

**Revised Access Arrangement for
AGL Gas Networks**

June 2005

Report on Further Final Decision

Gas 05-03

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1 INTRODUCTION

The Independent Pricing and Regulatory Tribunal (the Tribunal) has reviewed AGL Gas Networks' (AGLGN's) proposed revisions to its access arrangement under the principles set out in the *National Third Party Access Code for Natural Gas Pipeline Systems* (the Code).

On 23 June 2005, the Tribunal decided to approve the access arrangement and access arrangement information submitted to it by AGLGN on 10 June 2005 and the corrigenda submitted on 16 and 20 June 2005, to commence on 1 July 2005.¹ This decision was contained in the Tribunal's further final decision released on 23 June 2005, a document that should be read in conjunction with this report.

As foreshadowed in that further final decision, this report provides a more extensive explanation of the Tribunal's reasons for deciding to approve the access arrangement and access arrangement information.

Chapter 2 of this report provides an overview of the Code requirements that have governed the Tribunal's assessment of whether or not to approve the proposed access arrangement and the process it followed in making this assessment.

Chapter 3 sets out how the Tribunal assessed compliance of the access arrangement and access arrangement information proposed by AGLGN on 10 June 2005.

The Tribunal consists of Dr Michael Keating AC (Chairman), Mr James Cox (Chief Executive Officer and Full-time Member) and Ms Cristina Cifuentes (Member).

2 BACKGROUND

2.1 Process

In December 2003, AGLGN submitted proposed revisions to the current access arrangement (and access arrangement information) for its natural gas pipeline system in NSW to the Tribunal.

After considerable public consultation, both in meetings and by way of written submissions, the Tribunal released its draft decision on 17 December 2004. Further public consultation followed.

The Tribunal's final decision of 29 April 2005 required 40 amendments to be made to the proposed revised access arrangement (including changes to the proposed revised access arrangement information).

On 10 June 2005, AGLGN submitted amended revisions to its access arrangement and revised access arrangement information. Corrigenda to the two documents were received on 16 and 20 June 2005. AGLGN also supplied the Tribunal with confidential financial

¹ Electronic copies of the approved access arrangement and access arrangement information and corrigenda are available on www.agl.com.au. Any requests for a hard copy of the approved access arrangement, access arrangement information and corrigenda should be addressed to: Manager Regulatory Affairs, Gas Networks, AGL Gas Networks, 111 Pacific Highway, North Sydney NSW 2060, Telephone 02 9921 2999

models that calculate the reference tariffs contained in the 10 June 2005 access arrangement based on the methodology set out in the access arrangement information of the same date.

2.2 Requirements of the Code

Section 2.41 of the Code requires the Tribunal to issue a further final decision once AGLGN has submitted amended revisions to its proposed access arrangement in response to the Tribunal's final decision. The Tribunal must decide whether the amended revisions to the access arrangement either incorporate the amendments specified in its final decision or substantially incorporate the amendments, or otherwise satisfactorily address the matters identified in its final decision as being the reasons for requiring the amendments specified.

Prior to approving the amended revisions to the access arrangement, the Tribunal is further required by section 2.46 to satisfy itself that the access arrangement as revised would contain the elements and satisfy the principles set out in sections 3.1 to 3.20 of the Code. The Tribunal is required to take into account the factors described in section 2.24 of the Code and the provisions of the access arrangement.

The Tribunal must not approve revisions to an access arrangement if any of its provisions would, if applied, deprive any person of a contractual right in existence prior to the date the revisions to the access arrangement were submitted, other than an Exclusivity Right² that arose on or after 30 March 1995, pursuant to section 2.47 of the Code.

Sections 2.6 and 2.7 of the Code require the Tribunal to assess whether the revised access arrangement information enables users and prospective users to understand how the elements of the proposed access arrangement are derived and whether the access arrangement complies with the Code, and that the categories of information set out in attachment A to the Code are included.

