



**FINAL DECISION**  
**Evoenergy**  
**Gas Distribution Determination**

**2021 to 2026**

**Reference Service**

November 2019

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## Note

This AER final decision applies to Evoenergy's reference service for the 2021–26 gas access arrangement period commencing 1 July 2021 to 30 June 2026.

Under the National Gas Rules (NGR), gas network service providers are required submit their reference service proposals to the AER twelve (12) months in advance of the submission date for their access arrangement revisions proposal.

The NGR require us to complete our assessment of a reference service proposal no later than six (6) months in advance of the due date for submission of the relevant access arrangement revisions proposal.

Evoenergy's access arrangement revisions submission date is 30 June 2020. We are required to conclude our assessment no later than 31 December 2019.

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## Shortened forms

Shortened form	Extended form
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
Cl.	clause
ECRC	Energy Consumer Reference Council
NGR	National Gas Rules

# 1 Overview

The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future. We regulate energy networks in all jurisdictions except Western Australia. We set the amount of revenue that network businesses can recover from customers for using these networks.

The National Gas Law and Rules (NGL and NGR) provide the regulatory framework governing gas transmission and distribution networks. Our work under this framework is guided by the National Gas Objective (NGO):<sup>1</sup>

to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas

Evoenergy is the sole provider of reticulated natural gas distribution services in the Australian Capital Territory (ACT) and Queanbeyan-Palerang.

On 30 June 2019 Evoenergy submitted to the AER a reference service proposal for its gas distribution network. We have assessed the proposal against the requirements set out in the NGR.

Our final decision is to approve Evoenergy's reference service proposal. We consider the proposal is consistent with the requirements.

We published Evoenergy's proposal on the AER website and called for submissions. No submissions were received. Nor did we receive third party feedback on the proposal in any other form.

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<sup>1</sup> *National Gas (South Australia) Act 2008*, s. 23.

## 2 Background

This section discusses the new reference service requirement in the NGR and describes Evoenergy's gas distribution network.

### 2.1 Evoenergy's gas distribution network

Evoenergy's gas distribution network services the ACT and Queanbeyan-Palerang. It comprises around 5,000 km of pipeline, serving around 146,000 customers.

### 2.2 Background

In March 2019, the Australian Energy Market Commission (AEMC) made a final determination to implement a range of improvements to regulation of covered transmission and distribution gas pipelines across Australia.<sup>2 3</sup>

Within this package of reforms the AEMC introduced a new approach to determine which pipeline services should be specified as reference services for a full regulation pipeline's access arrangement. This included:<sup>4</sup>

- a new process requiring identification of reference services at the start of an access arrangement assessment process
- new criteria for determining appropriate reference services.

#### 2.2.1 New process

In terms of process, gas network service providers (NSPs) are now required to submit a separate reference service proposal to the AER for assessment. Previously, a reference service proposal was an element of a NSP's broader access arrangement revisions proposal.

Further, NSPs must now submit their reference service proposals to the AER twelve (12) months in advance of the submission date for their access arrangement revisions proposal.

The amended NGR require us to complete our assessment of a reference service proposal no later than six (6) months in advance of the due date for submission of the relevant access arrangement revisions proposal.

Evoenergy's access arrangement revisions submission date is 30 June 2020. This means Evoenergy was required to submit its reference service proposal to the AER by

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<sup>2</sup> Covered pipelines are those pipelines that are regulated under Parts 8 to 12 of the National Gas Rules by the Australian Energy Regulator or the Economic Regulation Authority of Western Australia.

<sup>3</sup> AEMC, *Regulation of covered pipelines*, March 2019.

<sup>4</sup> NGR, cl. 47A.

no later than 30 June 2019, which it did. We are required to conclude our assessment no later than 31 December 2019.

### 2.2.2 Criteria

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.<sup>5</sup> The factors include:<sup>6</sup>

- 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.

Relevant elements of cl. 47A are listed in our detailed compliance assessment in section 4 of this decision paper. A summary of all elements of cl. 47A is provided in Appendix A to this decision paper.

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<sup>5</sup> NGR, cl. 47A(1)(c); 47A(13)(a); 47A(14).

<sup>6</sup> NGR, cl. 47A(15).



## 3 Evoenergy's reference service proposal

This section outlines Evoenergy's reference service proposal including the stakeholder consultation it undertook in developing its proposal.

### 3.1 Evoenergy's stakeholder consultation

Evoenergy submitted that it undertook stakeholder consultation in two ways:<sup>7</sup>

- engaging with its Energy Consumer Reference Council (ECRC)
- engaging with gas retailers.

#### 3.1.1 Evoenergy's Energy Consumer Reference Council

Evoenergy described its ECRC as comprising a cross section of its consumers with an independent chair.<sup>8</sup> Evoenergy submitted that it presented information on its reference service proposal to the ECRC on 10 April 2019. With respect to this engagement Evoenergy stated:<sup>9</sup>

"ECRC members noted the proposed reference service and the time frame for submission and review of the reference service proposal. No objection was made to the proposal to submit the existing haulage service as the only reference service under the 2021 access arrangement."

