

**VOLUNTARY PRICING ARRANGEMENTS FOR AGL  
FOR SUPPLY OF NATURAL GAS TO SMALL GAS CUSTOMERS  
(CONSUMING 0-1 TJ A YEAR)**

**1 July 2016 to 30 June 2017**

The Independent Pricing and Regulatory Tribunal of New South Wales (**IPART**) and AGL Retail Energy Limited (ACN 074 839 464) (**AGL**) each agree to the following Voluntary Pricing Arrangements (**VPA**).

**1. Background and overview**

- 1.1 IPART and AGL wish to continue the light-handed approach to Regulated Offer Prices for Small Gas Customers that was established under the *Voluntary Pricing Principles July 2001 to June 2004* and continued under *Voluntary Transitional Pricing Arrangements July 2004 to June 2010*, *Voluntary Transitional Pricing Arrangements July 2010 to June 2013* and *Voluntary Pricing Arrangements for AGL for Supply of Natural Gas to Small Gas Customers (Consuming 0-1 TJ a Year) 1 July 2013 to 30 June 2016*.
- 1.2 This VPA sets out the pricing arrangements for Regulated Offer Prices and Miscellaneous Charges.
- 1.3 Agreed procedures for amending the Retail Component are set out in:
  - (a) clause 5 (variation of Retail Component - annual Weighted Average Price Increase);
  - (b) clause 12 (variation due to special circumstances - initiated by AGL); and
  - (c) clause 12A (variation due to special circumstances - initiated by IPART).
- 1.4 [Deleted]
- 1.5 Agreed procedures for varying Regulated Offer Prices are set out in clauses 5, 8 and 11.
- 1.6 Agreed procedures for varying Miscellaneous Charges are set out in clause 14.

**2. Application**

- 2.1 This VPA will apply to the Regulated Offer Prices and Miscellaneous Charges for Small Gas Customers for the period 1 July 2016 to 30 June 2017.
- 2.2 This VPA replaces any previous such voluntary pricing arrangements between IPART and AGL.
- 2.3 Nothing in this VPA affects:
  - (a) IPART's ability to impose a gas pricing order under section 27 of the Gas Supply Act; or
  - (b) any other powers of IPART.

**3. Regulated Offer Prices**

The Regulated Offer Prices for the period 1 July 2016 to 30 June 2017 will be comprised as follows:

R + N,

where:

- (a) R refers to the Retail Component; and
- (b) N refers to the Network Component.

#### **4. Arrangements for Regulated Offer Prices**

AGL undertakes to:

- (a) make Regulated Offer Prices available to all Small Gas Customers for whom AGL is the Regulated Offer Retailer for gas; and
- (b) allow Small Gas Customers for whom AGL is the Regulated Offer Retailer for gas, and who have accepted a competitive market offer, to revert to AGL's Regulated Offer Prices without penalty once they have met their contractual obligations.

#### **5. Variation of Retail Component (annual Weighted Average Price Increase)**

5.1 Subject to clauses 5.2, 5.3 and 11, AGL may vary the Retail Component of the Regulated Offer Prices provided that the Weighted Average Price Increase for the Retail Component of the Regulated Offer Prices for the 2016/17 Financial Year is at or below

$$(1+0\%) \times (1 + \Delta\text{CPI}_{2017}) - 1.$$

5.2 AGL may only vary the Retail Component of the Regulated Offer Prices pursuant to clause 5.1 once for the 2016/17 Financial Year or as agreed with IPART.

5.3 AGL may vary the Retail Component of a Regulated Offer Price for a Financial Year under this clause 5 notwithstanding that the Retail Component has previously been varied for that Financial Year as a result of the application of another provision of this VPA.

6. **[Deleted]**

7. **[Deleted]**

#### **8. Variation of Network Component**

8.1 Subject to clauses 8.2 and 11, AGL may vary the Network Component of the Regulated Offer Prices provided that the Network Component is equal to the Network Charges as approved by the Australian Energy Regulator that will be payable by AGL over the 2016/17 financial year.

