

**THE NATIONAL FRAMEWORK FOR  
THE CONNECTION OF RETAIL  
CUSTOMERS TO NATURAL GAS  
DISTRIBUTION NETWORKS**

MCE Standing Committee of Officials  
Draft Policy Position

2 September 2009

## **Stakeholder Consultation**

This document outlines the Ministerial Council on Energy (MCE) Standing Committee of Officials' (SCO) draft policy positions for the National Framework for the Connection of Retail Customers to Natural Gas Distribution Networks (the Gas Connections Framework).

The Gas Connections Framework will be part of the National Energy Customer Framework's (NECF) National Energy Retail Law and Rules package and is being developed in parallel with the National Framework for Electricity Distribution Network Connections and Capital Contributions.

SCO invites stakeholder comments on the draft policy positions detailed in this document. These policy positions are draft only and have not been considered by the MCE.

## **Consultation Timeframe**

A stakeholder **workshop** will be held **Wednesday 9 September 2009 in Melbourne**. SCO encourages stakeholders to raise any issues at this workshop. Details of the workshop will be made available to stakeholders shortly.

Stakeholders who wish to make written submissions are requested to do so by the close of business **Friday 18 September 2009**.

**The SCO advises there will be an opportunity for further detailed comment through the NECF stakeholder consultation process when the Gas Connections Framework is released as part of the NECF Second Exposure draft later this year.**

Submissions should be addressed to:

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Submissions will be published on the MCE's website. Stakeholders who do not want their submission to be made publicly available should clearly state this in a covering email.

SCO will subsequently release a statement with the second exposure draft of the NECF indicating where the Gas Connections Framework policy has changed following consultation.

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# 1 Definitions and Acronyms

## Acronyms

The following acronyms are used in this paper.

**AER** – Australian Energy Regulator

**MCE** – Ministerial Council on Energy

**NECF** – National Energy Customer Framework

**NERL** – National Energy Retail Law

**NGL** – National Gas Law

**NGR** – National Gas Rules

**SCO** – Ministerial Council on Energy Standing Committee of Officials

## Definitions

The following terms are used in this paper.

**User** – as defined in the NGL, section 2

“**User** means a person who –

(a) is a party to a contract with a service provider under which the service provider provides or intends to provide a pipeline service to that person by means of a scheme pipeline; or

(b) has a right under an access determination to be provided with a pipeline service by means of a scheme pipeline;”

**customer** – a retail customer as defined in the NERL first exposure draft, section 106(1).

“A customer is a person to who energy is or is to be sold by a retailer, or who proposes to purchase energy from a retailer, at the supply point for the person’s premises.”

All NERL references refer to the first exposure draft. Words and phrases in *italics* have specific meanings defined in the NGL, NGR or the NERL. Italics are used only in the first instance such a word or phrase appears in this paper.

## 2 Introduction

This paper presents SCO's draft policy positions for a National Framework for the Connection of Retail Customers to Natural Gas Distribution Networks (the Gas Connections Framework). The Gas Connections Framework's primary objectives are to:

- Provide a national framework for customers to get a new connection or a modification to an existing connection to a natural gas distribution network;
- Provide rules that set out a distributor's obligation to connect under the NERL;
- Harmonise, to the extent practicable, the jurisdictional arrangements governing gas connection processes and connection charges for customers;
- Simplify the connection process for customers;
- Apply to covered and uncovered distribution networks; and
- Have commonality with the National Framework for Electricity Distribution Network Connections and Capital Contributions (the Electricity Connections Framework).

The Gas Connections Framework is intended for customers, regardless of size, seeking access to a distribution network and will not apply to Users. It will minimise inconsistency in the regulatory arrangements for cross-jurisdiction operators.

This policy paper sets out:

- The relationships between the Gas Connections Framework, the NECF and the national gas access regime;
- Connection types and approvals;
- The enquiry and application process for new and modified connections;
- Contractual arrangements for Basic and Additional Standardised connections;
- A negotiating framework for negotiated connections;
- The treatment of connection assets; and
- Dispute resolution arrangements.

SCO advises further details of the policies outlined in this document will be released as part of the NECF consultation process. SCO notes Tasmania does not intend to implement the Gas Connections Framework at this stage.

### **3 Relationships between the Gas Connections Framework and Other National Energy Reforms**

#### **3.1 The Australian Energy Market Agreement**

In 2006 the Council of Australian Governments amended the Australian Energy Market Agreement to transfer distribution and retail (non-price) regulatory functions to the national energy regulatory frameworks. There is currently no commitment from Western Australia to apply the national framework.

