APA

Australia's energy infrastructure partner

Part 10 Financial reporting
Year ended 30 June 2025

Basis of preparation – Addendum: consolidated reporting

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Contents

1. About this addendum **3**
1.1. The East Coast Gas Grid 3
7. Explanatory "Financial summary" worksheet **5**
7.1. Overview 5
7.2. Source of information 5
10. Explanatory "1. Pipeline information" worksheet **6**
17. Explanatory "3.1 Depreciated Book Value" worksheet **7**
17.3. Methodologies applied 7
19. Explanatory "3.3 Asset useful life" worksheet **7**
19.3. Methodologies applied 7
23. Explanatory "4. Recovered Capital" worksheet **7**
23.1. Overview 7
23.4. Alternative asset valuation 8
24. Explanatory "4.1 Pipelines capex" worksheet **11**
24.1. Overview 11
25. Explanatory "5. Historical demand" worksheet **12**
25.1. Overview 12
25.2. Source of information 12
25.3. Methodologies applied 12
25.4. Use of actual amounts 13
25.5. Assurance 13
26. Explanatory "6. Pricing template" worksheet **14**
26.1. Overview 14
26.2. Source of information 14
26.3. Methodologies 14
26.4. Use of actual amounts 15
26.5. Assurance 15

1. About this addendum

This addendum relates to the Part 10 reporting information for the South West Queensland Pipeline (**SWQP**) and Moomba Sydney Pipeline (**MSP**) reported as a consolidated pipeline system.

1.1. The East Coast Gas Grid



The SWQP and MSP are the backbone of the APA East Coast Gas Grid (**ECGG**). The ECGG is an interconnected system of pipelines connecting Queensland's Wallumbilla Gas Hub to demand centres in Brisbane, Mt Isa, Sydney and Victoria.

While each of the pipelines in the ECGG were developed individually to bring gas from particular reserves to specific markets, APA has, over time, consolidated these pipelines into an interconnected grid.

A key feature of the SWQP and MSP is that they do not serve many customers directly – rather, they connect to other pipelines or distribution networks, which then deliver gas to residential, commercial and industrial customers. We often refer to the SWQP and MSP together as "Australia's gas superhighway".

While some of the gas transported westbound on the SWQP may be delivered through the Carpentaria Gas Pipeline to Mt Isa or the Moomba Adelaide Pipeline System to Adelaide, the majority of gas transported on this pipeline system is destined for southern markets in Sydney, Canberra, and Victoria.

While some shippers will have legacy contracts on individual pipelines, most shippers' goal is to transport gas from the gas-producing precinct in Queensland to southern markets. Within the context of abiding by these legacy contracts and the outcomes of a workably competitive market, APA aims to provide a non-discriminatory tariff to transport gas from Wallumbilla to Wilton (to serve the Sydney market), Canberra, or Culcairn (to serve the Victorian market).

To this end, APA and the AER have agreed that it may be helpful to the market to provide financial and other information to reflect this "route to market". This information is provided in addition to the individual pipeline reporting for the MSP and SWQP.

Why consolidated reporting?

In the process of preparing the Part 10 reporting information for the MSP and SWQP as individual pipelines, it became clear that the revenue allocation following the legacy contracts resulted in confusing and misleading information. In particular, the financial reporting for the SWQP made that pipeline appear super-profitable, while the MSP was subject to financial impairment. This cascaded through the entire Part 10 reporting framework, producing confusing price benchmarks and financial performance indicators.

However, on a consolidated basis, reflecting the "route to market" approach to gas transportation contracting, the combined financial information reports financial returns consistent with regulated outcomes.

The key difference between the individual pipeline reports and the consolidated report is the accounting standard definition of "cash generating unit" (CGU). The individual pipeline reports identify each individual pipeline as a separate CGU. In practice, this means that all revenue associated with legacy SWQP foundation contracts must be assigned to the SWQP, and all multi-asset service discounts must be assigned to the MSP. This results in the discounted revenue allocated to the MSP being inadequate to support the reported asset value, resulting in impairment.

