

# **ACCESS ARRANGEMENT**

**for Envestra's**

**Victorian Gas Distribution System**

**2013 – 2017**

April 2013

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# **1 INTRODUCTION**

## **1.1 Purpose of this Document**

This Access Arrangement is for Vic Gas Distribution Pty Ltd (ABN 73 085 899 001) (**Envestra**), which is a controlled entity within the Envestra Group.

Envestra is not a local agent of a Service Provider nor is it acting on behalf of another Service Provider.

The geographical spread of the Network is shown in Annexure A, with further detail provided in the Access Arrangement Information. A description of the Network can be found at [www.envestra.com.au](http://www.envestra.com.au).

This Access Arrangement as revised describes the terms and conditions on which access will be granted to the Network, and contains the required elements of an Access Arrangement as described in Rule 48 of the Rules. This Access Arrangement is accompanied by Access Arrangement Information.

## **1.2 Revisions Commencement Date**

Revisions to the Access Arrangement will come into effect on 1 July 2013.

## **1.3 Definitions and Interpretation**

In this Access Arrangement and the Access Arrangement Information, unless the context indicates otherwise:

- (a) where a word or phrase begins with a capital letter:
  - i. it has the meaning given to it in the Glossary of this Access Arrangement;
  - ii. if it is not defined in the Glossary, it has the meaning given to it in the National Gas Rules; and
  - iii. a reference to a "Rule" is a reference to the relevant section of the National Gas Rules.
- (b) where a word or phrase is defined, its other grammatical forms have a corresponding meaning; and
- (c) headings are for convenience only and do not affect interpretation.

## **1.4 Contact Details**

The contact person for further details in relation to this Access Arrangement is:

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Group Manager, Commercial  
Envestra Limited  
Level 10, 81 Flinders Street  
Adelaide SA 5000  
Phone: (08) 8227 1500

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## **2 SERVICES**

### **2.1 General**

The Network Services which Envestra will make available to Users and Prospective Users in accordance with the National Gas Rules comprise:

- (a) two Haulage Reference Services, which are described in section 2.2;
- (b) six Ancillary Reference Services, which are described in section 2.3; and
- (c) Negotiated Services, which are described in section 2.4.

To the extent practicable and reasonable, a User or Prospective User may obtain a Network Service which includes only those elements that the User or Prospective User wishes to be included in the Network Service.

To the extent practicable and reasonable, Envestra will provide a separate Tariff for an element of a Network Service if requested to do so by a User or Prospective User.

Envestra has no associate contracts (as defined in the National Gas Law).

### **2.2 Haulage Reference Services**

#### **2.2.1 Volume Haulage Service**

The Volume Haulage Service comprises the delivery of Gas through an existing Volume Delivery Point in accordance with, and subject to, the terms and conditions referred to in section 6.

A Delivery Point (**DP**) is a Volume DP for a given period if it is not a Demand DP.

The Volume Haulage Service includes the provision of a Metering Installation.

The Volume Haulage Service has two associated tariffs – one for Residential DPs (known as “Tariff V Residential”) and one for non-Residential DPs (known as “Tariff V non-Residential”).

A DP is a Residential DP for a given period if the Gas delivered through that DP during that period was used primarily for residential purposes to a single dwelling. Gas will have been used primarily for residential purposes if 50% or more of that Gas was used for residential purposes.

A DP is a non-Residential DP if it is not a Residential DP or a Demand DP.

Envestra will determine from time to time whether Gas delivered through a DP during any period was used primarily for residential purposes or primarily for other purposes. Envestra’s determination will bind the Network User, unless proven incorrect.

#### **2.2.2 Demand Haulage Service**

The Demand Haulage Service comprises the delivery of Gas through an existing Demand DP, in accordance with, and subject to, the terms and conditions referred to in section 6.

A DP is a Demand DP if the Quantity of Gas delivered at that DP has either:

- (a) exceeded 10 TJ in the preceding 12 month period (or, if less than 12 months of data is available, 10 TJ reduced in proportion to the period for which data is available as a proportion of 365 days); or
- (b) exceeded 10 GJ in any hour during the preceding 12 months.

In this section, a reference to the Quantity of Gas delivered is a reference to the Quantity of Gas delivered (or estimated to have been delivered) at that DP, whether to or for the account of the Network User or another person or persons.

The tariff in relation to Demand DPs (Tariff D) is based on MHQ. The MHQ for a Demand DP is the MHQ as agreed between the Network User and Envestra from time to time or, in default of agreement, as determined by Envestra acting reasonably.

### **2.2.3 Classification of DPs**

Envestra will classify a DP as a Residential DP, non-Residential DP or a Demand DP. In determining the classification of a DP, Envestra will take into account:

- (a) the expected demand and connection characteristics for the DP; and
- (b) Reference Tariffs assigned to DPs with the same or materially similar demand and connection characteristics.

A classified DP will retain its classification for the purposes of this Access Arrangement (and for the purposes of each Agreement) until such time as it is reclassified by Envestra. The Reference Tariff applicable in respect of the DP will be determined from time to time on the basis of the classification of that DP. If either the Network User or the Shared Customer requests the reclassification of a DP, Envestra must within 10 business days consider whether the DP should be re-classified, taking into account (a) and (b) above. Where a DP is re-classified, Envestra must determine the applicable Reference Tariff.

### **2.2.4 Associated Services**

As a part of each Haulage Reference Service, Envestra will also provide meter reading data every two months for Volume DPs and on a monthly basis for Demand DPs in accordance with, and subject to, the terms and conditions referred to in section 6.

The Haulage Reference Services do not include any of the Network Services described as Ancillary Reference Services (see section 2.3) or Negotiated Services (see section 2.4).

### **2.2.5 Unaccounted for Gas (UAFG)**

Unaccounted for Gas (the difference between the quantity of Gas received into the Network and delivered out of the Network, over a specified period of time) is supplied by Network Users. Where the level of UAFG is less than, or greater than, the benchmark set under the Victorian Gas Distribution System Code, Envestra and Network Users make payments to one another of reconciliation amounts, as directed by AEMO, pursuant to the Retail Market Procedures.

## **2.3 Ancillary Reference Services**

The Ancillary Reference Services comprise the following Network Services for Volume DPs:

- (a) Meter and Gas Installation Test – on-site testing to check the measurement accuracy of a Metering Installation and the soundness of the gas installation downstream of the Metering Installation.
- (b) Disconnection – Disconnection by the carrying out of work using locks or plugs at a Metering Installation in order to prevent the withdrawal of Gas at the DP.
- (c) Reconnection - this Reference Service comprises action to restore the ability to withdraw Gas at a DP, following an earlier Disconnection (that is, the removal of any locks or plugs used to isolate supply, performance of a safety check and, where necessary, the lighting of appliances).
- (d) Meter Removal – removal of a meter at a Metering Installation in order to prevent the withdrawal of Gas at the DP.

- (e) Meter Reinstallation – reinstallation of a meter at a Metering Installation, performance of a safety check and the lighting of appliances where necessary.
- (f) Special Meter Read – meter reading for a DP that is in addition to the scheduled meter reading that forms part of the Haulage Reference Service. (Special Meter Reads will be charged in accordance with location as either metropolitan or non-metropolitan).

To the extent permitted by law, the Ancillary Reference Services will be provided on Business Days between the hours of 8.00am and 4.00pm, in accordance with, and subject to, the terms and conditions referred to in section 6.

## **2.4 Negotiated Services**

Any User or Prospective User may request Envestra to provide a Negotiated Service. A Negotiated Service is a Network Service that is different from the Reference Services.

The terms and conditions on which Envestra will provide Negotiated Services will be the same as the terms and conditions referred to in section 6, where Envestra determines that those terms and conditions are appropriate and applicable to the requested Negotiated Service.

## **2.5 Network Service Standards**

Envestra will provide each Network Service, including each Reference Service, in accordance with, and subject to, the requirements of any Distribution Licence or applicable law.

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# **3 REFERENCE TARIFFS**

## **3.1 Haulage Reference Tariffs**

The Tariff Schedule set out in Annexure B to this Access Arrangement shows the initial Reference Tariffs that will apply to the Haulage Reference Services.

The initial Reference Tariffs will apply from 1 July 2013, until those Reference Tariffs are varied in accordance with section 4 of this Access Arrangement.

The Charges payable in respect of a DP vary according to the Tariff Zone in which that DP is located.

The Reference Tariffs for Reference Services will be set out in Tariff Schedules that Envestra will publish from time to time on its website at [www.envestra.com.au](http://www.envestra.com.au).

## **3.2 Ancillary Reference Service**

The Ancillary Reference Tariffs for 2013 are set out in the Tariff Schedule in Annexure B. These tariffs will increase by the percentage change in CPI on 1 January 2014 and thereafter by the percentage change in CPI for each remaining year of the Fourth Access Arrangement Period.

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# **4 REFERENCE TARIFF POLICY – GENERAL**

## **4.1 Determination of Reference Tariffs**

Reference Tariffs have been determined based on a revenue requirement that uses a 'building block' or 'cost of service' approach. This approach provides for total revenue to be calculated on the basis of a rate of return on the capital base plus depreciation plus non-capital costs associated with operating the Network.

A CPI-X approach to determining Haulage Reference Tariffs has been adopted, using a 'tariff basket' approach to price control. To ensure price stability, Reference Tariffs for the Access

Arrangement Period have been set on the basis of a smoothed revenue, so that the Reference Tariffs move in a uniform and consistent manner as much as possible.

Reference Tariffs are designed to meet the objectives of the National Gas Rules. A key objective of the National Gas Rules is to recover the efficient costs of providing the Reference Services, with emphasis on the safety and integrity of the Network, while providing certainty to Users and signalling appropriate development of the market through extension of the Network.

The Reference Tariffs are designed to be cost reflective to the extent possible, so that Reference Tariffs recover the efficient cost of providing the relevant Reference Service. The revenues associated with the Reference Tariffs also reflect efficient pricing principles, in that the revenue for each Reference Tariff has been set between incremental and stand-alone prices.

## **4.2 Assignment of Haulage Reference Tariffs**

Where Envestra is charging a particular Haulage Reference Tariff in respect of a particular DP, then that particular Haulage Reference Tariff is to be regarded as being “assigned” to that DP.

Haulage Reference Tariffs will be assigned to DPs in accordance with the criteria set out in sections 2.2.1-2.2.3 of this Access Arrangement.

Where a DP is assigned to Tariff D:

- (a) The User for that DP must pay for a Metering Installation which complies with the appropriate metering standard specified in relevant rules or regulatory instruments, and which is capable of recording MHQ;
- (b) The User for that DP must pay any applicable Non Reference Service Charge (Tariff D Connection Charge) for the provision of connection assets and mains extensions undertaken for that DP; and
- (c) Envestra can require the DP to continue to be assigned to Tariff D for a period of up to 1 year from the time of the assignment to Tariff D.

