

ACCESS ARRANGEMENT

for the

South Australian Gas Distribution System

September 2007

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1. INTRODUCTION

1.1 Purpose of this Document

On 17 April 2003, the South Australian Independent Pricing and Access Regulator approved an Access Arrangement in relation to the distribution systems that are identified in Schedule A to the Code as the Envestra SA Distribution Systems (**the original Access Arrangement**).

The map set out as Annexure A to this Access Arrangement shows the location of the various networks that are comprised within the Envestra SA Gas Distribution System as at the date of this document.

Under section 9.1 of the original Access Arrangement, Envestra Limited (**Envestra**) was required to submit proposed revisions to the original Access Arrangement to the Regulator (the Essential Services Commission of South Australia) on or before 1 January 2005. The Regulator later agreed to defer that date until 1 October 2005. Envestra submitted its revised Access Arrangement and Access Arrangement Information on 30 September 2005. The Regulator published a Draft Decision on 28 March 2006 and a Final Decision on 30 June 2006, rejecting Envestra's revisions. The Regulator published a Further Final Decision on 27 October 2006 to not approve Envestra's amended revisions and made its own Access Arrangement pursuant to section 2.42 of the Code.

On 10 November 2006, pursuant to section 39 of Schedule 1 to the *Gas Pipelines Access (South Australia) Act 1997*, Envestra applied to the relevant appeals body (the Administrative and Disciplinary Division of the District Court of South Australia) for a review of certain elements of the Regulator's decision to not approve Envestra's amended revisions.

This Access Arrangement reflects the determination of the relevant appeals body under the *Gas Pipelines Access (South Australia) Act 1997*, on the review application made by Envestra.

1.2 Commencement Date

This Access Arrangement commenced on 13 November 2006. It is noted that Reference Tariffs increased by CPI on 1 July 2006 and were again varied on 1 July 2007 such that the average revenue that Envestra receives from Haulage Reference Services in 2007/08 increased by CPI + 0.2%.

1.3 Composition of Access Arrangement

This Access Arrangement contains those elements that are required by section 3 of the Code.

1.4 Definitions and Interpretation

In this Access Arrangement and the Access Arrangement Explanatory Information, unless the context indicates otherwise:

- (a) where a word or phrase begins with a capital letter:
 - (1) it has the meaning given to it in the glossary that is set out in section 11 of this Access Arrangement; and
 - (2) if it is not defined in the glossary, it has the meaning given to it in the Code.
- (b) where a word or phrase is defined, its other grammatical forms have a corresponding meaning; and
- (c) headings are for convenience only and do not affect interpretation.

1.5 Contact Details

The contact person for further details in relation to this Access Arrangement is:

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2. SERVICES POLICY

2.1 Services

The Network Services which Envestra will make available to Network Users and Prospective Network Users in accordance with the Code comprise:

- (a) three Haulage Reference Services, which are described in section 2.2;
- (b) three Ancillary Reference Services, which are described in section 2.3; and
- (c) Negotiated Services, which are described in section 2.4.

To the extent practicable and reasonable, a Network User or Prospective Network User may obtain a Network Service which includes only those elements that the Network User or Prospective Network User wishes to be included in the Network Service.

To the extent practicable and reasonable, Envestra will provide a separate Tariff for an element of a Network Service if requested to do so by a Network User or Prospective Network User.

2.2 Haulage Reference Services

2.2.1 Domestic Haulage Service

The Domestic Haulage Service is a Haulage Reference Service that comprises the delivery of Gas through a Domestic Delivery Point in accordance with, and subject to, the terms and conditions referred to in section 6.

A Delivery Point (DP) is a Domestic DP for a given period if the Gas delivered through that DP during that period was used primarily for domestic purposes. Gas will have been used primarily for domestic purposes if 50 percent or more of that Gas was used for domestic purposes.

Envestra will determine from time to time whether Gas delivered through a DP during any period was used primarily for domestic purposes or primarily for other purposes. Envestra's determination will bind the Network User, unless proven incorrect.

2.2.2 Demand Haulage Service

The Demand Haulage Service is a Haulage Reference Service that comprises the delivery of Gas through a Demand DP, in accordance with, and subject to, the terms and conditions referred to in section 6.

A DP is a Demand DP at a given time if:

- (a) that DP is not a Domestic DP at that time; and
- (b) the Quantity of Gas delivered through that DP during the then most recent Metering Year was equal to or greater than 10TJ.

In this section, a reference to the Quantity of Gas delivered is a reference to Gas delivered whether to or for the account of the Network User or another person or persons.

The tariff in relation to Demand DPs is based on MDQ.

Envestra will consider reasonable written requests from Network Users to decrease the MDQ for a User Demand DP on a case-by-case basis. When considering a request, Envestra will have regard to the following factors:

- (a) the permanency of any change in the relevant Customer's requirements for Gas;
- (b) the long-term trend of the Customer's demand for Gas at the relevant User Demand DP, as derived from historical data about the Quantities of Gas delivered through that DP and any reasoned forecasts of the Customer's expected future demand for Gas at that DP;
- (c) whether, and if so, the extent to which, the proposed reduction will compromise Envestra's ability to recover the capital expenditure Envestra incurred in relation to the relevant User Demand DP, including whether Envestra has any contractual right to recover such expenditure from the Network User or someone else; and
- (d) any other factors that Envestra considers relevant.

In assessing each request, Envestra's objective will be to determine whether the reduced MDQ will accurately reflect the Gas requirements for that DP in the foreseeable future. Accordingly, the factors in paragraphs (a) and (b) will take on different weight depending on the reasons for the Network User's request. Paragraph (a) will be more important in circumstances where the Customer requires less Gas because of a particular event (e.g. the removal of gas fired plant or equipment), while paragraph (b) will be relevant in circumstances where the Customer's demand for Gas has steadily declined over a sustained period of time.

Envestra will decide whether to approve a request on the basis of any information provided by the Network User to Envestra and any other information available to Envestra independently of the Network User that Envestra considers relevant. Envestra will not discriminate between Network Users when considering requests and will endeavour to treat requests in a consistent manner, having regard to the circumstances in each case.

Envestra may approve or not approve a request from a Network User in whole or in part. Without limiting the foregoing, Envestra may approve a request on the condition that the relevant MDQ is reduced to a level that is different to that requested by the Network User.

Envestra will determine a request and advise the Network User and the relevant Customer of the outcome of the Network User's request as soon as reasonably practicable. If Envestra agrees to reduce the MDQ for a User Demand DP, the reduced MDQ will take effect on the first day of the month following the month in which the Network User is advised of Envestra's decision.

In the event of any inconsistency between the above described process for MDQ reductions and clause 6B of the Terms and Conditions (Reduction in MDQ), clause 6B will prevail.

2.2.3 Commercial Haulage Service

The Commercial Haulage Service is a Haulage Reference Service that comprises the delivery of Gas through a Commercial DP in accordance with, and subject to, the terms and conditions referred to in section 6.

A DP is a Commercial DP at a given time if that DP is not a Demand DP or a Domestic DP at that time.

2.2.4 Reference Tariffs assigned to New DPs

Envestra will assign a Reference Tariff to a new DP. In determining the Reference Tariff assigned to a DP, Envestra will take into account:

- (a) the Network User or Prospective Network User's stated demand and connection

characteristics; and

- (b) Reference Tariffs assigned to DPs with the same or materially similar demand and connection characteristics.

2.2.5 Associated Services

As a part of each Haulage Reference Service, Envestra will also provide the following services:

- (a) the odorisation of Gas, except where Gas is already odorised to the standard required by applicable laws;
- (b) the provision and maintenance of Metering Equipment at DPs; and
- (c) meter reading on a quarterly basis for Domestic DPs and Commercial DPs and on a monthly basis for Demand DPs,

in each case, in accordance with, and subject to, the terms and conditions referred to in section 6.

For the avoidance of doubt, Unaccounted for Gas is supplied by Envestra and the cost is incorporated in the Network operating costs, unless an alternative arrangement is provided for, which reduces or removes this obligation (and causes it to be assumed by others) and that is allowed by the Regulator.

The Haulage Reference Services do not include any of the Network Services described as Ancillary Reference Services (see section 2.3) or Negotiated Services (see section 2.4).

2.2.6 Reference Tariffs

The Reference Tariffs that will apply to Haulage Reference Services during the Second Access Arrangement Period are described in section 3 of this Access Arrangement.

2.3 Ancillary Reference Services

The Ancillary Reference Services comprise the following Network Services:

- (a) Special Meter Reading Service – this Reference Service comprises meter reading for a DP in addition to the scheduled meter readings that form part of the Haulage Reference Services described in section 2.2.5 above;
- (b) Meter Disconnection Service – this Reference Service comprises the use of locks or plugs on or in Metering Equipment at a Domestic DP, or the removal of the Metering Equipment at a Domestic DP, in order to prevent the withdrawal of Gas at the DP;
- (c) Meter Reconnection Service – this Reference Service comprises the reconnection to the Network of a Domestic DP that has been the subject of a Meter Disconnection Service request, ie. the removal of any locks or plugs used to isolate supply or reinstallation of Metering Equipment if it has been removed, performance of a safety check and the lighting of appliances where necessary.

