



**FINAL APPROVAL
ACCESS ARRANGEMENT
PARMELIA PIPELINE**

Submitted by

CMS Gas Transmission of Australia

**INDEPENDENT GAS PIPELINES ACCESS REGULATOR
WESTERN AUSTRALIA**

15 December 2000



FINAL APPROVAL

On 7 May 1999, CMS Gas Transmission of Australia (CMS) submitted a proposed Access Arrangement for the Parmelia Pipeline to the Independent Gas Pipelines Access Regulator in Western Australia (the Regulator) for approval under *the National Third Party Access Code for Natural Gas Pipeline Systems* (the Code).

The Parmelia Pipeline is a 416 km system running from Dongara to Pinjarra that is currently used to transport gas from various fields in the northern Perth Basin to a number of major industrial customers in the South West. The pipeline is owned by CMS Energy Corporation and is operated by an Australian division named CMS Gas Transmission of Australia.

The Regulator assessed the proposed Access Arrangement against the requirements and principles of the *Gas Pipelines Access (WA) Law* which incorporates the Code as set out in the *Gas Pipelines Access (WA) Act 1998* (the Act) and released a Final Decision on 20 October 2000.

The Final Decision of the Regulator was to not approve the proposed Access Arrangement in its current form. The Regulator required CMS to re-submit the Access Arrangement by 20 November 2000, incorporating the 45 amendments specified in the Final Decision.

CMS re-submitted a revised Access Arrangement and Access Arrangement Information on 20 November 2000.

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

The revisions to the Access Arrangement made by CMS in response to the Regulator's Final Decision are described later in this approval document.

Section 3 of the Access Arrangement provides for the Access Arrangement to have effect from a date specified by the Regulator. Accordingly, the Regulator announces that the Access Arrangement has effect from the date of this approval.

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

**KEN MICHAEL
GAS ACCESS REGULATOR**

15 December 2000

REVISIONS TO THE ACCESS ARRANGEMENT

INTRODUCTION

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

- A *Services Policy*, describing services to be offered (section 3.1).
- *Reference Tariffs* and a *Reference Tariff Policy* (sections 3.3 to 3.5).
- *General Terms and Conditions* for the provision of Reference Services (section 3.6).
- A *Capacity Management Policy*, indicating whether the covered pipeline is to be administered as a Contract Carriage Pipeline or a Market Carriage Pipeline (section 3.7).
- A *Trading Policy*, addressing the transfer of contracted capacity between Users (section 3.9).
- A *Queuing Policy*, defining the priority that Prospective Users have to negotiate for specific capacity (section 3.12).
- An *Extensions/Expansions Policy*, setting out a method for determining whether an extension or expansion to the covered pipeline is or is not to be treated as part of the covered pipeline for the purposes of the Code (section 3.16).
- A *Review Date*, indicating a date on or by which revisions to the Access Arrangement must be submitted and a date on which the revised Access Arrangement is intended to commence (section 3.17).

The amendments required by the Final Decision and the revisions made to the Access Arrangement and Access Arrangement Information are described below under three headings:

- non-tariff matters;
- Reference Tariffs; and
- fees, charges and penalties.

CMS also made revisions to the Access Arrangement other than the amendments required by the Regulator. These revisions were considered by the Regulator to be inconsequential and hence were accepted under this Final Approval. The revisions are described in a final section to this Final Approval.

NON TARIFF MATTERS

Services Policy

Amendment 1

Section 4 of the General Terms and Conditions should be amended to make provision for Reference Services to accommodate multiple Receipt Points and Delivery Points in a single Service Agreement.

CMS revised section 4.11 of the General Terms and Conditions as follows.

~~Single~~ Multiple Receipt and Delivery Points

4.11 A Reference Service may have ~~only~~ more than one Receipt Point and more than one Delivery Point, notwithstanding that the language employed in this Appendix 3 refers to Receipt Points and Delivery Points in the singular.

This revision meets the requirements of the Regulator.

Amendment 2

Section 4 of the General Terms and Conditions should be amended to make provision for minimum contract duration of no greater than one year for Firm Extended Services and Interruptible Extended Services.

CMS revised sections 4.4 and 4.6 of the General Terms and Conditions as follows.

4.4 The Firm Extended Service:

- (a) is not subject to interruption under normal operating conditions except as provided for in the Service Agreement; and
- (b) will have a contract duration not less than ~~10~~ one Years and not more than 20 Years.

...

4.6 The Interruptible Extended Service will have a contract duration not less than ~~10~~ one Years and not more than 20 Years.

These revisions meet the requirements of the Regulator.

Amendment 3

The Access Arrangement and/or General Terms and Conditions should be amended to make provision for a Service Agreement for a Reference Service to be capable of including an option to extend the term of the Service Agreement for the capacity contracted in that agreement without exercise of the option being subject to allocation of spare capacity in accordance with the Queuing Policy.

CMS inserted a new section 10.2(e) into the Access Arrangement, made revisions to sections 3.7(b) of the General Terms and Conditions, and inserted new sections 3.9 to 3.13 of the General Terms and Conditions as follows.

Access Arrangement

10.2 ...

- (e) Users which extend the term of an existing Reference Service Agreement under the provisions of clause 3.9 of Schedule 3 are not subject to the Queuing Policy and receive priority over Prospective Users in the relevant Queue.

General Terms and Conditions

3.7 ...

- (b) Any request to change the Term other than the exercise of the option to extend the Term under clause 3.9 must be made by an Access Request, and will be considered in accordance with the provisions of the Access Arrangement.

...

...

3.9 A User holding a Reference Service Agreement for a Firm Extended Service or an Interruptible Extended Service has the option to extend the Term of that Reference Service Agreement subject to the conditions specified in clauses 3.10, 3.11, 3.12, and 3.13.

3.10

- (a) If a User holding a Reference Service Agreement wishes to exercise the option to extend the Term of that Reference Service Agreement under the provisions of clause 3.9, then that User shall notify CMS in writing of its intention to extend that Reference Service Agreement at least six calendar months prior to the Termination Date.
- (b) If a Prospective User submits an Access Request for a Reference Service or a Non-Reference Service, then CMS will advise all holders of Reference Service Agreements for a Firm Extended Service or an Interruptible Extended Service of that Access Request within 7 days of receipt of that Access Request.

(c) A User which holds a Reference Service Agreement for a Firm Extended Service or an Interruptible Extended Service must advise CMS of its intention to extend that Reference Service Agreement within 7 days of receipt of the notification by CMS under clause 3.10(b) of a submission of an Access Request.

3.11 If a User holding a Reference Service Agreement exercises the option to extend the Term of that Reference Service Agreement under the provisions of clause 3.9, then the terms and conditions of the Reference Service applicable at that time shall apply during the term of the extension.

3.12 If a User holding a Reference Service Agreement exercises the option to extend the Term of that Reference Service Agreement under the provisions of clause 3.9, then the duration of the extension of the Term of that Reference Service Agreement shall be at least the minimum Term applicable to that Reference Service Agreement.

3.13 If a User holding a Reference Service Agreement exercises the option to extend the Term of that Reference Service Agreement under the provisions of clause 3.9, then that User is not required to submit a new Access Request in order to obtain an extension of Term.

These revisions meet the requirements of the Regulator.

Amendment 4

Section 4 of the General Terms and Conditions should be amended to clarify that multiple purchases of Spot Services may be made under a single Service Agreement for Spot Services.

CMS revised sections 4.8(b) and 4.10 of the General Terms and Conditions as follows:

4.8 *The Firm Spot Service:*

...

(b) will have a duration equal to one Gas Day, but more than one Firm Spot Service can be provided under one Service Agreement.

...

4.10 The Interruptible Spot Service will have a duration equal to one Gas Day, but more than one Interruptible Spot Service can be provided under one Service Agreement.

These revisions meet the requirements of the Regulator.

Amendment 5

Section 7.1(c) and 7.2 of the Access Arrangement and section 2 of the General Terms and Conditions should be amended to state the conditions that may be attached to Service Agreements for provision of Reference Services and to remove discretionary powers of CMS to attach conditions to Service Agreements for provision of Reference Services, where such conditions are in addition to those provided for in the General Terms and Conditions.

CMS revised section 7.1(c) of the Access Arrangement as follows.

7.1 The terms and conditions on which Reference Services are to be provided by CMS to a Prospective User are those contained in:

- (a) the General Terms and Conditions;*
- (b) the Reference Service Agreement between CMS and the Prospective User; and*
- (c) any reasonable Conditions.*

“Conditions” is defined in section 7.3(b) of the Access Arrangement, which has also been revised to address Amendment 5 and Amendment 21 (see below):

7.3

...

- (b) The Conditions may relate to: any matter reasonably required by CMS to protect or secure its position under any proposed Service Agreement, including:*
 - (i) the occurrence of a defined event including installation and commissioning of Enhanced Facilities or third party equipment, processing facilities or infrastructure, where such defined events are observed as conditions subsequent and are not required as conditions precedent;*
 - (ii) a Performance Security being provided by the Prospective User, any of its Related Corporations or any other person on terms acceptable to CMS in order to satisfy the requirements of the Access Request; ~~and~~*
 - (iii) copies of insurance policies or other evidence reasonably required by CMS being provided, which provide reasonable indication to CMS that the Prospective User has insurance policies sufficient to satisfy the indemnities which the Prospective User will be required to provide under the proposed Service Agreement; and*
 - (iv) such other matters reasonably required by CMS to protect or secure its position under any proposed Service Agreement*

acting in accordance with good pipeline industry practice and not inconsistently with the legitimate business interests (that expression as used in the Code) of the Prospective User.

CMS indicated to the Regulator that it is not possible to include in the Access Arrangement an exhaustive and enduring list of conditions that may be attached to Service Agreements. CMS indicated that it endeavoured to comply with the required amendment by providing section 7(b)(iv) of the Access Arrangement as a basis for arbitration should a dispute arise as to the attachment of a condition to a Service Agreement.

The proposed revisions by CMS are considered to provide sufficient protection to Prospective User's to achieve the Regulator's intent in respect of Amendment 5. The revisions therefore meet the requirements of the Regulator.

Terms and Conditions

Amendment 6

Section 4.3 of the General Terms and Conditions should be amended to specify the degree of reliability for the Firm Extended Service and to make provision for the waiver or reduction of reservation charges where this degree of reliability is not achieved.

CMS addressed this required amendment by addition of a new section 4.3(d) to the General Terms and Conditions as follows.

4.3 ...

(d) provided on the basis that if a User suffers interruptions due to inspection, testing, safe operation, maintenance, repair, replacement of, alteration of, or addition to the Parmelia Pipeline, then the User will not be liable to pay the applicable Reservation Charge component of the Transportation Tariff for any period of unavailability which causes availability of the Firm Extended Service to be less than 98 percent in any one calendar year.

CMS has also revised sections 12.2 and 17.1 of the General Terms and Conditions as follows.

