

24 January 2023

Clare Savage  
Chair  
Australian Energy Regulator (AER)  
GPO Box 520  
Melbourne VIC 3011

Dear Clare

Please find attached AusNet's Revised Gas Access Arrangement (AA) Review Proposal for the access arrangement period 1 July 2023 to 30 June 2028. This responds to the AER's Draft Decision in accordance with the National Gas Rules. All supporting information has been submitted to the AER via its secure website.

We have accepted the majority of the AER's Draft Decision, including with respect to capital expenditure, operating expenditure and the incentive arrangements. We have also accepted the demand decision as a placeholder, noting demand will likely need to be revised down in response to the Australian Energy Market Operator's (AEMO) 2023 Gas Statement of Opportunities (GSOO) demand forecasts. The 2023 GSOO is expected to be published in March 2023 and we look forward to further engagement with the AER on this issue.

While we welcome the Draft Decision recognising that recovery of our investment in the network at a faster rate is the appropriate economic tool by which to address the risks we are facing, we do not consider the approach adopted in the Draft Decision to set our accelerated depreciation allowance is aligned to customers' long-term interests or preferences as it fails to:

- reach the right balance between short- and long-term price paths; and
- fully recognise the increasing stranding risk on our investment.

We have, therefore, maintained our alternative proposal for accelerated depreciation at \$200 million. Taken together with other minor updates, these changes mean we are proposing revenue of \$1,346 million, which is 12% (\$140 million) higher than the revenue outlined in the Draft Decision.

Notwithstanding AusNet already being one of the most efficient gas businesses in Australia, our Revised AA Proposal will allow us to deliver low prices and bills for our customers while also facing head-on the longer-term challenges to price stability and investment certainty. Specifically, our Revised AA Proposal will see the average customer bill falling slightly in the year commencing 1 July 2023, where cost-of-living pressures are expected to be high. Only in the latter years of the next AA period, where energy price pressures are expected to have lessened, are we proposing some modest increases. Across the next AA period, the average customer bill increase will only be 0.8% above the average bill in the 2018-22 AA period. This is a great outcome for our customers.

Importantly, contemporary and robust customer research and engagement underpins our Revised AA Proposal. Specifically, we have updated and validated the initial customer preference research we undertook in 2021 and early 2022 by undertaking further customer testing in the latter half of 2023, when cost-of-living concerns had become more acute. This has ensured that our Revised AA Proposal better balances the needs of our customers over both the short and long-term and is more consistent with the National Gas Objective.

As recommended in the Draft Decision and having undertaken further stakeholder engagement, we have also amended our Terms and Conditions – our amendments include clarifying our arrangements for credit support and gas service abolishment. We have also made amendments to give full effect to the National Gas Amendment (DWGM Distribution connected facilities) Rule 2022. We consider these amendments (together and the other

minor amendments we have proposed) will be welcome by stakeholders and should be accepted in the Final Decision.

All information provided as part of our Proposal may be publicly disclosed unless identified as confidential in the Confidentiality Claims document.

I would like to take this opportunity to thank the AER and its staff for their commitment and engagement throughout the process to date and look forward to discussing our Revised AA Review Proposal with your Networks Committee soon.

Sincerely,

Tony Narvaez  
CEO  
**AusNet**