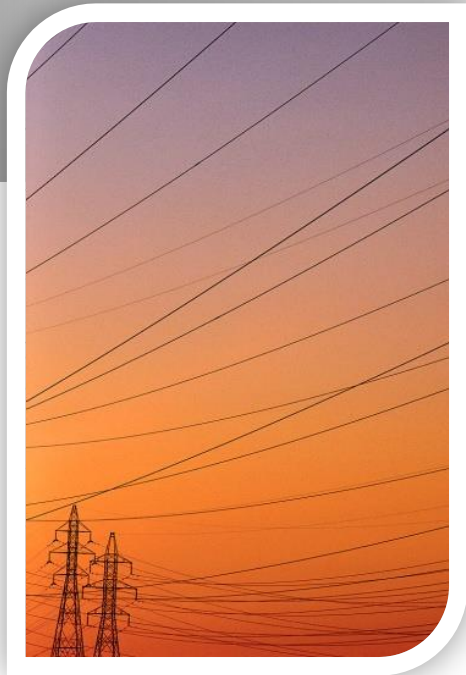


# Australian Energy Regulator



**Australian Gas Networks**

**Access arrangement revision proposal 2016-21**

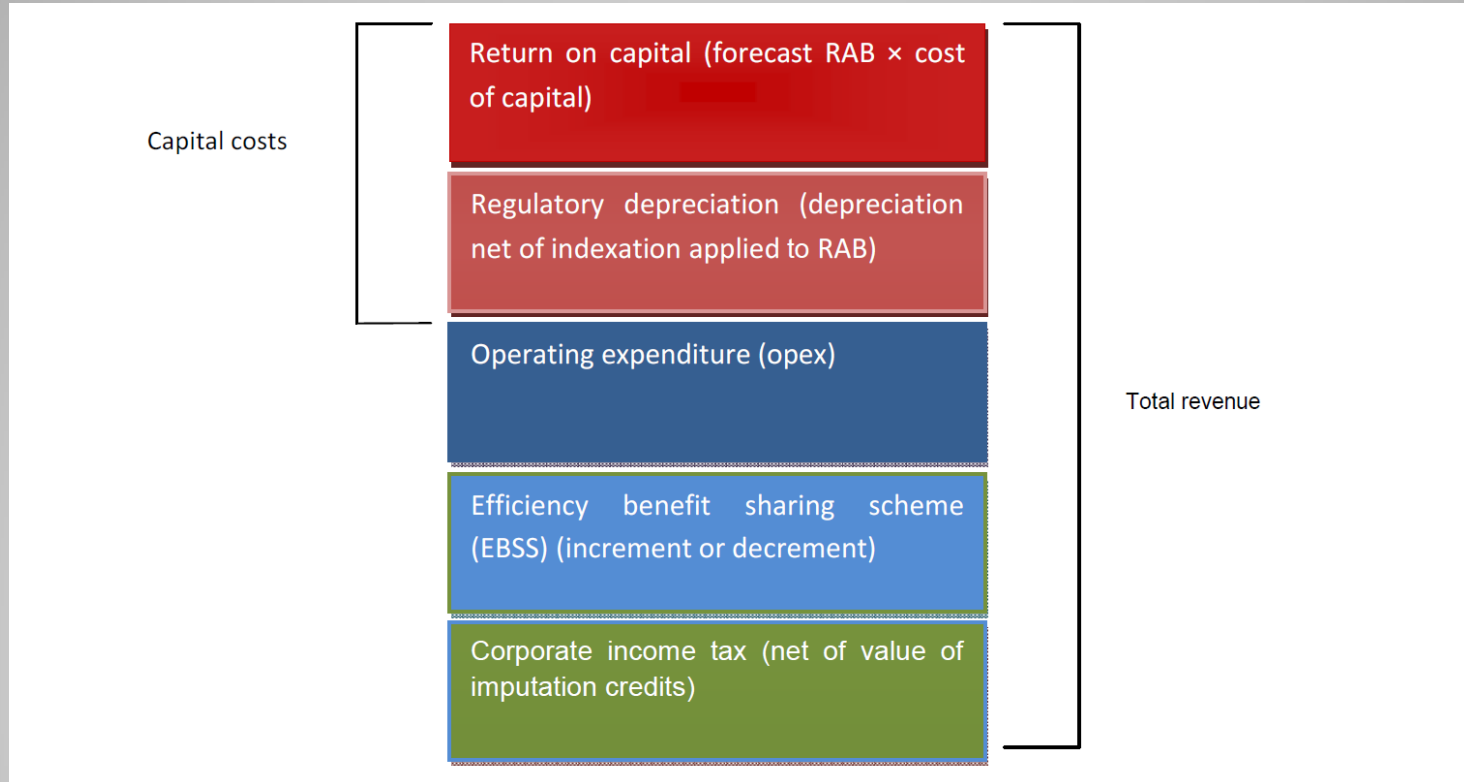
**Presentation to stakeholders  
27 July 2015**

