

3 April 2024

Mr Gavin Fox
General Manager Network Pricing
Australian Energy Regulator
360 Elizabeth St Melbourne
Victoria 3001

Dear Mr Fox,

Proposed 2024/25 Multinet Reference Tariffs

This letter sets out Multinet Gas Network's (Multinet) reasons for varying its Reference Tariffs to apply from 1 July 2024. Multinet is proposing to vary its Reference Tariffs in a manner that is consistent with clause 4.3 of the *Access Arrangement for our Multinet natural gas distribution networks* (hereafter referred to as the Access Arrangement).

Reference Tariffs: Residential, Commercial and Demand Haulage Reference Services

The proposed adjustments to the Reference Tariffs for residential (Tariff R), commercial (Tariff C) and demand (Tariff D) Haulage Reference Services to apply from 1 July 2024 are being made pursuant to clause 4.3 of the Access Arrangement. This allows Reference Tariffs to vary in accordance with a weighted average tariff basket mechanism, as detailed in section 4.4 and Annexure D of the Access Arrangement. Annexure D contains a Reference Tariff Control Formula.

In broad terms, the Reference Tariff Control Formula allows Multinet to change its tariffs so that the revenue derived from each of the Haulage Reference Services does not increase by an amount that is greater than $(1+CPI) \times (1-X) \times (1+Pt) \times (1 + Ct) \times (1+At)$. The CPI is the change in the CPI for the 12 months to December 2023, which CPI is 4.05%. The Pass Through factor and the Safeguard Mechanism factor are both 0.00%. The X factor is -1.69% and the Abolishment 'true-up' factor is -0.36%, based on estimate of abolishment service cost from July 2023 to June 2024 based on the monthly averages over this period. The combination of the CPI, Pt factor, Ct factor, X factor and At factor results in an allowed change in Reference Tariffs for 2024/25 of 5.43 per cent.

The Rebalancing Control Formula allows Multinet to change its tariffs so that the change in the revenue derived from an individual tariff within a particular category of Haulage Reference Service is no greater than $(1+CPI) \times (1-X) \times (1+Pt) \times (1 + Ct) \times (1+At) \times (1+2\%)$. This allows a particular tariff to increase by no more than 7.93%.

Multinet's proposed 2024/25 Reference Tariffs comply with both the Reference Tariff Control Formula and the Rebalancing Control Formula. This has been demonstrated by the model provided to the AER setting out the application of the above formulae and the resultant Reference Tariffs. The model and tariff schedules comprise attachments 1 and 2 respectively of this submission.

The Reference Tariff Control Formula and the Rebalancing Control Formula require the quantities used to be the period two years prior to the year that the proposed tariffs take effect, which in this case is 2022/23. An independent review verifying the gas quantities has been undertaken and the associated report is provided as attachment 3.

Impact on Users

The table below shows the average impact on end users of the proposed change in tariffs on a GST exclusive basis.

Change in Average Customer Charge

Multinet Metro

Component	2023/24 (\$)	2024/25 (\$)	Quantity (p/a)	Cost Change (\$)
Residential	414.85	441.46	52.8 GJ	26.61
Non-Residential	1,204.70	1,300.41	364.8 GJ	95.71
Tariff D	9,981.78	10,386.24	14.9 GJ MHQ	404.46
Tariff L	39,604.41	41,205.89	7.1 GJ MHQ 6,392 GJ	1,601.48

Multinet Yarra Valley Towns

Component	2023/24 (\$)	2024/25 (\$)	Quantity (p/a)	Cost Change (\$)
Residential	526.05	559.21	49.6 GJ	33.16
Non-Residential	2,809.80	3,011.13	452.7 GJ	201.33

Multinet Gippsland Towns

Component	2023/24 (\$)	2024/25 (\$)	Quantity (p/a)	Cost Change (\$)
Residential	403.33	432.54	28.2 GJ	29.21
Non-Residential	4,269.48	4,493.06	691.3 GJ	223.58
Tariff D	37,733.26	39,262.21	2.0 GJ MHQ	1,528.95

Reference Tariffs: Ancillary Reference Services

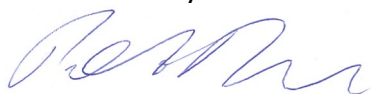
Multinet has also varied its Ancillary Reference Tariffs in a manner that is consistent with clause 4.4.2 of the Access Arrangement. Ancillary Reference Tariffs are to be adjusted by the annual change in the CPI, which is also calculated as the change in CPI for the 12 months ending December 2023. The calculation and resultant tariffs also form part of attachments 1 and 2.

Summary

Attachment 1 comprises the model demonstrating the derivation of the proposed Reference Tariffs.
Attachment 2 comprises the tariff schedules detailing the proposed tariffs to apply from 1 July 2024.
Attachment 3 comprises the findings of the independent review of the 2022/23 quantities.

Please contact me on 08 8418 1112 should you wish to discuss this matter further.

Yours sincerely



Peter Bucki
Head of Regulation