

DECISION

Australian Gas Networks (Victoria and Albury) Gas Distribution Determination

2028 to 2033

Reference service, tariff variation mechanism and
tariff structure

October 2026

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1 Executive summary

The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future. We regulate energy networks in all jurisdictions except Western Australia. We set the amount of revenue that network businesses can recover from customers for using these networks.

The National Gas Law and Rules (NGL and NGR) provide the regulatory framework governing gas transmission and distribution networks. Our work under this framework is guided by the National Gas Objective (NGO):

The objective of this Law is to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to—

(a) price, quality, safety, reliability and security of supply of covered gas; and

(b) the achievement of targets set by a participating jurisdiction—

(i) for reducing Australia's greenhouse gas emissions; or

(ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

Australian Gas Networks (AGN) Victoria and Albury distributes gas to residential, commercial and industrial business customers in Victoria and Albury.¹ Australian Gas Industry Group (AGIG) owns and operates AGN (and Multinet).

On 1 June 2026 AGN submitted to the AER a reference service proposal for its gas distribution network. We have assessed the proposal against the requirements set out in the NGR.

Our decision is to not approve AGN's reference service proposal. We consider the proposal is not consistent with the regulatory requirements due to classification of the abolishment service and the no access (gas meter) and incomplete meter fix charges.

Under the new non-statutory requirements implemented by the AER in 2023, AGN also submitted with its regulatory proposal, preliminary positions on its tariff variation mechanism and tariff structure for gas transportation (haulage) services for the 2028–33 access arrangement period (2028–33 period).

AGN proposed to change its existing tariff variation mechanism (weighted average price cap) to a hybrid tariff variation mechanism.² AGN proposed to make no changes to its tariff

¹ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 6.

² Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, June 2026, p. 23.

structures, retaining its declining block tariff structure for both volume and demand tariffs, subject to further engagement with stakeholders.³

In our view a hybrid tariff variation mechanism can best balance the positive and negative elements of price cap and revenue cap regulation. On its tariff structure for haulage services, we consider AGN should develop and submit for AER consideration one or more implementation pathways to incrementally flatten its declining block tariff structure by reducing the number of blocks, over one or more access arrangement periods.

While we expect AGN to respond to our tariff related considerations as set out in this paper, our preliminary views expressed here do not constrain our decisions on these issues in the context of AGN's upcoming 2028–33 access arrangement revisions proposal. We may form different views in response to further information, stakeholder views being provided, or any requirements arising from the AEMC final determination on its Gas networks in transition rule change project, anticipated to be published in December 2026.

Next steps

The AER will publish a revised reference service proposal that addresses the reasons for our decision to not approve AGN's proposed reference service proposal, and will make a decision giving effect to the revised reference service proposal.

³ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, June 2026, p. 24.

2 Background

This section discusses the NGR reference service requirements, and the new non-statutory issues addressed by AGN's reference service proposal: reference tariff variation mechanism and declining block tariffs for haulage services.

2.1 AGN

AGN distributes natural gas to residential, commercial and industrial business customers in the Melbourne CBD, northern, eastern and outer southern areas of metropolitan Melbourne, the Mornington Peninsula, and northern, eastern and southeastern areas of Victoria. A small section extends to Albury in NSW. It comprises around 12,500 km of pipeline, serving more than 760,000 customers.⁴

2.2 Reference services

In preparing its reference service proposal and in undertaking our assessment, the NGR require AGN and ourselves to have regard to the NGR reference service factors:⁵

- the actual and likely demand for the pipeline's services and the number of prospective users
- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service
- the usefulness of specifying the pipeline service as a reference service in supporting negotiations and dispute resolution
- likely regulatory costs for all parties in specifying the pipeline service as a reference service.

Services we determine meet the reference service factors will be determined to be reference services. Services we determine do not meet the reference service factors will be treated as non-reference services.

Determining a service to be a reference service, as compared to it being a non-reference service, makes a significant difference to how the service is regulated.

Reference services are subject to AER price regulation. That is, we set maximum prices, or price caps, which gas networks may charge network users for reference services. Gas networks may choose to charge network users less than the price caps we determine but they may not charge more.

Services we determine to be non-reference services are not subject to price regulation. This means gas networks set their own charges for non-reference services.

