

# **Gas Access Arrangement Revision**

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**2013 - 2017**

**Part B  
of the  
Access Arrangement  
for the  
Distribution System**

**Reference Tariffs and  
Reference Tariff Policy**

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This document is the responsibility of the Networks Strategy and Development Division, SP AusNet. Please contact the indicated owner of the document with any inquiries.

Rob Amphlett Lewis  
Network Owner - Gas  
SP AusNet  
Level 31, 2 Southbank Boulevard  
Melbourne Victoria 3006  
Ph: (03) 9695 6299

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**1 Haulage Reference Tariffs****1.1 Haulage Reference Tariffs**

## (a) Haulage Reference Tariffs for 2013

For Calendar Year 2013, the Haulage Reference Tariffs to apply from 1 January 2013 are the tariffs set out in clause 9 adjusted to comply with the Tariff Control Formula and rebalancing control formula in clause 3 and verified by the Regulator as if clause 4 applied (but for the timing requirements of clause 4.1).

## (b) Introduction of new Haulage Reference Tariffs

(1) The Service Provider may develop one or more new Haulage Reference Tariffs for application to Users in certain circumstances, providing that any new Haulage Reference Tariff is consistent with the Service Provider's Reference Tariff Policy, as set out in clause 6.

(2) The Service Provider is required to notify the Regulator in writing of its intent to introduce new Haulage Reference Tariffs or new Haulage Reference Tariff Components at least 60 Business Days prior to the date on which it wishes the new Haulage Reference Tariffs to commence.

## (c) No Meter

A Distribution Supply Point which does not have a Meter is assigned to Haulage Reference Tariff V, unless otherwise agreed between the Service Provider and the relevant User to whom Reference Services are provided at that Distribution Supply Point.

## (d) Distribution Area

The Haulage Reference Tariffs apply to the Distribution System within the Service Provider's Distribution Area. The Distribution Area is divided into two zones as detailed in clause 9.

**1.2 Application of Haulage Reference Tariffs**

## (a) Assigned Haulage Reference Tariffs

Where the Service Provider is charging a particular Haulage Reference Tariff in respect of Supply at a particular Distribution Supply Point, then the User at that Distribution Supply Point is to be regarded as being "assigned" to that Haulage Reference Tariff.

## (b) Haulage Reference Tariffs for existing Distribution Supply Points

Unless a new Haulage Reference Tariff has been reassigned to a Distribution Supply Point, the Haulage Reference Tariff to apply to a Distribution Supply Point from 1 January 2013 is deemed to be the Haulage Reference Tariff assigned to that Distribution Supply Point as at 31 December 2012.

## (c) Haulage Reference Service provided at a Distribution Supply Point

The Haulage Reference Service provided at a particular Distribution Supply Point is the Haulage Reference Service in respect of which there is a specified Haulage Reference Tariff which is assigned at that Distribution Supply Point.

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**1.3 Assignment of New Haulage Reference Tariffs and New Haulage Reference Tariff Components**

## (a) Change in volume of gas consumed

If, after the initial assignment of a Haulage Reference Tariff to a Distribution Supply Point, the Service Provider becomes aware that:

- (1) the Quantity of Gas withdrawn at that Distribution Supply Point has changed; or
- (2) the User's Customer at that Distribution Supply Point has changed or will change; or
- (3) the User's Customer at that Distribution Supply Point has changed or will change from being a Residential Customer to a Commercial Customer, or
- (4) the User's Customer at that Distribution Supply Point has changed or will change from being a Commercial Customer to a Residential Customer.

so that the Haulage Reference Tariff should no longer be assigned to the Distribution Supply Point to which it is currently assigned, the Service Provider may reassign an alternative Haulage Reference Tariff to that Distribution Supply Point.

## (b) Change in demand or Connection characteristics

If the Service Provider believes that a User's demand characteristics or Connection characteristics (or both) have changed such that it is no longer appropriate for that User's Distribution Supply Point to be assigned to the Haulage Reference Tariff to which the User's Distribution Supply Point is currently assigned, then the Service Provider may reassign an alternative Haulage Reference Tariff to that Distribution Supply Point.

## (c) Factors to be considered by the Service Provider

In determining the assignment of a Haulage Reference Tariff to a Distribution Supply Point the Service Provider will take into account:

- (1) the User's demand and Connection characteristics; and
- (2) Haulage Reference Tariffs assigned to Distribution Supply Points with the same or materially similar demand and Connection characteristics.

## (d) Notification of proposed reassignment of Haulage Reference Tariff

If, after 1 January 2013, the Service Provider becomes aware that a Haulage Reference Tariff assigned to a Distribution Supply Point should be a different Haulage Reference Tariff, the Service Provider will advise the relevant User accordingly, prior to the reassignment occurring, unless otherwise agreed.

## (e) Terms and Conditions for new and changed Distribution Supply Points

If a new Haulage Reference Tariff is assigned to a Distribution Supply Point or there is a change of User at a Distribution Supply Point, the Service Provider will supply to the relevant User, as soon as practicable after a request from that User, the terms and conditions which will apply to the relevant User at that Distribution Supply Point, and the Haulage Reference Tariff that is assigned to that Distribution Supply Point.

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## (f) Notification by User regarding a different Haulage Reference Tariff

Where a User receives notice under clause 1.3(d) that a Haulage Reference Tariff assigned to a Distribution Supply Point should be a different Haulage Reference Tariff, the different Haulage Reference Tariff will be assigned to that Distribution Supply Point unless the User submits a written and reasonable request to the Service Provider to remain on the original Haulage Reference Tariff and the Service Provider approves the request.

## (g) Time period for reassignment

When introducing a new Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will assign the new Haulage Reference Tariff and/or Haulage Reference Tariff Component to the relevant Distribution Supply Point within 30 Business Days of the earlier of:

- (1) the receipt of a written notice that the Regulator has verified the Service Provider's proposed introduction of a new Haulage Reference Tariff and/or Haulage Reference Tariff Component; and
- (2) 20 Business Days from the date on which the Regulator received the Service Provider's notification under clause 4.1(c).

## (h) Assignment to Haulage Reference Tariff D or Haulage Reference Tariff M

Where a Haulage Reference Tariff D or Haulage Reference Tariff M is assigned to a Distribution Supply Point, that Haulage reference Tariff shall apply to that Distribution Supply Point for a minimum period of one year.

## (i) Additional information required for new Haulage Reference Tariffs and new Haulage Reference Tariff Components

Where the Service Provider is proposing to introduce a new Haulage Reference Tariff or a new Haulage Reference Tariff Component, the Service Provider will submit the following information to the Regulator, at the same time that it submits its Haulage Reference Tariff proposals, and in addition to the information required under clause 4.3:

- (1) a parent Haulage Reference Tariff(s), which is the Haulage Reference Tariff(s) currently assigned to those Distribution Supply Points to which the new Haulage Reference Tariff is proposed to apply;
- (2) reasonable estimates of the Quantities that would have been distributed in relevant units if the new Haulage Reference Tariff Components had existed in the Calendar Year immediately prior to the current Calendar Year for each new Haulage Reference Tariff Component; and
- (3) reasonable estimates of the Quantities that would have been distributed in relevant units if the new Haulage Reference Tariff Components had existed in the Calendar Year immediately prior to the current Calendar Year for each Haulage Reference Tariff Component of the parent Haulage Reference Tariff(s).

## (j) Switching rates

Where the Service Provider submits information to the Regulator that the switching rate of Users moving from a given parent Haulage Reference Tariff to a new Haulage Reference Tariff will continue to be above zero from Calendar Year to Calendar Year, the Service Provider will also submit the following information:

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- (1) the Quantities distributed in relevant units at the relevant Distribution Supply Point where the new Haulage Reference Tariff is already assigned to that Distribution Supply Point;
  - (2) reasonable estimates of the Quantities distributed in relevant units at those Distribution Supply Points at which the same new Haulage Reference Tariff is expected to apply during the course of the next Calendar Year; and
  - (3) the Quantities distributed in relevant units at those Distribution Supply Points at which the parent Haulage Reference Tariff continues to apply.
- (k) Details of estimates
- The Service Provider will provide details of and the basis for all estimates provided under clauses 1.3(i) and (j) to the Regulator, including (but not limited to) the information in clause 1.3(e).
- (l) Resubmission of estimates
- The Regulator can request that the Service Provider resubmit quantity estimates provided under clauses 1.3(i) and (j) where the Regulator considers the estimates to be incomplete, inconsistent or unsubstantiated. The Regulator must provide reasons for requesting such a resubmission.
- (m) Timing of information
- The elapsed time between the Regulator requesting that the Service Provider provide additional information under clause 1.3(k), and the Service Provider providing that information to the Regulator does not count towards the 20 Business Days under clause 1.3(g).

