Draft decision

Australian Gas Networks (SA) access arrangement 2026 to 2031
(1 July 2026 to 30 June 2031)

Attachment 5 – Reference services, tariffs and non-tariff components

November 2025

AUSTRALIAN ENERGY REGULATOR

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1	28 November 2025	42

List of attachments

This attachment forms part of our draft decision on the access arrangement that will apply for period of 1 July 2026 to 30 June 2031 (2026–31 period) for Australian Gas Networks (SA) (AGN). It should be read with all parts of our draft decision.

The draft decision includes the following documents:

- Overview
- Attachment 1 – Capital base, regulatory depreciation and corporate income tax
- Attachment 2 – Capital expenditure
- Attachment 3 – Operating expenditure
- Attachment 4 – Demand
- Attachment 5 – Reference services, tariffs and non-tariff components
  - Includes: Services covered by the access arrangement, reference tariff settings, reference tariff variation mechanism, and non-tariff components
- Attachment 6 – Capital expenditure sharing scheme
- Attachment 7 – Efficiency carryover mechanism

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5 Reference services, tariffs and non-tariff components

In this attachment we outline our assessment of Australian Gas Network's (AGN) proposed reference services, reference tariffs, tariff variation mechanism and non-tariff components for the 2026–31 access arrangement period (2026–31 period).

Interrelationships

The reference tariffs have interrelationships across other key parts of our draft decision. For example, it interrelates with the total revenue that can be earned by AGN, the services it provides to its customers to recover those revenues, and the demand forecast volumes used to calculate tariffs.

Ancillary references services have interrelationships across other parts of our draft decision. For example, the treatment of the abolishment service is relevant for operating expenditure (opex) as the socialised portion of the abolishment tariff is included in opex and recovered instead through the haulage tariffs charged to all customers.

Our draft decision on:

- the total revenue requirement is set out in the Overview of this draft decision
- the services AGN will offer to customers over the 2026–31 period is set out below in section 5.1 – Services covered by the access arrangement
- the annual tariff variation mechanisms are set out below in section 5.3 – Annual reference tariff variation mechanism
- the cost pass through mechanism is set out below in section 5.4 – Cost pass through mechanism
- the demand forecast volumes are set out in Attachment 4 – Demand.

5.1 Services covered by the access arrangement

This section sets out our consideration of, and decision, on AGN's reference service proposal.

Determining a service to be a reference service, as compared to it being a non-reference service, makes a significant difference to how the service is regulated. Reference services are subject to our determined maximum prices, or price caps.

Services we determine to be non-reference services are not subject to price regulation, so gas networks set their own charges for non-reference services. We may be called upon to determine the tariff and other conditions of access to non-reference services if an access dispute arises.[1]

[1] NGL, Chapter 5.

The National Gas Rules (NGR) require a network service provider's access arrangement to:

- identify the pipeline to which the access arrangement relates,[2]
- describe all of the pipeline services the network service provider can reasonably provide on the pipeline, having regard to the characteristics of different pipeline services,[3] and
- from the pipeline services identified above, specify the services the network service provider proposes to specify as reference services having regard to the reference service factors.[4]

5.1.1 Draft decision

Our draft decision is to accept AGN's proposed reference services but also require that AGN include in its revised access arrangement an additional full-cost abolishment service tariff for customers undertaking property knock downs, rebuilds and renovations.

5.1.2 AGN's proposal

AGN proposed to maintain the reference and non-reference services approved by our November 2024 decision on its 2026−31 reference service proposal. AGN proposed, and we approved in its reference services proposal, an abolishment service as an ancillary reference service (AGN has not previously charged for abolishment services but instead recovered abolishment costs from all customers through gas haulage tariffs). All other reference and non-reference services are consistent with the current access arrangement period.[5]

Table 5.1 shows AGN's proposed reference and non-reference services for the 2026–31 period.

Table 5.1 AGN's proposed reference and non-reference services

Reference services	Non reference services
Two types of reference services: Haulage reference services: • Domestic Haulage Service • Demand Haulage Service • Commercial Haulage Service Ancillary reference services: • Special Meter Reading • Disconnection • Reconnection • Meter Gas and Installation Test	Ancillary non-reference services: • Meter Alter Position / Removal • Out of Hours Special Meter Reading • Same Day Premium Service • Relocate/Remove Service Pipe • Downgrade Meter Size • Pressure Change • Other Negotiated Service

2 NGR, modified r. 48(1)(a). Modified r. 48 is referred to in NGR, schedule 1, part 12, r. 62(5).

3 NGR, modified r. 48(1)(b).

4 NGR, modified r. 48(1)(c) and r. 47A(15).

5 AGN, *2026–31 Access Arrangement Proposal Final Plan*, July 2025, p. 78.

Reference services	Non reference services
• Meter Removal • Meter Reinstallation • Service Abolishment	

5.1.3 Assessment approach

AGN is required by the NGR to specify all reference services in its access arrangement proposal.[6] A reference service is a pipeline service specified as a reference service having regard to the reference service factors.[7] A pipeline service is a:[8]

- service provided by means of a pipeline, including a:
    - haulage (i.e. transportation) service
    - service facilitating the interconnection of pipelines
    - service ancillary to one of these services.

AGN's services are also required to be consistent with the National Gas Objective (NGO).[9]

Our assessment approach is to identify the covered pipeline[10] that is providing these services and any additions or expansions that have occurred during the current (2021–26) access arrangement period (2021-26 period).

A full access arrangement must specify the pipeline services AGN proposes as reference services having regard to the reference service factors.[11]

For ancillary services, we have considered the services AGN currently offers and the amendments it proposes to these services. We have considered the views that stakeholders submitted regarding AGN's proposed reference service for the 2026–31 period.

For non-reference pipeline services or negotiated services, we are not required to set tariffs for these or the terms or conditions on which they will be provided.

In preparing its reference service proposal and in undertaking our assessment, the NGR require AGN and ourselves to have regard to the reference service factors specified in the NGR.[12] The factors include:[13]

- the actual and likely demand for the pipeline's services and the number of prospective users

6 NGR, modified r. 48(1)(c).

7 NGR, r. 47A(15).

8 NGL, Chapter 1-Preliminary, Part 1-Citation and interpretation, 2 Definitions.

9 NGR, r. 100(1)(a).

10 A covered pipeline means a pipeline that is regulated under the NGL and NGR. In that respect, it is 'covered by regulation.'

11 NGR, modified r. 48(1)(c).

12 NGR, cll. 47A(1)(c); 47A(13)(a); 47A(14).

13 NGR, cl. 47A(15).

- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service
- the usefulness of specifying the pipeline service as a reference service in supporting negotiations and dispute resolution
- likely regulatory costs for all parties in specifying the pipeline service as a reference service.

5.1.4 Reasons for draft decision

We have previously assessed and approved AGN’s reference service proposal, submitted in June 2024. Our assessment incorporated a full stakeholder consultation process including publishing AGN’s proposal and calling for submissions. Our decision took stakeholder views into account.

Our reasons for our draft decision to accept AGN’s reference service proposal are set out in our *Final Decision – Australian Gas Networks (South Australia) Gas Distribution Determination 2026 to 2031 Reference Service,* November 2024.

In relation to the new full-cost abolishment service tariff for knock down rebuilds and renovations, it would ensure all customers will not subsidise abolishment costs where a customer is making a planned choice to abolish and re-connect at a later date. This is consistent with our JGN final decision where the abolishment service was split into two services, one being a cost reflective charge applying to abolishments for knock down rebuilds and renovations.

The new service would have a cost reflective abolishment tariff with the fee of $1,000 for sites where renovations or knock down rebuilds take place, i.e. sites that do not have the option of a temporary disconnection service. Levying a cost reflective abolishment tariff on these customers would reduce the price burden otherwise imposed on remaining gas customers via socialisation of abolishments for renovations or knock down rebuilds.

Once the rebuild is completed, a request for a new connection to the gas network will be required, which manages the moral hazard issue (namely, that customers will be incentivised to claim they will not re-connect). The other service would be the permanent abolishment service with the fee of $250, partially socialised for customers permanently disconnecting from the gas network. These households do have the option of the temporary disconnection service (subject to being upfront about permanently defecting from the gas network), which means that partial socialisation of their abolishment service would incentivise them to choose permanent abolishment over the temporary disconnection service.

5.2 AGN’s reference tariff setting

This section sets out our consideration of, and decision, on AGN’s reference tariff setting proposal.

Reference tariffs are reviewed against the requirements of the National Gas Law (NGL) and NGR, as well as the NGO. Our assessment focuses on the structure of reference tariffs and takes into account the revenue and pricing principles.[14]

5.2.1 Draft decision

Our draft decision is to not accept AGN's reference tariff setting proposal.

For haulage reference service tariffs we require AGN in its revised proposal to:

- flatten its volume (small) customer tariffs, by retaining a fixed charge and a block 1 charge, and amending the proposed blocks 2-3 for tariff R and proposed blocks 2-4 for tariff C to a single block 2 charge.
- for its demand (large) customer tariffs, consider in its revised proposal beginning to transition away from its declining block tariff structures during the 2026-31 period
- provide customer bill impact modelling for the tariffs.

For ancillary reference services, we require that AGN:

- reduce the proposed full abolishment cost of $1,250 to $1,000
- include in its revised proposal a full-cost abolishment tariff for 'knock down rebuilds and renovations' that will incur the full cost tariff of $1,000.

Our reasons for our draft decision are set out below.

5.2.2 AGN's proposal

5.2.2.1 Haulage reference service tariffs

The AER's November 2024 decision on AGN's reference service proposal encouraged AGN to 'flatten' its declining block tariff structures to better contribute to the emissions reduction element of the NGO.