Under consolidated reporting, the CGU is defined as the pipeline system comprising the SWQP and MSP. Under this approach, it is not necessary to allocate revenues and discounts to individual pipeline segments – the SWQP+MSP "route to market" pipeline is reported as a single CGU.

Under financial statement consolidation procedures, it is important to remove intercompany transactions, such that the consolidated statements reflect only revenues earned and expenses incurred through arm's length transactions with parties outside the consolidated group. In the case of the MSP+SWQP consolidation, all revenues and expenses were either directly earned or incurred, or calculated according to a disclosed allocation process. There are no intercompany transactions between the entities forming the consolidated group.

The AASB financial statements also require the reported entity to undertake a "recoverable amount test" in support of the reported asset values. In the case of a consolidated group, this test is conducted at the consolidated group level, aligning with the definition of the cash generating unit. For the MSP+SWQP CGU, the recoverable amount test indicates that no impairment of asset values is necessary for the FY25 reporting.

Consolidated reporting under the Pipeline Information Disclosure Guideline

Section 1.7 of the PIDG provides [emphasis in original]:

> *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 these **Guidelines** separately. However, by notifying the **AER** 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**:*
>
> - *the responsible **service provider** is the **pipeline** reporting entity for the relevant **pipeline***
> - *the responsible **service provider** must update the information about the **service provider** group if there is any change*
> - *each member of the **service provider** group must procure and where necessary facilitate, the compliance of the responsible **service provider** with its obligations under these **Guidelines***
> - *each other member of the **service provider** group is exempt from the requirement to prepare publish and maintain the financial information and actual prices payable information specified in these **Guidelines**.*

This is consistent with s10 of the NGL [emphasis in original]:

> ***10—Things done by 1 service provider to be treated as being done by all of service provider group***
>
> *(1) This section applies if—*
>
> *(a) more than 1 person (a **group**) carries out a controlling facility activity in respect of a covered gas industry facility (or part of a covered gas industry facility); and*
>
> *(b) under this Law or the Rules a person who carries out a controlling facility activity in respect of the facility (or part of the facility) mentioned in paragraph (a) is required or allowed to do a thing.*

> *(2) A member of the group (the **complying member**) may do that thing on behalf of the other members of the group if the complying member has the written permission of all of the members of that group to do that thing on behalf of the group.*
>
> *(3) Unless this Law or the Rules otherwise provide, on the doing of a thing referred to in subsection (2) by a complying member, the members of the group on whose behalf the complying member does that thing must, for the purposes of this Law and the Rules, each be taken to have done the thing done by the complying member.*
>
> *(4) This section does not apply to a thing required or allowed to be done under section 131, Chapter 4 Part 2 or section 201, 202, 204, 228K or 228L.*[1]
>
> *(5) In this section—*
>
> ***controlling facility activity** means—*
>
> *(a) in relation to a pipeline—own, control or operate, or intend to own, control or operate, the pipeline (or part of the pipeline); …*

And, more generally, the NGL provides:

> ***pipeline** means—*
>
> *(a) a pipe **or system of pipes** for the haulage of covered gas, and any tanks, reservoirs, machinery or equipment directly attached to that pipe or system of pipes; … [emphasis added]*

Under these provisions, East Australian Pipeline Pty Limited provides consolidated reporting of the interconnected SWQP and MSP as a *system of pipes* under the AER's Pipeline Information Disclosure Guideline.

7. Explanatory "Financial summary" worksheet

7.1. Overview

The "Financial Summary" worksheet reports the key financial data from across the reporting template. All relevant information is automatically populated from other worksheets within the template.

As the data is automatically populated, these figures appear in the grey shaded cells, and no inputs are required from the service provider in this worksheet.

7.2. Source of information

The revenue and expense information reported in this worksheet is derived from other sections of the reporting template.

[1] For reference:
131 Service provider must be legal entity of a specified kind to provide pipeline services
Chapter 4, Part 2—Structural and operational separation requirements (ring fencing)
201 Preventing or hindering access to relevant facilities [non-pipeline facilities]
202 Terms and conditions must not discriminate [non-pipeline facilities]
204 Rules about ring fencing [non-pipeline facilities]
228K Preventing or hindering access to operational transportation services
228L Transportation service provider providing operational transportation services must not price discriminate

However, the Financial Summary tab of the Part 10 workbook does not engage with an Alternative Asset Value that must be reported where the RCM value does not meet the asset valuation objective. See section 23.4 for more detailed information.

