SUMMARY OF SP AUSNET RESPONSES TO AER DRAFT DECISION REQUIRED AMENDMENTS

Required	d Amendment	Location of SPA Response	Required amendments accepted	Required amendments not accepted
Pipeline	services	-		
1.1	Amend Schedule 1 of Part A of the Access Arrangement proposal to include the following words in the list of ancillary reference services: "On-site meter and gas installation test: testing to check the accuracy of a Meter and the soundness of a Gas Installation, in order to determine whether the Meter is accurately measuring the Quantity of Gas delivered."	RAAP Chapter 9 and Part A	List of ancillary reference services amended.	
Capital E	Base	1	-	
2.1	Make all necessary amendments to reflect the AER's draft decision on the roll forward of the capital base for the 2008-2012 access arrangement period, as set out in Table 2-1.	RAAP Chapter 4	 Update capex to be consistent with the ESC's capex incentive scheme (methodology and inputs other than LP mains replacement program kms and customer numbers). Remove provisions for capex from the capital base. Amend the roll forward model to align with audited historical regulatory accounts. 	 Index the capital base by 6 years' inflation. Update capex to be consistent with the ESC's capex incentive scheme (inputs for LP mains replacement program kms and customer numbers).
2.2	Make all necessary amendments to reflect the AER's draft decision on the projected opening capital base for the 2013-2017 access arrangement period, as set out in Table 2-2.	RAAP Chapter 4		Amend the capital base to reflect Draft Decision on capex and depreciation.
2.3	Make all necessary amendments to reflect the AER's draft decision on net capex by asset class during the 2008-2012 access arrangement, as set out in Table 2.6.	RAAP Chapter 4	Update capex to be consistent with the ESC's capex incentive scheme (methodology and inputs other than LP mains replacement program	Update capex to be consistent with the ESC's capex incentive scheme (inputs for LP mains replacement program kms and customer

Required A	mendment	Location of SPA	Required amendments	Required amendments not
		Response	 accepted kms and customer numbers). Remove provisions for capex from the capital base (other than double counting errors). Amend the roll forward model to align with audited historical regulatory accounts. 	accepted numbers). Remove provisions for capex from the capital base (double counting errors).
Capital Exp	enditure			
3.1	Make all necessary amendments to reflect the AER's draft decision on capital expenditure by asset class over the earlier access arrangement period, as set out in Table 3.9.	RAAP Chapter 2	•	•
3.2	Make all necessary amendments to reflect the AER's draft decision on forecast capex by asset class over the access arrangement period, as set out in Table 3.10.	RAAP Chapter 2 (except for NECF pass-through) RAAP Chapter 8 (for NECF pass- through)	 Remove contingency allowances on residential unit rates and commercial and industrial unit rates for Tariff V connections. Reduce IT capex by: reducing the proposed contingency allowance to 15%; reducing the labour component; and removing NECF-related costs. Establishing a pass through to recover NECF-related IT capex. Forecast Miscellaneous Industrial & Commercial capex based on actual historical expenditure. Remove proposed capex for the following projects: Field Regulator 	 Low pressure (LP) mains replacement program: reduce replacement volumes to the annual average of volumes achieved over the period 2008-2011. Pass-through mechanism for costrecovery of LP mains replacement in excess of historical volumes. LP mains replacement program: reduce unit rate to reflect assumption that program delivery will be to lowest cost areas first. LP mains miscellaneous replacement program: exclude from the volume calculations the two projects with large