# Timelines for review

Milestone	Date
Proposal published	10 July 2015
Submissions on proposal	10 August 2015
Draft decision	November 2015
Revised proposal	6 January 2016
Submissions on draft decision, revised proposal	10 February 2016
Final decision	April 2016
Approved access arrangement commences	1 July 2016

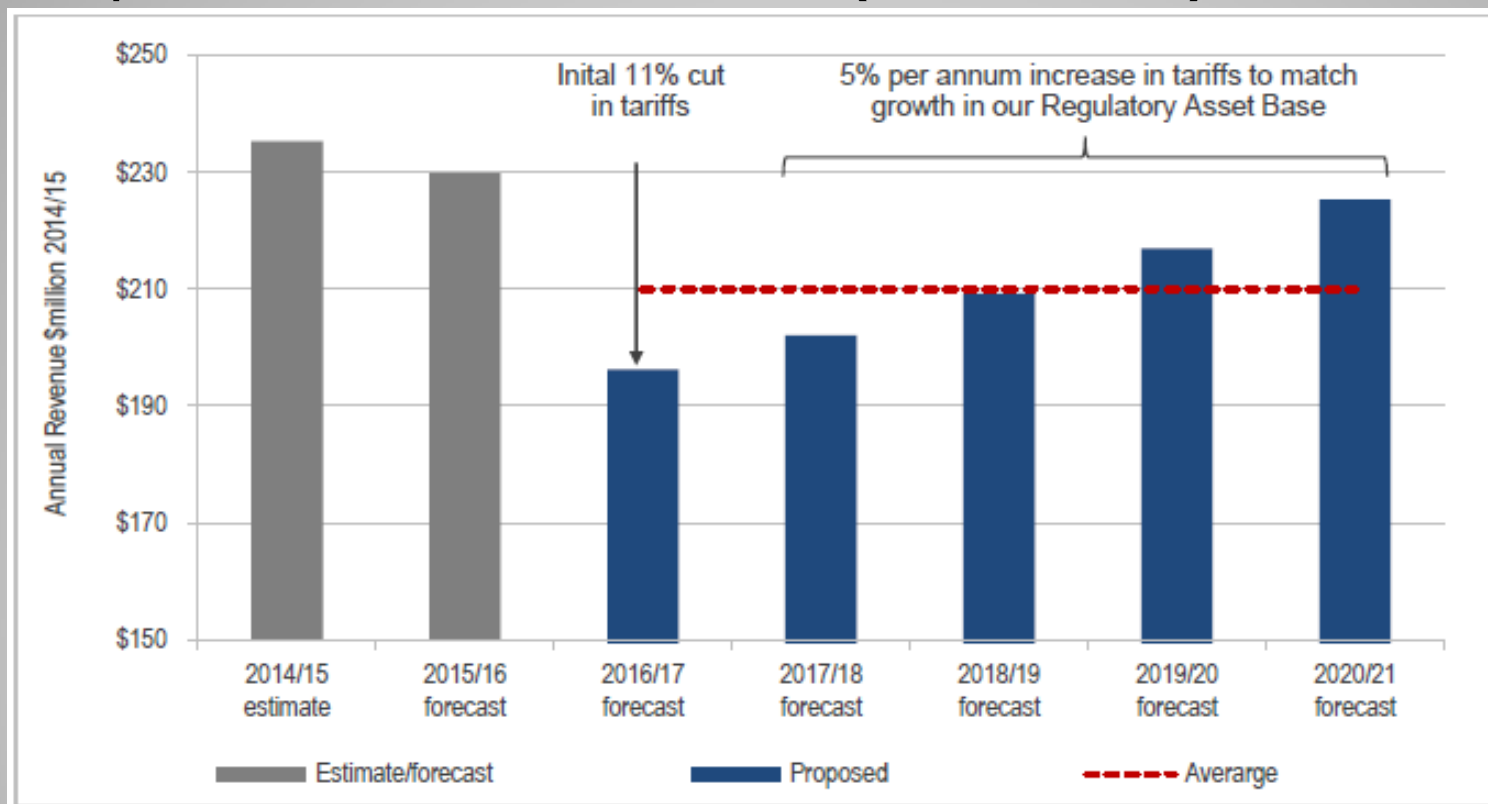
# Overview of the proposal

- Building block approach to the forecast revenue requirement:



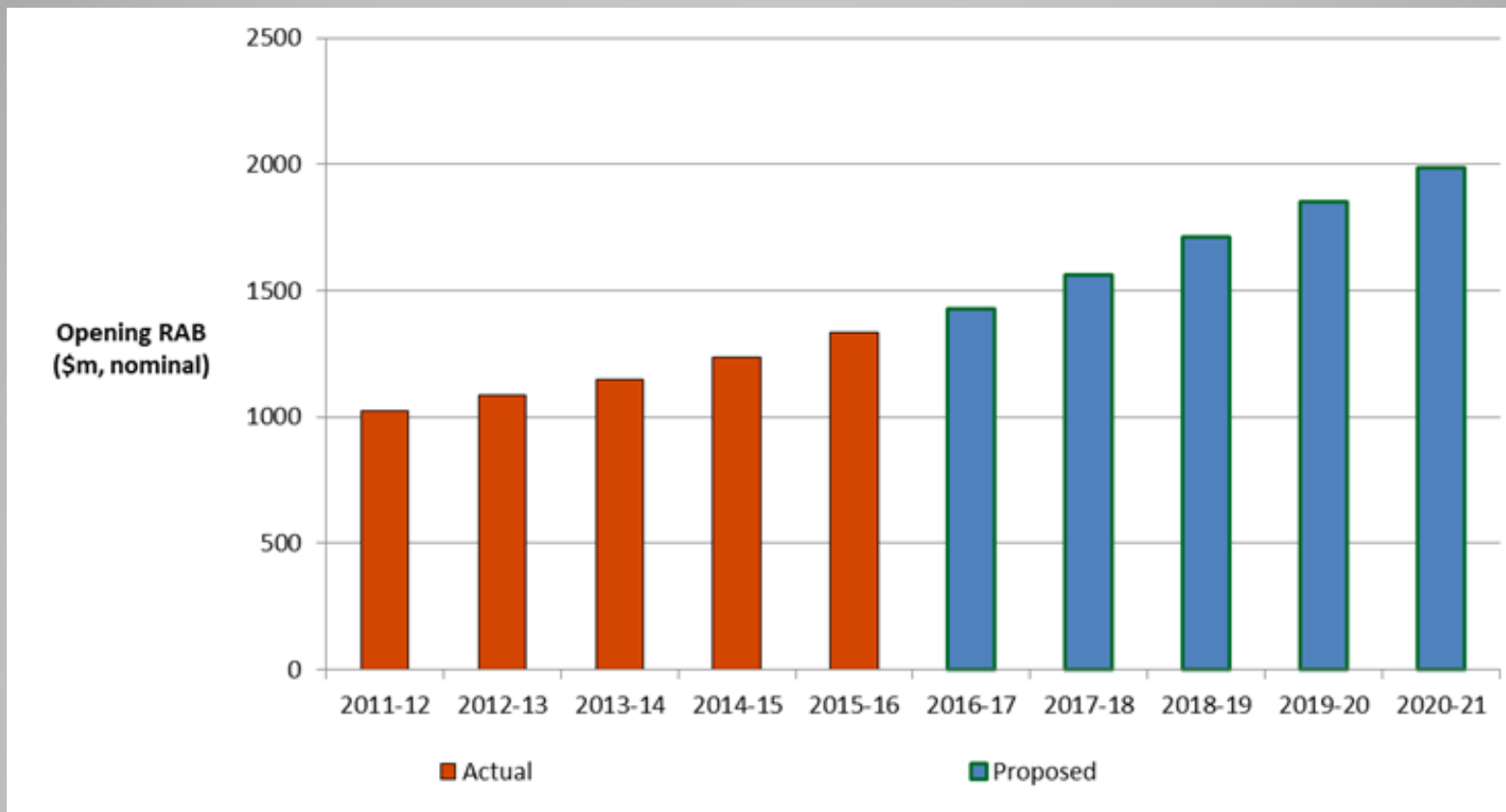
# Forecast revenue requirement

Proposed annual revenue (\$2014/15)



(AGN Access Arrangement Information, July 2015, p. 11)

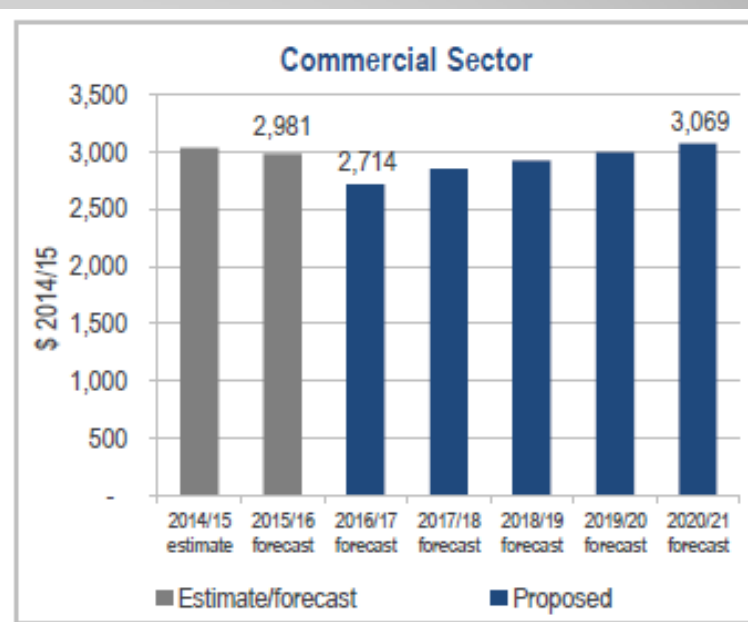
