

Reference Service Proposal

Evoenergy ACT and Queanbeyan–Palerang gas distribution network

Access arrangement period commencing July 2021

June 2019

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Executive Summary

This reference service proposal is the initial formal document to be provided to the Australian Energy Regulator (AER) as part of Evoenergy's access arrangement revision for the period beginning 1 July 2021 (the revised access arrangement). The reference service proposal is a new requirement arising from a rule change determined by the Australian Energy Market Commission that came into effect in March 2019. The new rules set out the content for the reference service proposal and the approval process.

Reference services are a key component of the access arrangement because once approved by the AER, they become the basis for the revised access arrangement.

Evoenergy proposes to continue to offer the existing haulage reference service in the revised access arrangement. Gas retailers and representatives of consumer groups have raised no concerns with Evoenergy on this proposal.

1. Evoenergy's gas network access arrangement

1.1 Introduction

This reference service proposal sets out Evoenergy's proposed reference services for the transportation of gas over the ACT and Queanbeyan-Palerang distribution network owned by ActewAGL Distribution under the Evoenergy business trading name.

Recent changes to the National Gas Rules (the Rules) establish a process for reference service proposals to be submitted by gas network service providers and approved by the AER. The purpose of the reference service proposal is to provide greater opportunity for stakeholder input during the process for determining reference services which now occurs twelve months before the access arrangement proposal is due. The access arrangement proposal previously contained the reference services description.

This document contains:

- in this section 1, a description of Evoenergy's gas network access arrangement for which this proposed reference service applies;
- in section 2, the requirements for the content of this proposal and where in the proposal those requirements are addressed;
- in section 3, the description of the pipeline services proposed for the revised access arrangement, which are substantially unchanged from the current pipeline services offered;
- in section 4, the description of the reference services proposed for the revised access arrangement, which are substantially unchanged from those currently offered. This section also explains how the reference services address the reference service factors from the Rules that are used to identify reference services; and;
- in section 5, consultation with customers on the reference services.

1.2 Background

This document is prepared in compliance with requirements under the Rules for approval of a reference service proposal in relation to the review of the access arrangement to apply to Evoenergy's gas distribution pipeline (the Network) for the regulatory period commencing on 1 July 2021 (2021 access arrangement).

1.3 The relevant pipeline for this reference service proposal

The Network comprises approximately 5,000 km of pipeline within the ACT and Queanbeyan-Palerang areas, and includes pipeline licence no. 29 from Hoskinstown to Fyshwick. This Network is a full regulation distribution pipeline under the Rules.

A description and map of the Network are available on Evoenergy's website¹ at <https://www.evoenergy.com.au/about-us/about-our-network/network-coverage>

1.4 Review of Evoenergy's gas network access arrangement

Evoenergy's current access arrangement for the Network applies from 1 July 2016 to 30 June 2021 and was approved by the AER on 26 May 2016.

The current access arrangement specifies the following dates for the revised access arrangement:

- the revision submission date is 30 June 2020; and;
- the revision commencement date is 1 July 2021.

1.5 Revised access arrangement pipeline services and reference services

Rule 47A(1)(b) of the Rules requires Evoenergy to list the *pipeline services* and *reference services* that Evoenergy will provide under the revised access arrangement. These are detailed in this reference services proposal.

2. Reference service proposal rule change

Rule 47A was added to the Rules as a result of a rule change which commenced on 25 March 2019. The rule includes:

- a requirement for a reference service proposal to be submitted by the service provider to the AER;
- details about the contents of a reference service proposal;
- the process for approval by the AER of a service providers' reference services; and;

¹ Note that Evoenergy's Nowra gas network is a non-scheme pipeline and is excluded from this access arrangement.

- reference service factors.

2.1 Requirement for a reference service proposal

Evoenergy submits this reference service proposal to the AER as required by the Rules under Rule 47A(3) which states:

“A service provider in respect of a full regulation pipeline must submit a reference service proposal to the AER:

- (a) no later than 12 months prior to the review submission date for the access arrangement; or;*
- (b) if no access arrangement applies, in accordance with rule 46.”*

2.2 Content of reference service proposal

This section sets out the requirements of Rule 47A(1) for a reference service proposal and how Evoenergy’s proposal meets the requirements.

