

16 December 2016

Ms Paula Conboy  
Chair  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Locked Bag 14051  
Melbourne City Mail Centre  
Victoria 8001 Australia  
T: 1300 360 795  
www.ausnetservices.com.au

Dear Ms Conboy,



**AusNet Services' Gas Access Arrangement Review Proposal 2018-22**

Please find attached AusNet Services' Gas Access Arrangement Review Proposal for the regulatory control period 1 January 2018 to 31 December 2022 in accordance with the National Gas Rules and the AER's Regulatory Information Notice. All supporting information has been handed to the AER's Melbourne offices in person.

The significant changes happening within the natural gas market in Australia have implications for how we operate and invest in our gas business. For instance, technology advances have led to a change in the way customers are sourcing and using energy. Customers are consuming less gas than they have in the past, a trend which is expected to continue in the next five years.

In formulating our plan, we engaged with more than 700 of our customers and stakeholders. We know it is important to better understand their needs and wants regarding the services we provide. Our Proposal includes prudent expenditure and a historically low rate of return to minimise the upward pressure on gas network prices. We are proposing a 5% decrease in gas network charges for customers from 1 January 2018. Our Proposal enables us to meet the needs of customers while continuing to offer one of the lowest gas network charges in Australia.

A key focus of our Proposal is to ensure that we continue to manage and operate our network in a safe and reliable manner. The continuation of our mains replacement program and meter replacement activities, focused on removing deteriorated and unsafe assets, will ensure the safety and reliability of our network into the future.

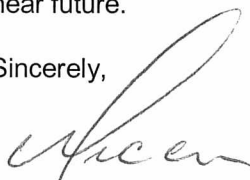
Following a stakeholder consultation process we are also proposing to broaden the scope of incentives that apply to gas networks to include a network innovation scheme and capital expenditure efficiency scheme which will drive better performance and efficiency, and balance the existing incentives on opex.

I also confirm AusNet Services adopts the AER's Guideline debt transition for this Gas Access Arrangement Review. The approach that we are taking will provide consumers with predictability and will help to focus the review on other matters.

All information provided as part of the Proposal may be publically disclosed unless identified as confidential in the Confidentiality Response template.

I look forward to discussing the Gas Access Arrangement Review Proposal with your Board in the near future.

Sincerely,



Nino Ficca  
Chairman  
**AusNet Gas Services Pty Ltd**