Consumer
Challenge
Panel

CCP33 Advice to AER

Australian Gas Networks South Australia

AER Draft Decision (November 2025) and AGN SA Revised Access Arrangement Proposal (January 2026)

Consumer Challenge Panel (CCP) Sub-Panel CCP33

Helen Bartley

Robyn Robinson

13 February 2026

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.

Acknowledgement of support

CCP33 wishes to acknowledge the support of AGN South Australia and AER staff who have generously provided information and insights to assist us in our review of the AER's draft decision and AGN's revised plan.

Table of Contents

1 Summary

1.1 About this advice

This CCP33 advice responds to the AER's *Draft decision, Australian Gas Networks South Australia (AGN) access arrangement 2026 to 2031* (1 July 2026 to 30 June 2031) (draft decision) published on 28 November 2025 and *AGN's Access Arrangement Revised Plan* (revised plan), which it lodged with the AER in January 2026 in response to the AER's draft decision.

In preparing this advice we have also considered the issues we raised in our response to *AGN's Access Arrangement Final Plan* (final plan) which it lodged with the AER in July 2025 and AGN's engagement since that time with its broader customer group as well as its South Australian Reference Group (SARG).

1.2 Conclusions

1.2.1 Engagement

AGN's post-lodgement engagement with customers and stakeholders was constructive and targeted, particularly given the short time between the AER releasing its draft decision and AGN submitting its revised plan.

This engagement centred on accelerated depreciation and tariff structures, reflecting both the AER's draft decision and feedback received through submissions.

However, we note several limitations:

- Limited representativeness in the Phase 4 workshop, raising questions about whether it adequately reflects AGN's broader customer base.
- Narrow scenario testing, focused only on AGN's revised plan compared with the AER's draft decision (i.e. customers had no opportunity to consider in-between options)
- No independent validation of customer preferences.

Overall, AGN's post-lodgement engagement met AER expectations, but it fell short of best-practice standards in several important areas.

1.2.2 CCP33's advice on substantive issues

Accelerated depreciation

- We did not support AGN's proposed accelerated depreciation allowance in our August 2025 advice to the AER. Our position has evolved since that time. Given AGN's changed circumstances and the (unvalidated) consumer support presented, we now cautiously and in principle support some accelerated depreciation, provided it does not make customer bills unaffordable.

New connections

- We appreciate AGN has removed around $110 million new connections capex from its forecast capex allowance following the AEMC rule change commencing on 1 October 2026. This aligns with CCP33 expectations.
- AGN has retained $13.9 million connections-related capex to cover the interim period from 1 July to 30 September 2026. We consider it reasonable for AGN to retain a small amount of new connections capex, but we leave it to the AER to determine if the proposed amount is prudent and efficient.

Abolishments

- In principle, CCP33 supports the AER's approach of partial socialisation for electrification-related abolishments for safety reasons. However, we see significant practical challenges in enforcing the consequences of two different abolishment tariffs. For example, customers could benefit by claiming an "electrification abolishment" (the cheaper option) even when they are not electrifying and AGN may find it difficult if not impossible to enforce the tariff distinction. As a result, the AER's attempt to avoid a moral hazard around safety-based disconnections may unintentionally create a different moral hazard by encouraging customers to choose the lower-cost category. Further work is therefore needed to determine how two separate tariffs could be implemented safely and practically, should the AER proceed with this approach.
- In relation to AGN's proposed $1,250 for the full cost of an abolishment, we leave it to the AER to assess AGN's additional evidence to determine if the amount is prudent and efficient.

Tariffs

- CCP33 notes alignment between the AER and AGN on a two-tier tariff structure for small-volume customers. However, we observe a tension between consumer preferences which favour a more gradual transition to flat tariffs and the AER's preference for a stronger shift towards flatter tariffs.
- We question the strength of the AER's evidence that a significantly flatter tariff structure will support the National Gas Objective's greenhouse gas reduction objective.
- We encourage the AER to carefully balance consumer preferences against this objective and clearly explain its reasoning.

Opex step changes

- We note the AER has already accepted AGN’s $32 million overhead capitalisation policy change as efficient and we make no further comment on this step change.
- AGN has removed the $26 million opex step change to purchase renewable gas certificates for HyP Adelaide based on the increased uncertainty of this project and timing, which could be considered an argument for AGN to seek some accelerated depreciation.
- Finally, we leave it to the AER to assess whether AGN’s re-proposed costs for ICT transition, ICT application upgrades, and cyber safety are prudent and efficient.

2 Context for AGN's access arrangement proposal for 2026-31

CCP33 recognises that, as with previous access arrangements in other jurisdictions, this access arrangement remains challenging for all parties. The future of gas and the pace of Australia's energy transition are uncertain, and this is made more difficult by inconsistent policy across jurisdictions — particularly regarding the role of hydrocarbon gas as a transition fuel and the potential for renewable gases as long-term energy sources.

