



Multinet Gas 2017 Annual Tariff Report

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Multinet Gas

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Multinet Gas 2017 Annual Tariff Report

FINAL

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1 Executive Summary

Multinet Gas (MG) is the largest distributor (by connection base) of natural gas in Victoria, servicing Melbourne's inner, outer-eastern and south-eastern suburbs. MG owns the distribution network assets used to transport gas from the high-pressure transmission network to the premises of residential, commercial and industrial gas users.

MG is required to produce an annual tariff report as part of its Gas Access Arrangement Review (GAAR). The current GAAR period runs from 2013-2017. The tariffs proposed in this report and the tariff submission are intended to apply from 1 January 2017 through to 31 December 2017.

The average increase in distribution tariffs from 2016 to 2017 is 4.72% which is an approximate price increase of 0.8% (about \$12) of the average annual residential household bill.

2017 MG Price Control Factor		
Price Control Factor	% Change from 2017	Factor Information
L	0.0002%	Licence Fee
X	3.38%	GAAR decision
CPI	1.3%	September 2016 CPI
DUOS average increase	4.72%	Overall average increase

The average increase of 4.72% is predominately comprised of CPI 1.3% and the X factor 3.38%. The X factor has been calculated to recover Multinet's expected costs during the 2013 to 2017 period. These costs are for the provision of a safe and reliable gas service to over 690,000 customers, funding the replacement of ageing infrastructure and maintenance of over approximately 10,000 km of gas pipelines.

MG has had ongoing discussions in relation to gas pricing with key stakeholders, including our Customer Consultative Committee (CCC), which have informed the development of this proposal. We have also hosted consultation sessions with energy retailers on the proposed 2017 tariffs. This is part of our ongoing commitment to stakeholder engagement and in line with recently introduced regulatory requirements.

2 Introduction

Multinet Gas (MG) is the largest distributor (by connection base) of natural gas in Victoria, servicing Melbourne's inner, outer-eastern and south-eastern suburbs. MG owns the distribution network assets used to transport gas from the high-pressure transmission network to the premises of residential, commercial and industrial gas users.

MG also has two rural based networks that currently cover nine townships in the Yarra Valley located in outer eastern metropolitan Melbourne and six townships in South Gippsland Victoria.

2.1 Licensing basis

MG's current Access Arrangement was approved on 29 April 2013 and amended in September 2015 to incorporate an approved cost pass through relating to additional pipeworks expenditure. A requirement of the Arrangement is the production of an annual tariff report. This report is intended to meet the requirements of MG's Access Arrangement to enable users to understand the basis of tariff and their policies.

2.2 Application period

The tariffs proposed in this report and the tariff model are intended to apply from 1 January 2017 through to 31 December 2017.

2.3 Post Codes

The post codes that are applicable for Reference and Ancillary Tariffs are listed in Appendix 6. These post codes are also included in the company's Distribution Licence.

2.4 Location

A map showing the locations where MG distributes gas is provided below. MG distributes gas to the areas shaded in orange, as well as the South Gippsland area indicated. During 2016, the Yarra Ranges network will be extended to include the township of Warburton.



2.5 Stakeholder Consultation

On the 31 October 2013, the AER released its Stakeholder Engagement Framework, which included guidelines for consultation on a range of matters so as to improve the level of consultation and ensure that network proposals reflect customer expectations and requirements. MG welcomes these guidelines as part of its growing commitment to stakeholder engagement.

MG plays a significant role in distributing gas to many Victorian business and domestic customers. Together with our core objectives of delivering energy in a safe and reliable manner, MG strives to provide an efficient and cost effective service for our customers.

MG has had ongoing discussions in relation to gas pricing issues with key stakeholders including our Customer Consultative Committee (CCC), which have informed the development of this proposal. We have also hosted detailed consultation sessions with energy retailers on the proposed 2017 tariffs. This is part of our ongoing commitment to stakeholder engagement and in line with recently introduced regulatory requirements.

MG met with interested retailers on 8th September 2016 with discussion in the following areas:

- Regulatory framework (GAAR) and the annual distribution pricing process and determinations;
- Key issues/feedback from customers on approach to improve efficiency and service levels in the short, medium and long term;
- Indicative approach for 2017 distribution pricing from MG;
- Carbon Tax Repeal and associated processes;
- Warburton (Yarra Valley new town) reticulation commencing during 2016.

2.6 Contact Details

The contact for further details on this Tariff report is:

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3 Reference and Ancillary Reference Tariffs

3.1 Overview of Reference Tariffs

An overview of the reference tariffs is described below.

3.1.1 Haulage Reference Service Tariff V

Tariff V applies to customers using less than 10,000 GJ a year and less than 10 GJ MHQ. Within Tariff V there are two classifications: Residential and Non-Residential. Any new customer eligible for Tariff V is assigned their appropriate residential or non-residential classification by their Retailer.

Tariff V customers are charged a fixed daily charge and a price per GJ which decreases with increased usage (see Appendix 1-3 for details of all tariffs). There are currently five usage blocks for Residential and Non-Residential Customers as follows:

Tariff V Residential

	Consumption Range (GJ/day)
Usage Block 1	0 - 0.05
Usage Block 2	> 0.05 - 0.1
Usage Block 3	> 0.1 - 0.15
Usage Block 4	> 0.15 - 0.25
Usage Block 5	> 0.25

Tariff V Non Residential

	Consumption Range (GJ/day)
Usage Block 1	0 - 0.25
Usage Block 2	> 0.25 - 1.0
Usage Block 3	> 1.0 - 1.5
Usage Block 4	> 1.5 - 5.0
Usage Block 5	> 5.0

Both Residential and Non Residential Tariff V customers have seasonal usage charges (\$/GJ) for the following periods:

- Off Peak Summer Period (November-April inc.)
- May and October Shoulder period (May and October)
- Peak Winter period (Jun-September inc.)

3.1.1.1 Residential Haulage Reference Service – Tariff V

The Residential Haulage Reference Service is the Haulage Reference Service for allowing the injection, conveyance and withdrawal of Gas by or in respect of a Residential Customer (being one who uses Gas primarily for domestic purposes). This Service includes the operation and maintenance of Connection assets being

Expansions or Extensions comprising work on the Main, service pipe and metering Installation and scheduled meter reading.

MG will subject the costs of the Connection assets for Residential Haulage Reference Services to an Economic Feasibility Test as set out in the Extension and Expansions Policy detailed in section 5.5 of Part A of MG's Access Arrangement. Any Charges relating to the Connection will be in accordance with section 5.5 of the Access Arrangement.

3.1.1.2 Non-Residential Haulage Reference Service – Tariff V

The Non-Residential Haulage Reference Service is the Haulage Reference Service for allowing the injection, conveyance and withdrawal of Gas by or in respect of a Non-Residential Customer (being one other than a Residential Customer). Where relevant, a Distribution Supply Point is assigned to a Haulage Reference Tariff – Non-Residential V. This Service includes the operation and maintenance of Connection assets (being Expansions or Extensions comprising work on the Main, service pipe and metering Installation) and scheduled meter reading services.

MG will subject the costs of the Connection assets for Non-Residential Tariff V Haulage Reference Services to an Economic Feasibility Test as set out in the Extension and Expansions Policy detailed in section 5.5 of Part A of MG's Access Arrangement. Any Charges relating to the Connection will be in accordance with section 5.5 of the Access Arrangement.

3.1.2 Haulage Reference Tariff - Non-Residential Tariff D

Tariff D applies to customers using greater than 10,000 GJ a year or more than 10 GJ MHQ. Customers are charged based on their Maximum Hourly Quantity (MHQ) measured in Giga Joules (GJ) per hour. The MHQ unit rates are stepped as follows:

	Maximum Hourly Quantity (GJ/hr)
Demand Step 1	0 - 50
Demand Step 2	> 50

A detailed explanation of how Tariff D MHQ bills are calculated and charged is shown in Appendix 4.

