



(ACN 078 551 685)

Access Arrangement

For the
Mildura Reticulation System

8 April 1999

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1. INTRODUCTION

This document is the Access Arrangement submitted by Envestra Limited (Envestra) to the Office of the Regulator-General for the proposed natural gas reticulation networks to be constructed in Mildura and the surrounding townships of Irymple, Red Cliffs and Merbein (which, at the date of this Access Arrangement constitute ‘the Network’).

This Access Arrangement is submitted in accordance with the Victorian Third Party Access Code for Natural Gas Pipeline Systems (‘the Code’). It sets out the policies and other terms and conditions on which Envestra will make available access to the Services provided by the Network.

Unless the contrary intention appears, terms used in this Access Arrangement, the accompanying Access Arrangement Information and the terms and conditions set out in Annexure A to this Access Arrangement have the same meaning as they have in the Code or as defined in section 10 of this Access Arrangement. Terms which are defined in the Code or in this Access Arrangement commence with a capital letter.

2. SERVICES POLICY

2.1 General

The Service Provider offers haulage Service to Users and Prospective Users. The haulage Service will consist of delivering Gas through the Network to one or more Delivery Points on the Network.

Three Reference Services will be provided under this Access Arrangement. They are:

- Haulage Service to a Medium Volume Delivery Point, being a Delivery Point through which the Quantity of Gas delivered in any Year is equal to or greater than 10 TJ, but less than 100 TJ, where the Gas is not used primarily for domestic purposes.
- Haulage Service to a Commercial Delivery Point, being a Delivery Point through which the Quantity of Gas delivered in any Year is less than 10 TJ, where the Gas is not used primarily for domestic purposes.
- Haulage Service to a Domestic Delivery Point, being a Delivery Point where the Gas is used primarily for domestic purposes. For a Domestic Delivery Point with Existing LPG Appliances, the Reference Service includes conversion of those appliances to Gas (where technical and safety provisions allow) up to a maximum cost of \$360 per Delivery Point.

All Haulage Reference Services are for the forward haulage of Gas.

The Haulage Reference Services also include the following:

- connection of a new Delivery Point, including the provision of up to 15 metres of inlet pipe;

- the provision of Standard Metering Equipment;
- meter reading on a quarterly basis for Domestic and Commercial Delivery Points and on a monthly basis for Medium Volume Delivery Points;
- odourisation of Gas; and
- the provision of an account to a User.

To the extent practicable and reasonable, a User or Prospective User will be able to obtain a Service which includes only those elements that the User or Prospective User wishes to be included in the Service. To the extent practicable and reasonable, the Service Provider will provide a separate Tariff for an element of a Service if requested to do so by a User or Prospective User.

The provision of any service is conditional upon commissioning of the Initial System and the grant to the Service Provider of any Distribution Licence which the Service Provider requires to operate the Network.

2.2 Service Standards

The Service Provider will provide each Reference Service in accordance with and subject to:

- the terms and conditions both set out in and referred to in section 4 of this Access Arrangement; and
- the requirements of any Distribution Licence or applicable law.

3. REFERENCE TARIFFS AND REFERENCE TARIFF POLICY

3.1 Reference Tariffs

The Reference Tariffs for the three Reference Services described in the Services Policy (see section 2) are set out below. These Reference Tariffs were determined through a competitive tender process approved by the Office of the Regulator General under section 3.39 of the Code.

3.1.1 Reference Tariff – Haulage Service for Medium Volume Delivery Points

Medium Volume	
\$/GJ	\$0.57

3.1.2 Reference Tariff - Haulage Service for Commercial Delivery Points

Commercial		
Fixed Charge	\$43.50	Per annum
First Step	\$3.13	Per GJ
Second Step	\$1.68	Per GJ
Third Step	\$1.39	Per GJ
Fourth Step	\$1.24	Per GJ

The steps are to be billed on a quarterly consumption basis as follows:

- First step for first 4.5 GJ per quarter
- Second step for next 245.5 GJ per quarter
- Third step for next 1000 GJ per quarter
- Fourth step for all additional GJ per quarter

3.1.3 Reference Tariff - Haulage Service for Domestic Delivery Points

Domestic		
Fixed Charge	\$56.40	Per annum
First Step	\$5.08	Per GJ
Second Step	\$2.26	Per GJ

The steps are to be billed on a quarterly consumption basis as follows:

- First step for first 4.5 GJ per quarter
- Second step for all additional GJ per quarter

Each of these Reference Tariffs are expressed in \$97/98. They will increase each year on 1 July, beginning 1 July 1998 by 95 per cent of the CPI for the State of Victoria. (The CPI for the State of Victoria refers to the previous March to March CPI (All Groups, Melbourne), as estimated by the Australian Bureau of Statistics.)

