

Decision

Application for amendment

Access Arrangement by Victorian Energy Networks Corporation for the Principal Transmission System

Date: 16 January 2002

Authorisation no:
A90646, A90647 and A90648Rod

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C2000/680-09

Commissioners:
Shrogen
Ross Jones
John Martin
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David Cousins

1. The application

On 28 November 2001 the Australian Competition and Consumer Commission (the Commission) received an application from the Victorian Energy Networks Corporation (VENCorp) for amendment of its Access Arrangement for the Principal Transmission System (PTS). The application was submitted under the National Third Party Access Code for Natural Gas Pipeline Systems as it applies in Victoria (National Access Code).¹

The application for amendment relates to proposed changes to the Market and System Operations Rules (proposed rule changes). These proposed rule changes appear in Annexure 1 to this decision, and are outlined below.

Clause 4.4 is updated to accord with current technical metering practices, and ensure that new metering provides the standard of measurement and coverage required by VENCorp for transmission system and gas market operation and administration.

2. Background

The Access Arrangement for the PTS by VENCorp was approved by the Commission under section 2.19 of the Victorian Third Party Access Code for Natural Gas Pipeline Systems (the Victorian Access Code) on 16 December 1998.

Clause 5.1.2 of the Access Arrangement provides that:

‘in the event that the MSOR becomes subject to an exemption under section 51(1) of the Trade Practices Act, any amendment to, or supplementation or replacement of, the MSOR will, to the extent to which the MSOR are part of this Access Arrangement, constitute a change for the purposes of the Code and will not be effective to change this Access Arrangement unless and until the procedure in section 2 of the Code.

On 21 November 1998, the *Gas Industry Act 1994* (Vic) was amended by the insertion of section 62PA which statutorily authorises the making of the MSOR (including any amendment to the MSOR) and things done or conduct engaged in by VENCorp, participants or market participants pursuant thereto. Section 62PA came into force on 2 December 1998. The MSOR are subject to an exemption under section 51(1) of the *Trade Practices Act 1974* (Cth). The proposed changes to the MSOR concern rules that are part of the Access Arrangement. For these reasons, the proposed rule changes constitute proposed revisions to the Access Arrangement.

¹ The National Access Code came into force in Victoria on 1 July 1999 with the coming into force of the *Gas Pipelines Access (Victoria) Act 1998*. Section 25 of that Act repeals Part 4B of the *Gas Industry Act 1994* pursuant to which the Victorian Third Party Access Code for Natural Gas Pipeline Systems (Victorian Access Code) was established. However, certain provisions of the Victorian Access Code continue to apply, such as section 2.33, which is discussed below.

3. Procedure for assessing proposed revisions

VENCorp lodged its application for amendment pursuant to section 2.33 of the Victorian Access Code.² Section 2.33 of the Victorian Access Code allows the Commission to approve proposed revisions to the Access Arrangement without requiring production of Access Arrangement information or public consultation if:

- (a) the revisions have been proposed by the Service Provider other than as required by the Access Arrangement; and
- (b) the Relevant Regulator considers that the revisions proposed are not material.

VENCorp argued that these proposed revisions (as constituted by the proposed rule changes) do not impact on the Access Arrangement in any material respect.

In the course of its public consultation relating to an application by VENCORP for minor variation of the authorisation of the MSOR, the Commission sought the views of interested parties on whether the proposed rule changes are material to the Access Arrangement (insofar as they constitute proposed revisions).

No submissions were received on the proposed rule changes.

The Commission accepted the view that the proposed revisions are not material to the VENCORP Access Arrangement and decided to dispense with the requirement to produce Access Arrangement Information and the consultation process outlined in section 2 of the National Access Code.³

4. Criteria for assessing proposed revisions

Section 2.46 of the National Access Code provides that the Commission may approve proposed revisions to an Access Arrangement only if it is satisfied the Access Arrangement as revised would contain the elements and satisfy the principles in sections 3.1 to 3.20 of the Code. In assessing proposed revisions, the Commission must take into account:

- the factors described in section 2.24 of the Code; and
- the provisions of the Access Arrangement.

