



FINAL DECISION
Multinet Gas Network
Gas Distribution Determination

2023 to 2028

Reference Services

November 2021

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Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Tel: 1300 585 165

Email: AERInquiry@aer.gov.au

Note

This AER final decision applies to Multinet Gas Network's reference services for the 2023–28 gas access arrangement period commencing 1 July 2023 to 30 June 2028.

Under the National Gas Rules (NGR), gas network service providers are required to submit their reference service proposals to the AER twelve (12) months in advance of the submission date for their access arrangement revisions proposal.

The NGR require us to complete our assessment of a reference service proposal no later than six (6) months in advance of the due date for submission of the relevant access arrangement revisions proposal.

Multinet Gas Network's access arrangement revisions submission date is 1 July 2022. We are required to conclude our assessment no later than 31 December 2021.

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Shortened forms

ACCC	Australian Competition & Consumer Commission
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AGN	Australian Gas Networks
COAG	Council of Australian Governments
Cl.	clause
ESC	Essential Services Commission
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NSP	Network Service Provider

1 Overview

The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future. We regulate energy networks in all jurisdictions except Western Australia. We set the amount of revenue that network businesses can recover from customers for using these networks.

The National Gas Law and Rules (NGL and NGR) provide the regulatory framework governing gas transmission and distribution networks. Our work under this framework is guided by the National Gas Objective (NGO):¹

to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas

Multinet Gas Network (MGN) distributes natural gas to residential, commercial and industrial business customers in Victoria.

On 1 July 2021 MGN submitted to the AER a reference service proposal for its gas distribution network. We have assessed the proposal against the requirements set out in the NGR.

Our final decision is to approve MGN's reference service proposal. We consider the proposal is consistent with the requirements.

We published MGN's proposal on the AER website and called for submissions. In response, we received a submission from Red Energy and Lumo Energy (Red and Lumo) on 30 July 2021.

¹ *National Gas (South Australia) Act 2008*, s. 23.

2 Background

This section discusses the new reference service requirement in the NGR and describes MGN's gas distribution network.

2.1 Multinet Gas Network's gas distribution network

MGN's gas distribution network services Melbourne's inner south and east, the Yarra Ranges and South Gippsland. It comprises around 9,978km of pipeline, serving around 717,604 customers.²

2.2 Background

In March 2019, the Australian Energy Market Commission (AEMC) made a final determination to implement a range of NGR improvements to regulation of covered transmission and distribution gas pipelines across Australia.^{3 4}

These new rules follow a COAG Energy Council rule change request based on recommendations in the AEMC's recent review of Parts 8-12 of the National Gas Rules to address concerns that customers may be paying more than necessary for gas pipeline services.⁵

The new rules are designed to help gas pipeline users negotiate lower prices and better deals. This will make it cheaper to move gas around the market, helping to keep gas and electricity prices for consumers as low as possible.⁶

In deciding whether a pipeline service should be specified as a reference service, the AER must have regard to the reference service factors.⁷ These factors are summarised in section 2.2.2 of this paper.

Services which we determine meet the reference service factors will be determined to be reference services. Services which we determine do not meet the reference service factors will be treated as non-reference services.

Determining a service to be a reference service, as compared to it being a non-reference service, makes a significant difference to how the service is regulated. Reference services are subject to AER price regulation. That is, we set maximum prices, or price caps, which gas networks may charge network users for reference services. Gas networks may choose to charge network users less than the price caps we determine but they may not charge more. Services we determine to be non-

² Multinet Gas Distribution Network, *Reference service proposal*, July 2021, p.1.

³ Covered pipelines are those pipelines that are regulated under Parts 8 to 12 of the National Gas Rules by the Australian Energy Regulator or the Economic Regulation Authority of Western Australia.

⁴ AEMC, *Regulation of covered pipelines*, March 2019.

⁵ AEMC, *New AEMC rules for stronger regulation of covered gas pipelines*, March 2019.

⁶ AEMC, *New AEMC rules for stronger regulation of covered gas pipelines*, March 2019.

