



DRAFT DECISION
Evoenergy
Access Arrangement

2021 to 2026

Attachment 2
Capital base

November 2020

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Note

This attachment forms part of the AER's draft decision on the access arrangement that will apply to Evoenergy for the 2021–26 access arrangement period. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Services covered by the access arrangement

Attachment 2 – Capital base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency carryover mechanism

Attachment 9 – Reference tariff setting

Attachment 10 – Reference tariff variation mechanism

Attachment 11 – Non-tariff components

Attachment 12 – Demand

Attachment 13 – Capital expenditure sharing scheme

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2 Capital base

The capital base roll forward accounts for the value of Evoenergy's regulated assets over the access arrangement period. The opening capital base value for a regulatory year within the access arrangement period is rolled forward by indexing it for inflation, adding any conforming capital expenditure (capex), and subtracting depreciation and other possible factors (for example, disposals or customer contributions).¹ Following this process, we arrive at a closing value of the capital base at the end of the relevant year. The opening value of the capital base is used to determine the return of capital (regulatory depreciation) and return on capital building blocks.

This attachment sets out our draft decision on Evoenergy's opening capital base as at 1 July 2021 for the 2021–26 access arrangement period. It also sets out our draft decision on Evoenergy's projected capital base for the 2021–26 period.

2.1 Draft decision

For this draft decision, we determine an opening capital base of \$381.9 million (\$ nominal) as at 1 July 2021, which is \$0.4 million (or 0.1 per cent) lower than Evoenergy's proposed opening capital base of \$382.3 million.² This reduction is made because we have amended Evoenergy's proposed roll forward model (RFM) to update the actual capex and Consumer Price Index (CPI) inputs for 2014–15.

To determine the opening capital base as at 1 July 2021, we have rolled forward the capital base over the 2016–21 period to determine a closing capital base value at 30 June 2021, in accordance with the proposed RFM. This roll forward includes an adjustment at the end of the 2016–21 period to account for the difference between updated actual 2014–15 capex and the value approved in our 2016–21 decision.³

Table 2.1 summarises our draft decision on the roll forward of Evoenergy's capital base during the 2016–21 period.

¹ The term 'rolled forward' means the process of carrying over the value of the capital base from one regulatory year to the next.

² Evoenergy, *Appendix 4.1 RFM*, June 2020.

³ The end of period adjustment will be positive (negative) if actual capex is higher (lower) than the value approved at the 2016–21 decision. Actual 2014–15 capex was included in Evoenergy's approved opening capital base at the last access arrangement decision as conforming capex. However, a small true-up value is calculated in the RFM for this draft decision because the 2014–15 actual capex was subsequently revised by Evoenergy in its annual reporting RIN.

Table 2.1 AER’s draft decision on Evoenergy’s capital base roll forward for the 2016–21 period (\$ million, nominal)

	2015–16	2016–17	2017–18	2018–19	2019–20 ^a	2020–21 ^b
Opening capital base	338.4	349.7	361.1	366.9	371.4	377.0
Net capex ^c	17.4	19.6	13.2	13.3	15.1	15.1
Indexation of capital base ^d	5.7	5.2	6.9	6.5	6.8	7.5
Less: straight-line depreciation ^e	11.8	13.4	14.3	15.3	16.3	17.3
Interim closing capital base	349.7	361.1	366.9	371.4	377.0	382.3
Difference between estimated and actual capex in 2014–15 capex						–0.3
Return on difference for 2014–15 capex						–0.0 ^f
Closing capital base as at 30 June 2021						381.9

Source: AER analysis.

- (a) Based on estimated capex provided by Evoenergy. We will update the capital base roll forward for actual capex in the final decision.
- (b) Based on estimated capex provided by Evoenergy. We expect to update the capital base roll forward with a revised capex estimate in the final decision, and true-up the capital base for actual capex at the next access arrangement review.
- (c) Net of disposals and capital contributions, and adjusted for actual CPI; The 2015–16 capex is included in the roll forward period as it was an interval of delay.
- (d) We will update the capital base roll forward for actual CPI for 2020–21 in the final decision.
- (e) Adjusted for actual CPI. Based on forecast capex.
- (f) This reflects a small negative value.

