



**Australian
Gas Networks**

Attachment 14.3

Revisions to Revenue & Pricing

Response to Victorian Gas Substitution Roadmap

September 2022

1. Revisions to our Revenue and Pricing

This section sets out the total revenue and the proposed prices to apply over the next AA period. The revenue and proposed prices have been adjusted to reflect revisions throughout this document in response to the Victorian Government’s GSR

1.1. Building Block Total Revenue

Our total revenue in our GSR Response is \$1,170 million (\$2022/23). This is \$12 million higher/lower than our Final Plan. The key drivers of revenue and price in our GSR Response compared to our Final Plan are:

- Lower forecast of gas demand;
- Lower growth capex;
- Reduced augmentation capex; and
- Increased depreciation.

Our revisions to the Final Plan – GSR Response Overview outlines the basis of all the relevant building blocks that are used to determine building block total revenue. We recover our costs through the prices (or tariffs) that we charge retailers for providing Ancillary Reference Services (ARS) and Haulage Reference Services (HRS).

The building block total revenue with and without the cost of providing ARS is provided in Table 1.1.

Table 1.1: Building Block Total Revenue, 2023/24 to 2027/28 (\$nominal, million)

	2023/24	2024/25	2025/26	2026/27	2027/28
Return on Capital	101.9	105.8	108.9	110.9	112.2
Return of Capital	40.9	46.6	53.3	61.0	69.2
Opex	100.7	106.0	108.9	113.8	115.3
Revenue Adjustments	-16.1	-19.8	-21.3	-20.6	-20.3
Cost of Tax	5.8	4.3	4.0	5.5	5.5
Building Block Total Revenue (including ARS)	233.2	242.8	253.8	270.7	281.9
<i>Less ARS</i>	3.9	4.1	4.3	4.5	4.8
Building Block Total Revenue (excluding ARS)	229.3	238.7	249.5	266.2	277.1

Note: Totals may not add due to rounding

Our building block revenue is recovered through the prices we charge retailers for providing residential, commercial and industrial haulage services and ARS. We are required to set our prices such that the total revenue we recover equals the building block total revenue.

ARS are those services that are specifically requested to be provided by users. The forecast volume of ARS to be provided over the next AA period is explained in our Final Plan.

Table 1.2 sets out the GSR Response tariff revenue and prices over the next AA period.

Table 1.2: Proposed Price Path and Revenue, 2023/24 to 2027/28 (\$nominal, million)

	2023/24	2024/25	2025/26	2026/27	2027/28
Building Block Total Revenue (excluding ARS)	229.3	238.7	249.5	266.2	277.1
Smoothed Revenue	243.9	249.2	253.2	254.9	254.8
Final Plan - Real Price Path	8.96%	-2.00%	-2.00%	-2.00%	-2.00%

1.2. Customer Impact

As shown in Table 1.2, we are proposing an 9% real price cut (6% after inflation) on 1 July 2023 across all customers. We have also explained in this chapter that we are proposing to maintain the same allocation of costs and pricing structures to all customers. This therefore means that all customers will receive, on average, an 6% reduction in their distribution charge after inflation.

The average change in distribution charges on 1 July 2023 for each tariff zone is outlined in Table 1.3. The average annual change over the AA period in the AGN Central zone for our residential, commercial and industrial gas distribution charges is \$24, \$80, and \$1,448 respectively. Our AA Document set out the proposed prices to apply from 1 July 2023.

Table 1.3: Average Decrease in the Annual Charge to Customers from 1 July 2023 (\$nominal)

Average Customer Saving	2022/23 Average Annual Charge (\$)	2023/24 Average Annual Charge (\$)	Saving (\$)	Saving (%)
Residential				
Central	392.6	368.3	-\$24.3	-6.2%
Northern	350.9	329.2	-\$21.7	-6.2%
Murray Valley	304.3	285.5	-\$18.8	-6.2%
Bairnsdale	495.5	464.9	-\$30.7	-6.2%
Albury	320.7	300.9	-\$19.8	-6.2%
Commercial				
Central	1,295.0	1,214.9	-\$80.1	-6.2%
Northern	970.0	910.0	-\$60.0	-6.2%
Murray Valley	875.9	821.8	-\$54.1	-6.2%
Bairnsdale	3,324.2	3,118.6	-\$205.6	-6.2%
Albury	948.6	890.0	-\$58.6	-6.2%
Industrial				
Central	23,418.0	21,970.0	-1,448.0	-6.2%
Northern	36,227.7	33,987.6	-2,240.1	-6.2%
Murray Valley	57,771.0	54,198.8	-3,572.1	-6.2%
Bairnsdale	18,322.9	17,189.9	-1,133.0	-6.2%
Albury	17,861.2	16,756.7	-1,104.4	-6.2%

1.3. Summary

Our GSR Response sees a 3% price decrease (after inflation) for our customers on 1 July 2023. This is an uplift of 7% compared to the 10% price decrease (after inflation) in our Final Plan. Customers told us affordability is important. We are pleased that we can still propose a reduction in price for our customers over the next AA period.

Our total revenue in our GSR Response is \$1,170 million. This is \$13 million higher than our Final Plan. The key drivers of revenue and price in our GSR Response compared to our Final Plan are:

- Lower forecast of gas demand;
- Lower growth capex;
- Reduced augmentation capex; and
- Increased depreciation.