

Australian Gas Networks(SA) 2026-31 access arrangement public forum

AER Board Member – Lynne Gallagher – Conference Chair

Tuesday 16 September 2025

Acknowledgement of country

Lynne Gallagher
AER Board Member

AER welcome and introductions

Lynne Gallagher
AER Board Member

Agenda

Topic	Speaker	Duration
Welcome & Acknowledgement of country	Lynne Gallagher, AER Board Member (Chair)	5 mins
High-level overview of the submissions	Kami Kaur, General Manager, Networks Expenditure	5 mins
Stakeholder Reflections	Mark Grenning, AGN's SA Reference Group Malwina Wyra, SACOSS Helen Bartley, AER's Consumer Challenge Panel, sub-panel 33	10-15 mins
AGN SA Presentation	Craig de Laine, CEO, AGN SA Roxanne Smith, EGM Corporate and Regulation, AGN SA	5-7 mins
Facilitated Q&A	Andreas Blahous, Executive Director, Reset Coordination and Strategy and AGN SA	25 mins
Closing remarks, next steps	Lynne Gallagher, AER Board Member	5 mins

AGN SA's 2026–31 access arrangement

AGN SA submitted its access arrangement proposal for 2026–31 on 1 July 2025 and submissions closed 15 August 2025.

Factors considered through AGN's proposal:

- General movement away from gas usage across Australia.
- SA government aspiring to 100% net renewable by 2027
- Gas uncertainty has been a key theme, with discussion on what the future of gas looks like in South Australia

High-level overview of the submissions

Kami Kaur

General Manager, Networks Expenditure

High-level summary of key issues raised in submissions

We received 5 submissions during the consultation period and [are available on our website](#) for those who wish to explore them in full.

Submissions were received from a range of stakeholders, including: consumer advocates, government, and industry perspectives.

For AGN, key issues we heard included:

- Uncertainty around the future of gas in SA
- Accelerated depreciation shifting risk to consumers
- Proposed shift to flatter tariffs and disconnection costs

Stakeholder Reflections

- • Mark Grenning, representing the SA Reference Group
- • Malwina Wyrę, SACOSS
- • Helen Bartley, AER's Consumer Challenge Panel, sub-panel 33



Comments on the AGN SA Access Arrangement July 2026 - June 2031

16 September 2025

AGN SA Reference Group – Review Panel

Mark Grenning, Mark Henley and Malwina Wyra

Introduction - the role of the SARG Review Panel



We have been asked to provide independent and constructive feedback and challenge based on our expertise and insight during the development of AGN SA's 2026-31 regulatory proposal.

We provide feedback on behalf of the SARG collective, not on behalf of our individual constituencies.

Throughout this process we will be observing customer engagement, engaging in discussions with AGN on particular topics and reporting back to the SARG on progress and seeking their views on what we propose to say in our submissions.

Our focus is on how AGN meets its objectives of a plan that:

- delivers for current and future customers
- is underpinned by effective stakeholder engagement, and
- is capable of being accepted by our customers and stakeholders

The SARG has provided two submissions – on the Draft plan and on the Access Arrangement and will provide a third on the Draft Decision and revised Access Arrangement

Focus is on the 'Future of Gas' story for AGN and its customers




- . Policy context quite different in SA to Victoria/ACT
 - SA Government strong supporter of maintaining customer choice to connect and expanding renewable gas (hydrogen/biomethane) production to substitute for natural gas
- . Provides what SARG described as the 'missing chapter' to explain how AGN see their vision of a long-term renewable gas (hydrogen and biomethane) network being achieved
 - little need for accelerated depreciation or adjustment to declining block tariffs
- . Given this policy framework and long-term vision, the AGN Plan is a 'business as usual' plan
 - Continue strong operational performance and customer service
 - Large new connections capex of \$155m
 - Capex and opex to support the renewable gas transition
 - Focus on affordability in 2026-31 with an upfront nominal price fall of 1%
- . The gas regulatory framework the AER must follow is not fit for purpose
 - Developed in a world of rising consumption and expanding networks

