



Economic Regulation Authority

# Final decision on access arrangement for the Mid-West and South-West Gas Distribution Systems (2025 to 2029)

Attachment 9: Service terms and conditions

8 November 2024

## Acknowledgement of Country

At the ERA we value our cultural diversity and respect the traditional custodians of the land and waters on which we live and work.

We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

## Economic Regulation Authority

Level 4, Albert Facey House

469 Wellington Street, Perth WA 6000

**Telephone** 08 6557 7900

**Email** [info@erawa.com.au](mailto:info@erawa.com.au)

**Website** [www.erawa.com.au](http://www.erawa.com.au)

This document can also be made available in alternative formats on request.

National Relay Service TTY: 13 36 77

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## Note

This attachment forms part of the ERA's final decision on the access arrangement for the Mid-West and South-West Gas Distribution Systems. It should be read in conjunction with all other parts of the final decision, which is comprised of the following document and attachments:

- Final decision on access arrangement for the Mid-West and South-West Gas Distribution Systems (2025 to 2029) – Overview, 8 November 2024:
  - Attachment 1: Access arrangement and services
  - Attachment 2: Demand
  - Attachment 3: Revenue and tariffs
  - Attachment 4: Regulatory capital base
  - Attachment 5: Operating expenditure
  - Attachment 6: Depreciation
  - Attachment 7: Return on capital, taxation, incentives
  - Attachment 8: Other access arrangement provisions
  - Attachment 9: Service terms and conditions (this document)

## Attachment 9. Summary

The regulatory framework requires the access arrangement to specify, for each reference service, a reference tariff and the other terms and conditions on which the service will be provided. This attachment sets out the ERA's consideration of ATCO's proposed terms and conditions for its reference services and includes consideration of ATCO's revised proposal and submissions from interested parties following the ERA's draft decision.

The terms and conditions approved under an access arrangement establish standard terms and conditions that users can either accept or use as a point of reference to negotiate their own terms and conditions to meet specific operational needs. In the event the parties are unable to agree on terms and conditions, the access arrangement can also be used to guide an arbitrator in an access dispute.

ATCO has set out its terms and conditions for its haulage reference services in a single service agreement: the Template Service Agreement (TSA). This agreement is also applicable to all ancillary reference services, except the permanent disconnection service. The terms and conditions for the permanent disconnection service are set out in a separate service agreement: the Permanent Disconnection Contract. Both agreements form part of the access arrangement (Annexures F and G, respectively).

### Template Service Agreement

The ERA's draft decision required ATCO to make some changes to its proposed terms and conditions within the TSA that covered provisions relating to the definition of an Interconnection Arrangement, new delivery points and new receipt points, and default by a party.

ATCO accepted three of the ERA's required amendments (9.1, 9.3 and 9.4) without further modification and proposed revised drafting to address the other required amendment (9.2). The ERA is satisfied that ATCO's revised drafting, to clauses 5.5(d) and 5.9(b) of the TSA, addresses the reason for the required amendment, which was to ensure that ATCO acted reasonably when imposing conditions precedent and charges.

### Permanent Disconnection Contract

The draft decision also required ATCO to review the terms and conditions of the Permanent Disconnection Contract to identify provisions that could be clarified. As a minimum, the ERA required ATCO to clarify the service options for disconnection and clearly set out the circumstances where the permanent disconnection service is required; and clarify the extent to which property will be repaired or reinstated when there are disturbances to a property crossover/verge when undertaking a permanent disconnection.

ATCO made various amendments to the Permanent Disconnection Contract. The ERA is satisfied that ATCO's revised contract addresses the minimum required amendments needed for approval:

- Revised clause 2(a) of the Contract makes clear that the only circumstance where the permanent disconnection service is required is for property demolitions – the service must be completed before a property can be demolished.
- Revised clauses 30, 31 and 32 of the Contract make clear the extent to which a customer's property will be repaired or reinstated, and the circumstances in which this will occur.

To make its final decision to approve ATCO's revised Permanent Disconnection Contract, the ERA further considered the submissions made by AGL Energy (AGL) concerning unrecoverable charges.

