



**National Third Party Access Code  
for Natural Gas Pipeline Systems:  
Access Arrangement by**

**Multinet Gas (DB No.1) Pty Ltd**

**and**

**Multinet Gas (DB No.2) Pty Ltd**

**Trading as**

**Multinet Gas Distribution Partnership for the  
Distribution System (“Multinet”)**

**Part B – Reference Tariffs and Reference Tariff Policy**

**2 June 2008**

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**APPENDIX 1: TARIFF CONTROL FORMULA**

**APPENDIX 2: REBALANCING CONTROL FORMULA**

## PART B

# Reference Tariffs and Reference Tariff Policy

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## 1 Haulage Reference Tariffs

### 1.1 Haulage Reference Tariffs

#### (a) Haulage Reference Tariffs for 2008

For Calendar Year 2008, the Haulage Reference Tariffs to apply from 1 January 2008 are those tariffs which applied in 2007 in nominal terms until 30 June 2008. From 1 July 2008 through to 31 December 2008 the tariffs as at 30 June 2008 will be adjusted to comply with the Tariff Control Formula and rebalancing control formula in clause 3 and verified by the Regulator as if clause 4 applied (but for the timing requirements of clause 4.1). The timeframes are amended to reflect the fact that the new tariffs will commence on 1 July 2008 rather than the start of the Calendar Year and will be adjusted as follows:

- (1) the time period referred to in clauses 4.1(a), 4.1(d) and 4.4 will be 15 Business Days; and
- (2) the time period referred in clauses 4.2(b), 4.5(a) and 4.5(b) will be 5 Business Days.

#### (b) Introduction of new Haulage Reference Tariffs

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

#### (c) No Meter

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

#### (d) Distribution Area

The Haulage Reference Tariffs apply to the Distribution System within the Service Provider's Distribution Area, in accordance with this clause 1, Schedule 1 and Schedule 3.

### 1.2 Application of Haulage Reference Tariffs

#### (a) Assigned Haulage Reference Tariffs

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

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

Unless a new Haulage Reference Tariff has been reassigned to a Distribution Supply Point, the Haulage Reference Tariff to apply to a Distribution Supply Point from 1 January 2008 is deemed to be the Haulage Reference Tariff assigned to that Distribution Supply Point as at 31 December 2007.

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

The Residential Haulage Reference Service is provided at a Distribution Supply Point where Gas is withdrawn by or in respect of a Residential Customer. The Non-Residential Haulage Reference Service is provided at a Distribution Supply Point where Gas is withdrawn by or in respect of a Non-Residential Customer.

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

**(a) Change in volume of Gas consumed**

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

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

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

**(b) Change in demand or Connection characteristics**

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

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

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

- (1) the User's demand and Connection characteristics; and

- (2) Haulage Reference Tariffs assigned to Distribution Supply Points with the same or materially similar demand and Connection characteristics; and
- (3) the characteristics and location of the Distribution Supply Point described in Schedule 1.

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

If, after 1 January 2008, the Service Provider becomes aware that a Haulage Reference Tariff assigned to a Distribution Supply Point should be a different Haulage Reference Tariff, the Service Provider will advise the relevant User accordingly prior to the reassignment occurring, unless otherwise agreed.

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

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

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

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

**(g) Time period for reassignment**

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

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

**(h) Assignment to Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L**

Where Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L is assigned to a Distribution Supply Point, that Haulage Reference Tariff shall apply to that Distribution Supply Point for a minimum period of one year.

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

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

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

**(j) Switching rates**

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

- (1) the Quantities distributed in relevant units at the relevant Distribution Supply Point where the new Haulage Reference Tariff is already assigned to that Distribution Supply Point;
- (2) reasonable estimates of the Quantities distributed in relevant units at those Distribution Supply Points at which the same new Haulage Reference Tariff is expected to apply during the course of the next Calendar Year; and
- (3) the Quantities distributed in relevant units at those Distribution Supply Points at which the parent Haulage Reference Tariff continues to apply.

**(k) Details of estimates**

The Service Provider will provide details of and the basis for all estimates provided under clauses 1.3(i) and (j) to the Regulator, including (but not limited to) the information in clause 1.3(e).

**(l) Resubmission of estimates**

The Regulator can request that the Service Provider resubmit quantity estimates provided under clauses 1.3(i) and (j) where the Regulator considers the estimates to be incomplete, inconsistent or unsubstantiated. The Regulator must provide reasons for requesting such a resubmission.