Relative to AGN's current tariffs, its proposal comprises a small increase to its fixed charge for residential and commercial (Tariff R and C Domestic Haulage Service Tariff) volume (small) customers, accompanied by some rebalancing of the variable usage tiers, in-effect partially flattening the higher usage price tiers.

Table 5.2 sets out AGN's proposed tariff structure for its volume customers.

Table 5.2 AGN's proposed structure of volume tariffs

Tariffs	2026–27
Tariff R excl. Tanunda (Domestic Haulage Service – Charges per Network Day exl. GST)	
Fixed Charge	$0.3821
GJ 0 – 0.0274	$40.7265

14 NGL, ss. 24(2)–(7).

Tariffs	2026–27
GJ 0.0274-0.0493	$17.7194
GJ > 0.0493	$3.9589
Tariff C excl. Tanunda (Commercial Haulage Service – Charges per Network Day exl. GST)	
Fixed Charge	$0.7686
First 0.9863 GJ	$21.1456
Next 4.2740	$7.4673
Next 11.1780	$2.5426
Additional GJ	$2.5426

Source: AGN, *2026–31 Access Arrangement Proposal*, June 2025, p. 146

AGN proposes to retain its declining block tariff structure for its demand (large) customers (Tariff D Demand Haulage Service tariff).[15] Table 5.3 sets out AGN's proposed demand tariff structure.

Table 5.3 AGN's proposed structure of demand tariffs

Adelaide Region	Northern Zone	Central Zone	Southern Zone
50 gigajoules or less	$3,459.7254	$3,459.7254	$3,459.7254
Next 50 gigajoules ($ per gigajoules)	$67.2718	$79.8903	$94.2149
Next 900 gigajoules ($ per gigajoules)	$41.9976	$50.8065	$59.0038
Additional gigajoules ($ per gigajoules)	$12.7250	$16.0586	$17.7937

Source: AGN, *2026–31 Access Arrangement Proposal, June 2025*, p. 147

5.2.2.2 Ancillary reference service tariffs

AGN largely proposed a continuation of its approach to ancillary reference services, with the exception being the new abolishment service. The proposed prices are set out in Table 5.4.

Table 5.4 AGN's approved ancillary reference services prices

Ancillary reference service (individual price caps)	2026–27
Special Meter Read	$13.70
Disconnection	$93.00
Reconnection	$93.00

15 AGN, *2026–31 Access Arrangement Proposal Final Plan*, July 2025, pp. 141-147.

Ancillary reference service (individual price caps)	2026–27
Meter Removal	$93.00
Meter Reinstallation	$102.00
Meter Gas and Installation Test	$278.00
Abolishment - Small-Scale	$257.00

Source: AGN, *2026–31 Access Arrangement,* June 2025, p. 48

Consistent with its approved reference service proposal, AGN proposed to offer the abolishment service as an ancillary reference service (it has not previously charged for abolishment services but instead recovered abolishment costs through its opex allowance). It proposed to socialise a significant portion of the proposed abolishment tariff, such that the proposed total price of $1,250 is reduced to a reference tariff of $257.[16]

5.2.3 Assessment approach

In an access arrangement a service provider is required to specify for each reference service, the reference tariff and proposed approach to setting the reference tariff.[17] This is done by:

- explaining how revenues and costs are allocated, including the relationship between costs and tariffs[18]
- defining the tariff classes[19]
- comparing the revenue to be raised by each reference tariff with the cost of providing each individual reference service[20]
- explaining and describing any pricing principles it employed.[21]

Following our assessment of the proposed reference tariffs, if we decide not to accept them, we must determine the initial (in this case, 2026–27) reference tariffs to apply for each reference service. In our assessment of the proposed reference tariffs, we reviewed the AGN 2026–31 access arrangement information and proposal.[22] We also had regard to submissions received in the course of our consultation on AGN’s proposed access arrangement.[23]

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16 AGN, *2026-31 Regulatory Period Proposal, Attachment 7.1Reference Service Proposal, Form of Revenue Control and Tariff Structure*, July 2025, pp. 13-14.

17 NGR, rr. 48(1)(d)(i), 72(1)(j).

18 NGR, rr. 72(1)(j)(i), 93(1)–(2).

19 NGR, r. 94(1)–(2).

20 NGR, r. 94(3).

21 NGR, r. 72(1)(j)(ii).

22 AGN, *2026–31 Access Arrangement Revision Proposal*, July 2025.

23 NGR, r. 59.

We have assessed the proposed small customer connection abolishment charges proposed by AGN via benchmarking with other gas distributors.

Identifying the reference service

The NGR require service providers to specify a reference tariff for each reference service. When undertaking our review, we first consider what is (or are) the reference service(s) for the purpose of the NGR. Our initial decision on what constitutes reference services was published in November 2024 and is referenced in the reference services section of the Overview for this decision.

Assessing the tariff setting method for the reference service

The reference tariffs for an access arrangement must be designed to meet the requirements of the NGR.

We consider how the service provider, AGN, intends to charge for reference services by:

1. Assessing how AGN intends to allocate costs and revenues between reference services and other services. It must demonstrate that total revenue is allocated between reference and other services in the ratio in which costs are allocated between reference services and other services. Costs must also be allocated to the reference service and other services to which the cost is directly attributable.

2. Assessing how AGN grouped its customers into tariff classes. AGN is required to group together customers for reference services on an economically efficient basis and to avoid unnecessary transaction costs. We consider whether the nature of the reference service (e.g. volume and demand tariff classes) is consistent with the need to group customers together on an economically efficient basis and avoid unnecessary transaction costs.

3. Assessing:

- how the expected average revenue of a tariff class compares with the standalone cost and avoidable cost of providing the reference service to that tariff class
- whether the tariff takes into account transaction costs associated with developing and applying the tariff (c) whether the tariffs take into account the long run marginal costs of providing reference services
- whether customers belonging to the relevant tariff class are able, or likely, to respond to price signals.

We have assessed the proposed reference tariffs for consistency with the NGO and have had regard to the revenue and pricing principles. The NGO was updated late 2023 to include an emissions reduction objective:

> The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to—
>
> > (a) price, quality, safety, reliability and security of supply of natural gas; and
> >
> > (b) the achievement of targets set by a participating jurisdiction—

(i) for reducing Australia's greenhouse gas emissions; or

(ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

For existing fixed principles that were approved before the commencement of the NGR, these are binding on the AER and AGN for the period for which the principle is fixed and these may only be varied or revoked with AGN's consent.

5.2.4 Reasons for draft decision

We do not accept AGN’s proposed reference tariff structures. We consider the proposed declining block structures for haulage tariffs promote the use of gas, in conflict with the emissions reduction aspect of the NGO.[24] We do not accept AGN’s proposed tariff for its abolishment ancillary reference service for volume customers which we consider high compared to other networks. We also consider that AGN include in its revised proposal a full-cost abolishment tariff for ‘knock down rebuilds and renovations’.

The remainder of this section sets out the reasons for our draft decision in each of the following areas:

- allocation of revenues and costs to reference tariffs
- establishment of tariff classes
- tariff classes and revenue limits
- standalone and avoidable costs
- haulage reference service tariff structures
- abolishment ancillary reference service
- other ancillary reference services

5.2.4.1 Allocation of revenues and costs to reference tariffs

AGN's proposal included information outlining its standalone costs, long run marginal costs and incremental costs. On reviewing this, we are satisfied AGN’s approach to allocating revenue and costs between reference services and non-reference services complies with the NGR for the following reasons:

- We are satisfied AGN's proposed costs relating to its reference services do not include costs incurred (and recovered) from the provision of its non–reference services.
- AGN has not allocated non–reference service revenue to a reference service because the underlying costs have not been included in AGNs building block revenues.

5.2.4.2 Establishment of tariff classes

AGN grouped its customers by the nature of the haulage reference service (residential, commercial or demand tariff categories) and classified them by their location on the distribution network. We consider that these characteristics are likely to be the driver of costs within AGN's gas distribution network. Therefore, using them to group customers into tariff

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24 NGL, ss 23.

classes is appropriate. We note AGN's proposed tariff classes are consistent with the tariff classes in its current access arrangement.

We are satisfied the proposed tariff classes are consistent with the requirements of the NGR.[25]

5.2.4.3 Tariff classes and revenue limits

We have assessed AGN's tariff classes and revenue limits against the requirements in the NGR.[26] Specifically:

- the expected average revenue of a tariff class compares with the standalone cost and avoidable cost of providing the reference service to that tariff class
- whether the tariff takes into account transaction costs associated with developing and applying the tariff
- whether the tariffs take into account the long run marginal costs of reference services
- whether customers belonging to the relevant tariff class are able, or likely, to respond to price signals.

We consider AGN's proposed reference tariffs to be consistent with the NGR requirements for tariff classes and revenue limits.

5.2.4.4 Standalone and avoidable costs

We are satisfied that AGN's proposed reference tariffs are consistent with the NGR requirement that the expected revenue to be recovered lies on or between:

- an upper bound representing the standalone cost of providing the reference service to customers who belong to that tariff class
- a lower bound representing the avoidable cost of not providing the reference service to those customers.[27]
- AGN's proposal includes detailed appendices discussing how it estimates standalone and avoidable costs. We reviewed AGN's definitions of avoidable and standalone costs for the volume and demand tariff classes, and consider these definitions comply with the NGR.

We have also reviewed the methodology applied by AGN to demonstrate that, for each tariff, the expected tariff revenue lies on or between the avoidable and standalone costs.

