

Attachment 1.7A

Response to Draft Decision:
Submission Document Map

**2016/17 to 2020/21 Access
Arrangement Information
Response to Draft Decision**

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1 Introduction

On 1 July 2015 Australian Gas Networks Limited (AGN) submitted its Access Arrangement (AA) Proposal for its South Australian natural gas distribution network (the Network) to the Australian Energy Regulator (AER). This Initial AA Proposal consisted of two primary documents:

1. The AA Document – which set out the terms and conditions under which AGN offers access to the Network; and
2. The Access Arrangement Information (AAI) Document – which provided background and supporting information underpinning the AA Document.

The AAI itself was supported by a series of Attachments as well as other supporting material.

On 26 November 2015 the AER released its Draft Decision on AGN's AA Proposal, which required certain amendments to be made to the 1 July 2015 proposal. On 6 January 2016, AGN submitted its Revised AA Proposal addressing those issues raised in the AER Draft Decision. This Revised AA Proposal includes:

- all of the documents provided in the July 2015 submission (for the purposes of brevity and clarity, these documents are not attached, as they have already been provided to the AER); and
- the additional documents provided as part of this January 2016 Revised AA Proposal.

This Attachment provides a submission document map highlighting which elements of AGN's Initial AA Proposal have been revised in response to the AER's Draft Decision.

2 Structure of the Revised AA Proposal

As outlined in Section 1, AGN's Revised AA Proposal consists of all the documents provided as part of the original submission as well as additional documents specifically responding to the AER's Draft Decision. More specifically, the structure of the Revised AA Proposal is as follows:

- a revised Response AAI Document (this document) setting out a revised Foreword from the CEO, Preface, List of Attachments and Executive Summary;
- attachments to the Revised AAI Document:
 - responses to the AER Draft Decision are set out in attachments to this Revised AAI and prefaced with the words 'Response to the Draft Decision' in the title;
 - all information contained in these attachments supersedes information previously provided to the extent that there is any conflict; and
- a Revised AA (including the Terms and Conditions) with any changes marked-up.

3 Submission Document Map

AGN has developed a submission document map relating to the Revised Proposal (Figure 1) to provide a high-level graphical summary of the various components of the Proposal and the relationships of the Revised Proposal to the original Proposal, as such:

- acronyms have not been defined in the map itself, however, a list of acronyms is provided at the start of the AAI; and

- attachment names are not provided in full, however, a list of attachments is provided at the start of the AAI.

As outlined in Section 2, AGN's Revised AA Proposal consists of all the documents provided as part of the original submission as well as additional documents which specifically respond to the AER's Draft Decision. It is noteworthy however, that the Revised AA Proposal document map provided in Figure 1 only depicts new attachments submitted for the first time as part of the Revised AAI and the original attachments (as per the 1 July submission) which have been updated in response to the Draft Decision.

Furthermore, it is noteworthy that red text is used in Figure 1 to specifically highlight which documents were submitted to the AER on 6 January 2016 as AGN's Revised AA Proposal.

For completeness, the submission document map relating to AGN's Initial AA Proposal is provided in Figure 2.

