ENERGY CONSUMERS AUSTRALIA

Submission on Australian Gas Networks (SA) and Evoenergy (ACT) draft decision and revised access arrangement proposals

Submission to the Australian Energy Regulator

DATE: 13/02/2026

Energy Consumers Australia is the national voice for household and small business energy consumers. We advocate for a fair, affordable, and reliable energy system—one that meets everyone's needs and leaves no one behind on the journey to net zero.

1 Feedback on the draft decision and revised proposals

Energy Consumers Australia (ECA) welcomes the opportunity to provide feedback on the revised 2026–31 access arrangement proposals for Australian Gas Networks (AGN) South Australia (SA) and Evoenergy and the Australian Energy Regulator's (AER) draft decision.

These proposals are being made at a point in the energy transition where residential and small business gas demand is structurally declining, driven by consumer-led electrification, appliance substitution and improved energy efficiency. They are also being considered within Australia's commitment to achieve net zero emissions by 2050, under which electrification of small gas users represents one of the comparatively low-cost emissions reduction pathways that can deliver net benefits to households and small businesses. Together, it creates both structural change and uncertainty about the future role of gas distribution networks. We recognise the complexities this represents for gas distribution businesses and regulators in determining how costs and risks should be managed as demand declines.

As set out in our previous submissions, ECA's core concern is to ensure that households and small businesses do not bear an unfair share of costs and risks in the context of this uncertainty and future gas network decline.

We broadly welcome the AER's draft decisions, which respond to several of the matters we raised in our earlier submission.[1] For example, we welcome the draft decision to not accept AGN's proposed accelerated depreciation and to reduce Evoenergy's proposed accelerated depreciation amount, and to reduce capex proposals for both AGN and Evoenergy.

We note, since the previous consultation, that the Australian Energy Market Commission (AEMC) has made a final decision on ECA's connection costs rule change proposal, and is further considering several other proposals including ECA's rule changes on accelerated depreciation, capital expenditure and long-term planning for the future gas network.

In assessing the revised proposals, we urge the AER to continue to carefully scrutinise these proposals in the context of declining gas demand and risks to consumers in the transition. In particular, we remain concerned about the use of accelerated depreciation as a tool for addressing these risks. Our view is that continuing to allow accelerated depreciation should be seen as a transfer of the financial consequences of stranding risk from gas network businesses to current consumers. We welcome the Australian Energy Regulator's (AER) draft decision to reject AGN's proposed accelerated depreciation, and its decision to reduce the amount of depreciation initially proposed by Evoenergy, though we still query whether any amount of depreciation should be allowed.

To support this submission, ECA engaged Dynamic Analysis to assess the long-term outlook for AGN's gas network, including to demonstrate the implication of accelerated depreciation on households and

[1] ECA, submission-doc-aer-agn-evoenergy-access-arrangements-2026-2031.pdf.

small businesses. The model uses the AER's revenue calculations and AGN's tariff structures to forecast bill impacts to customers over a 30-year period.

The report (**Attachment A**) finds that accelerated depreciation is not viable: it will increase customers' bills but will have negligible impact on addressing stranding risks. The analysis finds that a typical customer will pay about $170 more over the 2027-2031 period with AGN's RAB declining by only 2.8% if accelerated depreciation is approved.

The report also highlights that:

- bills for residential gas customers will spiral upwards by up to 64% in ten years and 265% by 2050
- there are clear bill savings for South Australian consumers from electrification.

We consider these findings support our view that accelerated depreciation is not an appropriate or effective tool (either for addressing stranding risk or on price competitiveness grounds) and should not be approved.

While the circumstances differ between SA and the ACT/NSW region, both proposals raise the same fundamental question: how to manage network contraction without compounding affordability pressures for those who remain connected. In ECA's view, the regulatory framework must be applied in a way that avoids unnecessary expenditure and does not increase bills today on the basis that this may protect consumers in the future. Accelerated depreciation is currently presented by networks as a way to improve equity and protect those who remain on the network. However, where demand continues to decline and the reduction in stranding risk is marginal, increasing bills now does not meaningfully protect remaining household and small business energy consumers from rising costs over time.

ECA welcomes the AER's careful scrutiny of the access arrangement proposals and our recommendations in this submission and urges the AER to ensure it puts the interests of households and small business consumers at the centre of its decision-making.

Thank you for considering this submission. If you have any questions, please contact Claire Ohk at [redacted]

We support the AER's decision to not approve accelerated depreciation for AGN and reduce accelerated depreciation for Evoenergy

We recommend the AER not approve the accelerated depreciation proposed in both access arrangement proposals. As we noted in our earlier submission, accelerated depreciation should be viewed not as a transfer of risk from future customers to today's customers, but as a transfer of cost and risk from a gas distribution business to customers. Accelerated depreciation shields network businesses from risk by requiring consumers to pay more today, and is not in the long-term interests of consumers.

In a declining-demand environment, accelerated depreciation does not address the underlying drivers of consumer cost and risk. Fixed costs must still be recovered from a shrinking customer base, and higher near-term prices may accelerate exit for those able to leave, compounding affordability pressures for those who remain.

The Dynamic Analysis AGN modelling, as well as its earlier modelling on the Jemena gas network, supports our view that accelerated depreciation increases bills today without meaningfully reducing the risk of asset stranding.

The continued reliance on accelerated depreciation reflects the absence of an open, system-wide discussion about the future of gas distribution networks. It implicitly recognises that the economic life of the network may be shorter than the assumed regulatory asset lives, without providing a credible framework for how that transition should be managed in the interests of consumers.

ECA's position remains that accelerated depreciation should only be considered where it forms part of a broader, explicit policy framework to support an orderly and equitable transition off the gas network.[2] This includes equitable sharing of the costs of stranded assets between consumers, networks and government, rather than the current situation in which consumers are the only party that is paying for the costs of stranded assets. In the absence of such a framework, risk reduction should focus on minimising unnecessary expenditure, avoiding long-lived investments, and strengthening long-term planning for network contraction.

AGN's revised accelerated depreciation proposal

We support the AER's decision not to approve AGN's initial accelerated depreciation proposal and recommend the AER also reject the revised accelerated depreciation proposal.

In its initial access arrangement proposal, AGN sought approximately $30 million in accelerated depreciation over the 2026–31 period. Despite the AER not approving this, in its revised final plan AGN has now proposed $70 million in accelerated depreciation, an increase of $40 million.

Accelerated depreciation is presented as a mechanism to manage intergenerational equity and asset stranding risk. However, the Dynamic Analysis report commissioned by ECA shows that it is ineffective in addressing stranding risk.

As shown below (**Figure 1** and **Figure 2**), under AGN's revised proposal, accelerated depreciation would increase residential customers' bills by around $170 over the 2027–31 period, while reducing the regulatory asset base by only 2.8 per cent by the end of that period, not materially reducing stranded asset risk.

[2] See our rule change proposal on accelerated depreciation: Gas Networks in Transition | AEMC.

