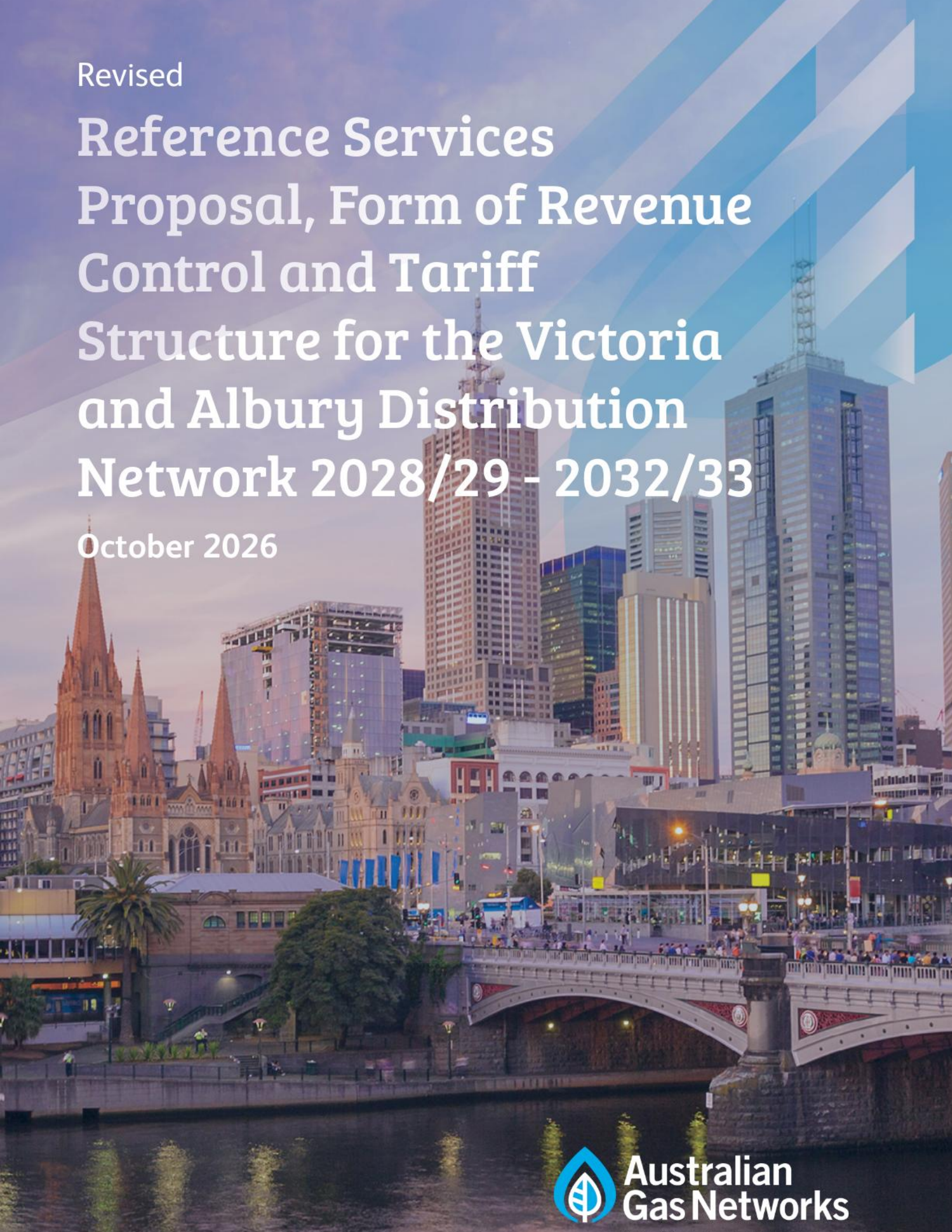
Revised

Reference Services Proposal, Form of Revenue Control and Tariff Structure for the Victoria and Albury Distribution Network 2028/29 - 2032/33

October 2026



Australian Gas Networks

1. Introduction

We are developing our plans for our Victorian and Albury gas distribution networks for the July 2028 to June 2033 period (the next Access Arrangement (AA) period). As part of this process, we have developed our Reference Service Proposal to ensure the services we offer continue to meet our customers' needs.

The Reference Service Proposal sets out the services we will provide over the next AA period and nominates which of those services meet the criteria for Reference Services.

Our proposal also includes our proposed approaches regarding the form of revenue control and overarching tariff structure for the next AA period. The Australian Energy Regulator (AER) has determined that network service providers must consult on the form of revenue control and best tariff approach specific to the distribution network, as part of Reference Service Proposal consultation.[1]

We engaged with our stakeholders and customers on our proposed form of revenue control and tariff approach for our Victorian/Albury network to apply from 1 July 2028, in addition to our proposed reference services. Our proposal reflects the feedback we received in these areas.

1.1 Summary of our proposal

We offer several pipeline services to meet customer needs, including reference services for haulage and ancillary purposes.

Reference services will form the basis of the prices and terms and conditions we develop for the next AA period. We propose to maintain the same suite of reference services as was available in the 2023/24 – 2027/28 period (the current AA period).

Altogether, our proposed reference services for AGN represent over 99% of our revenue in the current AA period.

Regarding our other non-reference services, we propose no changes to our existing offerings, but where there has been nil or very low demand, we will group services into the 'other' category. These updates reflect current service provision and provide better reporting alignment with our MGN (Multinet Gas) network. We have continued to classify the new standard connection service as a non-reference service, since the introduction of a new charge in Victoria for this service from 1 January 2025. Given the restrictions on new gas connections and other electrification measures being implemented in Victoria,[2] the demand for the connection service is expected to decline significantly from current levels, and so it is not warranted as a reference service.

[1] AER, *Final decision - Review of gas distribution network reference tariff variation mechanism and declining block tariffs*, October 2023, p 1.

[2] For example, from 1 January 2024, new homes requiring a planning permit must be all-electric. From 1 January 2025, customers must pay the full upfront costs of a new gas connection and from 1 January 2027, other new building electrification regulations and new energy efficiency standards for rental homes (which reduce demand for gas) will apply. See: Victoria's Gas Substitution Roadmap.

Lastly, we have also considered the form of revenue control and tariff structure which is appropriate for AGN.

Consistent with the AER's preference regarding revenue control,[3] we propose a 'hybrid' mechanism to apply to network revenue where a price cap applies up to a point of annual revenue variation (from the allowance) beyond plus or minus 5%. The AER has established its position in two prior network reviews on this matter now, and its main reasons have been to "better reflect the changed regulatory context for provision of gas haulage services" and to "reduce the incentive to grow the volume of gas" while "mitigating potential -year-on-year volatility".[4]

That said, the form of revenue control will also be influenced by the evolving market in Victoria. Therefore, the parameters of the hybrid approach should be assessed also through the revenue proposal phase to ensure the mechanism provides a reasonable opportunity to recover efficient costs.