⁷ NGR, cl. 47A(14).

reference services are not subject to price regulation. This means gas networks set their own charges for non-reference services. Within this package of reforms the AEMC introduced a new approach to determine which pipeline services should be specified as reference services for a full regulation pipeline's access arrangement. This included:⁸

- a new process requiring identification of reference services at the start of an access arrangement assessment process
- new criteria for determining appropriate reference services.

2.2.1 New process

In terms of process, gas network service providers (NSPs) are now required to submit a separate reference service proposal to the AER for assessment. Previously, a reference service proposal was an element of a NSP's broader access arrangement revisions proposal.

Further, NSPs must now submit their reference service proposals to the AER twelve (12) months in advance of the submission date for their access arrangement revisions proposal.

The amended NGR require us to complete our assessment of a reference service proposal no later than six (6) months in advance of the due date for submission of the relevant access arrangement revisions proposal.

MGN's access arrangement revisions submission date is 1 July 2022. This means MGN was required to submit its reference service proposal to the AER by no later than 1 July 2021, which it did. We are required to conclude our assessment no later than 31 December 2021.

2.2.2 Criteria

In preparing its reference service proposal and in undertaking our assessment, the NGR require MGN and ourselves to have regard to the reference service factors specified in the NGR.⁹ The factors include:¹⁰

- the actual and likely demand for the pipeline's services and the number of prospective users
- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service
- the usefulness of specifying the pipeline service as a reference service in supporting negotiations and dispute resolution

⁸ NGR, cl. 47A.

⁹ NGR, cl. 47A(1)(c); 47A(13)(a); 47A(14).

¹⁰ NGR, cl. 47A(15).

- likely regulatory costs for all parties in specifying the pipeline service as a reference service.

Relevant elements of cl. 47A are listed in our detailed compliance assessment in section 4 of this decision paper.

3 Multinet Gas Network's reference service proposal

This section outlines MGN's reference service proposal including the stakeholder consultation it undertook in developing its proposal.

3.1 Multinet Gas Network's stakeholder consultation

MGN submitted that it undertook a joint program for the design and delivery of engagement activities with the other Victorian gas distribution businesses - AusNet Services and Australian Gas Networks Victoria and Albury. This involved a four stage approach to engage and involve customers and stakeholders in its planning process. The Draft Engagement Plan can be found on its website.

MGN submitted that its engagement program includes undertaking ongoing stakeholder consultation by:

- engaging with its Victorian Gas Networks Stakeholder Roundtable (VGNSR)
- engaging with its Retailer Reference Group (RRG).

MGN described its VGNSR as representing a wide cross section of the community which reflects the diversity of its customer base. MGN met with VGNSR on 3 March, 29 March and 27 May 2021.

MGN described its RRG as comprising representatives from gas retailers who operate in markets it serves. It met with RRG on 11 March, 31 March, 28 May and 16 June 2021.

MGN submitted that the agenda in each meeting included a discussion on services and the rule requirements for this Reference Service Proposal. Two written submissions on the draft Reference Service Proposal were received. It held a separate RRG meeting on the 16 June 2021 to review feedback and provide responses prior to finalising the Reference Service Proposal.

A summary of customer and stakeholder feedback is outlined in table 3-1.

Table 3-1 Summary of customer and stakeholder feedback

Topic	Feedback on draft reference service proposal
Alignment of services, terminology and descriptions	<p>Stakeholders support efforts to align reference services across the gas distribution businesses, however consider alignment should only be pursued if it leads to better outcomes for customers.</p> <p>One retailer submitted that gas businesses should align the terminology and naming of services to ensure consistent understanding and use by retailers.</p>