AGL submitted that ATCO should charge the customer (property owner) requesting the permanent disconnection service all related charges. That is, the customer should be charged the service fee for the permanent disconnection and the deregistration fee to deregister the meter (which must occur so the meter can be removed before the permanent disconnection takes place). Otherwise, if the deregistration fee is separately charged to the retailer, the retailer may be exposed to unrecoverable deregistration charges because it has no customer to recover the cost from.

The ERA sought additional information from both AGL and ATCO, and noted that:

- The contractual arrangements for ATCO's deregistration service and permanent disconnection service require the services to be undertaken and charged for separately.
- The decision to deregister a meter (gas delivery point) is a business decision for the retailer. A retailer must consider and determine the circumstances in which it will (and will not) seek to deregister a meter. This may require retailers to implement specific operational processes to determine the best course of action when a customer requests to close their gas retail account.
- ATCO's Permanent Disconnection Contract makes clear that the meter must be removed (or authorisation to remove the meter must be given by the retailer) prior to the permanent disconnection taking place; and that the retailer may charge a fee for this removal (the 'deregistration fee').
- Given the retailer must authorise the removal of the meter, the retailer may withhold such authorisation until it makes arrangements to recover the associated deregistration cost from the property owner.

Based on the above considerations the ERA does not consider the deregistration cost to be an unrecoverable cost for retailers. If and how a retailer chooses to recover the cost is a business decision for the individual retailer.

## Regulatory requirements

1. The *National Gas Access (WA) Act 2009* implements a modified version of the National Gas Law (NGL) and National Gas Rules (NGR) in Western Australia. The rules referenced in this decision are those that apply in Western Australia.<sup>1</sup>
2. The regulatory framework requires the access arrangement to specify, for each reference service, a reference tariff and the other terms and conditions on which each reference service will be provided.<sup>2</sup>
3. There are no specific provisions in the NGR that details what the terms and conditions for reference services must cover. In general, reference service terms and conditions should be reasonable and cover both service specific provisions and general (or generic) contract provisions.

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<sup>1</sup> The current rules that apply in Western Australia are available from the Australian Energy Market Commission: AEMC, 'National Gas Rules (Western Australia)' ([online](#)) (accessed November 2024). At the time of this decision, *National Gas Rules – Western Australia version 12 (1 February 2024)* was in effect.

<sup>2</sup> NGR, rule 48(1)(d).

## ERA draft decision

4. The ERA accepted most of ATCO's proposed amendments to the TSA on the basis that the amendments were necessary to reflect legislative requirements and/or operational needs, to correct errors, and/or to improve drafting. The amendments that were not approved by the ERA covered provisions that deal with the definition of an Interconnection Arrangement, new delivery points and new receipt points, and default by a party.
5. While no submissions from interested parties raised any concerns with the TSA, several interested parties provided feedback on ATCO's new Permanent Disconnection Contract. The feedback, among other things, raised concerns about:
  - The circumstances where a permanent disconnection service would be required.
  - The split administrative process for obtaining the permanent disconnection service.
  - The ability for ATCO to contract directly with the end-use customer (property owner) for provision of the permanent disconnection service.
6. Given the matters raised by interested parties, the ERA decided that further work on the terms and conditions that form the Permanent Disconnection Contract was required before the contract could be approved. As a minimum, the ERA required ATCO to clarify the service options for disconnection and clearly set out the circumstances where the permanent disconnection service is required; and clarify the extent to which property will be repaired or reinstated when there are disturbances to a property crossover/verge when undertaking a permanent disconnection.
7. The ERA set out the following draft decision required amendments:
  - 9.1 ATCO must retain the words "arrangement or understanding" in the definition for the term Interconnection Arrangement in the Template Service Agreement. That is, the definition must mean: *"a written or unwritten contract, **arrangement or understanding** in respect of an interconnection at a Physical Gate Point between the ATCO GDS and an Interconnected Pipeline (and includes a written or unwritten contract, **arrangement or understanding** for the provision of an Interconnection Service)" [emphasis added].*
  - 9.2 ATCO must amend proposed new clauses 5.5(d) and 5.9 of the Template Service Agreement to require the service provider to act reasonably in imposing conditions precedent and charges. The amended drafting is set out at paragraph 50 of [Draft Decision Attachment 9].
  - 9.3 ATCO must retain existing clause 15.1(g) (which relates to default provisions) in the Template Service Agreement.
  - 9.4 As confirmed by ATCO the words "during a month" in clause 8 of Schedule 2 in the Template Service Agreement were inserted in error. These words should therefore be deleted.
  - 9.5 ATCO must review the terms and conditions set out in the Permanent Disconnection Contract to identify any improvements that can clarify and/or resolve the matters raised in submissions to the ERA with respect to the permanent disconnection service. As a minimum, the terms and conditions for the permanent disconnection service must:
    - a. clarify the service options for disconnection (whether temporary or permanent) and clearly set out the circumstances where the permanent disconnection service is required; and

