

14 August 2017

**National Gas Law
Access Arrangement
Multinet Gas (DB No. 1) Pty Ltd
and
Multinet Gas (DB No. 2) Pty Ltd
Trading as
Multinet Gas Distribution Partnership for the
Distribution System (“Multinet”)
Part B – Reference Tariffs and Reference Tariff Policy
14 August 2017**

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PART B

Reference Tariffs and Reference Tariff Policy

1 Haulage Reference Tariffs

1.1 Haulage Reference Tariffs

a) Haulage Reference Tariffs for 2018

For Calendar Year 2018, the haulage Reference Tariffs to apply from 1 January 2018 are the tariffs set out in Schedule 1 adjusted to comply with the Tariff Control formula and rebalancing control formula in clause 3 and verified by the Regulator as if clause 4 applied (but not for the timing requirements of clause 4.1).

b) Introduction of new Haulage Reference Tariffs

The Service Provider may develop one or more new Haulage Reference Tariffs for application to Users in certain circumstances, providing that any new Haulage Reference Tariff is consistent with the Service Provider's Reference Tariff Policy, as set out in clause 6.

c) No Meter

A Distribution Supply Point which does not have a Meter is assigned to Haulage Reference Tariff - Residential V, unless otherwise agreed between the Service Provider and the relevant User to whom Reference Services are provided at that Distribution Supply Point.

d) Distribution Area

The Haulage Reference Tariffs apply to the Distribution System within the Service Provider's Distribution Area, in accordance with this clause 1, Schedule 1 and Schedule 3.

1.2 Application of Haulage Reference Tariffs

a) Assigned Haulage Reference Tariffs

Where the Service Provider is Charging a particular Haulage Reference Tariff in respect of Supply at a particular Distribution Supply Point, then the User at that Distribution Supply Point is to be regarded as being "assigned" to that Haulage Reference Tariff.

b) Haulage Reference Tariffs for existing Distribution Supply Points

Unless a new Haulage Reference Tariff has been reassigned to a Distribution Supply Point, the Haulage Reference Tariff to apply to a Distribution Supply Point from 1 January 2018 is deemed to be the Haulage Reference Tariff assigned to that Distribution Supply Point as at 31 December 2017.

c) Haulage Reference Service provided at a Distribution Supply Point

The Residential Haulage Reference Service is provided at a Distribution Supply Point where Gas is withdrawn by or in respect of a Residential Customer. The Non-Residential Haulage Reference Service is provided at a Distribution Supply Point where Gas is withdrawn by or in respect of a Non-Residential Customer.

1.3 Assignment of new Haulage Reference Tariffs and new Haulage Reference Tariff Components

a) Change in volume of Gas consumed

If, after the initial assignment of a Haulage Reference Tariff to a Distribution Supply Point, the Service Provider becomes aware that:

- (1) the Quantity of Gas withdrawn at that Distribution Supply Point has changed; or
- (2) the User's Customer at that Distribution Supply Point has changed or will change; or
- (3) the User's Customer at that Distribution Supply Point has changed or will change from being a Residential Customer to a Non-Residential Customer; or
- (4) the User's Customer at that Distribution Supply Point has changed or will change from being a Non-Residential Customer to a Residential Customer,

so that the Haulage Reference Tariff should no longer be assigned to the Distribution Supply Point to which it is currently assigned, the Service Provider may reassign an alternative Haulage Reference Tariff to that Distribution Supply Point.

b) Change in demand or Connection characteristics

If the Service Provider believes that a User's demand characteristics or Connection characteristics (or both) have changed such that it is no longer appropriate for that User's Distribution Supply Point to be assigned to the Haulage Reference Tariff to which the User's Distribution Supply Point is currently assigned, then the Service Provider may reassign an alternative Haulage Reference Tariff to that Distribution Supply Point.

c) Factors to be considered by the Service Provider

In determining the initial assignment or reassignment of a Haulage Reference Tariff to a Distribution Supply Point the Service Provider will take into account:

- (a) the User's demand and Connection characteristics; and
- (b) Haulage Reference Tariffs assigned to Distribution Supply Points with the same or materially similar demand and Connection characteristics; and
- (c) the characteristics and location of the Distribution Supply Point described in Schedule 1.

d) Notification of proposed reassignment of Haulage Reference Tariff

If, after 1 January 2018, the Service Provider becomes aware that a Haulage Reference Tariff assigned to a Distribution Supply Point should be a different Haulage Reference Tariff, the Service Provider will advise the relevant User accordingly prior to the reassignment occurring, unless otherwise agreed.

e) Terms and Conditions for new and changed Distribution Supply Points

If a new Haulage Reference Tariff is assigned to a Distribution Supply Point or there is a change of User at a Distribution Supply Point, the Service Provider will supply to the relevant User, as soon as practicable after a request from that User, the terms and conditions which will apply to the relevant User at that Distribution Supply Point, and the Haulage Reference Tariff that is assigned to that Distribution Supply Point.

f) Notification by User regarding a different Haulage Reference Tariff

Where a User receives notice under clause 1.3(d) that a Haulage Reference Tariff assigned to a Distribution Supply Point should be a different Haulage Reference Tariff, the different Haulage Reference Tariff will be assigned to that Distribution Supply Point unless the User submits a

written and reasonable request to the Service Provider to remain on the original Haulage Reference Tariff and the Service Provider approves the request.

g) Time period for reassignment

When introducing a new Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will assign the new Haulage Reference Tariff and/or Haulage Reference Tariff Component to the relevant Distribution Supply Point within 30 Business Days of the earlier of:

- (1) the receipt of a written notice that the Regulator has verified the Service Provider's proposed introduction of a new Haulage Reference Tariff and/or Haulage Reference Tariff Component; and
- (2) 20 Business Days from the date on which the Regulator received the Service Provider's notification under clause 4.1(c).

h) Assignment to Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L

Where Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L is assigned to a Distribution Supply Point, that Haulage Reference Tariff shall apply to that Distribution Supply Point for a minimum period of one year.

i) Additional information required for new Haulage Reference Tariffs and new Haulage Reference Tariff Components

Where the Service Provider is proposing to introduce a new Haulage Reference Tariff or a new Haulage Reference Tariff Component, the Service Provider will submit the following information to the Regulator, at the same time that it submits its Haulage Reference Tariff proposals, and in addition to the information required under clause 4.3:

- (3) a parent Haulage Reference Tariff(s), which is the Haulage Reference Tariff(s) currently assigned to those Distribution Supply Points to which the new Haulage Reference Tariff is proposed to apply;
- (4) reasonable estimates of the Quantities that would have been distributed in relevant units if the new Haulage Reference Tariff Components had existed in the Calendar Year immediately prior to the current Calendar Year for each new Haulage Reference Tariff Component; and
- (5) reasonable estimates of the Quantities that would have been distributed in relevant units if the new Haulage Reference Tariff Components had existed in the Calendar Year immediately prior to the current Calendar Year for each Haulage Reference Tariff Component of the parent Haulage Reference Tariff(s).

j) Switching rates

Where the Service Provider submits information to the Regulator that the switching rate of Users moving from a given parent Haulage Reference Tariff to a new Haulage Reference Tariff will continue to be above zero from Calendar Year to Calendar Year, the Service Provider will also submit the following information:

- (1) the Quantities distributed in relevant units at the relevant Distribution Supply Point where the new Haulage Reference Tariffs already assigned to that Distribution Supply Point;
- (2) reasonable estimates of the Quantities distributed in relevant units at those Distribution Supply Points at which the same new Haulage Reference Tariff is expected to apply during the course of the next Calendar Year; and
- (3) the Quantities distributed in relevant units at those Distribution Supply Points at which the parent Haulage Reference Tariff continues to apply.

k) Details of estimates

The Service Provider will provide details of and the basis for all estimates provided under clauses 1.3(i) and (j) to the Regulator, including (but not limited to) the information in clause 1.3(e).

l) Resubmission of estimates

The Regulator can request that the Service Provider resubmit quantity estimates provided under clauses 1.3(i) and (j) where the Regulator considers the estimates to be incomplete, inconsistent or unsubstantiated. The Regulator must provide reasons for requesting such a resubmission.

m) Timing of information

The elapsed time between the Regulator requesting that the Service Provider provide additional information under clause 1.3(l), and the Service Provider providing that information to the Regulator does not count towards the 20 Business Days under clause 1.3(g).

