

Access Arrangement Information

SP AusNet's Gas Distribution Network

1 January 2013 – 31 December 2017

April 2013

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1 INTRODUCTION

1.1 Purpose of this Document

This document is the Access Arrangement Information (AAI) in relation to the Access Arrangement (AA) for the SPI Networks (Gas) Pty Ltd (ACN 086 015 036) gas distribution network (the Network) for the period 1 January 2013 to 31 December 2017 (Fourth Access Arrangement Period).

The purpose of this document is to set out such information as is necessary to enable users and prospective users to understand the derivation of the elements of the AA for the Fourth Access Arrangement Period.

1.2 The Network

The main centres served by the Network are central Victoria, western central Victoria, western Victoria, and the western areas of Melbourne. Maps outlining the areas covered by the Network are available from SP AusNet's website: www.sp-ausnet.com.au.

1.3 Interpretation

Terms used in this AAI have the same meaning as they have in the AA (see Schedule 2 of the AA).

In this document:

- Numerical values in tables may not tally due to arithmetic rounding
- A reference to opex is a reference to operating expenditure, and a reference to capex is a reference to capital expenditure
- A reference to the Third Access Arrangement Period is a reference to the access arrangement period from 1 January 2008 to 31 December 2012.

In the AAI, unless the context otherwise requires, where a word or meaning is capitalised it has:

- the meaning given to that word or phrase in the National Gas Rules (NGR); or
- the meaning given to that word or phrase in the Access Arrangement Glossary.

2 PIPELINE SERVICES

2.1 Reference Services

SP AusNet provides two reference services—Tariff V Haulage Reference Services, Tariff M Haulage Reference Services and Tariff D Haulage Reference Services –and Ancillary Reference Services.

2.2 Haulage Reference Services

The Haulage Reference Services for the Fourth Access Arrangement Period are:

- Tariff V Haulage Reference Services – this service applies where the withdrawal of gas is at a Tariff V Distribution Supply Point. A Tariff V Distribution Supply Point is a Distribution Supply Point to which is assigned Haulage Reference Tariff V as determined by the application of clause 1 of the Reference Tariff Policy
- Tariff M Haulage Reference Services – this service applies where the withdrawal of gas is at a Tariff M Distribution Supply Point. A Tariff M Distribution Supply Point means a Distribution Supply Point to which is assigned Haulage Reference Tariff M as determined by the application of clause 1 of the Reference Tariff Policy
- Tariff D Haulage Reference Services – this service applies where the withdrawal of gas is at a Tariff D Distribution Supply Point. A Tariff D Distribution Supply Point means a Distribution Supply Point to which is assigned Haulage Reference Tariff D as determined by the application of clause 1 of the Reference Tariff Policy

The Reference Tariff Policy is Part B of SP AusNet's AA. Under the Reference Tariff Policy, 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 is deemed to be the Haulage Reference Tariff assigned to that Distribution Supply Point as at 31 December 2012.

Refer to chapter 2 of the AER's final decision for further information.

2.3 Ancillary Reference Services

The Ancillary Reference Services for the Fourth Access Arrangement Period are:

- a) On-site meter and gas installation test: testing to check the accuracy of a Meter and the soundness of a Gas Installation, in order to determine whether the Meter is accurately measuring the Quantity of Gas delivered.
- b) Disconnection Service - Disconnection by the carrying out of work being:
 - removal of the Meter at a Metering Installation, or
 - the use of locks or plugs at a Metering Installation in order to prevent the withdrawal of Gas at the Distribution Supply Point.
- c) Reconnection Service – Reconnection by turning on Supply, including the removal of locks or plugs used to isolate Supply or reinstallation of a Meter if it has been removed, performance of a safety check and the lighting of appliances where necessary.
- d) Special Meter Reading Service – meter reading for a Distribution Supply Point in addition to the scheduled meter readings that form part of the Haulage Reference Services.

2.4 Non-Reference Services

SP AusNet will make Distribution Services other than Reference Services available on terms agreed with the User or Prospective User.

3 OPERATING EXPENDITURE

3.1 Forecast operating expenditure

The table below summarises the forecast operating expenditure (including debt raising costs and carryover amounts) for the Fourth Access Arrangement Period.