- b. clarify the extent to which property will be repaired or reinstated with respect to disturbances to paving, concrete, bitumen and other things that form part of a property crossover/verge.

## ATCO response to draft decision

8. ATCO accepted the ERA's draft decision required amendments 9.1, 9.3 and 9.4 without further amendment, and made the required changes to the TSA.

9. In response to draft decision required amendments 9.2 and 9.5, ATCO submitted:

### **[ATCO response to ERA required amendment 9.2]**

ATCO agrees to the ERA's proposed amendment to clarify that it will include only "reasonable" conditions precedent into a specific agreement. ATCO considers the inclusion of "reasonable" in respect of determining its charges is generally unnecessary given the requirement to be "in accordance with the requirement of any applicable Law". However, ATCO acknowledges that it may not always be dealt with at law and has therefore included a reasonableness requirement for those circumstances where there is no requirement in any applicable Law.<sup>3</sup>

### **[ATCO response to ERA required amendment 9.5]**

ATCO has revised the Permanent Disconnection Contract taking into account the ERA's required amendments and other suggestions.<sup>4</sup>

10. Consistent with ATCO's responses, ATCO has proposed revised drafting for clauses 5.5(d) and 5.9(b) of the TSA and has made several drafting changes to the Permanent Disconnection Contract, the details of which are discussed as part of the ERA's final decision considerations below (refer page 9).

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<sup>3</sup> ATCO, *2025-29 Revised Plan*, 10 June 2024, p. 250.

<sup>4</sup> ATCO, *2025-29 Revised Plan*, 10 June 2024, p. 252.

## Submissions to the ERA

11. While no submissions addressed the terms and conditions of the TSA in ATCO's proposal, several submissions addressed the proposed terms and conditions (including the proposed tariff) for the new permanent disconnection reference service. In summary, the submissions:
  - Assumed the type of customers to use the permanent disconnection service would predominately be property owners engaging in demolition and property redevelopment activities.
  - Sought clarification to confirm the circumstances where the permanent disconnection service was required.
  - Indicated support for a user-pay tariff for the permanent disconnection service but considered the proposed tariff of \$1,184.80 (excluding GST) was high.
  - Queried the split administrative process for obtaining the permanent disconnection service (that is, the requirement to obtain separate "deregistering a delivery point" service to remove the gas meter).
  - Queried whether it was appropriate for the end-use customer (property owner) to contract directly with ATCO for the permanent disconnection service.
  - Noted possible inefficiencies that may arise over the longer-term given the customer-based approach to permanent disconnections.
  - Noted there were no key performance indicators and/or accountability related to ATCO's delivery of disconnection services.
  - Highlighted concerns for safety risks in instances where customers do not use the permanent disconnection service.
12. The ERA addressed the above matters as part of its draft decision considerations.
13. Several submissions on the draft decision and ATCO's revised proposal commented on matters related to the TSA or Permanent Disconnection Contract. In these submissions:
  - Synergy supported the ERA's draft decision required amendments related to the TSA and considered that ATCO's amended response to required amendment 9.2 was consistent with the ERA's reasoning. Synergy further noted that clause 6 of the TSA has several provisions that require users to procure compliance from upstream gas suppliers and transmission pipeline operators. Given these provisions, it considered that the ERA should ensure (as part of its access arrangement review functions) that the terms and conditions for services provided by the Dampier to Bunbury Natural Gas Pipeline (DBNGP) are aligned with ATCO's TSA.<sup>5</sup>
  - AGL Energy considered that where ATCO offers ancillary reference services directly, then all costs (including third-party fees) should be included in ATCO's charges to customers. AGL also raised concerns for retailers being exposed to unrecoverable charges when customers are disconnected from gas.<sup>6</sup>

<sup>5</sup> Synergy, *Submission on ERA draft decision and ATCO revised proposal*, 9 July 2024.

