



**Access Arrangement  
for the Principal Transmission System  
by  
Victorian Energy Networks Corporation  
(VENCORP)**

**submitted under the  
National Third Party Access Code  
for Natural Gas Pipeline Systems**

**submitted  
16 September 2002**



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# Access Arrangement for the Principal Transmission System by Victorian Energy Networks Corporation

Amended pursuant to Commission's Draft Decision of 14 August 2002  
Submitted 16 September 2002

## 1 Introduction

### 1.1 Purpose of this Document

This Revised Access Arrangement ("this Access Arrangement") is submitted by Victorian Energy Networks Corporation ("VENCorp" or the "Service Provider") to the Australian Competition and Consumer Commission (the "Regulator") in accordance with section 2.28 of the National Third Party Access Code for Natural Gas Pipelines (the "Access Code"), and section 5.8.1 of the 1998 VENCorp Access Arrangement<sup>1</sup>.

This Access Arrangement describes the applicable:

- services to be provided by VENCorp;
- tariffs for these services; and
- terms and conditions applicable to the services,

in connection with the Principal Transmission System.

GasNet Australia (Operations) Pty Ltd and GasNet Australia (NSW) Pty Ltd (together, GasNet), as owners of the Principal Transmission System, are required to submit a separate Access Arrangement in relation to that system to describe the Reference Tariffs that GasNet will apply in return for the services provided by GasNet.

In this document, the provisions of each relevant section of the Access Code are reproduced in a box and then followed by a statement explaining how the particular section is satisfied in this Access Arrangement.

### 1.2 Relevant Code provisions

Pursuant to section 24 of the *Gas Pipelines Access (Victoria) Act 1998*, the provisions of the Access Code apply to consideration of these revisions by the Regulator, and to the Access Arrangement when approved.

### 1.3 Application of Code to multiple Service Providers

Section 10.2 of the Access Code provides as follows:

<p>10.2 <i>Where:</i></p> <p>(a) <i>there is more than one Service Provider in connection with a Covered Pipeline;</i></p> <p>(b) <i>one is the owner and another is the operator; and</i></p> <p>(c) <i>responsibility for complying with the obligations imposed by this Code on the Service Provider is allocated among them by their Access Arrangements or their Access Arrangement,</i></p> <p><i>each Service Provider is responsible for complying with the obligations allocated to it.</i></p>
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<sup>1</sup> This Access Arrangement was approved by the ACCC on 18 December 1998.

Pursuant to section 10.2 of the Access Code, there has been an allocation of obligations between GasNet and VENCorp which is reflected in our respective Access Arrangements.

The division of responsibilities also affects the obligations between GasNet, VENCorp and other Users of the Principal Transmission System. ‘User’ means a person who has a current contract for a Service or an entitlement to a service as a result of an arbitration<sup>2</sup>. Accordingly, the Users of the VENCorp services are Market Participants. In turn, VENCorp is a User of the GasNet services provided under GasNet’s Access Arrangement for the Principal Transmission System and the Service Envelope Agreement<sup>3</sup>.

The division of responsibilities is more particularly described in Table 1.

Table 1. Access Code elements contained in VENCorp’s and GasNet’s Access Arrangements

Element	Contained in VENCorp Access Arrangement?	Contained in GasNet Access Arrangement?
<i>Services Policy</i>	Yes - describes <b>VENCorp Reference Services</b> made available to Market Participants as Users.	Yes - making the PTS available to VENCorp in accordance with the <b>Service Envelope Agreement</b> and the <b>MSO Rules</b> .
<i>Reference Tariffs</i>	Yes – <b>VENCorp Reference Tariffs</b> , plus pass-through of <b>GasNet Transmission Tariffs</b>	Yes - <b>GasNet Transmission Tariffs</b>
<i>Terms and Conditions</i>	Yes – as per <b>MSO Rules</b> and <b>Gas Transportation Deeds</b> .	Yes - includes the terms and conditions under which GasNet provides services to VENCorp, which in turn are set out in the <b>Service Envelope Agreement</b> and the <b>MSO Rules</b> .
<i>Capacity Management Policy</i>	Yes – <b>market carriage</b>	Yes – <b>market carriage</b>
<i>Trading Policy</i>	No – these provisions of the Access Code are not applicable to a Market Carriage system	No – these provisions of the Access Code are not applicable to a Market Carriage system
<i>Queuing Policy</i>	Yes – as per <b>MSO Rules</b>	No
<i>Extensions and Expansions Policy</i>	No	Yes
<i>Review and expiry dates</i>	Yes - 31 March 2007 & 31 December 2007	Yes - 31 March 2007 & 31 December 2007

#### 1.4 Composition of Access Arrangement

2.29 The Access Arrangement as revised by the proposed revisions may include any relevant matter but must include at least the elements described in sections 3.1 to 3.20.

This Access Arrangement comprises:

- (a) this document;

<sup>2</sup> Section 10.8 of the Access Code refers.

<sup>3</sup> This interpretation arises from the terms of GasNet’s Access Arrangement approved by the ACCC on 18 December 1998.

- (b) the description of Principal Transmission System and maps contained in Appendix 1 of this Access Arrangement;
- (c) the Pro-forma Gas Transportation Deed attached as Appendix 2 of this Access Arrangement;
- (d) the rebalancing control formulae in Appendix 3 and Appendix 4 of this Access Arrangement;
- (e) the MSO Rules (MSO Rules based on version 18, incorporating previously noted changes for FRC which have been approved by the Commission (assumed to be in force as of 2003), and incorporating changes as identified in the submission of 28 March 2002. At the commencement of the next Access Arrangement Period on 1 January 2003, the MSO Rules as in force at that date will apply); and
- (f) Access Arrangement Information,

which together contain all the elements described in sections 3.1 to 3.20 of the Access Code.

This Access Arrangement relates only to those services provided by VENCorp. It should be read in conjunction with GasNet's Access Arrangement for the Principal Transmission System, which describes the GasNet Reference Services and Reference Tariffs.

## 1.5 Effective Date

This Access Arrangement will come into effect on 1 January 2003.

