Evoenergy's revised five-year gas plan 2026–31: Overview

Response to the Australian Energy Regulator's draft decision

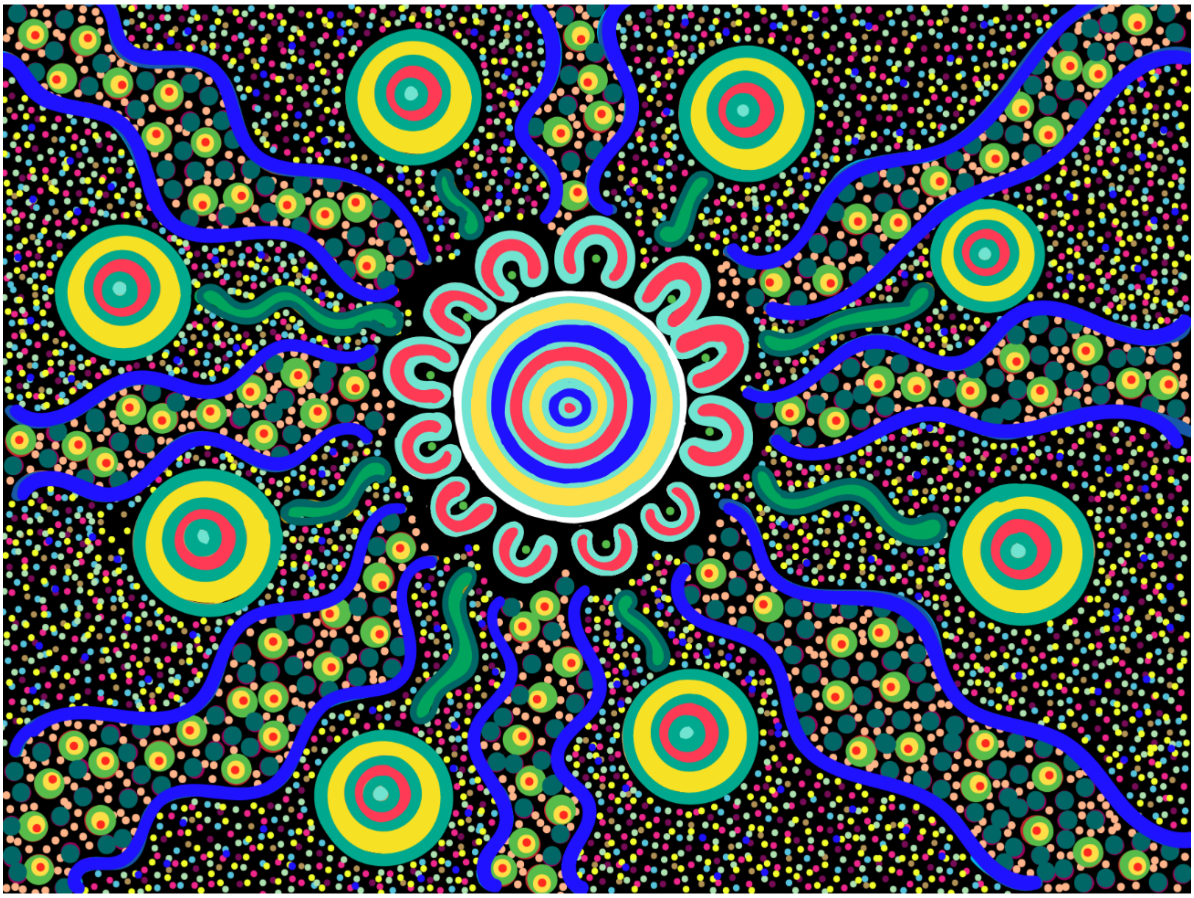
ACT and Queanbeyan-Palerang gas network access arrangement 2026–31

Submission to the Australian Energy Regulator

January 2026

Acknowledgment of Country

Evoenergy acknowledges the Traditional Custodians of the lands on which we live and work. We pay respect to the Elders, past and present, and celebrate all First Peoples' continuing connections and contributions to Country.



Featured artwork: The Energy of Connection by Shaenice Allan

Shaenice Allan is a Ngunnawal, Bundjalung and Kamilaroi artist. She has been painting for 15 years, telling the stories that are told to her. Shaenice's paintings represent and connect to the Land of her peoples. The stories are an important part of Shaenice's art. They describe the many stories, the many pathways, and the many lines that connect her to Mother Earth.

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CEO foreword

Throughout the last two years of engagement with our community on the future of the gas network, the message has been clear: the community supports a fair and equitable transition away from gas which recognises not every customer can achieve this transition at the same pace.

Evoenergy's regulatory proposal, submitted to the Australian Energy Regulator (AER) in June 2025, reflected this feedback from our community. We proposed recovering more of the gas network costs early in the transition while there are more customers to share these costs. Our proposed approach avoided leaving a disproportionate share of the costs to those customers least able to transition early.

