

DECISION AusNet Gas Services Gas Distribution Determination

2028 to 2033

Reference service, tariff variation mechanism and
tariff structure

October 2026

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1 Executive summary

The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future. We regulate energy networks in all jurisdictions except Western Australia. We set the amount of revenue that network businesses can recover from customers for using these networks.

The National Gas Law and Rules (NGL and NGR) provide the regulatory framework governing gas transmission and distribution networks. Our work under this framework is guided by the National Gas Objective (NGO):

The objective of this Law is to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to—

(a) price, quality, safety, reliability and security of supply of covered gas; and

(b) the achievement of targets set by a participating jurisdiction—

(i) for reducing Australia's greenhouse gas emissions; or

(ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

AusNet Gas Services (AusNet) provides reticulated gas distribution services in Western and Central Victoria.

On 1 June 2026 AusNet submitted to the AER a reference service proposal for its gas distribution network. We have assessed the proposal against the requirements set out in the NGR.

Our decision is to not approve AusNet's reference service proposal. We consider the proposal is not consistent with the regulatory requirements due to classification of the abolishment service as a reference service and the inclusion of no access (gas meter) as a service.

Under the new non-statutory requirements introduced by the AER in 2023, AusNet also submitted with its regulatory proposal, preliminary positions on its tariff variation mechanism and tariff structure for gas transportation (haulage) services for the 2028–33 access arrangement period (2028–33 period).

AusNet proposed to change its existing tariff variation mechanism (weighted average price cap) to a hybrid tariff variation mechanism. AusNet proposed to make no changes to its tariff structures, retaining its declining block tariff structure for both volume and demand tariffs, while signalling rebalancing to better meet the NGO (i.e. flattening the price difference between the blocks).

In our view a hybrid tariff variation mechanism can best balance the positive and negative elements of price cap and revenue cap regulation. On its tariff structures for haulage services, we consider AusNet should develop and submit for AER consideration one or more

implementation pathways to flatten its declining block tariff structure by reducing the number of blocks, over the next access arrangement period.

While we expect AusNet to respond to our tariff related considerations as set out in this paper, our preliminary views expressed here do not constrain our decisions on these issues in the context of AusNet's upcoming 2028–33 access arrangement revisions proposal. We may form different views in response to further information, stakeholder views being provided, or any requirements arising from the AEMC final determination on its Gas networks in transition rule change project, anticipated to be published in December 2026.

Next steps

The AER will publish a revised reference service proposal that addresses the reasons for our decision to not approve AusNet's proposed reference service proposal, and will make a decision giving effect to the revised reference service proposal.

2 Background

This section discusses the NGR reference service requirements, and the new non-statutory issues addressed by AusNet's reference service proposal: reference tariff variation mechanism and declining block tariffs for haulage services.

2.1 AusNet

AusNet's gas distribution network serves around 840,000 customers in Western and Central Victoria, including the outer northern and north-west metropolitan areas of Melbourne. The network comprises around 13,122 km of distribution pipeline.

2.2 Reference services

In preparing its reference service proposal and in undertaking our assessment, the NGR require AusNet and ourselves to have regard to the NGR reference service factors:¹

- the actual and likely demand for the pipeline's services and the number of prospective users
- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service
- the usefulness of specifying the pipeline service as a reference service in supporting negotiations and dispute resolution
- likely regulatory costs for all parties in specifying the pipeline service as a reference service.²

Services we determine meet the reference service factors will be determined to be reference services. Services we determine do not meet the reference service factors will be treated as non-reference services.

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 AER price regulation. That is, we set maximum prices, or price caps, which gas networks may charge network users for reference services. Gas networks may choose to charge network users less than the price caps we determine but they may not charge more.

Services we determine to be non-reference services are not subject to price regulation. This means gas networks set their own charges for non-reference services.