## **4.3 Reference Tariff Variation Mechanism**

Rule 97 allows Reference Tariffs to vary within an Access Arrangement Period through a Reference Tariff Variation mechanism. For the purposes of this Access Arrangement, Reference Tariffs will be varied through two mechanisms, namely:

- (a) the Reference Tariff Control Formulae, described in section 4.4; and
- (b) a Cost Pass Through Event Adjustment, which is described in section 4.5.

Variations to Reference Tariffs are subject to the AER’s approval (or deemed approval) in accordance with the National Gas Rules and this section 4.

Envestra will publish a revised Tariff Schedule on its website at [www.envestra.com.au](http://www.envestra.com.au) whenever variations to Reference Tariffs have been approved.

## **4.4 Reference Tariff Control Formulae**

### **4.4.1 Haulage Reference Tariffs**

Subject to the approval of the Regulator, Envestra will have the right to vary the Reference Tariffs for Haulage Reference Services as it thinks fit from time to time provided that the variations comply with the Reference Tariff Control Formulae set out in Annexure D to this Access Arrangement.

The first formula is designed to ensure that the average revenue (in \$/GJ) that Envestra receives from a Haulage Reference Service after 1 July 2013 does not increase, as a result of any proposed variation to Reference Tariffs, at a rate that is greater than the change in CPI – X (where X is the factor described in Annexure D).



The second formula is designed to ensure the annual licence fee charged to Envestra by the Victorian government is recovered from customers.

The third formula is designed to ensure any pass through amount approved by the regulator is recovered from customers.

The fourth formula is designed to ensure that the actual annual cost of carbon permits under the carbon scheme is recovered from customers.

The fifth formula is designed to ensure that the average revenue (in \$/GJ or \$/GJ of MHQ) that Envestra receives from any single type of Haulage Reference Service, after any proposed variation to Reference Tariffs, does not increase by more than the percentage change in CPI plus 2%.

The Reference Tariff Control Formulae set out in Annexure D compare the revenue from the pre-existing Reference Tariffs with revenue from the Reference Tariffs as varied, based on the Quantities of Gas (or other units of measurement, such as GJ of MDQ) that applied in the year two years prior to the year in which the Reference Tariffs are to be varied.

Variations to the Reference Tariffs may be effected:

- (a) through changes in the components, elements or variables comprised within any Reference Tariff (such as a change in the base charge or fixed charge within the Reference Tariff or a change in the steps, or the level of the steps, within the Reference Tariff);
- (b) through the introduction of a new Reference Tariff for any Haulage Reference Service (to apply in place of any pre-existing Reference Tariff, either in all circumstances or in certain circumstances);
- (c) through the withdrawal of any Reference Tariff; or
- (d) through any combination of these changes.

#### 4.4.2 Ancillary Reference Services

Envestra 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 Annexure D.

The ancillary reference tariff to apply for the six month period from 1 July 2013 is based on the following formula:

$$ART_t = ART_{t-1} + (ART_{t-1} * CPI)^*2$$

The ancillary reference tariff control formula for the Calendar Year 2014 is:

$$ART_t = ART_{t-2} * (1+CPI_{t-1}) * (1+CPI_t)$$

The ancillary reference tariff control formula for the Calendar Year 2015 to 2017 is:

$$ART_t = ART_{t-1} * (1 + CPI)$$

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  $t-1$ ;

$CPI_t$  is the CPI for Calendar Year  $t$ , is calculated as the CPI for the September quarter immediately preceding the start of year  $t$ , divided by the CPI for the September quarter immediately preceding the start of year  $t-1$ , minus 1.

$CPI_{t-1}$  is the CPI for Calendar Year  $t-1$ , is calculated as the CPI for the September quarter immediately preceding the start of Calendar Year  $t$ , divided by the CPI for the September quarter immediately preceding the start of Calendar Year  $t-2$ , minus 1.

Where the Reference Tariff for an Ancillary Reference Service (as varied) is less than \$20, the Reference Tariff (as varied) will be rounded to the nearest 10 cents (with five cents rounded upwards). Where the Reference Tariff for an Ancillary Reference Service (as varied) is \$20 or more, the Reference Tariff (as varied) will be rounded to the nearest dollar (with 50 cents rounded upwards).

#### 4.5 Cost Pass Through Event Adjustment

Subject to the approval of the AER, Reference Tariffs may be varied after one or more Cost Pass Through Event/s occurs. Any such variation will take effect from the next 1 January unless agreed otherwise with the AER.

In making its decision on whether to approve the proposed Cost Pass Through Event variation, the AER must take into account the following:

- (a) the costs to be passed through are for the delivery of pipeline services;
- (b) the costs are incremental to costs already allowed for in reference tariffs;
- (c) the total costs to be passed through are building block components of total revenue;
- (d) the costs to be passed through meet the relevant National Gas Rules criteria for determining the building block for total revenue in determining reference services;
- (e) the efficiency of Envestra's decisions and actions in relation to the risk of the Relevant Pass Through Event occurring, including whether Envestra has failed to take any action that could reasonably be taken to reduce the magnitude of the costs incurred as a result of the Relevant Pass Through Event and whether Envestra has taken or omitted to take any action where such action or omission has increased the magnitude of the costs; and
- (f) any other factors the AER considers relevant and consistent with the National Gas Rules and the National Gas Law.

Cost Pass Through Events are:

- (a) a Regulatory Change Event;
- (b) a Service Standard Event;
- (c) a Tax Change Event;
- (d) a Terrorism Event;
- (e) a Network User Failure Event;
- (f) an Insurer Credit Risk Event;
- (g) an Insurance Cap Event;
- (h) a Natural Disaster Event;
- (i) a National Energy Customer Framework Event; and
- (j) Mains Replacement Volume Event.

where

**‘Regulatory Change Event’** means:

A change in a regulatory obligation or requirement that:

- (a) falls within no other category of Cost Pass Through Event; and
- (b) occurs during the course of an access arrangement period; and
- (c) affects the manner in which Envestra provides services (as the case requires); and
- (d) materially increases or materially decreases the costs of providing those services.

**‘Service Standard Event’** means:

A legislative or administrative act or decision that:

- (a) has the effect of:
  - i. varying, during the course of an access arrangement period, the manner in which Envestra is required to provide a reference service; or
  - ii. imposing, removing or varying, during the course of an access arrangement period, minimum service standards applicable to prescribed reference services; or
  - iii. altering, during the course of an access arrangement period, the nature or scope of the prescribed Reference Services, provided by Envestra; and
- (b) materially increases or materially decreases the costs to Envestra of providing Reference Services.

**‘Tax Change Event’** occurs:

If any of the following occurs during the course of an access arrangement period for Envestra:

- (a) a change in a Relevant Tax, in the application or official interpretation of a Relevant Tax, in the rate of a Relevant Tax, or in the way a Relevant Tax is calculated; or
- (b) the removal of a Relevant Tax; or
- (c) the imposition of a Relevant Tax; and

in consequence, the costs to Envestra of providing prescribed reference services are materially increased or decreased.

**‘Terrorism Event’** means:

An act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of, or in connection with, any organisation or government), which from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear) and which materially increases the costs to Envestra of providing a Reference Service.

**‘Network User Failure Event’** means:

A network user failure event means the occurrence of an event whereby an existing network user is unable to continue to supply gas to its customers, and those customers are transferred to another network user, and which materially increases the costs of Envestra providing reference services.

**‘Insurer Credit Risk Event’** means:

An event where the insolvency of the nominated insurers of Envestra occurs, as a result of which Envestra:

- (a) incurs materially higher or lower costs for insurance premiums than those allowed for in the access arrangement; or
- (b) in respect of a claim for a risk that would have been insured by Envestra's insurers, is subject to a materially higher or lower claim limit or a materially higher or lower deductible than would have applied under that policy; or
- (c) incurs additional costs associated with self funding an insurance claim, which would have otherwise been covered by the insolvent insurer.

**'Insurance Cap Event'** means an event whereby:

- (a) Envestra makes a claim on a relevant insurance policy;
- (b) Envestra incurs costs beyond the relevant policy limit; and
- (c) The costs or losses beyond the relevant policy limit materially increase the costs to Envestra of providing reference services.

For the purposes of this Insurance Cap Event:

- (i) The relevant policy limit is the greater of Envestra's actual policy limit at the time of the event that gives rise to the claim, and its policy limit at the time the AER made its Final Decision on Envestra's access arrangement proposal for the Fourth Access Arrangement Period, with reference to the forecast operating expenditure allowance approved in the AER's Final Decision and the reasons for that decision; and
- (ii) A relevant insurance policy is an insurance policy held during the Fourth Access Arrangement Period or a previous period in which access to the pipeline services was regulated.

**'Mains Replacement Event'** means the event whereby Envestra:

- (a) completes 268 kilometres of its planned total completion of Historical Volumes of Mains Replacement during the course of the Fourth Access Arrangement Period; and
- (b) costs are incurred, or are to be incurred, by Envestra in the remainder of the Fourth Access Arrangement Period to complete a volume of Mains Replacement in excess of the Historical Volumes.

For the purposes of the Mains Replacement Event:

Historical Volumes means 365 km being the volume of mains replacement completed by Envestra for the 2008 to 2012 access arrangement period, with reference to the AER's decision to approve the fourth access arrangement and its reasons as set out in its Final Decision; and

Mains Replacement means mains replacement for low pressure to high pressure block rollout, which involves the replacement of:

- (i) low pressure distribution mains with high pressure polyethylene mains through a process of dividing a low pressure region into smaller areas (referred to as blocks) which are then subject to systematic low pressure to high pressure replacement, and
- (ii) includes the minimum amount of replacement of medium pressure supply mains necessary to undertake the proposed low pressure mains replacement in the 2013-2017 access arrangement period, as specified in (i)

Costs are to be determined in accordance with the pre-approved unit rates set out in the AER's decision to approve the fourth access arrangement and its reasons as set out in its Final Decision or,

where unit rates have not been pre-approved, are to be determined as otherwise set out in its Final Decision.

**‘Material’** means:

For the purpose of any relevant pass through event, an event is considered to materially increase or decrease costs where that event has an impact of one per cent of the smoothed forecast revenue specified in the AER's final decision, in the years for the regulatory control period that the costs are incurred.

**‘Natural Disaster Event’** means:

Any major fire, flood, earthquake, or other natural disaster beyond the control of Envestra (but excluding those events for which external insurance or self insurance has been included within Envestra's forecast operating expenditure) that occurs during the access arrangement period and materially increases the costs to Envestra of providing Reference Services.

**‘National Energy Customer Framework Event’** means:

A legislative act or decision that:

- (a) occurs during the access arrangement period;
- (b) has the effect of implementing in Victoria, either in part or in its entirety, the National Energy Customer Framework; and
- (c) increases the costs to Envestra of providing Reference Services.