#### **1.4 Withdrawal of Haulage Reference Tariffs**

- (a) Withdrawal of Haulage Reference Tariff
- When proposing the withdrawal of an existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will reassign alternative Haulage Reference Tariffs to all relevant Distribution Supply Points within 30 Business Days of the earlier of:
- (1) the receipt of a written notice that the Regulator has verified the Service Provider's proposed withdrawal of the existing Haulage Reference Tariff and/or Haulage Reference Tariff Component; and
  - (2) 20 Business Days from the date on which the Regulator received the Service Provider's notification under clause 4.1(c).
- (b) Notification of withdrawal of Haulage Reference Tariff
- Prior to the withdrawal of the existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will as soon as practicable notify all affected Users in writing.
- (c) Additional information to be provided to Regulator
- When the Service Provider proposes to withdraw a Haulage Reference Tariff, in addition to the information required under clause 4.3, the Service Provider will:



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- (1) notify the Regulator in writing of the Haulage Reference Tariffs that will replace the withdrawn Haulage Reference Tariffs;
- (2) where Haulage Reference Tariffs will be reassigned to more than one Distribution Supply Point in Calendar Year  $t$ , provide a breakdown of the actual Quantities, in relevant units, that were distributed under each existing Haulage Reference Tariff Component to these Users under the existing parent Haulage Reference Tariffs in Calendar Year  $t-2$ ; and
- (3) where Haulage Reference Tariffs have been reassigned to more than one Distribution Supply Point in Calendar Year  $t-1$ , provide a breakdown of the actual Quantities, in relevant units, that were distributed to these Users under each Haulage Reference Tariff Component which existed immediately prior to the reassignment under the parent Haulage Reference Tariffs that previously existed in Calendar Year  $t-1$ .

### 1.5 Provision of Information on Tariffs by the Distribution Business

The distribution business will prepare and publish a public Tariff Report, by 1 March of each Calendar Year. The Tariff Report should contain sufficient information to enable distribution customers to understand the basis for the tariff policies adopted by the distribution business.

The report:

- will be submitted to the regulator 60 business days prior to the end of the Calendar Year where the Service Provider proposes to introduce new tariffs or amend tariff structures in the subsequent Calendar Year
- will be submitted to the regulator 35 business days prior to the end of the Calendar Year where the Service Provider does not propose to introduce new tariffs or amend tariff structures in the subsequent Calendar Year

## 2 Ancillary Reference Tariffs

### 2.1 Existing Ancillary Reference Tariffs

For Calendar Year 2013, the Ancillary Reference Tariffs for Ancillary Reference Services that are to apply from 1 January 2013, are set out in clause 10.

### 2.2 Adjustments to Ancillary Reference Tariffs

The Service Provider will make annual adjustments to the Ancillary Reference Tariffs in accordance with the formula below. For the avoidance of doubt, Ancillary Reference Tariffs are not adjusted in accordance with the Tariff Control Formula or rebalancing control formula in clause 3.

$$ART_t = ART_{t-1} \cdot (1 + CPI_t)$$

where:

$ART_t$  is the Ancillary Reference Tariff that applies in Calendar Year  $t$ ;

$ART_{t-1}$  is the Ancillary Reference Tariff that applies in Calendar Year  $t-1$ ; and

$CPI_t$  is the *CPI* for Calendar Year  $t$ , as defined in the Glossary.

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### 3 Haulage Reference Tariff Control Formula

The Tariff Control Formula comprises the principles, procedures and formulae, which apply during the Fourth Access Arrangement Period for:

- (1) varying;
- (2) withdrawing; and
- (3) introducing new,

Haulage Reference Tariffs. For the avoidance of doubt, the Tariff Control Formula and the rebalancing control formulae do not apply to Ancillary Reference Tariffs.

Whenever the Service Provider proposes to vary, withdraw or introduce any new Haulage Reference Tariff, it will ensure that the proposed charge will be compliant with the relevant Tariff Control Formula set out in clause 3.1 and with the relevant rebalancing control formulae in clause 3.6 to the reasonable satisfaction of the Regulator, and it will comply with the procedures set out in clause 4.

#### 3.1 The Tariff Control Formula

The Tariff Control Formula adopted is consistent with the tariff basket form of price control.

The Tariff Control Formula for the Calendar Year 2013 is:

$$(1 + CPI_t)(1 - X_t)(1 + L_t)(1 + A_t)(1 - A_{t-1}) \geq \frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} * q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} * q_{t-2}^{ij}}$$

where the Service Provider has  $n$  Haulage Reference Tariff categories, each category having up to  $m$  Haulage Reference Tariff Components and where:

$p_t^{ij}$  is for each Haulage Reference Service the proposed Haulage Reference Tariff for Haulage Reference Tariff component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t$ ;

$p_{t-1}^{ij}$  is for each Haulage Reference Service the Haulage Reference Tariff being charged for Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t-1$ ;

$q_{t-2}^{ij}$  is for each Haulage Reference Service the Quantity of Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  that was sold in Calendar Year  $t-2$ ;

$CPI_t$  is the CPI for Calendar Year  $t$ , as defined in the Glossary;

$X_t$  is 0.0388;

$L_t$  is the Licence Fee Factor for Calendar Year  $t$ , as defined below;

$A_t$  is an approved Pass Through Factor for Calendar Year  $t$ , as defined below; and

$A_{t-1}$  is the approved Pass Through Factor in relation to Carbon Liability for Calendar Year  $t-1$ .

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The Tariff Control Formula for the Calendar Year 2014 to 2017 is:

$$(1 + CPI_t)(1 - X_t)(1 + L_t)(1 + A_t) \geq \frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} * q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} * q_{t-2}^{ij}}$$

where the Service Provider has n Haulage Reference Tariff categories, each category having up to m Haulage Reference Tariff Components and where:

$p_t^{ij}$  is for each Haulage Reference Service the proposed Haulage Reference Tariff for Haulage Reference Tariff component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t$ ;

$p_{t-1}^{ij}$  is for each Haulage Reference Service the Haulage Reference Tariff being charged for Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t-1$ ;

$q_{t-2}^{ij}$  is for each Haulage Reference Service the Quantity of Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  that was sold in Calendar Year  $t-2$ ;

$CPI_t$  is the CPI for Calendar Year  $t$ , as defined in the Glossary;

$X_t$  is 0.0;

$L_t$  is the Licence Fee Factor for Calendar Year  $t$ , as defined below; and

$A_t$  is an approved Pass Through Factor for Calendar Year  $t$ , as defined below.

### The Licence Fee Factor is:

$L$  is the Licence Fee pass through adjustment to the Distribution price control in Calendar Year  $t$  for the Service Provider is determined below:

### Calculation of the Licence Fee factor

The Licence Fee Factor pass through adjustment  $L_t$ , for the Service Provider is:

$$1 + L_t = \frac{(1 + L'_t)}{(1 + L'_{t-1})}$$

where:

If Calendar Year  $t$  is 2013:

$$L'_t = \frac{lf_{t-1} (1 + pretaxWACC_D)^{3/2} (1 + CPI_t)^{3/2}}{(1 + CPI_t)(1 - X_t)(1 + A_t)(1 - A_{t-1}) \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}$$

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If Calendar Year  $t$  is 2014 to 2017:

$$L'_t = \frac{lf_{t-1}(1 + pretaxWACC_D)^{3/2}(1 + CPI_t)^{3/2}}{(1 + CPI_t)(1 - X_t)(1 + A_t) \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}$$

$L'_{t-1}$  (a) if Calendar Year  $t$  is the Calendar Year ending 31 December 2013, the Licence Fee in the final year of the previous Access Arrangement Period; and

(b) if Calendar Year  $t$  is after the Calendar Year ending 31 December 2013, is the value of  $L'_t$  determined in the Calendar Year  $t - 1$ ;

$lf_{t-1}$  is the Licence Fee paid by the Service Provider for the Financial Year ending in June of the Calendar Year  $t - 1$ ;

$CPI_t$  is the CPI for Calendar Year  $t$ , as defined in the Glossary;

$X_t$  if Calendar Year  $t$  is 2013 is 0.0388, if Calendar Year  $t$  is 2014 to 2017 is 0.0;

$p_{t-1}^{ij}$  is for each Haulage Reference Service the Haulage Reference Tariff being charged for Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t - 1$ ;

$q_{t-2}^{ij}$  is for each Haulage Reference Service the Quantity of Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  that was sold in Calendar Year  $t - 2$ ;

$A_t$  is an approved Pass Through Factor for Calendar Year  $t$ , as defined below;

$A_{t-1}$  is an approved Pass Through Factor for Calendar Year  $t - 1$ ; and

$pretax WACC_D$  is 0.0725, being the implied real pre tax WACC applying to the Service Provider.