5.2.4.5 Haulage reference service tariff structures

As noted above, the AER's November 2024 decision on AGN's reference service proposal had encouraged AGN to 'flatten' its declining block tariff structures to better contribute to the emissions reduction element of the NGO. AGN proposed what it considers a 'more balanced' approach towards 'flattening' its tariff structure, which (according to its modelling) does not

25 NGR, r. 94(4).

26 NGR r. 94.

27 NGR r. 94(3).

present significant bill increases to a portion of its customer base. AGN noted that most of its stakeholders supported retention of its declining block structures.[28]

Our draft decision does not accept AGN's proposed tariff structures for gas haulage for volume customers, which retain declining block structures with only modest flattening of the residential tariff. Under the declining block structures per unit charges decline as increasing volumes of gas are consumed. We consider this tariff structure promotes the use of gas, in conflict with the emissions reduction aspect of the NGO. One available reform is to equalise, or flatten, two or more blocks of the existing tariff structure, to establish consistent per unit charges for gas regardless of the volume consumed and to reduce the implicit reward for higher gas consumption.

Our draft decision requires AGN to further flatten its tariffs in its revised proposal. Specifically, the draft decision requires that AGN flatten blocks 2-3 for tariff R and blocks 2-4 for tariff C of its volume (small) customer tariffs, similarly flatten its demand (large) customer tariffs or develop a plan to transition to such flattened tariffs in the next regulatory period, and provide customer bill impact modelling for the tariffs.

We consider the first price block of AGN's existing tariff structures could be retained, priced high relative to the remainder of the tariff structure. This reflects that gas network costs are largely sunk, not varying with the volume of gas consumed. As all customers face the first price block, we consider recovering more network revenue from that block compared to others is reasonable and reflects an economically efficient pricing structure. It is subsequent price blocks that should be equalised to, in-effect, establish a two-block tariff structure.

We consider that the rebalancing proposed by AGN was not clearly explained and we are not satisfied AGN's proposed declining block tariffs sufficiently reflect the updated NGO, which now incorporates an emissions reduction element. We also require clear explanation of any rebalancing in the revised block tariffs, including bill impact modelling of revised block structures (including any alternative approaches considered). Impact modelling should cover at least disaggregation into differing consumption levels and identify the number of customers at each consumption level.

To the extent AGN's modelling indicates volume (small) customers would benefit from a transition period, we are open to AGN laying out a plan to transition to flatter tariffs across the 5-year regulatory period.

This will allow stakeholders to engage with this issue to inform the AER's final decision. For its volume (small) customer tariffs, AGN observes that its customers support declining block tariffs.[29] We acknowledge that and have also considered the South Australian Reference Group (SARG) and Energy & Water Ombudsman (EWOSA) observations. The SARG stated that "AGN should be cautious in relying too strongly on the Stage 5 engagement on tariffs and the potential for changes in the declining block structure; customers lacked a clear understanding of the complex issues involved".[30] EWOSA submitted that it is possible that a move to flat tariffs, as a way to advance the emissions reduction objective of the National

[28] AGN, *2026–31 Access Arrangement Revision Proposal*, July 2025, p. 142.

[29] AGN, *2026–31 Access Arrangement Revision Proposal*, July 2025, p. 142.

[30] SARG Review Panel - *Submission on AGN(SA) 2026-31 Access Arrangement Proposal - August 2025*, p. 7.

Gas Rules, would ultimately not be necessary should renewable gas become economically viable and replace natural gas.[31]

We note SARG's observation that there is uncertainty about the prospect of renewable gases substituting for natural gas at the scale necessary to maintain gas network operations at similar levels to today. SARG submitted, while hydrogen and biomethane may provide high heat fuel for business customers into the future, a long-term hydrogen future for AGN's gas network as a whole is unlikely.[32] SARG referenced the current cost and available volumes of both hydrogen and biomethane, their likely future volumes and costs, and noted that a range of hydrogen projects have been postponed or cancelled.

The SA Council of Social Services (SACOSS) supported the move to flatter tariffs, noting "there continues to be limited clarity around which groups of consumers may experience cost increases versus decreases, and how those impacts are distributed between residential and commercial/industrial customers." SACOSS argued that higher-usage households may face larger increases under flatter tariffs. Some of these households could be low-income families with higher consumption due to household size, and they should not be overlooked. SAOSS observed however, that this points to the need for targeted interventions to support such households, rather than relying on declining tariff structures that spread costs in less equitable ways. SACOS submitted that a" clearer presentation of the number and type of households affected – including low-income and high-use households – would enable better-informed engagement and decision-making." [33]

For its demand (large) customer tariffs, the AER requires that AGN consider in its revised proposal similarly (i.e. to the volume (small) customers) flattened block tariff structures for the 2026-31 period. To the extent that AGN modelling indicates customers would benefit from time to transition, it should lay out a clear plan to transition to flatter demand tariffs.

5.2.4.6 Abolishment ancillary reference service

We consider there are issues with the proposed tariff for small customer abolishment.

First, we note that our approach to establish partially socialised abolishment tariffs for NSW (2025−30) and Victoria (2023−28) was premised on written advice from jurisdictional safety/technical regulators that high abolishment tariffs disincentivise customers from requesting the abolishment service. Without other policy-level risk mitigations available, those specialist regulators were concerned that high abolishment tariffs would leave an unacceptably large number of unused (dormant) gas connections in situ for indefinite periods with commensurate safety risks. We responded to their written advice by setting NSW and Victorian abolishment tariffs at a fraction of the full cost of performing the abolishment service, with the balance to be recovered via haulage tariffs faced by all gas customers (i.e. socialised).

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31 Energy & Water Ombudsman SA - *Submission on AGN(SA) 2026-31 Access Arrangement Proposal* - August 2025, p. 2.

32 SARG, *AGN Final Plan for South Australian Gas Network July 2026−June 2031 – Submission from the South Australian Reference Group Review Panel*, August 2025, p.11-19.

33 SACOSS - *Submission on AGN SA 2026-31 Access Arrangement Proposal* - August 2025, pp. 5-6.

Similarly, our draft decision on Evoenergy's 2026−31 access arrangement proposal, released at the same time as this AGN draft decision, relies on written advice from the ACT Utilities Technical Regulator. In the Evoenergy case, our draft decision is to approve a fully priced abolishment tariff on the basis that the ACT Government will mandate abolishment of dormant gas connections when the customer's property is sold – mitigating the most significant risk identified by As Low As Reasonably Practicable (ALARP) risk assessments. The Utilities Technical Regulator confirmed that the ACT approach is reasonable, facilitating our draft decision to approve Evoenergy's fully priced abolishment tariff.

For South Australia, we have not received a submission from the South Australian Office of the Technical Regulator on AGN's proposed partially socialised abolishment tariff. While our draft decision is to approve AGN's proposed $257 abolishment tariff, this can only be a placeholder for our final decision. We would welcome advice by the Office of the Technical Regulator on this point. In the absence of such advice, we may change our approach with our final decision.

We consider that high abolishment tariffs appear to customers as exit fees, to the extent customers are willing to pay them at all, with the effect of inhibiting achievement of jurisdictional emissions reduction targets.

AGN's proposal to set its abolishment tariff at $257, brings the charge for abolishment closer to the $93 temporary disconnection tariff, which is the alternative cessation of service option for customers.

Importantly, socialising a portion of small customer connection abolishment costs would remove the financial barrier to abolishments being undertaken in circumstances where other jurisdictions have deemed abolishments appropriate due to safety considerations. We consider as a placeholder decision that socialising a portion of those costs is the most pragmatic way forward at this point in time when there is no alternative approach to managing the safety issues linked to disincentivising customers from requesting the abolishment service.

The SARG has supported the addition of the abolishment service and continuation of the existing policy of *fully socialising* abolishment charges, recognising that there are safety and equity concerns about how this might be implemented. They also noted that they were awaiting the AEMC's decisions on multiple rule change requests to impose full cost connection and abolishment charges.[34] The CCP33 also noted if the rule change for NEM consistency was not adopted, AGN should re-engage with consumers.[35]

The AEMC has now published its draft determinations for a disconnections framework[36] and a connections framework[37], proposing rule changes that would require networks to charge cost reflective abolishment and connection charges. Notably, the AEMC has provided for

34 SARG Review Panel - *Submission on AGN(SA) 2026-31 Access Arrangement Proposal - August 2025*, pp. 30-31.

35 CCP33 - *Advice to AER - Submission on AGN(SA) 2026-31 Access Arrangement Proposal - August 2025*, p.30.

36 AEMC, *Draft rule determination Establishing a regulatory framework for retail customer initiated gas abolishment*, October 2025.

37 AEMC, *Draft rule determination Updating the regulatory framework for gas connections*, October 2025.

phased implementation of its disconnections framework in recognition of the cost of amending access arrangements already in place, and that its final decision will not be completed in time for it to be reflected in a final AER decision on AGN's access arrangement.[38] This timing also allows time for the development of plans to manage the safety issues around gas service abolishments that more accurately sit within the remit of jurisdictional governments.

The AER considers that the full proposed abolishment tariff of $1,250 is not acceptable or in line with the comparable cost build-up of other distributors (about $1,000 on average) and that a benchmark reduction of 20% is appropriate to lower the price to $1,000.

We consider that $1,250 is not reasonable in the context of small customers. We do not consider that it reflects the efficient cost of distributor staff attending the customer's property, digging down to the mains T intersection, disconnecting and removing (if possible) the customer's connection pipeline, sealing the mains and making the site safe.

The $1,250 is high relative to the equivalent tariff established by other regulated gas distributors. Table 5.5 outlines our benchmarking analysis, indicating that AGN's proposal is out of step with other regulated distributors.

Table 5.5 Abolishment tariff benchmarks

Gas Distributor	Charge ($2025–26)
JGN	$1,104*
MultiNet*	$1,044*
AGN Victoria*	$1,044*
AusNet*	$910*
Evoenergy	$883

Notes: * Abolishment tariff amount excluding the partial socialisation of the abolishment tariff.