12.2 ...

(c) The User will be liable to pay the applicable Reservation Charge component of the Transportation Tariff for the first 48 hours following notification of the interruption or reduction of the Services.

(d) Following the first 48 hours after notification of the interruption or reduction of the Services, the User will be liable to pay a proportion of the applicable Reservation Charge component of the Transportation Tariff which reflects the proportion of the User's MDQ which is available during the interruption or reduction of the Services.

17.1 *No party is liable to the other party for delay in performing or failure to perform any of its obligations under a Service Agreement, except for:*

- (a) *the obligation to pay moneys which are due; and*
- (b) *the continuing obligation to pay the applicable Reservation Charge component of the Transportation Tariff for the first 48 hours of the Force Majeure period; and*
- (c) *following the first 48 hours of the Force Majeure period, the continuing obligation to pay a proportion of the applicable Reservation Charge component of the Transportation Tariff which reflects the proportion of the User's MDQ which is available during the interruption or reduction of the Services*

as a result of Force Majeure.

On the basis that section 4.3(d) will have effect regardless of provisions of sections 12.2 and 17.1, the revisions meet the requirements of the Regulator.

Amendment 7

Section 13.2 and schedule 3 of the General Terms and Conditions should be amended to specify that the pipeline Service Provider will allow access to the Parmelia Pipeline, under a Reference Service, of all gas meeting the following gas quality specification.

| | |
|-----------------------------------------------------------------------------------|------|
| Maximum carbon dioxide (mole %) | 4.0 |
| Maximum inert gases (mole %) | 7.0 |
| Minimum higher heating value (MJ/m ³) | 35.1 |
| Maximum higher heating value (MJ/m ³) | 42.3 |
| Minimum Wobbe Index (MJ/m ³) | 46.0 |
| Maximum Wobbe Index (MJ/m ³) | 51.5 |
| Maximum total sulphur including odorant (mg/m ³) | 20 |
| Maximum hydrogen sulphide (mg/m ³) | 4.6 |
| Maximum oxygen (mole %) | 0.2 |
| Maximum water (mg/m ³) | 100 |
| Maximum hydrocarbon dewpoint over the pressure range 1.5 to 7.5 MPa absolute (°C) | 10°C |
| Maximum radioactive components (Bq/m ³) | 600 |

CMS addressed the amendment by amendment of schedule 3 of the General Terms and Conditions to provide the following gas quality specification.

Gas entering and being transported through the Parmelia Pipeline must at all times comply with, for each component of the following gas quality specifications, the most stringent component of the following:

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

b) *the specification requirements detailed in the table below:*

| <i>Component</i> | <i>Units</i> | <i>Min</i> | <i>Max</i> |
|----------------------------------------|----------------|-------------|-------------|
| <i>Carbon Dioxide</i> | <i>mol %</i> | | <i>4.0</i> |
| <i>Total Inerts</i> | <i>mol %</i> | | <i>7.0</i> |
| <i>Hydroc. Dewpoint 1.5 to 7.5 Mpa</i> | <i>Deg C</i> | | <i>10</i> |
| <i>Oxygen by Volume</i> | <i>mol %</i> | | <i>0.2</i> |
| <i>Total Sulphur (unodorised)</i> | <i>mg/m3</i> | | <i>10</i> |
| <i>Hydrogen Sulphide</i> | <i>mg/m3</i> | | <i>4.6</i> |
| <i>Delivery Temperature</i> | <i>Deg C</i> | | <i>50</i> |
| <i>WOBBE Index</i> | <i>MJ/m3</i> | <i>46.0</i> | <i>51.5</i> |
| <i>Water Vapour</i> | <i>mg/m3</i> | | <i>100</i> |
| <i>Gross Heating Value</i> | <i>MJ/m3</i> | <i>35.1</i> | <i>42.3</i> |
| <i>Radioactive Components</i> | <i>Becq/m3</i> | | <i>600</i> |

Note: Gas entering the Parmelia Pipeline shall be unodorised.

The amended gas specification of Schedule 3 of the General Terms and Conditions is not compliant with the required amendment in respect of total sulphur and delivery temperature.

In regard to the maximum limit on total sulphur, CMS provided a specification for unodorised gas (maximum of 10 mg/m³), rather than odorised gas as contemplated by the Regulator in the Final Decision (maximum of 20 mg/m³). Notwithstanding the difference between the revision and the required amendment, the total sulphur limit put forward by CMS is acceptable to the Regulator.

CMS has retained a maximum delivery temperature from the original gas specification of the proposed Access Arrangement, being a maximum of 50°C. Notwithstanding the difference between the revised gas specification and the required amendment, the temperature limit is acceptable to the Regulator.

Amendment 8

Section 14.4 of the General Terms and Conditions should be amended to allow for the non-payment of disputed invoices, or the disputed portion of an invoice, in instances of a manifest error in the invoice.

CMS revised section 14.4(b) of the General Terms and Conditions as follows.

14.4 ...

(b) *The User shall pay the whole amount of the Invoice by the due date unless the User raises a question as to the correctness of an Invoice in*

which case it shall pay such portion of the amount that is not in question.

Section 14.4(g) of the General Terms and Conditions has also been revised to provide for a User to pay interest to CMS on any underpayment amount where a dispute is resolved in the favour of CMS.

14.4 ...

(g) *Within 14 days of the Accountant's report being accepted or deemed to have been accepted or within 28 days of a dispute as to the correctness of an Invoice being determined by Dispute Resolution Procedure:*

...

(ii) *the User shall pay to CMS the full amount of any underpayment agreed or determined not to have been paid by the User, ~~without~~ interest at the Interest Rate calculated from the date that payment was originally due in accordance with the provision for Interest on Overdue Payments in this part.*

These revisions meet the requirements of the Regulator.

Amendment 9

Section 16.3 of the General Terms and Conditions should be altered to specify accuracy ranges of metering equipment that contribute to energy measurement or, alternatively, to specify accuracy of metering in the same units as are used for billing.

CMS revised section 16.2 of the General Terms and Conditions as follows.

16.2 (a) ...

(b) The maximum uncertainty of the measurement will be:

(i) plus or minus 2% of actual corrected volume flow rate as a minimum of the 95% confidence level for metering equipment with a design maximum flow rate of 5 TJ/day or greater; and

(ii) plus or minus 3% of actual corrected volume flow rate at a minimum of the 95% confidence level for metering equipment with a design maximum flow rate of less than 5 TJ/day.

(iii) plus or minus 0.5% of actual Gross Heating Value at a minimum of the 95% confidence interval for gas chromatographs used for the purposes of determining Gross Heating Value.

This revision meets the requirements of the Regulator.

Amendment 10

Section 19.6 of the General Terms and Conditions should be amended to remove the provision for CMS to exercise discretion in respect of the level of public liability insurance that Users are required to hold.

CMS revised section 19.6 of the General Terms and Conditions as follows.

19.6 The User shall take out and maintain at all times during the Term:

- (a) *general public liability insurance in an amount of not less than \$5,000,000.00 (or such other amount up to a maximum of \$20,000,000.00 as CMS may notify from time to time);*

...

The Regulator is of the view that specification of a maximum amount of public liability insurance that may be required serves to limit CMS's discretion. Moreover, the maximum is not regarded as unreasonable.

This revision meets the requirements of the Regulator.

Amendment 11

Section 9 of the Access Arrangement should be amended to provide for a User to change Receipt Points or Delivery Points in accordance with the requirements of section 3.10(c) of the Code.

CMS revised section 20.5 of the General Terms and Conditions as follows.

20.5 CMS may withhold its consent to a Consent Transfer, or give its consent to a Consent Transfer subject to conditions, only on reasonable commercial and technical grounds.

The change of a receipt point and delivery point is addressed in more detail in section 5.11 of the General Terms and Conditions (as originally proposed), reading as follows.

5.11

- (a) *Except as expressly provided in the Service Agreement, the User may only change the Delivery Point or Receipt Point (Delivery Point or Receipt Point Change) with CMS's prior consent.*
- (b) *CMS may withhold its consent to a Delivery Point Change or Receipt Point Change, or gives its consent subject to conditions, only on reasonable commercial and technical grounds.*

- (c) *For the purposes of (but not without limiting) subsection (b), it will be deemed reasonable for CMS to withhold its consent if:*
- (i) *the change is not commercially and technically reasonable;*
 - (ii) *the effect of the change, if agreed to, will interfere with CMS' ability to satisfy its obligations under any other Service Agreement of the Grandfathered Contracts;*
 - (iii) *the effect of the change, if agreed to, will adversely affect or prejudice the rights of any person having a position in any Queue; or*
 - (iv) *the effect of the change, if agreed to, will reduce the amount of Service provided to the original Delivery Point or Receipt Point which is not matched by a corresponding increase in CMS' ability to provide that Service to the alternative Delivery Point or Receipt Point.*
- (d) *For the purposes of (but without limiting) subsection (a), it will be deemed reasonable for CMS to give its consent to a Delivery Point Change or Receipt Point Change on condition that:*
- (i) *CMS is entitled to receive at least the same amount of revenue after the change as it is entitled to receive before the change; and*
 - (ii) *the User is to pay the cost of all necessary Works, determined in accordance with part 11.*

A new section 9.2 has been added to the Access Arrangement to indicate that the provisions included in the General Terms and Conditions for a User to change Receipt Points or Delivery Points apply to Users generally rather than just Users of Reference Services (to which the General Terms and Conditions relate).

9.2 A User's rights to change Receipt Points or Delivery Points for a Reference Service or a Non-Reference Service in accordance with section 3.10(c) of the Code are set out in clause 5.11 of the General Terms and Conditions.

This revision meets the requirements of the Regulator.

Queuing Policy

Amendment 12

Section 10 of the Access Arrangement (Queuing Policy) should be amended to provide further information on how priorities of access to Spare Capacity or Developable Capacity will be determined in respect of Access Requests for Non-Reference Services.

CMS revised section 10.3(a) of the Access Arrangement to provide for queues to be established for services generally, rather than just Reference Services.

10.3

- (a) *A separate Queue will exist for each of the following ~~Reference Services~~:*
 - (i) *Services in the nature of firm services. ~~Firm Extended~~*
 - (ii) *Services in the nature of interruptible services. ~~Interruptible Extended~~*

This revision meets the requirements of the Regulator.

Amendment 13

Section 10 of the Access Arrangement (Queuing Policy) should be amended to indicate how the priority of a Prospective User on a queue for one service is to be determined vis a vis Prospective Users on queues for other services.

CMS revised section 10.12 of the Access Arrangement as follows.

10.12.