Where the relevant Distribution Supply Point is assigned to Haulage Reference Tariff Non-residential Tariff D, this Non-Residential Haulage Reference Service is for allowing the injection, conveyance and withdrawal of Gas at a Tariff D Distribution Supply Point. This Tariff does not include the provision and maintenance of Connection assets forming a Tariff D Distribution Supply Point.

Connection of a Tariff D Distribution Supply Point is to be provided as a non-Reference Service and the costs of these works and related operations and maintenance are not recovered through the Non-Residential Tariff D Reference Tariff. For these services, a fair and reasonable charge is to be levied.

3.1.3 Haulage Reference Tariff - Non-Residential Tariff L

Tariff L is open to customers who consume more than 1TJ per annum or less than 10TJ per annum and have an MHQ demand of less than 10 GJ per hour.

The tariff structure of Tariff L is a mixture of the Tariff V and D tariff structures. Tariff L has no fixed charge; however it contains seasonal stepped usage charges and two demand charges. There are currently two usage blocks for Tariff L customers:

Tariff L

	Consumption Range (GJ/day)
Usage Block 1	0 - 5
Usage Block 2	> 5

Like Tariff V, Tariff L also contains seasonal usage charges (\$/GJ) for the following periods:

- Off Peak Summer Period (November-April inc.)
- May/Oct Shoulder period (May and October)
- Peak Winter period (Jun-September inc.)

Tariff L also contains two Demand Charges as follows:

- A Rolling 12 month Maximum MHQ charge which is a daily charge based on the highest demand (MHQ) delivered over 12 months to the end of the billing period
- A Peak MHQ Demand Charge which is based on the highest demand (MHQ) delivered in any billing period during the hours 6am to 10am weekdays over the four peak months June to September.

A further explanation of Tariff L and its associated business rules can be seen in Appendix 5 of this document.

Where the relevant Distribution Supply Point is assigned to Haulage Reference Tariff Non-residential Tariff L, this Non-Residential Haulage Reference Service is for allowing the injection, conveyance and withdrawal of Gas at a Tariff L Distribution Supply Point. This Service does not include the provision and maintenance of Connection assets forming a Tariff L Distribution Supply Point.

Connection of a Tariff L Distribution Supply Point is to be provided as a non-Reference Service and the costs of these works and related operations and maintenance are not recovered through the Non-Residential Tariff L Reference Tariff. For these services, a fair and reasonable charge is to be levied.

3.2 Costs recovered by reference tariffs

Reference tariffs have been structured so that they recover the building block costs of MG. These building blocks are:

- Return on Capital – Approved Cost of Capital multiplied by the annual average asset value
- Return of Capital – Regulatory depreciation of assets
- Taxation – based on a benchmarked distribution company
- Operating and Maintenance Costs
- Efficiency carry over – rewards or penalties for efficiency gains or losses respectively.

Each of these cost components are described in the company's Access Arrangement and Access Arrangement Information approved by the Australian Energy Regulator 29 April 2013. The actual tariffs that recover the costs determined in the 2013 Access Arrangement Review are described in the sections below.

3.3 Costs recovered by ancillary tariffs

Ancillary Reference Services are Services used in connection with the transportation and use of Gas. MG is offering the Ancillary Reference Services set out in Schedule 1 of Part A under the Fourth Access Arrangement. They are also described in section 5.2 of this submission.

The costs of providing Ancillary services are similar in nature to those provide for reference tariffs, however relate directly to the provision of ancillary services.

3.4 Principles used to set tariffs

MG's Reference Tariff Policy in Part B of the Access Arrangement sets out its Reference Tariffs, and how those Reference Tariffs are determined for Reference Services in accordance with section 3 of the Access Code.

Reference Services will be provided:

- in accordance with the relevant Regulatory Instruments and
- on reasonable Terms and Conditions as set out in Part C of the Access Arrangement.

Distribution Tariffs should be set so that they accurately reflect the costs associated with the MG network and should also reflect the allocation of costs between customer groups.

The development and adjustment of tariffs broadly incorporates the following policy principles:

- **Simple:** Ability for customers to react and understand.
- **Attractive:** Desire of retailer to pass the tariff through to customers.
- **Forward Looking:** Ability to deal with changing market conditions while being technology and policy agnostic.
- **Manage Volatility:** Desire for low year-on-year volatility.
- **Predictable:** Ability for customers to forecast and understand impacts - no bill shock.
- **Cost-reflective:** Seek appropriate mechanisms for achieving inter-customer group equity in the recovery of distribution revenue requirements. Pricing is to recognise cost-reflectivity, within the constraints imposed by: interpretation of regulatory requirements, customer group averaging assumptions, cost allocation methodologies employed, and historical imperatives.
- **Compliant:** Compliance within the various regulatory and legislative criteria.

Not all principles can be satisfied to their full extent, while fully complying with the Access Arrangement, particularly as some principles have conflicting implications requiring trade-offs to be made. MG, however, has sought to achieve as much as possible in satisfying these principles within the given constraints.

4 Methodology to Set Reference Tariffs

4.1 Cost allocation to tariffs

4.1.1 Tariff V (Residential and Commercial)

Tariff V contains a fixed and variable charge. The fixed charge recovers unavoidable network infrastructure costs such as service connection, standard meters, and systems for billing and collection. The variable peak, shoulder and off peak charges recover all other costs associated with the Distribution use of System.

4.1.2 Tariffs D and L

The MHQ Demand charge for tariffs D and L recovers all capital, operation and maintenance “upstream” costs which are not recovered upfront and/or via the non-reference Operations and Maintenance charge and the tariff V charges.

4.1.3 Cost of Supply

MG has a Cost of Supply model that allocates the costs of supplying customers for each reference tariff via appropriate methodologies to come up with upper and lower limits by Tariff V Residential, Tariff V Non-residential, Tariff L and Tariff D.

The Upper Costs are the standalone costs to bypass the network. These costs were calculated using the Optimised Replacement System Cost (ORC) of the network multiplied by the current Weighted Average Cost of Capital (WACC), and adding depreciation and a consumption weighted share of Operations and Maintenance (O&M). These costs were then apportioned by volume of each customer class to get an average \$/GJ.

The Lower Cost is the marginal or avoidable cost of supply. The lower costs were calculated using a consumption weighted share of O&M and apportioning by volume for each customer class to get an average \$/GJ.

The average proposed 2017 tariff rates for Tariff V Residential, Tariff V Non-residential, Tariff L and Tariff D have been plotted against the upper and lower limits as per the figure 1 below, and the values behind this graph are in Table 4.1. The table and chart show that all the proposed 2017 tariffs are within the upper and lower cost bounds of providing these services.

Table 4-1: 2017 Proposed Average Tariffs versus Upper and Lower Cost Limits

Type	Tariff	Units	2017 Upper Bound “Standalone Cost”	2017 Lower Bound “Avoidable Cost”	2017 Average DUoS
Volume	Residential V	\$/GJ	5.69	2.12	4.66
Volume	Non-residential V	\$/GJ	2.38	0.50	1.66
Volume	Tariff L	\$/GJ	2.38	0.50	0.52
Demand	Tariff D	\$/00/MHQ	9.31	1.06	5.00

Figure 1: 2017 Proposed Average Tariffs versus Upper and Lower Cost Limits Tariff V and Tariff L