Figure 1 - Typical AGN residential customer – gas network bill ($, real 2026)[3]

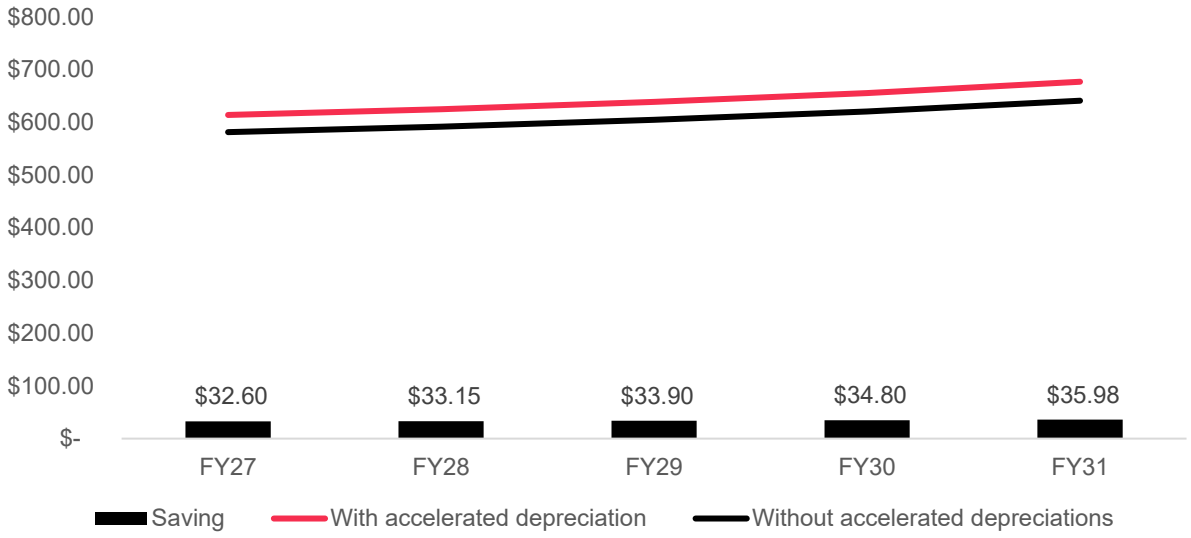
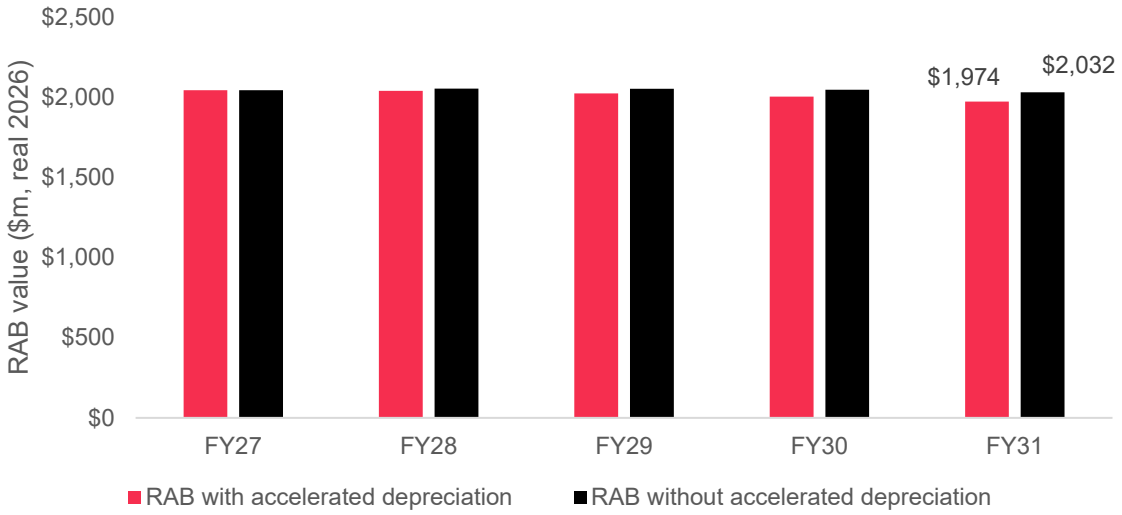


Figure 2 – Value of AGN's RAB – with and without accelerated depreciation ($m, real 2026)[4]



We understand AGN also argues accelerated depreciation is needed to support the competitiveness of its network into the future and provide customers with choice as the energy sector transitions. We are unclear if or why this rationale (as distinct from stranding risk) should justify the use of accelerated depreciation, but in any case do not think accelerated depreciation would meaningfully improve the competitiveness of AGN's gas network.

As noted in our earlier submission, we think there is considerable doubt that AGN's renewable gas plans and 2050 network vision will eventuate. The Dynamic Analysis modelling also suggests that residential gas bills will spiral up dramatically. For the typical household that maintains their current level of gas consumption, bills will increase from roughly $600 to $1,000 over the 2027 to 2037 10-year period and

[3] Dynamic Analysis, SA Residential Gas Customers Long term trend analysis – Report to ECA.
[4] Ibid.

will be almost $2,250 by 2050 (**Figure 3**). The analysis also uses the assumed reduction in gas consumption forecast by AGN and shows that bills will continue to increase, despite consuming less each year (**Figure 4)**.

Additionally, there are clear and significant benefits to electrification, which will increase over time as gas bills increase (**Figure 5**).

Given this, we do not consider it likely that AGN's gas network will remain price competitive with substitutes over time (with or without accelerated depreciation) or that accelerated depreciation should be approved for this purpose in any case.

Figure 3 - Typical AGN residential customer – gas network bill – 13.5GJ consumption ($, real 2026)[5]