Haulage reference service	Stakeholders support MGNs proposal to align its haulage services with AGN's.
Ancillary reference service	<p>Stakeholders support the continuation of current ancillary reference services.</p> <p>One retailer acknowledges the 'Disconnect in Street' service has seen minimal to no usage (to date) but considers that both the economic changes brought about by COVID and the latest changes arising from the Essential Services Commission (ESC) Victoria changes to the Energy Industry Act (in relation to disconnections) may see an uptake of this service. It would prefer the service to be available (at least as a non-reference service) until the next AA period.</p>
Non-reference services	<p>Stakeholders generally support the continuation of current non-reference services and noted that:</p> <ul style="list-style-type: none"> • one retailer supports the removal of the 'Removal of Service Pipe' service • one retailer strongly urges the introduction of meter reads for appointments given more services are needed to support the provision of actual meter reads for billing or churn purposes in light of COVID-19.
Price transparency around non-reference services	<p>One retailer is concerned that non-reference services will not be subject to a form of price regulation. It submits that any customer that is required to pay for a non-reference service should have the power to question the cost of that service. The consumer should be entitled to ask the Victorian gas distributor for a breakdown of the costs for the relevant non-reference service. They should have 30 days to review those costs to determine if they are satisfied that they are reasonable. If they are not, they should be able to take their case to an independent arbitrator such as the ESC or the AER for review.</p>
Other matters	<p>One retailer submitted that:</p> <ul style="list-style-type: none"> • for standing charges post disconnection, amendments should be made to existing arrangements where standing charges would be halted (like Jemena Gas Networks, Electricity) for the period when a Meter Installation Registration Number is disconnected • for zero consumption sites, the retailer would like to work more closely with gas distribution businesses to identify and establish an agreed process for managing zero consumption (periods > 12-18 months) sites.

3.2 Multinet Gas Network's reference service proposal

In deciding whether a pipeline service should be specified as a reference service, the AER must have regard to the reference service factors.¹¹ These factors are set out in section 2.2.2. Services that do not meet the reference service factors are considered non-reference services.

MGN proposes to make only minor changes to its current reference and non-reference services to align with AGN. MGN submitted that it aims to maintain a consistent set of service offerings to minimise costs and enable efficient market operations.

Reference services

MGN currently offers two categories of reference services:¹²

- haulage reference services – for the transportation of gas for our residential, commercial and demand customers
- ancillary reference services – are commonly used services ancillary to providing a haulage service.

MGN proposed to amend its existing reference services.¹³ The current haulage services are identified as residential haulage service and non-residential haulage services. MGN propose to amend these to volume haulage service (<10TJ per year of consumption) and demand haulage service (>10TJ per year of consumption) respectively.¹⁴ MGN submitted that this will align the haulage reference services with that of AGN.

MGN's ancillary reference services currently comprise:

- meter and gas installation test
- disconnection
- energisation and reconnection
- special meter reading
- installing of a second service valve pit and disconnect gas supply.

MGN proposed to make the following changes to the current list of ancillary reference services:

- move 'Installing a second service valve pit and disconnect gas supply' to a non-reference service due to no demand during the current period and in response to stakeholder feedback

¹¹ NGR, cl. 47A(14).

¹² Multinet Gas Distribution Network, *Reference service proposal*, July 2021, p.1.

¹³ Multinet Gas Distribution Network, *Reference service proposal*, July 2021, p.9.

¹⁴ Multinet Gas Distribution Network, *Reference service proposal*, July 2021, p.9.

- include 'meter removal' as a separate service (currently part of the 'disconnection service')
- make 'meter and retake test' a reference service as part of the 'meter and gas installation test' service in alignment with AGN
- align terminology of the service descriptions with those of AGN for 'energisation and reconnection' and 'special meter reading'.

MGN provided two separate tables in its reference service proposal which outline its current services and proposed reference services.¹⁵

Non-reference services

MGN currently offers non-reference services as follows:¹⁶

- tariff D connections
- tariff L connections
- tariff V Complex connection
- after hours connection and re-connection for tariff V customers between the hours of 4.00pm and 8.00pm
- meter and gas installation test – on-site testing (other than for a tariff V customer) or at NATA accredited laboratory
- disconnection by the carrying out of the work being excavating and shutting the service tee in the street
- reconnection by the carrying out of work being and reconnecting the service tee in the street
- removal of service pipe
- relocation of assets servicing a customer
- any other non-reference service the user requests on behalf of a customer and which the service provider agrees to provide.

MGN proposed to make the following amendments to the current list of non-reference services, based on its assessment of the reference service factors and with a view to align services:

- shift 'meter and retake test' to reference services as part of the 'meter and gas installation test'
- delete 'removal of service pipe'

¹⁵ Multinet Gas Distribution Network, *Reference service proposal*, July 2021, table 2 and 3.

¹⁶ Multinet Gas Distribution Network, *Reference service proposal*, July 2021, table 2.

