

Attachment 1.8A

Response to Draft Decision: Confidentiality Claims

2016/17 to 2020/21 Access Arrangement Information Response to Draft Decision



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1 Introduction

Australian Gas Networks (AGN) has developed its Revised Access Arrangement (AA) Proposal (Revised AA Proposal) for its South Australian natural gas distribution network (the Network) having regard to the Australian Energy Regulator's (AER's) Confidentiality Guideline (the Guideline)¹.

Consistent with this Guideline, AGN has relied on as little confidential information in its Revised AA Proposal as possible, however, at times it was necessary to call upon commercial and customer sensitive information to ensure the robustness of our Revised AA Proposal. In these circumstances, AGN has marked confidential information:

- in documents by redacting confidential information using black highlights; and
- in spreadsheets by marking confidential information with the formatting "[c-i-c]".

At times it was also necessary to make entire documents or models confidential.

Section 2 of this Attachment summarises all confidentiality claims made by AGN in relation to this Revised AA Proposal. For comprehensiveness, only the documents and models provided to the AER with our Revised AA Proposal on 6 January 2016 have been included in the remaining sections of this Attachment.

As outlined in Section 3, overall, only 123 pages (or 5.8% of the total Revised AA Proposal) contains confidential information.

AGN confirms that we consent to all non-confidential information being disclosed on the AER's website.

AER, "Confidentiality Guideline" November 2013, http://www.aer.gov.au/system/files/AER%20Confidentiality%20guideline%20-%20November%202013.pdf.

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Confidentiality Claims

TABLE 1: CONFIDENTIALITY CLAIMS FOR AGN'S REVISED AA PROPOSAL

Title, Page and Paragraph Number of Document Containing the Confidential Information	Description of the Confidential Information	Topic the Confidential Information Relates to	Identify the Recognised Confidentiality Category that the Confidential Information Falls Within	Provide a Brief Explanation of why the Confidential Information Falls into the Selected Category	Specify Reasons Supporting How and Why Detriment would be Caused from Disclosing the Confidential Information	Provide any Reasons Supporting why the Identified Detriment is Not Outweighed by the Public Benefit (Especially Public Benefits Such as the Effect on the Long- Term Interests of Consumers)			
Revised AA Document									
Box 3 – Formula to update cost of debt	Averaging period	Averaging period	Market sensitive cost inputs	The averaging period is a key input cost driver	Disclosure of the averaging period will lead to increased financing costs.	AGN's customers would be detrimentally impacted if AGN's averaging period was publically disclosed information as the resultant increased costs would be passed on to customers.			
Revised AA Document – A	nnexure G								
No confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable			
Revised AAI									
No confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable			
Revised AAI Attachments	Revised AAI Attachments to Chapter 1								
Attachment 1.4A: South Australian Roll Forward Model – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable			

