



Victoria Government Gazette

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SPECIAL

Essential Services Commission Act 2001

SECTION 35(2)

Notice of Determinations

The Essential Services Commission (Commission) gives notice under section 35(2) of the **Essential Services Commission Act 2001** of the making of various Determinations under section 34 of the Act.

The Cost Recovery Order in Council issued under section 68 of the **Gas Industry Act 2001** (FRC Cost Recovery Order) allows gas distribution businesses to recover costs incurred in connection with the introduction of full retail competition in the Victorian gas industry. The Determinations set out below:

- (a) approve the capital expenditure that each gas distribution company is entitled to recovery;
- (b) set the prices, fees and charges that a gas distribution company may charge so it recovers from gas retailers its recoverable expenditure and the operations and maintenance expenditure incurred, or forecast to be incurred;
- (c) set the prices, fees and charges that a gas distribution company may charge to gas retailers for special meter reads; and
- (d) establish adjustment factors to ensure that the prices, fees and charges are able to be adjusted over the cost recovery period so that each gas distribution company recovers:
 - (i) its actual expenditure to the extent that such recovery is permitted pursuant to the cost recovery principles; and
 - (ii) compensation for time value of money to the extent that the Commission determines pursuant to clause 11 that such compensation will occur;and no more or less.

1. Determinations under clause 9 and clause 10(6) of the FRC Cost Recovery Order

The Commission has considered the matters raised by each of Multinet, Envestra and TXU in and in relation to their applications for a determination of recoverable expenditure under clause 9, and has had regard to the investigation rules in clause 10 and other relevant matters.

1.1 Multinet

Pursuant to section 34 of the **Essential Services Commission Act 2001**, for the reasons set out in the Commission's statement of purpose and reasons as it applies to Multinet, the Commission makes the following Determinations under clause 9 and clause 10(6) of the FRC Cost Recovery Order:

- (a) Pursuant to clause 9, Multinet's overall total expenditure is greater than the adjusted approved overall budget estimate and is not to become recoverable expenditure;
- (b) Pursuant to clause 10(6), Multinet's recoverable expenditure is \$17,614,910.

1.2 Envestra

Pursuant to section 34 of the **Essential Services Commission Act 2001**, for the reasons set out in the Commission's statement of purpose and reasons as it applies to Envestra, the Commission makes the following Determinations under clause 9 and clause 10(6) of the FRC Cost Recovery Order:

- (a) Pursuant to clause 9, Envestra's overall total expenditure is greater than the adjusted approved overall budget estimate and is not to become recoverable expenditure;
- (b) Pursuant to clause 10(6), Envestra's recoverable expenditure is \$19,236,635.

1.3 TXU

Pursuant to section 34 of the **Essential Services Commission Act 2001**, for the reasons set out in the Commission's statement of purpose and reasons as it applies to TXU, the Commission makes the following Determinations under clause 9 and clause 10(6) of the FRC Cost Recovery Order:

- (a) Pursuant to clause 9, TXU's overall total expenditure is greater than the adjusted approved overall budget estimate and is not to become recoverable expenditure;
- (b) Pursuant to clause 10(6), TXU's recoverable expenditure is \$19,132,527.

2. Determinations under clause 12(2), 12(8) and 12(10) and clause 13(4), 13(8) and 13(9) of the FRC Cost Recovery Order

The Commission has considered the matters raised by each of Multinet, Envestra and TXU in and in relation to their applications for determinations of the prices, fees and charges that a gas distribution company may charge so that a gas distribution company recovers from gas retailers its recoverable expenditure, and has had regard to other relevant matters.

The Commission also has considered the matters raised by each of Multinet, Envestra and TXU in and in relation to their applications for a determination of the prices, fees and charges that a gas distribution company may charge so that a gas distribution company recovers from gas retailers its operations and maintenance expenditure incurred, or forecast to be incurred under clause 13, and has had regard to other relevant matters.

