
CCP33 Advice to AER
Australian Gas Networks South Australia
Access Arrangement Proposal 2026-31
(Final Plan July 2025)

Consumer Challenge Panel (CCP) Sub-Panel CCP33

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Acknowledgement of Country

We acknowledge the Traditional Custodians of the various lands on which Australian Gas Networks South Australia owns and operates its networks and facilities. We honour the customs and traditions and special relationship of those Traditional Custodians with the land as well as those where this report is being prepared. We respect the elders of these nations, past and present.

Confidentiality

To the best of our knowledge this report does not present any confidential information.

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1 Summary

CCP33's schedule of work for Australian Gas Networks South Australia (AGN) Access Arrangement (AA) proposal 2026-31 requires us to provide the AER with:

1. Advice on whether the long-term interests of consumers are being appropriately considered in [AGN's] regulatory proposals and the AER's decision making
- An assessment of consumer engagement and the extent to which [AGN's] initial and revised proposals reflect consumer preferences

This CCP33 advice responds to AGN's *Final Plan* for its AA 2026 to 2031, which AGN lodged with the AER in early July 2025. Our report focuses on AGN's engagement to inform its regulatory proposal and the extent AGN's proposal reflects consumer preferences. CCP33 will provide further advice when the AER makes its draft decision and as AGN prepares its revised proposal.

Guided by the AER's *Better Resets Handbook*,¹ we consider:

- The nature and form of AGN's engagement
- Evidence of the impact of AGN's engagement on the development of its proposal
- Other substantive issues that predominantly result from the uncertain future of gas

AGN has engaged both broadly (through a series of customer workshops) and deeply with its South Australian Reference Group (SARG). The engagement program has been well organised and detailed.

We appreciate the optimism with which AGN has engaged with its customers, particularly given the uncertain future of gas, even in South Australia which may be in a business-as-usual situation today, but could readily change in the near future.

However, we consider AGN's engagement has largely been limited to informing and to a lesser extent consulting with customers and the considerable information it has presented customers has been at the expense of more open engagement. Consequently, we have formed similar conclusions to the SARG, around the areas where AGN needs to focus its engagement to inform its revised AA proposal. In particular, we encourage AGN to engage with customers on different scenarios around the future of gas and the affordability and energy transition implications for:

- Accelerated depreciation (noting the AER's expectations for engagement on this topic)²
- Investment in hydrogen gas
- Tariffs

¹ AER, *Better Resets Handbook*, July 2024

² AER, *Final decision Jemena Gas Networks (NSW) access arrangement 2025 to 2030 (1 July 2025 to 30 June 2030)*, Attachment 4 – Regulatory depreciation, May 2025, p.2

2 Context for this advice

2.1 Regulatory process

AGN lodged its AA proposal for the period 1 July 2026 to 30 June 2031 in July 2025, with the AER to make its final decision in April 2026.

CCP33 considers the regulatory context in which AGN is developing its AA proposal is significant, given the uncertainty around the future of gas and the resulting challenges in preparing a regulatory proposal. Accordingly, in this Advice we have included context which helped inform our assessment of AGN's engagement and the way it developed its proposal. We consider:

1. The application of the *Better Resets Handbook* (the Handbook) expectations for a gas AA
2. The AER's gas distribution network tariffs review 2023
3. Key issues associated with the future of gas questions
4. Implications of other recent AER gas AA decisions

2.1.1 Application of the *Better Resets Handbook* to gas AAs

The AER published the Handbook in November 2021, with its aim being [emphasis added]:

“to encourage networks to develop high quality proposals through genuine engagement with consumers and that meet our expectations. This will lead to a number of benefits, including regulatory outcomes that better reflect the long-term interests of consumers.” (page 3)

Although the AER made minor revisions to the Handbook in 2024, the aim remains the same. Importantly, the *Better Resets Handbook* sets out the AER's expectations of network businesses regarding consumer engagement and how the engagement outcomes should be reflected in regulatory proposals. Accordingly, we have assessed AGN's engagement against these expectations and in particular, those detailed in Chapter 3 of the Handbook.

However, we note that our capacity to observe AGN's consumer engagement was limited by our late appointment, which unfortunately did not occur until November 2024, whereas AGN commenced its stakeholder engagement in May 2024.³ Consequently, we have needed to rely on secondary sources such as AGN's published reports and feedback from its SARG, such as the SARG's report on AGN's draft plan for aspects of our assessment.

2.2 AER gas distribution network tariffs review 2023

In October 2023, the AER published its final decision on its review of gas distribution network reference tariff variation mechanisms and declining block tariffs⁴.

This review reflects the rapidly changing circumstances for gas businesses and identified a need for the AER to review its regulatory approach. There are several implications of the AER's final decision for AGN's AA proposal development:

1. The AER will make case by case decisions on gas distribution pipeline tariff variation mechanisms or tariff structures

³ From May to August 2024, AGN engaged with stakeholders to understand consumer needs and inform the development of its broader engagement approach

⁴ AER, *Review of gas distribution network reference tariff variation mechanism and declining block tariffs, Final decision*, October 2023

2. The form of regulation, price cap or revenue cap, will be determined on a case-by-case basis with a hybrid tariff variation mechanism worthy of consideration
3. The AER expects substantive stakeholder consultation regarding tariff variation mechanisms
4. The AER will retain declining block tariffs on the basis they are economically efficient⁵

2.3 Uncertain future of gas

The question about the future of gas is a significant matter for all gas networks, regardless of whether their state government has a firm view on the future of gas in the context of achieving net zero emissions.

AGN recognised this uncertainty in 2020 when it prepared its 2021-26 AA proposal and raised the question “How do we manage this uncertainty while promoting the efficient investment and operation of natural gas services in the long-term interests of customers?”⁶, noting potential impacts on asset lives. However, AGN concluded that it was preferable to wait until the subsequent AA period (i.e. 2026-31) before acting.

2.3.1 AEMO demand forecasts

As the energy transition has gathered pace in Australia, debates about the role of gas for both household and commercial application, as well as electricity generation, have intensified.

In March 2025 the Australian Energy Market Operator (AEMO) published the 2025 Gas Statement of Opportunities (GSOO) for Australia’s East Coast Gas Market.⁷ AEMO considers different scenarios for the future of gas based on different assumptions around economic growth, pace of electrification, energy efficiency and International Energy Agency world energy scenarios.⁸ Regardless of the scenario, a decline in residential and commercial gas consumption is forecast, although the pace of decline varies according to the scenario.

⁵ Although block tariffs are inconsistent with energy transition objectives.

⁶ AGN, *Five year plan for our South Australian network, July 2021 - June 2026*, July 2020

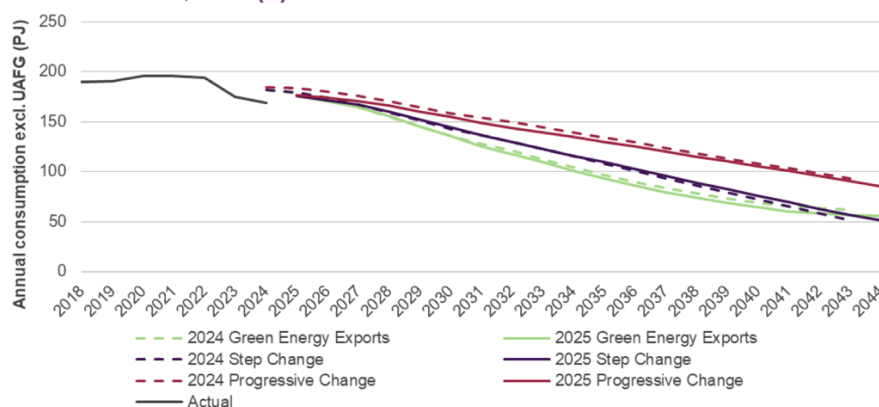
⁷ AEMO, *Gas Statement of Opportunities*, March 2025, p.31

⁸ Ibid, p.18

These declining forecasts are illustrated in the following diagram from the GSOO:⁹

Figure 2-1: AEMO's declining gas consumption forecasts

Figure 17 Actual and forecast residential and commercial annual consumption, all scenarios and compared to 2024 GSOO, 2018-44 (PJ)



Note: The Northern Territory is included in actual gas consumption from 2020 onwards.

