

Our Ref: 58914
Your Ref:
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23 March 2016

Mr Ben Wilson
Chief Executive Officer
Australian Gas Networks Limited
Level 10, 81 Flinders Street
ADELAIDE SA 5000

By email: Ben.Wilson@agnl.com.au

Dear Mr Wilson

Re: Direction to consolidate access arrangements for AGN's Victoria and Albury Networks

I write in response to Australian Gas Networks Limited's (AGN) application to the AER to consolidate the access arrangements for its Victorian and Albury gas networks.

Following our consultation process, the AER directs AGN, under rule 53 of the National Gas Rules, to consolidate the access arrangements for its Victorian and Albury gas networks from the commencement of the next access arrangement period.

This direction is subject to the following conditions:

- (a) Consolidation will take effect through the AER's scheduled review of the access arrangements for AGN's Victoria and Albury networks, the review submission dates for which are 1 January 2017.
- (b) AGN—in its public access arrangement revision proposal—must explain how it has given effect to the consolidation. AGN must do so in a way that enables the AER and other interested stakeholders to verify this by reference to the AER's previous decisions for each network and annual reporting data from the current period. This will require AGN to provide sufficient information on each network including the following:
 - i. past conforming capex for each network for the current access arrangement period;
 - ii. how carryover amounts under the operating expenditure efficiency carryover mechanisms from the current access arrangement period have been implemented for each network;

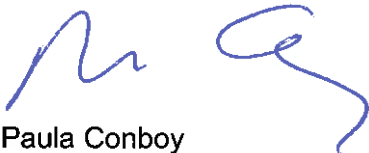
- iii. actual opex for each network for the current access arrangement period, and how this has informed forecast operating expenditure for the next access arrangement period;
 - iv. information necessary to determining the opening capital base for each network
- (c) What is now the Albury network will be the Albury tariff zone under the combined access arrangement for the next access arrangement period, the revisions commencement date for which is 1 January 2018.
- (d) AGN must continue to maintain separate data on the capital base, including for the tax asset base, for the Albury tariff zone for the next access arrangement period.

These conditions will be subject to review before the end of the next access arrangement period.

AER staff will contact AGN in due course to commence consultation on the Regulatory Information Notice for the 2017 review. Detailed implementation questions for the direction, including the conditions set out above, will be addressed through our engagement with AGN on its reset RIN (and for ongoing maintenance of dedicated asset classes for the Albury network zone its annual reporting RIN).

I would like to thank you and your team for your constructive engagement on this matter to date. We look forward to working with you as arrangements for our 2017 review progress.

Yours sincerely



Paula Conboy
Chair

Sent by email on: 23.03.2016