



Reference Service Proposal for AusNet Gas Services

Gas Access Arrangement Reference Services
Proposal – FY2024-28

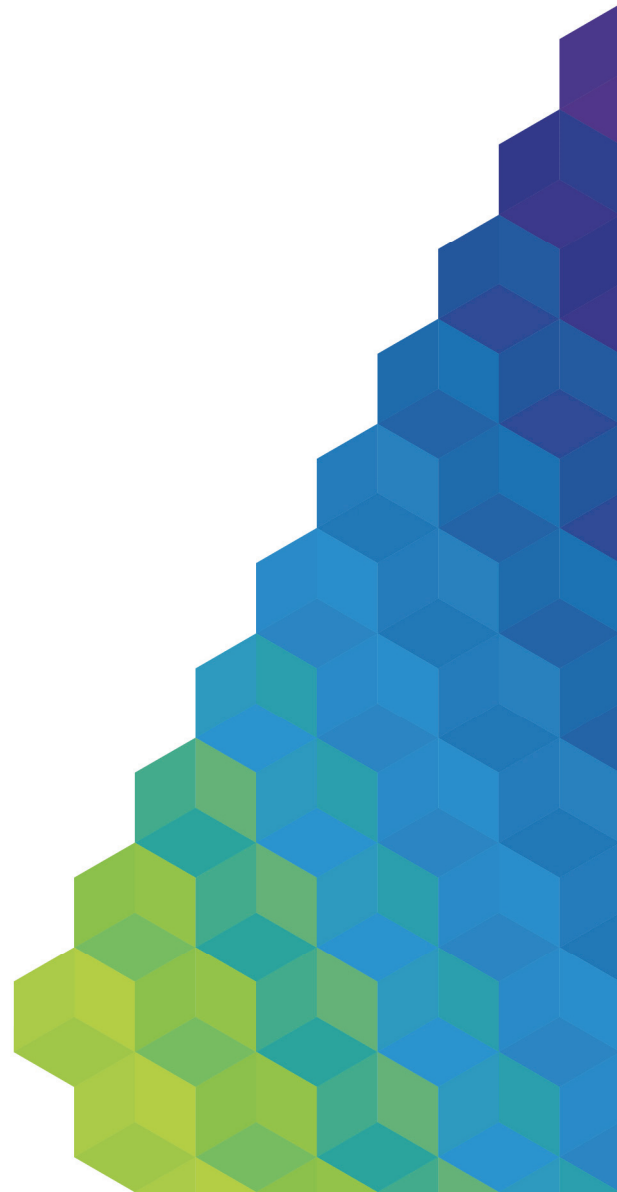


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1 Executive summary

AusNet is developing our plans and regulatory proposal for our gas distribution network over the FY2024-28 access arrangement period. Under the National Gas Rules (**NGR**), we are required to submit our reference service proposal to the AER on 1 July 2021, twelve months in advance of the submission date for our access arrangement revisions proposal.

This document sets out our proposed reference services for haulage and ancillary purposes and other non-reference services provided from time to time. This has been developed in consultation with retailers and a wider group of stakeholders.

We are proposing to retain existing reference services and incorporate new reference services that are non-reference services in the current access arrangement period (2018-22). In response to stakeholders' desires for consistency between networks wherever practical and in customers' interests, we have sought to align its reference services proposal and processes with those of the other Victorian gas networks where possible. Significantly, we are seeking to provide three new reference services for commonly sought by customers undertaking works on their premises, such as renovations. With these changes, we expect our non-reference services will make up less than 1% of our revenue. Additionally, we are refining our non-reference services to better clarify customer expectations.

In partnership with the other Victorian gas distributors (MultiNet Gas and Australian Gas Networks), AusNet is hosting regular customer and industry engagement activities to ensure our plans best reflect the needs of our customers and the community. Over the next year, we will be engaging with our customers and other stakeholders to understand their needs and expectations of our gas network and ensure our plans meet these needs, now and in the future.