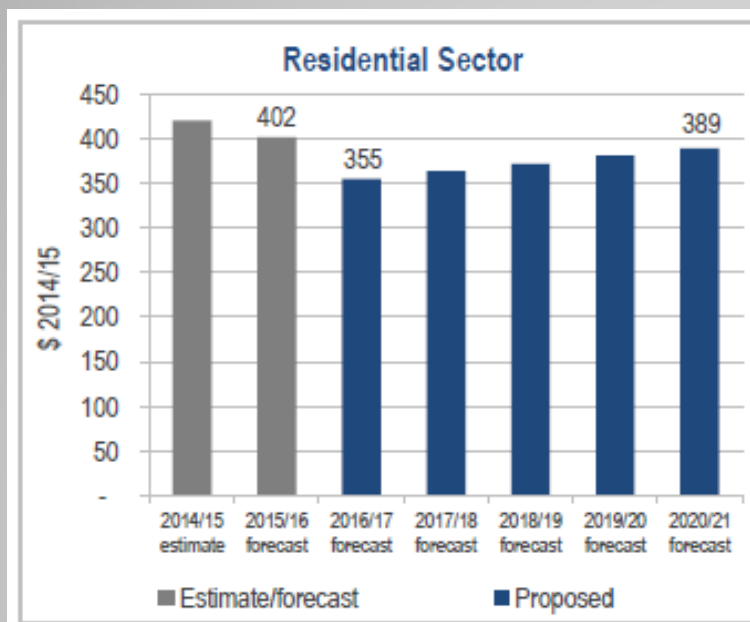
# Regulatory asset base (RAB)



(Data source: AGN PTRM, July 2015)

# Price path

Impact on average distribution charge (revenue per customer)



(AGN Access Arrangement Information, July 2015, p. 11)

