

# **Final Plan Attachment 1.4**

## Regulatory Information Notice Index

December 2016

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This attachment sets out the responses to the RIN requirements as set out in the RIN notice.

## 1. General

Table 1: General

RIN Requirement	Response
1.2 Provide all financial information on a calendar year basis and set out: <ul style="list-style-type: none"> <li>(a) whether the information is actual information, estimated information or forecast information. For information in the nature of a forecast or estimate provide a statement of the basis of the forecast or estimate; and</li> <li>(b) the units of measurement for parameters or values used to derive or infer values; and</li> <li>(c) whether the information is expressed in nominal, real or another basis and include the base year of information where relevant.</li> </ul>	1.2 Please refer to Attachment 1.1 (RIN Template).
1.3 All financial information provided in the regulatory templates must be: <ul style="list-style-type: none"> <li>(a) on a calendar year basis, unless otherwise specified;</li> <li>(b) actual financial information for the first three years of the current access arrangement period;</li> <li>(c) estimate or forecast financial information for year four of the current access arrangement period, to be updated with actual information when that becomes available during the review;</li> <li>(d) estimate or forecast information as appropriate for year five of the current access arrangement period;</li> <li>(e) forecast financial information for the next access arrangement period;</li> <li>(f) where required, actual financial information for the five years of the previous access arrangement period.</li> </ul>	1.3 Please refer to Attachment 1.1 (RIN Template).
1.4 All expenditure forecasts for the <i>next access arrangement period</i> provided to the AER in response to this RIN must be in real (end of the fifth year of the <i>current access arrangement</i>	1.4 Please refer to Attachment 1.1 (RIN Template).

*period*) dollars and on a calendar year basis, unless specified otherwise.

1.5	Provide any calculations used to convert real to nominal dollars or nominal to real dollars for the purposes of providing the information required under sections 1.3 and 1.4 above.	1.5	Please refer to Attachment 1.1 (RIN Template).
1.6	Provide an explanation should capital and operating expenditure provided in the <i>regulatory templates</i> be materially different to information previously submitted to the AER such as via annually submitted RINs.	VIC	<ul style="list-style-type: none"> <li>• Mains Renewals are included in Mains Replacement Table 6.1.2 "Ad-hoc Mains Replacement" in the Reset RIN but were included in "Other" Capex in the Annual RIN's (2013-2014). No change to quantum, just classification.</li> <li>• Gas Extensions are included in "Connections Market Expansion" Table 4.2.8 "Supply Mains" (new table added to the Reset RIN) but were reported in their own category in the Annual RIN. No change to quantum, just classification.</li> <li>• Related Party Template 15 – CY 2015, the amount reported for IT and Mains Replacement have been amended in the Reset RIN to reflect correction allocation of the Related Party Margin. A movement of \$282k between the two categories.</li> <li>• Changes in Provisions Template 20 has not been populated in the Reset RIN. In the Annual RIN the balance as per the "Regulated Business segment base amount" was zero.</li> <li>• Cost category Matrix Template 24 – the mix of Internal Labour, Contractor Labour and Other Expenditure for Capex has been amended. No change to quantum, just classification.</li> <li>• ARS Template 25 – the stats for 2014 were incorrect in the Annual RIN, so have been corrected in the Reset RIN.</li> </ul>
		ALBURY	<ul style="list-style-type: none"> <li>• Mains Renewals are included in Mains Replacement Table 6.1.2 "Ad-hoc Mains Replacement" in the Reset RIN but were included in "Other" Capex in the Annual RIN's (2013-2014). No change to quantum, just classification.</li> <li>• Changes in Provisions Template 20 has not been populated in the Reset RIN. In the Annual RIN the balance as per the "Regulated Business segment base amount" is zero.</li> <li>• Total Operating &amp; Maintenance Expenditure Template 23.1 in the Reset RIN does not include "Movement in Provisions" in the previous AA period. Incorrectly reported in the Annual RIN as the Provision relates to Non Reference Services.</li> <li>• Cost category Matrix Template 24 – the mix of Internal Labour, Contractor Labour and Other Expenditure for Capex has been amended. No change to quantum, just classification.</li> </ul>
1.7	In the relevant <i>regulatory template</i> , report any change and the materiality of that change where any method of allocation under section 1.6 changes over time.	1.7	Please refer to Attachment 1.1 (RIN Template).
1.8	Where <i>historical information</i> provided in the <i>regulatory templates</i> has previously been reported to the AER:	1.8	Please refer to Attachment 1.1 (RIN Template).

(a) this information must reconcile with the previously provided information; or	
(b) explain why the information does not reconcile with the previously provided information.	
1.9 For each change identified in the response to section 1.8:	1.9 Please refer to Attachment 1.1 (RIN Template).
(a) explain the nature of and the reasons for the variation; and	
(b) quantify the effect of the variation on the annual Regulatory Information Notice for the relevant regulatory year.	
1.10 For each of the following items, identify each material difference between that reported in the annual Regulatory Information Notices and the amount approved for the current access arrangement period:	1.10 Please refer to Attachment 1.1 (RIN Template).
(a) Total actual revenue and total forecast revenue;	
(b) Total actual operating expenditure and total forecast operating expenditure;	
(c) Total actual capital expenditure and total forecast capital expenditure; and	
(d) Demand forecasts.	
1.11 Explain the reasons that caused each <i>material difference</i> identified in the response to section 1.10 including:	1.11 Please refer to Attachment 1.1 (RIN Template).
(a) whether this is recurrent or a one off variation;	
(b) the factors which generally influenced the variation; and	
(c) whether the variation is due to factors beyond AGN's control.	
1.12 Explain how the differences identified in response to section 1.10 and explanations in response to section 1.11 have been factored into generating expenditure forecasts for the next access arrangement period.	1.12 Please refer to Attachment 1.1 (RIN Template).
1.13 Capital expenditure and operating expenditure forecasts provided in the regulatory templates must be reconciled to the ex-ante capital and operating allowances in post-tax revenue model for the next access arrangement period.	1.13 Please refer to Attachment 1.1 (RIN Template).
1.14 To avoid doubt, where information is requested either in this written document, or in a regulatory template attached in Appendix A, but not in both, the information is required as	1.14 Please refer to Attachment 1.1 (RIN Template).

instructed in either this written document or in the regulatory template.

