

APA
Group



Access Arrangement Variation Proposal

to the APA Access Arrangement of 1
January 2008

Dated 12 December 2008

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1 Introduction

1.1 APA's current Access Arrangement

This variation proposal relates to APA's current Access Arrangement, which commenced on 1 January 2008 and is due to be revised on 31 December 2012.

Since the Access Arrangement was approved by the ACCC on 25 June 2008, APA has learned that there will soon be a material change to the way in which compressor fuel gas is treated under the MSOR. As a result of this change, APA's recoverable revenue for the Third Access Arrangement Period has been reduced.

In the process of calculating the 2009 tariffs for the PTS in accordance with the annual tariff review process under Schedule 4 of the Access Arrangement, APA has incorporated the Pass Through Amount resulting from this reduction in recoverable revenue. In this process, it has become apparent that the proposed 2009 tariffs will exacerbate the adverse impact of an anomaly in the 2008 tariffs.

1.2 Proposal to replace WUGS Transmission Refill Tariff and Cross System Withdrawal Tariff

APA currently charges a Transmission Refill Tariff for withdrawals into a gas storage facility (also referred to as a "transmission refill service"). Unlike other withdrawal tariffs, the Transmission Refill Tariff is designed to only recover the incremental cost of providing the transmission refill service.

The price differential between the Transmission Refill Tariff for withdrawals at WUGS and the general withdrawal tariff applicable in the South West Zone is a part of an anomaly in the tariff structure that allows some shippers to withdraw gas from the PTS in the Port Campbell Injection Zone for export to South Australia more cheaply than others.

APA is concerned that the changes to the 2009 tariffs which flow from the compressor fuel gas changes will exacerbate the negative effects of this tariff anomaly. Accordingly, APA is proposing to remove the Cross System Withdrawal Tariff for withdrawals from the Port Campbell Injection Zone and to replace the WUGS Transmission Refill Tariff with the standard withdrawal tariff which applies in the South West Zone. Details of APA's proposed variations to the 2009 tariff structure are set out in section 4 of this variation proposal.

2 Legislative framework for the variation proposal

2.1 New National Gas Law and National Gas Rules

APA's Access Arrangement was approved by the Commission pursuant to section 2 of the Code. With the introduction of the NGL and NGR, which took effect on 1 July 2008, the Code and the Gas Pipelines Access (South Australia) Act 1997 (which gave effect to the Code) were repealed.

However, the NGL includes savings and transitional provisions under which:

- (a) APA's Access Arrangement is deemed to be a full access arrangement approved by the AER under the NGR;¹ and
- (b) sections 3, 8 and 10.8 of the Code continue to apply to APA's Access Arrangement until revisions to it (made via an access arrangement revision proposal) are first approved or made under the NGL and NGR.²

An "access arrangement revision proposal" relates to the revisions for the next access arrangement period (ie for APA this means revisions for the fourth access arrangement period).³ No revisions have previously been made to the Access Arrangement. Furthermore, because this variation proposal does not relate to revisions for the next access arrangement period, it does not constitute an "access arrangement revision proposal".

Accordingly, sections 3, 8 and 10.8 of the Code continue to apply to APA's Access Arrangement. No other sections of the Code still apply to the Access Arrangement.

2.2 Application under Rule 65 of the NGR

APA notes that applications for variations to access arrangements (referred to as "revisions" in the Code) were previously required to be made under section 2.28 of the Code. However, as indicated in section 2.1 above, the Code has been repealed and the application of section 2 of the Code was not preserved by the transitional provisions in the NGL.

Accordingly, APA makes this variation proposal pursuant to rule 65 of the NGR, which provides that "a service provider may submit for the AER's approval a proposal for variation of the applicable access arrangement".

2.3 Criteria for assessment

The NGR does not include any specific criteria which the AER must apply when deciding whether to approve an access arrangement variation proposal.

APA submits that, in deciding whether to approve this access arrangement variation proposal, the AER should refer to:

- (a) the national gas objective set out in section 23 of the NGL; and
- (b) the tariff pricing principles set out in section 8 of the Code.

National Gas Objective

Rule 100 of the NGR requires that all provisions of an access arrangement must be consistent with the national gas objective.

¹ Clause 26(a)(ii), Schedule 3, NGL.

² Clause 30(1), Schedule 3, NGL.

