



Australian Gas Networks (AGN) South Australia

2021-26 Gas Access Arrangement (AA) Review

Online Public forum

27 July 2020

Agenda

Time	Item
10:30 – 10:45	AER: Welcome, introductions & housekeeping
10:45 – 11:05	AER: Initial observations & how to get involved
11:05 – 11:25	Consumer Challenge Panel: Initial observations
11:25 – 11:50	Australian Gas Networks: Thoughts in response
11:50 – 12:20	Discussion/Q&A
12:20 – 12:30	AER: Thank you & close

About this Process

- Regulated pipeline providers are required to periodically submit an access arrangement (AA) to the AER for approval (usually every 5 years)
- We oversee light handed regulation for gas pipelines that don't require an approved access arrangement
- AGN is one of five gas distribution businesses we fully regulate under an approved AA

Access Arrangements (AA)

- AA specifies pipeline services (reference services), and price and non-price terms & conditions on which reference services will be offered
- AA forms the foundation for negotiations between pipeline operators and users and provides stakeholders the opportunity to engage with pipeline operators and the AER
- In terms of AGN's 2021-26 AA Proposal, we will make regulatory decisions on the revenue AGN can recover from users of its reference services

AGN's Track Record on Consumer Engagement

- AGN has an excellent track record of consumer engagement
- In July 2019 AGN published its Consumer and Stakeholder Engagement Report
- On 17 February 2020 AGN published a draft plan
- Feedback from consultation with stakeholder on AGN's draft plan has been incorporated into AGN's proposal
- Engagement activities have included 22 workshops over a series of three stages

Feedback from AGN's Consultation

Key themes from AGN's consumer engagement:

- Price and **affordability** are the most important issues for customers
- Customers support investment levels to maintain a **safe and reliable** gas service
- Customers expect **digital services** to be introduced in a cost effective way
- **Environmental sustainability** is a high priority – support for investment in renewable gas to replace unaccounted for gas (UAFG)
- Customers support investment in a **Vulnerable Customer Assistance** Program

Are these the right areas of focus?

Does AGN's proposal adequately reflect your feedback?

Bill impacts 2021-26

AGN has proposed a real initial price cut of **8.8 per cent** in the first year followed by increases of 1.2 per cent per year thereafter

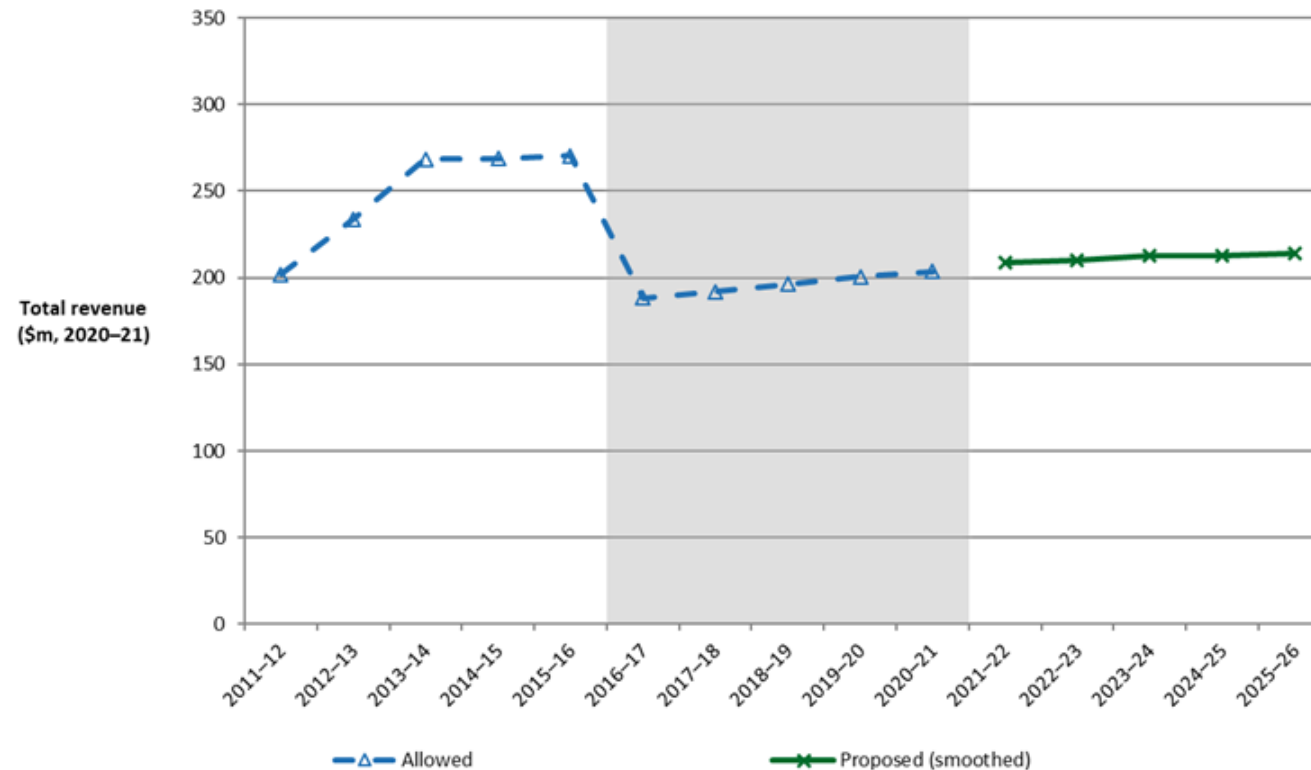
Over the 2021-26 period, customer bills (nominal) will on average:

- decrease by \$33 for residential customers in the first year, followed by average annual increases of \$18
- decrease by \$326 for commercial customers in the first year, followed by average annual increases of \$181.