- (a) *If Spare Capacity becomes available or Developable Capacity is provided (New Capacity), CMS will use all reasonable endeavours to notify Prospective Users of that ~~Spare Capacity or Developable Capacity~~ New Capacity in an order and manner which has regard to:*
 - (i) *the principles of the Queuing Policy; and*
 - (ii) *the rights of Users under Grandfathered Contracts.*
- (b) *If Spare Capacity becomes available or Developable Capacity is provided, CMS will notify Prospective Users in the following manner:*
 - (i) *Prospective Users in the queue for Services in the nature of firm services will be offered firm Capacity; and*
 - (ii) *Prospective Users in the queue for Services in the nature of interruptible services will be offered interruptible Capacity.*

This revision meets the requirements of the Regulator.

Amendment 14

Section 10 of the Access Arrangement (Queuing Policy) should be amended to describe in detail the circumstances in which CMS may deal with Access Requests other than in accordance with priorities as defined by queues, and describe the method by which priorities of Prospective Users will be determined in these circumstances.

CMS drew the Regulator's attention to existing provisions in sections 10.2(b) and 10.8 of the Access Arrangement that indicate how the priority of Access Requests is determined:

10.2 ...

- (b) *Access Requests will generally be dealt with on a first lodged first served basis, but during open seasons and similar invitations, Access Requests may be dealt with so that pipeline utilisation and economically efficient outcomes for the Parmelia Pipeline are maximised;*

...

- 10.8. *The priority of Prospective Users' Access requests in a Queue will be determined by the date on which each of their completed Queued Access requests is lodged with CMS or is deemed to have been lodged with CMS or by criteria which reasonably address issues of pipeline utilisation and economically efficient outcomes for the Parmelia Pipeline during times of high demand for pipeline services and open seasons and similar invitations.*

CMS inserted new sections 10.19 and 10.20 into the Access Arrangement dealing with the allocation of capacity in open seasons and the effect of priority in queues.

10.19. Priority order in a queue for Prospective Users already in that queue will remain unaffected by the operation of open seasons and similar invitations unless CMS informs the Regulator of its intention to adopt a different queuing manner and priority and the nature and form of such a change.

10.20. When Capacity is allocated following the operation of open seasons and similar invitations, Prospective Users occupying positions in Queues prior to the initiation of those open seasons and similar invitations will receive priority over respondents to those open seasons and similar invitations.

The revisions do not fully address the required amendment in terms of defining "open season" and "similar invitations" and how such occurrences relate to the determination of priorities for access to spare capacity. CMS has argued that "open seasons" and "similar invitations" cover too wide a range of possible circumstances to be amenable to definition, and responded to the required amendment by indicating prior rights to Spare Capacity of Prospective Users with queued access requests over any other Prospective User responding to an open season or similar invitation.

The Regulator's primary concerns with the Queuing Policy and Amendment 14 are that the Policy should comply with the requirements of section 3.13 of the Code:

3.13 The Queuing Policy must:

- (a) set out sufficient detail to enable Users and Prospective Users to understand in advance how the Queuing Policy will operate;
- (b) accommodate to the extent reasonable possible, the legitimate business interests of the Service Provider and of Users and Prospective Users; and
- (c) generate, to the extent reasonably possible, economically efficient outcomes.

Sections 10.19 and 10.20 of the Access Arrangement, when read in conjunction with other sections of the Queuing Policy, would appear to reasonably meet these requirements despite not defining “open seasons” and “similar invitations”. Furthermore, as the Access Arrangement commits CMS to notifying the Regulator of any alternative arrangements for allocation of spare capacity, the Regulator will be aware of any such circumstances and may take any action deemed necessary to modify the queuing policy at the time of review of the Access Arrangement if it is deemed necessary to protect the interests of Prospective Users.

The revisions meet the requirements of the Regulator.

Extensions/Expansions Policy

Amendment 15

Section 11 of the Access Arrangement (Extensions/Expansions Policy) should be amended to include a section indicating that CMS may elect for a pipeline extension or expansion to be not subject to the Access Arrangement, subject to providing written notice to the Regulator.

CMS revised the Access Arrangement to include the following sections.

11.3.

...

- (d) A pipeline extension or expansion will not be subject to this Access Arrangement and will not form part of the Parmelia Pipeline for the purposes of this Access Arrangement if CMS so elects.
- (e) If CMS elects that a pipeline extension or expansion will not be subject to this Access Arrangement and will not form part of the Parmelia Pipeline for the purposes of this Access Arrangement, then CMS will inform the Regulator.

This revision meets the requirements of the Regulator.

CMS also revised the Access Arrangement to include a new section 11.1(e) in the Extensions/Expansions Policy that is unrelated to any amendment required by the Regulator.

- 11.1. CMS will use all reasonable endeavours to extend or expand the Capacity of the Parmelia Pipeline where the proposed extension or expansion:

...

(e) is fully funded by Prospective Users of that capacity if CMS so elects as provided for in section 3.16 of the Code.

This new provision is not considered to be contrary to the potential interests of Users or Prospective Users and therefore the Regulator does not oppose the revision.

Review Date

Amendment 16

The Access Arrangement should be amended to specify that CMS will submit revisions to the Regulator within three months of the end of any 12 month period for which the average daily gas throughput for the pipeline exceeds 75 TJ.

CMS revised the Access Arrangement to include a new section 12.3 as follows.

12.3. CMS will lodge an amended Access Arrangement within three months of the end of any 12 month period for which the average daily gas throughput for the Parmelia Pipeline exceeds 75 TJ/d.

This revision meets the requirements of the Regulator.

Other Matters Included in the Access Arrangement

Amendment 17

Section 6.6 of the Access Arrangement should be amended to provide for an Access Request to comprise an irrevocable offer only where CMS imposes no conditions on delivery of the requested service, or where the Prospective User indicates acceptance of any conditions imposed by CMS.

CMS revised section 6.6 of the Access Arrangement as follows.

6.6 *An Access Request, when any Additional Information requested has been provided and notwithstanding the notification by CMS of any Condition constitutes:*

- (a) *in the case where no Condition has been imposed, from the date on which the Access Request or amended Access Request was lodged or deemed to have been lodged; and*
- (b) *in the case where one or more Conditions has been imposed, from the ~~last date for non acceptance of the last of those Conditions that occurs without the Prospective User having notified CMS of non acceptance~~ date on which the Prospective User provides written notice of the acceptance of those Conditions, providing that such acceptance is*

received by CMS within 7 Business Days of CMS issuing notice of those Conditions

an irrevocable offer by the Prospective User to CMS for it to use and pay for the Gas transportation services set out in the Access Request (Access Request Offer), subject only to any counter offer CMS may choose to make.

This revision meets the requirements of the Regulator.

CMS also revised Section 7.3(c) of the Access Arrangement to remove a potential conflict with section 6.6, as follows.

7.3

...

(c) ~~*Unless the prospective User notifies CMS to the contrary within 7 Business Days of receiving notice of the Conditions, the Prospective User is deemed to have accepted and agreed to be bound by the Conditions notified by CMS, which will form part of the Service Agreement.*~~ *When a Prospective User notifies CMS in writing of the acceptance of all Conditions within 7 Business Days of receiving notice of those Conditions, the Prospective User is deemed to have accepted and agreed to be bound by the Conditions notified by CMS, which will form part of the Service Agreement.*

This revision meet the requirements of the Regulator.

Amendment 18

Section 6.6 and/or section 6.14 of the Access Arrangement should be amended to remove contradictory provisions relating to the time at which an Access Request becomes an irrevocable offer.

Section 6.6 of the Access Arrangement provided for an Access Request, except in conditions where CMS imposes conditions on the provision of a service, to be an irrevocable offer by CMS for the Prospective User to use and pay for gas transportation services. Section 6.14 of the Access Arrangement provided a Prospective User with a right to withdraw an Access Request at any time prior to acceptance by CMS of the Access Request or the Access Request being placed in a queue. As there is no reference in section 6.6 to any “acceptance” of an Access Request by CMS, there is an inconsistency between the two provisions.

CMS revised the Access Arrangement to delete section 6.14. This is an acceptable means of addressing the required amendment, taken in conjunction with the revisions to section 6.6 of the Access Arrangement as required by Amendment 17.

Amendment 19

Section 6.8 of the Access Arrangement should be amended to limit the scope of additional information able to be required by CMS to the information requirements listed in respect of an Access Request in 6.1, 6.2 or 6.4 of the Access Arrangement, or to the information requirements specified in the Information Package compiled and maintained in accordance with section 5.1 of the Code.

CMS revised section 6.8 of the Access Arrangement as follows.

6.8.

(a) *If the information provided by the Prospective User in an Access Request or an amended Access Request is incomplete or is otherwise insufficient for CMS to reasonably consider the Prospective User's request, then CMS will notify the Prospective User of the additional information (Additional Information) required.*

...

(f) *The scope of Additional Information which may be required encompasses the information required under sections 6.1, 6.2, and 6.4 of this Access Arrangement and the information requirements specified in the Information Package required under clause 5.1 of the Code.*

These revisions meet the requirements of the Regulator.

Amendment 20

Section 6.13 of the Access Arrangement should be amended to indicate that CMS may only refuse to consider an Access Request for reasons of it being considered vexatious or frivolous, only if CMS may reasonably take such a view. The Access Arrangement should also be amended to provide definitions of vexatious and frivolous that are acceptable to the Regulator, and to remove provision for an Access Request to be refused for reason of it being considered anti-competitive.

CMS revised section 6.13 of the Access Arrangement as follows.

6.13.

Notwithstanding anything else contained in this part, if CMS can reasonably form the opinion ~~considers~~ that an Access Request has been lodged for reasons which are vexatious, or frivolous ~~or anti-competitive~~ within the meanings of vexatious, trivial, misconceived or lacking in substance as ascribed by the Code, or if CMS can reasonably form the opinion that an Access Request will contravene the provisions of section 13 of Schedule 1 of the Act, it may refuse to consider that Access Request, it will notify the Prospective User accordingly and will return the Access Request (including all accompanying documentation) to the Prospective User.

These revisions meet the requirements of the Regulator.

Amendment 21 (was Draft Decision Amendment 20)

Section 7.3 of the Access Arrangement should be amended to provide for defined events such as including installation and commissioning of Enhanced Facilities or third party equipment, process facilities or infrastructure, to be required only as conditions subsequent to (rather than precedent to) entering into a Service Agreement.

CMS revised section 7.3(a) and 7.3(b) of the Access Arrangement as follows.

7.3.

- (a) *CMS may notify a Prospective User that CMS is prepared to make available a Service subject to specified reasonable Conditions being satisfied as conditions precedent or as conditions subsequent.*
- (b) *The Conditions may relate to: ~~any matter reasonably required by CMS to protect or secure its position under any proposed Service Agreement, including:~~*
 - (i) *the occurrence of a defined event including installation and commissioning of Enhanced Facilities or third party equipment, processing facilities or infrastructure, where such defined events are observed as conditions subsequent and are not required as conditions precedent;*

...

These revisions meet the requirements of the Regulator.

