Draft decision

Evoenergy (ACT) 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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Version	Date	Pages
1	28 November 2025	45

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 Evoenergy (ACT). 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

Contents

5 Reference services, tariffs and non-tariff components

In this attachment, we outline our assessment of Evoenergy's 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 services, reference tariffs and tariff variation mechanism have interrelationships across other key parts of our draft decision. For example, they interrelate with the total revenue that can be earned by Evoenergy, and the demand forecast volumes used to calculate tariffs.

Evoenergy's reference services are the services we directly regulate by setting reference tariffs for those services. Services which are not reference services are not regulated in the same way. The sum of all reference tariffs plus expected demand for those services, reflects our assessment of the revenue required by Evoenergy to safely and reliably provide the reference services.

Evoenergy's reference tariffs for gas transportation services in the current 2021–26 access arrangement period (2021–26 period) are adjusted annually by the application of a weighted average price cap formula. Its reference tariffs are derived from the total revenue requirement after consideration of demand for each tariff category. However, our draft decision is to require Evoenergy to implement a hybrid tariff variation mechanism for gas transportation services that has elements of both price cap and revenue cap regulation. Under one model of a hybrid mechanism, reference tariffs for gas transportation services are adjusted annually by the application of a weighted average price cap formula but include a 5% revenue constraint (revenue deviations beyond the 5% would be shared equally between Evoenergy and customers).

Evoenergy's ancillary service prices, after the first year of the access arrangement period, are set by application of the ancillary service tariff variation formula.

Our draft decision on:

- Evoenergy's total revenue requirement is set out in the Overview to this draft decision
- the services Evoenergy will offer to customers over the 2026–31 period is set out below in section 5.1 – Services covered by the access arrangement
- the tariffs Evoenergy will charge for the provision of these services is set out below in section 5.2 – Evoenergy's reference tariff setting
- 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 Evoenergy'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]

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 the reference services set out in Evoenergy's 2026−31 access arrangement proposal (proposal).

5.1.2 Evoenergy's proposal

In November 2024 we approved Evoenergy's reference service proposal,[5] which included Evoenergy's proposal to separate its single reference service into two distinct reference services; transportation (including metering) service and ancillary activities reference service.

Evoenergy's proposal retained these two services. The individual reference services approved in our November 2024 final decision include:

- Transportation (including metering) reference service
  - Transportation and delivery of gas to customers:
    - ≤ 500 kPa (consuming less than 10 TJ pa)
    - ≥ 1,050 kPa (consuming more than 10 TJ pa)

1 NGL, Chapter 5.

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 *Final Decision, Evoenergy Gas Distribution Determination 2026 to 2031, Reference Service, tariff variation mechanism and tariff structure*, November 2024

  - Meter reading services including:
    - Meter related services;
    - Provision, installation and maintenance of standard meter; and
    - Meter reading and associated data activity

- Ancillary activities reference service.
  - Hourly charge
  - Special meter read
  - Temporary disconnection and reconnection (volume customer)
  - Reconnection (volume customer)
  - Disconnection and reconnection (demand customer)
  - Permanent disconnection (abolishment) (volume customer)

Our November 2024 reference service proposal decision also approved Evoenergy's permanent disconnection (abolishment) service for volume customers as a reference service. However, in a change from its reference service proposal, Evoenergy's Access Arrangement proposal splits the permanent disconnection service into three services:

- Basic permanent disconnection – reference service
- Basic (urgent) permanent disconnection – reference service
- Complex permanent disconnection – individually priced[6] (we consider this a non-reference (unregulated) service).

The basic options are for detached single dwellings with the urgent service to be completed within 20 business days following the service request. Both basic service options exclude concrete cutting, hard surface restoration, active traffic management and third-party standbys.

Evoenergy's proposed split to its permanent disconnection service is the result of its proposed new disconnections framework developed in consultation with the ACT Government and with the support of the ACT Utilities Technical Regulator (UTR). Evoenergy proposed this approach to reflect the findings from its independent safety assessment that was commissioned after we had made the November 2024 final decision. For the reference service proposal, Evoenergy advised that it had also not completed its cost build-up for its reference services, including the proposed permanent disconnection services, and had not yet shared its findings with stakeholders.

Since completing its analysis, which is reflected in its access arrangement proposal, Evoenergy amended its approach to permanent disconnection to what it considers a more cost-reflective disconnection service. For example, the approach is intended to provide customers with relatively simple abolishments to pay a lower tariff than otherwise via Evoenergy's proposed 'basic' permanent disconnection reference services.

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6 Evoenergy, *Draft proposal, Attachment 8 - Ancillary activities reference service and tariffs* - June 2025, p. 5.

5.1.3 Assessment approach

Evoenergy is required by the NGR to specify all reference services in its access arrangement proposal.[7] A reference service is a pipeline service specified as a reference service having regard to the reference service factors.[8] A pipeline service is a:[9]

- 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.

Evoenergy's services are also required to be consistent with the National Gas Objective (NGO).[10]

Our assessment approach is to identify the covered pipeline[11] 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 Evoenergy proposes as reference services having regard to the reference service factors.[12]

For ancillary services, we have considered the services Evoenergy currently offers and the amendments it proposes to these services.

We have also considered the views that stakeholders submitted regarding Evoenergy's proposed reference services 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 Evoenergy and ourselves to have regard to the reference service factors specified in the NGR.[13] The factors include:[14]

- the actual and likely demand for the pipeline's services and the number of prospective users
- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service

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

8 NGR, r. 47A(15).

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

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

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

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

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

14 NGR, cl. 47A(15).

- 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 Evoenergy's reference service proposal, submitted in June 2024. Our assessment incorporated a full stakeholder consultation process, including publishing Evoenergy's proposal and calling for submissions. Our decision took stakeholder views into account.

Our reasons for our draft decision to accept Evoenergy's reference service proposal are set out in our *Final Decision, Evoenergy Gas Distribution Determination 2026 to 2031, Reference Service, tariff variation mechanism and tariff structure*, November 2024.

We consider Evoenergy's access arrangement is consistent with our reference service proposal decision, including with its further disaggregation of ancillary reference service of 'permanent disconnection (abolishment) (volume customer)'. To the extent that Evoenergy's proposed reference services may be seen as inconsistent with our November 2024 reference service proposal decision, we note that the disconnection framework proposed by Evoenergy relies on support from the UTR and from the ACT Government.

The NGR allows for the reference services in the proposal to not be consistent with the AER's reference service proposal decisions where there has been a material change in circumstances.[15] We have observed the incremental development of that framework, through interactions between those two parties and Evoenergy, over the period between release of our November 2024 decision and receipt of Evoenergy's 2026−31 access arrangement proposal. We consider the development of that framework represents a material change in circumstances, as per NGR r.48(1)(c) and is well described in the proposal as per NGR r.48(1)(c1).

We support Evoenergy's proposal in our draft decision. However, we consider a regulated tariff for full cost abolishments would also be appropriate – this is discussed further below in section 5.3 - Reference tariff setting and variation mechanism.

5.2 Evoenergy's reference tariff setting

This section sets out our consideration of, and decision, on Evoenergy'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.[16]

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15 NGR cll.48(1)(b),(c) and (c1).

16 NGL, ss. 24(2)–(7).

5.2.1 Draft decision

Our draft decision is to not accept Evoenergy's reference tariff setting proposal. Our draft decision requires that Evoenergy in its revised proposal:

- achieve a flattened gas transportation tariff structure for year 1 of the 2026−31 period for volume customer tariffs and consider flattening its demand tariffs in the 2026-31 period.
- establish a standardised cost reflective reference tariff for complex permanent disconnections
- reduce the temporary disconnection reference tariff to exclude the safety control program costs and to align with benchmarked levels
- justify why its wasted visit tariffs should be established, including with evidence on the number of wasted visits and what controls Evoenergy has to ensure that wasted visits are kept to a minimum
- if wasted visits are justified to our satisfaction, reduce the proposed $210.88 basic permanent disconnection service wasted visit charge and $445.24 permanent disconnection (urgent) service wasted visit charge, while also clearly explaining how customers will be fully informed of the wasted visit charges before Evoenergy confirms the related service, and what further controls it will develop to ensure that wasted visits are kept to a minimum.

