

Australian Gas Networks (Queensland Networks)

Basis of Preparation

Financial Reporting Guideline for Light Regulation Pipeline Services (Division 2, Part 7 of National Gas Rules)

April 2023

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Overview

Under rule 36B (1)(c) and (d) of the National Gas Rules (NGR), service providers for light regulation services 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 in assessing whether prices being offered by the service provider are reasonable.

In conjunction with this requirement a Financial Reporting Guideline for light regulation services (Guideline) has been published by the Australian Energy Regulator (AER) in accordance with rule 36F of the NGR. The Guideline requires the light regulation pipeline service provider to publish information on its website, in accordance with rule 36B of the NGR. In accordance with rule 36D of the NGR, the financial information must be published each financial year according to the requirements of rule 36F. Australian Gas Networks Gas Distribution Network (Queensland) (AGN Queensland) was initially subject to full regulation by the Queensland Competition Authority and AER.

In November 2014, the National Competition Council (NCC) made a decision on the form of regulation for AGN Queensland. The network is now subject to light regulation by the AER under the National Gas Law (NGL).

In accordance with rule 36B(2) of the NGR, financial information and weighted average pricing information must be published annually no later than four months after the end of the financial year of the service provider for the light regulation pipeline.

As AGN Limited (AGN) had a reporting year end date of 31 December 2022 it is required to publish its light regulation pipeline information by 30 April 2023.

The statements for the year ending 31 December 2022 have prepared on the same basis as those prepared for the year ending 31 December 2021 with no material changes in accounting treatment.

Basis of Preparation

This Basis of Preparation (BOP) is prepared in accordance with section 9 of the Guideline which states:

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.¹

The BOP must be a separate document providing information in relation to the:

- pipeline financial statements;
- pipeline information;
- regulated asset base (RAB) values;
- recovered capital method (RCM) values; and
- the weighted average prices calculated;

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

The BOP must:

- enable an understanding of how the amounts reported in the pipeline financial statements are determined or calculated;
- assist with interpretation of information reported in the pipeline financial statements;
- assist with comparison of information provided in the pipeline financial statements to the service provider as a whole;

¹ AER 2019, Final – Light regulation – Financial reporting guideline – 31 October 2019, page 33.

- provide an understanding of how shared amounts are allocated;
- 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; and
- 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 statement of pipeline revenues and expenses section of the BOP must:

- include details of the sources of information used in the preparation of the financial reporting template;
- provide details of any amendments that have been made to data that was used in preparing the statement of pipeline revenue and expenses for any previous year;
- identify shared revenue and expenses, and the method that has been used to allocate these to the pipeline.

Network Specific Information

The AGN Queensland gas distribution network is owned by Australian Gas Networks (AGN – formerly known as Envestra Limited) who outsources the operation of the network to the APA Group (APA). The AGN Queensland gas distribution network covers separate areas in the Brisbane region (Brisbane CBD, north of the Brisbane River and Ipswich) and Northern Region (Rockhampton and Gladstone). In total, it consists of approximately 3,200 km of pipeline delivering gas to around 109,000 customers.

The network was initially subject to regulation as a covered pipeline under the Gas Code by the Queensland Competition Authority. It was then subject to full regulation by the AER under the NGR. In November 2014, the NCC made a decision on the form of regulation for the Queensland gas distribution network. The AGN Queensland gas distribution network is now subject to light regulation by the AER under the NGL.

No requirement to report an RCM value for AGN Queensland

Section 5 of the Guideline states:

*"Where a **RAB value** has not been established through an access arrangement, **service providers** are required to determine a pipeline asset value based on a recovered capital methodology (**RCM value**) and disclose their calculation of this value in worksheet 4 of the financial reporting template."*

For the purposes of this section, a RAB established through an access arrangement includes a RAB established through a determination made by the AER, by a determination under the Gas Code, or otherwise in accordance with any Commonwealth, State or Territory legislation. The following pipelines that were light regulation pipelines at July 2019 are considered to have a RAB established under an access arrangement: Moomba to Sydney, Central West Pipeline,

Allgas Gas Distribution Network and Envestra Gas Distribution Network (Queensland). For these pipelines, service providers are not required to provide the RCM value.²

An opening RAB value for AGN Queensland has been established from the previous access arrangement when the network was subject to full regulation consequently there is no requirement to report a recovered capital method value for its assets. Thus, in accordance with section 5 of the Guideline, Worksheet 4 is therefore not applicable for AGN Queensland.

Assurance Requirement

In accordance with section 10.4.1 of the Guideline an audit is required for the information contained the **Statement of Pipeline Revenues and Expenses (Table 2.1)** and **Statement of Pipeline Assets (Table 3.1)** and the accompanying BOP 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*.

As AGN Queensland is required to report a RAB value in accordance with Section 5 of the Guideline, there is no requirement to conduct the limited assurance review for Worksheet 4.

A limited assurance review is required of the weighted average price information in the financial reporting template and the accompanying BOP. This review is to be provided in accordance with *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*. Worksheet 5. Weighted average price reported in the financial reporting template is blank in accordance with Section 7.3 of the Guideline as the actual pricing is already presented on the AGN website, thus the actual prices are presented in Worksheet 5.2 of the financial reporting template. There is no audit or review requirement on Worksheet 5.2.

No assurance is required for the remaining worksheets in the template.

² AER 2019, Final – Light regulation – Financial reporting guideline – 31 October 2019, page 21.

1. Pipeline Information

1.1. Pipeline details

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Pipeline location	Queensland General Terms and Conditions	Actual		
Pipeline length (km)	Data is compiled based on historic snapshots captured from GIS system, with snapshots taken at year-end dates.	Actual		
Number of customers	Customer number data was sourced from APA's customer care and billing (CC&B) database.	Actual		
Service Type	AGN Queensland provides distribution services as detailed in the Queensland General Terms and Condition, which can be found on the AGN website			

1.2. Pipeline services provided

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Transportation services, Stand-alone compression services, Storage services and Trading services	AGN Queensland does not deliver Transmission Services.			
Other	AGN Queensland provides distribution services as detailed in the Queensland General Terms and Condition, which can be found on the AGN website . AGN did provide services to related parties in the year ending 31 December 2022.			

