



# ATTACHMENT 23.1 DEVELOPMENT REBATE SCHEME EXPLANATORY MEMORANDUM

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ATCO 2020-24 PLAN

EIM # 97028365

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**ATCO**



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# 1. Introduction

ATCO has received feedback from land developers that the costs to reticulate and connect commercial subdivisions to our network prevents them from including gas in the subdivision. This means that future firms that will establish themselves in the subdivision do not have gas as an energy option. Typically a large portion of the costs to reticulate a commercial subdivision are borne by developers upfront because of the difficulties in forecasting gas consumption and incremental revenue for the future firms.

To address this feedback ATCO has introduced a development rebate scheme in the extension and expansion requirements, to overcome the barriers that developers face connecting commercial subdivisions to our network. A fixed principle has been added to support the recovery of any rebate amount in future access arrangement periods. ATCO has included the scheme as part of the extension and expansion requirements as the scheme addresses the effect of the extension on reference tariffs and there are no other explicit provisions that relate to the establishment or operation of a rebate scheme under the National Gas Rules.

The purpose of this document is to provide an explanation for each of the new clauses in the Access Arrangement that implement the development rebate scheme.

## 2. Extension and expansion requirements

**Table 2.1:** Extension and expansion requirements

SECTION	EXPLANATION
7.5 (a)	<p>This clause details the eligibility criteria for the scheme.</p> <p>The scheme is intended to apply where a developer is required to fund the reticulation of gas in a new or existing subdivision in ATCO’s mid-west and south-west gas distribution network.</p> <p>The scheme applies to sub-divisions that are covered by the Access Arrangement irrespective of the pressure of the pipeline or its connectivity to a transmission pipeline.</p> <p>ATCO has sought to minimise the administration costs of the scheme by limiting it to subdivisions where the funding provided by the developer is in excess of \$50,000.</p> <p>The scheme provides for an agreement to be put in place between ATCO and the developer to establish relevant operational aspects of the scheme including the time period over which rebates will be available, the criteria for any rebate, the method and timing of payment of the rebates, allocation of liabilities for tax costs and dispute resolution arrangements.</p>
7.5 (b)	<p>This clause details the trigger for ATCO to pay a rebate to the developer.</p> <p>Under the scheme, a developer will receive a rebate following the connection of customers to ATCO’s network for some or all of the funding it originally provided ATCO to reticulate gas in the subdivision. The amount of the rebate will reflect the amount that meets the conforming capital expenditure test.</p>
7.5 (c)	<p>This clause limits the amount of the rebates paid to the developer to be no more than the amount originally funded by the developer.</p>
7.5 (d)	<p>This clause confirms that reference tariffs in the current access arrangement period will not be adjusted as a result of the development rebate scheme.</p>
7.5 (e)	<p>This clause confirms that reference tariffs in the next access arrangement period will be adjusted so as to allow ATCO to recover the rebate amount, associated costs and the costs associated with operating and maintaining the assets in the subdivision.</p> <p>The effect of the scheme is that the developer will receive a rebate for the connection, which will then be treated as capital costs by ATCO - effectively entering ATCO’s regulatory asset base. The effect of the scheme is to allow ATCO to earn a return on and return of the rebate amount in future access arrangement periods over the life of the asset. These costs will then be recovered through reference tariffs commencing in the next access arrangement period.</p>

### 3. Fixed principles

**Table 3.1:** Fixed principles

SECTION	EXPLANATION
11.4	The purpose of the new fixed principle is to provide ATCO with the ability to recover the rebate amounts and associated costs through reference tariffs in future access arrangement periods. The fixed principle will apply over the economic life of the asset because this is the period over which the rebate will be recovered through tariffs.



## 4. Dictionary

**Table 4.1:** Dictionary

TERM	EXPLANATION
Allowed Rate of Return	This definition was included to replace the term 'rate of return' to better align with the National Gas Rules drafting.
Capital Contribution	This definition was deleted because it isn't defined in the National Gas Rules.
Development Rebate Scheme Costs	This definition was included to describe the things that can be considered a cost under the scheme and hence recovered through tariffs.
End User	This definition was included to support the operation of the scheme.
Rebate Amount	This definition was included to support the operation of the scheme.