



FINAL APPROVAL ACCESS ARRANGEMENT MID-WEST AND SOUTH-WEST GAS DISTRIBUTION SYSTEMS

Submitted by

AlintaGas Networks Pty Ltd

**INDEPENDENT GAS PIPELINES ACCESS REGULATOR
WESTERN AUSTRALIA**

18 July 2000



FINAL APPROVAL

On 30 June 1999, AlintaGas submitted a proposed Access Arrangement for the Mid-West and South-West Gas Distribution Systems to the Independent Gas Pipelines Access Regulator in Western Australia (the Regulator) for approval under *the National Third Party Access Code for Natural Gas Pipeline Systems* (the Code).

The Mid-West and South-West Gas Distribution Systems comprise gas pipeline networks in the Perth metropolitan area and in the country centres of Bunbury, Busselton, Eneabba, Geraldton and Harvey. In 1997/98 these networks supplied gas to almost 400,000 customers, of which 392,059 were residential, 7,263 were business and 259 were contract customers.

The Regulator assessed the proposed Access Arrangement against the requirements and principles of the *Gas Pipelines Access (WA) Law* which incorporates the Code as set out in the *Gas Pipelines Access (WA) Act 1998* (the Act) and released a Final Decision on 30 June 2000.

The Final Decision of the Regulator was to not approve the proposed Access Arrangement in its current form. The Regulator required AlintaGas to re-submit the Access Arrangement by 14 July 2000, incorporating the 44 amendments specified in the Final Decision.

AlintaGas re-submitted a revised Access Arrangement and Access Arrangement Information on 13 July 2000. The revised Access Arrangement was re-submitted by a subsidiary company of AlintaGas: AlintaGas Networks Pty Ltd [ACN 089 531 975]. For the purposes of this document, AlintaGas Networks Pty Ltd is referred to as AlintaGas.

The Regulator examined the revisions and is satisfied that the revised Access Arrangement incorporates the amendments specified in the Final Decision. In accordance with the requirements of section 2.19 of the Code, the Regulator therefore approves the revised Access Arrangement.

The revisions to the Access Arrangement made by AlintaGas in response to the Regulator's Final Decision are described below.

The Regulator notes that the Access Arrangement refers to particular provisions of the Code on various occasions. The term "Code" is defined in subclause 68(1) of the Access Arrangement to mean "the National Third Party Access Code for Natural Gas Pipeline Systems applying as a law of Western Australia by virtue of section 9 of the Act as in force at the submission date". The Regulator has examined this definition and related definitions (including the definition in the Code of "Act" and, in the Act, of "Gas Pipelines Access Law"). Submissions received during the public consultation process did not address this definition. To avoid doubt, the Regulator's view is that the effect of the definition is that the Code as amended from time to time will apply to the Access Arrangement. This interpretation reflects the natural construction and meaning of the definition used in the Access Arrangement, and is consistent with the definition of "Code" used in the Code itself, with the definition of "Gas Pipelines Access Law" and with similar definitions used in Access Arrangements approved by the relevant regulators in other States. It is on the basis of this understanding that the Regulator has given his approval to this Access Arrangement.

Clause 63 of the Access Arrangement provides for the Access Arrangement to have effect from the date specified by the Regulator. Accordingly, the Regulator announces that the Access Arrangement has effect from the date of this approval.

AlintaGas is required to make the Access Arrangement and Access Arrangement Information available to any bona fide Prospective User as part of an Information Package in accordance with the requirements of sections 5.1 to 5.3 of the Code. AlintaGas is also required to provide a copy of the Information Package to a Prospective User within 14 days of that Prospective User requesting a copy and paying any applicable fee.

KEN MICHAEL
GAS ACCESS REGULATOR

18 July 2000

REVISIONS TO THE ACCESS ARRANGEMENT

NON-TARIFF MATTERS

Sections 3.1 to 3.20 of the Code require that an Access Arrangement address the following non-tariff matters.

- A *Services Policy*, describing services to be offered, including Reference Services (section 3.1).
- *General Terms and Conditions* for the provision of Reference Services (section 3.6).
- A *Capacity Management Policy*, indicating whether the covered pipeline is to be administered as a Contract Carriage Pipeline or a Market Carriage Pipeline (section 3.7).
- A *Trading Policy*, addressing the transfer of contracted capacity between Users (section 3.9).
- A *Queuing Policy*, defining the priority that Prospective Users have to negotiate for specific capacity (section 3.12).
- An *Extensions/Expansions Policy*, setting out a method for determining whether an extension or expansion to the covered pipeline is or is not to be treated as part of the covered pipeline for the purposes of the Code (section 3.16).
- A *Review Date*, indicating a date on or by which revisions to the Access Arrangement must be submitted and a date on which the revised Access Arrangement is intended to commence (section 3.17).

The amendments required by the Final Decision and the revisions made to the Access Arrangement and Access Arrangement Information are described below.

Services Policy

Amendment 1

Clause 1 of schedule 6 of the Access Arrangement should be amended so that a Haulage Contract for Reference Service B2 or Reference Service B3 can have a duration of more than one year and is not constrained to a duration of exactly one year, as proposed by AlintaGas.

AlintaGas has revised clause 1 of schedule 6 of the Access Arrangement to read:

1. *A Haulage Contract for Reference Service B2 or Reference Service B3 has a duration of 1 year or more.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 1 of the Final Decision.

Amendment 2

Clause 1 of schedule 4 of the Access Arrangement and clause 1 of schedule 5 of the Access Arrangement should be amended to provide for minimum contract durations of one year for Reference Services A and B1, respectively, and to remove any upper limit on contract durations.

AlintaGas has revised clause 1 of schedule 4 of the Access Arrangement to read:

1. *A Haulage Contract for Reference Service A will be of a duration of 1 year or more.*

AlintaGas has revised clause 1 of schedule 5 of the Access Arrangement to read:

1. *A Haulage Contract for Reference Service B1 will be of a duration of 1 year or more.*

The Regulator is satisfied that these revisions meet the requirements set out in Amendment 2 of the Final Decision.