Table 2.1 Outline of reference service proposal

Requirement		Section of proposal
A service provider in respect of a full regulation pipeline must, whenever required to do so under sub-rule (3), submit to the AER a reference service proposal in respect of a forthcoming full access arrangement proposal that:		
(a)	Identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;	1.2
(b)	Sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in sub-rule (2);	3
(c)	From a list referred to in sub-rule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as reference services having regard to the reference service factors including any supporting information required by the AER; and;	4
(d)	If the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.	5

3. Pipeline services

3.1 Description of pipeline services

The National Gas Law (NGL) defines *pipeline service* and *reference service* as follows:

“pipeline service means —

(a) a service provided by means of a pipeline, including —

(i) a haulage service (such as firm haulage, interruptible haulage, spot haulage and backhaul); and

(ii) a service providing for, or facilitating, the interconnection of pipelines; and

(b) a service ancillary to the provision of a service referred to in paragraph (a),

but does not include the production, sale or purchase of natural gas or processable gas;”

and

“reference service means a pipeline service specified by, or determined or approved by the AER under, the Rules as a reference service;”²

Rule 47A(2) further provides that:

“A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including:

(a) The service type (for example forward haul backhaul, connection, park and load)

(b) The priority of the service relative to the other pipeline services of the same type; and

(c) The receipt and delivery points.”³

3.2 List of pipeline services

Evoenergy can reasonably provide the following *pipeline services* on the Network:

(a) haulage service;

(b) the interconnection service; and

(c) negotiated services.⁴

² NGL, section 2 - Definitions.

³ Rule 47A (2).

⁴ ActewAGL Distribution, *Access Arrangement Information for the 2016-21 ACT, Queanbeyan and Palerang Access Arrangement: Attachment 2: Services policy*, June 2015, pp. 8–9.

3.3 Haulage service

The haulage service is a service for:

- (a) the transportation of gas by Evoenergy through the Network to a single eligible delivery point;
- (b) meter reading and associated data activities, and the provision and maintenance of a standard metering installation at the delivery point; and;
- (c) ancillary activities such as disconnections, special meter reading et cetera as may be requested by a user.

This service is provided as the reference service under the 2016 access arrangement.

3.4 Interconnection service

The interconnection service is provided for the establishment of:

- (a) a delivery point to enable delivery of gas from the Network to a downstream gas network or pipeline owned by a third party; or;
- (b) a receipt point to enable delivery of gas into the Network from an upstream facility such as a pipeline or gas production.

3.5 Negotiated services

Negotiated services are provided where a prospective user has specific needs which differ from those which would be satisfied by the haulage service or the interconnection service.

4. Reference service

4.1 Service to be offered as a reference service

The haulage service is the only reference service for the current access arrangement. Evoenergy proposes that it remain the only service offered as a reference service for the revised access arrangement.

4.2 Reference service factors

Rule 47A(15) sets out the *reference service factors* which are relevant to the identification of the pipeline services to be offered as a reference service. Table 4.1 provides a summary of the reference service factor criteria used to identify the haulage service as a reference service.

Table 4.1 Assessment of each pipeline service

Rule 47A (15) Reference service factors	Haulage service	Interconnection service	Negotiated service
<i>(a) actual & forecast demand for the service, number of prospective users</i>	✓ Service for delivery of gas to all customers in the network; sought by all users (retailers and self-contracting users); currently four users.	✗ No/low demand: – no downstream interconnections. – historical upstream connections to MSP and EGP.	✗ No demand for service forecast.
<i>(b) extent to which the service is substitutable with another service to be specified as a reference service</i>	n/a	✗ Proposed reference service is for receipt & delivery of gas to customers; does not cover establishment of interconnections with upstream and downstream facilities.	✗ Explicitly designed for requirements which cannot be met by reference service.
<i>(c) feasibility of allocating costs to the service</i>	✓	✓	✓
<i>(d) usefulness of specifying service as a reference service in supporting access negotiations & dispute resolution for other services</i>	✓	✗ <i>Service and agreements will be bespoke, reflecting costs & requirements for new offtake or receipt point.</i>	✗ <i>Service and agreements will be bespoke, reflecting costs & requirements for service.</i>
<i>(e) likely regulatory costs for all parties in specifying the service as a reference service</i>	✓	✗ Service will be bespoke, reflecting costs & requirements for service.	✗ Service will be bespoke, reflecting costs & requirements for service.
<i>Conclusion</i>	<i>Reference Service</i>	<i>Non-reference service</i>	<i>Non-reference service</i>

