

13 February 2026

Dr Kris Funston
Executive General Manager
Australian Energy Regulator

Via email: aergasresets2026-31@aer.gov.au

Dear Dr Funston,

Evoenergy's Access Arrangement 2026-31 – Evoenergy revised proposal

Energy Networks Australia (ENA) appreciates the opportunity to respond to the Australian Energy Regulator's (AER) request for submissions on Evoenergy's 2026-31 Access Arrangement revised proposal.¹

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA urges the AER to preserve the principles of the regulatory framework in its final decision, particularly as it responds to Evoenergy's revised proposal. A central feature of this proposal is Evoenergy's extensive, multi-year, consumer engagement program, which should be strongly considered in the final decision as it represents direct feedback from the community most affected by this determination. Evoenergy's transition raises several issues not yet faced at scale, and maintaining core regulatory considerations will effectively guide the AER's decision.

ENA encourages the AER to recognise and accommodate jurisdictional circumstances, enable Evoenergy a reasonable opportunity to recover its efficient costs, acknowledge Evoenergy's extensive customer engagement, ground its decisions in transparent evidence and analysis, and re-examine the application of the Capital Expenditure Sharing Scheme.

Jurisdictional circumstances

The future of gas networks across jurisdictions will not follow a single pathway. Each network faces distinct circumstances regarding demand trajectories, policy settings, customer demographics, and transition timelines. ENA encourages the AER to examine access arrangement proposals on a jurisdictional basis.

Evoenergy operates in a unique regulatory and policy environment. The ACT Government has established clear electrification targets and provides significant incentives for customer transitions away from gas. This creates an accelerated transition pathway and heightens stranding risk for the gas network. The geographic dispersion of disconnections means the network must continue to be maintained and operated in its entirety throughout the 2026-31 period, even as customer numbers decline on the path to the ACT government's stated goal of phasing out the use of gas by 2045.

Evoenergy's revised proposal seeks to accelerate depreciation for a more equitable share of network costs. Without appropriate accelerated depreciation, those least able to transition early, including customers facing financial hardship, renters, residents of multi-occupant dwellings, and businesses

¹ AER, Evoenergy's Revised Access Arrangement 2026-31, [Our-revised-five-year-gas-plan.pdf](#), January 2026

that rely heavily on gas, will be left paying a disproportionate percentage of network costs in the latter phases of the transition.

ENA encourages the AER to consider the appropriate tariff variation mechanism (TVM) for each network to reflect their circumstances, including the relative confidence/certainty over the demand forecast over the period.

Reasonable opportunity to recover efficient costs

A fundamental principle of the National Gas Law and National Gas Rules is that networks must have a reasonable opportunity to recover at least their efficient costs of providing regulated services. ENA is concerned that the combined effect of the AER's draft decision positions, on depreciation, demand, tariff variation mechanism, expenditure forecasts, including the Utilities Network Facilities Tax (UNFT), and the asymmetric Capital Expenditure Sharing Scheme (CESS), may deny Evoenergy this reasonable opportunity.

Evoenergy has obtained a legal opinion from the Hon. John Middleton AM KC addressing whether the AER's draft decision depreciation approach provides a reasonable opportunity to recover efficient costs in the context of an accelerating gas transition in the ACT.² This opinion, provided in Appendix 3.2 of Evoenergy's revised proposal, raises significant questions about the AER's application of the regulatory framework to declining networks.

When regulatory decisions set a path where networks will not have reasonable opportunity to recover their efficiently incurred costs, investment signals become distorted and intergenerational equity is compromised. These outcomes ultimately harm consumers, particularly those who remain dependent on gas supply.

ENA urges the AER to carefully consider whether its final decision provides Evoenergy with a reasonable opportunity to recover its efficient costs over the remaining economic life of the network, taking full account of the relevant context, customer feedback and evidence put before it.

Consumer engagement and the role of consumer feedback

Evoenergy conducted 12 community panel sessions, alongside engagement with other stakeholders including one-on-one discussions with retailers and targeted stakeholder consultations.³ This engagement provided participants time to deliver considered feedback on complex issues including depreciation methodologies and tariff variation mechanisms.

The engagement process was consistent with the Better Reset's Handbook fundamental premise: that consumer views should inform and influence regulatory outcomes. Evoenergy took significant measures to ensure participants understood the implications of different options and the community forums were appointed early in the process to allow meaningful input to proposal development.

ENA is concerned that the AER's draft decision may not have fully considered customer views obtained through this engagement process. The Consumer Challenge Panel's suggestion that "customers continued to struggle with their understanding" may not fully recognise the participation of customers who engaged in good faith over an extended period. It is concerning in-depth engagement in line with the Better Reset Handbook has been dismissed as customers continuing to not

² The Hon. John Middleton AM KC. (2026, January). *Appendix 3.2: Legal opinion on the AER's draft decision*. Evoenergy revised proposal supporting documentation.

