

Australian Energy Regulator

13 February 2026

Dear Sir/Madam

RE: Revised Evoenergy Gas Distribution Network Proposal for 2026-2031

The ACT Council of Social Service (ACTCOSS) thanks the Australian Energy Regulator (AER) for considering the views set out in our letter dated 22 August 2025, and the opportunity to provide feedback on its draft decision on the ACT gas network access arrangement, and Evoenergy's revised access arrangement proposal.

ACTCOSS is the peak body for not-for-profit community organisations in the Australian Capital Territory (ACT). Our membership includes social housing providers, financial counselling services, conservation groups, and organisations committed to social justice and community development in the ACT. We work in partnership with our members towards a future in which all forms of poverty and disadvantage are eliminated. Universal access to sufficient quantities of affordable, reliable and clean energy is essential to our vision of an inclusive Canberra, where everyone can reach their full human development and productivity potential.

Our views on issues raised by the ACT Gas Network Access Arrangement for the period 2026-2031 are as follows:

1. Factors Affecting Choice of Tariff Variation Mechanism (TVM)

ACTCOSS supports the adoption of a hybrid tariff variation mechanism as a necessary safeguard in the current cost-of-living environment. As financial stress increases among ACT households,¹ TVMs that moderate price volatility and allow measured regulatory adjustments will play an important role in reducing the risk of abrupt tariff changes compounding hardship and shifting additional pressure onto support systems.

An indication of the current scale of the cost-of-living crisis in the ACT is provided by the University of Canberra's Living Well in the ACT Region Report which surveyed 3,110 ACT residents between November and December 2024.² In it, 86% of Canberran's reported household expenses increasing faster than incomes.³ To cope with this increase, 68.5% of respondents reduced spending on food, 51% cut back on indoor heating or cooling, 45.8% cancelled social

¹ Jacki Schirmer, Suzanne Carroll and Michael Dale, *Living Well in the ACT Region: Understanding the Changing Wellbeing of Canberrans, 2019–2024* (Report, 2025)

² Ibid.

³ Ibid 3.

events, and 37.95% delayed seeking medical care.⁴ Concerningly, 17.5% of Canberrans also reported difficulty affording medications.⁵

For households already living on low incomes, the risk of harm from significant or uncontrolled cost-of-living increases is heightened due to their limited capacity to absorb even modest price rises. A single person receiving the maximum rate of Youth Allowance, for instance receives approximately \$48 per day to meet all living expenses, an income that sits 42% below the poverty level.⁶ At this income level, even small increases in essential costs are likely to result in reduced consumption or the forgoing of basic necessities. Energy affordability pressures for these households has been further compounded by the cessation of temporary supports such as the Commonwealth Energy Bill Relief Fund and the declining real value of the ACT Electricity, Gas and Water Rebate. In this context, additional price volatility which may be introduced by TVMs such as a revenue cap, carries a heightened risk of deepening hardship which may undermine household stability.

As cost-of-living pressures intensify, organisations providing support services to vulnerable people are also coming under increased pressure. 76% of the 129 organisations surveyed for the ACTCOSS' State of the Community Sector Report 2025 reported an increase in clients presenting with complex needs,⁷ while 83% reported an increase in demand for services.⁸ Cost of living pressures were identified as a key driver of demand by 84% of organisations,⁹ and many reported increases in demand from groups that had not previously required assistance. Notably the cost of energy and lack of access to adequate amounts of energy was reported as a driver of client need complexity by 30% of the organisations surveyed.¹⁰

2. Degree of risk sharing proposed for TVM

While ACTCOSS supports the use of a hybrid tariff variation mechanism in principle, it is concerned the degree of risk sharing proposed by Evoenergy does not adequately reflect the elevated probability of downside demand outcomes, the relative capacity of each party to manage and absorb that risk, or the appropriateness of relying on consumers to absorb an elevated risk of revenue under recovery without appropriate compensation for bearing that risk or the broader regulatory context in which historical revenue outcomes have favoured the network over extended periods to the detriment of consumers.

⁴ Ibid.

⁵ Ibid.

⁶ Australian Council of Social Service and University of New South Wales, *Poverty in Australia 2025: Overview* (Report, December 2025) https://povertyandinequality.acoss.org.au/wp-content/uploads/2025/12/Poverty-in-Australia-2025-Overview-V4_print.pdf.

⁷ ACT Council of Social Service, *State of the ACT Community Sector Report 2025* (Report, December 2025) 18 <https://actcoss.org.au/wp-content/uploads/2025/12/ACTCOSS-State-of-the-ACT-Community-Sector-Report-2025.pdf>.

⁸ Ibid 1.

⁹ Ibid 17.

¹⁰ Ibid 19.

Network businesses are compensated under the regulatory framework for the risks associated with delivering a regulated service, including through the allowed rate of return on the regulatory asset base and associated capital recovery mechanisms. Network customers, however, do not receive a corresponding return for bearing revenue volatility. Tariff variation mechanisms that equally share the benefits of revenue outperformance and the risks of revenue under-recovery between a network and its customers may be justified in the context of a growing or stable network, on the basis that customers have a genuine prospect of reward in exchange for accepting some degree of risk. It is doubtful whether the same rationale applies in the context of networks facing structural decline and heightened demand volatility. In those circumstances, where downside outcomes are materially more likely than sustained upside gains, a 50/50 sharing arrangement is more accurately characterised as a revenue shortfall sharing mechanism.

