Energy
Infrastructure
Investments

Telfer Gas Pipeline

Financial Reporting Guideline for non-Scheme Pipelines

Basis of Preparation
29 April 2025

Contents

1 Introduction

In August 2017, the Council of Australian Governments (**COAG**) Energy Council introduced an Information Disclosure and Arbitration Framework to apply to gas pipelines that were not subject to other economic regulation. These pipelines are referred to as 'non-scheme' pipelines, and the framework was implemented through a new Part 23 to the National Gas Rules.

The Objective of the Scheme, as stated in Part 23 of the National Gas Rules, is as follows:

(1) The objective of this Part is to facilitate access to pipeline services on non-scheme pipelines on reasonable terms, which, for the purposes of this Part, is taken to mean at prices and on other terms and conditions that, so far as practical, reflect the outcomes of a workably competitive market.

(2) This Part is intended to contribute to achieving the objective in subrule (1) by means of:

 (a) requirements for the publication and exchange of information to facilitate timely and effective commercial negotiations in relation to access to non-scheme pipelines;

 (b) a commercially-orientated arbitration process to resolve access disputes in a cost-effective and efficient manner; and

 (c) principles that the arbitrator must have regard to when determining access disputes, which are consistent with the outcomes of a workably competitive market.

As part of the information disclosure requirements, pipeline service providers must publish specific financial information in accordance with a Financial Reporting Guideline developed by the relevant regulator.

The Economic Regulation Authority (**ERA**) has prepared a Financial Reporting Guideline (the **ERA Guideline** or **Guideline**) as required under Rule 557. This Basis of Preparation document should be read in conjunction with that Guideline and Part 23 of the National Gas Rules.

The ERA Guideline creates a new Special Purpose Financial Reporting Framework which differs in significant ways from the normal statutory reporting framework defined by Australian Accounting Standards. Because of these differences, the information produced under Part 23 will not reconcile to some of the financial information prepared by the Service Provider under Australian Accounting Standards.

Part 23 requires reporting in three distinct categories:

1) Pipeline Financial Information, which complies with Australian Accounting Standards, except where the Guideline provides a methodology that is not consistent with that disclosed under Australian Accounting Standards;

2) An asset valuation under the Recovered Capital Method; and

3) Weighted average price information.

The preparation of this information is discussed in this document, with the reports provided in the accompanying templates.

Rounding

Totals in the templates provided may not add due to rounding.

About Energy Infrastructure Investments Pty Ltd

Energy Infrastructure Investments Pty Ltd (ABN 95 104 348 852) (**EII**) owns a suite of gas and electricity infrastructure assets.

Service Provider and owner of the Telfer Pipeline asset is EII Transmission Services WA (Operations) Pty Ltd., and the ultimate owner is EII.

EII in turn is owned by:

- MM Midstream Investment Pty Ltd (**Marubeni**) 49.9%
- Osaka Gas Energy Oceania Pty Limited (**Osaka Gas**) 30.2%
- APA Group Limited (**APA**) 19.9%

1.1 Updates

As this Basis of Preparation document serves as the basis of preparation for the last 7 years of financial reporting published on APA's website, this section will highlight any updates to prior years reporting.

1.1.1 CY21 published information in May 2022

Amended reporting template

For the May 2022 reporting, ERA amended the reporting templates to include a Summary worksheet which auto fills grey cells from within the reporting template. This worksheet has no assurance requirements.

Further changes were made by the ERA to the revenue tables on worksheet 2 and 2.1. This resulted in previously reported revenue as part of table 2.1.1 being reclassified to table 2.1 to ensure compliance with the latest reporting requirement (such as park services).