## 2 Interpretation

### 2.1 General

- (a) In this Access Arrangement, where a word or phrase is capitalised, it has:
  - (i) the definition given to that word or phrase in the Access Code; or
  - (ii) the definition given to that word or phrase in the MSO Rules; or
  - (iii) the definition given to that word or phrase below,unless the context otherwise requires.
- (b) A reference to any legislation, subordinate legislation, or any other type of regulatory instrument includes any corresponding later legislation, subordinate legislation, or regulatory instrument, as the case may be.
- (c) If there is any inconsistency between this document and any of the appendices, this document prevails to the extent of that inconsistency.
- (d) The following are defined in Table 2: "Information Services", "Market and System Operational Services", "Meter Data Management Services" and "System Security Services".
- (e) The following are defined in Table 3: "Registration Tariff", "Tariff D Commodity Tariff", "Tariff V Commodity Tariff", "Transmission Meter Data Management Tariff", "Distribution Meter Data Management Tariff", "System Security Tariff".

### 2.2 Definitions

"Gas Industry Act" means the Gas Industry Act (Vic) 2001.

**“GasNet Transmission Services”** means any services provided by GasNet pursuant to GasNet’s Access Arrangement for the Principal Transmission System and the Service Envelope Agreement by which GasNet agrees, amongst other things, to provide to VENCorp gas transportation services and pipeline capacity by means of the Principal Transmission System.

**“Gas Transmission System”** has the same meaning as in the Gas Industry Act.

**“GasNet Transmission Tariffs”** means GasNet’s Reference Tariffs described in GasNet’s Access Arrangement for the Principal Transmission System.

**“Gas Transportation Deed”** means a deed in the form of Appendix 2 of this Access Arrangement.

**“MSO Rules”** has the same meaning as in the Gas Industry Act.

**“Principal Transmission System”** means those sections of the Gas Transmission System owned by GasNet.

**“Service Envelope Agreement”** means an agreement for the purposes of clause 5.3.1(a) of the MSO Rules, entered between GasNet Australia (Operations) Pty Ltd (ACN 083 009 278), GasNet Australia (NSW) Pty Ltd (ACN 079 136 413) and VENCorp, and dated 14 January 1999.

**“Tariff Order”** means the Victorian Gas Industry Tariff Order 1998 published in the Victorian Government Gazette on 17 December 1998.

**“Tariff D”** means, for the purpose of applying Tariff D Commodity Tariffs and Tariff V Commodity Tariffs at relevant metering installations:

- (a) a tariff assigned as “Tariff D” in accordance with the provisions of any regulatory instrument that may be applicable from time to time; or
- (b) where there is no regulatory instrument applicable, and subject to part (c) of this definition, a tariff assigned to a relevant metering installation where:
  - (i) 10 GJ or more of gas is withdrawn in any hour, or
  - (ii) 10,000 GJ or more of gas in total is withdrawn,based on metering data available for the past 12 months, or where 12 months metering data is not available then based on a reasonable estimation for the next 12 month period; or
- (c) GasNet or a Distributor, as the case may be, may notify VENCorp that an assignment of Tariff D or Tariff V is to be other than as prescribed above.

**“Tariff V”** means, for the purpose of applying Tariff D Commodity Tariffs and Tariff V Commodity Tariffs at relevant metering installation, any relevant metering installation not assigned to Tariff D.

**“VENCorp Reference Service”** means a Service described in section 5.1.2 of this Access Arrangement.

**“VENCorp Reference Tariff”** means a tariff described in section 5.2.1 of this Access Arrangement.

### 3 Contact Details

The contact for further details on this Access Arrangement is:

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Executive Manager, Energy Markets, VENCorp  
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World Trade Centre  
Melbourne Vic 8005  
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Facsimile: 03 8664 6511

### 4 Prior contractual rights

Notwithstanding anything to the contrary contained in this Access Arrangement, no provision in this Access Arrangement deprives any person of a contractual right which was in existence prior to 28 March 2002 other than an Exclusivity Right (as defined in the Access Code) which arose on or after 30 March 1995.

## 5 Elements set out in Section 3 of the National Access Code

### 5.1 Services Policy

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| <p>3.1 <i>An Access Arrangement must include a policy on the Service or Services to be offered (a Services Policy).</i></p> <p>3.2 <i>The Services Policy must comply with the following principles:</i></p> <p>(a) <i>The Access Arrangement must include a description of one or more Services that the Service Provider will make available to Users or Prospective Users, including:</i></p> <p>(i) <i>one or more Services that are likely to be sought by a significant part of the market; and</i></p> <p>(ii) <i>any Service or Services which in the Relevant Regulator's opinion should be included in the Services Policy.</i></p> <p>(b) <i>To the extent practicable and reasonable, a User or Prospective User must be able to obtain a Service which includes only those elements that the User or Prospective User wishes to be included in the Service.</i></p> <p>(c) <i>To the extent practicable and reasonable, a Service Provider must provide a separate Tariff for an element of a Service if this is requested by a User or Prospective User.</i></p> |
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#### 5.1.1 Services Policy

The transportation of gas through the Principal Transmission System is dependent upon the availability of the Principal Transmission System, both in terms of its capacity and serviceability, the availability of gas at each injection point at appropriate pressures, and the operation of the Principal Transmission System to co-ordinate these and other actions.

Thus, in providing transportation services to Users of the Principal Transmission System, GasNet provides gas transportation services and pipeline capacity to VENCorp in accordance with the Service Envelope Agreement and the MSO Rules, and VENCorp operates the Principal Transmission System in accordance with the MSO Rules.



This section 5.1 describes VENCorp's Reference Services, which is how VENCorp provides for the transportation of gas through the Principal Transmission System for Users.

These Reference Services, and hence VENCorp's role in transportation of gas for Users on the Principal Transmission System, are dependent upon:

- suppliers injecting gas as required into the Principal Transmission System in accordance with the MSO Rules; and
- GasNet providing gas transportation services and pipeline capacity for the Principal Transmission System in accordance with a valid service envelope agreement.

To understand what GasNet must provide to facilitate VENCorp's provision of the VENCorp Reference Services, Users must consult GasNet's access arrangement, which describes the GasNet Transmission Services and the Service Envelope Agreement as in force from time to time.

Relevant terms and conditions for VENCorp's Reference Services are set out in section 5.3 of this Access Arrangement.

### **5.1.2 VENCorp Reference Services**

VENCorp will make its Reference Services available to Users or Prospective Users of the Principal Transmission System at the Reference Tariffs on the terms and conditions and in accordance with the Reference Tariff Policy described in section 5.2 of this Access Arrangement.

VENCorp's Reference Services are those required to perform its statutory functions under the Gas Industry Act and MSO Rules in respect of the Principal Transmission System, but exclude VENCorp's functions under section 160(1)(j) of the Gas Industry Act relating to full retail competition.

VENCorp's ability to provide the VENCorp Reference Services is dependent upon GasNet making the Principal Transmission System available to VENCorp to operate in accordance with the MSO Rules.