REFERENCE TARIFFS

The Code requires that an Access Arrangement include a Reference Tariff for:

- (a) at least one Service that is likely to be sought by a significant part of the market; and
- (b) each Service that is likely to be sought by a significant part of the market and for which the Regulator considers a Reference Tariff should be included.

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

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

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

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

CMS proposed Reference Tariffs for the Extended Firm Service and the Extended Interruptible Service. In accordance with the principles established by the Code, CMS used a price path methodology for the determination of Reference Tariffs. With this approach, Reference Tariffs are determined in advance for the Access Arrangement Period. The Reference Tariffs follow paths that are forecast to deliver a revenue stream sufficient to cover projected costs of providing the services.

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

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

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

Initial Capital Base

Amendment 22

The Access Arrangement and Access Arrangement Information should be amended to reflect a value of the Initial Capital Base of \$62.5 million, including a value of working capital of \$0.5 million.

CMS addressed the requirements of Amendment 22 by specifying Reference Tariffs in the Access Arrangement that reflect the Initial Capital Base of \$62.5 million and including a section 4.5 in the Access Arrangement Information as follows.

4.5 Initial Capital Base

A value for the Initial Capital Base of A\$62.5 million, including a value of working capital of A\$0.5 million has been mandated (Amendment 22). Consequently, this is the asset value used for determination of Reference Services tariffs.

Reference Tariffs specified in Schedule 1 of the General Terms and Conditions reflect this value of the Initial Capital Base.

These revisions meet the requirements of the Regulator.

Amendment 23

The Access Arrangement should be amended to include a Redundant Capital Policy that provides for an amount of the Capital Base to be deemed to constitute Redundant Capital within the meaning of section 8.27 of the Code in the event that average daily throughput in the Parmelia Pipeline at the end of the Access Arrangement Period be less than 50 TJ/day. The value of Redundant Capital should be determined as a linear function of throughput as follows.

$$\begin{array}{l}
 \text{RedundanCapital} \\
 \text{atend of} \\
 \text{Access Arrangement Period} \\
 (\$millionat1 July1999)
 \end{array}
 =
 \begin{cases}
 60.8, \text{ for throughput less than } 18.5 \text{ TJ/day} \\
 96.3 - 1.94 \times \left(\begin{array}{l} \text{Average Daily Throughput} \\ \text{atend of} \\ \text{Access Arrangement Period} \\ \text{(TJ)} \end{array} \right), \text{ for throughput between } 19.5 \text{ and } 49.5 \text{ TJ/day or} \\
 \text{zero, for throughput greater than } 49.5 \text{ TJ/day}
 \end{cases}$$

The Redundant Capital Policy should provide for Redundant Capital to be added back into the Capital Base in proportion to an increased throughput at the time of subsequent review of the Access Arrangement. The policy may allow for the value of any Redundant Capital added back into the Capital Base to have been increased annually on a compounded basis by the Rate of Return from the time the Redundant Capital value was removed from the Capital Base, consistent with the treatment of Redundant Capital under Section 8.28 of the Code.

CMS inserted a new section 5.6 into the Access Arrangement, as follows.

5.6 The following Redundant Capital Policy will apply from the Effective Date and will apply until the expiry of the Access Arrangement.

The Access Arrangement has been amended to include reference to this Redundant Capital Policy which provides for an amount of the Capital Base to be deemed to constitute Redundant Capital within the meaning of section 8.27 of the Code in the event that average daily throughput in the Parmelia Pipeline at the end of the Access Arrangement Period is less than 50 TJ/day. The value of Redundant Capital should be determined as a linear function of throughput as follows.

$$\begin{array}{l}
 \text{RedundanCapital} \\
 \text{at end of} \\
 \text{Access Arrangement Period} \\
 (\text{\$million at 1 July 1999})
 \end{array}
 = \begin{cases}
 60.8, \text{ for throughput less than } 18.5 \text{ TJ/day} \\
 96.3 - 1.94 \times \left(\begin{array}{l} \text{Average Daily Throughput} \\ \text{at end of} \\ \text{Access Arrangement Period} \\ \text{(TJ)} \end{array} \right), \text{ for throughput between } 19.5 \text{ and } 49.5 \text{ TJ/day or} \\
 \text{zero, for throughput greater than } 49.5 \text{ TJ/day}
 \end{cases}$$

Under this Redundant Capital Policy, Redundant Capital is to be added back into the Capital Base in proportion to any increased throughput determined at the time of any subsequent review of the Access Arrangement. The value of any Redundant Capital added back into the Capital Base is to be increased annually on a compounded basis by the Rate of Return from the time the Redundant Capital value was removed from the Capital Base, consistent with the treatment of Redundant Capital under Section 8.28 of the Code.

This revision meets the requirements of the Regulator.

Capital Expenditure

Amendment 24

The Access Arrangement and Access Arrangement Information should be amended to reflect Capital Expenditure of \$5.05 million over the Access Arrangement Period, as follows (1999 \$million):

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------|------|------|------|------|------|
| Minor Capital Expenditure | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| AlintaGas Interconnection | 2.25 | 0 | 0 | 0 | 0.5 |
| SCADA Master Station Upgrade | 0 | 0 | 0.3 | 0 | 0 |
| Building Move and Ringfencing | 0.75 | 0 | 0 | 0 | 0 |
| Total | 3.25 | 0.25 | 0.55 | 0.25 | 0.75 |

CMS has addressed the requirements of Amendment 24 by specifying Reference Tariffs in the Access Arrangement that reflect the forecast of Capital Expenditure required by Amendment 24, and revising the Access Arrangement Information so that section 4.3 reads as follows.

4.3 Future Capital Expenditure

Future capital expenditure on the Parmelia Pipeline is anticipated on the basis that CMS is successful in accessing and securing new gas transport opportunities and succeeds in increasing its share of existing transport markets. Such increased access will incur capital costs above and beyond any potential customer capital contributions towards Parmelia Pipeline extensions and / or expansions.

Minor capital expenditure is also required during the life of any pipeline. This capital expenditure covers replacement of miscellaneous capital equipment and enhancements of peripheral and utility systems and equipment.

For the Parmelia Pipeline, projected future capital expenditure used by the Regulator in the derivation of tariffs, is as follows.

(Amendment 24)

The Access Arrangement Information have been amended to reflect Capital Expenditure of \$5.05 million over the Access Arrangement Period, as follows (1999 \$million):

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <i>Minor Capital Expenditure</i> | <i>0.25</i> | <i>0.25</i> | <i>0.25</i> | <i>0.25</i> | <i>0.25</i> |
| <i>AlintaGas Interconnection</i> | <i>2.25</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0.5</i> |
| <i>SCADA Master Station Upgrade</i> | <i>0</i> | <i>0</i> | <i>0.3</i> | <i>0</i> | <i>0</i> |
| <i>Building Move and Ringfencing</i> | <i>0.75</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>Total</i> | <i>3.25</i> | <i>0.25</i> | <i>0.55</i> | <i>0.25</i> | <i>0.75</i> |

These revisions meet the requirements of the Regulator.

Operating Expenditure

Amendment 25

The Access Arrangement and Access Arrangement Information should be amended to reflect total Operating Expenditure, including marketing and overhead costs, of \$17.372 million over the Access Arrangement Period, as follows (1999 \$million):

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------------|-------|-------|-------|-------|-------|
| Total Operating Expenditure | 3.737 | 3.212 | 2.949 | 3.737 | 3.737 |

CMS addressed the requirements of Amendment 25 by specifying Reference Tariffs in the Access Arrangement that reflect the forecast of Operating Expenditure required by Amendment 24 and revising the Access Arrangement Information so that section 5.1 reads, in part, as follows.

The mandated operating and maintenance costs for the Parmelia Pipeline are as follows:

(Amendment 25)

The Access Arrangement Information has been amended to reflect total Operating Expenditure, including marketing and overhead costs, of \$17.372 million over the Access Arrangement Period, as follows (1999 \$million):

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---------------------------------------------|-------|-------|-------|-------|-------|
| <i>Field Controllable Expenditure</i> | 1.995 | 1.995 | 1.995 | 1.995 | 1.995 |
| <i>Major Expense Job Expenditure</i> | 1.313 | 0.788 | 0.525 | 1.313 | 1.313 |
| <i>Marketing & Overhead Expenditure</i> | 0.429 | 0.429 | 0.429 | 0.429 | 0.429 |
| <i>Total Operating Expenditure</i> | 3.737 | 3.212 | 2.949 | 3.737 | 3.737 |

These revisions meet the requirements of the Regulator.

Rate of Return

Amendment 26

The Access Arrangement and Access Arrangement Information should be amended to reflect a pre-tax real Rate of Return of 8.1 percent.

CMS addressed the requirements of Amendment 26 by including Reference Tariffs in the Access Arrangement that reflect the Rate of Return required by Amendment 26, and revising section 7.4 of the Access Arrangement Information to reflect calculation of a weighted average cost of capital according to the methodology and parameter values for the Capital Asset Pricing Model deemed appropriate by the Regulator in the Final Decision. Section 7.4.5.7 of the Access Arrangement Information indicates the real pre-tax WACC assumed for the purposes of calculating Reference Tariffs to be 8.1 percent.

These revisions meet the requirements of the Regulator.

Depreciation

Amendment 27

The Access Arrangement and Access Arrangement Information should be amended to reflect depreciation costs over the Access Arrangement Period as follows (1999 \$million):

| Asset Group | Economic life | Remaining life | Depreciation | | | | |
|---------------------|---------------|----------------|--------------|-------|-------|-------|-------|
| | | | 2000 | 2001 | 2002 | 2003 | 2004 |
| Existing Assets | 70 | 42 | 1.004 | 1.130 | 1.255 | 1.381 | 1.506 |
| Capital Expenditure | | | | | | | |
| Minor Capex | 20 | 20 | 0.013 | 0.025 | 0.038 | 0.050 | 0.063 |
| Interconnection | 70 | 70 | 0.032 | 0.032 | 0.032 | 0.032 | 0.039 |
| SCADA | 10 | 10 | 0 | 0 | 0.030 | 0.030 | 0.030 |
| Building | 70 | 70 | 0.011 | 0.011 | 0.011 | 0.011 | 0.011 |
| Total | | | 1.059 | 1.197 | 1.365 | 1.503 | 1.649 |

CMS addressed the requirements of Amendment 27 by including Reference Tariffs in the Access Arrangement that reflect the depreciation schedule required by Amendment 27 and including the following in section 4.2.1 of the Access Arrangement Information.

The Regulator has mandated (Amendment 27) that the Depreciation Schedule reflect calculation of depreciation of the Initial Capital Base on a unit-of-production basis, assuming average throughput of 40 TJ/day in 2000, increasing to 60 TJ/day over five years and being maintained at 60 TJ/day thereafter, with a residual life of assets of 42 years. Depreciation of Future Capital Expenditure has been calculated on a straight line basis over assumed technical lives of particular asset classes.