2 About AusNet Gas Services

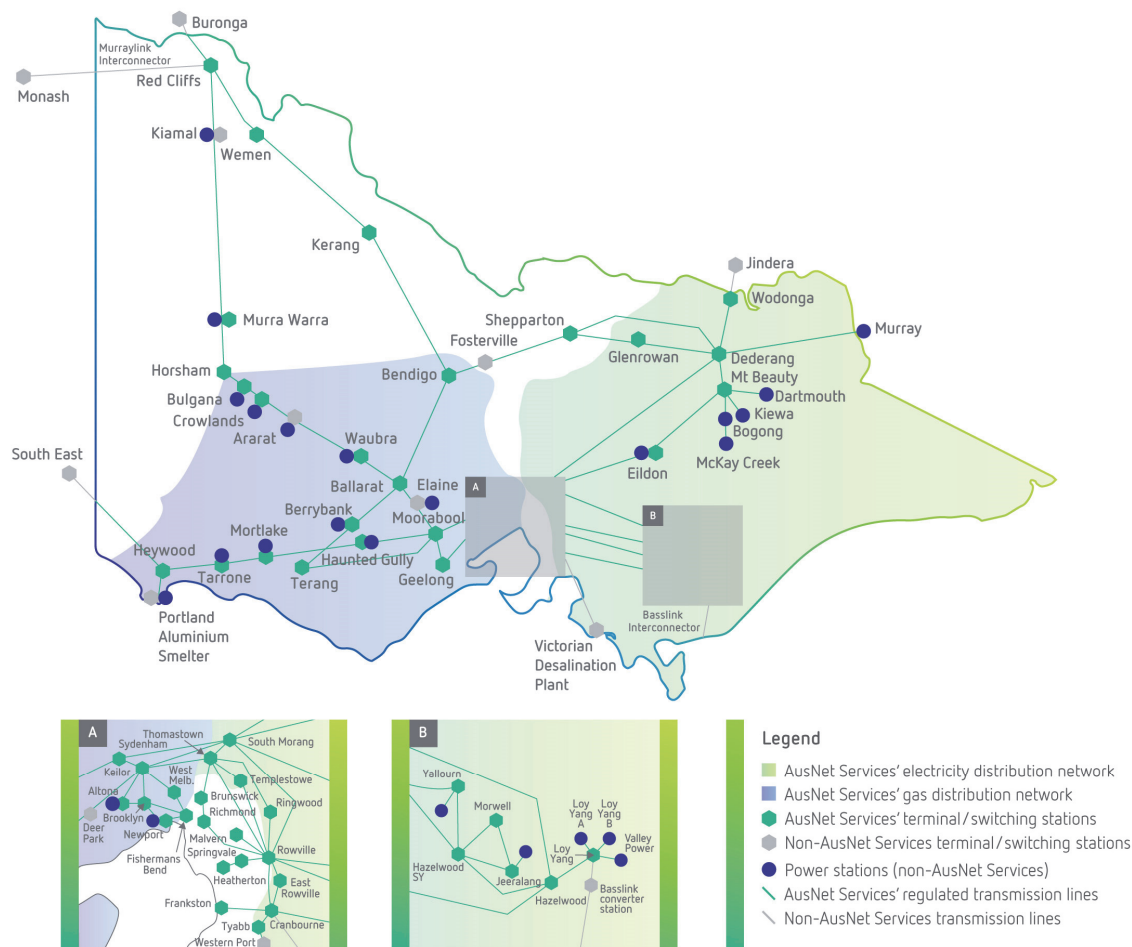
AusNet is Victoria's largest energy delivery service business. We own and operate \$11 billion worth of gas distribution, and electricity transmission and distribution assets across Victoria.

Our gas network distributes natural gas to central and western Victoria, including the outer northern and north-west metropolitan areas of Melbourne. Through our network of underground gas pipelines, we serve approximately 752,882 customers with this large network of approximately 12,384 kilometres of gas pipelines spanning a geographically diverse area of 60,000 square kilometres. Customers range from residential customers across all demographics to commercial and industrial customers.