FIGURE 1: SUBMISSION DOCUMENT MAP FOR THE REVISED AA PROPOSAL

Revised Access Arrangement Document																		
1. Introduction	2. Services	3. Reference Tariffs	4. Reference Tariff Policy – General	5. Reference Tariff Policy – Incentive Mechanisms	6. Terms & Conditions	7. Capacity Trading	8. Network Extensions and Expansions	9. Review of the Access Arrangement	10. Glossary	Annexure A: Network Map	Annexure B: Tariff Schedule	Annexure C: Map – Regions of Network	Annexure D: Map – Tariff Zones	Annexure E: Reference Tariff Control Formulae	Annexure F: Specific Terms and Conditions	Annexure G: General Terms and Conditions†	Annexure H: Heating Value Zones	
Revised Access Arrangement Information																		
Preface		Part A – Background				Part B – Our Proposal	Part C – Derivation of Total Revenue							Part D – Derivation of Reference Tariffs			Part E – Other	
Foreword from the CEO	Executive Summary	1. Introduction	2. Business Overview	3. Stakeholder Engagement	4. Past Performance	5. What we will Deliver	6. Pipeline Services	7. Operating Expenditure	8. Capital Expenditure	9. Regulatory Asset Base	10. Rate of Return	11. Cost of Tax	12. Incentive Arrangements	13. Total Revenue	14. Demand Forecasts	15. Reference Tariffs	16. Tariff Variation Mechanisms	17. Non-Tariff Components
AAI Attachments:		Roll Forward Model					Response to Draft Decision: Pipeline Services	Business Cases (opex and capex)*	Capex Forecast Model	Response to Draft Decision: Regulatory Asset Base	Response to Draft Decision: Averaging Period*	Response to Draft Decision: Cost of Tax	Response to Draft Decision: Incentive Arrangements	Response to Draft Decision: Total Revenue	Response to Draft Decision: Demand Forecasts	Response to Draft Decision: Reference Tariffs	Response to Draft Decision: Tariff Variation Mechanism	Marked-up Terms & Conditions
		Post Tax Revenue Model						Opex Forecast Model	Response to Draft Decision: Capex	Response to Draft Decision: Inflation	Response to Draft Decision: Rate of Return	The Appropriate use of Tax Statistics when Estimating Gamma						Response to Draft Decision: Non Tariff Components
		AER Gas Price Review						Response to Draft Decision: Opex	Response to Draft Decision: Mains Replacement	Measuring Expected Inflation for the PTRM	Curve Testing and Selecting Averaging Periods							
		Submission Document Map						UAFG Forecast*	Mains Replacement Program Review	Response to Draft Decision: Financeability	Critique of the AER's Approach to Transition							
		Confidentiality Claims						Opex versus Capex Classification	IT Cost Benchmarking	Credit Profile Implications	Criteria for Assessing Fair Value Curves							
								Labour Cost Escalation: Choosing Between AWOTE and LPI	Safety, Reliability, Maintenance and Technical Management Plan	Assessing Financeability for a Benchmark Regulated Business	Critique of AER Analysis of New Issue Premium							
								Labour Cost Escalation	Risk Prioritisation Model*		Updated Estimate of the Required Return on Equity							
								Opex Productivity Gas Distribution Industry	Cost Impact Analysis		Response to AER's Draft Decision							
								Opex Partial Productivity Forecasts	Ferguson Affidavit		Relationship Between Government Bond Yields & the MRP							
									Review of the Iron Mains Replacement		Required ROE Under a Foundation Model Approach							
									Emails Relating to Unit Rates		Estimating Equity Beta for the Benchmark Efficient Entity							

Document titles in red text were submitted to the AER as part of AGN's Revised AA Proposal
 Grey shaded cells have been drafted by AGN
 Blue shaded cells have been drafted by third-party consultants
 † Annexure is provided as a separate document to the AA Document
 * Attachments are confidential
 - Attachments have supporting information that has been provided to the AER

FIGURE 2: SUBMISSION DOCUMENT MAP AS PER AGN'S INITIAL AA PROPOSAL (1 JULY 2015)

