

29 January 2015

Mr Warwick Anderson
General Manager - Network Finance and Reporting
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Via Email: ActewAGL2015GAAR@aer.gov.au

Dear Mr Anderson

**Submission from the Master Builders Association of the ACT
AER Draft Decision for ActewAGL Gas Distribution 2016-2021**

The MBA ACT represents the interests of commercial builders, residential builders, civil contractors, suppliers/subcontractors and professionals. The MBA ACT is also a Registered Training Organisation and a Group Training Organisation.

In preparing this submission, we have canvassed the views of our members from all 5 sectors for their input. We have also reviewed ActewAGL's response to the AER draft decision and support the key recommendations in that submission.

The MBA supports a competitive environment for the provision of essential services such as electricity, gas and water and the MBA acknowledges that the objective of any utility should be to deliver price reductions based on well-founded rationale and analysis. The MBA does not support, in principle, the AER's draft determination for the 2016-2021 period as it affects ActewAGL and its ability to deliver gas network services to the ACT community.

The AER in its draft determination has proposed a 19.9% reduction, equating to \$348.3m (\$nominal) in revenue over five years from 1 July 2016.

The draft AER decision includes the following reductions:

- Rejected ActewAGL's forecast opex of \$146.2 million (\$2015/16) and replaced it with a forecast of \$134.1 million, an 8.3 percent reduction.
- Rejected ActewAGL's forecast net capex of \$117.5 million and replaced it with a forecast of \$76.8 million, a 38.9 per cent reduction.

The MBA and its members, as key users of services provided by ActewAGL, are concerned that if such cuts are implemented, ActewAGL will not be able to deliver the service that our members expect and require. This could lead to a reduced customer base for gas services and consequently increased long term costs. Ultimately, this will affect the economic competitiveness of the ACT.

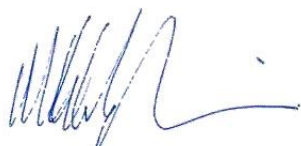
We understand that the ActewAGL capex proposal is based on a fine grain analysis of the medium density market expansion and re-timed two distinct capacity development projects in the Molonglo area based on updated new dwelling forecasts. The pace of development in

these new areas is often difficult to forecast. It is important that ActewAGL retain the ability to be flexible and nibble to changes in urban development, so that the provision of gas network infrastructure can match the pace of urban development. Without this flexibility, ActewAGL may not be able to provide infrastructure to match demand. Ultimately this risks reducing the gas network customer base, which will have the effect of increasing long term costs for other users.

The MBA is also concerned that if such cuts are implemented, additional costs will be passed onto our members or their customers, to off-set the 8.3% reduction in opex. Our industry is still feeling the sudden and unexpected impact of electricity connection price increases resulting from the recent AER determination for electricity prices. If the AER determination results in changes to fees paid by builders, contractors, or their customers for gas connections or services, we request these changes be transitioned over 12 months to allow time for industry to adjust to new charges, and to avoid the problems caused by recent electricity connection price increases.

In concluding, the MBA and its members have had a long association with ActewAGL. Reliability of supply and the provision of critical infrastructure is paramount to ensure a profitable and viable construction and development sector, which is a key contributor to the wellbeing of the ACT economy.

Yours sincerely



Michael Hopkins
Deputy Executive Director