

Jemena Gas Networks (NSW) – Access Arrangement Information – Appendix 1.1

**JGN's NSW Gas Networks – Access
Arrangement Changes**

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Jemena Gas Networks (NSW) Ltd

Access Arrangement Changes

August 2009



COMPARISON OF THE SERVICE PROVIDER'S 2005-2010 ACCESS ARRANGEMENT (OLD AA) AND PROPOSED 2010-2015 ACCESS ARRANGEMENT (NEW AA)

New AA Sections	Old AA Sections	Comments
Introduction in the New AA	Introduction in the Old AA - (Section 1)	Summary: The major difference between the introductory sections is that the New AA contains an additional description and map of the pipelines covered by the AA.
Applicable regulatory instrument		<p>Both the Old and New AAs contain information about the applicable regulatory instrument governing the Access Arrangement (AA).</p> <p>Under the Old AA, the economic regulation of the Service Provider's distribution network was carried out by the NSW regulator, the Independent Pricing and Regulatory Tribunal (IPART), under the National Third Party Access Code for Natural Gas Pipeline Systems (Gas Code). The Old AA explains that it is revising the Service Provider's 2000 Access Arrangement, and that it incorporates amendments to the proposed AA required by IPART's Final Decision on the Access Arrangement dated 29 April 2005.</p> <p>For the New AA, economic regulation is carried out by the Australian Energy Regulator (AER), under the National Gas Law (NGL) and National Gas Rules (NGR). The New AA explains that it is revising the Service Provider's Transitioned Access Arrangement.</p>
Additional description and map of the pipelines covered by the AA		<p>The New AA contains an additional description and maps of the pipelines covered by the AA, as required by Rule 48(1)(a). The description of the northern and southern trunks has been altered to reflect their reclassification from transmission to distribution pipelines by the National Competition Council (NCC).</p> <p>Notably, on 5 June 2009 the AER directed the Service Provider to consolidate the terms of access for the following four Covered Pipelines into one access arrangement (maintaining separate capital bases consistent with IPART's requirements as well as a consolidated capital base for the entire Network):</p> <ul style="list-style-type: none"> • The New South Wales distribution system • The Central West distribution system • Wilton to Newcastle trunk pipeline • Wilton to Wollongong trunk pipeline

New AA Sections	Old AA Sections	Comments
Services Policy in the New AA	Services Policy in the Old AA - (Section 2)	<p>Summary: The Old AA offered seven Reference Services whereas the New AA offers two Reference Services.</p> <p>Both the Old AA and the New AA offer the interconnection of embedded network services and negotiated services as non-reference services.</p> <p>The New AA includes a provision for legacy services.</p>
<p>Different Reference Services</p> <p>Reference services under the New AA</p> <ol style="list-style-type: none"> 1. Reference Haulage Service 2. Meter Data Service <p>Reference services under the Old AA</p> <ol style="list-style-type: none"> 1. Capacity Reservation Service 2. Managed Capacity Service 3. Throughput Service 4. Multiple delivery point Service 5. Tariff Service 6. Meter Data Service 7. Gas Swap Service <p><i>(Each local network transportation service has associated with it a corresponding trunk transportation service)</i></p>		<p>The Service Provider's Old AA contained seven separate reference services. This was a reflection of:</p> <ul style="list-style-type: none"> • the Service Provider's historic customer segmentation through reference service specification rather than through specification of tariff classes within a given reference service; and • the fact that the Service Provider provided separately identified reference services from its trunk pipelines and local network as these trunk pipelines were subject to a derogation from transmission classification that had a finite term, meaning the Service Provider needed to structure its reference services in anticipation of the expiry of that derogation. <p>In the New AA, the Service Provider has significantly simplified its reference service offerings, providing the Service Provider and Users with administrative benefits, as well as reflecting the reclassification of the Service Provider's trunk pipelines to distribution pipelines. The Service Provider now offers two reference services, a reference haulage service and a meter data service.</p> <p>Reference Haulage Service</p> <p>In the New AA, the Service Provider uses tariff classes instead of separate reference services to delineate between pricing structures for different types of customers. For example, the Service Provider provides a single gas haulage reference service with separate customer categories and tariff classes within this reference service for volume and demand customers, rather than having separate reference services for different categories of customer. The use of tariff classes to group customers is set out in Rule 94(1) of the NGR.</p> <p>Users of the Capacity Reservation Service, Managed Capacity Service, Throughput Service and Multiple Delivery Point Service under the Old AA will be provided with services at a reference tariff determined by a Demand Tariff Class.</p> <p>Users of the Tariff Service under the Old AA will be provided with services at a reference tariff determined by a Volume Tariff Class under the New AA.</p> <p>Meter Data Service</p> <p>In the New AA, the Service Provider has retained the Meter Data Service as a Reference Service from the Old AA.</p> <p>Gas Swap Service</p> <p>The Service Provider will not offer the Gas Swap Service as a reference service in the New AA.</p> <p>Terms and Conditions</p>

