



## **Access Arrangement**

**Allgas Energy Limited**

(ABN 009 656 446)

**Queensland Network**

12 November 2001

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## 1 INTRODUCTION

### 1.1 Purpose and Scope

This Access Arrangement, submitted by Allgas Energy Ltd ABN 009 656 446 ("Allgas") to the Queensland Competition Authority ("QCA" or the Regulator), has been approved in accordance with the requirements of the *Gas Pipelines Access (Queensland) Act 1998* which applies the Gas Pipelines Access Law as a law of Queensland. Schedule 2 of the Gas Pipelines Access Law contains the National Third Party Access Code for Natural Gas Pipeline Systems ("the Code").

Any future assigns or successors in title to Allgas are bound by the Access Arrangement approved by the Regulator.

The Access Arrangement describes the policies, terms and conditions applying to Network Users seeking third-party access to the Covered Natural Gas distribution Network operated by Allgas in the following geographical regions:

- Brisbane;
- South Coast;
- Oakey; and
- Toowoomba.

For the Toowoomba and Oakey regions of the Network, the Access Arrangement is filed on behalf of Allgas Energy Toowoomba Pty Ltd ABN 009 655 645, a wholly owned subsidiary of Allgas Energy Ltd.

The Access Arrangement Information submitted to the QCA together with this Access Arrangement, in accordance with the requirements of Section 2 of the Code, contains further information on the Allgas distribution Network and on the derivation of various elements of the Access Arrangement.

Maps showing the extent of the Network are included in the Access Arrangement Information.

A list of definitions is included as Appendix A of the Access Arrangement.

The Tariff Schedule is attached as Appendix B of the Access Arrangement.

The Terms and Conditions are attached as Appendix C of the Access Arrangement.

### 1.2 Commencement

This Access Arrangement commences on the date it is approved by the Regulator (the Commencement Date).

### 1.3 Term

The term of this Access Arrangement shall be the period of time from the Commencement Date to 1 July 2006.

## 1.4 Review and Expiry

3.17 *An Access Arrangement must include:*

- (a) *a date upon which the Service Provider must submit revisions to the Access Arrangement (a **Revisions Submission Date**); and*
- (b) *a date upon which the next revisions to the Access Arrangement are intended to commence (a **Revisions Commencement Date**).*

*In approving the Revisions Submissions Date and Revisions Commencement Date, the Relevant Regulator must have regard to the objectives in Section 8.1, and may in making its decision on an Access Arrangement (or revisions to an Access Arrangement), if it considers it necessary having had regard to the objectives in Section 8.1:*

- (i) *require an earlier or later Revisions Submission Date and Revisions Commencement Date than proposed by the Service Provider in its proposed Access Arrangement;*
- (ii) *require that specific major events be defined that trigger an obligation on the Service Provider to submit revisions prior to the Revisions Submission Date.*

3.18 *An Access Arrangement Period accepted by the Relevant Regulator may be of any length; however, if the Access Arrangement Period is more than five years, the Relevant Regulator must not approve the Access Arrangement without considering whether mechanisms should be included to address the risk of forecasts on which the terms of the Access Arrangement were based and approved proving incorrect. These mechanisms may include:*

- (a) *requiring the Service Provider to submit revisions to the Access Arrangement prior to the Revisions Submission Date if certain events occur, for example:*
  - (i) *if a Service Provider's profits derived from a Covered Pipeline are outside a specified range or if the value of Services reserved in contracts with Users are outside a specified range;*
  - (ii) *if the type or mix of Services provided by means of a Covered Pipeline changes in a certain way; or*
- (b) *a Service Provider returning some or all revenue or profits in excess of a certain amount to Users, whether in the form of lower charges or some other form.*

*Where a mechanism is included in an Access Arrangement pursuant to Section 3.18(a), the Relevant Regulator must investigate no less frequently than once every five years whether a review event identified in the mechanism has occurred.*

3.19 *Nothing in Section 3.18 shall be taken to imply that the Relevant Regulator may not approve an Access Arrangement Period longer than 5 years if the Relevant Regulator considers this appropriate, having regard to the objectives of Section 8.1.*

3.20 *An Access Arrangement submitted under Section 2.3 may include a date at which time the Access Arrangement will expire. If an Access Arrangement submitted under Section 2.3 expires, the Covered Pipeline the subject of the Access Arrangement ceases to be Covered on the expiry date. The Service Provider must notify the Code Registrar if a Pipeline ceases to be Covered under this Section and the Code Registrar must update the Public Register accordingly.*

#### **1.4.1 Revisions Submissions Date**

The Revisions Submission Date will be a date nine (9) months prior to the expiry of the term of this Access Arrangement.

#### **1.4.2 Revisions Commencement Date**

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.

#### **1.4.3 Review Trigger Mechanisms**

The following review trigger mechanisms are proposed.

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%.

### **1.5 Contact Details**

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### **1.6 Interpretation**

Terms in this Access Arrangement have the meaning given in Appendix A ("Definitions") or, if not therein defined, the same meaning that they have in the Code.

Defined terms appear with initial capital letters.

Unless otherwise stated, references to Section numbers are references to Sections in this Access Arrangement. This does not apply to the boxed text which outlines the requirements of the Code and refers to the relevant Sections of the Code.

## 2 SERVICES POLICY

- 3.1 *An Access Arrangement must include a policy on the Service or Services to be offered (a Services Policy).*
- 3.2 *The Services Policy must comply with the following principles:*
- (a) *The Access Arrangement must include a description of one or more Services that the Service Provider will make available to Users or Prospective Users, including:*
    - (i) *one or more Services that are likely to be sought by a significant part of the market; and*
    - (ii) *any Service or Services which in the Relevant Regulator's opinion should be included in the Services Policy.*
  - (b) *To the extent practicable and reasonable, a User or Prospective User must be able to obtain a Service which includes only those elements that the User or Prospective User wishes to be included in the Service.*
  - (c) *To the extent practicable and reasonable, a Service Provider must provide a separate Tariff for an element of a Service if this is requested by a User or Prospective User.*

The Allgas Services Policy provides for the following Services:

- Reference Services;
- Negotiated Services; and
- Ancillary Services.

This Section sets out a description of the Services offered, the types of Network Users who may access those Services, and the conditions associated with those Services. To the extent practicable and reasonable, Allgas will provide separate tariffs for elements of any Service if requested by a Network User.

To the extent practicable and reasonable, Allgas may provide additional Services not covered under this Access Arrangement where requested by a Network User. These include Ancillary Services and Negotiated Services as detailed in Sections 2.2 and 2.3 below.

Each Network User must enter into an Access Agreement applicable to that Service and that User. These agreements include:

- a standard agreement as covered by the terms and conditions of this Access Arrangement; or
- a negotiated agreement where agreed by both the User and Allgas.

Unless a negotiated agreement exists the terms and conditions attached to this Access Arrangement may apply to all Users.

## 2.1 Reference Services

The Reference Services available under this Access Arrangement are as follows:

- a Small Customer Service;
- a Large Customer Service; and
- a Special Meter Reading Service.

The descriptions of these Services are provided in the following Sections.

The Small and Large Customer Services are for forward haulage of gas and include:

- (a) receiving Natural Gas from or for the account of the User at each Receipt Point;
- (b) transporting Natural Gas from each Receipt Point through the Network;
- (c) delivering Natural Gas to or for the account of the User through each Delivery Point;
- (d) installing, and maintaining Metering Equipment;
- (e) reading the Metering Equipment at scheduled intervals;
- (f) maintaining odourisation of Natural Gas in the Network; and
- (g) regulating Natural Gas pressure in the Network.

These Reference Services do not include gas balancing. No provision has been made in any of the Reference Services to cover the costs of gas balancing.

These Reference Services apply to all existing End Users except where pre-existing contractual arrangements provide alternative arrangements. All Prospective Network Users can request an Access Agreement under the terms and conditions associated with the Reference Services. However, under certain circumstances, including those requiring difficult or lengthy Network extensions, Prospective Users may be required to negotiate specific arrangements outside of the Reference Services. These conditions are detailed in Section 7, Extensions/Expansions Policy.