In this RSP we also propose continuing with declining block tariffs as opposed to flat or inclining block tariffs. Our declining block tariffs are an efficient form of non-linear pricing, reflective of the high fixed costs of the network and low marginal cost for additional supply (for existing connections). Our plans must meet long-term customer interests as well as being aligned with the emission reduction objective of the National Gas Objective (NGO).[5] For this reason, we have considered the potential benefits for some flattening of our tariff structure for residential and commercial customers at a high level, in the context of the overall price changes we might propose. This is consistent with our recent considerations in our plan for our AGN (SA) network (from 1 July 2026) where a flattening of tariffs reduced charges for lower usage customers at the expense of higher charges for higher usage customers.[6]

However, there are no clear emission reduction benefits from a change in AGN's tariff structure for the Victorian market to warrant potential price increases for some customers for this reason alone. As our stakeholders have indicated, there should be an evidence-base for tariff structure changes, and we do not consider that there is reasonable evidence to warrant any proposed changes at this stage.

For the majority of the market, the AGN distribution charges don't have enough weighting in retail bills to materially impact the structure of those charges. Some retail price structures in the market, which are already relatively flat, have no direct relationship with our tariff structure at all.

At this stage, our preliminary assessment suggests that tariff structure changes for

[3] As in its recent decisions applying to Jemena Gas Network (see: AER, *Final Decision - JGN access arrangement 2025–30 - Attachment 10 - Reference tariff variation mechanism*, May 2025) and the AGN (SA) network (see: AER, *Draft Decision - AGN (SA) access arrangement 2026–31 - Attachment 5 - Reference services, tariffs and non-tariff components*, November 2025).

[4] AER, *Draft Decision – AGN (SA) AA 2026 to 2031, Attachment 5 – Reference services*, p 17.

[5] See the NGO at National Energy Objectives | AEMC.

[6] See: AGN SA, *Attachment 14.4 Response to Draft Decision on Revenue and Pricing*, January 2026 | Australian Energy Regulator (AER), pp 5-15.

AGN will do nothing more than redistribute costs among the customer base, reduce overall efficiency, increase the risk burden for the network and potentially average price levels even further, without any material emission reduction benefit from these changes to justify them.

Consistent with feedback from stakeholders, we propose to revisit tariff levels and associated options (including customer impacts), in consultation with stakeholders at the revenue proposal stage.[7]

1.2 About AGIG

Australian Gas Infrastructure Group (AGIG) is one of Australia's largest gas infrastructure businesses with operations supplying to more than 2 million customers across Australia. Operations include 36,000 km of distribution networks, 4,400 km of transmission pipelines, 60 petajoules of gas storage capacity, gas processing facilities and remote power generation. In Victoria, AGN and MGN distribute gas to almost 1.5 million customers through over 22,000km of distribution network.

We do this safely, reliably, and in a cost-efficient manner for our customers. Our vision is to provide infrastructure that is essential to a sustainable energy future.

[7] Stakeholder Panel Session, 1 May 2026.

1.3 Victorian and Albury Distribution Network

Australian Gas Networks (AGN), part of AGIG, distributes 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.

Overall, AGN delivers gas to more than 760,000 homes and businesses In Victoria through around 12,500 km of distribution network.

A small section of our distribution network (around 25,000 customers) also extends into NSW in Albury and operates within the Victorian Declared Wholesale Gas Market (DWGM).

Retailers pay charges for our services, which are passed on to customers through retail gas bills.

Figure 1 shows our Victoria and Albury network and other key pieces of gas infrastructure in the states. A description of our Victoria and Albury distribution network is also available on our website.[8]

Figure 1: AGN Victoria and Albury Distribution Network



[8] AGN (Vic/Albury) - Business and Regulatory Information

2. Regulatory framework

2.1 Reference Services

Under Rule 47A of the National Gas Rules (NGR), we are required to provide the Australian Energy Regulator (AER) with a Reference Service Proposal (RSP) 12 months prior to the submission of our AA proposal for the Victorian and Albury distribution network.

Our Reference Service Proposal must list all the services we can reasonably offer on the network and specify at least one service as a reference service.

The AER considers and approves our proposed reference services based on reference service factors specified in the NGR,[9] and can undertake its own consultations with service users. The reference service factors to be considered are, in summary:

- actual and forecast demand for the service;
- whether the service is substitutable for another reference service;
- whether it is feasible to allocate costs to the service;
- Whether the service is useful in supporting access negotiations; and
- The likely regulatory costs of making the service a reference service.

2.2 Revenue Control and Tariff Structure

The AER has determined that it will consider the form of revenue control and tariff structures as part of its reference service proposal assessment, in advance of the AA review.[10]

Under this approach, we must submit a proposal which combines our proposed reference services together with our proposed form of revenue control. This includes the comparison of a price-cap to a revenue cap, or a combination of the two via a hybrid approach, and a proposed tariff structure. The AER requires that in consulting our proposal, we actively consider how best to balance the efficiency and abatement objectives within the National Gas Objective (NGO).[11] The emissions reduction objective relates specifically to the relevant jurisdiction's emission reduction targets. The Victorian Government has set goals to reduce greenhouse gas emissions by 75-80% below 2005 levels by 2035, and to achieve net zero by 2045.[12] As mentioned, its energy policy settings are aimed at reducing the demand for gas and will already significantly reduce both the number of gas connections and the volume of gas used by customers over the AA period.

The AER will release a decision on our form of revenue control and tariff structure, together with its RSP decision in December

[9] NGR 47A (15).
[10] AER Review, p 1.
[11] The Amended NGO came into effect on 21 November 2023.
[12] Victoria State Government, 'Victoria's Climate action targets.'

2026, at least 6 months before we must submit our AA plan for AGN on 1 July 2028.

2.3 Customer and Stakeholder Engagement

AGIG has implemented a new engagement structure to design and deliver activities that meaningfully involve customers and stakeholders, ensuring that feedback from a diverse range of customer and stakeholder perspectives informs the development of our plans for the next AA period in Victoria. For practicality, we are engaging on our plans for MGN and AGN (Victoria/Albury) networks together.

Our engagement includes the following groups:

- **AGIG Stakeholder Panel:** a panel of experts in consumer advocacy, customer research and engagement, energy policy, regulation, business, industry and economics. The Panel's Terms of Reference are published on Gas Matters.
- **Customer Voice Collective:** a group of 50 customers who participate in a series of workshops, focused on education and building understanding of the regulatory proposal to enable them to provide informed feedback as we prepare our proposals.
- **Retailer Panel:** comprising representatives from gas retailers who operate in national markets, which we serve in Victoria.

Whilst the above aim to capture the diverse perspectives of our customers across the two networks, we will work closely with our Stakeholder Panel to address any additional needs of our engagement including those of our regional or commercial/industrial customers.