³ Rule 3 and 52, NGR.

The national gas objective “is 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”.⁴

Section 8 of the Code

Section 8 of the Code sets out a range of principles with which reference tariffs and a reference tariff policy (the principles underlying the calculation of all reference tariffs) included in an access arrangement must comply.⁵ APA acknowledges that similar principles are contained in Part 9 of the NGR. However, APA submits that these principles do not apply to the current Access Arrangement for so long as section 8 of the Code continues to apply to the current Access Arrangement pursuant to the transitional provisions in the NGL.

While all of the principles in section 8 of the Code will apply to this access arrangement variation proposal, APA considers the following principles to be particularly relevant to the proposed revision:

- (a) a reference tariff should be designed with a view to “replicating the outcome of a competitive market”;⁶
- (b) a reference tariff should be designed with a view to achieving “efficiency in the level and structure of the reference tariff”;⁷
- (c) “to the maximum extent commercially and technically reasonable, the portion of the total revenue that a reference tariff... should be designed to recover (which may be based on forecasts) should include:
 - (i) all of the total revenue that reflects costs incurred (including capital costs) that are directly attributable to the reference service; and
 - (ii) a share of the total revenue that reflects costs incurred (including capital costs) that are attributable to providing the reference service jointly with other services, with this share to be determined in accordance with a methodology that meets the objectives in section 8.1 and is otherwise fair and reasonable”.⁸

3 Background to variation proposal

3.1 Creation of the Transmission Refill Tariff

The PTS is connected to two separate gas storage facilities - the LNG Storage Facility and WUGS. These facilities provide additional sources of gas during

⁴ Section 23, NGL.

⁵ Section 8, Code

⁶ Section 8.1(b), Code.

⁷ Section 8.1(e), Code.

⁸ Section 38, Code.

peak supply periods and assist with system stability by reducing reliance on gas from the Longford Injection Zone.

During the First Access Arrangement Period, APA's withdrawal tariffs for Tariff D loads consisted of a high peak tariff applying on the five peak withdrawal days over the winter, and a low off-peak "anytime" tariff applying for the rest of the year. The same withdrawal tariffs applied to all withdrawals within a zone, irrespective of whether gas was withdrawn into storage or permanently out of the PTS.

The Access Arrangement for the Second Access Arrangement Period introduced a revised withdrawal tariff structure consisting of a fixed "anytime" tariff for all withdrawals within a common withdrawal zone applying over the whole year. As a result, tariffs during the peak season declined substantially, whilst tariffs increased during the off-peak season as against tariffs in the First Access Arrangement Period.

APA was aware that the new "anytime" tariff would have a significant and disproportionate impact on shippers who withdraw gas into storage facilities. Under the previous peak/off-peak tariff structure, shippers using storage facilities could achieve relatively low refill charges because a storage facility would normally refill only during the off-peak season at lower cost. However, under the revised tariff methodology, the standard tariff for withdrawals into storage would incur the higher "anytime" tariff, notwithstanding the fact that such withdrawals were unlikely to occur during peak times. This was considered to be an undue impost on storage and not justified by the benefits gas storage brings to the market in comparison to the costs it imposes on the PTS.

Accordingly, APA introduced a new tariff class (the Transmission Refill Tariff) for refill of storage facilities. The Transmission Refill Tariff was designed to ensure that storage was not discouraged, such that the PTS would continue to benefit from the competition and security benefits of economic access to storage.

APA's Transmission Refill Tariff recovers only the incremental cost of supplying the transmission refill service, which is principally the cost of additional compressor fuel gas required to deliver gas to the storage facilities. Transmission refill volumes and associated revenues and costs are excluded from the target revenue requirement and the standard tariff calculations.

The effect of the refill tariff is that shippers withdrawing gas at WUGS and the LNG Storage Facility generally enjoy significantly lower tariffs than shippers who withdraw gas at other connection points within the same withdrawal zones.

For example, under the current Access Arrangement, withdrawals of gas into the LNG Storage Facility (located in the Metro South East Zone) during 2008 incur a tariff of \$0.15/GJ. By comparison, withdrawals of gas at other connection points in the Metro South East Zone incur a tariff of \$0.3083/GJ.

