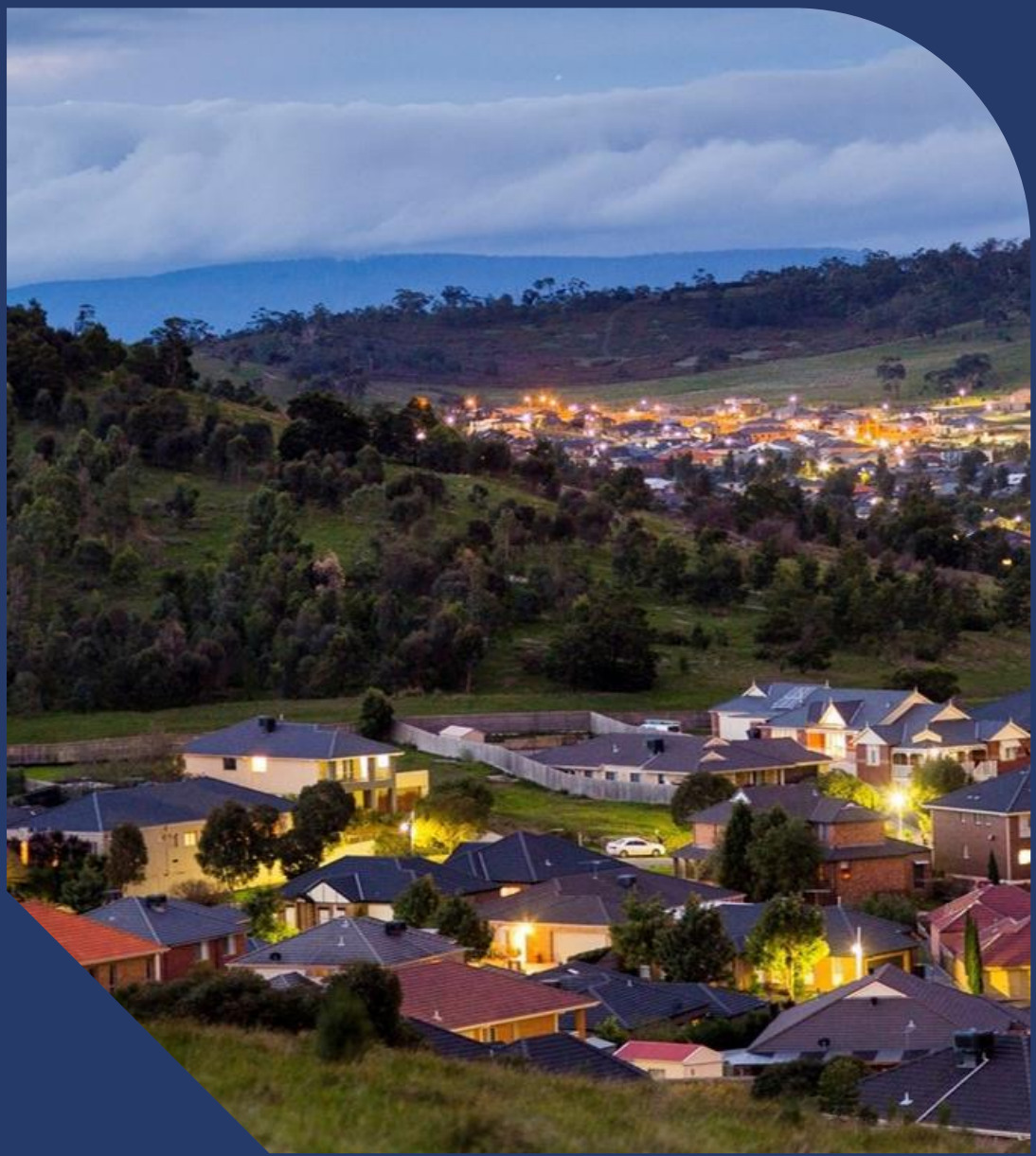
AusNet

Gas Access Arrangement 2024-28

Part B of the Access Arrangement for the Distribution System

Reference Tariffs and Reference Tariff Policy

~~Friday, 1 July 2022~~Tuesday, 24 January 2023



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1. Haulage reference tariffs

1.1. Haulage reference tariffs

(a) Haulage Reference Tariffs for 2023

For Regulatory Year 2023-24, the Haulage Reference Tariffs to apply from 1 July 2023 are the tariffs set out in clause 9 adjusted to comply with the Tariff Control Formula and Rebalancing Control Formula in clause 3 and verified by the Regulator as if clause 4 applied (but for the timing requirements of clause 4.1).

(b) Introduction of new Haulage Reference Tariffs

(1) The Service Provider may develop one or more new Haulage Reference Tariffs for application to Users in certain circumstances, providing that any new Haulage Reference Tariff is consistent with the Service Provider's Reference Tariff Policy, as set out in clause 6.

(2) The Service Provider is required to notify the Regulator in writing of its intent to introduce new Haulage Reference Tariffs or new Haulage Reference Tariff Components at least 60 Business Days prior to the date on which it wishes the new Haulage Reference Tariffs to commence.

(c) No Meter

A Distribution Supply Point which does not have a Meter is assigned to Haulage Reference Tariff V, unless otherwise agreed between the Service Provider and the relevant User to whom Reference Services are provided at that Distribution Supply Point.

(d) Distribution Area

The Haulage Reference Tariffs apply to the Distribution System within the Service Provider's Distribution Area. The Distribution Area is divided into four zones as detailed in clause 9.

1.2. Application of Haulage Reference Tariffs

(a) Assigned Haulage Reference Tariffs

Where the Service Provider is charging a particular Haulage Reference Tariff in respect of Supply at a particular Distribution Supply Point, then the User at that Distribution Supply Point is to be regarded as being "assigned" to that Haulage Reference Tariff.

(b) Haulage Reference Tariffs for existing Distribution Supply Points

Unless a new Haulage Reference Tariff has been reassigned to a Distribution Supply Point, the Haulage Reference Tariff to apply to a Distribution Supply Point from 1 July 2023 is deemed to be the Haulage Reference Tariff assigned to that Distribution Supply Point as at 30 June 2022.

(c) Haulage Reference Service provided at a Distribution Supply Point

The Haulage Reference Service provided at a particular Distribution Supply Point is the Haulage Reference Service in respect of which there is a specified Haulage Reference Tariff which is assigned at that Distribution Supply Point.

1.3. Assignment of New Haulage Reference Tariffs and New Haulage Reference Tariff Components

(a) Change in volume of gas consumed

If, after the initial assignment of a Haulage Reference Tariff to a Distribution Supply Point, the Service Provider becomes aware that:

(1) the Quantity of Gas withdrawn at that Distribution Supply Point has changed; or

(2) the User's Customer at that Distribution Supply Point has changed or will change; or

(3) the User's Customer at that Distribution Supply Point has changed or will change from being a Residential Customer to a Non-Residential ~~Commercial~~ Customer; or

(4) the User's Customer at that Distribution Supply Point has changed or will change from being a Commercial Customer to a Residential Customer,

so that the Haulage Reference Tariff should no longer be assigned to the Distribution Supply Point to which it is currently assigned, the Service Provider may reassign an alternative Haulage Reference Tariff to that Distribution Supply Point.

(b) Change in demand or Connection characteristics

If the Service Provider believes that an User's demand characteristics or Connection characteristics (or both) have changed such that it is no longer appropriate for that User's Distribution Supply Point to be assigned to the Haulage Reference Tariff to which the User's Distribution Supply Point is currently assigned, then the Service Provider may reassign an alternative Haulage Reference Tariff to that Distribution Supply Point.

(c) Factors to be considered by the Service Provider

In determining the assignment of a Haulage Reference Tariff to a Distribution Supply Point the Service Provider will take into account:

(1) the User's demand and Connection characteristics; and

(2) the Haulage Reference Tariffs assigned to Distribution Supply Points with the same or materially similar demand and Connection characteristics.

(d) Notification of proposed reassignment of Haulage Reference Tariff

If, after 1 July 2023, the Service Provider becomes aware that a Haulage Reference Tariff assigned to a Distribution Supply Point should be a different Haulage Reference Tariff, the Service Provider will advise the relevant User accordingly, prior to the reassignment occurring, unless otherwise agreed.

(e) Terms and Conditions for new and changed Distribution Supply Points

If a new Haulage Reference Tariff is assigned to a Distribution Supply Point or there is a change of User at a Distribution Supply Point, the Service Provider will supply to the relevant User, as soon as practicable after a request from that User, the terms and conditions which will apply to the relevant User at that Distribution Supply Point, and the Haulage Reference Tariff that is assigned to that Distribution Supply Point.

(f) Notification by User regarding a different Haulage Reference Tariff

Where a User receives notice under clause 1.3(d) that a Haulage Reference Tariff assigned to a Distribution Supply Point should be a different Haulage Reference Tariff, the different Haulage Reference Tariff will be assigned to that Distribution Supply Point unless the User submits a written and reasonable request to the Service Provider to remain on the original Haulage Reference Tariff and the Service Provider approves the request.

(g) Time period for reassignment

When introducing a new Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will assign the new Haulage Reference Tariff and/or Haulage Reference Tariff Component to the relevant Distribution Supply Point within 30 Business Days of the earlier of:

(1) the receipt of a written notice that the Regulator has verified the Service Provider's proposed introduction of a new Haulage Reference Tariff and/or Haulage Reference Tariff Component; and

(2) the date which is 20 Business Days from the date on which the Regulator received the Service Provider's notification under clause 4.1(c).

(h) Assignment to Haulage Reference Tariff D or Haulage Reference Tariff M

Where a Haulage Reference Tariff D or Haulage Reference Tariff M is assigned to a Distribution Supply Point, that Haulage Reference Tariff shall apply to that Distribution Supply Point for a minimum period of one year.

(i) Additional information required for new Haulage Reference Tariffs and new Haulage Reference Tariff Components

Where the Service Provider is proposing to introduce a new Haulage Reference Tariff or a new Haulage Reference Tariff Component, the Service Provider will submit the following information to the Regulator, at the same time that it submits its Haulage Reference Tariff proposals, and in addition to the information required under clause 4.3:

(1) a parent Haulage Reference Tariff(s), which is the Haulage Reference Tariff(s) currently assigned to those Distribution Supply Points to which the new Haulage Reference Tariff is proposed to apply;

(2) reasonable estimates of the Quantities that would have been distributed in relevant units if the new Haulage Reference Tariff Components had existed in the Regulatory Year immediately prior to the current Regulatory Year for each new Haulage Reference Tariff Component; and

(3) reasonable estimates of the Quantities that would have been distributed in relevant units if the new Haulage Reference Tariff Components had existed in the Regulatory Year immediately prior to the current Regulatory Year for each Haulage Reference Tariff Component of the parent Haulage Reference Tariff(s).

(j) Switching rates

Where the Service Provider submits information to the Regulator that the switching rate of Users moving from a given parent Haulage Reference Tariff to a new Haulage Reference Tariff will continue to be above zero from Regulatory Year to Regulatory Year, the Service Provider will also submit the following information:

(1) the Quantities distributed in relevant units at the relevant Distribution Supply Point where the new Haulage Reference Tariff is already assigned to that Distribution Supply Point;

(2) reasonable estimates of the Quantities distributed in relevant units at those Distribution Supply Points at which the same new Haulage Reference Tariff is expected to apply during the course of the next Regulatory Year; and

(3) the Quantities distributed in relevant units at those Distribution Supply Points at which the parent Haulage Reference Tariff continues to apply.

(k) Details of estimates

The Service Provider will provide details of and the basis for all estimates provided under clauses 1.3(i) and (j) to the Regulator, including (but not limited to) the information in clause 1.3(e).

(l) Resubmission of estimates

The Regulator can request that the Service Provider resubmit ~~a~~Quantity estimates provided under clauses 1.3(i) and (j) where the Regulator considers the estimates to be incomplete, inconsistent or unsubstantiated. The Regulator must provide reasons for requesting such a resubmission.

(m) Timing of information

The elapsed time between the Regulator requesting that the Service Provider provide additional information under clause 1.3(l), and the Service Provider providing that information to the Regulator does not count towards the 20 Business Days under clause 1.3(g)(2).