New AA Sections	Old AA Sections	Comments
		<p>As described in more detail below (see the section on Schedule 3 in the New AA - Reference Service Agreement), the Service Provider's Old AA contains a description of the minimum terms and conditions for access to the Network. These are "policy based" and are interspersed throughout the AA as high level principles as the basis of contract negotiation.</p> <p>The New AA contains the terms and conditions upon which the Service Provider will supply each Reference Service in the Reference Service Agreement. As this Reference Service Agreement is set out in Schedule 3 in the New AA, it will form part of the AA to be approved by the AER.</p> <p>The New AA includes a mechanism which allows the Service Provider to seek the AER's approval during the access arrangement period to amend the terms and conditions in the AA.</p> <p>Trunk and Local Network Services</p> <p>Following reclassification of the Service Provider's trunk pipelines as distribution pipelines, the Service Provider will offer the Reference Haulage Service as a single service to replace the separate (but bundled) trunk and local network reference services offered under the Old AA in the Wilton Network Section.</p>
<p>Equivalent Non-reference services</p>		<p>Interconnection of Embedded Network Service</p> <p>In the New AA, the Service Provider has retained the Interconnection of Embedded Network Service as a Reference Service from the Old AA. The Old AA lists the terms and conditions which are the basis for contract negotiation of the Interconnection of Embedded Networks Service in the main body of the AA, however these are now set out in Schedule 4 in the New AA. These terms and conditions continue to be presented as high level policy based principles which are the basis for contract negotiation.</p> <p>Negotiated Service</p> <p>The Old and New AAs have corresponding provisions relating to Negotiated Services. The only difference is the additional provisions in the Old AA relating to the Trunk Negotiated Service and the linked Local Network Service. These provisions are not relevant for the New AA as there is no longer a trunk reference service due to the reclassification of the Service Provider's trunk pipelines to distribution pipelines.</p>
<p>Legacy Services under the New AA</p>		<p>The New AA contains an additional section relating to Legacy Services. A Legacy Service is a Pipeline Service that was requested as a reference service under the Old AA and which is provided on the network by the Service Provider to a User under a contract.</p> <p>It is expected that any User who receives a Legacy Service will decide that from the commencement of the AA period, it will cease obtaining that service from the Service Provider and will instead receive a Reference Haulage Service and any other Reference Service in accordance with the Reference Service Agreement set out in Schedule 3 of the AA.</p> <p>However, under the Legacy Service provisions, Users may continue on the old services in accordance with the terms and conditions of their contract until they request to move to a new service, and as long as the contract remains in force and is not terminated by either party.</p> <p>The charges for Legacy Services will be determined in accordance with the relevant provisions in the New AA, or where applicable, in accordance with the terms of the existing contract.</p>