2.3 Reference service proposal process

Gas network service providers are required to submit a separate reference service proposal to the AER for assessment 12 months in advance of the submission date for their access arrangement revisions proposal.

¹ NGR r. 47A(14)

² NGR r. 47A(15)

The NGR requires us to complete our assessment of a reference service proposal no later than 6 months in advance of the due date for submission of the relevant access arrangement revisions proposal.

AusNet's access arrangement revisions submission date is 1 June 2027.³ This means AusNet was required to submit its reference service proposal to the AER by no later than 1 June 2026, which it did. We are required to conclude our assessment and release our decision no later than 1 December 2026.

Where a reference service proposal is not approved, the AER will publish a revised reference service proposal that addresses the reasons for the decision to not approve the reference service proposal. The AER will then make a decision giving effect to the revised reference service proposal.

An access arrangement must be consistent with our reference service proposal decision unless there has been a material change in circumstances.⁴

2.4 Tariff (non-statutory) considerations

In early 2023 we initiated a review of how we regulate the haulage service provided by gas distribution network service providers (distributors). This review considered whether to continue to approve these elements of existing gas distribution access arrangements or whether changes were required.⁵

- weighted average price caps (reference tariff variation mechanism) which regulate the revenues distributors receive for providing reference haulage services
- declining block tariffs which set the parameters for how retailers are billed for reference haulage services provided to their customers.

In October 2023, our final decision of the review indicated we would not make sector-wide changes to gas distribution pipeline tariff variation mechanisms or tariff structures.⁶ Instead, we chose to consider these issues on a case-by-case basis in the context of individual access arrangement reviews by building consideration of these matters into the existing reference service proposal assessment. This approach allows us to signal our views on the tariff variation mechanism and tariff structure issues in time for incorporation in the distributors' access arrangement revision proposals.

To be clear, only the reference service elements of this reference service proposal decision relate to a statutory decision. The tariff related aspects of this decision are non-statutory. That is, the NGR do not specify that the AER has a role in assessing tariff related issues at the reference service proposal stage. Rather, we proposed to undertake this assessment and the regulated gas distributors agreed.

We consider that a public process of proposal and AER consideration of these tariff related issues, at this early stage of a gas distribution access arrangement review, will benefit stakeholders and networks.

³ Access arrangement revisions for the 2028/29 to 2032/33 access arrangement period.

⁴ NGR r. 48(1)(b), (c) and (c1).

⁵ AER, *Review of gas distribution network reference tariff variation mechanism and declining block tariffs*, 5 May 2023.

⁶ AER, *Review of gas distribution network reference tariff variation mechanism and declining block tariffs*, October 2023.

3 AusNet's reference service proposal

This section outlines AusNet's reference service proposal, including the stakeholder consultation it undertook in developing its proposal. It then describes our stakeholder consultation undertaken in assessing AusNet's proposal, and our decision on AusNet's reference service proposal.

3.1 AusNet's reference service proposal

AusNet proposed to maintain the same suite of reference services offered in its current access arrangement period, except for minor meter alternation which it proposed to move from a reference service to a non-reference service (Table 3.1). AusNet also proposed minor changes to non-reference services.

Table 3.1 AusNet's proposed reference and non-reference services (changes from its current access arrangement services are shown in red)

Reference services	Non reference services
Haulage reference services: - Volume based haulage service (tariff V) - for all customers consuming below 10,000 GJ per year, or a maximum hourly quantity (MHQ) of 10 GJ in any one hour - Demand based haulage services (tariff D) - for large gas uses consuming over 10,000 GJ per year or a maximum hourly quantity (MHQ) of 10 GJ in any one hour - Demand based haulage services (tariff M) - for customers originally connected on tariff V but now consume more than 10,000 GJ per year or a maximum hourly quantity (MHQ) of 10 GJ in any one hour. Ancillary reference services: - Meter & gas installation test - Disconnection - Reconnection - Special read - Meter fix or reinstallation Minor meter alter position - Service abolishment – residential.	Ancillary non-reference services: - Minor meter alter position - New residential connections - Connection alterations including upgrade meter or service line size, downgrade meter size, pressure change - Tracing of service lives - Cross meter investigation - Detailed meter retake and test - Meter security and protection - Non-residential disconnection - Non-residential abolishment - No access (gas meter) - Any other negotiated service.

