



GAAR 2028-33

GAAR Development Panel (GDP)

Summary Notes | Meeting #7

Details	Members	AusNet Team
9:00am to 1:00pm Monday 12 October In-person Chair: Nicole Wallis Secretariat: AusNet Meeting summary prepared by AusNet and finalised by Chair Nicole Wallis.	Nicole Wallis (Chair) Damian Sullivan Gavin Duffy Michael Poulton Andrew Richards* Observers: Rob Gannon, Australian Energy Regulator (AER)* Chi Thai, AER* Meg Zerafa, AER* George Huang, AER* Apologies: Kellie Larsen David Prins	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 (Gas) Ben Ryan, Manager, Policy & Regulation (Gas) Zoe Wright, Manager, Strategic Engagement and Insights Jenny Zhang, Manager, Asset Management & Engineering (Gas) Daniel Hew, Manager, Network Strategy & Optimisation (Gas) Daniel Chen, Strategy and Regulatory Lead Nicholas Gathercole, Business Graduate

*joined virtually

Key outcomes

The GDP:

- Supported the proposed expenditure direction, subject to clearer business cases including customer benefits and testing across different demand and network-life scenarios.
- Recommended clearer separation of mandatory and discretionary digital investments, supported by customer experience and return-on-investment analyses.
- Supported AusNet undertaking further work on pricing, decommissioning and accelerated depreciation, with customer impacts presented clearly across customer groups and timeframes.

Purpose & Agenda

Time	#	Item	Facilitator/s
9:00	1	Welcome & opening remarks	Chair
9:05	2	Reporting back from Stakeholder Roundtable	Chair
9:15	3	Context updates	Jacob Clifton, Moyo Tian
9:30	4	Expenditure Deep Dive: CAPEX	Moyo Tian, Erin Wild, Daniel Chen
10:15		Break	Moyo Tian
10:25	5	Expenditure Deep Dive: OPEX & pricing	Ben Ryan, Eliza Cochrane
11:40	6	Approach to AD customer engagement	Zoe Wright
11:55	7	Open floor, next steps and close	Chair
12:05	8	Independent report (GDP only time)	Chair
12:35		Lunch	

Summary of discussion

Topics	Discussion points
1. Welcome & opening remarks	GDP Chair Nicole Wallis welcomed the group and outlined the meeting's purpose: to review AusNet's early expenditure estimates across network capital expenditure, digital capital expenditure and operating expenditure. Nicole reminded members that the GDP's role was not to approve the proposed expenditure, but to consider whether AusNet was focusing on the right priorities and making appropriate trade-offs. AusNet's Moyo Tian outlined the forward agenda leading to the Draft Plan. Moyo noted that the November meeting would focus on the long-term demand forecast, its implications for the proposal, AusNet's approach to depreciation and materials for the second round of customer workshops. The December meeting would provide an overview of the Draft Plan. Moyo also confirmed the upcoming GDP, Stakeholder Roundtable and customer engagement dates.
2. Reporting back from Stakeholder Roundtable	Moyo Tian provided an overview of the September Gas Stakeholder Roundtable, which covered AusNet's five-year demand forecast and asset management approach. Moyo noted that Roundtable members broadly supported the demand forecasting methodology and AusNet's risk-based approach to asset management, while seeking further clarity on how policy uncertainty would be reflected in future demand scenarios. Nicole Wallis shared her reflections from the Roundtable, noting strong participation and constructive discussion. She observed that the mix of stakeholders supported a balanced conversation, although retailer participation remained limited. Discussion: - GDP members asked why gas retailers had not been more actively involved in the Roundtable. AusNet noted that the meeting coincided with school holidays and covered relatively conceptual topics, whereas retailers have typically engaged more closely on tariff structures and other directly commercial matters. AusNet is following up with retailers separately to capture their views. - Members noted that competition requirements may limit retailers' willingness to discuss some issues in a forum attended by competitors. It was suggested that AusNet also engage with the Australian Energy Council to broaden retailer input.
3. Context updates	AusNet's Jacob Clifton provided an update on the Victorian political environment ahead of the State election. Jacob noted that the outcome remained difficult to predict and that implementation of announced energy policies could be delayed if the election produced an uncertain result. Jacob explained that AusNet is increasing its engagement across the political landscape and continuing to assess the potential implications of the parties' policies. Moyo Tian outlined AusNet's approach to managing this uncertainty, noting that the Draft Plan would remain flexible and clearly identify the impacts of different policy settings. Moyo added that AusNet is also engaging with the Australian Energy Market Commission on the long-term treatment of the gas network, including depreciation and the allocation of risk between customers and investors. Moyo also provided an update on proposed revisions to the Reference Services Policy. The changes, which would apply from 1 June 2027, include moving abolishment services to a model standing offer, reclassifying certain no-access services, flattening tariff pathways and introducing a hybrid tariff mechanism that would share demand risk between AusNet and customers. Discussion: GDP members cautioned that any accelerated asset depreciation or write-down could have significant implications for customers and investors, particularly under a change in

