

Mr Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator
GPO Box 3131
Canberra City, ACT, 2601

Via email: aerpricing@aer.gov.au

19 June 2023

Dear Mr Anderson,

Australian Energy Regulator (AER) Issues Paper – Gas distribution network tariffs review 2023

ActewAGL Retail (“ActewAGL”) appreciates the opportunity to provide comments regarding the AER’s Issues Paper for its review of the gas distribution network reference tariff variation mechanism and declining block tariffs.

ActewAGL is a retailer in the ACT and surrounding NSW, providing energy to the Canberra region and nearby centres in south-east NSW including Queanbeyan, Goulburn, the Snowy Mountains, Nowra and the South Coast.

Many customers in cooler climates rely on gas as a fuel source to meet their essential heating needs. Gas usage in the ACT is highest over the winter months when it is predominantly used for space heating.

ActewAGL supports continuing the current declining block structure for gas distribution network tariffs.

Declining block tariffs produce lower overall energy bills for larger residential customers, including larger families and disadvantaged and/ or vulnerable households using gas for heating, including where there may be accessibility or affordability issues impacting their ability to implement electrification and/ or energy efficiency upgrades. Declining block tariffs also allow customers to better manage energy usage and provide greater bill certainty across the year.

ActewAGL notes low-income households are overrepresented amongst high gas usage customers and research suggests they have less energy efficient houses on average.

Some customers who rely on gas to meet their essential heating needs during winter also have a limited ability to reduce their gas usage in response to price signals. For example, heating is often vital for health and wellbeing and ActewAGL considers gas tariff structures (such as a flat single rate tariff) should not penalise customers who typically use more gas as a result.

ActewAGL notes affluent customers may be more likely to be able to afford electrification and efficiency upgrades earlier in the energy transition, while lower income households may be left to pay a higher share of the future costs of delivering gas services.

ActewAGL considers targeted assistance and government support through the energy transition

(including for vulnerable and disadvantaged customers) will produce better outcomes at lower costs compared to tariff reform. Examples of relevant measures include the ACT Government's Energy Efficiency Improvement Scheme and the Sustainable Household Scheme, both of which have supported improved energy efficiency (and reduced energy cost) outcomes across the community.

ActewAGL supports a form of control enabling an orderly and equitable transition towards full electrification, for net zero emissions.

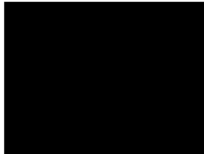
ActewAGL considers the form of control should encourage an orderly and equitable transition towards net zero emissions (which in the ACT, includes a direction towards full electrification of homes and businesses).

ActewAGL does not have a specific preference regarding the reference tariff variation mechanism (i.e., form of control) that should apply to gas distribution networks, however, considers it needs to balance bill certainty while continuing to drive efficiency and reduced costs for customers.

In summary, ActewAGL requests the AER consider the impact of changing gas network tariff structures on all energy users, including larger residential customers (e.g., larger families and disadvantaged and/ or vulnerable customers unable to access electrification and/ or efficiency upgrades) to ensure the energy transition is as fair and equitable as possible.

Should you have any questions in relation to this submission please contact Rohan Richardson, Group Manager Business Intelligence and Transformation, on [REDACTED] or at [REDACTED]

Yours sincerely



Rachael Turner
General Manager - ActewAGL Retail