For the purposes of this pass through event, the National Energy Customer Framework means any legislation, regulations or rules, that give effect in Victoria to any or all of the Schedule to the National Energy Retail Law (South Australia) Act 2011, the National Energy Retail Regulations (South Australia) and the National Energy Retail Rules (South Australia) as amended from time to time, including any amendment, withdrawal or introduction of any associated Victorian legislation, regulations or rules.

## **4.6 Procedure for Variation in Reference Tariffs**

### **4.6.1 Routine Variations**

Where Envestra wishes to vary any Reference Tariff pursuant to section 4.4, Envestra will notify the AER in respect of the proposed variation, such that variations occur on the first of January of any year. The notification will be made at least 50 Business Days before the date of implementation and include:

- (a) the proposed variations to the Reference Tariffs; and
- (b) an explanation and details of how the proposed variations have been calculated.

If Envestra proposes variations to the Reference Tariffs pursuant to section 4.4 and those variations have not been approved by the next 1 January then the Reference Tariffs will be varied with effect from that next 1 January by the same percentage increment or decrement as occurred on the previous 1 January, until such time as variations to Reference Tariffs are approved by the AER.

If it appears that any past tariff variation contains a material error or deficiency because of a clerical mistake, accidental slip or omission, miscalculation or misdescription, the AER may change subsequent tariffs to account for these past issues.

Within 30 Business Days of receiving Envestra's variation notice, the AER will inform Envestra in writing of whether or not it has verified the proposed variation in the Envestra's notice as compliant with the Reference Tariff Control Formulae.

The 30 Business Day period may be extended for the time taken by the AER to obtain information from Envestra, obtain expert advice or consult about the notification. However, the AER must assess a variation application within 30 Business Days of receiving Envestra's variation notice, excluding any extension of the decision making time.

#### **4.6.2 Cost Pass Through Event Variations**

Envestra will notify the AER of Cost Pass Through Events within 90 Business Days of the Cost Pass Through Event occurring, whether the Cost Pass Through Event would lead to an increase or decrease in Reference Tariffs.

When the costs of the Cost Pass Through Event incurred are known (or able to be estimated to a reasonable extent), then those costs shall be notified to the AER. When making such notification to the AER, Envestra will provide the AER with a statement, signed by an authorised officer of Envestra, verifying that the costs of the relevant Cost Pass Through Event are net of any payments made by an insurer or third party which partially or wholly offsets the financial impact of that event (including self insurance).

The AER must notify Envestra of its decision to approve or reject the proposed variations within 90 Business Days of receiving the notification. This period will be extended for the time taken by the AER to obtain information from Envestra, obtain expert advice or consult about the notification.

However, if the AER determines the difficulty of assessing or quantifying the effect of the relevant Cost Pass Through Event requires further consideration, the AER may require an extension of a specified duration. The AER will notify Envestra of the extension, and its duration, within 90 days of receiving a notification from Envestra.

#### **4.7 Fixed Principles**

Rule 99 provides for an access arrangement to include "fixed principles" that may extend over two or more access arrangement periods. Rule 99(3) states that "A fixed principle approved before the commencement of these rules, or approved by the AER under these rules, is binding on the AER and the service provider for the period for which the principle is fixed".

When revisions to this Access Arrangement were approved in December 2002, the following fixed principles were approved and apply accordingly.

##### Fixed Principle A

"The Capital Base at the commencement of an Access Arrangement Period will be the Capital Base at the commencement of the previous Access Arrangement Period, adjusted to take account of:

- (a) changes to CPI since 1 January 2003;
- (b) depreciation;
- (c) New Facilities Investment meeting the requirements of section 8 of the Access Code;
- (d) the sale value of assets that are disposed of in the ordinary course of business since 1 January 2002, other than a disposal of:
  - (i) all or part of the Distribution System;
  - (ii) assets pursuant to which the assets of the Service Provider are sold and leased back to the Service Provider;
- (e) the Capital Base will not be reduced as a result of assets forming part of the Capital Base becoming redundant;
- (f) the difference between forecast and actual capital expenditure in the year prior to the commencement of the previous Access Arrangement Period;
- (g) the difference between forecast and actual disposals in the year prior to the commencement of the previous Access Arrangement Period.

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

The above fixed principle therefore applies from 1 January 2003 to 31 December 2032.

#### **Fixed Principle B**

"In the event that the Regulator applies a post-tax return to the Capital Base in the Second Access Arrangement Period, then the same post-tax approach will be applied to the Capital Base in the Third Access Arrangement Period and subsequent Access Arrangement Periods. This Fixed Principle will apply for a period of 30 years."

The above fixed principle therefore applies from 1 January 2003 to 31 December 2032.

### **4.8 Notice to Users**

Envestra will notify Users in writing as soon as practicable if it proposes any variations to any Reference Tariffs (whether as a result of a Cost Pass Through Event or otherwise).

### **4.9 New Tariff Schedule**

Whenever any Reference Tariff is varied in accordance with this section 4, Envestra will publish a Tariff Schedule on its website at [www.envestra.com.au](http://www.envestra.com.au), showing the Reference Tariffs (as varied) for the Reference Services.

### **4.10 AER's Decision is Conclusive**

The AER's decision to allow a proposed variation in Reference Tariffs will be binding and conclusive on Users as to the Reference Tariffs that apply to Reference Services. Users will not have the right to challenge or otherwise dispute the Reference Tariffs as allowed from time to time by the AER or the basis on which those Reference Tariffs were calculated or determined.

### **4.11 Default Tariffs for the Fifth Access Arrangement Period**

If revisions pertaining to the Fifth Access Arrangement Period have not come into effect by 1 January 2018, then:

- (a) the Reference Tariffs for the Haulage Reference Services for the period between 1 January 2018 and the date the revisions come into effect will be adjusted on 1 January each year by Envestra, commencing on 1 January 2018, in a manner that is designed to change the average price per GJ (or per GJ of MDQ) for each Reference Tariff by the annual percentage change in the prior September quarter CPI; and
- (b) the Reference Tariffs for the Ancillary Reference Services for the period between 1 January 2018 and the date the revisions come into effect will be adjusted on 1 January each year by Envestra, commencing on 1 January 2018, by the annual percentage change in the prior September quarter CPI.

### **4.12 Treatment of Capital Expenditure in 2012**

In rolling forward the Capital Base, the estimated capital expenditure for 2012 is as set out in the Access Arrangement Information. Prior to commencement of the Fifth Access Arrangement Period, the actual capital expenditure for 2012 will be known. Any difference between the estimated capital expenditure and actual capital expenditure for 2012 is to be taken into account when the roll-forward occurs at the next review, prior to the commencement of the Fifth Access Arrangement Period, in accordance with Rule 77(2)(a).

### **4.13 Incentive Mechanism**

1. The incentive mechanism will apply to operating expenditure.
2. The incentive mechanism provides Envestra a continuous incentive to find operating expenditure efficiencies through a combination of:
  - an ex ante forecast of operating expenditure in Envestra's Total Revenue

- increments or decrements from the operation of this incentive mechanism that allow Envestra to retain efficiency gains or losses for five years.

3. The operating expenditure annual efficiency gain (or loss) for 2013 will be calculated as:

$$E_{2013} = (F_{2013} - A_{2013}) - (F_{2012} - A_{2012}) + (F_{2011} - A_{2011})$$

where:

$E_{2013}$  is the efficiency gain in 2013

$F_{2013}$  is the forecast opex for 2013

$A_{2013}$  is the actual opex for 2013

$F_{2012}$  is the forecast opex for 2012

$A_{2012}$  is the actual opex for 2012

$F_{2011}$  is the forecast opex for 2011

$A_{2011}$  is the actual opex for 2011

4. The operating expenditure annual efficiency gain (or loss) for 2014 to 2017 will be calculated as:

$$E_i = (F_i - A_i) - (F_{i-1} - A_{i-1})$$

where:

$E_i$  is the efficiency gain in year i of the access arrangement period

$F_i$  is the forecast opex in year i of the access arrangement period

$A_i$  is the actual opex in year i of the access arrangement period

$F_{i-1}$  is the forecast opex in year i-1 of the access arrangement period

$A_{i-1}$  is the actual opex in year i-1 of the access arrangement period

5. Opex in 2017 is to be estimated using the following equation:

$$A_{2017}^* = A_{2016} + F_{2017} - F_{2016}$$

where:

$A_{2017}^*$  is the estimate of opex for 2017

$F_{2017}$  is the forecast opex for 2017

$F_{2016}$  is the forecast opex for 2016

$A_{2016}$  is the actual opex for 2016

6. For the avoidance of doubt, the operating expenditure annual efficiency gain (or loss) for 2017 will be assumed to equal zero.

7. The annual efficiency gain or loss will be added to Envestra's Total Revenue for five years after the year in which the efficiency gain (or loss) was achieved. If necessary, the annual efficiency



gain or loss will be carried forward into the access arrangement period commencing 1 January 2018 until it has been retained by Envestra for a period of five years.

8. To ensure efficiency gains or losses made in 2017 are retained for five years, opex for the access arrangement period commencing in 2018 should be forecast in a manner consistent with the estimate for opex in 2017,  $A_{2017}^*$ , in clause 5. This provides Envestra the same reward had the expenditure level in 2017 been known.
9. Increments or decrements from the summation of annual efficiency gains or losses calculated in accordance with the approved incentive mechanism in the Access Arrangement Period will give rise to an additional 'building block' in the calculation of the Total Revenue amounts.
10. The following costs will be excluded from the operation of the efficiency carryover mechanism:
  - a. costs associated with complying with any retailer of last resort requirements
  - b. amounts for approved Cost Pass Through Events
  - c. unaccounted for gas expenses
  - d. licence fees
  - e. Energy Safe Victoria levy
  - f. debt raising costs
  - g. network management fee
  - h. incentive fees
  - i. movements in provisions
  - j. any other activity that Envestra and the Regulator agree to exclude from the operation of the efficiency carryover mechanism.
11. For the avoidance of doubt, the forecast expenditure amounts that are used as the basis for measuring efficiencies are equal to the forecast operating cost for that year as shown in the table below, which exclude the costs listed in clause 4.13(10)(a)–(i), with the following exception:
  - a. costs excluded in accordance with clause 4.13(10)(j)
  - b. the carryover of cost-related efficiency gains will be calculated in a manner that takes account of any change in the scale of the activities which form the basis of the determination of the original benchmarks. The opex benchmarks will be adjusted consistent with the way in which the benchmark was determined. That is, any adjustment will be made according to the following formula:

Adjustment = (forecast number of connections – actual number of connections) × approved opex per connection

	2011	2012	2013	2014	2015	2016
Forecast operating expenditure for incentive mechanism purposes (\$million, 2012)	53.98	54.96	58.04	59.80	61.01	61.90

12. Where Envestra changes its approach to classifying costs as either capex or opex during the access arrangement period, Envestra will adjust the forecast opex in Envestra's Access Arrangement Information so that the forecast expenditures are consistent with the capitalisation policy changes.
13. If there is a change in Envestra's approach to classifying costs as either capex or opex, Envestra must provide to the AER a detailed description of the change and a calculation of its impact on forecast and actual opex.

