



Final Approval

**Revised Access Arrangement for Gas
Distribution Networks:
Envestra**

June 2006

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FOREWORD

The *Gas Pipelines Access (Queensland) Act 1998* (the Act) and the National Third Party Access Code for Natural Gas Pipeline Systems (the Code) provide for the Authority to approve access arrangements for 'covered' gas distribution networks in Queensland

The current access arrangement in respect of the distribution network owned by Envestra expires on 30 June 2006.

On 30 September 2005, Envestra submitted a revised access arrangement and access arrangement information to the Authority for the five year period from 1 July 2006 to 30 June 2011.

In accordance with the Code, the Authority sought input from stakeholders and has published Draft and Final Decisions in relation to the revised access arrangement. In particular, the Authority:

- requested submissions on the revised access arrangement and access arrangement information by 11 November 2005;
- released a Draft Decision on 21 December 2005;
- requested submissions on the Draft Decision by 27 February 2006; and
- released a Final Decision on 22 May 2006.

The Authority's Final Decision was to not approve the access arrangement in the form submitted. The Final Decision required a series of amendments to be made to the access arrangements and access arrangement information. Under section 2.38(a) of the Code, the Authority required Envestra to submit an amended revised access arrangement and access arrangement information, incorporating the amendments required in the Final Decision, by 5 June 2006.

Envestra's response to the Final Decision

Envestra submitted an amended version of its revised access arrangement and access arrangement information to the Authority on 5 June 2006. Envestra's amended access arrangement incorporated 28 of the 31 amendments required by the Authority in its Final Decision without alteration. With respect to the other three required amendments, Envestra made some changes to its terms and conditions that were not entirely consistent with the Authority's Final Decision.

In particular, Envestra proposed to remove the prepayment clauses of its current access arrangement as required by the Authority but introduce a transitional mechanism that would see prepayments effectively phased out over two years ending 1 July 2008, rather than being refunded in a one-off payment by 1 July 2007 as required by the Authority's Final Decision. The Authority is satisfied this approach meets the objectives of the Authority's required amendment and the requirements of the Code.

In the Final Decision, the Authority required Envestra to provide users with sufficient information to allow reconciliation of DUOS charges at an individual customer level, subject to applicable market rules at the time. Envestra did not incorporate the exact wording suggested by the Authority in its amended terms and conditions. However, the wording used by Envestra will ensure that users are provided with invoices that contain any information required under the agreement between the service provider and the user for access to the network or under any market rules or laws. The Authority accepts this proposed wording.

Envestra did not adjust clause 23.2 in the manner that was required by the Authority's Final Decision. Envestra argued that the provision as it stood was not unusual in commercial terms and conditions. The Authority has considered this issue further and accepts Envestra's argument that the provision is not unusual and that, overall, the interests of service provider and customer are reasonably well balanced. However, the Authority considers that such a clause should not take effect where an amount

is subject of a legitimate dispute resolution process. Envestra has amended clause 23.2 to this effect. The Authority accepts this change.

The revised access arrangement included Envestra's proposed 2006-07 reference tariff schedules and price path constraints for large (demand) and small (volume) customers for the next regulatory period. The revenue requirement and reference tariffs included in Envestra's amended version of its revised access arrangement reflect those included in the Authority's Final Decision.

Decision

The Authority is satisfied that Envestra's amended revised access arrangement and access arrangement information reflect the amendments that were required by the Authority in its Final Decision, or as since agreed.

This Final Approval document constitutes the "further final decision" required by section 2.41 of the Code. The Authority's "further final decision" is to approve the revised access arrangement, which will take effect from the commencement date of 1 July 2006.

The Final Approval should be read in conjunction with the Final Decision, copies of which are available from the Authority or the Authority's website at www.qca.org.au.

1. ASSESSMENT OF ENVESTRA'S REVISED ACCESS ARRANGEMENT AND ACCESS ARRANGEMENT INFORMATION AGAINST THE REQUIRED AMENDMENTS

1.1 Terms and Conditions

Amendment 4.1

In order for Envestra's access arrangement to be approved, Envestra must replace the words in sections 5.5(c), 9.8(c), 10.7(c), 21.4(c) and 21.5(c) of the terms and conditions "...on whatever basis Envestra considers reasonable..." with "...on a reasonable basis...".

