

**Access arrangement for the Wagga Wagga gas distribution  
network**

**1 July 2010 – 30 June 2015**

**April 2010**

As varied by the AER on 10 September 2010 under rule 68 of the National Gas Rules. The changes are in the access arrangement information.

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# 1 INTRODUCTION

## 1.1 Basis for Access Arrangement

This *Access Arrangement* has been prepared by Country Energy Gas Pty Limited ACN 083 199 839 (*Country Energy Gas*) a wholly owned subsidiary of Country Energy. Country Energy is a Statutory State owned corporation under the *State Owned Corporations Act 1989 (NSW)*. It applies to the natural gas distribution system serving Wagga Wagga and surrounding areas referred to as the *Network*. *Country Energy Gas* owns, controls and operates the *Network*.

*Country Energy Gas* is not a local agent of the service provider of the *Distribution Pipeline* nor is *Country Energy Gas* acting on behalf of another service provider of the *Distribution Pipeline*.

*Country Energy Gas* has an approved associate contract with Country Energy ABN 37 428 185 226 for the provision of transportation services.

This *Access Arrangement* should be read in conjunction with the accompanying *Access Arrangement Information*.

## 1.2 Commencement and Application

This *Access Arrangement* applies from 1 July 2010 and supersedes the *Access Arrangement* for the *Network* in place prior to this date. The provisions set out in this *Access Arrangement* will continue to apply until the *Access Arrangement* is reviewed in accordance with section 9 and/or the provisions set out in the *National Gas Law (NGL)* and *National Gas Rules (NGR)*.

## 1.3 Interpretation

In this *Access Arrangement* where a word or phrase is capitalised and italicised the term has the meaning set out in the *NGL* and *NGR*, unless the word or phrase is defined in the Glossary in which case the word or phrase has the meaning given to that word or phrase in the Glossary.

Further, in this *Access Arrangement* headings are for convenience only and do not affect interpretation, and unless the context indicates a contrary intention:

- (a) a reference to any party includes that party's executors, administrators, successors, substitutes and assigns, including any person taking by way of novation;
- (b) a reference to this *Access Arrangement* or to any other agreement, deed or document (including, without limitation any standard, code, guidelines or rule) includes, respectively, this *Access Arrangement* or that other agreement, deed or document as amended, novated, supplemented, varied or replaced from time to time;

- (c) words importing the singular include the plural (and vice versa), words denoting a given gender include all other genders, and words denoting individuals include corporations (and vice versa);
- (d) unless the context indicates otherwise, a reference to a section is a reference to a section of this *Access Arrangement*;
- (e) references to currency are references to Australian currency unless otherwise specifically provided; and
- (f) reference to any legislation or to any section or provision thereof includes any statutory modification or re-enactment or any statutory provision substituted for it, and ordinances, by-laws, regulations, and other statutory instruments issued there under.

#### **1.4 Contact Details**

Inquiries regarding this *Access Arrangement* can be directed to:

General Manager Regulatory Affairs  
Country Energy Gas Pty Ltd  
PO Box 718, Queanbeyan NSW 2620

Telephone 02 6589 8419  
Facsimile 02 6589 8103

## 2 NETWORK DESCRIPTION

### 2.1 Country Energy Gas' Wagga Wagga Network

*Country Energy Gas' Network* consists of approximately 680 km of mains and approximately 190 km of service pipes. Approximately 18,700 *Customers* are serviced by the distribution network in Wagga Wagga and surrounding areas. *Volume Customers* account for approximately 99 per cent of total *Customers*, but only 57 per cent of the total load.

### 2.2 Physical Characteristics of the Network

Gas enters the *Network* through the *Receipt Points* located at Bomen and Uranquinty. The gas is then distributed via a series of district regulators to supply districts in Wagga Wagga and surrounding areas.

# 3 INFORMATION

## 3.1 General Information about the Network

A person may request general information from *Country Energy Gas* about the *Network* and such information will be made available to the person (unless the information is *Confidential Information* or is information which *Country Energy Gas* otherwise reasonably considers to be confidential) in accordance with the processes set out in section 107 of the *NGR*. Alternatively a person can view general information about *Country Energy Gas* at the following web address:

[http://www.countryenergy.com.au/wps/wcm/connect/CEL/ce/aboutus/ourenergynetworkarea/oen\\_gas](http://www.countryenergy.com.au/wps/wcm/connect/CEL/ce/aboutus/ourenergynetworkarea/oen_gas)

## 3.2 Information concerning existing Users

Any person may, with prior written consent of a *Customer*, request information from *Country Energy Gas* in respect of the load and pattern of usage, over a specified period, of the *Customer*. Where the *Customer* consumes greater than 10 TJ of gas per year, the request must include a copy of the Request for Consumption Data (available on *Country Energy Gas*'s website or as set out in Annexure A of the *Network Code*) completed and signed by the *Customer*.

# 4 SERVICES POLICY

This section sets out a description of the services offered and matters which impact on those services including how a *User* or *Prospective User* may obtain a service or an element of a service.

## 4.1 Pipeline services to be offered

*Country Energy Gas* will make available to *Users* or *Prospective Users* the following services:

- a *Contract Transportation Service* (as described in section 4.3.1);
- a *Volume Transportation Service* (as described in section 4.3.2);
- seven *Additional Services* (as described in section 4.3.3):
  - (a) *Residential Meter Testing Service*;
  - (b) *Special Meter Reading Service*;
  - (c) *Reconnection Service*;
  - (d) *Disconnection Service*;
  - (e) *Business Disconnection/Reconnection Service*;
  - (f) *After Hours Reconnection Service*; and
  - (g) *Deactivation Service*; and
- *Negotiated Services* (as described in section 4.3.4).

The *Contract Transportation Service* and the *Volume Transportation Service* are *Reference Services* and attract a *Reference Tariff*.

The *Reference Services* offered by *Country Energy Gas* have not changed in context since the original *Access Arrangement* was approved in 1999. The *Reference Services* are offered to a significant proportion of the market in Wagga Wagga and surrounding areas which constitute the Network. Although *Additional Services* are currently defined in this *Access Arrangement* as *Reference Services*, in time, *Country Energy* will examine whether they should be withdrawn from the *Access Arrangement* if they are found to be either a contestable service or not sought by a significant part of the market.

## 4.2 Terms and Conditions Agreement

### 4.2.1 Requirement to agree Terms and Conditions

- (a) A *Prospective User* of a *Reference Service* will be required to agree to the *Terms and Conditions* as set out in Appendix 1 and which will apply to that *User* and that *Reference Service*;
- (b) If a *Prospective User* requires a service other than a *Reference Service*, the *Prospective User* may seek to negotiate a *Negotiated Service Agreement*.



#### 4.2.2 Period of Terms and Conditions

The agreed *Terms and Conditions* set out in Appendix 1 will apply from a date specified in any *Agreement* between *Country Energy Gas* and a *User*. If the *Agreement* incorporates a *Transportation Service*, the *Terms and Conditions* will apply for a minimum period of 1 year and a maximum of 5 years or as agreed. The election as to the period of the *Terms and Conditions* is to be made by the *User* and agreed by *Country Energy Gas* at the time the *Agreement* is entered into.

#### 4.3 Reference Services

##### 4.3.1 Contract Transportation Service

The *Contract Transportation Service* is provided to the *User* in respect of the *Delivery Point* of a *Contract Customer* and consists of:

- (a) receiving natural gas at a *Receipt Point*;
- (b) transporting the natural gas from a *Receipt Point* through the *Network*;
- (c) delivering the natural gas to the *Delivery Point*;
- (d) installing, maintaining and repairing *Metering Facilities* at the *Delivery Point*;
- (e) reading the *Metering Facilities* at the *Delivery Point* at a frequency of 24 hours;
- (f) providing data, including metering data, to the *User* and other entities in accordance with the requirements of the *Retail Market Procedures*; and
- (g) in the case of a *Customer* who is not connected to the *Network*, the provision of a pipe from the *Network* to the nearest point on the *Customer's* property, where the provision of such pipe is consistent with the *Extensions/Expansions Policy* set out in section 7 and satisfies the new capital expenditure criteria of NGR 79.

A *Contract Customer* is a *Customer* who has (or is reasonably expected by *Country Energy Gas* to have) an annual consumption of 10TJ or greater at a single *Delivery Point* provided that after the *Contract Customer* is connected, their annual consumption is less than 10TJ for a period of two consecutive years, the *Contract Customer* will remain a *Contract Customer* for that period. *Country Energy Gas* may at the end of the period of two consecutive years classify the *Contract Customer* as a *Volume Customer* upon providing the *User* with written notice.

If *Country Energy Gas* classifies a *Customer* as a *Volume Customer* in accordance with this section 4.3.1, *Country Energy Gas* may remove the *Communications Equipment* from the *Customer's Metering Facilities*.

If contestability in the gas industry is introduced in New South Wales which permits the provision of gas meter reading services or on-site data and communication equipment in Wagga Wagga by a person other than *Country Energy Gas* the *Customers, Users* and *Prospective Users* are permitted to acquire such services and equipment from that person. *Customers, Users* and *Prospective Users* which acquire such services and equipment from a person other than *Country Energy Gas* will not be charged a fee by *Country Energy Gas* for such services and equipment whether or not the fee is aggregated into another fee or *Charge*, or a *Reference Tariff*.

### 4.3.2 Volume Transportation Service

The *Volume Transportation Service* is provided to the *User* in respect of the *Delivery Point* of a *Volume Customer* and consists of:

- (a) receiving natural gas at a *Receipt Point*;
- (b) transporting the natural gas from a *Receipt Point* through the *Network*;
- (c) delivering the natural gas to the *Delivery Point*;
- (d) installing, maintaining and repairing *Metering Facilities* at the *Delivery Point*;
- (e) reading the *Metering Facilities* at the *Delivery Point* at a frequency of at least quarterly;
- (f) providing data, including metering data, to the *User* and other entities in accordance with the requirements of the *Retail Market Procedures*; and
- (g) in the case of a *Customer* who is not connected to the *Network*, the provision of pipe from the *Network* to the nearest point on the *Customer's* property, where the provision of such pipe is consistent with the *Extensions/Expansions Policy* set out in section 7 and satisfies the new capital expenditure criteria of NGR 79.

Subject to section 4.3.1, a *Volume Customer* is a *Customer* who has (or is reasonably expected by *Country Energy Gas* to have) an annual consumption of less than 10TJ at a single *Delivery Point*.

If contestability in the gas industry is introduced in New South Wales which permits the provision of gas meter reading services or on-site data and communication equipment in Wagga Wagga by a person other than *Country Energy Gas* the *Customers*, *Users* and *Prospective Users* are permitted to acquire such services and equipment from that person. *Customers*, *Users* and *Prospective Users* which acquire such services and equipment from a person other than *Country Energy Gas* will not be charged a fee by *Country Energy Gas* for such services and equipment whether or not the fee is aggregated into another fee or *Charge*, or a *Reference Tariff*.

### 4.3.3 Additional Services

The following *Additional Services* are offered:

- (a) *Residential Meter Testing Service*: on request of a *User*, an off-site check to test the accuracy and soundness of *Metering Facilities* of a *Customer* in order to determine whether the *Metering Facilities* are accurately measuring the quantity of natural gas delivered. This service includes the provision of a temporary *meter*. No charge will apply for this service if the *meter* is not reading correctly.
- (b) *Special Meter Reading Service*: the reading of a *meter* and forwarding the metering data to the *User* and other entities in accordance with the requirements of the *Retail Market Procedures*, outside of the normal billing cycle for that *Delivery Point*.
- (c) *Reconnection Service*: the connection or reconnection of gas supply to a *Customer* by removing the lock from the *meter* isolating valve or the removal of wadding from the basic *meter* assembly. This service does not include purging the *Customer* installation or lighting pilots. This service only applies to *meters*

with a capacity less than or equal to 10 cubic metres per hour, provided between the hours of 7:30am and 4:00pm on a *Business Day*.

- (d) *Disconnection Service*: the *disconnection* of gas supply to a *Customer* by locking the *meter* isolation valve in the closed position or wadding the *meter* to prevent the supply of gas. The *meter* is not removed. This service only applies to *meters* with a capacity less than or equal to 10 cubic metres per hour, provided between the hours of 7:30am and 4:00pm on a *Business Day*.
- (e) *Business Disconnection/Reconnection Service*: the *disconnection* of gas supply to a *Customer* by locking the *meter* isolation valve in the closed position or wadding the *meter* to prevent the supply of gas. This service also includes subsequent connection or reconnection of gas supply to a *Customer* by removing the lock from the *meter* isolating valve or the removal of wadding from the basic *meter* assembly. This service does not include purging the *Customer* installation or lighting pilots. The service is only available to *meters* with a capacity greater than 10 cubic metres per hour.
- (f) *After Hours Reconnection Service*: the *connection* or *reconnection* of gas supply to a *Customer* by removing the lock from the meter isolating valve or the removal of wadding from the basic meter assembly. This service does not include purging the *Customer* installation or lighting pilots. This service only applies to *meters* with a capacity less than or equal to 10 cubic metres per hour, for *connections* required outside the hours of 7:30am and 4:00pm on any *Business Day*.
- (g) *Deactivation Service*: the act of removing a *meter* from a *Distribution Supply Point* and associated pipe work from the *Distribution System*.

#### **4.4 Non-Reference Services - Negotiated Services**

A *Negotiated Service* is a service that is different from a *Reference Service*. *Country Energy Gas* will negotiate in good faith with a *User* or *Prospective User* to provide a *Negotiated Service*. *Negotiated Services* may include:

- (a) the delivery of natural gas to a proposed *Delivery Point* which requires assets to be constructed that do not meet the requirements of NGR 79;
- (b) the transportation of natural gas and its *delivery to a Delivery Point* on the basis that such transportation and delivery can be interrupted other than for safety or operational reasons; and
- (c) the provision of a *service that* would otherwise be a *Transportation Service* except to the extent that the *Prospective User* is seeking terms and conditions that are different to those that apply in the *Terms and Conditions*.

#### **4.5 Network Connection Application**

##### **4.5.1 Form and details of Network Connection Application**

In seeking access to the *Network* for the purposes of obtaining a *Transportation Service* or a *Negotiated Service* that involves the transportation of gas, a *Prospective User* must submit a *Network Connection Application* to *Country Energy Gas*.

#### **4.5.2 Number of active Network Connection Applications**

A *Prospective User* may not lodge with *Country Energy Gas* more than one active *Network Connection Application* in relation to a single tranche of *Capacity* for the transportation of natural gas between a particular *Receipt Point* and a particular *Delivery Point*.

#### **4.5.3 Incomplete or deficient Network Connection Application**

If a *Network Connection Application* for a *meter* of less than or equal to 10 cubic metres per hour is incomplete or deficient in a material way, *Country Energy Gas* will promptly advise the *Prospective User* of that fact and of the nature of the deficiency. If the *Prospective User* corrects the deficiency within 2 *Business Days* of *Country Energy Gas*' advice, the date on which the *Network Connection Application* was first received by *Country Energy Gas* will continue to determine the priority of the *Network Connection Application* for queuing purposes. Otherwise the *Priority Date* for the *Network Connection Application* will be the date on which *Country Energy Gas* receives the completed request.

#### **4.5.4 Lapse of a Network Connection Application**

Where *Capacity* is available to satisfy a *Network Connection Application*, then unless:

- (a) the *Prospective User* has agreed to the *Terms and Conditions* or entered into a *Negotiated Service Agreement* within 30 *Business Days* of submitting a completed *Network Connection Application*; or
- (b) bona fide negotiations have commenced within 30 *Business Days* of submitting a completed *Network Connection Application*; or
- (c) the *Prospective User* has notified an *Access Dispute*,

the *Network Connection Application* will be deemed to have lapsed.

#### **4.5.5 Insufficient Capacity Available**

*Network Connection Applications* will be processed according to their *Priority Date*. Where there is not sufficient *Capacity* available (taking into account all *Users*' existing *Capacity Entitlements*) on the relevant part of the *Network* to meet all *Network Connection Applications* then a queue will be formed in accordance with the *Queuing Requirements*.

### **4.6 User's Default**

#### **4.6.1 Agreement with User's Customers**

The *User* must enter into agreements with its *Customers* which are in accordance with the provisions of Schedule 1 of the *Terms and Conditions* and Schedule 1 of the Gas Supply (Natural Gas Retail Competition) Regulation 2001.

#### 4.6.2 User Default

In the event that an *Agreement* which includes a *Transportation Service* between *Country Energy Gas* and the *User* is terminated by *Country Energy Gas* following a default by the *User*, then:

- (a) if the default occurs due to the *User* being subject to a *Last Resort Supply Event* in accordance with section 70 of the Gas Supply (Natural Gas Retail Competition) Regulation 2001, then arrangements for supply to *Customers* will apply as provided for under that Regulation;
- (b) if the default occurs for a reason other than the *User* being subject to a *Last Resort Supply Event* in accordance with section 70 of the Gas Supply (Natural Gas Retail Competition) Regulation 2001, then:
  - (1) *Country Energy Gas* will publish a notice in a newspaper circulating in the Wagga Wagga region stating that the *User's Terms and Conditions* has been terminated;
  - (2) *Country Energy Gas* will advise the *Retailer of Last Resort* that the *User's Agreement* has been terminated;
  - (3) *Small Retail Customers* of the *User* will be transferred as *Customers* of the *Retailer of Last Resort*, as if a *Last Resort Supply Event* had occurred;
  - (4) the *Retailer of Last Resort* will comply with sections 71, 72 and 73 of the Gas Supply (Natural Gas Retail Competition) Regulation 2001 as if a *Last Resort Supply Event* had occurred.

# 5 ACCESS REQUIREMENTS

## 5.1 Terms and Conditions

*Country Energy Gas* will provide services in accordance with the service standards and the *Terms and Conditions* set out in:

- (a) this *Access Arrangement*;
- (b) the *Network Code*, as amended from time to time;
- (c) the *Retail Market Procedures*;
- (d) The National Gas Law (*NGL*);
- (e) The National Gas Rules (*NGR*);
- (f) Gas Supply (Natural Gas Retail Competition) Regulation 2001; and
- (g) the standard *Terms and Conditions*, as amended by *Country Energy Gas*, from time to time and approved by the *Regulator* in accordance with *NGR 66* and *NGR 67*. The standard *Terms and Conditions* are set out in Appendix 1.

*Country Energy Gas*' approach to defining the *Terms and Conditions* is consistent with good industry practice and is 'reasonable' in that the *Terms and Conditions*:

- (a) are sufficiently well defined, so that the likelihood of a dispute over the *Terms and Conditions* of access is minimised; and
- (b) are designed to protect the legitimate business interests of *Country Energy Gas* as well as *Users* and *Prospective Users*.

To ensure consistency and avoid duplication, the *Terms and Conditions* apply to both *Transportation Services* and *Additional Services*. However, a number of clauses are only relevant to *Transportation Services*.

## 5.2 Pre-conditions to the provision of Services

### 5.2.1 Natural Gas

Prior to entering into an *Agreement* which includes a *Transportation Service*, the *Prospective User* must demonstrate to *Country Energy Gas*' satisfaction that it has arrangements in place to ensure that:

- (a) the *Prospective User* is entitled to take delivery of an appropriate quantity of natural Gas at the nominated *Receipt Point*;
- (b) the natural Gas it wishes *Country Energy Gas* to transport will conform to the Australian Standard AS4564 – Specification for General Purpose Natural Gas;
- (c) the pressure of natural Gas delivered to the *Receipt Point* by the *User* is delivered at a minimum pressure of 1,500kPa and a maximum of 10,000kPa; and
- (d) the *User* will ensure that the volume of natural Gas delivered to the *Receipt Point* matches the volume of natural Gas to be delivered to its *Delivery Points*.

*Country Energy Gas* may, during the term of an *Agreement*, require a *User* to provide evidence to *Country Energy Gas*' satisfaction that these quantity and quality assurance arrangements are complied with.

## **5.2.2 Compliance with Laws**

If the *Prospective User*:

- (a) is to supply gas to any third party, including without limitation any *Customer*; or
- (b) proposes to connect a distribution system to the *Network*,

then prior to entering into an *Agreement*, the *Prospective User* must demonstrate to *Country Energy Gas*' satisfaction that it holds all necessary licences, authorities and permits and will comply with all relevant *Laws*. *Country Energy Gas* may seek written evidence from the *Prospective User* of the relevant licences, authorities and permits.

## **5.3 Gas Balancing and Unaccounted for Gas**

### **5.3.1 Gas Balancing**

*Country Energy Gas* and *Users* must comply with the gas balancing arrangements set out in the *Retail Market Procedures*. The *Network* will be a no balancing network section, as defined in the *Retail Market Procedures*. If an alternative arrangement for gas balancing is provided for by the *Retail Market Procedures* and *Country Energy Gas* approves the alternative arrangements, the no balancing status will then cease to operate and the alternative arrangements will apply. *Country Energy Gas*' approval will be subject to the alternative arrangements meeting the operational requirements of the *Network* and being reflected in the *Terms and Conditions* for each *User*.

### 5.3.2 Deemed delivery point

For the purposes of gas balancing, each *User* will be deemed to deliver gas to the *Bomen Receipt Point* and the *Uranquinty Receipt Point* for a particular time period in accordance with the following formula:

$$\text{Volume}_{\text{Bomen}} = \frac{\text{Total Deliveries} \times \text{Receipts}_{\text{Bomen}}}{(\text{Receipts}_{\text{Uranquinty}} + \text{Receipts}_{\text{Bomen}})}$$

and

$$\text{Volume}_{\text{Uranquinty}} = \frac{\text{Total Deliveries} \times \text{Receipts}_{\text{Uranquinty}}}{(\text{Receipts}_{\text{Uranquinty}} + \text{Receipts}_{\text{Bomen}})}$$

where

$\text{Volume}_{\text{Bomen}}$  is the total volume of gas deemed to have been delivered (in GJ) to the *Bomen Receipt Point* on behalf of the *User* in the time period.

$\text{Volume}_{\text{Uranquinty}}$  is the total volume of gas deemed to have been delivered (in GJ) to the *Uranquinty Receipt Point* on behalf of the *User* in the time period.

$\text{Receipts}_{\text{Bomen}}$  is the total volume of gas received (in GJ) at the *Bomen Receipt Point* in the time period.

$\text{Receipts}_{\text{Uranquinty}}$  is the total volume of gas received (in GJ) at the *Uranquinty Receipt Point* in the time period.

Total Deliveries is the total volume of gas delivered (in GJ) to the *User's Delivery Points* in the time period.

### 5.3.3 Unaccounted for Gas

An allowance for the cost of *Unaccounted for Gas* has been included in *Country Energy Gas*' operating expenditure.

## 5.4 Load Shedding

*Country Energy Gas* and *Users* must comply with the *Load Shedding Procedures* set out in this section 5.4 of the *Access Arrangement*.

### 5.4.1 Load shedding priorities

If the *Gas Supply* to the *Network* is threatened, then *Country Energy Gas* will determine the quantity of supply available from the *Receipt Point* and shed load in accordance with the schedule detailed in the table below in order to maintain safe pressure levels.

Load shedding is done on a priority-ranking basis with the aim of achieving the maximum load reduction in the shortest time possible with minimal effect to any plant and/or production processes. Consequently, load shedding begins with large *Customers* where the process is controllable and provides the required level of responsiveness.



In the event that load shedding is required, *Country Energy Gas* will advise any *User* what load shedding priority category the *User* falls into at the *User's* request.

#### Load shedding priority schedule

| PRIORITY | LOAD TYPE   |
|----------|---|
| 1        | Interruptible Loads   |
| 2        | Sites where gas is not used for production  |
| 3        | Sites where load is transferable to an alternative fuel                           |
| 4        | Load that may be reduced without damage to product or plant                       |
| 5        | Load that may be halted without damage to product or plant                        |
| 6        | Load where halting will cause product damage                                      |
| 7        | Load where halting will cause plant damage  |
| 8        | Load not transferable to alternative fuel at hospital and essential service sites |
| 9        | Residential sites   |

#### 5.4.2 Users to be notified

In the event that load shedding is required, *Country Energy Gas* will advise the appropriate *Users* to inform their *Customers* to shed load. The *Users* and *Customers* must obey such directions.

In the event that the *User* fails to implement *Country Energy Gas's* instructions, *Country Energy Gas* will issue instructions to field services staff to disconnect gas supply to the relevant *Delivery Points*.

#### 5.4.3 Reconnection Process

*Country Energy Gas* will commence *Reconnecting Customers* when the *Supply* failure is declared by *Country Energy Gas* to be over. *Customers* will, to the extent practicable, be reconnected in reverse order to the order of *Disconnection*.

In the event that the entire system was isolated, the *Supply* system is to be recommissioned in pressure tiers. The high-pressure systems will be commissioned first followed by the medium high pressure and so forth.

#### 5.4.4 Alternative load shedding arrangements

Notwithstanding the provisions set out in these sections, if an alternative arrangement is provided for by the National Gas Emergency Response Advisory Committee or under an

equivalent scheme which *Country Energy Gas* is a participant in, and *Country Energy Gas* approves the alternative arrangements, then section 5.4 of this *Access Arrangement* will cease to operate and the alternative arrangements will apply. *Country Energy Gas*' approval will be subject to the alternative arrangement meeting the operational and safety requirements of the *Network* and being reflected in the *Terms and Conditions* for each *User*.

## **5.5 Connection of third party distribution systems**

### **5.5.1 By-pass and network augmentation**

A third party may, provided it has the relevant authorisation and subject to the conditions set out below, construct and operate its own pipe or system of pipes and associated equipment from any agreed point on the *Network* to the points where the natural Gas is to be utilised.

### **5.5.2 Off take point**

The pipe or system of pipes installed by the third party which connects any pipes or other equipment to the *Network* pursuant to this section 5.5, shall comply with the following requirements in order to ensure that the integrity, safety and operation of the *Network* is not compromised:

- (a) *Country Energy Gas* and the third party will agree to the location of the off take point on the *Network*;
- (b) *Country Energy Gas* will only withhold its agreement to a location sought by a third party on the grounds of technical, operational or safety considerations;
- (c) the hot tap *connection* to connect the third party's facilities to the *Network* will be performed to AS4645-2008 and, if applicable, AS2885-1997 at the third party's expense;
- (d) the work will be performed either (at the third party's cost) by *Country Energy Gas* or by a contractor approved by *Country Energy Gas* and engaged by the *User*. In the latter case, *Country Energy Gas* reserves the right to supervise the work; and
- (e) the third party must design, install, and operate any cathodic protection system installed to protect its facilities in such a manner as to avoid any interference which may be detrimental to *Country Energy Gas*' facilities.

### **5.5.3 Equipment upstream of the Point of Delivery**

*Country Energy Gas* will install isolation valves and metering equipment at the point of off take from the *Network*, upstream of the *Delivery Point* at the third parties cost. *Country Energy Gas* will install, own and operate the facilities upstream of the *Delivery Point*.

### **5.5.4 Delivery Point**

The *Delivery Point* will be at the outlet of the *Metering Facility* immediately downstream of the facilities referred to in section 5.5.2. All facilities downstream of the *Delivery Point* will be the responsibility of the third party.

### 5.5.5 Load Shedding

Following the commissioning of any facilities connected to the *Network* the third party and all *Users* of facilities downstream of the *Delivery Point* will be subject to *Load Shedding Procedures* in relation to such facilities, as set in section 5.4. The third party must have facilities available to it, to reduce or discontinue the withdrawal of natural Gas from the *Network* if required to do so.

### 5.5.6 Installation and operation

In the interests of safety and ensuring the integrity of *Country Energy Gas*' facilities, a person who plans to install natural Gas transportation facilities in the vicinity of those owned by *Country Energy Gas*, will cooperate to establish, in a timely manner, appropriate arrangements and procedures for the safe installation and operation of that person's facilities and for the management of emergency situations involving the facilities of either of them.

### 5.5.7 Abandonment disconnection

In the event that the third party natural Gas distribution system ceases to be used to take natural Gas to the *Delivery Point* the person responsible for that natural Gas distribution system at that time will ensure, at its expense, that the facilities are disconnected and isolated from *Country Energy Gas*' facilities. This requirement does not apply where the cessation of use is for a temporary period (not exceeding 3 months).

## 5.6 Bonds and Credit Support

### 5.6.1 Requirement to Provide Security

- (a) At the request of *Country Energy Gas*, security must be provided for the *Prospective Users* or *Users* performance of the *Agreement* where a *Prospective User*, before being provided *Transportation Services*, does not meet *Acceptable Credit Criteria*, or at any time during the *Agreement* where a *User* of *Transportation Services* does not meet *Acceptable Credit Criteria*, or:
- (i) within the previous 12 months, (or where the *Commencement Date* occurs within the previous 12 months, since the *Commencement Date*) the *User* has failed to pay in full:
    - (A) 5 invoices within the required time limit for payment; or
    - (B) 3 consecutive invoices within the required time limit for payment; or
    - (C) 1 invoice within 25 days of the due date; or
  - (ii) any undisputed amounts owing by the *User* to *Country Energy Gas* in respect of the provision of *Transportation Services* in the period prior to the *Commencement Date*, are not paid in full within 30 days of the *Commencement Date*; or
  - (iii) *AEMO* calls upon any *Credit Support* provided by the *User* or its *Credit Support Provider* to *AEMO* under the *Retail Market Procedures*; or

- (iv) the *User* ceases to be registered with *AEMO* under the *Retail Market Procedures*; or
- (v) where the *User* purchases *Gas* under an agreement from a person registered with *AEMO* under the *Retail Market Procedures*, and that person issues a notice of default to the *User* under that agreement,

provided that nothing in section 5.6.1(a)(i) or section 5.6.1(a)(ii) shall permit *Country Energy Gas* to require security under section 5.6.1 where the *User* has failed to pay the invoice or invoices or a relevant part of the invoices due to a bona fide dispute under clauses 6.26 to 6.35 of the *Terms and Conditions* set out in Appendix 1.

- (b) The security may be in the form of either:
  - (1) payment by the *User* or *Prospective User* to *Country Energy Gas* of a *Bond* which is reasonably estimated by *Country Energy Gas* to represent not less than 90 days of charges for the *Contract Transportation Service* and the *Volume Transportation Service* under the *User* or *Prospective User's Agreement* (the *Bond Amount*); or
  - (2) the provision of *Credit Support*.
- (c) *Country Energy Gas* may require the *User* or *Prospective User* to provide information to enable *Country Energy Gas* to assess whether the *User* or *Prospective User* does meet *Acceptable Credit Criteria*. Such information will be sought consistent with the provisions of the *Privacy Act 1988*.
- (d) *Country Energy Gas* may require the *User* to provide security under section 5.6.1(b) within 7 days of receipt of notice from *Country Energy Gas* as to the amount of the security required.
- (e) At the end of 6 months after the date on which the security was originally requested under section 5.6.1(b), and at the end of any 6 month period thereafter (or as otherwise agreed by the parties), the *User* may request the release of the *Bond Amount* or *Credit Support Amount*, and *Country Energy Gas* must release the *Bond Amount* or *Credit Support Amount*, if the *User* shows that, at that date, none of the criteria identified in section 5.6.1(a) apply.
- (f) The *User* must notify *Country Energy Gas* within 1 *Business Day* if *Country Energy Gas* becomes eligible to request security under section 5.6.1 because the *Acceptable Credit Criteria* no longer applies or because of the operation of sections 5.6.1(a)(i), (iii), (iv) and (v).

## 5.6.2 Credit Support

*Credit Support* is an undertaking in writing from a person (a *Credit Support Provider*) which:

- (a) is a guarantee or bank letter of credit in a form acceptable to *Country Energy Gas*;
- (b) is duly executed by the *Credit Support Provider* and delivered unconditionally to *Country Energy Gas*;
- (c) constitutes valid and binding unsubordinated obligations of the *Credit Support Provider* to pay *Country Energy Gas* in accordance with the provisions of this *Access Arrangement* and the *User's* or *Prospective User's Agreement*; and

- (d) permits drawings or claims by *Country Energy Gas* to an amount which is at all times not less than 90 days of charges for the *Contract Transportation Service* and the *Volume Transportation Service* under the *User's or Prospective User's Agreement*, as reasonably estimated by *Country Energy Gas* (the *Credit Support Amount*).

