

Consumer
Challenge
Panel

**APA: Victorian Gas Transmission System Access Arrangement
2023–27**

CCP28 Advice to the AER - Revised Proposal

31 August 2022

CCP28: Robyn Robinson and Helen Bartley

Table of Contents

1 Focus of this advice4

2 Consumer engagement5

2.1 Summary of consumer engagement activities 5

2.1.1 Engagement to inform APA’s *Initial Proposal*5

2.1.2 APA’s stakeholder engagement to inform its Revised Proposal6

2.2 Assessment of consumer engagement activities since APA’s *Initial Proposal* 7

3 Clarification of APA’s references to CCP28 perspectives15

3.1 Carbon offset discussion 15

3.2 Funding for hydrogen safety and integrity assessment..... 15

3.3 Access arrangement proposal preparation costs 16

4 Overarching comment.....17

Acknowledgement of Country

APA's facilities and networks traverse the lands of many Indigenous nations. We recognise the traditional owners of these lands and honour their customs and traditions and special relationship with the land as well as those where this report is being prepared. We respect the elders of these nations, past, present and emerging.

Confidentiality

To the best of our knowledge this report does not present any confidential information.

CCP28 Advice to the AER – APA VTS revised access arrangement proposal

1 Focus of this advice

CCP28 was appointed in November 2021 to review the following Victorian Gas Access Arrangement resets:

- APA Victorian Transmission Service (VTS) (2023-27)
- AGN (Victoria & Albury), AusNet Services and Multinet Gas distribution services (2023-28)

This Advice relates to the APA VTS (2023-27) *Revised Access Arrangement Proposal* (hereafter *Revised Proposal*) which was lodged with the Australian Energy Regulator (AER) on 10 August 2022.

This followed lodgement of the initial APA VTS (2023-27) *Access Arrangement Proposal (Initial Proposal)* on 1 December 2021, and release of the AER's Draft Decision on the *Initial Proposal* on 30 June 2022.

We note APA submitted its *Revised Proposal* prior to the Victorian Government publishing its *Gas Substitution Roadmap* on 11 August 2022.

In line with our role agreed with the AER, and within the time and resources available to us our Advice focuses on addressing the following:

- An assessment of APA's consumer engagement activities since lodging its *Initial Proposal*, including the extent APA's *Revised Proposal* reflects consumer preferences
- Key considerations for the AER in making its *Final Decision* in relation to APA's Victorian Transmission Service (VTS) (2023-27) *Access Arrangement*

CCP28 Advice to the AER – APA VTS revised access arrangement proposal

2 Consumer engagement

2.1 Summary of consumer engagement activities

2.1.1 Engagement to inform APA's *Initial Proposal*

In our February 2022 Advice¹ to the AER on APA's *Initial Proposal* we noted APA's consumer engagement was a significant "step-up" from previous resets. The AER also acknowledged this improvement in its *Draft Decision*.²

CCP28 observed this improvement was evident in:

- APA's engagement planning, and successfully executed engagement and supporting documentation
- The breadth of customer representatives and stakeholder groups who participated in APA's roundtables
- Generally favourable feedback from stakeholders on APA's engagement materials and roundtables
- APA publishing an early draft proposal and seeking stakeholder feedback on the draft
- APA's engagement report lodged with its *Initial Proposal*

However, we also noted:

- Although APA reported on key concerns raised by stakeholders and provided responses to stakeholders' concerns in its *Proposal Overview*, how these responses influenced APA's specific proposals was not obvious
- Consumers would also benefit if APA's proposal included a clear business narrative setting out APA's plans for the next five years within the context of its longer-term business plans
- APA's *Initial Proposal* overview was lacking detail in some key areas, such as operating expenditure and there was no evidence of consumer influence on APA's opex proposals
- APA's *RIN Response* was difficult to follow and not presented in a consumer-friendly format, so it was difficult to link consumer influence to the information in the *RIN Response*
- In both documents consumer benefits of APA's proposals were not always apparent or clearly stated
- Differences in stakeholder perspectives were not reported, including whether perspectives were consistent between stakeholder groups or whether they were divergent, and if so, how APA considered these differences in its *Initial Proposal*

The AER made similar observations in its *Draft Decision* and also noted:

¹ CCP28, APA: Victorian Gas Transmission System Access Arrangement 2023–27 CCP28 Advice to the AER, 18 February 2022

² AER, *Draft Decision APA Victorian Transmission System (VTS) Access Arrangement 2023 to 2027 (1 January 2023 to 31 December 2027) Overview*, p. 11.