1.1. Financial Summary

1.1.1.a Inputs

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference								
2011/12 to 2022	<p><i>This schedule is broken down into financial years with each column from column E to G representing the July to June financial years (FY2012-2014) as reported by AGN Ltd (formerly known as Envestra Ltd). In August 2014 Envestra Ltd was acquired by the CKI Group and subsequently changed its reporting year to January - December from the year commencing January 2015. Columns I to P represent calendar years 2015 to 2022 which corresponds to the current reporting period for AGN Ltd. In order to transition from financial year (Jul – Jun) to calendar year (Jan - Dec) column H in the worksheet presents 6 months of data from Jul to Dec 2014. The financial amounts reported in this table for calendar years 2015 to 2022 have been calculated by averaging two financial years (i.e. calendar year 2015 represents the average of financial years 2014/15 and 2015/16). The financial amounts reported in this table for calendar year 2022 are based on AGN Queensland’s actual Capex for the 6-month period Jul - Dec 2022 plus half the capex for the 2022/23 financial year. Further, regulatory depreciation has been calculated in the Roll Forward Model (RFM) for 6 months, by escalating 6 months of actual Capex (Jul-Dec 2023) by the Weighted Average Cost of Capital (WACC) and by dividing the depreciation amount, as initially calculated in the RFM, by 2 plus half the depreciation for the 2022/23 financial year. The table below shows the applicable periods in Table 1.1.1 Financial Summary in Worksheet 1.1.</i></p>											
Column	E	F	G	H	I	J	K	L	M	N	O	P
Column Heading	2011-12	2012-13	2013-14	2014	2015	2016	2017	2018	2019	2020	2021	2022
Period (months)	12	12	12	6	12	12	12	12	12	12	12	12
Range	Jul - Jun	Jul - Jun	Jul - Jun	Jul - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec
CPI	Inputs for CPI in this table are linked to the CPI row of Table 3.1 – Pipeline assets.				Actual						Section 4.2.1	
Nominal WACC	The assumptions and sources that support Nominal WACC are presented in Appendix A.				Actual						Section 6.0	
Opening Asset Base (\$m, Nominal) - RAB value	The amounts shown in this table for Opening Asset Base – RAB value are linked to the Nominal Opening Regulatory Asset Base amounts for each category of assets listed in Table 3 – Pipeline				Actual						Section 4.1	

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	assets (i.e. the sum of opening RAB values for all asset categories).			
Capex (\$m, Nominal)	The amounts of Capex shown in this table are linked to the Nominal Capex, Additions and Improvements Capitalised amounts for each category of assets listed in Table 3 – Pipeline assets (i.e. the sum of Capex and additions for all asset categories). Due to the transition from financial (Jul-Jun) year to calendar (Jan-Dec) year, the 2015-2022 are based on the average of the corresponding financial years. Formulae adjustments are also made to account for part years.	Actual		Section 3.2.2
Total Contribution	This category is not applicable to AGN Queensland and has therefore been left blank in the financial reporting template.			
Disposal (at cost)	The amounts of Disposals shown in this table are linked to the Disposals for each category of assets listed in Table 3 – Pipeline assets (i.e. the sum of disposals for all asset categories).	Actual		Section 3.2.2
Opex (\$m, Nominal)	Amounts reported for Opex in this table have been derived with reference to AGN's SAP General Ledger (GL), amounts recorded in APA's Oracle finance system along with the ring fenced accounts (RFA's) which are provided to AGN by APA. Through the RFAs (which are explained in further detail in Appendix D) and working papers prepared by AGN, these amounts are allocated to the various regulated, light regulated and unregulated assets owned by AGN Limited. Expenditure recorded against relevant account	Actual		Section 3.1.1.2

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	codes in the GL has been mapped to total Opex in this table and the other expenditure categories shown in the Light Regulation template (e.g. Table 2.1 – Statement of Pipeline Revenues and Expenses).			
Net Tax Liabilities (\$m, Nominal)	The calculations and assumptions that support the amounts reported for Net Tax Liabilities are set out in Appendix C.	Estimate	The amounts of Net Tax Liabilities reported in this table are derived by the calculations set out in Appendix C, consistent with the methodology applied under the regulatory building blocks approach. Given these calculations are for the purpose of determining the regulatory allowances for Income Tax, rather than representing the actual tax expenses for AGN, the amounts reported are classified as estimated information by AGN.	Section 3.2.6

1.1.1.b Building Block Revenue (\$m, Nominal) - RAB value

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Return on Capital	The amounts of Return on Capital shown in this table are calculated by the formula as provided by the AER in the financial information template. Return on Capital amounts are based on the Nominal WACC figures reported separately in this table.			Section 6.0

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Return of Capital	<p>The amounts shown for Return of Capital are linked to the amounts of Depreciation for each asset class, as reported in Table 3.1 – Pipeline assets (e.g. the sum of depreciation for all asset classes each year). Due to the transition from financial (Jul-Jun) year to calendar (Jan-Dec) year the 2015-2022 are based on the average of the corresponding financial years. Formulae adjustments are also made to account for part years.</p>	<p>Estimate (Calculated by AER RFM)</p>	<p>The regulatory depreciation amounts reported in this table are sourced from the Roll Forward Model (RFM) for AGN Queensland as published on the AGN website.</p> <p>Given the regulatory depreciation information is not statutory accounting information, it has been classified as an estimate for the purposes of this financial reporting template.</p>	<p>Section 3.2.5</p>
Operating Expenditure	<p>Amounts reported for Operating Expenditure in this table have been derived with reference to AGN's SAP General Ledger (GL) and amounts recorded in APA's Oracle finance system, which are recorded in summary form in AGN's GL. The ring-fenced accounts provided by APA (as explained in Appendix D) present a regulatory view of the information recorded in its Oracle finance system. Expenditure recorded against relevant account codes in the GL has been mapped to the total Operating Expenditure in this table and the other expenditure categories shown in the Light Regulation template (e.g. Table 2.1 – Statement of Pipeline Revenues and Expenses). In addition to the direct Opex reported by APA, an allocation of AGN's operating costs has been made based on various allocation factors depending on the cost category (e.g. based on customer numbers, customer growth or RAB). Further details are provided in Appendix B.</p>	<p>Actual</p>		<p>Section 3.1</p>

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Net Tax Liabilities	The calculations and assumptions that support Net Tax Liabilities are set out in Appendix C.	Estimate	The amounts of Net Tax Liabilities reported in this table are derived by the calculations set out in Appendix C, consistent with the methodology applied under the regulatory building blocks approach. Given these calculations are for the purpose of determining the regulatory allowances for Income Tax, rather than representing the actual tax expenses for AGN, the amounts reported are classified as estimated information by AGN.	Section 3.2.6
Actual Revenue	Actual Revenue includes haulage and ancillary reference services revenue sourced from AGN's SAP General Ledger and associated working papers prepared for the purpose of categorising revenue for regulatory and other management reporting purposes. Ancillary non-reference services and other unregulated-type services revenue has been deducted to reflect the equivalent of revenue formerly classified as regulated under full regulation as per the Nation Gas Rules.	Actual		Section 3.1

1.1.1.c Recovered Capital (\$m, Nominal) - if applicable

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	Not Applicable to AGN Queensland			

2. Statement of pipeline revenues and expenses

2.1.a Direct Revenue

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<i>AGN had no related parties during the year ending 31 December 2022.</i>			
Total service revenue	The amount shown in this table is linked to the total direct revenue as shown in Table 2.1.1 – Revenue by Service.	Actual		Section 3.1.1.1
Other direct revenue	There is no other direct revenue attributable to AGN Queensland. All non-reference and unregulated revenue has been excluded.			