The Access Arrangement Information has been amended to reflect depreciation costs over the Access Arrangement Period as follows (1999 \$million):

| Asset Group | Economic life | Remaining life | Depreciation | | | | |
|---------------------|---------------|----------------|--------------|-------|-------|-------|-------|
| | | | 2000 | 2001 | 2002 | 2003 | 2004 |
| Existing Assets | 70 | 42 | 1.004 | 1.130 | 1.255 | 1.381 | 1.506 |
| Capital Expenditure | | | | | | | |
| Minor Capex | 20 | 20 | 0.013 | 0.025 | 0.038 | 0.050 | 0.063 |
| Interconnection | 70 | 70 | 0.032 | 0.032 | 0.032 | 0.032 | 0.039 |
| SCADA | 10 | 10 | 0 | 0 | 0.030 | 0.030 | 0.030 |
| Building | 70 | 70 | 0.011 | 0.011 | 0.011 | 0.011 | 0.011 |
| Total | | | 1.059 | 1.197 | 1.365 | 1.503 | 1.649 |

These revisions meet the requirements of the Regulator.

Total Revenue, Cost/Revenue Allocation and Reference Tariffs

Amendment 28

The Access Arrangement and Access Arrangement Information should be amended to reflect a forecast of pipeline throughput as follows.

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---------------------|------|------|------|------|------|
| Throughput (TJ/day) | 40 | 45 | 50 | 55 | 60 |

CMS addressed the requirements of Amendment 28 by including Reference Tariffs in the Access Arrangement that reflect the throughout forecast required by Amendment 28, and including the following in section 6.2.2 of the Access Arrangement Information.

The Regulator has mandated a pipeline throughput forecast from which, given the mandated tariff and rate of return, the Initial Capital Base has been derived. The Parmelia Pipeline future throughput projection is as follows.

(Amendment 28)

Parmelia Pipeline throughput.

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---------------------|------|------|------|------|------|
| Throughput (TJ/day) | 40 | 45 | 50 | 55 | 60 |

The Access Arrangement Information was also amended to remove the following contradictory statement from section 4.1.3.1 in respect of forecast throughput.

CMS projects that it will expand the Parmelia Pipeline’s gas transport business. To this end, Reference Services tariffs have been determined (as described in a subsequent section) on the basis of “filling” the existing pipeline capacity in the immediate future.

These revisions meet the requirements of the Regulator.

Amendment 29

The Access Arrangement and Access Arrangement Information should be amended to reflect an allocation of costs/revenue as if all Users, including Users under existing contracts, are paying the Reference Tariffs.

CMS addressed the requirements of Amendment 29 by including Reference Tariffs in the Access Arrangement that reflect the cost allocation required by Amendment 29, and including the following in section 7.3.2 of the Access Arrangement Information.

For regulatory purposes, costs will be allocated as if all Users, including Users under existing contracts, are paying Reference Tariffs.

This revision meets the requirements of the Regulator.

Amendment 30

The Access Arrangement and Access Arrangement Information should be amended such that the tariff calculation is undertaken with a consistent treatment of inflation. In particular, the value of the Capital Base should be treated in real terms consistent with the treatment of other input variables to the tariff calculation.

CMS addressed the requirements of Amendment 30 by including Reference Tariffs in the Access Arrangement that reflect a consistent treatment of inflation as required by Amendment 29. There has not been any associated change to the text of the Access Arrangement or Access Arrangement Information.

These revisions meet the requirements of the Regulator.

Amendment 31

The Access Arrangement and Access Arrangement Information should be amended to provide for the following Reference Tariffs, inclusive of the goods and services tax.

| | |
|----------------------------------------------------|-----------------------|
| Firm Extended Service Reservation Charge: | \$0.484/GJ of MDQ/day |
| Firm Extended Service Capacity Charge: | \$0.121/GJ |
| Interruptible Extended Service Reservation Charge: | \$0.436/GJ of MDQ/day |
| Interruptible Extended Service Capacity Charge: | \$0.109/GJ |

CMS addressed the requirements of Amendment 31 by specifying the required Reference Tariffs in Schedule 1 of the General Terms and Conditions.

These revisions meet the requirements of the Regulator.

Amendment 32

The Access Arrangement and Access Arrangement Information should be amended such that inflation adjustments of tariffs are based on the eight capital city, all-groups CPI measure as published by the Australian Bureau of Statistics. For the purposes of setting the Reference Tariffs for 2001/02, the CPI measure for 2000/01 should be reduced by 2.75 percent to account for the impact of the goods and services tax.

CMS addressed the requirements of Amendment 32 by revisions to the following definitions of CPI and CPI Escalator in Appendix 1 of the Access Arrangement.

CPI means the Consumer Price Index (~~All Groups for Perth, Western Australia~~All Groups Weighted Average of Eight Capital Cities) as first published for each Quarter by the Australian Bureau of Statistics for any Quarter and if such Index ceases to be published, any official replacement index published by the Australian Bureau of Statistics and, in the absence of any official replacement index, an index nominated by CMS which is prepared and published by a government authority or independent third party and which most closely approximates the Consumer Price Index.

CPI Escalator means the value calculated from the following formula:

$$CPI_N = \frac{(CPI_{N-2} - CPI_0)}{CPI_0}$$

where:

CPI_{N-2} is: ~~the CPI for the Quarter commencing 6 months prior to the commencement of Quarter _N;~~

the value of the CPI for the Quarter commencing 6 months prior to commencement of Quarter _N where Quarter _N does not commence on 1 July 2001 or 1 October 2001,

the value obtained by subtracting 2.75 from the CPI for the Quarter commencing 1 January 2001 where Quarter _N commences on 1 July 2001, and

the value obtained by subtracting 2.75 from the CPI for the Quarter commencing 1 April 2001 where Quarter _N commences on 1 October 2001;

CPI₀ is the number ~~119.8~~121.8

being the CPI for the Quarter commencing on 1 January 1999; and Quarter _N is the Quarter for which the CPI Escalator is being applied.

The Regulator notes that the revised figure for *CPI₀* is consistent with the figure published by the Australian Bureau of statistics for the relevant quarter.

These revisions meet the requirements of the Regulator.

FEES AND CHARGES

Service Request Administration Fee

Amendment 33 (was Draft Decision 37)

Sections 6.1 and 6.16 of the Access Arrangement should be amended to provide for a maximum Service Request Administration Fee of no more than \$1000.

CMS revised section 6.15 of the Access Arrangement (previously section 6.16 in original documentation) as follows.

~~6.16~~15

- (a) *The Service Request Administration Fee (Fee) is an indication of the Prospective User's bona fides in lodging an Access Request and, if relevant, holding a position on any Queue and is non-refundable except where:*

- (i) *CMS considers the circumstances of the Access Request warrant making a whole or partial refund; or*
- (ii) *the Prospective User is notified that no Queue exists for the Service requested and the parties do not enter into a Service Agreement*
- (b) *The Fee is ~~\$10,000~~ \$1,000.*
- (c) *The Fee:*
 - (i) *does not accrue interest; and*
 - (ii) *will be applied towards defraying CMS' costs and expenses in receiving, reviewing, processing and administering the Access Request; and*
- (d) *CMS may waive all or part of the Fee.*

This revision meet the requirements of the Regulator.

Statutory Charges

Amendment 34

Section 21 of the General Terms and Conditions should be amended to remove the provision for charges to be levied on Users, in addition to the Reference Tariff, to recover any impost imposed on or paid or payable by CMS in relation to the provision of Reference Services.

CMS revised section 21 of the General Terms and Conditions as follows.

21. IMPOSTS AND GST

User's Liability

21.1 *The User shall pay and discharge all Imposts arising in respect of the production, gathering, processing, compression, transportation to a Receipt Point, transportation from a Delivery Point, ~~processing or handling of User Gas by any party other than CMS,~~ or which may otherwise be charged or imposed in respect of User Gas prior to its delivery at the Receipt Point or after delivery of the User's share of Gas at the Delivery Point.*

CMS' Liability

21.2 *CMS shall pay and discharge all Imposts which may be charged or imposed in respect of Gas Received after receipt at the Receipt Point and before delivery at the Delivery Point of the User's share of Gas.*

New Imposts

21.3 Any new Imposts upon User Gas or the User's equivalent quantities of Gas which may be imposed after the date of the Service Agreement which have the effect of increasing the aggregate of Imposts payable by CMS or the User shall be paid and borne by the User, who shall indemnify CMS against any liability in respect thereof.

...

In so far as the amendments made by CMS remove from Users any liability for imposts incurred and relating explicitly to the gas transportation service, the revisions meet the requirements of the Regulator.

Quantity Variation Charges

Amendment 35

Section 10 and schedule 2 of the General Terms and Conditions should be amended to remove provision for CMS to apply Quantity Variation Charges in respect of Maximum Flow Rate Overruns.

CMS addressed this required amendment by revisions to section 5.2 of the General Terms and Conditions, deleting section 10.7 of the General Terms and Conditions, and deleting sections 2.13 to 2.15 of schedule 2 of the General Terms and Conditions, as follows.

General Terms and Conditions

5.2 CMS may regulate the pressure at the Receipt Point to such pressure as it considers necessary or desirable to control Gas Received for transportation under the Service Agreement, and control the flow rate of Gas Received and Gas Delivered so that it does not exceed the Maximum Flow Rate.

10.7 ~~Deleted. If applied by CMS, the Maximum Flow Rate Overrun Charge shall be calculated in accordance with items 2.13 and 2.14 of Schedule 2.~~

Schedule 2 of the General Terms and Conditions

Maximum Flow Rate Overrun Charge

2.13 ~~Deleted. The Maximum Flow Rate Overrun Charge is zero. Maximum Flow Rate Overrun Charge will be calculated as follows:~~

$$\text{MFRO}_C = (\text{MFRO} * 1000) * \text{MFRO}_CF * (\text{RT} + \text{CT})$$

~~Where:~~

~~MFRO_C is the Maximum Flow Rate Overrun Charge in \$~~

~~MFRO is the Maximum Flow Rate Overrun in TJ/Day~~

~~MFRO_CF is the Maximum Flow Rate Overrun Charge Factor as defined in item 2.14 below~~

~~RT is the applicable Reservation Tariff in \$/GJ~~

~~CT is the applicable Commodity Tariff in \$/GJ~~

2.14 ~~The Maximum Flow Rate Overrun Charge Factor is calculated in accordance with the formula:~~

$$\del MFRO_CF = PRM_MFRO * \left(\frac{MFRO}{MFR} \right)$$

~~Where:~~

~~MFRO_CF is the Maximum Flow Rate Overrun Factor~~

~~PRM_MFRO has the value 40~~

~~MFRO is the Maximum Flow Rate Overrun in TJ/Day~~

~~MFR is the Maximum Flow Rate in TJ/Day~~

2.15 ~~The Maximum Flow Rate Overrun Charge Factor is designed to generate a charge on a constant percentage increase sliding scale so that small variations attract only a small quantity variation charge.~~

The revision to section 5.2 of the General Terms and Conditions is considered reasonable. The revision has the effect of increasing the powers of CMS to control flow rates and is regarded as appropriate for pipeline management given the now absence of the Maximum Flow Rate Overrun Charge.

