



28 November 2024

Mr. Arek Gulbenkoglu
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Email: VICGAAR2023@aer.gov.au

Dear Mr Gulbenkoglu,

RE: Submission to AusNet access arrangement variation proposal

Origin Energy (Origin) appreciates the opportunity to provide a response to the Australian Energy Regulator (AER) on the AusNet proposed variation to its 2023–28 Access Arrangement (AA).

We appreciate that Victorian Government policies aimed at decarbonising the gas supply industry will significantly impact the future of the AusNet network and materially increase asset stranding risk. Origin supports the use of accelerated depreciation as a means of managing the risk of stranded assets but notes that determining the associated accelerated depreciation profile is largely a matter of judgement.

The key issue arising from the variation proposal is AusNet's proposed increase in accelerated depreciation for the 2023-28 AA period from \$105 million in the original AA to \$175 million. AusNet argue that the increase in accelerated depreciation provides investors a degree of protection from the increased stranding risk arising from the Government policy changes. If applied, the increase in accelerated depreciation would result in increased network prices for customers in the final three years (2025-28) of the AA period, compared to those in the AER's final decision.

There are a myriad of accelerated depreciation profiles that can potentially be adopted. These profiles will be informed by forecasts of the timing and extent of policy impacts and, by extension, the implications for the expected economic life of AusNet's distribution network assets. Judgement is also required to identify a profile that strikes the right balance between providing AusNet with the best chance to recover their efficient costs but also considers customer price stability and intergenerational equity.

The AusNet proposal represents one potential accelerated depreciation profile. It is important that the AER critically review the AusNet variation proposal forecasts to assess the expected timing and extent of policy impacts. To the extent the AER considers additional accelerated depreciation is warranted, the AER should seek to ensure that the profile minimises potential current and future price spikes, which are most damaging to customers.

If you have any questions regarding this submission, please contact Gary Davies in the first instance at

Yours sincerely

Sean Greenup
Group Manager Regulatory Policy