

## Current Standing Price Methodology – Valid from 1 December 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:

- Zone 1: \$1.5240/GJ in 2024 Dollars
- Zone 2: \$3.2198/GJ in 2024 Dollars

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

- \$98.3962/GJ/ annum in 2024 Dollars

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

- \$0.0988/GJ transported in 2024 Dollars

TGP's standing tariffs will be escalated annually. Shipper specific characteristics (such as counterparty creditworthiness) 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 2024 dollars.

Tasmanian Gas Pipeline (TGP) standing prices for Firm Forward Haulage Transportation are calculated by reference to relevant tariffs in legacy contracts with annual escalation. TGP considers this provides shippers with greater price certainty.

Previously, the tariff methodology utilised by the TGP for Firm Forward haul services to Zone 1 and Zone 2 was a cost based methodology based on the outcome of an arbitration process in 2018.

The arbitrator determined an asset value for provision of haulage services by using what was described as a "Modified Depreciated Actual Cost" approach. While the terms of the arbitration decision are confidential, it can be noted that the decision was fact specific and relied on the circumstances in 2018 to determine the tariffs. The usage of the pipeline has changed significantly in the six years that have elapsed since the final access determination, with further major changes expected in the medium term. Consequently, there is ambiguity in applying a methodology which is not defined in the Gas Rules and is open to varied interpretation given a changed fact situation. There is a significant risk that continued use of the methodology would not reflect the objectives under the current Gas Rules.

TGP has also considered alternative, cost based methodologies but has determined that these would lead to a significant increase in tariffs and would not necessarily reflect the workings of a "workably competitive market".

#### Reference Contracts

TGP has considered the tariffs in all legacy contracts entered into since January 2022 to determine its standing prices for Firm Forward Haulage Transportation services in Zone 2. This represents five separate contracts. Three of the contracts are treated as reference contracts. The first and second were negotiated in July 2022 (and extended in June 2024) and one which commenced in April 2024. All of the tariffs in the reference contracts are identical (except Contract 3 has been adjusted for shipper specific circumstances) and the exact number has been adopted as the standing price for Zone 2. Two other contracts have been entered into since January 2022 both of which involved special circumstances. The characteristics of all these contracts are set out below (the column references refer to TGP's

actual prices payable information - see: <https://www.tasmaniangaspipeline.com.au/part-23-publication-and-information>).

**Contract 1 (Column O)**

- Tariff Zone 2 Firm Forward - \$3.2198 (in 1 Jan 2024 dollars)
- MDQ – 1,900GJ/day
- Negotiated in June 2022
- Standard terms
- NB: - published tariff reflects current contract terms per Contract 3 below

**Contract 2 (Column AQ)**

- Tariff Zone 2 Firm Forward - \$3.2198 (in 1 Jan 2024 dollars)
- MDQ – 593GJ/day
- Negotiated in July - August 2023 and March 2024
- Standard terms. Agreement was planned to start 1 January 2024 but was delayed by three months. TGP maintained the original pricing provided.

**Contract 3 (Column O)**

- Tariff Zone 2 Firm Forward - \$3.0052 (in 1 Jan 2024 dollars)
- MDQ – 1,900GJ/day
- Negotiated in May - June 2024
- Non-standard terms (term and tariff) agreed based on the Shipper's intention to enter into a new, long-term agreement for new and existing customers with a significant step up in contracted capacity within the next 12 months. Tariff based on standard \$3.2198/GJ with a ~7% discount applied.

**Contract 4 (Column X)**

- Tariff Zone 2 Firm Forward - \$2.8621 (in 1 Jan 2024 dollars)
- MDQ – additional 340GJ/day
- Negotiated in August 2023
- Tariff agreed as an amendment to an existing 15 year agreement. Tariff matched tariffs agreed under previous, short term amendments.

**Contract 5 (Column AO)**

- Tariff Zone 2 Firm Forward - \$2.8621 (in 1 Jan 2024 dollars)
- MDQ – an extra 1,080GJ/day (in addition to existing MDQ)
- Two separate extensions negotiated in December 2022 and December 2023 respectively
- Additional MDQ involved the Shipper taking over responsibility for a failed Retailer in order to facilitate continued supply to gas users. Agreed tariff matched tariff in existing agreement.

Given there are no legacy contracts for Zone 1 since January 2022, TGP has applied the same proportional pricing differential that previously existed between Zone 1 and Zone 2 to the Zone 1 Tariff.

## 1.2 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 \$0.2696/GJ (\$98.3962 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 \$3.2198/GJ, the equivalent price of firm storage would be \$2.1465/GJ. Using the Zone 1 price of \$1.5240/GJ the equivalent price would be \$1.0160/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.

### **1.3 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.

### **1.4 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.