1.4. Withdrawal of Haulage Reference Tariffs

(a) Withdrawal of Haulage Reference Tariff

When proposing the withdrawal of an existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will reassign alternative Haulage Reference Tariffs to all relevant Distribution Supply Points within 30 Business Days of the earlier of:

(1) the receipt of a written notice that the Regulator has verified the Service Provider's proposed withdrawal of the existing Haulage Reference Tariff and/or Haulage Reference Tariff Component; and

(2) the date which is 20 Business Days from the date on which the Regulator received the Service Provider's notification under clause 4.1(c).

(b) Notification of withdrawal of Haulage Reference Tariff

Prior to the withdrawal of the existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will as soon as practicable notify all affected Users in writing.

(c) Additional information to be provided to Regulator

When the Service Provider proposes to withdraw a Haulage Reference Tariff, in addition to the information required under clause 4.3, the Service Provider will:

(1) notify the Regulator in writing of the Haulage Reference Tariffs that will replace the withdrawn Haulage Reference Tariffs;

(2) where Haulage Reference Tariffs will be reassigned to more than one Distribution Supply Point in Regulatory Year t, provide a breakdown of the actual Quantities, in relevant units, that were distributed under each existing Haulage Reference Tariff Component to these Users under the existing parent Haulage Reference Tariffs in Regulatory Year t-2; and

(3) where Haulage Reference Tariffs have been reassigned to more than one Distribution Supply Point in Regulatory Year t-1, provide a breakdown of the actual Quantities, in relevant units, that were distributed to these Users under each Haulage Reference Tariff Component which existed immediately prior to the reassignment under the parent Haulage Reference Tariffs that previously existed in Regulatory Year t-1.

1.5. Application of Haulage Reference Tariffs

(a) The ~~distribution business~~ Service Provider will prepare and publish a public Tariff Report, by 1 September of each Regulatory Year. The Tariff Report should contain sufficient information to enable ~~distribution c~~Customers to understand the basis for the tariff policies adopted by the ~~distribution business~~Service Provider.

(b) The Tariff R~~r~~eport:

(1) will be submitted to the Regulator 60 ~~b~~Business ~~d~~Days prior to the end of the Regulatory Year where the Service Provider proposes to introduce new Haulage Reference T~~t~~ariffs or amend tariff structures in the subsequent Regulatory Year;

(2) will be submitted to the Regulator 35 ~~b~~Business ~~d~~Days prior to the end of the Regulatory Year where the Service Provider does not propose to introduce new Haulage Reference T~~t~~ariffs or amend tariff structures in the subsequent Regulatory Year.

2. Ancillary Reference Tariffs

2.1. Existing Ancillary Reference Tariffs

The Ancillary Reference Tariffs for Ancillary Reference Services that will apply from 1 July 2023 are set out in clause 10.

2.2. Adjustments to Ancillary Reference Tariffs

(a) From 1 July 2024 the Service Provider will make annual adjustments to the Ancillary Reference Tariffs in accordance with the formulae below. For the avoidance of doubt, Ancillary Reference Tariffs are not adjusted in accordance with the Tariff Control Formula or ~~r~~the Rebalancing ~~c~~Control ~~f~~Formula in clause 3.

(b) The Ancillary Reference Tariff Control Formula for the Regulatory Year 2024-25 to Year 2027-28 is:

$$ART_t = ART_{t-1} \times (1 + \Delta CPI_t)$$

where:

ART_t is the Ancillary Reference Tariff that applies in Regulatory Year *t*.

ART_{t-1} is the Ancillary Reference Tariff that applies in Regulatory Year *t*-1.

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2 to the December quarter in Regulatory Year *t*-1, calculated using the following method:

The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-1

divided by

the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2 minus 1.

If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the Regulator considers is the best available alternative index.

3. Haulage Reference Tariff Control Formula

(a) The Tariff Control Formula comprises the principles, procedures and formulae, which apply during the Sixth Access Arrangement Period for:

(1) varying;

(2) withdrawing; and

(3) introducing new,

Haulage Reference Tariffs.

(b) For the avoidance of doubt, the Tariff Control Formula and the Rebalancing Control Formula do not apply to Ancillary Reference Tariffs.

(c) Whenever the Service Provider proposes to vary, withdraw or introduce any new Haulage Reference Tariff, it will ensure that the proposed charge will be compliant with the relevant Tariff Control Formula set out in clause 3.1 and with the relevant Rebalancing Control Formula in clause 3.6 to the reasonable satisfaction of the Regulator, and it will comply with the procedures set out in clause 4.

3.1. Tariff Control Formula

3.1.1. Tariff Control Formula

(a) The Tariff Control Formula adopted is consistent with the tariff basket form of price control.

(b) The Tariff Control Formula is:

$$(1 + \Delta CPI_t)(1 - X_t)(1 + CL_t)(1 + PT_t) \geq \frac{\sum_{i=1}^{n}\sum_{j=1}^{m} p_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} q_{t-2}^{ij}}$$

where the Service Provider has *n* Haulage Reference Tariff categories, each category having up to *m* Haulage Reference Tariff Components and where:

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2 to the December quarter in Regulatory Year *t*-1, calculated using the following method:

The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-1

divided by

the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2

minus 1.

If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the Regulator considers is the best available alternative index.

t is the Regulatory Year for which tariffs are being set.

X_t is the X factor for each year of the Sixth Access Arrangement Period as determined in the PTRM as approved in the full access arrangement decision, and annually revised for the Return on Debt Update calculated for the relevant year in accordance with that approved in the full access arrangement decision.

$C\text{~~L~~}_t$ is the C factor or Safeguard Mechanism ~~Licence Fee~~ Factor for Regulatory Year *t*, as defined below.

PT_t is the cost pass through adjustment factor for Regulatory Year *t* as calculated in accordance with clause 3.1.3.

n is the number of different Haulage Reference Tariffs.

m is the different components, elements or variables ("components") comprised within a Haulage Reference Tariff.

p_t^{ij} is the proposed component *j* of Haulage Reference Tariff *i* in Regulatory Year *t*.

p_{t-1}^{ij} is the prevailing component *j* of Haulage Reference Tariff *i* in Regulatory Year *t*-1.

q_{t-2}^{ij} is the audited Quantity of Haulage Reference Tariff Component *j* of Haulage Reference Tariff *i* that was sold in Regulatory Year *t*-2.

~~**The Licence Fee Factor is:**~~

~~*L* is the Licence Fee pass through adjustment to the Distribution price control in Regulatory Year *t* for the Service Provider as determined below. For the purpose of this formula Licence Fee includes annual fees paid to Energy Safe Victoria.~~

~~The Licence Fee Factor pass through adjustment L_t, for the Service Provider is:~~

$$\text{~~}1 + L_t = \frac{(1 + L_t^{\prime})}{(1 + L_{t-1}^{\prime})}\text{~~}$$

~~where:~~

~~If Regulatory Year *t* is 2023-24:~~

$$\text{~~}L_t^{\prime} = \frac{If_{t-1}\left(1 + pretaxWACC_D\right)^{\frac{3}{2}}(1 + CPI_t)^{\frac{3}{2}}}{(1 + CPI_t)(1 - X_t)(1 + PT_t)(1 - PT_{t-1})\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} q_{t-2}^{ij}}\text{~~}$$

~~If Regulatory Year *t* is 2024-25 to 2027-28:~~

$$\text{~~}L_t^{\prime} = \frac{If_{t-1}\left(1 + pretaxWACC_D\right)^{\frac{3}{2}}(1 + CPI_t)^{\frac{3}{2}}}{(1 + CPI_t)(1 - X_t)(1 + PT_t)\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} q_{t-2}^{ij}}\text{~~}$$

~~$L_{t-1}^{\prime}$ if Regulatory Year *t* is the Regulatory Year ending 30 June 2024, is the value zero; and~~

~~if Regulatory Year *t* is after the Regulatory Year ending 30 June 2024, is the value of the $L_t^{\prime}$ determined in Regulatory Year *t*-1.~~

~~If_{t-1} is the Licence Fee paid by the Service Provider for the Financial Year ending June of the Regulatory Year *t*-1.~~

The Safeguard Mechanism Factor is:

C is the Safeguard Mechanism adjustment to the Distribution price control in Regulatory Year *t* for the Service Provider as determined below. For the purpose of this formula the Safeguard amount includes all costs incurred in meeting the Safeguard mechanisms set out in the *National Greenhouse and Energy Reporting Act 2007.*

Calculation of the Safeguard Mechanism factor:

The Safeguard Mechanism Factor C_t, for the Service Provider is:

$$1 + C_t = \frac{(1 + C_t^{\prime})}{(1 + C_{t-1}^{\prime})}$$

where:

If Regulatory Year *t* is 2023-24:

$$C'_t = \frac{cf_{t-1}(1 + realWACC_t)^{\frac{3}{2}}(1 + CPI_t)^{\frac{3}{2}} + \Delta cf_{t-2}(1 + realWACC_{t-1})(1 + realWACC_t)^{\frac{3}{2}}(1 + CPI_{t-1})(1 + CPI_t)^{\frac{3}{2}}}{(1 + CPI_t)(1 - X_t)(1 + PT_t)(1 - PT_{t-1})\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} q_{t-2}^{ij}}$$

If Regulatory Year *t* is 2024-25 to 2027-28:

$$C'_t = \frac{cf_{t-1}(1 + realWACC_t)^{\frac{3}{2}}(1 + CPI_t)^{\frac{3}{2}} + \Delta cf_{t-2}(1 + realWACC_{t-1})(1 + realWACC_t)^{\frac{3}{2}}(1 + CPI_{t-1})(1 + CPI_t)^{\frac{3}{2}}}{(1 + CPI_t)(1 - X_t)(1 + PT_t)\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} q_{t-2}^{ij}}$$

C'_{t-1} if Regulatory Year *t* is the Regulatory Year ending 30 June 2024, the value is zero; an

if Regulatory Year *t* is after the Regulatory Year ending 30 June 2024, is the value of the C_t determined in Regulatory Year *t*-1.

cf_{t-1} is the estimate of the Safeguard mechanism costs incurred by the Service Provider for the Financial Year ending June of the Regulatory Year *t*-1.

Δcf_{t-2} is the actual Safeguard mechanism cost for ~~a~~Regulatory ~~y~~Year *t*-2 less the estimated Safeguard mechanism cost for ~~a~~Regulatory ~~y~~Year *t*-2. For the avoidance of doubt, the estimated Safeguard mechanism cost for ~~a~~Regulatory ~~y~~Year *t*-2 is the same as cf_{t-1} determined for ~~a~~Regulatory ~~y~~Year *t*-1

$realWACC_t$ is the real vanilla weighted average cost of capital as set out in this final decision and updated annually within the PTRM for ~~a~~Regulatory ~~y~~Year *t*

$realWACC_{t-1}$ is the real vanilla weighted average cost of capital as set out in this final decision and updated annually within the PTRM for ~~a~~Regulatory ~~y~~Year t-1.

3.1.2. Return on Debt Update

(a) Overview

The Return on Debt Update is the update to the annual return on debt component of the rate of return included in the PTRM at the time the Regulator made its final decision for the Sixth Access Arrangement Period and is determined in accordance with paragraphs (b) to (e) of this clause 3.1.2. The Averaging Period for each Regulatory Year of the Sixth Access Arrangement Period must be used for the purposes of calculating the annual return on debt observation for that year.

