



Australian
Competition &
Consumer
Commission

Final Approval

**Revised access arrangement
by GasNet Australia (Operations)
Pty Ltd and GasNet (NSW) Pty Ltd
for the
Principal Transmission System**

25 June 2008

File: M2007 / 221

Commissioners

**Samuel
Sylvan
Martin
King
Walker
Court
Willett**



© Commonwealth of Australia 2008

This work is copyright. Apart from any use permitted by the *Copyright Act 1968*, no part may be reproduced without permission of the Australian Competition and Consumer Commission. Requests and inquiries concerning reproduction and rights should be addressed to the Director Publishing, Australian Competition and Consumer Commission, GPO Box 3131, Canberra ACT 2601.

Contents

Contents	i
Summary	iii
1. Introduction	1
1.1 Background	1
1.2 Code requirements for the assessment of amended revisions	2
1.3 The role of the Australian Energy Regulator	2
2. Assessment of the amended revisions.....	3
2.1 Reference tariff elements	3
2.1.1 Roll-forward of the capital base	3
2.1.2 New facilities investment	4
2.1.3 Forecast capital expenditure.....	5
2.1.4 Capital redundancy	7
2.1.5 Cost of capital	7
2.1.6 Non-capital costs – self insurance.....	8
2.1.7 Non-capital costs.....	9
2.1.8 Passthrough events – insurance event.....	9
2.1.9 Passthrough events – fuel gas	10
2.1.10 Pass through events – asbestos event.....	11
2.1.11 Immaterial pass through amounts	11
2.1.11 Volumes – withdrawal volumes forecast	11
2.1.12 Volumes – GPG forecast.....	12
2.1.13 Volumes – Culcairn export volumes.....	13
2.1.14 Volumes – Injection volumes	13
2.1.15 Revenue requirement	14
2.1.16 Reference Tariffs – reference tariffs and structure	14
2.1.17 Reference Tariffs – K-factor carry-over	15
2.1.18 Reference Tariffs – Murray Valley Tariff.....	15
2.1.19 Reference Tariffs – tariff-V users	16
2.1.20 Reference Tariffs – injection tariff structure.....	16
2.1.21 Reference Tariffs – tariff-D users at Pakenham.....	17
2.1.22 Reference Tariffs – export tariff prudent discount.....	17
2.1.23 Reference Tariffs – matched rebates for tariff-V users.....	18
2.1.24 Reference Tariffs – cross system withdrawal tariff	19
2.1.25 Reference Tariffs – Geelong withdrawal zone.....	19
2.1.26 Reference Tariffs – price control formula.....	19
2.1.27 Reference Tariffs – price control formula.....	20
2.1.28 Reference Tariffs – price control formula.....	20
2.1.29 Reference Tariffs – price control formula.....	22
2.1.30 Reference Tariffs – price control formula.....	22
2.1.31 Reference Tariffs – tariff variation policy	23
2.1.32 Reference Tariffs – tariff variation policy	25
2.1.33 Reference Tariffs – tariff variation policy	26
2.1.34 Reference Tariffs – tariff variation policy	26

2.1.35	Reference Tariffs – tariff variation policy	27
2.1.36	Reference Tariffs – tariff variation policy	27
2.1.37	Reference Tariffs – tariff variation policy	28
2.2	Non-tariff elements	29
2.2.1	Performance and incentives	29
2.2.2	Services policy	29
2.2.3	Terms and conditions	30
2.2.4	Queuing policy	31
2.2.5	Extensions and expansions policy.....	31
2.3	Other amendments	31
3.	Final Approval.....	33
	Appendix A: Location of amendments in the final decision	34
	Appendix B: Gas Transportation Deed Principles	36

Summary

The Australian Competition and Consumer Commission (ACCC) has now made a further final decision under s. 2.41(b) of the *National Third Party Access Code for Natural Gas Pipeline Systems* (code) to approve the amended revisions to the access arrangement for the Principal Transmission System (PTS) submitted by GasNet on 30 April 2007.

The ACCC is satisfied that GasNet has directly incorporated or otherwise addressed the reasons for the 42 amendments set out in the ACCC's final decision.

The revised access arrangement will come into effect on 9 July 2008.

1. Introduction

1.1 Background

On 30 April 2007, GasNet¹ submitted a revised access arrangement (AA) for the Principal Transmission System (PTS) to the Australian Competition and Consumer Commission (ACCC) for approval under the *National Third Party Access Code for Natural Gas Pipelines* (the code). This is the ACCC's second scheduled review, following the second AA it approved in 2002.

GasNet is part of the APA Group, the owner of the PTS. The Victorian Energy Networks Corporation (VENCorp) is the operator of the PTS, and until recently, both have been designated as service providers under the code. This has meant that in the past the terms and conditions of access to the PTS have been provided in GasNet and VENCorp's AAs and revisions sought for these AAs have been considered concurrently. This arrangement, however, has been altered by Victorian legislation to remove VENCorp's obligation to submit a revised AA to the relevant regulator for approval.

The PTS (also known as the GasNet system) is the primary system for the transmission of natural gas at high pressure in Victoria. The PTS is not a traditional point-to-point pipeline as there are a number of injections and withdrawal points. Gas injected into the PTS is primarily delivered into Victoria's gas distribution network and serves approximately 1.4 m residential users, 45 000 industrial and commercial users as well as some electricity generators. In addition, a small amount of gas is exported and some gas is provided for storage.

The ACCC considered GasNet's revision proposals to its access arrangement together with the issues raised in initial submissions by interested parties and released a draft decision on 14 November proposing not to approve GasNet's AA revisions. Following consideration of further submissions by interested parties and GasNet, the ACCC released its final decision not to approve the revised AA on 30 April 2008. The final decision document set out the ACCC's considerations on the issues raised and the amendments (or nature of the proposed amendments) which the ACCC considers necessary in order for the proposed revised AA to be approved.

On 30 May 2008, GasNet submitted its amended revised access arrangement along with its access arrangement information. GasNet subsequently provided an updated amended access arrangement and access arrangement information on 18 June 2008. This final approval document provides the ACCC's assessment of GasNet's amended

¹ Clause 9.3 of the Proposed Access Arrangement advises that both GasNet Australia (Operations) Pty Ltd and GasNet Australia (NSW) Pty Ltd are owners of the PTS and all references to GasNet in the Proposed Access Arrangement should be taken to refer to both GasNet Australia (Operations) Pty Ltd and GasNet Australia (NSW) Pty Ltd severally.

revisions provided to the ACCC on 18 June 2008 for compliance with the final decision and the code. Chapter 2 provides the ACCC's assessment of compliance with each of the 42 amendments. Chapter 3 provides the ACCC's further final decision.

1.2 Code requirements for the assessment of amended revisions

Section 2.41 of the code provides that where, following the final decision, a service provider submits amended revisions, the regulator is required to issue a further final decision that:

- (a) if the Relevant Regulator is satisfied that the amended revisions to the Access Arrangement incorporate the amendments specified by the Relevant Regulator in its final decision under section 2.38(a)(ii) or (b)(ii), approves the amended revisions to the Access Arrangement; or
- (b) if the Relevant Regulator is satisfied that the amended revisions to the Access Arrangement either substantially incorporate the amendments specified by the Relevant Regulator or otherwise address to the Relevant Regulator's satisfaction the matters the Relevant Regulator identified in its final decision as being the reasons for requiring the amendments specified in its final decision under section 2.38(a)(ii) or (b)(ii), either approves or does not approve the amended revisions to the Access Arrangement (in the Relevant Regulator's discretion); or
- (c) in any other case, does not approve the amended revisions to the Access Arrangement.