Each Ancillary Reference Service will be provided in accordance with, and subject to, the terms and conditions referred to in section 6.

The Reference Tariffs that will apply to Ancillary Reference Services during the Second Access Arrangement Period are described in section 3 of this Access Arrangement.

2.4 Negotiated Services

Any Network User or Prospective Network User may request that Envestra provide a Negotiated Service. A Negotiated Service is a Network Service that is different from the Haulage Reference Services and the Ancillary Reference Services.

The terms and conditions on which Envestra will provide Negotiated Services will be the same as the terms and conditions referred to in section 6, where Envestra determines that those terms and conditions are appropriate and applicable to the Negotiated Service requested by the Network User or Prospective Network User.

2.5 Gas Balancing

Gas balancing refers to the process of ensuring that the Quantity of Gas delivered through DPs to or for the account of a Network User is equivalent to the Quantity of Gas delivered through Receipt Points by or for the account of the Network User.

Gas balancing is regulated through the Retail Market Rules.

2.6 Network Service Standards

Envestra will provide each Network Service, including each Reference Service, in accordance with, and subject to, the requirements of any Distribution Licence or applicable law.

3. REFERENCE TARIFFS

3.1 Reference Tariffs

The Reference Tariffs for Reference Services will be set out in Tariff Schedules that Envestra will publish from time to time on its website at "www.envestra.com.au".

Reference Tariffs were increased by CPI on 1 July 2006 and were again varied on 1 July 2007 such that the average revenue that Envestra receives from Haulage Reference Services in 2007/08 increased by CPI + 0.2% . The Tariff Schedule set out as Annexure B to this Access Arrangement shows the Reference Tariffs that applied to Reference Services from 13 November 2006 until 30 June 2007. Haulage Reference Tariffs have been designed to effectively increase by CPI+ 0.2 for 2007/08 and thereafter by CPI + 0.93 percent for each remaining year of the Second Access Arrangement Period (from the year commencing 1 July 2008).

3.2 Domestic Haulage Service

The Reference Tariff for the Domestic Haulage Service is known as "Tariff R". Tariff R as at 13 November 2006 is set out in Table 1 of the Tariff Schedule in Annexure B.

3.3 Commercial Haulage Service

The Reference Tariff for the Commercial Haulage Service is known as "Tariff C". Tariff C as at 13 November 2006 is set out in Table 2 of the Tariff Schedule in Annexure B.

3.4 Demand Haulage Service

The Reference Tariff for the Demand Haulage Service is known as "Tariff D". Tariff D as at 1 July 2006 is set out in Tables 3 and 4 of the Tariff Schedule in Annexure B.

The Charges payable under Tariff D vary according to the Region and Zone of the Network in which the Demand DP is located.

The Network comprises six Regions. They are the Adelaide Region, the Peterborough Region, the Port Pirie Region, the Riverland Region, the South East Region and the Whyalla Region. These are shown on the map set out in Annexure C.

In the case of a Demand DP within the Adelaide Region, the Charges payable under Tariff D also vary according to the Zone within which the DP is located. There are three Zones, which are shown on the map set out in Annexure D.

3.5 Ancillary Reference Service

The Reference Tariffs as at 13 November 2006 for the Ancillary Reference Services are set out in Table 5 of the Tariff Schedule in Annexure B.

4. REFERENCE TARIFF POLICY – GENERAL

4.1 Determination of Reference Tariffs

Reference Tariffs have been determined based on a revenue requirement that uses a building block or Cost of Service approach, in accordance with the general principles outlined in section 8.1 of the Code. This approach provides for total revenue to be calculated on the basis of a rate of return on the capital base plus depreciation plus non-capital costs associated with operating the Network.

A CPI-X approach to determining Haulage Reference Tariffs has been adopted, using a tariff basket approach to price control. To ensure price stability, Reference Tariffs for the Access Arrangement period have been set on the basis of a smoothed revenue, so that Tariffs move in a uniform and consistent manner as much as possible.

Reference Tariffs are designed to meet the Code's objectives. A key objective of the policy is to recover the efficient costs of providing Services, with emphasis on the safety and integrity of the Network, while providing certainty to Users and signalling appropriate development of the market through extension of the distribution system.

The Reference Tariffs are designed to be cost reflective to the extent possible, so that Reference Tariffs recover the efficient cost of providing the relevant Reference Service. The revenues associated with the Reference Tariffs also reflect efficient pricing principles, in that the revenue for each Reference Tariff has been set to be between incremental and stand-alone prices.

4.2 Assignment of Haulage Reference Tariffs

Where Envestra is charging a particular Haulage Reference Tariff in respect of a particular DP, then that particular Haulage Reference Tariff is to be regarded as being "assigned" to that DP.

Haulage Reference Tariffs will be assigned to DPs in accordance with the criteria set out in sections 2.2.1, 2.2.2, 2.2.3, 2.2.4 and 2.2.5 of this Access Arrangement.

4.3 Approved Reference Tariff Variation Methodologies

Section 8.3B of the Code allows the Reference Tariffs to vary within an Access Arrangement Period through the implementation of an Approved Reference Tariff Variation Methodology as provided for in sections 8.3B to 8.3H of the Code.

The Reference Tariffs for Haulage Reference Services will be varied through the implementation of two Reference Tariff Variation Methodologies, namely:

- (a) a Reference Tariff Control Formula Approach, which is described in section 4.2.1; and
- (b) a Trigger Event Adjustment Approach, which is described in section 4.3.

The Reference Tariffs for Ancillary Reference Services will also be varied through the implementation of two Reference Tariff Variation Methodologies, namely:

- (a) a Reference Tariff Control Formula Approach, which is described in section 4.2.2; and
- (b) a Trigger Event Adjustment Approach, which is described in section 4.3.

Reference Tariff variations are subject to the Regulator's approval in accordance with the Code.

Envestra will publish a revised Tariff Schedule on its website at www.envestra.com.au whenever the Reference Tariffs are varied in accordance with the Approved Reference Tariff Variation Methodology.

4.4 Reference Tariff Control Formulae

4.4.1 Haulage Reference Tariffs

Envestra will have the right to vary the Reference Tariff for any Haulage Reference Service at any time, in accordance with the procedure set out in sections 8.3B to 8.3H of the Code, subject to compliance with two Reference Tariff Control Formulae, which are set out in Annexure E to this Access Arrangement.

The first Reference Tariff Control Formula is designed to ensure that the average revenue (in \$/GJ) that Envestra receives from a Haulage Reference Service after 30 June 2007 does not increase, as a result of any proposed variation to Reference Tariffs, at a rate that is greater than the change in CPI – X (where X is the factor described in Annexure E and is set at -0.2 percent for the year commencing 1 July 2007, and -0.93 percent for the remaining years of the Second Access Arrangement Period from the year commencing 1 July 2008).

The second Reference Tariff Control Formula is designed to ensure that the average revenue (in \$/GJ) that Envestra receives from any single type of Haulage Reference Service, after any proposed variation to Reference Tariffs, does not increase by more than CPI plus 2.5 percent.

Both Reference Tariff Control Formulae set out in Annexure E compare the revenue from the pre-existing Reference Tariffs with revenue from the Reference Tariffs as varied, based on the Quantities of Gas (or other units of measurement, such as GJs of MDQ) that applied in the year two years prior to the year in which the Reference Tariffs are to be varied.

Subject to compliance with the two Reference Tariff Control Formulae, Envestra will have the ability to vary the Reference Tariffs for Haulage Reference Services within its discretion, in accordance with the procedure set out in sections 8.3B to 8.3H of the Code.

Changes in the Reference Tariffs may be effected:

- (a) through changes in the components, elements or variables comprised within any Reference Tariff (such as a change in the base charge or fixed charge within the Reference Tariff or a change in the steps, or the level of the steps, within the Reference Tariff);
- (b) through the introduction of a new Reference Tariff for any Haulage Reference Service (to apply in place of any pre-existing Reference Tariff, either in all circumstances or in certain circumstances);
- (c) through the withdrawal of any Reference Tariff; or
- (d) through any combination of these changes.

4.4.2 Ancillary Reference Services

Envestra will have the right to vary the Reference Tariffs for Ancillary Reference Services, initially on 1 July 2007, and thereafter annually during the Second Access Arrangement Period, in accordance with the procedure set out in sections 8.3B to 8.3H of the Code, on the

basis of the following Reference Tariff Control Formula:

$$ART_t = ART_{t-1} \cdot (1 + CPI_t)$$

where:

ART_t is the Reference Tariff that will apply to an Ancillary Reference Service in year t ;

ART_{t-1} is the Reference Tariff that applied to that Ancillary Reference Service in year $t-1$; and

CPI_t is the percentage change in CPI over the four quarters ending with the March quarter prior to year t .