Our reasons for our draft decision are set out below.

5.2.2 Evoenergy's proposal

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

As part of the 2026-31 access arrangement, Evoenergy proposed to:

- rebalance the tariff structure of its volume (individually) customer tariff (VI tariff) for gas transportation to a more flattened approach.
- introduce a cost reflective ancillary reference service, the permanent disconnection service, and:
  - split it into three types of services; basic standard, basic urgent and complex
  - apply standardised cost reflective tariffs to the two basic services
  - apply an individually priced (non-reference, unregulated) tariff to the complex service
- introduce a safety control program and include the cost of that program in the temporary disconnection service
- introduce wasted visit reference tariffs

5.2.2.1 Tariff structure

Evoenergy proposed to retain its current tariff classes and tariffs for the 2026–31 period by continuing with its existing four tariffs within the volume and demand classes for gas

transportation services.[17] Evoenergy's 2026–31 tariff structure and charge components are set out in Table 5.1.

Table 5.1 Evoenergy's 2026–31 tariff structure and charge components

Reference service	Tariff class	Tariff categories	Charge components
Transportation reference services	**Volume (V)**	Volume individual (VI)	One fixed charge Four usage block sizes
		Volume boundary (VB)	One fixed charge Three capacity usage block sizes
	Demand (D)	Demand capacity (DC)	One fixed charge Three usage block sizes
		Demand throughput (DT)	One fixed charge One usage charge

Source: Contents of table sourced from Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.10.

Evoenergy proposed to gradually (partially) flatten the VI tariff during the 2026–31 period.[18] Evoenergy noted the VI tariff applies to nearly all of its approximately 150,000 gas customers.[19] Evoenergy proposed to retain the current fixed charge level (block 1) and reduce it progressively over the access arrangement period by approximately 10% (excluding inflation). Evoenergy would then make corresponding increases to block 2-4 charges by approximately 5-8% to balance cost recovery across the tariff. Evoenergy considered that this will reduce the price gap between usage blocks over time, resulting in a flatter tariff structure with the intention to:[20]

- improve affordability for smaller gas customers
- send stronger emissions-related price signals to higher-usage customers
- preserve the simplicity and cost-reflectivity of the current design to align with the fixed-cost nature of the gas network.

Evoenergy's current structure and price levels for the VI tariff are shown in Figure 5.1.

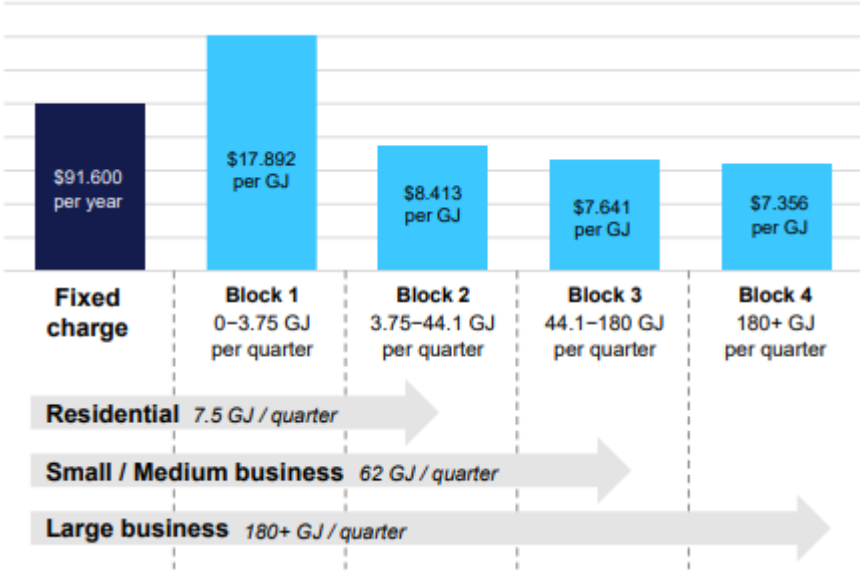
17 Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.9.

18 Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.12.

19 Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.12.

20 Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.6.

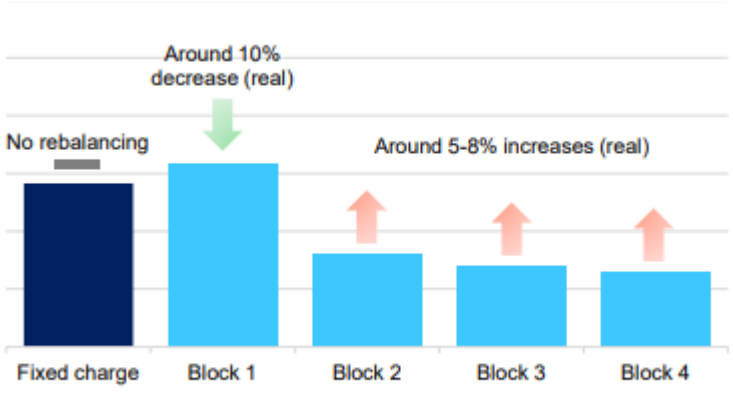
Figure 5.1 Evoenergy's proposed volume individual tariff (2025-26 price levels)



Source: Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.12.

Evoenergy's proposed approach that it considered balanced the benefits and risks of flatter tariffs is outlined in Figure 5.2.

Figure 5.2 Illustration of Evoenergy's proposed flattening of the VI tariff



Note: Final price levels will be determined through annual tariff variations, approved by the AER each year in the 2026–31 access arrangement period.

Source: Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.16.

Evoenergy did not propose to change its current declining block demand (large customer) tariff structure (approx. 40 large customers) or its volume boundary tariff structure (approx. 15 customers).[21]

[21] Evoenergy, *Draft proposal, Attachment 7-Transportation (including metering) reference service and tariffs*, June 2025, p.21.

5.2.2.2 Permanent disconnections

Evoenergy's disconnection services form part of a proposed new disconnections framework developed in consultation with the ACT Government and with the support of the UTR. Under this framework, customers would not be required to undertake a permanent disconnection until either the customer premise is sold or strategic decommissioning occurs.

Evoenergy conducted its own formal safety assessment, as well as engaging a third party to conduct an independent "As Low as Reasonably Practicable" (ALARP) safety assessment of risks associated with leaving dormant, but live, gas connections in-situ for extended periods of time. It found that a permanent disconnection for single detached residential dwellings with a non-consuming service may only be required for building demolition, or for residential home ownership changeovers.

Evoenergy proposed that customers who choose to abolish their gas supply would have to pay a cost reflective abolishment tariff. However, customers with relatively simple abolishments would pay a lower tariff than otherwise via Evoenergy's proposed 'basic' permanent disconnection reference services. Moreover, customers that electrify their appliances and no longer require a gas service may request a (lower cost) temporary disconnection rather than an abolishment. That is, the customer's gas service would be capped at the meter but otherwise left on the customer's property.

Under Evoenergy's new disconnections framework, three variants of permanent disconnection services are proposed:

- Basic permanent disconnection ($747)
- Basic (urgent) permanent disconnection ($981)
- Complex permanent disconnection (individually priced – we consider this a non-reference (unregulated) service)

The basic options are for detached single dwellings with the urgent service to be completed within 20 business days following the service request. Both basic service options exclude concrete cutting, hard surface restoration, active traffic management and third-party standbys. However, if these additional expenses were required, the customer would need a complex permanent disconnection which would be individually priced specific to the unique circumstances.

