Draft Decision

AusNet Gas Services
Access Arrangement 2023 to 2028

(1 July 2023 to 30 June 2028)

Attachment 8
Efficiency carryover mechanism

December 2022

AUSTRALIAN
ENERGY
REGULATOR

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1	9 December 2022	16

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

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Attachment 13 – Capital expenditure sharing scheme

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8 Efficiency carryover mechanism

An efficiency carryover mechanism (ECM) is intended to provide a continuous incentive for service providers to pursue efficiency improvements in operating expenditure (opex) and provide for a fair sharing of these between service providers and network users.

This attachment sets out our draft decision on the ECM carryover amounts accrued over the 2018–22 access arrangement period (2018–22 period) for AusNet, and the ECM that we will apply in the 2023–28 access arrangement period (2023–28 period).

8.1 Draft decision

Our draft decision is to approve carryover amounts totalling $21.8 million ($2022–23) from the application of the ECM in the 2018–22 period. This is $9.5 million ($2022–23) higher than AusNet's proposal, which was $12.3 million ($2022–23).[1] This difference reflects adjustments we have made to:

- align the accounting treatment of actual and estimated leases and software–as–a–service (SaaS) expenditure to be consistent with the accounting treatment that was the basis of the approved expenditure in the 2018–22 regulatory determination (related to the adjustments to opex in base year we made in Attachment 6, section 6.4.1.2)
- ECM exclusions in the 2013–17 period access arrangement period which are no longer applicable in the 2023–28 period
- the exclusion of ancillary reference services for 2013–17 period.

Table 8.1 sets out our draft decision on the ECM carryover amounts AusNet accrued from the operation of the ECM during the 2018–22 period and compares this to the carryover amounts AusNet proposed.

Table 8.1 Draft decision on AusNet's carryover amounts ($million, 2022–23)

	2023–24	2024–25	2025–26	2026–27	2027–28	Total
AusNet's proposed carryover	9.2	3.5	–0.2	–0.1	–	**12.3**
AER's draft decision	10.5	6.4	3.3	1.6	–	**21.8**
Difference	**1.4**	**2.9**	**3.5**	**1.7**	**–**	**9.5**

Source: AusNet, *Access arrangement information 2024–28 – Addendum – ECM model,* September 2022; AER analysis.

Note: Numbers may not add up to total due to rounding. Amounts of '0.0' and '–0.0' represent small amounts and '–' represents zero.

In our final decision, we will update the ECM carryover amounts to reflect the full year of actuals for calendar year 2022 and update our inflation forecast for 2022–23.

Our draft decision is to continue to apply the ECM to AusNet in the 2023–28 period, and specifically that which is based on version 2 of the Efficiency Benefit Sharing Scheme (EBSS) which we use for electricity service providers.[2] We will exclude debt raising, and any

1 AusNet, *Access arrangement information 2024–28 – Addendum – ECM model,* September 2022.

2 AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013

other costs forecast on a category specific basis, from the scheme in the 2028–33 period. We will also make any other adjustments as permitted by the ECM, such as removing movements in provisions.

8.2 AusNet's proposal

8.2.1 Carryover amounts from the 2018–22 period and 1 January to 30 June 2023

AusNet's proposed carryover amounts totalling $12.3 million ($2022–23) in its revenues for the 2023–28 period from the application of the ECM in the 2018–22 period. AusNet excluded or adjusted for the following cost categories in calculating its ECM carryover amounts:[3]

- cost categories forecast on a category specific basis such as debt raising costs and unaccounted for gas
- movements in provisions
- non reference services
- ancillary reference services
- ECM exclusions approved in the 2013–17 access arrangement period, which were:
  - change in scale adjustment
  - license fees.

8.2.2 Application in the 2023–28 period

AusNet proposed to continue applying the ECM in the 2023–28 period. AusNet supported the following adjustments and exclusions:[4]

- cost categories that are not forecast using a single year revealed cost approach in the period commencing 1 July 2028, which may include
  - debt raising costs
  - unaccounted for gas
  - priority service program
- movements in provisions
- non reference services
- license fees
- ancillary reference services
- any other activity that the Service Provider and the Regulator agree to exclude from the operation of the efficiency carryover mechanism.

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3 AusNet, *Access arrangement information 2024–28 – Addendum – ECM model,* September 2022.

