Cost Allocation Methodology

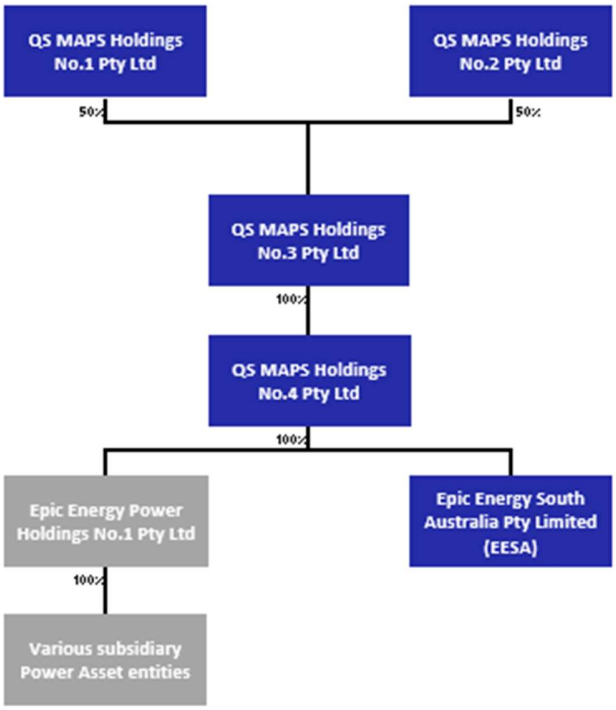
Non-scheme Pipelines
Part 10 Financial Reporting Disclosures

Contents

1 Corporate Profile

Epic Energy South Australia Pty Limited (EESA) owns and operates the Moomba to Adelaide Pipeline System (MAPS), one of Australia's largest pipeline systems, supplying gas from major Eastern Australia basins.

EESA also operates the South-Eastern Pipeline System (SEPS) and provides monitoring, maintenance, and engineering services. The Corporation has a growing portfolio of renewable infrastructure which are contained within separate Power Asset entities as shown in the corporate structure below and excluded from the Part 10 Reporting requirements of the NGR:



The two non-scheme pipelines subject to part 10 Regulations are SEPS and MAPS. Both of these pipelines are contained within the Epic Energy South Australia Pty Limited (EESA) corporate structure:

1.1 MAPS

The MAPS features:

- A 782 km bi-directional mainline pipeline between Moomba to Adelaide;
- 335 km of pipeline laterals, including a 77.8 km pipeline lateral from the mainline to Port Pirie and Whyalla and a 38.7 km lateral from the mainline to Angaston; and
- 9 compressor stations, 6 operational, 3 decommissioned.

A map of the MAPS is provided as part of the Pipeline Information on EESA's website[1] along with a list of receipt and delivery points. The current nameplate capacity and capacity that is available for sale is also included in the Pipeline Information.

EESA owns, controls and operates the MAPS. The MAPS is a non-scheme pipeline.

1.2 SEPS

The SEPS is an 82km pipeline system that was built in 1991 to deliver gas from the Katnook processing plant near Penola in South-Eastern South Australia to Snuggery and Mount Gambier.

EESA owns, controls and operates the SEPS. The SEPS is a non-scheme pipeline.

2 Nature, Scope and Purpose

The purpose of this document is to set out the Cost Allocation Methodology (CAM) adopted by EESA for non-scheme financial reporting. The CAM sets out the principles, methods, and inputs used to allocate costs for MAPS and SEPS in accordance with Part 10 of the National Gas Rules (NGR) and the AER Pipeline Information Disclosure Guideline. The CAM applies to all pipeline services provided, including firm, interruptible, and park services, and covers both direct and shared costs attributable to pipeline operations, maintenance, and capital works.

2.1 Definitions

Term	Definition
EESA	Epic Energy South Australia Pty Limited
MAPS	Moomba to Adelaide Pipeline System
SEPS	South Eastern Pipeline System
CAM	Cost Allocation Methodology
AER	Australian Energy Regulator
FRT	Financial Reporting Template
Opex	Operating expenditure
Capex	Capital expenditure
RCM	Recovered Capital Method
BoP	Basis of Preparation

[1] https://epicenergy.com.au/moomba-to-adelaide-pipeline-system/

2.2 Responsibility for the Cost Allocation Methodology

The Chief Financial Officer (CFO) and Financial Controller are responsible for periodic review and approval of the CAM, ensuring it remains current with regulatory, accounting, and organisational changes. Revisions to the CAM must be approved by the CFO and Financial Controller.

2.3 Record Maintenance

All cost allocations and supporting records are maintained in accordance with AER guidelines and statutory requirements. Supporting cost reports and working files are prepared and made available to external auditors. These records are supported by EESA's comprehensive record protection and retention procedures and practices, as well as the relevant data recovery and back up processes.

2.4 Compliance with Cost Allocation Methodology

The Financial Controller prepares financial information for Part 10 reporting in accordance with the CAM. The CFO is responsible for the final review of financial information reported in Part 10 documentation. Compliance is endorsed by management and reviewed by independent auditors.

3 Costing Principles and Policies

Costs are collected and allocated in accordance with EESA's accounting policies and the CAM. Financial data is maintained in EESA's financial management systems, Microsoft Dynamics Navision, (NAV) and reconciled to statutory accounts. All costs are recorded by the legal entity that incurs the cost using a general ledger account associated with the nature of cost.

Asset Maintenance Activities are undertaken through issuing detailed work orders in EESA's Asset Management System (Maximo). Work Orders generated in Maximo for Asset Maintenance Activities include Work Breakdown Structures (WBS) which include either labour, service or materials which are directly attributed to an asset location.