5.2.2.3 Temporary disconnections

As part of its disconnections framework, Evoenergy proposed a safety control program aimed at communicating the safety risks to customers with unused gas connections and therefore supporting safety outcomes. Evoenergy proposed to recover the costs of a safety control program through the temporary disconnection charge. The total cost of the safety control program was estimated at $1.5m and would increase the temporary disconnection charges by $29.50 per disconnection.

5.2.2.4 Wasted visits

Evoenergy proposed to introduce wasted visit charges for its disconnection, reconnection and special meter read services.[22] These proposed tariffs are made up of contractor costs and corporate overheads as set out in Figure 5.2.

Table 5.2 Proposed wasted visits costs

Activity	Contractor costs	Corporate overheads	Total cost
Temporary disconnection (Volume Customer Delivery Points)	$62.40	$10.29	$72.69
Reconnection (Volume Customer Delivery Points)	$80.04	$13.20	$93.24
Basic permanent disconnection (Volume Customer Delivery Points)	$210.88	$0.00	$210.88
Basic (urgent) permanent disconnection (Volume Customer Delivery Points)	$445.24	$0.00	$445.24
Special meter reads	$12.05	$1.99	$14.04

Source: Evoenergy, *Draft proposal, Attachment 8 - Ancillary activities reference service and tariffs,* June 2025, p. 10.

Evoenergy proposed that wasted visit charges will apply where Evoenergy attends a site and is unable to gain safe or unhindered access to complete the request. It provided examples including circumstances where there is restricted access, an unsafe site, or refusal by the customer to allow the work to proceed. Evoenergy proposed that wasted visit charges will not apply in circumstances where it is unable to locate the meter or where the meter has already been removed by Evoenergy.[23]

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.[24] This is done by:

- explaining how revenues and costs are allocated, including the relationship between costs and tariffs[25]
- comparing the revenue to be raised by each reference tariff with the cost of providing each individual reference service[26]

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22 Evoenergy, *Draft proposal, Attachment 8: Ancillary activities reference service and tariffs*, June 2025, p.14.

23 Evoenergy, *Draft proposal, Attachment 8: Ancillary activities reference service and tariffs*, June 2025, p.14

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

25 NGR, rr. 72(1)(j)(i), 93(1)–(2).

26 NGR, r. 94(3).

- explaining and describing any pricing principles it employed.[27]

We also had regard to submissions received in the course of our consultation on Evoenergy's proposed access arrangement.[28]

Identifying the reference service

The NGR require service providers to specify a reference tariff for each reference service.[29] 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.[30]

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, Evoenergy, intends to charge for reference services by:

1. Assessing how Evoenergy 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.[31]
2. Assessing how Evoenergy grouped its customers into tariff classes. Evoenergy is required to group together customers for reference services on an economically efficient basis and to avoid unnecessary transaction costs.[32] 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 efficiently 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.[33]

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

28 NGR, r. 59.

29 NGR, r. 48(1)(d)(i).

30 AER, Final decision – Evoenergy, Gas distribution determination 2026 to 2031 – Reference services, tariff variation mechanism and tariff structure, November 2024.

31 NGR, r. 93(2).

32 NGR, r. 94(2).

33 NGR, rr. 94(3)–(4).

We have assessed the proposed reference tariffs for consistency with the NGO and have had regard to the revenue and pricing principles.[34] The NGO was updated late 2023 to include an emissions reduction objective:[35]

> 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 Evoenergy for the period for which the principle is fixed and these may only be varied or revoked with Evoenergy's consent.[36]

5.2.4 Reasons for draft decision

We do not accept Evoenergy's reference tariff setting proposal. We consider the proposed declining block structures for transportation tariffs promote the use of gas, in conflict with the emissions reduction aspect of the NGO.[37] We do not accept Evoenergy's proposed tariffs for wasted visits or tariff levels for temporary disconnections which we consider high compared to other networks. We also consider that Evoenergy should establish a standardised cost reflective reference tariff for complex permanent disconnections.

The remainder of this section sets out the reasons for our draft decision under the following headings:

- allocation of revenues and costs to reference tariffs
- establishment of tariff classes
- tariff classes and revenue limits
- standalone and avoidable costs
- transportation reference service tariff structures
- permanent disconnections
- wasted visit
- other ancillary reference services

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34 NGL, s. 28(2); NGR, r. 100(1).

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

36 NGR, r. 99.

37 NGL, ss 23.

5.2.4.1 Allocation of revenues and costs to reference tariffs

We are satisfied Evoenergy's approach to allocating revenue and costs between reference services and non-reference services comply with the NGR[38] for the following reasons:

- Evoenergy's proposed costs relating to its reference services do not include costs incurred (and recovered) from the provision of its non-reference services.
- Evoenergy has not allocated the non-reference service revenue to a reference service because the underlying costs have not been included in Evoenergy's building block revenues.
- Evoenergy's proposal included information outlining its standalone costs, long run marginal costs and incremental costs.

5.2.4.2 Establishment of tariff classes

Evoenergy has grouped its customers by the nature of the transportation reference service (volume or demand).[39] We consider that these characteristics are likely to be the driver of costs within Evoenergy's gas distribution network. We are satisfied that the proposed tariff classes are consistent with the requirements of the NGR.[40]

5.2.4.3 Tariff classes and revenue limits

We consider Evoenergy's proposed reference tariffs to be consistent with the NGR requirements for tariff classes and revenue limits. We assessed Evoenergy's tariff classes and revenue limits against the following NGR considerations:

- whether 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.[41]

5.2.4.4 Standalone and avoidable costs

We consider that Evoenergy's proposed reference tariffs are consistent with the NGR requirements[42] because 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; and

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38 NGR, rr. 93(1)–(2).

39 Evoenergy, *Draft proposal, Attachment 7:Transportation (including metering) reference service and tariffs*, June 2025, p. 6.

40 NGR, rr. 94(1)–(2).

41 NGR, r. 94.

42 NGR, r. 94(3).

- a lower bound representing the avoidable cost of not providing the reference service to those customers.

5.2.4.5 Transportation reference service tariff structure

Our draft decision requires Evoenergy in its revised proposal:

- to amend blocks 2 to 4 of its volume (individual) tariff to a single block for year 1 of the access arrangement period
- similarly flatten the outer blocks of its volume (boundary) tariff for year 1 of the access arrangement period
- comparably flatten its demand (large customer) declining block tariff over the 2026-31 period or lay out a plan to transition to a flatter tariff.

Evoenergy's gas transportation tariffs have a declining block structure, under which 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.

As noted above, the AER's November 2024 decision on Evoenergy's reference service proposal had encouraged Evoenergy to 'flatten' its declining block tariff structures to better contribute to the emissions reduction element of the NGO. Evoenergy proposed some flattening of its volume (individual) customer declining block tariff. We consider it reasonable to require Evoenergy to completely flatten blocks 2 to 4. Because the price difference between several of the existing blocks is already relatively small, we consider reforming the tariff structure could be undertaken in a single step for year 1 of the 2026−31 period to simplify the tariff structure and reduce the implicit reward for higher gas consumption. The reformed tariff structure would then apply to volume (individual) customers going forward.

Note that we consider the first price block of Evoenergy's existing tariff structure 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. Subsequent price blocks should be equalised to, in-effect, establish a two-block tariff structure.

For Evoenergy's volume (boundary) tariff, we note that these customers are not materially different to other customers on volume declining block tariffs which we recommend be flattened. Therefore, we also require Evoenergy to similarly flatten the tariff structure for its volume (boundary) tariffs to achieve a 2-block structure.