Refer to chapter 7 of the AER's final decision for further information regarding the basis on which the opex forecast has been derived.

Table 3.1: Forecast opex (\$m, 2012)

	2013	2014	2015	2016	2017	Total
Total opex	47.8	49.9	50.7	51.7	52.7	252.7
Debt raising costs	0.7	0.7	0.7	0.8	0.8	3.7
Efficiency carryover	12.8	2.6	5.5	-1.5		19.3
Total	61.2	53.2	56.9	51.0	53.5	275.7

4 CAPITAL EXPENDITURE

4.1 Forecast capital expenditure

Table 4.1 summarises the forecast capital expenditure which complies with the NGR.

Table 4.1: Forecast capex for the Fourth Access Arrangement Period (\$million, 2012)

Category	2013	2014	2015	2016	2017	Total
Mains replacement	22.9	24.1	26.3	22.5	14.8	110.7
Residential connections	35.7	35.6	36.4	35.2	34.0	176.8
Commercial/industrial connections	3.2	3.3	3.3	3.3	3.2	16.2
Residential meter replacement	4.7	5.0	4.4	4.3	4.2	22.7
Commercial/industrial meter replacement	0.9	1.0	1.0	1.0	1.1	4.9
Augmentation	6.0	5.9	6.7	1.0	2.2	21.8
IT	13.6	13.0	6.9	7.5	7.6	48.6
SCADA	0.9	0.8	0.9	0.8	0.8	4.2
Other	2.5	4.1	4.7	4.6	3.7	19.7
Gas Extensions-NGEP	1.5	1.0	0.1	0.1	0.0	2.9
Capital overheads	12.1	12.2	12.2	12.0	11.8	60.3
Total gross capital expenditure	104.1	106.1	102.9	92.3	83.5	488.8
Customer contributions	4.0	4.1	4.2	4.3	4.4	21.0
Government contributions	0.0	1.7	0.0	0.0	0.0	1.7
Total net capital expenditure	100.1	100.3	98.7	88.0	79.1	466.1

Refer to chapter 4 of the AER's final decision for further information on the basis and reasoning for the forecast capex.

4.2 Capital expenditure for the period 2007-2011

4.2 summarises the capital expenditure for 2007-2011 which is conforming capex¹. For the purpose of the capital base roll forward, the AER has adopted the ESC's benchmark capex for 2012, adjusted for actual growth. Refer to attachment 4 of the AER's final decision for further information on the basis and reasoning for the assessment of conforming capex for 2007-11.

Table 4.2: Conforming capex for the period 2007-2011 (\$million, 2012)

Category	2007	2008	2009	2010	2011	2012 ^(a)
Mains replacement	6.9	9.7	8.8	11.6	12.5	15.5
Residential connections	28.5	34.3	35.1	36.5	35.7	30.1
Commercial/industrial connections	6.7	6.1	3.2	2.8	5.5	5.5
Residential meter replacement	2.6	4.5	1.1	1.4	1.6	4.0
Commercial/industrial meter replacement	0.4	0.5	0.2	0.1	0.4	1.1
Augmentation	2.7	2.8	1.0	0.6	3.6	1.3
IT	2.4	1.9	10.4	9.9	10.0	4.6
SCADA	0.5	0.0	1.4	0.7	0.7	0.4
Other	1.4	3.1	3.3	2.5	3.9	4.2
Capital overheads	7.5	12.5	11.1	10.6	11.9	8.9
Total gross capital expenditure	59.5	75.4	75.5	76.7	85.8	75.6
Adjustments for movements in provisions	-0.2	-0.0	0.4	0.1	-0.0	
Adjusted total gross capital expenditure	59.3	75.3	76.0	76.8	85.8	75.6
Customer contributions	3.7	4.1	3.4	3.6	3.6	4.0
Government contributions						
Total net capital expenditure	55.6	71.3	72.6	73.2	82.1	71.6

¹ NGR, r.77(2).

5 CAPITAL BASE

5.1 Summary

The capital base at 1 January 2013 is \$1275.3 million (\$ nominal) and is forecast to be \$1661.5 million (\$ nominal) at 31 December 2017 as shown below.