2018-2020

Table 2.1: Statement of pipeline revenues and expenses

Basis of Preparation reference	Description
	Direct revenue
	Total service revenue
	Other direct revenue
	Total direct revenue
	Indirect revenue allocated
	Other revenue
	Total indirect revenue allocated
	Total revenue

2021

Table 2.1: Statement of pipeline revenues and expenses

Basis of Preparation reference	Description
	Direct revenue
	Total service revenue
	Customer contribution revenue
	Government contribution revenue
	Profit from sale of fixed assets
	Other direct revenue
	Total direct revenue
	Indirect revenue allocated
	Other revenue
	Total indirect revenue allocated
	Total revenue

2018-2020

Table 2.1.1: Revenue by service

Basis of Preparation reference	Description
	Direct revenue
	Firm forward haul transportation services
	Interruptible or as available transportation services
	Backhaul services
	Firm stand-alone compression service
	Interruptible or as available stand-alone compression service
	Park and park and loan services
	Capacity trading service
	In pipe trading service
	Distribution/transmission revenue
	Customer contribution revenue
	Profit from sale of fixed assets
	Other direct revenue
	Total direct revenue

2021

Table 2.1.1: Revenue by service

Basis of Preparation reference	Description
	Revenue by service
	Firm forward haul transportation services
	Interruptible or as available transportation services
	Backhaul services
	Firm stand-alone compression service
	Interruptible or as available stand-alone compression service
	Park services
	Park and loan services
	Capacity trading service
	In pipe trading service
	Other pipeline revenue (if relevant)
	Total service revenue

2 Pipeline Financial Statements

2.1 *Sources of information*

APA provides operation and commercial services for the Telfer gas pipeline.

During the year APA used the following enterprise resource planning (ERP) systems:

- Oracle, from 1 January 2024 to 31 March 2024; and
- Workday, 1 April 2024 to 31 December 2024.

These systems are the primary source of financial information and support the preparation of EII's audited financial statements. These Statements which are prepared in accordance with the requirements of Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Financial information generated by the APA Oracle/Workday financial systems underpins the reported *Statement of Pipeline Revenue and Expenses* and *Statement of Pipeline Assets* for the following categories:

- **Revenue:** The APA Oracle/Workday financial systems revenue recognition complies with the revenue recognition principles prepared in accordance with the requirements of Australian Accounting Standards.
- **Operating direct costs:** EII's operating cost categories are in line with the categories identified in section 3.1.1.2 of the Guideline (p9).
- **Assets:** Consistent with the ERA Guideline, fixed asset opening cost bases reflect the acquisition value of the assets to the owners of EII. Post-acquisition capital additions are recorded consistent with statutory financial reporting requirements.

2.2 *General methodology and principles*

Methodologies used for the preparation of the *Statement of Pipeline Revenue and Expenses* and *Statement of Pipeline Assets* are broadly consistent with the methods used in the preparation of EII's statutory financial statements.

Financial information for the Telfer non-scheme pipeline has been prepared based on the relevant Service Provider's Trial Balance. The *Statement of Pipeline Assets* includes all assets connected with the asset base of the non-scheme pipeline which, consistent with the Guideline, reflects the acquisition value to the owners of EII.

There are instances where the reporting of the non-scheme pipelines does not align with legal entity reporting. In these instances, the financial information provided is generally supported by EII's management reporting, and the information has been further verified through underlying customer contracts, third party operating agreements, direct costs and detailed reviews of invoices and asset registers as relevant.

The *Statement of Pipeline Revenue and Expenses* and *Statement of Pipeline Assets* for the Telfer Gas Pipeline has been audited by Deloitte Touche Tohmatsu, in accordance with the Australian Auditing Standards.

Management is currently in negotiations to extend the commercial life of the Telfer gas pipeline, which management believes is probable. Furthermore, we note that EII forms a deed of cross guarantee to which Telfer is a part of. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. There are reasonable grounds to believe that Telfer will be able to meet any obligations or liabilities to which they are or may become subject to and the financial information is prepared on a going concern basis.

2.3 Statement of pipeline revenue and expenses

2.3.1 Revenue

In accordance with Australian Accounting Standards, revenue is recognised at an amount that reflects the consideration to which the service provider expects to be entitled in exchange for the provision of services to a customer (the performance obligations) under a contract. EII recognises revenue when control of a product or service is transferred to the customer. Amounts disclosed as revenue are net of duties and taxes paid. Direct revenue is derived from transportation services.