Note: A tick (✓) indicates that Evoenergy's assessment of the service against the individual reference service factor suggests weighting the conclusion toward specifying the service as a reference service. A cross (✗) indicates Evoenergy's weighting our conclusion toward not specifying the service as a reference service.

4.3 Actual and forecast demand

In this section, Evoenergy considers each pipeline service against the first reference service factor which is about actual and forecast demand as detailed in the rule below.

Rule 47A(15)(a) *“actual and forecast demand for the pipeline service and the number of prospective users of the service;”*

4.3.1 Haulage service

The haulage service is currently offered as the only reference service offered under the current access arrangement. All Network users are provided with this service, and all gas delivered through the Network is delivered under this service.

This service covers the full range of activities involved in delivering gas to customers, including receiving, transporting and delivery of gas and associated activities such as meter reading.

The service is currently provided to four Network users and Evoenergy expects that it will be requested by future prospective users of Network services.

4.3.2 Interconnection service

There are two existing upstream interconnections to the Network, being the receipt points at Hoskinstown and Watson where the Eastern Gas Pipeline and Moomba to Sydney Pipeline, respectively, interconnect with the Network. No future upstream interconnections are forecast at this time.

The downstream interconnection service would apply if a user wished to create a new Network off-take to deliver gas into a downstream gas distribution system or pipeline not owned by Evoenergy. There are no existing interconnections with downstream networks or pipelines, and Evoenergy is not aware of any actual or possible demand for the service during the 2021 access arrangement period.⁵

4.3.3 Negotiated service

This service is available where a prospective user has needs which cannot be met by the haulage service or the interconnection service. By definition, it would be a bespoke service, responding to a prospective user's individual requirements.

Evoenergy is not aware of any actual or forecast demand for this service during the 2021 access arrangement period.

4.4 Substitutability

In this section, Evoenergy considers each pipeline service against the second reference service factor which is about substitutability as detailed in the rule below.

⁵ Note that delivery of gas to a premises with internal gas reticulation such as a shopping centre and individual tenancies is covered by the haulage service – the interconnection service is designed to apply where the downstream facilities are licenced to a gas reticulation network or pipeline.

Rule 47A(15)(b) “... to the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;”

4.4.1 Haulage service

Evoenergy proposes that the haulage service is specified as the reference service.

4.4.2 Interconnection service

The interconnection service is not substitutable with the haulage service because:

- the haulage service is for receipt of gas at existing receipt points, and delivery of gas to customer delivery points
- the interconnection service is for establishment of new receipt points and delivery of gas to a delivery point serving a downstream network

4.4.3 Negotiated service

The negotiated service is not substitutable with the haulage service because, by definition, the negotiated service is designed to respond if prospective users have requirements which cannot be met by the haulage service.

4.5 Cost allocation

In this section, Evoenergy considers each pipeline service against the third reference service factor which is about cost allocation as detailed in the rule below.

Rule 47A(15)(c) “the feasibility of allocating costs to the pipeline service;”

It would be feasible to allocate costs to each service.

4.6 Usefulness in negotiations and dispute resolution

In this section, Evoenergy considers each pipeline service against the fourth reference service factor which is about usefulness in negotiations and dispute resolution as detailed in the rule below.

Rule 47A(15)(d) “the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:

- (i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;
- (ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and
- (iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;”

4.6.1 Haulage service

No pipeline service offered by Evoenergy other than the haulage service is proposed as the reference service.

4.6.2 Interconnection service

As the interconnection service will reflect the individual costs and user requirements in respect of the particular interconnection, Evoenergy considers it is not useful to specify this service as a reference service.