4 AusNet, *Access arrangement information 2024–28,* July 2022, p. 182.; AusNet Services, *Access Arrangement Part B,* July 2022, p. 19.

8.2.3 Stakeholder submissions

We have not received any submissions from stakeholders on AusNet's proposed ECM.

8.3 Assessment approach

An ECM is a form of incentive mechanism. A full access arrangement may include (and we may require it to include) one or more incentive mechanisms to encourage efficiency in the provision of services by the service provider.[5] An incentive mechanism must be consistent with the revenue and pricing principles.[6]

We consider the following revenue and pricing principle is most relevant for assessing AusNet's proposed efficiency carryover mechanism:

> A service provider should be provided with effective incentives in order to promote economic efficiency with respect to reference services the service provider provides.
>
> The economic efficiency that should be promoted includes:
>
> (a) efficient investment in, or in connection with, a pipeline with which the service provider provides reference services; and
>
> (b) the efficient provision of pipeline services; and
>
> (c) the efficient use of the pipeline.[7]

8.3.1 Interrelationships

The ECM is intrinsically linked to our opex revealed cost forecasting approach.

Our opex forecasting method typically relies on using the 'revealed costs' of the service provider in a chosen base year to develop a total opex forecast if the chosen base year opex is not considered to be 'materially inefficient'. Under this approach, a service provider would have an incentive to spend more opex in the expected base year. Also, a service provider would have less incentive to reduce opex towards the end of the access arrangement period, where the benefit of any efficiency gains is retained for less time.

The application of the ECM serves two important functions:

1. It removes the incentive for a service provider to inflate opex in the expected base year in order to gain a higher opex forecast for the next access arrangement period.
2. It provides a continuous incentive for a service provider to pursue efficiency improvements across the access arrangement period.

The ECM does this by allowing a service provider to retain efficiency gains (or losses) for a total of six years, regardless of the year in which the service provider makes them. Where we do not propose to rely on the single year revealed costs of a service provider in forecasting

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5 National Gas Rules (NGR), r. 98(1).

6 NGR, r. 98(3).

7 National Gas Law (NGL), s. 24(3).

opex, this has consequences for the service provider's incentives and our decision on how we apply the ECM.

When a business makes an incremental efficiency gain, it receives a reward through the ECM, and consumers benefit through a lower revealed cost forecast for the subsequent access arrangement period. This is how efficiency improvements are shared between consumers and the business. If we subject costs to the ECM that are not forecast using a revealed cost approach, a business would in theory receive a reward for efficiency gains through the ECM (at a cost to consumers), but consumers would not benefit through a lower revealed cost forecast in the subsequent access arrangement period. Therefore, we typically exclude costs that we do not forecast using a single year revealed cost forecasting approach.

For these reasons, our decision on how we will apply the ECM has a strong interrelationship with our decision on a business's opex (see Attachment 6). We have careful regard to the effect of our ECM decision when making our opex decision, and our ECM decision is made largely in consequence of (and takes careful account of) our past and current decisions on opex.

8.4 Reasons for draft decision

8.4.1 Carryover amounts from the 2018–22 period and 1 January to 30 June 2023

We do not accept AusNet's proposed carryover amounts of $12.3 million ($2022–23) from the 2018–22 period. Our draft decision is to approve carryover amounts totalling $21.8 million ($2022–23), being $9.5 million ($2022–23) higher than the AusNet's proposal.

This difference is because we:

- updated actual inflation for 2021–22 and forecast inflation for 2022–23, which increased total carryovers by $0.0 million[8] ($2022–23)
- removed ECM exclusions approved for the 2013–17 access arrangement period which were not applicable to the 2018–22 period. This decreased total carryovers by $0.5 million ($2022–23).
- excluded ancillary reference services from total opex for the 2013–17 access arrangement period. This decreased total carryovers by $0.5 million ($2022–23).
- aligned the accounting treatment of actual and estimated leases and SaaS expenditure to be consistent with the accounting treatment that was the basis of the approved expenditure in the 2018–22 regulatory determination, which increases carryovers by $10.5 million ($2022–23).

We discuss each of the reasons in more detail below.

We consider that the ECM carryover amounts we have calculated provide for a fair sharing of efficiency gains and losses between AusNet and its consumers. It both rewards AusNet for the efficiency gains it has made and penalises it for its efficiency losses. Further, we consider that the benefit to consumers, through lower forecast opex (prior to any trend or step

8 This is a positive number but less than the one decimal place we generally report to.

changes being added), is sufficient to warrant the ECM carryover amounts we have determined.