**(m) Timing of information**

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

**1.4 Withdrawal of Haulage Reference Tariffs**

**(a) Withdrawal of Haulage Reference Tariff**

When proposing the withdrawal of an existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will reassign alternative Haulage Reference Tariffs to all relevant Distribution Supply Points within 30 Business Days of the earlier of:

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

**(b) Notification of withdrawal of Haulage Reference Tariff**

Prior to the withdrawal of the existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will as soon as practicable notify all affected Users in writing.

**(c) Additional information to be provided to Regulator**

When the Service Provider proposes to withdraw a Haulage Reference Tariff, in addition to the information required under clause 4.3, the Service Provider will:

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

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## 2 Ancillary Reference Tariffs

### 2.1 Existing Ancillary Reference Tariffs

For Calendar Year 2008, the Ancillary Reference Tariffs for Ancillary Reference Services that are to apply from 1 January 2008, are those tariffs which applied in 2007 in nominal terms. These tariffs will apply until 30 June 2008. From 1 July 2008 through to 31 December 2008 the tariffs are as set out in Schedule 2.

### 2.2 Adjustments to Ancillary Reference Tariffs

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

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

where:

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

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

$CPI_t$  is defined in the Glossary.

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## 3 Haulage Reference Tariff Control Formula

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

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

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

Whenever the Service Provider proposes to vary, withdraw or introduce any new Haulage Reference Tariff, it will ensure that the proposed charge will be compliant with the Tariff Control Formulae set out in clause 3.1 and with the rebalancing control formulae in clause 3.5 to the reasonable satisfaction of the Regulator, and it will comply with the procedures set out in clause 4.

### 3.1 The Tariff Control Formulae

The Tariff Control Formulae adopted are consistent with the tariff basket form of price control. The Tariff Control Formulae are set out in Appendix 1.

### 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 Formula 1, Formula 2 and Formula 3 of Appendix 1 will be interpreted in relation to:

- (1) the reasonable estimates of the Quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year t-2 as provided by the Service Provider, in accordance with clause 1.3(j); and
  - (2) the Haulage Reference Tariff Components of the parent Haulage Reference Tariff in Calendar Year t-2 as provided by the Service Provider in accordance with clause 1.3(j).
- (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 Formula 1, Formula 2 and Formula 3 of Appendix 1 will be interpreted in relation to the reasonable estimates of the Quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year t-2, as provided by the Service Provider in accordance with clause 1.3(j).

### **3.3 Withdrawal of Haulage Reference Tariffs**

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

- (3) the  $q_{t-2}^{ij}$  term in Formula 1, Formula 2 and Formula 3 of Appendix 1 for the Haulage Reference Tariff that has been withdrawn in Calendar Year t-1, will be the actual Quantities, in relevant units, of each Haulage Reference Tariff Component that were distributed under the parent Haulage Reference Tariff at those Distribution Supply Points to which the same Haulage Reference Tariff has been assigned in Calendar Year t-1, in accordance with information submitted under clause 1.4.

### **3.4 Haulage Reference Tariff information**

Where the Service Provider submits information in accordance with clause 1.3(k) that switching rates of Users moving from a given parent Haulage Reference Tariff to a proposed new Haulage Reference Tariff will continue to be above zero from Calendar Year to Calendar Year, application of the Tariff Control Formula in Formula 1, Formula 2 and Formula 3 of Appendix 1 will distinguish between:

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

### **3.5 Rebalancing controls on Haulage Reference Tariffs**

The Service Provider will maintain Haulage Reference Tariffs between:

- (a) an upper limit of the cost to bypass the network; and
- (b) a lower limit of the marginal cost of supply.

In undertaking any rebalancing, the Service Provider must have consideration for the maintenance of cost-reflective levels and that cost-reflective charging is maintained over time. The Service Provider should also use rebalancing as the means by which cross-subsidisation between Haulage Reference Tariffs or between Haulage Reference Tariff Components is removed.

The rebalancing control formulae are set out in Appendix 2.