Allgas will determine from time to time the applicability of each End User to a category of Reference Service. The Allgas determination will bind the User, unless proven incorrect. Allgas will not be liable for any costs incurred by the User or the End User as a result of an incorrect determination by Allgas of the End User's Reference Service category.

### 2.1.1 Small Customer Service

#### *Description*

The Small Customer Service is available where the End User is reasonably expected to withdraw a quantity of Natural Gas less than 10TJ per year. This Service provides for the transportation of gas delivered into the Network by or on behalf of the End User. Deliveries of gas may only be curtailed or interrupted in specified circumstances (eg. emergencies, events of force majeure, Network maintenance as described in the Terms and Conditions document).



### *Qualifications*

End Users at Single Premises existing at the commencement of this Access Arrangement whose total consumption at the Single Premises is less than 10TJ/year qualify for this Service. This Service applies to a single connection facility only.

### *Terms and Conditions*

The general Terms and Conditions in Appendix C apply to the Small Customer Service.

The pricing for the Small Customer Service will consist of a base fixed charge component, an additional capacity charge, where applicable, plus variable volume components. The additional capacity charge will be based on the demand capacity of the Delivery Point components. Allgas will charge these components to the User in accordance with the tariff schedule set out in Appendix B.

For End Users utilising the Small Customer Service, Allgas will provide a guaranteed minimum delivery pressure of 1.125kPa. Minimum delivery pressures in excess of 1.125kPa may be provided on a negotiated basis, at the discretion of Allgas and subject to Network constraints. Allgas does not warrant that appliances requiring minimum delivery pressures above 1.125kPa can be connected and Users should ensure that they contact Allgas before such appliances are connected.

## **2.1.2 Large Customer Service**

### *Description*

The Large Customer Service is available where the End User is reasonably expected to withdraw a quantity of Natural Gas of at least 10TJ per year. This Service provides for the transportation of gas delivered into the Network by or on behalf of the End User. Deliveries of gas may only be curtailed or interrupted in specified circumstances (eg. emergencies, events of force majeure, Network maintenance as described in the Terms and Conditions document).

### *Qualifications*

Users must have an annual usage quantity of at least 10 TJ at a single Delivery Point. This usage must be based on actual consumption in the past 12 months unless otherwise agreed by Allgas.

End Users at Single Premises existing at the commencement of this Access Arrangement, whose total consumption at the Single Premises is at least 10TJ/year, qualify for this Service and are considered to have a single Delivery Point for this qualification. For new End Users at new or existing Single Premises this Service applies to a single connection facility only.

### *Terms and Conditions*

The general Terms and Conditions in Appendix C apply to the Large Customer Service.

The pricing for the Large Customer Service includes a fixed charge component, an Agreed Demand (MHQ) component plus a volume component (MDQ). Allgas will charge these components to the User in accordance with the tariff schedule set out in Appendix B.

Users are charged according to the Agreed Demand (MHQ) to be delivered to their Delivery Point. The Agreed Demand shall be fixed by Allgas prior to the commencement of each Contract Year. For End Users with interval metering, the Agreed Demand will be the maximum metered MHQ for that End User in the previous year unless otherwise agreed with Allgas. Allgas may vary the

Agreed Demand in circumstances where the previous year actual MHQ can be clearly demonstrated, to the satisfaction of Allgas, to be abnormal for the End User.

Similarly, where the End User can demonstrate to the satisfaction of Allgas that MHQ will be lower in the subsequent year due to a significant change in production practices, then Allgas may vary the Agreed Demand.

For End Users who currently do not have interval metering and therefore do not have any demand history, the Agreed Demand shall be nominated by Allgas.

Users are also charged on their throughput delivered to their delivery point (MDQ). The MDQ for each End User shall be fixed by Allgas prior to the commencement of each Contract Year. For End Users with interval metering, the MDQ will be the maximum MDQ for that End User in the previous year unless otherwise agreed. For End Users without appropriate metering, the MDQ shall be nominated by Allgas and will be based on the maximum average daily quantity calculated monthly for that End User and a factor of 1.1.

For End Users utilising the Large Customer Service, Allgas will provide a guaranteed minimum delivery pressure of 1.125kPa. Minimum delivery pressures in excess of 1.125kPa may be provided on a negotiated basis, at the discretion of Allgas and subject to Network constraints. Allgas does not warrant that appliances requiring minimum delivery pressures above 1.125kPa can be connected and Users should ensure that they contact Allgas before such appliances are connected. Other minimum guaranteed delivery pressures must be specifically negotiated with Allgas.

Reference Tariffs are on a zonal basis with maps of the relevant zones provided in the Allgas Access Arrangement Information.

### *Unauthorised Overruns*

An End User overruns when the Metered MHQ or MDQ for the End User exceeds the Agreed Demand or MDQ for that End User at the Delivery Point. An overrun can only occur when the Metering at the Delivery Point is in service and operating normally.

When an overrun occurs within a single billing period, Allgas will not adjust the nominated MDQ/MHQ. However, if an overrun occurs 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.

## **2.2 Negotiated Services**

The Reference Services described in this Access Arrangement are not exhaustive of all the Services that Allgas is prepared to make available. Allgas may negotiate regarding any other Service or element of a Service requested by a User.

In relation to the Allgas Terms and Conditions of Service, Allgas will negotiate other terms and conditions if requested and, if agreement is reached, the resulting Service will be provided as a Service other than a Reference Service.

Such Negotiated Services may include but are not limited to:

- (a) the delivery of Natural Gas to a Delivery Point at a higher pressure than that specified for the applicable Reference Service;
- (b) an interruptible Service; and

- (c) a Service under which a User may with the prior consent of Allgas exceed the Agreed Demand.

If requested to do so by a User, Allgas will, to the extent that it is practicable, reasonable and commercially viable to do so, provide a separate tariff for an element of a Negotiated Service.

If a dispute arises it will be resolved in accordance with the dispute resolution procedures in the Gas Pipelines Access Law and the National Code, unless the parties agree otherwise. No costs for Negotiated Services have been included in the cost base for the determination of Reference Services.

## 2.3 Ancillary Services

Allgas offers a number of other Services in addition to the above. Users can contact Allgas for a complete list of these Services. The Special Meter Reading Service is a Reference Service, while the Disconnection and Reconnection Services are non-reference services.

The major Services are outlined below and charges are listed in Appendix B. The revenue from Ancillary Services is provided in the Access Arrangement Information Section 3.6.

- **Special Meter Reading Service:** At the request of the User for Meter readings not being scheduled Meter readings (including final Meter readings). No fee will be applied for meter readings when switching retailers.
- **Disconnection Service:** disconnection of a Delivery Point.
- **Reconnection Service:** reconnection of a Delivery Point - includes relighting any appliances installed at the place or premises to which gas is delivered through the Delivery Point under the Small Customer Service.