The components of AGN's full proposed abolishment tariff are almost entirely opex and do not include additional cost recovery. That is, AGN's proposed abolishment charges reflect the labour cost of staff attending the customer's premises to perform the task. They do not incorporate any contribution to shared network cost recovery – they are not exit fees. Rather, AGN's small customer connection abolishment charges have been proposed by AGN on a cost recovery basis.

A large percentage of AGN's current abolishments are for renovations and knock down rebuilds that are only temporary, with these customers subsequently reconnecting to the gas network once the works are complete.

We therefore require that in the revised proposal AGN split the abolishment service into two services. One service would be a cost reflective temporary abolishment service with the fee

38 AEMC, *Draft rule determination Establishing a regulatory framework for retail customer initiated gas abolishment*, October 2025, p48.

of $1,000 for sites where renovations or knock down rebuilds take place. These sites do not have the option of the disconnection service, as gas connection will be abolished before significant works are undertaken at the premises. Levying a cost reflective abolishment tariff on these customers would reduce the price burden created for remaining gas customers via socialisation. Once the rebuild is completed a request for a new connection to the gas network will be required, which manages the moral hazard issue (namely, that customers will be incentivised to claim they will not re-connect).

The requirement to include a full priced knock down rebuild and renovated tariff is consistent with the approach proposed by JGN and approved in the JGN 2025–30 final decision.[39] A full-cost abolishment tariff for knock-downs, rebuilds and renovations would ensure all customers will not subsidise abolishment costs where a customer is making a planned choice to abolish and re-connect at a later date.

5.2.4.7 Other ancillary reference tariffs

We are satisfied that AGN's proposed charges for its remaining ancillary reference services (that is, with the exception of the small customer abolishment charge for customers undertaking knock downs, rebuilds and renovations) are reasonable. All of the other Ancillary Reference Tariffs that AGN has proposed are in line with other gas distributors and the draft decision accepts them.

5.3 Annual reference tariff variation mechanism

5.3.1 Draft decision

Our draft decision is to not accept AGN's proposed weighted average price cap tariff variation mechanism for haulage services and to accept the broad elements of AGN's proposed hybrid tariff variation mechanism, but to require that the revenue variation thresholds be adjusted to 5% (from a proposed 10%), and to accept the escalation of Ancillary Reference Tariffs annually by CPI.

5.3.2 AGN's proposal

AGN's haulage reference tariffs are currently adjusted annually by the application of a weighted average price cap formula. While AGN proposed to retain its current weighted average price cap for haulage services, AGN's proposal also incorporated a hybrid mechanism, should we not approve its proposed price cap. The proposed hybrid tariff variation mechanism comprises the existing price cap form of control, augmented with a revenue variation threshold of 10%. Under this hybrid approach, any incremental revenue gain or loss relative to forecast revenue and beyond the 10% threshold would be shared between the business and customers on an equal (50:50) basis.

AGN reflected on the JGN proposal for a hybrid mechanism but considered the approach unsuitable (with a 5% threshold) on the basis that it would place too much burden on its

[39] AER - *Final decision - JGN access arrangement 2025–30 - Attachment 9 - Reference tariff setting* - May 2025.

customers during times of lower demand such that higher prices would be passed through to them too quickly.[40]

In relation to the escalation of ancillary reference tariffs, AGN proposed to escalate them annually by CPI.

5.3.3 Assessment approach

Under the NGR, a reference tariff variation mechanism for an access arrangement:

- must be designed to equalise (in present value terms):
  - forecast revenue from reference services over the access arrangement period, and
  - the portion of total revenue allocated to reference services for the access arrangement period, and
- may provide for variation of a reference tariff:
  - in accordance with a schedule of fixed tariffs, or
  - in accordance with a formula set out in the access arrangement, or
  - as a result of a cost pass through for a defined event, or
  - by the combination of two or more of these operations.[41]

A formula for varying reference tariffs may (for example) provide for variable caps on the revenue to be derived from a particular combination of reference services; or tariff basket price control; or revenue yield control; or a combination of all or any of these factors.

We must have regard to various factors in deciding whether an access arrangement's reference tariff variation mechanism is appropriate. [42] These are:

- the need for efficient reference tariff structures
- the possible effects of the reference tariff variation mechanism on administrative costs
- the regulatory arrangements (if any) applicable to the relevant reference services before the commencement of the proposed reference tariff variation mechanism
- the desirability of consistency between regulatory arrangements for similar services
- any other relevant factor.

Further, the reference tariff variation mechanism must give us adequate oversight and powers to approve reference tariff variations.[43]

We made our decision on AGN's proposed reference tariff variation mechanism having regard to each of these factors, and their implications for natural gas consumers, potential users, AGN and other stakeholders. In doing so, we took into account the nature and scope

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40 AGN, *2026–31 Access Arrangement Proposal Final Plan*, July 2025, pp. 148-149.

41 NGR, r. 92(2).

42 NGR, r. 97(3).

43 NGR, r. 97(4).

of pipeline reference services to which reference tariffs are applicable. Our assessment also included a comparison of:

- the proposed reference tariff variation mechanism with those in AGN's current access arrangement
- consistency with other recent gas distribution access arrangement decisions (and electricity determinations under the National Electricity Rules (NER))
- consistency in AGN's approach across the provision of similar services.

We assessed the potential impact of AGN's proposal for meeting the revenue and pricing principles (RPP) and the NGO. The NGO was updated late 2023 to include an emissions reduction objective.[44]

We have taken into account the new emissions reduction objective, expected changes in gas demand over the 2026-31 period, the impact this can have on price stability over the period, and incentives on the service provider to develop efficient tariffs. We have also considered submissions provided to us by stakeholders.

5.3.4 Reasons for draft decision

The Energy & Water Ombudsman SA (EWOSA), consistent with their draft plan submission, indicated a preference for a price cap. However, EWOSA noted that if a hybrid model is adopted, it does not support a 5% threshold, but the 10% proposed by AGN SA. It considers the lower band would allocate too much risk to gas consumers in the event of significant demand variation.[45] SARG also commented on the proposed shift away from a price cap, noting that it would diminish AGN's incentive to promote efficient use or to innovate to manage declining demand.[46] SACOSS do not support the shrift from price cap to hybrid on the basis it would transfer demand and stranded asset risks to consumers while reducing incentives for network efficiency.[47]

We consider a hybrid tariff variation mechanism, incorporating elements of both price cap and revenue cap regulation, better reflects the changed regulatory context for provision of gas haulage services. A hybrid tariff variation mechanism reduces the incentive to grow gas demand (better aligning with emissions reduction objectives than a price cap), while mitigating potential tariff year-on-year volatility (which can be a feature of revenue cap regulation).Weighted average price cap regulation incentivises network service providers, such as AGN, to grow the volume of gas (natural gas being a fossil fuel) carried by their networks. This is because networks retain any revenue earnt from actual volumes being higher than forecasts used to determine their network tariffs. Equally, gas networks incur

44 *National Gas (South Australia) Act* 2008, s. 23.

45 Energy & Water Ombudsman SA - *Submission on AGN(SA) 2026-31 Access Arrangement Proposal - August 2025*, p. 2.

46 SARG Review Panel - *Submission on AGN(SA) 2026-31 Access Arrangement Proposal - August 2025*, p. 7.

47 SACOSS - *Submission on AGN SA 2026-31 Access Arrangement Proposal - August 2025*, p. 6.

costs if actual volumes are lower than forecasts. That is, weighted average price caps assign volume risk to networks.[48]

The main alternative approach, revenue cap regulation, does not provide the same incentive because network service providers can earn only their approved revenue – under or over revenue recoveries are trued-up over time. However, revenue cap regulation would create risk of tariff volatility from year to year due to the revenue true-ups, while weighted average price cap regulation provides for relatively stable tariffs. Revenue caps also assign volume risk to customers, in that the network is guaranteed to earn its target revenue, regardless of actual volumes compared to targets.

A hybrid tariff variation mechanism manages the risk of tariff volatility by limiting revenue true-ups to instances when actual volumes are (as per the draft decision) more than 5% higher (or lower) than targets. Also, a hybrid mechanism splits 50:50 the revenues associated with actual volumes being outside the 5% upper and lower volume boundaries. This means customers and AGN alike would only be impacted by half of any changes above or below the 5% volume boundaries. The incentive for a network to grow volumes is weakened, but not altogether removed, under this hybrid approach.

The AER considers that the 10% bands are too broad and that it is unlikely that demand will fall outside the 10% band, which means a hybrid approach with 10% bands is essentially the same as the status quo of price caps and does not remove the inherent incentive for AGN to grow demand. The draft decision moderates the incentive for AGN to grow demand while allowing for revenue sharing if demand increases materially beyond forecasts and cost sharing if materially below.

In relation to the escalation of Ancillary Reference Tariffs we accept AGN's proposal to escalate them annually by CPI, as this keeps prices constant in real terms and is consistent with current practice and other gas distributors.

5.4 Cost pass through mechanism

5.4.1 Draft Decision

We accept the cost pass through events AGN proposed for the 2026–31 period, subject to amendments to align with our recent determinations.[49] Our cost pass through definitions are set out in Table 5.6.

The reasoning behind our draft decision is outlined in section 5.4.5.

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48 Network service providers have opportunity to manage their volume risk by submitting to the AER an access arrangement variation proposal, under NGR cl.65. They could propose to amend their access arrangement to account for lower volumes by raising tariffs. We note that customers do not have the same opportunity in the event that actual volumes are higher than targets.