The Reference Services are likely to be sought by a significant part of the market and are essential to the safety and integrity of the Principal Transmission System, and the community which it services.

The Reference Services are more particularly described in Table 2.

Table 2. VENCorp's Reference Services

Service	Nature of service
<b>Information Services</b>	<p>These include:</p> <ul style="list-style-type: none"> <li>▪ maintaining and publishing a register of Participants;</li> <li>▪ provision of information on market and system operations by web site, market bulletin boards, pager and e-mail notifications, and direct communications;</li> <li>▪ education and provision of a help desk for Users and Prospective Users on market and system operational matters,</li> </ul> <p>for the purposes of facilitating:</p> <ul style="list-style-type: none"> <li>▪ decisions for economically efficient investment and use of resources in the gas industry;</li> <li>▪ efficient and reliable pipeline operations and trading;</li> <li>▪ entry to and operation of a gas market and related markets; and</li> <li>▪ contracting and future investment in infrastructure, supplies, and demand management.</li> </ul>
<b>Market and System Operational Services</b>	<p>Those aspects of VENCorp's statutory functions that relate to management of security of the Principal Transmission System and integrated operation of that system and a market, including but not limited to:</p> <ul style="list-style-type: none"> <li>▪ co-ordinating the interaction of gas production, gas storage, transmission pipelines and gas distribution and supply facilities;</li> <li>▪ specifying gas quality and security standards for the Principal Transmission System and monitoring and reviewing its capability for satisfying demands for injection of gas into, and the withdrawal of gas from, that system;</li> <li>▪ development and management of emergency preparedness;</li> <li>▪ controlling the security and operation of the Principal Transmission System;</li> <li>▪ operating and administering a market for the purposes of directing the operation of the Principal Transmission System and facilitating trading arrangements;</li> <li>▪ any other functions that the relevant Minister considers to be in the public interest.</li> </ul>
<b>Meter Data Management Services</b>	<p>These include metering data collection, processing and storage in accordance with the MSO Rules to enable settlement of the wholesale gas market, management of prudential risk, operation of the Principal Transmission System and management of the scheduling of gas on the Principal Transmission System.</p>
<b>System Security Service</b>	<p>This relates to the provision of the means by which VENCorp ensures the ultimate security of the Principal Transmission System and the public's safety in the event of major deficiency of supply or transportation capability, by providing a last resort means of maintaining pressures at or above security levels during an emergency and thus allowing for an orderly management of a any curtailment program of customers in such an event.</p> <p>At present this service is satisfied by LNG held by VENCorp in GasNet's LNG Storage Facility.</p>

## 5.2 Reference Tariffs and Reference Tariff Policy

### 5.2.1 Reference Tariffs

- 3.3 An Access Arrangement must include a Reference Tariff for:
- (a) at least one Service that is likely to be sought by a significant part of the market; and
  - (b) each Service that is likely to be sought by a significant part of the market and for which the Relevant Regulator considers a Reference Tariff should be included.
- 3.4 Unless a Reference Tariff has been determined through a competitive tender process as outlined in sections 3.21 to 3.36, an Access Arrangement and any Reference Tariff included in an Access Arrangement must, in the Relevant Regulator's opinion, comply with the Reference Tariff Principles described in section 8.

#### (a) Tariff collection by Service Providers

Charges for access to the Principal Transmission System are comprised of:

- GasNet tariffs that are charged for GasNet Transmission Services provided under GasNet's Access Arrangement; and
- VENCorp tariffs that are charged for VENCorp's Reference Services provided under this Access Arrangement.

Pursuant to the allocation of obligations between GasNet and VENCorp under section 10.2 of the Access Code, the GasNet Transmission Services and GasNet tariffs are more particularly described in GasNet's Access Arrangement.

This Access Arrangement describes the VENCorp Reference Tariffs that are payable for provision of Reference Services by VENCorp to Users.

#### (b) VENCorp's Reference Tariff Structure

The Reference Tariffs to be charged by VENCorp for provision of its Reference Services are those described in Table 3.

Table 3. Reference Tariffs for VENCorp Reference Services

Service	Reference Tariff	Who pays Tariff	How Tariff is applied	
Information Services	Registration Tariff	Each Market Participant	A flat daily amount (\$) for each day or part thereof that the person is registered as a Market Participant.	\$/day
Market and System Operational Services	Tariff D Commodity Tariff	Each Market Participant who withdraws gas or whose Customers withdraw gas at Tariff D Withdrawal Points	A flat rate (\$ per GJ) for each GJ of gas withdrawn daily at Tariff D Withdrawal Points	\$/GJ withdrawn daily (tariff D)
	Tariff V Commodity Tariff	Each Market Participant who withdraws gas or whose Customers withdraw gas at Tariff V Withdrawal Points	A flat rate (\$ per GJ) for each GJ of gas withdrawn daily at Tariff V Withdrawal Points	\$/GJ withdrawn daily (tariff V)

Service	Reference Tariff	Who pays Tariff	How Tariff is applied	
Meter Data Management Services	Transmission Meter Data Management Tariff	Each Market Participant who withdraws gas from or injects gas into the Transmission System, or whose Customers are connected to the Transmission System at a Connection Point at which there is a Metering Installation	A flat daily amount (\$) for each Transmission Delivery Point MIRN <sup>4</sup> for which Metering Data is managed by VENCorp associated with injections or withdrawals by the Market Participant and/or their Transmission Customers	\$/transmission MIRN/day
	Distribution Meter Data Management Tariff	Each Market Participant who is connected to a distribution system, or whose Customers are connected to a distribution system at a Connection Point at which there is a Metering Installation.	A flat daily amount (\$) for each Distribution Delivery Point MIRN for which Metering Data is managed by VENCorp associated with injections or withdrawals by the Market Participant and/or their Distribution Customers	\$/distribution MIRN/day
System Security Service	System Security Tariff	Each Market Participant who withdraws gas or whose customers withdraw gas at a System Withdrawal Point	A flat rate (\$ per GJ) for the daily GJ of gas withdrawn by the Market Participant and/or their Customers	\$/GJ withdrawn daily

**(c) Initial settings of Reference Tariffs**

The initial tariffs to be charged by VENCorp for provision of its Reference Services are as set out in Table 4:

*Table 4. Initial settings of VENCorp Reference Tariffs*

Description of Tariff	Initial Tariff (GST exclusive)
Registration Tariff	\$30/day
Tariff D Commodity Tariff	\$0.03248/GJ
Tariff V Commodity Tariff	\$0.08055
Transmission Meter Data Management Tariff	\$7.00/day/meter
Distribution Meter Data Management Tariff	\$2.62965/day/meter
System Security Tariff	\$0.00751/GJ

The mechanism for review of these tariffs is set out in section 5.2.2 of this Access Arrangement.

