



Albury Distribution System
Access Arrangement
Part B

Reference Tariff Policy

and

Reference Tariffs

With revisions drafted and approved by the Essential Services Commission of Victoria under section 2.42 of the National Third Party Access Code for Natural Gas Pipeline Systems for the Access Arrangement Period commencing 2 June 2008 and varied by order of the Essential Services Commission Appeal Panel under sections 38 and 39 of the Gas Pipelines Access (Victoria) Law dated 11 November 2008

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Reference Tariff Policy

1 Haulage Reference Tariffs

1.1 Initial Haulage Reference Tariffs

The Haulage Reference Tariffs to apply from 1 January 2008 (for Calendar Year 2008) are the tariffs that are set out in Schedule 1 adjusted to comply with the Tariff Control Formula and rebalancing control formula and verified by the Regulator as if clause 4 applied (but for the timing requirements of clause 4.1). (It is noted that the tariffs in Schedule 1 will require adjustment for the Licence Fee when this is known).

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.

1.2 Assignment of Haulage Reference Tariffs

(a) Assigned Reference Tariffs

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

Tariff D will be assigned to a DSP at a given time if either the Quantity of Gas delivered at that DSP:

- exceeds 10 TJ in the preceding 12-month period (of if less than 12 months of data is available, the Quantity of Gas delivered pro-rata for 365 days); or
- exceeds 10 GJ in any hour in the preceding 12-month period.

Tariff V will be assigned to a DSP if it is not assigned Tariff D.

(b) Reference Tariffs assigned to New DSPs

The Service Provider will assign a Haulage Reference Tariff to a new DSP. In determining the Haulage Reference Tariff assigned to a DSP, the Service Provider will take into account:

- (1) the demand and Metering Installation characteristics at that DSP; and
- (2) Haulage Reference Tariffs assigned to DSPs with the same or materially similar characteristics.

(c) No Meter

Tariff V will be assigned to any DSP which does not have a Meter, unless otherwise agreed between the Service Provider and the relevant User.

(d) Change in characteristics of a DSP

If, after the initial assignment of a Haulage Reference Tariff to a particular DSP, the Service Provider becomes aware or is advised that

- the Quantity of Gas withdrawn has changed or will change; or
- the Metering Installation or gas demand characteristics have changed or will change such that a different Haulage Reference Tariff should be (having regard to the criteria for assignment of Haulage Reference Tariffs) assigned to the DSP, the Service

Provider will, subject to clause 1.2(e), notify the relevant User accordingly in writing, prior to the reassignment occurring.

In determining the Haulage Reference Tariff assigned to a DSP, the Service Provider will take into account:

- (1) the User's demand and Metering Installation characteristics; and
- (2) Haulage Reference Tariffs assigned to DSPs with the same or materially similar characteristics.

(e) Notification by User regarding a different Haulage Reference Tariff

Where a User receives notice under clause 1.2(d), that a different Haulage Reference Tariff is to be assigned to a DSP, it will be assigned that different Haulage Reference Tariff 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.

(f) Assignment of New Reference Tariffs

If a new Reference Tariff is introduced, the Service Provider will specify the characteristics or conditions under which a DSP will be assigned the new Reference Tariff.

(g) Assignment of Tariff D Haulage Reference Tariff

Where a DSP is assigned to Tariff D:

- (A) The User for that DSP must pay for a Metering Installation which complies with the appropriate metering standard specified in the MSO Rules or applicable Regulatory Instrument, and which is capable of recording MHQ;
- (B) The User for that DSP must pay any applicable Non Reference Service charge (Tariff D Connection charge), for providing connection assets and mains extensions that have been previously undertaken for that DSP; and
- (C) The Service Provider can require the DSP to continue to be assigned to Tariff D for a period of up to 1 year from the time of the assignment of Tariff D.

1.3 New Haulage Reference Service or Haulage Reference Tariff Component

(a) Time Period for Reassignment

When introducing a new Haulage Reference Service and/or Haulage Reference Tariff Component, the Service Provider will, if necessary, reassign the Haulage Reference Tariff and/or Haulage Reference Tariff Component to a DSP within 30 Business Days of the earlier of:

- (1) 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.

(b) Information to be supplied to Regulator

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 DSPs to which the new Haulage Reference Tariff is proposed to apply;
- (2) reasonable estimates of the quantities that would have been distributed (to Customers affected by the change) 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 (to Customers affected by the change) 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).

(c) **Switching rates**

If necessary, the Service Provider will submit information to the Regulator in relation to the switching rate of Customers moving from a given parent Haulage Reference Tariff to a new Haulage Reference Tariff.

(d) **Details of estimates**

The Service Provider will provide details to the Regulator of and the basis for all estimates under this clause 1.3. The Regulator can request that the Service Provider resubmit quantity estimates provided under this clause 1.3 where the Regulator considers the estimates to be incomplete, inconsistent or unsubstantiated. The Regulator must provide reasons for requesting such a re-submission.