**The Adjustment Factor:**

$A_t$  is the adjustment to the Distribution price control in Calendar Year  $t$  for the Service Provider and is determined below:

$$1 + A_t = \frac{(1 + A'_t)}{(1 + A'_{t-1})}$$

where:

$A'_{t-1}$  (a) if Calendar Year  $t$  is the Calendar Year ending 31 December 2013, is zero;

(b) if Calendar Year  $t$  is after the Calendar Year ending 31 December 2013, is the value of  $A'_t$  determined in the Calendar Year  $t - 1$ ;

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$$A'_t = \frac{PT_t + DT_t}{(1 + CPI_t)(1 - X_t) \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}$$

where:

$PT_t$  is the approved pass through to apply to the Distribution price control in Calendar Year  $t$  for the Service Provider as determined below; and

$DT_t$  is the demand true-up to apply to the Distribution price control in Calendar Year  $t$  for the Service Provider and as determined below.

**Approved pass through:**

$$PT_t = ap_{t-1} (1 + pretaxWACC_D)^{3/2} (1 + CPI_t)^{3/2}$$

where:

$ap_{t-1}$  is the amount of any approved Pass Through for the Calendar Year  $t-1$ ; and

$pretaxWACC_D$  is the implied real pre tax WACC applying to the Service Provider.

**Demand true-up**

$DT_t$  (a) if Calendar Year  $t$  is prior to the Calendar Year ending 31 December 2015, is zero;

(b) if Calendar Year  $t$  is after the Calendar Year ending 31 December 2014, is calculated as follows

$$DT_t = df_{t-2} (1 + WACC)^2 (1 + CPI_{t-1})(1 + CPI_t)$$

where:

$df_{t-2}$  is the financial impact of retail price variations in the year  $t-2$  and is calculated as follows:

$$df_{t-2} = \left( \frac{WGP_{actual} - WGP_{forecast}}{WGP_{forecast}} \right) (100) (\delta) (RR_{avg}) + \left( \frac{WGP_{actual} - WGP_{forecast}}{WGP_{forecast}} \right) (100) (\alpha) (RC_{avg})$$

where:

If  $df_{t-2}$  is less than one per cent of the determined revenue requirement for the Service Provider in year  $t-2$  and greater than minus per cent of the determined revenue requirement for the Service Provider in year  $t-2$ , then  $df_{t-2}$  equals zero.

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If  $df_{t-2}$  is greater than one per cent of the determined revenue requirement for the Service Provider in year  $t-2$  or less than minus per cent of the determined revenue requirement for the Service Provider in year  $t-2$ , then  $df_{t-2}$  equals its calculated value.

$WGP_{forecast}$  is the forecast wholesale gas price (real, \$/GJ) in year  $t-2$  used to determine SP AusNet's approved price path as set out below:

- 3.60 in 2013;
- 3.75 in 2014;
- 3.90 in 2015;
- 4.07 in 2016; and
- 4.20 in 2017.

$WGP_{actual}$  is the actual wholesale gas price (real, \$/GJ) in year  $t-2$  measured as the weighted average spot price for the twelve months to December in year  $t-2$  calculated using the Australian Energy Market Operator's published Victorian gas prices and withdrawals

$\delta$  is the estimated amount by which residential gas use for all residential customers varies with a 1 per cent increase in the wholesale gas price in year  $t-2$ , and is (in GJ):

- 11,216 in 2013;
- 11,270 in 2014;
- 11,321 in 2015;
- 11,364 in 2016; and
- 11,411 in 2017.

$RR_{avg}$  is the average price for the usage (through-put) based Haulage Reference Tariff components applicable to residential customers and is calculated as:

$$RR'_{avg} = \frac{\sum_{i=1}^n \sum_{j=1}^m p_{t-2}^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m q_{t-2}^{ij}}$$

where:

$p_{t-2}^{ij}$  is the tariff for usage based charges to residential customers for Haulage Reference Tariff component  $i$  of reference tariff  $j$  in year  $t-2$  (in\$/GJ); and

$q_{t-2}^{ij}$  is the quantity delivered against Haulage Reference Tariff component  $p_{t-2}^{ij}$  in year  $t-2$ .

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$\alpha$  is the estimated amount by which commercial gas use for all commercial customers that are not an Tariff M or Tariff D varies with a 1 per cent increase in the wholesale gas price in year  $t - 2$ , and is (in GJ):

- 13,798 in 2013;
- 13,890 in 2014;
- 13,900 in 2015;
- 13,849 in 2016; and
- 13,838 in 2017.

$RC_{avg}$  is the average price for the usage (through-put) based Haulage Reference Tariff components applicable to commercial customers and is calculated as:

$$RC'_{avg} = \frac{\sum_{i=1}^n \sum_{j=1}^m p_{t-2}^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m q_{t-2}^{ij}}$$

where:

$p_{t-2}^{ij}$  is the tariff for usage based charges to commercial customers for Haulage Reference Tariff component  $i$  of reference tariff  $j$  in year  $t - 2$  (in\$/GJ); and

$q_{t-2}^{ij}$  is the quantity delivered against Haulage Reference Tariff component  $i$  of reference tariff  $j$  in year  $t - 2$ .

### 3.2 New Haulage Reference Tariffs

- (a) Where the Service Provider is proposing to introduce new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components the  $q_{t-2}^{ij}$  term in clause 3.1 will be interpreted in relation to:
- (1) the reasonable estimates of the quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year  $t-2$  as provided by the Service Provider, in accordance with clause 1.3(i); and
  - (2) the Haulage Reference Tariff Components of the parent Haulage Reference Tariff in Calendar Year  $t-2$  as provided by the Service Provider in accordance with clause 1.3(i).
- (b) Where the Service Provider has introduced new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in Calendar Year  $t-1$ , the  $p_{t-1}^{ij}$  term in clause 3.1 will be interpreted in relation to the reasonable estimates of the Quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year  $t-2$ , as provided by the Service Provider in accordance with clause 1.3(i).

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### 3.3 Withdrawal of Haulage Reference Tariffs

- (a) Where the Service Provider is proposing to withdraw a Haulage Reference Tariff and to reassign only one other Haulage Reference Tariff to the Distribution Supply Point to which the Haulage Reference Tariff to be withdrawn applied, the  $p_t^{ij}$  term in clause 3.1 for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of the Haulage Reference Tariff which will be reassigned to that Distribution Supply Point in Calendar Year  $t$ , in accordance with information submitted under clause 1.4.
- (b) Where the Service Provider is proposing to withdraw a Haulage Reference Tariff and to reassign more than one other Haulage Reference Tariff to the Distribution Supply Point to which the Haulage Reference Tariff to be withdrawn applied:
- (1) the  $p_t^{ij}$  term in clause 3.1 for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted separately in relation to the Haulage Reference Tariff Components of each of the Haulage Reference Tariffs which will be reassigned to those Distribution Supply Points in Calendar Year  $t$ , in accordance with information submitted under clause 1.4; and
  - (2) the  $q_{t-2}^{ij}$  term in clause 3.1 for the Haulage Reference Tariff that is proposed to be withdrawn in Calendar Year  $t$  will be the actual Quantities, in relevant units, of each Haulage Reference Tariff Component that were distributed under the parent Haulage Reference Tariff at those Distribution Supply Points to which the same Haulage Reference Tariff has been assigned in Calendar Year  $t$ , in accordance with information submitted under clause 1.4; and
  - (3) the  $q_{t-2}^{ij}$  term in clause 3.1 for the Haulage Reference Tariff that has been withdrawn in Calendar Year  $t-1$ , will be the actual quantities, in relevant units, of each Haulage Reference Tariff Component that were distributed under the parent Haulage Reference Tariff at those Distribution Supply Points to which the same Haulage Reference Tariff has been assigned in Calendar Year  $t-1$ , in accordance with information submitted under clause 1.4.

