



*Final Approval*

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**Access Arrangements for Gas  
Distribution Networks:  
Allgas Energy Limited and  
Envestra Limited**

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*December 2001*

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## FOREWORD

The Queensland Competition Authority (the Authority) has particular responsibilities in relation to natural gas regulation, as outlined in the *Gas Pipelines Access (Queensland) Act 1998* (the Act) and the National Third Party Access Code for Natural Gas Pipeline Systems (the Code). The Act and Code provide for the Authority to approve access arrangements for 'covered' gas distribution networks in Queensland. The two major networks, to which this Final Approval relates, are owned by Allgas Energy Limited (Allgas) and Envestra Limited (Envestra).

Allgas and Envestra lodged proposed access arrangements and access arrangement information with the Authority on 17 October 2000. The process followed by the Authority in assessing the proposed access arrangements included:

- a request for submissions on the proposed access arrangements and access arrangement information;
- release of the Authority's Draft Decision on 22 March 2001;
- a request for submissions on the Draft Decision;
- release of the Authority's Final Decision on 3 October 2001, including an Errata on 2 November 2001; and
- a request for comments on revised reference tariffs.

The Authority's Final Decision was to not approve the access arrangements in their current form. The Final Decision required a series of amendments to be made to the access arrangements and access arrangement information. Under section 2.16(b) of the Code, the Authority required Allgas and Envestra to submit revised access arrangements and access arrangement information, incorporating the amendments required by the Final Decision, by 12 November 2001.

## Reference Tariffs

Allgas and Envestra submitted their revised access arrangements and access arrangement information to the Authority on 12 November 2001. The revised access arrangements included the service providers' proposed initial reference tariff schedules. The Authority released these schedules for public consultation on 14 November 2001.

The public consultation process identified an inconsistency between Allgas' proposed reference tariffs and the Final Decision. The Final Decision required that tariffs be structured on the basis of the demand forecasts accepted by the Authority for the period from 1 July 2001. Allgas' proposed reference tariffs were based on applying the Authority's demand growth forecasts to actual demand as at 1 November 2001. This could have resulted in significant variation from the Authority's forecast revenue figures over the period of the access arrangement.

The Authority required Allgas to amend its proposed reference tariffs in accordance with the demand forecasts contained in the Final Decision. Allgas has amended its reference tariffs accordingly and the Authority is now satisfied that its tariffs meet the requirements of the Final Decision.

An inconsistency between the reference tariffs proposed by Envestra and the Final Decision was also identified during the consultation process. The Final Decision required that tariffs for domestic end users increase by no more than CPI + 1.9 per cent or \$7 per annum, whichever is the greater, commencing from the current distribution use of system (DUOS) price (estimated by the Authority in the Final Decision to be an average of \$14.10/GJ). The Authority's

intention was that cost reflectivity for domestic end users should be achieved by the end of the five year access arrangement period. However, Envestra's proposed reference tariffs were based on moving to cost reflectivity for domestic end users immediately. If approved, this would have resulted in an immediate, significant price increase for these customers.

In line with its Final Decision, the Authority required Envestra to amend its reference tariffs for these customers in accordance with the transitional price path. Constraining tariffs for domestic end users meant that tariffs for other users would have to rise above those proposed by Envestra if Envestra was to be able to raise its allowed total revenue, since less revenue would be raised from domestic end users in the short term. Envestra was also constrained in the tariffs it could charge to large demand customers by the Authority's Final Decision which, following consultation with Envestra, required an average tariff for this group of \$2.65/GJ. As a result, if Envestra was to raise its allowed total revenue, the initial tariffs for non-domestic customers in the small (volume) customer class (that is, medium sized commercial and industrial customers) would have to be set above the level proposed by Envestra. When Envestra undertook this exercise, it became apparent that reference tariffs for these medium commercial and industrial customers would have to rise to unsustainable levels to compensate for the revenue now not being raised from domestic customers. At the extreme, customers at the top of the small (volume) customer class would have been paying higher total charges than some (larger) customers at the bottom of the large (demand) customer class.

In the case of Allgas, this type of problem had been avoided by Allgas' proposal to transition prices for all customers to cost reflectivity over the regulatory period. In light of the difficulties Envestra was facing in arriving at robust reference tariffs within the constraints imposed, the Authority agreed to vary its Final Decision so that Envestra could adopt an approach, similar to Allgas, to transitioning reference tariffs to cost reflectivity over the regulatory period.

This meant that Envestra would be allowed to set average reference tariffs for the large (demand) customer class of \$2.85/GJ, as opposed to the \$2.65/GJ proposed in the Final Decision. For the small (volume) customer class, average prices would be \$11.65/GJ, as opposed to the \$11.90/GJ proposed in the Final Decision. For domestic customers within the small (volume) customer class, the average initial price would be \$14.50/GJ. Due to the revised starting points for the different customer classes, the X-factors used to determine future price paths also needed to change so that, by the end of this regulatory period, both customer classes would be facing cost reflective tariffs, as had been required under the Authority's Final Decision.

The revised initial average prices should not be higher than current average prices, recognising that there will always be some necessity for current bundled tariffs to be rebalanced to fit into the new reference tariff structure.

The adjusted price paths mean that Envestra's small (volume) customer class should achieve average annual price changes of CPI + 0.45 per cent, compared to the Final Decision which required annual average price changes of CPI. The average annual price changes for the large (demand) customer class must be CPI - 6.9 per cent, compared to the CPI - 5.6 per cent required by the Final Decision. Given the slightly higher starting price for domestic consumers, the side constraint on individual prices for end users must be CPI + 1.4 per cent per annum or \$7 per annum, whichever is the greater, compared to CPI + 1.9 per cent per annum or \$7 per annum in the Final Decision.

In practical terms, the net effect of these changes is that \$0.53 million in revenue has been transferred from the small (volume) customer class to the large (demand) customer class in the first year, to be phased out over the term of the regulatory period. Even under this revised approach, Envestra believes that it may not be able to raise its allowed total revenue. While the initial reference tariffs being approved by this decision provide for total revenue to be raised in principle, in reality Envestra may not be able to charge the reference tariffs to some of its

medium sized commercial and industrial customers. Envestra has indicated that the possible shortfall will be of the order of \$245,000. Within the approved reference tariffs, Envestra has the capacity to negotiate lower prices where necessary in order to achieve its business objectives. As reference tariffs transition over the regulatory period to cost reflectivity, this problem will also be removed.

Envestra has amended its reference tariffs in accordance with the above requirements and the Authority is now satisfied that its tariffs meet the intent of the Final Decision.

Following discussions with the Authority, Allgas and Envestra resubmitted revised documents incorporating the amended reference tariffs and certain other agreed changes.

## **Decision**

The Authority is satisfied that the revised access arrangements and access arrangement information reflect the amendments that were required by the Authority in its Final Decision, as amended by this Final Approval.

This Final Approval document constitutes the “further final decision” required by section 2.19 of the Code. The Authority’s “further final decision” is to approve the revised access arrangements, which will take effect from 1 January 2002.

The Final Approval should be read in conjunction with the Final Decision (including the Final Decision Errata), copies of which are available from the Authority or the Authority’s website at [www.qca.org.au](http://www.qca.org.au).

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**ASSESSMENT OF ALLGAS' AND ENVESTRA'S REVISED ACCESS ARRANGEMENTS AND ACCESS ARRANGEMENT INFORMATION AGAINST THE REQUIRED AMENDMENTS****Services Policy****Envestra Amendment E1**

**In order for the Envestra access arrangement to be approved, Envestra must remove the minimum contractual requirement of one year for demand customers. The Authority accepts that Envestra will insert a requirement in the access arrangement that MDQ will need to be agreed with the user in advance.**

*Envestra's response*

Envestra has amended section 4.1 of the access arrangement so that the minimum contractual period requirement no longer applies to demand haulage services. The requirement that MDQ will be agreed with the user in advance has been included in section 3.2.1 of the access arrangement information and section 4.1(b) of the access arrangement.

*QCA position*

Envestra has met the requirements of this amendment.

**Allgas Amendment A1**

**In order for the Allgas access arrangement to be approved, Allgas must include the special meter reading ancillary service identified in its access arrangement as a reference service. Charges for the special meter reading ancillary service must be expressed inclusive of GST. The special meter reading charge must note that this is not to be charged to customers when switching retailers, or alternatively, a separate nominal fee for such circumstances may be nominated by Allgas.**

*Allgas' response*

Allgas has amended sections 2.1 and 2.3 of the access arrangement and 3.5 of the access arrangement information to include special meter reading as a reference service. The costs associated with this service are outlined in Appendix B of the access arrangement. Allgas has included the requirement that in cases where a customer is switching retailer, no fee will be levied.

*QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E2**

**In order for the Envestra access arrangement to be approved, Envestra must include provisions for negotiated services in the services policy.**

*Envestra's response*

Envestra has included a provision for negotiated services in sections 2.1 and 2.4 of the access arrangement.

*QCA position*

Envestra has met the requirements of this amendment.

**Allgas Amendment A2**

**In order for the Allgas access arrangement to be approved, Allgas must amend its services policy to provide for users to be able to obtain a separate tariff for an element of any service as defined in the services policy.**

*Allgas' response*

Section 2 of the access arrangement has been amended to provide users with the ability to obtain a separate tariff for an element of any service:

*“To the extent practical and reasonable, Allgas will provide separate tariffs for elements of any Service if requested by a Network User.”*

*QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E3**

**In order for the Envestra access arrangement to be approved, Envestra must amend its services policy to provide for users to be able to obtain a separate tariff for an element of any service as defined in the services policy.**

*Envestra's response*

Envestra has amended section 2.1 of the access arrangement to incorporate the following:

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

*QCA position*

Envestra has met the requirements of this amendment.

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## Terms and Conditions

### **Allgas Amendment A3**

**In order for the Allgas access arrangement to be approved, Allgas must replace the words in section 3.6 of the terms and conditions, “... on whatever basis Allgas considers reasonable ...” with “... on a reasonable basis ...” and include the word “reasonably” in section 5.1.1.**

#### *Allgas’ response*

Allgas has amended sections 3.6 and 5.1.1 of the terms and conditions in accordance with the amendment.

#### *QCA position*

Allgas has met the requirements of this amendment.

### **Envestra Amendment E4**

**In order for the Envestra access arrangement to be approved, Envestra must replace the formulations:**

- **in sections 5.5, 9.4, 9.8, 10.7, 12.1, 19.2, 21.2, 21.4 and 21.5 of the terms and conditions “... on whatever basis Envestra considers reasonable ...”; and**
  - **in section 16.4 “... in good faith ...”;**
- with “... on a reasonable basis ...”.**

#### *Envestra’s response*

Envestra has amended the relevant sections of the terms and conditions in accordance with the amendment.

#### *QCA position*

Envestra has met the requirements of this amendment.

### **Allgas Amendment A4**

**In order for the Allgas access arrangement to be approved, Allgas must amend section 8.1(b) of the terms and conditions to the following effect:**

**“(b) to demonstrate to the reasonable satisfaction of Allgas the user’s ability to meet all financial obligations under this agreement.”**

**Allgas' response**

Allgas has amended section 8.1(b) of the terms and conditions, to allow Allgas to require a user to:

*"...demonstrate to Allgas' reasonable satisfaction the User's ability to meet all financial obligations under this Agreement."*

**QCA position**

Allgas has met the requirements of this amendment.

**Envestra Amendment E5**

**In order for the Envestra access arrangement to be approved, Envestra must replace section 4.3(e) and 4.3(f) of the access arrangement, together with associated explanations in section 4.3 of what constitutes an acceptable credit rating and how it might be altered, with words to the following effect:**

**"(e) The network user must demonstrate to the reasonable satisfaction of Envestra the user's ability to meet all financial obligations under the agreement."**

**Envestra's response**

Envestra has amended section 4.3(e) of the access arrangement as follows:

*"...(e)the Network User must demonstrate to the reasonable satisfaction of Envestra the Network User's ability to meet all financial obligations under the agreement".*

Section 4.3(f) has been deleted, as well as associated explanations of what constitutes an acceptable credit rating and how it might be altered.

**QCA position**

Envestra has met the requirements of this amendment.

**Allgas Amendment A5**

**In order for the Allgas access arrangement to be approved, it must:**

- **amend section 3.4 of the terms and conditions so that Allgas will have an obligation to maintain the network in accordance with good engineering and industry practices; and**
- **insert a requirement in the terms and conditions to the effect that Allgas must not connect a new delivery point to the network unless the system has sufficient capacity to sustain that end user.**

***Allgas' response***

Allgas has amended section 3.4 of the terms and conditions to include the following:

*“Allgas will not connect a new Delivery Point to the Network unless the system has sufficient capacity to sustain that End User. Allgas will maintain the Network in accordance with good engineering and industry practices.”*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E6**

**In order for the Envestra access arrangement to be approved, it must:**

- **amend section 5.3 of the terms and conditions so that Envestra will have an obligation to maintain the network in accordance with good engineering and industry practices; and**
- **amend section 5.6 of the terms and conditions to the effect that Envestra must not connect a new delivery point to the network unless the system has sufficient capacity to sustain that end user.**

***Envestra's response***

Envestra has not amended section 5.3 of the terms and conditions. However, Envestra has amended section 2.5 of the access arrangement to incorporate the following:

*“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 and in accordance with good engineering and industry practice.”*

Section 5.6 of the terms and conditions has been amended as follows:

*“Envestra must not connect a new Delivery Point to the Network if it is apparent that under ‘normal conditions’ and as a consequence of connecting that new Delivery Point, there will be insufficient capacity in the Network to meet the anticipated demand for Gas at any User Delivery Point. ‘Normal conditions’ here means those conditions which normally occur in the Network when taking into account daily, weekly and seasonal influences.”*

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A6**

**In order for the Allgas access arrangement to be approved, Allgas must amend section 3.2 of the terms and conditions to the effect that:**

- **where the actual MDQ/MHQ exceeds nominated MDQ/MHQ for an end user, within a single billing period, Allgas will not adjust the nominated MDQ/MHQ. If MDQ/MHQ is exceeded during a second billing period in the same contract year the nominated MDQ/MHQ for the remainder of the contract year will reflect the highest recorded MDQ/MHQ; and**
- **where the metering for an end user does not measure the actual MDQ, the actual MDQ for that delivery point will be calculated as the average daily quantity of gas delivered to the delivery point during the billing period multiplied by a factor of 1.1.**

**In addition, section 3.2(c) of the access arrangement, relating to retrospective changes to MHQ, must be deleted.**

*Allgas' response*

Allgas has amended section 3.2 of the terms and conditions to read:

*“Where the actual MDQ/MHQ exceeds Agreed Demand for an End User at a Delivery Point:*

- (a) within a single billing period, Allgas will not adjust the nominated MDQ/MHQ; or*
- (b) in a second billing period during the same Contract Year, the nominated MDQ/MHQ for the remainder of the Contract year will reflect the highest recorded MDQ/MHQ.*

*Where the metering for an End User does not measure the actual MDQ or actual MHQ:*

- (a) the actual MDQ for that Delivery Point will be calculated as the average daily quantity of gas delivered to the Delivery Point during the billing period multiplied by a factor of 1.1; and*
- (b) the actual MHQ for that Delivery Point will be the Agreed Demand.*

*QCA position*

The revised section has provided for the inclusion of MHQ when metering does not measure actual usage. Although this wording goes beyond the scope of the wording required by the Authority in the Final Decision, it satisfies the intent of the amendment. Allgas has met the requirements of this amendment.

**Envestra Amendment E7**

**In order for the Envestra access arrangement to be approved, Envestra must:**

- **delete sections 7.5 and 7.6 of the terms and conditions regarding penalties relating to one twelfth of MDQ; and**
- **delete sections 6.2 and 7.2 of the terms and conditions, relating to overrun charges.**

***Envestra's response***

Envestra has deleted sections 6.2 and 7.2 of the original terms and conditions in accordance with the amendment. Sections 6.1, 6.3, 7.1, 7.3 and 7.6 of the original terms and conditions, which related to the calculation and invoicing of overrun levies, has been deleted. Envestra has not deleted the original section 7.5 (now section 7.2) of the terms and conditions.

***QCA position***

The Authority's main concern with the original section 7.5 and penalties relating to one twelfth of MDQ was their relationship with the levying of overrun fees on telemetered delivery points. In the revised access arrangement the inclusion of the one twelfth measure provides users and Envestra with a clearer understanding as to how an overrun will be measured. Envestra has met the requirements of this amendment.