3.2 Reference Tariff Policy

3.2.1 Tariff Control Principles

The following Tariff control principles apply to this Access Arrangement:

1. Each of the Reference Tariffs are expressed in \$97/98. They will increase each year on 1 July, beginning 1 July 1998, by 95 per cent of the CPI for the State of Victoria.
2. Full cost recovery based on NPV over 30 years.
3. The asset base for the proposed Mildura Reticulation System is to inflate annually with CPI for the State of Victoria to generate a real rate of return.
4. A real rate of return of 9% pre-tax is to apply for the first Access Arrangement Period.
5. The cost of initial conversion of Existing LPG Appliances is to be included in the Initial Capital Base.
6. A prudent discount is to be applied to certain foundation Medium Volume Delivery Points.
7. Legitimate network utilisation costs are to be recovered through the relevant tariffs.

These Tariff control principles were determined through a competitive tender process approved by the Office of the Regulator General under section 3.39 of the Code.

Legitimate network utilisation costs are Non-Capital Costs expended on activities including the following:

- a primary awareness program to advise customers when Gas will become available and to provide contact points for further information;
- a secondary program targeting individual customers immediately prior to the laying of pipes;
- ongoing generic Gas advertising to promote gas as safe, efficient and environmentally sound;
- ongoing generic advertising to promote awareness of Gas applications and appliances;
- the ongoing provision of direct advice on the utilisation and application of Gas to key customer influencers such as builders, engineers and plumbers; and
- the establishment and ongoing support of Gas appliance penetration into homes and businesses.

3.2.2 *Removal of Redundant Capital*

The Capital Base shall be reduced at the Revisions Commencement Date in the following circumstances and in accordance with the following approach:

- where Delivery Point-specific assets cease to contribute in any way to the delivery of Services, the value attributable to those assets shall be removed;
- where any other assets in the Capital Base cease to contribute in anyway to the delivery of Services, the value attributable to those assets shall be removed; and
- the value attributable to assets that are sold shall be removed.

The Service Provider will produce an asset register, within twelve months of the commissioning of the first Receipt Point of the Network, that records asset details to a level approved by the Office of the Regulator-General.

The Redundant Capital policy shall be applied in a manner that is consistent with the treatment of unused assets contained in the Fixed Principle relating to the carry forward of under-recovery of revenue (see section 3.2.3 below).

3.2.3 *Fixed Principles*

Two Fixed Principles apply to this Access Arrangement. They were determined through a competitive tender process approved by the Office of the Regulator General under section 3.39 of the Code.

The Fixed Principles are set out in sections 3.2.3.1 and 3.2.3.2 below.

3.2.3.1 Inflating Asset Base

The asset base for the proposed Mildura Reticulation System is to inflate annually with CPI for the State of Victoria and generate a real rate of return over 30 years.

3.2.3.2 Carry Forward of Under-recovery of Revenue

As the Network is a 'greenfields development project' there will be a start-up period during which the Service Provider's costs are not matched by its revenues. This will lead to an 'under-recovery of revenue'.

Any under-recovery of revenue in relation to the Initial System will be added to the Capital Base at the Revisions Commencement Date. This principle applies to the Access Arrangement Period covered by this Access Arrangement and to subsequent Access Arrangement Periods until no under-recovery remains.

3.2.4 Calculation of the Under-Recovery of Revenue

The under-recovery of revenue referred to in section 3.2.3.2 above will be calculated with reference to the difference between the actual revenue and actual cost for the Access Arrangement Period. Actual cost will include a return on the capital assets (at 9% real, pre-tax in the initial Access Arrangement Period), depreciation of the Capital Base and Non-Capital Costs. Actual revenue from Reference Services will be calculated by reference to the volume of gas transported, multiplied by the applicable Reference Tariff (and adjusted for any prudent discounts agreed to by the Regulator).

3.2.5 Residual Asset Value

At the expiration of this Access Arrangement Period the residual asset value shall be the inflated initial Capital Base adjusted for New Facilities Investment, depreciation, Redundant Capital and the under-recovery of revenue.

3.2.6 Depreciation Methodology

Depreciation on system assets will be calculated on a straight-line basis.

3.2.7 Imposts

Whenever the Service Provider determines that the costs of operating the Network or performing its obligations under the Agreement have increased or decreased materially as a result of a New Impost or change in an Impost, the Service Provider will enter into discussions with the Regulator regarding whether Reference Tariffs should be amended to reflect the New Impost or change in the Impost. If the Regulator and the Service Provider agree that Reference Tariffs should be amended, the Service Provider will submit the proposed method of calculation of the amendments to the Regulator for approval.