For Evoenergy's demand customer tariffs, we require Evoenergy to consider flattening its demand tariff structure. To the extent that Evoenergy modelling indicates customers would benefit from time to transition incrementally, it should lay out a clear plan to transition to flatter demand tariffs.

The ACT Government submission noted that Evoenergy's proposed partial flattening of its volume customer tariff would align with the ACT's energy objectives and acknowledged

Evoenergy's reasons for not flattening its demand tariff declining blocks.[43] However, ActewAGL retail indicated in its submission that it did not support flattening the tariff blocks or removing the declining structure due to the negative impact it may have on vulnerable customers who are least able to electrify.

In response, we note that blocks 2-4 are already closely priced and equalising them could be expected to have minimal bill impact on customers, either negative or positive. We note also that ACT social housing customers are being supported with an ACT Government rapid electrification program which will help mitigate any negative impacts to those customers.

5.2.4.6 Permanent disconnections

We accept Evoenergy's proposed cost reflective basic permanent disconnection tariffs. We note that our draft decision for Evoenergy differs from our approach to Jemena Gas Networks' (JGN) 2025−30 access arrangement and to our approach to Victorian 2023−28 access arrangements. For those access arrangement determinations we mandated partially socialised permanent disconnection, or abolishment, tariffs. We did so on the advice of technical/safety regulators that permanent disconnection was appropriate when a customer no longer requires their gas connection.

For Evoenergy's 2026−31 access arrangement, the UTR reviewed the ALARP assessment undertaken for Evoenergy and wrote to Evoenergy and separately to us indicating its support for Evoenergy's permanent disconnections framework. The UTR noted that the disconnections framework appeared to be proportionate to the risk. This contrasts with the advice of technical/safety regulators in Victoria and NSW that, where there were no broader disconnections frameworks, abolishment is the appropriate approach to manage safety risks whenever customers determine to cease their gas service.

We note that Evoenergy has premised its new disconnections framework on the assumption that a legislative requirement for permanent disconnection at the time of transfer of property ownership will be introduced. This reflects the ALARP conclusion that property transfer represents the most significant risk, because new owners may not be aware of a live gas connection at the property given all appliances have been electrified. The ACT Minister's submission mentions working to finalise a policy position on requirements for disconnection in the ACT, to inform Evoenergy's revised proposal and the AER's final decision.

Noting the support of the UTR, in addition to the support and active involvement of the ACT Government, and the likelihood that strategic decommissioning of Evoenergy's network is closer in time than scheme gas distribution networks in other jurisdictions, we consider the new disconnections framework acceptable. Enabling strategic decommissioning to occur in place of individual connection abolishments at the scale of an entire distribution network offers significant cost savings.

However, we do not accept Evoenergy's proposal not to set a reference tariff for the complex permanent disconnection service. Evoenergy has not explained how the price level would be determined or negotiated with the customer, what its dispute resolution options would be if a customer disagrees with a tariff quoted or charged to them, and how the customer would engage with Evoenergy, as opposed to their retailer, regarding these matters. In the absence

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[43] ACT Government, *Submission to Evoenergy's 2026-31 access arrangement*, August 2025, p. 3.

of this explanation, our draft decision requires Evoenergy to establish a standardised cost reflective reference tariff for the complex permanent disconnection service. Evoenergy should use its evidence base of past disconnections to determine an expected average cost to provide this service.

Demand for disconnection services is anticipated to increase over the 2026−31 period, notwithstanding Evoenergy's new disconnections framework. As of April 2025, Evoenergy had completed 4,339 disconnections (including 507 permanent disconnections) in 2024−25. Evoenergy forecasts over 55,000 additional disconnections (including 2,200 permanent disconnections) during the 2026–31 period. In the context of increasing demand for the service, we consider that a reference service tariff is appropriate for complex disconnections.

5.2.4.7 Temporary disconnections

Our draft decision requires Evoenergy to exclude the safety control program cost from its temporary disconnection tariff and to further reduce the charge to align with the benchmark rate of other gas distribution networks.

Evoenergy considered its approach to be consistent with Rule 93(2)(a) of the NGR that requires costs directly attributable to reference services to be allocated to those services. The ACT Minister's submission supported a safety program but did not express a view on funding. In line with historical practice, we consider the cost of a safety program is a standard operating cost (aligned with meeting its general safety obligations), rather than directly related to a specific service.

Evoenergy's proposed temporary disconnections, including the safety control program cost are:

- Temporary disconnection ($134 - <25m3/hour)
- Temporary disconnection ($222- >25m3/hour)

Evoenergy's temporary disconnection tariff benchmarks for connections <25m3/hour high against other networks, even without the new safety control program charges ($134 compared to an average of $79). We consider that a $90 tariff (which aligns with the highest of the benchmark amounts) is more acceptable for Evoenergy to charge its small customers with a meter set with a capacity of less than or equal to 25m3/hr. Table 5.3 outlines the disconnection tariffs for 2025–26 for other gas distribution networks.

Table 5.3 Average disconnection tariff

Gas network	Tariff 2025–26 (excl. GST)
Jemena Gas Networks	$84
AGN Victoria	$86
AGN Albury	$86
Multinet	$62
AGN SA	$90
AusNet	$68

Source: JGN, *2020–25 Access arrangement*, *AGN (Victoria & Albury) 2025–26, Tariff Schedules*, 28 April 2025, *Multinet 2025–26, Tariff Schedule*, 6 May 2025, *AGN (SA) 2025–26, Tariff Schedule*, 16 April 2025 and *Ausnet Services, Ancillary reference tariffs 2025–26*.

5.2.4.8 Wasted visits

We consider that some of Evoenergy's wasted visit charges and forecasted volumes appear high and out of step with JGN's equivalent that we approved for the 2025−30 period. Our draft decision requires Evoenergy to justify why wasted visit tariffs should be established, including with evidence on the number of wasted visits undertaken in the current period and what controls Evoenergy has in place to ensure that wasted visits are kept to a minimum.

Evoenergy considered its proposed approach to be consistent with Rule 93(2)(a) of the NGR that requires costs directly attributable to reference services to be allocated to those services. Evoenergy proposed that the wastage visit tariffs ensure the costs associated with wasted or abandoned visits are not recovered through all customers via the transportation (including metering) reference tariff.

Evoenergy indicated that wasted visit charges were highlighted in discussions with retailers in May 2025 and no objections were raised.[44] However, its reporting of engagement indicated one retailer suggested consideration should be given to a single wasted visit charge.[45] Evoenergy viewed this approach as inconsistent with the Rules, and proposed wasted visit charges that it considered reflect the costs associated with the different services.

Should Evoenergy provide such justification to our satisfaction and retain the tariffs in its revised proposal, Evoenergy should: clearly explain the cost build up for the charges, why each element cannot be avoided, how it will ensure customers are fully informed of the wasted visit charges before it confirms the related service, and what further controls it will develop to ensure that wasted visits are kept to a minimum. We also require that Evoenergy reduce its proposed basic permanent disconnection service wasted visit charge of $211 and permanent disconnection (urgent) service wasted visit charge of $445.

Table 5.4 Wasted visit charge comparison with JGN

Activity	JGN	Evoenergy proposal
Disconnection	$46	$73
Reconnection	$118	$93
Abolishment	$0	$211/$445
Special Meter Reads	$17	$14
Expedited reconnection	$196	$0

Source: JGN, *2020–25 Access arrangement*, Schedule 3 and Evoenergy, Attachment E, *2026–31 Access arrangement*, June 2025, pp. 54-57.