2.1 Multinet

Pursuant to section 34 of the **Essential Services Commission Act 2001**, for the reasons set out in the Commission's statement of purpose and reasons as it applies to Multinet, the Commission makes the following Determinations under the FRC Cost Recovery Order:

- (a) Pursuant to clause 12(6) and clause 13(8), the period within which recovery from gas retailers of prices, fees and charges ends on 31 December 2007;
- (b) Pursuant to clause 12(2) and 12(8) and clause 13(4) and 13(9), Multinet is entitled to charge to gas retailers the prices, fees and charges set out in the table below. These prices, fees and charges are intended to apply from the commencement of full retail competition but will be adjusted thereafter in accordance with the adjustment factor process provided for in clause 14 of the FRC Cost Recovery Order.

FRC SERVICES	RECOVERABLE CAPITAL EXPENDITURE TARIFF			RECOVERABLE OPERATIONS & MAINTENANCE EXPENDITURE TARIFF		
	>5,000 GJ Customer Charge (\$/day)	<5,000 GJ Volume Charge (\$/GJ)	<5,000 GJ Fixed Charge (\$/day)	>5,000 GJ Customer Charge (\$/day)	<5,000 GJ Volume Charge (\$/GJ)	<5,000 GJ Fixed Charge (\$/day)
Meter Reading & MDM	\$0.4839	\$0.0353	\$0.0042	\$0.6203	\$0.0453	\$0.0054
Other FRC	\$0.3883	\$0.0283	\$0.0034	\$0.3552	\$0.0259	\$0.0031
Total	\$0.8723	\$0.0637	\$0.0076	\$0.9755	\$0.0712	\$0.0085

- (c) Pursuant to clause 12(2) and 12(8) and clause 13(4) and 13(9), Multinet is entitled to charge to gas retailers the prices, fees and charges for special meter reads set out in the table below.

Metropolitan Areas (\$/read)	Non-Metropolitan Areas (\$/read)
\$7.00	N/A

2.2 Envestra

Pursuant to section 34 of the **Essential Services Commission Act 2001**, for the reasons set out in the Commission's statement of purpose and reasons as it applies to Envestra, the Commission makes the following Determinations under the FRC Cost Recovery Order:

- (a) Pursuant to clause 12(6) and clause 13(8), the period within which recovery from gas retailers of prices, fees and charges ends on 31 December 2007;
- (b) Pursuant to clause 12(2) and 12(8) and clause 13(4) and 13(9), Envestra is entitled to charge to gas retailers the prices, fees and charges set out in the table below. These prices, fees and charges are intended to apply from the commencement of full retail competition but will be adjusted thereafter in accordance with the adjustment factor process provided for in clause 14 of the FRC Cost Recovery Order.

FRC SERVICES	RECOVERABLE CAPITAL EXPENDITURE TARIFF			RECOVERABLE OPERATIONS & MAINTENANCE EXPENDITURE TARIFF		
	>5,000 GJ Customer Charge (\$/day)	<5,000 GJ Volume Charge (\$/GJ)	<5,000 GJ Fixed Charge (\$/day)	>5,000 GJ Customer Charge (\$/day)	<5,000 GJ Volume Charge (\$/GJ)	<5,000 GJ Fixed Charge (\$/day)
Meter Reading & MDM	\$0.9413	\$0.0687	\$0.0075	\$0.8774	\$0.0641	\$0.0071
Other FRC	\$0.5068	\$0.0370	\$0.0041	\$0.3151	\$0.0230	\$0.0025
Total	\$1.4481	\$0.1057	\$0.0116	\$1.1925	\$0.0871	\$0.0096

- (c) Pursuant to clause 12(2) and 12(8) and clause 13(4) and 13(9), Envestra is entitled to charge to gas retailers the prices, fees and charges for special meter reads set out in the table below.

