

Our Ref: AER24008741
Contact Officer: [REDACTED]
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Ms. Megan Willcox
General Manager, Economic Regulation
Evoenergy

Dear Megan

Re: Evoenergy information request

Thank you for your letter.

Following Evoenergy's presentation to the Australian Energy Regulator (**AER**) Board on 29 Thursday 2026 (**the meeting**), Evoenergy made a written request on 2 February 2026 for AER internal staff analysis (**the analysis**) that informed our draft decision, that Evoenergy considers it was not made aware of before the meeting.

The AER's role

Our role as economic regulator is to ensure consumers pay no more than necessary for safe and reliable energy, and we promote efficient supply and use of energy.

We determine the regulated revenues of scheme gas distributors every 5 years via an incentive-based regulatory framework incorporating a 'building block' assessment of access arrangement proposals, with allowances for operating costs, return on capital (the rate of return), return of capital (depreciation) and tax. Underlying the return on and of capital is our assessment of proposed capital expenditure. Linked to our opex and capex determinations are our decisions on the application of incentive schemes. We also determine the structure of gas network tariffs and the form of regulation applied to scheme gas distributors, the tariff variation mechanism.

Transparency is fundamental to this process, and we endeavour to publish all proposals and revisions submitted by network service providers as soon as possible on the AER website to ensure parties can participate in our decision-making process. All proposal material, public submissions and other materials provided to us are carefully considered in the process of making our draft and final decisions, and our reasons set out in our Overview, attachments and supporting documents (including but not limited to models, and consultants' reports).

Under Rule 59(4) of the National Gas Rules (**NGR**) the AER must, when making an access arrangement draft decision, include a statement of reasons for the decision. Our draft decision complies with the NGR in this and all other respects.

The reasons for our draft decision, published on 28 November 2025, in relation to the '4% base real network price increase limit' are highlighted in the AER's [Overview, Draft decision – Evoenergy \(ACT\) 2026–31](#) and discussed in further detail in section 1.2.4 of our [Draft decision - Evoenergy access arrangement 2026–31 - Attachment 1 - Capital base, Regulatory depreciation and Corporate income tax](#).

Modelling relating to declining demand and accelerated depreciation

The reference during the meeting to long term modelling by the AER arose in the context of Evoenergy's critique of the AER's draft decision on accelerated depreciation, and the potential long-term impact of accelerated depreciation on prices, demand and capital base recovery.

In 2024, the AER undertook, for internal use, long-term scenario modelling to inform our understanding of the sensitivities and implications of declining demand and depreciation profiles on capital base recovery and long-term prices for most of the gas distribution networks we regulate (**2024 modelling**). The 2024 modelling, as it relates to Jemena Gas Networks (NSW) (**JGN**), was used to inform our access arrangement draft decision for JGN, published in November 2024: see Attachment 4, pages 15-16, and the final decision, published in May 2025: see Attachment 4, pages 19-20.¹

To the extent that the 2024 modelling is relevant to Evoenergy, by the second half of 2025, during our consideration of Evoenergy's access arrangement proposal, the 2024 modelling no longer incorporated the latest available data. During that period, we produced updated modelling of long-term price scenarios relating to Evoenergy (**2025 modelling**). The 2025 modelling was based on the long-term PTRM model (confidential) submitted by Evoenergy with its access arrangement proposal. The 2025 modelling is cited and discussed in Attachment 1 of our access arrangement draft decision at pages 22-24.²

On 28 November 2025, following the publication of our draft decision, Evoenergy requested the model/s used to produce the long-term price scenarios presented in Attachment 1, Figure 1.3 and the Frontier Economics' demand model, to support the development of Evoenergy's revised proposal.

On 3 December 2025, staff provided via email the 2025 modelling, being the long-term model used to produce the long-term scenarios presented in Attachment 1, Figure 1.3, as requested by Evoenergy. Staff outlined in the email to Evoenergy:

The analysis was based on the long-term PTRM model submitted by Evoenergy as part of its initial proposal. As discussed in our draft decision, on the issue of the declining demand and its impact on prices, we consider customers should be presented with a range of declining demand scenarios including their associated price impacts. This is to ensure customers have a comprehensive understanding of how long-term gas prices depend on both the trajectory and pace of demand reduction. Where there is any partial or full shutdown of the network, we also consider that any long-term modelling of prices should include some amount of decommissioning costs to factor in the potential impact of these costs on prices.

We also note that on 4 December 2025, AER staff emailed Frontier Economics' demand model. The demand model included data from Evoenergy's model as inputs.

¹ AER, [Final decision - JGN access arrangement 2025–30 - Attachment 4 - Regulatory depreciation](#), May 2025.

² AER, [Draft decision - Evoenergy access arrangement 2026–31 - Attachment 1 - Capital base, Regulatory depreciation and Corporate income tax](#), November 2025.

We did not rely on the 2024 modelling in making our access arrangement draft decision for Evoenergy, other than as general background informing the AER's broader understanding of the implications of declining demand on long-term prices. In Attachment 1 (page 22) our reasoning behind Evoenergy's long-term price stability outcome noted:

We are not persuaded that Evoenergy's proposed 'sum-of-the-years' digits depreciation method will improve intergenerational equity by delivering long-term price stability and predictability. In our JGN 2026–31 final decision, we have noted the limitations of accelerated depreciation as a tool for reducing asset stranding risk. We considered that declining demand is ultimately the key driver of rising future network prices. So long as demand continues to decline, no affordable amount of accelerated depreciation will be able to achieve long-term price stability. We note that the long-term price stability outcome is a key difference of focus between Evoenergy's modelling and various long-term modelling findings submitted by the Victorian and NSW gas distribution networks, ECA's consultant and our long-term modelling which projected unsustainable escalating long-term gas prices in a future scenario of declining demand.

Nevertheless, in response to your request, we **attach** the Excel workbook from the 2024 modelling as it relates to Evoenergy (see attached file 'Evoenergy – long term modelling scenarios – internal.xlsx'). As the 2024 modelling was not produced for external presentation, the Excel workbook is not accompanied by a report or other explanatory materials.

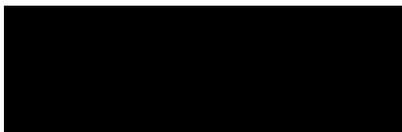
As we are now providing the Excel workbook from the 2024 modelling to you, for the sake of transparency, we will also publish this material on our website, along with your letter and this response. We would also ask that Evoenergy provide a public version of its 2025 modelling to accompany this material. If Evoenergy has any objection to this, please let us know as soon as possible.

Consideration of any submission made by Evoenergy

We do not consider that the 2024 modelling is new information for the purpose of understanding the reasoning and analysis of our decision, but additional background information.

You requested an extension of time until 19 March 2026 to make a further submission. Submissions close on 13 February 2026. We cannot allow an extension to 19 March as this would not allow us sufficient time to consider any further submission and finalise our access arrangement final decision. We will accept and consider further submissions by Evoenergy relating to the subject matter of this correspondence that are received by close of business on Friday, 27 February 2026.

Yours sincerely



Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator

Sent by email on: 10.02.2026