### **3.6 Rebalancing Controls for new and withdrawn Haulage Reference Tariffs**

For the purposes of the application of the rebalancing control formulae (Appendix 2):

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

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## **4 Approval of annual and within year variations to Haulage Reference Tariffs and new Haulage Reference Tariffs**

### **4.1 Submission to the Regulator**

- (a) The Service Provider will, at least 35 Business Days prior to the commencement of the next Calendar Year submit proposed Haulage Reference Tariffs to apply from the start of the next Calendar Year for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b), (c) and (d).
- (b) Where the Service Provider proposes to change a Haulage Reference Tariff within a Calendar Year it will submit the proposed Haulage Reference Tariff change for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b) and (c).
- (c) Where the Service Provider proposes to introduce a new Haulage Reference Tariff or new Haulage Reference Tariff Component or withdraw an existing Haulage Reference Tariff or existing Haulage Reference Tariff Component within a Calendar Year it will submit the proposal for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b), (c) and (d).
- (d) The Service Provider will notify the Regulator in writing of its intent to introduce a new Haulage Reference Tariff or a new Haulage Reference Tariff Component at least 60 Business Days prior to the proposed date of commencement of the new Haulage Reference Tariff or Haulage Reference Tariff component.
- (e) The Service Provider will ensure its proposed Haulage Reference Tariffs or proposed changes to Haulage Reference Tariffs submitted under clauses 4.1(a), (b) or (c) comply with the Tariff Control Formula and rebalancing control formulae in clause 3.

### **4.2 Assessment by the Regulator**

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

Haulage Reference Tariff and/or any new Haulage Reference Tariff Component) as compliant for a new Calendar Year t, then clause 4.4 shall apply to determine the Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Calendar Year t until such time as the Regulator has, or been deemed to have, subsequent to its initial decision to decline to verify, verified Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Calendar Year t as compliant.

- (d) If the Regulator has notified the Service Provider in writing that it has declined to verify as compliant the withdrawal of any existing Haulage Reference Tariffs and/or the withdrawal of any existing Haulage Reference Tariff Components proposed for new Calendar Year t, then clause 4.4 shall apply to determine the Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Calendar Year t until such time as the Regulator has, or been deemed to have, subsequent to its initial decision to decline to verify, verified the withdrawal of any existing Haulage Reference Tariffs and/or the withdrawal of any existing Haulage Reference Tariff Components for Calendar Year t as compliant.
- (e) The Service Provider may provide additional information and resubmit or revise its proposed Haulage Reference Tariffs in accordance with clauses 4.1(a), (b) or (c) if the Regulator declines to verify as compliant proposed Haulage Reference Tariffs under clause 4.2(a) provided that if, in a Calendar Year, changes to Haulage Reference Tariffs have been verified as compliant by the Regulator, the Service Provider will notify in writing all Users affected by the changes as soon as practicable.

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

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

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

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

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

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

#### **4.5 Annual Tariff Report**

The Service Provider will prepare and submit to the Regulator a Tariff Report containing the information set out in Schedule 4. The Tariff Report must be submitted to the Regulator:

- (a) at least 60 Business Days prior to the commencement of a Calendar Year, where the Service Provider proposes to introduce new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in that Calendar Year; and
- (b) at least 35 Business Days prior to the commencement of a Calendar Year, where the Service Provider does not propose to introduce new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in that Calendar Year.

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## **5 Calculation of Charges for Haulage Reference Tariffs**

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

### **5.1 Distribution Fixed Tariff Components**

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

### **5.2 Distribution Volume Tariff Components**

- (A) Distribution Volume Tariff Components are Charged according to the actual GJs of Gas withdrawn in the billing period, or an estimate of the GJs of Gas withdrawn in the billing period which is acceptable to the Service Provider.
- (B) Where the billing period includes days in two or more of the Peak Period, Shoulder Periods and Off-Peak Period the total GJs of Gas withdrawn shall be allocated between those periods proportionately according to the number of days falling in each period.

