



FINAL DECISION
Australian Gas Networks
Access Arrangement
2016 to 2021

Attachment 1 – Services
covered by the access
arrangement

May 2016

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Director, Corporate Communications
Australian Competition and Consumer Commission
GPO Box 4141, Canberra ACT 2601

or publishing.unit@acc.gov.au.

Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Tel: (03) 9290 1444

Fax: (03) 9290 1457

Email: AERInquiry@aer.gov.au

Note

This attachment forms part of the AER's final decision on the access arrangement for Australian Gas Networks South Australian distribution network 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

Attachment 11 - Reference tariff variation mechanism

Attachment 12 - Non-tariff components

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Shortened forms

Shortened form	Extended form
AA	Access Arrangement
AAI	Access Arrangement Information
AER	Australian Energy Regulator
AGN	Australian Gas Networks
ATO	Australian Tax Office
capex	capital expenditure
CAPM	capital asset pricing model
CCP	Consumer Challenge Panel
CESS	Capital Expenditure Sharing Scheme
CPI	consumer price index
CSIS	Customer Service Incentive Scheme
DRP	debt risk premium
EBSS	Efficiency Benefit Sharing Scheme
ECM	Efficiency Carryover Mechanism
ERP	equity risk premium
Expenditure Guideline	Expenditure Forecast Assessment Guideline
gamma	value of imputation credits
GSL	Guaranteed Service Level
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
NIS	Network Incentive Scheme
NPV	net present value
opex	operating expenditure
PFP	partial factor productivity
PPI	partial performance indicators

Shortened form	Extended form
PTRM	post-tax revenue model
RBA	Reserve Bank of Australia
RFM	roll forward model
RIN	regulatory information notice
RoLR	retailer of last resort
RPP	revenue and pricing principles
SLCAPM	Sharpe-Lintner capital asset pricing model
STPIS	Service Target Performance Incentive Scheme
TAB	tax asset base
UAFG	unaccounted for gas
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 Australian Gas Networks (AGN) proposes to offer customers by means of that pipeline.¹

1.1 Final decision

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

1.2 AGN's revised proposal

AGN did not propose any changes to the services we approved in our draft decision.³ The services it will offer over the 2016–21 access arrangement period are:

- the reference services, comprising:
 - haulage reference services
 - ancillary reference services, and
- non-reference services.⁴

AGN proposed three haulage reference services:

- Domestic haulage service—for the delivery of gas to delivery points where natural gas is used primarily for domestic purposes
- Demand haulage service—for the delivery of gas to delivery points with an annual consumption that is equal to or greater than 10 terajoules per year
- Commercial haulage service—applicable to all delivery points that are not demand delivery points or domestic delivery points.⁵

¹ NGR, rr. 48(1)(a), 48(1)(b).

² NGR, r. 48(1).

³ AER, *Draft decision: Australian Gas Networks access arrangement 2016 to 2021: Attachment 1 — Services covered by the access arrangement*, November 2015, p. 1-6; AGN, *Revised Access Arrangement Information for AGN's SA Natural Gas Distribution Network - January 2016 - Attachment 6.1 Pipeline Services*, January 2016, pp. 1–2.

⁴ AGN, *Access arrangement information for Australian Gas Networks' South Australian Natural Gas Distribution Network*, July 2015, pp. 103–105.

⁵ AGN, *Revised Access Arrangement Information for AGN's SA Natural Gas Distribution Network - January 2016 - Attachment 6.1 Pipeline Services*, January 2016, p. 2.

The haulage reference services include:

- receiving gas injected into the network from an upstream pipeline at an injection point (referred to as a receipt point)
- odourisation of gas where required
- haulage (that is, transport) of gas from a receipt point to a delivery point
- allowing the withdrawal of gas at a delivery point
- the provision and maintenance of a standard metering installation
- meter reading and associated data services (every three months for domestic and commercial haulage services and daily for demand haulage reference services).⁶

The above services include recoveries for unaccounted for gas and all services that are necessary for AGN to comply with its obligations under the access arrangement and the retail market procedures.⁷

AGN proposed six ancillary reference services:

- Disconnection—installing locks or plugs at the metering installation of a domestic delivery point in order to prevent the withdrawal of gas at the delivery point
- Reconnection—this reinstates the ability to withdraw gas at a domestic delivery point, following a previous disconnection, which service includes the removal of any locks for plugs used to isolate supply, performance of a safety check and the lighting of appliances where necessary
- Special meter read—meter reading for a delivery point that is in addition to the scheduled meter reading that forms part of the haulage reference service
- Meter and gas installation test—on site testing to check the measurement accuracy of a metering installation and the soundness of the gas installation downstream of the metering installation
- Meter removal—removal of a meter at a metering installation in order to prevent the withdrawal of natural gas at the delivery point
- Meter reinstallation—reinstallation of a meter at a metering installation, performance of a safety check and the lighting of appliances where necessary.⁸

AGN also proposed to provide non-reference services to customers on an as requested basis.⁹ The price for non-reference services will be negotiated on a

⁶ AGN, *Access arrangement information for Australian Gas Networks' South Australian Natural Gas Distribution Network*, July 2015, p. 103.

⁷ AGN, *Access arrangement information for Australian Gas Networks' South Australian Natural Gas Distribution Network*, July 2015, p. 104.

⁸ AGN, *Revised Access Arrangement Information for AGN's SA Natural Gas Distribution Network - January 2016 - Attachment 6.1 Pipeline Services*, January 2016, p. 2.

case-by-case basis dependant on the specific conditions of the service requested. AGN noted that if requested, the same non-reference service would be offered to different network users on the same terms and conditions.¹⁰

1.3 AER's assessment approach

AGN is required by the NGR to specify all reference services in its access arrangement proposal.¹¹ 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 one of the above listed services.

AGN's proposed reference service is also required to be consistent with the National Gas Objective.¹²

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.

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 considers AGN has complied with the NGR's services requirements as outlined in Table 1.1 and section 1.4.1. We note AGN's proposed reference services for the 2016–21 access arrangement are consistent with the reference services we found compliant with the NGR for the current access arrangement.

⁹ AGN, *Revised access arrangement information: Attachment 6.1 – Response to draft decision: Pipeline Services*, January 2016, p. 2.

¹⁰ AGN, *Access arrangement information*, July 2015, p. 104.

¹¹ NGR, r. 48.

¹² NGR, r. 100(a).

Table 1.1 Assessment of AGN's compliance with the NGR

NGR requirements	AER assessment
A full access arrangement must:	
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. Clause 1.1 and Annexure A of the AGN 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. Clause 2 of the AGN access arrangement proposal.
specify the reference services — NGR rule 48(1)(c)	Compliant. Clauses 2.2 and 2.3 of the AGN 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. Clauses 3 and 6 and Annexure B of the AGN 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)	Not applicable.
set out the capacity trading requirements — NGR rule 48(1)(f)	Compliant. Clause 7 of the AGN access arrangement proposal.
set out the extension and expansion requirements — NGR rule 48(1)(g)	Compliant. Clause 8 of the AGN access arrangement proposal.
state the terms and conditions for changing receipt and delivery points — NGR rule 48(1)(h)	Compliant. Clause 6 and Annexures F and G of the AGN 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. Clause 9 of the AGN 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 rule 48(1); AGN, *Revised Access arrangement for AGN's South Australian Gas Distribution Network 1 July 2016 – 30 June 2021*, January 2016.

1.4.1 Reference services

For the reasons set out in our draft decision, we consider that a significant part of the market is likely to seek services that provide for the transportation of gas, meter reading, associated data activities and ancillary activities. Accordingly, we consider that the reference services provided by AGN are likely to be sought by a significant part of the market.¹³ This means they must be covered by the access arrangement.

¹³ NGR, r. 101.

Our final decision has not disaggregated meter data services from the haulage reference services as suggested by the Consumer Challenge Panel.¹⁴ We note:

- the market to implement gas meter reading contestability in South Australia 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 South Australia 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 AGN'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.¹⁵

1.4.2 Non-reference services

As per our draft decision, we agree with AGN that its proposed negotiated 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 a reference service.¹⁶

¹⁴ Consumer Challenge Panel, *Advice to AER from Consumer Channel Panel sub-panel 8 regarding the AER draft decision and Australian Gas Networks' (SA) revised access arrangement 2016–2021 proposal*, 31 March 2016, p. 7.

¹⁵ AER, *Draft decision: Australian Gas Networks access arrangement 2016 to 2021: Attachment 1 — Services covered by the access arrangement*, November 2015, p. 1-6.

¹⁶ NGR, r. 101.