



Multinet Gas 2015 Annual Tariff Report

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Multinet Gas 2015 Annual Tariff Report

FINAL

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1 Executive Summary

Multinet Gas (MG) is the largest distributor (by connection base) of natural gas in Victoria, servicing Melbourne's inner, outer-eastern and south-eastern suburbs. MG owns the distribution network assets used to transport gas from the high-pressure transmission network to the premises of residential, commercial and industrial gas users.

MG is required to produce an annual tariff report as part of its Gas Access Arrangement Review (GAAR). The current GAAR period runs from 2013-2017. The tariffs proposed in this report and the tariff submission are intended to apply from 1 January 2015 through to 31 December 2015.

As per the table below, the average increase in distribution tariffs from 2014 to 2015 is 3.84%. This increase results in an approximate price increase of 0.8% of the average annual residential household bill. This equates to approximately \$10 of the average annual bill (assuming the average residential bill only increases by the increase in the distribution tariff).

| 2015 MG Price Control Factor | | |
|---------------------------------|--------------------|--------------------------|
| Price Control Factor | % Change from 2014 | Factor Information |
| L | -0.001% | Licence Fee |
| X | 1.50% | GAAR decision |
| CPI | 2.31% | September 2014 CPI |
| DUOS Average Estimated Increase | 3.84% | Overall Average Increase |

The average increase of 3.84% is predominately made up of CPI of 2.31% and the x factor of 1.50%. The x factor has been calculated to recover Multinet's expected costs during the 2013 to 2017 period. These costs include the provision of a safe and reliable gas service to over 660,000 customers, our continued commitment to the replacement of ageing infrastructure and maintenance of over approximately 10,000 km of gas pipelines.

In developing this Annual Tariff Report, MG conducted consultation with key stakeholders, the existing Community Consultative Committee (CCC) and energy retailers. This is part of our growing commitment to stakeholder engagement whilst adhering to AER guidelines.

Carbon Tax tariffs are also contained within this report. With the 2013 change in Government, carbon tax tariffs were abolished from 1 July 2014. This report details the true-up mechanisms to calculate the 2015 carbon tax credit tariffs owed to customers from 1 January 2015.

2 Introduction

Multinet Gas (MG) is the largest distributor (by connection base) of natural gas in Victoria, servicing Melbourne's inner, outer-eastern and south-eastern suburbs. MG owns the distribution network assets used to transport gas from the high-pressure transmission network to the premises of residential, commercial and industrial gas users.

MG also has two rural based networks that currently cover nine townships in the Yarra Valley located in outer eastern metropolitan Melbourne and six townships in South Gippsland Victoria.

In early 2014, MG received funding from Regional Development Victoria to connect natural gas to Warburton also located in the Yarra Valley. Natural gas is expected to be flowing to Warburton customers by late 2015 to early 2016.

2.1 Licensing basis

MG's current Access Arrangement was approved on 29 April 2013. A requirement of the Arrangement is the production of an annual tariff report. This report is intended to meet the requirements of MG's Access Arrangement to enable users to understand the basis of tariff and their policies.

2.2 Application period

The tariffs proposed in this report and the tariff model are intended to apply from 1 January 2015 through to 31 December 2015.

2.3 Post Codes

The post codes that are applicable for Reference and Ancillary Tariffs are listed in Appendix 6. These post codes are also included in the company's Distribution Licence.

2.4 Location

A map showing the locations where Multinet Gas distributes gas is provided below. MG distributes gas to the areas shaded in orange, as well as the South Gippsland area indicated. From late 2015, the township of Warburton will extend the current Yarra Ranges network.



2.5 Stakeholder Consultation

On the 31 October 2013, the AER released its Stakeholder Engagement Framework, which included guidelines for consultation on a range of matters so as to improve the level of consultation and ensure that network proposals reflect customer expectations and requirements. MG welcomes these guidelines as part of its growing commitment to stakeholder engagement.

Multinet Gas plays a significant role in distributing gas to many Victorian business and domestic customers. Together with our core objectives of delivering energy in a safe and reliable manner, Multinet Gas strives to provide an efficient and cost effective service for our customers.

In developing this Annual Tariff Report, MG conducted consultation with key stakeholders, the existing Community Consultative Committee (CCC) and energy retailers. This is part of our growing commitment to stakeholder engagement whilst adhering to AER guidelines.

MG met with interested retailers on 28th August 2014 with discussion in the following areas:

- Regulatory framework (GAAR) and the annual distribution pricing process and determinations;
- Key issues/feedback from customers on approach to improve efficiency and service levels in the short, medium and long term;
- Indicative approach for 2015 distribution pricing from Multinet Gas;
- Carbon Tax Repeal and associated processes;
- Warburton (Yarra Valley new town) reticulation from late-2015.

2.6 Contact Details

The contact for further details on this Tariff report is:

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3 Reference and Ancillary Reference Tariffs

3.1 Overview of Reference Tariffs

An overview of the reference tariffs is described below.

3.1.1 Haulage Reference Service Tariff V

Tariff V applies to customers using less than 10,000 GJ a year and less than 10 GJ MHQ. Within Tariff V there are two classifications: Residential and Non-Residential. Any new customer eligible for Tariff V is assigned their appropriate residential or non-residential classification by their Retailer.

Tariff V customers are charged a fixed daily charge and a price per GJ which decreases with increased usage (see Appendix 1-3 for details of all tariffs). There are currently five usage blocks for Residential and Non-Residential Customers as follows:

Tariff V Residential

| | Consumption Range (GJ/day) |
|---------------|----------------------------|
| Usage Block 1 | 0 - 0.05 |
| Usage Block 2 | > 0.05 - 0.1 |
| Usage Block 3 | > 0.1 - 0.15 |
| Usage Block 4 | > 0.15 - 0.25 |
| Usage Block 5 | > 0.25 |

Tariff V Non Residential

| | Consumption Range (GJ/day) |
|---------------|----------------------------|
| Usage Block 1 | 0 - 0.25 |
| Usage Block 2 | > 0.25 - 1.0 |
| Usage Block 3 | > 1.0 - 1.5 |
| Usage Block 4 | > 1.5 - 5.0 |
| Usage Block 5 | > 5.0 |

Both Residential and Non Residential Tariff V customers have seasonal usage charges (\$/GJ) for the following periods:

- Off Peak Summer Period (November-April inc.)
- May Shoulder period (May)
- Peak Winter period (Jun-September inc.)
- October Shoulder period (October)

3.1.1.1 Residential Haulage Reference Service – Tariff V

The Residential Haulage Reference Service is the Haulage Reference Service for allowing the injection, conveyance and withdrawal of Gas by or in respect of a Residential Customer (being one who uses Gas primarily for domestic purposes). This Service includes the operation and maintenance of Connection assets being Expansions or Extensions comprising work on the Main, service pipe and metering Installation and scheduled meter reading.

MG will subject the costs of the Connection assets for Residential Haulage Reference Services to an Economic Feasibility Test as set out in the Extension and Expansions Policy detailed in section 5.5 of Part A of MG's Access Arrangement. Forecasts of these costs have been included in the calculation of the Total Revenue in accordance with section 8.20 of the Access Code. Any Charges relating to the Connection will be in accordance with section 5.5 of the Access Arrangement.

3.1.1.2 Non-Residential Haulage Reference Service – Tariff V

The Non-Residential Haulage Reference Service is the Haulage Reference Service for allowing the injection, conveyance and withdrawal of Gas by or in respect of a Non-Residential Customer (being one other than a Residential Customer). Where relevant, a Distribution Supply Point is assigned to a Haulage Reference Tariff – Non-Residential V. This Service includes the operation and maintenance of Connection assets (being Expansions or Extensions comprising work on the Main, service pipe and metering Installation) and scheduled meter reading services.

Multinet Gas will subject the costs of the Connection assets for Non-Residential Tariff V Haulage Reference Services to an Economic Feasibility Test as set out in the Extension and Expansions Policy detailed in section 5.5 of Part A of Multinet Gas's Access Arrangement. Forecasts of these costs have been included in the calculation of the Total Revenue in accordance with section 5.5.2 of the Access Code. Any Charges relating to the Connection will be in accordance with section 5.5 of the Access Arrangement.

3.1.2 Haulage Reference Tariff - Non-Residential Tariff D

Tariff D applies to customers using greater than 10,000 GJ a year or more than 10 GJ MHQ. Customers are charged based on their Maximum Hourly Quantity (MHQ) measured in Giga Joules (GJ) per hour. The MHQ unit rates are stepped as follows:

| | Maximum Hourly Quantity (GJ/hr) |
|---------------|---------------------------------|
| Demand Step 1 | 0 - 50 |
| Demand Step 2 | > 50 |

A detailed explanation of how Tariff D MHQ bills are calculated and charged is shown in Appendix 4.

Where the relevant Distribution Supply Point is assigned to Haulage Reference Tariff Non-residential Tariff D, this Non-Residential Haulage Reference Service is for allowing the injection, conveyance and withdrawal of Gas at a Tariff D Distribution Supply Point. This Tariff does not include the provision and maintenance of Connection assets forming a Tariff D Distribution Supply Point.

Connection of a Tariff D Distribution Supply Point is to be provided as a non-Reference Service and the costs of these works and related operations and maintenance are not recovered through the Non-Residential Tariff D Reference Tariff. For these services, a fair and reasonable charge is to be levied.

3.1.3 Haulage Reference Tariff - Non-Residential Tariff L

Tariff L is open to customers who consume more than 1TJ per annum or less than 10TJ per annum and have an MHQ demand of less than 10 GJ per hour.

The tariff structure of Tariff L is a mixture of the Tariff V and D tariff structures. Tariff L has no fixed charge; however it contains seasonal stepped usage charges and two demand charges. There are currently two usage blocks for Tariff L customers:

Tariff L

| | Consumption Range (GJ/day) |
|---------------|----------------------------|
| Usage Block 1 | 0 - 5 |
| Usage Block 2 | > 5 |

Like Tariff V, Tariff L also contains seasonal usage charges (\$/GJ) for the following periods:

- Off Peak Summer Period (November-April inc.)
- May Shoulder period (May)
- Peak Winter period (Jun-September inc.)
- October Shoulder period (October)

Tariff L also contains two Demand Charges as follows:

- A Rolling 12 month Maximum MHQ charge which is a daily charge based on the highest demand (MHQ) delivered over 12 months to the end of the billing period
- A Peak MHQ Demand Charge which is based on the highest demand (MHQ) delivered in any billing period during the hours 6am to 10am weekdays over the four peak months June to September.

A further explanation of Tariff L and its associated business rules can be seen in Appendix 5 of this document.

Where the relevant Distribution Supply Point is assigned to Haulage Reference Tariff Non-residential Tariff L, this Non-Residential Haulage Reference Service is for allowing the injection, conveyance and withdrawal of Gas at a Tariff L Distribution Supply Point. This Service does not include the provision and maintenance of Connection assets forming a Tariff L Distribution Supply Point.

Connection of a Tariff L Distribution Supply Point is to be provided as a non-Reference Service and the costs of these works and related operations and maintenance are not recovered through the Non-Residential Tariff L Reference Tariff. For these services, a fair and reasonable charge is to be levied.

3.2 Costs recovered by reference tariffs

Reference tariffs have been structured so that they recover the building block costs of Multinet Gas. These building blocks are:

- Return on Capital – Approved Cost of Capital multiplied by the annual average asset value
- Return of Capital – Regulatory depreciation of assets
- Taxation – based on a benchmarked distribution company
- Operating and Maintenance Costs
- Efficiency carry over – rewards or penalties for efficiency gains or losses respectively.