Currently, South Australia has no firm plans to fully electrify or even reduce dependence on gas and encourage homes and businesses to electrify. Through South Australia's Hydrogen and Renewable Energy Act 2023, the SA Government supports renewable gas projects, such as AGN's projects to deliver up to 20% blend of hydrogen renewable gas, although AGN has revised the likely timing to the next regulatory period (2031/2 to 2035/6).[1] The next South Australian state election will be held in March 2026. At this stage, there remains 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 rooftop PV, and were contributing to more than 22% of electricity generation in South Australia in 2024-25 and up from 18% in 2023-24.[2] The Australian PV Institute estimates around 54% of SA homes have solar installed.[3] According to Energy Consumers Australia (ECA) research, 28% of South Australians plan to cancel their gas connection within the next 10 years and 19% plan to cancel it within the next two years.[4]

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). However, on 11 December 2025 the Australian Energy Market Commission (AEMC) made its final determination on a rule change proposal that will see connecting customers pay the full connection costs up-front and AGN will not be able to recover them through the RAB.[2] The rule change commences on 1 October 2026, three months after the AER makes its final decision on AGN's access arrangements for 2026-31 comes into effect.

1 AGN, *Background Information Customer Reading Pack, SA Gas Distribution Access Arrangement 2026-2031*, December 2025 Workshop, p.7

2 AEMC, *AEMC makes changes to gas connection charges to support transition to net zero*, 11 December 2025, https://www.aemc.gov.au/news-centre/media-releases/aemc-makes-changes-gas-connection-charges-support-transition-net-zero, viewed on 27 January 2025

3 AGN's engagement

3.1 Pre-lodgement engagement

Our CCP33 August 2025 advice to the AER includes a detailed assessment of AGN's pre-lodgement engagement with customers and stakeholders.[3] Key points from that assessment are summarised below:

- We considered AGN had engaged both broadly (through a series of customer workshops) and deeply with its South Australian Reference Group (SARG). The engagement program was well organised and detailed.
- We appreciated AGN's optimistic approach to engaging with its customers, especially given the uncertain future of gas in South Australia. While the current situation may appear business-as-usual, it could change quickly.
- However, we found that AGN's engagement was mostly focused on providing information, with limited consultation. The volume of information presented to customers was often at the expense of more open, two-way dialogue. As a result, our conclusions aligned with those of the SARG regarding the key areas where AGN needed to strengthen its engagement to inform its revised plan.
- We encouraged AGN to discuss with customers a range of future gas scenarios and their implications for affordability and the energy transition, including:
    - Accelerated depreciation (noting the AER's expectations for engagement on this topic)[4]
    - Investment in hydrogen gas
    - Tariffs

3.2 AER's draft decision

The AER's draft decision was consistent with CCP33 and SARG views. The AER suggested several areas for AGN to further engage on to help inform its revised plan. The AER considered AGN's engagement on accelerated depreciation was less strong than other network engagement it had observed. As a result, the AER encouraged AGN to test customer preferences under different future of gas scenarios, including scenarios if policy settings were to change in South Australia.

The AER also rejected AGN's tariff proposal and encouraged AGN to engage with customers on a tariff structure design that considers the trade-offs between fairness, affordability and broader decarbonisation objectives. CCP33 and the SARG, in their respective submissions on AGN's final plan also considered AGN needed to engage more deeply and clearly with customers on tariffs.

---

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

4 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

3.3 AGN's post-lodgement engagement

All parties acknowledge the short time frame between the AER publishing its draft decision on 28 November 2025 and the regulatory requirement for AGN to lodge its revised plan on 14 January 2026. We recognise the inherent difficulties engaging with customers in December in the lead up to the summer break. We also note the AER had scheduled an online public forum for 8 December 2025 but subsequently cancelled this session due to limited interest [availability] in attending.

AGN's post-lodgement engagement included the following activities:

- An online (phase 4) customer workshop with 27 customers who attended all three previous workshop rounds. Customers participated as a single group in the final round
- Ongoing engagement with the SARG and the SARG review panel

AGN focused the above engagement on accelerated depreciation (which it refers to as additional depreciation) and tariff structures in line with feedback in the AER's draft decision as well as feedback from the SARG and various submissions.

Additionally, AGN discussed ICT transition, cyber safety, redundant service abolishments and unaccounted for gas price forecasts with the SARG and involved the SARG review panel in the development and testing of its business narrative.

3.4 Our assessment of AGN's post-lodgement engagement

We commend AGN for continuing to engage with the SARG after lodging its final plan on 1 July 2025, re-engaging with customers in a fourth round of customer workshops after the AER published its draft decision, and for commencing planning of its post-lodgement engagement ahead of the AER publishing its draft decision.

