15 August 2025

Mr Arek Gulbenkoglu
General Manager, Network Expenditure
Australian Energy Regulator

Via email: aergasresets2026-31@aer.gov.au

Dear Mr Gulbenkoglu

Evoenergy's Access Arrangement 2026-31 - Proposal

Energy Networks Australia (ENA) appreciates the opportunity to respond to the Australian Energy Regulator's (AER) request for submissions on Evoenergy's Access Arrangement 2026-31 proposal.[1]

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA strongly supports Evoenergy's proposal as it provides an efficient and equitable revenue proposal consistent with jurisdictional circumstances. Evoenergy's operating environment is unique, and ENA encourages the AER to consider this context in its approach.

ENA supports the AER's focus on a sustainable medium-term set of pricing and network services arrangements supporting the needs of all gas customers through the ongoing energy transition. ENA further notes the importance of flexibility in assessing access arrangements, taking into account different rates of transition in the use of gas networks across Australia. ENA commends statements made by the AER in relation to considering individual access arrangements on a case-by-case basis.[2]

Allowance for differences in jurisdictional policy and objectives

As Australia transitions to net zero, the pace of change and approach taken to this task will be different from jurisdiction to jurisdiction. The ACT government has mandated no new gas network connections and legislated that by 2045 the ACT will transition to net zero emissions, enabled through a transition away from fossil fuel gas use to electricity. This has significant implications for gas demand into the future, with demand set to decrease at an increasing rate with no new gas customers connecting and existing customers switching away from gas supply in increasing numbers as the 2045 target approaches.

ENA encourages the AER to consider the Access Arrangement proposal in the context of the unique jurisdictional policy objectives in the ACT. These settings provide for a specific set of expected

[1] AER, Evoenergy Access Arrangement 2026-31, Proposal, 30 June 2025

[2] AER, Final Decision: Review of gas distribution network reference tariff variation mechanism and declining block tariffs, October 2023, pp. 1-2.

demand changes over forthcoming periods, with unique risks to the demand forecast. It is challenging to predict the speed with which customers will disconnect from the network over this timeframe.

The role of accelerated depreciation in managing declining demand

ENA encourages the AER to examine accelerated depreciation proposals on a jurisdictional basis, accounting for declining demand profiles, and the risks inherent in the forecast demand profile through a period of rapidly declining demand. Evoenergy's plan seeks to share network costs associated with the energy transition equitably so that those least able to transition, for example those facing financial hardship, renters, residents of multi-occupant dwellings and businesses that rely heavily on gas, will not be left paying a disproportionate percentage of network costs in the latter phases of the transition.

Evoenergy's proposal to replace technical lives with economic lives adequately reflects the ACT Government's policy. Proposing to use the *sum-of-years-digits* methodology to calculate accelerated depreciation provides an outcome which lowers costs in the long-term as customers increasingly disconnect from the network, in particular for customers who may not be able to make the electrification decision as readily as others. This method is more equitable and is also consistent with international approaches.

Revenue versus price caps

Evoenergy currently operates under a price cap which was first introduced as an incentive to provide more gas and increase the customer base. With the ACT mandate on no new gas connections and a transition away from gas supply, Evoenergy has neither the incentive nor ability to expand its customer base, instead its focus is on safely and equitably shutting down the network while recovering its costs.

A revenue cap will allow Evoenergy to recover its costs in a proportionate and equitable manner through accelerated depreciation when the customer base is at its largest, to avoid the most vulnerable and least able to transition customers paying the brunt of the recovery costs. ENA encourages the AER to consider Evoenergy's proposal to operate under a revenue cap, as it is better suited to the operating environment of rapidly declining and uncertain demand within the 5 year access arrangement period.

Consideration for Government taxes and levies

Rule 97(3) of the NGR states that when deciding whether a particular reference tariff variation mechanism is appropriate to an access arrangement, the AER must have regard to amongst other things *any other relevant* factor. ENA notes that in the *Review of gas distribution network reference tariff variation mechanism and declining block tariffs Final Decision (October 2023)* the AER noted that jurisdictional policy is evolving rapidly, giving weight to undertaking case by case assessments rather than trying to find a single approach suitable for all contexts.[3]

ENA encourages the AER to consider the tariff variation mechanism on a case-by-case basis given the different policy settings implemented by different jurisdictions. Evoenergy's access arrangement seeks to move ACT Government charges and levies, which are under the control of the ACT government, from opex to the tariff variation mechanism. The treatment of these levies in the proposal is neutral on demand incentives and allows revenue recovery to be independent of government policy, so that the network will neither be financially rewarded nor penalised by the pace of electrification in the ACT during the regulatory period. Customers will only pay what is necessary for safe and reliable gas distribution services.

[3] AER, Review of gas distribution network reference tariff variation mechanism, Final decision, October 2023

Disconnection costs

Given the particular circumstances of the planned transition away from gas in the ACT and the projected change in customer connections over the regulatory proposal period, upfront disconnection costs should be implemented at the time of disconnection, where opted for by the customer, to reduce the risk of increasing costs for the remaining customers on the gas network over the longer term. Charging upfront disconnection fees to disconnecting customers allows for full recovery of disconnection costs and avoids other customers paying higher prices for socialised disconnection charges. This helps to avoid the risk, which is particularly prevalent in the ACT, that remaining customers on the gas network would otherwise incur an increasing share of the costs of the gas network as more and more customers disconnect.

Where safety considerations have been adequately identified and taken into account on a network, cross subsidising permanent disconnections through charging lower disconnection fees than actual cost and socialising the balance of cost across the remaining customer base, may lead to inefficient incentives for more customers to permanently disconnect than is absolutely necessary at a point in time, particularly where the network as a whole has a clear timeline for full decommissioning.

Given the speed of change anticipated in ACT gas consumption over the coming regulatory period, and the limited number of regulatory periods left before decommissioning, the current proposal is critical to supporting a smooth and equitable transition for gas consumers in the ACT. The AER's final decision for the upcoming regulatory period is key to that transition.

If you wish to discuss any of the matters raised in this letter further, please contact Russell Pendlebury, General Manager, Regulation and Policy [redacted]

Yours sincerely,

[redacted]

Russell Pendlebury
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