New AA Sections	Old AA Sections	Comments
<p>Reference Tariff Policy in the New AA</p> <p>Schedule 2 in the New AA - Initial Reference Tariff Schedule</p>	<p>Reference Tariffs in the Old AA - (Section 3)</p> <p>Reference Tariff Policy in the Old AA - (Section 4)</p>	<p>Summary: The sections in the New AA and the Old AA dealing with reference tariffs are fundamentally different.</p> <p>Under the Old AA, the reference tariffs for each year of the regulatory period are contained in fixed schedules within the AA, expressed in 2004/05 dollars. The actual Reference Tariff applicable in a particular year would be the real 2004/05 value, escalated at CPI to that particular year and adjusted to account for UAG and cost pass throughs.</p> <p>The New AA uses a tariff basket annual tariff variation mechanism, as opposed to the fixed tariff schedule format used in the Old AA. The Initial Reference Tariffs, namely the Reference Tariffs applying upon the commencement of the Access Arrangement are set out in Schedule 2. Under the New AA, when the Reference Tariffs are amended and approved, the updated Tariff Schedule will be published on the Service Provider's website.</p> <p>As stated above, the Service Provider has divided different customer types into tariff classes for the purpose of applying different reference tariffs to different types of customers in the New AA. The Service Provider is also adopting a tariff basket approach to pricing of reference tariffs under the new AA. The Reference Tariff Policy is therefore very detailed, explaining: the Reference tariff classes; the procedures to gain approval by the AER for varying, withdrawing or introducing a Reference Tariff; and the Reference Tariff Variation Methods.</p>
<p>Tariff basket in the New AA vs Fixed Schedule in the Old AA</p>		<p>The Old AA contains a fixed tariff schedule approach to the Reference Services. This schedule of prices is set out in Section 3 in the Old AA ('Reference Tariffs') and is determined from the forecast cost of service throughout the regulatory period. The prices in Section 3 are expressed in 2004/05 dollars and the actual reference tariff applicable in a particular year is the real 2004/05 value escalated at CPI in that year. A full schedule of prices is updated each year and published by the Service Provider. The Service Provider is able to vary the reference tariffs for UAG and a material impact on the cost of providing Reference Services as a result of one of the cost pass-through events (with the approval of the Relevant Regulator).</p> <p>Under the New AA, the Service Provider has adopted a tariff basket form of price control for its haulage reference service. The tariff basket sets out the formulae governing the annual tariff movements which the Service Provider must comply with.</p> <p>The Service Provider has retained a fixed tariff schedule approach for the meter data service as well as the ancillary fees. These will be adjusted for CPI annually.</p> <p>Tariff variations will be subject to approval by the AER.</p>
<p>Introduction or Withdrawal of Haulage Reference Tariffs and tariff classes in the New AA</p>		<p>Unlike the position under the Old AA, under the New AA, the Service Provider may introduce or withdraw reference tariffs during the access arrangement period with the AER's approval.</p> <p>Under the New AA, the Service Provider may vary or withdraw an existing tariff class or introduce a new tariff class for a delivery point at any time during the Access Arrangement period in accordance with the Reference Tariff Policy subject to the approval of the AER. Where the tariff class assigned to a delivery point has been withdrawn, the Service Provider may re-assign the delivery point to one or more different tariff classes in accordance with the reference tariff schedule.</p>

New AA Sections	Old AA Sections	Comments
<p>Initial Reference Tariffs and Initial Reference tariff classes in the New AA</p>		<p>The initial reference tariffs and tariff classes applying to reference services on the commencement in the New AA are set out in the Initial Reference Tariff Schedule (Schedule 2 in the New AA). This applies until amended in accordance with the Reference Tariff Policy set out in the New AA.</p> <p>The Initial Reference Tariff available for a specific Reference Service depends on the Initial tariff class assigned by the Service Provider to the delivery point to which the Reference Service will be provided. This is determined based on one or more of the following elements:</p> <ul style="list-style-type: none"> • customer groups (i.e. demand or volume); • tariff categories (i.e. capacity, capacity - 1st response and throughput); and • classification by location. <p>Within the Service Provider's initial proposed tariff classes, two different customer categories are distinguished:</p> <ul style="list-style-type: none"> • Volume customers are customers who take less than 10 TJ per year and include residential and small industrial and commercial consumers; • Demand customers are customers who take more than 10 TJ per year and are generally larger commercial and industrial gas consumers. <p>Volume Customers</p> <p>In the Old AA, the Service Provider assigns all volume customers (referred to in the Old AA as 'tariff customers') to a single reference tariff class for the purposes of trunk network services and local network services.</p> <p>In the New AA, the Service Provider establishes two tariff classes for volume customers:</p> <ul style="list-style-type: none"> • the V-Coastal tariff – applicable to volume customer delivery points located in the Wilton Network Section which is supplied from the Service Provider's northern and southern trunks; and • the V-Country tariff – applicable to volume customer delivery points located in country network sections that are not connected to Service Provider's trunk mains. <p>The delineation enables the Service Provider to combine trunk charges with other network charges for coastal delivery points without affecting the price paid by country customers.</p> <p>Demand Customers</p> <p>In the New AA, the Service Provider has retained the following features from the Old AA:</p> <ul style="list-style-type: none"> • the Service Provider charges for services to a Demand customer delivery point (referred to in the Old AA as a 'non-tariff delivery point') on a zonal basis that reflects the customer's location within the local network; • Demand customers have the option of throughput pricing as a separate tariff class.