(e) **Timing of information**

The elapsed time between the Regulator requesting that the Service Provider provide additional information under clause 1.3(d), and the Service Provider providing that information to the Regulator does not count towards the 20 Business Days under clause 1.3(a).

1.4 **Withdrawal of Haulage Reference Tariff**

(a) **Time period for effecting withdrawal**

When proposing the withdrawal of an existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will assign alternative Haulage Reference Tariffs to relevant DSPs 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.

(b) **Notification of Users**

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 Service, in addition to the information required under clause 4.3, the Service Provider will:

- (1) notify the Regulator in writing of the Haulage Reference Services that will replace the withdrawn Haulage Reference Services;
- (2) where more than one Haulage Reference Tariff will be reassigned to existing DSPs 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 more than one Haulage Reference Tariff has been assigned to DSPs in Calendar Year t-1, provide a breakdown of the actual quantities, in relevant units that were distributed to each User 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 Annual Tariff Report

The Service Provider will provide to the Regulator each year, a report that sets out the information described in Schedule 4.

The report will be submitted:

- (a) 60 business days prior to the end of the Calendar Year where the Service Provider proposes to introduce new tariffs or amend the tariff structure in the subsequent Calendar Year; or
- (b) 35 business days prior to the end of the Calendar Year where the Service Provider does not propose to introduce new tariffs or amend the tariff structure in the subsequent Calendar Year.

2 Ancillary Reference Tariffs

The Tariffs for Ancillary Reference Services for 2008 are set out in Schedule 2.

Ancillary Reference Tariffs are to be adjusted by the change in CPI in accordance with the Tariff Control Formula (Formula 11 of Schedule 3).

3 Haulage Reference Tariff Control Formula

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

- (1) varying;
- (2) withdrawing; and
- (3) introducing new Haulage 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 Tariff Control Formulae set out in Schedule 3 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 approach adopted is the tariff basket form of price control.

The Tariff Control Formulae for Haulage Reference Services are as shown in Schedule 3. In this clause 3, references to formula numbers are references to formulae in Schedule 3.

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 Formulae 1-3 will be interpreted in relation to:
- (1) 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;
 - (2) 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 p_{t-1}^{ij} term in Formulae 1-3 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(b).

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 DSPs to which the Haulage Reference Tariff to be withdrawn applied, the p_t^{ij} term in Formulae 1-3 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 those DSPs 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 DSP to which the Haulage Reference Tariff to be withdrawn applied:
- (1) the p_t^{ij} term in Formulae 1-3 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 DSPs in Calendar Year t, in accordance with information submitted under clause 1.4; and
 - (2) the q_{t-2}^{ij} term in Formulae 1-3 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 DSPs to which the same Haulage Reference Tariff was assigned in Calendar Year t, in accordance with information submitted under clause 1.4; and
 - (3) the q_{t-2}^{ij} term in Formulae 1-3 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 DSPs to which the same Haulage Reference Tariff

was 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(c) 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 year to year, application of the Tariff Control Formula in Formulae 1 to 3 will distinguish between:

- (a) DSPs to which the new Haulage Reference Tariff has already been assigned, in which case the q_{t-2}^{ij} term in Formulae 1-3 will be based on the actual quantities distributed in relevant units at those DSPs to which the new Haulage Reference Tariff has already been assigned and p_t^{ij} is the new Haulage Reference Tariff; and
- (b) DSPs to which the new Haulage Reference Tariff is expected to be assigned during year t, in which case the q_{t-2}^{ij} term in Formulae 1-3 will be based on reasonable estimates of the quantities which would have been distributed at those DSPs, as submitted by the Service Provider in accordance with clause 1.3(c), and p_t^{ij} is the new Haulage Reference Tariff.

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.

In undertaking any rebalancing, the Service Provider will have regard to the desirability of maintaining cost-reflective tariffs. The Service Provider will also use rebalancing as the means by which cross-subsidisation between Haulage Reference Tariffs or between Haulage Reference Tariff Components is removed.

- (b) The rebalancing control to apply to annual variations to Haulage Reference Tariffs is set out in Formula 10 of Schedule 3.
- (c) The rebalancing controls also apply to changes to Haulage Reference Tariffs made within a Calendar Year and the withdrawal of Haulage Reference Tariffs and the introduction of new Haulage Reference Tariffs.

3.6 Rebalancing controls for new and withdrawn Haulage Reference Tariffs

For the purposes of the application of the rebalancing control formula (Formula 10):

- (a) where the Service Provider proposes 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
 - (2) the p_t^j term in the rebalancing control will be interpreted in relation to the Haulage Reference Tariff Components of the parent 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 DSPs 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 DSPs 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 DSPs 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 DSPs 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 tariffs to each DSP reassigned to the same Haulage Reference Tariff.