44 Evoenergy, *Draft proposal*, *Attachment 8: Ancillary activities reference service and tariffs*, June 2025, p.14.

45 Evoenergy, *Draft proposal*, *Attachment 8: Ancillary activities reference service and tariffs*, June 2025, p.14

We received a submission from the ACT Government requesting that the AER provide due scrutiny to these proposed charges, the projected numbers of wasted visits and the level of the proposed fees.[46] The ACT Government submitted that wasted visit fees should only be applied where the customer was genuinely at fault and Evoenergy should ensure customers are fully informed of the wasted visit charge before confirming the related service. The ACT Government also suggested controls to be implemented by Evoenergy to ensure that wasted visits are kept to a minimum. We encourage Evoenergy to consider these issues in its revised submission.

5.2.4.9 Other Ancillary Reference Tariffs

We are satisfied that Evoenergy's proposed charges for its remaining ancillary reference services are reasonable. All of the other Ancillary Reference Tariffs that Evoenergy has proposed are in line with other gas distributors and the draft decision accepts them. These approved prices are set out in Table 5.5.

Table 5.5 Evoenergy's 2026–27 Ancillary Activities Reference Service Tariffs[47]

Activity	Charge
Hourly Charge – non-standard User-initiated requests and queries	$158, plus $158per hour after the first hour
Temporary disconnection (Volume Customer Delivery Points)	Charges apply per meter set: (i) meter set with a capacity of less than or equal to 25m3/hr: $134 (ii) meter set with a capacity of greater than 25m3 /hr: $222, $73 charge applies per wasted visit
Reconnection (Volume Customer Delivery Points)	Charges apply per meter set: (i) meter set with a capacity of less than or equal to 25m3/hr: $128 (ii) meter set with a capacity of greater than 25m3/hr: $181, $93 charge applies per wasted visit
Temporary disconnection and reconnection – Demand Customer Delivery Points	Individually priced.
Basic Permanent Disconnection (Volume Customer Delivery Points)	Charges apply per meter set capacity of less than or equal to 25m3/hour is $747, $211 charge applies per Wasted Visit.
Basic (urgent) Permanent Disconnection (Volume Customer Delivery Points)	Charges apply per meter set capacity of less than or equal to 25m3/hour is $981, $445 charge applies per Wasted visit.
Complex Permanent Disconnection (Volume Customer and Demand Customer Delivery Points)	Complex permanent disconnection for Volume and Demand Customer Delivery Points will be individually priced.

46 ACT Government, Submission to Evoenergy's 2026-31 access arrangement, August 2025, p. 4.

47 Evoenergy, *Attachment E-2026-31 access arrangement clean*, June 2025, pp. 53-57.

Activity	Charge
Special Meter Reads	$14 per meter read, $14 charge applies per Wasted Visit.

5.3 Annual reference tariff variation mechanism

5.3.1 Draft decision

Our draft decision is to not accept Evoenergy's tariff variation mechanism proposal and to require Evoenergy to:

- implement a hybrid approach for its tariff variation mechanism
- exclude government taxes, levies, and other licence fees from the transportation (including metering) reference service tariff variation mechanism (to be included in opex)
- amend the tariff variation mechanism for ancillary activities reference services to limit the annual adjustment of tariffs by CPI only.

Our reasons for our draft decision are set out below.

5.3.2 Evoenergy's proposal

Evoenergy's transportation reference tariffs are currently adjusted annually by the application of a weighted average price cap formula.

As part of the 2026-31 access arrangement, Evoenergy proposed to:

- introduce a revenue cap tariff variation mechanism for gas transportation services
- include government taxes, levies, and other licence fees into its tariff variation mechanism for gas transportation services
- adjust its ancillary activities reference services tariff variation mechanism annually by updated CPI, X-factor, bespoke adjustments and cost pass throughs.

5.3.2.1 Gas transportation tariff variation mechanism

Evoenergy proposed a revenue cap tariff variation mechanism for its gas transportation reference services for the 2026–31 period.[48]

Evoenergy noted that its regulatory and operating environment is materially different to other gas distributors and has substantially changed during the current 2021–26 access arrangement period because:

- the ACT Government introduced policy settings intended to achieve net zero by 2045 through electrification (replacement of gas systems with electric systems/appliances), the strongest policy settings in Australia
- its customer electrification intentions are stronger than any other Australian jurisdiction, which are claimed by Evoenergy to consistently be demonstrated through multiple research studies

[48] Evoenergy, *Draft proposal*, *Attachment 9 - Tariff variation mechanism*, June 2025, p. 5.

- its customer demand characteristics are unique, with a predominately residential customer base and highly seasonal demand profile reflecting the cooler Canberra winters.

Evoenergy's considered that its proposed revenue cap:[49]

- ensures revenues recovered from customers reflect no more and no less than the AER approved allowance
- removes demand forecasting risk for both customers and Evoenergy by updating the demand forecast annually throughout the period, for actual, estimated and updated forecast demand.
- provides for consistent regulatory arrangements between gas and electricity energy substitutes for its customers, which will facilitate an efficient energy transition, provide effective price signals, and enable a total energy bill hedge as energy prices adjust in line with the pace of transition.
- avoids price variability between regulatory periods by allowing prices to incrementally adjust annually reflecting the actual pace of the transition relative to the forecast.
- ensures consistency of Evoenergy's incentives with the ACT emissions reduction policy.

Evoenergy also proposed to include government taxes, levies, and other licence fees in its transportation (including metering) reference service tariff variation mechanism.

5.3.2.2 Ancillary reference service tariff variation mechanism

Evoenergy propose to adopt a price cap tariff variation mechanism for its ancillary activities reference service.[50] Since Evoenergy separated its references services into two, it proposes that the ancillary activities reference services be adjusted annually to include updated CPI, X-factor, bespoke adjustments and cost pass throughs.

5.3.3 Assessment approach

Under the NGR, a reference tariff variation mechanism for an access arrangement:[51]

- 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.

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49 Evoenergy, *Draft proposal*, *Attachment 9 - Tariff variation mechanism*, June 2025, pp. 5-6.

50 Evoenergy, *Draft proposal*, *Attachment 9 - Tariff variation mechanism*, June 2025, p. 5.

51 NGR, r. 92(2)

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.[52]

We must have regard to various factors in deciding whether an access arrangement's reference tariff variation mechanism is appropriate.[53] 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.[54]

We made our decision on Evoenergy's proposed reference tariff variation mechanism having regard to each of these factors, and their implications for natural gas consumers, potential users, Evoenergy and other stakeholders. In doing so, we took into account the nature and scope 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 Evoenergy's current access arrangement
- consistency with other recent gas distribution access arrangement decisions (and electricity determinations under the National Electricity Rules (NER))
- consistency in Evoenergy's approach across the provision of similar services.

We assessed the potential impact of Evoenergy's proposal for meeting the revenue and pricing principles (RPP) and the NGO.

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

5.3.4.1 Gas transportation tariff variation mechanism

We do not accept Evoenergy's price cap tariff variation mechanism proposal for gas transportation and require Evoenergy to implement a hybrid approach in its revised proposal.

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52 NGR, r. 97(2).

53 NGR, r. 97(3).

54 NGR, r. 97(4).

Weighted average price cap regulation incentivises network service providers 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 costs if actual volumes are lower than forecasts. That is, weighted average price caps assign volume risk to networks.

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.

Evoenergy's proposal does not support a weighted average price cap or a hybrid approach. Evoenergy argues that these approaches increase the risk of customers paying, and Evoenergy receiving, more or less than the AER approved allowance. That is, customers would not benefit from network growth that leads to lower prices and nor would Evoenergy be compensated for the increase in revenue risk due to unprecedented change from factors outside of its control and with reduced options to manage that risk.