New AA Sections	Old AA Sections	Comments
		<p>However, the Service Provider has introduced features for Demand customers, including:</p> <ul style="list-style-type: none"> • an additional set of locationally based capacity charge tariffs for very large customers which agree to participate as "first response" respondents in network load shedding events; • Demand charges will be calculated using Chargeable Demand which more directly reflects the actual utilisation of an end customer, rather than using MDQ selected by a retailer under the Old AA; • a minimum bill charge for Demand customers; and • provision of Basic Metering Equipment charges for Demand Tariff Classes are based on MHQ of the delivery point which is more reflective of meter set size and costs than the type of meter which is used to determine charges under the Old AA.
Ancillary Fees		<p>In the Old AA, the ancillary fees related to:</p> <ul style="list-style-type: none"> • request for service • special meter read; • residential disconnection fee; • business disconnection fee. <p>In the New AA, ancillary fees are retained for request for service and special meter read, and new fees relate to:</p> <ul style="list-style-type: none"> • temporary disconnection; • permanent disconnection; and • decommissioning and meter removal.
Approval of the Relevant Regulator		<p>Under clause 3.12 in the Old AA, variations to the reference tariffs are subject to the Relevant Regulator's approval. If the Service Provider wishes to vary the tariffs, it must give the Relevant Regulator at least 50 business days notice prior to the effective date of the variation. The Relevant Regulator can also initiate variations in accordance with the Gas Code.</p> <p>Under the New AA, the Service Provider will submit its annual reference tariff proposal to the AER for approval at least 30 business days prior to the commencement of the next financial year. The Service Provider may also propose to vary one or more of the haulage reference tariffs or tariff classes within a financial year. If it does so, it will submit a variation notice to the AER at least 50 business days prior to the intended date of variation. Any proposed variation must comply with the Annual Tariff Variation Mechanism set out in the New AA. A variation to the haulage reference tariffs or a change to a tariff class will only take place with the approval (or deemed approval) of the AER.</p> <p>The New AA contains additional provisions dealing with the assessment of a variation notice by the AER.</p>