Each of these cost components are described in the company's Access Arrangement and Access Arrangement Information approved by the Australian Energy Regulator 29 April 2013. The actual tariffs that recover the costs determined in the 2013 Access Arrangement Review are described in the sections below.

3.3 Costs recovered by ancillary tariffs

Ancillary Reference Services are Services used in connection with the transportation and use of Gas. Multinet Gas is offering the Ancillary Reference Services set out in Schedule 1 of Part A under the Fourth Access Arrangement. They are also described in section 5.2 of this submission.

The costs of providing Ancillary services are similar in nature to those provide for reference tariffs, however relate directly to the provision of ancillary services.

3.4 Principles used to set tariffs

Multinet Gas's Reference Tariff Policy in Part B of the Access Arrangement sets out its Reference Tariffs, and how those Reference Tariffs are determined for Reference Services in accordance with section 3 of the Access Code.

Reference Services will be provided:

- in accordance with the relevant Regulatory Instruments and
- on reasonable Terms and Conditions as set out in Part C of the Access Arrangement.

Distribution Tariffs should be set so that they accurately reflect the costs associated with the Multinet Gas network and should also reflect the allocation of costs between customer groups.

The development and adjustment of tariffs broadly incorporates the following policy principles:

- **Regulatory compliance.** Distribution tariffs are required to be set within the confines of various regulatory and legislative criteria.
- **Market equity.** Having regard to the continuity of previously applicable price levels. Pricing should apply to all retailers in a neutral manner and not impede the viability of full retail contestability.
- **Cost reflectivity.** Seek appropriate mechanisms for achieving inter-customer group equity in the recovery of distribution revenue requirements. Pricing is to recognise cost-reflectivity, within the constraints imposed by: interpretation of regulatory requirements, customer group averaging assumptions, cost allocation methodologies employed, and historical imperatives. Have due regard to reasonable economic bounds on upper and lower limits, particularly as pertaining to efficient investment signalling and network usage.
- **Behavioural elasticity.** Seek to utilise rational consumer behavioural elasticity in terms of usage pattern responses to pricing signals.
- **Practicality.** Seek to simplify mechanisms balancing against economic functionality, while having regard to minimising transaction and pricing administration cost.
- **Environmental.** Within the limitations of the scope and context of gas distribution pricing, have regard to opportunities to improve utilisation efficiency, and accommodate emerging energy technologies, particularly in respect of greenhouse gas emission reduction.
- **Transparency.** Seek guidance from Retailers and Customers to ensure that Distribution tariffs reflect customer expectations and requirements.

Not all principles can be satisfied to their full extent, while fully complying with the Access Arrangement, particularly as some principles have conflicting implications requiring trade-offs to be made. Multinet Gas, however, has sought to achieve as much as possible in satisfying these principles within the given constraints.

4 Methodology to Set Reference Tariffs

4.1 Cost allocation to tariffs

4.1.1 Tariff V (Residential and Commercial)

Tariff V contains a fixed and variable charge. The fixed charge recovers unavoidable network infrastructure costs such as service connection, standard meters, and systems for billing and collection. The variable peak, shoulder and off peak charges recover all other costs associated with the Distribution use of System.

4.1.2 Tariffs D and L

The MHQ Demand charge for tariffs D and L recovers all capital, operation and maintenance “upstream” costs which are not recovered upfront and/or via the non-reference Operations and Maintenance charge and the tariff V charges.

4.1.3 Cost of Supply

Multinet Gas has a Cost of Supply model that allocates the costs of supplying customers for each reference tariff via appropriate methodologies to come up with upper and lower limits by Tariff V Residential, Tariff V Non-residential, Tariff L and Tariff D.

The Upper Costs are the standalone costs to bypass the network. These costs were calculated using the Optimised Replacement System Cost (ORC) of the network multiplied by the current WACC, and adding Depreciation and a consumption weighted share of Operations and Maintenance (O&M). These costs were then apportioned by volume of each customer class to get an average \$/GJ.

The Lower Cost is the marginal or avoidable cost of supply. The lower costs were calculated using a consumption weighted share of O&M and apportioning by volume for each customer class to get an average \$/GJ.

The average proposed 2015 tariff rates for Tariff V Residential, Tariff V Non-residential, Tariff L and Tariff D have been plotted against the upper and lower limits as per the figure 1 below, and the values behind this graph are in Table 4.1. The table and chart show that all the proposed 2015 tariffs are within the upper and lower cost bounds of providing these services.

Table 4-1: 2015 Proposed Average Tariffs versus Upper and Lower Cost Limits

| Type | Tariff | Units | 2015 Upper Bound “Standalone Cost” | 2015 Lower Bound “Avoidable Cost” | 2015 Average DUoS |
|--------|-------------------|-----------|--|---|----------------------|
| Volume | Residential V | \$/GJ | 5.28 | 1.87 | 4.41 |
| Volume | Non-residential V | \$/GJ | 2.26 | 0.45 | 1.50 |
| Volume | Tariff L | \$/GJ | 2.26 | 0.45 | 0.48 |
| Demand | Tariff D | \$/00/MHQ | 10.72 | 1.16 | 4.57 |

Figure 1: 2015 Proposed Average Tariffs versus Upper and Lower Cost Limits Tariff V and Tariff L

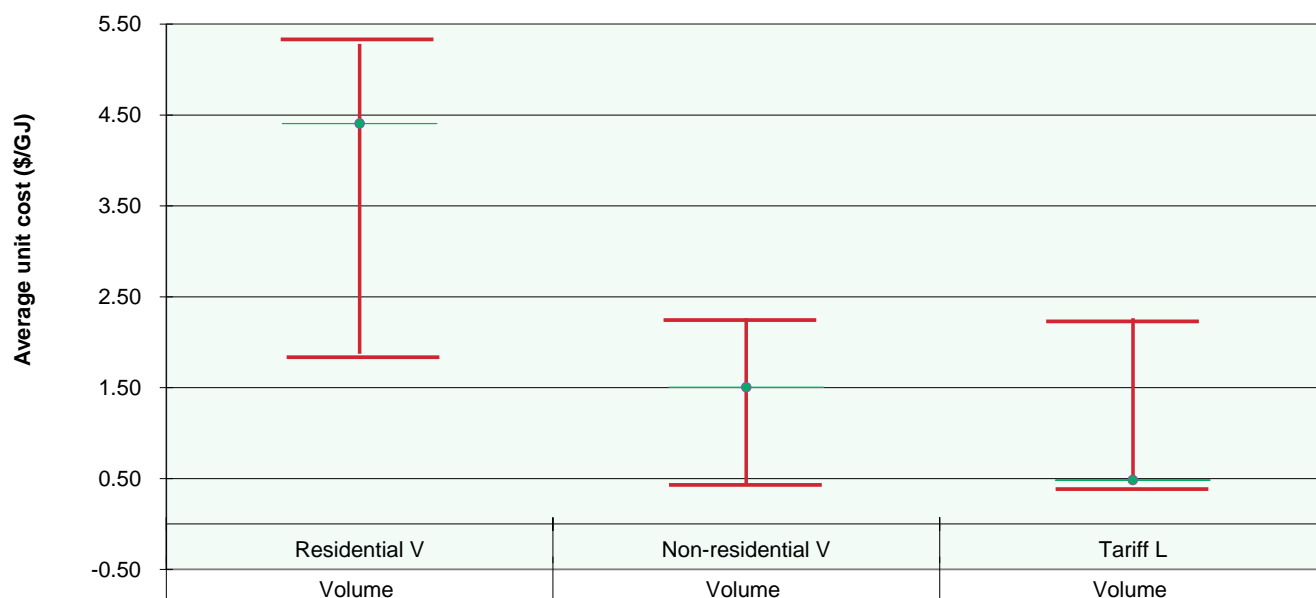
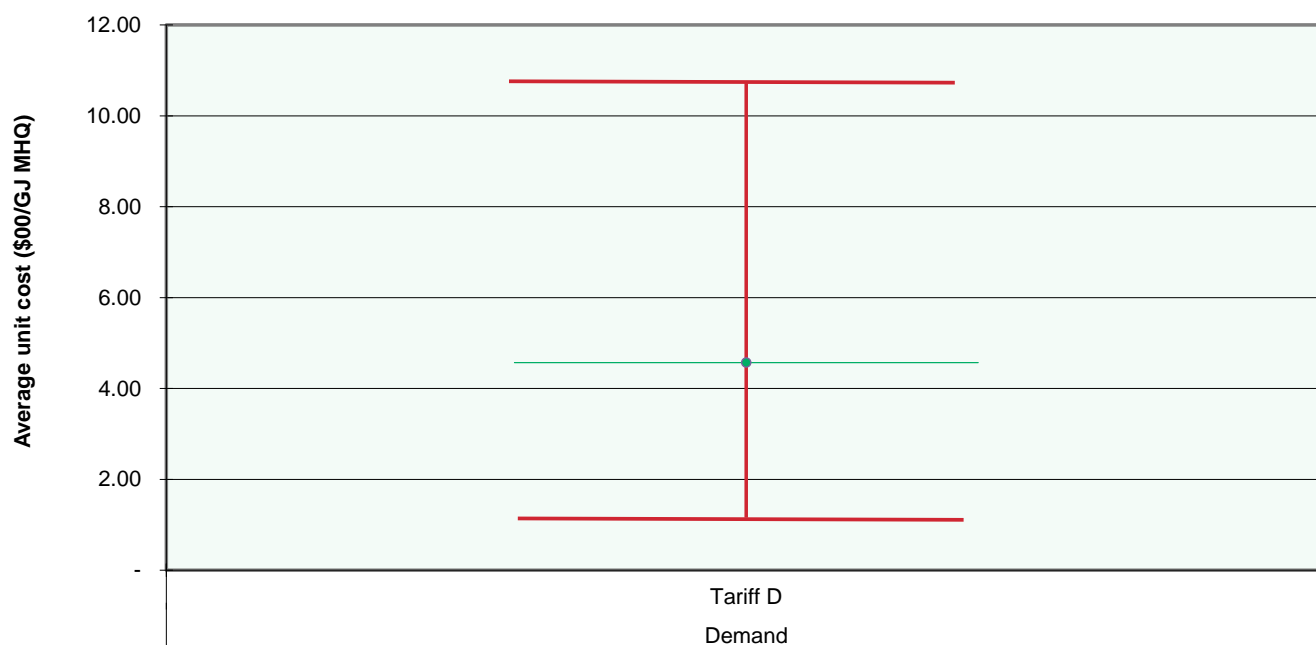


Figure 2: 2015 Proposed Average Tariffs versus Upper and Lower Cost Limits Tariff D



4.2 Cost differences between zones

Multinet Gas has three zones for the purposes of pricing.

- Metropolitan
- Yarra Valley
- South Gippsland.

Both Yarra Valley and South Gippsland are relatively new networks and have been connected with the assistance of funding from Regional Development Victoria (RDV). Despite this assistance, both of these networks require additional revenue to recover the projected shortfall of revenue to costs and this is reflected in pricing. This additional pricing will expire in approximately 11 years. Multinet Gas will gradually return this surcharge by decreasing these tariffs over time to eventually be in line with metro tariffs.

From late 2015 to early 2016, Warburton will be connected to the existing Yarra Valley network. Warburton customers will receive the existing Yarra Valley network tariffs which were used in the calculation of the complementary funding from RDV required to build the additional gas and distribution mains.

