Attachment 9.17

Response to Draft Decision: Corporate structure and cost allocation

Revised Final Plan 2026/27 – 2030/31

January 2026

PUBLIC

Australian Gas Networks

1 Cost allocation

1.1 AER's Draft Decision

In its Draft Decision, the AER disallowed the costs associated with AGN's IT transition project, as well as AGN's cyber security program proposed for the next period. In its decision on both these matters the AER raised uncertainty about who owns the assets and is incurring the associated costs.

In section A.1.3.1.3 of the Draft Decision, the AER states:

> *Based on the information provided, we consider that there is sufficient uncertainty as to which entity owns and operates the ICT capital and is undertaking the services and incurring the associated costs.*
>
> *In AGN's proposal, there are numerous references to AGIG rather than AGN on the transition. AGN should only be seeking expenditure to maintain its existing ICT services and not the costs to transition those services from APA to AGIG. We require further substantiating information from AGN in its revised proposal for us to be satisfied that the ICT transition capex are AGN's costs, are prudent and efficient and should be recovered from AGN's customers.*
>
> *For these reasons of uncertainty, we have included an alternative estimate of zero dollars as a placeholder and provide AGN with the opportunity to address our concerns in the revised proposal.*

In section A.1.3.2 of the Draft Decision, the AER refers to the same uncertainty of ownership as a contributing factor to the disallowance of our proposed cyber security program, stating:

> *We are unclear as to whose costs AGN is seeking to recover for cyber security requirements, similar to the AGN transition project.*

Our response to this matter is provided in the following section.

1.2 AGN's Response to the Draft Decision

As highlighted by the AER, we provided information on our corporate structure as part of a workshop on 3 September 2025. We also followed this up in writing responding to the AER's information request (IR006) with further details.

We appreciate that references in our Final Plan to AGIG and AGN have caused confusion and that in some cases those terms were used interchangeably, or in others, references were made to AGIG without being clear about what that reference meant.

The below information provides an explanation of the corporate group referred to as AGIG and how AGN fits within that. Attachments 9.14, 9.15 and 9.16 show how the IT transition and cyber costs relate to and are prudent and efficient costs of AGN.

We also provide information on our approach to allocating shared costs between the AGIG entities and then AGN's networks. Relevant information from key documents is replicated below for the AER's convenience and supported by further information where possible.

This attachment provides general information on how we allocate costs and should be read in the context of our specific responses to the AER's Draft Decision on the IT transition (Attachments 9.14 and 9.15) and cyber security (Attachment 9.16).

We highlight that the cost allocation approach is:

- unchanged from previous revenue determinations;
- consistent with the cost allocation used for our regulatory information notice (RIN) reporting for AGN SA; and
- consistent with accepted regulatory practice.

1.2.1 Corporate structures

Section 2 of our Asset Management Plan (provided as Attachment 9.3 of the AGN SA Final Plan) provides information on AGIG and how AGN fits into that group, as well as the structure of AGN itself. Although the Asset Management Plan covers AGN's gas infrastructure (primarily, non-IT) assets, the information on corporate structure contained within the plan is general and is relevant to the AER's request for additional clarity in relation to the allocation of our costs for our IT program.

We have also included further information below to better explain the group of entities referred to as AGIG and where AGN sits within that group.

1.2.2 AGIG

AGIG is a registered business name, or trading name. It is not itself a corporate entity and does not undertake any operations or own any assets. It has a registered ABN for the purposes of its business name registration. It is used to describe the group of commonly managed gas infrastructure businesses comprising of the AGN networks, the Multinet Gas distribution network, the Dampier to Bunbury gas pipeline (the DBNGP) and an unregulated gas infrastructure business (AGI Developments (AGID)).

The three main groups of companies within AGIG are described below:

Multinet Gas Networks (MGN)[1] distributes natural gas to over 700,000 customers throughout Melbourne's inner and outer east, the Yarra ranges and South Gippsland. The network transports gas to residential, commercial and industrial customers.

Australian Gas Networks (AGN)[2] distributes natural gas to around 1.4 million residential, commercial and industrial customers across Victoria, South Australia, Queensland, New South Wales and the Northern Territory.

The **Dampier Bunbury Pipeline (DBP)**[3] is WA's key gas transmission pipeline. Stretching almost 1600 kms, it transports gas to mining, industrial, commercial and residential customers across Western Australia.