### 3.4 Haulage Reference Tariff information

Where the Service Provider submits information in accordance with clause 1.3(k) that switching rates of Users moving from a given parent Haulage Reference Tariff to a proposed new Haulage Reference Tariff will continue to be above zero from Calendar Year to Calendar Year, application of the Tariff Control Formula in clause 3.1 will distinguish between:

- (a) Distribution Supply Points to which the new Haulage Reference Tariff has already been assigned, in which case  $q_{t-2}^{ij}$  will be based on the actual Quantities distributed, in relevant units, at those Distribution Supply Points to which the new Haulage Reference Tariff has already been assigned and  $p_t^{ij}$  is the new Haulage Reference Tariff; and
- (b) Distribution Supply Points to which the new Haulage Reference Tariff is expected to be assigned during Calendar Year  $t$ , in which case  $q_{t-2}^{ij}$  will be based on the reasonable estimates of the Quantities which would have been distributed at those Distribution Supply Points, as submitted by the Service Provider in accordance with clause 1.3(i), and  $p_t^{ij}$  is the new Haulage Reference Tariff.



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### 3.5 Rebalancing Controls on Haulage Reference Tariffs

- (a) The Service Provider will maintain Haulage Reference Tariffs between:
- (1) an upper limit of the cost to bypass the network; and
  - (2) a lower limit of the marginal cost of supply.
- (b) In undertaking any rebalancing, the Service Provider will ensure that the proposed Haulage Reference Tariffs comply with the relevant Rebalancing Control Formula as set out in this clause 3.5 as follows:
- (c) No rebalancing control is applied in Calendar Year 2013.

#### Rebalancing Control Formula:

$$(1 + CPI_t)(1 - X_t)(1 + Y_t)(1 + L_t)(1 + A_t) \geq \frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} * q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} * q_{t-2}^{ij}}, i = 1, \dots, n$$

where:

- $p_t^{ij}$  is for each Haulage Reference Service the proposed Haulage Reference Tariff component  $j$  for Haulage Reference Tariff  $i$  in Calendar Year  $t$ ;
- $p_{t-1}^{ij}$  is for each Haulage Reference Service the Haulage Reference Tariff component  $j$  being Charged for Haulage Reference Tariff  $i$  in Calendar Year  $t-1$ ;
- $q_{t-2}^{ij}$  is for each Haulage Reference Service the Quantity of Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  that was sold in Calendar Year  $t-2$ ;
- $CPI_t$  is the CPI for Calendar Year  $t$ , as defined in the Glossary;
- $X_t$  is 0.0;
- $Y_t$  is equal to 0.05;
- $L_t$  is the Licence Fee factor as defined in clause 3.1. If  $L_t < 0$ , then  $(1 + L_t) = 1$ ; and
- $A_t$  is an approved Pass Through Factor for Calendar Year  $t$ . If  $A_t < 0$ , then  $(1 + A_t) = 1$ .

### 3.6 Rebalancing Controls for New and Withdrawn Haulage Reference Tariffs

For the purposes of the application of the rebalancing control formulae as set out in Clause 3.5:

- (a) where the Service Provider proposed to introduce a new Haulage Reference Tariff and/or new Haulage Reference Tariff Components:
- (1) the term  $q_{t-2}^j$  in the rebalancing control will be interpreted in relation to the reasonable estimates of the Quantities that would have been sold, in relevant units, if the Haulage Reference Tariff Components existed in Calendar Year  $t-2$ ; and

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- (2) the term  $p_t^j$  in the rebalancing control will be interpreted in relation to the Haulage Reference Tariff Components of the parent Haulage Reference Tariff in Calendar Year  $t-2$ .
- (b) where the Service Provider has introduced new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in Calendar Year  $t-1$ , the  $q_{t-2}^j$  term of the rebalancing control will be in relation to the reasonable estimates of the Quantities that would have been sold, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year  $t-2$ .
- (c) where the Service Provider proposes to withdraw a Haulage Reference Tariff and reassign those Distribution Supply Points to another Haulage Reference Tariff:
- (1) the  $p_t^j$  term in the rebalancing control for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of the Haulage Reference Tariff that those existing Distribution Supply Points will be reassigned to in Calendar Year  $t$ ,
- (2) the rebalancing control on Haulage Reference Tariffs will be applied separately in relation to each of the Haulage Reference Tariffs Distribution Supply Points are reassigned to, and:
- (A) the  $p_t^j$  term in the rebalancing control for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of each of the Haulage Reference Tariffs that those existing Distribution Supply Points will be reassigned to in Calendar Year  $t$ , and
- (B) the  $q_{t-2}^j$  term in the rebalancing control for the Haulage Reference Tariff that is proposed to be withdrawn will be the breakdown of the actual Quantities, in relevant units, that were sold under each Haulage Reference Tariff Component of the parent Haulage Reference Tariffs to each Distribution Supply Point reassigned to the same Haulage Reference Tariff.

### 3.7 The Carbon Tariff

When assessing the Service Provider's proposed tariffs, submitted in accordance with this Access Arrangement, the AER will assess whether the expected revenue from Carbon Tariffs ( $CTR_t$ ), is less than or equal to the Maximum Carbon Tariff Revenue allowed ( $MCTR_t$ ):

$$CTR_t \leq MCTR_t$$

where:

$MCTR_t$  is determined by the formula in clause 3.7.1; and

$CTR_t$  is the total of the Service Provider's proposed Carbon Tariffs – defined as 'the uplift in Reference Tariffs directly associated with the recovery of Service Provider's Carbon Liability' - in Calendar Year  $t$  multiplied by the corresponding forecast quantities to be distributed for each tariff component of each tariff, in Calendar Year  $t$ .

#### 3.7.1 Maximum Carbon Tariff Revenue ( $MCTR_t$ )

$MCTR_t$  is expressed by the formula as set out below:

$$MCTR_t = CTP_t - K_t$$

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where:

$MCTR_t$  is the maximum revenue the Service Provider is allowed to receive from its Carbon Tariffs from all distribution customers for the Calendar Year  $t$ ;

$CTP_t$  is the aggregate of all charges which the Service Provider forecasts it will be required to pay in Carbon Liability in respect of Calendar Year  $t$ , and

$K_t$  is determined in accordance with clause 3.7.2.

### 3.7.2 Correction factor $K_t$

$K_t$  is a correction factor to account for any under or over recovery of actual revenue from Carbon Tariffs in relation to allowed revenue from 3.7 tariffs.

$K_t$  is determined by reference to the formula set out below.

$$K_t = (Ky_t + Kz_t + K_{t-1})(1 + CPI_t)(1 + pretaxWACC_D)$$

where:

$Kyt$  is calculated in accordance with clause 3.7.3;

$Kzt$  is calculated in accordance with clause 3.7.4;

$K_{t-1}$  is the figure calculated for  $K_t$  for Calendar Year  $t-1$ ;

$pretax WACC_D$  is 0.0725; and

$CPI_t$  is the CPI for Calendar Year  $t$ , as defined in the Glossary.

### 3.7.3 Calculation of $Ky_t$

$Ky_t$  is a correction factor determined with reference to the formula in this clause.

$$Ky_t = CTR_{t-1} - CTP_{t-1}$$

where:

$CTR_{t-1}$  is the total revenue which it is estimated the Service Provider will earn from its Carbon Tariffs in respect of all distribution customers in Calendar Year  $t-1$ ; and

$CTP_{t-1}$  is the aggregate of all Carbon Liability which it is estimated will be payable by the Service Provider, in respect of Calendar Year  $t-1$ .

### 3.7.4 Calculation of $Kz_t$

$Kzt$  is a correction factor for the difference between the estimates made in clause 3.7.3 in Calendar Year  $t-1$  and actual audited values and is expressed by the formula in this clause.

$$Kz_t = \{(CTR_{a,t-2} - CTRe_{t-2}) - (CTPa_{t-2} - CTPe_{t-2})\} \times (1 + pretaxWACC_D)(1 + CPI_{t-1})$$

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where:

- $CTRa_{t-2}$  is the actual audited total revenue earned by the Service Provider from Carbon Tariffs in respect of all distribution customers in Calendar Year  $t-2$ ;
- $CTRe_{t-2}$  is the figure used for  $\tilde{t}1$   $CTR_{t-1}$  when calculating  $Ky_t$  for Calendar Year  $t-2$  under clause 3.7.3;
- $CTPa_{t-2}$  is the audited aggregate of all Carbon Liability paid by the Service Provider in respect of Calendar Year  $t-2$ ;
- $PCTPet-2$  is the figure used for  $CTP_{t-1}$  when calculating  $Kyt$  for Calendar Year  $t-1$  under clause 3.7.3;
- $CPI_{t-1}$  is  $CPI_t$  as defined in the Glossary for the Calendar Year  $t-1$ .

*pretax WACC<sub>D</sub>* is 0.0725.