Envestra's response

Envestra has amended the relevant sections of its terms and conditions in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 4.2

In order for Envestra's access arrangement to be approved, Envestra must amend section 19 of its terms and conditions to the effect that network charges will be invoiced one month in arrears. The Authority will allow Envestra to determine when to implement the change from prepayment to payment in arrears provided the change is fully implemented by 1 July 2007 and occurs in one step.

Envestra's response

Envestra has amended its terms and conditions to the effect that network charges will be invoiced in arrears commencing 1 July 2006. However, Envestra has proposed a transitional arrangement which would allow the move from two months prepayment to payment in arrears to be phased in by 1 July 2008 rather than the one-off change required in the Authority's Final Decision to be implemented by 1 July 2007. In effect, from 1 July 2006, Envestra will retain an amount equivalent to one month's average network charges and refund the balance to existing network users. This amount, to be termed a transitional amount but effectively a security deposit, will be refunded to users in two further steps. Half will be refunded on 1 July 2007 and the remainder will be refunded on 1 July 2008. New users will not be required to pay this transitional amount.

QCA position

The proposal by Envestra varies to that required by the Authority in its Final Decision. However, the proposal will result in existing network users immediately gaining some benefit relative to the current situation while new network users will avoid having to make any prepayment of network charges. While the proposal involves a short transitional period for existing network users, the Authority believes this phasing period is a reasonable recognition of the legitimate business interests of Envestra while addressing the Authority's principal concern by moving to a payment in arrears approach within a reasonable period of time and without

imposing additional costs on any party. On this basis, the Authority accepts Envestra's proposed amendments.

Amendment 4.3

In order for Envestra's access arrangement to be approved, Envestra must amend its terms and conditions to include a requirement on the network operator to maintain the quality of gas injected into the network in accordance with the relevant legislation.

Envestra's response

Envestra has amended its terms and conditions in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 4.4

In order for Envestra's access arrangement to be approved, Envestra must adjust its invoicing policy so that:

- **it is required to provide sufficient information to allow reconciliation of DUOS charges at an individual customer level, subject to applicable market rules at the time;**
- **it is required to provide a valid tax invoice to the network user; and**
- **both Envestra and users have the same timeframe to rectify undercharging, and that this should be the same timeframe as adopted by Allgas.**

Envestra's response

With respect to the first requirement of this amendment, Envestra suggested that the Authority's amendment may require Envestra to provide invoicing information that is not consistent with the rules and/or other laws in relation to the forthcoming implementation of full retail contestability. However, Envestra revised clause 19 of its terms and conditions to require Envestra to provide the network user with invoicing information that is required under the network access agreement between Envestra and the user or any rules or laws that require Envestra to provide information.

Envestra has amended its terms and conditions in accordance with the second and third requirements of this amendment.

QCA position

The Authority considers the revisions made by Envestra to clause 19.4(b) of its terms and conditions give effect to the required amendment, if not incorporating the actual wording. In addition, the Authority accepts that market rules associated with full retail contestability have yet to be determined and the revision as proposed by Envestra will avoid the potential for inconsistency in the future.

The Authority has accepted that the changes made by Envestra are appropriate and that Envestra has met the requirements of this amendment.

Amendment 4.5

In order for Envestra’s access arrangement to be approved, Envestra must amend clause 5.6 of the terms and conditions to reflect its submission on the Authority’s Draft Decision.

Envestra’s response

Envestra has amended its terms and conditions in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 4.6

In order for Envestra’s access arrangement to be approved, Envestra must include a clause in section 16 of its terms and conditions that provides customers with the right to request an explanation from Envestra as to why they have been placed in a particular category.

Envestra’s response

Envestra has amended its terms and conditions in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 4.7

In order for Envestra’s access arrangement to be approved, Envestra must:

- **amend the wording in clause 23.2 to “...any amounts due or owing by Envestra under the Agreement to the network user against...”; and**
- **remove the words “or under any Related Haulage Agreement” from clause 23.3**

Envestra’s response

Envestra has not adjusted clause 23.2 in the manner that was required by the Authority. Envestra argued that the provision as it stood was not unusual in commercial terms and conditions. Envestra has amended clause 23.3 in accordance with the required amendment.

