Regulatory Information Notice

Written Response

ACT and Queanbeyan–Palerang gas network access arrangement 2021–26

Submission to the Australian Energy Regulator
30 June 2020

evoenergy

Schedule 1 – General Requirements	Response
1. PROVIDE INFORMATION	
1.1 Provide the information required in each regulatory template in the Microsoft Excel workbooks attached at Appendix A completed in accordance with: (a) this notice; and (b) the instructions in Appendix E. 1.2 For all information, other than *forecast information*, provide in accordance with this *notice* and the instructions in *Appendix E*, *a basis of preparation* demonstrating how the *pipeline service provider* has complied with this *notice* with respect to the information provided in each of the *regulatory templates*.	The regulatory templates have been populated in accordance with the requirements of the RIN.
1.3 Where changes to the methodology for allocation of costs have been made within the *current access arrangement period*, explain the changes and the effect of each change to the information reported in response to this notice.	During the current Access Arrangement (AA) period, Evoenergy has not changed its methodology to allocate costs.
1.4 Provide material used for the purposes of preparing the *access arrangement proposal*: (a) all consultants' reports commissioned and relied upon in whole or in part; (b) all *material* assumptions relied upon; (c) a table that references each response to a paragraph in Schedule 2 of this notice and where it is provided in or as part of the *access arrangement proposal*; (d) a table that references each *document* provided in or as part of the *access arrangement proposal* and its relationship to other *documents* provided; and (e) each document identified in paragraph 1.4(d) must be given a meaningful filename in the form: [*pipeline service provider*]– [Author] – [title] – [date] – [public/confidential], where: (i) **Author** is the author of the file if not the pipeline service provider for example a consultant or other third party;	(a) Evoenergy's AA proposal includes all consultants' reports relied on to develop Evoenergy's AA proposal. (b) A description of all material assumptions has been provided in response to clause 1.5 below. (c) This document includes a table of references between Schedule 2 of the RIN and the Access Arrangement proposal. Refer to Schedule 2 of this table. (d-e) A table of references outlining the relationship of all documents is provided in Appendix A. Appendix A also outlines their filenames as per clause (e).

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(ii) **Title** provides a meaningful description of the content of document, with limited reliance on acronyms or cross references, for example “Appendix 1A” is not meaningful, but “Appendix 1A – Cost allocation method” is; (iii) **Date** is a relevant date associated with the file, generally the date the document was created; (iv) **Public/confidential** identifies if the file in its entirety can be published (public); or if it contains any information which is the subject of a claim for confidentiality in accordance with paragraph 2 of this Schedule (confidential).	
1.5 Provide for each *material* assumption identified in the response to paragraph 1.4(b): (a) its source or basis; (b) if applicable, its quantum; (c) whether, and how, the assumption has been applied and was taken into account; and (d) the effect or impact of the assumption on the *capital* and *operating expenditure* forecasts in the *next access arrangement period* taking into account: (i) the actual expenditure incurred during the current access arrangement period; and (ii) the sensitivity of the forecast expenditure to the assumption.	Material assumptions in relation to operating expenditure (opex) and capital expenditure (capex) are set out in Attachments 2 and 3 of our AA proposal, as well as through the supporting models and documentation. Other material assumptions relate to: • Our demand forecasts are prepared by an independent forecaster The Centre of International Economics (CIE). The assumptions made and how they have been applied are outlined in Attachment 7 of our AA proposal. • Market risks around the future use of our network given the ACT Government legislated target’s for net-zero carbon emissions by 2045 discussed in our Draft Plan and Access Arrangement information overview. This affects the economic life of future Investments. We have taken this assumption into account in our demand forecasts and our market expansion model, as well as our proposed projects listed in the capex model (Appendix 3.1).
2. CONFIDENTIAL INFORMATION	
2.1 This clause applies to any information *the pipeline service provider* provides: (a) in response to Schedules 1, 2 and 3; (b) in an access arrangement proposal for the next access arrangement period (a proposal); (c) in a revision or amendment to a *proposal*; and	Evoenergy has applied clause 2 as required.

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(d) in a submission *the pipeline service provider* makes regarding a Proposal or a revised or amended Proposal; (together, *the pipeline service provider's* Information). 2.2 If the *pipeline service provider* wishes to make a claim for confidentiality over any of the *pipeline service provider's* Information, provide the details of that claim in accordance with the requirements of the *AER's Confidentiality Guideline*, as if it extended and applied to that claim for confidentiality. 2.3 the *pipeline service provider* must provide any details of a claim for confidentiality in response to paragraph 2.2 at the same time as making the claim for confidentiality.	
3. RESUBMISSION OF INFORMATION	
3.1 If the *pipeline service provider* is required to resubmit information provided under this *notice* in subsequent *regulatory years*, the *pipeline service provider* must provide: (a) the relevant Microsoft Excel Workbook(s) fully populated with the latest submitted data and with revised information marked as amended using the 'Mark selection as AMENDED' tool within the Microsoft Excel Workbook(s); (b) the reason for the resubmission; (c) a statement as to whether or not the resubmitted information results in a *material* change in the *pipeline service provider's* response to this *notice.* 3.2 If the *pipeline service provider* resubmits historical information which results in a material change to its response to this notice, the *AER* may request the *pipeline service provider* provide assurance over this information by: (a) verifying the resubmitted information by way of a statutory declaration in accordance with Appendix B of this *notice*; and (b) provide the necessary *audit opinion report* and the *review conclusion statements* as applicable for the resubmitted information, prepared in accordance with the requirements set out in Appendix C of this notice.	Noted.

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3.3 If the AER requests assurance over the resubmitted historical information in accordance with paragraph 11.2, such assurance information must be provided at the time the next annual response to this notice is due or on a date otherwise agreed by the AER.	
4. AUDIT OPINION REPORTS AND REVIEW CONCLUSION STATEMENTS	
4.1 Provide the *audit opinion report* and *review conclusion statements* as applicable, prepared in accordance with the requirements set out in Appendix C. 4.2 Provide all reports from the *auditor* to the *pipeline service provider's* management regarding the *review conclusion statements* and/or *auditors*' opinions report or assessment.	The audit opinion reports and review conclusion statements are contained in RIN Attachment 12.
5. DIRECTOR CERTIFICATION	
5.1 Provide, by the directors of *the pipeline service provider*, a certification of the reasonableness of the key assumptions relating to the methodology used for developing *the pipeline service provider*'s *operating expenditure* and *capital expenditure* forecasts.	Evoenergy's directors have certified the reasonableness of the following key assumptions which underlie the methodology Evoenergy used to forecast its capex and opex. See RIN Attachment 18.

Schedule 2 – Reset Information	Response
1. SERVICE PROVIDER DETAILS AND BUSINESS CONTEXT	
Local agent of a service provider 1.1 Provide all details of any local agent(s) of the pipeline service provider (s.11 of the NGL).	Evoenergy is not a foreign company (within the meaning of the Corporations Act 2001 (Cth), and as such has not appointed any local agent, within the meaning contemplated by s11 of the National Gas Law.

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2. BACKGROUND TO THE PIPELINE	
Pipeline and pipeline services 2.1 For the current access arrangement period for each pipeline service provided by the way of the pipeline service provider's gas distribution network that is not specified as a reference service in the pipeline service provider's access arrangement proposal, provide in the materials submitted to the AER: (a) the volume of gas distributed throughout the *gas distribution network* each *regulatory year*; an (b) the numbers of *users*.	Evoenergy provides two pipeline services that are non-reference services—the interconnection of embedded network service and negotiated services. In the current AA period, there were no users of either the interconnection of embedded network service, and negotiated service.
3. CAPITAL EXPENDITURE	
3.1 The information required to be provided, prepared, kept or maintained in this part of the *Notice* relates to all *pipeline service*s, including both *reference services* and *non-reference service*s.	
Capital expenditure in the previous and current access arrangement period 3.2 Provide *capital expenditure* at a *project* level and at a *capital expenditure* subcategory level in *Workbook 2 – Historical data* and *Workbook 5 – Annual data, regulatory templates* E2 to E6, E10, E12, E13. Where data is either not available to the pipeline service provider or it is not practical to produce the data in the materials submitted to the *AER*: (a) explain why; and (b) provide data at the most disaggregated level available.	Evoenergy has supplied all capex information in Historical data and Workbook 2 – Historical data, regulatory templates E2 to E13, as required by the notice. Therefore section 3.2 (a) and (b) are not applicable.
Capital expenditure in the current access arrangement period 3.3 Explain in the materials submitted to the AER: (a) in terms of the nature of the work undertaken (scope, scale or other deviation from proposed works), the volume and the cost (deviation in unit rates), any *material difference* for each *capital expenditure purpose* between:	A comprehensive summary of the deviations between the allowance for the 2016- 21 period and actual spend is provide in section 3.1, Attachment 3 of Evoenergy's AA proposal. All capex (net of contributions and disposals) meets the requirements of Rule 79 of the National Gas Rules. The consumer benefits (and in turn compliance with Rule 79) of each category of capex is set also set out in Attachment 3 of the AA proposal and as well project level documentation in Appendices 3.6 to 3.10.