Customer Overview Document																		
Access Arrangement Document																		
1. Introduction	2. Services	3. Reference Tariffs	4. Reference Tariff Policy – General	5. Reference Tariff Policy – Incentive Mechanisms	6. Terms & Conditions	7. Capacity Trading	8. Network Extensions and Expansions	9. Review of the Access Arrangement	10. Glossary	Annexure A: Network Map	Annexure B: Tariff Schedule	Annexure C: Map – Regions of Network	Annexure D: Map – Tariff Zones	Annexure E: Reference Tariff Control Formulae	Annexure F: Specific Terms and Conditions	Annexure G: General Terms and Conditions†	Annexure H: Heating Value Zones	
Access Arrangement Information																		
Preface		Part A – Background				Part B – Our Proposal	Part C – Derivation of Total Revenue							Part D – Derivation of Reference Tariffs			Part E – Other	
Foreword from the CEO	Executive Summary	1. Introduction	2. Business Overview	3. Stakeholder Engagement	4. Past Performance	5. What we will Deliver	6. Pipeline Services	7. Operating Expenditure	8. Capital Expenditure	9. Regulatory Asset Base	10. Rate of Return	11. Cost of Tax	12. Incentive Arrangements	13. Total Revenue	14. Demand Forecasts	15. Reference Tariffs	16. Tariff Variation Mechanisms	17. Non-Tariff Components
		RIN Template*	Little Affidavit*	Log of Documents on Stakeholder Website	Productivity Performance of AGN	Updating the Profile of Prices		Business Cases (opex and capex)*	Asset Management Plan	Measuring Expected Inflation for the PTRM	Rate of Return	Post Tax Revenue Model Methodology		Prudent Discount Summary*	Demand Forecasting Report	Cost Allocation Model*		Marked-up Terms & Conditions
		RIN Index*	Cain Affidavit*	Scoping Paper	Benchmarking AGN's Opex and Capex		AGN Insurance*	Mains Replacement Plan*			Averaging Period*	Value of Imputation Credits			Demand Forecast Model*			Retailer Reference Group Feedback
		CEO Statutory Declaration*	Ferguson Affidavit*	Log of External Engagement Activities			Unaccounted for Gas	Capacity Management Plan			23 separate attachments as listed in Table 1	An Appropriate Regulatory Estimate of Gamma			Weather Normalisation Model*			
		Roll Forward Model	Benchmark Study of Contractor Profit Margins	External Engagement Meeting Summaries			Incremental Cost per Customer	IT Plan			Secondary Supporting Material*	Estimating Gamma for Regulatory Purposes			Dwelling Forecast Methodology			
		Post Tax Revenue Model		Stakeholder Engagement Strategy			Real Cost Escalation Forecasts	Materials and Services Contracting Regime*				An Appropriate Regulatory Estimate of Gamma						
		AER Gas Price Review Report		South Australian Stakeholder Engagement Strategy			Recommendations for Methodology for Forecasting WPI	Unit Rates**				Working Paper						
		Submission Document Map		Workshop Presentation			Opex Forecast Model	Gas Measurement Plan				Estimating Distribution and Redemption Rates						
		Confidentiality Claims		Fact Sheets				Capex Forecast Model				Updated Estimate of Theta						
				Deloitte Stakeholder Insights Report								Estimating Distribution and Redemption Rates						
				Jurisdictional Service Standards Review														
				Insights and Implementation Report														

AAI Attachments:

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 † Attachments have supporting information that has been provided to the AER

TABLE 1: LIST OF THIRD-PARTY ATTACHMENTS RELATED TO CHAPTER 10 IN THE ORIGINAL AA PROPOSAL

Attachment Number	Attachment Name
10.3	SFG Consulting – The Required Return on Equity for Regulated Gas and Electricity Network Businesses
10.4	SFG Consulting – The Required Return on Equity for the Benchmark Efficient Entity
10.5	SFG Consulting – The Foundation Model Approach of the Australian Energy Regulator to Estimating the Cost of Equity
10.6	SFG Consulting – Using the Fama-French Model to Estimate the Required Return on Equity
10.7	SFG Consulting – Share Prices, the Dividend Discount Model and the Cost of Equity for the Market and a Benchmark Energy Network
10.7A	SFG Consulting – Equity beta, Report for Jemena Gas Networks, ActewAGL and Networks NSW
10.8	SFG Consulting – Beta and the Black Capital Asset Pricing Model
10.9	NERA – Historical Estimates of the Market Risk Premium
10.10	NERA – Review of the Literature in Support of the SL CAPM, the Black CAPM and the Fama French Three Factor Model
10.11	Incenta Economic Consulting – Further Update on the Required Return on Equity from Independent Expert Reports
10.12	NERA – Empirical Performance of Sharpe-Lintner and Black CAPMs
10.13	Frontier Economics – Review of the AER's Conceptual Analysis for Equity Beta
10.14	Frontier Economics – An Updated Estimate of the Required Return on Equity, Report Prepared for Australian Gas Networks
10.15	Letter from Grant Samuel & Associates Pty Limited (Grant Samuel) to the Directors of Transgrid; 12 January 2015
10.16	Frontier Economics – Key Issues in Estimating the Return on Equity for the Benchmark Efficient Entity
10.17	NERA – The Cost of Equity: Response to the AER's Final Decision for the NSW and ACT Electricity Distributors and for Jemena Gas Networks
10.18	NERA – Further Assessment of the Historical MRP: Response to the AER's Final Decision for the NSW and ACT Electricity Distributors
10.19	Witness statement of Dr Robert Malko
10.20	Witness statement of Ronald L Knect
10.21	Incenta Economic Consulting – Debt Raising Transaction Costs – Updated Report – Jemena
10.22	CEG – The Hybrid Method for the Transition to the Trailing Average Rate of Return on Debt, Assessment and Calculations for AGN
10.23	CEG – Efficient Use of Interest Rate Swaps to Manage Interest Rate Risk
10.24	CEG – The New Issue Premium