1.4 Withdrawal of Haulage Reference Tariffs**a) Withdrawal of Haulage Reference Tariff**

When proposing the withdrawal of an existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will reassign alternative Haulage Reference Tariffs to all relevant Distribution Supply Points within 30 Business Days of the earlier of:

- (1) the receipt of a written notice that the Regulator has verified the Service Provider's proposed withdrawal of the existing Haulage Reference Tariff and/or Haulage Reference Tariff Component; and
- (2) 20 Business Days from the date on which the Regulator received the Service Provider's notification under clause 4.1(c).

b) Notification of withdrawal of Haulage Reference Tariff

Prior to the withdrawal of the existing Haulage Reference Tariff and/or Haulage Reference Tariff Component, the Service Provider will as soon as practicable notify all affected Users in writing.

c) Additional information to be provided to Regulator

When the Service Provider proposes to withdraw a Haulage Reference Tariff, in addition to the information required under clause 4.3, the Service Provider will:

- (1) notify the Regulator in writing of the Haulage Reference Tariffs that will replace the withdrawn Haulage Reference Tariffs;
- (2) where Haulage Reference Tariffs will be reassigned to more than one Distribution Supply Point in Calendar Year t, provide a breakdown of the actual Quantities, in relevant units, that were distributed under each existing Haulage Reference Tariff Component to these Users under the existing parent Haulage Reference Tariffs in Calendar Year t-2; and
- (3) where more than one Haulage Reference Tariffs have been reassigned to more than one existing Distribution Supply Point in Calendar Year t-1, provide a breakdown of the actual Quantities, in relevant units, that were distributed to these Users under each Haulage Reference Tariff Component which existed immediately prior to the reassignment under the parent Haulage Reference Tariffs that previously existed in Calendar Year t-1.

2 Ancillary Reference Tariffs

2.1 Existing Ancillary Reference Tariffs

The Ancillary Reference Tariffs for Ancillary Reference Services that will apply from 1 January 2018 are set out in Schedule 2.

2.2 Adjustments to Ancillary Reference Tariffs

The Service Provider will make annual adjustments to the Ancillary Reference Tariffs in accordance with the formula below. For the avoidance of doubt, Ancillary Reference Tariffs are not adjusted in accordance with the Tariff Control Formula or rebalancing control formula in clause 3.

$$ART_t^i = ART_{t-1}^i \times (1 + \Delta CPI_t)$$

Where:

t is the year for which tariffs are being set

ART_t^i is the Reference Tariff that will apply to Ancillary Reference Service i in year t

ART_{t-1}^i is the Reference Tariff that will apply to Ancillary Reference Service i in year $t-1$

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities¹ from the June quarter in regulatory year $t-2$ to the June quarter in regulatory year $t-1$, calculated using the following method:

$$\frac{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 1}{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 2} - 1$$

For example, for the 2019 regulatory year, $t-2$ is the June quarter 2017 and $t-1$ is the June quarter 2018; and for the 2020 regulatory year, $t-2$ is June quarter 2018 and $t-1$ is June quarter 2019 and so on.

If the ABS does not, or ceases to, publish the index, then the CPI will mean an index which the AER considers is the best available alternative index.

¹ If the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

3 Haulage Reference Tariff Control Formula

The Tariff Control Formula in the Fifth Access Arrangement period is a price cap formula, Formula 1 of Appendix 1.

The Tariff Control Formula comprises the principles, procedures and formula which apply during the Fifth Access Arrangement Period for:

- (a) varying;
- (b) withdrawing; and
- (c) introducing new,

Haulage Reference Tariffs. For the avoidance of doubt, the Tariff Control Formula and the rebalancing control formula do not apply to Ancillary Reference Tariffs.

Whenever the Service Provider proposes to vary, withdraw or introduce any new Haulage Reference Tariff, it will ensure that the proposed charge will be compliant with the Tariff Control Formulae set out in Appendix 1, Formula 1 and with the rebalancing control formula set out in Appendix 1, Formula 2 to the reasonable satisfaction of the Regulator, and it will comply with the procedures set out in clause 4.

3.1 The Tariff Control Formula

The Tariff Control Formula adopted are consistent with the tariff basket form of price control. The Tariff Control Formulae are set out in Appendix 1.

3.2 New Haulage Reference Tariffs

- a) Where the Service Provider is proposing to introduce new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components the p_{t-2}^{ij} term in Formula 1 and Formula 2 of Appendix 1 will be interpreted in relation to:
 - (1) the reasonable estimates of the Quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year t-2 as provided by the Service Provider, in accordance with clause 1.3(j); and
 - (2) the Haulage Reference Tariff Components of the parent Haulage Reference Tariff in Calendar Year t-2 as provided by the Service Provider in accordance with clause 1.3(j).
- b) Where the Service Provider has introduced new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in Calendar Year t-1, the p_{t-1}^{ij} term in Formula 1 of Appendix 1 will be interpreted in relation to the reasonable estimates of the Quantities that would have been distributed, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year t-2, as provided by the Service Provider in accordance with clause 1.3(j).

3.3 Withdrawal of Haulage Reference Tariffs

- a) Where the Service Provider is proposing to withdraw a Haulage Reference Tariff and to reassign only one other Haulage Reference Tariff to the Distribution Supply Point to which the Haulage Reference Tariff to be withdrawn applied, the p_t^{ij} term in Formula 1 of Appendix 1 for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of the Haulage Reference Tariff which will be reassigned to that Distribution Supply Point in Calendar Year t, in accordance with information submitted under clause 1.4.
- b) Where the Service Provider is proposing to withdraw a Haulage Reference Tariff and to reassign more than one other Haulage Reference Tariff to the Distribution Supply Point to which the Haulage Reference Tariff to be withdrawn applied:

- (1) the p_t^{ij} term in Formula 1 of Appendix 1 for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted separately in relation to the Haulage Reference Tariff Components of each of the Haulage Reference Tariffs which will be reassigned to those Distribution Supply Points in Calendar Year t, in accordance with information submitted under clause 1.4; and
- (2) the p_{t-2}^{ij} term in Formula 1 of Appendix 1 for the Haulage Reference Tariff that is proposed to be withdrawn in Calendar Year t will be the actual Quantities, in relevant units, of each Haulage Reference Tariff Component that were distributed under the parent Haulage Reference Tariff at those Distribution Supply Points to which the same Haulage Reference Tariff has been assigned in Calendar Year t, in accordance with information submitted under clause 1.4; and
- (3) the q_{t-2}^{ij} term in Formula 1 of Appendix 1 for the Haulage Reference Tariff that has been withdrawn in Calendar Year t-1, will be the actual Quantities, in relevant units, of each Haulage Reference Tariff Component that were distributed under the parent Haulage Reference Tariff at those Distribution Supply Points to which the same Haulage Reference Tariff has been assigned in Calendar Year t-1, in accordance with information submitted under clause 1.4.

3.4 Haulage Reference Tariff information

Where the Service Provider submits information in accordance with clause 1.3(j) that switching rates of Users moving from a given parent Haulage Reference Tariff to a proposed new Haulage Reference Tariff will continue to be above zero from Calendar Year to Calendar Year, application of the Tariff Control Formula in Formula 1 of Appendix 1 will distinguish between:

- a) Distribution Supply Points to which the new Haulage Reference Tariff has already been assigned, in which case q_{t-2}^{ij} will be based on the actual Quantities distributed, in relevant units, at those Distribution Supply Points to which the new Haulage Reference Tariff has already been assigned and p_t^{ij} is the new Haulage Reference Tariff; and
- b) Distribution Supply Points to which the new Haulage Reference Tariff is expected to be assigned during Calendar Year t, in which case q_{t-2}^{ij} will be based on the reasonable estimates of the Quantities which would have been distributed at those Distribution Supply Points, as submitted by the Service Provider in accordance with clause 1.3(j), and p_t^{ij} is the new Haulage Reference Tariff.

