

Final decision

Evoenergy (ACT) access arrangement 2026 to 2031

(1 July 2026 to 30 June 2031)

Overview

May 2026

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This overview forms part of our final decision on the access arrangement that will apply for 1 July 2026 to 30 June 2031 (2026–31 period) for Evoenergy. It should be read with all parts of our final decision.

A number of issues were settled at the draft decision stage or required only minor updates so that detailed attachments to this final decision are not needed. Where this is the case, our draft decision reasons form part of this final decision. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision.

The final decision includes the following documents:

- Attachment 1 – Capital base, regulatory depreciation and corporate income tax
 - Appendix A – Regulatory depreciation
- Attachment 2 – Capital expenditure
- Attachment 3 – Operating expenditure
- Attachment 5 – Reference services, tariffs and non-tariff components
 - Includes: Services covered by the access arrangement, reference tariff settings, reference tariff variation mechanism, and non-tariff components
- Attachment 6 – Capital expenditure sharing scheme
- Attachment 7 – Efficiency carryover mechanism

Executive summary

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable and affordable energy future for Australia as we transition to net zero emissions. The regulatory framework governing gas transmission and distribution networks is the National Gas Law and Rules (NGL and NGR). Our work is guided by the National Gas Objective (NGO).

As a regulated business, the Australian Capital Territory (ACT) gas distribution network service provider Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd [ABN 76 670 568 688] (Evoenergy) must periodically apply to us for a determination on network charges. This is submitted in the form of an access arrangement specifying the services it will provide, the tariffs for those services, and the other terms and conditions on which they will be provided.

On 30 June 2025, Evoenergy submitted its access arrangement proposal for the period of 1 July 2026 to 30 June 2031 (2026–31 period). We have now consulted on that proposal, our draft decision and a revised proposal (received 14 January 2026) from Evoenergy in response to our draft decision.

We do not approve Evoenergy's revised access arrangement and this is our final access arrangement decision (final decision) that will apply to Evoenergy for the 2026–31 period. The reasons for our decision are outlined in this Overview and corresponding attachments.

Our final decision

Our final decision is to allow Evoenergy to set gas network charges resulting in the recovery of an expected \$412.8 million (\$ nominal, smoothed) in revenue from consumers for the 2026–31 period. This is a decrease of \$42.2 million (9.3%) from Evoenergy's revised proposal.

We estimate this will increase the distribution component of the typical annual gas bill for a residential customer by an average of \$43 per annum, and for a small business customer by an average of \$436 per annum (\$ nominal).

The impact of our decision, compared with the current access arrangement period (2021–26), is an increase of \$8.6 million (2.3%) in real smoothed revenue. There are several drivers of this outcome. These include a higher allowed rate of return, increased regulatory depreciation from the reduced asset lives for pipeline assets, and higher carryover amounts arising from incentive schemes in the 2026–31 period compared with the 2021–26 period. However, these increases are partially offset by a lower forecast operating expenditure (opex) amount for the 2026–31 period relative to the 2021–26 period.

Future gas demand uncertainty

The national gas regime was developed at a time when the gas market was growing and was expected to continue to expand. It is now quite different, with gas consumption declining and expected to continue to fall across the residential and small commercial sectors.¹

¹ AEMO, [2026 Gas Statement of Opportunities](#), Australian Energy Market Operator, March 2026, p. 23.

As observed in the Australian Energy Market Operator’s (AEMO) *2026 Gas Statement of Opportunities* (GSOO) report, forecast future declining demand is reflecting fewer active connections and the impact of projected electrification in response to market and policy drivers, which includes the impact of bans on new connections like in the ACT.²

Our draft decision recognised the ACT Government’s commitment to achieve net zero emissions by 2045 and transition away from natural gas.³ Navigating the transition to full electrification creates challenges that require gas networks to consider how key components of an access arrangement may impact customers now and in the future.

We heard from stakeholders, including Evoenergy and its community forum, some concern and disappointment that their feedback on its 5-year gas plan had not been sufficiently reflected in the draft decision.⁴

We recognise the individual circumstances of each network business. Throughout this process we have considered the significant challenges faced by Evoenergy as it has worked to develop a proposal that is fit for purpose not only for the 2026–31 period, but as it transitions to 2045.

Our assessment of Evoenergy’s revised proposal

Ensuring consumers pay no more than necessary for safe, reliable and secure supply is at the heart of our role.

Where network businesses have engaged with consumers to identify the outcomes that are important to them, our role is to carefully assess whether the access arrangement submitted promotes efficient investment in, and operation and use of, natural gas services for the long-term interests of consumers in terms of price, quality, safety, reliability and security of supply.

Our decision looks to balance Evoenergy’s reasonable opportunity to recover its efficient investment costs with the impact of accelerated depreciation on consumer prices.

Our decision has accepted Evoenergy’s revised proposal to reduce the standard and remaining asset lives for high- and medium-pressure pipeline asset classes to 19 years. However, we have not accepted Evoenergy’s additional \$35 million accelerated depreciation beyond that arising from the reduced asset lives.

We have also accepted Evoenergy’s revised proposal demand forecast. Consistent with AEMO’s GSOO, forecast demand is declining over the 2026–31 period, leading to a material increase in network prices compared with the 2021–26 period in order to recover the allowed revenues. Our final decision results in average real network price increases of 5.6% (or 8.2% in nominal terms) per annum.

Had we accepted Evoenergy’s revised proposed \$35 million of additional accelerated depreciation, the real network price increases would be materially higher at around 8.6% per annum (or 11.4% in nominal terms), resulting in a cumulative real network price increase of nearly 50% (or 70% in nominal terms) by the end of the 2026–31 period. In this context, providing accelerated depreciation beyond reduced asset lives would place further upward

² AEMO, *2026 Gas Statement of Opportunities*, March 2026, p. 23.

³ AER, [Draft decision - Evoenergy access arrangement 2026–31 – Overview](#), November 2025, pp. v–vi.

⁴ Evoenergy, *Attachment 1 Revised plan engagement report*, January 2026, pp. 5–6.

pressure on prices. In the circumstance that aligning asset lives to 2045 provides Evoenergy with a reasonable opportunity to recover its efficient costs over the expected economic life of its network, we do not consider it appropriate to impose higher prices on consumers through further accelerated depreciation beyond that arising from the reduced asset lives.

Our draft decision did not accept Evoenergy’s proposed approach to recover jurisdictional charges through the tariff variation mechanism. We instead included these costs in Evoenergy’s forecast operating expenditure (opex) consistent with our standard approach, providing transparency and better aligning with the overarching incentive-based regulatory framework.

Evoenergy accepted our draft decision to include jurisdictional charges in total forecast opex. However, it accepted it as an opex category-specific forecast, excluded from the efficiency carryover mechanism.⁵ Evoenergy also proposed a true-up factor relating to its jurisdictional charges to manage uncertainty where these charges vary from year to year.

Our final decision on Evoenergy’s total forecast opex is \$171.0 million (\$2025–26), a reduction of \$4.4 million (–2.5%) from its revised proposal, largely reflecting our lower forecast of output growth. We recognise that jurisdictional charges constitute a significant proportion of Evoenergy’s total opex and we have accepted the proposed category-specific forecast, but we have not accepted the proposed true-up factor. We have instead accepted the proposed tax change event cost pass through to address any material variation in these costs. If there is a material change in the cost of relevant taxes and levies in the 2026–31 period, Evoenergy may apply to pass through this change in costs to network users.

Our final decision approves total capital expenditure (capex) forecast of \$31.4 million (\$2025–26), a reduction of \$1.6 million or 4.8%, reflecting our decision on lower forecast overheads. We recognise Evoenergy’s revised proposal capex is a significant reduction from its actual/estimated capex for the 2021–26 period (\$17.4 million or 34.5%). This aligns with the winding down of its network and the ACT Government’s policy to phase out the gas network to meet its net zero emissions target by 2045.

Demand forecasts are a critical input into key elements of an access arrangements review, including for tariffs, capex and opex and accelerated depreciation. We also understand that demand forecasting is inherently uncertain, as discussed in our 2023 issues paper on the review of gas distribution network tariffs. While this review noted that uncertainty in forecasting and weighted average price caps had seen revenue over-recoveries retained by distributors, it highlighted the impact initial demand forecasts can have on revenues in a regulatory period.⁶

Under the current regulatory framework, tools – such as cost pass throughs and the tariff variation mechanism – exist to manage uncertainty. For example, a hybrid tariff variation mechanism, first approved in the Jemena Gas Networks decision, manages demand uncertainty by assigning some volume risk between the business and customers.⁷

Evoenergy initially proposed a revenue cap tariff variation mechanism, which operates by truing up over time any differences between forecast and actual demand – allowing tariff

⁵ Evoenergy, *Attachment 5: Operating expenditure 2026–31*, January 2026, p. 7.

⁶ AER, [Issues paper - Review of gas distribution network reference tariff variation mechanism and declining block tariffs](#), May 2023.

⁷ AER, [Final decision - JGN access arrangement 2025–30 – Overview](#), May 2025.

prices to adjust to enable recovery of target revenues. Our draft decision instead set out our reasoning for Evoenergy to submit a hybrid tariff variation mechanism, which we consider better moderates potential year-on-year tariff volatility in a period of uncertainty (which can be a feature of revenue cap regulation).

While Evoenergy maintains that a revenue cap best reflects its community’s priority that customers pay no more (or less) than the efficient costs of providing safe and reliable gas pipeline services, its revised proposal included a hybrid tariff variation mechanism with a 2% revenue sharing threshold and a 50:50 sharing ratio.⁸

We recognise Evoenergy’s community forum preference supported a 50:50 revenue sharing hybrid, considering it was the fairest option with equally shared risk between customers and Evoenergy. However, consumer support alone does not guarantee any one or more of the assessment criteria have been met in respect of a gas network’s access arrangement.

We consider that our final decision to accept Evoenergy’s revised hybrid tariff mechanism but instead require a 5% threshold still reflects the community forum’s overall preference to share demand risk between customers and Evoenergy.

Under a hybrid tariff variation mechanism, Evoenergy considered that its risk exposure is a product of the accuracy of the final demand forecast approved. As already noted, our final decision accepts Evoenergy’s revised proposal demand forecast for volume tariff customers (residential and most business customers).

This forecast combines an average of our draft decision forecast and the updated demand forecast from Evoenergy’s consultant, the Centre for International Economics’ (CIE). While our draft decision did raise some concerns in relation to CIE’s forecast, we consider Evoenergy’s revised proposal has addressed these issues.

For future access arrangements, we would continue to invite Evoenergy to consider how a well-designed customer survey could be an input into volume tariff forecasts. We expect that this engagement is supported by rigorous and robust analysis and that consumers are presented with unbiased information necessary to meaningfully participate.

Accelerated depreciation of gas network assets

Since our 2021 *Regulating gas pipelines under uncertainty* information paper (2021 information paper), we have consistently identified declining demand to be the key driver of rising future network prices. Our recent access arrangement decisions have also continued to highlight that, so long as demand continues to decline, no affordable amount of accelerated depreciation will achieve long-term price stability or mitigate significant increases in network prices over time.⁹

Accelerated depreciation has inherent limitations and cannot, on its own, resolve the challenges faced by the gas networks and customers from structural declining demand. While it can be used as a tool to reduce the magnitude of stranded asset risk, it does not alter the underlying drivers of declining utilisation, such as improved energy efficiency,

⁸ Evoenergy, [Our revised five year gas plan](#), January 2026, p. 28.

⁹ AER, [Regulating gas pipelines under uncertainty information paper](#), November 2021; AER, *Final decision - JGN access arrangement 2025–30 - Overview*, May 2025.

shifting consumer preferences towards electrification and government policies and incentives.

Evoenergy submitted that its initial proposal on accelerated depreciation will enable longer-term price path stability and a more equitable transition pathway to 2045, while acknowledging that this approach comes at the cost of higher short-term prices.¹⁰ However, our draft decision did not accept the proposed accelerated depreciation of \$105 million (\$2025–26) and instead determined a reduced amount of \$47 million for the 2026–31 period.

Evoenergy’s revised proposal expressed concern at our draft decision, stating it disregarded community feedback and customer research and did not align with the ACT Government’s net zero transition. Evoenergy also contended that our draft decision reflected a short-term view, which will lead to an inequitable and unsustainable transition for ACT and NSW customers, and an inability for Evoenergy to recover its costs.¹¹

We understand Evoenergy’s concerns and recognise the extensive work it had done in developing an initial proposal that considered alternative methods for managing the transition, including understanding its customer preferences. We also acknowledge the concerns of Evoenergy’s customer forum, who also expressed some disappointment with our draft decision.

Stakeholder submissions provided divergent views on accelerated depreciation. Stakeholders expressed some support for accelerated depreciation in response to declining demand, while others questioned the basis for the draft decision’s approach on accelerated depreciation or argued that accelerated depreciation primarily transfers stranded asset risk from networks to consumers. Consumer representatives raised concerns about affordability, impacts on vulnerable households, and remaining customers bearing a disproportionate share of network costs.

Our decision recognises the potential stranded asset risk and provides Evoenergy a reasonable opportunity to recover at least its efficient costs. As our 2021 information paper said:

...the NGL guiding revenue and pricing principle that regulated businesses should be provided with a *reasonable opportunity* to recover at least the efficient costs they incurred in providing services does not mean gas consumers must guarantee that the regulated businesses recover their costs under any circumstances.¹²

We recognise the potential stranded asset risk faced by Evoenergy. Allowing some accelerated depreciation ensures Evoenergy is not deterred from making efficient investments as required to maintain safe and reliable services during the transition.

For Evoenergy, our final decision is to shorten the asset lives for Evoenergy’s pipeline assets to 19 years (to 2045), consistent with the ACT Government’s Integrated Energy Plan (IEP) to decommission the gas network by 2045. This better reflects the expected economic life of these assets and provides Evoenergy with a reasonable opportunity to recover its efficient

¹⁰ Evoenergy, *Overview of our five-year gas plan*, June 2025, pp. 3, 10; Evoenergy, *Attachment 6: Depreciation*, June 2025, p. 25.

¹¹ Evoenergy, *Our revised five year gas plan*, January 2026, p. 5.

¹² AER, *Regulating gas pipelines under uncertainty information paper*, November 2021, p. 29.

investment by targeting full capital base recovery by 2045. This results in \$30 million accelerated depreciation for the 2026–31 period.

Our final decision reflects declining forecast demand over the 2026–31 period, which leads to a material increase in network prices compared with the 2021–26 period to recover the allowed revenues. Providing accelerated depreciation beyond reduced asset lives would place further upward pressure on prices. We consider that accelerated depreciation delivered through reduced asset lives, targeting full capital base recovery by 2045, represents an appropriate response to the current stranded asset risk, while limiting unnecessary higher price impacts on consumers.