QCA position

The Authority has further considered this issue and has accepted Envestra's arguments regarding what constitutes normal practice. However, the Authority considers that such a clause should not take effect where an amount has been genuinely disputed by the network user and is subject of a legal challenge or other legitimate dispute resolution process. Envestra has amended clause 23.2 to this effect. With respect to clause 23.3, while Envestra included the amendment required by the Authority in its Final Decision, Envestra also agreed to include a proviso in clause 23.3 that, as for 23.2, this clause would also not come into effect where an amount is subject to genuine dispute.

Envestra has met the requirements of this amendment or otherwise satisfied the Authority that the revised access arrangement is consistent with the requirements of the Code.

Amendment 4.8

In order for Envestra's access arrangement to be approved, Envestra must amend clause 22.2 of its terms and conditions so that it recognises that this clause operates subject to clause 20A(a) which is an exemption to the operation of this clause.

Envestra's response

Envestra has amended its terms and conditions in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 4.9

In order for Envestra's access arrangement to be approved, Envestra must amend the force majeure provisions in its terms and conditions so that they apply equally to both Envestra and any party that has obligations to Envestra.

Envestra's response

Envestra has amended its terms and conditions in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

1.2 Trading Policy**Amendment 6.1**

In order for Envestra's access arrangement to be approved, Envestra must amend its trading policy to include words to the effect that:

- **Envestra will reply to any request from a user for Envestra’s consent to a transfer (other than a bare transfer) or for a change in receipt point or delivery point, within 14 business days of receiving the request accompanied by information which is reasonably necessary to enable Envestra to consider the request; and**
- **If, at the time the request is made, the user informs Envestra that due to hardship the user requires an urgent reply to its request, Envestra will use reasonable endeavours to respond to the request within two business days of receiving the request.**

Envestra’s response

Envestra has amended its access arrangement in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

1.3 Extensions/Expansions Policy

Amendment 8.1

In order for Envestra’s access arrangement to be approved, Envestra must revise its extensions/expansions policy to the effect of the following.

1. **A significant extension means an extension to one or more delivery points, where the anticipated quantity of gas delivered exceeds 10 TJ per year and the anticipated capital expenditure for the extension exceeds \$1 million.**
2. **An extension which is directly connected to an existing covered pipeline will not be treated as part of the covered pipeline through the operation of the extensions/expansion policy if:**
 - (a) **the extension is a significant extension (or where Envestra can demonstrate the extension represents a special case); and**
 - (b) **Envestra obtains the Authority’s written approval to exclude the extension from the covered pipeline.**
3. **In the case of a significant extension which is directly connected to an existing covered pipeline, and for which written consent has been provided by the Authority to treat the extension as an excluded extension, the Authority will determine what portion of the revenue generated from that extension will be offset against the total revenue calculation in respect of the covered pipeline in recognition of the use of common or joint assets that form part of the covered pipeline.**

Envestra’s response

Envestra has amended its access arrangement in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

1.4 General Principles for Determining Revenue and Tariffs

Amendment 10.1

For Envestra's access arrangement to be approved, Envestra must include a reference tariff policy in its revised access arrangement that meets the requirements of the Code.

Envestra's response

Envestra has amended its access arrangement in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 10.2

In order for Envestra's access arrangement to be approved, Envestra is required to specify separate haulage service price paths for the demand and volume customer classes as contained in the current access arrangement.

Envestra's response

Envestra has amended its access arrangement in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 10.3

In order for Envestra's access arrangement to be approved, Envestra must define the of cost pass-through trigger event as;

- **a change in taxation or other statutory charges; or**
- **any other major change in government policy (for example, costs associated with the introduction of full retail contestability);**

where the direct costs of the event will have a material effect on the efficient delivery of the Reference Service.

Envestra's response

Envestra has amended its access arrangement in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

Amendment 10.4

For Envestra's access arrangement to be approved, Envestra must remove all reference to the efficiency carry-over mechanism and fixed principles.

Envestra's response

Envestra has amended its access arrangement in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

1.5 Rolling Forward the Capital Base**Amendment 11.2**

In order for Envestra's access arrangement to be approved, Envestra must revise its estimates of capital contributions to be consistent with the Code and produce and maintain a record of contributed assets and surcharges that includes:

- **the amount of the contribution or the additional charge (above the reference tariff);**
- **the date the contribution or additional charge was paid;**
- **the contact details of the user who made the contribution; and**
- **a description of the new facility to which the contribution or surcharge relates.**

This information must be reported annually to the Authority as part of Envestra's regulatory accounts.

