



**FINAL DECISION**  
**ActewAGL Distribution**  
**Access Arrangement**  
**2016 to 2021**

**Attachment 1 – Services**  
**covered by the access**  
**arrangement**

May 2016

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## Note

This attachment forms part of the AER's final decision on the access arrangement for ActewAGL Distribution for 2016–21. It should be read with all other parts of the final decision.

The final 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 - Value of imputation credits

Attachment 5 - Regulatory depreciation

Attachment 6 - Capital expenditure

Attachment 7 - Operating expenditure

Attachment 8 - Corporate income tax

Attachment 9 - Efficiency carryover mechanism

Attachment 10 - Reference tariff setting

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## Shortened forms

Shortened form	Extended form
AA	Access Arrangement
AAI	Access Arrangement Information
AER	Australian Energy Regulator
ASA	Asset Services Agreement
ATO	Australian Tax Office
capex	capital expenditure
CAPM	capital asset pricing model
CCP	Consumer Challenge Panel
CMF	construction management fee
CPI	consumer price index
DAMS	Distribution Asset Management Services
DRP	debt risk premium
EBSS	Efficiency Benefit Sharing Scheme
ECM	Efficiency Carryover Mechanism
EIL	Energy Industry Levy
ERP	equity risk premium
Expenditure Guideline	Expenditure Forecast Assessment Guideline
gamma	value of imputation credits
GSL	Guaranteed Service Level
GTA	Gas Transport Services Agreement
ICRC	Independent Competition and Regulatory Commission
MRP	market risk premium
NECF	National Energy Customer Framework
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NPV	net present value
opex	operating expenditure

Shortened form	Extended form
PFP	partial factor productivity
PPI	partial performance indicators
PTRM	post-tax revenue model
RBA	Reserve Bank of Australia
RFM	roll forward model
RIN	regulatory information notice
RoLR	retailer of last resort
RSA	Reference Service Agreement
RPP	revenue and pricing principles
SLCAPM	Sharpe-Lintner capital asset pricing model
STTM	Short Term Trading Market
TAB	tax asset base
UAFG	unaccounted for gas
UNFT	Utilities Network Facilities Tax
WACC	weighted average cost of capital
WPI	Wage Price Index

# 1 Services covered by the access arrangement

The NGR requires an access arrangement to identify:

- the pipeline which the access arrangement relates to, and
- the services which ActewAGL proposes to offer to provide by means of that pipeline.<sup>1</sup>

## 1.1 Final decision

For the reasons set out in our draft decision, our final decision accepts ActewAGL's proposed services because they are compliant with the NGR.<sup>2</sup> Therefore, there are no revisions required to ActewAGL's proposed services to be covered by the access arrangement.

## 1.2 ActewAGL's revised proposal

ActewAGL noted that our draft decision accepted its proposed services to be covered by the access arrangement.<sup>3</sup> Therefore, its revised proposal made no revisions to the services specified in its access arrangement.

ActewAGL proposed to offer the following services on its network over the 2016–21 access arrangement period:

- one reference service (a pipeline service that is likely to be sought by a significant part of the market)—being the haulage reference service, and
- two non–reference services (a pipeline service that is not likely to be sought by a significant part of the market):
  - the interconnection of embedded network service, and
  - negotiated services.<sup>4</sup>

ActewAGL's proposed haulage reference service includes:

- receiving gas injected into the pipeline from a different gas pipeline or other gas facility (the point of injection is referred to as the receipt point)
- transportation of gas on the pipeline from a receipt point to a delivery point
- allowing the withdrawal of gas from the pipeline at a delivery point

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<sup>1</sup> NGR, rr. 48(1)(a), 48(1)(b).

<sup>2</sup> NGR, r. 48(1).

<sup>3</sup> ActewAGL Distribution, *Response to the AER's draft decision: 2016–21 ACT, Queanbeyan and Palerang gas network access arrangement*, January 2016, p. 28.

<sup>4</sup> ActewAGL, *Access Arrangement Information for the 2016-21 ACT, Queanbeyan and Palerang Access Arrangement: Attachment 2: Services policy*, June 2015, pp. 8–9.

- meter reading and associated data services, and the provision and maintenance of a standard metering installation, and
- other specific network user requested activities (ancillary reference services), being:
  - special meter reads
  - disconnections
  - reconnections
  - decommissioning and meter removals
  - request for service.

Of these user requested ancillary reference services, only decommissioning and meter removals is a new service for the 2016–21 access arrangement period.<sup>5</sup> The activity associated with undertaking this service includes two components:

- temporarily stop the flow of gas at a delivery point, and
- permanently remove gas equipment which will allow the withdrawal of gas at a delivery point.

### 1.3 AER's assessment approach

ActewAGL is required by the NGR to specify all reference services in its access arrangement proposal.<sup>6</sup> A reference service is a pipeline service that is likely to be sought by a significant part of the market. A pipeline service is a:

- service provided by means of a pipeline, including a:
  - haulage service
  - service facilitating the interconnection of pipelines
- service ancillary to either of the above listed services.