4.6.3 Negotiated service

As the negotiated service is designed to reflect bespoke requirements, Evoenergy considers it is not useful to specify this service as a reference service.

4.7 Regulatory cost

In this section, Evoenergy considers each pipeline service against the fifth reference service factor which is about regulatory cost as detailed in the rule below.

Rule 47A(15)(e) *“the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service;”*

4.7.1 Haulage service

As the haulage service is currently the reference service under the 2016 access arrangement, there will be no additional costs to Evoenergy or other parties in continuing to specify this service as a reference service.

4.7.2 Interconnection service

To specify the interconnection service as a reference service would involve additional cost for Evoenergy and other parties as it would be necessary to:

- separately identify costs for the service;
- develop forecasts of possible usage for the service; and;
- develop standard terms and conditions of the service for inclusion in the access arrangement.

As this service will respond to requirements for individual new receipt points or off-takes to downstream networks, this would involve a significant cost in addition to the costs of developing, assessing and responding to the access arrangement and proposed haulage reference service.

4.7.3 Negotiated service

To specify the interconnection service as a reference service would involve additional costs for Evoenergy and other parties as it would be necessary to:

- separately identify costs for the service;
- develop forecasts of possible usage for the service; and;
- develop standard terms and conditions of the service for inclusion in the access arrangement.

As this service will respond to requirements which cannot be met by the haulage service or the interconnection service, this would involve a significant cost in addition to the costs of developing, assessing and responding to the access arrangement and proposed haulage reference service.

5. Consumer engagement

5.1 Introduction

The Rules require that the reference service proposal includes feedback from pipeline users and end users about reference services if the service provider sought their feedback.

Rule 47A(1)(d) *“If the service provider has engage with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.”*

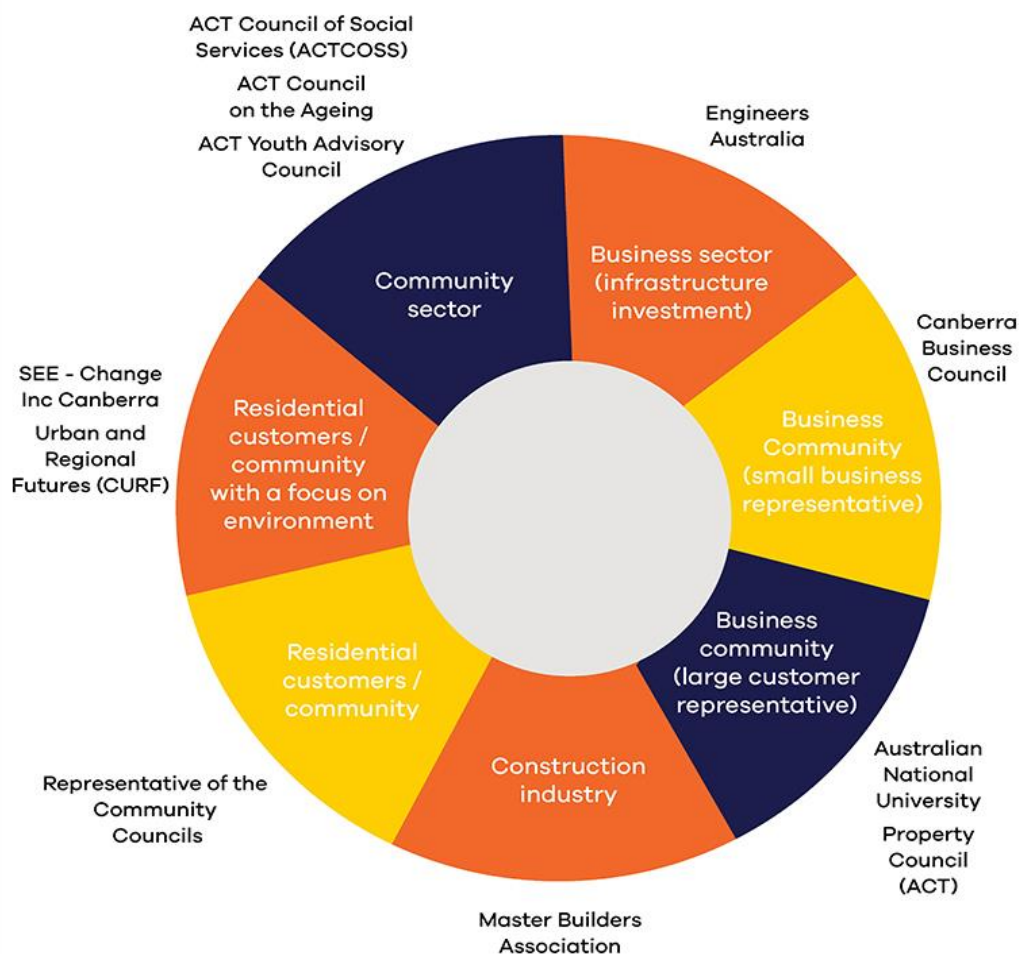
Evoenergy has engaged with consumers in various ways. Firstly, Evoenergy’s Energy Consumer Reference Council (ECRC) has been informed and provided with an opportunity to comment. Secondly, discussions have been held with gas retailers.