### 3 REFERENCE TARIFF POLICY

3.3 *An Access Arrangement must include a Reference Tariff for:*

- (a) *at least one Service that is likely to be sought by a significant part of the market; and*
- (b) *each Service that is likely to be sought by a significant part of the market and for which the Relevant Regulator considers a Reference Tariff should be included.*

3.4 *Unless a Reference Tariff has been determined through a competitive tender process as outlined in Sections 3.21 to 3.36, an Access Arrangement and any Reference Tariff included in an Access Arrangement must, in the Relevant Regulator's opinion, comply with the Reference Tariff Principles described in Section 8.*

8.1 *A Reference Tariff and Reference Tariff Policy should be designed with a view to achieving the following objectives:*

- (a) *providing the Service Provider with the opportunity to earn a stream of revenue that recovers the efficient costs of delivering the Reference Service over the expected life of the assets used in delivering the Service;*
- (b) *replicating the outcome of a competitive market;*
- (c) *ensuring the safe and reliable operation of the Pipeline;*
- (d) *not distorting investment decisions in Pipeline transportation systems or in upstream and downstream industries;*
- (e) *efficiency in the level and structure of the Reference Tariff; and*
- (f) *providing an incentive to the Service Provider to reduce costs and to develop the market for Reference and other Services.*

*The Regulator must, in approving a Reference Tariff and Reference Tariff Policy, be satisfied that:*

- (a) *the revenue to be generated from the sales (or forecast sales) of all Services over the Access Arrangement Period (the Total Revenue) should be established consistently with the principles and according to one of the methodologies contained in Section 8 of the Code;*
- (b) *to the extent that the Covered Pipeline is used to provide a number of Services, that portion of Total Revenue that a Reference Tariff is designed to recover (which may be based upon forecasts) is calculated consistently with the principles contained in Section 8 of the Code;*
- (c) *a Reference Tariff (which may be based upon forecasts) is designed so that the portion of Total Revenue to be recovered from a Reference Service is recovered from the Users of that Reference Service consistently with the principles contained in Section 8 of the Code;*
- (d) *Incentive Mechanisms are incorporated into the Reference Tariff Policy wherever the Regulator considers appropriate and such Incentive Mechanisms are consistent with the principles contained in Section 8 of the Code; and*
- (e) *any forecasts required in setting the Reference Tariff represent best estimates arrived at on a reasonable basis.*

### 3.1 Pricing Principles

The Reference Tariffs are designed to meet the Code's objectives as explained below. The key objectives of the policy include recovering the efficient costs of providing Services, with emphasis on the safety and integrity of the Network, providing price certainty to Users, and signalling appropriate investment in the development of the market.

The Reference Tariffs have been determined using a cost of Service approach where the total revenue is calculated on the basis of a rate of return on the capital base plus depreciation of the capital base plus the operating, maintenance and other non-capital costs of the Network.

- **Cost Reflectivity** – The Reference Tariffs reflect a recovery of efficient costs associated with delivering the Services of the Network. Benchmarking these costs against other providers shows that Allgas' costs are relatively low given the scale of the organisation. Built into the forecasts are incentive mechanisms for efficiency gains and these will pass directly to Users within this regulatory review period.

Forecast operating and maintenance costs deliver efficiency gains each year over the five year term of the Access Arrangement as described in the Access Arrangement Information. These efficiency gains are to be achieved from a current cost base that is already relatively low when compared to similar Networks.

- **Efficient Pricing Signals** – The revenues associated with the Reference Tariffs reflect economically efficient pricing principles. That is, the revenues for each of the Reference Tariffs have been set so that they are between incremental and stand-alone prices. If revenue falls below the incremental cost of supply for an End User the incentive for Allgas to connect similar Prospective End Users is removed. If revenue per End User exceeds the stand-alone costs of replicating the Reference Service there is a risk of bypass resulting in inefficient use of resources. Thus the Reference Tariffs have been structured so that resources are allocated efficiently.

Within each of these Reference Tariffs some re-balancing will be required over a transitional period to ensure that the pricing for individual End Users also complies with efficiency criteria.

- Section 3.3 below provides the basis for tariff movements from Year to Year within the term of the Access Arrangement. Typically prices are increased for inflation and then adjusted downwards to reflect the projected cost savings. Some re-balancing of the tariffs is also proposed. This enables a progressive movement towards fully cost reflective prices. The Small Customer Service adjustments in Section 3.3 include a side-constraint on price for each End User to ensure that no single End User sees significant price movements.
- **Price Stability** – The Reference Tariffs have been designed to provide certainty and stability of pricing for all Users. Reference Tariffs have been smoothed over the term of the Access Arrangement to avoid shocks in any year and provide stability and certainty for End Users.
- **Competitive market** – The Reference Tariffs are designed to reflect the most efficient use of the distribution resources. Assets are allocated to each customer class according to their use, and operating and other non-capital costs are allocated to the appropriate assets. Costs are benchmarked and the tariff policy incorporates an incentive mechanism where Reference Tariffs are forecast to deliver real gains in productivity to Users. The Access Arrangement Information provides benchmarking data for operating and maintenance costs.
- **Safe and reliable operation** – Capital expenditure forecasts assume a high degree of importance to the safety and integrity of the Network. Users are entitled to the safe use of the distribution system and forecasts are designed to deliver benefits both in reduced unaccounted for gas and reduced operational and maintenance expenditure.

- **Environmental Sustainability** – The Reference Tariffs have been designed to provide for increased gas consumption by End Users. Natural Gas is an environmentally friendly energy source and its increased usage is beneficial to the environment and encouraged by Government as evidenced in the recently published Queensland Energy Policy – A Cleaner Energy Strategy. Increased gas usage will in turn increase the utilisation of existing assets and drive lower unit costs for the usage of such assets.
- **Appropriate Investment Decisions** – The Reference Tariffs are modelled so as to provide appropriate investment signals for the development and growth of the Network. The Reference Tariff for the Large Customer Service has been designed to avoid uneconomic duplication of the Network and encourage an efficient use of resources. The fixed and variable components of pricing have been designed to signal the most efficient use of assets and maximise utilisation of the Network. This also results in a tariff which represents an efficient Network design to supply that End User.

The pricing approach for the Large Customer Group incorporates the prudent discount approach identified in Section 8.43 of the Code.

### **3.2 Reference Tariffs – General**

The Reference Tariff Policy for Allgas is designed to recover forecast Network capital costs and efficient operating costs, and to provide Allgas with a rate of return comparable to recent regulatory decisions.

The rate of return used in setting the Reference Tariffs is commensurate with recent regulatory decisions in other jurisdictions, and as such does not necessarily compensate for all of the business risks expected by Allgas over the life of the Network investment.

Allgas has applied the Weighted Average Cost of Capital approach and the Capital Asset Pricing Model in determining a nominal post tax WACC. The values considered for the various parameters of the WACC are detailed in the Access Arrangement Information.

This WACC is applied to the initial capital base for Allgas to determine a return on assets component of the target revenue.

A return of assets depreciation component is also derived from the initial capital base using a straight-line depreciation approach which is detailed in Section 4.3.3 of the Access Arrangement Information.

Non-capital costs associated with the operation, maintenance and administrative overheads are added to the above components. Section 3.2 of the Access Arrangement Information provides details of these costs.

Finally, costs associated with Unaccounted for Gas (UAG) are added to provide the total target revenue for Allgas for each year of the Access Arrangement detailed in Section 3.4.1 of the Access Arrangement Information.

This revenue is then smoothed using a Net Present Value approach. Details of these revenue calculations are provided in the Access Arrangement Information document Section 7.3.

Once the target revenues are determined in each year of the Access Arrangement, costs are allocated to various categories of End Users. This cost allocation approach recognises the need to allocate asset related costs and non-capital costs in a cost reflective and transparent manner. Some costs are directly attributable to some categories of End Users, while others need to be

allocated in some way. The principles and mechanisms of the cost allocation process are outlined in detail in the Access Arrangement Information document Section 9.

Following allocation of costs, it is necessary to determine Reference Tariffs for Users. These Reference Tariffs are fixed in a manner that recovers the allocated cost, and provides signals for efficient Network usage and appropriate incentive for investment.

Typically, Reference Tariffs include some element of fixed charge plus some variable components that depend on actual Metered usage for a period. In this way signals about fixed costs are reflected through to End Users, but at the same time they are given incentives about the manner in which they control their consumption.

Details of these arrangements are provided in Section 10 of the Access Arrangement Information document which outlines the Reference Tariff design.

All Reference Tariffs in the Access Arrangements are expressed for the Contract Year commencing 1 July 2001. The Reference Tariffs are set out in Appendix B. Reference Tariffs will only apply to End Users once the Regulator has made a final determination.

Reference Tariffs for later years are to be determined in accordance with the mechanisms described in Section 3.3.

In the case of the Large Customer Service, the Reference Tariffs vary according to the zone in which the Delivery Point is located. There are three zones in the Brisbane region, two in Toowoomba, two in Oakey and three on the South Coast. Maps of the pricing zones are supplied in Appendix A of the Access Arrangement Information.