We determine a projected closing capital base as at 30 June 2026 of \$405.7 million (\$ nominal). This is \$0.8 million (\$ nominal) lower than Evoenergy’s proposed closing capital base at 30 June 2026 of \$406.6 million (\$ nominal).⁴ Our draft decision on the forecast closing capital base value reflects the updated opening capital base as at 1 July 2021, and our draft decision on the expected inflation rate (Attachment 3),⁵ forecast depreciation (Attachment 4) and forecast capex (Attachment 5).⁶

⁴ Evoenergy, *Appendix 4.2 PTRM (Public)*, June 2020.

⁵ As discussed in Attachment 3, our draft decision estimate of expected inflation is 2.37 per cent per annum for the access arrangement period. We are currently undertaking a review into the treatment of inflation in our regulatory framework, including the method likely to result in the best estimate of expected inflation. The final outcomes of this review are expected in December 2020. If we consider a different method for estimating expected inflation should be adopted, we intend to commence the consultation process under the NGR for amending the PTRM. We expect to apply amendments to the PTRM (if any) in our final decision in April 2021, unless a rule change proposal is required.

⁶ Capex enters the capital base net of forecast disposals. It includes equity raising costs (where relevant) and the half-year WACC to account for the timing assumptions in the PTRM. Therefore, our draft decision on the forecast

We accept Evoenergy’s proposal to establish the opening capital base as at 1 July 2026 using the approved depreciation schedules based on forecast capex over the 2021–26 period.⁷ These depreciation schedules will be adjusted for actual inflation outcomes over this period.

Table 2.2 sets out the projected roll forward of the capital base during the 2021–26 period.

Table 2.2 AER’s draft decision on Evoenergy’s projected capital base roll forward for the 2021–26 period (\$ million, nominal)

	2021–22	2022–23	2023–24	2024–25	2025–26
Opening capital base	381.9	391.0	398.7	402.9	405.0
Net capex ^a	15.6	15.6	13.1	12.1	11.8
Indexation of opening capital base	9.1	9.3	9.5	9.6	9.6
Less: straight-line depreciation	15.6	17.2	18.4	19.6	20.7
Closing capital base	391.0	398.7	402.9	405.0	405.7

Source: AER analysis.

(a) Net of forecast disposals and capital contributions. In accordance with the timing assumptions of the post-tax revenue model (PTRM), the capex includes a half-year weighted average cost of capital (WACC) to compensate for the six month period before capex is added to the capital base for revenue modelling.

2.2 Evoenergy’s proposal

Evoenergy proposed an opening capital base as at 1 July 2015 of \$338.4 million (\$ nominal). Rolling forward this capital base and using depreciation based on forecast capex approved for the 2015–21 period, Evoenergy proposed a closing capital base as at 1 July 2021 of \$382.3 million (\$ nominal). It has done so by adding actual net capex, removing approved forecast depreciation and adding inflation indexation on the opening capital base in each year of the 2016–21 period.⁸

Evoenergy’s proposed capital base roll forward during the 2016–21 period is shown in Table 2.3.

capital base also reflects our amendments to the rate of return for the 2021–26 access arrangement period (Attachment 3).

⁷ Evoenergy, *Access arrangement for the ACT and Queanbeyan-Palerang Regional gas distribution network, 1 July 2021 – 30 June 2026*, June 2020, p. 15.

⁸ Evoenergy, *Attachment 4 – Capital base and depreciation, Access arrangement information, ACT and Queanbeyan-Palerang gas network 2021–26*, June 2020, pp. 4-3 to 4-4.