Our response to major issues



- While consumer engagement was generally of high quality, that on the future of gas and tariff structure changes was high level and care needs to be taken with using the insights to support AGN's applied position
- We do not support the proposed hybrid pricing mechanism - support retention of a pure price cap so AGN takes all demand risk
 - consumption is forecast to continue falling (2.4%/yr) overall and 5.5%/yr for residential after a 16% fall in the first three years of the current period
- We do not support customers subsidising AGN's moves to increase the renewable gas blend in the network
 - \$8m capex and \$26m opex step change for renewable gas certificates that have yet to be approved by the SA Government
 - Those costs should be paid by the shareholders
- We do not share AGN's confidence that there is a realistic roadmap showing hydrogen can be produced at a cost that makes it economic in a distribution network
 - hydrogen projects are not proceeding in Australia and across the world and there was insufficient evidence provided to have confidence that biomethane could provide the required volume
- We see a large stranded asset risk so recommended a higher level than the proposed \$30m accelerated depreciation for intergenerational equity
 - this may be achieved indirectly if the AEMC accepts the ECA rule change for full cost connection charges which we support

The gas regulatory framework is not fit for purpose

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- . Current framework developed in a world of rising consumption and expanding networks
 - Encouraging increased network utilisation e.g. declining block tariffs to encourage consumption
 - . Now we have Federal and State carbon reduction targets, differences in gas policy frameworks across States/ACT, but still one regulatory framework
 - SA strongly supporting customer choice; Victoria/ACT restricting customer choice
 - With SA policy and consumer feedback, AGN engagement focused on affordability in 2026-31 with long life assets
 - . AER has a difficult and unenviable task to balance network expenditure proposals and tariffs
 - Affordability today vs the future – so-called ‘intergenerational equity’
 - What should be the pace of transition in tariffs to a lower gas consumption future?
 - How should tariffs be used to influence consumption?
 - . Current rule change proposals on connection and abolishment fees will assist in answering these questions for AGN’s AA
 - But more substantive change from other ECA rule changes will only be completed after the AGN’s process but be ready for the Victorian network resets for 2028-33

SACOSS reflections on AGN SA 2026-2031 AA Final Plan

SUMMARY OF KEY ISSUES

Background

- South Australians are, on average, paying more for gas than consumers in other jurisdictions
- 27,670 (1.18%) of gas customers in SA are on residential payment plans, and that number has been increasing
- The average debt of hardship customers is \$859, with 42% of hardship customers not meeting usage costs
- Proportion of residential gas customers in hardship programs considerably higher in SA than in other jurisdictions

Key Issues

1. Tariffs and revenue control
2. Abolishment services
3. Accelerated depreciation
4. Future of gas

Tariffs and revenue control

- Appreciate the shift towards a flatter tariff, but remain unsupportive of a declining block tariff structure overall
 - Declining block tariffs can unintentionally incentivise higher consumption and run counter to emissions reduction objectives
 - Greater clarity and nuance was needed around the consultation on the tariff structure
- We do not support a shift from a price cap to a hybrid model, as this would transfer demand and stranded asset risks to consumers

Abolishment services

- We do not think there is sufficient evidence at this stage – in the absence of decisions on presently proposed rule changes – to charge for abolishment services
- We support formalizing abolishment as a reference service, and publicly reporting abolishment data.
- We do not support abolishment charges, as requiring households to pay for disconnection may penalize those seeking to manage costs or transition away from gas, could undermine emissions goals, and raises potential safety concerns.
- Costs should remain socialized for the time being, and this should be reassessed in the next AA based on data gathered