<sup>4</sup> MIRN means a metering installation registration number

## 5.2.2 Reference Tariff Policy

3.5 An Access Arrangement must also include a policy describing the principles that are to be used to determine a Reference Tariff (a Reference Tariff Policy). A Reference Tariff Policy must, in the Relevant Regulator's opinion, comply with the Reference Tariff Principles described in section 8.

Pursuant to the allocation of obligations between GasNet and VENCorp under section 10.2 of the Access Code, a description of the Reference Tariff Policy applying to GasNet Transmission Tariffs is set out in GasNet's Access Arrangement.

The Reference Tariff Policy applying to VENCorp's Reference Tariffs complies with section 8 of the Access Code (as set out in the Access Arrangement Information), and provides for a combination of 'price path' and 'cost of service' approaches consistent with section 8.3 of the Access Code as follows:

### (a) Commodity and Registration Tariffs

- (i) The Commodity and Registration Reference Tariff Policy is:
- Recovery of costs associated with Information and Market and System Operational Services will be on a cost recovery basis over the Access Arrangement Period;
  - Tariffs will be subject to a price path with rebalancing constraints during the Access Arrangement Period as follows:
    - An annual re-balancing mechanism at VENCorp's discretion to increase its tariffs by up to the greater of CPI or 2% for annual accumulated aggregate under-recovery of at least \$1.5m but less than \$3m (as set out in Appendix 3 of this Access Arrangement);
    - For annual accumulated aggregate under-recovery in excess of \$3m VENCorp can seek a variation to this Access Arrangement under section 2 of the Access Code for an increase in tariffs to recover that part of an under-recovery in excess of \$3m;
    - For an annual accumulated aggregate over-recovery above \$1.5m, VENCorp is to reduce its tariffs by at least 2% (as set out in Appendix 4 of this Access Arrangement);
  - Annual accumulated aggregate under-recovery or annual accumulated aggregate over-recovery at the end of each financial year will be determined as follows:
    - VENCorp will determine the accumulated net revenue at the end of each financial year by deducting from the revenue derived through the Commodity and Registration tariffs the associated costs of providing the services over the period from the beginning of the Access Arrangement (i.e. 1 January 2003) to the end of the relevant financial year;
    - If the annual accumulated aggregate cost is greater than the annual accumulated aggregate revenue then there is an annual accumulated aggregate under-recovery; and

- Likewise, if annual accumulated aggregate revenue is greater than the annual accumulated aggregate cost then there is an annual accumulated aggregate over-recovery;
  - Any accumulated aggregate over or under recovery of VENCORP costs associated with Information Services and Market and System Operational Services at the end of the Access Arrangement Period is to be carried forward in determining tariffs for VENCORP's subsequent Access Arrangement;
- (ii) Principles for altering VENCORP Commodity and Registration Tariffs:
- For a financial year after the financial year ending 30 June 2003, at least 30 business days before the start of that financial year, VENCORP must provide the Regulator for that financial year:
- The annual accumulated aggregate under-recovery or annual accumulated aggregate over-recovery at the end of each financial year based on:
    - For the preceding financial year, the estimated difference between VENCORP's revenue from Commodity and Registration Tariffs and the estimated costs;
    - For a financial year after 30 June 2004, for the financial year prior to the preceding financial year, the difference between the estimated and actual annual accumulated aggregate under-recovery or annual accumulated aggregate over-recovery;
  - Its proposed tariffs for that financial year;
  - The proposed tariff components for each of those tariffs; and
  - Demonstration of compliance of the proposed tariffs and tariff components with the relevant principles and price control formulae (set out in Appendix 3 and Appendix 4 of this Access Arrangement).

**(b) Meter Data Management and System Security Reference Tariff Policy**

- (i) The Reference Tariff Policy for the Meter Data Management and System Security Services is:
- Annual cost recovery for costs associated with these services;
  - Any accumulated over or under recovery of VENCORP costs associated with Meter Data Management Services and System Security Services at the end of the Access Arrangement Period is to be carried forward in determining tariffs for VENCORP's subsequent Access Arrangement; and
  - Annual consultation by VENCORP and approval by the Regulator.
- (ii) Principles for altering Meter Data Management and System Security Tariffs
- For a financial year after the financial year ending 30 June 2003, at least 30 business days before the start of that financial year VENCORP must provide the Regulator for that financial year:

- Its forecast costs of services associated with the Meter Data Management and System Security Tariffs and the allocation of those forecast costs to Meter Data Management and System Security Services;
- The forecast costs are to include:
  - For the forecast financial year, the forecast costs for VENCorp services associated with the Meter Data Management and System Security Services and the allocation of those forecast costs to Meter Data Management and System Security Services;
  - For the preceding financial year, the estimated difference between VENCorp's revenue from Meter Data Management and System Security Tariffs and the actual costs incurred;
  - For a financial year after 30 June 2004, for the financial year prior to the preceding financial year, the difference between the estimated difference calculated the preceding financial year and the difference of actual revenue and actual costs for Meter Data Management and System Security Tariffs;
- Its proposed System Security Tariff designed to recover:
  - Pass-through amounts charged to VENCorp for System Security Services as described in the Services Policy; and
  - Any difference between its revenue from the System Security Tariff and the amounts charged to VENCorp for System Security Services in preceding financial years; and
- Its proposed Meter Data Management Tariffs designed to recover:
  - VENCorp costs for services associated with the Meter Data Management Services; and
  - Any difference between its revenue from the Meter Data Management Tariffs and costs incurred by VENCorp for Meter Data Management Services in preceding financial years.

**(c) Fixed Principles**

Section 8.47 of the Access Code enables a Reference Tariff Policy to provide for certain Fixed Principles. A Fixed Principle is an element of the Reference Tariff Policy that cannot be changed when the Service Provider submits reviews to an Access Arrangement, without the agreement of the Service Provider. The Fixed Principle applying to this Access Arrangement is:

*“VENCorp operates on a cost recovery basis for Services provided under this Access Arrangement, and any accumulated over or under recovery of VENCorp costs associated with the VENCorp Reference Services (i.e. Information Services, Market and System Operational Services, Meter Data Management Services and System Security Services) at the end of the Access Arrangement Period is to be carried forward in determining tariffs for VENCorp's subsequent Access Arrangement.”*

This Fixed Principle cannot be changed at the 1 January 2008 review of Reference Tariffs, and will apply for the duration of the subsequent Access Arrangement period.



