

## Attachment 10.1A

# Response to Draft Decision on Capital Base

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Revised Final Plan 2026/27 – 2030/31  
January 2026

**PUBLIC**

# 1. Response to Draft Decision on Capital Base

**We estimate that the value of our capital base will be \$2,262 million at 30 June 2031 in nominal (after inflation) terms.**

## 1.1. Overview

This attachment sets out our response to the AER's Draft Decision on the capital base for our South Australian gas distribution network over the current Access Arrangement (AA) period and the next AA period (2026/27 to 2030/31).

## 1.2. Stakeholder and customer feedback

In preparing the revised Final Plan we have continued to engage with stakeholders, including our Reference Groups and through our consideration of submissions provided to the AER on our Final Plan.

A summary of the feedback provided on our capital base is provided in Table 1.1 below.

Table 1.1 Summary of customer and stakeholder feedback

Customer and Stakeholder Feedback	Our Response
The AER reduced the amount of regulatory depreciation in our Final Plan to reflect the rejection of the additional depreciation proposed.	We have proposed the \$70m that was the minimum from our modelling and which is in line with what Stakeholders accepted in our engagement program. Further details on depreciation are contained in Attachment 6.5

## 1.3. AER Draft Decision

The AER approved an opening capital base of \$2,065.5 million (nominal) as at 1 July 2026, which is \$11.9 million higher than our proposed opening capital base. The increase is due to an update to the roll forward model for a higher estimated consumer price index (CPI) of 3.00% for 2025–26 compared to 2.42% in our Final Plan, which reflects the RBA's August Statement of Monetary Policy release.<sup>1</sup>

The AER approved a closing capital base of \$2468.1 million (nominal) as at 30 June 2031, a \$28.8 million, or 1.2% decrease from our Final Plan. This decrease primarily reflects the Draft Decision lower forecast capex offset by a lower forecast depreciation.<sup>2</sup>

The AER's Draft Decision in respect of our capital base is summarised in Table 1.2 below.

<sup>1</sup> AER, Draft Decision, Attachment 1, p. 1

<sup>2</sup> AER, Draft Decision, Attachment 1, pp. 12-13.

Table 1.2: Summary of the AER's Draft Decision on our Capital Base

	AER Draft Decision	AER Comment
<b>Opening capital base as at 1 July 2026</b>	<b>Modify</b>	An increase of \$11.9m than our proposed opening capital base due to an update to CPI to 3.0%
<b>Forecast Capex</b>	<b>Modify</b>	<p>The AER:</p> <ul style="list-style-type: none"> <li>included a placeholder amount zero for the IT Transition and Cyber Security business cases pending some clarifications in our response;</li> <li>reduced our domestic meter replacement forecast by lowering the volume to the estimated volume for the current 2021-2026 AA period; and</li> <li>removed digital metering that we proposed for inaccessible sites.</li> </ul>
<b>Forecast Depreciation</b>	<b>Modify</b>	The AER rejected our \$30m in additional depreciation, suggesting that there is insufficient asset stranding risk to warrant it. Further detail is contained in Attachment 6.5.
<b>Inflation</b>	<b>Accept</b>	<p>Applied its current approach to estimating expected inflation with updates to the estimate made with latest information.<sup>3</sup></p> <p>If the approach to estimating expected inflation changes as part of the AER review into the treatment of inflation, any amendments will be applied in the AER's final decision.</p>
<b>Capital Base as at 30 June 2031</b>	<b>Modify</b>	<p>A reduction of \$28.8 million:<sup>4</sup></p> <ul style="list-style-type: none"> <li>reflecting the updated opening capital base as at 1 July 2026;</li> <li>forecast capex for the next AA period as per the AER's Draft Decision; and</li> <li>forecast straight-line depreciation amount for the next AA period.</li> </ul>

Note: In this 'traffic light' table, green shading represents the AER's acceptance of our Final Plan, orange represents the AER's modification of our Final Plan and red shading represents the AER's rejection of our Final Plan.

<sup>3</sup> AER, Draft Decision, Attachment 1, p. 7.

<sup>4</sup> AER, Draft Decision, Attachment 1, p. 11.