Attachment 1.5A: South Australian Post Tax Revenue Model – customer specific information redacted	Customer information	Customer information including name and consumption	Personal information	This model contains information identifiable to a specific customer	Our customers operate in a competitive market and providing this information publicly may provide an advantage to their competitors. It may also be detrimental to AGN as it increases the knowledge of AGN's competitors.	AGN's customers would be detrimentally impacted if information they provided to AGN on a confidential basis was released to the public. It could also damage AGN's competitive position, which would be detrimental to the wider customer base.
Attachment 1.7A: AGN AAI Submission Document Map – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 1.8A: AGN Confidentiality Claims – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Revised AAI Attachments	to Chapter 6					
Attachment 6.1: Pipeline Services – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Revised AAI Attachments	to Chapter 7					
Attachment 7.1A: Business Cases for Operational Expenditure and Capital Expenditure	Detail relating to costs of undertaking specific works, where those costs relate to goods and services provided by external providers.	Capital Expenditure and Operating Expenditure	Market sensitive cost inputs	The material contains detail on costs of goods and services. Publishing the material may prejudice future tender and commercial negotiation processes between AGN/APA Asset Management and current and potential suppliers.	Public disclosure of this information will undermine the request for quote, request for tender and negotiating strategies to achieve efficient costs. Disclosure could therefore harm AGN's legitimate business interests and, ultimately, increase costs passed on to customers.	The actual capex and opex could increase materially if forecast information is publicly disclosed. This could increase future prices substantially if forecast costs are based on actual incurred information. There is unlikely to be any material benefit from disclosing specific cost information to stakeholders.
Attachment 7.7A: Operating Expenditure Forecast Model – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Attachment 8.8A: Capital Expenditure Forecast Model – <i>unit rates</i> <i>redacted</i>	Unit rate	Capital expenditure	Market sensitive cost inputs	The document contains detail on forecast costs of undertaking works. Publishing the material will prejudice future tender and commercial negotiation processes between AGN/APA Asset Management and current and potential contractors/suppliers.	Public disclosure of this information will undermine the request for quote, request for tender and negotiating strategies to achieve efficient costs Disclosure could therefore harm AGN's legitimate business interests.	As mentioned previously, disclosure could harm AGN's legitimate business interests and, ultimately, increase costs passed on to customers.
Revised AAI Attachments	to Chapter 8					
Attachment 7.14: ACIL Allen – Opex Partial Productivity Forecasts – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 7.13: Huegin – Opex Productivity in the Gas Distribution Industry – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 7.12: Jeff Borland – Labour Cost Escalation – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 7.11: Jeff Borland – AWOTE vs WPI – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 7.10: Deloitte - Accounting Advice – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 7.9: AIA – UAFG Volume Forecasts – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 7.8: Operating Expenditure – <i>no confidential information</i>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Attachment 8.9: Capital Expenditure – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 8.10: Mains Replacement – unit rates and network security information redacted	Unit rate network security information	Capital expenditure	Market sensitive cost inputs / Information affecting the security of the network	Contains details on various input costs. Publishing the material will prejudice future tender and commercial negotiation processes between AGN/APA Asset Management and current and potential contractors/suppliers.	Public disclosure of this information will undermine the request for quote, request for tender and negotiating strategies to achieve efficient costs Disclosure could therefore harm AGN's legitimate business interests.	As mentioned previously, disclosure could harm AGN's legitimate business interests and, ultimately, increase costs passed on to customers, particularly if actual unit rates are used to forecast capex in subsequent periods.
Attachment 8.11: Jacobs Report – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 8.12: KPMG – Information Technology Cost Benchmarking – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 8.13: Safety, Reliability, Maintenance and Technical Management Plan – personal and security related information redacted	Names of individuals. Information related to network security	Capital Expenditure and Operating Expenditure	Personal information / Information affecting the security of the network	Contains personal information and specific network information.	Personal details not for public disclosure. Information pertaining to specific network details may compromise security of network and public safety.	Disclosure of personnel information is not in the public benefit. Disclosure of information related to network security may compromise public safety.
Attachment 8.14: Risk Prioritisation Model – model is confidential	Mathematical model that calculates a ranking for prioritisation of mains replacement.	Capital Expenditure	Market intelligence / information affecting the security of the network	The model represents proprietary intelligence, and also contains data related to security of the network.	Public disclosure could harm AGN's legitimate business interests, including loss of proprietary knowledge. Disclosure would also prejudice the ability of AGN to manage the network in a cost effective and prudent manner.	Public disclosure could harm AGN's legitimate business interests, including loss of proprietary knowledge, and a detrimental impact on AGN's business long term, which would not be in the long term interests of consumers.

Attachment 8.15: Cost Impact Analysis – model is confidential	Mathematical model that calculates the cost impact of various mains replacement scenarios.	Capital Expenditure	Market sensitive cost inputs	The model contains details on various input costs.	Publishing such costs may prejudice AGN's commercial interests in the efficient delivery of reference services, which would not be in the long term interests of consumers.	As mentioned previously, disclosure could harm AGN's legitimate business interests and ultimately increase costs passed on to customers, particularly if actual unit rates are used to forecast capex in subsequent periods.
Attachment 8.16: John Ferguson Affidavit – personal and security related information redacted	Affidavit contains personal detail, experience and commentary on the person's views of network operations and management matters.	Capital Expenditure	Personal information / information affecting the security of the network.	Public disclosure of personal information is not in the public interest. Contains details on various input costs. Publishing the material will prejudice future tender and commercial negotiation processes between AGN/APA Asset Management and current and potential contractors/suppliers.	Public disclosure of this information will undermine the request for quote, request for tender and negotiating strategies to achieve efficient costs Disclosure could therefore harm AGN's legitimate business interests.	As mentioned previously, disclosure could harm AGN's legitimate business interests and, ultimately, increase costs passed on to customers, particularly if actual unit rates are used to forecast capex in subsequent periods.
Attachment 8.17: HSE/Ofgem 10 Year Review of the Iron Mains Replacement Program – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 8.18: Various Emails Relating to Assumptions Underpinning the Revised Unit Rates – market sensitive information is confidential	Internal emails with information on cost inputs	Capital Expenditure	Market sensitive cost inputs	Contains details on various input costs. Publishing the material will prejudice future tender and commercial negotiation processes between AGN/APA Asset Management and current and potential contractors/suppliers.	Public disclosure of this information will undermine the request for quote, request for tender and negotiating strategies to achieve efficient costs Disclosure could therefore harm AGN's legitimate business interests.	As mentioned previously, disclosure could harm AGN's legitimate business interests and, ultimately, increase costs passed on to customers, particularly if actual unit rates are used to forecast capex in subsequent periods.