Any amendments to Reference Tariffs as a result of a New Impost or a change in Impost will be effective on a date to be agreed with the Regulator, which may be a date after the date on which the New Impost was imposed or the Impost changed. This clause applies both before and after the termination of the Agreement.

3.2.8 *System Use Gas (SUG)*

The cost of SUG has been included in the Reference Tariffs for the initial Access Arrangement Period. Users are not required to supply any additional Gas into the Network for SUG in the initial Access Arrangement Period.

3.2.9 *Extensions/Expansions Policy*

Reference Tariffs will vary in accordance with the Extension/Expansions Policy set out in section 8 of this Access Arrangement.

Where only part of any New Facilities Investment that is included as part of the Network satisfies section 8.16 of the Code then:

- the Capital Base will be increased by that part of the New Facilities Investment that satisfies section 8.16; and
- Reference Tariffs will be determined in accordance with section 8.2 of the Access Arrangement.

Where part or all of any new Facilities Investment that is included as part of the Network does not satisfy the requirements of section 8.16 of the Code, Envestra may apply a Surcharge in relation to that New Facilities Investment in accordance with section 8 of the Code.

3.2.10 *Revisions to the Access Arrangement*

If revisions to this Access Arrangement have not come into effect by 1 July 2003, Reference Tariffs will increase on this date and on 1 July each year thereafter by 95 per cent of the change in the CPI until revisions come into effect.

4. TERMS AND CONDITIONS

4.1 General

The supply of any Service is conditional upon a User entering into an Agreement with the Service Provider.

The Service Provider will not be required to enter into an Agreement with any Prospective User, unless the Prospective User has satisfied the Service Provider that it has the necessary financial capacity to discharge its present and future obligations to the Service Provider under or in relation to the Agreement.

The provision of a Reference Service is conditional upon the Agreement including (as a minimum) the terms and conditions outlined in Annexure A. Where the Term of an Agreement extends beyond revisions to this Access Arrangement, the terms and conditions and the Reference Tariff applicable to the provision of a Reference Service are those that exist from time to time for the relevant Reference Service or a comparable Service, unless otherwise agreed.

4.2 Gas Balancing

The Network will be in balance if the transmission pipeline that supplies Gas to the Receipt Points is in balance. It is therefore a condition of access that a User must satisfy Envestra that it has appropriate agreements and procedures in place to ensure that over a reasonable period of time the User can transport Gas to the Receipt Points and maintain balance of the transmission pipeline.

Where there is more than one User at a Receipt Point, Envestra will allocate and reconcile Gas that passes through that Receipt Point to Users in accordance with a methodology agreed with those Users, or if no agreement is reached on a methodology, such methodology as Envestra reasonably determines. The methodology is to provide information to Users on quantities or estimated quantities of Gas received on behalf of Users.

5. CAPACITY MANAGEMENT POLICY

The Network is a Market Carriage Pipeline.

6. TRADING POLICY

Because capacity is to be managed on a Market Carriage basis, there is no Trading Policy applicable to the Network.

7. QUEUING POLICY

Subject to the remainder of this section, requests from Prospective Users will be processed in the order that they are received.

Where there is sufficient Spare Capacity available in the Network to meet the needs of a Prospective User (who is at the top of the queue) at a nominated point in the Network, the Service Provider will offer the Spare Capacity at that point in the Network to that Prospective User.

Where there is insufficient Spare Capacity available at a nominated point in the Network to meet a Prospective User's request (having reached the top of the queue) the Service Provider will first offer that Prospective User any Spare Capacity that is capable of partly satisfying its request at that nominated point. The Service Provider may then undertake an investigation of Developable Capacity alternatives. Under these circumstances, the Service Provider may elevate the priority of other Prospective Users' requests affected by the proposed augmentation in the interests of optimising design and achieving efficiency in the structure and level of Tariffs. The Service Provider will only take such action where it is reasonable to do so and where it will not foreseeably disadvantage other Prospective Users, other than in relation to their position in the queue.

A Prospective User whose request is partially satisfied will remain at the top of the queue until its request is fully satisfied.

8. EXTENSIONS/EXPANSIONS POLICY

Any extension or expansion of the Network will be treated in the manner discussed in sections 8.1 and 8.2 below.

For the purposes of this section, an extension or expansion includes any pipelines or other system assets added to the Network that are not part of the Initial System.

The Initial System includes all proposed pipelines and other system assets shown in Annexure B to this Access Arrangement, plus any other pipelines or system assets constructed within 100 metres of those proposed pipelines or system assets, plus inlet pipelines from those pipelines to Delivery Points.