Had the Financial Summary tab engaged with the Alternative Asset Value, it would report:

Depreciated book value method (Table 3.1.1 for Non-scheme pipelines)	Value as at current reporting period
Total assets	3,755,527,325
Return on assets	6.39%
Alternative Asset Value (PIDG s2.6.11)	**Value as at current reporting period**
Total assets	4,515,122,146
Return on assets	5.32%

10. Explanatory "1. Pipeline information" worksheet

10.3.1. Pipeline nameplate capacity

As many of APA's pipelines are bi-directional, the nameplate capacity is reported for each flow direction – in the case of the consolidated SWQP+MSP reporting we report the northbound nameplate capacity from Wilton or Culcairn to Wallumbilla, and the southbound nameplate capacity from Wallumbilla to Wilton or Culcairn. The reported nameplate capacity aligns with the reserved capacity and actual flows shown in Tab 5: Historical demand.

Approach

For this reporting update, APA reports nameplate capacity in each direction of flow, rather than only the dominant direction.

From the perspective of consolidated reporting, the nameplate capacity for the "route to market" between Wallumbilla and Wilton/Culcairn could be considered to be the lowest nameplate capacity at any point along the route (the "bottleneck"). We have, however, reported the nameplate capacity for each segment below:

	Northbound/Eastbound	Westbound/Southbound
MSP	193 TJ/day	565 TJ/day
SWQP	340 TJ/day	1 May – 30 Sep: 512 TJ/day 1 Oct – 30 Apr: 487 TJ/day

For more detail, Users are referred to the pipeline schematics on each pipeline's web page.

Nameplate capacity should be distinguished from standing capacity. Where nameplate capacity reflects normal capacity under normal conditions, standing capacity reflects seasonal capacity reductions on the MSP resulting from pressure reductions required to undertake critical maintenance works.

10.3.2. Pipeline details

From the perspective of the consolidated reporting, the following details within Table 1.1 Pipeline details have been revised to reflect the combined operation of the two assets.

Approach

For this reporting update, pipeline information has been prepared on a consolidated basis to reflect the combined SWQP and MSP.

- **Pipeline location** has been reported as New South Wales and Queensland, reflecting where the consolidated pipeline system operates.
- **Pipeline length (kilometres)** has been reported as 2,756km, which represents the combined length of MSP (2,001km) and SWQP (755km).
- **Number of customers** has been reported as 70, which represents the combined customer base of MSP (33) and SWQP (37), it should be noted that many of the customers included in this customer count will be the same customer.
- **Construction date** has been reported using the earlier of the two pipelines; initial construction date, being the MSP, to provide a single representative construction date for the consolidated pipelines.

This approach has been adopted to provide users with a consolidated view of the SWQP and MSP operations while preserving consistency with the individually reported Part 10 templates for SWQP and MSP.

17. Explanatory "3.1 Depreciated Book Value" worksheet

17.3. Methodologies applied

From the perspective of the consolidated reporting, Table 3.1.2 Initial Costs of Pipeline Assets (DBVM), reflects the initial construction costs reported reflect the combined initial construction costs of the MSP and SWQP. This approach has been adopted to present the Initial costs of pipeline assets information on a basis consistent with the consolidated SWQP and MSP reporting.

19. Explanatory "3.3 Asset useful life" worksheet

19.3. Methodologies applied

19.3.1. Specific to non-scheme pipelines

From a consolidated reporting perspective, the useful lives reported in the worksheet have been derived by combining the SWQP and MSP Fixed Asset Registers and calculating a weighted average useful life for each asset category based on the closing cost of the underlying assets. This approach is intended solely to reflect the consolidation of the two pipeline systems for reporting purposes and does not represent a reassessment of the useful lives of the underlying assets.

In addition, the commissioning date ranges have been revised to reflect the combined asset base. For each asset category, the earlier commissioning date between the SWQP and MSP has been adopted as the starting date of the reported range, ensuring that the reported dates encompass the full history of the consolidated pipeline system.