Table 5.1: Forecast capital base as at 31 December 2017

	\$m
Closing Value of Capital Base (nominal)	\$1661.5
Closing Value of Capital Base (real \$2012)	\$1468.5

5.2 Opening Capital Base for the Third Access Arrangement Period

SP AusNet's opening capital base as at 1 January 2008 was \$1162.7 million in real 2012 dollar terms.

5.3 Opening capital base

The capital base is adjusted in accordance with rule 77(2) of the NGR.

Conforming capital expenditure was calculated by deducting capital contributions from gross capital expenditure.

Regulatory depreciation for the Fourth Access Arrangement Period has been set equal to the depreciation approved by the ESC (adjusted for actual inflation).

For the purposes of rolling forward the regulatory asset base, the actual percentage change in the September to September CPI has been used. The Consumer Price Index is defined in the AA as the "All Groups Weighted Average for the Eight Capital Cities, as published by the Australian Bureau of Statistics or its successor".

Using the inputs outlined above, the closing capital base for the Third Access Arrangement Period is set out in table 5.2.

Table 5.2: Roll-forward of the Capital Base 2008 to 2012 (\$m, 2012)

	2008	2009	2010	2011	2012
Opening Capital Base	1162.7	1186.1	1207.1	1226.1	1254.2
Less Depreciation	47.4	51.4	54.0	54.1	55.2
Plus Conforming Capital Expenditure	70.8	72.4	73.0	82.1	76.3
Closing Capital Base	1186.1	1207.1	1226.1	1254.2	1275.3

5.4 Projected Capital Base in the Fourth Access Arrangement Period

The projected capital base in the Fourth Access Arrangement Period has been determined by adjusting the closing value at 31 December 2012 for forecast capital expenditure, depreciation and inflation in the Fourth Access Arrangement Period. A CPI value of 2.50 per cent has been assumed for 2013 to 2017. It is forecast that the capital base will increase to \$1661.5 million by December 2017 as set out in the summary table below.

Table 5.3: Projected capital base for the Fourth Access Arrangement Period (\$m, nominal)

	2013	2014	2015	2016	2017
Opening Capital Base	1275.3	1363.3	1449.9	1532.7	1602.7
plus Capital Expenditure	104.9	107.7	108.6	99.2	91.5
less Depreciation	48.7	55.3	62.0	67.6	72.7
Inflation Adjustment	31.9	34.1	36.2	38.3	40.1
Closing Capital Base	1363.3	1449.9	1532.7	1602.7	1661.5

6 RATE OF RETURN

6.1 Introduction

This section sets out the rate of return to apply for the Fourth Access Arrangement Period.

6.2 Rate of Return

The rate of return on capital determined by the AER is based on the cost of equity plus the cost of debt weighted by the respective proportions of equity and debt in the benchmark capital structure. This is commonly referred to as the weighted average cost of capital (WACC).

The details of how the WACC parameters have been established are set out in the rate of return chapter 5 of the AER final decision. The input parameters and the calculated rate of return are summarised below:

Table 6.1: WACC Parameters

WACC Parameters	Estimate
Risk Free Rate	3.14%
Inflation Forecast	2.50%
Equity Beta	0.80
Market Risk Premium	6.00%
Debt Risk Premium	3.35%
Cost of Equity	7.94%
Cost of Debt	6.50%
Value of Imputation Credits	0.25
Gearing	60.00%
Benchmark Credit Rating	BBB+
Nominal vanilla WACC	7.07%

6.3 Other Parameter Values

6.3.1 Gearing

The AER has applied a benchmark gearing of 60% debt for SP AusNet's regulated assets.

6.3.2 The Value of Imputation Credits

The AER has applied a value of 0.25 for the assumed utilisation of imputation credits, or gamma (γ), of 0.25. Refer to section 7.5 for further information.

6.3.3 Inflation

The AER has estimated the annual rate of inflation to be 2.50% for the Fourth Access Arrangement Period.

6.3.4 Debt Raising Costs

The AER has approved an allowance of 9.1 basis points per annum as the benchmark level of debt raising costs in the operating expenditure forecasts.