8.1 Coverage

All expansions to the Capacity of the Network within the Access Arrangement Period will automatically be treated as part of the Covered Pipeline from the time the expansion comes into service.

All extensions to the Network within the Access Arrangement Period will be automatically included as part of the Covered Pipeline and will be included as part of the Network from the time the extension comes into service, unless the extension is a significant extension.

A significant extension is an extension, the primary purpose of which, at the time of its construction, is to deliver a Service to one or more Delivery Points where the Quantity of Gas delivered is reasonably estimated by the Service Provider to exceed 5 TJ in any Year. In this case, the Service Provider will have the option of treating the extension as either:

- (a) part of the Network; or
- (b) a stand-alone Pipeline, in which case the Service Provider will provide written notice to the Regulator prior to the extension entering into service. The Service Provider will have the option of including the stand-alone Pipeline as part of the Network at any subsequent review of this Access Arrangement.

8.2 Tariffs

8.2.1 *Effect on Reference Tariffs*

Subject to the requirements of section 8.16 of the Code, Haulage Reference Tariffs will be determined as set out below in relation to any extension or expansion that is to be included as part of the Network:

- to the extent that an extension or expansion meets the economic feasibility test in section 8.16(b)(i) of the Code, the Tariff for each Reference Service provided by that part of the extension or expansion will be the Prevailing Tariff prior to the extension or expansion; or

- to the extent that an extension or expansion has system-wide benefits and the Service Provider believes that these benefits justify the approval of a higher Reference Tariff for a Reference Service for all Users, the Service Provider will seek the Regulator's approval of a higher Reference Tariff for all Users in respect of the applicable Reference Service; or
- to the extent that an extension or expansion is necessary to maintain the safety or integrity of the Network and does not meet the economic feasibility test or have system wide benefits that in the Regulator's opinion justify a higher Reference Tariff for all Users, the Service Provider may seek revisions to the Access Arrangement to provide for new Tariff arrangements.

In accordance with section 8.16(b)(i) of the Code, for any expansion of the Capacity or extension to the Network to be economically feasible, the Anticipated Incremental Revenue generated over the economic life of the New Facility must exceed the New Facilities Investment.

8.2.2 *Relationship to Reference Tariff Policy*

Section 8.2.1 is to be applied in conjunction with section 3.2.9 of the Reference Tariff Policy.

8.3 *Obligation to Extend or Expand*

The Service Provider will extend or expand the Network where required to do so by any Distribution Licence or applicable law.

9. REVIEW OF THE ACCESS ARRANGEMENT

9.1 *Revisions Submission Date*

The Service Provider will submit revisions to this Access Arrangement to the Office of the Regulator-General by 1 January 2003.

This date was determined through a competitive tender process approved by the Office of the Regulator-General under section 3.39 of the Code.

9.2 *Revisions Commencement Date*

The next revisions to this Access Arrangement are intended to commence on 1 July 2003.

This date was determined through a competitive tender process approved by the Office of the Regulator-General under section 3.39 of the Code.

10. DEFINITIONS

In this Access Arrangement, the Access Arrangement Information and the terms and conditions (Annexure A to this Access Arrangement) unless the contrary intention appears:

- (1) **‘Agreement’** means the contract entered into between the Service Provider and the User, which is constituted of Specific Terms and Conditions and the terms and conditions in Annexure A to this Access Arrangement.
- (2) **‘Business Day’** means a day on which trading banks are open for business generally in Victoria.
- (3) **‘Commercial Delivery Point’** has the meaning given to it in clause 15.1 of the terms and conditions set out in Annexure A.
- (4) **‘Cubic Metre’** in relation to Gas means the amount of that Gas at Standard Conditions which would occupy a volume of one cubic metre.
- (5) **‘Cycle’**, in relation to a Domestic or Commercial Delivery Point, means the period between any two readings of the metering equipment at that Delivery Point which are 90 days, or approximately 90 days, apart (irrespective of whether those readings, or either of them, were taken before, during or after the Term. Cycles may not overlap.
- (6) **‘Delivery Point’** means a point on the Network at which Gas is or is to be delivered out of the Network.
- (7) **‘Distribution Licence’** means any licence or other regulatory authorisation granted from time to time to the Service Provider to operate the Network.
- (8) **‘Domestic Delivery Point’** has the meaning given to it in clause 16.1 of the terms and conditions set out in Annexure A.
- (9) **‘Existing LPG Appliance’** means a domestic appliance used for domestic purposes that is fuelled with LPG and that was or is owned by a User’s Customer as at the date on which the Initial System was or is commissioned.
- (10) **‘Gas’** has the meaning given to ‘natural gas’ in the Gas Industry Act 1994 (Victoria).
- (11) **‘Gross Heating Value’** means the energy produced by the complete combustion of one Cubic Metre of Gas with air, at an absolute pressure of 101.325 kPa and temperature of fifteen (15) degrees Celsius, the products of combustion cooled to a temperature of fifteen (15) degrees Celsius and the water vapour formed by combustion condensed to the liquid state.
- (12) **‘Impost’** means any royalty (whether based on value, profit or otherwise), tax (including any goods and services tax), duty, excise, levy, fee, rate or charge imposed by the Commonwealth of Australia, the State or any other governmental or semi-governmental body in respect of the Network (or any of its components), the operation of the Network or the provision of services by the Service Provider under the Agreement.
- (13) **‘Initial System’** means all proposed pipelines shown in Annexure B to this Access Arrangement, plus any other pipelines constructed within 100 metres of