# Rate of return, gamma

	<b>AGN's current AA</b>	<b>AGN's proposal</b>	<b>Recent AER decisions (April/June)</b>
Rate of Return	10.28	7.23	5.41-6.84
Value of imputation credits (gamma)	0.25	0.25	0.4

# Consumer engagement

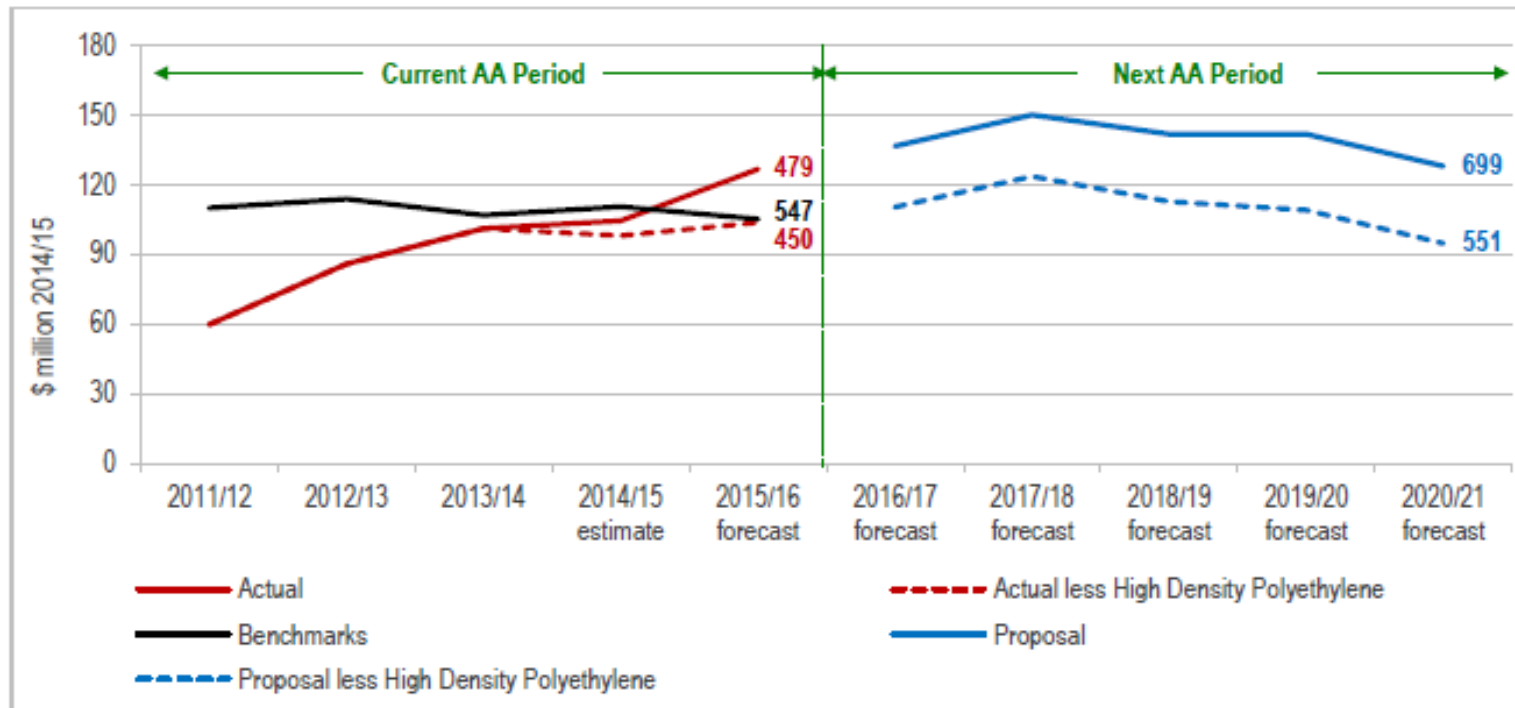
AGN consumer engagement outcomes:

- **Include** – stakeholders want AGN to involve and include them by increasing the transparency of our operations, which will assist stakeholders to make more informed (and hence better) decisions regarding their energy supply;
- **Maintain** – stakeholders value our high reliability and want us to keep providing the same (as a minimum) service levels;
- **Improve** – stakeholders want AGN to explore ways that service can be improved, particularly as it relates to network safety; and
- **Be efficient** – stakeholders are concerned with rising living costs and want AGN to promote efficient price outcomes for consumers of natural gas.