3 TRIBUNAL'S ASSESSMENT

3.1 Access Arrangement

The Tribunal has carried out a detailed evaluation of the access arrangement submitted by AGLGN on 10 June, supplemented by the 16 June corrigendum. The Tribunal is of the view that its required amendments have been incorporated into the 10 June 2005 access arrangement (supplemented by the 16 June 2006 corrigendum). As a result of the work undertaken by the Tribunal over the past eighteen months on AGLGN's proposed revisions to its access arrangement, as set out in its draft and final decisions, the Tribunal is of the view that it contains the elements and satisfies the principles set out in sections 3.1 to 3.20 of the Code. In making its further final decision, the Tribunal took into account the factors described in section 2.24 of the Code and the provisions of the access arrangement as required by section 2.46 of the Code. The Tribunal has not become aware during the course of its review of any contractual rights that might cause section 2.47 of the Code to be breached.

² As defined in section 10.8 of the Code

3.1.1 Compliance with amendments required in the final decision

The Tribunal considered whether each amendment required by its final decision had been made to the access arrangement.

The Tribunal is satisfied that the amended revisions to the access arrangement either incorporate the amendments specified in its final decision or substantially incorporate the amendments, or otherwise satisfactorily address the matters identified in its final decision as being the reasons for requiring the amendments specified.

Attachment 1 contains the Tribunal's assessment of each amendment.

3.1.2 Other amendments made to the proposed access arrangement by AGLGN

Some minor wording changes were made to the proposed December 2003 access arrangement by AGLGN. The Tribunal is satisfied that these are drafting and formatting changes, and that the 10 June 2005 access arrangement and 16 June corrigendum contain the elements and satisfy the principles set out in sections 3.1 to 3.20 of the Code

3.1.3 Derivation of reference tariffs

The Tribunal is satisfied that the amended revisions to the reference tariffs set out in chapter 3 of the access arrangement submitted on 10 June along with the corrigendum submitted on 16 June 2005 substantially incorporate the amendments specified in its final decision.

AGLGN provided the Tribunal with confidential pricing models that allocate total revenue to the contract and tariff markets and then derive reference tariffs for each of those markets, which support the reference tariffs set out in the access arrangement. AGLGN originally provided reference tariffs in its December 2003 proposal, but did not update these in its response to the Tribunal's draft decision, pending the Tribunal's final decisions on a number of items that would have an impact on the level of the reference tariffs.

A combination of changes proposed by AGLGN and accepted by the Tribunal and amendments required by the Tribunal have reduced AGLGN's revenue for the five years to 30 June 2010 by 6 per cent, from \$1,436.6m (real 2005\$)³ in the December 2003 proposal to \$1,355.4 m (real 2005\$). The NPV of contract market revenue reduced by 12 per cent while tariff market revenue reduced by 5 per cent.

As part of its assessment of whether the amended tariffs incorporate the required amendments, the Tribunal entered into a tripartite agreement with Deloitte Touche Tomatsu (Deloitte) and AGLGN for an agreed upon procedures engagement under Australian Auditing Standard 904. The key objectives of this engagement were to assist AGLGN to evaluate whether its revised access arrangement was in accordance with the final decision and to assist the Tribunal to determine whether AGLGN has applied the final decision in calculating its reference tariffs for the five-year period commencing 1 July 2005.

³ The figure of \$1,436.6 m differs from the \$1,540.5 m stated in table 7.2 of the December 2003 access arrangement information as it deletes the 6 months to 30 June 2005 and makes a small correction to the method of calculation as agreed between the Tribunal and AGLGN

The procedures were agreed by the Tribunal, AGLGN and Deloitte, and required Deloitte to

- report on whether the logic applied in the pricing models to allocate total revenue was in accordance with AGLGN's proposed allocation methodology as set out in the December 2003 access arrangement and access arrangement information and the amendments required by the Tribunal in its final decision
- test the logic of formulae and mathematical configuration and consistency of the pricing models
- ensure that the models' inputs were consistent with the Tribunal's final decision, including using system information set out in the December 2003 access arrangement information and using demand and cost and revenue inputs in accordance with the Tribunal's required amendments in its final decision, and
- report on modelling errors within the pricing models.

Deloitte's report to the Tribunal and AGLGN of its factual findings found no exceptions.

The Tribunal has also undertaken its own review of the logic within the model and the outcomes of the modelling.

The Tribunal has considered the audit report and the results of its own review. Having done this, the Tribunal has formed the view that AGLGN's final pricing models result in reference tariffs that comply with its final decision.

3.1.4 Indexation of reference tariffs to apply from 1 July 2005

The reference tariffs in the approved access arrangement and corrigendum are expressed in 2004/05 \$, as this is the way they were expressed in the December 2003 revisions submission.