Source: AER analysis

3.1.1.1 Reference services

AusNet proposed that its suite of haulage reference services remains the same as offered in its current access arrangement. For its ancillary reference services AusNet proposed to move the minor meter alternation service from a reference service to a non-reference service (due to the low level of demand).

AusNet proposed to continue with Service abolishment – residential as a reference service.

3.1.1.2 Non-reference services

AusNet proposed three new non-reference services:

- Residential connections
- Non-residential disconnection
- Non-residential abolishment

Residential connections were proposed as a non-reference service because AusNet expects demand for the service to be limited. This is due to the ban on new connections in Victoria coming into effect on 1 January 2027.⁷ The ban will lead to a very low level of new connections, resulting only from new connections that were approved before the 1 January 2027 ban comes into effect.

AusNet proposed to continue with no access (gas meter) as a non-reference service.

3.2 AusNet's stakeholder consultation

AusNet set up a GAAR Development Panel (GDP), comprising a small group of experts and customer representatives. In parallel, it has a Gas Stakeholder Roundtable (Roundtable) comprising a range of stakeholders to provide diverse perspectives on key issues.

AusNet took its preliminary positions to the GDP in March 2026 for feedback on its engagement approach for the reference service proposal, as well as how it was approaching and planning to present concepts for customers, including changing its tariff variation mechanism and tariff structures. AusNet reports that it used the feedback to inform its materials for discussion with the Roundtable.

AusNet reported that they found there was a consistent theme across both GDP and roundtable forums that stakeholders are broadly comfortable with the direction of the proposal (e.g. largely maintaining existing services except for removing minor meter position service treatment, and tariff reform direction), but that stakeholders required clearer articulation of customer impacts, particularly for the hybrid price cap and tariff changes.

3.3 AER stakeholder consultation

We published AusNet's reference service proposal on the AER website on 3 June 2026. We called for written submissions by no later than 1 July 2026.

⁷ Victoria's ban on new residential gas connections began with planning permit rules in 2024 and expands to a complete ban for all new homes starting January 1, 2027. From January 1, 2024: New homes, apartments, and residential subdivisions that require a planning permit cannot connect to reticulated natural gas under Amendment VC250. From January 1, 2027: The restriction broadens to virtually all new residential buildings and most new commercial buildings, prohibiting any new gas network connection. Industrial, manufacturing, and agricultural buildings are excluded from the all-electric mandate.

In response, we received 1 submission from LMS Energy on the AusNet proposal, seeking for biomethane to be explicitly included in the reference service proposals. This will be discussed in section 3.4 below.

3.4 AER assessment of AusNet's reference service proposal

Our decision is to not approve AusNet's reference service proposal because we consider:

- residential abolishments are to be determined by the AER under a Model Standing Offer (MSO) framework and therefore should not be a reference service, but instead are to be classified as a non-reference service (reflecting the AEMC's recent rule determination)⁸
- non access to a gas meter is not a service that is offered/requested, but represents a penalty charge for the inability to provide or complete a requested/booked service and therefore should not itself be classified as a service (whether non-reference or reference)

If AusNet wishes to apply a no access charge, we consider it should apply for this through its access arrangement revision proposal. Any no access charge should sit under and be applied in respect of the service a customer is seeking, ie a special meter read or a disconnection. We consider that AusNet's access arrangement revision proposal should explain:

- why no access charges should be established, including with evidence on the number of wasted visits undertaken in the current period and what controls AusNet has in place to ensure that wasted visits are kept to a minimum
- the cost build up for the charges and why each element cannot be avoided
- how it will ensure customers are fully informed of the no access charges before it confirms the related service
- what further controls it will develop to minimise wasted visits.