(b) Calculating the return on debt[1]

The annual update of the return on debt component of the rate of return in each Regulatory Year of the Sixth Access Arrangement Period, starting from 1 July 2023, is to be calculated as follows:

For Regulatory Year 2023-24: $kd_{2023-24} = (0.45 \cdot R_{2018}) + (0.1 \cdot R_{2019}) + (0.1 \cdot R_{2020}) + (0.1 \cdot R_{2021}) + (0.1 \cdot R_{2022}) + (0.05 \cdot R_{HY2023}) + (0.1 \cdot R_{2023-24})$

For Regulatory Year 2024-25: $kd_{2023~~4~~-245} = (0.35 \cdot R_{2018}) + (0.1 \cdot R_{2019}) + (0.1 \cdot R_{2020}) + (0.1 \cdot R_{2021}) + (0.1 \cdot R_{2022}) + (0.05 \cdot R_{HY2023}) + (0.1 \cdot R_{2023-24}) + (0.1 \cdot R_{2024-25})$

For Regulatory Year 2025-26: $kd_{2023~~5~~-246} = (0.25 \cdot R_{2018}) + (0.1 \cdot R_{2019}) + (0.1 \cdot R_{2020}) + (0.1 \cdot R_{2021}) + (0.1 \cdot R_{2022}) + (0.05 \cdot R_{HY2023}) + (0.1 \cdot R_{2023-24}) + (0.1 \cdot R_{2024-25}) + (0.1 \cdot R_{2025-26})$

For Regulatory Year 2026-27: $kd_{2023~~6~~-247} = (0.15 \cdot R_{2018}) + (0.1 \cdot R_{2019}) + (0.1 \cdot R_{2020}) + (0.1 \cdot R_{2021}) + (0.1 \cdot R_{2022}) + (0.05 \cdot R_{HY2023}) + (0.1 \cdot R_{2023-24}) + (0.1 \cdot R_{2024-25}) + (0.1 \cdot R_{2025-26}) + (0.1 \cdot R_{2026-27})$

For Regulatory Year 2027-28: $kd_{2023~~7~~-248} = (0.05 \cdot R_{2018}) + (0.1 \cdot R_{2019}) + (0.1 \cdot R_{2020}) + (0.1 \cdot R_{2021}) + (0.1 \cdot R_{2022}) + (0.05 \cdot R_{HY2023}) + (0.1 \cdot R_{2023-24}) + (0.1 \cdot R_{2024-25}) + (0.1 \cdot R_{2025-26}) + (0.1 \cdot R_{2026-27}) + (0.1 \cdot R_{2027-28})$

where:

kd_t is the annual return on debt for Regulatory Year *t* of the Sixth Access Arrangement P~~p~~eriod.

[1] Return on debt formula is based off the return on debt trailing average portfolio calculation from the Rate of Return (RORI) 2018. This may updated when the next RORI ~~2022~~ has been finalised in early ~~late 2022~~2023.

R_t is the annual return on debt observation for each Regulatory Year *t* of the Sixth Access Arrangement ~~p~~Period calculated in accordance with paragraph (c) below, other than Regulatory Year 2018. For Regulatory Year 2018, R_{2018} is 5.04 per cent.

(c) Calculation of the annual return on debt observation

(1) Overview

(A) The return on debt observation for each Regulatory Year is calculated by automatic application of the following formula. This requires three steps:

Step 1: Calculate the adjusted RBA estimate.

Step 2: Calculate the adjusted BVAL estimate.

Step 3: Calculate the final estimate, where the RBA and BVAL estimates are combined using an arithmetic average.

(B) The steps in paragraph (c)(1) reflect the approach used by the Regulator to determine the return on debt included in the PTRM at the time the Regulator made its final decision for the Sixth Access Arrangement Period. In the event that data availability changes during the Access Arrangement Period, the formula below will change to reflect the contingencies set out in the Regulator's ~~f~~Final~~inal d~~ Decision for the Sixth Access Arrangement Period.

(C) For the purpose of this clause 3.1.2(c) only, a business day means a day other than a Saturday, Sunday or a day recognised as a national public holiday or a public holiday in NSW.

(2) Calculating the adjusted RBA estimate

To calculate the adjusted RBA estimate in Step 1:

(A) Download RBA table F3—'Aggregate measures of Australian Corporate Bond Spreads and Yields' from the RBA website.

(B) From this file, download the 7 and 10 year 'Non-financial corporate BBB-rated bonds—Yield' entries for dates:

(i) from the most recent published RBA date prior to the commencement of the nominated Averaging Period for debt;

(ii) to the first published RBA date following the conclusion of the nominated Averaging Period for debt; and

(iii) all published dates between (i) and (ii).

(C) Download, from RBA table F16—'Indicative Mid Rates of Australian Government Securities', daily yields on CGSs for dates within the Service Provider's Averaging Period.

(D) Linearly interpolate between the two nearest bonds straddling 7 years remaining term to maturity, and the two nearest CGS bonds straddling 10 years remaining term to maturity. This is to be done using the following formula:

$$Yield_{interpoltated} = Yield_{lower\ straddle\ bond} + \left[\left(Yield_{upper\ straddle\ bond} - Yield_{lower\ straddle\ bond}\right) \times \left(Date_{10\ years\ from\ interpolation\ date} - Maturity\ Date_{lower\ straddle\ bond}\right) \div \left(Maturity\ Date_{upper\ straddle\ bond} - Maturity\ Date_{lower\ straddle\ bond}\right)\right]$$

(E) Linearly extrapolate the published RBA 10 year yield (from paragraph (c)(2)(B)) from its published effective term to an effective term of 10 years using the formula below:

$$Yield_{10} = Yield_{10\ year\ published} + \left[\left(Spread\ to\ Swap_{10\ year\ published} - Spread\ to\ Swap_{7\ year\ published}\right) \div \left(Effective\ Term_{10\ year\ published} - Effective\ Term_{7\ year\ published}\right) \times \left(10 - Effective\ Term_{10\ year\ published}\right)\right]$$

(F) Linearly extrapolate the published RBA 7 year yield (from paragraph (c)(2)(B)) from its published effective term to an effective term of 7 years using the formula below:

$$Yield_{7} = Yield_{7\ year\ published} + \left[\left(Spread\ to\ Swap_{10\ year\ published} - Spread\ to\ Swap_{7\ year\ published}\right) \div \left(Effective\ Term_{10\ year\ published} - Effective\ Term_{7\ year\ published}\right) \times \left(7 - Effective\ Term_{7\ year\ published}\right)\right]$$

(G) Subtract from the extrapolated 10 year RBA yield on each publication date the interpolated CGS yield on that date. For the 10 year term, use the RBA series as adjusted in paragraph (c)(2)(E). These are the adjusted RBA 10 year spreads.

(H) Obtain daily RBA spread estimates by linear interpolation of the adjusted RBA spreads (from paragraphs (c)(2)(E) and (F)) for both 7 and 10 year terms between the published dates identified in paragraph (c)(2)(B). Use the adjusted RBA spread estimates as calculated in paragraph (c)(2)(D). This is to be done using the following formula:

$$Spread_{interpolated} = Spread_{first\ straddling\ publication\ date} + [(Date_{interpolation} - Date_{first\ straddling\ publication\ date}) \times (Spread_{second\ straddling\ publication\ date} - Spread_{first\ straddling\ publication\ date}) \div (Date_{second\ straddling\ publication\ date} - Date_{first\ straddling\ publication\ date})]$$

If the annual return on debt estimate must be finalised before a final published RBA month-end estimate is available, hold the last observed RBA spread constant to the end of the Averaging Period.

(I) Add to the daily spreads (from paragraph (c)(2)G)), daily interpolated estimates of the CGS (from paragraph (c)(2)(D)) for all business days in the ~~Service Provider's~~ Averaging Period. Specifically:

(i) add the 7 year interpolated CGS estimates to the 7 year interpolated RBA spreads. These are the interpolated RBA daily 7-year yield estimates;

(ii) add the 10 year interpolated CGS estimate to the 10 year interpolated RBA spread. These are the interpolated RBA daily 10-year yield estimates.

(J) Convert the interpolated RBA daily 7-year yield estimates and the interpolated RBA daily 10-year yield estimates (from paragraph (c)(2)(I)) to effective annual rates, using the formula:

$$Effective\ annual\ rate = \left(\left(1 + \frac{yield}{200}\right)^2 - 1\right) \cdot 100$$

(K) Average the yield estimate for the 10 year RBA yield estimate over all business days in the ~~Service Provider's~~ Averaging Period. This is the adjusted RBA estimate.

(3) Calculating the adjusted BVAL estimate

To calculate the adjusted BVAL estimate in Step 2:

(A) For dates after 14 April 2015, download the 10 year Corporate BBB rated Australian BVAL curve (BVCSAB10). For dates before 14 April 2015, download from Bloomberg the 7 year Corporate BBB rated Australian BVAL curve (BVCSAB07 index) for all business days in the Service Provider's Averaging Period.

(B) For dates before 14 April 2015, add to the 7 year yield the difference between the 7 and 10 year daily RBA adjusted yields (as calculated in viii) of the RBA process). This is the extrapolated daily estimate of the BVAL 10 year yield.

(C) For all dates, convert the 10 year yields into effective annual rates, using the formula:

$$Effective\ annual\ rate = \left(\left(1 + \frac{yield}{200}\right)^2 - 1\right) \cdot 100$$

(D) Average the extrapolated daily estimates of the BVAL 10 year yield over all ~~b~~Business ~~d~~Days in the ~~service provider's~~ Averaging Period. This is the adjusted BVAL estimate.

(4) Calculating the annual estimate of the return on debt

To calculate the final estimate in Step 3:

(A) Take the simple average of the adjusted RBA estimate (from paragraph (c)(2)(K)) and the adjusted BVAL estimate (from paragraph (c)(3)(D)). This is the annual estimate of the return on debt.

(d) Annual return on debt observation where relevant data not available

For any Regulatory Year of the Sixth Access Arrangement period (other than Regulatory Year 2023-24) for which an annual return on debt observation cannot be calculated in accordance with paragraph (c) above due to changes in data availability, adjust the approach in accordance with the contingencies set out in the Regulator's final decision for the Sixth Access Arrangement ~~p~~Period.

(e) Notification and Regulator's determination of the annual return on debt observation

(1) The Regulator will notify the Service Provider of the updated Return on Debt and X factor within 15 Business Days after the end of the ~~Service Provider's~~ Averaging Period.

(2) In the 'PTRM input' sheet of the PTRM, update the relevant cell for the updated return on debt estimate (kd_t). This is:

For Regulatory Year 2023-24:	$kd_{2023-24}$	Cell G222
For Regulatory Year 2024-25:	$kd_{2024-25}$	Cell H222
For Regulatory Year 2025-26:	$kd_{2025-26}$	Cell I222

For Regulatory Year 2026-27:	$kd_{2026-27}$	Cell J222
For Regulatory Year 2027-28:	$kd_{2027-28}$	Cell K222

(3) On the 'X factors' sheet of the PTRM, update the relevant X factor for each of the following Regulatory Years as follows:

For Regulatory Year 2024-25:	$kd_{2024-25}$	Select 'Set X2 (price cap)'
For Regulatory Year 2025-26:	$kd_{2025-26}$	Select 'Set X3 (price cap)'
For Regulatory Year 2026-27:	$kd_{2026-27}$	Select 'Set X4 (price cap)'
For Regulatory Year 2027-28:	$kd_{2027-28}$	Select 'Set X5 (price cap)'

3.1.3. Pass Through Adjustment Factor

(a) Pass Through Adjustment Factor

PT_t is the pass through adjustment to the Distribution price control in Regulatory Year *t* ~~for the Service Provider~~ and is determined in accordance with paragraph (b) below.

(b) Calculation of the Adjustment Factor is:

$$PT_t = \frac{(1 + PT'_t)}{(1 + PT'_{t-1})} - 1$$

where:

t is the year for which tariffs are being set.

PT_{t-1} is the value of *PT*t' determined in the Regulatory Year *t*-1 for all other Regulatory Years in the Access Arrangement Period.

PT'_t equals:

$$PT'_t = \frac{AP_t}{(1 + \Delta CP1_t)(1 - X_t)\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} q_{t-2}^{ij}}$$

where:

AP_t is:

(a) any determined ~~p~~Pass ~~T~~through ~~a~~Amount that the Regulator approves in whole or in part in Regulatory Year *t*; and/or

(b) any pass through amounts arising from any Relevant Pass Through Event~~s~~ (as that term is defined in the Access Arrangement applying to the Service Provider in the Fifth Access Arrangement Period) occurring in the Fifth Access Arrangement Period that the Service Provider proposed to pass through in whole or in part in Regulatory Year *t*,

that includes an amount to reflect the time value of money between incurring the costs and recovering the costs, and excludes any amounts already passed through in Haulage Reference Tariffs.

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2 to the December quarter in Regulatory Year *t*-1, calculated using the following method:

The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-1

divided by

the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2

minus 1.

If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the Regulator considers is the best available alternative index.

X_t is the X factor for each Regulatory Year of the Sixth Access Arrangement Period as determined in the PTRM as approved in the ~~full access arrangement~~ Regulator's Final D~~d~~ecision, and annually revised for the Return on Debt Update calculated for the ~~r~~Relevant ~~y~~Year during the Sixth Access Arrangement Period in accordance with that approved in the full access arrangement decision.

p_{t-1}^{ij} is the prevailing component *j* of Haulage Reference Tariff *i* in Regulatory Year *t*-1.

q_{t-2}^{ij} is the Quantity of component *j* of Haulage Reference Tariff *i* that was sold in Regulatory Year *t*-2.

