

Historical Standing Price Methodology – Valid until 30 November 2024

1 Standing prices and the methodology and inputs used to calculate standing prices (rule 101C)

TGP's standing price for Firm Forward Haulage Transportation is as follows for a 4 year term:

- Zone 1: \$1.3019 /GJ in 2023 Dollars
- Zone 2: \$2.7506 /GJ in 2023 Dollars

TGP's standing price for High Priority Storage is as follows:

- \$84.0573/GJ/ annum in 2023 Dollars

TGP's standing price for VTS As Available Backhaul is as follows:

- \$0.0844/GJ transported in 2023 Dollars

TGP's standing tariffs will be escalated annually. Counterparty creditworthiness and term will also come into consideration in relation to the application of these prices to a particular User.

1.1 Methodology - Transportation Services

All Tariffs and pricing are expressed in 1 January 2023 dollars.

In 2018, the provision of Firm Forward (FF) haul services to Zone 1 and Zone 2 services were subject to an arbitration with a final access determination being made on 12 April 2018. Please refer to AER website <https://www.aer.gov.au/communication/aer-publishes-required-information-for-tasmanian-gas-pipeline-access-determination> for more detail.

Under that arbitration, the arbitrator used a cost-based methodology. The arbitrator determined an asset value for provision of haulage services of \$163.2 million using a "Modified Depreciated Actual Cost" approach. Modified Depreciated Actual Cost represents an indexed Depreciated Actual Cost adjusted downwards to reflect the value of the assets which are used in the provision of transport services by the Pipeline and excludes the value of the assets used in the provision of separate services such as High Priority Storage Services. The Modified DAC was estimated using historical data on initial construction costs, the amount of capital expenditure since commissioning and the amount of depreciation (on a straight-line basis) recovered since commissioning. There were no pipeline assets disposed since commissioning.

Under the cost-based methodology, a revenue requirement for firm forward haulage services is determined by:

- (a) Reference to the asset base of \$163.2 million which represents an arbitrated allocation of assets having regard to the pipeline capacity required to meet the requirements of the foundation contracts that underpinned the development of the pipeline – this is rolled forward to 1 January 2023 by adjusting for depreciation, capital expenditure and inflation.
- (b) Applying a commercial rate of return to that asset base to produce a return on capital, which is configured using a 'vanilla' post-tax nominal Weighted Average Cost of Capital.
- (c) Return of assets (i.e. Depreciation), which is the sum of:
 - (i) Straight-line depreciation of the opening asset value as at 1 January 2023;

- (ii) Straight-line depreciation of the capital expenditure incurred in the financial year 2022-2023 (i.e. based on standard asset lives, depending on the asset category);
 - (iii) Minus the inflation on opening asset value (i.e. equivalent to regulatory depreciation).
- (d) Making an allowance for the forecast operating, capital and maintenance costs of keeping the assets in service as adjusted by the arbitrator.
 - (e) Making an allowance for the 'cost' of tax, based on the approach adopted by the AER to calculate efficient benchmark tax liabilities in the Post-Tax Revenue Model.

Under this approach, during commercial negotiations, tariffs were determined for FF services for Zone 1 and Zone 2 (in 2023 dollars) to recover relevant TGP costs. This was based on the following:

- (a) Subtracting currently and expected future contracted revenues from the revenue requirement to derive the target tariff revenue to be recovered
- (b) The target tariff revenue to be recovered in the financial year was then divided by forecast firm forward capacity (in GJ) excluding the contracted volumes referred to in the preceding bullet point to estimate a firm forward tariff (in \$ per GJ / day)
- (c) The final tariffs for FF services were expressed in dollars per gigajoule (GJ) per day.
- (d) TGP's standing tariffs will be escalated annually. Counterparty creditworthiness and term will also come into consideration in relation to the application of these prices to a particular User.
- (e) However, if over time there are material changes to the inputs to the methodology discussed above, then TGP reserves the right to recalculate the tariffs.

1.1.1 High Priority Storage

TGP markets firm storage services using pipeline capacity not utilised by Firm Forward services. Our standing tariffs for the High Priority Storage have been set by reference to a Request for Proposal (RFP) process and contracts entered into for those services, the availability of competing alternatives and the opportunity cost of providing High Priority Storage in place of Firm Forward services.

There are a number of methodologies that can be used to derive a price for firm storage. TGP's published firm storage tariff is \$0.2303/GJ (\$84.0573 GJ/annum), which was derived based on the following factors:

- (a) Minimum price required to justify sterilizing Firm Forward capacity - using the pipeline for storage restricts the capacity available for the provision of firm forward services. The trade-off between storage services capacity and firm forward capacity varies depending on the contracted level of firm forward capacity. The ratio is approximately 1.5:1 at high levels of firm forward but drops to below 1:1 at low levels. For every 1.5GJs of High Priority Storage contracted, this sterilizes 1GJ of firm forward capacity. Using the Zone 2 price of \$2.7506/GJ, the equivalent price of firm storage would be \$1.8337/GJ. Using the Zone 1 price of \$1.3019/GJ the equivalent price would be \$0.8679/GJ.
- (b) Customers' willingness to pay - storage is an ancillary service which competes with a variety of other services, and the willingness to pay for storage tends to be relatively low compared to, in particular, Firm Forward services.
- (c) Comparison with alternative gas storage services – EGP, MSP, Iona, Dandenong LNG taking into account receipt, storage and delivery capacities and requirement for separate firm forward services.

All firm capacity is now contracted. Additional capacity is available from January 2026.

1.1.2 **CBL Auction Services**

As all firm storage capacity is currently contracted until 31 December 2025, TGP makes available to Users on a short term, interruptible basis, a certain quantity of contracted storage capacity that is not being utilised by existing shippers. Users may access this capacity by:

- (a) Entering into TGP's auction products GTA, which is available on request;
- (b) Registering with CBL for the TGP auction services;
- (c) Participating in a weekly auction held at 11am each Friday.

The auction services also includes interruptible transportation capacity to enable a User to receipt gas onto the pipeline and deliver gas into the VTS.

The tariff for the service is set by the auction process and is subject to a minimum price which may change from week to week.

1.1.3 **VTS As Available BackHaul**

As part of TGP's TasHub connection (which connects the TGP to the Victorian Transmission System (VTS) at Longford, Victoria, TGP makes available an As Available Backhaul service which allows Users to transport gas from the VTS onto the TGP subject to the following conditions:

- (a) Users registering with AEMO for the withdrawal point in the DWGM;
- (b) A sufficient quantity of gas that is physically being injected into the VTS on the day that can be offset via the backhaul service;
- (c) Users being scheduled by AEMO to withdraw gas at TasHub on that day.