The Tribunal notes that an addendum to the 10 June 2005 access arrangement and 16 June corrigendum sets out the tariffs that will apply from 1 July 2005. AGLGN has escalated each of the reference tariffs approved by the Tribunal by 2.3 per cent, calculated in accordance with the approved variation methodology set out in 3.11.1 of the new access arrangement.

The Tribunal has not approved these tariffs, as it is not required to do so by the Code.

3.2 Access Arrangement Information

The Tribunal has reviewed the access arrangement information submitted by AGLGN on 10 June 2005 along with the corrigendum of 20 June 2005, assessing them against the requirements of sections 2.6 and 2.7 of the Code.

Although AGLGN has deleted some descriptive passages in the 10 June 2005 access arrangement information that were contained in the December 2003 proposal, and revised some wording to reflect the Tribunal's final decision and deleted discussion of the network's performance in the regulatory period that commenced in 2000, the Tribunal is of the view that it, along with the 20 June 2005 corrigendum, meets the Code's requirements.

ATTACHMENT 1 REQUIRED AMENDMENTS IN THE TRIBUNAL'S FINAL DECISION

The Tribunal is required to assess whether the revised access arrangement submitted by AGLGN on 10 June 2005 and the corrigendum submitted on 16 June 2005 incorporate or substantially incorporate the amendments required by the Tribunal in its final decision

The chapters referred to below are chapters in the final decision

Amendment 1 - Postcode boundaries (chapter 3)

An additional paragraph has been added to the explanatory note in Attachment 3 to the access arrangement information that explains that the postcodes set out in that attachment are those used for local network contract zoning classification under AGLGN's access arrangement that applied from October 2000, and may not reflect Australia Post postcodes if they have since varied. It further explains that the first four digits of each Delivery Point's station identification code will represent its postcode used for local network contract zoning classification.

Amendment 2 - Definition of 'coastal' and 'country' (chapter 3)

Definitions for 'coastal' and 'country' have been included in the tariff determination methodology section of the access arrangement information. These and other associated terms are used consistently throughout the access arrangement information.

Amendment 3 - Definition of 'diversified MDQ' (chapter 3)

A definition for 'diversified MDQ' has been included in the tariff determination methodology section of the access arrangement information.

Amendment 4 - Correction of delivery pressure data (chapter 3)

Attachment 2 of the access arrangement information has been amended to include the correct minimum delivery pressure of the Wilton-Mt Keira pipeline of 2,800 kpa. AGLGN has also amended Schedule 8 of the access arrangement to make a corresponding change.

Amendment 5 - Revision of the access arrangement information to reflect the amendments to the access arrangement (chapter 3)

The proposed access arrangement information has been amended. The access arrangement information reflects the amendments to the access arrangement required by the final decision, and contains the most up-to-date information available.

Amendment 6 – Description of trunk-only service (chapter 4)

AGLGN has amended section 2.9 of the access arrangement to include as a non-reference service, the following description of a trunk-only service:

Where it is technically and commercially reasonable, AGLGN will offer a Trunk Negotiated Service without the linked Local Network Service where:

- The gas is transported from a Receipt Point to a Delivery Point along the Wilton/Newcastle and or Wilton/Wollongong Trunk Sections;
- The Delivery Point has metering equipment approved for this purpose by AGLGN; and

- The gas transported does not utilise any component of the AGLGN Local Network prior to its delivery at its ultimate Delivery Point (i.e. at a customer site which the gas is consumed).

Where AGLGN offers a Trunk Negotiated Service without a linked Local Network Service, then the standalone Trunk Negotiated Service will be offered under comparable Terms and Conditions to the equivalent Trunk Reference Services, subject to AGLGN's reasonable commercial and technical requirements.

This clause is substantially the same as that required to be included by Amendment 6.