Required Amendment	Location of SPA	Required amendments	Required amendments not
	Response	accepted	accepted
		Site relocation; Transmission Pressure Integrity Programs Nth Geelong Rail Station; Transmission Pressure Integrity Programs Anderson Reserve Broadmeadows; exposed pipe removal program. • LP mains miscellaneous replacement program: exclude from unit rate calculations the two projects with large volumes and low unit rates. • Material-specific distribution mains replacement program: remove capex allowance for fibrous cement mains. • Apply 0% real cost escalator to real materials prices.	volumes and low unit rates. Medium pressure (MP) pipe replacement program: remove capex allowance. Material-specific distribution mains replacement program: remove capex allowance for class 250 PE mains. Reactive mains and service replacements: reduce forecast number of replacements per annum to the average annual number of services over the period 2008-11. Forecast customer abolishments by projecting forward the annual average number of abolishments over theperiod 2007-11. Make no adjustment for variable overheads. Calculate forecast overheads. Calculate forecast overheads expenditure over the period 2008-11. Revise customer contributions (to reflect capex reductions) and re-classify major alterations contributions

Required A	Amendment	Location of SPA Response	Required amendments accepted	Required amendments not accepted
Data				as 'government' contributions. Use the unadjusted Labour Productivity Index to escalate labour costs.
Rate of re	-	DAAD CL	T	T
4.1	Make all necessary amendments to reflect the AER's draft decision on the rate of return on capital for the access arrangement period, as set out in Table 4.26 of this attachment.	RAAP Chapter 5	 Revoke Fixed Principle 7.4(a). Update calculations for inflation prior to Final Decision. Use nominal risk free rate to calculate cost of debt. Cost of debt of 2.98% (to be reset in the sample period). Debt risk premium of 3.76% (to be reset in the sample period). Gamma of 0.25. Beta of 0.8. Gearing ratio of 60%. CPI of 2.5%. 	 Use a short-term averaging period to calculate the cost of equity. Use nominal risk free rate to calculate the cost of equity.
Depreciati	ion	•		
5.1	Make all necessary amendments to reflect the AER's draft decision on the proposed forecast regulatory depreciation allowance for the access arrangement period, as set out in Table 5.32.	RAAP Chapter 4	Methodology for calculating the forecast regulatory depreciation allowance.	The opening capital base and forecast capex to which the proposed forecast regulatory depreciation allowance is applied.
5.2	Make all necessary amendments to reflect the AER's draft decision on the proposed depreciation method, as set out in section 5.4.1.	RAAP Chapter 4	 Recover unrecovered depreciation over 54.1 years (methodology). Correct modeling errors. 	Recover unrecovered depreciation over 54.1 years (asset allocation).

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5.3	Make all necessary amendments to reflect the AER's draft decision on the proposed depreciation calculation for existing assets, as set out in section 5.4.3.	RAAP Chapter 4	 Apply the AER's "average depreciation" approach used in the PTRM. Ensure consistency between the depreciation figures in the RFM and PTRM. Deduct disposals for the depreciation calculations. Make provision for negative net capex. 	
5.4	Make all necessary amendments to reflect the AER's draft decision on the standard economic lives and the remaining economic lives as at 1 January 2013, as set out in Table 5.34.	RAAP Chapter 4	 Create separate asset classes for 'Land' and 'Buildings' from 2013. Assign standard economic lives to the 'Buildings' asset class from 2013. Correct modeling errors for unrecovered depreciation from previous regulatory periods (methodology). 	Correct modeling errors for unrecovered depreciation from previous regulatory periods (asset allocation).
Operating	g Expenditure			
6.1	Make all necessary amendments to reflect the AER's draft decision on the proposed opex allowances for the 2013-2017 access arrangement period, as set out in Table 6.35.	RAAP Chapter 3 (other than pass- throughs) RAAP Chapter 8 (pass-throughs only)	 Use 2011 actual opex as base year opex. Remove the SPIMS actual adjustment from base year opex. Remove effects of movements in provisions (other than UAfG). Apply 0% real cost escalator to real materials prices. Remove step changes for 	 Step change for UAfG costs for 2013-17 access arrangement period. Remove effect of movements in provisions for UAfG. Use the unadjusted Labour Productivity Index to escalate labour costs. Remove step changes for survey or gas mains

