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10 August 2020

Australian Energy Regulator

Australian Gas Networks (AGN) South Australia

2021 – 26 Gas Access Arrangement (AA) Review

AGN South Australia 2021 -26 Gas Access Arrangement (AA) Review

Dear Regulator,

On behalf of SAFRRA Inc., we wish to thank you for the honour to submit our submission to AER for the Australian Gas Networks (AGN) South Australia 2021 – 26 Gas Access Arrangement (AA) Review.

SAFRRA Inc., was pleased with AGN South Australia COVID – 19, Energy Networks Relief Package effective 1 April 2020 to 31 July 2020. This package we believe will need to be revised with a longer extension time beyond 2020 and revised. Deferring or rebating in this case above with gas network charges to customers is essential. COVID – 19 Response Plan re customer's faults and emergencies not impacted, social distancing. Gas customers' having difficulties paying utility bills, self-isolating, loss of employment, reduced employment, superannuation and investments have collapsed, especially for the self-funded retirees. Residents and ratepayers who are at home all day will have increased gas utility use but have lower income to pay bills overall. Those few South Australians who are working from home will have higher gas usage, reduced ability to pay, many working poor, major with the uncertainty of the length Covid – 19 infections in South Australia. We believe AGN South Australia income reductions from Covid – 19 customers, vulnerable customers programs, reduced new developments, less connections, reduced business activities. SAFRRA Inc., do not want to see after the 7% reductions in customers' utility bills in July 21 that major hikes in gas bills other than the 1.2% plus inflation forecast to compensate for AGN South Australia loss of income from there customer base over the next five years. State and Federal governments further support vulnerable customers in these uncertain times.

SAFRRA Inc., support the nominal price fall of 7% on 1 July 2021 then annual increases of 1.2% per annum (plus inflation).

We have strongly supported gas prices being affordable, safe and reliable gas service, digital services introduced in a cost effective way, (smart metres), being non system capex \$36.5m, the business pays for IT System, AGN absorbing \$1.4m, not the customer indirectly. SAFRRA Inc., strongly supports AGN South Australia, 'Vulnerable Customer Assistance Program'. The Vulnerable Customer Assistance Program, AGN absorbing \$3.9m, the expected high unemployment, income loss, and especially for the current pensioners and future pensioners bewildered in the Covid – 19 worlds over the next five years. AGN absorbing increased insurance premiums (\$3m).

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SAFRRA Inc., supports any Price Path which is to be a smoother line option. We support the reduction of gas accounts \$33.00 to Residential customers but would have liked to see a higher reduction. Commercial customers savings of \$326.00 a year and Industry \$15,000.00 a year but we would still have liked to see a further reduction for both. Especially in the Covid -19 tragic times which has happened after many projections were made, not a fault of AGN South Australia.

Demand forecasts is not an easy task for future plans with COVID – 19, we expect falls in new connections, residential connections thus a much lower income base for AGN South Australia with our high unemployment in SA / Australia plus a forecast of a 6.7% decline Australia's national growth. Unemployment in SA and this State's growth could be much worse in reality, double or more in the decline, even in Australia's national growth.

SAFRRA Inc. believes that the productivity growth factor of 0.4% may be lower due to Covid -19. Opex 8% higher than current period and Capex 3% lower than current level RAB increase of 14%, RAB per customer increase 8%. We believe in these troubled times these forecasts could all vary from AGN's current forecasts. Actual figures increases to customers could be much higher as well and higher gas bills.

SAFRRA Inc., supports the AER's review re taxation for AGN, zero.

The Future of Gas

We would strongly support AGN's Hydrogen Park South Australia and other blending projects. Australian Hydrogen Centre, blending of hydrogen with methane. The future of Gas is for AGN South Australia is to reduce carbon emissions. Especially with Government policies to achieve net zero emissions by 2045 - 2050. AGN has identified depreciation can change but not in this five-year Access Arrangement period, to be considered in the next five-year Access Arrangement period to try and smooth out the transition to zero emissions for investors and customers. Renewable energy we believe is becoming less expensive. AGN needs to have a comprehensive business plan, AGN is doing the work now and showing our STATE Government the advantages of Hydrogen blending, cost effective and hopefully our State Government funds these projects that will create increased employment in SA. SAFRRA Inc., believes AGN South Australia once they prove that Hydrogen blending with methane can be successful especially in SA will create future employment. By the next five – year Access Arrangement period AGN will know if the 10% blend works technically. We hope it does for South Australia.

AGN active leadership role in the development of hydrogen as 'green' reticulated gas for future use, installation of an electrolyser and HyP SA. Part tender to buy future hydrogen. Thank you AGN.

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SAFRRA Inc., supports AGN's Capital Base Standard Asset Lives depreciation year by year tracking and agree changing the useful life of assets to be considered in the next five-year Access Arrangement period. In these current troubled economic times asset lives depreciation hopefully will reduce gas price increases or the future of very low gas cost reductions.

We support AGN's mains and inlets replacement program LP cast iron and HP HDPE delivering a price cut for customers. Well done AGN.

We believe RAB is inflated with AER's inflation 2.34%, current markets 0% but COVID - 19 issues over the next five years cannot be predicted easily and as the real inflation rate to be revised by a year by year review within the next five-year Access Arrangement period.

Demand - Forecasting Methodology

SAFRRA Inc., expects a major reduction in Gas Demand in both commercial and residential. High unemployment, businesses closures and we believe we will never be the same again. We will experience a total new playing field. HIA's new connections forecasts is to be very low as well as Gas conversions and as a result both will take a major reduction. Total dwellings house, multi-units affected with reduced housing built including medium high rise, considered know as disease towers. Covid -19 situation may deter major high rise development in South Australia, more urban sprawl, the population more concerned not living very close to each other.

As we speak today the former residents of India, approximately the 2 million who have lost their employment in parts of United Arab areas due to Covid -19. These residents who are returning home and those who when returning home reside in parts of Southern India have 1 - 3 acres of land with their home (usually four bedroom), and have the opportunity to grow their own food, survive and live independently at home.

AGN's South Australia's Revenue

SAFRRA Inc. believes AGN's revenue over the next five years Access Arrangement period will be reduced, AGN's draft revenue forecast is the best that they can do currently. Again, COVID - 19 will impact financially on the business and the State and Federal Government we believe will / may have to come to the financial aid of AGN and many other industries.

SAFRRA Inc. supports AGN's continuing to standardise terms and conditions across its networks. AGN's customers in South Australia are very satisfied with their service, reliable products, quick attending to gas leaks and public safety being there top priorities, plus future smart meters where required. As per surveys indicate.

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On behalf of SAFRRA Inc., I have experience one of the best community engagement processes by AGN South Australia in regard to their Draft Plan and this amazing process applies to all the AGN staff involved in this community engagement process. In particular, the professional, excellent work, detailed knowledge, role, always there from AGN's, Ben Wilson, the Chief Executive, thank you. The AGN South Australia community engagement was not flashy but it did deliver a very high – quality engagement program, something AGN South Australia and our community can be extremely proud.

In summary SAFRRA Inc., wishes to thank AGN South Australia for supporting the ongoing vulnerable / hardship / Covid – 19 customers: - indigenous residents, those on aged pensions, unemployed, students, those on federal income support, those on low incomes, working poor, self-funded retired people, renters, those with disabilities, residents new to SA, the Multicultural Communities. We acknowledge the State and Federal Governments role in customer concessions / rebates and their support for the all the above which is Governments responsibilities.

We would like highlighted for AGN South Australia to support renters of property (residents) who have financial hardships / vulnerable customers - paying utility bills, once AGN receives a name list like SA Water currently have. We believe this information will make a difference to support financial hardship residents amongst our South Australian renters.

SAFRRA Inc., strongly advice AER that the price of gas to consumers is the most important / priority issue to Ratepayers and Residents, in South Australia. AER please ensure to keep gas prices as low as possible and especially with COVID -19 and beyond through our State's future recovery process.

Kevin Kaeding
President
SAFRRA INC.