As demand for Evoenergy’s network continues to decline, uncertainty remains. In these circumstances, exercising caution by retaining flexibility to reassess the role of accelerated depreciation over time better supports an orderly transition and the long-term interests of consumers. It also limits unnecessary price impacts on customers where reduced asset lives already provide a reasonable opportunity for cost recovery over the expected economic life of the network assets.

At the same time we are releasing this final decision, the Australian Energy Market Commission (AEMC) is undertaking its Gas networks in transition NGR rule change process. The AEMC’s Directions paper notes that the NGR framework alone cannot fully address the uncertainty faced by businesses running gas networks experiencing declining demand.¹³ We agree and continue to encourage open and constructive discussion between consumers, network businesses and governments on how the costs of stranded assets associated with past and future capital investments are managed over time.

¹³ AEMC, *Gas Networks in Transition, Directions paper*, 19 March 2026, p. v.

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1 Our final decision

Evoenergy’s (ACT) proposed access arrangement sets out the services it will provide in the 5 years from 1 July 2026 to 30 June 2031 (2026–31 period), the tariffs for those services, and the other terms and conditions on which they will be provided.

An access arrangement final decision is a decision to approve, or to refuse to approve, an access arrangement proposal.¹⁴ If, in an access arrangement final decision, we refuse to approve an access arrangement proposal, we must propose an access arrangement or revisions to the access arrangement (as the case requires) for the relevant pipeline.¹⁵ Because we have not approved Evoenergy’s revised proposal, our final decision is accompanied by a revised access arrangement and tariff schedule.

At the centre of our decision is the forecast total revenue requirement for the provision of the regulated reference services over the next 5 years. In the sections below, we briefly outline what is driving the expected revenue for our final decision, and the key differences between our total revenue of \$412.8 million (\$ nominal, smoothed) compared to Evoenergy’s revised proposal of \$455.0 million.

1.1 What is driving revenue

Over time, inflation impacts the spending power of money. To compare revenue from one period to the next on a like-for-like basis, in this section we use ‘real’ values based on a common year (2025–26) that have been adjusted for the impact of inflation instead of the nominal values above.

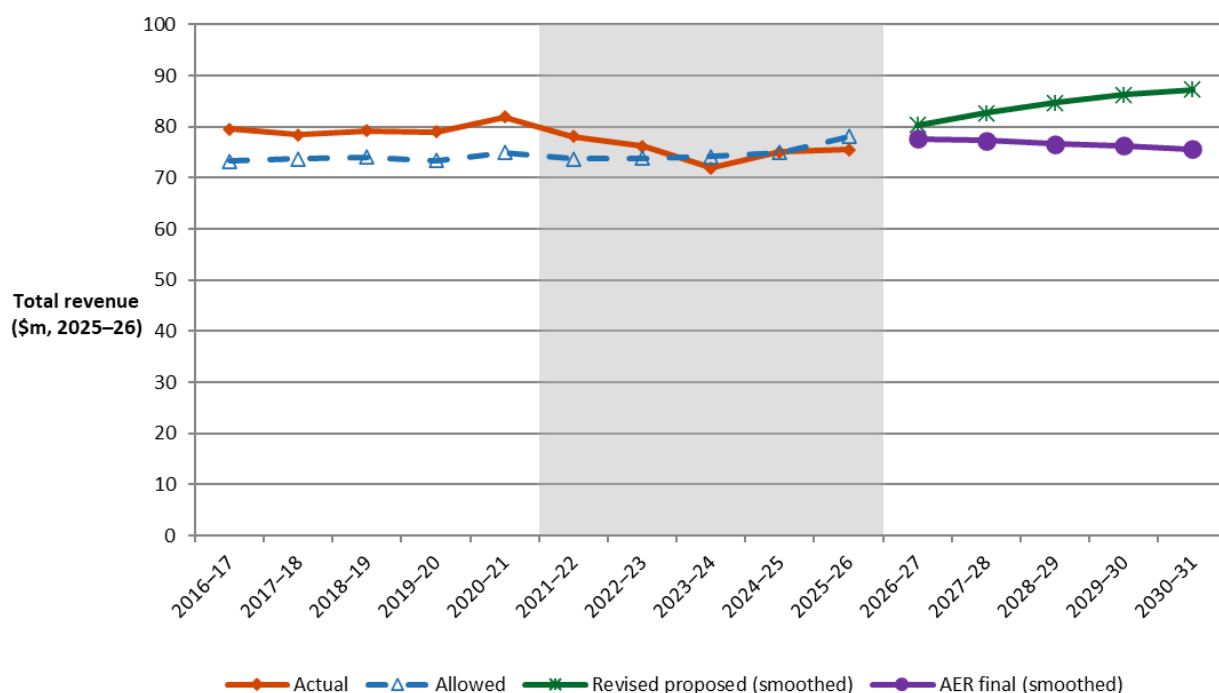
Where the assumptions in Evoenergy’s revised proposal would result in total smoothed real revenue that was \$46.3 million (12.4%) higher than approved for the current period, the estimated impact of our final decision is an increase of \$8.6 million (2.3%).

Figure 1 shows how real revenue would change over the next 5 years under this final decision, compared to Evoenergy’s revised proposal.

¹⁴ NGR, r. 62(2).

¹⁵ NGR, r. 64(1).

Figure 1 Changes in regulated revenue over time (\$ million, 2025–26)



Source: AER analysis.

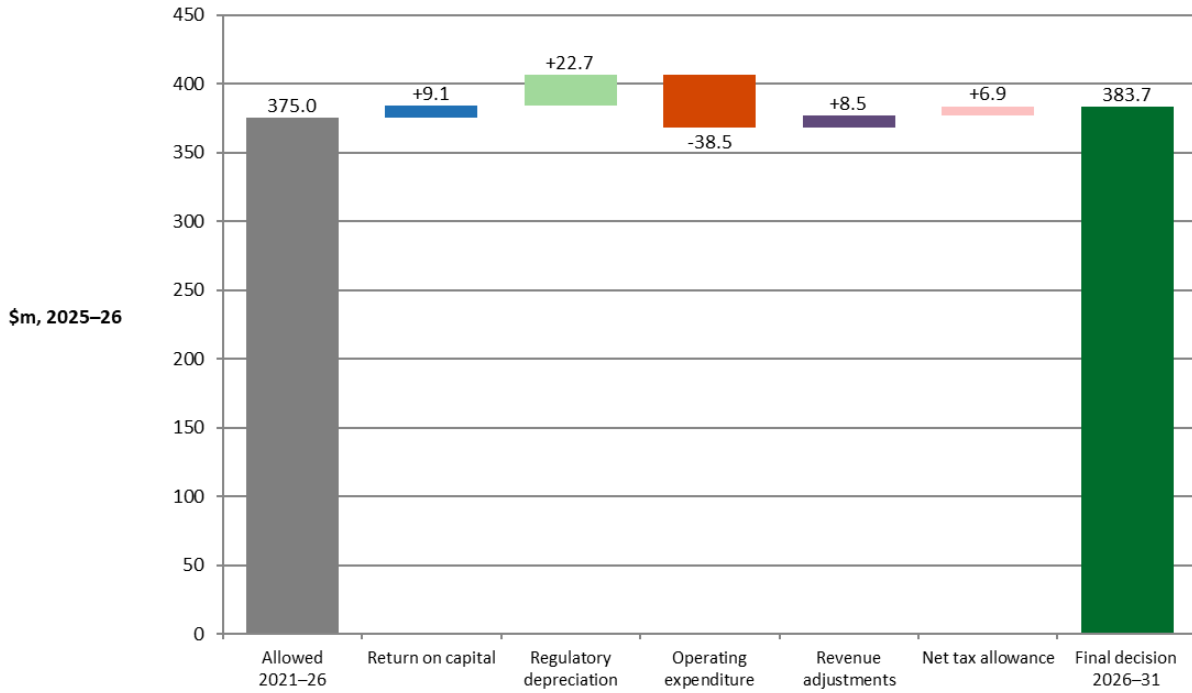
There are several reasons for this increase in revenue. Figure 2 highlights the key drivers of the change between the expected real revenue approved for Evoenergy’s 2021–26 period and that approved in this final decision for the 2026–31 period. It shows that our final decision provides for increases in the building blocks for:

- return on capital, which is based on the opening capital base, forecast capex and rate of return. This is \$9.1 million (8.6%) higher than the 2021–26 period. As shown in Figure 3, Evoenergy’s capital base is projected to decline in real terms over the 2026–31 period. Forecast capex is lower than in the previous periods as the amount of capex required to meet growth in demand and new customer connections declines. Also contributing to the declining capital base is the accelerated depreciation of assets under this final decision, which increases the rate at which the values of assets are ‘removed’ from the capital base. However, the rate of return over the 2026–31 period is higher than the 2021–26 period, offsetting what would otherwise be a downward impact on the return on capital building block.
- return of capital (regulatory depreciation), which is \$22.7 million (39.4%) higher than the 2021–26 period. This is primarily driven by higher straight-line depreciation resulting from the accelerated depreciation allowed in our final decision, reflecting the reduced expected economic lives of the high pressure (HP) and medium pressure (MP) pipeline assets.
- revenue adjustments, which are \$8.5 million higher than the 2021–26 period. This is due to a higher carryover amount resulting from the opex Efficiency Carryover Mechanism (ECM), and a positive revenue adjustment resulting from the introduction of the Capital Expenditure Sharing Scheme (CESS).

- cost of corporate income tax, which is \$6.9 million higher than the 2021–26 period, primarily due to a higher regulatory depreciation, higher return on equity and lower tax depreciation in the 2026–31 period compared to the 2021–26 period.¹⁶

Figure 2 also shows that our final decision provides for a decrease in the building block for forecast opex, which is \$38.5 million (18.4%) lower than allowed in the determination for the 2021–26 period. The decrease is due to lower than forecast expenditure in the base year.

Figure 2 Changes in total revenue between 2021–26 period and 2026–31 period (\$million, 2025–26, unsmoothed)

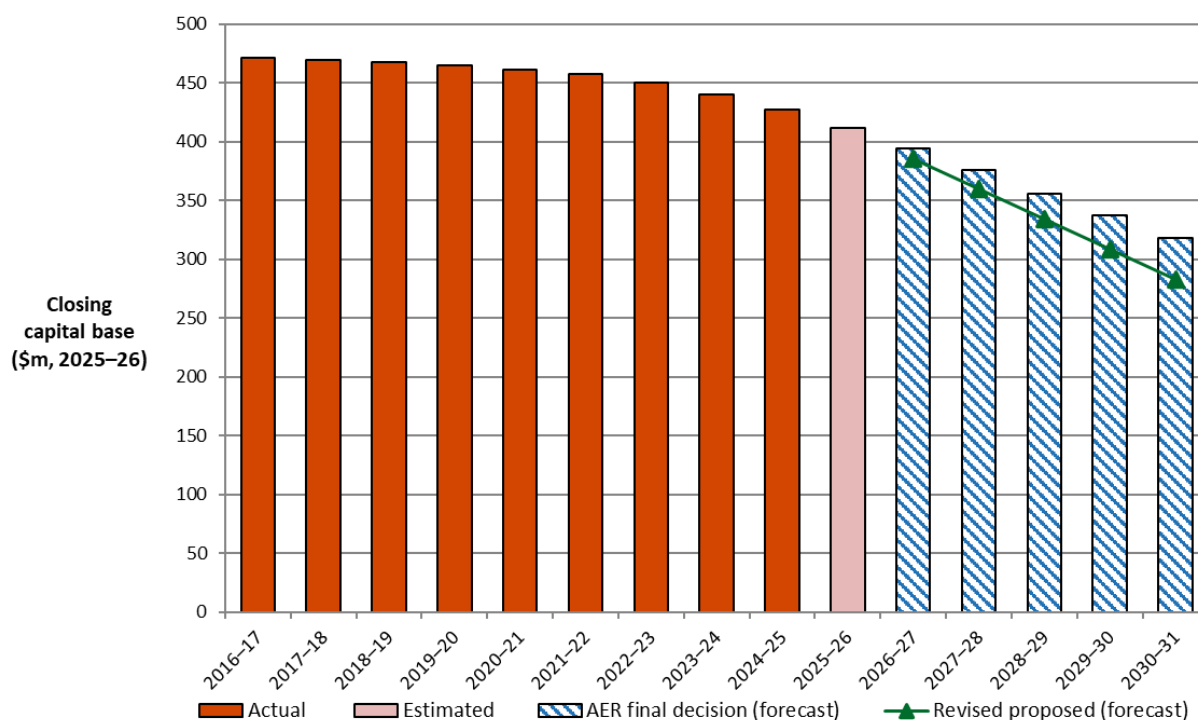


Source: AER analysis.

Note: Allowed revenue and proposed revenue in the chart are unsmoothed total revenue for the access arrangement period. The 2021–26 allowed revenues (including opex) are converted to real 2025–26 dollars using lagged consumer price index (CPI).

¹⁶ Return on equity and regulatory depreciation are components of revenue for tax purposes and tax depreciation is a component of tax expense. All else being equal, a higher regulatory depreciation, return on equity and lower tax depreciation means a higher taxable income and therefore a higher cost of corporate income tax amount.

Figure 3 Evoenergy’s capital base value over time (\$ million, 2025–26)



Source: AER analysis.

1.2 Key differences between this final decision and Evoenergy’s revised proposal

In real terms, this final decision would allow Evoenergy to recover total building block revenue of \$383.7 million (\$2025–26, unsmoothed) over the 2026–31 period. We have made amendments to core components of Evoenergy’s revised proposal which have led to a lower revenue outcome. For the 2026–31 period, the main areas of difference between our final decision and Evoenergy’s revised proposal is not accepting the \$35 million accelerated depreciation beyond that arising from the reduced asset lives.

Movements in market variables also led to the different revenue outcome in our final decision compared with Evoenergy’s revised proposal, all else being equal. These include:

- our updated calculation of Evoenergy's rate of return, which increased to 6.31% from Evoenergy's placeholder estimate of 6.19%.¹⁷ This resulted in a higher return on capital amount determined in the final decision compared with Evoenergy’s revised proposal.
- lower expected inflation, based on the Reserve Bank of Australia's (RBA) February 2026 Statement on Monetary Policy (2.48% per annum compared with 2.55% in Evoenergy's revised proposal), has slightly offset the decrease in the regulatory depreciation amount relative to Evoenergy’s revised proposal.

¹⁷ Average nominal vanilla weighted average cost of capital (WACC) over the 2026–31 period.

These updates in market variables are a standard part of our decision-making process and do not reflect areas of difference between us and Evoenergy.

1.3 Expected impact of our final decision on tariffs and gas bills

We combine our forecast revenue requirement for Evoenergy with forecast demand to determine its network tariffs. In simple terms, tariffs are determined by dividing cost (total revenue requirement) by total demand. This means for the same revenue amount, a decrease in forecast demand leads to an increase in tariff. Similarly, if demand remains constant, a decrease in revenue will lead to lower tariffs.