Customers purchase natural gas from their appointed retailer. Our network haulage and ancillary reference services are paid for by the customer's retailer.

Figure 1 on the next page shows our gas network in Victoria. A description of our networks is also available on our website <https://ausnetservices.com.au/About/Who-we-are>.

Figure 1: Location of our gas network in Victoria.



3 Background

3.1 Regulatory framework

After recent changes, the NGR Rule 47A requires gas networks to provide the Australian Energy Regulator (**AER**) with a reference service proposal twelve months in advance of the submission date for our access arrangement revisions proposal.

Our reference service proposal must list all the services we can reasonably offer on the network as a reference service. The NGR sets out the relevant factors in determining what is a reference service. The reference service factors are, in summary:

- Actual and forecast demand for the service and number of customers;
- Whether the service is substitutable for another reference service;
- Whether it is feasible to allocate costs to the service;
- Whether the service is useful in supporting access negotiations and dispute resolution for non-reference services; and

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- The likely regulatory costs to customers, retailers, gas networks and the AER of making the service a reference service are minimal and justified.

In practical terms, we have applied the below criteria in guiding our selection of reference services.

Reference services	Non-reference services
✓ Most sought after services by our customers	✓ Have low and/or unpredictable demand
✓ Allows for more streamlined delivery and cost certainty for customers.	✓ Often have highly variable costs depending on specific customer needs
✓ Have largely predictable costs that can be attributable to individual users or reasonably allocated across users of a particular service	✓ Make up very little of our revenue
✓ Generate most of our revenue	
✓ Specifically requested by retailers or other stakeholders	

3.2 Customer and stakeholder engagement

In developing our plan for the next access arrangement period, the three Victorian gas distributors have come together to understand what is important to our customers and stakeholders, now and in the future. In our multi-staged engagement, we will enhance our planning process, with extensive consultation, involvement and collaborations with customers and stakeholders.

In the lead up to the submission of our regulatory proposal, this includes ongoing engagement with two reference groups: our Victorian Gas Networks Stakeholder Roundtable (**VGNR**); and our Victorian Gas Networks Retailer Reference Group (**VGNR RG**). We met with each of these groups twice in development of this reference services proposal.

VGNR RG represents a wide cross section of the community to ensure our access arrangement proposal is developed in the long-term interests of customers and stakeholders. Membership of our VGNR reflects the diversity of our customer base, with organisations representing residential customers, vulnerable customers, multicultural communities, business and industrial customers, builders and developers, and local government.

The VGNR RG comprises representatives from gas retailers who operate in Victoria and in other jurisdictions. Often customers are organising reference ancillary services and non-references through their retailers and builders. Inputs from retailers is particularly valuable in providing a good level of service to our customers. In our joint Victorian Gas Networks engagement, we received submissions from AGL and Red Energy/Lumo Energy and have addressed their feedback in this reference service proposal.

We met with our VGNR on 27 May, and with our VGNR RG on 28 May. The agenda in each meeting included a discussion on services and our reference service proposal. Additionally, we facilitated an additional VGNR RG meeting on 16 June to deep dive the issues in submissions.

3.3 Reference services haulage reference services

Haulage reference services allow the injection of gas at transfer points, the conveyance of gas from transfer points to distribution supply points and allowing withdrawal of gas at distribution supply points.