Required Ar	nendment	Location of SPA	Required amendments	Required amendments not
Incentive m	echanisms	Response	changes to heater maintenance, pipe saddle support repairs, reallocation of SPIMS and overheads costs. Create a pass through mechanism to recover opex relating to the introduction of the NECF.	 accepted and services in drains, operation fees on CTMs, magnetic topography inspections of unpiggable gas pipelines. Reduce Carbon tax administration costs to 0.5 FTE. Debt raising costs (to be updated for the Final Decision).
7.1	Amend the Access Arrangement Proposal and Access Arrangement Information as necessary to reflect the AER's Draft Decision on carryover amounts from the 2008- 12 access arrangement period as set out in Tables 7.48 and 7.50.	RAAP Chapter 7	 Update capex to be consistent with the ESC's capex incentive scheme (methodology and inputs other than LP mains replacement program kms and customer numbers). Remove provisions for capex and opex (other than base year adjustment). 	 Update capex to be consistent with the ESC's capex incentive scheme (inputs for LP mains replacement program kms and customer numbers). Remove provisions for opex (remove UAfG provision in base year).
7.2	Delete clause 6.4 of the Access Arrangement Proposal and replace it with the incentive mechanism set out in section 7.4.2.	RAAP Chapter 7	 Delete clause 6.4 of the proposed Access Arrangement and insert the incentive mechanism set out on pp 170-2(pdf) of the Draft Decision. Insert Table 7.51 of the Draft Decision into SP AusNet's Access Arrangement Information. 	• Remove SP AusNet's proposed capex incentive mechanism by deleting clauses 6.4(a)(3), 6.4(a)(6), 6.4(b)(2), 6.4(b)(3)(C) of Part B of the Access Arrangement.

Required	Amendment	Location of SPA Response	Required amendments accepted	Required amendments not accepted
7.3	Amend the Access Arrangement Information to include Table 7.51.	RAAP Chapter 7		Specify the forecast expenditure to be used as the basis for measuring efficiencies.
Corporat	e income tax			
8.1	Make all necessary amendments to reflect the AER's Draft Decision on the proposed corporate income tax allowance for the 2013-17 access arrangement period, as set out in Table 8.52.	RAAP Chapter xx	•	Amend the corporate income tax allowance to reflect the Draft Decision.
8.2	Make all necessary amendments to reflect the AER's Draft Decision on tax additions for 2007-12, as set out in Table 8.55.	RAAP Chapter xx	 Correct minor errors in the proposed tax roll forward model. Amend the corporate income tax allowance to reflect the Draft Decision on rate of return and forecast opex (2007-2011). 	Amend the corporate income tax allowance to reflect the Draft Decision on rate of return and forecast opex 9updated 2012 inputs).
8.3	Make all necessary amendments to reflect the AER's Draft Decision on the tax depreciation approach for group 7 tax assets associated with forecast capex for the 2013-17 access arrangement period, as set out in Table 8.57.	RAAP Chapter xx	 Create separate asset classes for 'Land' and 'Buildings' from 2013. Apply a fully deductible tax depreciation approach to the 'Repairs' asset class. 	
8.4	Make all necessary amendments to reflect the AER's Draft Decision on standard tax asset lives, as set out in Table 8.58.	RAAP Chapter xx	 Assign a standard tax asset life of 40 years to the 'Buildings' asset class. Assign no standard tax asset life to the 'Land' asset class. 	
Demand			1	
9.1	Amend the access arrangement information to delete total customer numbers (Tables 4.2 and 4.4), total usage (Tables 4.7 and 4.10) and replace with Table 9.59 from the Draft Decision.	RAAP Chapter 1 RAAP Chapter 8 (removal of Demand Risk	 Include Huntly in customer and energy forecasts. Updated forecasts based 	Use the current AEMO EDD standard as the basis for normalising historical demand data