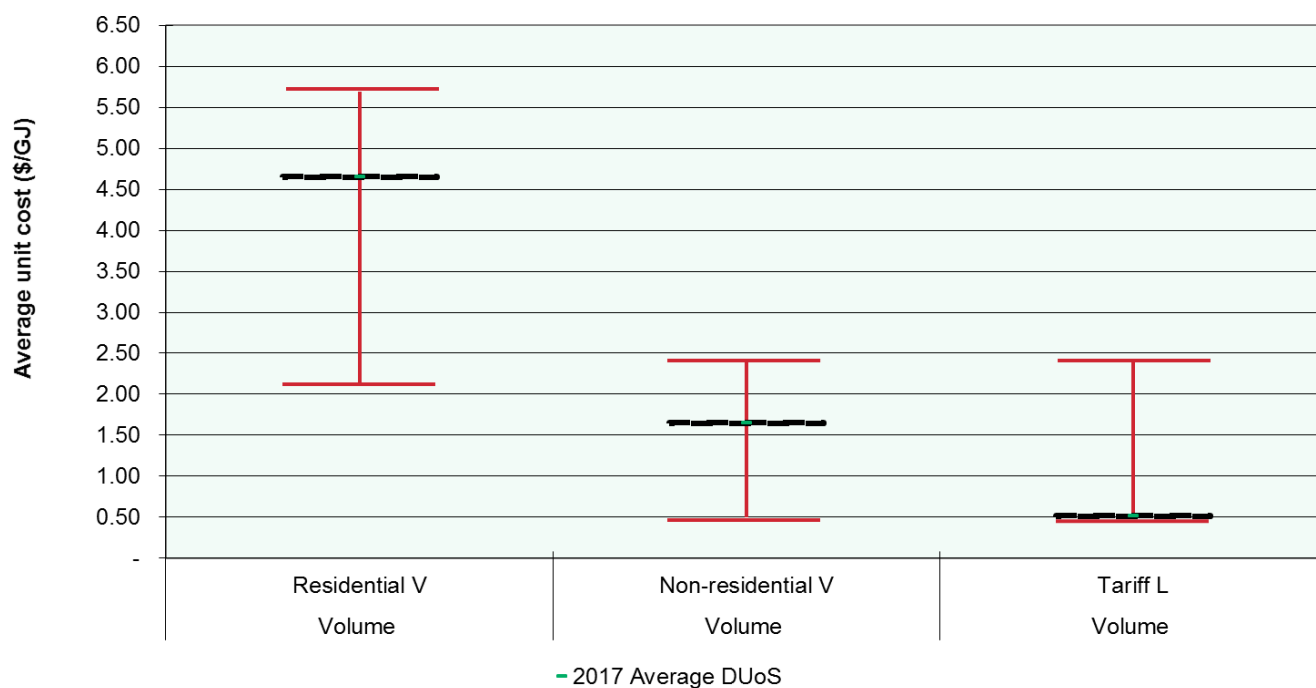
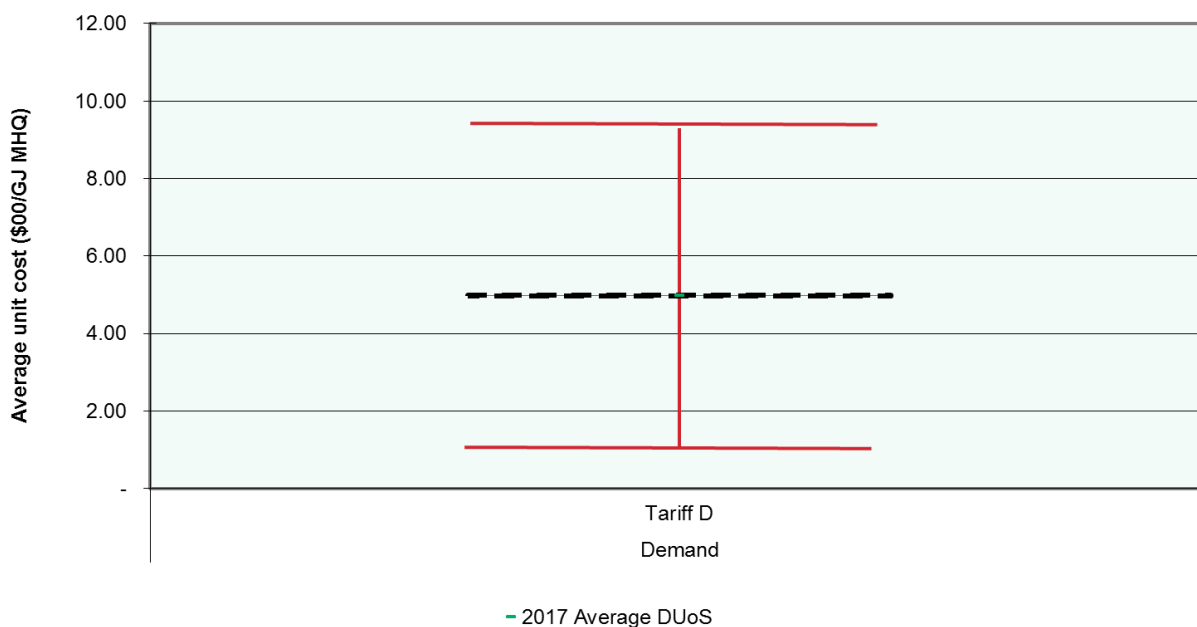


Figure 2: 2017 Proposed Average Tariffs versus Upper and Lower Cost Limits Tariff D



4.2 Cost differences between zones

MG has three zones for the purposes of pricing.

- Metropolitan
- Yarra Valley
- South Gippsland.

Both Yarra Valley and South Gippsland are relatively new networks and have been connected with the assistance of funding from Regional Development Victoria (RDV). Despite this assistance, both of these networks require additional revenue to recover the projected shortfall of revenue to costs and this is reflected in pricing. The additional pricing for Yarra Valley will expire in approximately 7 years and for South Gippsland in approximately 10 years. MG will gradually return these surcharges by decreasing these tariffs over time to eventually be in line with metro tariffs.

During 2017 customers based in Warburton will continue to be connected to the existing Yarra Valley network. Warburton customers will receive the existing Yarra Valley network tariffs which were used in the calculation of the complementary funding from RDV required to build the additional gas and distribution mains.

5 Current Reference and Ancillary Tariffs

5.1 Reference tariffs

The table below includes all the reference tariffs and tariff components proposed for 2017 compared to 2016. There have been no new tariffs introduced or any structural amendments for 2016.

The average price movement per tariff (\$/GJ) was calculated using the applicable revenue to that calendar year (i.e. the 2016 revenue used 2016 price by 2015 quantity, and the 2017 revenue used 2017 price by 2015 quantity divided by the total 2015 quantity for that tariff (GJ)).

Table 5-1: 2016 versus 2017 Tariffs

Tariff V Residential	2016 (\$/GJ)	2017 (\$/GJ)	% Change
Fixed Charge (\$/day)	0.1699	0.1782	4.86%
Peak 0 - 0.05 GJ/day	7.5855	7.9519	4.83%
Peak 0.05 - 0.1 GJ/day	5.4247	5.6885	4.86%
Peak 0.1 - 0.15 GJ/day	2.8046	2.9410	4.86%
Peak 0.15 - 0.25 GJ/day	1.4194	1.4884	4.86%
Peak > 0.25 GJ/day	1.0526	1.1038	4.86%
May/Oct Shoulder 0 - 0.05 GJ/day	7.2062	7.5567	4.86%
May/Oct Shoulder 0.05 - 0.1 GJ/day	5.1534	5.4040	4.86%
May/Oct Shoulder 0.1 - 0.15 GJ/day	2.6653	2.7949	4.86%
May/Oct Shoulder 0.15 - 0.25 GJ/day	1.3484	1.4140	4.86%
May/Oct Shoulder >0.25 GJ/day	1.0140	1.0633	4.86%
Off Peak 0 - 0.05 GJ/day	6.4478	6.7614	4.86%
Off Peak 0.05 - 0.1 GJ/day	4.6111	4.8354	4.86%
Off Peak 0.1 - 0.15 GJ/day	2.3848	2.5008	4.86%
Off Peak 0.15 - 0.25 GJ/day	1.2065	1.2652	4.86%
Off Peak > 0.25 GJ/day	0.9074	0.9515	4.86%
Average Price Movement Tariff V Residential	4.45	4.66	4.80%

* Individual rate adjustments differ to average for tariff class reflecting 366 revenue days in 2016 v 365 in 2017.