**(d) General principles**

In deciding whether to approve a new VENCORP Reference Tariff the Regulator must also take into account the following factors:

- (i) The regulatory objectives that are applicable under the Access Code;
- (ii) VENCORP operates on a cost recovery basis; that is, VENCORP's tariffs are limited to recovery (from Users) of costs of services without consideration of allowance for profit or return on investment;
- (iii) VENCORP's functions under the Gas Industry Act;
- (iv) The VENCORP Reference Tariff Policy; and
- (v) Any other factors the Regulator considers relevant.

The basis upon which the Regulator can approve changes to tariff components is set out in section 5.2.3 of this Access Arrangement.

**5.2.3 Approval by Regulator of VENCORP Reference Tariffs**

- (a) The Regulator will assess Reference Tariffs proposed by VENCORP under section 5.2.2 of this Access Arrangement prior to the beginning of a financial year consistent with the Access Code and this Access Arrangement;
- (b) The Regulator must approve Reference Tariffs proposed by VENCORP, if:
  - (i) The Reference Tariffs proposed comply with the Reference Tariff Policy contained in this Access Arrangement; and
  - (ii) All the forecasts included in the compilation of the Reference Tariffs proposed are satisfactory to the Regulator.
- (c) If the Regulator does not notify VENCORP of the Regulator's decision regarding Reference Tariffs proposed by the VENCORP under section 5.2.2 of this Access Arrangement within 20 business days of the Regulator receiving the Reference Tariffs proposed, the Regulator is taken to approve the Reference Tariffs proposed with effect from the 21st business day after the Regulator receives the Reference Tariffs proposed.
- (d) If the Regulator has not approved the Reference Tariffs proposed under section 5.2.2 of this Access Arrangement, the Regulator may allow VENCORP to replace the Reference Tariffs proposed within such time as specified by the Regulator.
- (e) Where the Reference Tariffs proposed have been replaced under section 5.2.3 (d) of this Access Arrangement, the replacement Reference Tariffs proposed will be taken to be provided at least 30 business days before the start of the financial year.
- (f) If the Reference Tariffs proposed by VENCORP under section 5.2.2 of this Access Arrangement are approved or taken to be approved by the Regulator they must apply from the latest of:
  - (i) The date on which the Regulator approves or is taken to approve the alteration;
  - (ii) The start of the financial year in which the Reference Tariffs are to apply.
- (g) If VENCORP does not propose Reference Tariffs to the Regulator required under section 5.2.2 of this Access Arrangement, in relation to a financial year, or Reference Tariffs proposed are provided but not approved by the Regulator, the



Regulator may re-set the relevant tariffs for VENCorp for the financial year in a manner in which the Regulator could have approved of the Reference Tariffs if included in Reference Tariffs proposed by VENCorp under section 5.2.2 of this Access Arrangement.

#### **5.2.4 Tariff Timing**

To manage effectively the transition from the 1998-2003 Access Arrangement Period to the next Access Arrangement Period, which commences from 1 January 2003, VENCorp will revise its Reference Tariffs as follows:

##### **(a) From 1 January 2003 to 30 June 2003**

The forecast costs associated with the VENCorp Reference Services will be established through the process imposed under clause 6.1 of the Tariff Order and section 2.6 of the MSO Rules<sup>5</sup>, which requires that Reference Tariffs for the 12 month period from 1 July 2002 to 30 June 2003 are to be consulted on by VENCorp and submitted to the Regulator for approval in May 2002. The costs for the period 1 January 2003 to 30 June 2003 are included in this Access Arrangement and form part of VENCorp's Reference Tariffs.

##### **(b) From 1 July 2003 to 31 December 2007**

This Access Arrangement includes the forecast costs associated with the Commodity and Registration Tariffs for the period from 1 July 2003 to 30 June 2007. These costs are included in this Access Arrangement and form part of VENCorp's Reference Tariffs.

##### **(c) Commodity and Registration Tariffs**

Commodity and Registration Tariffs will be established for a 5 year period, subject to mechanisms described in Appendix 3 and Appendix 4 of this Access Arrangement to enable adjustments where under or over-recovery exceeds the tolerance levels.

##### **(d) Meter Data Management and System Security Tariffs**

Meter Data Management and System Security Tariffs will continue to be reviewed and set annually by the Regulator through the annual consultative process described above.

### **5.3 Terms and Conditions**

3.6 *An Access Arrangement must include the terms and conditions on which the Service Provider will supply each Reference Service. The terms and conditions included must, in the Relevant Regulator's opinion, be reasonable.*

VENCorp will operate the Principal Transmission System made available to it by GasNet pursuant to GasNet's Access Arrangement and the Service Envelope Agreement for Users in accordance with the MSO Rules. In order to access the Principal Transmission System, Users must register as Market Participants under the MSO Rules. Details of the terms and conditions on which VENCorp will supply each Reference Service are contained in the MSO Rules.

<sup>5</sup> This is a reference to clause 2.6 as in force at the time of submission of this Access Arrangement to the ACCC.

Users will be required to enter into a Gas Transportation Deed with VENCorp, under which they agree to pay directly to GasNet the GasNet Transmission Tariffs. A pro-forma Gas Transportation Deed is attached as Appendix 2 of this Access Arrangement.

#### 5.4 Capacity Management Policy

3.7 *An Access Arrangement must include a statement (a Capacity Management Policy) that the Covered Pipeline is either:*

- (a) *a Contract Carriage Pipeline; or*
- (b) *a Market Carriage Pipeline.*

The Principal Transmission System is a Market Carriage system of pipelines.

This reflects the statutory obligations of VENCorp under the Gas Industry Act as independent system operator for the Principal Transmission System to operate that System by an integrated spot market under the provisions of the MSO Rules.

The MSO Rules provide for a Market Carriage system of managing third party access to the Principal Transmission System whereby:

- a) Users are not required to enter into contracts for the specified services, and are able to use certain services whether or not they hold Authorised MDQ or AMDQ Credit Certificates. Instead, Users are able to obtain access to the Principal Transmission System by meeting the basic requirements for safety, prudential management and (in the case of retailers) licensing;
- b) Pipeline operation and the spot market for gas are fully integrated. The use of the Principal Transmission System is limited only by what is physically achievable and economically optimal, not by services individually contracted with the operator, VENCorp, as a Service Provider;
- c) User's charges are based on actual usage of the Principal Transmission System and the services provided to them by VENCorp; and
- d) Users have the ability to transfer their rights to Authorised MDQ and AMDQ Credit Certificates rights to other parties, and can acquire additional rights by entering into commercial arrangements with other Users and pipeline owners.

