

Attachment 2: Services policy

**Access Arrangement Information for the 2016-21
ACT, Queanbeyan and Palerang Access Arrangement**

Submission to the Australian Energy Regulator

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2 Services policy

Key points

- ActewAGL Distribution proposes to consolidate the seven reference services in the 2010-15 access arrangement into a single reference service—the haulage reference service.
- ActewAGL Distribution proposes to continue to offer two non-reference services—the interconnection of embedded network service and negotiated services.
- ActewAGL Distribution has consulted with customers on the proposed services policy and is responding to their feedback.

Consumer benefits

- Consumers will benefit from the simplified reference service as it will:
 - make it easier for retailers to prepare market offers and for consumers to compare those retail offers by consolidating ActewAGL Distribution's three fixed charges into a single fixed charge for each customer class; and
 - make it easier for retailers and the Australian Energy Regulator (AER) to understand ActewAGL Distribution's reference services by harmonising our approach with the approach approved by the AER for other gas distribution businesses.

2.1 Introduction

In this attachment ActewAGL Distribution explains the pipeline services it proposes to offer in the 2016-21 access arrangement. The *Services policy* set out in section 2 of the access arrangement describes the pipeline services offered, which comprise reference services and non-reference services.

A reference service is a service which is likely to be sought by a significant part of the market. It is governed by a standard set of terms and conditions and a reference tariff schedule, both of which are set out in the access arrangement.

A non-reference service is negotiated on a case-by-case basis with reference to the relevant access arrangement schedules including the reference tariff schedule.

This attachment is structured as follows:

- a) section 2.2 summarises the relevant regulatory requirements;
- b) section 2.3 summarises ActewAGL Distribution's pipeline services;

- c) section 2.4 sets out the proposed reference service; and
- d) section 2.5 sets out the non-reference services.

2.2 Regulatory requirements

Under Rule 48(1) of the National Gas Rules (the Rules) the access arrangement must:

- a) identify the pipeline to which the access arrangement relates and include a reference to a website at which a description of the pipeline can be inspected; and
- b) describe the pipeline services the service provider proposes to offer to provide by means of the pipeline; and
- c) specify the reference services.

The access arrangement must also specify for each reference service the reference tariff and other terms and conditions on which the reference service will be provided.

A reference service is defined in Rule 101 as 'a pipeline service that is likely to be sought by a significant part of the market'.

The description of the pipeline (requirement 48(1)(a)) is provided in section 1 of the 2016-21 access arrangement and the Overview to this access arrangement information. The services are described and specified (requirements 48(1)(b) and (c)) in section 2 of the 2016-21 access arrangement and explained in this attachment.

The reference tariffs and other terms and conditions are provided in the 2016-21 access arrangement and addressed in attachments 12 and 14 of this access arrangement information.

2.3 ActewAGL Distribution's pipeline services

2.3.1 Services policy in the 2010-15 access arrangement

Part 2 of the 2010-15 access arrangement contains the *Services policy*. ActewAGL Distribution offers the following pipeline services:

- seven reference services; and
- two non-reference services.

2.3.1.1 Reference Services

The seven reference services are:

- tariff service—a service for the transportation of gas by ActewAGL Distribution from a receipt point to one or more delivery points for a customer who is reasonably expected to take delivery of less than or equal to 10 TJ of gas per year;
- capacity reservation service, managed capacity service and throughput service—each of these reference services are for the transportation of gas by ActewAGL Distribution from

a receipt point to a single delivery point for a customer who is reasonably expected to take delivery of more than 10 TJ of gas per year;

- multiple delivery point service—a service for the transportation of gas by ActewAGL Distribution from a receipt point to a number of delivery points for a customer who is reasonably expected to take delivery of more than 10 TJ of gas per year;
- meter data service—a service for the provision of meter reading and on-site data and communication equipment at a delivery point; and,
- ancillary service—a service requested by a network user or customer which is subordinate to or secondary to the transportation of gas by ActewAGL Distribution from a receipt point to a number of delivery points.

The ancillary services comprise:

- request for services—network users wishing to obtain a transport service for a delivery point must submit a request for service in accordance with the request for service procedure set out in the access arrangement;
- special meter reads—meter reading for a delivery point that is in addition to the scheduled meter reading;
- disconnections—disconnection to prevent the withdrawal of gas at the delivery point (the specific method of disconnection is at the discretion of ActewAGL Distribution); and
- reconnections—reconnection to allow the withdrawal of gas at the delivery point but only where the equipment to allow the withdrawal of gas is still present at the delivery point.