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| 1.15 Provide:<br><br>(a) a table that references each response to a section in this Schedule 1, and where it is provided in or as part of the access arrangement proposal, and<br><br>(b) a table or chart that references each document provided in or as part of the access arrangement proposal and its relationship to other documents provided. | 1.15 Please refer to the remainder of this document. |
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| 1.16 Each document provided in or as part of the access arrangement proposal must be given a meaningful filename in the format:<br><br>[Service Provider]–[Attachment/Appendix Number (if applicable)]–[Author (if different to service provider)]–[Title]–[Date]–[Public/Confidential], | 1.16 Please see list of attachments at the end of the Final Plan document |
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where:

- (a) 'Service Provider' is AGN
  - (b) 'Attachment/Appendix Number' is to be provided for numbered attachments, appendices etc. to the access arrangement proposal
  - (c) 'Author' is the author of the document if the document was not produced by the service provider (e.g. a consultant or other third party)
  - (d) 'Title' provides a meaningful description of the document and to the extent possible does not rely on acronyms or purely numeric identifiers. Wherever possible, reports prepared by consultants or other third parties should take the full title given by the author.
  - (e) 'Date' is the date on which the document was finalised (which may be different to the date of submission to the AER), and is provided in the form 'YYYYMMDD' (e.g. 1 January 2017 would appear as 20170101).
  - (f) 'Confidential' means a document in respect of which a confidentiality claim has been made in accordance with section 21 of this Schedule. 'Public' means a document for which no such claim has been made (see section 21.3).
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Table 2: Service Provider Details And Business Context

RIN Requirement	Response
2.1 Provide all details of any local agent(s) of AGN.	Craig de Laine, General Manager – Regulation 08 8418 1129, 0403 309 940 <a href="mailto:Craig.delaine@agnl.com.au">Craig.delaine@agnl.com.au</a>

Table 3: Background to The Pipeline

RIN Requirement	Response
3.1 For the current access arrangement period for each pipeline service provided by the way of AGN's Victoria and Albury gas distribution systems that is not specified as a reference service in AGN's access arrangement proposal, provide:  (a) the annual volume of demand in GJ ; and  (b) numbers of users.	3.1 Please refer to Appendix A

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Table 4: Demand

RIN Requirement	Response
<p>4.1 Provide:</p> <p>(a) an explanation of any trends in demand and volumes over the current access arrangement period and the next access arrangement period;</p> <p>(b) details of the key drivers behind the demand forecasts provided in response to regulatory templates 27, 28, 29.1, 29.2 and 29.3;</p> <p>(c) any methodology and models that have been used to develop the demand forecasts;</p> <p>(d) any data sets used as inputs into the models;</p> <p>(e) any key inputs and assumptions that have been used in the models (including in relation to economic growth, customer numbers and policy changes) and provide any associated models or data relevant to justifying these inputs and assumptions and how demand for pipeline services is differentiated;</p> <p>(f) an explanation of any weather normalisation models, how weather data has been used, and how AGN's approach to weather normalisation has changed over time;</p> <p>(g) an explanation of any appliance models, where used, or assumptions relating to average customer energy usage (by customer type);</p> <p>(h) how the forecasting methodology used is consistent with, and takes into account, historical observations (where appropriate), including any calibration processes undertaken within the model (specifically whether the load forecast is matched against actual historical load); and</p> <p>(i) an explanation of how the demand forecasts have been used to develop AGN's capital expenditure and operating expenditure forecasts.</p>	<p>4.1 Please refer to Chapter 13 and Attachments 13.1-13.2.</p>

Table 4: Demand

RIN Requirement	Response
4.2 Provide: <ul style="list-style-type: none"> <li data-bbox="167 436 758 616">(a) evidence that any independent verifier engaged has examined the reasonableness of the method, processes and assumptions in determining the forecasts and has the requisite expertise to undertake a verification of forecasts; and</li> <li data-bbox="167 649 758 736">(b) all documentation, analysis and models evidencing the results of the independent verification.</li> </ul>	4.2 Please refer to Chapter 13 and Attachments 13.1-13.2.

Table 5: Forecast Price Changes

RIN Requirement	Response
5.1 Identify the labour and material price changes proposed in the estimation of the forecast capital expenditure proposal and the forecast operating expenditure proposal.	5.1 Please refer to Chapters 7 and 8, Attachments 7.2 (BIS Shrapnel), 7.4 (Opex Model) and 8.8 (Capex Model)
5.2 Provide: <ul style="list-style-type: none"> <li>(a) the model(s) used to derive and apply all price changes assumed in the estimation of the forecast capital expenditure proposal and the forecast operating expenditure proposal, including any proprietary model(s) provided by a third party;</li> <li>(b) in relation to labour escalators, a copy of the current Enterprise Agreement or equivalent agreement; and</li> <li>(c) evidence that the price measures explain those cost changes which are attributed to price changes, including evidence of any materials price forecast method which explains the historic change in the price of materials purchased by network service providers.</li> </ul>	5.1 Please refer to Chapters 7 and 8, Attachments 7.2 (BIS Shrapnel, Real Cost Escalation Report), 7.4 (Opex Model) and 8.8 (Capex Model). <ul style="list-style-type: none"> <li>(b) Please refer to Appendix D</li> <li>(c) Please refer to Chapters 7 and 8.</li> </ul>
5.3 Explain: <ul style="list-style-type: none"> <li>(a) the methodology underlying the calculation of each price change, including sources, data conversions, the operation of any models provided under section 5.12(a) and the use of any assumptions, such as lags or productivity gains;</li> <li>(b) whether the same price changes have been used in developing both the forecast capital expenditure proposal and forecast operating expenditure proposal;</li> <li>(c) if the response to section 5.3(b) is no, why it is appropriate for different expenditure escalators to apply.</li> </ul>	5.1 Please refer to Chapters 7 and 8, Attachments 7.4 (Opex Model) and 8.8 (Capex Model). <ul style="list-style-type: none"> <li>(b) Please refer to Chapters 7 and 8.</li> <li>(c) Please refer to Chapters 7 and 8.</li> </ul>
5.4 If an agreement provided in response to section 5.12(b) is due to expire during the next access arrangement period, explain the progress and outcomes of any negotiations to date to review and replace the current agreement.	5.4 There is no progress on the next EBA, as the current EBA took effect on 20 November 2015 and expires on 30 June 2018.