3.5 Rebalancing controls on Haulage Reference Tariffs

The Service Provider will maintain Haulage Reference Tariffs between:

- a) an upper limit of the cost to bypass the network; and
- b) a lower limit of the marginal cost of supply.

In undertaking any rebalancing, the Service Provider must have consideration for the maintenance of cost-reflective levels and that cost-reflective charging is maintained over time. The Service Provider should also use rebalancing as the means by which cross-subsidisation between Haulage Reference Tariffs or between Haulage Reference Tariff Components is removed.

The rebalancing control formulae is Formula 2 of Appendix 1

3.6 Rebalancing Controls for new and withdrawn Haulage Reference Tariffs

For the purposes of the application of the rebalancing control formulae (Formula 2 of Appendix 1):

- a) where the Service Provider proposes to introduce a new Haulage Reference Tariff and/or new Haulage Reference Tariff Components:

- (1) the term q_t^i in the rebalancing control will be interpreted in relation to the reasonable estimates of the Quantities that would have been sold, in relevant units, if the Haulage Reference Tariff Components existed in Calendar Year t-2; and
 - (2) the p_t^i term in the rebalancing control will be interpreted in relation to the Haulage Reference Tariff Components of the parent Haulage Reference Tariff in Calendar Year t-2.
- b) where the Service Provider has introduced new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in Calendar Year t-1, the q_{t-2}^i term of the rebalancing control will be interpreted in relation to the reasonable estimates of the Quantities that would have been sold, in relevant units, if the Haulage Reference Tariff Components had existed in Calendar Year t-2.
- c) where the Service Provider proposes to withdraw a Haulage Reference Tariff and reassign those Distribution Supply Points to another Haulage Reference Tariff:
- (1) the p_t^i term in the rebalancing control for the Haulage Reference Tariff that is proposed to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of the Haulage Reference Tariff that those existing Distribution Supply Points will be reassigned to in Calendar Year t;
 - (2) the rebalancing control on Haulage Reference Tariffs will be applied separately in relation to each of the Haulage Reference Tariffs Distribution Supply Points are reassigned to, and:
 - (A) the p_t^i term in the rebalancing control for the Haulage Reference Tariff that is proposed is to be withdrawn will be interpreted in relation to the Haulage Reference Tariff Components of each of the Haulage Reference Tariffs that those existing Distribution Supply Points will be reassigned to in Calendar Year t; and
 - (B) the q_{t-2}^i term in the rebalancing control for the Haulage Reference Tariff that is proposed to be withdrawn will be the breakdown of the actual Quantities, in relevant units, that were sold under each Haulage Reference Tariff Component of the parent Haulage Reference Tariffs to each Distribution Supply Point reassigned to the same Haulage Reference Tariff.

4 Approval of annual and within year variations to Haulage Reference Tariffs and new Haulage Reference Tariffs

4.1 Submission to the Regulator

- a) The Service Provider will, at least 60 Business Days prior to the commencement of the next Calendar Year, submit proposed Haulage Reference Tariffs to apply from the start of the next Calendar Year for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b), (c) and (d).
- b) Where the Service Provider proposes to change a Haulage Reference Tariff within a Calendar Year it will submit the proposed Haulage Reference Tariff change for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b) and (c).
- c) Where the Service Provider proposes to introduce a new Haulage Reference Tariff or new Haulage Reference Tariff Component or withdraw an existing Haulage Reference Tariff or existing Haulage Reference Tariff Component within a Calendar Year it will submit the proposal for verification of compliance by the Regulator, in accordance with clauses 4.2(a), (b), (c) and (d).
- d) The Service Provider will notify the Regulator in writing of its intent to introduce a new Haulage Reference Tariff or a new Haulage Reference Tariff Component at least 90 Business Days prior to the proposed date of commencement of the new Haulage Reference Tariff or Haulage Reference Tariff component.
- e) The Service Provider will ensure its proposed Haulage Reference Tariffs or proposed changes to Haulage Reference Tariffs submitted under clauses 4.1(a), (b) or (c) comply with the Tariff Control Formula and rebalancing control formulae in clause 3.

4.2 Assessment by the Regulator

- a) The Regulator will provide the Service Provider with written notice of whether or not it has verified the Haulage Reference Tariffs proposed by the Service Provider and submitted under clauses 4.1(a), (b) or (c) as compliant with the Tariff Control Formula and rebalancing control formulae. If the Regulator declines to verify the proposed Haulage Reference Tariffs as compliant, the Regulator must provide a written statement of reasons for that decision.
- b) The proposed Haulage Reference Tariffs will be deemed to have been verified as compliant in writing by the Regulator by the end of 30 Business Days from the date on which the Regulator received the Service Provider's notification under clauses 4.1(a), (b) or (c) unless the Regulator has notified the Service Provider in writing that it has declined to verify the proposed Haulage Reference Tariffs as compliant.
- c) If the Regulator issues a written notice to the Service Provider that it has declined to verify proposed Haulage Reference Tariffs and/or Haulage Reference Tariff Components (including but not limited to any new Haulage Reference Tariff and/or any new Haulage Reference Tariff Component) as compliant for a new Calendar Year t, then clause 4.4 shall apply to determine the Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Calendar Year t until such time as the Regulator has, or been deemed to have, subsequent to its initial decision to decline to verify, verified Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Calendar Year t as compliant.
- d) If the Regulator has notified the Service Provider in writing that it has declined to verify as compliant the withdrawal of any existing Haulage Reference Tariffs and/or the withdrawal of any existing Haulage Reference Tariff Components proposed for new Calendar Year t, then clause 4.4 shall apply to determine the Haulage Reference Tariffs and/or Haulage Reference Tariff Components for Calendar Year t until such time as the Regulator has, or been deemed to have, subsequent to its initial decision to decline to verify, verified the withdrawal of any existing Haulage Reference Tariffs and/or the withdrawal of any existing Haulage Reference Tariff Components for Calendar Year t as compliant.

- e) The Service Provider may provide additional information and resubmit or revise its proposed Haulage Reference Tariffs in accordance with clauses 4.1(a), (b) or (c) if the Regulator declines to verify as compliant proposed Haulage Reference Tariffs under clause 4.2(a) provided that if, in a Calendar Year, changes to Haulage Reference Tariffs have been verified as compliant by the Regulator, the Service Provider will notify in writing all Users affected by the changes as soon as practicable.

4.3 Information Required from the Service Provider

At the same time as submitting proposed Haulage Reference Tariffs to the Regulator, the Service Provider will also provide to the Regulator information demonstrating that the proposed Haulage Reference Tariffs are, to the extent relevant, consistent with the Tariff Control Formula and rebalancing control formula in clause 3.

In respect of the annual variations of Haulage Reference Tariffs, the Service Provider will include a statement to support the gas quantity inputs in the tariff variation formula. The statement will be independently verified and the gas quantity input will reflect the most recent actual annual quantities available at the time of tariff variation assessment.

4.4 Default Haulage Reference Tariffs for new Calendar Year t

If the Service Provider does not, at least 60 Business Days prior to the commencement of the next Calendar Year t submit proposed Haulage Reference Tariffs to apply from the start of the next Calendar Year t in accordance with clause 4.1(a) then the Haulage Reference Tariffs and Haulage Reference Tariff Components and Ancillary Reference Tariffs will be those applicable for Calendar Year t-1 as escalated by the percentage change in CPI (as measured by determining the change between the Calendar Year t-1 June CPI and the Calendar Year t-2 June CPI). These tariffs will apply in Calendar Year t such time as the Regulator has, or been deemed to have, verified Haulage Reference Tariffs and/or Haulage Reference Tariff Components and Ancillary Reference Tariffs for Calendar Year t as compliant in response to a submission by the Service Provider.

4.5 Annual Tariff Report

The Service Provider will prepare and submit to the Regulator a Tariff Report containing the information set out in Schedule 4. The Tariff Report must be submitted to the Regulator:

- a) at least 90 Business Days prior to the commencement of a Calendar Year, where the Service Provider proposes to introduce new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in that Calendar Year; and
- b) at least 60 Business Days prior to the commencement of a Calendar Year, where the Service Provider does not propose to introduce new Haulage Reference Tariffs and/or new Haulage Reference Tariff Components in that Calendar Year.