49 AER, *Final decision – JGN access arrangement 2025–30 – Attachment 10 - Reference tariff variation mechanism*, May 2025; AER, *Final decision Attachment 15 – Pass through events – Ausgrid – 2024–29 Distribution revenue proposal*, April 2024; AER, *Draft decision Attachment 15 – Pass through events – Ausgrid – 2024–29 Distribution revenue proposal*, September 2023; AER, *AusNet 2023–28 – Draft decision – Attachment 10 Reference tariff variation mechanism*, December 2022.

5.4.2 AGN's proposal

AGN proposed seven cost pass through events, without amendments from its 2021–26 access arrangement. The events AGN proposed to retain without amendment over the 2026–31 period were:[50]

- Regulatory change event
- Service standard event
- Tax change event
- Terrorism event
- Insurer credit risk event
- Insurance cap event
- Natural disaster event.

AGN proposed notification and materiality provisions similar to those applying in the 2021–26 access arrangement. These include that AGN may seek our approval to pass through costs arising from the occurrence of a pass through event. It proposed to notify the AER within 90 business days of a cost pass through event occurring. When the costs of the pass through event are known (or able to be estimated to a reasonable extent), then the costs shall be notified to the AER. The AER must then make a decision to approve or reject the cost pass through event proposal. The AER must notify AGN of its decision as to whether a cost pass through event has occurred, and the amount that should be passed through in AGN's reference tariffs, within 90 business days unless the time limit is extended.[51]

In terms of materiality, AGN proposed to maintain a materiality threshold by reference to 'the smoothed forecast revenue specified in the Access Arrangement Information, in the years of the Access Arrangement Period that the costs are incurred'.[52] This is unchanged from the 2021–26 access arrangement.

5.4.3 Assessment approach

The NGR state that a reference tariff variation mechanism may provide for the variation of a reference tariff:[53]

> …as a result of a cost pass through for a defined event (such as a cost pass through for a particular tax).

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50 AGN SA, *20250701 - AGN - SA AA 1 July 2026 to 30 June 2031 - Clean*, 1 July 2025, p. 14.

51 AGN SA, *AA 1 July 2026 to 30 June 2031*, 1 July 2025, p. 17.

52 AGN SA, *AA 1 July 2026 to 30 June 2031*, 1 July 2025, p. 16.

53 NGR, r. 97(1)(c).

As a component of the reference tariff variation mechanism, a cost pass through mechanism must be assessed having regard to the matters in rule 97(3)[54] of the NGR and must give us adequate oversight and power to approve reference tariff variations.[55]

We must approach this assessment in a manner likely to contribute to the achievement of the NGO,[56] as set out in the NGL.[57]

In addition, we must take into account the RPP whenever we exercise discretion in approving or making those parts of an access arrangement relating to a reference tariff.[58] The RPP include the principle that the service provider should be provided with a reasonable opportunity to recover at least the efficient costs incurred in providing reference services and complying with a regulatory obligation or requirement.[59] They also provide incentives to promote economic efficiency.[60] The RPP require us to have regard to the economic costs and risks of the potential for under- and over-investment by a service provider, to promote efficient investment.[61]

Our decision on the reference tariff variation mechanism includes a decision on what categories of pass through event to approve as part of it.[62] In approaching this part of our task, we also take into account the following “other relevant factors”:[63]

- whether the type of event is covered by another category of pass through event
- whether the nature or type of event can be clearly identified at the time the access arrangement is approved for the service provider
- whether a prudent service provider could reasonably prevent an event of that nature or type from occurring or substantially mitigate the cost impact of such an event
- whether the relevant service provider could insure against the event, having regard to:
  - the availability (including the extent of availability in terms of liability limits) of insurance against the event on reasonable commercial terms
  - whether the event can be self-insured on the basis that: it is possible to calculate the self-insurance premium; and the potential cost to the relevant service provider would not have a significant impact on the service provider’s ability to provide network services.

54 In summary: efficient reference tariff structures; administrative costs; prior regulatory arrangements; consistency between regulatory arrangements; risk sharing arrangements implicit in the access arrangement any other relevant factor.

55 NGR, r. 97(4).

56 NGL, s. 28(1)(a).

57 NGL, s. 23.

58 NGL, s. 28(2)(a).

59 NGL, s. 24(2).

60 NGL, s. 24(3).

61 NGL, s. 24(6).

62 NGR, r. 97(1)(c).

63 NGR, r. 97(3)(e).

These factors appear in the NER, where they guide our decision on whether to approve additional categories of pass through event beyond those already included in the NER.[64] We consider they are consistent with the factors referred to in the NGR (rule 97(3)), and pertinent to our examination of the degree to which a proposed category of event is likely to contribute to the achievement of the NGO.[65]

The Australian Energy Market Commission (AEMC) described the purpose of these considerations as:

> "…to incorporate and reflect the essential components of a cost pass through regime. It was intended that in order for appropriate incentives to be maintained, any nominated pass through event should only be accepted when event avoidance, mitigation, commercial insurance and self-insurance are unavailable. That is, a cost pass through event is the least efficient option for managing the risk of unforeseen events."[66]

> "…that a pass through event should only be accepted when it is the least inefficient option and event avoidance, mitigation, commercial insurance and self-insurance are found to be inappropriate. That is, it is included after ascertaining the most efficient allocation of risks between a service provider and end customers."[67]

In line with the AEMC, we consider that pass throughs should only be accepted as a 'last resort'. We accept them only when event avoidance, mitigation and insurance are unavailable, and their acceptance is consistent with the RPP and will contribute to the achievement of the NGO. This approach maintains the incentives on service providers to use market-based mechanisms to mitigate the cost impacts that would arise if the event is triggered.[68] In turn, this promotes the efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers with respect to price.[69]

We also look to promote consistency in our approach to pass through categories across our electricity determinations and gas access arrangement decisions.[70]

5.4.4 Interrelationships

Except as provided by a reference tariff variation mechanism, a reference tariff is not to vary during the course of an access arrangement period.[71] In assessing and approving a

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64 NER, cll. 6.5.10(b) and 6A.6.9(b); NER, Chapter 10: Glossary, definition of 'nominated pass through event considerations'.

65 NGL, s. 23.

66 AEMC, *Rule Determination, National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule 2012*, 2 August 2012, p. 19.

67 AEMC, *Rule Determination, National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule 2012*, 2 August 2012, p. 20.

68 NGL, s. 24(3); AEMC, *Rule Determination, National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule 2012*, 2 August 2012, p. 8.

69 NGL, s. 24; AEMC, *Rule Determination, National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule 2012*, 2 August 2012, p. 8.

70 NGR r. 97(3)(d).

71 NGR, r. 97(5).

reference tariff variation mechanism, we consider the potential impact of the proposed mechanism on the service provider's incentives under the access arrangement to operate its network—and manage its risks—in a manner consistent with the NGO and RPP.[72]

The pass through component of the reference tariff variation mechanism is also interrelated with other parts of this decision, in particular with the forecast opex and capital expenditure (capex) and rate of return included in our forecast revenue requirement. These interrelationships require us to balance the incentives in the various parts of our decision.

Pass through events are one way, but not the only way, in which service providers can manage their risks under an access arrangement. For systemic risks, service providers are compensated through the allowed rate of return. Service providers also face business-specific, or residual, risks. Service providers are compensated for the prudent and efficient management of these risks through the forecast opex and capex we include in our forecast revenue requirement for strategies such as:

- prevention (avoiding the risk)
- mitigation (reducing the probability and impact of the risk)
- insurance (transferring the risk to another party)
- self-insurance (putting aside funds to manage the likely costs associated with a risk event).

An efficient business will manage its risk by employing the most cost-effective combination of these strategies. In order to maintain appropriate incentives under an access arrangement, we only accept pass through events where we are satisfied that event avoidance, mitigation, commercial insurance and self-insurance under approved forecasts of prudent and efficient opex and capex are either unavailable or inappropriate.[73]

For smaller expenditure, a service provider should generally utilise its existing expenditure allowance or reprioritise its work program rather than seek approval of a pass through.[74] This is reflected in the materiality threshold that applies to applications for cost pass through under the approved access arrangement.[75]

Cost pass through amounts approved in an access arrangement period are added to (or in the case of a negative pass through deducted from) forecast opex and capex for the purpose

72 NGL, ss. 23 and 24.

73 This is consistent with the AEMC's conclusions in its review of the NER pass through arrangements. See: AEMC, *Rule Determination, National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule 2012*, 2 August 2012, pp. 19–20.

74 This is consistent with the AEMC's conclusions in its review of the regulation of network prices. See: AEMC, *Economic Regulation of Network Service Providers, and Price and Revenue Regulation of Gas Services, Final Rule Determination*, 29 November 2012, pp. 187–188.

75 NER, *Chapter 10, definition of 'materially';* AGN SA, *AA 1 July 2026 to 30 June 2031*, 1 July 2025, p. 16.

of calculating efficiency carryover amounts under the efficiency carryover mechanism and capital expenditure sharing scheme in the approved access arrangement.[76]

5.4.5 Reasons for draft decision

5.4.5.1 Regulatory change, service standard, tax change, terrorism, insurer credit risk, and natural disaster events

Consistent with our past decisions, we consider that AGN's proposed regulatory change, service standard, tax change, terrorism, insurer credit risk, and natural disaster events, that will remain the same as in the 2021–26 access arrangement, are appropriate as they:

- are not covered by another category of pass through event
- can be clearly identified at the time when we are approving the access arrangement
- are of the nature or type that a prudent service provider could not reasonably prevent from occurring or substantially mitigate their cost impact
- are prohibitively costly to cover by full insurance, or there is no available insurance cover on reasonable commercial terms.