We further commend AGN for engaging on the key matters raised in the AER's draft decision, i.e. accelerated depreciation and tariffs in the customer workshops and in more detail with the SARG.

We also commend the SARG in general and members of the SARG review panel specifically for the commitment and depth of challenge they provided to AGN as it developed its final plan and subsequent revised plan. We consider this challenge has resulted in a much clearer revised plan that is supported by a well-developed narrative around AGN's future.

Our views on specific aspects of AGN's post-lodgement engagement follow.

3.4.1 Customer workshop

1. Participation

AGN began its broad engagement with 181 customers across 7 workshops in phase 1 in August-September 2024 which dwindled to 27 customers who attended all four workshop rounds and participated as a single group in the final round.

While we appreciate the limited time AGN had to engage with customers, we question the extent this final group genuinely represents AGN's customers. The group included 21 residential customers and six business customers. However regional participation was limited. KPMG notes in its report the group included "at least one participant from each of Port Pirie, Whyalla, Barossa/Gawler, and

Mount Gambier".[5] We know from the earlier phases that customer needs and preferences varied between groups and with limited regional representation in this final group it is unlikely any notable differences would be apparent.

2. Prereading and participant understanding of content

We commend AGN for providing participants with a detailed and easy to follow education pack ahead of the session. This was followed by a non-threatening multiple choice warm-up quiz early in the workshop to check whether customers had looked at the pack. Participants were asked:

- What does AER stand for?
- What is the definition of Additional Depreciation?
- What does Regulated Asset Base mean?

All participants correctly identified the answers to the first two questions and all but two correctly answered the last question. This provided some confidence that most participants read the material before joining the session.

Additionally, as we observed and as KPMG indicated in its report, various "advanced techniques" were used to evaluate participants' understanding of the accelerated depreciation and tariffs topics. The techniques included an explanation and discussion of topics; questions to confirm understanding and questions to obtain views on fairness and opportunities for participants to question AGN subject matter experts to clarify their understanding of the topics.[6] The findings suggest participants understood the facts, but they had less confidence they could explain them to someone else.

In summary, the approach adopted in the workshop has provided us with more confidence that customers had some understanding of the issues than we observed in earlier workshops. However, as discussed below, both in relation to accelerated depreciation and tariffs, AGN only provided customers with two scenarios. These were based on the AER's draft decision and AGN's revised plan.

3. Accelerated depreciation

AGN only presented customers with two accelerated depreciation scenarios: $0 (scenario 1) or $70 million (scenario 2) over the access arrangement period and then asked them the extent they agreed or disagreed each approach was fair and the extent they agreed or disagreed each approach was fair to all parties. The results were:

- 77% agreed or strongly agreed scenario 2 ($70 million) overall represents a fair intergenerational balance compared to 38% who agreed or strongly agreed scenario 1 ($0) overall represents a fair intergenerational balance
- 58% agreed or strongly agreed scenario 2 ($70) overall represents a fair balance between all parties compared to 31% who agreed or strongly agreed scenario 1 ($0) overall represents a fair and reasonable balance between all parties

5 AGN, *Attachment 5.5 AGN Customer & Stakeholder Engagement Phase 4 Report 2026 Revised Final Plan 2026/27* January 2026, p 11

6 Ibid, p. 15

KPMG also compared participants' perceptions of fairness for today's customers, future remainers on the network, future leavers and AGN, and found that most participants (77%) considered scenario 1 ($0) was fairest for today's customers, whereas most considered scenario 2 ($70 million) was fairest for future remainers (85%) and for AGN (73%).[7]

Whilst these results have no statistical validity (i.e. it is not appropriate to make inferences about customers in general from the participant group), and noting customers were only presented with two scenarios, we commend AGN testing customers' perceptions of fairness, and testing fairness from several perspectives.

We return to our broader views on AGN's accelerated depreciation proposal in Section 4.

4. Tariffs

In the workshop, participants were first presented with an overview on how tariffs work, then they were introduced to the concept of a declining block tariff (AGN's current and preferred approach) and how a flatter tariff structure would work. AGN then presented two tariff scenarios. Scenario 1 was based on a gradual transition to flatter tariffs over several years, to avoid sudden bill changes (as per AGN's final plan). Scenario 2 was based on a rapid transition to flatter tariffs where most customers pay roughly the same rate per unit of gas (as per the AER draft decision).

For each scenario, participants were asked the extent they agreed or disagreed the approach was fair and reasonable for all parties. Most participants agreed or strongly agreed (69%) scenario 1 (gradual transition) represents a fair and reasonable approach for all parties, whereas a minority (24%) supported scenario 2.