### 5.6.3 Expiry of Credit Support

Where a *User's* current *Credit Support* is due to expire or terminate then the *User*:

- (a) must notify *Country Energy Gas* at least 10 *Business Days* prior to the expiration or termination; and
- (b) ensure that replacement *Credit Support* that complies with this section 5.6 is in place prior to, and effective from, the date of termination.

### 5.6.4 Credit Support Provider

The *Credit Support Provider* must:

- (a) be either:
  - (1) any entity under the prudential supervision of the Australian Prudential Regulation Authority; or
  - (2) a central borrowing authority of an Australian State or Territory which has been established by an Act of Parliament of that State or Territory.
- (b) be resident in, or have a permanent establishment in Australia;
- (c) not be under external administration (as defined in the *Corporations Act*) or under a similar form of administration under any laws applicable to it in any jurisdiction;
- (d) not be immune from suit;
- (e) be capable of being sued in its own name in a court in Australia; and
- (f) maintain an unqualified credit rating of not less than:
  - (i) AA from Standard and Poor's (Australia) Pty Limited; or
  - (ii) AA from Moody's Investor Service Pty Limited; or
  - (iii) an equivalent credit rating as determined by *Country Energy Gas*.

### 5.6.5 Variation of Bond Amount or Credit Support Amount

If a *User* has provided a *Bond* or *Credit Support* and

- (a) the *User* and *Country Energy Gas* agree to vary the *User's* maximum daily quantity of natural gas (*MDQ*); or
- (b) in *Country Energy Gas's* reasonable opinion the *Credit Support Amount* or *Bond Amount* calculated in accordance with section 5.6.1(b)(1) or 5.6.2(d) has otherwise increased or decreased,

then *Country Energy Gas* will notify the *User* of the revised *Credit Support Amount* or *Bond Amount* and:

- (c) if the *Credit Support Amount* or *Bond Amount* has decreased, within 5 *Business Days* *Country Energy Gas* will repay the *User* part of the *Bond* or agree to the reduction in the *Credit Support Amount*; or
- (d) if the *Credit Support Amount* or *Bond Amount* has increased, the *User* will pay *Country Energy Gas* an additional amount of *Bond* or provide additional *Credit Support* within 5 *Business Days* such that the total amount of *Bond* or *Credit Support* is restored to the revised *Bond Amount* or *Credit Support Amount*.

#### **5.6.6 Drawing on Bond or Credit Support**

- (a) *Country Energy Gas* may draw on the *Bond* or *Credit Support* in respect of an *Outstanding Amount* where all of the following circumstances apply:
  - (i) *Country Energy Gas* has given the *User* a notice of intention to draw on the *Bond* or *Credit Support* stating:
    - (1) the date of the notice;
    - (2) that *Country Energy Gas* intends to draw on the *Bond* or *Credit Support*;
    - (3) the date, being not less than 5 *Business Days* from the date of the notice, on which it will draw on the *Bond* or *Credit Support*.
  - (ii) 5 *Business Days* have elapsed since *Country Energy Gas* provided the notice of intention to draw on the *Bond* or *Credit Support*;
  - (iii) and the *Outstanding Amount* remains unpaid on the date at which *Country Energy Gas* draws on the *Bond* or *Credit Support*.

Where *Country Energy Gas* draws on the *Bond* or *Credit Support* with the effect that the remaining amount of the *Bond* or *Credit Support* is less than the *Bond Amount* or *Credit Support Amount* then the *User* must within 24 hours provide an additional amount of *Bond* or *Credit Support* such that the *Bond* or *Credit Support* is restored to the *Bond Amount* or *Credit Support Amount*.

- (b) Drawing on the *Bond* or *Credit Support* does not limit *Country Energy Gas*' rights under the *Agreement* or operate as a waiver by *Country Energy Gas* of the *User*'s breach of the *Agreement*.

#### **5.6.7 Releasing the Bond or Credit Support**

In the event of the termination of an *Agreement* with a *User*, *Country Energy Gas* will release the *Bond* or *Credit support*, less any *Outstanding Amounts* payable in accordance with this section 5.6. Neither the provision of a *Bond* or *Credit Support*, nor any amount drawn on them by *Country Energy Gas*, will prevent *Country Energy Gas* from claiming from the *User* any amount payable under an *Agreement* in circumstances where the *Bond* or *Credit Support* was insufficient to satisfy such amount.

## **5.7 Users with existing Agreements**

### **5.7.1 Grant of Options to Renew**

A *User* seeking a *Reference Service* or a *Negotiated Service* after the *Agreement* in respect of that service has expired or been terminated shall be treated as a *Prospective User* seeking to obtain that service, unless in the case of a *Negotiated Service Agreement* the terms of that agreement include an option to renew the *User's* right to obtain the *Service*. Any such option will only grant that *User* with priority in relation to the *Service* currently provided by *Country Energy Gas* under the relevant *Negotiated Service Agreement* or such other service which does not utilise *Capacity* greater than that provided for under the relevant service agreement. A *Reference Service* will not include an option to renew the *Terms and Conditions* under which *Country Energy Gas* provides that *Reference Service* to a *User*.

### **5.7.2 Small Customers**

Notwithstanding section 5.7.1, agreed *Terms and Conditions* with a *User* that relates to the supply of natural gas to *Small Retail Customers* may grant the *User* concerned rights to renew the agreed *Terms and Conditions* or obtain *Capacity* in priority to other *Users* to the extent necessary to ensure the reasonable security of supply to the relevant *Small Retail Customers*.

# 6 QUEUING REQUIREMENTS

## 6.1 Queuing

- (a) These *Queuing Requirements* explain how *Country Energy Gas* manages *Network Connection Applications* when there is insufficient capacity in the *Network* to satisfy requests.
- (b) This policy applies to requests for access to both *Developable Capacity* and *Spare Capacity*.
- (c) The trigger is the submission of a *Network Connection Application* form.

### 6.1.1 Forming a queue

- (a) If and when *Country Energy Gas* receives a *Network Connection Application* form from a *Prospective User*, and if there is insufficient *Capacity to Supply* the request, then *Country Energy Gas* will advise the *Prospective User* that its request will be placed in a queue. The *Prospective User* must advise *Country Energy Gas* if it wishes to proceed with the request. If there is an existing queue *Country Energy Gas* will add the request to the queue. Otherwise, a new queue will be formed by *Country Energy Gas*.
- (b) When a request is placed in a queue *Country Energy Gas* will advise the *Prospective User* of its position in the queue, the aggregate capacity of the requests which are ahead of the *Prospective User's* request in the queue, *Country Energy Gas's* estimate of when *Capacity* may come available, and the amount of any *capital contribution* which may apply.
- (c) When the position of a request changes relative to other requests which are ahead in the queue (such as where a request ceases to be in the queue) or where the timing of availability of a new tranche of *Developable Capacity* or *Spare Capacity* changes, *Country Energy Gas* will provide revised information to the *Prospective User*.
- (d) Where a request is made for a service to a *Delivery Point* and *Country Energy Gas* is satisfied that the request is for the same tranche of *Capacity* as that sought by another *Prospective User*, then *Country Energy Gas* may elevate that request in the queue and make that tranche of *Capacity* available before satisfying any other requests in the queue.

### 6.1.2 Conditions applicable on queue

The following conditions apply:

- (a) a *Prospective User* may reduce, but not increase, the *Capacity* sought in a request that is in a queue;
- (b) once every 2 Months, *Country Energy Gas* may seek confirmation from a *Prospective User* that it wishes to continue with a request or requests. If the *Prospective User* fails to respond within 10 working days, the relevant request or requests will lapse;



- (c) a *Prospective User* will advise *Country Energy Gas* if it does not wish to proceed with a request, which will then lapse;
- (d) a lapsed request will be removed from the queue and priority will be lost;
- (e) if either party raises a dispute under the *NGL* in connection with a request, the request will not lapse, and will retain its priority in the queue pending the resolution of the dispute in accordance with the *NGL*;
- (f) if a request is placed in a queue, the *Prospective User* will, on request, demonstrate to *Country Energy Gas*' reasonable satisfaction that it will have access to a sufficient *Supply of Gas* at the time it is anticipated that the *Prospective User* will be offered access to the service;
- (g) a *Prospective User* may only assign a request in a queue to a bona fide purchaser of the *Prospective User*'s business or assets. Any such assignment is subject to the purchaser:
  - (i) meeting *Country Energy Gas* reasonable requirements concerning licensing, and technical and financial capacity; and
  - (ii) providing *Country Energy Gas* with any security reasonably requested by *Country Energy Gas*.

### **6.1.3 Procedure when Capacity can be made available**

If *Capacity* becomes available it will be offered to the *Prospective Users* in the queue:

- (a) whose request requirements can be fully satisfied by the available *Capacity*; and
- (b) in order of their respective priorities in the queue.

### **6.1.4 Priority of Users in obtaining services**

- (a) *Country Energy Gas* will advise a *Prospective User* if its request is incomplete.
- (b) The priority of the request for queuing purposes will be determined by *Country Energy Gas* based on the time and date on which *Country Energy Gas* first received the request.
- (c) A request for a *Reference Service* will have priority over a request for a *Negotiated Service*.

### **6.1.5 Requirement for Agreement**

- (a) A *Prospective User* must have an *Agreement* with *Country Energy Gas* for a service before an offer of *Capacity* may be offered.
- (b) If *Capacity* becomes available, but a *Prospective User* has not entered into an *Agreement* with *Country Energy Gas* for the relevant service, the *Prospective User*'s request for *Capacity* will lose priority to other *Prospective Users* who have entered into an *Agreement* relevant to their request.
- (c) Alternatively, *Country Energy Gas* may agree to reserve *Capacity* for the *User* for a period nominated by *Country Energy Gas*, to enable an *Agreement* to be finalised. In that case, the *Prospective User* will not lose priority.

# 7 EXTENSIONS AND EXPANSIONS

## 7.1 Coverage

### 7.1.1 Extensions

#### 7.1.1.1 High pressure pipeline extensions

- (a) If *Country Energy Gas* proposes a high pressure pipeline extension of the *Covered Pipeline* it must apply to the *Regulator* in writing to determine whether the proposed extension will be taken to form part of the *Covered Pipeline* and will be covered by this *Access Arrangement*. The application must describe the extension and set out why the extension is necessary.
- (b) The application must be made before the proposed high pressure pipeline extension comes into service.
- (c) After considering the application, and undertaking such consultation as the *Regulator* considers appropriate, the *Regulator* will inform *Country Energy Gas* of its determination.
- (d) The determination may be made on such reasonable conditions as determined by the *Regulator* and will have the operation specified in the determination.
- (e) For the purposes of this section 7, a high pressure pipeline extension means a pipeline extension:
  - (i) with an operating pressure greater than 400kPa;
  - (ii) that exceeds 500 metres in length; and
  - (iii) which is located more than one kilometre from a transmission pipeline and that transmission pipeline has an operating pressure greater than 3000kPa.

#### 7.1.1.2 Other pipeline extensions

- (a) Subject to this section 7.1.1.2, any low, medium low or medium high pressure pipeline extension of the *Network*, or any pipeline extension of the *Network* which is not a high pressure pipeline extension within the meaning of section 7.1.1.1(e), will be treated as part of the *Network* and accordingly will be the subject of coverage under this *Access Arrangement*
- (b) *Country Energy Gas* may apply to the *Regulator* in writing for a determination by the *Regulator* that paragraph (a) will not apply to the pipeline extension referred to in the application.
- (c) After considering an application and undertaking such consultation as the *Regulator* considers appropriate, the *Regulator* will advise *Country Energy Gas* whether or not it makes the determination.

- (d) A determination may be made on such reasonable conditions determined by the *Regulator* and will have the operation specified in the determination.

### **7.1.2 Expansions**

Any expansion of the *Capacity* of the *Network* will be treated as part of the *Network* and accordingly will be the subject of coverage under this *Access Arrangement*.

## **7.2 Extensions/Expansions and Tariffs**

- (a) No extension or expansion will affect *Reference Tariffs*. *Country Energy Gas* will offer *Reference Services* at the *Reference Tariffs* in respect of extensions or expansions that are to be treated as part of the *Covered Pipeline*.
- (b) *Country Energy Gas* may levy a *Surcharge* in respect of such *Reference Services* where a *Surcharge* is permitted under *NGR 83*.
- (c) *Country Energy Gas* will notify the *Regulator* of any proposed *Surcharge* to be levied on users of incremental services and designed to recover non-conforming capital expenditure or a specified portion of non-conforming capital expenditure (non-conforming capital expenditure which is recovered by means of a *Surcharge* will not be rolled into the capital base).
- (d) Despite sections 7.2 (a) and (b), but subject to the *NGR*, *Country Energy Gas* and a *Prospective User* or *Users* of a third party may agree that the *Prospective User* or *Users* or a third party will contribute to the funding of an extension or expansion.

## **7.3 New Developments**

### **7.3.1 Payment or Construction by Developers**

Where an extension or expansion is required to be undertaken in order to provide services to a *New Development*, then *Country Energy Gas* may require:

- (a) the *Developer* to reimburse *Country Energy Gas* for part or all of the cost of the extension or expansion located within the geographic boundary of the *New Development*; and/or
- (b) the *Developer* to pay for and arrange for the construction of the extension or expansion located within the geographic boundary of the *New Development*; and/or
- (c) where the provision of gas to the *New Development* would otherwise not pass the new capital expenditure criteria of *NGR 79*, the *Developer* to contribute to the cost of the extension or expansion outside the geographic boundary of the *New Development* required to the extent that the new capital expenditure criteria is met.

### **7.3.2 Payment by Developers**

Subject to the *NGR*, where under section 7.3.1 a *Developer* is required to contribute to the cost of an extension or expansion then:

- (a) *Country Energy Gas* will be the owner of the extension or expansion; and

- (b) the amount of the capital expenditure entering the *Capital Base* will be the total cost of the project less the contribution from the *Developer*.

### **7.3.3 Construction by Developers**

Subject to the *NGR*, where under section 7.3.1(b) the *Developer* is required to pay for and arrange the construction of an extension or expansion then:

- (a) the *Developer* and/or any persons engaged by the *Developer* to construct the extension or expansion must be approved by *Country Energy Gas* and must comply with any guidelines, rules, codes and conditions established by *Country Energy Gas* and relevant *Laws*. *Country Energy Gas* reserves the right to supervise the work and to charge the *Developer* for the cost of that supervision; and
- (b) the capital expenditure will not be included in the *Capital Base* for the purposes of calculating *Reference Tariffs*.

# 8 CAPACITY TRADING

Transfers of capacity will be undertaken:

- (a) where *Country Energy Gas* is registered as a participant in a gas market—in accordance with the Gas Market Rules for that gas market; or
- (b) if *Country Energy Gas* is not so registered or the relevant Gas Market Rules do not deal with capacity trading—in accordance with NGR 105 and this section 8.

For the purposes of this section 8, Gas Market Rules means the Retail Market Business Rules to Support Retail Competition in Gas for the NSW and ACT gas retail market (or, if these rules are no longer applicable, any other rules or procedures which govern the gas market in which *Country Energy Gas* is a registered participant) from time to time.

## 8.1 Capacity Trading

A *User* will be entitled to make a *Capacity Transfer*, by way of subcontract, of all or part of its *MDQ* to another party (the *Third Party*) without *Country Energy Gas*' consent so long as the transferee notifies *Country Energy Gas* of:

- (a) the subcontract and its likely durations;
- (b) the identity of the *Third Party*; and
- (c) the amount of the *MDQ* which was transferred or assigned.

## 8.2 Other Transfers

### 8.2.1 Conditions for Other Transfers

Where a *User* wishes to transfer or assign some or all of its *MDQ* other than by way of *Capacity Transfer* the *User* may do so with *Country Energy Gas*' prior written consent. *Country Energy Gas* will only withhold its consent or make its consent subject to conditions on reasonable commercial or technical (including safety) grounds, including where:

- (a) there is not sufficient *Capacity* either before or as a result of the transfer or assignment to enable the amount of the *MDQ* transferred or assigned to be delivered to the proposed new *Delivery Point*; or
- (b) the effect of the transfer or assignment would be that *Country Energy Gas* would receive less revenue as a result of the transfer or assignment; or
- (c) where the proposed transferee is unable to satisfy *Country Energy Gas* that it is able to meet the relevant requirements set out in section 5.2.

### 8.2.2 Application for Other Transfers

Where a *User* wishes to transfer or assign some or all of its *MDQ* other than by way of *Capacity Transfer* it must provide sufficient information to *Country Energy Gas* in order to assess whether the transfer or assignment is reasonable on commercial or technical (including safety) grounds, including:

- (a) the *User* who proposes to make the transfer or assignment;
- (b) the amount of the *MDQ* which is to be transferred or assigned;
- (c) the location of the *Delivery Point* from which the relevant amount of the *MDQ* is to be transferred or assigned;
- (d) the location of the *Delivery Point* to which the relevant amount of the *MDQ* is to be transferred or assigned;
- (e) the dates and number of *Days* to which the transfer or assignment is to relate; and
- (f) the ability of the transferee to meet the requirements set out in section 5.2

as soon as it is practicable to do so before the transfer or assignment is proposed to take place (and in any event not later than 14 *Business Days* prior to the date of the proposed trade). If at the time the application is made the *User* informs *Country Energy Gas* that due to hardship the *User* requires an urgent reply to its application, *Country Energy Gas* will use reasonable endeavours to respond to the application within two *Business Days* of receiving it.

### 8.3 Original User Continues to Pay

For the avoidance of doubt, a *User* who transfers or assigns any of its *MDQ*, whether by way of a *Capacity Transfer* or any other transfer, remains liable to *Country Energy Gas*, for all charges or other amounts payable to *Country Energy Gas* in respect of the part of the *MDQ* transferred or assigned unless *Country Energy Gas* expressly agrees in writing that some other person will be liable for some or all of those charges or other amounts, and the other person concerned has agreed to be liable to *Country Energy Gas* in respect of those amounts in accordance with the capacity trading requirements.

### 8.4 Change of Delivery Point

#### 8.4.1 Conditions for Changes in Delivery Point

A *User* will be entitled to change the *Delivery Point* specified in the agreed *Terms and Conditions* with *Country Energy Gas*' prior written consent. *Country Energy Gas* may refuse its consent or make the granting of consent subject to conditions where this is commercially or technically reasonable including where:

- (a) a reduction in the *User's MDQ* at the original *Delivery Point* will not result in a corresponding increase in *Country Energy Gas*' ability to provide that *Service* to the alternative *Delivery Point*; or
- (b) *Country Energy Gas* would not, after the change, receive at least the same amount of revenue it would have received before the change.

#### **8.4.2 Application for Change in Delivery Point**

Where a *User* wishes to change a *Delivery Point* it must provide sufficient information to *Country Energy Gas* in order to assess whether the change is reasonable on commercial or technical (including safety) grounds, including:

- (a) the locations of the *Delivery Points* which are to be changed;
- (b) the amount of the *MDQ* which is the subject of the change;
- (c) the proposed date upon which the change in *Delivery Points* is to occur,

as soon as it is practicable to do so before the proposed change in *Delivery Point* (and in any event not later than 14 *Business Days* prior to the date of the proposed change in *Delivery Point*).

The efficient costs incurred as a result of a change of *Delivery Point* will be charged to the *User*.

### **8.5 Change of Receipt Point**

#### **8.5.1 Conditions for Changes in Receipt Point**

A *User* will be entitled to change the *Receipt Point* from that specified in the agreed *Terms and Conditions with Country Energy Gas* prior written consent. *Country Energy Gas* may refuse its consent or make the granting of consent subject to conditions where this is commercially and technically reasonable including where *Country Energy Gas* would not, after the change, receive at least the same amount of revenue it would have received before the change.

#### **8.5.2 Application for Change in Receipt Point**

Where a *User* wishes to change a *Receipt Point* it must provide sufficient information to *Country Energy Gas* in order for it to assess whether the change is reasonable on commercial or technical (including safety) grounds, including:

- (a) the locations of the *Receipt Points* which are to be changed;
- (b) the amount of the *MDQ* which is the subject of the change;
- (c) the proposed date upon which the change in *Receipt Points* is to occur,

as soon as it is practicable to do so before the proposed change in *Receipt Point* (and in any event not later than 14 *Business Days* prior to the date of the proposed change in *Receipt Point*).

# 9 REVIEW OF ACCESS ARRANGEMENT

## 9.1 Revisions Commencement Date

The date upon which revisions to the *Access Arrangement* are intended to commence (the *Revisions Commencement Date*) is 1 July 2015.

In the event that proposed revisions to the *Access Arrangement* are not approved by the *Regulator* and put into effect by the *Revisions Commencement Date*, then:

- (a) this *Access Arrangement*, including the *Terms and Conditions*, will continue to apply; and
- (b) *Reference Tariffs* and other fees set out in this *Access Arrangement* will remain unchanged

## 9.2 Revisions Submission Date

The date upon which revisions to this *Access Arrangement* will be submitted to the *Regulator* (the *Revisions Submission Date*) is 1 July 2014.

## 9.3 Trigger Event

9.3.1 If an amendment to the *NGL* or the *NGR* takes effect or the National Energy Retail Law or the National Energy Retail Rules commence operation in New South Wales and:

- (a) this affects the terms and conditions on which *Users* or *Customers* obtain access under this *Access Arrangement*; and
- (b) this results in more favourable conditions for *Users* or *Customers* than those under this *Access Arrangement*,

*Country Energy Gas* is required to notify the *Regulator* no later than one month following this and to also provide contact details of its *Users* to the *Regulator* at this time.

9.3.2 The *Regulator* may consult with interested parties in order to determine whether the circumstances outlined in section 9.3.1 are circumstances that are likely to be significant and constitute a trigger event.

9.3.3 Following the consultation in section 9.3.2, the *Regulator* will notify *Country Energy Gas* whether the circumstances constitute a trigger event, in which case the *Revisions Submission Date* fixed in this *Access Arrangement* will advance to a date 6 months from the date of the trigger event or such other date as determined by the *Regulator* and subject to the *NGR*.



# 10 TARIFFS

## 10.1 General

*Reference Tariffs* listed in this *Access Arrangement* are exclusive of GST. A full schedule of indicative prices is attached as Appendix 2. A new schedule with revised *Reference Tariffs* will be published each year by *Country Energy Gas* in accordance with section 12.

### 10.1.1 Date of application of Reference Tariffs

*Reference Tariffs* will apply from the date on which the approval of the *Regulator* takes effect.

## 10.2 Reference Tariff Structure

### 10.2.1 Contract Transportation Service

The *Reference Tariff* for the *Contract Transportation Service* will depend upon the *Zone* in which the relevant *Delivery Point* is located, and consists of:

- (a) An *Annual Capacity Charge* based on the *MDQ* for that *Delivery Point*. The *MDQ* for a *Delivery Point* is established in accordance with sections 10.2.3 and 10.2.4. The initial *Annual Capacity Charge* is set out in Appendix 2; and
- (b) A *Monthly Metering Charge* designed to recover the specific costs of providing, maintaining and operating the *Metering Facilities* at a *Delivery Point* as well as the costs associated with remotely reading that *meter* on a daily basis and forwarding that data to the *User* and other entities in accordance with the *Retail Market Procedures*. *Monthly Metering Charges* are specific to the *Metering Facilities* at a *Delivery Point*. The initial *Monthly Metering Charges* are set out in, or calculated in accordance with the approach detailed in, Appendix 2.

If contestability in the gas industry is introduced in New South Wales which permits the provision of *Gas Meter* reading services or on-site data and communication equipment in Wagga Wagga by a person other than *Country Energy Gas* the *Customers*, *Users* and *Prospective Users* are permitted to acquire such services and equipment from that person. *Customers*, *Users* and *Prospective Users* which acquire such services and equipment from a person other than *Country Energy Gas* will not be charged the *Monthly Metering Charge* or any other fee by *Country Energy Gas* for such services and equipment whether or not the charge or fee is aggregated into another fee or *Charge*, or a *Reference Tariff*.

### 10.2.2 Volume Transportation Service

The *Reference Tariff* for the *Volume Transportation Service* consists of:

- (a) an *Annual Fixed Charge* based on the flow rate of the *Metering Facilities* at the *Delivery Point* provided in accordance with section 10.2.5. The initial *Annual Fixed Charge* is set out in Appendix 2; plus

- (b) a *Volumetric Charge* for each GJ of gas delivered to the *Delivery Point*. The initial *Volumetric Charge* is set out in Appendix 2.

If contestability in the gas industry is introduced in New South Wales which permits the provision of gas meter reading services or on-site data and communication equipment in Wagga Wagga by a person other than *Country Energy Gas* the *Customers, Users* and *Prospective Users* are permitted to acquire such services and equipment from that person. *Customers, Users* and *Prospective Users* which acquire such services and equipment from a person other than *Country Energy Gas* will not be charged a fee by *Country Energy Gas* for such services and equipment whether or not the charge or fee is aggregated into another fee or *Charge*, or a *Reference Tariff*.

### 10.2.3 Nomination of MDQ and MHQ

Prior to the provision of a *Contract Transportation Service* to a *Delivery Point* each *User* must ensure that the relevant *Contract Customer* nominates to *Country Energy Gas* the proposed *MDQ* and *MHQ* of natural gas to be delivered to the *Delivery Point* serving that *Customer*.

### 10.2.4 Overruns and Increase in MDQ

- (a) Subject to sections 10.2.4(b) and 10.2.4(c), a *User* may apply in writing to *Country Energy Gas* at least 24 hours prior to an *Overrun* occurring to have that *Overrun* authorised.
- (b) *Country Energy Gas* may authorise such an *Overrun* providing that in the opinion of *Country Energy Gas* the *Overrun*:
- (i) does not compromise the safety of the *Network*;
  - (ii) does not impact on *Country Energy Gas*' commercial obligations; and
  - (iii) there are no capacity constraints in the *Network*.

Such authorisation does not have any effect unless the authorisation is expressed in writing by *Country Energy Gas*.

- (c) The *User* may not apply to have an *Overrun* authorised if five *Overruns* have been already authorised in that *Year*.
- (d) If an *Overrun* that has not been authorised occurs more than three times in any one month or a maximum of five in that *Year*, then *Country Energy Gas* will reset the *MDQ* established in accordance with section 10.2.3 to a level consistent with the highest unauthorised *Overrun* that occurred in that month or, in the case of the fifth unauthorised *Overrun* in that *Year*, the month in which the highest unauthorised *Overrun* occurred. The revised *MDQ* shall be used to calculate *Capacity Charges* for the remaining duration of the *Agreement* including the month in which the unauthorised *Overruns* occurred.
- (e) *Country Energy Gas* will notify the *User* in writing in the event that the *MDQ* has been adjusted in accordance with section 10.2.4(d).
- (f) no unauthorised *Overrun* will be deemed to have occurred if it is not possible to determine the quantity of natural Gas withdrawn at the *Delivery Point* because of a failure or unavailability of *Metering Facilities*, even if it is subsequently established that an *Overrun* would have occurred on the basis of the quantities subsequently estimated to have been withdrawn on that *Day*.

### **10.2.5 Provision of Maximum Hourly Flow Rate**

Upon *Connection* to the *Network*, each *User* must ensure that each of its *Customers* provides to *Country Energy Gas* the hourly *Maximum Meter Flow Rate* of the *Metering Facilities* at the *Delivery Point* serving that *Customer*. The *User* must:

- (a) in respect of a *Customer* that is already connected to the *Network*, advise *Country Energy Gas* of any proposed change to the hourly *Maximum Meter Flow Rate* of the *Metering Facilities*; and
- (b) ensure that the hourly *Maximum Meter Flow Rate* of the *Metering Facilities* is not exceeded, other than by prior written agreement with *Country Energy Gas*.

### **10.3 Additional Services**

The initial charges for *Additional Services* are set out in Appendix 2.

# 11 DEPRECIATION

Forecast depreciation in the *Access Arrangement Period* will be used to determine the opening *Capital Base* for the *Next Access Arrangement Period*.

# 12 ANNUAL CHANGES IN REFERENCE TARIFFS

## 12.1 Annual Changes in Reference Tariffs

The manner in which the *Reference Tariff* for the *Contract Transportation Service* and the *Volume Transportation Service* will change annually on 1 July 2011 and 1 July in each Year thereafter throughout this *Access Arrangement* is set out in section 8 of the *Access Arrangement Information*. In broad terms, *Reference Tariffs* for *Transportation Services* will change consistent with a  $(1+CPI-X)$  mechanism applying to a weighted average tariff basket of services. It should be noted that the weighted average tariff basket excludes *Monthly Metering Charges* and *Additional Services*, which will change in the manner set out in section 12.2.

## 12.2 Annual Changes in Monthly Metering Charges and tariffs for Additional Services

*Monthly Metering Charges* and tariffs for *Additional Services* will change on 1 July each Year by the *Change in the CPI*.

## 12.3 Rounding Convention

*Country Energy Gas* proposes to round at the last computational step and to the nearest cent for tariffs denominated in dollars (i.e. four decimal places).

## 12.4 Notification of Annual Changes in Reference Tariffs

*Country Energy Gas* will notify *Users* in writing of the annual changes to *Reference Tariffs* at least twenty *Business Days* prior to 1 July each year.

## 12.5 Pass Throughs

Reference Tariffs may be varied if there is a material impact on the cost to *Country Energy* of providing Reference Services as a result of any *Pass Through Event*, whether singular or several, listed below (*Pass Through Event*), which may occur on one or more occasion in the *Access Arrangement Period*, where the costs were not incorporated in the determination of Reference Tariffs incorporated in this *Access Arrangement* or, if there has been a previous review of the Reference Tariffs at the review. Each individual pass through event must have a material impact on the cost to *Country Energy* of providing Reference Services in order for the cost associated with that event to be passed onto consumers.

*Pass Through Events* are:

- a Regulatory Change event;
- a Service Standard change event;
- a Tax Change event;
- a Terrorism or Natural Disaster event;

- Force Majeure;
- an Insurance event;
- a Retail Project event;
- a Climate Change (Carbon Pollution Reduction Scheme) event; or
- a General Pass Through Event.

The proposed Pass Through Events are defined below:

- *Regulatory Change event*  
Means an event which is mandated by a government or regulatory department, body, instrumentality, minister, agency or authority or any body which is the successor to the administrative responsibilities of that department, body, instrumentality, minister, agency or authority.
- *Service Standard change event*  
Means any decision made by the *Regulator* or any other *Authority*, or any introduction of or amendment to applicable law or *NGL*, which has the effect of:
  - (a) imposing or varying standards (including network design and operational standards) on *Country Energy Gas* relevant to the provision of *Reference Services*, that are more onerous than the standards in effect at 1 July 2010; or
  - (b) altering the nature or scope of services that comprise any one or more of the services; or
  - (c) substantially altering the manner in which *Country Energy Gas* is required to undertake any activity forming part of, or ancillary to, any one or more of the *Reference Services* (including through rules for the operation of competitive gas markets).
- *Tax Change event*  
A change in any royalty, duty, excise, tax, impost, levy, and fee charge, (including, but without limitation, any GST) imposed by any *Authority* in respect of the repair, maintenance, administration or management of the *Network* (or any part of it) or in respect of the provision of *Reference Services*, but excluding:
  - (a) income tax (or State equivalent income tax) and capital gains tax;
  - (b) stamp duty, financial institutions duty, bank account debits tax or similar taxes or duties;
  - (c) voluntary membership fees or voluntary contributions payable to membership bodies;
  - (d) penalties and interest for late payment relating to any tax, royalty, duty, excise, impost, levy, fee or charge; and
  - (e) any tax or charge which replaces the taxes or charges referred to in (a) to (d);
 Means
- *Terrorism or Nature Disaster event*  
Means an act of terrorism or a natural disaster (including fire, flood or earthquake, storm or other weather-related event or natural disaster)

- *Force Majeure event*  
Means any act of God, riot, civil disorder or rebellion or other similar cause beyond the reasonable control of *Country Energy Gas*, as defined in section 13.
- *Insurance Event*  
An insurance event is an event for which the risk of its occurrence is the subject of insurance taken out by or for *Country Energy Gas*, and in respect of which:
  - a) the cost of the premium paid or required to be paid by *Country Energy Gas* materially increases or decreases; or
  - b) the risk eventuates and, as a consequence, *Country Energy Gas* incurs or will incur all or part of a deductible where the amount so incurred or to be so incurred in a *Year* is materially higher or lower than the allowance for the deductible (if any) that is provided for in the determination of *Reference Tariffs* for that *Year* by an amount of more than the materiality threshold for that *Year*; or
  - c) insurance becomes unavailable to *Country Energy Gas*; or
  - d) insurance becomes available to *Country Energy Gas* on terms materially different terms to those existing as at the time that *Reference Tariffs* were determined (other than as a result of any act or omission of *Country Energy Gas* which is inconsistent with good gas industry practice).
- *Retail project event*  
Means any legislative or administrative act of the NSW Government to separate the retail gas business of *Country Energy* in whole or in part from the gas distribution function of the *Network* (including by way of a sale of *Country Energy's* retail business), which materially changes the costs to the *Network* of providing reference services in the *Access Arrangement Period*
- *Climate change (Carbon Pollution Reduction Scheme)*  
Means an event which results in the imposition of legal obligations on the *Network* arising from the introduction or operation of a carbon emissions trading scheme imposed by the Commonwealth or NSW Government during the course of the *Access Arrangement Period* and which:
  - (a) falls within no other category of *Pass Through Event*; and
  - (b) materially increases the costs of providing *Reference Services*
- *General Pass Through Event*  
Means any other *Pass Through Event* which is an uncontrollable and unforeseeable event, the effect of which prudent operational risk management could not have prevented or mitigated and which costs are not already included in building block revenue or reimbursed by a third party.