Required	I Amendment	Location of SPA Response	Required amendments accepted	Required amendments not accepted
		Adjustment Factor).	on "Victoria in Future 2012" population. projections.	for weather. Remove proposed Demand Risk Adjustment Factor.
9.2	Amend the access arrangement information to delete Table 4.11 and replace with Tables 9.60 and 9.61 from the Draft Decision.	RAAP Chapter 1		Use the current AEMO EDD standard as the basis for normalising historical demand data for weather.
Tariff set	ting			
10.1	Amend the proposed reference tariffs as outlined in the revenue attachment of the Draft Decision.	RAAP Chapter xx		Not accepted.
10.2	Amend section 10 of the access arrangement Part B to delete the table and replace with the table specified on page 209 (pdf) of the Draft Decision.	RAAP Chapter xx	Specify an ancillary reference tariff for "Meter and gas installation test" in section 10 of Part B of the Access Arrangement.	
Tariff var	riation			
11.1	Amend Section 3.1 of the Access arrangement proposal Part B to include an additional ESV adjustment factor in the annual reference tariff variation formula.	RAAP Chapter 8 and Part B		ESV levy to be incorporated into Licence Fee Factor
11.2	Amend Section 9 of the access arrangement proposal Part B to include the following statement between section 9 and section 9.1 headings (page 33): "The initial reference tariffs are expressed in real 2013 dollars and the first annual tariff variation is made for the year commencing 1 January 2014."	RAAP Chapter 8 and Part B		AER's proposal would not allow for 6 month tariff adjustment
11.3	Amend Section 9 of Part B of the access arrangement proposal as follows: Delete all the tables in Section 9 and replace them with the following updated tables.	RAAP Chapters 8 and 11 and Part B		See amended tariffs in RAAP Chapter 11 and updated Part B

Required	Required Amendment		Required amendments accepted	Required amendments not
11.4	Amend Section 3 of Part B the access arrangement proposal as follows: • Delete Yt = 0.05 in the rebalancing control formula (section 3.5, page 17) and replace with and replace it with Yt = 0.02. • Delete the definition of Xt on pages 10 to 11 and page 17; and replace with: "Xt is defined by the alignment of the service provider's building block revenue requirement with the NPV of its forecast revenues and is determined to be: Xt = 21.41% for the Calender year 2013 Xt = 0.00% for the Calender year 2014 to 2017"	Response RAAP Chapter 8 and Part B	accepted	Not accepted
11.5	Amend Section 3 of Part B the access arrangement proposal as follows: • Delete "pre-tax WACC is 7.25%, being the implied real pre tax WACC applying to the service provider" on page 12 and replace with: "Pre-tax WACC is defined by the alignment of the service provider's building block revenue requirement with the NPV of its forecast revenues and is determined to be 5.25 per cent" • Delete "pre-tax WACC is the implied real pre tax WACC applying to the service provider" on page 13 and replace with: "Pre-tax WACC is defined by the alignment of the service provider's building block revenue requirement with the NPV of its forecast revenues and is determined to be 5.25 per cent"	RAAP Chapters 8 and 5 and Part B		Not accepted.

Required Amendment		Location of SPA Response	Required amendments accepted	Required amendments not accepted
11.6	Amend section 3 of Part B the access arrangement proposal as follows: • Delete the content of section 3.7 and replace with the AER's alternative proposal.	RAAP Chapter 8 and Part B	·	Not accepted.
11.7	Amend Section 3 of Part B of the access arrangement proposal as follows: • Delete p_t^{ij} , p_{t-1}^{ij} and q_{t-2}^{ij} on pages 10 to 12 and page 17; and replace with: q_{t-2}^{ij} is the proposed haulage reference tariff for haulage reference tariff component j of haulage reference tariff i in calendar year t; p_{t-1}^{ij} is the haulage reference tariff being charged for haulage reference tariff component j of haulage reference tariff i in calendar year t-1; q_{t-2}^{ij} is the quantity of haulage reference tariff component j of haulage reference tariff calendar year t-2;	RAAP Chapter 8 and Part B	• Accepted	
11.8	Amend Section 3 of the access arrangement proposal as follows: • Delete $A'_{t} = \frac{PT_{t} + DT_{t}}{(1 + CPI_{t})(1 - X_{t}) \sum_{i=1}^{n} \sum_{j=1}^{m} p_{t-1}^{ij} \cdot q_{t-2}^{ij}}$ and replace with $A'_{t} = \frac{PT_{t}}{(1 + CPI_{t})(1 - X_{t}) \sum_{i=1}^{n} \sum_{j=1}^{m} p_{t-1}^{ij} \cdot q_{t-2}^{ij}}$ • Delete the definition of DT_{t} on page 13.	RAAP Chapter 8 and Part B		Not accepted