5.2 Energy Consumer Reference Council

The ECRC comprises members drawn from a cross section of Evoenergy’s consumers and has an independent chair.

The ECRC provides a regular forum to engage with representatives of Evoenergy’s consumers. It is a mechanism to obtain customer feedback that can be incorporated into both long-term planning and business-as-usual issues into the future. It considers Evoenergy’s prices and service offerings. The ECRC seeks meaningful feedback from consumer representatives on key issues in the sector.

Membership of the ECRC has been drawn from a cross-section of our consumers.



Evoenergy presented information about the substance of its reference service proposal to the ECRC during a scheduled meeting held on 10 April 2019.

The presentation included:

- information about Rule 47A and the requirement for gas network service providers to submit a reference service proposal to the AER;
- background information explaining what a reference service is in the context of a distribution pipeline; and;
- a summary of the AER's final decision for the 2016 access arrangement.

Evoenergy informed representatives at the meeting that it proposes to submit its reference service proposal to the AER by the due date of 30 June 2019, providing the current reference service as the reference service under the 2021 access arrangement. Members were also informed that the AER will publish the proposal and invite written submissions.

ECRC members noted the proposed reference service and the time frame for submission and review of the reference service proposal. No objection was made to the proposal to submit the existing haulage service as the only reference service under the 2021 access arrangement.

Evoenergy presented further information about the reference service proposal to the ECRC at a scheduled meeting held on 19 June 2019. The presentation included:

- the reasons for the determination of reference services occurring twelve months prior to the main proposal submission;
- confirmed information provided at the meeting in April 2019 that Evoenergy is not proposing any material changes to the existing reference services;
- confirmation that the AER will publish the proposal and invite written submissions; and;
- confirmation that retailers have been consulted about the reference service proposal.

ECRC members noted the information provided and did not raise any specific comments regarding the proposed reference service.

5.3 Discussions with gas retailers

Evoenergy has met or corresponded with all Network users in relation to this reference service proposal. All Network users are gas retailers.

The following meetings were held with retailers in May 2019:

- Evoenergy met with Weston Energy on 16 May 2019 to discuss general matters. At this meeting Weston Energy was advised of the publication of the reference service proposal and no specific issues were raised or comments on the reference services were made by Weston Energy.
- Evoenergy met with ActewAGL Retail on 31 May 2019. At this meeting ActewAGL Retail was advised of the publication of the reference service proposal and no specific issues were raised or comments on the reference services were made by ActewAGL Retail.

Given the limited timeframe available for further consultation, Evoenergy corresponded by email to all retailers on 6 June 2019. The emails directly sought retailers' views on Evoenergy's proposed approach to offer the existing haulage service as the reference service under the revised access arrangement. No specific comments regarding the proposed reference service were received from the retailers.

5.4 Consumer engagement conclusion

Based on engagement with retailers on Evoenergy's proposed reference services, Evoenergy considers that the haulage service is the only pipeline service likely to be sought by Network users and it is appropriate to be specified as the reference service in the revised access arrangement.