Reforms undertaken by the MCE, such as economic regulation of transmission and distribution networks, have already transferred a number of these functions. The NECF will transfer functions relating to the supply and sale of electricity and gas to customers and the Gas Connections Framework will transfer connection and capital contribution requirements.

#### **3.2 The National Energy Customer Framework**

The NECF will establish a national framework for the supply and sale of energy (both electricity and gas) to customers. In the April 2009 Explanatory Statement for the release of the First Exposure Draft of the NECF, SCO confirmed there will be a direct distributor–customer contractual relationship in both the electricity and gas sectors.

##### **Obligation to Connect Under NECF**

The NERL, section 302, provides that gas and electricity distributors will be obliged to provide *customer connection services* to a customer who is seeking supply of energy at their premises in accordance with energy laws. The Gas Connections Framework will provide these energy laws. Distributors will also have an obligation to provide *customer supply services* for existing connections (section 303).

A distributor's obligation to connect will be subject to relevant energy laws, which will include the distributor and the customer satisfying pre-conditions for:

- Safety and technical requirements in the relevant jurisdiction codes;
- Applicable service standards (usually in jurisdiction instruments);
- Procedural requirements set out in the NECF; and
- The Gas Connections Framework.

## **Retailer's Obligation Under the NECF**

The NERL, section 204, imposes an obligation on the *designated retailer* for each supply point to have a standing offer for the sale of energy to customers. This obligation to provide retail services (sell gas) can only be meaningfully performed by a retailer where the premises have an existing connection. SCO therefore considers it essential that the Gas Connections Framework be implemented to support the obligations on retailers to make a *standing offer*.

SCO notes that once a customer's new connection is established under the Gas Connections Framework, the designated retailer will be obliged to offer that customer the sale of energy under the standing offer, i.e. sell gas at the *standing offer price* and under the *standard retail contract*.

### **3.3 The National Gas Access Regime**

The national gas access regime contained in the NGL, NGR and distributors' access arrangements, is a negotiate-arbitrate regime. It enables Users of distribution pipelines, usually retailers, to negotiate access to pipeline services.

Customers are not provided for under the national gas access regime.

### **3.4 The Gas Connections Framework**

#### **Policy Proposal**

The Gas Connections Framework will be a stand alone regulatory arrangement that applies to covered and uncovered distribution networks. It will work alongside the national gas access regime.

The Gas Connections Framework will define the rules for a distributor's obligation to connect under the NECF. Customer connections are currently dealt with by jurisdictional connection regimes and will be transferred to the Gas Connections Framework.

SCO's intention is that the Gas Connections Framework will apply to covered and uncovered pipelines and SCO, therefore, recognises it must be a stand alone regulatory arrangement that complements the national gas access regime.

## 4 Connection Definitions and Approvals

### 4.1 Scope of the Connections Framework

#### **Policy Proposal**

The Gas Connections Framework will apply to new connections and modifications to existing connections for gas supply to a customer's premises.

The Gas Connections Framework will apply to new physical connections and modifications to existing physical connections to a customer's premises, as defined below.

New connection: where action is required to establish a new physical connection to the premises of a customer seeking natural gas supply.

Modification to an existing connection: where action is required to modify an existing physical connection to a customer's premises to meet their supply needs.

Arrangements for where a customer's premises has an existing connection to a distribution network and only energisation is required are covered by the NECF and are not addressed in this paper.

### 4.2 Connection Services

#### **Policy Proposal**

Three connection services will be available to customers under the Gas Connections Framework:

**Basic Connection**: - as defined by the distributor and approved by the AER.

**Additional Standardised Connection**: - for customers with connection requirements not covered by a Basic Connection, as defined by the distributor and approved by the AER.

**Negotiated Connection**: - for customers who have specific requirements that must be negotiated with their distributor.

SCO proposes that the Gas Connections Framework make three connection services available to customers. These are described below.

#### **Basic Connection**

The Gas Connections Framework will require a distributor to provide a basic connection service. This would be for customers whose connection does not require an augmentation or substantial extension, and is intended for the majority of *small* customers.

The distributor would define the Basic Connection service and submit it to the AER for approval. SCO's intention is that providing a Basic Connection service will enable a simple application and connection procedure.

### **Additional Standardised Connections**

SCO's intention is that the Gas Connections Framework be as flexible as possible and SCO proposes that distributors have the option to specify Additional Standardised Connections as they require. This would enable a standard connection process for specific classes of customers where there are common technical and supply requirements not provided by a Basic Connection, such as large commercial customers.

