

Draft Decision

Multinet Gas Networks

Access Arrangement 2023 to 2028

(1 July 2023 to 30 June 2028)

Attachment 11

Non-tariff components

December 2022

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Note

This attachment forms part of the AER’s draft decision on the access arrangement that will apply to Multinet Gas Networks (MGN) for the 2023–28 access arrangement period. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Services covered by the access arrangement

Attachment 2 – Capital base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency carryover mechanism

Attachment 9 – Reference tariff setting

Attachment 10 – Reference tariff variation mechanism

Attachment 11 – Non-tariff components

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Attachment 13 – Capital expenditure sharing scheme

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11 Non-tariff components

This attachment sets out our draft decision on the following non-tariff components of MGN's proposed access arrangement proposal for the 2023–28 access arrangement period:

- queuing requirements – a process or mechanism for establishing an order of priority between prospective users of spare and/or developable capacity
- extension and expansion requirements – the method for determining whether an extension or expansion is part of the covered pipeline and the effect this will have on tariffs
- capacity trading requirements – the arrangements for users to assign contracted capacity and change receipt and delivery points
- change of receipt or delivery point by the user – the process or mechanism for changing a user's receipt or delivery point
- the terms and conditions for the supply of reference services
- a review submission date and revision commencement date for the next access arrangement period.

11.1 Draft decision

Australian Gas Networks (AGN) and Multinet Gas Distribution Partnership (MGN) are part of the Australian Gas Infrastructure Group (AGIG) group of companies. Because MGN and AGN have made the same proposal in respect of the non-tariff components of their access arrangements, our draft decisions for MGN and AGN are also the same. We discuss our reasons for this draft decision in Attachment 11 to our draft decision on AGN's access arrangement proposal. For the purposes of our draft decision for MGN, that discussion applies here also. The revisions required in MGN's revised proposal are summarised in section 0 below.

Our draft decision approves the majority of the non-tariff components of MGN's proposed access arrangement for the 2023–28 period.

MGN has taken the opportunity at this access arrangement review to align the access arrangements and terms and conditions with AGN's. MGN submits that this process of standardisation and harmonisation across AGIG networks is consistent with achieving the lowest sustainable costs for its customers.

This alignment process is one that AGN has been progressing for some time for other related networks, including its covered distribution pipeline in South Australia. This longer period of review and alignment was a factor in the decision to align MGN with AGN, and not the reverse.

MGN's engagement on the non-tariff components of its access arrangement used the access arrangement and terms and conditions we approved for AGN's current, 2018–22 period, as a base rather than those that applied to MGN in that period. This approach was largely supported by participants in that engagement. We have also seen stakeholder support for the alignment in submissions to this review.

We have accepted MGN’s proposed queuing, extension and expansion, and capacity trading requirements and proposed approach to changing users’ receipt or delivery points. These are substantively unchanged from those approved for AGN for the current period. We received no submissions on these elements of MGN’s or AGN’s proposed access arrangement. We remain satisfied that they meet the requirements of the National Gas Rules (NGR).

We have also accepted MGN’s proposed revision commencement date of 1 July 2028 for its next access arrangement. MGN’s proposed review submission date of 1 July 2027 allows the minimum period of 12 months before the revision commencement date, in which we can consult on and assess its proposed revisions to the access arrangement for the next period.

There are, however, a small number of elements of the proposed access arrangement around credit support, customer details and calculation of distribution service charges that we have decided require further consideration in revised proposals from both AGN and MGN before we can accept them:

Since AGN and MGN submitted their proposals, the Australian Energy Market Commission (AEMC) has made the *National Gas Amendment (DWGM Distribution connected facilities) Rule 2022*. That rule amends the NGR to allow the participation of distribution connected facilities in the Victorian gas market. It contemplates a range of matters to be addressed, or managed, in accordance with the terms and conditions of a distributor’s access arrangement. The final rule will come into effect on 1 May 2024, within the first year of the 2023-28 period. As the final rule was not made in time for these proposals, we expect to see the rule fully addressed in revised proposals.

We are mindful that there will be limited time for iterative engagement on options and solutions between submission of revised proposals in January 2023 and the close of stakeholder submissions in February 2023. We have therefore encouraged AGN and MGN to make full use of the time available between the publication of the final rule in September and submission of their revised proposals in January 2023 to engage on options and solutions with a view to presenting a revised proposal that has stakeholder support.

11.2 Revisions

We require the following revisions to make the access arrangement proposal acceptable.

Table 11.1 Required revisions

Revision	Amendment
Revision 11.1	Make all amendments necessary to give full effect to the <i>National Gas Amendment (DWGM Distribution connected facilities) Rule 2022</i> from 1 May 2024.
Revision 11.2	Annexure F clause 32.2 - Customer details Revise clause 32.2 to add the underlined: In particular, but without limitation, if the Network User is a Gas Retailer, then, if requested by MGN, <u>to the extent permitted by law</u> the Network User will promptly provide MGN with any information about a Shared Customer which is held by the Network User and required by MGN for a purpose or purposes relating to the operation, maintenance or management of the Network or the provision of Distribution Services or for other purposes permitted by law. If that information is provided to MGN, MGN must use it only for those purposes.
Revision 11.3	Annexure F clauses 18.3 – Reconnection

	Change the title of this clause to 'Reconnection request'.
Revision 11.4	<p>Annexure F clause 20.4 - Distribution Service Charges – calculation of charges</p> <p>Revise clause 20.4 to remove the words 'from time to time':</p> <p>The Distribution Services Charges must be calculated from time to time in accordance with the Agreement and the Tariff Schedule applicable at the relevant time</p>
Revision 11.5	<p>Access Arrangement clause 6.4; Annexure F clause 27 – credit support</p> <p>Present an alternative credit support framework that re-balances risk between MGN, retailers and customers by reducing the cost of pre-emptive, up-front risk management and balancing this with ex post recovery only where the risk is realised.</p> <p>This alternative may be based on Part 21 of the NGR (including related amendments to the retailer insolvency cost pass through event), current credit support arrangements for Victorian electricity distributors, or another model.</p>

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AGIG	Australian Gas Industry Group
AGN	Australian Gas Networks (Victoria and Albury)
DWGM	Declared Wholesale Gas Market
MGN	Multinet Gas Networks
NGR	National Gas Rules