Amendment 3

Clause 20 of Chapter 2 of the Access Arrangement should be amended to indicate that gas entering and being transported through the AlintaGas network must, for each component of the following gas quality specifications, comply with the most stringent component of the following:

(a) the gas quality standards detailed in regulation 5 of the Gas Standards (Gas Supply and System Safety) Regulations 2000, including the requirement to odourise the gas detailed in regulation 6; and

(b) the specification detailed as follows:

Maximum carbon dioxide (mole%)	4.0
Maximum inert gases (mole%)	7.0
Minimum higher heating value (MJ/m ³)	35.1
Maximum higher heating value (MJ/m ³)	42.3
Minimum Wobbe Index (MJ/m ³)	46.0
Maximum Wobbe Index (MJ/m ³)	51.5
Maximum total sulphur including odorant (mg/m ³)	20
Maximum hydrogen sulphide (mg/m ³)	4.6
Maximum oxygen (mole%)	0.2
Maximum water (mg/m ³)	100
Hydrocarbon dewpoint over the pressure range 2.5 to 8.72 MPa absolute (°C)	Shall not exceed an agreed minimum delivery temperature between 0 to +10°C
Maximum radioactive components (Bq/m ³)	600

AlintaGas has revised clause 20 of Chapter 2 of the Access Arrangement to read:

20. (1) *It is a term of every service agreement that gas entering and being transported through the AlintaGas GDS must at all times comply with, for each component of the following gas quality specifications, the most stringent component of the following:*

- (a) *the standards detailed in regulation 5 of the Gas Standards (Gas Supply and System Safety) Regulations 2000, including the requirement to odourise the gas detailed in regulation 6; and*
- (b) *the broadest specification requirements detailed in the table below:*

Component	Unit of Measurement	Specification
Maximum carbon dioxide	mol %	4.0
Maximum inert gases	mol %	7.0
Minimum higher heating value	MJ/m ³	35.1
Maximum higher heating value	MJ/m ³	42.3
Minimum Wobbe Index	MJ/m ³	46.0
Maximum Wobbe Index	MJ/m ³	51.5
Maximum total sulphur (including odorant)	mg/m ³	20
Maximum Hydrogen Sulphide	mg/m ³	4.6
Maximum Oxygen	mol %	0.2
Maximum Water	mg/m ³	100
Hydrocarbon dewpoint over the pressure range 2.5 to 8.72 MPa absolute	°C	<i>Below the minimum receipt temperature applying under subclause 20(2) for the receipt point.</i>
Maximum radioactive components	Bq/m ³	600

- (2) *An application for an Interconnection Contract must specify a minimum receipt temperature between 0 °C and 10 °C for each receipt point to which the Interconnection Contract will apply, and if the parties enter into the Interconnection Contract the specified minimum receipt temperature has effect for a receipt point as a term of the Interconnection Contract.*
- (3) *In this clause, “minimum receipt temperature” means the minimum temperature at which gas may enter the AlintaGas GDS at a receipt point under an Interconnection Contract.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 3 of the Final Decision.

Amendment 4

Clause 19(1)(d) of Chapter 2 of the Access Arrangement should be amended to include a statement indicating that the minimum prudential and insurance requirements are to be reasonable.

AlintaGas has revised clause 19(1)(d) of Chapter 2 of the Access Arrangement to read:

- 19 (1) *AlintaGas will only enter into a service agreement (including a Haulage Contract) if:*

...

- (d) *the prospective user satisfies AlintaGas's reasonable minimum prudential and insurance requirements.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 4 of the Final Decision.

Amendment 5

Clause 19(1)(b) of Chapter 2 of the Access Arrangement should be amended to state that AlintaGas will only enter into a service agreement if it would not deprive any person of a contractual right that existed prior to 30 June 1999, other than an exclusivity right which arose on or after 30 March 1995.

AlintaGas has revised clause 19(1)(b) of Chapter 2 of the Access Arrangement to read:

- 19 (1) *AlintaGas will only enter into a service agreement (including a Haulage Contract) if:*

...

- (b) *doing so would not deprive any person of a contractual right that existed prior to 30 June 1999, other than an exclusivity right which arose on or after 30 March 1995;*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 5 of the Final Decision.

Terms and Conditions

Amendment 6

Clause 47(2) of schedule 7 of the Access Arrangement should be amended to ensure that AlintaGas will make good, or pay compensation in respect of, damage caused by unreasonable acts of AlintaGas in the course of installing gas delivery facilities.

AlintaGas has revised clause 47 of schedule 7 of the Access Arrangement to read:

47. (1) *Except as provided in this clause, AlintaGas will not be liable to pay compensation for or in respect of, or make good any damage done to the land or premises of the user or the user's gas customer by AlintaGas, its officers, servants, or agents in the reasonable course of installing the user specific delivery facilities or the standard delivery facilities whether that damage is of a temporary character or a permanent character.*
- (2) *If, in the course of installing user specific delivery facilities or standard delivery facilities, AlintaGas opens or breaks up any sealed or paved surface, or damages or disturbs any lawn, landscaping or other improvement, then*

AlintaGas will if necessary fill in any ground to restore it to approximately its previous level.

- (3) *AlintaGas will be liable to reinstate or make good, or pay compensation in respect of, any sealed or paved surface opened or broken up, or any lawn, landscaping or other improvement damaged or disturbed, in the course of installing the user specific delivery facilities or the standard delivery facilities to the land or premises of the user or the user's gas customer, if and to the extent that AlintaGas fails to act reasonably having regard to the safe and efficient operation of the AlintaGas GDS and prudent pipeline practices generally accepted in the natural gas haulage industry.*
- (4) *If the user is required to compensate the user's gas customer for any damage done in circumstances where AlintaGas would be liable in respect of such damage under subclause 47(3) of this Schedule, then AlintaGas will indemnify the user to the extent of the lesser of:*
 - (a) *the value of the compensation the user's gas customer receives from the user; and*
 - (b) *the value of compensation which would be payable by AlintaGas to the user under subclause 47(3) of this Schedule, if the damage had been suffered wholly by the user instead of the user's gas customer.*
- (5) *Except to the extent that AlintaGas is liable to the user or the user's gas customer under subclause 47(3) of this Schedule, the user will indemnify AlintaGas against all claims brought by the user or the user's gas customer in respect of any damage done to the land or premises of the user or the user's gas customer by AlintaGas, its officers, servants, or agents in the reasonable course of installing the user specific delivery facilities or the standard delivery facilities whether that damage is of a temporary character or a permanent character.*
- (6) *An obligation to indemnify which arises under subclauses 47(4) or 47(5) of this Schedule will be discharged by payment in full by the indemnifying party to the indemnified party (or to such person as the indemnified party nominates) within 30 days after the date the indemnified party provides written notice to the indemnifying party setting out adequately detailed grounds for, and specifying the full quantum of, the claim for indemnification.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 6 of the Final Decision.

Amendment 7

Division 12 of schedule 7 of the Access Arrangement, which relates to interpretation, should be amended to insert a definition of confidential information that is applicable to clause 52, relating to confidentiality, in order to provide greater certainty as to the meaning of confidential information for the purposes of this clause.

AlintaGas has revised clause 54 of schedule 7 of the Access Arrangement to include a definition of confidential information, as follows:

54 *In this Schedule:*

“confidential information” means:

- (a) *the contents of a Haulage Contract; and*
- (b) *any information provided to the receiving party by the disclosing party during the course of negotiations for, or during the duration of, a Haulage Contract, which:*
 - (i) *relates specifically to the affairs of a person; and*
 - (ii) *is claimed by the disclosing party to be confidential,**where the disclosure of that information would or might seriously and prejudicially affect the interests of the person,*

but excludes information which AlintaGas reasonably determines as a prudent network operator is the minimum information necessary to disclose to an operator of an interconnected pipeline for operational reasons relating to the interconnection of that interconnected pipeline with the AlintaGas GDS;

The Regulator is satisfied that this revision meets the requirements set out in Amendment 7 of the Final Decision.