- shift installation of a second service valve in a pit and disconnect gas to non-reference service from ancillary reference service
- retain the remaining suite of non-reference services for the next AA period, updating the service descriptions to align with AGN.

MGN listed in its reference service proposal its current and proposed reference services.¹⁷

¹⁷ Multinet Gas Distribution Network, *Reference service proposal*, July 2021, table 2 and 3.

4 AER assessment

Our final decision is to approve MGN's reference service proposal. We consider the proposal is consistent with the NGR cl 47A. Changes were made to some services which were mainly to align with AGN. There was stakeholder support for this alignment of reference services across the three Victorian gas distribution businesses.

This section sets out the AER's assessment of MGN's reference service proposal, including the stakeholder consultation we undertook.

4.1 AER stakeholder consultation

We published MGN's reference service proposal on the AER's website on 9 July 2021. We called for written submissions by no later than 30 July 2021.

To alert stakeholders to this process, we issued a communications notice on 9 July 2021 which was emailed to all AER website subscribers.

In response, we received a submission from Red Energy and Lumo Energy (Red and Lumo) on 30 July 2021 which supported efforts to align the reference services offered across the three businesses.

However, Red and Lumo submitted that it has concerns about non-reference services offered by the Victorian gas distributors not being subject to some form of price regulation. It considers the Energy and Water Ombudsman of Victoria (EWOV) is not an appropriate body to manage disputes for non-reference services. Rather it would prefer an economic regulator to be responsible for this, such as the AER.

In response to Red and Lumo's concerns, we note that MGN submitted that it expects its proposed non-reference services to have low demand and reflect only 1% of its annual revenue. The benefits attributable to applying full price regulation must be weighed against the administrative cost of doing so.

4.2 AER assessment of Multinet Gas Network’s reference service proposal

To assess MGN's reference service proposal we considered the extent to which it conforms to each regulatory requirement set out in the NGR cl 47A. Our detailed assessment is set out in Table 4-1.

Table 4-1 Summary of NGR cl. 47A reference service requirements

NGR cl. 47A requirement	Compliance assessment
<p>(1) A service provider in respect of a full regulation pipeline must, whenever required to do so under subrule (3), submit to the AER a reference service proposal in respect of a forthcoming full access arrangement proposal that:</p>	
<p>(a) identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;</p>	<p>Compliant. See section 1.3 of MGN's reference service proposal.</p>
<p>(b) sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in subrule (2);</p>	<p>Compliant. See table 3.</p>
<p>(c) from the list referred to in subrule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as reference services having regard to the reference service factors including any supporting information required by the AER; and</p>	<p>Compliant. See table 3.</p>
<p>(d) if the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.</p>	<p>Compliant. See section 1.5.</p>
<p>(2) A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including:</p>	<p>MGN's reference service proposal appropriately defines pipeline services in regard to their characteristics, priority and receipt points.</p>

(a) the service type (for example, forward haul, backhaul, connection, park and loan);

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

(c) the receipt and delivery points.

(14) In deciding whether or not a pipeline service should be specified as a reference service, the AER must have regard to the reference service factors.

We have had regard to the reference service factors in assessing MGN's reference service proposal.

(15) The reference service factors are:

(a) actual and forecast demand for the pipeline service and the number of prospective users of the service;

MGN's reference service proposal is premised on there being ongoing high demand for the haulage reference service.

Demand for its proposed ancillary reference services ranges from relatively low to high, but the sole low demand reference service ('meter and gas installation test') is not substitutable with other services.

In respect of MGN's proposed non-reference services, it expects little to no demand for these services.

We accept MGN's proposition that demand for non-reference services will be low or nil.

(b) the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;

The haulage reference service is not substitutable with other services.

(c) the feasibility of allocating costs to the pipeline service;

Costs may be allocated to the haulage service.

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

(i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;

To the extent there is demand for the non-reference services, the reference service should be a point of reference for negotiations with MGN.

(ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and

As above.

(iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;

As above.

(e) the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.

By specifying the haulage service as a reference service the current arrangements will be continued. As a result, regulatory costs for all parties will be minimised. Proposed changes to service names are minor and incur little to no administrative costs.