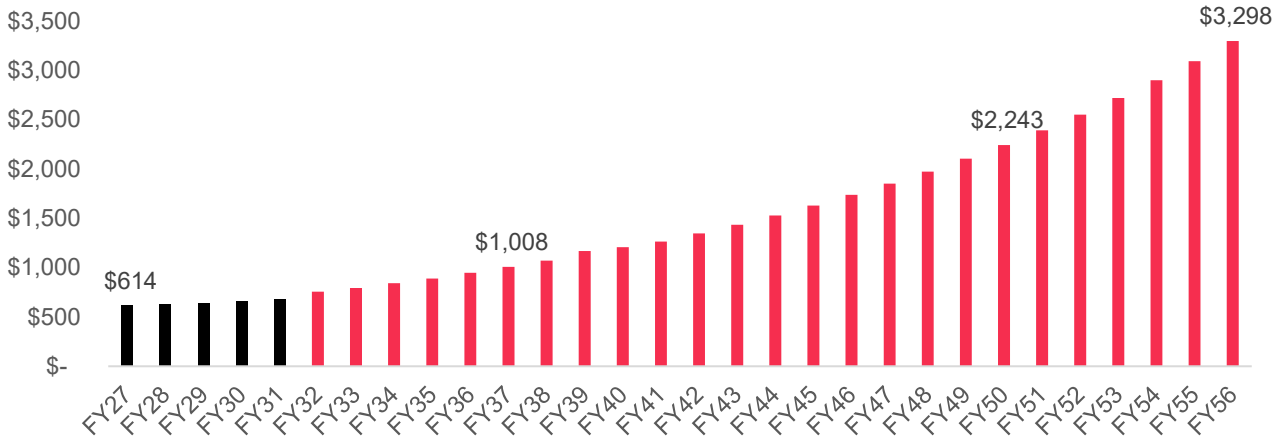
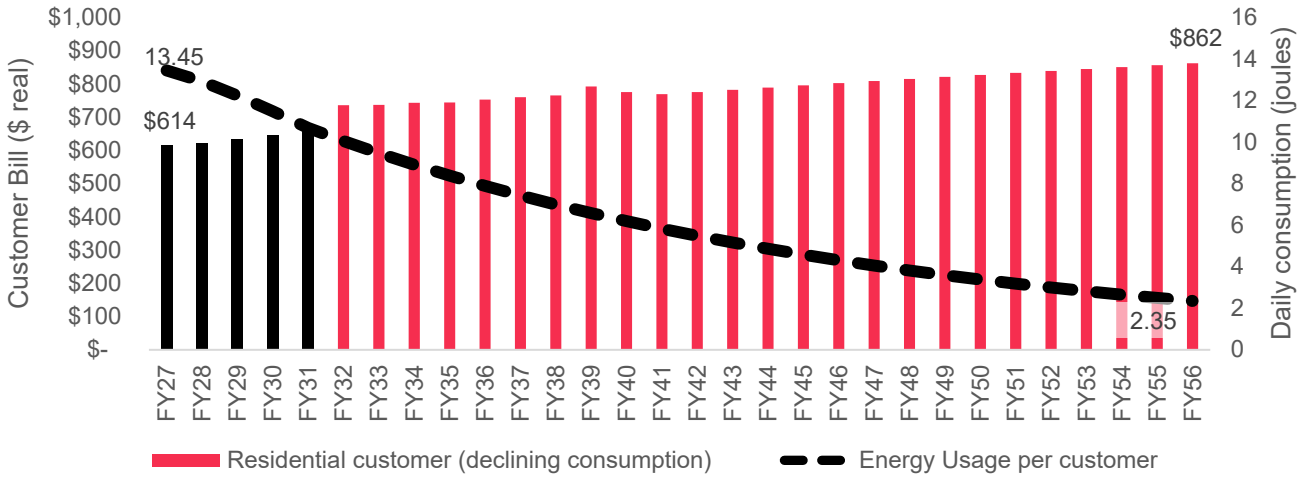
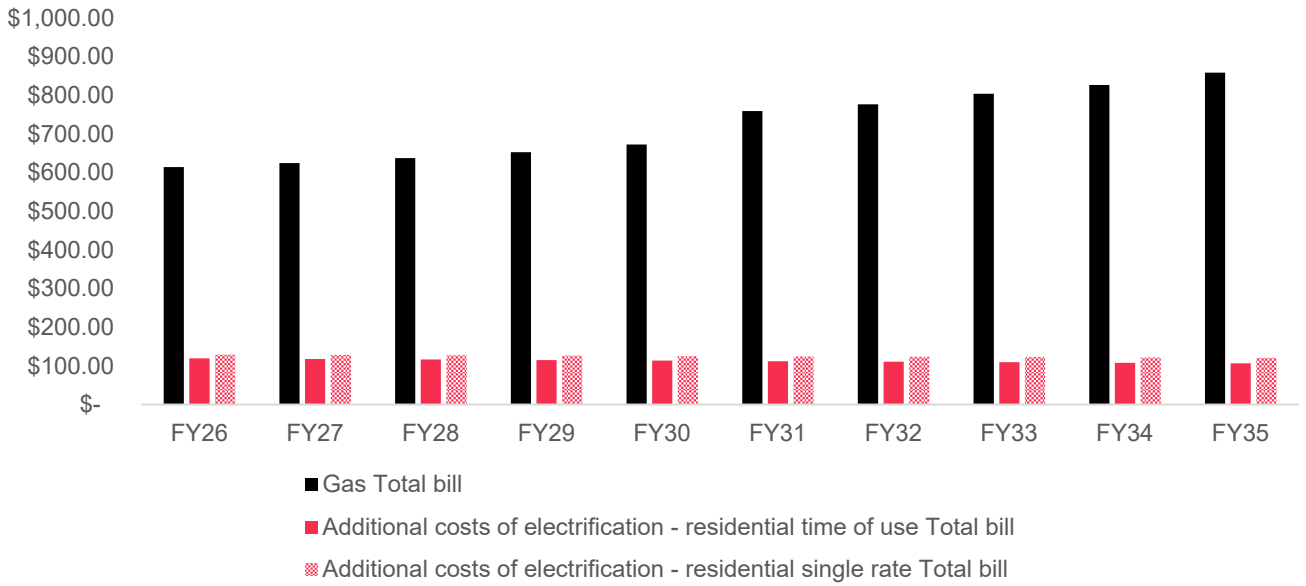


Figure 4 - Typical AGN residential customer - gas network bill - declining gas consumption ($, real 2026)[6]



[5] Ibid.
[6] Ibid.

Figure 5 - Annual gas bill compared to electricity bill increase from electrification ($, real 2026)[7]



Evoenergy's revised accelerated depreciation proposal

We welcome the AER's decision not to accept Evoenergy's proposed $105 million in accelerated depreciation but recommend the AER consider further revising down its draft decision to approve $47 million.

We maintain that accelerated depreciation alone is not a fair or effective solution to the risk of stranded assets and should only be considered if there is a clear process and safeguards in place to ensure consumers will have access to fair and affordable gas service for as long as they will use it. As the AER states in its draft decision, there is "no affordable amount of accelerated depreciation that will achieve long-term price stability."[8]

In a jurisdiction where the long-term role of gas is constrained by policy and demand is structurally declining, it is neither efficient nor equitable to assume that long-lived investments made late in the network's economic life should be fully recovered from remaining consumers. The AER's draft decision appropriately recognises that declining demand changes the risk profile of new investment, and that those risks should not be paid by remaining consumers.

We recognise cost-sharing raises broader policy matters beyond the AER's regulatory role and support the AER's call for, 'an open discussion between consumers, network businesses and governments regarding who should pay for the costs of stranded assets associated with past and future capital investments, and when and how these costs are shared.'[9] Nonetheless, just because the AER may not have other tools to address stranding risks within the current framework does not mean it is obliged to use accelerated depreciation, which increases bills without effectively reducing this risk.

[7] Ibid.
[8] AER, Evoenergy draft decision, p.x.
[9] AER, Evoenergy draft decision, p.x.

As we noted in our earlier submission, Evoenergy itself has had strong and consistent feedback through its customer and stakeholder engagement that other options need to be considered including: the ACT Government contributing through tax-payer funding; costs recovered through both the electricity and gas networks; Evoenergy not fully recovering its costs. Evoenergy could take steps now – through the proactive writing down of some of its assets (equal to the amount of depreciation it requests) – not to recover its costs fully, but has chosen not to do so.

Household and small business consumers should not pay for renewable gas projects

While we support that the AER has not approved the proposed step change for purchase of renewable gas certificates for the proposed HyP Adelaide project (we understand AGN has withdrawn this proposed expenditure in any case), we do not support the AER's draft decision to approve the proposed $8 million for renewable gas adaptation for hydrogen and biomethane.

As we highlighted in our earlier submission, the use of hydrogen by households and small businesses is economically inefficient and technically difficult, and biomethane production is limited and not likely to be viable for households and small businesses. Should AGN wish to undertake investments in renewable gas, it should bear the risk of those investments. Households and small business customers should not be required to pay for renewable gas projects they are unlikely to benefit from.

Capital expenditure should be minimised in the context of declining demand

We welcome that the AER has revised both AGN and Evoenergy's capex proposals downwards and urge the AER to continue to carefully scrutinise the revised proposals. Previously modelling from Dynamic Analysis commissioned by ECA on the Jemena gas network suggests minimising new expenditure can significantly reduce asset stranding risks, more so than accelerated depreciation.[10]

Meter replacement and digital metering

AGN's Revised Final Plan includes $27.8 million for domestic meter replacement and $2.5 million for its Digital Metering Program, forming part of a total $38.4 million meter replacement forecast.[11] These costs will ultimately be recovered from remaining gas customers.

While ECA acknowledges AGN's obligations under metering, safety and measurement frameworks, we remain concerned that the revised meter replacement proposal continues to treat declining demand and customer exit as largely irrelevant to the scale and timing of the program.

AGN describe domestic meter replacements as "unavoidable."[12] In a network where demand is declining, this framing warrants closer scrutiny. Gas meters typically have long asset lives.[13] However, some household and small business energy consumers have been forecasted to disconnect before those meters reach the end of their useful life. Replacing meters without accounting for likely customer exit risks imposing costs on remaining consumers for assets that may not be fully utilised.