KPMG also asked participants to consider fairness for high-usage customers, low-usage customers, commercial and industrial customers and AGN. For all groups, participants considered scenario 2 to be a fairer option.

As with the accelerated depreciation results, these results have no statistical validity. We nevertheless commend AGN for testing customers' perceptions of fairness of the different tariff options with customers.

We return to our broader views on AGN's tariff proposal in Section 4.

3.4.2 SARG engagement

Throughout the development of its final plan and revised plan AGN has remained committed to deep and ongoing engagement with the SARG, evidenced through the establishment of a well-resourced review panel, the review panel's reports prepared on behalf of the SARG, and our observations of SARG meetings since December 2024, as well as presentations and meeting notes. We commend AGN in this regard.

The SARG has met three times with AGN since AGN lodged its final plan with the AER in July 2025.

We have continued to observe strong challenge from the SARG to AGN. For example, the SARG has continued to encourage AGN to develop a broader narrative around the future of the business, and to consider alternative scenarios should South Australian Government policy on gas and support for

7 Ibid, p. 16

renewable gas change or become clearer. AGN has responded well to the SARG and committed to further discussions as it develops its broader narrative.

SARG members also had an opportunity to observe AGN's customer workshop and form their own views as to the effectiveness of that engagement and customer preferences.

We are also cognisant of the depth of AGN's engagement with the SARG on accelerated depreciation and tariff structures. Importantly, AGN's revised plan (including various attachments) describes the feedback it received from customers and stakeholders and its response, although AGN could have been more explicit about how customer and stakeholder feedback shaped specific proposals. For example, whether stakeholder feedback helped consolidate AGN's view on accelerated depreciation, or whether AGN's proposal would have proceeded regardless of customer and stakeholder views.

We are aware that AGN has funded the SARG review panel to prepare an independent submission to the AER on the draft decision and AGN's final plan. To help us prepare this advice, the SARG review panel kindly shared its draft submission with us, so we are aware of the SARG's views. However, the SARG's submission was not finalised in time for us to reference that submission in this advice.

3.4.3 Independent validation of customer preferences

In AGN's earlier engagement phases, the findings from different workshop groups could be compared, providing a crude method of testing and validating customer preferences. While we commend AGN for its engagement and in particular the structure of the phase 4 workshop, customer needs and preferences in relation to the accelerated depreciation and tariff scenarios could not independently tested or validated in the same way.[8]

Regardless of the lack of independent testing of customer preferences, as mentioned above, the SARG has provided significant challenge to AGN throughout the development of its access arrangement proposal, which provides some assurance of customer preferences alongside improving the clarity of AGN's final and revised plans.

[8] Noting, the AER's *Better Resets Handbook,* July 2024 expects networks to engage with customers beyond those who helped inform the draft proposal.

4 Substantive issues

Beyond the specifics of AGN's engagement with customers and stakeholders and consumer influence on AGN's final plan, our advice to the AER on AGN's July 2025 final plan focused on the following topics:[9]

- AGN's narrative around the future of gas and accelerated depreciation
- Who should pay for new connections
- Who should pay for abolishments
- Tariffs
- Operating expenditure (opex) step changes

We have reviewed the progress of these issues though AGN's final plan, the AER's draft decision and AGN's revised plan to inform our final advice on these topics.

4.1 Future of gas and accelerated depreciation

4.1.1 Background

AGN's final plan

The SARG had a number of concerns with AGN's draft plan having no clear narrative about its vision, which the SARG described as "the missing chapter".[10] AGN responded to the SARG's concerns in the final plan providing a more detailed narrative around its vision, how this might be achieved and the risks. The narrative was relatively optimistic around the future of renewable gas.

AGN consequently proposed $30 million accelerated depreciation, which it considered to be the amount that would produce a relatively flat price path over the next access arrangement period, in line with the approach the AER took in determining the amount of accelerated depreciation it would allow in the JGN determination.

Notably the SARG was less optimistic about the future of gas in South Australia than AGN.[11]

CCP33's advice to the AER

AGN's engagement on accelerated depreciation needed to be deeper and more transparent, based on a clearer narrative, and have a stronger focus on consumer understanding, scenario analysis, and the long-term impacts on affordability and equity.

Ultimately, we did not consider AGN had provided sufficient evidence to support its accelerated depreciation proposal of $30 million, particularly as it was also seeking $155 ($2026/27) million capex for new connections.

---

[9] CCP33, *CCP33 Advice to AER Australian Gas Networks South Australia Access Arrangement Proposal 2026-31 (Final Plan July 2025),* August 2025

[10] SARG Review Panel, AGN Draft Plan for South Australian Gas Network July 2026 – June 2031 Submission from the South Australian Reference Group Review Panel, August 2025, p.4

[11] SARG Review Panel, AGN Final Plan for South Australian Gas Network July 2026 – June 2031 Submission from the South Australian Reference Group Review Panel, August 2025

AER's draft decision

The AER did not consider AGN had provided sufficient evidence of a significant stranding risk to support its accelerated depreciation proposal of $30 million, but accepted AGN's proposed renewables readiness related capex.