5 Current Reference and Ancillary Tariffs

5.1 Reference tariffs

The table below includes all the reference tariffs and tariff components proposed for 2015 compared to 2014. There have been no new tariffs introduced or any structural amendments for 2015.

The average price movement per tariff (\$/GJ) was calculated using the applicable revenue to that calendar year (i.e. the 2014 revenue used 2014 price by 2013 quantity, and the 2015 revenue used 2015 price by 2013 quantity divided by the total 2013 quantity for that tariff (GJ)).

Table 5-1: 2014 versus 2015 Tariffs

| Tariff V Residential | 2014 (\$/GJ) | 2015 (\$/GJ) | % Change |
|--|--------------|--------------|--------------|
| Fixed Charge (\$/day) | 0.1557 | 0.1618 | 3.92% |
| Peak 0 - 0.05 GJ/day | 6.9537 | 7.2243 | 3.89% |
| Peak 0.05 - 0.1 GJ/day | 4.9729 | 5.1664 | 3.89% |
| Peak 0.1 - 0.15 GJ/day | 2.5710 | 2.6710 | 3.89% |
| Peak 0.15 - 0.25 GJ/day | 1.3012 | 1.3518 | 3.89% |
| Peak > 0.25 GJ/day | 0.9650 | 1.0025 | 3.89% |
| May Shoulder 0 - 0.05 GJ/day | 6.6060 | 6.8630 | 3.89% |
| May Shoulder 0.05 - 0.1 GJ/day | 4.7242 | 4.9080 | 3.89% |
| May Shoulder 0.1 - 0.15 GJ/day | 2.4433 | 2.5384 | 3.89% |
| May Shoulder 0.15 - 0.25 GJ/day | 1.2361 | 1.2842 | 3.89% |
| May Shoulder >0.25 GJ/day | 0.9295 | 0.9657 | 3.89% |
| Oct Shoulder 0 - 0.05 GJ/day | 6.6060 | 6.8630 | 3.89% |
| Oct Shoulder 0.05 - 0.1 GJ/day | 4.7242 | 4.9080 | 3.89% |
| Oct Shoulder 0.1 - 0.15 GJ/day | 2.4433 | 2.5384 | 3.89% |
| Oct Shoulder 0.15 - 0.25 GJ/day | 1.2361 | 1.2842 | 3.89% |
| Oct Shoulder >0.25 GJ/day | 0.9295 | 0.9657 | 3.89% |
| Off Peak 0 - 0.05 GJ/day | 5.9108 | 6.1408 | 3.89% |
| Off Peak 0.05 - 0.1 GJ/day | 4.2270 | 4.3915 | 3.89% |
| Off Peak 0.1 - 0.15 GJ/day | 2.1861 | 2.2712 | 3.89% |
| Off Peak 0.15 - 0.25 GJ/day | 1.1060 | 1.1490 | 3.89% |
| Off Peak > 0.25 GJ/day | 0.8318 | 0.8642 | 3.90% |
| Average Price Movement Tariff V Residential | 4.24 | 4.41 | 3.90% |

| Tariff V Business | 2014 (\$/GJ) | 2015 (\$/GJ) | % Change |
|---|--------------|--------------|--------------|
| Fixed Charge (\$/day) | 0.2574 | 0.2667 | 3.61% |
| Peak 0 - 0.25 GJ/day | 3.1609 | 3.2839 | 3.89% |
| Peak 0.25 - 1.0 GJ/day | 2.0005 | 2.0783 | 3.89% |
| Peak 1.0 - 1.5 GJ/day | 1.2003 | 1.2470 | 3.89% |
| Peak 1.5 - 5.0 GJ/day | 0.6680 | 0.6940 | 3.89% |
| Peak > 5.0 GJ/day | 0.2229 | 0.2316 | 3.90% |
| May Shoulder 0 - 0.25 GJ/day | 2.9008 | 3.0137 | 3.89% |
| May Shoulder 0.25 – 1 GJ/day | 1.8005 | 1.8706 | 3.89% |
| May Shoulder 1 - 1.5 GJ/day | 1.1403 | 1.1847 | 3.89% |
| May Shoulder 1.5 – 5 GJ/day | 0.6509 | 0.6762 | 3.89% |
| May Shoulder >5 GJ/day | 0.2005 | 0.2083 | 3.89% |
| Oct Shoulder 0 - 0.25 GJ/day | 2.9008 | 3.0137 | 3.89% |
| Oct Shoulder 0.25 – 1 GJ/day | 1.8005 | 1.8706 | 3.89% |
| Oct Shoulder 1 - 1.5 GJ/day | 1.1403 | 1.1847 | 3.89% |
| Oct Shoulder 1.5 – 5 GJ/day | 0.6509 | 0.6762 | 3.89% |
| Oct Shoulder >5 GJ/day | 0.2005 | 0.2083 | 3.89% |
| Off Peak 0 - 0.25 GJ/day | 2.6307 | 2.7331 | 3.89% |
| Off Peak 0.25 - 1.0 GJ/day | 1.7386 | 1.8062 | 3.89% |
| Off Peak 1.0 - 1.5 GJ/day | 1.0406 | 1.0811 | 3.89% |
| Off Peak 1.5 - 5.0 GJ/day | 0.6306 | 0.6551 | 3.89% |
| Off Peak > 5.0 GJ/day | 0.1781 | 0.1850 | 3.87% |
| Average Price Movement Tariff V Business | 1.45 | 1.50 | 3.83% |

| Tariff D (Annual MHQ GJ/hr) | 2014 (\$/MHQ) | 2015 (\$/MHQ) | % Change |
|--|---------------|---------------|--------------|
| 1 - 50 MHQ/day | 1.3492 | 1.4017 | 3.89% |
| > 50 MHQ/day | 0.2296 | 0.2385 | 3.89% |
| Average Price Movement Tariff D | 1.21 | 1.25 | 3.89% |
| | | | |
| Tariff L- Multinet Gas Non-Residential | 2014 (\$/GJ) | 2015 (\$/GJ) | % Change |
| Fixed Charge | | | |
| Peak < 5 GJ/day | 0.5275 | 0.5480 | 3.89% |
| Peak > 5 GJ/day | 0.1131 | 0.1175 | 3.89% |
| May Shoulder < 5 GJ/day | 0.4677 | 0.4859 | 3.89% |
| May Shoulder > 5 GJ/day | 0.1063 | 0.1104 | 3.86% |
| Oct Shoulder < 5 GJ/day | 0.4677 | 0.4859 | 3.89% |
| Oct Shoulder > 5 GJ/day | 0.1063 | 0.1104 | 3.86% |
| Off Peak < 5 GJ/day | 0.3709 | 0.3853 | 3.88% |
| Off Peak > 5 GJ/day | 0.0843 | 0.0876 | 3.91% |
| | | | |
| Rolling 12 month max [\$/GJ (MHQ/d)] | 0.4904 | 0.5095 | 3.89% |
| Peak Demand [\$/GJ (MHQ/d)] | 1.4674 | 1.5245 | 3.89% |
| Average Price Movement Tariff L | 0.47 | 0.48 | 3.89% |

| Residential Yarra Valley Tariff V | 2014 (\$/GJ) | 2015 (\$/GJ) | % Change |
|--|--------------|--------------|--------------|
| Fixed Charge (\$/day) | 0.1557 | 0.1618 | 3.92% |
| Peak 0 - 0.05 GJ/day | 9.4354 | 9.4354 | 0.00% |
| Peak 0.05 - 0.1 GJ/day | 7.6382 | 7.6382 | 0.00% |
| Peak 0.1 - 0.15 GJ/day | 5.4598 | 5.4598 | 0.00% |
| Peak 0.15 - 0.25 GJ/day | 4.3069 | 4.3069 | 0.00% |
| Peak > 0.25 GJ/day | 4.0141 | 4.0141 | 0.00% |
| May Shoulder 0 - 0.05 GJ/day | 9.1199 | 9.1199 | 0.00% |
| May Shoulder 0.05 - 0.1 GJ/day | 7.4126 | 7.4126 | 0.00% |
| May Shoulder 0.1 - 0.15 GJ/day | 5.3431 | 5.3431 | 0.00% |
| May Shoulder 0.15 - 0.25 GJ/day | 4.2478 | 4.2478 | 0.00% |
| May Shoulder >0.25 GJ/day | 3.9696 | 3.9696 | 0.00% |
| Oct Shoulder 0 - 0.05 GJ/day | 9.1199 | 9.1199 | 0.00% |
| Oct Shoulder 0.05 - 0.1 GJ/day | 7.4126 | 7.4126 | 0.00% |
| Oct Shoulder 0.1 - 0.15 GJ/day | 5.3431 | 5.3431 | 0.00% |
| Oct Shoulder 0.15 - 0.25 GJ/day | 4.2478 | 4.2478 | 0.00% |
| Oct Shoulder >0.25 GJ/day | 3.9696 | 3.9696 | 0.00% |
| Off Peak 0 - 0.05 GJ/day | 8.4890 | 8.4890 | 0.00% |
| Off Peak 0.05 - 0.1 GJ/day | 6.9614 | 6.9614 | 0.00% |
| Off Peak 0.1 - 0.15 GJ/day | 5.1097 | 5.1097 | 0.00% |
| Off Peak 0.15 - 0.25 GJ/day | 4.1297 | 4.1297 | 0.00% |
| Off Peak > 0.25 GJ/day | 3.8808 | 3.8808 | 0.00% |
| Average Price Movement Yarra Valley Residential | 7.17 | 7.21 | 0.59% |

| Business Yarra Valley Tariff V | 2014 (\$/GJ) | 2015 (\$/GJ) | % Change |
|---|--------------|--------------|--------------|
| Fixed Charge (\$/day) | 0.2558 | 0.2658 | 3.91% |
| Peak 0 - 0.25 GJ/day | 6.0689 | 6.0689 | 0.00% |
| Peak 0.25 - 1.0 GJ/day | 4.9885 | 4.9885 | 0.00% |
| Peak 1.0 - 1.5 GJ/day | 4.2437 | 4.2437 | 0.00% |
| Peak 1.5 - 5.0 GJ/day | 3.7481 | 3.7481 | 0.00% |
| Peak > 5.0 GJ/day | 3.3337 | 3.3337 | 0.00% |
| May Shoulder 0 - 0.25 GJ/day | 5.8267 | 5.8267 | 0.00% |
| May Shoulder 0.25 – 1 GJ/day | 4.8023 | 4.8023 | 0.00% |
| May Shoulder 1 - 1.5 GJ/day | 4.1877 | 4.1877 | 0.00% |
| May Shoulder 1.5 – 5 GJ/day | 3.7321 | 3.7321 | 0.00% |
| May Shoulder >5 GJ/day | 3.3129 | 3.3129 | 0.00% |
| Oct Shoulder 0 - 0.25 GJ/day | 5.8267 | 5.8267 | 0.00% |
| Oct Shoulder 0.25 – 1 GJ/day | 4.8023 | 4.8023 | 0.00% |
| Oct Shoulder 1 - 1.5 GJ/day | 4.1877 | 4.1877 | 0.00% |
| Oct Shoulder 1.5 – 5 GJ/day | 3.7321 | 3.7321 | 0.00% |
| Oct Shoulder >5 GJ/day | 3.3129 | 3.3129 | 0.00% |
| Off Peak 0 - 0.25 GJ/day | 5.5752 | 5.5752 | 0.00% |
| Off Peak 0.25 - 1.0 GJ/day | 4.7447 | 4.7447 | 0.00% |
| Off Peak 1.0 - 1.5 GJ/day | 4.0949 | 4.0949 | 0.00% |
| Off Peak 1.5 - 5.0 GJ/day | 3.7133 | 3.7133 | 0.00% |
| Off Peak > 5.0 GJ/day | 3.2920 | 3.2920 | 0.00% |
| Average Price Movement Yarra Valley Business | 4.74 | 4.75 | 0.25% |