Envestra's response

Envestra has agreed to this amendment and provided the Authority with a written undertaking to implement all aspects of this requirement during the access period (see Attachment 1).

QCA position

Envestra has met the requirements of this amendment.

Amendment 11.3

In order for the Envestra's access arrangement to be approved, Envestra must amend the roll-forward of the capital base for the current period in accordance with Table 11.6.

Table 11.6 from the Final Decision is reproduced below.

Table 11.6: Roll-forward of Envestra's capital base to 30 June 2006

	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>
Opening assets	180.2	189.1	197.0	205.5	214.4
Less depreciation	4.8	5.2	5.6	6.0	6.4
Plus inflation	5.2	5.2	5.0	5.2	6.1
Plus capital expenditure	8.5	7.9	9.2	9.6	14.3
Closing assets	189.1	197.0	205.5	214.4	228.4

Numbers may not add due to rounding.

Envestra's response

Envestra has amended its access arrangement information (section 5.7) to reflect the roll-forward of the capital base for the current period detailed in Table 11.6 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

Amendment 11.4

In order for Envestra's access arrangement to be approved, Envestra must amend its forecast capital expenditure for the five years of the next access arrangement period in accordance with Table 11.10.

Table 11.10 from the Final Decision is reproduced below.

Table 11.10: Forecast capital expenditure, 2006-07 to 2010-11 (\$m, nominal)

	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>
Stay in Business					
Mains/inlets	5.09	5.23	5.37	5.52	5.67
Periodic meter changes	0.73	0.76	0.79	0.83	0.85
IT Systems	0.00	0.00	5.70	0.00	0.11
Telemetry and regulators	0.42	0.44	0.46	0.47	0.50
Other	0.49	0.52	0.39	0.46	0.42
Total Stay in Business	6.73	6.95	12.71	7.28	7.55
Growth					
Mains/inlets/meters	4.93	4.93	4.49	5.03	5.26
Network Development	0.00	0.00	0.00	0.00	0.00
IT Projects	0.53	0.10	0.00	0.00	0.00
Major Projects	1.28	1.32	1.36	1.39	1.43
Total Growth	6.74	6.35	5.85	6.42	6.69
Total	13.47	13.30	18.56	13.70	14.24
ECG Total	13.47	13.30	18.56	13.70	14.24
Envestra Total	18.05	17.89	25.39	19.38	21.74

Numbers may not add due to rounding.

Envestra's response

Envestra has amended its access arrangement information (section 7.1) to reflect the forecast capital expenditure detailed in Table 11.10 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

Amendment 11.6¹

For Envestra's access arrangement to be approved, Envestra must include a capital redundancy mechanism in its reference tariff policy as per its current access arrangement.

Envestra's response

Envestra has amended its access arrangement (section 5) to include a capital redundancy mechanism.

QCA position

Envestra has met the requirements of this amendment.

Amendment 11.7

In order for Envestra's access arrangement to be approved, Envestra must amend its forecast depreciation must be amended in accordance with Table 11.12.

Table 11.12 from the Final Decision is reproduced below.

Table 11.12: Forecast depreciation, 2006-07 to 2010-11 (\$m, nominal)

	2006-07	2007-08	2008-09	2009-10	2010-11
Forecast	4.9	5.5	6.3	7.1	7.6

Envestra's response

Envestra has amended its access arrangement information (section 6) to include the forecast depreciation detailed in Table 11.12 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

Amendment 11.8

In order for Envestra's access arrangement to be approved, Envestra must amend its expected inflation rate to 2.77 per cent over the access arrangement period.

Envestra's response

Envestra has amended its access arrangement information in accordance with the required amendment.

¹ Amendment 11.5 does not exist.

QCA position

Envestra has met the requirements of this amendment.

Amendment 11.9

In order for Envestra's access arrangement to be approved, Envestra must amend its roll-forward of the capital base for the five years of the access arrangement period in accordance with Table 11.13.

Table 11.13 from the Final Decision is reproduced below.

Table 11.13: Roll-forward of the capital base, 2006-07 to 2010-11 (\$m, nominal)

	2006-07	2007-08	2008-09	2009-10	2010-11
Opening assets	228.4	243.4	258.2	277.9	292.4
Less depreciation	4.9	5.5	6.3	7.1	7.6
Plus inflation	6.5	6.9	7.4	7.9	8.3
Plus capital expenditure	13.5	13.3	18.6	13.7	14.2
Closing assets	243.4	258.2	277.9	292.4	307.3

Numbers may not add due to rounding.