Like the Basic Connection service, the AER will approve each Additional Standardised Connection service proposed by the distributor.

### **Negotiated Connections**

SCO proposes distributors provide a Negotiated Connection service for customers who have specific requirements not met by a distributor's Basic or Additional Standardised Connection services. Negotiated Connections will use the negotiating framework discussed in part 7 of this paper.

## **4.3 Basic and Additional Standardised Connection Services Approved by the AER**

### **Policy Proposal**

Distributors will be required to define and submit each of their Basic and Additional Standardised Connection services to the AER for approval.

For each connection service, distributors will be required to include a schedule that specifies what is to be provided to the customer, timeframes for various stages to complete the connection and any charges to be paid by the customer.

The AER will approve each connection service, including timeframes and charges, on the basis that they provide a reasonable level of service, having regard to the National Gas Objective, the distributor's historical practices and the geographical nature of their network.

Distributors will be required to provide the customer with the appropriate schedule for the proposed connection service as part of the distributor's standard distribution contract.

Distributors will, as required, provide the customer with an itemised quote for minor variations to a Basic or Additional Standardised Connection.

It is SCO's intention that the Gas Connections Framework apply to covered and uncovered pipelines and SCO recognises, therefore, it must be a stand alone regulatory arrangement that complements the national gas access regime.

SCO also considers it important that customers know the details and nature of the connection services they are being offered by a distributor.

To address these two requirements, SCO proposes that a distributor be required to define its Basic Connection service and each Additional Standardised Connection service and submit them to the AER for approval. Each connection service would include a schedule to be included with the standard distribution contract (discussed in part 6 of this paper), which would detail:

- What is to be provided to the customer;
- Timeframes for construction; and
- Any charges the customer is required to pay.

The AER would approve each connection service, including timeframes and charges, on the basis that they provide a reasonable level of service, having regard to the National Gas Objective<sup>1</sup>, the distributor's historical practices and the geographical nature of the network. This will allow for variation in connection requirements between distributors.

The Gas Connections Framework will allow for minor variations to Basic and Additional Standardised Connections which may affect the cost of a connection (for example upgrading to a larger supply and meter). Where such a minor variation occurs, distributors will be required to provide customers with an itemised quote detailing any (additional) charges.

Where the costs of an individual customer's connection is evaluated to exceed the amount provided for by the distributor's standard charges, the distributor may recover the additional costs as described in part 8.2 of this paper from the customer (but not from other customers).

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<sup>1</sup> NGL, section 23, the National Gas Objective is "...to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."

## 5 Applying for a Basic or Additional Standardised Connection

### **Policy Proposal**

The Gas Connections Framework will allow a customer to apply directly to a distributor for connection to the distributor's network.

Third parties, such as retailers or gasfitters, may facilitate connections and apply on behalf of customers, but it will not be mandatory for them to do so, and the customer will be deemed to be making the application.

Distributors will be required to respond with information on the connection process within 5 business days of receiving a customer's connection enquiry.

Distributors will be required to provide appropriate advice to a customer regarding their connection application within 10 business days of receiving a completed application.

Distributors will be required to advise customers of the information they require within 5 business days of receiving an incomplete application.

The connection timeframes proposed by a distributor in the relevant connection schedule will commence once all customer works or necessary third party approvals are in place. These timeframes would be subject to the best endeavours of the business and can be changed by the distributor or customer when certain circumstances prevent them being met, or if both parties agree to a different timeframe.

### **5.1 Distributor - Customer Relationship**

SCO proposes that customers be able to apply directly to a distributor for a new or modified connection. Third parties, such as retailers and gasfitters, will be able to facilitate the process and initiate a customer's connection application, but it will not be mandatory for them to do so, and the customer will be deemed to be making the application.

Given the technical and geographical differences between distribution systems, SCO does not consider it necessary or appropriate to prescribe the content of a distributor's application form, noting distributors are best placed to define the information they require from a customer.

### **5.2 Timeframes for Responding to Enquiries and Processing Applications**

SCO proposes the following timeframes for responding to customer enquiries and processing applications for new connections and modification to existing connections.

A distributor will be required to respond with information on the connection process within 5 business days of receiving a customer's connection enquiry. This is consistent

with the enquiry response time in the National Electricity Rules and the proposed Electricity Connections Framework.