For the purposes of this definition, an event will be considered unforeseeable if, at the time *Country Energy Gas* lodged its *Access Arrangement* proposal, despite the occurrence of the event being a possibility, there was no reason to consider that the event was more likely to occur than not to occur during the *Access Arrangement Period*.

### 12.5.1 Materiality Threshold

- (a) Material impact for a *Pass Through Event* means the event would exceed 1 per cent of the smoothed forecast revenue specified in the final decision in the years of the *Access Arrangement Period* that the costs are incurred, except each Tax Change event in section 12.5.1(b).
- (b) Material impact for a Tax Change event is commensurate with the administrative costs of the *service provider, User* and the *Regulator* in making and reviewing a notification.

### 12.5.2 Giving effect to a Pass Through Event

- (a) At any time during the *Access Arrangement Period, Country Energy Gas* may apply to the *Regulator* to amend *Reference Tariffs* as a result of a *Pass Through Event*, with the changes to take effect in conjunction with the annual change in *Reference Tariffs*.
- (b) An application under section 12.5.2(a) must state:
  - (i) the nature of the *Pass Through Event or Events*;
  - (ii) the financial impact of the *Pass Through Event or Events* on *Country Energy Gas* (separately identified for each *Pass Through Event*);
  - (iii) the current *Reference Tariffs*; and
  - (iv) the proposed *Reference Tariffs* as a consequence of the *Pass Through Event or Events* and how the financial impact of each *Pass Through Event* has varied the *Reference Tariffs*.
- (c) An application under clause 12.5.2(a) must be accompanied by a statement by an *officer* of the service provider verifying that the financial impact of the *Pass Through Event* is net of any third party including insurer payment or reimbursement in connection with the event. The verification statement will also provide information about the financial impact of the event less any reimbursement or payment made by a third party in connection with the event to verify the financial impact of the event in an application under clause 12.5.2(a).
- (d) An application under clause 12.5.2(a) for a Tax Change event must be supported by information about the financial impact of taxation change event from the relevant taxation or regulatory authority. An application for a *Pass Through Event* other than a Tax Change event must be supported by relevant information to justify the financial event impact of the events with reference to the relevant capital and/or operating expenditure criteria.

### 12.5.3 Procedure for Pass-Through

- (a) An application under section 12.5.2 by *Country Energy Gas* to the *Regulator* to amend *Reference Tariffs* as a result of a *Pass Through Event* must be made at least 50 business days prior to the date on which *Users* are notified of a change in *Reference Tariffs* under section 12.5.5.
- (b) If the *Regulator* receives an application under section 12.5.2 it must advise *Country Energy Gas* whether it agrees the *Pass Through Event* has occurred or is



likely to occur, or not. If the *Regulator* agrees that the *Pass Through Event* has occurred or is likely to occur, the *Regulator* must decide the amount by which *Reference Tariffs* are to be amended as a result of the *Pass Through Event* and will notify *Country Energy Gas* of its decision.

- (c) The *Regulator* must give notice to *Country Energy Gas* under section 12.5.3(b) within 30 *Business Days* of receiving an application from *Country Energy Gas*. This period may be extended for the time taken by the *Regulator* to obtain information from *Country Energy Gas*, obtain expert advice or consult about the *Pass Through Event*. The AER must assess a pass through application within 90 *Business Days* including any extension of decision making time. Excluding the extension of decision making time, on the 31<sup>st</sup> *Business Day* the *Regulator* is deemed to have notified *Country Energy Gas* that the proposed amendments to *Reference Tariffs* are to apply as specified in the application.
- (d) If the *Regulator* gives a notice to *Country Energy Gas* under section 12.5.3(b) that it does not agree that the *Pass Through Event* has occurred or is likely to occur, then the *Regulator* must provide the reasons for this decision.
- (e) *Country Energy* must advise the *Regulator* if *Country Energy* becomes aware that a *Pass Through Event* has occurred (other than a Tax Change event), which has, or likely to have, a Material impact.

*Country Energy* must advise the *Regulator* of such a *Pass Through Event* within 90 business days of becoming aware of the event. This section 12.5.3(e) is not an application to vary the *Reference Tariffs*.

- (f) At least 14 days prior to making a decision under section 12.5.3(e), the *Regulator* must notify *Country Energy Gas* of its intention to make a decision and the proposed amendments to *Reference Tariffs*. The *Regulator* must consider any submission made by *Country Energy Gas* prior to making its decision and must notify *Country Energy Gas* in writing upon making a decision.
- (g) In assessing a pass through application, the Relevant *Regulator* must take into account the following:
- the costs to be passed through are for the delivery of *Pipeline* services;
  - the costs to be passed through are building block components of total revenue;
  - the costs to be passed through meet the relevant *NGR* criteria for determining the building block for total revenue for *Reference Services*;
  - the costs to be passed through have not been funded by other means including self insurance, external insurance or paid for or compensated by another third party; and
  - any other factors the Relevant *Regulator* considers are relevant and consistent with the *NGL* and *NGR*.

#### **12.5.4 Factors which the Regulator must consider**

In deciding the amount by which *Reference Tariffs* are to be amended under section 12.4.2 the *Regulator* must ensure that:

- (a) the financial effect on *Country Energy Gas* is neutral; and
- (b) the burden of the amendments to *Reference Tariffs* is allocated between *Reference Services* in a manner consistent with the basis upon which costs were allocated in order to develop the *Reference Tariffs*, or in a manner prescribed by law.

#### **12.5.5 Notification of Users**

*Country Energy Gas* must notify *Users* of any amendment to *Reference Tariffs* pursuant to this section 12.4 within 14 days of a notice being received (or being deemed to be received) in accordance with section 12.5.3(b), (c) or (f).

#### **12.5.6 Pass-Throughs not taken into account in price control calculation**

An amendment to *Reference Tariffs* that occurs under this section 12.5 is not taken into account in deciding whether *Reference Tariffs* comply with the formula in Section 8 of the *Access Arrangement Information*.

#### **12.6 Notification and Approval of Reference Tariff Variations**

- (a) This Notification and Approval process applies to notifications for annual changes in *Reference Tariffs* under section 12.4 and includes the financial impact of *Pass Through Event* approvals made under section 12.5.3(b) following a notification under section 12.5.2. When *Country Energy Gas* proposes to vary tariffs it is required to provide the *Regulator* with 50 *Business Days* notice prior to the effective date of the variation.
- (b) If the *Regulator* receives an application under section 12.1 it must advise *Country Energy Gas* whether it agrees with the tariff variations within 30 *business days*.
- (c) If the *Regulator* does not give notice to *Country Energy Gas* under section 12.6(b) within 30 *Business Days* of receiving an application from *Country Energy Gas*, on the 31<sup>st</sup> *Business Day* the *AER* is deemed to have notified *Country Energy Gas* that the proposed amendments to *Reference Tariffs* are to apply as specified in the application.
- (d) The decision making time under section 12.6(c) of the *Access Arrangement* does not include time where the *Regulator* has requested information from *Country Energy Gas* related to the Notification of Annual Changes in *Reference Tariffs* under section 12.4.
- (e) All variations are subject to the *Regulator's* approval (deemed or otherwise) (as provided under *NGR 97(4)*), and (except for those proposed under section 12.1 of the *access arrangement*) reasonable satisfaction that each variation is based on incremental and efficient costs.

- (f) The information to be provided to the *Regulator* in a variation notice must include:
  - (1) the effective date of the variation
  - (2) an explanation of how the proposed variation is consistent with the approved variation method which is supported by relevant workings.
  
- (g) The information to be provided to the *Regulator* in a variation notice should include:
  - (1) details of the financial impact on *Country Energy Gas* and *Users* with supporting documentary evidence, including a demonstration that costs are incremental and efficient
  - (2) an explanation of how the variation is to be recovered through tariffs
  - (3) a statement to support the Gas Quantity inputs in the tariff variation formula. The statement must be provided by an officer of Country Energy Gas and the Quantity input must reflect the most recent actual financial year Quantity available at the time of the tariff variation assessment.
  
- (h) If it appears that the past tariff variations contain a material error or deficiency because of a clerical mistake, accidental slip or omission, miscalculation or misdescription the *Regulator* may change subsequent tariffs to account for these past errors.

# 13 GLOSSARY

Unless the context otherwise requires, the following expressions have the following meanings when used in this *Access Arrangement*:

**Acceptable Credit Criteria** means, in relation to an entity, that the entity:

- (a) is resident in, or has a permanent establishment in Australia
- (b) is not under external administration (as defined in the *Corporations Act*) or under a similar form of administration under any laws applicable to it in any jurisdiction;
- (c) is not immune from suit;
- (d) is capable of being sued in its own name in a court in Australia; and
- (e) maintains an unqualified credit rating of not less than:
  - (1) BBB from Standard and Poors (Australia) Pty Limited; or
  - (2) Baa from Moodys Investor Service Pty Limited; or
  - (3) an equivalent credit rating as determined by *Country Energy Gas*.

**Access Arrangement** means an Access Arrangement lodged by *Country Energy Gas* and approved by the *Regulator*.

**Access Arrangement Information** means a document entitled *Access Arrangement Information* which accompanies an *Access Arrangement*.

**Access Arrangement Period** means the period 1 July 2010 to 30 June 2015.

**Access Dispute** has the same meaning as in the *NGL 178*.

**Additional Charge** means any charge imposed on *Country Energy Gas* by an *Authority* which is referable to the *User* or a *Customer*, and where such charge is referable to a class of *Users* or *Customers* rather than an individual *Users* or *Customer*, that charge will be allocated between the *Users* or *Customers* (as the case may be) on a fair and reasonable basis by *Country Energy Gas*, provided that *Country Energy Gas* is not prohibited from passing through that charge to *Users* or *Customers* under the *Regulatory Instruments*.

**Additional Services** means *Residential Meter Testing Service*, the *Special Meter Reading Service*, the *Reconnection Service*, the *Disconnection Service*, the *Business Disconnection/Reconnection Service*, the *After Hours Reconnection Service* and the *Deactivation Service*.

**AEMO** means Australian Energy Market Operator Limited (ACN 072 101 327).

**After Hours Reconnection Service** has the meaning given to it in section 4.3.3.

**Agreement** means an agreement between *Country Energy Gas* and a *User* in relation to the provision of a *Transportation Service* or an *Additional Service* and which, in the case where a *Reference Service* is provided, incorporates the *Terms and Conditions* set out in Appendix 1

**Annual Capacity Charge** means the annual charge payable under the *Reference Tariff* for the *Contract Transportation Service* based on the *MDQ* of a *Delivery Point*, as set out in section 11.2.1(a).

**Annual Fixed Charge** has the meaning given in section 10.2.2(a).

**Authority** means:

- (a) government or regulatory department, statutory corporation (including the *Regulator* and the *AEMO*, body instrumentality, minister, agency or other authority; or
- (b) body which is the successor to the administrative responsibilities of that department, statutory corporation, body, instrumentality, minister, agency or authority.

**Basic Metering Equipment** has the same meaning as given in the *Retail Market Procedures*

**Bomen Receipt Point** means the outlet immediately downstream of the *Metering Facilities* owned and operated by the *Transmission Operator* located at the Wagga Wagga gate station at Lot 2 Byrnes Road, Bomen.

**Bond** means a payment by a *Prospective User* or *User* to *Country Energy Gas* under section 5.7.1(b)(1).

**Bond Amount** means the amount of a *Bond* required to be posted under section 5.7.1(b)(1) or section 5.7.5.

**Business Day** means a day other than a Saturday, Sunday or a declared public holiday in New South Wales.

**Business Disconnection/Reconnection Service** has the meaning given to it in section 4.3.3.

**Capacity** means at a point in time the capability of the *Network* or a particular section of the *Network* to transport natural gas between defined points, taking into account the configuration of the *Network* and its operational requirements, as determined by *Country Energy Gas* using its then current load flow model of the *Network*.

**Capacity Entitlement** means in relation to a *User* and a *Delivery Point* of that *User*, the *MDQ* of that person in relation to that *Delivery Point* plus the amount, if any, of any *Contracted Capacity* of any other *Users* that has been transferred or assigned to the first mentioned *User* less the amount, if any, of any *Contracted Capacity* of the first mentioned *User* in relation to that *Delivery Point* that is transferred or assigned to another *User*.

**Capacity Transfer** means in respect of a *User* a transfer or assignment of all or part of the *MDQ* of a *User* to the extent that:

- (a) the *Users* obligations under the *Agreement* remain in full force and effect after the transfer or assignment; and
- (b) the terms of the agreed *Terms and Conditions* are not altered as a result of the transfer or assignment.

**Capital Base** has the same meaning as in the *NGR 69*.

**Capital Contribution** has the same meaning as in the *NGR*.

**Change in the CPI** means the number derived, with respect to regulatory year 't', from the application of the following formula:

$$\Delta CPI_t = \left( \frac{CPI_{MAR (t-2)} + CPI_{JUN (t-2)} + CPI_{SEP (t-1)} + CPI_{DEC (t-1)}}{CPI_{MAR (t-3)} + CPI_{JUN (t-3)} + CPI_{SEP (t-2)} + CPI_{DEC (t-2)}} \right) - 1$$

$CPI_{month, (year)}$  means the CPI for the quarter and financial year indicated

For example when determining tariff for the 2011–12 financial year the following CPI formula is used:

$$\Delta CPI_{2012} = \left( \frac{CPI_{MAR\ 2010} + CPI_{JUN\ 2010} + CPI_{SEP\ 2010} + CPI_{DEC\ 2010}}{CPI_{MAR\ 2009} + CPI_{JUN\ 2009} + CPI_{SEP\ 2009} + CPI_{DEC\ 2009}} \right) - 1$$

where:

$CPI_{MAR\ 2010}$  is the March quarter data for the 2009–2010 financial year which corresponds to the period 1 January 2010 to 31 March 2010

$CPI_{JUN\ 2010}$  is the June quarter data for the 2009–2010 financial year which corresponds to the period 1 April 2010 to 30 June 2010

$CPI_{SEP\ 2010}$  is the September quarter data for the 2010–2011 financial year which corresponds to the period 1 July 2010 to 30 September 2010

$CPI_{DEC\ 2010}$  is the December quarter data for the 2010–2011 financial year which corresponds to the period 1 October 2010 to 31 December 2010

**Charges** means the charges payable by the *User* to *Country Energy Gas* under clause 6 of the *Terms and Conditions* and includes:

- (a) the amount determined from the application of the *Reference Tariffs* in respect of the *Reference Services* provided to the *User* in respect of its *Customers* or such other amount as agreed in writing; and
- (b) *Additional Charges*.

**Claim** means any claim, action, dispute, proceeding, loss, liability, demand, cost or expense whether arising in contract, tort (including negligence), equity or otherwise in respect of an event occurring after the Commencement Date.

**Commencement Date** means in respect of an *Agreement*, the date of execution of the *Agreement*.

**Communications Equipment** means any device that communicates with *Country Energy Gas Network*

**Confidential Information** means information that is by its nature confidential or is known by the *Country Energy Gas* to be confidential and includes:

- (a) any information relating to the financial position of a *User* or *Prospective User* and, in particular, includes information relating to the assets or liabilities of the *User* or *Prospective User* and any other matter that affects or may affect the financial position or reputation of the *User* or *Prospective User*;
- (b) information relating to the internal management and structure of the *User* or *Prospective User* or the personnel, policies and strategies of a *User* or *Prospective User*;
- (c) information of a *User* or *Prospective User* to which *Country Energy Gas* has access, other than information referred to in paragraphs (a) and (b), that has any actual or potential commercial value to the *User* or *Prospective User* or the person or corporation which supplied that information; and

- (d) any information in the *Country Energy Gas* possession relating to the *Users* or *Prospective Users Customers* or suppliers and like information.

**Connection** means the provision of a new facility (forming part of the *Distribution System*) in relation to, and the joining of a gas installation to the *Distribution Supply Point*, to allow the flow of Gas to the gas installation through the *Distribution Supply Point* (but does not include Turn On).

**Contract Customer** has the meaning given in section 4.3.1.

**Contracted Capacity** means, in respect of a *User*, the part of the *Capacity* which has been reserved by that *User* pursuant to an agreement entered into with *Country Energy Gas*.

**Contract Transportation Service** means the provision of the service set out in section 4.3.1 to a *Contract Customer* in accordance with the *Terms and Conditions*.

**Contracted Capacity** means, in respect of a *User* of the *Network*, that part of the *Capacity* of the *Network* which has been reserved by that *User* pursuant to a contract entered into with *Country Energy Gas*.

**Controller** has the same meaning as defined in the Corporations Act

**Corporations Act** means the Corporations Act 2001.

**Country Energy Gas** means Country Energy Gas Pty Ltd ACN 083 199 839

**Covered Pipeline** has the same meaning as the *NGL*.

**CPI** means the all groups index number weighted average of eight capital cities as published by the Australian Bureau of Statistics, or if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best estimate of the index.

**CPI**<sub>month (year)</sub> means the CPI for the quarter and the year indicated.

**Credit Support** has the meaning given in section 5.6.2.

**Credit Support Amount** means the amount of *Credit Support* required to be posted under section 5.6.1(b) or section 5.6.5

**Credit Support Provider** means a person who has provided *Credit Support* to a *User* and who satisfies the requirements in section 5.7.4.

**Customer** means a person that uses *Gas* at a *Delivery Point*.

**Customer MHQ** means the maximum hourly quantity of *Gas*, expressed in gigajoules per hour, for delivery to a *DPI* initially nominated by the *User* to *Country Energy Gas* and agreed to by *Country Energy Gas* in writing and then as agreed from time to time between the parties to an *Agreement*.

**Customer Supply Contract** has the same meaning as in the *Gas Supply (Natural Gas Retail Competition) Regulation 2001* (NSW).

**Day** means (unless otherwise advised by *Country Energy Gas*) a period of 24 hours beginning at 06.30 Eastern Standard Time.

**Data Consent Form** means the form of that name included as Annexure A to the *Network Code*, as amended from time to time.

**Deactivation** means the act of removing a *meter* from a *Distribution Supply Point* and associated pipe work from the *Distribution System*.

**Deactivation Service** has the meaning given in section 4.3.3.

**Default Rate** means on any date the rate in percent per annum of the Commonwealth Bank of Australia corporate overdraft reference applying for that day.

**Defendant Party** has the meaning given in clause 13.18 of the *Terms and Conditions*.

**Delivery Point** means the point on the *Network* nominated or defined in the agreed *Terms and Conditions* at which natural gas is withdrawn from the *Network* by a *User* for use by a *Customer*. A *Delivery Point* may in certain circumstances consist of one, two or more sets of *Metering Facilities* servicing a particular *Customer's* site or premises, or servicing a third party network.

**Department** means the New South Wales Department of Water and Energy.

**Developable Capacity** has the same meaning as in the *NGL*.

**Developer** means in relation to a *New Development*, the person or persons responsible for undertaking the development, including the agent or agents of that person or persons.

**Disconnection** means the carrying out of work to prevent the withdrawal of Gas at a *Distribution Supply Point*.

**Disconnection Request** means a written notice by the *User* requesting the *disconnection* of the *Customer's Delivery Point* from the *Distribution System*.

**Disconnection Service** has the meaning given to it in section 4.3.3.

**Disputed Invoice** has the meaning given in clause 6.26 of the *Terms and Conditions*.

**Disputing Party** has the meaning given in clause 6.26 of the *Terms and Conditions*.

**Distribution Area** means the area described in *Country Energy Gas Reticulators Authorisation*.

**Distribution Pipeline** has the same meaning as in the *NGL*.

**Distribution Supply Point** means a point on the *Distribution System* at which Gas is capable of being withdrawn from the *Distribution System* for delivery to a *Customer*, which is normally located at the outlet of the *Meter*.

**Distribution System** means that part of the *Gas Distribution System* which is more particularly described in the plan of the *Distribution System* lodged with the *Regulator* and any *Extension* or *Expansion* of the *Distribution System* that is covered by the *Access Arrangement*.

**DPI** means the numeric name of a *Customer's Delivery Point*.

**Draft Decision** means the *Regulator's* draft decision, *Country Energy Wagga Wagga natural gas distribution network, access arrangement proposal, 1 July 2010–30 June 2015*, November 2009.

**Earlier Access Arrangement Period** means 1 January 2006 to 30 June 2010.

**Emergencies Number** means the telephone number identified in or otherwise notified under clause 8.2 of the *Terms and Conditions*.

**Expansion** means the process of upgrading capacity or service potential of a *Distribution System* by:

- (a) replacing or enhancing existing plant or equipment; or
- (b) adding new plant or equipment.



**Extension** means extending a *Distribution System* to enlarge the area to which Gas may be, or is, supplied, including (to avoid doubt) extensions which connect together pre-existing distribution systems.

**Final Decision** means the *Regulator's* final decision, *access arrangement proposal, Wagga Wagga natural gas distribution network, 1 July 2010–30 June 2015, March 2010.*

**First Party** has the meaning given in clause 8.14 of the *Terms and Conditions*.

**Force Majeure Event** means an event or circumstances beyond the reasonable control of a party, as the case may be, which results in or causes a failure by such party in the performance of any obligations imposed on it by the *Agreement* notwithstanding the exercise by such party of reasonable care and will include but not be limited to acts of God, sabotage, act of war, blockages, insurrections, riots, epidemics, floods, storms, fires, washouts, explosions, breakage of or accident to machines or lines of pipe, freezing of wells or delivery facilities, well blowouts, craterings, the necessity for making repairs to or reconditioning wells, machinery, equipment or pipelines (not resulting from the fault or negligence of the relevant party), arrests and restraints of rulers and peoples, civil disturbances and the order of any court or government authority.

**Gas** means natural gas, as that term is defined in the *NGL*.

**Gas Act** means the Gas Supply Act 1996 (NSW).

**Gas Installation** has the meaning given to that term in the *Gas Act*.

**Gas Leak** means a leakage of gas from the *Distribution System*.

**GJ** means gigajoules.

**Indemnified Party** has the meaning given in clause 12.14 of the *Terms and Conditions*.

**Insolvency Event** means the happening of any of the following events in relation to a party to an *Agreement*:

- (a) an order is made that it be wound up or that a *Controller* be appointed to it or any of its assets;
- (b) a resolution that it be wound up is passed;
- (c) a liquidator, provisional liquidator, *Controller* or any similar official is appointed to, or takes possession or control of, all or any of its assets or undertakings;
- (d) an administrator is appointed to it (other than by the Regulator pursuant to the party's Authorisation under the *Gas Act*) or a resolution that an administrator be appointed to it is passed;
- (e) it enters into, or resolves to enter into, an arrangement, compromise or compromise with any of, or any class of, its creditors or shareholders, or an assignment for the benefit of any of, or any class of, its creditors in relation to a potential Insolvency Event in subparagraphs (a) to (d) or (f) to (g) occurring;
- (f) any action is taken by the Australian Securities and Investments Commission to cancel its registration or to dissolve it;
- (g) it is insolvent within the meaning of Section 94A of the Corporations Act, as disclosed in its accounts or otherwise, states that it is unable to pay its debts or it is presumed to be insolvent under any applicable law; or
- (h) it stops or suspends:
  - (i) the payment of all or a class of its debts;

- (ii) the conduct of all or a substantial part of its business; or

the *User* is constituted in another jurisdiction, any event having a substantially similar effect to any of the events specified in the preceding paragraphs happens to it under the law of that other jurisdiction.

**Interruption** means the planned or unplanned temporary stoppage of *Supply* to one or more *Distribution Supply Points*.

**IPART** means the Independent Pricing and Regulatory Tribunal on New South Wales.

**kPa** means kilopascals.

**Last Resort Supply Event** means the events set out in section 70(1) of the Gas Supply (Natural Gas Retail Competition) Regulation 2001.

**Laws** means all laws including statutes, regulations, licenses, authorisations and codes as well as any determinations of any governmental agency under such laws applying from time to time.

**Load Shedding Procedures** means the procedures for the progressive shedding of loads supplied by the *Network* in the event of a failure in the *Network* or a failure in supply to the *Network* as set out in section 5.4 of this *Access Arrangement*.

**Maximum Meter Flow Rate** means in respect to a *Delivery Point*, the maximum volume flow of natural gas that can pass through the *Metering Facilities* at that *Delivery Point*.

**MDQ or Maximum Daily Quantity** means the maximum daily quantity of natural gas which *Country Energy Gas* is required to transport and which the *User* may withdraw under agreed *Terms and Conditions* (excluding *Overruns*).

**Meter** has the same meaning as in the *Retail Market Procedures*.

**Meter Reading** has the same meaning as in the *Retail Market Procedures*.

**Metering Facilities** means the *Meter(s)* and any associated filter(s), regulator(s) or other equipment, and pipework, by which the natural gas delivered to the *User* is conditioned, controlled, and metered, and includes any supporting infrastructure including enclosures.

**Metering Installation** means the *meter* and associated equipment and installations which may include correctors, regulators, filters, data loggers and telemetry in relation to a *Receipt Point*.

**MHQ or Maximum Hourly Quantity** means the maximum hourly quantity of natural gas which *Country Energy Gas* is required to transport and which the *User* may withdraw under agreed *Terms and Conditions* (excluding *overruns*).

**Minimum Delivery Pressure** means:

- (a) in respect of a *Delivery Point* which delivers gas to a *Contract Customer*, 7 kPa; and
- (b) in respect of any other *Delivery Point*, 1.5 kPa.

**Monthly Metering Charge** has the meaning given in section 10.2.1(b).

**National Gas Law (NGL)** means the National Gas (South Australia) Act 2008.

**National Gas Regulations** means National Gas (South Australia) Regulations under Part 3 of the National Gas (South Australia) Act 2008.

**National Gas Rules (NGR)** means the Subordinate Legislation No 294 of 2008.

**Negotiated Service** means a service negotiated between *Country Energy Gas* and a *User* in respect of the *Network* that is not a *Reference Service*.

**Negotiated Service Agreement** means an *Agreement* between a *User* and *Country Energy Gas* relating to the provision of a *Negotiated Service*.

**Network** means *Country Energy Gas* natural gas *distribution system* serving Wagga Wagga and surrounding areas in place at 1 January 2010, plus any additions to the *Network* that are covered in accordance with section 7.

**Network Code** means the gas network code for full retail competition, originally issued by the New South Wales Ministry of Energy and Utilities in December 2001, as amended from time to time.

**Network Connection Application** means the form of this name published on *Country Energy Gas* web site as amended from time to time.

**New Development** means a subdivision of one or more residential, commercial or industrial lots for the purposes of sale or disposal by a *Developer*.

**Next Access Arrangement Period** means the period commencing 1 July 2015 for the next *Access Arrangement*.

**Notice of Dispute** has the meaning given in clause 6.26 of the *Terms and Conditions*.

**Ombudsman** means the New South Wales Energy and Water Ombudsman.

**Outstanding Amount** means any amount specified in an invoice for *Transportation Services* which is unpaid by the due date for payment.

**Overrun** means where the withdrawals by a particular *User* at a *Delivery Point* on a *Day* exceeds or is forecast to exceed the *Capacity Entitlement* of that *User* for that *Delivery Point* on that *Day*.

**Pass Through Event** has the meaning given in section 12.5.

**Pipelines** means a pipe, or system of pipes, or part of a pipe, or part of a system of pipes, for transporting natural gas, and any tanks, reservoirs, machinery or equipment directly attached to the pipe, or system of pipes, but does not include:

- (a) anything upstream of an exit flange on a pipeline conveying natural gas from a gas processing plant;
- (b) a gathering system operated as part of an upstream producing operation;
- (c) any tanks, reservoirs, machinery or equipment used to remove or add components to or change natural gas (other than odourisation facilities) such as a gas processing plant;
- (d) anything downstream of the *Delivery Point* of a *Customer*; or
- (e) anything upstream of a *Receipt Point*.

**Pipeline Operator** has the meaning given in the *Retail Market Procedures*.

**Priority Date** means the date at which a completed *Network Connection Application* is received by *Country Energy Gas*.

**Prospective User** means any person who submits a *Network Connection Application* (and in respect of that *Network Connection Application* includes any *User* who submits a *Network Connection Application*).

**Quantity** means, in relation to *Gas*, the energy content of that *Gas* calculated by multiplying its volume in cubic metres at a temperature of 15 degrees Celsius and an absolute pressure of 101.325kPa by its Heating Value.

**Queuing Requirements** has the meaning given to it in section 6.

**Receipt Point** means either the *Bomen Receipt Point* or the *Uranquinty Receipt Point*.

**Reconnect** means the *Turn On* for or in respect to a *Customer* following the *Disconnection* of the *Distribution Supply Point* at which *Gas* was prior to *Disconnection*, withdrawn by or in respect of that *Customer*.

**Reconnection Service** has the meaning given to it in section 4.3.3.

**Reference Services** means the *Contract Transportation Service*, *Volume Transportation Service* and *Additional Services*.

**Reference Tariff** means the tariff for a *Transportation Service* or an *Additional Service*, as set out in or established pursuant to, this *Access Arrangement*.

**Reference Tariff Component** means an individual price element comprising part of a *Reference Tariff*.

**Reference Tariff Variation Mechanism** has the meaning given in clause 92(2) of the *NGR*

**Regulator** means the Australian Energy Regulator (AER).

**Regulatory Instruments** means the *NGL*, the *NGR*, the *Network Code*, the *Retail Market Procedures*, the *Gas Act* and *Gas Supply (Natural Gas Retail Competition) Regulation 2001*.

**Relevant Action** has the meaning given in clause 11.9 of the *Terms and Conditions*.

**Residential Customer** means a *Customer* who uses *Gas* primarily for domestic purposes.

**Residential Meter Testing Service** has the meaning given to it in section 4.3.3.

**Responsible Party** has the meaning given in clause 12.14 of the *Terms and Conditions*.

**Retailer of Last Resort** means the supplier to whose authorisation is attached a retailer of last resorts endorsement in respect of the *Network*.

**Retail Market Procedures** means the retail market procedures made by the AEMO from time to time under section 91M of the *NGL*.

**Reticulators Authorisation** has the meaning given to that term in the *Gas Act*.

**Revisions Commencement Date** has the meaning given in section 9.1.

**Revisions Submission Date** has the meaning given in section 9

**Rules** means the National Gas Rules.

**Safety and Operating Plan** means *Country Energy Gas Safety and Operating Plan* as required by the *Gas Supply (Safety and Operating Plans) Regulations 1997 (NSW)*.

**Second Party** has the meaning given in clause 8.14 of the *Terms and Conditions*.

**Services** means services which are pipeline services within the meaning of section 2 of the *NGL*

**Small Retail Customer** has the meaning given to the term in *Gas Act*.

**Spare Capacity** has the same meaning as in the *NGL*.

**Special Meter Reading Service** has the meaning given to it in section 4.3.3

**Specifications** refers to the quality specifications prescribed by Australian Standard AS4564 – Specification for General Purpose Natural Gas.