2.1.b Indirect revenue allocated

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Other revenue	This field of the AER's financial reporting template is linked to total indirect revenue as shown in Table 2.3.1 – Indirect Revenue Allocation. AGN has no indirect revenue to report for AGN Queensland, as noted below in Table 2.3.1.	Actual		Section 3.1.3

2.1.c Direct Costs

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<p><i>Refer to Appendix D for a description of the systems and processes that support AGN's cost capture and reporting of operating costs (Direct and Shared Costs) as presented below.</i></p> <p><i>Cost allocation information is provided in Appendix B. For guidance on certain expenditure categories that may be included or excluded from operating costs for regulatory purposes.</i></p> <p><i>Unless explained otherwise below, expenditure information for AGN Queensland has been primarily sourced from the Ring Fenced Accounts (RFAs) which are explained in further detail within Appendix D and reconciled to the AGN SAP general ledger. This information is used to complete the AER's financial information templates and are categorised as "Direct Costs" in table 2.1 of the template (other than depreciation which is sourced from the Roll Forward Model (RFM)).</i></p> <p><i>As set out in Appendix D, AGN's internal operating expenditure for its corporate management and administration costs is captured in the SAP general ledger by account code, department and state. AGN Queensland's share of these costs (as reported in Table 2.1 of the template), is determined using the processes set out in Appendix B of this Basis of Preparation document.</i></p> <p><i>AGN does not capitalise any of its general corporate management and administration costs for the purpose of regulatory accounting and reporting, unless it can be specifically linked to a capital project (i.e. corporate IT projects).</i></p>			
Repairs and maintenance	<p>Expenditure reported in this category is the expenditure incurred by AGN in relation to the repair and maintenance activities for the AGN Queensland light regulation pipeline.</p> <p>The repair and maintenance of AGN Queensland's light regulation pipeline has been contracted to APA under the Operating and Management Agreement (OMA). It is noted that APA incurs other Opex costs in providing these services to AGN (e.g. general and administrative costs), however all such costs are effectively bundled into the monthly charges from APA. For this reason, all expenditure incurred under the OMA</p>	Actual		Section 3.1.1.2

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	<p>with APA that is not Capex, is classified as Repairs and Maintenance expenditure.</p> <p>APA's network overheads include an allocation of the Network Management Fee (NMF) paid by AGN, including for AGN Queensland, which for statutory accounting purposes remains in capitalised network overheads (i.e. 65% of the NMF is capitalised for statutory accounting purposes). For the purposes of light regulation reporting all NMF costs are expensed as operating costs.</p> <p>Piecemeal mains replacement costs are also transferred from Capex to Opex.</p> <p>In addition, an adjustment has been made to remove Repairs and Maintenance expenditure associated with unregulated revenues of AGN Queensland, which have also been removed from the revenue amounts reported for AGN Queensland.</p> <p>Amounts reported for Repairs and Maintenance and each other category of expenditure in this table have been derived with reference to AGN's SAP General Ledger (GL) and the APA ring-fenced accounts (RFA's).</p>			
Wages	AGN Queensland does not incur direct wage costs, as these activities are outsourced to APA under the OMA. Wages are therefore included in	Actual		Section 3.1.1.2

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	the total repairs and maintenance cost shown above which are charged to AGN by APA.			
Depreciation	Depreciation has been calculated using the Roll Forward Model included with this information pack and published on the AGN website.	Estimate (Calculated by AER RFM)	<p>The regulatory depreciation amounts reported in this table has been sourced from the Roll Forward Model (RFM) for AGN Queensland as published on the AGN website.</p> <p>Given the regulatory depreciation information is not statutory accounting information it has been classified as an estimate for the purposes of this financial reporting template.</p>	Section 3.1.1.2
Insurance	Insurance costs are disclosed separately as part of shared costs in Table 2.4.1 against the category "Other shared costs"	Actual		Section 3.1.1.2
Licence and regulatory costs	Licence and regulatory costs include licence fees paid to Resources Safety & Health Queensland.	Actual		Section 3.1.1.2
Directly attributable finance charges	AGN Queensland has no directly attributable finance charges to report. Borrowing costs are disclosed as a category of shared costs in Table 2.4.1.	Actual		Section 3.1.1.2
Leasing and rental costs	AGN Queensland does not incur direct leasing and rental costs, as these activities are outsourced to APA under the OMA or are allocated by AGN as a shared cost. Leasing and rental costs related to the OMA with APA are included in the total repairs and maintenance cost shown above.	Actual		Section 3.1.1.2

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Other direct costs	Unaccounted for gas (UAFG), legal fees, marketing rebates and bad debts is shown in this cost category.	Estimate	Due to the 9-month revision period described in Chapter 11 of the AEMO Retail Market Procedures (Queensland), UAFG is initially estimated and subsequently trued-up once actual final volumes are published. Note, legal fees and bad debts are actuals and sourced from the general ledger.	Section 3.1.1.2

2.1.d Shared Costs

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<p><i>Refer to Appendix D for a description of the systems and processes that support AGN's cost capture and reporting of operating costs, particularly in relation to shared costs allocated to AGN Queensland by AGN as presented below.</i></p> <p><i>A full explanation of the allocators used and reasons for their use, consistent with the AGN Cost Allocation Methodology, are set out in Appendix B.</i></p>			
Employee costs	This cell in Table 2.1 is linked to the Employee costs input cell in Table 2.4.1 – Shared cost allocation.	Estimate	Due to the process of allocating AGN's total in-house labour, which requires relevant personnel (who are employed at the group level) to estimate the time spent on each state and between regulated and unregulated businesses, the resulting amounts reported are considered estimated information by AGN.	Section 3.2.7

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Information technology and communication costs	This cell in Table 2.1 is linked to the Information Technology and Communication costs input cell in Table 2.4.1 – Shared cost allocation.	Actual		Section 3.2.7
Indirect operating Expenses	This cell in Table 2.1 is linked to the Indirect Operating Expenses input cell in Table 2.4.1 – Shared cost allocation.	Actual		Section 3.2.7
Shared asset depreciation	This cell in Table 2.1 is linked to the Shared Asset Depreciation input cell in Table 2.4.1 – Shared cost allocation.	Estimate (Calculated by AER RFM)	<p>The regulatory depreciation amounts reported in this table has been sourced from the Roll Forward Model (RFM) for AGN Queensland as published on the AGN website.</p> <p>Given the regulatory depreciation information is not statutory accounting information it has been classified as an estimate for the purposes of this financial reporting template.</p>	Section 3.2.7
Rental and leasing costs	This cell in Table 2.1 is linked to the Rental and Leasing costs input cell in Table 2.4.1 – Shared cost allocation.	Actual		Section 3.2.7
Borrowing costs	This cell in Table 2.1 is linked to the Borrowing costs input cell in Table 2.4.1 – Shared cost allocation.	Actual		Section 3.2.7
Loss from sale of shared fixed assets	This cell in Table 2.1 is linked to the Loss from Sale of Shared Fixed Assets input cell in Table 2.4.1 – Shared cost allocation.	Actual		Section 3.2.7

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Impairment Losses (nature of the impairment loss)	This cell in Table 2.1 is linked to the Impairment Losses input cell in Table 2.4.1 – Shared cost allocation.	Actual		Section 3.2.7
Other shared costs	This cell in Table 2.1 is linked to the Other Shared costs input cell in Table 2.4.1 – Shared cost allocation.	Actual		Section 3.2.7