5 Calculation of Charges for Haulage Reference Tariffs

Haulage Reference Tariffs are Charged in accordance with the calculations described below:

5.1 Distribution Fixed Tariff Components

The Distribution Fixed Tariff Components and consumption ranges shown in Schedule 1, as applicable, are daily amounts. The Distribution Fixed Tariff Component or consumption range applied to calculate a Charge for a billing period in Calendar Year t shall be the Distribution Fixed Tariff Component applying in Calendar Year t or consumption range shown in Schedule 1, as applicable, multiplied by the number of days in the billing period.

5.2 Distribution Volume Tariff Components

- a) Distribution Volume Tariff Components are Charged according to the actual GJs of Gas withdrawn in the billing period, or an estimate of the GJs of Gas withdrawn in the billing period which is acceptable to the Service Provider.
- b) Where the billing period includes days in two or more of the Peak Period, Shoulder Periods and Off-Peak Period the total GJs of Gas withdrawn shall be allocated between those periods proportionately according to the number of days falling in each period.

5.3 Distribution Demand Tariff Components

Distribution Demand Tariff Components are Charged according to the following formulae:

- a) 12 month rolling maximum demand:

$$MDC = RMD \times DAYS \times UR$$

where:

MDC is the 12 month rolling maximum demand component of the Charge for the billing period;

RMD is the MHQ in the 12 months to the end of the billing period;

DAYS is the number of days in the billing period;

UR is the relevant Distribution Demand Tariff Component with units of $\$/(\text{day} \times \text{GJ})$;

- b) Peak maximum demand:

$$MPC = PD \times PDAYS \times VR$$

where:

MPC is the peak maximum demand component of the Charge for the billing period;

PD is the MHQ during the period 6 am to 10 am on any weekday within a Peak Period that falls within the billing period;

PDAYS is the number of Peak Period days in the billing period;

VR is the relevant Distribution Demand Tariff Component with units of $\$/(\text{day} \times \text{GJ})$;

5.4 Unmetered Haulage Reference Tariff Components

Where Haulage Reference Tariff - Residential V has been assigned to a Distribution Supply Point under clause 1.1(c) because it is an unmetered Distribution Supply Point, there is deemed to be no withdrawal of Gas at that Distribution Supply Point for charging purposes. For the avoidance of doubt, in such circumstances Haulage Reference Tariff - Non-residential V is deemed to apply and any applicable fixed Haulage Reference Tariff Component may be charged as a fixed charge.

6 Reference Tariff Policy

This clause 6 sets out the Service Provider's Reference Tariff Policy in various matters the Service Provider has included in this Access Arrangement.

6.1 CPI-X Price Path

The CPI-X price path approach is consistent with rule 97 of the NGR.

6.2 Non-conforming Capital Expenditure

The Service Provider may at its discretion undertake Non-conforming Capital Expenditure that does not comply with the new Capital Expenditure Criteria. The Extensions and Expansions in clause 5.5 of Part A of this Access Arrangement explain how Non-conforming Capital Expenditure will affect Reference Tariffs.

Clause 6.3 below sets out the principles of a Speculative Capital Expenditure Account which the Service Provider may operate in relation to Non-conforming Capital Expenditure.

6.3 Speculative Capital Expenditure Account

In accordance with rule 84 of the NGR, the amount of the Speculative Capital Expenditure Account for the Service Provider at any time is equal to:

- a) Non-conforming Expenditure, less any amount the Service Provider notifies the Regulator (at the time the expenditure is incurred) that it has elected to recover through a surcharge under Rule 83 of the NGR or by a capital contribution under rule 82 of the NGR plus;
- b) an annual increase in that amount calculated on a compounded basis at a risk adjusted rate of return approved by the Regulator; less
- c) any part of the Speculative Capital Expenditure Account rolled into the Capital Base under rule 84(3) of the NGR due to the type and volume of services changing.

6.4 Incentive mechanism

Rule 98 of the NGR provides for an Access Arrangement to include an incentive mechanism.

- a) The incentive mechanism should only apply to operating expenditure.
- b) The incentive mechanism provides Multinet a continuous incentive to find operating expenditure efficiencies through a combination of:
 - (1) an ex ante forecast of operating expenditure in Multinet's Total Revenue
 - (2) increments or decrements from the operation of this incentive mechanism that allow Multinet to retain efficiency gains or losses for five years.
- c) The operating expenditure annual efficiency gain (or loss) for 2018 will be calculated as:

$$E_{2018} = (F_{2018} - A_{2018})$$

where:

E_{2018} is the efficiency gain in 2018

F_{2018} is the forecast opex for 2018

A_{2018} is the actual opex for 2018

- d) The operating expenditure annual efficiency gain (or loss) for 2019 to 2021 will be calculated as:

$$E_i = (F_i - A_i) - (F_{i-1} - A_{i-1})$$

where:

E_i is the efficiency gain in year i of the access arrangement period

F_i is the forecast opex in year i of the access arrangement period

A_i is the actual opex in year i of the access arrangement period

F_{i-1} is the forecast opex in year $i-1$ of the access arrangement period

A_{i-1} is the forecast opex in year $i-1$ of the access arrangement period

e) Deemed actual opex for 2022 is to be calculated using the following equation:

$$A_{2022}^* = A_{2021} + F_{2022} - F_{2021}$$

where:

A_{2022}^* is the actual opex deemed for 2022

F_{2022} is the forecast opex for 2022

F_{2021} is the forecast opex for 2021

A_{2021} is the actual opex for 2021

- f) For the avoidance of doubt, the operating expenditure annual efficiency gain (or loss) for 2022 will be assumed to equal zero.
- g) The annual efficiency gain or loss will be added to Multinet's Total Revenue for five years after the year in which the efficiency gain (or loss) was achieved. If necessary, the annual efficiency gain or loss will be carried forward into the access arrangement period commencing 1 January 2023 until it has been retained by Multinet for a period of five years.
- h) To ensure efficiency gains or losses made in 2022 are retained for five years, opex for the access arrangement period commencing in 2023 should be forecast in a manner consistent with the deemed actual opex for 2022, A_{2022}^* , in clause 6.4(e). This provides Multinet the same reward had the expenditure level in 2022 been known.
- i) Increments or decrements from the summation of annual efficiency gains or losses calculated in accordance with the approved incentive mechanism in the Access Arrangement Period will give rise to an additional 'building block' in the calculation of the Total Revenue amounts.
- j) The following costs will be excluded from the operation of the efficiency carryover mechanism:
- (1) costs associated with complying with any retailer of last resort requirements
 - (2) amounts for approved Cost Pass Through Events
 - (3) unaccounted for gas expenses
 - (4) licence fees
 - (5) debt raising costs
 - (6) movements in provisions
 - (7) any other activity that Multinet and the Regulator agree to exclude from the operation of the efficiency carryover mechanism.

- k) For the avoidance of doubt, the forecast expenditure amounts that are used as the basis for measuring efficiencies are equal to the forecast operating cost for that year as shown in the table below, which exclude the costs listed in clause 6.4(j)(1)–(6), with the following exception:
- (1) costs excluded in accordance with clause 6.4(j)(7)
 - (2) the carryover of cost-related efficiency gains will be calculated in a manner that takes account of any change in the scale of the activities which form the basis of the determination of the original benchmarks. The opex benchmarks will be adjusted consistent with the way in which the benchmark was determined.

	2018	2019	2020	2021
Forecast operating expenditure for incentive mechanism purposes (\$million, 2017)	75.0	75.9	76.9	78.0

- l) Where Multinet changes its approach to classifying costs as either capex or opex during the access arrangement period, Multinet will adjust the forecast opex so that the forecast expenditures are consistent with the capitalisation policy changes.
- m) If there is a change in Multinet's approach to classifying costs as either capex or opex, Multinet must provide to the AER a detailed description of the change and a calculation of its impact on forecast and actual opex.