3.2. New Haulage Reference Tariffs

(a) Where the Service Provider is proposing to introduce new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components, the q_{t-2}^{ij} term in clause 3.1 will be interpreted in relation to:

(1) the reasonable estimates of the ~~q~~Quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Regulatory Year *t*-2 as provided by the Service Provider, in accordance with clause 1.3(i); and

(2) the Haulage Reference Tariff Components of the parent Haulage Reference Tariff in Regulatory Year *t*-2 as provided by the Service Provider in accordance with clause 1.3(i).

(b) Where the Service Provider has introduced new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in Regulatory Year *t*-1, the p_{t-1}^{ij} term in clause 3.1 will be interpreted in relation to the reasonable estimates of the Quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Regulatory Year *t*-2, as provided by the Service Provider in accordance with clause 1.3(i).

3.3. Withdrawal of Haulage Reference Tariffs

(a) Where the Service Provider is proposing to withdraw a Haulage Reference Tariff and to reassign only one other Haulage Reference Tariff to the Distribution Supply Point to which the Haulage Reference Tariff to be withdrawn applied, the p_t^{ij} term in clause 3.1 for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of the Haulage Reference Tariff which will be reassigned to that Distribution Supply Point in Regulatory Year *t*, in accordance with information submitted under clause 1.4.

(b) Where the Service Provider is proposing to withdraw a Haulage Reference Tariff and to reassign more than one other Haulage Reference Tariff to the Distribution Supply Point to which the Haulage Reference Tariff to be withdrawn applied:

(1) the p_t^{ij} term in clause 3.1 for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted separately in relation to the Haulage Reference Tariff Components of each of the Haulage Reference Tariffs which will be reassigned to those Distribution Supply Points in Regulatory Year *t*, in accordance with information submitted under clause 1.4; and

(2) the q_{t-2}^{ij} term in clause 3.1 for the Haulage Reference Tariff that is proposed to be withdrawn in Regulatory Year *t* will be the actual Quantities, in relevant units, of each Haulage Reference Tariff Component that were distributed under the parent Haulage Reference Tariff at those Distribution Supply Points to which the same Haulage Reference Tariff has been assigned in Regulatory Year *t*, in accordance with information submitted under clause 1.4; and

(3) the q_{t-2}^{ij} term in clause 3.1 for the Haulage Reference Tariff that has been withdrawn in Regulatory Year *t*-1, will be the actual ~~q~~Quantities, in relevant units, of each Haulage Reference Tariff Component that were distributed under the parent Haulage Reference Tariff at those Distribution Supply Points to which the same Haulage Reference Tariff has been assigned in Regulatory Year *t*-1, in accordance with information submitted under clause 1.4.

3.4. Haulage Reference Tariff information

Where the Service Provider submits information in accordance with clause 1.3(j) that switching rates of Users moving from a given parent Haulage Reference Tariff to a proposed new Haulage Reference Tariff will continue to be above zero from Regulatory Year to Regulatory Year, application of the Tariff Control Formula in clause 3.1 will distinguish between:

(a) Distribution Supply Points to which the new Haulage Reference Tariff has already been assigned, in which case q_{t-2}^{ij} will be based on the actual Quantities distributed, in relevant units, at those Distribution Supply

Points to which the new Haulage Reference Tariff has already been assigned and p_t^{ij} is the new Haulage Reference Tariff; and

(b) Distribution Supply Points to which the new Haulage Reference Tariff is expected to be assigned during Regulatory Year *t*, in which case q_{t-2}^{ij} will be based on the reasonable estimates of the Quantities which would have been distributed at those Distribution Supply Points, as submitted by the Service Provider in accordance with clause 1.3(i), and p_t^{ij} is the new Haulage Reference Tariff.

3.5. Rebalancing Controls on Haulage Reference Tariffs

(a) The Service Provider will maintain Haulage Reference Tariffs between:

(1) an upper limit of the cost to bypass the network; and

(2) a lower limit of the marginal cost of supply.

(b) In undertaking any rebalancing, the Service Provider will ensure that the proposed Haulage Reference Tariffs comply with the ~~relevant~~ Rebalancing Control Formula as set out in ~~this~~ clause 3.5.1.

3.5.1. Rebalancing Control Formula

The Rebalancing Control Formula is:

$$(1 + \Delta CPI_t)(1 - X_t)(1 + CL_t)(1 + PT_t)(1 + 0.02) \geq \frac{\sum_{i=1}^{n}\sum_{j=1}^{m} p_t^{ij}\, q_{t-2}^{ij}}{\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} q_{t-2}^{ij}}$$

where:

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2 to the December quarter in Regulatory Year *t*-1, calculated using the following method:

The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-1

divided by

the ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in Regulatory Year *t*-2

minus 1.

If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the Regulator considers is the best available alternative index.

t is the Regulatory Year for which tariffs are being set.

X_t is the X factor for each year of the Sixth Access Arrangement Period as determined in the PTRM as approved in the full access arrangement decision, and annually revised for the Return on Debt Update calculated for the relevant year in accordance with that approved in the full access arrangement decision.

CL_t is the ~~Licence Fee~~Safeguard Mechanism factor as defined in clause 3.1. If ~~L~~C$_t$<0, then (1+L_t) =1

PT_t is the cost pass through adjustment factor for Regulatory Year t as calculated in accordance with clause 3.1.3.

n is the number of different Haulage Reference Tariffs.

m is the different components, elements or variables ("components") comprised within a Haulage Reference Tariff.

p_t^{ij} is the proposed component *j* of Haulage Reference Tariff *i* in Regulatory Year *t*.

p_{t-1}^{ij} is the prevailing component *j* of Haulage Reference Tariff *i* in Regulatory Year *t*-1.

q_{t-2}^{ij} is the audited Quantity of Haulage Reference Tariff Component *j* of Haulage Reference Tariff *i* that was sold in Regulatory Year *t*-2.

3.6. Rebalancing Controls for New and Withdrawn Haulage Reference Tariffs

For the purposes of the application of the Rebalancing Control Formula ~~as set out in clause 3.5~~:

(a) Where the Service Provider proposed to introduce a new Haulage Reference Tariff and/or new Haulage Reference Tariff Components:

(1) the term q_{t-2}^{j} in the rebalancing control will be interpreted in relation to the reasonable estimates of the Quantities that would have been sold, in relevant units, if the Haulage Reference Tariff Components existed in Regulatory Year *t*-2; and

(2) the term p_t^j in the rebalancing control will be interpreted in relation to the Haulage Reference Tariff Components of the parent Haulage Reference Tariff in Regulatory Year *t*-2.

(b) Where the Service Provider has introduced new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in Regulatory Year *t*-1, the q_{t-2}^{j} term of the rebalancing control will be in relation to the reasonable estimates of the Quantities that would have been sold, in relevant units, if the Haulage Reference Tariff Components had existed in Regulatory Year *t*-2.

(c) Where the Service Provider proposes to withdraw a Haulage Reference Tariff and reassign those Distribution Supply Points to another Haulage Reference Tariff:

(1) the p_t^j term in the rebalancing control for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of the Haulage Reference Tariff that those existing Distribution Supply Points will be reassigned to in Regulatory Year *t*;

(2) the rebalancing control on Haulage Reference Tariffs will be applied separately in relation to each of the Haulage Reference Tariffs Distribution Supply Points are reassigned to, and:

(A) the p_t^j term in the rebalancing control for the Haulage Reference Tariff that is proposed is to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of each of the Haulage Reference Tariffs that those existing Distribution Supply Points will be reassigned to in Regulatory Year *t*; and

(B) the q_{t-2}^{j} term in the rebalancing control for the Haulage Reference Tariff that is proposed to be withdrawn will be the breakdown of the actual Quantities, in relevant units, that were sold under each Haulage Reference Tariff Component of the parent Haulage Reference Tariffs to each Distribution Supply Point reassigned to the same Haulage Reference Tariff.

4. Approval of Haulage Reference Tariffs and New Haulage Reference Tariffs

4.1. Submission to the Regulator

(a) The Service Provider will, at least 50 Business Days prior to the commencement of the next Regulatory Year, submit proposed Haulage Reference Tariffs to apply from the start of the next Regulatory Year for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b), (c) and (d).

(b) The Service Provider will ensure its proposed Haulage Reference Tariffs or proposed changes to Haulage Reference Tariffs submitted under clause 4.1(a) comply with the Tariff Control Formula and Rebalancing Control Formula in clause 3.

(c) Where the Service Provider proposes to introduce a new Haulage Reference Tariff or new Haulage Reference Tariff Component or withdraw an existing Haulage Reference Tariff or existing Haulage Reference

Tariff Component within a Regulatory Year it will submit the proposal for verification of compliance by the Regulator~~,~~ in accordance with clauses 4.2(a) and (b).

4.2. Assessment by the Regulator

(a) The Regulator will provide the Service Provider with written notice of whether or not it has verified the Haulage Reference Tariffs proposed by the Service Provider and submitted under clause 4.1(a) as compliant with the Tariff Control Formula and the Rebalancing Control Formula. If the Regulator declines to verify the proposed Haulage Reference Tariffs as compliant, the Regulator must provide a written statement of reasons for that decision.

(b) The proposed Haulage Reference Tariffs will be deemed to have been verified as compliant in writing by the Regulator by the end of 30 Business Days from the date on which the Regulator received the Service Provider's notification under clause 4.1(a) unless the Regulator has notified the Service Provider in writing that it has declined to verify the proposed Haulage Reference Tariffs as compliant. The Regulator may require an extension of a specified duration. The Regulator will notify the Service Provider of the extension and its duration within 30 Business Days of receiving a notification from the Service Provider.

(c) If the Regulator issues a written notice to the Service Provider that it has declined to verify proposed Haulage Reference Tariffs and/or Haulage Reference Tariff Components (including but not limited to any new Haulage Reference Tariff and/or any new Haulage Reference Tariff Component) as compliant for a Regulatory Year *t*, then:

(1) if the relevant left-hand side of the Tariff Control Formula ~~price control formula~~ set out in clause 3.1 is >1 then the Haulage Reference Tariffs applying in Regulatory Year *t*-1 are scaled up by the relevant left-hand side of the price control formula set out in clause 3.1; or

(2) if the relevant left-hand side of the Tariff Control Formula ~~price control formula~~ set out in clause 3.1 is <1 then the Haulage Reference Tariffs applying in Regulatory Year *t*-1 are scaled down by the relevant left-hand side of the price control formula set out in clause 3.1.

(d) If the Regulator has notified the Service Provider in writing that it has declined to verify as compliant the withdrawal of any existing Haulage Reference Tariffs and/or the withdrawal of any existing Haulage Reference Tariff Components proposed for Regulatory Year *t*, then:

(1) if the relevant left-hand side of the Tariff Control Formula ~~price control formula~~ set out in clause 3.1 is >1 then the Haulage Reference Tariffs applying in Regulatory Year *t*-1 are scaled up by the relevant left-hand side of the price control formula set out in clause 3.1; or

(2) if the relevant left-hand side of the Tariff Control Formula ~~price control formula~~ set out in clause 3.1 is <1 then the Haulage Reference Tariffs applying in Regulatory Year *t*-1 are scaled down by the relevant left-hand side of the price control formula set out in clause 3.1.

(e) The Service Provider may provide additional information and resubmit or revise its proposed Haulage Reference Tariffs in accordance with clause 4.1(a) if the Regulator declines to verify as compliant proposed Haulage Reference Tariffs under clause 4.2(a) provided that if, in a Regulatory Year, changes to Haulage Reference Tariffs have been verified as compliant by the Regulator, the Service Provider will notify in writing all Users affected by the changes as soon as practicable.

4.3. Information required from the Service Provider

(a) At the same time as submitting proposed Haulage Reference Tariffs to the Regulator, the Service Provider will also provide to the Regulator, information demonstrating that the proposed Haulage Reference Tariffs are, to the extent relevant, consistent with the Tariff Control Formula and Rebalancing Control Formula in clause 3.

(b) In respect of the annual variations of Reference Tariffs, the Service Provider will include a statement to support the ~~g~~Gas ~~q~~Quantity inputs in the ~~t~~Tariff ~~variation~~ Control F~~f~~ormula. The statement will be independently audited or verified and the ~~q~~Quantity input will reflect the most recent actual annual ~~q~~Quantities available at the time of tariff variation assessment.