2.1. Revenue by service

2.1.1.a Direct Revenue

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<i>AGN had no related parties during the year ending 31 December 2022.</i>			
Firm forward haul transportation services	Not applicable to AGN Queensland networks			Section 3.1.1
Interruptible or as available transportation services	Not applicable to AGN Queensland networks			Section 3.1.1
Backhaul services	Not applicable to AGN Queensland networks			Section 3.1.1
Firm stand-alone compression service	Not applicable to AGN Queensland networks			Section 3.1.1
Interruptible or as available stand-alone compression service	Not applicable to AGN Queensland networks			Section 3.1.1
Park and park and loan services	Not applicable to AGN Queensland networks			Section 3.1.1
Capacity trading service	Not applicable to AGN Queensland networks			Section 3.1.1
In pipe trading service	Not applicable to AGN Queensland networks			Section 3.1.1
Distribution/transmission revenue	The amount reported in this table has been sourced from AGN's SAP General Ledger and associated working papers prepared for the purpose of categorising revenue for regulatory and other management reporting purposes. The	Actual		Section 3.2.7

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	<p>revenue has been separated from revenue generated by other unregulated assets by reference to these associated working papers and quarterly revenue reconciliations provided by APA.</p> <p>Ancillary non-reference services and other unregulated-type services revenue has been deducted to reflect the equivalent of revenue formerly classified as regulated under full regulation.</p>			
Customer contribution revenue	Capital contributions received from customers are not treated as operating income but deducted from the related Capex incurred by AGN Queensland, such that the net cost is reflected in the RAB. Hence there are no capital contributions revenue to report in this table. This is linked to table 2.2.1.	Actual		Section 3.1.1
Government contribution revenue	Capital contributions received from Government bodies is not treated as operating income but rather deducted from the related Capex incurred by AGN Queensland, such that the net cost is reflected in the RAB. Hence there is no Government contributions revenue to report in this table. This is linked to table 2.2.2.	Actual		Section 3.1.1
Profit from sale of fixed assets	<p>AGN has no amount to report for Profit from sale of fixed assets in 2022.</p> <p>Profits from the sale of fixed assets can be sourced from AGN Queensland's SAP GL which is used to account for AGN Queensland's Property, Plant and Equipment assets and which is</p>	Actual		Section 3.1.1

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	integrated to a Fixed Asset Register for AGN Queensland.			
Other direct revenue	This category is mainly comprised of ancillary reference services (ARS) as listed in the published tariff schedules shown in worksheet 5.2. AGN utilises APA to provide the services categorised as ARS. The information to report ARS revenue against the categories shown in this table has been sourced initially from data provided by APA via its billing system Customer Care and Billing (CC&B) which also enables the recording of revenue reported in the RFAs each year. This data, provided by APA, lists revenue against service types that enables AGN to identify revenue for ARS services, amongst other types of services (e.g. Non-reference services). APA reconciles the revenue figures provided to AGN to its own General Ledger to ensure its accuracy.	Actual		Section 3.1.1

2.2 Revenue contributions

2.2.1 Customer contributions received

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<i>Capital contributions received from customers are not treated as operating income but rather deducted from the related Capex incurred by AGN to ensure that only that part of Capex which was funded by the business (gross Capex less customer contribution) is included in the RAB. Hence there is no Customer contributions revenue to report in this table.</i>			

2.2.2 Government contributions received

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<i>Capital contributions received from Government bodies is not treated as operating income but rather deducted from the related Capex incurred by AGN to ensure that only that part of Capex which was funded by the business (gross Capex less customer and government contribution) is included in the RAB. Hence there is no Government contributions revenue to report in this table.</i>			

2.3 Indirect revenue

2.3.1 Indirect revenue allocation

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<i>AGN Queensland has earned no indirect revenue to report in this table of the AER's financial information template.</i>			
	<i>By way of further explanation, other revenue items such as ancillary non-reference services and damages, were not subject to regulation and have therefore been excluded from revenue reported for AGN Queensland.</i>			

2.4 Shared Costs

2.4.1.a Shared cost allocation

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<p><i>Refer to Appendix D for a description of the systems and processes that support AGN's cost capture and reporting of operating costs, particularly in relation to Shared Costs allocated to AGN Queensland by AGN as presented below.</i></p> <p><i>A full explanation of the allocators used and reasons for their use, consistent with the AGN Cost Allocation Methodology, are set out in Appendix B.</i></p> <p><i>Unless otherwise set out below, the amounts reported in this table have been sourced from AGN's SAP General Ledger and working papers prepared by AGN for the purpose of allocating shared costs amongst the separate regulated (including light regulation) and unregulated pipelines owned by AGN, including AGN Queensland. The amounts reported in this table have been reconciled to AGN's SAP General Ledger.</i></p> <p><i>AGN had no transactions with related parties during the year ending 31 December 2022.</i></p>			
Employee costs	Employee costs for AGN personnel are pooled across AGN's operations and allocated on the basis of the increase in customer numbers, or directly where possible, in accordance with the processes set out in Appendix B.	Estimate	Due to the process of allocating AGN's total in-house labour which requires relevant personnel who are employed at the group level, to estimate the time spent on each state and between regulated and unregulated businesses, the resulting amounts reported are considered estimated information by AGN.	Section 3.2.7
Information technology and communication costs	Information technology and communication costs are pooled across AGN's operations and allocated on the basis of existing customer numbers in accordance with the processes set out in Appendix B.	Actual		Section 3.2.7

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Indirect operating expenses	AGN Queensland has no costs to report which are treated as Indirect Operating Expenses.	Actual		Section 3.2.7
Shared asset depreciation	Amounts reported for Shared Asset Depreciation represent depreciation on shared IT assets (as shown in the RFM) utilised by AGN Queensland. The amount reported has been adjusted to deduct a share of depreciation for AGN Queensland's unregulated activities based on the number of unregulated asset customers as a percentage of all AGN Queensland customers.	Estimate (Calculated by AER RFM)	The regulatory depreciation amounts reported in this table has been sourced from the Roll Forward Model (RFM) for AGN Queensland as published on the AGN website. Given the regulatory depreciation information is not statutory accounting information, it has been classified as an estimate for the purposes of this financial reporting template.	Section 3.2.7
Rental and leasing costs	Rental and leasing costs are pooled across AGN's operations and allocated on the basis of existing customer numbers in accordance with the processes set out in Appendix B.AGN	Actual		Section 3.2.7
Borrowing costs	AGN manages its debt facilities for the group as a whole, therefore expenditure reported in this category represents an allocation of the total borrowing costs associated with debt raising by AGN. Costs have been allocated to AGN Queensland in accordance with the processes set out in Appendix B. Expenditure reported for borrowing/debt raising costs comprise the following fees and charges paid in relation to raising debt financing for AGN:	Actual		Section 3.2.7

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	<ul style="list-style-type: none"> Agents fees Commitment fees Liquidity fees Registrar fees Rating agent fees Establishment/extension fees Legal fees Roadshow and associated travelling costs <p>As set out in Appendix B, these costs are allocated to each jurisdiction based on the Regulatory Asset Base (RAB) values, including AGN Queensland's light regulated assets.</p>			
Losses from sales of shared fixed assets	AGN Queensland has no Losses from Sales of Shared Fixed Assets to report.	Actual		Section 3.2.7
Impairment losses	AGN Queensland has no Impairment Losses to report.	Actual		Section 3.2.7
Other shared costs	<i>The nature of other shared costs as shown in this table are listed below:</i>			
Insurance	Insurance costs are pooled across AGN's operations and allocated based on customer numbers in accordance with the processes set out in Appendix B.	Actual		Section 3.2.7
Professional	Professional Costs which may include general legal, consulting and audit costs are pooled across AGN's operations and allocated on the basis of the increase in customer numbers, or directly	Actual		Section 3.2.7