We held a meeting with our Stakeholder Panel on 1 May 2026 to discuss our Reference Services Proposal. We presented information on what is included in the current AA period and indicated that we did not intend to make any changes to services in the next AA. We also discussed our proposed tariff structure and form of revenue control, which the Stakeholder Panel did not raise objections to at this stage. The response from some Stakeholder Panel members about our proposal for tariff structures focused on the previous engagement we conducted with customers and stakeholders for our AA in South Australia (2026-2031), including our modelling which showed a very small impact on emission reduction from tariff structure change. The Panel also indicated a range of issues that it wanted further information on as the AA review process proceeds.

We will continue to discuss tariff structures and customer impacts with our Stakeholder Panel throughout the engagement on the AA and seek their input into how we best engage with customers.

Stakeholder Panel members will submit a report on our RSP to the AER during the public consultation process.

We held the first Customer Voice Collective session on 14 May 2026 where we introduced our business and focused on educating participants on what our role is, what the requirements of the regulatory program are and how they can play a

significant role in influencing our proposals. At the end of the first session, we introduced the RSP and tariff structures to encourage them to start considering questions and feedback for the next session. During this first session, customers told us they:

- would like to understand more about how our pricing impacts their retail bill
- did not have enough information about the Victorian Government's policy on gas and were not aware of how they were impacted.

We provided them with additional resources to help understand the RSP process and are committed to answering questions in future sessions about policy setting, retail bills and other topics raised.

In the second session on 21 May 2026, we spoke in greater detail about tariff structures, ensuring we facilitated unsolicited conversations with customers without bias, before explaining in more detail why we were introducing different options for consideration.

We explained the impact of each option on different groups of customers. Following this discussion, we invited the Customer Voice Collective to participate in an activity where we created hypothetical customer profiles, and asked participants to consider which tariff structure (declining block, flatter declining block or flat) would be the fairest option in each circumstance. This activity enabled customers to think about our broad customer base, not just how they may personally be impacted. We helped to facilitate discussion amongst groups as they considered each hypothetical profile and asked them to share their reason for choosing the tariff structure option they thought was fairest for that customer profile.

At the conclusion of the activity, we could determine that most customers considered a declining block tariff structure to be the fairest option for different customer profiles, including either the current structure or a slightly flatter structure.

We also shared information on the services we offer, ensuring customers understand that there are services which are regulated, and those that are not. Customers were generally supportive of the reference services.

We have shared this RSP with our Retailer Panel, inviting them to either participate in the public consultation process or discuss issues further with us directly. We noted that was likely to be further discussion during the AA phase of engagement on tariff structures and welcome their input and feedback.

Table 1 presents a summary of the level of support indicated for our proposed approaches in our RSP, the issues raised by stakeholders and customers, and our responses.

Table 1: Summary of Engagement Feedback on our RSP

Topic	Feedback on Key Issues in the RSP	Our Response
Haulage and Ancillary reference services	Based on discussions so far, the Stakeholder Panel has no objections to the current haulage and ancillary reference services (including the abolishment service as a reference service). However, there was discussion among the Panel on the abolishment service, particularly given the growth in volumes expected in the next AA period with Victorian policy settings. The Panel was concerned about whether customers would be forced to abolish at full cost, and what the impact on remaining network customers would be. The Panel also wanted more information about which services might be included in the 'Other Non-References Services' category.	Our proposed suite of reference services remains the same, consistent with the current AA period and continued support for these services. We have made minor updates to naming conventions and grouping regarding non-reference services, mainly for better alignment with AGN service reporting, although no changes to the service offerings are proposed. We will continue to engage with stakeholders on the impact of abolishments, noting the AEMC's final rule change regarding abolishments has determined that pricing must be cost reflective in the next AA period.[13] The 'Other non-reference services' category includes any other negotiated service not otherwise listed. These services have very limited demand and can include cross meter investigations, pressure changes or meter downgrades. These services can still be requested by customers but will not be separately identified in reporting. Section 3.2.3 provides more information.
Tariff structure	The Stakeholder Panel indicated that only a high-level tariff structure at this stage is reasonable to determine with more details about the tariffs (including any customer impacts) to be considered at the broader planning stage. It also noted that: • our proposal represents a different approach to AGN SA, where we reduced the number of tariff blocks. • AGN had shown limited emission reduction benefit from flatter tariffs through modelling in its plan for AGN SA (2026/27 to 2030/31) and that an evidence-base was not	We propose maintaining the declining block tariff structure as a high-level position in this RSP on the basis that there are no material emission reduction benefits from a change to flat tariffs but will consider tariffs again in the context of the price changes proposed at the revenue proposal stage. The elasticity of demand assumed in the emissions impact modelling represents the change to the units of gas demanded for a unit change in the price (in a band) based on tariff structure changes, not broader impacts. We have sought to isolate the impact of the tariff structure changes with this modelling but broader elasticity impacts for the networks will be considered more closely in

[13] Australian Energy Market Commission (AEMC), *Establishing a regulatory framework for retail customer-initiated gas abolishment - final determination*, 2 April 2026, pp ii and 40.

	provided by the AER to justify flatter tariffs for emission reduction benefit in the Draft Decision, and • there might be an impact on the elasticity assumptions in the emissions impact modelling from the 'more aggressive' Victorian policy settings (restricting new gas connections and certain appliances). The Stakeholder Panel also expressed concern that the redistribution impacts on industry and business identified in the AGN SA flatter tariff modelling could also occur in Victoria. Customer Voice Collective participants were more in favour of a tariff structure that would reduce the impact of bill shock to customers who rely on gas in their homes.	developing the demand forecasts. The elasticity factor assumed in our modelling is based on AEMO's recent estimate for price elasticity of demand (see Box 1, section 4.2.5). We acknowledge that longer term price elasticity will be higher than this assumption. But it is worth noting that if this factor was tripled the reduction in demand (under wholly flat tariffs passed on by retailers) would still be no more than half a percentage point. We also factored in the impact of appliance switching over time (given the higher price points). We will continue our engagement with stakeholders and customers on tariff structures as we develop our draft plan.
Form of revenue control	The Stakeholder Panel did not oppose the hybrid mechanism proposed by AGN, marking a shift from the weighted average price cap approach and consistent with the AER's other recent decisions on the form of revenue control, but indicated that the details of the mechanism should be considered at the planning stage, rather than the RSP stage, in the context of the demand forecasts.	At this stage we propose adopting the AER's preferred approach for a hybrid mechanism which applies the price cap up until revenue variation of plus or minus 5% and 50:50 sharing with customers of revenue variations beyond this point. We consider this balances revenue risk with the need for price stability.