8.2 At least one month before any change in the Network Component pursuant to clause 8.1 takes effect, or at such later time as is agreed with IPART in writing, AGL is required to:

- (a) advise IPART of the proposed variation in the Network Component and the consequential proposed changes to the Regulated Offer Prices; and
- (b) provide IPART with supporting information showing that the Network Component is set in accordance with clause 8.1.

9. [Deleted]

10. [Deleted]

**11. IPART approval of variations to Regulated Offer Prices**

11.1 Within 2 business days of the public release of IPART's final report on its review of retail prices and charges for gas from 1 July 2016, or by such later date as is agreed with IPART in writing, AGL is required to:

- (a) advise IPART of the proposed variation in the Retail Component pursuant to clause 5.1; and
- (b) provide IPART with sufficient information in respect of the Retail Component to enable IPART to verify that the Retail Component of the proposed Regulated Offer Prices for the 2016/17 Financial Year complies with the Weighted Average Price Increase for the 2016/17 Financial Year by providing at least:
  - (i) the Retail Component of each Regulated Offer Price for the 2015/16 Financial Year and of each proposed Regulated Offer Price for the 2016/17 Financial Year, together with customer numbers and volume for the 2015/16 Financial Year; or
  - (ii) the total revenue forecast to be recovered from each Retail Component for the 2015/16 Financial Year and from each proposed Retail Component for the 2016/17 Financial Year, together with customer numbers and volume for the 2015/16 Financial Year.

11.2 IPART will notify AGL in writing whether it is satisfied with a proposed increase or decrease in Regulated Offer Prices within 10 business days of receipt of the information from AGL under clauses 11.1 or 8.2 (as the case may be).

11.3 If IPART is not satisfied with the proposed increase or decrease in the Regulated Offer Prices:

- (a) IPART agrees to provide to AGL details of the reasons it is not satisfied;
- (b) AGL agrees to submit to IPART an amended proposal within 5 business days following receipt of details from IPART of the reasons why it is not satisfied with AGL's proposed increase or decrease in Regulated Offer Prices or the proposed Retail Component (as the case may be); and
- (c) IPART agrees to notify AGL whether it is satisfied with that amended proposal within 5 business days of receipt of the amended proposal.

11.4 AGL will publish its Regulated Offer Prices on its website within 5 days of IPART notifying AGL that it is satisfied with the proposed increase or decrease in the Regulated Offer Prices.

## **12. Variation due to special circumstances – Initiated by AGL**

- 12.1 Should AGL consider it necessary as a result of special circumstances (as defined in clause 12.2) to increase any Regulated Offer Prices other than in accordance with the procedures set out in clauses 5 to 11 (inclusive):
- (a) AGL must advise IPART of the proposed increase by no later than 4 months (or such other period as may be agreed by AGL and IPART) before the date of effect of the proposed increase (eg by 1 March for 1 July increase);
  - (b) AGL must provide a justification statement to IPART specifying the basis of the increase and providing relevant information supporting the increase;
  - (c) IPART may undertake a review of relevant costs incurred by AGL to reasonably satisfy itself of the validity of the increase proposed;
  - (d) AGL will provide reasonable cooperation with IPART during such a review;
  - (e) IPART will notify AGL in writing of its decision on the proposed price variation no later than 15 business days prior to the date of effect of the proposed increase; and
  - (f) AGL will publish its revised Regulated Offer Prices on its website within 5 days of IPART notifying AGL that it approves the revised Regulated Offer Prices.
- 12.2 For the purposes of clauses 12.1 and 12A.1, special circumstances include, but are not limited to, regulatory changes, taxation changes, unanticipated field price review or fundamental changes to gas market frameworks and arrangements.