Metropolitan Areas (\$/read)	Non-Metropolitan Areas (\$/read)
\$7.00	\$9.35

2.3 TXU

Pursuant to section 34 of the **Essential Services Commission Act 2001**, for the reasons set out in the Commission's statement of purpose and reasons as it applies to TXU, the Commission makes the following Determinations under the FRC Cost Recovery Order:

- (a) Pursuant to clause 12(6) and clause 13(8), the period within which recovery from gas retailers of prices, fees and charges ends on 31 December 2007;
- (b) Pursuant to clause 12(2) and 12(8) and clause 13(4) and 13(9), TXU is entitled to charge to gas retailers the prices, fees and charges set out in the table below. These prices, fees and charges are intended to apply from the commencement of full retail competition but will be adjusted thereafter in accordance with the adjustment factor process provided for in clause 14 of the FRC Cost Recovery Order.

FRC SERVICES	RECOVERABLE CAPITAL EXPENDITURE TARIFF			RECOVERABLE OPERATIONS & MAINTENANCE EXPENDITURE TARIFF		
	>5,000 GJ Customer Charge (\$/day)	<5,000 GJ Volume Charge (\$/GJ)	<5,000 GJ Fixed Charge (\$/day)	>5,000 GJ Customer Charge (\$/day)	<5,000 GJ Volume Charge (\$/GJ)	<5,000 GJ Fixed Charge (\$/day)
Meter Reading & MDM	\$0.7784	\$0.0568	\$0.0055	\$1.4494	\$0.1058	\$0.0102
Other FRC	\$0.7642	\$0.0558	\$0.0054	\$0.6477	\$0.0473	\$0.0046
Total	\$1.5425	\$0.1126	\$0.0109	\$2.0971	\$0.1531	\$0.0148

- (c) Pursuant to clause 12(2) and 12(8) and clause 13(4) and 13(9), TXU is entitled to charge to gas retailers the prices, fees and charges for special meter reads set out in the table below.

Metropolitan Areas (\$/read)	Non-Metropolitan Areas (\$/read)
\$7.00	\$7.00

3. Determinations under clause 14 of the FRC Cost Recovery Order

Pursuant to section 34 of the **Essential Services Commission Act 2001**, for the reasons set out in the Commission's statement of purpose and reasons as it applies to Multinet, Envestra and TXU (in this clause referred to as the gas distribution company), the Commission makes the following Determinations under clause 14 of the FRC Cost Recovery Order:

- (a) The prices, fees and charges approved pursuant to clauses 12 and 13 of the FRC Cost Recovery Order shall be adjusted by way of an annual review mechanism whereby specific annual adjustment and final cost recovery period adjustment factors shall be determined by the Commission.
- (b) The prices, fees and charges approved pursuant to clauses 12 and 13 of the FRC Cost Recovery Order shall be adjusted in the following circumstances:
- (i) where the actual capital expenditure incurred for or in connection with the implementation and operation of approved retail gas market rules is materially different to the recoverable capital expenditure determined by the Commission pursuant to clause 9;
 - (ii) where the actual operations and maintenance expenditure incurred for or in connection with the implementation and operation of approved retail gas market rules is materially different to the actual and forecast operations and maintenance expenditure in respect of which the Commission has approved prices, fees and charges pursuant to clause 13 of the FRC Cost Recovery Order.
- (c) The prices, fees and charges approved pursuant to clauses 12 and 13 of the FRC Cost Recovery Order shall be adjusted upon the application by the gas distribution company for determination of the specific annual adjustment factor(s) and for the determination of variation of prices, fees and charges in accordance with the annual specific adjustment factor(s).

- (d) The application by the gas distribution company for determination of the specific annual adjustment factor(s) and for the determination of variation of prices, fees and charges in accordance with the annual specific adjustment factor(s) shall be lodged on or before 1 October 2003 and 1 October of each subsequent year of the cost recovery period determined by the Commission pursuant to clauses 12 and 13 of the FRC Cost Recovery Order and shall comply with the Commission's guidelines in respect of such applications.
- (e) The application by the gas distribution company for final cost recovery period adjustment factors shall be lodged on or before 1 October 2007.

A non-confidential copy of the Determinations is available for inspection from the Commission's website at <http://www.esc.vic.gov.au> or at the Essential Services Commission during business hours by contacting: Julie Grubnau, Level 2, 35 Spring Street, Melbourne, Vic. 3000. Phone (03) 9561 0244. julie.grubnau@esc.vic.gov.au

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