**Suppliers Authorisation** has the same meaning as in the *Gas Act*.

**Supply** means the delivery of *Gas*.

**Surcharge** has the same meaning as in the *NGR 83*.

**Terms and Conditions** means the *terms and conditions* contained in Appendix 1 of this document.

**Third party claim** has the meaning given in clause 13.19 of the *Terms and Conditions*.

**TJ** means terajoules.

**Transmission Operator** means the owner of the transmission pipeline located upstream of the *Receipt Points*.

**Transportation Service** means a *Contract Transportation Service* or a *Volume Transportation Service*.

**Turn On** means the act of turning on the *Supply* including the removal of any locks or plugs used to isolate *Supply* or reinstallation of a *meter* if it has been removed.

**Unaccounted for Gas** means the amount of natural gas metered as received at a *Receipt Point* which is not metered as delivered at a *Delivery Point*, being natural gas which is lost through leakages in the *Network* or not accounted for due to metering errors or theft.

**Uranquinty Receipt Point** means the outlet immediately downstream of the *Metering Facilities* owned and operated by the *Transmission Operator* located at Uranquinty Cross Road, Uranquinty.

**User** means a person to whom *Country Energy Gas* provides a service under this *Access Arrangement*.

**Volume Customer** has the meaning given in section 4.3.2.

**Volume Transportation Service** means the provision of the services set out in section 4.3.2 to a *Volume Customer* in accordance with the agreed *Terms and Conditions*.

**Volumetric Charge** has the meaning given in section 10.2.2(b).

**Year** means each twelve month period from 1 July to 30 June.

**Zone** means the Bomen Zone or the Central Zone, as set out in Appendix 4 to this *Access Arrangement*.

# Appendix 1 – Terms and Conditions

Attached

# Appendix 2 – Reference Tariffs

## A.1 Reference Tariff Changes

*Reference Tariffs* (including *Monthly Metering Charges*) will change over time in accordance with the procedures and formulae set out in section 12 of this *Access Arrangement* and section 8 of the *Access Arrangement Information*.

All charges are exclusive of GST.

## A.2 Volume Transportation Services – Initial Annual Fixed Charges and Volumetric Charges

The *Reference Tariff* for the *Volume Transportation Service* consists of an *Annual Fixed Charge* and a *Volumetric Charge*.

The *Annual Fixed Charges* and *Volumetric Charges* for the period 1 July 2010 to 30 June 2011 are detailed in the table below.

|                         | Maximum Meter Flow Rate<br>(m <sup>3</sup> /hr) | (\$nominal),<br>excluding GST<br>1 July 2010 – 30 June 2011 |
|-------------------------|---|---|
| <b>Volume</b>           |   |   |
| Small                   | 10  |   |
| <i>Annual Charge \$</i> |   | 176.8986  |
| <i>\$/GJ</i>            |   | 6.2709  |
| Medium                  | 30  |   |
| <i>Annual Charge \$</i> |   | 308.4153  |
| <i>\$/GJ</i>            |   | 2.3586  |
| Large                   | 150   |   |
| <i>Annual Charge \$</i> |   | 924.5324  |
| <i>\$/GJ</i>            |   | 2.3586  |

## A.3 Contract Transportation Services – Initial Annual Capacity Charges

The *Reference Tariff* for the *Contract Transportation Service* consists of an *Annual Capacity Charge*.

The *Annual Capacity Charges* for the period 1 July 2010 to 30 June 2011 are detailed in the table below.

|                     | (\$nominal),<br>excluding GST<br>1 July 2010 – 30 June 2011 |
|---------------------|---|
| <b>Contract</b>     |   |
| (\$/GJ of MDQ/year) |   |
| Bomen               | 96.3731   |
| Central             | 165.8304  |

#### A.4 Contract Transportation Services – Monthly Metering Charges

The *Reference Tariff* for the *Contract Transportation Service* also consists of a *Monthly Metering Charge*.

*Monthly Metering Charges* for *Contract Customers* with the meter types in the table below at a *Delivery Point*, for the period 1 July 2010 to 30 June 2011 are:

| Meter Type | Monthly Metering Charge<br>(\$nominal) excluding GST<br>1 July 2010 – 30 June 2011 |
|------------|--|
| 6GT        | 555.64   |
| 4GT        | 540.15   |
| AL5000     | 582.11   |
| AL2300     | 550.09   |
| AL1000     | 485.83   |
| 7M175      | 489.18   |
| 5M175      | 480.62   |
| 3M175      | 508.13   |

#### A.5 Additional Services

The *Reference Tariffs* for *Additional Services* for the period 1 July 2010 to 30 June 2011 are detailed in the table below.



| Additional Service                          | Charges<br>1 July 2010 – 30 June 2011<br>(\$nominal) excluding GST |
|---|--|
| Meter Testing Service                       | 240.43   |
| Special Meter Reading Service               | 41.61  |
| Reconnection Service                        | 48.55  |
| Disconnection Service                       | 41.61  |
| Business Disconnection/Reconnection Service | 98.25  |
| After Hours Reconnection Service            | 115.59   |
| Deactivation Service                        | 451.06   |

## **Appendix 1**

### **Terms and conditions for the access arrangement for the Wagga Wagga gas distribution network**

**April 2010**

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## Terms and Conditions

Agreement made at \_\_\_\_\_ on \_\_\_\_\_

Parties Country Energy Gas Pty Limited, ACN 083 199 839, a company incorporated in New South Wales and having its registered office at 8 Buller Street, Port Macquarie, NSW 2444 (*Country Energy Gas*)

[to be inserted, including ABN/ACN], is a corporation established under the [to be inserted] having its registered office at [to be inserted] (the *User*)

### Recital

- A. *Country Energy Gas* operates a Gas distribution network at Wagga Wagga (*the Network*) and is engaged in the transportation of Gas using the *Network*.
- B. The *User* has requested access to the *Network* pursuant to the *National Gas Law*, *National Gas Rules* and *National Gas Regulations*.
- C. *Country Energy Gas* has agreed to grant the *User* access to its Wagga Wagga distribution network pursuant to *Country Energy Gas' Access Arrangement* and the *Terms and Conditions* set out in this *Agreement*.

---

## 1 Interpretation

### Interpretation

- 1.1 In the *Terms and Conditions* of this *Agreement*, where a word or phrase is capitalised and italicised the term has the meaning set out in the *NGL* and *NGR*, unless the word or phrase is defined in the glossary in section 15 of the *Access Arrangement* in which case the word or phrase has the meaning given to that word or phrase in the glossary.
- 1.2 In these *Terms and Conditions* and any *Agreement*, unless the context requires otherwise, a reference:
  - (a) to the singular includes the plural and vice versa;
  - (b) to a gender includes all genders;
  - (c) to a document (including these *Terms or Conditions*, the *Agreement* or a *Regulatory Instrument*) is a reference to that document (including any Appendices, Schedules and Annexure) as amended, consolidated, supplemented, novated or replaced;
  - (d) to an agreement includes any undertaking, representation, deed, agreement or legally enforceable arrangement or understanding whether written or not;
  - (e) to a party means a party to the *Agreement*;

- (f) to a notice means a notice, approval, demand, request, nomination or other communication given by one party to another under or in connection with the *Agreement*;
- (g) to a person (including a party) includes:
  - (i) an individual, company, other body corporate, association, partnership, firm, joint venture, trust or government agency; and
  - (ii) the person's successors, permitted assigns, substitutes, executors and administrators; and
  - (iii) where that person ceases to exist, is reconstituted, renamed or replaced, or where its powers or functions are transferred to another body, a reference to the body which replaces it or which serves substantially the same purpose or has the same powers or functions;
- (h) to a law:
  - (i) includes a reference to any legislation, treaty, judgment, rule of common law or equity or rule of any applicable stock exchange; and
  - (ii) is a reference to that law as amended, consolidated, supplemented or replaced; and
  - (iii) includes a reference to any regulation, rule, statutory instrument, by-law or other subordinate legislation made under that law;
- (i) to proceedings includes litigation, arbitration and investigation;
- (j) to a judgment includes an order, injunction, decree, determination or award of any court or tribunal;
- (k) to time is to New South Wales time; and
- (l) the word including or includes means including, but not limited to, or includes, without limitation.

1.3 Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

1.4 Headings are for convenience only and do not affect interpretation.

1.5 If a payment or other act must (but for this clause 1) be made or done on a *Day* that is not a *Business Day*, then it must be made or done on the next *Business Day*.

1.6 If a period occurs from, after or before a day or the day of an act or event, it excludes that day.

1.7 An *Agreement* may not be construed adversely to a party only because that party was responsible for preparing it.

1.8 A promise or *Agreement* by two or more persons binds them jointly and individually.

1.9 A promise or *Agreement* in favour of two or more persons is for the benefit of them jointly and individually.

1.10 A reference to a thing (including, but not limited to, a right) includes any part of that thing.

- 1.11 A reference to a right includes a remedy, power, authority, discretion or benefit.
- 1.12 The *Access Arrangement* prevails to the extent of any inconsistency between the *Terms and Conditions* and the *Access Arrangement*.
- 1.13 *Transportation Services* and all other services (together, the services) will be supplied to the *User*, and the *User* will take those services subject to:
- (a) the *Terms and Conditions* of this *Agreement*, and
  - (b) the obligations imposed under the *Access Arrangement*
- 

## **2 Compliance with Regulatory Instruments**

### **Regulatory Instruments to take precedence**

- 2.1 In the event of any inconsistency between:
- (a) a party's obligations or rights under a *Regulatory Instrument*; and
  - (b) its obligations or rights under the *Agreement*,
- its obligations and rights under the *Regulatory Instrument* shall take precedence to the extent of the inconsistency.

### **User must comply with Regulatory Instruments**

- 2.2 Notwithstanding any other provision of the *Agreement*, the *User* will comply with the *Regulatory Instruments*.

### **Parties must co-operate**

- 2.3 Each party will:
- (a) give the other party all reasonable assistance; and
  - (b) co-operate with the other party,
- so as to allow that other party to comply with any obligations imposed upon that other party under the *Agreement* or by any *Regulatory Instrument*.

### **Preservation of rights**

- 2.4 Nothing in the *Agreement* will limit any right of either party under a *Regulatory Instrument* unless the *Regulatory Instrument* permits that right to be limited by agreement, and the *Agreement* directly or indirectly limits that right.

### **Waiver of Compliance**

- 2.5 If a party has been excused from strict compliance with any aspect of a *Regulatory Instrument* and that non-compliance is, in the reasonable opinion of the party receiving the relief, likely to affect the performance of either party's obligations under the *Agreement*, then that party must notify the other party in writing and provide a copy of any relevant notification from the *Authority* responsible for enforcing that aspect of the *Regulatory Instrument*.

---

### 3 Reference Services

#### Transportation Services

3.1 *Country Energy Gas* will provide, and the *User* will accept, *Contract Transportation Services* and/or *Volume Transportation Services* on the *Terms and Conditions* set out in this *Agreement* and the *Access Arrangement*.

#### Commencement of Transportation Services

3.2 Subject to section 5.6 (Bonds and Credit Support) of the *Access Agreement*, *Country Energy Gas* will have no responsibility to commence the *Transportation Services* unless *Country Energy Gas* in its sole discretion is satisfied that:

- (a) Each of the *Delivery Points* complies with the *Safety and Operating Plan*; and
- (b) The *User* is entitled to take delivery of an appropriate *Quantity* of *Gas* at the nominated *Receipt Points*; and
- (c) The *Gas* which *Country Energy Gas* is to transport for the *User* conforms to the *Specification for Gas*
- (d) The *User* has met the requirements of clause 5.6 (Bonds and Credit Support) of the *Access Arrangement*.

#### Provision of Transportation Services

3.3 To avoid doubt, the *Agreement* will not apply in respect of a *Customer* to the extent that and for so long as that *Customer* contracts directly with *Country Energy Gas* for the same *Transportation Services*.

3.4 Subject to the *User* providing or substituting *Credit Support* as required under the *Agreement*, *Country Energy Gas* will provide to the *User* in relation to each *Customer* the *Transportation Services* in accordance with:

- (a) good *Gas* industry practice; and
- (b) the *Terms and Conditions* of the *Agreement*.

3.5 In respect of each *Customer*, the *Agreement* applies:

- (a) from and including the date that the *User* requests (or is deemed under clause 3.6 to have requested) the provision of the *Transportation Services* in respect of the *Customer* (or any later date nominated by the *User* in any such request); and
- (b) subject to paragraph 3.3 and clause 11 (Term and Termination), until and including the earlier of the dates described in clause 3.7.

#### Deemed request for Transportation Services

3.6 The *User* shall be deemed to have requested *Country Energy Gas* to provide *Transportation Services* in respect of a *Customer* while the *User* is the financially responsible organisation for the *Customer's DPI*.

### **Cessation of provision of Transportation Services**

- 3.7 *Country Energy Gas* shall cease to provide the *Transportation Services* to the *User* in respect of a *Customer* upon the first to occur of:
- (a) the time at which *AEMO* transfers financial responsibility for the *Customer's DPI* from the *User* to another *Gas Retailer* or to the *Customer* directly;
  - (b) the date agreed between the *User* and *Country Energy Gas* for the purposes of this clause on which the *Customer* ceases to, or ceases to be entitled to, receive *Supply* in respect of that *Delivery Point*, which may or may not include *Disconnection*; or
  - (c) the date on which *Country Energy Gas*, following request by the *User*, removes its *Basic Metering Equipment* relating to the *Customer's Delivery Point*.

### **Entitlement to refuse Service**

- 3.8 Nothing in the *Agreement* requires *Country Energy Gas* to provide *Transportation Services* or to *Supply* in respect of a *Customer's DPI* in circumstances where a *Regulatory Instrument* requires or permits *Country Energy Gas* to refuse to provide *Transportation Services* or *Supply*.
- 3.9 *Country Energy Gas* is not obliged to provide *Transportation Services* if the *Gas* which the *User* seeks to inject into or withdraw from the *Distribution System*:
- (a) does not meet the *Specifications*; or
  - (b) contains any material or has properties that *Country Energy Gas* reasonably believes may be harmful to the *Distribution System* or to the operation of the *Distribution System*.
- 3.10 *Country Energy Gas* is not obliged to provide the *Transportation Services* if the *User* has not made payment of monies due under the *Agreement*:
- (a) within 5 *Business Days* of receipt of a notice of default issued by *Country Energy Gas* under clause 11.2; and
  - (b) has not issued a *Notice of Dispute* under clause 13.17 in relation to that payment.

### **Right to suspend or limit delivery**

- 3.11 In addition to its right under this *Agreement*, *Country Energy Gas* will have the right to suspend or limit delivery of *Gas* to a *Delivery Point* in the following circumstances:
- (a) following at least 10 *Business Days* notice in writing from *Country Energy Gas* where the *User* has failed to maintain or operate the *Delivery Point* (including any bulk measuring equipment) in accordance with this *Agreement*, the *NGL* or *NGR* and good pipeline industry practice and the *User* has not within such period rectified any such fault;
  - (b) immediately, in situations of emergency;



- (c) immediately, if in *Country Energy Gas*' reasonable opinion there is a significant risk of serious damage to the *Network*, any associated equipment or any other property whatsoever;
- (d) immediately, if in *Country Energy Gas*' reasonable opinion there is significant risk of injury to any person;
- (e) immediately, if in *Country Energy Gas*' reasonable opinion non-compliance by the *User* could constitute or be deemed by any judicial or regulatory body which has jurisdiction over *Country Energy Gas* to constitute non-compliance by *Country Energy Gas* with any law;
- (f) immediately, if on any *Day* the *User* takes delivery or seeks to withdraw a *Quantity* of *Gas* from a *Delivery Point* in that *Day* which exceeds the Maximum Hourly *Quantity* for that *Delivery Point*; and
- (g) immediately, if the *User* is unable to demonstrate to *Country Energy Gas*' satisfaction that it has arrangements in place to ensure that the *Gas* it requires *Country Energy Gas* to transport conforms to the *Specifications*.

#### **Suspension for Retailer of Last Resort**

3.12 The obligations of *Country Energy Gas* under the *Agreement* are suspended for so long as a person other than the *User* is acting as the *Retailer of Last Resort* in respect of the *User* under the *Gas Supply (Natural Gas Retail Competition) Regulation 2001*.

#### **Conditions of supply**

- 3.13 The *User* does not (and must not represent to any other person that the *User* or any other person can) acquire any right or title to, or interest in, the *Distribution System* or any part of the *Distribution System* under the *Agreement*.
- 3.14 *Country Energy Gas* does not dedicate any particular portion of the *Distribution System* to the *Transportation Services* provided to the *User*.
- 3.15 *Country Energy Gas* is not responsible for purchasing or arranging the transportation of *Gas* to a *Receipt Point* on behalf of the *User*.
- 3.16 *Country Energy Gas* may co-mingle *Gas* injected into the *Distribution System* by the *User* with *Gas* injected into the *Distribution System* by any other person.
- 3.17 The *User* acknowledges and accepts that the *Gas* delivered to a *Customer* at a *Delivery Point* may not match the quality of the *Gas* injected into the *Distribution System* by the *User*.

#### **The User's obligations/Capacity Management**

- 3.18 Unless otherwise agreed in advance with *Country Energy Gas*, the *User* must:
  - (a) to the extent that such matters are within the *User's* reasonable control, take all reasonable actions to ensure that the volume or pressure of *Gas* delivered to a *Receipt Point* does not exceed the physical design capabilities of the *Metering Installation* at that *Receipt Point*, as set out in clause 5.2 of the *Access Arrangement*;
  - (b) pay for any damage caused to the *Distribution System*, where, and to the extent that, the *Distribution System* has been damaged as a result of the failure of the

*User* to comply with clause 3.18(a). To the extent that any damage caused to the *Distribution System* is attributable to two or more causes, one of which is the failure by the *User* to comply with clause 3.18(a), payment for such damage will be apportioned accordingly;

- (c) ensure that *Gas* injected into the *Distribution System* is odorised. The *User* must immediately notify *Country Energy Gas* upon becoming aware that *Gas* being or to be injected into the *Distribution System* may or will not meet the Specification.
- (d) ensure that each of its *Customers* does not withdraw a *Quantity* of *Gas* at a *Delivery Point* in any hour which exceeds its *Customer MHQ* at that *Delivery Point*.
- (e) The *User* will promptly notify *Country Energy Gas* upon becoming aware of any event or circumstances which could adversely affect the *Network* or *Country Energy Gas*' ability to operate it.

### **Indemnity**

- 3.19 The *User* indemnifies *Country Energy Gas* against any cost, demand, expenses or liability (including liability to third parties) suffered or incurred by *Country Energy Gas* as a consequence of a breach by the *User* of clause 3.18(c).

### **Title to Gas**

- 3.20 At all times, the *User* has title to *Gas* it causes to be injected into the *Distribution System* and the *User* indemnifies *Country Energy Gas* and holds it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against *Country Energy Gas* in consequence of any breach by the *User* of this condition.

### **Custody and control of Gas**

- 3.21 Custody and control of *Gas* injected into the *Distribution System* at a *Receipt Point* by the *User* passes to *Country Energy Gas* at that *Receipt Point*.
- 3.22 *Country Energy Gas* ceases to have custody and control of *Gas* when it is withdrawn from the *Distribution System* at a *Delivery Point*.

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## **4 Connection**

- 4.1 If the *User* receives a valid and complete request for *Connection* from a prospective *Customer*, the *User* must submit to *Country Energy Gas* a *Network Connection Application* in respect of the prospective *Customer* without delay,
- 4.2 The *User* will provide to *Country Energy Gas* any information reasonably required by *Country Energy Gas* for the purposes of effecting the *Connection*. Without limiting the information required from a *User* under this clause 4.2, such information will include the information described in clause 8.7 (*New Delivery Points*) and clause 8.8 (*Acceptance by Country Energy*).

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## 5 Disconnection and Interruption of Customer

### Disconnection and Load Shedding

- 5.1 The *User* acknowledges that in addition to *Country Energy Gas's* rights under clauses 5.5 to 5.12 *Country Energy Gas* may:
- (a) disconnect; or
  - (b) shed load from or *Interrupt*,
- a *Delivery Point* in an Emergency or in accordance with the *Access Arrangement* and any other applicable *Regulatory Instruments*.
- 5.2 If the *Gas Supply* to the *Distribution System* is threatened, then *Country Energy Gas* will determine the *Quantity of Supply* available from the *Receipt Point* and shed load in accordance with the *Access Arrangement* in order to maintain safe pressure levels. Load shedding will be done on a priority-ranking basis in accordance with section 5.4.1 of the *Access Arrangement* with the aim of achieving the maximum load reduction in the shortest time possible with minimal effect to any plant and/or production processes.
- 5.3 In the event that load shedding is required, *Country Energy Gas* will advise the *User* to tell their *Customers* to shed load. The *User* must obey, and must procure that its *Customers* obey, such directions.
- 5.4 In the event that the *User* fails to implement *Country Energy Gas's* instructions, *Country Energy Gas* may issue instructions to its field services staff to Disconnect the relevant *Delivery Points*.

### Disconnection at the request of the User

- 5.5 The *User* may request *Country Energy Gas* to Disconnect a *Customer's Delivery Point* by providing a *Disconnection Request* to *Country Energy Gas*.
- 5.6 *Country Energy Gas* may refuse to Disconnect a *Delivery Point* where *Country Energy Gas* reasonably considers that:
- (a) such *Disconnection* would be detrimental to the health or safety of any person (including the *Customer*) or the security of the *Distribution System*; or
  - (b) the *User* has issued a *Disconnection Request* in breach of the *Regulatory Instruments*.
- 5.7 In the case of clause 5.6(a), *Country Energy Gas* will use reasonable endeavours to remove or mitigate the risk of detriment. In each case under clause 5.6, *Country Energy Gas* must notify the *User* of the reasons for its refusal to Disconnect without delay.
- 5.8 Where *Country Energy Gas* refuses to Disconnect a *Customer* on any of the grounds set out in clause 5.6, the *User* will continue to be liable for the *Charges* in respect of the provision of the *Transportation Services* in respect of the *Customer* and the consumption of *Gas* by the *Customer*.
- 5.9 By providing a *Disconnection Request* to *Country Energy Gas*, the *User* represents and warrants to *Country Energy Gas* that the *User*:

- (a) is entitled to make a request for *Disconnection* under its *Customer Supply Contract* with the *Customer* and under any applicable *Regulatory Instruments*; and
- (b) it has complied with the procedures for *Disconnection* prescribed in that contract and any other procedures under the *Regulatory Instruments*.

5.10 The *User* shall indemnify *Country Energy Gas* against all *Claims* arising from, or incurred by or made or brought against *Country Energy Gas* as a consequence of any *Disconnection* by *Country Energy Gas* of a *Customer* pursuant to a *Disconnection Request*, except to the extent that the *Claim* arises from the negligent or reckless act or omission of *Country Energy Gas* or from any breach or non-observance by *Country Energy Gas* of the *Agreement* or the *Regulatory Instruments*.

#### **Disconnection at the request of a Customer**

5.11 If a *Customer* requests *Country Energy Gas* to Disconnect the *Customer*, *Country Energy Gas* must notify the *User* prior to *Disconnection* and Disconnect the *Customer* in accordance with the *Network Code*.

#### **Reconnection or restoration of Supply**

5.12 Subject to clause 5.13, *Country Energy Gas* must *Reconnect* and restore *Supply* to the affected *Delivery Point*:

- (a) following *Disconnection*, or load shedding or *Interruption* in accordance with the *Regulatory Instruments*; and
- (b) following *Disconnection* at the request of the *User*, when requested by the *User* in a form reasonably required by *Country Energy Gas*.

5.13 *Country Energy Gas* may refuse to *Reconnect* or restore *Supply* to a *Delivery Point* where *Country Energy Gas* is permitted by the *Regulatory Instruments* to do so or where in *Country Energy Gas*'s opinion it is unsafe to do so.

5.14 The *User* will provide to *Country Energy Gas* any information reasonably required by *Country Energy Gas* in connection with the *Reconnection* or restoration of *Supply* to a *Delivery Point*.

#### **Assistance**

5.15 The *User* must give to *Country Energy Gas* any assistance that *Country Energy Gas* reasonably requests in relation to the shedding of load, *Interruption*, *Disconnection* or, *Reconnection* of *Customers* or the restoration of *Supply* to *Customers*.

#### **Deactivation**

5.16 If a *Customer* requests *Country Energy Gas* to Deactivate the *Customer's Delivery Point*, *Country Energy Gas* must notify the *User* of the request prior to *Deactivation* of the *Customer* in accordance with the *Network Code*.

5.17 If a *User* receives a request for *Deactivation* from a *Customer*, the *User* must pass that request on to *Country Energy Gas* and *Country Energy Gas* must *Deactivate* the *Customer* in accordance with the *Network Code*.

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## 6 Payment and invoicing for services

### Charges

- 6.1 The *User* shall pay the *Charges* to *Country Energy Gas*.
- 6.2 The *User* shall pay *Country Energy Gas* the *Charges* in respect of each *Customer* for the entire period after the *Commencement Date* during which *Country Energy Gas* provides *Transportation Services* to the *User* in respect of the *Customer* in accordance with the *Agreement*.
- 6.3 Subject to clause 6.15, the obligation of the *User* to pay the *Charges* to *Country Energy Gas* will not be affected by any failure of a *Customer* to pay the *User* in respect of the *Transportation Services* under the *Customer Supply Contract*.
- 6.4 The *User* acknowledges and agrees that *Country Energy Gas* will be entitled to render an invoice to the *User* for any *Charges* incurred by or on behalf of the *User* where *Country Energy Gas* has been unable to carry out or complete the relevant *Transportation Services* as a result of any act or omission of the *User*. Any such *Charges* will be invoiced and payable in accordance with this clause 6.

### GST

- 6.5 For the purposes of this clause 6.5:
- (a) terms defined in the GST Act have the same meaning in this clause 6.5 unless provided otherwise.
  - (b) Adjustment Note includes any document or record accepted by the Commissioner of Taxation as an adjustment note.
  - (c) GST includes any replacement or subsequent similar tax.
  - (d) GST Act means *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
  - (e) Tax Invoice includes any document or record accepted by the Commissioner of Taxation as a tax invoice.
- 6.6 If GST is or will be imposed on a taxable supply made under or in connection with the *Agreement*, the supplier may, to the extent that the consideration otherwise provided for that supply under the *Agreement* does not already include an amount in respect of GST on the supply:
- (a) increase the consideration otherwise provided for that *Supply* under the *Agreement* by the amount of that GST; or
  - (b) otherwise recover from the recipient the amount of that GST.
- 6.7 All GST payable shall be paid at the time any payment to which it relates is payable.
- 6.8 The recovery of any amount in respect of GST by the supplier under the *Agreement* is subject to the issuing of the relevant Tax Invoice or Adjustment Note to the recipient.
- 6.9 If there is an adjustment event in relation to a supply which results in the amount of GST on a supply being different from the amount in respect of GST recovered by the supplier, as appropriate, the supplier:

- (a) may recover from the recipient the amount by which the amount of GST on the supply exceeds the amount recovered; and
  - (b) must refund to the recipient the amount by which the amount recovered exceeds the amount of GST on the supply.
- 6.10 The recipient must pay any fine, penalty or other cost in respect of a failure to pay any amount described in clause 6.6 or 6.9 except to the extent that the fine, penalty or other cost is caused by the supplier's failure to lodge money received from the recipient before the due date for lodgement.
- 6.11 Costs required to be reimbursed or indemnified under the *Agreement* must exclude any amount in respect of GST included in the costs for which an entitlement arises to claim an input tax credit.

### Transportation Services – Invoicing, Payment and Interest

- 6.12 *Country Energy Gas* may render invoices no more frequently than twice per month. Subject to clauses 6.13 and 6.16 *Country Energy Gas* will use its best endeavours to render invoices to the *User* in respect of *Transportation Services* on the same *Business Days* of each month or such other invoicing period as agreed between *Country Energy Gas* and the *User*.
- 6.13 *Country Energy Gas* may at any time render invoices for *Transportation Services* provided to the *User* at any time while a person was a *Customer* if the *Transportation Services* were obtained as a result of the *Customer's* or the *User's* fraud or the use of *Gas* otherwise than in accordance with the *Regulatory Instruments*.
- 6.14 Invoices will be in a format determined by *Country Energy Gas*. *Country Energy Gas* will ensure that its invoices will include, without limitation, the following information:
- (a) **(gas received)**: the quantity of *Gas* deemed to be received from the *User* at the *Receipt points* in the billing period;
  - (b) **(gas delivered)**: the quantity of *Gas* delivered to the *User* at each *Deliver Point* in the billing period;
  - (c) **(annual capacity charge)**: the *Annual Capacity Charge* payable pursuant to clause 6 of the billing period for each *Delivery Point* to which the *Contract Transportation Service* is provided, as well as the *MDQ* for that *Delivery Point*;
  - (d) **(monthly metering charge)**: the *Monthly Metering Charge* payable pursuant to clause 6 for the billing period for each *Delivery Point* to which the *Contract Transportation Service* is provided;
  - (e) **(volumetric charge)**: the *Volumetric Charge* payable pursuant to clause 6 for the billing period for each *Delivery Point* to which the *Volume Transportation Service* is provided;
  - (f) **(annual fixed charge)**: the *Annual Fixed Charge* payable pursuant to clause 6 for the billing period for each *Delivery Point* to which the *Volume Transportation Service* is provided;
  - (g) **(Additional Services charges)**: the number of each *Additional Service* provided during the billing period and the total charge for the billing period for each *Additional Service*;

- (h) **(other amounts):** any other charge payable by the *User* in respect of the billing period;
  - (i) **(other information):** sufficient information as is reasonable to allow the *User*:
    - (i) to assess the accuracy of the *Charges* specified in each invoice; and
    - (ii) to comply with its obligations under the *Regulatory Instruments* in relation to the provision to the *Customer* of information concerning such *Charges*.
- 6.15 Subject to clause 6.25, if *Country Energy Gas* renders an invoice for *Transportation Services* that were provided more than 12 months prior to the date of the invoice, the *User* will not be obliged to pay that invoice to the extent that the *User* is precluded from recovering those costs from the relevant *Customers* by operation of the *Regulatory Instruments*.
- 6.16 The *Charges* for *Reference Services* included in an invoice for *Transportation Services* must only be in relation to *Customers* whose *Meters* were due to be read in the period of the invoice, or in relation to the correction or substitution of previous *Meter Readings* relating to earlier invoicing periods. All other *Charges* for *Transportation Services* will be invoiced after provision of the *Distribution Service* unless otherwise agreed by the parties or required by the *Regulatory Instruments*.
- 6.17 Subject to clause 6.18 and clauses 6.23 to 6.25, an actual *Meter Reading* in respect of a *Customer's Delivery Point* shall be evidence of *Gas Supplied* to a *Customer* and shall be the basis for determining the *Charges*.
- 6.18 *Charges* may be based upon estimated *Meter Readings*. Estimated *Meter Readings* shall be determined by reference to the method set out in the *Regulatory Instruments* or, if there is no such method, by reference to prior billing history or subsequent *Meter Readings* or any other method agreed between the parties.
- 6.19 Where the actual *Meter Reading* becomes available subsequent to the issuing of an invoice based on an estimated *Meter Reading* in accordance with clause 6.18, the *Charge* must be adjusted in accordance with clauses 6.23 to 6.25.
- 6.20 Subject to clauses 6.26 to 6.35 (*Disputed invoices*), the *User* must pay the amount specified in each invoice rendered to it in accordance with the *Agreement* within 10 *Business Days* after the *Day* on which the invoice is received (or deemed to be received) by the *User*.
- 6.21 All payments made under this clause 6 shall be made by way of deposit into a bank account nominated by *Country Energy Gas*, or in a manner otherwise agreed between the *User* and *Country Energy Gas*.
- 6.22 If an invoice is not paid in full in accordance with this clause 6, the *User* must pay interest on the *Outstanding Amount* (excluding any amount genuinely disputed in accordance with clauses 6.26 to 6.35) from the *Day* that the invoice was due for payment until payment in full of the amount of the invoice plus all accrued interest. Interest will be calculated at the *Default Rate* applicable on the first day of the month in which the invoice was issued and will be capitalised on the first day of each following month and calculated on actual days elapsed and a 365 day year.

