

April 2026

## Statement of reasons: Jemena Gas Networks Annual Tariff Variation

The AER approves Jemena Gas Networks' (JGN) 2026–27 tariff variation notice, containing tariffs commencing on 1 July 2026. JGN's approved tariffs are set out on [our website](#).

### Estimated network cost movements

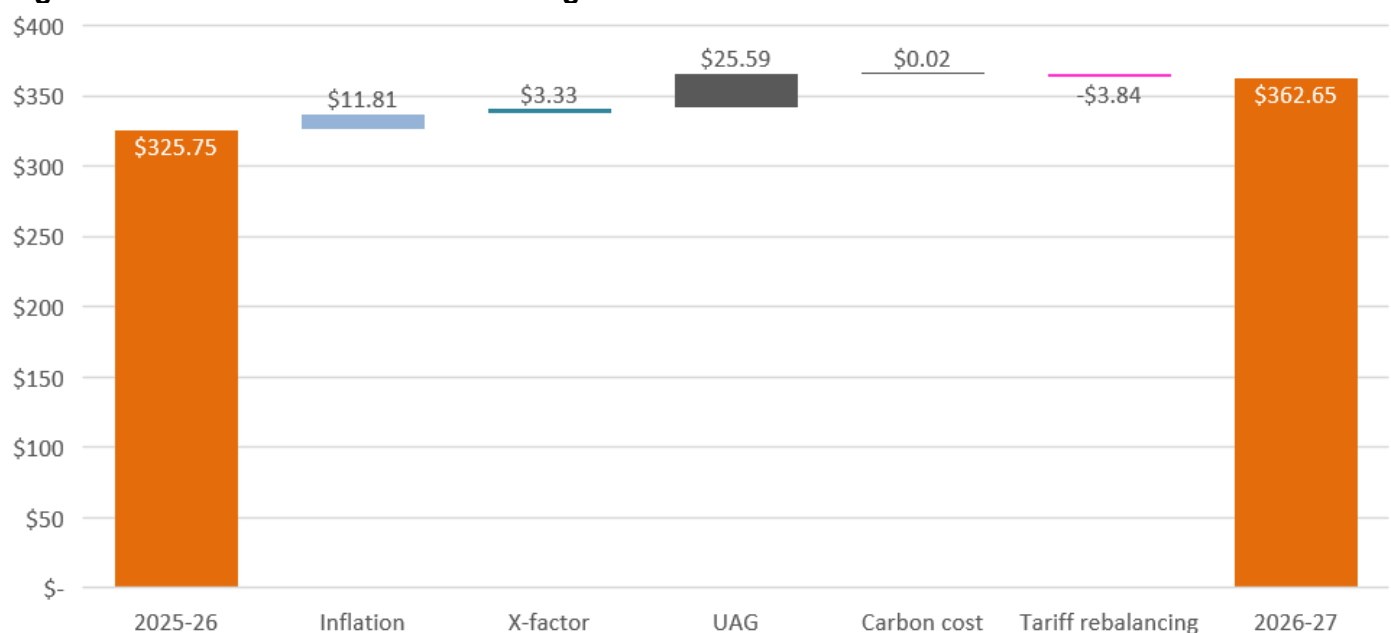
We have estimated the average network cost movement for JGN's volume tariffs, which are what it charges its residential and commercial customers consuming less than 10 TJ per year (most of its customers). For JGN's volume small tariff customers we estimate an average cost movement in 2026–27 of \$36.90 and for its volume large customers an average cost movement of \$1,007.77.

The network cost movements reflect an increase in revenue that JGN is allowed to recover in 2026–27. The increase in revenue is driven by recoverable costs for unaccounted for gas being higher than forecast, inflation and the real price path set in the 2025–30 Access Arrangement. The proposed tariffs also take into account tariff rebalancing. These key drivers can be seen in Figures 1 and 2.

While the price movements vary for different tariff categories, we found that the price movements are consistent with the mechanisms set in JGN's 2025–30 Access Arrangement, in particular the principles and formulae set out in Section 3 and Schedule 4.

Gas retailers ultimately determine how these underlying network tariffs are reflected in the retail prices offered to customers. Distribution charges make up approximately a third of the retail bill.