2.3.2 Proposed rule change: gas connection and permanent abolishment charges

In February 2025, Energy Consumers Australia (ECA) wrote to the Australian Energy Market Commission (AEMC) to propose four rule changes to the National Gas Rules including one that would see the connecting party pay for the costs of a new gas connection, rather than expose remaining gas customers to the risk of these new connections becoming stranded assets.¹⁰ In May 2025, the Justice and Equity Centre requested AEMC to consider an additional rule change to minimise the cost of permanent disconnections to only those required to make safe, to discourage property owners from relying on unsafe temporary disconnections.¹¹

In June 2025, the AEMC initiated a consultation process on these proposals. The AEMC received a number of submissions including one from the AER encouraging the AEMC to make an urgent decision, particularly on the connections pricing proposal as this would have significant implications for the AER's determination in AGN's AA proposal.

2.3.3 South Australia's gas future

Currently, South Australia, unlike the ACT, has no firm plans to fully electrify or unlike Victoria to even reduce dependence on gas and encourage homes and businesses to electrify. In fact, through South Australia's Hydrogen and Renewable Energy Act 2023, the SA Government supports renewable gas projects, such as AGN's projects to deliver a 5% to 10% blend of hydrogen renewable gas with natural gas to homes and businesses.¹² Although AGN considers it has a long term future, while at the same time supporting South Australia's 2050 net zero emissions goal, there is no certainty that future state governments will continue to support renewable gas.

At the same time, and despite no specific policy incentives, South Australians are continuing to invest in roof-top PV, and were contributing to more than 18% of electricity generation in South

⁹ Ibid

¹⁰ Energy Consumers Australia, *Gas Distribution Network Rule Change Requests*, 14 February 2025

¹¹ Justice and Equity Centre, *Gas Distribution Network Rule Change Request – Fit for purpose gas disconnection arrangements*, 9 May 2025

¹² Government of South Australia, Energy and Mining, *SA reaches new heights - hydrogen blended gas milestone*, viewed on 8 July 2025

Australia in 2023-24.¹³ The Australian PV Institute estimates around 52% of SA homes had solar installed as at 31 March 2025.¹⁴ According to Energy Consumers Australia (ECA), 28% of South Australians plan to cancel their gas within the next 10 years and 19% plan to cancel it within the next two years.¹⁵

At present in South Australia, the cost of new connections is shared among all gas customers, and without any contradictory policy settings, new connection costs are added to AGN's regulated asset base (RAB). This is important because if the AEMC rule change becomes effective connecting customers will be expected to pay the full connection costs up-front and AGN will not be able to recover them through the RAB.

2.3.4 Implications for this AA period

AGN is developing its five-year AA proposal within a broader context which creates substantially greater uncertainty for gas than electricity network regulatory proposals. While a decline in gas use in South Australia is anticipated, there are no indications that gas use will rapidly decline in the 2026-31 AA period. Regardless, AGN will need to maintain its gas distribution network well beyond 2031, particularly if the South Australian government continues to support investment in renewable gas projects.

The current context is important because:

1. AGN is expected to engage with customers and stakeholders on both the long-term future of gas question and remain prudent and efficient with its AA for the next regulatory period.
2. An awkward balance must be struck between increased capex required to invest for the future (assuming a future) and accelerating depreciation on existing and near future assets if the future is short.
3. How costs associated with risk are shared between current customers, future customers, the network's shareholders and government has direct impact.
4. Maintaining equity with future uncertainty places greatest risk on customers least able to respond to changing circumstances, such as lower income households and renters. The risk of a "death spiral" grows as more customers leave the gas network, resulting in a smaller residual group of mostly vulnerable customers remaining on the gas network to bear the fixed costs of a less used network, driving up their costs.
5. Technologies and potential options for the future of gas are rapidly changing. While AGN is currently focusing on delivering a blend of (green) hydrogen and natural gas; other networks are increasingly trialling other renewable gas options, such the Jemena Gas NSW Malabar biomethane gas demonstration project.¹⁶

¹³ AEMO, *South Australian Electricity Report*, December 2024, p.34

¹⁴ Australian PV Institute, Mapping Australian Photovoltaic installations, <https://pv-map.apvi.org.au/historical#7/-33.783/135.066>, viewed on 11 August 2025

¹⁵ Energy Consumers Australia, *How households use gas and their attitudes towards electrification*, January 2025, p.9

¹⁶ Jemena, Malabar Biomethane Facility, March 2025, <https://www.jemena.com.au/future-energy/future-gas/Malabar-Biomethane-Injection-Plant/>, viewed on 9 July 2025

2.4 Recent gas AA decisions

In recent years the AER's AA decisions have highlighted:

1. Uncertainty about the future of gas, regardless of the jurisdiction
2. A clear intent among some gas network operators to transition to renewable gas
3. Exploration of options to accelerate depreciation to mitigate the risk of shortened gas asset lives
4. A gas network operator desire to promote and even expand gas networks evidenced through proposals that included increased augmentation capex and opex, and marketing and education budgets to promote a gas future.

While the ACT has a relatively clear roadmap and timelines to phase out gas and fully electrify, South Australia continues to identify and support a role for renewable gas. Victoria has a Gas Substitution Roadmap to largely phase out gas while the NSW is currently consulting on a gas decarbonisation roadmap which it expects to deliver later in 2026.

Gas networks, including AGN SA and JGN NSW, clearly see they have a future if they can transition to renewable gas, and they seek to promote this future to consumers as evidenced through augmentation capex proposals and operating expenditure for marketing and education. Yet, at the same time they consider there is a risk that they will not recover the cost of their assets given the likelihood that their asset lives will be shortened, and so they seek to recover the cost of these assets by accelerate their depreciation.

The AER's recent decisions have varied accordingly:

- In the AER's final decision for Jemena Gas Networks NSW 2020-25 AA,¹⁷ while recognising the uncertain future of gas, the AER did not accept Jemena's proposal for accelerated depreciation as Jemena had not provided sufficient evidence to support its proposal. However, the AER did indicate even at that time that it was open to considering proposals for accelerated depreciation on a case-by-case basis.
- Given the clarity around the future of gas for the ACT is for significantly reduced gas use, driven by jurisdictional government policy to phase out fossil fuel gas by 2045, the AER allowed some accelerated depreciation of network assets for Evoenergy's 2021-26 AA.¹⁸
- In South Australia, AGN's engagement to inform the AGN (SA) AA proposal for 2021-26 had a strong focus on (green) hydrogen as a future renewable gas and AGN presented a view that the gas network had a continuing and likely expanding future; clearly a different scenario to Evoenergy at the same time. Accordingly, AGN did not seek an allowance for accelerated depreciation. Further, the AER observed that AGN customers were interested in renewable gas and supported AGN's further development of renewable gas options.
- The AER in its final decision for the AusNet Services Gas AA for 2023-28 (and similarly for AGN Victoria and Multinet Gas Networks), commended the networks on the quality of engagement but noted the challenges around its decision making, with significant issues remaining after the AER's draft decision, contributed to by uncertainty about the Victorian Government's view on the future of gas until it published its Gas Substitution Road Map in August 2022. Notably, for each of the three Victorian gas networks the AER ultimately allowed a modest amount of accelerated depreciation but also noted the uncertainties around future gas demand expectations.¹⁹

¹⁷ AER, *Final Decision Jemena Gas Networks (NSW) Ltd AA 2020 to 2025 Overview*, June 2020

¹⁸ AER, *Final Decision Evoenergy AA 2021 to 2026 Overview*, April 2021

¹⁹ AER, *Final decision AusNet Gas Services, Gas distribution AA 1 July 2023 to 30 June 2028, Overview*, June 2023

- In 2024 AusNet sought a revision to its 2023-2028 Gas AA due to significant Victorian Government policy changes that will materially lower gas demand forecasts and correspondingly sought to increase its accelerated depreciation it could recover from customers from \$105m (\$2022–23) to \$175m (\$2022–23).²⁰ In its *Draft Decision* on 31 January 2025,²¹ the AER did not accept AusNet’s proposal to increase accelerated depreciation. The AER considered AusNet provided insufficient justification for the proposal, the pace of the transition is likely to be slower than proposed, and the impact on consumers would be disproportionate given cost of living pressures and it was not widely supported by stakeholders. Regardless the AER anticipates the issues raised by AusNet can be better assessed in its 2028-33 AA.
- Most recently, the AER applied a price-path approach, with a limit of 0.5% per annum (\$real) in response to JGN’s 2025-30 AA proposal for accelerated depreciation, despite consumer support for the proposal. The AER did not put significant weight on Jemena’s consumer engagement due to issues with the engagement approach as it was concerned consumers may not be aware of the limitations of accelerated depreciation for reducing long term prices for consumers.²²

Significantly, the AER’s accompanying depreciation report on its JGN decision provides some guidance as to how networks should engage on accelerated depreciation.²³ Key elements of the AER’s guidance include:

- Presentation of multiple scenarios to reflect the uncertainties around the rate of decline of consumer demand
- An explanation of the limitations of accelerated depreciation as a risk management tool
- Projections of the potential price impacts of accelerated depreciation over multiple regulatory periods
- Consistency between the inputs and assumptions across all aspects of a proposal, including pairing a claim for accelerated depreciation with a minimisation of capex.

