

May 2025

Statement of reasons: Australian Gas Networks (SA) Annual Tariff Variation

The AER approves Australian Gas Networks (SA) 2025–26 tariff variation notice which contains tariffs that will commence on 1 July 2025. Australian Gas Networks (SA) approved tariffs are set out on [our website](#).

Estimated network price movements

We estimate the average network price impact for Australian Gas Networks (SA) customers to be an increase of \$53.51 for residential customers and \$596.81 for small business customers in 2025–26 compared to 2024–25.¹

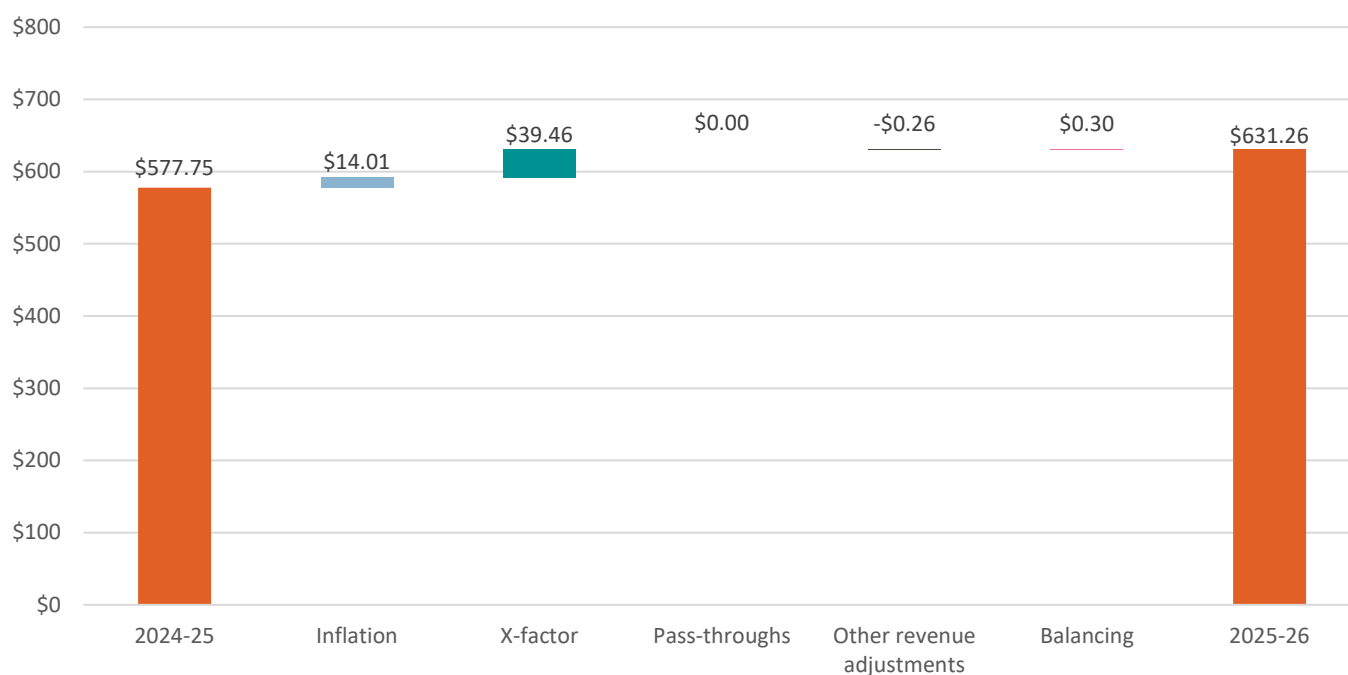
The network price movements reflect an increase in revenue that Australian Gas Networks (SA) is allowed to recover. The increase in price is predominantly due to inflation, the real price path set in the 2021–26 access arrangement and the annual update to the regulated rate of return. These key drivers can be seen in Figures 1 and 2.

While the price movements vary for different tariff categories, we found that the price movements are consistent with the mechanisms set in its 2021–26 access arrangement, in particular the principles and formulae set out in Section 4 and Annexure E of the access arrangement.

We note gas retailers ultimately determine how these underlying network tariffs are reflected in the retail prices offered to customers. Distribution charges make up approximately a third of the retail bill.

¹ This is for the average customer in the most populous tariff zone, which for residential customers is Tariff R excluding Tanunda and for small business Tariff C excluding Tanunda. These tariff zones have the greatest number of customers. See the notes for Figures 1 and 2 for more details.