New AA Sections	Old AA Sections	Comments
<p>Pass through events and mechanisms</p> <p><i>Annual Tariff adjustments in the New AA:</i></p> <ol style="list-style-type: none"> 1. Unaccounted for Gas (UAG) Adjustment; 2. Weather Variation Adjustment; <p><i>Cost pass-through events in the New AA:</i></p> <ol style="list-style-type: none"> 1. a License Fee Event; 2. a Change in Tax Event; 3. a Business Continuity Event; 4. a Market Costs Event; and 5. a Declared Retailer of Last Resort (ROLR) Event ***** <p><i>Cost pass through events in the Old AA</i></p> <ol style="list-style-type: none"> 1. A change in tax event – a new tax, or changes in the rates of tax or calculation of taxes that affect the Service Provider's costs; 2. A regulatory event – changes in the obligations affecting the Service Provider's operations, market interactions or applicable license fees and statutory charges; 3. Guaranteed customer service level standards (GCSS) – costs arising from a Ministerial decision to impose guaranteed service level standards and payments in NSW; and 4. Unaccounted for gas (UAG) – while defined as an incentive mechanism, UAG cost recovery has been operating as a cost-pass through up to the target UAG rate. 		<p><u>Cost pass-throughs retained from the Old AA</u></p> <p>UAG</p> <p>Under the Old AA, reference tariffs are adjusted for differences between actual and allowed costs of UAG for any year on the basis of:</p> <ul style="list-style-type: none"> • gas throughput for the year; • the competitive price at which gas is purchased; and • an allowed UAG benchmark of 2.1 per cent. <p>In the New AA, the Service Provider has amended this mechanism to additionally include pass through of costs for:</p> <ul style="list-style-type: none"> • variations in the rate of UAG within the range of 2.1per cent to 2.7per cent, (the Service Provider cannot control UAG efficiently in this range); and • Carbon Permit costs. <p>Schedule 8 sets out the UAG costs and emissions measurement methodology.</p> <p>Change in Tax Event</p> <p>Both the Old and New AA contain this cost pass-through event.</p> <p>Regulatory Event/ Market Costs Event</p> <p>The Old AA contained a Regulatory Event cost pass-through. This is referred to as a 'Market Costs Event' in the New AA.</p> <p><u>Cost pass-throughs not retained from the Old AA</u></p> <p>Guaranteed customer service level standards – guaranteed service level standards were being contemplated by the NSW Government at the time of the last AA review, but did not transpire for gas.</p> <p><u>New cost pass-throughs in the New AA</u></p> <p>Licence Fee Event - Over the next AA period, the Service Provider must pay licence fees and statutory charges to NSW and national bodies that may vary significantly as economic and market regulation transitions to national bodies. These are included as a cost pass-through event.</p> <p>Weather Effect – gas demand forecasts are based on an assumption that weather will be “normal”. The New AA contains an adjustment factor to adjust for the variation in demand due to weather being warmer or colder than normal.</p> <p>Business Continuity Event - the New AA contains a pass through for events that lead to an interruption, disruption loss and/or crisis in the Service Provider's business for which the Service Provider does not have full insurance coverage.</p>

New AA Sections	Old AA Sections	Comments
		<p>Declared Retailer of Last Resort Event - the New AA contains a pass through for administrative costs incurred by the Service Provider as a result of a declared retailer of last resort event.</p>
<p>Speculative capital expenditure and investment policy in the New AA</p>	<p>Reference Tariff Policy in the Old AA (Section 4) includes matters such as the New Facilities Investment</p>	<p>The speculative capital expenditure and investment policy in the New AA is based on the new requirements contained in the NGR.</p> <p>In contrast, Section 4 in the Old AA contained a section on 'New Facilities Investment' which was based upon the requirements of the Gas Code.</p> <p>The speculative capital expenditure and investment policy in the New AA also contains a new expansion incentive mechanism. Under this mechanism, the Service Provider may expand its Network into previously unreticulated suburbs during the access arrangement period. The capital expenditure will be reported as a new category in the speculative capital expenditure account. If the AER approves the capital expenditure as conforming capital expenditure, it will be first recognised in the Service Provider's Capital Base five years after the year in which it is added to the speculative capital expenditure account. The Service Provider has not sought funding of this capital expenditure in the 2010-11 to 2014-15 AA period.</p>
<p>Capital redundancy policy in the New AA</p>	<p>Reference Tariff Policy in the Old AA (Section 4) includes matters such as Capital Redundancy</p>	<p>The capital redundancy policy in the New AA is substantially based upon the capital redundancy mechanism contained in cl 4.2.1 of the Old AA.</p> <p>Clause 4.2.1(a)(iii) of the Old AA has not been retained in the new AA as it is not required under rule 85 of the NGR.</p>
<p>Queuing policy in the New AA</p>	<p>Queuing policy in the Old AA - (Section 6)</p>	<p>The queuing policy in the New AA is based upon Section 6 in the Old AA.</p> <p>The major change relates to the priority of prospective users in obtaining services.</p> <p>Under the Old AA, a request for a reference service will have priority over a request for a negotiated service.</p> <p>Under the New AA, a request for a service relating to less than 1 TJ of gas per annum will have priority over a request for a service relating to more than 1 TJ of gas per annum. A request for a reference service will then have priority over a request for a negotiated service.</p>
<p>Extensions and expansions policy in the New AA</p>	<p>Extensions and expansions policy in the Old AA - (Section 7)</p>	<p>The method used to determine whether an extension or expansion of a covered pipeline should be taken to form part of the covered pipeline contained in clause (a) of the extensions and expansions policy in the New AA is the same as the method contained in section 7 in the Old AA.</p> <p>The Old AA contains additional provisions relating to Surcharges under the Gas Code (which have been moved to the speculative capital expenditure and investment policy in the New AA). The Old AA also contains provisions for establishing reference tariff prices for Capacity Reservation Services and Managed Capacity Services in new locations. These will now be addressed for Demand Customers generally through the reference tariff policy under the New AA.</p>