4 Approval of annual and intra-year variations to Reference Tariffs and new 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 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 Reference Tariff within a Calendar Year it will submit the proposed 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 Reference Tariff or new Reference Tariff Component or withdraw an existing Reference Tariff or existing 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). The Service Provider will notify the Regulator in writing of its intent to introduce new Reference Tariffs or new Reference Tariff Components at least 60 Business Days prior to the proposed date of commencement of the new Reference Tariff or Reference Tariff component.
- (d) The Service Provider will ensure its proposed Reference Tariffs or proposed changes to Reference Tariffs submitted under clauses 4.1(a), (b) or (c) comply with:
 - (1) the Tariff Control Formulae in Schedule 3 in relation to Haulage Reference Tariffs; and
 - (2) the requirements for adjustments to Ancillary Reference Tariffs in Formula 11 of Schedule 3.

- (e) If the Service Provider does not, 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 in accordance with clause 4.1(a):
 - (1) where the left-hand side of the relevant Tariff Control Formula (set out in Formula 1,2 or 3 of Schedule 3) to be applied for Calendar Year t is greater than one, the Haulage Reference Tariffs applying in Calendar Year t-1 will apply for Calendar Year t; and
 - (2) where the left-hand side of the relevant Tariff Control Formula (set out in Formula 1,2 or 3 of Schedule 3) 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 price control formula to be applied for Calendar Year t and will apply for Calendar Year t,

provided that such Haulage Reference Tariffs may subsequently be varied where the Regulator subsequently approves Haulage Reference Tariffs for Calendar Year t as compliant in response to a submission by the Service Provider.

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 Reference Tariffs proposed by the Service Provider and submitted under clauses 4.1(a), (b) or (c) as compliant with the relevant price controls. If the Regulator declines to verify the proposed Reference Tariffs as compliant, the Regulator must provide a written statement of reasons for that decision.
- (b) The proposed 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 has notified the Service Provider in writing that it has declined to verify the proposed Reference Tariffs as compliant.
- (c) If the Regulator issues a written notice to the Service Provider that it has declined to verify proposed Reference Tariffs and/or Reference Tariff Components (including but not limited to any new Reference Tariff and/or any new Reference Tariff Component) as compliant for a new Calendar Year t, then each component of the Haulage Reference Tariffs applying in the current Calendar Year as adjusted by the left hand side of the relevant Tariff Control Formula (set out in Formula 1,2 or 3 of Schedule 3) for Calendar Year t will, subject to any revisions subsequently taking effect as contemplated by paragraph (e) below, continue to apply from the start of the new Calendar Year t, and each Ancillary Reference Tariff as adjusted by CPI will apply from the start of the new Calendar Year t.
- (d) If the Regulator has notified the Service Provider in writing that it has declined to verify as compliant the withdrawal of any existing Reference Tariffs and/or the withdrawal of any existing Reference Tariff Components proposed for Calendar Year t, the existing Haulage Reference Tariffs and/or Haulage Reference Tariff Components will, subject to any revisions subsequently taking effect as contemplated by paragraph (e) below, continue to apply from the start of new Calendar Year t as adjusted by the left hand side of the relevant Tariff Control Formula (set out in Formula 1,2 or 3 of Schedule 3) for Calendar Year t, and each component of the Ancillary Reference Tariffs applying in the current Calendar Year as adjusted by the CPI will continue to apply from the start of the new Calendar Year t.
- (e) The Service Provider may provide additional information and resubmit or revise its proposed Reference Tariffs in accordance with clauses 4.1(a), (b) or (c), if the Regulator declines to verify as compliant proposed Reference Tariffs under clause 4.2(a) and such revisions will take effect if verified as compliant in accordance with the procedures in this clause 4.
- (f) Where in a Calendar Year, changes to 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 Reference Tariffs to the Regulator, the Service Provider will also provide to the Regulator information demonstrating that the proposed Reference Tariffs are, to the extent relevant, consistent with clause 2 and the Tariff Control Formula in Schedule 3.

5 Calculation of Charges for Haulage Reference Tariffs

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

(1) General

The Distribution Fixed Tariff Components and consumption ranges shown in Schedule 1, as applicable, are daily amounts. The Distribution Fixed Tariff Component or consumption range applied to calculate a charge for a billing period shall be the Reference Tariff Component or consumption range shown in Schedule 1, as applicable, multiplied by the number of days in the billing period.

(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 and some are in the Off-Peak Period the total GJs of Gas withdrawn shall be allocated between the Peak Period and the Off-Peak Period proportionately according to the number of days falling in each period.