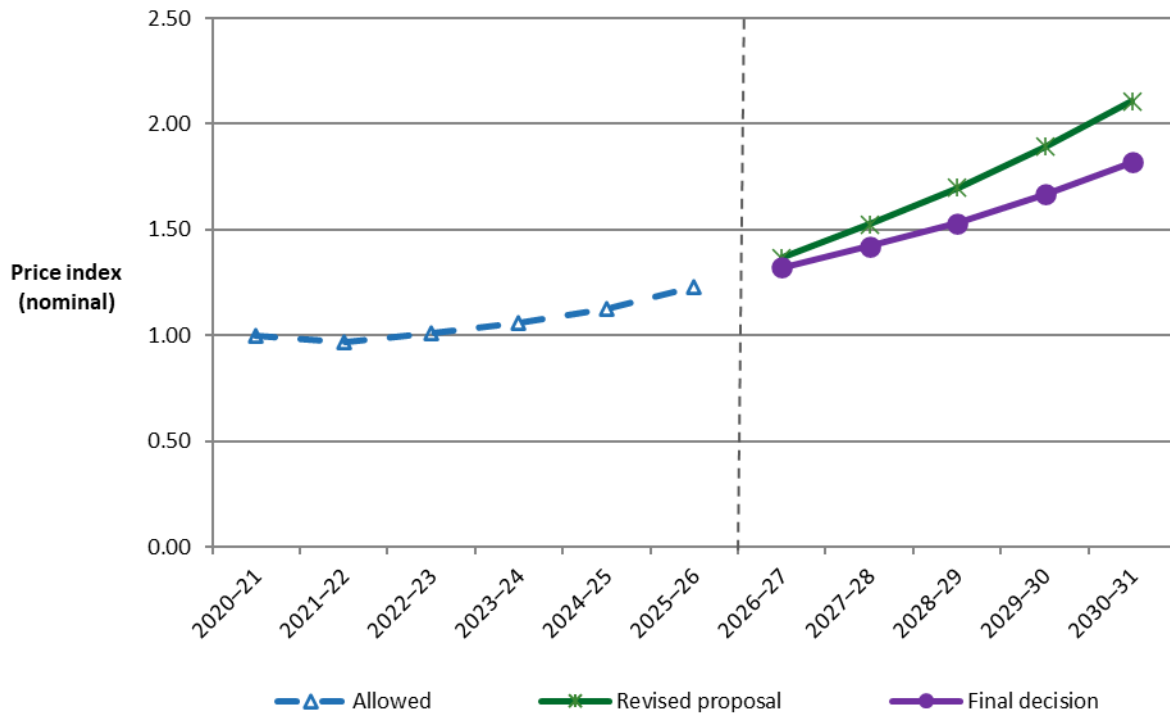
The combined effect of rising revenue and declining demand over the 2026–31 period is that this final decision will increase Evoenergy's tariffs relative to the 2021–26 period. In real terms, tariffs will increase by around 31.1% by the end of the 2026–31 period, or average real increases of 5.6% per annum. However, actual tariffs are not charged in real dollar terms and are impacted by inflation. For illustrative purposes, and based on our expected inflation, we estimate this final decision would result in an increase in tariffs of around 48.2% in nominal terms by 2030–31 compared to 2025–26 levels, or an average nominal increase of 8.2% per annum.¹⁸

Figure 4 shows the indicative tariff paths for Evoenergy's gas transportation reference services under this 2026–31 final decision with that approved previously for the 2021–26 period, and with Evoenergy's revised proposal. These are simple estimates only, calculated in aggregate rather than for individual tariff classes. Note also that while our decision establishes tariffs for year 1 (2026–27), tariffs for years 2 to 5 will be set via the annual reference tariff variation mechanism reflecting actual inflation, updated return on debt and any cost pass throughs.¹⁹

¹⁸ In real (\$2025–26) terms, the impact of this final decision on Evoenergy's tariffs is an increase of around 31.1% by the end of the 2026–31 period, or an average real increase of 5.6% per annum.

¹⁹ The reference tariff variation is discussed in section 5.2 and in Attachment 5 of this final decision.

Figure 4 Indicative reference tariffs paths for Evoenergy’s reference services from 2026 to 2031 (Price index, nominal)



Source: AER analysis.

1.3.1 Potential bill impact

Evoenergy’s network charges make up around 29% of residential customer gas bills and 21% of small business customer gas bills. Other components of the gas supply chain—the cost of purchasing gas from the wholesale market, transmission network charges, and the costs and margins applied by gas retailers in determining the prices they will charge consumers for supply—also contribute to the prices ultimately paid by consumers. These sit outside the decision we are making and will change throughout the 2026–31 period.

In nominal terms, which include the impact of expected inflation, this final decision would lead to an increase in the distribution component of gas bills for Evoenergy’s customers. We estimate the impact of our final decision on the average annual gas bill, as it is today, would be:²⁰

- a nominal increase of \$215 (14.0%) by 2030–31, or an average of \$43 (2.7%) per annum for a residential customer
- a nominal increase of \$2,180 (10.3%) by 2030–31, or an average of \$436 (2.0%) per annum for a small business customer.

²⁰ Our estimated bill impact is based on the typical annual gas usage of 27GJ and 546GJ for residential and small business consumers in Evoenergy’s network area, respectively, with a base bill of \$1,537 for residential customers and \$21,241 for small business customers as at 2025–26, based on data provided by Evoenergy, *RIN Attachment 7–Workbook 5 Bill impacts*, June 2025.

1.4 Evoenergy’s stakeholder engagement

Consumer engagement during the regulatory process is an important way to provide us with supporting evidence that access arrangements have been aligned with consumer interests and expectations.

We have heard throughout this access arrangement review that customers and stakeholders continue to have divergent views on how the energy transition is to be managed, especially on challenging issues like accelerated depreciation.

Evoenergy’s further engagement sought feedback on our draft decision and on targeted elements to inform its revised proposal positions such as accelerated depreciation and the impact of demand uncertainty, and tariff design.

Further community forums were held between October and December 2025.²¹ Evoenergy also continued to engage with its Energy Consumer Reference Council (ECRC)²² and ongoing 1-on-1 engagement with retailers and large customers.²³

Evoenergy also recognised the Consumer Challenge Panel sub-panel 33’s (CCP33) feedback on the need to have a better understanding of its NSW customers’ intentions, preferences and perspectives and established a specific NSW customer forum.²⁴

The ACT transition creates unique challenges for Evoenergy’s NSW consumers, who may not always be aware of ACT updates because they live outside the jurisdiction. These forums provided an opportunity to understand how changes may impact NSW customers (compared to ACT customers), for example in relation to the ACT Government’s energy transition and the AEMC’s review of upfront connection charges for newly connecting gas customers.²⁵ The Jerrabomberra Residents’ Association confirming for NSW residents there is a gap in public awareness and many participants were surprised to learn of Evoenergy’s proposal.²⁶

We heard from Evoenergy’s community forum participants and other stakeholders mixed responses to our draft decision, including some support for the approach, while some acknowledging it appeared to be inconsistent with ACT policy and therefore negatively

²¹ Evoenergy, [Attachment 1 Revised plan engagement report](#), January 2026, pp. 9–10.

²² As outlined in the draft decision, the ECRC is a long-standing advisory group that Evoenergy meet regularly with to test ideas, seek advice and share information on key strategic and operational topics. See Evoenergy, *Attachment 1 Revised plan engagement report*, January 2026, p.12.

²³ Evoenergy, *Our revised five year gas plan*, January 2026, p. 11.

²⁴ Evoenergy, *Attachment 1 Revised plan engagement report*, January 2026, p. 10. Recruitment selection of the 22-member panel was facilitated by Communication Link to ensure a broad representation of the community.

²⁵ Evoenergy, *Communication Link Appendix 1.1 Report of feedback from community and customer forum sessions*, January 2026, p. 38.

²⁶ JRA, *Submission on Evoenergy’s 2026–31 revised proposal and draft decision*, February 2026, p. 2. The Jerrabomberra Residents’ Association is an incorporated community organisation representing approximately 7,000 residents within the NSW Queanbeyan Palerang local government area.

impacting on customers.²⁷ Evoenergy stating feedback was not sufficiently reflected given the time invested in engagement and the clarity of messages raised by its customers.²⁸

CCP33 noted Evoenergy’s post-lodgement engagement was constructive and targeted, and commended Evoenergy for the establishment of its NSW community forums in response to its concerns NSW customers were underrepresented.²⁹ CCP33 also observed some limitations on Evoenergy’s engagement including: remaining concerned about the extent customers experiencing vulnerabilities are represented, the scenario testing for accelerated depreciation was focused solely on comparing Evoenergy’s revised proposal options with the draft decision, and there had been no independent validation of customer preferences outside of the community forums.³⁰

On accelerated depreciation, Evoenergy’s further customer engagement indicated some support for its proposed alternative, considering it a fair compromise. While we recognise customers provided some support, participants continue to raise questions that challenge the proposed recovery of costs. For example, questioning whether shareholders could bear some of the network costs, not just customers, or if costs are recovered from electricity customers, or seeking support from the ACT government.³¹

Submissions from stakeholders also reflected a divergent range of perspectives. Energy Networks Australia (ENA) asked us to consider Evoenergy’s extensive engagement program, which should be strongly considered in the final decision as it represents direct feedback from the community most affected.³²

In comparison, the ACT Council of Social Services (ACTCOSS) noted the significant reliance Evoenergy placed on community feedback and asked us to carefully consider views presented were representative when assessing community perspectives as part of our decision making. ACTCOSS stating ‘...the community as reflected in Evoenergy’s submission are sometimes poorly aligned with our understanding of broader ACT community sentiment’.³³

The submission from the Property Council of Australia raised concern about the materially different constraints and risks faced by commercial, mixed-use and multi-tenant buildings and consideration needs to be given to constraints for these users.³⁴

²⁷ Evoenergy, *Communication Link Appendix 1.1 Report of feedback from community and customer forum sessions*, January 2026, p.28.

²⁸ Evoenergy, *Attachment 1 Revised plan engagement report*, January 2026, pp. 5–6.

²⁹ AER, *Better resets handbook*, July 2024, p. 15.

³⁰ CCP33, *Advice to the AER - Evoenergy's 2026–31 revised proposal and draft decision*, February 2026, p. 4.

³¹ Evoenergy, *Communication Link Appendix 1.1 Report of feedback from community and customer forum sessions*, January 2026, p. 27.

³² ENA, *Submission on Evoenergy's 2026–31 revised proposal and draft decision*, February 2026, p. 1.

³³ ACTCOSS, *Submission on Evoenergy's 2026–31 revised proposal and draft decision*, February 2026, p. 4. ACTCOSS acknowledged the sincere effort that Evoenergy has made to foster a positive environment for discussion in relation to the engagement, which for ACTCOSS has included being a regular participant on the ECRC, delivering a presentation on energy equity at a community forum, and taking part in question-and-answer session with forum participants.

³⁴ Property Council, *Submission on Evoenergy's 2026–31 revised proposal and draft decision*, Feb 2026, p. 1.

Energy Consumers Australia’s (ECA) submission noted the importance of participants being equipped with clear and evidence-based information about how proposals impact consumers. ECA encouraged us to consider this engagement as a useful indicator of consumer concern about affordability and risk allocation but cautioned on relying on engagement as evidence that all consumers support and/or agree with accelerated depreciation.³⁵

We note that Evoenergy has engaged outside of its community forum, for example continued engagement with its ECRC and other stakeholders such as large users and retailers. However, CCP33 considered that the role of the ECRC is broader than sole consideration of the access arrangement and the engagement is largely informative.³⁶

CCP33 observed the value of network businesses having an effective customer panel, as it can allow an opportunity for deeper engagement on aspects of its proposal.³⁷ While we recognise Evoenergy’s independent advisory panel was involved in the early development of its proposal.³⁸ We consider it has potentially missed an opportunity to continue with its advisory panel, who could have assisted in drawing out how challenge has been reflected in Evoenergy’s proposal.

It is important to understand our role in consumer engagement is not to validate or invalidate the engagement undertaken by a network business. Where our final decision does not accept elements of Evoenergy’s revised proposal, this is not a reflection on the consumer engagement or consumer preferences expressed, but a judgement on each of the factors we are required to consider under the regulatory framework.

We recognise Evoenergy’s community forums and its engagement with other stakeholders, has been important in understanding the values and priorities important to them. However, where stakeholders have put forward questions that challenge and provide broader solutions for consideration, it is not always clear how these divergent views have been reflected throughout the access arrangement.

The energy transition is creating challenges that require gas networks to think about how key components of an access arrangement proposal may impact customers now and in the future. We expect network businesses to be able to demonstrate how their proposals have reflected these considerations, including showing customers understand the interconnected nature of the different components of a gas network’s proposal and the short-term and long-term impact of those key components.

³⁵ ECA, *Submission and attachment on AGN (SA) and Evoenergy’s 2026–31 revised proposal and draft decision*, February 2026, p. 10.

³⁶ CCP33, *Advice to the AER - Evoenergy’s 2026–31 revised proposal and draft decision*, Feb 2026, pp. 8, 11.

³⁷ CCP33, *Advice to the AER - Evoenergy’s 2026–31 revised proposal and draft decision*, Feb 2026, p. 24.

³⁸ Evoenergy, *Attachment 1-Consumer & stakeholder engagement*, June 2025, p.15. Evoenergy held 6 sessions with the Energy Regulatory Advisory Panel (ERAP) between December 2023 and October 2024.

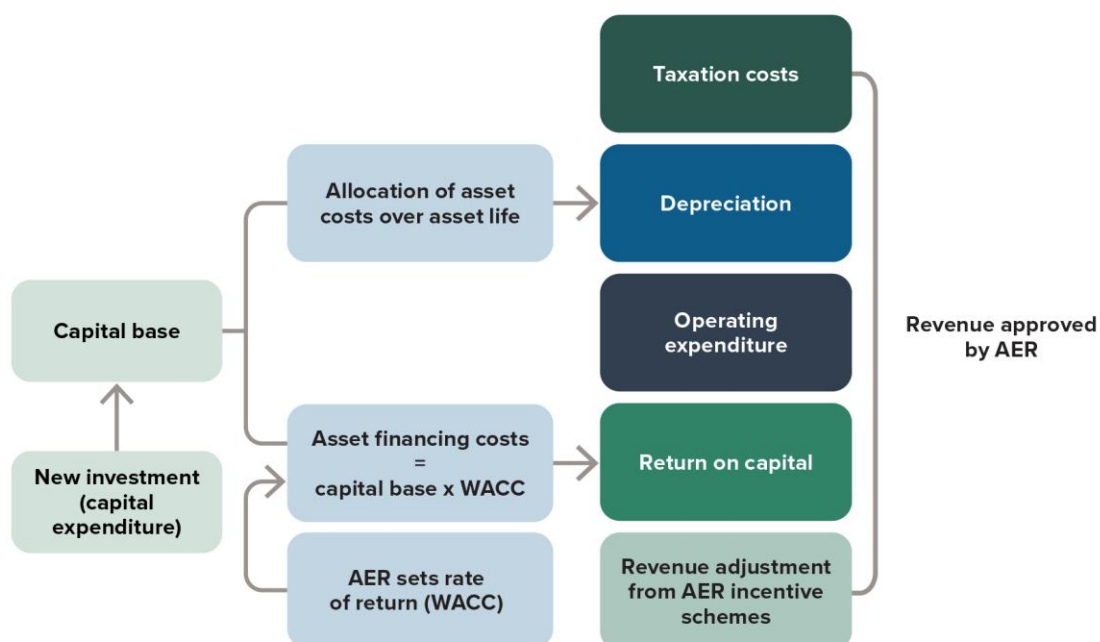
2 Total revenue requirements

The foundation of our regulatory approach is a benchmark incentive framework to setting revenues: once regulated revenues are set for the 5-year period, a network that keeps its actual costs below the regulatory forecast of costs retains part of the benefit. Service providers have an incentive to become more efficient over time, as they retain part of the financial benefit from improved efficiency. Consumers also benefit when efficient costs are revealed, and a lower cost benchmark is set in subsequent access arrangement periods.