### 3.3 Reference Tariff Adjustments

All rates and charges for Reference Services will be adjusted prior to and effective from the commencement of each Contract Year, typically at 1 July, in accordance with the following approach.

**Rate** = The rate or charge applying immediately before the Adjustment Date

**Revised Rate** = The rate or charge to be applied from the Adjustment Date

**CPI<sub>n</sub>** = CPI published in the quarter immediately before the Adjustment Date

**CPI<sub>n-1</sub>** = CPI published in the equivalent quarter in the year before the Adjustment Date

**CPI<sub>%</sub>** =  $[CPI_n - CPI_{n-1}] / CPI_{n-1}$

#### 3.3.1 Price Adjustments for Small Customer Service

The price for the Small Customer Service will be submitted to the Regulator for approval at least one Month prior to the commencement of each Contract Year, with revised prices to become effective from the commencement of the Contract Year. The following formula defines the change to the rate expressed in \$/GJ terms. The individual tariff components may be separately adjusted by different amounts provided that the average \$/GJ price adjustment is in accordance with the following formula.

Revised Rate = Rate \* (1 + CPI<sub>%</sub> + X<sub>Small Customer Service</sub>), with X<sub>Small Customer Service</sub> equal to 0.8% for the duration of the Access Arrangement.

This X factor results in the price movement necessary to deliver target revenues for this customer class.

The maximum increase in the price for any individual End User for an annual price adjustment, expressed in \$/GJ terms will be limited to CPI + 4.1% or \$7, whichever is the greater.

### **3.3.2 Price Adjustments for Large Customer Service**

The price for the Large Customer Service will be submitted to the Regulator for approval at least one Month prior to the commencement of each Contract Year, with revised prices to become effective from the commencement of the Contract Year. The following formula defines the change to the rate expressed in \$/GJ terms. The individual tariff components may be separately adjusted by different amounts provided that the average \$/GJ price adjustment is in accordance with the following formula.

Revised Rate = Rate \* (1+ CPI% - X<sub>Large Customer Service</sub>), with X<sub>Large Customer Service</sub> equal to 4.7% for the duration of the Access Arrangement.

The Agreed Demand and MDQ quantities of the Large Customer Service will not be adjusted by this formula but rather by review of actual meter readings for the previous 12 Months.

This X factor results in the price movement necessary to deliver target revenues for this customer class. The higher X factor is a result of re-balancing the tariffs to move towards cost reflectivity. The maximum increase in the price for any individual End User for an annual price adjustment, expressed in \$/GJ terms will be limited to CPI+4.1%.

## **3.4 Incentive Mechanisms and Related Principles**

The following incentive mechanisms apply in the determination of the revenue requirement.

### **3.4.1 Total Revenue Incorporates Significant Cost Reductions**

The total revenue requirement detailed in the Access Arrangement Information (Section 7) incorporates considerable cost reductions. By virtue of these forecasts and the limitation of revenues flowing from this Access Arrangement, Allgas has a powerful incentive to meet the forecast costs.

Typically the overall revenue will not be adjusted to reflect differences between forecast and actual quantities, subject to the provisions in Sections 1.4.3 and 3.4.2.

### **3.4.2 Uncontrollable Costs**

It is possible that Imposts will be changed or implemented within the Access Arrangement period. If these Imposts are demonstrably unforeseen and material then Allgas and the Regulator will seek to review the revenue and price controls.

An example of such an Impost is the costs associated with the introduction of retail contestability. The scope and form of retail contestability is unknown at this time. The costs could range from small amounts, assuming that only >100 TJ/year End Users become contestable, up to many millions of dollars if all End Users become contestable and complex Metering is required in every case. No costs associated with retail contestability have been incorporated into current forecasts.



### **3.4.3 Mains Renewals Program**

Allgas has to date undertaken only a limited mains renewals program replacing sections of ageing cast-iron and steel mains. A further program of renewals has been factored into forecasts for capital and operating costs and UAG subject to the successful outcome of a number of key initiatives.

This program provides for the progressive replacement of the worst sections of ageing mains. In practice, the “replacement” may take the form, in part, by insertion of existing cast-iron and steel mains with new mains.

The mains renewals program has been introduced to ensure that the Network can continue to be safely and economically operated into the future. Mains renewals are driven primarily by safety considerations and economic outcomes of reducing UAG, and ongoing operating and maintenance costs. In either case, the mains renewals program is specifically targeted to maximise the benefits derived from the scarce capital funds available.

### **3.4.4 Glide Path for Cost Reductions**

Where greater cost reductions than those already forecast by Allgas arise, the following mechanism is proposed for sharing the benefits arising. The cost reductions may arise by either reduced capital expenditure or reduced non-capital expenditures achieved through efficiency gains delivered by Allgas.

The mechanism proposed is that any savings resulting in a required revenue (based on the methodology described in Section 2 of the Access Arrangement Information) which varies from the currently forecast revenue (Section 7.3 of the Access Arrangement Information) by more than the variance band described in Section 1.4.3 above, will be shared between Allgas and Users at the commencement of the next review. Similarly, subject to the provisions on cost passthrough and review triggers, Allgas will absorb any additional costs incurred above those forecast until the time of the next review.

## **3.5 Redundant Capital Policy**

In accordance with Section 8.27 of the Code, the capital base shall be reduced based on the following principles:

- any assets that cease to contribute to the delivery of Services to End Users shall be removed from the capital base;
- 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; and
- the value attributable to assets that are sold shall be removed from the capital base.

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.

## 4 TERMS AND CONDITIONS

3.6 *An Access Arrangement must include the terms and conditions on which the Service Provider will supply each Reference Service. The terms and conditions included must, in the Relevant Regulator's opinion, be reasonable.*

The Allgas Terms and Conditions are included as Appendix C.

## 5 QUEUING POLICY

- 3.12 *An Access Arrangement must include a policy for determining the priority that a Prospective User has, as against any other Prospective User, to obtain access to Spare Capacity and Developable Capacity (and to seek dispute resolution under Section 6) where the provision of the Service sought by that Prospective User may impede the ability of the Service Provider to provide a Service that is sought or which may be sought by another Prospective User (a Queuing Policy).*
- 3.13 *The Queuing Policy must:*
- (a) set out sufficient detail to enable Users and Prospective Users to understand in advance how the Queuing Policy will operate;*
  - (b) accommodate, to the extent reasonably possible, the legitimate business interests of the Service Provider and of Users and Prospective Users; and*
  - (c) generate, to the extent reasonably possible, economically efficient outcomes.*
- 3.14 *The Relevant Regulator may require the Queuing Policy to deal with any other matter the Relevant Regulator thinks fit taking into account the matters listed in Section 2.24.*
- 3.15 *Notwithstanding anything else contained in this Code, the Service Provider must comply with the Queuing Policy specified in the Service Provider's Access Arrangement.*

It is the view of Allgas that a queuing policy is largely irrelevant for a distribution Network. The development of the Network typically occurs in small increments in response to Prospective End User demand or increased capacity. Very seldom does the situation arise where there are multiple requests from End Users that compete for limited capacity in a part of the Network. More typically, End Users seeking the Small Customer Service progressively take capacity from existing parts of the Network or utilise new capacity that has been added to supply a particular area eg. a housing estate. Any constraint in the Network is generally resolved through Augmentation planning well in advance of a single End User causing a definite Network limit to be reached. For End Users seeking the Large Customer Service, dedicated capacity must be identified and reserved in the Network. In most instances this is negotiated at the time of connection. Connection of such End Users is relatively infrequent and for several Prospective End Users to be competing for the same capacity in a single part of the Network would be quite rare.

However, despite these issues, Allgas supports the notion of “first in first served” in regard to the use of spare Network capacity.

Allgas undertakes to act in a non-discriminatory manner and will provide all Users and Prospective Users with equal treatment in regard to queuing and other capacity management issues.