Network tariff revenue from haulage is the primary source of AusNet's gas network revenue which funds the operation, maintenance and augmentation of the network. We currently offer three different haulage reference services:

- Volume based haulage service (Tariff V) for all customers consuming up to 10TJ of gas energy, including connection services for Tariff V customers. Separate charge rates apply to domestic and non-domestic customers, as well as four rates for each pricing zone.
 - Business customers use more gas throughout the year whereas domestic customers use more energy during the peak period.
 - Different parts of our network have different operating costs, this is reflected in four Tariff V zones (Central, Adjoining Central, West, Adjoining West).
 - Our Tariff V has four declining block rates based on a daily consumption range that recognises that the marginal costs of delivery decline as volumes increase.
- Demand based haulage services (Tariff D) for large gas uses consuming over 10TJ of gas energy.
 - Customers are charged based on the maximum amount of gas used during any of the one-hour period over the calendar year.
 - A separate operations and maintenance charge also applies to Tariff D customers to recover the cost of operating and maintaining mains extensions, services, metering, data loggers and all other installation-related costs for the customers dedicated distribution assets.
- Demand based haulage services (Tariff M) for customers originally connected on Tariff V who have exceeded the 10TJ consumption limit with lower connection charges and includes the cost of operating and maintaining metering and data loggers to provide gas usage data.

We are proposing to retain these existing haulage services. Tariff M is applied to fewer than 200 customers. Due to the low number of customers, we will engage with customers on potentially closing this tariff. If we do so it would be with an appropriate transition arrangement, during the next access arrangement period. Therefore, we propose to retain Tariff M as a haulage reference service to provide a more flexible transition to Tariff D if the transition is supported by our customers.

3.4 Ancillary reference services

The following four ancillary reference services are offered in the current period:

- Meter & Gas Installation Test – onsite meter testing for Tariff V customer.
- Disconnection – locks & plugs at the meter installation.
- Reconnection – following insertion of locks & plugs at the meter installation.
- Special Read – final read, reference read, account investigation, customer transfer, or disconnection read.

These services are requested by retailers on behalf of our shared network and retail customers. They are commonly used, and the costs of providing each service are readily allocated to the service with a unit rate. We are proposing to retain these four reference services in the next access arrangement period.

Additionally, we are proposing new services in the forthcoming access arrangement period. The three new ancillary reference services proposed are in moderate to high demand and are generally not substitutable with other services. They are:

- Meter Fix or Reinstallation – reinstallation of a meter at a metering installation, performance of a safety check and the lighting of appliances where necessary;
- Meter and Service Removal – removal of a meter and service line to prevent the withdrawal of natural gas at the delivery point; and

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- 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.

These three additional services are described in more detail below. They are used by significant numbers of customers and have largely predictable costs. Forecast annual volumes and annual average revenue is provided in Table 2 in Appendix A. Therefore, they meet the criteria for selection as reference services. In expanding our range of reference services, we are providing our customers with greater cost transparency and avoiding delays in obtaining bespoke quotations for services that have generally predictable costs.

3.4.1 Meter Fix or Reinstallation

We are proposing to introduce Meter Fix or Reinstallation as an ancillary reference service. Currently, we are providing this as a non-reference service. This change will result in alignment with other Victorian gas distributors and better meet customer needs. Customers in new estates with energised service lines and existing properties that were disconnected at the meter before we discontinued practice. Providing this service as a reference services reduces the time and complexity for customers in requesting the service with regulated, published pricing. AGL's submission supported the move to make 'Meter Fix or Meter Reinstallation' service to an ancillary reference service.

3.4.2 Meter and Service Removal

We propose to introduce a consolidated Meter and Service Removal reference service. We consider that only removing the meter (and leaving a service line in place) leads to an unacceptable safety risk. Where the customer is undertaking subdivisions or rebuilding, it is important that the meter and service are both removed or disconnected. Otherwise, there is a risk of contacting the service line containing gas and resulting in an emergency. Often this leads to separate works requests for service line removal or an emergency request to remove the service line from the customer's demolition contractor. In other situations where the meter is removed for debt, we have observed most of these premises do not have the meter reinstalled, leaving the service line as a future safety hazard at the site. For this reason, from late 2020 we have been removing both the service line and meter on the receipt of a request for a meter removal. This consolidated service will reflect our actual service practice.

Combining the meter and service removal will not fully align with the other distribution businesses, who offer separate meter removal and service removal services. This is a result of our operational business practices and technical requirements.

