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ERA Draft Decision on ATCO 2020 - 2024 Access Arrangement (AA5)

AGL Energy (**AGL**) welcomes this opportunity to provide comments to the Economic Regulation Authority (**ERA**) regarding its Draft Decision for ATCO Gas Australia's (**ATCO**) proposed revised access arrangement for the Mid-West and South-West gas distribution systems published on 18 April 2019 (**Draft Decision**).

AGL largely supports and agrees with the Draft Decision and the Required Amendments it sets out for ATCO to implement. AGL considers the concerns raised in its initial response dated 14 November 2018 (**Issues Submission**) to the ERA's issues paper on AA5 have been addressed and as a general comment, AGL appreciates the ERA's thorough consideration of each of these points in the Draft Decision.

AGL has also engaged with ATCO throughout the AA5 consultation process and discussed with ATCO its response dated 12 June 2019 to the Draft Decision (**ATCO's Revised Proposal**). AGL acknowledges ATCO's open manner in engaging with its stakeholders and seeking their feedback.

We offer the following additional comments for noting or further consideration.

Operational Services

AGL's Issues Submission centred on capital expenditure and operational services. AGL is pleased that some of the main issues identified in its Issues Submission in relation to Pipeline Services were accepted, namely:

- introduction by ATCO of a Special Meter Reading Service as an ancillary reference service for the AA5 period, which was accepted by the ERA in the Draft Decision; and
- Service Order cancellation period – AGL supports the ERA's draft decision as set out in Required Amendment 36, and agrees with ATCO's Revised Proposal to revise its ancillary service charges to allow for no cancellation fees being payable when the listed ancillary services are cancelled at least 3 business days from the proposed date of service.

We appreciate the ERA's consideration of these operational processes and we believe the acceptance of these two issues will result in positive impacts for customers as it will streamline processes and reduce unnecessary costs being passed onto customers.



Proposed Price Path

AGL expressed concern in its Issues Submission regarding ATCO's proposed haulage price path and the large step increase in 2020 for the B3 tariff. AGL was pleased to review the ERA analysis of the issue and its Required Amendments 14 and 15.

AGL acknowledges the ERA's Draft Decision has reduced the first year of the AA5 price path, however, it still includes a significant jump in 2020, and may be subject to further increases following the ERA's review of ATCO's Revised Proposal.

AGL recognises ATCO and the ERA are largely constrained from resolving this situation by the current framework but would not like a similar situation to occur. AGL encourages the ERA to consider regulatory options for reviewing and adjusting a price path during an access arrangement period in order to ensure that there are not substantial price changes across periods in the future. AGL is happy to work with the ERA and ATCO on such a reform.

Demand Forecasts and Connection Capex

AGL supports the ERA's Required Amendments 1 and 2 for ATCO to update its demand forecasting to reflect 2018 data. This allows for the most up to date information regarding customer connection and consumption data, and demand for ancillary services, to be applied. We note that ATCO's Revised Proposal has accepted this and updated its forecasting in line with both required amendments.

AGL seeks clarification in relation to the Draft Decision providing no capex allocation for greenfield and brownfield customer connections for B2 and B3 customers (together with their associated gas usage). AGL queries whether this is appropriate or the result of the ERA's determination that ATCO's modelling for this growth expenditure didn't meet the principles of NGR 74 and 79. ATCO's Revised Proposal sets out that they are compliant with the NGR and these connections should be included, though ATCO has reduced the requested amount.

AGL considers that some provision should be made to ensure there is continued growth of new connections within the gas market in the most efficient and effective manner possible, such as through the proposed Developer Rebate Scheme. AGL's experience in other jurisdictions is that allowing a gas distribution network to extend its service as part of a new estate development is the most cost effective and efficient way to provide reticulated gas services to new customers whilst maximising the penetration of gas supply services. As a gas retailer, AGL supports mechanisms which will provide for efficient growth of the West Australian gas customer base.

If you have any queries, please contact me or Patrick Whish-Wilson on (02) 9921 2207 or PWhish-Wilson@agl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux
GM of Energy Markets Regulation