#### 5.5 Ministerial Consent

3.8 *The Relevant Regulator must not accept an Access Arrangement which states that the Covered Pipeline is a Market Carriage Pipeline unless the Relevant Minister of each Scheme Participant in whose Jurisdictional Area the Pipeline is wholly or partly located has given a notice to the Relevant Regulator permitting the Covered Pipeline to be a Market Carriage Pipeline.*

Relevant consent has been obtained and provided to the Regulator.

#### 5.6 Trading Policy

Sections 3.9, 3.10 and 3.11 of the Access Code are not applicable to a Market Carriage system.

## 5.7 Queuing Policy

- 3.12 *An Access Arrangement must include a policy for determining the priority that a Prospective User has, as against any other Prospective User, to obtain access to Spare Capacity and Developable Capacity (and to seek dispute resolution under section 6) where the provision of the Service sought by that Prospective User may impede the ability of the Service Provider to provide a Service that is sought or which may be sought by another Prospective User (a Queuing Policy).*
- 3.13 *The Queuing Policy must:*
- (a) *set out sufficient detail to enable Users and Prospective Users to understand in advance how the Queuing Policy will operate;*
  - (b) *accommodate, to the extent reasonably possible, the legitimate business interests of the Service Provider and of Users and Prospective Users; and*
  - (c) *generate, to the extent reasonably possible, economically efficient outcomes.*
- 3.14 *The Relevant Regulator may require the Queuing Policy to deal with any other matter the Relevant Regulator thinks fit taking into account the matters listed in section 2.24.*
- 3.15 *Notwithstanding anything else contained in this Code, the Service Provider must comply with the Queuing Policy specified in the Service Provider's Access Arrangement.*

The Queuing Policy for the Principal Transmission System is described in clause 5.3 of the MSO Rules which provides a means to allocate Spare Capacity when it becomes available.

These provisions permit VENCorp to allocate Spare Capacity as Authorised MDQ to those who request it where there is sufficient Authorised MDQ to allocate, to auction it where the requests exceed the available quantity, and provide for bilateral contracting and trading of capacity as Authorised MDQ and AMDQ Credits are fully tradeable and transferable.

## 5.8 Extensions/Expansions Policy

- 3.16 *An Access Arrangement must include a policy (an Extensions/Expansions Policy) which sets out:*
- (a) *the method to be applied to determine whether any extension to, or expansion of the Capacity of, the Covered Pipeline:*
    - (i) *should be treated as part of the Covered Pipeline for all purposes under the Code; or*
    - (ii) *should not be treated as part of the Covered Pipeline for any purpose under the Code;*

*(for example, the Extensions/Expansions Policy could provide that the Service Provider may, with the Relevant Regulator's consent, elect at some point in time whether or not an extension or expansion will be part of the Covered Pipeline or will not be part of the Covered Pipeline);*
  - (b) *specify how any extension or expansion which is to be treated as part of the Covered Pipeline will affect Reference Tariffs (for example, the Extensions/Expansions Policy could provide:*
    - (i) *Reference Tariffs will remain unchanged but a Surcharge may be levied on Incremental Users where permitted by sections 8.25 and 8.26; or*
    - (ii) *specify that a review will be triggered and that the Service Provider must submit revisions to the Access Arrangement pursuant to section 2.28);*
  - (c) *if the Service Provider agrees to fund New Facilities if certain conditions are met, a description of those New Facilities and the conditions on which the Service Provider will fund the New Facilities.*
- The Relevant Regulator may not require the Extensions/Expansions Policy to state that the Service Provider will fund New Facilities unless the Service Provider agrees.*

Pursuant to section 10.2(c) of the Access Code, responsibility for complying with the obligation imposed by section 3.16 of the Access Code to include an Extensions/Expansions Policy in an Access Arrangement has been allocated to GasNet.

Any extensions and expansions made in accordance with the procedure set out in clause 5.3.3 of the MSO Rules will be subject to the benefits of the Capacity Management Policy outlined in section 5.4 of this Access Arrangement.

## 5.9 Review and Expiry of the Access Arrangement

- 3.17 *An Access Arrangement must include:*
- (a) *a date upon which the Service Provider must submit revisions to the Access Arrangement (a Revisions Submission Date); and*
  - (b) *a date upon which the next revisions to the Access Arrangement are intended to commence (a Revisions Commencement Date).*
- In approving the Revisions Submissions Date and Revisions Commencement Date, the Relevant Regulator must have regard to the objectives in section 8.1, and may in making its decision on an Access Arrangement (or revisions to an Access Arrangement), if it considers it necessary having had regard to the objectives in section 8.1:*
- (i) *require an earlier or later Revisions Submission Date and Revisions Commencement Date than proposed by the Service Provider in its proposed Access Arrangement;*
  - (ii) *require that specific major events be defined that trigger an obligation on the Service Provider to submit revisions prior to the Revisions Submission Date.*
- 3.18 *An Access Arrangement Period accepted by the Relevant Regulator may be of any length; however, if the Access Arrangement Period is more than five years, the Relevant Regulator must not approve the Access Arrangement without considering whether mechanisms should be included to address the risk of forecasts on which the terms of the Access Arrangement were based and approved proving incorrect. These mechanisms may include:*
- (a) *requiring the Service Provider to submit revisions to the Access Arrangement prior to the Revisions Submission Date if certain events occur, for example:*
    - (i) *if a Service Provider's profits derived from a Covered Pipeline are outside a specified range or if the value of Services reserved in contracts with Users are outside a specified range;*
    - (ii) *if the type or mix of Services provided by means of a Covered Pipeline changes in a certain way; or*
  - (b) *a Service Provider returning some or all revenue or profits in excess of a certain amount to Users, whether in the form of lower charges or some other form.*
- Where a mechanism is included in an Access Arrangement pursuant to section 3.18(a), the Relevant Regulator must investigate no less frequently than once every five years whether a review event identified in the mechanism has occurred.*
- 3.19 *Nothing in section 3.18 shall be taken to imply that the Relevant Regulator may not approve an Access Arrangement Period longer than 5 years if the Relevant Regulator considers this appropriate, having regard to the objectives of section 8.1.*
- 3.20 *An Access Arrangement submitted under section 2.3 may include a date at which time the Access Arrangement will expire. If an Access Arrangement submitted under section 2.3 expires, the Covered Pipeline the subject of the Access Arrangement ceases to be Covered on the expiry date. The Service Provider must notify the Code Registrar if a Pipeline ceases to be Covered under this section and the Code Registrar must update the Public Register accordingly.*

The Revisions Submission Date will be 31 March 2007.