New AA Sections	Old AA Sections	Comments
<p>Capacity trading in the New AA</p> <p>Schedule 3 in the New AA - Reference Service Agreement</p>	<p>Trading Policy in the Old AA - (Section 5)</p>	<p>Section 5 in the Old AA used the terminology of 'bare' and 'substituted' transfers. This terminology is no longer applicable under the NGR and has not been retained in the New AA.</p> <p>In the New AA, the provisions on capacity trading to reflect Rule 105 of the NGR have been included in the Reference Service Agreement contained in Schedule 3. Clause (a) of the Capacity Trading section in the New AA simply states that a user may transfer all or any of its contracted capacity for a haulage reference service to another user in accordance with the provisions of the Reference Service Agreement.</p> <p>Under Clause (b) of the Capacity Trading section in the New AA, a user may transfer all or any of its contracted capacity for a pipeline service other than a haulage reference service to another user in accordance with the provisions of its service agreement with the Service Provider to the extent that those provisions are consistent with the capacity trading requirements in the NGR.</p>
<p>-</p>	<p>Capacity management policy in the Old AA - (Section 8)</p>	<p>The statement that 'the network is a contract carriage pipeline' was included in the Old AA to meet a requirement in the Gas Code and has not been replicated in the New AA.</p>
<p>Changing receipt and delivery points in the New AA</p>	<p>Trading Policy in the Old AA - (Section 5)</p>	<p>In the New AA, the provisions on changing receipt and delivery points to reflect Rule 106 of the NGR have been included in the Reference Service Agreement contained in Schedule 3.</p> <p>Clause (a) of the Changing Receipt and Delivery Points section in the New AA simply states a user may, with the Service Provider's consent, change the user's receipt point or delivery point for the delivery of a reference service in accordance with the provisions of the Reference Service Agreement.</p> <p>Under clause (b) of the Changing Receipt and Delivery Points section in the New AA, a user may with the Service Provider's consent, change the user's receipt point or delivery point for the delivery of a pipeline service other than a haulage reference service in accordance with the provisions of its service agreement with the Service Provider to the extent that those provisions are consistent with the provisions governing the change of receipt and delivery points by users in the NGR.</p>
<p>-</p>	<p>Asset register, capital contribution data base and UAG audit in the Old AA - (Section 9)</p>	<p>Section 9 in the Old AA deals with the asset register and capital contribution database. These provisions were specifically required by IPART in its decisions (see, IPART's Final Decision - Revised Access Arrangement for AGL Gas Networks in April 2005). These provisions have not been retained in the New AA.</p>