3.2 Creation of the Cross System Withdrawal Tariff

The Access Arrangement for the Second Access Arrangement Period also introduced a new tariff (the Cross System Withdrawal Tariff) on Matched Withdrawals where the corresponding injection occurs in a different Injection Zone. Specifically, under the current Access Arrangement, a Cross System Withdrawal Tariff is levied where:

- (a) gas is withdrawn at a connection point, other than a connection point servicing a storage facility, located on an Injection Pipeline other than the Interconnect Pipeline; and
- (b) that withdrawal is a Matched Withdrawal with respect to an Injection Zone other than the Injection Zone for that Injection Pipeline.

The purpose of the Cross System Withdrawal Tariff is to ensure that shippers who transport gas across the PTS incur an additional charge to reflect the greater costs associated with cross system flows.

3.3 Completion of the SEA Gas Pipeline and the creation of a tariff anomaly

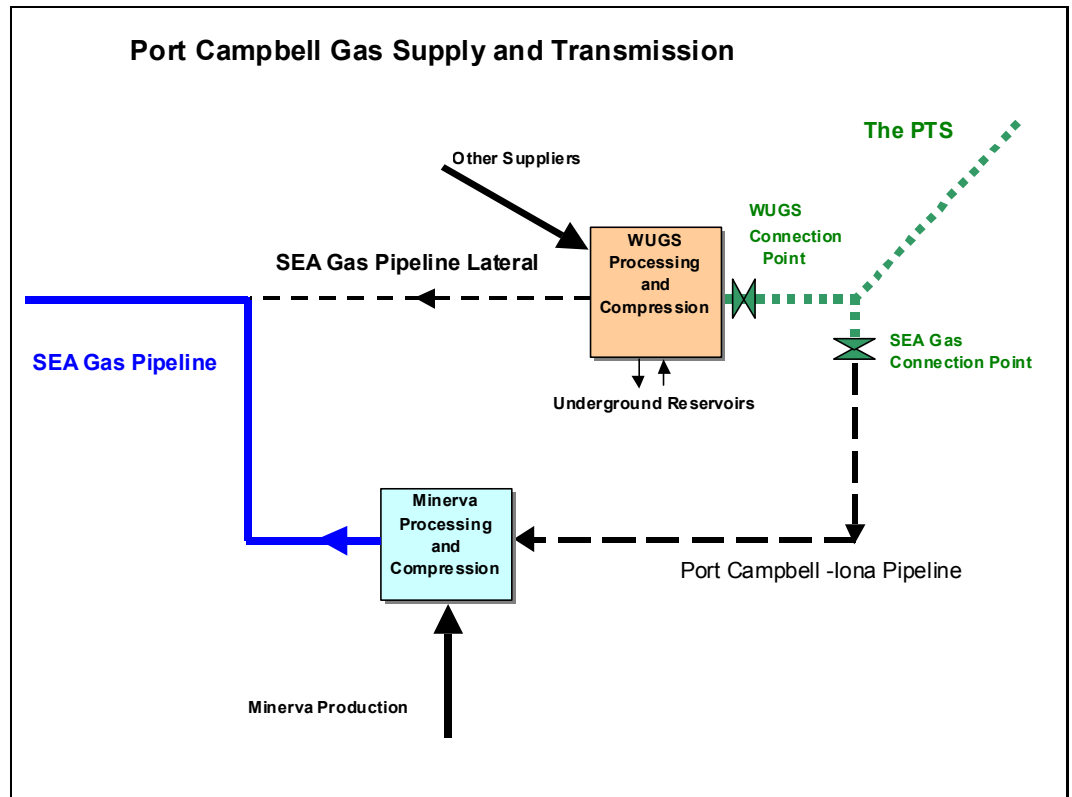
When APA introduced the Transmission Refill Tariffs, the SEA Gas Pipeline had not been completed. Accordingly, the Transmission Refill Tariffs were formulated on the assumption that withdrawals of gas into WUGS could only be for storage purposes, and that the gas would therefore be reinjected into the PTS and incur the standard withdrawal tariff at some later time. It was anticipated that the commissioning of the SEA Gas Pipeline would not change the basis for this assumption, in that it was assumed that the SEA Gas Pipeline would be serviced by a single dedicated connection point to the PTS separate from the WUGS connection point.