All Purchase Orders are raised and approved in Maximo with invoice approval and goods receipting also occurring in Maximo. The details within Maximo are imported into NAV to allow for costing analysis at a location level through a staging table.

Additional information captured for each purchase order includes the entity, the department the cost relates to and location where applicable. Costs directly attributable to power assets are coded to those relevant dimensions.

The business is also split into departments (such as Day Crew, Integrity, Engineering) to capture non-location specific costs such as salary and wages, finance costs and so forth. This department level information is captured at a transaction level.

Rule 103(4)(c) of the National Gas Rules (NGR) requires that service provider must only allocate costs to a pipeline that are directly attributable to the pipeline and if costs are not directly attributable to the pipeline,

but which are incurred in providing services by means of the pipeline, such costs must be allocated to the pipeline using an appropriate allocator.

The CAM is built to comply with Rule 103(4)(c) by allocating costs (operating or capital) as either:

1. Directly attributable costs or
2. Indirectly allocated costs

4 Cost Allocation by Cost Type

4.1 Directly Attributable Costs

These costs can be directly attributed to a pipeline (MAPS or SEPS) based on asset location. Items related to separate entities or excluded services (such as Business Development) are directly excluded from the costs through entity and department dimension attributes.

Cost type	Cost Driver
Labour	Labour associated with a work order is costed to the work order (including asset location) using a standard labour rate. The labour rate is reviewed at least annually as part of the financial year's budget process.
Materials	Materials associated with operations and maintenance and capital works projects are procured through the issuing of work orders in Maximo and assigned a location in line with the work order where applicable.
Services/ Subcontractors	External contractors may be sourced to supplement the existing workforce for specific projects, additional workloads or to cover employee absences. Subcontractor costs are receipted against a purchase order in Maximo and then assigned to the relevant WBS.
Depreciation	Depreciation has been identified from the Fixed Asset Register maintained by the Service Provider as part of its financial information management systems (NAV) and is identified through its location as identified in the fixed asset register.
License and regulatory costs	These costs have been identified from the financial information management systems (NAV) as the direct cost of the Service Provider maintaining the relevant pipeline license and can be traced through to direct invoice lines.

4.2 Indirectly Allocated Costs

Indirectly allocated costs include those costs which cannot be directly attributed to a pipeline as they are 'shared' in nature. As all costs are captured at a transactional level with an assigned department and entity, costs related to other entities (such as Power assets) or excluded activities (such as Business Development) are excluded from the costs through entity and department attributes.

Remaining shared costs are allocated according to the factors that cause those costs. Some of the below costs are allocated based on a pipeline system capacity ratio. This is the ratio of pipeline system capacity

between MAPS and SEPS based on the nameplate capacity for each of these pipelines. This cost allocator is the most appropriate available allocator because it allows for costs to be allocated between MAPS and SEPS on a consistent basis that considers the difference in size, complexity and running costs of the two systems.

Cost type	Allocation
Employee costs	Total employee related costs incurred by EESA include salaries, superannuation, employee benefits, training costs, incentive schemes and costs associated with working in remote areas such as roster flights and food. These costs have been included as shared costs – employee costs and then reduced by the following allocations: • Labour allocated against work orders associated with the relevant pipeline locations. • Employee costs associated with capital projects are removed based on time recorded against capital projects. These costs are included in the cost of pipeline assets. • Employee costs associated with work orders that relate directly to other assets or business activities have been removed. • Employees associated with departments that work on non-pipeline related activities have been removed such as Business Development. The remaining employee costs are allocated based on a pipeline system capacity ratio.
IT and Communication Costs	Information technology and communication costs include all costs associated with software licensing and support, networking and communication costs. It has been allocated based on a pipeline system capacity ratio.
Shared Asset Depreciation – motor vehicles	Shared assets and their associated depreciation have been identified from the Fixed Asset Register for assets which do not have a specific location associated with either the MAPS or SEPS. Motor vehicle depreciation has been allocated based on the time charged to SEPS for maintenance activities relative to the time for MAPS.
Shared Asset Depreciation – ICT and other assets	Other depreciation which relates to buildings and information communication and technology (ICT) assets has been allocated based on a pipeline system capacity ratio.
Other shared costs	Other shared costs include consultants, audit and legal advice, the insurance program and travel and related expenses. EESA has Management Service Agreements in place with other legal entities in the Epic Group to provide defined services. EESA recovers the cost of providing these services from the other legal entities which results in a decrease to other shared costs. All other shared costs have been allocated based on a pipeline system capacity ratio.

5 Cost Allocation by Pipeline Service Category

As per the Part 10 Financial Reporting Template, section 2.2 “Allocation of Services” EESA is required to allocate total expenses by distribution pipeline service category. Costs are allocated to pipeline services (firm, interruptible, park) based on revenue earned for each service as a percentage of total revenue. This is provided in order to comply with the current template requirements and is the most appropriate allocator given the template limitations as MAPS and SEPS are distribution pipelines. This has been noted in the Basis of Preparation.

6 Related Party Costs

EESA does not provide any transactions or direct services to its related parties. Related Parties are defined in line with AASB 124 and would include Power Assets located in separate entities. EESA incurs all administrative costs. It recovers a portion of these through an allocation of a Management fee to other entities and across MAPS and SEPS. This is deemed a shared cost allocation rather than direct transaction with other related parties and described in “other” shared costs above. EESA maintains a number of internal controls to ensure that the costs of related businesses undertaken by other entities are not allocated to service providers, including the monitoring and review of transactions being correctly coded to separate entities.