Evoenergy’s proposed revenue requirement, and our assessment of it under the NGL and NGR, is based on 6 cost components or building blocks, illustrated in Figure 5.

- return on the capital base – to compensate investors for the opportunity cost of funds invested in this business
- depreciation of the capital base – or return of capital, to return the initial investment to investors over time
- capex – the capital costs and expenditure incurred in the provision of network services, which directly affects the size of the capital base and, therefore, the revenue generated from the return on capital and depreciation building blocks
- forecast opex – the operating, maintenance and other non-capital expenses, incurred in the provision of network services
- revenue increments/decrements resulting from the application of incentive schemes, such as the ECM and CESS
- estimated cost of corporate income tax.

Figure 5 The building block approach to determining total revenue



Source: AER.

2.1 Final decision on total revenue

The total revenue requirement is a forecast of the efficient cost of providing gas distribution services over the access arrangement period. We determine annual revenue, and the total revenue requirement, in nominal terms that take expected future inflation into account. We use 5-year inflation expectations to convert revenues to nominal values.

Our final decision on Evoenergy’s total revenue requirement is \$412.8 million (\$ nominal, smoothed). This is a reduction of \$42.2 million (9.3%) from Evoenergy’s revised proposal.

Table 1 sets out our final decision on Evoenergy’s total revenue requirement (by building block) for each year of the 2026–31 period, the total revenue after equalisation (smoothing), and the X factors that we have determined for use in the tariff variation mechanism.

Table 1 Final decision on Evoenergy’s smoothed total revenue and X factors for the 2026–31 period (\$ million, nominal)

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Return on capital	25.5	25.1	24.8	24.3	24.1	123.9
Regulatory depreciation	14.8	16.0	17.4	18.5	20.0	86.7
Operating expenditure	36.3	36.4	36.8	37.1	37.4	184.0
Revenue adjustments	2.4	0.6	–2.8	1.2	6.1	7.5
Net tax allowance	2.0	2.1	2.2	2.3	2.4	11.1
Total revenue - unsmoothed	80.9	80.3	78.5	83.4	90.1	413.2
Forecast revenue – smoothed	79.5	81.2	82.4	84.2	85.5	412.8
X factors ^a	–5.07%	–5.06%	–5.06%	–6.34%	–6.34%	n/a

Source: AER analysis.

n/a: not applicable.

(a) Under the CPI–X form of control, a negative X factor is an increase in tariffs in real terms. The X factor for 2026–27 is indicative only. Our decision establishes 2026–27 tariffs directly, rather than referencing a change from 2025–26 tariffs. The X factors for 2027–28 to 2030–31 will be revised to reflect the annual return on debt update.

2.2 Revenue smoothing and tariffs

Evoenergy currently operates under a weighted average price cap as its gas transportation tariff variation mechanism, but proposed to move to a revenue cap. Our final decision is for Evoenergy to apply a hybrid mechanism, incorporating elements of both weighted average price cap regulation and revenue cap regulation, for the 2026–31 period.

The hybrid mechanism does not change how we determine Evoenergy’s gas transportation tariffs ahead of the 2026–31 period. The revenue cap elements of the hybrid mechanism will apply during the period if actual volumes for a regulatory year are more than 5% higher or lower than forecast. Any revenue over or under recovery driven by volumes being more than 5% higher or lower than forecast, will be split equally between Evoenergy and customers.

This means we must determine the weighted average tariff change each year such that the net present value (NPV) of unsmoothed and smoothed revenue is equal across the 2026–31 period. This average tariff change is known as the ‘X factor’.

Our final decision on Evoenergy’s revised proposal includes a determination of Evoenergy’s total building block revenue (unsmoothed revenue), and a smoothed revenue profile across the 2026–31 period.

The X factors represent the weighted average real change in tariffs. As part of the annual reference tariff variation process applying from 2027–28, we combine the X factors determined in our decision with actual inflation to determine the nominal reference tariffs for the coming year. This means the prices paid by consumers, and therefore the revenues received by Evoenergy, will change with actual inflation and the annual X factor.

By smoothing the revenues, we aim to minimise price volatility between and within access arrangement periods by keeping the difference between smoothed and unsmoothed revenue in the final year of each period as close as possible, and to provide price signals across tariffs that reflect Evoenergy’s underlying efficient costs of providing services. Our standard approach is to keep a divergence of up to +/-3% between the smoothed and unsmoothed revenues for the last year of the period if this can achieve smoother price changes across the access arrangement periods.

In this final decision, we approve lower revenues than Evoenergy’s revised proposal. This is driven mainly by our reduction to Evoenergy’s revised proposed accelerated depreciation. However, our final decision allows for higher revenues than those determined in the 2021–26 period. The rising revenues and declining demand mean that prices are increasing over the 2026–31 period.

We have smoothed the increase in forecast revenues to achieve a more stable price path for the 2026–31 period. Consequently, we have relaxed our standard target for the final year difference between smoothed and unsmoothed revenues. In the present circumstances, we determined the final year revenue difference is –5.0%. We are satisfied the final decision tariff path effectively balances the aims of price path stability within the 2026–31 period and across periods.

The average annual tariffs in year 1 (2026–27) determined in our final decision are 3.4% lower in nominal terms than proposed by Evoenergy’s revised proposal. While our decision establishes tariffs for year 1 (2026–27) directly, tariffs for years 2 to 5 will be set as part of the annual reference tariff variation mechanism reflecting actual inflation, updated return on debt and any cost pass throughs.³⁹

³⁹ The annual tariff variation mechanism is discussed in section 5.2 and Attachment 5 to this final decision.

3 Key elements of our final decision on revenue

The components of our final decision include the building blocks we use to determine the total revenue requirement. The following sections summarise our revenue decision by building block. The attachments to this final decision provide a more detailed explanation of our analysis and findings.

3.1 Capital base

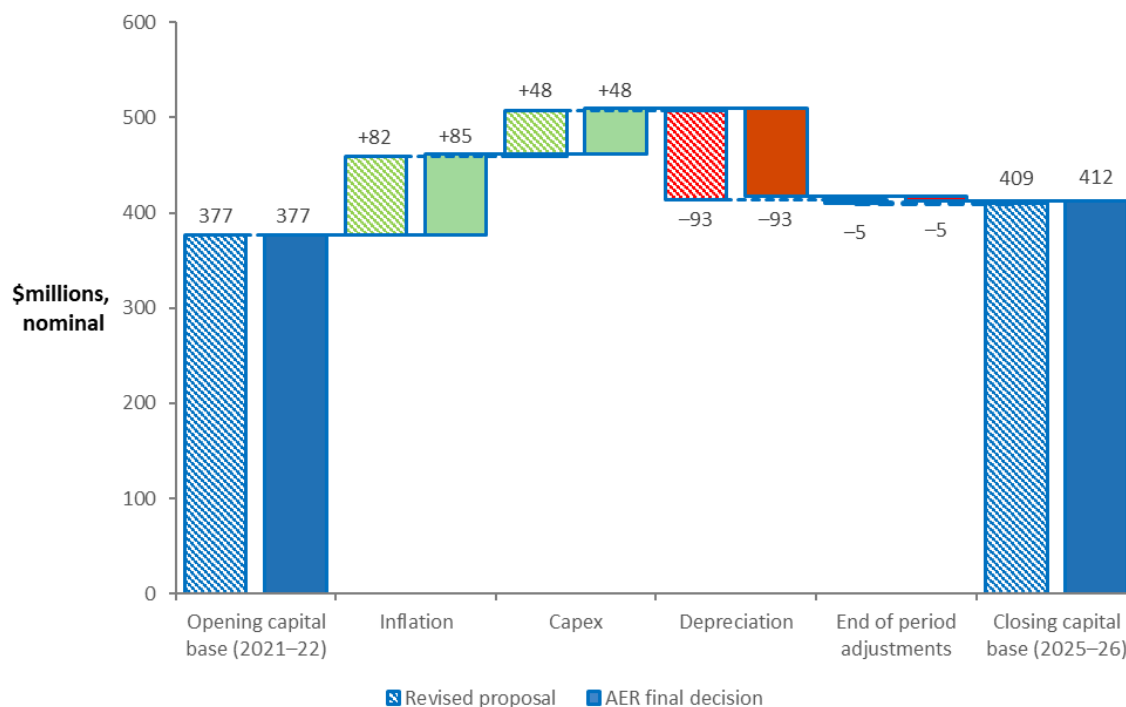
The capital base accounts for the value of regulated assets over time. To set revenue for a new access arrangement period, we take the opening value of the capital base from the end of the last period and roll it forward year by year by indexing it for inflation, adding new capex and subtracting depreciation and other possible factors (such as disposals). This gives us a closing value for the capital base at the end of each year of the access arrangement period. The value of the capital base is used to determine the return on capital and depreciation building blocks.

We determine an opening capital base of \$412.2 million (\$ nominal) as at 1 July 2026 for Evoenergy. This value is \$2.8 million (0.7%) higher than Evoenergy's revised opening capital base value of \$409.4 million.⁴⁰ This reflects our updates to the roll forward model (RFM) for actual CPI for 2025–26 and actual capex for 2024–25.

Figure 6 shows the key drivers (\$ nominal) of the change in Evoenergy's capital base over the 2021–26 period in under this final decision compared to its revised proposal.

⁴⁰ Evoenergy, *Gas distribution RFM*, June 2025.

Figure 6 Key drivers of changes in the capital base over the 2021–26 period – proposal compared with the final decision (\$ million, nominal)



Source: AER analysis.

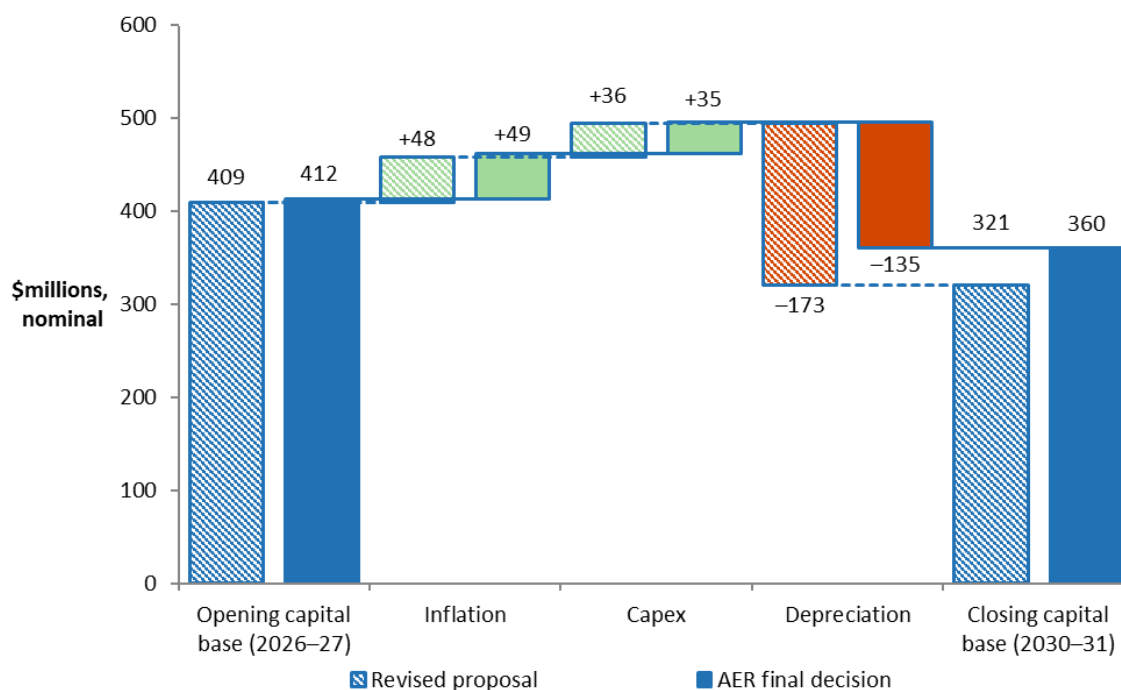
Note: Capex is net of disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the RFM.

Figure 7 likewise shows the key drivers of the change in Evoenergy’s forecast capital base over the 2026–31 period in its revised proposal compared to our final decision. Our final decision projects a reduction of \$52.2 million (12.7%) to the capital base by the end of the 2026–31 period compared to the \$88.6 million (21.6%) reduction in Evoenergy’s revised proposal.

We determined a projected closing capital base of \$360.0 million (\$ nominal) as at 30 June 2031, which is \$39.2 million (12.2%) higher than Evoenergy’s revised \$320.8 million. This higher value is mainly driven by a lower forecast straight-line depreciation resulting from our final decision to reduce Evoenergy’s proposed accelerated depreciation amount for the 2026–31 period (discussed in section 3.3). It also reflects our final decisions on the opening capital base as at 1 July 2026, expected inflation and forecast capex (discussed in sections 3.2 and 3.4, respectively).

The reasons for our final decision on Evoenergy’s capital base are discussed in Attachment 1 of this final decision.

Figure 7 Key drivers of changes in the capital base over the 2026–31 period – proposal compared with the final decision (\$ million, nominal)



Source: AER analysis.

Note: Capex is net of disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the RFM.

3.2 Rate of return and value of imputation credits

Our 2022 Rate of Return Instrument (RORI) sets out the approach we will use to estimate the return on debt, the return on equity and the overall rate of return.⁴¹

The return each business is to receive on its capital base, known as the ‘return on capital’, is a key driver of proposed revenues. We calculate the regulated return on capital by applying a rate of return to the value of the capital base.

We estimate the rate of return by combining the returns of two sources of funds for investment: equity and debt. The allowed rate of return provides the business with a return on capital to service the interest rate on its loans and give a return on equity to investors.

The estimate of the rate of return is important for promoting efficient prices in the long-term interests of consumers. If the rate of return is set too low, the network business may not be able to attract sufficient funds to be able to make the required investments in the network and reliability may decline. Conversely, if the rate of return is set too high, the network business may seek to spend too much, and consumers will pay inefficiently high tariffs.