However, when the SEA Gas Pipeline was completed in January 2004, it was connected to the PTS at two separate locations:

- (a) at the WUGS connection point, via WUGS and a lateral pipeline connecting WUGS to the SEA Gas Pipeline; and
- (b) at the SEA Gas connection point, via the Port Campbell - Iona pipeline and the Minerva processing and compressor plant.

Figure 1 shows the connections between the PTS, WUGS and the Minerva gas plant.

Figure 1



As a result, it became possible to export gas from Victoria to the South Australian market either via the SEA Gas connection point, which attracts the standard withdrawal tariff for the South West Zone (and a Cross System Withdrawal Tariff if the withdrawal is matched to an injection outside the South West Zone), or via WUGS, which only attracts the Transmission Refill Tariff.

The connection of the SEA Gas Pipeline to WUGS, together with the special tariff treatment of the WUGS connection point, effectively created a tariff “anomaly” whereby shippers using the WUGS connection point are able to export gas to South Australia without paying the standard withdrawal tariffs faced by other shippers exporting gas via the SEA Gas connection point.

This “anomaly” was neither intended nor foreseen when the Transmission Refill Tariff was created and undermines the rationale for imposing a separate Transmission Refill Tariff for withdrawals into WUGS.

2004 Revision Proposal

In 2004, APA submitted a revision application to the ACCC requesting a change to the Transmission Refill Tariff structure to remove the “anomaly”. In its application, APA submitted that shippers who export gas out of the PTS via WUGS should not benefit from the Transmission Refill Tariff because:

- (a) the price differential between the Transmission Refill Tariff and the standard withdrawal tariff confers a competitive advantage upon those shippers who have access to WUGS as against those shippers who can only use the SEA Gas connection point;

- (b) it is discriminatory to levy different tariffs for gas withdrawals at the same location when the gas is used for the same purposes; and
- (c) the permanent withdrawal of gas does not satisfy any of the reasons originally used to justify the separate Transmission Refill Tariff (ie there are no system security benefits gained from permanent withdrawals).

In its final decision on APA's proposed revisions to the current Access Arrangement, dated 15 December 2004 ("**2004 Revision Proposal Final Decision**"), the ACCC rejected APA's proposed changes to the Transmission Refill Tariff. In its reasons, the ACCC accepted that the current tariff structure was inefficient and stated that "establishing the same tariff for users receiving essentially the same services would promote efficiency in the use of the GNS... and re-establish a fair share of costs."⁹ The ACCC also noted that the proposed revision would result in a more cost-reflective tariff structure.

However, notwithstanding these benefits, the ACCC concluded that the proposed revision should be rejected because:

- (a) "the revision would give APA the expectation of recovering more than the forecast regulatory revenue and thus over-recovering the forecast efficient costs on which that revenue is based";¹⁰
- (b) the revision would potentially expose shippers, who had entered into gas supply contracts on the basis of the tariff and tariff adjustment mechanisms approved by the ACCC in 2003, to a financial loss;¹¹
- (c) approval of the revision "might have the effect of reducing the degree of certainty that parties attach to reference tariffs in future";¹² and
- (d) the proposed revision would result in tariffs for all users increasing "through the operation of the price control mechanism".¹³

Tariff structure under Current Access Arrangement

As a result of the 2004 Revision Proposal Final Decision and the ACCC's decision to reject APA's proposed amendments to the Transmission Refill Tariff, APA persisted with the same tariff pricing structure when it submitted the current Access Arrangement for approval. This approach was taken notwithstanding the problems created by that tariff structure. Table 1 sets out the costs of exporting gas to South Australia under the current Access Arrangement.

⁹ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p22.

¹⁰ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p20.

¹¹ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p25.

¹² ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p22.

¹³ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, pp 23 & 25.

Table 1 - 2008 Port Campbell export costs under the Current Access Arrangement

Withdrawal point	Transmission Refill Tariff	Withdrawal Tariff	Cross System Withdrawal Tariff	Total tariff
Iona/WUGS	0.2000	-	N/A	0.2000
SEA Gas	-	0.1368	0.1715	0.3083

Under the current Access Arrangement, the WUGS Transmission Refill Tariff for 2008 is \$0.20/GJ, whereas the standard withdrawal tariff for the South West Region is \$0.1368/GJ. On its face, it is therefore now more expensive to export gas via WUGS than via the SEA Gas connection point. However, if the gas being exported from the SEA Gas connection point is sourced from an injection point outside the South West Zone (such as from Longford), the gas will also incur a Cross System Withdrawal Tariff of \$0.1715/GJ. This makes the effective cost of exporting gas via the SEA Gas connection point \$0.3083/GJ (\$0.1368/GJ + \$0.1715/GJ). The Cross System Withdrawal Tariff does not apply to withdrawals into a gas storage facility, so the cost of exporting gas from an injection zone outside the South West Zone via WUGS remains \$0.20/GJ. Therefore it remains substantially cheaper to export gas from outside the South West Zone into South Australia via WUGS than via the SEA Gas connection point.