2.5 CCP reflections

CCP31 referenced the AER’s decisions in more detail in its response to the AER’s Issues Paper,²⁴ and subsequent advice on the AER’s Draft Decision and JGN’s Revised AA Proposal,²⁵ and provided the following comments which remain relevant when considering AGN’s current AA proposal:

1. There is no emerging clarity about what the future, even the near future, of gas looks like. Regulatory proposals considered over the past five years have focused on hydrogen as the future renewable gas, similar to the current focus on biogas as a renewable gas, while a heavily diminished future for gas is also an option.
2. Forecasting gas demand, particularly for households and smaller businesses, is fraught.
3. Accelerated depreciation in various forms is a recurring theme, with the AER applying bespoke decisions in response to the different circumstances of businesses and their varying jurisdictional policy settings.

²⁰ AusNet, *AA information gas AA review 2024 - Variation proposal*, September 2024

²¹ AER, *Draft decision AusNet Gas Services (Victoria) 2023–28 AA variation proposal*, January 2025

²² AER, *Final decision Jemena Gas Networks (NSW) Ltd AA 2025 to 2030 Attachment 4 Regulatory depreciation*, May 2025, p.17

²³ Ibid, p.22

²⁴ Consumer Challenge Panel, *CCP31 Advice to the Australian Energy Regulator Issues Paper: JGN Gas Networks NSW AA Proposal*, 23 August 2024 (*Early Signal Pathway*), September 2024

²⁵ Consumer Challenge Panel, *CCP31 Advice to the Australian Energy Regulator AER Draft Decision (November 2024) and JGN Gas Networks NSW Revised AA Proposal (January 2024)*, February 2025

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4. Affordability concerns remain, including the risk of a death spiral in which lower income households, including renters, who remain on gas will pay higher network fixed costs, while those who can afford a transition to electricity, do so.
5. Questions remain as to who should pay the costs for the transition from gas, including permanent disconnections.

We have also reflected on the AER’s guidance as to how networks should engage on accelerated depreciation and have considered these elements in our assessment of AGN’s engagement and its AA proposal.

3 AGN’s engagement program: CCP33’s observations

CCP33’s schedule of work for AGN’s AA 2026-31 requires us to provide the AER with:

- Advice on whether the long-term interests of consumers are being appropriately considered in [AGN’s] regulatory proposals and the AER’s decision making
- An assessment of consumer engagement and the extent to which [AGN’s] initial and revised proposals reflect consumer preferences

This report focuses on AGN’s engagement to inform its regulatory proposal and the extent AGN’s proposal reflects consumer preferences. CCP33 will provide the AER with further advice when it makes its draft decision and as AGN prepares its revised proposal.

Guided by the *Better Resets Handbook*, we consider:

- The nature and form of AGN’s engagement; and
- Evidence of the impact of AGN’s engagement on the development of its proposal

3.1 AGN’s broad customer engagement program

AGN planned a five-stage engagement program that commenced with stakeholder engagement in May 2024 (Stage 1) to initially understand customer needs and consult on its proposed broader customer and stakeholder engagement approach and draft engagement plan.

In Stage 2 AGN commenced its broad engagement running a series of (Phase 1) online and face to face workshops with customers across its network as well as meeting regularly with its SARG and Retailer Reference Group (RRG). The focus of this stage was to identify key topics of interest to customers to inform the development of AGN’s Draft Plan. According to AGN, the key topics identified as areas of importance for customers were as shown in the following figure:²⁶

Figure 3-1: Key topics identified by customers in AGN’s Phase 1 customer workshops

Key topics
Price and affordability of gas bills
<ul style="list-style-type: none"> Price paths Intergenerational equity
Customer service and experience
<ul style="list-style-type: none"> Services for customers in vulnerable circumstances
Reliability of supply
Public safety
Future of gas
<ul style="list-style-type: none"> Renewable gas opportunities Government policy impacts Future Energy scenarios Customer transition/impacts of renewable gas blending Demand impacts Long term planning (beyond five-year plan)
Regulatory building blocks
<ul style="list-style-type: none"> Pipeline services Setting our capital base Depreciation Demand forecasting Our capital and operation expenditure proposals over the next period
Terms and conditions

In Stages 3 and 4 AGN tested and refined proposals in response to key issues identified in Phase 1 in a further series of Customer Workshops (Phase 2 and Phase 3 workshops) involving the same

²⁶ AGN, *Five year plan for our South Australian Network, July 2026- June 2031, draft plan*, July 2025, p.39

customer groups as in Phase 1. AGN also regularly met with its SARG and RRG to debrief on the broad engagement and to engage on more technical aspects of its proposal through a series of deep dives.

The stages of AGN’s engagement program are detailed in its Final Plan.²⁷ We also note AGN has scheduled a fifth stage for later this year to incorporate feedback from the AER’s decision to inform its revised AA plan.

The following table summarises the workshop structure and attendance at AGN’s broader customer workshops:²⁸

Figure 3-2: Phase 1 to 3 customer workshop attendance

Location	Customer Segment	Phase 1 Workshop Attendance	Phase 2 Workshop Attendance	Phase 3 Workshop Attendance
Adelaide metro	Residential	30	30	29
Adelaide south	Business	23	19	16
Adelaide north	Residential	23	26	18
Port Pirie & Whyalla (online)	Residential and business	19	13	15
Barossa, Gawler & surrounds	Residential and business	16	12	12
Mt Gambier	Residential and business	20	18	25
CALD	CALD customers	25	20	20
Additional online workshop	Residential	25	15	-
Total		181	153	135

AGN has published the reports from each of the phases on its Gas Matters engagement platform.²⁹ AGN’s Final Plan also includes an overview of the customer workshops and SARG/RRG engagement.

AGN’s breadth of engagement was evidenced in the diversity of workshop participants (including a small business customer group and CALD representatives) as well as retailers and other groups listed in its proposal. Collectively these groups represent a diversity of customers across AGN’s South Australian network.

AGN engaged independent consultant KPMG to facilitate its broad engagement activities with its customers and to prepare a report on that engagement. This engagement focused on key topics detailed in AGN’s *Customer and Stakeholder and Engagement Plan* and listed in KPMG’s report,³⁰ including:

- Price and affordability
- Public safety
- Reliability
- The future of gas
- Maintaining and growing the gas network
- Customer experience and services
- Depreciation

27

Ibid, p.32

28

Ibid, p.41

29

<https://gasmatters.agig.com.au/australian-gas-networks-south-australia-access-arrangement-2026-27-2030-31>

30

KPMG, *Customer and Stakeholder Engagement Summary Report: Developing a Customer Centric Draft Plan through genuine engagement*, June 2025, p.9

KPMG's engagement report explains that at the end of each customer workshop, participants were asked to rate the sessions on a number of attributes such as:³¹

- AGN providing clear relevant and accurate information
- Customers feeling they were genuinely listened to and heard
- Customers having an opportunity to have their say
- Workshop activities being engaging and educational
- Appropriateness of the workshop venue and time
- Overall standard of delivery

On all attributes over all sessions, more than 90% of customers indicated they were satisfied or very satisfied with AGN's engagement with them.³² The SARG also generally provided positive feedback on AGN's engagement, as detailed in the SARG's report.³³

While the SARG report³⁴ acknowledged the breadth of engagement in the customer workshops in terms of issues that impact customers and AGN's reflection of these in the proposal, the panel considers AGN could have engaged more deeply with customers on the future of gas and recommended this topic as the focus for engagement in AGN's broader customer engagement to inform its revised proposal.