Tariff V Business	2016 (\$/GJ)	2017 (\$/GJ)	% Change
Fixed Charge (\$/day)	0.2805	0.2941	4.86%
Peak 0 - 0.25 GJ/day	3.4481	3.6158	4.86%
Peak 0.25 - 1.0 GJ/day	2.1822	2.2883	4.86%
Peak 1.0 - 1.5 GJ/day	1.3094	1.3731	4.86%
Peak 1.5 - 5.0 GJ/day	0.7287	0.7641	4.86%
Peak > 5.0 GJ/day	0.2432	0.2550	4.86%
May/Oct Shoulder 0 - 0.25 GJ/day	3.1644	3.3183	4.86%
May/Oct Shoulder 0.25 – 1 GJ/day	1.9641	2.0596	4.86%
May/Oct Shoulder 1 - 1.5 GJ/day	1.2439	1.3044	4.86%
May/Oct Shoulder 1.5 – 5 GJ/day	0.7100	0.7445	4.86%
May/Oct Shoulder >5 GJ/day	0.2187	0.2293	4.86%
Off Peak 0 - 0.25 GJ/day	2.8698	3.0094	4.86%
Off Peak 0.25 - 1.0 GJ/day	1.8965	1.9887	4.86%
Off Peak 1.0 - 1.5 GJ/day	1.1352	1.1904	4.86%
Off Peak 1.5 - 5.0 GJ/day	0.6879	0.7214	4.86%
Off Peak > 5.0 GJ/day	0.1943	0.2037	4.86%
Average Price Movement Tariff V Business	1.58	1.66	4.81%

Tariff D (Annual MHQ GJ/hr)	2016 (\$/MHQ)	2017 (\$/MHQ)	% Change
1 - 50 MHQ/day	1.4677	1.5433	5.15%
> 50 MHQ/day	0.2497	0.2626	5.15%
Average Price Movement Tariff D	1.30	1.37	5.15%
Tariff L- Multinet Gas Non-Residential	2016 (\$/GJ)	2017 (\$/GJ)	% Change
Fixed Charge			
Peak < 5 GJ/day	0.5754	0.6034	4.86%
Peak > 5 GJ/day	0.1234	0.1294	4.86%
May/Oct Shoulder < 5 GJ/day	0.5102	0.5350	4.86%
May/Oct Shoulder > 5 GJ/day	0.1159	0.1215	4.86%
Off Peak < 5 GJ/day	0.4046	0.4243	4.86%
Off Peak > 5 GJ/day	0.0920	0.0965	4.86%
Rolling 12 month max [\$/GJ (MHQ/d)]	0.5350	0.5610	4.86%
Peak Demand [\$/GJ (MHQ/d)]	1.6007	1.6785	4.86%
Average Price Movement Tariff L	0.50	0.52	4.78%

Residential Yarra Valley Tariff V	2016 (\$/GJ)	2017 (\$/GJ)	% Change
Fixed Charge (\$/day)	0.1699	0.1782	4.86%
Peak 0 - 0.05 GJ/day	9.4354	9.4354	0.00%
Peak 0.05 - 0.1 GJ/day	7.6382	7.6382	0.00%
Peak 0.1 - 0.15 GJ/day	5.4598	5.4598	0.00%
Peak 0.15 - 0.25 GJ/day	4.3069	4.3069	0.00%
Peak > 0.25 GJ/day	4.0141	4.0141	0.00%
May/Oct Shoulder 0 - 0.05 GJ/day	9.1199	9.1199	0.00%
May/Oct Shoulder 0.05 - 0.1 GJ/day	7.4126	7.4126	0.00%
May/Oct Shoulder 0.1 - 0.15 GJ/day	5.3431	5.3431	0.00%
May/Oct Shoulder 0.15 - 0.25 GJ/day	4.2478	4.2478	0.00%
May/Oct Shoulder >0.25 GJ/day	3.9696	3.9696	0.00%
Off Peak 0 - 0.05 GJ/day	8.4890	8.4890	0.00%
Off Peak 0.05 - 0.1 GJ/day	6.9614	6.9614	0.00%
Off Peak 0.1 - 0.15 GJ/day	5.1097	5.1097	0.00%
Off Peak 0.15 - 0.25 GJ/day	4.1297	4.1297	0.00%
Off Peak > 0.25 GJ/day	3.8808	3.8808	0.00%
Average Price Movement Yarra Valley Residential	6.88	6.92	0.66%

Business Yarra Valley Tariff V	2016 (\$/GJ)	2017 (\$/GJ)	% Change
Fixed Charge (\$/day)	0.2791	0.2927	4.86%
Peak 0 - 0.25 GJ/day	6.0689	6.0689	0.00%
Peak 0.25 - 1.0 GJ/day	4.9885	4.9885	0.00%
Peak 1.0 - 1.5 GJ/day	4.2437	4.2437	0.00%
Peak 1.5 - 5.0 GJ/day	3.7481	3.7481	0.00%
Peak > 5.0 GJ/day	3.3337	3.3337	0.00%
May/Oct Shoulder 0 - 0.25 GJ/day	5.8267	5.8267	0.00%
May/Oct Shoulder 0.25 – 1 GJ/day	4.8023	4.8023	0.00%
May/Oct Shoulder 1 - 1.5 GJ/day	4.1877	4.1877	0.00%
May/Oct Shoulder 1.5 – 5 GJ/day	3.7321	3.7321	0.00%
May/Oct Shoulder >5 GJ/day	3.3129	3.3129	0.00%
Off Peak 0 - 0.25 GJ/day	5.5752	5.8267	0.00%
Off Peak 0.25 - 1.0 GJ/day	4.7447	4.8023	0.00%
Off Peak 1.0 - 1.5 GJ/day	4.0949	4.1877	0.00%
Off Peak 1.5 - 5.0 GJ/day	3.7133	3.7321	0.00%
Off Peak > 5.0 GJ/day	3.2920	3.3129	0.00%
Average Price Movement Yarra Valley Business	4.86	4.87	0.31%

Residential South Gippsland Tariff V	2016 (\$/GJ)	2017 (\$/GJ)	% Change
Fixed Charge (\$/day)	0.1699	0.1782	4.86%
Peak 0 - 0.05 GJ/day	10.2687	10.2687	0.00%
Peak 0.05 - 0.1 GJ/day	8.3602	8.3602	0.00%
Peak 0.1 - 0.15 GJ/day	6.0470	6.0470	0.00%
Peak 0.15 - 0.25 GJ/day	4.8226	4.8226	0.00%
Peak > 0.25 GJ/day	4.5117	4.5117	0.00%
May/Oct Shoulder 0 - 0.05 GJ/day	9.9336	9.9336	0.00%
May/Oct Shoulder 0.05 - 0.1 GJ/day	8.1207	8.1207	0.00%
May/Oct Shoulder 0.1 - 0.15 GJ/day	5.9230	5.9230	0.00%
May/Oct Shoulder 0.15 - 0.25 GJ/day	4.7599	4.7599	0.00%
May/Oct Shoulder >0.25 GJ/day	4.4645	4.4645	0.00%
Off Peak 0 - 0.05 GJ/day	9.2638	9.2638	0.00%
Off Peak 0.05 - 0.1 GJ/day	7.6415	7.6415	0.00%
Off Peak 0.1 - 0.15 GJ/day	5.6752	5.6752	0.00%
Off Peak 0.15 - 0.25 GJ/day	4.6344	4.6344	0.00%
Off Peak > 0.25 GJ/day	4.3701	4.3701	0.00%
Average Price Movement South Gippsland Residential	8.60	8.66	0.78%