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	where possible, in accordance with the processes set out in Appendix B.			
Corporate	Corporate Costs which may include ASIC, Sponsorships/Donations and other corporate fees are pooled across AGN's operations and allocated on the basis of customer numbers in accordance with the processes set out in Appendix B.	Actual		Section 3.2.7
Marketing	Marketing (costs relating to promoting the use of natural gas and rebates to customers) are pooled across AGN's operations and allocated on the basis of the increase in customer numbers, or directly where possible, in accordance with the processes set out in Appendix B.	Actual		Section 3.2.7
Other	Other costs (e.g. office expenses, travel, entertainment, conferences, subscriptions etc.) are pooled across AGN's operations and allocated on the basis of either customer numbers, RAB or directly where possible, in accordance with the processes set out in Appendix B.	Actual		Section 3.2.7

3. Statement of pipeline assets

3.1.a Pipeline assets

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
<p>2011-12 to 2022</p> <p><i>Note that 2011-12 to 2021-22 are full financial years whereas "2023-23" is only 6 months from July to December 2022</i></p>	<p><i>Refer to the Roll Forward Model (RFM) included in the pack posted on AGN's website for details of depreciation, Capex, disposals, capital contributions and RAB amounts associated with the categories in this table.</i></p> <p><i>Refer to Appendix D for a description of the systems and processes that support AGN's cost capture and reporting of Capex as presented below. These systems and processes provide the necessary level of detail required for AGN to report against the categories of Capex shown in the financial reporting template.</i></p> <p><i>The amounts of Nominal Capex shown in table 3.1 Pipeline assets, are shown net of customer and government contributions. The amounts of these customer and government contributions is separately reported in the Roll Forward Model for AGN Queensland against each category of Capex.</i></p> <p><i>The amounts of Capex reported in this table has been reconciled to the SAP General Ledger for AGN Queensland, which is used to account for its Property, Plant and Equipment assets and to the annual movements in the Fixed Asset Register for AGN Queensland.</i></p> <p><i>Note that the Roll forward Model (RFM) used to source the data disclosed in this table is based on July – June financial year. To retain the continuity of the previously established RAB, table 3.1 follows the same July – June financial year format until the 2021/22 financial year. The 2022/23 financial year presented in the table is only the first 6 months of that year (July – December 2022). Actual capex from July to December 2022 has been disclosed in this column along with RFM depreciation which has been divided by 2 to emulate a half year of depreciation.</i></p>			
<p>Nominal Opening Regulatory Asset Base</p>	<p>Prior to light regulation in November 2014 AGN Queensland was subject to full regulation. In accordance with the Financial Reporting Guideline for Light Regulation (the "Guideline"), the previously determined asset</p>	<p>Actual</p>		<p><i>Section 1.1.1 of the Guideline states: Where one exists, the last previously determined asset value from an access arrangement under the NGR, Gas Code or other Commonwealth, State or Territory legislation is to be</i></p>

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	<p>value under full regulation has been used as the opening RAB. The last approved access arrangement for AGN Queensland was for the period 2011-2016, consequently the last determined RAB was June 2011.</p>			<p><i>used to determine the opening asset value, which is then to be rolled forward in accordance with the RFM Material</i></p>
<p>Nominal Capex and Additions and Improvements capitalised</p>	<p>Capex reported for all years has been identified with reference to the expenditure captured in APA's Oracle finance system against relevant Capex categories. Between 2019 to 2023, a small share of AGN IT project capex has been allocated to Queensland.</p> <p>During the July 2011 to June 2016 period AGN changed its classification of NMF from Capex to Opex to reflect the AER's decision to include the expenditures associated with the proposed NMF³.</p>	<p>Actual</p>		<p>Section 3.2.2</p>

³ AER Draft Decision, Envestra Ltd Access arrangement proposal for the Qld gas network, p 136 <https://www.aer.gov.au/system/files/Envestra%20draft%20decision%20-%20Qld.pdf>

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	<p>Piecemeal mains replacement costs are also transferred from Capex to Opex.</p> <p>In accordance with the calculations incorporated in the Roll Forward Model (RFM) capex is adjusted by a 6 month period of WACC.</p>			
Depreciation	<p>Depreciation has been calculated using the regulatory asset lives for each asset class which are consistent with the asset lives disclosed in the respective Roll Forward Models and as described in section 3.1.1.a of this Basis of Preparation.</p> <p>In accordance with the calculations incorporated in the Roll Forward Model (RFM) regulatory nominal depreciation includes an adjustment for inflation.</p>	Estimate (Calculated by AER RFM)	<p>The regulatory depreciation amounts reported in this table has been sourced from the Roll Forward Model (RFM) for AGN Queensland as published on the AGN website.</p> <p>Given the regulatory depreciation information is not statutory accounting information it has been classified as an estimate for the purposes of this financial reporting template.</p>	Section 3.2.5
Disposals	Disposals are recorded as proceeds received when an asset is disposed of, as they are considered to be a return	Actual		Section 3.2.2

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	of capital. Asset disposals are relatively infrequent due to the nature of the assets employed to operate the network. The amounts of disposals reported in this table have been sourced from the SAP General Ledger for AGN Queensland and which are also recorded in the Roll Forward Model for AGN Queensland.			
Asset Categories	As required by the Guideline, Pipeline assets have been reported in the following classes of assets.			
Pipelines	Includes the RFM asset categories of "Mains" and "Inlets"			Section 3.2.1
Compressors	Not an AGN Queensland asset category			Section 3.2.1
City Gates, supply regulators and valve stations	Includes the RFM asset categories of "Other Distribution System Equipment"			Section 3.2.1
Metering	Includes the RFM asset categories of "Meters"			Section 3.2.1
Odourant plants	Not an AGN Queensland asset category			Section 3.2.1
SCADA (Communications)	Includes the RFM asset categories of "Telemetry"			Section 3.2.1

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Buildings	Not an AGN Queensland asset category			Section 3.2.1
Land and easements	Not an AGN Queensland asset category			Section 3.2.1
Other depreciable pipeline assets	Includes the RFM asset categories of "Other"			Section 3.2.1
Leased pipeline assets	Not an AGN Queensland asset category			Section 3.2.1
Shared supporting assets	Includes the RFM asset category "IT System". These shared supporting assets includes Capex for certain IT projects which are managed and delivered at the AGIG group level since 2019. The processes for allocation of AGIG group IT Capex, including allocation to AGN, of which a portion is allocated to AGN Queensland, is set out in the AGN Cost Allocation Methodology.			Section 3.2.1
Shared leased assets	Not an AGN Queensland asset category			Section 3.2.1
CPI	Indexation each year is based on the CPI weighted average of eight capital cities as published by the Australian Bureau of Statistics.			Section 3.2.1

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
	<p>For the years 2010-11 to 2015-16, the asset base is indexed using lagged March CPI (for instance for the year 2015-16, the asset base was indexed using March 2015 divided by March 2014 CPI), which reflects the Access Arrangement in place during that period.</p> <p>From 2016-17, the RAB was indexed using lagged December CPI reflecting a similar change made by the AER for fully regulated networks to shift from a 3 month to 6 month lag. As an example, the fully regulated South Australian network shifted from March to December from 2016-17.</p>			