Required A	Amendment	Location of SPA Response	Required amendments accepted	Required amendments not accepted
	 Delete sub-heading "Demand true-up" and all its content on pages 13 to 15. 			
11.9	Amend section 4 of Part B the access arrangement proposal (Approval of Annual and Within-Year Variations to Haulage Reference Tariffs and New Haulage Reference Tariffs) as indicated by the AER.	RAAP Chapter 8 and Part B	Revisions to information to be provided with tariff submissions accepted subject to conditions.	Revisions to timings for tariff submissions not accepted.
11.10	 Amend the Glossary in Schedule 2 of Part A of the access arrangement proposal as follows: Delete the definition of Financial Failure of a Retailer event. Delete the definition of New Connection Process event. Amend the definitions of Change in Taxes Event and Relevant Tax. Amend the definition of Insurance Event. Insert new definition of NECF Event. Insert new definition of Mains Replacement Event. Amend the definition of Relevant Pass Through Event. 	RAAP Chapter 8 and Parts A and B	New NECF Event and changes to Change in Taxes Event and Insurance Event accepted subject to minor drafting changes.	Removal of Financial Failure of Retailer Event and new Mains Replacement Event not accepted.
11.11	Replace section 8 of Part B of the access arrangement proposal with the AER's new Procedure for a Relevant Pass Through Event Variation in Reference Tariffs.	RAAP Chapter 8 and Part B		Not accepted – alternative pass through procedure proposed based on NER approach.
	components	1		1
	nts to Part A of the Access Arrangement	1	1	T
12.1	Amend clause 5.3.1 of Part A by deleting all test after "The Terms and Conditions on which the Service Provider will supply each Reference Service are set out in Part C".	RAAP Chapter 9 and Part A	 Accepted, subject to inclusion of wording to clarify t&cs may be amended. 	

Required	Amendment	Location of SPA	Required amendments	Required amendments not
		Response	accepted	accepted
12.18	Amend clause 5.7 of Part A the proposed access arrangement to include the following: There are no applicable capacity trading requirements for the purposes of rules 48(1)(f) or 105(1) of the NGR.	RAAP Chapter 9 and Part A	Accepted.	
12.19	Relabel clause 5.5 of Part A of the proposed access arrangement so that the heading reads 'New connections and modifications'.	RAAP Chapter 9 and Part A	Accepted	
12.20	Replace clause 5.6.1 of Part A of the proposed access arrangement with the AER's new Extensions/Expansions policy.	RAAP Chapter 9 and Part A	Accepted, subject to minor drafting changes.	
12.21	Amend clause 5.9.1 of Part A of the proposed access arrangement as follows: 5.9.1 SP AusNet will submit revisions to this Access Arrangements to the AER on or before 1 January 2017.	RAAP Chapter 9 and Part A		 Not accepted. Alternative wording proposed.
Amendme	ents to Part C of the Access Arrangement	J		
12.2	Amend clause 4.4 by inserting as 4.4(d) the following: "(d) The Service Provider will notify the User as soon as reasonably practicable if the Service Provider becomes aware that the Gas of the type referred to in 4.4(c) is being injected."	RAAP Chapter 9 and Part C	Accepted.	
12.3	 Amend clause 4.7(c) by: deleting the following: "and does not contain any material or have any properties deleterious to the Distribution System or to the operation of the Distribution System"; insert "on its behalf" after the words "after the words 'ensure that Gas injected into the Distribution System". 	RAAP Chapter 9 and Part C	Accepted.	
12.4	Amend clause 6.1(b) by inserting "acting reasonably" before "determine".	RAAP Chapter 9 and Part C	Accepted.	
12.5	Amend clause 7.1(b) by deleting the following: "provided that this clause (b) ceases to apply to a type of Charge and a Customer if due to termination, expiry, rescission or	RAAP Chapter 9 and Part C		 Not accepted. Alternative wording proposed.