Amendment 8

Clause 52(2)(e) of schedule 7 of the Access Arrangement should be amended to ensure that information of a confidential nature would only be disclosed in the course of any restructuring or sale of AlintaGas if it is the reasonable opinion of the disclosing party that the information is required to be disclosed.

AlintaGas has revised clause 52 of schedule 7 of the Access Arrangement to read:

52 (1) *A party must not disclose confidential information except:*

- (a) *with the prior written consent of the other party;*
- (b) *if the information is obtainable with reasonable diligence from sources other than the parties, or which enters the public domain other than by breach of this clause;*
- (c) *when required under any law;*
- (d) *to any consultant or adviser to the party or, subject to section 4 of the Code, to any “Associate” as defined in section 10.8 of the Code;*

- (e) *when, in the reasonable opinion of AlintaGas, the information is required to be disclosed in the course of any restructuring or sale of AlintaGas contemplated in clause 36 of this Schedule; or*
- (f) *when, in the reasonable opinion of the disclosing party, the information is required to be disclosed to any present or prospective lender to or financier of a party.*
- (2) *In the case of a permitted disclosure under subclause 52(1) of this Schedule, the disclosing party must use reasonable endeavours to make disclosure on terms which preserve as far as practicable the confidentiality of the information.*
- (3) *In the case of a disclosure to which paragraph 52(1)(c) of this Schedule applies, the disclosing party must use reasonable endeavours to:*
 - (a) *give advance notice to the other party of the impending disclosure;*
 - (b) *oppose or restrict such disclosure, or make such disclosure on terms which preserve as far as practicable the confidentiality of the information; and*
 - (c) *take such steps as will permit the other party to have a reasonable opportunity to oppose or restrict such disclosure by lawful means.*
- (4) *The definition of “Confidential Information” in section 10.8 of the Code does not apply to this clause.*

{Note: Information to which this clause relates may also come within the definition of “Confidential Information” in section 10.8 of the Code.}

The Regulator is satisfied that the revisions meet the requirements set out in Amendment 8 of the Final Decision.

Amendment 9

Schedules 4 and 5 of the Access Arrangement should be amended to require AlintaGas to verify the accuracy of meters at a minimum frequency that is in accordance with good industry practice and applicable laws.

AlintaGas has revised clause 3 of schedule 4 and clause 3 of schedule 5 of the Access Arrangement to read:

3. (1) *AlintaGas will verify the accuracy of the meter forming part of any user specific delivery facilities with the frequency required by good industry practice and applicable laws.*
- (2) *The Haulage Contract may detail the procedures by which, and terms and conditions on which the verification set out under subclause 3(1) is to be carried out.*

The Regulator is satisfied that the revisions meet the requirements set out in Amendment 9 of the Final Decision.

Amendment 10

Clause 7(a) of schedule 7 of the Access Arrangement should be amended to ensure that, if AlintaGas requires a User to provide security for the performance of its obligations under a Haulage Contract, the security must be the minimum amount necessary to protect AlintaGas's legitimate business interests.

AlintaGas has revised clause 7(a) of schedule 7 of the Access Arrangement to read:

7. *AlintaGas may from time to time require a user to:*

- (a) *provide security for the performance of its obligations under a Haulage Contract which security may only be of such type and such extent as is the minimum amount necessary to protect AlintaGas's legitimate business interests;*

The Regulator is satisfied that the revisions meet the requirements set out in Amendment 10 of the Final Decision.

Amendment 11

Division 12 of schedule 7 of the Access Arrangement should be amended to ensure that the general provision that "... in the event or circumstance not within a party's control and which the party, by applying the standard of a reasonable and prudent person, is not able to prevent or overcome ..." clearly applies to each of the specific events listed as force majeure events.

AlintaGas has revised the definition of force majeure in clause 54 of schedule 7 of the Access Arrangement to read:

54 *In this Schedule:*

...

"force majeure" means any event or circumstance not within a party's control and which the party, by applying the standard of a reasonable and prudent person, is not able to prevent or overcome, including each of the following events or circumstances (provided they are not within a party's control and the party, by applying the standard of a reasonable and prudent person, is not able to prevent or overcome them):

- (a) *acts of God, epidemics, landslides, lightning, earthquake, fires, storms, floods, wash-outs and cyclones;*
- (b) *strikes, lockouts, stoppages, restraints of labour and other industrial disturbances;*
- (c) *acts of the enemy, wars, blockades or insurrections;*

- (d) *riots and civil disturbances;*
- (e) *valid laws;*
- (f) *shortage of necessary equipment, materials or labour;*
- (g) *refusal or delay in obtaining any necessary consent or approval from any Commonwealth or local government or any Commonwealth or State statutory authority (including, whether or not the party claiming the benefit of force majeure is the user, AlintaGas);*
- (h) *unavoidable accidents involving, or breakdown of or loss or damage to, any plant, equipment, materials or facilities necessary for the parties' operations;*
- (i) *any pipeline shutdown, curtailment or interruption which is validly required or directed under any law;*
- (j) *any pipeline shutdown, curtailment or interruption required to conform with design or regulatory limits on pipeline facilities, whether arising due to environmental conditions or circumstances or otherwise;*
- (k) *pipeline ruptures; and*
- (l) *collisions or accidents;*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 11 of the Final Decision.

Amendment 12

The Access Arrangement should be amended to provide for the waiving of fixed charges of a Reference Tariff for any period in which provision of a Reference Service is interrupted or reduced by a failure of AlintaGas to carry out any of its obligations under a Haulage Contract for reasons of force majeure.

AlintaGas has revised the Access Arrangement by amending clause 28 of schedule 7 to read:

28. ...

- (2) *Subject to subclause 28(3) of this Schedule, the occurrence of force majeure does not relieve the user of the obligation to pay any charge or charges which are specified by the Code, the Access Arrangement or the Haulage Contract to be payable despite the operation on the user of force majeure.*
- (3) *To the extent that AlintaGas fails to provide the haulage service and claims the benefit of force majeure in respect of that failure, the user is excused from the obligation to pay the reference tariffs (including any standing charge or demand charge).*

...

The Regulator is satisfied that this revision meets the requirements set out in Amendment 12 of the Final Decision.

Amendment 13

Clause 18 of schedule 7 of the Access Arrangement should be amended so that interest is accrued on underpayments or overpayments after a reasonable period has been given for a party to rectify the underpayment or overpayment, rather than from the actual date of underpayment or overpayment.