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(i) the *capital expenditure* approved by the AER and the actual and/or estimated *capital expenditure* for the *current access arrangement period*; and (ii) the *capital expenditure* proposed by the *pipeline service provider* in the previous access arrangement proposal and the actual and/or estimated *capital expenditure* for the *current access arrangement period* (b) whether and how the *pipeline service provider* considers that *conforming capital expenditure* added to the *capital base* in the *current access* arrangement period meets the requirements of Rule 79 of the NGR.	
Speculative capital expenditure account, reused redundant assets, redundant assets and disposals in the current access arrangement period 3.4 Provide an explanation in the materials submitted to the AER for whether and how the pipeline service provider considers the requirements of section r.79 of the NGR are met for any amounts added to or deducted from the opening capital base: (a) from the *speculative capital expenditure account*; (b) for the reuse of redundant *assets*; (c) for redundant *assets*; and (d) for *disposals*.	Evoenergy has not added or deducted amounts from the speculative capex account or in relation to redundant assets. There are no asset disposals for the current access arrangement period.

Schedule 2 – Reset Information	Response
Forecast *conforming capital expenditure* in the *next access arrangement period* 3.5 For each capital expenditure purpose identified in the Workbook 1 – Reset (forecast) data, regulatory templates E2 to E13, provide in the materials submitted to the AER an overall description including: (a) a definition and explanation of any materiality threshold test that *the pipeline service provider* intends to apply to categorise forecast *conforming capital expenditure projects*; (b) the nature of forecast *conforming capital expenditure projects* or *programs* material to each *capex category*, including a brief description of the *capital expenditure* and, where relevant, the location of the expenditure on the *distribution pipeline*; (c) key drivers of the proposed expenditure; (d) an explanation of how expenditure is distinguished between: (i) new *customer connections capital expenditure* and *augmentation capital expenditure*; (ii) *augmentation capital expenditure*, driven by demand, and *mains replacement capital expenditure* and *other capital expenditure*, , driven by *asset* condition and other drivers; and (iii) any *capital expenditure purpose* or *operating expenditure category* where *the pipeline service provider* considers that there is reasonable scope for ambiguity in categorisation. (e) details as to whether the forecast conforming *capital expenditure* is to be funded by parties other than *the pipeline service provider*; (f) details of contractual agreements with parties where *capital contributions* are made by *users* to new *capital expenditure* (see r.82)	a) Evoenergy has not applied any materiality test to categorise forecast conforming capex projects. b) See Attachment 3, as well as program and project level documentation (Appendices 3.6 to 3.10). c) See Attachment 3, as well as program and project level documentation (Appendices 3.6 to 3.10). d) See Attachment 3. e) No conforming capex is to be funded by parties other than Evoenergy. Evoenergy's forecast is net of contributions expected to be received from other parties. f) Evoenergy's non-basic connection services agreement is published on the Evoenergy website. Negotiated connections are similar but are generally more specific on the expected loads etc. Where a capital contribution is expected it has been accounted for in the forecast in accordance with rule 82.

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3.6 For forecast *conforming capital expenditure*, in total and in terms of each *capex category*, explain in the materials submitted to the AER: (a) how it reasonably reflects the *new capital expenditure criteria* set out in r.79(1) of the *NGR*, and how *the pipeline service provider* has interpreted these criteria; (b) how the forecast *conforming capital expenditure* is justified under r.79(2) of the *NGR* and how the *pipeline service provider* has interpreted these sub-rules; and (c) how any plans, policies, *procedures*, regulatory obligations or requirements, consultants' reports, *economic analysis* and assumptions have been used to justify the forecast *conforming capital expenditure*.	See Attachment 3, as well as program and project level documentation (Appendices 3.6 to 3.10).
3.7 If r. 79(2)(a) is relied on to justify the forecast *conforming capital expenditure*, provide in the materials submitted to the AER: (a) the calculations of the economic value of the *capital expenditure* that directly accrues to the *service provider*, gas producers, *users* and *end users*; and (b) an explanation of the nature and quantification of the economic value that directly accrues to the service *provider*, gas producer, *users* and *end users* (see r.79(3)).	All capex is justified under rule 79(2)(a)(as well as commonly, other criteria) as we only invest when the consumer value exceeds the investment cost. We demonstrate the consumer value of each category of our forecast capex in Attachment 3 to our AA proposal. Further detail is also provided in project specific documentation in the RIN Attachments. While we do provide calculations and quantification for major projects, in particular the Watson Pressure Limiting Station, this is not required to demonstrate that the overall economic value of the expenditure is positive. An example of this is connections expenditure. The revenue from all connections is always equal to or higher than the cost we incur, if this isn't the case we ask the connecting customer for a contribution towards the cost. As a result, every new connection lowers existing customer bills. This is because each new customer contributes towards the cost of our largely fixed costs over and above the cost of their connection. This leaves a smaller amount of fixed costs to be borne by existing customers – leading to bill reductions. Further, the economic value to new connecting customers can be assumed to be positive; by applying for a connection they value the connection above the future expected charges.

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3.8 If Rule 79(2)(b) is relied on to justify forecast conforming capital expenditure, provide in the materials submitted to the AER: (a) the information the pipeline service provider relied on to determine the expected incremental revenue to be generated as a result of the forecast conforming capital expenditure; (b) a description of the incremental service or services (see Rule 79(4)(a)); (c) the incremental revenue (see Rule 79(4)(b)); (d) the incremental expenditure (see Rule 79(4)(b)); and (e) the discount rates that *the pipeline service provider* used to determine the present value of the incremental revenue.	All connections expenditure is justified under this criterion (and other criteria) as the present value of expected incremental revenue to be generated as a result of the expenditure exceeds the present value of the capex. We only forecast connections capex where the incremental revenue from that connection exceeds the cost of their connection. We did this by using CIE's forecast (Attachment 7 and Appendix 7.1 of our AA proposal) which used our historical capex data comprising only conforming capex (i.e. each connection resulted in revenue greater than the cost of connection) We have calculated the incremental revenue and expenditure of our forecast connections and determined that bill reductions arising from the additional revenue exceed the proposed connections expenditure.
3.9 If Rule 79(2)(c)(i), (ii) or (iii) is relied on to justify the forecast *conforming capital expenditure,* provide in the materials submitted to the AER: (a) an explanation of which item in Rule 79(2)(c)(i), (ii) or (iii) is relied on; (b) the relevant *regulatory obligation or requirement* (if any) and the relevant authority or body enforcing it; (c) an explanation of whether and how *the pipeline service provider* considers that the forecast *conforming capital expenditure* satisfies the item in Rule 79(2)(c)(i), (ii) or (iii) being relied on; and (d) any supporting technical or other external or internal reports about whether and how *the pipeline service provider* considers that the forecast *conforming capital expenditure* addresses the relevant item in Rule 79(2)(c)(i), (ii) or (iii).	As the nature of each of our individual projects and programs is different we provide this information at an overarching level in section 3.3 of Attachment 3 of our AA proposal as well as in more detail in our project level documentation, as appropriate.

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3.10 If Rule 79(2)(c)(iv) is relied on to justify forecast conforming capital expenditure, provide in the materials submitted to the AER: (a) an explanation of how the *conforming capital expenditure*, is necessary to meet levels of demand for services; and (b) any reports or other information and documentation that supports whether and how *the pipeline service provider* considers that the forecast *capital expenditure* will maintain the capacity to meet the levels of demand for services.	Not applicable.
3.11 For each capital expenditure purpose provide a project list which details for each project: (a) an internal identification code, which will enable the pipeline service provider to report actual capital expenditure against forecast capital expenditure; (b) the project name used internally by the pipeline service provider; (c) the cost and timing of the project capital expenditure; and (d) a brief description of the *project* and its *scope*.	Refer to Appendix 3.1 for the capex model.

