

Victorian Gas Distribution Access Arrangement Proposals 2023–28

Public forum
20 September 2022

Agenda

| Time (AEDT) | |
|---------------|---|
| 10:00 – 10:05 | Welcome and introductions |
| 10:05 – 10:20 | AER: Initial observations and context |
| 10:20 – 11.00 | Consumer Challenge Panel (CCP28): consumer engagement Q&A |
| 11.00 – 11.15 | Department of Environment, Land, Water and Planning |
| 11.15-11.25 | Brotherhood of St Laurence |
| 11.25 – 11.45 | Next steps: AusNet, AGN and Multinet |
| 11:45 – 11:55 | Open discussion |
| 11:55 – 12:00 | AER: Next steps and closing |

Regulating gas pipelines under uncertainty



- Net zero emissions by 2050
- 2022 Gas Statement of Opportunities:
 - Progressive Change vs Step Change: no central demand scenario
 - Need for clear drivers in policy
- Victorian Gas Substitution Roadmap
 - Published after proposals lodged
 - Changes to our timelines to deal with this
- Consumer preferences are central to how we consider the risk that flows from uncertainty

What we're seeing in these proposals

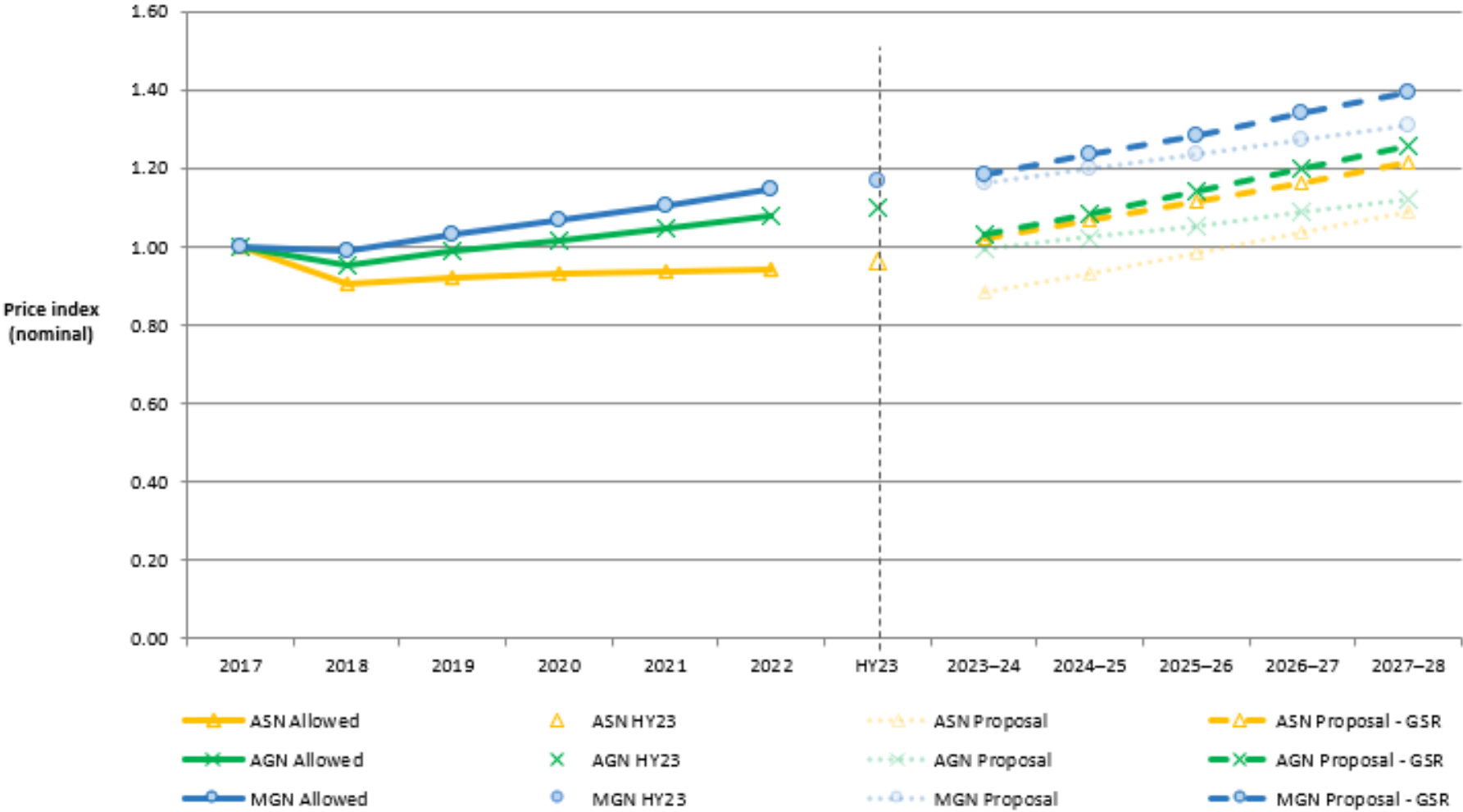
Key changes from the Roadmap

- Victorian Energy Upgrades (VEU) program: new incentives to electrify, fewer incentives to choose/stay with gas.
- Planning system changes: make clear that connection to the gas network is a choice and not compulsory.
- National Construction Code: proposed increases to efficiency standards for new homes, including increasing building efficiency from 6 to 7 stars and strengthening standards for fixed appliances (heating, cooling, hot water, lighting).

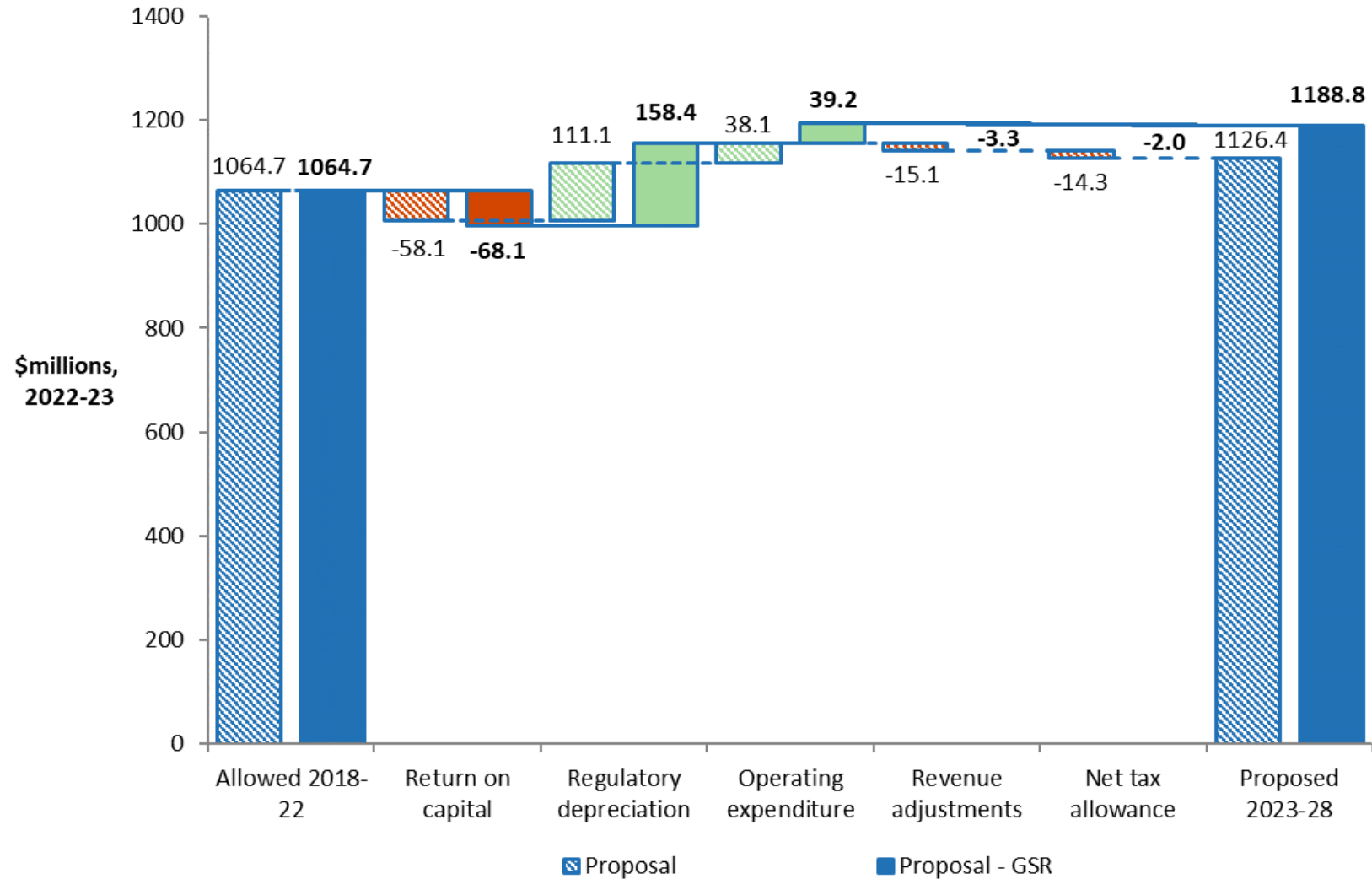
In the proposals:

- A revised take on demand: more pessimistic than Progressive Change, but still not Step Change.
- A resultant shift in expenditure:
 - growth driven expenditure is lower but still a significant contributor
 - suggestion that room for productivity gains is lost
 - but much of expenditure unaffected.
- Faster acceleration of depreciation.
- Add economic environment (inflation, risk free rate).
- Are other things genuinely not impacted?