Attachment 9.2: Regulatory Asset Base Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 9.3: Inflation Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 9.4: CEG – Measuring Expected Inflation for the PTRM – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 9.5: Financeability Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 9.6: NAB Client Solutions – Credit Profile Implications of Alternative Rates of Return	Specialist advice provided by NAB, specifically for AGN.	Rate of Return	Other	This report was prepared by NAB for submission to the AER and not for public disclosure. Public disclosure of this report was not negotiated between AGN and NAB.	NAB considers that, given the specialised nature of the report, there is a risk that the report could be utilised or relied upon by a third party out of context or inappropriately, without due consideration or understanding of the key assumptions, inputs and methodologies to NAB's analysis if the report is made publicly available.	There is no benefit to stakeholders in understanding the detailed analysis that NAB has prepared specifically for AGN, however NAB has identified that public disclosure of this document could be detrimental to the competitive advantage of the services its provides to clients.
Attachment 9.7: Incenta – Assessing Financeability for a Benchmark Regulated Business – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Revised AAI Attachments	to Chapter 10					

Attachment 10.2A: Averaging Period Response – <i>confidential</i> <i>information</i>	Sets out the averaging period for determining the return on debt and equity.	Rate of return	Market sensitive cost inputs	AGN will likely enter into financial derivatives/instruments over the averaging period. Publishing this material will prejudice future commercial negotiations with financial institutions.	Given the size and tenor of the likely derivative transactions to be undertaken, the prior awareness of market participants may cause an adverse drift in the market pricing.	There is no benefit to stakeholders in understanding our proposal from knowing the specific averaging period. The potential costs arising from an adverse drift in market pricing could be substaintial.
Attachment 10.26: Rate of Return Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 10.27: CEG – Curve Testing and Selecting Averaging Periods	Averaging period	Averaging period	Market sensitive cost inputs	The averaging period is a key input cost driver	Disclosure of the averaging period will lead to increased financing costs.	AGN's customers would be detrimentally impacted if AGN's averaging period was publically disclosed information as the resultant increased costs would be passed on to customers.
Attachment 10.28: CEG – Critique of the AER's Approach to Transition – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 10.29: CEG – Criteria for Assessing Fair Value Curves – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 10.30: CEG – Critique of AER Analysis of New Issue Premium – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Attachment 10.31: Frontier Economics – An Updated Estimate of the Required Return on Equity – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Attachment 10.32: HoustonKemp – The Cost of Equity: Response to the AER's Draft Decisions for the Victorian Electricity Distributors – no confidential information	Not applicable					
Attachment 10.33: Frontier Economics – The Relationship Between Government Bond Yields and the Market Risk Premium – no confidential information	Not applicable					
Attachment 10.34: Frontier Economics – The Required Return on Equity Under a Foundation Model Approach – no confidential information	Not applicable					
Attachment 10.35: Frontier Economics – Estimating the Equity Beta for the Benchmark Efficient Entity – no confidential information	Not applicable					
Revised AAI Attachments	to Chapter 11					
Attachment 11.10: Cost of Tax Response – no confidential information	Not applicable					
Attachment 11.11: Frontier Economics – The Appropriate Use of Tax Statistics When Estimating Gamma – no confidential information	Not applicable					
Revised AAI Attachments	to Chapter 12					