Table 6: Capital Expenditure

RIN Requirement	Response
<i>AGN's capex model submitted as part of AGN's access arrangement information</i>	
<p>6.1 Regulatory templates 4 to 14 provide instructions that where the information requested is duplicated in AGN's capex model submitted as part of AGN's access arrangement information, that AGN is not required to populate the RIN templates collecting the same information. This provision is subject to the following requirements:</p> <p>(a) The annual gross and net total expenditure amounts at a category and subcategory level in the AGN capex model must equal the RIN template amounts.</p> <p>(b) The expenditure amounts are captured within the same category and subcategory of capex in the AGN capex model and the RIN templates.</p> <p>(c) The escalation, related party margin and overhead amounts are identically applied at a category/subcategory and project level in the AGN capex model and the RIN templates. The escalation in the AGN capex model must be linked at a subcategory or project level and be able to be adjusted, such that the expenditure including escalation adjusts for changes made to the applied escalation.</p> <p>(d) The capex model must set out for each year of the last five year period actual expenditure, volume and unit rate data by category and subcategory.</p>	<p>6.1 Not applicable.</p>
<i>Capital expenditure in the previous access arrangement period</i>	
<p>6.2 Provide capital expenditure at a project level and at a capex subcategory level in regulatory templates 4 to 14. Where data is either not available to AGN or it is not practical to produce the data:</p> <p>(a) explain why; and</p> <p>(b) provide data at the most disaggregated level available to it.</p>	<p>6.2 Please refer to Attachment 1.1 (RIN Templates).</p>
<i>Capital expenditure in the current access arrangement period</i>	



- (b) the nature of forecast conforming capital expenditure projects or programs material to each capex category, including a brief description of the capital expenditure and, where relevant, the location of the expenditure on the distribution pipeline;
  - (c) key drivers of the proposed expenditure;
  - (d) an explanation of how expenditure is distinguished between:
    - (i) new customer connections capital expenditure and augmentation capital expenditure;
    - (ii) augmentation capital expenditure, driven by demand, and mains replacement capital expenditure, other distribution system capital expenditure, driven by asset condition and other drivers; and
    - (iii) any other capex category or opex category where AGN considers that there is reasonable scope for ambiguity in categorisation.
  - (e) details as to whether the forecast conforming capital expenditure is to be funded by parties other than AGN; (e) Not applicable.
  - (f) details of contractual agreements with parties where capital contributions are made by users to new capital expenditure (see Rule 82); (f) Not applicable.
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| 6.6 For forecast conforming capital expenditure, in total and in terms of each capex category, explain:  | 6.6 Please refer to Chapter 8.      |
| (a) how it reasonably reflects the new capital expenditure criteria set out in Rule 79(1) of the NGR, and how AGN has interpreted these criteria;  |                                     |
| (b) how the forecast conforming capital expenditure is justified under Rule 79(2) of the NGR and how AGN has interpreted these subrules; and   |                                     |
| (c) how any plans, policies, procedures, regulatory obligations or requirements, consultants reports, economic analysis and assumptions have been used to justify the forecast conforming capital expenditure. |                                     |
| 6.7 If Rule 79(2)(a) is relied on to justify the forecast conforming capital expenditure, provide:   | 6.7 Please refer to Attachment 8.6. |
| (a) the calculations of the economic value of the capital expenditure that directly accrues to the service provider, gas producers, users and end users; and   |                                     |
| (b) an explanation of the nature and quantification of the economic value that directly accrues to the service provider, gas producer, users and end users (see Rule 79(3)).                                   |                                     |
| 6.8 If Rule 79(2)(b) is relied on to justify forecast conforming capital expenditure, provide:   | 6.8 Please refer to Attachment 8.6. |
| (a) the information AGN relied on to determine the expected incremental revenue to be generated as a result of the forecast conforming capital expenditure;  |                                     |
| (b) a description of the incremental service or services (see Rule 79(4)(a));  |                                     |
| (c) the incremental revenue (see Rule 79(4)(b));   |                                     |
| (d) the incremental expenditure (see Rule 79(4)(b)); and   |                                     |
| (e) the discount rates that AGN used to determine the present value of the incremental revenue.  |                                     |

6.9 If Rule 79(2)(c)(i), (ii) or (iii) is relied on to justify the forecast conforming capital expenditure, provide:	6.9 Please refer to Attachment 8.6.
(a) an explanation of which item in Rule 79(2)(c)(i), (ii) or (iii) is relied on;  (b) the relevant regulatory obligation or requirement (if any) and the relevant authority or body enforcing it;  (c) an explanation of whether and how AGN considers that the forecast conforming capital expenditure satisfies the item in Rule 79(2)(c)(i), (ii) or (iii) being relied on; and  (d) any supporting technical or other external or internal reports about whether and how AGN considers that the forecast conforming capital expenditure addresses the relevant item in Rule 79(2)(c)(i), (ii) or (iii).	
6.10 If Rule 79(2)(c)(iv) is relied on to justify forecast conforming capital expenditure, provide:	6.10 Please refer to Attachment 8.6.
(a) an explanation of the change in demand for existing services necessitating the forecast conforming capital expenditure, including a measure of the change in demand; and  (b) any reports or other information and documentation that supports whether and how AGN considers that the forecast capital expenditure will meet the increase in demand for existing services.	
6.11 Explain how each response provided to section 6.5 is reflected in any increase or decrease in expenditures or volumes, particularly between the current access arrangement period and next access arrangement period, provided in regulatory templates 4 to 14.	6.11 Please refer to Chapter 8 and Attachments 8.1-8.8.