Revenue from contracts with customers may either be identified as separate performance obligations or a series of distinct performance obligations that are substantially the same, have the same pattern of transfer and are therefore treated as a single performance obligation that is satisfied over time. This includes both firm and interruptible services. The amount billed corresponds directly to the value of the performance to date.

Revenue is directly attributed to the pipeline that earns the revenue[1] based on the underlying contract and has been allocated to revenue categories in accordance with the Guideline as direct revenue. In those instances where a type of service does not align with a template category, they are reported as ‘Other direct revenue’ line item in table 2.1 on worksheet 2. This is as a result of an update to the ERA template from 2021 onwards for the categorisation of revenue in table 2.1. The types of revenue reported under ‘Other direct revenue’ in table 2.1 is the amortisation of a significant financing component under *AASB 15 Revenue from Contracts with Customers*.

Any revenue that is generated under agreements that do not separate the revenue by pipeline has been allocated to each pipeline using an appropriate methodology or allocator. Further information on the revenue allocation on the Multi Asset Services is found in section 2.3.1.2 below.

2.3.1.1 Related party transactions

The Telfer pipeline does not provide any related party services.

[1] The Nifty lateral, exempt under Part 23, commences at the end of the Telfer pipeline.

2.3.1.2 *Revenue from Multi Asset Services and allocation methodology*

Where EII provides services across the Nifty and Telfer pipelines under a single contract (**Multi Asset Services**) it is necessary to allocate the revenue from those services across both pipelines providing that service, please refer to section 4.2.1 Revenue by pipeline.

The portion of revenue attributed to the service provider is reported as direct revenue in Table 2.1.1 of the reporting template.

2.3.2 Costs

All costs (operating and capital) are invoiced monthly from the operator to EII, identifying the relevant asset to which the cost relates.

The operator has attributed costs directly to projects, activities and services where possible and appropriate.

The reported directly attributable costs and other attributable costs in the *Statement of Pipeline Revenue and Expenses* are inclusive of a margin on outsourced operations under the Management, Operations, Maintenance, and Commercial Services Agreement (**MOMCSA**) as approved by the AER for EII's regulated assets.

2.3.2.1 *Depreciation expense*

Depreciation expense for the non-scheme pipeline has been calculated in line with the service provider's economic useful lives for pipeline asset classes which are reported in Table 3.1.1. This is a departure from the prescribed asset life as set out in Appendix A to the Guideline. EII's asset lives range from 5-14.8 years and is aligned to the end of the underlying revenue contracts (the end of the asset's economic useful life).

2.3.2.2 *Shared support costs*

EII outsources its corporate support costs to APA under the MOMCSA as approved by the AER for EII's regulated assets. The total corporate support costs are allocated among the EII assets on the basis of revenue and are reported in Table 2.1 as part of Other direct costs category.

2.4 *Statement of pipeline assets*

2.4.1 Asset valuation principles

Consistent with section 2.3.2 above, all capital expenditure is captured in the APA financial systems through cost centre and project reporting. Capital costs are assessed in accordance with *AASB 116 Property, Plant and Equipment*. Once it has been determined that it is appropriate to capitalise the costs, they have been attributed directly as described in section 2.3.2.

The asset values in the *Statement of Pipeline Assets* have used the straight-line depreciation method, which is consistent with Australian Accounting Standards. The asset values represent acquired cost, plus capital expenditure, less disposals and less depreciation based on the service provider's economic useful lives of the assets.

The useful lives range from 5-14.8 years and is aligned to underlying revenue contracts (the end of the asset's economic useful life).

No revaluations of the asset base have been included in the *Statement of Pipeline Assets*.

2.4.2 Capitalisation principles

Construction, acquisition, major maintenance and asset replacement costs are capitalised in accordance with *AASB 116 Property Plant and Equipment (AASB 116)*. The asset is capitalised when commissioned and any capital work in progress at period end is reported in the *Statement of Pipeline Assets* as "Other non-depreciable assets".