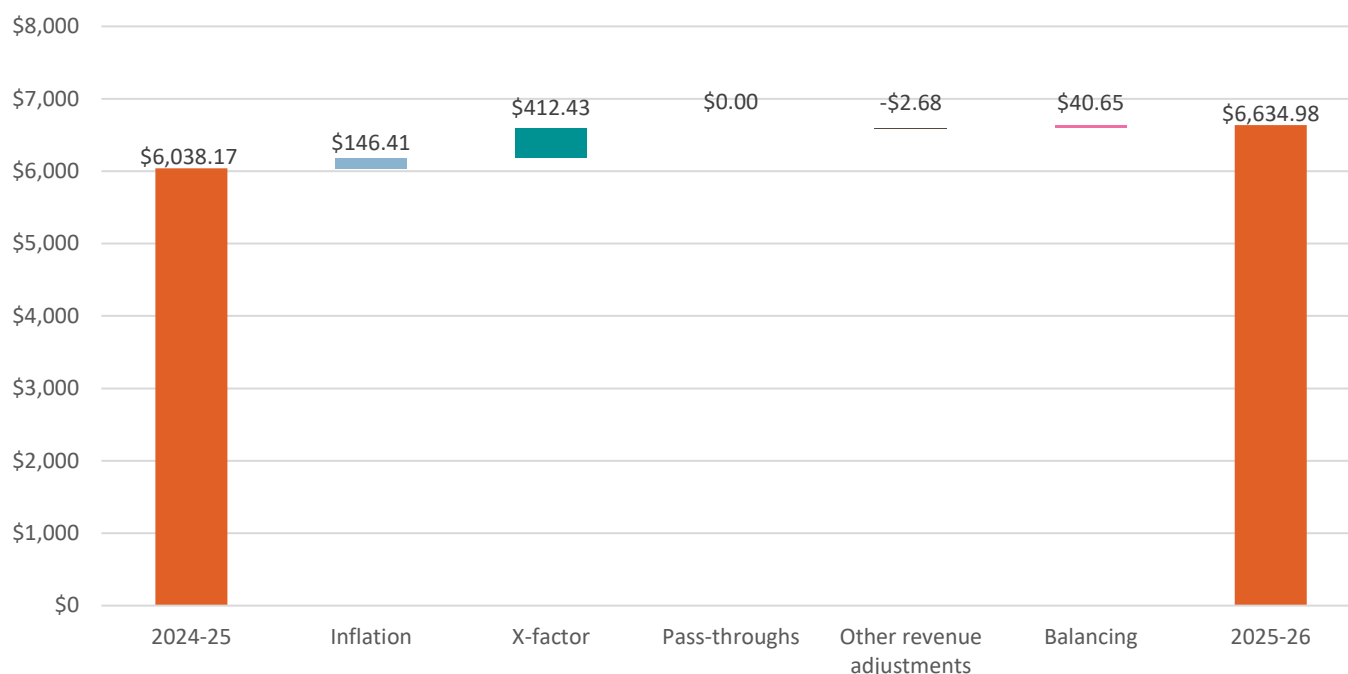
Figure 1 Residential: Average annual network charge



Source: AER analysis; Australian Gas Networks (SA) 2025–26 tariff variation notice.

Note: The columns in the chart represent the average annual network charge for relevant years. The above analysis is for Tariff R excluding Tanunda (which has the greatest number of residential customers) and assumes annual gas usage of 14.3GJ. This is based on the most recent data for residential gas usage and customer numbers reported in Australian Gas Networks (SA) 2025–26 tariff variation. The X-factor column refers to the real price path set in the determination and the annual update to rate of return. The balancing column is the residual price impact and reflects changes in demand over time and how a distributor balanced its weighted average price cap across its tariffs and its fixed and variable charges at the assumed gas usage.

Figure 2 Small business: Average annual network charge



Source: AER analysis; Australian Gas Networks (SA) 2025–26 tariff variation notice.

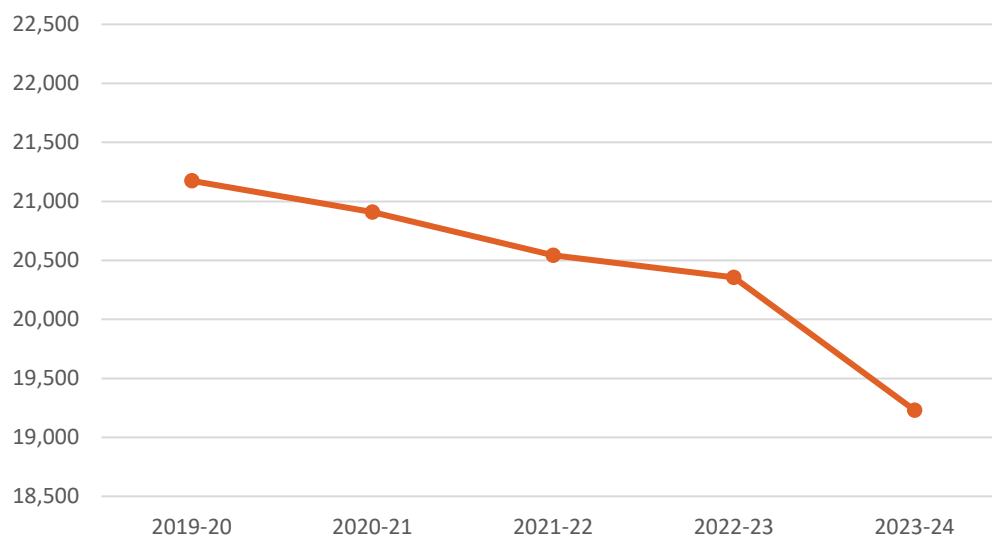
Note: The columns in the chart represent the average annual network charge for relevant years. The above analysis is for Tariff C excluding Tanunda (which has the greatest number of small business customers) and assumes annual gas usage of 287.7GJ. This is based on the most recent data for small business gas usage and customer numbers reported in Australian Gas Networks (SA) 2025–26 tariff variation. The X-factor column refers to the real price path and the annual update to rate of return. The balancing column is the residual price impact and reflects changes in demand over time and how a distributor balanced its weighted average price cap across its tariffs and its fixed and variable charges at the assumed gas usage.