## 4 Approval of Annual and Within-Year Variations to Haulage Reference Tariffs and New Haulage Reference Tariffs

### 4.1 Submission to the Regulator

- (a) The Service Provider will, at least 35 Business Days prior to the commencement of the next Calendar Year, submit proposed Haulage Reference Tariffs to apply from the start of the next Calendar Year for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b), (c) and (d).
- (b) Where the Service Provider proposes to change a Haulage Reference Tariff within a Calendar Year, it will submit the proposed Haulage Reference Tariff change for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b) and (c).
- (c) Where the Service Provider proposes to introduce a new Haulage Reference Tariff or new Haulage Reference Tariff Component or withdraw an existing Haulage Reference Tariff or existing Haulage Reference Tariff Component within a Calendar Year it will submit the proposal for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b), (c) and (d).
- (d) The Service Provider will ensure its proposed Haulage Reference Tariffs or proposed changes to Haulage Reference Tariffs submitted under clauses 4.1(a), (b) or (c) comply with the Tariff Control Formula and rebalancing control formulae in clause 3.

### 4.2 Assessment by the Regulator

- (a) The Regulator will provide the Service Provider with written notice of whether or not it has verified the Haulage Reference Tariffs proposed by the Service Provider and submitted under clauses 4.1(a), (b) or (c) as compliant with the Tariff Control Formula and the rebalancing control formulae. If the Regulator declines to verify the proposed Haulage Reference Tariffs as compliant, the Regulator must provide a written statement of reasons for that decision.
- (b) The proposed Haulage Reference Tariffs will be deemed to have been verified as compliant in writing by the Regulator by the end of 15 Business Days from the date on which the Regulator received the Service Provider's notification under clauses 4.1(a), (b) or (c) unless the Regulator

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has notified the Service Provider in writing that it has declined to verify the proposed Haulage Reference Tariffs as compliant.

- (c) If the Regulator issues a written notice to the Service Provider that it has declined to verify proposed Haulage Reference Tariffs and/or Haulage Reference Tariff Components (including but not limited to any new Haulage Reference Tariff and/or any new Haulage Reference Tariff Component) as compliant for a Calendar Year  $t$ , then:
- (1) if the relevant left-hand side of the price control formula set out in clause 3.1 is  $>1$  then the Haulage Reference Tariffs applying in Calendar Year  $t-1$  are scaled up by the relevant left-hand side of the price control formula set out in clause 3.1; or
  - (2) if the relevant left-hand side of the price control formula set out in clause 3.1 is  $<1$  then the Haulage Reference Tariffs applying in Calendar Year  $t-1$  are scaled down by the relevant left-hand side of the price control formula set out in clause 3.1.
- (d) If the Regulator has notified the Service Provider in writing that it has declined to verify as compliant the withdrawal of any existing Haulage Reference Tariffs and/or the withdrawal of any existing Haulage Reference Tariff Components proposed for Calendar Year  $t$ , then:
- (1) if the relevant left-hand side of the price control formula set out in clause 3.1 is  $>1$  then the Haulage Reference Tariffs applying in Calendar Year  $t-1$  are scaled up by the relevant left-hand side of the price control formula set out in clause 3.1; or
  - (2) if the relevant left-hand side of the price control formula set out in clause 3.1 is  $<1$  then the Haulage Reference Tariffs applying in Calendar Year  $t-1$  are scaled down by the relevant left-hand side of the price control formula set out in clause 3.1.
- (e) The Service Provider may provide additional information and resubmit or revise its proposed Haulage Reference Tariffs in accordance with clauses 4.1(a), (b) or (c) if the Regulator declines to verify as compliant proposed Haulage Reference Tariffs under clause 4.2(a) provided that if, in a Calendar Year, changes to Haulage Reference Tariffs have been verified as compliant by the Regulator, the Service Provider will notify in writing all Users affected by the changes as soon as practicable.

### **4.3 Information Required from the Service Provider**

At the same time as submitting proposed Haulage Reference Tariffs to the Regulator, the Service Provider will also provide to the Regulator, information demonstrating that the proposed Haulage Reference Tariffs are, to the extent relevant, consistent with the Tariff Control Formula and rebalancing control formulae in clause 3.

### **4.4 Default Haulage Reference Tariffs for new Calendar Year $t$**

If the Service Provider does not, at least 35 Business Days prior to the commencement of the next Calendar Year  $t$  submit proposed Haulage Reference Tariffs to apply from the start of the next Calendar Year  $t$  in accordance with clause 4.1(a) then:

- (a) where the left-hand side of the Tariff Control Formula to be applied for Calendar Year  $t$  is greater than one, the Haulage Reference Tariffs applying in Calendar Year  $t-1$  will be scaled up by the left-hand side of the Tariff Control Formula to be applied for Calendar Year  $t$  and will apply for Calendar Year  $t$  and the Haulage Reference Tariff Components applying in Calendar Year  $t-1$  will be scaled up and applied accordingly; and
- (b) where the left-hand side of the Tariff Control Formula to be applied for Calendar Year  $t$  is less than one, the Haulage Reference Tariffs applying in Calendar Year  $t-1$  will be scaled down by the left-hand side of the Tariff Control Formula to be applied for Calendar Year  $t$  and will apply

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for Calendar Year  $t$  and the Haulage Reference Tariff Components applying in Calendar Year  $t-1$  will be scaled down and applied accordingly.

Until such time as the Regulator has, or been deemed to have, verified Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Calendar Year  $t$  as compliant in response to a submission by the Service Provider.

### 5 Calculation of Charges for Haulage Reference Tariffs

Haulage Reference Tariffs are charged in accordance with the calculations described below:

#### 5.1 Distribution Fixed Tariff Components

The Distribution Fixed Tariff Components and consumption ranges shown in clause 9, as applicable, are daily amounts. The Distribution Fixed Tariff Component or consumption range applied to calculate a Charge for a billing period in Calendar Year  $t$  shall be the Distribution Fixed Tariff Component applying in Calendar Year  $t$  or consumption range shown in clause 9, as applicable, multiplied by the number of days in the billing period.

#### 5.2 Distribution Volume Tariff Components

(a) Distribution Volume Tariff Components are Charged according to the actual GJs of Gas withdrawn in the billing period, or an estimate of the GJs of Gas withdrawn in the billing period which is acceptable to the Service Provider.

(b) Where some of the days in the billing period are in the Peak Period:

The GJs of Gas withdrawn in the Peak Period are:

$$GPP = TAG \times \frac{PPBP}{TBP}$$

where:

$GPP$  is defined as the GJs of Gas withdrawn in the Peak Period;

$TAG$  is defined as the total actual GJs of Gas withdrawn in the billing period, or an estimate of the total GJs of Gas withdrawn in the billing period which is acceptable to the Service Provider;

$PPBP$  is defined as the number of days in the billing period which are in the Peak Period; and

$TBP$  is defined as the total number of days in the billing period.

#### 5.3 Distribution Demand Tariff Components

Distribution Demand Tariff Components are charged according to the following formula:

$$MC = \frac{EAC - CBTD}{RBP}$$

where:

$MC$  is the charge for a particular month in Regulatory Year “t”.

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*EAC* is the estimated annual charge calculated by applying the relevant Haulage Reference Tariff Components to EAD;

*CBTD* is the sum of the charges for all prior billing periods of Regulatory Year “t”;

*RBP* is the remaining billing periods in Regulatory Year “t”, as set out below:

Month	RBP
January	12
February	11
March	10
April	9
May	8
June	7
July	6
August	5
September	4
October	3
November	2
December	1

*EAD* is:

- (i) for billing periods between January and September, the higher of:
  - (ii) the forecast Annual MHQ for Regulatory Year “t”; and
  - (iii) the Annual MHQ, as measured to date during Regulatory Year “t”,

where the forecast Annual MHQ for Regulatory Year “t” is either:

- (iv) the actual Annual MHQ for Regulatory Year “t-1”; or
- (v) a Quantity agreed between the Service Provider and the User.
- (vi) for billing periods between October and December, the actual Annual MHQ for Regulatory Year “t”.

(A) Where a User’s Customer withdraws Gas at a Distribution Supply Point and ceases to withdraw Gas at that Distribution Supply Point in a month:

- (i) the Service Provider may charge the User in respect of that Distribution Supply Point, for the whole of the month in which the Customer ceased withdrawal of Gas;

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- (ii) the Service Provider will not charge the User in respect of that Distribution Supply Point, for any month after the month in which the Customer ceased withdrawal of Gas; and
  - (iii) where another Customer starts to withdraw Gas at that Distribution Supply Point, the Quantity of forecast highest MHQ for the year for that Distribution Supply Point must be agreed between the Service Provider and the relevant User in respect of that Distribution Supply Point.
- (B) Where a User's Customer withdraws Gas at a Distribution Supply Point and ceases to be a Customer of that User during a month and becomes:
- (i) a Customer of another User; or
  - (ii) a User,
- the Service Provider will charge:
- (iii) the User from whom the Customer purchases its Gas at that Distribution Supply Point in that month; or
  - (iv) the Customer as a User in that month,
- respectively, for that month.