**Allgas Amendment A7**

**In order for the Allgas access arrangement to be approved, it must insert a paragraph in section 12.4 of the terms and conditions to the effect that retailers and customers within each priority class will be treated equitably when considering curtailment.**

***Allgas' response***

Allgas has amended section 12.4 of the terms and conditions to include the requirement that retailers or customers within each priority class will be treated equitably when considering curtailment:

*“Where there are several Users of Reference Services with the same priority, the Reference Services will be curtailed proportionately according to the load of those Users, or in such order as Allgas determines having regard to the relevant circumstances. Retailers and customers with the same priority will be treated equitably when considering curtailment.”*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E8**

**In order for the Envestra access arrangement to be approved, it must insert in the final paragraph in section 16.3 of the terms and conditions wording to the effect that retailers and customers within each priority class will be treated equitably when considering curtailment.**

***Envestra's response***

Envestra has amended section 16.3 of the terms and conditions to include the following:

*“Envestra will not select which of those Delivery Points to curtail or interrupt based on the identity of the Network User.”*

**QCA position**

Envestra has met the requirements of this amendment.

**Envestra Amendment E9**

**In order for the Envestra access arrangement to be approved, it must amend section 23 of the terms and conditions so that if payment has not been made by the due date, Envestra will issue a written notice requiring the user to pay the amount calculated by Envestra as being due within seven days. If the amount due has not been paid within the seven days allowed, Envestra may then suspend services or terminate the contract.**

**Envestra's response**

Envestra has amended section 23 of the terms and conditions to incorporate the following:

***“23.3 Right to Suspend Services***

*If the Network User does not pay any amount due to Envestra under the Agreement, or under any Related Haulage Agreement, within 7 days after Envestra had issued a written notice to the Network User requesting payment of that amount within 7 days, then Envestra may cease delivering Gas through any Delivery Point to or for the account of the Network User, and may cease performing any of its other obligations under the Agreement, until such time as the Network User has paid in full all unpaid amounts due to Envestra together with any interest accrued on those amounts.”*

**QCA position**

Section 23.3 is not identical to the wording proposed by Envestra in response to the Draft Decision (and accepted by the Authority in the Final Decision – see page 72). However, the Authority considers that the revised section satisfies the requirements of the amendment.

**Allgas Amendment A8**

**In order for the Allgas access arrangement to be approved, it must amend section 18.3 of the terms and conditions to the effect that the user may terminate the agreement if Allgas defaults on its obligations under the agreement and fails to remedy that breach within 21 days.**

**Allgas' response**

Allgas has amended section 18.3 of the terms and conditions, so that:

*“If Allgas defaults in the performance of material obligations under this Agreement, and where such default is capable of remedy, fails to remedy or remove the cause or causes of the default within 21 Days from the receipt of written notification from the User requiring Allgas to remedy or remove the default, then the User may terminate this Agreement by notice with immediate effect upon receipt.”*

**QCA position**

Allgas has met the requirements of this amendment.

**Envestra Amendment E10**

**In order for the Envestra access arrangement to be approved, it must:**

- **amend section 24.2(a) of the terms and conditions, to the effect that if payment has not been made by the due date, Envestra will issue a written notice requiring the user to pay the amount calculated by Envestra as being due. If the amount due has not been paid by the expiry of that seven days, Envestra may then terminate the contract; and**
- **amend section 24.2(b) of the terms and conditions, to the effect that Envestra may terminate the agreement if the user does not remedy a fault to the reasonable satisfaction of Envestra.**

***Envestra's response***

Sections 24.2(a) and (b) of the terms and conditions, have been amended so that Envestra may terminate the contract if:

*"...the Network User fails to pay any amount due to Envestra on time in the manner required by the Agreement or any Related Haulage Agreement, and that amount is not paid within 7 days after Envestra has issued a written notice requiring payment of that amount within 7 days"*

or

*"...the Network User breaches any other obligation under or in relation to the Agreement or any Related Haulage Agreement and, where that breach can be remedied, fails to remedy that breach to the reasonable satisfaction of Envestra within 14 days after it receives notice of that breach."*

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A9**

**In order for the Allgas access arrangement to be approved, it must amend section 14 of the terms and conditions to the effect that:**

- **Allgas would be required to make good or pay compensation to an equivalent value for damage to property caused by Allgas or its agents in installing, reading or servicing equipment used for the purpose of delivering gas; and**
- **neither party will be liable for any indirect or consequential loss arising out of or in connection with the agreement (except as provided for elsewhere in the access arrangement).**

***Allgas' response***

Allgas has amended section 14.5 of the terms and conditions as follows:

*"Allgas will make good or pay compensation to an equivalent value for damage to property caused by Allgas or its agents in installing, reading or servicing equipment used for the purpose of delivering gas."*

Allgas has amended section 14.1 of the terms and conditions as follows:

*"Notwithstanding any clause of this Agreement, neither Allgas nor the User will be liable for any indirect or consequential loss arising out of or in connection with the Agreement (except as provided for elsewhere in the Access Arrangement)."*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E11**

**In order for the Envestra access arrangement to be approved, it must amend section 25 of the terms and conditions to the effect that:**

- **Envestra would be required to make good or pay compensation to an equivalent value for damage to property caused by Envestra or its agents in installing, reading or servicing equipment used for the purpose of delivering gas; and**
- **neither party will be liable for any indirect or consequential loss arising out of or in connection with the agreement (except as provided for elsewhere in the access arrangement).**

***Envestra's response***

Envestra has amended section 25.1 and 29.2 of the terms and conditions as follows:

***"25.1 Property Damage***

*Subject to the other terms of the Agreement, Envestra will make good (or indemnify the Network User against) any damage that is caused to the property of the Network User as a result of any breach of the Agreement, or any act or omission on the part of Envestra or its servants, agents or contractors in connection with:*

*(a) the installation of gas delivery systems; or*

*(b) reading or servicing of Metering Equipment,*

*provided that Envestra will have no obligation to make good (or indemnify the Network User against) any damage to the extent that it results from any act or omission on the part of the Network User or its servants, agents or contractors (including, but without limitation, any breach by the Network User of its obligations under the Agreement)."*

*“29.2 Network Damage*

*Subject to clause 29.4, the Network User will indemnify Envestra against all loss, cost, expense or damage which Envestra might suffer or incur as a result of damage to any Receipt Point, any Delivery Point, and Metering Equipment or any other part of the Network, that is caused by any breach of the Agreement, or any act or omission of the Network User or any Network User’s Customer or any of their respective servants, agents, contractors or invitees, provided that the Network User will have no obligation to indemnify Envestra against any loss, cost, expense or damage to the extent that it results from an act or omission on the part of Envestra or its servants, agents or contractors (including, but without limitation, any breach by Envestra of its obligations under the Agreement).”*

Envestra has amended sections 25 and 29 of the terms and conditions as follows:

*“25.5 Consequential Loss Exclusion*

*To the extent permitted by law, Envestra will have no liability to the Network User for any profit, loss of revenue, loss of opportunity, loss of business or business interruption or for any other consequential loss or indirect loss of any nature whatsoever.”*

*“29.4 Consequential Loss Exclusion*

*To the extent permitted by law, the Network User will have no liability to Envestra for any profit, loss of revenue, loss of opportunity, loss of business interruption or for any other consequential loss or indirect loss of any nature whatsoever.”*

***QCA position***

Envestra has met the requirements of this amendment.

**Envestra Amendment E12**

**In order for the Envestra access arrangement to be approved, it must amend section 29.6 of the terms and conditions to the effect that a user is not required to indemnify Envestra for any loss, cost, expense or damage arising where Envestra or its agents damage property while installing, reading or servicing equipment used for the purpose of delivering gas.**

***Envestra’s response***

Envestra has amended the original section 29.6 (now 29.7) of the terms and conditions as follows:

*“29.7 Negligence*

*Nothing in clause 29.5 or 29.6 will require the Network User to indemnify Envestra against any loss, cost, expense or damage that results from a claim made against Envestra by a Network User’s Customer to the extent that Envestra would have been liable to the Network User for that loss, cost, expense or damage (having regard to the provisions of sections 25 and 26) had that claim been made against Envestra by the Network User rather than the Network User’s Customer (and, for this purpose, where the Claim by the Network User’s Customer is one of a number of Claims that arise out of a single event or a series of events, Envestra’s liability to the Network User for all of those Claims in aggregate will not exceed the maximum limit imposed under clause 25.4.”*

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A10**

**In order for the Allgas access arrangement to be approved, it must amend sections 13.1 and 13.2 of the terms and conditions to the effect that:**

- **with respect to the approval by Allgas of an insurer, this approval is not to be unreasonably withheld; and**
- **where Allgas requires a user not take any action to settle or compromise a claim without the consent of Allgas, this consent is not to be unreasonably withheld.**

***Allgas' response***

Allgas has amended section 13.1 of the terms and conditions to the effect that in cases of approving an insurer Allgas will not unreasonably withhold such approval. Section 13.2 of the terms and conditions has been amended to the effect that Allgas will not unreasonably withhold consent on matters dealing with claims against the user's insurance policy.