3.1 Pipeline asset useful life

3.1.1.a Asset useful life

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Asset Life Changes from 1 July 2016	<p><i>Asset lives are sourced from the Roll Forward Model (RFM) and are mostly within the limits prescribed in the Guideline.</i></p> <p><i>Our depreciation schedule is designed such that our assets are depreciated over their economic life and allows for changes in the expected economic life of particular assets.</i></p> <p><i>With the increasing use of renewable electricity, uncertainty around future energy models, and the Queensland Government's state target to reach zero net emissions by 2050, there is uncertainty about the long-term future role of Queensland's natural gas network. While detailed policies to achieve this target have not yet been established, we believe these policies will tighten in the decades ahead, suggesting that in the absence of hydrogen being transported in the Queensland gas network (a prospect which is not without technical challenges), an economic life ending in 2050 would be aligned with this policy.</i></p> <p><i>Given the long-lived nature of some of our assets, this requires us to act now, as the relatively slow depreciation profile of network assets means that delays will make it harder to act in the long run interests of consumers in the future as changes accelerate. While significant uncertainty remains, since 1 July 2016 we have taken a conservative interim approach by adjusting the maximum asset life for our mains and inlet assets to 40 years such that these assets will be fully depreciated by 2057. Additionally, the asset life for our IT systems has been aligned with the five year maximum tax life recommended by the ATO for computer equipment since 1 July 2016. This change in depreciation will result in a lower RAB which reduces the return of capital on our asset base and the associated distribution prices for customers in 2022.</i></p> <p><i>Acquisition date is detailed as "Various" in table 3.1.1 as assets were acquired over various periods which represents the various range of dates in the Fixed Asset Register. As the asset categories per the RFM do not exactly align to the asset categories prescribed in the light regulation template, the useful lives disclosed in table 3.1.1 are the weighted average useful lives per the access arrangement. This will vary year on year as the weighted average useful lives change.</i></p>			
Pipelines Compressors City Gates, supply regulators and valve stations Metering	The Roll Forward Model published on AGN's website includes asset useful lives for these categories.			Appendix A

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Odourant plants SCADA (Communications) Buildings Other depreciable pipeline assets				

3.2 Shared supporting assets

3.2.1.a Shared supporting asset allocation

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2021	<i>Data has been sourced from the AER-approved opening RAB values from June 2011. The allocation to Queensland Light Regulated networks is based on the total IT asset value for AGN Queensland multiplied by the percentage of Light Regulated customers, compared to total customers (including unregulated asset customers i.e. the Wide Bay Pipeline and Distribution Network).</i>			

4. Recovered capital

4.1 Recovered capital method - pipeline assets

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2021	<i>An opening RAB value for AGN Queensland has been established from a previous access arrangement (2006-2011) when the network was subject to full regulation. Consequently, there is no requirement to report a recovered capital method value for its assets. In accordance with section 5 of the Guideline, Worksheet 4 is therefore not applicable to AGN Queensland.</i>			

4.1 Pipelines capex

4.1.1 Capital expenditure greater than 5% of construction cost

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
2022	<p><i>Capital expenditure amounts which are more than 5% of the construction cost are to be disclosed in worksheet 4.1 of the financial reporting template. This worksheet only applies to pipelines adopting asset valuation using the recovered capital method. AGN Queensland has not adopted this method, therefore this table 4.1.1 has not been completed.</i></p>			

5. Weighted average price

5.1 Weighted average prices

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Calendar year 2022 comprising of six months of 2021/22 and six months of 2022/23	<i>Section 7.3 of the Guideline states "Where the service provider's actual pricing is already presented on the service provider's website, the service provider may use the blank template (worksheet 5.2 of the financial reporting template) to set out its pricing information, in lieu of the format for presenting weighted average price information in worksheet 5.1 of the financial reporting template." In AGN Queensland's case, actual pricing is already presented on its website and therefore the tariff schedules for 2020/21 and 2021/22 have been copied into worksheet 5.2 in lieu of the weighted average price information required in Table 5.1.</i>			

5.1 Exempt WAP services

5.1.1 AER exemptions

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
<i>Not applicable to AGN Queensland because prices are published on its website.</i>				

5.2 Actual Pricing

Variable	Data Source, Methodology and Assumptions	Actual / Estimate	Justification (if estimated)	Guideline Reference
Calendar year 2022 comprising of six months of 2021/22 and six months of 2022/23	<i>Section 7.3 of the Guideline states "Where the service provider's actual pricing is already presented on the service provider's website, the service provider may use the blank template (worksheet 5.2 of the financial reporting template) to set out its pricing information, in lieu of the format for presenting weighted average price information in worksheet 5.1 of the financial reporting template." In AGN Queensland's case actual pricing is already presented on its website and therefore the tariff schedules for 2021/22 and 2022/23 have been copied into worksheet 5.2 in lieu of the weighted average price information required in worksheet 5.</i>			

Appendix A: Weighted Average Cost of Capital

This information relates to rows 280 to 290 of the tab "RFM input" covering the WACC and inflation in the Roll Forward Model workbook.

The weighted average cost of capital information is based upon the similar information provided to the AER as part of our South Australian business. That is, we use the same WACC and inflation data that are used in South Australia. This is because our South Australian and Queensland networks are owned and governed together within AGN.

Data for 2010-11 to 2015-16 (columns G through L in AGN Queensland Light Reg RFM 11-16.xls) are drawn from the AER's final decision for AGN South Australia made in May 2016, and more specifically the Roll Forward Model approved as part of that decision⁴.

Data from 2016-17 to 2020-21 (columns H through L in AGN Queensland Light Reg RFM 16-22.xls) are drawn from the AER's Roll Forward Model (FRM) Final Decision for the South Australian Gas Networks 2016/17 to 2020/21 Access Arrangement period published 30 April⁵.

Data from 2021-22 to 2022-23 (columns M through N in AGN Queensland Light Reg RFM 16-22.xls) are drawn from the AER's Roll Forward Model (FRM) Final Decision for the South Australian Gas Networks 2021/22 to 2025/26 Access Arrangement period published 30 April⁶.

The rate of return and inflation forecast for from 2021/2022 is taken from the AER's Final Decision for the South Australian Gas Distribution network 2021/22 to 2025/26 Access Arrangement period⁷.

In respect of how the data have been prepared, in every case, we have followed the approaches mandated by the AER. Further detail on:

- WACC is available in the 2018 Rate of Return Instrument⁸; and
- The Roll Forward Model and the PTRM is available in the handbooks⁹.