Table 2.3 Evoenergy's proposed capital base roll forward during the 2016–21 period (\$ million, nominal)

	2015–16	2016–17	2017–18	2018–19	2019–20 ^a	2020–21 ^a
Opening capital base	338.4	349.7	361.1	366.9	371.4	377.0
Net capex ^b	17.4	19.6	13.2	13.3	15.1	15.1
Indexation of capital base	5.7	5.2	6.9	6.5	6.8	7.5
Less: straight-line depreciation ^c	11.8	13.4	14.3	15.3	16.3	17.3
Interim closing capital base	349.7	361.1	366.9	371.4	377.0	382.3
Difference between estimated and actual capex in 2014–15 capex						–0.0 ^d
Return on difference for 2014–15 capex						–0.0 ^d
Closing capital base as at 30 June 2021						382.3

Source: Evoenergy, *Appendix 4.1 RFM*, June 2020.

- (a) Based on estimated capex.
- (b) Net of disposals and capital contributions, and adjusted for CPI; The 2015–16 capex is included in the roll forward period as it was an interval of delay.
- (c) Adjusted for actual CPI. Based on forecast capex.
- (d) This reflects a small negative value.

Evoenergy proposed a projected closing capital base as at 30 June 2026 of \$406.6 million (\$ nominal). This value reflects its proposed opening capital base, forecast capex, expected inflation, and forecast depreciation over the 2021–26 period. The projected roll forward of the capital base during the 2021–26 period is shown in Table 2.4.

Table 2.4 Evoenergy's proposed projected capital base roll forward during the 2021–26 period (\$ million, nominal)

	2021–22	2022–23	2023–24	2024–25	2025–26
Opening capital base	382.3	391.2	399.1	403.4	405.7
Net capex ^a	15.6	15.6	13.1	12.1	11.8
Inflation indexation on opening capital base	9.2	9.4	9.6	9.7	9.7
Less: straight-line depreciation	15.9	17.1	18.4	19.5	20.6
Closing capital base	391.2	399.1	403.4	405.7	406.6

Source: Evoenergy, *Appendix 4.2 PTRM (Public)*, June 2020.

- (a) Net of forecast disposals and capital contributions. In accordance with the timing assumptions of the PTRM, the capex includes a half-year WACC allowance to compensate for the six month period before capex is added to the capital base for revenue modelling.

Evoenergy proposed to use forecast depreciation to determine the opening capital base as at the commencement of the 2026–31 access arrangement period, consistent with the approach applied in the 2015–21 period.⁹

2.3 Assessment approach

Our approach to assessing Evoenergy’s projected capital base is consistent with that adopted in previous gas access arrangement decisions made under the National Gas Rules (NGR).¹⁰ In accordance with rules 77(2) and 78 of the NGR, we applied three steps to calculate the projected capital base:

- First, we confirm the value of the opening capital base for the first year of the 2016–21 period (for Evoenergy, this is 1 July 2015 as 2015–16 was an interval of delay at the 2016–21 review). This includes making an adjustment to account for any difference between actual and estimated capex in the final year of the previous access arrangement period (in this case, 2014–15). This adjustment is made at the end of the 2016–21 period, and must also remove any benefit or penalty associated with any difference between the estimated and actual capex for that year.¹¹ We have determined that the actual capex for 2014–15 as conforming at the 2010–15 access arrangement decision because of the interval of delay in 2015–16. However, Evoenergy has subsequently revised the 2014–15 actual capex in its annual reporting Regulatory Information Notice (RIN). Therefore, there is a small difference between Evoenergy’s proposed actual capex for 2014–15 and the approved amount determined at the 2010–15 access arrangement review. We do not consider a reassessment of conforming capex for this year is required at this review as the revised amount is slightly lower (about \$0.3 million) than the approved amount.
- Second, the opening capital base as at 1 July 2015 is rolled forward to determine the closing capital base as at 30 June 2021. This closing capital base is also used as the value of the opening capital base for the 2021–26 period as at 1 July 2021. This involves:¹²
 - adding conforming actual capex for each year—this requires assessing the capex and determining that it is consistent with the provisions of the 2016–21 access arrangement and data from historical RINs, as well as the definition of 'conforming capital expenditure' in the NGR¹³

⁹ Evoenergy, *Access arrangement for the ACT and Queanbeyan-Palerang Regional gas distribution network, 1 July 2021 – 30 June 2026*, June 2020, p. 15.