<sup>6</sup> AGL Energy, *Submission on ERA draft decision and ATCO revised proposal*, 8 July 2024.

- The TRAC Partners Report, provided by the WA Expert Consumer Panel, included comments related to the permanent disconnection service.<sup>7</sup> The comments made by TRAC Partners in their report were predominately focused on the high tariff level and user-pay tariff structure for the service. TRAC Partners considered that:
  - It was not clear whether the proposed tariff reflected the efficient costs of providing the service; benchmarking comparisons should be made, and consideration given to whether there are other safe, lower cost disconnection methods.
  - A fully cost reflective user pays tariff may be inconsistent with the national gas objective, particularly the emissions reduction and safety limbs of the objective. Additionally, the tariff structure may be inconsistent with safe network operation practices.

14. The ERA has considered the above comments as part of its final decision.

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<sup>7</sup> WA Expert Consumer Panel, *TRAC Partners Technical Report on ERA draft decision and ATCO revised proposal*, 8 July 2024.

## Final decision

15. The ERA's consideration of the terms and conditions in the TSA and Permanent Disconnection Contract is set out below. The reference tariff for the permanent disconnection service, along with the reference tariffs for other reference services, are considered by the ERA in Final Decision Attachment 3.

## Template Service Agreement

16. Draft decision required amendments 9.1, 9.2, 9.3 and 9.4 related to the terms and conditions of the TSA. ATCO accepted required amendments 9.1, 9.3 and 9.4 without further amendments. The ERA is satisfied that ATCO has made the required changes to the access arrangement (Annexure F: Template Service Agreement).
17. While ATCO did not accept draft decision required amendment 9.2, it did agree with the ERA's position to clarify that ATCO will include only reasonable conditions precedent into a specific agreement. ATCO considered that the inclusion of "reasonable" was unnecessary if there was a requirement for charges to be "in accordance with the requirements of any applicable laws". However, ATCO also acknowledged that some requirements may not always be dealt with at law.<sup>8</sup>
18. ATCO proposed the following revised drafting amendments to clauses 5.5(d) and 5.9(b) of the TSA which address the process for constructing new delivery and receipt points.<sup>9</sup>

### [clause 5.5(d)]

If <Counterparty> requests <Service Provider> to construct facilities to service a new Delivery Point, <Service Provider> will process that request in accordance with any applicable Laws. Depending on the nature and scale of facilities required, <Service Provider> may require entry into a specific agreement relating to the construction of those facilities (and that agreement may include [reasonable](#) conditions precedent, such as obtaining all relevant approvals). <Service Provider> will [ensure its charges for constructing such facilities are reasonable or otherwise](#) determined ~~its charges for constructing such facilities~~ in accordance with the requirements of any applicable Laws.

### [clause 5.9(b)]

an agreement in place between <Service Provider> and <Counterparty> (and/or the operator referred to in clause 5.9(a)) relating to the construction of those facilities and any modifications required to the ATCO GDS to connect the new Receipt Point or Physical Gate Point (including the amounts <Service Provider> will charge for making the required modifications to the ATCO GDS and supervising the design, construction and commissioning process). <Service Provider> will [ensure its charges relating to establishment of the new Receipt Point or Physical Gate Point are reasonable or otherwise](#) determined ~~its charges relating to establishment of the new Receipt Point or Physical Gate Point~~ in accordance with the requirements of any applicable Laws.

19. The ERA's reasoning for draft decision required amendment 9.2 was to ensure that ATCO acted reasonably when imposing conditions precedent and charges. The ERA is satisfied that ATCO's proposed amended drafting to clauses 5.5(d) and 5.9(b) of the TSA has addressed this reasoning. That is:

<sup>8</sup> ATCO, *2025-29 Revised Plan*, 10 June 2024, pp. 250-251.