⁴ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 6.

⁵ NGR, rr. 47A(14) and 47A(15).

2.3 Reference service proposal process

Gas network service providers are required to submit a separate reference service proposal to the AER for assessment 12 months in advance of the submission date for their access arrangement revisions proposal.

The NGR requires us to complete our assessment of a reference service proposal no later than 6 months in advance of the due date for submission of the relevant access arrangement revisions proposal.

AGN's access arrangement revisions submission date is 1 June 2027.⁶ This means AGN was required to submit its reference service proposal to the AER by no later than 1 June 2026, which it did. We are required to conclude our assessment and release our decision no later than 1 December 2026.

Where a reference service proposal is not approved, the AER will publish a revised reference service proposal that addresses the reasons for the decision to not approve the reference service proposal. The AER will then make a decision giving effect to the revised reference service proposal.

An access arrangement must be consistent with our reference service proposal decision unless there has been a material change in circumstances.⁷

2.4 Tariff (non-statutory) considerations

In early 2023 we initiated a review of how we regulate the haulage service provided by gas distribution network service providers (distributors). This review considered whether to continue to approve these elements of existing gas distribution access arrangements or whether changes were required:⁸

- weighted average price caps (reference tariff variation mechanism) which regulate the revenues distributors receive for providing reference haulage services
- declining block tariffs which set the parameters for how retailers are billed for reference haulage services provided to their customers.

In October 2023, our final decision of the review indicated we would not make sector-wide changes to gas distribution pipeline tariff variation mechanisms or tariff structures.⁹ Instead, we chose to consider these issues on a case-by-case basis in the context of individual access arrangement reviews by building consideration of these matters into the existing reference service proposal assessment. This approach allows us to signal our views on the

⁶ Access arrangement revisions for the 2028-29 to 2032-33 access arrangement period.

⁷ NGR, r. 48(1)(b), (c) and (c1).

⁸ AER, *Review of gas distribution network reference tariff variation mechanism and declining block tariffs*, 5 May 2023.

⁹ AER, *Review of gas distribution network reference tariff variation mechanism and declining block tariffs*, October 2023.

tariff variation mechanism and tariff structure issues in time for incorporation in the distributors' access arrangement revision proposals.

To be clear, only the reference service elements of this reference service proposal decision relate to a statutory decision. The tariff related aspects of this decision are non-statutory. That is, the NGR do not specify that the AER has a role in assessing tariff related issues at the reference service proposal stage. Rather, we proposed to undertake this assessment and the regulated gas distributors agreed.

We consider that a public process of proposal and AER consideration of these tariff related issues, at this early stage of a gas distribution access arrangement review, will benefit stakeholders and networks.

3 AGN's reference service proposal

This section outlines AGN's reference service proposal including the stakeholder consultation it undertook in developing its proposal. It then describes our stakeholder consultation undertaken in assessing AGN's proposal, and our decision on AGN's reference service proposal.

3.1 AGN's reference service proposal

AGN proposed to maintain the same suite of reference services from its current access arrangement period and proposed to make some minor naming, grouping and reporting categories amendments to its non-reference services (Table 3.1).

Table 3.1 AGN's proposed reference and non-reference services (changes from its current access arrangement services are shown in red)

Reference services	Non reference services
Haulage reference services:	Ancillary non-reference services:
- Volume haulage service - Demand haulage service	- Out of hours special meter reading - Alter meter position - Same day premium charge - Disconnect service in street for debt—requiring excavation - Reconnect service in street after payment
Ancillary reference services:	
- Special meter reading - Disconnection - Reconnection - Meter and gas and installation test - Meter removal - Meter reinstallation - Service abolishment	- New standard connection Cross meter investigations Downgrade meter size request Upgrade service request Attend meter fix after faults rectified Pressure change request - Incomplete meter fix - No access (gas meter) - Other non-reference service

Source: AER analysis

3.1.1 Reference services

AGN states that its reference services continue to:

- have actual and forecast demand
- be difficult to substitute
- have costs that can be reasonably allocated

- support access negotiations
- represent more than 99% of network revenue.

