

Final decisions: Victorian gas access arrangements for 2018–22

We have made final decisions on the gas access arrangements that will apply to Victoria's gas distribution and transmission pipelines from 1 January 2018 to 31 December 2022.

About us

The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future. We regulate energy networks in all jurisdictions except Western Australia. Our functions include setting the revenue that network businesses can recover from customers using those networks.

The National Gas Law and Rules provide the regulatory framework governing gas networks. Our work is guided by the National Gas Objective, "...to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas".

Victoria's gas networks

Our final decisions cover three gas distribution pipelines and one gas transmission network:

- **Australian Gas Networks'** distribution network serves the northern, outer eastern and southern areas of Melbourne, Mornington Peninsula, rural communities in northern, eastern and north-eastern Victoria, and south-eastern rural townships in Gippsland. It also serves the city of Albury and its environs, extending to Jindera to the north of Albury.
- **AusNet Gas Services'** distribution network serves customers across central and western Victoria.
- **Multinet Gas's** distribution network serves customers throughout the South and East areas of metropolitan Melbourne, Yarra Ranges and South Gippsland Towns.
- The **APA Victorian Transmission System (VTS)** supplies the Melbourne metropolitan area, most regional areas of Victoria and Albury/Murray Valley regions in New South Wales. Gas can also be transported via the VTS to NSW and South Australia via interconnecting pipelines.

We regulate these networks by approving access arrangements for the key services they provide to their customers. Our decisions include forecasts of the revenue each business will need to recover from its customers to meet the costs of providing those services. The forecast revenue requirement is then combined with expected demand to set a limit on prices for those services.

Our final decisions

Our final decisions will allow Victoria's gas networks to recover similar levels of revenue to the current, 2013–17 period.

	Total revenue (\$million, nominal)	Nominal change in network prices for 2018 (%)
Australian Gas Networks	1193.5	-4.9%
AusNet Gas Services	1040.1	-9.4%
Multinet Gas	1035.5	-1.0%
APA VTS	561.5	+4.8%

The next five years will see continued investment to meet demand for new gas connections and to invest in maintain the safety, reliability and security of the networks.

These decisions reflect the shared priority that gas networks and their customers give to a safe and reliable gas supply. AGN, AusNet and Multinet will all continue substantial mains replacement programs over the next five years. A new capital expenditure incentive scheme will work with the existing operating expenditure scheme will strengthen incentives to find more and more efficient ways to maintain these networks.

We have also approved capital expenditure for APA to improve capacity and security across the Victorian Transmission System, including construction of the new Western Outer Ring Main. This investment responds to specific concerns raised by AEMO (which operates the Victorian gas market) and users to address gas pipeline constraints.

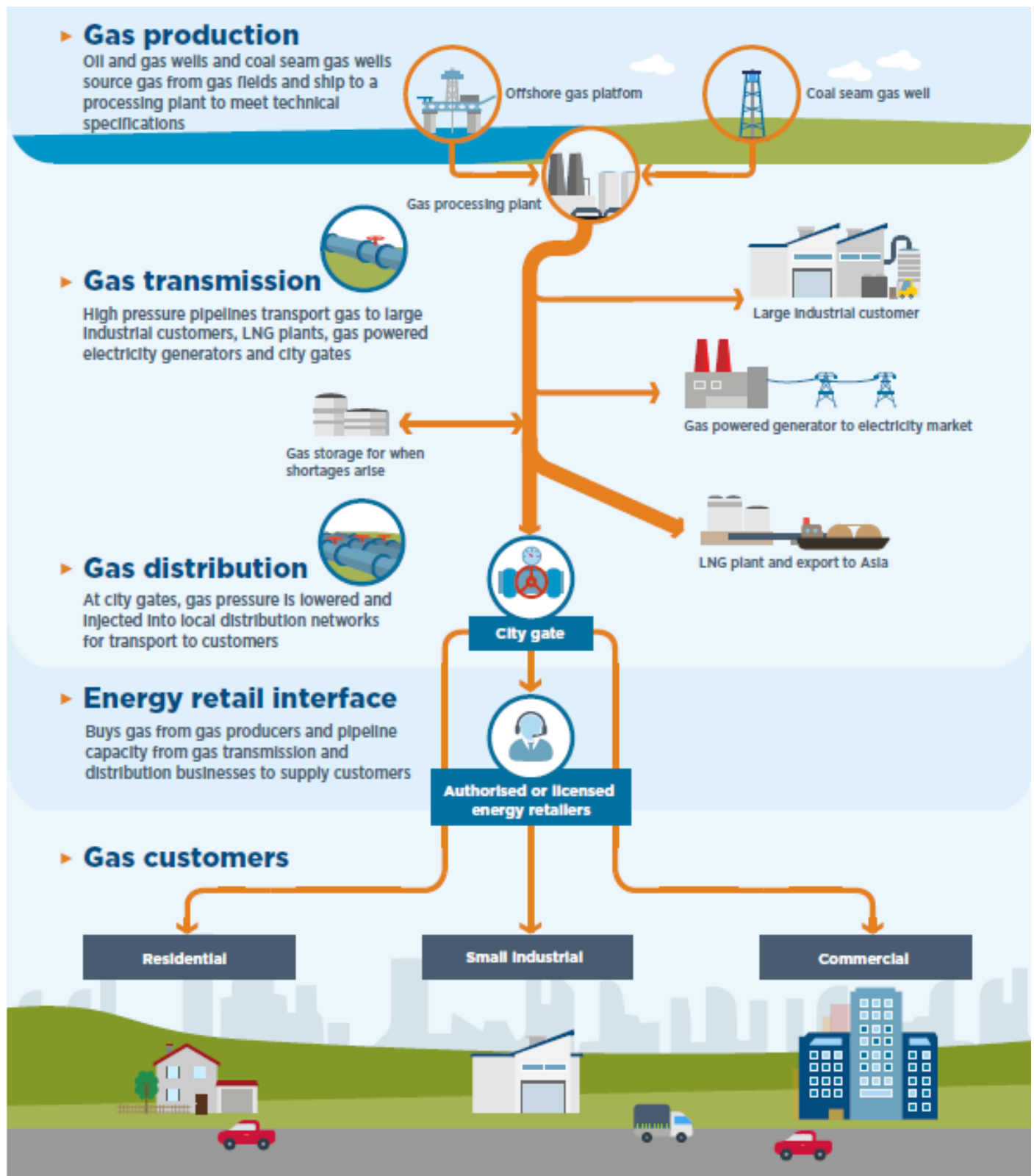
Financial market conditions have improved over the current period, which has reduced financing costs. The approved rates of return for these businesses have fallen from 7.07–7.39 per cent (nominal) in the current period to 5.67–5.94 per cent under this final decision for 2018. This helps to balance the impact of new capital investment and keep network revenues—and therefore network charges—stable.

What do these decisions mean for gas bills?

For a typical residential customer in Victoria, distribution and transmission charges make up about a quarter of their total gas bill. Other contributors to the bill (shown overleaf) are gas production and wholesale market costs, and retailers' costs.

We estimate that, holding everything else constant, the contribution distribution and transmission charges make to the average annual residential gas bill in 2018 will fall by up to \$28 (\$nominal) from the current 2017 level. For small business customers we estimate a reduction in average annual bills of around \$46 in 2018.

Gas supply chain



Source: AER, State of the Energy Market – May 2017

Further information

You can find more information about our final decisions on our website: www.aer.gov.au.