Where the regulator does not approve the amended revisions submitted by the service provider, s. 2.42 of the code requires the regulator to 'draft and approve its own amended revisions to the Access Arrangement, instead of the revisions proposed by the Service Provider'.

Section 2.48 of the code provides that a decision by the regulator under s. 2.42 is:

subject to review by the Relevant Appeals Body under the Gas Pipelines Access Law. Subject to the Gas Pipeline Access Law, revisions to an Access Arrangement come into effect on the date specified by the Relevant Regulator (which date must not be earlier than either a date 14 days after the decision was made or ... the Revisions Commencement Date).

1.3 The role of the Australian Energy Regulator

The ACCC has prepared this final approval document in consultation with the Australian Energy Regulator (AER). The ACCC is currently the regulator of natural gas transmission pipelines under the code (except for WA). However, governments have agreed that this function will be undertaken by the AER, along with the regulation of natural gas distribution pipelines, from 1 July 2008.

2. Assessment of the amended revisions

This chapter sets out the ACCC's assessment of whether the amended revised access arrangement submitted by GasNet on 18 June 2008:

- incorporates each of the amendments specified in the final decision
- substantially incorporates the amendments or
- otherwise addresses the matters identified in the final decision as being the reasons for requiring the amendments.

2.1 Reference tariff elements

2.1.1 Roll-forward of the capital base

Amendment 01

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 2.1 of its proposed revised access arrangement information to reflect table 3.1.2 of this final decision.

Table 3.1.2: Final decision—roll-forward of the capital base

nominal \$ m	2003	2004	2005	2006	2007
Opening capital base	496.18	487.97	479.70	473.88	476.34
Depreciation allowance	-20.61	-21.60	-22.81	-23.92	-24.41
Capital expenditure	0.50	0.70	3.57	10.97	92.54
Disposals/redundancies	0.00	-0.02	0.00	0.00	0.00
Inflation	11.74	12.64	13.43	15.42	14.09
Closing capital base	487.80	479.69	473.89	476.35	558.55
Adjustment for 2002 capex overestimate					-0.11
Adjustment for 2002 inflation underestimate					0.34
Adjusted closing capital base					558.78

Source: ACCC analysis.

GasNet's response

GasNet has amended cl. 2.1 of its revised access arrangement information to include a roll-forward calculation that reflects other amendments required by the ACCC, in particular Amendments 2 and 3.

ACCC's assessment

GasNet has complied with the requirements of Amendment 1.

2.1.2 New facilities investment

Amendment 02

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 2.1 of the proposed revised access arrangement information to reflect table 3.2.1 of this final decision for roll-in to the capital base.

Table 3.2.1: Final decision—approved AA2 actual capex

nominal \$m	<i>Proposed</i>	<i>Draft decision</i>	<i>Final decision</i>	<i>Difference</i>
Forecast^(a)				
Gooding compressor refurbishment ^(b)	22.21	16.03	14.77	-1.26
Lurgi pipeline refurbishment	5.67	2.82	2.82	0.00
City gate upgrades and heaters	9.21	5.38	5.38	0.00
Wollert compressor station automation	2.86	2.76	2.76	0.00
Gas chromatographs	0.92	0.46	0.46	0.00
Other maintenance capex	5.97	4.70	4.70	0.00
Total forecast	46.84	32.16	30.89	-1.26
Non-forecast				
Brooklyn Lara pipeline	N/A	47.19	47.27	0.08
Brooklyn compressor redevelopment	17.46	17.46	17.46	0.00
South Melbourne cut in	2.98	2.98	2.98	0.00
Wollert compressor station (miscellaneous)	2.15	2.15	2.15	0.00
Pig traps	0.72	0.72	0.72	0.00
Safety and security	0.79	0.96	0.96	0.17
Iona cooler upgrade ^(c)	0.70	0.60	0.00	-0.70
Regulators work	0.42	0.42	0.42	0.00
Maximo	1.37	1.37	1.37	0.00
Corporate restructuring	8.84	0.00	0.00	-8.84
Total non-forecast	35.42	82.52	73.33	-9.29
Total actual capex	82.26	114.67	104.22	-10.55

^a values exclude IDC

^b \$1.26 m of expenditure on this project will be recognised as forecast capex for the AA3 period

^c This project is forecast, whereas, GasNet initially proposed this project as actual capex.

GasNet's response

GasNet has amended cl. 2.1 of its revised access arrangement information to reflect table 3.2.1 in the final decision.

ACCC's assessment

GasNet has complied with the requirements of Amendment 2.

2.1.3 Forecast capital expenditure

Amendment 03

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 3.6 of the proposed revised access arrangement information to reflect table 3.3.2 of this final decision.

Table 3.3.2: Final decision—AA3 forecast capex

\$2006 Dec m	Proposal	Final Decision		Difference
		s. 8.16(a) of the code requirements		
		s. 8.16(a)(i)	s. 8.16(a)(ii)	
Augmentations				
Northern zone	79.03	79.03	Approved against SIT	0.00
Sunbury loop	12.46	0.00	n/a—does not meet PIT	-12.46
Ballarat loop	29.03	0.00	n/a—does not meet PIT	-29.03
Warragul loop	4.84	0.00 ^(a)	Approved against EFT	0.00 ^(a)
Pakenham loop	1.22	1.22	Approved against SIT	0.00
Stonehaven compressor	26.19	0.00	n/a—does not meet PIT	-26.19
Carisbrook loop	24.05	0.00	n/a—does not meet PIT	-24.05
Brooklyn Lara (Corio) pipeline	63.71	21.01	Approved against SBT	-42.70
Brooklyn Wollert easements	5.37	0.00	n/a—does not meet PIT	0.00
Total augmentations	245.90	101.26	N/A	-144.64
Refurbishments/upgrades				
Gooding compressor station	1.22	1.22	Approved against SIT	0.00
Gas heating facilities	9.21	7.74	Approved against SIT	-1.47
City gate works	6.68	6.18	Approved against SIT	-0.50
Pipeline upgrades	9.65	9.65	Approved against SIT	0.00
Safety and security systems	4.25	4.25	Approved against SIT	0.00
Brooklyn compressor station	49.57	49.57	Approved against SIT	0.00
Wollert compressor station	1.58	0.005	Approved against SIT	-1.57
Other compressor stations	2.91	2.91	Approved against SIT	0.00
Other	4.30	4.30	Approved against SIT	0.00
Iona cooler upgrade	0.70	0.70	Approved against SIT	0.00
Total refurbishments/upgrades	90.07	86.53	N/A	-3.55
Total capex	335.97	187.19	N/A	-148.19

Notes PIT—prudent investment test in s. 8.16(a)(i) of the code.

: EFT—economic feasibility test in s. 8.16(a)(ii)(A) of the code.

SBT—system-wide benefits test in s. 8.16(a)(ii)(B) of the code.

SIT—system integrity test in s. 8.16(a)(ii)(C) of the code.

^(a) Amount subject to application of economic feasibility test using recalculated tariffs after new parameters used (i.e. WACC and volume forecasts)

GasNet's response

GasNet has amended cl. 3.6 of its revised access arrangement information to reflect table 3.3.2 in the final decision.

ACCC's assessment

GasNet has complied with the requirements of Amendment 3.

2.1.4 Capital redundancy

Amendment 04

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 4.6 of the proposed revised access arrangement and retain the definition of partially redundant assets as it appears in the second access arrangement.