Whilst we acknowledge customers had a positive experience and felt AGN listened to them, our focus is on assessing AGN's engagement with specific reference to the *Better Resets Handbook*.

Our key concerns relate to the following:

- The volume of information presented to customers (predominantly informing)
- The extent they genuinely understood the information
- Limited narrative around the uncertain future of gas
- Limited insights into customer preferences (customer preferences were largely based on polling; reasoning behind customers preferences was not sought so customers had limited opportunity to explain their preferences)
- The extent that customers in general and the SARG have been able to influence AGN's proposal

Beyond the customer workshops, we assume AGN has a business-as-usual program customer engagement and research, but we are not clear whether or how this research was incorporated into the proposal.

3.4 AGN's deep engagement with the SARG

The SARG commended AGN for establishing the SARG and ensuring the SARG broadly represents AGN's customer base, as well as supporting the SARG to establish a SARG review panel to engage more deeply on the draft plan and prepare submissions on behalf of the SARG.

We also commend AGN for engaging early with the SARG and AGN's commitment to deep and ongoing engagement, evidenced through the review panel's report, our observations of SARG meetings since December 2025, presentations and meeting notes. This includes:

³¹ Ibid, p.36

³² Ibid, p.37

³³ SARG Review Panel, *AGN Draft Plan for South Australian Gas Network July 2026 – June 2031, Submission from the South Australian Reference Group Review Panel*, 9 May 2025

³⁴ See Section 3.5

- Early establishment of the SARG, to enable ongoing deeper engagement
- Provision of detailed presentation materials
- Senior management attendance, including attendance and participation by the CEO at most events
- Regular well-planned meetings with the SARG ensuring participants were equipped with appropriate information to allow them to effectively deliberate on elements of AGN's proposal
- Listening to the SARG and adapting the content and format of sessions in response to participants' feedback, such as the additional opex and capex deep dives
- Transparency evidenced in publication of engagement materials on AGN's Gas Matters website³⁵ and publishing the final plan in an easy to access format on the Orbviz platform³⁶
- Supporting the SARG in its proposal to establish the review panel to engage more deeply on the proposal and prepare a submission on each of AGN's draft, final and revised plans, on behalf of the SARG

SARG members also had an opportunity observe the customer workshops.

The SARG review panel has made it clear that "All submissions will reflect feedback on behalf of the SARG, not on behalf of the individual constituencies of review panel members."³⁷ The review panel shared drafts with the whole SARG, provided ample time and opportunity for other SARG members to contribute and met with the SARG before finalising their reports. CCP33 observed the SARG meetings to finalise both the submission to AGN on the draft plan and the submission to the AER on the final plan.

We are satisfied these reports fairly represent the overall views of the SARG. Accordingly, we refer to the submissions prepared by the review panel as SARG submissions or reports, rather than SARG review panel submissions or reports.

3.5 AGN's draft plan

In March 2025 AGN published a comprehensive draft plan which included 23 questions throughout the document (and listed in Section 16 of the draft plan) to encourage feedback and help AGN prepare its final plan.

AGN's draft plan headline proposal focused on price stability, defined as a decrease of 0.9% after inflation, and investing in a sustainable gas future (hydrogen gas blend).³⁸

AGN's draft plan details what AGN heard from customers and how it applied customer input to inform the draft plan. Other features of AGN's draft plan were:³⁹

1. Estimated 31,000 new residential, business and industrial customers by the end of the AA period
2. \$506m capex (\$2025-26) driven by network growth, mains and meter replacement programs and ICT expenditure
3. Flatter tariff structure

³⁵ See <https://gasmatters.agig.com.au/australian-gas-networks-south-australia-access-arrangement-2026-27-2030-31>

³⁶ See <https://agig.orbviz.com/bubbles/final-plan/cbhr>

³⁷ Ibid, p.3

³⁸ AGN, *Five year plan for our South Australian Network, July 2026- June 2031, draft plan*, March 2025, p.7

³⁹ Ibid

AGN received six submissions on its draft plan, the most comprehensive being from the SARG. AGN received other submissions from the Energy and Water Ombudsman SA, SACOSS, South Australian Federation of Residents and Ratepayers Associations (SAFRRA) Inc. and two retailers.

Key themes from those submissions included:

- Lack of clarity around the future of gas and a need for stronger evidence to support renewable gas investments
- Differing views on tariffs highlighting challenges balancing affordability and climate change objectives, which should not reward higher gas consumption
- Support for continuation of the Priority Services Program
- General (but not unanimous) support to continue the no-charge policy for abolishments
- Accelerated depreciation proposals must be consumer focused rather than focusing on a network's revenue needs, and must be supported by models of consumer impacts over time
- Support for stable prices and support for a price cap rather than a revenue cap

The SARG also commended AGN on its engagement and described the draft plan as having a “strong customer focus” that delivers customers what they want, i.e. price stability.⁴⁰

3.6 AGN's final plan

In July 2025 AGN lodged its final plan with the AER.

AGN's final plan headline follows the draft plan closely retaining a focus on price stability, with a decrease of 1.0% after inflation, and investing in a sustainable gas future (hydrogen gas blend).⁴¹

In relation to feedback received on the draft plan, AGN has responded with a more detailed narrative on the role of gas and AGN's role as a gas distribution business in South Australia alongside a net zero emissions future, which it tested with the review panel before publishing in its final plan.

Our commentary on other substantive aspects of AGN's proposal is included in Chapter 5 of this advice.

3.7 Summary of features of AGN's engagement

Key features of AGN's engagement that we have identified from Section 5 of AGN's final plan, and from AGN's Gas Matters customer and stakeholder engagement hub, and our observations since November 2024 include:

- AGN commencing its engagement well in advance of publishing its draft plan, particularly given the energy transition and the uncertain future of gas, even in South Australia
- Engaging with stakeholders to develop its engagement plan
- Engaging broadly with customers through independently facilitated phased customer workshops and engaging deeply over a series of deep dives on more technical aspects of its proposal with its SARG and RRG
- Publishing and engaging on a draft plan to inform the final plan

⁴⁰ SARG Review Panel, *AGN Draft Plan for South Australian Gas Network July 2026 – June 2031, Submission*, 9 May 2025

⁴¹ AGN, *Five year plan for our South Australian Network, July 2026- June 2031, draft plan*, July 2025, p.7

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- On the advice of the SARG establishing and remunerating a subpanel (i.e. the SARG review panel) to prepare independent reports on AGN’s draft plan, final plan and revised plan on behalf of the SARG, rather than rely on an external consultant

CCP33 members first met with AGN in November 2024 and observed some of AGN’s customer workshops (Phases 2 and 3) and deep dives and other combined SARG/RRG deep dives and SARG meetings. We have appended a list of engagement activities we observed.

4 Detailed assessment of AGN’s engagement

The following table focuses on our assessment of AGN’s engagement against the *Better Resets Handbook* expectations.⁴² The measures and attributes are derived directly from the *Better Resets Handbook*.

4.1.1 Nature of engagement

Measure	Attributes	Strengths	Issues/concerns
Sincerity of engagement	<ul style="list-style-type: none"> Genuine commitment from network businesses Boards and Executives Openness to new ideas and a willingness to change 	<ul style="list-style-type: none"> AGN executive management (including the CEO) have attended and participated in AGN’s broad customer engagement (customer workshops) as well as regularly attending and presenting at SARG meetings AGN supported the SARG’s suggestion to develop a small subpanel of SARG members (SARG review panel) to focus on the AA proposal and funded the review panel to observe the customer workshops, independently review the draft plan, final plan and revised plan and prepare independent reports on each of these proposals – a changed model from other AGIG AA proposals in which AGIG engaged a consultant to prepare a point-in-time report which only focused on the outcomes 	<ul style="list-style-type: none"> While we do not question AGN’s intent, from the engagement we observed and the content we have reviewed, customers and the SARG were provided with a large amount of information to digest. While this may be evidence of AGN’s commitment to the process, we consider it also limited the opportunity for genuine engagement beyond <i>informing</i> and <i>consulting</i> with customers with the time allocated to the session
	<ul style="list-style-type: none"> Ongoing engagement with consumers about outcomes that matter to them - consumers to ‘set the agenda’. Ensuring consumer confidence in the 	<ul style="list-style-type: none"> AGN commenced its engagement early in May 2024 when it engaged with its SARG to develop and finalise its engagement plan The SARG and other stakeholders had an opportunity to input into the engagement plan The SARG and other stakeholder groups have been meeting regularly with AGN 	<ul style="list-style-type: none"> Our observations are limited as to the extent consumers set the agenda and the extent consumers had confidence in the engagement process as we had not been appointed when AGN undertook its early work Unfortunately, we also had limited opportunity to observe AGN’s customer workshops, but from what we saw: <ul style="list-style-type: none"> The agenda was predetermined