Upon receipt of a completed and valid application, the distributor will have 10 business days to:

- Advise if the customer's application conforms to a Basic or Additional Standardised Connection;
- Advise the customer of any relevant technical information required to effect the proposed connection; and
- Direct the customer to the distributor's relevant standard distribution contract, which will include connection terms and conditions (discussed in part 6.1) and the relevant schedule.

If an application is incomplete, the distributor will be required to advise the customer of the required information within 5 business days of receiving the application.

### **5.3 Timeframes for Providing a New Connection**

As discussed in part 4.3 of this paper, a distributor will be required to provide a schedule for each of its Basic and Additional Standardised Connection services, which will include timeframes for providing the connection. SCO notes these timeframes may be subject to jurisdiction service standard requirements.

SCO proposes that these timeframes commence once all customer works or necessary third party approvals are in place. Timeframes would necessarily be subject to the best endeavours of the business and can be changed by the distributor or customer if:

- Operational circumstances preclude the parties from meeting them;
- A jurisdiction's service standards and guaranteed service levels apply to the connection; or
- Both parties agree to shorten or extend the timeframe.

SCO considers this streamlined connection application process will minimise the cost and complexity of the majority of connections.

## 6 Contractual Arrangements for Basic and Additional Standardised Connections

### Policy Proposal

The Gas Connections Framework will establish model connection terms and conditions that will be part of the NECF's standard distribution contract. Distributors will be obliged to adopt a standard distribution contract based on these terms and conditions.

Distributors will be required to make their standard distribution contract publicly available.

A distributor's standard distribution contract (containing connection terms and conditions) and schedule will be deemed to take effect for Basic and Additional Standardised Connections from the time all customer works and necessary third party approvals are in place and the distributor receives a completed application, including when the application is submitted on the customer's behalf by third parties.

The NECF proposes a contractual model for the relationship between a customer and a retailer, and a customer and a distributor. The distributor-retailer relationship will be regulated in the NECF.

### 6.1 Connection Model Terms and Conditions

The NECF will require distributors to adopt a deemed standard distribution contract based on the NECF's model terms and conditions. SCO proposes terms and conditions dealing specifically with new connections that will be included in the NECF's model standard distribution contract. This will allow the one contract to deal with connection and supply of gas and will align the Gas Connections Framework with the NECF's contract model. It will also facilitate the simplified application process described in part 4 for Basic and Additional Standardised Connections.

The NECF gives distributors the option of developing AER approved standard distribution contracts for classes of *large* customers<sup>2</sup> and SCO proposes the AER may approve connection terms and conditions as part of these.

The model connection terms and conditions would cover the following areas:

- New connections and the distributor's obligation to connect;
- Limitations on the obligation to connect;
- Pre-conditions for connection;
- Timeliness of works;
- Description of the customer's installation;

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<sup>2</sup> NERL, section 106(3) "A large customer is a business customer who consumes energy at business premises above the upper consumption threshold." The upper consumption threshold is defined in section 8(3) as 1 TJ per annum.

- Charges for connection; and
- Energisation of new connections.

Distributors will be required to include the relevant AER approved schedule for the proposed connection type (discussed in part 4.3 of this paper) with the standard distribution contract they provide to customers.

## **6.2 Deemed Contract Arrangements**

SCO proposes that distributors will be required to make their standard distribution contract publicly available for customers to view.

NERL, section 307(1a)<sup>3</sup> provides for deemed contract commencement. For new connections or modifications to existing connections, except to the extent of any additional charges which may be levied, a deemed standard distribution contract and its schedule will be deemed to take effect once:

- All customer works and necessary third party approvals are in place; and
- The distributor receives a completed application, including when the application is submitted on the customer's behalf by third parties.

The NERL, section 313(1) provides that an AER approved standard distribution contract commences on a date agreed by the distributor and a large customer.

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<sup>3</sup> NERL, sec 307 (1)A distributor's form of deemed standard distribution contract takes effect as a contract between the distributor and a customer when –

a) In the case of a new connection – the customer has complied with any conditions under the energy laws that are required to be met before the connection is made;

## 7 Negotiation Framework for Negotiated Connections

### **Policy Proposal**

The Gas Connections Framework will include a streamlined negotiation framework for customers requiring a negotiated connection.

Distributors will be permitted to recover the costs of processing negotiated connection applications. Distributors wishing to recover these costs must define their cost recovery mechanism for AER approval.

Negotiated contracts may be required to meet minimum content requirements specified in the relevant rules.