AlintaGas has revised the Access Arrangement by amending clause 18 of schedule 7 to read:

- 18 (1) *If a party detects any underpayment or overpayment by a party of any amount, the detecting party must give written notice to the other party of the underpayment or overpayment, and an adjusting payment is to be made by the appropriate party within 10 business days after receiving that written notice.*
- (2) *If a party fails to make an adjusting payment in accordance with subclause 18(1) of this Schedule then, without prejudice to the parties' other rights, the party required to make the adjusting payment must pay interest on any unpaid amount, calculated daily at the prescribed interest rate, from 10 business days after receiving the written notice until payment.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 13 of the Final Decision.

Amendment 14

Clause 35(d) of schedule 7 of the Access Arrangement should be amended to ensure that a party cannot be declared in default under the Haulage Contract unless there is an adverse change in the business or financial condition of that party or an event occurs which could, in the reasonable opinion of the other party, materially affect the other party's ability to meet its obligations under the Haulage Contract.

AlintaGas has revised the Access Arrangement by amending clause 35(d) of schedule 7 to read:

- 35 *A party is in default under the Haulage Contract, in any one or more of the following circumstances:*
- ...
- (d) *if there is any adverse change in the business or financial condition of the party or an event occurs which could, in the reasonable opinion of the other party, materially affect the party's ability to meet its obligations to the other party under the Haulage Contract;*
- ...

The Regulator is satisfied that this revision meets the requirements set out in Amendment 14 of the Final Decision.

Amendment 15

Clause 38 of schedule 7 of the Access Arrangement should be amended to ensure that a party has at least 5 business days to remedy a payment default and 15 business days to remedy any other default, once it has received written notice from the other party, before the other party can terminate a Haulage Contract.

AlintaGas has revised the Access Arrangement by amending clause 38(a) of schedule 7 to read:

38 *A party cannot terminate a Haulage Contract under clause 40 of this Schedule:*

- (a) *for a default under paragraph 35(a) of this Schedule unless it is given a written notice under clause 37 of this Schedule of that default, and the default has not been remedied within 5 business days after the other party receives that written notice; and*
- (b) *for any other default under clause 35 of this Schedule, unless it is given a written notice under clause 37 of this Schedule of that default, and the default has not been remedied within 15 business days after the other party receives that written notice.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 15 of the Final Decision.

Capacity Management Policy

AlintaGas proposes to manage the Mid-West and South-West Gas Distribution Systems as a Contract Carriage Pipeline. This proposal is considered to meet the requirements of the Code and no amendments were required to the Access Arrangement in respect of the Capacity Management Policy.

Trading Policy

Amendment 16

Clause 43(3) of Chapter 5 of the Access Arrangement should be amended to remove the requirement that a transferee must notify AlintaGas at least three business days prior to the utilisation of capacity under a Bare Transfer.

AlintaGas has revised the Access Arrangement by amending clause 43(3) of Chapter 5 of the Access Arrangement to read:

43. (3) *As soon as practicable after a transfer or assignment under subclause 43(1), and in any event before utilising the transferred or assigned contracted peak rate, the transferee or assignee must notify AlintaGas of:*
- (a) *identities of the user which made the transfer or assignment and the transferee or assignee;*
 - (b) *the nature of the contracted peak rate which was transferred or assigned, including the amount of contracted peak rate transferred or*

assigned and the location of the relevant receipt point and delivery point; and

- (c) *the period to which the transfer or assignment relates.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 16 of the Final Decision.

Queuing Policy

Amendment 17

Clause 53 of the Access Arrangement should be amended to require AlintaGas to provide revised information to a Prospective User when there is a change in the expected timing of the requested capacity becoming available.

AlintaGas has revised the Access Arrangement by amending clause 56 of Chapter 6 of the Access Arrangement (originally clause 53) to read:

56. (1) *If:*

- (a) *a prospective user has an application in the first come first served queue; and*
- (b) *AlintaGas has notice of a change (which change may reasonably be considered material in the context of the user and its application) in when the capacity sought in the application may be available, from the timing last notified to the prospective user,*

AlintaGas must notify the prospective user of the changed timing as soon as practicable after AlintaGas knows or ought to have known of the change.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 17 of the Final Decision.

Amendment 18

Chapter 6 of the Access Arrangement should be amended to describe how an application at the head of the queue is transformed into a service agreement when the spare or developable capacity sought becomes available, and how and when AlintaGas will inform the applicant.

AlintaGas has inserted a new clause 52 into the Access Arrangement which reads:

52. (1) *The Applications Procedure will specify details and timing for the procedure outlined in this clause.*

{Note: The Applications Procedure is part of the Information Package described in section 5.1 of the Code, and is thus subject to the Regulator's scrutiny and revision under section 5.2 of the Code.}

- (2) *If AlintaGas determines under this Access Arrangement and the Code to enter into a service agreement with a prospective user in response to an application, AlintaGas will make an access offer to the prospective user within the time specified in the Applications Procedure.*

{Note: The “access offer” is presently intended to be a form of service agreement executed by AlintaGas, which is in such a form that it can, without anything else being required, become a service agreement when executed by the prospective user.}

{Note: Clause 19 identifies pre-conditions to AlintaGas entering into a service agreement.}

- (3) *An access offer must be for the same contracted peak rate as is requested in the application (as amended, if applicable, by agreement under clause 54), and a purported access offer which does not comply with this subclause is not an access offer, and is to be treated as an invitation by AlintaGas to negotiate under clause 54 to amend the application (which invitation, to avoid doubt, the prospective user may reject).*

{Note: Rejecting the invitation has no effect on the prospective user’s application’s priority.}

- (4) *Despite the giving of an access offer by AlintaGas to the prospective user, AlintaGas and the prospective user will not be taken to have entered into a service agreement until a written agreement has been duly executed between the parties.*

{Note: If the access offer is made in the form currently intended, this will be achieved by the prospective user executing the form of contract that is provided by AlintaGas as the access offer.}

- (5) *The prospective user must within the time specified in the Applications Procedure after receipt of an access offer, either:*
- (a) execute a service agreement; or*
 - (b) request amendments to its application; or*
 - (c) reject the access offer,*

and if after the expiry of the specified time the prospective user has not executed the access offer, requested amendments to its application, or rejected the access offer, the prospective user is taken to have rejected the access offer.

- (6) *If the prospective user rejects or is deemed to have rejected an access offer, the prospective user is taken to have withdrawn its application.*
- (7) *If the prospective user requests amendments to its application under paragraph 52(5)(b), then unless the parties enter into a service agreement or notify a dispute under section 6.1 of the Code in response to the application before 17:00 hours on the day 2 months after the date of that request, the application is from that day to be taken to have priority under subclause 49(3)*

from the time of the request, rather than from the time the application was actually received by AlintaGas.

