



Access arrangement decision
Envestra Ltd
2013–17

April 2013

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Shortened forms

Shortened form	Full title
2008-12 access arrangement	Access arrangement for Envestra from 1 January 2008 to 31 December 2012
2013-17 access arrangement	Access arrangement for Envestra from 1 January 2013 to 31 December 2017
access arrangement information	Envestra, Access arrangement information for the Albury Gas Distribution system, 30 March 2012; and Envestra, Access arrangement information for the Victorian Gas Distribution system, 30 March 2012.
access arrangement proposals	Envestra, Access arrangement proposal for the Albury Gas Distribution system, 30 March 2012; and Envestra, Access arrangement proposal for the Victorian Gas Distribution system, 30 March 2012.
AER	Australian Energy Regulator
AER access arrangements	AER, Access arrangement for Envestra's Albury Gas Distribution system, 24 April 2013; and AER, Access arrangement for Envestra's Victorian Gas Distribution system, 24 April 2013.
AER access arrangement information	AER, Access arrangement information for Envestra's Albury Gas Distribution system, 24 April 2013; and AER, Access arrangement information for Envestra's Victorian Gas Distribution system, 24 April 2013.
Envestra	Envestra Limited (ACN 078 551 685)
Envestra Albury	Envestra's distribution network in Albury
Envestra Victoria	Envestra's distribution network in Victoria
ESC	Essential Services Commission (Victoria)
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
RPP	revenue and pricing principles
revised access arrangement information	Envestra, Revised access arrangement information for the Albury Gas Distribution system, 9 November 2012; and Envestra, Revised access arrangement information for the Victorian Gas Distribution system, 9 November 2012.
revised access arrangement proposals	Envestra, Access arrangement proposal for the Albury Gas Distribution system, 9 November 2012; and Envestra, Revised access arrangement proposal for the Victorian Gas Distribution system, 9 November 2012.
The Networks	Envestra Albury and Envestra Victoria

Background

The Australian Energy Regulator (AER) is responsible for the economic regulation of covered natural gas distribution and transmission pipelines in all states and territories except Western Australia. The National Gas Law (NGL) and National Gas Rules (NGR) provide the overarching regulatory framework for the gas distribution and transmission sectors.

Envestra's distribution networks in Victoria (Envestra Victoria) and Albury (Envestra Albury) are both owned and operated by Envestra Limited ACN 078 551 685. Envestra Victoria and Envestra Albury (the Networks) are subject to full regulation, which requires a service provider¹ to submit an access arrangement proposal to the AER for approval, and to revise it periodically (typically every five years). An access arrangement sets out the terms and conditions on which third parties can access distribution and transmission pipelines.²

The Networks include the distribution mains, inlets, meters, regulators, and ancillary equipment that are used to provide pipeline services in Victoria and Albury. Envestra Victoria serves the northern, outer eastern, and southern areas of Melbourne, the Mornington Peninsula, rural communities in northern, eastern, and north-eastern Victoria and south-eastern rural townships in Gippsland, while Envestra Albury serves Albury and its environs. Envestra Victoria comprises around 9900 kilometres of mains delivering gas to around 575 000 customers. Envestra Albury delivers gas to around 20 000 customers.

The Essential Services Commission of Victoria (ESC) made the previous determination on Envestra's access arrangements for the period 1 January 2008 to 31 December 2012. The ESC made its determination in accordance with the provisions of the National Third Party Access Code for Natural Gas Pipeline Systems.

Responsibility for the regulation of Victorian gas networks transferred from the ESC to the AER on 1 July 2008 as part of the move towards the national regulation of the energy market.³ This current determination process is the first full assessment by the AER of the access arrangements of the Victorian gas distribution and transmission businesses under the NGL and the NGR.

The NGL provides that when performing or exercising an economic regulatory function or power, the AER must do so in a manner that will or is likely to contribute to the achievement of the national gas objective (NGO).⁴ The NGO is:⁵

... to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

Furthermore, the AER must take into account the revenue and pricing principles (RPP) when exercising its discretion in approving, or making, those parts of an access arrangement relating to a

¹ Under s.8 of the NGL a service provider is a person who owns, controls or operates a gas pipeline.