23. Explanatory "4. Recovered Capital" worksheet

23.1. Overview

The "4 Recovered Capital" worksheet is intended for service providers of non-scheme pipelines to report asset values using the Recovered Capital Method (RCM).

The RCM approach is outline in Section 2.6 of the PIDG and in Rule 113Z(5)(b) of the NGR.

The PIDG requires service providers to publish RCM values where those values are not inconsistent with the asset valuation objective. The asset valuation objective is:

"The asset valuation objective is the "objective of facilitating access to pipeline services provided by means of non-scheme pipelines on reasonable terms, which is taken to mean at prices and on other terms and conditions that, so far as practicable, reflect the outcomes of a workably competitive market."

Where the service provider determines that an RCM value is inconsistent with the asset valuation objective, an alternative asset valuation must be provided (see Section 23.4).

23.4. Alternative asset valuation

Section 2.6.2 of the PIDG requires the service provider to publish recovered capital values that are consistent with the asset valuation objective.

The PIDG notes that:

> *The **asset valuation objective** is the objective of facilitating access to **pipeline services** provided by means of **non-scheme pipelines** on reasonable terms, which is taken to mean at prices and on other terms and conditions that, so far as practicable, reflect the outcomes of a workably competitive market.*
>
> *Unless inconsistent with the **asset valuation objective, service providers** must use the **recovered capital method**, as defined in Rule 113Z(5)(b) of the **NGR** and this section of these **Guidelines**, to calculate recovered capital values.*

The Part 10 PIDG approach to the RCM calculation differs from that in the Part 23 Financial Reporting Guideline for Non-Scheme Pipelines, in that, for previously regulated pipelines, the Part 23 Guideline provided (p21):

> *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, strictly speaking, this was a departure from the requirements of former Rule 569(4)(b)(i).

Rule 113Z(5)(b)(i) parallels former Rule 569(4)(b)(i). However, the Part 10 PIDG (p23) is clear that this practical departure from the Rules is no longer available to previously regulated pipelines:

> ***2.6.4 Recovered capital method***
>
> *The value of an asset under the **recovered capital method** must be calculated in accordance with Rule 113Z(5)(b) of the **NGR**:*
>
> - *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**) …*

23.4.1. Methodology applied

The PIDG envisions circumstances where the RCM may deliver an asset value that is not consistent with the asset valuation objective, and provides, in section 2.6.11 (emphasis in original):

> *If, in accordance with Rule 113Z(5) of the **NGR**, a **service provider** determines that an asset valuation using the **recovered capital method** is inconsistent with the **asset valuation objective**, it must use an **alternative asset valuation method** that is consistent with the **asset valuation objective**. We expect the **service provider** to use an **alternative asset valuation method** that reflects the approach that would apply if the **pipeline** was fully regulated.*

The service provider of the MSP has calculated the RCM value in accordance with the provisions of Rule 113Z(5)(b), as promoted in the PIDG, based on the original construction cost of the pipeline.

The MSP was constructed in 1976, and for many years operated under government ownership. During the early years of operation in particular, The Pipeline Authority (the government agency owning and operating the MSP) reported chronic losses from the ownership and operation of the MSP.

The MSP RCM value, commencing from the original construction cost and rolling forward according to the procedures in the PIDG, is approximately $35 Billion.

The service provider has determined that this asset value would be inconsistent with the asset valuation objective.

Having determined that the RCM asset value for the MSP would be inconsistent with the asset valuation objective, it follows that a combined SWQP + MSP RCM value would also be inconsistent with the asset valuation objective.

Therefore APA has not reported a consolidated SWQP + MSP RCM value, and has proceeded to apply an alternative asset value, as discussed below.

Alternative asset valuation - MSP

As the MSP has previously been subject to regulation, APA has, consistent with the PIDG, applied an approach to determine the alternative asset valuation that would apply if the network were to be fully regulated.