6.5 Capital Expenditure Sharing Scheme

The Capital Expenditure Sharing Scheme (CESS) will operate in the following way:

- (1) The annual efficiency gain or loss under the scheme will be calculated by subtracting Multinet's actual capex from the approved capex allowance (both net of contributions) in each year of this Access Arrangement. For the final year (and in some instances the penultimate year) an estimate of actual capex will be used.
 - (2) For the purpose of calculating the annual efficiency gain or loss the approved capex allowance is to be adjusted to take into account a change in the scope of activities in accordance with the approach outlined below or an approved cost pass-through event.
- a) The efficiency gain for year one is calculated as:
 - a. *Year 1 efficiency gain = capex allowance for year 1 – actual capex in year 1*
 - b) The efficiency gain for each year will be discounted into its Net Present Value (NPV) at the end of the Access Arrangement period. In doing so it is assumed that capex occurred in the middle of the year. To calculate the total efficiency gain the annual efficiency gains in NPV terms are added.
 - a. *Total efficiency gain = NPV year 1 efficiency gain + NPV year 2 efficiency gain + NPV year 3 efficiency gain + NPV year 4 efficiency gain + NPV year 5 efficiency gain*
 - c) The above calculations are represented by the following equation:

$$\text{Total efficiency gain} = \sum_{n=1}^p \frac{1}{(1 + WACC)^{n-p-0.5}} \times (F_n - A_n)$$

Where:

- n is the Access Arrangement year
- WACC is the average of the nominal weighted average cost of capital that are applied during each year of the Access Arrangement period
- p is the length of the Access Arrangement period
- F_n is the capex allowance for year n
- A_n is the actual capex for year n .

- d) A sharing factor of 30 per cent will apply to the total efficiency gain/loss. This means that Multinet will bear 30 per cent of any loss and will retain 30 per cent of any gain. The remaining 70 per cent will go to gas pipeline users.
- Multinet sharing factor = 30%*
 - Multinet share = total efficiency gain x 30%*
- e) The CESS takes into account benefits or costs that have already accrued to Multinet during the Access Arrangement Period in order to ensure that the power of the incentive is the same in each year. This is the financing benefit of any underspend and the financing cost of any overspend.
- f) Capex is assumed to be incurred in the middle of each year. In the year of the underspend, Multinet will recover only half a year of benefit. In the following years, Multinet will retain a full year of benefit calculated as the underspend multiplied by the WACC. This is represented by the following equation:

$$\text{Year of financing benefit} = [(1 + WACC)^{0.5} - 1] \times (F_n - A_n) + \sum_{j=1}^{n-1} WACC \times (F_j - A_j)$$

Where:

j is the regulatory year in the current Access Arrangement prior to year n

F_j is the capex allowance for year j

A_j is actual capex for year j

- g) A discount factor is applied to the benefits from each year to put the financing benefits in constant terms. The discount rate is calculated on the basis that financing benefits accrue at the end of the year. The discounted financing benefits from each year are then summed to get a net financing benefit for the Access Arrangement. This is calculated using the following equation:

$$\text{Net financing benefit} = \sum_{n=1}^p \frac{1}{1 + WACC^{n-p}} \times \text{year } n \text{ financing benefit}$$

- h) The CESS reward or penalty payable to Multinet is calculated by subtracting the net financing benefit from Multinet's share of the cumulative efficiency gain:

$$\text{CESS reward} = (\text{NSP share} - \text{net financing benefit}) \times \text{CPF}$$

Where:

CPF is the Contingent Payment Factor calculated as:

If NSP share > net financing benefit, and

- if the asset performance index (API) > 100, = 1
- if $80 < \text{API} < 100$, $\text{CPF} = (\text{API} - 80) / (100 - 80)$, and
- if $\text{API} < 80$, $\text{CPF} = 0$, or

If NSP share is \leq net financing benefit, $\text{CPF} = 1$.

API is the Asset Performance Index calculated in accordance with Appendix 2.

- i) The CESS reward or penalty will be applied as an additional building block adjustment to Multinet's revenue over the upcoming Access Arrangement.
- j) Actual capex for the final year of the Access Arrangement will not be available when the rewards or penalties for the CESS are calculated for the upcoming Access Arrangement. Instead, an estimate of capex will be used to calculate the efficiency gains or losses for the final regulatory year.
- k) At the next Access Arrangement decision actual capex data will be available for that year. Where Multinet's actual capex differs from the capex estimate used to calculate the CESS, an adjustment will be made to account for the difference. The adjustment for the final year of the Access Arrangement period will be:

$$\text{Final year adjustment} = (A_p^* - A_p) \times \left[\frac{\text{NSP sharing factor} - 1}{(1 + WACC)^{-0.5}} \right] + 1$$

Where:

A_p^* is the estimate of actual capex in the final year of the Access Arrangement Period that has been used to initially calculate the CESS rewards or penalties

A_p is actual capex in the final year of the Access Arrangement Period

- l) CESS payments will be adjusted where Multinet defers capex in the 2018–22 Access Arrangement Period and:
- (1) the amount of the deferred capex in the 2018–22 Access Arrangement Period is material, and
 - (2) the amount of the estimated underspend in capex in the 2018–22 Access Arrangement Period is material, and
 - (3) total approved forecast capex in the next Access Arrangement Period is materially higher than it is likely to have been if a material amount of capex was not deferred in the 2018–22 Access Arrangement Period.

If the AER determines that an adjustment will be made, the adjustment is the present value of the estimated marginal increase in forecast capex in the next Access Arrangement Period attributable to capex deferred in the 2018–22 Access Arrangement Period.

- m) Actual capex will be adjusted to remove any expenditure that is not rolled in to Multinet’s regulatory asset base used to determine revenue over the 2018–22 Access Arrangement Period.
- n) A discount rate will be applied to account for the time value of money. This adjustment will also be required for the penultimate year of the Access Arrangement where finalised actual capex figures are not available before finalising the regulatory determination.

7 Fixed Principles

7.1 General

- a) Rule 99 of the NGR provides that an Access Arrangement may include certain Fixed Principles.
- b) No Fixed Principle can be varied or revoked by the Regulator without the consent of the Service Provider.
- c) Each Fixed Principle will apply for different periods as described in this clause 7.
- d) The period during which each Fixed Principle may not be changed is the Fixed Period (Fixed Period).

7.2 Adoption of Fixed Principles

In approving revisions to this Access Arrangement for the Sixth Access Arrangement Period, the Regulator is to adopt the Fixed Principles as set out below.

- a) The Regulator will use incentive based regulation adopting a CPIX approach and not rate of return regulation. This Fixed Principle will apply until the end of the Fifth Access Arrangement Period.
- b) The opening Capital Base for the Sixth Access Arrangement Period will be determined in accordance with rule 77(2) of the NGR and the opening capital base at the start of the Fifth Access Arrangement Period will be adjusted to take account of:
 - (1) changes to CPI over the Fifth Access Arrangement Period;
 - (2) the value of disposals in the ordinary course of business during the Fifth Access Arrangement Period, other than a disposal of:
 - (A) all of the assets of the Service Provider;
 - (B) assets pursuant to which the assets of the Service Provider are sold and leased back to the Service Provider
 - (3) disposals in the ordinary course of business during Calendar Year 2017, other than a disposal of:
 - (A) all of the assets and liabilities of the Service Provider;
 - (B) assets pursuant to which the assets of the Service Provider were sold and leased back to the Service Provider.

This Fixed Principle will apply until the end of the Sixth Access Arrangement Period.

- c) For the Access Arrangement that applied from commencement of the First Access Arrangement Period, the Regulator approved the Fixed Principle here set out. Pursuant to clause 7.1 above and rule 99(3) of the NGR, this Fixed Principle applies in accordance with its terms. Accordingly, this Fixed Principle, if applicable applies until 31 December 2032.

"To the extent that the Rate of Return is relevant to the determination of Reference Tariffs, the Rate of Return on the Capital Base shall be calculated on a real, post-tax basis.

If applicable, this Fixed Principle applies for 30 years."

- d) To the extent that the Rate of Return is relevant to the determination of Reference Tariffs, the Rate of Return on the Capital Base shall be calculated using the Capital Asset Pricing Model.