| Residential South Gippsland Tariff V | 2014 (\$/GJ) | 2015 (\$/GJ) | % Change |
|---|--------------|--------------|--------------|
| Fixed Charge (\$/day) | 0.1557 | 0.1618 | 3.92% |
| Peak 0 - 0.05 GJ/day | 10.2687 | 10.2687 | 0.00% |
| Peak 0.05 - 0.1 GJ/day | 8.3602 | 8.3602 | 0.00% |
| Peak 0.1 - 0.15 GJ/day | 6.0470 | 6.0470 | 0.00% |
| Peak 0.15 - 0.25 GJ/day | 4.8226 | 4.8226 | 0.00% |
| Peak > 0.25 GJ/day | 4.5117 | 4.5117 | 0.00% |
| May Shoulder 0 - 0.05 GJ/day | 9.9336 | 9.9336 | 0.00% |
| May Shoulder 0.05 - 0.1 GJ/day | 8.1207 | 8.1207 | 0.00% |
| May Shoulder 0.1 - 0.15 GJ/day | 5.9230 | 5.9230 | 0.00% |
| May Shoulder 0.15 - 0.25 GJ/day | 4.7599 | 4.7599 | 0.00% |
| May Shoulder >0.25 GJ/day | 4.4645 | 4.4645 | 0.00% |
| Oct Shoulder 0 - 0.05 GJ/day | 9.9336 | 9.9336 | 0.00% |
| Oct Shoulder 0.05 - 0.1 GJ/day | 8.1207 | 8.1207 | 0.00% |
| Oct Shoulder 0.1 - 0.15 GJ/day | 5.9230 | 5.9230 | 0.00% |
| Oct Shoulder 0.15 - 0.25 GJ/day | 4.7599 | 4.7599 | 0.00% |
| Oct Shoulder >0.25 GJ/day | 4.4645 | 4.4645 | 0.00% |
| Off Peak 0 - 0.05 GJ/day | 9.2638 | 9.2638 | 0.00% |
| Off Peak 0.05 - 0.1 GJ/day | 7.6415 | 7.6415 | 0.00% |
| Off Peak 0.1 - 0.15 GJ/day | 5.6752 | 5.6752 | 0.00% |
| Off Peak 0.15 - 0.25 GJ/day | 4.6344 | 4.6344 | 0.00% |
| Off Peak > 0.25 GJ/day | 4.3701 | 4.3701 | 0.00% |
| Average Price Movement South Gippsland Residential | 9.22 | 9.29 | 0.77% |

| Business South Gippsland Tariff V | 2014 (\$/GJ) | 2015 (\$/GJ) | % Change |
|--|--------------|--------------|--------------|
| Fixed Charge (\$/day) | 0.2625 | 0.2727 | 3.89% |
| Peak 0 - 0.25 GJ/day | 6.6938 | 6.6938 | 0.00% |
| Peak 0.25 - 1.0 GJ/day | 5.5465 | 5.5465 | 0.00% |
| Peak 1.0 - 1.5 GJ/day | 4.7555 | 4.7555 | 0.00% |
| Peak 1.5 - 5.0 GJ/day | 4.2293 | 4.2293 | 0.00% |
| Peak > 5.0 GJ/day | 3.7892 | 3.7892 | 0.00% |
| May Shoulder 0 - 0.25 GJ/day | 6.4366 | 6.4366 | 0.00% |
| May Shoulder 0.25 – 1 GJ/day | 5.3487 | 5.3487 | 0.00% |
| May Shoulder 1 - 1.5 GJ/day | 4.6961 | 4.6961 | 0.00% |
| May Shoulder 1.5 – 5 GJ/day | 4.2122 | 4.2122 | 0.00% |
| May Shoulder >5 GJ/day | 3.7670 | 3.7670 | 0.00% |
| Oct Shoulder 0 - 0.25 GJ/day | 6.4366 | 6.4366 | 0.00% |
| Oct Shoulder 0.25 – 1 GJ/day | 5.3487 | 5.3487 | 0.00% |
| Oct Shoulder 1 - 1.5 GJ/day | 4.6961 | 4.6961 | 0.00% |
| Oct Shoulder 1.5 – 5 GJ/day | 4.2122 | 4.2122 | 0.00% |
| Oct Shoulder >5 GJ/day | 3.7670 | 3.7670 | 0.00% |
| Off Peak 0 - 0.25 GJ/day | 6.1695 | 6.1695 | 0.00% |
| Off Peak 0.25 - 1.0 GJ/day | 5.2876 | 5.2876 | 0.00% |
| Off Peak 1.0 - 1.5 GJ/day | 4.5975 | 4.5975 | 0.00% |
| Off Peak 1.5 - 5.0 GJ/day | 4.1923 | 4.1923 | 0.00% |
| Off Peak > 5.0 GJ/day | 3.7449 | 3.7449 | 0.00% |
| Average Price Movement South Gippsland Business | 4.65 | 4.65 | 0.12% |

| South Gippsland Tariff D (Annual MHQ GJ/hr) | 2014 (\$/MHQ) | 2015 (\$/MHQ) | % Change |
|--|---------------|---------------|--------------|
| 1 - 50 MHQ/day | 1.6674 | 1.6674 | 0.00% |
| > 50 MHQ/day | 0.2837 | 0.2837 | 0.00% |
| Average Price Movement South Gippsland Tariff D | 1.59 | 1.59 | 0.00% |

5.2 Ancillary Reference Tariffs

Ancillary Reference Tariffs apply to the provision of Ancillary Services. Ancillary Services are those services that are provided in accordance with Schedule 1 of Part A of Multinet Gas's Access Arrangement. These services are detailed below:

Meter and Gas Installation Test – on-site testing to check the accuracy of a Meter and the compliance of a Gas Installation with relevant standards, in order to determine whether the meter is accurately measuring the Quantity of Gas delivered.

Disconnection by the carrying out of work being:

- Removal of the meter at a Metering Installation, or
- The use of locks or plugs at a Metering Installation in order to prevent the withdrawal of Gas at the Distribution Supply Point in response to:
 - The direction in writing of a User
 - A request from a customer the customer obtaining or having obtained Supply at a Distribution Supply Point otherwise than in accordance with the Distribution System Code or any regulatory requirement.

Turn on and Reconnection being:

- Reinstallation of a meter if it has been removed, or
- The removal of any locks or plugs used to isolate Supply, and
- The performance of a safety check and the lighting of appliances where necessary.

Special Meter Reading being meter readings in addition to scheduled meter readings that form part of the Haulage Reference Services.

The Ancillary Reference Services will be provided on Business Days between the hours of 8.00am and 4.00pm.

Table 5-2 compares the proposed 2015 Ancillary Reference charges versus the 2014 Ancillary Reference charges.

Table 5-2: 2014 versus 2015 Ancillary Reference Charges

| MULTINET GAS | | | | |
|-----------------------------|--|-----------|-----------|----------|
| ANCILLARY REFERENCE CHARGES | | | | |
| Reference | Service Description | 2014 (\$) | 2015 (\$) | % Change |
| METON | Meter Turn On / or Reconnect | 40.12 | 41.05 | -2.27% |
| METREM | Meter Removal - Various | 56.86 | 58.17 | -2.25% |
| METINV | Meter Investigation – High Account Investigation | 135.87 | 139.01 | -2.26% |
| METPLG | Meter Disconnection – Use of locks & plugs | 47.59 | 48.69 | -2.26% |

| Reference | Service Description | 2014 (\$) | 2015 (\$) | % Change |
|-----------|---------------------|-----------|-----------|----------|
| SPRDB | Special Meter Read | 6.11 | 6.25 | -2.24% |

5.3 Price control regime

The regulated price control formula allows Multinet Gas an average increase in distribution tariffs in 2015 of 3.84% over the 2014 tariffs. The components of this change are:

| 2015 MG Price Control Factor | | |
|---------------------------------|--------------------|--------------------------|
| Price Control Factor | % Change from 2014 | Factor Information |
| L | -0.001% | Licence Fee |
| X | 1.50% | GAAR decision |
| CPI | 2.31% | September 2014 CPI |
| DUOS Average Estimated Increase | 3.84% | Overall Average Increase |

$$\text{Allowable price change} = (1+\text{CPI}) * (1-\text{X}) * (1+\text{L}) * (1+\text{A})$$

Within the average tariff increase of 3.84%, the price control formulae allow individual tariffs to increase up to 5.92% under the rebalancing constraints (above price change formula multiplied by (1+.02)). This allows Multinet Gas some flexibility as to where the average 3.84% increase is allocated.

Yarra Valley and South Gippsland Tariff V Residential and Commercial consumption tariffs currently attract a surcharge which is due to expire in approximately 11 years. Multinet Gas will gradually return this surcharge by decreasing these tariffs over time to eventually be in line with metro tariffs.

Ancillary Reference and other charges have increased by CPI from 2014 to 2015.

5.4 Future tariffs

Multinet Gas believes that the current Tariff V structure will remain over the 2013-2017 Access Arrangement period. However, Multinet Gas will continually rebalance its tariffs in regard to changes to the demand profile of its network and will seek appropriate mechanisms for achieving inter-customer group equity in the allocation of distribution cost-recovery requirements.

Multinet Gas continues to monitor new gas technology such as gas air conditioning and co-generation with an intent to introduce new tariffs that will maintain Multinet Gas's operating revenue whilst encouraging customers to change their consumption to improve overall asset utilisation and system load factor.

The current Access Arrangement provides for Ancillary Reference Services to change by CPI every year.

6 New Tariffs

6.1 New Tariffs / Tariff Structures

No new tariffs will be introduced in 2015. As per section 6.3, Warburton customers will receive the current Yarra Valley Network Tariffs.

6.2 Derivation of new tariffs / new tariff structure

Not applicable

6.3 New Towns: Warburton Gas Reticulation

In early 2014, as part of the Victorian Government Regional Energy Program, Regional Development Victoria (RDV) awarded Multinet Gas the contract to reticulate natural gas to Warburton which is part of the Yarra Ranges Shire.

Over the next 2 years, the Warburton Gas Extension project will reticulate approximately 4.7 km of gas mains from Millgrove to Warburton and 25km of distribution mains in Warburton. Construction works are due to commence early 2015 and customers are planned to connect from late 2015 to early 2016. Comdain will manage the construction of the reticulation project and it will pass approximately 1000 homes and businesses throughout Warburton once completed. Financial incentives will be offered to customers to encourage early connection to natural gas and as Warburton is part of the Yarra Ranges, the current Multinet Yarra Ranges Network tariffs will apply. These tariffs were accepted by RDV as part of the winning bid for the gas reticulation project.

7 Previous year tariffs

All previous year tariffs are included in section 4.

8 Impact of Tariff Variations

8.1 Change in customer charges

The table below provides indicative information for an “average” Multinet Gas customer and the effect it will have on the distribution component of a typical bill.