Business South Gippsland Tariff V	2016 (\$/GJ)	2017 (\$/GJ)	% Change
Fixed Charge (\$/day)	0.2805	0.2941	4.86%
Peak 0 - 0.25 GJ/day	6.6938	6.6938	0.00%
Peak 0.25 - 1.0 GJ/day	5.5465	5.5465	0.00%
Peak 1.0 - 1.5 GJ/day	4.7555	4.7555	0.00%
Peak 1.5 - 5.0 GJ/day	4.2293	4.2293	0.00%
Peak > 5.0 GJ/day	3.7892	3.7892	0.00%
May/Oct Shoulder 0 - 0.25 GJ/day	6.4366	6.4366	0.00%
May/Oct Shoulder 0.25 – 1 GJ/day	5.3487	5.3487	0.00%
May/Oct Shoulder 1 - 1.5 GJ/day	4.6961	4.6961	0.00%
May/Oct Shoulder 1.5 – 5 GJ/day	4.2122	4.2122	0.00%
May/Oct Shoulder >5 GJ/day	3.7670	3.7670	0.00%
Off Peak 0 - 0.25 GJ/day	6.1695	6.1695	0.00%
Off Peak 0.25 - 1.0 GJ/day	5.2876	5.2876	0.00%
Off Peak 1.0 - 1.5 GJ/day	4.5975	4.5975	0.00%
Off Peak 1.5 - 5.0 GJ/day	4.1923	4.1923	0.00%
Off Peak > 5.0 GJ/day	3.7449	3.7449	0.00%
Average Price Movement South Gippsland Business	4.64	4.65	0.13%

South Gippsland Tariff D (Annual MHQ GJ/hr)	2016 (\$/MHQ)	2017 (\$/MHQ)	% Change
1 - 50 MHQ/day	1.6629	1.6674	0.27%
> 50 MHQ/day	0.2829	0.2837	0.27%
Average Price Movement South Gippsland Tariff D	0.97	0.97	0.27%

5.2 Ancillary Reference Tariffs

Ancillary Reference Tariffs apply to the provision of Ancillary Services. Ancillary Services are those services that are provided in accordance with Schedule 1 of Part A of MG's Access Arrangement. These services are detailed below:

Meter and Gas Installation Test – on-site testing to check the accuracy of a Meter and the compliance of a Gas Installation with relevant standards, in order to determine whether the meter is accurately measuring the Quantity of Gas delivered.

Disconnection by the carrying out of work being:

- Removal of the meter at a Metering Installation, or
- The use of locks or plugs at a Metering Installation in order to prevent the withdrawal of Gas at the Distribution Supply Point in response to:
 - The direction in writing of a User
 - A request from a customer the customer obtaining or having obtained Supply at a Distribution Supply Point otherwise than in accordance with the Distribution System Code or any regulatory requirement.

Turn on and Reconnection being:

- Reinstallation of a meter if it has been removed, or
- The removal of any locks or plugs used to isolate Supply, and
- The performance of a safety check and the lighting of appliances where necessary.

Special Meter Reading being meter readings in addition to scheduled meter readings that form part of the Haulage Reference Services.

The Ancillary Reference Services will be provided on Business Days between the hours of 8.00am and 4.00pm.

Table 5-2 compares the proposed 2017 Ancillary Reference charges versus the 2016 Ancillary Reference charges.

Table 5-2: 2016 versus 2017 Ancillary Reference Charges

MULTINET GAS				
ANCILLARY REFERENCE CHARGES				
Reference	Service Description	2016 (\$)	2017 (\$)	% Change
METON	Meter Turn On / or Reconnect	\$41.67	\$42.21	1.30%
METREM	Meter Removal - Various	\$59.04	\$59.81	1.30%
METINV	Meter Investigation – High Account Investigation	\$141.10	\$142.93	1.30%
METPLG	Meter Disconnection – Use of locks & plugs	\$49.42	\$50.06	1.30%

Reference	Service Description	2016 (\$)	2017 (\$)	% Change
SPRDB	Special Meter Read	\$6.34	\$6.42	1.26%

5.3 Price control regime

The regulated price control formula allows MG an average increase in distribution tariffs in 2017 of 4.72% over the 2016 tariffs. The components of this change are:

2017 MG Price Control Factor		
Price Control Factor	% Change from 2016	Factor Information
L	0.0002%	Licence Fee
X	3.38%	GAAR decision
CPI	1.3%	Estimated September 2016 CPI
DUOS Average Estimated Increase	4.72%	Overall Average Increase

$$\text{Allowable price change} = (1+\text{CPI}) * (1-X) * (1+L) * (1+A)$$

Within the average tariff increase of 4.53%, the price control formulae allow individual tariffs to increase up to 6.62% under the rebalancing constraints (above price change formula multiplied by (1+.02)). This allows MG some flexibility as to where the average 4.53% increase is allocated.

Yarra Valley and South Gippsland Tariff V Residential and Commercial consumption tariffs currently attract surcharges which are due to expire in approximately 7 and 10 years respectively. MG will gradually return these surcharges by decreasing these tariffs over time to eventually be in line with metro tariffs. For 2017, the Yarra Valley and South Gippsland tariffs have been increased by 0.1% to 1.0%; therefore the remaining tariffs have been rebalanced by approximately 4.8%.

Ancillary Reference and other charges have increased by CPI from 2016 to 2017.

5.4 Future tariffs

MG is likely to retain the current Tariff V structure for the 2018-2022 Access Arrangement period. However, MG will continually rebalance its tariffs in regard to changes to the demand profile of its network and will seek appropriate mechanisms for achieving inter-customer group equity in the allocation of distribution cost-recovery requirements.

The current Access Arrangement provides for Ancillary Reference Services to change by CPI every year.

6 New Tariffs

6.1 New Tariffs / Tariff Structures

No new tariffs will be introduced in 2017. As per section 6.3, Warburton customers will receive the current Yarra Valley Network Tariffs.

6.2 Derivation of new tariffs / new tariff structure

Not applicable

6.3 New Towns: Warburton Gas Reticulation

In early 2014, as part of the Victorian Government Regional Energy Program, Regional Development Victoria (RDV) awarded MG the contract to reticulate natural gas to Warburton which is part of the Yarra Ranges Shire.

The Warburton Gas Extension project will reticulate approximately 4.7 km of gas mains from Millgrove to Warburton and 25km of distribution mains in Warburton. Construction works have commenced and customers will continue to be connected during 2017. The reticulation project will pass approximately 1000 homes and businesses throughout Warburton once completed. Financial incentives will be offered to customers to encourage early connection to natural gas and as Warburton is part of the Yarra Ranges, the current Multinet Yarra Ranges Network tariffs will apply. These tariffs were accepted by RDV as part of the winning bid for the gas reticulation project.

7 Previous year tariffs

All previous year tariffs are included in section 5.

8 Impact of Tariff Variations

8.1 Change in customer charges

The table below provides indicative information for an “average” MG customer and the effect it will have on the distribution component of a typical bill.