CCP28 Advice to the AER – APA VTS revised access arrangement proposal

“Stakeholders’ ability to communicate their needs, interests and concerns was constrained to some extent by APA’s chosen engagement topics.”³

The AER further observed some of the information was complex relative to the experience of stakeholders on the subject matter, and not all stakeholders were engaged in the lead up to APA lodging its *Initial Proposal*.

Importantly, the AER required APA to engage on any revisions to its proposal, in response to the AER’s *Draft Decision*, and encouraged APA to:

“look for greater levels of engagement in co-designing what gets discussed.”⁴

2.1.2 APA’s stakeholder engagement to inform its Revised Proposal

Since lodging its *Initial Proposal* and the AER’s *Draft Decision* we note APA has undertaken the following stakeholder engagement activities:

Table 2-1: Summary of CCP28’s observation of APA’s recent engagement activities

Activity	Date	CCP28 Observed
Roundtable 13 – AEMO 2022 GSOO & Victorian Gas Planning Report Updates	13 April 2022	Yes
Roundtable 14 – Updates on Winchelsea. Demand and Supply. Discussion about Stakeholder Submissions	25 May 2022	No
Roundtable 15 – AER <i>Draft Decision</i> – co-designing engagement topics for APA revised proposal	12 July 2022	Yes
Roundtable 16 – ACIL Allen VTS Accelerated Depreciation Scenario Analysis	Cancelled due to global MTeams outage	N/A
Roundtable 17 – Business Narrative. Accelerated Depreciation Analysis. Revised proposal updates on key elements	28 July 2022	Yes
APA VTS 2022-27 access arrangement - Information session - revised proposal	31 August 2022	Yes

Additionally, APA provided an updated business case for the Western Outer Ring Main (WORM) Project in March 2022, and published two Discussion Papers on 15 July 2022 for stakeholders to consider and comment on:

- Victorian Transmission System Business Narrative
- Load and Demand 2022 GSOO/VGPR Update

³ Ibid.

⁴ Ibid, p. 12

2.2 Assessment of consumer engagement activities since APA’s Initial Proposal

Our assessment of APA’s engagement considers the context and our observations as described above. Importantly we have framed our assessment in terms of the AER’s expectations as outlined in the *Better Resets Handbook*⁵. Our assessment of APA’s consumer engagement since it lodged its *Initial Proposal* is detailed in the following table:

Table 2-2: Overall assessment of APA’s engagement against AER *Better Resets Handbook*

<i>AER Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
Engage sincerely, openly and genuinely with consumers, such that consumers have confidence in the process	<ul style="list-style-type: none"> APA continued to keep stakeholders informed on various matters as presented in Table 2.1 above through its Roundtables and discussion papers, which it also published on its website⁶ APA attempted to engage stakeholders to “co-design” topics for engagement in response to the AER’s suggestion in its <i>Draft Decision</i> (Roundtable 15) APA’s roundtable presentation content remains clear and easy to follow, and based on earlier feedback from stakeholders this suggests a genuine attempt by APA to engage with stakeholders APA responded to stakeholders’ and CCP28 concerns around the lack of a business narrative to contextualise its proposals and we acknowledge APA produced a Business Narrative Discussion Paper for its VTS Access Arrangement, and sought stakeholder 	<ul style="list-style-type: none"> APA’s engagement has been limited to stakeholders including some consumer representatives, rather than end consumers themselves. We recognise the challenges in engaging with end-consumers on gas transmission, but we question the extent APA and the AER should feel confident the feedback received through stakeholders is consistent with consumer expectations. CCP28 did not observe any participation from APA’s senior management or Board in its engagement activities. APA’s Revised Proposal Overview lists its engagement activities since October 2020 (p. 17) with engagement aims listed under the final column entitled “IAP2 spectrum”, which range from “inform” to “involve”.⁷ As previously noted and observed we consider stakeholders had some influence but in limited areas. Whilst APA has consulted stakeholders in some areas, we are not

⁵ AER, *Better Resets Handbook*, December 2021

⁶ Noting Roundtable 16 was cancelled but not rescheduled due to a global MSTEams outage.

