



Annual Compliance Report for 2016/17

Australian Gas Networks Limited

31 October 2017

ANNUAL COMPLIANCE REPORT

The following constitutes the Annual Compliance Report for the compliance period 2016/17 for the covered gas distribution networks owned by Australian Gas Networks Limited and its subsidiaries. For further information relating to the corporate structure of Australian Gas Networks Limited, please see our response to question 1.1(c).

For the purposes of this report, the "service provider" is interpreted to mean each of the following three legal entities; Australian Gas Networks Limited, Australian Gas Networks (Vic) Pty Ltd and Australian Gas Networks (Albury) Pty Ltd (hereinafter referred to as "AGN").

This report is submitted on behalf of all service providers listed above. Only where necessary are particular service providers separately identified in response to the questions below.

Set out below is each compliance requirement followed by the relevant response.

1. General duties for the provision of pipeline services of covered pipeline services by a service provider

1.1 Legal Entity

- a) *Nominate the type of legal entity the service provider is according to the specified kinds of legal entity in section 131 of the NGL.*

Australian Gas Networks Limited (AGNL), Australian Gas Networks (Vic) Pty Ltd and Australian Gas Networks (Albury) Pty Ltd are each legal entities registered under the Corporations Act 2001 of the Commonwealth.

- b) *What is the registered business name and ABN of the service provider legal entity providing the covered pipeline service?*

Table 1 describes the registered business names and ABN's of the legal entities providing the covered pipeline service.

Table 1: AGN company details

Registered Business Name	ABN	Covered Pipeline
Australian Gas Networks Limited	19 078 551 685	AGN South Australian Gas Distribution System
Australian Gas Networks Limited	19 078 551 685	AGN Queensland Gas Distribution System
Australian Gas Networks (Vic) Pty Limited	73 085 899 001	AGN Victorian Distribution System
Australian Gas Networks (Albury) Pty Limited	84 000 001 249	Albury Distribution System

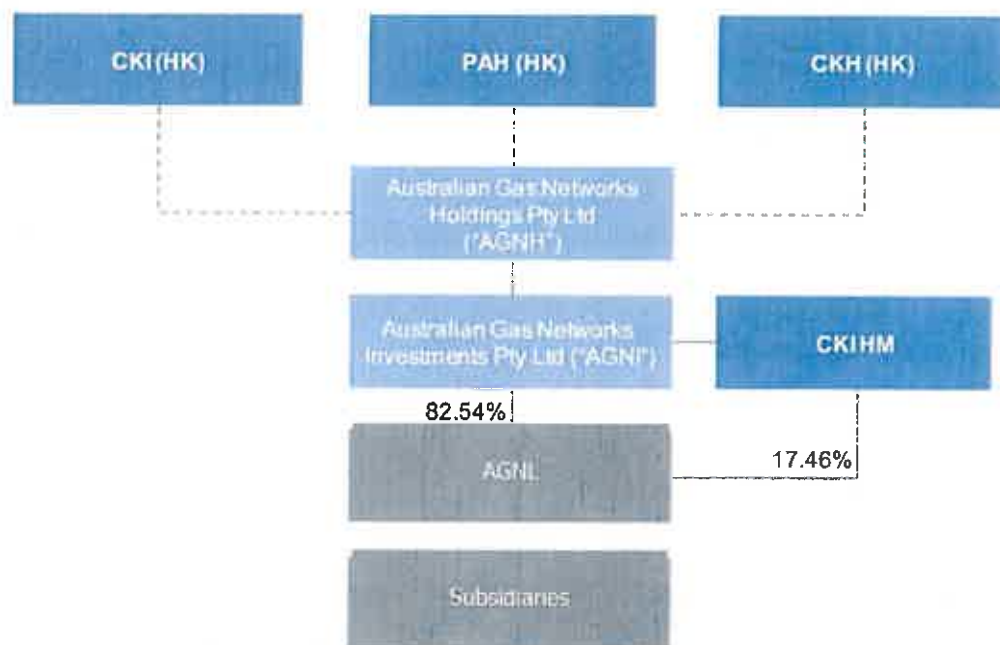
- c) *Provide an outline of the group structure which is controlled by or which the service provider is a part (including identification of the head company, nature of investment or entity, relationship to the service provider and proportion of assets owned/share of investment within the group). This should include any assets (businesses) it owns or that own it. The group structure should include businesses that are beneficially*