4.4. Default Haulage Reference Tariffs for new Regulatory Year *t*

If the Service Provider does not, at least 50 Business Days prior to the commencement of the next Regulatory Year *t*, submit proposed Haulage Reference Tariffs to apply from the start of the next Regulatory Year *t* in accordance with clause 4.1(a) then:

(1) where the left-hand side of the Tariff Control Formula to be applied for Regulatory Year *t* is greater than one, the Haulage Reference Tariffs applying in Regulatory Year *t*-1 will be scaled up by the left-hand side of the Tariff Control Formula to be applied for Regulatory Year *t* and will apply for Regulatory Year *t* and the Haulage Reference Tariff Components applying in Regulatory Year *t*-1 will be scaled up and applied accordingly; and

(2) where the left-hand side of the Tariff Control Formula to be applied for Regulatory Year *t* is less than one, the Haulage Reference Tariffs applying in Regulatory Year *t*-1 will be scaled down by the left-hand side of the Tariff Control Formula to be applied for Regulatory Year *t* and will apply for Regulatory Year *t* and the Haulage Reference Tariff Components applying in Regulatory Year *t*-1 will be scaled down and applied accordingly,

until such time as the Regulator has, or been deemed to have, verified Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Regulatory Year *t* as compliant in response to a submission by the Service Provider.

5. Calculation of Charges for Haulage Reference Tariffs

Haulage Reference Tariffs are charged in accordance with the calculations described below.

5.1. Distribution Fixed Tariff Components

The Distribution Fixed Tariff Components and consumption ranges shown in clause 9, as applicable, are daily amounts. The Distribution Fixed Tariff Component or consumption range applied to calculate a Charge for a billing period in Regulatory Year *t* shall be the Distribution Fixed Tariff Component applying in Regulatory Year *t* or consumption range shown in clause 9, as applicable, multiplied by the number of days in the billing period.

5.2. Distribution Volume Tariff Components

(a) For Tariff V Customers, the Peak and Off-Peak ~~Distribution Volume~~ Tariff Components (as appropriate) are Charged according to the actual GJs of Gas withdrawn in the billing period, or an estimate of the GJs of Gas withdrawn in the billing period which is acceptable to the Service Provider.

(b) Where some of the days in the billing period are in the Peak Period, the GJs of Gas withdrawn in the Peak Period are:

$$GPP = TAG \times \frac{PPBP}{TBP}$$

where:

GPP is defined as the GJs of Gas withdrawn in the Peak Period.

TAG is defined as the total actual GJs of Gas withdrawn in the billing period, or an estimate of the total GJs of Gas withdrawn in the billing period which is acceptable to the Service Provider.

$PPBP$ is defined as the number of days in the billing period which are in the Peak Period.

TBP is defined as the total number of days in the billing period.

5.3. Distribution Demand Tariff Components

(a) For Tariff D and Tariff M Customers, the ~~Distribution Demand~~ Tariff Components are charged according to the following formula:

$$MC = \frac{EAC - CBTD}{RBP}$$

where:

MC is the charge for a particular month in Regulatory Year *t*.

EAC is the estimated annual charge calculated by applying the relevant Haulage Reference Tariff Components to EAD.

$CBTD$ is the sum of the charges for all prior billing periods of Regulatory Year *t*.

RBP is the remaining billing periods in Regulatory Year *t*, as set out below:

Month	RBP
July	12
August	11
September	10
October	9
November	8
December	7
January	6
February	5
March	4
April	3
May	2
June	1

EAD (1) is for billing periods between July and March, the higher of:

(A) the forecast Annual MHQ for Regulatory Year *t*; and

(B) the Annual MHQ, as measured to date during Regulatory Year *t*, where the forecast Annual MHQ for Regulatory Year *t* is either:

(C) the actual Annual MHQ for Regulatory Year *t*-1; or

(D) a Quantity agreed between the Service Provider and the User.

(2) is for billing periods between April and June, the actual Annual MHQ for Regulatory Year *t*.

5.4. Unmetered Haulage Reference Tariff Components

Where Haulage Reference Tariff V has been assigned to a Distribution Supply Point under clause 1.1(c) because it is an unmetered Distribution Supply Point, there is deemed to be no withdrawal of Gas at the Distribution Supply Point for charging purposes. For the avoidance of doubt, in such circumstances, Non-Residential ~~Commercial~~ Haulage Reference Tariff V is deemed to apply and any applicable fixed Haulage Reference Tariff Component may be charged as a fixed charge.

5.5. Natural Gas Extension Project Haulage Reference Tariffs

Tariffs apply to Distribution Supply Points where the Distribution Zone is as listed in clause 9.

6. Reference Tariff Policy

This clause 6 sets out the principles that are to be used to determine a Reference Tariff (a Reference Tariff Policy).

6.1. CPI - X Price Path

The CPI - X price path approach is consistent with the fixed principle in clause 7.2(a). The Service Provider adopts this approach.

6.2. New Facilities Investment

(a) The Service Provider may at its discretion undertake Capital Expenditure that does not satisfy the requirements of the New Capital Expenditure Criteria under the National Gas Rules. The Extensions ~~/~~and Expansions Policy in clause 5.6 of Part A of this Access Arrangement explains how Capital Expenditure in relation to a New Facility which is to be treated as part of the Covered Pipeline will affect Reference Tariffs.

(b) Clause 6.3 below sets out the principles of a Speculative Capital Investment Account which the Service Provider may operate in relation to Capital Expenditure that does not satisfy the requirements of the New Capital Expenditure Criteria under the National Gas Rules.

6.3. Speculative Capital Expenditure Account

In accordance with rule 84 of the National Gas Rules, the amount of the Speculative Capital Expenditure Account for the Service Provider at any time is equal to:

(a) the difference between the Capital Expenditure and the amount which satisfies the requirements of the New Capital Expenditure Criteria under the National Gas Rules, less any amount the Service Provider notifies the Regulator (at the time the expenditure is incurred) that it has elected to recover through a surcharge under rule 83 of the National Gas Rules; plus

(b) an annual increase in that amount calculated on a compounded basis at a risk adjusted rate of return approved by the Regulator; less

(c) any part of the Speculative Capital Expenditure Account previously added to the Capital Base due to the type and volume of services provided using the increase in Capacity attributable to the New Facility change such that any part of the Speculative Capital Expenditure Account would then satisfy the requirements of the New Capital Expenditure Criteria under the National Gas Rules.

6.4. Incentive Mechanisms

Rule 98 of the National Gas Rules provides for an Access Arrangement to include an incentive mechanism to encourage efficiency in the provision of services by the Service Provider. An incentive mechanism may provide for carrying over increments for efficiency gains and decrements for losses of efficiency from one Access Arrangement Period to the next and must be consistent with the ~~r~~Revenue and ~~p~~Pricing ~~p~~Principles.

6.4.1. General principles

(a) The incentive arrangements that are to apply to cost-related efficiencies achieved by, and innovation initiatives sought by, the Service Provider, and the adjustment to preserve the incentive to meet efficient growth in demand are a combination of:

(1) a tariff basket form of price control;

(2) the carryover that would result in the Service Provider retaining the reward or penalty associated with an operating expenditure efficiency gain or loss for five years after the year in which the gain or loss was achieved; and

(3) the carryover that would result from the Service Provider retaining into the Seventh Access Arrangement Period, 30 percent of the Net Present Value (NPV) of any capital expenditure efficiencies gains or losses realised during the Sixth Access Arrangement Period.

(b) There ~~would~~ is to be no claw-back of gains that have already been made (or losses that have been incurred) during the Sixth Access Arrangement Period.

6.4.2. Operating Expenditure Incentive Mechanism

An efficiency carryover mechanism will apply to operating expenditure. It will operate in the following way:

(a) The incremental efficiency gain (or loss) for Regulatory Year 2023-24 will be calculated using:

$$I_{2023-24} = (F_{2023-24} - A_{2023-24}) - 2 \times (F_{HY2023} - A_{HY2023}) + (F_{2021} - A_{2021}) [(F_{2022} - A_{2022}) - (F_{2021} - A_{2021})]$$

where:

$I_{2023-24}$ is the incremental efficiency gain (or loss) for Regulatory Year 2023-24.

$F_{2023-24}$ is the forecast operating expenditure for Regulatory Year 2023-24.

$A_{2023-24}$ is the actual operating expenditure for Regulatory Year 2023-24.

$F_{HY20232}$ is the forecast operating expenditure for the 6-month ~~extension~~ period from 1 January 2023 to 30 June 2023~~2022~~.

$A_{HY20232}$ is the actual operating expenditure for the 6-month ~~extension~~ period from 1 January 2023 to 30 June 2023~~2022~~.

F_{2021} is the forecast operating expenditure for Regulatory Year 2021.

A_{2021} is the actual operating expenditure for Regulatory Year 2021.

(b) The incremental efficiency gain (or loss) for Regulatory Year 2024-25 to Regulatory Year 2027-28 (inclusive) will be calculated using:

$$I_i = (F_i - A_i) - (F_{i-1} - A_{i-1})$$

where:

I_i is the efficiency gain (or loss) in year *i* of the Access Arrangement ~~p~~Period.

F_i is the forecast operating expenditure in year *i* of the Access Arrangement ~~p~~Period.

A_i is the actual operating expenditure in year *i* of the Access Arrangement ~~p~~Period.

F_{i-1} is the forecast operating expenditure in year *i*-1 of the Access Arrangement ~~p~~Period.

A_{i-1} is the actual operating expenditure in year *i*-1 of the Access Arrangement ~~p~~Period.

(c) Actual operating expenditure in the final year of the Access Arrangement P~~p~~eriod, Regulatory Year 2027-28, is to be estimated using:

$$A_{2027-28} *= F_{2027-28} - (F_b - A_b) + nonrecurrent\ efficiency\ gain_b$$

where:

$A_{2027-28}$ * is the estimate of operating expenditure for Regulatory Year 2027-28.

$F_{2027-28}$ is the forecast operating expenditure for Regulatory Year 2027-28.

F_b is the forecast operating expenditure for the base year used to forecast operating expenditure in the Seventh Access Arrangement Period.

A_b is the actual operating expenditure for the base year used to forecast operating expenditure in the Seventh Access Arrangement Period.

$nonrecurrent\ efficiency\ gain_b$ is the adjustment made to base year operating expenditure used to forecast operating expenditure for the ~~a~~Access ~~a~~Arrangement ~~p~~Period expected to commence on 1 July 2028 to account for operating expenditure associated with one-off factors.

(d) Prior to the submission date for the Eighth Access Arrangement Period, actual operating expenditure data will be available for the final year of the Sixth Access Arrangement Period. Where the Service Provider's actual operating expenditure differs from the operating expenditure estimate used to calculate the efficiency carryover mechanism ~~EBSS~~, a true-up will be made to account for the difference. The true-up for the final year of the Sixth Access Arrangement Period will be:

$$T_{2022} = -0.5 \times [(F_{2022} - A_{2022}) - (F_{2021} - A_{2021}) ~~+ nonrecurrent\ efficiency\ gain_{2021}~~]$$

where:

~~———~~T_{2022} is the true-up for Regulatory Year 2022

F_{2022} is the forecast operating expenditure for Regulatory Year 2022

A_{2022} is the actual operating expenditure for Regulatory Year 2022

F_{2021} is the forecast operating expenditure for Regulatory Year 2021

A_{2021} is the actual operating expenditure for Regulatory Year 2021

~~$nonrecurrent\ efficiency\ gain_{2021}$ is the adjustment made to Calendar Year 2021 to account for operating expenditure associated with one-off factors.~~

(e) Prior to the submission date for the Eighth Access Arrangement Period, actual operating expenditure data will be available for the 6-month ~~extension~~ period from 1 January 2023 to 30 June 2023. Where the Service Provider's actual operating expenditure differs from the operating expenditure estimate used to calculate the efficiency carryover mechanism ~~EBSS~~, a true-up will be made to account for the difference. The true-up for the 6-month extension period from 1 January 2023 to 30 June 2023 ~~of the Sixth Access Arrangement Period~~ will be:

$$T_{HY2023} = (F_{HY2023} - A_{HY2023}) - 0.5 \times (F_{2022} - A_{2022}) ~~[(F_{HY2023} - A_{HY2023}) - (F_{2022} - A_{2022})]~~$$

where:

T_{HY2023} is the true-up for the 6-month ~~extension~~ period from 1 January 2023 to 30 June 2023

F_{HY2023} is the forecast operating expenditure for the 6-month ~~extension~~ period from 1 January 2023 to 30 June 2023

A_{HY2023}~~2~~ is the actual operating expenditure for the 6-month ~~extension~~ period from 1 January 2023 to 30 June 2023

F_{2022} is the forecast operating expenditure for Regulatory Year 2022

A_{2022} is the actual operating expenditure for Regulatory Year 2022

The T_{HY2023} true-up amount will be applied as a revenue adjustment to Regulatory Year 2028-29 ~~of~~ in the Eighth Access Arrangement Period.

