



Access arrangement decision
SPI Networks (Gas) Pty Ltd
2013–17

April 2013

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Shortened forms

Shortened form	Full title
2008-12 access arrangement	Access arrangement for SP AusNet from 1 January 2008 to 31 December 2012
2013-17 access arrangement	Access arrangement for SP AusNet from 1 January 2013 to 31 December 2017
access arrangement information	SP AusNet, Access arrangement information, 30 March 2012
access arrangement proposal	SP AusNet, Access arrangement proposal, 30 March 2012
AER	Australian Energy Regulator
AER access arrangement	AER, SP AusNet access arrangement, 24 April 2013
AER access arrangement information	AER, SP AusNet access arrangement information, 24 April 2013
ESC	Essential Services Commission (Victoria)
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
RPP	revenue and pricing principles
revised access arrangement information	SP AusNet, Revised access arrangement information, 9 November 2012.
revised access arrangement proposal	SP AusNet, Revised access arrangement proposal 9 November 2012.
SP AusNet	SPI Networks (Gas) Pty Ltd (ACN 086 015 036)

Background

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

SP AusNet's gas distribution pipeline in Victoria is both owned and operated by SPI Networks (Gas) Pty Ltd (ACN 086 015 036). The network is subject to full regulation, which requires a service provider¹ to submit an access arrangement to the AER for approval, and to revise it periodically (typically every five years). An access arrangement sets out the terms and conditions on which third parties can access distribution and transmission pipelines.²

SP AusNet's distribution network includes the distribution mains, inlets, meters, regulators, and ancillary equipment that are used to provide pipeline services in western Melbourne, central Victoria, and western Victoria. The network delivers gas to approximately 605 000 customers and spans approximately 9400 kilometres across an area of 60 000 square kilometres.

The Essential Services Commission of Victoria (ESC) made the previous determination on SP AusNet's access arrangement for the period 1 January 2008 to 31 December 2012. The ESC made its determination in accordance with the provisions of the National Third Party Access Code for Natural Gas Pipeline Systems.

Responsibility for the regulation of Victorian gas networks transferred from the ESC to the AER on 1 July 2008 as part of the move towards the national regulation of the energy market.³ This current determination process is the first full assessment by the AER of the access arrangements of the Victorian gas distribution and transmission businesses under the NGL and the NGR.

The NGL provides that when performing or exercising an economic regulatory function or power, the AER must do so in a manner that will or is likely to contribute to the achievement of the national gas objective (NGO).⁴ The NGO is:⁵

... to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

Furthermore, the AER must take into account the revenue and pricing principles (RPP) when exercising its discretion in approving, or making, those parts of an access arrangement relating to a reference tariff. The AER may also take the RPP into consideration in its performance or exercise of any other AER economic regulatory function or power where it considers this appropriate.⁶

In the AER's final decision, released on 15 March 2013, the AER proposed revisions to SP AusNet's access arrangement having regard to the NGL, NGR, SP AusNet's proposal, and the AER's reasons

¹ Under s.8 of the NGL a service provider is a person who owns, controls or operates a gas pipeline.

² Section 322 of the NGL provides that contracts between service providers and users may differ from those approved by the AER as part of an access arrangement review. In the event of a dispute, however, a user or prospective user may notify the AER of the dispute, in which case the AER must make a determination on access by the user or prospective user pursuant to Chapter 6, Part 3 of the NGL. The AER must, in making its determination, give effect to the applicable access arrangement, pursuant to s. 189 of the NGL.

³ National Gas (Victoria) Act 2008 (Vic), Part 5.

⁴ NGL, s. 28.

⁵ NGL, s. 23.

⁶ NGL, s. 28. The revenue and pricing principles are set out in NGL, s. 24.

for not approving that proposal.⁷ Pursuant to the NGR, the AER is required to make a decision, giving effect to its own proposal, within two months of its final decision.⁸ This document contains that decision.

Access arrangement proposal

On 30 March 2012 SP AusNet submitted its access arrangement proposal for the period 1 January 2013 to 31 December 2017. The access arrangement proposal outlined the proposed terms and conditions of access to SP AusNet's gas distribution network for the access arrangement period. The access arrangement information sets out the background and basis of various elements of the access arrangement proposal.⁹

In accordance with the NGR, the AER published SP AusNet's access arrangement proposal on 2 May 2012 and called for submissions from interested parties. On 18 May 2012, the AER hosted an industry workshop on the proposed terms and conditions. The workshop provided retailers and distributors (including SP AusNet) with a forum to identify and discuss key issues arising from the proposed amendments to the non-price terms and conditions of the distributors' access arrangements. The AER received four submissions on SP AusNet's access arrangement proposal.

AER draft decision

On 11 September 2012, the AER released its draft decision to not approve SP AusNet's access arrangement proposal. The AER engaged engineering, financial, and economic experts to advise on key aspects of the access arrangement proposal. The AER considered this advice, and submissions received, in making its draft decision.

Revised access arrangement proposal

SP AusNet submitted a revised access arrangement proposal and revised access arrangement information to the AER on 9 November 2012. The AER published SP AusNet's revised access arrangement proposal on the AER website on 13 November 2012. The supporting documents were published on 22 November 2012.

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

AER final decision

On 15 March 2013, the AER made its final decision to not approve SP AusNet's revised access arrangement proposal. The final decision sets out the AER's proposed revisions to the revised access arrangement proposal and revised access arrangement information.

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

⁷ NGR, r. 64(1) and (2).

⁸ NGR, r. 64(4)

⁹ NGR, r. 42.

Adjustments subsequent to the final decision

The AER has identified minor revisions that should be made subsequent to the release of the final decision. These editorial changes have been incorporated in the access arrangement and access arrangement information published with this decision.

AER access arrangement decision

In accordance with r. 64(4) of the NGR, the AER gives effect to its proposal through the AER access arrangement (including the AER access arrangement information) for SP AusNet's gas distribution network. The access arrangement is published with this decision.

In accordance with r. 64(6) of the NGR, the access arrangement is effective from 1 July 2013.