(3) Distribution Demand Tariff Components

- (A) 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 Calendar Year t.
- EAC is the estimated annual charge calculated by applying the relevant Reference Tariff Components to EAD;
- CBTD is the sum of the charges for all prior billing periods of Calendar Year "t";

- RBP is the remaining billing periods in Calendar 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:

- (1) for billing periods between January and September, the higher of:
 - (i) the forecast Annual MHQ for Calendar Year t; and
 - (ii) the Annual MHQ, as measured to date during Calendar Year t,
 where the forecast Annual MHQ for Calendar Year t is either:
 - (i) the actual Annual MHQ for Calendar Year t-1; or
 - (ii) a Quantity agreed between the Service Provider and the User.
 - (2) for billing periods between October and December, the actual Annual MHQ for Calendar Year t.
- (B) Where a User's Customer withdraws Gas at a DSP and ceases to withdraw Gas at that DSP in a month:
- (i) the Service Provider may charge the User in respect of that DSP, for the whole of the month in which the Customer ceased withdrawal of Gas;
 - (ii) the Service Provider will not charge the User in respect of that DSP, for any month after the month in which the Customer ceased withdrawal of Gas; and
 - (iii) where another Customer proposes to withdraw Gas at that DSP, the quantity of forecast highest MHQ for the year for that DSP must be agreed between the Service Provider and the relevant User in respect of that DSP before that Customer commences to so withdraw Gas (and where the Customer commences to withdraw Gas without such agreement having been reached, the MHQ will be set at such level reasonably determined by the Service Provider).
- (C) Where a User's Customer withdraws Gas at a DSP 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:
- the new User from whom the Customer purchases its Gas at that DSP in that month; or
 - the Customer as a User in that month,
- respectively for that month.

(4) Unmetered Reference Tariff Components

Where Tariff V has been assigned to a DSP because it is an unmetered DSP, there is deemed to be no withdrawal of Gas at that DSP for charging purposes. For the avoidance of doubt, in such circumstances Tariff V is deemed to apply and the fixed component of the tariff may be charged as a fixed charge.

6 Effect of New Facilities Investment on Tariffs

6.1 New Facilities Investment

The Service Provider may at its discretion undertake New Facilities Investment that does not satisfy the requirements of section 8.16 of the Code. The Extensions/Expansions Policy in clause 5.6 of Part A of this Access Arrangement explains how New Facilities Investment in relation to a New Facility which is to be treated as part of the Covered Pipeline will affect Reference Tariffs.

Clause 6.2 below sets out the principles of a Speculative Investment Fund which the Service Provider may operate in relation to New Facilities Investment that does not satisfy the requirements of section 8.16 of the Code.

6.2 Speculative Investment Fund

In accordance with section 8.19 of the Code, the amount of the Speculative Investment Fund for the Service Provider at any time is equal to:

- (a) the difference between the New Facilities Investment and the amount which satisfies section 8.16 of the Code, 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 section 8.25 of the Code; 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 Investment Fund previously added to the Capital Base.

7 Fixed Principles

7.1 General Fixed Principles

- (a) Section 8.47 of the Code provides that a Reference Tariff Policy will include certain Fixed Principles, being an element of the Reference Tariff Policy which cannot be changed when the Service Provider submits revisions to an Access Arrangement, without the agreement of the Service Provider.
- (b) No Fixed Principle can be changed by the Regulator at a review of the Access Arrangement without the approval of the Service Provider.
- (c) Each Fixed Principle will apply for the periods specified.
- (d) The period during which each Fixed Principle may not be changed is the Fixed Period.
- (e) In reviewing the Access Arrangement in 2002, the Regulator approved the Fixed Principles 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 applies until the end of the Third Access Arrangement Period.

- (2) *"The Capital Base at the commencement of an Access Arrangement Period will be the Capital Base at the commencement of the previous Access Arrangement Period, adjusted to take account of:*
- (A) *changes to CPI since 1 January 2003;*
 - (B) *depreciation;*
 - (C) *New Facilities Investment meeting the requirements of section 8 of the Access Code;*
 - (D) *the sale value of assets that are disposed of in the ordinary course of business since 1 January 2002, other than a disposal of:*
 - (i) *all or part of the Distribution System;*
 - (ii) *assets pursuant to which the assets of the Service Provider are sold and leased back to the Service Provider;*
 - (E) *the Capital Base will not be reduced as a result of assets forming part of the Capital Base becoming redundant;*
 - (F) *the difference between forecast and actual capital expenditure in the year prior to the commencement of the previous Access Arrangement Period;*
 - (G) *the difference between forecast and actual disposals in the year prior to the commencement of the previous Access Arrangement Period."*

This Fixed Principle applies for a period of 30 years from the commencement of the Second Access Arrangement Period.

- (3) *"The following costs will be included in the Third Access Arrangement Period (to be reflected in the Reference Tariffs):*
- (A) *the present value of any outstanding capital costs at the end of Calendar Year 2007 approved by the Regulator will be included in the Capital Base to be used to calculate Reference Tariffs for the Access Arrangement Period commencing 1 January 2008, and for the avoidance of doubt, any outstanding capital amount means any FRC (Full Retail Competition) capital costs approved by the Regulator that have not been recovered by the prices, fees and charges determined by the Regulator; and*
 - (B) *any adjustment factor determined by the Regulator not recovered as prices, fees or charges determined by the Regulator under section 12 of the OIC by the end of Calendar Year 2007.*

Capital and non-capital costs to be incurred in the Third Access Arrangement Period for or in connection with, or in relation to, the implementation and operation of the Retail Gas Market Rules will be considered under the Access Code and reflected in Reference Tariffs for that period."