Consistent with *AASB 116*, the cost of major inspections has been added onto the carrying value of the pipeline asset in the capital maintenance line of the reporting template where applicable. Costs of previous major inspections are simultaneously derecognised.

The following costs associated with routine maintenance and repairs are expensed as incurred:

- administration and general overhead costs;
- labour and consumables; and
- staff training costs.

2.4.3 Depreciation principles

Depreciation has been calculated consistently based on the lower of the economic useful lives of the assets or the asset lives principles set forth in section 3.2.3 of the Guideline (p14).

For non-pipeline asset classes, EII has applied depreciation principles in line with statutory reporting and the assets are depreciated over the economic useful life which is in accordance with Australian Accounting Standards.

2.4.4 Shared support assets

Included within the shared support assets section in the Statement of Pipeline Assets Table 3.1 is a Deferred Tax Asset solely relating to timing differences on the Telfer Gas Pipeline.

As EII outsources its corporate support function to APA, EII has no other shared supporting assets being allocated to the service provider.

2.4.5 Carrying value review principles

EII tests reported book values of property, plant and equipment, intangibles and goodwill for impairment annually or whenever there is an indication of impairment.

Assets other than goodwill that have previously reported an impairment are reviewed for possible reversal of the impairment at each reporting period.

It is noted that the Part 23 Carrying Value review undertaken utilises Part 23 assumptions, and by definition this review is separate to the carrying value reviews undertaken for EII's Statutory Financial Reporting. The values are not to be considered in the context of EII's statutory financial reporting processes.

The Part 23 carrying value review is completed using different assumptions to EII's statutory carrying value review, for example the Part 23 carrying value review is undertaken on an individual standalone pipeline basis rather than a cash generating unit basis.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell or value-in-use.

The recoverable amounts for each asset are determined based on value-in-use calculations. These calculations use cash flow projections based on economic asset life, contractual minimum bill cash flows and forecast throughput volumes. This is consistent with EII's forecasting and planning processes which represents the underlying nature of associated customer contracts on its asset portfolio.

In the instance of an impairment for Part 23 purposes this has been further disclosed on Tab 6 and displayed in Table 3.2.1 of the reporting template.

3 Asset value determined using the recovered capital method

3.1 Overview

An asset valuation calculated using the Recovered Capital Method (**RCM**) is intended to estimate the remaining value of a pipeline asset, in nominal terms, after allowing for ongoing capital expenditure, recovery of operating costs, a commercial return on capital, and tax thereon. It also includes an allowance for end-of-life decommissioning and environmental rehabilitation costs.

This calculation requires information regarding the original construction cost of the pipeline, in nominal terms in the hands of the original project proponent, and annual information on ongoing capital expenditure, operating costs, the required returns on capital in any given year commensurate with prevailing conditions in the market, and an estimate of the tax burden on the return on capital.

Column totals, in Table 4.1: Recovered capital method – pipeline assets, may not add due to rounding.

3.2 Sources of information

While some of the required information can be drawn from published financial information, some cannot be observed, and consistent with section 4.1 of the Guideline (p20), must be estimated or calculated based on a set of inputs.

This section outlines the sources of information applied, and the calculation methodologies and relevant inputs where appropriate.

3.2.1 Original construction cost information

The Telfer gas pipeline was constructed by APA, and accordingly original construction cost information was extracted from the APA financial accounting system and fixed asset registers, as appropriate. Historical archived hard copy documents were consulted where necessary.

Disposals have been recorded at gross historical cost to avoid double counting (book and RCM) depreciation.

3.2.2 Revenue and operating expenditure

Revenue information has been drawn directly from the APA financial systems. For some periods, it was not possible to delineate revenue associated with the Telfer pipeline from that associated with the (exempt) Nifty lateral. This is discussed in Tab 6 of the reporting template.

3.2.3 Shared support assets

As EII outsources its corporate support function to APA, it does not have any shared supporting assets.

3.2.4 Return on capital

The Guideline requires that the return on capital (p20):

> *… should be determined for each year and should be commensurate with the prevailing conditions in the market for funds and reflect the risks the service provider faces in providing pipeline services.*

The return on capital to be reported in accordance with this Guideline cannot be read from the published financial statements; it must be estimated using reasonable input parameters and assumptions as outlined below.