(f) To ensure efficiency gains or losses made in Regulatory Year 2027-28 are retained for five years, operating expenditure for the Seventh Access Arrangement Period should be forecast in a manner consistent with the estimated operating expenditure in Regulatory Year 2027-28, $A_{2027-28}$ *, in paragraph (c) above. This provides the Service Provider the same reward had the expenditure level in Regulatory Year 2027-28 been known.

(g) For the avoidance of doubt, the incremental efficiency gains (or losses) are carried over from year to year in real dollars to ensure that these gains (or losses) are not eroded by inflation. The price indices used in this calculation are to be consistent with those used to forecast operating expenditure for the Seventh Access Arrangement Period.

(h) Increments or decrements from the summation of annual efficiency gains or losses calculated in accordance with the approved incentive mechanism in the Access Arrangement Period will give rise to an additional 'building block' in the calculation of the Total Revenue amounts for each year of the Seventh Access Arrangement Period.

(i) The following costs will be excluded from the operation of the efficiency carryover mechanism:

(1) movements in provisions related to opex;

(2) losses on scrapping of assets;

~~(3) licence fees;~~

(34) any cost category that is not forecast using a single year revealed cost approach in the Seventh Access Arrangement Period. These costs may include debt raising costs and unaccounted for gas expenses; ~~and~~

(45) any cost that ~~other activity that the Service Provider and~~ the Regulator determines ~~agree~~ to exclude from the operation of the efficiency carryover mechanism in the 2023-28 Access Arrangement P~~p~~eriod, which would not promote the National Gas Objective; and~~.~~

(5) Ancillary R~~r~~eference ~~s~~Services~~-~~.

(j) The forecast operating expenditure amount for each year of the Applicable Access Arrangement Period will be adjusted to include any ~~Determined~~ approved Pass Through Amounts or other AER approved expenditure arising from one or more Relevant ~~Cost~~ Pass Through Events which apply in respect of that year.

(k) Where the Service Provider changes its approach to classifying costs as either capital expenditure or operating expenditure during the Access Arrangement Period, the Service Provider will report ~~adjust~~ the actual operating expenditure, to align the accounting treatment of expenditure within a period with that in the approved expenditure for that period (reflecting the ~~AER's f~~Final ~~d~~Decision on this ~~a~~Access ~~a~~Arrangement) ~~forecast operating expenditure in the access arrangement information (amended to reflect the AER's final decision on this access arrangement) so that the forecast expenditures are consistent with the capitalisation policy changes.~~

(l) If there is a change in the Service Provider's approach to classifying costs as either capital expenditure or operating expenditure, the Service Provider must provide to the Regulator a detailed description of the change and a calculation of its impact on forecast and actual operating expenditure.

~~(m) For the avoidance of doubt, the forecast expenditure amounts that are used as the basis for measuring efficiencies are equal to the forecast operating cost for that year as shown in the table below, which exclude the costs listed in clause 6.4.2(g)(1)-(4).~~

~~Approved forecast operating expenditure for the efficiency carryover mechanism ($ million, year 2022-23)~~

	~~2021~~	~~2022~~	~~HT2023~~	~~2023-24~~	~~2024-25~~	~~2025-26~~	~~2026-27~~	~~2027-28~~
~~Approved opex forecast~~	~~**61.6**~~	~~**62.4**~~	~~**32.0**~~	~~**60.1**~~	~~62.4~~	~~60.7~~	~~61.2~~	~~62.1~~

~~Note: excludes debit raising costs~~

6.4.3. Capital Expenditure Incentive Mechanism

The Capital Expenditure Sharing Scheme (CESS) operates as follows:

(a) The annual efficiency gain or loss under the scheme will be calculated by subtracting the Service Provider's actual capital expenditure from the approved capital expenditure allowance (both net of contributions) in each year of the Access Arrangement Period. For the final year (and in some instances the penultimate year) an estimate of actual capital expenditure will be used.

(b) For the purpose of calculating the annual efficiency gain or loss:

(1) ~~,~~the approved capital expenditure allowance is to be adjusted to take into account a change in the scope of activities in accordance with the approach outlined below or for any approved ~~cost p~~Pass~~-~~ ~~t~~Through ~~event~~Amount;

(2) approved connections capital expenditure allowance will be subtracted from the approved capital expenditure allowance; and

(3) actual connections capital expenditure will be subtracted from actual capital expenditure.~~-~~

(c) The efficiency gain for year one is calculated as:

$$Year\ 1\ efficiency\ gain = capex\ allowance\ for\ Year\ 1 - actual\ ~~eca~~pex\ in\ Year\ 1$$

(d) The efficiency gain for each year will be discounted into its Net Present Value (NPV) at the end of the Access Arrangement Period. In doing so, it is assumed that capital expenditure occurred in the middle of the year. To calculate the total efficiency gain the annual efficiency gains in NPV terms are added:

$$Total\ efficiency\ gain = NPV\ Year\ 1\ efficiency\ gain + NPV\ Year\ 2\ efficiency\ gain + NPV\ Year\ 3\ efficiency\ gain + NPV\ Year\ 4\ efficiency\ gain + NPV\ Year\ 5\ efficiency\ gain$$

(e) The above calculations are represented by the following equation:

$$Total\ efficiency\ gain = \sum_{n=1}^{p} \frac{1}{(1+WACC)^{n-p-0.5}} \times (F_n - A_n)$$

where:

n is the ~~Access Arrangement y~~Regulatory Year.

$WACC$ is the average of the nominal weighted average cost of capital that are applied during each year of the Access Arrangement period.

p is the length of the Access Arrangement ~~p~~Period.

F_n is the capital expenditure allowance for Regulatory Y~~y~~ear *n*.

A_n is the actual capital expenditure for Regulatory Year *n*.

(f) A sharing factor of 30 per cent will apply to the total efficiency gain or loss. This means the Service Provider will bear 30 per cent of any loss and will retain 30 per cent of any gain. The remaining 70 per cent will be returned to gas pipeline ~~users~~Customers.

Service Provider's sharing factor = 30%

Service Provider's share = total efficiency gain x 30%

(g) The CESS takes into account benefits or costs that have already accrued to the Service Provider during the Access Arrangement Period in order to ensure that the power of the incentive is the same in each ~~r~~Regulatory ~~y~~Year. This is the financing benefit of any underspend and the financing cost of any overspend.

(h) Capital expenditure is assumed to be incurred in the middle of each ~~r~~Regulatory ~~y~~Year and would be adjusted to end of year terms. In the case of an underspend, the Service Provider will recover a financing benefit (in the year following an underspend) equal to the underspend, in the preceding years, multiplied by the WACC:

$$Year\ of\ financing\ benefit = [(1+WACC)^{0.5} - 1] \times (F_n - A_n) + \sum_{j=1}^{n-1} WACC \times (F_j - A_j)$$

(i) The financing benefit from preceding years will be compounded, namely, the financing benefit for each Regulatory ~~y~~Year will be discounted to its NPV at the end of the Access Arrangement Period. In doing so, it is assumed that financing benefits accrue at the end of the year. To calculate the total financing benefit, the annual financing benefits in NPV terms are summed. This is calculated using the following equation:

$$Net\ financing\ benefit = \sum_{n=1}^{p} \frac{1}{1+WACC^{n-p}} \times year\ n\ financing\ benefit$$

(j) The CESS reward or penalty payable to the Service Provider is calculated by subtracting the net financing benefit from the Service Provider's share of the cumulative efficiency gain:

$$CESS\ reward = (Service\ Provider\ share - net\ financing\ benefit) \times CPF$$

where:

CPF is the Contingent Payment Factor calculated as:

(1) if the Service Provider's share > net financing benefit, and

(A) if the asset performance index (API) > 100, = 1;

(B) if 80 < API < 100, CPF = (API – 80) / (100 – 80); and

(C) if API < 80, CPF = 0, or

(2) if the Service Provider's share is ≤ net financing benefit, CPF = 1.

API is the Asset Performance Index calculated for the Sixth Access Arrangement Period ~~in accordance with Annexure A~~.

(k) The CESS reward or penalty will be applied as an additional building block adjustment to the Service Provider's revenue during the ~~Sixth~~ Seventh Access Arrangement Period.

(l) Actual capital expenditure for the final year of the Sixth Access Arrangement Period will not be available when the rewards or penalties for the CESS are calculated for that Access Arrangement Period. Instead, an estimate of capital expenditure will be used to calculate the efficiency gains or losses for the final year.

(m) Prior to the revisions submission date for the Eighth Access Arrangement Period, actual capital expenditure data will be available for the final year of the Sixth Access Arrangement Period. Where the Service Provider's actual capital expenditure differs from the capital expenditure estimate used to calculate the CESS, an adjustment will be made to account for the difference. The adjustment for the final year of the Sixth Access Arrangement Period will be:

$$Final\ year\ adjustment = \left(A_p^* - A_p\right) \times \left[\frac{NSP\ sharing\ factor - 1}{(1 + WACC)^{-0.5}}\right] + 1$$

where:

A_p^* is the estimate of actual capital expenditure in the final year of the Access Arrangement ~~p~~Period that ~~h~~was ~~been~~ used to initially calculate the CESS rewards or penalties.

A_p is actual capital expenditure in the final year of the Access Arrangement ~~p~~Period.

(n) CESS payments will be adjusted where the Service Provider defers capital expenditure in the Sixth Access Arrangement Period and:

(1) the amount of the deferred capital expenditure in the Sixth Access Arrangement Period is material; and

(2) the amount of the estimated underspend in capital expenditure in the Sixth Access Arrangement Period is material; and

(3) total approved forecast capital expenditure in the Seventh Access Arrangement Period is materially higher than it is likely to have been if a material amount of capital expenditure was not deferred in the Sixth Access Arrangement Period.

If the AER determines that an adjustment will be made, the adjustment is the present value of the estimated marginal increase in forecast capital expenditure in the Seventh Access Arrangement Period attributable to capital expenditure deferred in the Sixth Access Arrangement Period.

(o) Actual capital expenditure ~~capital expenditure~~ will be adjusted to remove any expenditure that is not rolled into the Service Provider's ~~regulatory~~ capital asset base used to determine revenue over the Sixth Access Arrangement Period.

(p) A discount rate will be applied to account for the time value of money. This adjustment will also be required for the penultimate year of the Access Arrangement Period where finalised actual capital expenditure figures are not available before finalising the regulatory determination.

6.5. Depreciation for establishing the capital base as at 1 July 2028

The depreciation schedule (straight-line) for establishing the opening capital base as at 1 July 2028 will be based on forecast capital expenditure at the asset class level approved for the Sixth Access Arrangement Period.

7. Fixed Principles

7.1. General

(a) Rule 99 of the National Gas Rules provides that a Full Access Arrangement may include certain principles that may be fixed for a stated period.

(b) A fixed principle approved before the commencement of the National Gas Rules or approved by the Regulator under the National Gas Rules is binding on the Regulator and the Service Provider for the period

for which the principle is fixed. The Regulator may vary or revoke a fixed principle at any time with the Service Provider's consent.

(c) Each fixed principle will apply for different periods as described in this clause 7.

(d) The period during which each fixed principle may not be changed is the Fixed Period (Fixed Period).

7.2. Adoption of Fixed Principles

In approving revisions to this Access Arrangement the Regulator is to adopt the fixed principles as set out below:

(a) The Regulator will use incentive based regulation adopting a CPI - X approach and not rate of return regulation.

This fixed principle will apply until the end of the Sixth Access Arrangement Period.

(b) The Regulator will ensure that any mechanism for varying or adjusting the Haulage Reference Tariffs approved for the Sixth Access Arrangement Period will, to the extent required to give full effect to such variation or adjustment, be carried forward into the Seventh Access Arrangement Period.