This Fixed Principle applies until the end of the Third Access Arrangement Period.

- (4) *"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."*

This Fixed Principle applies until the end of the Third Access Arrangement Period.

- (5) *"The Regulator will apply the same post-tax approach to the Capital Base in the Third Access Arrangement Period and subsequent Access Arrangement Periods, as was applied in the Second Access Arrangement Period."*

This Fixed Principle applies for a period of 30 years.

- (f) No new general Fixed Principles are proposed in this revision of the Access Arrangement.

7.2 Efficiency sharing mechanism

Section 8.44 of the Code provides for a Service Provider's Reference Tariff Policy to include an incentive mechanism that permits the Service Provider to retain all, or any share of any, returns to the Service Provider from the sale of the Reference Services:

- during the Access Arrangement Period, that exceed the level of returns expected for that Access Arrangement Period; or
- during a period approved by the Regulator that exceeds the level of returns expected for that period.

The following Fixed Principle applies until the end of the Fourth Access Arrangement Period.

(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 after the year in which the gain was achieved, ie. a reward (being the net amount of the efficiency gains (or losses) relating to capital and operating expenditure) earned in one year of an Access Arrangement Period would be added to the Total Revenue and carried forward into the Fourth Access Arrangement Period if necessary, until it has been retained by the Service Provider for a period of five years.*

- (2) *There would be no claw-back of gains that have already been made (or losses that have been incurred) during the Third 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:*

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

where:

WACC is the prevailing regulatory WACC, expressed in pre-tax terms.

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

$$\text{Efficiency Gain} = \text{Underspending}_t - \text{Underspending}_{t-1}$$

where:

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

- (5) *The costs associated with a Change in Taxes Event, complying with RoLR requirements, or the reticulation of unreticulated townships which were not included in the calculation of Reference Tariffs, will be excluded from the operation of the efficiency carryover mechanism;*
- (6) *Any other activity that the Service Provider and the Regulator agree to be excluded from the operation of the efficiency carryover mechanism will be so excluded;*

(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 Third Access Arrangement Period. As a result, if the Service Provider makes an efficiency gain in the last year of the Third Access Arrangement Period, there would be no carryover in respect of that year. However, the operating expenditure benchmark for the Fourth Access Arrangement Period will then be higher than otherwise for the Fourth Access Arrangement Period by the amount of the efficiency gain. This would provide the Service Provider with precisely the same reward had the expenditure level in the last year been known.*
- (2) *For capital expenditure, it will be assumed that the actual expenditure in the last year of the Third 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 Third 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. This would imply that the 'return on assets' included in the revenue benchmarks would be higher, and provide the Service Provider with precisely the same reward as the carryover had the expenditure level in the last year been known. 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 Third Access Arrangement Period.*
- (3) *There will 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 (as well as the exception in clause 4 below):*
 - (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. Any adjustment will be made following the provision of relevant information to the Regulator and the assessment of that information by the Regulator; and*
 - (B) *actual expenditure will also be adjusted to take account of the difference between forecast and actual output. This will be done by taking into account the difference in the number of connections (compared to forecast) multiplied by the capital expenditure per connection and operating expenditure per connection.*
- (4) *The carryover in respect of cost-related efficiency gains will be calculated in a manner that takes account of any difference between the capital replacement works assumed in Reference Tariffs for the Third 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

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

- (5) *To the extent that the application of this clause results in a positive efficiency carryover at the end of the Third Access Arrangement Period, the reward earned in the Third Access Arrangement Period is to be added to the Total Revenue and carried forward into the Fourth Access Arrangement Period, until it has been retained by the Service Provider for a period of five years, in accordance with this clause.*

8 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

- (a) If a Relevant Pass Through Event occurs, or will occur, the Service Provider may give a statement to the Regulator within 3 months of the Relevant Pass Through Event occurring specifying:
- (1) details of the Relevant Pass Through Event concerned;
 - (2) the date the Relevant Pass Through Event took or takes effect;
 - (3) the estimated financial effect of the Relevant Pass Through Event on the Service Provider;
 - (4) the Pass Through Amount or change in Reference Tariffs the Service Provider proposes in relation to the Relevant Pass Through Event;
 - (5) the basis on which the Pass Through Amount or change in Reference Tariffs is to apply;
 - (6) the date from and period over which the Service Provider proposes to charge the Pass Through Amount or change the Reference Tariffs; and
 - (7) Where applicable, how the Services 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 Services Provider proposes the Pass Through Amount is to apply).
- (b) If a Declared Retailer of Last Resort Event occurs, the 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(a)(3).