New AA Sections	Old AA Sections	Comments
Fixed Principles in the New AA	-	<p>The Fixed Principles section in the New AA contains a new section dealing with fixed principles. The proposed fixed principles are:</p> <ul style="list-style-type: none"> • <i>consolidated AA</i>: that the AER must notify the Service Provider no later than 18 months prior to the Revision Commencement Date if it intends to revoke its direction to the Service Provider to consolidate the access arrangements for its four Covered Pipelines. This remains in force for the AA Period covered by the New AA. • <i>cross-period pricing factors</i>: that any costs incurred by the Service Provider under an adjustment factor in the Reference Tariff Policy, but not recovered as prices, fees or charges in the AA Period covered by the New AA, will be included as costs in the next AA Period (to be reflected in the initial Reference Tariffs for the next AA Period). • <i>expansion incentive mechanism</i>: that relevant features of the expansion incentive mechanism will be retained in the next AA Period.
Schedule 1 in the New AA - Definitions and Interpretations	Schedule 1 in the Old AA - Definitions and Interpretations	-
Schedule 2 in the New AA - Initial Reference Tariff Schedule	-	As stated above, the way Reference Tariffs have been dealt with in the New AA is very different to the Old AA and there is no equivalent schedule in the Old AA.
Schedule 3 in the New AA - Reference Service Agreement	<p>Schedule 2A in the Old AA - Terms and Conditions Applicable to all reference services</p> <p>Schedule 2B in the Old AA - Additional terms and conditions applicable to reference services except tariff reference services</p>	<p>The Service Provider's Old AA contains a description of the minimum terms and conditions for access to the network. These are "policy based" and are interspersed throughout the AA as high level principles for the basis of contract negotiation.</p> <p>In contrast, the New AA contains terms and conditions that act as a Reference Service Agreement to cater for all prospective Users (supplying both small and large end consumers) where they are seeking reference services. The terms and conditions are in contractual form.</p> <p>While the essential elements of the terms of conditions in this AA are substantially the same as those in the current AA, there have been some changes made in response to market development and the changing nature of the gas distribution business.</p> <p>Some of the more significant changes made to the terms and conditions are outlined below</p> <ul style="list-style-type: none"> • Simplified reference services (as explained above under the 'Services Policy'); • No fixed contract term for Demand Customers (there will no longer be fixed contract terms for >10 TJ delivery points as were previously provided for in the reference terms and conditions). The new terms and conditions provide that Users may leave a Demand Delivery Point on the contract or more readily delete it, making the contractual addition and deletion of >10 TJ delivery points more similar to arrangements which currently only apply for <10 TJ delivery points; • Customer "churn" in retail market systems can be used to trigger the addition and deletion of Demand

New AA Sections	Old AA Sections	Comments
		<p>Customer Delivery points from the Reference Service Agreement. Under the Old AA, Users had to closely co-ordinate transactions to achieve simultaneous contractual churn and market churn for Demand Delivery Points;</p> <ul style="list-style-type: none"> • A new parameter, Chargeable Demand, will be used for capacity based charges for Demand Delivery points, which replaces the need for Old AA concepts of overrun charges (and therefore also removes the need for the previous differentiation between managed capacity and capacity reservation services). Chargeable Demand will be based on end customer characteristics and will be adjusted on a forward looking basis only, which means that the charges per delivery point will be the same for any User and that there will be no retrospective adjustment of capacity charges; • In addition to the churn and capacity management changes above, a uniform minimum charge will also apply for all demand tariffs, creating greatly reduced administration and transaction requirements for both Users and the Service Provider in managing services for demand tariff customers; • Transitional provisions - these transitional arrangements will allow network Users to move delivery points from their existing contracts to revised contracts for the new simplified reference services. The transitional provisions allow Users to determine the timing of when they move to a new service; • Balancing (the balancing provisions in the New AA differ from the provisions in the Old AA to adapt for the planned introduction of the Short Term Trading Market in NSW (STTM), and provision for operational balancing of the network by the Service Provider independently of any market systems in the event that the STTM is suspended or is unable to meet network operational needs.
<p>Schedule 4 in the New AA - Interconnection of Embedded Network Service</p>	<p>Services Policy in the Old AA - (Section 2)</p>	<p>As stated above, in the New AA, the Service Provider has retained the Interconnection of Embedded Network Service as a Reference Service from the Old AA. However, the New AA now lists the terms and conditions applicable to the Interconnection of Embedded Networks services in Schedule 4 of the New AA instead of in the main body of the AA (as is the case under Section 2.8 in the Old AA). The terms and conditions set out in the New AA for this service continue to be expressed in the form of high level principles to be used as the basis for negotiation. Detailed contractual terms will be negotiated upon application for this service.</p>
<p>Schedule 5 in the New AA - Request for Service Schedule 5A in the New AA - Request for Service Form</p>	<p>Schedule 6 in the Old AA - Request for Service Schedule 6B in the Old AA - Request for Service</p>	<p>The Request for Service Form is essentially the same as that in the Old AA.</p> <p>In relation to the Request For Service procedure in Schedule 5 in the New AA, the Service Provider must comply with the provisions set out in rule 112 of the NGR.</p>
<p>Schedule 6 in the New AA - Operational Schedules</p>	<p>Schedule 4 in the Old AA - Operational Principles</p>	<p>Schedule 6 in the New AA is based upon the provisions set out in Schedule 4 in the Old AA.</p> <p>Although some provisions differ slightly, both the New AA and the Old AA cover load shedding principles, load shedding priorities, emergency contacts for Customers, Emergency Load Management Systems as well as provisions relating to the establishment of receipt points. Notably, the Load Shedding Priorities are the same in the New AA and the Old AA.</p>