⁷ IAP2 describes “inform” as “to provide ... balanced and objective information to assist ... in understanding the problem, alternatives, opportunities and/or solutions; “consult” is described as “to obtain public feedback on analysis, alternatives and/or decisions”; and “involve” is “to work directly ... throughout the process to ensure concerns and aspirations are consistently understood and considered.” See https://iap2.org.au/wp-content/uploads/2020/01/2018_IAP2_Spectrum.pdf

AER <i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
	<p>feedback on the narrative, which it presented through a “revised proposal updates” in Roundtable 17.</p> <ul style="list-style-type: none"> ○ The Business Narrative included updates on drivers and influences for the current VTS Revised Proposal 	<p>confident that APA has genuinely “involved” them, and that the information presented has been truly “balanced and objective” consistent with IAP2.</p> <ul style="list-style-type: none"> ● APA’s Business Narrative failed to address the fundamental questions raised by stakeholders, including CCP28, who sought to understand “APA’s plans for the next five years within the context of its longer-term business plans”⁸
<p>Consider consumers as “partners”, rather than simply being asked for feedback</p>	<ul style="list-style-type: none"> ● In response to the AER’s <i>Draft Decision</i> APA, has attempted to engage more deeply with stakeholders, albeit at a late stage with limited time between the AER’s <i>Draft Decision</i> on 30 June 2022 and APA submitting its <i>Revised Proposal</i> on 10 August 2022 (less than 6 weeks). ● At present, APA does not engage with its stakeholders on an ongoing basis. CCP28 is therefore pleased to note the following extract from its <i>Revised Proposal</i>, and we support APA in its move towards better practice stakeholder engagement. <p><i>“We heard that one of the ways to improve engagement was to continue engaging even after submitting the revised proposal. We are considering not just for VTS but for our other regulated assets. So, this is not the end, it is only the beginning of our engagement with stakeholders.”</i>⁹</p>	<ol style="list-style-type: none"> 1. Whether APA could realistically co-design with the time available <ul style="list-style-type: none"> ● Whilst APA attempted to “co-design” topics to inform its <i>Revised Proposal</i>, by preparing a business narrative and seeking stakeholder input into its <i>Revised Proposal</i> in Roundtable 17, AER’s expectation that APA could co-design with stakeholders was aspirational with the short time available. 2. APA’s appetite to co-design <ul style="list-style-type: none"> ● We also question the extent APA was genuinely committed to a “co-design” approach given the focus on justifying its positions as per its <i>Initial Proposal</i> 3. Stakeholder appetite to co-design

⁸ CCP28, APA: Victorian Gas Transmission System Access Arrangement 2023–27 CCP28 Advice to the AER, 18 February 2022, p. 8

⁹ APA, *Revised Proposal Overview*, 10 August 2022, p. 22.

AER <i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
		<ul style="list-style-type: none"> From our observations, stakeholders showed limited interest in being “involved”, despite APA attempting to initiate stakeholder involvement via an online engagement tool
<p>Equip consumers with accurate and unbiased information so they can engage effectively</p>	<ul style="list-style-type: none"> Stakeholders were provided with copies of Roundtable presentation information to scrutinise (albeit with limited lead time before each roundtable) Stakeholders were encouraged to ask questions during Roundtables APA maintained an “open-door” invitation to stakeholders who wanted to meet with APA one-on-one to discuss their concerns CCP28’s <i>Advice to the AER</i> in February 2022 reflected: <p><i>“APA’s proposal overview is lacking detail in some key areas, such as operating expenditure and there is no evidence of consumer influence on APA’s opex proposals”</i>¹⁰</p> <p>We note an improvement in the quality and content of APA’s <i>Revised Proposal Overview</i>, providing stakeholders with clearer and more accessible information.</p> 	<ul style="list-style-type: none"> APA’s roundtable sessions were predominantly internally facilitated, and as per our earlier advice whilst we have not found any evidence of deliberate bias, external facilitation would provide us with greater confidence that information was objectively provided to stakeholders We note AER attended some sessions as observers, and those views should be considered in assessing the extent stakeholders were equipped with accurate and unbiased information

¹⁰ CCP28, APA: *Victorian Gas Transmission System Access Arrangement 2023–27 CCP28 Advice to the AER*, 18 February 2022, p. 32

<i>AER Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
Be accountable to consumers	<p>APA demonstrated accountability by:</p> <ul style="list-style-type: none"> • Responding to concerns around the lack of a business narrative as mentioned above • Its “open-door” invitation to stakeholders as mentioned above • Allowing stakeholders an opportunity to talk and ask questions during its Roundtables, and including breakout room discussions as suggested by stakeholders (e.g. in Roundtables 13 and 14 to allow more open discussion of issues) • Attempting to “co-design” its Revised Proposal, subsequently explaining elements of its Revised Proposal in Roundtable 17 and attempting to obtain stakeholder feedback • To some extent, revising its <i>Initial Proposal</i> in response to AER feedback, stakeholder submissions and other feedback and attempting to demonstrate consumer benefits of its proposal. 	<p>The extent APA has been accountable to consumers in preparing its Revised Proposal</p> <ul style="list-style-type: none"> • APA identifies six drivers to “deliver value for stakeholders”, which it has “discussed with stakeholders or raised in submissions”.¹¹ However, these are APA’s values and do not necessarily reflect consumer values and expectations. • Notwithstanding the limited time APA had to engage with stakeholders after the AER published its <i>Draft Decision</i>, APA could have achieved greater accountability through: <ul style="list-style-type: none"> ○ More actively engaging with stakeholders earlier in the process to “co-design” its <i>Initial Proposal</i>, (beyond informing and consulting) ○ Engaging on a wider range of topics of interest to stakeholders and in line with AER expectations, as referenced in the <i>Better Resets Handbook</i>.

¹¹ APA, *Revised Proposal Overview*, 10 August 2022, p. 26.

AER <i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
<p>Engage broadly and deeply with consumers, including defining their expected level of participation and influence/ Allow consumers to guide the development of network proposals, based on consumers’ desired outcomes</p>	<ul style="list-style-type: none"> • APA’s engagement following lodgement of its <i>Initial Proposal</i> continued to include a diversity of residential, commercial and industrial consumer representatives participated in APA’s roundtables, alongside importers and retailers • APA continued to broadly define stakeholders expected level of participation and influence in its presentations 	<ul style="list-style-type: none"> • Ten stakeholders/consortia provided widely divergent views on a range of aspects in their submissions to APS’s <i>Initial Proposal</i>. <ul style="list-style-type: none"> ○ Summaries of each submission were presented at Roundtable 14. • The <i>Better Resets Handbook</i> states that: <p><i>“Where consumer views on an issue are diverse, network businesses need to set out those views and how they were balanced in developing their regulatory proposal. Network businesses should seek to find mutually acceptable solutions where there are divergent consumer views”</i>¹²</p> <ul style="list-style-type: none"> ○ On some issues, APA did set out diverse stakeholder views and how it balanced them in formulating its <i>Revised Proposal</i>, e.g., hydrogen safety and integrity assessment, however this balance was not achieved consistently throughout APA’s <i>Revised Proposal</i>. <p>APA did not seek to find mutually acceptable solutions where there were divergent stakeholder views, although this may have been a useful avenue for collaborative engagement.</p>

¹² AER, *Better Resets Handbook*, December 2021, p. 16

<i>AER Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
Use a variety of engagement methods	<ul style="list-style-type: none"> • APA’s engagement methods continued to include: <ul style="list-style-type: none"> ○ Informing and consulting via five online Roundtables accompanied by verbal and written presentations ○ Informing and consulting individual stakeholders on request • APA responded to stakeholder suggestions by introducing breakout rooms in Roundtables 13 and 14 to facilitate more detailed discussions. 	<ul style="list-style-type: none"> • APA attempted to engage stakeholders by introducing a ‘word cloud’ technique in Roundtable 15 to elicit their feedback, although stakeholders showed little interest in contributing to the word cloud. <ul style="list-style-type: none"> ○ The purpose of the word cloud was unclear, particularly at the late stage in APA’s overall engagement it was presented. ○ With hindsight, APA could have considered the purpose of a suite of engagement tools, and their value to engaging with the target audience on different aspects of its proposal.
Provide evidence of consumer impacts on their regulatory proposal	<ul style="list-style-type: none"> • APA’s <i>Revised Proposal</i> provides clearer links between stakeholder feedback and APA’s proposals compared to its <i>Initial Proposal</i>, for example APA has provided commentary on stakeholders’ feedback and submissions, as well as the AER’s <i>Draft Decision</i> and how it has considered stakeholder feedback in its <i>Revised Proposal</i> • APA presented a summary of its <i>Revised Proposal</i> to stakeholders on 31 August 2022 including its reasoning for amendments since its <i>Initial Proposal</i> 	<ul style="list-style-type: none"> • It is outside CCP28’s scope to examine the technical aspects of APA’s proposals to assess the extent they have been revised to better reflect stakeholder expectations, however we anticipate the AER will consider stakeholders’ expectations in its detailed assessment of APA’s <i>Revised Proposal</i>
Demonstrate independent consumer support for the proposal		<ul style="list-style-type: none"> • Ten stakeholders/consortia provided submissions to APA’s <i>Initial Proposal</i>. We note they did not unanimously support the proposal and identified a range of issues of concern.

AER <i>Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
		<ul style="list-style-type: none"> Regardless, APA did not provide an independent consumer report on consumer preferences and outcomes, and how they have been incorporated into the <i>Revised Proposal</i>.
<p>Demonstrate genuine engagement on capital expenditure (capex) proposals</p>	<ul style="list-style-type: none"> Post-lodgement engagement on capital expenditure was primarily aimed at ‘informing’ stakeholders, i.e. <ul style="list-style-type: none"> Presentation of the updated business case for the WORM (Roundtable 13) Presentation of a new business case for the Winchelsea compressor (Roundtable 14) Update on Replacement expenditure forecasts, WORM (Roundtable 17) 	<ul style="list-style-type: none"> We note that APA focused on “informing” stakeholders on these proposals, rather than consulting or involving them in the development of its <i>Revised Proposal</i>.
<p>Demonstrate genuine engagement on operating expenditure forecasts</p>	<ul style="list-style-type: none"> APA has not engaged with stakeholders on operating expenditure forecasts or step changes, apart from advising of new operating cost forecasts associated with the Winchelsea compressor (Roundtable 14) 	<ul style="list-style-type: none"> CCP28’s Advice to the AER on the <i>Initial Proposal</i> identified opportunities for improvement, including: <p><i>“Address obvious gaps in engagement such as opex step changes, and in particular APA’s proposed carbon credit expenditure”</i>¹³</p> <p>This issue was not addressed in APA’s post-lodgement engagement.</p>

¹³ CCP28, APA: Victorian Gas Transmission System Access Arrangement 2023–27 CCP28 Advice to the AER, 18 February 2022, p. 32

<i>AER Better Resets Handbook</i>	Strengths/improvements	Concerns – issues for the AER to consider
Engage with consumers on accelerated depreciation to address potential options and price impacts	<ul style="list-style-type: none"> APA engaged ACIL Allen to provide accelerated depreciation scenario analysis. 	<ul style="list-style-type: none"> Stakeholders at Roundtable 17 were merely informed of the outcome of the ACIL Allen analysis, less than week before APA submitted its <i>Revised Proposal</i>, allowing stakeholders limited opportunity to familiarise themselves with the report and provide APA with meaningful feedback
Consult with stakeholders on tariff structures		<ul style="list-style-type: none"> In its <i>Initial Proposal</i>, APA reported that: <i>“Early on, we had proposed to prepare an issues paper on tariff structures. There was interest from stakeholders in better understanding tariff structures but to give this topic proper consideration, we decided the defer engagement on tariff structures.”¹⁴</i> APA did not engage on tariff structures in its post-lodgement engagement program.

¹⁴ APA, *A look at plans for Victorian Transmission System*, 1 December 2021, p. 13.

3 Clarification of APA’s references to CCP28 perspectives

3.1 Carbon offset discussion

In Section 15.6 (pp. 93-94) of its *Revised Proposal Overview* APA quotes from CCP28’s presentation to the AER’s Public Forum on 1 February 2022:

“Increasingly communities expect governments (and businesses) to take action to respond to climate change”¹⁵

APA then suggests in line with our comment, the “only practicable avenue available to meet those consumer expectations” is to acquire carbon offsets with a resulting tariff impact of “approximately 9c per residential customer per year.”

As per our previous advice¹⁶, APA has no formal requirement to purchase carbon offsets and it can choose to participate in the Victorian Government’s scheme. Regardless, APA presents no additional evidence of consumer engagement on purchase of carbon-offsets, and we continue to question whether the methodology for the calculation is appropriate.

3.2 Funding for hydrogen safety and integrity assessment

In describing stakeholder responses to the proposed hydrogen safety and integrity assessment in its *Revised Proposal*, APA correctly reflects that:

“Who should fund the study was the most contentious matter raised about the proposed study.”

APA then suggests that the:

“Consumer Challenge Panel considered that the Victorian Government should fund the study.”¹⁷

We wish to clarify our position on this matter. As stated in our Advice to the AER:

“CCP28 is of the view that this work should be funded by parties other than Victorian gas consumers. Potential candidates include APA, the Victorian Government and ARENA.”¹⁸

¹⁵ CCP28, APA: *Victorian Gas Transmission System Access Arrangement 2023-27, CCP Presentation to AER Public Forum 1 February 2022*, slide 7

¹⁶ CCP28, APA: *Victorian Gas Transmission System Access Arrangement 2023–27 CCP28 Advice to the AER*, 18 February 2022, p. 58

¹⁷ APA, *Revised Proposal Overview*, 10 August 2022, p. 76

¹⁸ CCP28, APA: *Victorian Gas Transmission System Access Arrangement 2023–27 CCP28 Advice to the AER*, 18 February 2022, p. 45

CCP28 Advice to the AER – APA VTS revised access arrangement proposal

3.3 Access arrangement proposal preparation costs

In its *Revised Proposal Overview*, APA indicates its cost in preparing its 2023-27 access arrangement proposal were \$1.378 million.¹⁹ Further, the APA considers a \$2 million forecast for the next access arrangement review will be an underestimate in line with:

“commentary from the AER and CCP28 that make it clear that both have higher expectations of the level of consumer engagement”

In its *Initial Proposal*, APA sought \$2 million opex costs to prepare its 2028-32 access arrangement spread over 2026 and 2027. We note the AER’s conclusion that such costs should be business as usual, as part of the business’s regulatory obligation, and its subsequent rejection of this item.²⁰

Regardless, APA now includes this as a Capex item based on advice it received from Price Waterhouse Coopers.

In considering this item, CCP28 advises the AER to consider:

- Whether APA incurred regulatory proposal costs in its 2020 base year, and if so the amount
- The basis of its forecast for the next access arrangement
- Whether the amount is prudent and efficient

CCP28 has not observed any engagement with stakeholders on this matter.

¹⁹ APA, *Revised Proposal Overview*, 10 August 2022, pp. 103-104

²⁰ AER, *Draft Decision APA Victorian Transmission System (VTS), Access Arrangement 2023 to 2027 (1 January 2023 to 31 December 2027), Attachment 6 Operating Expenditure*, p. 31

CCP28 Advice to the AER – APA VTS revised access arrangement proposal

4 Overarching comment

Having observed APA engagement since early 2022 and considered its *Initial Proposal*, *Revised Proposal* and the AER's *Draft Decision* we are concerned about APA's mixed messages as to its commitment to consumer engagement in line with regulatory expectations. We acknowledge APA has clearly improved on its engagement since its last access arrangement proposal and has continued to engage with consumers after lodging its *Initial Proposal*. However as evidenced by its commentary on access arrangement costs, and \$2 million capex proposal to prepare its next access arrangement and its relatively untested "drivers of value" APA clearly does not view consumer engagement as a business-as-usual activity or demonstrate an appetite to embed consumers at the heart of its business.

We also note the increased economic pressures facing consumers with rising interest rates and inflation, and an increased focus on affordability by customers over reliability. Yet APA continues to emphasise the continued reliable supply of gas to energy consumers as a key customer benefit, with little consideration as to customers' circumstances. Although gas transmission accounts for a small proportion of customer bills, APA has a moral obligation to demonstrate to consumers how its proposal genuinely considers affordability when its average annual component of a residential customer's bill has risen from \$30.50 in its *Initial Proposal* to \$32.19 in its *Final Proposal* and is well above the \$28.26 average annual component in the AER's *Draft Decision*.

With these factors in mind, we challenge the AER in making its *Final Decision* to explain:

- The drivers of significant price increases for a network facing falling demand
- The implications of accelerated changes in gas demand in Victoria, following the Victorian Government's publication of its *Gas Substitution Roadmap*, and how it will consider stakeholder and consumer interests without them having the benefit of engaging on the revised forecasts
- How it will consider the long terms interests of consumers without adequate evidence of appropriate and collaborative consumer engagement
- What objective tests the AER will apply to assessing APA's *Revised Proposal*.