LMS Energy submitted that biomethane should be explicitly included in reference service proposals. We agree with LMS that reference service proposals should refer to 'covered gas' as opposed to just 'natural gas' in keeping with amendments made to the NGL and NGR to enable gases other than 'natural' gas to be transported via gas distribution and transmission pipelines. However, AusNet's reference service proposal uses the broad term 'gas' and does not refer to natural gas. We consider 'gas' is sufficiently broad to cover both natural and renewable gas and that no amendment is necessary in this case.

We consider the proposal is otherwise consistent with NGR r. 47A.

To assess AusNet's reference service proposal we considered the extent to which it conforms to each regulatory requirement set out in the NGR r. 47A. Our detailed assessment is set out in Table 3.2. In this table, we do not cover abolishment services which are determined by the AER under a Model Standing Offer (MSO) framework or the 'no access' services, which we consider is not a service.

⁸ AEMC, *Final determination: Establishing a regulatory framework for retail customer initiated gas abolishment*, April 2026.

Table 3.2 Summary of NGR r. 47A reference service requirements

NGR r. 47A requirement	Compliance assessment
(1) A service provider in respect of a full regulation pipeline must, whenever required to do so under subrule (3), submit to the AER a reference service proposal in respect of a forthcoming full access arrangement proposal that:	
(a) identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;	Compliant. See section 1.1.1 of AusNet's reference service proposal.
(b) sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in subrule (2);	Compliant. See Table 2 and Table 3 of AusNet's reference service proposal.
(c) from the list referred to in subrule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as reference services having regard to the reference service factors including any supporting information required by the AER; and	Compliant. See Table 2 of AusNet's reference service proposal.
(d) if the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.	Compliant. See section 1.2.2 of AusNet's reference service proposal.
(2) A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including:	AusNet's reference service proposal appropriately defines pipeline services in regard to their characteristics, priority and receipt points.
(a) the service type (for example, forward haul, backhaul, connection, park and loan);	
(b) the priority of the service relative to other pipeline services of the same type; and	
(c) the receipt and delivery points.	
(14) In deciding whether or not a pipeline service should be specified as a reference service, the AER must have regard to the reference service factors.	We have had regard to the reference service factors in assessing AusNet's reference service proposal.
(15) The reference service factors are:	
(a) actual and forecast demand for the pipeline service and the number of prospective users of the service;	AusNet's reference service proposal is premised on there being ongoing high demand for the haulage reference services and its proposed ancillary reference services.

	In respect of AusNet's proposed non-reference services, it submitted these are either not frequently required, have never been used or are subject to unpredictable demand. We accept AusNet's proposition that demand for its proposed non-reference services is difficult to forecast and/or likely to be low or nil.
(b) the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;	The haulage reference services and ancillary services are not substitutable with other services.
(c) the feasibility of allocating costs to the pipeline service;	Costs may be allocated to the proposed reference services. We accept that allocating costs to AusNet's proposed non-reference services may be difficult due to uncertain demand and/or variable costs.
(d) the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:	
(i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;	The reference services will be a point of reference for negotiations.
(ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and	As above.
(iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;	As above.
(e) the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.	By specifying haulage services and commonly used ancillary services as reference services the current arrangements will be continued. As a result, regulatory costs for all parties will be minimised.

4 AusNet's tariff variation mechanism

This section outlines AusNet's tariff variation mechanism proposal, including the stakeholder consultation it undertook in developing its proposal. It then describes our stakeholder consultation undertaken in assessing AusNet's proposal, and our decision on AusNet's proposal.