New AA Sections	Old AA Sections	Comments
Schedule 7 in the New AA - Receipt Point Pressures	Schedule 8 in the Old AA - Receipt point pressures	<p>The receipt point pressures contained in Schedule 8 in the Old AA have been updated and included in Schedule 7 in the New AA. The tables in the New AA have been split for clarity into the:</p> <ul style="list-style-type: none"> 'country network sections of the NSW Distribution System and Central West Distribution System'; and 'coastal network sections of the NSW Distribution System and the Wilton-Newcastle Pipeline and the Wilton Wollongong Pipeline'.
Schedule 8 - UAG Costs and emissions measurement methodology	-	<p>As stated above, the cost pass-through mechanism for UAG has been amended in the New AA to enable the service provider to recover the cost of UAG determined at the benchmark UAG rate or (if higher) the actual UAG rate so long as it is within a target range of 2.1 per cent to 2.7 per cent.</p> <p>Schedule 8 sets out the UAG costs and emissions measurement methodology. This includes the Service Provider's forecast UAG replacement gas costs as well as the emissions measurement and permit costs.</p>
Schedule 3 in the New AA - Reference Service Agreement (Annexure 3 of the Reference Service Agreement - Gas Balancing before the commencement of the Short Term Trading Market Annexure 4 of the Reference Service Agreement - Gas Balancing after the commencement of the Short Term Trading Market)	Schedule 3 in the Old AA - A - Gas balancing with operational balancing agreement Schedule 3 in the Old AA - B - Gas balancing with no operational balancing agreement Schedule 3 in the Old AA - C - Input and Withdrawal Quantities	<p>Under the Old AA, the provisions dealing with gas balancing were dealt with in Schedule 3. Under the New AA, gas balancing is now dealt with in the Reference Service Agreement.</p> <p>There are substantial differences between the Old and the New AAs. For example, the provisions relating to an Operational Balancing Agreement (as included in the Old AA) are no longer relevant.</p> <p>Also, the provisions in the New AA deal with changes to the gas market arising from the STTM. The STTM will facilitate settlement of wholesale gas sales into the Wilton Network Section treating that section as a single market hub. The Service Provider expects that it will maintain existing contractual rights and systems to be able to balance the Wilton Network Section. However, the Service Provider anticipates that it will have the flexibility not to be bound to apply existing arrangements on the basis that the Service Provider can adopt the STTM as an acceptable alternative balancing arrangement for the Wilton Network Section. The New AA provides an interim position until the STTM commences and also provides a new form of minimal gas balancing in the event that the STTM is suspended.</p>
Schedule 3 in the New AA - Reference Service Agreement	Schedule 5 in the Old AA - Gas Quality Specification	<p>The gas specification is set out as a clause in the Reference Service Agreement. The table of specifications contained in schedule 5 in the Old AA has been retained in Annexure 2 of the Reference Service Agreement..</p>
-	Schedule 7 in the Old AA - Sydney, Newcastle and Wollongong Local Network Price Zones and Postcodes to which Trunk Exit Zones apply	<p>This Schedule is no longer relevant and has been omitted from the New AA.</p>