AGN proposed to continue to classify the Abolishment service as an ancillary reference service, consistent with its treatment in the current access arrangement period.¹⁰

3.1.2 Non-reference services

AGN proposed to make some minor amendments to its non-reference services by consolidating some of its ancillary non-reference services due to nil or very low demand in the current access arrangement period. The following services are proposed to be consolidated into the Other non-reference service category because they have nil or very low demand in the current period:¹¹

- Cross Meter Investigations
- Downgrade Meter Size
- Upgrade Service Request
- Attend Meter Fix after Faults Rectified
- Pressure Change.

AGN confirmed that these services can still be requested by customers but will not be separately identified in reporting.

AGN proposed to continue classifying new standard connections as a non-reference service. The reasons given are:

- since 1 January 2025 customers must pay the full upfront connection cost
- Victorian electrification policies are expected to significantly reduce future gas connection demand
- demand is expected to become increasingly volatile and low
- cost-reflective pricing is easier under a non-reference classification.

3.2 AGN's stakeholder consultation

AGIG implemented a joint engagement approach for Multinet and AGN networks. Its core engagement includes the following groups:¹²

- AGIG Stakeholder Panel: experts in consumer advocacy, customer research and engagement, energy policy, regulation, business, industry and economics.

¹⁰ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 10.

¹¹ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 15.

¹² Multinet Gas Networks, *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Multinet Distribution Network*, June 2026, p. 8.

- Customer Voice Collective: around 50 customers who participate in a series of workshops.
- Retailer Panel: representatives from gas retailers who operate in national markets in Victoria.

AGN's proposal indicates that its stakeholders broadly supported retaining the current suite of reference services and did not oppose the proposed approach to non-reference services.¹³ The main areas of feedback related to the implications of the abolishment service and a desire for greater transparency around the services captured within the Other non-reference services category.

The AGIG Stakeholder Panel met with AGN on 1 May 2026 to discuss the reference services proposal and the Customer Voice Collective participated in sessions on 14 May 2026 and 21 May 2026, where reference services and tariff structures were discussed. AGN shared its draft reference services proposal with the Retailer Panel and invited them to provide feedback either through direct discussions or the public consultation process.¹⁴

The feedback reported by AGN in its proposal came primarily from the AGIG Stakeholder Panel and the Customer Voice Collective. The proposal notes that the Retailer Panel was provided with the reference service proposal and invited to comment, but no that specific feedback from retailers on reference or non-reference services was provided.¹⁵

AGN reports that its AGIG Stakeholder Panel generally supported its proposal to retain the existing reference services. The AGIG Stakeholder Panel did not raise any objections to the existing haulage and ancillary reference services or to retaining Service Abolishment as a reference service. However, they raised concerns on the following matters:¹⁶

- the expected increase in abolishment requests due to electrification policies
- whether customers seeking abolishment would face full cost recovery charges
- the potential impacts on remaining gas customers if abolishment volumes increase
- the desire for more transparency regarding services included in the Other non-reference services category.

AGN reports that its Customer Voice Collective was generally supportive of the existing reference services after receiving information about the services provided by AGN.¹⁷

¹³ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 10.

¹⁴ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 9.

¹⁵ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 10.

¹⁶ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 10.

¹⁷ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 9.

3.3 AER stakeholder consultation

We published AGN's reference service proposal on the AER website on 3 June 2026. We called for written submissions by no later than 1 July 2026.

In response, we received one submission from the AGIG Stakeholder Panel supporting AGN's reference service proposal, and submitting that it is comfortable with the proposed reference and non-reference services. However, the AGIG Stakeholder Panel also supported broader engagement beyond the Melbourne-focused Customer Voice Collective, particularly to capture regional and other customer perspectives.

LMS Energy (LMS) also provided a submission on each of Multinet and AusNet's reference service proposals. LMS's primary concern is that the access arrangements should be sufficiently future-focused and technology-neutral to ensure they do not create regulatory, contractual or service-related barriers to the injection and transportation of renewable gases as the gas sector transitions to lower-emissions energy sources. This impacts on the AGN reference service proposal because in response to an information request we issued following the LMS submission, AGN proposed to remove the reference to 'natural' within its definition referring to 'natural gas'.¹⁸

3.4 AER assessment of AGN's reference service proposal

Our decision is to not approve AGN's reference service proposal because we consider:

- residential abolishments are to be determined by the AER under a Model Standing Offer (MSO) framework and therefore should not be a reference service, but instead are to be classified as a non-reference service (reflecting the AEMC's recent rule determination)
- non access or incomplete fix to a gas meter is not a service that is offered/requested, but represents a penalty charge for the inability to provide or complete a requested/booked service and therefore should not itself be classified as a service (whether non-reference or reference)

If AGN wishes to apply no access and incomplete meter fix charges, we consider it should apply for these through its access arrangement revision proposal. Any no access or incomplete meter fix charge should sit under and be applied in respect of the service a customer is seeking, ie a special meter read or a disconnection. We consider that AGN's access arrangement revision proposal should explain:

- why no access charges or incomplete meter fix should be established, including with evidence on the number of wasted visits undertaken in the current period and what controls AGN has in place to ensure that wasted visits are kept to a minimum
- the cost build up for the charges and why each element cannot be avoided
- how it will ensure customers are fully informed of the no access or incomplete meter fix charges before it confirms the related service

¹⁸ AER, *Information request to Multinet/AGN - Reference service proposals - 2028-33 access arrangement*, 11 August 2026, Ref #80,030,499.

- what further controls it will develop to minimise wasted visits.

LMS Energy submitted that biomethane should be explicitly included in reference service proposals. We agree with LMS that reference service proposals should refer to ‘covered gas’ as opposed to just ‘natural gas’ in keeping with amendments made to the NGL and NGR to enable gases other than ‘natural’ gas to be transported via gas distribution and transmission pipelines. AGN’s reference service proposal uses the term ‘natural gas’ and (in response to an information request) AGN has proposed that it remove the reference to ‘natural’ within a definition referring to ‘natural gas’.¹⁹ We consider ‘gas’ is sufficiently broad to cover both natural and renewable gas and will amend the reference service proposal to refer to ‘gas’ only.

Other minor amendments are:

- including a reference to a website link at which a description of the pipeline can be inspected
- making the name Special meter read consistent across all access arrangement documents
- the definition for the Alter meter position service to be updated to exclude new amendments
- correct the error in the usage and revenue data for Incomplete meter fix in table 3 of AGN’s reference service proposal as they are mislabelled.

We consider the proposal is otherwise consistent with NGR r. 47A.

To assess AGN’s reference service proposal we considered the extent to which it conforms to each regulatory requirement set out in the NGR cl 47A. Our detailed assessment is set out in Table 3.2. While we have had regard to the reference service factors in considering whether abolishments should be classified as a reference service, we have also had regard to AEMC’s new abolishments Model Standing Offer (MSO) framework and determined that as abolishments are covered under an MSO framework, it would be inappropriate to specify them as a reference service. In this table, therefore, we do not cover abolishment services. We also do not cover the no access or incomplete meter fix services, which we consider are not a service.

Table 3.2 Summary of NGR r. 47A reference service requirements

NGR r. 47A requirement	Compliance assessment
(1) A service provider in respect of a full regulation pipeline must, whenever required to do so under subrule (3), submit to the AER a reference service proposal in respect of a forthcoming full access arrangement proposal that:	

¹⁹ AER, *Information request to Multinet/AGN - Reference service proposals - 2028-33 access arrangement*, 11 August 2026, Ref #80,030,499.

(a) identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;	Not compliant. No reference to website. See section 1.3 of AGN's reference service proposal.
(b) sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in subrule (2);	Compliant. See Table 3 of AGN's reference service proposal.
(c) from the list referred to in subrule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as reference services having regard to the reference service factors including any supporting information required by the AER; and	Compliant. See Table 3 of AGN's reference service proposal.
(d) if the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.	Compliant. See section 2.3 of AGN's reference service proposal.
(2) A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including:	AGN's reference service proposal appropriately defines pipeline services in regard to their characteristics, priority and receipt points.
(a) the service type (for example, forward haul, backhaul, connection, park and loan);	
(b) the priority of the service relative to other pipeline services of the same type; and	
(c) the receipt and delivery points.	
(14) In deciding whether or not a pipeline service should be specified as a reference service, the AER must have regard to the reference service factors.	We have had regard to the reference service factors in assessing AGN's reference service proposal.
(15) The reference service factors are:	
(a) actual and forecast demand for the pipeline service and the number of prospective users of the service;	AGN's reference service proposal is premised on there being ongoing high demand for the haulage reference service. Demand for its proposed ancillary reference services ranges from relatively low to high, but the low demand reference services ('meter gas and installation test' and 'meter removal') are not substitutable with other

services.