Where the Reference Tariff for an Ancillary Reference Service (as varied) is less than \$20, the Reference Tariff (as varied) will be rounded to the nearest 10 cents (with five cents rounded upwards). Where the Reference Tariff for an Ancillary Reference Service (as varied) is \$20 or more, the Reference Tariff (as varied) will be rounded to the nearest dollar (with 50 cents rounded upwards).

4.5 Trigger Mechanism – Specified Events

4.5.1 There are three Specified Events under this Access Arrangement, as set out below.

(a) Network Projects

(1) Envestra is proposing to augment the network during the Second Access Arrangement Period by carrying out:

- (i) the project known as the Eastern Ring Main (as described in Envestra's September 2005 submission to the Regulator as part of Envestra's Access Arrangement review); and
- (ii) the project known as the Southern Loop (as described in Envestra's September 2005 submission to the Regulator as part of Envestra's Access Arrangement review); and
- (iii) renewal of the mains in the CBD of Adelaide.

(2) In accordance with the Regulator's Final Decision, the costs for the above projects will be allowed as a pass-through upon confirmation of the projects proceeding, such confirmation being Specified Events. Accordingly, Envestra will notify the Regulator when the following Specified Events occur:

- (i) a documented and firm commitment to construct and commission, prior to the end of the Access Arrangement Period, the Eastern Ring Main and the Southern Loop;
- (ii) a documented and firm commitment to renew, prior to the end of the Access Arrangement Period, the mains in the CBD of Adelaide.

(b) Change in Impost

Changes in Reference Tariffs will also be triggered when there are Changes in Imposts that materially affect the cost of providing Reference Services under the Access Arrangement. A Specified Event is:

(1) a Change in Imposts that materially increases or decreases the cost to Envestra of providing a Reference Service.

However a Change in Imposts does not include a change which was anticipated as at 30 June

2006 (that is, the change had been, as at 30 June 2006, announced by a government or relevant taxing or charging authority or had been introduced into Parliament as at 30 June 2006).

4.6 Trigger Event Adjustment

Section 8.3 allows a Reference Tariff Policy to specify that Reference Tariffs will vary through the implementation of a Trigger Event Adjustment Approach, whereby Reference Tariffs are varied in the manner specified in the Reference Tariff Policy upon the occurrence of a Specified Event.

If there is a Specified Event, then Reference Tariffs will be varied, in accordance with the procedure set out in sections 8.3B to 8.H of the Code, so that the estimated or forecast increase or decrease in the cost of providing that Reference Service is passed through to the relevant Network Users and so that Envestra is expected to be kept neutral to the financial effects flowing from the Specified Event.

For the purposes of section 8.3B of the Code, if Envestra wishes to vary a Reference Tariff as a result of a Specified Event, then the notice required under section 8.3B must be given to the Regulator within six months after the Specified Event.

4.7 Process - New Reference Tariff or Component

The process outlined in section 8.3 of the Code shall be followed in relation to any proposal for a new Reference Tariff or Reference Tariff Component. As part of that process, Envestra shall supply to the Regulator all relevant information necessary for the Regulator to assess the reasonableness of the proposed changes. Such information shall include the principles and data used in the formulation of the proposal.

4.8 Withdrawal of Reference Tariff or Component

The process outlined in section 8.3 of the Code shall be followed in relation to any proposal for the withdrawal of a Reference Tariff or Reference Tariff Component. As part of that process, Envestra shall supply to the Regulator all relevant information necessary for the Regulator to assess the reasonableness of the proposed changes. Such information shall include the principles and data used in the formulation of the proposal.

4.9 Procedure for Variations in Reference Tariffs

The process outlined in section 8.3 of the Code will apply in relation to changes to Reference Tariffs or Reference Tariff Components. If Envestra gives a notice to the Regulator under section 8.3B of the Code to vary any Reference Tariff, then, unless the Regulator disallows the variation under section 8.3E of the Code, the variation will take effect on and from the later of:

- (a) the date specified in Envestra's notice under section 8.3B; or
- (b) the date that is 35 days after the date of that notice.

4.10 Notice to Users

Envestra will notify Users in writing as soon as practicable if it intends to change Reference Tariffs or Haulage Reference Tariff Components.

4.11 New Tariff Schedule

Whenever any Reference Tariff is varied in accordance with the procedure set out in sections 8.3B to 8.3H of the Code, Envestra will publish a Tariff Schedule on its website at www.envestra.com.au, showing the Reference Tariffs (as varied) for the Reference Services.

4.12 Regulator's Decision is Conclusive

The Regulator's decision to allow a proposed variation in Reference Tariffs will be binding and conclusive on Network Users as to the Reference Tariffs that apply to Reference Services. Network Users will not have the right to challenge or otherwise dispute the Reference Tariffs as allowed from time to time by the Regulator or the basis on which those Reference Tariffs were calculated or determined.

4.13 Default Tariffs for Third Access Arrangement Period

If revisions to this Access Arrangement have not come into effect by 1 July 2011, then:

- (a) the Reference Tariffs for the Haulage Reference Services for the period between 1 July 2011 and the date the revisions come into effect will be adjusted on 1 July each year by Envestra, commencing on 1 July 2011, in a manner that is designed to change the average price per GJ for each Reference Tariff by the percentage change in the CPI; and
- (b) the Reference Tariffs for the Ancillary Reference Services for the period between 1 July 2011 and the date the revisions come into effect will be adjusted on 1 July each year by Envestra, commencing on 1 July 2011, by the percentage change in the CPI.

4.14 Treatment of Capital Expenditure for 2005/06

In rolling forward the Capital Base, the capital expenditure for 2005/06 was estimated to be \$25.97m (in Dec 05 dollars). Prior to commencement of the Third Access Arrangement Period, the actual capital expenditure for this year will be known.

Any difference between this estimated level and actual expenditure for the year should be taken into account when the roll-forward occurs at the next review, prior to the commencement of the Third Access Arrangement Period.

5. REFERENCE TARIFF POLICY – INCENTIVE MECHANISM

5.1 Fixed Principle - Incentive Mechanism

5.1.1 *Incentive Mechanisms*

Section 8.44 of the Code provides for a Service Provider's Reference Tariff Policy to include an incentive mechanism that permits the Service Provider to retain all, or any share of any, returns to the Service Provider from the sale of the Reference Services:

- (a) during the Access Arrangement Period, that exceed the level of returns expected for that Access Arrangement Period; or
- (b) during a period approved by the Regulator that exceed the level of returns expected for that period.

5.1.2 *General Principles*

- (1) The incentive arrangements that are to apply to cost-related efficiencies achieved by Envestra, and the adjustment to preserve the incentive to meet efficient growth in demand, are a combination of:
 - a tariff basket form of price control; and
 - the carryover that would result in Envestra retaining the reward associated with an efficiency-improving initiative for five years after the year in which the gain was achieved, ie. a reward (being the net amount of the efficiency gains (or losses) relating to capital and operating expenditure) earned in one year of an Access Arrangement Period would

be added to the Total Revenue and carried forward into the Third Access Arrangement Period if necessary, until it has been retained by Envestra for a period of five years.

- (2) There will be no claw-back of gains that have already been made (or losses that have been incurred) during the Second Access Arrangement Period. However, this principle should not be construed as a constraint on the operation of the efficiency carryover mechanism.
- (3) Subject to clause 5.1.3(2), efficiency gains (or losses) related to capital expenditure in any year will reflect the difference between the actual expenditure and the original forecast (or benchmark) expenditure level, as follows:

$$\text{Efficiency Gain} = \text{WACC} * (\text{Capex}_t^{\text{Forecast}} - \text{Capex}_t^{\text{Actual}})$$

where:

WACC is the prevailing regulatory WACC, expressed in pre-tax terms.

- (4) Subject to clause 5.1.3(1), for operating expenditure the annual efficiency gain (or loss) in Financial Year t will be calculated as:

$$\text{Efficiency Gain} = \text{Underspending}_t - \text{Underspending}_{t-1}$$

where:

$$\text{Underspending}_t = \text{Opex}_t^{\text{Forecast}} - \text{Opex}_t^{\text{Actual}}$$

- (5) The costs associated with an Impost or complying with any retailer of last resort requirements will be excluded from the operation of the efficiency carryover mechanism.
- (6) Any other activity that Envestra and the Regulator agree to exclude from the operation of the efficiency carryover mechanism will be so excluded.
- (7) For the avoidance of doubt, the forecast expenditure amounts that are used as the basis for measuring efficiencies relate to the expenditure benchmarks approved by the Regulator.