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| <p>6.12 For the following capex categories: augmentation, mains replacement, telemetry, regulators, IT, other distribution system, other non-distribution system provide a project list which details for each project in the capex category:</p> <p>(a) an internal identification code, which will enable AGN to report actual capital expenditure against forecast capital expenditure;</p> <p>(b) the project name used internally by AGN;</p> <p>(c) the cost and timing of the project capital expenditure; and</p> <p>(d) a brief description of the project and its scope.</p> | <p>6.12 Please refer to Chapter 8 and Attachment 1.1 (RIN Template).</p>   |
| <p>6.13 Describe how the forecast conforming capital expenditure was prepared, including:</p> <p>(a) the forecasting methodologies used;</p> <p>(b) how its preparation differed or related to budgetary, planning and governance processes used in the normal running of AGN's business;</p> <p>(c) processes for ensuring amounts are free of error and other steps in quality assurance; and</p> <p>(d) if and how AGN considered the resulting amounts, when translated into price impacts, were in the long term interest of consumers.</p>                                       | <p>6.13 Please refer to Chapter 8, Attachment 1.1 (RIN Template) and Attachments 8.1-8.8.</p> <p>(d) Please refer to Attachment 8.6.</p> |
| <p>6.14 In relation to any source material (including models, documentation or any other items containing quantitative data) used by AGN to develop its forecast conforming capital expenditure, provide:</p> <p>(a) a copy of this source material;</p> <p>(b) all calculations that demonstrate how data from the source material has been manipulated or transformed to generate data provided in the regulatory templates.</p>   | <p>6.14 Please refer to Attachments 8.1-8.8.</p>   |

6.15 Identify which particular items of AGN's forecast conforming capital expenditure have:	6.15 Please refer to Attachment 8.4 (Unit Rates Report).
(a) been derived directly from competitive tender processes;  (b) been based upon competitive tender processes for similar projects;  (c) been based upon estimates obtained from contractors or manufacturers;  (d) been based upon independent benchmarks;  (e) been based upon actual historical costs for similar projects; and  (f) reflected any amounts for risk, uncertainty or other unspecified contingency factors, and if so, how these amounts were calculated and deemed reasonable.	
6.16 Provide any relevant internal decision making documents relating to approval of the forecast conforming capital expenditure and any other internal or external documentation or models that justify the forecast conforming capital expenditure, including but not limited to:	6.16 Please refer to Attachments 8.1-8.8.
(a) business cases;  (b) feasibility studies;  (c) forecast demand studies and internal reports; and  (d) the date of any relevant internal decision making body/management decisions and board decisions.	
6.17 Provide all documents which were taken into account and relate to the deliverability of forecast conforming capital expenditure and explain the proposed deliverability.	6.17 Please refer to Chapter 8 and Attachments 8.1-8.6. In addition, please refer to Appendix D.
<i>Capital expenditure that is not conforming in the next access arrangement period</i>	
6.18 Provide:	
(a) a justification for the different rate of return, if the balance of the speculative capital expenditure account increases at a rate different to the rate of return implicit in a reference tariff (see Rule 84(2));	6.18 Not applicable.
(b) in regulatory template 2, (where relevant) the escalation rates used in deriving forecasts for	

capital expenditure other than conforming capital expenditure, if different from escalation rates provided in section 6.5(b) of this Notice; and

- (c) details of the mechanism to prevent AGN from benefiting, through increased revenue, from the capital contributions by a user in the next access arrangement period (see Rule 82(3)).
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Capital redundancy policy in the *next access arrangement period*

6.19 If relevant, provide:

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| <p>(a) an explanation of the proposed mechanism to remove redundant assets from the capital base including:</p> <p>(i) when the mechanism will take effect; and</p> <p>(ii) whether the mechanism includes a proposal for cost sharing between the service provider and users associated with a decline in demand for pipeline services;</p> <p>(b) a justification for the mechanism;</p> <p>(c) an explanation of what uncertainty the mechanism may cause; and</p> <p>(d) the effect of this uncertainty on AGN.</p> | <p>6.19 Not applicable.</p> |
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Table 7: Operating Expenditure

RIN Requirement	Response
<i>Operating expenditure in the current access arrangement period</i>	
7.1 Provide related party details and an explanation of any non-recurring expenditures in the current access arrangement period.	7.1 Please refer to Chapter 7 and Attachment 1.1 (RIN Template).
<i>Forecast operating expenditure in the next access arrangement period</i>	
7.2 For forecast total operating expenditure provide:	
(a) a description and explanation of the major drivers for the increase/decrease in expenditure by opex categories between the current access arrangement period and the next access arrangement period;	(a) Please refer to Chapter 7.
(b) whether there are changes to the operations of the pipeline from the current access arrangement period that have resulted in material changes to opex categories and total operating expenditure in the next access arrangement period, including a definition of the materiality threshold used by AGN to identify such changes;	(b) Please refer to Chapter 7.
(c) the models or methodology used to develop the forecast total operating expenditure;	(c) Please refer to Attachments 7.1-7.4.
(d) a description of how the forecast was prepared, including:	(d) Please refer to Chapter 7.
(i) how forecast operating expenditure reasonably reflects the criteria set out in Rule 91(1) of the NGR;	
(ii) if a revealed cost base year approach was used to forecast total operating expenditure;	
1) what the base year is; and	
2) why that base year represents efficient, recurrent costs;	
(iii) if a revealed cost base year approach was not used to forecast total operating expenditure;	

- 1) whether there was a year of historic operating expenditure available that represents efficient, recurrent costs; and
- 2) if not, why no year of historic operating expenditure represents efficient, recurrent costs.

(iv) any non-recurrent or one-off costs in the base year and each year of the next access arrangement period.

*Output growth drivers*

- |     |   |     |                            |
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| 7.3 | Provide:  | 7.3 | Please refer to Chapter 7. |
| (a) | all output growth drivers included in the forecast;                         |     |                            |
| (b) | any economies of scale factors applied to the growth drivers;               |     |                            |
| (c) | evidence that the growth drivers explain cost changes due to output growth; |     |                            |
| (d) | any weightings applied if multiple output growth drivers have been used.    |     |                            |

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| 7.4 | Explain:  | 7.4 | Please refer to Chapter 7. |
| (a) | how the growth drivers have been applied in the operating expenditure forecast; |     |                            |
| (b) | how the forecast method accounts for economies of scale.                        |     |                            |

*Real price growth*

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| 7.5 | Explain:   | 7.5 | Please refer to Chapter 7. |
| (a) | how the real price measures have been applied in the operating expenditure forecast;     |     |                            |
| (b) | whether the labour price measure compensates for any form of labour productivity change. |     |                            |

*Productivity change*

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| 7.6 | Explain: | 7.6 | Please refer to Chapter 7. |
|-----|----------|-----|----------------------------|

- (a) how the forecast changes in productivity have been applied in the operating expenditure forecast;
- (b) whether the forecast productivity changes capture the historic trend of cost increases due to new regulatory obligations or requirements and changes to industry best practice;
- (c) whether the productivity measure used to forecast operating expenditure includes productivity change compensated for by the labour price measure used to forecast the change in the price of labour.