The appropriateness of a 50/50 revenue shortfall sharing mechanism must also be questioned given the network's history of persistent revenue over recovery. Publicly available analysis suggests between 2014 and 2022 Evoenergy recovered \$ 51 million above its forecast revenue requirements.¹¹ This revenue was not shared between the business and its customers.

It is also important to note that while the proposed 2% annual revenue constraint would limit the pace of year-on-year tariff adjustments, it will not remove consumers' exposure to under-recovery losses. This is because any shortfall allocated to consumers and which cannot be recovered due to the proposed 2% annual revenue constraint, would merely be rolled over into the next year and potentially the next access arrangement if the total shortfall amount exceeds the revenue generated in the 2026-2031 access arrangement. This has important implications in the context of a declining network, where recovery of costs is likely to occur from a progressively smaller customer base. A base that is likely to include cohorts that have not been able to afford the cost of moving away from the network.

The interaction between the tariff variation mechanism and accelerated depreciation further strengthens this concern. Accelerated depreciation increases the revenue requirement in the early years of the access arrangement and therefore raises baseline tariffs. As the AER has noted in its decision higher tariffs can increase the likelihood of demand variance and customer exit. If demand declines more rapidly than forecast, revenue under-recovery becomes more likely. Under a 50/50 sharing model, consumers would bear half of that shortfall in addition to the higher base tariffs resulting from accelerated depreciation. The cumulative effect is that consumers are exposed both to front-loaded capital recovery and to ongoing demand volatility around that higher base.

¹¹ Jay Gordon, *Gas Networks Are Making Persistent and Significant Supernormal Profits* (Report, Institute for Energy Economics and Financial Analysis, 6 June 2024)
https://ieefa.org/sites/default/files/2024-06/Gas%20networks%20are%20making%20persistent%20and%20significant%20supernormal%20profits_May24.pdf

Recommendations

Given this context, ACTCOSS recommends that the AER:

- (a) Reconsider the appropriateness of a 50/50 risk sharing TVM and take in to account the relative capacity of the network and its customers to manage downside demand and transition risk when finalising risk sharing ratios. Relevant considerations in this regard may include the relative ability of the network and its customers to access credit markets to smooth cash flow shortfalls, and their respective capacity to draw on financial reserves or savings.
- (b) Consider introducing additional consumer protections within the tariff variation mechanism, such as materiality thresholds which must be reached before under recovery risk sharing mechanisms are triggered.

3. Community Sentiment

ACTCOSS notes the significant reliance on community feedback in Evoenergy's submission. As part of its engagement in the GN26 process, ACTCOSS regularly participated in Evoenergy's Consumer Reference Council (ECRC) meetings, delivered a presentation on energy equity at Evoenergy's community forum, and took part in a question-and-answer session with forum participants. Relying on its experiences during these sessions ACTCOSS wishes to acknowledge the sincere effort made by Evoenergy and its staff to foster a positive discussion environment.

ACTCOSS notes, however, that the views of the community as reflected in Evoenergy's submission are sometimes poorly aligned with our understanding of broader ACT community sentiment. In assessing community perspectives as part of its decision-making process, ACTCOSS submits that the AER should carefully consider the representativeness of the views presented and give appropriate weight to submissions from organisations that do not have a direct financial interest in the outcome.

4. Accelerated Depreciation

Evoenergy submits that the AER's draft decision to limit the pace of depreciation recovery is affected by legal error on the basis that it impermissibly considers equity considerations. It further contends that there is no role within the National Gas Objective for considerations of social equity, including the impact of price increases on vulnerable consumers. ACTCOSS finds this assertion concerning, particularly in light of Evoenergy's own repeated characterisation of accelerated depreciation as a mechanism to promote intergenerational equity. It is difficult to reconcile the position that equity considerations are irrelevant to the statutory task when those same considerations are invoked to justify bringing forward capital recovery from future to current consumers.

The argument advanced by Evoenergy lays bare the risks and tensions inherent in the process of attempting to balance structural demand decline, mounting affordability pressures and the timing of asset recovery, within the structural limitations of a regulatory framework that never anticipated the need for a gas network to wind down.



If the statutory interpretation of the National Gas Objective is taken to exclude consideration of distributional and affordability impacts, even where those impacts materially shape market behaviour and long-term efficiency, the risk of the regulatory framework failing to adequately address the realities of network transition increases significantly.

While ACTCOSS questions the irrelevance of equity considerations in the application of the National Gas Objective, it notes the current context highlights the need for an urgent regulatory reform process which allows for a more transparent and holistic consideration factors relevant to the question of who should bear the risk of asset stranding.

Further Engagement

Should you wish to discuss any of the issues raised in this submission please contact Ms. Jana Farook, Senior Policy Advisor at ACTCOSS, [REDACTED]

Sincerely,



Dr Devin Bowles
Chief Executive Officer
ACT Council of Social Service
[REDACTED]