Table 8-1: Residential Customer – Tariff V

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per annum	Unit	Price (\$/unit)		
Fixed	1.0	Cust/Day	\$0.17	\$0.18	4.86%
Peak	34.7	GJ	\$2.95	\$3.09	4.85%
May Shoulder	7.3	GJ	\$3.13	\$3.28	4.86%
October Shoulder	3.7	GJ	\$4.38	\$4.60	4.86%
Off Peak	14.7	GJ	\$4.43	\$4.64	4.86%
Total (\$/GJ)	60.39	GJ	\$4.45	\$4.66	4.80%

Note: Total effect on average revenue is contained in table 8.10

Table 8-2: Business Customer – Tariff V

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per annum	Unit	Price (\$/unit)		
Fixed	1.0	Cust/Day	\$0.28	\$0.29	4.86%
Peak	146.4	GJ	\$1.26	\$1.32	4.86%
May Shoulder	33.9	GJ	\$1.20	\$1.26	4.86%
October Shoulder	24.5	GJ	\$1.33	\$1.39	4.86%
Off Peak	121.4	GJ	\$1.29	\$1.35	4.86%
Total (\$/GJ)	326.22	GJ	\$1.58	\$1.66	4.81%

Note: Total effect on average revenue is contained in table 8.10

Table 8-3: Tariff L Customer

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per day	Unit	Price (\$/unit)		
Fixed	n/a		\$0.00	\$0.00	0.00%
Peak	6.4	GJ	\$0.22	\$0.23	4.86%
Shoulder	2.3	GJ	\$0.24	\$0.26	4.86%
Off Peak	4.8	GJ	\$0.21	\$0.22	4.86%
Rolling Demand	3.8	GJ MQH/day	\$0.54	\$0.56	4.58%
Peak Demand	3.3	GJ MQH/day	\$0.54	\$0.56	4.86%
Total	4917		\$0.50	\$0.52	4.78%

Note: Total effect on average revenue is contained in table 8.10

Table 8-4: Tariff D Customer

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per day	Unit	Price (\$/unit)		
Demand 0 - 50 MHQ	11.4	GJ MQH/day	1.47	1.54	4.86%
Demand > 50 MHQ	1.8	GJ MQH/day	0.25	0.26	4.86%
Demand Total	13.16	GJ MQH/day	\$1.30	\$1.37	5.15%

Note: Total effect on average revenue is contained in table 8.10

Table 8-5: Yarra Valley Residential Customer – Tariff V

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per annum	Unit	Price (\$/unit)		
Fixed	1.0	Cust/Day	\$0.17	\$0.18	4.86%
Peak	36.9	GJ	\$5.57	\$5.57	0.00%
May Shoulder	7.8	GJ	\$5.69	\$5.69	0.00%
October Shoulder	3.7	GJ	\$6.88	\$6.88	0.00%
Off Peak	14.4	GJ	\$6.54	\$6.54	0.00%
Total	62.76	GJ	\$6.88	\$6.92	0.66%

Note: Total effect on average revenue is contained in table 8.10

Table 8-6: Yarra Valley Business Customer – Tariff V

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per annum	Unit	Price (\$/unit)		
Fixed	1.0	Cust/Day	\$0.28	\$0.29	4.86%
Peak	145.5	GJ	\$4.50	\$4.50	0.00%
May Shoulder	34.2	GJ	\$4.45	\$4.45	0.00%
October Shoulder	22.5	GJ	\$4.60	\$4.60	0.00%
Off Peak	110.9	GJ	\$4.59	\$4.59	0.00%
Total	313.12	GJ	\$4.86	\$4.87	0.31%

Note: Total effect on average revenue is contained in table 8.10

Table 8-7: South Gippsland Residential Customer – Tariff V

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per annum	Unit	Price (\$/unit)		
Fixed	1.0	Cust/Day	\$0.17	\$0.18	4.86%
Peak	24.7	GJ	\$6.87	\$6.87	0.00%
May Shoulder	4.6	GJ	\$7.23	\$7.23	0.00%
October Shoulder	2.4	GJ	\$7.88	\$7.88	0.00%
Off Peak	10.6	GJ	\$7.50	\$7.50	0.00%
Total	42.31	GJ	\$8.60	\$8.66	0.78%

Note: Total effect on average revenue is contained in table 8.10.

Table 8-8: South Gippsland Business Customer – Tariff V

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per annum	Unit	Price (\$/unit)		
Fixed	1.0	Cust/Day	\$0.28	\$0.29	4.86%
Peak	342.9	GJ	\$4.47	\$4.47	0.00%
May Shoulder	74.7	GJ	\$4.46	\$4.46	0.00%
October Shoulder	57.4	GJ	\$4.55	\$4.55	0.00%
Off Peak	290.1	GJ	\$4.56	\$4.56	0.00%
Total	765.06	GJ	\$4.64	\$4.65	0.13%

Note: Total effect on average revenue is contained in table 8.10.

Table 8-9: South Gippsland Tariff D Customer

Component	Existing 2016 Average			Proposed Average 2017 Price (\$/unit)	% Price Change
	Usage per day	Unit	Price (\$/unit)		
Demand 0 - 50 MHQ	100.0	GJ MQH/day	\$1.67	\$1.67	0.00%
Demand > 50 MHQ	100.8	GJ MQH/day	\$0.28	\$0.28	0.00%
Demand Total	200.82	GJ MQH/day	\$0.97	\$0.97	0.27%

Note: Total effect on average revenue is contained in table 8.10.

8.2 Change in average customer charge by tariff

The table below provides indicative information for an “average” MG customer and the effect it will have on the distribution tariff by \$/customer.

Table 8-10: Change in Average Customer

Component	Existing 2016 \$/Cust/annum	Proposed 2017 \$/Cust/annum	% Change
Tariff V Residential	\$269	\$282	4.80%
Tariff V Business	\$517	\$542	4.81%
Tariff L	\$1,399	\$1,465	4.71%
Tariff D	\$6,284	\$6,572	4.58%
Yarra Valley Residential	\$432	\$434	0.66%
Yarra Valley Business	\$1,521	\$1,526	0.31%
South Gippsland Residential	\$364	\$367	0.78%
South Gippsland Business	\$3,551	\$3,555	0.13%
South Gippsland Tariff D	\$71,496	\$71,300	-0.27%

8.3 Multinet Residential Distribution Tariff compared to Total Retail Bill

The table below provides indicative information for the average MG Residential customer DUOS as compared to the total Retail Bill. As indicated, the DUOS component is approximately 16% of the total customer bill:

Table 8-11: Residential DUOS v Total Retail Bill

	2016 MG DUOS	2016 Retail Bill	% DUOS Total Retail Bill
Tariff V Residential (avg 60 GJ/annum)	\$269	\$1,641	16%

NB: Retail Bill is based on the default MG retailer standard published market offer. Prices exclude GST.

Appendix 1 – Multinet Gas Metropolitan Area Tariffs

SCHEDULE OF GAS DISTRIBUTION TARIFFS – MULTINET GAS – exclusive of GST

Date of Application – 1 January 2017

Tariff V Residential

Distribution Fixed Component

\$0.1782 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 - 0.05	7.9519	6.7614	7.5567	7.5567
> 0.05 - 0.1	5.6885	4.8354	5.4040	5.4040
> 0.1 - 0.15	2.9410	2.5008	2.7949	2.7949
> 0.15 - 0.25	1.4884	1.2652	1.4140	1.4140
> 0.25	1.1038	0.9515	1.0633	1.0633

Tariff V Non Residential

Distribution Fixed Component

\$0.2941 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	3.6158	3.0094	3.3183	3.3183
> 0.25 - 1	2.2883	1.9887	2.0596	2.0596
> 1 - 1.5	1.3731	1.1904	1.3044	1.3044
> 1.5 - 5	0.7641	0.7214	0.7445	0.7445
> 5	0.2550	0.2037	0.2293	0.2293

Tariff L Non Residential

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	0.6034	0.4243	0.5350	0.5350
> 5	0.1294	0.0965	0.1215	0.1215

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)
0.5610	1.6785

Tariff D

Annual MHQ (GJ/hr)	Distribution Demand tariff component (\$/MHQ) (exclusive of GST)
0 - 50	563.3146
> 50	95.8432

Period Definitions

Peak	June - September
Off Peak	November - April
Shoulder	May
Shoulder	October

Appendix 2 - Yarra Valley Tariffs

SCHEDULE OF GAS DISTRIBUTION TARIFFS – MULTINET GAS YARRA VALLEY– exclusive of GST

Date of Application – 1 January 2017

Tariff V Residential

Distribution Fixed Component

\$0.1782 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 - 0.05	9.4354	8.4890	9.1199	9.1199
> 0.05 - 0.1	7.6382	6.9614	7.4126	7.4126
> 0.1 - 0.15	5.4598	5.1097	5.3431	5.3431
> 0.15 - 0.25	4.3069	4.1297	4.2478	4.2478
> 0.25	4.0141	3.8808	3.9696	3.9696