In doing so, we have followed the requirements of Rule 77(3):

> *(3) If a period intervenes between* access arrangement periods *during which the pipeline is not subject to an access arrangement, the opening capital base for the later* access arrangement period *is to be:*
>
> *(a) the opening capital base determined in accordance with these rules for a notional access arrangement taking effect at the end of the* access arrangement period *for the last access arrangement (the* ***relevant date****);*
>
> *plus:*
>
> *(b) the amount of capital expenditure since the relevant date;*
>
> *plus:*
>
> *(b1) in relation to any existing extension specified in the extension and expansion requirements in accordance with rule 68E(2), the following value:*
>
> *(i) the cost of construction of the extension;*
>
> *plus*
>
> *(ii) the amount of capital expenditure on the extension since construction of the extension;*
>
> *less:*
>
> *(iii) depreciation of the extension since the date the extension was commissioned; and*
>
> *(iv) the value of pipeline assets constituting the extension disposed of since commissioning of the extension;*
>
> *less:*

> *(c) depreciation since the relevant date; and*
>
> *(d) the value of pipeline assets disposed of since the relevant date.*

In applying this approach, the service provider of MSP has

- started with the Orders of the Australian Competition Tribunal[2] (as upheld by the High Court[3]) on the value of the opening capital base in the most recent access arrangement
- applied the asset base roll forward methodology specified in that access arrangement to roll forward the opening capital base for capex, depreciation and disposals to determine the closing capital base at the end of the most recent access arrangement period.

This amount is the "opening capital base determined in accordance with these rules for a notional access arrangement taking effect at the end of the *access arrangement period* for the last access arrangement (the **relevant date**)" as required under Rule 77(3)(a).

We have then applied the AER's Asset Base Roll Forward Model to roll forward for any capital expenditure, depreciation and disposals since the relevant date, as required under Rule 77(3)(b), (c) and (d) respectively.

APA considers that an asset value derived using the AER's Asset Base Roll Forward Model "reflects the approach that would apply if the pipeline was fully regulated".

Alternative asset valuation - SWQP

For the SWQP, for which a regulatory capital base has never been established, we have applied a "Depreciated Actual Cost" approach, applying the process described in Rule 77(1)(b):[4]

> *(1) When a pipeline first becomes a scheme pipeline, or the opening capital base for a pipeline is first calculated, the opening capital base is to be as follows:*
> *…*
>
> *(b) if the pipeline was commissioned after the commencement of these rules, the opening capital base is to be:*
>
> *(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) depreciation; and*
>
> *(iv) the value of pipeline assets disposed of since the commissioning of the pipeline.*

More specifically, we have started with the original construction cost of the relevant pipeline as required under Rule 77(1)(b)(i), and applied the AER's Asset Base Roll Forward Model to roll forward for any capital expenditure, depreciation and disposals since the relevant date as required by Rule 77(1)(b)(ii), (iii), and (iv), respectively.

[2] [2004] ACompT 8 Orders
[3] [2007] HCA 44
[4] APA acknowledges that the SWQP was commissioned before the 2008 commencement of the National Gas Rules; the Initial Capital Base should therefore be calculated using the provisions in s8.10 of the National Gas Access Code as provided for in Rule 77(1)(a). We consider that the Depreciated Actual Cost approach applied would equally satisfy the provisions of the Code and the Rules.

We consider that an asset value derived using the AER's Asset Base Roll Forward Model "reflects the approach that would apply if the pipeline was fully regulated".

Alternative asset valuation – consolidated pipeline

APA has summed the alternative asset values for the MSP and SWQP to derive a consolidated asset value that would apply if the consolidated pipeline was fully regulated. The consolidated asset value, reflecting the approach that would apply if the pipeline was fully regulated, is $4,515,122,146.

Were this asset value to be reflected in the "Financial Summary" tab, the reported Return on Assets would be 5.3 per cent.

24. Explanatory "4.1 Pipelines capex" worksheet

24.1. Overview

The "4.1 Pipelines capex" worksheet reports capex on the pipeline. This includes;

- Actual expenditure greater than 5% of construction costs;
- Historical expansions and extensions regardless of value; and
- Where applicable, the expansions and extensions expected in the next 12 months that have advanced to the Financial Investment Decision (FID) stage.