Required Amendment		Location of SPA Response	Required amendments accepted	Required amendments not accepted
	amendment of the contract between the Customer and the Service Provider the Customer ceases to be obliged to pay that type of Charge directly to the Service Provider."			
12.6	Amend clause 7.4(g) by inserting after "becomes available" the following: ", but no later than the second invoice after the Metering Data becomes available".	RAAP Chapter 9 and Part C		 Not accepted. Alternative wording proposed.
12.7	Amend clause 7.6 by restoring clause 7.6(d), which states: "(d) The Service Provider must notify the User where it makes a Guaranteed Service Level payment directly to a Customer under the Regulatory Instruments."	RAAP Chapter 9 and Part C	Accepted.	
12.8	Amend clause 9.2 by inserting the following sub-clause (c): "(xx) Where the Service Provider publishes information on a website maintained by or on behalf of the Service Provider under clause 9.2(c), the Service Provider must notify the User of that website's URL."	RAAP Chapter 9 and Part C	Accepted.	
12.9	Amend clause 9.2(d) by inserting "or where agreed to in writing by the Service Provider" after the words "nothing in this clause 9.2(d) renders the User liable for providing information as required under a relevant Regulatory Instrument".	RAAP Chapter 9 and Part C	Accepted.	
12.10	Delete clause 9.4 and replace it with the following: "9.4 Where a Certificate of Compliance reference number is not required, a Start Work Notice number."	RAAP Chapter 9 and Part C	Accepted.	
12.11	Delete clause 9.10(b) and replace it with the following: "Where the Regulator advises the Service Provider that changes to Reference Tariffs have been verified as compliant by the Regulator, the Service Provider must notify the User within two business days of any changes that will occur to Reference Tariffs in accordance with the Reference Tariff Policy."	RAAP Chapter 9 and Part C	 Accepted, subject to proposed additional drafting. 	
12.12	Amend clause 10.3(b) by inserting after "the Service Provider will issue a notice which complies with the requirements of the relevant regulatory instrument" the words ", specifying that it is also a force majeure notice and containing full particulars of the force majeure event."	RAAP Chapter 9 and Part C	Accepted. Proposed alternative suggested.	

Required Amendment		Location of SPA Response	Required amendments accepted	Required amendments not accepted
12.13	Amend clause 11.2(c) by inserting at the end of clause 12.2(c) the words "without notifying the User".	RAAP Chapter 9 and Part C	Accepted. Note change is to 11.2(c).	
12.14	Delete clause 13.5(c).	RAAP Chapter 9		 Not accepted. Alternative wording proposed.
12.15	Replace clause 13.6(a) with the following: "The Service Provider is not liable to any penalty or damages for failing to convey Gas through the Distribution System to the extent that the failure arises out of any accident or cause, where that accident or cause is beyond the Service Provider's control."	RAAP Chapter 9 and Part C	Accepted.	
12.16	Delete clause 19.2 (b).	RAAP Chapter 9 and Part C		Not accepted. Alternative wording proposed.
12.17	Replace clause 19.2(c) with the following: "If during the course of the Agreement, there are any additions or variations to the Reference Service Terms, the parties may agree in writing to amend the Agreement to adopt any of the new or varied Reference Service Terms."	RAAP Chapter 9 and Part C		Not accepted. Alternative wording proposed.