

2 September 2022

Sebastian Roberts
Specialist Advisor
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Sebastian

Thank you for the opportunity to respond to the AER's Draft Decision for the 1 January to 30 June 2023 extension to the 2018-22 gas access arrangement period (the **Draft Decision**).

We have carefully considered the Draft Decision and have only minor amendments to the AER's Draft Decision, all in relation to the EBSS:

- We have not accepted the AER's approach to remove debt raising from 2017's reported opex because it is already exclusive of debt raising cost.
- We accept the exclusion of licence fees in actual opex. However we have updated the AER's 2017 estimate (\$0.026 million) to reflect actual expenditure (\$0.128 million).
- We accept the conversion to \$December 2022 dollars. However we have updated the AER's inflation estimate (5.9%) for the latest RBA Statement of Monetary Policy estimate (7.8%)

We accept the remainder of the AER's draft decision including:

- The AER's decision on forecast capital and operating expenditure (**opex**) for the extension period. The AER's approach to determining both these forecasts is consistent with previous discussions with the AER and the approach we applied in our proposal.
- Amendments to our proposed Efficiency Benefit Sharing Scheme, including:
 - Inclusion of ancillary reference services in both forecast and actual opex in the calculation.
 - Using a scale adjustment for forecast opex.
 - Using the actual opex amount for 2015 from the 2015 Regulatory Information Notice (**RIN**) rather than from the 2011-19 annual RIN.
- Using actual (rather than estimated) demand to bill customers for the extension period. We welcome this being recognised as the most straightforward option given current circumstances.
- A \$0.8 million increase in forecast corporate income tax, reflecting updated estimates of the risk-free rate.
- The need for a true up between the extension period allowed revenue and extension period building block revenue to ensure AusNet and consumers are not materially better (or worse) off due to continuing the 2022 tariffs throughout the extension period.
- In order to be pragmatic, we have accepted the AER extending the 2022 tariffs by indexing for a half year of inflation, and recognise that an updated rate of inflation will be used in the AER's Final Decision. We remain unconvinced that indexing for half year (rather than a full year) is the most appropriate approach, however we will not contest this matter further.

The AER reserved its decision on the demand forecasts and has used the demand forecast contained in our proposal as a placeholder. We remain happy to accept this demand forecast and do not consider it will be

impacted by the release of the Gas Substitution Roadmap, given the likely transition times before impacts begin to be observed.

This response can be published as it contains no confidential information.

If you would like to discuss any aspect of this submission, please contact me (Ph: 0438 530 076 or email: thomas.hallam@ausnetservices.com.au).

We look forward to continuing to work with the AER over the coming months, including with respect to the associated 2024-28 Gas Access Arrangement Review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Hallam', written in a cursive style.

Tom Hallam
General Manager (Transmission and Gas)
AusNet