The return on capital has been calculated for the Telfer non-scheme pipeline on a stand-alone basis. This approach is consistent with the requirement in Section 3.3 of the Guideline (p18):

> *Return on assets is to be provided on a standalone pipeline basis.*

Capitalisation

In estimating the return on capital for the purposes of the RCM calculation, it is necessary to assume a level of debt and equity capitalisation.

The reported RCM calculations assume that the total capital held by the business in any given year equals the opening value of the RCM capital base plus half the current year capital expenditure. This cannot be read from the statutory financial statements, even where the business is a single asset service provider.

For example, where an asset has been acquired, the amount of debt and equity capital financing held by the business would be expected to reflect the acquisition cost of the asset. It is likely that the amount of capital held by the business would differ from the value of the capital base as reported under the RCM.

Capital structure

The EII RCM analysis commences with an assumed capital structure made up of 60% debt and 40% equity.

In any given year, the outstanding amounts of debt and equity sum to the running total opening capital base as calculated to date under the RCM, plus the current year's capital expenditure.

The original construction cost is considered to be funded according to the opening 60/40 capital structure. However, the capital structure may be amended through the RCM analysis. In particular, where the RCM asset valuation shows a revenue shortfall[2], this shortfall is modelled to be made up by additional contributions from equity holders rather than by additional borrowing (following the well accepted principle that lenders will not finance losses). New capital expenditure is assumed to be funded by the 60/40 proportions of debt and equity. Capital expenditure is augmented by a half-year return in the year incurred.

[2] ERA Financial Reporting Guideline p20: "Note that under the recovered capital method, if a service provider has not generated sufficient revenue to recover the operating expenditure, return on capital and net tax liabilities in a year, then the return of capital value will be negative, which will increase the value of the capital base."

Return on debt

A market interest rate was determined by an expert firm in the financial services sector, reflecting the opportunities for a business such as the service provider to raise capital, including any adjustments to the gearing ratio that may be required. This analysis allowed a market return on debt to be estimated, having regard to the observed spread above a well-reported swap rate and a premium applied for smaller size and single-asset businesses. The expert firm has calculated a cost of debt for all years included in the RCM analysis.

Return on equity

The return on equity has been estimated using the Capital Asset Pricing Model (**CAPM**):

$$R_e = R_f + \beta\ (R_m - R_f)$$

Where:

R_e	is the Return on equity in the relevant year;
R_f	is the Risk Free Rate in the relevant year;
β	is Beta, a measure of the risk of the asset relative to the market; and
$(R_m\text{-}R_f)$	is the “Market Risk Premium”.

Historical data set

The data set used to estimate the R_f component for historical years is that developed by Brailsford, Handley and Maheswaran (2012)[3] as updated.

Beta

The service provider adopts a beta value of 1.0, reflecting the risks the service provider faces in providing pipeline services as a single-asset unregulated pipeline business, subject to the market and the market of its customers.

Market risk premium

A market risk premium of 6.5% has been applied in the CAPM described above. This is consistent with the standard market accepted risk premium over the reporting period.

Return on equity

The calculated return on equity is applied to the “running total” opening RCM capital base multiplied by the equity ratio (as discussed under “Capital structure” above).

3.2.5 Net tax liabilities

In order to estimate a net tax liability, EII has adopted a post-tax approach with net tax liabilities, by undertaking an abbreviated tax calculation as below:

1. starting with revenue as reported above;
2. less operating expenditure as reported above;

[3] Tim Brailsford, John C. Handley, and Krishnan Maheswaran. (2012) "The historical equity risk premium in Australia: Post-GFC and 128 years of data" Accounting and Finance, 52 (1), 237-247.

3. interest expense was taken to match that used in the Return on Capital calculation as discussed above;

4. tax depreciation was calculated based on accumulated capital expenditure as reported above, with tax depreciation calculated on a straight line basis over a 20 year life, commencing in the year after expenditure; and

5. tax liability was calculated as this year's taxable income, multiplied by the prevailing tax rate for the relevant year. Where tax losses are generated through this calculation, they are accumulated and preserved, and used to offset against future net tax liabilities as they arise.