We received submissions on this issue and ENA's submission supported a revenue cap[55], with comments that it is better suited to the operating environment of rapidly declining and uncertain demand within the 5-year period. CCP33's submission explained that while it accepts that Evoenergy's Energy Consumer Reference Council generally supported Evoenergy's move to a revenue cap, it discussed in its submission the apparent struggle customers had with understanding the implications of the different tariff variation mechanism options, as well as the objectivity of the information presented[56]. The CCP33 question the level of explicit support for a revenue cap and suggested that the Evoenergy Community Forum members continue to have mixed views and varying levels of understanding on this topic.

In our draft decision, we consider that Evoenergy's proposed revenue cap would create the tariff volatility discussed above. A hybrid approach, with elements of both price cap and revenue cap regulation assigning volume risk to both customers and the NSP, can best reduce the incentive inherent in a pure price cap form of control to encourage gas consumption, while providing protection to consumers against large price increases if demand falls faster than forecasts. A hybrid mechanism, such as that implemented by JGN, shares the revenues associated with actual volumes being outside revenue thresholds. We also consider a hybrid tariff variation mechanism reflects the changed regulatory context for provision of gas transportation services. The NGO now incorporates an emissions reduction element. A hybrid tariff variation mechanism reduces the incentive to grow gas demand

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55 Energy Networks Australia, *Submission on Evoenergy 2026-31 Access Arrangement Proposal*, August 2025, p. 3.

56 CCP33, Advice to AER, *Submission on Evoenergy 2026-31 Access Arrangement Proposal,* August 2025, p. 31.

(aligning with emissions reduction objectives), while balancing concerns of potential tariff year-on-year volatility.

In respect to government taxes, levies, and other licence fees, we do not accept Evoenergy's proposal to include these as a separate adjustment in the transportation (including metering) reference service tariff variation mechanism. The reasoning for this approach is set out in Attachment 3 - Operating expenditure.

5.3.4.2 Ancillary reference service tariff variation mechanism

We do not accept Evoenergy's proposal to adjust its ancillary reference service tariffs by the X-factor, bespoke adjustments and cost pass throughs. We consider this approach is likely to produce ancillary reference service tariffs higher than necessary for Evoenergy to recover its efficient costs. It would also be inconsistent with approaches taken by other regulated gas distributors. We require that Evoenergy's revised access arrangement should apply simple CPI adjustments to escalate these tariffs annually, consistent with AusNet, AGN Victoria and Albury, Multinet and AGN SA.

5.4 Cost pass through mechanism

5.4.1 Draft Decision

We accept the cost pass through events Evoenergy proposed for the 2026–31 period, subject to minor edits to align with the wording of our recent determinations.[57] Our cost pass through definitions are set out in **Error! Reference source not found.**.

We also accept the Fixed Principle included in Evoenergy's 2026–31 access arrangement.[58]

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

5.4.2 Evoenergy's proposal

Evoenergy proposed to retain, without any amendments, the cost pass through events that apply to its 2021–26 access arrangement:[59]

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

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57 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.

58 Evoenergy, *Attachment E-2026-31 access arrangement clean*, June 2025, pp. 11 and 17.

59 Evoenergy, *Attachment 9-Tariff variation mechanism*, June 2025, p. 47.

Evoenergy proposed amending the wording of four clauses in the access arrangement relating to the cost pass through mechanism to incorporate the separation of transportation and ancillary services.[60]
Evoenergy proposed the same notification provisions as in the 2021–26 access arrangement. These includes that Evoenergy may seek our approval to pass through costs arising from the occurrence of a pass through event. It has 90 business days from a cost pass through event occurring to notify the AER. 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 Evoenergy of its decision as to whether a cost pass through event has occurred, and the amount that should be passed through in Evoenergy's reference tariffs, within 40 business days unless the time limit is extended.[61]

5.4.3 Assessment Approach

The NGR state that a reference tariff variation mechanism may provide for the variation of a reference tariff:[62]

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

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)[63] of the NGR and must give us adequate oversight and power to approve reference tariff variations.[64]

We must approach this assessment in a manner likely to contribute to the achievement of the NGO,[65] as set out in the NGL.[66]

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.[67] 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.[68] They also provide incentives to promote economic efficiency.[69] The RPP require us to have regard to the economic costs

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60 Evoenergy, *Attachment E-2026-31 access arrangement clean*, June 2025, pp. 5, 15, 17 and 18.

61 Evoenergy, *Attachment E-2026-31 access arrangement clean*, June 2025, p. 15.

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

63 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.

64 NGR, r. 97(4).

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

66 NGL, s. 23.

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

68 NGL, s. 24(2).

69 NGL, s. 24(3).

and risks of the potential for under- and over-investment by a service provider, to promote efficient investment.[70]

Our decision on the reference tariff variation mechanism includes a decision on what categories of pass through event to approve as part of it.[71] In approaching this part of our task, we also take into account the following "other relevant factors":[72]

- 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.

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.[73] 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.[74]

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."[75]

> "…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

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70 NGL, s. 24(6).

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

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

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

74 NGL, s. 23.

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

> ascertaining the most efficient allocation of risks between a service provider and end customers."[76]

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.[77] 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.[78]

We also look to promote consistency in our approach to pass through categories across our electricity determinations and gas access arrangement decisions.[79]

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.[80] In assessing and approving a 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.[81]

The pass through component of the reference tariff variation mechanism is also interrelated with other parts of this decision, in particular with the forecast operating expenditure (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)

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

77 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.

78 NGL, s. 23; AEMC, *Rule Determination, National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule 2012*, 2 August 2012, p. 8.

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

80 NGR, r. 97(5).

81 NGL, ss. 23 and 24.

- 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.[82]

In general, in respect of unforeseen costs that are relatively minor, a service provider should manage them by using up its existing expenditure allowance, or reprioritising or substituting its projects, to avoid seeking cost recovery through the pass through mechanisms.[83] This is reflected in the materiality threshold that applies to cost pass through applications.[84]
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 of calculating efficiency carryover amounts under the Efficiency Carryover Mechanism and Capital Expenditure Sharing Scheme.[85]

5.4.5 Reasons for draft decision

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

Consistent with our past decisions, we consider that Evoenergy's proposed regulatory change, service standard, insurance coverage, insurer credit risk, terrorism, 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 access arrangement.

However, we require Evoenergy to make some drafting amendments to the definitions of these approved nominated pass through events to ensure consistency with recent AER

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82 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.

83 AEMC, *Economic Regulation of Network Service Providers, and Price and Revenue Regulation of Gas Services, Final Rule Determination*, 29 November 2012, pp. 187188-.

84 NER, *Chapter 10, definition of 'materially'.*

85 AER, *Efficiency Benefit Sharing Scheme for Electricity Network Service Providers*, November 2013, p. 7; AER, *Capital Expenditure Incentive Guideline for Electricity Network Service Providers*, April 2023, p. 3.

decisions, as set out in **Error! Reference source not found.**. These changes are to provide greater drafting consistency between Evoenergy and other network service providers.

5.4.5.2 Fixed principle and notification provisions

Evoenergy proposed to continue to apply a Fixed Principle over the 2026–31 access arrangement to ensure the recovery of a cost pass through amount via reference tariffs adjustments can be spread across access arrangement periods,[86] if not able to be recovered entirely within the current access arrangement period. We consider this Fixed Principle to be a formalisation of our standard approach regarding the recovery of a cost pass through amount and equivalent to a Fixed Principle already in application in Evoenergy's 2021–26 access arrangement and also included in our determinations for other gas distribution access arrangements.[87] We consider it is important to ensure consistency wherever possible between networks and as such accept the inclusion of the Fixed Principle in clause 8.18 of Evoenergy's 2026–31 access arrangement.[88]

We consider Evoenergy's proposal about the cost pass through process (notification provisions) to be a formalisation of our standard approach regarding timeframes around cost pass through applications.