### **5.3 Distribution Demand Tariff Components**

- (A) Distribution Demand Tariff Components are Charged according to the following formulae:

- (1) 12 month rolling maximum demand:

$$MDC = RMD \times DAYS \times UR$$

where:

MDC is the 12 month rolling maximum demand component of the Charge for the billing period;

RMD is the MHQ in the 12 months to the end of the billing period;

DAYS is the number of days in the billing period;

UR is the relevant Distribution Demand Tariff Component with units of  $\$/(\text{day} \times GJ)$ ;

- (2) Peak maximum demand:

$$MPC = PD \times P\text{DAYS} \times VR$$

where:

MPC is the peak maximum demand component of the Charge for the billing period;

PD is the MHQ during the period 6 am to 10 am on any weekday within a Peak Period that falls within the billing period;

PDAYS is the number of Peak Period days in the billing period;

VR is the relevant Distribution Demand Tariff Component with units of  $\$/(\text{day} \times GJ)$ ;

#### **5.4 Unmetered Haulage Reference Tariff Components**

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

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## **6 Reference Tariff Policy**

Under the Access Code, an Access Arrangement must include a policy describing the principles that are to be used to determine a Reference Tariff (a **Reference Tariff Policy**). This clause 6 sets out the Service Provider's Reference Tariff Policy which has been developed in accordance with section 8 of the Access Code.

### **6.1 CPI-X Price Path**

The CPI-X price path approach is consistent with section 8.3 of the Access Code. The Service Provider adopts this approach.

### **6.2 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 Access 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 6.3 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 Access Code.

### **6.3 Speculative Investment Fund**

In accordance with section 8.19 of the Access 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 Access 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 Access 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 due to the type and volume of services provided using the increase in Capacity attributable to the New Facility change such that any part of the Speculative Investment Fund would then satisfy the requirements of section 8.16 of the Access Code.

### **6.4 Efficiency incentive and carry-over mechanism**

Section 8.44 of the Access 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.

#### **(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 a full 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:

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

where:

WACC is the pre-tax WACC.

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

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

where:

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

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

**(b) The mechanism for carrying over efficiency gains**

- (1) For operating expenditure, it will be assumed that the Service Provider does not achieve more than the forecast productivity gain between the penultimate and last years of the 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 would 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 Second Access Arrangement Period.

- (3) There would be no adjustment to the original expenditure benchmarks against which the assessment of the efficiency gains in excess of the forecast would be measured, with the following exceptions:
- (A) the carryover of cost-related efficiency gains will be calculated in a manner that takes account of any change in the scope of the activities which form the basis of the determination of the original benchmarks. The Service Provider will provide information in relation to any change in scope, to be assessed by the Regulator, as part of the Access Arrangement Information submitted on 30 March 2012. This information will, without limitation, quantify and substantiate the impact of the scope changes on the original benchmarks.
  - (B) the carryover in respect of cost-related efficiency gains will be calculated in a manner that takes account of the difference between forecast and actual growth by adjusting the original benchmarks on the basis of the difference between the actual number of Connections in any Calendar Year and the assumed number of Connections for that year multiplied by the capital expenditure per Connection and operating expenditure per Connection.
  - (C) the carryover in respect of cost-related efficiency gains will be calculated in a manner that takes account of any adjustment to the original benchmark to reflect any difference between the capital replacement works assumed in 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:

- (C1) is required to undertake the forecast capital replacement works; or
- (C2) is constrained in its discretion to determine the timing, size and nature of those capital replacement works.

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## 7 Fixed Principles

### 7.1 General

- (a) Section 8.47 of the Access 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 reviews to an Access Arrangement, without the agreement of the Service Provider.
- (b) No Fixed Principle can be changed by the Regulator without the approval of the Service Provider.
- (c) Each Fixed Principle will apply for different periods as described in this clause 7.
- (d) The period during which each Fixed Principle may not be changed is the Fixed Period (**Fixed Period**).

### 7.2 Adoption of Fixed Principles

- (a) In approving revisions to this Access Arrangement for the Fourth Access Arrangement Period, the Regulator is to adopt the Fixed Principles as set out below.
  - (1) The Regulator will use incentive based regulation adopting a CPI-X approach and not rate of return regulation.

This Fixed Principle will apply until the end of the Third Access Arrangement Period.
  - (2) The Regulator will adopt an X factor in the CPI-X formula so that only one X factor applies without revision for the second and following Calendar Years of the Third Access Arrangement Period to which the decision applies. The requirement to adopt a single X factor will not preclude a  $P_0$  adjustment in the first year of the Third Access Arrangement Period.