6.4 Derivation of the WACC

The nominal vanilla WACC of 7.07% has been derived from the formula below. In this formulation of the WACC corporate taxes are dealt with in the forecast cash flows.

$$WACC = R_e \times \frac{E}{V} + R_d \times \frac{D}{V}$$

The cost of equity is calculated using the CAPM formula set out below:

$$R_e = R_f + \beta_e \times MRP$$

The cost of debt is calculated using the formula set out below:

$$R_d = R_f + DRP$$

where

- R_e 7.94%, which is the risk adjusted post-tax cost of equity required by investors derived from the Capital Asset Pricing Model (CAPM)
- E 40%, which is the benchmark level of equity expressed as a percentage of V
- D 60%, which is the benchmark level of debt expressed as a percentage of V
- V Sum of assumed debt level plus assumed equity level ($V = D + E$)
- R_f 3.14%, nominal risk free rate of return
- DRP 3.35%, debt risk premium
- R_d 6.50%, cost of debt ($R_f + DRP$)
- MRP 6.00%, the market risk premium
- β_e 0.80, the equity beta for the benchmark service provider

7 COST OF TAX

7.1 Introduction

A post-tax regulatory framework has been used to derive the revenue requirement for the Access Arrangement.

7.2 Calculating the Cost of Tax

The forecast cost of tax (FCT) for each year of the Fourth Access Arrangement Period is calculated in accordance with the following formula:

$$FCT = (RTI_t \times STR_t)(1 - \gamma)$$

where:

RTI_t is an estimate of the regulatory taxable income for regulatory year t that would be earned by a benchmark efficient distributor as determined by the AER post-tax revenue model;

STR_t is the expected statutory tax rate for regulatory year t ; and

γ is the assumed utilisation of imputation credits.

The determination of RTI is based on the same inputs used to determine the regulatory revenue requirement. Specifically, RTI is calculated as the regulatory revenue requirement less operating expenditure that is deductible for tax purposes, tax depreciation and interest expense. The STR is set at 30 per cent while the value of imputation credits (γ or gamma) is set at 0.25.

The benchmark tax liability for SP AusNet is calculated as total tax payable (RTI multiplied by STR) adjusted for the value of imputation credits (gamma).

7.3 Setting the Tax Asset Value

The opening Tax Asset Base (TAB) was \$491.9 million (\$ nominal) as at 1 January 2013. The TAB is discussed in the AER's draft and final decisions.

7.4 Tax Losses Carried Forward

There was no tax loss carried forward.

7.5 Value of Imputation Credits (Gamma)

Gamma is the factor used to adjust tax payable for the value attributed to imputation credits². Gamma is the product of two components, known as "the distribution rate" (the proportion of created franking credits that are distributed to shareholders by attaching them to dividends) and "theta" (the value to the relevant shareholder of each franking credit that is distributed to them).

In the regulatory context, the higher (lower) the value of gamma the lower (higher) the revenue and cash flow available to the regulated business. Consequently, the value of gamma affects

² The terms 'gamma', franking credits and 'value of imputation credits' are used interchangeably throughout this AAI.

the revenue and cash flow available to support the business's operations and credit rating, and to provide the required return to its investors.

A gamma value of 0.25 has been adopted, consistent with the decision of the Australian Competition Tribunal.

7.6 Benchmark Cost of Tax

The cost of tax calculation, applying the approach and parameters set out in this section, is shown in table 7.1.

Table 7.1: Benchmark Cost of Tax Calculation, 2013 to 2017 (\$m, nominal)

	2013	2014	2015	2016	2017
Total Revenue	175.6	183.6	199.1	204.6	218.5
less Opex	62.7	55.8	61.2	56.2	60.5
less Interest	49.7	53.1	56.5	59.7	62.5
less tax depreciation	55.5	56.7	59.2	62.2	64.4
less tax losses carried forward	0.0	0.0	0.0	0.0	0.0
Taxable Income	7.7	17.9	22.2	26.5	31.1
Tax payable	2.3	5.4	6.6	7.9	9.3
less Value of Imputation Credits	0.6	1.3	1.7	2.0	2.3
Benchmark Cost of Tax	1.7	4.0	5.0	6.0	7.0

8 INCENTIVE MECHANISM

8.1 Summary

This section sets out the incentive mechanism to apply for the access arrangement period.