A high-level description of each reference service is set out in the attachments to the 2010-15 access arrangement. The general terms and conditions for the reference services are set out in the access arrangement. Under the 2010-2015 access arrangement, a prospective network user must enter into a form of gas transport services agreement with ActewAGL Distribution before they may seek access to the reference services. The more detailed terms and conditions for the reference services are set out in two gas transport services agreements which do not form part of the 2010-15 access arrangement. One agreement is for customers who are reasonably expected to take delivery of less than or equal to 10 TJ of gas per year and the other is for customers who are reasonably expected to take delivery of more than 10 TJ of gas per year.

2.3.1.2 Non-Reference Services

The two non-reference services are:

- interconnection of embedded network service—a service to provide for the establishment of a single delivery point from the network to an embedded network; and
- negotiated services—a service negotiated to meet the needs of a network user which are not met by the reference services or interconnection of embedded network service.

2.3.2 Proposed services policy in the 2016-21 access arrangement

Section 2 of ActewAGL Distribution's 2016-21 access arrangement contains the *Services policy*.

ActewAGL Distribution is proposing to offer the following pipeline services:

- one reference service; and
- two non-reference services.

2.4 Proposed reference service for the 2016-21 access arrangement

2.4.1 Proposed haulage reference service

The proposed reference service for the 2016-21 access arrangement is the haulage reference service. The proposed haulage reference service includes:

- receiving gas injected from a different gas pipeline or other gas facility (the point of injection is referred to as the receipt point);
- transportation of gas from a receipt point to an eligible delivery point;
- allowing the withdrawal of gas at an eligible delivery point;
- meter reading and associated data services, and the provision and maintenance of a standard metering installation; and
- other network user requested ancillary activities, being:
 - special meter reads—meter reading for a delivery point that is in addition to the scheduled meter reading;
 - disconnections—disconnection to prevent the withdrawal of gas at the delivery point (the specific method of disconnection is at the discretion of ActewAGL Distribution);
 - reconnections—reconnection to allow the withdrawal of gas at the delivery point but only where the equipment to allow the withdrawal of gas is still present at the delivery point;
 - decommissioning and meter removals (new)—removal of a meter and the permanent decommissioning of a network connection (the specific method of disconnection is at the discretion of ActewAGL Distribution);
 - request for service—network users wishing to obtain a transport service for a delivery point must submit a request for service in accordance with the request-for-service procedure set out in the access arrangement.

2.4.2 Proposed new ancillary activity

In addition to continuing to undertake disconnection and reconnection activities, ActewAGL Distribution is proposing to include a new ancillary activity—decommissioning and meter removals—to distinguish network user requests to:

- a) temporarily stop the flow of gas at a delivery point; and
- b) permanently remove gas equipment which will allow the withdrawal of gas at a delivery point.

2.4.2.1 Temporarily stopping gas flow

A request to temporarily stop the flow of gas at a customer's premises is generally sought by a retailer to temporarily disconnect gas access to a customer's premises to recover an outstanding debt from the customer, or where a customer requests the retailer to cease gas services at their delivery point. For these requests, ActewAGL Distribution will generally leave the gas connection and metering equipment at the customer's premises to lower the barriers for new customers at these premises to access gas, by enabling future gas services to be available for prospective customers.

ActewAGL Distribution considers this approach:

- is more efficient and less costly than removing the gas equipment at the premises and then installing new gas equipment for any future gas connection requests at that premises; and
- will promote the efficient use of, and affordable access to, the network.

2.4.2.2 Permanently stopping gas flow

A request to permanently remove the gas connection and metering equipment at a customer's premises is generally sought by a retailer where the customer is renovating or demolishing their premises and requires the gas service at their premises to be made safe for property developers and builders before construction commences. This activity involves removing the gas connection and metering equipment at the customer's premises so that gas is no longer available at the customer's premises (all the gas equipment to allow the withdrawal of gas at the customer's premises will be removed). Prospective customers at these premises will need to request a new gas connection to access gas through the network.

As the cost for a decommissioning and meter removal service is greater than the cost for a disconnection activity, ActewAGL Distribution is proposing to:

- introduce this new ancillary activity for decommissioning and meter removals in its reference tariff schedule; and
- set a higher charge for decommissioning and meter removals compared to disconnections.

This will ensure that:

- the charges for these activities are more cost reflective;
- other customers are not cross-subsiding the costs of customers who are requesting this activity; and
- ActewAGL Distribution appropriately recovers its efficient costs for these activities.