## **12A. Variation due to special circumstances – Initiated by IPART**

- 12A.1 Should IPART form the opinion that any Regulated Offer Prices should be decreased due to special circumstances (as defined in clause 12.2), other than in accordance with the procedures set out in 5 to 11 (inclusive):
- (a) IPART may issue a notice to AGL specifying the special circumstances which, in IPART's opinion, justify the price decrease;
  - (b) by no later than 40 business days after receiving a notice from IPART under sub-clause (a), or as otherwise agreed with IPART, AGL must respond to IPART's notice. AGL's response must state whether or not AGL proposes to decrease Regulated Offer Prices as a result of the special circumstances notified by IPART and, if it does:
    - (i) set out the details of the proposed decrease;
    - (ii) provide sufficient information to demonstrate how AGL has calculated the proposed decrease and to enable IPART to verify that the proposed decrease is reasonable;
  - (c) IPART will notify AGL whether or not it approves a proposed decrease in Regulated Offer Prices submitted under sub-clause (b); and
  - (d) AGL must decrease Regulated Offer Prices in accordance with a proposal that is approved by IPART under sub-clause (c). The resulting new Regulated Offer Prices must be published on AGL's website within five business days of approval by IPART under sub-clause (c), and must take effect within fifteen business days of approval by IPART unless otherwise agreed with IPART,
- 12A.2 For the avoidance of any doubt, nothing in clause 12A.1 affects IPART's ability to impose a gas pricing order under section 27 of the Gas Supply Act and IPART is not obliged to follow the procedure under clause 12A.1 before doing so.

### 13. [Deleted]

### 14. Arrangements for Miscellaneous Charges

14.1 In relation to Miscellaneous Charges, IPART and AGL agree that:

- (a) any increases in existing Miscellaneous Charges other than:
  - (i) to reflect changes in CPI; or
  - (ii) to pass through third party costs other than Network Charges; or
  - (iii) in accordance with an applicable law,are subject to IPART's agreement prior to implementation;
- (b) any proposed new Miscellaneous Charge will not be introduced without IPART's agreement; and
- (c) any new Miscellaneous Charges will be established on a cost-reflective basis.

14.2 AGL may not impose on, or require from, a Small Gas Customer a late payment fee or security deposit except as permitted by this VPA and any applicable law.

[Note: the National Energy Retail Law, the National Energy Retail Rules and the National Energy Retail Law (Adoption) Regulation 2013 set out certain conditions and restrictions on the imposition of late payment fees.]

14.3 At least one month before any proposed increase in Miscellaneous Charges takes effect, AGL is required to:

- (a) advise IPART of that proposed increase in Miscellaneous Charges; and
- (b) provide supporting information showing whether the increase is for one of the purposes specified in clauses 14.1(a)(i) to (iii).

14.4 IPART will notify AGL in writing whether it is satisfied with the proposed increase in Miscellaneous Charges within 10 business days of receipt of the information from AGL under clause 14.3.

14.5 If IPART is not satisfied with the proposed increase in Miscellaneous Charges:

- (a) IPART must provide to AGL notice that IPART is not satisfied with the proposed increase together with details of the reasons it is not satisfied;
- (b) AGL agrees to submit an amended proposal within 5 business days following receipt of details from IPART of the reasons why it is not satisfied with AGL's proposed increase in Miscellaneous Charges; and
- (c) IPART agrees to notify AGL whether it is satisfied with that amended proposal within 5 business days of receipt of the amended proposal.

14.6 AGL will publish its revised Miscellaneous Charges on its website within 5 days of IPART notifying AGL that it is satisfied with the proposed increase in Miscellaneous Charges.

14.7 Where AGL proposes an increase in, or introduction of, a Miscellaneous Charge that requires IPART's agreement:

- (a) AGL must advise IPART of the proposed increased or new Miscellaneous Charge by no later than 4 months (or such longer period as may be agreed by AGL and IPART) before the date of effect of the proposed increase or introduction (eg by 1 March for 1 July increase or introduction);
- (b) AGL must provide a justification statement to IPART specifying the basis for the increased or new Miscellaneous Charge and providing relevant information supporting the increase or introduction;

- (c) IPART may undertake a review of relevant costs incurred by AGL to reasonably satisfy itself of the validity of the increased or new Miscellaneous Charge proposed;
- (d) AGL will provide reasonable cooperation with IPART during such a review;
- (e) IPART will notify AGL in writing of its decision on the proposed increase or introduction no later than 15 business days prior to the date of effect of the proposed increase or introduction; and
- (f) AGL will publish its revised Miscellaneous Charges on its website within 5 days of IPART notifying AGL that it approves the revised Miscellaneous Charges.