As a result, we accept these proposed pass through events for the 2026–31 period.

However, we require AGN SA to make some drafting amendments to the definitions of these approved nominated pass through events to ensure consistency with recent AER decisions, as set out in Table 5.6. These changes are to provide greater drafting consistency between AGN and other network service providers.

5.4.5.2 Insurance cap (now insurance coverage)

We do not accept the insurance cap event proposed by AGN.[77] Instead, we request that AGN replace this event with the insurance coverage event as defined in Table 5.6. We replaced the insurance cap event with the insurance coverage event following consultation during our 2020–25 final determination for SA Power Networks.[78] Since then, the insurance coverage event has been applied consistently across electricity and other gas network service providers.

5.4.5.3 Materiality threshold

AGN proposed to retain the current process for application and AER approval of a cost pass through event, including the materiality threshold, which we approved in the 2021–26 access arrangement.[79] The submitted materiality threshold is consistent with the threshold currently applied to cost pass through events for other gas distribution businesses and electricity

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[76] AGN SA, *AA 1 July 2026 to 30 June 2031*, 1 July 2025, pp. 21–22; AER, *Efficiency Benefit Sharing Scheme for Electricity Network Service Providers*, November 2013, p. 8; AER, *Capital Expenditure Incentive Guideline for Electricity Network Service Providers*, April 2023, p. 3.

[77] AGN SA, *Attachment 14.1_Network Pricing*, 1 July 2025, p. 15.

[78] *AER, Final Decision, SA Power Networks 2020–25 - Attachment 14: Pass through events*, June 2020, pp.13-14.

[79] AGN SA, *AA 1 July 2026 to 30 June 2031*, 1 July 2025, p. 16.

distribution network service providers. AGN proposed to apply this threshold symmetrically, for both positive events that increase its costs and negative events that decrease its costs.[80]

AGN's proposed access arrangement defines the materiality threshold by reference to smoothed revenue. That is, costs incurred as a result of a cost pass through event are considered material if they are or are reasonably estimated to exceed 1% of the smoothed forecast revenue for the years that costs are incurred.[81]

In our recent determination for Jemena Gas Network (JGN) we considered whether costs incurred as result of a pass through event relates to smoothed or unsmoothed annual revenues.[82] In that decision we indicated our intent to apply a definition of materiality with reference to the annual revenue requirement rather than 'smoothed revenue' for future gas network service providers.

We note that the NGR is silent on the definition of materiality with respect to costs incurred by a network service provider as a result of a cost pass through event. However, the National Electricity Rules (NER) consider costs incurred as a result of pass through event are material if they exceed 1% of the annual revenue requirement. Specifically, the NER provide that:

> …an event results in a Distribution Network Service Provider incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the Distribution Network Service Provider has incurred and is likely to incur in any regulatory year of a regulatory control period, as a result of that event, exceeds 1% of the annual revenue requirement for the Distribution Network Service Provider for that regulatory year.

We understand that the materiality threshold for costs incurred as a result of a pass through event relates to unsmoothed annual revenue. We note that most of our determinations for gas network service providers regarding the materiality threshold specifically refers to 'smoothed revenue'. This is inconsistent with the meaning in the NER of 'materially' as set out above. It is also inconsistent with the meaning we have applied for electricity network service providers (distribution and transmission) when reviewing cost pass through applications.

Based on the above reasoning, we request that AGN amend its proposed Access Arrangement as set out in the Revisions table (Revision 5.3) below.

5.4.5.4 Notification timeframe

AGN proposed that the AER must notify AGN of its decision as to whether a cost pass through event has occurred, and the amount that should be passed through in AGN's reference tariffs, within 90 business days unless the time limit is extended.[83]

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80 AGN SA, *AA 1 July 2026 to 30 June 2031*, 1 July 2025, p. 16.

81 AGN SA, *1 July 2026 to 30 June 2031*, 1 July 2025, p. 16.

82 AER, *Draft decision – JGN access arrangement 2025–30 – Attachment 10 – Reference tariff variation mechanism,* November 2024, pp. 17–18.

83 AGN SA, *AA 1 July 2026 to 30 June 2031*, 1 July 2025, p. 17.

AGN's proposal broadly reflects our process relating to assessing cost pass through applications. However, for consistency, we propose to align the number of business days the AER has to notify network service providers of our determination, following a cost pass through application, with the timeframes set out in the NER. That is, within 40 business days of receiving an application, unless this time period is extended. Our process for reviewing cost pass through applications generally relies on the provisions set out in the NER, as the NGR is not explicit on these matters.

We therefore request that AGN amend its proposed access arrangement as set out in the Revisions Table 5.9 (Revision 5.5).

Table 5.6 AER's definitions of cost pass through events

Event	Definition
Regulatory Change Event	Regulatory Change Event means a change in a regulatory obligation or requirement that: a) falls within no other category of relevant Pass Through Event; and b) occurs during the course of an Access Arrangement Period; and c) substantially affects the manner in which the Service Provider provides Reference Services; and d) materially increases or materially decreases the costs of providing Reference Services.
Service Standard Event	Service Standard Event means a legislative or administrative act or decision that: a) has the effect of: (1) substantially varying, during the course of an Access Arrangement Period, the manner in which the Service Provider provides a Reference Service; (2) imposing, removing or varying, during the course of an Access Arrangement Period, minimum service standards applicable to Reference Services; or (3) altering, during the course of an Access Arrangement Period, the nature or scope of the Reference Services provided by the Service Provider; and b) materially increases or materially decreases the costs to the Service Provider of providing Reference Services.
Tax Change Event	Tax Change Event occurs if: (a) any of the following during the course of the Access Arrangement Period: (1) a change in a Relevant Tax, in the application or official interpretation of a Relevant Tax, in the rate of a Relevant Tax, or in the way a relevant Tax is calculated; (2) the removal of a Relevant Tax; (3) the imposition of a Relevant Tax; and

Event	Definition
	(b) as a consequence, the costs to the Service Provider of providing Reference Services are materially increased or decreased.
Terrorism Event	Terrorism Event means an act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which: 1. from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear); and 2. changes the costs to the Service Provider in providing Reference Services: Note: In assessing a Terrorism Event pass through application, the AER will have regard to, amongst other things: i) whether the Service Provider has insurance against the event ii) the level of insurance that an efficient and prudent service provider would obtain in respect of the event; and iii) whether a declaration has been made by a relevant government authority that a terrorism event has occurred.
Insurer Credit Risk Event	An Insurer Credit Risk Event occurs if an insurer of the Service Provider becomes insolvent, and as a result, in respect of an existing, or potential, claim for a risk that was insured by the insolvent insurer, the Service Provider: a) is subject to a higher or lower claim limit or a higher or lower deductible than would have otherwise applied under the insolvent insurer's policy; or b) incurs additional costs associated with funding an insurance claim, which would otherwise have been covered by the insolvent insurer. Note: in assessing an Insurer Credit Risk Event pass through application, the AER will have regard to, amongst other things: i) the Service Provider's attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer's track record, size, credit rating and reputation; and ii) in the event that a claim would have been covered by the insolvent insurer's policy, whether the Service Provider had reasonable opportunity to insure the risk with a different provider.
Insurance Coverage Event	An Insurance Coverage Event means an event where: 1. the Service Provider: a) makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy or set of insurance policies; or

Event	Definition
	b) would have been able to make a claim or claims under a relevant insurance policy or set of insurance policies but for changed circumstances; and 2. the Service Provider incurs costs: a) beyond the relevant policy limit for that policy or set of insurance policies; or b) that are unrecoverable under a policy or set of insurance policies due to changed circumstances; and 3. the costs referred to in paragraph 2 above materially increase the costs to the Service Provider of providing Reference Services. For the purposes of this Insurance Coverage Event: • 'changed circumstances' means movements in the relevant insurance liability market that are beyond the control of the Service Provider, where those movements mean that it is no longer possible for the Service Provider to take out an insurance policy or set of insurance policies at all or on reasonable commercial terms that include some or all of the costs referred to in paragraph 2 above within the scope of that insurance policy or set of insurance policies. • 'costs' means the costs that would have been recovered under the insurance policy or set of insurance policies had: – the limit not been exhausted; or – those costs not been unrecoverable due to changed circumstances. • a relevant insurance policy is an insurance policy or set of insurance policies held during the Access Arrangement Period or a previous access arrangement period in which the Service Provider was regulated; and • the Service Provider will be deemed to have made a claim on a relevant insurance policy or set of insurance policies if the claim is made by a related party of the Service Provider in relation to any aspect of the Service Provider’s Network or business; and • the Service Provider will be deemed to have been able to make a claim on a relevant insurance policy or set of insurance policies if, but for changed circumstances, the claim could have been made by a related party of the Service Provider in relation to any aspect of the Service Provider's Network or business. Note for the avoidance of doubt, in assessing an Insurance Coverage Event through application under clause 3.5(i), the AER will have regard to: i) the relevant insurance policy or set of insurance policies for the event; ii) the level of insurance that an efficient and prudent service provider would obtain, or would have sought to obtain, in respect of the event;

Event	Definition
	iii) any information provided by the Service Provider to the AER about the Service Provider's actions and processes; and iv) any guidance published by the AER on the matters the AER will likely have regard to in assessing any Insurance Coverage Event that occurs.
Natural Disaster Event	Natural Disaster Event means any natural disaster including, but not limited to cyclone, fire, flood, or earthquake that occurs during the Access Arrangement Period that changes the costs to the Service Provider in providing the Reference Services, provided the cyclone, fire, flood, earthquake or other event was: a) a consequence of an act or omission that was necessary for the Service Provider to comply with a regulatory obligation or requirement or with an applicable regulatory instrument; or b) not a consequence of any other act or omission of the Service Provider. Note: In assessing a Natural Disaster Event pass through application, the AER will have regard to, amongst other things: i) whether the Service Provider has insurance against the event; ii) the level of insurance that an efficient and prudent service provider would obtain in respect of the event.