Envestra's response

Envestra has amended its access arrangement information (section 10.1) to incorporate the roll-forward of the capital base detailed in Table 11.13 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

1.6 Rate of Return

Amendment 12.1

In order for Envestra's access arrangement to be approved, Envestra must amend its value for gamma to 0.5.

Envestra's response

Envestra has amended its access arrangement information in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

1.7 Non-Capital Costs

Amendment 13.1

In order for Envestra's access arrangement to be approved, Envestra must amend its forecast non-capital costs (excluding UAG and cost of tax) over the next regulatory period in accordance with Table 13.3.

Table 13.3 from the Final Decision is reproduced below.

Table 13.3: Forecast non-capital expenditure (\$m nominal)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Operating and Maintenance		10.14	10.21	10.02	10.37	10.44
Administration and General		2.04	2.15	2.57	2.65	2.72
Network Development		0.93	0.94	0.96	0.98	0.99
Material changes		2.81	2.73	2.99	2.92	3.11
Total	12.22	15.92	16.03	16.54	16.92	17.26
ECG Total		15.63	15.73	16.33	16.68	17.11
Envestra Total		17.74	18.06	18.86	19.38	19.88

Envestra's response

Envestra has amended its access arrangement information (section 9.1) to incorporate the forecast non-capital costs detailed in Table 13.3 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

Amendment 13.2

In order for Envestra's access arrangement to be approved, Envestra must amend its forecast UAG over the next regulatory period in accordance with Table 13.5

Table 13.5 from the Final Decision is reproduced below.

Table 13.5: Forecast UAG (\$m, nominal)

	2006-07	2007-08	2008-09	2009-10	2010-11
UAG	1.34	1.29	1.24	1.19	1.13

Envestra's response

Envestra has amended its access arrangement information (section 9.6) to incorporate the forecast UAG costs detailed in Table 13.5 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

Amendment 13.3

In order for Envestra's access arrangement to be approved, Envestra must include the forecast cost of tax as outlined in Table 13.7.

Table 13.7 from the Final Decision is reproduced below.

Table 13.7: Forecast Tax, 2006-07 to 2010-11 (\$m nominal)

	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>
Forecast Tax	1.9	2.2	2.4	2.6	2.9
Forecast Regulatory Tax	0.9	1.1	1.2	1.3	1.4

Envestra's response

Envestra has amended its access arrangement information (section 9.7) to incorporate the forecast tax cost detailed in Table 13.7 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

1.8 Gas Demand Forecasts

Amendment 14.1

In order for Envestra's access arrangement to be approved, Envestra must

- **adjust its access arrangement to reflect MMA's revised forecasts for volume customers (see Table 14.4); and**
- **amend its access arrangement to include its updated forecasts for demand customers (as shown in Table 14.3).**

Table 14.3 and Table 14.4 from the Final Decision are reproduced below.

Table 14.3: Envestra's forecasts of MDQ for demand customers, 2006-07 to 2010-11 (GJ)

	2006-07	2007-08	2008-09	2009-10	2010-11
Brisbane	16,720	17,020	17,330	17,640	17,960
Northern	400	410	420	430	440
Total	17,120	17,430	17,750	18,070	18,400
Growth (%)		1.8	1.8	1.8	1.8

Table 14.4: MMA forecasts for Envestra's volume haulage service, 2005-06 to 2010-11 (TJ)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Brisbane – Residential	673	676	682	688	695	703
Northern – Residential	23	23	23	23	23	23
Brisbane - Commercial	1,058	1,088	1,125	1,165	1,202	1,229
Northern - Commercial	160	165	169	175	180	183
Total	1,914	1,952	1,999	2,051	2,100	2,138
Growth (%)		2.0	2.4	2.6	2.4	1.8

Envestra's response

Envestra has amended its access arrangement information in accordance with the required amendment.

QCA position

Envestra has met the requirements of this amendment.

1.9 Reference Tariffs and Tariff Paths

Amendment 15.1

In order for Envestra's access arrangement to be approved, Envestra must revise its total revenue requirements for each year of the access arrangement period to those indicated in Table 15.2.

Table 15.2 from the Final Decision is reproduced below.