Table 8-1: Residential Customer – Tariff V

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|------------------|-----------------------|-----------|-----------------|---|----------------|
| | Usage per annum | Unit | Price (\$/unit) | | |
| Fixed | 1.0 | Cust/Day | \$0.16 | \$0.16 | 3.92% |
| Peak | 31.8 | GJ | \$2.87 | \$2.98 | 3.89% |
| May Shoulder | 6.7 | GJ | \$3.01 | \$3.12 | 3.89% |
| October Shoulder | 4.6 | GJ | \$3.70 | \$3.85 | 3.89% |
| Off Peak | 15.2 | GJ | \$4.07 | \$4.22 | 3.89% |
| Total | 58.3 | GJ | \$4.24 | \$4.41 | 3.90% |

Note: Total effect on average revenue is contained in table 8.10

Table 8-2: Business Customer – Tariff V

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|------------------|-----------------------|-----------|-----------------|---|----------------|
| | Usage per annum | Unit | Price (\$/unit) | | |
| Fixed | 1.0 | Cust/Day | \$0.26 | \$0.27 | 3.61% |
| Peak | 140.7 | GJ | \$1.17 | \$1.22 | 3.89% |
| May Shoulder | 32.8 | GJ | \$1.10 | \$1.14 | 3.89% |
| October Shoulder | 26.5 | GJ | \$1.19 | \$1.24 | 3.89% |
| Off Peak | 122.8 | GJ | \$1.15 | \$1.19 | 3.89% |
| Total | 322.8 | GJ | \$1.45 | \$1.50 | 3.83% |

Note: Total effect on average revenue is contained in table 8.10

Table 8-3: Tariff L Customer

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|----------------|-----------------------|------------|-----------------|---|----------------|
| | Usage per day | Unit | Price (\$/unit) | | |
| Fixed | n/a | | \$0.00 | \$0.00 | 0.00% |
| Peak | 5.4 | GJ | \$0.22 | \$0.23 | 3.89% |
| Shoulder | 2.6 | GJ | \$0.21 | \$0.21 | 3.88% |
| Off Peak | 4.6 | GJ | \$0.20 | \$0.21 | 3.89% |
| Rolling Demand | 3.7 | GJ MQH/day | \$0.49 | \$0.51 | 3.89% |
| Peak Demand | 2.9 | GJ MQH/day | \$0.49 | \$0.51 | 3.89% |
| Total | 4596.5 | | \$0.47 | \$0.48 | 3.89% |

Note: Total effect on average revenue is contained in table 8.10

Table 8-4: Tariff D Customer

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|---------------------|-----------------------|-------------------|-----------------|---|----------------|
| | Usage per day | Unit | Price (\$/unit) | | |
| Demand 0 - 50 MHQ | 11.7 | GJ MQH/day | 1.35 | 1.40 | 3.89% |
| Demand > 50 MHQ | 1.7 | GJ MQH/day | 0.23 | 0.24 | 3.89% |
| Demand Total | 13.4 | GJ MQH/day | \$1.21 | \$1.25 | 3.89% |

Note: Total effect on average revenue is contained in table 8.10

Table 8-5: Yarra Valley Residential Customer – Tariff V

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|------------------|-----------------------|-----------|-----------------|---|----------------|
| | Usage per annum | Unit | Price (\$/unit) | | |
| Fixed | 1.0 | Cust/Day | \$0.16 | \$0.16 | 3.92% |
| Peak | 29.6 | GJ | \$5.79 | \$5.79 | 0.00% |
| May Shoulder | 6.7 | GJ | \$5.80 | \$5.80 | 0.00% |
| October Shoulder | 4.4 | GJ | \$6.51 | \$6.51 | 0.00% |
| Off Peak | 12.5 | GJ | \$6.83 | \$6.83 | 0.00% |
| Total | 53.2 | GJ | \$7.17 | \$7.21 | 0.59% |

Note: Total effect on average revenue is contained in table 8.10

Table 8-6: Yarra Valley Business Customer – Tariff V

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|------------------|-----------------------|-----------|-----------------|---|----------------|
| | Usage per annum | Unit | Price (\$/unit) | | |
| Fixed | 1.0 | Cust/Day | \$0.26 | \$0.27 | 3.91% |
| Peak | 146.7 | GJ | \$4.42 | \$4.42 | 0.00% |
| May Shoulder | 32.3 | GJ | \$4.38 | \$4.38 | 0.00% |
| October Shoulder | 24.9 | GJ | \$4.49 | \$4.49 | 0.00% |
| Off Peak | 110.0 | GJ | \$4.47 | \$4.47 | 0.00% |
| Total | 313.9 | GJ | \$4.74 | \$4.75 | 0.25% |

Note: Total effect on average revenue is contained in table 8.10

Table 8-7: South Gippsland Residential Customer – Tariff V

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|------------------|-----------------------|-----------|-----------------|---|----------------|
| | Usage per annum | Unit | Price (\$/unit) | | |
| Fixed | 1.0 | Cust/Day | \$0.16 | \$0.16 | 3.92% |
| Peak | 17.9 | GJ | \$7.14 | \$7.14 | 0.00% |
| May Shoulder | 3.0 | GJ | \$7.71 | \$7.71 | 0.00% |
| October Shoulder | 2.5 | GJ | \$8.00 | \$8.00 | 0.00% |
| Off Peak | 7.9 | GJ | \$7.69 | \$7.69 | 0.00% |
| Total | 31.4 | GJ | \$9.22 | \$9.29 | 0.77% |

Note: Total effect on average revenue is contained in table 8.10.

Table 8-8: South Gippsland Business Customer – Tariff V

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|------------------|-----------------------|-----------|-----------------|---|----------------|
| | Usage per annum | Unit | Price (\$/unit) | | |
| Fixed | 1.0 | Cust/Day | \$0.26 | \$0.27 | 3.89% |
| Peak | 290.3 | GJ | \$4.49 | \$4.49 | 0.00% |
| May Shoulder | 62.9 | GJ | \$4.47 | \$4.47 | 0.00% |
| October Shoulder | 59.8 | GJ | \$4.49 | \$4.49 | 0.00% |
| Off Peak | 271.6 | GJ | \$4.53 | \$4.53 | 0.00% |
| Total | 684.7 | GJ | \$4.65 | \$4.65 | 0.12% |

Note: Total effect on average revenue is contained in table 8.10.

Table 8-9: South Gippsland Tariff D Customer

| Component | Existing 2014 Average | | | Proposed Average 2015 Price (\$/unit) | % Price Change |
|---------------------|-----------------------|-------------------|-----------------|---|----------------|
| | Usage per day | Unit | Price (\$/unit) | | |
| Demand 0 - 50 MHQ | 50.0 | GJ MQH/day | \$1.67 | \$1.67 | 0.00% |
| Demand > 50 MHQ | 2.9 | GJ MQH/day | \$0.28 | \$0.28 | 0.00% |
| Demand Total | 52.9 | GJ MQH/day | \$1.59 | \$1.59 | 0.00% |

Note: Total effect on average revenue is contained in table 8.10.

8.2 Change in average customer charge by tariff

The table below provides indicative information for an “average” Multinet Gas customer and the effect it will have on the distribution tariff by \$/customer.

Table 8-10: Change in Average Customer

| Component | Existing 2014 \$/Cust/annum | Proposed 2015 \$/Cust/annum | % Change |
|-----------------------------|--------------------------------|--------------------------------|----------|
| Tariff V Residential | \$247 | \$257 | 3.90% |
| Tariff V Business | \$468 | \$486 | 3.83% |
| Tariff L | \$1,187 | \$1,233 | 3.89% |
| Tariff D | \$5,882 | \$6,111 | 3.89% |
| Yarra Valley Residential | \$381 | \$383 | 0.59% |
| Yarra Valley Business | \$1,487 | \$1,490 | 0.25% |
| South Gippsland Residential | \$289 | \$291 | 0.77% |
| South Gippsland Business | \$3,182 | \$3,186 | 0.12% |
| South Gippsland Tariff D | \$30,726 | \$30,726 | 0.00% |

8.3 Multinet Residential Distribution Tariff compared to Total Retail Bill

The table below provides indicative information for the average Multinet Gas Residential customer DUOS as compared to the total Retail Bill. As shown, the DUOS component is approximately 21% of the total customer bill:

Table 8-11: Residential DUOS v Total Retail Bill

| | 2014 MG DUOS | 2014 Retail Bill | % DUOS Total Retail Bill |
|--|--------------|------------------|--------------------------|
| Tariff V Residential (avg 58 GJ/annum) | \$247 | \$1,176 | 21% |

NB: Retail Bill is based on the default MG retailer standard published market offer.

9 Carbon Tax

On 18 November 2011, the Clean Energy Act 2011 (Cth) (Clean Energy Act) received royal assent. This Act was part of a new package of legislation (CPM) which required liable entities to pay a price on carbon emissions (carbon tax) from 1 July 2012. The CPM required a liable entity to pay a tax for each tonne of carbon dioxide equivalent (tCO_{2e}) it emits. Multinet Gas was a liable entity under the CPM.

The recovery of costs attributable to the CPM occurs through an amendment to the Reference Tariff Control Formula approved by the AER in the Fourth (2013 to 2017) Access Arrangement. The approved control formula for the recovery of the carbon tax operates in a similar manner to the jurisdictional solar scheme whereby Multinet Gas can recover the costs of the CPM scheme liability and any cost overrun or underrun is trued up in the formula leaving Multinet Gas neutral to the CPM scheme.

The carbon pricing mechanism was applied to emissions of greenhouse gases from 1 July 2012. The cost of the permit was fixed at \$23/tonne for 12/13 and \$24.15 for 13/14.

Multinet Gas's annual carbon tax liability was the product of the carbon permit cost, for example \$23 tCO₂e and the network's annual carbon emissions. The latter was calculated in accordance with "Natural Gas Distribution Method 1", which is set out in the National Greenhouse and Energy Reporting (Measurement) Determination 2008. Multinet Gas proposed the same carbon tax tariff structure as that approved by the AER from the Multinet Cost Pass Through Application – Carbon Tax, 14 February 2012.

Following the 2013 change of government, the CPM was abolished from 1 July 2014. However, the CPM remained until the 17 July 2014 when the Carbon Tax Repeal Bill passed the Senate and received royal assent, which retrospectively repealed the carbon tax obligations from 1 July 2014.

Multinet's AER approved haulage tariffs for 2014 have a carbon tax component which was intended to apply for the full calendar year. Multinet gained confirmation from the AER of a within year tariff change to set the carbon tax component of the tariff to zero following the day of royal assent (18 July 2014), and submitted a negative pass through submission to the AER to ensure all pass through requirements were met. In summary:

- A Relevant Pass Through Event has occurred, it is a change of taxes event;
- The change of taxes event occurred on 18 July 2014, being the date of royal assent, and was retrospectively applied to 1 July 2014;
- The monies collected from 1 July to 17 July 2014 inclusive will be calculated by end use customer type, and will be credited back to retailers via the current Reference Tariff Control Formula as \$/GJ in the calendar year 2015.

Based on the CPM legislative framework, Table 9.1 below outlines the calculated CY Carbon Tax Emissions and the associated charges/rebates for carbon tax. The letter certifying the actual amount for 1 July 2013 to 30 June 2014 is provided for completeness in Appendix 8.