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## 5 NATIONAL ENERGY CUSTOMER FRAMEWORK (NECF)

This Access Arrangement takes into account the proposed NECF legislation, to the extent that such legislation is known at the time of preparation of these Access Arrangement revisions. It is expected that relevant NECF legislation will be passed by the Victorian Parliament in January 2014.

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## 6 TERMS AND CONDITIONS

### 6.1 Reference Services

Reference Services will be provided to Users under this Access Arrangement on and subject to the terms of an Agreement that will comprise:

- (a) the Specific Terms and Conditions, in the form set out in Annexure E; and
- (b) the terms and conditions set out in Annexure F (**the General Terms and Conditions**).

The Specific Terms and Conditions is a standard form document that contains details which will vary from User to User and from Agreement to Agreement. The blank spaces in the standard form are to be completed and the document signed by Envestra and the User to evidence the Agreement between them.

As is apparent from the form of the Specific Terms and Conditions set out in Annexure E, the details to be completed are as follows:

- (a) details of each User Receipt Point at which Gas is to be delivered to Envestra by or for the account of that User pursuant to the Agreement;
- (b) details of each User DP at which Gas is to be delivered by Envestra to or for the account of that User pursuant to the Agreement;
- (c) the period for which the Agreement is to remain in force (assuming it is not terminated earlier in accordance with the General Terms and Conditions);
- (d) the date on which Envestra is to commence providing Reference Services pursuant to the Agreement;
- (e) where required, details of the maximum Quantity of Gas Envestra is obliged to deliver through each User DP that is a Demand DP during any Network Day and during any period of 60 minutes; and
- (f) an address and facsimile number for the purposes of the service of notices on the Network User pursuant to the Agreement.

As regards paragraphs (a) and (b), it is possible that a User will wish to deliver Gas to Envestra through multiple/different Receipt Points that vary over the Term of the Agreement or requires Envestra to deliver Gas through multiple/different DPs that will vary over the Term of the Agreement. In this case, the Specific Terms and Conditions will describe how those Receipt Points and DPs will be determined and identified from time to time over the Term of that Agreement. In the case of Users who wish to be able to deliver Gas through multiple/different DPs that vary over the time, Envestra expects that the User DPs will be defined as those DPs in respect of which the User is the FRO under the relevant Retail Market Procedures.

As regards paragraph (e), the MDQ for a User DP will be determined by negotiation between Envestra and the User. If no MDQ has been or is agreed for a User DP, then the MDQ will be determined by Envestra acting reasonably, having regard to historical data about the Quantities of Gas delivered through the relevant User DP and any other factors Envestra considers relevant.

## 6.2 Negotiated Services

A Negotiated Service is a Network Service that is different from the Reference Services. If a User or a Prospective User requires a Network Service on terms and conditions that differ in any way to the General Terms and Conditions, then the User or Prospective User requires a Negotiated Service.

The terms and conditions on which Envestra will provide a Negotiated Service (including the Tariff for that Negotiated Service) will be determined through negotiation between Envestra and the User who requires that Negotiated Service, or in default of agreement, through dispute resolution in accordance with Chapter 6 of the National Gas Law.

The terms and conditions on which Envestra will provide a Negotiated Service will be the same as the General Terms and Conditions to the extent that the General Terms and Conditions are appropriate and applicable to the Negotiated Service requested by the User or Prospective User.

Once the terms and conditions of a Negotiated Service have been agreed or determined through dispute resolution in accordance with Chapter 6 of the National Gas Law, Envestra and the User will sign a document to evidence those terms and conditions.

The document will comprise the Specific Terms and Conditions, the General Terms and Conditions (to the extent that they apply to the Negotiated Service) and a schedule setting out the terms and conditions applicable to that Negotiated Service (as agreed or determined through dispute resolution). The schedule is known as the Special Terms and Conditions and will show how the terms and conditions applicable to the Negotiated Service differ from the General Terms and Conditions.

## 6.3 Pre-Conditions to Network Services

A Prospective User that requires a Network Service must satisfy a number of pre-conditions before Envestra is required to provide that Network Service. These pre-conditions are as follows:

- (a) the User must satisfy Envestra that the User meets the requirements of Envestra's Network User Policy;
- (b) the User must satisfy Envestra that the Network User is registered under the National Gas Rules as a registered participant in the relevant registrable capacities;
- (c) the User must satisfy Envestra that the User has adequate arrangements in place to ensure that the User will comply with its obligations to Envestra in relation to the Network Service; and
- (d) the User must execute a written agreement setting out or incorporating the terms and conditions on which Envestra is to provide the User with the Network Service.

## 6.4 Network User Policy

Envestra will not be required to provide Network Services to a User, or Prospective User, who does not meet the requirements of Envestra's Network User Policy. The Network User Policy requires that:

- (a) a User must be resident in Australia or have a permanent establishment in Australia;
- (b) (if the User is incorporated or constituted under any law other than the Corporations Act 2001) the User must have provided Envestra with a legal opinion in form and substance satisfactory to Envestra that confirms:
  - (i) the due incorporation and good standing of the User;
  - (ii) the legal capacity of the User to enter into and perform the Agreement between the User and Envestra; and
  - (iii) the due execution of that Agreement and the enforceability of that Agreement against the User,

- (c) the User must be capable of being sued in its own name in courts established under the laws of Victoria and other States;
- (d) the User must not enjoy any immunity from legal proceedings or legal process (including, but without limitation, any immunity from execution);
- (e) the User must have the necessary financial capability to discharge its present and future obligations in relation to Network Services;
- (f) the User must not be an externally administered body corporate or insolvent under administration (as defined in the Corporations Act 2001) or under a similar form of administration under any laws applicable to the User in any jurisdiction.

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## **7 CAPACITY TRADING**

### **7.1 Capacity Trading**

Rule 48(1)(f) of the National Gas Rules requires an access arrangement to set out capacity trading requirements. Rule 105 of the National Gas Rules states that the capacity trading requirements must provide for the transfer of capacity:

- (a) in accordance with the rules or procedures governing a gas market in which the service provider is registered as a participant; or
- (b) in accordance with rule 105, if the service provider is not registered as a participant in a gas market or the relevant rules or procedures do not deal with capacity trading.

Envestra is registered as a participant in both the Victorian Wholesale Gas Market and the Victorian Retail Gas Market.

Unlike a transmission pipeline, the Network is a gas distribution network in a competitive gas market and, consequently, Network Users do not have reserved capacity within the Network. The capacity of the Network is determined by the capacity of the Receipt Points to accept gas into the Network and the capacity of the Delivery Points to deliver gas out of the Network.

The Receipt Points on the Network are system withdrawal points for the purposes of the Declared Wholesale Gas Market Rules which are set out in Part 19 of the National Gas Rules. Bids for the withdrawal of gas at the system withdrawal points are allocated in accordance with the Declared Wholesale Gas Market Rules. Where two or more withdrawal bids are equally beneficial, withdrawal bids associated with AMDQ credit certificates or authorised MDQ are scheduled before other withdrawal bids. AMDQ credit certificates and authorised MDQ represent capacity at the system withdrawal points. AMDQ credit certificates and authorised MDQ, can be transferred in accordance with the Declared Wholesale Gas Market Rules.

The Delivery Points on the Network are distribution supply points for the purposes of the Victorian Retail Market Procedures. Envestra delivers gas through the distribution supply points to or for the account of the person which is registered as the financially responsible organisation (FRO) for that distribution supply point. The capacity available at a Delivery Points can be transferred between Network Users in accordance with the Victorian Retail Market Procedures.

Rule 105 of the National Gas Rules provides for the transfer of contracted capacity. As the Network is a gas distribution network, Network Users are not allocated contracted capacity within the Network.

### **7.2 Queuing**

The Network is a distribution pipeline and, consequently, under rule 103(1)(b) of the National Gas Rules, this Access Arrangement does not need to include queuing requirements unless the AER has notified Envestra that this Access Arrangement must contain queuing requirements. The AER has not notified Envestra to that effect.

### 7.3 Changes to Receipt and Delivery Points

Rule 48(h) of the National Gas Rules requires an access arrangement to state the terms and conditions for changing receipt and delivery points.

Under rule 106 of the National Gas Rules, an access arrangement must provide for the change of a receipt or delivery point in accordance with the following principles:

- (a) A user may, with the service provider's consent, change the user's receipt or delivery point;
- (b) The service provider must not withhold its consent unless it has reasonable grounds, based on technical or commercial considerations, for doing so.

An access arrangement may specify in advance conditions under which consent will or will not be given and conditions to be complied with if consent is given.

As the only Receipt Points on the Network are custody transfer points between the Network and other networks, it is unlikely that the Service Provider would consent to a request to change a Receipt Point.

As Envestra is a Distributor under the Victorian Retail Market Procedures, the terms and conditions for changes to Delivery Points are the terms and conditions set out in the Victorian Retail Market Procedures. Chapter 4 of the Victorian Retail Market Procedures provides for the transfer of Delivery Points.

The Network User may change the User DPs in accordance with the Victorian Retail Market Procedures. Envestra will not withhold its consent to a change in a User DP unless it has reasonable grounds for doing so, based on technical or commercial considerations.

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## 8 NETWORK EXTENSIONS AND EXPANSIONS

### 8.1 High pressure extensions

If Envestra proposes a high pressure pipeline extension of the covered pipeline, it must apply to the AER in writing to decide whether the proposed extension will be taken to form part of the covered pipeline and will be covered by this access arrangement.

For the purposes of this section 8, a high pressure pipeline extension means a pipeline (operating above 1050 kPa) that exceeds one kilometre in length and is proposed to be built to a postcode area previously not serviced by reticulated gas.

A notification given by Envestra under this clause 8.1 must:

- (a) be in writing;
- (b) state whether Envestra intends for the proposed high pressure pipeline extension to be covered by this Access Arrangement;
- (c) describe the proposed high pressure pipeline extension and describe why the proposed Extension is being undertaken; and
- (d) be given to the AER before the proposed high pressure pipeline extension comes into service.

Envestra is not required to notify the AER under this clause 8.1 to the extent that the cost of the proposed high pressure pipeline extension has already been included and approved by the AER in the calculation of Reference Tariffs.

After considering Envestra's application, and undertaking such consultation as the AER considers appropriate, the AER will inform Envestra of its decision on Envestra's proposed coverage approach for the high pressure pipeline extension.

The AER's decision referred to above may be made on such reasonable conditions as determined by the AER and will have the effect stated in the decision.

## **8.2 Treatment of covered pipelines**

If an extension or expansion is to be treated as a covered network under the Access Arrangement, Envestra will offer reference services for that extension or expansion at Reference Tariffs (i.e. no change to the Reference Tariffs). Envestra may levy a surcharge on Users to recover non-conforming capital expenditure in accordance with rule 83 of the National Gas Rules.