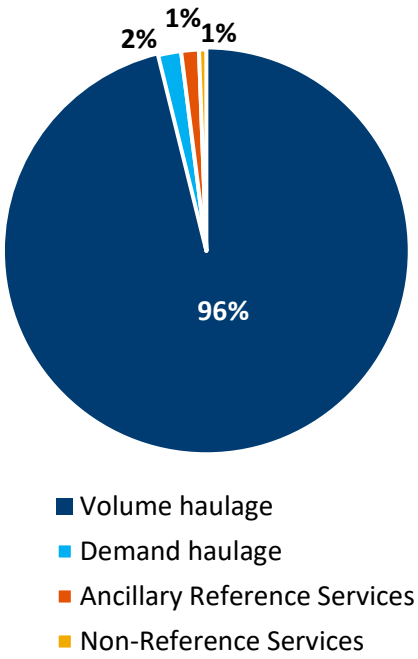
3. Reference Service Proposal

3.1 Current Services in 2023/24 – 2027/28

The reference services offered in the current AA period are outlined in Table 2. The other non-reference services offered are also included at the end of this table.

In the current AA period, reference services make up over 99% of our revenue on the Victoria and Albury distribution network (see Figure 2). This is consistent with that observed in the prior AA period (2018/19 to 2022/23) and reflects the stable nature of the services we provide.

Figure 2: AGN Victoria and Albury revenue share 2020/21 to 2024/25



3.2 Proposed Services for 2028/29-2032/33

Table 3 includes the proposed reference services for AGN over the next AA period and reflects upon the reference service factors, by considering the key issues for each service.

For all ancillary services, we have also included information on the average annual demand and the average annual revenue (in current dollars) from the service over the past five years (2020/21 to 2024/25), as well as any other information relevant to the reference service factors.

3.2.1 Haulage Reference Services

Haulage services are broken down into volume haulage services, which can be for residential or non-residential customers, and demand haulage services usually for industrial (higher gas usage) customers.

Our haulage services remain the most appropriate to specify as reference services. These services:

- Are the most in demand and form the basis of our forecasts;
- Are generally not substitutable with other services;
- Have largely predictable costs which can be either attributed to individual users or reasonably allocated across users;
- Form the basis for negotiating access; and
- Generate most of our revenues.

Table 2: Reference Services available on the Victoria and Albury distribution network over the current period.

Service	Description
Haulage reference services	
Volume Haulage Service	The delivery of Gas to through an existing Volume Delivery Point (DP). A DP is a Volume DP for a given period if it is not a Demand DP.
Demand Haulage Service	The delivery of gas through an existing Demand DP. A DP is a Demand DP if the Quantity of Gas delivered at that DP has either: • exceeded 10 TJ in the preceding 12-month period (or, if less than 12 months of data is available, 10 TJ reduced in proportion to the period for which data is available as a proportion of 365 days); or • exceeded 10 GJ in any hour during the preceding 12 months.
Ancillary reference services	
Special Meter Read	A meter reading for a DP and provision of the associated meter reading data that is in addition to the scheduled meter readings that form part of the haulage reference services.
Disconnection	The use of locks or plugs at the metering installation of a domestic or commercial DP to prevent the withdrawal of gas at the DP.
Reconnection	Action to restore the ability to withdraw gas at a DP, following an earlier disconnection (that is, the removal of any locks or plugs used to isolate supply, performance of a safety check and, where necessary, the lighting of appliances).
Meter and Gas Installation Test	On-site testing to check the measurement accuracy of a metering installation and the soundness of the gas installation downstream of the metering installation.
Meter Removal	Removal of a meter at a metering installation to prevent the withdrawal of gas at the DP.
Meter Reinstallation	Reinstallation of a meter at a metering installation, performance of a safety check and the lighting of appliances where necessary.
Service Abolishment	Used to request the "permanent" removal or disconnection of the service pipe from the property. This should only occur after a Service Order for Meter Removal has been requested as the Meter should have been removed prior to the receipt of the Abolishment or in conjunction with the Abolishment Request (Two separate Service Orders).

Ancillary non-reference services	
Out of Hours Special Reading	Request for an appointment to read a meter outside of the normal hours of service operations.
Alter Meter Position	Request for the relocation of an existing gas meter to a new position.
Same Day Premium charge	Used for jobs requested to be done on the same day. This premium is in addition to the original job charge.
Disconnect Service in Street for debt– Requiring Excavation	Request by retailer or Service Provider as a matter of safety, when disconnection of supply is intended to be longer term due to non-payment of outstanding account by consumer.
Reconnect Service in Street after payment	Request for reconnection of gas supply, previously disconnected in the street, following satisfactory payment by consumer (or other agreed arrangement).
New Standard Connection	Request for a standard connection to the gas network, otherwise quotable for non-standard.
Cross Meter Investigations	Investigation for Cross Meter enquiries - charged if not a Crossed Meter.
Downgrade Meter Size Request	Retailer requests a customer's meter to be downgraded.
Upgrade Service Request	When the increased gas load requires a larger capacity of service line to be installed.
Attend Meter Fix after Faults Rectified	Where a customer requests a meter to be connected to a property where the gas main and service pipe are already connected.
Pressure Change Request	When a customer requests a change in gas pressure and may involve a regulator.
Incomplete Meter Fix	Original Meter Fix request was unable to be completed on appointment date due to site not being ready and includes 'no access to site' or appliances not installed.
No Access (Gas Meter)	Field crew could not gain access to the property on the agreed day to perform the service.
Other Non-Reference Service	Any other non-reference service requested by the customer or retailer, and which the Service Provider agrees to provide.

3.2.2 Ancillary Reference Services

Our haulage services are supported by several commonly used ancillary reference services. These reference services also meet the reference service factors or have specifically been requested by retailers or other stakeholders to be reference services in previous periods such as the Meter Gas and Installation Test.

3.2.3 Ancillary Non-Reference Services

Our other ancillary services are classified as "non-reference" because they do not meet one or more of the reference service factors, particularly as they relate to substitutability, consistency of demand, and the practicality of allocating costs. In addition, most ancillary non-reference services have low and/or unpredictable demand.

Similarly, these services often have highly variable costs depending on the specific customer requirements. For example, the costs of altering the position of a meter will vary depending on the specific circumstances. Therefore, it is impractical to allocate these costs across the network.

The Abolishment Service is classified as non-reference. Abolishments are to be determined under a Model Standing Offer (MSO) framework consistent with the AEMC's 2025 rule determination establishing a regulatory framework for retail customer-initiated gas abolishment.

We have consolidated some non-reference services separately listed into the "other non-reference service" category because there continues to be nil or very low demand in the current AA period:

- Attend meter fix after faults are rectified,
- Cross meter investigations,
- Upgrade service request,
- Downgrade meter size, and
- Pressure change.

These services can still be requested by customers but will not be separately identified in reporting.

We also propose to continue to categorise Standard Connections as non-reference services since the new charge for this service and other Victorian energy policies will likely significantly reduce its demand over the next AA period. Classifying the service as a non-reference service also helps to ensure that pricing throughout the AA period is cost-reflective given the expected high volatility and low demand for the service.