This Fixed Principle will apply until the end of the Sixth Access Arrangement Period.

- e) Where a Relevant Pass Through Event occurs during an Access Arrangement Period but the impact of that Relevant Pass Through Event has not been fully recovered or reflected in adjusted Haulage Reference Tariffs and Haulage Reference Tariff Components prior to the end of that Access Arrangement Period then the amount of the impact not fully recovered or reflected will be reflected or recovered in the next Access Arrangement Period by an adjustment to the Haulage Reference Tariffs and Haulage Reference Tariff Components for that next Access Arrangement Period.

This Fixed Principle will apply until the end of the Fifth Access Arrangement Period.

8 Relevant Pass Through Event

The Service Provider may notify the AER of a Relevant Pass Through Event within 90 Business Days of the Relevant Pass Through Event occurring, where the impact of the event would lead to a Positive Pass Through Amount and must notify the AER of a Relevant Pass Through Event within 90 Business Days of the Relevant Pass Through Event occurring, whether the impact of the event would lead to a Negative Pass Through Amount.

If the Service Provider gives such a notice then, when the costs of the Relevant Pass Through Event incurred are known (or able to be estimated to a reasonable extent), then those costs shall be notified to the AER. When making a notification to the AER, the Service Provider will provide the AER with a statement, signed by an authorised officer of the Service Provider, verifying that the costs of the Relevant Pass Through Event are net of any payments made by an insurer or third party which partially or wholly offsets the financial impact of that event (including self insurance).

The AER must notify the Service Provider of its decision to approve or reject the proposed variations to its Reference Tariffs within 90 Business Days of receiving the notification. The AER may, by written notice to the Service Provider, extend the time limit if the AER is satisfied that the difficulty of assessing or quantifying the effect of the Relevant Pass Through Event justifies the extension. The notice must set out the length of the extension and the reason the extension is required.

In the case of the following Relevant Pass Through Events:

- a) Change in Taxes Event;
- b) Insurer Credit Risk Event;
- c) Insurance Cap Event;
- d) Natural Disaster Event;
- e) Regulatory Change Event;
- f) Service Standard Event; and
- g) Terrorism Event,

the relevant definitions require there to be a Material increase or decrease in costs as a pre-condition to there being a Relevant Pass-Through Event.

For the purpose of these definitions **Material** means an increase or decrease in the costs of provision of Reference Services by an amount equal to or more than one per cent of the smoothed forecast revenue specified in the AER's final decision (in respect of the relevant Access Arrangement period) for the years in that Access Arrangement period in which those costs are incurred.

Subject to the approval of the AER under the NGR, Reference Tariffs may be varied after a Relevant Pass Through Event occurs.

Any such variation will take effect from the first 1 January following the AER's decision.

In making its decision on whether to approve the proposed Relevant Pass Through Event variation, the AER must take into account the following:

- a) whether the costs to be passed through are for the delivery of Pipeline Services;
- b) whether the costs are incremental to costs already allowed for in Reference Tariffs;
- c) whether the costs to be passed through meet the relevant National Gas Rules criteria for determining the building block for total revenue in determining Reference Tariffs;

- d) the efficiency of the Service Provider's decisions and actions in relation to the risk of the Relevant Pass Through Event occurring, including whether the Service Provider has failed to take any action that could reasonably be taken to reduce the magnitude of the costs incurred as a result of the Relevant Pass Through Event and whether the Service Provider has taken or omitted to take any action where such action or omission has increased the magnitude of the costs; and
- e) any other factors the AER considers relevant and consistent with the NGR and NGL.

9 Depreciation for establishing the capital base as at 1 January 2023

The depreciation schedule (straight-line) for establishing the opening capital base as at 1 January 2023 will be based on forecast capital expenditure at the asset class level approved for the 2018-22 access arrangement period.

Schedule 1 – Initial Haulage Reference Tariffs V, Haulage Reference Tariff L and Haulage Reference Tariff D as at 1 January 2018 and Applicability Guidelines

Haulage Reference Tariff - Residential V

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Residential V if it has the following characteristics:

- the User's Customer at the Distribution Supply Point is a Residential Customer; and
- the Distribution Supply Point is not located within the Gippsland Towns area or Yarra Valley Town area described in Schedule 3.

Tariff Structure

Distribution Fixed Tariff Component \$0.1773 per day (exclusive of GST) as at 1 January 2018.

Consumption Range (GJ/day)	Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST)
0 - 0.05	7.8756	6.7255	7.5166	7.5166
> 0.05 - 0.1	5.6583	4.8097	5.3753	5.3753
> 0.1 - 0.15	2.9254	2.4875	2.7801	2.7801
> 0.15 - 0.25	1.4805	1.2585	1.4065	1.4065
> 0.25	1.0979	0.9464	1.0577	1.0577

Haulage Reference Tariff - Non-residential V

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential V if it has the following characteristics:

- the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
- the Distribution Supply Point is not to be assigned to Haulage Reference Tariff – Non-residential D or Haulage Reference Tariff – Non-residential L in accordance with clause 1 and this Schedule 1; and
- the Distribution Supply Point is not located within the Gippsland Towns area or Yarra Valley Town area described in Schedule 3.

Tariff Structure

Distribution Fixed Tariff Component \$0.2925 per day (exclusive of GST) as at 1 January 2018.

Consumption Range (GJ/day)	Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST)
0 - 0.25	3.5966	2.9934	3.3007	3.3007
> 0.25 - 1	2.2762	1.9781	2.0487	2.0487
> 1 - 1.5	1.3658	1.1841	1.2975	1.2975
> 1.5 - 5	0.7600	0.7176	0.7405	0.7405
> 5	0.2536	0.2026	0.2281	0.2281

Haulage Reference Tariff –Non-residential L

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential L if it meets the following characteristics:

- the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
- the Distribution Supply Point does not have the characteristics that would otherwise enable it to be assigned to Haulage Reference Tariff – Non-residential D; and
- the Quantity withdrawn at that Distribution Supply Point exceeds, or is likely to exceed, 5,000 GJ of Gas in any 6 month period. If less than 6 months' data is available, the consumption is prorated to 183 days.

Tariff Structure

The Charge comprises a Distribution Volume Tariff Component and a Distribution Demand tariff Component as follows:

Consumption Range (GJ/day)	Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST)
< 5	0.6002	0.4220	0.5322	0.5322
> 5	0.1287	0.0960	0.1209	0.1209

Rolling 12 month Maximum MHQ Distribution Demand tariff component (\$/MHQ per day) (exclusive of GST)	Peak MHQ Distribution Demand tariff component (\$/MHQ per day) (exclusive of GST)
0.5580	1.6696

Haulage Reference Tariff – Non-residential D

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff – Non-residential D if it has the following characteristics:

- a) the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
- b) the Quantity withdrawn at that Distribution Supply Point:
 - 1) exceeds 10,000 GJ in the immediately preceding 12 month period. If less than 12 months' data is available, the consumption is prorated to 365 days, or
 - 2) in any hour in the immediately preceding 12 month period exceeds 10 GJ; and
- c) the Distribution Supply Point is not located within the Gippsland Towns area described in Schedule 3.

Tariff Structure

Annual MHQ (GJ/hr)	Distribution Demand tariff component (\$/MHQ) (exclusive of GST)
0 - 50	560.3243
> 50	95.3344

Haulage Reference Tariff – Residential V Yarra Valley Towns

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Residential V Yarra Valley Towns if it has the following characteristics:

- a) the User's Customer at the Distribution Supply Point is a Residential Customer; and
- b) the Distribution Supply Point is located within the Yarra Valley Towns area described in Schedule 3.

Tariff Structure

Distribution Fixed Tariff Component \$0.1773 per day (exclusive of GST) as at 1 January 2018

Consumption Range (GJ/day)	Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST)
0 - 0.05	9.3853	8.4439	9.0715	9.0715
> 0.05 - 0.1	7.5977	6.9244	7.3733	7.3733
> 0.1 - 0.15	5.4308	5.0826	5.3147	5.3147
> 0.15 - 0.25	4.2840	4.1078	4.2253	4.2253
> 0.25	3.9928	3.8602	3.9485	3.9485

Haulage Reference Tariff – Non-residential V Yarra Valley Towns

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential V Yarra Valley Towns if it has the following characteristics:

- a) the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
- b) the Distribution Supply Point is not to be assigned to Haulage Reference Tariff – Non residential D or Haulage Reference Tariff – Non-residential L in accordance with clause 1 and this Schedule 1; and
- c) the Distribution Supply Point is located within the Yarra Valley Towns Distribution area described in Schedule 3.