government. Members encouraged AusNet to carefully consider stranded-asset risk and the allocation of costs.

- Members noted that major energy infrastructure decisions, including the future of VNI West, could materially affect long-term energy demand and security. AusNet confirmed that they were advocating for the AEMC to allow the 20-year network forecast to consider a range of scenarios rather than rely on a single outlook.
- The GDP observed that short-term price increases can create lasting changes in customer behaviour, referencing the movement away from gas following the 2022 price spikes. Members encouraged AusNet to reflect both short- and long-term uncertainty in its demand forecasts and depreciation approach.

4. Expenditure Deep Dive: CAPEX

Asset Management and Network CAPEX

Moyo Tian outlined AusNet's current-period expenditure performance and explained that the early estimates were being shared before the business cases were finalised, allowing the GDP to challenge the priorities, trade-offs and customer benefits. Moyo noted that capital expenditure was forecast below the allowance, largely due to the timing of digital expenditure and changes to the mains replacement program. She added that operating expenditure was also forecast below the allowance, while revenue was expected to be below forecast due to lower demand.

Erin Wild presented the draft network capital expenditure profile and outlined the options considered across each asset class. Erin explained that core programs were forecast to increase by approximately 1 per cent despite unit cost growth of around 15 per cent, reflecting changes to asset management approaches. She noted that new programs are intended to improve network information, better target investment and deliver future efficiencies.

Erin explained that AusNet is proposing to shift towards more targeted mains replacement, active leak detection and reactive repairs. She noted that the network retained approximately 183 kilometres of unprotected steel mains, which had higher replacement costs and a growing risk of leaks. Erin outlined a preferred approach that would balance planned replacement, life-extension activities and reactive maintenance based on the condition and risk of each asset.

Erin also outlined proposed expenditure for sub-transmission assets, meters, city gates, security obligations and targeted augmentation. She explained that investment in sub-transmission assets would improve asset condition information and preserve the network's long-term strategic value. Erin noted that meter expenditure was largely compliance-driven, while city gate investment would improve contingency and defer some replacements. She added that limited augmentation was proposed to address pressure constraints and customer growth, particularly in Melbourne's west.

Discussion:

- GDP members asked whether the proposed network optimisation expenditure was sufficiently ambitious, particularly given emerging digital and artificial intelligence capabilities. AusNet noted the need to balance future capability with price impacts and advised that further optimisation opportunities would also be considered through the digital proposal.
- The GDP asked AusNet to strengthen the business cases supporting proposed investments by:
 - quantifying customer benefits and net present value;
 - testing investments across different demand, network-life and investment-timeframe scenarios;
 - distinguishing between historical and new capital expenditure;
 - showing the interaction between capital expenditure, operating expenditure and depreciation; and