3.2.6 Negative residual values

The ERA Guideline (p19) and the reporting template provides for a negative residual value to be recorded to account for end-of-life decommissioning and reclamation costs.

EII has not included negative residual values in this reporting.

3.3 Estimates

Due to the age, the nature of the pipeline acquisition and the lack of historical information, it was necessary to estimate inputs into the RCM calculation for the Telfer pipeline.

For those occasions where there were gaps in a series of historical financial information, EII undertook a range of estimation approaches as appropriate to the circumstances:

- where the data stream (revenue, operating expenditure, etc) evidenced a steady pattern, EII interpolated gaps using a straight line methodology; and
- where gaps existed in the capital expenditure stream, EII applied a straight-line approach to interpolate between the historical asset values before and after the gap.
- fixed assets registers (based on the "as commissioned" method) have been relied upon to report the capital expenditure additions. "As incurred" capital expenditure was not available, as historical capital work in progress records were not provided by the previous owner.
- most capital expenditure on the pipeline is "stay-in-business" capital expenditure. This is capital expenditure of a minor, routine nature, which is generally completed in the same fiscal year in which it commences – that is, the "as incurred" amount will equal the "as commissioned" amount. For this reason, APA considers that using "as commissioned" capital expenditure is a reasonable approach to estimating "as incurred" capital expenditure. Projects routine in nature which are generally completed in the same fiscal year.
- Further detail in relation to estimates are provided in Tab 6 of the reporting template.

3.4 Updates

3.4.1 Update – 2021 published information

Regarding the treatment of the half-year WACC on current year capex:

Australian regulatory practice provides for a return on capital to be applied to capex as incurred. Assuming that assets are brought into service evenly throughout the year, a "half-year WACC" is capitalised in the asset value, providing for financing costs between the time an asset is brought into service and the start of the next regulatory year, in which a return on the in-service asset is provided.

For RCM reporting prior to CY 2021, EII reported this "half-year WACC" in the Return on Capital component of the RCM calculations. A review of the Financial Reporting Guideline for non-Scheme Pipelines (p20) identified that this treatment was in error, as the Return on Capital should be applied to "the closing value of the capital base from the immediately preceding year". EII's approach incorrectly calculated the Return on Capital as being based on the closing balance from the immediately preceding year plus half the capital expenditure in the year.

For RCM reporting published in the reporting template from 2021, the Return on Capital has been calculated, for all reported years, based on "the closing value of the capital base from the immediately preceding year". The "half-year WACC" has been added to the reported capital expenditure and capitalised as part of the asset value, consistent with regulatory practice.

This had an immaterial impact on the RCM calculations. Previously where the Return on Debt related to the current year capital expenditure was considered to be tax deductible as part of the Net Tax Allowance calculation, this is now capitalised as part of the asset value.

3.5 Notification from the ERA

As per the Guideline, the RCM value must be determined when the cost of construction of the pipeline and pipeline assets are incurred. When reconstructing the RCM value of the pipeline, due to limitations in obtaining historical capital work in progress records, capital expenditure additions were sourced from fixed asset registers (assets were recognised as commissioned). For purposes of consistency, APA continues to source capital expenditure additions from fixed asset registers, despite the availability of capital work in progress records.

As per discussions between the ERA and APA, from CY23 onwards, capital expenditure additions in the RCM calculation for the APA pipelines located in Western Australia will be as follows:

- For pipeline assets, capital expenditure will be reported "as incurred".
- For shared support assets and shared leased asset, capital expenditure will be reported "as commissioned".

It is important to note that as only pipeline assets are included in Telfer's RCM calculation, expenditure since CY21 has been accounted for "as incurred".