The Gas Connections Framework will provide a negotiation framework for Negotiated Connections. This framework will enable a customer to negotiate with a distributor for specific connection requirements not catered for in a Basic or Additional Standardised Connection.

SCO recognises the need for distributors to be able to recover the costs of processing negotiated connection applications and proposes that a distributor propose how it would recover these processing costs, for approval by the AER. This would be done as part of the AER approval process for a distributor's Basic and Additional Standardised Connections schedules, as discussed in part 4.3 of this paper.

SCO is in the process of developing the negotiation framework but intends that it contain the following elements:

- Good faith negotiations: An obligation on both the distributor and the customer to negotiate in good faith;
- Provision of information: A distributor and a customer must provide all the information that each party would reasonably require to engage in an effective negotiation for a connection;
- Costs information: If a distributor intends to recover from a customer the costs of providing a negotiated connection, both for the connection itself and/or for processing a connection application, the distributor must determine the costs in accordance with the connection cost rules and its AER-approved processing cost recovery mechanism, as applicable, and inform the customer of the cost and the arrangements for payment;
- Procedure and timing: The negotiation for a new connection must commence and be finalised within specified time limits and with a requirement that each party must make reasonable endeavours to adhere to these time limits; and
- Dispute resolution: Dispute resolution is discussed in part 9 of this paper.

SCO proposes that a negotiated connection agreement between a distributor and a customer may include customer supply services, that is, energisation and supply as

defined in the NECF. If it does not, then the NECF would cover the terms and conditions of ongoing services as if the connection were an existing connection. SCO will consider specifying minimum content that should be addressed in any negotiated connection contract developed under the proposed framework.

## 8 Treatment of Connection Assets for Capital Contributions

SCO advises that part 8 of this paper does not apply to uncovered or lightly regulated gas distribution networks and any treatment of connection assets in these distribution systems will be a matter for individual jurisdictions.

It is SCO's intention that the following proposed treatment of connection assets does not otherwise change the arrangements for User capital contributions under the NGR.

### 8.1 Current Arrangements

The NGR's capital contribution requirements provide for *conforming*<sup>4</sup> and *non-conforming* new capital expenditure, which may be applied to new connection assets.

For conforming new capital expenditure, a distributor may either absorb the costs, which are added to its capital base, and recover them through tariff revenue or levy capital contributions on a User but not have that portion of the asset base considered in future revenue determinations.

Where capital expenditure is non-conforming, any resultant capital contributions must be approved by the AER and cannot be rolled into the capital base. Non-conforming expenditure may also be recovered through surcharges to Users of *incremental services*.

SCO notes the current arrangements in the NGR apply only to Users and do not provide for customers paying connection costs directly to distributors. Any capital contribution levied by a distributor is passed on by the retailer to the customer.

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4 NGR sec 79

(1) Conforming capital expenditure is capital expenditure that conforms with the following criteria:

(a) the capital expenditure must be such as would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing services;  
(b) the capital expenditure must be justifiable on a ground stated in subrule (2).

(2) Capital expenditure is justifiable if:

(a) the overall economic value of the expenditure is positive; or  
(b) the present value of the expected incremental revenue to be generated as a result of the expenditure exceeds the present value of the capital expenditure; or

(c) the capital expenditure is necessary:

(i) to maintain and improve the safety of services; or

(ii) to maintain the integrity of services; or

(iii) to comply with a regulatory obligation or requirement; or

(iv) to maintain the service provider's capacity to meet levels of demand for services existing at the time the capital expenditure is incurred (as distinct from projected demand that is dependent on an expansion of pipeline capacity); or

(d) the capital expenditure is an aggregate amount divisible into 2 parts, one referable to incremental services and the other referable to a purpose referred to in paragraph (c), and the former is justifiable under paragraph (b) and the latter under paragraph (c)

## 8.2 Proposed Approach for Treatment of Customer Connection Assets

### Policy Proposal

It is SCO's intention that connection assets paid for by customers will be treated as gifted network assets to permit a distributor to recover as revenue the reasonable operating and maintenance costs of servicing these assets, consistent with the approach in the Electricity Connections Framework.

Any regulation of gifted assets on uncovered or lightly regulated gas distribution systems will be a matter for the relevant jurisdictions.

SCO proposes that a customer be able to apply directly to a distributor to establish a new connection, and that the distributor will be responsible for arranging that connection (as discussed in part 5 of this paper). Furthermore, a distributor may require a customer to pay a connection charge for its Basic Connection and Additional Standardised Connection services (as discussed in part 4.3 of this paper).