3.4 Upcoming MSOR changes to treatment of compressor fuel gas and the impact on 2009 tariffs

It is anticipated that responsibility for the procurement of compressor fuel gas will be transferred from APA to VENCORP with effect from around 1 January 2009. APA's expectation is that an amendment to the MSOR will shortly be gazetted to give effect to this change.

As a result of the change, APA has been required by the operation of the Price Control Formula to amend its 2009 tariffs to reflect the reduction in APA's operating costs. These changes are set out in APA's annual tariff review submission dated 18 November 2008 (as amended on 19 November 2008) which was provided to the AER.

As described in section 3.1 above, the Transmission Refill Tariff recovers only the incremental cost of supply, which is principally the cost of additional compressor fuel gas required to deliver gas to the storage facilities. Once APA is no longer responsible for the costs of compressor fuel gas, the incremental costs of providing the transmission refill service (and therefore the Transmission Refill Tariff) will fall substantially as the only other direct costs will be the marginal operational costs (such as maintenance) associated with providing the transmission refill service. Table 2 sets out the projected 2009 Tariffs which will apply at WUGS and SEA Gas connection points.

Table 2 - 2009 Port Campbell export costs under the Current Access Arrangement

Withdrawal point	Transmission Refill Tariff	Withdrawal Tariff	Cross System Withdrawal Tariff	Total tariff
Iona/WUGS	0.05	-	N/A	0.05
SEA Gas	-	0.1414	0.1772	0.3186

As Table 2 demonstrates, the change to the treatment of compressor fuel gas will have the unintended effect of exacerbating the discrepancy between the tariff applicable to gas exported to South Australia via WUGS and gas exported to South Australia via the SEA Gas connection point.

APA considers that this discrepancy in 2009 tariffs is extremely inequitable. APA is also concerned that the projected discrepancy:

- (a) will result in a more inefficient tariff structure which is less cost-reflective than the current tariff structure;
- (b) will increase the level of price discrimination against shippers who have access only to the SEA Gas connection point, who will be required to pay a significantly higher withdrawal tariff than shippers exporting from WUGS, notwithstanding that they receive substantially the same service; and
- (c) will result in shippers who export gas via WUGS paying an amount which is significantly below their fair share of the overall transmission costs.

4 APA's variation proposal

4.1 Proposed variation to withdrawal tariffs

To address the issues identified above, APA proposes to vary the current Access Arrangement by:

- (a) removing the WUGS Transmission Refill Tariff;
- (b) applying the standard withdrawal tariff for the South West Zone (projected to be \$0.1414/GJ in 2009) to all withdrawals at WUGS, irrespective of whether the gas is exported via the SEA Gas Pipeline or reinjected into the PTS;
- (c) removing the Cross System Withdrawal Tariff for all withdrawals from the Port Campbell Injection Zone; and
- (d) incorporating the tariff, gas volumes and revenue applicable to WUGS into the Price Control Formula.

The specific amendments which are required to be made to the current Access Arrangement are detailed in Schedule 1. Table 3 sets out the new 2009 tariffs for exporting gas to South Australia via the PTS that would apply if APA's proposed changes are implemented ("New 2009 Tariff Structure").

Table 3 - New 2009 Port Campbell export tariffs if variation proposal is approved

Withdrawal point	Transmission Refill Tariff	Withdrawal Tariff	Cross System Withdrawal Tariff	Total tariff
Iona/WUGS	N/A	0.1414	N/A	0.1414
SEA Gas	-	0.1414	N/A	0.1414

4.2 Submissions in support of proposed variations to withdrawal tariffs

APA submits that the proposed variation should be approved by the AER for the reasons set out below.