**5.4 Unmetered Haulage Reference Tariff Components**

Where Haulage Reference Tariff V has been assigned to a Distribution Supply Point under clause 1.1(c) because it is an unmetered Distribution Supply Point, there is deemed to be no withdrawal of Gas at the Distribution Supply Point for charging purposes. For the avoidance of doubt, in such circumstances, Commercial Haulage Reference Tariff V is deemed to apply and any applicable fixed Haulage Reference Tariff Component may be charged as a fixed charge.

**5.5 Natural Gas Extension Project Haulage Reference Tariffs**

Tariffs apply to Distribution Supply Points where the Distribution Zone is as listed in clause 9.

**6 Reference Tariff Policy**

This clause 6 sets out the principles that are to be used to determine a Reference Tariff (a Reference Tariff Policy).

**6.1 CPI - X Price Path**

The CPI - X price path approach is consistent with the fixed principle in clause 7.2(a)(1). The Service Provider adopts this approach.

**6.2 New Facilities Investment**

The Service Provider may at its discretion undertake Capital Expenditure that does not satisfy the requirements of the New Capital Expenditure Criteria under the National Gas Rules. The Extensions / Expansions Policy in clause 5.6 of Part A of this Access Arrangement explains how Capital Expenditure in relation to a New Facility which is to be treated as part of the Covered Pipeline will affect Reference Tariffs.



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Clause 6.3 below sets out the principles of a Speculative Capital Investment Account which the Service Provider may operate in relation to Capital Expenditure that does not satisfy the requirements of the New Capital Expenditure Criteria under the National Gas Rules.

### 6.3 Speculative Capital Expenditure Account

In accordance with Rule 84 of the National Gas Rules, the amount of the Speculative Capital Expenditure Account for the Service Provider at any time is equal to:

- (a) the difference between the Capital Expenditure and the amount which satisfies the requirements of the New Capital Expenditure Criteria under the National Gas Rules, less any amount the Service Provider notifies the Regulator (at the time the expenditure is incurred) that it has elected to recover through a surcharge under Rule 83 of the National Gas Rules; plus
- (b) an annual increase in that amount calculated on a compounded basis at a risk adjusted rate of return approved by the Regulator; less
- (c) any part of the Speculative Capital Expenditure Account previously added to the Capital Base due to the type and volume of services provided using the increase in Capacity attributable to the New Facility change such that any part of the Speculative Capital Expenditure Account would then satisfy the requirements of the New Capital Expenditure Criteria under the National Gas Rules.

### 6.4 Efficiency Incentive and Carry-over Mechanism

Rule 98 of the National Gas Rules provides for an Access Arrangement to include an incentive mechanism to encourage efficiency in the provision of services by the Service Provider. An incentive mechanism may provide for carrying over increments for efficiency gains and decrements for losses of efficiency from one Access Arrangement Period to the next and must be consistent with the revenue and pricing principles.

- (a) General principles
  - (1) The incentive arrangements that are to apply to cost-related efficiencies achieved by the Service Provider, and the adjustment to preserve the incentive to meet efficient growth in demand are a combination of:
    - a tariff basket form of price control; and
    - the carryover that would result in the Service Provider retaining the reward associated with an efficiency-improving initiative for five years (for improvements made in Years 1-4 of the Fourth Access Arrangement Period) after the year in which the gain was achieved, i.e. a reward (being the net amount of the efficiency gains (or losses) relating to capital and operating expenditure) in one year of an Access Arrangement Period would be added to the Total Revenue and carried forward into the Fifth Access Arrangement Period if necessary, until it has been retained by the Service Provider for a period of a full five years (for improvements made in Years 1-4 of the Fourth Access Arrangement Period).
  - (2) There would be no claw-back of gains that have already been made (or losses that have been incurred) during the Fourth Access Arrangement Period.
  - (3) Efficiency gains (or losses) related to capital expenditure in any year would reflect the difference between the actual expenditure and the original forecast (or benchmark) expenditure level, as follows:

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$$\text{Efficiency Gain} = \text{WACC} * (\text{Capex}_i^{\text{Forecast}} - \text{Capex}_i^{\text{Actual}})$$

where:

WACC is the pre-tax WACC applying to the Service Provider

- (4) For operating expenditure the annual efficiency gain (or loss) flowing from an initiative in Calendar Year t would be calculated as:

$$\text{Efficiency Gain} = \text{Underspending}_i - \text{Underspending}_{i-1}$$

where:

$$\text{Underspending}_i = \text{Opex}_i^{\text{Forecast}} - \text{Opex}_i^{\text{Actual}}$$

- (5) For operating expenditure, the additional reward (penalty) associated with initiatives undertaken in a particular year would reflect the reduction (increase) in the level of recurrent operating expenditure in excess of the assumed productivity gain (as reflected in expenditure forecasts) over that year.
- (6) For capital expenditure, the additional reward (penalty) associated with initiatives undertaken in a particular year would reflect the reduction (increase) in financing costs resulting from the difference between the actual and benchmark assumption for capital expenditure in that year. The financing savings would be calculated as the regulatory WACC (the pre-tax WACC applying to the Service Provider, for the Fourth Access Arrangement Period) multiplied by the capital expenditure saving.

(b) The mechanism for carrying over efficiency gains

- (1) For operating expenditure, it will be assumed that the Service Provider does not achieve more than the forecast productivity gain between the penultimate and last years of the Fourth Access Arrangement Period. As a result, if the Service Provider makes an efficiency gain in the last year of the Fourth Access Arrangement Period, there would be no carryover in respect of that year. However, the operating expenditure benchmark for the Fifth Access Arrangement Period will then be higher than otherwise for the Fifth Access Arrangement Period by the amount of the efficiency gain.
- (2) For capital expenditure, it would be assumed that the actual expenditure in the last year of the Fourth Access Arrangement Period was equal to the forecast for that year. As a result, if the Service Provider makes an efficiency gain in the last year of the Fourth Access Arrangement Period, there would be no carryover in respect of that year. However, the regulatory asset base (and thus the return on assets) would be higher than otherwise over the next period. At the following review, the regulatory asset base would be adjusted to take account of the difference between the forecast and actual capital expenditure for the last year of the Fourth Access Arrangement Period.
- (3) There would be no adjustment to the original expenditure benchmarks against which the assessment of the efficiency gains in excess of the forecast would be measured, with the following exceptions:
- (A) the carryover of cost-related efficiency gains will be calculated in a manner that takes account of any change in the scope of the activities which form the basis of the determination of the original benchmarks. Benchmarks for the purpose of calculating efficiency gains and determining capital expenditure to be assumed to occur in 2017 will be revised as follows:

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For the low and medium pressure mains replacement benchmarks:

$(\text{Actual}^1/\text{Forecast}^2 \text{ km replaced} - \text{Benchmark km replaced}) \times \text{benchmark unit rate per km}$

For the residential and commercial meter replacement benchmarks:

$(\text{Actual}^3/\text{Forecast}^4 \text{ meters replaced} - \text{Benchmark meters replaced}) \times \text{benchmark unit rate meter replacement}$

For scope changes relating to other programs the Service Provider will provide information in relation to any change in scope as part of the Access Arrangement Information submitted on 30 March 2017. This information will, without limitation, quantify and substantiate the impact of the scope changes on the original benchmarks; and

- (B) the carryover in respect of cost-related efficiency gains will be calculated in a manner that takes account of the difference between forecast and actual growth by adjusting the original benchmarks on the basis of the difference between the actual growth and the growth forecast at the time of the decision.

For operating expenditure the benchmark will be revised to reflect the benchmark which would have been determined if forecast growth had been equal to actual growth for each of the parameters which drive the benchmark forecast.

For capital expenditure the benchmark will be revised as follows for Commercial and Residential Customers:

$(\text{Actual}^5/\text{Forecast}^6 \text{ customer connections} - \text{Benchmark customer connections}) \times \text{benchmark unit rate per customer connection}$

- (C) the carryover in respect of cost-related efficiency gains will be calculated in a manner that takes account of any adjustment to the original benchmark to reflect any difference between the capital replacement works assumed in the Reference Tariffs for the Fourth Access Arrangement Period and the works actually undertaken in the Third Access Arrangement Period.

This clause shall not be construed to mean that the Service Provider:

- (i) is required to undertake the capital replacement works; or
- (ii) is constrained in its discretion to determine the timing, size or nature of those capital replacement works.