Total Revenue

Proposed 2021-26 total revenue, including ARS, of \$1070 million
(\$real, unsmoothed)

Up 7.8 % from the current 2016-21 AA period



Operating Expenditure (opex)

- Forecast opex is \$357 million, excluding debt raising costs and ancillary reference services (ARS), for 2021–26.
- This is 8 per cent higher than AGN's actual spend for the 2016–21 period.
- Opex, excluding UAFG, ARS and debt raising costs is forecast to be 17% lower than benchmark in the current 2016-21 period

Operating Expenditure (opex) – Key Drivers

The increase in opex has been driven by consumer initiatives including

- a new vulnerable customer assistance program
- a new digital customer experience project and
- an increase in the proportion of renewable biogas as a share of AGN's unaccounted for gas (UAFG)

Capital Expenditure (capex)

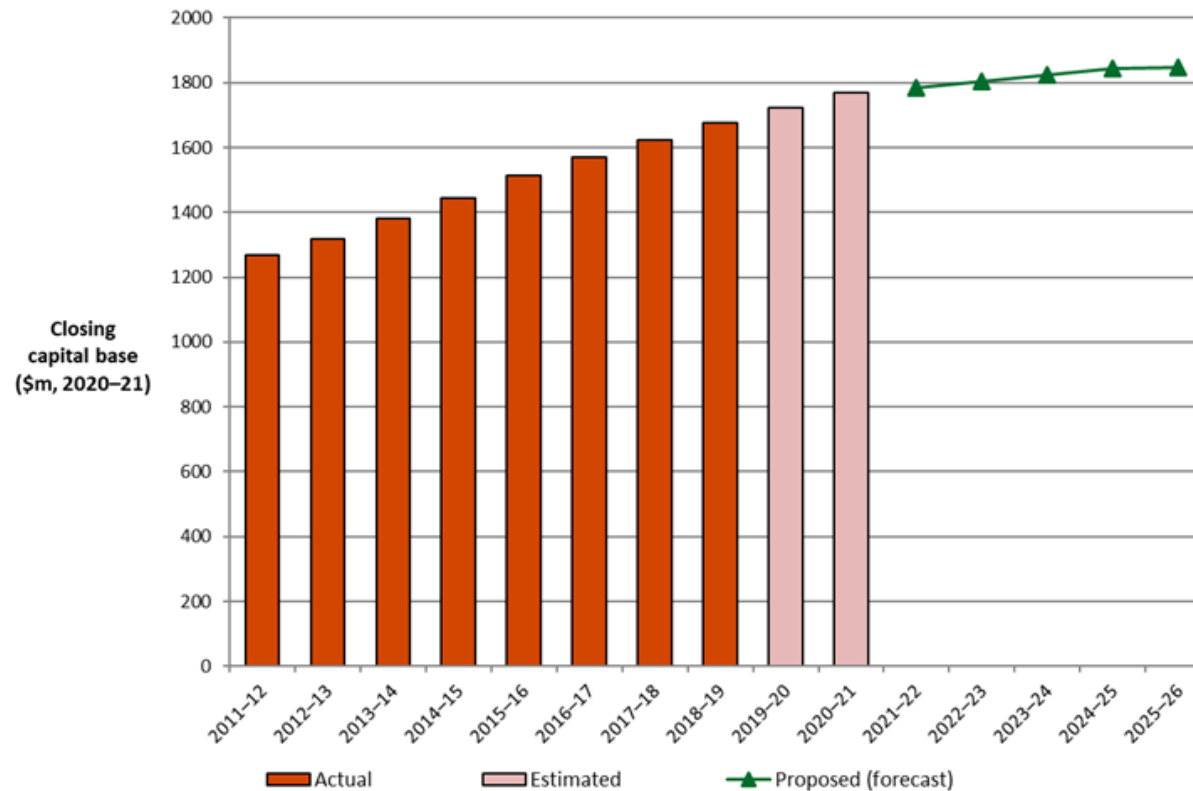
Forecast capex is \$579 million for 2021–26

- No surprises
- 3 per cent below AGN's actual spend for the 2016–21 period
- This is due to slightly lower mains replacement and meter replacement for the 2021–26 period
- Over the current 2016-21 period, forecast capex was 2% lower than allowed capex

Capital Base

Forecast capital base is \$1846 million at the end of 2021–26 (real, \$2020-21)

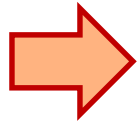
Up from \$1769 million at the end of the current 2016–21 period



Future of Gas

- Gas is a fuel of choice
- Government policies to achieve net zero emissions are emerging
- Renewable energy is becoming less expensive
- AGN has identified depreciation can change to help ensure that investment in assets is recovered and therefore help create a smooth transition to zero emissions for investors and consumers
- For South Australia, on a balance of factors, AGN believes it is too early to act to adjust depreciation in the next Access Arrangement period.

What Happens Next?



Milestone	Date
AGN submitted Access Arrangement (AA) Proposal	1 July 2020
AER stakeholder forum on AGN AA Proposal	27 July 2020
Submissions on AGN AA Proposal close	10 August 2020
AER publishes Draft Decision	November 2020
AGN submits Revised AA Proposal	January 2021
Submissions on Draft Decision and Revised AA Proposal close	February 2021
AER publishes Final Decision	April 2021

Questions?



How You Can Get Involved



1. Write a submission to the AER

2. Subscribe to our website for updates

<https://www.aer.gov.au/newsletter/subscribe>

3. Contact us

AGNSA2021@ aer.gov.au