## Adjustment of invoices

- 6.23 Subject to clause 6.24, an incorrect *Charge*, or the omission of a *Charge*, in an invoice rendered and paid under the *Agreement* must be altered by the party rendering the invoice in a subsequent invoice to rectify the error or omission. Causes of error or omission may include, but are not limited to:
- (a) *Meter tampering or bypass; or*
  - (b) *defective Meters or defective Meter Readings; or*
  - (c) *errors or omissions by AEMO in its provision of data to Country Energy Gas; or*
  - (d) *errors or omissions in the billed Gas consumption of a Customer; or*
  - (e) *differences between estimated Meter Readings or substituted Meter Readings and actual Meter Readings obtained after the invoice is issued; or*
  - (f) *amounts imposed or adjusted by an Authority.*
- 6.24 An adjusted invoice issued under clause 6.23 must include, or be accompanied by, an explanation of the reason why the adjusted invoice is being issued.
- 6.25 An alteration to an invoice to reflect an adjustment under clauses 6.23(b), 6.23(c), 6.23(d) or 6.23(e), must not be made where the *User* is precluded by the *Regulatory Instruments* from recovering the adjusted *Charges* from its *Customers*, except in the case where the incorrect *Charge* arises as a result of an act or omission of the *User* (or its agent) or a *Customer*.

## Disputed invoices

- 6.26 If a party in receipt of an invoice (*Disputing Party*) disputes its obligation under the *Agreement* to pay all or part of that invoice (*Disputed Invoice*) it must notify the party which issued the invoice (*Invoicing Party*) not less than 2 *Business Days* before the due date for payment of an invoice under clauses 6.1 to 6.4 (*Notice of Dispute*) and must include in the *Notice of Dispute* its grounds for disputing the *Disputed Invoice* and the amount disputed.
- 6.27 Unless the *Disputing Party* gives a *Notice of Dispute* to the *Invoicing Party*, the *Disputing Party* must pay the *Disputed Invoice* in full, subject to its right to seek a subsequent adjustment under clauses 6.23 to 6.25 (Adjustment of invoices) or to dispute the amount of the invoice under clause 6.29 after the invoice has been paid in full.
- 6.28 If the *Disputing Party* notifies the *Invoicing Party* of a *Disputed Invoice* under a *Notice of Dispute*, the parties will seek to resolve that dispute in accordance with clause 6.29, and the *Disputing Party* will be required to pay the amount of the invoice not genuinely disputed by the *Disputing Party*.
- 6.29 Any dispute as to an invoice shall be resolved in accordance with this clause and neither party may refer the dispute to the dispute resolution procedure under clause 13 until the parties have satisfied clause 6.30(a) and, if applicable, 6.30(b).
- 6.30 The *Invoicing Party* will:
- (a) discuss with the *Disputing Party* any queries that the *Disputing Party* may have in relation to an invoice; and



- (b) if it receives a reasonable request in writing from the *Disputing Party* within 10 *Business Days* after receipt of the invoice setting out the grounds giving rise to the request, conduct an internal review of the invoice within 10 *Business Days* after receipt of the request, and report its findings to the *Disputing Party* as soon as practicable after completion of that review.
- 6.31 If the matter is not resolved within 2 *Business Days* from the receipt by the *Disputing Party* of the *Invoicing Party's* report under clause 6.30(b), either party may refer it to dispute resolution under clause 13.
- 6.32 If, following the resolution of a dispute in accordance with clause 6.29 or clause 13, it is determined that the amount that is properly due to the *Invoicing Party* in relation to that invoice is:
- (a) more than the amount already paid by the *Disputing Party*, then the *Disputing Party* must pay within 5 *Business Days* to the *Invoicing Party* the difference between the amount already paid and the amount determined to be payable; or
- (b) less than the amount already paid by the *Disputing Party*, then the *Invoicing Party* must pay within 5 *Business Days* to the *Disputing Party* the difference between the amount already paid and the amount determined to be payable,
- together with interest on that amount for the period of the overpayment calculated in accordance with clause 6.33.
- 6.33 Interest on the difference payable under clause 6.32 shall be calculated at the *Default Rate* applicable on the first day of each month, capitalised on the first day of each month and calculated on actual days elapsed and a 365 day year for each day after that invoice was due to be paid up to and including the date the difference and any accrued interest payable under this clause 6.33 (if any) is paid.
- 6.34 Unless the parties otherwise agree, no party may set off or deduct any money which it owes to the other party against any money which the other party owes to the *First Party*.
- 6.35 The payment by the *Disputing Party* of all or part of an invoice from the *Invoicing Party* (whether or not that invoice was disputed by the *Disputing Party* at the time) will not preclude the *Disputing Party* from subsequently challenging its liability to pay that invoice in accordance with this clause 6.35 or a part of that invoice (unless the challenge relates to a dispute which has already been finally determined in accordance with this clause 6.35).

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## 7 Information Exchange

### Compliance with privacy laws

- 7.1 Each party agrees that:
- (a) any obligation under the *Agreement* to provide information is subject to any applicable *Laws* (including the *Regulatory Instruments*) imposing obligations in respect of privacy, disclosure, use or confidentiality of information; and
- (b) it will hold any information which it receives under the *Agreement* in accordance with any requirements of the *Agreement* and any applicable *Laws* (including the

*Regulatory Instruments*) relating to privacy, disclosure, use or confidentiality of information.

### **Provision of information**

- 7.2 To the extent permitted by law, and subject to any legislative, contractual or other obligations of confidentiality (including under the *Regulatory Instruments*), each party must use its reasonable endeavours to provide the other party at no cost and in a timely manner information or documentation which the other party reasonably requires to carry out its obligations under the *Agreement* or under the *Regulatory Instruments*.
- 7.3 For each *Customer* whose information is to be disclosed by the *User* to *Country Energy Gas*, the *User* must provide to that *Customer* on behalf of *Country Energy Gas* a privacy notice in such form as may be requested by *Country Energy Gas* from time to time for the purpose of *Country Energy Gas* discharging its obligations under privacy *Laws* and the *Regulatory Instruments*.

### **Use of information**

- 7.4 Subject to clause 16 (Confidentiality), a recipient may only use or disclose the information disclosed to it under clauses 7.2 and 7.3:
- (a) for the purposes for which the information was provided by the party providing the information; or
  - (b) to the extent that it is permitted to use or disclose the information under the law or any contractual obligation; or
  - (c) in accordance with any guidelines issued by the *Regulator*.

### **Changes in information**

- 7.5 If either party becomes aware of any material change in any of the information provided under clauses 7.2 and 7.3, that party must notify the other party as soon as reasonably practicable of that change.

### **Accuracy of information**

- 7.6 Each party must take all reasonable steps to ensure that all information which it provides to the other party (whether that information is generated by the first mentioned party or a third person) under the *Agreement* is accurate and complete.

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## **8 Communications regarding Customers and System Data**

### **Answering Calls**

- 8.1 If a *Customer* contacts the *User* by telephone about a *Gas Leak* in *Country Energy Gas*' *Distribution Area*, the *User* must:
- (a) transfer the *Customer*'s telephone call to the *Emergencies Number*; and
  - (b) prior to transferring the *Customer*'s telephone call to *Country Energy Gas*, advise the *Customer* of the *Emergencies Number*.

- 8.2 The *User* must publish the *Emergencies Number* on its *Customers'* accounts as the *Gas Leaks* and *Emergencies Number*. Until otherwise notified by *Country Energy Gas* to the *User*, the *Emergencies Number* is: 132080.

#### **Provision of information for planned Interruptions and Disconnections**

- 8.3 The notification which *Country Energy Gas* sends out to *Customers* notifying them of any planned *Interruptions* or *Disconnections* which are not the subject of a *Disconnection Request* must bear *Country Energy Gas's* contact details and should state that any enquiries regarding planned *Interruptions* or such *Disconnections* should be directed to *Country Energy Gas*. *Country Energy Gas* will also advise the *User*.
- 8.4 If a *Customer* contacts the *User* about a planned *Interruption* or a *Disconnection* requested or proposed by *Country Energy Gas*, the *User* must:
- (a) subject to clause 8.4(b), refer the *Customer* to *Country Energy Gas*; or
  - (b) where the *Customer* informs the *User* that it declines to contact or (where appropriate) be transferred to *Country Energy Gas*, deal with the *Customer* itself.

#### **Customer Details**

- 8.5 In respect of each *Customer*, the *User* must provide to *Country Energy Gas* the following details:
- (a) name;
  - (b) contact name;
  - (c) telephone number;
  - (d) address for service of notices;
  - (e) site address for DPI;
  - (f) the estimated *Quantity* of, and the period over which, *Gas* is to be *Supplied* including estimated *Customer MHQ* and annual *Quantity* requirements;
  - (g) details of any special circumstances (such as *Meter* access restrictions) of which the *Customer* has informed the *User* or of which the *User* is otherwise aware, and which *Country Energy Gas* requires to assist it to comply with its obligations under the *Regulatory Instruments*.
  - (h) Load shedding ranking
- 8.6 Information described in clause 8.7(a) must be provided in the following manner:
- (a) on or before the *Commencement Date*, by an electronic transfer of the requisite details from the *User's* database;
  - (b) on a transaction by transaction basis or as the details described in clause 8.7(a) otherwise change.

#### **New Delivery Points**

- 8.7 The *User* must provide the following information to *Country Energy Gas* for each new *Delivery Point* by submitting a *Network Connection Application* published on *Country Energy Gas's* web site which includes the following information:

- (a) site address;
- (b) contact details for the proposed *Delivery Point*;
- (c) hourly load details for each appliance(s);
- (d) installers details;
- (e) *User's* details; and
- (f) Load shedding ranking.

### **Acceptance by Country Energy Gas**

8.8 After the *User* provides to *Country Energy Gas* the information required by clauses 8.5 to 8.7 for a *Customer*, *Country Energy Gas* must use its best endeavours to agree with the *User* the *Customer MHQ* for that *Customer* and in all cases respond to the *User* in sufficient time to permit each party to comply with its obligations under any applicable *Regulatory Instrument* and otherwise within such time and manner as may be agreed between *Country Energy Gas* and the *User*.

### **Enquiries or Complaints**

8.9 If a person makes an enquiry or a complaint to the *User* which relates to the *Distribution System* (including a *Gas Leak*), the *User* must:

- (a) where the enquiry or complaint is made by telephone, transfer the person directly to *Country Energy Gas's* enquiry or complaint telephone number where practicable; or
- (b) otherwise, as soon as practicable, but no later than the next *Business Day* after receiving the enquiry or complaint, provide *Country Energy Gas* with the details of the enquiry or the complaint, including contact details of both the person making the enquiry or complaint and the person who received the enquiry or complaint. The *User* must provide to *Country Energy Gas* on request copies of any documents or written records (including in electronic format) relating to the enquiry or complaint. *Country Energy Gas* will then be responsible for resolving the enquiry or the complaint and must attempt to resolve the enquiry or complaint expeditiously.

8.10 If a person makes an enquiry or a complaint to the *User* and the enquiry or the complaint relates to the *User* only, the *User* must deal with the enquiry or the complaint and the *User* is not required to notify *Country Energy Gas*.

8.11 If a person contacts *Country Energy Gas* to make an enquiry or a complaint about a *Gas Leak* or other issue which relates to the *Distribution System*, then *Country Energy Gas* must deal with the enquiry or complaint, and *Country Energy Gas* is not required to notify the *User*.

8.12 If a person makes a complaint or enquiry to *Country Energy Gas* and the enquiry or the complaint relates to the *User*, *Country Energy Gas* must:

- (a) where the enquiry or complaint is made by telephone, transfer the person directly to the *User's* enquiry or complaint telephone number where practicable; or
- (b) otherwise, as soon as practicable, but no later than the next *Business Day* after receiving the enquiry or complaint, provide the *User* with the details of the enquiry

or the complaint, including contact details of both the person making the enquiry or complaint and the person who received the enquiry or complaint. *Country Energy Gas* must provide to the *User* on request copies of any documents or written records (including in electronic format) relating to the enquiry or complaint. The *User* will then be responsible for resolving the enquiry or the complaint and must attempt to resolve the enquiry or complaint expeditiously.

### **Ombudsman complaints**

- 8.13 In clauses 8.14 to 8.20, the phrase Customer Complaint means any enquiry, question, consultation, discussion, written or verbal expression of dissatisfaction, dispute or disagreement (as applicable) initiated by a person in relation to the Customer, the *User* or *Country Energy Gas* which the *Ombudsman* receives, facilitates, investigates or resolves.
- 8.14 If the *Ombudsman* notifies a party to the *Agreement (First Party)* that it is or will investigate a Customer Complaint that relates to the act or omission of the other party (*Second Party*), then the *First Party* must:
- (a) notify the *Second Party* as soon as reasonably practicable, setting out all relevant details of it, including any relevant time frames;
  - (b) keep the *Second Party* informed of its progress; and
  - (c) consult in advance with, and use its best endeavours to take into account the interest of, the *Second Party* in preparing any response to, or deciding what compensation is payable to settle, the Customer Complaint.
- 8.15 The *Second Party* must provide all reasonable assistance to the *First Party* to enable the *First Party* to comply with its obligations to the *Ombudsman* in a timely manner including:
- (a) supplying the *First Party* with all information relevant to the Customer Complaint which the *Second Party* would reasonably be expected to have, or have access to; and
  - (b) permitting its employees, agents or sub-contractors to attend and provide information at any meeting, conference or interview convened by the *Ombudsman* to consider the Customer Complaint.
- 8.16 The *First Party* and the *Second Party* must co-operate and use their best endeavours to resolve any Customer Complaint as quickly as practicable. However to avoid doubt, neither party is prevented from defending the Customer Complaint.
- 8.17 The *First Party* may settle a Customer Complaint relating to the act or omission of the *Second Party* if it has, in relation to the proposed settlement terms:
- (a) given the *Second Party* at least 5 *Business Days'* notice of those terms; and
  - (b) considered the *Second Party's* expressed views of those terms.
- 8.18 If the *First Party* is required or agrees to pay compensation to settle the Customer Complaint, then the *Second Party* must reimburse the *First Party* to the extent that the Customer Complaint relates directly to an act or omission of the *Second Party*.
- 8.19 The *Second Party* must make any payment under clause 8.18 within 7 *Business Days* of receiving notification from the *Second Party* (which notification shall include a copy of the *Ombudsman's* binding decision (if applicable)).

- 8.20 The amount to be reimbursed by the *Second Party* to the *First Party* includes the reasonable disbursement incurred by the *First Party*, including the *Ombudsman's* handling charges.

#### **Assignment of and Changes in Reference Tariffs**

- 8.21 *Country Energy Gas* must assign a *Reference Tariff* to a *Delivery Point* at which *Gas* is or may be withdrawn by or in respect of a *Customer* and notify the *User* of the *Reference Tariff* assigned to that relevant *Delivery Point* in accordance with the *Reference Tariff Policy*.
- 8.22 *Country Energy Gas* must notify the *User* of any changes that will occur to *Reference Tariffs* in accordance with the *Access Arrangement* and the *Regulatory Instruments*.
- 8.23 The *User* must notify *Country Energy Gas* as soon as practicable if it is informed by a *Customer* of a change in the circumstances, use, consumption, demand characteristics or connection characteristics of the *Customer* which may result in the *Customer* no longer satisfying the conditions relating to *Country Energy Gas's Reference Tariff* applying to that *Customer*.
- 8.24 The *User* must advise *Country Energy Gas* as soon as is practicable after becoming aware of any change of circumstances, use, consumption, demand characteristics or connection characteristics of any of its *Customers* which may require *Country Energy Gas* to assign another *Reference Tariff* to the *Customer*.
- 8.25 If a *Customer* requests a *User* to re-assign the *Customer* to a different *Reference Tariff*, the *User* must refer the request to *Country Energy Gas* as soon as practicable after receiving the request.
- 8.26 If the *User* refers a request to *Country Energy Gas* for a change in the *Reference Tariff* assigned to the *Delivery Point*, *Country Energy Gas* must advise the *User* as soon as practicable either:
- (a) that the change in the assigned *Reference Tariff* can occur, when that change will commence and the *Charges* which will apply following the change; or
  - (b) that the change in the assigned *Reference Tariff* cannot occur, with reasons.

#### **Theft of Gas**

- 8.27 A party must promptly notify the other party if it reasonably believes that a person is committing or has committed theft of *Gas* from the *Distribution System* and the other party may be affected by the theft.

#### **Information for Customers**

- 8.28 If *Country Energy Gas* receives a request from a *Customer* for documentation or information required to be provided by the *User* under the *Regulatory Instruments*, *Country Energy Gas* will advise the *Customer* of the *User's* contact details or pass on any written request to the *User* as soon as reasonably practicable.
- 8.29 Where requested by *Country Energy Gas*, the *User* must deliver to a *Customer* any notification, information or documentation provided by *Country Energy Gas* for that *Customer* which is required to be provided by *Country Energy Gas* under the *Agreement* or the *Regulatory Instruments*.

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## 9 Force Majeure

### Suspension of Obligations

- 9.1 If a party is unable wholly or in part to perform on time as required any obligation under the *Agreement* (other than an obligation to pay money) by reason of the occurrence of a *Force Majeure Event*, that obligation shall be suspended, without liability, so far the party's ability to perform is affected by the *Force Majeure Event*.

### Mitigation of Force Majeure Event

- 9.2 A party shall use all reasonable endeavours to remove the effect of each *Force Majeure Event* affecting its performance of the *Agreement*, but nothing in this clause 9.2 requires it to settle any industrial dispute otherwise than as that party in its absolute discretion sees fit.

### Notice

- 9.3 Subject to clause 9.2, if a party reasonably considers that a circumstance has arisen which constitutes or is likely to constitute or result in a *Force Majeure Event*, it shall as soon as reasonably practicable thereafter give to the other party notice containing full particulars of the *Force Majeure Event* including its nature and likely duration, the obligations affected by it and the nature and extent of its effect on those obligations and the steps taken to remove, overcome or minimise its effects.

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## 10 Country Energy Gas Rights against Customers

### Consultation prior to Disconnection

- 10.1 When Disconnecting a *Customer's Delivery Point* (other than pursuant to a *Disconnection Request*), *Country Energy Gas* and the *User* must, subject to *Country Energy Gas'* and *User's* obligations under the *Regulatory Instruments*, use reasonable endeavours to agree the procedure to be followed in effecting the *Disconnection*.
- 10.2 If *Country Energy Gas* and the *User* fail to agree a procedure under clause 10.1 within 3 *Business Days* of *Country Energy Gas* first advising the *User* of its desire to Disconnect the *Customer's Delivery Point*, *Country Energy Gas* may effect the *Disconnection* and otherwise enforce its rights against the *Customer*.
- 10.3 Notwithstanding clauses 10.1 and 10.2, *Country Energy Gas* may Disconnect a *Customer's Delivery Point* without notifying or consulting with the *User* where the *Disconnection* is required due to an Emergency, or where relevant *Regulatory Instruments* require or allow it. *Country Energy Gas* will inform the *User* as soon as practicable after the event.

### The User to notify Customer and Country Energy Gas

- 10.4 The *User* must notify each *Customer* of the obligations set out in Schedule 1 and use reasonable endeavours to ensure that each *Customer* complies with these obligations (and by including them in any *Customer Supply Contract* with *Customers*).
- 10.5 The *User* must notify the *Customer* as soon as it becomes aware that a *Customer* is, or may, breach any of its obligations under the *Regulatory Instruments* or as set out in

Schedule 1, and if the *Customer* does not take remedial action, the *User* must promptly notify *Country Energy Gas* of the breach or potential breach.

### **Country Energy to indemnify the User**

10.6 *Country Energy Gas* shall indemnify the *User* against *Claims* arising from, or incurred by the *User* as a consequence of, any action taken by the *User* under this clause 10 to enforce *Country Energy Gas*' rights at the request of *Country Energy Gas*, except to the extent that the *Claim* arises from the negligent or reckless act or omission of the *User* or from any breach or non-observance by the *User* of the *Agreement* or the *Regulatory Instruments*.

### **Limitation of the User's obligations**

10.7 Nothing in this clause is intended to affect or impose on the *User* any of *Country Energy Gas*' rights or obligations under the *Regulatory Instruments*.

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## **11 Term and Termination**

### **Term**

11.1 The *Agreement* will commence on the *Commencement Date* and continue until terminated under this clause 11, or as otherwise agreed by the parties.

### **Termination for default or insolvency of the User**

11.2 Where:

- (a) the *User* defaults in due and punctual payment of any money at the time and in the manner prescribed under the *Agreement*; or
- (b) the *User* fails to provide *Credit Support* in accordance with section 5.6 of the *Access Arrangement*; or
- (c) the *User* defaults in the performance of any of its other promises or obligations under the *Agreement* which would cause material detriment to *Country Energy Gas*; or
- (d) there is an *Insolvency Event* in relation to the *User*,

then the *User* is in default and *Country Energy Gas* may give notice of the default to the *User* stating:

- (i) that *Country Energy Gas* considers that the *User* is in default; and
- (ii) the cause of the default.

11.3 At the same time as giving any notice to the *User* under clause 11.2, *Country Energy Gas* must give a copy of that notice to the *Regulator*.

11.4 If the *User* does not remedy the default specified in the notice given under clause 11.2 within the following times:

- (a) 11.2(d), 5 *Business Days*; and
- (b) in the case of any other default described in clause 11.2, 15 *Business Days*,



then *Country Energy Gas* may give notice of its intention to terminate the *Agreement* under clauses 11.5 to 11.8.

#### **Notice of termination**

- 11.5 Where *Country Energy Gas* is entitled under clause 11.4 to give a notice under clauses 11.5 to 11.8, *Country Energy Gas* may give notice to the *User* stating that *Country Energy Gas* intends to terminate the *Agreement*.
- 11.6 At the same time as giving any notice to the *User* under clause 11.5, *Country Energy Gas* must give a copy of that notice to the *Regulator*.
- 11.7 The *User* must within 5 *Business Days* of the service of a notice of termination under clause 11.5, remedy or remove the subsisting default.
- 11.8 If within the 5 *Business Days* referred to in clause 11.7 the *User* does not remedy or remove the subsisting default, *Country Energy Gas* may by further notice to the *User* terminate the *Agreement* with effect from the date specified in the notice.

#### **Termination for jeopardising the Distribution System**

- 11.9 If the *User* jeopardises the safety or integrity of the *Distribution System* and the *User* is reasonably able to stop the action which jeopardises the safety or integrity of the *Distribution System*, then *Country Energy Gas* may serve a notice on the *User*:
- (a) specifying the action jeopardising the safety or integrity of the *Distribution System* (*Relevant Action*); and
  - (b) specifying a reasonable period of time within which the *User* must take all reasonable actions within its control either to:
    - (i) ensure that the *Relevant Action* is stopped; or
    - (ii) ensure that the *Relevant Action* not repeated,whichever is applicable.
- 11.10 If the *User* has not complied with a notice under clause 11.9 within the time specified in that notice, *Country Energy Gas* may send a notice to the *User* stating that *Country Energy Gas* intends to terminate the *Agreement* if the *Relevant Action* is not stopped within 5 *Business Days*.
- 11.11 If the *User* does not stop the *Relevant Action* being taken within 5 *Business Days* of receiving the notice specified in clause 11.10, *Country Energy Gas* may terminate the *Agreement* by further notice to the *User* with effect from the date specified in the notice.

#### **Termination where no Customers**

- 11.12 If at any time there is no *Customer* in respect of whom the *User* requires *Transportation Services* under the *Agreement*, the *User* may, by notice to *Country Energy Gas*, terminate the *Agreement*.

#### **Termination by Country Energy Gas**

- 11.13 *Country Energy Gas* may terminate the *Agreement* on the giving to the *User* of 90 *Business Days*' notice, where, under the *Regulatory Instruments*, *Country Energy Gas* ceases to be obliged to provide *Transportation Services* to the *User*.

### **Automatic termination**

11.14 If *Country Energy Gas' Reticulator's Authorisation* is revoked by the *Regulator*, then the *Agreement* will automatically terminate with effect from the date that the *Reticulator's Authorisation* is revoked and *Country Energy Gas* will so notify the *User*.

11.15 If the *User* ceases to hold a *Suppliers Authorisation*, then the *Agreement* will automatically terminate with effect from the date that the *User's Suppliers Authorisation* is revoked.

### **Consequences of Termination**

11.16 Upon termination or expiration of the *Agreement*, or replacement of the *Agreement* with an agreement having similar effect, the *Agreement*, other than section 5.6 of the *Access Arrangement* (Bonds and Credit Support) and clauses 6.23 to 6.25 (Adjustment of invoices), 11.18 and 11.19 (Preservation of rights), 11.20 (*Transportation Services* after termination), 12 (Liabilities and indemnities), 13 (Dispute resolution), 16 (Confidentiality) and 17 (Law and jurisdiction), is at an end as to its future operation except for the enforcement of any right or claim which arises on, or has arisen before, termination.

### **Remedies for Default**

11.17 Subject to clause 11.16 (Consequences of termination), without limiting any other rights of the parties under the *Agreement* or otherwise at law, if a party has defaulted on the performance of an obligation to pay any amount to the other party under the *Agreement*, the non-defaulting party may:

- (a) set off, apply or draw on (as the case may be) any *Credit Support* and any accrued interest for the amount then due and payable by the defaulting party to the non-defaulting party; or
- (b) sue the defaulting party for compensation for that default and exercise all available legal and equitable remedies including, suing for specific performance, injunctive relief or such other orders as it deems appropriate.

### **Preservation of rights**

11.18 Nothing in clause 11 will operate to exclude, limit or otherwise affect the parties' rights, remedies or powers under statute, common law or in equity and the parties' rights under clause 11 to terminate the *Agreement* will be without prejudice to the parties' rights to pursue relief by way of damages, injunction or specific performance in respect of a breach of the *Agreement*.

11.19 Without limiting the foregoing, *Country Energy Gas* shall be entitled to render an invoice to the *User* for *Transportation Services* provided and not invoiced up to and including the date of termination, and any such invoice will be payable in accordance with clause 6 (payment and billing for *Transportation Services*).

### **Transportation Services after termination**

11.20 Notwithstanding the termination of the *Agreement*, *Country Energy Gas* and the *User* acknowledge that *Country Energy Gas* may continue to provide *Transportation Services* in respect of any *Customer* until the first to occur of the events specified in clause 3.7 (Cessation of provision of *Transportation Services*). All provisions of the *Agreement* which relate to the provision of *Transportation Services* shall continue to apply, and the *User* will remain liable to pay the *Charges*, in respect of any such *Transportation Services*.

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## 12 Liabilities and indemnities

### No Warranties

- 12.1 Subject to the *Trade Practices Act 1974* (Cth) and the express provisions of the *Agreement*, all warranties, *Terms and Conditions* in relation to the provision of the *Transportation Services*, or other product or service which may be otherwise implied by use, statute or otherwise are, to the extent that they may lawfully be, hereby excluded.
- 12.2 If a condition or warranty is implied into the *Agreement* under the *Trade Practices Act 1974* (Cth) or any equivalent State or Territory legislation that cannot be excluded, then *Country Energy Gas*' liability to the *User* for breach of the condition or warranty is limited to (at *Country Energy Gas*' option) to:
- (a) the re-supply of the relevant service under the *Agreement*; or
  - (b) the payment of having the relevant service re-supplied.
- 12.2A *Country Energy Gas*' liability will not be limited in this way if:
- (c) the *User* establishes that such a limitation is not fair or reasonable in the circumstances for the purposes of section 68A(2) of the *Trade Practices Act 1974* (Cth); or
  - (d) the condition or warranty is implied under section 69 of the *Trade Practices Act 1974* (Cth).

### Non-operation of limitations of liability

- 12.3 *Country Energy Gas* may not rely on clause 12.1 of the *Agreement* to exclude any liability of *Country Energy Gas* to the *User* for any *Claim* made against the *User* by a *Customer*, to the extent that, at the time the *User* entered into its contract with the *Customer*, the *User* was prohibited by law (including the *Regulatory Instruments*) from including in that contract a provision which excluded the *User* from liability for that *Claim*.
- 12.4 Clause 12.1 shall not apply in relation to any *Customer* to whom the *User* sells *Gas* under a contract executed before the *Commencement Date* to the extent that the *Customer Supply Contract* does not exclude the *User* from the warranties, *Terms and Conditions* described in clause 12.1.

### Insurance

- 12.5 The *User* will effect and keep current such policies of insurance as a prudent person in the position of the *User* would effect and on terms reasonably acceptable to *Country Energy Gas* on or before the *Commencement Date* until the termination of the *Agreement*, including:
- (a) Public liability/products cover;
  - (b) Appropriate industrial special risks cover; and
  - (c) Worker's compensation and employee liability cover as required by law.

- 12.6 The *User* will cause *Country Energy Gas*' interest to be duly noted on the policies and the *User* will provide *Country Energy Gas* with a schedule setting out details of those insurances and confirming the currency of them.
- 12.7 The *User* must give full, true and particular information to the relevant insurer of all matters the non-disclosure of which might in any way prejudice or affect the policy or policies of insurance or the payment of any or all money under them.
- 12.8 Before the cancellation by the *User* of any insurance policy required to be effected under the *Agreement* the *User* must first provide details of the replacement insurance policy, which is proposed to be substituted for the policy to be cancelled.
- 12.9 The *User* acknowledges that it is responsible for any policy deductibles.
- 12.10 The *User* must during the continuance of the *Agreement*, promptly notify *Country Energy Gas*:
- (a) if it becomes aware that any of the conditions precedent to the issuance and operation of the insurance are not, or are no longer, satisfied;
  - (b) if it has made or is making claims under the insurance which may materially affect the cover provided by the insurance; or
  - (c) if it becomes aware that the insurance has been, or is about to be cancelled, or a notice of cancellation or other material notice under or in relation to the insurance has been or is about to be issued by the insurer (and, upon the issue of the notice, it must provide a copy to *Country Energy Gas*).

#### **Indemnity by the User**

- 12.11 The *User* indemnifies *Country Energy Gas* against any cost, demand, expenses or liability (including without limitation liability to third parties) suffered or incurred by *Country Energy Gas* as a consequence of:
- (a) damage caused by the *User* or a *Customer* to the *Distribution System*; and
  - (b) *Customers* withdrawing in any hour a *Quantity* of *Gas* at any *Delivery Point* exceeding the *Customer's MHQ* at that *Delivery Point*.

#### **Exemption of liability**

- 12.12 Notwithstanding any other provision of the *Agreement* and subject to any *Laws* to the contrary, *Country Energy Gas* is not liable to any penalty or damages for failing to convey *Gas* through the *Distribution System* if the failure arises out of any accident or cause beyond *Country Energy Gas*' reasonable control, including:
- (a) (momentary fluctuations): momentary fluctuations in the amount of *Gas* delivered to the *User* at any *Delivery Point* or transported through the *Network*;
  - (b) (*User's* failure): any failure to deliver any *Gas* to any *Delivery Point* or any other loss, damage or expense suffered by the *User* caused by any failure of a *User* of the *Network* (including the *User*) to observe or comply with an *Agreement* to which it is a party;
  - (c) (unavailability of *Gas*): any failure to deliver any *Gas* to any *Delivery Point* or any other loss, damage or expense suffered by the *User* caused by no or reduced

injection of *Supply* of Gas into, or, by no or reduced off take of Gas from, the *Network*; or

- (d) (fault in *User's* equipment): any failure to deliver Gas to any *Delivery Point* or any other loss, damage or expense suffered by the *User* caused by any defect or abnormal conditions in the *User's* equipment or that belonging to any other *User* of the *Network* or other person connected to the *Network*.

### Limitation of liability

12.13 Subject to clauses 12.2 to 12.2A, if there is any event or circumstance other than those described in clause 12.12, notwithstanding any other provision of the *Agreement*, *Country Energy Gas* (including its directors, officers, employees, authorised agents, contractors, sub-contractors and professional advisers) will only be liable for:

- (a) (direct loss or damage): the direct loss or damage to the *User* (excluding any loss of profit by the *User* or the amount of any damage awarded against the *User* in favour of, or moneys paid by the *User* by way of settlement to any third party and any costs or expenses of the *User* in connection with the same) arising from *Country Energy Gas'* failure to comply with or observe any provision of the *Agreement*; and
- (b) (total amount of liability): in respect of such direct loss or damage to the *User*, up to the maximum sum of \$20,000 for any single event or circumstance of failure described in paragraph (a) above (and a series of such failures arising from the same event or circumstance of failure) and up to the maximum sum of \$100,000 in respect of events or circumstances of failure described in paragraph (a) above occurring in any one period of 365 consecutive *Days*.