<sup>9</sup> ATCO, *2025-29 Revised Plan*, 10 June 2024, p. 251.

- The amendments made to clause 5.5(d) explicitly state that an agreement may include “reasonable conditions precedent”.
  - The amendments to both clauses 5.5(d) and 5.9(b) explicitly state that the service provider (ATCO) will ensure its relevant charges are “reasonable or otherwise determined in accordance with the requirements of any applicable Laws”.
20. The ERA notes Synergy’s comments on clause 6 of the TSA, which covers provisions for gas quality, balancing and pressure; and its request for the ERA to ensure that the terms and conditions under the access arrangement for the DBNGP are aligned with ATCO’s TSA.
21. The ERA is expecting to commence its access arrangement review of the DBNGP in January 2025.<sup>10</sup> As part of this review, the ERA will consider the existing terms and conditions for reference services and any proposed amendments to them. In this regard, Synergy is encouraged to participate in the public consultation processes that will be provided to raise any concerns with the terms and conditions that will apply under the DBNGP access arrangement for the next access arrangement period.

## Permanent Disconnection Contract

22. Draft decision required amendment 9.5 related to the terms and conditions of the Permanent Disconnection Contract. The required amendment set out two specific amendments that ATCO needed to address as a minimum. ATCO has proposed several amendments to the Permanent Disconnection Contract as set out below. Consistent with these proposed amendments, ATCO has also amended section 4.13 of the proposed access arrangement which outlines the permanent disconnection service.<sup>11</sup>

### Clause 2(a)

ATCO has clarified that the Permanent Disconnection Service is only required for property demolitions – the property must be permanently disconnected from the network before demolition can occur.

In these instances, the Permanent Disconnection Contract will generally be entered into by an authorised representative of the end use customer (typically a demolition company) as opposed to ATCO contracting directly with the end use customer.

### Clause 2(b)

ATCO has clarified that the Permanent Disconnection Service may be obtained by an end use customer if they wish to (voluntarily) permanently disconnect their property from the GDS.

### Clause 3

ATCO has clarified that the Permanent Disconnection Service is not required if an end use customer simply wishes to cease the supply of Gas to their property (e.g. to electrify their property). An end use customer can cease the supply of Gas to their property by contacting their retailer (who would obtain the relevant service from ATCO). The Permanent Disconnection Service in these circumstances is optional.

<sup>10</sup> The access arrangement review date in the Dampier to Bunbury Natural Gas Pipeline access arrangement is 1 January 2025.

<sup>11</sup> ATCO, *Access Arrangement for the Mid-West and South-West Gas Distribution Systems*, 10 June 2024, section 4.13.

**Clause 30, 31 and 32**

ATCO has clarified that:

- If the service is performed inside the property boundaries it will back fill the ground; and
- If any damage is caused inside the property boundaries where it has failed to act reasonably in performing the service, it will, at the end user's request, reinstate or make good (or elect to pay compensation for) the damage.<sup>12</sup>

23. The ERA is satisfied that ATCO's revised Permanent Disconnection Contract has addressed the minimum required amendments needed for approval. That is:

- Clause 2(a) of the Contract makes clear that the only circumstance where the permanent disconnection service is required is for property demolitions – the service must be completed before a property can be demolished.
- Clauses 30, 31 and 32 of the Contract make clear the extent to which a customer's property will be repaired or reinstated, and the circumstances in which this will occur.

24. In its revised proposal, ATCO noted stakeholder feedback provided to the ERA. ATCO submitted:

ATCO notes stakeholder submissions that the Permanent Disconnection Service charge hinders a customer's ability to elect to cease gas supply and electrify their homes. We wish to correct this point and confirm that, ... the Permanent Disconnection Service is not required if an end use customer wishes to electrify. The Permanent Disconnection Service is only required if an end use customer wishes to permanently disconnect from the network (or due to a demolition). If an end use customer wishes to electrify, they may contact their retailer and simply cease the supply of gas to their property.<sup>13</sup>

25. ATCO's revised amendments to the Permanent Disconnection Contract (at clauses 2(b) and 3) are consistent with ATCO's submission on stakeholder feedback. These new clauses:

- Clarify that the permanent disconnection service may be obtained if the customer chooses to (voluntarily) permanently disconnect the property from the gas network (clause 2(b)).
- Clarify that the permanent disconnection service is not required if the customer wishes to cease gas supply to the property to, for example, electrify the property; and in this circumstance the customer should contact their gas retailer to arrange the cessation of gas supply (clause 3).

