In accordance with National Gas Rule (NGR) requirements, SEA Gas outlines below the methodology used to establish standing prices for services on its relevant pipeline assets.

SEA Gas business model and approach

SEA Gas provides an essential service and brings energy to the community through ownership and operation of gas transmission pipelines.

This ownership has necessitated large investment in the pipeline infrastructure which requires access to capital. SEA Gas is able to access capital by demonstrating business sustainability through lower risk exposure and an ability to earn long term commercial returns. SEA Gas is financed using both debt and equity (capital).

To enable SEA Gas to have access to the required capital on terms appropriate to the business, SEA Gas' preference is to seek firm, longer term contracts with creditworthy counterparties thereby reducing the risk to the business and supporting business sustainability.

SEA Gas seeks to maximise contracted pipeline capacity and is incentivised to negotiate and agree flexible, tailored arrangements with customers, as required, to ensure those customers' needs are met. This provides a basis to access capital on appropriate terms thus ensuring business sustainability. This then allows SEA Gas to meet all stakeholder needs including providing a competitive service to customers.

SEA Gas' standing price methodology reflects this business model.

Methodology used to establish Standing Prices

SEA Gas' standing prices reflect SEA Gas' standard offerings for services on its pipelines using its Standard Gas Transportation Agreement.

SEA Gas has developed the Standing Prices based on prevailing market conditions and supported by financial modelling.

SEA Gas operates in a competitive market and therefore works closely with customers to meet their evolving requirements.

The SEA Gas pipeline assets were originally constructed through a competitive process which resulted in the pipelines' capacity being fully contracted under foundation contracts with long term tariff arrangements negotiated under those competitive conditions; reflecting the fully contracted 314TJ/day capacity for a term of up to 25 years between 2004 and 2029.

From January 2019, some spare capacity became available. SEA Gas has now entered into a number of new contracts, both with the original foundation customers and new customers. These customers are informed and sophisticated shippers who chose contracting with SEA Gas over viable alternatives. Contracts were negotiated to meet their specific needs resulting in tailored services with differing contracted terms and quantities and therefore different tariff outcomes.

Tariffs have been derived to meet the current market conditions, taking into account the risk associated with a system that is now different to that which the foundation contracts were based upon. The pricing reflects the higher risk imparted on the pipeline by the current contracts in comparison to the foundation contract arrangements. The standing prices for standard services are proxies based on current contracts, considering the term, quantity and load factors of both actual and credible future loads.

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1. Port Campbell to Adelaide Pipeline (PCA)

(a) Firm Forward Haul Service

The PCA Firm Forward Haul Service (FFH) is a firm service that provides for forward flow, between receipt and delivery points, in a westerly direction. The standing price for this service is based on a range of recent contracting outcomes and reflects the current prevailing and competitive market conditions.

The standing price provides a guide and is subject to negotiation, as different customers will require different term, quantity and load factors. For example, a contract with a shorter term, or for a smaller load, or with a peaky load, will have different pricing to long term, high volume contracts. SEA Gas has recently contracted new Gas Transportation Agreements, outside foundation contract renewal, with terms and quantities in orders of magnitude both below and above the standard offering with tariffs adjusted accordingly. New contracts range in volumes between 1TJ/day and significantly greater than 50TJ/day and terms between 1 year and 10 years. The Standing Price fits within the range when differing terms and conditions are taken into account. As different customers will value these features differently, the Standing Price has not been derived by specific formulaic adjustments for each factor. SEA Gas' approach to pricing of pipeline services reflects our preference for long term firm contracts as this lowers our risk, which enables us to maintain lower prices for services.

(b) Standard Storage Service

The PCA Standard Storage Service is a firm service that provides for the storage of gas at a notional point on the pipeline. Separate haulage services are required in order to move the stored gas between the relevant receipt and delivery points. The standing price for this service reflects charges that apply to existing contracts for the service. A number of customers have taken up, and others continue to show interest in, the Standard Storage Service utilising PCA capacity that could otherwise be taken up for FFH (note that the conversion factor to FFH, based on the current physical capacity allocated to storage services, equates to 2.9 times standard storage service volume).

(c) Premium Storage Service

The PCA Premium Storage Service is a firm service that provides for the storage of gas at a notional point on the pipeline system. This service comes with inherent storage recharge and discharge rights (which are a function of the customer's storage inventory relative to their storage Maximum Daily Quantity) that provide flexibility to move the stored gas between relevant receipt and delivery points without the requirement for additional haulage services.

The standing price for the Premium Storage Service reflects a 30% premium on the Standard Storage Service due to the extra flexibility afforded by the inherent storage recharge and discharge entitlements.

(d) Back Haul Swap Service

The PCA Back Haul Swap Service is a non-firm service dependent on forward flow of the pipeline. The standing price for this service reflects the tariffs payable under legacy contracts and is consistent with new contracts for the service that have subsequently been entered into.

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2. Port Campbell to Iona (PCI) Pipeline

Haulage Service

The PCI Haulage Service is a second-tier firm, bi-directional haulage service. SEA Gas first published the service in February 2019 after having entered into new arrangements that provided for provision of the service subsequent to capacity becoming available to a new non-foundation customer.

The standing price for the PCI Haulage Service has been informed by tariffs applicable to contracts negotiated for comparable services.

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3. Alternative Services

SEA Gas offers flexibility in services and pricing and would welcome the opportunity to work with interested parties to develop alternative services to those listed above in response to identified needs. It is intended that any such alternative service offerings will be published by SEA Gas once established.

SEA Gas encourages any interested party to contact SEA Gas at *commercial@seagas.com.au* to discuss any specific requirements.

The standing prices for the standard services are set out here.