Tariff V Non Residential

Distribution Fixed Component

\$0.2941 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	6.0689	5.5752	5.8267	5.8267
> 0.25 - 1	4.9885	4.7447	4.8023	4.8023
> 1 - 1.5	4.2437	4.0949	4.1877	4.1877
> 1.5 - 5	3.7481	3.7133	3.7321	3.7321
> 5	3.3337	3.2920	3.3129	3.3129

Period Definitions

Peak	June - September
Off Peak	November - April
Shoulder	May
Shoulder	October

Appendix 3 – South Gippsland Tariffs

SCHEDULE OF GAS DISTRIBUTION TARIFFS – MULTINET GAS SOUTH GIPPSLAND– exclusive of GST

Date of Application – 1 January 2017

Tariff V Residential

Distribution Fixed Component

\$0.1782 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 - 0.05	10.2687	9.2638	9.9336	9.9336
> 0.05 - 0.1	8.3602	7.6415	8.1207	8.1207
> 0.1 - 0.15	6.0470	5.6752	5.9230	5.9230
> 0.15 - 0.25	4.8226	4.6344	4.7599	4.7599
> 0.25	4.5117	4.3701	4.4645	4.4645

Tariff V Non Residential

Distribution Fixed Component

\$0.2941 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	6.6938	6.1695	6.4366	6.4366
> 0.25 - 1	5.5465	5.2876	5.3487	5.3487
> 1 - 1.5	4.7555	4.5975	4.6961	4.6961
> 1.5 - 5	4.2293	4.1923	4.2122	4.2122
> 5	3.7892	3.7449	3.7670	3.7670

Tariff D

Annual MHQ (GJ/hr)	Distribution Demand tariff component (\$/MHQ) (exclusive of GST)
0 - 50	608.6116
> 50	103.5439

Period Definitions

Peak	June - September
Off Peak	November - April
Shoulder	May
Shoulder	October

Appendix 4 – Tariff D MHQ Billing Calculation

Distribution Demand Charge = (Estimated Annual Charge – Charges to Date) / Remaining Bill Periods.

where: Estimated Annual Charge is:

For billing periods between January and September:

If Actual Annual MHQ > Forecast Annual MHQ then:

$$\text{Estimate Annual Charge} = \text{Actual Annual MHQ} * \text{Rate}$$

Or:

$$\text{Estimate Annual Charge} = \text{Forecast Annual MHQ} * \text{Rate}$$

For billing periods between October and December:

If the Maximum Annual MHQ for the last 9 months is less than the Forecast Annual MHQ then:

$$\text{Forecast Annual MHQ} = \text{Maximum Annual MHQ} * \text{Rate}$$

Or:

$$\text{Estimated Annual Charge} = \text{Forecast Annual MHQ} * \text{Rate}$$

Note:

A minimum MHQ of 1.15GJ applies to the Estimated Annual Charge. If the MHQ (either the Actual Annual MHQ or the Forecast Annual MHQ) used for the Estimated Annual Charge is less than 1.15MJ then 1.15MJ will be used to calculate the charge.

Charges to Date is the sum of the Distribution Demand Charges that have been charged in the current year.

Remaining Billing Periods is set using the table below:

Billing Period	Remaining Billing Period
January	12
February	11
March	10
April	9
May	8
June	7
July	6
August	5
September	4
October	3
November	2
December	1

Note:

The unit rates used for Tariff D are stepped and are as follows:

0 – 50MHQ (GJ/Hr) @ \$563.3146

> 50MHQ (GJ/Hr) @ \$95.8432

If there is a change in the retailer for a service point, then the Distribution charges for the entire month are charged to the new retailer.

Examples

MHQ = Maximum Hourly Quantity (Measured in Giga Joules (GJ))

Generally, each bill is: (Yearly Amount for Estimate MHQ – Current YTD) / Number of months left in year.

Example 1

Say the Estimated MHQ was 1200 which equated to \$1200 a year and the Estimate proved correct and the MHQ for the year was in fact 1200

Month	Actual MHQ	Estimated MHQ	Bill Calc	Bill	YTD
1	1000	1200	$(1200 - 0) / 12$	100	100
2	900	1200	$(1200 - 100) / 11$	100	200
3	600	1200	$(1200 - 200) / 10$	100	300
4	500	1200	$(1200 - 300) / 9$	100	400
5	700	1200	$(1200 - 400) / 8$	100	500
6	900	1200	$(1200 - 500) / 7$	100	600
7	800	1200	$(1200 - 600) / 6$	100	700
8	1200	1200	$(1200 - 700) / 5$	100	800
9	1000	1200	$(1200 - 800) / 4$	100	900
10	600	1200	$(1200 - 900) / 3$	100	1000
11	800	1200	$(1200 - 1000) / 2$	100	1100
12	900	1200	$(1200 - 1100) / 1$	100	1200

Example 2

Say the Estimated MHQ was 1200 which equated to \$1200 a year and the Estimate was high and the highest MHQ was in fact 1000 in January.

Every September the Estimate is revised to 1000

Month	Actual MHQ	Estimated MHQ	Bill Calc	Bill	YTD
1	1000	1200	$(1200 - 0) / 12$	100	100
2	900	1200	$(1200 - 100) / 11$	100	200
3	600	1200	$(1200 - 200) / 10$	100	300
4	500	1200	$(1200 - 300) / 9$	100	400
5	700	1200	$(1200 - 400) / 8$	100	500
6	900	1200	$(1200 - 500) / 7$	100	600
7	800	1200	$(1200 - 600) / 6$	100	700
8	900	1200	$(1200 - 700) / 5$	100	800
9	1000	1000	$(1000 - 800) / 4$	50	850
10	600	1000	$(1000 - 850) / 3$	50	900
11	800	1000	$(1000 - 900) / 2$	50	950
12	900	1000	$(1000 - 950) / 1$	50	1000

Example 3

Say the Estimated MHQ was 1200 which equated to \$1200 a year and the Estimate was Low and the highest MHQ was in fact 1400 in April.

The April high would increase the estimate up straight away.

Month	Actual MHQ	Estimated MHQ	Bill Calc	Bill	YTD
1	1000	1200	$(1200 - 0) / 12$	100	100
2	900	1200	$(1200 - 100) / 11$	100	200
3	600	1200	$(1200 - 200) / 10$	100	300
4	1400	1400	$(1400 - 300) / 9$	122.22	422.22
5	700	1400	$(1400 - 422.22) / 8$	122.22	544.44
6	900	1400	$(1400 - 544.44) / 7$	122.22	666.66
7	800	1400	$(1400 - 666.66) / 6$	122.22	788.88
8	900	1400	$(1400 - 788.88) / 5$	122.22	911.1
9	1000	1400	$(1400 - 911.10) / 4$	122.22	1033.32
10	600	1400	$(1400 - 1033.32) / 3$	122.22	1155.54
11	800	1400	$(1400 - 1155.54) / 2$	122.22	1277.76
12	900	1400	$(1400 - 1399.98) / 1$	122.22	1399.98

Appendix 5 – Tariff L: Description and Business Rules

Description and Requirements

The L tariff is open to customers:

- consuming more than 1TJ per annum;
- consuming less than 10TJ per annum; and
- have an MHQ demand of less than 10 GJ per hour.

In association with introduction of the L tariff, MG has withdrawn the Non-residential V tariff to new customers who have at any time consumed more than 5TJ per consecutive 6 month period.

L tariff customers must:

- pay for an appropriate meter which is capable of recording MHQ
- pay a charge for providing connection assets and mains extensions that have been previously undertaken for that distribution supply point; and
- continue to be assigned to Tariff L for a period of up to 1 year.