[10] ECA, Turning down the gas: Reducing consumer risk | Energy Consumers Australia.
[11] AGN SA Attachment 9.18 Response to Draft Decision on Meter Replacement January 2026 | Australian Energy Regulator (AER)
[12] Ibid, p.19.
[13] Ibid, p.13: AGN SA notes how meters can range from 18-40 years in age for different meter types.

ECA agrees with the AER's draft view that alternative, more targeted and lower-cost solutions should be carefully assessed, particularly where only a small proportion of customers that are affected by access or reading constraints.

IT transition

ECA notes AGN's proposed capital expenditure associated with the transition of IT and operational technology systems following APA's exit from the provision of operations and maintenance services. We acknowledge that some level of expenditure is required to maintain business continuity and meet regulatory and cyber security obligations.

The AER should assess this expenditure in the context of declining gas demand and an expected reduction in network utilisation over time. While the transition is presented as largely unavoidable, the scale, design and timing of the proposed solution should be tested to ensure it remains proportionate and efficient in a contracting network.

ECA also notes the inclusion of risk and contingency allowances within the IT transition costs. To the extent that these risks relate to delivery, implementation and project management decisions within AGN's control, the AER should carefully consider whether it is appropriate for consumers to bear these costs, particularly as cost recovery is increasingly concentrated on a smaller customer base.

Operating expenditure must demonstrate genuine adaptation to declining utilisation

AGN's revised opex proposal continues to reflect a largely fixed cost structure, with limited explanation of how operating practices, staffing or organisational scale will adjust as gas demand continues to decline. In a contracting network, this creates a material consumer risk, as fixed and quasi-fixed costs must be recovered from a progressively smaller customer base.

ECA considers that declining demand should raise, rather than lower, expectations of efficiency and adaptation. The AER should carefully assess whether AGN's opex forecasts genuinely reflect opportunities to simplify operations, scale activities down over time, and change operating practices in line with reduced network utilisation. This includes testing whether proposed productivity improvements are credible and proportionate given the scale and pace of demand decline reflected in AGN's revised forecasts.

Stakeholder engagement must present the full impact and available options for consumers

ECA recognises that AGN and Evoenergy undertook substantial stakeholder engagement programs. The AER has acknowledged the commitment and structure of these processes, including the breadth of workshops and reference groups.[14] We also acknowledge positive aspects of this engagement, including AGN utilising findings from the research undertaken by Kieran Donoghue and Helen Bartley on behalf of the ECA on 'Understanding consumer perspectives on accelerated depreciation and financeability'.

However, the Better Resets Handbook makes clear that effective engagement is not measured only by the volume of activity, but by whether participants are appropriately equipped and informed to

[14] See AER draft decision on Evoenergy, pp. 7-11 and AER draft decision on AGN pp.7-10

meaningfully participate, and whether there is a clearly evidenced impact of engagement on the final proposal. ECA considers that a part of this requirement means that participants should be prepared with clear and evidence-based information about how the proposals impact consumers.

For instance, feedback recorded in Evoenergy's community and customer forums highlights a limitation in the way depreciation issues were framed. Participants were asked to compare three depreciation approaches, and no other options for sharing the costs of the declining network.[15] The discussion itself suggests that participants saw broader solutions as necessary, including government support, shareholder contributions and alternative cost allocation approaches.[16]

In addition, while NSW participants described accelerated depreciation as "more equitable,"[17] the engagement material does not clearly demonstrate that participants were provided with evidence on whether accelerated depreciation materially reduces long-term consumer risk, as opposed to primarily shifting the timing of cost recovery. ECA encourages the AER to treat this engagement as a useful indicator of consumer concern about affordability and risk allocation. However, it should not be considered as evidence that consumers support and/or agree that accelerated depreciation is an effective measure that will protect consumers from stranded asset risk or rising long-term costs.

[End of submission]

[15] Evoenergy Communication Link Appendix 1.1 Report of feedback from community and customer forum sessions January 2026 | Australian Energy Regulator (AER), p.20
[16] Ibid. p.27
[17] Ibid. p.21

The national voice for residential and small business energy consumers

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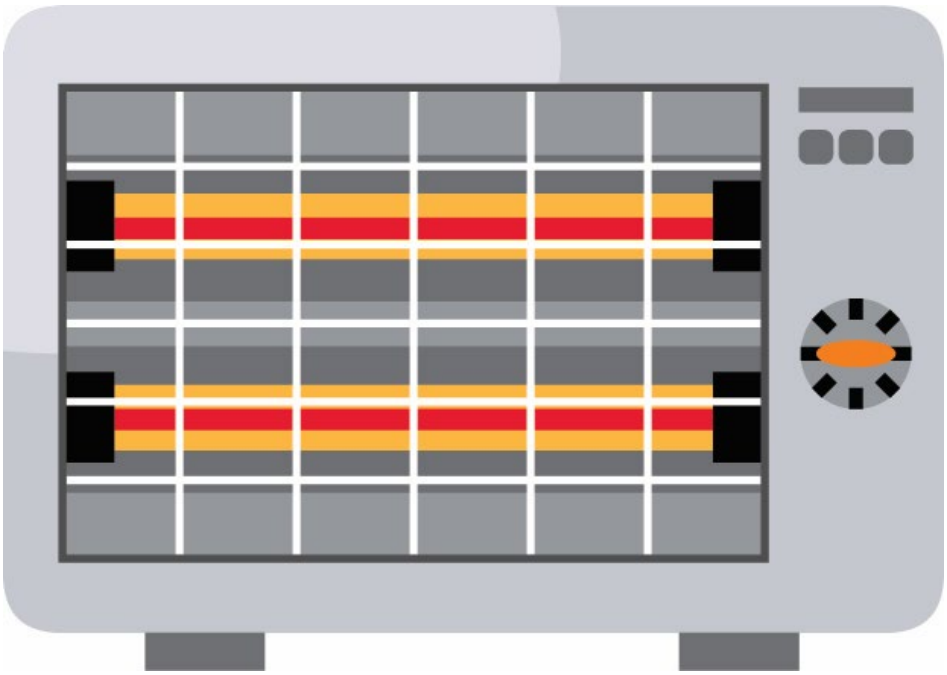
SA Residential Gas Customers

Long term analysis – Report to ECA

Dynamic Analysis

February 2026



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Summary

In December 2025, we were engaged by Energy Consumers Australia (ECA) to develop a long term model that provides insight into the direction of network prices for AGN's gas customers in South Australia, and AGN's proposed methods to mitigate risks to SA customers.

Our key findings are:

- **Accelerated depreciation is not viable** – Our results show that AGN's revised proposal to accelerate depreciation increases customers' bills without materially mitigating the risk of future asset stranding. Our findings indicate that a typical customer will pay about $170 more over the 2027-31 period, with AGN's RAB declining by only 2.8% under an accelerated depreciation method.
- **Residential gas network bills will spiral up** –Our modelling shows that a typical residential customer that does not change their energy usage will face a 64% increase in their bill in a decade's time and will face a 265% increase in their bill by 2050. This is largely due to declining energy use by residential customers as a whole as they incrementally switch from gas to electricity appliances. This forces tariffs to increase, resulting in higher unit prices.
- **Electrification provides opportunities to reduce energy bills** – Our analysis suggests that South Australian household could face a significant reduction in their electricity bills if residential gas customers make the switch by 2035. There are clear bill savings from switching to electricity for today's gas user, but the barriers are likely to be upfront costs of acquiring new appliances.