5.1.3 The mechanism for carrying over efficiency gains

- (1) For operating expenditure, it will be assumed that Envestra does not achieve more than the forecast productivity gain between the penultimate and last years of the Second Access Arrangement Period. As a result, if Envestra makes an efficiency gain in the last year of the Second Access Arrangement Period, there would be no carryover in respect of that year.
- (2) For capital expenditure, it will be assumed that the actual expenditure in the last year of the Second Access Arrangement Period was equal to the forecast for that year. As a result, if Envestra makes an efficiency gain in the last year of the Second Access Arrangement Period, there will be no carryover in respect of that year. However, the regulatory asset base (and thus the return on assets) would be higher than otherwise over the next period. This would imply that the "return on assets" included in the revenue benchmarks would be higher, and provide Envestra with precisely the same reward as the carryover had the expenditure level in the last year been known. At the following review, the regulatory asset base would be adjusted to take account of the difference between the forecast and actual capital expenditure for the last year of the Second Access Arrangement Period.
- (3) There will be no adjustment to the original expenditure benchmarks against which the

assessment of the efficiency gains in excess of the forecast would be measured, with the following exception:

- the carryover of cost-related efficiency gains will be calculated in a manner that takes account of any change in the scope of the activities which form the basis of the determination of the original benchmarks, but only where the scope changes arise from exogenous factors and where they impose material additional costs to Envestra. Any adjustment will be made following the provision of relevant information to the Regulator and the assessment of that information by the Regulator.

- (4) To the extent that the application of this clause results in a positive efficiency carryover at the end of the Second Access Arrangement Period, the reward earned in the Second Access Arrangement Period is to be added to the Total Revenue and carried forward into the Third Access Arrangement Period, until it has been retained by Envestra for a period of five years, in accordance with this clause.

To the extent that the application of this clause results in a negative efficiency carryover amount, the treatment of that amount (i.e. whether it will be carried over) will be determined by the Regulator at the time of the next review.

6. TERMS AND CONDITIONS

6.1 Reference Services

Reference Services will be provided to Network Users under this Access Arrangement on and subject to the terms of an Agreement that will comprise:

- (a) the Specific Terms and Conditions, in the form set out in Annexure F; and
- (b) the terms and conditions set out in Annexure G (**the General Terms and Conditions**).

The Specific Terms and Conditions is a standard form document that contains details which will vary from Network User to Network User and from Agreement to Agreement. The blank spaces in the standard form are to be completed and the document signed by Envestra and the Network User to evidence the Agreement between them.

As is apparent from the form of the Specific Terms and Conditions set out in Annexure F, the details to be completed are as follows:

- (a) details of each User Receipt Point at which Gas is to be delivered to Envestra by or for the account of that Network User pursuant to the Agreement;
- (b) details of each User DP at which Gas is to be delivered by Envestra to or for the account of that Network User pursuant to the Agreement;
- (c) the period for which the Agreement is to remain in force (assuming it is not terminated earlier in accordance with the General Terms and Conditions);
- (d) the date on which Envestra is to commence providing Reference Services pursuant to the Agreement;
- (e) where required, details of the maximum Quantity of Gas Envestra is obliged to deliver through each User Demand DP to or for the account of the Network User during any Network Day and during any period of 60 minutes; and
- (f) an address and facsimile number for the purposes of the service of notices on the Network User pursuant to the Agreement.

As regards paragraphs (a) and (b), it is possible that a Network User will wish to deliver Gas to Envestra through multiple/different Receipt Points that vary over the term of the Agreement or requires

Envestra to deliver Gas through multiple/different DPs that will vary over the term of the Agreement. In this case, the Specific Terms and Conditions will describe how those Receipt Points and DPs will be determined and identified from time to time over the term of that Agreement. In the case of retailers who wish to be able to deliver Gas through multiple/different DPs that vary over the time, Envestra expects that the User DPs will be defined as those DPs in respect of which the Network User is the current user under the Retail Market Rules.

As regards paragraph (e), the MDQ for a User DP will be determined by negotiation between Envestra and the Network User. If no MDQ has been or is agreed for a User DP, then the MDQ will be determined by Envestra acting reasonably, having regard to historical data about the Quantities of Gas delivered through the relevant User DP and any other factors Envestra considers relevant.

6.2 Pre-Conditions to Network Services

A Prospective Network User that requires a Network Service must satisfy a number of pre-conditions before Envestra is required to provide that Network Service. These pre-conditions are as follows:

- (a) the Network User must satisfy Envestra that the Network User meets the requirements of Envestra's Credit Policy;
- (b) the Network User must satisfy Envestra that the Network User has adequate arrangements in place to ensure that the aggregate Quantity of Gas delivered to Envestra by or for the account of the Network User will be equal at all times to the aggregate Quantity of Gas delivered by Envestra to or for the account of the Network User;
- (c) the Network User must satisfy Envestra that the Network User has adequate arrangements in place to ensure that the Network User will comply with its obligations to Envestra in relation to the Network Service; and
- (d) the Network User must execute a written agreement setting out or incorporating the terms and conditions on which Envestra is to provide the Network User with the Network Service.

As at the date of this Access Arrangement, pre-condition (b) will generally be satisfied if the Network User is bound by the Retail Market Rules.

6.3 Credit Policy

Envestra will not be required to provide Network Services to a Network User, or Prospective Network User, who does not meet the requirements of Envestra's Credit Policy. The Credit Policy requires that:

- (a) a Network User must be resident in Australia or have a permanent establishment in Australia;
- (b) (if the Network User is incorporated or constituted under any law other than the Corporations Act 2001) the Network User must have provided Envestra with a legal opinion in form and substance satisfactory to Envestra that confirms:
 - (i) the due incorporation and good standing of the Network User;
 - (ii) the legal capacity of the Network User to enter into and perform the Agreement between the Network User and Envestra; and
 - (iii) the due execution of that Agreement and the enforceability of that Agreement against the Network User;
- (c) the Network User must be capable of being sued in its own name in courts established under the laws of South Australia and other States;
- (d) the Network User must not enjoy any immunity from legal proceedings or legal process (including, but without limitation, any immunity from execution);

- (e) the Network User must have an acceptable credit rating, or provide Envestra with security acceptable to Envestra, on terms and conditions acceptable to Envestra;
- (f) the Network User must have the necessary financial capability to discharge its present and future obligations in relation to Network Services; and
- (g) the Network User must not be an externally-administered body corporate or insolvent under administration (as defined in the Corporations Act 2001) or under a similar form of administration under any laws applicable to the Network User in any jurisdiction.

For the purposes of paragraph (e), Envestra will from time to time determine what constitutes an acceptable credit rating. Until otherwise determined by Envestra, an acceptable credit rating is a rating of BBB or higher for long-term unsecured counterparty obligations of the entity, as rated by Standard & Poors (Australia) Pty Ltd.

Whenever Envestra decides to alter the acceptable credit rating, it will notify all Network Users and Prospective Network Users of the acceptable credit rating or ratings as altered. This information will also be included in the Information Package that Envestra is required to maintain under the Code.

For the purposes of paragraph (e), acceptable security will be a bank guarantee, the amount of which shall not exceed Envestra's reasonable estimate of three months average Charges (calculated by reference to a 12 month period).

6.4 Pre-existing Rights

In accordance with section 2.25 of the Code, no Network User or Prospective Network User will be entitled to a Network Service to the extent that the provisions of that Network Service will deprive a person of their contractual rights under a pre-existing agreement (to the extent that those rights do not constitute Exclusivity Rights which arose on or after 30 March 1995).

7. CAPACITY MANAGEMENT POLICY

The Network is a Contract Carriage Pipeline. A Network User may trade Contracted Capacity in accordance with the Trading Policy set out in section 8.

8. TRADING POLICY

8.1 Retail Market Rules

The Network is subject to the Retail Market Rules. Under the Retail Market Rules, the gas retailer who is responsible for a DP becomes the "current user" of that DP under the Retail Market Rules. The Retail Market Rules establish procedures by which any retailer can become the current user of a DP with the informed consent of the customer at that DP. In broad terms, as a result of the Retail Market Rules, each customer is able to choose their gas retailer, subject to whatever commitments the customer might have.

In practical terms, the existence of the Retail Market Rules means that Network Users will not trade contractual rights to capacity in the Network. Rather, Network Users who are gas retailers will acquire customers, and lose customers, in accordance with the Retail Market Rules.

As noted earlier (see section 6.1), where Envestra enters into an Agreement for the provision of Haulage Reference Services to a gas retailer who wishes to be able to deliver Gas through multiple/different DPs that vary over the time, Envestra expects that the User DPs will be defined (in the Specific Terms and Conditions) as those DPs in respect of which the Network User is the current user under the Retail Market Rules. In this way, the Agreement will require Envestra to provide Haulage Reference Services to those DPs in respect of which the Network User is or becomes the

current user under the Retail Market Rules, for so long as the Network User remains the current user of that DP under the Retail Market Rules.

The Code was written before the Retail Market Rules were developed and requires this Access Arrangement to include a trading policy that complies with the Code. The trading policy applicable to the Network is set out in sections 8.2, 8.3, 8.4 and 8.5. For the reasons explained in this section 8.1, the trading policy is unlikely to have practical significance to gas retailers.

8.2 Bare Transfers

A Network User is permitted to transfer or assign all or part of its Contracted Capacity without the consent of Envestra if:

- (a) the Network User's obligations under the Agreement related to that Contracted Capacity remain in full force and effect after the transfer or assignment; and
- (b) the terms of that Agreement are not altered as a result of the transfer or assignment (a **Bare Transfer**).