Tariff Structure

Distribution Fixed Tariff Component \$0.2911 per day (exclusive of GST) as at 1 January 2018.

Consumption Range (GJ/day)	Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST)
0 - 0.25	6.0367	5.5456	5.7958	5.7958
> 0.25 - 1	4.9620	4.7195	4.7768	4.7768
> 1 - 1.5	4.2212	4.0732	4.1655	4.1655
> 1.5 - 5	3.7282	3.6936	3.7123	3.7123
> 5	3.3160	3.2745	3.2953	3.2953

Haulage Reference Tariff – Residential V Gippsland Towns

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff – Residential V Gippsland Towns if it has the following characteristics:

- a) the User's Customer at the Distribution Supply Point is a Residential Customer; and
- b) the Distribution Supply Point is located within the Gippsland Towns area described in Schedule 3.

Tariff Structure

Distribution Fixed Tariff Component \$0.1773 per day (exclusive of GST) as at 1 January 2018.

Consumption Range (GJ/day)	Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST)
0 - 0.05	10.2142	9.2146	9.8809	9.8809
> 0.05 - 0.1	8.3158	7.6009	8.0776	8.0776
> 0.1 - 0.15	6.0149	5.6451	5.8916	5.8916
> 0.15 - 0.25	4.7970	4.6098	4.7346	4.7346
> 0.25	4.4878	4.3469	4.4408	4.4408

Haulage Reference Tariff – Non-residential V Gippsland Towns

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff - Non-residential V Gippsland Towns if it has the following characteristics:

- a) the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
- b) the Distribution Supply Point is not to be assigned to Haulage Reference Tariff – Non residential D or Haulage Reference Tariff – Non-residential L in accordance with clause 1 and this Schedule 1; and
- c) the Distribution Supply Point is located within the Gippsland Towns area described in Schedule 3.

Tariff Structure

Distribution Fixed Tariff Component \$0.2925 per day (exclusive of GST)

Consumption Range (GJ/day)	Distribution Volume tariff component - peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - off peak period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - May Shoulder period (\$/GJ) (exclusive of GST)	Distribution Volume tariff component - Oct Shoulder period (\$/GJ) (exclusive of GST)
0 - 0.25	6.6583	6.1368	6.4024	6.4024
> 0.25 - 1	5.5171	5.2595	5.3203	5.3203
> 1 - 1.5	4.7303	4.5731	4.6712	4.6712
> 1.5 - 5	4.2068	4.1700	4.1898	4.1898
> 5	3.7691	3.7250	3.7470	3.7470

Haulage Reference Tariff – Non-residential D Gippsland Towns

Applicability

A Distribution Supply Point will be assigned to Haulage Reference Tariff – Non-residential D Gippsland Towns if it has the following characteristics:

- a) the User's Customer at the Distribution Supply Point is a Non-residential Customer; and
- b) the Quantity withdrawn at that Distribution Supply Point:
 - 1) exceeds 10,000 GJ in the immediately preceding 12 month period. If less than 12 months' data is available, the consumption is prorated to 365 days, or
 - 2) in any hour in the immediately preceding 12 month period exceeds 10 GJ;. and
- c) the Distribution Supply Point is located within the Gippsland Towns area described in Schedule 3.

Tariff Structure

Annual MHQ (GJ/hr)	Distribution Demand tariff component (\$/MHQ) (exclusive of GST)
0 - 50	605.3809
> 50	102.9943

Schedule 2 – Initial Ancillary Reference Tariffs (\$2018)

Reference Service Description	Tariff \$ GST Exc
Meter Investigation – High Account Investigation Between the hours of 8am and 4pm on a Business Day	\$142.93
Meter Disconnection – Use of locks & plugs Between the hours of 8am and 4pm on a Business Day	\$50.06
Meter Removal – Various Between the hours of 8am and 4pm on a Business Day	\$59.81
Reconnect Between the hours of 8am and 4pm on a Business Day	\$42.21
Special Meter Reads Between the hours of 8am and 4pm on a Business Day	\$6.42
Installation of a second service valve in a pit and disconnect gas supply – paved (without traffic Mgt)	\$3,190.76
Installation of a second service valve in a pit and disconnect gas supply – paved (with traffic Mgt)	\$3,953.96
Installation of a second service valve in a pit and disconnect gas supply – unpaved (without traffic Mgt)	\$1,514.44
Installation of a second service valve in a pit and disconnect gas supply – unpaved (with traffic Mgt)	\$2,086.84

Schedule 3 – Yarra Valley and Gippsland Towns areas

Yarra Valley Towns area

Town	Postcode
Yarra Glen	3775
Wandin	3139
Seville	3139
Seville East	3139
Woori Yallock	3139
Launching Place	3139
Yarra Junction	3797
Wesburn	3799
Millgrove	3799
Warburton	3799

Gippsland Towns area

Town	Postcode
Lang Lang	3984
Korumburra	3950
Leongatha	3953
Inverloch	3996
Wonthaggi	3995

Schedule 4 – Content of annual tariff report

1 Introduction

- a) Describe the licensing basis upon which the distributor supplies gas to customers
- b) Describe the period that the tariff report applies to
- c) Include the postcodes applicable to the distributor's Reference and Ancillary Reference tariffs
- d) Include a map highlighting location of each gas distribution business's pricing Zones

2 Reference and Ancillary Reference Tariffs

- a) Describe the costs that are recovered by Reference Tariffs
 - 1) Describe each Reference Tariff and how it is charged
- b) Describe the costs that are recovered by Ancillary Reference tariffs
 - 1) Describe each Ancillary Reference tariff and how it is charged
- c) Describe the principles used to set tariffs

3 Methodology to set Reference Tariffs

- a) Discuss the derivation of each tariff V and tariff D Reference Tariff
 - 1) Describe the allocation of costs to each tariff (i.e. the tariffs listed in item 4(a))
- b) Discuss the derivation of the tariff V and tariff D Reference Tariff Structures
 - 1) Describe the allocation of costs to each tariff component for the tariffs listed in item 4(a)
- c) Discuss the cost differences underlying different zonal tariffs

4 Current Reference and Ancillary Reference Tariffs

- a) Reference Tariffs
 - 1) Discuss all approved tariffs for the year under consideration
 - 2) Discuss tariff component time period

Tariff Component Time Periods

Rate	Time
Peak	Date/time a to date/time b
Off-peak	Date/time c to date/time d
Other	Date/time e to date/time f

- 3) Describe Price Control regime and how this was applied to vary tariffs for the year under consideration
 - (A) Include table of price control parameters for current year

- 4) Future Tariffs and future tariff issue – discuss the movement in Reference Tariffs in the remaining years of regulatory period
- b) Ancillary Reference Tariffs
 - 1) Define all approved tariffs and how they were varied for the year under consideration. Also discuss the basis of future year movements.