1. Approach

We have developed two models to address key questions posed by the ECA. The Price Model utilises the AER's revenue calculations and AGN's tariff structures to forecast bill impacts to customers over a 30-year period. The model provides insights on the direction of residential gas network bills and the impact of depreciation. The Electrification Model predicts the bill impacts of all existing residential gas customers switching to electricity by 2035.

Dynamic Analysis was engaged by the ECA to undertake future scenario modelling of AGN's gas network in South Australia. In this report we document key questions for the modelling exercise, the models we have developed to address the questions, and the key results for each of the questions. We note that our models are based on assumptions of the future (see section 2.4), which may not eventuate due to customer preferences, policy changes and uncertainty on technology. The results should therefore be interpreted as indicative of relative trends, risks and sensitivities under different scenarios, rather than as point forecasts. .

In this section, we set out the key questions, modelling approach and key assumptions.

1.1 Key questions

The purpose of the project was to provide insights on three questions:

1. What are the bill impacts of AGN's approach to accelerate depreciation in the FY27 to FY31 period, and does it mitigate future risks to AGN's customers?
2. What are the likely long-term trends of network prices for household gas consumers in SA?
3. What would be the likely bill impacts to South Australian energy customers if all current gas residential connections switch to electricity by 2035?

1.2 Modelling approach

We have used two models to provide quantitative insights to the questions above. The "Price Model" is used to address questions 1 and 2, while the "Electrification model" addresses question 3. Each model is discussed below.

The Price Model

The Price Model provides insight on the long- term direction of network gas prices. It is a directional model and caution should be applied in how the results are interpreted.

The "Price Model" replicates the AER's 5-year post tax revenue model (PTRM) calculations and extends the outlook by 30 years. We apply scenario modelling including assumptions on expenditure, rate of return and energy volumes. The model quantifies revenue, energy volumes, tariffs and bill impacts for each year.

For the current project, we applied the most recent revised proposal PTRM available on AGN's website as of January 2026. This included AGN's proposed approach to apply accelerated depreciation.

We developed a baseline scenario (Scenario 1) which replicates AGN's PTRM for 5 years (FY27-31). We assumed that expenditure and rate of return remain consistent with the FY27-31 over the long term. [1]We applied energy volume forecasts that are consistent with the declining trend reported in AGN's revised proposal. This provides a revenue and energy forecast at a tariff class level. We then compute the required change in tariff to meet the revenue requirement, and calculate bill impacts on that basis.

Separately, we develop a Scenario 0 which 'backs out' AGN's approach to depreciation to assess the change in revenue and the regulatory asset base.

The Electrification Model

The Electrification model is a bespoke model that has been developed specifically to address question 3. The model seeks to understand how SAPN's (the SA electricity network) residential electricity prices may change if all existing residential gas users switch to electricity by 2035.

The model takes a simple assumption that SAPN's prices and energy forecasts will remain the same as its most recent 2025-26 approved pricing proposal. While these parameters can be changed to more realistic assumptions, we note that this introduces 'noise' in the results which make it difficult to quantify the impacts of electrifying gas.

The model uses AGN data on residential gas usage, converts this to electricity units (MWh). To provide more realistic analysis, we have then assumed that electricity appliances would be modern and therefore much more energy efficient than the current gas appliance used by the customer (eg: heat pumps).

The next step is to increase SAPN's energy consumption to reflect the expected additional load from steady electrification from 2026 to 2035. In the model, we have assumed that no additional electricity upgrades are required to deliver the increase in consumption. This reflects that gas appliance usage such as hot water would be in off peak periods, and that there is some spare capacity in SAPN's network if required. This is a simplifying assumption and, while some incremental electricity network investment may be required in practice, previous modelling suggests these costs are likely to be minor relative to the scale of electrification and overall bill impacts.[2]

The model also compares the price that a gas customer would pay if they stay on AGN's network compared to the additional cost in their electricity bill.

1.3 Key Assumptions

The core assumptions consistent across all scenarios are:

- **Expenditure forecasts** – We have applied the expenditure forecasts in AGN's 2027-31 regulatory proposal. We have applied the average expenditure for capex categories and opex as a starting point for forecasting from 2031 onwards.
- **Revenue forecasts** – We have applied AGN's proposed PTRM methods including 'year on year' tracking and financial metrics directly into our 30-year PTRM model. We have used the

[1] We have assumed capital expenditure and maintenance costs are still required to connect new customers and that the asset base still requires replacement and maintenance. While there may be a decline in corporate costs such as billing, we note that abolishment of meters is a relatively high cost when customers disconnect. For this reason, we have kept operating expenditure at today's levels.
[2] Stepping Up: A smoother pathway to decarbonising homes | Energy Consumers Australia

expenditure forecasts to calculate revenue based on the logic of the PTRM with the exception of the tax building block, where we have applied a 1.5 per cent of revenue assumption.

- **Approach to 'back out' depreciation** - In the accelerated depreciation scenario we have transferred the opening RAB value in the "Future of Gas Depreciation" asset class back to the "Inlets" asset class. We have then applied the year-on-year depreciation in the AER's draft decision for Inlets and the Future of Gas Depreciation.
- **Energy forecasts** – AGN has forecast energy consumption per customer for the FY27-31 period based on the historical decline in the previous period. From FY2032, we have estimated the average annual decline in energy per customer from FY2027 to FY2031 for each tariff block in AGN's revised PTRM. We note that while AGN has forecast an increasing rate of decline over the 2027-31 period, we have taken a more conservative estimate by applying the average over the period.
- **Bill impacts** – We have used a simple approach to calculate bill impacts that calculates a tariff rate based on revenue divided by volumes by tariff structure. Our first step was to allocate the total revenue requirement to residential and commercial tariff groupings based on AGN's indicative tariffs. We have maintained the revenue allocation beyond 2031 on the premise that networks allocate residual costs based on the assets that serve customers, and asset stranding would not impact that assessment. Our next step was to apply the revenue amount to each tariff structure. The last step was to calculate the resultant tariff rate for each tariff structure.
- **Energy efficiency in new electrical appliances** – We have assumed that new electricity appliances are 60% more efficient than gas appliances. This assumption has been based on evidence from sources such as the AEMC residential price trends[3] and Rewiring Australia.[4].

[3] Residential Electricity Price Trends 2024 | AEMC
[4] Rewiring Australia

2. Depreciation findings

AGN's revised proposal includes bringing forward $80 million of revenue in the 2027-31 period via accelerated depreciation of its assets. The primary motivation for accelerated depreciation is to reduce the risk of asset stranding. Our findings are that accelerated depreciation increases the bill to residential customers in the 2027-31 regulatory period by about $170. We also find that the reduction in asset stranding risk is minimal with the Regulatory Asset Base only 2.8 per cent lower by the end of the 2027-31 period.