Tariff Structure

Rolling 12 Month Maximum MHQ Charge:

- The 12 Month Rolling Maximum Demand Charge is a daily charge based on the highest demand (MHQ) delivered over 12 months to the end of the billing period.
- There is no minimum chargeable demand and no tariff step based on MHQ.
- In exceptional circumstances, customers can apply for their Rolling 12 month Maximum MHQ to be decreased

If a particular customer has changed their gas usage over a shorter term than the 12 months covered by the Rolling 12 month Maximum MHQ (e.g. 3 - 6 months), then they are eligible (on their request) to accelerate their reduction in demand before the 12 month period is up.

If a customer wants to contest, with a view to reducing, their chargeable demand they must complete a "Demand Reset Form." This form can be requested by contacting MGServiceDesk@ue.com.au.

The form allows for input of the reason for the demand reset being requested. If the reset is being requested because of an unusual event that has caused a peak during one month that is outside the normal operating thresholds for the business, this event will be investigated. If it is substantiated then a reset may be approved.

Where a customer ceases to take supply or changes retailer the maximum demand will be calculated with respect to the 12 months prior to the end of the billing period in question.

Peak MHQ Distribution Demand Charge Business Rules: – The Peak MHQ

Distribution Demand Charge is a daily charge based on the highest demand (MHQ) delivered in any billing period during the hours 6 am to 10 am on weekdays over the 4 Peak months.

- The four Peak Months are June through to end of September
- There is no minimum chargeable demand and no tariff step based on MHQ
- Where a customer ceases to take supply or changes retailer the maximum demand will be calculated with respect to the billing period in question.

For ease of explanation, the means of calculating the Peak MHQ Distribution Demand Charge is broken down into:

- Periods when maximum demand may be measured for calculating a Peak MHQ Distribution Demand Charge quantity.
- Calculation of the Peak MHQ Distribution Demand Charge quantity to be applied to the billing calculations.
- Application of the Peak MHQ Distribution Demand Charge quantity to the billing period.

Times that are relevant to identify the Peak MHQ Distribution Demand Charge:

- Peak months, where Peak is defined as 1 June to 30 September.
- Weekdays, excluding public holidays.
- Hours between 6am and 10am local time.

The Peak MHQ Distribution Demand Charge demand quantity to be applied to the billing calculation is:

- The highest MDQ measured in the monitored periods during each billing period
- Application of Peak MHQ Distribution Demand Charge quantity to the billing period:
- The billing period is the period covered by the bill which is generally a period between; scheduled meter reads, or special meter reads.
- The 4 Hour Peak Demand Charge for the billing period is the product of; the 4 Hour Peak Demand Charge quantity multiplied by the 4 Hour Peak Demand Charge unit rate multiplied by the number of peak days in the billing period.

Appendix 6 – Multinet Gas Postcodes

Melbourne Metropolitan Area

3000*, 3004, 3006, 3008*, 3097*, 3101, 3102, 3103, 3104, 3105, 3106, 3107, 3108, 3109, 3111, 3113, 3114, 3115, 3116, 3122, 3123, 3124, 3125, 3126, 3127, 3128, 3129, 3130, 3131, 3132, 3133, 3134, 3135, 3136, 3137, 3138, 3140, 3141, 3142, 3143, 3144, 3145, 3146, 3147, 3148, 3149, 3150, 3151, 3152, 3153, 3154, 3155, 3156, 3158, 3159, 3160, 3161, 3162, 3163, 3165, 3166, 3167, 3168, 3169, 3170, 3171, 3172, 3173, 3174, 3175*, 3177, 3178, 3179, 3180, 3181, 3182, 3183, 3184, 3185, 3186, 3187, 3188, 3189, 3190, 3191, 3192, 3193, 3194, 3195, 3196, 3197, 3201*, 3202, 3204, 3205, 3206, 3207, 3765, 3766, 3767, 3770*, 3781, 3782, 3783, 3785, 3786, 3787, 3788, 3789, 3791, 3792, 3793, 3795, 3796, 3802, 3804*, 3976.

* Postcodes shared with Vic Gas Distribution Pty Ltd ACN 085 899 001.

Yarra Valley Gas Extension

Incorporating additional postcodes: 3139, 3775, 3797, 3799

South Gippsland Extension

Incorporating additional postcodes: 3984, 3950, 3953, 3995, 3996, and 3979.

Appendix 7 – Audited “t-2” CY 2015 Quantities

Please see attached

AGREED UPON PROCEDURES REPORT IN RELATION TO THE MULTINET GAS DISTRIBUTION PARTNERSHIP TARIFF SUBMISSION FOR 2017

REPORT OF FACTUAL FINDINGS

To the Directors of Multinet Gas Distribution Partnership

Report of Factual Findings

We have performed the procedures agreed with you and the Australian Energy Regulator (“AER”) to report factual findings for the purpose of assisting you and the AER with your submission of data contained within Tariff Submission Templates (“TST’s”) to the AER. The procedures performed are detailed in the terms of the Statement of Work dated 20 September 2016 and described below with respect to the Tariff Submission of Multinet Gas Distribution Partnership (“MGD”) for inclusion in the 2017 Pricing Proposal submitted to the AER.

The Director’s Responsibility for the Procedures Agreed

The Directors of MGD and the AER are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You and the AER are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

Assurance Practitioner’s Responsibility

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with Standards issued by the Auditing and Assurance Standards Board, we do not express any conclusion and provide no assurance on the Tariff Submission of MGD for the 2017 Pricing Proposal. Had we performed additional procedures or had we performed an audit or a review of the Tariff Submission in accordance with Standards issued by the Auditing and Assurance Standards Board, other matters might have come to our attention that would have been reported to you.

Independence

We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Factual Findings

The procedures were performed solely to assist you in preparing your submission to the AER for the 2017 annual proposal for tariffs. The procedures performed and the factual findings obtained are as follows:

Procedures Performed	Factual Findings
<p>1. We will check that the Tariff Submission templates for the period from 1 January 2015 to 31 December 2015, which present the Actual Gas Quantity Inputs reflect the most recent actual annual quantities available at the time of tariff assessment, as required by Section 4.3 and Appendix 1 Formula 4 of the Multinet National Gas Law Access Arrangement (Part B – Reference Tariffs and Reference Tariff Policy) issued in April 2013.</p>	<p>The Actual Gas Quantity Inputs presented in the Tariff Submission templates for the period 1 January 2015 to 31 December 2015 reflect the actual annual quantities at August 2016 which are the most recent actual annual quantities available at the time of tariff assessment, as required by Section 4.3 and Appendix 1 Formula 4 of the Multinet National Gas Law Access Arrangement (Part B – Reference Tariffs and Reference Tariff Policy) issued in April 2013.</p>
<p>2. We will check that the Tariff Submission templates for the period from 1 January 2015 to 31 December 2015, which present the Actual Gas Quantity Inputs align with those included in the 31 December 2015 Regulatory Information Notice, and include an explanation of any significant reconciling items between current and previously reported network tariff quantities.</p>	<p>The Actual Gas Quantity Inputs included in the Tariff Submission templates, are 0.2% (98 TJs) lower than those quantities included in the Regulatory Information Notice Template 8 (Demand).</p> <p>This difference is due to the timing of preparation of data, with the quantities in the Regulatory Information Notice Template 8 (Demand) based upon actual billings plus an accrual at 31 December 2015, and the quantities in the Actual Gas Quantity Inputs based upon actual billings for 1 January 2015 to 31 December 2015 as at August 2016. That is actual billings have replaced accruals including a true-up of reported revenue during the year ending 31 December 2015 and an elimination of any accruals remaining for the prior periods at the time of the tariff submission.</p>

Restriction on Distribution and Use of Report

This report is intended solely for the use of MGD and the AER for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* distribution of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results).

Our report may be relied upon by Multinet Gas Distribution Partnership for the purpose set out above only pursuant to the terms of our Statement of Work dated 20 September 2016.

We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

Ernst & Young

Ernst & Young
Melbourne
14 October 2016