4.1 AusNet's tariff variation mechanism proposal

AusNet's preliminary proposal is to change its existing tariff variation mechanism (weighted average price cap) to a hybrid tariff variation mechanism that incorporates elements of both a price cap and revenue cap. The proposal comprises a price cap with a 5% revenue variation threshold and a 50:50 sharing between AusNet and customers, of any revenue over/under recovery outside the 5% threshold.⁹

AusNet submitted that the change to a hybrid tariff variation mechanism is to align incentives in the operating environment and adjust the allocation of forecasting risks, consistent with recent changes for other gas distribution networks facing similar circumstances.¹⁰

4.2 AusNet's stakeholder consultation

AusNet engaged with its GDP and Stakeholder Roundtable on tariff variation mechanisms. It provided stakeholders with an overview of the options and indicative impacts on network charges under the different options. Including consulting on stakeholders' understanding of the impact and rationale of moving to a hybrid price cap. AusNet submitted that some stakeholders:

- Questioned if there is material customer benefit from this change. Feedback from its Roundtable broadly perceived a price cap as favourable due to its association with stable prices for customers
- Questioned the strength of the incentive under a revenue cap for networks to increase demand, and if this is sufficient reason to justify a change.
- Questioned the value of engaging with end-use customers on this change, given the customer relationship is with the retailer, and the varying impact of a customer's total bills. There was a suggestion that more value may be derived from engaging on the cost allocation when the hybrid cap results in an increase in revenue.

AusNet submitted that it recognised there are favourable aspects of a price cap for customers, in particular predictable prices, but reiterated its position that a hybrid price cap represents an appropriate change to ensure pricing structure remains fit for purpose over the long term given demand uncertainty, aligned with the assessment against the above criteria.¹¹

4.3 AER stakeholder consultation

The submission we received did not comment on AusNet's tariff variation mechanism proposal.

⁹ AusNet Gas Services 2028-33 - Reference Service Proposal, p.16, June 2026.

¹⁰ AusNet Gas Services 2028-33 - Reference Service Proposal, p.15, June 2026

¹¹ AusNet Gas Services 2028-33 - Reference Service Proposal, pp.17-18, June 2026.

While we did not receive submissions on the tariff variation mechanism in response to AusNet's reference service proposal, we received many submissions in the context of our 2023 gas distribution network tariffs review. Stakeholders generally did not support application of revenue cap regulation to haulage services and preferred either to retain existing weighted average price caps or to introduce hybrid mechanisms incorporating elements of both weighted average price cap and revenue cap regulation.

4.4 AER assessment of AusNet's tariff variation mechanism proposal

AusNet proposed a hybrid tariff variation mechanism with a 5% revenue sharing threshold and a 50:50 sharing mechanism in its proposal and we consider that the tariff variation mechanism is consistent with the NGR requirements and will contribute to the achievement of the NGO.

We consider the proposal to move to a hybrid price cap is consistent with our recent decisions on Jemena, Evoenergy and AGN (SA).¹² AusNet are proposing the same design parameters as used by these networks.

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 haulage services than a pure weighted average price cap or a revenue cap. A hybrid tariff variation mechanism reduces the incentive for AusNet 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).

A hybrid tariff variation mechanism manages the risk of tariff volatility by limiting revenue true-ups to instances when actual volumes are 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 AusNet alike would only be impacted by half of any changes above or below the 5% volume boundaries.

¹² AER, *Final Decision, Attachment 10: Jemena Gas Networks (NSW) access arrangement 2025-2030*, p.3, May 2025; AER, *Final Decision, Attachment 5, Evoenergy (ACT) access arrangement 2026 to 2031*, pp. 20-25, May 2026; AER, *Final Decision, Attachment 5, AGN (SA) access arrangement 2026 to 2031*, pp. 10-11, May 2026.

5 AusNet’s gas transportation tariff structure

This section outlines AusNet’s haulage tariff structure proposal, including the stakeholder consultation it undertook in developing its proposal. It then describes our stakeholder consultation undertaken in assessing AusNet’s proposal, and our decision on AusNet’s proposal.