Table 3: Proposed services for the AGN Victoria and Albury distribution network 2028/29-2032/33

Service	Description	Issues relevant to the Reference Service Factors
Haulage Reference Services		
Volume Haulage Service	The delivery of gas through an existing Volume Delivery Point (DP). A DP is a Volume DP for a given period if it is not a Demand DP.	High demand Not substitutable Predictable costs which can be reasonably allocated across users Forms the basis of regulatory proposals
Demand Haulage Service	The delivery of gas through an existing Demand DP. A DP is a Demand DP if the Quantity of Gas delivered at that DP has either: • exceeded 10 TJ in the preceding 12-month period (or, if less than 12 months of data is available, 10 TJ reduced in proportion to the period for which data is available as a proportion of 365 days); or • exceeded 10 GJ in any hour during the preceding 12 months.	High demand Not substitutable Predictable costs which can be reasonably allocated across users Forms the basis of regulatory proposals
Ancillary Reference Services		
Special Meter Reading	A meter reading for a DP and provision of the associated meter reading data, that is in addition to the scheduled meter readings that form part of the haulage reference services (Special Meter Readings will be charged in accordance with location as either metropolitan or non-metropolitan).	Annual average usage: 221,344 Annual average revenue metro: $2.7 million High demand and not substitutable (when outside scheduled readings) Fixed charge allocated to individual user

Disconnection	The use of locks or plugs at the metering installation of a domestic or commercial DP in order to prevent the withdrawal of gas at the DP.	Annual average usage: 5,658 Annual average revenue: $492,133 Moderate demand and not substitutable Fixed charge allocated to individual user
Reconnection	Action to restore the ability to withdraw gas at a DP, following an earlier disconnection (that is, the removal of any locks or plugs used to isolate supply, performance of a safety check and, where necessary, the lighting of appliances).	Annual average usage: 5,594 Annual average revenue: $566,568 Moderate demand and not substitutable Fixed charge allocated to individual user
Meter Gas and Installation Test	On-site testing to check the measurement accuracy of a metering installation and the soundness of the gas installation downstream of the metering installation.	Annual average usage: 193 Annual average revenue: $36,001 Low demand but not substitutable Fixed charge allocated to individual user
Meter Reinstallation	Reinstallation of a meter at a metering installation, performance of a safety check and the lighting of appliances where necessary.	Annual average usage: 72 Annual average revenue: $7,954 Low demand but not substitutable Fixed charge allocated to individual user
Meter Removal	Removal of a meter at a metering installation in order to prevent the withdrawal of gas at the DP.	Annual average usage: 249 (from 2023/24 only because the abolishment service has since included meter removal)

		Annual average revenue: $30,269 (from 2023/24) Low demand since the abolishment service (which includes meter removal) has been offered. Not substitutable Reference for setting the abolishment service charge Fixed charge allocated to individual user
Ancillary Non-Reference Services		
Same Day Premium Charge	Request for a service on the day of request in addition to the charge for the requested service.	Annual average usage: 448 Annual average revenue: $119,060 Low demand Substitutable with regular service Fixed charge allocated to individual user
Service Abolishment	Cut and cap of the service within the street and removal of all above ground assets (meter etc.) This service generally applies to small-scale abolishment services, which covers most residential property requests. We will ultimately determine which cessation of supply service is applicable to each DP.	Annual average usage: 2,663 (from 2023/24 when first introduced) Annual average revenue: $623,866 Moderate demand increasing with growing electrification and not substitutable Costs are relatively similar for small scale requests. Fixed charge allocated to individual user

Out of Hours Special Meter Reading	Request for an appointment to read a meter (Special Meter Reads will be charged in accordance with location as either metropolitan or non-metropolitan).	Annual average usage: 891 Annual average revenue: $30,346 Low and unpredictable demand Substitutable with regular service Fixed charge allocated to individual user
Alter Meter Position	When a customer is requesting the relocation of an existing gas meter to a new position.	Annual average usage: 413 Annual average revenue: $313,309 Low demand but not substitutable Variable costs requiring quotation
Disconnect Service in Street for debt– Requiring Excavation	Request by retailer or Service Provider as a matter of safety, when disconnection of supply is intended to be longer term due to non-payment of outstanding account by consumer.	Annual average usage: 49 Annual average revenue: $40,268 Low demand and substitutable with regular service Variable costs requiring quotation
Reconnect Service in Street after payment	Request for reconnection of gas supply, previously disconnected in the street, following satisfactory payment by consumer (or other agreed arrangement).	Annual average usage: 23 Annual average revenue: $17,948 Low demand and substitutable with regular service

New Standard Connection	When there is a new connection to the gas network and new charges apply.	Usage of 2,351 and revenue of $3.8 million in 2024/25 since the introduction of new charge in 2025 Fixed charges apply when there is a standard connection Moderate demand expected to decline over the AA period with ban on new gas connections in Victoria. Service is not substitutable.
Other Non-Reference Service	Any other non-reference service requested by the customer or retailer (such as meter upgrades), and which the Service Provider agrees to provide.	No usage or revenue reported in current AA period, but category will be used as a 'catch all' for low demand or other negotiated services not otherwise reported separately Low/unpredictable demand Variable costs requiring quotation

4. Form of Revenue Control and Tariff Structure

4.1 Form of Revenue Control

The form of revenue control determined by the AER will establish how the building block revenue will be recovered by tariffs during each AA period. AGN has historically operated under a weighted average price cap form of revenue control. Another common form of revenue control applied by regulators in Australia to electricity businesses is a revenue cap.

In our recent AA 2026/27 to 2030/31 proposal for AGN (SA) we proposed continuation of the weighted average price cap approach to apply to that network. Our customers and stakeholders indicated support for this approach. However, the AER's Final Decision was for a hybrid approach which combines elements of a revenue cap and the price cap (it applied the same decision for the Jemena Gas Network (JGN) current AA applying in NSW).

Its preferred approach applies the weighted average price cap up to a point of annual variation (from the approved allowance) of plus or minus 5%, beyond which point any variance is shared equally with customers (with price impacts then being passed on more quickly to customers).

Decisions for this mechanism assume that there is an equal risk between over and under recovery of revenue in the gas distribution markets in SA and NSW. In markets such as ACT and Victoria, gas connections and usage are restricted by energy policy settings, there is substantially more risk now of under recovery of revenue rather than over-recovery of revenue.

Ultimately, the final demand forecasts will have the greatest bearing on whether the network under or outperforms these forecasts and whether there is under or over recovery of revenue over the AA period. These are not yet known.

4.1.1 Demand Variation and Revenue Impacts

Volume forecasts are based on the best available market information at the time and are subject to close assessment by the AER. Therefore, it is reasonable to expect relative alignment between actual and forecast demand over time, but this still relies on a relatively stable and predictable market.

Further, any opportunity for AGN to outperform the demand forecasts by network growth is limited, and from 1 January 2027 effectively removed, by the energy transition and current energy policy settings in Victoria.