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Capital expenditure forecast method 3.12 Describe in the materials submitted to the AER how the *forecast conforming capital expenditure* was prepared, including: (a) the forecasting methodologies used; (b) how its preparation differed or related to budgetary, planning and governance processes used in the normal running of *the pipeline service provider*'s business; (c) processes for ensuring amounts are free of error and other steps in quality assurance; and (d) if and how *the pipeline service provider* considered the resulting amounts, when translated into price impacts, were in the long term interest of consumers.	See section 3.3 of Attachment 3.

3.13 In relation to any source material (including models, documentation or any other items containing quantitative data) used by *the pipeline service provider* to develop its *forecast conforming capital expenditure*, provide in the materials submitted to the *AER*:
(a) a copy of this source material;
(b) all calculations that demonstrate how data from the source material has been manipulated or transformed to generate data provided in the *regulatory templates*.
	We have provided all source material, models and project documentation used to develop our forecast of conforming capex in the following material:
	• Several models including:
	  – Capital expenditure forecast model (Appendix 3.1)
	  – Market Expansion capex forecast model (Appendix 3.2)
	  – Meter replacement capex forecast model (Appendix 3.3)
	  – Project briefs and NPV models (Appendices 3.6 to 3.10)
	  – Meter replacement volume forecast model (Appendix 3.12)
	• Asset Management Plan (Appendix 3.4)
	• Project level documentation including options analysis, opportunity briefs, and project cost estimates as appropriate) (Appendices 3.6 to 3.10).
	• Other supporting information including:
	  – Connections and metering forecast methodology (Appendix 3.5)
	  – Input cost escalation report (Appendix 2.3)
	  – Infrastructure cost estimation methodology (Appendix 3.11)

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3.14 Identify which particular items of the pipeline service provider's forecast conforming capital expenditure have: (a) been derived directly from competitive tender processes; (b) been based upon competitive tender processes for similar *projects*; (c) been based upon estimates obtained from contractors or manufacturers; (d) been based upon independent benchmarks; (e) been based upon actual historical costs for similar *projects*; and (f) reflected any amounts for risk, uncertainty or other unspecified contingency factors, and if so, how these amounts were calculated and deemed reasonable.	Market expansion and meter replacement expenditure, which comprises the bulk of Evoenergy's capex program, are based on unit rates that are derived from historical averages. Refer to Reset RIN for a breakup of our proposed capital program into direct costs, overheads, and outsourced costs. For remaining capex, refer to project specific documentation which contains a breakup of costs and any contingencies applied.
3.15 Provide in the materials submitted to the *AER,* any relevant internal decision making *documents* relating to approval of the forecast *conforming capital expenditure* and any other internal or external documentation or models that justify the forecast *conforming capital expenditure*, including but not limited to: (a) business cases; (b) feasibility studies; (c) forecast demand studies and internal reports; and (d) the date of any relevant internal decision making body/management decisions and board decisions.	Refer to project specific documentation in the RIN attachments.
3.16 Provide in the materials submitted to the *AER* all *documents* which were taken into account and relate to the *deliverability* of	See attachment 3 on Evoenergy's proposed capital expenditure.

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forecast conforming capital expenditure and explain the proposed *deliverability*.	Deliverability is a relatively minor issue given the much smaller proportion of non-routine capital expenditure, and that the forecast routine capex (market expansion and meter replacement capex) is below historical levels.
Non-conforming capital expenditure in the next access arrangement period 3.17 Provide in the materials submitted to the *AER* in relation to *non-conforming capital expenditure*: (a) details of the mechanism to prevent the *pipeline service provider* from benefiting, through increased *revenue*, from the *capital contributions* by a *user* in the *next access arrangement period* (see r. 82(3)).	Evoenergy nets off capital contributions from gross capex before adding net capex to the capital base.
Capital redundancy policy in the *next access arrangement period* 3.18 If relevant, provide in the materials submitted to the *AER*: (a) an explanation of the proposed mechanism to remove redundant assets from the *capital base* including: (i) when the mechanism will take effect; and (ii) whether the mechanism includes a *proposal* for cost sharing between the *service provider* and *users* associated with a decline in demand for *pipeline services*; (b) an explanation of why the mechanism is being included; (c) an explanation of what uncertainty the mechanism may cause; and (d) the effect of this uncertainty on the *pipeline service provider*.	Evoenergy’s proposed 2021-26 AA does not include a capital redundancy policy.

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4. OPERATING EXPENDITURE	
Operating expenditure in the current access arrangement period 4.1 For the *current access arrangement period* provide in the materials submitted to the *AER*: (a) identify all relevant related parties; and (b) provide an explanation of any non-recurring expenditures and the expenditure incurred for each of the non-recurring expenditures each *regulatory year*.	Related party details are included within the response to clause 20. Refer to Attachment 2 of Evoenergy's AA proposal for details of non-recurring opex.

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Forecast operating expenditure in the *next access arrangement period* 4.2 For forecast total *operating expenditure* provide in the materials submitted to the *AER*: (a) a description and explanation of the major drivers for the increase/decrease in expenditure for each *operating expenditure* category between the *current access arrangement period* and the *next access arrangement period*; (b) information on any changes to the operations of the pipeline from the *current access arrangement period* that have resulted in *material* changes to *operating expenditure* categories and total *operating expenditure* in the *next access arrangement period*, including a definition of the materiality threshold used by the *pipeline service provider* to identify such changes; (c) the models or methodology used to develop the forecast total *operating expenditure*; (d) a description of how the forecast was prepared, including: (i) how forecast operating expenditure reasonably reflects the criteria set out in r.91(1) of the NGR; (ii) if a revealed cost *base year* approach was used to forecast total *operating expenditure*; (1) what the base year is; and (2) why that base year represents efficient, recurrent costs;	Refer to Attachment 2 of Evoenergy's AA proposal for a detailed description of how Evoenergy forecast its proposed opex for the next AA period, including the key drivers, assumptions the methodologies used, including reference to opex categories.
(iii) if a revealed cost base year approach was not used to forecast total operating expenditure; (1) whether there was a year of historical *operating expenditure* available that represents efficient, recurrent costs; and	Not applicable.

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(2) if not, why no year of historic *operating expenditure* represents efficient, recurrent costs. (iv) any non-recurrent or one-off costs in the *base year* and each year of the *next access arrangement period*.	
Output growth 4.3 Provide in the materials submitted to the AER: (a) all output growth drivers included in the forecast; (b) any economies of scale factors applied to the growth drivers; (c) evidence that the growth drivers explain cost changes due to output growth; (d) any weightings applied if multiple output growth drivers have been used. 4.4 Explain in the materials submitted to the AER: (a) how the growth drivers have been applied in the *operating expenditure* forecast; (b) how the forecast method accounts for economies of scale.	Refer to Attachment 2 of Evoenergy's AA proposal and the opex forecasting model (Appendix 2.1).
Real price changes 4.5 Explain in the materials submitted to the AER: (a) how the real price measures have been applied in the *operating expenditure* forecast; (b) whether the labour price measure compensates for any form of labour productivity change.	Refer to Attachment 2 of Evoenergy's AA proposal and the opex forecasting model (Appendix 2.1).
Productivity change	

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4.6 Explain in the materials submitted to the AER: (a) how the forecast changes in productivity have been applied in the *operating expenditure* forecast; (b) whether the forecast productivity changes capture the historic trend of cost increases due to new *regulatory obligations or requirements* and changes to industry best practice; (c) whether the productivity measure used to forecast *operating expenditure* includes productivity change compensated for by the labour price measure used to forecast the change in the price of labour.	Refer to Attachment 2 of Evoenergy's AA proposal and the opex forecasting model (Appendix 2.1).
5. STEP CHANGES	
5.1 For all *step changes* in *forecast operating expenditure* (including due to changes in policies, strategies and obligations) provide in the materials submitted to the *AER*: (a) a description of the *step change,* including when the change occurred, or when it is expected to occur, what its driver is, and how the driver has changed (e.g. the change in a regulatory obligation); and (b) a demonstration, including all supporting justifications, for when and how the *step change* affected or is expected to affect expenditures (historical and forecast), with respect to: (i) any of the operating expenditure categories; and (ii) total operating expenditure. 5.2 For each *step change* identified in response to paragraph 5.1, explain in the materials submitted to the *AER*: (a) why the efficient costs of the *step change* are not provided by other aspects of the *operating expenditure* forecast including, for example, base *operating expenditure*, output growth, real price growth or forecast productivity change; and (b) why the *step change* is required to contribute to a total *forecast operating expenditure* that reasonably reflects the criteria set out in r. 91(1) of the *NGR*.	Refer to Attachment 2 of Evoenergy's AA proposal and the opex forecasting model (Appendix 2.1). We are proposing to expense the costs of pigging and integrity digs from 2021-22 onwards, which to date we have capitalised. While reported as a step change, it does not represent a new obligation or new type of expenditure. The pigging and inspection costs are capitalised for the current AA period. Evoenergy proposes to expense them from the next AA period onwards. Evoenergy's base year revealed opex, which is used to forecast opex in the next period, does not include this cost as it is being capitalised. The pigging and inspection costs step change is recurrent in nature – pigging inspections are undertaken on pipelines on a ten-yearly cycle.