26. The ERA considers that ATCO's addition of new clauses 2(b) and 3 to the Permanent Disconnection Contract addresses any confusion around a customer's ability to cease their gas supply and electrify their home. The permanent disconnection service does not hinder any customer who elects to do this because the service is not required in this circumstance. The permanent disconnection service is only required for property

<sup>12</sup> ATCO, *2025-29 Revised Plan*, 10 June 2024, p. 254.

<sup>13</sup> ATCO, *2025-29 Revised Plan*, 10 June 2024, p. 253.

demolition and may otherwise be requested if the customer voluntarily chooses to request this service.

### **AGL submission on permanent disconnection charges**

27. In response to the ERA's draft decision and ATCO's revised proposal, AGL reiterated matters it previously raised in its submission on ATCO's proposal and the ERA's issues paper. AGL considered that:
- In instances where ATCO provides ancillary services directly, then all costs (including third-party fees, such as for example fees of the Australian Energy Market Operator) should be included in ATCO's charges to customers.
  - Retailers were exposed to unrecoverable charges when customers disconnect from gas. AGL stated that "when customers are disconnected from gas, the retailer still continues to pay service fees for the connection, although it has no customer to pass those charges onto, leaving it with unrecoverable charges."<sup>14</sup>
28. The ERA considers that it addressed the matters raised by AGL in the draft decision.<sup>15</sup> In summary, the draft decision set out the following observations and/or considerations:
- There are two distinct disconnection reference services offered under the access arrangement for B2 and B3 customers: the "deregistering a delivery point" (or "deregistration") service and the "permanent disconnection" service.<sup>16</sup> The permanent disconnection service is directly available to end use customers (i.e. property owners or their authorised representative can request the service directly from ATCO), unlike the deregistration service which is only available to gas retailers (that is, only the retailer can request the service from ATCO).
  - While the deregistration service may be performed as a standalone service (that is, the meter can be deregistered and removed without the permanent disconnection service being performed), the permanent disconnection service requires the deregistration service to be performed first (that is, the meter must be deregistered and removed prior to the permanent disconnection service being performed). The ERA concluded that while some customers may be confused by the different disconnection services, gas retailers should have sufficient knowledge to inform and guide their customers through the disconnection process. Customers looking to disconnect from the gas network would first need to contact their retailer to finalise and close their gas account. At this point, the retailer can determine whether it needs to apply for a deregistration service.<sup>17</sup> By determining whether a deregistration service is needed at the point of an account closure, the cost for the deregistration may be recovered from the customer as part of their final account.

<sup>14</sup> AGL Energy, *Submission on ERA draft decision and ATCO revised proposal*, 8 July 2024.

<sup>15</sup> ERA, *Draft decision on revisions to the access arrangement for the Mid-West and South-West Gas Distribution Systems – Attachment 9: Service terms and conditions*, 24 April 2024, pp. 35-39, paragraphs 90 to 97.

<sup>16</sup> The deregistration service involves ATCO deregistering the Meter Identification Reference Number (MIRN) and, for B2 and B3 customers, physically removing the meter (where appropriate).  
The permanent disconnection service involves ATCO permanently disconnecting the property from the gas network, which is generally done by cutting and capping the service pipe at the main to ensure the gas connection is permanently removed from the property.

<sup>17</sup> The deregistration service ensures that the retailer will not be invoiced for standing charges (from ATCO) for a gas service (delivery) point that has no gas usage.

