

11 April 2025

Dr Kris Funston  
Executive General Manager, Network Regulation  
Australian Energy Regulator

Dear Dr Funston,

### **AusNet Services – Draft Decision – Variation proposal**

Energy Networks Australia (ENA) appreciates the opportunity to respond to the AER's recent draft decision on the AusNet Services variation proposal to its 2023-2028 Access Arrangement.<sup>1</sup>

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA continues to support positive consideration of AusNet's variation proposal to its 2023-2028 Access Arrangement.

A number of aspects of the AER's draft decision do not appear to provide a clear basis for the rejection of the variation proposal, and in ENA's view warrant further consideration in the final decision.

ENA recognises the initially positive early consideration of the types of issues arising in this variation proposal as part of the AER's *Regulating gas pipelines under uncertainty* information paper in 2021. This paper recognised the potentially key role of flexible tools where possible to mitigate a range of risks arising from future pathways as these evolve.

In the recent draft decision, however, considerable emphasis appears to be laid on the need for a holistic approach to address aspects of potential changes to the economic lives of gas network assets, including broader policymakers and governments. The form this approach might take is unclear, however, ENA observes that the decision relating to a reasonable assessment of the economic lives of gas network assets remains one that the AER must determine, necessarily on a case-by-case basis taking into account varying jurisdictional and market circumstances, at each decision point where it is required to do so.

As the AER's information paper highlighted, a positive advantage of alterations to previous depreciation approaches on the basis of new information is the flexibility for this approach to be reversed or adjusted if previous assumptions turn out to be inaccurate. The AER's draft decision, by contrast, appears to rely on the existence of uncertainty as a reason to not move to recognise significant and relevant policy developments that have occurred in Victoria.

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<sup>1</sup> AER, AusNet Services Access Arrangement 2023-2028, [Variation Proposal](#), 30 September 2024

At the same time, the draft decision appears to signal that significant weight will be placed in specific decisions made on proposed depreciation allowances on whether such a holistic resolution of broader questions is in prospect. While supporting such broad policy discussions occurring, this cannot be a tenable basis for the AER doing anything other than continuing to make decisions guided by its existing Law and Rules mandate, in accordance with its normal economic regulatory functions.

The energy system is reshaping at speed, with greater levels of uncertainty around technology, customer preferences and grid usage. An adaptable and flexible regulatory framework is essential to ensure that network businesses are able to react to changing environments and continue to meet customers' needs during the energy transition while keeping energy prices low over the long term.

A significant part of ensuring the long-term interests of consumers with respect to the price of gas network services are protected involves carefully weighing the fullest set of second-round and wider impact investment impacts of its determinations.

As an example, while the AER's attention to minimising cost-of-living pressures is supported, the final decision should also include specific consideration of the fuller set of trade-offs and potential costs to consumers of delaying putting in place revised depreciation approaches until after 2028, and their potential distributional and intergenerational impacts from that date. This is the full context of the AER's decision, noting that it is unlikely that the AER will make any decision over the coming decade without cost-of-living pressures being relevant consideration.

If you wish to discuss any of the matters raised in this response further, please contact Victoria Baikie, Economic Analyst, on [REDACTED]

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