Creating an efficient pricing structure

The national gas objective makes it clear that one of the objectives of the NGL is to promote the "efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas...".¹⁴ Furthermore, section 8.1(e) of the Code provides that "a reference tariff and reference tariff policy should be designed with a view to achieving... efficiency in the level and structure of the reference tariff".

APA submits that the current 2009 tariff structure is less efficient than the 2008 tariff structure under the current Access Arrangement because it will result in vastly different treatment for customers who access similar services and thereby further distorts the competitive use of the PTS.

In the 2004 Review Proposal Final Decision, the ACCC stated:

"...a fundamental principle of the GNS tariff design is that the same tariff applies for all withdrawals from any given zone...the ACCC is aware of no reason why users exporting from the WUGS off-take should not pay the same withdrawal tariff for the South West Zone as other users."¹⁵

The ACCC then went on to state that:

¹⁴ Section 23, NGL.

¹⁵ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p20.

“establishing the same tariff for users receiving essentially the same services would also promote efficiency in the use of the GNS... and re-establish a fair share of costs.”¹⁶

APA agrees with these statements by the ACCC and contends that the same reasoning applies even more forcefully to the current 2009 tariff structure.

The New 2009 Tariff Structure addresses this issue by treating withdrawals from WUGS connection point the same as any other withdrawal in the Port Campbell Injection Zone. Furthermore, by eliminating the Cross System Withdrawal Tariff, exports to South Australia via WUGS and via the SEA Gas connection point will incur exactly the same tariffs, irrespective of where the gas is injected into the PTS. This approach is more efficient and removes the competition distorting anomaly that currently exists.

Cost reflectivity

In the 2004 Review Proposal Final Decision, the ACCC noted that:

“an important tariff setting principle applied in the 2002 access arrangement revision was that a share of joint costs should be recovered for a reference tariff that is commensurate with the costs incurred in providing that reference service, and that each user pay its fair share of joint costs”.¹⁷

While APA acknowledges that the Transmission Refill Tariff does reflect the incremental costs of providing the transmission refill service, APA contends that the tariff itself is not truly “cost reflective” as required by section 8.38 of the Code because it does not reflect the additional transmission costs associated with withdrawing gas via WUGS. Put another way, the \$0.05/GJ tariff which will be charged to shippers who transport gas to South Australia via WUGS grossly under-recovers for the total cost of providing transmission services via the PTS.

By contrast, the New 2009 Tariff Structure is more cost-reflective than the current 2009 tariff structure. Specifically, the application of the standard withdrawal tariff for the South West Zone to all withdrawals from WUGS ensures that users of WUGS pay their fair share of the PTS costs.

Price will be reduced from 2008 levels

In rejecting APA’s previous proposal to amend the Transmission Refill Tariff, the ACCC stated in its 2004 Review Proposal Final Decision that:

“The ACCC considered that a significant argument against approving this revision was that TXU has entered into contracts based on the expectation that the current tariffs will continue through to 2007.”¹⁸

¹⁶ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p20.

¹⁷ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p22.

¹⁸ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p21.

More broadly, the ACCC was concerned that shippers (including TXU) who had entered into fixed gas supply contracts on the basis of the tariffs approved in the Access Arrangement, may be exposed to a financial loss if the Transmission Refill Tariff was changed.¹⁹ However, this reasoning was based on the assumption that exporters via the WUGS connection point would face a higher tariff if the proposed revision was accepted.

Under the New 2009 Tariff Structure, the tariff level for users of WUGS will actually fall from \$0.20/GJ to \$0.1414/GJ. Accordingly, APA submits that any exporters who have entered into long term contracts based on the 2008 tariff level in the current Access Arrangement will not be financially disadvantaged by the proposed change.

Furthermore, because the Cross System Withdrawal Tariff has been removed for withdrawals from the Port Campbell Injection Zone, shippers exporting gas via the SEA Gas connection point, which is matched to injections from outside the South West Zone, will also enjoy lower tariffs compared with both the current 2008 and 2009 tariff levels.

APA notes that under the New 2009 Tariff Structure there will be no price discount, which was introduced to encourage the storage of gas, at WUGS. However, because the proposed new standard withdrawal tariff will be lower than the existing 2008 WUGS Transmission Refill Tariff, APA submits that the proposed change is unlikely to result in a reduction in the use of transmission refill services and maintains a sufficient level of incentive for use of storage services in the PTS.