those proposed pipelines, plus inlet pipelines from these pipelines to Delivery Points.

- (14) **‘Interest Rate’** means the Commonwealth Bank of Australia corporate overdraft reference rate, as varied from time to time.
- (15) **‘Interruptible Delivery Point’** means any Delivery Point at which Gas is or is to be delivered out of the Network pursuant to a contract or other arrangement that permits the Service Provider to interrupt or curtail deliveries of Gas at any time and for any reason and without any penalty or other consequence adverse to the interests of the Service Provider.
- (16) **‘kPa’** means one kilopascal and is equal to one thousand pascals absolute.
- (17) **‘Medium Volume Delivery Point’** has the meaning given to it in clause 14.1 of the terms and conditions set out in Annexure A.
- (18) **‘Metering Year’**, in relation to a Delivery Point, means the period between any two readings of the metering equipment at that Delivery Point which are 12 months, or approximately 12 months, apart (irrespective of whether the readings, or either of them, were taken before, during or after the Term.
- (19) **‘Network’** means the reticulation system that is the subject of the Access Arrangement from time to time.
- (20) **‘New Impost’** means any Impost imposed during the Term of the Agreement that:
- was not in force at the date of the Agreement; or
 - was in force at the date of the Agreement, but represents a change in the application of that Impost by the Government or other body that has jurisdiction over that Impost.
- (21) **‘Party’** means either the Service Provider or the User and ‘Parties’ means them collectively.
- (22) **‘Quantity of Gas’** means a quantity of Gas, calculated as the product of the Gross Heating Value and the Volume of that Gas.
- (23) **‘Quarter’** means a period of three months that ends on 30 September, 31 December, 31 March or 30 June.
- (24) **‘Receipt Point’** means a point on the Network at which Gas is or is to be delivered into the Network.
- (25) **‘Regulator’** means the Victorian Office of the Regulator General.
- (26) **‘Related Haulage Agreement’** means any other agreement between the Service Provider and the User under which the Service Provider delivers, or is required to deliver, Gas through the Network to or for the account of the User.
- (27) **‘Specific Terms and Conditions’** means any terms and conditions agreed to by the Service Provider and User separate to the terms and conditions in Annexure A to this Access Arrangement.
- (28) **‘Standard Conditions’** means a temperature of 15 degrees Celsius and at an absolute pressure of 101.325 kilopascals.

- (29) **‘Standard Metering Equipment’** in respect of a Delivery Point means the least cost technically acceptable metering equipment normally used in the Network for measurement of consumption for a Delivery Point with similar characteristics.
- (30) **‘Start Date’** means the date for the commencement of the Agreement as specified in the Specific Terms and Conditions.
- (31) **‘Term’** means the period that begins on the Start Date and ends on the date on which the Agreement terminates.
- (32) **‘TJ’** means a terajoule.
- (33) **‘Transmission Operator’** has the meaning ascribed to that term in section 6.2 in Annexure A to this Access Arrangement.
- (34) **‘User’s Customer’** means any person to whom the User supplies Gas, or is to supply Gas, through the Network.
- (35) **‘User Delivery Point’** means a Delivery Point at which Gas is or is to be delivered out of the Network to or for the account of the User. The Specific Terms and Conditions identify (or specify a means of identifying) each User’s Delivery Point.
- (36) **‘User Receipt Point’** means a Receipt Point at which Gas is or is to be delivered into the Network by or for the account of the User. The Specific Terms and Conditions identify (or specify a means of identifying) each User’s Receipt Point.
- (37) **‘Volume’** means volume in Cubic Metres.
- (38) **‘Year’** means a period of 12 consecutive months.