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<sup>1</sup> For the years 2013-2016

<sup>2</sup> Updated forecast for 2017 as determined within the 2018-2022 GAAR

<sup>3</sup> For the years 2013-2016

<sup>4</sup> Updated forecast for 2017 as determined within the 2018-2022 GAAR

<sup>5</sup> For the years 2013-2016

<sup>6</sup> Updated forecast for 2017 as determined within the 2018-2022 GAAR

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**7 Fixed Principles****7.1 General**

- (a) Rule 99 of the National Gas Rules provides that a Full Access Arrangement may include certain principles that may be fixed for a stated period.
- (b) A fixed principle approved before the commencement of the National Gas Rules or approved by the Regulator under the National Gas Rules is binding on the Regulator and the Service Provider for the period for which the principle is fixed. The Regulator may vary or revoke a fixed principle at any time with the Service Provider's consent.
- (c) Each fixed principle will apply for different periods as described in this clause 7.
- (d) The period during which each fixed principle may not be changed is the Fixed Period (**Fixed Period**).

**7.2 Adoption of Fixed Principles**

- (a) In approving revisions to this Access Arrangement, including for the Fifth Access Arrangement Period, the Regulator is to adopt the fixed principles as set out below:

- (1) The Regulator will use incentive based regulation adopting a CPI - X approach and not rate of return regulation.

This fixed principle will apply until the end of the Fifth Access Arrangement Period.

- (2) To the extent that the Capital Base is relevant to the determination of Reference Tariffs, the value of the Capital Base at the start of the Fifth Access Arrangement Period will be adjusted in the same manner as set out in the National Gas Rules in force at 30 March 2012, using benchmark depreciation (as opposed to actual) determined by the AER for Fourth Access Arrangement Period.

This fixed principle will apply until the end of the Fifth Access Arrangement Period.

- (3) For the Access Arrangement that applied from commencement of the Third Access Arrangement Period, the Regulator approved the fixed principles set out in this subparagraph (3). Pursuant to clause 7.1 above, this fixed principle applies in accordance with its terms. Accordingly, this fixed principle, if applicable, applies until 31 December 2032.

To the extent that the rate of return is relevant to the determination of Reference Tariffs, the rate of return on the Capital Base shall be calculated on a real, post-tax basis.

If applicable, this fixed principle applies for 30 years.

To the extent that the rate of return is relevant to the determination of Reference Tariffs, the rate of return on the Capital Base shall be calculated using the Capital Asset Pricing Model.

- (4) To the extent that the application of clause 6.4 results in a positive efficiency carryover at the end of the Fourth Access Arrangement Period, the reward earned in the Fourth Access Arrangement Period is to be added to the Total Revenue and carried forward into the Fifth Access Arrangement Period, until it has been retained by

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the Service Provider for a period of a full six years for Years 1-4 and five years for Year 5 in accordance with clause 6.4.

This fixed principle will apply until the end of the Fifth Access Arrangement Period.

- (5) The Regulator will ensure that any mechanism for varying or adjusting the Haulage Reference Tariffs approved for the Fourth Access Arrangement Period will, to the extent required to give full effect to such variation or adjustment, be carried forward into the Fifth Access Arrangement Period.

This fixed principle will apply until the end of the Fifth Access Arrangement Period.

## 8 Provision for a Relevant Pass Through Event

Whenever the Service Provider determines that its costs have increased or decreased materially or will increase or decrease materially as a result of a Relevant Pass Through Event, the Service Provider may apply to the Regulator for approval to increase or decrease the Reference Tariffs, in accordance with the procedures contained in this clause 8.

### 8.1 Relevant Pass Through Event

If a Relevant Pass Through Event occurs, the Service Provider may give a statement to the Regulator within 3 months of the Relevant Pass Through Event occurring specifying:

- (a) details of the Relevant Pass Through Event concerned;
- (b) the date the Relevant Pass Through Event took or takes effect;
- (c) the estimated financial effect of the Relevant Pass Through Event on the Service Provider;
- (d) the Pass Through Amount the Service Provider proposes in relation to the Relevant Pass Through Event;
- (e) the basis on which the Pass Through Amount is to apply;
- (f) the date from and period over which the Service Provider proposed to charge the Pass Through Amount; and
- (g) how the Service Provider proposes to allocate the Pass Through Amount over that period and between Users and the price or charging structure that the Service Provider proposes to use to recover the Pass Through Amount from Users (being, the basis on which the Service Provider proposed the Pass Through Amount is to apply).

If a Declared Retailer of Last Resort Event occurs, a Service Provider may give a statement to the Regulator within 120 Business Days of the Relevant Pass Through Event occurring specifying the actual financial impact of the Declared Retailer of Last Resort Event on the Service Provider. This is in addition to the provision of the estimated financial effect in accordance with clause 8.1(c).

### 8.2 Obligations of the Regulator

- (a) If the Regulator receives a statement under clause 8.1, the Regulator must decide whether the Relevant Pass Through Event specified in the statement occurred or is continuing, and if the Regulator decides that the Relevant Pass Through Event occurred or is continuing, the Regulator must decide:

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- (1) the Pass Through Amount; and
  - (2) the basis on which the Pass Through Amount is to apply,
- and notify the Service Provider in writing of the Regulator's decision.
- (b) If the Regulator does not give a notice to the Service Provider under clause 8.2(a) within 30 Business Days of receiving a statement from the Service Provider under clause 8.1, on the 31st Business Day after receiving the statement from the Service Provider under clause 8.1, the Regulator is taken to have notified the Service Provider of its decision under clause 8.2(a) that the Pass Through Amount and the basis on which the Pass Through Amount is to apply are as specified in the statement given by the Service Provider under clause 8.1.
  - (c) Where the Relevant Pass Through Event specified in a statement submitted under clause 8.2(a) relates to a Declared Retailer of Last Resort Event, the time elapsed between submission by the Service Provider of the estimated financial impact in accordance with clause 8.1(a) and submission of the actual financial impact in accordance with clause 8.1(b) does not count towards the 30 Business days in clause 8.2(b).

**8.3 Powers of the Regulator where a Relevant Pass Through Event occurs**

- (a) If a Relevant Pass Through Event occurs and the Service Provider is likely to be affected by the Relevant Pass Through Event does not give the Regulator a statement under clause 8.1 concerning the Relevant Pass Through Event, the Regulator may decide:
  - (1) the Pass Through Amount;
  - (2) the date from and period over which the Pass Through Amount can be charged; and
  - (3) the basis on which the Pass Through Amount is to apply.
- (b) Where under clause 8.3(a) the Regulator decides on a Negative Pass Through Amount, the Regulator:
  - (1) may decide to require the Service Provider to pass through the Negative Pass Through Amount decided by the Regulator on the basis decided by the Regulator; and
  - (2) where the Regulator decides to require the Service Provider to pass through the Negative Pass Through Amount, the Regulator must notify the Service Provider in writing of the Negative Pass Through Amount, the basis on which the Negative Pass Through Amount is to apply and the reasons for the Regulator's decision.

**8.4 Factors which the Regulator Must Consider**

In deciding the Pass Through Amount and the basis on which the Pass Through Amount is to apply under clauses 8.2 and 8.3, the Regulator must ensure that the financial effect on the Service Provider associated with the Relevant Pass Through Event concerned is economically neutral taking into account:

- (a) the relative amounts of Reference Services supplied to each User;
- (b) the time cost of money for the period over which the Pass Through Amount is to apply;
- (c) the manner in which and period over which the Pass Through Amount is to apply;

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- (d) the financial effect to the Service Provider associated with the provision of Reference Services directly attributable to the Relevant Pass Through Event concerned, and the time at which the financial effect arises;
- (e) the amount of any change in another tax which, in the Regulator's opinion, was introduced as complementary to the Relevant Pass Through Event concerned;
- (f) the effect of any other previous Relevant Pass Through Event since the later of the date on which:
  - (1) this Access Arrangement takes effect; and
  - (2) the last decision made under clauses 8.2 and 8.3;
- (g) any Pass Through Amount applied under this clause 8 relating to a previous Relevant Pass Through Event which resulted in the Service Provider recovering an amount either more or less than the financial effect on the Service Provider of that previous Relevant Pass Through Event; and
- (h) any other factors the Regulator reasonably considers relevant.