Amendment 7 - Capital redundancy mechanism (chapter 5)

The capital redundancy mechanism at Section 4.2.1 of the access arrangement has been amended to read as follows:

4.2.1. Capital Redundancy Mechanism

- (a) The Relevant Regulator may reduce the Capital Base with effect from the commencement of the Access Arrangement Period (immediately following the conclusion of the current Access Arrangement Period) if it is of the reasonable opinion that any of the following have occurred in relation to assets comprising some or all of the Capital Base:
 - (i) the assets have ceased to contribute to the delivery of Services;
 - (ii) the assets have been sold or disposed of by AGLGN or AGLGN has entered into a binding agreement for their sale or disposal; or
 - (iii) the assets have decreased in value because of a decrease in their utilisation.
- (b) In determining whether to reduce the Capital Base under Section 4.2.1 paragraph (a), and the amount (to be determined by the Relevant Regulator) by which the Capital Base should be reduced, the Relevant Regulator may take into account:
 - (i) The value of the assets when the assets were first included in the Capital Base, and their current value;
 - (ii) The value that the assets to be removed from the Capital Base represent as a proportion of the total Capital Base;
 - (iii) The Cost to AGLGN of a reduction in Total Revenue resulting from a reduction of the Capital Base;
 - (iv) The impact of a reduction of the Capital Base on Tariffs paid by Users;
 - (v) The objectives and principles of the National Code; and
 - (vi) Any other factors that in the reasonable opinion of the Relevant Regulator are relevant and not inconsistent with the National Code.

This clause is substantially the same as that required to be included by the Tribunal's Amendment 7.

Amendment 8 - Demand forecasts (chapter 6)

The access arrangement has been amended so that the demand forecasts used to determine total revenue and reference tariffs are those set out in Table 6.3 of the final decision. AGLGN has also updated section 3 of its access arrangement information to incorporate those forecasts.

Amendment 9 - Regulatory asset register (chapter 7)

AGLGN has agreed to update its regulatory asset register to include information on the rolled forward capital base at 1 July 2005 consistent with the amounts set out in Amendment 10 of this final decision.

Amendment 10 - Rolled forward capital base (chapter 7)

The access arrangement has been amended so that the capital base used to determine total revenue and reference tariffs complies with the amounts set out in Tables 7.10 to 7.17 of the final decision. AGLGN has also updated section 4 of its access arrangement information to incorporate those amounts.

Amendment 11 - Pre-tax real rate of return (chapter 8)

The access arrangement has been amended so that the pre-tax real rate of return used in the methodology to determine total revenue and reference tariffs is 7.0 per cent. AGLGN has also updated section 4.6 of its access arrangement information to reflect those values.

Amendment 12 - Non-capital costs (chapter 9)

The access arrangement has been amended so that the non-capital costs used to determine total revenue and reference tariffs comply with the amounts in Table 9.4 of the final decision. AGLGN has also updated section 5 of its access arrangement information to incorporate those amounts.

Amendment 13 - Net working capital (chapter 9)

The access arrangement has been amended so that the working capital used to determine total revenue and reference tariffs is calculated using:

- tariff and contract debtors at 29 days of distribution revenue (tariff and contract markets)
- unbilled gas (accrued revenue) at 41 days of tariff market revenue
- inventories at no real change from the 2003/04 level
- operating cost creditors at 45 days of annual non-capital expenditure
- capital cost creditors at 27.7 days of annual capital expenditure.

The rate of return applied to the working capital is 9.7 per cent (nominal pre-tax). AGLGN has also updated section 4.5 of its access arrangement information to incorporate those amounts.

Amendment 14 - Number of trunk zones (chapter 10)

The access arrangement has been amended so that the capital and non-capital trunk costs used to determine total revenue and reference tariffs are allocated to contract customers based on the existing seven trunk zones, and the trunk reservation capacity charge and trunk throughput charge is imposed in accordance with customers' use of each of these zones. AGLGN has also updated its access arrangement information to reflect the seven zone pricing structure.

Amendment 15 - Allocation of disposals (chapter 10)

The access arrangement has been amended so that the disposals used in the methodology to determine total revenue and reference tariffs are allocated to both tariff market and contract customers in accordance with each customer class' proportion of peak day MDQ on medium pressure assets.

Amendment 16 - Allocation of benefits and costs of future growth (chapter 10)

The proposed access arrangement has been amended so that the incremental benefits and costs of future growth in the contract market used in the methodology to determine total revenue and reference tariffs are allocated to contract customers and the incremental benefits and costs of future growth in the tariff market are allocated to tariff market customers.

Amendment 17 – Annual escalation of reference tariffs for CPI effects (chapter 12)

AGLGN has amended section 3.11.1 so that the Escalation of Reference Tariffs variation method provides that the reference tariffs will be adjusted by the rate of change in the average of the CPI for the four quarters to December in the relevant year divided by the average of the CPI for the four quarters to December in the immediately preceding year.