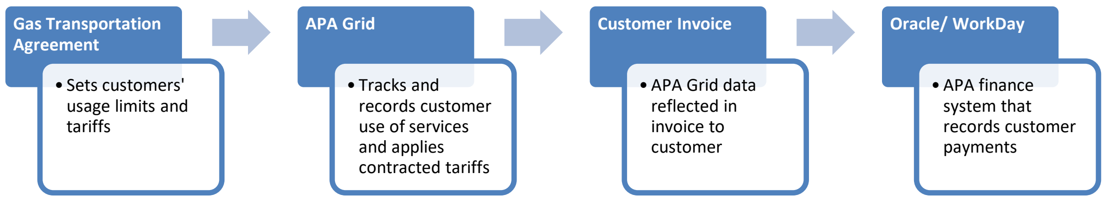
4 Weighted average price information

4.1 Sources of information

EII has used invoice data for each pipeline for each month of the reporting period to derive weighted average price information. Invoice data is the source for both the revenue and usage data required to perform the weighted average price calculation. In all cases, actual revenue and usage data from invoices has been used – there has been no need to estimate revenue or usage information.

Invoice data is derived from "APA Grid", which is a suite of Information Technology systems that track pipeline usage and apply relevant tariffs to generate invoice data. APA's Oracle finance system records customer payments.

The prices contained in APA Grid are sourced from Gas Transportation Agreements with customers.



4.2 Determination of revenue

4.2.1 Revenue by pipeline

Revenue has been allocated to individual services in line with contracted services and usage. In most cases, Gas Transportation Agreements include prices that are expressed on a pipeline-by-pipeline basis, and the allocation of revenue between pipelines adopts these individual pipeline prices and contracted usage (for capacity charging) or measured usage (for volumetric charging).

Where a single service is contracted with a customer across multiple pipelines, such that there is no explicit price set for each pipeline segment involved in providing the service, revenue is allocated between pipelines using the allocation methodology described below:

- where regulatory obligations, including those applying to pipelines covered by full or light regulation, specify or limit the price that may be charged on that pipeline segment, the revenue allocated to that pipeline segment will reflect the revenue to be derived from the price that is subject to that specification or limitation;
- where there are contractual obligations applying to prices on individual pipelines or pipeline segments, the revenue allocated to that pipeline or pipeline segment will reflect the revenue to be derived from applying a price consistent with it being subject to those specifications or limitations; and

- where there are no regulatory or contractual obligations that influence prices on individual pipelines or pipeline segments included in the multi asset service, revenue will be allocated based on the actual or nominated relative usage of particular pipelines within the service.

This allocation methodology also determines the reporting of revenue by pipeline and pipeline services in EII's financial reporting under section 2.3.1.2 of this document. In developing this allocation methodology, EII identified factors relevant to the setting of its prices on individual pipelines and applied them to the revenue allocations. This is because the allocations contribute to the calculation of a weighted average price that is intended to assist potential customers understand what other customers are paying on a pipeline-by-pipeline basis, and thereby inform their view of EII's pricing offer.

It is therefore appropriate that factors that influence prices on individual pipelines or pipeline segments are also reflected in the revenue allocation used to derive the weighted average price for each pipeline or pipeline segment. Consequently, the numeric quantity or percentage of the allocator that is applied for each revenue item will vary, depending on the specific nature of the multi-pipeline service, and in particular, the pipelines involved.

EII considers that this is the most appropriate method of allocation, as it reflects the reality of the regulatory and contractual restrictions on prices (and therefore revenue) that may be earned on individual pipeline segments. This method ensures that, where regulatory and/or contractual limitations apply, the revenue allocated to individual pipeline segments is consistent with those limitations.

4.2.2 Government fees and charges

In some jurisdictions, governments levy additional fees and charges on pipelines or pipeline licences. Where these fees are passed on by EII through a discrete charge, these charges have not been included in the revenue used to calculate weighted average prices.

4.3 Pipeline services

EII has classified pipeline revenue into service type as follows:

- Transportation services
    - Firm forward haul transportation services
    - Interruptible or as available transportation service
    - Backhaul services
- Stand-alone firm compression services
- Firm storage (combined park and park and loan) services.

EII has determined the pipeline service type of each of its contracted services in line with the nature and substance of the contracted service.