8.2 Incentive Mechanism for the access arrangement period

The AER approved a rolling carryover incentive mechanism which will operate during the access arrangement period in accordance with r. 98 of the NGR. Details regarding the operation of this incentive mechanism are set out in section 6.4 of part B of the AA. For further information regarding the basis on which the incentive mechanism was approved for the Fourth Access Arrangement Period refer to chapter 8 of the AER's final decision.

9 TOTAL REVENUE

SP AusNet's total revenue requirement was determined using a building block approach (in accordance with Rule 76 of the NGR). The building block components are:

- a return on the projected capital base.
- depreciation of the projected capital base.
- a forecast of opex.
- a forecast of the Cost of Tax.

SP AusNet's total required revenues and X factors for each year of the Fourth Access Arrangement Period are calculated using the Post Tax Revenue Model and summarised in the following table.

Table 9.1: Annual revenue requirement and X factors (\$m, nominal)

	2013	2014	2015	2016	2017
Return on capital	90.2	96.5	102.6	108.4	113.4
Return of capital	16.8	21.2	25.8	29.2	32.7
plus operating and maintenance	62.7	55.8	61.2	56.2	60.5
plus benchmark tax liability	1.7	4.0	5.0	6.0	7.0
Revenue requirement	171.5	177.5	194.6	199.9	213.6
Smoothed reference services revenue	194.1	175.7	183.5	193.6	205.6
X factors	17.4%	6.0%	-1.0%	-2.0%	-3.0%
less: Ancillary Reference Services revenue	2.2	2.3	2.4	2.4	2.5
Net reference services revenue	191.9	173.4	181.4	191.1	203.5

10 DEMAND FORECASTS

10.1 Network Usage for the Third Access Arrangement Period

SP AusNet's demand over the earlier access arrangement period is set out in Tables 10.1 to 10.3 below. These figures are based on actual demand for calendar years 2008 to 2011, and forecast demand for 2012.

Table 10.1: Demand tariff V for the 2008–12 access arrangement period

	2008	2009	2010	2011	2012F
Residential tariff V					
Customer numbers	527 221	543 802	561 168	578 694	593 399
Demand (TJ)	28 750	28 624	30 109	28 854	29 878
Non-residential tariff V					
Customer numbers	15 239	15 405	15 526	15 654	15 758
Demand (TJ)	5 814	5 455	5 851	5 769	5 789

Table 10.2: Demand tariff D for the 2008–12 access arrangement period

	2008	2009	2010	2011	2012F
Tariff D					
Customer numbers*	293	290	289	289	289
Demand—MHQ (GJ)	10 197	10 372	10 098	10 206	10 327

Table 10.3: Demand tariff M for the 2008–12 access arrangement period

	2008	2009	2010	2011	2012F
Tariff M					
Customer numbers	1	5	9	9	9
Demand—MHQ (GJ)	14.6	300.82	181.67	183.62	185.78

10.2 Forecast customer numbers and demand

Forecast customer numbers and demand by tariff class for the access arrangement period are set out in Tables 10.4 to 10.6 below.

Table 10.4: Demand forecasts tariff V for the 2013–17 access arrangement period

	2013	2014	2015	2016	2017
Residential tariff V					
Customer numbers	607 990	623 030	638 550	654 495	668 355
Demand (TJ)	29 782	29 984	30 198	30 414	30 571
Non-residential tariff V					
Customer numbers	15 856	15 963	16 081	16 200	16 304
Demand (TJ)	5 774	5 821	5 839	5 833	5 833

Table 10.5: Demand forecasts tariff D for the 2013–17 access arrangement period

Tariff D	2013	2014	2015	2016	2017
Customer numbers*	289	289	289	289	289
Demand—MHQ (GJ)	10 387	10 387	10 387	10 411	10 447

Table 10.6: Demand forecasts tariff M for the 2013–17 access arrangement period

Tariff M	2013	2014	2015	2016	2017
Customer numbers	9	9	9	9	9
Demand—MHQ (GJ)	187	187	187	187	188

11 REFERENCE TARIFFS

11.1 Introduction

SP AusNet recovers its regulated revenue by charging tariffs to customers for Haulage Reference Services and Ancillary Reference Services. The Haulage Reference Tariffs will apply to three categories of Delivery Points as in the 2008–12 access arrangement period:

- Volume Tariff residential and non residential (Tariff V)
- Demand Tariffs (Tariff D)
- Demand Tariffs (Tariff M).