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 will occur, occurred or is continuing, and if the Regulator decides that the Relevant Pass Through Event will occur, occurred or is continuing, the Regulator must decide:
- (1) the Pass Through Amount change in Reference Tariffs; and
 - (2) the basis on which any 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 deemed to have notified the Service Provider of its decision under clause 8.2(a) that the Pass Through Amount or change in Reference Tariffs and the basis on which any 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 or 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 but does not give the Regulator a statement under clause 8.1 concerning the Relevant Pass Through Event, the Regulator may decide on
 - (1) the Pass Through Amount or change in Reference Tariffs;
 - (2) the date from and period over which the Pass Through Amount can be charged or from which the change in Reference Tariffs apply; 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) 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 at all times act reasonably and 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 or change in Reference Tariffs is to apply;
- (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) if the Relevant Pass Through Event is a Change in Taxes Event, the amount of any change in another tax which, in the Regulator's opinion, may have been introduced as complementary to the Change in Taxes Event concerned;
- (f) the effect of any other previous Relevant Pass Through Event since the later of the date of:

- (i) this Part B of the Access Arrangement ; and
 - (ii) 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 estimated financial effect on the Service Provider of that previous Relevant Pass Through Event; and
- (h) any other factors the Regulator considers relevant.

8.5 Where the Service Provider applies a Pass Through Amount

- (a) The Service Provider:
- (i) 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:
 - the Positive Pass Through Amount which the Regulator has approved or is deemed to have approved; and
 - 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
 - (ii) 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 in accordance with clause 8.3 and 8.4.
- (b) The Pass Through Amount must be:
- (i) shown separately on each User's invoice; or
 - (ii) 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:
- (i) notified its Users under clause 8.5(a)(i)(B); and
 - (ii) started showing or identifying the Positive Pass Through Amount as required under clause 8.5(b).

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 whether the Service Provider's Reference Tariffs or Reference Tariff Components comply with the principles and Tariff Control Formula in clauses 2 and 3 of Part B of this Access Arrangement; and
- (b) subject to the procedures in clause 4.

9 Transitional Provisions

9.1 Transition to Third Access Arrangement Period

Notwithstanding other clauses in this Reference Tariff Policy, due to the Access Arrangement revision process in 2007 taking longer than expected, the following transitional provisions will apply:

- (a) the Reference Tariffs which applied in 2007 will continue to apply in nominal terms until 1 July 2008;
- (b) 2008 Reference Tariffs will only apply for the period 1 July 2008 to 31 December 2008; and
- (c) the process set out in section 4 of this Reference Tariff Policy will be followed to determine Reference Tariffs for the period 1 July 2008 to 31 December 2008, but with adjustments to respective time frames to reflect the fact that new Reference Tariffs will commence on 1 July rather than at the start of the Calendar Year. Further, for the purposes of determining Reference Tariffs for 2008:
 - (1) the time period referred to in clauses 4.1(a), 4.1(c) and 4.1(e) will be 15 Business Days; and
 - (2) the time period referred to in clauses 1.5(a), 1.5(b) and 4.2(b) will be 5 Business Days.

9.2 Variations to the Reference Tariff Policy as a consequence of the orders of the Essential Services Commission Appeal Panel in E2 / 2008

Notwithstanding other clauses in this Reference Tariff Policy, as a consequence of the Essential Services Commission Appeal Panel Decision the following arrangements will apply:

- (a) there will be a once-off change to all Haulage Reference Tariff Components (but not Ancillary Reference Tariffs) on 1 July 2009;
- (b) each Haulage Reference Tariff Component will be increased on 1 July 2009 by multiplying the existing Haulage Reference Tariff Component by 1.02;
- (c) the Service Provider must submit its proposed Haulage Reference Tariffs to the Regulator at least 35 Business Days prior to 1 July 2009;
- (d) the Regulator will provide the Service Provider with written notice of whether or not it has verified the proposed Haulage Reference Tariffs as compliant with this clause 9.2. If the Regulator declines to verify the Haulage Reference Tariffs as compliant the Regulator must provide a written statement of reasons for that decision. 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 clause 9.2(c) unless the Regulator has notified the Service Provider in writing that it has declined to verify the proposed Reference Tariffs as compliant. In such a case the existing Haulage Reference Tariffs will continue to apply until such time as the Service Provider has resubmitted or revised its proposed Haulage Reference Tariffs and the Regulator has verified the proposed Haulage Reference Tariffs as compliant;
- (e) for the purposes of submitting tariffs to the Commission to apply from 1 January 2010, the Haulage Reference Tariffs applying from 1 July 2009 to 31 December 2009 shall be considered to be the Haulage Reference Tariffs applying in Calendar Year t-1;
- (f) for the avoidance of doubt there is no requirement for an annual tariff report to be submitted to the Regulator with or simultaneously with the proposed 1 July 2009 Haulage Reference Tariffs;
- (g) no new Haulage Reference Tariffs and/or Haulage Reference Tariff Components may be introduced on 1 July 2009. No Haulage Reference Tariffs may be withdrawn on 1 July 2009;
- (h) once the proposed Haulage Reference Tariffs to apply from 1 July 2009 have been verified as compliant by the Regulator, the Service Provider will notify in writing all Users affected by the changes as soon as possible.