⁴² See Appendix A for a list of AGN’s engagement activities observed by CCP33 members

Measure	Attributes	Strengths	Issues/concerns
	engagement process	<ul style="list-style-type: none"> Based on meeting records, and our recent observations of SARG meetings: <ul style="list-style-type: none"> Meetings appear to be well attended Participants appear to be interested and enthusiastic Participants are sufficiently, knowledgeable and confident to question and challenge AGN AGN held three rounds of customer workshops (combination of online and face to face) with the number of participants ranging from 12 to 30 per workshop The SARG review commended AGN on its detailed engagement program to inform its regulatory proposal Materials provided by AGN are published on its engagement website (Gas Matters) 	<ul style="list-style-type: none"> Sessions were highly structured, with AGN delivering content and participants being asked for their views (largely informing and some consulting) AGN's engagement on accelerated depreciation appears limited. The one presentation we observed was technical and it is not evident that consumers understood the information being presented (rather they were expected to trust it)
Consumers as partners	<ul style="list-style-type: none"> Network businesses should collaborate with and, where appropriate, empower consumers in developing regulatory proposals Consumer engagement should be a continuous business-as-usual process 	<ul style="list-style-type: none"> AGN appointed the SARG to have an ongoing consumer-representative advisory role as AGN developed its AA proposal. It is evident through published presentations and meeting notes that the SARG has fulfilled this role. The SARG advised AGN to develop a future of gas narrative for its proposal and AGN engaged with (consulted, involved) the SARG review panel to test its narrative before including it in the final plan We assume AGN will to retain the SARG as a consumer advisory group that can hold the business to account on the delivery of its proposal 	<ul style="list-style-type: none"> We are not clear on the extent the SARG has been empowered or collaborated with AGN in the development of its proposal

Measure	Attributes	Strengths	Issues/concerns
Equipping customers	<ul style="list-style-type: none"> • Networks must provide them with accurate and unbiased information necessary to meaningfully participate 	<ul style="list-style-type: none"> • AGN has typically prepared detailed presentations for its customer workshops and SARG meetings • AGN has published meeting materials on its Gas Matters website • The papers are clearly presented and the information in them was also verbally presented 	<ul style="list-style-type: none"> • We are not clear on when workshop participants and SARG members received the materials for their respective sessions, i.e. whether they had sufficient time to review the materials and form a view is not clear to us
	<ul style="list-style-type: none"> • Consumers need to have the ability to source independent expert advice 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Not to our knowledge
	<ul style="list-style-type: none"> • Consumers are appropriately remunerated for their contribution to the development of proposals • Independence and integrity of consumer engagement processes 	<ul style="list-style-type: none"> • SARG members are remunerated for their time - their remuneration is detailed in the SARG's Terms of Reference • AGN engaged KPMG to design, deliver and report on three rounds of customer workshops. KPMG prepared a report on the customer workshops which AGN lodged with its proposal.⁴³ • Customer workshop participants were provided an incentive to attend the workshops and a bonus if they attended all three rounds.⁴⁴ 	<ul style="list-style-type: none"> • N/A
Accountability	<ul style="list-style-type: none"> • Transparent reporting and consultation 	<ul style="list-style-type: none"> • KPMG prepared a report on the customer workshops which AGN lodged with its proposal⁴⁵ 	<ul style="list-style-type: none"> • We cannot comment on the transparency of much of the customer workshop engagement as we were appointed after rounds 1 and 2 were completed

⁴³ KPMG, *Customer and stakeholder engagement summary report: Developing a customer centric draft plan through genuine engagement*, 12 June 2025

⁴⁴ Ibid, p.42

⁴⁵ KPMG, *Customer and stakeholder engagement summary report: Developing a customer centric draft plan through genuine engagement*, 12 June 2025

Measure	Attributes	Strengths	Issues/concerns
		<ul style="list-style-type: none"> Customers at the workshops mostly felt they were listened to and heard, which may be suggestive of transparent consultation 	

4.1.2 Breadth and depth of engagement

Measure	Attributes	Strengths	Issues/concerns
Accessible, clear and transparent engagement	<ul style="list-style-type: none"> Outlining objectives, engagement issues/topics and the level of participation and influence consumers can expect Consultation time frames should have regard to the complexity of the issues in the regulatory proposal and provide consumers with adequate time Engagement on different aspects of the same issue may require different 	<ul style="list-style-type: none"> AGN's engagement plan outlines the expected levels of engagement at each stage of its program to inform its AA proposal AGN engaged with a range of stakeholder groups on different aspects of its proposal; with the depth of engagement and topics generally reflecting the knowledge and interests of the stakeholder group KPMG used a range of methods to elicit feedback from participants in the customer workshops 	<ul style="list-style-type: none"> We cannot comment on the consistency between AGN's intended engagement level and how the sessions were delivered as we were appointed after stages 1 and 2 were completed The stage 3 workshops we observed were predominantly about informing customers While the content in the slide presentations to the SARG is clear, the intended level of engagement on different topics is not obvious to us We question the limited amount of time allocated to engaging on complex topics with the customer forum and the SARG such as accelerated depreciation We also question the extent to which customers' understanding of the issues was tested and the approach. In its JGN NSW decision, the AER published guidance for gas network operators seeking to engage on accelerated depreciation,⁴⁶ and AGN should consider this guidance in the preparation of its revised proposal.

⁴⁶ AER, May 2025, *Final Decision Jemena Gas Networks (NSW) Ltd AA 2025 to 2030 Attachment 4 Regulatory depreciation*, p.22

Measure	Attributes	Strengths	Issues/concerns
	engagement methods		
Consultation on desired outcomes and then inputs	<ul style="list-style-type: none"> • Consumers should guide, and be seen to guide, the development of proposals • Networks will consult with their consumers on their desired outcomes (including opex and capex) and then craft the inputs of regulatory proposals • Networks to engage with consumers on changes in opex and capex • Engagement may explore a consumer's lived experience within the energy system – including customer services 	<ul style="list-style-type: none"> • AGN engaged with a diversity of groups including customers, customer representatives and other stakeholders across its network • AGN engaged with the SARG and received challenge on aspects of its proposed opex and capex step changes in a dedicated deep dive in May 2025 • The SARG requested a clearer explanation of AGN's proposed opex changes (which AGN responded to in its final plan) 	<ul style="list-style-type: none"> • AGN's proposed capex step changes relate to forecast growth in demand, and hydrogen readiness <ul style="list-style-type: none"> ○ The SARG questioned whether it was reasonable for consumers to fund hydrogen readiness capex, given the risks of asset stranding if hydrogen gas does not become economic • AGN has proposed opex step changes in abolition costs, IT costs and cyber security <ul style="list-style-type: none"> ○ AGN engaged with customers to establish preferences for free abolishments (i.e. all customers pay) or whether customers should pay the full cost of abolition services. AGN proposed that customers should pay a \$250 contribution. While this is consistent with other networks, it is more than currently customers pay,⁴⁷ and it is not apparent that AGN engaged with customers on this option ○ It is not evident that AGN has engaged beyond informing the SARG on its proposed IT and cyber security step changes or explained the customer benefit of these changes

⁴⁷ The AGN 2025-26 Tariff Schedule indicates the current cost of a disconnection service is \$90

Measure	Attributes	Strengths	Issues/concerns
	and interactions with the network.		
Multiple channels of engagement	<ul style="list-style-type: none"> Multiple complementary engagement channels are necessary Engage with (end) consumers as well as engaging with consumer representatives A network business should aim to understand, represent and balance the interests of all its consumer cohorts 	<ul style="list-style-type: none"> AGN has engaged with end customers and customer representatives, retailers and others AGN has engaged using a diversity of methods – including face to face and online It has also specifically engaged with CALD customer representatives and small and large business operators 	<ul style="list-style-type: none"> N/A
Consumer's influence on the proposal	<ul style="list-style-type: none"> Engagement should consider the IAP2 Spectrum of Public Participation Network businesses and consumers should consult with each other on the range of issues consumers can have influence over 	<ul style="list-style-type: none"> AGN considered and articulated its desired levels of engagement in its engagement plan 	<ul style="list-style-type: none"> The desired level of engagement in various engagement sessions is not apparent (e.g. we cannot find specific references to the desired level of engagement either in presentation materials or the KPMG engagement report) Based on our limited observations engagement was predominantly about “informing” customers and stakeholders with some “consulting”, and limited “involving” predominantly by the SARG The SARG tested AGN on its assumptions around demand (business as usual) and encouraged AGN to develop a narrative around future demand and consider the scenario if its assumptions are not met