5 New tariffs/new tariff structures

- a) Identification of new tariffs/new tariff structures – identify any new tariffs or new tariff structures which are proposed to be introduced in the next calendar year
- b) Derivation of new tariff/new tariff structure
 - 1) Describe and provide reasons for introducing the new tariffs or changing a tariff structure from that approved during the GAAR
 - 2) Identify and reconcile the costs, consumption and customer numbers of the original tariff with the new tariff(s)/new tariff structure(s)

6 Previous year tariffs and current year (year of report) tariffs

- a) List all approved Reference Tariffs (including Ancillary Reference Tariffs)

7 Impact of Reference Tariff variations

- a) Provide tabulated calculations and a discussion to show the impact of proposed variations in each Reference Tariff – using average usage for that tariff
 - 1) The tables will also include the customer impact for the introduction of a new tariff or a new tariff structure

Change in tariff components

Component	Year t-1 Rate	Year t Rate	% Change
Fixed Charge			
Peak components			
Off-peak components			
Other components			

Change in customer charge

Component	Year t-1 Rate	Year t Rate	Days/Energy	Cost Change (\$)
Fixed Charge				
Peak components				
Off-peak components				
Other components				
Total Cost Change				

Change in customer charge

Reference Tariff	Year t-1 (\$/customer)	Year t (\$/customer)	% Change
Reference Tariff 1			
Reference Tariff n			

Part B: Appendix 1 – Tariff Control Formula

Formula 1 - Annual haulage reference tariff variation formula

Annual haulage reference tariff variation formula

$$(1 + \Delta CPI_t)(1 - X_t)(1 + PT_t) \geq \frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}$$

where:

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities from the June quarter in year t-2 to the June quarter in year t-1, calculated using the following method:

$$\frac{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 1}{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 2} - 1$$

If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

t is the year for which tariffs are being set.

X_t is the X factor for each year of the 2018–22 access arrangement period as determined in the PTRM as approved in the AER's final decision, and annually revised for the return on debt update calculated for the relevant year during the access arrangement period in accordance with that approved in the AER's final decision

PT_t is the cost pass through factor for year t calculated as outlined in formula 3

n is the number of different reference tariffs

m is the different components, elements or variables ("components") comprised within a reference tariff

p_t^{ij} is the proposed component j of reference tariff i in year t

p_{t-1}^{ij} is the prevailing component j of reference tariff i in year t-1

q_{t-2}^{ij} is the audited quantity of component j of reference tariff i that was sold in year t-2 (expressed in the units in which that component is expressed (e.g. GJ)).

Formula 2 - Rebalancing Control Formula

$$(1 + \Delta CPI_t)(1 - X_t)(1 + PT_t)(1 + 0.02) \geq \frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}$$

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities from the June quarter in year t-2 to the June quarter in year t-1, calculated using the following method:

$$\frac{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 1}{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 2} - 1$$

If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

t is the year for which tariffs are being set.

X_t is the X factor for each year of the 2018–22 access arrangement period as determined in the PTRM as approved in the AER's final decision, and annually revised for the return on debt update calculated for the relevant year during the access arrangement period in accordance with that approved in the AER's final decision.

PT_t is the cost pass through factor for year t calculated as outlined in formula 3

n is the number of different reference tariffs

m is the different components, elements or variables ("components") comprised within a reference tariff

p_t^{ij} is the proposed component j of reference tariff i in year t

p_{t-1}^{ij} is the prevailing component j of reference tariff i in year t-1

q_{t-2}^{ij} is the audited quantity of component j of reference tariff i that was sold in year t-2 (expressed in the units in which that component is expressed (e.g. GJ)).

Formula 3 – Pass Through Adjustment Factor Formula

$$PT_t = \frac{(1 + PT'_t)}{(1 + PT'_{t-1})} - 1$$

where:

t is the year for which tariffs are being set

PT'_t is:

(a) zero when financial year $t-1$ refers to year 2018

(b) the value of PT'_t determined in the year $t-1$ for all other years in the access arrangement period

and

$$PT'_t = \frac{AP_t}{(1 + \Delta CPI_t)(1 - X_t) \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}$$

where

AP_t is:

(a) any determined pass through amount that the AER approves in whole or part in year t ; and/or

(b) any pass through amounts arising from pass through events (as that term is defined in the access arrangement applying to Multinet in the immediately prior access arrangement period) occurring in the immediately prior access arrangement period that Multinet proposes to pass through in whole or in part in year t ,

that includes an amount to reflect the time value of money between incurring the costs and recovering the costs, and excludes any amounts already passed through in reference tariffs.

ΔCPI_t is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities from the June quarter in year $t-2$ to the June quarter in year $t-1$, calculated using the following method:

$$\frac{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 1}{\text{The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the June quarter in regulatory year } t - 2} - 1$$

If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

X_t means the X factor for each year of the 2018–22 access arrangement period as determined in the PTRM as approved in the AER's final decision, and annually revised for the return on debt update calculated for the relevant year during the access arrangement period in accordance with that approved in the AER's final decision.

p_{t-1}^{ij} is the prevailing component j of reference tariff i in year $t-1$

q_{t-2}^{ij} is the audited quantity of component j of reference tariff i that was sold in year $t-2$ (expressed in the units in which that component is expressed (e.g. GJ)).

Part B: Appendix 2 – Asset Performance Index

The Asset Performance Index is calculated for the 2018–22 Access Arrangement Period as follows:

- (1) Calculate the arithmetic average of the annual unplanned SAIDI for all customers for each of the four Calendar Years from 1 January 2018 to December 2021, measured for each year t as follows:

$$\text{Unplanned SAIDI}_t = \frac{\sum_{i=1}^{12} \text{OUD}_i^t}{\sum_j^{12} C_j^t / 12}$$

Where:

$\sum_{i=1}^{12} \text{OUD}_i^t$ is the summation of the total number of unplanned minutes off supply for all customers on the Service Provider's network sourced from quarterly reports submitted to Energy Safe Victoria for the 12 months in Calendar Year t

$\sum_j^{12} C_j^t / 12$ is the arithmetic average of total customers of the Service Provider sourced from annual reports submitted to Energy Safe Victoria over the 12 months in Calendar Year t

- (2) Calculate the arithmetic average of the annual unplanned SAIFI for all customers for each of the four Calendar Years from 1 January 2018 to 31 December 2021, measured for each year t as follows:

$$\text{Unplanned SAIFI}_t = \frac{\sum_{i=1}^{12} \text{OUF}_i^t}{C_j^t}$$

Where:

$\sum_{i=1}^{12} \text{OUF}_i^t$ is the summation of the total number of unplanned outages for all customers on the Service Provider's network sourced from quarterly reports submitted to Energy Safe Victoria for the 12 months in Calendar year t

$\sum_j^{12} C_j^t / 12$ is the arithmetic average of total customers of the Service Provider sourced from annual reports submitted to Energy Safe Victoria over the 12 months in Calendar Year t

- (3) Calculate the arithmetic average of the annual publicly reported gas leaks for mains of the Service Provider for each of the four Calendar Years from 1 January 2018 to 31 December 2021, as reported to Energy Safe Victoria, adjusted to remove leaks identified as a result of leak surveys.
- (4) Calculate the arithmetic average of the annual publicly reported gas leaks for services of the Service Provider for each of the four Calendar Years from 1 January 2018 to 31 December 2021, as reported to Energy Safe Victoria.
- (5) Calculate the arithmetic average of the annual publicly reported gas leaks for meters of the Service Provider for each of the four Calendar Years from 1 January 2018 to 31 December 2021, as reported to Energy Safe Victoria.
- (6) Convert each of the averages from the measures in paragraphs (1), (2), (3), (4) and (5) above into index scores using the following formula:

$$\text{Index}_n = 200 - \left(\frac{\text{Actual}_n}{\text{Target}_n} \right) \times 100$$

Where:

Index_n is the index score for each measure $n = 1,2,3,4,5$ corresponding to the measures in paragraphs (1), (2), (3), (4) and (5) above respectively

Actual_n is the arithmetic average of the actual performance for each measure $n = 1,2,3,4,5$ calculated as per paragraphs (1), (2), (3), (4) and (5) above

Target_n is the target performance for each measure $n = 1,2,3,4,5$ as follows:

Unplanned SAIDI
 $n = 1$

$\text{Target}_1 = 25.0\%$

Unplanned SAIFI $Target_2 = 25.0\%$	n = 2
Mains leaks	n = 3
	$Target_3 = 31.2\%$
Services leaks	n = 4
	$Target_4 = 15.6\%$
Meter leaks	n = 5
	$Target_5 = 3.2\%$

- (7) Calculate the weighted average of the index scores calculated in paragraph (6) above for each of the measures n = 1,2,3,4,5 according the following weights:

Unplanned SAIDI = 25.0%

Unplanned SAIFI = 25.0%

Mains leaks = 31.2%

Services leaks = 15.6%

Meter leaks = 3.2%

The resulting average is the Asset Performance Index.