



Mark Feather  
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and Energy Systems Innovation Branch  
Australian Energy Regulator

Sent to [ConsumerPolicy@aer.gov.au](mailto:ConsumerPolicy@aer.gov.au)

Dear Mark,

### **AER Consumer Vulnerability Strategy: Draft for consultation**

Thank you for the opportunity to comment on the AER's Draft Consumer Vulnerability Strategy.

APA supports the AER's work to improve the lives of people experiencing vulnerability. People in vulnerable circumstances need to get timely and effective support.

APA is mindful that energy affordability is a high priority matter in our community. We hear consistently from our stakeholders that energy affordability remains a high priority. In 2021, APA's Stakeholder Advisory Panel told us their priority was that 'no customer should be left behind' during the energy transition.<sup>1</sup>

Taking this theme on board, APA considers that there needs to be more work done to make sure that people in vulnerable circumstances are not disadvantaged as the energy sector transitions to net zero.

APA wishes to highlight the need for a 'broader conversation' about dealing with energy affordability and vulnerability during Australia's energy transition to net zero.

APA, as a major gas infrastructure provider, has found that the future role of gas is subject to conflicting government policy directions. These different views about the future role of gas have created an uncertain investment environment.

During engagement with stakeholders as part of the Victorian Transmission System (VTS) 2023-27 Access Arrangement review, we raised concerns that, if gas consumption levels decline, unit costs will increase, thus causing customers to leave the gas market sooner and perpetuating a 'death spiral'.

As decarbonisation increases pace, customers with energy choice are likely to shift to electrical appliances. These customers will leave behind a cohort of customers who do not have the ability to exercise choice in their energy solutions. For example, low-income families living in rental accommodation will not have the same energy choices as people who own their own homes and can more easily switch energy appliances. We are concerned that the decisions we make today may have a significant and adverse impact on customers in vulnerable circumstances in the future.

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<sup>1</sup> Information about APA stakeholder engagement framework can be found here [stakeholder engagement | APA](#)

The landmark work by renowned regulatory economists Crew and Kleindorfer proposed a way forward in circumstances such as this. Known as the WOOPS model, Crew and Kleindorfer note that there is a Window of Opportunity (WOO) to return capital to investors and reduce the future revenue requirement through small increases in tariffs while utilisation remains high. Failure to act early may result in the Window of Opportunity being Passed (WOOPS).

Shortening assets lives is a way to bring forward recovery of efficient costs (approved as conforming capital expenditure).

In our 2023-27 VTS Access Arrangement proposal we adopted the principle of the WOOPS model to start early and recover slightly higher amounts of prudently invested capital from users while gas usage is still high. This will facilitate smoother tariff impacts by reducing tariff impacts in later years as the system usage starts to decline.

The objective is to allow the amount of invested capital to decline in line with reductions in volumes, and to keep tariffs as stable as possible as we transition to a decarbonised energy sector. This approach helps facilitate a more orderly transition by smoothing the price path and avoiding price shocks in the future.

APA calls for AER to work with government and the energy sector to work collaboratively to support people in vulnerable circumstances during the energy transition, so they do not get left behind. This also involves a consideration of how best to protect future vulnerable customers.

We would be pleased to discuss our submission with the AER.

Sincerely,

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**Peter Bolding**  
General Manager  
Economic Regulatory & External Policy  
E. [REDACTED]