue for the period 1 July 2020 to 30 June 2021.

Charges such as imbalance or overrun charges, Shipper Specific Facility Charges or minimum monthly service charges are generally not applicable to Storage Services. Therefore, the calculations do not factor in any of these charges.

The formula used to calculate the Weighted Average Price for firm storage is:

$$\frac{SUM\ of\ (individual\ shipper\ tariff\ x\ individual\ contracted\ shipper\ annual\ MDQ)}{Total\ contracted\ storage\ annual\ MDQ}$$

Appendix A - Financial Reporting Publication

# *Independent auditor's report*

To the Directors of Tasmanian Gas Pipelines Pty Ltd

## *Our opinion*

We have audited the accompanying Pipeline Statements (the Schedules) of Tasmanian Gas Pipelines Pty Ltd (the Company) for the year ended 30 June 2021 as required by the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator.

In our opinion the accompanying the Schedules are prepared, in all material respects, in accordance with Financial Reporting Guidelines for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator.

## *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Schedules* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Independence***

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the the Schedules in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## *Emphasis of matter - basis of accounting and restriction on distribution and use*

We draw attention to the basis of preparation accompanying the Schedules, which describes the basis of preparation. The Schedules have been prepared by management for the purpose of fulfilling the requirements of the Financial Reporting Guidelines for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator. As a result, the Schedules may not be suitable for another purpose. Our report is intended solely for Tasmanian Gas Pipelines Pty Ltd and its Directors for the purpose agreed in our engagement letter. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the directors of Tasmanian Gas Pipelines Pty Ltd, or for any other purpose other than that for which it was prepared. Our opinion is not modified in respect of this matter.

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## *Responsibilities of management for the Schedules*

Management of the Company is responsible for the preparation and fair presentation of the Schedules and has determined that the criteria used in the basis of preparation accompanying the Schedules is appropriate to meet the requirements of the Financial Reporting Guidelines for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## *Auditor's responsibilities for the audit of the Schedules*

Our objectives are to obtain reasonable assurance on whether the Schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Schedules.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Trevor Johnston
Partner

Melbourne
22 October 2021

# Independent auditor's review report to the directors of Tasmanian Gas Pipelines Pty Ltd on the Asset Valuation using the Recovered Capital Method Schedules as at 30 June 2021

We have reviewed the accompanying Asset Valuation using the Recovered Capital Method Schedules of Tasmanian Gas Pipelines Pty Ltd (the "Company") as at 30 June 2021 (the "Schedules") as required by the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator.

The Schedules have been prepared to satisfy the requirements of the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator.

## *Management's responsibility for the Schedules*

Management is responsible for the preparation of the Schedules and has determined that the criteria used in the basis of preparation accompanying the Schedules is appropriate to meet the requirements of the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## *Assurance practitioner's responsibility*

Our responsibility is to express a conclusion on the Schedules based on our review. We have conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* (ASRE 2405) in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Schedules are not prepared, in all material respects, in accordance with the basis of preparation accompanying the Schedules. No opinion is expressed as to whether the basis of preparation is appropriate to meet the requirements of the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017.

ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Independence*

In conducting our review, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of *Ethics for Professional Accountants*.

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## *Conclusion*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Schedules have not been prepared, in all material respects, in accordance with the accompanying basis of preparation as at 30 June 2021.

## *Emphasis of matter - basis of preparation and restriction on distribution and use*

Without modifying our conclusion, we draw attention to the basis of preparation accompanying the Schedules which describes the basis of preparation. The Schedules have been prepared by management for the purpose of fulfilling the requirements of the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator. As a result, the Schedules may not be suitable for another purpose.

Our report has been prepared for the directors of Tasmanian Gas Pipelines Pty Ltd for the purpose agreed in our engagement letter. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the directors of Tasmanian Gas Pipelines, or for any purpose other than that for which it was prepared.

PricewaterhouseCoopers

Trevor Johnston

Trevor Johnston
Partner

Melbourne
22 October 2021

# Independent auditor's review report to the directors of Tasmanian Gas Pipelines Pty Ltd on the Weighted Average Price Information Schedules for the year ended 30 June 2021

We have reviewed the accompanying Weighted Average Price Information Schedules of Tasmanian Gas Pipelines Pty Ltd (the "Company") for the year ended 30 June 2021 (the "Schedules") as required by the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator.

The Schedules have been prepared to satisfy the requirements of the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator.

## *Management's responsibility for the Schedules*

Management is responsible for the preparation of the Schedules and has determined that the criteria used in the basis of preparation accompanying the Schedules is appropriate to meet the requirements of the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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### *Conclusion*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Schedules have not prepared, in all material respects, in accordance with the accompanying basis of preparation for the year ended 30 June 2021.

### *Emphasis of matter - basis of preparation and restriction on distribution and use*

Without modifying our conclusion, we draw attention to the basis of preparation accompanying the Schedules which describes the basis of preparation. The Schedules have been prepared by management for the purpose of fulfilling the requirements of the Financial Reporting Guideline for Non-Scheme Pipelines published in December 2017 issued by the Australian Energy Regulator. As a result, the Schedules may not be suitable for another purpose.

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