Source: AER analysis.

5.5 Non-tariff components

In addition to the reference services that will apply to AGN, there are other non-tariff components that are proposed for the 2026–31 period. The non-tariff components are as follows:

- the terms and conditions for the supply of reference service
- queuing requirements – a process or mechanism for establishing an order of priority between prospective users of spare and/or developable capacity
- extension and expansion requirements – the method for determining whether an extension or expansion is part of the covered pipeline and the effect this will have on tariffs
- capacity trading requirements – the arrangements for users to assign contracted capacity and change receipt and delivery points
- change of receipt or delivery point by the user – the process or mechanism for changing a user's receipt or delivery point
- a review submission date and revision commencement date for the next access arrangement period.

5.5.1 Draft decision

Our draft decision approves AGN's proposed amendments for the non-tariff components of its 2026–31 proposal.

AGN's queuing requirements, extension and expansion, and capacity trading requirements and proposed approach to changing users' receipt or delivery points are substantively unchanged from those approved for the current, 2021–26 period

AGN has made amendments to reflect its Reference service proposal decision that we approved in 2024[84].

We consider these amendments consistently reflect the recent regulatory changes and terminology to ensure consistency with the approved reference services and that these requirements remain otherwise appropriate.

We accept AGN's proposed review submission and commencement dates for its 2026–31 access arrangement being a review submission date of 1 July 2030 and revision commencement date 1 July 2031.

AGN has engaged with its stakeholders in developing its 2026–31 access arrangement, including engagement on its non-tariff components and proposed revisions to its general terms and conditions. We remain satisfied that they meet the requirements of the NGR and NGL. We note AGN will respond in its revised proposal with updates to its terms and conditions following further engagement with its stakeholders.

AGN's proposal

AGN states that this proposal contains proposed reference services and the terms and conditions under which a customer can gain access to the South Australia distribution network, which includes:

- the services offered on the network.
- the price paid for those services and
- the non-price terms under which access will be provided.[85]

AGN note its Retailer Reference Group were interested in discussing some specific elements of our proposals, including reference services, terms and conditions, prices, and the Heating Value of hydrogen blend gas.[86]

AGN acknowledge that in previous periods it has undertaken extensive engagement on updates to its terms and conditions, however this period it notes it is not proposing material changes to its terms and conditions.[87]

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[84] AER, *AGN SA 2026–31 Access arrangement - Reference service proposal - Final decision*, December 2024.

[85] AGN, *AGN SA 2026–31 FINAL PLAN*, July 2025, p. 12.

[86] AGN, *AGN SA 2026–31 FINAL PLAN*, July 2025, p. 43.

[87] AGN, *AGN SA 2026-2031 FINAL PLAN*, July 2025, p. 151.

AGN indicate that its current terms and conditions incorporate this extensive engagement undertaken previously and include:

- harmonization with the Victorian, Albury NSW and Queensland terms and condition in previous periods
- incorporating standard amendments previously agreed with users following negotiations
- incorporate other customer information clauses from other gas businesses terms and conditions.[88]

5.5.2 Terms and conditions

The NGR require an access arrangement to specify the terms and conditions on which each reference service will be provided.[89] These must be consistent with the National Gas Objective (NGO).[90] This requires us to assess and balance the competing interests of the service provider, network users and consumers, in particular: the allocation of risk, where we consider the NGO is generally best served where a risk is borne by the party best able to manage it; and the need to ensure clarity and certainty, while avoiding an unduly prescriptive approach on commercial matters.

Section 6 of AGN's access arrangement outlines that is agreement is comprised of the specific terms and conditions set out in Annexure F and the terms and conditions set out in Annexure G ('General terms and conditions').[91]

AGN revised its South Australian general terms and conditions in March 2025 and categorised the proposed change as:

- alignment to the Victorian terms and conditions as approved by the AER at the last review of the Victorian/Albury access arrangements[92]
- responding to changes in unfair contract terms in small business contracts (the Australian Consumer Law), recognising that many retailers are small businesses, even some retailers that are part of substantial corporate groups. [93]

AGN provided to its retailers for feedback a marked-up document highlighting the proposed changes. It received one submission from AGL with 26 comments. AGN noted that at the time of submitting its proposal it was still considering the feedback and would subsequently provide a more detailed response.[94]

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88 AGN, *AGN SA 2026-2031 FINAL PLAN*, July 2025, p. 151

89 NGR, r. 48(1)(d)(ii).

90 NGR, r. 68B.

91 AGN, Access arrangement 1 July 2026 to 30 June 2031 - Mark Up, July 2025, p. 27.

92 Australian Gas Networks, *(Victoria and Albury) - Access arrangement 2023–28* – June 2023

93 AGN, *Attachment 15.1 Consultation on the Terms and Conditions*, July 2025, p. 2.

94 AGN, *Attachment 15.1 Consultation on the Terms and Conditions,* July 2025, p. 2.

AGN indicates in its preliminary view most of AGL's comments have been raised previously and addressed by the AER in previous access arrangement reviews (both in South Australia and Victoria).[95]

In addition to the updates above, AGN indicate the remaining substantive changes to its terms and conditions include:

- changes to section 6.1 to align more closely with the form of specific terms and conditions in Annexure F.
- update cross-references to NGL provisions to reflect amendments to the NGL.
- update to AGN's network user policy to reflect changes to the credit support rules for gas retailers under Part 21 of the NGR.
- the inclusion of a rating by Moody's investors services as an acceptable credit rating.[96]

We note that while some of AGN's proposed amendments are non-contentious and aimed at simplifying the document (such as replacing some provisions with cross-references to equivalent provisions the NGR), some of the other proposed amendments are more detailed (such as inclusion of small business contract).

Clause 1.5 of AGN's general terms and conditions has been included to identify potential unfair contract terms in the context of small business contract.[97] AGN state that clause 1.5:

> provides that those clauses [12.6,13.5, 22.3, 29.5] do not apply to a haulage agreement when Part 2-3 of the Australian Consumer Law applies because the agreement is a small business contract – that is, when the Network User has fewer than 100 employees or a turnover below $10,000,000.[98]

AGN has also proposed amendments to clauses where it considers that the clause may be an unfair contract term in a small business contract. For example, in Clause 12.1, AGN has provided an amendment to 'Specifications' because it initially allowed AGN to unilaterally vary gas specifications without prior warning. It has now been amended to require not less than 90 days' notice of a change (subject to shorter notice in certain circumstances).[99]

AGN submit that a number of proposed amendments incorporate changes from the recent Victorian 2023–28 access arrangement decisions.[100] This includes, but is not limited to:

- **Network user as a user:** Clarifies that services are provided to a Network User in relation to a Delivery Point whilst the Network User is the FRO under the Retail Market Procedures

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95 AGN, *Attachment 15.1 Consultation on the Terms and Conditions,* July 2025, p. 2.

96 AGN, *Attachment 15.2 Summary of Changes to Access Arrangement*, July 2025, p. 4.

97 AGN, *Access arrangement Draft GTCs Mark Up*, July 2025, p. 7.

98 AGN, *Attachment 15.1 Consultation on the Terms and Conditions,* July 2025, p. 3.

99 AGN, *Attachment 15.1 Consultation on the Terms and Conditions,* July 2025, p. 4.

100 AER, *Attachment 11 – Non tariff components | Final decision – AGN (Victoria & Albury) Access Arrangement 2023–28*, June 2023; Australian Gas Networks, *(Victoria and Albury) - Access arrangement 2023–28* – June 2023.

- **NGL requirements:** Clarifies that AGN may connect a new delivery point where required by law.
- **Gas specifications:** Clarifies that AGN may convey off-specification gas where required or permitted by law and impose obligation to deliver gas according to the specifications required by law.
- **Right to suspend service:** Allows AGN to suspend service gas deliveries to self-contracting users where they do not pay network charges. AGN note this version was amended slightly from the previous decision to remove elements that might constitute an unfair contract term.
- **Credit support:** Amended to adopt changes to the equivalent credit support clause approved in the pervious decision.[101]

We acknowledge that AGN has considered the impact its terms and conditions will have in relation to small business customers and proposed amendments accordingly to address the updated unfair contract term legislation.

We have not received submissions raising concerns about the proposed changes to the terms and conditions and would encourage AGN, once its amended terms and conditions is implemented, to continue engaging with its users to address issues if they arise and continue to work together for future access arrangements.

We sought further information from AGN regarding the consideration of AGL's feedback. AGN has confirmed that it has provided a response and has accepted some, but not all of the proposed changes by AGL and an updated terms and condition document will be provided for its revised proposal.[102]

We are satisfied with the proposed amendments, noting the consultation that has been undertaken by AGN with its users. Our draft decision is to accept AGN's proposed terms and conditions and does not require any amendments. However, we expect for the revised proposal updated terms and conditions following the engagement with its stakeholders, including AGL.

5.5.3 Queuing requirements

Queuing requirements must establish a process or mechanism (or both) for establishing an order of priority between prospective users of spare or developable capacity (or both) in which all prospective users (whether associates of, or unrelated to, the service provider) are treated on a fair and equal basis.[103]

A distribution pipeline can typically accommodate new users. This is because, unlike transmission pipelines, distribution networks tend not to operate close to full capacity. Also, if use at one point in the network is nearing capacity, the service provider will normally undertake augmentation of the network to meet the needs of prospective users.

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101 See AGN, *Attachment 15.1 Consultation on the Terms and Conditions,* July 2025, pp. 3-6 for a full list of the proposed amendments to AGN's general terms and conditions.