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- explaining how costs, benefits and risks would be shared between current customers, future customers and investors.
 - Members sought further detail on the proposed reduction in mains replacement and the effect on planned and unplanned outages. AusNet explained that reduced replacement would mean fewer planned outages but could increase reactive repairs and unplanned outages where unprotected steel mains remained in service.
 - The GDP asked whether previous mains replacement expenditure had reduced operating costs and whether advanced leak detection would deliver similar benefits. AusNet noted that improved leak detection may initially increase operating expenditure as additional leaks are identified and repaired but would support more targeted investment and reduce mains replacement over time.
 - Members encouraged AusNet to strengthen the customer narrative for mains replacement and leak detection, particularly where both capital and operating expenditure may initially increase. The GDP noted that customers would need to understand the whole-of-life benefit rather than viewing each expenditure category separately.
 - AusNet explained that it was considering a hybrid approach based on asset condition and risk. Larger or higher-risk mains may be replaced, while lower-pressure or smaller mains may be managed through targeted repairs and life-extension activities where this provides better customer value.
 - The GDP discussed the Sunshine mains replacement program as an example, where repeated leak repairs and clamp replacements had become more costly than replacing part or all of the main. Members considered this a useful example of the trade-offs between reactive maintenance, targeted replacement and broader replacement.
 - Members asked whether investment decisions reflected local demand, network use and cost to serve. AusNet advised that it was building the capability to connect these datasets at a more granular level, which would support better-targeted future investment.
 - The GDP supported investment in sub-transmission assets over the five-year period, noting their role as the network backbone and their potential to support future strategic uses, including large gas-powered generation connections for data centres.
 - Members questioned whether metering obligations remained efficient as more customers electrified or retained dormant connections. The GDP encouraged AusNet to consider non-metered supply, longer meter lives and relaxed accuracy requirements where appropriate.
 - AusNet noted that current obligations required dormant meters to remain within the replacement program. Members recommended that meter compliance requirements be reviewed and suggested that the GDP's recommendations could be handed to AusNet's Customer Consultative Committee for ongoing consideration.
 - Members sought clarification on proposed city gate expenditure. AusNet explained that the investment would improve redundancy, defer some replacements and respond to changing obligations under the Security of Critical Infrastructure framework.
 - The GDP asked AusNet to continue reviewing augmentation needs during the five-year period, particularly in Melbourne's west where customer growth and winter demand were contributing to pressure constraints.
 - The GDP considered the overall direction of the proposal constructive and encouraged AusNet to frame the final capital expenditure narrative around long-term customer interests.
 - Members also asked AusNet to consider renewable gas opportunities within the capital expenditure and network optimisation proposals.
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Digital – Capital and Operating Expenditure

AusNet's Daniel Chen outlined the proposed digital programs for the upcoming GAAR. Daniel explained that AusNet had worked with the gas business to identify its technology needs over the next five years, which had informed the digital roadmap and initial proposal. Daniel noted that costs were being refined with vendors and service partners before assessing benefits, implementation options and detailed business cases.

Daniel explained that the resilience programs covered existing software, hardware and cybersecurity capabilities required to maintain operations. These programs were non-discretionary and shared across AusNet's businesses, with only the gas network's allocated costs included in the GAAR proposal. The discretionary programs focused on metering and billing systems, asset management and network planning, and network operations and works management. These investments sought to improve data quality, reduce manual processes and support more efficient network planning and operations.

Discussion:

- GDP members recommended clearly separating compliance and resilience programs from discretionary investments. Members considered that non-discretionary programs could proceed to AER assessment, while discretionary programs required a clearer customer value proposition and return on investment.
- Members asked AusNet to consider the timing of discretionary programs, including whether each investment was required during the upcoming GAAR period or could be deferred.
- The GDP discussed the use of digital communication platforms and noted that timely, accurate communication was more important than the delivery method. Digital channels could support efficiencies where they improved communication without reducing accessibility.
- Members asked how artificial intelligence was being considered. AusNet advised that the immediate focus was improving data capture and capability, which would position the business to adopt proven AI applications as they mature.
- The GDP supported further development of the metering and billing, asset management and network planning, and network operations and works management programs. Members asked AusNet to provide further detail on the customer experience and benefits associated with these investments.
- AusNet agreed to return with a more quantified assessment of the costs and customer benefits of the discretionary programs.

5. Expenditure Deep Dive: OPEX & pricing

AusNet's Ben Ryan outlined AusNet's draft operating expenditure position for the 2028–33 period. Ben explained that AusNet had applied the AER's preferred Base, Step, Trend forecasting approach, using Regulatory Year 2027 as the proposed base year. The draft forecast was approximately \$4.1 million above the base year, subject to further cost refinement, independent reports and GDP feedback.