# Capital expenditure

FIGURE 5: CURRENT AND NEXT AA PERIOD CAPEX

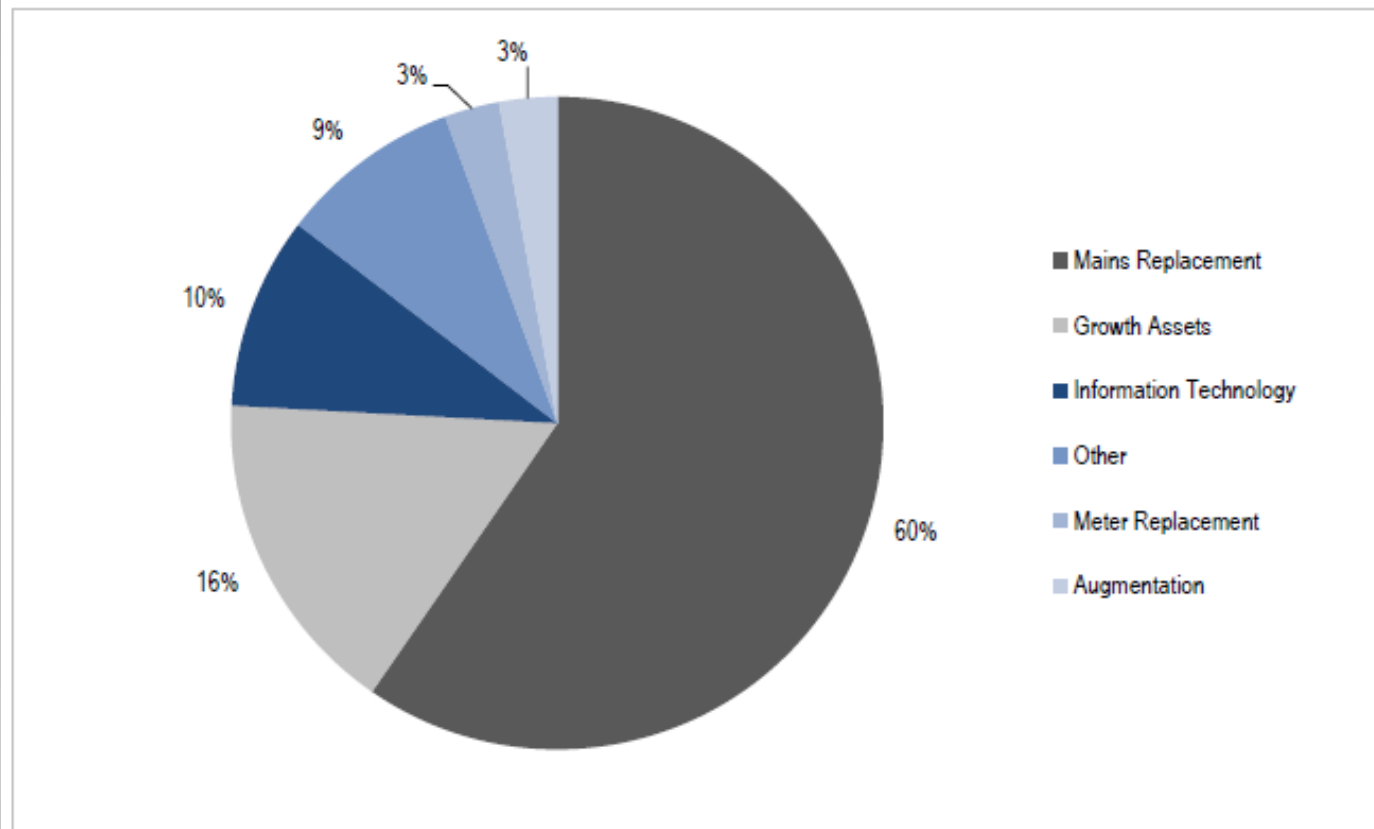


Note: Prior to 2013/14 "Actual less High Density Polyethylene" is equal to "Actual". This reflects that the program to replace the High Density Polyethylene mains commenced part way through the Current AA Period.