The Revisions Commencement Date will be 1 January 2008.

## Appendix 1 Description of Principal Transmission System

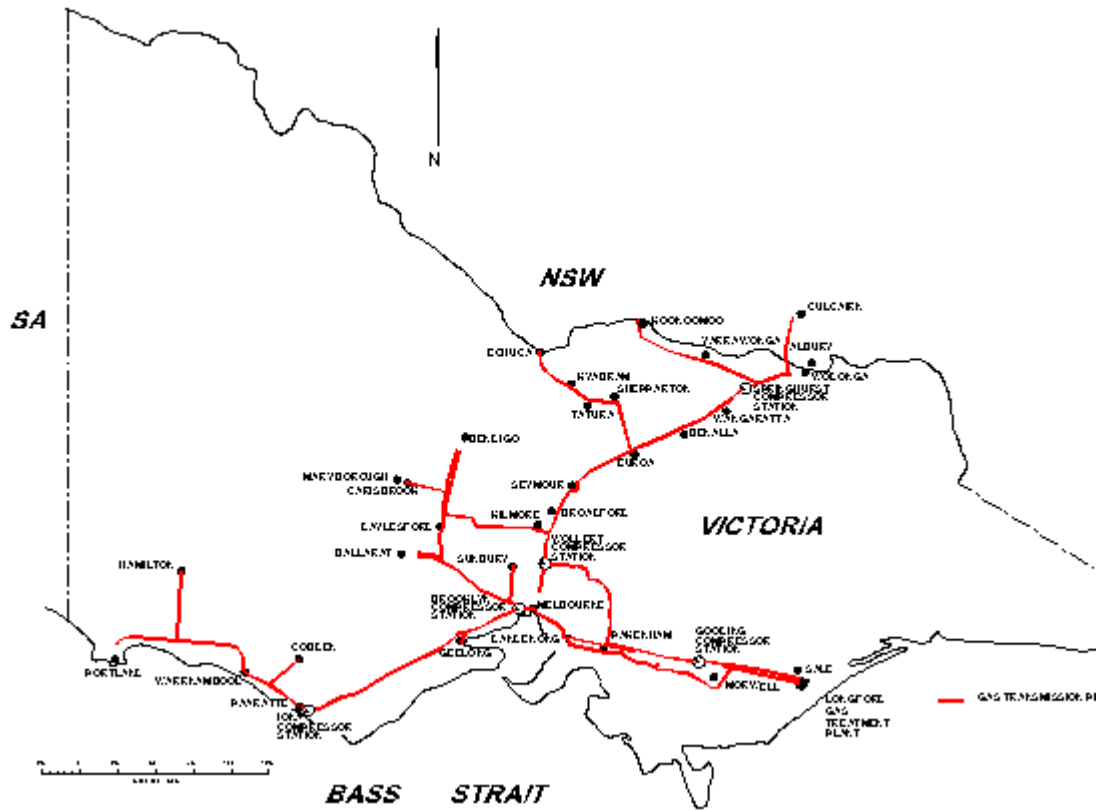
The facilities described in the table and map below comprise the Principal Transmission System which will be provided by GasNet to VENCorp under the Service Envelope Agreement, and operated by VENCorp.

To the extent that any assets of the Principal Transmission System are not included in the Service Envelope Agreement at the time of lodgement of this amendment to the Access Arrangement, it is anticipated that the necessary amendments will be agreed (and corresponding changes made to the Service Envelope Agreement as required by clause 5.3.1 of the MSO Rules), prior to commencement of this Access Arrangement.

Pipeline Licence	Location/Route	Length (km)	Pipe Diameter (mm)	MAOP (kPA)
	<b>Longford to Dandenong and Wollert System</b>			
Vic:68	Healesville-Koo-Wee-Rup Rd	1.2	80	2760
Vic:91	Anderson St, Warragul	4.8	100	2760
Vic:107	Pound Rd to Tuckers Rd	2.0	100	2760
Vic:50	Supply to Jeeralang	0.4	300	2760
Vic:50	Morwell to Dandenong	126.8	450	2760
Vic:75	Longford to Dandenong	174.2	750	6890
Vic:117	Rosedale to Tyers	34.3	750	7070
Vic:120	Longford to Rosedale	30.5	750	7070
Vic:135	Bunyip to Pakenham	18.7	750	7070
Vic:141	Pakenham to Wollert	93.1	750	6890
Vic:121	Tyers to Morwell	15.7	500	7070
Vic:67	Supply to APM Maryvale	5.4	150	6890
	<b>Wollert to Wodonga/Echuca/ Bendigo System</b>			
Vic:101	Keon Park to Wollert	14.1	600	2760
Vic:202	Keon Park East - Keon Park West	0.6	450	2760
Vic:238	Epping to Somerton	3.4	250	2760
Vic:101	Wollert to Wodonga	269.4	300	7400
Vic:101	Euroa to Shepparton	34.5	200	7400
Vic:132	Shepparton to Tatura	16.2	200	7390
Vic:136	Tatura to Kyabram	21.3	200	7390
Vic:152	Kyabram to Echuca	30.7	150	7390
Vic:143	Wandong to Kyneton	59.5	300	7390
Vic:128	Mt Franklin to Kyneton	24.5	300	7390
Vic:131	Mt Franklin to Bendigo	50.8	300	7390
Vic:78	Ballan to Bendigo	90.8	150	7390
Vic:125	Guildford to Maryborough	31.4	150	7390
	<b>Murray Valley System</b>			
Vic:176	Chiltern to Rutherglen	14.7	200	7400
Vic:182	Rutherglen to Koonoomoo	88.8	200	7400
	<b>Barnawatha to Culcairn System</b>			
Vic:178	Barnawatha to NSW border	5.5	450	10200
NSW:24	NSW border to Culcairn	57.0	450	10200
	<b>Brooklyn to Ballarat System</b>			
Vic:78	Brooklyn to Ballan	66.6	200	7390