*Category specific forecasts*

7.7 For all category specific forecasts in forecast operating expenditure provide:

7.7 Please refer to Chapter 7.

- (a) a description of the category specific forecast
- (b) the process undertaken to identify and quantify the category specific forecast,
- (c) why the efficient costs of the category specific forecast is not provided by other aspects of the operating expenditure forecast including, for example, base operating expenditure, output growth, real price growth or forecast productivity change; and
- (d) why the category specific forecast is required to contribute to a total forecast operating expenditure that reasonably reflects the criteria set out in Rule 91(1) of the NGR.

*Step changes*

7.8 For all step changes in forecast operating expenditure (including due to changes in policies, strategies and obligations) provide:

7.8 Please refer to Attachment 7.1.

- (a) a description of the step change including when the change occurred, what its driver is, and how the driver has changed (e.g. the change in a regulatory obligation);
- (b) demonstration, including all supporting justifications, for when and how the step change affected or is expected to affect expenditures (historic and forecast), with respect to:
  - (v) any of the opex categories
  - (vi) total operating expenditure



- (c) If the step change was due to a change in a regulatory obligation or requirement:
- (i) any variations or exemptions granted during the previous access arrangement period or the current access arrangement period;
  - (ii) any compliance audits conducted during the previous access arrangement period or the current access arrangement period;
  - (iii) whether or not a 'do nothing' option was considered and how the risks of this option were assessed and compared with other options;
  - (iv) with reference to specific sections of the relevant legislative instrument, versions of both the previous and new regulatory obligations or requirements driving the step change;
- (d) the process undertaken to identify and quantify the step change,
- (e) whether the step change is recurrent in nature;
- (f) any cost benefit analysis that was undertaken in determining the efficient costs in addressing the step change.
- (g) anything else AGN considers relevant in considering the nature and materiality of the step change in relation to forecast operating expenditure.

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7.9 Explain:


7.9 Please refer to Attachment 7.1.

- (a) why the efficient costs of the step change are not provided by other aspects of the operating expenditure forecast including, for example, base operating expenditure, output growth, real price growth or forecast productivity change; and
  - (b) why the step change is required to contribute to a total forecast operating expenditure that reasonably reflects the criteria set out in Rule 91(1) of the NGR.
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Table 8: Interactions Between Capital And Operating Expenditure

RIN Requirement	Response
8.1 Identify any material interactions in AGN's forecast conforming capital expenditure and forecast operating expenditure.	8.1 Please refer to Attachment 7.1.
8.2 Explain how these interactions have been taken into account when developing forecasts of capital expenditure and operating expenditure, and otherwise in providing responses to items under sections 6 and 7.	8.2 Please refer to Attachment 7.1.

Table 9: Related Party Transactions

RIN Requirement	Response
<p>9.1 Identify and describe all other entities which:</p> <p>(a) are a related party to AGN and contribute to the provision of distribution services; or</p> <p>(b) have the capacity to determine the outcome of decisions about the AGN's financial and operating policies.</p> <p>The minimum threshold for these entities are for transactions greater than \$1,000,000 in a regulatory year.</p>	<p>9.1 Not applicable.</p> <p>Prior to 29 August 2014, APA Asset Management was a related party to AGN, with a 33% shareholding. Importantly though, APA Asset Management has never had an ability to determine the outcome of decisions about the financial and operating policies of the company.</p> <p>Since the acquisition of AGN (then Envestra) by the Cheung Kong Hutchinson Group of companies, APA Asset Management is no longer a related party to AGN.</p> <p>The Operating and Management Agreement between AGN and APA Asset Management is attached as Attachment 5.</p> <p>The outsourcing arrangement is described in Section 2.5 of the AAI</p>
<p>9.2 Provide a diagram of the organisational structure depicting the relationships between all the entities identified in the response to section 9.1.</p>	 <pre> graph LR     AGN[AGN] --&gt; OMA[Operating &amp; Management Agreement]     OMA &lt;--&gt; APA[APA]             </pre>
<p>9.3 Identify:</p> <p>(a) all arrangements or contracts between AGN and any of the other entities identified in the response to section 9.1 which relate directly or indirectly to the provision of distribution services;</p> <p>(b) the service or services the subject of each arrangement or contract.</p>	<p>9.3 Not applicable.</p>
<p>9.4 For each service identified in the response to section 9.3:</p> <p>(a) provide:</p> <p>(i) a description of the process used to procure the service; and</p> <p>(ii) supporting documentation, including but not limited to requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between AGN and the relevant provider;</p>	<p>9.4 Not applicable.</p>

- (b) explain:
- (i) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AGN itself;
  - (ii) whether the services procured were provided under a stand alone contract or provided as part of a broader operational agreement (or similar);
  - (iii) whether the services were procured on a genuinely competitive basis and if not, why; and
  - (iv) whether the service (or any component thereof) was further outsourced to another provider.
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9.5 For each arrangement or contract identified in the response to section 9.3 provide: 9.5 Not applicable.

- (a) a copy of the arrangement or contract which sets out the obligations of both the other entity and AGN;
  - (b) a breakdown of all services provided as part of that arrangement or contract;
  - (c) a breakdown of costs for each service provided as part of the arrangement or contract, including separately identifying overheads, any profit margin or management fee and incentive payments;
  - (d) a breakdown of all costs included in the contract price; and
  - (e) any methodologies, including consultant's reports, or assumptions used to determine components of those costs included in the contract price.
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Table 10: Proposed Incentive Mechanism

RIN Requirement	Response
10.1 Provide, for each incentive mechanism (including existing incentive mechanisms), details of the forecast revenue referable to increments for efficiency gains or decrements for efficiency losses for the next access arrangement period.	10.1 Please refer to Chapter 11.
10.2 Provide, for each proposed incentive mechanism: <ul style="list-style-type: none"> <li>(a) an explanation of the operation of the proposed incentive mechanism;</li> <li>(b) an explanation of the rationale for the proposed incentive mechanism</li> <li>(c) reference to the source documents used to derive exclusions and inclusions to calculate efficiency gains and losses for the next access arrangement period</li> <li>(d) any relevant analyses or reports that support the proposed incentive mechanism.</li> </ul>	10.2 Please refer to Chapter 11.