¹⁰ For example, AER, *Final decision: APA VTS Australia access arrangement 2018–22*, November 2017; AER, *Final decision: AusNet Services access arrangement 2018–22*, November 2017; AER, *Final decision: Multinet gas access arrangement 2018–22*, November 2017; AER, *Roma to Brisbane Gas Pipeline access arrangement 2017–22*, November 2017; AER, *Australian Gas Networks Victoria and Albury access arrangement 2018–22*, November 2017; AER, *Final decision: Jemena Gas Networks (NSW) access arrangement 2020–25*, June 2020.

¹¹ NGR, r. 77(2)(a).

¹² NGR, r. 77(2).

¹³ NGR, r. 79(1).

- removing depreciation for each year based on the approach approved for the 2016–21 period
 - removing any capital contributions during the 2016–21 period¹⁴
 - adding any speculative capex or previously redundant assets that will be reused during the 2021–26 period
 - removing any redundant assets and disposals during the 2016–21 period
 - indexing the roll forward each year for actual inflation.
- Third, the capital base is projected over the 2021–26 period by rolling forward the opening capital base as at 1 July 2021 to 30 June 2026. This involves performing the following on the opening capital base:¹⁵
 - adding forecast conforming capex for each year, net of any forecast capital contributions
 - removing forecast depreciation for each year
 - removing the forecast value of assets to be disposed of during the 2021–26 period
 - indexing the capital base of the roll forward each year for expected inflation.

2.3.1 Interrelationships

The size of the capital base substantially impacts the service provider's revenue and the price consumers pay. It is an input into the determination of the return on capital and depreciation (return of capital) building blocks.¹⁶ Factors that influence the capital base will therefore flow through to these building block components and the annual building block revenue requirement. Other things being equal, a higher capital base increases both the return on capital and depreciation amounts. In turn, it increases the service provider's revenue, and prices for its services.

The capital base is determined by various factors, including;

- the opening capital base (meaning the value of existing assets at the beginning of the access arrangement period)
- net capex¹⁷
- depreciation
- indexation adjustment – so the capital base is presented in nominal terms, consistent with the rate of return.

¹⁴ NGR, r. 82(3).

¹⁵ NGR, r. 78.

¹⁶ The size of the capital base also impacts the benchmark debt raising cost allowance. However, this amount is usually relatively small and therefore not a significant determinant of revenues overall.

¹⁷ Net capex is gross capex less disposals and capital contributions.

The opening capital base depends on the value of existing assets as well as actual conforming net capex, actual inflation outcomes and depreciation in the past.

The capital base when projected to the end of the access arrangement period may increase due to forecast new capex and the indexation adjustment. The size of the indexation adjustment depends on expected inflation (which also affects the nominal rate of return or WACC) and the size of the capital base at the start of each year.

Depreciation reduces the capital base. The depreciation amount depends on the size of the opening capital base, the forecast net capex and the depreciation schedules applied to the assets.

