



Mr Sebastian Roberts
General Manager
Transmission and Gas
Australian Energy Regulator
Email: AERInquiry@aer.gov.au

Australian Gas Networks – Future capital expenditure determination – Mount Barker gas network extension

Dear Mr Roberts,

Thank you for the opportunity to provide a submission on Australian Gas Networks' (AGN) application to seek an advanced determination of its proposed capital expenditure to build a high-pressure extension and reticulation system to Mount Barker through Monarto South and Kanmantoo.

I note that as part of the 2016-21 Access Arrangement process AGN sought approval of capital expenditure to extend its distribution network to Mount Barker. At that time, however, the AER did not approve AGN's proposal on the basis that it was not satisfied that the expenditure was conforming capital expenditure under the National Gas Rules.

In principle, the Department supports the provision of natural gas to the Mount Barker region. The area has seen substantial growth over recent years and is expected to continue to develop. Provision of natural gas will offer Mount Barker residents an alternative source of energy for applications such as cooking, heating and hot water. As an area of the Adelaide Hills, heating is an important consideration for residents and access to natural gas will be a welcomed additional option. In addition, the extension will provide natural gas to commercial and industrial areas.

Furthermore, the Department supports AGN's proposal to fund \$35.4 million towards the project from its current capital expenditure allowance rather than seeking this as a separate expense in the next Access Arrangement for 2021-26. It is important that this project commences as soon as possible. The Discount Council of Mount Barker population forecasts highlight that residential growth has already commenced, and major growth is forecast over the next 20 years. You will also be aware, that the 30 Year Plan for Greater Adelaide identifies land at Mount Barker as part of Adelaide's

urban land supply to accommodate population growth. Ideally, the infrastructure is installed early in residential planning phases and developers and residents have clarity upfront on their energy supply options.

With these broader benefits in mind we will rely on the AER's final assessment of the proposal against the requirements of the National Gas Rules including financial and engineering assessment.

Yours sincerely,



Vince Duffy
Executive Director
Energy and Technical Regulation
Department for Energy and Mining

28 September 2018