8.4.1.1 Inflation

We have used updated consumer price index (CPI) values compared to those AusNet applied when it escalated into $2022–23 terms. We have used the inflation forecasts in the Reserve Bank of Australia's (RBA) November 2022 statement on monetary policy, which was published after AusNet submitted its proposal.[9] In our final decision, we will update our inflation forecasts and December 2022 actuals to reflect the latest available inflation figures from the RBA and Australian Bureau of Statistics.

8.4.1.2 2013–17 ECM exclusions not applicable to the 2018–22 period

To calculate the incremental efficiency gain for 2018, we did not exclude the change in scale adjustment and licence fees costs from AusNet's forecast and actual opex for 2015 and 2017, which it proposed.[10] These categories of opex were excluded from the operation of the ECM for the 2013–17 period,[11] but not for the 2018–22 period. We did not exclude these costs, because doing so would result in the incremental gain we calculated for 2018 including the incremental gains made in 2017 related to these costs.

To calculate the incremental gain (or loss) made in the first year of the 2018–22 period we start with the opex underspend (or overspend) in that year. Since the forecast for 2018 will reflect the level of efficiency revealed in the base year of the 2013–17 period, this underspend (or overspend) will reflect all efficiency gains or losses made after the base year. We then subtract any incremental gains or losses made after the base year in the 2013–17 period. When we do this, we subtract efficiency gains (or losses) made in all categories of opex subject to the ECM in the 2018–22 period. This includes categories of opex that we excluded from the ECM in the 2013–17 period as we are calculating the incremental efficiency gain in 2018 for those categories of expenditure subject to the ECM in the 2018–2022 period.

For this reason, we do not exclude change in scale adjustments and licence fees from AusNet's forecast and actual opex for 2015 and 2017 to calculate the incremental efficiency gain for 2018 (they were not excluded from the ECM for the 2018–22 regulatory control period). This is our standard approach for both electricity and gas distributors, such as our decision on SA Power Networks' 2020–25 revenue proposal.[12]

8.4.1.3 Exclusion of ancillary reference services

We agree with AusNet's proposal[13] that ancillary reference services should be excluded from total opex in the 2023–28 period, as they are not forecast using a single year revealed cost

[9] RBA, *Statement on Monetary Policy – Appendix: Forecast,* November 2022.

[10] AusNet, *Access arrangement information 2024–28 – Addendum - ECM model*, September 2022.

[11] AER, *Draft decision – AusNet Services access arrangement 2018–22, Efficiency carryover mechanism*, July 2017, p. 5.

[12] AER, *Draft decision – SA Power Networks determination 2020–25- Efficiency benefit sharing scheme*, October 2019, pp. 11–12.

[13] AusNet, *Access arrangement information 2024–28,* July 2022, p. 181.

approach. We also consider ancillary reference services should be excluded from total opex for the 2018–22 period for the same reason.

Additionally, ancillary reference services are subject to a separate form of control (separate price cap) compared to the haulage reference services we determine opex for and are only recovered from customers who request these services. We consider it would not be appropriate to share cost efficiencies due to ancillary reference services across all customers when the cost of ancillary reference services is not shared across all customers.

8.4.1.4 Treatment of SaaS and leases

There are two accounting changes recently implemented by the Australian Accounting Standards Board (AASB) and the International Financial Reporting Interpretations Committee (IFRIC) which have impacted AusNet's expenditure reporting in the 2018–22 period. These are:

1. SaaS, which was considered as capital expenditure (capex) and potentially included in approved capex for the 2018–23 period but, depending on its nature, is now considered as opex under new IFRIC guidance published in April 2021[14]
2. leases, which were included in approved opex for the 2018–22 period but are now considered as capex under AASB16 which came into effect 1 July 2019.[15]

AusNet's initial proposal adopted the new accounting standards for SaaS in 2021 and capitalisation of property leases from 2019 to 2021.[16] However it reported its expenditures for the earlier years, in its Regulatory Information Notices, as per the previous accounting standards.