Envestra will notify the AER to seek approval of any proposed surcharge to be levied on Users of incremental services, and designed to recover non-conforming capital expenditure or a specified portion of non-conforming capital expenditure (non-conforming capital expenditure which is recovered by means of a surcharge will not be rolled into the capital base). Surcharges will only be approved subject to rule 83(4) of the National Gas Rules.

## **8.3 Other extensions and expansions**

Any extensions to and expansions of the capacity of the Network which are not high pressure pipeline extensions within the meaning of clause 8.1 will be treated as part of the Network and covered by this Access Arrangement.

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# **9 REVIEW OF THE ACCESS ARRANGEMENT**

## **9.1 Revisions Submission Date**

Envestra will submit revisions to this Access Arrangement to the AER on or before 1 January 2017, or as otherwise agreed with the AER.

## **9.2 Revisions Commencement Date**

The nominated revision commencement date is 1 January 2018.

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## 10 GLOSSARY

In this Access Arrangement and the Access Arrangement Information, unless the contrary intention appears:

**'AEMO'** means Australian Energy Market Operator Limited (ABN 94 072 010 327).

**'AER'** or **'Regulator'** means the Australian Energy Regulator.

**'Agreement'** means the contract between Envestra and a User for the provision of Network Services.

**'Ancillary Reference Charge'** means the charge payable by the Network User under the Agreement for an Ancillary Reference Service as calculated in accordance with the Agreement and the Tariff Schedule from time to time.

**'Ancillary Reference Service'** means a Network Service described in section 2.3 of this Access Arrangement.

**'Ancillary Reference Tariffs'** means the tariffs applicable to the Ancillary Reference Services.

**'Annual MHQ'** means the greatest Quantity of Gas (in GJ) withdrawn at a DP in any hour in a Calendar Year.

**'Billing Period'** means a calendar month or such other period as Envestra and the User may agree.

**'Business Day'** means a day other than a Saturday, Sunday or public holiday in Victoria.

**'Calendar Year'** means a period of 12 months commencing on 1 January and ending on 31 December.

**'Claim'** means any claim under or pursuant to an indemnity in the Agreement (or any other contract) or as a result of any breach of the Agreement (or any other contract) or in tort as a result of any negligence or any breach of any duty or as a result of any breach of any statutory duty or obligation or any other duty or obligation.

**'Cost Pass Through Event'** has the meaning given in section 4.5.

**'CPI'** for a particular Calendar Year is:

- (a) the consumer price index: all groups index for the eight state capitals as published by the Australian Bureau of Statistics for the September quarter immediately preceding the start of the relevant Calendar Year

**divided by**

- (b) the consumer price index: all groups for the eight state capitals as published by the Australian Bureau of Statistics for the September quarter immediately preceding the September quarter referred to in paragraph (a)

**minus one;**

**'Cubic Metre'**, in relation to Gas, means the amount of that Gas which, at Standard Conditions, would occupy a volume of one cubic metre.

**'Customer Connection Contract'** means a "customer connection contract" (as defined in the National Energy Retail Law) between Envestra and a Shared Customer in respect of premises at which there is a User DP. A reference to a customer connection contract includes a reference to a customer connection contract taken to be entered into by Envestra and a Shared Customer by operation of law.

**'Customer Connection Services'** means "customer connection services" (as defined in the National Energy Retail Law) for premises of a Shared Customer which are the subject of a Customer Connection Contract.

**'Default Interest Rate'** means a rate of interest which is two per cent per annum higher than the Interest Rate.

**'Delivery Point'** or **'DP'** means a point on the Network at which Gas is, or is to be, delivered out of the Network.

**'Demand DP'** has the meaning given to it in section 2.2.2 of this Access Arrangement.

**'Demand Haulage Service'** means the Network Service that is described in section 2.2.2 of this Access Arrangement.

**'Disconnection'** has the meaning given to it in section 2.3 of this Access Arrangement.

**'Distribution Licence'** means a licence granted to Envestra under the Gas Industry Act 2001 (Vic), which authorises the operation of the Network or any part of it.

**'Distribution Services'**, in an Agreement, means Haulage Reference Services, Ancillary Reference Services, Customer Connection Services and any other services (including any Network Services) provided by Envestra to the Network User under or in relation to that Agreement.

**'Distribution Service Charges'** means the charges payable by the Network User under the Agreement and any other charges that are "distribution service charges" within the meaning of the National Gas Rules (as amended by the National Gas (Retail Support) Amendment Rules 2010..

**'Fifth Access Arrangement Period'** means the period from 1 January 2018 to 31 December 2022.

**'Fourth Access Arrangement Period'** means the period from 1 January 2013 to 31 December 2017.

**'Gas'** has the meaning given to 'natural gas' in the National Gas Law.

**'Gas Retailer'** means a person who is the holder of a licence under the Gas Supply Act 2001 (Vic) authorising the sale of gas by retail or a retailer authorisation issued under the National Energy Retail Law in respect of the sale of gas.

**'General Terms and Conditions'** has the meaning given to it in section 6.1.

**'GJ'** means a gigajoule, which is 1000 megajoules.

**'Gross Heating Value'** means the energy produced by the complete combustion of one Cubic Metre of Gas with air, at Standard Conditions, the product of combustion cooled to a temperature of 15 degrees Celsius and the water vapour formed by the combustion condensed to a liquid state.

**'GST Act'** means the A New Tax System (Goods and Services Tax) Act 1999.

**'GSL Payment'** means a payment that Envestra is required to make under a GSL scheme (as defined in the National Energy Retail Law (South Australia) Act 2011 (S.A.).



**‘Haulage Reference Service’** means the Demand Haulage Service or the Volume Haulage Service.

**‘Haulage Reference Tariffs’** means the tariffs applicable to the Haulage Reference Services.

**‘Haulage Service Charge’** means the charge payable by a Network User under the Agreement for a Haulage Reference Service as calculated in accordance with the Agreement and the Tariff Schedule from time to time.

**‘Insolvency Event’** means the happening of any of the following events in relation to a party to an Agreement:

- (a) an order is made that it be wound up or that a ‘controller’ (as defined in the Corporations Act 2001) be appointed to it or any of its assets;
- (b) a resolution that it be wound up is passed;
- (c) a liquidator, provisional liquidator, Controller or any similar official is appointed to, or takes possession or control of, all or any of its assets or undertakings;
- (d) an administrator is appointed to it or a resolution that an administrator be appointed to it is passed;
- (e) it enters into, or resolves to enter into, an arrangement, compromise or composition with any of, or any class of, its creditors or shareholders, or an assignment for the benefit of any of, or any class of, its creditors, in relation to a potential Insolvency Event in subparagraphs (a) to (d), or (f) to (g) occurring;
- (f) any action is taken by the Australian Securities and Investment Commission to cancel its registration or to dissolve it;
- (g) it is insolvent within the meaning of Section 95A of the Corporations Act, as disclosed in its accounts or otherwise, states that it is unable to pay its debts or it is presumed to be insolvent under any applicable law; or
- (h) it stops or suspends:
  - i. the payment of all or a class of its debts; or
  - ii. the conduct of all or a substantial part of its business; or
- (i) any other event happens under any law (including the laws of another jurisdiction) that has the same effect, or a substantially similar effect, as any of the events specified in the preceding paragraphs.

**‘Interest Rate’** means the Commonwealth Bank of Australia corporate overdraft reference rate, as varied from time to time.

**‘Maximum Daily Quantity’** or **‘MDQ’**, in relation to a User DP, means the maximum Quantity of Gas which Envestra agrees to deliver through that DP during any Network Day, as specified in, or determined in accordance with, the Specific Terms and Conditions or another agreement between the Network user and Envestra or, if not agreed, as determined in accordance with section 6.1 of this Access Arrangement.

**‘Maximum Hourly Quantity’** or **‘MHQ’**, in relation to a User DP, means the maximum Quantity of Gas (in GJ) which Envestra is obliged to transport and deliver to a particular Delivery Point in any hour, as determined in accordance with section 2.2.2 of this Access Arrangement.

**‘Meter and Gas Installation Test’** has the meaning given to it in section 2.3 of this

Access Arrangement.

**'Meter Reinstallation'** has the meaning given to it in section 2.3 of this Access Arrangement.

**'Meter Removal'** has the meaning given to it in section 2.3 of this Access Arrangement.

**'Metering Installation'**, in relation to a User DP, means the meter and associated equipment and installations (which may include correctors, regulators, filters, data loggers and telemetry relating to a DP) owned or operated by Envestra at that User DP and, in relation to a User Receipt Point, means the metering installation owned or operated by Envestra at that User Receipt Point or, if Envestra does not own or operate metering installation at that User Receipt Point, the metering installation provided by or on behalf of the User at that Receipt Point.

**'Metering Year'**, in relation to a DP, means the period between any two meter readings at that DP which are 12 months, or approximately 12 months, apart.

**'Negotiated Service'** means a Network Service of the type described in section 2.4 of this Access Arrangement.

**'NERL'** means the National Energy Retail Law.

**'NERR'** means the National Energy Retail Rules.

**'Network'** means the distribution mains that are the subject of this Access Arrangement from time to time, together with inlets, regulators, Metering Installations, pipes and all ancillary equipment.

**'Network Day'** means a period of 24 consecutive hours that commences at 6:00am Eastern Standard Time.

**'Network Service'** means a Service provided by means of the Network.

**'Network User'** (in an Agreement) means the User that is a party to that Agreement.

**'Network User Policy'** means the policy described in section 6.4 of this Access Arrangement.

**'non-Residential DP'** has the meaning given to it in section 2.2.1 of this Access Arrangement.

**'Planned Interruption'** means an interruption of the supply of Gas to the Network for:

- (a) the planned maintenance, repair or augmentation of the Network, including planned or routine maintenance of metering equipment; or
- (b) the installation of a new connection or a connection alteration.

**'Quantity of Gas'** means the quantity of Gas determined in accordance with the Agreement.

**'Receipt Point'** means a point on the Network at which Gas is, or is to be, received into the Network.

**'Reconnection'**, has the meaning given to it in section 2.3 of this Access Arrangement.

**'Reference Service'** means a Haulage Reference Service or an Ancillary Reference Service.

**'Reference Tariff'** means the tariff that relates to a Haulage Reference Service or an Ancillary Reference Service.

**‘Reference Tariff Control Formula’** means a formula set out in Annexure D to this Access Arrangement.

**‘Related Haulage Agreement’** (in an Agreement between Envestra and a User) means any other agreement between Envestra and that User under which Envestra delivers, or is to deliver, Gas to or for the account of that User.

**‘Relevant Tax’** means any royalty, duty, excise, tax, impost, levy, fee or charge (including, but without limitation, any goods and services tax) imposed by the Commonwealth of Australia, any State or Territory of Australia, any local government or statutory authority or any other body (authorised by law to impose such an impost, tax or charge) on or in respect of the Network (or any part of it) or on or in respect of the operation, repair, maintenance, administration or management of the Network (or any part of it) or on or in respect of the provision of any Network Service (other than a levy, fee or charge that arises as a result of Envestra’s breach of a law or failure to pay a tax or charge by the due date for payment).