Table 9-1: Carbon Tax Emissions and Costs

| Actual | Year | Emissions (GJ) | Average Cost (\$/GJ) | Total Liability (\$) |
|--------|------|----------------|----------------------|----------------------|
| Actual | 2013 | 263,566 | \$23.58 | \$6,209,665 |
| Actual | 2014 | 128,398 | \$12.08 | \$3,100,812 |
| Actual | 2015 | 0 | \$0 | \$0 |

NB: Above CY emissions and costs are calculated based on certified FY emissions and costs (FY split 50/50).

Table 9.2 below outlines the carbon tax revenue, costs, under/over recovery and correction factor applicable to Multinet Gas in 2015:

Table 9-2: Carbon Tax Scheme Amounts (\$'000)

| | Revenue | Cost | Under/Over Recovery | Plus applicable CPI/WACC |
|--|-------------|-------------|---------------------|--------------------------|
| 2013 (act) | \$7,217,158 | \$6,209,665 | -\$1,007,494 | -\$1,168,262 |
| 2014 Jan-June (est) | \$2,251,300 | \$3,100,812 | \$849,512 | \$915,440 |
| 2014 Jul (est) | \$502,945 | \$0 | -\$502,945 | -\$541,977 |
| 2015 Correction Factor (Total) | \$9,971,403 | \$9,310,477 | -\$660,926 | -\$794,799 |
| 2015 Forecast | -\$300,000 | \$-0 | -\$300,000 | -\$313,556 |
| 2015 Maximum Carbon Tax Revenue | | | | -\$1,108,355 |

Explanation of terms:

2015 Correction factor:

\$794,799 is based on actual over-recovery of \$1,168,262 in calendar year (CY) 2013, and an estimated net under-recovery of \$373,463 in CY 2014.

2015 Forecast:

The Carbon Tax Forecast for 2015 is a credit of \$313,556 which relates to GAAR allowed OPEX 2015-2017. To meet the administrative requirements of carbon reporting and purchasing/surrender of permits, the AER approved OPEX charges of \$100K per annum for 2015, 2016, and 2017 which are required to be credited back to customers in 2015. These have been escalated by applicable CPIs to achieve \$313,556.

2015 Maximum Carbon Tax Revenue:

The 2015 Maximum Carbon Tax Revenue is a credit amount of \$1,108,355 to be returned to Retailers in the 2015 calendar year. This amount is based on the 2015 Forecast and the 2013 and 2014 net over recovery.

Table 9.3 includes the applicable carbon tax tariffs proposed for 2015 compared to 2014. There have been no structural amendments from 2014 to 2015. All tariffs remain as \$/GJ. All tariffs are negative as a credit is owed to all customers.

Table 9.3: Carbon Tax Tariff (\$/GJ)

| Tariff | 2014 (\$/GJ) | 2015 (\$/GJ) |
|--------------------------|--------------|--------------|
| Tariff V Residential | \$0.1406 | -\$0.0274 |
| Tariff V Non-Residential | \$0.0481 | -\$0.0094 |
| Tariff L/D - Multinet | | |
| <100000 | \$0.0073 | -\$0.0014 |
| >100000 | \$0.0023 | -\$0.0004 |

Appendix 1 – Multinet Gas Metropolitan Area Tariffs

SCHEDULE OF GAS DISTRIBUTION TARIFFS – MULTINET GAS – exclusive of GST

Date of Application – 1 January 2015

Tariff V Residential

Distribution Fixed Component

\$0.1618 per day (exclusive of GST)

| Consumption Range (GJ/day) | Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST) |
|----------------------------|---|---|---|---|
| 0 - 0.05 | 7.2243 | 6.1408 | 6.8630 | 6.8630 |
| > 0.05 - 0.1 | 5.1664 | 4.3915 | 4.9080 | 4.9080 |
| > 0.1 - 0.15 | 2.6710 | 2.2712 | 2.5384 | 2.5384 |
| > 0.15 - 0.25 | 1.3518 | 1.1490 | 1.2842 | 1.2842 |
| > 0.25 | 1.0025 | 0.8642 | 0.9657 | 0.9657 |

Tariff V Non Residential

Distribution Fixed Component

\$0.2667 per day (exclusive of GST)

| Consumption Range (GJ/day) | Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST) |
|----------------------------|---|---|---|---|
| 0 - 0.25 | 3.2839 | 2.7331 | 3.0137 | 3.0137 |
| > 0.25 - 1 | 2.0783 | 1.8062 | 1.8706 | 1.8706 |
| > 1 - 1.5 | 1.2470 | 1.0811 | 1.1847 | 1.1847 |
| > 1.5 - 5 | 0.6940 | 0.6551 | 0.6762 | 0.6762 |
| > 5 | 0.2316 | 0.1850 | 0.2083 | 0.2083 |

Tariff L Non Residential

| Consumption Range (GJ/day) | Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST) |
|----------------------------|---|---|---|---|
| < 5 | 0.5480 | 0.3853 | 0.4859 | 0.4859 |
| > 5 | 0.1175 | 0.0876 | 0.1104 | 0.1104 |

| Rolling 12 month Maximum MHQ Distribution Demand tariff component (\$/MHQ per day) (exclusive of GST) | Peak MHQ Distribution Demand tariff component (\$/MHQ per day) (exclusive of GST) |
|---|---|
| 0.5095 | 1.5245 |

Tariff D

| Annual MHQ (GJ/hr) | Distribution Demand tariff component (\$/MHQ) (exclusive of GST) |
|--------------------|--|
| 0 - 50 | 511.6085 |
| > 50 | 87.0458 |

Period Definitions

| | |
|----------|------------------|
| Peak | June - September |
| Off Peak | November - April |
| Shoulder | May |
| Shoulder | October |

Appendix 2 - Yarra Valley Tariffs

SCHEDULE OF GAS DISTRIBUTION TARIFFS – MULTINET GAS YARRA VALLEY– exclusive of GST

Date of Application – 1 January 2015

Tariff V Residential

Distribution Fixed Component

\$0.1618 per day (exclusive of GST)

| Consumption Range (GJ/day) | Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST) |
|----------------------------|---|---|---|---|
| 0 - 0.05 | 9.4354 | 8.4890 | 9.1199 | 9.1199 |
| > 0.05 - 0.1 | 7.6382 | 6.9614 | 7.4126 | 7.4126 |
| > 0.1 - 0.15 | 5.4598 | 5.1097 | 5.3431 | 5.3431 |
| > 0.15 - 0.25 | 4.3069 | 4.1297 | 4.2478 | 4.2478 |
| > 0.25 | 4.0141 | 3.8808 | 3.9696 | 3.9696 |

Tariff V Non Residential

Distribution Fixed Component

\$0.2658 per day (exclusive of GST)

| Consumption Range (GJ/day) | Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST) |
|----------------------------|---|---|---|---|
| 0 - 0.25 | 6.0689 | 5.5752 | 5.8267 | 5.8267 |
| > 0.25 - 1 | 4.9885 | 4.7447 | 4.8023 | 4.8023 |
| > 1 - 1.5 | 4.2437 | 4.0949 | 4.1877 | 4.1877 |
| > 1.5 - 5 | 3.7481 | 3.7133 | 3.7321 | 3.7321 |
| > 5 | 3.3337 | 3.2920 | 3.3129 | 3.3129 |

Period Definitions

| | |
|----------|------------------|
| Peak | June - September |
| Off Peak | November - April |
| Shoulder | May |
| Shoulder | October |

Appendix 3 – South Gippsland Tariffs

SCHEDULE OF GAS DISTRIBUTION TARIFFS – MULTINET GAS SOUTH GIPPSLAND– exclusive of GST

Date of Application – 1 January 2015

Tariff V Residential

Distribution Fixed Component

\$0.1618 per day (exclusive of GST)

| Consumption Range (GJ/day) | Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST) |
|----------------------------|---|---|---|---|
| 0 - 0.05 | 10.2687 | 9.2638 | 9.9336 | 9.9336 |
| > 0.05 - 0.1 | 8.3602 | 7.6415 | 8.1207 | 8.1207 |
| > 0.1 - 0.15 | 6.0470 | 5.6752 | 5.9230 | 5.9230 |
| > 0.15 - 0.25 | 4.8226 | 4.6344 | 4.7599 | 4.7599 |
| > 0.25 | 4.5117 | 4.3701 | 4.4645 | 4.4645 |

Tariff V Non Residential

Distribution Fixed Component

\$0.2727 per day (exclusive of GST)

| Consumption Range (GJ/day) | Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST) | Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST) |
|----------------------------|---|---|---|---|
| 0 - 0.25 | 6.6938 | 6.1695 | 6.4366 | 6.4366 |
| > 0.25 - 1 | 5.5465 | 5.2876 | 5.3487 | 5.3487 |
| > 1 - 1.5 | 4.7555 | 4.5975 | 4.6961 | 4.6961 |
| > 1.5 - 5 | 4.2293 | 4.1923 | 4.2122 | 4.2122 |
| > 5 | 3.7892 | 3.7449 | 3.7670 | 3.7670 |

Tariff D

| Annual MHQ (GJ/hr) | Distribution Demand tariff component (\$/MHQ) (exclusive of GST) |
|-----------------------|--|
| 0 - 50 | 608.6116 |
| > 50 | 103.5439 |

Period Definitions

| | |
|----------|------------------|
| Peak | June - September |
| Off Peak | November - April |
| Shoulder | May |
| Shoulder | October |

Appendix 4 – Tariff D MHQ Billing Calculation

Distribution Demand Charge = (Estimated Annual Charge – Charges to Date) / Remaining Bill Periods.

where: Estimated Annual Charge is:

For billing periods between January and September:

If Actual Annual MHQ > Forecast Annual MHQ then:

$$\text{Estimate Annual Charge} = \text{Actual Annual MHQ} * \text{Rate}$$

Or:

$$\text{Estimate Annual Charge} = \text{Forecast Annual MHQ} * \text{Rate}$$

For billing periods between October and December:

If the Maximum Annual MHQ for the last 9 months is less than the Forecast Annual MHQ then:

$$\text{Forecast Annual MHQ} = \text{Maximum Annual MHQ} * \text{Rate}$$

Or:

$$\text{Estimated Annual Charge} = \text{Forecast Annual MHQ} * \text{Rate}$$

Note:

A minimum MHQ of 1.15GJ applies to the Estimated Annual Charge. If the MHQ (either the Actual Annual MHQ or the Forecast Annual MHQ) used for the Estimated Annual Charge is less than 1.15MJ then 1.15MJ will be used to calculate the charge.

Charges to Date is the sum of the Distribution Demand Charges that have been charged in the current year.

Remaining Billing Periods is set using the table below:

| Billing Period | Remaining Billing Period |
|----------------|--------------------------|
| January | 12 |
| February | 11 |
| March | 10 |
| April | 9 |
| May | 8 |
| June | 7 |
| July | 6 |
| August | 5 |
| September | 4 |
| October | 3 |
| November | 2 |
| December | 1 |

Note:

The unit rates used for Tariff D are stepped and are as follows:

0 – 50MHQ (GJ/Hr) @ \$492.4482

> 50MHQ (GJ/Hr) @ \$83.7858

If there is a change in the retailer for a service point, then the Distribution charges for the entire month are charged to the new retailer.

Examples

MHQ = Maximum Hourly Quantity (Measured in Giga Joules (GJ))

Generally, each bill is: (Yearly Amount for Estimate MHQ – Current YTD) / Number of months left in year.