In the Fourth Access Arrangement Period, SP AusNet's initial tariffs will apply from 1 July 2013.

11.2 Haulage Reference Service Tariff Classes

Each tariff class is a sub component of a haulage reference service. This relationship, along with a description of the tariff classes, is set out in the table below.

Table 11.1 SP AusNet – Tariff classes applicable to each haulage reference service.

Tariff V haulage reference service	Tariff M haulage reference service	Tariff D haulage reference service
Central Zone – Residential	Central Zone – Demand	Central Zone – Demand
Central Zone – Non Residential	West Zone – Demand	West Zone – Demand
West Zone – Residential	Adjoining Central Zone – Demand	Adjoining Central Zone – Demand
West Zone – Non Residential	Adjoining West Zone – Demand	Adjoining West Zone – Demand
Adjoining Central Zone – Residential	N/A	N/A
Adjoining Central Zone – Non Residential	N/A	N/A
Adjoining West Zone – Residential	N/A	N/A
Adjoining West Zone – Non Residential	N/A	N/A

Residential		
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11.2.1 Volume Tariff Classes – Tariff V (Residential and non residential)

These tariff classes apply to both residential and commercial customers who consume less than 10,000 Gigajoules of gas in a 12 month period, and less than 10 Gigajoules in any one hour.

The residential and non-residential tariffs V will comprise the following charging parameters:

- Supply charge (in dollars per day); and
- Banded volume charges (in dollars per GJ per day)

Both residential and commercial tariffs have peak and off-peak pricing, with marginally higher pricing in the peak period. The structure and the initial level of these tariffs are set out in the tables below.

Table 11.2 SP AusNet Haulage Reference Tariffs—Central Zone

Tariff V Residential		
Distribution Fixed Tariff Component	\$0.0877/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	7.3591	5.8971
> 0.1 - 0.2	5.4399	3.7129
> 0.2 - 1.4	1.7060	1.7038
> 1.4	1.0641	0.5858

Tariff V Non-residential		
Distribution Fixed Tariff Component	\$0.0884/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	6.6384	6.2863
> 0.1 - 0.2	4.4138	4.4073
> 0.2 - 1.4	2.3835	2.3562
> 1.4	0.9580	0.9195

Table 11.3 SP AusNet Haulage Reference Tariffs—West Zone

Tariff V Residential		
Distribution Fixed Tariff Component	\$0.0877/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	5.9010	3.9583
> 0.1 - 0.2	5.4061	2.7106
> 0.2 - 1.4	2.2439	1.6233
> 1.4	1.0153	0.7195

Tariff V Non-residential		
Distribution Fixed Tariff Component	\$0.0884/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	4.7562	4.4804
> 0.1 - 0.2	3.9788	3.8146
> 0.2 - 1.4	2.2023	2.0626
> 1.4	0.7962	0.7708

Table 11.4 SP AusNet Haulage Reference Tariffs—Adjoining Central Zone

Tariff V Residential		
Distribution Fixed Tariff Component	\$0.0877/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	10.3488	8.8046
> 0.1 - 0.2	8.2914	6.8411
> 0.2 - 1.4	6.3069	5.3106
> 1.4	4.4339	4.0574

Tariff V Non-residential		
Distribution Fixed Tariff Component	\$0.0884/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	9.8256	9.5138
> 0.1 - 0.2	7.6346	7.3144
> 0.2 - 1.4	5.9924	5.8775
> 1.4	4.4454	4.3554

Table 11.5 SP AusNet Haulage Reference Tariffs—Adjoining West Zone

Tariff V Residential		
Distribution Fixed Tariff Component	\$0.0877/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	9.2811	7.4521
> 0.1 - 0.2	8.6150	6.9034
> 0.2 - 1.4	6.2271	5.2907
> 1.4	4.2690	4.0828

Tariff V Non-residential		
Distribution Fixed Tariff Component	\$0.0884/day	
Consumption Range (GJ/day)	Peak Period (\$/GJ)	Off-peak Period (\$/GJ)
0-0.1	8.1344	7.8195
> 0.1 - 0.2	7.6213	7.2508
> 0.2 - 1.4	6.1376	6.0285
> 1.4	4.4993	4.3993

11.2.2 Demand Tariff Classes – Tariff M

Tariff M applies to customers who consume 10,000 Gigajoules of gas in a 12 month period or more than 10 Gigajoules in an hour. Tariff M customers are not required to pay any additional charges for Operations and Maintenance (O&M) or Local Capacity Charge (LCC) as these have been embedded in the tariff.