5.1 AusNet’s gas transportation tariff structure proposal

AusNet’s preliminary proposal for its haulage tariff structures was to retain its current declining block structure for its 3 tariffs in the 2028–33 period, but to reduce the price difference between the blocks. AusNet’s current Tariff V is a volumetric tariff, with a fixed standing charge and 4 usage blocks, and Tariff D and M are demand tariffs based on a customer Maximum Hourly Quantity (MHQ), with 3 MHQ blocks.

The structure of the current haulage reference services tariffs is a declining block tariff structure which means customers pay less per unit as they consume more. It is not a formal requirement for networks to publish updated tariff structures or prices as part of a Reference service proposal. However, AusNet notes that in its upcoming Access Arrangement period, it intends to flatten the price difference between the blocks while retaining the declining block structure. AusNet submits this approach allows it to:

- Promote tariff stability for customers between periods. While it sees merit in transitioning to a flatter, more fixed charging structure, it considers this change should be implemented over multiple Access Arrangement periods to ensure a smoother customer experience and transition overtime.
- Weaken incentives to increase gas demand, which is at odds with the emissions objective in the NDC and broader policy changes.
- Retain a signal that there is a marginal benefit from increasing consumption as this lowers overall unit costs.

AusNet has not yet determined the degree of flattening it considers would achieve a balance of objectives. AusNet states it will further consider this as it designs its tariffs in the lead up to submission of the access arrangement.¹³

5.2 AusNet’s stakeholder consultation

AusNet submitted that feedback from its engagement included the importance of ensuring consideration of flattening on different customer segments when designing tariffs. AusNet submitted it would revisit options and engage on tariff structures with stakeholders once other elements of its regulatory proposal have been developed and indicative bill impacts of different approaches modelled.¹⁴

¹³ AusNet Gas Services 2028-33 - Reference Service Proposal, p.11, June 2026.

¹⁴ AusNet Gas Services 2028-33 - Reference Service Proposal, p.11, June 2026.

5.3 AER stakeholder consultation

The submission we received did not comment on AusNet's tariff structure proposal.

5.4 AER assessment of AusNet's tariff structure proposal

We consider AusNet should develop and submit for AER consideration one or more implementation pathways to incrementally flatten its declining block tariff structure, over one or more access arrangement periods, including by reducing its tariffs to a two-block structure.

Declining block tariffs do not align with the NGO which now includes an emissions reduction element. We acknowledge AusNet has reflected on this in its proposed consideration of reducing the price difference between its blocks but consider AusNet should also look at options to reduce the number of blocks. In developing its potential implementation pathway(s), AusNet should consider the pace of change, bill and demand impacts for a range of customer consumption levels, and the need for adequate transition periods. AusNet should include detailed information on these considerations in its access arrangement revision proposal.

We recognise there may be tensions to balance in considering energy equity, while supporting the energy transition and access to the benefits of transition. Customers negatively impacted by changes to AusNet's existing tariff structure could include high consumption households experiencing disadvantage, in addition to other households and commercial/industrial customers. There may also be low consumption customers who have largely transitioned to electricity but still value a low emissions gas cooktop. We consider there may be reform options available to moderate the declining block structure without imposing material bill impacts on either large or small consumption customers. As an example, AGN (SA) and Evoenergy have made incremental changes to their gas transportation tariff structures with the effect of achieving flat pricing blocks in blocks 2 and 3, ie the blocks beyond the initial fixed charge and the block 1 charge. We consider similar changes should be available to AusNet.

We intend to explore such tariff redesign opportunities in the context of AusNet's 2028-33 access arrangement revisions proposal. We encourage AusNet to consult its customers and stakeholders on tariff reform options prior to submission to the AER.

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AusNet	AusNet Gas Services
AGN (SA)	Australian Gas Networks (South Australia)
NGO	National Gas Objective
NGR	National Gas Rules
r.	rule