### Third Party Claims and Demands

12.14 A party (the *Indemnified Party*) must:

- (a) notify the other party (the *Responsible Party*) of any third party *Claim*, for which it may be indemnified under this clause 12;
- (b) permit the *Responsible Party* (entirely at the *Responsible Party's* expense) to defend or settle that third party *Claim* as the *Responsible Party* sees fit, or where the *Responsible Party* does not elect to defend or settle that third party *Claim*, to have a watching brief and be kept fully informed by the *Indemnified Party* of the progress of that third party *Claim*; and
- (c) provide the *Responsible Party* (at the *Responsible Party's* expense) with such assistance in respect of the third party *Claim* as the *Responsible Party* may reasonably request.

12.15 If the *Responsible Party* elects to take over conduct of a third party *Claim* as contemplated in clause 12.14 the *Responsible Party* must:

- (a) consult with and where reasonably possible, take account of the views of the *Indemnified Party* in relation to the progress of the third party *Claim*; and
- (b) if it becomes aware that the *Indemnified Party* may have some liability in respect of that third party *Claim* for which the *Indemnified Party* will not be indemnified under this clause 12, notify the *Indemnified Party* of that fact, consult with and keep the *Indemnified Party* informed in respect of the progress of that third party

*Claim* and comply with the provisions of clauses 12.14 to 12.16 as if references in that clause to the *Indemnified Party* were to the *Responsible Party*, and vice versa.

12.16 If the *Responsible Party* elects not to take over the conduct of a third party *Claim* as contemplated in clause 12.14, the *Responsible Party* must indemnify the *Indemnified Party* against all costs (including reasonable legal costs) incurred by the *Indemnified Party* in defending the third party *Claim*, to the extent that those costs are not recovered from any other person.

### **No Admissions**

12.17 Except where required by law to do so, the *Indemnified Party* must not, in relation to any *Claim* of the type referred to in clause 12:

- (a) make any admission or representation prejudicial to the *Responsible Party*;
- (b) agree to any compromise or settlement; and
- (c) do anything else that may be prejudicial to the *Responsible Party*, without the *Responsible Party's* written consent.

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## **13 Dispute resolution**

### **Disputes**

13.1 To the extent that the *NGL*, *NGR* or the *Retail Market Procedures* apply to a dispute under the *Agreement*, the parties agree to apply the respective dispute resolution procedures to that dispute.

13.2 To the extent that the *Network Code* applies to a dispute under the *Agreement*, the parties agree to apply the dispute resolution procedures under the *Network Code* to that dispute.

13.3 Subject to clause 6.29 to 6.35 (*Disputed invoices*) and clauses 13.1 and 13.2, any dispute or difference arising between the parties out of or in connection with the *Agreement* must be resolved in accordance with clauses 13.4 to 13.16.

### **Notice of Dispute**

13.4 If clause 13.3 applies to the dispute or difference, either party may give written notice of the dispute or difference to the other party. The notice shall state that it is a notice under this clause 13 and shall identify the dispute concerned and the clauses of the *Agreement* relevant to the dispute.

### **Referral to Chief Executive Officers or nominees**

13.5 If the parties fail to resolve a dispute or difference within 10 *Business Days* of a *Notice of Dispute* being given under clause 13.4, the dispute or difference must be referred for resolution to the respective chief executive officers (or the chief executive officer's nominee) of the parties whose decision shall be binding. Subject to clause 13.17, the parties waive their rights to commence court proceedings for resolution of the dispute prior to referral of the issue to the chief executive officers (or their nominees) under this clause. If the matter is not resolved within 5 *Business Days* of such referral either party may then take further action in accordance with the procedures below.

## Mediation

- 13.6 The parties must comply with clauses 13.4 and 13.5 as a pre-condition to submitting a dispute to mediation.
- 13.7 If a dispute is not resolved by the chief executive officers (or nominees, as applicable) of the parties within 5 *Business Days* of it being referred to those persons, either party may submit the dispute to mediation in accordance with and subject to the Mediation and Conciliation Rules of the Institute of Arbitrators and Mediators Australia by giving notice in writing to the other party, that the dispute remains unresolved and will be submitted to mediation.
- 13.8 *Country Energy Gas* and the *User* will bear their own costs in respect of the mediation.
- 13.9 If a dispute has been submitted to mediation, subject to clause 13.17, the parties waive their rights to commence court or arbitration proceedings for resolution of the dispute until completion of the mediation.
- 13.10 Once a party submits a dispute to mediation, the other party must participate in the mediation.

## Arbitration

- 13.11 The parties must comply with clauses 13.4 and 13.5 as a pre-condition to submitting a dispute to arbitration.
- 13.12 If a dispute is not resolved by the chief executive officers (or their nominees, as applicable) of the parties, or if a dispute is not resolved in mediation, either party may submit the dispute to arbitration in accordance with and subject to the Institute of Arbitrators and Mediators Australia Rules for the Conduct of Commercial Arbitrations (the Rules) by giving notice in writing to the other party, in accordance with the Rules, that the dispute remains unresolved and will be submitted to arbitration.
- 13.13 *Country Energy Gas* and the *User* will bear their own costs in respect of the arbitration.
- 13.14 Subject to clause 13.15, without limiting the generality of clause 16 (Confidentiality):
- (a) any arbitration proceedings will be private and confidential as between the parties;
  - (b) no party may cause or permit any part of arbitration proceedings or related correspondence to be published in the press or other media; and
  - (c) all such proceedings and correspondence, the documentation and information relevant to such proceedings and correspondence, and the reasons for any award or other determination made during the arbitration, must be kept confidential by the parties and may not be disclosed other than to the extent permitted under clause 16 (Confidentiality).
- 13.15 Nothing in clause 13.14 applies to or in relation to or restricts in any way:
- (a) disclosure of information to an arbitrator or umpire in accordance with clause 13.12; or
  - (b) disclosure of the proceedings or correspondence or the reasons for the award or other determination in the course of legal proceedings relating to the arbitration,

award or other determination made under clause 13.12, or in the course of any other judicial, arbitral or administrative proceedings between the parties.

13.16 Once a party submits a dispute to arbitration, the other party must participate in the arbitration.

#### **Summary or urgent relief**

13.17 Nothing in clause 13 shall prejudice the right of a party to seek urgent injunctive or declaratory relief in a court in respect of any matter arising under the *Agreement*.

#### **Customer Disputes**

13.18 If any *Customer* brings any legal proceedings in any court against any party to the *Agreement* (the *Defendant Party*) and the *Defendant Party* wishes to make a third party *Claim* (as defined in clause 13.19) against the other party to the *Agreement*, then the parties agree that the third party *Claim* can be dealt with in the legal proceedings brought by the *Customer* rather than being dealt with under this clause 13.

13.19 For the purposes of clause 13.18, third party claim shall mean:

- (a) any *Claim* by a *Defendant Party* against the other party (whether or not already a party to the legal proceedings) for any contribution or indemnity; or
- (b) any *Claim* by a *Defendant Party* against the other party for any relief or remedy relating to or connected with the subject matter of the legal proceedings and substantially the same as some relief or remedy *Claimed* by the *Customer*; or
- (c) any requirement by a *Defendant Party* that any question or issue relating to or connected with the subject matter of the legal proceedings should be determined not only as between the *Customer* and the *Defendant Party* but also as between either or both of them and the other party (whether or not already a party to the legal proceedings).

#### **Obligations Continuing**

13.20 Notwithstanding a reference of a dispute to the dispute resolution procedure in this clause 13:

- (a) the parties shall, so far as it is reasonably practicable, continue to perform and comply with their respective obligations under the *Agreement* to the extent that such obligations are not the subject of that dispute; and
- (b) the parties are not precluded by this clause 13 from exercising their rights of termination in accordance with clause 11 (Term and termination).

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## **14 Representations and Warranties**

### **The User's representations and warranties**

14.1 The *User* represents and warrants to *Country Energy Gas* that it holds and will continue to hold a *Suppliers Authorisation* for the duration of the *Agreement*.

14.2 The *User* represents and warrants to *Country Energy Gas* that it has the right to have Gas delivered to the *Receipt Point*.



## Country Energy Gas's representations and warranties

14.3 *Country Energy Gas* represents and warrants to the *User* that it holds and will continue to hold a *Reticulator's Authorisation* for the duration of the *Agreement*.

## Other representations and warranties

14.4 Each party to the *Agreement* represents and warrants that:

- (a) it is incorporated or established and validly existing;
- (b) it has full power, authority and legal right to execute, deliver and perform its obligations under the *Agreement*;
- (c) execution of and performance of that party's obligations under the *Agreement* will not amount to a breach of any contractual or other obligation owed by that party to a third party; and
- (d) as at the date of the *Agreement* an *Insolvency Event* is not subsisting in respect of that party.

## No reliance

14.5 Except as otherwise provided in clause 5.9 (*Disconnection* at the request of the *User*) and this clause 14, each party to the *Agreement* acknowledges that in entering into the *Agreement* it has not relied on any representations or warranties about its subject matter.

---

## 15 Notices

### Method of Giving Notices

15.1 Unless otherwise agreed by the parties, a notice, consent, approval or other communication (each a Notice) under the *Agreement* shall be in writing, signed by or on behalf of the person giving it, addressed to the person to whom it is to be given and:

- (a) delivered;
- (b) sent by pre-paid mail;
- (c) transmitted by facsimile; or
- (d) transmitted electronically,

to that person's address, as specified below:

(i) if to *Country Energy Gas*:

Address:

Attention:

Facsimile:

Telephone:

E-mail:

(ii) if to the *User*:

Address:  
Attention:  
Facsimile:  
Telephone:  
E-mail:

### **Time of receipt of notice**

- 15.2 A Notice given to a person in accordance with this clause 15 is treated as having been given and received:
- (a) if delivered to a person's address, on the *Day* of delivery if prior to 5:00 pm on a *Business Day*, otherwise on the next *Business Day*;
  - (b) if sent by pre-paid mail, on the third *Business Day* after posting;
  - (c) if transmitted by facsimile and a correct and complete transmission report is received, on the day of transmission if the transmission report states that the transmission was completed before 5.00 pm on a *Business Day*, otherwise on the next *Business Day*;
  - (d) if transmitted electronically, on the day of transmission if the information technology system of the person giving the notice states that the transmission was completed before 5.00 pm on a *Business Day*, otherwise on the next *Business Day*.

### **Time of receipt of Invoices**

- 15.3 An invoice payable under clause 6 is deemed to have been received when a summary statement of the invoice is delivered as if it were a Notice. The date of deemed receipt of an invoice will be extended by each day that the supporting documentation relating to the invoice is delivered after delivery of the invoice summary statement.

### **Confirmation of electronic delivery**

- 15.4 Without prejudice to the effectiveness of service of a notice transmitted electronically if a notice is given electronically, under any of section 5.6 of the *Access Arrangement* (Bonds and Credit Support) and clauses 6.26 to 6.35 (*Disputed invoices*), 8.13 to 8.20 (*Ombudsman* complaints), 8.21 to 8.26 (Assignment of and Changes in *Reference Tariffs* or *Reference Services*), 11.2 to 11.4 (Termination for default or insolvency of *User*), 11.5 to 11.8 (Notice of termination) and 13 (Dispute resolution) the notice must also be sent simultaneously by any one of the means listed in clauses 15.1(a) to 15.1(c) (inclusive).

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## **16 Confidentiality**

### **General obligation**

- 16.1 Subject to section 5.6 of the *Access Arrangement* (Bonds and Credit Support) and clauses 16.4 and 16.5 (Conditions on disclosure) and 16.6 (Notice to other party) and any confidentiality requirement under the *Regulatory Instruments*, the *Agreement* and all information exchanged between the parties under the *Agreement* or during the

negotiations preceding the *Commencement Date* is confidential to the party who provided it and may not be disclosed to any person except:

- (a) by a party, to:
  - (i) its employees and contractors, and the employees and contractors of any of its related bodies corporate, within the meaning of the *Corporations Act*, requiring the information for the purposes of the *Agreement* (or any transactions contemplated by it); and
  - (ii) its legal and other professional advisers, requiring the information for the purposes of the *Agreement* (or any transactions contemplated by it) or for the purpose of advising that party in relation thereto;
- (b) with the consent of the party who provided the information;
- (c) if the information is at the time lawfully in the possession of the proposed recipient of the information through sources other than the other party;
  - (i) to the extent required by law or any *Regulatory Instrument* or by a lawful requirement of any authority having jurisdiction over a party (whether pursuant to a licence held by that party or otherwise); or
  - (ii) to the extent required by a lawful requirement of any stock exchange having jurisdiction over a party;
- (d) if required in connection with legal proceedings or other dispute resolution relating to the *Agreement* or for the purpose of advising a party in relation thereto;
- (e) if the information is at the time generally and publicly available other than as a result of breach of confidence by the party wishing to disclose the information or a person to whom it has disclosed the information;
- (f) if the information relates to a *Customer*, in addition to the circumstances described in clauses 16.1(a) to (e), the party may disclose that information to any person if the party has received the explicit informed consent in writing of the *Customer* to do so;
- (g) if disclosure is necessary to ensure the stability of the *Distribution System* or to protect the safety of personnel or equipment;
- (h) pursuant to, and in accordance with, clauses 7 (Information Exchange) and 8 (Communications regarding *Customers* and system data); or
- (i) to confirm the existence of an *Agreement* between the parties.

16.2 For the purposes of the *Agreement*, information is not generally and publicly available merely because it is known to the *Regulator*, *AEMO*, a *Producer* or another *User*.

#### **Representatives to keep information confidential**

16.3 Subject to clauses 16.4 and 16.5 (Conditions on disclosure) and 16.6 (Notice to other party), each party shall procure that its employees and contractors, and the employees and contractors of any of its related bodies corporate, its legal and other professional advisers do not disclose (otherwise than to the party) any information concerning the other party or a *Customer* obtained under the *Agreement* except in the circumstances

specified in clauses 16.1 and 16.2, or use the information other than for the purpose for which it was disclosed in accordance with the *Agreement*.

#### **Conditions on disclosure**

- 16.4 In the case of a disclosure under clause 16.1, the party proposing to make the disclosure shall inform the proposed recipient of the confidentiality of the information and the party proposing to disclose shall take all reasonable precautions to ensure that the proposed recipient keeps the information confidential.
- 16.5 If a party is permitted to disclose any *Confidential Information* in accordance with this clause 16, the party proposing to disclose shall use reasonable endeavours to limit the disclosure to those matters which reasonably need to be disclosed in order to accomplish that purpose.

#### **Notice to other Party**

- 16.6 Each party, shall:
- (a) promptly inform the other party of any request received by that party from any person referred to in clause 16.1(a)(i) to disclose information under that clause;
  - (b) inform the other party as soon as reasonably practicable after information is disclosed by the party under clause 16.1(a)(i); and
  - (c) where possible, not disclose any information under clause 16.1(c)(ii) or 16.1(d) unless the other party has been informed of the proposed disclosure.

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## **17 Law and jurisdiction**

### **Governing Law**

- 17.1 The *Agreement* is governed by the law in force in the State of New South Wales.

### **Submission to Jurisdiction**

- 17.2 The parties submit to the non-exclusive jurisdiction of the courts of the State of NSW and any courts which may hear appeals from those courts in respect of any proceedings in connection with the *Agreement*.

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## **18 General**

### **Waiver**

- 18.1 The non-exercise of or delay in exercising any power or right of a party does not operate as a waiver of that power or right, nor does any single exercise of a power or right preclude any other or further exercise of it or the exercise of any other power or right.
- 18.2 A power or right may only be waived in writing, signed by the party to be bound by the waiver.

### **Amendment**

- 18.3 Subject to clause 18.4, the *Agreement* may only be amended or supplemented in writing, executed by the parties in the same manner as the parties executed the *Agreement*.
- 18.4 Amendments to the *Agreement* can only be approved by the *Regulator*. Where the *Regulator* approves an amendment to the *Terms and Conditions* in response to a revision submitted by *Country Energy Gas*, the parties agree to amend the *Agreement* in the same way.

### **Attorneys**

- 18.5 Each attorney who executes the *Agreement* on behalf of a party declares that the attorney has no notice of the revocation or suspension by the grantor or in any manner of the power of attorney under the authority of which the attorney executes the *Agreement*.

### **Severability**

- 18.6 Any provision in the *Agreement* which is invalid or unenforceable in any jurisdiction is to be read down for the purposes of that jurisdiction, if possible, so as to be valid and enforceable, and is otherwise capable of being severed to the extent of the invalidity or unenforceability, without affecting the remaining provisions of the *Agreement* or affecting the validity or enforceability of that provision in any other jurisdiction.

### **Counterparts**

- 18.7 The *Agreement* may be executed in any number of counterparts and all of those counterparts taken together constitute one and the same instrument.

### **Further Assurance**

- 18.8 Each party shall do, sign, execute and deliver and shall procure that each of its employees and agents does, signs, executes and delivers, all deeds, documents, instruments and acts reasonably required of it or them by notice from another party to carry out and give full effect to the *Agreement* and the rights and obligations of the parties under it.

### **Entire Agreement**

- 18.9 The *Agreement* is the entire *Agreement* of the parties on the subject matter of the *Agreement*.

### **Assignment**

- 18.10 Subject to clause 18.11 neither party may assign any of its rights or obligations under the *Agreement* without the prior written consent of the other party, such consent not to be unreasonably withheld or delayed.
- 18.11 *Country Energy Gas* may assign the *Agreement* to a person who holds a *Reticulator's Authorisation* for all or any part of the *Distribution System*.

### **Remedies Cumulative**

- 18.12 The rights and remedies provided in the *Agreement* do not exclude any rights or remedies provided by law.

### **Review of Agreement**

18.13 Subject to clauses 18.3 and 18.4, the parties acknowledge that the *Regulatory Instruments* to which the *Agreement* is subject may be the subject of ongoing changes and that those changes may in turn require amendments to be made to the *Agreement*. The parties agree to negotiate in good faith any amendments to the *Agreement* that may be reasonably required as a consequence of any changes to the *Regulatory Instruments* or in light of commercial experience.

### **No Agency or partnership**

18.14 Nothing in the *Agreement* constitutes any agency, partnership or joint venture relationship between the parties.

### **Restriction on authority**

18.15 Neither party shall make or give any representation or warranty in relation to the other party or agree to any obligation on behalf of the other party, unless the representation, warranty or obligation has been expressly approved in advance in writing by the other party.

### **Costs**

18.16 Each party will bear its own legal and other costs in relation to the negotiation and documentation of the *Agreement*.

18.17 Each party will bear half of any stamp duty payable in respect of the *Agreement*.

### **Schedules**

18.18 The Schedules form part of the *Agreement* and in the event of inconsistency, the Schedules will prevail over the other terms of the *Agreement*.

## Schedule 1

### Matters to be notified to Customer by User (clauses 10.4 and 10.5)

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Customer obligations under the *Regulatory Instruments* relating to:

1. Prohibition against allowing Gas Supplied by *Country Energy Gas* to the *Customer's Supply* address to be used at another *Customer's Supply* address;
2. Prohibition against taking at the *Customer's Supply* address Gas Supplied to another *Supply* address;
3. Prohibition against *Supplying Gas* to any other person unless permitted by *Regulatory Instruments* or agreed by *Country Energy Gas*;
4. Prohibition against interfering or tampering with, or permitting interference or tampering with, *Country Energy Gas's Distribution System* or any *Metering Installation* at the *Customer's Supply* address;
5. Prohibition against allowing Gas Supplied to a *Residential Customer* to be used for non-domestic purposes other than for home office purposes;
6. Prohibition against allowing Gas Supplied under a specific purpose tariff to be used for another purpose;
7. Prohibition against bypassing or allowing Gas Supplied to the *Customer's Supply* address to bypass the *Meter*;
8. Prohibition against allowing persons who are not licensed Gas installers to perform any work on *Gas Installations*;
9. Maintenance of the *Gas Installation* or *Country Energy Gas's* equipment at the *Customer's Supply* address;
10. Prohibition against the use of Gas Supplied in a manner that may:
  - (a) interfere with *Country Energy Gas's Distribution System* or with *Supply* to any other *Gas Installation*, or
  - (b) cause damage or interference to any third party;
11. Protection of *Country Energy Gas's* equipment at the *Customer's Supply* address from damage or interference
12. Informing *Country Energy Gas* of changes:
  - (a) to the major purpose for usage of Gas at the *Customer's Supply* address,
  - (b) affecting access to the *Customer's Metering Installation*, and
  - (c) or proposed changes to the *Customer's Gas Installation* which may affect the quality or safety of the *Supply of Gas* to the *Customer's Supply* address or any other person;
13. Informing *Country Energy Gas* about any *Gas Leak* or other problem with *Country Energy Gas's Distribution System*;
14. Access rights for *Connection* or *Disconnection*;

15. Access rights for inspection or testing of *Gas Installations* or *Metering Installations*;
16. Access rights for undertaking inspection, repairs, testing or maintenance of the *Distribution System*;
17. Access rights for collection of *Metering Data*;
18. *Country Energy Gas's Interruption* or load shedding rights;
19. Any matter that may threaten:
  - (a) the health or safety of any person;
  - (b) damage to the property;
  - (c) the integrity or safety of the *Distribution System*, or
  - (d) *Supply* to any other *Gas Installation*; and
20. Any other matter required under Schedule 1 of the *Gas Supply (Natural Gas Retail Competition) Regulation 2001*.



**Access arrangement information for the access  
arrangement for the Wagga Wagga gas  
distribution network**

1 July 2010 – 30 June 2015

**April 2010**

As varied by the AER on 10 September 2010 under rule 68 of the National  
Gas Rules

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Note: This version includes changes for the correction of an error in the taxation asset base. The changes were made on 10 September 2010.

# 1 INTRODUCTION

## 1.1 Basis for Access Arrangement Information

This *Access Arrangement Information* should be read in conjunction with the *Access Arrangement* and the *Final Decision*.

## 1.2 Content of this Access Arrangement Information

The purpose of this document is to set out such information as is necessary to enable *Users* and *Prospective Users* to understand the background to and basis and derivation of the *Access Arrangement*.

This document is structured as follows:

- Section 2 provides background to the *Network*, the operation of the *Network* and the *Access Arrangement* in the period to 30 June 2010
- Section 3 outlines the services to be offered to *Users* and *Prospective Users* and provides background to the *Terms and Conditions* that will apply to the provision of *Services* and provides information about non-tariff components in chapter 12 of the *Final Decision*
- Section 4 summarises *Country Energy Gas*' forecast demand for services in the *Access Arrangement* and provides information about demand forecasts in chapter 9 of the *Final Decision*
- Section 5 provides information on how the *Capital Base* has been calculated and how the return on capital and return of capital elements have been calculated and provides information about the capital base, depreciation and rate of return in chapter 3, 4 and 5 of the *Final Decision*
- Section 6 provides information regarding forecast *Operating Costs* and provides information about operating expenditure in chapter 7 of the *Final Decision*
- Section 7 explains how the total revenue requirement has been calculated and provides information about total revenue in chapter 8 of the *Final Decision*
- Section 8 outlines how total costs have been allocated to services to determine *Reference Tariffs*, and the operation and rationale behind the *Reference Tariff Variation Mechanisms* that will apply and provides information about reference tariffs and tariff variation mechanisms in chapter 10 and 11 of the *Final Decision*
- Section 9 sets out the length of the *Access Arrangement* and the manner in which *Capacity* and *Extensions* or *Expansions* will be managed across this *Access Arrangement* and provides information about non-tariff components in chapter 12 of the *Final Decision*; and
- Section 10 sets out the key performance indicators for the *Network* across this *Access Arrangement*.

### 1.3 Interpretation

In this *Access Arrangement Information* where a word or phrase is italicised the term has the meaning set out in the *NGL* and *NGR*, unless the word or phrase is defined in the Glossary which forms part of the *Access Arrangement*. In such a case the word or phrase has the meaning given to that word or phrase in the Glossary.

Further, in this *Access Arrangement Information* headings are for convenience only and do not affect interpretation unless the context indicates a contrary intention:

- A reference to any party includes that party's executors, administrators, successors, substitutes and assigns, including any person taking by way of novation
- A reference to this *Access Arrangement Information*, the *Access Arrangement* or to any other agreement, deed or document (including, without limitation any standard, code, guidelines or rule) includes, respectively, this *Access Arrangement Information*, *Access Arrangement* or that other agreement, deed or document as amended, novated, supplemented, varied or replaced from time to time
- Words importing the singular include the plural (and vice versa), words denoting a given gender include all other genders, and words denoting individuals include corporations (and vice versa)
- Unless the context indicates otherwise, a reference to a section is a reference to a section of this *Access Arrangement Information*
- References to currency are references to Australian currency unless otherwise specifically provided
- Reference to any legislation or to any section or provision thereof includes any statutory modification or re-enactment or any statutory provision substituted for it, and ordinances, by-laws, regulations, and other statutory instruments issued thereunder, and
- References to capital expenditure are references to net capital expenditure, exclusive of *Capital Contributions*, unless otherwise stated.

## 2 BACKGROUND TO THE NETWORK

### 2.1 Country Energy Gas Networks' Wagga Wagga Network

Gas has been available in Wagga Wagga since the late 1880s. Manufactured Gas was provided from this time until 1981 when supplies from the Cooper Basin became available. *Gas Supply* was managed by the Wagga Wagga City Council until the system was acquired by Great Southern Energy in June 1997.

Great Southern Energy, along with Advance Energy and NorthPower, were merged together to form Country Energy on 1 July 2001. As part of this merger *Country Energy Gas* became the owner and operator of the Wagga Wagga Gas Network.

At present the Network serves around 18,700 predominately domestic and small commercial *Customers*, although several large *Contract Customers* account for around 43 per cent of total Gas sales.

### 2.2 The access arrangement for the *Earlier Access Arrangement Period*

The access arrangement for the *Earlier Access Arrangement Period* was drafted and approved by the *Independent Pricing and Regulatory Tribunal (IPART)* and came into effect on 1 January 2006. In order to align the access arrangement for the *Earlier Access Arrangement Period* with financial years, it was designed to operate for the four and a half year period ending 30 June 2010. Revisions were required to be submitted by 1 July 2009.

### 2.3 Expenditure, revenue and volume outcomes

The tariffs and other arrangements set out in *IPART's* final approval of the access arrangement for the *Earlier Access Arrangement Period* were based upon a number of factors, including forecasts of capital and operating expenditure, and Gas sales. A brief summary of the outcomes of the access arrangement for the *Earlier Access Arrangement Period* are set out below.

#### 2.3.1 Volume of Gas Sold

Gas sales to *Contract Customers* have progressively increased above what was forecast in the access arrangement for the *Earlier Access Arrangement Period*, due mainly to the gain of one major *Customer*. This increase is despite the loss of a significant proportion of load from one major *Customer* from 2007.

*Volume Customer* consumption was above levels forecast in the access arrangement for the *Earlier Access Arrangement Period*. This occurred as a result of substantial growth in the Wagga Wagga housing market combined with seasonal variations that caused considerable fluctuations in volume consumption. For example, the 2005/06 financial year experienced very cold winter temperatures and therefore high consumption, however milder temperatures in the 2006/07 financial year saw consumption levels drop significantly from 2005/06 financial year levels.

| <i>Customers (No), Volume (GJ)</i>                 | 2005-06          | 2006-07          | 2007-08          | 2008-09          | 2009-10 <sup>a</sup> |
|--|------------------|------------------|------------------|------------------|----------------------|
| <b>Volume load</b>                                 |                  |                  |                  |                  |                      |
| <i>Small Customers</i>                             | 17,084           | 17,188           | 17,811           | 18,196           | 18,476               |
| <i>Medium Customers</i>                            | 178              | 181              | 178              | 173              | 183                  |
| <i>Large Customers</i>                             | 10               | 9                | 10               | 9                | 11                   |
| <b>Total volume Customers*</b>                     | <b>17,272</b>    | <b>17,378</b>    | <b>17,999</b>    | <b>18,378</b>    | <b>18,670</b>        |
| <i>Small Load</i>                                  | 808,406          | 709,456          | 749,307          | 754,102          | 777,771              |
| <i>Medium Load</i>                                 | 93,427           | 81,991           | 86,597           | 79,475           | 86,951               |
| <i>Large Load</i>                                  | 22,271           | 19,545           | 20,643           | 17,327           | 29,245               |
| <b>Total volume load</b>                           | <b>924,104</b>   | <b>810,992</b>   | <b>856,547</b>   | <b>850,904</b>   | <b>893,967</b>       |
| <b>Contract load<br/>(Bomen and Central Zones)</b> |                  |                  |                  |                  |                      |
| <b>Total Contract Customers</b>                    | <b>15</b>        | <b>16</b>        | <b>17</b>        | <b>15</b>        | <b>15</b>            |
| <b>Total contract load</b>                         | <b>627,876</b>   | <b>628,662</b>   | <b>705,879</b>   | <b>723,569</b>   | <b>681,694</b>       |
|  |                  |                  |                  |                  |                      |
| <b>Total load</b>                                  | <b>1,551,980</b> | <b>1,439,654</b> | <b>1,562,426</b> | <b>1,574,473</b> | <b>1,575,661</b>     |

a: This includes forecast or estimated data.

\* The total volume *Customer* numbers in Table 1 represent a decrease in reported *Customer* numbers compared to those included in the access arrangement for the *Earlier Access Arrangement Period*. The variance is the result of a change of systems used for calculating *Customer* numbers. The original *Customer* numbers were derived from an internal database, however more accurate *Customer* numbers are derived from the billing system, which dynamically accounts for vacant premises and *Disconnections* providing a more overall annual average.

**Table 1 – Actual and forecast Customers and consumption for the access arrangement for the *Earlier Access Arrangement Period***

The average, maximum and minimum demands for the access arrangement for the *Earlier Access Arrangement Period* are shown in Table 2 below.

| <b>GJ/Day</b>  | <b>Jan to Jun 2006</b> | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> | <b>2009-10 <sup>a</sup></b> |
|----------------|------------------------|----------------|----------------|----------------|-----------------------------|
| Minimum Demand | 1,102                  | 1,131          | 1,100          | 1,059          | 1,166                       |
| Maximum Demand | 10,351                 | 9,475          | 10,523         | 10,223         | 10,622                      |
| Average Demand | 4,022                  | 3,979          | 4,305          | 4,408          | 4,307                       |

a: This includes forecast or estimated data.

**Table 2 – Average, maximum and minimum demands for the access arrangement for the *Earlier Access Arrangement Period***

### 2.3.2 Capital Expenditure

In aggregate capital expenditure was substantially higher than forecast. The main areas where expenditure exceeded forecast in the access arrangement for the *Earlier Access Arrangement Period* are as follows:

- The cast iron and galvanised iron steel refurbishment program has increased in scope because of integration with a 10 year program to upgrade the system pressures in a large number of suburbs within the *Network*. These areas are presently supplied at low pressure (< 7 kPa) and medium low pressure (20-40 kPa). Due to *Supply* pressure problems caused by long term demand growth these areas are being progressively converted to medium high pressure (80-250 kPa) through extensive pipe rehabilitation and *Network* reinforcement. Consequently costs associated with the refurbishment program have increased substantially because of the necessity to install extra system valves, upgrade all *Meter* installations and regulators and install additional *Network* pipe inter-connectors. Increased costs have also occurred because of compliance with new safety standards. The total additional expenditure is approximately \$1.5 million for the access arrangement for the *Earlier Access Arrangement Period*.
- In the period to November 2008, the Gas pressure in the main APA transmission pipeline supplying Wagga Wagga was increased from 3,000-5,500 kPa to 8,500-10,000 kPa because of the progressive commissioning of the 640MW Uranquinty Gas fired power station from August 2008. As a consequence *Country Energy Gas* was required to completely rebuild the Bomen receipt point at a cost of approximately \$1.5 million, as the new pressure requirements were above its original design specifications.
- A major *Meter* replacement program commenced in 2007/08 in order to comply with regulatory requirements. This has resulted in a 25 per cent increase in *Meter* replacement costs, increasing capital expenditure by approximately \$0.2 million above regulatory allowances.
- Unforeseen growth in new *Customer Connections* over the access arrangement for the *Earlier Access Arrangement Period* that have contributed to an approximate 73 per cent increase in new *Customer Connections* above the levels forecast in the access arrangement for the *Earlier Access Arrangement Period* (approximately \$2.2 million in additional capital expenditure).
- The Rail Infrastructure Corporation completed major repairs to the Murrumbidgee rail bridge in 2007 which required the complete removal of the critical high pressure *pipeline* from the bridge and replacement with an under-bore of the Murrumbidgee River at a cost of \$0.8 million.
- Material and labour cost increases have been strong in the *Earlier Access Arrangement Period* and this is expected to continue into the future. *Country Energy Gas* engaged *Competition Economists Group* (CEG) to research and provide escalation trends in labour and materials for the *Access Arrangement Period*.