Example 1

Say the Estimated MHQ was 1200 which equated to \$1200 a year and the Estimate proved correct and the MHQ for the year was in fact 1200

| Month | Actual MHQ | Estimated MHQ | Bill Calc | Bill | YTD |
|-------|------------|---------------|------------------|------|------|
| 1 | 1000 | 1200 | (1200 - 0) /12 | 100 | 100 |
| 2 | 900 | 1200 | (1200 - 100) /11 | 100 | 200 |
| 3 | 600 | 1200 | (1200 - 200) /10 | 100 | 300 |
| 4 | 500 | 1200 | (1200 - 300) /9 | 100 | 400 |
| 5 | 700 | 1200 | (1200 - 400) /8 | 100 | 500 |
| 6 | 900 | 1200 | (1200 - 500) /7 | 100 | 600 |
| 7 | 800 | 1200 | (1200 - 600) /6 | 100 | 700 |
| 8 | 1200 | 1200 | (1200 - 700) /5 | 100 | 800 |
| 9 | 1000 | 1200 | (1200 - 800) /4 | 100 | 900 |
| 10 | 600 | 1200 | (1200 - 900) /3 | 100 | 1000 |
| 11 | 800 | 1200 | (1200 - 1000) /2 | 100 | 1100 |
| 12 | 900 | 1200 | (1200 - 1100) /1 | 100 | 1200 |

Example 2

Say the Estimated MHQ was 1200 which equated to \$1200 a year and the Estimate was high and the highest MHQ was in fact 1000 in January.

Every September the Estimate is revised to 1000

| Month | Actual MHQ | Estimated MHQ | Bill Calc | Bill | YTD |
|-------|------------|---------------|---------------------|------|------|
| 1 | 1000 | 1200 | $(1200 - 0) / 12$ | 100 | 100 |
| 2 | 900 | 1200 | $(1200 - 100) / 11$ | 100 | 200 |
| 3 | 600 | 1200 | $(1200 - 200) / 10$ | 100 | 300 |
| 4 | 500 | 1200 | $(1200 - 300) / 9$ | 100 | 400 |
| 5 | 700 | 1200 | $(1200 - 400) / 8$ | 100 | 500 |
| 6 | 900 | 1200 | $(1200 - 500) / 7$ | 100 | 600 |
| 7 | 800 | 1200 | $(1200 - 600) / 6$ | 100 | 700 |
| 8 | 900 | 1200 | $(1200 - 700) / 5$ | 100 | 800 |
| 9 | 1000 | 1000 | $(1000 - 800) / 4$ | 50 | 850 |
| 10 | 600 | 1000 | $(1000 - 850) / 3$ | 50 | 900 |
| 11 | 800 | 1000 | $(1000 - 900) / 2$ | 50 | 950 |
| 12 | 900 | 1000 | $(1000 - 950) / 1$ | 50 | 1000 |

Example 3

Say the Estimated MHQ was 1200 which equated to \$1200 a year and the Estimate was Low and the highest MHQ was in fact 1400 in April.

The April high would increase the estimate up straight away.

| Month | Actual MHQ | Estimated MHQ | Bill Calc | Bill | YTD |
|-------|------------|---------------|------------------------|--------|---------|
| 1 | 1000 | 1200 | $(1200 - 0) / 12$ | 100 | 100 |
| 2 | 900 | 1200 | $(1200 - 100) / 11$ | 100 | 200 |
| 3 | 600 | 1200 | $(1200 - 200) / 10$ | 100 | 300 |
| 4 | 1400 | 1400 | $(1400 - 300) / 9$ | 122.22 | 422.22 |
| 5 | 700 | 1400 | $(1400 - 422.22) / 8$ | 122.22 | 544.44 |
| 6 | 900 | 1400 | $(1400 - 544.44) / 7$ | 122.22 | 666.66 |
| 7 | 800 | 1400 | $(1400 - 666.66) / 6$ | 122.22 | 788.88 |
| 8 | 900 | 1400 | $(1400 - 788.88) / 5$ | 122.22 | 911.1 |
| 9 | 1000 | 1400 | $(1400 - 911.10) / 4$ | 122.22 | 1033.32 |
| 10 | 600 | 1400 | $(1400 - 1033.32) / 3$ | 122.22 | 1155.54 |
| 11 | 800 | 1400 | $(1400 - 1155.54) / 2$ | 122.22 | 1277.76 |
| 12 | 900 | 1400 | $(1400 - 1399.98) / 1$ | 122.22 | 1399.98 |

Appendix 5 – Tariff L: Description and Business Rules

Description and Requirements

The L tariff is open to customers:

- consuming more than 1TJ per annum;
- consuming less than 10TJ per annum; and
- have an MHQ demand of less than 10 GJ per hour.

In association with introduction of the L tariff, Multinet Gas has withdrawn the Non-residential V tariff to new customers who have at any time consumed more than 5TJ per consecutive 6 month period.

L tariff customers must:

- pay for an appropriate meter which is capable of recording MHQ
- pay a charge for providing connection assets and mains extensions that have been previously undertaken for that distribution supply point; and
- continue to be assigned to Tariff L for a period of up to 1 year.

Tariff Structure

Rolling 12 Month Maximum MHQ Charge:

- The 12 Month Rolling Maximum Demand Charge is a daily charge based on the highest demand (MHQ) delivered over 12 months to the end of the billing period.
- There is no minimum chargeable demand and no tariff step based on MHQ.
- In exceptional circumstances, customers can apply for their Rolling 12 month Maximum MHQ to be decreased

If a particular customer has changed their gas usage over a shorter term than the 12 months covered by the Rolling 12 month Maximum MHQ (e.g. 3 - 6 months), then they are eligible (on their request) to accelerate their reduction in demand before the 12 month period is up.

If a customer wants to reduce their chargeable demand, they must complete a "Demand Reset Form." This should be faxed to 03 9256 5590.

The form allows for input of the reason for the demand reset being requested. If the reset is being requested because of an unusual event that has caused a peak during one month that is outside the normal operating thresholds for the business, this event will be investigated. If it is substantiated then a reset may be approved.

Where a customer ceases to take supply or changes retailer the maximum demand will be calculated with respect to the 12 months prior to the end of the billing period in question.

Peak MHQ Distribution Demand Charge Business Rules: – The Peak MHQ

Distribution Demand Charge is a daily charge based on the highest demand (MHQ) delivered in any billing period during the hours 6 am to 10 am on weekdays over the 4 Peak months.

- The four Peak Months are June through to end of September
- There is no minimum chargeable demand and no tariff step based on MHQ
- Where a customer ceases to take supply or changes retailer the maximum demand will be calculated with respect to the billing period in question.

For ease of explanation, the means of calculating the Peak MHQ Distribution Demand Charge is broken down into:

- Periods when maximum demand may be measured for calculating a Peak MHQ Distribution Demand Charge quantity.
- Calculation of the Peak MHQ Distribution Demand Charge quantity to be applied to the billing calculations.
- Application of the Peak MHQ Distribution Demand Charge quantity to the billing period.

Times that are relevant to identify the Peak MHQ Distribution Demand Charge:

- Peak months, where Peak is defined as 1 June to 30 September.
- Weekdays, excluding public holidays.
- Hours between 6am and 10am local time.

The Peak MHQ Distribution Demand Charge demand quantity to be applied to the billing calculation is:

- The highest MDQ measured in the monitored periods during each billing period
- Application of Peak MHQ Distribution Demand Charge quantity to the billing period:
- The billing period is the period covered by the bill which is generally a period between; scheduled meter reads, or special meter reads.
- The 4 Hour Peak Demand Charge for the billing period is the product of; the 4 Hour Peak Demand Charge quantity multiplied by the 4 Hour Peak Demand Charge unit rate multiplied by the number of peak days in the billing period.

Appendix 6 – Multinet Gas Postcodes

Melbourne Metropolitan Area

3000*, 3004, 3006, 3008*, 3097*, 3101, 3102, 3103, 3104, 3105, 3106, 3107, 3108, 3109, 3111, 3113, 3114, 3115, 3116, 3122, 3123, 3124, 3125, 3126, 3127, 3128, 3129, 3130, 3131, 3132, 3133, 3134, 3135, 3136, 3137, 3138, 3140, 3141, 3142, 3143, 3144, 3145, 3146, 3147, 3148, 3149, 3150, 3151, 3152, 3153, 3154, 3155, 3156, 3158, 3159, 3160, 3161, 3162, 3163, 3165, 3166, 3167 3168, 3169, 3170, 3171, 3172, 3173, 3174, 3175*, 3177, 3178, 3179, 3180, 3181, 3182, 3183, 3184, 3185, 3186, 3187, 3188, 3189, 3190, 3191, 3192, 3193, 3194, 3195, 3196, 3197, 3201*, 3202, 3204, 3205, 3206, 3207, 3765, 3766, 3767, 3770*, 3781, 3782, 3783, 3785, 3786, 3787, 3788, 3789, 3791, 3792, 3793, 3795, 3796, 3802, 3804*, 3976.

* Postcode 3000 is shared with Vic Gas Distribution Pty Ltd ACN 085 899 001.

* Postcode 3008 is shared with Vic Gas Distribution Pty Ltd ACN 085 899 001.

* Postcode 3175 is shared with Vic Gas Distribution Pty Ltd ACN 085 899 001.

* Postcode 3770 is shared with Vic Gas Distribution Pty Ltd ACN 085 899 001.

* Postcode 3097 is shared with Vic Gas Distribution Pty Ltd ACN 085 899 001

* Postcode 3201 is shared with Vic Gas Distribution Pty Ltd ACN 085 899 001

• Postcode 3804 is shared with Vic Gas Distribution Pty Ltd ACN 085 899 001.

Yarra Valley Gas Extension

Incorporating additional postcodes: 3139, 3775, 3797, 3799

South Gippsland Extension

Incorporating additional postcodes: 3984, 3950, 3953, 3995, 3996, 3979.

Appendix 7 – Audited “t-2” CY 2013 Quantities

Independent Auditor's Report to the Boards of Multinet Gas (DB No. 1) Pty Ltd and Multinet Gas (DB No. 2) Pty Ltd trading as Multinet Gas Distribution Partnership

We have audited the Actual Gas Quantity Input data ("Submission Data") as presented in the Annual Variations of Haulage Reference Tariffs Submission templates ("Tariff Submission templates") of Multinet Gas (DB No. 1) Pty Ltd and Multinet Gas (DB No. 2) Pty Ltd Trading as Multinet Gas Distribution Partnership ("Multinet") for the following the periods;

- The calendar year 1 January 2013 to 31 December 2013
- The period 1 January 2014 to 17 July 2014

The applicable criteria and preparation basis is set out in the Multinet National Gas Law Access Arrangement (Part B - Reference Tariffs and Reference Tariff Policy) issued in April 2013.

The Submission Data has been prepared for inclusion in the Tariff Submission templates Submitted to the Australian Energy Regulator ("AER").

Management's Responsibility for the Submission templates

Management of the company is responsible for the preparation of the Submission templates, inclusive of the Submission Data, and have determined that the definition of the Submission Data, as presented within the Submission Templates is appropriate to the needs of its users. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the Submission Templates that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Submission Data based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Submission Data is prepared, in all material respects, in accordance with the Section 4.3 and Appendix 1 Formula 4 of the Multinet National Gas Law Access Arrangement (Part B - Reference Tariffs and Reference Tariff Policy) issued in April 2013.

The Submission Data has been prepared for inclusion in the Tariff Submission templates Submitted to the Australian Energy Regulator ("AER").