Schedule 1 – Haulage Reference Tariffs for 2008¹ (\$2008, exc GST)
 Tariff V and D

Tariff V	Albury
Fixed Charges	0.2066
Peak Volumes (GJ)	
0 – 0.1 GJ	4.5982
Over 0.1 – 0.2 GJ	4.4046
Over 0.2 – 1.4 GJ	2.1781
>1.4 GJ	1.0530
Off Peak Volumes (GJ)	
0 – 0.1 GJ	
Over 0.1 – 0.2 GJ	4.3078
Over 0.2 – 1.4 GJ	4.1625
>1.4 GJ	2.0093
	1.0129
Tariff D	Albury
0 – 10	1056.5738
Over 10 – 50	665.8186
> 50	161.7325

NB: Distribution Fixed Tariff Component = Daily fixed charge
 Distribution Volume Tariff Component= the \$/GJ Volume Component

¹ Excluding Licence Fee recovery

Schedule 2 – Ancillary Reference Tariffs for 2008 (\$2008, exc GST)

Ancillary Reference Service	Tariff
Meter and Gas Installation Test	\$168.34
Disconnection	\$54.00
Reconnection	\$64.58
Meter Removal	\$80.46
Meter Reinstallation	\$80.46
Special Meter Read	\$9.53

Schedule 3 – Tariff Control Formulae

FORMULA 1: TARIFF CONTROL FORMULA FOR 2008, 2011 AND 2012

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

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

p_t^{ij} is the proposed Reference Tariff for component j of Reference Tariff i in year t ;

p_{t-1}^{ij} is the Reference Tariff being charged for component j of Reference Tariff i in year $t - 1$;

q_{t-2}^{ij} is the quantity of component j of Reference Tariff i that was sold in year $t - 2$;

CPI_t is the CPI, as defined in the glossary, for year t ;

X_t is -0.002 for 2008 and - 0.02 for 2011 and 2012; and

L_t is the Licence Fee factor as defined in Formula 4

FORMULA 2: TARIFF CONTROL FORMULA FOR 2009

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

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

p_t^{ij} is the proposed Reference Tariff for component j of Reference Tariff i in 2009;

p_{t-1}^{ij} is the Reference Tariff being charged for component j of Reference Tariff i in 2008;

q_{t-2}^{ij} is the quantity of component j of Reference Tariff i that was sold in 2007;

CPI_t is the CPI, as defined in the glossary, for 2009;

X_t is -0.0;

L_t is the Licence Fee factor for 2009, as defined in Formula 4; and

A is the adjustment factor to account for the un-recovered quantities from the Order in Council, as defined in Formula 5.

FORMULA 3: TARIFF CONTROL FORMULA FOR 2010

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

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

p_t^{ij} is the proposed Reference Tariff for component j of Reference Tariff i in 2010;

p_{t-1}^{ij} is the Reference Tariff being charged for component j of Reference Tariff i in 2009;

q_{t-2}^{ij} is the quantity of component j of Reference Tariff i that was sold in 2008;

CPI_t is the CPI, as defined in the glossary, for 2010;

X_t is -0.02;

L_t is the Licence Fee factor for 2010, as defined in Formula 4; and

A is the adjustment factor to account for the un-recovered quantities from the Order in Council, as defined in Formula 5.

FORMULA 4: LICENCE FEE FACTOR

L_t is the Licence Fee pass through adjustment to the Distribution price control in Calendar Year t , calculated as follows:

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

where

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

L'_{t-1} (a) if Calendar Year t is prior to the Calendar Year ending 31 December 2009, is zero;
 (b) if Calendar Year t is after the Calendar Year ending 31 December 2008, is the value of L'_t determined in the Calendar Year $t - 1$;

lf_{t-1} is the licence fee paid by the distribution business for the Financial Year ending in June of the Calendar Year $t - 1$;

CPI_t is defined in the Glossary;

X_t is -0.002 for Calendar Year 2008, -0.0 for Calendar Years 2009, and -0.02 for Calendar Years 2010-12;

p_{t-1}^{ij} is 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 the Quantity of Haulage Reference Tariff Component j of Haulage Reference Tariff i that was sold in Calendar Year $t - 2$;

Pre-tax $WACC_D$ is the implied real pre tax WACC applying to the Service Provider.

FORMULA 5: ADJUSTMENT FACTOR A

The Unrecovered OIC adjustment factor A, for the Service Provider, is:

$$A = \frac{\$OIC^{2007} (1 + \text{pretax}WACC_D)^{3/2} \prod_{2008}^{2009} (1 + CPI)}{(1 + L_t)(1 + CPI_t)(1 - X_t) \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}$$

where:

A is the unrecovered OIC adjustment factor;

$\$OIC^{2007}$ is the actual unrecovered OIC amount calculated in 2007 dollars as submitted to the ESC as part of the 2009 tariff submission;

CPI is defined in the Glossary;

X_t is -0.0 for Calendar Year 2009 and -0.02 for Calendar Year 2010;

p_{t-1}^{ij} is 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 the Quantity of Haulage Reference Tariff Component j of Haulage Reference Tariff i that was sold in Calendar Year $t - 2$;

L_t is the licence fee factor as defined in Formula 4; and

$\text{pretax } WACC_D$, is the implied real pre tax WACC applying to the Service Provider.