Red Energy/Lumo Energy's submission supported our proposed moving of the 'Meter and Service Removal' from a non-reference service to a reference service as it was in the long-term interests of consumers.

AGL expressed some concern that the service for Meter and Service Removal proposed as a reference service was a change that would lead to the overall reduced likelihood for a customer to consider the re-installation of gas appliances. However, we have already bundled the meter and service removal service as a non-reference service to reflect our safety requirements. Meter removal as a standalone service is no longer available on our network. We have found disconnecting just at the meter leads to potentially unsafe situations and situations where the service line removal costs are not billable to the customer and become socialised. This change and inclusion as a reference service meets the expectations of customers by providing regulated pricing for commonly sought services.

3.4.3 Minor Meter Alter Position

The third new reference service of Minor Meter Alter Position is proposed to streamline our offering to customers (often undertaking minor renovations) that require a small movement in the meter position. Offering this as a reference service will help set cost expectations up-front, based on an average price, that reflects our reasonable costs. We expect this will reduce the time spent by customers and their builders undertaking this relatively common activity. In AGL's submission, they expressed support for Minor Meter Alter Position reference service and suggested this may be useful for customers undergoing renovation works.

3.5 Non-reference services

Non-reference services are for the provision of distribution services other than reference services proposed in this document and determined pursuant to the NGRs. In the current period, non-reference services make up less than 2% of our total revenue and with the move of three of these services to reference services, we expect this to reduce to less than 1% in the forthcoming period.

In proposing our non-reference services, we have updated our service descriptions to better clarify existing services and better align services with the other Victorian gas distributors as much as practicable. Our objective is to better clarify customer expectations.

The non-reference services proposed to be offered in the forthcoming access arrangement period are:¹

- Reconnection – following excavation and shut service tee;
- Disconnection – excavation and shut service tee;
- Detailed Meter and Retake Test – meter removed for NATA testing of meter or on-site testing of Tariff D or M customer;
- Cross Meter Investigation – attending site to trace fitting lines and check meters align with the Meter Identification Registration Number (MIRN) on the customer's account;
- Tracing of Service Lines – attending site to determine where on the customer's property the service is located;
- Incomplete Meter Fix – original Meter Fix Request was unable to be completed on appointment date due to site not ready, including no access to site;
- No Access (Gas Meter) – field crew could not gain access to the property on the agreed day to perform the service;
- Upgrade Meter or Service Line Size – undertaking requested size upgrade;
- Downgrade Meter Size - where a retailer requests a customer's meter to be downgraded;
- Pressure Change - when a customer requests a change in gas pressure and may involve a regulator;
- Meter Security and Protection – installing bollards or meter cage in accordance with safety requirements; and
- Other Negotiated Service – any other non-reference service the customer (or retailer on behalf of the customer) requests and which we agree to provide.

We understand that property developers in our network area and retailers want consistency in approach across distribution areas. Other Victorian gas distributors offer premium same day and after hour services to expediate other services. In our draft service proposal consultation, retailers provided no submissions requesting the inclusion of same day premium services. We acknowledge that AGL supported premium same day services in their submission. However, to provide premium same day service we would require a significant change to our service delivery arrangements. We plan to review the demand for this service during the forthcoming access arrangement period.

¹ Refer to Table 2 in Appendix A for more information on usage volumes and how the service has changed from the services currently offered.

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At our VGNRRG meeting on 16 June, we discussed this feedback with the retailers and proposed to not include an after-hour connection charges and manage exceptional requests as other negotiated services. Other negotiated services allow customers to request any service that we mutually agree to provide, or a reference service delivered under different conditions (i.e. faster, or to different standard).