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Submission Data. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Submission Data, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the Submission Data in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the Submission Data.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of Multinet and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Opinion

In our opinion, the Submission Data of Multinet as presented in the Submission Templates for the calendar year ended 31 December 2013 and the period 1 January 2014 to 17 July 2014 is prepared, in all material respects, in accordance with the Section 4.3 and Appendix 1 Formula 4 of the Multinet National Gas Law Access Arrangement (Part B - Reference Tariffs and Reference Tariff Policy) issued in April 2013.

Basis of Accounting and Restriction on Distribution

The Submission Data are non-statutory information which is submitted to the AER. No opinion is expressed as to whether the applicable criteria used are appropriate to the needs of the AER. Our report is intended solely for the Directors of Multinet and the AER and should not be distributed to parties other than the Directors of Multinet and the AER. We disclaim any assumption of responsibility for any reliance on this audit report or on the Submission Templates to which it relates to any other person other than the Directors of Multinet and the AER.



Ernst & Young

Melbourne
17 October 2014

Appendix 8 – Certified 2013/14 Carbon Tax Emissions

Independent reasonable assurance report to the
Management and Directors of Multinet Gas DB
No.2 Pty Ltd in relation to compliance with
Sections 22A and 22B of the *National
Greenhouse and Energy Reporting Act 2007* for
the financial year ended 30 June 2014



Greenhouse Audit Coversheet

Audited Body

| | | |
|------------------------------|------------------------------|---|
| Name of Audited Body: | Multinet Gas DB No.2 Pty Ltd | |
| Audited body contact details | Audited body contact: | Daniel Santos |
| | Phone number | (03) 8846-9734 |
| | Address | Level 1, 43-45 Centreway Place Mount Waverley VIC 3149 |

Audit Description

| | |
|----------------------------------|---|
| Kind of audit: | Reasonable Assurance Section 74AA <i>National Greenhouse and Energy Reporting Act 2007</i> , as preserved by the <i>Clean Energy Legislation (Carbon Tax Repeal) Act 2014</i> ("NGER Act") |
| Audit objective: | Compliance with Sections 22A and 22B of the <i>NGER Act 2007</i> , the <i>National Greenhouse and Energy Reporting Regulations 2008</i> , the <i>National Greenhouse and Energy Reporting (Measurement) Determination 2008</i> including the <i>National Greenhouse and Energy Reporting (Measurement) Amendment Determination 2013 (No. 1)</i> , and the <i>Clean Energy Act 2011</i> and subordinate legislation. |
| Time period audited: | 1 July 2013 - 30 June 2014 |
| Date terms of engagement signed: | 2 nd September 2014 |
| Date audit report signed | 21 October 2014 |

Auditor Details

| | | |
|---|---------------------|---|
| Auditor Details | Name of Auditor | Kester Brown |
| | Registration Number | 0077/2010 |
| | Phone Number | (+61) 3 8650 7632 |
| | Address | 8 Exhibition Street Melbourne VIC 3000 |
| Names and contact details of audit team and other persons working with the audit team leader | Name of Auditor | Mathew Nelson |
| | Phone Number | (+61) 3 9288 8121 |
| | Name of Auditor | Helen Adair |
| | Phone Number | (+61) 3 8650 7500 |
| | Name of Auditor | Tim Rodsted |
| | Phone Number | (+61) 3 8650 7675 |
| | Name of Auditor | Simone Lee |
| | Phone Number | (+61) 3 9655 2712 |
| Details of exemptions under section 6.71 of the <i>National Greenhouse and Energy Reporting Regulations 2008</i> for the audit team leader or professional member of the audit team and, if so, details of the procedures for managing conflict of interest | | |
| Not Applicable - Audit team is in full compliance with independence requirements | | |

Part A – Auditor’s Conclusion

We have conducted a reasonable assurance engagement pursuant to section 74AA of the National Greenhouse and Energy Reporting Act 2007 (“the NGER Act”) as preserved by the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* in order to provide an opinion as to whether the subject matter detailed below has been reported, in all material respects, in accordance with the criteria as presented below.

Subject matter

The subject matter for our assurance engagement is Multinet Gas DB No.2 Pty Ltd’s (“Multinet”)’s Section 22A Report (“the Report”), including:

- ▶ Liable greenhouse gas emissions number (the “emissions number”) of 256,796 tCO₂-e (tonnes carbon dioxide equivalent) as reported in the Report for the year ended 30 June 2014; and
- ▶ Record keeping with regard to the preparation of the emissions number

Criteria

The criteria for reporting the emissions number subject matter is set out in:

- ▶ *Clean Energy Act 2011* (“the Clean Energy Act”)
- ▶ *National Greenhouse and Energy Reporting Act 2007*, as preserved by the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* (“NGER Act”)
- ▶ *National Greenhouse and Energy Reporting Regulations 2008* (“NGER Regulation”)
- ▶ *National Greenhouse and Energy (Measurement) Determination 2008*, including the *National Greenhouse and Energy Reporting (Measurement) Amendment Determination 2013 (No. 1)* (“the Measurement Determination”)

The criteria for reporting the record keeping requirement subject matter is set out in:

- ▶ Section 22B of the *National Greenhouse and Energy Reporting Act 2007*
- ▶ Section 4.34 of the *National Greenhouse and Energy Reporting Regulations 2008*

Management’s responsibility

Management of Multinet is responsible for the preparation and fair presentation of the Subject Matter in accordance with the Criteria. This includes establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that are free from material misstatement, whether due to fraud or error. Management of the Multinet is responsible for the interpretation and application of the requirements of the NGER Act, NGER Regulation and Measurement Determination in determining operational control and quantifying emissions and energy, which are reflected in a Basis of Preparation titled ‘*Multinet Gas NGERS Reporting Basis of Preparation 2013-14*’ which has been provided to us.

The Management of Multinet is also responsible for keeping and retaining records in accordance with Section 22B of the NGER Act and 4.34 of the NGER Regulation. This responsibility includes the design, implementation and maintenance of internal controls relevant to the creation, retention and maintenance of records to allow accurate reporting under Section 22A of the NGER Act and to enable the Clean Energy Regulator to ascertain whether Multinet has complied with the reporting obligations of Section 22A, in a form that is easily and quickly accessible for inspection and audit.

Auditor’s responsibility

Our responsibility is to express an opinion as to whether the Subject Matter, has been prepared, in all material respects, in compliance with the Criteria based on our reasonable assurance engagement. The procedures selected depend on our judgement, including an assessment of the risks of material misstatement or material non-compliance of the matters being audited. We conducted our reasonable assurance engagement in accordance with the:

- ▶ *National Greenhouse and Energy Reporting (Audit) Determination 2009*

- ▶ *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ▶ *ASAE 3410 Assurance Engagements on Greenhouse Gas Statements*
- ▶ *ASAE 3100 Compliance Engagements*

An assurance engagement involves performing procedures to obtain assurance evidence about the subject matter being audited. The procedures selected depend on the audit team leader's judgement, including the assessment of the risks of material misstatement or material non-compliance of the matter being audited, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to Multinet's determination of the amounts and disclosures in the matter being audited in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Multinet's internal controls. An assurance engagement also includes evaluating the reasonableness of emissions estimates made by management of the company as well as evaluating the overall presentation of the subject matter.

We believe that the assurance evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of procedures undertaken

Our procedures included, but were not limited to, the following:

- ▶ Gaining an understanding of the emissions number reporting processes for each liable facility
- ▶ Conducting site visits to identify sources of covered emissions and understand the basis for measurement and preparation of the emissions number
- ▶ Conducting interviews and collation of evidence to understand processes and controls supporting preparation and presentation of the emissions number
- ▶ Checking that methodologies have been correctly applied as per the requirements in the Measurement Determination
- ▶ Testing the calculations performed by the company
- ▶ Undertaking analytical review procedures to support the reasonableness of the emissions number
- ▶ Identifying and testing assumptions supporting the calculations
- ▶ Testing, on a sample basis, to underlying source information to ensure completeness and accuracy of the matter being assured
- ▶ Reviewing the appropriateness of the presentation of the information
- ▶ Reviewing the completeness and appropriateness of record keeping processes

Use of our reasonable assurance engagement report

This report has been prepared for the Management and Directors of Multinet and for the Clean Energy Regulator for the sole purpose of reporting on the matter being audited.

We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the intended users, or for any purpose other than that for which it was prepared.

Independence and quality control

In conducting our assurance engagement, we have met the independence requirements of the *APES 110 Code of Ethics for Professional Accountants* and the requirements defined in the *Greenhouse and Energy Auditor Code of Conduct*. We have the required competencies and experience to conduct this assurance engagement.

In accordance with *Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements*, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all instances of non-compliance with the criteria, as an assurance engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with the Criteria are undertaken on a test basis. The opinion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. We specifically note that Multinet has used estimates or extrapolated underlying information to calculate certain amounts included within the greenhouse gas information. In relation to record keeping the audit procedures performed were limited to determining the reasonableness of Multinet's ability to store and access appropriate evidence for the compliance year being assured. It did not include testing the controls of any of management's record-keeping systems.

Our conclusion

In our opinion the Section 22A report of Multinet for the period 1 July 2013 to 30 June 2014 is prepared in accordance with the requirements set out in the *Clean Energy Act 2011*, the NGER Act and subordinate regulations, in all material respects.

In our opinion, for the year ended 30 June 2014, in all material respects, records have been kept in relation to the emissions number, for the purpose of satisfying the requirements of Section 22B of the NGER Act.

<Auditor Part A Sign Off>



Ernst & Young



Kester Brown
Partner

Melbourne, Australia
21 October 2014

Part B – Detailed Findings

Assurance findings and conclusions table

| Issue/Risk area investigated | Testing Conducted | Findings | Conclusion | Recommendations |
|--|--|--|--|--|
| Matters of Non-Compliance or Non-Conformance with the Acts or Regulations | | | | |
| ▶ None identified | | | | |
| Matters Requiring Attention | | | | |
| ▶ None identified | | | | |
| Other matters to be reported | | | | |
| <ul style="list-style-type: none"> ▶ Variances in natural gas distribution fugitive emissions | <ul style="list-style-type: none"> ▶ Gaining an understanding of the emissions number reporting processes for each liable facility ▶ Conducting interviews and collation of evidence to understand processes and controls supporting preparation and presentation of the emissions number ▶ Testing the calculations performed by the company ▶ Testing, on a sample basis, to underlying source information to ensure completeness and accuracy of the matter being assured | <ul style="list-style-type: none"> ▶ Based on our testing, variances were identified in relation to the exclusion of natural gas transmission customers from the natural gas distribution sales volumes resulting in an underreporting on 9,783 tCO₂-e or 3.8% of the emissions number ▶ Multinet subsequently updated by the natural gas distribution sales volumes and greenhouse gas emissions inventory prior to submission of the Report | <ul style="list-style-type: none"> ▶ Multinet have updated the inventory to reflect any errors identified during the course of our testing procedures | <ul style="list-style-type: none"> ▶ No associated recommendation |

Peer reviewer conclusion

| | |
|---|---|
| Name of peer reviewer | Mathew Nelson (NGER registration 0051/2010) |
| Peer reviewer contact details | (+61) 3 9288 8121 8 Exhibition Street Melbourne VIC 3000 |
| Outcome of the evaluation undertaken by the peer reviewer | The peer review did not identify any deficiencies in the reasonable assurance procedures conducted or the results of such procedures, and concurred with the issuance of an unqualified reasonable assurance opinion. |

<Auditor Part B Sign Off>



Ernst & Young



Kester Brown
Partner

Melbourne, Australia
21 October 2014

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