AGN Access Arrangement Information, July 2015, p. 9.

# Capital expenditure

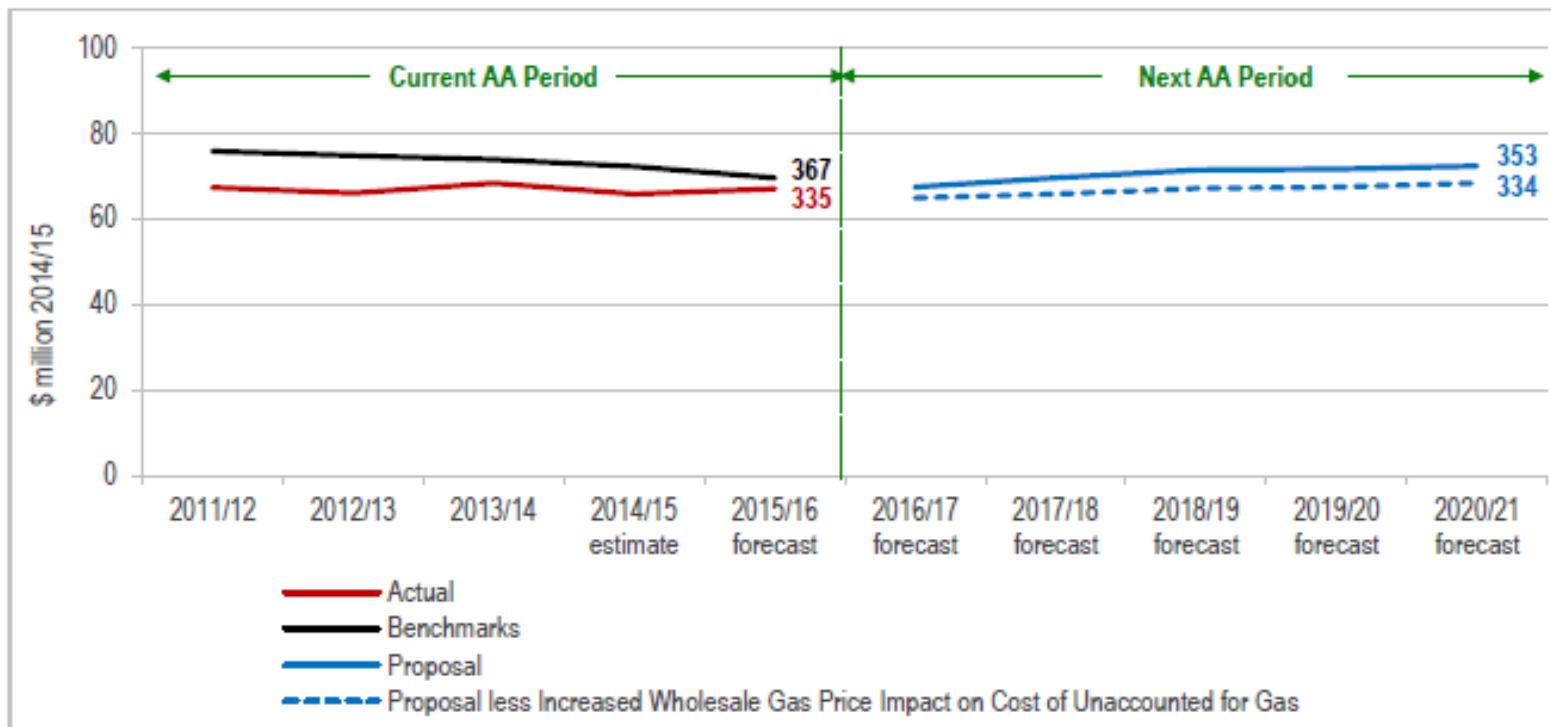
FIGURE 8.3: FORECAST CAPITAL EXPENDITURE (INCLUDING COST ESCALATION AND OVERHEADS)