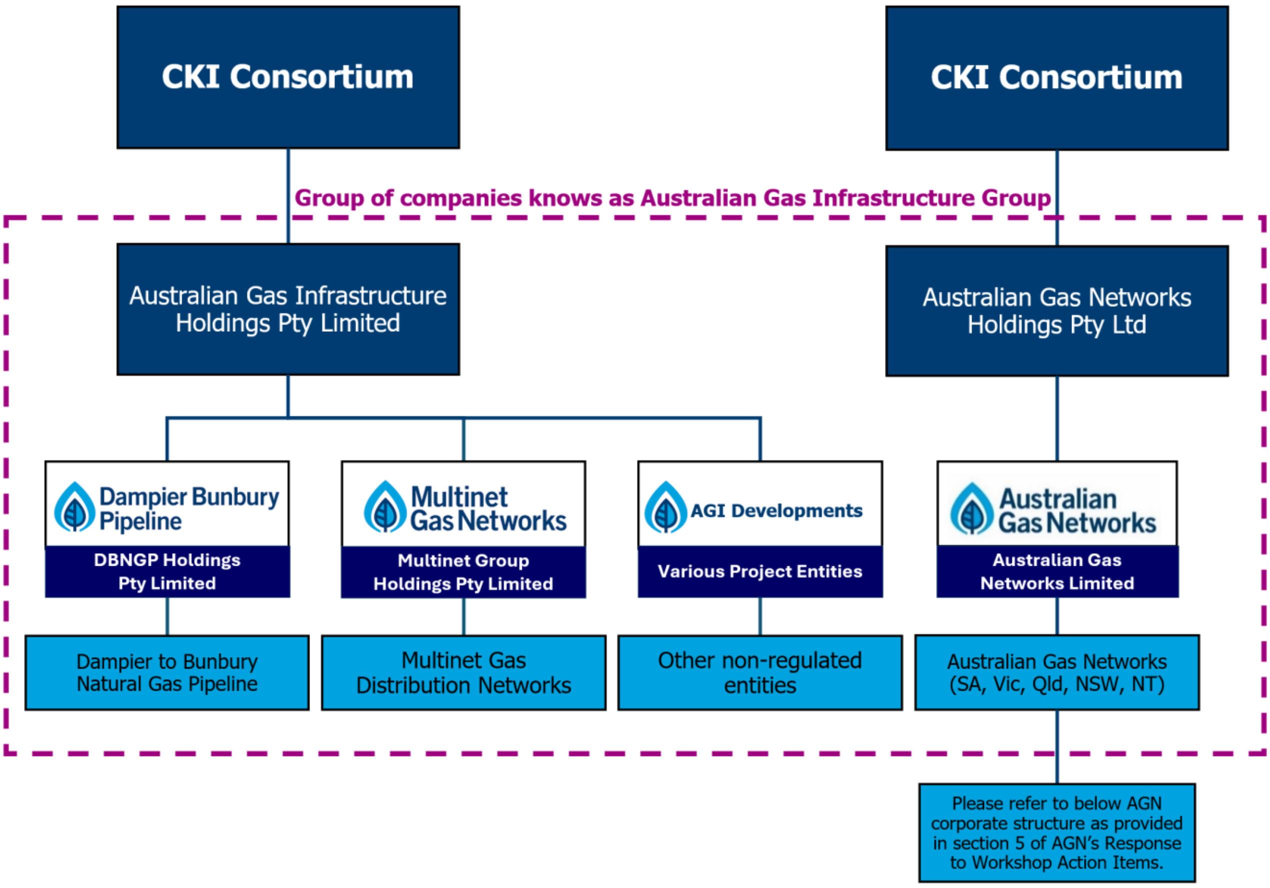
[1] Multinet Gas Distribution Partnership ABN 53 634 214 009 acting on behalf of Multinet Gas (DB No 1) Pty Ltd ABN 66 086 026 986 and Multinet Gas (DB No 2) Pty Ltd ABN 57 086 230 122
[2] Australian Gas Networks Limited ACN 078 551 685
[3] DBNGP (WA) Nominees Pty Limited ABN 78 081 609 289, as trustee of the DBNGP WA Pipeline Trust and AGI Development Group Pty Limited

Each of these companies holds its own tangible and intangible assets comprising operational assets such as pipelines and IT assets.