In respect of AGN's proposed non-reference services, it expects little to no demand for these services - with the exception of Same day premium, Out of hours special meter reading and Alter meter position services (these are discussed in following rows).

We accept AGN's proposition that demand for its proposed non-reference services other than those identified above will be low.

(b) the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;

The haulage reference services and ancillary reference services are not substitutable with other services. The proposed non-reference services tend to be substitutable with other services or have low demand from retailers or customers (as discussed above).

For example, we accept AGN's proposition that charges for the proposed non-reference Same day premium and Out of hours special meter reading services are substitutable with its regular service.

(c) the feasibility of allocating costs to the pipeline service;

Costs may be allocated to the proposed reference services, including the proposed reference haulage service. We accept that allocating costs to AGN's proposed non-reference services may be difficult due to uncertain demand and/or variable costs.

We accept AGN's proposition that charges for the proposed non-reference Alter meter position services are variable.

(d) the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:

(i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;

The reference services will be a point of reference for negotiations.

(ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and

As above.

(iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;	As above.
(e) the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.	By specifying haulage services and commonly used ancillary services as reference services the current arrangements will be continued.

4 AGN's tariff variation mechanism

This section outlines AGN's tariff variation mechanism proposal, including the stakeholder consultation it undertook in developing its proposal. It then describes our stakeholder consultation undertaken in assessing AGN's proposal, and our decision on AGN's proposal.

4.1 AGN's tariff variation mechanism proposal

AGN's preliminary proposal is for a hybrid form of revenue control for the next access arrangement period in Victoria, replacing its existing weighted average price cap approach with a mechanism that combines elements of both a price cap and a revenue cap.

The proposal reflects the approach recently adopted by the AER for AGN (SA) and the Jemena Gas Network. Under the proposed mechanism²⁰:

- AGN would continue to operate under a weighted average price cap while annual haulage revenue remains within $\pm 5\%$ of the AER-approved revenue allowance.
- If actual haulage revenue varies by more than 5% above or below the forecast, the amount outside the threshold would be shared equally (50:50) between AGN and customers.
- Any tariff adjustment resulting from over- or under-recovery would be applied through the annual tariff variation mechanism with a two-year lag.

AGN considers this approach a reasonable balance between²¹ price stability for customers and revenue recovery for the business.

While AGN has included the AER's preferred hybrid mechanism as a placeholder proposal, it has indicated that the key design features should be revisited before the final decision, including:

- Whether the 5% threshold remains appropriate; and
- Whether the 50:50 sharing arrangement beyond the threshold is the best allocation of risk between customers and the business.

AGN proposes that these matters be considered alongside the final demand forecasts, on the basis that the forecasts will largely determine the extent of future revenue over- or under-recovery.

²⁰ Final 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, May 2026 and Draft decision, *Jemena Gas Networks (NSW) access arrangement 2025 to 2030 (1 July 2025 to 30 June 2030)*, Attachment 10 – Reference tariff variation mechanism, November 2024.

²¹ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 11.

4.2 AGN's stakeholder consultation

AGN discussed the proposed form of revenue control with its AGIG Stakeholder Panel on 1 May 2026. AGN reports that key feedback included:²²

- The AGIG Stakeholder Panel did not oppose the proposed hybrid mechanism.
- Members acknowledged that the proposal is consistent with recent AER decisions and represents a shift away from AGN's historical weighted average price cap approach.
- AGIG Stakeholder Panel considered that the detailed design of the mechanism should be assessed later in the planning process, when more information is available regarding demand forecasts and customer impacts.
- Stakeholders wanted further information on several issues as the access arrangement process progresses.

Overall, the AGIG Stakeholder Panel's feedback suggested acceptance of the hybrid framework in principle, while reserving judgement on the detailed parameters until demand forecasts are better understood.