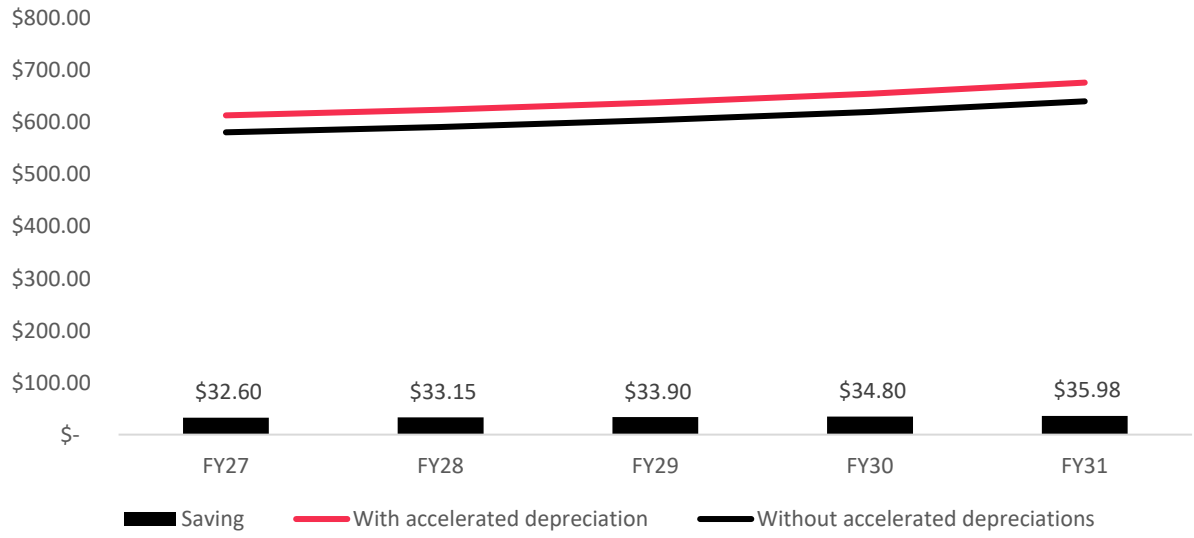
AGN's revised proposal sought to accelerate $16 million a year ($80 million over 5 years) by transferring the opening regulatory asset base (RAB) portion of the 'Inlets' asset class to a new 'future of gas' asset class that is depreciated over 5 years. The effect is to increase the regulatory depreciation building block and increase revenue by about $68 million in the FY27-31 period. This has a flow on impact to customer bills through higher tariffs but reduces the risk of asset stranding through a lower RAB by FY31.

In Scenario 0 of the Price Model, we sought to reverse AGN's approach to accelerated depreciation to analyse the impacts of the 'with' and 'without' accelerated depreciation scenarios

2.1 Bill impacts

The results show that a typical residential customer could save a total of $170 over the 5 year period if AGN did not apply accelerated depreciation. **Figure 1** below shows the price paid by a typical customer with and without accelerated depreciation, and the annual savings.

Figure 1 – Typical AGN residential customer – gas network bill ($, real 2026)



2.2 Impact on asset stranding risk

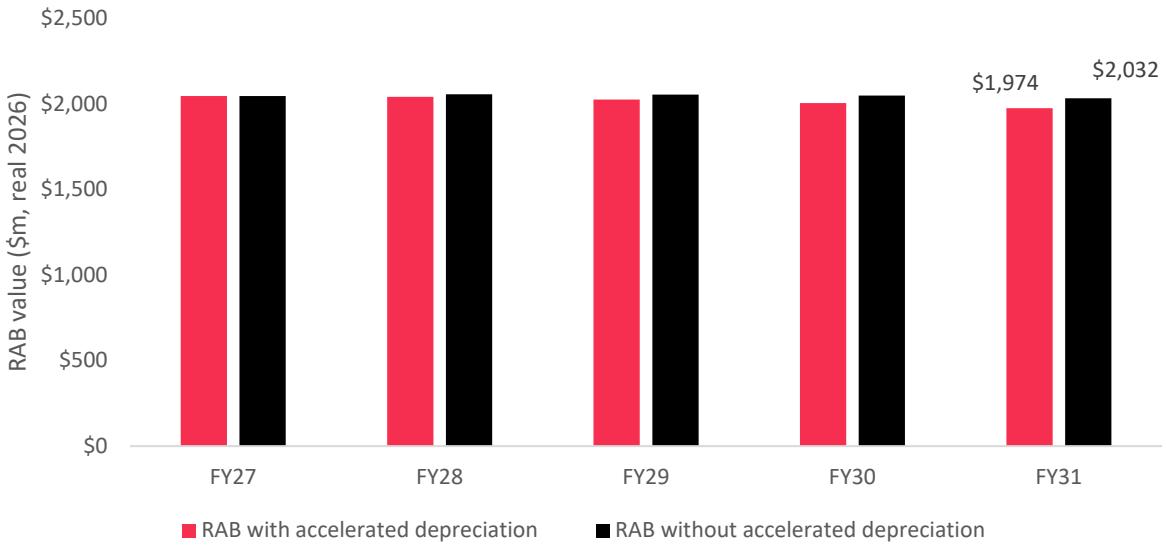
We note that key reasons for AGN's justification for accelerated depreciation is to support a more stable price path for customers now and into the future, and provide assurance to ratings agencies and financiers that the regulatory environment supports its ability to recover our efficient costs.[5] These arguments reflect a risk that the gas networks will become unviable, and AGN will be left with a stranded asset base. We note that the ECA has previously argued that asset stranding risk should not be borne by customers[6].

In any case, the key measure of stranding risk is the value of the RAB, which is the amount customers are expected to pay to AGN over time for past capital investments. We sought to analyse the extent to which the RAB declines by FY31 under AGN's accelerated depreciation approach.

Figure 2 shows that accelerated depreciation reduces the RAB by $57 million as at the end of FY2031. This represents 2.8 per cent of the opening RAB value in FY2027 of $2,045 million. At face value, it is difficult to state that accelerated depreciation has been effective at mitigating future stranding risks. Even if applied in future periods, the reduction in RAB would not be significant.

The key question for AGN's customers is whether an increase in bills of $170 over the FY27-31 period is justified for less than a 2.8 per cent reduction in the RAB.

Figure 2 – Value of AGN's RAB – with and without accelerated depreciation ($m, real 2026)



[5] AGN also note other reasons including address increasing uncertainty over the role our network will play in a low carbon energy future and supporting its price competitiveness into the future against substitutes, particularly renewable electricity. See page 5 of the Revised Plan.

[6] In the ECA Rule change proposal to AEMC of 25 February 2025, the ECA noted that the current use of accelerated depreciation shifts all risk and costs for assets that are at risk of becoming underutilised to gas consumers, while imposing no costs or risks on gas distributors.

3. Bill impacts

Our findings suggest that AGN's residential customers are likely to face a significant increase in their bill over the medium to long term. This is the results of connected customers reducing their energy consumption, a trend that AGN forecasts will persist in the 2027-31 period and which we assume will continue. Lower energy consumption requires AGN to increase its tariff rates and will result in a higher unit price for energy consumed.

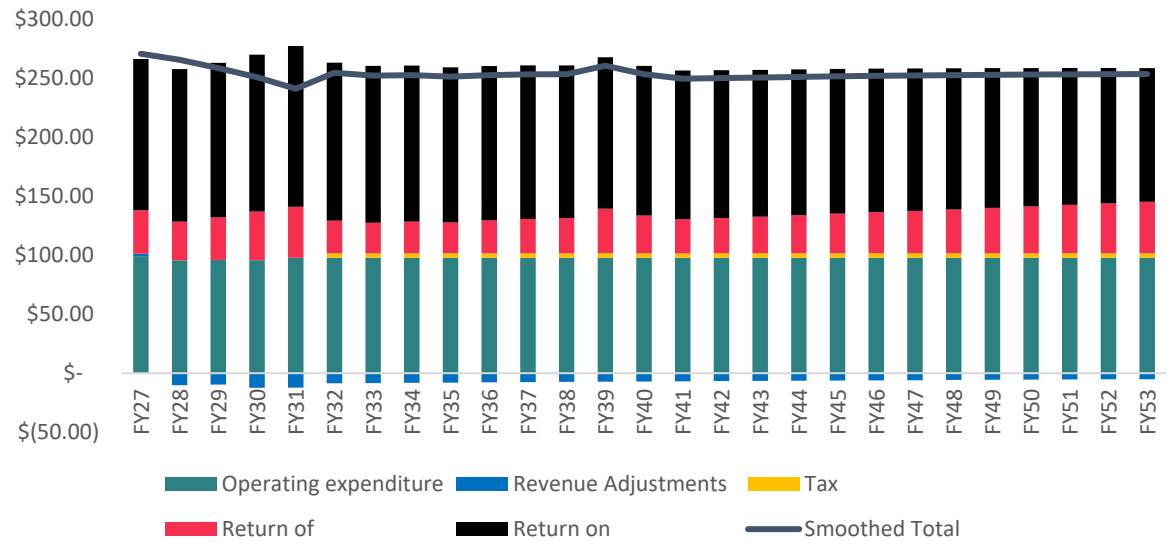
In this section, we set out the energy and revenue forecasts, and the consequential bill impacts.