Prior to using any Contracted Capacity that is the subject of a Bare Transfer, the transferee must notify Envestra of the nature of the Contracted Capacity that is subject to the Bare Transfer.

8.3 Other Transfers

A Network User is permitted to transfer or assign all or part of its Contracted Capacity (other than by way of a Bare Transfer) with the prior written consent of Envestra, where the transfer or assignment is commercially and technically reasonable.

Envestra may withhold its consent only on reasonable commercial and technical grounds, and may make its consent subject to conditions, but only if they are reasonable on commercial and technical grounds.

Examples of the reasonable commercial or technical grounds upon which Envestra will withhold its consent or make its consent subject to conditions include:

- (a) where there is insufficient Capacity at any point in the Network (either before or as a result of the transfer) to enable the proposed Contracted Capacity to be transferred or assigned to the proposed User DP;
- (b) where Envestra would receive less revenue as a result of the proposed transfer or assignment of Contracted Capacity; and
- (c) where the proposed transferee is unable to satisfy Envestra that it is able to meet the requirements set out in section 6 of this Access Arrangement.

8.4 Delivery and Receipt Points

A Network User is permitted to change a DP and/or Receipt Point from that specified in an Agreement with the prior written consent of Envestra where the change is commercially and technically reasonable.

Envestra may withhold its consent only on reasonable commercial and technical grounds, and may make its consent subject to conditions, but only if they are reasonable on commercial and technical grounds.

8.5 Procedure

The following procedure is to be followed in relation to transfers or assignments of Contracted Capacity (other than Bare Transfers) and changes to Delivery and/or Receipt Points:

- (a) The party requesting the transfer/assignment or a change to a Delivery/Receipt Point shall submit a written request to Envestra, setting out the applicable details. A fee of \$100, payable at the time of the request, will apply to each request.
- (b) Envestra will complete an analysis to determine whether the request is technically and commercially feasible and reasonable. The cost of completing this analysis will be borne by the party that makes the request. Charges for the analysis may be made in relation to Demand DPs only, and may vary depending on the complexity of analysing the request, but will be agreed in advance with the party making the request. Costs will be based on an hourly rate of \$100 per person per hour for each hour after the first hour.

9. EXTENSIONS AND EXPANSIONS POLICY

9.1 Introduction

Sections 9.1 and 9.2 describe the treatment of extensions to the Network or expansions of the Network. Extensions and expansions include any Pipelines or other system assets added to the Network, as it existed on 30 June 2006.

9.2 Coverage

Expansions of the Covered Pipeline will be treated as part of the Covered Pipeline for all purposes of the Code.

If an extension was included in the calculation of the Reference Tariffs, then that extension will be treated as part of the Covered Pipeline for all purposes of the Code.

An extension which is directly connected to an existing Covered Pipeline will not be treated as part of the Covered Pipeline through the operation of the extensions/expansion policy if:

- (a) the extension is a significant extension (or where Envestra can demonstrate the extension represents a special case); and
- (b) Envestra obtains the Regulator's written approval to exclude the extension from the Covered Pipeline.

For these purposes, a Significant Extension is an extension to one or more DPs, where the anticipated Quantity of Gas delivered exceeds 10TJ per year.

9.3 Effect of Extension/Expansion on Reference Tariffs

Where the New Facilities Investment associated with the extension or expansion satisfies the requirements of section 8.16 of the Code, Incremental Users will be charged at the prevailing Reference Tariffs.

Where the New Facilities Investment does not satisfy the requirements of section 8.16 of the Code, Envestra may elect by written notice to the Regulator to recover all or part of the amount that it would not recover at the Prevailing Tariffs, through a Surcharge that is levied on Users of the Incremental Capacity.

9.4 No Obligation to Undertake Extensions or Expansions

Envestra will have no obligation to fund any extension to the Network or any expansion of the Network.

10. REVIEW OF THE ACCESS ARRANGEMENT

10.1 Revisions Submission Date

Envestra will submit revisions to this Access Arrangement to the Regulator on or before 1 October 2010.

10.2 Revisions Commencement Date

The revisions to this Access Arrangement referred to in section 10.1 will commence on the later of 1 July 2011 and the date on which their approval takes effect under the Code.

11. GLOSSARY

In this Access Arrangement and the Access Arrangement Information, unless the contrary intention appears:

- (1) **'Adelaide Region'** means the area shown in Annexure C as the Adelaide Region.
- (2) **'Agreement'** means the contract between Envestra and a Network User for the provision of Network Services.
- (3) **'Ancillary Reference Service'** means a Network Service described in section 2.3 of this Access Arrangement.
- (4) **'Business Day'** means a day other than a Saturday, Sunday or public holiday in South Australia.
- (5) **'Central Zone'** means the area within the Adelaide Region that is shown in Annexure D as the Central Zone.
- (6) **'Change in Imposts'** means the introduction of a New Impost, the withdrawal of any Impost (including any New Impost) or a variation or change in the way in which any Impost (including any New Impost) is applied, calculated or determined.
- (7) **'Charges'** means the charges payable by the Network User under the Agreement and, in relation to a User DP, means the charges payable by the Network User in relation to that DP as determined in accordance with the Agreement
- (8) **'Code'** means the National Third Party Access Code for Natural Gas Pipeline Systems.
- (9) **'Commercial DP'** has the meaning given to it in section 2.2.3 of this Access Arrangement.
- (10) **'Commercial Haulage Service'** means the Network Service that is described in section 2.2.3 of this Access Arrangement.
- (11) **'CPI'** means the Consumer Price Index (All Groups Weighted Average for the Eight Capital Cities) as published by the Australian Bureau of Statistics or its successor or, if that Consumer Price Index is not published for any reason, whatever alternative index Envestra determines (with the Regulator's approval) from time to time is reasonably equivalent to that Consumer Price Index.
- (12) **'Credit Policy'** means the policy described in section 6.4 of this Access Arrangement.
- (13) **'Cubic Metre'**, in relation to Gas, means the amount of that Gas which, at Standard Conditions, would occupy a volume of one cubic metre.
- (14) **'Customer'** means any person to whom Gas is, or is to be, supplied through the Network.
- (15) **'Cycle'**, in relation to a Demand DP, means the period between any two readings of the Metering Equipment at that DP which are 30 days, or approximately 30 days, apart and, in relation to a Volume DP, means the period between any two readings of the Metering Equipment at that DP which are 90 days, or approximately 90 days, apart.
- (16) **'Delivery Point'** or **'DP'** means a point on the Network at which Gas is, or is to be, delivered out of the Network.
- (17) **'Demand DP'** has the meaning given to it in section 2.2.2 of this Access Arrangement.
- (18) **'Demand Haulage Service'** means the Network Service that is described in section 2.2.2 of this Access Arrangement.
- (19) **'Disconnect'** means remove the Metering Equipment at a DP, or use locks or plugs on that Metering Equipment, in order to prevent the withdrawal of Gas at a DP.
- (20) **'Distribution Licence'** means a licence granted to Envestra under the *Gas Act 1997 (SA)*, which authorises the operation of the Network or any part of it.
- (21) **'Domestic DP'** has the meaning given to it in section 2.2.1 of this Access Arrangement.
- (22) **'Domestic Haulage Service'** means the Network Service that is described in section 2.2.1 of this

Access Arrangement.