In the current AA period to date, haulage service revenue has been lower than forecast. In 2023/24 actual haulage service revenue was 3.6% or $9.7 million lower than forecast and in 2024/25, it was 4.3% or $11.9 million lower than forecast. We are concerned that these trends will continue and irrespective of the form of revenue control in place, this under recovery of revenue does emphasise the need for demand forecasts to be reasonable and not overstated. This will help to ensure that there is predictability in pricing and

sufficient revenue capacity to continue to operate and maintain a safe and reliable network.

4.1.2 Price Cap and Revenue Cap Form of Controls

A price-cap framework limits the average movement in tariffs from year to year, with the business retaining exposure to volume risk. This approach has historically supported tariff stability for customers within an AA period. With a price-cap approach, tariffs can still be reset at the start of the new regulatory period with proper consideration of demand factors, trends and risks, and of efficient investment and operational needs for the network, rather than occurring in isolation in response to short-term events. The reset effectively provides for a rebalancing of risks between the customers and our business each period without placing the risk of price volatility onto our customers within the five years.

By contrast, a revenue-cap framework ensures recovery of the AER-approved revenue but passes any variation in actual volumes directly through to customers, which can lead to greater year-to-year tariff volatility. Given the variability in gas demand, particularly due to weather, shifting to a revenue cap would transfer volume risk to customers and increase the likelihood of price fluctuations.

While these considerations have traditionally favoured the continued use of a price-cap approach, the regulatory context has evolved. In particular, the AER's recent decisions for gas distribution businesses underline its preference for the hybrid mechanisms that blend elements of both price-cap and revenue-cap controls. We have also highlighted how with energy transition under way, the demand risk is now more on the downside in the next AA period, especially since there are restrictions in Victoria on gas connections and gas appliances, to accelerate growing electrification trends. Therefore, there is a greater risk that the revenue earned by AGN will fall short of requirements to maintain a safe and reliable network unless there are appropriate demand forecasts and controls in place.

4.1.3 Hybrid Approach

The alternative to the price or revenue cap for revenue control is a hybrid approach between the two. Hybrid tariff variation mechanisms combine two or more of the mechanisms above which typically involve a proportion of revenue that is fixed and a proportion that varies according to one or more pre-determined parameters, such as revenue or volume thresholds.

A hybrid mechanism forming part of a price cap form of control can incorporate a 'cap and collar' approach whereby incremental variations to revenues demanded from the AER-approved forecast level in any one year, past a certain point can be passed on to customers directly in the next or a later year. This would occur through the annual tariff variation mechanism.

Should demand be substantially higher than forecast, consumers will benefit from an incremental adjustment to tariffs in the next year or two or more years after. On the

other hand, should demand be much lower than forecast, consumers will face higher tariffs than they otherwise would in the next or subsequent year.

Consistent with the AER's decisions for JGN and AGN (SA) we have proposed a hybrid mechanism for revenue control for AGN in the next AA period.

The AER-preferred approach applies a weighted average price cap up until a threshold of plus or minus 5% variation in haulage service revenue (from the allowance), beyond which variance is then shared equally with customers (on a 50:50 basis) through adjustments to the tariffs in subsequent periods. It incorporates a two-year lag before revenue adjustments flow through to tariffs through the tariff variation mechanism. We propose this approach as placeholder in our RSP.

Consistent with stakeholder feedback, we propose that further consideration is given to the elements of the mechanism, including the threshold level (5%) and whether there is any sharing with customers of the variations beyond the threshold, in the context of the demand forecasts, before the Final Decision. This will enable proper consideration of the balance of risk for AGN between ensuring price stability for customers and having a reasonable opportunity to recover our efficient costs.

4.2 Tariff Structure

4.2.1 Declining Block Tariffs

AGN currently has a declining block tariff structure, as shown below in Table 4 for two of our main tariff categories (Tariff V – for Volume Customers; both Residential and Commercial, and Tariff D – for Demand Customers). The tariff examples provided are shown for 'Central Zone' customers from 1 July 2025 to 30 June 2026.

We propose to maintain this structure for the next AA, subject to further engagement with stakeholders.

The forecast price levels will be determined by AGN's expenditure requirements and other modelling parameters as our plans are developed and engaged upon.

At this stage, we do not consider that our modelled emission reduction impacts warrant any tariff structure change on the basis of meeting the emission and abatement objectives of the NGO.

Table 4: Residential, Commercial and Industrial Tariffs

Tariff V - AGN Residential Central zone (Volume Haulage Service – Charges per Network Day excl. GST)	
Consumption Range (GJ/Day)	($/GJ)
Fixed Charge	$ 0.2141
First 0.0274 GJ	$ 15.5180
Next 0.0219 GJ	$ 8.7021
Additional GJ	$ 3.9727

Tariff V – AGN Non-Residential Central zone (Volume Haulage Service – Charges per Network Day excl. GST)	
Fixed Charge	$ 0.2141
First 0.05 GJ	$ 10.9529
Next 0.50 GJ	$ 4.5285
Next 0.82 GJ	$ 3.1279
Additional GJ	$ 1.2632

Tariff D – AGN Central zone (Demand Haulage Service – Annual Charges excl. GST)	
Annual MHQ (GJ/hr)	($/MHQ)
First 10 GJ	$ 1,711.1775
Next 40 GJ	$ 1,046.1043
Additional GJ	$ 191.0401

4.2.2 Benefits of Declining Block Tariffs

Our declining block tariffs represent a form of efficient non-linear pricing. That is, by charging a lower price for higher volume gas distribution, we ensure that demand is not zero, and so we are able to spread our fixed costs over more demand. This lowers prices for all customers.

In addition, our tariff bands were initially structured such that most space heating demand occurs in the highest (lowest-priced) band for many of our customers.

This was so our tariff structure would have the practical effect of smoothing bills through the year, making them higher in summer than they would be under a flat or inclining block tariff and lower in winter. This is particularly important for many Victorian customers who rely heavily on gas heating in winter.

4.2.3 Impact of flat tariffs

Flat tariffs involve charging customers the same price for a unit of gas regardless of how much gas is distributed to them. When compared with declining block tariffs, this is a less efficient approach to pricing the cost of a gas distribution network than declining block tariffs as there is a very high fixed cost and very low marginal cost of supply.

A flattening of tariffs which involves combining usage blocks and/or reducing the difference between prices for usage blocks would generally reduce the charges by a small amount for a large segment of 'lower' usage customers and increase the charges by a higher amount for a smaller segment of 'higher' usage customers. This is shown in Figure 3 below with around 27% of the residential customer base (in the Metro zone) consuming 45 GJ or more gas yearly and expected to experience an increase in charges from a shift from declining block tariffs to flat tariffs. The increase in this segment's charges compares with the smaller reduction in annual charges for up to 73% of customers consuming less than 45 GJ. Therefore, assuming these charges are passed on proportionally (which we argue in the next section is unlikely to be the case) the main outcome from flattening tariffs is a redistribution of costs among the customer base.

