Lochard Energy: Standing price methodology for services provided by the Iona Gas Storage Facility, published under rule 198F of the National Gas Rules

Level 10, 2 Southbank Boulevard
Southbank VIC 3006
ABN 25 151 811 449
www.lochardenergy.com.au

Iona Gas Storage Facility - Methodology used to calculate Standing Prices

This document sets out the methodology used to calculate the standing prices applicable to the services provided by the Iona Gas Storage Facility under its standing terms and conditions. The standing terms and conditions are published here. This information is published as required by rule 198F of the National Gas Rules.

1. Standard Iona Gas Storage Firm Services

The standard firm services consist of a fixed ratio of capacity rights. Every 1 TJ/day of Firm Reservoir Withdrawal capacity is coupled with 0.25 TJ/day of Firm Reservoir Injection capacity and 40 TJ of Storage capacity. The standing terms provide for a minimum term of one year and minimum of 1 TJ/day of Firm Reservoir Withdrawal capacity.

A customer will pay fixed charges for the set of firm capacity rights, and a variable charge calculated on the basis of actual usage of each capacity right. A customer can also utilise as-available services and pay the associated charges as these services are used.

2. Standing Prices

Our standing prices are published here. This section explains how the standing prices were calculated.

3. Pricing Methodology

All our standing prices have been calculated using a 'legacy contracts' methodology. This methodology considers the prices under a selection of existing contracts for facility services and uses those as the inputs to determine a standing price for each service. Further details and explanation are provided below.

3.1. What are the inputs and input values?

The inputs used to calculate the standing prices applying the legacy contracts methodology are:

- Prices for each service under a selection of existing contracts; and
- For pricing applicable to the SWP Firm Service, a percentage adjustment determined taking into account a range of market factors.

The numerical values for the legacy contract service prices are set out in the price calculation document that is linked in section 3.3. The adjustment percentage has been set at 10%. The inputs to this are described below.

Date of publication / last update:

22 December 2023

Date to which this document is current:

Until updated or replaced by a new standing price methodology

Information replaces an earlier version:

No

3.2. **Why were these inputs chosen**?

The service provider currently has contracts with fourteen customers for facility services. Four contracts and one addition to an existing contract have been selected as inputs to the legacy contract methodology.

Two key criteria were applied in considering the legacy contracts: recency and consistency with the standing terms:

- Recency: Executed or materially amended in relation to long term capacity or pricing during or after 2020.
- Consistency: Having terms materially similar to the standing terms.

The chosen reference contracts have been assessed as being the most consistent with those two criteria.

3.3. How does the methodology calculate the standing price?

The numerical inputs to the initial calculation and the range of prices under the reference contracts can be seen here.

Each legacy contract price has been escalated to $2024 using the CPI for September quarter 2023 over the CPI for September quarter of the base year, as set out in the contracts.

For the SWP Firm Service rate and SEA Gas Firm Service rate, annual prices were converted to daily prices by dividing the annual price by 365.

Then, a volume weighted average price for each service was calculated using the following formula:

> *Volume weighted average price for a service = sum total of (firm MDQ x relevant service price of each contract) / sum of firm MDQ of each contract*

The volume weighted average SWP Firm Service rate determined using the process described above was then increased by 10% to adjust for the market factors described below. The standing prices calculated using this methodology fall within the range of existing prices under the legacy contracts.

4. Factors considered in determining the 10% adjustment

The inputs to the 10% adjustment to the volume weighted average SWP Firm Service standing price are a range of factors relevant to the market price for the services provided at the facility including:

- The prices for comparable alternative services for meeting winter peak gas demand such as swing flexibility offered by producers, seasonal gas supply from Queensland and winter quarter products listed by ASX Gas Futures.
- Uncertainty in forward supply and demand for gas and associated services as identified by AEMO in the Gas Statements of Opportunities for 2023 and prior years.
- Other material sources of uncertainty for investors in gas storage services that will influence the cost and price of gas and gas services, such as increasing electrification, potential blends of gases, carbon abatement and other government energy and climate policy decisions.