

May 2026

Statement of reasons: Australian Gas Networks (Victoria and Albury) Annual Tariff Variation

The AER approves Australian Gas Network’s (Victorian and Albury) (AGN) 2026–27 tariff variation notice which contains tariffs which will commence on 1 July 2026. AGN approved tariffs are set out on [our website](#).

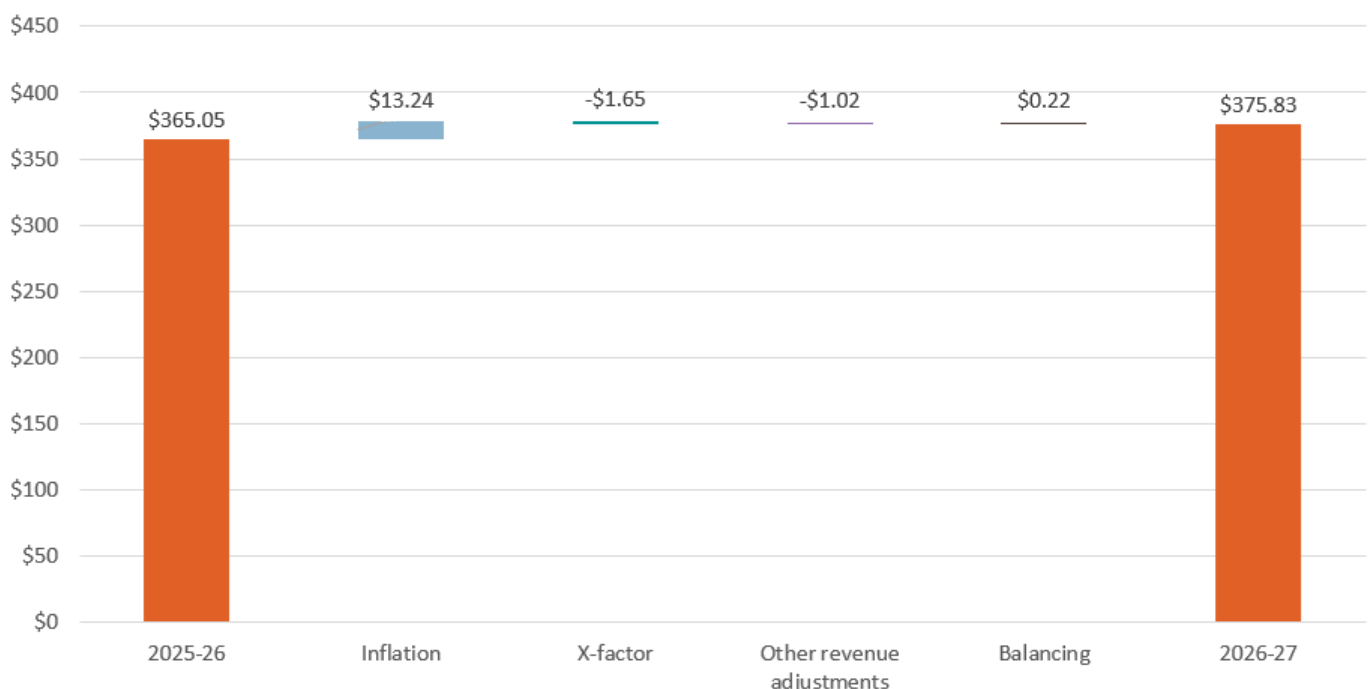
Estimated network cost movements

We have estimated the average network cost movement for AGN customers to be an increase of \$10.78 for residential customers and \$50.97 for small business customers in 2026-27 compared to 2025-26. This is for the average customer in the most populous tariff zone, which for residential customers is Tariff R Residential, Central and for small business Tariff C Non-Residential, Central.¹

The network cost movements reflect an increase in revenue that AGN is allowed to recover. The increase in revenue is predominantly due to inflation. It is partially offset by the real price path set in the 2023-28 Access Arrangement and the abolishment true-up amount. These 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 AGN’s 2023–28 Access Arrangement, in particular the principles and formulae set out in Section 4 and Annexure D of the access arrangement.

Figure 1 Residential: Average annual network cost movement



¹ See the notes for Figures 1 and 2 for more details.
Australian Energy Regulator

Source: AER analysis; AGN 2026–27 tariff variation notice.