- (23) 'Gas' has the meaning given to 'natural gas' in the *Gas Pipelines Access (South Australia) Act 1997*.
- (24) 'Gas Delivery Zone' means an area which Envestra from time to time defines as a Gas Delivery Zone having regard to whether it is physically possible to deliver Gas from a given User Receipt Point to a given User DP (and, for this purpose, the Gas Delivery Zones as at the date of this Access Arrangement are the areas defined as Gas Delivery Zones on the map set out as Annexure H to this Access Arrangement).
- (25) 'General Terms and Conditions' has the meaning given to it in section 6.1.
- (26) 'GJ' means a gigajoule, which is 1000 megajoules.
- (27) 'Gross Heating Value' means the energy produced by the complete combustion of one Cubic Metre of Gas with air, at Standard Conditions, the product of combustion cooled to a temperature of 15 degrees Celsius and the water vapour formed by the combustion condensed to a liquid state.
- (28) 'Haulage Reference Service' means the Commercial Haulage Service, the Demand Haulage Service or the Domestic Haulage Service.
- (29) 'Impost' means any royalty, duty, excise, tax, impost, levy, fee or charge (including, but without limitation, any goods and services tax) imposed by the Commonwealth of Australia, any State or Territory of Australia, any local government or statutory authority or any other body (authorised by law to impose such an impost, tax or charge) on or in respect of the Network (or any part of it) or on or in respect of the operation, repair, maintenance, administration or management of the Network (or any part of it) or on or in respect of the provision of any Network Service. An impost must also not arise as a result of Envestra's actions and be beyond Envestra's control (that is, the impost must not arise due to Envestra's breach of a law or failure to pay a tax or charge by the due date for payment). To avoid doubt, an impost is regarded as beyond Envestra's control, and as not arising as a result of Envestra's actions, where it arises in the course of the provision of the Reference Service (rather than arising as a result of Envestra's breach of a law or failure to pay a tax or charge by the due date for payment).
- (30) 'Interest Rate' means the Commonwealth Bank of Australia corporate overdraft reference rate, as varied from time to time.
- (31) 'Interruptible DP' means any DP through which Envestra delivers Gas, or is to deliver Gas, pursuant to a contract or arrangement that permits or authorises Envestra to interrupt or curtail the delivery of Gas at any time and for any reason without penalty or sanction or any other consequence adverse to the interests of Envestra.
- (32) 'Maximum Daily Quantity' or 'MDQ', in relation to a DP, means the maximum Quantity of Gas which Envestra is required to deliver through that DP to or for the account of a Network User during any Network Day, as specified in, or determined in accordance with, the Specific Terms and Conditions, as increased from time to time in accordance with clauses 6.4, 6.5 and 6A.1 of the General Terms and Conditions, and as decreased from time to time in accordance with clause 7A.3 of the General Terms and Conditions.
- (33) 'Maximum Hourly Quantity' or 'MHQ', in relation to a Demand DP, means one twelfth of the MDQ for that DP, from time to time, unless agreed otherwise.
- (34) 'Metering Equipment', in relation to a User DP, means metering equipment owned or operated by Envestra at that User DP and, in relation to a User Receipt Point, means the metering equipment owned or operated by Envestra at that User Receipt Point or, if Envestra does not own or operate metering equipment at that User Receipt Point, the metering equipment provided by or on behalf of the Network User at that Receipt Point.
- (35) 'Metering Year', in relation to a DP, means the period between any two readings of the Metering Equipment at that DP which are 12 months, or approximately 12 months, apart.
- (36) 'Negotiated Service' means a Network Service of the type described in section 2.4 of this Access

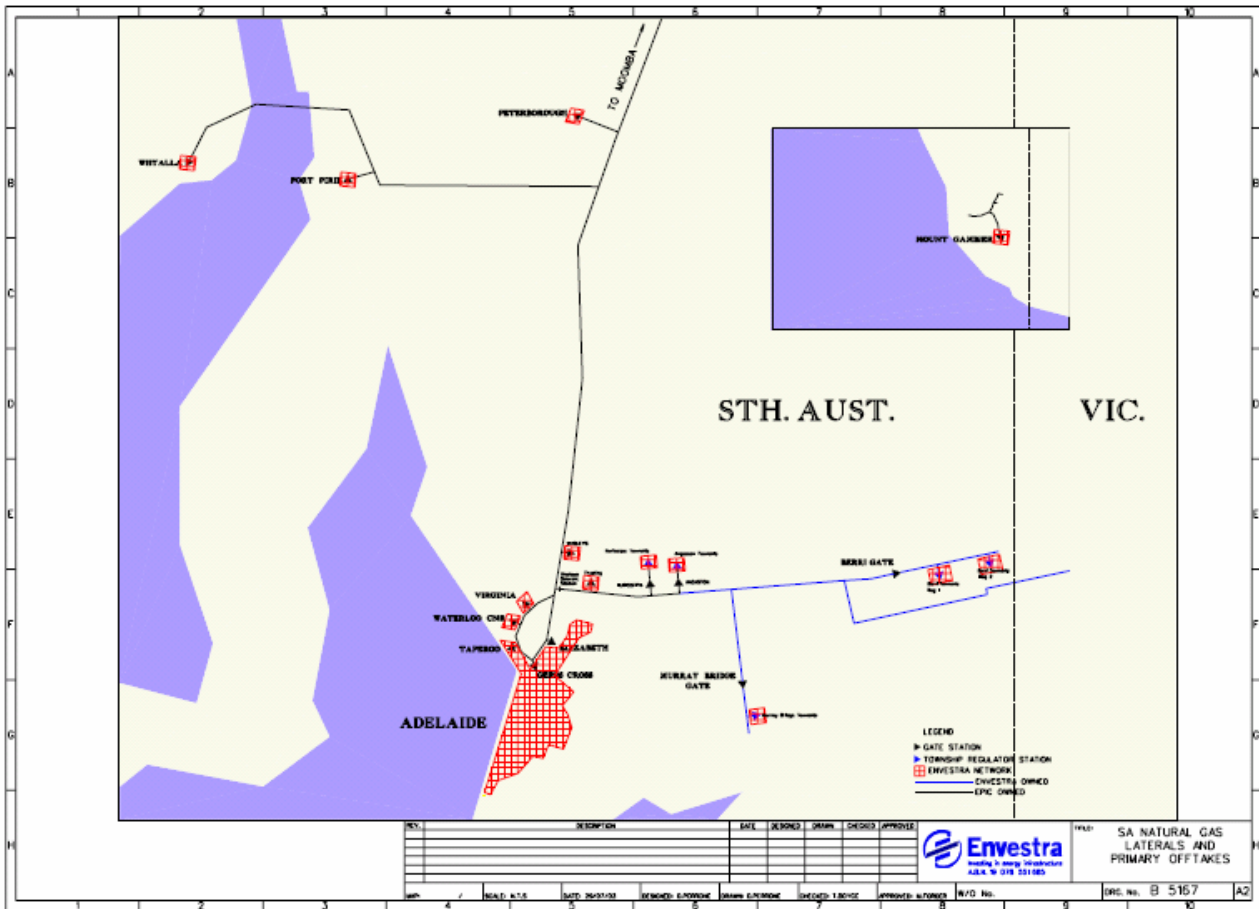
Arrangement.

- (37) **'Network'** means the distribution mains that are the subject of this Access Arrangement from time to time, together with inlets, regulators, metering equipment, pipes and all ancillary equipment.
- (38) **'Network Day'** means a period of 24 consecutive hours that commences at 6:00am Central Standard Time.
- (39) **'Network Service'** means a Service provided by means of the Network.
- (40) **'Network User'** means a person who has a current contract for a Network Service or where there has been an arbitration, has an entitlement to a Network Service.
- (41) **'Network User's Customer'** means any person to whom a Network User supplies Gas, or is to supply Gas, through the Network.
- (42) **'New Impost'** means any Impost that was not in force on 30 June 2005 or that was in force but is applied, calculated or determined at a different rate or in a different way to the way it was applied, calculated or determined in the period prior to 30 June 2005.
- (43) **'Northern Zone'** means the area within the Adelaide Region that is shown in Annexure D as the Northern Zone.
- (44) **'Overrun Rate'** in relation to a given Network Day, means the amount specified as the Overrun Rate in the Tariff Schedule applicable on that Network Day.
- (45) **'Peterborough Region'** means the area shown in Annexure C as the Peterborough Region.
- (46) **'Planned Maintenance'** means maintenance that is planned in advance, where the plan to undertake that maintenance was developed or formulated at least seven days before the date on which that maintenance is scheduled to occur.
- (47) **'Port Pirie Region'** means the area shown in Annexure C as the Port Pirie Region.
- (48) **'Prospective Network User'** means a person who seeks or who is reasonably likely to seek to enter into a contract for a Network Service and includes a Network User who seeks or may seek to enter into a contract for an additional Network Service.
- (49) **'Quantity of Gas'** means the quantity of Gas determined in accordance with the Agreement.
- (50) **'Receipt Point'** means a point on the Network at which Gas is, or is to be, received into the Network.
- (51) **'Reconnect'**, in relation to a DP that has been Disconnected, means remove any locks or plugs that were used to prevent the withdrawal of Gas through that DP or, if the Metering Equipment at that DP was removed, reinstall Metering Equipment at that DP, in order to permit the withdrawal of Gas through that DP.
- (52) **'Reference Tariff'** means the Tariff that corresponds to a Haulage Reference Service or an Ancillary Reference Service.
- (53) **'Region'** means the Adelaide Region, the Peterborough Region, the Port Pirie Region, the Riverland Region, the South East Region or the Whyalla Region.
- (54) **'Regulator'** means the Essential Services Commission of South Australia.
- (55) **'Related Haulage Agreement'** (in an Agreement between Envestra and a Network User) means any other agreement between Envestra and that Network User under which Envestra delivers, or is to deliver, Gas through the Network to or for the account of that Network User.
- (56) **'Retail Market Rules'** means the retail market rules within the meaning of the *Gas Act 1997 (SA)*.
- (57) **'Riverland Region'** means the area shown in Annexure C as the Riverland Region.
- (58) **'Second Access Arrangement Period'** means the period from 13 November 2006 to 30 June 2011.
- (59) **'South East Region'** means the area shown in Annexure C as the South East Region.
- (60) **'Southern Zone'** means the area within the Adelaide Region that is shown in Annexure D as the Southern Zone.