The revisions made to remove provision for levying a Maximum Flow Rate Overrun Charge meet the requirements of the Regulator.

Amendment 36

The General Terms and Conditions should be amended to remove provision for imposition of daily overrun charges in respect of overruns at Receipt Points.

CMS addressed this required amendment by revisions to section 1.2 and sections 2.4 to 2.6 of schedule 2 of the General Terms and Conditions as follows.

Daily Overrun

1.2

- (a) ~~When the Daily quantity of Gas Delivered is greater than the User's Daily Nomination MDO, for the Receipt Point, and/or the Daily quantity of Gas Delivered is greater than the User's Daily Nomination for the Delivery Point MDO, the Daily Overrun Quantity for the~~ *Received* ~~is greater than the User's Daily Nomination MDO, for the Receipt Point, and/or the Daily quantity of Gas Delivered is greater than the User's Daily Nomination for the Delivery Point MDO, the Daily Overrun Quantity for the~~

Delivery Point for a particular Gas Day means that quantity of Gas which is calculated as follows:

$$DOQ = DG - \text{NOM} \underline{MDQ}$$

Where:

DOQ is the Daily Overrun Quantity in TJs

for a Receipt Point

DG is the Daily quantity of Gas Received in TJs

MDQ is the User's Maximum Daily Quantity in TJs *NOM* is the User's Daily nomination of Gas for the Receipt Point in TJs

for a Delivery Point

DG is the Daily quantity of Gas Delivered in TJs

MDQ is the User's Maximum Daily Quantity in TJs *NOM* is the User's Daily nomination of Gas for the Delivery Point in TJs

- (b) ~~When the Daily quantity of Gas Received is less than or equal to the User's Daily nomination for the Receipt Point, the Daily Overrun Quantity is zero.~~

When the Daily quantity of Gas Delivered is less than or equal to the User's MDQ Daily nomination for the Delivery Point, the Daily Overrun Quantity for the Delivery Point is zero.

- (c) Daily Overrun Tolerance means that quantity of Gas which is calculated as ~~the lesser of:~~

$$DOT = \text{NOM} \underline{MDQ} * \text{DOTF} \text{ or}$$

$$\underline{DOT} = \underline{DOTV}$$

Where:

DOT is the Daily Overrun Tolerance in TJs

MDQ is the User's Maximum Daily Quantity in TJs

DOTF has the value 0.08

for a Receipt Point

NOM is the User's Daily nomination of Gas for the Receipt Point in TJs

for a Delivery Point

~~*NOM is the User's Daily nomination of Gas for the Delivery Point in TJs*~~

~~*DOTF has the value 0.08*~~

~~*DOTV has the value 1 TJ*~~

Daily Overrun Charge

2.4 When the Daily Overrun Quantity at the Delivery Point is greater than the Daily Overrun Tolerance, the Daily Overrun Charge will be calculated as follows:

$$DO_C = [(DOQ - DOT) * 1000] * DO_CF * (RT + CT)$$

Where:

DO_C is the Daily Overrun Charge in \$

DOQ is the Daily Overrun Quantity in TJs

DOT is the Daily Overrun Tolerance in TJs

DO_CF is the Daily Overrun Charge Factor as defined in item 2.5 below

RT is the applicable Reservation Tariff in \$/GJ

CT is the applicable Commodity Tariff in \$/GJ

2.5 Daily Overrun Charge Factor is calculated in accordance with the formula:

$$DO_CF = PRM_DO * \left(\frac{DOQ - DOT}{MDQ} \right)$$

Where:

DO_CF is the Daily Overrun Charge Factor

PRM_DO has the value 40

DOQ is the Daily Overrun Quantity for the Delivery Point in TJs

DOT is the Daily Overrun Tolerance for the Delivery Point in TJs

MDQ is the User's Maximum Daily Quantity at the Delivery Point in TJs

for a Receipt Point

~~NOM is the User's Daily nomination of Gas at the Receipt Point in TJs~~

~~for a Delivery Point~~

~~NOM is the User's Daily nomination of Gas at the Delivery Point in TJs~~

- 2.6 The Daily Overrun Charge Factor is designed to generate a charge on a sliding scale so that small variations attract only a small quantity variation charge.

These revisions meet the requirements of the Regulator.

Amendment 37

General Terms and Conditions should be amended to remove provision for penalty charges to be imposed on Users in respect of daily underruns.

CMS addressed this required amendment by deleting section 10.5 of the General Terms and Conditions, deleting section 1.3 of Schedule 2 of the General Terms and Conditions, and revising sections 2.7 to 2.9 of schedule 2 of the General Terms and Conditions, as follows.

General Terms and Conditions

- 10.5 ~~Deleted. If applied by CMS, the Daily Underrun Charge shall be calculated in accordance with items 2.7 and 2.8 of Schedule 2.~~

Schedule 2 of the General Terms and Conditions

Daily Underrun

- 1.3 ~~Deleted.~~

~~(a) When the User's Daily nomination for the Receipt Point is greater than the Daily quantity of Gas Received and/or the User's Daily nomination for the Delivery Point is greater than the Daily quantity of Gas Delivered, the Daily Underrun Quantity for a particular Gas Day means that quantity of Gas which is calculated as follows:~~

$$\del{DUQ = NOM - DG}$$

~~Where:~~

~~DUQ is the Daily Underrun Quantity in TJs~~

~~for a Receipt Point~~

~~DG is the Daily quantity of Gas Received in TJs~~

~~NOM is the User's Daily nomination of Gas for the Receipt Point in TJs~~

~~for a Delivery Point~~

~~DG is the Daily quantity of Gas Delivered in TJs~~

~~NOM is the User's Daily nomination of Gas for the Delivery Point in TJs~~

- ~~(b) When the User's Daily nomination for the Receipt Point is less than or equal to the Daily quantity of Gas Received, the Daily Underrun Quantity is zero.~~

~~When the User's Daily nomination for the Delivery Point is less than or equal to the Daily quantity of Gas Delivered, the Daily Underrun Quantity is zero.~~

- ~~(c) Daily Underrun Tolerance means that quantity of Gas which is calculated as the lesser of:~~

$$~~DUT = NOM * DUTF \text{ or}~~$$

$$~~DUT = DUTV~~$$

~~Where:~~

~~DUT is the Daily Underrun Tolerance in TJs~~

~~for a Receipt Point~~

~~NOM is the User's Daily nomination of Gas for the Receipt Point in TJs~~

~~for a Delivery Point~~

~~NOM is the User's Daily nomination of Gas for the Delivery Point in TJs~~

~~DUTF has the value 0.08~~

~~DUTV has the value 1 TJ~~

Daily Underrun Charge

- 2.7 ~~The Daily Underrun Charge is zero. When the Daily Underrun Quantity is greater than the Daily Underrun Tolerance, the Daily Underrun Charge will be calculated as follows:~~

$$\text{DU}_C = [(DUQ - DUT) * 1000] * \text{DU}_{CF} * (RT + CT)$$

Where:

DU_C is the Daily Underrun Charge in \$

DUQ is the Daily Underrun Quantity in TJs

DUT is the Daily Underrun Tolerance in TJs

DU_{CF} is the Daily Underrun Charge Factor as defined in item 2.8 below

RT is the applicable Reservation Tariff in \$/GJ

CT is the applicable Commodity Tariff in \$/GJ

- 2.8 ~~*The Daily Underrun Charge Factor is calculated in accordance with the formula:*~~

$$\text{DU}_{CF} = \text{PRM}_{DU} * \left(\frac{DUQ - DUT}{NOM} \right)$$

Where:

DU_{CF} is the Daily Underrun Charge Factor

PRM_{DU} has the value 40

DUQ is the Daily Underrun Quantity in TJs

DUT is the Daily Underrun Tolerance in TJs

for a Receipt Point

NOM is the User's Daily nomination of Gas at the Receipt Point in TJs

for a Delivery Point

NOM is the User's Daily nomination of Gas at the Delivery Point in TJs

- 2.9 ~~*The Daily Underrun Charge Factor is designed to generate a charge on a constant percentage increase sliding scale so that small variations attract only a small quantity variation charge.*~~

These revisions meet the requirements of the Regulator.

Amendment 38

The General Terms and Conditions should be amended to remove provision for imposition of hourly overrun charges in respect of overruns at Receipt Points.

CMS addressed this required amendment by revisions to sections 1.4, 2.10 to 2.12 of schedule 2 of the General Terms and Conditions as follows.

Hourly Overrun

1.4

- (a) ~~The Maximum Hourly Quantity for a User is the User's Maximum Daily Quantity ~~Daily nomination for the Receipt Point or the User's Daily Nomination for the Delivery Point~~ divided by 24 and multiplied by the factor 1.1.~~
- (b) ~~When the Hourly quantity of Gas Received is greater than the User's Maximum Hourly Quantity at the Receipt Point and/or the Hourly quantity of Gas Delivered is greater than the User's Maximum Hourly Quantity at the Delivery Point, the Hourly Overrun Quantity for a particular Hour means that quantity of Gas which is calculated as follows:~~

$$HOQ = HG - MHQ$$

Where:

HOQ is the Hourly Overrun Quantity in TJs

~~for a Receipt Point~~

~~*HG is the Hourly quantity of Gas Received in TJs*~~

~~*MHQ is the User's Maximum Hourly Quantity for the Receipt Point*~~

~~for a Delivery Point~~

HG is the Hourly quantity of Gas Delivered in TJs

MHQ is the User's Daily Maximum Hourly Quantity for the Delivery Point.

- (c) ~~When the Hourly quantity of Gas Received is less than or equal to the User's Maximum Hourly Quantity at the Receipt Point, the Hourly Overrun Quantity is zero.~~

When the Hourly quantity of Gas Delivered is less than or equal to the User's Maximum Hourly Quantity at the Delivery Point, the Hourly Overrun Quantity is zero.