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5.3 For all *step changes* in forecast expenditure provide: (a) In Workbook 1 – Reset (forecast) data, regulatory template E17 the step changes expenditure: (i) forecast for each year of the forthcoming access arrangement period; and (ii) expected to be incurred in the *current access arrangement period*; and (b) a description of the *step change*. 5.4 For each *step change* listed in response to paragraph 5.3, provide in the materials submitted to the *AER* an explanation of: (a) when the change occurred, or is expected to occur; (b) what the driver of the *step change* is; (c) how the driver has changed or will change (for example, revised legislation may lead to a change in a regulatory obligation or requirement); and (d) whether the *step change* is recurrent in nature. 5.5 For each step change listed in response to paragraph 5.3, provide in the materials submitted to the AER justification for when, and how, the step change affected, or is expected to affect: (a) the relevant operating expenditure category; (b) the relevant capital expenditure purpose; (c) total operating expenditure; and (d) total capital expenditure.	
5.6 For each *step change* listed in response to paragraph 5.3, provide in the materials submitted to the *AER* the process undertaken by the pipeline service provider to identify and quantify the *step change*; and the cost benefit analysis that demonstrates the pipeline service provider proposes to address the *step change* in a prudent and efficient manner, including: (a) the timing of the *step change*; and (b) if the pipeline service provider considered a 'do nothing' option, evidence of how the pipeline service provider	Refer to Appendix 2.6 for supporting documentation for the separate pigging and integrity dig projects included in our Draft Plan. For the pigging and inspection costs, by reassessing the nature of these activities, Evoenergy considers that these inspections do not necessarily result in extending the lives of our pipelines because once the pigging is undertaken, we still need to undertake validation or integrity digs to confirm any repair works. It is only after this point that we may repair the pipelines if we assess the damage discovered through the pigging to be unacceptable. These costs are therefore more properly classified as opex rather than capex.

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assessed the risks of this option compared with other options.	
5.7 If the *step change* was due to a change in a regulatory obligation or requirement provide in the materials submitted to the *AER*: (a) an explanation of any variations or exemptions granted from a regulatory obligation or requirement during the *previous access arrangement period* or the *current access arrangement period*; and (b) any compliance audits conducted during the previous access arrangement period or the current access arrangement period. 5.8 For each *step change* listed in response to paragraph 5.7, provide in the materials submitted to the *AER*, with reference to specific clauses of the relevant legislative instrument(s), the: (a) previous regulatory obligation or requirement; and (b) how the changed regulatory obligation or requirement is driving the step change.	The step change is not due to a change in regulatory obligation.
Category specific operating expenditure 5.9 For all category specific forecasts in forecast operating expenditure provide in the materials submitted to the AER: (a) a description of the category specific forecast; (b) the process undertaken to identify and quantify the *category specific forecast*, (c) an explanation of why the efficient costs of the *category specific forecast* is not provided by other aspects of the *operating expenditure* forecast including, for example, base *operating expenditure*, output growth, real price growth or forecast productivity change; and (d) an explanation of why the category specific forecast is required to contribute to a total *forecast operating expenditure* that reasonably reflects the criteria set out in r. 91(1) of the *NGR*.	Refer to Attachment 2 of Evoenergy's AA proposal and the opex forecasting model (Appendix 2.1).

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6. FORECAST PRICE CHANGES	
6.1 Identify the labour and material price changes proposed in the estimation of the forecast *capital expenditure* proposal and the forecast *operating expenditure* proposal. 6.2 Provide in the materials submitted to the *AER*: (a) the model(s) used to derive and apply all price changes assumed in the estimation of the *forecast capital expenditure proposal* and the *forecast operating expenditure proposal*, including any proprietary model(s) provided by a *third party*; (b) in relation to labour escalators, a copy of the current *Enterprise Agreement* or equivalent agreement; and (c) evidence that the price measures explain those cost changes which are attributed to price changes, including evidence of any materials price forecast method which explains the historical change in the price of materials purchased by network *service providers*. 6.3 Explain in the materials submitted to the AER: (a) the methodology underlying the calculation of each price change, including sources, data conversions, the operation of any models provided under paragraph 6.2(a) and the use of any assumptions, such as lags or productivity gains; (b) whether the same price changes have been used in developing both *the forecast capital expenditure* and *forecast operating expenditure*; and (c) if the response to paragraph 6.3(b) is no, why it is appropriate for different expenditure escalators to apply. 6.4 If an agreement provided in response to paragraph 6.2(b) is due to expire during the *next access arrangement period*, explain the progress and outcomes of any negotiations to date to review and replace the current agreement.	Refer to: • Attachment 2 – operating expenditure and Attachment 3 capital expenditure of Evoenergy's AA proposal • the capex and opex models (refer to Appendix 2.1 and 3.1 of Evoenergy's AA proposal) • BIS Oxford Economics' cost escalators report (refer to Appendix 2.3 of Evoenergy's AA proposal). The current Enterprise Agreement is the ActewAGL and Combined Unions Enterprise Agreement 2017. (see RIN Attachment 15) The agreement has a nominal expiry date of 1 July 2020 and continues to operate until it is replaced by another Agreement. We have now commenced negotiations with relevant unions and individual bargaining representatives on a new agreement to replace the current one.

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7. INTERACTIONS BETWEEN CAPEX AND OPEX	
7.1 Identify in the materials submitted to the *AER* any *material* interactions between the pipeline service provider*'s* forecast *capital expenditure* and *forecast operating expenditure*. 7.2 Explain in the materials submitted to the *AER* how these interactions have been taken into account when developing forecasts of *capital expenditure* and *operating expenditure*, and otherwise in providing responses to items under paragraphs 5 and 6.	Interactions between capex and opex have been taken into account at the project-specific level and the aggregate level where appropriate to do so. Evoenergy forecast pigging costs are including in the opex forecast, having been included as capex in the current AA period. This does not reflect a change in costs, but rather change of treatment between capex and opex.
8. CAPITAL BASE	
8.1 Provide the pipeline service provider*'s* calculation of the *capital base* using the *AER's RFM* and *PTRM* which are to be submitted as part of the *access arrangement proposal*, including the pipeline service provider*'s* calculation of the opening and closing *capital base* for each *regulatory year* of the *current access arrangement period* and *next access arrangement period*.	Refer to Attachments 4 of Evoenergy's AA proposal for the PTRM and RFM.
8.2 If the pipeline service provider proposes to change the underlying methods in the *AER's RFM* and/or *PTRM* compared with the *current access arrangement's AER* final decision *RFM* and/or *PTRM* for the calculation referred to in paragraph 8.1, describe in the materials submitted to the *AER* the reasons for the changes.	Evoenergy is using the AER's current gas RFM and PTRM which were published by the AER in April 2020.
8.3 If the opening value of the *capital base* as at the start of the *next access arrangement period* is proposed to be adjusted because of re-use of redundant *assets* or exclusion of redundant *assets*, provide details in the materials submitted to the *AER* including relevant supporting information used to calculate that *adjustment* value.	Not applicable.
9. DEPRECIATION SCHEDULES	
9.1 Provide in the materials submitted to the *AER*, the pipeline service provider*'s* calculation of the depreciation amounts for the relevant *gas distribution network* for each *regulatory year* of:	Refer to Appendix 4.1 and Appendix 4.2 of Evoenergy's AA proposal for the RFM and PTRM, respectively.