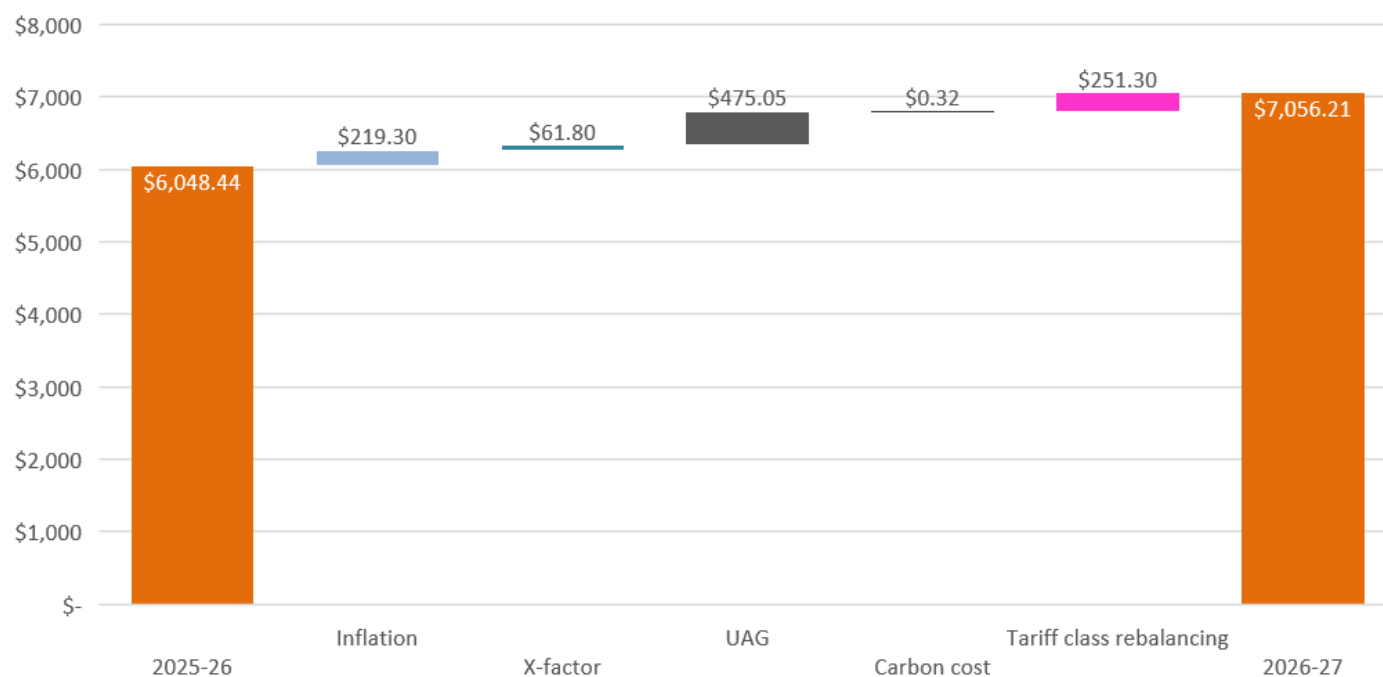
**Figure 1 Volume small tariff: Average annual network cost movement**



Source: AER analysis; JGN's 2026–27 tariff variation notice.

Note: The above analysis assumes annual gas usage of 16.7 GJ based on JGN's 2026–27 tariff variation. Based on how JGN profiles its block structure, this average usage represents residential cooking, hot water and heating. The X-factor column refers to the real price path set in the 2025-30 Access Arrangement and the annual update to rate of return. The tariff rebalancing column reflects how JGN balanced its weighted average price cap across its tariffs at the assumed gas usage.

**Figure 2 Volume large tariff: Average annual network cost movements**



Source: AER analysis; JGN's 2026–27 tariff variation notice.

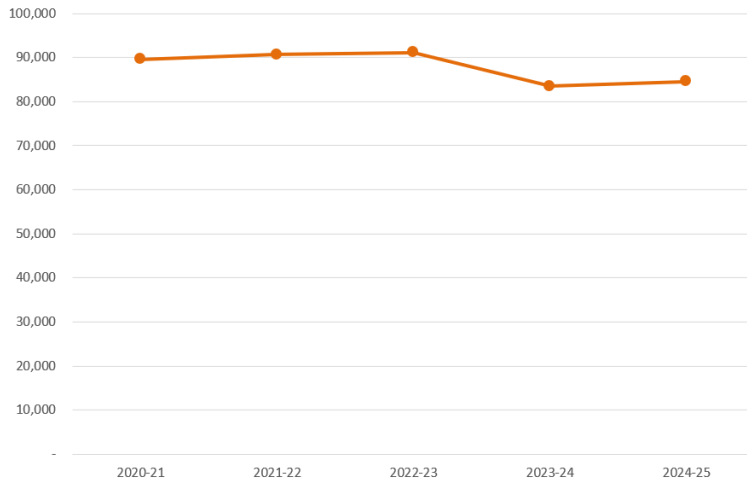
Note: The above analysis assumes annual gas usage of 885.2 GJ based JGN's 2026–27 tariff variation. Based on how JGN profiles its block structure, the average gas usage above represents heating and small commercial load. The X-factor column refers to the real price path set in the Access Arrangement and the annual update to rate of return. The tariff rebalancing column reflects how JGN balanced its weighted average price cap across its tariffs at the assumed gas usage.

Actual bill impacts for individual customers will vary from our estimates as customers may be on different tariffs (which may differ based on geographic location) or consume different amounts of energy from our assumptions.