Attachment 12.1: Incentive Arrangements Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable				
Revised AAI Attachments	Revised AAI Attachments to Chapter 13									
Attachment 13.2: Total Revenue Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable				
Revised AAI Attachments	to Chapter 14									
Attachment 14.5: Demand Forecast Response – <i>no</i> <i>confidential information</i>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable				
Revised AAI Attachments	to Chapter 15									
Attachment 15.2: Reference Tariffs Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable				
Revised AAI Attachments	to Chapter 16									
Attachment 16.1: Reference Tariff Variation Mechanism Response – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable				
Revised AAI Attachments	to Chapter 17									
Attachment 17.1A: Marked-up Terms and Conditions – <i>no</i> confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable				
Attachment 17.3: Non- Tariff Components Response – <i>no</i> <i>confidential information</i>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable				

In addition to the material set out in our revised AA Proposal (as outlined in Table 1) AGN has provided secondary reference materials in support of our proposal. These materials and any associated confidentiality claims are outlined in Table 2.

TABLE 2: CONFIDENTIALITY	TABLE 2: CONFIDENTIALITY CLAIMS FOR AGN'S SECONDARY REFERENCE MATERIALS IN THE REVISED AA PROPOSAL							
Title, Page and Paragraph Number of Document Containing the Confidential Information	Description of the Confidential Information	Topic the Confidential Information Relates to	Identify the Recognised Confidentiality Category that the Confidential Information Falls Within	Provide a Brief Explanation of why the Confidential Information Falls into the Selected Category	Specify Reasons Supporting How and Why Detriment would be Caused from Disclosing the Confidential Information	Provide any Reasons Supporting why the Identified Detriment is Not Outweighed by the Public Benefit (Especially Public Benefits Such as the Effect on the Long- Term Interests of Consumers)		
Attachment 7.1A: Busines	s Cases for Opera	ting & Capital Expenditu	re					
SA24 Two Wells Addendum: Supporting Information 1 – Connor Holmes Report – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable		
SA24 Two Wells Addendum: Supporting Information 2 – Development Plans for Two Wells (Eden & Liberty) – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable		
SA24 Two Wells Addendum: Supporting Information 3 – Cash Flow Model	Cash flow model developed for assessing the proposed network extension to Two Wells	Operating and Capital Expenditure	Market intelligence	Contains details on various input costs and strategic decisions. Publishing the cash flow model has the potential to prejudice future negotiations with suppliers.	Public disclosure of this information will undermine negotiating strategies to achieve efficient costs Disclosure could therefore harm AGN's legitimate business interests.	As mentioned previously, disclosure could harm AGN's legitimate business interests and, ultimately, increase costs passed on to customers.		

SA25 Mount Barker Business Case: Supporting Information 1 – Concept Route Options Study	Options analysis of various routes in relation to the proposed network extension to Mt Barker	Operating and Capital Expenditure	Strategic information	Contains AGN's intellectual property that could advantage AGN's competitors on route development and design.	Public disclosure of this information has the potential to undermine AGN's ability to obtain services at a fair market price.	AGN's customers would be detrimentally impacted if AGN's strategic developments were publically disclosed and jeopardise AGN's ability to obtain services at a fair market price. As a result, customers may face increased costs.
SA25 Mount Barker Business Case: Supporting Information 2 – Cash Flow Model	Cash flow model developed for assessing the proposed network extension to Two Wells	Operating and Capital Expenditure	Market intelligence	Contains details on various input costs and strategic decisions. Publishing the cash flow model has the potential to prejudice future negotiations with suppliers.	Public disclosure of this information will undermine negotiating strategies to achieve efficient costs Disclosure could therefore harm AGN's legitimate business interests.	As mentioned previously, disclosure could harm AGN's legitimate business interests and, ultimately, increase costs passed on to customers.
SA71 Murray Bridge Augmentation Addendum: Supporting Information 1 – Regional Development Australia Letter – no confidential information	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