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E13**

**In order for the Envestra access arrangement to be approved, it must:**

- **amend section 33.4 of the terms and conditions to the effect that the referral of a dispute to an independent expert will only occur where both parties agree in writing; and**
- **amend section 33.5 of the terms and conditions to the effect that an appropriate person would select the independent expert.**

***Envestra's response***

Section 33.4 of the terms and conditions has been amended, so that referral of a dispute will only occur where both parties agree in writing:

***“33.4 Referral to Expert***

*If the parties are unable to resolve a Dispute through negotiation within 10 Business Days after notice was given referring that Dispute for resolution (or within whatever longer period the Parties may agree) then the Parties will have no further obligation to continue negotiations, and if both parties agree in writing, they may refer the dispute to an Independent Expert.”*

Envestra has amended section 33.5 of the terms and conditions as follows:

*“33.5 Selection of Expert*

*Within five Business Days after a notice is given under the previous clause, the Parties will endeavour to agree on a person to be appointed as Independent Expert to resolve the Dispute. If they are unable to agree within that period, the Parties will jointly request the Institute of Arbitrators to nominate a person who has appropriate commercial, technical and practical expertise in relevant areas.”*

***QCA position***

In its Final Decision the Authority accepted Envestra’s proposed wording that the parties would jointly request the Australian Gas Association to nominate a person who has appropriate commercial, technical and practical expertise in relevant areas. However, given the possibility that the position of Chair of the Australian Gas Association (AGA) may be held by a service provider or user, the holder of the position may not be impartial. At the suggestion of the Authority, both of the service providers have amended their respective access arrangements so that the parties will jointly request the Institute of Arbitrators to nominate a person who has appropriate commercial, technical and practical expertise in relevant areas. Envestra has met the requirements of this amendment.

## Trading Policy

**Allgas Amendment A11**

**In order for the Allgas access arrangement to be approved, the trading policy must be amended to include words to the effect that:**

- **Allgas will reply to any request from a user for Allgas’ consent to a transfer (other than a bare transfer) or for a change in receipt point or delivery point, within 14 business days of receiving the request accompanied by information which is reasonably necessary to enable Allgas to consider the request; and**
- **if, at the time the request is made, the user informs Allgas that due to hardship the user requires an urgent reply to its request, Allgas will use reasonable endeavours to respond to the request within two business days of receiving the request.**

***Allgas’ response***

Allgas has included the following passage in section 6.2 of the access arrangement:

*“Allgas will reply to any request from a User for consent to a transfer within 14 business Days of receiving the request (where that request is accompanied by information reasonably necessary to enable Allgas to consider the request). If the User informs Allgas that due to hardship the User requires an urgent reply to its request, Allgas will use reasonable endeavours to respond within two business days of receiving the request.”*

In addition, Allgas has added the following sentence to section 6.3 of the access arrangement:

*“Allgas will reply to any request from a User for consent to a change in Receipt Point or Delivery Point within 14 business Days of receiving the request (where that request is accompanied by information reasonably necessary to enable Allgas to consider the request).”*

#### **QCA position**

This amendment sought to ensure that requests for non-bare transfers and changes in receipt or delivery points would be responded to within 14 days and that in cases of hardship, reasonable endeavours would be made to respond to the request within two business days. The Authority is satisfied that Allgas has met the requirements of this amendment.

#### **Envestra Amendment E14**

**In order for the Envestra access arrangement to be approved, the trading policy must be amended to include words to the effect that:**

- **Envestra will reply to any request from a user for Envestra’s consent to a transfer (other than a bare transfer) or for a change in receipt point or delivery point, within 14 business days of receiving the request accompanied by information which is reasonably necessary to enable Envestra to consider the request; and**
- **if, at the time the request is made, the user informs Envestra that due to hardship the user requires an urgent reply to its request, Envestra will use reasonable endeavours to respond to the request within two business days of receiving the request.**

#### **Envestra’s response**

Envestra has amended section 6.5 of the access arrangement so that:

*“Where a Network User requires Envestra’s consent pursuant to section 6.2 or 6.3, Envestra will reply to such a request within 14 Business Days of receiving the request, provided the request is accompanied by information which is reasonably necessary to enable Envestra to consider the request.*

*If, at the time the request is made, the Network User informs Envestra that, due to hardship, the Network User requires an urgent reply to its request, Envestra will use reasonable endeavours to respond to the request within two Business Days of receiving the request, provided the request is accompanied by information which is reasonably necessary to enable Envestra to consider the request.”*

#### **QCA position**

Envestra has met the requirements of this amendment.

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## Queuing Policy

**Envestra Amendment E15**

**In order for the Envestra access arrangement to be approved, Envestra must amend the queuing policy so as to require it to provide information to potential users about:**

- **the length of time the user could expect to wait until capacity is available; and**
- **developments that may affect the interests of a potential user that is already in the queue.**

***Envestra's response***

Envestra has amended section 7 of the access arrangement to incorporate the requirement that the user must be made aware of the length of time they could expect to wait until capacity is available:

*“Whenever a Prospective Network User joins a queue, Envestra shall notify that Prospective Network User of the length of time before it is expected that sufficient capacity may become available to meet that Prospective Network User’s request. Subsequently, Envestra shall also notify those Prospective Network Users of system augmentations or other changes that materially affect Envestra’s ability to satisfy a Prospective Network User’s request.”*

***QCA position***

Envestra has met the requirements of this amendment.

## Extensions/Expansions Policy

### Allgas Amendment A12

In order for the Allgas access arrangement to be approved, the extensions/expansions policy must be revised to the effect of the following.

1. Subject to 2 below, an extension/expansion which is directly connected to an existing covered network will be automatically treated as part of the covered pipeline upon the extension/expansion coming into service.
2. An extension which is directly connected to an existing covered network will not be treated as part of the covered pipeline through the operation of the extensions/expansion policy if:
  - (a) the extension is a significant extension (or where the service provider can demonstrate the extension represents a special case); and
  - (b) the service provider obtains the Authority's written approval to exclude the extension from the covered network.
3. A significant extension means an extension to one or more delivery points, where the anticipated quantity of gas delivered exceeds 10 TJ per year and the anticipated capital expenditure for the extension exceeds \$200,000.
4. In the case of a significant extension which is directly connected with an existing covered network, and for which written consent has been provided by the Authority to treat the extension as an excluded extension, the Authority will determine what portion of the revenue generated from that extension will be offset against the total revenue calculation in recognition of the role of common or joint assets that form part of the covered pipeline.
5. Any extension/expansion which is not directly connected with the existing covered network may be excluded from the covered network, subject to the prior written consent of the Authority.

### *Allgas' response*

Allgas has amended the access arrangement (section 7) to substantively incorporate the detail of the clauses listed in this amendment.

### *QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E16**

**In order for the Envestra access arrangement to be approved, the extensions/expansions policy must be revised to the effect of the following.**

- 1. Subject to 2 below, an extension/expansion which is directly connected to the existing covered network will be automatically treated as part of the covered pipeline upon the extension/expansion coming into service.**
- 2. An extension which is directly connected to an existing covered network will not be treated as part of the covered pipeline through the operation of the extensions/expansion policy if:**
  - (a) the extension is a significant extension (or where the service provider can demonstrate the extension represents a special case); and**
  - (b) the service provider obtains the Authority's written approval to exclude the extension from the covered network.**
- 3. A significant extension means an extension to one or more delivery points, where the anticipated quantity of gas delivered exceeds 10 TJ per year and the anticipated capital expenditure for the extension exceeds \$200,000.**
- 4. In the case of a significant extension which is directly connected with an existing covered network, and for which written consent has been provided by the Authority to treat the extension as an excluded extension, the Authority will determine what portion of the revenue generated from that extension will be offset against the total revenue calculation in recognition of the role of common or joint assets that form part of the covered pipeline.**
- 5. Any extension/expansion which is not directly connected with an existing covered network may be excluded from the covered network, subject to the prior written consent of the Authority.**

***Envestra's response***

Envestra has amended section 8.1 of the access arrangement to incorporate the detail of the clauses listed in this amendment.

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A13**

**In order for the Allgas access arrangement to be approved, the extensions/expansions policy (sections 7.1 and 7.2) must be revised to the effect that:**

- **Allgas will provide written notice to the Authority where Allgas elects to recover all or part of an amount that it would not recover at the prevailing reference tariff through a surcharge; and**
- **to the extent that an augmentation has system wide benefits and Allgas believes that these benefits justify the approval of a higher reference tariff for all network users, Allgas may seek the regulator’s approval of a higher reference tariff for all network users.**

*Allgas’ response*

Allgas has amended both sections 7.1 and 7.2 of the access arrangement to include the sentence:

*“Allgas will provide written notice to the Regulator where it elects to charge a Surcharge.”*

Allgas has further amended section 7.2 of the access arrangement to include the following sentence:

*“...in accordance with Section 8.16(b)(ii) of the Code, if the Augmentation has system wide benefits that justify the approval of a higher Reference Tariff for all Network Users, Allgas may seek the Regulator’s approval of an increase in the Reference Tariff.”*

*QCA position*

Allgas has met the requirements of this amendment.