4.3.1 Transportation services

Firm forward haul

Firm services have been identified as those services that provide for the receipt and delivery of gas at specified points up to a reserved Maximum Daily Quantity (**MDQ**) on a firm basis and without interruption except as expressly permitted under contract.

The Telfer Gas Pipeline is currently a single direction pipeline, firm forward haul service reported values relate to one direction only.

Interruptible or as available transportation services

EII has identified services in the Interruptible, As Available and Authorised Overrun transportation service category as transportation services provided to customers with the following characteristics:

- No firm reserved MDQ;
- Scheduled only on a day-ahead or within day basis; and
- Have a priority below the firm forward haul service.

EII has reported Authorised Overrun services with Interruptible and As Available services, as they are similar in substance to the listed services.

A customer may hold a contractual right to nominate Interruptible, As Available and/or Authorised Overrun transportation services, but not use these services within a reporting period.

EII has used the number of customers with contracted Interruptible, As Available and Authorised Overrun transportation services to determine whether it must publish weighted average price information for these services.[4]

Where there is no usage of Interruptible, As Available and Authorised Overrun transportation services within a reporting period by contracted customers, EII is unable to publish a weighted average price for these services.

EII will publish a weighted average price for these services when there are more than two contracted customers and at least one customer transporting gas under these services in the reporting period.

The reporting units for Interruptible, As Available and Authorised Overrun transportation services are $/GJ/day.

Backhaul services

Backhaul services are identified as interruptible services provided on a single direction pipeline in a direction other than the direction of firm forward haul services provided on that pipeline.

Backhaul services can only arise on pipelines that offer a firm transportation service in one direction and have more than one gas Receipt Point on the pipeline. As there

[4] As noted in section 4.4 below, EII is not required to publish weighted average price information in certain circumstances. This includes where a pipeline service was provided, directly or indirectly, to no more than two users of the non-scheme pipeline.

is only one Receipt Point on the Telfer Gas Pipeline, no Backhaul services are available.

4.3.2 Stand-alone firm compression services

The Telfer Gas Pipeline does not offer stand-alone firm compression services.

4.3.3 Firm storage

The Telfer Gas Pipeline does not offer Firm Storage, Firm Park, or Firm Park and Loan services.

4.3.4 Imbalance/unauthorised overrun charges

Customers may incur additional charges depending on their nomination and usage behaviour. This includes the potential for Imbalance charges and Unauthorised Overrun charges.

Imbalance and Unauthorised Overrun charges are not considered by EII to be charges for any of the transportation services for which weighted average price information must be published under the Guideline. These charges will not ordinarily be incurred by a customer taking a transportation service, provided that the customer's nominations are accurate.

Therefore, such charges incurred by customers have not been included in the calculation of weighted average prices for the transportation, compression or storage services referred to in the Guideline.

However the revenue from these additional charges has been included as part of "other direct revenue" reporting in Table 2.1 of the reporting template.

4.3.5 Additional Charges and Stay in Business Charges

Additional works and Stay in Business (SIB) charges during the Extended Term have been included as part of "other direct revenue" reporting in Table 2.1 of the reporting template.

4.4 Exempt services

Pursuant to Rule 556(3), service providers are not required to publish weighted average price information for a pipeline service if:

- The pipeline service was provided, directly or indirectly, to no more than two users of the non-scheme pipeline; and
- The service provider gives notice to the ERA at least 20 business days before the date required for publication certifying this.

These provisions are intended to maintain the confidentiality of customers on the pipeline. EII has notified the ERA of those services that are exempt from reporting, and listed those services in Table 5.1.1 of the reporting template.

EII provided a Notice to the ERA dated 20 March 2025 certifying that the Firm forward haul transportation services and Interruptible or As Available transportation services were provided to no more than two users during the reporting period.

In accordance with the Guideline, EII has not reported revenue in respect of exempt services on the Telfer Gas Pipeline against the relevant service category in Table 5.1. Instead, revenue associated with exempt services is aggregated and reported under “Total exempt services” in Table 5.1.