WUGS withdrawals included in Price Control Formula

Under the current Access Arrangement, the Transmission Refill Tariff is not included as part of the Price Control Formula. The tariff is incremental so both revenue and costs move together. To the extent that they do not, any over-recovery or under-recovery of the incremental costs of providing transmission refill services accrues to APA.

However, under this proposed variation, the tariff, gas volumes and revenue applicable to withdrawals at WUGS will be incorporated into the Price Control Formula. Accordingly, any over-recovery or under-recovery relating to withdrawal tariffs at WUGS will simply be consolidated with other amounts over-recovered or under-recovered by APA during the same period and then fed into the tariffs set for the following year.

As such, any over-recovery by APA resulting from the proposed change will be redistributed back to shippers by the Price Control Formula.

4.3 Variation proposal is non-material

Rule 65(3)(c) of the NGR provides that, where a service provider considers a variation proposal to be non-material, the service provider must state that opinion and the reasons for it in the applicable access arrangement variation proposal. Where the AER considers a proposed variation to be non-material

¹⁹ ACCC Final Decision re GasNet Australia access arrangement revisions for the GasNet System, dated 15 December 2004, p22.

it may approve the variation without consultation pursuant to rule 66(2) of the NGR.

APA submits that the proposed variation is non-material because:

- (a) it will not result in any change to the basis or methodology for calculating the underlying tariffs previously approved by the ACCC;
- (b) the incorporation of the tariff, gas volumes and revenue applicable to withdrawals at WUGS into the Price Control Formula will ensure that APA will neither under-recover nor over-recover during the term of the Access Arrangement as a result of the proposed variation; and
- (c) the proposed variation will not result in any shippers paying higher tariffs compared with the 2008 tariff levels.

4.4 Access arrangement information

Rule 43(1) of the NGR requires APA to provide access arrangement information which is reasonably necessary for users and prospective users to understand:

- (a) the background to the access arrangement or the access arrangement proposal; and
- (b) the basis and derivation of the various elements of the access arrangement or the access arrangement proposal.

APA submits that the information contained in this access arrangement variation proposal is sufficient to meet the requirements of rule 43(1) of the NGR.

5 Definitions

All defined terms in this variation proposal have the meaning given to those terms in clause 9.1 of the current Access Arrangement, apart from the following terms which have the meaning given below:

2004 Revision Proposal Final Decision has the meaning given in section 3.3 of this variation proposal.

ACCC means the Australian Competition and Consumer Commission.

Access Arrangement means the access arrangement for the PTS approved by the ACCC. The current Access Arrangement (which covers the Third Access Arrangement Period), was approved on 25 June 2008 and has a commencement date of 1 January 2008.

AER means the Australian Energy Regulator.

APA means APA GasNet Australia (Operations) Pty Ltd.

First Access Arrangement Period means the period commencing on 1 January 1998 and ending on 31 December 2002.

GNS means the PTS.

Longford Injection Zone means the injection zone at Longford in Victoria, identified in clause 2.1 of Schedule 2 of the current Access Arrangement.

MSOR means the Victorian gas industry Market and System Operation Rules.

Metro South East Zone means the withdrawal zone in the south east of metropolitan Melbourne, identified in clause 2.2 of Schedule 2 of the current Access Arrangement.

New 2009 Tariff Structure has the meaning given in clause 4.1 of this variation proposal.

NGL means the National Gas Law set out in the schedule to the National Gas (South Australia) Act 2008 (SA).

NGR means the National Gas Rules made pursuant to section 294 of the NGL.

Port Campbell Injection Zone means the injection zone at Port Campbell in Victoria, identified in clause 2.1 of Schedule 2 of the current Access Arrangement.

Price Control Formula means the constraints on APA's transmission tariffs, set out in Schedule 4 of the current Access Arrangement.

PTS means the Victorian Principal Transmission System owned by APA. The PTS is also referred to as the Gas Net System or "GNS".

SEA Gas Pipeline means the Port Campbell to Adelaide Pipeline system, the Port Campbell to Adelaide lateral system and the Port Campbell to Iona System.