For consolidated reporting purposes, APA has reported the capex previously reported on the MSP and SWQP individual Part 10 reporting templates. As the construction cost of the consolidated pipeline will be greater than that of either individual pipeline, this template may over-report capex.

25. Explanatory "5. Historical demand" worksheet

25.1. Overview

The "5. Historical demand" worksheet reports historical demand information, including information for the reporting period on a daily basis, for contracted capacity and usage.

APA struggled to complete the Part 10 templates in the context of a bi-directional pipeline, and originally reported reserved and utilised capacity on a "dominant direction" (generally, southbound towards Victoria) basis.

Discussions with the AER in June 2026 indicated that the AER considered that APA's approach to reporting contracted and utilised capacity on a "dominant direction" basis for its bi-directional pipelines was not consistent with the requirements of the Guideline, and requested that APA amend its reported information and re-post the amended financial and demand information.

25.2. Source of information

The quantity of contracted firm capacity is sourced from APA's commercial contracting tracking system.

The utilised capacity (actual pipeline flow) data reported in this worksheet is sourced from the pipeline flow and storage (all) report on the Gas Bulletin Board (www.aemo.com.au).

25.3. Methodologies applied

Contracted firm capacity

The consolidated reporting seeks to report contracted capacity for the consolidated pipeline system. We have applied the following methodology:

- Where a shipper has contracted a multi-asset service under a single contract, the reserved capacity under that contract has been reported;
- Where the shipper, as a result of legacy contracting arrangements, has separate contracts for the SWQP and MSP legs of the journey, these contracts have been merged to avoid double counting.
- Where a shipper has contracted for services on either the SWQP or MSP (but not both), the "part-haul" volumes are included as if they were full-haul reserved capacity. This will overstate the total reported reserved capacity to the extent there are shippers with SWQP or MSP stand-alone contracts.

Where a shipper has contracted both northbound and southbound services, these are both included. It should be noted that shippers may contract capacity seasonally – generally northbound in the summer months and southbound in the winter months.

Where the December 2025 templates reported only "dominant direction" reserved capacity, this addendum reports the sum of both directions' capacity reservation for bi-directional pipelines.

Utilised capacity

Utilised capacity is based on actual daily flow volumes at pipeline connection points, drawn from publicly available AEMO data.

Procedurally, APA:

- Downloaded the Actual Flow and Storage (all) report from the AEMO Gas Bulletin Board;
- Filtered the Actual Flow and Storage report (all) on column A to show data for financial year 2024/25;
- Filtered column B to show only the appropriate facility;
- Applied a SUM formula to sum the total of columns F and G (Supply, TransferIn) for each gas day.

The result of the formula will show the cumulative sum of all metered flows of gas delivered from the facility for each gas day, regardless of the direction of flow.

For the consolidated reporting, APA has reported actual flows (Supply plus TransferIn) on the MSP. We tested the reasonableness of this approach by starting with Supply and TransferIn on the SWQP, subtracting Gas Supply Hub trades and TransferIn on the Carpentaria Gas Pipeline, adding Moomba production and subtracting Supply and TransferIn to the Moomba Adelaide Pipeline system.

This approach includes flows related to all contract types (Firm, interruptible, Auction), so may not conceptually align with the Contracted firm capacity information. The Gas Bulletin Board data also contains minor rounding and adjustment amounts, and these are assumed to be immaterial. Also, any imbalances incurred or corrected on 30/06/2025 or 01/07/2024 are also assumed to be immaterial.

Nameplate capacity

Nameplate capacity is discussed in section 10.3.1.

For the purposes of the part 10 Pricing template, we have reported the sum of the minimum of the nameplate capacity in each direction. That is, where we have reported nameplate capacity in the Pipeline Information tab as:

	Northbound/Eastbound	Westbound/Southbound
MSP	193 TJ/day	565 TJ/day
SWQP	340 TJ/day	1 May – 30 Sep: 512 TJ/day 1 Oct – 30 Apr: 487 TJ/day

The nameplate capacity for the purposes of the Historical Demand template will be:

193 TJ/day (MSP limit) Northbound plus 512TJ/day (SWQP limit) southbound = 705 TJ/day for May - Sep, and

193 TJ/day (MSP limit) Northbound plus 487TJ/day (SWQP limit) southbound = 680 TJ/day for Oct-Apr.

25.4. Use of actual amounts

All figures reported in this worksheet reflect actual historical amounts, as published on the Gas Bulletin Board.

