

27 October 2017

 [australiangasnetworks.com.au](http://australiangasnetworks.com.au)**Essential Services Commission**Level 37, 2 Lonsdale St  
MELBOURNE VIC 3000Via email: [energy.submissions@esc.vic.gov.au](mailto:energy.submissions@esc.vic.gov.au)**Re: Review of Unaccounted for Gas Benchmarks, Draft Decision - Calculation,  
October 2017****To Whom It May Concern:**

Australian Gas Networks (AGN) welcomes the opportunity to make a submission to the Essential Services Commission's (the Commission's) Draft Decision "*Review of Unaccounted for Gas Benchmarks, Draft Decision – Calculation*" (DD – Calculation). AGN understands that the Commission will review submissions received on the draft decision and publish a final decision on the benchmarks in December 2017.

AGN is generally supportive of the Commission's overall approach on calculating the Unaccounted for Gas (UAFG) benchmarks for the next (2018 to 2022) Access Arrangement (AA) period. In particular, AGN supports the following elements from the Commission's DD – Calculation:

- 1 retaining the current class A UAFG benchmarks;
- 2 using the revealed cost approach with a three-year average to calculate benchmarks, consistent with the approach taken for previous periods;
- 3 using data that has been settled with the retailers;
- 4 retaining the AGN non – Declared Transmission System (DTS) networks benchmark at 2.0%;
- 5 AGN has been efficiently investing in measures to reduce UAFG during the current regulatory period<sup>1</sup>;
- 6 the data submitted by AGN for its DTS network reflects efficient levels of UAFG<sup>2</sup>; and
- 7 amending clause 2.4(b) of the Gas Distribution System Code (GDSC) to 30 April of the following year.

---

<sup>1</sup> ESC, *Review of Unaccounted for Gas Benchmarks – Draft Decision – Calculation*, October 2017, page 16.

<sup>2</sup> Ibid.

The Commission in the DD – Calculation accepted all aspects of our proposal aside from our proposed class B UAFG benchmark. This reflects the Commission’s position that requires the use of settled data. To this end, the Commission states in the *“Review of Unaccounted for Gas Benchmarks: Final Decision – Methodology”* (FD – Methodology) that:

*“Unsettled UAFG data refers to the data which is gathered by the distributors but has not been agreed with each of the retailers. Settled UAFG data refers to the data that has been gathered by the distributors and has then been agreed with each of the retailers. After the UAFG data has been settled between a distributor and retailers, AEMO determines the reconciliation amounts that are to be paid by the relevant parties.”<sup>3</sup>*

and that:

*“The Commission has decided to only use settled data because the agreement of retailers ensures the data is reliable. There is no way to ensure the reliability of unsettled data before the distributors and retailers complete the settlement process.”<sup>4</sup>*

At the time of submissions on the calculation of the UAFG benchmarks we only had settled (agreed) data through to 2013. As a result, the Commission determined the class B benchmark base on the three-year average of UAFG over 2011, 2012 and 2013. This resulted in a UAFG class B benchmark of 3.8% in the DD – Calculation relative to our proposal of 4.0%.

Since the DD – Calculation was released, AGN has sought and settled the UAFG data for 2014 and 2015. Following this, on the 24 October 2017 the Australian Energy Market Operator (AEMO) issued AGN’s 2014 and 2015 DTS UAFG final statements. We have provided copies of the AEMO final statements as part of this submission on a confidential basis only. These final statements contain commercially sensitive information.

We now, therefore have settled the 2014 and 2015 data with retailers. Consistent with our initial proposal, we are seeking this more recent information is included in determining the class B UAFG benchmark consistent with decisions made for the other gas businesses. We now propose a three year average for setting our class B benchmark as detailed in Table 1, based on settled data for 2013, 2014 and 2015.