3.1 Revenue forecasts

We have assumed that AGN will continue to incur capital and operating expenditure at the average levels forecast in its 2027-31 period regulatory proposal. We note that capital expenditure may fall if new connections are paid upfront by new customers. However, we note that replacement and investment in ICT are likely to stay at today's levels despite a drop off in energy consumption. We have also assumed that operating expenditure is largely fixed, due to the need to maintain the existing asset base and that AGN is forecasting only a marginal decline in residential customers. Further there is the potential for opex to increase if more customers disconnect and an abolishment fee is required.

Figure 3 sets out the forecast annual revenue requirements in the Pricing Model based on the assumptions applied to expenditure. It should be noted that the actual revenue requirement in FY2032 increases despite a reduction to the unsmoothed revenue. This is largely due to AGN's proposal for declining smoothed revenue in the FY2027 to 2031 period. In general, revenue remains relatively flat.

Figure 3 – Forecast modelling of AGN's total revenue requirement ($m, real 2026)



3.2 Residential energy consumption forecasts

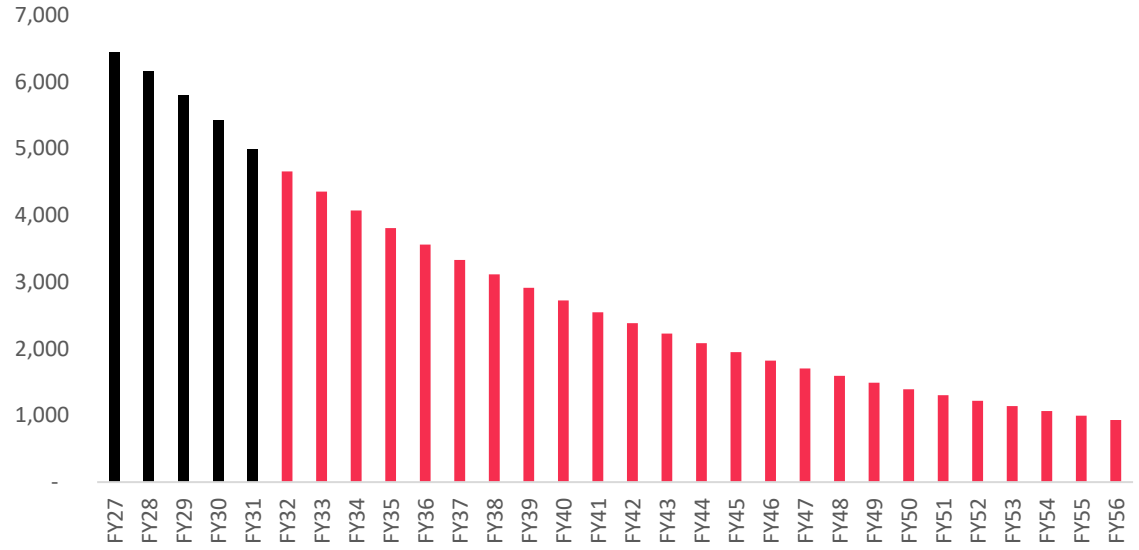
AGN has forecast a marginal decrease in residential gas connections in South Australia. This contrasts with trends in NSW and Victoria which suggest a significant decline in customers.

Regardless, AGN has forecast that residential customers will use significantly less gas per connection over the FY2027-31 period. This is likely caused by incremental electrification of gas appliances in households. We note that this is a market based (consumer-led) response rather than direct policy decisions.

For residential customers, AGN forecasts that average residential energy use will decline from 13.5 GJ per customer in FY27 to 10.7 in FY31, a total of 21 per cent (5.1 per cent annually). From FY2032, our modelling has applied the average annual percentage decline from FY2027 to FY2031 for each block tariff input in AGN's revised PTRM. We note this is a conservative estimate given that AGN's forecasts predict an increasing rate of decline.

Figure 4 shows the significant decline in residential energy consumption over the longer term.

Figure 4 – Residential energy consumption (terajoules)



3.3 Residential bills for typical AGN residential customers

Figure 5 shows that bills will increase significantly for a typical customer in FY2027 that continues their current usage of 13.5 GJ. This is due to increasing tariff rates in each of the blocks to ensure AGN can recover the relatively fixed forecast of revenue requirements. The customer's bill in FY26 real dollars will increase from $614 to $1008 over the 2027 to 2037 10-year period and will be $2,243 by 2050. [7]

[7] We note that the trend is consistent with results in other reports for gas customers in Australia. See Gratton Institute report: "Bills down, emissions down: A practical path to net-zero electricity" Alison Reeve, Tony Wood, Dominic Jones, and Ben Jefferson (October 2025).

Figure 5 - Typical AGN residential customer – gas network bill – 13.5GJ consumption ($, real 2026)