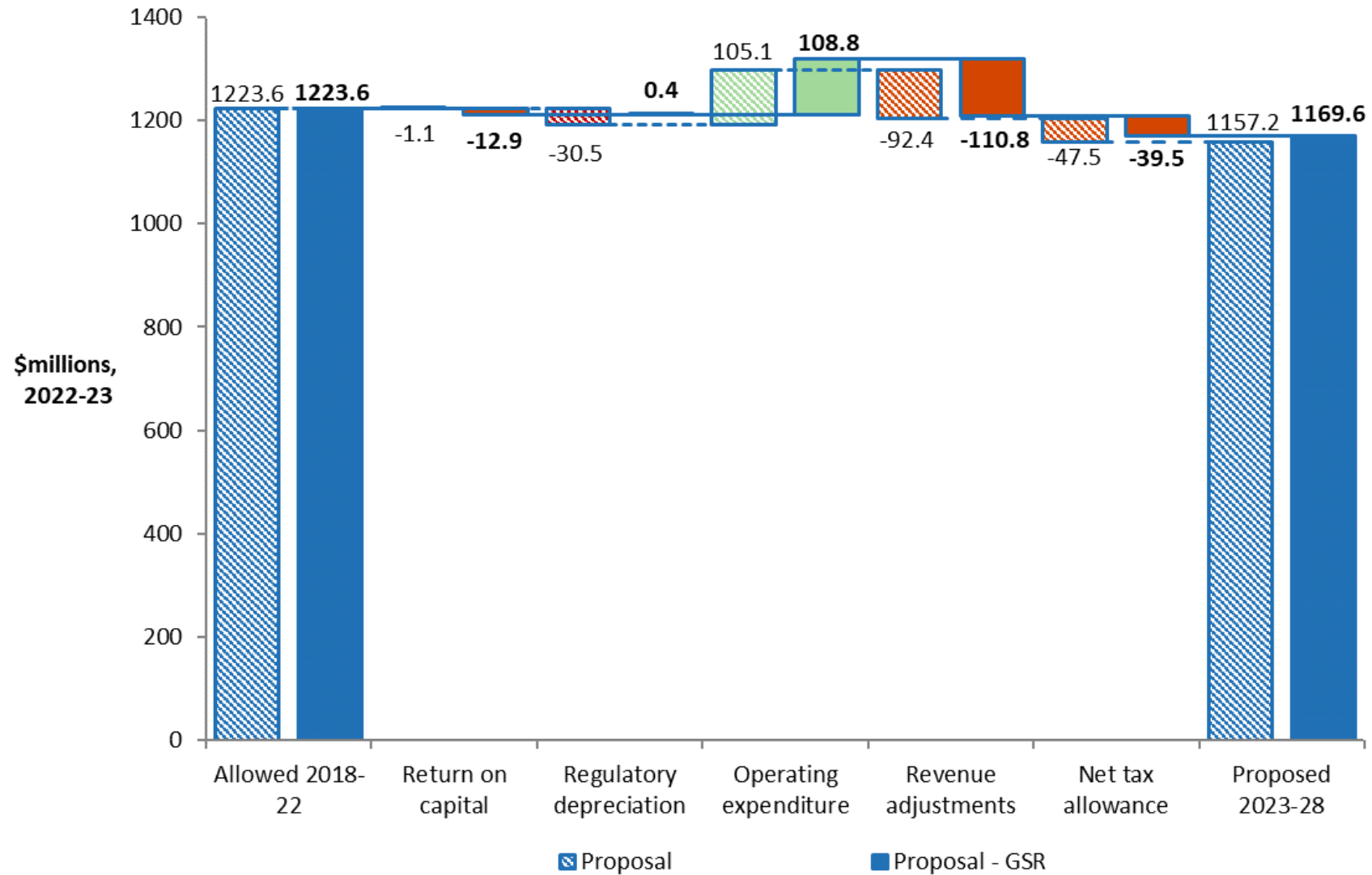
Nominal price path index 2018-22 to 2023-28