Current electricity distribution arrangements allow for assets paid for by customers to be 'gifted' to a distributor and added to the distributor's capital base for the purpose of determining operating and maintenance expenditure. These arrangements will continue under the proposed Electricity Connections Framework.

It is SCO's intention that gas connection assets, to the extent that they are paid for by customers, will be treated as gifted network assets, consistent with the approach in the Electricity Connections Framework.

SCO's view is that if a distributor is providing a mandatory service to a customer by operating and maintaining a connection asset paid for by a customer, the distributor should be entitled to put the reasonable costs of providing that service into the *operational expenditure* building block which goes towards setting revenue. In other words, the distributor may recover as revenue the reasonable operating and maintenance costs associated with connection assets funded by customers and gifted to the network.

A distributor's connection charges (if any) for its Basic and Additional Standardised Connections are to be outlined in the appropriate schedule as discussed in part 4.3 of this paper. Customers negotiating connections with distributors will also be required to pay charges determined in accordance with the same criteria.

### 8.3 Applicability of Customer Charges

SCO considers that the Gas Connections Framework will include an obligation on distributors to provide any Basic and Additional Standardised Connections on the approved terms, including the way a distributor intends payment for such connections.

SCO acknowledges that for certain customers the cost of connection may be uneconomic for distributors under these approved charges. Customers may opt to pay additional charges, or distributors may require the payment of such additional charges in order for the connection to go ahead. For distributors subject to access regulation, the additional charges will be required to be no more than that which is needed for the

connection to be economic. The same will apply to customers seeking negotiated connections.

#### 8.4 Reimbursement Scheme for Previously Dedicated Assets

**Policy Proposal**

SCO proposes a reimbursement scheme for extensions to distribution networks that are initially paid for and used by a single customer and subsequently used by a number of customers. The scheme will provide an equitable way to share extension costs.

The reimbursement scheme will apply to distribution network extensions only.

The reimbursement scheme will have a time limit for application to an extension.

SCO proposes a reimbursement scheme for previously dedicated capital assets (the scheme). The scheme will apply to network extensions, but not augmentations, and will be similar to electricity schemes used by some jurisdictions and to the scheme that will be implemented in the Electricity Connections Framework.

The scheme will address the scenario where a distribution network extension is built to connect a single customer, is initially paid for and only used by that customer and then over time other customers connect to the distribution network via the extension. The scheme will require new customers to pay their share of the extension and the original customer will be partially compensated for what has become a shared asset, providing an equitable way for extension costs to be shared.

Without the scheme, additional customers would benefit from the connection without making a contribution. SCO's intention is that the reimbursement scheme will be applied at the time a new customer connects.

The reimbursement scheme will:

- Result in efficient connections that otherwise might not have been constructed;
- Minimise distortions that might arise if a number of customers delay connecting so as not to be the first to connect and bear the full extension cost; and
- Protect the initial customer against the risk that the cost and revenue formula used to calculate their contribution underestimates the distribution network revenue facilitated by the connection.

As with the electricity scheme, SCO proposes a time limit to the scheme's application to an extension. The length of time would be sufficient to allow for a customer to take the potential for cost recovery into consideration when making their initial connection decision. A time limit would also account for administration costs increasing over time, and the fact that potential reimbursements decrease over time due to discounting.

## 9 Customer Dispute Resolution

### **Policy Proposal**

SCO has formed a dispute resolution sub-group to develop a single dispute resolution process under the NECF, which will include customer gas connection disputes.

SCO has identified three areas for potential disputes between customers and distributors in the connection process. These are:

- Connection process and timing;
- Technical and safety matters; and
- Price/capital contribution disputes.

### **Simplifying the Dispute Resolution Process for Customers**

Considering the number of dispute types and associated regulators, SCO has identified the need for the dispute resolution process to be made as simple as possible for customers and a sub-group representing the Network Policy Working Group (responsible for the gas and electricity connection frameworks) and the Retail Policy Working Group (responsible for the NECF) has been formed to address this issue.

The sub-group is currently reviewing jurisdictional dispute resolution regimes with the aim of developing a single dispute resolution process under the NECF for gas and electricity customers that will include the connection issues raised above.

## 10 Timetable

MILESTONE	DATE
Policy paper released for stakeholder consultation.	Week of 31 August
Stakeholder workshop	Wednesday 9 September
Closing date for stakeholder submissions	Friday 18 September
Gas Connections Framework legislation is released as part of NECF second exposure draft	To be advised