This Fixed Principle will apply until the end of the Third Access Arrangement Period.
  - (3) To the extent that the Capital Base is relevant to the determination of Reference Tariffs, the value of the Capital Base at the start of the Fourth Access Arrangement Period will be adjusted to take account of:
    - (A) changes to CPI over the Third Access Arrangement Period;
    - (B) depreciation;
    - (C) New Facilities Investment;
    - (D) disposals in the ordinary course of business since 1 January 2008, other than a disposal of:
      - (i) all of the assets and liabilities of the Service Provider;

- (ii) assets pursuant to which the assets of the Service Provider are sold and leased back to the Service Provider;
- (E) the principle that the Capital Base will not be reduced as a result of assets forming part of the Capital Base becoming redundant;
- (F) the difference between the amount of capital expenditure actually incurred in Calendar Year 2007 and the benchmark capital expenditure for that year together with an adjustment for changes in CPI over Calendar Year 2007 (using the methodology used by the Regulator to adjust the Capital Base for changes in CPI to establish the Capital Base for the start of the Third Access Arrangement Period);
- (G) disposals in the ordinary course of business during Calendar Year 2007, other than a disposal of:
  - (i) all of the assets and liabilities of the Service Provider;
  - (ii) assets pursuant to which the assets of the Service Provider were sold and leased back to the Service Provider; and

If applicable, this Fixed Principle will apply until the end of the Fourth Access Arrangement Period.

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

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

If applicable, this Fixed Principle applies for 30 years."

- (5) 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 will apply until the end of the Third Access Arrangement Period.

- (6) To the extent that the application of clause 6.4 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 a full five years, in accordance with clause 6.4.

This Fixed Principle will apply until the end of the Fourth Access Arrangement Period.

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## **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, 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 the Service Provider proposes in relation to the Relevant Pass Through Event;
  - (5) the basis on which the Pass Through Amount is to apply;
  - (6) the date from and period over which the Service Provider proposes to charge the Pass Through Amount; and
  - (7) how the Service Provider proposes to allocate the Pass Through Amount over that period and between Users and the price or charging structure that the Service Provider proposes to use to recover the Pass Through Amount from Users (being, the basis on which the Service Provider proposes the Pass Through Amount is to apply).
- (b) If a Declared Retailer of Last Resort Event occurs, a Service Provider may give a statement to the Regulator within 120 Business Days of the Relevant Pass Through Event occurring specifying the actual financial impact of the Declared Retailer of Last Resort Event on the Service Provider. This is in addition to the provision of the estimated financial effect in accordance with clause 8.1(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 occurred or is continuing, and if the Regulator decides that the Relevant Pass Through Event occurred or is continuing, the Regulator must decide:

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

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

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

### **8.4 Factors which the Regulator must consider**

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

- (a) the relative amounts of Reference Services supplied to each User;

- (b) the time cost of money for the period over which the Pass Through Amount is to apply;
- (c) the manner in which and period over which the Pass Through Amount is to apply;
- (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, was introduced as complementary to the Change in Taxes Even concerned;
- (f) the effect of any other previous Relevant Pass Through Event since the later of the date on which:
  - (A) this Access Arrangement takes effect; and
  - (B) the last decision made under clauses 8.2 and 8.3;
- (g) any Pass Through Amount applied under this clause 8 relating to a previous Relevant Pass Through Event which resulted in the Service Provider recovering an amount either more or less than the financial effect on the Service Provider of that previous Relevant Pass Through Event; and
- (h) any other factors the Regulator reasonably considers relevant.

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

- (a) The Service Provider:
  - (1) may, after
    - (A) receipt of a notice from the Regulator or a deemed receipt of a notice under clause 8.2 as to a Positive Pass Through Amount; and
    - (B) notifying its Users of:
      - (i) the Positive Pass Through Amount which the Regulator has approved or is deemed to have approved; and
      - (ii) the basis on and date from which the Service Provider will apply the Positive Pass Through Amount,

apply the Positive Pass Through Amount specified in the notice to Users on the basis indicated in the notice; and
  - (2) must, after receipt of a notice or deemed receipt of a notice from the Regulator, under clause 8.2, or after receipt of a notice under clause 8.3 as to a Negative Pass Through Amount apply the Negative Pass Through Amount on the basis decided by the Regulator.
- (b) The Pass Through Amount must be:
  - (1) shown separately on each User's invoice; or
  - (2) otherwise identified in a manner approved by the Regulator.

- (c) The Service Provider can only seek to reclaim from Users' Positive Pass Through Amounts in respect of Services provided from the time that the Service Provider:
  - (1) notified its Users under clause 8.5(a)(1)(B); and
  - (2) started showing or identifying the Positive Pass Through Amount as required under clause 8.5(b).