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	(a) the current access arrangement period using the AER's RFM, which is to be submitted as part of the access arrangement proposal; and (b) the next access arrangement period using the AER's PTRM, which is to be submitted as part of the access arrangement proposal.	
9.2	If the pipeline service provider proposes to change the underlying depreciation methods in the AER's *RFM* and *PTRM* compared with the *current access arrangement's AER* final decision *RFM* and *PTRM* for the calculations referred to in paragraph 9.1, describe in the materials submitted to the *AER* the reasons for the changes.	Not applicable.
9.3	For the standard *asset* lives applied in the *PTRM*, identify any changes from the standard *asset* lives approved in the *AER's* final decision for the *current access arrangement* for exisiting *asset classes*. Explain in the materials submitted to the *AER* the reason/s for the change and provide relevant supporting information.	The table below shows the changes to standard asset lives, in years, for new assets for each existing asset classes. Reasons for the change are explained in Attachment 4.
9.4	For any proposed new *asset classes*, explain the reason/s for using these new *asset classes* and provide in the materials submitted to the *AER* the relevant supporting information on their proposed standard *asset* lives.	
9.5	If existing *asset classes* approved in the *AER's* final decision for the *current access arrangement* are proposed to be removed at the start of the *next access arrangement period* and their residual values are to be reallocated to other *asset classes*, explain in the materials submitted to the *AER* the reason/s for the change and provide relevant supporting information. This should include a demonstration of the materiality of the change on the forecast depreciation allowance.	Not applicable
9.6	Describe in the materials submitted to the *AER* the method used to depreciate existing *asset classes* as at 1 July 2021 and provide supporting calculations. This may include calculations to estimate remaining *asset* lives.	Refer to Attachment 4 and Appendix 4.2 (PTRM) of Evoenergy's AA proposal.

Asset Class	Current Lives	Proposed Lives
High Pressure Mains	80	50
Medium pressure mains	50	30
Medium pressure services	50	30

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9.7 Explain in the materials submitted to the *AER* the approach the pipeline service provider used to forecast its *immediate expensing capital expenditure* for the *next access arrangement* period as provided in the *access arrangement proposal PTRM*.	Evoenergy is not proposing any capex to be immediately expensed.
9.8 The *AER's PTRM* applies the diminishing value (DV) method for tax depreciation purposes to all new depreciable assets except for certain assets. Where *the pipeline service provider* proposes *capital expenditure* associated with buildings and in-house software to be exempted from the DV method of tax depreciation, please confirm that the proposal satisfies the following requirements: (a) buildings: *capital expenditure* for buildings may be depreciated using the SL method if it satisfies the definition of a capital work under section 43.20 of the Income Tax Assessment Act 1997 (ITAA); and (b) in-house software: *capital expenditure* for in-house software may be depreciated using the SL method if it satisfies the definition of in-house software under section 995.1 of the ITAA, and may be depreciated using the SL method, consistent with section 40.72 of the ITAA.	Evoenergy is not proposing any buildings or in-house software capex.
10. CORPORATE INCOME TAX	
10.1 Provide in the materials submitted to the AER the pipeline service provider's calculation of the estimated cost of corporate income tax for the next access arrangement period using the AER's PTRM, which is to be submitted as part of the access arrangement proposal.	Refer to Attachment 6 and Appendix 4.2 (PTRM)
10.2 Demonstrate in the materials submitted to the AER that the calculation referred to in paragraph 10.1 complies with r. 87A of the NGR.	Refer to Attachment 6.
10.3 Provide in the materials submitted to the AER the details of each departure from the AER's PTRM for the calculations referred to in paragraph 10.1, and the reasons for that departure.	Evoenergy is using the AER's current PTRM which was published by the AER in April 2020.
10.4 Identify in the materials submitted to the AER any changes to standard tax asset lives for existing asset classes approved for	Evoenergy has capped tax asset lives at 20 years, reflecting the AER's final decision on regulatory tax expenses published in 2018.

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the current access arrangement. Explain the reason/s for the change and provide relevant supporting information, including Federal tax laws governing depreciation for tax purposes.	
10.5 Describe in the materials submitted to the AER the method used to depreciate existing asset classes as at 1 July 2021 for tax purposes and provide supporting calculations, if the approach differs from that in the current access arrangement's AER final decision RFM.	Evoenergy has adopted the methodology contained in the AER's gas PTRM, published in April 2020. Diminishing value depreciation using a multiplier of 200 per cent has been used for all asset categories
10.6 Provide in the materials submitted to the AER the pipeline service provider's calculation of the tax asset base for each regulatory year of the current access arrangement period and next access arrangement period using the pipeline service provider's RFM, PTRM and/or separate tax depreciation model.	Refer to Attachment 4, Appendix 4.1 (RFM) and Appendix 4.2 (PTRM).
10.7 If the pipeline service provider proposes to change the underlying methods in the AER's RFM for the calculations referred to in paragraph 10.6, describe in the materials submitted to the AER the reasons for the changes.	Evoenergy is using the AER's current gas RFM and PTRM which was published by the AER in April 2020.
10.8 Identify in the materials submitted to the AER any differences in the capitalisation of expenditure for regulatory accounting purposes and tax accounting purposes. Provide reasons and supporting calculations to reconcile any differences between the two forms of accounts.	Evoenergy uses a consistent approach to capitalise for accounting and tax purpose. All expenditure that is capitalised for accounting purposes is also capitalised for tax purposes.
11. DEMAND	
11.1 Provide in the materials submitted to the *AER*: (a) an explanation of any trends in demand and volumes over the *current access arrangement period* and the *next access arrangement period*; (b) details of the key drivers behind the demand forecasts provided in response to Workbook 1- Reset (forecast) data, regulatory template N1. Demand; (c) any methodology and models that have been used to develop the demand forecasts; (d) any data sets used as inputs into the models;	Refer to Attachment 7 of Evoenergy's AA proposal.

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(e) any key inputs and assumptions that have been used in the models (including in relation to economic growth, customer numbers and policy changes) and provide any associated models or data relevant to justifying these inputs and assumptions and how demand for pipeline services is differentiated; (f) an explanation of any weather normalisation models, how weather data has been used, and how the pipeline service provider's approach to weather normalisation has changed over time; (g) an explanation of any appliance models, where used, or assumptions relating to average customer energy usage (by customer type); (h) how the forecasting methodology used is consistent with, and takes into account, historical observations (where appropriate), including any calibration processes undertaken within the model (specifically whether the load forecast is matched against actual historical load); and (i) an explanation of how the demand forecasts have been used to develop the pipeline service provider's capital expenditure and operating expenditure forecasts.	
11.2 Provide in the materials submitted to the *AER*: (a) evidence that any independent verifier engaged has examined the reasonableness of the method, processes and assumptions in determining the forecasts and has the requisite expertise to undertake a verification of forecasts; and (b) all documentation, analysis and models evidencing the results of the independent verification.	Evoenergy has engaged CIE to develop the demand forecast. Attachment 7 and Appendix 7.1 explains the forecasting approach and provides CIE's credentials. Evoenergy has not engaged a separate expert to independently verify the demand forecast.

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12. PROPOSED INCENTIVE MECHANISM	
12.1 Provide in the materials submitted to the *AER*, for each incentive mechanism (including existing incentive mechanisms), details of the forecast revenue referable to increments for efficiency gains or decrements for efficiency losses for the *next access arrangement period*. 12.2 Provide in the materials submitted to the *AER*, for each proposed incentive mechanism: (a) an explanation of the operation of the proposed incentive mechanism; (b) an explanation of the rationale for the proposed incentive mechanism (c) reference to the source *documents* used to derive exclusions and inclusions to calculate efficiency gains and losses for the *next access arrangement period* (d) any relevant analyses or reports that support the proposed incentive mechanism.	Refer to Attachment 9 of Evoenergy's AA proposal.

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13. RATE OF RETURN	
13.1 The *pipeline service provider* is required to apply the binding *Rate of Return Instrument* (December 2018) for determining the rate of return in its *access arrangement proposal*. 13.2 The averaging periods nominated by the pipeline service provider in accordance with the *Rate of Return Instrument* (December 2018) will be kept confidential by the *AER*. 13.3 For the purposes of assessing the pipeline service provider*'s* proposal we require it to nominate 'placeholder' averaging periods which will be made public and have been used to calculate an indicative rate of return in the pipeline service provider*'s access arrangement proposal*.	Evoenergy has applied the AER's Rate of Return Instrument 2018, which satisfies Rule 87A of the NGR. Refer to Attachment 5 of Evoenergy's AA proposal. Confidential Appendix 5.1 sets out Evoenergy's nominated averaging periods. Evoenergy's placeholder averaging periods are set out in Attachment 5.
14. REVENUES AND PRICES FOR REFERENCE SERVICES	
14.1 Provide in the materials submitted to the *AER* the pipeline service provider*'s* calculation of the unsmoothed and smoothed *revenues*, and prices for the purposes of the *reference tariff variation mechanism* proposed by the pipeline service provider for the *next access arrangement period* using the AER*'s PTRM*. 14.2 If the pipeline service provider proposes to change the underlying methods in its *access arrangement proposal PTRM* compared with the *current access arrangement AER* final decision *PTRM* for the calculations referred to paragraph 14.1 describe in the materials submitted to the *AER* the reasons for the changes.	Evoenergy is using the AER's current gas RFM and PTRM which was approved by the AER on 31 March 2020.