Ben outlined the proposed step changes across asset management, digital and other business costs. These included increased expenditure for active leakage monitoring and reactive repairs as mains replacement reduces, inspections of sub-transmission assets, the removal of dormant residential and industrial connections, higher software and cybersecurity costs, continuation of the Priority Services Program and a strategic decommissioning trial. Ben also highlighted that AusNet is proposing to move the Energy Safe Victoria levy outside the base operating expenditure allowance and transferring some overhead costs from capital to operating expenditure as the capital works program declines.

AusNet's Eliza Cochrane presented the indicative revenue and price path associated with the expenditure forecast and declining demand. The modelling assumed no accelerated depreciation and retained 60-year asset lives for new capital expenditure to isolate the effects

of expenditure and demand. Under these assumptions, average real prices were forecast to increase by approximately 2.4 per cent per year, driven primarily by declining gas volumes and a higher cost of debt rather than material growth in revenue. Eliza noted that the results did not represent its final proposal and would be updated following further consideration of the network's long-term outlook, depreciation and customer impacts.

Discussion:

- GDP members questioned whether the draft operating expenditure increase was sufficient, given the network's changing operating environment. AusNet advised that the proposal and associated costs would be refined as the asset management program developed.
- Members sought clarity on the dormant-assets program, including customer communications, access to properties and the treatment of residential and industrial connections. AusNet advised that it was improving its visibility of dormant connections, developing its communications approach and working with Energy Safe Victoria to assess the risks and determine the scope of the program.
- The GDP asked AusNet to monitor whether removing dormant connections could affect particular industries or customers and to consider the role of government where broader transition support may be required.
- Members supported exploring a strategic decommissioning trial but encouraged AusNet to consider a dedicated advisory group and government involvement. They also asked AusNet to test whether customer rectification, electrical upgrades and appliance costs could be included, noting that these costs would provide a fuller picture of the customer impact.
- AusNet advised that the decommissioning trial would cover approximately 100 customers across six cul-de-sacs and would include network works, customer engagement and internal delivery costs. AusNet proposed seeking project-specific funding rather than including the trial in base expenditure.
- Members noted that the trial carried delivery and regulatory risk but could provide valuable evidence for future network planning and customer transition decisions. They also asked if the \$2.5M currently estimated for this project would be enough for the scope being considered and the engagement with customers that would be required.
- The GDP acknowledged AusNet's efforts to maintain prudent expenditure and relatively stable revenue despite declining demand. Members requested that future analysis show impacts for different customer types and consider gas bills within the context of customers' total energy costs.

6. Approach to AD customer engagement

AusNet's Zoe Wright outlined how feedback from the July GDP meeting had shaped AusNet's approach to accelerated depreciation customer engagement. While the intended engagement outcomes remained unchanged, AusNet had refined the sequencing and presentation to support meaningful customer input.

Zoe explained that AusNet would provide indicative accelerated depreciation figures to help customers understand the potential impacts and engage meaningfully with the proposal. The sequencing had also been adjusted so the approach would return to the GDP before being tested with the Gas Stakeholder Roundtable and customer workshops.

Discussion:

- GDP members supported providing indicative figures, noting that customers needed sufficient information to understand the proposal and offer meaningful feedback.
- Members emphasised that engagement should clearly explain the fairness and intergenerational impacts of accelerated depreciation, including who would bear the costs under different approaches.

- The GDP encouraged AusNet to distinguish between historical assets and new capital expenditure, noting that customers may view the treatment of new investments differently where future demand and asset lives remain uncertain.
- Members stressed the importance of presenting impacts across different customer types, timeframes and scenarios, including both gas bill and whole-of-energy bill impacts.
- Members recommended using clear, accessible language and avoiding technical terminology that could limit customer participation

7. Open floor, next steps and close

Nicole Wallis summarised the meeting's key themes and the actions AusNet would take forward. Members were invited to provide feedback on the GDP process and noted that the open discussion, constructive challenge and quality of materials were supporting effective engagement.

The GDP also asked AusNet to consider the timing of the Gas Stakeholder Roundtable and customer workshops in relation to the Victorian election.

8. Independent report (GDP only time)

AusNet left the room to allow the GDP to discuss and prepare its independent report without AusNet present.