**Review Date and Review Triggers****Allgas Amendment A14**

**In order for the Allgas access arrangement to be approved, section 1.4 must be amended to the effect that:**

- **the revisions commencement date will be 1 July 2006; and**
- **the access arrangement that is current at the time will continue to apply until such time as the regulator approves any revisions.**

*Allgas’ response*

Allgas has amended section 1.4.2 of the access arrangement, so that:

*“Subject to the review trigger provisions contained in Section 1.4.3, the Revisions Commencement Date will be 1 July 2006. The Access Arrangement that is current at the time will continue to apply until such time as the Regulator approves any revisions.”*

**QCA position**

Allgas has met the requirements of this amendment.

**Envestra Amendment E17**

**In order for the Envestra access arrangement to be approved, section 9 must be amended to the effect that:**

- **the revisions commencement date will be 1 July 2006;**
- **the revisions submission date will be nine months before the revisions commencement date; and**
- **the access arrangement that is current at the time will continue to apply until such time as the regulator approves any revisions.**

**Envestra's response**

Envestra has amended section 9 of the access arrangement as follows:

**“9.1 Revisions Submission Date**

*Envestra will submit revisions to this Access Arrangement to the Regulator on 1 October 2005.*

**9.2 Revisions Commencement Date**

*The revisions to this Access Arrangement referred to in section 9.1 will commence on the later of 1 July 2006 and the date on which their approval takes effect under the Code. The Access Arrangement that is current at the time will continue to apply until such time as the Regulator approves any revisions.”*

**QCA position**

Envestra has met the requirements of this amendment.

**Allgas Amendment A15**

**In order for the Allgas access arrangement to be approved:**

- **the trigger for gas demand (sales volume) in a single year differing from that forecast must be revised to 10 per cent, for each customer class;**
- **the trigger referring to total revenue must be deleted;**
- **the trigger event dealing with uncontrollable costs must be deleted;**
- **the trigger event concerning decisions by ministers must be deleted;**
- **the reference to the regulator being able to trigger a review relating to terms and conditions must be deleted; and**
- **the access arrangement must be amended to include review triggers, which could be triggered by either the regulator or Allgas, in the event total gas demand (sales volume) in a single year differs from forecast demand by more than 15 per cent.**

***Allgas' response***

Allgas has amended section 1.4.3 of the access arrangement, as follows:

*“At any time within the Access Arrangement, either Allgas or the Regulator may, but are not required to, trigger a review based on one or more of the following conditions being fulfilled:*

- *the total gas demand (sales volume) in a single year varies from the forecast demand by more than 15%; or total gas demand (sales volume) for any tariff class varies by more than 10%.”*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E18**

**In order for the Envestra access arrangement to be approved:**

- **the review trigger relating to retail contestability in section 3.3.8 must be deleted; and**
- **the access arrangement must be amended to include review triggers, which could be triggered by either the regulator or Envestra, in the event total gas demand (sales volume) in a single year differs from forecast demand by more than 15 per cent, or by 10 per cent for each customer class.**

***Envestra's response***

Envestra has deleted the review trigger relating to retail contestability and amended section 3.3.8 of the access arrangement, as follows:

*“A review of this access arrangement may be triggered by either the Regulator or Envestra prior to the date specified in section 9.1 if the Quantity of Gas delivered in a financial year differs from that forecast in the Access Arrangement Information by more than:*

- (a) 15% in respect of total gas deliveries; or*
- (b) 10% in respect of the Quantity of Gas delivered to either Volume or Demand Delivery Points.”*

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A16**

**In order for the Allgas access arrangement to be approved, it must be amended to the effect that any increase or decrease in reference tariffs as a result of a new impost or change in an impost, must be approved by the regulator. The definition of impost must be adjusted to reflect:**

- changes in taxation or other statutory changes; or**
- other major changes in government policy (for example, costs associated with the introduction of full retail contestability).**

***Allgas’ response***

Allgas has amended section 3.4.2 of the access arrangement in accordance with the amendment. Allgas has amended the definition of impost in Appendices A and C of the access arrangement:

*“Impost means any tax or other statutory charge, or costs imposed as a result of major changes in government policy (for example, the costs associated with the introduction of full retail contestability).”*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E19**

**In order for the Envestra access arrangement to be approved, the definition of impost must be adjusted to reflect:**

- changes in taxation or other statutory changes; or**
- other major changes in government policy (for example, costs associated with the introduction of full retail contestability).**

***Envestra's response***

Envestra has amended the definition of impost contained in section 10 of the access arrangement so that:

*“Impost means: (a) any tax or other statutory charge; or*

*(b) any cost, resulting from a major change in government policy (eg. costs associated with the introduction of full retail contestability).*”

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A17**

**In order for the Allgas access arrangement to be approved, it must be amended so that Allgas will report to the regulator by no later than 30 September of each year on performance against forecasts for the previous financial year of gas demand on an aggregate (whole of covered network) basis and for each customer class.**

***Allgas' response***

Allgas has amended section 8.2.4 of the access arrangement information, so that:

*“Allgas will report to the regulator by no later than 30 September of each year on performance against forecasts for the previous financial year of gas demand on an aggregate (whole of covered Network) basis and for each customer class.”*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E20**

**In order for the Envestra access arrangement to be approved, it must be amended so that Envestra will report to the regulator by no later than 30 September of each year on performance against forecasts for the previous financial year of gas demand on an aggregate (whole of covered network) basis and for each customer class.**

***Envestra's response***

Envestra has amended section 3.3.9 of the access arrangement as follows:

*“By no later than 30 September each year, Envestra will report to the Regulator, by class of Delivery Point and on an aggregate (whole of covered Network) basis, on actual versus forecast Gas delivery for the previous financial year.”*

***QCA position***

Envestra has met the requirements of this amendment.

## Form of Regulation

### **Envestra Amendment E21**

**In order for Envestra's access arrangement to be approved, Envestra must delete the paragraph in section 3.3.5.6 of the access arrangement providing that the reference tariff policy is a fixed principle and applies until the end of the year 2009-10. References to this fixed principle in the access arrangement information (for example, section 6.3.1) should also be deleted.**

#### *Envestra's response*

Envestra has deleted the appropriate paragraph from section 3.3.5.6 of the access arrangement and has also deleted all references to the fixed principle from the access arrangement information.

#### *QCA position*

Envestra has met the requirements of this amendment.

## Initial Capital Base

### **Envestra Amendment E22**

**In order for the Envestra access arrangement to be approved, it must be amended to explicitly identify any pipelines (or other assets) which are connected to the existing network, but which are not covered in accordance with its extensions/expansions policy.**

#### *Envestra's response*

Envestra has amended section 8.1 of the access arrangement to incorporate the following passage:

*“The Regulator has agreed that the following significant extensions, defined as Excluded Assets, will be excluded from the Covered Network:*

- *pipeline to BP refinery, Bulwer Island*
- *pipeline to Visy Paper, Murarrie*
- *pipeline to Rockhampton Prison, Rockhampton.”*

#### *QCA position*

Envestra has met the requirements of this amendment.

**Allgas Amendment A18**

**In order for the Allgas access arrangement to be approved, it must be amended to explicitly identify any pipelines (or other assets) which are connected to the existing network, but which are not covered in accordance with its extensions/expansions policy.**

*Allgas' response*

Allgas has amended section 7.1 of the access arrangement to include the following passage:

*“Allgas will also explicitly identify any such extension in its Access Arrangement. There are presently no such extensions.”*

*QCA position*

Allgas has met the requirements of this amendment.

**Allgas Amendment A19**

**In order for the Allgas access arrangement to be approved, the DORC valuation must be amended to be \$180.5 million as at 30 June 1999. Taking into account \$4.4 million in respect of non-system assets as at 30 June 2000, depreciation, capital expenditure and revaluations, this equates to an ICB of \$202.6 million as at 1 July 2001.**

*Allgas' response*

Allgas has amended section 4.4.1 of the access arrangement information to include the following passage:

*“Based on the methodology adopted, the processes followed and the available data, the Depreciated Optimised Replacement Value of the Allgas system assets has been set at \$180.5 million as at 30 June 1999.”*

Allgas has also included a table in section 4.4.3 of the access arrangement information (table 4.6) which identifies the initial capital base as being equal to \$202.6 million as at 1 July 2001.

*QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E23**

**In order for the Envestra access arrangement to be approved, the DORC valuation must be amended to be \$161.8 million as at 30 June 1999. Taking into account depreciation, capital expenditure and revaluations, this equates to an ICB of \$180.2 million as at 1 July 2001.**

***Envestra's response***

Envestra has amended section 4.2 of the access arrangement information to note that total revenue is based on:

*"...an initial Capital Base (calculated according to the DORC methodology) of \$180.2 million at 1 July 2001 as per the Final Decision."*

***QCA position***

Envestra has met the requirements of this amendment.

**Rolling Forward the Capital Base****Allgas Amendment A20**

**In order for the Allgas access arrangement to be approved:**

- **the redundant capital policy (section 3.5) must state that Allgas will remove an amount from the capital base so as to share costs associated with a decline in the volume of sales of services provided by means of the covered pipeline between the service provider and users; and**
- **the reference tariff policy must state that if assets that have been declared redundant subsequently contribute, or make an enhanced contribution, to the delivery of services, the assets may be treated as a new facility having new facilities investment (for the purpose of sections 8.16, 8.17, 8.18 and 8.19) equal to the redundant capital value increased annually on a compounded basis by the rate of return from the time the redundant capital value was removed from the capital base.**

***Allgas' response***

Allgas has amended section 3.5 of the access arrangement to note that a principle under which the capital base will be reduced in accordance with section 8.27 of the Code is that:

*"...costs associated with a decline in the volume of sales of Services provided by means of the Covered Pipeline will be shared between Allgas and Users."*

Allgas has also incorporated the following passage into section 3.5 of the access arrangement:

*"If assets that are the subject of Redundant Capital subsequently contribute, or make an enhanced contribution, to the delivery of Services, the assets may be treated as a New Facility having New Facilities Investment (for the purposes of Sections 8.16, 8.17, 8.18 and 8.19 of the Code) equal to the Redundant Capital Value, increased annually on a compounded basis by the Rate of Return from the time the Redundant Capital Value was removed from the Capital Base."*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E24**

**In order for the Envestra access arrangement to be approved, the redundant capital policy (section 3.3.4) must state that Envestra will remove an amount from the capital base so as to share costs associated with a decline in the volume of sales of services provided by means of the covered pipeline between the service provider and users.**

*Envestra's response*

Envestra has amended section 3.3.4 of the access arrangement to include the following sentence:

*“Envestra will also remove an amount from the Capital Base so as to share costs associated with a decline in the volume of sales of Services provided by means of the Network, between Envestra and Network Users.”*

*QCA position*

Envestra has met the requirements of this amendment.

**Allgas Amendment A21**

**In order for the Allgas access arrangement to be approved, depreciation charges for the five years of the access arrangement period must be amended in accordance with table 14.6.**

Table 14.6 from the Final Decision is reproduced below:

**Table 14.6: QCA revised depreciation allowances (\$m, nominal)**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Allgas proposed	4.5	4.8	4.9	5.0	5.2	na
QCA approved	4.5	4.7	5.1	5.2	5.3	5.6
Difference	0	(0.1)	0.2	0.2	0.1	na
Difference (%)	0	(2)	4	4	2	na
Envestra proposed	5.8	6.3	6.7	7.1	7.4	7.4
QCA approved	4.4	4.8	5.2	5.6	6.0	6.4
Difference	(1.4)	(1.5)	(1.5)	(1.5)	(1.4)	(1.0)
Difference (%)	(24)	(24)	(22)	(21)	(19)	(14)

Numbers may not add due to rounding.

*Allgas' response*

In the revised access arrangement information (section 4.3.4), Allgas has amended the depreciation charges for the five years of the access arrangement period to reflect those contained in table 14.6 of the Final Decision.

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E25**

**In order for the Envestra access arrangement to be approved, depreciation charges for the five years of the access arrangement period must be amended in accordance with table 14.6.**

***Envestra's response***

In the revised access arrangement information (section 4.2.6), Envestra has amended the depreciation charges for the five years of the access arrangement period to reflect those contained in table 14.6 of the Final Decision.

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A22**

**In order for the Allgas access arrangement to be approved, the capital base calculation must be adjusted in accordance with table 14.7.**

Table 14.7 from the Final Decision is reproduced below:

**Table 14.7: QCA calculation for rolling forward the capital base – Allgas**

		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
	Opening assets	192.0	202.6	216.9	229.9	241.1	252.9
Less	Depreciation	4.5	4.7	5.1	5.2	5.3	5.6
Less	Disposals						
Plus	Revaluation	4.9	5.2	5.5	5.8	6.1	6.4
Plus	Capex	10.2	13.8	12.5	10.7	11.0	11.2
	Closing assets	202.6	216.9	229.9	241.1	252.9	264.9

***Allgas' response***

Allgas has amended section 7.1 of the access arrangement information to incorporate a table (Table 7.1) which displays the figures contained in the "Closing Assets" row of table 14.7 of the Final Decision.

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E26**

**In order for the Envestra access arrangement to be approved, the capital base calculation must be adjusted in accordance with table 14.8.**

Table 14.8 from the Final Decision is reproduced below:

**Table 14.8: QCA calculation for rolling forward the capital base – Envestra**

		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
	Opening assets	171.5	180.2	193.1	205.8	218.0	230.8
Less	Depreciation	4.4	4.8	5.2	5.6	6.0	6.4
Less	Disposals						
Plus	Revaluation	4.3	4.6	4.9	5.2	5.5	5.9
Plus	Capex	8.9	13.0	12.9	12.6	13.3	12.9
	Closing assets	180.2	193.1	205.8	218.0	230.8	243.1

***Envestra's response***

Envestra has amended section 4.2.6 of the access arrangement information to include a table (table 5b) which replicates table 14.8 of the Final Decision.

***QCA position***

Envestra has met the requirements of this amendment.

**Rate of Return****Allgas Amendment A23**

**In order for the Allgas access arrangement to be approved, the WACC must be expressed in post-tax nominal terms.**

***Allgas' response***

Section 5.2 of the access arrangement information has been amended to express the WACC in post-tax nominal terms.

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E27**

**In order for the Envestra access arrangement to be approved, the WACC must be expressed in post-tax nominal terms.**

***Envestra's response***

Section 4.2 of the access arrangement information has been amended to express the WACC in post-tax nominal terms.

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A24**

**In order for the Allgas access arrangement to be approved, a risk free rate of 5.96 per cent must be adopted in the determination of the WACC.**

***Allgas' response***

Section 5.4.2 of the access arrangement information has been amended to show that a risk free rate of 5.96 per cent has been adopted for the determination of the WACC.

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E28**

**In order for the Envestra access arrangement to be approved, a risk free rate of 5.96 per cent must be adopted in the determination of the WACC.**

***Envestra's response***

Envestra has amended section 4.2.2.2 of the access arrangement information to show that a risk free rate of 5.96 per cent has been adopted for the determination of the WACC.

***QCA position***

Envestra has met the requirements of this amendment.

**Envestra Amendment E29**

**In order for the Envestra access arrangement to be approved, the market risk premium used in the calculation of the WACC must be set at 6 per cent.**

***Envestra's response***

Envestra has amended section 4.2.2.2 of the access arrangement information to adopt a market risk premium of 6 per cent.

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A25**

**In order for the Allgas access arrangement to be approved, the cost of debt for calculating the WACC must be set at a debt margin of 155 basis points above the risk free rate.**

*Allgas' response*

Allgas has amended section 5.4.8 of the access arrangement information to state that the cost of debt for calculating the WACC has been set at a debt margin of 155 basis points above the risk free rate.

*QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E30**

**In order for the Envestra access arrangement to be approved, the cost of debt for calculating the WACC must be set at a debt margin of 155 basis points above the risk free rate.**

*Envestra's response*

Envestra has amended section 4.2.2.2 of the access arrangement information to state that the cost of debt for calculating the WACC has been set at a debt margin of 155 basis points above the risk free rate.

*QCA position*

Envestra has met the requirements of this amendment.

**Allgas Amendment A26**

**In order for the Allgas access arrangement to be approved, the equity beta used in calculating the WACC must be set at 0.99.**

*Allgas' response*

Section 5.4.6 of the access arrangement information has been amended to include a statement that the equity beta used in calculating the WACC was 0.99.

*QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E31**

**In order for the Envestra access arrangement to be approved, the equity beta used in calculating the WACC must be set at 0.99.**

***Envestra's response***

Envestra has amended section 4.2.2.2 of the access arrangement information to include a statement that the equity beta used in calculating the WACC was 0.99.