GasNet's response

GasNet has amended cl. 4.6 of its proposed revised access arrangement as required by the final decision.

Assessment

GasNet has complied with the requirements of Amendment 04.

2.1.5 Cost of capital

Amendment 05

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the rate of return in cl. 3.2 of the proposed access arrangement information to reflect the ACCC's estimates set out in table 4.1.2 of this final decision.

Table 4.1.2: Final decision—CAPM parameters and WACC parameters

<i>WACC parameter</i>	<i>Proposed</i>	<i>Final Decision</i>
Real risk-free rate*	2.68%	3.52%
Nominal risk-free rate*	5.85%	6.29%
Bond maturity period	10 years	10 years
Forecast inflation rate	3.09%	2.68%
Debt margin*	1.14%	2.99%
Debt raising costs	0.125%	0.104%
Credit rating	BBB	BBB+
Cost of debt	7.12%	9.38%
Market risk premium	6.00%	6.00%
Gearing ratio	60:40	60:40
Value of imputation credits	0.50	0.50
Equity beta	1.00	1.00
Return on equity	11.85%	12.29%
Nominal Vanilla WACC	9.01%	10.55%
Real Vanilla WACC	5.74%	7.67%

GasNet's response

GasNet has amended cl. 3.2 of its revised access arrangement information to reflect table 4.1.2 of the final decision.

ACCC's assessment

GasNet has complied with the requirements of Amendment 5.

2.1.6 Non-capital costs – self insurance

Amendment 06

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must include:

- a board resolution to self-insure (i.e. a copy of the signed minutes recording resolution made by the board); and
- confirmation that the service provider is in a position to undertake credibly self-insurance for those events.

GasNet's response

GasNet agreed to provide a board resolution to self-insure and confirmation that GasNet is in a position to credibly undertake self-insurance for those events for which it is self-insuring. GasNet provided this to the ACCC on 16 June 2008.

ACCC's assessment

Although GasNet has not amended its proposed access arrangement in accordance with Amendment 6, it has provided to the ACCC the information required by Amendment 6. Accordingly, the ACCC is satisfied that GasNet has addressed, in accordance with s. 2.41(b) of the code, the matters identified in the final decision that gave rise to the amendment.

2.1.7 Non-capital costs

Amendment 07

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 3.5.2 of the proposed access arrangement information to reflect table 5.1.2 of this final decision.

Table 5.1.2: Final decision—AA3 non-capital costs

2006 Jul \$ m	2008	2009	2010	2011	2012
Base	20.93	20.93	20.93	20.93	20.93
Labour	0.62	0.94	1.26	1.60	1.95
Fuel	1.53	1.43	1.50	1.56	1.70
Scope changes	0.87	1.00	1.00	1.00	1.01
Workload changes	0.50	1.07	1.13	1.18	1.23
Total opex	24.45	25.37	25.82	26.27	26.81
Benefit sharing	0.90	-0.69	-1.59	-0.85	
Reset costs	0.95				
K factor carry over ^a	0.74				
Asymmetric risk ^a	0.18	0.18	0.18	0.18	0.18
Equity raising costs ^a	0.50	0.50	0.50	0.50	0.50
Other ^b	0.19	0.19	0.19	0.19	0.19
Sub-total	3.46	0.18	-0.72	0.02	0.87
Total	27.91	25.55	25.10	26.29	27.68

^a December 2007 dollars

^b return on linepack and inventories.

GasNet's response

GasNet has incorporated Amendment 7 into its revised access arrangement information with some minor variations. First, some of the amounts in the ACCC's final decision were expressed in December 2007 dollars. GasNet has converted those amounts into July 2006 dollars. Second, GasNet has increased slightly the allowances for linepack and inventories ('Other' category in table 5.1.2 of the final decision) to reflect the increase in the rate of return (owing to a higher rate of return) between GasNet's proposal and the final decision.

ACCC's assessment

The variations made by GasNet are minor and have no material effect on tariffs. The ACCC considers that they are appropriate and is satisfied that GasNet's amended revisions incorporate Amendment 7.

2.1.8 Passthrough events – insurance event

Amendment 08

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must:

- amend the definition of an Insurance Event in cl. 9.1 of its proposed revised access arrangement to only cover circumstances where GasNet is required to pay a deductible in connection with a claim under an insurance policy and
- remove the definition of Minimum Insurance Level from in cl. 9.1 of its proposed revised access arrangement.

GasNet’s response

GasNet has amended its definition of Insurance Event in cl. 9.1 of its proposed revised access arrangement so that it now only covers circumstances where GasNet is required to pay a deductible in connection with a claim under an insurance policy. GasNet has also removed the definition of Minimum Insurance Level from cl. 9.1.

ACCC’s assessment

GasNet has complied with the requirements of Amendment 8.

2.1.9 Passthrough events – fuel gas

Amendment 09

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must include:

- variations to its fuel gas costs from the yearly forecast costs as a pass-through event, and
- as a condition, that GasNet must tender for its fuel gas requirements.

GasNet’s response

GasNet has amended the definition of a Pass Through Event in cl. 9.1 of its proposed revised access arrangement to include a Fuel Gas Event, which is defined as:

a variation to GasNet’s actual fuel gas costs for a year from the forecast fuel gas costs for that year in Table 3.6 of GasNet’s Access Arrangement Information.²

In relation to an application for approval of a Fuel Gas Event, GasNet has inserted a new cl. 6.2(iii) which makes it a condition that GasNet must tender for its fuel gas requirements. Specifically, cl. 6.2(iii) states:

in relation to a Fuel Gas Event, GasNet has sought tenders or quotes from at least three independent suppliers for its fuel gas requirements before entering into an agreement for the supply of fuel gas.³

² GasNet’s revised proposed access arrangement, cl. 9.1, 18 June 2008, pp. 13.

³ GasNet’s revised proposed access arrangement, cl. 6.2(iii), 18 June 2008, p. 9.

ACCC's assessment

The ACCC is satisfied that GasNet's amended revisions incorporate Amendment 9.

2.1.10 Pass through events – asbestos event

Amendment 10

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the definition of a Pass Through Event in cl. 9.1 of its proposed revised access arrangement to remove the reference to an Asbestos Event.

GasNet's response

GasNet has amended the definition of a Pass Through Event in its proposed revised access arrangement (cl. 9.1) by deleting the reference to an Asbestos Event.

ACCC's assessment

GasNet has complied with the requirements of Amendment 10.

2.1.11 Immaterial pass through amounts

GasNet proposed that it be given discretion not to seek a pass through for immaterial amounts, defined as less than \$50 000 per annum. In its final decision the ACCC stated that it understood this to mean less than \$50 000 per annum which could be positive or negative. The ACCC approved GasNet's proposal.⁴

Although the ACCC did not require an amendment, GasNet has amended its proposed revised access arrangement (cl. 6.5) to clarify that the immaterial amount is defined as between minus \$50 000 and plus \$50 000.

2.1.11 Volumes – withdrawal volumes forecast

Amendment 11

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend its revised access arrangement so that cl. 1.2 and 1.3 of schedule 1 reflect final injection and withdrawal tariffs which incorporate VENCORP 2007 APR volume forecasts for the AA3 period. GasNet must also amend its proposed revised Access Arrangement Information to reflect VENCORP 2007 APR forecasts under clause 4 and Schedule 2.