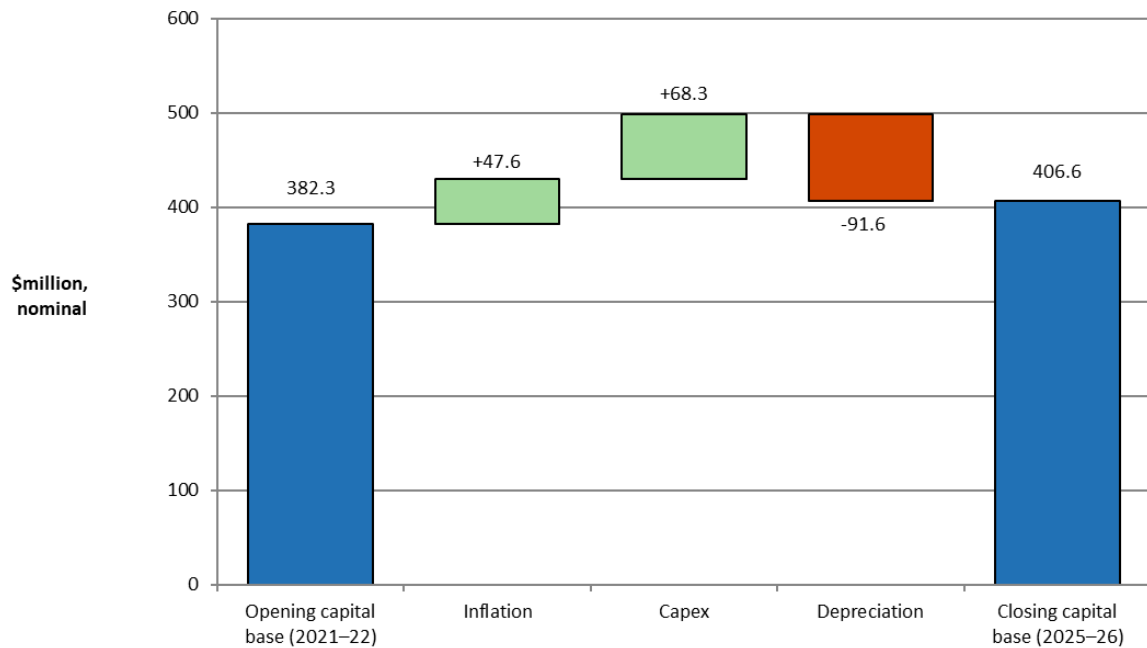
We maintain the capital base in real terms by indexing for inflation. A nominal rate of return WACC is multiplied by the opening capital base to produce the return on capital building block.¹⁸ To prevent double counting of inflation through the nominal WACC and indexed capital base, the regulatory depreciation building block has an offsetting reduction for indexation of the capital base.¹⁹ Indexation of the capital base and the offsetting adjustment made to depreciation results in smoother revenue recovery profile over the life of an asset than if the capital base was un-indexed. The implications of our approach to indexing the value of the capital base on revenues are discussed further in Attachment 4.

Figure 2.1 shows the key drivers of the change in the capital base over the 2021–26 period as proposed by Evoenergy. Overall, the closing capital base at the end of the 2021–26 period would be 6.3 per cent higher than the opening capital base at the start of that period based on the proposal, in nominal terms. The proposed forecast net capex increases the capital base by about 17.9 per cent, while expected inflation increases it by about 12.4 per cent. Forecast depreciation, on the other hand, reduces the capital base by about 24.0 per cent.

¹⁸ NGR, r. 87.

¹⁹ If the asset lives are extremely long, such that the capital base depreciation rate is lower than the inflation rate, then negative regulatory depreciation can emerge. The indexation adjustment is greater than the capital base depreciation in such circumstances. Please also refer to section 4.3.1 of Attachment 4 of this draft decision for further explanation of the offsetting adjustment to the depreciation.

Figure 2.1 Key drivers of changes in the capital base proposed by Evoenergy (\$ million, nominal)



Source: Evoenergy, *Appendix 4.2 PTRM (Public)*, June 2020.

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

The capital base would decrease by 5.4 per cent in real terms over the 2021–26 period based on Evoenergy's proposal. The depreciation amount also largely depends on the opening capital base, which in turn depends on capex. In this draft decision, we accept Evoenergy's proposed forecast capex of \$63.3 million (\$2020–21) as placeholder amounts for the 2021–26 period.²⁰ Our review of Evoenergy's forecast capex is set out in Attachment 5 of this draft decision.

We do not fully accept Evoenergy's proposed shorter standard asset lives for its pipeline assets. This decision has contributed to a slight decrease in forecast straight-line depreciation to be removed from the capital base. Our review of Evoenergy's depreciation is set out in Attachment 4 of this draft decision.

A 10.0 per cent increase in the opening capital base causes revenues to increase by about 4.2 per cent. However, the impact of the annual change in capital base on revenues depends on the source of the capital base change, as some drivers affect more than one building block cost.²¹

²⁰ This amount is net of capital contributions and equity raising costs and excludes half-year WACC adjustment.

²¹ If capex causes the capital base to increase, then return on capital, depreciation, and debt raising costs all increase too. If a reduction in depreciation causes the capital base to increase, then revenue could increase or decrease. In the latter case, the higher return on capital is offset (perhaps more than offset) by the reduction in the depreciation amount. Inflation naturally increases the capital base in nominal terms.

