



4 March 2016

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Email: [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au)

**Re: Application to Consolidate the Access Arrangements for the Victorian and Albury Gas Distribution Networks**

Australian Gas Networks Limited (AGN) is one of Australia's largest natural gas distribution companies. AGN owns approximately 23,000 kilometres of natural gas distribution networks and 1,100 kilometres of transmission pipelines, serving over 1.2 million consumers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

AGN would like to thank the AER for the opportunity to make a submission in relation to the AER's Position Paper on our application to consolidate the Victorian and Albury Access Arrangements (AAs).

As explained in the submission attached to this letter, AGN agrees with the three conditions in respect of its proposed consolidation of the Victorian and Albury AAs, as outlined in the AER's Position Paper. AGN intends to work with the AER to ensure the conditions are implemented in an efficient manner and considers that any direction should provide sufficient flexibility to facilitate ongoing review of the conditions.

Please contact either Peter Bucki (08 8418 1112) or myself (08 8418 1129) if you would like to discuss the matters raised in this submission further.

Yours sincerely

Craig de Laine  
General Manager – Regulation

# **Submission on Australian Gas Networks' Application to Consolidate the Access Arrangements for the Victorian and Albury Gas Distribution Networks**

Prepared by  
Australian Gas Networks

March 2016

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# 1 Overview

Australian Gas Networks Limited (AGN) submitted in November 2015 an application to consolidate the Access Arrangements (AA) for the Victorian and Albury natural gas distribution networks effective 1 January 2018. The AER released a Position Paper on AGN's consolidation application in February 2016. AGN makes this submission in response to the three conditions outlined in the AER's Position Paper.

## 2 Conditions outlined in the AER's Position Paper

The AER outlined three conditions in its Position Paper upon which its approval of AGN's consolidation application is based:

1. **Continuity between access arrangements** – that AGN maintain continuity in the transition from two AAs to one, including by providing an assessment of past conforming capital expenditure (capex) for the current AA period and how carryover amounts under the opex efficiency carryover mechanism from the current AA period has been implemented. In respect of the forthcoming period, providing sufficient information to inform forecast operating expenditure and to determine the opening capital base. These elements must be explained in AGN's combined AA proposal for Victoria and Albury in a verifiable way;
2. **Separate data on Albury capital base** – that AGN maintain separate data on the respective Victorian and Albury capital bases and continue to maintain its dedicated asset classes for the Albury network zone to allow for the possibility that the AAs need to be separated again in the future; and
3. **Albury to remain a separate pricing zone** – that the Albury network remain a separate pricing zone in order to mitigate the risk of inappropriate cross-subsidisation between the consolidated networks.

The AER notes that these conditions could be ongoing, or subject to review after one (or more) AA periods.

## 3 AGN's submission on the AER's Position Paper

AGN agrees to the three conditions outlined in the AER's Position Paper.

In respect of condition 1, AGN confirms it will continue to provide separate annual Regulatory Information Notices (RINs) for Victoria and Albury until the conclusion of the current (2013 to 2017) AA period. Although the upcoming AA review RIN is yet to be finalised with the AER, AGN also confirms it will be able to provide separate historic information for each of Victoria and Albury to enable the AER to:

1. Assess past conforming capex for each network separately;
2. Determine the carryover amounts under the opex efficiency carry over mechanism from the current AA period for each network;
3. Enable comparative analysis of actual and benchmark expenditure over the current AA period; and
4. Determine the opening capital base for each network separately.

AGN confirms it will continue to maintain the required data by asset class such that individual Victorian and Albury capital bases can be determined. AGN also confirms it will maintain Albury as a separate pricing zone.

Importantly, AGN will work with the AER to ensure the above conditions are implemented in an efficient manner (that is, information that is not required to maintain the above conditions is not reported). AGN also strongly supports that any direction issues by the AER provides flexibility such that these conditions can be reviewed on an ongoing basis as required.

The AER Position Paper noted from our application that we intend to hold a consumer engagement workshop in Albury regardless of the decision on consolidation. AGN notes that it is holding a consumer engagement workshop in Wodonga on 7 March.

## 4 Summary

AGN accepts the three conditions in respect of its proposed consolidation of the Victorian and Albury AAs, as outlined in the AER's Position Paper. AGN intends to work with the AER to ensure the conditions are implemented in an efficient manner and considers that any direction should provide sufficient flexibility to facilitate ongoing review of the conditions.