⁴ ACCC, *Final Decision: Revised access arrangement by GasNet (Operations) Pty Ltd and GasNet (NSW) Pty Ltd for the Principal Transmission System*, 30 April 2008, p. 94.

GasNet's response

GasNet has incorporated annual volume forecasts from VENCORP's 2007 APR and within its tariffs in schedule 1 of its proposed revised access arrangement. GasNet has also incorporated these 2007 APR forecasts within its proposed revised access arrangement information at clause 4 and in schedule 2.

ACCC's assessment

GasNet has complied with the requirements of Amendment 11.

2.1.12 Volumes – GPG forecast

Amendment 12

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend its revised access arrangement:

so that the final injection / withdrawal tariffs set out in cl. 1, 2 and 1.3 of schedule 1 of the proposed revised access arrangement reflect the annual GPG forecasts in table 5.4.1.

GasNet must also amend its proposed revised access arrangement information at clause 4 and schedule 2 to incorporate the annual GPG forecasts in table 5.4.1.

Table 5.4.1: Final decision—forecast of annual gas usage across gas power generators

<i>Year</i>	<i>Jeeralang</i>	<i>Laverton North</i>	<i>Newport</i>	<i>Somerton</i>	<i>Valley Power</i>	<i>Total GPG</i>	<i>GasNet forecast</i>	<i>Difference</i>
2006	0.7	0.2	6.7	0.5	0.2	8.4		
2007	0.7	6.2	15.9	1.8	7.7	32.3		
2008	0.2	1.1	11.3	0.4	3.4	16.4	6.8	9.6
2009	1.5	0.1	4.5	0.1	0.2	6.4	6.7	-0.3
2010	0.8	0.1	3.4	0.0	0.1	4.4	6.7	-2.3
2011	1.2	0.2	4.5	0.1	0.2	6.2	6.7	-0.5
2012	1.8	0.4	5.5	0.1	0.3	8.1	6.7	1.4

GasNet's response

GasNet has incorporated annual volume forecasts for GPG as set out in table 5.4.1 from the final decision above within its models and within its reference tariffs in schedule 1 of its proposed revised access arrangement. GasNet has also incorporated these GPG forecasts within its access arrangement information at clause 4 and in schedule 2.

ACCC's assessment

GasNet has complied with the requirements of Amendment 12

2.1.13 Volumes – Culcairn export volumes

Amendment 13

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend its revised access arrangement so that the final injection / withdrawal tariffs set out in cl 1.2 and 1.3 of schedule 1 incorporate volume forecasts for Exports at Culcairn based on most recent information including the terms of take or pay arrangements entered into. GasNet must also amend clause 4 and schedule 2 of its proposed revised access arrangement information.

GasNet's response

GasNet has incorporated revised volume forecasts for exports at Culcairn (as set out in schedule 2-2 of its proposed revised access arrangement information). Revised forecasts are now reflected in GasNet's proposed revised access arrangement in schedule 1 as well as its proposed revised access arrangement information at clause 4 and schedule 2.

ACCC's assessment

The ACCC considered in the final decision that contracts GasNet had entered into since it lodged its proposed revisions suggested that more volume flow would occur through Culcairn than reflected in the tariffs specified in its proposed revised access arrangement.

The ACCC notes the flows assumed for 2008 to 2012 in GasNet's amended revised access arrangement represent flows equivalent to the amount of per day AMDQ contracted over the whole year under "take or pay" type arrangements occurring at Culcairn. Whereas previously forecasts volumes occurring at Culcairn appeared to be low given AMDQ contracts entered into, the ACCC considers that GasNet's revised volume forecasts represent a reasonable best estimate of likely volume flows.

GasNet has complied with the requirements of Amendment 13.

2.1.14 Volumes – Injection volumes

Amendment 14

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must include top-ten peak day volume forecasts for each injection zone in cl. 4 of the proposed revised access arrangement information.

GasNet's response

GasNet has amended schedule 2 of its revised access arrangement information to include top ten peak day injection volume forecasts.

ACCC's assessment

GasNet has complied with the requirements of Amendment 14.

2.1.15 Revenue requirement

Amendment 15

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 3.7 of the proposed revised access arrangement information to reflect table 5.5.2 of this final decision.

Table 5.5.2: Final decision—revenue requirement components, forecast revenue

2006 Dec \$ m	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Non-capital costs	27.85	25.53	25.08	26.27	27.67
Depreciation	25.06	27.86	29.55	29.47	29.71
Return on capital	43.54	48.32	51.14	49.47	47.88
Net tax liability	0.00	0.00	0.00	0.00	0.34
Total revenue requirement	96.45	101.71	105.77	105.22	105.60

Source: ACCC analysis.

GasNet's response

GasNet has amended cl. 3.7 of its revised access arrangement information to include a revenue requirement that reflects various other amendments required by the ACCC, in particular amendments 1, 2, 3, 5 and 7.

ACCC's assessment

GasNet has complied with the requirements of Amendment 15.

2.1.16 Reference Tariffs – reference tariffs and structure

Amendment 16

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the revised access arrangement:

- So that the final withdrawal tariffs as set out in cl. 1.3 of schedule 1 of the proposed revised access arrangement reflect the allocation of costs to withdrawal zones based on the asset group annual and peak direct cost unit rates as these are derived in the modelling for the AA2 period and
- So that final injection tariffs as set out in cl. 1.2 of schedule 1 of the proposed revised access arrangement reflect the allocation of costs associated with each injection pipeline segment directly to the relevant injection pipeline consistent with the modelling for the AA2 period.

GasNet's response

GasNet has amended cl. 1.3 of schedule 1 of its proposed revised access arrangement so that the final withdrawal tariffs reflect the allocation of costs to withdrawal zones based on the asset group annual and peak direct cost unit rates as these are derived in the modelling for the AA2 period.

GasNet has also amended cl. 1.2 of schedule 1 of its proposed revised access arrangement so that final injection tariffs reflect the allocation of costs associated with each injection pipeline segment directly to the relevant injection pipeline consistent with the modelling for AA2.

ACCC's assessment

GasNet has complied with the requirements of Amendment 16.

2.1.17 Reference Tariffs – K-factor carry-over

Amendment 17

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the revised access arrangement so that carryover K-factor carry-over is included in the Echuca and Southwest withdrawal zones and the Pakenham injection tariff.

GasNet's response

GasNet has amended its proposed revised access arrangement so that carry-over K-factor is included in the Echuca and Southwest zonal withdrawal tariffs and the Pakenham injection tariff.

ACCC's assessment

GasNet has complied with the requirements of Amendment 17.

2.1.18 Reference Tariffs – Murray Valley Tariff

Amendment 18

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 1.3 of schedule 1 of the revised access arrangement to include a Murray Valley Tariff which recovers 100 per cent of the MVP incremental costs directly from the MVP lateral pipeline plus some contribution to common costs.

GasNet's response

GasNet has amended cl. 1.3 of schedule 1 of its proposed revised access arrangement to include a Murray Valley tariff which recovers 100 per cent of the Murray Valley pipeline (MVP) incremental costs directly from the MVP lateral pipeline. GasNet has also amended its proposed revised access arrangement such that the Murray Valley tariff also recovers 10 per cent of indirect costs (i.e. common costs).

ACCC's assessment

GasNet has complied with the requirements of Amendment 18.

2.1.19 Reference Tariffs – tariff-V users

Amendment 19

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must retain the zonal withdrawal tariffs for tariff-V users and remove the withdrawal tariff-V set out in cl. 1.3(b) of schedule 1 of the proposed revised access arrangement.