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

86 Evoenergy, *Attachment E-2026-31 access arrangement clean*, June 2025, pp. 11 and 17.

87 AER, *Final decision - JGN access arrangement 2025–30 - Attachment 10 - Reference tariff variation mechanism*, May 2025; AER, *AusNet Services, Approved Access Arrangement - Part B - Reference tariffs & reference policy – final decision revisions marked*, November 2017, p. 28; AER, *MGN – Access Arrangement 2023–28 – Tracked*, June 2023, pp. 22–29.

88 Evoenergy, *Attachment E-2026-31 access arrangement clean*, June 2025, p. 17.

Event	Definition
	(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.
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 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

Event	Definition
	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; 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.
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.
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:

Event	Definition
	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.
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 Evoenergy, there are other non-tariff components that are proposed for the 2026–31. 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 on the non-tariff components

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

Evoenergy has also made amendments to reflect the Evoenergy Reference Service Proposal that we approved in 2024, to separate its reference services.[89]

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 have reviewed Evoenergy's proposed terms and conditions and consider they are appropriate but note that changes to the Reference Service Agreement (RSA) will be required to give effect our draft decision on Evoenergy's reference tariff setting.

We accept Evoenergy'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.

Evoenergy has engaged with its stakeholders in developing its 2026–31 access arrangement, including engagement on its non-tariff components and proposed revisions to its RSA. We remain satisfied that they meet the requirements of the NGR and NGL.

5.5.2 Evoenergy's proposal

Evoenergy has proposed changes to its current 2021–26 access arrangement as part of its 2026–31 proposal.

Evoenergy outline that the proposed changes include:

- separating the single transportation reference service into two separate reference services (Transportation (including metering) Reference Service and Ancillary Activities Reference Service)
- establishing the definitions, descriptions and service policies for both the Transportation (including metering) and Ancillary Activities Reference Services
- establishing the tariffs and tariff variation mechanisms for both the Transportation (including metering) and Ancillary Activities Reference Services
- removing the Capital Expenditure Incentive Scheme from 2026–31 access arrangement period (discussed further in Attachment 6)
- reflecting regulatory and operating arrangement changes

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89 AER, *Evoenergy 2026–31 Access arrangement - Reference service proposal - Final decision*, December 2024.

- simplifying or clarifying drafting.[90]

Evoenergy notes that many of its changes are consistent with changes approved in our recent Jemena Gas Networks (JGN) decision, but some of the changes do reflect its own unique circumstances. [91]

5.5.3 Terms and conditions

The NGR require an access arrangement to specify the terms and conditions on which each reference service will be provided.[92] These must be consistent with the National Gas Objective (NGO).[93] 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.

Schedule 6 of Evoenergy's access arrangement outlines that the contractual terms and conditions for the reference services offered to users are set out in its separate RSA.[94]

Evoenergy outline that the proposed changes to the RSA can be categorised into groups:

4. Changes required to reflect the separation of Evoenergy's reference services. This change has required making necessary adjustments to:
    a) establish the definitions, commencement, service request processes and other arrangements for the Transportation (including metering) Reference Service (RSA clauses 1–3), and
    b) establish the definitions, commencement, service request processes and other arrangements for the Ancillary Activities Reference Service, including the differentiated permanent disconnection services (RSA clauses 1–3 and clause 16).[95]
5. Changes to align the agreement with current business or industry practice. This includes changes relating to striking of the agreement and dispute resolution to alight with industry practice and propose changes to some technical clauses.[96]
6. Other changes which include changes: to clarify the circumstances where Evoenergy may share confidential information with an upstream pipeline or retailer of last resort, meet legislative requirements under the *Security of Critical Infrastructure Act 2018 (Cth)* (SOCI Act), and amending definitions to improve readability, clarity and simplicity.[97]

We note that while some of Evoenergy's proposed RSA amendments are non-contentious and aimed at simplifying the document (such as replacing some provisions with

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90 Evoenergy, Attachment 10-Network access, June 2025, p. 4.

91 Evoenergy, Attachment 10-Network access, June 2025, p. 4.

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

93 NGR, r. 100.

94 Evoenergy, *Attachment 10-Network access*, June 2025, p. 4; Evoenergy, *Appendix 10.2-2026–31 Reference Service Agreement marked up*, June 2025; Evoenergy, *Appendix 10.1-2026-31 access arrangement marked up*, June 2025, p. 87.

95 Evoenergy, Attachment 10-Network access, June 2025, p.9.

96 Evoenergy, Attachment 10-Network access, June 2025, p.9.

97 Evoenergy, Attachment 10-Network access, June 2025, p. 9.

cross-references to equivalent provisions in the NGR), some of the other proposed RSA amendments are more detailed (such as network disconnection of customers, dispute resolution arrangements).

Clause 16 ('Ancillary activities reference service') defines Evoenergy's proposed disconnection framework. ActewAGL noted it supported Evoenergy's proposed targeted approach to permanent disconnections and continuation of a user pays approach to disconnection services.[98] While not directly commenting on the terms and conditions of the RSA, ActewAGL observe the importance of the need for Evoenergy's proposal to build the cost of a Safety Control Program into the temporary disconnection charge. Noting that disconnection process can be source of confusion for customers and supported:

> further progress to improve the clarity of information and processes in relation to disconnecting from the gas network, as well as ensure the community understands the associated safety risks.[99]

We have reviewed Clause 16 and consider the framework included by Evoenergy is appropriate. However, as discussed in section 5.2.4.5 we do not accept Evoenergy's proposal to individually price the complex permanent disconnection service. For Evoenergy's revised proposal RSA, we would expect that Clause 16 will be updated to reflect the change to the reference tariff setting.

Evoenergy indicated that it had adopted several changes that had been approved for JGN. Evoenergy consider that it is advantageous for users and networks to have synergies between itself and JGN as both networks are commonly operated and maintained.[100]

For example, clause 30 ('Sensitive Operational Information') has been adopted from JGN's RSA.[101] Evoenergy the adoption of this clause is to respond to requirements under the SOCI Act for the treatment of sensitive operational information.[102]

Clause 31.6 ('Arbitration') has also been adopted from JGN's RSA and has been inserted as the current dispute resolution provisions of Evoenergy's RSA do not explicitly refer to arbitration. This sub-clause requires parties to participate in arbitration before commencing court proceedings.[103]

Evoenergy's proposed clause has an addition from that proposed by JGN and requires that if a party does not resolve a dispute within 20 business days from a meditator being appointed (or at a time agreed to by the parties in written) then either Party may by written notice to the other refer the Dispute to arbitration.[104]

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98 ActewAGL, Submission on Evoenergy 2026–31 Access Arrangement Proposal, August 2025, p. 1.

99 ActewAGL, Submission on Evoenergy 2026–31 Access Arrangement Proposal, August 2025, p. 2.

100 Evoenergy, Attachment 10-Network access, June 2025, p. 4.

101 JGN, *2025–30 RSA final*, May 2025, pp. 63-64.

102 Evoenergy, Appendix 10.4-Table of changes to the RSA, June 2025, p. 12.

103 Evoenergy, Appendix 10.4-Table of changes to the RSA, June 2025, p. 12.

104 Evoenergy, *Appendix 10.2-2026–31 Reference Service Agreement marked up*, cl. 31.6.

Annexure 3 ('Gas balancing') has been amended to allow Evoenergy to make arrangements with gas shippers or operators in order to balance gas. Evoenergy indicate that:

> These clauses existed in Evoenergy's RSA 2016–21 and removed from Evoenergy's RSA in 2021–26 on the basis they had not been used and were thought not to be required. Subsequent learnings from a 2022 ROLR event demonstrated the need for Evoenergy to have flexibility in securing gas balancing arrangements.[105]

Evoenergy indicates that it has engaged with existing users about the changes proposed to both the access arrangement and RSA and notes that users have generally been supportive of the changes proposed.[106]

Evoenergy, state it engaged directly with ActewAGL, Origin Energy, Red Energy and Energy Australia 3 times each over the past 18 months as it developed its Reference Service Proposal, 2026–31 access arrangement and RSA, including providing users with a draft copy of its marked-up RSA for feedback.[107]

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

Our draft decision is to accept Evoenergy's proposed terms and conditions but note that changes to the RSA will be required to give effect our draft decision on Evoenergy's reference tariff setting.