**8.5 When the Service Provider applies a Pass Through Amount**

- (a) The Service Provider:
  - (1) may, after
    - (A) receipt of a notice from the Regulator or a deemed receipt of a notice under clause 8.2 as to a Positive Pass Through Amount; and
    - (B) notifying its Users of:
      - (i) the Positive Pass Through Amount which the Regulator has approved or is deemed to have approved; and
      - (ii) the basis on and date from which the Service Provider will apply the Positive Pass Through Amount,  
apply the Positive Pass Through Amount specified in the notice to Users on the basis indicated in the notice; and
  - (2) must, after receipt of a notice or deemed receipt of a notice from the Regulator, under clause 8.2, or after receipt of a notice under clause 8.3 as to a Negative Pass Through Amount apply the Negative Pass Through Amount on the basis decided by the Regulator.
- (b) The Pass Through Amount must be:
  - (1) shown separately on each User's invoice; or
  - (2) otherwise identified in a manner approved by the Regulator.
- (c) The Service Provider can only seek to reclaim from Users' Positive Pass Through Amounts in respect of Services provided from the time that the Service Provider:
  - (1) notified its Users under clause 8.5(a)(1)(B); and
  - (2) started showing or identifying the Positive Pass Through Amount as required under clause 8.5(b).

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**8.6 Pass Through Amount not included in price control calculations**

A Pass Through Amount applied by the Service Provider under this clause 8 is not:

- (a) taken into account in deciding the Service Provider's Haulage Reference Tariffs or Haulage Reference Tariff Components used in clause 3 in deciding whether the Service Provider's Haulage Reference Tariffs or Haulage Reference Tariff Components comply with the Tariff Control Formula and rebalancing control formulae in clause 3; and
- (b) subject to the procedures in clause 4.



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## 9 Existing Haulage Reference Tariffs - 31 December 2012

## 9.1 Central Zone

Postcodes: 3000, 3008, 3011, 3012, 3013, 3015, 3016, 3018, 3019, 3020, 3021, 3022, 3023, 3024, 3025, 3026, 3027, 3028, 3029, 3030, 3031, 3032, 3033, 3034, 3036, 3037, 3038, 3039, 3040, 3041, 3042, 3043, 3044, 3045, 3046, 3047, 3048, 3049, 3055, 3058, 3059, 3060, 3061, 3062, 3063, 3064, 3073, 3211, 3212, 3214, 3215, 3216, 3217, 3218, 3219, 3220, 3221, 3222, 3223, 3224, 3225, 3226, 3228, 3335, 3337, 3338, 3427, 3428, 3429,

## Tariff V Residential (TNVDC)

Distribution Fixed Tariff Component			\$0.1035/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	8.6879	6.9620	
> 0.1 – 0.2	6.4222	4.3833	
> 0.2 – 1.4	2.0140	2.0114	
> 1.4	1.2562	0.6916	

## Tariff V Non Residential (TNVNC)

Distribution Fixed Tariff Component			\$0.1044/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	7.8371	7.4214	
> 0.1 – 0.2	5.2108	5.2031	
> 0.2 – 1.4	2.8139	2.7817	
> 1.4	1.1310	1.0855	

## Tariff M (TNMC)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	2,043.8859
> 10 – 50	1,480.1795
> 50	840.5072

## Tariff D (D)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	1,106.3805
> 10 – 50	755.6023
> 50	426.4742

## 9.2 West Zone

Postcodes: 3249, 3250, 3266, 3277, 3280, 3282, 3300, 3305, 3340, 3342, 3350, 3352, 3355, 3356, 3357, 3377, 3380, 3400, 3401, 3430, 3437, 3444, 3450, 3451, 3460, 3461, 3464, 3465, 3550, 3551, 3555, 3556

## Tariff V Residential (TNVDW)

Distribution Fixed Tariff Component			\$0.1035/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	6.9666	4.6730	
> 0.1 – 0.2	6.3823	3.2000	
> 0.2 – 1.4	2.6491	1.9164	
> 1.4	1.1986	0.8494	

## Tariff V Non Residential (TNVNW)

Distribution Fixed Tariff Component			\$0.1044/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	5.6150	5.2894	
> 0.1 – 0.2	4.6973	4.5034	
> 0.2 – 1.4	2.6000	2.4350	
> 1.4	0.9400	0.9100	

## Tariff M (TNMW)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	2,043.8859
> 10 – 50	1,480.1795
> 50	840.5072

## Tariff D (D)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	1,106.3805
> 10 – 50	755.6023
> 50	426.4742

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### 9.3 Adjoining Central Zone

Postcodes: 3227

#### Tariff V Residential (TNVDAC)

Distribution Fixed Tariff Component			\$0.1035/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	12.2175	10.3944	
> 0.1 – 0.2	9.7886	8.0764	
> 0.2 – 1.4	7.4457	6.2695	
> 1.4	5.2345	4.79	

#### Tariff V Non Residential (TNVNAC)

Distribution Fixed Tariff Component			\$0.1044/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	11.5998	11.2317	
> 0.1 – 0.2	9.0132	8.6352	
> 0.2 – 1.4	7.0744	6.9388	
> 1.4	5.2481	5.1419	

#### Tariff M (TNMAC)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	2,043.8859
> 10 – 50	1,480.1795
> 50	840.5072

#### Tariff D (D)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	1,106.3805
> 10 – 50	755.6023
> 50	426.4742

### 9.4 Adjoining West Zone

Postcodes: 3260, 3284, 3363, 3364, 3431, 3434, 3435, 3437, 3438, 3440, 3441, 3442, 3551\*

#### Tariff V Residential (TNVDAW)

Distribution Fixed Tariff Component			\$0.1035/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	10.957	8.7977	
> 0.1 – 0.2	10.1706	8.15	
> 0.2 – 1.4	7.3515	6.246	
> 1.4	5.0399	4.82	

#### Tariff V Non Residential (TNVNAW)

Distribution Fixed Tariff Component			\$0.1044/day
Consumption Range (GJ/day)	Distribution Volume Tariff component		
	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)	
0-0.1	9.6032	9.2315	
> 0.1 – 0.2	8.9975	8.5601	
> 0.2 – 1.4	7.2459	7.1171	
> 1.4	5.3117	5.1937	

#### Tariff M (TNMAW)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	2,043.8859
> 10 – 50	1,480.1795
> 50	840.5072

#### Tariff D (D)

Annual MHQ (GJ/hr)	Distribution Demand Tariff component (\$/MHQ)
0-10	1,106.3805
> 10 – 50	755.6023
> 50	426.4742

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**Notes**

Postcode 3055 is shared with Envestra, SP AusNet Distribution Supply Points are in Galtes Crescent, Southam Street, Morrow Street, Hopetoun Avenue, Moreland Road, and Flannery Court.

Postcode 3551 is supplied under both West Zone and Adjoining West Zone. Adjoining West Zone rates apply to Distribution Supply Points west of Sparrowhawk Road and south of the Calder Highway and all Distribution Supply Points west of Maiden Gully Road.

Postcode 3352 is supplied under both West Zone and Adjoining West Zone. Adjoining West Zone rates apply to Distribution Supply Points in Forest Street, Gillies Road, and Olliers Road north of Western Freeway.

**Billing Parameters**

Distribution tariffs are charged in accordance with the billing parameters outlined in Part C of the *Access Arrangement* by SPI Networks (Gas) Pty Ltd (formerly TXU Networks (Gas) Pty Ltd) as varied by licence condition on 7 October 2004.

**DOMESTIC** – Domestic tariffs will be applied to premises where the predominant consumption of gas is for non-commercial or non industrial residential purposes.

**NON DOMESTIC** – Non Domestic tariffs will be applied to all premises where the predominant consumption of gas is for commercial or industrial purposes.

**TARIFF M** - A separate Operations & Maintenance (O&M) charge is not applicable to Tariff M customers. Customers may still be charged unrecovered infrastructure costs (LCC) where applicable.

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**10 Initial Ancillary Reference Tariffs - 1 January 2013**

Ancillary Reference Tariff	Price (inclusive of GST)
<p><b>Disconnection</b></p> <p>Disconnection by the carrying out of work being the use of locks or plugs at a Metering Installation in order to prevent the withdrawal of Gas at the Distribution Supply Point.</p> <p><i>Disconnection means the carrying out of work to prevent the withdrawal of Gas at a Distribution Supply Point</i></p>	\$53.31
<p><b>Reconnection of Meter</b></p> <p>Reconnection by turning on Supply, including the removal of locks or plugs used to isolate Supply or reinstallation of a Meter if it has been removed, performance of a safety check and the lighting of appliances where necessary.</p> <p><i>Turn On of service to a Distribution Supply Point which has previously been disconnected</i></p>	\$53.31
<p><b>Special Meter Reads</b></p> <p>Meter reading for a DSP in addition to the scheduled meter readings that form part of the Haulage Reference Services</p> <p><i>Undertaken at the request of the User or Customer, not part of the periodic meter read schedule</i></p>	\$8.26