⁴ <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/australian-gas-networks-sa-access-arrangement-2016-21/final-decision> - see the "input" tab G176:L184

⁵ <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/australian-gas-networks-sa-access-arrangement-2016-21/final-decision> see "AER - Final decision – AGN(SA) access arrangement 2016-21 - RFM – May 2016" the "RFM input" tab, rows 282 to 289

⁶ <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/australian-gas-networks-sa-access-arrangement-2021-26> - see "AER - Final decision – AGN(SA) access arrangement 2021-26 - RFM – 30 April 2021" the "RFM input" tab, rows 282 to 289

⁷ <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/australian-gas-networks-sa-access-arrangement-2021-26> - see "AER - Final decision – AGN(SA) access arrangement 2021-26 - PTRM – 30 April 2021" cell G18 of the "WACC" tab for rate of return, and cell G377 of the "PTRM Input" for the inflation forecast

⁸ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/rate-of-return-instrument-2018/final-decision>

⁹ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/gas-financial-models-roll-forward-and-revenue-2020>

Appendix B: Shared Cost Allocation Principles

In accordance with section 3.2.7 of the Guideline, the following information is provided to support the allocation of shared costs to the AGN Queensland network:

The internal expenses incurred by AGN that are not already directly attributed to AGN Queensland, are allocated by applying an appropriate causal cost driver, as outlined below. Cost categories may be directly allocated, indirectly allocated or a combination of both.

There are three drivers primarily used as the basis of indirectly allocating AGN's internal expenses.

- Existing customer numbers
- Increase in customer numbers; and
- Regulatory asset base

When used, these cost allocators have been selected as being an appropriate driver due to being the most significant trigger of consumption or utilisation of resources for the given expenditure categories.

AGN allocates its internal expenses to each of the regulated and unregulated pipelines it owns in South Australia, Victoria, Queensland, New South Wales, the Northern Territory and to any other unregulated business activities.

Table B1 below lists the categories within AGN's expenses and the method or driver with which they are typically allocated. For completeness, the table also lists items of expenditure that are directly allocated.

Expenditure allocated in accordance with this methodology is accounted for as operating expenditure in AGN's regulatory reporting to the AER and encompasses all AGN's internal functions.

Table B1: Shared Cost Allocation

Expenditure categories	Directly Allocated	Indirectly Allocated	Basis of allocation to Regulated and Unregulated pipelines/activities	Reasons for selecting the allocator and is it the most appropriate
Corporate Costs (e.g. ASIC costs, insurance etc.)		X	<ul style="list-style-type: none"> Existing customer numbers 	<ul style="list-style-type: none"> Customer numbers indicate the size of the network and which drives associated risks from an insurance perspective
Debt Raising Costs (costs incurred in relation to raising debt instruments for investment in AGN's networks)		X	<ul style="list-style-type: none"> Regulatory Asset Base 	<ul style="list-style-type: none"> RAB is an indicator of borrowings, refinancing costs and debt commitments
Marketing (costs relating to marketing the use of natural gas and rebates to customers)	X	X	<ul style="list-style-type: none"> Direct Existing customer numbers 	<ul style="list-style-type: none"> AGN owns several gas networks across Australia. There are marketing efforts that are network based and others that are national. Customer numbers are the best indicator of where marketing attention is focused.
Other (e.g. office expenses, travel, entertainment, conferences etc.)	X	X	<ul style="list-style-type: none"> Existing customer numbers Regulatory Asset Base; and Direct 	<ul style="list-style-type: none"> A mix of drivers is used for other expenses depending on the nature of the cost.
Payroll Costs (salaries and related labour costs)	X	X	<ul style="list-style-type: none"> Increase in customer numbers; and Direct 	<ul style="list-style-type: none"> Increase in customer numbers is the most significant trigger of consumption or utilisation of AGN payroll resources.
Professional Costs (General legal, consulting and audit costs)	X	X	<ul style="list-style-type: none"> Increase in customer numbers; and Direct 	<ul style="list-style-type: none"> Increase in customer numbers is the most significant trigger of consumption or utilisation of AGN professional resources.

Appendix C: Net Tax Liabilities Table 1.1.1

Rules 76 of the NGR states that total revenue is to be determined for each regulatory year of the access arrangement period using the building block approach in which the building blocks are:

- a return on the projected capital base for the year; and
- depreciation on the projected capital base for the year; and
- the estimated cost of corporate income tax for the year; and
- increments or decrements for the year resulting from the operation of an incentive mechanism to encourage gains in efficiency (See Division 9); and
- a forecast of operating expenditure for the year.

Generally, tax costs are the same costs included in the building blocks, with the exception of depreciation. Tax depreciation is based on a much shorter tax life (accelerated depreciation) or calculated in a different way which creates a timing difference.

Coupled with this, equity earnings are taxable but the return on debt (i.e. interest expense) is deductible for tax purposes. As the allowed return on equity is an after-tax return, the regulatory building blocks must include a tax allowance. The revenue allowance must therefore allow for the appropriate payment of tax applicable to the annual taxable income of equity holders adjusted for tax imputation credits. The tax allowance is therefore given by the formula $t/(1-(1-\gamma)t)$ where t is the applicable company tax rate of 30% and γ is assumed to be 0.585 in 22/23. The applicable tax multiplier to be applied to taxable income is therefore $30\%/(1-(1-58.5\%)x30\%) = 34.27\%$.

The tax calculation which supports the net tax liabilities in Table 1.1.1. is shown below (\$m):

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Opening capital base	318.87	330.98	352.00	378.60	401.15	421.65	434.74	450.15	465.40	477.67	482.40	505.24
Less: capital contributions	(4.53)	(2.37)	(3.41)	(6.97)	(4.78)	(5.33)	(7.84)	(12.68)	(9.42)	(3.50)	(2.55)	(2.38)
Less: disposals	-	-	-	-	-	(0.03)	-	-	-	-	-	-
Net opening capital base	314.34	328.61	348.58	371.63	396.36	416.29	426.90	437.46	455.98	474.18	479.85	502.86
Proportion deemed funded by equity	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Capital base deemed funded by equity	125.74	131.44	139.43	148.65	158.55	166.52	170.76	174.99	182.39	189.67	191.94	201.14
After tax rate of return on equity	10.36%	10.36%	10.36%	10.36%	10.36%	7.10%	7.10%	7.10%	7.10%	7.10%	5.37%	5.37%
After tax return on equity	13.03	13.62	14.45	15.40	16.43	11.82	12.12	12.42	12.95	13.47	10.31	10.80
Timing differences:												
Add: Regulatory depreciation	5.92	3.29	2.02	7.63	8.32	7.35	6.16	7.48	8.20	13.93	2.15	(18.83)
Less: Regulatory tax depreciation	(6.92)	(7.82)	(9.13)	(10.83)	(13.00)	(17.75)	(19.07)	(20.60)	(21.69)	(21.95)	(23.33)	(24.96)
Net timing differences	(1.00)	(4.54)	(7.11)	(3.20)	(4.68)	(10.40)	(12.91)	(13.11)	(13.49)	(8.02)	(21.18)	(43.78)
Regulatory taxable income	12.03	9.08	7.34	12.20	11.75	1.42	(0.78)	(0.69)	(0.54)	5.45	(10.87)	(32.98)
Tax allowance:												
Statutory tax rate (t)	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Value of imputation credits (γ)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.585	0.585
Effective tax rate [$t/(1-(1-\gamma)t)$]	38.71%	38.71%	38.71%	38.71%	38.71%	38.71%	38.71%	38.71%	38.71%	38.71%	34.27%	34.27%
Tax allowance	4.66	3.52	2.84	4.72	4.55	0.55	(0.30)	(0.27)	(0.21)	2.11	(3.72)	(11.30)
Less: Value of imputation credits	(1.16)	(0.88)	(0.71)	(1.18)	(1.14)	(0.14)	0.08	0.07	0.05	(0.53)	2.18	6.61
Tax Payable	3.49	2.64	2.13	3.54	3.41	0.41	(0.23)	(0.20)	(0.16)	1.58	(1.55)	(4.69)
Regulatory taxable income	15.52	11.72	9.47	15.74	15.16	1.83	(1.01)	(0.89)	(0.70)	7.03	(12.42)	(37.67)
Cumulative Losses	-	-	-	-	-	-	(0.23)	(0.43)	(0.58)	(0.58)	(2.13)	(6.82)
Net Tax Liabilities	3.49	2.64	2.13	3.54	3.41	0.41	-	-	-	1.58	-	-