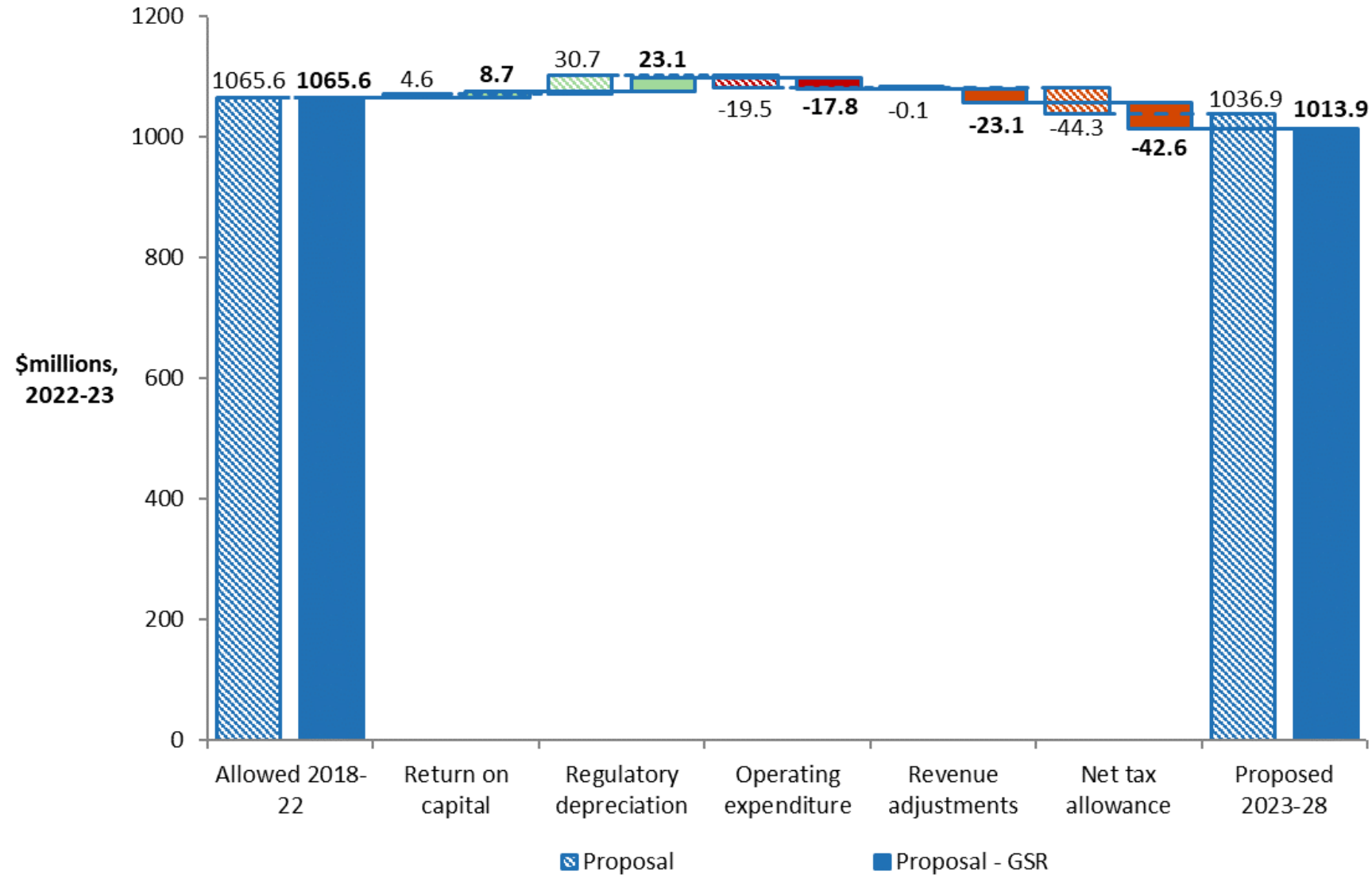
AusNet – drivers of change in revenue 2018-22 to 2023-28



AGN – drivers of change in revenue 2018-22 to 2023-28



MGN – drivers of change in revenue 2018-22 to 2023-28



Questions?



Next steps



| Milestone | Date |
|--|---------------------------|
| Initial and updated proposals from AusNet, AGN and MGN | 1 July / 2 September 2022 |
| Public forum on the proposals | 20 September 2022 |
| Submissions close on the proposals | 30 September 2022 |
| AER publishes its draft decisions (and final decisions on the 6-months extension period) | December 2022 |
| AusNet, AGN and MGN submit revised proposals | January 2023 |
| Submissions close on the AER's draft decisions and the revised proposals | February 2023 |
| AER publishes its final decisions | April 2023 |

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