- (d) *Hourly Overrun Tolerance means that quantity of Gas which is calculated as ~~the lesser of:~~*

$$HOT = MHQ * HOTF \text{ ~~or~~}$$

~~$$HOT = HOTV$$~~

Where:

HOT is the Hourly Overrun Tolerance in TJs

~~*for a Receipt Point*~~

~~*MHQ is the User's Maximum Hourly Quantity for the Receipt Point in TJs*~~

~~*for a Delivery Point*~~

MHQ is the User's Maximum Hourly Quantity for the Delivery Point in TJs

HOTF has the value 0.08

~~*HOTV has the value 0.05 TJ*~~

Hourly Overrun Charge

- 2.10. *When the Hourly Overrun Quantity at the Delivery Point is greater than the Hourly Overrun Tolerance, the Hourly Overrun Charge will be calculated as follows:*

$$HO_C = [(HOQ - HOT) * 1000] * HO_CF * (RT + CT)$$

Where:

HO_C is the Hourly Overrun Charge in \$

HOQ is the Hourly Overrun Quantity in TJs

HOT is the Hourly Overrun Tolerance in TJs

HO_C F is the Hourly Overrun Charge Factor as defined in item 2.11 below

RT is the applicable Reservation Tariff in \$/GJ

CT is the applicable Commodity Tariff in \$/GJ

2.11 *Hourly Oerrun Charge Factor is calculated in accordance with the formula:*

$$HO_CF = PRM_HO * \left[\frac{(HOQ - HOT)}{MHQ} \right]$$

Where:

HO_CF is the Hourly Oerrun Charge Factor

PRM_HO has the value 40

HOQ is the Hourly Oerrun Quantity in TJs

HOT is the Hourly Oerrun Tolerance in TJs

~~*for a Receipt Point*~~

~~*MHQ is the User's Maximum Hourly Quantity at the Receipt Point in TJs*~~

~~*for a Delivery Point*~~

MHQ is the User's Maximum Hourly Quantity at the Delivery Point in TJs

2.12 *The Hourly Oerrun Charge Factor is designed to generate a charge on a sliding scale so that small variations attract only a small quantity variation charge.*

These revisions meet the requirements of the Regulator.

Amendment 39

Section 10 and schedule 2 of the General Terms and Conditions should be amended to provide for maximum rates of Quantity Variation Charges to be 350 percent of the service tariff for the relevant service per GJ of the quantity variation.

CMS addressed this required amendment by including a new section 10.9 in the General Terms and Conditions as follows.

10.9 *If applied by CMS, each Quantity Variation Charge will be limited such that its unit rate in dollars per gigajoule, the unit rate being the Quantity Variation Charge divided by the applicable Quantity Variation Excursion Quantity on which the Quantity Variation Charge is calculated, will not exceed the value obtained by the following calculation:*

$$\underline{QVC\ F * (RT + CT)}$$

Where:

QVC_F has the value 3.50

RT is the applicable Reservation Tariff in \$/GJ

CT is the applicable Commodity Tariff in \$/GJ

“Quantity Variation Excursion Quantity” is defined in Appendix 1 of the Access Arrangement as follows.

Quantity Variation Excursion Quantity means one of (as applicable): Gas Imbalance Excursion Quantity as defined in item 1.1(e) of schedule 2 of the General Terms and Conditions, Daily Overrun Excursion Quantity as defined in item 1.2(d) of schedule 2 of the General Terms and Conditions, Hourly Overrun Excursion Quantity as defined in item 1.4(e) of schedule 2 of the General Terms and Conditions, or Daily Nomination Variance Excursion Quantity as defined in item 1.6(c) of schedule 2 of the General Terms and Conditions.

Definitions of the Gas Imbalance Excursion Quantity, Daily Overrun Excursion Quantity, Hourly Overrun Excursion Quantity and Daily Nomination Variance Excursion Quantity are provided in Schedule 2 of the General Terms and Conditions as follows.

1.1 ...

(e) Gas Imbalance Excursion Quantity means that quantity of Gas which is calculated as:

$$\underline{GIEQ = (abs(CGI) - GIT) * 1000}$$

Where:

GIEQ is the Gas Imbalance Excursion Quantity in GJs

CGI is the Cumulative Gas Imbalance in TJs

GIT is the Gas Imbalance Tolerance in TJs

...

1.2 ...

(d) Daily Overrun Excursion Quantity means that quantity of Gas which is calculated as:

$$\underline{DOEQ = (DOQ - DOT) * 1000}$$

Where:

DOEQ is the Daily Overrun Excursion Quantity in GJs

DOQ is the Daily Overrun Quantity in TJs

DOT is the Daily Overrun Tolerance in TJs

...

1.4 ...

(e) Hourly Overrun Excursion Quantity means that quantity of Gas which is calculated as:

$$\underline{HOEQ = (HOQ - HOT) * 1000}$$

Where:

HOEQ is the Hourly Overrun Excursion Quantity in GJs

HOQ is the Hourly Overrun Quantity in TJs

HOT is the Hourly Overrun Tolerance in TJs

...

1.6 ...

(c) Daily Nomination Variance Excursion Quantity means that quantity of Gas which is calculated as:

$$\underline{DNVEQ = (DNVQ - DNVT) * 1000}$$

Where:

DNVEQ is the Daily Nomination Variance Excursion Quantity in GJs

DNVQ is the Daily Nomination Variance Quantity in TJs

DNVT is the Daily Nomination Variance Tolerance in TJs

These revisions meet the requirements of the Regulator.

Amendment 40

Section 1.1(d) of schedule 2 of the General Terms and Conditions should be amended to provide for the gas imbalance tolerance to be eight percent of MDQ.

CMS addressed this required amendment by revision of section 1.1(d) of schedule 2 of the General Terms and Conditions as follows.

1.1 ...

- (d) *Gas Imbalance Tolerance means that quantity of Gas which is calculated as ~~the lesser of:~~*

$$GIT = MDQ * GITF \text{ or}$$

$$\del{GIT = GITV}$$

Where:

GIT is the Gas Imbalance Tolerance in TJs

MDQ is the Maximum Daily Quantity in TJs

GITF has the value 0.08

~~*GITV* has the value 1 TJ~~

These revisions meet the requirements of the Regulator.

Amendment 41

The General Terms and Conditions should be amended such that the daily overrun is determined on the basis of an excess of gas delivery over the maximum daily quantity.

CMS addressed this required amendment by revisions to sections 1.2(a) and 1.2(b) of schedule 2 of the General Terms and Conditions as follows.

Daily Overrun

1.2

- (a) *When the Daily quantity of Gas ~~Received is greater than the User's Daily Nomination MDQ, for the Receipt Point, and/or the Daily quantity of Gas Delivered is greater than the User's Daily Nomination for the Delivery Point MDQ,~~ the Daily Overrun Quantity for the Delivery Point for a particular Gas Day means that quantity of Gas which is calculated as follows:*

$$DOQ = DG - \del{NOM}MDQ$$

Where:

DOQ is the Daily Overrun Quantity in TJs

~~*for a Receipt Point*~~

DG is the Daily quantity of Gas Received in TJs

~~MDQ is the User's Maximum Daily Quantity in TJs NOM is the User's Daily nomination of Gas for the Receipt Point in TJs for a Delivery Point~~

DG is the Daily quantity of Gas Delivered in TJs

~~MDQ is the User's Maximum Daily Quantity in TJs NOM is the User's Daily nomination of Gas for the Delivery Point in TJs~~

- (b) ~~When the Daily quantity of Gas Received is less than or equal to the User's MDQ Daily nomination for the Receipt Point, the Daily Overrun Quantity for the Receipt Point is zero.~~

~~When the Daily quantity of Gas Delivered is less than or equal to the User's MDQ Daily nomination for the Delivery Point, the Daily Overrun Quantity for the Delivery Point is zero.~~

For consistency, section 2.5 of schedule 2 of the General Terms and Conditions was also revised to replace “the User’s Daily Nomination” with “the User’s Maximum Daily Quantity” for the purposes of calculating the Daily Overrun Charge Factor, as follows.

2.5 Daily Overrun Charge Factor is calculated in accordance with the formula:

$$DO_CF = PRM_DO * \left(\frac{DOQ - DOT}{MDQ} \right)$$

Where:

DO_CF is the Daily Overrun Charge Factor

PRM_DO has the value 40

DOQ is the Daily Overrun Quantity in TJs

DOT is the Daily Overrun Tolerance in TJs

~~for a Receipt Point~~

~~NOM is the User's Daily nomination of Gas at the Receipt Point in TJs~~

~~for a Delivery Point~~

~~MDQ is the User's Maximum Daily Quantity Daily nomination of Gas at the Delivery Point in TJs~~

In view of the change in calculation of daily overrun on the basis of the excess above MDQ rather than nominated daily quantity, CMS introduced provision into the General Terms and Conditions for a daily nomination variance charge. These provisions arise in section 7.7 of the General Terms and Conditions, and sections 1.6 and 2.16 to 2.18 of schedule 2 of the General Terms and Conditions, as follows.

General Terms and Conditions

7.7

(a) The following expressions have the meaning shown:

(i) Daily Nomination Variance Quantity for a particular Gas Day is the quantity calculated in accordance with item 1.6(a) of Schedule 2.

(ii) Daily Nomination Variance Tolerance for a particular Gas Day is the quantity calculated in accordance with item 1.6(b) of Schedule 2.

(b) If the Daily Nomination Variance Quantity exceeds the applicable Daily Nomination Variance Tolerance on more than three days in any calendar month, then the User may, at CMS' discretion be required to pay to CMS a Daily Nomination Variance Charge in accordance with clause 10.8.

(c) The User shall use all reasonable efforts to ensure that the Daily quantity of Gas Received or Gas Delivered is not more or less than the User's Daily nomination for the Receipt Point or the Delivery Point respectively.

General Terms and Conditions Schedule 2

Daily Nomination Variance

1.6

(a) When the Daily quantity of Gas Received at the Receipt Point is less than or greater than the User's Daily Nomination for the Receipt Point for a particular Gas Day, and/or the Daily quantity of Gas Delivered at the Delivery Point is less than or greater than the User's Daily Nomination for the Delivery Point for a particular Gas Day, the Daily Nomination Variance Quantity for that Gas Day means that quantity of Gas which is calculated as follows:

$$\underline{DNVQ = abs(DG - NOM)}$$

Where:

DNVQ is the Daily Nomination Variance Quantity on the Gas Day in question in TJs

for a Receipt Point

DG is the Daily quantity of Gas Received on the Gas Day in question in TJs

NOM is the User's Daily nomination of Gas for the Receipt Point on the Gas Day in question in TJs

for a Delivery Point

DG is the Daily quantity of Gas Delivered on the Gas Day in question in TJs

NOM is the User's Daily nomination of Gas for the Delivery Point on the Gas Day in question in TJs

(b) Daily Nomination Variance Tolerance means that quantity of Gas which is calculated as:

$$\underline{DNVT = NOM * DNVTF}$$

Where:

DNVT is the Daily Nomination Variance Tolerance on the Gas Day in question in TJs

for a Receipt Point

NOM is the User's Daily nomination of Gas for the Receipt Point on the Gas Day in question in TJs

for a Delivery Point

NOM is the User's Daily nomination of Gas for the Delivery Point on the Gas Day in question in TJs

DNVTF has the value 0.08

(c) Daily Nomination Variance Excursion Quantity means that quantity of Gas which is calculated as:

$$\underline{DNVEQ = (DNVQ - DNVT) * 1000}$$

Where:

DNVEQ is the Daily Nomination Variance Excursion Quantity in GJs

DNVQ is the Daily Nomination Variance Quantity in TJs

DNVT is the Daily Nomination Variance Tolerance in TJs

...

