



Attachment 14.3

Revisions to Revenue & Pricing

Response to Victorian Gas Substitution Roadmap

September 2022

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

Building Block Total Revenue

Our total revenue in our GSR Response is \$1,014 million (\$2022/23). This is \$23 million 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	73.1	78.1	84.4	89.2	94.0
Return of Capital	46.9	46.2	49.0	53.1	55.2
Opex	87.0	88.6	90.4	91.3	93.9
Revenue Adjustments	-1.5	-7.3	-6.6	-7.2	-9.3
Cost of Tax	7.5	4.7	2.7	3.6	3.5
Building Block Total Revenue (including ARS)	212.9	210.4	219.8	230.0	237.4
Less ARS	2.6	2.7	2.8	2.9	3.0
Building Block Total Revenue (excluding ARS)	210.3	207.7	217.0	227.1	234.3

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)	210.3	207.7	217.0	227.1	234.3
Smoothed Revenue	218.9	220.1	220.3	218.1	215.0
Final Plan - Real Price Path	1.7%	-1.1%	-1.1%	-1.1%	-1.1%

Customer Impact

As shown in Table 1.2, we are proposing a 1.7% real price decrease (1.3% increase after inflation) on 1 July 2023 across all customers. Consistent with our Final Plan, 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, a 1.3% increase in their distribution charge before 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 for our residential, commercial and industrial gas distribution charges is \$13.7, \$34.8, and \$1,097.8 respectively. Our AA Document sets out the proposed prices to apply from 1 July 2023.

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

Average Customer Saving	2022/23 Average Annual Charge (\$)	2023/24 Average Annual Charge (\$)	Change (\$)	Change (%)
Residential V				
Metro	405.7	410.9	5.2	1.3%
Yarra Valley	446.9	452.6	5.7	1.3%
South Gippsland	343.6	348.0	4.4	1.3%
Non-Residential V				
Metro	1,030.1	1,043.2	13.1	1.3%
Yarra Valley	2,143.3	2,170.6	27.3	1.3%
South Gippsland	4,051.8	4,103.4	51.6	1.3%
Tariff L				
Metro	1,226.1	1,241.6	41.2	1.3%
Tariff D				
Metro	32,482.6	32,896.1	413.5	1.3%
South Gippsland	35,097.2	35,544.0	446.8	1.3%

Summary

Our GSR Response sees a 1.3% price increase (after inflation) for our customers on 1 July 2023. This is an uplift of 2% compared to the 1% price decrease (after inflation) in our Final Plan. Customers told us affordability is important. We are pleased that we can still propose a relatively stable price for our customers over the next AA period.

Our total revenue in our GSR Response is \$1,014 million (\$2022/23). This is \$23m 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.