controlled such as trustee companies, jointly owned or operated businesses such as partnerships or joint ventures, businesses that are significant investments or controlled. This can also be represented as an organisational chart.

The ownership structure of AGN is set out below in Figure 1. The subsidiaries of AGN (namely, Australian Gas Networks (Vic) Pty Ltd and Australian Gas Networks (Albury) Pty Ltd) are also set out below in Figure 2.

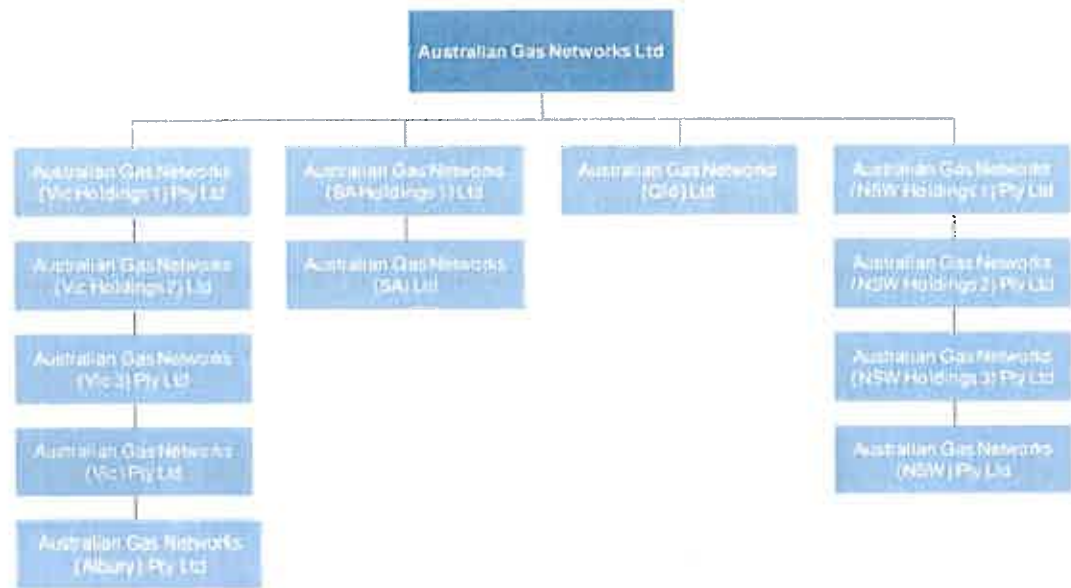
AGN is ultimately owned by a consortium comprising CK Hutchison Holdings Limited ("CKH"), CK Infrastructure Holdings Limited ("CKI") and Power Assets Holdings Limited ("PAH"). The consortium parties are members of the CK Hutchison Group of companies that have significant global interests in infrastructure businesses.

Figure 1: Ownership structure of AGN Group



Note: AGNL stands for Australian Gas Networks Limited; CKI (HK) is an acronym for CK Infrastructure Holdings Limited; PAH (HK) is an acronym for Power Asset Holdings Limited; CKH (HK) is an acronym for Hutchison Holdings Limited; CKI HM is an acronym for CK Infrastructure Holdings Malaysian.

Figure 2: Subsidiaries of Australian Gas Networks Limited



It should be noted that on 15 May 2017, a consortium involving entities that are part of the CK Hutchison Group completed an acquisition of the shares and securities of the DUET Group of entities. The DUET Group of entities include the following businesses:

- Multinet Gas - a gas distribution company in Victoria;
- Dampier Bunbury Pipeline - a gas transmission pipeline company in Western Australia; and
- United Energy – an electricity distribution company in Victoria.