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15. TARIFFS	
Total revenue allocation 15.1 Provide in the materials submitted to the AER: (a) an explanation, including any relevant calculations, of the methods or principles used to allocate relevant cost between the *reference services* and *non-reference services*; and (b) for rebateable services, provide: (i) the reasons why the service should be treated as a *rebateable service*; and (ii) a description of the mechanism that the *pipeline service provider* will use to apply an appropriate portion of the revenue generated from the sale of *rebateable services* to price rebates (or refunds) to users of reference services (see r. 93 of the *NGR*).	(a) Refer to Attachment 10 of Evoenergy's AA proposal. (b) Evoenergy does not provide rebateable services.
***Tariffs* – distribution *pipelines* (see Rule 94 of the NGR)** 15.2 For each *tariff*, and if it consists of two or more charging parameters, each charging parameter for a *tariff class*, provide: (a) a description of how *the pipeline service provider* has taken into account the long run marginal cost for the *reference service* or, in the case of a charging parameter, for the element of the service to which the charging parameter relates; (b) details of the transaction costs associated with the *tariff* or each charging parameter; (c) whether *customer*s belonging to the relevant *tariff class* are able or likely to respond to price signals; and (d) an explanation of the methodology used to allocate costs.	(a) Refer to section 10.6 of Attachment 10.1 of Evoenergy's AA proposal. (b) – (d) Refer to section 10.6 of Attachment 10.1 of Evoenergy's AA proposal.

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Prudent discounts (see r.96 of the NGR) 15.3 Identify all prudent discounts that *the pipeline service provider* proposes for the *next access arrangement period* and the *users* to whom they will apply and explain: (a) how each prudent discount is necessary to respond to competition or maintain efficient use of the *pipeline*; and (b) whether, including relevant calculations, *reference tariffs* would be higher without the prudent discount than they would be with the prudent discount.	Evoenergy has no customers with prudent discounts.
16. REFERENCE TARIFF VARIATIONS	
Reference tariff variation mechanism 16.1 Provide in the materials submitted to the AER an explanation of: (a) the proposed *reference tariff variation mechanism* and the basis for any parameters used in the mechanism; and (b) the administrative arrangements for periodic reviews of *tariffs* including the timing of notifications to the *AER*. 16.2 Identify in the materials submitted to the AER: (a) the possible effects of the proposed *reference tariff variation mechanism* on *the pipeline service provider*'s administrative costs and, if known, the administrative costs of *users* or potential *users*; and (b) all relevant regulatory arrangements *the pipeline service provider* considers applicable to the relevant *reference services* before the commencement of the proposed *reference tariff variation mechanism*.	Refer to section 10.7 of Attachment 10 of Evoenergy's AA proposal.

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Cost pass through mechanism 16.3 For each cost pass through event in the pipeline *service provider's access arrangement proposal*, provide in the materials submitted to the *AER*: (a) a definition and description of each cost pass through event; (b) an explanation of how each cost pass through event is uncontrollable; (c) an explanation of whether the costs of the cost pass through event are already provided for through the *operating expenditure* or *capital expenditure* forecasts, the WACC (events which affect the market generally and not just the provider are systemic risk and already compensated through the WACC), or any other mechanism or allowance; and (d) an explanation of the administrative arrangements for cost pass through events and their relationship to other periodic reviews for other *tariff* variation mechanisms including the timing of notifications to the *AER*.	(a) Refer to Access Arrangement Section 8 and Schedule 1 Definitions (b) Regulatory Change Event: Controlled by regulators only. Service Standard Event: Legislative or administrative acts are controlled by government. Insurance Cap Event: Insurers control insurance caps. Insurer Credit Risk Event: Insurers control the insurers solvency. Terrorism Event: Such an act is caused by any person or group of persons (whether acting alone or on behalf of or in connection with an organisation or government) which is outside Evoenergy's control. Natural Disaster Event: The definition specifically excludes events that are a consequence of the acts or omissions of Evoenergy. (c) Pass through costs are not already included in operating expenditure forecasts, capital expenditure forecasts, WACC or any other mechanism or allowance. Costs arising from a pass-through event are not caused by systemic risks that affect the market generally and are therefore not included in the WACC. The events are not expected to occur, will likely be specific to Evoenergy and not capable of accurately forecasting. (d) Refer to Access Arrangement Section 8.
16.4 Identify in the materials submitted to the *AER*: (a) the materiality threshold *the pipeline service provider* proposes for cost pass through events;	(a) Refer to Access Arrangement Schedule 1 Definitions, Administrative Cost Impact. (b) Not capable of accurately forecasting. (c) Refer to Access Arrangement Section 8.

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(b) the possible effects of the proposed cost pass through mechanism on *the pipeline service provider*'s administrative costs and, if known, the administrative costs of *users* or potential *users*; and (c) all relevant regulatory arrangements *the pipeline service provider* considers applicable to the relevant *reference services* prior to the commencement of the proposed cost pass through mechanism.	
17. NON–TARIFF COMPONENTS	
Non-tariff terms and conditions 17.1 Provide in the materials submitted to the *AER*: (a) details of any amendments to the non-*tariff* terms and conditions of the *access arrangement* that *the pipeline service provider* proposes for the *next access arrangement period*; and (b) for each amendment identified in paragraph 17.1(a), explain the reasons for the proposed amendment.	Evoenergy's amendments to the non-tariff terms and conditions of the Access Arrangement and the reasons for the amendments are explained in Attachment 11.
Queuing requirements 17.2 Provide details of the process or mechanism for order of priority for spare or developable capacity, for example, whether it is to be as a first-come-first-served basis or by auction.	The AER has not given notice under rule 103 of the NGR that Evoenergy's Access Arrangement must include a queuing requirement and thus the pre-existing policy has been removed. Refer to Attachment 11 of Evoenergy's Access Arrangement proposal.
Capacity trading requirements 17.3 Identify the rules or *procedures the pipeline service provider* must accord with under Rule 105 of the NGR.	The rules or procedures in relation to the NGR Rule 105 are set out in the Access Arrangement section 11 (Capacity Trading) and the Reference Service Agreement clause 29.3.

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Extension and expansion requirements (see r.104 of the NGR) 17.4 Provide in the materials submitted to the *AER*: (a) details of any *extension and expansion requirements* where that *extension and expansion requirement* states that the *access arrangement* will apply to incremental services to be provided as a result of the extension or expansion; (b) details of the effect of those *extension or expansion requirements* identified in section 17.4(a) on *tariffs*.	(a) Refer to the Access Arrangement Section 10. (b) Evoenergy will offer the Reference Service in respect of any extensions or expansions at the Reference Tariffs. The inclusion of economic network extensions and expansions in Evoenergy's regulatory asset base will tend to reduce reference tariffs over time on the basis that it will facilitate additional customers over which total network costs can be shared.
Change of receipt or delivery point by user 17.5 Explain in the materials submitted to the *AER*: (a) how *users* may obtain consent, including identifying any relevant conditions, to change *receipt or delivery point*s as contemplated under Rule 106 of the NGR; (b) where relevant, the technical or commercial considerations and other relevant conditions in the event *the pipeline service provider* intends to withhold consent to a change in a *receipt or delivery point*.	Refer to the Reference Service Agreement Clause 13 that explains how Evoenergy's users may obtain consent, including identifying any relevant conditions, to change receipt or delivery points as contemplated under r. 106.
18. INDICATIVE IMPACT ON CUSTOMER GAS BILLS	
18.1 If the *pipeline service provider* proposes an alternative method to estimate the impact of its proposal on typical customer bills (other than that set out in *Workbook 4 – Indicative bill impact*), provide the alternative calculations, and describe the method and underlying assumptions used.	Evoenergy has completed Workbook 4 – Indicative bill impact using the fixed percentages as required (RIN Attachment 10). A separate calculation of customer impacts for each customer 'archetype' has been calculated based on our proposed network tariffs for 2021-22 (see RIN Attachment 20). Evoenergy considers these calculations better reflect the customer impacts for each customer 'archetype' given: • it captures the effect of our proposed tariff strategies for 2021-22; • it uses movements in proposed tariff components (rather than movements in $/MJ) • it does not rely on a fixed network percentage of a customer bill.