## 15. Definitions

### 15.1 In this VPA:

- (a) **2015/2016 Financial Year** means the period from 1 July 2015 to 30 June 2016;
- (b) **2016/17 Financial Year** means the period from 1 July 2016 to 30 June 2017;
- (c) **CPI** means the consumer price index, All Groups index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics, or if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI means an index determined by IPART.

$\Delta CPI_t$  for any given Financial Year  $t$  is equal to the CPI index number for the quarter ending in March of Financial Year  $t - 1$  divided by the CPI index number for the corresponding quarter of Financial Year  $t - 2$  determined as follows to 2 decimal places:

$$\Delta CPI_t = \left( \frac{CPI_{March(t-1)}}{CPI_{March(t-2)}} - 1 \right) \times 100\% ;$$

$$\Delta CPI_{2017} = 1.31\%$$

- (d) **Financial Year** means a period of twelve months commencing on 1 July and ending on 30 June in the following calendar year;
- (e) **Gas Supply Act** means the *Gas Supply Act 1996* (NSW);
- (f) **Miscellaneous Charge** means a fee or charge in addition to the Regulated Offer Price for the supply of natural gas to a Small Gas Customer by AGL under a Regulated Offer Contract as published by AGL on its website in accordance with clause 14.6 (including but not limited to an account establishment fee, late payment fee, fee for dishonoured payment and fee for special meter read);
- (g) **Network Charges** refers to:
  - (i) charges imposed by a network operator on AGL for network related services in accordance with the relevant access arrangement approved by the Australian Energy Regulator; and
  - (ii) charges imposed by a network operator on AGL for network related services under unregulated access agreements;
- (h) **Network Component** refers to that part of the Regulated Offer Prices relating to Network Charges;
- (i) **Regulated Offer Contract** has the meaning given to that term under the *National Energy Retail Law* (NSW);

- (j) **Regulated Offer Price** means a fee or charge for the supply of natural gas to a Small Gas Customer by AGL under a Regulated Offer Contract excluding Miscellaneous Charges and as determined or calculated in accordance with clause 3;
- (k) **Regulated Offer Retailer** has the meaning given to that term under the *National Energy Retail Law* (NSW);
- (l) **Retail Component** refers to that part of the Regulated Offer Prices that AGL may set for retail costs including but not limited to wholesale gas costs, retail operating costs and a retail margin;
- (m) **Small Gas Customer** means a "regulated offer customer" (as that term is defined in the *National Energy Retail Law* (NSW)) whose consumption of natural gas at a premises is, or is expected to be, 0-1 TJ a year; and
- (n) **Weighted Average Price Increase** means, for a proposed variation in the Retail Components of Regulated Offer Prices for the 2016/17 Financial Year, the weighted average increase in the Retail Components of Regulated Offer Prices calculated by comparing:
  - (i) the proposed Retail Components of the Regulated Offer Prices for the 2016/17 Financial Year; and
  - (ii) the Retail Components of those Regulated Offer Prices for the 2015/16 Financial Year,
 using the customer numbers and volume for the 2015/16 Financial Year.

## 16. Interpretation

### 16.1 In this VPA:

- (a) a reference to an Act, legislation or law includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacements of them;
- (b) words importing the singular include the plural and vice versa (for instance, a reference to a Regulated Offer Price includes Regulated Offer Prices and vice versa);
- (c) references to business days are references to days on which the banks are open for retail banking business other than a Saturday, Sunday or public holiday in New South Wales;
- (d) explanatory notes do not form part of this VPA, but in the case of uncertainty may be relied on for interpretation purposes; and
- (e) headings are for convenience only and do not affect the interpretation of this VPA; and
- (f) a reference to AGL includes its related bodies corporate, if relevant.

