



DRAFT DECISION
Evoenergy
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 Evoenergy for the 2021–26 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

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Attachment 10 – Reference tariff variation mechanism

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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 reference service proposal by Evoenergy for the 2021–26 access arrangement period.

1.2 Evoenergy's proposal

Evoenergy's proposal for reference services is consistent with the AER's reference services decision made in November 2019. This was in response to Evoenergy's inaugural standalone reference service proposal. The reference service proposal submitted by Evoenergy in June 2019, and approved by the AER in November 2019, confirms the haulage service is the only reference service to be provided to customers for the 2021–26 access arrangement.

The haulage service covers the full range of activities involved in delivering gas to customers, including receiving, transporting and delivery of gas and associated activities such as meter reading and ancillary activities such as disconnections, reconnections, abolishments, and special meter readings as requested by the user.

Two other pipeline services, an interconnection service and a negotiated service, are offered as non-reference services.

The approved reference service proposal outlines Evoenergy's services and how they meet the requirements of the Rules. The services offered by Evoenergy are described below.

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).

Reference service

Evoenergy proposed to continue its existing reference service for haulage of natural gas. The haulage service comprises:

- transportation of gas
- meter reading and associated data activities
- ancillary activities.

Non-reference services

In addition to the single reference service, the haulage service, Evoenergy proposed to offer two further services:

- interconnection service
- negotiated service.

Consistent with its 2019 reference service proposal, Evoenergy proposed that neither of the two above services would be reference services.

1.3 Assessment approach

Evoenergy is required by the NGR to specify all reference services in its access arrangement proposal.⁴ A reference service is a pipeline service specified as a reference service having regard to the reference service factors.⁵ A pipeline service is a:⁶

- 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.

Evoenergy's services are also required to be consistent with the National Gas Objective (NGO).⁷

Our assessment approach is to identify the covered pipeline⁸ that is providing these services and any additions or expansions that have occurred during the current (2016–21) access arrangement period.

⁴ NGR, modified r. 48(1)(c).

⁵ NGR, r. 47A(15).

⁶ NGL, Chapter 1-Preliminary, Part 1-Citation and interpretation, 2 Definitions.

⁷ NGR, r. 100(1)(a).

⁸ A covered pipeline means a pipeline that is regulated under the NGL and NGR. In that respect, it is 'covered by regulation.'

A full access arrangement must specify the pipeline services Evoenergy proposes as reference services having regard to the reference service factors.⁹

For ancillary services, we have considered the services Evoenergy currently offers and the amendments it proposes to these services.

We have considered the views that stakeholders submitted regarding Evoenergy'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 Evoenergy and ourselves to have regard to the reference service factors specified in the NGR.¹⁰ The factors include:¹¹

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

1.3.1 Interrelationships

Evoenergy'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 Evoenergy to safely and reliably provide the reference services.

Evoenergy'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, Evoenergy's ancillary service prices are set by application of the ancillary service tariff variation formula.

⁹ NGR, modified r. 48(1)(c).

¹⁰ NGR, cl. 47A(1)(c), 47A(13)(a), 47A(14).

¹¹ NGR, cl. 47A(15).

Our draft decision on:

- Evoenergy's total revenue requirement is set out in the Overview to this draft decision
- the tariffs Evoenergy will charge for the provision of these services is set out in the reference tariff setting attachment (Attachment 9)
- the annual tariff variation mechanisms are set out in the reference tariff variation mechanism attachment (Attachment 10).

1.4 Reasons for draft decision

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

Our reasons for our draft decision to accept Evoenergy's reference service proposal are set out in our *Final Decision, Evoenergy Gas Distribution Determination 2021 to 2026, Reference Service*, November 2019.

Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
NGL	National Gas Law
NGO	National Gas Objective
NGR or Rules	National Gas Rules
NSP	Network service provider