Appendix D: Cost Collection and Reporting Process – Capex and Opex

Source of financial data

Financial data for this Light Regulation Financial Reporting Template was sourced from AGN's finance system (SAP Business One) and from other information provided by AGN's principal capital delivery contractor, APA Asset Management (APA). AGN utilises Excel spreadsheets to consolidate detailed financial information provided by APA with information from its own finance system and to undertake cost allocation processes, for the purpose of producing the data required to complete the AER's financial reporting templates. This information and the associated processes are explained further below.

AGN's capital delivery contractor and operating and management sub-contractor (APA)

When AGN was known as Envestra Limited (Envestra), the delivery of its distribution network capex program and the operation and management of its distribution network was out-sourced to APA under an operating and management agreement. This arrangement (the 'OMA') commenced on 2 July 2007 and has continued since that time, including through Envestra's change of ownership and rebranding as "Australian Gas Networks" in October 2014.

APA charges AGN for these services on a 'cost pass-through' basis each month, plus the agreed Network Management Fee (NMF). The NMF represents APA's margin under the agreement.

APA's business support and overhead costs are allocated to capital expenditure in accordance with the processes outlined in the AGN Cost Allocation Methodology (CAM). For regulatory accounting purposes, AGN does not capitalise any of the NMF as 100% of the NMF paid to APA is treated as operating expenditure.

Source of financial data provided by APA

APA uses an enterprise resource planning system (Oracle) and an asset management system (Maximo) to capture costs which are assigned to master data identifiers including tasks, activities and expense types. In addition, with the use of additional master data identifiers (i.e. project codes and cost centres) APA records its expenditure against specific regulated and unregulated gas pipelines operated by AGN in each state and to relevant regions within each state (also referred to as business zones).

Capex

APA provides detailed information about capital expenditure on AGN's regulated and unregulated pipelines directly from Oracle and via its business intelligence (BI) tool 'Cognos'. The output created from this is known as the Ring Fenced Accounts (RFA). The RFA is prepared by APA each half year and reports on all expenditure (operating and capital), including the capitalisation of support and shared business costs and allocations into each of AGN's regulated and unregulated business zones. The RFAs have been, and continue to be a key source of data for regulatory reporting purposes. Amongst other things, capital expenditure information from the RFAs is used to reconcile to the additions to the fixed assets register for the Queensland light regulation network.

AGN fully reconciles all sources of capital expenditure reporting provided by APA with its own SAP general ledger, separate billing data received from APA and with reporting provided in the AER's financial reporting templates.

Opex

APA provides detailed information about operating expenditure on AGN's regulated and unregulated pipelines via its business intelligence (BI) tool 'Cognos'. This information enables AGN to map expenditure into the categories that are defined in the AER's financial reporting templates (e.g. Repairs and Maintenance, License and Regulatory Costs and the various Shared Costs categories).

Operating expenditure information from APA is produced using its Cognos BI tool which extracts data from Oracle. This information is provided as part of the 'Ring Fenced Accounts' prepared by APA each half year. The Ring Fenced Accounts (RFAs) report on all expenditure (operating and capital), including the allocation of support and shared business costs into each of AGN's regulated and unregulated business zones. The RFAs have been, and continue to be a key source of data for regulatory reporting purposes.

AGN fully reconciles the operating expenditure reporting provided by APA in the RFAs with its own SAP general ledger, separate billing data received from APA and with reporting provided in the AER regulatory templates.

AGN business systems and cost capture

AGN utilises SAP Business One (SAP) to capture costs at the general ledger account code, department and state level where applicable. Given the arrangements with APA, AGN does not operate a full enterprise resource planning (ERP) system. Within SAP, AGN utilises the general ledger and accounts payable modules.

Monthly charges invoiced from APA are recorded in AGN's general ledger via journal entries which assign costs to general ledger account codes, departments and state codes. These entries provide control totals against which separate reporting provided by APA, including Monthly Management and Operating Reports, is able to be reconciled.

Capex

The detailed view of network capital expenditure delivered by APA is provided via separate reporting outside of AGN's core finance systems, as described above (e.g. the Ring Fenced Accounts, via Cognos BI reporting tools and the Capex Data Model in Microsoft Excel format). This information is used to complete the AER's financial reporting templates.

Adjustments are made by AGN to the network capital expenditure reported by APA which are recorded in the Excel spreadsheets that form the working papers which support the data reported in the regulatory templates. These adjustments are in accordance with AGN Queensland's Regulatory Accounting Principles and Policies document.

AGN's internal non-network capital expenditure, primarily relating to corporate ICT systems and office furniture and fittings, is captured in the SAP general ledger by account code, which enables reporting against categories defined in the AER's financial reporting templates.

AGN does not capitalise any of its general corporate management and administration costs for regulatory accounting purposes, unless it can be specifically linked to a capital activity (e.g. a corporate IT project). This is in accordance with the AGN Queensland Regulatory Accounting Principles and Policies document.

Opex

Monthly charges invoiced from APA are recorded in AGN's general ledger via journal entries which assign costs to general ledger account codes, departments and states. These entries provide control totals against which separate reporting provided by APA is able to be reconciled.

The detailed view of network operation and management expenditure undertaken by APA is provided via separate reporting outside of AGN's core finance systems, as described above (e.g. the Ring Fenced Accounts). This information is used to complete the AER regulatory templates.

AGN's internal operating expenditure for its corporate management and administration costs, is captured in the SAP general ledger by account code, department and state where applicable, which enables reporting against categories defined by the AER regulatory templates.

A reporting tool outside of SAP (Qlikview) is used by AGN to extract operating expenditure data from SAP and to produce reports for regulatory and other financial management purposes.

These reports are exported into Excel spreadsheets which are used for the purpose of consolidating financial data (APA sourced and AGN data) and to undertake cost allocation processes across AGN's regulated and unregulated business zones in accordance with the AGN CAM. Consolidation processes include combining detailed operating expenditure information provided by APA with AGN's own internal operating expenditure information.

Reconciliation of data and information reported to the AER

As already mentioned above, AGN fully reconciles all sources of capital expenditure reporting provided by APA, back to control totals in its own SAP general ledger, additions to the fixed assets register for AGN Queensland and separate invoices received from APA which are entered into the general ledger.

AGN also fully reconciles operating expenditure reporting provided by APA, back to control totals in its own SAP general ledger and separate invoices received from APA which are entered into the general ledger.

All financial information provided to the AER in the financial reporting templates is also reconciled back to AGN's SAP general ledger.