We expect a business's capitalisation policies to generally align with the relevant accounting standards. We note there is no requirement in the National Gas Rules to align regulatory reporting with statutory accounts. However, we require businesses to clearly explain instances where their regulatory reports don't align with statutory accounts. Our usual preference is for businesses to minimise any adjustments to their regulatory reporting and align the reporting of actual capex and opex with their statutory accounts as per the latest accounting standards. We consider that businesses should not arbitrarily change their capitalisation policies in the middle of access arrangement periods. However, this may be required if they are impacted by any external accounting standard changes such as those implemented by the AASB or IFRIC.

We have previously not been concerned regarding mid-period accounting policy changes such as those outlined above as we expect the overall impact of such changes to be net present value (NPV) neutral. However, we have undertaken analysis which demonstrates that the movement of expenditure from opex to capex and vice-versa can cause windfall gains/losses for businesses under the incentive schemes in the case of short-lived assets such as SaaS and leases. Given this result, we consider it is more appropriate to align the accounting treatment of expenditure within a period with that in the approved expenditure for

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14 International Finance Reporting Standards, *Configuration or customisation costs in a cloud computing Arrangement* (*IAS 38 Intangible Assets),* April 2021.

15 Australian Government, *Australian Accounting Standards Board – AASB16,* February 2016.

16 AusNet *Access arrangement information 2024–28*, July 2022, p. 135.

that period, i.e. to not implement any mid-period accounting changes until the start of the new period. We consider that this approach will not result in any windfall gains or losses that would have resulted purely from movement of expenditure between opex and capex due to mid-period accounting changes implemented by the AASB or the IFRIC.

Accordingly, to prevent such windfall gains or losses, we have applied this approach to AusNet's 2018–22 expenditure. This means we have treated SaaS as capex and property leases as opex for the remainder of the 2018–22 period.

For the ECM, this means that we have amended 2021 reported opex to remove $3.1 million ($nominal) in SaaS costs. We have also amended 2019 to 2021 reported opex to include $1.0 million ($nominal) annually for property leases. This ensures the accounting treatment aligns with the accounting standards in place when we determined forecast opex for the 2018–22 access arrangement period.

The change in treatment of SaaS and property leases for the 2018–22 period also impacts the CESS and the capital base calculations, which we cover in Attachments 9 and 2, respectively.

We also discuss the impact of the new accounting policies for SaaS and property leases on forecast opex for the 2023–28 period in Attachment 6.

8.4.2 Application in the 2023–28 period

AusNet proposed to continue to apply the ECM in the 2023–28 period.[17] Our draft decision is to continue to apply the ECM to AusNet during the 2023–28 period. We consider applying the scheme will benefit the long-term interests of gas consumers as it will provide continuous incentives for AusNet to reduce opex. Provided we forecast AusNet's future opex using its revealed costs in the 2023–28 period, any efficiency gains it achieves will lead to lower opex forecasts, and thus lower network tariffs.

The ECM specifies our approach to adjusting forecast or actual opex when calculating carryover amounts. We provide details on this process below.

8.4.2.1 Adjustments to forecast or actual opex when calculating carryover amounts

The ECM allows us to exclude categories of costs that we do not forecast using a single year revealed cost forecasting approach in the following control period. We do this to fairly share efficiency gains and losses. For instance, where a service provider achieves efficiency improvements, it receives a benefit through lower forecast opex in the next regulatory control period. This is the way consumers and the service provider share in the benefits of an efficiency improvement. If we do not use a single year revealed cost forecasting approach, we may not pass the benefits of these revealed efficiency gains to consumers. It follows that consumers should not pay for ECM rewards where they do not receive the benefits of a lower opex forecast.

We do not forecast debt raising costs using a single year revealed cost forecasting approach. Instead, we provide a benchmark forecast. Accordingly, we have excluded these costs from

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[17] AusNet, *Access arrangement information 2024–28,* July 2022, p. 182.

the ECM for the 2023–28 period since any achieved gains (or losses) would not be passed on to network users.

We also do not forecast unaccounted for gas costs using a single year revealed cost forecasting approach. We include an unaccounted for gas forecast of zero dollars in our opex forecast. This reflects our expectation that actual levels of unaccounted for gas will match the benchmarks set by the Essential Services Commission of Victoria, which are based on historic average levels. This provides AusNet an incentive to minimise gas losses as it will incur a penalty if unaccounted for gas exceeds the benchmark and receive a reward if it falls under the benchmark. To preserve this incentive, the business itself should incur the penalty or keep the reward and as such we will exclude these costs from the ECM for the 2023–28 period.