Requests from Users or Prospective Users for access to Spare Capacity and Developable Capacity will be accorded priority on the basis of the date upon which they are received by Allgas.

A queue will be established where a User or Prospective User lodges a request for Service and there is insufficient capacity available in the Network to satisfy the request.

Within a reasonable period of the addition of a request by a Prospective User to a new or existing queue or the modification of an existing request, Allgas will advise the relevant Users / Prospective Users of:

- (a) their position on the queue;
- (b) the aggregate capacity sought by others ahead on the queue; and
- (c) its estimate of when capacity may become available

Where a queue exists, the User or Prospective User must demonstrate to Allgas that the User / Prospective User will have access to a supply of gas at the time it is anticipated that the User / Prospective User will be offered access to the Network. This demonstration may take the form of appropriate correspondence from the gas supplier that a contract for gas supply is in place.

When considering Developable Capacity, Allgas will regard requests from Prospective Users affected by the planned Augmentation in aggregate. In these instances it may be necessary to elevate the status of all requests affected by the Augmentation to the top of the queue without altering the relative ranking of other requests. This facilitates optimum design of the Network with an economically efficient outcome.

A request for access to spare or Developable Capacity must be in the form reasonably determined from time to time by the Allgas. Where a User / Prospective User submits a request for spare or Developable Capacity which is materially incomplete, Allgas will notify it of the nature of the deficiency and provide a reasonable time for the User / Prospective User to rectify the deficiency without loss of priority. If the User / Prospective User fails to rectify the deficiency within the time specified, the priority ranking of the request for spare or Developable Capacity may be reviewed by Allgas.

Allgas submits to the dispute resolution procedure contained in Section 6 of the Code.

## 6 TRADING POLICY

3.9 *The Access Arrangement for a Covered Pipeline which is described in the Access Arrangement as a Contract Carriage Pipeline must include a policy that explains the rights of a User to trade its right to obtain a Service to another person (a Trading Policy).*

3.10 *The Trading Policy must comply with the following principles:*

- (a) *A User must be permitted to transfer or assign all or part of its Contracted Capacity without the consent of the Service Provider concerned if:
  - (i) *the User's obligations under the contract with the Service Provider remain in full force and effect after the transfer or assignment; and*
  - (ii) *the terms of the contract with the Service Provider are not altered as a result of the transfer or assignment (a Bare Transfer).**

*In these circumstances the Trading Policy may require that the transferee notify the Service Provider prior to utilising the portion of the Contracted Capacity subject to the Bare Transfer and of the nature of the Contracted Capacity subject to the Bare Transfer, but the Trading Policy must not require any other details regarding the transaction to be provided to the Service Provider.*

- (b) *Where commercially and technically reasonable, a User must be permitted to transfer or assign all or part of its Contracted Capacity other than by way of a Bare Transfer with the prior consent of the Service Provider. The Service Provider may withhold its consent only on reasonable commercial or technical grounds and may make its consent subject to conditions only if they are reasonable on commercial and technical grounds. The Trading Policy may specify conditions in advance under which consent will or will not be given and conditions that must be adhered to as a condition of consent being given.*
- (c) *Where commercially and technically reasonable, a User must be permitted to change the Delivery Point or Receipt Point from that specified in any contract for the relevant Service with the prior written consent of the Service Provider. The Service Provider may withhold its consent only on reasonable commercial or technical grounds and may make its consent subject to conditions only if they are reasonable on commercial and technical grounds. The Trading Policy may specify conditions in advance under which consent will or will not be given and conditions that must be adhered to as a condition of consent being given.*

3.11 *Examples of things that would be reasonable for the purposes of Section 3.10(b) and (c) are:*

- (a) *the Service Provider refusing to agree to a User's request to change its Delivery Point where a reduction in the amount of the Service provided to the original Delivery Point will not result in a corresponding increase in the Service Provider's ability to provide that Service to the alternative Delivery Point; and*
- (b) *the Service Provider specifying that, as a condition of its agreement to a change in the Delivery Point or Receipt Point, the Service Provider must receive the same amount of revenue it would have received before the change.*

In accordance with the Code, Allgas provides for the transfer or assignment of Contracted Capacity between Users. This policy facilitates the maximum utilisation of capacity and encourages flexibility for Users to effect their supply arrangements. Allgas undertakes to act in a non-discriminatory manner and will provide all Users with equal treatment in regard to trading and other capacity management issues.

## **6.1 Bare Transfers**

A User may make a Bare Transfer without the consent of Allgas provided that the transferee notifies Allgas prior to utilising the portion of the Contracted Capacity subject to the Bare Transfer and the nature of the Contracted Capacity subject to the Bare Transfer.

## **6.2 Other Transfers**

A User may only transfer or assign all or part of its Contracted Capacity other than by way of a Bare Transfer with the prior consent of Allgas, which will only be withheld on reasonable commercial or technical grounds, or given subject to reasonable commercial or technical conditions. Examples of the basis by which Allgas could refuse a transfer are contained in Section 3.11 of the Code. 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.

## **6.3 Delivery and Receipt Points**

A User may only change the Delivery Point or Receipt Point from that specified in the Access Agreement with the prior consent of Allgas, which will only be withheld on reasonable commercial or technical grounds, or given subject to reasonable commercial or technical conditions. Examples of the basis by which Allgas could refuse a transfer are contained in Section 3.11 of the Code. 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).

## **6.4 Procedures and Conditions of Transfer and Assignment**

In the case of a transfer / assignment (other than a Bare Transfer) the following procedure shall apply:

- Allgas must be given adequate notification to consider the transfer /assignment application;
- the party requesting the transfer / assignment must bear the cost of Allgas investigating the technical and commercial feasibility of the application. These fees will vary depending on the complexity of the transfer analysis but Allgas must charge on a reasonable cost basis for such requests. Allgas will provide quotes if requested;
- the party requesting the transfer / assignment must provide Allgas with all relevant details of the transfer / assignment; and
- after analysing the request, Allgas must advise the relevant parties without undue delay.

Where a transfer / assignment is effected:

- the transferee will be required to enter into a new Contract, the terms and conditions of which will be consistent with Section 2 and in accordance with Section 6.2 of this Access Arrangement; and
- Allgas will deal only with the User.

## 7 EXTENSIONS / EXPANSIONS POLICY

- 3.16 *An Access Arrangement must include a policy (an Extensions/Expansions Policy) which sets out:*
- (a) *the method to be applied to determine whether any extension to, or expansion of the Capacity of, the Covered Pipeline:*
    - (i) *should be treated as part of the Covered Pipeline for all purposes under the Code; or*
    - (ii) *should not be treated as part of the Covered Pipeline for any purpose under the Code; (for example, the Extensions/Expansions Policy could provide that the Service Provider may, with the Relevant Regulator's consent, elect at some point in time whether or not an extension or expansion will be part of the Covered Pipeline or will not be part of the Covered Pipeline);*
  - (b) *specify how any extension or expansion which is to be treated as part of the Covered Pipeline will affect Reference Tariffs (for example, the Extensions/Expansions Policy could provide:*
    - (i) *Reference Tariffs will remain unchanged but a Surcharge may be levied on Incremental Users where permitted by Sections 8.25 and 8.26; or*
    - (ii) *specify that a review will be triggered and that the Service Provider must submit revisions to the Access Arrangement pursuant to Section 2.28);*
  - (c) *if the Service Provider agrees to fund New Facilities if certain conditions are met, a description of those New Facilities and the conditions on which the Service Provider will fund the New Facilities.*

Allgas provides the following policy to cover the expansion or extension of the Network. This policy is intended to ensure that any expansion or extension of the Allgas Network meets the efficiency requirements of the Code and delivers appropriate pricing signals to Prospective Users. Further, it ensures that equity is retained between existing and Prospective Users through the provision of extensions in accordance with the philosophy upon which the Reference Tariff Policy is based. An extension or expansion is intended to cover any capital works undertaken by Allgas or its agent.

### 7.1 Network Extensions

A Network extension is defined as being any addition to the Network within the term of the Access Arrangement.