Note: The above analysis is for Tariff R Residential, Central (which has the greatest number of residential customers) and assumes annual gas usage of 33.6 GJ based on the most recent data reported in AGN's 2026–27 tariff variation. The X-factor column refers to the real price path set in the 2023-28 Access Arrangement and the annual update to rate of return. The balancing column reflects changes in demand over time and how AGN balanced its weighted average price cap across its tariffs at the assumed gas usage.

Figure 2 Small business: Average annual network cost movement



Source: AER analysis; AGN 2026–27 tariff variation notice.

Note: The above analysis is for Tariff C Non-Residential, Central (which has the greatest number of small business customers) and assumes annual gas usage of 350.2 GJ based on the most recent data reported in AGN's 2026–27 tariff variation. The X-factor column refers to the real price path and the annual update to rate of return. The balancing column reflects changes in demand over time and how a distributor balanced its weighted average price cap across its tariffs and its fixed and variable charges at the assumed gas usage.

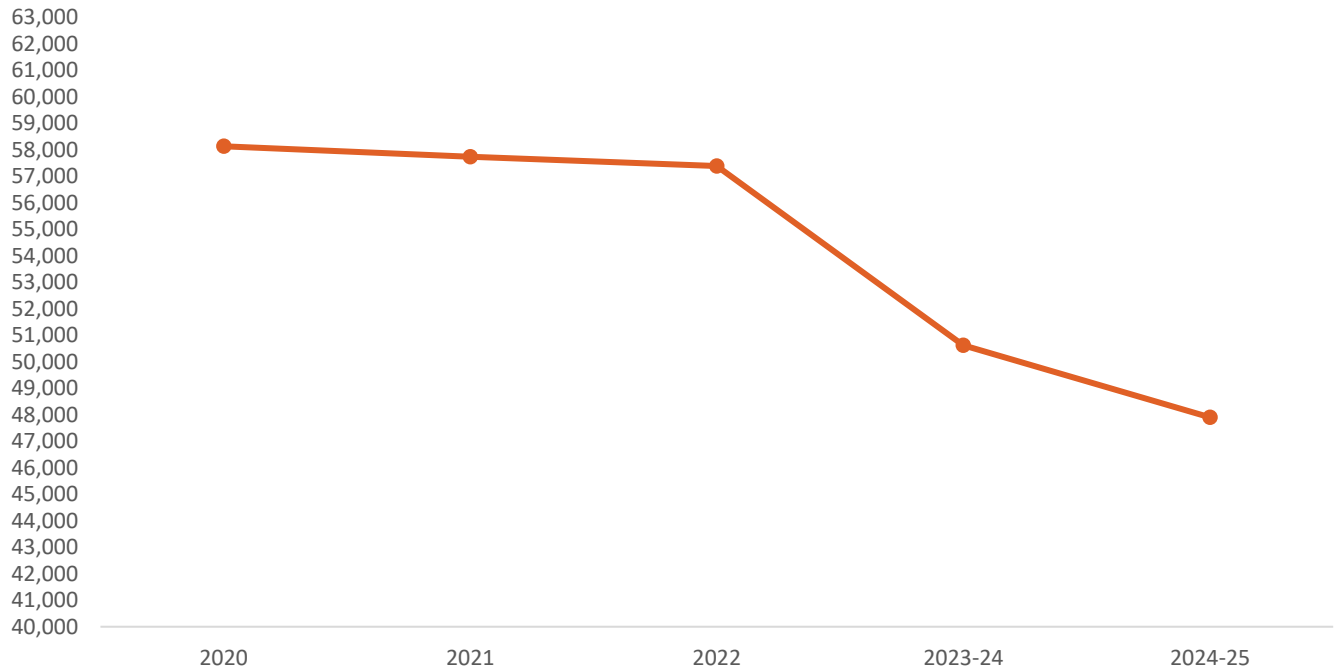
We note gas retailers ultimately determine how these underlying network tariffs are reflected in the retail prices offered to customers. Distribution charges make up approximately a third of the retail bill.

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. Our bill impact analysis is based on the residential and small business tariffs with the highest number of customers.