Accelerated depreciation

- We do not support the proposal for accelerated depreciation, as this sits uneasily alongside continued network expansion, places additional costs on households, and highlights wider regulatory issues that we believe require a broader policy response
- This proposal from AGN highlights a broader regulatory issue, in which accelerated depreciation is a very blunt tool offered to regulated businesses

Future of gas

- We do not think AGN have provided a sufficient evidence base for renewable gas investment, particularly when it comes to residential hydrogen and biomethane use
- AGN places weight on hydrogen, biomethane and “carbon-neutral” gas as future options, but these remain uncertain, currently high-cost, and without a clear roadmap to delivery.
- There is a risk that pursuing these pathways could shift additional costs onto households, particularly those on low incomes
- We have further concerns about assumptions built into the Plan about government support schemes – such as renewable gas certificate programs – that have not been formally announced or endorsed
 - It is not reasonable to expect households, particularly low-income households, to shoulder the risks and costs of speculative technologies or unproven policy mechanisms

Issues to consider for Regulators and Policy Makers

- Clear policy direction is needed for the future of gas
 - This needs to consider different user types: residential, commercial, industrial
- We need to start looking at tools other than accelerated depreciation
 - Is it realistic to expect that all costs will be recovered? Who pays for this?
- This Access Arrangement signals a significant shift in gas distribution for consumers
 - Are consumers sufficiently aware of what's happening and what they're paying for?
 - Is it appropriate for a business to be setting this direction?

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

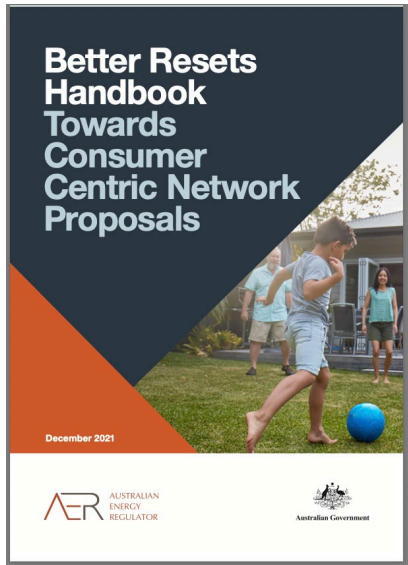
CCP Presentation
Helen Bartley & Robyn Robinson

Consumer
Challenge
Panel

CCP role

To advise the AER on:

- Effectiveness of AGN SA's engagement activities with consumers and how this is reflected in the development of its revenue proposal
- Whether AGN's proposal, or elements, are in the LTIC



Challenge: uncertain future of gas

- AGN SA's proposal is largely business as usual as SA has no firm plans to electrify and the network will continue to grow
- However, future is uncertain
 - ▷ Economic future of hydrogen gas is uncertain
 - ▷ Policy changes could affect demand forecasts
 - ▷ Rule change proposals could affect costs to connect and disconnect

Key topics of interest

- Accelerated depreciation
 - ▷ \$155m new connections capex
- Abolishments – small customer contribution \$250 proposed for standard disconnection
- Tariffs – flatter tariff structure (price cap)
- Opex step changes – esp. “anticipated” renewable gas certificates

AGN's engagement with customers



We commend AGN for supporting the SARG's suggestion to establish a review panel

Concerns about effectiveness of AGN's broad engagement (largely informing) and consumer understanding of issues

- Limited engagement on AD
 - ▷ Questions over customer's understanding price impacts
 - ▷ Engagement needs context
- Need to engage on abolishments is required if rule change does not come into effect
- Limited engagement on tariffs - with tensions between affordability and decarbonisation
- No engagement on opex step change for renewable gas certificates

Australian Gas Networks(SA) Presentation

Craig de Laine, CEO

Roxanne Smith, EGM Corporate and Regulation





AGN SA Access Arrangement (July 2026 – June 2031) AER Public Forum

16 September 2025

Our Vision

To deliver infrastructure essential to a sustainable energy future

Our Strategic Pillars



Our Values



Five year plan for our South Australian Network

July 2026 - June 2031



FINAL PLAN
July 2025



Final Plan

2026/27 – 2030/31

Delivering a sustainable energy future for our South Australian customers

Our customers and stakeholders value:

- Keeping prices stable
- Maintaining safety and reliability
- Continuing our strong track record of customer service
- Investing for a sustainable future

Stable prices

↓ 1.0%
(after inflation)

Five year plan for our South Australian Network

July 2026 - June 2031



FINAL PLAN
July 2025

 Australian Gas Networks

Engagement journey

- ✓ **135 customers** engaged through workshops
- ✓ **18 meetings** with stakeholders and retailers
- ✓ Supported establishment of SARG Review Panel, who presented three main challenges:
 - Future of Gas narrative, depreciation of assets and tariffs
- ✓ **6 meetings** with SARG Review Panel to help shape the narrative

Final Plan proposed:

- ✓ Stable prices, including an upfront 1.0% reduction (after inflation)
- ✓ \$471M capex to maintain our network, ensure public safety and drive operational excellence
- ✓ \$26M opex towards potential jurisdiction scheme to purchase renewable gas certificates from HyP Adelaide
- ✓ \$32M capex towards projects that will deliver a sustainable energy future

Future of Gas | Context and narrative

What we heard:

Customers:

- Interested in the Future of Gas and want to be informed about future projects.
- Think cleaner energy is important, but affordability remains key.

Stakeholders:

- Require greater detail on our narrative and planning to 2050.
- Challenged us to include in our Plan how we will be able to respond to a changing policy environment.

Our response:

We went deeper into the narrative and added into our Final Plan:

- The 'Context of our Plan' chapter, and more detail in our Future of Gas and Depreciation chapter
- Detail on the future evolution of the energy market, including in relation to the proposed HyP Adelaide project

Discussions with the SA Government on potential policy support in relation to HyP Adelaide continue

In the event any proposed jurisdictional scheme is not implemented in time for this review, we are likely to revise elements of our Final Plan

We will conduct further engagement with the AER, stakeholders and customers to refine our position

Future of Gas | Depreciation

What we heard:

Customers:

- 72% indicated they understood the context of regulatory depreciation.
- Satisfied with our approach to re-consult if the total figure equalled more than \$40 per customer per year.

Stakeholders:

- Majority satisfied with our proposal and modelling.
- However, some indicated \$30 million is too low while two others were against additional depreciation in principle.

Our response:

Our depreciation modelling supports at least \$70 million in additional depreciation, and our Final Plan proposes \$30 million which results in flat prices, in-line with recent decisions by the AER. We will have regard to recent stakeholder feedback in our Revised Final Plan.

We want to keep prices stable and predictable in-line with customer feedback

Pricing | Tariffs

What we heard:

Customers:

- Prefer declining block tariff structure
- Bigger families with higher gas usage was a key consideration, as they would be more impacted by a shift from declining block tariffs
- Motivated by impact to their household budgets

Stakeholders:

- Stakeholders supportive of declining block tariff structure with measured flattening.
- Aware of the impact of tariff flattening on customers.

Our response:

Our position is to keep prices stable and household bills predictable (as our customers have told us is most important). Customers should not be impacted negatively by a change in tariff structure, especially those who are already feeling financial pressures.



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Facilated Q&A

Andreas Blahous, Executive Director, Reset Coordination

Next Steps

Milestone	Date
AGN SA submits its regulatory proposals to AER	1 July 2025
Submissions on AGN SA's access arrangement close	15 August 2025
 AER holds a public forum	16 September 2025
AER publishes draft decision on AGN's access arrangement	28 November 2025
AGN SA submits revised proposals to AER	By mid January 2026
Submissions on revised proposals and AER draft decision close	By February 2026
AER publishes distribution determinations for regulatory control period	By 30 April 2026

Thank you