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A27**

**In order for the Allgas access arrangement to be approved, a dividend imputation rate of 0.5 must be assumed in the cash flows of the business.**

***Allgas' response***

Allgas has amended section 5.4.10 of the access arrangement information to state that a dividend imputation rate of 0.5 has been assumed in the cash flows.

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E32**

**In order for the Envestra access arrangement to be approved, a dividend imputation rate of 0.5 must be assumed in the cash flows of the business.**

***Envestra's response***

Envestra has amended section 4.2.2.2 of the access arrangement information to state that a dividend imputation rate of 0.5 has been assumed in the cash flows.

***QCA position***

The Authority is satisfied that Envestra has met the requirements of this amendment.

**Allgas Amendment A28**

**In order for the Allgas access arrangement to be approved, Allgas must include forecasts of the cost of tax for each year of the regulatory period in the cash flows.**

***Allgas' response***

Section 5.4.9 of the access arrangement information has been amended as follows:

*“Allgas has adopted a tax rate of 30% consistent with the long-term expectation of tax rates. This rate has been used in determining forecasts for the cost of tax for each year of the regulatory period, which have been included in the cash flows.”*

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E33**

**In order for the Envestra access arrangement to be approved, Envestra must include forecasts of the cost of tax for each year of the regulatory period in the cash flows.**

***Envestra's response***

Envestra has amended section 4.2.2.2 of the access arrangement information in accordance with the required amendment. Envestra has also amended section 4.2.6 of the access arrangement information as follows:

*“The cost of tax for each year of the Access Arrangement has been included in the cash flows.”*

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A29**

**In order for the Allgas access arrangement to be approved, expected inflation must be set at 2.50 per cent.**

***Allgas' response***

Allgas has amended section 5.4.11 of the access arrangement information to state that the expected rate of inflation was set at 2.5 per cent.

***QCA position***

Allgas has met the requirements of this amendment.

**Envestra Amendment E34**

**In order for the Envestra access arrangement to be approved, expected inflation must be set at 2.50 per cent.**

***Envestra's response***

Envestra has amended section 4.2.2.2 of the access arrangement information to state that the expected rate of inflation was set at 2.5 per cent.

***QCA position***

Envestra has met the requirements of this amendment.

**Allgas Amendment A30**

**In order for the Allgas access arrangement to be approved, the post-tax nominal WACC must be set at 9.27 per cent.**

*Allgas' response*

Allgas has amended section 5.2 of the access arrangement information to include a post-tax nominal WACC of 9.27 per cent.

*QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E35**

**In order for the Envestra access arrangement to be approved, the post-tax nominal WACC must be set at 9.27 per cent.**

*Envestra's response*

Envestra has amended section 4.2 of the access arrangement information to include a post-tax nominal WACC of 9.27 per cent.

*QCA position*

Envestra has met the requirements of this amendment.

**Non-Capital Costs****Allgas Amendment A31**

**In order for the Allgas access arrangement to be approved, Allgas must amend its projected non-capital costs (excluding UAG) to reflect those costs outlined in table 16.6.**

**Allgas must also include a commitment in its access arrangement that distribution marketing will not include the name of the incumbent retailer or the network service provider.**

Table 16.6 from the Final Decision is reproduced below:

**Table 16.6: QCA forecast of Allgas' non-capital costs (exclusive of UAG) (\$m, nominal)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Network O&M	6.13	6.40	6.72	7.05	7.32
Administration	1.40	1.40	1.40	1.40	1.40
Marketing	0.42	0.42	0.42	0.42	0.42
Total	7.95	8.22	8.54	8.88	9.14
CPI-X+G:					
Growth per cent	-0.4%	5.5%	6.3%	6.2%	4.7%
X-Factor	2.5%	2.5%	2.5%	2.5%	2.5%
CPI	2.5%	2.5%	2.5%	2.5%	2.5%
CPI-X+G	-0.3%	4.4%	5.0%	4.9%	3.7%

### *Allgas' response*

The access arrangement information (section 3.2) incorporates the non-capital cost figures outlined in table 16.6 of the Final Decision (rounded to one decimal place).

This section also includes a commitment that:

*“Advertising may include the name of the network service provider (presently Allgas), provided that this name is dissimilar to that of an associated retailer”.*

### *QCA position*

Allgas has met the first requirement of this amendment.

In relation to part two of the amendment, the Authority has reviewed its position on this issue in response to arguments presented by Envestra on the same matter (see below) and has decided to allow the inclusion of the name of the network service provider on distribution marketing material. However, given the Authority's concerns expressed in relation to the potential competitive advantage that could be gained if brand names were used, the Authority has made this conditional on **the name of the network service provider being dissimilar to that of any associated retailer.**

#### **Envestra Amendment E36**

**In order for the Envestra access arrangement to be approved, Envestra must amend its projected non-capital costs (excluding UAG/SUG) to reflect those costs outlined in table 16.7.**

**Envestra must also include a commitment in its access arrangement that distribution marketing will not include the name of the incumbent retailer or the network service provider.**

Table 16.7 from the Final Decision is reproduced below:

**Table 16.7: QCA forecast of Envestra's non-capital costs (exclusive of SUG) (\$m, nominal)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Network O&M	8.50	8.71	8.92	9.14	9.35
Administration	1.43	1.43	1.43	1.43	1.43
Marketing	0.50	0.50	0.50	0.50	0.50
Total	10.42	10.63	10.84	11.06	11.27
CPI-X+G:					
Growth per cent	4.4%	4.3%	4.3%	4.3%	4.2%
X-Factor	3.35%	3.35%	3.35%	3.35%	3.35%
CPI	2.5%	2.5%	2.5%	2.5%	2.5%
CPI-X+G	2.6%	2.6%	2.6%	2.6%	2.5%

### *Envestra's response*

The access arrangement information (section 4.2.4.2) incorporates the non-capital cost figures outlined in table 16.7 of the Final Decision.

In addition, the access arrangement (section 3.3.11) includes a commitment that:

*'Envestra's network marketing will not include the name of the incumbent retailer. In any network marketing, the name of the Network Service Provider must be dissimilar to that of any associated retailer.'*

However, this commitment has not been extended to the name of the network service provider. In support of its decision not to comply completely with part two of this amendment, Envestra provided legal advice which expressed the view that the Authority does not have power under the Code to prohibit Envestra from using its own name in marketing material.

### *QCA position*

The Authority has considered Envestra's response in relation to part two of this amendment. As a consequence, the Authority has decided to allow the name of the network service provider to appear on distribution marketing material. However, given the Authority's concerns expressed in relation to the potential competitive advantage that could be gained if brand names were used, the Authority has made this conditional on **the name of the network service provider being dissimilar to that of any associated retailer.**

### **Allgas Amendment A32**

**In order for the Allgas access arrangement to be approved, Allgas must amend its unaccounted for gas costs to reflect those outlined in table 16.13.**

Table 16.13 from the Final Decision is reproduced below:

**Table 16.13: Revised UAG/SUG costs (\$m)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Allgas	1.3	1.4	1.5	1.6	1.7
Envestra	1.1	1.1	1.2	1.3	1.3

*Allgas' response*

The access arrangement information (section 3.4.1) incorporates the unaccounted for gas costs outlined in table 16.13 of the Final Decision.

*QCA position*

Allgas has met the requirements of this amendment.

**Envestra Amendment E37**

**In order for the Envestra access arrangement to be approved, Envestra must amend its system use gas costs to reflect those outlined in table 16.13.**

*Envestra's response*

The access arrangement information (section 3.2.2.2) incorporates the unaccounted for gas costs outlined in table 16.13 of the Final Decision.

*QCA position*

Envestra has met the requirements of this amendment.

**Gas Demand Forecasts**

**Allgas Amendment A33**

**In order for the Allgas access arrangement to be approved, the gas demand forecasts, and hence the reference tariffs, must be adjusted to reflect the post price impact demand forecasts as outlined in table 17.3.**

Table 17.3 from the Final Decision is reproduced below:

**Table 17.3: Allgas and MMA demand forecasts**

	Small Customer Sales (TJ)			Large Customer Sales (TJ)			Total Sales (TJ)		
	Allgas forecast	MMA forecast (pre price impact)	MMA forecast (post price impact)	Allgas forecast	MMA forecast (pre price impact)	MMA forecast (post price impact)	Allgas forecast	MMA forecast (pre price impact)	MMA forecast (post price impact)
1999-00 Actuals	2,210			7,014			9,224		
2000-01	2,312	2,268	2,255	7,247	7,255	7,255	9,559	9,523	9,510
2001-02	2,398	2,347	2,324	7,411	7,086	7,147	9,809	9,433	9,471
2002-03	2,486	2,467	2,431	7,612	7,462	7,562	10,098	9,928	9,992
2003-04	2,609	2,595	2,546	7,945	7,932	8,074	10,554	10,527	10,621
2004-05	2,701	2,728	2,665	8,193	8,425	8,611	10,895	11,153	11,276
2005-06	na	2,850	2,793	na	8,739	9,010	na	11,589	11,803
2009-10	na	3,291	3,255	na	8,924	9,519	na	12,215	12,774

#### *Allgas' response*

Allgas has amended section 8.2.4 of the access arrangement information to incorporate the gas demand forecasts contained in table 17.3 of the Final Decision.