⁴¹ AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

We are required by the NGL to apply the RORI to estimate an allowed rate of return.⁴² For this final decision, we have applied the 2022 RORI.⁴³

Evoenergy’s revised proposal adopted the 2022 RORI.⁴⁴ Our final decision rate of return of 6.18% (nominal vanilla) is higher than the 6.07% placeholder in the revised proposal, principally due to an increase in the risk-free rate.

Our calculated rate of return in Table 2 applies to the first regulatory year of the 2026–31 period. A different rate of return may apply for the remaining years of the period. This is because we will update the return on debt component of the rate of return each year, in accordance with the 2022 RORI, to use a 10-year trailing average portfolio return on debt that is rolled-forward each year. Hence, only 10% of the return on debt is calculated from the most recent averaging period, with 90% from prior periods.

Our final decision accepts Evoenergy’s proposed risk-free rate⁴⁵ and debt averaging periods⁴⁶ because they are consistent with the 2022 RORI.⁴⁷

Table 2 Final decision on Evoenergy’s rate of return (nominal)

	AER’s draft decision (2026–31)	Evoenergy’s revised proposal (2026–31)	AER’s final decision (2026–31)	Allowed return over the access arrangement period
Nominal risk-free rate	4.34%	4.34%	4.62% ^a	Constant (%)
Market risk premium	6.20%	6.20%	6.20%	Constant (%)
Equity beta	0.6	0.6	0.6	Constant
Return on Equity (nominal post-tax)	8.06%	8.06%	8.34%	Constant (%)
Return on debt (nominal pre-tax)	4.75%	4.75%	4.75% ^b	Updated annually
Gearing	60%	60%	60%	Constant (60%)
Nominal vanilla WACC	6.07%	6.07%	6.18% ^c	Updated annually for return on debt
Expected inflation	2.55%	2.55%	2.48%	Constant (%)

Source: AER analysis; AER, *Draft decision - Evoenergy access arrangement 2026–31*, November 2025, p. 18; Evoenergy, *Appendix 6.2: PTRM model Step 2*, January 2026.

⁴² NGL, section 30C.

⁴³ AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

⁴⁴ Evoenergy, *Revised Proposal - Attachment 6: Revenue requirement and bill impacts*, January 2026, p. 5.

⁴⁵ Evoenergy, *Appendix 5.4: Averaging periods – Confidential*, June 2025, p. 4.

⁴⁶ Evoenergy, *Appendix 5.4: Averaging periods – Confidential*, June 2025, p. 5.

⁴⁷ AER, *Rate of return Instrument (version 1.2)*, March 2024, cll 7–8, 23–25.

- (a) Calculated using Evoenergy’s actual risk-free rate averaging period of 40 business days ending 30 December 2025.
- (b) Calculated using Evoenergy’s actual nominated return on debt averaging period.
- (c) Applied to the first year of the 2026–31 access arrangement period.

3.2.1 Debt and equity raising costs

In addition to providing for the required rate of return on debt and equity, we provide an allowance for the transaction costs associated with raising debt and equity. We include debt raising costs in the operating expenditure (opex) forecast as these are regular and ongoing costs which are likely to be incurred each time service providers refinance their debt. On the other hand, we include equity raising costs in the capital expenditure (capex) forecast because these costs are only incurred once and would be associated with funding particular capital investments. Our approach to forecasting debt and equity raising costs is set out in more detail in previous AER revenue determinations (for example, see our 2025–30 Directlink Electricity Transmission Determination final decision).⁴⁸ Evoenergy has proposed to use our approach to estimate debt and equity raising costs.⁴⁹

Our final decision is to apply a debt raising cost of 10.10 basis points per annum, which has been used to calculate the debt raising costs included in total forecast opex (see section 3.5).

We have updated our estimate for the 2026–31 period based on the benchmark approach using updated inputs. This results in zero equity raising costs.

3.2.2 Imputation credits

Our final decision applies a value of imputation credits (gamma) of 0.57, as set out in the 2022 RORl.⁵⁰ Evoenergy’s revised proposal also adopted this value.⁵¹

3.2.3 Expected inflation

As set out in Table 3, our estimate of expected inflation is 2.48%. It is an estimate of the average annual rate of inflation expected over a five-year period based on the outcome of our 2020 inflation review.⁵² Evoenergy’s revised proposal also adopted our approach.⁵³

Table 3 Final decision on Evoenergy’s forecast inflation (%)

	Year 1	Year 2	Year 3	Year 4	Year 5	Geometric average
Expected inflation	2.40%	2.50%	2.50%	2.50%	2.50%	2.48%

Source: AER Analysis; RBA, *Statement on Monetary Policy*, May 2026, Table 3.2: Detailed Forecast Table. See the [Statement of Monetary Policy](#)

⁴⁸ AER, *Final decision - Attachment 3 - Rate of Return - Directlink Electricity Transmission Determination 2025 to 2030*, September 2024, pp 4–6.

⁴⁹ Evoenergy, *Appendix 6.2: PTRM model Step 2*, January 2026.

⁵⁰ AER, *Rate of return Instrument (version 1.2)*, March 2024, cl. 27.

⁵¹ Evoenergy, *Appendix 6.2: PTRM model Step 2*, January 2026.

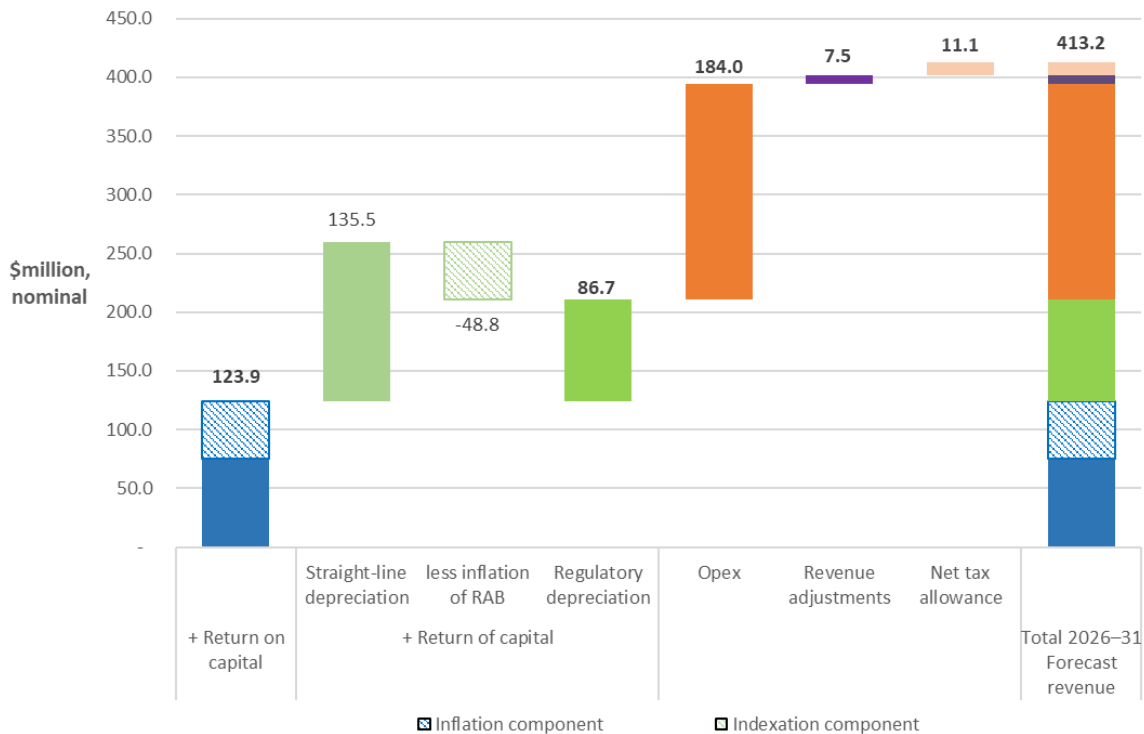
⁵² AER, *Final position, Regulatory treatment of inflation*, December 2020.

⁵³ Evoenergy, *Appendix 6.2: PTRM model Step 2*, January 2026.

Our final decision uses the Reserve Bank of Australia’s (RBA) May 2026 Statement on Monetary Policy (SMP) which contains a CPI forecast for the financial year ending 30 June 2027 and 30 June 2028. This means the first two years of the 2026–31 period are based on RBA forecasts and, thereafter, a linear glide-path from year three to the mid-point of the RBA’s inflation target band of 2.5% in year five.

Figure 8 isolates the impact of expected inflation from other parts of our final decision, to illustrate its impact on the return on capital and regulatory depreciation building blocks and the total revenue allowance. Other elements held constant, lower expected inflation reduces the return on capital but increases regulatory depreciation.

Figure 8 Inflation components in final decision revenue building blocks (\$ million, nominal)



Source: AER analysis.

3.3 Regulatory depreciation (return of capital)

Depreciation is a method used in our decision to allocate the cost of an asset over its useful life. It is the amount provided so capital investors recover their investment over the economic life of the asset (otherwise referred to as ‘return of capital’). When determining the total revenue for Evoenergy, we include an amount for the depreciation of the projected capital base.⁵⁴ Under the building block framework, regulatory depreciation consists of the net total of the straight-line depreciation less the indexation of the capital base.

⁵⁴ NGR, r. 76(b).

We determine a regulatory depreciation amount of \$86.7 million (\$ nominal) for Evoenergy for the 2026–31 period. This is \$38.2 million (30.6%) lower than Evoenergy’s revised proposal of \$124.9 million.

This reduction is primarily due to our final decision for a lower accelerated depreciation amount (discussed below). Our final decisions on the opening capital base as at 1 July 2026, expected inflation, and forecast capex also affect the regulatory depreciation amount (discussed in sections 3.1, 3.2 and 3.4).

The reasons for our final decision on Evoenergy’s regulatory depreciation are discussed in Appendix A of this final decision.

3.3.1 Accelerated depreciation – stranded asset risk

In this final decision, we do not accept Evoenergy’s revised proposed accelerated depreciation amount of \$65 million (\$2025–26) in full and instead determine a reduced amount of \$30 million, by aligning the asset lives of HP and MP pipelines to 2045. Our final decision is to:

- Accept Evoenergy’s revised proposal to shorten the standard and remaining asset lives of the HP and MP pipelines asset classes to 19 years as at 1 July 2026. These reduced asset lives apply to both forecast capex for the 2026–31 period and the opening capital base as at 1 July 2026. We consider that the reduced asset lives better reflect the expected economic lives of these assets, consistent with rule 89(1)(b) and (c), and provide a depreciation schedule that allows recovery of the capital base over the period in which the network is expected to be economically utilised, consistent with the ACT Government’s Integrated Energy Plan (IEP) to decommission the gas network by 2045.
- Not accept Evoenergy’s revised proposal for an accelerated depreciation amount of \$35 million beyond that arising from the reduced asset lives. Having regard to the depreciation criteria in rule 89(1), the RPPs, and the requirement to promote the NGO, we consider that depreciation aligned to the reduced asset lives provides Evoenergy with a reasonable opportunity to recover its efficient costs over the expected economic lives of the relevant assets by targeting full capital base recovery by 2045. In these circumstances, we are not persuaded that acceleration beyond that arising from the reduced asset lives is necessary to promote efficient tariff variation under rule 89(1)(a), to provide appropriate incentives for efficient investment, operation and use of the network, or to otherwise better promote the long-term interests of consumers, having regard to price impacts.

Expected economic lives of HP and MP pipelines asset classes

In this final decision, we accept Evoenergy’s revised proposal to reduce the standard and remaining asset lives as at 1 July 2026 for the HP and MP pipelines asset classes to 19 years, aligning with the ACT Government’s IEP to decommission the network by 2045. This provides an accelerated depreciation amount of \$30 million for the 2026–31 period.

In the draft decision, we acknowledged a high (but not 100%) likelihood that Evoenergy’s network will be decommissioned by 2045 but did not fully align the expected economic lives to that date at the time. This reflected the uncertainty regarding the timing and pace of demand decline, and decommissioning pathway. We also applied a smaller reduction to the expected economic lives of HP pipelines than to MP assets to reflect greater uncertainty

about the future role of HP assets, including potential renewable gas use and the absence of a ban on new industrial connections.⁵⁵

For this final decision, we have reconsidered our position on the expected economic lives of Evoenergy’s HP and MP pipeline assets based on the available evidence, including information provided by Evoenergy in its revised proposal. We consider current evidence supports the view that the ACT’s gas network utilisation is expected to decline materially around 2045.

We consider a 19-year asset life represents a reasonable central estimate of the remaining economic life of Evoenergy’s HP and MP pipeline assets, recognising both the high likelihood of declining utilisation prior to 2045 and uncertainty in the pace and scope of decommissioning. Revising the asset lives to 19 years also promotes efficient investment, as it provides Evoenergy with a reasonable opportunity to recover its efficient past and new investment by targeting a full capital base recovery by 2045. This reduces the risk of material under-recovery and addresses the substance of Evoenergy’s concern that applying asset lives beyond 2045 will defer recovery of a material portion of its capital base beyond the expected economic life and increase the risk of under-recovery in a declining demand environment.

Accelerated depreciation beyond that arising from the reduced asset lives

While we accept Evoenergy’s revised proposal to reduce the asset lives to 19 years for its HP and MP pipeline assets, we do not accept its revised proposal for an additional \$35 million accelerated depreciation beyond that arising from the reduced asset lives.

In our draft decision and past decisions, we have consistently noted the limitations of accelerated depreciation as a tool for managing stranded asset risk.⁵⁶ In circumstances of declining demand, accelerated depreciation alone does not meaningfully moderate long-term price increases or deliver sustained price stability or intergenerational equity outcomes.

While reducing asset lives to align with 2045 materially reduces stranded asset risk, uncertainty remains regarding the pace of demand decline and customer responses to rising prices. The available evidence does not enable us to conclude that any residual stranded asset risk beyond that addressed through reduced asset lives is sufficiently material to warrant further accelerated depreciation at this time. Accelerated depreciation is not intended to guarantee cost recovery, but to provide a flexible and proportionate regulatory response where justified to address material stranded asset risk under uncertainty.

In the circumstance that aligning asset lives to 2045 already provides Evoenergy with a reasonable opportunity to recover its efficient costs over the expected economic life of its network, we do not consider it appropriate to impose higher prices on consumers through further accelerated depreciation beyond that arising from the reduced asset lives. Had we accepted Evoenergy’s revised proposed \$35 million of additional accelerated depreciation, the real network price increases would be materially higher at around 8.6% per annum (or

⁵⁵ AER, *Draft decision - Evoenergy access arrangement 2026–31 - Attachment 1 - Capital base, Regulatory depreciation and Corporate income tax*, November 2025, pp. 15–19.

