

DRAFT ONLY

National Gas (Binding Rate of Return Instrument) Amendment Rule 2018

under section 294CA of the *National Gas Law*

Preamble

This Rule revokes and amends Rules in the National Gas Rules consequential on the enactment of the *Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018*.

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Part 1—Preliminary

1 Name of Rule

This Rule is the *National Gas (Binding Rate of Return Instrument) Amendment Rule 2018*.

2 Commencement

This Rule commences on the day on which section 20 of the *Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018* comes into operation.

3 Amendment of National Gas Rules

The *National Gas Rules* are amended as set out in Part 2.

Part 2—Amendment of National Gas Rules

4 Amendment of rule 3 (Interpretation)

(1) Rule 3, definitions of ***allowed rate of return***, ***allowed rate of return objective***, ***rate of return consultative procedure*** and ***rate of return guidelines***—omit the definitions

(2) Rule 3—insert in alphabetical order:

allowed rate of return for a regulatory year of an *access arrangement period* for an applicable access arrangement means the rate of return calculated in the way stated in the rate of return instrument in force when AER made the final *decision* to approve, make or make revisions to the access arrangement for the *access arrangement period*.

5 Revocation of rule 9B

Rule 9B—omit the rule

6 Amendment of rule 72 (Specific requirements for access arrangement information relevant to price and revenue regulation)

(1) Rule 72(1)(g) and (ga)—omit paragraphs (g) and (ga) and substitute:

(g) the *allowed rate of return* for each *regulatory year* of the *access arrangement period*;

(2) Rule 72(1)(h)—omit “proposed”

7 Substitution of rule 87

Rule 87—omit the rule and substitute:

87 Rate of return

The return on the projected capital base for a service provider for a regulatory year of an *access arrangement period* for an applicable access arrangement (RPCB_t) is to be calculated using the following formula:

$$\text{RPCB}_t = r_t \times v_t$$

where:

r_t is the *allowed rate of return* for the regulatory year for the access arrangement; and

v_t is the value, as at the beginning of the regulatory year, of the capital base for the service provider for the access arrangement, calculated taking into account (in the same manner as for a calculation of the projected capital base under rule 78)—

- (a) the opening capital base for the *access arrangement period*; and
- (b) conforming capital expenditure, depreciation, and the value of pipeline assets disposed of, in the preceding regulatory years of the *access arrangement period*; and
- (c) any mechanism included in the access arrangement under rule 82(3) to prevent the service provider from benefiting, through increased revenue, from a user's contribution to the capital base.

8 Substitution of rule 87A

Rule 87A—omit the rule and substitute:

87A Estimated cost of corporate income tax

The estimated cost of corporate income tax of a service provider for a regulatory year of an *access arrangement period* for an applicable access arrangement (ETC_t) is to be calculated using the following formula:

$$ETC_t = (ETI_t \times r_t)(1 - \gamma)$$

where:

ETI_t is an estimate of the taxable income of the service provider for the regulatory year as a result of relevant reference services; and

r_t is the expected statutory income tax rate for the regulatory year as determined by the AER; and

γ is the value of the imputation credits for the regulatory year stated, or calculated in the way stated, in the rate of return instrument in force when AER made the final *decision* to approve, make or make revisions to the access arrangement for the *access arrangement period*.

Made by the South Australian Minister within the meaning of section 294CA of the *National Gas Law* on the recommendation of the MCE

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