Table 11: Rate of Return For The Projected Capital Base

RIN Requirement	Response
11.1 The rate of return guideline sets out: <sup>1</sup> <ul style="list-style-type: none"> <li>(a) the AER's proposed positions on the elements for assessing the rate of return including the return on equity and return on debt;</li> <li>(b) the estimation methods, financial models, market data and other evidence that the AER proposes to take into account when estimating the allowed rate of return;</li> <li>(c) the way in which the AER proposes to take into account the estimation methods, financial models, market data or other evidence.</li> </ul> If <i>AGN</i> proposes any departures from the (methods, etc.) referenced in section (a) or (b), provide reasons for this departure.	11.1 Please refer to Chapter 9.
11.2 Provide: <ul style="list-style-type: none"> <li>(a) a description of AGN's actual debt and equity raising costs; and</li> <li>(b) an explanation of the methodology which AGN is proposing for the expenditure required to compensate for debt and equity raising costs.</li> </ul>	11.2 Please refer to Chapter 9.

<sup>1</sup> AER, Better Regulation: Rate of return guideline, December 2013.  
<http://www.AER.gov.au/sites/default/files/AER%20Rate%20of%20return%20guideline%20-%20December%202013.pdf>

Table 12: Provisions

RIN Requirement	Response
12.1 For all provisions specified in regulatory template 21, provide: <ul style="list-style-type: none"> <li data-bbox="167 481 766 515">(a) a detailed definition of the provision;</li> <li data-bbox="167 548 766 616">(b) the reasons for increases to the provision, including:                             <ul style="list-style-type: none"> <li data-bbox="239 649 766 716">(v) any consultant's advice, including actuarial reports; or</li> <li data-bbox="239 750 766 844">(vi) if there is no consultant's advice, identify and provide the process AGN undertook in determining the increase in provisions.</li> </ul> </li> </ul>	12.1 Not applicable.

Table 13: Capital Base

RIN Requirement		Response	
13.1	Provide AGN's roll forward model in support of its access arrangement proposal, including AGN's calculation of the opening and closing capital base for each regulatory year of the current access arrangement period and next access arrangement period.	13.1	Please refer to Chapter 9 and Attachments 1.7 and 1.8.
13.2	If AGN proposes to change the underlying methods in its roll forward model compared with the roll forward model that was approved for the previous access arrangement proposal for the calculation referred to in section 13.1, describe the reasons for the changes.	13.2	Not applicable.
13.3	If the opening value of the capital base as at the start of the next access arrangement period is proposed to be adjusted because of re-use of redundant assets or exclusion of redundant assets, provide details including relevant supporting information used to calculate that adjustment value.	13.3	Not applicable.



Table 14: Depreciation Schedules

RIN Requirement	Response
14.1 Provide AGN's calculation of the depreciation amounts for the relevant distribution system for each regulatory year of: <ul style="list-style-type: none"> <li>(a) the current access arrangement period using AGN's roll forward model;</li> <li>(b) the next access arrangement period using AGN's post-tax revenue model,.</li> </ul>	(a) Please refer to Attachments 1.7 and 1.8.  (b) Please refer to Attachment 1.9.
14.2 If AGN proposes to change the underlying depreciation methods in its roll forward model and post-tax revenue model compared with the roll forward model and post-tax revenue model which were approved for the previous access arrangement proposal for the calculations referred to in 14.1, describe the reasons for the changes.	14.2 Not applicable.
14.3 Identify any changes to standard asset lives for existing asset classes approved for the previous access arrangement proposal. Explain the reason/s for the change and provide relevant supporting information.	14.3 Not applicable.
14.4 For any proposed new asset classes, explain the reason/s for using these new asset classes and provide relevant supporting information on their proposed standard asset lives.	14.4 Not applicable.
14.5 If existing asset classes approved for the previous access arrangement proposal are proposed to be removed and their residual values to be reallocated to other asset classes, explain the reason/s for the change and provide relevant supporting information. This should include a demonstration of the materiality of the change on the forecast depreciation allowance.	14.5 Not applicable.
14.6 Describe the method used to calculate the remaining asset lives for existing asset classes as at 1 January 2018 and provide supporting calculations. This may include calculations to estimate remaining asset lives.	14.6 Please refer to Attachment Attachments 1.7 and 1.8.

Table 15: Corporate Income Tax

RIN Requirement		Response	
15.1	Provide AGN's calculation of the estimated cost of corporate income tax for the next access arrangement period using AGN's post-tax revenue model.	15.1	Please refer to Attachment 1.9.
15.2	Provide a demonstration that the calculation referred to in 13 complies with Rule 87A of the NGR.	15.2	Please refer to Attachment 1.9.
15.3	If AGN proposes to change the underlying methods in its post-tax revenue model compared with the approved post-tax revenue model for the previous access arrangement proposal for the calculations referred to in 135.1, describe the reasons for the changes.	15.3	Not applicable.
15.4	Identify any changes to tax depreciation rates for existing asset classes approved for the previous access arrangement proposal. Explain the reason/s for the change and provide relevant supporting information, including identifying tax laws governing depreciation for tax purposes.	15.4	Not applicable.
15.5	Describe the method used to calculate the tax depreciation rates as at 1 January 2018 and provide supporting calculations, if the approach differs from that in the approved roll forward model for the previous access arrangement proposal.	15.5	Please refer to Attachments 1.7 and 1.8.
15.6	Provide AGN's calculation of the tax asset base for each regulatory year of the current access arrangement period and next access arrangement period using AGN's roll forward model.	15.6	Please refer to Attachments 1.7 and 1.8.
15.7	If AGN proposes to change the underlying methods in its post-tax revenue model compared with the approved post-tax revenue model for the previous access arrangement proposal for the calculations referred to in 15.6 describe the reasons for the changes.	15.7	Not applicable.
15.8	Identify any differences in the capitalisation of expenditure for regulatory accounting purposes and tax accounting purposes. Provide reasons and supporting calculations to reconcile any differences between the two forms of accounts.	15.8	Not applicable.