**‘Residential DP’** has the meaning given to it in section 2.2.1 of this Access Arrangement.

**‘Retail Market Procedures’** means the retail market procedures which have been made or are made from time to time under section 91M of the National Gas Law and which apply to, or in relation to, the Network.

**‘Rules’** means the National Gas Rules under the National Gas Law.

**‘Service Provider’** has the meaning given by the National Gas Law.

**‘Shared Customer’** means any person from time to time who has, or has had, a contract or other arrangement with a User to purchase Gas delivered through a User DP and any person from time to time who is or has been liable to pay for that Gas under the NERL. In this definition, a reference to a contract or other arrangement with a User includes a reference to a deemed contract or arrangement that came into operation, or comes into operation, under the NERL.

**‘Special Meter Read’** has the meaning given to it in section 2.3 of this Access Arrangement.

**‘Specific Terms and Conditions’** means the specific terms and conditions as described in section 6.1 (and, in relation to an Agreement between Envestra and a User, means the Specific Terms and Conditions which form part of that Agreement).

**‘Standard Conditions’** means a temperature of 15 degrees Celsius and an absolute pressure of 101.325 kilopascals.

**‘Start Date’**, in relation to an Agreement, means the date on which Envestra commences, or is to commence, providing Network Services to a User pursuant to that Agreement as specified in, or determined in accordance with, the Specific Terms and Conditions.

**‘Sub-Network’** means any part of the Network that is physically discrete from the remainder of the Network (in the sense that, having regard to the physical configuration of the Network and the flow of Gas within the Network, it is physically impossible to transport Gas delivered at a User Receipt Point on that part of the Network to DPs on the remainder of the Network).

**‘Tariff Schedule’** means the tariff schedule contained in Annexure B to this Access Arrangement or, if Envestra has published a revised tariff schedule, the tariff schedule in effect from time to time.

**‘Tariff D’** has the meaning given to it in section 2.2.2.

**‘Tariff V non-Residential’** has the meaning given to it in section 2.2.1

**'Tariff V Residential'** has the meaning given to it in section 2.2.1

**'Tariff Zone'** means the Central Zone, the Northern Zone, the Murray Valley Zone, Cardinia Zone or the Bairnsdale Zone, as defined by postcode areas set out in the Tariff Postcode Schedule at <http://www.envestra.com.au/our-business/regulation/tariffs/>.

**'Term'**, in relation to an Agreement, means the period on and from the Start Date of that Agreement up to, and including, the date on which the Agreement terminates in accordance with its terms.

**'TJ'** means a terajoule, which is 1000 gigajoules.

**'Unaccounted for Gas'** or **'UAFG'** means the difference between the Quantity of Gas received into the Network and the quantity of Gas delivered out of the Network, over a specified period of time.

**'Unplanned Interruption'** means an interruption of the supply of Gas to the Network to carry out unanticipated or unplanned maintenance or repairs in any case where there is an actual or apprehended threat to the safety, reliability or security of the supply of Gas through the Network, and includes:

- (a) an interruption in circumstances where, in the opinion of Envestra, a Customer's installation or the Network poses an immediate threat of injury or material damage to any person, any property or the Network; or
- (b) an interruption in circumstances where:
  - (i) there are health or safety reasons warranting an interruption; or
  - (ii) an emergency warranting an interruption; or
  - (iii) Envestra is required to interrupt supply at the direction of a relevant authority; or
- (c) an interruption to shed demand for Gas because the total demand for Gas at the relevant time exceeds the total supply available; or
- (d) an interruption to restore supply to a Customer.

**'Upstream Operator'** means the operator of a transmission pipeline, a distribution network or another facility through which Gas is delivered to any Receipt Point.

**'User DP'**, in relation to an Agreement, means each DP identified as a User DP in or by reference to the Specific Terms and Conditions which form part of that Agreement.

**'User Receipt Point'**, in relation to an Agreement, means each Receipt Point identified as a User Receipt Point in or by reference to the Specific Terms and Conditions which form part of that Agreement.

**'Volume DP'** has the meaning given to it in section 2.2.1 of this Access Arrangement

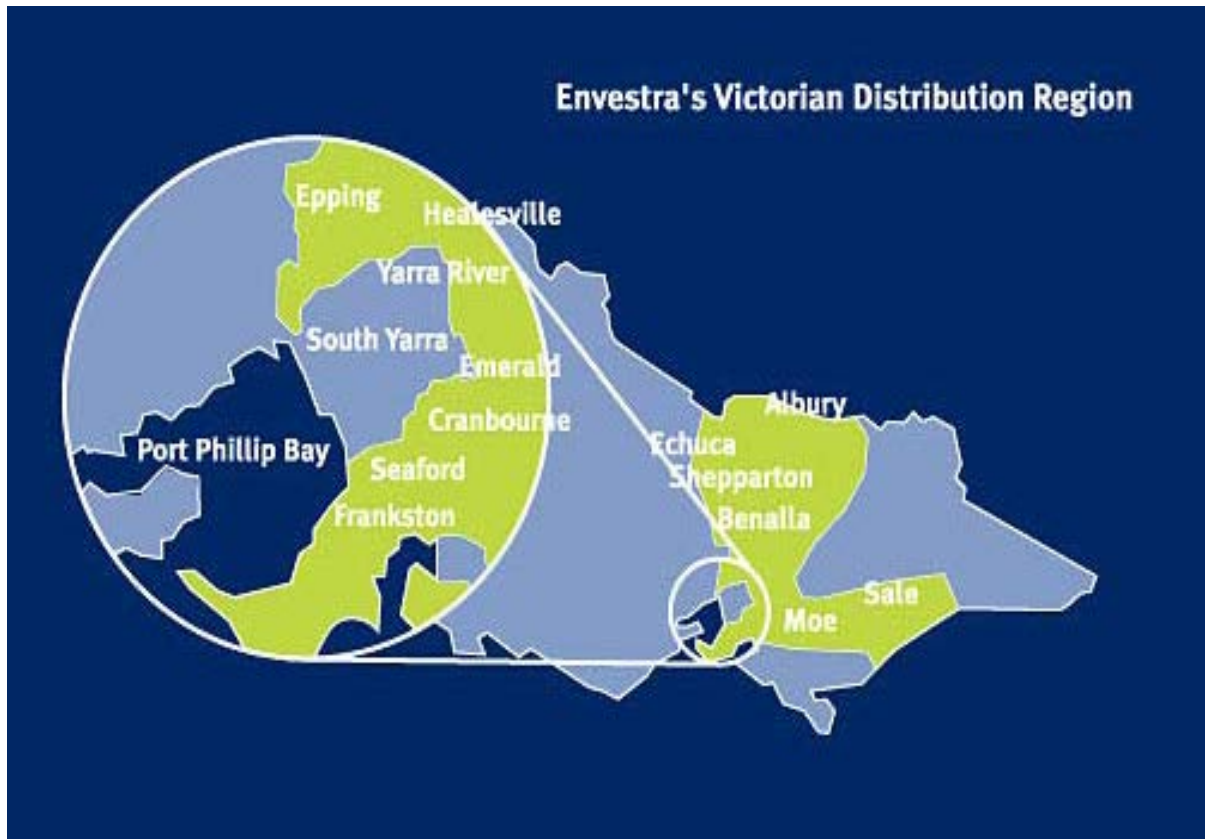
**'Volume Haulage Service'** has the meaning given to it in section 2.2.1 of this Access Arrangement.

**'Volume of Gas'** means volume in Cubic Metres.

**'Year'** means any period of 12 consecutive months.

## ANNEXURE A

### Envestra's Victorian Gas Distribution Region





## ANNEXURE B

### Tariff Schedule - 2013

#### Tariff V (Volume Haulage Service – Charges excl GST)

##### Central Zone – Residential

Base Charge (\$/day)	0.1456
Charge for the first 0.0274GJ of gas delivered (\$/GJ)	8.3198
Charge for the next 0.0219GJ of gas delivered (\$/GJ)	6.2398
Charge for additional gas delivered (\$/GJ)	3.4256

##### Central Zone – Non-Residential

Base Charge (\$/day)	0.1456
Charge for the first 0.05GJ of gas delivered (\$/GJ)	6.4449
Charge for the next 0.50GJ of gas delivered (\$/GJ)	3.5922
Charge for the next 0.82GJ of gas delivered (\$/GJ)	2.6836
Charge for additional gas delivered (\$/GJ)	1.0882

##### North Zone – Residential

Base Charge (\$/day)	0.1456
Charge for the first 0.0274GJ of gas delivered (\$/GJ)	7.2392
Charge for the next 0.0219GJ of gas delivered (\$/GJ)	5.4294
Charge for additional gas delivered (\$/GJ)	2.9806

##### North Zone – Non-Residential

Base Charge (\$/day)	0.1456
Charge for the first 0.05GJ of gas delivered (\$/GJ)	5.6714
Charge for the next 0.50GJ of gas delivered (\$/GJ)	3.1611
Charge for the next 0.82GJ of gas delivered (\$/GJ)	2.3615
Charge for additional gas delivered (\$/GJ)	0.9576

##### Murray Valley Zone – Residential

Base Charge (\$/day)	0.2020
Charge for the first 0.0274GJ of gas delivered (\$/GJ)	6.3084
Charge for the next 0.0219GJ of gas delivered (\$/GJ)	4.7313
Charge for additional gas delivered (\$/GJ)	3.0768

##### Murray Valley Zone – Non-Residential

Base Charge (\$/day)	0.2020
Charge for the first 0.05GJ of gas delivered (\$/GJ)	5.0728
Charge for the next 0.50GJ of gas delivered (\$/GJ)	3.6085
Charge for the next 0.82GJ of gas delivered (\$/GJ)	2.6958
Charge for additional gas delivered (\$/GJ)	1.2769

Bairnsdale Zone – Residential	
Base Charge (\$/day)	0.2397
Charge for the first 0.0274GJ of gas delivered (\$/GJ)	13.6958
Charge for the next 0.0219GJ of gas delivered (\$/GJ)	10.2719
Charge for additional gas delivered (\$/GJ)	5.6391
Bairnsdale Zone – Non-Residential	
Base Charge (\$/day)	0.2397
Charge for the first 0.05GJ of gas delivered (\$/GJ)	10.9171
Charge for the next 0.50GJ of gas delivered (\$/GJ)	6.0850
Charge for the next 0.82GJ of gas delivered (\$/GJ)	4.5458
Charge for additional gas delivered (\$/GJ)	1.8434

### Tariff D (Demand Haulage Service – Annual Charges excl GST)

Zone	Central	North	Murray Valley (Vic)	Bairnsdale
10 GJ or less (\$/GJ)	1,195.0358	1,195.0358	1,392.8753	1,976.6325
Next 40GJ (\$/GJ)	730.5251	730.5251	859.4919	1,224.5321
Additional GJ (\$/GJ)	133.4089	133.4089	146.3866	223.3269

### Carbon Tax Pass Through Excl. GST

Tariff V All Zones	
Tariff V (\$/Day)	\$0.0200

Tariff D All Zones	
Tariff D (\$/GJ for the First 10GJ MHQ)	\$0.7350

Ancillary Reference Services Excl. GST	
Meter and Gas Installation Test	\$198.00
Disconnection	\$64.00
Reconnection	\$76.00
Meter Removal	\$94.00
Meter Reinstallation	\$94.00
Special Meter Read – Metropolitan	\$8.40
Special Meter Read – Non Metropolitan	\$11.20

This Tariff Schedule is to be read in conjunction with Annexure C to this Access Arrangement (which Annexure is incorporated into, and forms part of, this Tariff Schedule).