⁵⁶ AER, *Final decision - JGN access arrangement 2025–30 - Overview*, May 2025; AER, *Draft decision - Evoenergy access arrangement 2026–31 – Overview*; November 2025.

11.4% in nominal terms), resulting in a cumulative real increase of nearly 50% (or 70% in nominal terms) by the end of the 2026–31 period.

As the long-term demand for Evoenergy’s network continues to decline, uncertainty remains regarding how customers may respond to sustained price increases over time and to what extent this may trigger unintended disconnections. In these circumstances, exercising caution by retaining flexibility to reassess the role of accelerated depreciation over time better supports an orderly transition and the long-term interests of consumers. It also limits unnecessary price impacts on customers where reduced asset lives already provide a reasonable opportunity for cost recovery over the expected economic life of the network assets. This approach is consistent with our Information paper, *Regulating gas pipelines under uncertainty*, which noted that ‘...regulated depreciation or risk compensation cannot be adjusted without constraint to guarantee cost recovery for the regulated businesses’.⁵⁷

Our final decision also considered other matters raised by Evoenergy in support of its revised proposal on accelerated depreciation, including relative price signals between electricity and gas, financeability, and reasonable cash-flow needs. We do not consider these matters, individually or collectively, advance Evoenergy’s case for accelerated depreciation beyond that arising from the reduced asset lives.

3.4 Capital expenditure

Capex—the capital costs and expenditure incurred in the provision of network services—mostly relates to assets with long lives, the costs of which are recovered over several access arrangement periods. Forecast capex directly affects the size of the capital base and the revenue generated from the return on capital and depreciation building blocks.

Our final decision is to include a total capex forecast of \$31.4 million (\$2025–26) for the 2026–31 period, including overheads and net of capital contributions. Our final decision approves a lower total forecast capex than Evoenergy’s proposal of \$33.0 million. This is a reduction of \$1.6 million or 4.8%.

Table 4 outlines our alternative estimate of forecast capex and compares this to Evoenergy’s forecast by capex category.

⁵⁷ AER, *Information Paper: Regulating gas pipelines under uncertainty*, 2021, p. 29.

Table 4 Final decision by capex category (\$ million, 2025–26)

Category	Evoenergy revised proposal	AER final decision	Difference over capex category (\$/%)	
Connections	1.7	1.7 ⁵⁸	-	-
IT	0.1	0.1	-	-
Other Network	1.5	1.5	-	-
Meter replacement	15.2	15.2	-	-
Network Overheads	14.3	12.6	-1.7	-12.1%
Corporate overheads	3.0	3.0	-	-
Gross Total	35.8	34.1	-1.7	-4.8%
Less Customer contributions connections (including overheads) ^(a)	2.8	2.7	-0.1	-4.9%
Less Disposals	-	-	-	-
Modelling adjustments		-0.01 ^(b)		
Net Total	33.0	31.4	-1.6	-4.8%

Source: AER, *Evoenergy access arrangement 2026-31 – Final Decision – Capex Model*, May 2026.

Note: Numbers may not sum due to rounding.

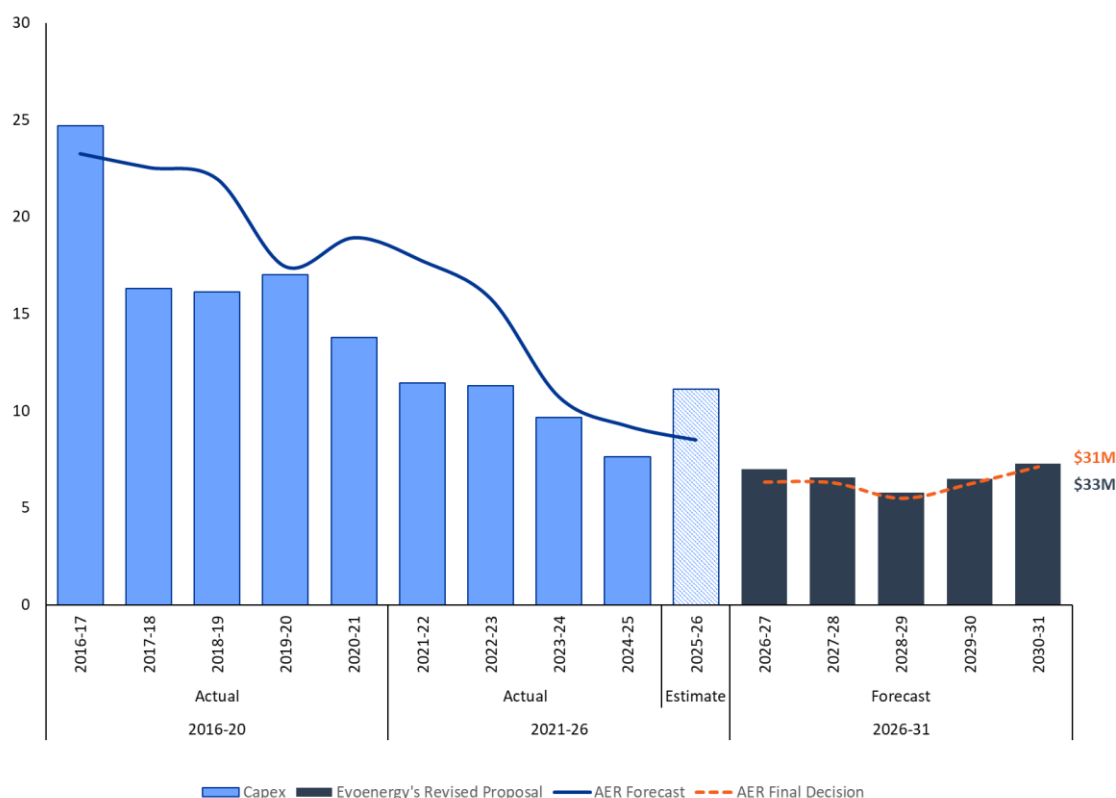
- (a) Evoenergy's overheads for the forecast connections is \$1.4 million. This offsets the component recovered in the overheads of \$15.6 million and ensures that the upfront capital contribution recovers the full cost of the connection and other customers are not cross subsidising the connection costs. The customer contribution connections excluding overheads is \$1.4 million.
- (b) Our final decision includes standard modelling adjustments for updated inputs to inflation and labour real cost escalation.

Figure 9 compares Evoenergy's actual and forecast capex with our previous capex decisions and our final decision for the 2026–31 period. This shows that our final decision capex forecast of \$31.4 million is:

- \$30.4 million, or 49.2% less than the capex forecast we approved in our final decision for the 2021–26 access arrangement period
- \$19.5 million, or 38.3% lower than Evoenergy's actual (and estimated) capex for the 2021–26 access arrangement period.

⁵⁸ The net connections capex is \$0.3 million, derived by subtracting the capital contribution of \$1.4 million (without overheads) from the gross connections capex of \$1.7 million.

Figure 9 Evoenergy’s historical and forecast capex (\$ million, 2025–26)



Source: AER, *Evoenergy access arrangement 2026-31 – Final Decision – Capex Model*, May 2026; AER Analysis.

Note: Nominal figures converted to real dollars 2025–2026.

Overall, we found that the majority of Evoenergy’s forecast of \$33.0 million is conforming capex. We have not accepted Evoenergy’s forecast in full, reducing it by 4.8% because of the differences in our forecasts in network overheads.

Key drivers of our final decision alternative forecast are:

- **Connections** – we have included Evoenergy’s revised proposal forecast of \$1.7 million for gross connections capex, a reduction of \$1.3 million relative to our draft decision of \$3.0 million.

On 11 December 2025, the AEMC made its rule change for *Updating the regulatory framework for gas connections*, requiring gas network distributors to charge a cost-reflective, upfront connection fee on newly connecting retail gas customers from 1 October 2026 onwards. From this date, we will no longer include connection costs related to new customers in the capital base and regulated entities can only recover these costs from connecting customers as capital contributions.

Evoenergy incorporated the capex forecast impacts of the rule change on its revised proposal forecast for connections capex, estimating that it is likely to reduce the number of connection requests. Evoenergy estimated that 2025–26 and 2026–27 will be a transitional period, where 50% of connections would be fully funded by capital contributions, and the other 50% would be subject to the old connection charges. We accept Evoenergy’s method for forecasting connections capex and capital contributions.

Evoenergy forecasts that it will receive capital contributions from connections of \$2.7 million under the new rule. These capital contributions exceed Evoenergy’s estimate of gross connections capex, as the capital contributions also fund a share of Evoenergy’s overheads.

- **Meter replacement** – we accept Evoenergy’s forecast of meter replacement capex is prudent and efficient given Evoenergy’s current regulatory obligations. Despite Evoenergy winding down its gas network, it maintains a large meter replacement program as it has a regulatory obligation to replace unreliable meters even if they are not in use. We understand that the technical regulator in the ACT is considering amending these regulatory obligations. We expect Evoenergy to submit a negative cost pass through application under clauses 8.8 through 8.17 of its access arrangement in the event these regulatory obligations are materially altered.
- **Network overheads** – we do not accept Evoenergy’s forecast network overheads of \$14.3 million, and substitute \$12.6 million. Evoenergy’s forecast of its capitalised network overheads does not reduce in line with its broader capex program, and its customer base, as we would expect. We have included in our total capex forecast an estimate of network overheads that is consistent with the recent downward trend in Evoenergy’s actual spend on network overheads.
- **Corporate overheads** – we accept Evoenergy’s forecast corporate overheads as they are consistent with the historical trend, and Evoenergy has maintained the methodology we accepted in our draft decision.

We discuss our decision on Evoenergy’s capex in more detail in Attachment 2.

3.5 Operating expenditure

Opex is the operating, maintenance and other non-capital expenses incurred in the provision of pipeline services.

Our final decision is to include total forecast opex of \$171.0 million for the 2026–31 period, excluding ancillary reference services and including debt raising costs.

We do not accept Evoenergy’s total forecast opex of \$175.4 million (\$2025–26)⁵⁹ for the 2026–31 period, excluding ancillary reference services and including debt raising costs, because our alternative estimate of total forecast opex is materially lower (2.5% or \$4.4 million) than Evoenergy’s revised proposal. Therefore, we consider that Evoenergy’s total forecast opex does not reasonably reflect the opex criteria⁶⁰ and the forecasts and estimates criteria.⁶¹

⁵⁹ All numbers are in \$2025–26 unless otherwise indicated.

⁶⁰ Under rule 91 of the National Gas Rules (NGR), opex ‘must be such as would be incurred by service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of delivering pipeline services.’ Where opex satisfies the test in rule 91, we say it satisfies the opex criteria.

⁶¹ Under rule 74 of the NGR, information in the nature of a forecast or estimate must be supported by a statement of the basis of the forecast/estimate. Further, forecasts and estimates must be arrived at on a reasonable basis and must represent the best forecast or estimate possible in the circumstances. Where a forecast or estimate meets the requirements of this rule, we say it satisfies the forecasts and estimates criteria.

The difference between our alternative estimate and Evoenergy’s revised proposal is driven by us:

- including an adjusted output growth forecast of –\$6.1 million in our alternative estimate, which is \$6.3 million less than Evoenergy’s forecast. Our alternative forecast of output growth is based on the average of forecast growth rates of the econometric studies previously submitted to us by gas distributors. This is consistent with our draft determination.
- applying mechanical updates to reflect current forecasts, including:
 - a more recent inflation forecast from the Reserve Bank of Australia (RBA),⁶² which affects multiple components of the forecast opex where nominal values are converted into \$2025–26 real terms
 - an updated rate of change – in calculating labour price growth forecasts we have relied on Wage Price Index (WPI) forecasts from our consultants, Deloitte Access Economics.

Table 5 sets out Evoenergy’s revised opex proposal, our alternative estimate for the final decision and the differences between these forecasts.

Table 5 Comparison of Evoenergy’s opex proposal and our alternative opex estimate, including Utilities Network Facilities Tax (UNFT) and Energy Industry Levy (EIL) (\$million, 2025–26)

	Evoenergy proposal	AER draft decision	Evoenergy revised proposal	AER alternative estimate - final decision	Difference \$
Based on estimated opex in 2023–24	177.1	176.0	176.0	179.1	3.1
Remove category specific forecasts	-76.1	-75.7	-75.7	-77.0	-1.3
2023–24 to 2025–26 increment	12.0	11.9	11.9	12.1	0.2
Trend – Output growth	-1.3	-4.6	0.2	-5.8	-6.0
Trend – Price growth	1.5	2.1	2.0	1.8	-0.1
Trend – Productivity growth	–	0.1	–	-0.3	-0.3
Total trend	0.2	-2.4	2.1	-4.3	-6.4
Step change: UNFT	–	44.4	–	–	–
Step change: EIL	–	3.8	–	–	–
Step change: Safety Control program	–	–	1.5	1.5	–
Total step changes	–	48.2	1.5	1.5	–
Category specific forecasts: UNFT	–	–	44.9	44.9	–

⁶² [RBA, Statement on Monetary Policy, February 2026.](#)

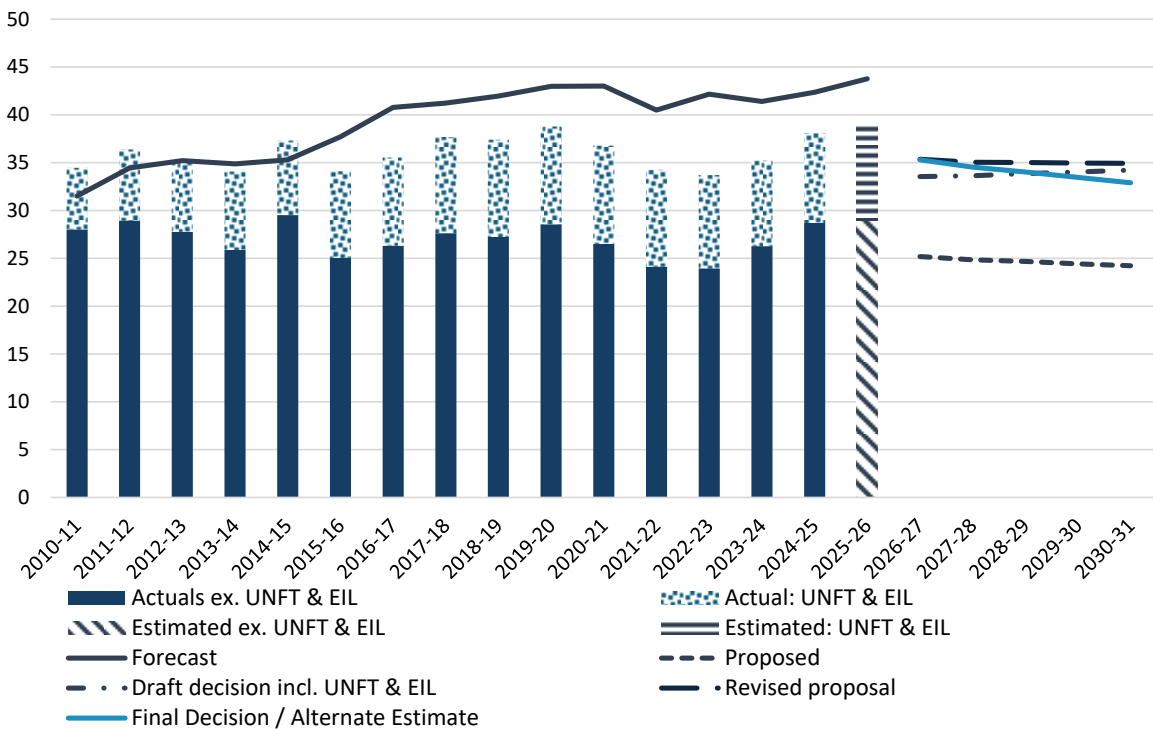
	Evoenergy proposal	AER draft decision	Evoenergy revised proposal	AER alternative estimate - final decision	Difference \$
Category specific forecasts: EIL	–	–	3.8	3.8	–
Category specific forecasts: UAFG	9.4	10.2	9.7	9.7	–
Debt raising costs	0.8	1.1	1.1	1.1	0.1
Total category specific forecasts	10.3	11.3	59.5	59.5	0.1
Total Opex	123.4	169.3	175.4	171.0	–4.4 (–2.5%)

Source: Evoenergy, *Appendix 4.1– Opex model*, June 2025; AER analysis.

