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Mr Arek Gulbengoglu
General Manager, Network Expenditure
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email AERGasResets2026-31@aer.gov.au

13 August 2025

Dear Mr Gulbengoglu,

Submission to the Australian Energy Regulator:
Australian Gas Networks SA Proposal – Access Arrangement 2026-31

The Energy and Water Ombudsman (SA) Limited (EWOSA) welcomes the opportunity to submit to the Australian Energy Regulator (AER) on Australian Gas Networks SA's (AGN SA) Proposal for the Access Arrangement period 2026-2031.

EWOSA is the independent energy and water ombudsman scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

The submission briefly covers two key issues where there has been and will continue to be robust debate: the future of gas and gas price structures.

The Future of Gas

A significant piece of feedback on AGN SA's Draft Plan, from both EWOSA and AGN SA's South Australian Reference Group (SARG) (which EWOSA is involved in), was to provide more information on the future of gas. We commend AGN SA for doing this in the Final Plan, with substantial discussions on the demand for gas, emerging forms of energy competition, the approach to depreciation and balancing risk (including modelling), renewable gas and the rule change processes that have recently commenced or will soon commence by the Australian Energy Market Commission.

We note the SARG Review Panel submission on AGN SA's Final Plan considers that "a renewable reticulated gas future is very unlikely" (page 5). At best, it is highly uncertain and this uncertainty makes it difficult to come to a conclusion on what level of depreciation is appropriate and what level of investment and expenditure should be made in the gas network.

Given this, we believe that the AER needs to carefully consider the impact on customers of differing levels of depreciation for both current and future gas prices and prioritise affordability and equity for gas consumers over time. In particular, vulnerable customers should not bear a higher burden because of any inability to exit the gas network.

Another consideration given that uncertainty around the future of gas is expected to continue, is that the AER needs to establish consistent positions for electricity and gas demand going forward, so that the determinations made for revenue for energy networks do not inadvertently involve any "double counting", which could inflate energy prices for consumers.

Gas Price Structures

Any substantial shift in gas price structures should be gradual and be implemented across more than one Access Arrangement period, particularly if a move to flat tariffs is pursued by the AER. It is possible that a move to flat tariffs, as a way to advance the emissions reduction objective of the National Gas Rules, would ultimately not be necessary should renewable gas become economically viable and replace natural gas.

In addition, given the very small reduction in emissions modelled by AGN SA in their Final Plan, we consider it inappropriate to pursue a significant shift to flat tariffs with this as the rationale. The costs clearly outweigh the benefits, particularly in terms of equity. Indeed, the impact of a move to flat tariffs on high use gas customers, as modelled by AGN SA, would potentially hit the most vulnerable consumers, living in energy inefficient homes and with the least ability to afford higher gas bills or to electrify their homes. It would also raise costs for small businesses substantially.

We generally support the approach by AGN SA to slightly raise the supply charge and rebalance the higher gas consumption band tariffs, as a way to progress towards the AER's preference for flatter tariffs without the potentially large impacts on higher gas consumers.

We also maintain our view from our submission on the Draft Plan, that while we prefer the continuation of the weighted average price cap form of revenue control, if the AER decides on a shift to a hybrid price cap mechanism model, that 10% is a more suitable revenue variation threshold than the 5% applied in the Jemena Access Arrangement, which would allocate too much risk to gas consumers in the event of significant demand variations from those forecast.

Thank you for consideration of this submission. Should you require further information or have any enquiries regarding this submission, please contact me at [redacted] or on [redacted]

Yours sincerely

[redacted]

Antony Clarke
Policy and Governance Manager