GasNet's response

GasNet has amended its proposed revised access arrangement to remove the withdrawal tariff-V set out in cl. 1.3(b) of the proposed access arrangement and has included zonal withdrawal tariffs for tariff-V users. In addition, GasNet has introduced new zones at Geelong, Warrnambool and Koroit for tariff-V users.

ACCC's assessment

GasNet has complied with Amendment 19.

2.1.20 Reference Tariffs – injection tariff structure

Amendment 20

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the proposed revised access arrangement to maintain the current injection tariff structure, where the peak period applies to the top 10 peak days during the winter period, instead of applying the charge over the whole winter period as proposed in cl. 1.2 of schedule 1 of the proposed revised access arrangement.

GasNet's response

GasNet has amended cl. 1.2 of schedule 1 of its proposed revised access arrangement so that the peak period for the injection tariff applies to the top 10 peak days during the winter period and not over the whole winter period.

ACCC's assessment

GasNet has complied with Amendment 20.

2.1.21 Reference Tariffs – tariff-D users at Pakenham

Amendment 21

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 1.3(g) of schedule 1 of the proposed revised access arrangement to remove the prudent discount for tariff-D users at Pakenham.

GasNet's response

GasNet has amended the proposed discounted tariff-D for matched withdrawals in the Metro South East zone relating to injections with Pakenham. The revised tariff-D for Metro South East users matched to injections from Pakenham is based on the revised top 10 peak day injection charge for Pakenham instead of the initial proposed whole of winter period (June to September) injection charge.

ACCC's assessment

Amendment 21 required GasNet to remove the prudent discount for tariff-D users at Pakenham. This requirement was based on the ACCC's requirement that GasNet re-calculate the injection tariff based on the top 10 peak days. In its final decision, the ACCC noted that GasNet may however propose a prudent discount for Metro South East users matched to injections at Pakenham based on a top 10 peak day injection charge. In its amended revised access arrangement GasNet has re-calculated the tariff D based on the top 10 peak day injection charge. Accordingly, the ACCC considers GasNet has complied with Amendment 21.

2.1.22 Reference Tariffs – export tariff prudent discount

Amendment 22

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the proposed revised access arrangement to remove the prudent discount from its export tariff (as proposed in section 11.6.2 of the revised access arrangement submission).

GasNet's response

GasNet has amended its proposed revised access arrangement so that the export tariff now recovers the costs associated with the transportation of gas to Culcairn.

ACCC's assessment

GasNet initially proposed an export tariff to recover the incremental anticipated capital costs in the northern zones to export gas at Culcairn. This export tariff did not include the direct costs associated with transporting gas from the Longford injection point to the northern zones or any contribution to indirect costs.

In response to the ACCC's final decision, GasNet has amended its proposed revised access arrangement so that the export tariff now recovers its share of the direct costs of transporting gas for export from the Longford injection point to Culcairn. The export tariff however receives no allocation of indirect costs. The ACCC notes however that none of the northern zone tariffs (which includes the Culcairn export tariff) receive an allocation of indirect costs. This is consistent with the ACCC's final decision that the Northern zones supplied from the south should not be allocated indirect costs for the AA3 period to encourage greater usage of the system.⁵

Accordingly the ACCC considers GasNet has complied with Amendment 22.

2.1.23 Reference Tariffs – matched rebates for tariff-V users

Amendment 23

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 1.3(b) of schedule 1 of the proposed revised access arrangement to include matched rebates for tariff-V users in the North Hume, Murray Valley, Interconnect and Wodonga withdrawal zones for gas injected at Culcairn.

GasNet's response

GasNet has amended cl. 1.3(b) of schedule 1 of its proposed revised access arrangement to include matched rebates for tariff-V users in the North Hume, Wodonga and Interconnect withdrawal zones for gas injected at Culcairn. GasNet has not included a matched rebate for the Murray Valley withdrawal zone and has set the matched rebate for the Interconnect zone to zero.

ACCC's assessment

The Murray Valley tariffs no longer include an element of direct costs for flows from the injection points to the beginning of the Murray Valley pipeline at Chiltern Valley. For AA3 none of the transportation costs to the MVP are included in the Murray Valley tariff. Accordingly, there is no difference in the tariff whether the gas is injected at Longford or Culcairn and therefore it is not necessary to include a matched rebate for the users of the MVP lateral.

The matched rebate for the Interconnect is set to zero for AA3 as the pipeline supplying the Interconnect withdrawal zone from the north is an injection pipeline and not a withdrawal pipeline. Accordingly no direct costs are allocated to the Interconnect zone for withdrawals supplied from gas injected at Culcairn.

The ACCC considers that GasNet has complied with Amendment 23.

⁵ ACCC, *Final Decision: Revised access arrangement by GasNet (Operations) Pty Ltd and GasNet (NSW) Pty Ltd for the Principal Transmission System*, 30 April 2008, p.112.

2.1.24 Reference Tariffs – cross system withdrawal tariff

Amendment 24

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 1.3(e) of schedule 1 of the proposed revised access arrangement so that the cross system tariff is calculated consistent with the AA2 cost allocation methodology.

GasNet's response

GasNet has amended cl. 1.3(e) of schedule 1 of its proposed revised access arrangement so that the cross system tariff is calculated consistent with the AA2 cost allocation methodology.

ACCC's assessment

GasNet has complied with Amendment 24.

2.1.25 Reference Tariffs – Geelong withdrawal zone

Amendment 25

Amendment required

Before the proposed revised access arrangement can be approved GasNet must:

- Allocate direct costs to the Geelong withdrawal zone based on specific direct cost unit rates and
- Calculate a Geelong zonal withdrawal tariff for tariff-V users.

GasNet's response

GasNet has amended its proposed revised access arrangement to allocate the direct costs to the Geelong withdrawal zone based on specific direct cost unit rates and has calculated a Geelong zonal withdrawal tariff for tariff-V users.

ACCC's assessment

GasNet has complied with Amendment 25.

2.1.26 Reference Tariffs – price control formula

Amendment 26

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the formula in schedule 4.6 of the proposed revised access arrangement to read:

$$\text{' WAAV = VW + TS } \times (\text{target EDD} - \text{actual EDD}) \text{'}$$

GasNet's response

GasNet has amended its proposed revised access arrangement to adopt this formula in schedule 4.6.

ACCC's assessment

GasNet has complied with Amendment 26.

2.1.27 Reference Tariffs – price control formula

Amendment 27

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the definition of VW in schedule 4.6 of the proposed revised access arrangement to read:

‘VW is the actual volume withdrawn from the PTS excluding:

- any volume withdrawn from a non-covered expansion of withdrawal capacity at Culcairn
- any transmission refills at the Western Underground Storage or Liquefied Natural Gas facility at Dandenong and
- forecast volumes for the incremental Murray Valley tariff.’

GasNet's response

GasNet has amended schedule 4.6 its proposed revised access arrangement to adopt this definition of VW.

ACCC's assessment

GasNet has complied with Amendment 27.

2.1.28 Reference Tariffs – price control formula

Amendment 28

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend the definition of VATR in schedule 4.4 of the proposed revised access arrangement to remove from TR and TV as defined therein revenues and volumes associated with:

- any transmission refills at the Western Underground Storage or Liquefied Natural Gas facility at Dandenong and
- the incremental Murray Valley tariff.