Tariff M applies to the MHQ that are recorded for the calendar year in declining blocks. Once a customer's MHQ exceeds the first block the second block rate is applied to incremental MHQ until that is exceeded and the third block rate applied to the balance. When a customer records an MHQ that is greater than that in any prior month, the excess amount is retrospectively applied to all prior months for that year. The structure and the initial level of tariff M are set out in the tables below.

Table 11.6 SP AusNet Haulage Reference Tariff M—All Zones

Tariff M	
Annual MHQ (GJ/hr)	Tariff (\$/MHQ)
0-10	1731.2684
>10 - 50	1253.7823
> 50	711.9495

11.2.3 Demand Tariff Classes – Tariff D

Tariff D applies to customers who consume 10,000 Gigajoules of gas in a 12 month period or more than 10 Gigajoules in an hour with the exception that:

- (a) A Local Capacity Charge (LCC) applied to tariff D customers is a non-reference service charge for providing connection assets and main extensions for a distribution supply point that a new Tariff D customer is required to pay prior to connection being made.
- (b) The Operations and Maintenance (O&M) charge applied to Tariff D customers is a non-reference service charge that recovers the cost of operating and maintaining mains extensions, services, metering and all other installation-related costs. O&M charges are levied on a per-month basis and apply to all Tariff D customers while they are connected to SP AusNet's Distribution Network.

The structure and the initial level of Tariff M are set out in the tables below.

Table 11.7 SP AusNet Haulage Reference Tariff D—All Zones

Tariff D	
Annual MHQ (GJ/hr)	Tariff (\$/MHQ)
0-10	937.1568
>10 - 50	640.0310
> 50	361.2439

11.3 Ancillary Reference Services

Reference Tariffs for Ancillary Reference Services will be maintained in real terms over the Fourth Access Arrangement Period. The tariffs reflect a continuation of charges in the Third Access Arrangement Period, with increases reflecting inflation only.

12 TARIFF VARIATION MECHANISM

The formulae for annual adjustment of tariffs are described in section 3 of the AA (Part B).

12.1 Haulage Reference Services

12.1.1 Tariff Variation Mechanism

A tariff basket annual tariff variation mechanism in the form of a weighted average price cap (WAPC) formula applies to haulage reference services through to 2017.

The Tariff Control Formula is detailed in Box 1.

BOX 1 TARIFF CONTROL FORMULA

The following formula applies separately to each of Tariff V, M and D:
The price control formula is:

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

where:

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

X_t is 0.06 for 2014;

X_t is -0.01 for 2015;

X_t is -0.02 for 2016

X_t is -0.03 for 2017;

p_t^{ij} is the Haulage Reference Tariff being charged 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; (expressed in the units in which that component is expressed (e.g, GJ)).

L_t is the licence fee factor for calendar year t (and the definition of the licence fee does not include the ESV levy).

A_t is an approved pass through factor for calendar year t as defined below.

The license fee factor is detailed in Box 2.

BOX 2 License fee factor formula

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

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

where:

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

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

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

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

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

X_t is 0.06 for 2014;

X_t is -0.01 for 2015;

X_t is -0.02 for 2016

X_t is -0.03 for 2017;

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 $t - 2$;

A_t is an approved pass through factor for calendar year t as defined below; and

Pre-tax WACC_D is 0.0515, being defined by the alignment of the service provider's building block revenue requirement with the NPV of its forecast revenues.

The adjustment factor formula is detailed in Box 3 and is consistent with the AER final decision.

BOX 3 Adjustment factor formula

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

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

where:

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

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

where:

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

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

X_t is 0.06 for 2014;

X_t is -0.01 for 2015;

X_t is -0.02 for 2016

X_t is -0.03 for 2017.