- In the access arrangement for the *Earlier Access Arrangement Period*, gas network management costs were classified as operating expenditure. However, the actual costs were split between operating and capital expenditures consistent with the method adopted for allocation of corporate costs. This has meant an increase in actual capital expenditure against the IPART approved allowances of approximately \$1.4 million. *Country Energy Gas* has excluded this amount from its conforming capital expenditure.

Table 3 sets out *Country Energy Gas*' actual and estimated capital expenditure over the access arrangement for the *Earlier Access Arrangement Period*.

| \$,000 (nominal)                  | Jan to Jun 2006 | 2006-07 | 2007-08 | 2008-09 | 2009-10 <sup>a</sup> | Total   |
|-----------------------------------|-----------------|---------|---------|---------|----------------------|---------|
| Regulatory Allowance              | 827             | 1,603   | 1,692   | 1,909   | 2,089                | 8,120   |
| Actual/Estimated Expenditure      | 1,727           | 2,191   | 3,816   | 3,636   | 4,412                | 15,783  |
| Less Gas Network Management Costs | 0               | 0       | 0       | 0       | 1,400                | 1,400   |
| Total Capital Expenditure         | 1,727           | 2,191   | 3,816   | 3,636   | 3,012                | 14,383  |
| Difference                        | (900)           | (588)   | (2,124) | (1,728) | (924)                | (6,264) |

a: This includes forecast or estimated data.

**Table 3 – Actual vs regulatory allowances for total capital expenditure for the access arrangement for the *Earlier Access Arrangement Period***

### 2.3.2.1 Asset replacement and refurbishment

#### ***Mains Rehabilitation***

The major component of the mains rehabilitation capital expenditure relates to a long term pressure upgrade program that began in 2006/07 to address *supply* pressure problems and an increasing number of *Gas Leaks* caused by ageing assets in Wagga Wagga which have new growth areas connected to them. Historically these areas have been supplied at low (<7 kPa) or medium-low (20-40 kPa) pressure however load growth has seen *supply* pressures fall to critically low levels in periods of high demand. Complete sections of streets are being progressively converted to medium-high pressure (80-250 kPa) which entails refurbishing a large percentage of the existing mains, consumer services and *Metering Installations*. *Country Energy Gas* has significant lengths of cast iron or galvanised steel pipes that prevent the supply of significantly higher pressures as a result of leakages of joints and possible corrosion spots under high pressures.

Total costs associated with the rehabilitation program increased substantially and were higher than expected because of the necessity to:

- install extra system valves
- upgrade all *Meter* installations and regulators to cope with the upgraded pressures and deliver 1.5 kPa to 2.75 kPa to the *Customer*
- replace the *Meter* installation piping as necessary to conform with modern construction standards



- comply with new safety standards
- comply with new construction and operating practices that prohibit working on live Gas, and
- reinforce the *Network* with some existing inter-connectors being increased in *Capacity* and the construction of new inter-connectors.

At 30 June 2009 *Country Energy Gas* operated approximately 110 kilometres of galvanised steel, the majority being constructed between 1950 and 1980. Field data and engineering forecasts suggest that a median asset life of 50 years for these distribution mains is likely, and probability analysis suggests that a growing proportion of the *Network* will require replacement during this *Access Arrangement*. *Country Energy Gas* proposes to replace 2 per cent of the galvanised steel/cast iron mains each year over the course of the *Access Arrangement*.

At 30 June 2009 *Country Energy Gas* operated approximately 35 kilometres of cast iron mains first installed in 1950. The last of the cast iron mains were laid in the early 1990s with a proportion of the original system having already been rehabilitated, mainly due to the previously described pressure upgrade projects. A section of cast iron mains will be replaced primarily where leak survey information indicates it is prudent to replace a section of mains compared to repairing individual leaks, or where insufficient *Capacity* on the mains is available. This program is planned to continue in the *Access Arrangement*.

The total expenditure on mains rehabilitation is shown below in Table 4.

| \$,000 (nominal)             | Jan to Jun 2006 | 2006-07 | 2007-08 | 2008-09 | 2009-10 <sup>a</sup> | Total   |
|------------------------------|-----------------|---------|---------|---------|----------------------|---------|
| Regulatory Allowance         | 233             | 514     | 557     | 611     | 656                  | 2,571   |
| Actual/Estimated Expenditure | 332             | 647     | 547     | 940     | 1,639                | 4,105   |
| Variation                    | (99)            | (133)   | 10      | (328)   | (983)                | (1,534) |

a: This includes forecast or estimated data.

**Table 4 – Actual vs regulatory allowances for mains refurbishment for the access arrangement for the *Earlier Access Arrangement Period***

### ***Meter Replacement***

The Gas Supply (Gas Meters) Regulation 2002 requires *meters* to be replaced when they reach 15 years of age. In the period from July to September 2007 a full field audit was conducted of all Wagga Wagga domestic *meter* installations to accurately record installation dates. Following finalisation of an initial 3 year replacement tender a long term replacement program commenced in November 2007, and is planned to continue for 5 years. Most of this program has been tendered out to external contractors, however approximately 20 to 25 per cent of the programmed replacement *meters* are complex installations caused by a combination of the *meter's* position or the condition of the *meter* pipes and regulators. This adds extra costs as these more complex *meter* changes normally require a full replacement and possible relocation of the full *meter* installation.

Country Energy Gas' meter replacement costs are set out in Table 5 below.

| \$,000 (nominal)             | Jan to Jun 2006 | 2006-07 | 2007-08 | 2008-09 | 2009-10 <sup>a</sup> | Total |
|------------------------------|-----------------|---------|---------|---------|----------------------|-------|
| Regulatory Allowance         | 46              | 108     | 161     | 211     | 222                  | 747   |
| Actual/Estimated Expenditure | 17              | 27      | 718     | 320     | 457                  | 1,539 |
| Variation                    | 29              | 81      | (557)   | (110)   | (235)                | (792) |

a: This includes forecast or estimated data.

**Table 5 – Actual vs regulatory allowances for meter replacements for the access arrangement for the *Earlier Access Arrangement Period***

### 2.3.2.2 Growth Related

Growth related expenditure includes expenditure on new *Connections* and new mains. Expenditure on *Customer Connections* is greater than forecast due to total *Customer Connections* being significantly above forecasts for the access arrangement for the *Earlier Access Arrangement Period*.

The expenditure on *Network* reinforcement was also higher primarily because of the unplanned upgrade of the *Bomen Receipt Point* in 2007/08 and 2008/09 at a cost of approximately \$1.5 million. This major reconstruction was forced by an increase in transmission pipe pressures supplying the *Wagga Wagga Network* from 5,000 kPa to 10,000kPa. The *Bomen Receipt Point* was only design rated for 7,000 kPa and therefore had to be totally reconstructed to operate with the higher pressure.

| \$,000 (nominal)      | Jan to Jun 2006 | 2006-07      | 2007-08      | 2008-09      | 2009-10 <sup>a</sup> | Total         |
|-----------------------|-----------------|--------------|--------------|--------------|----------------------|---------------|
| New Connections/Mains | 1,172           | 1,394        | 1,347        | 1,011        | 1,162                | 6,086         |
| Network Reinforcement | 206             | 123          | 1,204        | 1,366        | 1,153                | 4,052         |
| <b>Total</b>          | <b>1,379</b>    | <b>1,517</b> | <b>2,551</b> | <b>2,377</b> | <b>2,316</b>         | <b>10,140</b> |
| Regulatory Allowance  | 437             | 744          | 726          | 824          | 950                  | 3,681         |
| Variation             | (942)           | (773)        | (1,825)      | (1,553)      | (1,366)              | (6,459)       |

a: This includes forecast or estimated data.

**Table 6 – Actual real capital expenditure for new *Connections* for the access arrangement for the *Earlier Access Arrangement Period***

### 2.3.2.3 Non-system assets

Non-system assets includes direct expenditure on IT systems and hardware, telephones, furniture and fittings and instruments, which are required to support the *Gas* distribution business. While IPART approved specific allowances for direct expenditure on each category of non system assets, *Country Energy Gas'* financial system captures and reports these costs as part of the corporate allocation that is distributed to the *Network*, consistent with the AER approved cost allocation method.

Therefore, the actual costs for non system assets for the access arrangement for the *Earlier Access Arrangement Period* are not individually identifiable, and the access arrangement allowances for the *Earlier Access Arrangement Period* have been added to total regulatory allowances in Table 3 above.

### 2.3.3 Operating Expenditure

The regulatory regime provided *Country Energy Gas* with an incentive to maintain operating expenditure at levels approved by the IPART, as additional expenditure above levels approved in an access arrangement cannot generally be recouped from *Customers*.

#### 2.3.3.1 Comparison of Allowed Operating and Maintenance Expenditure

Table 7 shows *Country Energy Gas*' allowed level of operating costs over the access arrangement for the *Earlier Access Arrangement Period* compared to the actual and estimated expenditure.

| \$,000 (nominal)                    | Jan to Jun 2006 | 2006-07      | 2007-08      | 2008-09      | 2009-10 <sup>a</sup> | Total        |
|-------------------------------------|-----------------|--------------|--------------|--------------|----------------------|--------------|
| Network Operations & Maintenance    | 340             | 1,272        | 1,213        | 1,193        | 1,246                | 5,265        |
| Advertising, Marketing & Promotions | 3               | 0            | 90           | 120          | 165                  | 378          |
| Direct Gas Network Management       | 218             | 243          | 355          | 370          | 387                  | 1,573        |
| Corporate Allocation                | 129             | 530          | 223          | 358          | 397                  | 1,638        |
| <b>Total Operating Expenditure</b>  | <b>691</b>      | <b>2,045</b> | <b>1,882</b> | <b>2,042</b> | <b>2,194</b>         | <b>8,853</b> |
| Regulatory Allowance                | 1,111           | 2,297        | 2,346        | 2,444        | 2,504                | 10,702       |
| Variation                           | 421             | 252          | 464          | 402          | 310                  | 1,849        |

a: This includes forecast or estimated data.

**Table 7 – Actual and estimated operating expenditure vs regulatory allowances for the access arrangement for the *Earlier Access Arrangement Period***

Operating expenditure, in aggregate, was lower than levels forecast in the access arrangement for the *Earlier Access Arrangement Period*. The lower spending levels have occurred largely as a result of actual direct *Gas Network* management costs being allocated to both capital and operating expenditure, rather than the approach approved in the access arrangement for the *Earlier Access Arrangement Period* of classifying all direct gas network management costs as operating expenditure.

The lower spending was achieved despite increased costs occurring as a result of events that largely have been outside *Country Energy Gas*' control, with input costs a major driver. The major cost increases outside of the control of *Country Energy Gas* are:

- Substantial staff training costs being incurred as a result of the necessity to comply with the competent persons criteria in the *Network Management Plan CEM7090*
- Corrective mains works increased substantially above forecast because of *gas leaks* identified in the annual leak survey

- Increases in workplace safety costs because of major changes in internal operating procedures to eliminate working with live Gas
- Increased costs due to internal and external environmental compliance policy and procedure changes
- Increased maintenance costs due to ageing of the *Network*
- Material and labour cost increases have been high in the *Earlier Access Arrangement Period* and this is expected to continue into the future. *Country Energy Gas* engaged Competition Economists Group (CEG) to research and provide escalation trends in labour and material costs for the *Access Arrangement Period*
- Higher than forecast growth in the *Network* and number of *Customers* served. This has resulted in higher system operating and maintenance costs
- The introduction of a number of legislative instruments relating to the management and operation of the *Network*, including those set out in section 2.3.4 below
- Additional costs associated with the operations within the NSW Gas Market
- Increased workplace health and safety related standards, and
- Increased security costs.

As the majority of these events are not one-off items, but rather have created a 'step' increase in expenditure, they are reflected in operating expenditure for this *Access Arrangement*. The 2008/09 financial year is an accurate representation of operating expenditure with no abnormal expenditure occurring during the year, and as such has been used as a base year for future projections.

Expenditure on advertising and marketing has increased progressively during the *Earlier Access Arrangement Period* due to the *Country Energy Gas*' appliance incentive program, and the participation in a state based generic marketing campaign, under the "natural Gas natural choice" program run by the New South Wales natural Gas *Networks* industry group.

#### **2.3.4 Operation of the access arrangement in the *Earlier Access Arrangement Period***

Since the commencement of the access arrangement for the *Earlier Access Arrangement Period* on 1 January 2006, a number of additional compliance and other regulatory obligations have been imposed on NSW Gas distribution businesses. These include obligations imposed by statutory and regulatory bodies, and cover matters including:

- The introduction of the *NGL*, *NGR* and National Gas Regulations on 1 July 2008
- The revision of the NSW Gas Supply (Safety and Network Management) Regulation 2008, and
- Compulsory membership of Dial Before You Dig.

### 2.3.5 Material Changes to the Access Arrangement

The *Access Arrangement* for the *Access Arrangement Period* incorporates a number of amendments, with key differences including:

- Amendments to the *Access Arrangement*, and particularly the standard *Terms and Conditions* to ensure consistency with the new *NGL*, *NGR* and *Codes* noted above
- Reintroduction of provisions relating to queuing
- Introduction of a *Deactivation Service* to the list of *Additional Services*. The *Deactivation Service* has been included to cover the costs of removing our assets from disconnected premises
- A change from a Reference Service Agreement to separate *Terms and Conditions*
- A change from a pre tax framework to a post tax framework consistent with AER practice
- A change in the naming of volume *Reference Tariffs* from residential, commercial and industrial to small, medium and large to reduce confusion between definitions and naming conventions for *Users*
- The merger of the Central and Fringe contract zones. With a detailed cost of supply study indicated roughly equal costs to *supply* each of the central and fringe zones and in order to minimise the number of contract zones it was considered equitable to merge these zones; and
- A change in reporting of the *Capital Base* from physical classes to asset classes. This allows easier management by pressure zones and is consistent with standard industry practice.
- The inclusion of an allowance for *Unaccounted for Gas* in forecast operating expenditure, rather than as an uplift volume factor charged at the reference tariff. This provides appropriate incentives for *Country Energy Gas* to minimise *Unaccounted for Gas* in the *Network*.

### 2.3.6 Physical Characteristics of the Network

#### 2.3.6.1 Network Description

Gas enters the *Network* through *Receipt Points* (located at Bomen and Uranquinty) where it is preheated to approximately 35°C. The pressure at each city gate is reduced from approximately 3,000-10,000 *kPa* to approximately 1000 *kPa*. The *Bomen Receipt Point* incorporates twin streams of two stage pressure reduction regulators with monitor override and over pressure protection. The *Uranquinty Receipt Point* comprises a single stream single stage pressure reduction using an active/monitor configuration with over pressure protection.

The Gas is then supplied from the *Receipt Points* via steel mains (API 5L) to the various *Supply* districts in Wagga Wagga. Each district is supplied through a district regulator. The small volume metering pressure in Wagga Wagga is predominately 1.5 kPa, however 2.75 kPa can be found in some districts. Medium & Large volume metering pressures will vary from 7 kPa to 100 kPa. *Contract Customers* are typically supplied from the high pressure steel mains.

### **2.3.6.2 Network Operation**

Country Energy Gas operates the *Network* at various pressures depending on the location and the piping medium. As set out in section 5, a rehabilitation program is in place targeting pipe with a condition score of poor or less. Typically these pipes are galvanised steel and cast iron which are inserted with polyethylene, and where this is not possible, new pipe is laid. System pressures will be increased as the rehabilitation program is progressed. The reticulation system operates under the following pressure regime:

- High Pressure (400-1050 kPa)
- Medium High Pressure (80-250 kPa)
- Medium Low Pressure (20-40 kPa)
- Low Pressure (<7 kPa)

### **2.3.6.3 Network Capacity**

Peak flows within the system generally occur during normal *Business Days* at around 8 - 10am. Hourly flow rates of up to 20,000 standard cubic *Meters* per hour have been registered at various winter peak times over the past several years. Coincident peak demand is driven by the temperature sensitive volume load and hence occurs in winter for the *Network*.

# 3 PIPELINE SERVICES TO BE OFFERED

NGR 48 requires *Country Energy Gas* to describe the distribution *Pipeline Services* that will be made available to *Users* or *Prospective Users*, including:

- specifying the *Reference Services*, and
- specifying for each *Reference Service*:
  - the *Reference Tariff*; and
  - the other *Terms and Conditions* on which the *Reference Service* will be provided.

Consistent with the access arrangement for the *Earlier Access Arrangement Period*, *Country Energy Gas* proposes to offer a *Contract Transportation Service* and a *Volume Transportation Service* to *Users*. These services are likely to be sought by a significant part of the market and will be *Reference Services* attracting a *Reference Tariff*.

*Country Energy Gas* also proposes to offer seven non-transportation *Reference Services* in the *Access Arrangement Period*, known as *Additional Services*. In time, *Country Energy Gas* will examine whether *Additional Services* are contestable services or services not sought by a significant part of the market and should therefore be withdrawn from the *Access Arrangement*.

As in the access arrangement for the *Earlier Access Arrangement Period*, *Country Energy Gas* will continue to offer *Negotiated Services* to *Users*.

## 3.1 Reference Services

As noted above, *Country Energy Gas* will continue to offer the same *Transportation Reference Services* as in the access arrangement for the *Earlier Access Arrangement Period*. *Country Energy Gas* has not received any requests for other forms of *Reference Services*, and is not aware of any changes in circumstances or future developments that suggest that these services will not continue to be sought by a significant part of the market during the *Access Arrangement Period*.

### 3.1.1 Contract Transportation Service

The *Contract Transportation Service* is provided to the *User* in respect of the *Delivery Point* of a *Contract Customer* and consists of:

- Receiving natural Gas at a *Receipt Point*
- Transporting the natural Gas from a *Receipt Point* through the *Network*
- Delivering the natural Gas to the *Delivery Point*
- Installing, maintaining and repairing *Metering Facilities* at the *Delivery Point*
- Reading the *Metering Facilities* at the *Delivery Point* at a frequency of every 24 hours

- Providing data, including metering data, to the *User* and other entities in accordance with the requirements of the *Retail Market Procedures*, and
- In the case of a *Customer* who is not connected to the *Network*, the provision of a distribution *pipeline* from the *Network* to the nearest point on the *Customer's* property, where the provision of such a distribution *pipeline* is consistent with the *Extensions/Expansions Policy* set out in section 7 of the *Access Arrangement* and satisfies the new capital expenditure criteria of NGR 79.

A *Contract Customer* is a *Customer* who has (or is reasonably expected by *Country Energy Gas* to have) an annual consumption of 10TJ or greater at a single *Delivery Point* provided that after the *Contract Customer* is connected, their annual consumption is less than 10TJ for a period of two consecutive years, the *Contract Customer* will remain a *Contract Customer* for that period. *Country Energy Gas* may at the end of the period of two consecutive years classify the *Contract Customer* as a *Volume Customer* upon providing the *User* with written notice.

If *Country Energy Gas* classifies a *Customer* as a *Volume Customer*, *Country Energy Gas* may remove the *Communications Equipment* from the *Customer's Metering Facilities*.

### **3.1.2 Volume Transportation Service**

The *Volume Transportation Service* is provided to the *User* in respect of the *Delivery Point* of a *Volume Customer* and consists of:

- Receiving natural Gas at a *Receipt Point*
- Transporting the natural Gas from a *Receipt Point* through the *Network*
- Delivering the natural Gas to the *Delivery Point*
- Installing, maintaining and repairing *Metering Facilities* at the *Delivery Point*
- Reading the *Metering Facilities* at the *Delivery Point* at a frequency of at least quarterly
- Providing data, including metering data, to the *User* and other entities in accordance with the requirements of the *Retail Market Procedures*; and
- In the case of a *Customer* who is not connected to the *Network*, the provision of a distribution *pipeline* from the *Network* to the nearest point on the *Customer's* property, where the provision of such distribution *pipeline* is consistent with the arrangements set out in section 7 of the *Access Arrangement* for the *Access Arrangement Period* and satisfies the new capital expenditure criteria of NGR 79.

A *Volume Customer* is a *Customer* who has (or is reasonably expected by *Country Energy Gas* to have) an annual consumption of less than 10TJ at a single *Delivery Point*.

### **3.1.3 Additional Services**

The *Additional Services* offered in the *Earlier Access Arrangement Period* will continue to be offered in the *Access Arrangement Period*, with the addition of the *Deactivation Service*. *Country Energy Gas* will examine whether these *Additional Services* should be withdrawn from the *Next Access Arrangement Period* if they are found to be a contestable



service or a service that is not sought by a significant part of the market. The *Additional Services* are as follows:

- 1) a *Residential Meter Testing Service*;
- 2) a *Special Meter Reading Service*;
- 3) a *Reconnection Service*;
- 4) a *Disconnection Service*;
- 5) a *Business Disconnection/Reconnection Service*;
- 6) an *After Hours Reconnection Service*; and
- 7) a *Deactivation Service*.

These services will be provided consistent with the requirements of the relevant regulatory Law and *Rules*.

### **3.2 Non-Reference Services - Negotiated Services**

*Country Energy Gas* will continue to offer *Negotiated Services* in the *Access Arrangement Period*. A *Negotiated Service* is a service that is different from a *Reference Service*. As required by the *NGL* and *NGR*, *Country Energy Gas* will negotiate in good faith with a *User* or *Prospective User* to provide a *Negotiated Service*.

### **3.3 Service Standards and Quality**

*Country Energy Gas* will provide services in accordance with the service standards and the *Terms and Conditions* set out in:

- the *Access Arrangement*
- the *NGL*, as amended from time to time
- the *NGR*, as amended from time to time
- the *National Gas Regulations*, as amended from time to time
- the *Network Code*, as amended from time to time
- the *Retail Market Procedures*, as amended from time to time, and
- the standard *Terms and Conditions*, as amended from time to time.

# 4 FORECAST DEMAND FOR SERVICES

## 4.1 Overview of Gas Demand in Wagga Wagga

The Wagga Wagga system serves approximately 18,700 *Customers* who collectively purchase approximately 1.58 PJ of Gas each year, which is transported through 680km of pipes/mains. The vast majority of the Gas consumers are *Volume Customers*, each using less than 10 TJ of Gas per year. The small volume market represents approximately 50 per cent of the total load, and medium and large volume *Customers* represent approximately 7 per cent.

There are also a small number of *Contract Customers*, who consume the remaining 43 per cent of the total load. These *Customers* are concentrated in two zones:

- the Bomen Zone, covering all the area serviced by the *Network* that is north of the Murrumbidgee River
- the Central Zone, covering the main area of the City of Wagga Wagga and *Extensions* of the *Network* to the Kapooka and Forest Hills areas

The Bomen Zone is closest to the northern city gate, and historically, *Customers* in the Bomen Zone have been most susceptible to bypass.

Around 95 per cent of domestic households are connected to the *Network*. Commercial uses of Gas include wool combing, hospital services, plywood manufacture and asphalt production. Gas is also used by large army and air force establishments, and by educational institutions.

## 4.2 Forecast Capacity and Utilisation

The Wagga Wagga *Network* is a meshed network and *Country Energy Gas* is not able to provide forecast *Pipeline Capacity* and utilisation information.

## 4.3 Forecast

The *Final Decision* approves the *load* forecast for the *Network* as summarised below in Table 8.

| <b>Customers (No), Volume (GJ)</b> | <b>2010-11</b>   | <b>2011-12</b>   | <b>2012-13</b>   | <b>2013-14</b>   | <b>2014-15</b>   |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Volume load forecasts</b>       |                  |                  |                  |                  |                  |
| Volume Customers                   | 18 960           | 19 250           | 19 540           | 19 830           | 20 120           |
| Total volume load                  | 919 586          | 931 867          | 942 157          | 953 330          | 964 427          |
| <b>Contract load forecasts</b>     |                  |                  |                  |                  |                  |
| Contract Customers                 | 14               | 14               | 14               | 14               | 14               |
| Bomen zone load                    | 461 372          | 461 193          | 461 013          | 460 834          | 460 655          |
| Central/Fringe zone load           | 184 972          | 184 802          | 184 632          | 184 461          | 184 291          |
| Total contract load                | 646 344          | 645 995          | 645 645          | 645 295          | 644 946          |
| <b>Total load</b>                  | <b>1,565,930</b> | <b>1,577,862</b> | <b>1,587,802</b> | <b>1,598,625</b> | <b>1,609,373</b> |
| <b>Contract MDQ</b>                |                  |                  |                  |                  |                  |
| Bomen zone MDQ                     | 2,884            | 2,884            | 2,884            | 2,884            | 2,884            |
| Central/Fringe zone MDQ            | 1,084            | 1,084            | 1,084            | 1,084            | 1,084            |

**Table 8 – Total forecast load for the Access Arrangement**

Refer to sections 9.3.1-9.3.3 of chapter 9 of the *Final Decision* for further information about the load forecasts approved. Note *Country Energy Gas* provided updated volume forecasts for Table 8.

The forecast average, maximum and minimum demand for the *Access Arrangement* are shown in Table 9 below.

| <b>GJ</b>      | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| Minimum Demand | N/A            | N/A            | N/A            | N/A            | N/A            |
| Maximum Demand | 10,922         | 10,928         | 10,981         | 11,010         | 11,039         |
| Average Demand | 4,429          | 4,431          | 4,453          | 4,464          | 4,476          |

**Table 9 – Average, maximum and minimum demands for the Access Arrangement**

# 5 CAPITAL COSTS

## 5.1 The Opening Capital Base

Country Energy Gas has excluded *Capital Contributions* from the value of the *Capital Base*.

### 5.1.1 Initial Capital Base

The initial *Capital Base* of \$44.54m as at 1 January 2006 was determined by IPART when the access arrangement for the *Earlier Access Arrangement Period* was approved in December 2005.

### 5.1.2 System Capital for the access arrangement for the *Earlier Access Arrangement Period*

The *Final Decision* approves the opening capital base in Table 10.

| \$,000 (nominal)                  | Jan to Jun 2006 | 2006-07      | 2007-08      | 2008-09      | 2009-10 <sup>a</sup> | Total         |
|-----------------------------------|-----------------|--------------|--------------|--------------|----------------------|---------------|
| Asset replacement & refurbishment | 349             | 674          | 1,266        | 1,260        | 2097                 | 5,645         |
| Growth related                    | 1,379           | 1,517        | 2,551        | 2,377        | 2316                 | 10,140        |
| Less Network Management Costs     | 0               | 0            | 0            | 0            | 1,400                | 1,400         |
| <b>Total</b>                      | <b>1,727</b>    | <b>2,191</b> | <b>3,816</b> | <b>3,636</b> | <b>3,012</b>         | <b>14,383</b> |

a: This includes forecast or estimated data.

**Table 10 – Actual and estimated conforming capital expenditure for the access arrangement for the *Earlier Access Arrangement Period***

Figures in the table exclude *Capital Contributions* by third parties.

Refer to section 3.3.1 of chapter 3 of the *Final Decision* for further information about the opening capital base.

### 5.1.3 Regulatory Depreciation for the access arrangement for the *Earlier Access Arrangement Period*

The amount used for *Depreciation* in rolling forward the *Capital Base* is the allowed *Depreciation* from the access arrangement for the *Earlier Access Arrangement Period*, adjusted for actual CPI.

| \$,000 (nominal) | Jan to Jun 2006 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|------------------|-----------------|---------|---------|---------|---------|
| Total            | 564             | 1,226   | 1,332   | 1,474   | 1,588   |

**Table 11 – Regulatory depreciation in the access arrangement for the *Earlier Access Arrangement Period***

#### 5.1.4 Redundant Capital and Asset Disposals

*Country Energy Gas* is not aware of any material assets that have become redundant or re-used over the access arrangement for the *Earlier Access Arrangement Period*. Therefore no redundant capital has been deducted or removed in rolling forward the *Capital Base*.

No material assets are expected to be disposed of during the course of this *Access Arrangement*.

#### 5.1.5 Speculative Capital Expenditure Account

*Country Energy Gas* does not maintain a speculative capital expenditure account nor does it propose to create a speculative capital expenditure account.

#### 5.1.6 Opening Capital Base

The *Capital Base* approved in the *Final Decision* as at 30 June 2010 is outlined in Table 12 below.

| \$,000 (nominal)  | Jan to Jun 2006 | 2006-07 | 2007-08 | 2008-09 | 2009-10 <sup>a</sup> |
|---|-----------------|---------|---------|---------|----------------------|
| Opening capital base  | 44,515          | 46,280  | 48,921  | 52,590  | 57,121               |
| Capital expenditure   | 1,727           | 2,191   | 3,816   | 3,636   | 4,412                |
| Less network management costs   |                 |         |         |         | 1,400                |
| Depreciation  | 564             | 1,226   | 1,332   | 1,474   | 1,588                |
| Disposals   | 0               | 0       | 0       | 0       | 0                    |
| Adjustment for inflation (indexation)   | 602             | 1,676   | 1,186   | 2,368   | 1,067                |
| Less difference between actual and forecast capital expenditure (Jan-June 06) |                 |         |         |         | 25                   |
| Less adjustment   |                 |         |         |         | 13                   |
| Closing capital base  | 46,280          | 48,921  | 52,590  | 57,121  | 59,574               |

a: This includes forecast or estimated data.

**Table 12 – Calculation of the *Capital Base* as at 30 June 2010**

Refer to section 3.3.1 of chapter 3 of the *Final Decision* for further information.

Indexation of the *Capital Base* has taken place using the following CPI adjustment factors. These factors are based on the index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics (ABS). Table 13 sets out the inflation approved in the *Final Decision*.

| CPI (per cent) | Jan to Jun 2006 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|----------------|-----------------|---------|---------|---------|---------|
| Total          | 1.33            | 3.54    | 2.33    | 4.35    | 1.82    |

**Table 13 – CPI indexation of Capital Base**

The CPI figure for June 2006 is the half year CPI, while the remainder are full financial year figures. The *Capital Base* of \$59,574 (\$'000, nominal) at 1 July 2010 represents a 33.8 per cent increase in nominal value since 2006.

Refer to section 3.3.1.2 of chapter 3 of the *Final Decision* for further information.

## 5.2 The Projected Capital Base

The projected *Capital Base* over the *Access Arrangement* reflects:

- the opening *Capital Base* as at 1 July 2010
- **plus** forecast Capital Expenditure for the *Access Arrangement*
- **less** forecast *Depreciation* for the *Access Arrangement*
- **less** the forecast value of distribution *pipeline* assets to be disposed of or made redundant in the course of the *Access Arrangement*,
- **plus** adjustments for CPI.

### 5.2.1 Forecast System Capital Expenditure for the Access Arrangement

The *Final Decision* approves the capital expenditure in Table 14.

| \$,000 (real 2009-10)             | 2010-11     | 2011-12     | 2012-13     | 2013-14     | 2014-15     | Total        |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Asset replacement & refurbishment | 1997        | 1702        | 1871        | 1935        | 1452        | 8958         |
| Growth related                    | 2120        | 2602        | 2292        | 1934        | 2205        | 11154        |
| <b>Total</b>                      | <b>4117</b> | <b>4304</b> | <b>4164</b> | <b>3869</b> | <b>3657</b> | <b>20111</b> |

**Table 14 – Forecast conforming capital expenditure for the Access Arrangement Period**

Refer to section 3.3.2 of chapter 3 of the *Final Decision* for further information.

