



Access arrangement decision
APA GasNet Australia (Operations) Pty Ltd
2013–17

April 2013

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Shortened forms

Shortened form	Full title
2008-12 access arrangement	Access arrangement for APA GasNet from 1 January 2008 to 31 December 2012
2013-17 access arrangement	Access arrangement for APA GasNet from 1 January 2013 to 31 December 2017
ACCC	Australian Competition and Consumer Commission
access arrangement information	APA GasNet Australia (Operations) Pty Ltd, Access arrangement information, 31 March 2012
access arrangement submission	APA GasNet Australia (Operations) Pty Ltd, Access arrangement submission, 31 March 2012
AER	Australian Energy Regulator
AER access arrangement	AER, APA GasNet access arrangement, 24 April 2013
AER access arrangement information	AER, APA GasNet access arrangement information, 24 April 2013
APA GasNet	APA GasNet Australia (Operations) Pty Ltd (ACN 083 009 278)
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
RPP	revenue pricing principles
revised access arrangement information	APA GasNet, Revised access arrangement information, 9 November 2012
revised access arrangement proposal	APA GasNet, Revised access arrangement proposal, 9 November 2012
VTS	Victorian transmission system

Background

The Australian Energy Regulator (AER) is responsible for the economic regulation of covered natural gas distribution and transmission pipelines in all states and territories except Western Australia. The National Gas Law (NGL) and National Gas Rules (NGR) provide the overarching regulatory framework for the gas distribution and transmission sectors.

APA GasNet owns the Victorian Transmission System (VTS), which delivers gas to the Melbourne metropolitan area, country Victoria, New South Wales, and South Australia. The VTS is subject to full regulation, which requires APA GasNet to submit an access arrangement proposal to the AER for approval, and to revise it periodically (typically every five years). An access arrangement sets out the terms and conditions on which third parties can access the transmission pipeline.¹

The VTS transports gas to more than 1.4 million residential consumers, and 43 000 industrial and commercial users throughout Victoria. The VTS is 1993 km in length and consists of 45 licensed pipelines and associated facilities. The transmission service provider, APA GasNet, is entirely owned by APA Group (APA), Australia's largest natural gas infrastructure business.

The Australian Competition and Consumer Commission (ACCC) made the previous determination on APA GasNet's access arrangement for the period 1 January 2008 to 31 December 2012. The ACCC made its determination in accordance with the provisions of the National Third Party Access Code for Natural Gas Pipeline Systems.

Responsibility for the regulation of gas transmission networks outside of Western Australia transferred from the ACCC to the AER on 1 July 2008. This current determination process is the first full assessment by the AER of the access arrangements of the Victorian gas distribution and transmission service providers under the NGL and the NGR.

The NGL provides that when performing or exercising an economic regulatory function or power, the AER must do so in a manner that will or is likely to contribute to the achievement of the national gas objective (NGO).² The NGO is:³

... 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.

Furthermore, the AER must take into account the revenue and pricing principles (RPP) when exercising its discretion in approving or making those parts of an access arrangement relating to a reference tariff. The AER may also take the RPP into consideration in its performance or exercise of any other AER economic regulatory function or power where it considers this appropriate.⁴

In the AER's final decision, released on 15 March 2013, the AER proposed revisions to APA GasNet's access arrangement having regard to the NGL, NGR, APA GasNet's proposal, and the AER's reasons for not approving that proposal.⁵ Pursuant to the NGR, the AER is required to make a decision giving

¹ In Victoria, the Australian Energy Market Operator manages the Victorian Transmission System, and users are not required to enter into commercial contracts with their transmission network service provider/s. Instead, a user's daily gas flow is determined by its injection bids into the wholesale gas market. The injection bids enter into a market clearing engine, which dispatches the lowest priced injection bids to meet demand. The access arrangement approved by the AER sets the reference tariff that users pay for gas haulage services based on the actual gas flows following this dispatch process.

² NGL, s. 28.

³ NGL, s. 23.

⁴ NGL, s. 28. The revenue and pricing principles are set out in NGL, s. 24.

⁵ NGR, r. 64(1) and (2).

effect to its own proposal within two months of its final decision.⁶ This document contains that decision.

Access arrangement proposal

On 31 March 2012, APA GasNet submitted its access arrangement proposal for the VTS for the period 1 January 2013 to 31 December 2017. The access arrangement proposal outlined the proposed terms and conditions of access to the transmission pipeline for the access arrangement period. The access arrangement information set out the background and basis of various elements of the access arrangement proposal.⁷

In accordance with the NGR, the AER published APA GasNet's access arrangement proposal on 17 April 2012 and called for submissions from interested parties. The AER received six submissions on APA GasNet's access arrangement proposal.

AER draft decision

On 10 September 2012, the AER released its draft decision to not approve APA GasNet's access arrangement proposal for the VTS. The AER engaged engineering, financial and economic experts to advise on key aspects of the access arrangement proposal. The AER considered this advice, and submissions it received, in making its draft decision.

Revised access arrangement proposal

APA GasNet submitted a revised access arrangement proposal and revised access arrangement information for the VTS on 9 November 2012. The AER published APA GasNet's revised access arrangement proposal and supporting documents on the AER website on 13 November 2012. The supporting documents were published on 22 November 2012.

The AER invited interested parties to make submissions on its draft decision and APA GasNet's revised access arrangement proposal by 7 January 2013. The AER also hosted a consumer group roundtable on 27 November 2012 to discuss the gas review process and to seek comments from participants on consumer specific issues. The AER received seven submissions in response to APA GasNet's revised proposal and the AER's draft decision. The AER considered the submissions it received when making its final decision.

Adjustments subsequent to the final decision

The AER has identified minor revisions that should be made subsequent to the release of the final decision. This includes a revision to the mechanism used to implement the interval of delay adjustment. The mechanism now provides specific detail regarding how the adjustment is to be calculated and how the adjustment is to be separately applied to the injection and withdrawal tariffs. These changes have been incorporated in the access arrangement and access arrangement information published with this decision.

⁶ NGR, r. 64(4)

⁷ NGR, r. 42.

AER final decision

On 15 March 2013, the AER released its final decision to not approve APA GasNet's revised access arrangement proposal. The final decision set out the AER's proposed revisions to the revised access arrangement proposal and revised access arrangement information.

In accordance with r. 64(4) of the NGR, the AER is therefore required to make a decision giving effect to its own proposal within two months of its final decision.

AER access arrangement decision

In accordance with r. 64(4) of the NGR, the AER gives effect to its proposal through the AER access arrangement (including the AER access arrangement information) for the VTS. This access arrangement is published with this decision.

In accordance with r. 64(6) of the NGR, the access arrangement shall take effect on 1 July 2013.