## 1.4. Our Response to the Draft Decision

Table 1.3: Summary of our response to the AER's Draft Decision on our Capital Base

	AER Draft Decision	Our response	Our comment
<b>Opening capital base as at 1 July 2026</b>	<b>Modify</b>	<b>Accept</b>	<p>We have made the following modifications to the capex forecast for the current 2021-2026 AA:</p> <ul style="list-style-type: none"> <li>• updated for actual capex incurred in 2024/25 (consistent with our November RIN submission)</li> <li>• provided an updated forecast for 2025/26 capex to reflect the amended timing of the IT Transition</li> <li>• updated inflation forecast, with 2024/25 CPI updated from 3.0% to 3.3%, based on the latest available RBA Statement on Monetary Policy</li> </ul>
<b>Forecast Capex</b>	<b>Modify</b>	<b>Modify</b>	<p>We have revised our capex proposal for the next AA period. Further detail can be found in Attachment 9.13.</p>
<b>Forecast Depreciation</b>	<b>Modify</b>	<b>Modify</b>	<ul style="list-style-type: none"> <li>• We have amended the forecast depreciation to reflect our amended capex proposal, which can be found in Attachment 6.5.</li> <li>• We have proposed \$70 million in additional depreciation (up from \$30 million in our Final Plan) in line with the minimum suggested by our modelling. Further details are contained in Attachment 6.5</li> </ul>
<b>Inflation</b>	<b>Accept</b>	<b>Accept</b>	<p>We have adopted the AER's methodology for forecasting inflation and have updated the estimate with the latest RBA Statement of Monetary Policy estimate of inflation (November 2025).</p>
<b>Capital Base as at 30 June 2031</b>	<b>Modify</b>	<b>Modify</b>	<p>Given differences in our revised Final Plan capex, the estimate of inflation and forecast regulatory depreciation, our closing capital base is \$206.3m lower than in the Draft Decision.</p>

Note: In this 'traffic light' table, green shading represents the acceptance, orange represents a modification and red shading represents a rejection

## 1.5. Capital Expenditure

Our forecast capex is discussed in Attachment 9.13 of this revised Final Plan. We note that the capex rolled into the capital base includes an amount equal to half a year of return in the year the capex is incurred (and therefore is not the same as our capex forecast in Attachment 9.13). The AER makes this adjustment on account of the fact we do not earn a return on capex within the year it was spent.

## 1.6. Depreciation

Our revised Final Plan includes \$70 million in depreciation relating additional Future of Gas depreciation. The reasoning for this additional depreciation is discussed in detail in Attachment 6.5.

## 1.7. Inflation

Our Revised Final Plan estimate of inflation reflects the RBA's November 2025 Statement of Monetary Policy estimate for inflation of 2.7% which has been inputted for 2026/27, resulting in an updated inflation forecast of 2.60% for the next AA period. This is around 0.06% lower than the estimate of inflation used in the Final Plan and Draft Decision of 2.66%. The estimate of inflation will however be updated by the AER as part of its Final Decision for our network.

## 1.8. Summary

The tables below show the roll forward of the Capital Base in the current period and the forecast roll forward of the capital base in the next period (\$nominal, million).

Table 1.4: Roll Forward of the Capital Base 2021/22 to 2025/26 (\$nominal, million)

	2021/22	2022/23	2023/24	2024/25	2025/26
Opening Capital Base	1,702.0	1,762.9	1,901.8	1,965.2	2,027.0
<i>Less Depreciation</i>	90.7	97.1	110.2	110.7	117.9
<i>Plus Conforming Capex</i>	92.1	97.9	96.6	124.8	130.7
<i>Plus Actual Inflation</i>	59.5	138.1	77.1	47.7	75.0
<i>Less 2015/16 Capex Adjustments</i>					-11.7
<i>Less Funding Adjustment</i>					-4.9
<b>Closing Value</b>	<b>1,762.9</b>	<b>1,901.8</b>	<b>1,965.2</b>	<b>2,027.0</b>	<b>2,098.2</b>

Table 1.5: Forecast Capital Base, 2026/27 to 2030/31 (\$nominal, million)

	2026/27	2027/28	2028/29	2029/30	2030/31
Opening Capital Base	2,152.7	2,204.0	2,243.9	2,278.8	2,302.7
<i>Less</i> Straight-Line Depreciation	92.3	90.3	95.8	103.5	107.5
<i>Plus</i> Conforming Capex	87.8	73.3	73.0	69.0	66.6
<i>Plus</i> Actual Inflation	54.6	55.9	56.9	57.7	58.4
<b>Closing Value</b>	<b>2,148.2</b>	<b>2,187.0</b>	<b>2,221.1</b>	<b>2,244.3</b>	<b>2,261.8</b>