ActewAGL's proposed reference service is also required to be consistent with the National Gas Objective.<sup>7</sup>

Our approach to assessing these requirements is to identify:

- the covered pipeline under the current access arrangement
- any extensions or expansions that were completed during the earlier access arrangement and which are taken to be 'covered' under that access arrangement's extension and expansion requirements.

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<sup>5</sup> ActewAGL, *Access Arrangement Information for the 2016-21 ACT, Queanbeyan and Palerang Access Arrangement: Attachment 2: Services policy*, June 2015, pp. 9–10.

<sup>6</sup> NGR, r. 48.

<sup>7</sup> NGR, r. 100(a).



The next step is to review the service provider’s description of the pipeline services and reference services.

## 1.4 Reasons for final decision

Our assessment is that ActewAGL has complied with the NGR's services requirements, as outlined in Table 1.1 and section 1.4.1. We note ActewAGL's proposed reference services for the 2016–21 access arrangement are generally consistent with those reference services we found compliant with the NGR for the current access arrangement.

**Table 1.1 Assessment of ActewAGL's compliance with the NGR**

NGR requirements	AER assessment
<b>A full access arrangement must:</b>	
identify the pipeline to which the access arrangement relates and include a reference to a website at which a description of the pipeline can be inspected — NGR rule 48(1)(a)	Compliant. Section 1 of the ActewAGL access arrangement proposal.
describe the pipeline services the service provider propose to offer to provide by means of the pipeline — NGR rule 48(1) (b)	Compliant. Section 2 of the ActewAGL access arrangement proposal.
specify the reference services — NGR rule 48(1)(c)	Compliant. Section 2 of the ActewAGL access arrangement proposal.
specify for each reference service:	
(i) the reference tariff; and	
(ii) the other terms and conditions on which the reference service will be provided	Compliant. Section 2 and schedule 3 of the ActewAGL access arrangement proposal.
— NGR rule 48(1) (d)	
if the access arrangement is to contain queuing requirements – set out the queuing requirements — NGR rule 48(1) (e)	Compliant. Section 12 of the ActewAGL access arrangement proposal.
set out the capacity trading requirements — NGR rule 48(1) (f)	Compliant. Section 10 of the ActewAGL access arrangement proposal.
set out the extension and expansion requirements — NGR rule 48(1)(g)	Compliant. Section 9 of the ActewAGL access arrangement proposal.
state the terms and conditions for changing receipt and delivery points — rule 48(1) (h)	Compliant. Section 11 of the ActewAGL access arrangement proposal.
if there is to be a review submission date – state the review submission date and the revision commencement date — NGR rule 48(1) (i)	Compliant. Section 1 of the ActewAGL access arrangement proposal.
if there is to be an expiry date – state the expiry date — NGR rule 48(1) (j)	Not applicable.

Source: AER analysis; NGR, r. 48.1; ActewAGL, *Access arrangement for the ACT Queanbeyan and Palerang gas distribution network 1 July 2016 to 30 June 2021: Incorporating revisions that address matters raised in the AER draft decision*, January 2016.

### 1.4.1 Reference services

For the reasons set out in our draft decision, our final decision accepts the reference services ActewAGL proposes to offer on its network over the 2016–21 access arrangement period. We consider that a significant part of the market is likely to seek the reference services provided by ActewAGL. This means they must be covered by the access arrangement. We also accept the amalgamation of the seven reference services offered by ActewAGL during the current access arrangement period into a single haulage reference service for the 2016–21 access arrangement period.

Our final decision also maintains our draft decision to allow ActewAGL to include its ancillary reference services in the haulage reference service. We are satisfied there is sufficient cost reflectivity of the ancillary reference services and that there is no double recovery of costs.

Our final decision has not disaggregated meter data services from the haulage reference services as suggested by the Consumer Challenge Panel.<sup>8</sup> We note:

- the market to implement gas meter reading contestability in ActewAGL's network has not changed over the current access arrangement period; and
- we have not been provided with compelling evidence to demonstrate contestability in the market for metering services in ActewAGL's network will change over the forthcoming access arrangement period.

We note that price signals are a key element in the development of contestability in services. We consider sufficient price signals will be available over the 2016–21 access arrangement period to assist in the development of contestability since ActewAGL's list of ancillary network services contains prices for most metering services it provides.

As noted in our draft decision, we will monitor the market for metering services over the coming years to see whether their disaggregation from the haulage reference services is warranted for future access arrangements.<sup>9</sup>

### 1.4.2 Non-reference services

As per our draft decision, we agree with ActewAGL that its proposed treatment of interconnection of embedded network services and negotiated services as non-reference services is appropriate. We agree that these services are non-reference services because they are not likely to be sought by a significant part of the market and therefore should not be specified as reference services.<sup>10</sup>

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<sup>8</sup> Consumer Challenge Panel, *Advice to AER from Consumer Channel Panel sub-panel 8 regarding the AER draft decision and ActewAGL Distribution's revised access arrangement 2016–2021 proposal*, 23 March 2016, p. 4.

<sup>9</sup> AER, *Draft decision: ActewAGL Distribution access arrangement 2016 to 2021: Attachment 1 — Services covered by the access arrangement*, November 2015, p. 1-9.

<sup>10</sup> NGR, r. 101.