#### 5.2.1.1 Asset replacement and refurbishment related expenditure

The major component of the asset and refurbishment capital expenditure relates to a long term pressure upgrade program. This program commenced in 2006/07 to address *supply* pressure problems and *gas leaks* caused by ageing assets in Wagga Wagga which have new growth areas connected to them. Historically these areas have been *Supplied* at low (<7 kPa) or medium-low (20-40 kPa) pressure, however load growth has seen *supply* pressures fall to critically low levels in periods of high demand. Large areas are being progressively converted to medium-high pressure (80-250 kPa), which entails refurbishing a large percentage of the existing mains, consumer services and *Metering Installations*.

Some of the localities within Wagga Wagga that are programmed to have pressure upgrades over the *Access Arrangement* are:

- Lake Albert pressure increase stage 6
- Glenfield pressure increase stage 2
- Ashmont pressure increase stages 1, 2 & 3

- CBD Fitzmaurice St low pressure increase to 240 kPa, and
- Koorungal pressure increase.

In order to deliver sufficient Gas volumes into the upgraded pressure areas some existing inter-connectors will have to be increased in *Capacity* and new inter-connectors constructed.

The *Final Decision* approves the capital expenditure for these projects as set out in Table 15 below:

| \$,000 (real 2009-10) | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|---------|---------|---------|---------|---------|
| Refurbishment Cost    | 1597    | 1470    | 1656    | 1541    | 943     |

**Table 15 – Forecast Mains Refurbishments capital expenditure for the Access Arrangement Period**

Refer to section 3.3.2 of chapter 3 of the *Final Decision* for further information.

In order to comply with Gas Supply (Gas Meters) Regulation 2002, *Country Energy Gas* has forecast to replace *meters* when they reach 15 years of age. In the first quarter of the 2007/08 financial year, all Wagga domestic *meter* installations were audited to accurately record installation dates. This data has been used to structure a long term replacement program, which commenced in November 2007. The *Final Decision* approves the capital expenditure for *meter* replacement as shown in Table 16 below.

| \$,000 (real 2009-10)  | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|------------------------|---------|---------|---------|---------|---------|
| Meter replacement cost | 400     | 232     | 215     | 394     | 510     |

**Table 16 – Forecast meter replacement expenditure for the Access Arrangement Period**

Refer to section 3.3.2 of chapter 3 of the *Final Decision* for further information.

#### 5.2.1.2 Growth related expenditure

Growth related expenditure includes expenditure on new *Connections* and new mains.

New *Connection* expenditure is based upon the number of new *Connections* to the system set out in *Country Energy Gas*' demand forecast including expenditure on the *Connection* to the main, the *Service pipeline* and the cost of a *meter*. It is assumed that a proportion of the new *Connections* will be funded through *Capital Contributions* from *Customers* or *Developers*, and hence forecast expenditure is adjusted to take this into account.

With respect to growth related capital expenditure, the major expenditure areas are:

- New mains associated with the previously described pressure upgrade program in various parts of Wagga Wagga
- Various *Extensions* or upgrades to cater for system growth
- Wagga Wagga critical line valve installation program

- Mains *Extensions* to *Supply* new *Connections* and system augmentations, and
- *Connection* of 315 new *Customers* per year and the accompanying mains *Extensions*, based upon a forecast of 25 metres of mains per new *Customer Connection*.

| \$,000 (real 2009-10)     | 2010-11      | 2011-12      | 2012-13      | 2013-14      | 2014-15      |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| New Connections and Mains | 1,173        | 1,183        | 1,196        | 1,203        | 1,207        |
| Network Reinforcement     | 947          | 1,419        | 1,096        | 730          | 997          |
| <b>Total</b>              | <b>2,120</b> | <b>2,602</b> | <b>2,292</b> | <b>1,934</b> | <b>2,205</b> |

**Table 17 – Forecast New Connection expenditure for the Access Arrangement Period**

Refer to section 3.3.2 of chapter 3 of the *Final Decision* for further information.

### 5.2.1.3 Forecast Non System Capital Expenditure for the Access Arrangement

*Country Energy Gas*' financial system captures and reports non system capital expenditure as part of the corporate allocation that is distributed to the *Network*. This corporate allocation is consistent with the approved cost allocation method contained in the *AER*'s New South Wales distribution determination 2009-10 to 2013-14 (the electricity distribution determination).

Therefore, the actual costs for non system assets for the *Access Arrangement* are not individually identifiable, but are included in the forecast system capital expenditure categories above.

### 5.2.2 Asset Sales and Redundant Capital

No redundant capital or material asset disposals are forecast over the *Access Arrangement Period*.

### 5.2.3 Depreciation

Consistent with the approach adopted in the access arrangement for the *Earlier Access Arrangement Period*, *Depreciation* has been calculated on a straight line basis utilising economic asset lives applied to the opening regulatory asset value at the beginning of each year. However, *Country Energy Gas* has made a change in reporting of the *Capital Base* from physical classes to asset classes. This change was made as it allows easier management by pressure zones and is consistent with standard industry practice.

The economic asset lives, remaining lives and written down values for each asset category as at 30 June 2010 as approved in the *Final Decision* are shown in Table 18 below. The remaining lives of each asset category are calculated on 30 June 2010 as the sum of the written down values multiplied by the remaining lives, divided by the sum of the written down values.



| Asset Category                 | Economic Life (yrs) | Remaining Life (yrs) | WDV (\$,000 nominal) |
|--------------------------------|---------------------|----------------------|----------------------|
| High Pressure                  | 80                  | 59                   | 9,093                |
| Medium-High Pressure           | 50                  | 35                   | 11,295               |
| Medium-Low Pressure            | 50                  | 25                   | 17,428               |
| Low Pressure                   | 50                  | 31                   | 137                  |
| Services                       | 50                  | 30                   | 14,946               |
| Meters & Regulators            | 15                  | 8                    | 1,812                |
| District Regulators            | 40                  | 18                   | 736                  |
| Gate Stations                  | 50                  | 45                   | 3,078                |
| SCADA & Telemetry              | 20                  | 12                   | 79                   |
| <b>Total System Assets</b>     |                     |                      | <b>58,605</b>        |
| <b>Total Non System Assets</b> | 5                   | 1                    | 969                  |

**Table 18 – Economic asset lives, remaining lives and written down values as at 30 June 2010 (units as stated)**

Refer to section 4.4 of chapter 4 of the *Draft Decision* for further information.

Table 19 below shows the opening regulatory written down values, weighted average regulatory economic lives, weighted average remaining lives, and the calculated depreciation amounts forecast for the *Access Arrangement* for each asset class as approved by the *Final Decision*. Land & buildings have not been included in the depreciation calculation.

| \$,000 (nominal)  | Total Economic Life (yrs) | Average Remain. Life | WDV 30/06/10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------|---------------------------|----------------------|--------------|---------|---------|---------|---------|---------|
| System Assets     | 53.4                      | 34                   | 58,605       | 2,064   | 2,225   | 2,386   | 2,554   | 2,734   |
| Non-System Assets | 5                         | 1                    | 969          | 223     | 0       | 0       | 0       | 0       |
| <b>Total</b>      | 52.5                      | 33                   | 59,574       | 2,287   | 2,225   | 2,386   | 2,554   | 2,734   |

**Table 19 – Forecast depreciation for the Access Arrangement**

Refer to section 3.3.2.4 of chapter 3 of the *Final Decision* for further information.

#### 5.2.4 Equity Raising Costs

*Country Energy Gas* has not included any equity raising costs due to the immaterial level calculated, based on the *Access Arrangement* building blocks.

## 5.2.5 The Projected Capital Base

The *Capital Base* approved in the *Final Decision* for the *Access Arrangement* is shown in Table 20:

| \$,000 (nominal)             | 2010-11       | 2011-12       | 2012-13       | 2013-14       | 2014-15       |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Opening capital base         | 59,574        | 63,155        | 67,202        | 71,150        | 74,810        |
| Forecast capital expenditure | 4,367         | 4,680         | 4,641         | 4,421         | 4,284         |
| Forecast depreciation        | 2,287         | 2,225         | 2,386         | 2,554         | 2,734         |
| Disposals                    | 0             | 0             | 0             | 0             | 0             |
| Adjustment for inflation     | 1,501         | 1,592         | 1,693         | 1,793         | 1,885         |
| <b>Closing capital base</b>  | <b>63,155</b> | <b>67,202</b> | <b>71,150</b> | <b>74,810</b> | <b>78,246</b> |

**Table 20 – Projected capital base for the Access Arrangement Period**

Refer to section 3.3.2 of chapter 3 of the *Final Decision* for further information.

## 5.3 Cost of Capital

Table 21 sets out *Country Energy Gas*' cost of capital for the *Access Arrangement*.

The details of how the WACC parameters have been estimated are set out in the rate of return chapter 5 of the *Final Decision*.

### 5.3.1 Nominal Risk Free Rate

*Country Energy Gas* uses a nominal risk free rate of 5.62 per cent estimated using the annualised yield on ten year CGS over the averaging period of 15 business days between 22 February 2010 and 12 March 2010.

Refer to section 5.3 of the *Final Decision* for further information.

### 5.3.2 Inflation

The *Final Decision* approves an inflation rate of 2.52 per cent.

Refer to section 5.7 of the *Final Decision* for further information.

### 5.3.3 Market Risk Premium

The *Final Decision* approves a market risk premium of 6.5 per cent.

Refer to section 5.5 of the *Final Decision* for further information.

### 5.3.4 Debt Risk Premium

The *Final Decision* approves a debt risk premium of 3.36 per cent.

Refer to section 5.4 of the *Final Decision* for further information.

### 5.3.5 Equity Beta

The *Final Decision* approves an equity beta of 0.8.

Refer to section 5.6 of the *Final Decision* for further information.

### 5.3.6 Summary of WACC parameters

Table 21 summarises the WACC parameters approved in the *Final Decision*, resulting in a nominal vanilla WACC of 9.72 per cent.

| WACC Parameter                     | Parameter Value |
|------------------------------------|-----------------|
| Nominal risk free rate (%)         | 5.62            |
| Inflation (%)                      | 2.52            |
| Real risk free rate (%)            | 3.02            |
| Market risk premium (%)            | 6.5             |
| Debt risk premium (%)              | 3.36            |
| Debt to total assets (gearing) (%) | 60              |
| Equity Beta                        | 0.8             |
| <b>Nominal vanilla WACC (%)</b>    | <b>9.72</b>     |

**Table 21 – WACC parameters adopted for the Access Arrangement**

The WACC parameters set out in Table 21 have been applied in the *Access Arrangement Information* and the *Access Arrangement*, consistent with the *Final Decision*.

### 5.4 Return on Capital

The return on the capital component of the building block has been calculated as follows:

| \$,000 (nominal)              | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------------------|---------|---------|---------|---------|---------|
| Return on <i>Capital Base</i> | 5,788   | 6,136   | 6,529   | 6,913   | 7,269   |

**Table 22 – Forecast return on capital calculation for the Access Arrangement**

# 6 OPERATING EXPENDITURE

## 6.1 Forecast Operating and Maintenance Expenditure

*Country Energy Gas* has used the 2008/09 actual operating expenditure as the base for projecting forecast operating expenditure over the *Access Arrangement Period*.

The incremental rate of change in operating expenditure expected over the *Access Arrangement Period*, due to the impact of these factor changes, can be adjusted annually according to the formula:

$$\text{Opex}_{t+1} = \text{Opex}_t * (1+F+G)$$

Where:

- F is a real wage and material cost growth factor
- G is a network growth factor

Accordingly it is necessary to determine the annual rate of change in expenditure level over the *Access Arrangement Period*.

### ***Demand growth***

Most of the forecast operating expenditure is associated with the existing asset base. However, growth related capital expenditure increases the size of the *Network* and the number of assets to be maintained, operated and managed. Accordingly, there is a need to establish a relationship between demand growth and real increases in operating expenditure.

The rate of change should reflect the marginal cost associated with providing that additional output. To be able to quantify this, it is necessary to first identify the measure(s) that are considered important for explaining the anticipated incremental costs to be incurred. The approach taken should be administratively simple and aim to provide the right incentives.

There are a number of appropriate measures including:

- Asset growth
- Energy consumption
- *Maximum Daily Quantity*
- Number of distribution *Customers*, and
- Length of the *Network*.

*Country Energy Gas* has increased its operating expenditure by the proportion of average annual growth related capital expenditure over the total replacement costs of distribution assets. This ratio is then reduced by 25 per cent to reflect that new assets will not incur condition based asset maintenance. The one exception to this application of the asset growth escalator is for marketing. Given the marketing and advertising programs are specific targeted programs in this instance, *Country Energy Gas* has not incorporated an asset growth escalator for this category of operating expenditure.

### **Real wage and material cost increases**

It is necessary to determine the price index relevant to the inputs employed in operating and maintenance activities. The IPART adopted CPI only as the cost inflator for the access arrangement for the *Earlier Access Arrangement Period*, however actual wage and material cost growth has exceeded inflation. For this *Access Arrangement*, *Country Energy Gas* has presented the expenditure forecasts in real terms including market expectations of real wage increases. No real material cost increases have been applied to the forecast operating expenditure for the *Access Arrangement*.

The forecast labour cost escalators have been based on the report prepared by KPMG Econtech for *Country Energy Gas* dated February 2010.

The *Final Decision* for operating expenditure approved for the *Access Arrangement* is set out in Table 23.

| <b>\$,000 (real 2009-10)</b>       | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Controllable costs</b>          |                |                |                |                |                |
| Network operations and maintenance | 1,281          | 1,317          | 1,357          | 1,392          | 1,422          |
| Marketing                          | 166            | 156            | 116            | 117            | 117            |
| Direct Gas Network management      | 398            | 409            | 421            | 432            | 441            |
| Corporate allocation               | 408            | 420            | 433            | 444            | 453            |
| <b>Non controllable costs</b>      |                |                |                |                |                |
| Self insurance                     | 1              | 1              | 1              | 1              | 1              |
| Debt raising costs                 | 37             | 38             | 40             | 41             | 42             |
| <b>Unaccounted for gas</b>         | <b>538</b>     | <b>513</b>     | <b>485</b>     | <b>460</b>     | <b>436</b>     |
| <b>Total operating expenditure</b> | <b>2,829</b>   | <b>2,855</b>   | <b>2,853</b>   | <b>2,888</b>   | <b>2,913</b>   |

**Table 23 – Forecast operating expenditure for the Access Arrangement**

Refer to chapter 7 of the *Final Decision* for further information.

#### **6.1.1 Network operating and maintenance costs**

Network operating and maintenance costs include the direct operating and maintenance costs of operating the *Network*. This category includes such things as *Receipt Point* maintenance, regulator maintenance, leak repairs, inventory and supplies, network engineering, environmental management, technical assurance, training, subscriptions to standards and code preparation bodies, cost of Gas control and network planning, design and scheduling.

#### **6.1.2 Marketing costs**

Marketing costs include the cost of *Country Energy Gas*' promotional program, including increases to ensure new properties are connected to the *Network*, and (predominately) the promotion of Gas and Gas appliances to existing *Connections*. *Country Energy Gas* also participates in a state based generic marketing campaign, under the "natural Gas natural choice" program run by the New South Wales natural Gas networks industry group.

The generic marketing campaign was developed two years ago and was offered to network operators in NSW on a shared cost arrangement. The campaign was developed to fill a void created by retailers as retailers were promoting their company brands but were not directly promoting a particular fuel type. The cost structure is based on customer numbers and the Wagga Wagga gas distribution network's share for 2008/09 was \$120,000.

The generic marketing campaign covers the website, media and print advertising, and is focused on the benefits of natural Gas. Advertisements do not promote particular network operators, nor do they use any brands except for the "natural Gas the natural choice" logo. While initially promoting natural Gas as an alternative fuel source and seeking new connections, the latest campaign will be focused on appliances and working with appliance manufacturers.

*Country Energy Gas* also operates an incentive program across its Gas distribution networks. The program is currently offered to retailers to operate as they have the interface directly with *Customers*. In Wagga Wagga, the incentive program is offered only to existing households that *Connect* to the network and install Gas appliances, as well as those households that are already connected and install additional Gas appliances. New houses in Wagga are not eligible for the incentive program. The incentive program runs across autumn and winter in each calendar year and commenced in autumn 2009. Therefore, only a minor number of payments were made in the 2008/09 base year. The step change in marketing to 2009/10 reflects payments for a full year.

### **6.1.3 Direct gas network management**

Direct Gas Network management costs include the directly attributable costs of managing the Gas Network. Relevant functions include asset management functions, network data and billing, and strategic planning and compliance activities.

*Country Energy Gas* does not have any fuel compressors that use natural Gas and therefore the annual value is nil. However, *Country Energy Gas* does utilise natural Gas for heating purposes at the gate stations. The annual Quantity of natural Gas used for this purpose is approximately 7TJ and its cost is accounted for in the operating costs of the Gas Network management category.

Gas Network management costs have been allocated to the Network on the basis of its relative share of direct expenditure as a proportion of total Gas Network expenditure.

### **6.1.4 Corporate allocation**

Corporate costs are allocated to *Country Energy Gas* consistent with the AER approved cost allocation method. The corporate allocation includes *Country Energy Gas*' corporate costs which have been allocated to the Network on a causal basis (see below for details). The corporate costs include billing, accounts payable, credit control, call centres, emergency response, finance and accounting, payroll, business development, property management, regulatory affairs, *Customer* relations, and human resources.

The causal basis for allocation means one of the following relationships:

- A directly traceable cause and effect relationship between the item and the provision of the service
- A verifiable relationship between the item and the provision of the services

- A direct relationship with a pool of common costs or revenue, with the allocation of that pool on the basis of a relevant, reliable and verifiable factor.

The manner in which these costs have been allocated to the *Network* is:

- Total corporate costs have been allocated based on the cost allocation method that was approved by the AER as part of the electricity distribution determination, and
- These corporate costs have been allocated between the *Network* and *Country Energy Gas*' uncovered Gas distribution networks based on the *Network*'s share of budgeted direct total costs as a proportion of the total direct costs for all Gas distribution networks.

The small increase between 2008/09 and 2009/10 reflects step changes in several corporate services categories including:

- Health and safety – Increased staff training requirements, increased workplace trainer requirements, changes in work practices within the field to improve safety for employees.
- Learning and development – Skills and competency development programs, assessment validations, course development, competency assessments, project management, leadership development, staff training to achieve competency for field staff, expenditure to address recommendations from a Coroners Inquest in relation to field staff.
- Information services – Upgrades to financial systems and the service desk.

### 6.1.5 Cost of tax

As part of the post tax nominal framework, a separate allowance must be made in the revenue requirement for corporate income tax, net of the value ascribed to dividend imputation credits. The estimated cost of corporate income tax has been calculated in accordance with the following formula:

$$ETC_t = (ETI_t \times r_t) (1 - \gamma)$$

where:

- $ETI_t$  is an estimate of the taxable income for that regulatory year that would be earned by a benchmark efficient entity as a result of the provision of pipeline services if such an entity, rather than *Country Energy Gas*, operated the business of *Country Energy Gas*, such estimate being determined in accordance with the post-tax revenue model (PTRM)
- $r_t$  is the expected statutory income tax rate for that regulatory year as determined by the AER, and
- $\gamma$  is the assumed utilisation of imputation credits, which is 0.65.

Refer to chapter 6 of the *Final Decision* for further information about the estimation of gamma and taxation.

### 6.1.5.1 Forecast Tax Depreciation for the Access Arrangement

In order to move from the pre tax framework of the access arrangement for the *Earlier Access Arrangement Period* to the AER's post tax framework, it is necessary for *Country Energy Gas* to calculate tax depreciation for the *Access Arrangement*. The *Post Tax Revenue Model (PTRM)* provides more information on tax depreciation schedules.

For the purpose of estimating the cost of corporate income tax, *Country Energy Gas* has calculated tax depreciation in accordance with tax law on a straight line basis. Table 24 shows the forecast tax depreciation approved in the *Final Decision*.

| \$,000 (nominal)          | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---------------------------|---------|---------|---------|---------|---------|
| Forecast tax depreciation | 1,468   | 1,574   | 1,677   | 1,779   | 1,887   |

**Table 24 – Forecast tax depreciation for the Access Arrangement**

Refer to chapter 6 of the *Final Decision* for further information. Note: Table 24 has been amended to correct for an error in the taxation asset base.

The net tax allowance for the *Access Arrangement* as approved in the *Final Decision* is summarised in Table 25. Tax has been estimated using a PTRM and the tax depreciation allowances discussed above.

| \$,000 (nominal)                 | 2010-11    | 2011-12    | 2012-13    | 2013-14    | 2014-15    |
|----------------------------------|------------|------------|------------|------------|------------|
| Tax payable                      | 636        | 601        | 645        | 691        | 737        |
| Less value of imputation credits | 413        | 391        | 419        | 449        | 479        |
| <b>Net tax allowance</b>         | <b>223</b> | <b>210</b> | <b>226</b> | <b>242</b> | <b>258</b> |

**Table 25 – Tax allowance for the Access Arrangement**

Refer to chapter 6 of the *Final Decision* for further information. Note: Table 25 has been amended to correct for an error in the taxation asset base.

### 6.1.6 Self Insurance

The *Final Decision* approves self insurance operating expenditure as set out in Table 26 below.

| \$,000 (real 2009-10) | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|---------|---------|---------|---------|---------|
| Self insurance        | 1       | 1       | 1       | 1       | 1       |

**Table 26 – Self Insurance for the Access Arrangement**

Refer to chapter 7 of the *Draft Decision* and *Final Decision* for further information.

### 6.1.7 Debt Raising Costs

The projected debt raising costs for each year over the *Access Arrangement* as approved in the *Final Decision* are summarised in Table 27 below.



| \$,000 (real 2009-10) | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|---------|---------|---------|---------|---------|
| Debt raising costs    | 37      | 38      | 40      | 41      | 42      |

**Table 27 – Debt raising costs for the Access Arrangement**

Refer to chapter 7 of the *Draft Decision* and *Final Decision* for further information.

#### **6.1.8 Unaccounted for Gas**

The *Final Decision* approves projected *Unaccounted for Gas* costs for each year for the *Access Arrangement Period* as set out in Table 28 below.

| \$,000 (real 2009-10) | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|---------|---------|---------|---------|---------|
| Unaccounted for gas   | 538     | 513     | 485     | 460     | 436     |

**Table 28 – Unaccounted for gas costs for the Access Arrangement**

Refer to chapter 7 of the *Draft Decision* and *Final Decision* for further information.

#### **6.1.9 Incentive Mechanism**

*Country Energy Gas* has not included an incentive mechanism in this *Access Arrangement*.

# 7 TOTAL REVENUE REQUIREMENT AND X FACTORS

## 7.1 Total revenue requirement

Table 29 contains the the total revenue requirement as set out in the previous sections and the real price adjustments as approved in the *Final Decision* and the decision to vary the access arrangement made on 10 September 2010.

| \$,000 (nominal)                               | 2010-11                   | 2011-12      | 2012-13       | 2013-14       | 2014-15       |
|--|---------------------------|--------------|---------------|---------------|---------------|
| Return on Capital                              | 5,788                     | 6,136        | 6,529         | 6,913         | 7,269         |
| Depreciation                                   | 786                       | 633          | 693           | 761           | 848           |
| Operating & maintenance                        | 2,901                     | 3,001        | 3,074         | 3,190         | 3,299         |
| Corporate income tax                           | 223                       | 210          | 226           | 242           | 258           |
| <b>Total</b>                                   | <b>9,698</b>              | <b>9,980</b> | <b>10,522</b> | <b>11,106</b> | <b>11,674</b> |
| <b>X factor tariff revenue<sup>a</sup> (%)</b> | <b>-12.81<sup>b</sup></b> | <b>-3.16</b> | <b>-2.50</b>  | <b>-2.50</b>  | <b>-2.50</b>  |

a: Negative values for X indicate real price increases under the CPI-X formula.

b: X factor is PO. The PO is unchanged from that approved in April 2010. However, due to an error in the taxation asset base notified by *Country Energy Gas* on 23 August 2010, the increase in the taxation asset base has resulted in an increase in net taxation (refer also to Table 25 for the revised net taxation estimates). The increase in net taxation has resulted in an increase in the total revenue requirement from \$52.7 million (\$nominal) to \$53.0 million (\$nominal) for the *Access Arrangement Period*. In order to recoup this increase in total revenue, the X factor in 2011-12 has changed from -2.5 per cent to -3.16 per cent. The X factors for 2012-13 to 2014-15 remain unchanged.

**Table 29 – Forecast total revenue requirements for the *Access Arrangement***

Refer to chapter 8 of the *Final Decision* for further information. Note: Table 29 has been amended to correct for an error in the taxation asset base.

# 8 REFERENCE TARIFFS AND REFERENCE TARIFF VARIATION MECHANISMS

## 8.1 Calculation of Reference Tariffs

### 8.1.1 Allocation of Total Revenue Requirement to Services

The *Final Decision* approves the allocation of total revenue.

Refer to chapter 10 of the *Final Decision* for further information.

*Country Energy Gas* has not included prudent discounts for any *Customer* in this *Access Arrangement*.

### 8.1.2 Reference Tariff Structure

The structure of the *Reference Tariffs for Transportation Services* remains fundamentally unchanged from the access arrangement for the *Earlier Access Arrangement Period*, with the exception of the merging of the central and fringe zone tariffs.

The tariff for the *Volume Transportation Service* comprises an *Annual Fixed Charge* based on the flow rate of the *Metering Facilities*, plus a *Volumetric Charge* based on actual Gas deliveries.

The tariff for the *Contract Transportation Service* comprises an *Annual Capacity Charge* (based on *MDQ*), plus a *Monthly Metering Charge* designed to recover the specific costs associated with *meter provision*, *meter reading* and data handling and provision.

### 8.1.3 Overruns

The *Access Arrangement* continues the current arrangement for charging for *Overruns*.

*Overruns* are calculated as follows:

- *Users* may apply to have *Overruns* authorised (provided that no more than five authorisations have already been granted in that year) in which case no *Additional Charge* will apply; and
- where more than three unauthorised *Overruns* occur in a month, or a maximum of five unauthorised *Overruns* occur in any one financial year, the *MDQ* will be reset consistent with the highest unauthorised *Overrun*, and hence higher *Capacity Charges* will apply from the month in which the unauthorised *Overruns* occurred.

### 8.1.4 Unaccounted for Gas

An allowance for the cost of *Unaccounted for Gas* has been included in *Country Energy Gas*' operating expenditure.

## 8.2 Reference Tariff Variation Mechanism

### 8.2.1 Form of Price Control

The *Access Arrangement* proposes that *Reference Tariffs* be adjusted in accordance with a tariff basket approach. *Country Energy Gas*' cost of supply model has been designed to equalise forecast revenue from *Reference Services* and apportion total revenue allocations to *Reference Services*. Under this approach:

- individual tariffs and tariff components can move consistent with a weighted average price cap which defines the overall movement in average prices
- average prices are determined by multiplying tariff components by relevant volumes incurred in the previous year

### 8.2.2 Reference Tariffs

The clause sets out the manner in which *Reference Tariffs* (including *Monthly Metering Charges* and *Additional Services*) will change on 1 July 2011 and 1 July each Year thereafter throughout the *Access Arrangement Period*.

#### 8.2.2.1 Reference Tariff Control Formula

As occurred in the access arrangement for the *Earlier Access Arrangement Period*, *Reference Tariffs* (excluding *Monthly Metering Charges*) will change on 1 July each year (starting from 1 July 2011) in accordance with the following formula:

$$\frac{\sum_{i=1}^n \sum_{k=1}^m p_{ik}^t \times q_{ik}^{t-2}}{\sum_{i=1}^n \sum_{k=1}^m p_{ik}^{t-1} \times q_{ik}^{t-2}} \leq (1 + \Delta CPI_t) \times (1 - X_t) \quad i = 1, \dots, n \text{ and } k = 1, \dots, m.$$

Where:

- $p_{ik}^t$  is the proposed price for component 'k' of the relevant tariff 'l' for the year 't'
- $p_{ik}^{t-1}$  is the actual price for component 'k' of the relevant tariff 'l' for the years 't-1' (being the year which immediately precedes year 't')
- $q_{ik}^{t-2}$  is the audited quantity of component 'k' of the relevant tariff 'l' that was charged by *Country Energy Gas* in year 't-2' (being the year immediately preceding year 't-1')
- $X_t$  is the allowed real change in average prices from year 't-1' to year 't' of the *Access Arrangement Period* in accordance with section 7.1 of the *Access Arrangement Information*
- $\Delta CPI_t$  as per the definition in section 13 of the *Access Arrangement*

### Side constraints

$$\frac{\sum_{k=1}^m p_k^t \times q_k^{t-2}}{\sum_{k=1}^m p_k^{t-1} \times q_k^{t-2}} \leq (1 + \Delta CPI_t) \times (1 - X_t) \times (1 + 10\%) \quad k = 1, \dots, m.$$

$$\sum_{k=1}^m p_k^{t-1} \times q_k^{t-2}$$

Where: The tariff class has up to 'm' components:

- $p_k^t$  is the proposed price for component 'k' of the relevant tariff 'l' for the year 't'
- $p_k^{t-1}$  is the actual price for component 'k' of the relevant tariff 'l' for the years 't-1' (being the year which immediately precedes year 't')
- $q_k^{t-2}$  is the audited quantity of component 'k' of the tariff that was charged by *Country Energy Gas* in year 't-2'
- $x_t$  is the allowed real change in average prices from year 't-1' to year 't' of the *Access Arrangement Period* in accordance with section 7.1 of the *Access Arrangement Information*. If  $X > 0$ , then X will be set equal to zero for the purposes of the side constraint formula.
- $\Delta CPI_t$  as per the definition in section 13 of the *Access Arrangement*

Amendments to *Reference Tariffs* as a result of a *Pass Through Event* will not be taken into account when determining compliance with the formulas in this section.

#### 8.2.2.2 Monthly Metering Charges and Additional Services

The fees provided in Appendix 2 of the *Access Arrangement for Monthly Metering Charges and Additional Services* will change on 1 July each year by the *Change in the CPI*.

#### 8.2.3 Pass Through Events

Section 12.5 of the *Access Arrangement* outlines costs for the events that may be passed through to *Customers*. These events include:

- Regulatory change event
- Service Standard Change event
- Tax change event
- Terrorism or Natural Disaster event
- Force Majeure
- An Insurance event
- Retail Project event
- Climate Change (Carbon Pollution Reduction Scheme) event; or
- General pass through event

To minimise administrative costs and ensure that *Users* do not have to deal with more than one price change each *year*, changes to tariffs as a result of the *Pass Through Event* occur at the same time as the annual price changes.

## 9 OTHER MATTERS

### 9.1 Revisions and Submission Dates

*Country Energy Gas* has proposed an *Access Arrangement* of 5 years and a *Revisions Submission Date* of 1 July 2014. The *Revisions Commencement Date* will be 1 July 2015.

Refer to chapter 12 of the *Draft Decision* for further information.

### 9.2 Incentive Mechanism

*Country Energy Gas* has not included an incentive mechanism in the *Access Arrangement*.

### 9.3 Extensions/Expansions Policy

Section 7 of the *Access Arrangement* sets out the regulatory arrangements applying to *Extensions* and *Expansions* of the *Network*. It identifies the circumstances under which any *Extensions* to or *Expansions* of the *Network* will be covered and the tariff arrangements to apply to any *Extension* or *Expansion*.

Refer to chapter 12 of the *Final Decision* for further information.

### 9.4 Capacity Trading

The *Capacity* trading requirements in this *Access Arrangement* are consistent with *NGR 105*.

Refer to Chapter 12 of the *Final Decision* for further information.

# 10 KEY PERFORMANCE INDICATORS

The projected KPIs for the *Network* are set out in Table 30 below.

| \$ (real 2009-10)                | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------------|---------|---------|---------|---------|---------|
| Operating costs/ <i>Customer</i> | 118.95  | 119.36  | 117.95  | 118.28  | 118.79  |
| Operating costs/metre            | 3.25    | 3.24    | 3.19    | 3.19    | 3.19    |

**Table 30 – Wagga Wagga Network KPI's for the Access Arrangement**