The AER also encouraged AGN to engage further with customers on its accelerated depreciation proposal.

AGN's revised plan

AGN's revised plan includes some notable changes to its narrative presented in the final plan. In particular, AGN sees less certainty around the HyP Adelaide project's implementation and timing, to the extent the HyP Adelaide project has been deferred beyond the 2026-31 access arrangement period. AGN also acknowledges lack of direct support from the South Australian Government for renewable gas in South Australia more generally.

Consequently, AGN has proposed $70 million accelerated depreciation for the 2026-31 access arrangement period; $40 million more than the amount proposed in the final plan.

AGN proposed the larger amount on the basis that there is now less certainty around HyP Adelaide project's implementation and timing, and to help mitigate any risk of asset stranding should market and policy settings change in South Australia.[12] AGN also considers it has consumer support for "additional depreciation".

AGN also notes:[13]

> *"Customers trust AGN's depreciation modelling and recognised its role in supporting price stability over the Access Arrangement period".*

4.1.2 CCP33's view on AGN's revised plan

As detailed in Section 4, customers in the Phase 4 workshop generally supported the $70 million accelerated depreciation scenario on the basis of intergenerational equity and fairness for all parties.

While we acknowledge the customer support for AGN's accelerated depreciation proposal we are not sure of the basis upon which AGN makes the claim that customers trust AGN's modelling. To this end we appreciate the importance of the AER's role in scrutinising AGN's proposal and the basis upon which AGN arrived at $70 million.

We understand the SARG also supports AGN seeking some accelerated depreciation, with AGN noting in its revised plan:[17]

> *"SARG Review Panel* [on behalf of the SARG] *indicated that additional depreciation could support greater flexibility should future policy settings change, with potential benefits for customers."*

Further, we understand the review panel's draft report the SARG supports AGN's $70 million accelerated depreciation proposal, for the following reasons:

12 AGN, *Attachment 6.5 Response to Draft Decision on Depreciation, Revised Final Plan 2026/27 – 2030/31*, January 2026, PUBLIC

13 Ibid, p. 4

- Greater intergenerational equity while there are more customers on the network now than in the future to share the cost
- There is less certainty around the timing and likelihood of HyP Adelaide proceeding, and as AGN has indicated in its revised plan it is unlikely to occur in the 2026-31 period.

Since preparing our advice on AGN's final plan in August 2025 several circumstances have changed which have led to CCP33 cautiously and in principle supporting a proposal for accelerated depreciation.

- AGN has engaged more extensively with customers and stakeholders (albeit within some significant constraints), and customers and stakeholders generally support AGN's accelerated depreciation proposal
- There appears less certainty around HyP Adelaide and its timing to the extent AGN has removed its $26 million opex step change for the purchase of renewable gas certificates for the proposed HyP Adelaide project
- Arguably, the cost of new connections will no longer be socialised and as a result customers' network charges should be lower. This could also mean customers may have greater tolerance to (or support for) other network expenditure, such as addressing intergenerational equity and fairness concerns.

We also note the increasing similarities between future of gas in South Australia and NSW. Neither state has a firm policy around the future of gas, nor has either state demonstrated growing support for renewable gas. While the AER did not allow AGN any accelerated depreciation in its draft decision, circumstances have changed. The AER allowed JGN $115 million accelerated depreciation in its final decision based on a 1% real price increase. [14]

In the absence of any other reasonable explanation, it would make sense for the AER to apply similar reasoning for South Australia and NSW in its decision related to accelerated depreciation. Hence, we offer cautious in principle support to allow AGN some accelerated depreciation, but we remain cognisant of the importance of ensuring customers' bills remain affordable.

[14] 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. 17

4.2 New connections

4.2.1 Background

AGN's final plan

AGN proposed $155 million capex for new connections.

CCP33's advice to the AER

We did not support AGN's new connections proposal as there seemed a reasonable chance at the time that the AEMC would implement a rule change that would see customers pay the full cost of new connections at the outset and AGN should base its proposal on the most likely scenario.

AER's draft decision

The AER noted the AEMC's likely rule change and suggested AGN update its demand forecasts in its revised plan. The AER did not accept AGN's demand forecast but used it as a placeholder.

AGN's revised plan

In its revised plan, AGN removed new connections capex from its capex forecast.

The AEMC's rule change is due to come into effect on 1 October 2026, three months after AGN's 2026-31 access arrangement comes into effect. As a result of this rule change, AGN removed around $110 million from the $155 million growth capex for new connections in its revised plan.