FORMULA 10: REBALANCING CONTROL FORMULA – 2008-12

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

where:

- p_t^j is the proposed Reference Tariff for component j of Reference Tariff i in year t ;
- p_{t-1}^j is the Reference Tariff being charged for component j of Reference Tariff i in year $t-1$;
- q_{t-2}^j is the quantity of component j of Reference Tariff i that was sold in year $t-2$;
- CPI_t is the CPI, as defined in the glossary, for year t ;
- Y_t is 0.02 for Calendar Years 2008 and 2009 and 0.04 for Calendar Years 2010-2012; and
- L_t is the Licence Fee factor as defined in Formula 4.

If $L_t < 0$, then $(1 + L_t) = 1$.

If for 2009:

$A > 0$ then the rebalancing control formula is:

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

where:

- A is the adjustment factor A to account for the unrecovered quantities from the Order in Council, as defined in Formula 5.

Otherwise the rebalancing control formula is unchanged.

If for 2010:

$A > 0$ then the rebalancing control formula is:

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

Otherwise the rebalancing control formula is unchanged.

FORMULA 11: ANCILLARY REFERENCE SERVICES FORMULA

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

where:

ART_t is the Ancillary Reference Tariff that applies in year t

ART_{t-1} is the Ancillary Reference Tariff that applied in year $t - 1$; and

CPI_t is the CPI, as defined in the glossary, for year t .

Ancillary Reference Service tariffs shall be rounded to the nearest dollar, except in relation to meter reading, which shall be rounded to the nearest ten cents.

Schedule 4 – Content of Annual Tariff Report

1. Introduction

- a) Describe the licensing basis upon which the distributor supplies gas to customers
- b) Describe the period that the tariff report applies to
- c) Include the postcodes applicable to the distributor's Reference and Ancillary Reference tariffs
- d) Include a map highlighting location of each gas distribution business's pricing zones

2. Reference and Ancillary Reference Tariffs

- a) Describe the costs that are recovered by Reference Tariffs
 - Describe each Reference Tariff and how it is charged
- b) Describe the costs that are recovered by Ancillary Reference tariffs
 - Describe each Ancillary Reference tariff and it is charged
- c) Describe the principles used to set tariffs

3. Methodology to set Reference Tariffs

- a) Discuss the derivation of each tariff V and tariff D Reference Tariff
 - Describe the allocation of costs to each tariff (i.e. the tariffs listed in item 4(a).
- b) Discuss the derivation of the tariff V and tariff D Reference Tariff Structures
 - Describe the allocation of costs to each tariff component for the tariffs listed in item 4(a).
- c) Discuss the cost differences underlying different zonal tariffs

4. Current Reference and Ancillary Reference Tariffs

- a) Reference Tariffs
 - I. Discuss all approved tariffs for the year under consideration
 - II. Discuss tariff component time periods

Tariff Component Time Periods

Rate	Time
Peak	Date/time a to date/time b
Off-peak	Date/time c to date/time d
Other	Date/time e to date/time f

- III. Describe Price Control regime and how this was applied to vary tariffs for the year under consideration
 - Include table of price control parameters for current year
 - IV. Future Tariffs and future tariff issue - discuss the movement in Reference Tariffs in the remaining years of regulatory period
- b) Ancillary Reference Tariffs
 - I. Define all approved tariffs and how they were varied for the year under consideration. Also discuss the basis of future year movements.

5. New tariffs/new tariff structures

- a) Identification of new tariffs/new tariff structures - identify any new tariffs or new tariff structures which are proposed to be introduced in the next calendar year
- b) Derivation of new tariff/new tariff structure
 - I. Describe and provide reasons for introducing the new tariffs or changing a tariff structure from that approved during the GAAR
 - II. Identify and reconcile the costs, consumption and customer numbers of the original tariff with the new tariff(s)/ new tariff structure(s)

6. Previous year tariffs and current year (year of report) tariffs

- a) List all approved Reference Tariffs (including Ancillary Reference Tariffs)

7. Impact of Reference Tariff variations

- a) Provide tabulated calculations and a discussion to show the impact of proposed variations in each Reference Tariff - using average usage for that tariff.
 - The tables will also include the customer impact for the introduction of a new tariff or a new tariff structure

Change in tariff components

Component	Year t-1 Rate	Year t Rate	% Change
Fixed Charge			
Peak components			
Off-peak components			
Other components			

Change in customer charge

Component	Year t-1 Rate	Year t Rate	Days/ Energy	Cost Change (\$)
Fixed Charge				
Peak components				
Off-peak components				
Other components				
Total Cost Change				

Change in customer charge

Reference Tariff	Year t-1 (\$/customer)	Year t (\$/customer)	% Change
Reference Tariff 1			
Reference Tariff n			