AGN introduced tariff structures and revenue control concepts to its Customer Voice Collective during workshops in May 2026. AGN's consultation focused primarily on tariff structures rather than the revenue control mechanism itself. AGN report that feedback indicated that customers:²³

- wanted a better understanding of how network pricing affects retail bills
- had limited awareness of Victorian gas policy settings and their implications
- were generally concerned about avoiding customer bill shock and maintaining affordability.

No specific objections to the proposed hybrid revenue control mechanism were reported from the Customer Voice Collective.

AGN also shared the reference services proposal with its Retailer Panel and invited feedback through direct engagement or the AER consultation process. At the time of the proposal, AGN indicated that no specific retailer views on the tariff variation mechanism were reported.²⁴

4.3 AER stakeholder consultation

AGIG Stakeholder Panel submitted that it is comfortable with AGN's proposed hybrid form of revenue control.

²² Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 11.

²³ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, pp. 9 & 11.

²⁴ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, pp. 9-11.

We also received many submissions in the context of our 2023 gas distribution network tariffs review.²⁵ Stakeholders generally do not support application of revenue cap regulation to haulage services and prefer either to retain existing weighted average price caps or to introduce hybrid mechanisms incorporating elements of both weighted average price cap and revenue cap regulation.

4.4 AER assessment of AGN's tariff variation mechanism proposal

AGN proposed a hybrid tariff variation mechanism with a 5% revenue sharing threshold and a 50:50 sharing mechanism in its proposal and we consider that the tariff variation mechanism is consistent with the NGR requirements and will contribute to the achievement of the NGO.

We consider the proposal to move to a hybrid price cap is consistent with our recent decisions on Jemena, Evoenergy and AGN (SA).²⁶ AGN are proposing the same design parameters as used by these networks.

We consider a hybrid tariff variation mechanism, incorporating elements of both price cap and revenue cap regulation, better reflects the changed regulatory context for provision of gas haulage services than a pure weighted average price cap or a revenue cap. A hybrid tariff variation mechanism reduces the incentive for AGN to grow gas demand (better aligning with emissions reduction element of the NGO than a price cap), while mitigating potential tariff year-on-year volatility (which can be a feature of revenue cap regulation).

A hybrid tariff variation mechanism manages the risk of tariff volatility by limiting revenue true-ups to instances when actual volumes are more than 5% higher (or lower) than targets. Also, a hybrid mechanism splits 50:50 the revenues associated with actual volumes being outside the 5% upper and lower volume boundaries. This means customers and AGN alike would only be impacted by half of any changes above or below the 5% volume boundaries.

²⁵ AER, *Final decision – Review of gas distribution network reference tariff variation mechanism and declining block tariffs*, October 2023.

²⁶ AER, *Final Decision, Attachment 10: Jemena Gas Networks (NSW) access arrangement 2025-2030*, p.3, May 2025; AER, *Final Decision, Attachment 5, Evoenergy (ACT) access arrangement 2026 to 2031*, pp. 20-25, May 2026; AER, *Final Decision, Attachment 5, AGN (SA) access arrangement 2026 to 2031*, pp. 10-11, May 2026.

5 AGN's gas transportation tariff structure

This section outlines AGN's haulage tariff structure proposal including the stakeholder consultation it undertook in developing its proposal. It then describes our stakeholder consultation undertaken in assessing AGN's proposal, and our decision on AGN's proposal.

5.1 AGN's gas transportation tariff structure proposal

AGN proposed to retain its existing declining block gas transportation tariff structure for the 2028–33 period, while continuing to engage with stakeholders and reassessing tariffs as part of the broader revenue proposal process.²⁷

Under the current structure, customers pay a fixed charge plus volumetric charges that decrease as gas consumption increases. Higher usage volumes are charged at lower rates, reflecting the high fixed costs and low marginal costs of operating a gas distribution network.²⁸

AGN considered that declining block tariffs provide several benefits, including economic efficiency and bill smoothing across seasons, and that flatter tariffs would primarily redistribute costs between customers and would not materially reduce gas consumption or emissions.²⁹

While proposing to retain the current declining block structure, AGN states that it will reconsider tariff options during development of its full revenue proposal, taking account of:

- overall price impacts
- customer outcomes
- demand forecasts
- long-term energy transition considerations
- emerging regulatory guidance from the Australian Energy Market Commission (AEMC).