Amendment 18 - Definitions of 'Tax' and 'Relevant Tax' (chapter 12)

AGLGN has amended Schedule 1 of the access arrangement to change the definition of 'Relevant Tax' and to insert a new definition of 'Tax', as follows:

'Relevant Tax' means any Tax other than:

- (a) any tax in the nature of an income tax or a capital gains tax;
- (b) penalties, charges, fees and interest on late payments, or deficiencies in payments, relating to any Tax;
- (c) stamp duty, or similar taxes and duties; and
- (d) any Tax that replaces or is the equivalent of or similar to any of the taxes referred to above.

'Tax' means any royalty (whether based on value, profit or otherwise), tax, duty, excise, levy, fee, rate or charge imposed from time to time during the term of this Access Arrangement by any government or any governmental, semi-governmental or other body authorised by law to impose that tax on or to:

- (a) the Network (or any of its components);
- (b) the operation of the Network; or
- (c) the provision of Services by AGLGN.

Amendment 19 - Amended gas reconciliation methodology (chapter 12)

AGLGN has amended section 3.11.2 of its access arrangement to allow for the removal of unaccounted-for-gas (UAG) provisions and an adjustment to reference tariffs should UAG be removed as a network cost during the access arrangement period.

Amendment 20 - Definition of 'Regulatory Event' (chapter 12)

AGLGN has amended the definition of a 'Regulatory Event' in section 3.11.3 of the access arrangement to exclude both a 'Change-in-tax Event' and events leading to variations under section 3.11.4 of the access arrangement.

Amendment 21 - Symmetrical tariff variation methods (chapter 12)

Section 3.10 of the access arrangement has been amended to clarify that tariff variation methods operate symmetrically.

Amendment 22 - Exclusion of 'Insurance Event', 'Unforeseen External Event' and 'Mines Subsidence Event' (chapter 12)

AGLGN has amended section 3.11 of the access arrangement to exclude 'Insurance Event', 'Unforeseen External Event' and 'Mines Subsidence Event' from the cost pass-through mechanism in the access arrangement.

Amendment 23 - Guaranteed Customer Service Standards (chapter 12)

Clause 3.11.4 (Guaranteed Customer Services Standards) of the access arrangement has been amended to read as follows:

AGLGN may vary Reference Tariffs to recover:

- (a) The expected value of payments that may be required to be made to Users by AGLGN as a result of the imposition of Guaranteed Customer Service Standards (GCSS) as a result of a decision of the Minister for Energy and Utilities to introduce new GCSS payments in addition to those that apply in respect of AGLGN at the commencement of the Access Arrangement Period.
- (b) Incremental and efficient costs associated with the administration of any such additional or changed Guaranteed Customer Service Standards described in paragraph (a) above.

Amendment 24 - Date of reference tariff variations (chapter 12)

Section 3.10 of the access arrangement has been amended to provide that AGLGN may only vary its reference tariffs for any year during the access arrangement period with effect from 1 July of that year (or any other date determined by the Tribunal).

Amendment 25 - Basis for allocating pass-through costs (chapter 12)

AGLGN has amended the access arrangement to specify a cost allocation basis for recovery of pass-through amounts. Clause 3.11.5 states that in determining reference tariffs under sections 3.11.3 and 3.11.4 the amount will be allocated to the Contract and Tariff markets according to the same allocation methodology used in initially setting the reference tariffs.

Amendment 26 - Notification and approval process (chapter 12)

AGLGN has amended section 3.12 of the access arrangement so that the notification and approval process for tariff variations in the proposed access arrangement provides that:

The following conditions apply to variations to Reference Tariffs in accordance with the variation methods set out in Section 3.11:

- if AGLGN wishes to vary the Tariffs, AGLGN must give the Relevant Regulator at least 50 Business Days notice prior to the effective date of the variation;
- the Relevant Regulator may initiate variations in accordance with the National Code;
- variations are subject to the Relevant Regulator's approval (deemed or otherwise in accordance with the National Code), and reasonable satisfaction that the variation is based on incremental and efficient costs;
- Variation notices provided to the Relevant Regulator must include information required by the National Code including:
 - i. the effective date of the variation; and
 - ii. an explanation of how the proposed variation is consistent with the approved variation method;
- Variation notices provided to the Relevant Regulator should include:
 - i. details of the financial impact on AGLGN and users with supporting documentary evidence including a demonstration that costs are incremental and efficient; and
 - ii. an explanation of how the variation is to be recovered through Tariffs.