² Section 24A(3) of the *Gas Pipelines Access (Victoria) Act 1998* provides that section 2.33 of the Victorian Access Code continues to apply in respect of an access arrangement in force before the repeal of Part 4B of the *Gas Industry Act 1994* until the first review of the access arrangement under section 2 of the National Access Code (31 March 2002, clause 5.8.1 of the Access Arrangement). The VENCORP Access Arrangement was in force prior to the repeal of Part 4B of the *Gas Industry Act 1994* and hence VENCORP requested the Commission consider this application under section 2.33 of the Victorian Access Code.

³ Section 2 of the National Access Code prescribes a more comprehensive public consultation process than that undertaken by the Commission in the course of its assessment of the application by VENCORP for minor variation of the authorisation of the MSOR.

4.1 Requirements of section 2.24

Section 2.24 requires that the Access Arrangement contains the elements and satisfies the principles set out in sections 3.1 to 3.22. These sections set out the elements that an Access Arrangement must include as a minimum – namely a services policy, Reference Tariffs, terms and conditions, a capacity management policy, a trading policy, a queuing policy, an extensions/expansions policy and a review date.

Section 2.24 also requires that the Commission take into account:

- (a) the legitimate business interests of the Service Provider;
- (b) firm and binding contractual obligations of the Service Provider or other persons (or both) already using the Covered Pipeline;
- (c) the operational and technical requirements necessary for the safe and reliable operation of the Covered Pipeline;
- (d) the economically efficient operation of the Covered Pipeline;
- (e) the public interest, including the public interest in having competition in markets (whether or not in Australia);
- (f) the interests of Users and Prospective Users; and
- (g) any other matters that the Relevant Regulator thinks are relevant.

The Commission considers that these proposed revisions in question do not remove any of the elements of the VENCORP Access Arrangement that was approved under section 2.19 of the Code on 16 December 1998. Moreover, the Commission considers that the proposed revisions do not affect the substance of the Access Arrangement in such a way that takes it outside the principles set out in sections 3.1 to 3.22.

The Commission has taken the matters set out in section 2.24 into account and considers that the proposed revisions do not impact on the Access Arrangement in such a way that the Commission should no longer consider that the Access Arrangement contains the elements and satisfies the principles set out in sections 3.1 to 3.20 of the National Access Code.

4.2 The provisions of the Access Arrangement

The minimal effect of the proposed revisions on the substance of the Access Arrangement means that the provisions of the Access Arrangement do not require any redrafting.

5. Decision

The Commission has taken into account the factors described in section 2.24 of the National Access Code and the provisions of the Access Arrangement, and is satisfied that the revised Access Arrangement contains the elements and satisfies the principles set out in sections 3.1 to 3.20 of the National Access Code.

Pursuant to section 2.46 of the National Access Code, the Commission approves the proposed revisions which are the subject of this application.

Annexure 1 - Proposed MSO Rule Changes

4.4.1 Introduction to the metering rules

- (a) This clause 4.4 applies to the following *Participants*:
- (1) *Producers*;
 - (2) *Transmission Pipeline Owners*;
 - (3) *Interconnected Pipeline Owners*;
 - (4) *Distributors*;
 - (5) *Retailers*;
 - (6) *Transmission Customers*; ~~and~~
 - (7) *Market Customers*; and
 - (8) *Storage Providers*.
- (b) This clause 4.4 sets out the *metering* requirements:
- (1) for *connection points* on the *transmission system*;
 - (2) for *distribution delivery points* at which gas is withdrawn by:
 - (A) *Market Customers*; and
 - (B) *Customers* who are purchasing that gas in its entirety from a person other than the *Local Retailer*; and
 - (3) for *distribution delivery points* as determined by *VENCorp*:
 - (A) for the purposes of giving effect to an *allocation algorithm* developed in accordance with clause 3.5.4; or
 - (B) for which *metering data* is otherwise required for the purpose of *settlement*.
 - (4) for receipt points on a distribution pipeline.
- (e) The key principles adopted in this clause 4.4 are:
- (1) each:
 - (A) *connection point* on the *transmission system*;
 - (AA) *receipt point* on a *distribution pipeline*;
 - (B) *distribution delivery point* at which gas is withdrawn by a *Market Customer* or a *Customer* who is purchasing gas in its entirety from a person other than the *Local Retailer*; and
 - (C) *distribution delivery point* as determined by *VENCorp* for the purposes of giving effect to an *allocation algorithm* developed in accordance with clause 3.5.4,
 - (D) *distribution delivery point* for which *metering data* is otherwise required by *VENCorp* for the purpose of *settlement*,
must have a *metering installation*;
 - (2) subject to clause 4.4.1(e)(3), costs associated with a *metering installation* are to be borne by the *responsible person*, provided that the *responsible person* may agree with an *affected Participant*, either generally or in any particular case, that those costs are instead to be borne (in whole or in part) by that *affected Participant*;
 - (3) subject to any agreement to the contrary, the reasonable costs associated with:
 - (A) new *metering installations*;
 - (B) modifications to existing *metering installations*; or
 - (C) decommissioning of *metering installations*,