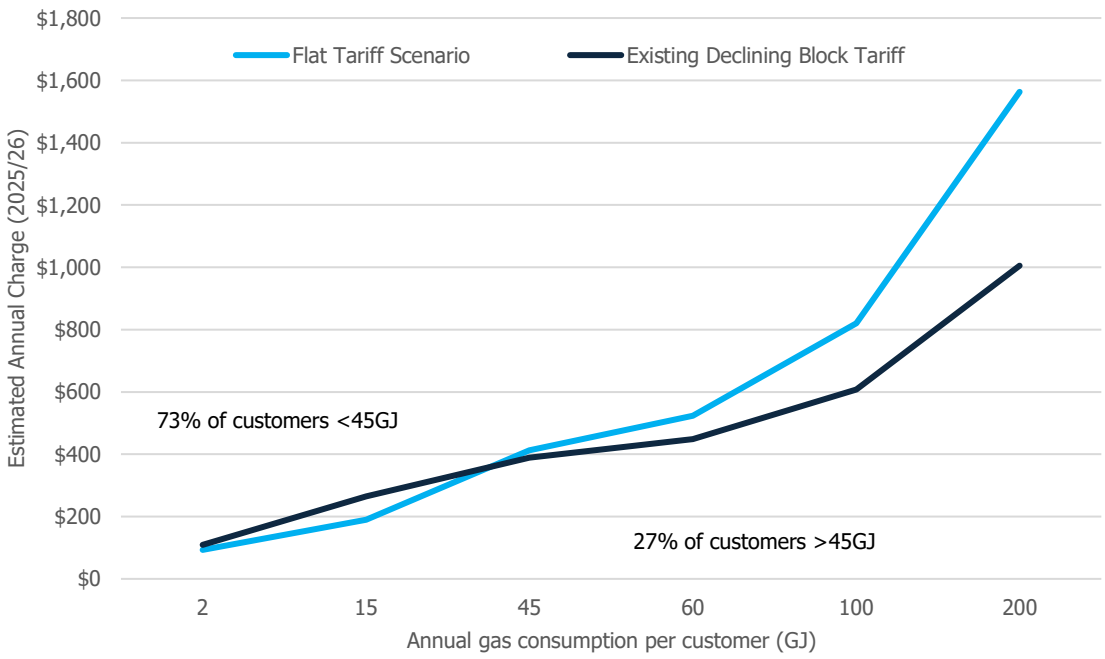
The extent of the changes in customer charges and how many customers are impacted positively or negatively depends on the extent of flattening proposed and the overall price changes involved.

The distribution and quantum of the impacts for commercial and industrial customers will be different to residential customers, and this also needs to be considered. This was explained in the recent review for AGN SA, which demonstrated how some customers' business viability could be adversely affected by flat tariff changes.

Notwithstanding that the charges are unlikely to be passed on proportionally given the different retail charging structures currently in the market (as discussed in the next section), without the overall price changes attached to our revenue proposal, these impacts cannot be reasonably estimated for the AA period at this stage.

We are further concerned that shifting to flatter tariffs could reduce the efficiency gains for our customers, thus potentially increasing the average price across all customers.

Figure 3: Estimated Annual Residential Charge (Central zone) by Usage Level with Declining Block Tariffs and Flat Tariffs



4.2.4 Retail Tariffs

While we apply tariff structures for use of our distribution network, retailers have their own tariff structures when charging households and businesses for gas usage. These structures reflect the retailers' costs they need to recover, and their own risks and incentives.

Our distribution charges for AGN will typically make up around 20 to 25% of a retailer's bill for customers in Victoria.

AGN residential and commercial customers are, however, not exposed to the AGN tariffs directly and are only billed the retail tariffs. There are a range of retail tariff structures for gas in the Victorian market, including relatively flat structures at the most common usage levels. Figure 4 compares the AGN variable tariffs for residential customers with those of the three largest retailers in the Victorian market (together accounting for more than 75% market share). Figure 5 shows the same but for commercial customers.

These comparisons demonstrate that there is no clear relationship between the structure of AGN's tariffs and most retailers' usage charges which reflect customers' bills; and the AGN charges are only a small share of the total charges at various usage levels.

Without any clear relationship between the tariff structures, there will be limited predictable changes to customer usage behavior from a change in the AGN tariff structure.

Therefore, we do not consider that there is material enough emission reduction benefits from a flatter structure due to customers being incentivised to use less gas.

Figure 4: Residential tariff structures of AGN (Central zone) and three largest retailers

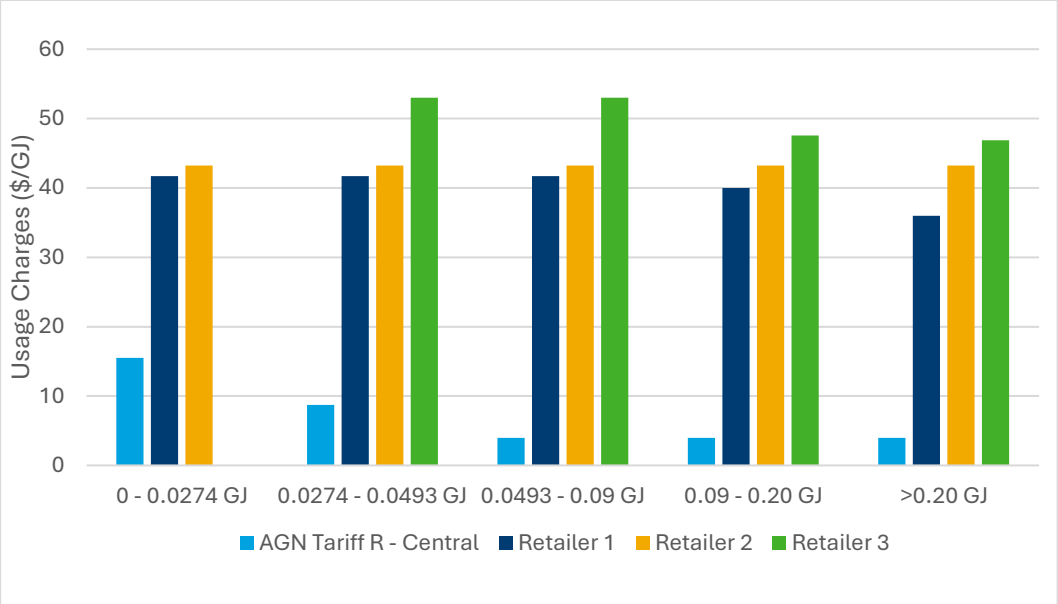
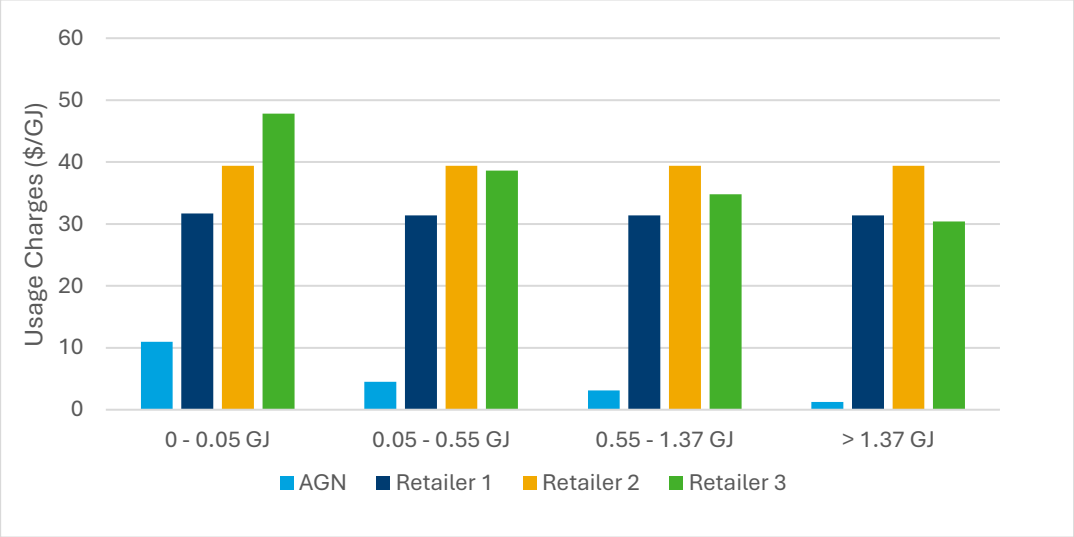