4.2.2 CCP33's view on AGN's revised plan

AGN's removal of around $110 million for new connections is in line with CCP33 expectations now the rule change has been finalised.

We note AGN has retained $13.9 million of connections capex in its proposal; some of this may relate to AGN's assumed one month lag between the start of the new access arrangement period and customer response to the rule change. In particular, AGN attributes this to the Concordia trunk main and connection costs it anticipates it will incur until the AEMC rule change comes into effect in October 2026. Logically, and assuming the timing is as AGN indicates, some capex for new connections until the rule change comes into effect seems reasonable. It is up to the AER to determine if the amount proposed is prudent and efficient.

CCP33 also recognises AGN has revised its demand forecasts down as the upfront charge could be a barrier for some customers to connect to gas. Because the cost of new connections is collected directly from customers at the time of the connection, this will not be included in AGN's Regulated Asset Base (RAB).

4.3 Abolishment charges

4.3.1 Background

AGN's final plan

AGN proposed a total abolishment cost of $1,250 with customers paying $250 for an abolishment and the balance ($1,000) being allocated to opex and hence socialised across all customers. In its proposal AGN noted the AEMC's rule change proposal to establish a framework to ensure consistency in the allocation of disconnection costs across the NEM and disconnecting customers paying the full abolishment cost when they disconnect.

CCP33's advice to the AER

CCP33 agreed with the AEMC's proposal and supported the SARG suggestion that the South Australian government could provide some financial support for customers in financial hardship (e.g. concession card holders) who wanted to permanently disconnect from gas.

AER's draft decision

On 30 October 2025, the AEMC published its draft decision which would see customers who initiate a disconnection pay the full cost of the disconnection (which AGN proposed to be $1,250). The AEMC is due to make its final decision in April 2026. However, any changes would not apply until the following access arrangement period.

The AER accepted AGN's proposed partially socialisation of abolishment costs but considered $1,250 was not in line with other networks' abolishment charges.

The AER also considered a significant proportion of AGN abolishments were only temporary, as they were associated with knockdowns and rebuilds and customers will reconnect when the works are complete.

Accordingly, the AER proposed two abolishment charges cognisant of NSW and Victorian safety regulators' advice in those jurisdictions:

- A partial cost recovery of $250 for customers who intended to electrify due to a moral hazard concern that those customers may not choose to disconnect and not request an abolishment over temporary disconnection
- A cost reflective (not socialised) $1,000 tariff for knockdown rebuilds and renovations, where no such moral hazard problem arises

The AER also asked the SA Office of the Technical Regulator (OTR) for written advice on the merits of abolishing dormant gas connections to inform AER's final decision.

AGN's revised plan

Given the AEMC's draft decision, AGN withdrew its partially socialised reference tariff of $250 for abolishments. AGN did not agree with the AER's proposal for two separate abolishment charges and re-proposed a single abolishment tariff of $1,250 for all customers regardless of the reason for the disconnection.

4.3.2 CCP33's view on AGN's revised plan

CCP33 appreciates the AER's approach to partially socialise the cost of abolishments associated with electrification requests ($250 with the balance socialised across all customers) for safety reasons. Whereas, for knockdown rebuilds and renovations customers would pay the full cost which the AER has assessed at $1,000.

However, we agree with the SARG around the practical concerns with this approach: customers are likely to quickly realise the financial benefits of an "electrification abolishment" and request their retailer to arrange the lower cost abolishment. The contractor who undertakes the work is unlikely to care about the reason for the abolishment and it will be difficult if not impossible for AGN to enforce a particular tariff, let alone verify the customer has followed through to electrify. The SARG suggests the AER's proposed approach creates another moral hazard.

We note a representative from the SA OTR attended the 2 February SARG meeting and we understand the OTR is likely to prepare a submission and have a view on abolishment tariffs from a safety perspective. While CCP33 will be guided by the OTR's advice, if the AER determines two tiers of abolishment tariffs in its final determination, work is clearly required to establish how two different tariffs could be practically and appropriately implemented, to avoid the risk of some customers inappropriately taking advantage of the lower tariff.

Regardless of the form of abolishment AGN indicates the cost is the same, and it has provided further evidence that the efficient cost is $1,250 in line with its final plan. We will leave it to the AER to consider AGN's further evidence to determine if $1,250 is the prudent and efficient cost.

4.4 Tariff structures

4.4.1 Background

AGN's final plan

AGN proposed a partial adjustment of network tariffs for small and large customers, but not to flatten them entirely retaining its declining block tariff structure, such that lower volume users pay higher usage rates, but the rate would decline after the customer had used a threshold volume of gas.

AGN also proposed a hybrid tariff variation mechanism based on a weighted average price cap tariff variation, with a 10% revenue variation.