Feedback received from Red Energy/Lumo Energy indicated a preference for regulated pricing for cross meter investigation. While we understand some customers may prefer certainty of price expectations when seeking detailed investigations into what may or may not be mixed metering points, it is our experience that these services are not common. In the current access arrangement period, we have billed for the service no more than 10 times in year. If the investigation reveals that we are at fault then we do not bill the customer for the service. The cost for cross meter investigations at commercial premises can be variable and does not meet the NGR criteria for a reference service.

Currently, we do not intend to offer these services, however we are interested in customer and stakeholder views on whether they would value these services. Our service provision contracts do not currently provide us the ability to offer this same premium same day service, so there would be an implementation cost to us by making this change. However, during the forthcoming access arrangement period, we may renegotiate our service provision contracts to provide this greater flexibility in customer service as an Other Negotiated Service.

4 Conclusion

Our reference service proposal has been prepared to ensure our plans for the forthcoming access arrangement period best reflect the needs of our customers and comply with the NGRs. We have incorporated inclusions suggested by retailers in their feedback to our reference services proposal and discussed our proposal with stakeholders at the VGNR and the VGNRRG.

In our proposal, we are enhancing our reference and non-reference services to better meet the needs customers and retailers. Our new reference services mean regulator approved prices will be published upfront and will be available without a site-specific quotation. Moreover, customers will benefit from more transparency, faster and clearer service description.

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5 Appendix A: Complete listing of proposed services for haulage and ancillary reference services

Table 2: Proposed service for the AusNet gas distribution network FY2024-28

Services	Description	Issues relevant to the Reference Service Factors	Is the service proposed to change from the service currently offered?
Haulage reference services			
Tariff V Haulage service	<p>A haulage reference service that comprises of the delivery of gas through an existing delivery point.</p> <p>Volume based haulage service (Tariff V) for all customers (domestic and non-domestic) consuming up to 10TJ of gas energy.</p> <p>Includes connection services for Tariff V customers.</p>	<p>High demand</p> <p>Not substitutable</p> <p>Predictable costs which can be reasonably allocated across users</p> <p>Forms the basis of regulatory proposals</p>	No change from services currently offered
Tariff D Haulage Service	<p>A haulage reference service that comprises of the delivery of gas through an existing delivery point, where demand is measured.</p> <p>Demand based haulage services (Tariff D) for large gas users consuming over 10TJ of gas energy.</p> <p>Includes connection services for Tariff D customers.</p>	<p>High demand</p> <p>Not substitutable</p> <p>Predictable costs which can be reasonably allocated across users</p> <p>Forms the basis of regulatory proposals</p>	No change from services currently offered
Tariff M Haulage Service	<p>A haulage reference service that comprises of the delivery of gas through an existing delivery point, where demand is measured.</p> <p>Demand based haulage services (Tariff M) for customers originally connected on Tariff V who have exceeded the 10TJ consumption limit with lower</p>	<p>High demand</p> <p>Not substitutable</p> <p>Predictable costs which can be reasonably allocated across users</p>	No change from services currently offered

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	connection charges and includes the cost of operating and maintaining metering and data loggers to provide gas usage data.	Forms the basis of regulatory proposals	
Ancillary reference services			
Meter & Gas Installation Test – onsite meter testing for Tariff V customer.	Onsite meter testing for Tariff V customer	Forecast annual usage: 177 Annual average revenue: \$29,970 Moderate demand Fixed charge allocated to individual user	No change from services currently offered
Disconnection	The use of locks or plugs at the meter installation to prevent the withdrawal of gas at the delivery point.	Forecast annual usage: 10,900 Annual average revenue: \$658,000 High demand Fixed charge allocated to individual user	No change from services currently offered
Reconnection – following insertion of locks & plugs at the meter installation	Restoration of the ability to withdraw gas at a delivery point, following an earlier disconnection, including safety check, and where necessary, the lighting of appliances.	Forecast annual usage: 3,900 Annual average revenue: \$235,111 High demand Fixed charge allocated to individual user	No change from services currently offered
Special read – final read, reference read, account investigation, customer transfer, disconnection read, or special read with appointment.	A meter reading for a delivery point and provision of the associated meter reading data, that is in addition to the scheduled meter readings that form part of the haulage reference services. A special read with appointment will more readily allow retailers to organise to the meter where access must be granted.	Forecast annual usage: 220,000 Annual average revenue: \$2,079,687 High demand Fixed charge allocated to individual user	The only change from services currently offered is the inclusion of “special read with appointment”.