GasNet's response

GasNet has addressed this amendment by changing the definition of VATR from:

$$\text{VATR} = \frac{\text{TR}}{\text{TV}} \times \text{AAV}$$

Where:

TR is the target revenue as set out in Table 3-12 of the Access Arrangement Information;

TV is the total volume withdrawn from the PTS as set out in section 2 of Schedule 2 to the Access Arrangement Information; and

AAV is the adjusted actual volume, calculated in accordance with clause 4.5.

to

$$\text{VATR} = \frac{\text{TR}}{\text{TV}} \times \text{AAV}$$

Where:

TR is the target revenue as set out in Table 3-12 of the Access Arrangement Information, excluding NRRV;

TV is the total volume withdrawn from the PTS as set out in section 2 of Schedule 2 to the Access Arrangement Information, excluding NRRV;

AAV is the adjusted actual volume, calculated in accordance with clause 4.5; and

NRRV is, for the purposes of TR, the target revenue and for the purposes of TV, the volume, associated:

- (i) with any transmission refills at WUGS or the LNG Storage Facility; and
- (ii) the incremental Murray Valley tariff.

ACCC's assessment

The intent of this amendment which, in conjunction with amendment 27, is to remove revenues and volumes associated with Murray Valley usage and storage refill usage from the price control formula. The effect of amendment 27 and 28 is that these tariffs will sit outside the price control formula and that tariff movements year to year will be in accordance with a CPI-X movement. Volume outcomes (against forecast) for these tariffs will not cause a change in other tariffs because they will be excluded from the price control formula.

The ACCC considers that GasNet's amendments address the reasons for requiring the amendment specified in the ACCC draft and final decisions.

2.1.29 Reference Tariffs – price control formula

Amendment 29

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend Table 7-1 in cl. 7.1 of its revised access arrangement information to include the temperature sensitivities used by VENCORP for its annual demand forecasts in its 2006 Gas Annual Planning Report.

GasNet's response

GasNet has included the temperature sensitivities used by VENCORP for its annual demand forecasts in its 2007 Gas Annual Planning Report.

ACCC's assessment

The ACCC intended that GasNet adopt temperature sensitivities that underpin the VENCORP volume forecasts. Initially GasNet proposed only using the temperature sensitivity applicable to tariff-V forecasts and not tariff-D forecasts.

The temperature sensitivity value will be used within GasNet's price control formula when it is necessary to normalise revenue calculations to account for actual EDD outcomes different to forecast and to adjust future allowed revenue to reflect an EDD outcome different to forecast. Inclusion of 2007 temperature sensitivities is consistent with this objective as these sensitivities underpin the VENCORP volume forecasts included in deriving reference tariffs.

The ACCC considers that GasNet's amendments address the reasons for requiring the amendment specified in the ACCC draft and final decisions.

2.1.30 Reference Tariffs – price control formula

Amendment 30

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend schedule 4.1(a)(ii)(B) of the proposed revised access arrangement and remove all the words which follow 'Y is 2%'.

GasNet's response

GasNet has amended its proposed revised access arrangement to remove all words following Y is 2% as required by this amendment.

ACCC's assessment

GasNet has complied with Amendment 30.

2.1.31 Reference Tariffs – tariff variation policy

Amendment 31

Amendment required

Before the proposed revised access arrangement can be approved GasNet must delete clause 6 of the revised access arrangement and replace it with:

6 Pass Through Events

6.1 Pass Through Event statement

- (a) Subject to clause 6.4, in relation to each Regulatory Year (t) GasNet must, at least 50 Business Days before the start of that Regulatory Year (i.e. during Regulatory Year (t-1)), give a statement to the Regulator stating whether or not there are any Pass Through Events that:
 - (i) have a financial effect on GasNet in the current or previous Access Arrangement Period; or
 - (ii) are reasonably anticipated to have a financial effect on GasNet in Regulatory Year (t), which have not been previously notified to the Regulator under this clause.
- (b) GasNet may replace the statement under 6.1(a) at any time prior to submitting a notice to vary tariffs under Schedule 3.
- (c) If the statement provided to the Regulator under clause 6.1(a) identifies one or more Pass Through Events, then the statement must include, in relation to each of these Pass Through Events:
 - (i) details of the Pass Through Event concerned;
 - (ii) the date the Pass Through Event took or will take effect;
 - (iii) the financial effects or anticipated financial effects of the Pass Through Event on GasNet; and
 - (iv) the Preliminary Pass Through Amount GasNet proposes in relation to the Pass Through Event, which must be set in accordance with the criteria in clause 6.2(a) below.
- (d) A statement given under clause 6.1(a) must include documentary evidence (if available) which substantiates the financial or anticipated financial effects of the Pass Through Event. GasNet must use best endeavours to ensure that such information is available.
- (e) For the avoidance of doubt, a statement under clause 6.1(a) above does not constitute a notice for the purposes of section 8.3B of the Code.

6.2 Pass Through Amount Criteria

- (a) GasNet may only apply a pass through amount to the Transmission Tariffs if:
 - (i) a Pass Through Event has occurred or will occur; and
 - (ii) the financial effect or anticipated financial effect of the pass through amount on GasNet in the Third Access Arrangement Period and subsequent Access Arrangement Periods associated with the Pass Through Event concerned will result in GasNet being economically neutral taking into account:
 - (A) the financial effect to GasNet associated with the Tariffed Transmission Service attributable to the Pass Through Event concerned, and the time at which the financial effect arises;
 - (B) in relation to a Change in Taxes Event, the impact of any change in another tax which was introduced as complementary to the Change in Taxes Event concerned;
 - (C) the effect of any other previous Pass Through Events which have not previously been applied to the Transmission Tariffs in accordance with the Code or this Access Arrangement;
 - (D) in relation to a Counterparty Default Event, the recovery of any outstanding amounts; and
 - (E) any other relevant factors.
- (b) A Pass Through Amount may be positive or negative.

6.3 How does GasNet apply a Pass Through Amount?

- (a) A Pass Through Amount must be applied by GasNet in accordance with Schedule 4.

6.4 Pass Through Amounts which incorporate a forecast

For the purposes of calculating the benefit sharing allowance under clause 7.2 and in applying the Price Control Formula in Schedule 4, a Pass Through Amount which incorporates a forecast will be updated so as to reflect the actual Pass Through Amount (when known).

6.5 Immaterial Pass Through Amounts

GasNet is not required to prepare a statement under clause 6.1(a) if the aggregate of all Pass Through Amounts for Regulatory Year (t) is between \$-50,000 and \$50,000.

GasNet's response

GasNet has replaced clause 6 in its proposed revised access arrangement with the clause required in the final decision, with the addition of a new clause 6.2 (iii), as described in paragraph 2.1.9 above.

ACCC's assessment

GasNet has complied with Amendment 31.

2.1.32 Reference Tariffs – tariff variation policy

Amendment 32

Amendment required

Before the proposed revised access arrangement can be approved GasNet must delete schedule 3 of the revised access arrangement and replace it with:

3.1 Proposed tariffs

- (a) GasNet may vary its Transmission Tariffs in accordance with the price control formula in schedule 4 and sections 8.3B to 8.3H of the Code subject to the following:
 - (i) For each Regulatory Year GasNet must, at least 30 Business Days before the start of the Regulatory Year ((that is, during Regulatory Year (t-1)), give the Regulator a notice.
 - (ii) This notice must contain GasNet's proposed variations to the Transmission Tariffs, the proposed effective date for those variations, and, in relation to proposed Pass Through Amounts (if any), the information required to be provided in a statement under clause 6.1(a).
 - (iii) The proposed variations to the Transmission Tariffs must demonstrate compliance with the relevant principles and formulae in Schedule 4, and, in relation to a Pass Through Amount, section 6.2 of the Access Arrangement.
- (b) The minimum notice period for the purposes of section 8.3D(b)(i) of the Code shall be the period ending on the last day before the start of the Regulatory Year in which the Transmission Tariffs are to apply.