102 AGN,*IR#013 - Non-tariff components*,11 November 2025.

103 NGR, r. 68D(3).

A service provider is required to include queuing requirements in an access arrangement for a distribution pipeline where the AER notifies the service provider.[104]

AGNs 2026–31 access arrangement has been amended to reflect updates to the NGR, which occurred since the effective date of the 2021–26 access arrangement. Section 7.3 ('Queuing') otherwise remains unchanged from that approved for the current access arrangement period. AGNs term indicates that where the AER has cause to require it to include further queuing requirements, it will respond accordingly.[105]

We have received no submissions on these arrangements and remain satisfied that they meet the requirements of the NGR. Our draft decision is therefore to accept these elements of the proposed access arrangement.

5.5.4 Extension and expansion requirements

The extension and expansion requirements in an access arrangement specify the method for deciding whether an extension or expansion occurring during an access arrangement period will be treated as part of the covered pipeline and, if so, the impact this will have on reference tariffs. An 'extension' allows the pipeline to service new locations, while an 'expansion' increases the amount of gas an existing length of pipeline can carry.

The NGR requirements for extensions and expansions provide that:

- the access arrangement may state whether it will apply to incremental services to be provided as a result of a particular extension to the pipeline, or outline how this may be dealt with at a later time[106]
- the access arrangement must state it will apply to incremental services to be provided as a result of any expansion to the capacity of the pipeline and deal with the effects of the expansion on tariffs[107]
- if the access arrangement is to apply to incremental services to be provided as a result of an extension to the pipeline, the requirements must deal with the effect of the extension on the opening capital base, the description of reference services specified in the access arrangement proposal, and tariffs[108]
- the requirements cannot require the service provider to provide funds for extension or expansion works unless the service provider agrees.[109]

AGN's proposal seeks to align the wording of section 8 ('Extensions and expansions) of its 2021–26 access arrangement to include new information required by rule 68E and update cross-references to the NGR.

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104 NGR, r. 68D(1)(b).

105 AGN, Access arrangement 1 July 2026 to 30 June 2031 - Mark Up, July 2025, p. 31.

106 NGR, 68E(1), (2).

107 NGR, 68E(3).

108 NGR, 68E(4).

109 NGR, 68E(5).

AGN has also deleted clause 8.2 relating to Mount Barker and undertaken some minor wording changes. This removal to the Mount Barker extension is a result of this extension not proceeding.

We consider the updating of the clause to reflect updates to the NGR and removal of reference to Mount Barker appropriate.

We have received no submissions on these arrangements and remain satisfied that they meet the requirements of the NGR. Our draft decision is to accept AGN's proposed amendments for extensions and expansions for its proposed 2026–31 access arrangement.

5.5.5 Capacity trading requirements

An access arrangement must set out capacity trading requirements, which deal with the transfer of a user's contracted capacity to another user.[110]

- Under the capacity trading provisions of the rules: the requirements must provide for the transfer of capacity in accordance with relevant rules/Procedures governing the relevant gas market in which the service provide is a registered participant, or in accordance with rule 68F of the NGR if the service provider is not a registered participant or the rules/Procedures do not deal with capacity trading[111]
- a user may, without the service provider's consent, transfer, by way of subcontract, all or any of the user's contracted capacity to a third party subject to rights, obligations and notification requirements set out in the rules[112]
- a user may, with the service provider's consent, transfer all or any of the user's contracted capacity to a third party subject to rights, obligations and contractual consequences set out in the rules.[113] In this case, the service provider must not withhold its consent unless it has reasonable grounds, based on technical or commercial considerations, for doing so[114]
- the requirements may specify in advance conditions under which consent will or will not be given, and conditions to be complied with if consent is given.[115]

AGN notes the key changes for capacity trading in this proposal include:

- updated cross-references to the NGR to reflect changes
- inclusion of a new section 7.4 relating to supplier curtailment methodology (which AGN notes is required by rule 48(1)(g1) of the NGR.

110 NGR, 48(1)(f) and 68F.

111 NGR, r 68F(1).

112 NGR, r 68F(2).

113 NGR, r 68F(3).

114 NGR, r 68E(4).

115 NGR, r 68E(5).

Section 7.4 sets out when and in what circumstances AGN may curtail the injection of covered gas at a receipt point. This also includes the circumstances when the receipt point is controlled by an upstream operator.[116]

We have received no stakeholder submissions in relation to the addition of the proposed curtailment methodology, previously included as part of clause 17 of the terms and conditions, and the proposed methodology appears reasonable.

We remain satisfied that they meet the requirements of the NGR. Our draft decision is therefore to accept these elements of the proposed access arrangement.

5.5.6 Changing receipt or delivery points

An access arrangement must set out the terms and conditions for changing receipt and delivery points.[117]

- an access arrangement must provide for the change of a receipt or delivery point by a user, with the service provider's consent, where the service provider must not withhold its consent unless it has reasonable grounds, based on technical or commercial considerations, for doing so.[118]
- the access arrangement may specify in advance conditions under which consent will or will not be given, and conditions to be complied with if consent is given. [119]
- Our draft decision is to accept AGN's proposed amendments for changing receipt or delivery points in its 2026–31 access arrangement.

AGN's proposal seeks amendments to section 7.2 ('Changing receipt and delivery) to reflect updates to the NGR, which occurred since the effective date of the 2021–26 access arrangement. Section 7.2 otherwise unchanged from that approved for the current access arrangement period.

We remain satisfied that they meet the requirements of the NGR. Our draft decision is therefore to accept these elements of the proposed access arrangement.

5.5.7 Review submission date and revision commencement date

The NGR requires that a full access arrangement that is not voluntary must contain a review submission date and a revision commencement date and must not contain an expiry date.[120]

Under the NGR:

- a 'review submission date' means a date on or before which an access arrangement revision proposal is required to be submitted.

[116] AGN, Access arrangement 1 July 2026 to 30 June 2031 - Mark Up, July 2025, pp. 31-32.

[117] NGR, r. 48(1)(h)

[118] NGR, r 68G(1).

[119] NGR, r 68G(2).

[120] NGR, r. 49.

- a 'revision commencement date' means the date fixed in the access arrangement as the date on which revisions resulting from a review of an access arrangement are intended to take effect.

The NGR requires AGN, as part of its access arrangement proposal, to propose a 'review submission date' and a 'revision commencement date'. The proposed revision commencement date must be not less than 12 months after the proposed review submission date.

AGN's proposed review submission date is 1 July 2030 and its proposed revision commencement date is 1 July 2031. [121]This is consistent with the 5-year outlook adopted for its 2026–31 proposal and maintains the current cycle of 5-yearly access arrangement reviews.

The access arrangement period for AGN's 2026–31 access arrangement is 1 July 2026 to 30 June 2031. The access arrangement period for Evoenergy's subsequent 2031–36 access arrangement is likely to be 1 July 2031 to 30 June 2036.

Our draft decision is to accept AGN's proposed review submission date and revision commencement date for its proposed 2026–31 access arrangement.

Revisions

We do not require AGN to make any revisions to the non-tariff components of its access arrangement proposal.

5.6 Revisions

We require the following revisions to make the access arrangement proposal acceptable as set out in Table 5.7, Table 5.8 and Table 5.9.

Table 5.7 Services covered by the access arrangement revisions

Revision	Amendments
Revision 5.1	Include a new full-cost abolishment service tariff for customers undertaking knock downs, rebuilds and renovations.

Table 5.8 Reference tariff setting revisions

Revision	Amendments
Revision 5.2	Further flatten volume (small) customer tariffs, by amending to a fixed charge and a block 1 tariff and then a single block 2.
Revision 5.3	Reduce the proposed full abolishment cost of $1,250 to $1,000 and include a new full-cost abolishment tariff for knock down rebuilds and renovations.

121 AGN, *Attachment 15.2 Summary of Changes to Access Arrangement*, July 2025, p. 36.

Table 5.9 Reference tariff variation and cost pass through mechanism revisions

Revision	Amendments
Revision 5.4	Remove the price cap tariff variation mechanism for haulage services and amend the hybrid tariff variation mechanism threshold to 5%.
Revision 5.5	Amend definitions in section 4.5 of the access arrangement to reflect the definitions of the following pass through events as specified in Table 5.6. Tax Change Event Terrorism Event Insurer Credit Risk Event Insurance Coverage Event Natural Disaster Event
Revision 5.6	Replace the last two paragraphs of section 4.6.2 of the Access arrangement (clean version, p.19) with the text below: The AER must notify AGN of its decision to approve or reject the proposed variations within 40 Business Days of receiving the notification. This period will be extended for the time taken by the Regulator to obtain information from AGN, obtain expert advice or consult about the notification.
Revision 5.7	Replace the definition of materiality threshold in section 4.5 of the Access arrangement (clean version, p. 16) with the text below Materiality threshold is defined as: For the purpose of any defined event, an event is considered to materially increase or decrease costs where that event has an impact of one per cent of the forecast annual revenue requirement specified in the Access Arrangement Information, in the years of the Access Arrangement Period that the costs are incurred.

Non-tariff component revisions

We do not require AGN to make any revisions to the non-tariff components of its access arrangement proposal.

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Glossary

Term	Definition
ACT	Australian Capital Territory
AGN	Australian Gas Network (SA)
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation capital expenditure
capex	capital expenditure
CCP33	Consumer Challenge Panel, sub-panel 33
CESS	capital expenditure sharing scheme
JGN	Jemena Gas Networks
NGO	National Gas Objective
NGL	National Gas Law
NGR	National Gas Rules
opex	operating expenditure
RAB	regulated asset base
repex	replacement expenditure