² Section 322 of the NGL provides that contracts between service providers and users may differ from those approved by the AER as part of an access arrangement review. In the event of a dispute, however, a user or prospective user may notify the AER of the dispute, in which case the AER must make a determination on access by the user or prospective user pursuant to Chapter 6, Part 3 of the NGL. The AER must, in making its determination, give effect to the applicable access arrangement, pursuant to s. 189 of the NGL.

³ National Gas (Victoria) Act 2008 (Vic), Part 5.

⁴ NGL, s. 28.

⁵ NGL, s. 23.

reference tariff. The AER may also take the RPP into consideration in its performance or exercise of any other AER economic regulatory function or power where it considers this appropriate.⁶

In the AER's final decision, released 15 March 2013, the AER proposed revisions to Envestra's access arrangement proposals having regard to the NGL, NGR, Envestra's proposals, and the AER's reasons for not approving the proposals.⁷ Pursuant to the NGR, the AER is required to make a decision, giving effect to its own proposal, within two months of its final decision.⁸ This document contains that decision.

Access arrangement proposals

On 30 March 2012, Envestra submitted its access arrangement proposals for the period 1 January 2013 to 31 December 2017. The access arrangement proposals outlined the proposed terms and conditions of access to the Networks for the access arrangement period. The access arrangement information set out the background and basis of various elements of the access arrangement proposals.⁹

In accordance with the NGR, the AER published Envestra's access arrangement proposals on 2 May 2012 and called for submissions from interested parties. On 18 May 2012, the AER hosted an industry workshop on the proposed terms and conditions. The workshop provided retailers and distributors (including Envestra) with a forum to identify and discuss key issues arising from the proposed amendments to the non-price terms and conditions of the distributors' access arrangements. The AER received four submissions on Envestra's access arrangement proposals.

AER draft decision

On 24 September 2012, the AER released its draft decision to not approve Envestra's access arrangement proposals for the Networks.

The AER engaged engineering, financial, and economic experts to advise on key aspects of the access arrangement proposals. The AER considered this advice, and submissions received, in making its draft decision.

Revised access arrangement proposals

Envestra submitted revised access arrangement proposals and revised access arrangement information, for the Networks, to the AER on 9 November 2012. The AER published Envestra's revised access arrangement proposals on the AER website on 13 November 2012. The supporting documents were published on 22 November 2012.

The AER invited interested parties to make submissions on its draft decision and Envestra's revised access arrangement proposals by 7 January 2013. The AER also hosted a consumer group roundtable on 27 November 2012, to discuss the gas review process and to seek comments from participants on consumer specific issues. The AER received four submissions in response to Envestra's revised proposals. The AER considered the submissions it received in making its final decision.

⁶ NGL, s. 28. The revenue and pricing principles are set out in NGL, s. 24.

⁷ NGR, r. 64(1) and (2).

⁸ NGR, r. 64(4)

⁹ NGR, r. 42.

AER final decision

On 15 March 2013, the AER released its final decision to not approve Envestra's revised access arrangement proposals. The final decision set out the AER's proposed revisions to the revised access arrangement proposals and revised access arrangement information.

In accordance with r. 64(4) of the NGR, the AER is therefore required to make a decision giving effect to its own proposals within two months of its final decision.

Adjustments subsequent to the final decision

The AER has identified minor revisions that should be made subsequent to the release of the final decision. These editorial changes have been incorporated in the access arrangement and access arrangement information published with this decision.

AER access arrangement decision

In accordance with r. 64(4) of the NGR, the AER gives effect to its proposal through the AER access arrangements (including the AER access arrangement information) for Envestra Victoria and Envestra Albury. These access arrangements are published with this decision.

In accordance with r. 64(6) of the NGR, the access arrangements are effective from 1 July 2013.