## ANNEXURE C

### Calculation of Charges for Delivery Points

The Distribution Services Charges comprise the charges payable by the Network User under the Agreement between the Network User and Envestra and any other charges that are “distribution services charges” within the meaning of the National Gas Rules (as amended by the National Gas (Retail Support) Amendment Rules 2010).

The charges payable by the Network User under the Agreement comprise Haulage Service Charges and Ancillary Reference Charges. The Haulage Services Charges comprise charges for Volume DPs and charges for Demand DPs.

This Annexure describes how the Distribution Services Charges are calculated.

#### Haulage Services Charges for Volume DPs

1. The Haulage Services Charge for a single Volume DP comprises:

- (a) the base charge (\$/day) shown in the Tariff Schedule as applicable to that Volume DP (“**the relevant base charge**”), based on the Zone in which that Volume DP is located (“**the relevant Zone**”) and depending on whether that Volume DP is a Residential DP or a Non-Residential DP (whichever is applicable);
- (b) the carbon tax pass through amount (\$/day) for Tariff V All Zones, as shown in the Tariff Schedule; and
- (c) a variable component (expressed in \$/GJ) calculated using the tariff for the relevant Zone that is shown in the Tariff Schedule, under the heading “Tariff V – Volume Haulage Services”, as applicable to that Volume DP, depending on whether that Volume DP is a Residential DP or a Non-Residential DP (whichever is applicable) (“**the relevant tariff**”).

The base charge and the carbon tax pass through amount, together, constitute the fixed component of the Haulage Service Charge.

2. Whenever Envestra provides the Network User with a statement of charges in respect of a Billing Period (“**the relevant Billing Period**”), the statement of charges will include the Haulage Services Charges for every Volume DP:

- (a) at which the meter was read (or was scheduled to be read) during the relevant Billing Period; and
- (b) for which the Network User is or was registered as the FRO under the Retail Market Procedures when the meter was read (or scheduled to be read) during the relevant Billing Period.

3. For any given Volume DP, the fixed component to be included in the statement of charges in respect of that DP will be calculated by multiplying the relevant base charge and the carbon pass through amount (as shown in the Tariff Schedule) by the number of days in the period:

- (a) from (but excluding) the date on which the meter was last read (or scheduled to have been read) in the previous Billing Period for which charges for that DP were included in the statement of charges (“**the relevant preceding Billing Period**”)(or, in the case of a new DP, where there is no prior meter reading, the date on which the meter was installed at that DP);

- (b) to (and including) the date, during the relevant Billing Period, on which meter was read (or was scheduled to have been read).
- 4. For any given Volume DP, the variable component to be included in the statement of charges in respect of that DP will be calculated by applying the relevant tariff shown in the Tariff Schedule to the Quantity of Gas delivered (or, where applicable, estimated to have been delivered) through that Volume DP in the period ("**the relevant period**") between:
  - (a) the meter reading undertaken during the relevant Billing Period ("**the most recent meter reading**") (or, if no reading was taken, the date on which the meter was scheduled to be read during the relevant Billing Period ("**the most recent scheduled reading date**")); and
  - (b) the last reading of the meter at that DP during the relevant preceding Billing Period ("**the preceding meter reading**") (or, if no reading was taken during the relevant preceding Billing Period, the date on which the meter was scheduled to have been read during the relevant preceding Billing Period ("**the preceding scheduled reading date**") or, in the case of a new DP, where there is no prior meter reading, in the period since the date on which the meter was installed at that DP).
- 5. For the purposes of paragraph 4:
  - (a) where the meter was read during the relevant Billing Period and during the relevant preceding Billing Period (so that there are two actual meter reads), the Quantity of Gas delivered will be determined by subtracting the Quantity of Gas shown by the meter read to have been delivered as at the preceding meter reading from the Quantity of Gas shown by the meter read to have been delivered as at the most recent meter reading;
  - (b) where the meter was not actually read during the relevant Billing Period but was read during the relevant preceding Billing Period, the Quantity of Gas delivered will be the Quantity of Gas estimated by Envestra to have been delivered in the relevant period;
  - (c) where the meter was read during the relevant Billing Period but not during the relevant preceding Billing Period, the Quantity of Gas delivered will be determined by subtracting the Quantity of Gas estimated by Envestra to have been delivered as at preceding scheduled reading date from the Quantity of Gas shown by the meter read to have been delivered as at the most recent meter reading; and
  - (d) in the case of a new DP, where there is no prior meter reading, the Quantity of Gas will be Quantity of Gas shown by the meter read to have been delivered as at the most recent meter reading or, if no reading was taken on the date on which the meter was scheduled to have been read during the relevant Billing Period, the Quantity of Gas estimated by Envestra to have been delivered during the relevant period.
- 6. Whenever Envestra has to determine or estimate a Quantity of Gas for the purposes of paragraph 5, that determination or estimate will be made:
  - (a) in the manner required by law;
  - (b) (to the extent permitted by law) in the manner required by any relevant rules or agreements that bind Envestra and the Network User; and
  - (c) (to the extent not otherwise required by paragraphs 5(a) and 5(b)) on a reasonable basis.

## Haulage Service Charges for Demand DPs

1. The Haulage Services Charge for a single Demand DP comprises:
  - (a) the carbon tax pass through amount for Tariff D All Zones, as shown in the Tariff Schedule; and
  - (b) a variable component (expressed in \$/GJ) calculated in accordance with the formula given in paragraph 3 below.
2. Whenever Envestra provides the Network User with a statement of charges in respect of a Billing Period ("**the relevant Billing Period**"), the statement of charges will include the Haulage Services Charges:
  - (a) for every Demand DP for which the Network User is registered as the FRO as at the end of that Billing Period; and
  - (b) also, for each other Demand DP for which the Network User was registered as the FRO as at the beginning of that Billing Period (unless another person is registered as the FRO for that Demand DP as at the end of that billing period).
3. For any given Demand DP, the variable component to be included in the statement of charges in respect of that DP will be calculated in accordance with the following formula:

$$\text{MC} = \frac{\text{EAC} - \text{CBTD}}{\text{RBP}}$$

where:

**MC** is the charge for that Demand DP in respect of the relevant Billing Period (in Calendar Year<sub>t</sub>);

**EAC** is the Estimated Annual Charge, as calculated in accordance with paragraph 7 below, on the basis of EAD for that Demand DP in respect of the relevant Billing Period (where EAD has the meaning given in paragraph 4 or 5 below, whichever applies to the relevant Billing Period);

**CBTD** is the sum of the charges in respect of that Demand DP for all prior Billing Periods (if any) in Calendar Year<sub>t</sub>; and

**RBP** is the number of Billing Periods remaining in Calendar Year<sub>t</sub> (including the relevant Billing Period), as set out below:

Month	RBP
January	12
February	11
March	10
April	9
May	8
June	7
July	6
August	5
September	4
October	3
November	2
December	1

4. For the purposes of paragraph 3, if the relevant Billing Period is January or September (or any calendar month in between), **EAD** (in relation to any given Demand DP) means the highest one of the following, namely:
  - (a) the Annual MHQ for that Demand DP in the period from the beginning of Calendar Year<sub>t</sub> to the end of the relevant Billing Period, or if data for the annual MHQ is not available to the end of the relevant Billing Period, then the Annual MHQ to the end of the most recent Billing Period in that Calendar Year for which that data is available;
  - (b) the Annual MHQ for that Demand DP for the previous Calendar Year<sub>t-1</sub> (that is, the previous Calendar Year);
  - (c) a Quantity agreed between Envestra and the Network User in relation to that Demand DP; and
  - (d) (unless a Quantity has been agreed pursuant to paragraph 4(c)), in the case of any Demand DP which was connected to the Network during Calendar Year<sub>t</sub>, the highest Quantity of Gas (in GJ) which Envestra reasonably expects will be withdrawn at that Demand DP in any period of 60 minutes during the Calendar Year<sub>t</sub> (if that amount is higher than the Quantity specified in paragraph 4(a)).
5. For the purposes of paragraph 3, if the relevant Billing Period is October, November or December, **EAD** (in relation to any given Demand DP) means the actual Annual MHQ for that Demand DP in the period from the beginning of Calendar Year<sub>t</sub> to the end of the relevant Billing Period, or if data for the annual MHQ is not available to the end of the relevant Billing Period, then the Annual MHQ to the end of the most recent Billing Period in that Calendar Year for which that data is available.
6. In paragraphs 4 and 5, **Annual MHQ** (in relation to any given Demand DP) means the greatest Quantity of Gas (in GJ) that was withdrawn at that Demand DP in any period of 60 minutes during the relevant period.
7. Once EAD has been calculated in respect of a given Demand DP for a given Billing Period, then Envestra will calculate the **Estimated Annual Charge** for that Demand DP (in respect of that Billing Period) by applying the relevant tariff, shown in the Tariff Schedule, under the heading "Tariff D – Demand Haulage Service", as applicable to that Demand DP, according to the Zone in which that Demand DP is located.
8. For any given Demand DP, the carbon tax pass through amount to be included in the statement of charges for the relevant Billing Period is [ tba ].

### **Ancillary Services Charges**

The Ancillary Reference Charges are calculated at the rate shown in the Tariff Schedule. The Ancillary Service Charge to be included in the statement of charges for a given Billing Period is the Ancillary Service Charges for each Ancillary Service where the service request was completed during that Billing Period in respect of any User DP.

### **Other Distribution Services Charges**

Other Distribution Service Charges are calculated in accordance with the relevant Customer Connection Contract under which those Distribution Service Charges are imposed. The Distribution Service Charges to be included in the statement of charges for a given Billing Period are those Distribution Service Charges, which have accrued during the Billing Period, in respect of Shared Customers.

## ANNEXURE D

### Reference Tariff Control Formulae

Any proposed variations to the Haulage Reference Tariffs pursuant to section 4.6.1 of this Access Arrangement must comply with the formulae set out in this Annexure.