3 Proportion of Confidential Material

Submission Title	Number of pages of submission that include information subject to a claim of confidentiality	Number of pages of submission that do not include information subject to a claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to a claim of confidentiality	Percentage of pages of submission that do not include information subject to a claim of confidentiality
Revised AA Document	1	55	56	1.79%	98.21%
Revised AA Document – Annexure G	0	51	51	0.00%	100.00%
Revised AAI Document	0	20	20	0.00%	100.00%
Attachment 1.4A	0	10	10	0.00%	100.00%
Attachment 1.5A	2	15	17	11.76%	88.24%
Attachment 1.7A	0	7	7	0.00%	100.00%
Attachment 1.8A	0	19	19	0.00%	100.00%
Attachment 6.1	0	4	4	0.00%	100.00%
Attachment 7.1A	19	102	121	15.70%	84.30%
Attachment 7.7A	0	22	22	0.00%	100.00%
Attachment 7.8	0	20	20	0.00%	100.00%
Attachment 7.9	0	1	1	0.00%	100.00%
Attachment 7.10	0	7	7	0.00%	100.00%
Attachment 7.11	0	26	26	0.00%	100.00%
Attachment 7.12	0	27	27	0.00%	100.00%
Attachment 7.13	0	24	24	0.00%	100.00%
Attachment 7.14	0	22	22	0.00%	100.00%

Attachment 8.8A	24	17	41	58.54%	41.46%
Attachment 8.9	0	37	37	0.00%	100.00%
Attachment 8.10	19	53	72	26.39%	73.61%
Attachment 8.11	0	49	49	0.00%	100.00%
Attachment 8.12	0	26	26	0.00%	100.00%
Attachment 8.13	6	55	61	9.84%	90.16%
Attachment 8.14	10	0	10	100.00%	0.00%
Attachment 8.15	3	18	21	14.29%	85.71%
Attachment 8.16	1	29	30	3.33%	96.67%
Attachment 8.17	0	220	220	0.00%	100.00%
Attachment 8.18	7	0	7	100.00%	0.00%
Attachment 9.2	0	9	9	0.00%	100.00%
Attachment 9.3	0	9	9	0.00%	100.00%
Attachment 9.4	0	35	35	0.00%	100.00%
Attachment 9.5	0	16	16	0.00%	100.00%
Attachment 9.6	23	0	23	100.00%	0.00%
Attachment 9.7	0	35	35	0.00%	100.00%
Attachment 10.2A	6	0	6	100.00%	0.00%
Attachment 10.26	0	91	91	0.00%	100.00%
Attachment 10.27	0	25	25	0.00%	100.00%
Attachment 10.28	0	111	111	0.00%	100.00%
Attachment 10.29	0	102	102	0.00%	100.00%
Attachment 10.30	0	34	34	0.00%	100.00%
Attachment 10.31	0	12	12	0.00%	100.00%
Attachment 10.32	0	114	114	0.00%	100.00%
Attachment 10.33	0	77	77	0.00%	100.00%

Attachment 10.34	0	110	110	0.00%	100.00%
Attachment 10.35	0	77	77	0.00%	100.00%
Attachment 11.10	0	26	26	0.00%	100.00%
Attachment 11.11	0	75	75	0.00%	100.00%
Attachment 12.1	0	11	11	0.00%	100.00%
Attachment 13.2	0	4	4	0.00%	100.00%
Attachment 14.5	0	5	5	0.00%	100.00%
Attachment 15.2	0	5	5	0.00%	100.00%
Attachment 16.1	0	10	10	0.00%	100.00%
Attachment 17.1A	0	53	53	0.00%	100.00%
Attachment 17.3	0	5	5	0.00%	100.00%
Total	121	1987	2108	5.74%	94.26%

As outlined in Section 2 of this Attachment, in addition to the AA Proposal AGN is submitting several secondary information sources. Table 4 summarises the proportion of confidential information contained within this supporting information.

Submission Title	Number of pages of submission that include information subject to a claim of confidentiality	Number of pages of submission that do not include information subject to a claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to a claim of confidentiality	Percentage of pages of submission that do not include information subject to a claim of confidentiality
SA24: Supporting Information 1	0	92	92	0.00%	100.00%
SA24: Supporting Information 2	0	7	7	0.00%	100.00%
SA24: Supporting Information 3	3	0	3	100.00%	0.00%
SA25: Supporting Information 1	38	0	38	100.00%	0.00%
SA25: Supporting Information 2	3	0	3	100.00%	0.00%
SA71: Supporting Information 2	0	1	1	0.00%	100.00%
Total	44	100	144	30.56%	69.44%