Table 16: Revenues and Prices For Reference Services

RIN Requirement	Response
16.1 Provide:	
(a) AGN's calculation of the unsmoothed and smoothed revenues, and prices for the purposes of the reference tariff variation mechanism proposed by AGN using AGN's post-tax revenue model.	(a) Please refer to Attachment 1.9.
(b) If AGN proposes to change the underlying methods in its post-tax revenue model compared with the approved post-tax revenue model for the previous access arrangement proposal for the calculations referred to in 16.1(a), describe the reasons for the changes.	(b) Not applicable.

Table 17: Tariffs

RIN Requirement	Response
Total revenue allocation	
17.1 Provide: <ul style="list-style-type: none"> <li>(a) an explanation, including any relevant calculations, of the methods or principles used to allocate relevant cost pools;</li> <li>(b) for rebateable services, a description of the mechanism that AGN will use to apply an appropriate portion of the revenue generated from the sale of rebateable services to price rebates (or refunds) to users of reference services (see Rule 93 of the NGR).</li> </ul>	17.1 Please refer to Chapter 14.
<i>Tariffs – distribution pipelines</i> (see Rule 94 of the NGR)	
17.2 For each tariff, and if it consists of two or more charging parameters, each charging parameter for a tariff class, provide: <ul style="list-style-type: none"> <li>(a) a description of how AGN has taken into account the long run marginal cost for the reference service or, in the case of a charging parameter, for the element of the service to which the charging parameter relates;</li> <li>(b) details of the transaction costs associated with the tariff or each charging parameter;</li> <li>(c) whether customers belonging to the relevant tariff class are able or likely to respond to price signals; and</li> <li>(d) an explanation of the methodology used to allocate costs.</li> </ul>	17.2 Please refer to Chapter 14.
Prudent discounts (see Rule 96 of the NGR)	
17.3 Identify all prudent discounts that AGN proposes for the next access arrangement period and the users to whom they will apply and explain: <ul style="list-style-type: none"> <li>(a) how each prudent discount is necessary to respond to competition or maintain efficient use of the pipeline; and</li> <li>(b) whether, including relevant calculations, reference tariffs would be higher without the</li> </ul>	17.3 Not applicable.

prudent discount than they would be with the prudent discount.

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Table 18: Reference Tariff Variations

RIN Requirement	Response
<i>Reference tariff variation mechanism</i>	
18.1 Provide an explanation of: <ul style="list-style-type: none"> <li>(a) the proposed reference tariff variation mechanism and the basis for any parameters used in the mechanism; and</li> <li>(b) the administrative arrangements for periodic reviews of tariffs including the timing of notifications to the AER.</li> </ul>	18.1 Please refer to Chapter 14.2.
18.2 Identify: <ul style="list-style-type: none"> <li>(a) the possible effects of the proposed reference tariff variation mechanism on AGN's administrative costs and, if known, the administrative costs of users or potential users; and</li> <li>(b) all relevant regulatory arrangements AGN considers applicable to the relevant reference services before the commencement of the proposed reference tariff variation mechanism.</li> </ul>	18.2 Please refer to Attachment 14.2.
Cost pass through mechanism	
18.3 Provide: <ul style="list-style-type: none"> <li>(a) a definition and description of each cost pass through event;</li> <li>(b) an explanation of how each cost pass through event is uncontrollable;</li> <li>(c) an explanation of whether the costs of the cost pass through event are already provided for through the operating expenditure or capital expenditure forecasts, the WACC (events which affect the market generally and not just the provider are systemic risk and already compensated through the WACC), or any other mechanism or allowance; and</li> <li>(d) an explanation of the administrative arrangements for cost pass through events and their relationship to other periodic reviews for other tariff variation mechanisms including the timing of notifications to the AER.</li> </ul>	<ul style="list-style-type: none"> <li><b>(a)</b> Please refer to Section 4.5 of the Access Arrangement.</li> <li><b>(b)</b> Please refer to Attachment 14.2.</li> <li><b>(c)</b> Please refer to Attachment 14.2.</li> <li><b>(d)</b> Please refer to Section 4.5 of the Access Arrangement.</li> </ul>

## 18.4 Identify:

- (a) the materiality threshold AGN proposes for cost pass through events; **(a)** Please refer to Section 4.5 of the Access Arrangement.
  - (b) the possible effects of the proposed cost pass through mechanism on AGN's administrative costs and, if known, the administrative costs of users or potential users; and **(b)** Please refer to Attachment 14.2.
  - (c) all relevant regulatory arrangements AGN considers applicable to the relevant reference services prior to the commencement of the proposed cost pass through mechanism. **(c)** Please refer to Attachment 14.2.
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Table 19: Non-Tariff Components

RIN Requirement	Response
Non-tariff terms and conditions	
19.1 Provide: <ul style="list-style-type: none"> <li>(a) details of any amendments to the non-tariff terms and conditions of the access arrangement that AGN proposes for the next access arrangement period; and</li> <li>(b) for each amendment identified in section 19.117(a), explain the reasons for the proposed amendment.</li> </ul>	19.1 Please refer to Chapter 15.
Queuing requirements	
19.2 Provide details of the process or mechanism for order of priority for spare or developable capacity, (for example, whether it is to be as a first-come-first-served basis or by auction).	19.2 Please refer to Chapter 15.
Capacity trading requirements	
19.3 Identify the rules or procedures AGN must accord with under Rule 105 of the NGR.	19.3 Please refer to Chapter 15.
<i>Extension and expansion requirements (see Rule 104 of the NGR)</i>	
19.4 Provide: <ul style="list-style-type: none"> <li>(a) details of any extension and expansion requirements where that extension and expansion requirement states that the access arrangement will apply to incremental services to be provided as a result of the extension or expansion;</li> <li>(b) details of the effect of those extension or expansion requirements identified in section 14.4(a) on tariffs.</li> </ul>	19.4 Please refer to Chapter 15.
<i>Change of receipt or delivery point by user</i>	
19.5 Explain: <ul style="list-style-type: none"> <li>(a) how users may obtain consent, including identifying any relevant conditions, to change receipt or delivery points as contemplated under Rule 106 of the NGR;</li> </ul>	19.5 Please refer to Section 7.3 of the Access Arrangement.