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

## Schedule 1 – Initial Haulage Reference Tariffs V, Haulage Reference Tariff L and Haulage Reference Tariff D as at 31 December 2007 and Applicability Guidelines

### Haulage Reference Tariff - Residential V

#### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Residential V if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Residential Customer; and
2. the Distribution Supply Point is not located within the Gippsland Towns area or Yarra Valley Town area described in Schedule 3.

#### Tariff Structure

Distribution Fixed Tariff Component \$0.1166 per day (exclusive of GST) as at 31 December 2007.

Consumption Range (GJ/day)	Distribution Volume Tariff Component - Peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Off peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - May Shoulder Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Oct Shoulder Period (\$/GJ) (exclusive of GST)
0 - 0.05	4.9884	4.7666	4.9884	4.9884
> 0.05 - 0.1	4.6509	4.6739	4.6509	4.6509
> 0.1 - 0.15	3.0342	4.6388	3.0342	3.0342
> 0.15 - 0.25	1.8553	1.4100	1.8553	1.8553
> 0.25	1.3060	0.9488	1.3035	1.3035

### Haulage Reference Tariff - Non-residential V

#### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential V if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
2. the Distribution Supply Point is not to be assigned to Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L in accordance with clause 1 and this Schedule 1; and
3. the Distribution Supply Point is not located within the Gippsland Towns area or Yarra Valley Town area described in Schedule 3.

## Tariff Structure

Distribution Fixed Tariff Component \$0.2041 per day (exclusive of GST) as at 31 December 2007.

Consumption Range (GJ/day)	Distribution Volume Tariff Component - Peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Off peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - May Shoulder Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Oct Shoulder Period (\$/GJ) (exclusive of GST)
0 - 0.25	4.0211	3.4180	4.0211	4.0211
> 0.25 – 1	1.8643	1.3559	1.5237	1.5237
> 1 - 1.5	0.7784	0.7413	0.7253	0.7253
> 1.5 – 5	0.6541	0.5225	0.6541	0.6541
> 5	0.2181	0.1853	0.2181	0.2181

## Haulage Reference Tariff –Non-residential L

### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential L if it meets the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
2. the Distribution Supply Point does not have the characteristics that would otherwise enable it to be assigned to Haulage Reference Tariff – Non-residential D; and
3. the Quantity withdrawn at that Distribution Supply Point exceeds, or is likely to exceed, 5,000 GJ of Gas in any 6 month period. If less than 6 months' data is available, the consumption is prorated to 183 days.

### Tariff Structure

The Charge comprises a Distribution Volume Tariff Component and a Distribution Demand tariff Component as follows:

Consumption Range (GJ/day)	Distribution Volume Tariff Component - Peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Off peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - May Shoulder Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Oct Shoulder Period (\$/GJ) (exclusive of GST)
< 5	0.5151	0.3623	0.4568	0.4568
> 5	0.1105	0.0824	0.1037	0.1037

Distribution Demand Tariff Component – 12 month rolling maximum demand (\$/GJ per day) (exclusive of GST)	Distribution Demand Tariff Component – Peak Maximum demand (\$/GJ per day) (exclusive of GST)
0.4790	1.4332

## Haulage Reference Tariff – Non-residential D

### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff – Non-residential D if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
2. the Quantity withdrawn at that Distribution Supply Point:
  - a. exceeds 10,000 GJ in the immediately preceding 12 month period. If less than 12 months' data is available, the consumption is prorated to 365 days, or
  - b. in any hour in the immediately preceding 12 month period exceeds 10 GJ; and
3. the Distribution Supply Point is not located within the Gippsland Towns area described in Schedule 3.

### Tariff Structure

MHQ (GJ)	Distribution Demand Tariff Component - 12 month rolling maximum demand (\$/GJ per day) (exclusive of GST)
All demand 0 – 50	1.3455
Any demand > 50	0.2289

## Haulage Reference Tariff – Residential V Yarra Valley Towns

### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Residential V Yarra Valley Towns if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Residential Customer; and
2. the Distribution Supply Point is located within the Yarra Valley Towns area described in Schedule 3.

### Tariff Structure

Distribution Fixed Tariff Component \$0.1166 per day (exclusive of GST) as at 31 December 2007.