- (8) *Unless the parties enter into a service agreement or notify a dispute under section 6.1 of the Code in response to the application before 17:00 hours on the day 6 months after an access offer is made, the access offer is taken to be rejected.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 18 of the Final Decision.

Amendment 19

Chapter 6 of the Access Arrangement should be amended to describe what will happen to an application if the spare or developable capacity is not accepted by the applicant at the head of the queue.

AlintaGas has addressed Amendment 19 through new clauses 52 and 53 of the Access Arrangement, relevant parts of which reads:

52. ...

- (3) *An access offer must be for the same contracted peak rate as is requested in the application (as amended, if applicable, by agreement under clause 54), and a purported access offer which does not comply with this subclause is not an access offer, and is to be treated as an invitation by AlintaGas to negotiate under clause 54 to amend the application (which invitation, to avoid doubt, the prospective user may reject).*

{Note: Rejecting the invitation has no effect on the prospective user's application's priority.}

...

- (6) *If the prospective user rejects or is deemed to have rejected an access offer, the prospective user is taken to have withdrawn its application.*

...

53. (1) *An application which is withdrawn or deemed by this Access Arrangement or the Applications Procedure to have been withdrawn loses its priority under subclause 49(3).*

- (2) *Without limiting subclause 53(1), a prospective user may resubmit in accordance with the Application Procedure an application withdrawn or deemed by this Access Arrangement or the Applications Procedure to have been withdrawn, in which case the resubmitted application has priority under subclause 49(3) from the time of resubmission.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 19 of the Final Decision.

Amendment 20

Chapter 6 of the Access Arrangement should be amended to describe what would happen to a Prospective User's priority where another Prospective User with an application in the first come first served queue seeks to reduce the capacity requested in its application.

AlintaGas has inserted a new clause 54(2) into the Access Arrangement which reads:

54. (2) *If, at any time before entering into a service agreement, a prospective user requests a decrease in the contracted peak rate at a delivery point below the contracted peak rate (if any) specified in its application for that delivery point, then the application's priority is not affected.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 20 of the Final Decision.

Amendment 21

Chapter 6 of the Access Arrangement should be amended to clarify that an incumbent User, with an existing Haulage Contract that has an option to extend the contract, has priority over an application in the queue for the same capacity when the existing service agreement expires, if the User wishes to extend the duration of the Haulage Contract.

AlintaGas has inserted a new clause 51 into the Access Arrangement which reads:

51. *An option granted to a user as part of the terms and conditions of a service agreement to extend the duration of the service agreement is not an application and is not subject to clause 49.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 21 of the Final Decision.

Amendment 22

Clause 49(1)(a) of Chapter 6 of the Access Arrangement should be amended to state that the Queuing Policy will operate on a first come first served principle, unless it is necessary to depart from this principle in order to accommodate, to the extent reasonably possible, the legitimate business interests of the Service Provider and of Users and Prospective Users (section 3.13(b) of the Code) and generate, to the extent reasonably possible, economically efficient outcomes (section 3.13(c) of the Code).

AlintaGas has amended clause 49(1) of the Access Arrangement to read:

49. (1) *A prospective user's priority in respect of an application is to be determined on a first come first served basis, except where:*
- (a) *it is necessary or appropriate to depart from the first come first served principle:*

- (i) *in order to accommodate, to the extent reasonably possible, the legitimate business interests of one or more of AlintaGas, users and prospective users; or*
 - (ii) *in order to generate, to the extent reasonably possible, economically efficient outcomes;*
- or*
- (b) *in AlintaGas's reasonable opinion and without limiting the generality of paragraph 49(1)(a), a prospective user's application is vexatious.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 22 of the Final Decision.

Extensions/Expansions Policy

Amendment 23

Clause 58 of the Access Arrangement should be amended to exclude the levying of surcharges in respect of costs associated with providing "standard delivery facilities", as that term is defined in clause 64(1) of the Access Arrangement.

AlintaGas has amended clause 61(2) of the Access Arrangement (originally clause 58(2)) and inserted a new clause 61(3) to read:

61. ...

- (2) *Subject to subclause 61(3), AlintaGas may from time to time impose surcharges or seek capital contributions in respect of new facilities investment, where permitted by and subject to the provisions of the Code.*
- (3) *Where AlintaGas is obliged under a distribution licence granted under the Energy Coordination Act 1994 to connect a premises to the AlintaGas GDS ("obligation to connect") AlintaGas will not impose surcharges or seek capital contributions in respect of standard delivery facilities used to provide either Reference Service B2 or Reference Service B3 to the extent that it is required to bear costs under the obligation to connect.*

...

The Regulator is satisfied that this revision meets the requirements set out in Amendment 23 of the Final Decision.

Review Date

Amendment 24

Clause 60 of the Access Arrangement should be amended to provide for a revisions submission date of 31 March 2004.

AlintaGas has amended clause 63 of the Access Arrangement (originally clause 60) to read:

63. *AlintaGas will submit revisions to this Access Arrangement to the Regulator on or before 31 March 2004.*

The Regulator is satisfied that this revision meets the requirements set out in Amendment 24 of the Final Decision.

Amendment 25

Chapter 8 of the Access Arrangement (Review Date) should be amended to specify that AlintaGas will submit revisions of the Access Arrangement to the Regulator:

- by 31 March in any year of the Access Arrangement Period if the quantity of gas delivered into the distribution systems in the preceding calendar year, corrected for forecast losses of unaccounted for gas, exceeded the forecast delivered volume for that year by 25 percent or more;
- within three months of the day on which a change in regulation that arises from a change in law takes effect, or the day on which it becomes sufficiently certain that the change will take effect, whichever is earlier, that has the effect of reducing the costs that AlintaGas is required to pay, or is likely to be required to pay, in the subsequent calendar year of the Access Arrangement Period in relation to its supply of one or more services by an amount of 2.5 percent or more of the Total Revenue for that calendar year; and
- within three months of a change in taxation that arises from a change in law takes effect, or the day on which it becomes sufficiently certain that the change will take effect, whichever is earlier, that has the effect of reducing the costs that AlintaGas is required to pay, or is likely to be required to pay, in the subsequent calendar year of the Access Arrangement Period in relation to its supply of one or more services by an amount of 2.5 percent or more of the Total Revenue for that calendar year.

For the purposes of the trigger events relating to regulatory or taxation changes, the time at which it is sufficiently certain that a change will take effect is the time the change receives royal assent or otherwise has the force of law.

AlintaGas has inserted a new clause 65 into the Access Arrangement that reads:

65. (1) *Schedule 3 applies to determine:*
- (a) *if a trigger event occurs; and*
 - (b) *if so, the date on which the trigger event occurs.*
- (2) *If a trigger event occurs under Schedule 3 prior to 31 March 2004, then AlintaGas must submit revisions to the Access Arrangement by no later than the day 3 months after the trigger event occurs.*

Schedule 3 of the Access Arrangement has been amended to specify the trigger events and the date on which the trigger events are deemed to occur.