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19. RELATED PARTY TRANSACTIONS	
19.1 Identify and describe in the materials submitted to the AER all entities which: (a) are a *related party* to *the pipeline service provider* and contribute to the provision of distribution services; or (b) have the capacity to determine the outcome of decisions about the pipeline service provider's financial and operating policies. The minimum threshold for these entities are for transactions greater than $1,000,000 in a *regulatory year*.	The following related party contributes to the provision of Evoenergy's pipeline services: Jemena Asset Management Pty Ltd (JAM) The following entities have the capacity to determine the outcome of decisions about Evoenergy's financial and operating policies: • Jemena Networks (ACT) Pty Ltd, as 50 per cent owner of ActewAGL Distribution Partnership. • Icon Distribution Investments Ltd, as 50 per cent owner of ActewAGL Distribution Partnership.
19.2 Provide in the materials submitted to the *AER* a diagram of the organisational structure depicting the relationships between all the entities identified in the response to paragraph 19.1.	A diagram of the organisational structure depicting the relationships between all the entities identified in the response to paragraph 19.1 is shown in Figure 1–1 of RIN Attachment 13.
19.3 Identify in the materials submitted to the AER: (a) all arrangements or contracts between the pipeline service provider and any of the other entities identified in the response to paragraph 19.1 currently in place or expected to be in place during the period 2019-20 to 2025-26 which relate directly or indirectly to the provision of pipeline services; and (b) the service or services that are the subject of each arrangement or contract.	(a) The DAMS Agreement between ActewAGL Distribution (Evoenergy) and JAM dated 17 October 2013 (as amended). (b) The services provided under the DAMS Agreement are set out in Schedule 1 of the contract and include Management Services, Asset Services and Capital Works. More details are included in section 2.3 of RIN Attachment 13.

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19.4 For each service identified in the response to paragraph 19.3(b): (b) provide in the materials submitted to the *AER*: (1) a description of the process used to procure the service; and (2) supporting documentation including, but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, *contracts* between the *pipeline service provider* and the relevant provider. (c) explain in the materials submitted to the *AER*: (i) why that service is the subject of an arrangement or *contract* (i.e. why it is outsourced) instead of being undertaken by the *pipeline service provider* itself; (ii) whether the services procured were provided under a standalone *contract* or provided as part of a broader operational agreement (or similar); (iii) whether the services were procured on a genuinely competitive basis and if not, why; and (iv) whether the service (or any component thereof) was further outsourced to another provider.	(a)(i) Refer to section 2.2 of RIN Attachment 13 for a description of the process to negotiate the DAMS Agreement. (a)(ii) A copy of the DAMS Agreement is included in RIN Attachment 16. (b)(i) As noted in section 1 of RIN Attachment 13, the founding premise of the ActewAGL Distribution Partnership is that synergies flow through its corporate structure and service delivery model, ensuring the efficient delivery of services to consumers. By outsourcing the services under the DAMS Agreement, Evoenergy's customers are able to benefit from economies and sale and scope in the delivery of services, which ensures that services are delivered at a lower cost than a stand-alone service provider. (b)(ii) These services are provided under a standalone agreement. (b)(iii) The procurement of these services was not openly tendered, instead the contract terms and prices were negotiated between Evoenergy, JAM and Icon Water. As the partnership is jointly owned by Icon Water (an ACT government owned entity) and Jemena Networks (ACT) Pty Ltd, the negotiation of the DAMS Agreement was on an arms' length basis, and was conducted in accordance with the founding principle of the ActewAGL Distribution Partnership, to identify and realise synergies. (b)(iv) Like any other provider, JAM can and does further outsource some components of the services it provides. Asset Services are outsourced to ZNX(2) Pty Ltd under the Asset Services Agreement (ASA) between JAM and ZNX(2).

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19.5 For each arrangement or contract identified in the response to paragraph 19.3 provide in the materials submitted to the *AER*: (a) a copy of the arrangement or contract which sets out the obligations of both the other entity and the *pipeline service provider*; (b) a breakdown of all services provided as part of that arrangement or contract; (c) a breakdown of costs for each service provided as part of the arrangement or contract, including separately identifying overheads, any profit margin or management fee and incentive payments; (d) a breakdown of all costs included in the contract price; and (e) any methodologies, including consultant's reports, or assumptions used to determine components of those costs included in the contract price.	(a) A copy of the DAMS Agreement is provided in RIN Attachment 16. (b) Details of the services provided under the DAMS Agreement are set out in Schedule 1 of the contract and include Management Services, Asset Services and Capital Works. More details are included in RIN Attachment 13. (c) JAM passes the costs it incurs onto Evoenergy with no additional margins, management fees or incentive payments or penalties. Refer to section 2.3 of RIN Attachment 13 for a breakdown of the costs for each service provided under the DAMS Agreement. (d) A breakdown of the costs included within the contract price is provided in section 2.4 of RIN Attachment 13. The components of the costs in the contract price are explained in section 2.4 of RIN Attachment 13.
20. COMPLIANCE WITH SECTION 269A OF THE NGL	
20.1 The *pipeline service provider* must provide a statement attesting that: (a) where any expenditure or cost has been incurred or is forecast to be incurred by the *pipeline service provider*, as a result of or incidental to a review under Part 5 – Merits review and other non-judicial review – of the *NGL*, that; (i) the *pipeline service provider* has not included any of that expenditure or cost, or any part of that expenditure or cost, in its capital or *operating expenditures* for an *access arrangement* decision; and (ii) the *pipeline service provider* has not recovered any of that expenditure or cost, or any part of that expenditure or cost, from end *users*; and	Evoenergy has not included any of that expenditure or cost related to merits review and other non-judicial review, or any part of that expenditure or cost, in its capex or opex of the GN21 Plan or the RIN templates. Further, it has not recovered such costs from end users and it has not sought to pass through such costs to end users.

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	(iii) the *pipeline service provider* has not sought to pass through any of that expenditure or cost, or any part of that expenditure or cost, to end *users*; or (b) where no expenditure or cost has been incurred or is forecast to be incurred by the *pipeline service provider*, as a result of or incidental to a review under Part 5 – Merits review and other non-judicial review – of the *NGL*, that; (i) no such expenditure or cost has been incurred or is forecast to be incurred.	
21.	**IDENTIFICATION OF CERTAIN COSTS IN ACTUAL CAPEX AND OPEX**	
21.1	For any actual capex or opex reported in response to this notice, identify any part of that expenditure which can be attributed to any expenditure or cost that the pipeline service provider has incurred as a result of, or incidental to, a review under Part 5 – Merits review and other non-judicial review – of the NGL.	Evoenergy did incur costs in relation to Merits review and other non-judicial review during RY16 to RY18. Evoenergy separately recorded and captured these costs from other pipeline expenditure. These costs are included as an adjustment to Evoenergy's statutory accounts. This means that such costs are excluded from the pipeline costs in templates.

Schedule 3 – Historical financial information		
1.	**PROVIDE HISTORICAL FINANCIAL INFORMATION**	
1.1	If not previously provided to the *AER*, provide in the materials submitted to the *AER*: (a) the regulatory accounting principles and policies and the capitalisation policy for the relevant regulatory year; (b) the cost allocation methodology for the relevant regulatory year; (c) a statement of policy for determining: (i) the allocation of costs for the relevant *regulatory year;* and	(a) Evoenergy prepares the Regulatory Accounting Statements consistently with the requirements listed in the RIN as issued by the AER under Division 4 of Part 1 of Chapter 2 of the National Gas (ACT) Law. As its underlying principle, Evoenergy prepares its statutory accounts compliant with the Australian Accounting Standards and the Statement of Significant Accounting Policies in the notes to the accounts, and only varies from these Standards and Policies where specifically required or permitted by the RIN. The source of all financial information for the regulatory financial statements is the Evoenergy general ledger and its support systems. Revenues and costs contained in the General Ledger that can be directly attributed are assigned to the respective categories. However, if the revenue or cost cannot be directly attributed, an allocator is applied. At all times, Evoenergy will apply transparent and verifiable allocators.