Actual bill impacts for individual customers will vary from our estimates as customers may be on different tariffs (which may differ based on geographic location) or consume different amounts of energy from our assumptions. Our bill impact analysis is based on the residential and small business tariffs with the highest number of customers.

Demand

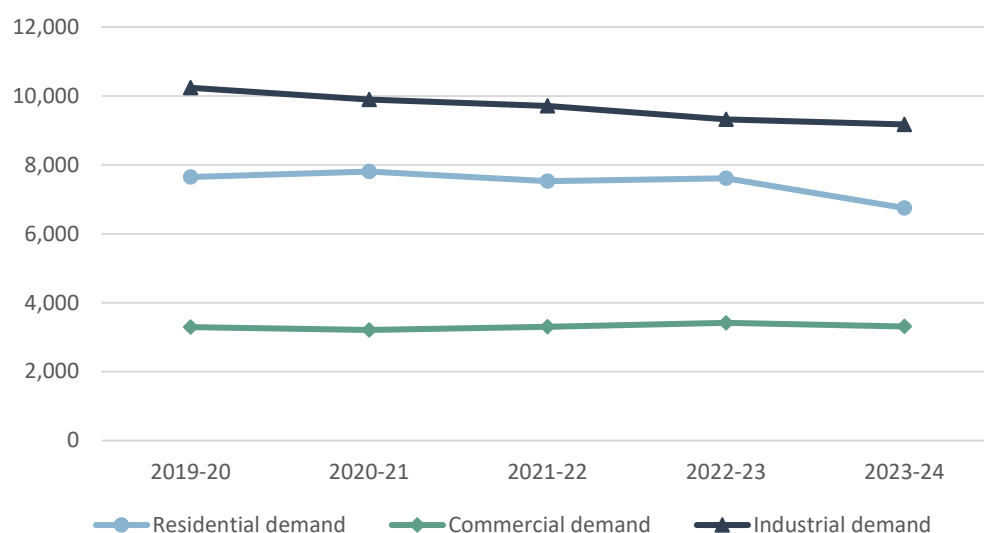
Gas demand declined by 5.5% in 2023–24, as seen in Figure 3. This was largely driven by the residential sector, shown in Figure 4. Because the weighted average price cap variation mechanism uses the most recent actual quantities (2023–24) to determine prices, information on estimated (2024–25) or forecast (2025–26) demand is not provided and therefore not shown in the charts below.

Figure 3 Total Demand (TJ)



Source: Australian Gas Networks (SA) 2025–26 tariff variation notice.

Figure 4 Demand breakdown by customer type (TJ)



Source: Australian Gas Networks (SA) 2025–26 tariff variation notice.

Price caps

Gas distributors operate under a weighted average price cap, which caps the average increase in prices for each tariff from one year to the next. Under this control mechanism, prices for different services may adjust each year by different amounts—for example, some prices may rise while others may rise by a smaller amount, or even fall, subject to the weighted average price cap. So, a small price increase of a popular service would need to be offset by a large price decrease of an

infrequently provided service. Even within a tariff, gas distributors decide which fixed and variable charges are to be adjusted to remain compliant with the weighted average price cap. The distributor complies with this constraint by setting prices so the change in the weighted average price is equal to or less than the CPI – X cap.

Declining block tariffs

Australian Gas Networks (SA) applies a declining block method of pricing to its tariffs. Under declining block tariff structures the haulage price for the first ‘block’ of gas consumed by a customer is set higher than the price for subsequent blocks. As customers consume progressively more gas within a billing period, they meet the threshold between blocks and pay progressively lower per unit prices for haulage. Figure 5 demonstrates this declining block pricing, and details how movements are applied over different charging components in Australian Gas Networks (SA) most popular residential and small business tariff.

Figure 5 Residential and small business: Changes in fixed and variable charges for 2025–26

Residential (daily blocks)		Small business (daily blocks)	
Fixed charge	\$0.35/day (+9.9%)	Fixed charge	\$0.74/day (+9.9%)
First 0.0274 GJ	\$45.36/GJ (+9.9%)	First 0.9863 GJ	\$22.12/GJ (+9.9%)
Next 0.0219 GJ	\$11.51/GJ (+2.4%)	Next 4.2740 GJ	\$6.84/GJ (+9.9%)
Additional GJ	\$3.75/GJ (+2.4%)	Next 11.1780 GJ	\$2.65/GJ (+2.4%)
		Additional GJ	\$2.19/GJ (+2.4)

Source: Australian Gas Networks (SA) 2025–26 tariff variation notice.

Note: For residential Tariff R excluding Tanunda and for small business Tariff C excluding Tanunda.