The three group of companies mentioned above are owned by various private sector entities listed on the Hong Kong Stock Exchange. This includes CK Asset Holdings Ltd (CKA), CK Infrastructure Holdings Ltd (CKI), Power Assets Holdings Ltd (PAH) and CK Hutchison Holdings Ltd (CKH), all part of the CK Group (referred to below as CKI Consortium).

Figure 1.1 below shows the perimeter of the entities that comprise and are described as AGIG.

Figure 1.1: AGIG and AGN corporate structure



1.2.3 AGN

AGN is the holder of the gas transmission and distribution licenses for the natural gas assets. AGN is a gas distributor that supplies gas to around 1.4 million residential, commercial, and industrial customers across South Australia, Victoria, Queensland (mostly Brisbane) as well as smaller towns in New South Wales (including Albury and Wagga Wagga and Southern NSW Networks) and the Northern Territory (Alice Springs). AGN's corporate structure is set out in the following diagram.

1.2.4 Allocation of costs

For most of our operational assets we are able to clearly and directly allocate costs to either AGN, MGN or DBP, and in the instance of AGN also between AGN SA, AGN Victoria etc. However, for some shared assets and services, costs are less clearly attributable. We therefore allocate these shared costs based on the cause/driver or beneficiary, as appropriate.

The AER in its Draft Decision has requested further information on our cost allocation methods.

We allocate costs using the following steps:

- Identify to which entity the cost is attributable - AGN, MGN or DBP
- If it cannot be directly attributable to an individual entity, it is shared across the entities
- For costs, whether in full or in part, allocated to AGN, these costs are further allocated between AGN SA, AGN Victoria and Albury and other networks as appropriate.

These allocators used are discussed in the following sections.

1.2.5 Allocation of shared costs between AGN, MGN and DBP

The allocation of shared costs between AGN, MGN and DBP is managed through legal, entity-based accounting. This ensures regulated costs are ring-fenced and appropriately assigned based on asset ownership and functional responsibility.

We use a long-established allocation process, which has been accepted by the AER in previous access arrangements, is consistent with industry standards, and remains unchanged.

Where appropriate we use causal allocators tied to resource consumption, such as:

- Number of full time equivalent (FTE) employees
- Total customer numbers
- Kilometres of network

- Value of the regulated asset base (RAB)
- Number of servers

In some cases it is not possible, or not reasonable to assign costs using a causal allocator. This is particularly the case where costs are shared between our transmission and distribution businesses, which have very different customer and asset profiles.

For costs shared between transmission and distribution businesses, a traditional causal allocator such as customer numbers would not result in a fair allocation between entities consistent with the driver of costs. This is because DBP has a very small number of large customers compared to the millions of distribution customers, meaning that DBP and its customers would bear an unreasonably small proportion of costs.

We therefore typically allocate costs shared between DBP, AGN and MGN based on revenue in the first instance, before stepping down to a causal allocator to allocate between the separate networks within an entity with multiple networks such as AGN.

A sample of cost allocators used to allocate shared costs between entities is provided in Table 1.1.

Table 1.1: Sample cost allocators

Entity	AGN	DBP	MGN	Total
Revenue	48.00%	35.00%	17.00%	**100.00%**
FTE	24.57%	58.86%	16.57%	**100.00%**
DBP-owned	0.00%	100.00%	0.00%	**100.00%**
AGN-owned	100.00%	0.00%	0.00%	**100.00%**
AGN SA-owned	100.00%	0.00%	0.00%	**100.00%**
User count	21.38%	57.42%	21.20%	**100.00%**
Customer numbers	65.43%	0.00%	34.57%	**100.00%**
SQL bottom-up	10.65%	41.94%	47.41%	**100.00%**

In relation to our cyber security program, costs have been allocated to entities based on revenue. We consider this to be the most appropriate allocator. This resulted in 48% of total cyber security program costs being allocated to AGN as an entity. This is then allocated between AGN networks.

