



DRAFT DECISION
Australian Gas Networks (SA)
Access Arrangement

2021 to 2026

Attachment 1
Services covered by the access
arrangement

November 2020

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Note

This attachment forms part of the AER's draft decision on the access arrangement that will apply to Australian Gas Networks (SA) ('AGN') for the 2021–2026 access arrangement period. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Services covered by the access arrangement

Attachment 2 – Capital base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency carryover mechanism

Attachment 9 – Reference tariff setting

Attachment 10 – Reference tariff variation mechanism

Attachment 11 – Non-tariff components

Attachment 12 – Demand

Attachment 13 – Capital expenditure sharing scheme

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1 Services covered by the access arrangement

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

- identify the pipeline to which the access arrangement relates,¹
- describe all of the pipeline services the network service provider can reasonably provide on the pipeline, having regard to the characteristics of different pipeline services,² and
- from the pipeline services identified above, specify the services the network service provider proposes to specify as reference services having regard to the reference service factors.³

1.1 Draft decision

Our draft decision is to accept the Australian Gas Networks (SA) (AGN) reference service proposal for the 2021–26 access arrangement period.

1.2 AGN's proposal

AGN's reference service proposal was consistent with our final decision published in November 2019⁴ on its reference service proposal submitted to us in June 2019.⁵ That is, that AGN will continue to offer its existing reference services, comprising:

- haulage reference services for the domestic, demand and commercial sectors
- ancillary services:
 - special meter reads
 - disconnection
 - reconnection
 - meter and gas installation test
 - meter removal
 - meter reinstallation.

¹ NGR, modified r. 48(1)(a). Modified r. 48 is referred to in NGR, schedule 1, part 12, r. 62(5).

² NGR, modified r. 48(1)(b).

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

⁴ AER, *Final Decision – Australian Gas Networks (South Australia) Gas Distribution Determination 2021 to 2026 Reference Service*, November 2019.

⁵ AGN, *Reference Service Proposal for the South Australian Distribution Network 2021/22 – 2025/26*, June 2019.

1.3 Assessment approach

AGN is required by the NGR to specify all reference services in its access arrangement proposal.⁶ A reference service is a pipeline service specified as a reference service having regard to the reference service factors.⁷ A pipeline service is a:⁸

- service provided by means of a pipeline, including a:
 - haulage (i.e. transportation) service
 - service facilitating the interconnection of pipelines
 - service ancillary to one of these services.

AGN's services are also required to be consistent with the National Gas Objective (NGO).⁹

Our assessment approach is to identify the covered pipeline¹⁰ that is providing these services and any additions or expansions that have occurred during the current (2016–21) access arrangement period.

A full access arrangement must specify the pipeline services AGN proposes as reference services having regard to the reference service factors.¹¹

For ancillary services, we have considered the services AGN currently offers and the amendments it proposes to these services. We have considered the views that stakeholders submitted regarding AGN's proposed reference service for the 2021–26 access arrangement period.

For non-reference pipeline services or negotiated services, we are not required to set tariffs for these or the terms or conditions on which they will be provided.

In preparing its reference service proposal and in undertaking our assessment, the NGR require AGN and ourselves to have regard to the reference service factors specified in the NGR.¹² The factors include:¹³

- the actual and likely demand for the pipeline's services and the number of prospective users

⁶ NGR, modified r. 48(1)(c).

⁷ NGR, r. 47A(15).

⁸ NGL, Chapter 1-Preliminary, Part 1-Citation and interpretation, 2 Definitions.

⁹ NGR, r. 100(1)(a).

¹⁰ A covered pipeline means a pipeline that is regulated under the NGL and NGR. In that respect, it is 'covered by regulation.'

¹¹ NGR, modified r. 48(1)(c).

¹² NGR, cl. 47A(1)(c); 47A(13)(a); 47A(14).

¹³ NGR, cl. 47A(15).

- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service
- the usefulness of specifying the pipeline service as a reference service in supporting negotiations and dispute resolution
- likely regulatory costs for all parties in specifying the pipeline service as a reference service.

1.3.1 Interrelationships

AGN's reference services are the services we directly regulate by setting reference tariffs for those services. Services which are not reference services are not regulated in the same way. The sum of all reference tariffs, plus expected demand for those services reflects our assessment of the revenue required by AGN to safely and reliably provide the reference services.

AGN's reference tariffs are adjusted annually by the application of a weighted average price cap formula. Its reference tariffs are derived from the total revenue requirement after consideration of demand for each tariff category. This means the tariffs we determine (including the means of varying the tariffs from year to year) are the binding constraint across the 2021-26 period, rather than the total revenue requirement set out in our decision.

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

Our draft decision on:

- AGN's total revenue requirement is set out in the Overview to this draft decision
- the tariffs AGN will charge for the provision of these services is set out in the reference tariff setting attachment
- the annual tariff variation mechanisms are set out in the reference tariff variation mechanism.

1.4 Reasons for draft decision

We have previously assessed and approved AGN's reference service proposal, submitted in June 2019. Our assessment incorporated a full stakeholder consultation process including publishing AGN's proposal and calling for submissions. Our decision took stakeholder views into account.

Our reasons for our draft decision to accept AGN's reference service proposal are set out in our *Final Decision – Australian Gas Networks (South Australia) Gas Distribution Determination 2021 to 2026 Reference Service*, November 2019.

Shortened forms

Shortened form	Extended form
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AGN	Australian Gas Networks (SA)
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules