



GAAR 2028-33

Gas Stakeholder Roundtable

Summary Notes | Meeting #2

Details	Participants
9:30am to 11:30am Monday 27 July Online Chair: AusNet	Observers: Belinda Sheldrick, Australian Energy Regulator (AER) Brendan Li, AER David Prins, Customer advocate (GAAR Development Panel) Jan Wisniewski, University of Melbourne Meg Zerafa, AER Michael Taylor, AER Nicole Wallis, Customer advocate (GAAR Development Panel) AusNet team: Fran Duiker, EGM Gas & Metering Moyo Tian, GM Strategy & Regulation (Gas) Jacob Clifton, GM Public Affairs Erin Wild, GM Network Management (Gas) Eliza Cochrane, Price Review Manager Ben Ryan, Manager, Policy & Regulation (Gas) Zoe Wright, Manager, Strategic Engagement and Insights Kyle Olsen, Senior Engagement Specialist
	Aaron Hemsley, Department of Energy, Environment and Climate Action of Victoria (DEECA) Alex Earnshaw, DEECA Alexander D'Aloia, Essential Services Commission (ESC) Alice Gordon, DEECA Cameron Bower, EDM Gas Claire Ohk, Energy Consumers Australia Con Noutso, Red/Lumo Energy Damien Moyse, DEECA Fiona Doherty, Alinta Energy Gerrod Murphy, Perpetual Energy Jordan Duckett, DEECA Kyle Auret, AGL Leigh Clemow, Energy Users' Association of Australia (EUAA) Rory Anderson, Victorian Council of Social Service (VCOSS) Ross Jamieson, Gas Appliance Manufacturers Association of Australia (GAMAA) Sangeetha Chandra-Shekeran, University of Melbourne Steve Oh, ESC

Key outcomes

The Stakeholder Roundtable:

- Shared their needs and preferences to help inform where AusNet should focus its efforts in its proposal
- Built its understanding of and discussed AusNet's approach to demand forecasting
- Built its understanding of the tools available to managing asset stranding risk.

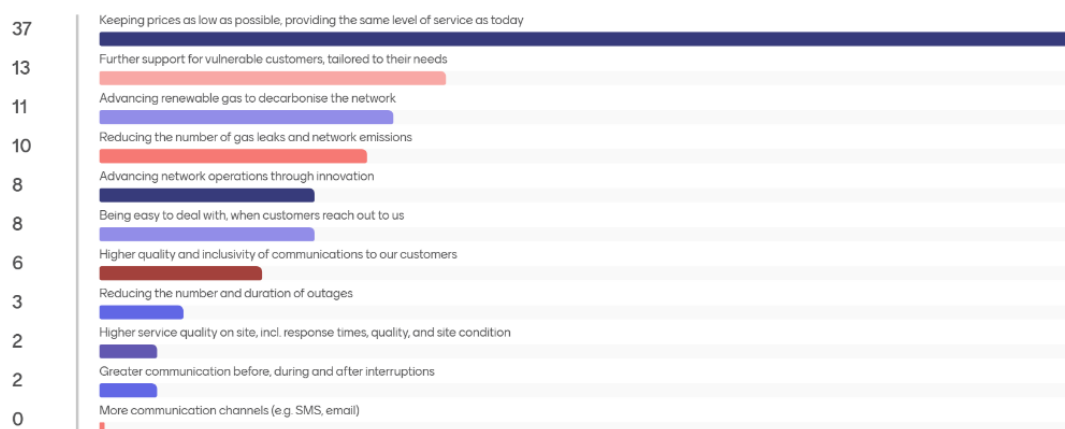
Purpose & Agenda

Time	#	Item	Facilitator/s
9:30	1	Welcome	Moyo Tian
9:40	2	Understanding needs and preferences for the gas network	Moyo Tian & Kyle Olsen
10:10	3	Demand forecasting approach and long-term scenarios	Ben Ryan
10:50	4	Introduction to asset stranding risk and tools to manage in the GAAR	Eliza Cochrane
11:20	5	Next steps and open floor	Moyo Tian

Summary of discussion

Topics	Discussion points
1. Welcome & opening remarks	AusNet's General Manager, Strategy & Regulation (Gas) Moyo Tian, welcomed the Gas Stakeholder Roundtable to its second meeting for the Gas Access Arrangement Review (GAAR) 2028-33 process. Moyo outlined the agenda as well as reported back to the group on where the key topics identified in the first meeting would be covered in future meetings.
2. Understanding needs and preferences for the gas network	AusNet's Kyle Olsen outlined the purpose of the first agenda item, to better understand Stakeholder Roundtable members' needs and preferences across key areas of the GAAR proposal. He noted that AusNet's objective is to develop a proposal that best reflects the needs and preferences of customers and stakeholders. Kyle introduced the four categories that AusNet is using to frame its understanding of customer needs and preferences: • Network performance: Reliability and operation of the gas network, including outages, gas leaks, renewable gas and innovation. • Customer service: The quality of AusNet's communication and interactions with customers, including how easy it is to engage with the contact centre, the quality and inclusivity of communications and its support for vulnerable customers. • Service delivery: Customers' experience of gas works delivered by AusNet at their homes, businesses and large commercial premises, including AusNet's response times, quality of work, site condition on completion of works, communication frequency and available communication channels. • Prices: The extent to which customers value AusNet keeping prices as low as possible while providing the same level of service as today. Moyo Tian then provided an overview of AusNet's current performance, including customer feedback against the above focus areas. Using Menti, an online feedback tool, participants were asked to indicate where they believe AusNet should prioritise its efforts in developing its proposal. Participants were given 100 'points' to allocate across focus areas. The average number of points allocated per respondent is shown below, with more points allocated indicating a higher priority: 1. Keeping prices as low as possible, providing the same level of service as today (37 points) 2. Further support for vulnerable customers, tailored to their needs (13 points) 3. Advancing renewable gas to decarbonise the network (11 points) 4. Reducing the number of gas leaks and network emissions (10 points) 5. Advancing network operations through innovation (8 points) 6. Being easy to deal with, when customers reach out to us (8 points) 7. Higher quality and inclusivity of communications to our customers (6 points) 8. Reducing the number and duration of outages (3 points) 9. Higher service quality on site, incl. response times, quality, and site condition (2 points) 10. Greater communication before, during and after interruptions (2 points) 11. More communication channels (e.g. SMS, email) (0 points)

Allocate 100 points to the areas you think AusNet should prioritise.



Discussion:

- Several members emphasised that keeping bills as low as possible is a key priority, to avoid placing a greater cost burden on customers who remain connected to the gas network.
- A Roundtable member noted that for large commercial and industrial customers the most important priorities would likely be advancing renewable gas for those who cannot electrify. They noted for these customers, keeping the number of outages low will also be important, similar to the level of service today.
- Another member noted that providing clearer information about bills and charges would help customers better understand energy costs and services (such as disconnections and abolishments), as this can be confusing to customers.

3. Demand forecasting approach and long-term scenarios

AusNet's Ben Ryan provided an overview of AusNet's demand forecasting approach. He outlined that the approach would triangulation between historical trends in gas use, the anticipated impact of legislated electrification policy, and insights from AusNet's recent customer segmentation survey.

Ben also outlined the methodology being used to develop long-term demand scenarios and key assumptions that would drive those scenarios.

Using Menti, Roundtable participants were asked to share their views on two key assumptions: whether appliance replacements are typically unplanned, and whether residential customers are generally more influenced by upfront costs than by overall lifetime costs. The average responses are shown below.

Rate these statements from 1: 'Strongly disagree' to 5: 'Strongly agree'



Discussion:

- AusNet noted that its demand modelling only incorporates legislated policies and does not account for potential future policies that have not yet been legislated. These policies will be considered in addition to historical trends.
- A Roundtable member referenced research suggesting that installing solar can be a tipping point that encourages household electrification and noted that they would send AusNet the research for consideration.
- Several participants commented that the findings from AusNet's customer segmentation survey were consistent with research they had seen on similar topics.
- One participant observed that customers tend to be more familiar with their gas heating appliances, rather than hot water, which could drive differences in replacement planning. Another commented that while switching to electric heating initially reduced their gas bill, fixed charges have increased in recent years which might influence behaviour going forwards.
- A Roundtable member commented they have seen a growing preference among some customers for LPG or bottled gas. AusNet noted although it was an option in the survey, the results showed very few customers actively considering LPG as an alternative to mains gas.
- Ben Ryan sought feedback on a reasonable estimate for the proportion of apartment buildings that may be unable to electrify. The Roundtable did not have detailed estimates available, but some participants cautioned against overestimating electrification rates for apartments due to a range of barriers and exceptions to the incoming rental standards.
- A Roundtable member expressed support for AusNet's demand forecasting methodology and asked whether it would align with AEMO's Gas Statement of Opportunities (GSOO) forecast. AusNet confirmed that its demand forecast is an independent view and will not be completely aligned to AEMO.
- A participant suggested that instead of classifying industrial customers into 'able to electrify' and 'hard to electrify' categories, that AusNet explicitly describe customers 'unable to electrify' where there are site and technology limitations.
- Another member questioned where those who will remain on the gas network sit in the four demand scenarios, particularly industrial customers. AusNet confirmed it will clarify this and there will be differences both in the number and distribution of customers in each scenario.
- A Roundtable member commented that barriers to electrification are not solely technical, with social and financial barriers also preventing some customers from transitioning away from gas. They commented that the base case scenario appears to focus on industrial and large commercial customers as being harder to electrify, while underrepresenting residential customers who face significant social and affordability

barriers. AusNet confirmed that the remaining customers would include residential customers with barriers to electrify or preferences for gas.

4. Introduction to asset stranding risk and tools to manage in the GAAR

AusNet's Price Review Manager (Gas), Eliza Cochrane, introduced the concept of asset stranding risk and outlined the tools available to AusNet in the current GAAR process to manage this risk.

Eliza explained the difference between economic and physical asset stranding. Economic asset stranding occurs when a business cannot earn an economic return prior to the end of an asset's assumed economic life, while physical asset stranding occurs when the asset is no longer physically being used.

Eliza then outlined the types of tools that are potentially available to manage asset stranding risk, and the extent to which each can practically be applied by AusNet for the current GAAR period.

- Tools available in the regulatory framework:
 - Optimising expenditure
 - Accelerating depreciation
 - User pays abolishment charges
 - Enabling renewable gas
- Last resort mechanisms - only if such an opportunity to recover cannot be provided.
 - No new investment
 - Compensating for risk in the Rate of Return Instrument
 - Asset write down (redundancy)
 - Network shut down
- Tools requiring new policy and not being considered by AusNet
 - No new connections and upfront charging
 - Decommissioning framework
 - Government/taxpayer funds
 - Exit fees or cross sector levies
 - Renewable gas policy

Discussion:

- AusNet clarified that economic and physical asset stranding are distinct risks and do not necessarily occur at the same time. AusNet confirmed that it does not anticipate any physical asset stranding during the 2028-33 regulatory period and considers economic asset stranding to be the material risk to be managed through the period.
- A Roundtable member asked whether AusNet is considering removing RAB indexation from its proposal. AusNet replied that this is an option under consideration but is not necessarily the approach to change its depreciation schedule.
- Members sought further information on renewable gas as risk mitigation and AusNet shared that its approach to supporting the renewable gas market will be discussed in more detail at the next Roundtable meeting.
- AusNet confirmed that it will use a consumer choice model to test its depreciation proposal to assess the impact of gas network price changes on demand under a range of scenarios.
- AusNet clarified the distinction between abolishment charges - which cover the cost of safely cutting and capping a service on the network - and exit fees - which would charging the departing customer a contribution towards unrecovered network costs. AusNet noted that it does not view exit fees as a feasible or acceptable mechanism for allocating costs to customers leaving the network. It observed that some customers are already reluctant to pay existing abolishment charges, making additional departure-

related charges difficult to implement. A member expressed interest in revisiting this topic as part of the proposal.

5. Next steps and close

Moyo thanked the group for its contributions throughout the session and noted that AusNet would consider the Roundtable's feedback, particularly on demand forecasting as it continues to develop its proposal.