This clause is substantially the same as that required to be included by Amendment 26.

Amendment 27 - Security for payment (chapter 13)

AGLGN has amended clause 10, Schedule 2A of the access arrangement to specify the following objective and non-discriminatory criteria as required by Amendment 27:

- That the amount of any security shall be determined by having regard to the user's credit rating, payment history and any additional factors which, in AGLGN's reasonable opinion, may have a material effect on the user's ability to perform any of its obligations under the service agreement or upon AGLGN's ability to recover any amounts payable or to be payable by the user.
- The amount of security should be proportionate to the charges for the proposed service.
- That the form of security is to be either (a) a parent company guarantee or (b) a refundable deposit or bank guarantee or (c) such other form of security as agreed between the user and AGLGN.
- To include an obligation on users to provide AGLGN with all information reasonably required to assess credit worthiness in a timely manner.

AGLGN has also specified that users must provide information in a timely manner, that the type of security may be a combination of those specified and that the security must be provided in a form satisfactory to AGLGN. The Tribunal considers that the amended clause 10, Schedule 2A substantially meets the requirements of Amendment 27.

Amendment 28 - Responsibility for gas and UAG (chapter 13)

AGLGN has amended clause 12, Schedule 2A of the access arrangement to provide that in the event of a change in the treatment of UAG as a result of alternative arrangements that AGLGN agrees to during the access arrangement period, the provisions relating to responsibility for gas and UAG will be reduced to the extent that those obligations are assumed by others.

Amendment 29 – Overruns (chapter 13)

AGLGN has amended clause 20 in Schedule 2A of the access arrangement (relating to overruns) to indicate that where a delivery point is served under two or more service agreements then an overrun is only deemed to occur where withdrawals at that delivery point exceed the total for all service agreements of MDQ in any day or MHQ in any hour.

Amendment 30 - New receipt points and receipt stations (chapter 13)

AGLGN has amended clause 32, Schedule 2A of the access arrangement to limit the ability of AGLGN to recover costs incurred by AGLGN in undertaking works required to enable a new receipt point to be established and integrated into the AGLGN network to those costs *reasonably* incurred.

Amendment 31 - Alteration of receipt points and receipt stations (chapter 13)

AGLGN has amended:

- Clause 33, Schedule 2A of the access arrangement to indicate that AGLGN may require users to make alterations to receipt stations for the purpose of upgrading measurement performance or accommodating changes to gas demand characteristics only to the extent that the alterations are in accordance with good industry practice and/or appropriate Australian and internationally recognised standards and codes.
- Clause 34, Schedule 2A of the access arrangement to indicate that AGLGN's rights to recover costs are limited to recovery of costs *reasonably* incurred.

Amendment 32 - Suspension of supply (chapter 13)

AGLGN has amended clause 49, Schedule 2A of the access arrangement to limit the value of charges imposed on a user in connection with the cessation or suspension of supply to costs *reasonably incurred* by AGLGN in complying with the request of the user to stop or suspend delivery of gas.

Amendment 33 - Liabilities and indemnity (and gas swap service) (chapter 13)

AGLGN has amended Section 2.7 of the access arrangement so that the second sentence in the penultimate bullet point reads:

The user will be liable for and indemnify AGLGN against any costs, penalties, expenses or any other loss or damage suffered or incurred by AGLGN arising from inaccurate or misleading information supplied by the user to AGLGN in connection to a Gas Swap, or the users participating in the Gas Swap failing to time and coordinate Gas Swap notifications and gas balancing nominations (made in accordance with Schedule 3) to ensure that their daily withdrawal requirements and completed Gas Swaps reflect their arrangements for delivery of gas to receipt points for each day.

Amendment 34 - Additional terms and conditions applicable to reference services except tariff services (chapter 13)

AGLGN has amended the proposed access arrangement as follows:

- Clause 5, Schedule 2B has been amended to indicate that the period over which a service may be continued will be nominated by a User when requesting an extension of the term under clause 3.
- Clause 4, Schedule 2B has been amended to indicate that an application of a user for a service in the circumstances contemplated by clause 4 is not subject to the queuing policy of the access arrangement.
- Reference to Schedule 2B has been removed from the terms and conditions for the Meter Data Service and Gas Swap Service in Sections 2.6 and 2.7 of the proposed access arrangement.