The Regulator is satisfied that these revisions meet the requirements set out in Amendment 25 of the Final Decision.

Other Matters Included in the Access Arrangement

Amendment 26

Clause 63(2) of Chapter 9 of the Access Arrangement should be amended to ensure that the additional information that AlintaGas may require from a User in respect of designated suppliers of gas to the network should be reasonable and consistent with the information that a prudent operator of the network would require. The Access Arrangement should also provide examples of the type of additional information that AlintaGas may require.

AlintaGas has amended clause 67(2) of the Access Arrangement (originally clause 63(2)) to read:

67. ...

- (2) *A written notice under subclause 67(1)(a) or 67(1)(b) must contain such information as AlintaGas (acting as a prudent gas distribution network operator) may reasonably from time to time require.*

{Example: AlintaGas may require: contact details for the designated supplier; confirmation that the user's arrangements with the designated supplier are compatible with this Access Arrangement and the haulage contract (for example clauses 8 and 14 of Schedule 7); information regarding the circumstances (if any) in which the designated supplier may refuse to supply gas to the user; and other operational information.}

The Regulator is satisfied that this revision meets the requirements set out in Amendment 26 of the Final Decision.

REFERENCE TARIFFS

The Code requires that an Access Arrangement 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.

The principles used to determine Reference Tariffs are to be stated as a Reference Tariff Policy. Both the Reference Tariff Policy and the Reference Tariffs should be designed with a view to achieving the objectives set out in section 8.1 of the Code:

- (a) providing the Service Provider with the opportunity to earn a stream of revenue that recovers the efficient costs of delivering the Reference Service over the expected life of the assets used in delivering that Service;
- (b) replicating the outcome of a competitive market;

- (c) ensuring the safe and reliable operation of the pipeline;
- (d) not distorting investment decisions in pipeline transportation systems or in upstream and downstream industries;
- (e) efficiency in the level and structure of the Reference Tariff; and
- (f) providing an incentive to the Service Provider to reduce costs and to develop the market for Reference Services and other services.

To the extent that any of these objectives conflict in their application to a particular Reference Tariff determination, the Relevant Regulator may determine the manner in which they can best be reconciled or which of them should prevail.

AlintaGas has proposed Reference Tariffs for the four Reference Services (Reference Services A, B1, B2 and B3). In accordance with the principles established by the Code, AlintaGas used a price path methodology for the determination of Reference Tariffs. With this approach, Reference Tariffs are determined in advance for the Access Arrangement Period. The Reference Tariffs follow paths that are forecast to deliver a revenue stream sufficient to cover projected costs of providing the services.

The Code provides a general procedure for the application of the price path methodology to the determination of Reference Tariffs. The steps in this general procedure are:

- estimation of an Initial Capital Base;
- estimation of Capital Expenditure;
- estimation of Non-Capital Costs;
- estimation of an appropriate Rate of Return;
- specification of a Depreciation Schedule;
- determination of Total Revenue;
- allocation of Total Revenue across services;
- determination of Reference Tariffs; and
- specification of Incentive Mechanisms.

The Regulator considered the Reference Tariffs proposed by AlintaGas in light of each of these steps. The Regulator's required amendments to the Access Arrangement in respect of each of these steps, and the revisions made by AlintaGas to the Access Arrangement and Access Arrangement Information are described below.

Initial Capital Base

Amendment 27

The Access Arrangement and Access Arrangement Information should be amended to reflect an Initial Capital Base of \$535.9 million as at 31 December 1999 with a breakdown as follows:

Asset Class	Asset Value at 31 December 1999
High pressure mains	\$149.1 million
Medium pressure mains	\$177.0 million
Medium low pressure mains	\$96.2 million
Low pressure mains	\$27.8 million
Meters	\$52.8 million
Regulators	\$9.7 million
Gate Stations	\$2.0 million
Buildings	\$1.7 million
Equipment and vehicles (SCADA) & telemetry systems	\$15.1 million
Land	\$4.5 million
Total	\$535.9 million

AlintaGas has amended clause 28 of the Access Arrangement and the Access Arrangement Information to indicate an Initial Capital Base at 31 December 1999 of \$535.9 million, excluding the value of User-specific delivery facilities. A further \$12.7 million of capital asset value (in meters and service pipes) is to be recovered through charges for user specific delivery facilities, from Users requiring Reference Service A or Reference Service B1. The breakdown of the Initial Capital Base is commensurate with the breakdown as set out in Amendment 27.

The Regulator is satisfied that the revisions of the Access Arrangement and Access Arrangement Information meet the requirements set out in Amendment 27 of the Final Decision.

Capital Expenditure

Amendment 28

The Access Arrangement and Access Arrangement Information should be amended to reflect Capital Expenditure of \$96.6 million over the Access Arrangement Period, as follows:

	2000	2001	2002	2003	2004	Total
High pressure mains	3.8	3.5	3.0	2.6	2.0	14.9
Medium/low pressure mains						
Capacity reinforcement	0.3	0.1	0.2	0.2	0.1	0.9
Infill	0.5	0.2	0.0	0.0	0.0	0.8
Re-laying program	2.2	2.5	1.1	0.0	0.0	5.9
Mains extensions	3.5	3.7	4.0	4.1	4.2	19.5
Meters and service pipes	8.2	7.8	7.8	7.6	7.5	38.9
Telemetry and monitoring systems	0.1	0.1	0.1	0.3	0.1	0.7
Equipment and vehicles						
Information systems	3.8	1.4	0.5	1.6	0.6	7.9
Vehicles, plant and equipment	3.0	1.1	0.8	1.2	0.7	6.8
Buildings	0.1	0.1	0.1	0.1	0.1	0.5
Total	25.5	20.5	17.7	17.7	15.3	96.6

AlintaGas has amended the Access Arrangement Information to indicate forecast Capital Expenditure as set out in Amendment 28.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 28 of the Final Decision.

Non-Capital Costs

Amendment 29

The Access Arrangement and Access Arrangement Information should be amended to reflect Non-Capital Costs of \$183.1 million over the Access Arrangement Period, as follows (in nominal \$million).

	2000	2001	2002	2003	2004	Total
Non-Capital Costs	36.7	35.8	36.2	36.7	37.7	183.1

AlintaGas has amended the Access Arrangement Information to indicate Non-Capital Costs as set out in Amendment 29.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 29 of the Final Decision.

Rate of Return

Amendment 30

The Access Arrangement and Access Arrangement Information should be amended to reflect a pre-tax real rate of return of 7.5 percent, and a pre-tax nominal rate of return of 10.5 percent.

AlintaGas has amended the Access Arrangement Information to incorporate a pre-tax real rate of return of 7.5 percent, and a pre-tax nominal rate of return of 10.5 percent.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 30 of the Final Decision.