- (b) where relevant, the technical or commercial considerations and other relevant conditions in the event AGN intends to withhold consent to a change in a receipt or delivery point.
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Table 20: Policies and Procedures

RIN Requirement	Response
<p>20.1 List and provide a brief description of key internal plans, policies, procedures or strategies that are used to plan and conduct AGN's day to day operations and that have been relied upon in the development of the access arrangement proposal. This includes:</p> <p>(a) plans, policies, procedures or strategies applicable to the management, maintenance, and planning of networks, for example - augmentation and planning, cost estimation, asset management, condition monitoring and replacement, operations and maintenance, and demand, energy supply and customer growth forecasting;</p> <p>(b) plans, policies, procedures or strategies applicable to investment decision making and the allocation of costs, for example - risk assessment and management, investment evaluation, prioritisation and options analysis, corporate governance and investment approval, procurement, project management, and cost allocation.</p>	<p>The forecasts and estimates used in our AA Proposal have been subject to a rigorous verification process, the key features of which are summarised in sections 1.4, 7.5 and 8.6 of the AAI.</p> <p>Attachment 5 contains our outsourcing arrangement with APA Asset Management, whose considerable expertise is relied upon to inform this AA Proposal.</p> <p>AGN has also relied on its stakeholder engagement program for South Australia to inform both our AA Proposal and business operations more generally. The stakeholder engagement program is described in Chapter 5 (and associated attachments), Section 7.4 and Section 8.4 of the AAI.</p> <p>The Overarching business plans that have informed our AA Proposal are described in Section 8.5.1 of the AAI, and include the Asset Management Plan, Capacity Management Plan, Mains Replacement Plan and Information Technology plan.</p> <p>Specific business case justifications set out detailed project analysis, including risk assessment and options analysis. The business cases are set out in Attachments 7.1 and 8.6 to the AAI.</p> <p>Given the technical nature of demand, AGN engaged Core Energy to prepare customer number and demand forecasts as part of this AA Proposal. The Core Energy report and model has been provided as Attachments 13.1 and 13.2.</p>
<p>20.2 Identify any internal plans, policies, procedures and strategies that have changed in the current access arrangement period or that will change before the next access arrangement period where the change has had a material impact on forecast expenditures for the next access arrangement period.</p>	<p>The above plans are regularly updated for new information that becomes available to the business.</p>

Table 21: Confidential Information

RIN Requirement		Response	
21.1	If AGN wishes to make a claim for confidentiality over any AGN information, provide the details of that claim in accordance with the requirements of AER's Confidentiality Guideline, <sup>2</sup> as if it extended and applied to that claim for confidentiality.	21.1	Please refer to Attachment 1.12.
21.2	Provide any details of a claim for confidentiality in response to section 21.1 at the same time as making the claim for confidentiality.	21.2	Please refer to Attachment 1.12.
21.3	Confirm, in writing, that AGN consents to the AER disclosing all other AGN information on the AER website.	21.3	Please refer to Attachment 1.12.

<sup>2</sup> AER, Better Regulation: Confidentiality Guideline, November 2013, <http://www.aer.gov.au/sites/default/files/AER%20Confidentiality%20guideline%20-%20November%202013.pdf>

## Appendix A Background to the Pipeline

The RIN specifies:

*For the current access arrangement period for each pipeline service provided by the way of AGN's Victoria and Albury gas distribution system that is not specified as a reference service in AGN's Victoria and Albury access arrangement proposals, provide:*

- a The annual volume of demand in GJ; and*
- b Numbers of users*

Each of AGN's non-reference services are listed in Table A1, with the number of services carried out in each year of the current Access Arrangement Period, so far. As evident from the services listed below, volume data is not relevant for these particular services.

Table A1: Non-Reference Services and Number of Users

Service	2013	2014	2015	2016
Alter meter position	292	215	202	313
Appointment for Special Read - Metro (AM/PM)	1,472	1,748	2,225	2,614
Cross Meter Investigations	-	1	-	-
Disconnect service in street for debt – requiring excavation	37	24	10	83
GSL Rebate	514	329	462	1,020
Incomplete Meter Fix	2,257	2,312	1,424	2,245
No access (gas meter)	3,194	3,883	5,132	4,547
Other	-	-	1	-
Reconnect Service in Street after payment	14	21	12	23
Relocate Service pipe	9	9	18	-
Same Day premium charge	693	931	968	748
Special Disconnection	3	-	-	-
Upgrade Service Request	3	7	1	1
<b>Total</b>	<b>8,488</b>	<b>9,480</b>	<b>10,455</b>	<b>11,593</b>

Note: 2016 numbers are based on 10 months of actual information and 2 months of estimates.

## Appendix B Enterprise Agreement

The relevant Enterprise Agreement can be accessed online here:

<https://www.fwc.gov.au/documents/documents/agreements/fwa/ae416612.pdf>

## Appendix C Deliverability

AGN's ability to deliver its forecast program of work contained within this Access Arrangement Information (AAI) is outlined below.

### Financial Deliverability

The forecasts set out in the capex and opex plans within this Access Arrangement Information (AAI) are consistent with the levels of financing requirements that we have demonstrated an ability to comfortably fund over the past two to three years.

AGN is a well-established issuer in the US Private Placement market, with our most recent issue being a three times oversubscribed. This is consistent with earlier issuances, which are commonly several times oversubscribed.

AGN also has a strong and well established relationship with its banking group, comprising all four Australian major banks and offshore banks.

As part of the Cheung Kong Group, it is evident to AGN that there has been an increased strategic focus on the part of banks (both existing and prospective new relationship banks) to deepen and broaden their provision of funding facilities and related services with AGN.

Furthermore, AGN's debt portfolio is characterised by the issuance of long term debt with a staggered maturity profile over future years that limits refinancing required in any one year. The next debt refinancing is due in the second half of 2018.

## Appendix D      OMA

Please note that this has been provided on a confidential basis to the AER as Supporting Information to this Attachment.