Figure 5: Commercial tariff structures of AGN (Central zone) and three largest retailers



4.2.5 Emission reduction impacts of flatter tariffs

Our modelling of emission reduction impacts for AGN further demonstrates that there are no material benefits from tariff change, even if some of the 'flattening' was passed on in retail charges.

In our RSP for the AGN SA AA period commencing 1 July 2026, we presented our modelling of the emission reduction impacts of a change to flat tariffs if these changes were entirely passed on by retailers. We found that there would only be a small reduction in demand (around 2%) from shifting to completely flat tariffs. Our similar but updated modelling assumptions for AGN are summarised in Box 1.

Box 1: Key assumptions in modelling of emission reduction impacts from AGN tariff structure

- Volumes are based on 2024/25 actual volumes demanded in each tariff block.
- AGN tariffs are the existing haulage rates for 'Central Zone' customers from 1 July 2025.
- Revenue is the same after accounting for reduced volumes, because of the price elasticity and appliance switching impacts.
- There is no change to the fixed charge (when adjusting for lower volumes and the impact on the fixed charge is negligible from the assumed change in net connections).
- The representative retail prices (from which price elasticity impacts have been estimated) are the current (2025/26) basic rates for each of the four largest gas retailers in Victoria.
- The retailer's pricing structure is assumed to be flat from the change.
- The price elasticity of demand (which represent the proportional percentage change in the quantity (or volume of gas) demanded for a percentage change in price) is assumed to be -0.1 consistent with AEMO's 'Step Change' (or midpoint) scenario assumption in its most recent demand forecasting paper (AEMO, Gas Demand Forecasting Methodology Information Paper, March 2025, p. 13).
- The volumes demanded are assumed to be impacted by lower connections over time due to consumers switching from gas to electric appliances (for cooking, hot water or space heating). In this step, we assumed that one fifteenth of the customer base is ready for appliance renewal each year. We used a simulation model to estimate the probability of conversion to electric appliances based on the net present value of relative gas and electric consumption and installation costs in the near term. We then converted a set of randomly generated price changes to calculate an average elasticity factor. This factor represents the additional change in net gas connections (and subsequent change in gas volume) from a price change.

One of the main assumptions in our impact modelling for the AGN SA network was a price elasticity of demand factor of -0.3 for residential customers and -0.35 for commercial customers (based on a previous forecast by Core for that network).[14] However, more recent forecasts by AEMO have indicated that the price elasticity of demand for gas is lower at around - 0.1. Applying this elasticity factor to the AGN network and associated retail charges in our model would result in a 0.15% reduction in demand for residential customers on average and a 0.07% reduction for commercial customers on average. These results indicate that the extent of demand change is very small even with the assumption that the change in AGN tariffs would be passed on in full by wholly flat retail tariffs. The actual impact is therefore likely to be even less material than this.

In our view, these impacts are not material enough to warrant any further investigation of tariff change for emission reduction or abatement requirements.

Stakeholder feedback informing this RSP has also acknowledged this position, noting that the AER has not yet established an evidence base for its flat tariff policy.[15] The consensus is that there's a need for further consideration of tariff structure and customer impacts at the broader AA planning stage in the context of the overall price changes.

4.2.6 AEMC directions for tariff setting

The Australian Energy Market Commission (AEMC) in its 'Gas Networks in Transition' Directions Paper recently proposed tariff setting as one key area of reform where economic efficiency should still be the primary focus but with the impact of different arrangements on customer consumption and investment decisions over the longer term (20 years) also considered.[16]

It stated how the:

> *… the current analysis could be strengthened to require service providers and the regulator to demonstrate how they have taken a longer term and more holistic view on how the demand related risks for gas consumers and service providers should be managed across the entirety of the AA (including capital cost recovery, expenditure and reference tariffs).*[17]

Our plan to consider the impacts from different tariff options on customers in the next AA period and beyond as part of the long-term modelling underpinning the revenue and pricing proposal for AGN is consistent with this more integrative approach.

[14] AGN, SA Gas Access Arrangement 2022-2026, *Attachment 12.1 Core Energy. Demand Forecasting Report - SA Final Plan July 2021 – June 2026*, Final Report, July 2020.

[15] This applies to its reviews related to tariff structure to date (such as for AGN SA and JGN, as cited.) Source: Stakeholder Panel Session, 1 May 2026.

[16] AEMC, *Directions Paper - National Gas Amendment (Gas Networks in Transition) Rule* , p iv.

[17] Ibid, p 18.

5. Conclusion

Our *Reference Service Proposal, Form of Revenue Control and Tariff Structure* has been prepared to ensure our plans are developed based on services appropriate to our customers' needs and to meet the new requirements of the AER.

We offer several pipeline services to meet our customers' needs, including reference services for haulage and ancillary purposes.

For the next AA period, we are proposing to largely maintain the same suite of reference services and the same tariff structure (with a fixed charge and declining price usage blocks).

However, we are proposing to change the form of revenue control to adopt a hybrid mechanism, consistent with the AER-preferred approach. We are also proposing to reconsider the parameters of the hybrid mechanism, as well as the tariff structure, in the context of the broader revenue and pricing proposal for AGN.

Our proposal incorporates consideration of stakeholder and customer feedback on all issues, and we have reasonable support for each of our proposed approaches at this stage.