Demand

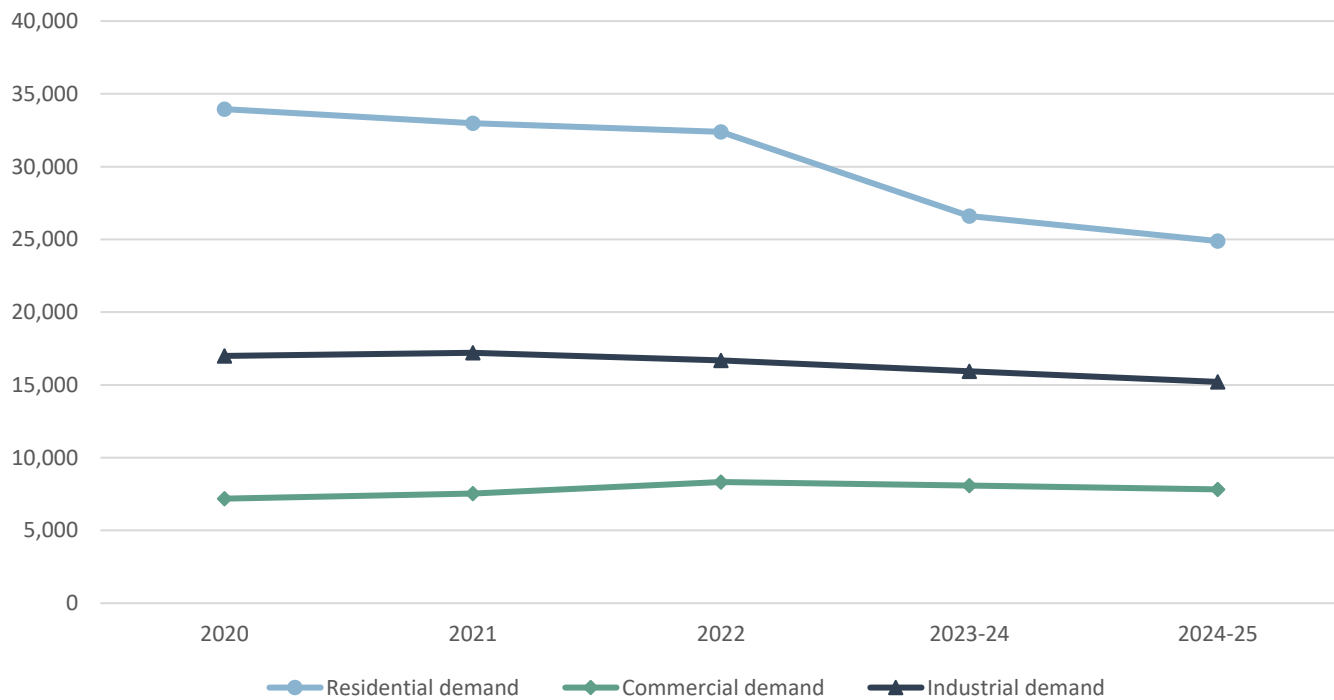
Gas demand declined by 5.4% from 2023–24 to 2024–25, as seen in Figure 3. This was largely driven by the residential sector, shown in Figure 4. Because the weighted average price cap variation mechanism in the Access Arrangement uses the most recent actual quantities (2024–25) to determine prices, information on estimated (2025–26) or forecast (2026–27) demand is not provided and therefore not shown in the charts below.

Figure 3 Total Demand (TJ)



Source: AGN 2026–27 tariff variation notice.

Figure 4 Demand breakdown by customer type (TJ)



Source: AGN 2026–27 tariff variation notice.

Price caps

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.

Declining block tariffs

AGN applies a declining block method of pricing to its 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. Figure 5 demonstrates this declining block pricing, and details how movements are applied over different charging components in AGN’s ‘Central’ residential and non-residential small business tariff (which have the most customers).

Figure 5 Residential and small business: Changes in fixed and variable charges for 2026–27

Residential ¹ (daily blocks)		Small business ² (daily blocks)	
Fixed charge	\$0.22/day (+4.6% change)	Fixed charge	\$0.22/day (+4.6% change)
0 – 0.0274 GJ/day	\$16.2/GJ (+4.6%)	0 – 0.05 GJ/day	\$11.46/GJ (+4.6% change)
0.0274 – 0.0493 GJ/day	\$8.70/GJ (No change)	0.05 – 0.55 GJ/day	\$4.74/GJ ((+4.6% change)
>0. 0493	\$3.97/GJ (No change)	0.55 – 1.37 GJ/day	\$3.13/GJ (No change)
		>1.37 GJ/day	\$1.26/GJ (No change)

Source: AGN 2026–27 tariff variation notice.

1. Tariff R Residential, Central.
2. Tariff C Non-Residential, Central.