Consumption Range (GJ/day)	Distribution Volume Tariff Component - Peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Off peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - May Shoulder Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Oct Shoulder Period (\$/GJ) (exclusive of GST)
0 - 0.05	8.2756	8.0538	8.2756	8.2756
> 0.05 - 0.1	7.9381	7.9611	7.9381	7.9381
> 0.1 - 0.15	6.3214	7.9260	6.3214	6.3214
> 0.15 - 0.25	5.1425	4.6972	5.1425	5.1425
> 0.25	4.5932	4.2360	4.5907	4.5907

## Haulage Reference Tariff – Non-residential V Yarra Valley Towns

### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential V Yarra Valley Towns if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
2. the Distributions Supply Point is not to be assigned to Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L in accordance with clause 1 and this Schedule 1; and
3. the Distribution Supply Point is located within the Yarra Valley Towns Distribution area described in Schedule 3.

### Tariff Structure

Distribution Fixed Tariff Component \$0.2041 per day (exclusive of GST) as at 31 December 2007.

Consumption Range (GJ/day)	Distribution Volume Tariff Component - Peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Off peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - May Shoulder Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Oct Shoulder Period (\$/GJ) (exclusive of GST)
0 - 0.25	7.3083	6.7052	7.3083	7.3083
> 0.25 - 1	5.1515	4.6431	4.8109	4.8109
> 1 - 1.5	4.0656	4.0285	4.0125	4.0125
> 1.5 - 5	3.9413	3.8097	3.9413	3.9413
> 5	3.5053	3.4725	3.5053	3.5053

## Haulage Reference Tariff – Residential V Gippsland Towns

### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff – Residential V Gippsland Towns if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Residential Customer; and
2. the Distribution Supply Point is located within the Gippsland Towns area described in Schedule 3.

### Tariff Structure

Distribution Fixed Tariff Component \$0.1166 per day (exclusive of GST) as at 31 December 2007.

Consumption Range (GJ/day)	Distribution Volume Tariff Component - Peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Off peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - May Shoulder Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Oct Shoulder Period (\$/GJ) (exclusive of GST)
0 - 0.05	8.5222	8.3004	8.5222	8.5222
> 0.05 - 0.1	8.1847	8.2077	8.1847	8.1847
> 0.1 - 0.15	6.5680	8.1726	6.5680	6.5680
> 0.15 - 0.25	5.3891	4.9438	5.3891	5.3891
> 0.25	4.8398	4.4826	4.8373	4.8373

## Haulage Reference Tariff – Non-residential V Gippsland Towns

### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential V Gippsland Towns if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
2. the Distributions Supply Point is not to be assigned to Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L in accordance with clause 1 and this Schedule 1; and
3. the Distribution Supply Point is located within the Gippsland Towns area described in Schedule 3.

### Tariff Structure

Distribution Fixed Tariff Component                      \$0.2041 per day (exclusive of GST)

Consumption Range (GJ/day)	Distribution Volume Tariff Component - Peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Off peak Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - May Shoulder Period (\$/GJ) (exclusive of GST)	Distribution Volume Tariff Component - Oct Shoulder Period (\$/GJ) (exclusive of GST)
0 - 0.25	7.5549	6.9518	7.5549	7.5549
> 0.25 - 1	5.3981	4.8897	5.0575	5.0575
> 1 - 1.5	4.3122	4.2751	4.2591	4.2591
> 1.5 - 5	4.1879	4.0563	4.1879	4.1879
> 5	3.7519	3.7191	3.7519	3.7519

## Haulage Reference Tariff – Non-residential D Gippsland Towns

### Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff – Non-residential D Gippsland Towns if it has the following characteristics:

1. the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
2. the Quantity withdrawn at that Distribution Supply Point:
  - a. exceeds 10,000 GJ in the immediately preceding 12 month period. If less than 12 months' data is available, the consumption is prorated to 365 days, or
  - b. in any hour in the immediately preceding 12 month period exceeds 10 GJ; and

- the Distribution Supply Point is located within the Gippsland Towns area described in Schedule 3.

