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24 February 2023

Victorian Gas Distribution Access Arrangements 2023 - 2028: Draft Decisions and Revised Proposals

AGL welcomes the opportunity to provide comments on the Australia Energy Regulator's (AER) Draft Decisions with regard to the 2023 to 2028 Access Arrangements of Multinet Gas Networks, Ausnet Gas Services, and the Australian Gas Networks (AGN). In making this submission, AGL has also considered the Revised Proposals submitted by the gas distribution networks in response to the AER's Draft Decisions.

AGL operates across the energy supply chain and delivers 4.2 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market.

AGL would take this opportunity to highlight the extensive consultation process undertaken by the Victorian gas networks in developing their 2023–28 proposals. In AGL's view, the process was highly informative, and the Retailer Reference Group (RRG) organised by the networks enabled AGL to participate, outline its own positions and propose changes for the networks to consider prior to the official lodgement of their proposals with the AER in July 2022.

The AER has accepted most elements of the Victorian networks' proposed Access Arrangements, and this is primarily a result of this consultation. AGL would make the following comments regarding areas where the AER has adjusted or not accepted the networks' proposals.

Accelerated Depreciation

The network businesses have recognised the potential for asset stranding and have proposed a program of accelerated depreciation. In setting the amount of accelerated depreciation, the network proposals have tried to provide an appropriate balance between the interests of the network owners and minimising any price impacts on network customers.



We note, however, the AER draft decisions have resulted in changes that require the AER to adjust the amount of accelerated depreciation in the access arrangement if they continue to target a 0 per cent per annum real price change.

AGL support the target of there being no real network price increase and consequently, the AER's adjustments.

Services

The initial network proposals classified the abolishment of small consumer connections as an ancillary reference service. The AER draft decisions did not accept the networks' proposed service treatment and have queried whether attributing this cost to individuals is the appropriate option. The AER highlights that an alternative cost recovery mechanism would be to bundle connection abolishment within the network tariffs. That is, consumers choosing to permanently disconnect from the gas network would not be required to pay an abolishment charge.

AGL notes the response of the networks in highlighting the equity issues arising from socialising the costs of abolishment across network tariffs will impose additional costs on customers who remain on the network.

AGL believes that for this Access Arrangement period, a balance between user pays and socialisation of cost is appropriate and therefore support the revised proposal of the networks that:

- seeks to recover the cost of abolishment as an ancillary reference service from those customers who request to be permanently disconnected from the gas network; but
- where a retail customer is not at site or cannot be identified then any costs of a required abolishment (for example, for safety reasons) will be socialised.

Credit Support

In its draft decisions, the AER has not accepted the networks current credit support arrangements and requested alternative proposals. We note the network revised proposals include an approach to managing the risk of retailer default that is consistent with the credit support arrangements under the National Energy Customer Framework (NECF).

AGL fully support this NECF approach being used by the Victorian gas networks.

Should you have any questions regarding this submission or in relation to AGL's position on any other aspects of the Victorian networks' Revised proposals then please contact Patrick Whish-Wilson at pwhish-wilson@agl.com.au.

Yours sincerely

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