Evoenergy further submitted that it again presented reference service proposal information to the ECRC on 19 June 2019. Evoenergy stated:

"ECRC members noted the information provided and did not raise any specific comments regarding the proposed reference service."

#### 3.1.2 Gas retailers

Evoenergy submitted that it met or corresponded with all network users in respect of its reference service proposal.<sup>10</sup> Further, that it met with:

- Weston Energy on 16 May 2019
- ActewAGL Retail on 31 May 2019.

## 3.2 Evoenergy's reference service proposal

### Reference service

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<sup>7</sup> Evoenergy, *Reference service proposal*, June 2019, pp.10-12.

<sup>8</sup> Evoenergy, *Reference service proposal*, June 2019, p. 10.

<sup>9</sup> Evoenergy, *Reference service proposal*, June 2019, p.12.

<sup>10</sup> Evoenergy, *Reference service proposal*, June 2019, p.12.

Evoenergy proposed to continue its existing reference service for haulage of natural gas.<sup>11</sup> The haulage service comprises:

- transportation of gas
- meter reading and associated data activities
- ancillary activities such as disconnections, special meter reading, etc as may be requested by a user.

### **Non-reference services**

In addition to the single reference service, the haulage service, Evoenergy proposed to offer two further services:<sup>12</sup>

- interconnection service
- negotiated service.

Evoenergy proposed that neither of the two above services would be reference services.

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<sup>11</sup> Evoenergy, *Reference service proposal*, June 2019, p.5.

<sup>12</sup> Evoenergy, *Reference service proposal*, June 2019, p.7.

## 4 AER assessment

This section sets out the AER's assessment of Evoenergy's reference service proposal, including the stakeholder consultation we undertook.

### 4.1 AER stakeholder consultation

We published Evoenergy's reference service proposal on the AER's website on 2 July 2019. We called for written submissions by no later than 2 August 2019.

To alert stakeholders to this process, we issued a communications notice on 2 July 2019 which was emailed to all AER website subscribers.

In response, we did not receive any written submissions on Evoenergy's reference service proposal. Nor were we otherwise contacted by stakeholders wishing to express views on this issue.

### 4.2 AER assessment of Evoenergy's reference service proposal

To assess Evoenergy's reference service proposal we considered the extent to which it conforms to each regulatory requirement set out in the NGR cl 47A. Our detailed assessment is set out in Table 4-1.

**Table 4-1 Summary of NGR cl. 47A reference service requirements**

NGR cl. 47A requirement	Compliance assessment
(1) A service provider in respect of a full regulation pipeline must, whenever required to do so under subrule (3), submit to the AER a reference service proposal in respect of a forthcoming full access arrangement proposal that:	
(a) identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;	Compliant. See section 1.3 of Evoenergy's reference service proposal.
(b) sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in subrule (2);	Compliant. See section 3.
(c) from the list referred to in subrule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as reference services having regard to	Compliant. See section 4.

<p>the reference service factors including any supporting information required by the AER; and</p>	
<p>(d) if the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.</p>	<p>Compliant. See section 5.</p>
<p>(2) A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including:</p>	<p>Evoenergy's reference service proposal appropriately defines pipeline services in regard to their characteristics, priority and receipt points.</p>
<p>(a) the service type (for example, forward haul, backhaul, connection, park and loan);</p>	
<p>(b) the priority of the service relative to other pipeline services of the same type; and</p>	
<p>(c) the receipt and delivery points.</p>	
<p>(14) In deciding whether or not a pipeline service should be specified as a reference service, the AER must have regard to the reference service factors.</p>	<p>We have had regard to the reference service factors in assessing Evoenergy's reference service proposal.</p>
<p>(15) The reference service factors are:</p>	
<p>(a) actual and forecast demand for the pipeline service and the number of prospective users of the service;</p>	<p>Evoenergy's reference service proposal is premised on their being ongoing high demand for the haulage reference service.</p> <p>In respect of Evoenergy's proposed non-reference services, the interconnection service and negotiated services, Evoenergy submitted that, while difficult to forecast, it expects little to no demand for these services.</p> <p>We accept Evoenergy's proposition that demand for interconnection and negotiated services is both difficult to forecast and likely to be low or nil.</p>
<p>(b) the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;</p>	<p>The haulage reference service is not substitutable with other services.</p>
<p>(c) the feasibility of allocating costs to the pipeline service;</p>	<p>Costs may be allocated to the haulage service.</p>

(d) the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:

(i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;

To the extent there is demand for the interconnection service or negotiated services, the reference service should be a point of reference for negotiations with Evoenergy.

(ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and

As above.

(iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;

As above.

(e) the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.

By specifying the haulage service as a reference service the current arrangements will be continued. As a result, regulatory costs for all parties will be minimised.