### Tariff Structure

<b>MHQ (GJ)</b>	<b>Distribution Demand Tariff Component - 12 month rolling maximum demand (\$/GJ per day) (exclusive of GST)</b>
All demand 0 – 50	1.6818
Any demand > 50	0.2861

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## Schedule 2 – Initial Ancillary Reference Tariffs (\$2008)

Reference Service Description	Tariff \$ GST Exc	Gippsland Towns \$ GST Exc
Meter Investigation – High Account Investigation	\$122.65	\$163.39
Meter Disconnection – Use of locks & plugs	\$60.68	\$75.95
Meter Removal – Various	\$121.37	\$162.12
Reconnect Between the hours of 8am and 4pm on a Business Day	\$84.73	\$112.98
Special Meter Reads	\$7.13	\$9.53

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## Schedule 3 – Yarra Valley and Gippsland Towns area

### Yarra Valley Towns area

Town	Postcode
Yarra Glen	3775
Wandin	3139
Seville	3139
Seville East	3139
Woori Yallock	3139
Launching Place	3139
Yarra Junction	3797
Wesburn	3799
Millgrove	3799

### Gippsland Towns area

Town	Postcode
Lang Lang	3984
Korumburra	3950
Leongatha	3953
Inverloch	3996
Wonthaggi	3995

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## Part B: Appendix 1 – Tariff Control Formula

### Formula 1

#### TARIFF CONTROL FORMULA – 2008 & 2011-12

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

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

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

$p_{t-1}^{ij}$  is 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  $t - 2$ ;

$CPI_t$  is defined in the Glossary;

$X_t$  is 0.008 for Calendar Year 2008 and 0.0 for each of the Calendar Years 2011-12; and

$L_t$  is the licence fee factor as defined in Formula 4.

## Formula 2

### TARIFF CONTROL FORMULA – 2009

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

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

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

$p_{t-1}^{ij}$  is 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  $t-2$ ;

$CPI_t$  is defined in the Glossary;

$X_t$  is 0.00; and

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

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

### Formula 3

#### TARIFF CONTROL FORMULA – 2010

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

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

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

$p_{t-1}^{ij}$  is 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  $t-2$ ;

$CPI_t$  is defined in the Glossary;

$X_t$  is 0.00; and

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

$O$  is the adjustment factor  $O$  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  $t$  for the Service Provider is determined below:

#### Calculation of the Licence Fee factor

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

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

where

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

$L'_{t-1}$  (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  $t - 1$ ;

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

$\text{CPI}_t$  is defined in the Glossary;

$X_t$  is 0.008 for Calendar Year 2008 and 0.00 for each of the Calendar Years 2009-12;

$p_{t-1}^{ij}$  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  $\text{WACC}_D$  is 0.068, being the implied real pre tax WACC applying to the Service Provider.

## Formula 5

### ADJUSTMENT FACTOR O

The Un-recovered OIC adjustment factor O, for the Service Provider, is:

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

**where:**

O is the un-recovered OIC adjustment factor;

$\$OIC^{2007}$  is the actual un-recovered 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 0.00 for each of the Calendar Years 2009-10;

$p_{t-1}^{ij}$  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

Pre-tax  $WACC_D$  is 0.068, being the implied real pre tax WACC applying to the Service Provider.

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## Part B: Appendix 2 – Rebalancing Control Formula

### Formula 6

#### REBALANCING CONTROL FORMULA – 2008-2012

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

**where:**

$p_t^j$  is the proposed Haulage Reference Tariff for Haulage Reference Tariff Component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t$  ;

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

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

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

$Y_t$  is equal to 0.02; and

$L_t$  is the licence fee factor as defined in Formula 4.

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

**If in Calendar Year 2009:**

O >0 then the rebalancing control formula is:

$$(1 + CPI_t)(1 + Y_t)(1 + L_t)(1 + O) \geq \frac{\sum_{j=1}^m p_{2009}^{ij} \cdot q_{2007}^{ij}}{\sum_{j=1}^m p_{2008}^{ij} \cdot q_{2007}^{ij}}, i = 1, \dots, n;$$

**where:**

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

Otherwise the rebalancing control formula is unchanged.

**If in Calendar Year 2010:**

O > 0 then the rebalancing control formula is:

$$\frac{(1 + CPI_t)(1 + Y_t)(1 + L_t)}{(1 + O)} \geq \frac{\sum_{j=1}^m P_{2010}^{ij} \cdot q_{2008}^{ij}}{\sum_{j=1}^m P_{2009}^{ij} \cdot q_{2008}^{ij}}, i = 1, \dots, n$$

**where:**

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

Otherwise the rebalancing control formula is unchanged.

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## 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 how 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 period
 

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			
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