In addition to the excluded cost categories discussed above, we will also make the following adjustments when we calculate the ECM carryover amounts accrued during the 2023–28 period:

- adjust actual opex to reverse any movements in provisions
- exclude cost categories that are not forecast using a single year revealed cost approach, further to those noted above, in the access arrangement period commencing on 1 July 2028
- exclude any cost that we determine, as part of a decision on revisions to apply to this access arrangement, to exclude from the operation of the efficiency carryover mechanism because we are satisfied it would not promote the National Gas Objective.
- remove ancillary reference services from forecast and actual opex.
- adjust forecast opex to add (or subtract) any approved revenue increments (or decrements) made after our 2023–28 final decision, such as approved pass through amounts
- adjust forecast and actual opex for inflation
- exclude losses on scrapping of assets from actual opex

In applying the ECM to AusNet in the 2023–28 period, consistent with that set out above, we have made the following amendments to AusNet's proposed adjustments to opex in its access arrangement:

- amended clause 6.4.2(a) in relation to the incremental efficiency gain (or loss) formula for regulatory year 2023–24, so the carryover results in the Service Provider retaining the reward or penalty associated with an operating expenditure efficiency gain or loss for five years after the year in which the gain or loss was achieved.
- amended the statement in clauses 6.4.2(d) and 6.4.2(e) of 'where the Service Provider's actual operating expenditure differs from the operating expenditure estimate used to calculate the EBSS, a true-up will be made to account for the difference', to correct the reference to the EBSS to the ECM. The EBSS applies for electricity businesses. The scheme to apply to AusNet is similar to, but not the same, as the EBSS and is called an ECM in the access arrangement.

- amended clause 6.4.2(d) to remove non-recurrent efficiency gain from the formula, as there were no non-recurrent efficiency gain adjustments to 2021 total opex.
- amended clause 6.4.2(i)(1) relating to the exclusion of movements in provisions, to read 'movements in provisions related to opex'. This amendment will ensure clarity around the treatment of this cost, as this adjustment is limited to movements in provisions specifically related to opex and does not necessarily include all movements in provisions.
- amended 6.4.2(i)(3) relating to the exclusion of licence fees to remove the exclusion.[18] We include these costs in base opex and thus have forecast them as part of total opex using a single year revealed cost approach. Given this, we consider there is no basis for excluding these costs from the ECM in the 2023–28 period.
- revised 6.4.2(i)(5) relating to the exclusion of 'any other activity that AusNet and the Regulator agree to exclude from the operation of the efficiency carryover mechanism', to read 'any cost that the Regulator determines to exclude from the operation of the efficiency carryover mechanism, which would not promote the National Gas Objective.' This amendment will ensure the operation of the ECM remains aligned with the National Gas Objective.
- included a separate clause 6.4.2(i)(6) relating to the exclusion of ancillary reference services. This will ensure clarity around the treatment of this cost category, which is both subject to a separate form of control and typically not forecast on a single year revealed cost basis.
- amended clause 6.4.2(k) regarding a Service Provider's approach to classifying costs as either capital expenditure or operating expenditure during the Access Arrangement Period, to align the accounting treatment of expenditure within a period with that in the approved expenditure for that period. We discuss this in section 8.4.1.4.
- removed clause 6.4.2(m), which references the approved forecast operating expenditure amounts that are used for measuring efficiencies, which exclude the costs listed in clause 6.4.2(i)(1)-(4), for the ECM in the 2023-28 period. This information is in the Post Tax Revenue Model (PTRM) and is updated annually.

8.5 Revisions

We require the following revisions to make the access arrangement proposal acceptable as set out in Table 8.2.

Table 8.2 AusNet's ECM revisions

Revision	Amendment
Revision 8.1	Amend clause 6.4.2 (a) so that it reads: $I_{2023-24} = (F_{2023-24} - A_{2023-24}) - 2 \times (F_{HY2023} - A_{HY2023}) + (F_{2021} - A_{2021})$ where: $I_{2023-24}$ is the incremental efficiency gain (or loss) for Regulatory Year 2023–24. $F_{2023-24}$ is the forecast operating expenditure for Regulatory Year 2023–24. $A_{2023-24}$ is the actual operating expenditure for Regulatory Year 2023–24.