Note: Numbers may not add up to total due to rounding. Differences of '0.0' and '-0.0' represent small non-zero amounts and '-' represents zero.

In Figure 10, we compare our alternative estimate of opex (including and excluding the UNFT and EIL costs) to Evoenergy’s proposal for the 2026–31 period. We also show the forecasts we approved for the last 3 access arrangement periods, and Evoenergy’s actual and estimated opex over these periods.

Figure 10 Comparison of actual and forecast opex (\$million, 2025–26)



Source: Evoenergy, *Regulatory accounts*, 2010 to 2026; Evoenergy, *Appendix 4.1-Opex model*, June 2025; Evoenergy, *Access arrangement, PTRM* (multiple periods: 2010–15, 2016–21, 2021–26); AER analysis.

Note: Includes debt raising costs and movements in provisions.

Our final decision (including the UNFT and EIL), which is lower than Evoenergy’s revised proposal, is:

- \$39.3 million (18.7%) lower than the opex forecast we approved for the 2021–26 period
- \$9.5 million (5.2%) lower than Evoenergy’s actual (and estimated) opex in the 2021–26 period.

We discuss the reasons for our alternative estimate of total opex forecast in more detail in Attachment 3.

3.6 Revenue adjustments and incentive schemes

Our calculation of total revenue for Evoenergy includes adjustments under the opex ECM and CESS in its access arrangement. These mechanisms provide a continuous incentive for Evoenergy to pursue efficiency improvements in opex and capex and provide for a fair sharing of these between Evoenergy and users.

3.6.1 Capital Expenditure Sharing Scheme (CESS)

We have included a positive adjustment of \$5.4 million under the CESS, which is broadly consistent with Evoenergy’s revised proposal, as we have only updated inputs such as CPI and the rate of return.

We do not accept Evoenergy’s proposal not to apply the CESS in the 2026–31 period. We consider the CESS meaningfully incentivises cost discipline from businesses, which is in the interest of consumers. Our full reasoning for applying a CESS in the 2026–31 period is outlined in Attachment 6 of this final decision.

Although Evoenergy submitted that a CESS should not apply in the next period, it stated the CESS should not be an asymmetrical, penalty-only CESS, as set out in our draft decision. Evoenergy stated that if we decide to apply a CESS that it should be based on our updated CESS guidelines. Evoenergy also provided updated CESS provisions meant to reflect the guidelines should we decide to apply the CESS.

We agree that the CESS should both penalise overspends and reward underspends. In our draft decision to apply a penalty-only CESS, we considered Evoenergy’s stated preference to return all the benefits of an underspend to customers. We considered a penalty-only CESS would return the entirety of an underspend to consumers, while still incentivising Evoenergy to avoid an overspend. For our final decision, we have taken into account Evoenergy’s stated preference that if we do apply a CESS, it should be a standard CESS.

Our final decision requires Evoenergy to apply the CESS as it was applied in the 2021–26 period, but with the following adjustments:

- Applying a tiered sharing factor to its CESS mechanism and voluntary changes to CESS reward or penalty, as per our update to the CESS mechanism in August 2025.
- Updating the Asset Performance Index (API) targets for 2026–31.

These required adjustments are explained in Attachment 6 of this final decision.

3.6.2 Efficiency Carryover Mechanism (ECM)

We have included carryover amounts totalling \$1.4 million (\$2025–26) from the application of the ECM in the 2021–26 period. This is \$0.1 million higher than Evoenergy’s revised

proposal of \$1.3 million.⁶³ The difference is due to us updating for the latest RBA inflation forecast and updating for actual ancillary reference services expenditure, consistent with the amounts reported in Evoenergy's 2024–25 Regulatory information notice.

We have also approved that the ECM continue to apply during the 2026–31 period. We provide further details on the ECM in Attachment 7 of this final decision.

3.7 Corporate income tax

Our determination of the total revenue requirement includes the estimated cost of corporate income tax for the 2026–31 period. Under the post-tax framework, this amount is calculated as part of the building blocks assessment using our Post Tax Revenue Model (PTRM). Our adjustments to the return on capital (sections 3.1, 3.2 and 3.4) and the regulatory depreciation (section 3.3) building blocks affect revenues, which in turn impacts the tax calculation.

Our final decision determines an estimated cost of corporate income tax amount of \$11.1 million (\$ nominal) for Evoenergy over the 2026–31 period. This is a reduction of \$4.9 million (30.6%) from Evoenergy's revised proposal of \$16.0 million. This decrease is mainly driven by our final decision on a lower regulatory depreciation amount resulting from our final decision for a lower accelerated depreciation amount (section 3.3).

The reasons for our final decision on Evoenergy's estimated cost of corporate income tax are discussed in Attachment 1 of this final decision.

⁶³ Evoenergy, *Appendix 6.6 ECM model*, January 2026.

4 Forecast demand

Forecast demand plays an important role in Evoenergy’s access arrangement:

- demand is an important input into the derivation of Evoenergy’s reference tariffs in its access arrangement. In simple terms, tariffs are determined by dividing cost (forecast revenue) by total demand. This means that a decrease in forecast demand leads to an increase in tariffs, and vice versa
- forecast demand is also a driver of opex and capex, which inform our decision on the total revenue requirement.

The NGR require forecasts and estimates (including the demand forecast) to be arrived at on a reasonable basis and to represent the best forecast or estimate possible in the circumstances.⁶⁴

Our final decision accepts Evoenergy’s total demand forecast.

We accept Evoenergy’s demand forecast for its demand tariff customers (large customers). In our draft decision, we accepted Evoenergy’s demand tariff forecast, and in its revised proposal, Evoenergy has maintained the same methodology, only updating for 2024–25 actual billing data.

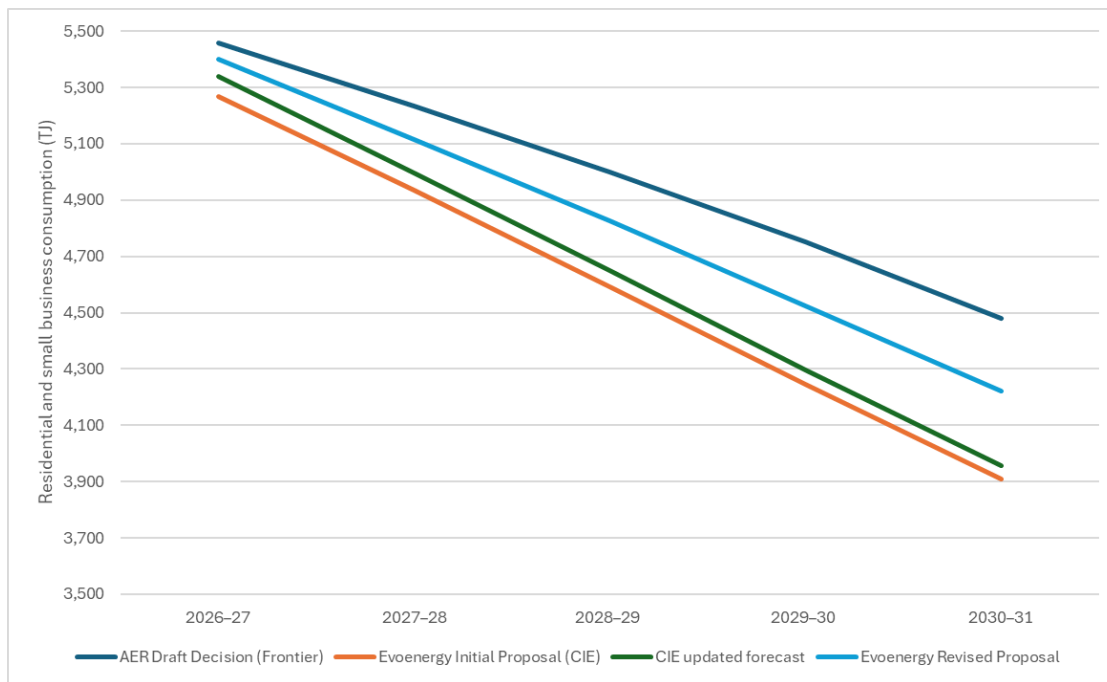
We also accept Evoenergy’s revised proposal demand forecast for customers on volume-individual and volume-boundary tariffs (residential and most business customers).

In our draft decision, we did not accept Evoenergy’s initial proposal forecast for its volume tariff customers. We substituted an alternative forecast of volume tariff demand, which was higher than Evoenergy’s forecast. Our alternative forecast was primarily based on historical trends.

As in its initial proposal, Evoenergy engaged the Centre for International Economics (CIE), to help develop its gas demand forecast for the 2026–31 period. Evoenergy’s revised proposal volume tariff forecast is the simple average of CIE’s updated forecast and our draft decision forecast. Figure 11 compares Evoenergy’s revised proposal volume tariff forecast to our draft decision, and CIE’s initial and updated forecast.

⁶⁴ NGR r 74.

Figure 11 Comparison of volume tariff demand forecasts



Source: AER analysis.

We consider Evoenergy’s revised proposal volume tariff forecast is reasonable. Evoenergy has addressed the majority of our concerns from the draft decision, either by updating its model, or justifying its choice of inputs. Our main concern with Evoenergy’s initial proposal forecast was its use of a customer survey as an input. Evoenergy’s revised proposal has given us confidence in its survey design and the reasonableness of applying it to its forecast, for reasons outlined below. We consider that both forecasts (our draft decision forecast and the revised CIE forecast) have merit. Evoenergy’s proposal of a simple average of the 2 is a reasonable approach to incorporate the merits of both forecasts.

In our draft decision we expressed concern with 3 issues in Evoenergy’s forecast of volume tariff demand:

- its application of weather normalisation
- various technical issues
- the reasonableness of using a customer survey as an input.

We consider that Evoenergy’s revised forecast of volume tariff demand addresses our concerns from the draft decision. Regarding weather normalisation and the various technical issues we identified in our draft decision, Evoenergy has either made reasonable adjustments or provided additional information to support its initial choices.

For instance, in line with our draft decision, CIE has updated its weather normalisation model so the effect of Effective Degree Days on usage lowers year on year. Further, it acknowledged it incorrectly used the network tariff as a price input for its switching model and updated it to include the retail tariff. Our draft decision also raised concerns about Evoenergy’s assumption that 50% of additional electricity demand from electrification would come from self-consumption of roof-top PV. Solar panel self-consumption is concentrated in

summer, but gas usage is concentrated in winter. Evoenergy has revised this down to 27.3% based on ACT winter profiles in AEMO’s Gas-electricity meter data linking project report.

Further, we consider that Evoenergy justified its use of a customer survey as an input. It has addressed our concerns regarding the design of the survey. We are satisfied that participants were provided adequate information and that forms of bias were sufficiently mitigated.

Evoenergy stated that our draft decision’s alternative forecast was unreasonable. It stated that the 2026–31 period will not resemble the past period, so a purely trend-based forecast is inappropriate. It has submitted that the customer survey it used as an input in its forecast captures information not contained in the historic trend. While Evoenergy is confident in CIE’s updated forecast, it acknowledged the possibility of forecasting error and the negative consequences to consumers of a forecast that is too low.

In response to our draft decision and Evoenergy’s revised proposal, we received 4 submissions relevant to Evoenergy’s volume tariff forecast demand forecast:

- ENA expressed concern with our draft decision’s dismissal of Evoenergy’s customer survey. ENA submitted that we have not replaced the customer survey with any similarly forward-looking evidence, and that this is questionable given a rapidly changing energy environment.⁶⁵
- CCP33 agreed with Evoenergy that a historic trend is not suitable for forecasting demand in a changing environment. It further supported Evoenergy’s proposal to average our draft decision forecast with CIE’s revised forecast, which manages the forecasting risk of both approaches and takes into account customers’ expressed intentions.⁶⁶
- Evoenergy submitted analysis by its consultants CIE and HoustonKemp that its proposed price path would not have a significant effect on gas demand.⁶⁷
- ACTCOSS did not comment on the specific demand forecasts but submitted that downside outcomes are materially more likely than sustained upside gains.⁶⁸

We have taken these submissions into account in coming to our final decision to accept Evoenergy’s revised proposal demand forecast.

We consider both our draft decision’s historic trend forecast, and Evoenergy’s updated survey-informed forecast, have merits. Evoenergy’s decision to average the two forecasts captures the strengths of both while mitigating their weaknesses.

In general, revealed preferences (as captured by historic trends) have more evidential power than stated preferences, provided the future resembles the past. However, we may take

⁶⁵ Energy Networks Australia, [Submission on Evoenergy's 2026–31 revised proposal and draft decision](#), February 2026, p 3.

⁶⁶ CCP33, [Advice to the AER - Evoenergy's 2026–31 revised proposal and draft decision](#), February 2026, p 18.

⁶⁷ Evoenergy, [Submission and attachments on Evoenergy's 2026–31 revised proposal and draft decision](#), February 2026.

⁶⁸ ACTCOSS, [Submission on Evoenergy's 2026–31 revised proposal](#), 13 February 2026, p.3.

stated preferences (surveys, for example) into account if we were confident the 2026–31 period would not resemble the past.

The demand forecast in our draft decision, based on historic trend, does have a forward-looking component. For disconnections and weather normalisation, we used shorter, more recent time series data to establish a trend. This would capture recent changes in gas usage and jurisdictional policy.

While we consider our historic trend approach captures key phenomena that will continue through 2026–31, we acknowledge the 2026–31 period may be different from the recent past. For instance, consumer trends and the effect of jurisdictional policies may not be linear over time. The historic trend we used in our draft decision captured the initial response to new policies, but it may not reflect the medium- or longer-term response to the policy. Further, consumer trends, most notably the price elasticity of demand, may vary.