2.4.3 Other proposed changes

ActewAGL Distribution is proposing to include ancillary activities and meter data services within the haulage reference service, in line with the services proposed by Envestra (Victoria) and Jemena Gas Networks (JGN), and approved by the AER.¹

ActewAGL Distribution is also proposing to include the more detailed terms and conditions for the reference service in a reference service agreement (RSA) which forms part of the 2016-21 access arrangement (at schedule 5). This is consistent with the approach proposed by the other gas distribution businesses.² Further details on the RSA can be found in attachment 14 of this access arrangement information.

ActewAGL Distribution considers that simplifying our reference services will benefit consumers, retailers and the AER as it will:

- allow the three fixed charges to be consolidated into a single fixed charge for each customer class, making it easier for retailers to prepare retail market offers and for customers to compare them; and
- harmonise with the approach approved by the AER for other gas distribution businesses.

Further information on each of the above points is set out below.

2.4.3.1 Consolidating the fixed charges

In the 2010-15 access arrangement:

- customers reasonably expected to use equal to or less than 10 TJ of gas per year at their premises are expected to pay three fixed charges for the following reference services—two fixed charges for the tariff service and one fixed charge for the meter data service; and
- customers reasonably expected to use more than 10 TJ of gas per year at their premises are expected to pay three fixed charges for the following reference services—one fixed charge for the capacity reservation service, managed capacity service or throughput service, and two (separate) fixed charges for the meter data service.

¹ AER, *Access Arrangement final decision – Envestra Limited 2013-17*, March 2013; AER, *Access Arrangement final decision – Jemena Gas Networks (NSW) Ltd*, June 2015.

² AER, *Access Arrangement final decision – Envestra Limited 2013-17*, March 2013; AER, *Access Arrangement final decision – Multinet Gas (DB No. 1) Pty Ltd Multinet Gas (DB No. 2) 2013-17*, March 2013; AER, *Access Arrangement final decision – SP Ausnet (Gas) Pty Ltd 2013-17*, March 2013; AER, *Access Arrangement final decision – Jemena Gas Networks (NSW) Ltd*, June 2015.

For the 2016-2021 access arrangement, ActewAGL Distribution is proposing to consolidate its three fixed charges into a single fixed charge for each customer class. ActewAGL Distribution considers this is in the long-term interests of consumers as it will make it easier for customers to compare retail offers. This is because customers will be able to compare the fixed and variable charges in their retail bill with ActewAGL Distribution's single fixed charge and variable charges for its network services, which in turn will promote retail competition and the competitiveness of gas compared to alternative energy sources.

ActewAGL Distribution considers the benefits of consolidating the fixed charges will outweigh the detriment to customers from having a non-contestable meter data service for gas. This is because ActewAGL Distribution considers meter data services will not become contestable for gas over the 2016-21 access arrangement period, consistent with the approach adopted by JGN and approved by the AER.³ Further detail on the rationale for removing contestable meter data services from the 2016-21 access arrangement can be found in attachment 14 of this access arrangement information.

2.4.3.2 Harmonising our approach with other gas distribution businesses

As mentioned above, consistent with the approach proposed by other gas distribution businesses and approved by the AER, ActewAGL Distribution is proposing to include ancillary activities and meter data services within the haulage reference service and to include the more detailed terms and conditions for the reference service in a RSA which forms part of the access arrangement. ActewAGL Distribution considers there are benefits from adopting this harmonised approach with the other gas distribution businesses as it will:

- improve transparency for existing and prospective network users on ActewAGL Distribution's services, and the terms and conditions on which ActewAGL Distribution will offer its reference service, thereby better facilitating access and energy market competition; and
- reduce the costs for ActewAGL Distribution and its network users to administer the RSA, which should in turn be passed on to consumers as cost savings.

Further information on the RSA can be found in attachment 14 of this access arrangement information.

2.5 ActewAGL Distribution's proposed non-reference service

In certain cases, a network user or prospective network user may require pipeline services that are different from the reference service. These services are referred to as non-reference services.

³ Access Arrangement final decision – Jemena Gas Networks (NSW) Ltd 2015-20, June 2015 Attachment 2

ActewAGL Distribution will negotiate a price and terms and conditions for each service on a case-by-case basis where the price will depend on the specific conditions attached to the provision of the service requested by the network user.

For the 2010-15 access arrangement, ActewAGL Distribution offers the following non-reference services:

- the interconnection of embedded network service; and
- negotiated services.

ActewAGL Distribution is not proposing to change these non-reference services for the 2016-21 access arrangement.

Abbreviations used in this document

Abbreviation	Full term
ACT	Australian Capital Territory
AER	Australian Energy Regulator
JGN	Jemena Gas Networks (NSW) Ltd
NSW	New South Wales
RSA	Reference service agreement
Rules, the	National Gas Rules
TJ	terajoule(s)