CCP33's advice to the AER

CCP33 noted AGN's engagement on tariffs was limited. We agreed with the SARG that AGN needed to engage more deeply and clearly with customers on tariffs. Further, AGN needed to test customer understanding of AGN's tariff proposal so customers could meaningfully express their preferences and consider trade-offs between affordability, fairness, and decarbonisation.

AER's draft decision

The AER did not accept AGN's tariff proposal for gas transportation and requested AGN rebalance its tariff blocks to achieve flatter tariffs on the basis that the AER considers flattening the declining block tariff will reduce consumption in line with the emissions reduction focus of the National Gas Objective. Specifically, the AER required AGN to:[15]

- Further flatten small volume customer tariffs to include a fixed charge then reduce the number of block charges to two blocks
- For large volume customers it expects AGN to begin to transition away from declining block tariffs

At the same time as the AER "requested" AGN to rebalance its tariff blocks, it also encouraged AGN to engage further with customers.

The AER largely accepted AGN's proposed hybrid tariff variation mechanism but required the threshold to be adjusted down from 10% to 5%.

[15] AER, *Draft decision Australian Gas Networks (SA) access arrangement 2026 to 2031 (1 July 2026 to 30 June 2031) Attachment 5 – Reference services, tariffs and non-tariff components*, November 2025

AGN's revised plan

AGN accepted the AER's recommendation to implement a two-tier structure for residential tariffs. However, based on fairness and in line with customer preferences expressed in the phase 4 workshop AGN proposed a more gradual transition to flatter tariffs than the AER's draft decision.[16]

AGN did not propose the same adjustment to commercial and industrial tariffs because it considered a proposal to flatten tariffs for larger industrial customers would result in an inefficient cost redistribution between certain customers, rather than a net emission reduction benefit, and could risk business viability of the affected customers. Accordingly, AGN re-proposed a fixed charge plus three declining block tiers for commercial customers.[17]

AGN accepted the AER's draft decision to apply hybrid mechanism to control revenue in the next access arrangement period and slow growth in demand and accepted the AER's proposed 5% share of revenue variation.

4.4.2 CCP33's view on AGN's revised plan

The key outstanding issue for tariffs is their overall structure. For residential customers, the question is whether to retain a gradual transition between tariff blocks or adopt the much flatter structure preferred by the AER.

AGN has engaged with a group of customers from its earlier workshops to test its revised tariff proposal. As noted previously, these customers expressed support for AGN's two-tier tariff structure, which phases the transition more gradually than the flatter structure proposed by the AER. The SARG also supports AGN's approach.

The SARG remains concerned about the lack of strong evidence from the AER that significantly flatter tariff structures would better support the National Gas Objective's focus on reducing greenhouse gas emissions. At the same time, the NGO requires the AER to consider consumers' long-term interests in its decisions.

CCP33 therefore encourages the AER to carefully consider whether consumer and stakeholder preferences conflict with the NGO. We recognise that judgement is required in regulatory decision-making. If the AER concludes that the NGO's decarbonisation objective should outweigh consumer preferences, we expect it to clearly explain its reasoning in a way consumers can understand and to reference any supporting evidence.

16 AGN, *Attachment 14.4, Response to Draft Decision on Revenue and Pricing Revised Final Plan 2026/27 – 2030/31*, January 2026, PUBLIC.p.10

17 Ibid, p.11

4.5 Operating expenditure step changes

4.5.1 Overhead capitalisation

4.5.1.1 Background

AGN's final plan

AGN proposed $32 million for changes in its overhead capitalisation policy.

CCP33's advice to the AER

AGN had not adequately explained its reasoning or the bill impact and needed to engage with customers to establish their preferences before finalising its revised plan.

AER's draft decision

The AER accepted AGN's $32 million overhead capitalisation policy proposal as an efficient allocation of expenditure.

AGN's revised plan

AGN maintained its $32 million proposed overhead capitalisation policy proposal.

4.5.1.2 CCP33's view on AGN's revised plan

We note the AER has already approved this step change and make no further comment.

4.5.2 Purchase of renewable gas certificates

4.5.2.1 Background

AGN's final plan

AGN proposed $26 million for the purchase of renewable gas certificates for the proposed HyP Adelaide project.

CCP33's advice to the AER

CCP33 did not support customers paying for renewable gas certificates, given the uncertainty around the economic viability of hydrogen gas and considered GN should only include this cost if it becomes a regulatory requirement and should engage further with customers about the implications.

AER's draft decision

The AER did not accept AGN's $26 million proposal for the purchase of renewable gas certificates given uncertainty around the timing of the HyP Adelaide project and the expenditure is not required to deliver pipeline services.