Amendment 35 - Operational principles (chapter 13)

Schedule 4 of the access arrangement has been amended to state that the liability of AGLGN for “any losses, liabilities or expenses incurred by the User and/or the Users’ customers arising from load shedding” is limited only in circumstances where AGLGN acts in good faith and in accordance with the principles of the access arrangement.

Amendment 36 - Delivery point, receipt point and nominated delivery points (chapter 13)

Section 2 of the access arrangement has been amended so that:

- The terms and conditions for the Local Network Multiple Delivery Point Service and Trunk Multiple Delivery Point Service includes mechanisms used in AGLGN’s existing service agreements for the deletion of delivery points during the term of the agreement in circumstances of customer churn.
- The terms and conditions for the Trunk Capacity Reservation Service, Trunk Managed Capacity Reservation Service and Trunk Throughput Service make it clear that a service agreement for these services may provide for gas to be delivered to only a single delivery point.

Amendment 37 - MDQ and MHQ (chapter 13)

Sections 2.1, 2.2, 2.3 and 2.5 of the access arrangement states that AGLGN's obligation to deliver gas extends to MDQ and MHQ plus any authorised overrun.

Section 2.1 indicates that the MDQ under a service agreement for Capacity Reservation Services includes capacity obtained as summer tranche, short-term or additional capacity.

Amendment 38 – Summer tranche, short-term and additional capacity (chapter 13)

Section 2.1 of the access arrangement indicates that additional capacity for Capacity Reservation Services is obtained under an existing service agreement.

Section 2.1 of the access arrangement has been amended by the addition of the words 'and such other exceptional physical circumstances beyond the reasonable control of a Customer' under the second dot point under the title *Short Term Capacity for User Supplying Customers above 30TJ per annum at a Delivery Point*.

Amendment 39 - Charges for ancillary services (chapter 13)

Section 3.15 of the access arrangement includes ancillary charges (GST inclusive, 2004/05 dollars) and the descriptions of each ancillary service as set out below:

- Request for Service - \$60 per hour
- Special meter read - \$25
- Residential disconnection/reconnection - \$75
- Business disconnection/reconnection - \$300.

Request for Service – for time spent collating the information and writing the letter of offer to a retailer when the retailer requests a new/additional/change for a contract customer.

Special Meter Read – for reads requested by a retailer rather than ordinary reads (for instance when the meter reader makes a special visit to read a particular meter out of the usual meter reading route). This service must be scheduled with a minimum 5-day notice period.

Residential Disconnection Fee – this charge covers disconnection of meters with a capacity of less than or equal to 6m³/hr. The specific method of disconnection will be at the discretion of AGLGN to ensure the site is able to be left in a safe state. The fee also covers the cost of subsequent reconnection.

Business Disconnection Fee – this charge covers disconnection of meters with a capacity of greater than 6m³/hr. The specific method of disconnection will be at the discretion of AGLGN to ensure the site is able to be left in a safe state. The fee also covers the cost of subsequent reconnection.

Amendment 40 - Method to be applied to determine whether an extension or expansion will be treated as part of the covered pipeline (chapter 17)

The first paragraph of the extensions and expansions policy at Section 7 of the access arrangement has been amended to read as follows:

- The following method shall be used to determine whether an extension or expansion of a Covered Pipeline should be taken to form part of the Covered Pipeline:
 - (a) Subject to this clause, an extension or expansion of a Covered Pipeline will be taken to form part of the Covered Pipeline (and will be treated for all purposes as part of the Covered Pipeline) from the date of completion of the extension or expansion.
 - (b) AGLGN may apply to the Relevant Regulator in writing for a declaration by the Relevant Regulator that paragraph (a) will not apply to the extension or expansion referred to in the application.
 - (c) After considering an application and undertaking such consultation as the Relevant Regulator considers appropriate, the Relevant Regulator must advise AGLGN whether or not it makes the declaration.
 - (d) A declaration may be made on such reasonable conditions determined by the Relevant Regulator and will have the operation specified in the declaration.
- An extension includes any pipes laid in NSW in a distribution system owned and operated by AGLGN at any time during the Access Arrangement (where “distribution system” has the meaning given to it in the Gas Supply Act).