#### Victoria Box 1: FORMULA 1 - TARIFF CONTROL FORMULA

$$\frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} \bullet q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} \bullet q_{t-2}^{ij}} \leq (1 + \Delta CPI_t)(1 - X_t)(1 + L_t)(1 + A_t) \pm (CT_t)$$

where:

$\Delta CPI_t$  is calculated as the September quarter CPI for the year immediately preceding year  $t$ , divided by the September quarter CPI for the year immediately preceding year  $t-1$ , minus 1;

$X_t$  is – 0.015 for 2014;

$X_t$  is – 0.02 for 2015;

$X_t$  is – 0.03 for 2016;

$X_t$  is – 0.03 for 2017;

$n$  is the number of different Haulage Reference Tariffs;

$m$  is the different components, elements or variables ("components") comprised within Haulage Reference Tariff  $i$ ;

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

$p_{t-1}^{ij}$  is the prevailing component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t-1$ ;

$q_{t-2}^{ij}$  is the verified annual quantity of component  $j$  of Reference Tariff  $i$  sold in Calendar Year  $t-2$  (expressed in the units in which that component is expressed (eg, GJ));

$L_t$  is the Licence Fee factor as defined in Victoria box 2;

$A_t$  is the approved pass through amount as defined in Victoria box 3;

$CT$  refers to the carbon tax tariff (refer Victoria box 4).

### Victoria Box 2: FORMULA 2 – LICENCE FEE FORMULA

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

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

where:

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

$L'_{t-1}$  is the value of  $L'_t$  determined in the Calendar Year  $t-1$

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

$\Delta CPI_t$  is calculated as the September quarter CPI for the year immediately preceding year  $t$ , divided by the September quarter CPI for the year immediately preceding year  $t-1$ , minus 1;

$X_t$  is – 0.015 for 2014;

$X_t$  is – 0.02 for 2015;

$X_t$  is – 0.03 for 2016;

$X_t$  is – 0.03 for 2017;

$A_t$  is the approved pass through amount for Calendar Year  $t$ ;

$p_{t-1}^j$  is the prevailing component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t-1$ ; and

$q_{t-2}^j$  is the verified annual quantity of component  $j$  of Haulage Reference Tariff  $i$  sold in Calendar Year  $t-2$  (expressed in the units in which that component is expressed (eg, GJ)).

### Victoria Box 3: FORMULA 3 – PASSTHROUGH ADJUSTMENT FACTOR FORMULA

$A_t$  is the pass through adjustment factor to the Distribution price control in Calendar Year  $t$ , calculated as follows:

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

where:

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

$A'_{t-1}$  is the value of  $A'_t$  determined in the Calendar Year  $t-1$

$ap_{t-1}$  is the amount of any cost pass through approved by the regulator for the Calendar Year  $t-1$

$\Delta CPI_t$  is calculated as the September quarter CPI for the year immediately preceding year  $t$ , divided by the September quarter CPI for the year immediately preceding year  $t-1$ , minus 1;

$X_t$  is – 0.015 for 2014;

$X_t$  is – 0.02 for 2015;

$X_t$  is – 0.03 for 2016;

$X_t$  is – 0.03 for 2017;

$p_{t-1}^j$  is the prevailing component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t-1$ ; and

$q_{t-2}^j$  is the verified annual quantity of component  $j$  of Haulage Reference Tariff  $i$  sold in Calendar Year  $t-2$  (expressed in the units in which that component is expressed (eg, GJ)).

#### Victoria Box 4 – FORMULA 4 – CARBON TAX TARIFF FORMULA

When assessing Envestra's proposed tariffs, submitted in accordance with this Access Arrangement, the AER will assess whether the Carbon Payment Revenue ( $CPR_t$ ), is less than or equal to the Maximum Carbon Payment Revenue allowed ( $MCPR_t$ ) as follows:

$$CPR_t \leq MCPR_t$$

where:

$CPR_t$  is the total of Envestra's proposed Carbon Payment Revenue charges multiplied by the corresponding forecast quantities to be distributed for each tariff component of each tariff, in Calendar Year  $t$ .

$MCPR_t$  is the maximum revenue that Envestra is allowed to receive from its Carbon Payment Revenue tariffs from all consumers for the Calendar Year  $t$  and is expressed as:

$$MCPR_t = CPP_t - K_t$$

where:

$CPP_t$  is the aggregate of all charges that Envestra estimates it will be required to pay in Carbon Payments in respect of Calendar Year  $t$ , and

$K_t$  is a correction factor to account for any under or over recovery arising from actual Carbon Payment Revenue tariffs in relation to allowed revenue and is expressed as follows:

$$K_t = (Ky_t + Kz_t + K_{t-1})$$

where:

$Ky_t$  is calculated in accordance with the formula below;

$Kz_t$  is calculated in accordance with the formula below;

$K_{t-1}$  is the figure calculated for  $K_t$  for Calendar Year  $t-1$ ; and

**Calculation of  $Ky_t$**

$Ky_t$  is a correction factor determined with reference to the following formula:

$$Ky_t = CPR_{t-1} - CPP_{t-1}$$

where:

$CPR_{t-1}$  is the total revenue which it is estimated Envestra will earn from its Carbon Payment tariffs in respect of all customers in Calendar Year  $t-1$ ; and

$CPP_{t-1}$  is the aggregate of all charges that Envestra estimates it will be required to pay in Carbon Payments in respect of Calendar Year  $t-1$ .

**Calculation of  $Kz_t$**

$Kz_t$  is a correction factor for the difference between the estimates made when calculating  $Ky$  for Calendar Year  $t-1$  and the actual values now available.  $Kz_t$  is expressed by the formula below.

$$Kz_t = (CPRa_{t-2} - CPR_{t-2}) - (CPPa_{t-2} - CPP_{t-2})$$

where:

$CPRa_{t-2}$  is the actual total revenue earned by the Envestra from Carbon Payment tariffs in respect of all distribution customers in Calendar Year  $t-2$ ;

$CPR_{t-2}$  is the figure used for  $CPR_{t-1}$  when calculating  $Ky_t$  for Calendar Year  $t-2$ ;

$CPPa_{t-2}$  is the aggregate of all charges that Envestra incurred in Carbon Payments in respect of Calendar Year  $t-2$ ; and



$CPPe_{t-2}$  is the figure used for CPPT-1 when calculating Kyt for Calendar Year t-1.

Note:  $Kz_t = 0$  for 2014

Note:  $K_t$  requires an adjustment for the time value of money.

### Victoria Box 5: FORMULA 5 - REBALANCING CONTROL FORMULA

The following formula applies separately to each Tariff Class

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

where:

$\Delta CPI_t$  is calculated as the September quarter CPI for the year immediately preceding year  $t$ , divided by the September quarter CPI for the year immediately preceding year  $t-1$ , minus 1;

$X_t$  is – 0.015 for 2014;

$X_t$  is – 0.02 for 2015;

$X_t$  is – 0.03 for 2016;

$X_t$  is – 0.03 for 2017;

$Y_t$  is 0.02;

$m$  is the components comprised within Haulage Reference  $i$  Tariff ;

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

$p_{t-1}^j$  is the prevailing component  $j$  of Haulage Reference Tariff  $i$  in Calendar Year  $t-1$ ;

$q_{t-2}^j$  is the verified annual quantity of component  $j$  of Haulage Reference  $i$  Tariff sold in Calendar Year  $t-2$  (expressed in the units in which that component is expressed (eg, GJ));

$L_t$  is the Licence Fee factor as defined in Victoria Box 2; and

$A_t$  is an approved pass through factor as defined in Victoria Box 4.

## ANNEXURE E

### Specific Terms and Conditions

<b>Network User</b> <sup>1</sup>
<b>User Receipt Points</b>  The Receipt Points identified in, or identified in accordance with, Schedule 1 to these Specific Terms and Conditions (as that Schedule may be amended from time to time by agreement in writing between the Network User and Envestra).
<b>User Delivery Points</b>  [Each Delivery Point in respect of which the Network User is the FRO (as defined in the Retail Market Procedures) from time to time.] <sup>2</sup>
<b>Start Date</b> [insert start date]
<b>Term</b>  [Commencing on the Start Date and ending on a date to be agreed between the Network User and Envestra (or, if the Agreement is terminated earlier, the period from the Start Date until the date on which the Agreement is terminated).] <sup>3</sup>
<b>MHQ</b>  For a User Delivery Point which is a Demand Delivery Point, the MHQ is: <ul style="list-style-type: none"> <li>(a) the MHQ shown in relation to that User Delivery Point in Attachment 1 to these Specific Terms and Conditions; or</li> <li>(b) if the MHQ is not shown in that Attachment, the MHQ as agreed between Envestra and the Network User or, in default of agreement, as determined by Envestra, in accordance with, or determined in the manner set out in, the Access Arrangement (as defined below).</li> </ul>
<b>MDQ</b>  For a User Delivery Point which is a Demand Delivery Point, the MDQ is: <ul style="list-style-type: none"> <li>(a) the MDQ shown in relation to that User Delivery Point in Attachment 1 to these Specific Terms and Conditions; or</li> <li>(b) if the MDQ is not shown in that Attachment, the MDQ as agreed between Envestra and the Network User or, in default of agreement, as determined by Envestra, in accordance with, or determined in the manner set out in, the Access Arrangement (as defined below).</li> </ul>
<b>Notice Details (for the Network User)</b> Address: Telephone: Facsimile: E-mail:

<sup>1</sup> Insert the name and ABN of the Network User.

<sup>2</sup> Amend as appropriate to define the Delivery Points to which Gas is to be delivered.

<sup>3</sup>  
Amend as appropriate to describe the Term.

## Provisions of Agreement

This document evidences that Vic Gas Distribution Pty Ltd ("**Envestra**") and the Network User has entered into a haulage agreement (**the Agreement**) for the provision of Network Services on and subject to the terms of the Agreement, which comprises:

- (a) the Specific Terms and Conditions set out in this document; and
- (b) the terms and conditions applicable under the Access Arrangement (including, but without limitation, the pre-conditions set out in sections 6.3 and 6.4 of the Access Arrangement) (**the General Terms and Conditions**).

Unless the context otherwise requires, terms used in the Agreement will have the same meanings as they have for the purpose of the Access Arrangement.

In these Specific Terms and Conditions, "**Access Arrangement**" means the access arrangement as in force from time to time under the National Gas Law (as defined in the *National Gas (Victoria) Act 2008* (**the Act**)) in relation to Envestra's Victorian gas distribution system.

**EXECUTED** as an Agreement on            day of            201\_

Executed by

\_\_\_\_\_

(ABN \_\_\_\_\_)

in accordance with Section 127 of the Corporations Act

.....

Director

.....

Director/Secretary

.....

Name

(BLOCK LETTERS)

.....

Name

(BLOCK LETTERS)

Executed by

**VIC GAS DISTRIBUTION PTY LTD**

(ABN 73 085 899 001)

in accordance with Section 127 of the Corporations Act

.....

Director

.....

Director/Secretary

.....

Name

(BLOCK LETTERS)

.....

Name

(BLOCK LETTERS)

**ANNEXURE F**  
**General Terms and Conditions**

**(see separate document)**