Table 1: AGN DTS network UAFG data and three year average

2013	2014	2015	Three year average
4.117%	3.605%	4.319%	4.0% (4.014%)

As part of this submission we have provided the Commission the updated settled UAFG data for our DTS network (class A and B) and our non – DTS network UAFG data in the spreadsheet template. The requested populated template contains commercially sensitive information. This confidential information has been redacted from the public version of the spreadsheet. Importantly, confidential information has been provided to the Commission for its review and information. We have sought to minimise the amount of information that we claim confidentiality over to make our information as transparent to stakeholders as possible.

<sup>3</sup> ESC, *Review of Unaccounted for Gas Benchmarks – Final Decision – Methodology*, July 2017, page 29.

<sup>4</sup> *Ibid*, page vi.

## Summary

For completeness AGN has:

- revised the class B benchmark to include the most recent settled data (2014 to 2015);
- accepted the Commission's draft decision benchmarks for Class A (Victoria and Albury); and
- accepted the Commission's draft decision benchmark for non – DTS network.

Our proposed UAFG benchmarks for the 2018 to 2022 period are detailed in Table 2. We would like to acknowledge the cooperation and effort of retailers to have this DTS data settled prior to making our submission to the DD – Calculation.

Table 2: Our proposed 2018 to 2022 UAFG class A, B and non–DTS benchmarks (%)

	2018	2019	2020	2021	2022
AGN Victoria and Albury Class B	4.0	4.0	4.0	4.0	4.0
AGN Victoria Class A	0.3	0.3	0.3	0.3	0.3
AGN Albury Class A	0.1	0.1	0.1	0.1	0.1
AGN non – DTS	2.0	2.0	2.0	2.0	2.0

AGN also notes its support for the Commission's draft decision is to amend the date in clause 2.4(b)<sup>5</sup> of the GDSC by which distributors must provide AEMO with the information required by that clause, from 30 April of the year after the gas has been withdrawn to 30 April of the following year.

Please contact either Vicky Knighton or myself if you would like to discuss this submission further.

Yours sincerely,



**Craig de Laine**  
**General Manager – Strategy and Regulation**

<sup>5</sup> requires the gas distributor to provide written notice to the Australian Energy Market Operator (AEMO) by 30 April each year of the gas withdrawn.



UAFG data required by the Essential Services Commission

Australian Gas Networks - Non-DTS network

	2008	2009	2010	2011	2012	2013	2014	2015	2016
CTM injections (GJ)	143,064	165,451	192,068	210,182	225,308	235,908	255,156	279,360	
Total withdrawals (GJ)									
Class A withdrawals (GJ)									
Class B withdrawals - D customers (GJ)	69,770	67,267	75,700	84,114	82,125	82,341	82,376	83,145	
Class B withdrawals - V customers (GJ)	71,314	92,118	110,907	124,507	141,614	149,109	169,701	189,459	
Actual UAFG (GJ)									
Class A UAFG (GJ)									
Class B UAFG (GJ)	1,980	6,066	5,460	1,561	1,569	4,457	3,079	6,756	
% UAFG									
% Class A UAFG									
% Class B UAFG	1.38%	3.67%	2.84%	0.74%	0.70%	1.89%	1.21%	2.42%	

Reconciliation amounts received/(paid) \$000	2008	2009	2010	2011	2012	2013	2014	2015	2016	Comment
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		not agreed - data sent by distributor 25 August 2017
[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]		2008 to 2015 agreed to AEMO draft statements
Total	\$3,186	(\$10,050)	(\$6,094)	\$10,371	\$11,873	\$1,065	\$8,251	(\$5,528)		

Note: Unsettled Unsettled Unsettled Unsettled Unsettled Unsettled Unsettled Unsettled Unsettled

If any unsettled data is provided, please indicate.

On 15 September AEMO issued the 2008/2015 non-DTS Draft Statements, AEMO required responses from retailers by 22 September 2017. At the time of submitting one retailer is yet to respond to the AEMO Draft Statements.