- The ERA did accept that it could be somewhat difficult for a retailer to determine whether a deregistration service was necessary in circumstances where the customer was a tenant and not the property owner; and that this was compounded by the way in which gas retail accounts are established.<sup>18</sup> The ERA considered that it may be necessary for retailers to have administrative processes in place to help identify the point at which a deregistration needs to occur and provided a disconnection (deregistration) process flowchart as an example.
  - The ERA's disconnection process flowchart identified some specific circumstances where a retailer may be unable to recover deregistration costs from a customer, including for example, when a property owner decides to demolish their property after a period of tenancy. In such circumstances, the ERA considered that it may be reasonable for ATCO to recover the cost of the deregistration service directly from the property owner as part of the permanent disconnection service by charging the property owner an equivalent fee to cover the cost of the deregistration and meter removal (rather than charging the retailer).
29. Overall, the ERA considers that retailers have opportunities to recover deregistration costs (and avoid future unrecoverable charges). That is, the retailer is generally the first point of contact for a customer who is looking to disconnect from gas because the customer must close their gas account to avoid future gas charges; and it is at this point when the retailer can determine whether a deregistration service is required. Where it is determined that a deregistration service is required, the associated cost could be recovered from the customer as part of the account closure process (like the recovery of special meter read costs).
30. In response to AGL's comment that "if ATCO is offering [ancillary] services directly, then all costs (including AEMO fees) should be included in their charges to customers," the ERA makes the following observations:<sup>19</sup>
- AGL cited ancillary services relating to locking, temporarily disconnecting or permanently disconnecting a supply of gas to a delivery point as the services it was focused on. These services include the Applying a Meter Lock; Disconnecting a Delivery Point; Deregistering a Delivery Point; and Permanent Disconnection services, all of which are approved ancillary reference services under the access arrangement.<sup>20</sup> Apart from the permanent disconnection service, these services can only be requested by the retailer and are intended to assist with credit control and/or mitigate ongoing exposure to unrecoverable charges when there is no gas usage or end use customer.
  - The Permanent Disconnection service cannot be performed until the gas meter is deregistered. Deregistration of a meter is performed via the Deregistering a Delivery Point service, which involves deregistration of the Meter Identification Reference Number and can only be requested by the retailer in accordance with the terms and conditions of the TSA.<sup>21</sup>

<sup>18</sup> A gas retail account is only required to be held by a person when they are using/consuming gas (unlike water accounts, whereby the property owner is always required to have an account to pay service charges regardless of water usage/consumption, with the latter generally billed to and recovered from the tenant in circumstances where the property is tenanted).

<sup>19</sup> AGL Energy, *Submission on ERA draft decision and ATCO revised proposal*, 8 July 2024.

<sup>20</sup> Refer to Final Decision Attachment 1 (Access arrangement and services).

<sup>21</sup> Actual deregistration of the MIRN is undertaken as per the provisions set out in Part 3.5 of the *Retail Market Procedures (WA)* ([online](#)) (accessed November 2024).

31. AGL clarified that its primary concern was the instances where ATCO undertakes an abolishment (permanent disconnection) for customers directly and only charges the permanent disconnection fee.<sup>22</sup> AGL submitted that when the meter is deregistered (as is required before the permanent disconnection can take place), the retailer is charged the deregistration fee. At this point the retailer cannot recover this fee as it has no retail customer to charge it to. AGL provided three specific examples to substantiate its submission.<sup>23</sup> The three examples provided by AGL support the ERA's draft decision assessment that there are instances where a retailer is unable to recover deregistration costs from a customer (refer paragraph 28 above). The details provided by AGL, suggest that in these examples "Option C" in the ERA's sample disconnection flowchart was most likely (that is, the property was tenanted and vacated prior to the property owner making the decision to demolish).<sup>24</sup>

### **Unrecoverable deregistration costs**

32. ATCO's revised proposal did not address the ERA's draft decision position that there may be some specific circumstances where a retailer would be unable to recover the deregistration cost from a customer, and that in these circumstances it may be reasonable for ATCO to recover the deregistration cost directly as part of the permanent disconnection service by charging an equivalent fee to the property owner to recover the cost of the required deregistration and meter removal (rather than charging the retailer). The ERA requested ATCO to reconsider this matter, to which ATCO provided a briefing to the ERA to explain ATCO's operational processes for undertaking permanent disconnections.<sup>25</sup>
33. Considering the information provided by ATCO, the ERA notes that:
- The contractual arrangements for ATCO's deregistration service and permanent disconnection service require the services to be undertaken and charged for separately.
  - The decision to deregister a meter (gas delivery point) is a business decision for the retailer. A retailer must consider and determine the circumstances in which it will (and will not) seek to deregister a meter. As set out in the draft decision, this may require retailers to implement specific operational processes to determine the best course of action when a customer requests to close their gas retail account.
  - ATCO's Permanent Disconnection Contract makes clear that the meter must be removed (or authorisation to remove the meter must be given by the retailer) prior to the permanent disconnection taking place; and that the retailer may charge a fee for this removal (the 'deregistration fee'). ATCO's online form to request the permanent disconnection service reiterates this by stating the following:
 