Evoenergy also submitted that the historical trend does not account for the advancing age of gas appliances on its network. Its survey indicated that gas appliances are on average 10 years old. Given an average life expectancy of 16 years, a large proportion of appliances would require replacement throughout the 2026–31 period. The survey indicated that customers would replace gas appliances with electric ones. We acknowledge this could influence disconnections, and hence overall usage.

Overall, we agree that the gas environment's future will likely not resemble its past. On this basis, and considering Evoenergy's revised proposal has alleviated many of our concerns with the design of its survey, we find it reasonable to place weight on both our draft decision forecast and the updated CIE forecast.

5 Reference services and tariffs

Evoenergy’s access arrangement specifies the reference service it will provide, the tariffs for those services, and the other terms and conditions on which the services will be provided.⁶⁹

5.1 Services covered by the access arrangement

Determining a service to be a reference service, as compared to it being a non-reference service, makes a significant difference to how the service is regulated. Reference services are subject to our determined maximum prices, or price caps.

Services we determine to be non-reference services are not subject to price regulation, so gas networks set their own charges for non-reference services. We may be called upon to determine the tariff and other conditions of access to non-reference services if an access dispute arises.⁷⁰

Our final decision is to accept Evoenergy’s proposed reference services consistent with our November 2024 decision on its 2026–31 reference service proposal. While our draft decision also required that Evoenergy include an additional standardised permanent disconnection (or abolishment) service for complex permanent disconnections, we accept that Evoenergy’s revised proposal did not include that service and discuss the issue under reference tariff setting.

5.2 Reference tariff setting and variation mechanism

This section first discusses the tariff structures and tariff variation mechanism proposed by Evoenergy for transportation reference services, then for ancillary reference services, as well as covering the cost pass through mechanism.

Our final decision for Evoenergy’s 2026–31 access arrangement period is to accept its revised reference tariff setting proposal with amendments to:

- Tariff structure
 - rebalance its gas transportation tariff structure for year 1 of the 2026–31 period for volume individual (VI) customers
- Complex permanent disconnections
 - specify fair and reasonable pricing and quoting processes for individually priced complex permanent disconnection services
- Wasted visit charges
 - reduce the costs of the wasted visit charges for temporary disconnections and reconnections to \$45 for temporary disconnections and \$65 for reconnections

⁶⁹ An access arrangement must specify these matters under r. 48(1) of the NGR.

⁷⁰ NGL, Chapter 5.

- set separate permanent disconnection wasted visit charges (consistent with Evoenergy’s initial proposal), reduce the basic permanent disconnection wasted visit charge to \$168 and basic (urgent) permanent disconnection wasted visit charge to \$224, and remove the cost of permanent disconnection wasted visits that Evoenergy included in its permanent disconnection tariffs.

Our final decision for Evoenergy’s 2026–31 access arrangement is to accept its revised tariff variation mechanism proposal with amendments to:

- Gas transportation (including metering) reference service tariff variation mechanism
 - amend the weighted average price cap hybrid tariff variation mechanism for transportation reference services to apply a 5% revenue sharing threshold for the 50:50 sharing of revenue variations with customers
 - amend the tariff variation mechanism to exclude government taxes, levies, and other licence fees.

5.2.1 Transportation reference services

Evoenergy’s revised proposal included the following changes that responded to our draft decision:

- 2-block tariff structures for its volume individual (VI) tariff and volume boundary (VB) tariff for year 1 of the access arrangement period
- a hybrid approach for its transportation reference tariff variation mechanism with a 2% revenue sharing threshold for the 50:50 sharing of revenue variations with customers
- an additional 8% side constraint for its demand market tariff class (that it proposes to implement through an S-factor) to facilitate rebalancing revenue from the volume to demand market tariff class
- retention of the government taxes, levies, and other licence fees in its transportation (including metering) reference service tariff variation mechanism.

We accept Evoenergy’s proposed reference tariff structures but amend the volume individual (VI) tariff block price levels to better distribute customer bill impacts across customer use groups and to better align with the emissions reduction aspect of the NGO.

We consider Evoenergy’s revised proposal for residential tariffs of a 2-block structure is in line with the draft decision requirement for flatter tariff structures. The flatter structure represents movement away from the declining block structure that we consider promotes the use of gas, and better contributes to the achievement of the emissions reduction element of the NGO. However, in Evoenergy’s revised proposal, the price of block 2 dropped to below the price of block 4 of its initial proposal. The price ratio between blocks 1-4 of its volume individual (VI) tariff increased relative to its initial proposal. Together this retains (and increases) the promotion of the use of gas even though the number of blocks declined. Evoenergy’s proposed price levels also shifted impacts across customer groups, resulting in highest impacts to residential customers with low energy use.

We accept Evoenergy’s revised proposal for a weighted average price cap hybrid tariff variation mechanism for transportation reference services, but amend to 5% its proposed 2% revenue sharing threshold for the 50:50 sharing of revenue variations with customers.

We consider a hybrid tariff variation mechanism, incorporating elements of both price cap and revenue cap regulation, better reflects the changed regulatory context for provision of gas transportation reference services than a pure weighted average price cap or a revenue cap. A hybrid tariff variation mechanism reduces the incentive to grow gas demand (better aligning with emissions reduction element of the NGO than a price cap), while mitigating potential tariff year-on-year volatility (which can be a feature of revenue cap regulation). Although the first consideration is not relevant in the context of the ACT Government's ban on new connections and Evoenergy's preference for a revenue cap, the second consideration is relevant to Evoenergy and an important part of our reasoning.

A hybrid tariff variation mechanism manages the risk of tariff volatility (a risk under a revenue cap) by limiting revenue true-ups to instances when actual volumes are (as per the final decision) more than 5% higher (or lower) than targets. Also, a hybrid mechanism splits 50:50 the revenues associated with actual volumes being outside the 5% upper and lower volume boundaries. This means customers and Evoenergy alike would only be impacted by half of any changes above or below the 5% volume boundaries.

We accept Evoenergy's inclusion of an additional 8% side constraint (additional to the current 2%) for its demand market tariff class to facilitate rebalancing revenue from the volume to demand market tariff class. This is in line with our final decision for JGN which allowed a 10% side constraint for its demand market customer tariffs for rebalancing its demand customer tariffs via the annual pricing process in its 2025–30 access arrangement.

Our final decision does not accept Evoenergy's inclusion of the government taxes, levies, and other licence fees in its transportation (including metering) reference service tariff variation mechanism. Our final decision maintains that the cost pass through arrangements are sufficient to deal with material changes in costs associated with government fees and taxes, such as the UNFT and EIL. These amounts will be included in operating expenditure and the reasoning for this approach is set out in Attachment 3.

CCP33's submission observed that most community forum members accepted the proposed tariff structures, but several participants pushed for Evoenergy to be more ambitious.⁷¹ CCP33 was concerned about the proposed additional 2% increase to fixed and block 1 charges and its impact of price increases for low volume consumers.⁷²

Submissions generally supported the hybrid tariff variation mechanism but there are significant differences in the details of different submissions. ACTCOSS submitted that it supports the adoption of a hybrid tariff variation mechanism as a necessary safeguard for the current cost-of-living environment.⁷³ ACTCOSS also commented on the proposed 50:50 risk sharing (and limited effectiveness of the 2% revenue sharing threshold in reducing consumers' exposure), which it considered does not reflect the probability of downside

⁷¹ CCP33, *Advice to the AER - Evoenergy's 2026–31 revised proposal and draft decision*, February 2026, p. 20.

⁷² CCP33, *Advice to the AER - Evoenergy's 2026–31 revised proposal and draft decision*, February 2026, p. 20.

⁷³ ACTCOSS, *Submission on Evoenergy's Access Arrangement 2026-2031*, 13 February 2026, p. 1.

demand, relative capacity of each party to manage and absorb that risk, or appropriateness of relying on consumers to absorb that risk.⁷⁴

ENA's submission encouraged us to consider the appropriate tariff variation mechanism for each network to reflect their circumstances and certainty of demand forecast over the period.⁷⁵ CCP33 also submitted that customers (per Evoenergy's community forum) appeared to have greater support for our draft decision broad (5%) hybrid option than Evoenergy's proposed narrow (2%) tariff variation mechanism⁷⁶ but that most participants seemingly preferred the 50:50 sharing hybrid (no threshold) option.⁷⁷ Evoenergy discussed these community forum preferences in its revised proposal.⁷⁸

Our final decision considered these submissions, in particular in amending the gas transportation reference tariff structures, and accepting the hybrid tariff variation mechanism but amending the revenue sharing threshold to 5%.

5.2.2 Ancillary reference services

Evoenergy's revised proposal includes the following changes that respond to our draft decision:

- reduced temporary disconnection reference tariffs, including to reduce the temporary disconnection $\leq 25\text{m}^3/\text{hr}$ (per meter) to \$100
- justification for the imposition of wasted visit tariffs, including with evidence on the number of wasted visits and Evoenergy controls that minimise wasted visits
- withdrawal of its proposed permanent disconnection wasted visit tariffs and increase in its permanent disconnection tariff to recover the cost of those wasted visits
- annual adjustment of tariffs limited to CPI in the tariff variation mechanism for ancillary activities reference services.

However, Evoenergy retained its individually priced complex permanent disconnection service and did not establish a standardised cost reflective reference tariff for this service in its revised proposal.

We accept Evoenergy's reduced temporary disconnection reference tariffs. We consider that Evoenergy has responded sufficiently to our draft decision requirement to exclude the safety control program costs, and to further reduce the charge for its temporary disconnection $\leq 25\text{m}^3/\text{hr}$ (per meter) to \$100 to align more with our benchmark rate. Evoenergy has reduced its temporary disconnection charges to a level similar to other gas distributors and although in the highest category, they reflect efficient costs to provide the service.

⁷⁴ ACTCOSS, *Submission on Evoenergy's Access Arrangement 2026-2031*, 13 February 2026, p. 3.

⁷⁵ ENA, *Submission on Evoenergy's Access Arrangement 2026-31 – Evoenergy revised proposal*, 13 February 2026, p. 2.

⁷⁶ CCP33, *Advice to the AER - Evoenergy's 2026–31 revised proposal and draft decision*, February 2026, p. 4.

⁷⁷ CCP33, *Advice to the AER - Evoenergy's 2026–31 revised proposal and draft decision*, February 2026, p. 14.

⁷⁸ Evoenergy, [Communication Link Appendix 1.1 Report of feedback from community and customer forum sessions](#), January 2026, p. 28.

We accept Evoenergy’s justification for the imposition of wasted visit charges and amend Evoenergy’s access arrangement for permanent disconnection wasted visit costs to be recovered from those imposing the costs, through separate permanent disconnection wasted visits tariffs. This is in line with Evoenergy’s initial proposal and our draft decision which did not reject the separate tariff but asked that they be justified. We also make amendments to reduce the cost of the wasted visit charges for temporary disconnections (to \$45), reconnections (to \$65), and the separate costs for permanent disconnection wasted visits that Evoenergy had included in its initial proposal for its basic permanent disconnection wasted visit charge (to \$168) and basic (urgent) permanent disconnection wasted visit charge (to \$224).

This is line with Evoenergy’s initial proposal and our draft decision which did not preclude the separate tariffs but asked that they be justified. Our amendments reduce these costs, consistent with the requirement in r.91 of the NGR that opex be such as would be incurred by a prudent service provider acting efficiently, as well as the principle in s 24(3) of the NGL that scheme pipeline service providers be provided with effective incentives to promote economic efficiency with respect to its reference services.

We accept Evoenergy not including a standardised permanent disconnection cost reflective reference tariff for its complex permanent disconnection service. This was a requirement of our draft decision but we now consider the administrative burden associated with developing and implementing the tariff is not warranted due to the low numbers forecast for this service. However, we require Evoenergy to make some amendments to its reference service proposal.

We accept Evoenergy’s revised proposal for its tariff variation mechanism for its ancillary activities reference services. Its revised proposal aligns with our draft decision requirement that it limit annual adjustment to CPI.

There were no submissions that directly addressed these issues.

5.2.3 Cost pass through mechanism

Consistent with our draft decision, our final decision is to accept Evoenergy’s revised proposal that the cost pass through events available to it in the current period will continue to apply in the 2026–31 period. We also accept the new tax change event included in Evoenergy’s revised proposal. However, we have applied minor revisions on the definition of some events to provide greater drafting consistency between Evoenergy and other network service providers, discussed in Attachment 5.

5.3 Non-tariff components

In addition to its total revenue requirement, demand forecast and resultant tariffs, our final decision on Evoenergy’s proposed access arrangement includes an assessment of a range of non-tariff components that go to the commercial relationship between Evoenergy and its retailers and other network users.

Evoenergy engaged with its stakeholders in developing its 2026–31 proposal, including engagement on its non-tariff components and proposed revisions to its Reference Service Agreement (RSA).

In our draft decision, we approved the non-tariff components of Evoenergy’s access arrangement for the 2026–31 period.⁷⁹ However, we noted updates would be required to its RSA to give effect to Evoenergy’s reference tariff setting.

We did not receive any submissions on our draft decision, or on Evoenergy’s revised proposal in relation to the non-tariff components.

Our review of Evoenergy’s revised proposal has found that only updates required to give effect to the draft decision have occurred to its RSA and access arrangement.

Our final decision maintains our draft decision to approve Evoenergy’s non-tariff components, and we would encourage ongoing stakeholder engagement on these components through the next period.

⁷⁹ AER, [Draft decision - Evoenergy access arrangement 2026–31 - Attachment 5 - Reference services, tariffs and non-tariff components](#), November 2025, pp. 31–39.

List of submissions

We received 7 submissions in response to our draft decision and Evoenergy’s revised proposal.⁸⁰

Table 6 Submissions received on draft decision and revised proposal

Submissions
ACT Council of Social Service
Consumer Challenge Panel, sub-panel 33
Energy Consumers Australia
Energy Networks Australia
Evoenergy
Jerrabomberra Residents Association Inc
Property Council of Australia

⁸⁰ Submission are available [on the AER website](#).

Glossary

Term	Definition
ACT	Australian Capital Territory
ACTCOSS	ACT Council of Social Service
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
capex	capital expenditure
CCP33	Consumer Challenge Panel, sub-panel 33
CESS	Capital Expenditure Sharing Scheme
CIE	The Centre for International Economics
CPI	consumer price index
ECA	Energy Consumers Australia
ECRC	Energy Customer Reference Council
ECM	Efficiency Mechanism Carryover
EIL	Energy Industry Levy
ERAP	Energy Regulatory Advisory Panel
HP	high pressure
MP	medium pressure
NGO	National Gas Objective
NGL	National Gas Law
NGR	National Gas Rules
NPV	net present value
opex	operating expenditure
Property Council	Property Council of Australia
RORI	Rate of Return Instrument
SMP	Statement on Monetary Policy
UNFT	Utilities Network Facilities Tax
WACC	weighted average cost of capital