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1. Introduction and Summary

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

This submission provides a combined response to the 1 July Proposals and 2nd September Addendums by AGN, Multinet (MGN), and AusNet Services (AusNet) gas distribution networks in Victoria for the period 2023-2028. It builds on our earlier submission on the Draft Plans where we¹:

- Commented on the excellent combined engagement by all three networks
- Recommended further detailed engagement on the future of gas issue
- Discussed the trade-offs around the future of gas:
 - the lack of a clear definition around 'no regrets' approach to the level of accelerated depreciation and the need for more modelling to inform consumer engagement
 - additional capex/opex to help the networks prepare for a low carbon future - why should customers have to effectively pay for a high-risk option that pipeline hydrogen/renewable gas will be economic in the not too distant future?
 - highlighted the risks around continued increase in new customers and how this could well increase stranded asset risk for remaining customers which seems to be contributed to by the methodology prescribed under the Victorian Gas Distribution Code to assess whether new customers are economic to connect
- Did not support the proposed expenditure by AGN and MGN on hydrogen readiness nor the opex step change for renewable gas/hydrogen education campaigns
- Expressed the need for a more robust analysis to support the 'safety' and 'environmental' arguments for extensive mains replacement expenditure; where is the evidence supporting this expenditure if there was no expectation that pipeline renewable gas would be competitive in the future and hence with significant stranded asset/accelerated depreciation risk?

There have been two significant developments in the gas market in the last 6 months.

The first and most significant for consumers is the substantial increase in gas commodity prices. This is been due to a combination of international influences and the lack of competition in the domestic gas market, highlighted regularly in ACCC Gas Reports². Prices for our members entering new contracts have doubled and trebled from 12 months ago, a rise that is much greater than any increase in production costs.

¹ See pp2-11 <https://www.aer.gov.au/system/files/AGN%20%28Victoria%20%26%20Albury%29%20-%20Attachment%205.4%20-%20Draft%20Plan%20Submissions%20-%20July%202022.pdf>

²The most recent from August 2022 - <https://www.accc.gov.au/publications/serial-publications/gas-inquiry-2017-2025/gas-inquiry-july-2022-interim-report>

While these price increases are outside of the control of the gas networks, they do heavily influence forecast demand and constrain networks to seek to control pipeline tariff increases to limit demand destruction.

The second is the publication of the Victorian Government's Gas Substitution Roadmap ('Roadmap') around the same time as the three networks submitted their AA proposal to the AER. The AER gave the networks the opportunity to provide additional information on how that Roadmap impacted on their proposals. We agree this is a better approach than waiting for the AER's Draft Decision.

The Roadmap has two main objectives:

- Initial focus on electrification of the residential sector to support 2030 climate targets that frees up dwindling gas reserves for the harder to abate industrial sectors
- Longer term focus on utilisation of hydrogen, renewable gas and other technologies in those hard to abate sectors.

While there are some specific policies announced, there is still a significant level of policy detail to be developed. For example, the Roadmap:

- Did not, like the ACT Government, place a formal ban on new connections whether greenfield or infill, just removed the obligation to connect; introduced the 7-star efficiency standard for new homes; removed incentives for gas appliances from 2023 and increased incentives for electrification in existing and new residential buildings
- Noted that the Government will consider a renewable gas scheme and targets in 2023 when it presents an updated Roadmap.

The Addendums of all three networks show materially lower demand which translates to lower connections and augmentation capex, higher accelerated depreciation and higher tariffs in the Addendum than the Proposal. The need to balance these issues with affordability given the rise in the price of gas is even more acute.

The key driver is the demand outlook which is still very uncertain - there is general agreement that demand will fall, but a lot of debate around how much and how quickly. As the Roadmap says, Victorian residential consumers like their gas and they account for over 85% of distribution network demand. But there is increasing negative sentiment around gas – councils seeking to ban new connections, the Commonwealth Bank is now offering lower interest rate housing loans for housing that does not have gas³, developers are proposing all electric residential developments and long term restrictions on the development of new gas sources to replace the expected significant decline in Bass Strait production over the next decade.

This submission is based on our participation in a range of engagement activities as part of the Victorian Gas Network Stakeholder Roundtable (VGNSR), our earlier membership of the Expert Co-design Panel working with the three networks to develop a range of scenarios for a 'Future of Gas' models, as well as discussions with our members.

³ <https://www.afr.com/companies/financial-services/commbank-offers-cheaper-mortgage-for-green-homes-20220427-p5ages>

It comments on the following topics – engagement, demand forecasts, capex, opex, future of gas and accelerated depreciation and price path. In summary:

- The excellent combined network engagement process that led to the Draft Plans, continued up to the submission of the Proposals and Addendums. This quality engagement was recognised with a well-deserved 2022 Energy Networks Industry Consumer Engagement Award
- All networks have presented comprehensive analyses of the potential impact of the Roadmap on demand but are constrained by the lack of detail and transparency around the Roadmap modelling; we leave it to the AER to assess the demand forecasts, particularly to ensure consistency with the APA VTS forecast that were submitted prior to publication of the Roadmap; we would support the AER considering giving the networks an opportunity to resubmit their AA based on revised demand forecasts as is the case for Evoenergy's 2021-26 AA
- There is an important balance to be made in capex between safely and efficiently meeting the needs of customers and limiting future stranded asset risk; we repeat our concerns expressed in our submission on the Draft Plan around whether the level of mains replacement is a guise for consumers to pay for hydrogen readiness under a safety or environment banner; we leave it up to the AER to assess the efficient and prudent level of capex given the demand uncertainty
- On opex we do not support consumers funding education programmes for the future of gas; we also do not accept the arguments that the Roadmap means the networks are unable to have any opex productivity improvement
- We support the concept of the 'regulatory contract' where asset owners should get return of and return on their approved capex; this provides an arguable case for some level of accelerated depreciation in the next period and reduce the risk of intergenerational inequity; the networks have undertaken extensive high-quality modelling to support their proposed levels of accelerated depreciation and we leave it to the AER to assess the appropriate level
- We support the proposed price paths that mirror the expected Roadmap impact.

Engagement

The three networks' high quality engagement continued following publication of their Draft Plans as they responded to submissions and sought to understand and discuss the impact of the Roadmap. VGNSR meetings (alone and jointly with the Retailer Reference Group) covered a range of topics – what the Roadmap meant and its impact on Draft Plan, revised demand forecasts, revised capex forecasts and accelerated depreciation modelling.

Particular issues the EUAA raised were similar to those raised in early engagement - the justification for mains replacement, hydrogen readiness expenditure, demand forecasts, a charge for disconnections that would include a component of stranded asset risk left to remaining customers, intergenerational equity between those disconnecting now vs in the future and accelerated depreciation modelling.

Given the considerable uncertainties that remain e.g. demand forecasts, capex and the AER's view on accelerated depreciation, we agree with the networks that further engagement will be required subsequent to the publication of the Draft Decisions in November 2023.

Demand forecasts

What is proposed?

The following two tables summarise the reduction in forecast annual demand in the Revised Plan compared to the Final Plan driven by Roadmap policy changes. Given the Roadmap policy focus on residential customers, it is not surprising to see the biggest impact on residential demand e.g. for Ausnet the residential segment is 84% of Tariff V (residential and commercial) gas consumption and 97% of Tariff V revenue. Large C&I customers are directly connected to the VTS.

	Annual change – Addendum			Total 5 year annual growth	
	Residential	Commercial	Industrial	Proposal	Addendum
MGN	-5.5%	-1.9%	No change	-2.1%	-5.5%
AGN	-5.3%	-1.0%	No change	-1.3%	-4.1%

AusNet only provided revised forecasts for residential demand. Demand forecasts for commercial and industrial demand are unchanged from the Proposal given their small proportion of total volumes and the absence of Roadmap policies that might substantially impact their demand.

Table 4.1: Residential customer number forecast (average in regulatory year)

	2023-24	2024-25	2025-26	2026-27	2027-28
Original Proposal	779,829	797,292	815,283	832,736	849,632
Annual growth		2.2%	2.3%	2.1%	2.0%
Addendum Proposal	775,783	783,255	787,570	787,612	785,044
Annual growth		1.0%	0.6%	0.0%	-0.3%

Our response

The problem facing the networks (and consumers seeking to understand the Roadmap conclusions) is the limited information provided in the Roadmap on the modelling assumptions and methodology. An application by the EUAA and other organisations for the Department to release more details was unsuccessful. So the networks had to make some adjustments. Further, given the Roadmap policies are by way of incentives to electrify rather than a ban on new connections or new gas appliances, the consumer response is difficult to quantify. Victorian consumers like gas and have the perception that gas is ‘cheaper’ than electricity.

The Roadmap ‘Rapid Transition’ scenario shows annual declines of 8-9% between 2022 and 2028 but it was not based on the specific policies outlined in the Roadmap. CIE analysis provided by AusNet suggests the impact of those policies might result in less than ~1% reduction. So, it seems that either there are a lot more policies to be announced or there is a reason the modelling was not published.

Demand forecasting in this environment is not easy. Lots of assumptions, particularly around consumer (existing residences) and developer (new residences) behaviour need to be made. How quickly will existing homes convert even if they want to? Will developers provide new estates with the gas options and, if so, will new home buyer take it up? And how soon will any shift away from gas become evident given the current project pipeline. The demand

forecasts presented by the three networks provide a very comprehensive analysis of the various factors following extensive engagement with the key players. But the networks are the first to acknowledge the level of uncertainty that remains.

We commend the networks for the comprehensive modelling provided given the lack of Roadmap detail and leave the AER to assess these forecasts. In particular we look forward to seeing how the DNSP forecasts compare to the forecasts developed by APA as part of its VTS AA⁴ that were developed prior to publication of the DNSP’s Addendums. There may be further consultation required to ensure consistency between these transmission and distribution forecasts.

Given the uncertain demand outlook we would support the AER considering whether the networks should have the opportunity to submitting an application mid period to vary their AA if demand significantly changes from the current forecast. This aligns with the AER’s Final Decision on Evoenergy’s 2021-26 AA⁵.

Capex

What is proposed?

Capex is driven by two factors - where the network is on their mains replacement journey and the Roadmap impact. AGN has substantially finished mains replacement, AusNet will in the next period and MGN has some way to go. The Addendum reduction is driven by forecast lower customer connections and demand per customer. All networks argued it was an appropriate balance e.g. AusNet (Proposal p.87):

“A key challenge in developing our capex proposal is to meet our obligations to our existing and new customers while minimising the risk of asset stranding. By carefully balancing these issues, we have met this challenge while also continuing to reduce our average costs (as, on a per customer basis, our real capital base is declining).

	Current Period	Proposal	Addendum	Change Proposal to Addendum
MGN total <i>which includes:</i>	\$468.2m	\$721.6m	\$668.7m	-\$53m (-7%)
• Mains replacement	\$206.7m	\$424.8m	\$408.3m	
• Growth assets	\$128.1m	\$115.8m	\$93.7m	
• Augmentation	\$18.0m	\$9.1m	\$1.5m	
AGN total <i>which includes:</i>	\$680.7m	\$531.4m	\$434.3m	-\$97m (-18%)

⁴ See <https://www.aer.gov.au/system/files/APA%20VTS%20-%20Discussion%20Paper%20Load%20%26%20Demand%202022%20GSOO%20VGPR%20-%20July%202022%20-%20Public%20%282%29.pdf>

⁵ See p. 26 <https://www.aer.gov.au/system/files/AER%20-%20Final%20decision%20-%20Evoenergy%20access%20arrangement%202021-26%20-%20Overview%20-%20April%202021.pdf>

• Mains replacement	\$264.7m	\$30.9m	\$29.5m	\$1.4m (-5\$)
• Growth assets	\$231.6m	\$229.4m	\$166.1m	-\$63.3 (-18%)
• Augmentation	\$15.0m	\$80.4m	\$57.8m	-\$22.6 (-18%)
AusNet total	\$562.8m	\$563.0m	\$504.4m	-\$58.6m (10%)
<i>which includes:</i>				
• Mains replacement	\$130.5m	\$134.1m	\$132.3m	-\$1.8m (1%)
• Customer connections	\$296.2m	\$237.9m	\$187.0m	-\$50.9m (21%)
• Augmentation	\$16.2m	\$23.3m	\$19.8m	-\$3.5m (15%)

All networks propose a reduction in capex in the Addendum – relatively small for MGN (7%) but much higher for AGN (18%) and in between for Ausnet (10%). This is driven by reductions in growth and augmentation capex with lower connections and falling consumption. Given the uncertainty in future demand and connections, augmentation and new connections capex is excluded from CESS.

Our response

The engagement on capex leading to the Proposal involved a lot of discussion on the level of capex given the (then) unknown Roadmap impact. We did not want to see large levels of capex with 30/40/50 year asset lives that are soon subject to accelerated depreciation as demand fell.

The major focus for MGN was the level of mains replacement. It is behind AGN (which only has a small component following large expenditure in the current period) and AusNet which will complete its replacement in 2023-28 period. For MGN, mains replacement has varied from \$457.5m (Draft Plan) to \$424.8m (Proposal) and now \$408.3m (Addendum). The reduction follows feedback on the Draft Plan that resulted in low pressure volumes brought back in line with current annual replacement. Costs will increase due to the move into more complex higher density areas.

AusNet’s justification focusses on safety (Proposal p. 93) with reference to the Safety Case submitted to the safety regulator Energy Safe Victoria, though does mention leakage and hydrogen readiness in passing (Proposal p 95). MGN’s argument for this replacement in the Draft Plan was a combination of safety, environment and hydrogen readiness.

They argue (Proposal p. 97):

“Our mains replacement program remains a key focus in the next AA period. It is the single most important activity we undertake to ensure public safety.”

This is at the same time as saying that rate of replacement for in the final year of the current AA period is lower to manage overall investment levels under the CESS, and focus resources on completion of the AGN program, which suggest safety is not paramount. Unlike the MGN Draft Plan, there is no mention of hydrogen readiness in the Proposal document and a passing reference in Attachment 9.7 (p.44) which sets out the detailed justification for the mains replacement programme.

In our submission on the Draft Plan we noted:

“There is no evidence provided that the replacement is something that Energy Safe Victoria has recommended. There was no evidence provided on the value of the carbon emissions reduced in the mains replacement business case. There is no evidence that the three networks would make the same capex proposal (total \$ and timing) as they have in their Draft Plans, if there was no expectation of network renewable gas/hydrogen ever being competitive.

We would suggest that the next round of consultation provides more detail on the safety and environmental case for mains replacement.”

MGN’s Attachment 9.7 provides data on increased leak rates between 2018-2020 (that fell in 2021) and decreased fracture rates due to past mains replacement. It also discusses MGN’s obligations under Victorian safety legislation and the National Gas Rules and its approach to risk management. While we are not experts in this area, it seems that there is no strong business case provided for this level of main replacement. There is an assessment of different option costs against a qualitative assessment of the risk.

During engagement post Draft Plan we again asked whether Energy Safe Victoria could provide some formal advice on the safety requirements for main replacement and were told that the organisation was not able to provide that advice. We suggest the AER engages with Energy Safe Victoria on this matter. If it really is safety driven then it is unclear why the programme was not much bigger in the current period. If it really was safety driven then the level of contractor capacity across AGN and MGN perhaps has little relevance.

Our concern is that consumers are being asked to fund network hydrogen readiness (which we think should be paid for by the owner) under the guise of safety. We leave it to the AER to assess whether the proposed mains replacement expenditure is prudent and efficient.

In their Draft Plans all three networks proposed additional capex to prepare for the low carbon future – AusNet \$11.2m, AGN \$25m and MGN \$21m. All were seen as ‘no regrets’ investments. We expressed concern about this expenditure in our Draft Plan submission saying these are only ‘no regrets’ expenditure if pipeline renewable gas proves to be economic and we believe that this is far from assured. Hence we believe that this capex is asking customers take renewable gas business case risk which we think should sit with the equity owners.

It is pleasing to see that, following further analysis, the networks have reduced this capex category in the Proposal – AusNet removed it completely, MGN reduced to ~\$10m and AGN reduced to ~\$11m. We leave it to the AER to assess how much of this smaller amount is justified without consumers taking renewable gas development risk.

Given the uncertainty of demand forecasts, we support the reduction in capex in the Addendums and leave it to the AER to decide if the proposed level is prudent and efficient. We agree with the networks on excluding certain capex from CESS and agree with them that the relatively low level of this capex means the incentive for the networks to incur efficient capex is not materially dampened.

Opex

What is proposed?

	Current Period	Proposal	Addendum	Change Proposal to Addendum
MGN (excluding ARS and DRC) <i>Step changes</i>	\$352.3m	\$393.7m	\$395.6m	+\$1.9m
• Renewable communications		\$3.0	\$3.0	No change
• Cyber		\$3.6	\$3.6	No change
• Priority service programme		\$4.8	\$4.8	No change
AGN (excluding ARS and DRC) <i>Step changes</i>	\$383.5m	\$468.9m	\$472.7m	+\$3.8m
• Renewable communications		\$3.0m	\$3.0m	No change
• Cyber		\$6.9m	\$6.9m	No change
• Priority service programme		\$5.0m	\$5.0m	No change
AusNet (excluding DRC) <i>Step changes</i>	\$284.7m	\$300.6m	\$302.0m	+\$1.4m
• Priority service programme		\$4.4m	\$4.4m	No change

All three follow the base, step trend approach for opex estimation. For MGN and AGN the higher base year in the Addendum is substantially offset by reduced trend due to lower demand. All three networks Proposal productivity of 0.4% pa is reduced to zero in the Addendum. The declines in consumption, particularly residential, following from the Roadmap (MGN p.21):

“...means that the scope for productivity improvements in opex is significantly reduced.”

The three networks argue that:

- it is harder to get productivity improvements in a declining demand world that does not support productivity driven new capex
- falling customer numbers remove economies of scale

In AusNet’s case they already included \$5.6m of savings (equivalent to 0.7% pa) in their Proposal MGN and AGN argue that the AER should also consider productivity associated with returns to scale and operating environment as well as the traditional technical change. The former accounts for changes in RAB and customer density and argues that changes in RAB ‘are for the most part’ outstripped by changes in customer density so they would expect negative productivity growth due to the operating environment.

Based on customer feedback that indicated they wanted to be more aware of what future energy options might be, both MGN and AGN proposed a step change of \$7.4m for customers to fund an education programme on the future of gas and renewable gas options. Reflecting strong consumer feedback on the Draft Plan that did not support this step change this amount was reduced to \$3.0m in the Proposal and Addendum. The smaller amount means the networks will fund the broad marketing and communications activities proposed, with customers funding the uplift in community engagement activities and a new school education program.

All three networks are proposing an aligned Priority Service Programme to support vulnerable consumers. Compared to the Draft Plan, AusNet is not seeking the education programme step change and has removed step changes for bushfire insurance, engineering initiatives and new state tax and levies.

Our response

We leave the AER to assess base year efficiency and real price and output growth. Our focus is on the step changes and productivity.

- We welcome AusNet’s decision to remove a range of step changes following feedback on their Draft Plan and to reduce their proposed Priority Service Programme cost
- We support the concept of a step change to cover cyber security and leave it to the AER to assess whether the amount sought is prudent and efficient
- We do not support customers making any contribution to the education campaigns. Just because consumer engagement indicated a desire to know more about the future of gas does not mean they are prepared to separately pay for that. In any case we are not convinced of the economic case for pipeline renewable gas/hydrogen and consumers should not bear that risk through contributing to the education campaign in what might be ‘a lot of regret’. Consumers should not be taking renewable gas business case risk which is best borne by the equity holders. The AER rejected a similar proposal from AGN SA saying that it should be funded by base opex
- We appreciate the effort that the networks have gone to in engaging on the Priority Services Programme. The question is whether this should be a normal part of business and hence funded through base opex. Consistent with our view on education programmes, we favour it being funded through base opex, particularly when there is zero productivity
- We find it difficult to accept the productivity proposition. leave it to the AER to decide on the productivity issue. We would simply comment that our members, operating in the same ‘workably competitive’ market the regulatory framework is designed to replicate, are still incentivised to make productivity improvements, no matter the demand for their product or asset base.

Future of Gas and accelerated depreciation

What is proposed?

	Proposal	Addendum
MGN	\$76m (~5% of RAB)	\$86m (~6% of RAB)
AusNet	\$150m	\$200m
AGN	\$144m (~7% of RAB)	\$175m (~9% of RAB)

This has been the most complex and vexed issue during all consumer engagement. The EUAA was a member of Expert Co-design Panel established by the three networks to develop a range of ‘Future of Gas’ scenarios. This was a welcome initiative that showed the genuine desire of the networks to openly explore difficult issues. Following publication of the Roadmap, the networks developed various ‘Roadmap scenarios’ based on the ‘Electric Dreams’ (AGN and MGN) and ‘Electric Dreams’ and ‘Dual Fuel’ (AusNet) scenarios in the original study. The Roadmap materially increases the networks’ stranding risk.

The modelling framework was used to test the impact of different depreciation profiles. How much in 2024-28 without triggering a ‘death spiral’? How much in 2023-28 to smooth the price path in subsequent periods to limit a ‘death spiral’ in future periods? How to avoid the situation in the future where demand has fallen so much (and hydrogen/renewable gas is not an economic replacement) that the network receives insufficient revenue to maintain the system for remaining customers?

Our response

In our submission on the Draft Plan we expressed our acceptance of the principle of the ‘regulatory contract’. We defined that as the implicit contract between the network, its consumers, and the regulator that once the regulator has made their decision on the networks’ spending proposal, consumers commit to pay an efficient price cap that provides the network with recovery of its capital plus a rate of return on that capital commensurate with the risk allocation between the network and its consumers. This rate of return is set based on the assumption that consumers accept demand risk i.e. networks have no stranded asset risk. The network expects to get return of and on its capital over the regulated depreciation term.

The EUAA believes that the ‘regulatory contract’ concept provides an arguable case on intergenerational equity grounds for accelerated depreciation in the 2023-28. To delay the start of accelerated depreciation to the 2028-33 AA period means that those consumers who reduce their consumption or disconnect from the grid in the 2023-28 period will contribute less to the historical costs of meeting their demand. If those who are least likely to reduce consumption/disconnect are unable to afford electrification (even with the Victorian Government subsidies) it could be considered inequitable if a delay in the start of accelerated depreciation means these ‘rusted on’ consumers have to pay an even higher price in 2028-33 and beyond. Plenty of regret potential when we consider a ‘no regrets’ approach. Accelerated depreciation will increase prices now but decreases them in the future which improves business sustainability.

The networks have undertaken significant additional modelling and engagement since publication of the Roadmap. Given the Roadmap has increased the networks’ future of gas risk profile, it is not surprising that this has led to increases in the proposed level of accelerated depreciation in the Revised Plans. Assessing the ‘right’ level will always be a balance and the extensive modelling provided by all networks was an excellent contribution to helping consumers come to a view on where the intergenerational equity balance – costs and benefits to both asset owners and consumers - might fall. For MGN and AGN the level of accelerated depreciation is in effect a ‘goal seek’ with the amount limited by a desire to maintain stable prices for customers (MGN p.18/AGN p.17).

“...our objective of maintaining stable prices for customers remains a priority and we recognise the importance of this for customers as the energy sector transitions. Accordingly, our proposal in response to the GSR is to increase accelerated depreciation by a modest amount. This approach takes further small

steps towards addressing the risks we and our customers face as we transition to net zero, while balancing the benefit of maintaining stable prices.”

We consider the modelling undertaken to be innovative and very worthy of detailed consideration by the AER as it assesses whether accelerated depreciation should be allowed and what level is in the long term interests of consumers. In our earlier submission on the Draft Plan, we noted the considerable debate around the role of Government in sharing the stranded asset risk. After all it is their policies that are creating that risk. The Roadmap notes that the Government actions include⁶:

“Working with gas infrastructure proponents to ensure timely investment to support secure and reliable supply while avoiding overbuild and minimising the risk of stranded assets.”

but says nothing about which party bears that risk. This is a question that cannot be ignored for ever.

Price Path 2023-28

What is proposed?

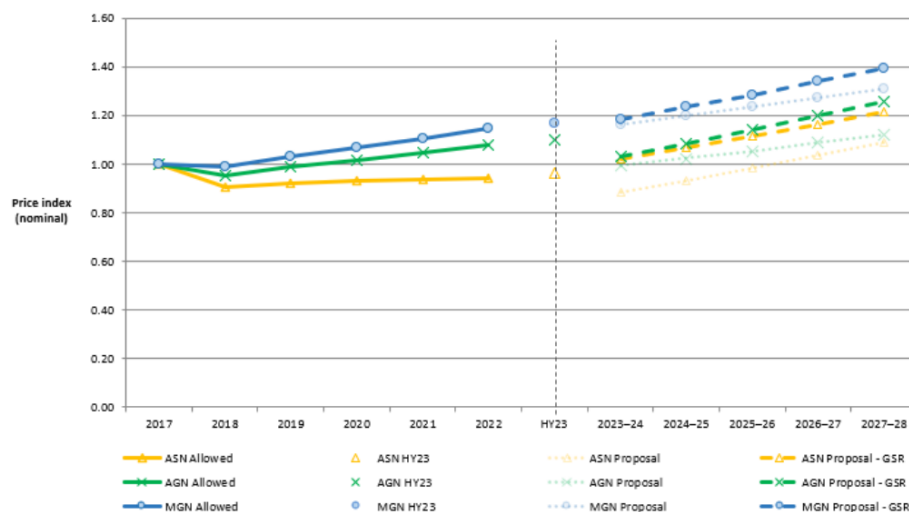
The network submissions to the AER can be confusing in their description of the price path. The table presents the path as described by the networks which is can be confusing on whether they are referring to nominal or real prices.

	Final	Revised
MGN	1% price reduction on 1 July 2023 then...	1% after inflation increase on 1 st July 2023 then CPI +1% for next 4 years
AGN	10% reduction on 1 July 2023	6% after inflation reduction on 1 st July 2023 then CPI+2% for next 4 years

The graph is taken from the AER’s presentation to the Stakeholder Forum on 20th September and refers to the nominal price path.

⁶ See p. 40 <https://www.energy.vic.gov.au/renewable-energy/victorias-gas-substitution-roadmap>

Nominal price path index 2018-22 to 2023-28



What is clear is that the Addendums have brought price rises from those in the Proposals – the increased accelerated depreciation has more than offset the fall in capex. Price falls in year 1 have been reduced (AusNet) or price falls in year 1 are now price rises (AGN and MGN).

Our response

The price changes have been driven increased accelerated depreciation that have more than offset falling capex. The price rises are largest for MGN reflecting the larger mains replacement and higher depreciation. Completion of the mains replacement by AusNet gives it headroom to still lower prices with higher accelerated depreciation. We agree with the approach of the networks to align the price path to the expected impact of the Roadmap over the period.

Do not hesitate to be in contact should you have any questions.

Kind regards,

Andrew Richards
Chief Executive Officer