³ Evoenergy, [Our revised five-year gas plan: Overview](#), January 2026.

understand with little evidence. The discounting of feedback from community forums is likely to undermine customer participation and confidence in the regulatory process and consequently weaken the foundational principles of the Better Resets Handbook.

ENA is also concerned that the AER's substitution of Evoenergy's demand forecast with a forecast based on historical trends may have understated the energy switching preferences of Evoenergy's customers. The application of historical trends to forecast future demand in a rapidly changing policy environment with stated targets for gas network transition, and the discounting of customer research findings without alternative customer evidence, raises questions about the evidence base being applied.⁴

Evidence base for decisions

ENA encourages the AER to provide more explanation and supporting detail and analysis in its draft and final decisions. This would help proponents and stakeholders follow the evidence and methods used for key decisions and build confidence in the rationale underpinning the AER's decisions. It is essential that the evidence base and rationale are clearly articulated as the energy transition progresses and the future of gas networks is uncertain.

In the draft decision for Evoenergy, several key positions appear to lack evidentiary justification or rely on broad assumptions. For example, the draft decision adopts asset lives extending beyond 2045 without clearly reflecting public commitments to decommission the network earlier. It also does not provide clear supporting analysis for the choice of a 4 per cent price path used to determine additional depreciation, including how this price path relates to the risk of unsustainable demand.

ENA is concerned that departures from transparent, evidence-based reasoning risk straying from the core principles of the regulatory framework. Ensuring that material decisions are grounded in clearly explained data, methodologies and customer insights will be critical not only for Evoenergy, but for all DNSPs as they navigate uncertainty in the gas network transition and their future investment decisions.

Application of the Capital Expenditure Sharing Scheme (CESS)

ENA notes that the AER's draft decision is to apply an asymmetrical CESS, one that penalises capital expenditure overspends but provides no rewards for underspends. ENA questions whether application of the CESS in this manner is consistent with the original intent established by the Australian Energy Market Commission (AEMC).

When the AEMC designed the CESS as part of the Better Regulation program, it considered and ruled out penalty-only incentive mechanisms. The AEMC determined that asymmetric schemes create perverse incentives and are inconsistent with efficient investment objectives.⁵ The standard CESS design balances rewards for efficient underspends with penalties for inefficient overspends, creating symmetric incentives that promote efficiency.

In the context of a declining gas network facing significant stranding risk, Evoenergy already has strong incentives to minimise capital expenditure to reduce future stranded asset exposure. An

⁴ Centre for International Economics. (2026, January). Appendix 2.2: Review of AER draft decision. Evoenergy revised proposal supporting documentation.

⁵ Australian Energy Regulator. (2025, November). Draft decision: Evoenergy access arrangement 2026-31 - Attachment 6: Capital expenditure sharing scheme, pp. 6-12. <https://www.aer.gov.au/industry/registers/access-arrangements/evoenergy-access-arrangement-2026-31/draft-decision>

asymmetric CESS that only penalises overspends further compounds this incentive asymmetry and may create perverse outcomes where necessary prudent investment is deferred or avoided.

Conclusion

The regulatory framework for gas networks must adapt to the realities of the energy transition while maintaining the fundamental principle of economic efficiency to promote long term customer interest. Evoenergy's revised proposal represents a considered response to these challenges, informed by customer engagement and supported by technical and legal analysis.

ENA urges the AER to:

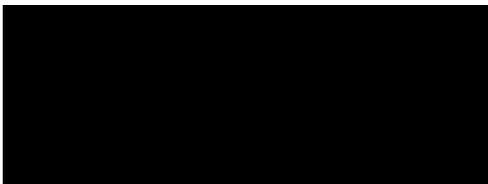
- Recognise and appropriately accommodate the specific jurisdictional circumstances facing Evoenergy's gas network,
- Ensure the final decision provides Evoenergy with a reasonable opportunity to recover its efficient costs,
- Give weight to the outcomes of Evoenergy's extensive customer engagement process, consistent with the Better Resets Handbook's principles,
- Ground decisions in transparent evidence and analysis, and
- Apply the CESS consistent with AEMC design principles if it is to be applied at all.

The final decision for Evoenergy will have implications beyond this single access arrangement. It determines Evoenergy's opportunity to recover its costs as the transition progresses and determines the equitable nature of doing so. More broadly, it will signal to all electricity and gas networks how the regulatory framework responds to the changes underway through the energy transition, how seriously consumer engagement is taken, and whether foundational regulatory principles are maintained during periods of change.

ENA supports Evoenergy's revised proposal and encourages the AER to carefully consider the principles-based concerns raised in this submission as it develops its final decision.

If you wish to discuss any of the matters raised in this letter further, please contact Russell Pendlebury, General Manager, Regulation and Policy 

Yours sincerely,



Russell Pendlebury
General Manager Policy and Regulation