#### *QCA position*

Allgas has met the requirements of this amendment.

#### **Envestra Amendment E38**

**In order for the Envestra access arrangement to be approved, the gas demand forecasts, and hence the reference tariffs, must be adjusted to reflect the post price impact demand forecasts as outlined in table 17.4.**

Table 17.4 from the Final Decision is reproduced below:

**Table 17.4: Envestra and MMA demand forecasts**

	Volume Customer Sales (TJ)			Demand Customer Sales (TJ)			Total Sales (TJ)		
	Envestra forecast	MMA forecast (pre price impact)	MMA forecast (post price impact)	Envestra forecast	MMA forecast (pre price impact)	MMA forecast (post price impact)	Envestra forecast	MMA forecast (pre price impact)	MMA forecast (post price impact)
1999-00									
Actuals	1,712	1,712	1,712	2,544	2,544	2,544	4,257	4,257	4,257
2000-01	1,756	1,789	1,777	2,598	2,651	2,666	4,355	4,440	4,442
2001-02	1,803	1,868	1,843	2,654	2,762	2,793	4,457	4,631	4,636
2002-03	1,853	1,949	1,910	2,712	2,878	2,926	4,565	4,828	4,836
2003-04	1,906	2,032	1,979	2,772	2,999	3,065	4,678	5,031	5,044
2004-05	1,963	2,116	2,048	2,834	3,125	3,211	4,796	5,241	5,259
2005-06	2,019	2,193	2,130	2,898	3,235	3,348	4,917	5,428	5,477
2009-10	na	2,515	2,473	na	3,712	3,954	na	6,227	6,427

***Envestra's response***

Envestra has amended section 13.3 of the access arrangement information to incorporate the gas demand forecasts contained in table 17.3 of the Final Decision.

***QCA position***

Envestra has met the requirements of this amendment.

**Reference Tariffs and Tariff Paths****Allgas Amendment A34**

**In order for the Allgas access arrangement to be approved, the Authority requires that:**

- **the small customer class must be subject to an average annual price constraint of CPI + 0.8 per cent;**
- **the large customer class must be subject to an average annual price constraint of CPI – 4.7 per cent;**
- **the side constraint on individual prices for end users must be set at CPI + 4.1 per cent per annum or \$7 per annum, whichever is the greater;**
- **the total revenue requirements for each customer class must be revised to those indicated in table 18.12; and**
- **an amendment must be inserted requiring that changes to reference tariffs be submitted to the regulator for approval to ensure they are in accordance with the above requirements.**

Table 18.12 from the Final Decision (as amended by the Errata) is reproduced below:

**Table 18.12: QCA transitional revenue targets for Allgas (\$m) – Final Decision**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Large customer class	10.0	10.1	10.3	10.4	10.6	10.8
Small customer class	17.8	19.1	20.5	21.9	23.6	25.3
<b>Total</b>	<b>27.7</b>	<b>29.2</b>	<b>30.7</b>	<b>32.4</b>	<b>34.2</b>	<b>36.1</b>

Numbers may not add due to rounding.

### *Allgas' response*

Sections 3.3.1 and 3.3.2 of the access arrangement have been amended to incorporate the price constraints required by the Authority in the Final Decision. Allgas has incorporated the Authority's total revenue requirements (contained in the amended table 18.12 of the Final Decision) in the access arrangement information (see table 10.1). Allgas has also amended sections 3.3.1 and 3.3.2 of the access arrangement to provide for proposed changes to reference tariffs to be submitted to the Authority for approval.

### *QCA position*

Allgas has met the requirements of this amendment.

### **Envestra Amendment E39**

**In order for the Envestra access arrangement to be approved, the Authority requires that:**

- **the small customer class must be subject to an average annual price constraint of CPI;**
- **the large customer class must be subject to an average annual price constraint of CPI – 5.6 percent;**
- **a side constraint must be included on individual prices for end users, to be set at CPI + 1.9 per cent per annum or \$7 per annum, whichever is the greater;**
- **the total revenue requirements for each customer class must be revised to those indicated in table 18.13; and**
- **an amendment must be inserted requiring that changes to reference tariffs be submitted to the regulator for approval to ensure they are in accordance with the above requirements.**

As discussed in the Foreword to this Final Approval, an inconsistency between Envestra's proposed reference tariffs and the Final Decision was identified during public consultation on the proposed reference tariffs. In response, the Authority has required Envestra to amend its proposed reference tariffs and has also required changes to the price constraints and revenue requirements for each customer class. In particular, the Authority has required that:

- the small customer class must be subject to an annual average price constraint of CPI + 0.45 per cent;
- the large customer class must be subject to an average annual price constraint of CPI – 6.9 per cent;
- a side constraint must be included on individual prices for end users, to be set at CPI + 1.4 per cent per annum or \$7 per annum, whichever is the greater; and
- the total revenue requirements for each customer class must be revised to those indicated in the amended table 18.13 that is presented below:

**Amended Table 18.13: QCA transitional revenue targets for Envestra (\$m) – Final Approval**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Demand (large) customer class	7.6	7.7	7.8	7.9	7.9	8.0
Volume (small) customer class	20.7	22.1	23.6	25.2	26.9	28.7
<b>Total</b>	<b>28.3</b>	<b>29.7</b>	<b>31.4</b>	<b>33.2</b>	<b>34.9</b>	<b>36.7</b>

Numbers may not add due to rounding.

#### *Envestra's response*

Envestra has amended sections 3.3.6.1 and 3.3.6.2 of the access arrangement to incorporate the amended price constraints required by the Authority. Envestra has incorporated the Authority's total revenue requirements contained in the amended Table 18.13 in the access arrangement information (see Table 10.1, section 5.2.1). Envestra has also amended section 3.3.10 of the access arrangement to provide for proposed changes to reference tariffs to be submitted to the Authority for approval.

#### *QCA position*

Envestra has met the requirements of this amendment.

#### **Allgas Amendment A35**

**In order for the Allgas access arrangement to be approved, the reference tariff schedule must be revised to reflect the inclusion of GST.**

#### *Allgas' response*

Allgas has amended the reference tariff schedule contained in Appendix B of the access arrangement, to express tariffs inclusive of GST.

#### *QCA position*

Allgas has met the requirements of this amendment.

## Miscellaneous Issues

### Allgas Amendment A36

**In order for the Allgas access arrangement to be approved, section 9 of the access arrangement information must be amended to provide the revenue requirement for each region of the network according to customer class and in total.**

#### *Allgas' response*

The access arrangement information (section 10.3) provides tables of the revenue requirement on a customer class basis (for 2000/01-2005/06) and on a customer class by region basis (for 2000/01-2001/02). Allgas also notes that:

*“The revenue targets for each class are not shown by region after 2001/02 because accurate regional demand forecasts do not exist for this period.*

*For the Small Customer Class, revenue by region will grow in direct proportion to demand growth because there is only one reference tariff for all small customers in the Allgas network.*

*The revenue by region for the Large Customer Class will not change in direct proportion to demand growth because of the different zonal tariffs. The annual variation in revenue by region will be clarified with the QCA when network prices are submitted each year.”*

#### *QCA position*

Allgas has met the requirements of this amendment.

### Allgas Amendment A37

**In order for the Allgas access arrangement to be approved, Appendix A must be amended so that ‘CPI’ means the Consumer Price Index (all groups weighted average for the eight capital cities) as published by the Australian Bureau of Statistics or, if publication of that index ceases, any official replacement index published by the Australian Statistician.**

#### *Allgas' response*

Allgas has amended the definition of ‘CPI’ contained in Appendix A of the access arrangement to read:

*“ ‘CPI’ means the Consumer Price Index (All Groups Weighted Average for the eight capital cities) as published by the Australian Bureau of Statistics and, if publication of that Index ceases, any official replacement index published by the Australian Statistician.”*

#### *QCA position*

Allgas has met the requirements of this amendment.