Measure	Attributes	Strengths	Issues/concerns
	<ul style="list-style-type: none"> Issues over which consumers will have more influence should be at the upper (empower) end of the IAP2 spectrum Network businesses should encourage consumers to test assumptions and processes that underpin the proposal 		

4.1.3 Clearly evidenced impact

Measure	Attributes	Strengths	Issues/concerns
Clearly evidenced impact	<ul style="list-style-type: none"> Proposals linked to consumer preferences Networks need to provide evidence of consumer preferences - for example through independent surveys, research or focus groups A comprehensive draft regulatory 	<ul style="list-style-type: none"> AGN has described its engagement, and what it heard in detail both in its main proposal and elaborated in various attachments including the KPMG engagement report Consumer preferences are largely predicated on qualitative evidence gathered through the customer workshop, and validated with the SARG AGN published a detailed draft plan <ul style="list-style-type: none"> AGN informed customers and the SARG of its draft plan, and sought customer feedback AGN funded the SARG review panel to prepare a detailed submission on its draft proposal 	<ul style="list-style-type: none"> The SARG report suggested a number of areas where AGN needed to engage with customers to understand their preferences and inform the proposal, such as understanding customers' views if AGN's future of gas and demand forecasts scenario did not occur and the implications of demand that is inconsistent with AGN's forecasts. <ul style="list-style-type: none"> We are not aware that AGN has engaged with its broader customer group on these topics since it published its draft plan Regardless, various aspects of the AA proposal lack evidence of supporting consumer preferences. For example, AGN has proposed several opex step changes which have limited evidence of consumer engagement, for example:

Measure	Attributes	Strengths	Issues/concerns
	<ul style="list-style-type: none"> proposal for stakeholder comment to be developed Regulatory proposal submitted to set out how the NSP has responded to the submissions received on the draft regulatory proposal Networks to engage with consumers beyond those they consulted with in preparing their draft proposal 	<ul style="list-style-type: none"> AGN received six submissions on its draft plan AGN reflected customer feedback in its final plan 	<ul style="list-style-type: none"> A step change of \$26 million (\$2025-26) for the purchase of renewable gas certificates for the proposed Hyp Adelaide project. The SARG was only informed of this proposal when AGN published its draft plan but was not consulted on the merits of the proposal. However, we acknowledge that after the SARG requested further information on the proposal AGN provided more detail in its final plan, but this is not the same as establishing consumer support for the proposal The proposal also includes step changes of \$1.2 million for cyber security uplift and \$4.1 million for other ICT applications, but no explanation of the customer benefit of these proposals or any indication of engagement on these topics beyond informing the SARG of these step changes We are not aware that AGN has engaged with any consumers beyond those they consulted with in preparing their draft proposal

4.1.4 Independent consumer support for AGN's proposal

Measure	Attributes	Strengths	Issues/concerns
Independent consumer support for the proposal	<ul style="list-style-type: none"> Independent report from consumers setting out consumer perspectives on a 	<ul style="list-style-type: none"> AGN supported and funded the SARG review panel to provide independent and constructive feedback and challenge The review panel was able to observe AGN's broader customer engagement and also had the expertise to 	<ul style="list-style-type: none"> The SARG described AGN's draft plan as a "business as usual" plan,⁴⁸ and noted some concerns around: <ul style="list-style-type: none"> Lack of a long-term vision for AGN and lack of narrative to achieve that vision

⁴⁸ SARG Review Panel, *AGN Draft Plan for South Australian Gas Network July 2026 – June 2031, Submission from the South Australian Reference Group Review Panel*, 9 May 2025, p.3

Measure	Attributes	Strengths	Issues/concerns
	<p>proposal as lodged to the AER</p> <ul style="list-style-type: none"> The independent consumer report can also provide views on technical issues in the proposal Independent report to address the process for drafting the report and selection of an appropriately qualified and experienced author of the report 	<p>review and provide constructive feedback on AGN's draft plan</p> <ul style="list-style-type: none"> The SARG's report includes views on technical issues in the proposal, such as opex step changes and trend AGN also received several other submissions on its draft plan AGN responded to the SARG's feedback in its final plan 	<ul style="list-style-type: none"> Questions about the assumptions that led AGN's flat price path and the implications (e.g. for accelerated depreciation) if the assumptions do not hold The justification for new connections capex, particularly if AGN seeks increased accelerated depreciation The SARG also recommended further engagement with consumers on: <ul style="list-style-type: none"> The business-as-usual assumption and the risks to consumers if the assumptions do not hold The opex step change placeholder related to renewable gas certificates Tariff design structure, in the future of gas context We agree with the SARG and consider these are topics where AGN needs to understand consumer preferences to inform its revised proposal

5 Substantive topics

5.1.1 Future of gas and accelerated depreciation

Future access to gas and the widespread use of gas, and in particular renewable gas, are central and challenging questions. We discussed this uncertainty in some detail in Section 2 of our advice. While the South Australian Government currently has no firm plans to fully electrify, and is currently supporting a future in renewable gas, this situation could change at any time.

Regardless, AGN has presented an AA proposal that assumes a relatively steady state, described by the review panel as a “business as usual” proposal.⁴⁹ AGN’s proposal is premised on ongoing support from the South Australian government that opposes bans on gas appliances for homes and businesses, describing the state’s energy policy as “technology neutral and stable”.⁵⁰ AGN considers renewable gas has an important role in the energy transition to reach net zero greenhouse gas emissions by 2050.

Importantly, AGN is seeking \$155 (\$2026/27) million in new connections capex over the next regulatory period to connect 34,000 new homes and businesses to the network,⁵¹ notwithstanding AEMO’s acceptance or otherwise of ECA’s proposed rule change that would see customers pay the full cost of new connections up front.

At the same time as AGN is proposing \$155 million new connections capex it is seeking \$30 million “additional” depreciation of its assets.⁵²

However, as noted by the SARG in relation to the draft plan, AGN’s long term vision was not apparent and nor is the pathway to achieve that (unknown) vision. The SARG also raised questions about the required actions for the 2026-31 AA period in line with AGN’s vision for the future and the risks if AGN did not achieve that vision and even provided AGN with a substantial list of questions that if answered would guide the narrative.

AGN is to be commended for responding to the SARG’s request for a narrative around AGN’s vision for the future and role in the transition that was missing from the draft plan, which AGN incorporated into the final plan overview as well as an attachment dedicated to describing its view on the future of gas and depreciation.⁵³ Although a relatively minor point, we note with interest AGN’s persistent use of the term “additional depreciation”, in preference to the widely accepted and better understood concept “accelerated depreciation”, despite advice from SACOSS and the SARG urging AGN against the alternative.

We understand AGN’s rationale for its \$30 million accelerated depreciation⁵⁴ is based on the AER’s JGN NSW decision to cap the amount to maintain an annual ‘base’ real price increase limit of 0.5%,⁵⁵ given NSW is most similar to South Australia with respect to its gas future. However, AGN’s

⁴⁹ SARG Review Panel, *AGN Draft Plan for South Australian Gas Network July 2026 – June 2031, Submission from the South Australian Reference Group Review Panel*, 9 May 2025, p.3

⁵⁰ AGN, *Five year plan for our South Australian Network, July 2026- June 2031, final plan*, July 2025, p.17

⁵¹ Ibid, p.96

⁵² Ibid, p.55

⁵³ AGN SA, *Final Plan 2026/27-2030/31, Attachment 6.1 Future of Gas and Depreciation – context and modelling detail*, July 2025

⁵⁴ Understood to relate to existing assets only.