2.4 Reasons for draft decision

We determine an opening capital base value for Evoenergy of \$381.9 million (\$ nominal) as at 1 July 2021. This value is \$0.4 million (or 0.1 per cent) lower than Evoenergy's proposed opening capital base of \$382.3 million.²² This reduction is made due to corrections to minor input updates in Evoenergy's proposed RFM.

We forecast a closing capital base value of \$405.7 million by 30 June 2026. This represents a decrease of \$0.8 million (or 0.2 per cent) compared to Evoenergy's proposal. This results from our draft decision on the inputs used to determine the projected capital base in the PTRM. We are satisfied this amendment is necessary having regard to the requirements of the NGR.

The reasons for our decision are discussed below.

2.4.1 Roll forward of capital base during 2016–21 period

Evoenergy has established its opening capital base as at 1 July 2021 using our RFM. Therefore, we reviewed the key inputs of Evoenergy's proposed RFM, such as actual inflation, rate of return, gross capex values, capital contribution values, forecast depreciation amounts and asset lives. We found these inputs were largely correct and reconciled with relevant data sources such as ABS data, RINs and the 2016–21 decision models.²³ However, we have made the following amendments, which have slightly reduced the proposed opening capital base value by \$0.4 million (or 0.1 per cent):

- We updated the actual 2014–15 capex in the proposed RFM to be consistent with the values reported in Evoenergy's annual RIN. The 2014–15 actual capex was included in Evoenergy's approved opening capital base at the last access arrangement decision because they were available at the time of the final decision. In response to our information request, Evoenergy confirmed that it has subsequently revised the 2014–15 capex value in the annual reporting RIN, and the revised actual values should be used in the RFM.²⁴
- We updated the 2014–15 actual inflation input in the RFM to be consistent with the value in the approved RFM for the 2016–21 access arrangement decision. In response to our information request, Evoenergy agreed to this update.²⁵

²² Evoenergy, *Appendix 4.1 RFM*, June 2020.

²³ At the time of this draft decision, the roll forward of Evoenergy's capital base includes estimated capex values for 2019–20 and 2020–21. We will update the 2019–20 estimated capex with actuals in the final decision. We may also update the 2020–21 estimated capex with a revised estimate in the final decision.

²⁴ Evoenergy, *Email response to AER IR002: RFM minor modelling issues*, 5 August 2020.

²⁵ Evoenergy, *Email response to AER IR002: RFM minor modelling issues*, 5 August 2020.

2.4.1.1 Conforming capital expenditure in the 2016–21 period

Our assessment of conforming capex is set out in Attachment 5. In determining the opening capital base as at 1 July 2021, we assessed whether Evoenergy’s proposed capex amounts for the 2016–21 access arrangement period are properly accounted for in the capital base roll forward.

We accept Evoenergy’s proposed actual capex for 2015–16 as conforming capex. Therefore, we accept that actual conforming capex for this year has been properly accounted for in the proposed capital base roll forward consistent with the requirements of the NGR.²⁶

For this draft decision, we have added Evoenergy’s proposed actual capex for 2016–17, 2017–18 and 2018–19 to the capital base as placeholder amounts. As discussed in Attachment 5, we require further information from Evoenergy in its revised proposal and will assess whether the actual capex for these years are conforming capex in our final decision.

Further, we note that the proposed capex for 2019–20 and 2020–21 are estimates. Therefore, the capex added to the capital base for 2019–20 and 2020–21 are also placeholder amounts in this draft decision. We expect that Evoenergy will provide actual capex for 2019–20 in its revised proposal and the 2020–21 capex estimate may be revised based on more up to date information. We will assess whether capex incurred for 2019–20 is conforming capex for the final decision, and whether capex incurred in 2020–21 is conforming at Evoenergy’s next (2026–31) access arrangement review.