*Note: Totals may not add due to rounding.*

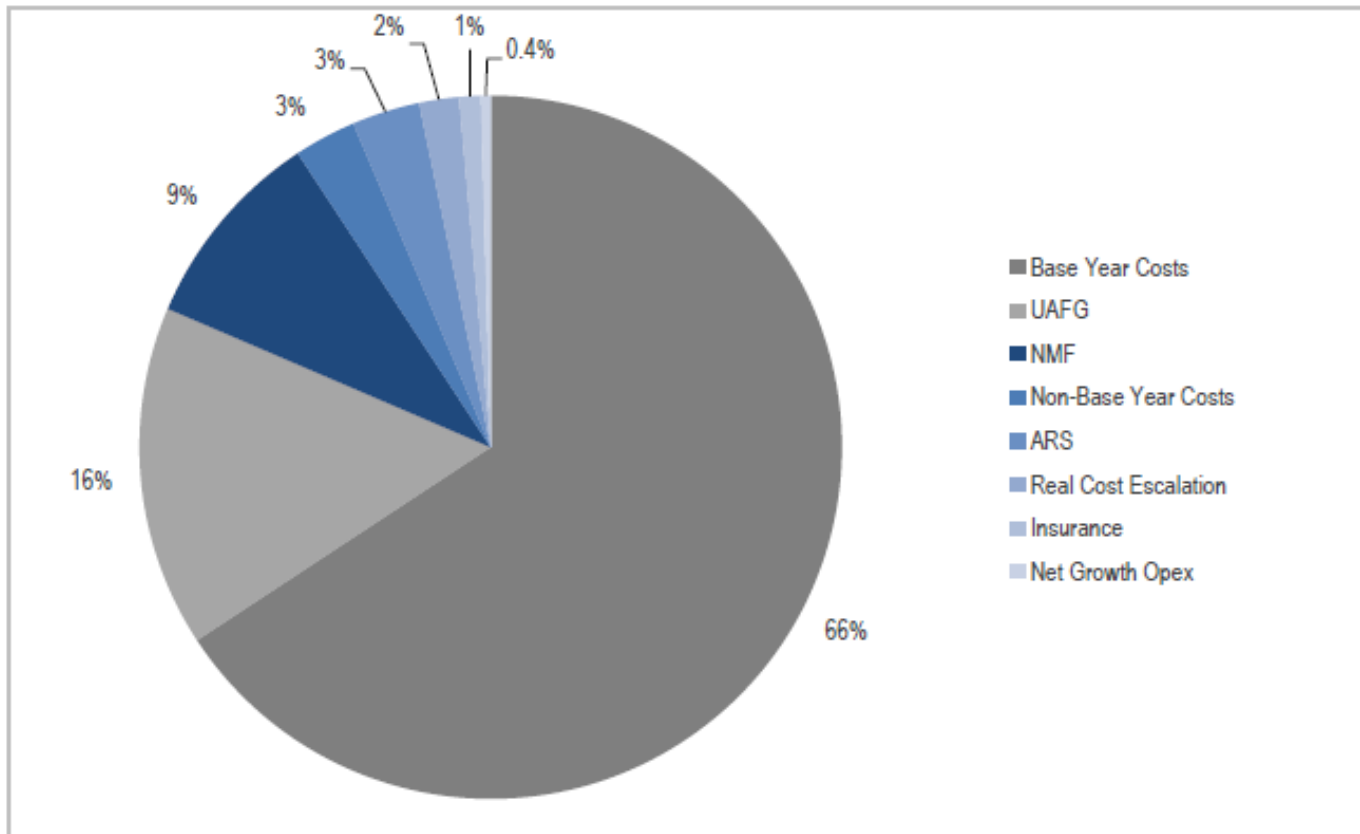
# Operating expenditure

FIGURE 4: CURRENT AND NEXT AA PERIOD OPEX



# Operating expenditure

FIGURE 7.3: COMPOSITION OF OPEX FORECAST



*Note: Totals may not add due to rounding.*

# Other elements of the proposal

- Demand
- New incentive schemes
  - Customer service incentive scheme
  - Network innovation scheme
- Terms and conditions

# Where to from here?

- Our process from now to the draft decision
- Opportunities after the draft decision
- Information on our website:  
<http://www.aer.gov.au/node/33310>
- How to get in touch with us:
  - [AGN2015GAAR@aer.gov.au](mailto:AGN2015GAAR@aer.gov.au)