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Meter Fix or Meter Reinstallation	Installation or reinstallation of a meter at a metering installation, performance of a safety check and the lighting of appliances where necessary.	Forecast annual usage: 25,000 High demand Fixed charge allocated to individual user	Currently a non-reference service. Proposed as a reference service in alignment with other Vic gas networks and better meet customer needs.
Meter and Service Removal	Removal of a meter and service line to prevent the withdrawal of natural gas delivery point.	Forecast annual usage: 2,000 Moderate demand Largely consistent charge allocated to individual user	Currently a non-reference service. Proposed as a reference service in alignment with other Vic gas networks and better meet customer needs.
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.	Forecast annual usage: 199 Annual average revenue: \$122,273 Moderate demand Largely consistent charge allocated to individual user	Currently a non-reference service. Proposed as a reference service to better meet customer needs.
Non-reference services			
Reconnection following excavation and shut service tee	Reconnection of gas supply, previously disconnected in the street, following satisfactory payment by customer or customer's representative.	Forecast annual usage: 483 Annual average revenue: \$29,242 Moderate demand Variable costs requiring quotation	No change from services currently offered.
Disconnection with excavation and shut service tee	Disconnection of gas supply in the street to prevent the withdrawal of gas from the line at the street.	Moderate demand Variable costs requiring quotation	New non-reference service proposed to better clarify the customer service and in response to feedback received.

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Detailed Meter Retake and Test	Meter removed for NATA testing of meter or on-site testing of Tariff D or M customer, or detailed testing downstream of the meter.	Forecast annual usage: 3 Annual average revenue: \$3,075 Low demand Variable costs requiring quotation	Minor amendment to current description of “detailed retake and test downstream of meter”.
Cross Meter Investigation	Attending site to trace fitting lines and check meters align with the Meter Identification Registration Number (MIRN) on the customer’s account	Low demand Variable costs requiring quotation	Minor amendment to current description of “tracing of fitting lines”.
Tracing of Service Lines	Attending site to determine where on the customer’s property the service is located	Low demand Variable costs requiring quotation	New non-reference service proposed to better clarify the customer service.
Incomplete Meter Fix	Original Meter Fix Request was unable to be completed on appointment date due to site not ready, including no access to site	Low demand Variable costs requiring quotation	New non-reference service proposed in alignment with other Vic gas networks.
No Access (Gas Meter)	Field crew could not gain access to the property on the agreed day to perform the service	Low demand Variable costs requiring quotation	New non-reference service proposed in alignment with other Vic gas networks.
Upgrade Meter or Service Line Size	Increased gas load or new appliances requires a larger capacity service line or meter upgrade.	Low demand Variable costs requiring quotation	Consolidation of amendment to current descriptions upgrade meter size and upgrade service size.
Downgrade Meter Size	Downgrade meter size - where a retailer requests a customer’s meter to be downgraded;	Low demand Variable costs depending on meter size	New non-reference service proposed to align with gas B2B changes and introduced in response to retailer feedback.
Pressure Change	Pressure change - when a customer requests a change in gas pressure and may involve a regulator	Low demand Variable costs requiring quotation	New non-reference service proposed

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Meter Security and Protection	Installing bollards or meter cage in accordance with safety requirements.	Low demand Variable costs requiring quotation	No change from services currently offered
Other Negotiated Service	Any other non-reference service the customer (or retailer on behalf of the customer) requests and which we agree to provide.	Unpredictable demand Variable costs requiring quotation	Previously "mains extension", "Excess Service Charge - Customer Contribution", "Remove and Consolidate Fittings"