5.2 AGN's stakeholder consultation

AGN discussed tariff structures with its AGIG Stakeholder Panel during engagement on the reference services proposal. Overall, AGN stated that the AGIG Stakeholder Panel appeared

²⁷ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 24.

²⁸ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, p. 24.

²⁹ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, pp. 24-25.

supportive of maintaining the existing structure pending further analysis of pricing, demand forecasts and customer impacts. AGN reports that key feedback included:³⁰

- no objection to retaining the current tariff structure at this stage
- it was appropriate to determine only a high-level tariff approach during the reference services proposal phase, with detailed tariff design to be examined later as part of the broader planning process
- flatter tariffs could create significant redistribution impacts for commercial and industrial customers, similar to impacts identified in AGN (SA)'s analysis.

AGN undertook more detailed customer engagement on tariff structures through its Customer Voice Collective workshops. Customers were informed of different tariff structures (declining block, flatter declining block and flat tariffs) and were asked to assess the fairness of different tariff options using hypothetical customer profiles. They were also encouraged to consider impacts across the broader customer base rather than their own circumstances. AGN's key findings were:³¹

- Most participants considered a declining block tariff structure to be the fairest option.
- Support extended to either:
 - the current declining block design; or
 - a slightly flatter version of the existing structure.
- Participants were particularly concerned about avoiding bill shock for customers who rely heavily on gas, especially for home heating.
- Participants indicated they wanted a greater understanding of how network tariffs affect retail bills and more information about Victorian gas policies and their implications.

AGN shared the reference services proposal with its Retailer Panel and invited feedback through direct engagement and the regulatory consultation process. AGN noted that no specific retailer position on tariff structure changes was reported.³² AGN indicated that further discussions on tariff structures would occur during the access arrangement development process.

5.3 AER stakeholder consultation

The AGIG Stakeholder Panel submitted that it is comfortable with AGN's proposed starting point for tariff structures. Although the AGIG Stakeholder Panel supported retaining declining blocks, it also wanted detailed analysis of the impacts and more modelling of whether changes affect gas consumption and emissions.

³⁰ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, pp. 10-11.

³¹ Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, pp. 9-25.

³² Australian Gas Networks (Victoria and Albury), *Reference Service Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 – 2032/33*, pp. 9-11.

5.4 AER assessment of AGN's tariff structure proposal

We consider AGN should develop and submit for AER consideration one or more implementation pathways to incrementally flatten its declining block tariff structure, over one or more access arrangement periods, including by reducing its tariffs to a two-block structure.

Declining block tariffs do not align with the NGO which now includes an emissions reduction element. We acknowledge AGN has reflected on this in its proposed further consideration of flattening options as it progresses its access arrangement revision, and that while its stakeholders generally support its current tariff structures, there is some support for exploring options for some flattening of tariffs. In developing its potential implementation pathway(s), AGN should consider the pace of change, bill and demand impacts for a range of customer consumption levels, and the need for adequate transition periods. AGN should include detailed information on these considerations in its access arrangement revision proposal.

We recognise there may be tensions to balance in considering energy equity, while supporting the energy transition and access to the benefits of transition. Customers negatively impacted by changes to AGN's existing tariff structure could include high consumption households experiencing disadvantage, in addition to other households and commercial/industrial customers. There may also be low consumption customers who have largely transitioned to electricity but still value a low emissions gas cooktop. We consider there may be reform options available to moderate the declining block structure without imposing material bill impacts on either large or small consumption customers. As an example, AGN (SA) and Evoenergy have made incremental changes to their gas transportation tariff structures with the effect of achieving flat pricing blocks in blocks 2 and 3, ie the blocks beyond the initial fixed charge and the block 1 charge. We consider similar changes should be available to AGN.

We intend to explore such tariff redesign opportunities in the context of AGN's 2028–33 access arrangement revisions proposal. We encourage AGN to consult its customers and stakeholders on tariff reform options prior to submission to the AER.

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AGIG	Australian Gas Infrastructure Group
AGN (SA)	Australian Gas Networks (South Australia)
AGN	Australian Gas Networks (Victoria and Albury)
Multinet	Multinet Gas Networks
NGO	National Gas Objective
NGR	National Gas Rules
r.	rule