This fixed principle will apply until the end of the Seventh Access Arrangement Period.

(c) Where a Relevant Pass Through Event occurs during an Access Arrangement Period but the impact of that Relevant Pass Through Event has not been fully recovered or reflected in adjusted Haulage Reference Tariffs and Haulage Reference Tariff Components prior to the end of that Access Arrangement Period, then the amount of the impact not fully recovered or reflected will be recovered or reflected in the next Access Arrangement Period by an adjustment to the Haulage Reference Tariffs and Haulage Reference Tariff Components for that next Access Arrangement Period.

This fixed principle will apply until the end of the ~~Sixth~~ Seventh Access Arrangement Period.

8. Procedure for a Relevant Pass Through Event Variation in Reference Tariffs

(a) The Service Provider may notify the Regulator of a Relevant Pass Through Event within 90 Business Days of the Relevant Pass Through Event occurring where the costs would lead to a Positive Pass Through Amount, and must notify the Regulator of a Relevant Pass Through Event within 90 Business Days of the Relevant Pass Through Event occurring where the costs would lead to a Negative Pass Through Amount.

(b) If the Service Provider gives such a notice then, when the costs of the Relevant Pass Through Event incurred are known (or able to be estimated to a reasonable extent), then those costs shall be notified to the AER. When making a notification to the ~~AER~~Regulator, the Service Provider will provide the Regulator with a statement, signed by an authorised officer of the Service Provider, verifying that the costs of the Relevant Pass Through Event are net of any payments made by an insurer or third party which partially or wholly offsets the financial impact of that event (including self insurance).

(c) The Regulator must notify the Service Provider of its decision to approve or reject the proposed variations to its Reference Tariffs within 90 Business Days from the later of the date it receives the Service Provider's statement above, and the date it receives any additional information required by the Regulator. The Service Provider must provide the Regulator with such additional information as the Regulator reasonably requires for the purpose of making a determination under this clause 8 within the time reasonably specified by the Regulator in a notice provided to the Service Provider by the Regulator for that purpose.

(d) If the Regulator is satisfied that the making of a determination in respect of a Relevant Pass Through Event involves issues of such complexity or difficulty that the 90 Business Day time limit should be extended, the Regulator may, by written notice to the Service Provider, extend the time limit by a further period of up to 60 Business Days. The Regulator must give written notice to the Service Provider of that extension not later than 10 Business Days before the expiry of the 90 Business Day time limit and such notice must set out the length of the extension and the reason the extension is required.

(e) Subject to the approval of the Regulator under the National Gas Rules, Reference Tariffs may be varied after one or more Relevant Pass Through Event~~(s)~~ occur~~s~~.

(f) Any such variation will take effect from the next 1 July. In making its decision on whether to approve the proposed Relevant Pass Through Event variation, the Regulator must take into account the following:

(1) whether the costs to be passed through are for the delivery of Pipeline Services;

(2) whether the costs are incremental to costs already allowed for in Reference Tariffs;

(3) whether the costs to be passed through meet the relevant National Gas Rules criteria for determining the building block for total revenue in determining Reference Services;

(4) whether the costs are to be passed through in the current Access Arrangement Period, and in a subsequent Access Arrangement Period;

(~~4~~5) the efficiency of the Service Provider's decisions and actions in relation to the risk of the Relevant Pass Through Event occurring, including whether the Service Provider has failed to take any action that could reasonably be taken to reduce the magnitude of the costs incurred as a result of the Relevant Pass Through Event and whether the Service Provider has taken or omitted to take any action where such action or omission has increased the magnitude of the costs; and

(~~6~~5) any other factors the Regulator considers relevant and consistent with the National Gas Law and National Gas Rules~~R and NGL~~.

9. Haulage Reference Tariffs – 1 July 2023

The structures and proposed indicative tariff levels for each tariff for the period commencing 1 July 2023 are outlined in the following tables. The Service Provider reserves the right to revise these tables for the period 1 July 2023 to 30 June 2028 in accordance with the ~~Regulator's f~~Final ~~d~~Decision.

9.1. Central Zone

Postcodes: 3003, 3008[1], 3011, 3012, 3013, 3015, 3016, 3018, 3019, 3020, 3021, 3022, 3023, 3024, 3025, 3026, 3027, 3028, 3029, 3030, 3031, 3032, 3033, 3034, 3036, 3037, 3038, 3039, 3040, 3041, 3042, 3043, 3044, 3045, 3046, 3047, 3048, 3049, 3055[2], 3058, 3059, 3060, 3061, 3062, 3063, 3064[3], 3073[4], 3211, 3212, 3213, 3214, 3215, 3216, 3217, 3218, 3219, 3220, 3221, 3222, 3223, 3224, 3225, 3226, 3228, 3335, 3336, 3337, 3338, 3427, 3428, 3429

~~***Tariff V***~~

~~***Domestic (TNVDC)***~~

~~Distribution Fixed Tariff Component~~	~~$0.4319/day~~
~~Consumption Range (GJ/day)~~	~~Distribution Volume Tariff Component~~
	~~Peak Period ($/GJ)~~ / ~~Off-peak Period ($/GJ)~~
~~0 – 0.1~~	~~5.9493~~ / ~~2.0166~~
~~> 0.1 – 0.2~~	~~3.5857~~ / ~~1.5936~~
~~> 0.2 – 1.4~~	~~0.6234~~ / ~~0.6108~~
~~> 1.4~~	~~0.5600~~ / ~~0.2166~~

~~***Non-domestic (TNVNC)***~~

~~Distribution Fixed Tariff Component~~	~~$0.4508/day~~
~~Consumption Range (GJ/day)~~	~~Distribution Volume Tariff Component~~
	~~Peak Period ($/GJ)~~ / ~~Off-peak Period ($/GJ)~~
~~0 – 0.1~~	~~1.0717~~ / ~~1.0155~~
~~> 0.1 – 0.2~~	~~1.0210~~ / ~~0.7105~~
~~> 0.2 – 1.4~~	~~0.9188~~ / ~~0.5850~~
~~> 1.4~~	~~0.7014~~ / ~~0.5672~~

~~***Tariff M (TNMNC)***~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~

~~***Tariff D (TND)***~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~

~~0 – 10~~	~~690.3145~~	-	~~0 – 10~~	~~314.9056~~
~~> 10 – 50~~	~~657.4671~~	-	~~> 10 – 50~~	~~299.9126~~
~~> 50~~	~~137.2805~~	-	~~> 50~~	~~145.6113~~

Tariff V	Unit	Domestic (TNVDC)	Non-domestic (TNVNC)
Fixed charge	$/day	0.4636	0.4839
Peak 0 – 0.1	$/GJ	6.3861	1.1504
Peak > 0.1 – 0.2	$/GJ	3.8490	1.0960
Peak > 0.2 – 1.4	$/GJ	0.6692	0.9862
Peak > 1.4	$/GJ	0.6011	0.7529
Off peak 0 – 0.1	$/GJ	2.1647	1.0901
Off peak > 0.1 – 0.2	$/GJ	1.7106	0.7627
Off peak > 0.2 – 1.4	$/GJ	0.6556	0.6279
Off peak > 1.4	$/GJ	0.2325	0.6088

Tariff M	Unit	Demand (TNMNC)
0 – 10 MHQ	GJ/hr	740.9939
10 – 50 MHQ	GJ/hr	705.7349
>50 MHQ	GJ/hr	147.3589

Tariff D	Unit	Demand (TND)
0 – 10 MHQ	GJ/hr	338.0243
10 – 50 MHQ	GJ/hr	321.9306
>50 MHQ	GJ/hr	156.3013

9.2. West Zone

Postcodes: 3249, 3250, 3266, 3277, 3280, 3282, 3300, 3305, 3340, 3342, 3350, 3351, 3352[6], 3355, 3356, 3357, 3358, 3377, 3380, 3400, 3401, 3430, 3444, 3450, 3451, 3460, 3461, 3464, 3465, 3550, 3551[5], 3555, 3556.

~~***Tariff V***~~

~~***Domestic (TNVDW)***~~ - ~~***Non-domestic (TNVNW)***~~

~~Distribution Fixed Tariff Component~~		~~$0.4319/day~~
~~Consumption Range (GJ/day)~~	~~Distribution Volume Tariff Component~~	
	~~Peak Period ($/GJ)~~	~~Off peak Period ($/GJ)~~
~~0 – 0.1~~	~~3.1446~~	~~0.9723~~
~~> 0.1 – 0.2~~	~~2.2643~~	~~0.9112~~
~~> 0.2 – 1.4~~	~~0.7315~~	~~0.5195~~
~~> 1.4~~	~~0.7011~~	~~0.1025~~

~~Distribution Fixed Tariff Component~~		~~$0.4508/day~~
~~Consumption Range (GJ/day)~~	~~Distribution Volume Tariff Component~~	
	~~Peak Period ($/GJ)~~	~~Off peak Period ($/GJ)~~
~~0 – 0.1~~	~~1.6379~~	~~0.7590~~
~~> 0.1 – 0.2~~	~~1.3804~~	~~0.6394~~
~~> 0.2 – 1.4~~	~~0.8528~~	~~0.3081~~
~~> 1.4~~	~~0.3197~~	~~0.2292~~

~~*Tariff M (TNMNW)*~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~
~~0 – 10~~	~~690.3145~~
~~> 10 – 50~~	~~657.4671~~
~~> 50~~	~~137.2805~~

~~*Tariff D (TND)*~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~
~~0 – 10~~	~~314.9056~~
~~> 10 – 50~~	~~299.9126~~
~~> 50~~	~~145.6113~~

Tariff V	**Unit**	**Domestic (TNVDW)**	**Non-domestic (TNVNW)**
Fixed charge	$/day	0.4636	0.4839
Peak 0 – 0.1	$/GJ	3.3755	1.7581
Peak > 0.1 – 0.2	$/GJ	2.4305	1.4818
Peak > 0.2 – 1.4	$/GJ	0.7852	0.9154
Peak > 1.4	$/GJ	0.7525	0.3432
Off peak 0 – 0.1	$/GJ	1.0437	0.8147
Off peak > 0.1 – 0.2	$/GJ	0.9781	0.6863
Off peak > 0.2 – 1.4	$/GJ	0.5577	0.3307
Off peak > 1.4	$/GJ	0.1101	0.2460

Tariff M	**Unit**	**Demand (TNMNW)**
0 – 10 MHQ	GJ/hr	740.9939
10 – 50 MHQ	GJ/hr	705.7349
>50 MHQ	GJ/hr	147.3589

Tariff D	**Unit**	**Demand (TND)**
0 – 10 MHQ	GJ/hr	338.0243
10 – 50 MHQ	GJ/hr	321.9306
>50 MHQ	GJ/hr	156.3013

9.3. Adjoining Central Zone

Postcodes: 3227, 3331

~~*Tariff V*~~

~~*Domestic (TNVDAC)*~~

~~Distribution Fixed Tariff Component~~		~~$0.4319/day~~
~~Consumption Range (GJ/day)~~	~~Distribution Volume Tariff Component~~	
	~~Peak Period ($/GJ)~~	~~Off peak Period ($/GJ)~~
~~0 – 0.1~~	~~9.7431~~	~~4.3634~~
~~> 0.1 – 0.2~~	~~7.0215~~	~~2.5305~~

~~*Non-domestic (TNVNAC)*~~

~~Distribution Fixed Tariff Component~~		~~$0.4508/day~~
~~Consumption Range (GJ/day)~~	~~Distribution Volume Tariff Component~~	
	~~Peak Period ($/GJ)~~	~~Off peak Period ($/GJ)~~
~~0 – 0.1~~	~~4.0060~~	~~3.6875~~
~~> 0.1 – 0.2~~	~~3.8174~~	~~3.5398~~

~~> 0.2 – 1.4~~	~~2.5010~~	~~2.2018~~
~~> 1.4~~	~~2.3981~~	~~2.1174~~

~~> 0.2 – 1.4~~	~~3.6087~~	~~3.4301~~
~~> 1.4~~	~~3.4084~~	~~3.3463~~

~~***Tariff M (TNMNAC)***~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~
~~0 – 10~~	~~690.3145~~
~~> 10 – 50~~	~~657.4671~~
~~> 50~~	~~137.2805~~