In order to Permanently Disconnect your property, ATCO will need to ensure there is no gas meter. Where there is a gas meter, we can only Permanently Disconnect where:

    - 1) the retailer has authorised us to remove the meter; and
    - 2) the meter does not exceed AL12 in size (generally provided for small use customers - residential and small businesses). You will need to contact your retailer

<sup>22</sup> Email from AGL Energy to ERA, 13 August 2024.

<sup>23</sup> Email from AGL Energy to ERA, 3 September 2024.

<sup>24</sup> Refer to Figure 9.1 (page 38) in the ERA's Draft Decision: Attachment 9 ([online](#)) (accessed November 2024).

<sup>25</sup> Meeting between ATCO and the ERA, 10 September 2024.

to remove any meters M18AL or above (generally provided for large use customers – commercial and industrial users).

If you request Permanent Disconnection but the retailer has not yet authorised removal of the meter, we will contact them and only proceed once we have this authorisation. We will remove the meter at the same time as we provide the Permanent Disconnection service and we will charge the retailer a fee for the meter removal. The retailer may on-charge this fee to you (in addition to the fee you pay to ATCO for the Permanent Disconnection).<sup>26</sup>

- Given the retailer must authorise the removal of the meter, the retailer may withhold such authorisation until it makes arrangements to recover the associated deregistration cost from the property owner. In instances where the property owner was not the last gas account holder (that is, the property was tenanted), retailers may find this process more difficult. However, most retailers will have means to contact the property owner under their standard form contracts, which require tenants to provide the contact details of the property's owner or agent when opening a gas account.<sup>27</sup>
34. Based on the above considerations the ERA does not consider the deregistration cost to be an unrecoverable cost for retailers. If and how a retailer chooses to recover the cost is a business decision for the individual retailer and may therefore vary between retailers.

### **Permanent disconnection tariff level and structure**

35. The ERA notes the comments in the TRAC Partners Report relating to the permanent disconnection service tariff level and structure. The ERA has considered these comments as part of its considerations on the proposed tariff for the permanent disconnection service, along with ATCO's proposed tariffs for other reference services, in Final Decision Attachment 3. In summary:
- The ERA has approved the tariffs shown in Table 9.1 for the permanent disconnection service (these tariffs are only indicative because they include forecast inflation that will be updated for actual inflation via the tariff variation mechanism). The ERA considers that these tariffs meet the requirements of the NGR (i.e. the tariffs reflect the efficient cost of providing the service).
  - The ERA considers a cost reflective user pays tariff structure for ancillary reference services, including the permanent disconnection service, is most appropriate given the benefit of these services is retained by the user requesting the service (i.e. the retailer or end use customer requesting a specific ancillary reference service receives the direct benefit of that service).

**Table 9.1: ERA final decision AA6 tariffs for the permanent disconnection service (\$ nominal, GST exclusive) – indicative only**

2025	2026	2027	2028	2029
1,056.70	1,080.37	1,104.57	1,129.32	1,154.61

Source: ERA analysis, Final Decision Attachment 3.

<sup>26</sup> ATCO, 'Disconnection and Removal of Gas Service Form' ([online](#)) (accessed November 2024).

<sup>27</sup> ERA, 'Standard Form Contracts' ([online](#)) (accessed November 2024).

See for example standard form contracts of AGL (clause 4.5), Alinta (clause 16.1(g)), Kleenheat (clause 14.1(g)), Origin (clause 5), Perth Energy (clause 13.1(d)) and Synergy (clause 5.2(d)).