⁵⁵ AGN, *Five year plan for our South Australian Network, July 2026- June 2031, final plan*, July 2025, p.71

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economic modelling indicates it would need a minimum of \$70 million to recover an asset base valued at \$1 billion in 2050.⁵⁶

AGN proposed to re-engage with customers if the final amount of proposed accelerated depreciation was more than \$40 per residential bill. The KPMG report suggests customers understood the concept of depreciation, supported AGN’s modelling approach and accepted that AGN would only reengage if the proposed accelerated depreciation exceeded \$40 per bill.⁵⁷ At this point AGN’s proposed accelerated depreciation is less than \$40 per bill so it has not re engaged with customers on this topic.

Regardless of the dollar amount, it is not evident to us that AGN has adequately tested consumer understanding of the uncertainty around the future of gas and the short- and longer-term implications for current and future consumers.

For example specifically in relation to depreciation, the KPMG report describing the phase 2 customer workshop engagement as “educating”.⁵⁸ Testing of consumer understanding was limited to a simple multiple-choice question in phase 3 in which 72% of workshop participants indicated “I understand enough about depreciation”,⁵⁹ in which “enough” could also mean customers had little understanding and were not interested!

While SACOSS emphasised in its submissions on AGN’s draft plan, the importance of AGN openly and explaining and modelling consumer impacts over time it also stressed that decisions must be guided by affordability and long-term price stability for consumers, not revenue needs.⁶⁰ The SARG went further encouraging AGN to focus its Stage 4 and 5 customer workshop engagement on the future of gas, supported by accessible plain language information.

CCP33 also considers consumers need to have some indication of the realistic likelihood that they will be able to benefit from hydrogen gas and understand the cost implications, and AGN needs to ensure consumers understand the potential anomaly between growth capex and accelerated depreciation and can form a view on the reasonableness of these seemingly conflicting proposals.

We also reiterate the AER’s guidance in the JGN determination which encourages network operators to:

- Present multiple scenarios to reflect the uncertainties around the rate of decline of consumer demand for gas
- Provide an explanation of the limitations of accelerated depreciation as a risk management tool
- Provide the projections of the potential price impacts of accelerated depreciation over multiple regulatory periods
- Demonstrate consistency between the inputs and assumptions across all aspects of a proposal, including pairing a claim for accelerated depreciation with a minimisation of capex

⁵⁶ AGN SA, *Final Plan 2026/27-2030/31, Attachment 6.1 Future of Gas and Depreciation – context and modelling detail*, July 2025, p.24

⁵⁷ KPMG, *Customer and stakeholder engagement summary report: Developing a customer centric draft plan through genuine engagement*, 12 June 2025, p.16

⁵⁸ Ibid

⁵⁹ Ibid, p.33

⁶⁰ SACOSS, *SACOSS Submission to AGN’s Draft Plan for the 2026-31 AA*, May 2025

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As highlighted in a recent project for ECA,⁶¹ from a range of stakeholder perspectives engagement on accelerated depreciation (and by extension) the future of gas needs to consider:

- Consumer perspectives of fairness (not just a network view of fairness /risk sharing)
- Ways of validating consumer understanding of what is being asked of them
- Defining the range of options that will plausibly be acceptable to a regulator, including a zero-dollar option.

5.2 New connections

Currently AGN does not charge customers a connection fee for a basic gas connection to a new property. The cost of a new connection is socialised among all customers and included in the RAB.

As mentioned above AGN has included growth capex of \$155 million for new connections in its proposal which would be included in its RAB.

If the AEMC accepts the ECA's rule change proposal, the cost of new connections would be recovered at the outset. Assuming paying for the cost of new connections up front does not affect demand forecasts, and therefore customer numbers and opex forecasts, the rule change proposal would then also negate the need for AGN to recover the cost of depreciation of those assets.

We note that the SARG supports the rule change and if the rule change did not occur from an intergenerational equity perspective the SARG suggests the AER should consider increasing the cap on accelerated depreciation.

We are aware the AEMC has received a number of submissions supporting a requirement for gas network operators in the NEM to charge connecting customers the full cost of new connections. If the AEMC accepts the proposal and the rule change is effective at the start of the next AA period, we expect AGN to remove this growth capex from its proposal.

While AGN has acknowledged a decision on the rule change is pending, AGN indicated that it could reopen its AA proposal to adjust demand forecasts in response to new policies or market conditions.⁶² We are concerned that historically, consumer engagement on reopeners is limited or even absent and so it is difficult to establish that any reopener is in the long-term interests of consumers.

Regardless, CCP33 does not support AGN's proposal, given there seems a reasonable chance that the AEMC will implement a rule change. AGN should base its proposal on the most likely scenario and prepare an alternative scenario if the rule change is implemented part way through the regulatory period or not at all. Further, if the rule change comes into effect we expect AGN to review its demand forecasts, customer numbers and implications for its opex proposal and reflect this work its revised access arrangement proposal.

⁶¹ Bartley, H. & Donoghue, K., *Understanding consumer perspectives on accelerated depreciation and financeability*, August 2025 (publication pending)

⁶² AGN, *Five year plan for our South Australian Network, July 2026- June 2031, final plan*, July 2025, p.55

5.3 Abolishment charges

In November 2024, the AER approved AGN's final reference service proposal to include abolishment services as a reference service.⁶³ Currently AGN offers this service free of charge for small scale connections. Notably, customers do not appear to be aware this service is free.⁶⁴

AGN is proposing an abolishment (permanent disconnection) charge of \$250 which it estimates represents 20% of the full cost of an abolishment on the basis this amount is consistent with recent AER decisions for Victoria and NSW gas distribution network operators.⁶⁵ We also understand AGN tested three options with customers: retaining free abolishments, customers pay the full cost of abolishments or a hybrid that combines a customer contribution and some socialisation of the cost. Most customers supported a hybrid option, as did the SA Ombudsman on safety grounds (at least while customer numbers are high). However some other stakeholders argued disconnection charges should be consistent with connections, which are currently free.

While no charge or a relatively low abolishment charge incentivises customers to safely disconnect from the gas network when they full electrify their property, socialisation of the remaining 80% of the abolishment cost will be borne those customers who remain on the gas network. Those customers who are best placed (and can afford) to electrify are likely to be the beneficiaries of this socialised abolishment charge, while those customers who are least able to afford to electrify will be left to meet the balance of the cost. However, we are cognisant of the importance of ensuring customers who leave the gas network do so safely, which was a paramount consideration in the JGN determination, supported by the NSW safety regulator.

Regardless, we are aware that the AEMC is currently considering a rule change proposal aimed at establishing a framework to ensure consistency in the allocation of disconnection costs across the NEM. We understand that from an equity perspective the SARG supports the proposal which would see disconnecting customers pay the full abolishment cost when they disconnect, for customers in financial hardship (e.g. concession card holders) the South Australian government could provide some financial support. From an equity perspective CCP33 agrees with the SARG.

If the rule change does not come into effect, we expect AGN to further engage with customers on abolishments given the range of issues raised in the various submissions on AGN's draft plan.

We are also cognisant of potential safety risks of improper disconnections as raised by the NSW safety regulator in relation to the JGN NSW access arrangement proposal and Evoenergy's proposed alternative targeted approach. The alternative based on an expert's assessment was that permanent disconnections are only necessary for building demolition and for residential property sales if all appliances have been electrified. Evoenergy considers this would reduce the cost of disconnecting for customers in the short term as customers only need to pay for a temporary disconnection until buildings are demolished or the property is sold.

⁶³ AER, *Final decision, Australian Gas Networks (South Australia) Gas Distribution Determination 2026 to 2031*, November 2024

⁶⁴ AGN, *Five year plan for our South Australian Network, July 2026- June 2031, final plan*, July 2025, p.45

⁶⁵ *Ibid*, p. 76

5.4 Tariffs

AGN's current tariff structure combines a fixed charge and a declining block usage charge, such that lower volume users pay higher usage rates, but the rate declines after the customer has used a threshold volume of gas. While AGN may argue this tariff structure supports better network utilisation, it is inconsistent with emissions reduction objectives and customers should be incentivised to use less gas.

AGN is proposing a partial adjustment of network tariffs, but not to flatten them entirely. AGN considers this approach is consistent with customer preferences to avoid higher bills and unfairly impact higher use customers, and it better aligns with emissions reduction objectives, at least compared to the current regulatory period.

