



Australian Government



AUSTRALIAN  
ENERGY  
REGULATOR

## **Notice of the AER's decision on the materiality of AusNet Gas Services' (AusNet) 2023–28 access arrangement variation proposal.**

On 30 September 2024, AusNet submitted to the AER an access arrangement variation proposal (variation proposal).<sup>1</sup>

With its variation proposal, AusNet proposed to increase the amount of accelerated depreciation it could recover from customers in the 2025–26, 2026–27 and 2027–28 regulatory years.

AusNet submitted that, if approved by the AER, its variation proposal would increase AusNet's total revenue over the 2023–28 period by 7.2% or \$90.8 million (\$2022–23).

AusNet submitted that its variation proposal was in response to policy announcements by the Victorian Government since the AER's final decision on its 2023–28 access arrangement period, released on 2 June 2023, including:

- from 1 January 2024, the Victorian Government has banned new gas connections for new dwellings, apartment buildings, and residential subdivisions requiring planning permits
- from 1 January 2025, the updated gas distribution code of practice requires gas distributors to impose full upfront charging on customers for new gas connections
- during 2024, the Victorian Government is consulting on a Regulatory Impact Statement (RIS) on an appliance ban for rental properties
- in late 2024, the Victorian Government will be consulting on a RIS that would look at electrifying commercial buildings and introducing an end-of-life appliance replacement ban for residential customers.

AusNet submitted that, in light of the above Victorian Government initiatives and changing context for its provision of gas distribution services, the transition away from gas will further accelerate. On this basis AusNet proposed to increase the amount of accelerated depreciation it could recover from customers over the 2023–28 period from its approved \$105 million (\$2022–23) to \$175 million (\$2022–23).

AusNet further proposed to reduce its level of approved capex to reflect an expected lower number of new connections and the imposition of cost reflective upfront connection charges for those connections that do occur.

AusNet further proposed to increase its level of approved opex to reflect an expected higher number of abolishments.

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<sup>1</sup> Under National Gas Rules (NGR) cl. 65(1).

AusNet submitted that the net impact of its variation proposal, if approved by the AER, would be an additional \$76 bill increase for residential customers relative to its approved revenues, or an average of \$49 per year for each remaining year of the 2023–28 period.

AusNet submitted this would mean customer's retail bills would rise by a total of around 5% per annum for each remaining year.

### **The AER's materiality decision**

Under the National Gas Rule (NGR) cl. 66(1) we must decide whether AusNet's variation proposal is non-material. If we decide it is non-material the NGR permit us to make a decision on the variation proposal without consulting stakeholders.

However, **our decision is that the variation proposal is not non-material**. In other words, we consider AusNet's variation proposal to be material.

We consider that the variation proposal is likely to financially impact the operation of AusNet's gas access arrangement for the 2023–28 access arrangement period. In coming to this conclusion, we have considered:

- the monetary value of the variation proposal
- the fact that the variation proposal raises significant issues relating to:
  - the potential revenues and tariffs for AusNet
  - the likely impact on AusNet's customers (including the likely impact on customer gas bills)
  - the precedent that could be set for other network service providers.

As a matter of completeness, we note AusNet submitted its own view that the variation proposal is not non-material.

### **Next steps**

Having found the variation proposal to be material, we now invite written submissions on the variation proposal. We will then release our draft decision and invite a revised proposal from AusNet. This will be followed by a further invitation for stakeholder submissions. We will then release our final decision.

We note too that this is the first access arrangement variation proposal we have been required to assess for materiality. The novelty of this process, and the relevance of the issues raised for other gas network service providers, policy makers and customers, also contributed to our decision that this is a material variation proposal.

### **How to make submissions**

AusNet's variation proposal is available at our website at:

<https://www.aer.gov.au/industry/registers/access-arrangements/ausnet-services-access-arrangement-2023-28-variation-review>

We invite submissions on AusNet's variation proposal by **Friday, 29 November 2024**.

Submissions should be sent electronically to: [VICGAAR2023@aer.gov.au](mailto:VICGAAR2023@ aer.gov.au). Alternatively, written submissions may be addressed to:

Mr. Arek Gulbenkogu  
General Manager  
Australian Energy Regulator  
GPO Box 1313  
Canberra ACT 2601

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. The AER will treat submissions as public documents unless otherwise requested. Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be placed on the AER's website at [www.aer.gov.au](http://www.aer.gov.au). For further information regarding the AER's use and disclosure of information provided to it, see the ACCC/AER Information Policy, June 2014 available on the AER's website.<sup>2</sup>

**Enquiries should be directed to:**

Mr. Dale Johansen

Director – Network Pricing / Reset Coordination & Strategy

E: [VICGAAR2023@er.gov.au](mailto:VICGAAR2023@er.gov.au)

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<sup>2</sup> ACCC/AER, [Information policy](#), 2014.