~~***Tariff D (TND)***~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~
~~0 – 10~~	~~314.9056~~
~~> 10 – 50~~	~~299.9126~~
~~> 50~~	~~145.6113~~

Tariff V	**Unit**	**Domestic (TNVDAC)**	**Non-domestic (TNVNAC)**
Fixed charge	$/day	0.4636	0.4839
Peak 0 – 0.1	$/GJ	10.4584	4.3001
Peak > 0.1 – 0.2	$/GJ	7.5370	4.0977
Peak > 0.2 – 1.4	$/GJ	2.6846	3.8736
Peak > 1.4	$/GJ	2.5742	3.6586
Off peak 0 – 0.1	$/GJ	4.6838	3.9582
Off peak > 0.1 – 0.2	$/GJ	2.7162	3.7997
Off peak > 0.2 – 1.4	$/GJ	2.3635	3.6819
Off peak > 1.4	$/GJ	2.2729	3.5920

Tariff M	**Unit**	**Demand (TNMNAC)**
0 – 10 MHQ	GJ/hr	740.9939
10 – 50 MHQ	GJ/hr	705.7349
>50 MHQ	GJ/hr	147.3589

Tariff D	**Unit**	**Demand (TND)**
0 – 10 MHQ	GJ/hr	338.0243
10 – 50 MHQ	GJ/hr	321.9306
>50 MHQ	GJ/hr	156.3013

9.4. Adjoining West Zone

Postcodes: 3241, 3260, 3284, 3352[6], 3363, 3364, 3431, 3434, 3435, 3437, 3438, 3440, 3441, 3442, 3467, 3551[5]

~~***Tariff V***~~

~~***Domestic (TNVDAW)***~~

~~Distribution Fixed Tariff Component~~	~~$0.4319/day~~
~~Consumption Range~~	~~Distribution Volume Tariff Component~~

~~***Non-domestic (TNVNAW)***~~

~~Distribution Fixed Tariff Component~~	~~$0.4508/day~~
~~Consumption Range~~	~~Distribution Volume Tariff Component~~

~~(GJ/day)~~	~~Peak Period ($/GJ)~~	~~Off-peak Period ($/GJ)~~
~~0 – 0.1~~	~~6.8274~~	~~4.0516~~
~~> 0.1 – 0.2~~	~~5.7323~~	~~3.0641~~
~~> 0.2 – 1.4~~	~~2.9419~~	~~2.1940~~
~~> 1.4~~	~~2.6387~~	~~2.1253~~

~~(GJ/day)~~	~~Peak Period ($/GJ)~~	~~Off-peak Period ($/GJ)~~
~~0 – 0.1~~	~~4.9434~~	~~3.8004~~
~~> 0.1 – 0.2~~	~~4.6402~~	~~3.6159~~
~~> 0.2 – 1.4~~	~~3.9855~~	~~3.1612~~
~~> 1.4~~	~~3.5033~~	~~3.0103~~

~~***Tariff M (TNMNAW)***~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~
~~0 – 10~~	~~690.3145~~
~~> 10 – 50~~	~~657.4671~~
~~> 50~~	~~137.2805~~

~~***Tariff D (TND)***~~

~~Annual MHQ (GJ/hr)~~	~~Distribution Demand Tariff Component ($/MHQ)~~
~~0 – 10~~	~~314.9056~~
~~> 10 – 50~~	~~299.9126~~
~~> 50~~	~~145.6113~~

Tariff V	**Unit**	**Domestic (TNVDAW)**	**Non-domestic (TNVNAW)**
Fixed charge	$/day	0.4636	0.4839
Peak 0 – 0.1	$/GJ	7.3287	5.3064
Peak > 0.1 – 0.2	$/GJ	6.1531	4.9809
Peak > 0.2 – 1.4	$/GJ	3.1578	4.2781
Peak > 1.4	$/GJ	2.8324	3.7605
Off peak 0 – 0.1	$/GJ	4.3490	4.0794
Off peak > 0.1 – 0.2	$/GJ	3.2891	3.8814
Off peak > 0.2 – 1.4	$/GJ	2.3550	3.3933
Off peak > 1.4	$/GJ	2.2813	3.2313

Tariff M	**Unit**	**Demand (TNMNAW)**
0 – 10 MHQ	GJ/hr	740.9939
10 – 50 MHQ	GJ/hr	705.7349
>50 MHQ	GJ/hr	147.3589

Tariff D	**Unit**	**Demand (TND)**
0 – 10 MHQ	GJ/hr	338.0243
10 – 50 MHQ	GJ/hr	321.9306
>50 MHQ	GJ/hr	156.3013

Notes

1 Postcode 3008 is shared between the Australian Gas Networks (Vic) Pty Ltd ACN 085 899 001, Multinet Partnership ABN 53 634 214 009, and AusNet Gas Services Pty Ltd ACN 086 015 036. As at the date of this Licence the distribution supply points of AusNet Gas Services Pty Ltd ACN 086 015 036 are connected in the north side of Footscray Road, the east side of Harbour Esplanade, Docklands Drive from Footscray Road to Waterfront Way, Waterfront Way south of Docklands Drive, Doepel Way, Caravel Lane, Aquatania Way, St Mangos Lane, Rakaia Way, New Quay Promenade, Waterview Walk from Bourke Street to Collins Street, Palmyra Way, Etihad Stadium and Batmans Hill Drive.

2	Postcode 3055 is shared between the Licensee and Vic Gas Distribution Pty Ltd ACN 085 899 001. The Licensee's distribution supply points are connected in Galtes Crescent, Southam Street, Morrow Street, Hopetoun Avenue, Moreland Road, Hodgins Court and Flannery Court.
3	Postcode 3064 is shared between AusNet Gas Services Pty Ltd ACN 086 015 036 and Australian Gas Networks (Vic) Pty Ltd ACN 085 899 001. AusNet Gas Services assets are in Craigieburn, Roxburgh Park and Mickleham, south of the Transmission Electricity Power Line located approximately 1.5 km south of Donnybrook Road.
4	Postcode 3073 is shared between Vic Gas Distribution Central and AusNet Services Central to the extent that an AusNet Services Central distribution injection point is located at Phillip Street (no AusNet Services Central distribution supply points are connected in postcode 3073).
5	Postcode 3551 - All suburbs are currently supplied under West Zone with the exclusion of Huntly and Maiden Gully. Huntly and Maiden Gully is supplied under Adjoining West Zone with the exception of: - Supply points north west of Sparrowhawk Road but south of Maiden Gully Road and north of Calder Highway; - Supply points south of Calder Highway and east of Olympic Parade.
6	Postcode 3352 is supplied under West Zone with the exception of Mount Rowan and Sulky which are supplied under Adjoining West.

Billing Parameters:

Distribution tariffs are charged in accordance with the billing parameters outlined in Part A of the *Access Arrangement* by AusNet Gas Services Pty Ltd.

DOMESTIC – Domestic tariffs will be applied to premises where the predominant consumption of gas is for non-commercial or non industrial residential purposes.

NON DOMESTIC – Non Domestic tariffs will be applied to all premises where the predominant consumption of gas is for commercial or industrial purposes.

TARIFF M – A separate Operations & Maintenance (O&M) charge is not applicable to Tariff M customers. AusNet Gas Services Pty Ltd

PEAK PERIOD – 1 June to 30 September.

OFF PEAK PERIOD – All Other Times.

10. Initial Ancillary Reference Tariffs – 1 July 2023

Ancillary Reference Tariff	Price (exclusive of GST)
Disconnection Disconnection by the carrying out of work being the use of locks or plugs at a Metering Installation in order to prevent the withdrawal of Gas at the Distribution Supply Point. *Disconnection means the carrying out of work to prevent the withdrawal of Gas at a Distribution Supply Point.*	$~~66.14~~64.58
Reconnection of meter Reconnection by turning on Supply, including the removal of locks or plugs used to isolate Supply or reinstallation of a Meter if it has been removed, performance of a safety check and the lighting of appliances where necessary. *Turn On of service to a Distribution Supply Point which has previously been disconnected*	$~~66.13~~64.58
Special meter reads Meter reading for a DSP in addition to the scheduled meter readings that form part of the Haulage Reference Services. *Undertaken at the request of the User or Customer, not part of the periodic meter read schedule.*	$6.98~~7.01~~
Meter and gas installation test	$193.75~~8.40~~
Meter fix or meter reinstallation Relocating an existing gas meter to a new position, within 4 meters of the original meter, in a single site visit.	$141.03~~62~~
Meter and service removal Removing~~al of~~ a meter and service line to prevent the withdrawal of natural gas at the delivery point, for a residential Tariff V customer	$~~825.90~~822.44
Minor meter alter position Relocating an existing gas meter to a new position, within 4 meters of the original meter, in a single site visit.	$~~1005.81~~1001.60

Annexure A – Asset Performance Index

The Asset Performance Index is calculated for the Sixth Access Arrangement period as follows:

(1) Calculate the arithmetic average of the annual unplanned SAIDI for all customers for each of the four Regulatory Years from 1 July 2023 to 30 June 2027, measured for each year t as follows:

$$Unplanned\ SAIDI_t = \frac{\sum_{i=1}^{12} OUD_i^t}{\sum_j^{12} C_j^t/12}$$

where:

$\sum_{i=1}^{12} OUD_i^t$ is the summation of the total number of unplanned minutes off supply for all customers on the Service Provider's network sourced from quarterly reports submitted to Energy Safe Victoria for the 12 months in Regulatory Year t;

$\sum_j^{12} C_j^t/12$ is arithmetic average of total customers of the Service Provider sourced from annual reports submitted to Energy Safe Victoria over the 12 months in Regulatory Year t.

(2) Calculate the arithmetic average of the annual unplanned SAIFI for all customers for each of the four Regulatory Years from 1 July 2023 to 30 June 2027, measured for each year t as follows:

$$Unplanned\ SAIFI_t = \frac{\sum_{i=1}^{12} OUF_i^t}{\sum_j^{12} C_j^t\ /12}$$

where:

$\sum_{i=1}^{12} OUF_i^t$ is the summation of the total number of unplanned outages for all customers on the Service Provider's network sourced from quarterly reports submitted to Energy Safe Victoria for the 12 months in Regulatory Year *t*.

$\sum_j^{12} C_j^t\ /12$ is the arithmetic average of total customers of the Service Provider sourced from annual reports submitted to Energy Safe Victoria over the 12 months in Regulatory Year *t*.

(3) Calculate the arithmetic average of the annual publicly reported gas leaks for mains of the Service Provider for each of the four Regulatory Years from 1 July 2023 to 30 June 2027, as reported to Energy Safe Victoria, adjusted to remove leaks identified as a result of leak surveys.

(4) Calculate the arithmetic average of the annual publicly reported gas leaks for services of the Service Provider for each of the four Regulatory Years from 1 July 2023 to 30 June 2027, as reported to Energy Safe Victoria.

(5) Calculate the arithmetic average of the annual publicly reported gas leaks for meters of the Service Provider for each of the four Regulatory Years from 1 July 2023 to 30 June 2027, as reported to Energy Safe Victoria.

(6) Convert each of the averages from the measures in paragraphs (1), (2), (3), (4) and (5) above into index scores using the following formula:

$$Index_n = 200 - \left(\frac{Actual_n}{Target_n}\right) \text{x } 100$$

where:

$Index_n$ is the index score for each measure n = 1,2,3,4,5 corresponding to the measures in paragraphs (1), (2), (3), (4) and (5) above respectively;

$Actual_n$ is the arithmetic average of the actual performance for each measure n = 1,2,3,4,5 calculated as per paragraphs (1), (2), (3), (4) and (5) above;

$Target_n$ is the target performance for each measure n = 1,2,3,4,5 as follows:

Unplanned SAIDI	*n* = 1	$Target_1$ = 883.161
Unplanned SAIFI	*n* = 2	$Target_2$ = 24.454
Mains leaks	*n* = 3	$Target_3$ = 0.045
Services leaks	*n* = 4	$Target_4$ = 5.026
Meter leaks	*n* = 5	$Target_5$ = 21.013

(7) Calculate the weighted average of the index scores calculated in paragraph (6) above for each of the measures n = 1,2,3,4,5 according to the following weights:

Unplanned SAIDI	25.0%
Unplanned SAIFI	25.0%
Mains leaks	20.4%
Services leaks	23.0%
Meter leaks	6.6%

The resulting average is the **Asset Performance Index**.

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