An extension which is directly connected to an existing covered Network will be automatically treated as part of the covered pipeline upon the extension coming into service, unless the following circumstances apply.

An extension which is directly connected to an existing covered Network will not be treated as part of the covered pipeline if:

- the extension is a Significant Extension (or where Allgas can demonstrate the extension represents a special case); and
- Allgas obtains the Authority's written approval to exclude the extension from the Network.



A Significant Extension means an extension to one or more Delivery Points, where the anticipated quantity of gas delivered exceeds 10TJ per year and the anticipated capital expenditure for the extension exceeds \$200,000.

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 Regulator to treat the extension as an Excluded Extension, Allgas will negotiate with the Regulator to ensure that some portion of the revenue generated from that extension is offset against the total revenue calculation in recognition of the role of common or joint assets that form part of the covered pipeline. Allgas will also explicitly identify any such extension in its Access Arrangement. There are presently no such extensions.

Any extension which is not directly connected with the existing covered Network may be excluded from the covered Network (an Excluded Extension), subject to the prior written consent of the Regulator.

Where an extension meets the test detailed in Section 8.16 of the Code there will be no adjustment to the prevailing tariff prior to the extension.

Where an extension, either covered or excluded, is for the purpose of supplying an additional End User or group of End Users and the extension does not meet the economic feasibility test in Section 8.16(b)(i) of the Code, a Capital Contribution or Surcharge may be charged by Allgas. Neither the Capital Contribution amount nor the net present value of the Surcharge amounts shall exceed the capital cost of constructing the extension. In these circumstances no adjustment will be made to the prevailing tariff prior to the extension and the End User will pay the prevailing tariff plus the Capital Contribution or Surcharge amount as determined by Allgas. Allgas will provide written notice to the Regulator where it elects to charge a Surcharge.

## **7.2 Network Expansions / Augmentations**

A Network Augmentation will be automatically treated as part of the covered pipeline upon the Augmentation coming into service.

There are three types of Network Augmentation envisaged by Allgas as follows:

- an Augmentation necessary to maintain the safety, integrity or contracted conditions of the Network where such Augmentation meets the test in Section 8.16 of the Code. In this instance, there will be no adjustment to the prevailing tariff prior to the Augmentation;
- 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; and
- an Augmentation necessary to maintain the safety, integrity or contracted conditions of the Network for a particular End User or group of End Users where such Augmentation does not meet the test in Section 8.16 of the Code. In this instance, Allgas may require the provision of a Capital Contribution or Surcharge to be applied to the End User or group of End Users. In these circumstances no adjustment will be made to the prevailing tariff prior to the Augmentation and the End User will pay the prevailing tariff plus the Capital Contribution or Surcharge amount as determined by Allgas. Allgas will provide written notice to the Regulator where it elects to charge a Surcharge.

## 8 CAPACITY MANAGEMENT POLICY

- 3.7 *An Access Arrangement must include a statement (a Capacity Management Policy) that the Covered Pipeline is either:*
- (a) a Contract Carriage Pipeline; or*
  - (b) a Market Carriage Pipeline.*
- 3.8 *The Relevant Regulator must not accept an Access Arrangement which states that the Covered Pipeline is a Market Carriage Pipeline unless the Relevant Minister of each Scheme Participant in whose Jurisdictional Area the Pipeline is wholly or partly located has given a notice to the Relevant Regulator permitting the Covered Pipeline to be a Market Carriage Pipeline.*

The Allgas Covered Pipeline is a Contract Carriage Pipeline.

Allgas undertakes to act in a non-discriminatory manner and will provide all Users with equal treatment in regard to queuing and other capacity management issues.

## **9 NATURAL GAS BALANCING**

Issues of gas balancing and other costs associated with the introduction of contestability are currently being addressed by the Queensland Government. The principle of cost pass-through for these costs has been accepted by the Regulator.

## APPENDIX A: DEFINITIONS

“**Access Agreement**” means a written agreement between the Service Provider and a User for the provision of a Service.

“**Access Arrangement**” has the meaning as given in the Code.

“**Adjustment Date**” means the first date of a Contract Year.

“**Agreed Demand**” is the highest MHQ measured for the End User at the Delivery Point measured in the previous Contract Year unless otherwise determined by Allgas and as detailed in Section 2.

“**Allgas**” means Allgas Energy Ltd ACN 009 656 446, its subsidiaries, successors in title or assigns.

“**Ancillary Service**” means a Service of the type described in Section 2.3 of this Access Arrangement.

“**Augmentation**” means works carried out to reinforce the Network to enable the provision of Services as required under this Access Arrangement.

“**Bare Transfer**” has the meaning given to that expression in the Code.

“**Capital Contribution**” has the meaning given to it in the Code.

“**Code**” means the National Third Party Access Code for Natural Gas Pipeline Systems established under the Gas Pipelines Access Law.

“**Commencement Date**” has the meaning given in Section 1.2 of the Access Arrangement.

“**Contract Year**” means a Year commencing at 8.00am Eastern Standard Time on the date defined by Allgas, typically July 1 in any Year.

“**Contracted Capacity**” has the meaning given to that expression in the Code.

“**Covered Extension**” has the meaning described in Section 7.1 above.

“**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.

“**Day**” means a period of 24 consecutive hours beginning at 8.00 am Australian Eastern Standard Time.

“**Delivery Point**” means the point on the Network at which gas is delivered from the Network, through a single Metering Installation, to or for the account of any User.

“**Delivery Point Facilities**” means those facilities installed at a Delivery Point to enable delivery of Natural Gas to a User from the Network including Metering Equipment, a tapping point, a remote shut-off valve, any communication facilities and associated power supply;

“**Developable Capacity**” as defined in the Code.

“**End User**” is a person who acquires or proposes to acquire Natural gas from a User (or a Producer); or a person who proposes to acquire Natural Gas from a Prospective User.

“**Excluded Extension**” has the meaning described in Section 7.1 above.

“**Gas Pipelines Access Law**” means the laws [to be] introduced in the Commonwealth of Australia and Queensland to give effect to the Natural Gas Pipelines Access Agreement between the Commonwealth of Australia, the State of Queensland and other parties.

“**GJ**” means gigajoule of gas or  $10^9$ J, as that term is defined in Australian Standard AS 1000-1979.

“**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).

“**Large Customer Service**” is as defined in Section 2.1.2.

“**MDQ**” means the maximum daily quantity of Natural Gas (in GJ) which Allgas is obliged to receive on behalf of the User and to transport and deliver to Delivery Points on behalf of the User during a Day (net of UAG).

“**Meter**” means the device used to measure the volume or demand of gas.

“**Metered Quantities**” are the readings taken from a Meter.

“**Metering**” means the Meter and any associated equipment, including filters, regulators, pipework and other equipment used to measure the volume or demand of Natural Gas.

“**Metering Equipment**” means the Meter and any associated equipment, including filters, regulators, pipework and other equipment used to measure the volume or demand of Natural Gas.

“**Metering Facilities**” has the same meaning as Metering.

“**Metering Installation**” has the same meaning as Metering.

“**MHQ**” means the maximum hourly quantity of Natural Gas (in GJ) which Allgas is obliged to receive on behalf of the User and to transport and deliver to Delivery Points on behalf of the User during an hour (net of UAG).

“**MJ**” means megajoule of gas or one thousandth (1/1000) of a GJ.

“**Month**” means calendar month.

“**Natural Gas**” has the meaning given in the Code.

“**Negotiated Service**” means a Network Service of the type described in Section 2.4 of this Access Arrangement.

“**Network**” means the distribution Network owned by Allgas and through which gas will be transported and includes the Receipt Point Facilities and the Delivery Point Facilities which exist from time to time.

“**PJ**” means petajoule of gas or one million (1,000,000) GJ.

“**Producer**” means a supplier of Natural Gas.

“**Prospective End User**” means a person who may become an End User.

“**Prospective User**” has the meaning given in the Code.