Depreciation

Amendment 31

The Access Arrangement and Access Arrangement Information should be amended to reflect depreciation costs over the Access Arrangement Period of \$98.9 million, as follows (in nominal \$million).

Asset Group	2000	2001	2002	2003	2004	Total
Mains:						
High pressure	1.5	1.5	1.6	1.7	1.7	7.9
Medium pressure	3.6	3.8	3.9	4.1	4.2	19.7
Medium low pressure	2.5	2.5	2.6	2.7	2.7	13.0
Low pressure	0.9	1.0	1.0	1.1	1.2	5.2
Secondary gate stations	0.1	0.1	0.1	0.1	0.1	0.5
Regulators	0.4	0.4	0.4	0.4	0.4	2.0
Meters and service pipes	5.1	5.5	6.0	6.5	6.9	30.0
Equipment and vehicles	3.2	3.8	4.1	4.4	4.8	20.3
Buildings	0.1	0.1	0.1	0.1	0.1	0.4
Total	17.3	18.7	19.8	21.0	22.1	98.9

AlintaGas has amended the Access Arrangement Information to incorporate depreciation as specified in Amendment 31.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 31 of the Final Decision.

Total Revenue

Amendment 32

The Access Arrangement and Access Arrangement Information should be amended to reflect a working capital requirement of \$10.0 million in each year of the Access Arrangement Period and a return on working capital determined by multiplication of the level of working capital by the nominal pre-tax rate of return.

AlintaGas has revised the Access Arrangement Information to indicate a return on working capital determined by applying the pre-tax nominal WACC to an estimated working capital requirement of \$10.0 million in the first year of the Access Arrangement.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 32 of the Final Decision.

Amendment 33

The Access Arrangement and Access Arrangement Information should be amended to reflect a Total Revenue as follows.

Year	2000	2001	2002	2003	2004
Revenue (nominal \$million)	96.0	97.9	100.5	103.1	106.0

AlintaGas has amended the Access Arrangement Information to indicate Total Revenue as set out in Amendment 33.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 33 of the Final Decision.

Reference Tariffs**Amendment 34**

The Access Arrangement should be amended to include a statement of general methodology for the determination of user-specific delivery charges, and to indicate the Rate of Return implicit in amortisation of costs of user-specific delivery facilities.

AlintaGas has amended the Access Arrangement (clauses 21 and 22 for References Services A and B1, respectively) to include the following statement of general methodology for the determination of user specific charges:

the user specific charge is to be an amount per year which reflects the costs to AlintaGas of providing the user specific delivery facilities under the Haulage Contract, which may consist of capital costs and non-capital costs, where the component of the user specific charge which reflects capital costs is calculated as follows:

- A. the value of the user specific delivery facilities is to be amortised monthly on an “in arrears” basis;*
- B. using the pre-tax nominal weighted average cost of capital specified in the Access Arrangement Information as amended from time to time; and*
- C over the lesser of the duration of the Haulage Contract and the economic life of the user specific delivery facilities;*

The Regulator is satisfied that these revisions meet the requirements set out in Amendment 34 of the Final Decision.

Amendment 35

Clause 21 of the Access Arrangement should be amended to provide for the following tariff structure for Reference Service A in the first year of the Access Arrangement Period:

From 1 January 2000 to 30 June 2000

Standing Charge: \$44,000/year;
 Demand Charge: \$181.64/GJ/km/year for the first 10 km of interconnection distance, and \$90.82/GJ/km/year for any part of the interconnection distance in excess of 10 km;
 Usage Charge: \$0.04426/GJ/km for the first 10 km of interconnection distance, and \$0.02213/GJ/km for any part of the interconnection distance in excess of 10 km.

From 1 July 2000 to 31 December 2000

Standing Charge: \$48,092/year;
 Demand Charge: \$198.53/GJ/km/year for the first 10 km of interconnection distance, and \$99.27/GJ/km/year for any part of the interconnection distance in excess of 10 km;
 Usage Charge: \$0.04838/GJ/km for the first 10 km of interconnection distance, and \$0.02419/GJ/km for any part of the interconnection distance in excess of 10 km.

The Access Arrangement should be further amended to provide for a transitional arrangement from the tariff structure under the *Gas Distribution Regulations 1996* to Reference Tariff A, where this transitional arrangement has the following key elements.

- (a) It would apply for a 2 year period.
- (b) Standing charges for Reference Tariff A would be discounted by 100 percent in year 1, 50 percent in year 2 and be fully applied for year 3 and thereafter.
- (c) The discount in standing charges would be applied only to the extent that the price payable by a User under Reference Tariff A is greater than the estimated 2000/2001 GDR Tariff, estimated and independently audited in accordance with the process described in the AlintaGas Publication *Gas Distribution Access Pricing Methods* (25 June 1997).
- (d) The discount would apply only to delivery points from which contestable customers are supplied with gas on the date of the commencement of the Access Arrangement. "Contestable customer" has the meaning given to it in section 92 of the *Gas Pipelines Access (Western Australia) Act 1998*.

AlintaGas has amended clause 21 of the Access Arrangement to include the charges set out in Amendment 35. The Regulator is satisfied that this revision meets the requirements set out in Amendment 35 in respect of specification of the charges making up Reference Tariff A.

AlintaGas has inserted a new clause 7 into schedule 4 of the Access Arrangement that provides the transitional provisions in respect of the GDR Tariff and Reference Tariff A, in accordance with Amendment 35 of the Final Decision.

Amendment 36

Clause 22 of the Access Arrangement should be amended to provide for the following tariff structure for Reference Service B1 in the first year of the Access Arrangement Period:

From 1 January 2000 to 30 June 2000

Standing Charge	\$500.00/year;
Usage Charge	\$4.61/GJ for the first 5 TJ of gas delivered to the User per year; \$4.38/GJ for gas delivered to the User in excess of 5 TJ per year and up to 10 TJ/year; and \$1.15/GJ for gas delivered to the User in excess of 10 TJ per year.

From 1 July 2000 to 31 December 2000

Standing Charge	\$546.50/year;
Usage Charge	\$5.04/GJ for the first 5 TJ of gas delivered to the User per year; \$4.79/GJ for gas delivered to the User in excess of 5 TJ per year and up to 10 TJ/year; and \$1.26/GJ for gas delivered to the User in excess of 10 TJ per year.

AlintaGas has amended clause 22 of the Access Arrangement to include the charges set out in Amendment 36. The Regulator is satisfied that this revision meets the requirements set out in Amendment 36 in respect of specification of the charges making up Reference Tariff B1.

Amendment 37

Clause 23 of the Access Arrangement should be amended to provide for the following tariff structure for Reference Service B2 in the first year of the Access Arrangement Period:

From 1 January 2000 to 30 June 2000

Standing Charge	\$200.00/year;
Usage Charge	\$5.10/GJ for the first 100 GJ of gas delivered to the User per year; and \$4.59/GJ for gas delivered to the User in excess of 100 GJ per year.