However, the entities of the DUET Group are not subsidiaries of AGN and nor is AGN a subsidiary of any of the DUET Group of entities.

1.2 Preventing or hindering access

- a) *Is the service provider aware of any claims that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL?*

AGN is not aware of any claims that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL.

1.3 Supply and haulage of natural gas

- a) *Does a producer supply natural gas through the covered pipeline at a place other than the exit flange of the producer's processing plant?*

AGN is not aware of any producer supplying natural gas through its covered pipeline at a place other than the exit flange of the producer's processing plant.

1.4 Queuing requirements

- a) *Has the service provider complied with the queuing requirements of the applicable access arrangement during the year?*

AGN does not have queuing requirements in its access arrangement.

1.5 Service provider providing light regulation services must not price discriminate

- a) *Does the service provider provide light regulation services?*

AGN provided light regulation services in respect of its Queensland Gas Distribution System.

- b) *If so, are there any differences in the prices of the provision of those services? Please provide an explanation as to why these price differences exist.*

No - all users of the same services are charged the same tariffs. Consistent with those provided when the network was subject to full regulation (including that any prudent discounts provided under full regulation have been maintained under light regulation)

2. Structural and Operational Separation Requirements (Ring Fencing)

2.1 Carrying on of a related business

- a) *Provide a list of associates of the service provider that take part in a related business and for each associate describe what the nature of the related business is.*

AGN has no associates that take part in a related business.

- b) *Provide a list of associates that are service providers and / or provide pipeline services.*

AGN has no associates that are service providers and/or provide pipeline services.

For completeness, and as noted above, a consortium involving entities that are part of the CK Hutchison Group completed an acquisition of the shares and securities of the DUET Group of entities. The DUET Group of entities include the following businesses:

- Multinet Gas;
- Dampier Bunbury Pipeline; and
- United Energy.

None of these companies in the DUET Group is a subsidiary of AGN and neither is AGN a subsidiary of any company in the DUET Group.

2.2 Marketing staff and the taking part in related businesses

- a) *Provide a list of associates of the service provider that are directly involved in the sale, marketing or advertising of pipeline services.*

AGN is not aware of any associates that are directly involved in the sale, marketing or advertising of pipeline services.

- b) *Provide a statement as to whether or not any of the service provider's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate of the service provider that takes part in a related business.*

None of AGN's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate that takes part in a related business.

- c) *Provide a statement as to whether or not any of the service provider's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate of the service provider that takes part in a related business.*

None of AGN's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate that takes part in a related business.

2.3 Separate accounts must be prepared, maintained and kept

- a) *Provide a statement as to whether or not the service provider has prepared, maintained and kept a separate set of accounts in respect of the services provided by every covered pipeline owned or operated by the service provider.*

AGN has prepared, maintained and kept a separate set of regulatory accounts for each covered pipeline owned by AGNL.

Note: AGN Queensland Gas Distribution System Regulatory Accounts have not been provided to the AER since the National Competition Council made a light regulation determination in relation to the cover pipeline on 5 November 2014.

- b) *Name the legal entity or entities in which the separate accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?*

Table 2 describes the legal entities in which separate accounts are maintained.

Table 2: Separate accounts are maintained for the Australian Gas Networks Group

Registered Business Name	ABN	Covered Pipeline
Australian Gas Networks Limited	19 078 551 685	AGN South Australian Gas Distribution System
Australian Gas Networks Limited	19 078 551 685	AGN Queensland Gas Distribution System
Australian Gas Networks (Vic) Pty Limited	73 085 899 001	AGN Victorian Distribution System
Australian Gas Networks (Albury) Pty Limited	84 000 001 249	Albury Distribution System

- c) *Provide a statement as to whether or not the service provider has prepared, maintained and kept a consolidated set of accounts in respect of the whole of the business of the service provider.*

AGN has prepared, maintained and kept a consolidated set of accounts in respect of the whole business of the service provider.