### *Demand*

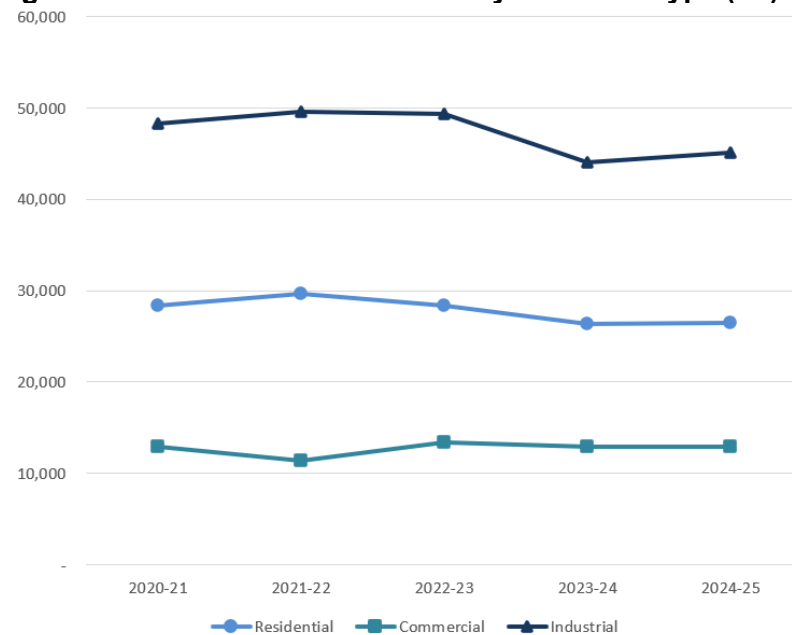
Gas demand increased by 1.3% from 2023–24 to 2024–25, as seen in Figure 3. This was largely driven by the industrial sector, shown in Figure 4. Because the mechanisms in the Access Arrangement use the most recent actual quantities (2024–25) to determine prices, information on estimated (2025–26) or forecast (2026–27) demand is not shown in the charts below.

**Figure 3 Total Demand (TJ)**



Source: JGN's 2026–27 tariff variation notice.

**Figure 4 Demand breakdown by customer type (TJ)**



Source: JGN's 2026–27 tariff variation notice.

### Hybrid mechanism

Gas distributors operate under a weighted average price cap, which caps the average increase in prices for each tariff from one year to the next. Under this mechanism, prices for different services may adjust each year by different amounts—for example, some prices may rise while others may rise by a smaller amount, or even fall, subject to the weighted average price cap. So, a small price increase of a popular service would need to be offset by a large price decrease of an infrequently provided service. Even within a tariff, gas distributors decide which fixed and variable charges are to be adjusted to remain compliant with the weighted average price cap. The distributor complies

with this constraint by setting prices so the change in the weighted average price is equal to or less than the CPI – X cap. Since the emissions reduction element was included in the National Gas Objective (NGO) we have been reviewing this approach.

Under its 2025-30 Access Arrangement JGN operates under a hybrid mechanism that combines this weighted average price cap with a revenue true-up. Once actual volumes, and hence revenue, for a given year are observed (with a two-year lag), the difference between JGN's actual revenue and its allowed revenue for that year is determined. This difference is shared 50/50 with customers, outside a 5% band. This means customers would only be impacted by half of any changes above or below the 5% volume band. As 2025–26 is the first year of the hybrid arrangement, actual volumes for that year have not yet been observed, and the revenue true-up does not apply to 2026–27 pricing. The first true-up will flow through to 2027–28 pricing once 2025–26 actual volumes are available.

### *Flattening block tariffs*

Gas network distributors have historically applied a declining block method of pricing to tariffs. Under declining block tariff structures the haulage price for the first ‘block’ of gas consumed by a customer is set higher than the price for subsequent blocks. As customers consume progressively more gas within a billing period, they meet the threshold between blocks and pay progressively lower per unit prices for haulage.

Since an emissions reduction element was included in the NGO, JGN was required to move away from the declining block structure. This is because it is considered to promote the use of gas and is in conflict with the emissions reduction element of the NGO.

Figure 5 demonstrates JGN’s volume small and large tariff block pricing and details how movements are applied over different charging components. JGN is incrementally flattening its Block 2-4 tariffs, consistent with the AER’s final decision on JGN’s 2025–30 Access Arrangement.

**Figure 5 Volume small and large tariffs: Changes in fixed and variable charges for 2026–27**

Volume small (monthly blocks)		Volume large (monthly blocks)	
Fixed charge	\$82.00/yr (+17.1%)	Fixed charge	\$380.00/yr (+0.0%)
Block 1: First 0.63 GJ	\$26.19/GJ (+13.4%)	Block 1: First 25.00 GJ	\$7.82/GJ (+20.3%)
Block 2: Next 0.62 GJ	\$9.40/GJ (+2.2%)	Block 2: Next 58.33 GJ	\$7.40/GJ (+16.5%)
Block 3: Next 1.50 GJ	\$7.60/GJ (+0.4%)	Block 3: Next 333.33 GJ	\$7.25/GJ (+16.9%)
Block 4: Additional GJ	\$7.60/GJ (+2.7%)	Block 4: Additional GJ	\$7.25/GJ (+19.8%)

Source: JGN’s 2026–27 tariff variation notice.