2.4.2 Projected capital base during 2021–26 period

We forecast a closing capital base of \$405.7 million (\$ nominal) as at 30 June 2026 for Evoenergy, which represents a reduction of \$0.8 million (0.2 per cent) compared to Evoenergy’s proposed amount of \$406.6 million. This results from our draft decision on the inputs to the determination of the projected capital base. We have amended the inputs in the following ways:

- We reduced Evoenergy’s proposed forecast net capex²⁷ for the 2021–26 access arrangement period by \$0.1 million (\$ nominal) or 0.1 per cent. Our assessment of the proposed forecast capex is set out in Attachment 5.
- We updated Evoenergy’s proposed expected inflation rate of 2.40 per cent per annum for the 2021–26 access arrangement period to 2.37 per cent per annum (Attachment 3). This results in a decrease to the indexation of the capital base component for the 2021–26 period by \$0.5 million (\$ nominal) or 1.1 per cent, all

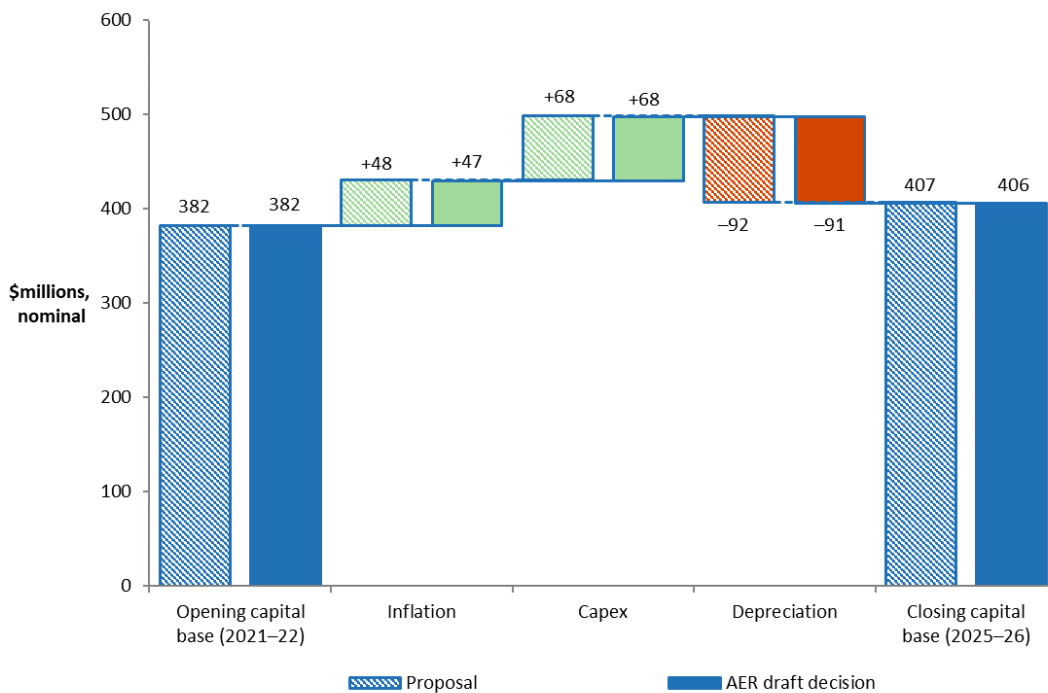
²⁷ This amount is net of capital contributions, disposals and equity raising costs and inclusive of half-year WACC adjustment.

else being equal (where the capital base is unchanged from Evoenergy's proposal).

- We reduced Evoenergy's proposed forecast straight-line depreciation amount for the 2021–26 access arrangement period by \$0.2 million (\$ nominal) or 0.2 per cent.²⁸ As discussed in Attachment 4, we have largely accepted Evoenergy's proposed reduction to the standard asset lives for its pipeline asset classes. If we had not accepted this proposal, the forecast closing capital base as at 30 June 2026 would have been about \$0.6 million (or 0.2 per cent) higher than the amount determined in our draft decision.

Figure 2.2 shows the key drivers of the change in Evoenergy's capital base over the 2021–26 period for this draft decision. Overall, the closing capital base at the end of the 2021–26 period is forecast to be 6.2 per cent higher than the opening capital base at the start of that period, in nominal terms. The approved forecast net capex and expected inflation increase the capital base by about 17.9 per cent and 12.3 per cent, respectively. Forecast depreciation, on the other hand, reduces the capital base by about 23.9 per cent.