Pipeline Licence	Location/Route	Length (km)	Pipe Diameter (mm)	MAOP (kPA)
Vic:78	Ballan to Ballarat	22.7	150	7390
Vic:134	Ballan to Ballarat	22.8	300	7390
Vic:122	Derrimut to Sunbury	24.0	150	7390
	<b>Brooklyn to Geelong System</b>			
Vic:81	Brooklyn to Corio	50.7	350	7390
Vic:162	Laverton to BHP	1.6	150	2760
	<b>Dandenong to West Melbourne / Brooklyn System</b>			
Vic:36	Dandenong to West Melbourne	36.2	750	2760
Vic:108	South Melbourne to Brooklyn	12.8	750	2760
Vic:129	Princess Hwy, to Henty St	0.2	500	2760
Vic:129	Dandenong to Princess Hwy	5.0	750	2760
Vic:56	Princess Hwy to Regent St	0.8	200	2760
Vic:164	Supply to Bay St To Unichema	0.4	150	2760
Vic:124	Supply to Newport Power Station	1.0	450	2760
	<b>South West System</b>			
Vic:227	North Paaratte to Iona	7.8	150	7400
Vic:170	Iona to Colac	49.0	500	10200
Vic:183	Colac to Lara	94.9	500	10200
	<b>Western Network</b>			
Vic:145	Paaratte to Allansford	33.3	150	7400
Vic:155	Allansford to Portland	100.4	150	9890
Vic:168	Curdievale to Cobden	27.7	150	9890
Vic:171	Codrington to Hamilton	54.6	150	9890

A map of the facilities provided by GasNet to VENCorp under the Service Envelope Agreement is as follows:



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## **Appendix 2 Pro-forma Gas Transportation Deed**

<attached >



### Appendix 3 Under-recovery Rebalancing Control Formula

A3.1 If the annual accumulated aggregate under-recovery for the Registration and Commodity Tariffs for the provision of the Information and Market and System Operational Services is at least \$1.5 million but less than \$3 million then the following formula is to apply.

A3.2 The Under-recovery Registration and Commodity Tariff rebalancing control is:

- (a) The approved level of each Tariff D Commodity Tariff (TDCT) must be no greater than the maximum for each Tariff D Commodity Tariff (MTDCT); and
- (b) The approved level of each Tariff V Commodity Tariff (TVCT) must be no greater than the maximum for each Tariff V Commodity Tariff (MTVCT); and
- (c) The approved level of each Registration Tariff (RT) must be no greater than the maximum for each Registration Tariff (MRT);

where

MTDCT, MTVCT and MRT are calculated in accordance with A3.3 of this appendix.

A3.3 The maximum for each Tariff D Commodity Tariff, Tariff V Commodity Tariff and Registration Tariff for a financial year is as follows:

$$\text{MTDCT}_t = \text{TDCT}_{t-1} * (1 + \text{YD}_t)$$

$$\text{MTVCT}_t = \text{TVCT}_{t-1} * (1 + \text{YD}_t)$$

$$\text{MRT}_t = \text{RT}_{t-1} * (1 + \text{YD}_t)$$

where:

MTDCT<sub>t</sub> (in \$/GJ) is the maximum that can be charged for each Tariff D Commodity Tariff in financial year “t”

MTVCT<sub>t</sub> (in \$/GJ) is the maximum that can be charged for each Tariff V Commodity Tariff in financial year “t”

MRT<sub>t</sub> (in \$/day) is the maximum that can be charged for each Registration Tariff in financial year “t”

TDCT<sub>t-1</sub> (in \$/GJ), TVCT<sub>t-1</sub> (in \$/GJ) and RT<sub>t-1</sub> (in \$/day) are determined as follows:

- (i) If financial year “t” is the year ending 30 June 2004 (i.e. financial year “t-1” is the year ending 30 June 2003), the price of the tariff component as set out in section 5.2.1 of this Access Arrangement;
- (ii) If financial year “t” is a year ending after 30 June 2004, the most recent actual price approved for each tariff component in the financial year “t-1”.

YD<sub>t</sub> is a set factor for the Tariff D Commodity Tariff, Tariff V Commodity Tariff and Registration Tariff as follows:

Financial Year “t”	YD <sub>t</sub>
30 June 2004	greater of CPI or 0.02
30 June 2005	greater of CPI or 0.02
30 June 2006	greater of CPI or 0.02
30 June 2007	greater of CPI or 0.02

## Appendix 4 Over-recovery Rebalancing Control Formula

A4.1 If the annual accumulated aggregate over-recovery for the Registration and Commodity Tariffs for the provision of the Information and Market and System Operational Services is more than \$1.5 million then the following formula is to apply.

A4.2 The Over-recovery Registration and Commodity Tariff rebalancing control is:

- (a) The approved level of each Tariff D Commodity Tariff (TDCT) must be no greater than the maximum for each Tariff D Commodity Tariff (MTDCT); and
- (b) The approved level of each Tariff V Commodity Tariff (TVCT) must be no greater than the maximum for each Tariff V Commodity Tariff (MTVCT); and
- (c) The approved level of each Registration Tariff (RT) must be no greater than the maximum for each Registration Tariff (MRT);

where

MTDCT, MTVCT and MRT are calculated in accordance with A4.3 of this appendix.

A4.3 The maximum for each Tariff D Commodity Tariff, Tariff V Commodity Tariff and Registration Tariff for a financial year is as follows:

$$\text{MTDCT}_t = \text{TDCT}_{t-1} * (1 - \text{YD}_t)$$

$$\text{MTVCT}_t = \text{TVCT}_{t-1} * (1 - \text{YD}_t)$$

$$\text{MRT}_t = \text{RT}_{t-1} * (1 - \text{YD}_t)$$

where:

MTDCT<sub>t</sub> (in \$/GJ) is the maximum that can be charged for each Tariff D Commodity Tariff in financial year “t”

MTVCT<sub>t</sub> (in \$/GJ) is the maximum that can be charged for each Tariff V Commodity Tariff in financial year “t”

MRT<sub>t</sub> (in \$/day) is the maximum that can be charged for each Registration Tariff in financial year “t”

TDCT<sub>t-1</sub> (in \$/GJ), TVCT<sub>t-1</sub> (in \$/GJ) and RT<sub>t-1</sub> (in \$/day) are determined as follows:

- (i) If financial year “t” is the year ending 30 June 2004 (i.e. financial year “t-1” is the year ending 30 June 2003), the price of the tariff component as set out in section 5.2.1 of this Access Arrangement;
- (ii) If financial year “t” is a year ending after 30 June 2004, the most recent actual price approved for each tariff component in the financial year “t-1”.

YD<sub>t</sub> is a set factor for the Tariff D Commodity Tariff, Tariff V Commodity Tariff and Registration Tariff as follows:

Financial Year “t”	YD <sub>t</sub>
30 June 2004	0.02
30 June 2005	0.02
30 June 2006	0.02
30 June 2007	0.02

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## **Appendix 5 Market and System Operations Rules**

<attached>