- d) *Name the legal entity in which the consolidated set of accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?*

Australian Gas Networks Limited (AGNL).

- e) *Provide a copy of the most recently lodged annual financial reports with the Australian Securities and Investments Commission or if no such reports exists other similar audited financial reports prepared for or provided to a state or territory department, agency or body under relevant state or territory legislation. These financial reports may be the consolidated set of accounts in respect to the whole of the business of the service provider, and if also separately lodged with the Australian Securities and Investments Commission the most recently lodged annual separate set of accounts in respect of the services provided by the service provider.*

AGN accounts are prepared on a calendar year basis. Included with the report is a copy of Australian Gas Networks Limited (ACN 078 551 685) Directors' and Financial Report – 31 December 2016.

2.4 Additional ring fencing requirements or exemptions

- a) *Does the service provider have any additional ring fencing requirements?*

No, AGN has no additional ring fencing requirements.

- b) *What are these requirements?*

Not applicable.

- c) *Provide a statement that these additional ring fencing requirements have or have not been met.*

Not applicable.

- d) *Does the service provider have any exemptions for the minimum ring fencing requirements?*

No, AGN has no exemptions for the minimum ring fencing requirements.

- e) *What are these exemptions?*

Not applicable.

- f) *By what jurisdictional regulator and when where these exemptions granted?*

Not applicable.

2.5 Associate contracts

Note: An 'associate contract' is defined under the NGL to include arrangements or understandings and is not limited to written contracts.

- a) *Has the service provider entered into or given effect to any new associate contracts, or varied the terms and conditions of an existing associate contract?*

AGN has not entered into any associate contracts. For the sake of completeness, reference is made to the commentary in response to Question 2.1 b).

- b) *For each new or varied associate contract, please indicate the date the new or varied associate contract was entered into or given effect?*

Not applicable.

- c) *For each new or varied associate contract, please indicate if the contract or variation was approved by the AER and the date that it was approved?*

Not applicable.

- d) *If the associate contract was not approved by the AER, please indicate what date the new or varied associate contract was provided to the AER?*

Not applicable.

3. Other requirements

3.1 Making access arrangement or terms and conditions of access available

- (i.) Ensuring applicable access arrangement and other specified information is available on website

- a) *Has the service provider published the approved access arrangement on its website?*

Yes, the approved access arrangements are on AGN's website.

- b) *Please provide the website address where this Access Arrangement can be accessed and the date that this access arrangement was provided on the website.*

Website address: <http://www.australiangasnetworks.com.au/our-business/regulation-and-network-tariffs/access-arrangements/>

The service providers publish the respective Access Arrangements on the website prior to the commencement of the new Access Arrangement period.

- c) *Has the service provider received any requests from the AER to provide to prospective users generally other information specified as reasonably necessary to determine if access should be sought?*

AGN has not received any such requests.

- d) *Please provide details of when and how this request was met.*

Not applicable.

(ii.) Publishing approved competitive tender process access arrangement

- a) *Where there is an approved competitive tender process access arrangement in place for a covered pipeline, has the service provider published the approved access arrangement on its website?*

Not applicable. There are no approved competitive tender process access arrangement in place for AGN's covered pipeline.

- b) *Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.*

Not applicable.

(iii.) Publishing terms and conditions of access to light regulation services.

- a) *Where there is access to light regulation services on a covered pipeline, has the service provider published tariffs and other terms and conditions for these services on its website?*

The tariffs and other terms and conditions in respect of AGN's Queensland Gas Distribution System are published on our website.

- b) *Please provide the website address where this information can be accessed and the date that this information was first made available on the website.*

Website address: <http://www.australiangasnetworks.com.au/our-business/regulation-and-network-tariffs/access-arrangements/>.