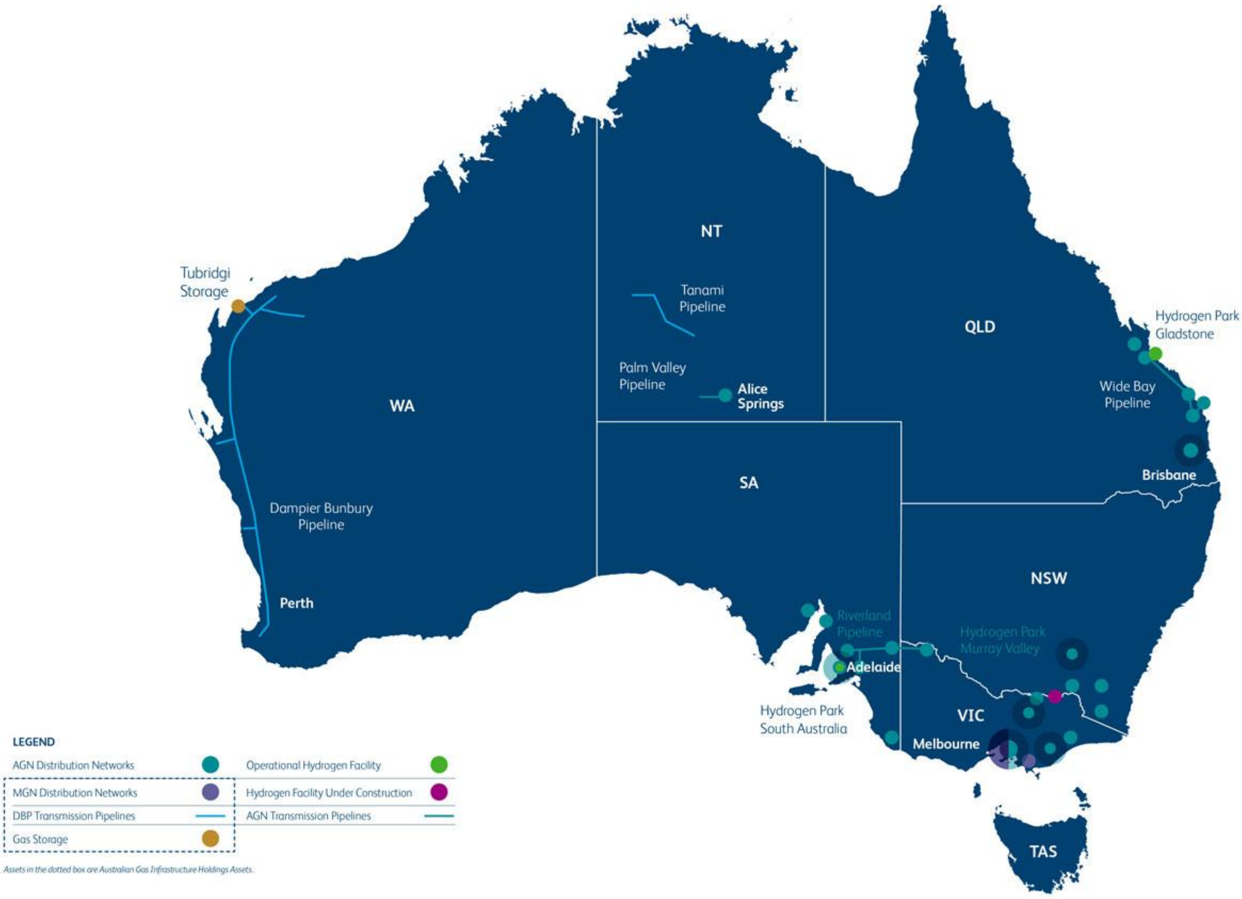
In relation to our IT transition program, costs are 100% allocated to AGN. This is because the project is wholly driven by the need to transition systems which are used only for AGN. To be clear, no costs associated with the IT transition are allocated to DBP or MGN. IT transition costs are, however, split between the various AGN networks as per below.

1.2.6 Allocation of shared costs between AGN networks

Once a cost is allocated to AGN, we then allocate them between the various networks within AGN.

As discussed in section 1.2.3 and shown in teal in Figure 1.2, Australian Gas Networks Limited is made up of a number of different companies that in-turn own various transmission and distribution assets across the country.

