

Draft Decision

AusNet Gas Services

Access Arrangement 2023 to 2028

(1 July 2023 to 30 June 2028)

Attachment 1

Services covered by the access arrangement

December 2022

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Note

This attachment forms part of the AER’s draft decision on the access arrangement that will apply to AusNet Gas Services (AusNet) for the 2023–28 access arrangement period. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Services covered by the access arrangement

Attachment 2 – Capital base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency carryover mechanism

Attachment 9 – Reference tariff setting

Attachment 10 – Reference tariff variation mechanism

Attachment 11 – Non-tariff components

Attachment 12 – Demand

Attachment 13 – Capital expenditure sharing scheme

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1 Services covered by the access arrangement

The National Gas Rules (NGR) require a network service provider's access arrangement to:

- identify the pipeline to which the access arrangement relates¹
- describe all of the pipeline services the network service provider can reasonably provide on the pipeline, having regard to the characteristics of different pipeline services²
- from the pipeline services identified above, specify the services the network service provider proposes to specify as reference services having regard to the reference service factors.³

1.1 Draft decision

Our draft decision is to accept most of the reference service proposal by AusNet Gas Services (AusNet) for the 2023–28 access arrangement period (2023–28 period). Our draft decision is to not accept AusNet's proposed meter and service removal (connection abolishment) reference service because, as proposed, it does not specify that the service relates only to residential customers (small customers). We consider AusNet should adopt the same approach as AGN and MGN – specify a small customer abolishment reference service and a separate non-reference service for business customer (large customer) connection abolishment.

1.2 AusNet's proposal

AusNet's proposal for reference services⁴ is consistent with the AER's reference services decision made in November 2021. The reference service proposal was submitted by AusNet in July 2021 for the 2023–28 access arrangement period.

AusNet proposed to offer the following services during the 2023–28 access arrangement period:

- the reference services, comprising:
 - haulage reference services
 - ancillary reference services
- non-reference services.

1.2.1 Haulage Reference services

AusNet proposed the following haulage reference services, which are the same as those in the current access arrangement:

- allowing injection of gas at transfer points
- conveyance of gas from transfer points to distribution supply points

¹ NGR, modified r. 48(1)(a).

² NGR, modified r. 48(1)(b).

³ NGR, modified r. 48(1)(c) and r. 47A(15).

⁴ AusNet, Gas Access Arrangement Review 2023-28, pp. 188-89, July 2022.

- allowing withdrawal of gas at distribution supply points.

AusNet offers two types of haulage reference services:

- residential haulage reference services — Tariff V customers
- non-residential haulage reference services — Tariff D and Tariff M customers.

In providing these services, AusNet transports gas through a distribution pipeline to end-use customers. Gas retailers pay this transportation charge to AusNet, and retailers recoup that cost via their retail gas tariffs charged to customers.

1.2.2 Ancillary reference services

AusNet proposed the same haulage reference services for the 2023–28 access arrangement period as those in the current period along with three new services which were approved in the AER's reference services decision in November 2021:

- Meter and Service Removal (new service)
- Meter and gas installation tests
- Disconnections, being:
 - removal of the meter at a metering installation
 - the use of locks or plugs at a metering installation.
- Reconnection Service
- Special meter reading
- Meter Fix and Reinstallation (new service)
- Minor Meter Alter Position (new service).

1.2.3 Non-reference services

Non-reference services will be available to users or prospective users as agreed or as determined in accordance with Part 12A of the NGR. The services will be supplied on terms and conditions in Part C of the access arrangement.

1.3 Assessment approach

The NGR require a service provider to submit a reference service proposal to the AER 12 months in advance of the submission date for its access arrangement revisions proposal.⁵ We must complete our assessment of a reference service proposal no later than six months in advance of the due date for submission of the relevant access arrangement revisions proposal.⁶

In its access arrangement proposal, a service provider must then:

- describe all of the pipeline services that the service provider can reasonably provide on the pipeline, and

⁵ NGR, r. 47A(3).

⁶ NGR, r. 47A(9).

- specify the reference services,

which must be consistent with the AER's reference service proposal decision unless there has been a material change in circumstances.⁷

Our assessment of a revenue service proposal—in the initial approval stage and in this access arrangement decision—must have regard to the reference service factors:⁸

- the actual and likely demand for the pipeline's services and the number of prospective users
- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service
- the usefulness of specifying the pipeline service as a reference service in supporting negotiations and dispute resolution for other pipeline services
- the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.

1.3.1 Interrelationships

AusNet's services have an interrelationship with the tariffs it charges for the use of its services and the total revenues it can recover through the AER's total revenue requirement and the application of annual tariff variation mechanisms.

AusNet's haulage reference tariffs are adjusted annually by the application of a weighted average price cap formula. Its haulage reference tariffs are derived from the total revenue requirement after consideration of demand for each tariff category. This means the tariffs we determine (including the means of varying the tariffs from year to year) are the binding constraint across the 2023–28 access arrangement period, rather than the total revenue requirement set out in our decision.