**“Receipt Point”** means the point on the Network at which gas is received (or in the case of a backhaul or similar Service, deemed to have been received) into the Network from or on account of any User.

**“Receipt Point Facilities”** means those facilities installed at a Receipt Point to enable receipt of gas from a User into the Network, including a tapping point, a remote shutoff valve, SCADA and any other communications facilities and associated power supply.

**“Receipt Point MHQ”** means the maximum quantity of gas (in GJ) which the Service Provider is obliged to receive for and on behalf of a User during an hour at that Receipt Point.

**“Reference Service”** means any or all of the Reference Services referred to in Section 2.1.

**“Reference Tariff”** has the meaning given in the Code.

**“Reference Tariff Policy”** has the meaning given in the Code.

**“Regulator”** means the Queensland Competition Authority.

**“Revisions Commencement Date”** has the meaning given in Section 1.4.2.

**“Revisions Submission Date”** has the meaning given in Section 1.4.1.

**“Service”** means a Service provided by the Service Provider in relation to the Network including but not limited to Reference Services.

**“Service Provider”** has the meaning given in the Code.

**“Shareholding Minister”** means those Ministers of the Crown who hold issued shares in ENERGEX Limited or any one or more of those Ministers who are capable of issuing directions to ENERGEX Limited under the Government Owned Corporations Act 1993 (as amended) or any other legislation.

**“Significant Extension”** has the meaning given in Section 7.1.

**“Single Premises”** means any of the following if owned or occupied by the End User and used by the End User for the same business or enterprise:

- (a) the whole of any single building or structure;
- (b) a part of any single building or structure;
- (c) two or more adjoining parts of any single building or structure;
- (d) the whole of two or more buildings or structures that are on:
- (e) the same lot of land; or
- (f) two or more adjoining lots of land.

**“Small Customer Service”** is as defined in Section 2.1.1.

**“Surcharge”** has the meaning given to it in the Code.

**“TJ”** means terajoule of gas and is equal to 1,000 GJ.

“**UAG**” means the quantities of gas necessary for the efficient operation of the Network, including gas used for compressors or other equipment, and quantities otherwise lost and unaccounted for in connection with the operation of the Network including as a result of any limitations on accuracy of Metering Facilities.

“**User**” has the meaning given to it in the Code.

“**User’s Receipt Point**” means a Receipt Point at which the Service Provider is obliged to receive gas delivered by or on account of the User.

“**Year**” means a period of 365 consecutive Days but, for any Year which contains a date of 29 February, means 366 consecutive Days.

# **APPENDIX B**

## **TARIFF SCHEDULE**

(Applying from 1 July 2001 to 30 June 2002)



**Table 1: Small Customer Service**

<b>Distribution charges (Inclusive of GST)</b>		
Base Charge	(\$/day)	\$ 0.18
Additional Capacity Charge		
meter capacity > 300 MJ of MHQ	(\$/day)	\$ 0.16
Up to 0.0255 GJ of gas delivered per day	(\$/GJ)	\$ 11.11
Next 1.6745 GJ of gas delivered per day	(\$/GJ)	\$ 7.26
Next 8.3 GJ of gas delivered per day	(\$/GJ)	\$ 6.05
All gas delivered over 10 GJ per day	(\$/GJ)	\$ 4.29

**Notes**

1. *The total network charge for each billing period will be calculated using the daily charges. Each days charge will comprise:*
  - a) *a base charge; plus*
  - b) *a fixed capacity charge applied only to Network User's with assigned metering capacity in excess of 300 MJ MHQ; plus*
  - c) *a charge for the Quantity of Gas delivered (or estimated to have been delivered) during that day to or for the account of the Network User.*
  
2. *The charge for the Quantity of Gas delivered (or estimated to have been delivered) to or for the account of the Network User will be calculated at the rates shown in the above table. The daily quantities will be determined based on the appropriate Meter Reading and converted to an average daily figure based on the number of days in the metering period.*
  
3. *Total charges for each billing period will be rounded to the nearest cent.*
  
4. *Charges are inclusive of Goods and Services tax (GST).*
  
5. *The calculation of each Network User's metering capacity will be determined by Allgas based on data held by Allgas including the customer's meter type, pressure factor and consumption data.*

**Pricing Examples: Small Customer Service**

**a) Small Consumer of Gas**

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Annual Consumption: 12.994 GJ  
 Daily Consumption: 0.0356 GJ  
 Meter capacity less than 300 MJ of MHQ

Daily Network Charge Calculation

Base charge	0.18 \$/day	=	\$ 0.1800
Additional Capacity charge		=	-
Volume charges	0.0255 GJ @ \$11.11/GJ	=	\$ 0.2833
	0.0101 GJ @ \$7.26/GJ	=	\$ <u>0.0733</u>
<b>Total Daily Charge</b>		<b>=</b>	<b>\$ 0.5366</b>

Total Annual Charge (including GST): \$195.86 per annum  
 Annual Network Charge (excluding GST): \$178.05 per annum (\$13.70/GJ)

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**b) Medium Size Consumer of Gas**

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Annual Consumption: 2190 GJ  
 Daily Consumption: 6.0 GJ  
 Meter capacity of greater than 300 MJ of MHQ

Daily Network Charge Calculation

Base charge	0.18 \$/day	=	\$ 0.1800
Additional Capacity charge	0.16 \$/day	=	\$ 0.1600
Volume charges	0.0255 GJ @ \$11.11/GJ	=	\$ 0.2833
	1.6745 GJ @ \$7.26/GJ	=	\$ 12.1569
	4.3 GJ @ \$6.05/GJ	=	\$ <u>26.0150</u>
<b>Total Daily Charge</b>		<b>=</b>	<b>\$ 38.7952</b>

Total Annual Charge (including GST): \$14,160.25 per annum  
 Annual Network Charge (excluding GST): \$12,872.95 per annum (\$5.88/GJ)

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**Table 2: Large Customer Service – Brisbane Region**

Network Charges (Inclusive of GST)		Zone 1	Zone 2	Zone 3
Demand Charge	(\$/GJ of MHQ/day)	\$1.30	\$1.99	\$2.09
<b>MDQ Charges</b>				
MDQ of 50GJ or less	(\$/day)	\$59.07	\$88.82	\$140.58
Greater than 50GJ but not greater than 125GJ of MDQ	(\$/day)	\$59.07 + \$0.64/GJ of MDQ for MDQ over 50GJ	\$88.82 + \$1.24/GJ of MDQ for MDQ over 50GJ	\$140.58 + \$2.24/GJ of MDQ for MDQ over 50GJ
Greater than 125GJ but not greater than 275GJ of MDQ	(\$/day)	\$107.07 + \$0.46/GJ of MDQ for MDQ over 125GJ	\$181.82 + \$1.03/GJ of MDQ for MDQ over 125GJ	\$308.58 + \$1.89/GJ of MDQ for MDQ over 125GJ
Greater than 275GJ but not greater than 525GJ of MDQ	(\$/day)	\$176.07 + \$0.17/GJ of MDQ for MDQ over 275GJ	\$336.32 + \$0.46/GJ of MDQ for MDQ over 275GJ	\$592.08 + \$0.66/GJ of MDQ for MDQ over 275GJ
Greater than 525GJ	(\$/day)	\$218.57 + \$0.13/GJ of MDQ for MDQ over 525GJ	\$451.32 + \$0.14/GJ of MDQ for MDQ over 525GJ	\$757.08 + \$0.15/GJ of MDQ for MDQ over 525GJ

*Notes*

1. *Charges are inclusive of Goods and Services Tax (GST).*
2. *For demand metered customers, the daily demand charge refers to the customer's MHQ for May to April in the 12 months previous. Similarly, the MDQ charges refer to the customer's MDQ for May to April in the 12 months previous.*
3. *For customers without demand metering, the MHQ will be dependent on their metering capacity and be calculated by Allgas using the customer's meter types, pressure factor, diversity and consumption data. In this instance, the MDQ will be calculated by Allgas based on the customer's consumption data, days of operation and seasonality.*
4. *The customers' MDQ and MHQ readings remain constant during the financial year except in the case of overruns (see Section 3 of Terms and Conditions for details).*