18 AusNet, *Access Arrangement information 2024–28 – Access Arrangement Part B,* July 2022, p. 19.

<table>
<tr><th>Revision</th><th>Amendment</th></tr>
<tr><td></td><td>F_{HY2023} is the forecast operating expenditure for the 6-month extension period from 1 January 2023 to 30 June 2023
A_{HY2023} is the actual operating expenditure for the 6-month extension period from 1 January 2023 to 30 June 2023
F_{2021} is the forecast operating expenditure for Regulatory Year 2021.
A_{2021} is the actual operating expenditure for Regulatory Year 2021.</td></tr>
<tr><td>Revision 8.2</td><td>Amend clause 6.4.2 (d) so that it reads:
Prior to the submission date for the Eighth Access Arrangement Period, actual operating expenditure data will be available for the final year of the Sixth Access Arrangement Period. Where the Service Provider's actual operating expenditure differs from the operating expenditure estimate used to calculate the efficiency carryover mechanism, a true-up will be made to account for the difference. The true-up for the final year of the Sixth Access Arrangement Period will be:
$$T_{2022} = -0.5 \times [(F_{2022} - A_{2022}) - (F_{2021} - A_{2021})]$$
where:
T_{2022} is the true-up for Regulatory Year 2022
F_{2022} is the forecast operating expenditure for Regulatory Year 2022
A_{2022} is the actual operating expenditure for Regulatory Year 2022
F_{2021} is the forecast operating expenditure Regulatory Year 2021
A_{2021} is the actual operating expenditure for Regulatory Year 2021</td></tr>
<tr><td>Revision 8.3</td><td>Amend clause 6.4.2 (e) so that it reads:
Prior to the submission date for the Eighth Access Arrangement Period, actual operating expenditure data will be available for the 6-month extension period from 1 January 2023 to 30 June 2023. Where the Service Provider's actual operating expenditure differs from the operating expenditure estimate used to calculate the efficiency carryover mechanism, a true-up will be made to account for the difference. The true-up for the 6-month extension period from 1 January 2023 to 30 June 2023 of the Sixth Access Arrangement Period will be:
$$T_{HY2023} = (F_{HY2023} - A_{HY2023}) - 0.5 \times (F_{2022} - A_{2022})$$
where:
T_{HY2023} is the true-up for the 6-month extension period from 1 January 2023 to 30 June 2023
F_{HY2023} is the forecast operating expenditure for the 6-month extension period from 1 January 2023 to 30 June 2023
A_{HY2023} is the actual operating expenditure for the 6-month extension period from 1 January 2023 to 30 June 2023
A_{2022} is the actual operating expenditure for the 6-month extension period from 1 January 2023 to 30 June 2023
F_{2022} is the forecast operating expenditure Regulatory Year 2022
A_{2022} is the actual operating expenditure for Regulatory Year 2022
The T_{HY2023} true-up amount will be applied as a revenue adjustment to Regulatory Year 2028–29 of the Eighth Access Arrangement Period.</td></tr>
<tr><td>Revision 8.4</td><td>Amend clause 6.4.2 (i) (1) so that it reads:
Movements in provisions related to opex.</td></tr>
<tr><td>Revision 8.5</td><td>Delete clause 6.4.2 (i) (3).</td></tr>
<tr><td>Revision 8.6</td><td>Amend clause 6.4.2 (i) (5) to read:
any cost that the Regulator determines to exclude from the operation of the efficiency carryover mechanism in the 2023–28 period, which would not promote the National Gas Objective.</td></tr>
<tr><td>Revision 8.7</td><td>Insert a new clause 6.4.2 (i) (6) to read:
Ancillary reference services</td></tr>
</table>

Revision	Amendment
Revision 8.8	Amend clause 6.4.2 (k) to read: Where the Service Provider changes its approach to classifying costs as either capital expenditure or operating expenditure during the Access Arrangement Period, the Service Provider will report the actual operating expenditure, to align the accounting treatment of expenditure within a period with that in the approved expenditure for that period (reflecting the AER’s final decision on this access arrangement).
Revision 8.9	Delete clause 6.4.2 (m).

Glossary

Term	Definition
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
AER	Australian Energy Regulator
AusNet	AusNet Gas Services
CPI	Consumer Price Index
EBSS	Efficiency Benefit Sharing Scheme
ECM	Efficiency carryover mechanism
IFRIC	International financial Reporting Interpretations Committee
Opex	Operating expenditure
RBA	Reserve Bank of Australia
SaaS	Software as a Service
UAFG	Unaccounted for Gas