From 1 July 2000 to 31 December 2000

Standing Charge	\$218.60/year;
Usage Charge	\$5.57/GJ for the first 100 GJ of gas delivered to the User per year; and \$5.02/GJ for gas delivered to the User in excess of 100 GJ per year.

AlintaGas has amended clause 23 of the Access Arrangement to include the charges set out in Amendment 37. The Regulator is satisfied that this revision meets the requirements set out in Amendment 37 in respect of specification of the charges making up Reference Tariff B2.

Amendment 38

Clause 24 of the Access Arrangement should be amended to provide for the following tariff structure for Reference Service B3 in the first year of the Access Arrangement Period:

From 1 January 2000 to 30 June 2000

Standing Charge	\$25.00/year;
Usage Charge	\$8.55/GJ for the first 15 GJ of gas delivered to the User per year; \$5.98/GJ for gas delivered to the User in excess of 15 GJ per year and up to 45 GJ/year; and \$3.93/GJ for gas delivered to the User in excess of 45 GJ per year.

From 1 July 2000 to 31 December 2000

Standing Charge	\$27.32/year;
Usage Charge	\$9.35/GJ for the first 15 GJ of gas delivered to the User per year; \$6.54/GJ for gas delivered to the User in excess of 15 GJ per year and up to 45 GJ/year; and \$4.30/GJ for gas delivered to the User in excess of 45 GJ per year.

AlintaGas has amended clause 24 of the Access Arrangement to include the charges set out in Amendment 38. The Regulator is satisfied that this revision meets the requirements set out in Amendment 38 in respect of specification of the charges making up Reference Tariff B3.

Reference Tariff Variation and Incentive Mechanisms**Amendment 39**

Schedule 2 of the Access Arrangement should be amended to provide for variation of Reference Tariffs only in accordance with a CPI-X “price-cap” applying to individual tariff components.

AlintaGas has amended schedule 2 of the Access Arrangement to provide for a “price-cap” approach as the manner in which the Reference Tariffs may vary within the Access Arrangement Period. The proposed price cap mechanism is set out in clause 2 of schedule 2:

2. (2) *The maximum allowed value for each varied tariff component in a variation year (year t) is calculated as follows:*

$$MAV_t = TC_{t-1} \times (CPI_t - X)$$

Clause 5 of schedule 2 provides the following definitions of terms in the formula indicated in clause 2(2):

“MAV_t” is the maximum allowed value for the varied tariff component in the variation year (year t);

“TC_{t-1}” is:

- (a) *when year 2 is the variation year – the tariff component in the Initial Reference Tariffs; and*

- (b) *for each other variation year – the tariff component for year $t-1$;*

“X” is:

- (a) *when year 2 is the variation year – 0.0530; and*
- (b) *for each other variation year – 0.0255.*

{Note: X for year 2 is 0.0255 plus 0.0275, being the amount specified in the Regulator’s Final Decision as the required correction to account for the impact of the goods and services tax.}

In combination with the definition of CPI_t provided in schedule 2, the Regulator is satisfied that these revisions meet the requirements set out in Amendment 39.

Amendment 40

Clause 15 of schedule 2 of the Access Arrangement should be amended such that the “X” value in a CPI–X price cap mechanism is 2.55 percent.

AlintaGas has revised clause 5 of schedule 2 of the Access Arrangement to indicate that the X value in the CPI–X price cap mechanism has a value of 0.0530 for the purposes of setting tariffs for 2001, and 0.0255 for setting of tariffs for other years of the Access Arrangement period. The value of 0.0530 is derived from the Regulator’s required correction of inflation adjustments of Reference Tariffs for the impact of the goods and services tax, as per Amendment 41 of the Final Decision.

The Regulator is satisfied that these revisions meet the requirements set out in Amendment 40.

Amendment 41

Clause 14 of schedule 2 of the Access Arrangement should be amended such that the Consumer Price Index (CPI) refers to the Eight Capital City, All-Groups CPI measure, as published by the Australian Bureau of Statistics, or, in the event that the Australian Bureau of Statistics does not publish such an indicator, a substitute index agreed to by the Regulator. For the purposes of setting tariffs for 2001, the CPI measure should be reduced by 2.75 percent to account for the impact of the goods and services tax.

AlintaGas has amended clause 3 of schedule 2 to define the CPI for the purposes of implementation of a price cap mechanism of tariff variation. The CPI measure used is the All Groups, Eight Capital City measure published by the Australian Bureau of Statistics, exclusive of the impact of the goods and services tax. AlintaGas has also amended clause 5 of schedule 2 of the Access Arrangement to incorporate the correction of the CPI measure into the X value of the CPI–X price cap mechanism for variation of Reference Tariffs.

The Regulator is satisfied that these revisions meet the requirements set out in Amendment 41.

Amendment 42

Schedule 3 of the Access Arrangement should be amended to remove provision for changes to Reference Tariffs to reflect the pass through of changes in costs arising from changes to taxation or regulation.

Schedule 3 as it appeared in the original version of the Access Arrangement has been removed.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 42 of the Final Decision.

Fixed Principles

Amendment 43 [was Draft Decision Amendment 46]

The Access Arrangement and Access Arrangement Information should be amended to indicate that the Fixed Principles of the “Depreciation Schedule” and “allocation of revenue between services” comprise only methodologies, and not values calculated using these methodologies.

AlintaGas has revised the Access Arrangement Information (section 3.3) such that the term “Depreciation Schedule” is explicitly indicated to comprise the methodology for calculation of depreciation to be used for the purpose of determining Reference Tariffs.

In respect of the allocation of revenue, AlintaGas has revised clause 38(1)(e) of the Access Arrangement to read:

38. (1) *In accordance with sections 8.47 and 8.48 of the Code, the following principles are fixed principles:*

...

(e) *the method of allocating revenue between services as described in clause 33; and*

...

AlintaGas has revised section 2.6 of the Access Arrangement Information to insert the following paragraph at the end of the section.

Clause 38 of the Access Arrangement includes, among those reference tariff principles not subject to review for a fixed period of 10 years, the method of allocating costs between services as described in clause 33. AlintaGas notes, for the avoidance of doubt, that it is the methods by which the allocators of Table 2.2 are determined that are not subject to review for the fixed period. The numerical values produced by those methods may be amended in subsequent reviews of the Access Arrangement.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 43 of the Final Decision.

Amendment 44

Clause 38(1) of the Access Arrangement should be amended to remove the Fixed Principle of the structure of Reference Tariffs.

AlintaGas has revised the Access Arrangement to delete this clause.

The Regulator is satisfied that this revision meets the requirements set out in Amendment 44 of the Final Decision.