Daily Nomination Variance Charge

2.16 When the Daily Nomination Variance Charge is applicable in accordance with clause 10.8, it will be calculated for each Gas Day on which the Daily Nomination Variance Quantity exceeded the Daily Nomination Variance Tolerance as follows:

$$\underline{DNV_C = [(DNVQ - DNVT) * 1000] * DNV_CF * (RT + CT)}$$

Where:

DNV_C is the Daily Nomination Variance Charge in \$

DNVQ is the Daily Nomination Variance Quantity in TJs

DNVT is the Daily Nomination Variation Tolerance in TJs

DNV_CF is the Daily Nomination Variation Charge Factor as defined in item 2.17 below

RT is the applicable Reservation Tariff in \$/GJ

CT is the applicable Commodity Tariff in \$/GJ

2.17 Daily Nomination Variance Charge Factor is calculated in accordance with the formula:

$$\underline{DNV_CF = PRM_DO * \left(\frac{DNVQ - DNVT}{NOM} \right)}$$

Where:

DNV_CF is the Daily Overrun Charge Factor

PRM_DO has the value 40

DNVQ is the Daily Overrun Quantity in TJs

DNVT is the Daily Overrun Tolerance in TJs

for a Receipt Point

NOM is the User's Daily nomination of Gas at the Receipt Point in TJs

for a Delivery Point

NOM is the User's Daily nomination of Gas at the Delivery Point in TJs

2.18 The Daily Nomination Variance Charge Factor is designed to generate a charge on a sliding scale so that small variations attract only a small quantity variation charge.

These revisions meet the requirements of the Regulator.

Amendment 42

The General Terms and Conditions should be amended such that the daily overrun tolerance is eight percent of MDQ.

CMS addressed this required amendment by revisions to section 1.2(c) of schedule 2 of the General Terms and Conditions as follows.

Daily Overrun

1.2 ...

(c) *Daily Overrun Tolerance means that quantity of Gas which is calculated as ~~the lesser of:~~*

$$DOT = \cancel{NOM} \underline{MDQ} * \cancel{DOTF}$$

$$\cancel{DOT} = \cancel{DOTV}$$

Where:

DOT is the Daily Overrun Tolerance in TJs

MDQ is the User's Maximum Daily Quantity in TJs

DOTF has the value 0.08

~~for a Receipt Point~~

~~NOM is the User's Daily nomination of Gas for the Receipt Point in TJs~~

~~for a Delivery Point~~

~~NOM is the User's Daily nomination of Gas for the Delivery Point in TJs~~

~~DOTF has the value 0.08~~

~~DOTV has the value 1 TJ~~

These revisions meet the requirements of the Regulator.

Amendment 43

The General Terms and Conditions should be amended such that the maximum hourly quantity is determined on the basis of MDQ rather than the nominated daily delivery, and the hourly overrun tolerance is eight percent of the maximum hourly quantity.

CMS addressed this required amendment by revisions to section 1.4 of schedule 2 of the General Terms and Conditions as follows.

*Hourly Overrun**1.4*

- (a) *The Maximum Hourly Quantity for a User is the User's Maximum Daily Quantity ~~Daily nomination for the Receipt Point or the User's Daily Nomination for the Delivery Point~~ divided by 24 and multiplied by the factor 1.1.*
- (b) *When the Hourly quantity of ~~Gas Received is greater than the User's Maximum Hourly Quantity at the Receipt Point and/or the Hourly quantity of Gas Delivered is greater than the User's Maximum Hourly Quantity at the Delivery Point~~, the Hourly Overrun Quantity for a particular Hour means that quantity of Gas which is calculated as follows:*

$$HOQ = HG - MHQ$$

Where:

HOQ is the Hourly Overrun Quantity in TJs

for a Receipt Point

~~HG is the Hourly quantity of Gas Received in TJs~~

~~MHQ is the User's Maximum Hourly Quantity for the Receipt Point~~

for a Delivery Point

HG is the Hourly quantity of Gas Delivered in TJs

MHQ is the User's Daily Maximum Hourly Quantity for the Delivery Point.

- (c) *~~When the Hourly quantity of Gas Received is less than or equal to the User's Maximum Hourly Quantity at the Receipt Point, the Hourly Overrun Quantity is zero.~~*

When the Hourly quantity of Gas Delivered is less than or equal to the User's Maximum Hourly Quantity at the Delivery Point, the Hourly Overrun Quantity for the Delivery Point is zero.

- (d) *Hourly Overrun Tolerance means that quantity of Gas which is calculated as ~~the lesser of:~~*

$$HOT = MHQ * HOTF \text{ ~~or~~}$$

$$\text{~~HOT = HDTV~~}$$

Where:

HOT is the Hourly Overrun Tolerance in TJs

~~for a Receipt Point~~

~~MHQ is the User's Maximum Hourly Quantity for the Receipt Point in TJs~~

~~for a Delivery Point~~

MHQ is the User's Maximum Hourly Quantity for the Delivery Point in TJs

HOTF has the value 0.08

~~HDTV has the value 0.05 TJ~~

These revisions meet the requirements of the Regulator.

Amendment 44

The General Terms and Conditions should be amended to provide for revenue from overrun charges and imbalance charges to be rebatable revenue as if overruns and imbalances were rebatable services within the meaning of the Code.

CMS addressed this required amendment by inclusion of new sections 10.10 and 10.11 in the General Terms and Conditions as follows.

10.10 Revenue obtained from the application of Cumulative Gas Imbalance Charges, Daily Overrun Charges, ~~and~~ Hourly Overrun Charges and Daily Nomination Variance Charges will be treated as if it were revenue from a Rebatable Service as defined in section 10.8 of the Code.

10.11 The revenue obtained from the application of Cumulative Gas Imbalance Charges, Daily Overrun Charges, ~~and~~ Hourly Overrun Charges and Daily Nomination Variance Charges will be rebated to all Users to whom Quantity Variation Charges apply on an annual basis in accordance with the formula:

$$URR = \left[TRR * \frac{UMDQ}{TMDQ} \right] * RRF$$

Where:

URR is the revenue rebated for the calendar year in question to a particular eligible User in \$;

TRR is the total revenue obtained from the application of Cumulative Gas Imbalance Charges, Daily Overrun Charges and Hourly Overrun Charges in the calendar year in question in \$;

UMDQ is the arithmetic average over time of the particular eligible User's MDQ for the calendar year in question in TJ;

TMDQ is the arithmetic average over time of the sum of all eligible Users' MDQs for the calendar year in question in TJ; and

RRF has a value of 0.95.

This revision meets the requirements of the Regulator.

Charges for Unaccounted for Gas and System Use Gas

Amendment 45

Section 15 of the General Terms and Conditions should be amended to establish a reasonable benchmark for determining costs passed on to Users as a System Use Gas Charge.

CMS addressed this required amendment by revision of section 15.3 of the General Terms and Conditions as follows.

15.3 The User will pay a System Use Gas Charge for System Use Gas on the basis of gas prices reasonably nominated by CMS on the basis of competitive tenders publicly solicited by CMS and made available for inspection by any User, which may vary from time to time.

This revision meets the requirements of the Regulator.

OTHER REVISIONS TO THE ACCESS ARRANGEMENT

CMS also made revisions to the Access Arrangement other than the amendments required by the Regulator, as described below.

Tariff Discounts

CMS inserted a new section 5.5 into the Access Arrangement as follows.

5.5 CMS may, at its sole discretion, offer a Tariff Discount.

The Regulator considers that the provision for CMS to offer discount tariffs is simply declaratory of a pre-existing right of CMS to negotiate service agreements outside of the terms and conditions and tariffs of the Reference Services, and hence is of no practical consequence. For the purposes of an monitoring of revenue earned by CMS through the sale of Reference Services, the Regulator would assume that the services were sold at the specified Reference Tariffs regardless of any discounts offered by CMS.

Obligation on a Prospective User to Demonstrate Facility for Safe Transport of Gas

CMS amended section 6.1 of the Access Arrangement as follows.

- 6.1 *Where a Prospective User seeks access to a Reference Service, it shall lodge with CMS:*
- (a) *a completed and signed Order Form for each Reference Service to which access is sought;*
 - (b) *reasonable evidence that the Prospective User has, or will have:*
 - (i) *access to a supply of Gas which meets the Gas Specifications and the means of safely transporting that gas to ~~at~~ the proposed Receipt Point; and*
 - (ii) *access to suitable facilities to safely accept delivery of Gas from the proposed Delivery Point;*

...

The Regulator considers that the provisions for CMS to require evidence from a Prospective User of an ability to safely transport gas to and from the Parmelia Pipeline is consistent with prudent operation of the pipeline and does not comprise an unreasonable restriction on access to the pipeline.

Bare Transfers

CMS inserted a new paragraph to section 20.2 of the General Terms and Conditions as follows.

- 20.2 *Subject to clause 20.3, the User may transfer or assign all or part of its Capacity under a Service Agreement, without CMS' consent, if:*
- (a) *the User's obligations under the Service Agreement with CMS remain in full force and effect after the transfer or assignment;*
 - (b) *CMS is not placed in a legal or contractual relationship with the transferee or assignee;*

- (c) *CMS will continue to deal exclusively with the User after the transfer or assignment;*
- (d) *the terms of the Service Agreement with CMS are not altered as a result of the transfer or assignment; and*
- (e) *there is no change of Receipt Points or Delivery Points,*
(Bare Transfer).

The Regulator considers that this new clause is of no practical consequence. A bare transfer must occur within the provisions of an existing service agreement, and hence with the receipt points and delivery points as specified in that existing agreement. Provision is made elsewhere in the Access Arrangement for a User to change receipt points and delivery points.

Conditional Transfers

CMS inserted a new paragraph to section 20.6 of the General Terms and Conditions as follows.

- 20.6 *For the purposes of (but without limiting) clause 20.5, it will be deemed reasonable for CMS to withhold its consent to a Consent Transfer if:*
- (a) *the transfer or assignment is not commercially or technically reasonable;*
 - (b) *the effect of the transfer or assignment, if agreed to, will adversely affect or prejudice the rights of any person having a position in any Queue who would otherwise have priority;*
 - (c) *the effect of the transfer or assignment, if agreed to, will interfere with CMS' ability to satisfy its obligations under the Grandfathered Contracts or any other Service Agreement; or*
 - (d) *the request for the Consent Transfer involves a change of a Receipt Point or a Delivery Point and such change is not accepted by CMS under the provisions of part 5.*

As with the similar clause relating to bare transfers, the Regulator considers the new section 20.6(d) This clause is also of no practical consequence as receipt points and delivery points specified in a service agreement may be changed under other provisions of the Access Arrangement.