- are to be borne by the *affected Participant* to the extent that those costs arise from new, increased or reduced gas demand of, or supply to, that *affected Participant*, unless the *Regulator* otherwise determines either generally or in any particular case;
- (4) the *responsible person* must ensure that the accuracy of a *metering installation*:
 - (A) used to measure the consumption of a *transmission delivery point* complies with the relevant standards prescribed in this clause 4.4; and
 - (B) used to measure the consumption of a *distribution delivery point* complies with the relevant standards prescribed in the *Distribution System Code*.
 - (5) the accuracy of the *metering installation* at each *metering point* is to be determined by reference to the volume of gas passing through that *metering point*;
 - (6) *metering installations* must be:
 - (A) secure;
 - (B) registered with *VENCorp*;
 - (C) capable of providing *metering data* for transmission or collection and delivery to the *metering database* in accordance with this clause 4.4; and
 - (D) installed, connected, commissioned, operated, checked and maintained in accordance with this clause 4.4 and in accordance with any applicable laws;
 - (7) *metering installations* must be capable of recording *metering data* in ~~trading intervals~~ [hourly intervals](#);
 - (8) the *responsible person* must calibrate:
 - (A) a *metering installation* at a *transmission delivery point* in accordance with clause 4.4.9; and
 - (B) a *metering installation* at a *distribution delivery point* in accordance with the accuracy limits set out in the *Distribution System Code*;
 - (9) quantities of gas are to be quantified by reference to their energy content and stated in units of joules [or multiples thereof](#);
 - (10) the electronic accessibility of each *metering installation* must be co-ordinated by the *responsible person* to prevent congestion;
 - (11) *VENCorp* is responsible for creating, maintaining and administering the *metering database*;
 - (12) *Market Participants* are entitled to access to the *metering database* in respect of injections or withdrawal of gas for which they are financially responsible;
 - (13) each *Transmission Pipeline Owner* is entitled to access *metering data* in respect of *metering points* on its *pipeline*;
 - (14) each *Interconnected Pipeline Owner* is entitled to access *metering data* in respect of a *metering point* at a *transfer point* at which its *transmission pipeline* is connected;
 - (15) each *Distributor* is entitled to access *metering data* in respect of *metering points* on its *pipeline* and *metering points* at *connection points* between the *transmission system* and its *pipeline*;

- (16) *metering data* used in *settlement* statements is to be validated in accordance with clause 4.4.24;
- (17) other *meters* may be installed by and at the expense of an *affected Participant* and used to check *metering installations*; [VENCorp may at its discretion use data from such other meters where it detects a loss of metering data or incorrect metering data from a metering installation](#);
- (18) *VENCorp* must maintain *metering data* which is transmitted or otherwise collected from *metering installations* and delivered to the *metering database*:
 - (A) for sixteen months in accessible format; and
 - (B) for seven years in archive; and
- (19) *VENCorp* must establish a registration process to facilitate the application of this clause 4.4 to *Participants* in respect of:
 - (A) new *metering installations*;
 - (B) modifications to existing *metering installations*; and
 - (C) decommissioning of *metering installations*.