Table 15.2: Total revenue targets, 2006-07 to 2010-11 (\$m, nominal)

	2006-07	2007-08	2008-09	2009-10	2010-11
Return on capital	20.7	22.0	23.5	25.1	26.4
Return of capital (depreciation)	4.9	5.5	6.3	7.1	7.6
Non-capital costs	16.1	16.2	16.8	17.2	17.5
Unaccounted for gas	1.3	1.3	1.2	1.2	1.1
Tax (net of franking credits)	0.9	1.1	1.2	1.3	1.4
Disposals (2001-2006)	0.01	0.01	0.01	0.01	0.01
Less inflationary gain	6.5	6.9	7.4	7.9	8.3
Less other income	0.2	0.2	0.2	0.2	0.2
Total	37.3	39.0	41.3	43.6	45.5

Numbers may not add due to rounding. Figures are end-year values.

Envestra's response

Envestra has amended its access arrangement information (section 10.1) to incorporate the revenue targets for 2006-07 to 2010-11 as detailed in Table 15.2 of the Authority's Final Decision.

QCA position

Envestra has met the requirements of this amendment.

Amendment 15.2

In order for Envestra's access arrangement to be approved, Envestra must amend:

- **the weighted average price path for demand customers to CPI+1.6% over the revised access arrangement period (with a value in 2005-06 of \$520.20 per GJ of MDQ); and**
- **the weighted average price path for volume customers to CPI+1.1% over the revised access arrangement period (with a value in 2005-06 of \$15.22 per GJ).**

Envestra's response

Envestra has amended its access arrangement and access arrangement information to include a weighted average price path over the next access arrangement period of CPI+1.6% for demand customers and CPI+1.1% for volume customers.

QCA position

Envestra has met the requirements of this amendment.

Amendment 15.3

In order for Envestra's access arrangement to be approved, Envestra must revise its side constraint to be a maximum of CPI+3% or any higher amount approved by the Authority where this increase can be demonstrated to result in tariffs becoming more cost reflective.

Envestra's response

Envestra has amended its access arrangement (section 4.3.1) to incorporate a side constraint of CPI+3%.

QCA position

Envestra has met the requirements of this amendment.

Amendment 15.4

In order for Envestra's access arrangement to be approved, Envestra must revise its tariff schedules so that they are consistent with the revenue requirement amendments of this Final Decision.

Envestra's response

Envestra has included revised tariff schedules in its access arrangement which are consistent with the revenue requirement of the Final Decision.

QCA position

Envestra has met the requirements of this amendment.

Attachment 1

Letter From Envestra Agreeing To Implement Required Amendment 11.2

Investing in energy infrastructure

Envestra Limited
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19 June 2006

Mr E J Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001



Dear Mr Hall

Subject: Access Arrangement – Capital Contributions

As discussed with the Authority, Envestra has agreed to comply with Amendment 11.2 in the Authority's Final Decision (relating to Envestra's Access Arrangement) by way of letter. That amendment requires Envestra to maintain the following record of contributed assets and surcharges, and to report this information annually to the Authority, together with the regulatory accounts:

- (a) The amount of contribution;
- (b) The date of the contribution;
- (c) The details of the user who made the contribution; and
- (d) A description of the new asset to which the contribution relates.

The following is a hypothetical example of how Envestra intends to record the above information during the period 2006/07 to 2010/11:

- (a) \$8,000
- (b) 4 August 2006
- (c) Origin Energy
- (d) Shortfall relating to New Facilities Investment required (150m of 100mm polyethylene main) to connect new customer (Acme Industrial Springs) at 25 River St, Industrial Park.

The above data will be collected where contributions are \$5,000 or more. Also as agreed, we will keep a record of all smaller contributions by individual amounts only. We understand that the Authority will then assess at the end of 2006/07 whether this data is worth collating and reporting longer term.

We will provide the first of the above annual reports to the Authority with the regulatory accounts for the 2006/07 period.

In order to clarify the issue in relation to mains relocation work, our intention is to treat this work as an unregulated service, as this service is not sought by or provided to Users. While we will therefore treat the revenue from this service as unregulated revenue, we will also segregate the costs for performing this work from Access Arrangement costs, such that those (unregulated service) costs are not recovered under the Access Arrangement from Users.

Yours sincerely


per Andrew Staniford
Commercial Manager