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(ii) the allocation of overheads for the relevant *regulatory year.*	All information provided is intended to be sufficient to enable the auditors to verify accuracy and compliance with the requirements of the RIN. (b) Evoenergy's cost allocation methodology is RIN Attachment 14. (c) Evoenergy's capitalisation policy is RIN Attachment 15.
1.2 Identify all *material* changes in the policies provided in the response to paragraph 1.1(c) compared to the previous *regulatory year*. For each change identified: (a) explain the nature of and the reasons for the change; and (b) quantify the effect of the change on the *regulatory templates* for the relevant *regulatory year*.	There were no material changes.
2. COMPLIANCE WITH CURRENT ACCESS ARRANGEMENT	
Cost pass through 2.1 Describe in the materials submitted to the *AER* the processes and *procedures* the *pipeline service provider* has in place to: (a) identify negative cost pass through events under the *current access arrangement*, and (b) determine the materiality (as defined in clause 3.4 (c) of the *current access arrangement)* of cost decreases.	These are described in section 10.7.3 of Attachment 10.
Tariff class assignment 2.2 Identify in the materials submitted to the *AER* each refusal the *pipeline service provider* has made during the relevant *regulatory year* to the *tariff class* nominated by a *user* or prospective *user* in its *request for service* under clause 4.1(c) of the *current access arrangement* including: (a) the name of the *user* or prospective *user*; (b) the date upon which the request was made; and (c) the date upon which the *pipeline service provider* responded to the request.	No tariff assignments were refused.
Tariff class re-assignment 2.3 Describe in the materials submitted to the AER the processes and procedures the pipeline service provider has in place to determine if the re-assignment of a delivery point to a different tariff class	Evoenergy automatically assigns volume customers to the VRI tariff with VRB sites being manually updated to VRB as part of the meter activation process. Tariff assignments to VRH, VBM and VBS ae on request. Demand customers are assigned as part of the request for service process.

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under clause 4.2(a)(i) of the current access arrangement is necessary.	
2.4 Identify in the materials submitted to the *AER* each *delivery point* re-assignment the *pipeline service provider* has made during the *relevant regulatory year* under clause 4.2 (a)(i) of the *current access arrangement* including: (a) the name of the *delivery point*; (b) the date upon which the re-assignment occurred; and (c) how many *users* were affected by the re-assignment.	There were no tariff reassignments made by Evoenergy due to delivery points being assigned to the incorrect tariffs.
2.5 Describe in the materials submitted to the *AER* the processes and *procedures* the *pipeline service provider* has in place to determine if the re-assignment of a *delivery point* to a different *tariff class* under clause 4.2(a)(ii) of the *current access arrangement* is necessary.	On an ad hoc basis Evoenergy reviews customer consumption to identify if a customer should be assigned to a demand tariff rather than a volume tariff and vice versa.
2.6 Identify in the materials submitted to the *AER* each *delivery point* re-assignment the *pipeline service provider* has made during the *relevant regulatory year* under clause 4.2 (a)(ii) of the *current access arrangement* including: (a) the name of the delivery point; (b) the date upon which the re-assignment occurred; and (c) how many *users* were affected by the re-assignment.	There were no tariff re-assignments following reviews of consumption
2.7 Describe in the materials submitted to the *AER* the processes and *procedures* the *pipeline service provider* has in place to determine if the re-assignment of a *delivery point* to a different *tariff class* under clause 4.2(a)(iii) of the *current access arrangement* is necessary.	The processes and procedures to reassign delivery points to a different tariff class following the withdrawal of a tariff class will depend on the tariff class being withdrawn and will be determined at that time.
2.8 Identify in the materials submitted to the *AER* each tariff re-assignment the *pipeline service provider* has made during the *relevant regulatory year* under clause 4.2(a)(iii) of the *current access arrangement* including: (a) the *tariff class* which has been withdrawn; (b) the date upon which the *tariff class* was withdrawn; and	No tariffs have been withdrawn during the current AA period.

(c) how many *users* were affected by the *tariff class* being withdrawn.	
2.9 Describe in the materials submitted to the *AER* the processes and *procedures* the *pipeline service provider* has in place to determine if the re-assignment of a *tariff class* to a *delivery point* under clause 4.2(c) of the *current access arrangement* is necessary.	On receipt of a user request for re-assignment to a different tariff class, Evoenergy reviews the request to determine if the delivery point satisfies the criteria for the requested tariff class as set out in Schedule 2 of Evoenergy's AA. Where the delivery point does satisfy the criteria, it will be re-assigned to the requested tariff class. The user is notified of the outcome of their re-assignment request.
2.10 Identify in the materials submitted to the *AER* each tariff re-assignment the *pipeline service provider* has made during the *relevant regulatory year* under clause 4.2(c) of the *current access arrangement* including: (a) the name of the *user* who made the request; (b) the date upon which the request was made; and (c) whether the *pipeline service provider* agreed to the request.	No users requested tariff re-assignment in the period RY17 to RY19.
3. COST ALLOCATION TO THE PIPELINE SERVICE PROVIDER	
3.1 Identify in the materials submitted to the *AER* each item in the *regulatory templates* that is: (a) not allocated on a *directly attributable* basis but is allocated on a causation basis to the *pipeline service provider*; or (b) not allocated on a *directly attributable* basis and cannot be allocated on a causation basis to the *pipeline service provider*.	With respect to 3.1 a) and 3.2, the table below outlines and explains the allocation of items that are not allocated on a directly attributable basis but are allocated on a causation basis to Evoenergy.
3.2 For each item identified in the response to paragraph 3.1(a): (a) state the amount of the item that has been allocated to the *pipeline service provider*; (b) explain the method of allocation and reasons for choosing that method; and (c) state the amount of each allocator used; and (d) explain the reason(s) why it cannot be directly attributed.	(see table below)
3.3 For each item identified in the response to paragraph 3.1(b):	With respect to 3.1 b) and 3.3, the table below outlines and explains the allocation of items that are not allocated on a directly attributable basis and cannot be allocated on a causation basis to Evoenergy.

Division	Allocator and Reason for Allocation	FY17	FY18	FY19
Business Systems Division	Costs are allocated on the basis of time spent on specific applications and projects for divisions.	662	577	513
Electricity Networks Overhead Costs	Costs are allocated on the basis of time spent working on each business.	500	611	500

(a) state the amount that has been allocated to the *pipeline service provider* and whether it was *material*;

(b) explain the method of allocation and reasons for choosing that method; and explain the reason(s) why it cannot be allocated on a causation basis.

Division	Allocator and Reason for Allocation	FY17	FY18	FY19
Legal & Corporate Affairs	Internal audit is allocated to divisions based on time spent working on each. All other costs are allocated to the divisions on the basis of the non-causal driver because there is no ideal causal driver. These corporate, non-division specific activities vary from week to week.	1,055	847	477
Office of the CEO	There is no ideal causal allocator for these costs as CEO activity varies from week to week. Costs are allocated to each division on the basis of the non-causal driver.	187	706	971
Finance & Facilities	Regulatory Affairs costs are allocated to the divisions based on time spent working on each. All other corporate finance costs are allocated to the divisions using the non-causal driver because of the corporate, non-division specific nature of these costs. Interest revenue is directly allocated to the divisions (where applicable) as a percentage of annual revenue.	722	945	1,723
People & Safety	HR costs are allocated to divisions based on FTE numbers (excluding Corporate Services). Salary and HR costs for Corporate Services employees are allocated using the non-causal driver because of the corporate, non-division specific nature of their work.	124	91	100

4. COST ALLOCATION TO PIPELINE SERVICES

4.1 Identify each item in the *regulatory templates* attached at Appendix A that is:

(a) *directly attributable* to a pipeline service;

(b) not *directly attributable* but is allocated on a *causation basis* to a pipeline service;

See response to section 3 above.

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(c) not *directly attributable* and cannot be allocated on a *causation basis* to a pipeline service. 4.2 For each item identified in response to paragraph 4.1(a), state the amount of the item that is *directly attributable* to each *pipeline service*. 4.3 For each item identified in the response to paragraph 4.1(b): (a) state the amount of the item that has been allocated to each *pipeline service*; (b) explain the method of allocation and reasons for choosing that method; and (c) state the amount of each allocator used; and (d) explain why it cannot be directly attributed. 4.4 For each item identified in the response to paragraph 4.1(c): (a) state the amount of the item that has been allocated to each *pipeline service* and whether it was *material*; (b) explain the method of allocation and reasons for choosing that method; and (c) explain the reason(s) why it cannot be allocated on a *causation basis*.	