The information was made available in June 2016.

- c) *Has the service provider had access negotiations regarding light regulation services? If so, the following will need to be reported, the name of the party requesting the service, the pipeline service requested, and the outcome of the access negotiations.*

AGN's Queensland Gas Distribution System is subject to light regulation. We have been engaged in access negotiations with retailers over the past financial year. The result of these negotiations is that AGN has executed various haulage agreements with retailers and published tariffs on its website. The pipeline services under negotiations include the following:

1. Haulage Services:

- a. Domestic Haulage Services
- b. Demand Haulage Services
- c. Commercial Haulage Services

2. Ancillary Services:

- a. Details are found on the AGN website: <https://www.australiangasnetworks.com.au/-/media/files/agn/our-business/regulatory-information/access-arrangements/agn-queensland-general-terms-and-conditions-2016.pdf?la=en>

3. Negotiated Services:

- a. Details are found in the AGN website: [https://www.australiangasnetworks.com.au/-/media/files/agn/our-business/regulatory-information/access-](https://www.australiangasnetworks.com.au/-/media/files/agn/our-business/regulatory-information/access-arrangements/agn-queensland-general-terms-and-conditions-2016.pdf?la=en)

Table 3 summarises the outcome of these negotiations. The retailers listed in the table reflect those active retailers operating in the market our network serves. We confirm that all retailers or shippers seeking access to the network have access, with the same tariffs applicable to them.

Table 3: Negotiations of light regulation services for the AGN Queensland Gas Distribution System

Issue	Outcome
Parties requiring access	Origin Energy Retail Limited Alinta Energy Retail Sales Pty Ltd AGL Sales (Queensland) Pty Limited AGL Sales Pty Limited
Pipeline services subject to access negotiation	Distribution Services
Date negotiations completed	Origin Energy Retail Limited 16 June 2017 Alinta Energy Retail Sales Pty Ltd 1 November 2016 AGL Sales (Queensland) Pty Limited 19 April 2017 AGL Sales Pty Limited 19 April 2017
Outcome of access negotiations	All haulage agreements will operate from their respective execution dates until 31 October 2021.

3.2 Access determinations

- a) *Has the service provider been party to an access determination?*
AGN has not been party to an access determination.
- b) *When did the access determination become operative?*
Not applicable.
- c) *For what period is the access determination in place?*
Not applicable.

3.3 Confidentiality

- a) *Provide a statement that the confidentiality requirements under rule 137 of the National Gas Rules have or have not been met.*
AGN advises that the confidentiality provisions of rule 137 have been complied with.
- b) *Has the service provider established an internal protocol or policy guideline or procedure manual for the handling of confidential information? If so please provide the AER with the relevant policy document.*
Yes, AGN has had a Ring Fencing Manual in place since 2002. This document was last updated in September 2017 (a copy attached with this report).

AGN has developed its own Privacy Policy, details of which are available through AGN's website, via the following link:
<http://www.australiangasnetworks.com.au/privacy-statement/>.

3.4 Bundling

- a) *Has the service provider bundled any of its services when providing access or negotiating access with a prospective user?*

No, AGN has not bundled any of its services.

- b) *If so, provide a description of the bundled services and related conditions of access.*

Not applicable.

Statement of Compliance – Period 1 July 2016 – 30 June 2017

I verify that, to the best of my knowledge and belief, the information and documentation provided in compliance with the Annual Compliance Order is:

- (a) accurate and can be relied on to provide a true and fair representation of AGN's operations or ownership of a pipeline that can be relied on by the AER in the performance or exercise of its functions or powers under the National Gas Law or National Gas Rules;
- (b) prepared, kept or maintained and is accurately represented;
- (c) not false and misleading; and
- (d) in accordance with the Annual Compliance Order and is complete.



Signed by Des Petherick
Director

Date

26/10/17