AGN's revised plan

AGN has removed this step change from its proposal as the HyP Adelaide project has greater uncertainty and is not expected to commence in the 2026-31 access arrangement period.

4.5.2.2 CCP33's view on AGN's revised plan

CCP33 notes the removal of this step change in AGN's revised plan.

4.5.3 ICT costs and cyber safety

4.5.3.1 Background

AGN's final plan

AGN proposed $10.6 million for non-recurrent IT transition costs, $4.6 million for other IT application upgrades and enhancements and $1.2 million for cyber safety.

CCP33's advice to the AER

CCP33 considered AGN had not clearly explained the customer benefits of these investments or engaged with customers beyond simply informing the SARG. We recommended AGN should better explain the value to customers and how past IT and cyber safety investments have benefited them.

AER's draft decision

The AER did not accept most of AGN's ICT costs and cyber safety proposal as it did not consider they are prudent and efficient or are already accommodated within the base and trend components of the opex forecasting approach.

AGN's revised plan

AGN re-proposed ICT transition, ICT application and cyber safety step changes and provided further evidence in support of these changes in its revised plan.

4.5.3.2 CCP33's view on AGN's revised plan

We leave it to the AER to determine if the additional evidence now deems these step changes to be prudent and efficient. We question whether AGN's cyber safety proposal is still able to be accommodated within the base and trend approach now that AGN is forecasting the output growth factor to be negative due to its revised demand forecasts.

5 Other matters

5.1 Public forum

CCP33 is disappointed that the AER cancelled the December public forum, although we recognise the timing was challenging. Public forums are an important opportunity for consumers, consumer representatives, network operators and the regulator to share perspectives and raise concerns openly. This is especially valuable when there is significant uncertainty about the future and potential tension between consumer and network interests. Consumers already have fewer opportunities to express their views compared with network businesses, and cancelling the forum further limited their ability to participate.

Public forums also support transparency in the regulatory process. They provide an opportunity for the AER to clearly and directly explain the rationale for its decisions (and particularly contentious decisions) to stakeholders rather than network businesses providing these explanations to stakeholders on behalf of the AER. Rather than cancelling the session entirely, CCP33 would have preferred the AER to offer an alternative date.

We are also concerned when forums for multiple resets or access arrangements are combined into a single event. Customers in different jurisdictions often face different issues—as is the case for AGN SA and ACT's Evoenergy customers. Combining these into one forum may have reduced interest or availability for the December 2025 event. We therefore encourage the AER to reconsider the timing and structure of future public forums to better support meaningful consumer participation.

5.2 AER explanation of decisions and evidence judgement

Like the SARG, CCP33 has found a number of aspects of the AER's draft decision could be confusing and inconsistent in customers' minds. To address this confusion CCP33 encourages the AER to:

- Seek and provide evidence to support its decision making
- Explain how the evidence supports a particular decision
- Explain decisions in a way that consumers can understand, including the impacts on consumers, particularly when decisions appear inconsistent with consumer preferences

5.3 The value of an effective customer panel

Energy network operators have used a range of approaches to engage deeply on more technical aspects of their regulatory proposals and validate feedback from broader customer engagement as well as being open to have their proposals challenged more generally.

CCP33 considers that some businesses, whilst operating an effective business as usual (BAU) customer panel, have missed an opportunity to better utilise those panels to strengthen their evidence of consumer perspectives. Other businesses have established reset-specific stand-alone panels or sub-panels of their BAU panels that have engaged more deeply on aspects of their regulatory proposals.

In our broader roles as CCP members (beyond the specifics of CCP33), we have seen some excellent models where networks have appointed a well-informed, well-resourced panel that focuses on engaging in the development of a regulatory proposal which has resulted in a significantly enhanced regulatory proposal. In particular we have observed better outcomes for consumers when:

- Early appointment of a reset-specific panel allows them to help shape early broader engagement plans
- Appointing individuals with complementary skills and experiences including a mix of technical, lived experience, engagement and regulatory backgrounds, and not necessarily representing any specific advocacy group organisation ensures a breadth of perspectives
- The business is transparent and timely with respect to publication of meeting content
- Panel members are fairly remunerated
- The business has an appetite to be challenged; the panel is willing to challenge the business (and the AER) and seek additional information and evidence to form a view
- The business is willing to fairly fund a subgroup to produce three independent and detailed reports (covering the draft plan, final plan, and the draft decision and revised plan)
- Panel members work collaboratively, respectfully and professionally with each other and the business
- All parties explain their views and decisions and use evidence where possible to support those decisions

CCP33 considers consumer interests would be better met if businesses were encouraged to establish and appropriately resource panels (or subgroups of existing BAU groups) to engage deeply, provide challenge and report on their views. CCP33 recommends the AER does more to encourage some networks to strengthen the depth of their engagement.