GasNet's response

GasNet has replaced schedule 3 of its proposed revised access arrangement with the schedule required as part of the final decision.

ACCC's assessment

GasNet has complied with Amendment 32.

2.1.33 Reference Tariffs – tariff variation policy

Amendment 33

Amendment required

Before the proposed revised access arrangement can be approved GasNet must delete the definitions of Pass Through Amount and Service Envelope Agreement in clause 9 of the revised access arrangement and replace it with:

Pass Through Amount means the pass through amount specified by GasNet in a notice under section 8.3B of the Code:

- (a) which is allowed under section 8.3D of the Code because of effluxion of time; or
- (b) as varied by the Regulator under section 8.3E of the Code.

Service Envelope Agreement means the agreement of that name entered into between VENCORP, GasNet (NSW) and GasNet dated 2 November 2006, as amended from time to time.

GasNet's response

GasNet has replaced the definitions of Pass Through Amount and Service Envelope Agreement in its proposed revised access arrangement with the definitions required in the final decision.

ACCC's assessment

GasNet has complied with Amendment 33.

2.1.34 Reference Tariffs – tariff variation policy

Amendment 34

Amendment required

Before the proposed revised access arrangement can be approved GasNet must insert a further definition in clause 9 of the revised access arrangement:

Preliminary Pass Through Amount means the amount or amounts that GasNet proposes as the financial or anticipated financial effect of the Pass Through Event in its statement under clause 6.1(a)

GasNet's response

GasNet has amended its proposed revised access arrangement to include this further definition of Preliminary Pass Through Amount as required in the final decision.

ACCC's assessment

GasNet has complied with Amendment 34.

2.1.35 Reference Tariffs – tariff variation policy

Amendment 35

Amendment required

Before the proposed revised access arrangement can be approved GasNet must delete clause 7.3 of the revised access arrangement and insert:

7.3 Pass through carry forward

If:

- (a) a Pass Through Event has occurred;
- (b) the Pass Through Event has a financial effect on GasNet in the Third Access Arrangement Period; and
- (c) GasNet has not given a statement under clause 6.1(a) or a notice under section 8.3B of the Code during the Third Access Arrangement Period in relation to that Pass Through Event,

then GasNet may include a Pass Through Amount in relation to that Pass Through Event in a statement under clause 6.1(a) (or an equivalent) and a notice under section 8.3B of the Code in the Fourth Access Arrangement Period.

GasNet's response

GasNet has replaced cl. 7.3 in its proposed revised access arrangement with the definition of Pass through carry forward as required in the final decision.

ACCC's assessment

GasNet has complied with Amendment 35.

2.1.36 Reference Tariffs – tariff variation policy

Amendment 36

Amendment required

Before the proposed revised access arrangement can be approved GasNet must delete clause 1.7(c)(i)(B) under Billing Parameters and insert:

- (B) the Winter Injection Volume for Regulatory Year “t” is based on a prorata allocation across each Shipper based on injections from the previous year of the annual Winter Injection Volume applied as part of

the annual tariff adjustment to Transmission Tariffs in accordance with Schedule 3 for Regulatory Year “t”.

GasNet’s response

GasNet’s proposed revised access arrangement received with its application included a clause 1.7(c)(i)(B) in schedule 1:

the Winter Injection Volume for Regulatory Year “t” is based on a prorata allocation across each Shipper based on injections from the previous year of the annual approved Winter Injection Volume approved by the Commission as part of the annual tariff review used to set the Transmission Tariffs for Regulatory Year “t”.

GasNet has made a number of changes under schedule 1.7(c) and in particular 1.7(C)(i)(B). These amendments encapsulate the amendment required as part of the final decision which was to address the ACCC’s requirement to remove all references to a positive requirement on the ACCC to approve tariffs (the Code regime only creates a positive obligation on the regulator to disallow). Changes have been made more broadly however to this clause (and some other incidental provisions in the document) to reflect the revision required to its proposed revised access arrangement to incorporate 10 day injection volume tariffing. The revised clause 1.7(C)(i)(B) reads:

the 10 Day Injection Volume for Regulatory Year “t” is based on a prorata allocation across each Shipper based on injections from the previous year of the annual 10 Day Injection Volume applied as part of the annual tariff adjustment to Transmission Tariffs in accordance with Schedule 3 for Regulatory Year “t”.

ACCC’s assessment

The ACCC considers that GasNet’s amendments addresses the reasons for requiring the amendment specified in the ACCC final decision. The ACCC also notes the incidental amendments made by GasNet to include where appropriate within the document reference to top 10 tariffing for injection volumes.

2.1.37 Reference Tariffs – tariff variation policy

Amendment 37

Amendment required

Before the proposed revised access arrangement can be approved GasNet must under clause 4.3 of schedule 4 of the revised access arrangement delete the words following PTA and insert:

is the Pass Through Amount and

GasNet's response

GasNet has amended cl. 4.3 of schedule 4 of its proposed revised access arrangement to reflect this requirement.

ACCC's assessment

GasNet has complied with Amendment 37.

2.2 Non-tariff elements

2.2.1 Performance and incentives

Amendment 38

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must

- remove cl. 7.2(i) of the proposed revised access arrangement and
- replace 'use' with 'take into account' in cl. 7.2(h)(ii) of the proposed revised access arrangement.

GasNet's response

GasNet has deleted the proposed cl. 7.2(i) in its proposed revised access arrangement and revised cl. 7.2(h)(ii) as required by the ACCC.

ACCC's assessment

GasNet has complied with Amendment 38.

2.2.2 Services policy

Amendment 39

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 3.2 of the proposed revised access arrangement to reflect that GasNet will provide gas transportation services directly to users.

GasNet's response

In response to the final decision, GasNet has amended the definition of "Tariffed Transmission Service" in its revised proposed access arrangement as proposed in GasNet's response to the draft decision.⁶ GasNet also submits that it has not provided

⁶ GasNet: Response to the Commissions' draft decision on the proposed access arrangement for the principal transmission system, p.65.

that it will supply transportation services to users directly given that it makes all of the capacity on the PTS available to VENCORP under the Service Envelope Agreement.⁷ However, GasNet considers that it has complied with Amendment 40, which it considers will address the requirements of Amendment 39.

ACCC's assessment

The ACCC considers that GasNet's amended services policy satisfactorily addresses Amendment 39 as the definition of Tariffed Transmission Service includes entering into transportation payment agreements with Users in accordance with s. 5.3.1(aa) of the Market and System Operations Rules. As noted by GasNet, the terms and conditions of these transportation payment agreements have been incorporated into the proposed revised access arrangement in accordance with Amendment 40. The ACCC also notes that cl.3.1 has been amended to reflect the fact that GasNet, rather than VENCORP has the relationship with users. Accordingly, the ACCC considers that GasNet has addressed the requirements of Amendment 39.

2.2.3 Terms and conditions

Amendment 40

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 3.3 of the proposed revised access arrangement to reflect the principles in Appendix C of this final decision.⁸

GasNet's response

In response to the final decision, GasNet notes that terms specified in Appendix C are based on an interim gas payment deed prepared by GasNet. GasNet submits that it has now prepared a deed which it considers to be more appropriate and therefore does not agree that the terms it has included in schedule 6 of its amended access arrangement are appropriate.⁹ Notwithstanding, GasNet further submits that it has amended cl 3.3 of its proposed revised access arrangement for it to enter into gas payment agreements on terms and conditions consistent with schedule 6 which generally reflect Appendix C of the final decision.