5.5.4 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.[108]

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.

A service provider is required to include queuing requirements in an access arrangement for a distribution pipeline where the AER notifies the service provider.[109]

Evoenergy's 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

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105 Evoenergy, Appendix 10.4-Table of changes to the RSA, June 2025, p. 12.

106 Evoenergy, Attachment 10-Network access, June 2025, p. 5. Evoenergy's current users on its network are ActewAGL Retail, Origin Energy, EnergyAustralia, Red Energy, Covau Energy and Perpetual Energy.

107 Evoenergy, Attachment 10-Network access, June 2025, p.10.

108 NGR, r. 68.

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

13 ('Queuing') otherwise remains unchanged from that approved for the current access arrangement period. Evoenergy's term indicates that where the AER has cause to require it to include further queuing requirements, it will respond accordingly. [110]

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.

5.5.5 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[111]
- 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[112]
- 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[113]
- the requirements cannot require the service provider to provide funds for extension or expansion works unless the service provider agrees.[114]

Evoenergy's proposal seeks, appropriately, to align the wording of section 10 ('Extensions and Expansions Policy') to clarify that the extensions and expansions policy applies to both the Transportation (including metering) and Ancillary Activities Reference Services and Tariffs.[115]

Evoenergy has also made mechanical changes to update 'Service provider' to Evoenergy and relevant regulator to the AER for the purpose of simplifying and providing clarity.[116]

We consider that the updates to the access arrangement requirements for extensions and expansions reflect the approved Reference Service Proposal, and we are satisfied this approach is reasonable.

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110 Evoenergy, *Appendix 10.1-2026-31 access arrangement marked up*, June 2025, p. 37.

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

112 NGR, 68E(3).

113 NGR, 68E(4).

114 NGR, 68E(5).

115 Evoenergy, Appendix 10.3-Table of changes to the 2026–31 access arrangement, p. 9.

116 Evoenergy, Attachment 10-Network access, June 2025, p. 8.

Our draft decision is to accept Evoenergy's proposed amendments for extensions and expansions for its proposed 2026–31 access arrangement.

5.5.6 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, as well as setting out the supplier curtailment methodology.[117]

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 NGR 68F if the service provider is not a registered participant or the rules/Procedures do not deal with capacity trading[118]
- 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[119]
- 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.[120] 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[121]
- 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.[122]

Evoenergy has not proposed any adjustments to section 11 ('Capacity trading requirements) and indicates its supplier curtailment methodology is available on its website.[123]

We received no submissions on the capacity trading requirements 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.

5.5.7 Changing receipt or delivery points

An access arrangement must set out the terms and conditions for changing receipt and delivery points.[124]

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117 NGR, 48(1)(f), 48(1)(g1) and 68F.

118 NGR, r 68F(1).

119 NGR, r 68F(2).

120 NGR, r 68F(3).

121 NGR, r 68E(4).

122 NGR, r 68E(5).

123 Evoenergy, *Appendix 10.1-2026-31 access arrangement marked up*, June 2025, p. 35; Evoenergy, Appendix 10.3-Table of changes to the 2026–31 access arrangement, p. 13. See Evoenergy curtailment methodology.

124 NGR, r. 48(1)(h)

- 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[125]
- 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.[126]

Evoenergy's proposal seeks, appropriately, to align the wording of section 12 ('Changing receipt and delivery points') to expressly refer to the approved transportation reference service.[127] Evoenergy's update is to provide clarification that changes to Receipt and Delivery Points may be requested for the delivery the Transportation (including metering) Reference Services.[128]

We consider that the updates to the access arrangement requirements for changing receipt or delivery points consistently reflect the approved Reference Service Proposal, and we are satisfied this approach is reasonable.

Our draft decision is to accept Evoenergy's proposed amendments for changing receipt or delivery points in its 2026–31 access arrangement.

5.5.8 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.[129]

Under the NGR:

- a 'review submission date' means a date on or before which an access arrangement revision proposal is required to be submitted
- 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 Evoenergy, 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.[130]

Evoenergy's proposed review submission date is 1 July 2030 and its proposed revision commencement date is 1 July 2031.[131] This is consistent with the 5-year outlook adopted for

125 NGR, r 68G(1).

126 NGR, r 68G(2).

127 Evoenergy, *Appendix 10.1-2026-31 access arrangement marked up*, June 2025, p. 36.

128 Evoenergy, Appendix 10.3-Table of changes to the 2026–31 access arrangement, p. 9.

129 NGR, r. 49.

130 NGR, r.50.

131 Evoenergy, *Appendix 10.1-2026-31 access arrangement marked up*, June 2025, p. 36.

its 2026–31 proposal and maintains the current cycle of 5-yearly access arrangement reviews.

The access arrangement period for Evoenergy 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.

Evoenergy indicates that it has amended its review submission date to reflect the 2031–36 access arrangement period and align with rule 50(1) of the NGR, as per a request from the AER.[132] We note that the change review submission date from 30 June 2030 to 1 July 2030 will now align with the two other businesses on the 2031–36 access arrangement review period.[133]

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

5.6 Revisions

We require the following revisions to make the access arrangement proposal acceptable as set out in Table 5.7 to 5.5.

Table 5.7 Services covered by the access arrangement revisions

Revision	Amendments
Revision 5.	N/A

Table 5.8 Reference tariff setting revisions

Revision	Amendments
Revision 5.1	Flatten the gas transportation tariff structure for year 1 of the 2026−31 period for volume customer tariffs.
Revision 5.2	Establish a standardised cost reflective reference tariff for complex permanent disconnections
Revision 5.3	Reduce the temporary disconnection reference tariff to exclude the safety control program costs and to align with benchmarked levels
Revision 5.4	Justify why the wasted visit tariffs should be established, including with evidence on the number of wasted visits and what controls Evoenergy has to ensure that wasted visits are kept to a minimum.

Table 5.9 Reference tariff variation and cost pass through mechanism revisions

Revision	Amendments
Revision 5.5	Implement a hybrid approach for its tariff variation mechanism for transportation services

132 Evoenergy, Appendix 10.3-Table of changes to the 2026–31 access arrangement, p. 5.

133 AGN (SA) and the Amadeus Gas Pipeline both have review submissions dates of 1 July.

Revision 5.6	Exclude government taxes, levies, and other licence fees from the transportation (including metering) reference service tariff variation mechanism (to be included in opex)
Revision 5.7	Amend the tariff variation mechanism for ancillary activities reference services to limit the annual adjustment of tariffs by CPI only
Revision 5.8	Amend Schedule 1 – Definitions of the access arrangement to reflect the definitions of the following pass through events as specified in Table 5.6. Regulatory Change Event Service Standard Event Insurance Coverage Event Insurer Credit Risk Event Terrorism Event Natural Disaster Event

Non-tariff component revisions

We do not require Evoenergy to make any revisions to the non-tariff component but note that changes to the RSA will be required to give effect our draft decision on Evoenergy's reference tariff setting.

Glossary

Term	Definition
ACT	Australian Capital Territory
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
RSA	Reference Service Agreement
UTR	ACT Utilities Technical Regulator