After the first year of the access arrangement period, AusNet's ancillary reference service prices are set by application of the ancillary reference service tariff variation formula.

Our draft decision on:

- AusNet's total revenue requirement is set out in the Overview attachment of our draft decision
- the tariffs AusNet will charge for the provision of these services is set out in attachment 9—Reference tariff setting
- the annual tariff variation mechanism is set out in attachment 10—Reference tariff variation mechanism.

⁷ NGR, r. 48(1)(b), (c).

⁸ NGR, r. 47A(1)(c); 47A(13)(a); 47A(14). 47A(15).

1.4 Reasons for draft decision

We first considered whether AusNet complied with the requirements of the NGR, which we set out in Table 1.1.

Table 1.1 Assessment of AusNet's compliance with the NGR

NGR requirements	AER assessment
A full access arrangement must:	
<ul style="list-style-type: none"> identify the pipeline to which the access arrangement relates and include a reference to a website at which a description of the pipeline can be inspected — NGR clause 48(1)(a) 	Compliant. Chapter 1 of the access arrangement proposal.
<ul style="list-style-type: none"> describe the pipeline services the service provider propose to offer to provide by means of the pipeline — NGR clause 48(1)(b) 	Compliant. Chapter 15 of the access arrangement proposal.
<ul style="list-style-type: none"> specify the reference services — NGR clause 48(1)(c) 	Compliant. Chapter 15 of the access arrangement proposal.

The reference tariffs and other (non-tariff) terms and conditions on which the reference services will be provided are considered in attachments 9 and 10.

1.4.1 Haulage Reference Services

We consider that a significant part of the market is likely to seek services that provide for the transportation of gas, meter reading and associated data activities. These are the main types of services that pipeline operators provide which help deliver gas each day to final customers for use in households or commercial enterprises. There are no competing providers for these services. AusNet has not sought to change the haulage reference services that it currently provides and is seeking to provide during the 2023–28 access arrangement period.

Accordingly, we consider that the proposed reference services are likely to be sought by a significant part of the market.⁹ We have in the past approved these same services as reference services and there have been no changes to the market in recent years that would alter our view.

1.4.2 Ancillary Reference Services

We accept that proposed ancillary reference services are likely to be sought by a significant part of the market. Our draft decision is therefore to approve the proposed ancillary reference services, with one exception discussed below.

Like the haulage reference services discussed above, ancillary reference services are long standing services provided to customers on a user pays basis. That is, customers only pay for these services in the event that they need them. The costs for these services are therefore directly attributed to the requesting customer. For instance, a customer via their retailer may request a special meter read to confirm a prior estimated read, or to resolve a dispute about gas consumption. Only that customer will pay for this service, rather than the

⁹ NGR, r. 101.

cost of it being spread across all AusNet's customers, the clear majority of whom would never need to use this service.

AusNet proposed that meter and service removal, otherwise known as connection abolishment, be an ancillary reference service because of an expected increase in demand for this service. We agree with AusNet that demand for connection abolishments is likely to grow and that such demand growth aligns with the reference service factors. We therefore agree that small customer connection abolishment, or meter and service removal, should be a reference service.

However, our draft decision is to not approve connection abolishment as an ancillary reference service for the reasons set out in Attachment 9 – Reference tariff setting. It is unclear whether AusNet intends its proposed abolishment service to relate only to small customers or to all customers. We ask AusNet to split the connection abolishment service between residential (or small) customers and business (or large) customers, as the other Victorian gas distribution networks have done.

In the case of AGN and MGN our draft decision is to approve small customer connection abolishments as a reference service and the provision of business (or large) customer connection abolishment as a non-reference ancillary service. This is because large customer connection abolishments are less uniform, fewer in number and harder to forecast than small customer abolishments. It is appropriate for networks to have flexibility to levy appropriate cost recovery connection abolishment charges on large customers. This leads us away from making large customer connections a price regulated reference service for which we would determine an averaged charge.

On other issues, the Brotherhood of St Lawrence¹⁰ submitted that 'No-access (gas meter)' and 'Reconnect service in street after payment' should be ancillary reference services. In response, we consider, consistent with the NGR, that it is not appropriate for the AER to price regulate services that are very low volume and generate little revenue. The administrative cost of price regulating such services is likely to be high relative to any potential benefit. As such, our draft decision is that services 'No access (gas meter)' and 'Reconnect service in street after payment' will not be ancillary reference services.

1.5 Revisions

We require the following revisions to make the access arrangement proposal acceptable as set out in Table 1.2.

Table 1.2 AusNet's services covered by the access arrangement revisions

Revision	Amendment
Revision 1.1	We require AusNet make all necessary amendments to reflect our draft decision for the 2023–28 access arrangement period.

¹⁰ Brotherhood of St Lawrence, *2023-28 Gas Access Arrangement Submission*, p. 28.

Glossary

Term	Definition
AER	Australian Energy Regulator
AusNet	AusNet Gas Services
NGR	National Gas Rules