South West Zone means the withdrawal zone in the south west of Victoria, identified in clause 2.2 of Schedule 2 of the current Access Arrangement.

to the APA Access Arrangement of 1 January 2008

Schedule 1 - Amendments to Access Arrangement (clause 4.1)

1 Revision to Transmission Refill Tariff

The following amendments are required to be made to clause 1.3(c) of Schedule 1 of the current Access Arrangement:

(c) *Transmission Refill Tariff*

Where a Connection Point services a Storage Facility, all gas Withdrawn through that Connection Point for the period corresponding to that Connection Point in the table below:

(i) will not be ~~is~~ subject to ~~the Transmission Refill Tariff specified below, instead of~~ the Withdrawal Tariff specified in clause 1.3(a) of this Schedule; and

(ii) will instead be subject to a Transmission Refill Tariff in the amount specified below.

Withdrawal Zone Number	Storage Facility Name	Transmission Refill Tariff (\$/GJ)	X-Factor	<u>Period of Application</u>
23	LNG	0.1500	0.0%	<u>1 January 2008 - 31 December 2012</u>
32	WUGS	0.2000	0.0%	<u>1 January 2008 - 31 December 2008</u>

For the avoidance of doubt, on and from 1 January 2009:

(i) the Connection Point servicing WUGS will be subject to the Withdrawal Tariff specified in clause 1.3(a) of this Schedule; and

(ii) the Transmission Refill Tariff above will cease to apply to that Connection Point.

2 Revision to Cross System Withdrawal Tariff

The following amendments are required to be made to clause 1.3(d) of Schedule 1 of the current Access Arrangement:

(d) Cross System Withdrawal Tariff

If:

- (i) gas is Withdrawn at a Connection Point, other than an Excluded Connection Point ~~servicing a Storage Facility~~, located on an Injection Pipeline ~~other than the Interconnect Pipeline~~; and
- (ii) that Withdrawal is a Matched Withdrawal with respect to an Injection Zone other than the Injection Zone for that Injection Pipeline,

then the Withdrawal is subject to the following Cross System Withdrawal Tariff in addition to the applicable Injection Tariff and Withdrawal Tariff.

Injection Pipeline	Cross System Withdrawal Tariff D (\$/GJ)	Transmission Delivery Tariff <u>Cross System Withdrawal Tariff V (\$/GJ)</u>	X-Factor
All	0.1715	0.2053	-2.8%

3 Revision to definitions section

A new definition for the term “Excluded Connection Point” is required to be inserted into clause 9.1 of the current Access Arrangement as follows:

9.1 Definitions

The following meanings apply unless the contrary intention appears. Capitalised terms used in this Access Arrangement which are not defined have the meaning given to those terms in the Code.

...

EDD means the Effective Degree Days as defined in the VENCORP 2007 APR.

Excluded Connection Point means:

- (a) for the period commencing 1 January 2008 and ending 31 December 2008, a Connection Point that:
 - (i) services a Storage Facility; or
 - (ii) is located on the Interconnect Pipeline; and
- (b) for the period commencing 1 January 2009 and ending 31 December 2012, a Connection Point that:
 - (i) services the LNG Storage Facility; or
 - (ii) is located in the Port Campbell Injection Zone; or
 - (iii) is located on the Interconnect Pipeline.

Fourth Access Arrangement Period means the Access Arrangement Period commencing on 1 January 2013.

...

4 Revision to definition of “NRRV”

The following amendments are required to be made to clause 4.4 of Schedule 4 of the current Access Arrangement:

4.4 VATR

...

NRRV is, for the purposes of TR, the target revenue and for the purposes of TV, the volume, associated with:

- (i) any transmission refills at ~~WUGS~~ or the LNG Storage Facility;
- (ii) any transmission refills at WUGS, but only for the period prior to 1 January 2009; and
- ~~(ii)~~(iii) the incremental Murray Valley tariff.

...

5 Revision to definition of “VW”

The following amendments are required to be made to clause 4.6 of Schedule 4 of the current Access Arrangement:

4.6 WAAV

...

VW

is the actual volume withdrawn from the PTS excluding:

- (i) any volume withdrawn from a non-covered expansion of withdrawal capacity at Culcain;
- (ii) any transmission refills at ~~WUGS~~ or the LNG Storage Facility;
- (iii) any transmission refills at WUGS, but only for the period prior to 1 January 2009; and
- ~~(iii)~~ (iv) forecast volumes for the incremental Murray Valley tariff;

...