ACCC's assessment

The ACCC has reviewed cl 3.3 and schedule 6 and considers that GasNet has addressed the requirements of Amendment 40.

⁷ GasNet letter to the ACCC, 28 May 2008.

⁸ See Appendix B of this document for gas transportation principles.

⁹ GasNet letter to the ACCC, 28 May 2008

2.2.4 Queuing policy

Amendment 41

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must:

- amend cl. 8.2 of the proposed revised access arrangement to be consistent with s. 5.7 of the MSO rules and
- to reflect that the responsibility for complying with the obligations imposed under ss. 3.12–3.15 of the code is allocated to VENCORP.

GasNet's response

In response to the final decision GasNet has amended cl. 8.2 of its proposed access arrangement to reflect the fact that VENCORP is responsible for administration of the queuing policy in accordance with the MSOR.

ACCC's assessment

GasNet has complied with requirements of Amendment 41.

2.2.5 Extensions and expansions policy

Amendment 42

Amendment required

Before the proposed revised access arrangement can be approved, GasNet must amend cl. 5.1(c) of the proposed revised access arrangement to read:

‘An expansion required to increase withdrawals at Culcairn over and above the current capacity of 17 TJ/day will be covered unless the Regulator, before the decision to construct the New Facility is made by the Service Provider, agrees that it should not be covered.’

GasNet's response

GasNet has amended cl. 5.1(c) of its Extensions and Expansions policy within its proposed revised access arrangement to include this form of words.

ACCC's assessment

GasNet has complied with Amendment 42.

2.3 Other amendments

GasNet has amended cl 1.2 and deleted cl 1.4 to reflect the fact that VENCORP is no longer required to submit an access arrangement. GasNet has also amended cl.3.1 to reflect the fact that GasNet, rather than VENCORP has the relationship with Users. The

ACCC has reviewed these amendments and consider these amendments to be appropriate.

GasNet has amended Schedule 2 to reflect new injection and withdrawal points, and reallocated the Iona withdrawal meter from zone 13 South West to zone 13 Iona to be consistent with schedule 1. GasNet has also amended Schedule 5 to include an entry from Brooklyn to Lara. The ACCC has reviewed these amendments and consider these amendments to be appropriate.

3. Final Approval

For the reasons expressed in both chapter 2 of this final approval and the final decision, the ACCC has made a further final decision, pursuant to s. 2.41(b) of the code to approve the amended revisions to the access arrangement submitted by GasNet on 18 June 2008.

The revised access arrangement will come into effect on 9 July 2008.

Copies of GasNet's revision application, associated documents, amended revised access arrangement and access arrangement information are available (subject to confidentiality restrictions) from the AER's website (www.aer.gov.au) and placed on the public register held by the Code Registrar. Copies of the ACCC's decision documents can also be found on the AER website.

Appendix A: Location of amendments in the final decision

Table A.1 below provides a reference for each amendment specified in the final decision with its location in that document.

Table A.1: Location of amendments in the final decision

Amendment	Topic	Location in final decision (page number)
1	Roll-forward of the Capital Base	16
2	New Facilities Investment	21-22
3	Forecast Capital Expenditure	53-54
4	Capital Redundancy	55
5	Cost of Capital	72
6	Non-Capital Costs – Self Insurance	85
7	Non-Capital Costs	89-90
8	Pass-through Events – Insurance Event	92
9	Pass-through Events – Fuel Gas	92
10	Pass-through Events – Asbestos Event	94
11	Volumes – Withdrawal Volumes Forecast	100
12	Volumes – GPG Forecast	101
13	Volumes – Culcairn Export Volumes	102
14	Volumes – Injection Volumes	103
15	Revenue Requirement	110
16	Reference Tariffs – Reference Tariffs and Structure	134
17	Reference Tariffs – K-factor Carry-over	134
18	Reference Tariffs – Murray Valley Tariff	138
19	Reference Tariffs – Tariff-V Users	140
20	Reference Tariffs – Injection Tariff Structure	143
21	Reference Tariffs – Tariff-D Users at Pakenham	144

22	Reference Tariffs – Export Tariff Prudent Discount	151
23	Reference Tariffs – Matched Rebates for Tariff-V Users	151
24	Reference Tariffs – Cross System Withdrawal Tariff	152
25	Reference Tariffs – Geelong Withdrawal Zone	152
26	Reference Tariffs – Price Control Formula	163
27	Reference Tariffs – Price Control Formula	164
28	Reference Tariffs – Price Control Formula	164
29	Reference Tariffs – Price Control Formula	164
30	Reference Tariffs – Price Control Formula	164
31	Reference Tariffs – Tariff Variation Policy	166-167
32	Reference Tariffs – Tariff Variation Policy	167-168
33	Reference Tariffs – Tariff Variation Policy	168
34	Reference Tariffs – Tariff Variation Policy	168
35	Reference Tariffs – Tariff Variation Policy	169
36	Reference Tariffs – Tariff Variation Policy	169
37	Reference Tariffs – Tariff Variation Policy	169
38	Performance and Incentives	172
39	Services Policy	176
40	Terms and conditions	179
41	Queuing Policy	182
42	Extensions and expansions Policy	188

Appendix B: Gas Transportation Deed Principles

All Market Participants are required under Clause 5.3.1 of the MSOR to have in place an agreement for the payment of transmission charges to a Transmission Pipeline Owner (TPO). GasNet is the TPO for the Gas Transmission System.

Until permanent Transmission Payment Deeds are agreed between GasNet and Market Participants, Gas Transportation Deeds (GTD) in similar form to those entered into by Market Participants with VENCORP under the previous arrangements are required.

The terms of the Gas Transportation Deed between GasNet and Market Participants are:

Term

The deed comes into effect when signed and expires on 31 December 2012.

Payment

- Market Participant promises to pay the regulated transmission charges
- Invoicing will be monthly by 20th Business Day
- Payment will be required by the later of month end in which the invoices are received or 10 Business Days after receipt of an invoice
- Interest is payable on overdue amounts

Limitations

GasNet's liability, if the VENCORP Market Services are not supplied, whether in whole or in part, either through the failure of GasNet to provide the Tariffed Transmission Service or otherwise, is limited to uplift payments under Clause 3.6.8 of the MSOR.

Where Tariffed Transmission Services are provided in part the Market Participant must pay for those services actually provided.

The Deed is for the purpose of establishing payment and security arrangements for the Tariffed Transmission Service and does not impose an obligation on GasNet to provide transmission services to a Market Participant.

Force Majeure

Parties may be excused for non-performance under the deed by reason of Force Majeure.

The party seeking relief must notify the other party and cooperate in efforts to mitigate and investigate the event or circumstance.

If the event or circumstance continues for 90 days, then either party may terminate the Deed upon 30 days notice.

Termination

The Deed may be terminated if:

- The Market Participant materially defaults in performance of its obligations or
- There is an insolvency event in relation to the Market Participant.

Either party may terminate the Deed if:

- The Shipper ceases to be a Market Participant or
- The Service Envelope between GasNet and VENCORP expires or is terminated.

Other

The Deed may be assigned by a party with the written consent of the other party. Disputes will be referred for resolution in accordance with the dispute Resolution Procedure in the Deed.