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**AER consideration of capital expenditure sharing schemes for gas distribution networks**

Dear Stakeholder

On 23 September 2016, Farrier Swier Consulting published its findings report on the outcome of its stakeholder consultation on potential changes to incentive mechanisms for the Victorian gas distribution businesses. As a stakeholder invited to the joint stakeholder workshop, you may be interested in our analysis of the issues related to implementing incentive schemes for capital expenditure for gas distribution.

We have included an attachment to this email. This attachment informs stakeholders of the issues we consider are important in deciding whether we will implement a capital expenditure sharing scheme (CESS). At this stage we have not formed a view on whether or not a CESS should be adopted in gas distribution.

Australian Gas Networks has noted in its draft plan for its 2018-22 access arrangement that it will seek to include changes to incentive mechanisms within its access arrangement and other Victorian gas distribution businesses may also do so. We welcome you to submit on these issues as part of our consultation process for the Victorian gas distribution businesses' 2018-22 gas access arrangement period. This process will commence in January 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Roberts', is written over a light grey signature line.

Mr Sebastian Roberts  
General Manager  
Network Regulation