- (61) **'Specific Terms and Conditions'** means the specific terms and conditions as described in section 6.1 (and, in relation to an Agreement between Envestra and a Network User, means the Specific Terms and Conditions which form part of that Agreement).
- (62) **'Standard Conditions'** means a temperature of 15 degrees Celsius and an absolute pressure of 101.325 kilopascals.
- (63) **'Start Date'**, in relation to an Agreement, means the date on which Envestra commences, or is to commence, providing Network Services to a Network User pursuant to that Agreement as specified in, or determined in accordance with, the Specific Terms and Conditions.
- (64) **'Sub-Network'** means any part of the Network that is physically discrete from the remainder of the Network (in the sense that, having regard to the physical configuration of the Network and the flow of Gas within the Network, it is physically impossible to transport Gas delivered at a User Receipt Point on that part of the Network to DPs on the remainder of the Network).
- (65) **'Tariff R, Tariff C and Tariff D'** refer to Tariffs applicable to Domestic (residential), Commercial and Demand DPs respectively.
- (66) **'Tariff Schedule'** means the tariff schedule contained in Annexure B to this Access Arrangement or, if Envestra has published a revised tariff schedule, the tariff schedule in effect from time to time.
- (67) **'Technical Regulator'** has the meaning given to it in the *Gas Act 1997 (SA)*.
- (68) **'Term'**, in relation to an Agreement, means the period on and from the Start Date of that Agreement up to, and including, the date on which the Agreement terminates in accordance with its terms.
- (69) **'Third Access Arrangement Period'** means the period from 1 July 2011 to 30 June 2016.
- (70) **'TJ'** means a terajoule, which is 1000 gigajoules.
- (71) **'Transmission Operator'** means the operator of a transmission or other pipeline through which Gas is delivered to any Receipt Point.
- (72) **'Unaccounted for Gas' or 'UAFG'** means the difference between the Quantity of Gas received into the Network and delivered out of the Network, over a specified period of time.
- (73) **'User DP'**, in relation to a Network User, means a DP through which Gas is delivered, or is to be delivered, to or for the account of the Network User, as specified in, or determined in accordance with, the Specific Terms and Conditions.
- (74) **'User Receipt Point'**, in relation to a Network User, means a Receipt Point through which Gas is delivered, or is to be delivered, to or for the account of that Network User, as specified in, or determined in accordance with, the Specific Terms and Conditions.
- (75) **'Volume DP'** means a Commercial DP or a Domestic DP.
- (76) **'Volume of Gas'** means volume in Cubic Metres.
- (77) **'Whyalla Region'** means the area shown in Annexure C as the Whyalla Region.
- (78) **'Year'** means any period of 12 consecutive months.
- (79) **'Zone'** means the Central Zone, the Northern Zone or the Southern Zone.

ANNEXURE A

Envestra SA Gas Distribution Systems



ANNEXURE B

Tariff Schedule – for all tariffs from 13 November 2006 to 30 June 2007

Table 1 - Tariff R (Domestic Delivery Points)

Daily Charges (exc GST)	
Base Charge	\$0.2290
Charge for the first 0.0493 GJ of Gas delivered (\$/GJ)	\$9.9770
Charge for additional Gas delivered (\$ per GJ)	\$4.7580

Notes:

- 1. The total daily Charge will comprise the Base Charge plus a Charge for the Quantity of Gas delivered (or estimated to have been delivered) through the Domestic Delivery Point to or for the account of the Network User.*
- 2. The Charge for the Quantity of Gas delivered (or estimated to have been delivered) through the Domestic Delivery Point to or for the account of the Network User will be calculated at the rates shown in the table.*
- 3. A reference in the table to the Gas delivered is a reference to Gas delivered whether for the account of the Network User or for the account of any other person or persons.*
- 4. Charges will be calculated to the nearest cent, with one-half of a cent rounded upwards.*

Table 2 - Tariff C (Commercial Delivery Points)

Daily Charges (exc GST)	
Base Charge	\$0.4670
Charge for the first 0.9863 GJ of Gas delivered (\$/GJ)	\$7.3590
Charge for the next 4.2740 GJ of Gas delivered (\$/GJ)	\$4.2270
Charge for the next 11.1780 GJ of Gas delivered (\$/GJ)	\$1.8500
Charge for additional Gas delivered (\$/GJ)	\$0.7880

Notes:

- 1. The total daily Charge will comprise the Base Charge plus a Charge for the Quantity of Gas delivered (or estimated to have been delivered) through the Domestic Delivery Point to or for the account of the Network User.*
- 2. The Charge for the Quantity of Gas delivered (or estimated to have been delivered) through the Domestic Delivery Point to or for the account of the Network User will be calculated at the rates shown in the table.*
- 3. A reference in the table to the Gas delivered is a reference to Gas delivered whether for the account of the Network User or for the account of any other person or persons.*
- 4. Charges will be calculated to the nearest cent, with one-half of a cent rounded upwards.*

**Tables 3 and 4 - Tariff D (Demand Haulage Service)
Adelaide Region¹**

MDQ at Delivery Point	Monthly Charge (exc GST)		
	Northern Zone	Central Zone	Southern Zone
50GJ or less	\$2,130	\$2,130	\$2,130
Next 50GJ \$/GJ of MDQ for MDQ over 50GJ	\$28.43	\$33.88	\$39.95
Next 900GJ \$/GJ of MDQ for MDQ over 100GJ	\$18.92	\$22.89	\$26.59
Additional GJ \$/GJ of MDQ for MDQ over 100GJ	\$5.61	\$6.49	\$7.93

Other Regions

MDQ at Delivery Point	Monthly Charge (exc GST)				
	Port Pirie Region	Riverland Region	South East Region	Peterborough Region	Whyalla Region
50GJ or less	\$2,130	\$2,953	\$2,130	\$2,953	\$2,130
Next 50GJ \$/GJ of MDQ for MDQ over 50GJ	\$28.42	\$41.61	\$28.42	\$41.71	\$28.53
Next 400GJ \$/GJ of MDQ for MDQ over 100GJ	\$15.43	\$27.20	\$15.43	\$27.20	\$15.43
Next 500GJ \$/GJ of MDQ for MDQ over 500GJ	\$6.36	\$27.20	\$15.43	\$27.20	\$15.43
Greater than 1,000GJ \$/GJ of MDQ for MDQ over 1,000GJ	\$5.19	\$5.61	\$5.61	\$5.61	\$5.61

¹ The North Western Zone that existed in the first Access Arrangement period will be eliminated at the commencement of the Second Access Arrangement Period.

Notes:

1. The Charge for a calendar month will accrue from day to day in equal portions.
2. Charges will be calculated to the nearest cent, with one-half of a cent being rounded upwards.
3. For the purpose of calculating daily overrun charges pursuant to clause 6 of the General Terms and Conditions, the overrun rate is \$12 per GJ (excl GST).

**Table 5 – Ancillary Reference Tariffs
(exc GST)²**

Ancillary Reference Service	Tariff
Special Meter Read	\$8.00
Disconnection Service	\$55
Reconnection Service	\$55

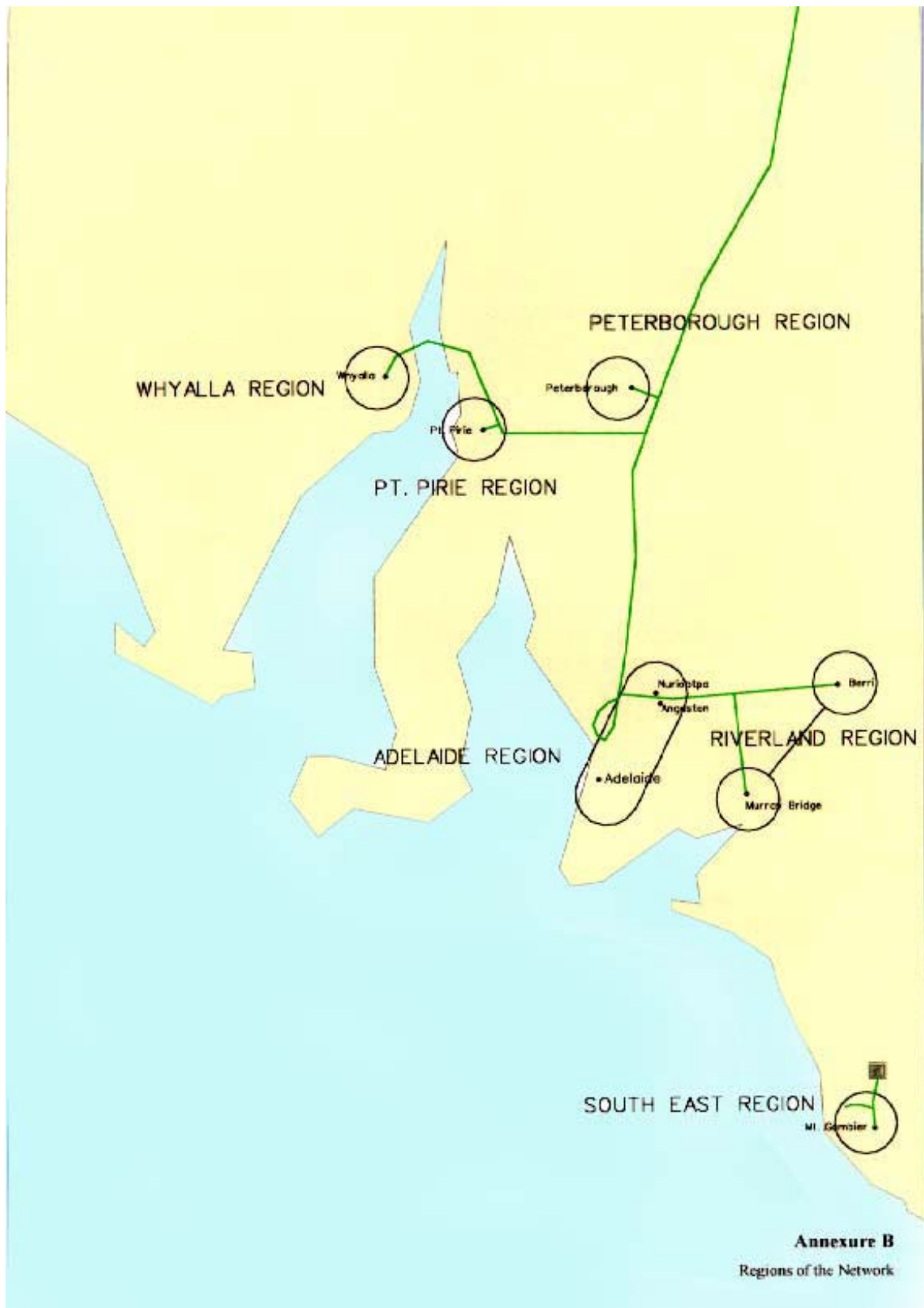
Note:

Where the Reference Tariff for an Ancillary Reference Service (as varied) is less than \$20, the Reference Tariff (as varied) will be rounded to the nearest 10 cents (with five cents rounded upwards). Where the Reference Tariff for an Ancillary Reference Service (as varied) is \$20 or more, the Reference Tariff (as varied) will be rounded to the nearest dollar (with 50 cents rounded upwards).

² These Ancillary Reference Tariffs will take effect from the commencement of the Second Access Arrangement Period.

ANNEXURE C

Map showing Regions of the Network



ANNEXURE D

Map showing Tariff Zones within the Adelaide Network



ANNEXURE E

Reference Tariff Control Formulae

Any changes to the Reference Tariffs must comply with the formulae set out in this Annexure

BOX 1: TARIFF CONTROL FORMULA

The following formula applies separately to each of Tariff R, C and D:

$$(CPI_t)(1 - X_t) \geq \frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} \cdot q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} \cdot q_{t-2}^{ij}}$$

where:

CPI_t is calculated as the CPI for the year ending 31 March immediately preceding the start of year t , divided by the CPI for the year ending 31 March immediately preceding the start of year $t-1$;

X_t is -0.002 for 2007/08;

X_t is -0.0093 for 2008/09 – 2010/11;

n is the number of different Reference Tariffs;

m is the different components, elements or variables ("components") comprised within a Reference Tariff;

p_t^{ij} is the proposed component j of Reference Tariff i in year t ;

p_{t-1}^{ij} is the prevailing component j of Reference Tariff i in year $t-1$; and

q_{t-2}^{ij} is the quantity of component j of Reference Tariff i that was sold in year $t-2$ (expressed in the units in which that component is expressed (eg, GJs or GJ of MDQ)).

BOX 2: REBALANCING CONTROL FORMULA

$$(CPI_t)(1 - X_t)(1 + Y_t) \geq \frac{\sum_{j=1}^m p_t^j \cdot q_{t-2}^j}{\sum_{j=1}^m p_{t-1}^j \cdot q_{t-2}^j}, i = 1, \dots, n$$

where:

CPI_t is calculated as the CPI for the year ending 31 March immediately preceding the start of year t , divided by the CPI for the year ending 31 March immediately preceding the start of year $t-1$;

X_t is -0.002 for 2007/08;

X_t is -0.0093 for 2008/09 – 2010/11;

Y_t is 0.025;

m is the components comprised within Reference Tariff ;

p_t^j is the proposed component j of Reference Tariff in year t ;

p_{t-1}^j is the prevailing component j of Reference Tariff in year $t-1$;

q_{t-2}^j is the quantity of component j of Reference Tariff that was sold in year $t-2$ (expressed in the units in which that component is expressed (eg, GJs or GJ of MDQ)); and

n is the number of different Reference Tariffs.

ANNEXURE F

Specific Terms and Conditions

Network User ¹
User Receipt Points The Receipt Points identified in, or identified in accordance with, Schedule 1 to these Specific Terms and Conditions (as that Schedule may be amended from time to time by agreement in writing between the Network User and Envestra).
User Delivery Points [Each Delivery Point in respect of which the Network User is the current user (as defined in the Retail Market Rules) from time to time.] ²
Start Date
Term [Commencing on the Start Date and ending on a date to be agreed between the Network User and Envestra (or, if the Agreement is terminated earlier, the period from the Start Date until the date on which the Agreement is terminated).] ³
MDQ For a User Delivery Point which is a Demand Delivery Point, the MDQ is: <ul style="list-style-type: none">(a) the MDQ shown in relation to that User Delivery Point in Attachment 1 to these Specific Terms and Conditions; or(b) if the MDQ is not shown in that Annexure, the MDQ as agreed between Envestra and the Network User or, in default of agreement, as determined by Envestra, in accordance with, or determined in the manner set out in, the Access Arrangement (in either case, as increased or decreased from time to time in accordance with the General Terms and Conditions (as defined below)).
Notice Details (for the Network User) Address: Telephone: Facsimile: E-mail:

¹ Insert the name and ABN of the Network User.

² Amend as appropriate to define the Delivery Points to which Gas is to be delivered.

³ Amend as appropriate to describe the Term.

Provisions of Agreement

This document evidences that Envestra Limited and the Network User have entered into a haulage agreement (**the Agreement**) for the provision of Network Services on and subject to the terms of the Agreement, which comprises:

- (a) the Specific Terms and Conditions set out in this document; and

(b) the terms and conditions applicable from time to time to Haulage Reference Services under the Access Arrangement (as amended from time to time)(including, but without limitation, the pre-conditions set out in sections 6.3 and 6.4 of the Access Arrangement) (**the General Terms and Conditions**).

Unless the context otherwise requires, terms used in the Agreement will have the same meanings as they have for the purpose of the Access Arrangement.

In these Specific Terms and Conditions, "**Access Arrangement**" means the access arrangement as in force from time to time under the Gas Pipelines Access Law (as defined in the *Gas Pipelines Access (South Australia) Act 1997 (SA)* (**the Act**)) in relation to the natural gas distribution system or systems identified as the "Envestra SA Distribution Systems" in Schedule A to the Code (as defined in section 11(1) of the Act).

EXECUTED as an Agreement on _____ day of _____ 200_

Executed by

(ABN _____)

in accordance with Section 127 of the Corporations Act

.....
Director

.....
Director/Secretary

.....
Name
(BLOCK LETTERS)

.....
Name
(BLOCK LETTERS)

Executed by
ENVESTRA LIMITED
(ABN 19 078 551 685)

in accordance with Section 127 of the Corporations Act

.....
Director

.....
Director/Secretary

.....
Name
(BLOCK LETTERS)

.....
Name
(BLOCK LETTERS)

ANNEXURE F cont'd

SCHEDULE 1

USER RECEIPT POINTS

1. The outlet of the Elizabeth Gate Station;
2. The outlet of the Gepps Cross Gate Station;
3. The outlet of the Taperoo Gate Station;
4. The outlet of the Nuriootpa Gate Station;
5. The outlet of the Angaston Gate Station;
6. The outlet of the Berri Gate Station;
7. The outlet of the Murray Bridge Gate Station;
8. The outlet of the Whyalla Gate Station;
9. The outlet of the Port Pirie Gate Station;
10. The outlet of the Peterborough Gate Station;
11. The outlet of the Mount Gambier Gate Station;
12. The downstream flange of the Epic Energy-owned Freeling Gate Station, at which Gas is delivered into the Network by or for the account of the Network User;
13. The outlet of the Cavan Interconnection Pipeline; and
14. Each other point, including farm taps, that Envestra and the Network User may from time to time agree in writing is a User Receipt Point for the purposes of the Agreement.⁴

⁴ Amend as appropriate to describe the Receipt Points through which Gas will be delivered by or for the account of the Network User.

ANNEXURE F cont'd

ATTACHMENT 1

MDQs for DEMAND DELIVERY POINTS

This Annexure lists the User Delivery Points at the Start Date that are Demand Delivery Points at the Start Date and shows the MDQ for those User Delivery Points as at the Start Date. The User Delivery Point is the Delivery Point located at the address shown in the table below, which has been assigned the MIRN shown in the table below (where MIRN has the meaning given to it in the Retail Market Rules).

No.	Customer	MIRN	Address	MDQ (in GJ)

ANNEXURE G

General Terms and Conditions

(see separate document)

ANNEXURE H

Gas Delivery Zones