In the customer workshops, customers emphasised the importance of affordability and stable pricing. In the phase 3 workshops, AGN asked customers whether they prefer the current tariff structure, an option involving some minor changes to the usage charge or whether they would prefer AGN to consider flatter prices. Across all workshops 49% indicated they preferred the option involving some minor changes to the usage charge; 28% wanted AGN to look at flatter tariffs and 23% preferred the current approach.⁶⁶ However it is not clear to us that customers understand the role of network tariffs and how they may or may not translate to the network charges on their bills.

All parties that made submissions to AGN on the draft plan support AGN maintaining price stability and affordability. The Energy and Water Ombudsman SA believes stable pricing is best achieved by increasing the fixed daily charge and reducing the usage charge, as this approach would have a smaller bill impact.⁶⁷ SACOSS recommends replacing the declining block tariff structure with a flat or inclining block model, on the basis that this approach better aligns with climate and affordability/equity goals.⁶⁸ SAFFRA supports flattening the tariffs over two regulatory periods to soften the bill shock to higher usage customers.⁶⁹

The SARG was concerned that customers have a limited understanding of tariff structures, particularly given the "input heavy" format of the Phase 3 workshops when tariffs were discussed.⁷⁰ The SARG encouraged AGN to engage further with customers on tariffs and to consider tariffs in the context of broader social, environmental and energy transition factors. Importantly, the SARG would like AGN to provide clear and accessible tariff information to enable engagement on the trade-off between fairness, affordability and decarbonisation.

CCP33 acknowledges the tensions between affordability and decarbonisation, and implications for network tariffs. From the evidence we have reviewed, we agree with the SARG that AGN needs to engage more fully with customers on tariffs, which includes ensuring customers are provided with balanced information that is understandable, and their understanding is tested to ensure they can meaningfully engage on their preferences.

⁶⁶ KPMG, *Customer and stakeholder engagement summary report: Developing a customer centric draft plan through genuine engagement*, 12 June 2025, p.27

⁶⁷ Energy and Water Ombudsman SA, *Submission*, 7 May 2025, p.6

⁶⁸ SACOSS, *SACOSS Submission to AGN's Draft Plan for the 2026-31 AA*, May 2025, p.3

⁶⁹ SAFFRA, *South Australian Draft Plan for the period 1 July 2026 - 30 June 2031 Submission*, 30 April 2025, p.2

⁷⁰ SARG Review Panel, *AGN Draft Plan for South Australian Gas Network July 2026 – June 2031, Submission from the South Australian Reference Group Review Panel*, 9 May 2025, p.15

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5.5 Opex

AGN has applied the AER's base, step and trend methodology to its opex forecasts.

AGN's total forecast opex for the current AA period is \$344.6 million (\$2025/26). AGN is forecasting its total opex for the next AA period to be \$464.1 million (\$2025/26), which it largely attributes to increased costs over the last two to three years, and to some extent growth in customer numbers and unaccounted for gas (UAFG).

5.5.1 Base year

AGN has used the penultimate year of the current AA period as its base year, being the most recent full year for which actual costs are available. We note that AGN intends to update this when a full year of data becomes available late in 2025 and make no further comment here.

We note AGN has ongoing customer and SARG support for its Priority Services Program introduced in the current regulatory period and covered in its base opex and CCP33 commends AGN for its work to support customers experiencing hardship.

5.5.2 Step changes

AGN has included a number of step changes in its opex forecast, including (\$2025/26):

- \$32 million for changes in its overhead capitalisation policy
- \$26 million for the purchase of renewable gas certificates for the proposed Hyp Adelaide project
- \$10.6 million for non-recurrent IT transition costs
- \$4.6 million for other IT application upgrades and enhancements
- \$1.2 million for cyber safety

We make the following comments in relation to the above proposed step changes.

Changes in overhead capitalisation policy

This opex item reflects a change in the categorisation of 59% of AGN's overheads from capex to opex. We are unclear as to AGN's reasoning for this proposed change. We are not aware that AGN has engaged with customers or the SARG on this issue which could result in a material increase in customers' bills and encourage AGN to explain the reasons for the proposed change, the bill impact for customers and engage on this issue to establish customer preferences to inform its revised AA proposal.

Purchase of renewable gas certificates

CCP33 understands that the SA Government is likely to introduce a renewable gas certificate scheme to support developments in renewable gas and this would be paid for by customers.

AGN describes the purchase of certificates as an "anticipated regulatory requirement",⁷¹ as part of the Hyp Adelaide hydrogen production facility. The fact that this is only "anticipated" suggests there

⁷¹ AGN, *Five year plan for our South Australian Network, July 2026- June 2031, final plan*, July 2025, p.82

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is no certainty certificates are a requirement and AGN has not considered the alternative in its proposal.

The SARG does not support customers paying for the certificates to support the Hyp Adelaide project, particularly given the uncertainty around the economic viability of hydrogen gas. CCP33 agrees with the SARG that there is no certainty around the large-scale economic viability of hydrogen gas, and like the SARG also does not support customers paying for the certificates.

Regardless, if the certificates become a requirement that would be paid for by customers, customers may form a different view as to their support for AGN's investment in hydrogen gas as this is another upfront cost they would bear, AGN only informed the SARG of this proposal when it presented its draft plan.

ICT costs and cyber safety

AGN has included more than \$16 million for ICT and cyber security related costs. This includes opex to consolidate ICT inhouse across AGIG's various businesses (35.4% apportioned to AGN SA), software applications and security, data storage and data costs related to digital metering.

We accept the need for networks to continue to invest in their ICT and cyber security, nevertheless it is not clear to us how customers (apart from large commercial customers) will benefit from AGN's proposed ICT investments and AGN needs to explain the customer benefit from these step change proposals. CCP33 also suggests AGN could explain how customers have benefited from current ICT and cyber security investments as relevant background.

5.5.3 Trend

AGN has assumed 0.7% per year rate of change (above inflation) from the 2026/27 baseline. It attributes the increase to real growth in labour and materials costs (+0.8%); output growth associated with assumed increases in customer numbers and network expansion (+0.3%); and productivity improvements (-0.4%).

In its response the AGN's draft plan, the SARG commended AGN on its proposed productivity improvement, which is not a formal requirement. However, it questioned the rationale behind the choice of 0.4% and suggested AGN should explain how it arrived at that percentage. In the final plan AGN indicated that this productivity growth is a continuation of its current opex productivity improvement.

CCP33 also questions AGN's assumptions behind the trend if increases in customer numbers do not materialise and network expansion is curtailed, and therefore whether the forecast trend is reasonable given the uncertain future of gas. This is a matter for the AER to consider in its assessment.

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Appendix: CCP33 meetings and observations

CCP33 meetings with AGN

- Briefing on AGN's Orvbiz Engagement Platform: 24 February 2025 (online)

SARG/RRG Engagement observed by CCP33

- SARG Deep dive workshop 1 (face to face and online): 12 November 2024 (online)
- Hyp SA Tour for SARG members (face to face): 2 December 2024 (observed in person)
- SARG Meeting #4 (face to face and online): 2 December 2024 (observed face to face)
- SARG Orvbiz demonstration session (online): 21 February 2025 (observed online)
- AGN SARG/RRG meeting (face to face and online): 27 February 2025 (observed online)
- SARG/RRG Draft Plan discussion (online): 17 April 2025 (observed online)
- AGN SARG/RRG Deep Dive with CEO of Office of Hydrogen Power SA: 2 May 2025 (observed online)
- AGN SA SARG/RRG Tariffs meeting (online): 22 May 2025 (observed online)
- AGN SA SARG/RRG Capex meeting (online): 29 May 2025 (observed online)
- AGN SA SARG/RRG Draft plan update (online): 5 June 2025 (observed online)
- AGN SA SARG/RRG Demand and growth capex meeting (online): 18 June 2025 (observed online)

Customer workshops observed by CCP33

Of a total of 16 dedicated 90-minute customer workshops (12 face to face and 4 online), due to our late appointment, CCP33 was only able to observe three customer workshops. The phase 2 workshop covered price and affordability, maintaining and growing the gas network and the future of gas. The latter two focused on presenting and seeking support for AGN's draft plan:

- Phase 2 customer workshop – residential customers (online): 13 November 2024 (observed online)
- Phase 3 customer workshop - Adelaide Metro (face to face): 10 April 2025 (observed online)
- Phase 3 workshop - Port Pirie/Whyalla customers (online): 14 April 2025 (observed online)

Other

- SARG meeting to discuss submission to AER on AGN's final plan (online): 13 August 2025 (observed online)