Figure 2.2 Key drivers of changes in the capital base – Evoenergy's proposal compared with AER's draft decision (\$ million, nominal)



Source: AER analysis.

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

²⁸ Regulatory depreciation is the net total of straight-line depreciation and inflation indexation of the capital base.

2.4.3 Capital base at commencement of 2026–31 period

The capital base at the commencement of the 2026–31 access arrangement period will be subject to adjustments consistent with the NGR. The adjustments for Evoenergy include (but are not limited to) actual inflation and approved depreciation over the 2021–26 period.

We accept Evoenergy’s proposal to establish the opening capital base as at 1 July 2026 using the approved depreciation schedules based on forecast capex over the 2021–26 period.²⁹ This is consistent with the requirement in its current access arrangement which requires that depreciation be based on forecast capex.³⁰ We approved such an approach in our recent gas access arrangement decisions.³¹ This approach is also consistent with the approach outlined in our *Access Arrangement Guideline*.³² The amount of the forecast depreciation is to be approved by us in the final decision for the 2021–26 period.

We consider Evoenergy’s 2021–26 access arrangement should further provide clarity that the capital base as at 1 July 2026 is to be established using the approved depreciation schedules (straight-line) based on forecast capex at the asset class level.³³ Having regard to the capital base as determined in the preceding access arrangement, we consider this will provide for a forecast of depreciation over the 2021–26 period that provides for continuity and consistency in determining depreciation from one access arrangement period to the next.³⁴

²⁹ Evoenergy, *Access arrangement for the ACT and Queanbeyan-Palerang Regional gas distribution network, 1 July 2021 – 30 June 2026*, June 2020, p. 15.

³⁰ Evoenergy, *Access arrangement for the ACT and Queanbeyan-Palerang Regional gas distribution network, 1 July 2016 – 30 June 2021*, July 2016, p. 10.

³¹ AER, *Final decision: APA VTS Australia access arrangement 20118–22, Attachment 2 – Capital base*, November 2017, p. 8; AER, *Final decision: AusNet Services access arrangement 2018–22, Attachment 2 – Capital base*, November 2017, p. 23; AER, *Final decision: Multinet gas access arrangement 2018–22, Attachment 2 – Capital base*, November 2017, p. 7; AER, *Roma to Brisbane Gas Pipeline access arrangement 2017–22, Attachment 2 – Capital base*, November 2017, p. 7; AER, *Australian Gas Networks Victoria and Albury access arrangement 2018–22, Attachment 2 – Capital base*, November 2017, p. 6; AER, *Final decision: Jemena Gas Networks (NSW) access arrangement 2020–25, Attachment 2 – Capital base*, June 2020, p. 14.

³² AER, *Final access arrangement guideline*, March 2009, pp. 61–62.

³³ NGR, r. 90.

³⁴ NGL, ss. 24(4) and 28(2)(a)(i).

2.5 Revisions

We require the following revisions to make the access arrangement proposal acceptable as set out in Table 2.5.

Table 2.5 Evoenergy’s capital base revisions

Revision	Amendment
Revision 2.1	Make all necessary amendments to reflect this draft decision on the roll forward of the capital base for the 2016–21 access arrangement period, as set out in Table 2.1.
Revision 2.2:	Make all necessary amendments to reflect this draft decision on the projected capital base for the 2021–26 access arrangement period, as set out in Table 2.2.
Revision 2.3:	Amend clause 5.2 of the access arrangement as follows: In calculating the Capital Base at the commencement of the 2026 Access Arrangement Period, depreciation (straight-line) for establishing the opening capital base will be based on forecast capital expenditure at the asset class level approved for the 2021 Access Arrangement Period.

Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
Capex	Capital expenditure
CPI	Consumer price index
NGL	National Gas Law
NGR	National Gas Rules
PTRM	Post-tax revenue model
RFM	Roll forward model
RIN	Regulatory Information Notice
WACC	Weighted average cost of capital