Approved pass through:

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

where:

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

$pretaxWACC_D$ is 0.0515, being defined by the alignment of the service provider's building block revenue requirement with the NPV of its forecast revenues.

The Rebalancing Control Formula is detailed in Box 4 and is consistent with the formula applied in the Third Access Arrangement Period, other than the inclusion of an X factor. The inclusion of the X factor will enable SP AusNet to recover its proposed allowed revenue. A Y factor of 0.02 has been adopted.

Box 4 forms part of section 3.5 of the AA Part B.

BOX 4 Rebalancing control formula

No rebalancing control is applied in Calendar year 2013.

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

where:

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

P_{t-1}^{ij} is the proposed Haulage Reference Tariff Component j for 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 the CPI for Calendar Year t, as defined in the Glossary;

X_t is 0.06 for 2014;

X_t is -0.01 for 2015;

X_t is -0.02 for 2016

X_t is -0.03 for 2017

Y_t is 0.02;

L_t is the Licence Fee factor as defined in clause 3.1. If $L_t < 0$, then $(1 + L_t) = 1$; and

A_t is an approved pass through factor for calendar year t; If $A_t < 0$, then $(1 + A_t) = 1$

12.1.2 Carbon tax tariff

The carbon tax tariff is as defined in section 3.7 of the AA Part B. The real pre-tax WACC applying to the carbon tax tariff is 0.0515 and the CPI is as defined in the AA.

12.1.3 Tariff Variation Process

SP AusNet is required to submit an annual reference tariff proposal to the AER for approval at least 50 business days prior to the relevant calendar year in which the proposed tariffs are to apply.

12.2 Ancillary Reference Services

Reference Tariffs for Ancillary Reference Services will increase by inflation (CPI) in each year of the Fourth Access Arrangement Period.

12.2.1 Ancillary Reference Tariff Variation Mechanism

Reference Tariffs for Ancillary Reference Services will be varied annually on the basis of the Reference Tariff Control Formula set out in section 2.2 of the AA Part B.

12.2.2 Ancillary Tariff Variation Process

The tariff variation process will follow SP AusNet's Haulage Reference Tariff variation process.

12.2.3 Cost Pass Through Events and Process

In accordance with Rule 97(c) of the NGR, SP AusNet has proposed a number of defined events or Cost-Pass Through Events for the Fourth Access Arrangement Period. These events are defined in the glossary in Schedule 2 to Part A of the AA. The AER has approved the events, and the process for assessment of Cost Pass Through Events in chapter 12 of its final decision for SP AusNet.

The process for assessment of Cost Pass Through Events is defined in section 8 of Part B of the AA.

12.2.4 Materiality Threshold

All Cost Pass Through Events, excluding the National Energy Consumer Framework Event and the Mains Replacement Event are subject to a materiality threshold.

13 NON-TARIFF COMPONENTS

13.1 Capacity Trading

The capacity trading policy is outlined in section 5.7 of the AA. Refer to chapter 13 of the AER's final decision for further information.

13.2 Network Extensions and Expansions

The extensions and expansions policy is outlined in section 5.6 of the AA. Refer to chapter 13 of the AER's final decision for further information.

13.3 Terms and Conditions

The terms and conditions (T&C) applicable to the provision of Reference Services are dealt with in section 5.4 of the AA. The detailed T&C are contained in Part C of the AA.

The following summary of the T&C may assist Prospective Users in understanding aspects of the terms of access:

The terms and conditions address matters including:

- Co-operation
- The nature of the relationship
- The provision of distribution services
- Cessation of delivery and entitlement to refuse service
- Capacity management
- Title
- Custody
- Disconnection, curtailment and re-connection
- Payment and invoicing
- Information exchange and communication
- Force majeure
- Enforcement of SP AusNet's rights against Customers
- Term
- Termination
- Remedies
- Liabilities and indemnities
- Insurance obligations
- Dispute resolution
- Representations and warranties
- Notices
- Confidentiality

- Assignment
- other general provisions

The obligations, duties and responsibilities of SP AusNet and any User described in the T&C are in addition to those established in law or by any relevant regulatory instrument.