25.5. Assurance

In accordance with the PIDG, this worksheet is subject to limited assurance. Assurance over the "Historical Demand" will be provided as part of the FY26 assurance process and will be published within this reporting template on the APA website by 30 November 2026.

26. Explanatory "6. Pricing template" worksheet

26.1. Overview

The "6. Pricing template" worksheet reports pricing information, including how asset values are allocated to services and financial inputs used to calculate revenue.

Please see the information on Historical Demand reporting in section 25.3.

26.2. Source of information

The Part 10 templates downloaded from the AER website include placeholder values for the cost of capital inputs in the pricing template. Further to correspondence with the AER in June 2025, the service providers have replaced the AER placeholders with the latest cost of capital updates received from the AER in the context of tariff updates for the relevant year. In the original publication of this template, the service providers applied the updated cost of capital inputs received from the AER for the Roma Brisbane Pipeline to all pipelines.

APA has updated this approach as described below.

26.3. Methodologies

The methodologies underpinning the calculations on this tab have been determined by the AER. They are in write-protected cells; as a result no modifications were made to any of these formulas in this worksheet.

Cost of capital

On review, APA concluded that, while it was appropriate to apply the RBP regulated WACC to the RBP pricing template, it was not appropriate to apply that WACC to other pipelines' pricing templates.

Scheme pipelines

In particular, APA considers that it would be more appropriate to match the relevant regulated WACC to each of the regulated pipelines – the approved VTS WACC to the VTS pricing template, and the approved Amadeus WACC to the Amadeus pricing template.

Non-scheme pipelines

APA considers that it is not appropriate to apply a regulated WACC to the pricing template for a non-scheme pipeline. Nonetheless, APA has estimated a shadow regulatory WACC, applying the methodology described below:

Cost of debt

For a regulated pipeline, the AER's Rate of Return Instrument (RoRI) applies a ten-year rolling average to determine the allowed cost of debt. However, were a non-scheme pipeline to become regulated, it would not have the regulatory history to calculate a 10-year rolling average costs of debt. Indeed, the RoRI provides that the cost of debt for a service provider in its first year of regulation would be based 100% on the on-the-day cost of debt.

Following this reasoning, APA has adopted, as the cost of debt, the 2024-25 Annual return on debt estimate for the Roma Brisbane Pipeline, 5.83%. This is the value for the 2024-25 year, before it is used to calculate the rolling average cost of debt. This cost of debt is applied to all non-scheme pipelines.

Cost of equity

Were a currently non-scheme pipeline to become regulated, the AER would need to apply its Rate of Return Instrument (RoRI) to assess its cost of equity in the context of an Access Arrangement relevant to the particular

year. In this regard, APA has referenced a contemporaneous regulatory determination to ascertain the relevant cost of equity.

APA has referenced the AER's regulatory determination for AusGrid for the 2024-25 fiscal year, and finds that the AER-determined post-tax nominal cost of equity in that determination is 7.91%.

WACC

APA then inserted the on-the-day cost of debt as discussed above into the WACC analysis table in the AusGrid Post Tax Revenue Model. This model then applied the AER's determined values for gearing and Gamma results in a nominal vanilla WACC of 6.66%.

In summary, the WACC values applied in the various pricing templates are:

	RBP	VTS	AGP	Non-scheme
Average regulatory return on debt	4.46%	4.53%	4.64%	5.83%
Gearing	60%	60%	60%	60%
Statutory tax rate	30%	30%	30%	30%
Gamma	58.5%	58.5%	58.5%	57%
Average regulatory rate of return	4.99%	5.70%	4.78%	6.66%

26.4. Use of actual amounts

All figures reported in this worksheet reflect actual asset allocation percentages on revenue allocation, where revenue was sourced from the ERP system.

26.5. Assurance

In accordance with the PIDG, this worksheet is subject to no assurance.