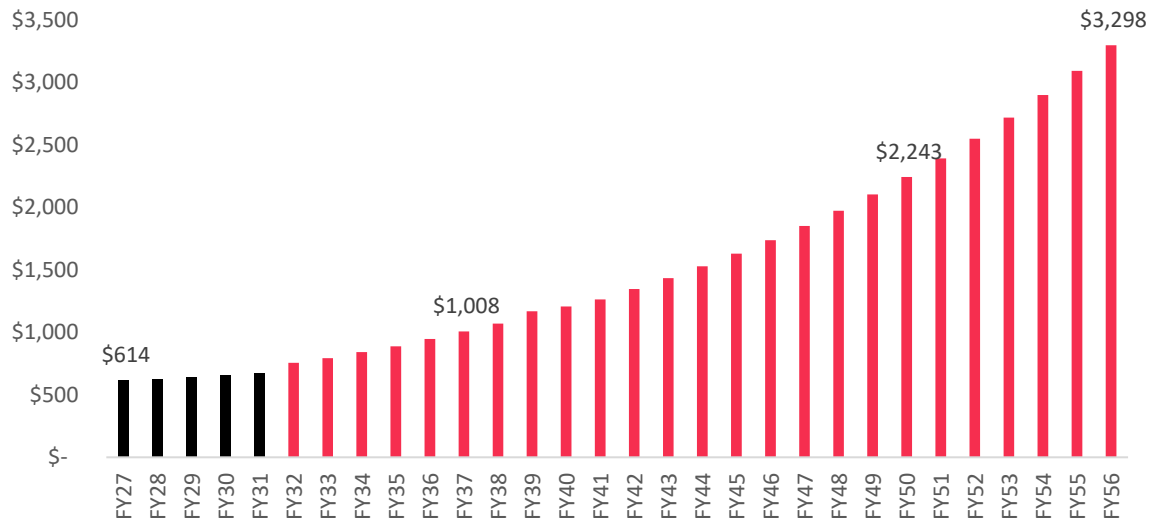
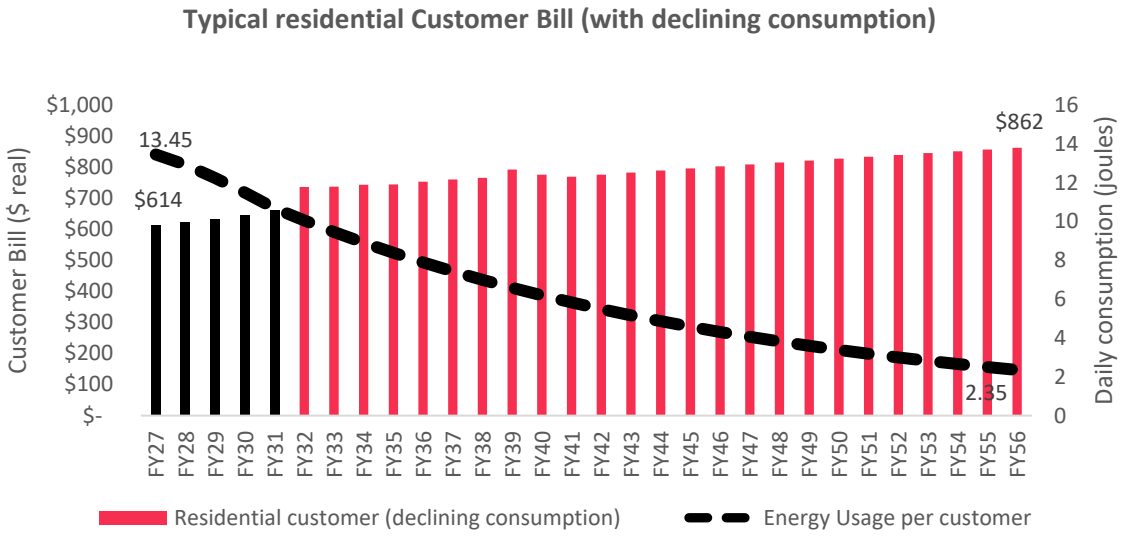


Figure 6 below shows the gas network bill of a typical customer that reduces their energy consumption in line with the modelling assumptions (5.1 per cent reduction each year). It shows that the gas network bill will continue to increase, despite consuming significantly less each year. From a practical perspective, the energy drop off is likely to relate to switching to electricity which means that the customer is paying for a new electricity appliance and a higher electricity bill, without any reduction in their gas bill.

Figure 6 - Typical AGN residential customer – gas network bill – declining gas consumption ($, real 2026)



The modelling results indicate the potential for gas customers to face significant increases in the unit cost of gas. While not modelled, we would expect this to lead to a higher drop off in customers and gas usage that could result in an accelerated and sharper increase in bills for customers that remain connected.

4. Electrification benefits

Our report suggests that South Australian households will benefit if all residential gas customers incrementally switch to electricity by 2035. The South Australian electricity network will be able to reduce their tariffs as a result of higher energy volumes from electrification, leading to lower bills. Gas customers are likely to face significant reductions in their bill from making the switch, but this would also require upfront investment in new electrical appliances.

Our modelling suggests that all South Australian electricity customers would have lower network electricity prices if all existing gas users switch by 2035.

4.1 Increase in electricity consumption and impact on revenue

The analysis shows that if all existing household gas customers switch to electricity, 6 million GJ of gas consumption would shift to electricity. On a straight conversion basis, electricity consumption would increase by 1,707GWh, about 45% of today's existing residential load of 3,645GWh. However, we have discounted the additional load by 60 per cent to 715GWh reflecting that customers would purchase energy efficient modern appliances.[8] Based on this calculation, electricity consumption would increase by about 20 per cent from 2026 to 2035 or about 2% per year.

We have assumed that SAPN would not need to undertake additional infrastructure to meet the increased loads. We note that hot water is a highly controllable load and could be moved to off-peak periods, noting that cooking would still likely occur in peak periods. We also assume there is likely to be spare capacity to meet any residual electrification that occurs in peak periods . We recognise that in some locations, the additional electrification load combined with electric vehicles may create the need for additional infrastructure.

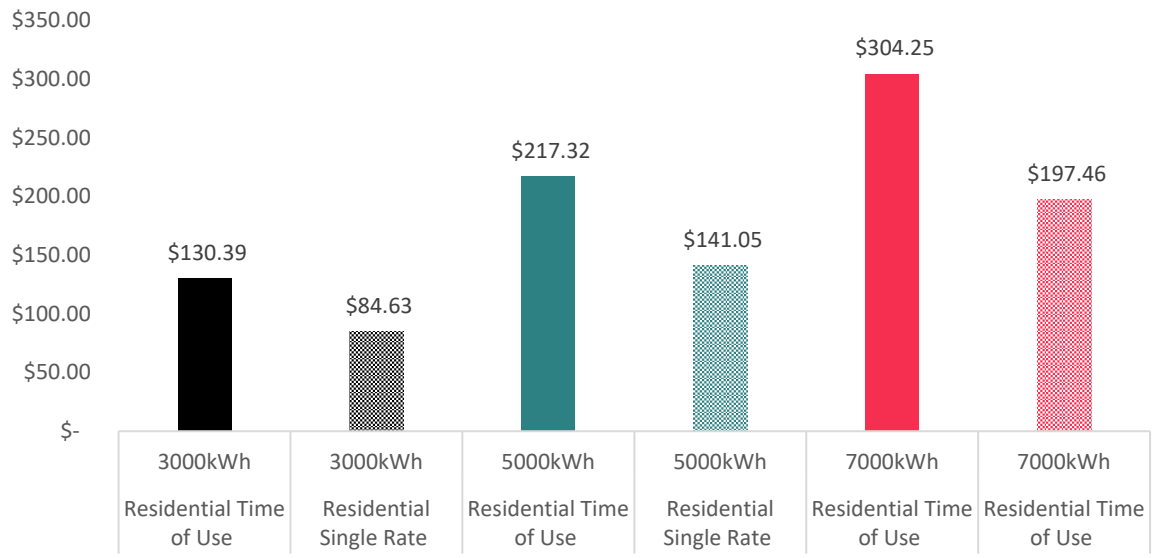
4.2 Electricity bill savings

The increased consumption means that SAPN can charge lower tariff rates for energy consumption for its residential time of use and flat tariff classes. This has a consequential impact on lowering electricity bills for all electricity customers.

Figure 7 shows that high consuming customers would make the most savings over the 10-year period. For a 5000kWh electricity customer, the cumulative savings over 10 years would be about $140 to $220 depending on their tariff structure. In total, we estimate that South Australian electricity customers would save over $150 million in the 10-year period.

[8] As discussed in section 1.3, while there is evidence to suggest significant energy efficiency from new electrical appliances, there is no literature on the presumed efficiency rate. We have examined a number of sources including Rewiring Australia to assume that the saving is about 60 per cent.

Figure 7 – Cumulative savings to current SAPN customers if all residential gas customers electrify by 2035 ($, real 2026)



We also examined the impact to individual gas user if they chose to switch to electricity. **Figure 8** shows that the individual customer would accrue significant savings. This is largely because the current gas user is very likely to currently be connected to electricity (already paying a fixed tariff) and would only be paying for an additional 2000kWh of electricity at a lower tariff rate. However, this analysis does not include the amortised cost associated with purchasing new electricity appliances. If gas appliances are replaced with efficient electric ones at end-of-life, the incremental costs would likely be negligible.

Figure 8 – Annual gas bill compared to electricity bill increase from electrification ($, real 2026)