Figure 1.2: AGN assets



Where possible, we directly allocate those costs that can be attributed to individual AGN networks. Where the costs are shared between networks, we look to identify the network allocator based on the metric we consider the best proxy for the driver of costs. Consistent with the approach shown in 2.2.1 above, we assign costs using one of several allocators, selecting the most appropriate in each case. Where appropriate we use causal allocators, such as:

- Total customer numbers
- Kilometres of network
- Consumption
- Value of the regulated asset base (RAB) as % of total asset base

For both our cyber security and IT transition programs, we have used customer numbers to allocate AGN's overall costs between its various networks. We consider this to be the most appropriate allocator between the AGN networks for both the cyber security and IT transition programs. This results in 35% of those costs allocated to AGN, to be recovered from South Australian customers. The remaining costs will be recovered from AGN Victoria and Albury customers (57%) and around 8% from other AGN network customers (primarily in Queensland). Customer numbers and associated allocation percentages are shown in Table .

Table 1.2: Customer numbers used for allocations between AGN networks

	AGN Vic & Alb	AGN SA	AGN other	Total
AGN customers (3-year average)	775,425	481,660	109,905	1,366,990
Customer allocator	56.72%	35.24%	8.04%	100.00%

1.2.7 Documentation of cost allocation method, cost allocators used and resulting forecasts

When developing our IT program of works for this access arrangement review, we included the documentation of forecast cost allocation between businesses. We have developed an IT forecast model that, for each project within a program of work:

- Captures whether the project can be directly attributed to AGN, Multinet or DBP, or whether costs should be allocated between the businesses
- Allocates those costs between one or more of the three businesses
- Accommodates various methods of allocating these costs (e.g. revenue, FTE, customer numbers) to provide the best proxy for the cost driver
- Allocates costs between different networks, as is required in the case of AGN

This model was provided to the AER in response to information requests IR006 and IR009.

The cost allocators by business case and project was provided in section 3.2 of the IT Investment Plan (Attachment 9.7 to the Final Plan). We have also replicated it at Appendix A.

It should be highlighted that the cost allocation approach is unchanged from previous revenue determinations across all AGIG entities, is consistent with the cost allocation used for our regulatory information notice (RIN) reporting for AGN SA, and is consistent with accepted regulatory practice.

Appendix A Summary of IT cost allocators used in the AGN SA 2026/27 – 2030/31 Final and Revised Final Plans

Business Case	Project Name	AGIG Cost Allocation Basis	AGN SA Cost Allocation Basis
IT Operational Applications	Enterprise Asset Management	Direct (AGN-owned)	Customer numbers
	FRC Gateway	Direct (AGN-owned)	Customer numbers
	Geospatial Information System Upgrade	Direct (AGN-owned)	Customer numbers
	Meter & Billing	Direct (AGN-owned)	Customer numbers
	Workday release management	Direct (AGN-owned)	Customer numbers
	Middleware	Direct (AGN-owned)	Customer numbers
	Mobility Applications	Direct (AGN-owned)	Customer numbers
	Business Intelligence	Direct (AGN-owned)	Customer numbers
	Call Centre Telephony	Direct (AGN-owned)	Customer numbers
	Historian	Direct (AGN-owned ex Vic)	Customer numbers (ex Vic)
	UiPath	Direct (AGN SA-owned)	Direct
	HVZ Stage 2	Direct (AGN SA-owned)	Direct
	Digital metering	Direct (AGN SA-owned)	Direct
IT Corporate Applications	SAP S4/HANA	FTE	Customer numbers
	HSE capability - INX	Revenue	Customer numbers
	Data archiving	Revenue	Customer numbers
	GTreasury	Direct (AGN-owned)	Customer numbers
	Protecht GRC	Revenue	Customer numbers
	SAP SuccessFactors	FTE	Customer numbers
	Public websites	Revenue	Customer numbers
	Application architecture tool	Revenue	Customer numbers
	Project Portfolio Management Software (PPM)	User count	Customer numbers
	Digital Experience	Distribution customer numbers	Customer numbers
	Contract management system	Revenue	Customer numbers

Business Case	Project Name	AGIG Cost Allocation Basis	AGN SA Cost Allocation Basis
	Data, Analytics and Visualisation	Revenue	Customer numbers
IT Sustaining Infrastructure	End user devices, Network (excl. firewalls)	Direct (AGN SA-owned)	Direct
	Citrix Virtual Servers	Direct (AGN-owned)	Customer numbers
	AD consolidation, SOE	User count	Customer numbers
	OS currency, SNOW upgrades, Collaboration, Citrix Farm (incl. netscalers)	Revenue	Customer numbers
	SQL currency	SQL bottom-up	Customer numbers
	Data Centre and SD-WAN	Number of servers	Customer numbers
Cyber Security	All	Revenue	Customer numbers