

12 January 2015

Mr Tyson Self
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Email: records@erawa.com.au

Dear Mr Self

ERA'S PROPOSED ACCESS ARRANGEMENT FOR ATCO GAS AUSTRALIA

As Australia's leading integrated residential building, construction and finance group, it's in the interests of the Alcock Brown-Neaves (ABN) Group to ensure that building, infrastructure and land development practices keep homeownership affordable for West Australians and support the State's future growth.

Safe, reliable and cost efficient gas infrastructure is crucial for the provision of a clean and economic energy supply, home affordability and development.

In light of this, the ABN Group welcomes the opportunity to provide its comments regarding the Economic Regulation Authority's (ERA) Draft Decision for the proposed ATCO Gas Australia (AGA) Access Arrangement. The ABN Group believes that the Access Arrangement should ensure:

- All new greenfield developments are serviced with gas infrastructure
- The existing network is safely maintained
- WA has a sustainable and competitive energy market; and
- AGA's rate of return is commercially viable to maintain and expand the gas network.

The ABN Group understands that the ERA's Draft Decision will mean that AGA's expected revenue will be 31% below the amount it proposed, which should allow for lower network costs of around \$70 annually, per average household (should the reduction be passed on via the retailer).

From a short term perspective, this appears to be a significant price advantage for the average residential gas user. However, the ABN Group is concerned that this proposed price-cut will only be achieved at the expense of safety, reliability of supply and the provision of future connections, which will impact long term affordability.

Under the proposed Access Arrangement, AGA forecast that over the next five years, out of 100,000 new homes nearly 90,000 would not have access to gas infrastructure. Fewer connections across the network will also mean higher tariff costs for all gas customers in the long term.

With 90% of new homes with no access to a gas supply, homeowners will be forced to pay to extend the gas network or rely on electricity for their energy needs. Electricity is generally a more expensive power source, having seen an increase of 55% in tariff costs for WA households between 2009 and 2013.

ABN understands that the significant reduction in AGA's operational and capital expenditure will adversely impact both the growth of the gas network and the maintenance of existing infrastructure – making natural gas less accessible and more costly for homeowners.

As WA expands, it is crucial to support the provision of new housing estates, essential services, shops and business hubs.

The ABN Group strongly recommends that the Access Arrangement allows for both the maintenance and provision of gas infrastructure to greenfield developments, as lack of access to natural gas and higher long term costs for gas users will have a detrimental impact on growth and housing affordability.

Yours sincerely

Dale Alcock
Managing Director
Alcock Brown-Neaves Group of Companies