**Table 3: Large Customer Service – Gold Coast Region**

Network Charges (Inclusive of GST)		Zone 4	Zone 5	Zone 6
Demand Charge	(\$/GJ of MHQ/day)	\$1.22	\$2.15	\$2.23
<b>MDQ Charges</b>				
MDQ of 50GJ or less	(\$/day)	\$133.17	\$143.23	\$153.62
Greater than 50GJ but not greater than 125GJ of MDQ	(\$/day)	\$133.17 + \$2.57/GJ of MDQ for MDQ over 50GJ	\$143.23 + \$2.70/GJ of MDQ for MDQ over 50GJ	\$153.62 + \$2.85/GJ of MDQ for MDQ over 50GJ
Greater than 125GJ but not greater than 275GJ of MDQ	(\$/day)	\$325.92 + \$2.19/GJ of MDQ for MDQ over 125GJ	\$345.73 + \$2.31/GJ of MDQ for MDQ over 125GJ	\$367.37 + \$2.43/GJ of MDQ for MDQ over 125GJ
Greater than 275GJ but not greater than 525GJ of MDQ	(\$/day)	\$654.23 + \$1.93/GJ of MDQ for MDQ over 275GJ	\$692.23 + \$2.02/GJ of MDQ for MDQ over 275GJ	\$731.87 + \$2.12/GJ of MDQ for MDQ over 275GJ
Greater than 525GJ	(\$/day)	\$1,136.92 + \$1.67/GJ of MDQ for MDQ over 525GJ	\$1,197.23 + \$1.74/GJ of MDQ for MDQ over 525GJ	\$1,261.87 + \$1.83/GJ of MDQ for MDQ over 525GJ

**Notes**

1. Charges are inclusive of Goods and Services Tax (GST).
2. For demand metered customers, the daily demand charge refers to the customer's MHQ for May to April in the 12 months previous. Similarly, the MDQ charges refer to the customer's MDQ for May to April in the 12 months previous.
3. For customers without demand metering, the MHQ will be dependent on their metering capacity and be calculated by Allgas using the customer's meter types, pressure factor, diversity and consumption data. In this instance, the MDQ will be calculated by Allgas based on the customer's consumption data, days of operation and seasonality.
4. The customers' MDQ and MHQ readings remain constant during the financial year except in the case of overruns (see Section 3 of Terms and Conditions for details).

**Table 4: Large Customer Service – Toowoomba Region**

Network Charges (Inclusive of GST)		Zone 7	Zone 8
Demand Charge	(\$/GJ of MHQ/day)	\$1.18	\$2.43
<b>MDQ Charges</b>			
MDQ of 50GJ or less	(\$/day)	\$38.12	\$54.84
Greater than 50GJ but not greater than 125GJ of MDQ	(\$/day)	\$38.12 + \$0.23/GJ of MDQ for MDQ over 50GJ	\$54.84 + \$0.57/GJ of MDQ for MDQ over 50GJ
Greater than 125GJ but not greater than 275GJ of MDQ	(\$/day)	\$55.37 + \$0.18/GJ of MDQ for MDQ over 125GJ	\$97.59 + \$0.45/GJ of MDQ for MDQ over 125GJ
Greater than 275GJ but not greater than 525GJ of MDQ	(\$/day)	\$82.37 + \$0.14/GJ of MDQ for MDQ over 275GJ	\$165.09 + \$0.28/GJ of MDQ for MDQ over 275GJ
Greater than 525GJ	(\$/day)	\$117.37 + \$0.12/GJ of MDQ for MDQ over 525GJ	\$235.09 + \$0.15/GJ of MDQ for MDQ over 525GJ

*Notes*

1. *Charges are inclusive of Goods and Services Tax (GST).*
2. *For demand metered customers, the daily demand charge refers to the customer's MHQ for May to April in the 12 months previous. Similarly, the MDQ charges refer to the customer's MDQ for May to April in the 12 months previous.*
3. *For customers without demand metering, the MHQ will be dependent on their metering capacity and be calculated by Allgas using the customer's meter types, pressure factor, diversity and consumption data. In this instance, the MDQ will be calculated by Allgas based on the customer's consumption data, days of operation and seasonality.*
4. *The customers' MDQ and MHQ readings remain constant during the financial year except in the case of overruns (see Section 3 of Terms and Conditions for details).*

**Table 5: Large Customer Service – Oakey Region**

Network Charges (Inclusive of GST)		Zone 9	Zone 10
Demand Charge	(\$/GJ of MHQ/day)	\$0.99	\$1.70
<b>MDQ Charges</b>			
MDQ of 50GJ or less	(\$/day)	\$43.51	136.46
Greater than 50GJ but not greater than 125GJ of MDQ	(\$/day)	\$43.51 + \$0.34/GJ of MDQ for MDQ over 50GJ	\$136.46 + \$2.20/GJ of MDQ for MDQ over 50GJ
Greater than 125GJ but not greater than 275GJ of MDQ	(\$/day)	\$69.01 + \$0.28/GJ of MDQ for MDQ over 125GJ	\$301.46 + \$1.76/GJ of MDQ for MDQ over 125GJ
Greater than 275GJ but not greater than 525GJ of MDQ	(\$/day)	\$111.01 + \$0.17/GJ of MDQ for MDQ over 275GJ	\$565.46 + \$1.06/GJ of MDQ for MDQ over 275GJ
Greater than 525GJ	(\$/day)	\$153.51 + \$0.14/GJ of MDQ for MDQ over 525GJ	\$830.46 + \$0.48/GJ of MDQ for MDQ over 525GJ

*Notes*

1. *Charges are inclusive of Goods and Services Tax (GST).*
2. *For demand metered customers, the daily demand charge refers to the customer's MHQ for May to April in the 12 months previous. Similarly, the MDQ charges refer to the customer's MDQ for May to April in the 12 months previous.*
3. *For customers without demand metering, the MHQ will be dependent on their metering capacity and be calculated by Allgas using the customer's meter types, pressure factor, diversity and consumption data. In this instance, the MDQ will be calculated by Allgas based on the customer's consumption data, days of operation and seasonality.*
4. *The customers' MDQ and MHQ readings remain constant during the financial year except in the case of overruns (see Section 3 of Terms and Conditions for details).*

**Pricing Examples: Large Customer Services**

**Large Customer**

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Brisbane Customer

Zone 2

Annual Consumption: 18,000 GJ

MDQ: 55 GJ

MHQ: 25 GJ of MHQ

Daily Network Charge Calculation

Demand charge (MHQ)	25 GJ of MHQ @ \$1.99/GJ	=	\$49.75
MDQ of 55GJ Charge	\$88.82 per day	=	\$88.82
	+ 5 GJ @ \$1.24/GJ	=	<u>\$6.20</u>
Total Daily Charge		=	\$144.77

Total Annual Charge (including GST): \$52,841.05 per annum

Network Charge (excluding GST): \$48,037.32 per annum (\$2.67/GJ)

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**Large Customer**

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Toowoomba Customer

Zone 8

Annual Consumption: 67,525 GJ

MDQ: 210 GJ

MHQ: 32 GJ of MHQ

Daily Network Charge Calculation

Demand charge (MHQ)	32 GJ of MHQ @ \$2.43/GJ	=	\$77.76
MDQ of 210GJ Charge	\$97.59 per day	=	\$97.59
	+ 85 GJ @ \$0.45/GJ	=	<u>\$38.25</u>
Total Daily Charge		=	\$213.60

Total Annual Charge (including GST): \$77,964.00 per annum

Network Charge (excluding GST): \$70,876.36 per annum (\$1.05/GJ)

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**Table 6: Ancillary Services (Inclusive of GST)**

<b>Ancillary Service</b>	<b>Ancillary Service Charge</b>
Special Meter Reading	\$44.00
Disconnection	\$55.00
Reconnection	\$82.50