4.4.2 Obligations of Market Participants to establish metering installations

- (f) In clause 4.4.2(e), and subject to any agreement to the contrary:
 - (1) “proportionate share” means a share calculated having regard to the actual quantity of gas injected at the *metering installation* by that *Market Participant* against the total quantity of gas injected at that *metering installation* in any particular *billing period*; and
 - (2) “costs” means the total costs incurred by the *responsible person* in operating [and maintaining](#) the *metering installation* [and gas quality monitoring system](#).

and for the avoidance of doubt, *VENCorp* may provide to a *responsible person* for use in calculating the proportionate share of costs pursuant to clause 4.4.2(e), any statement submitted to it by an *Allocation Agent* pursuant to clause 3.5.2.

4.4.3 Responsibility for metering installation

- (b) Subject to clause 4.4.3(d), the *responsible person* for a *metering installation* at:
 - (1) a *receipt point* on the *transmission system* is the *Transmission Pipeline Owner* associated with that *receipt point*, unless otherwise agreed between that *Transmission Pipeline Owner* and the *Producer* or the *Storage Provider* associated with that *receipt point*, as the case may be;
 - (2) a *transfer point* between one *transmission pipeline* and another *transmission pipeline* is the *Transmission Pipeline Owner* who owns the components that comprise the *metering installation*, unless otherwise agreed between the *Transmission Pipeline Owners* and/or *Interconnected Pipeline Owners* associated with that *transfer point*;
 - (3) a *transfer point* between the *transmission system* and a *distribution pipeline* is the *Transmission Pipeline Owner* associated with that *transfer point* unless otherwise agreed between that *Transmission Pipeline Owner* and the *Distributor* associated with that *transfer point*;
 - (4) a *transmission delivery point* at which a *Transmission Customer* is connected is the *Transmission Pipeline Owner* associated with that *transmission delivery point*, unless otherwise agreed between that *Transmission Pipeline Owner* and that *Transmission Customer*;
 - (5) a *distribution delivery point* at which a *Market Customer* or a *Customer* who is buying gas from a *Retailer* other than the *Customer’s Local Retailer* is connected is the *Distributor* associated with that *distribution*

delivery point, unless otherwise agreed by that *Distributor* and the relevant *Market Participant*; and

(6) a *receipt point* on a *distribution pipeline* is the *Distributor* associated with that *receipt point*, unless otherwise agreed between the *Distributor* and the *Producer* or the *Storage Provider* associated with that *receipt point* as the case may be.

(7) a connection point between distribution pipelines of different Distributors is the Distributor associated with the distribution pipeline that the gas flows principally from unless otherwise agreed between the relevant Distributors.

(f) The reasonable costs of the responsible person in meeting the requirements of this clause 4.4 must be borne by the affected Participant.

4.4.6 Metering installation components

A *metering installation* must:

(e) have electronic data recording facilities such that all *metering data* can be measured and recorded in ~~*trading intervals*~~ *hourly intervals* with a date and time stamp being applied for each *trading interval* *hourly interval*;

4.4.9 Calibration of metering installations

(e) *VENCorp* may check calibration results recorded ~~in the metering database~~ in respect of any *metering installation* and arrange for testing of *metering installations* in order to satisfy itself that the accuracy of each *metering installation* conforms with the requirements of this clause 4.4 or to determine the consistency between the data held in the *metering database* and *metering data* held in a *metering installation*.

4.4.13 Energy metering and measurement

(f) Where the energy content of quantities of gas flowing through a *metering point* is calculated within a *metering installation* it must be calculated using *heating value and gas composition* data collected from the *metering installation* or, if the data is not available from the *metering installation*, using data transmitted to the *metering installation* from the *metering database*.

(k) Each *metering installation* must be capable of recording *metering data* in ~~*trading intervals*~~ *hourly intervals*. ~~unless it is agreed by *VENCorp* and the affected Participants that *metering data* may be recorded in intervals of time which are shorter than a *trading interval*.~~

4.4.18 Data transfer and collection

(e) The transfer of *metering data* from the *metering installation* to the *metering database* shall occur hourly unless otherwise agreed by *VENCorp* and the affected Participants.

SCHEDULE 4.2 METERING REGISTER

2. Metering register information

Metering information to be contained in the *metering register* should include such information as *VENCorp* considers reasonably necessary and by way of example, may include the following:

(e) Meter information:

(1) Meter type

(2) Meter size

(3) Meter maximum capacity