The AER's draft decision sets aside our community feedback and the customer research we conducted to better understand our community's future electrification plans. It also does not align with the ACT Government's legislated target to achieve net zero emissions by 2045 and its commitment to commence phased decommissioning of the gas network in the 2035–40 period. The draft decision reflects a short term view which will lead to an inequitable and unsustainable transition for our ACT and NSW communities, and an inability for Evoenergy to recover its costs. Evoenergy is also concerned about the alignment of the draft decision with the regulatory framework.

In response, Evoenergy's revised plan brings our community feedback, customer research and the ACT Government's emissions reductions commitments back as central considerations. While we have adapted our positions to reflect the AER's draft decision, we maintain that long term customer interest is best served by taking more action now.

This revised plan takes a responsible, long term view which meets the requirements of the regulatory framework. It also reflects the ACT Government's commitment to phase out gas by 2045, while providing Evoenergy with a reasonable opportunity to recover the costs of providing a safe, reliable and secure gas service for the communities we serve.

We look forward to the AER's consideration of our revised plan and welcome further engagement on this important element of the ACT's energy transition.

John Knox

Chief Executive Officer

evoenergy

Our revised gas plan continues to reflect our community's support for a fair and equitable transition away from gas

In response to the AER's draft decision, our revised five-year gas plan...

Demand forecast

- Takes an average of our forecast based on customer research and the AER forecast based on historic trends to ensure our customer transition intentions are reflected

Adjusting prices

- Maintains a revenue cap is best, but;
- In response to the AER's draft decision, proposes a narrow hybrid with a 2% revenue constraint and 50/50 sharing ratio to reflect our circumstances

Disconnections

- Continues user-pays approach
- Keeps tailored, individually priced charges for complex disconnections

Asset cost recovery

- Keeps asset lives aligned with ACT policy (to 2045)
- Applies additional depreciation per the AER's draft decision, without short-term price caps

Expenditure

- Trues up for government taxes and levies
- Adds funding for customer safety communications on disconnections
- Proposes lower capital spend than our initial proposal

Tariffs

- Follows the AER's draft decision to reduce tariff blocks

Our revised gas plan continues to reflect community expectations for Evoenergy to:

- Enable an equitable transition path to 2045
- Manage bill impacts for low and middle-income households
- Maintain a safe and reliable network
- Charge no more than needed
- Align with emissions reduction policy

	Initial proposal	Draft decision	Revised proposal
Average annual retail bill increase for residential customers Excluding the impacts of inflation	4.1%	1.4%	2.8%
Revenue (smoothed) Real June 2026 dollars	$472m	$392m	$421m
Operating expenditure Real June 2026 dollars	$172m	$169m	$175m
Capital expenditure Real June 2026 dollars	$39m	$31m	$33m

1. Overview

Evoenergy submitted its gas access arrangement 2026–31 proposal (our five-year gas plan) to the Australian Energy Regulator (AER) in June 2025.[1] Our five-year gas plan reflected 18 months of engagement with our community and key stakeholders and laid the foundations for a responsible, steady and equitable path through the transition off gas in line with the ACT Government's target to achieve net zero emissions by 2045[2] and commitment to commence phased decommissioning of the gas network in the 2035–40 period. [3]

The AER's draft decision[4] set aside our community's views and priorities, our customer research on their transition intentions, as well as the ACT Government's emissions reduction commitments.

The AER's draft decision took the view that while it is highly likely Evoenergy's gas network will be decommissioned by 2045, there is not sufficient evidence that this will occur.[5] The draft decision also applied a 'guardrail' to limit network bill increases to 4 per cent per year (equivalent to retail bill increases of approximately 1.4 per cent per year) and rejected our proposal to ensure that customers pay only what is necessary to provide gas services.[6] The short term approach set out in the AER's draft decision would inevitably result in an inequitable and unsustainable transition, where those least able to transition early are left to carry a disproportionate share of the costs and the risk of the gas network becoming economically unviable before they have been able to make their electrification transition. The AER draft decision also, creates perverse incentives and does not provide a reasonable opportunity for Evoenergy to recover its costs under the regulatory framework.[7]

Evoenergy's response to the AER's draft decision on our 2026–31 gas access arrangement proposal reflects the principles and obligations set out in the regulatory framework, including the National Gas Objective (NGO)[8],[9] and revenue and pricing principles.[10] Our revised access arrangement 2026–31 proposal (also referred to as our revised proposal or revised five-year gas plan) also reflects the uniqueness of Evoenergy's operating context,[11] particularly the ACT's

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[1] Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31, June.

[2] *Climate Change and Greenhouse Gas Reduction Act 2010*, 6(1)

[3] Disclosed in the ACT Government's Integrated Energy Plan (IEP). see ACT Government (2024). The Integrated Energy Plan 2024–2030: Our pathway to electrification, June.

[4] AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026–31, November.

[5] AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026–31 – Attachment 1 Capital base, regulatory depreciation and corporate income tax, November, p. 17.

[6] The AER's draft decision references a real network price path of 4 per cent including jurisdictional taxes and levies. When these taxes and levies are removed from Evoenergy's revenue forecast, this real network price path is 1.4 per cent.

[7] As provided for under the National Gas Law, see National Gas (South Australia) Act 2008, s. 23 and 28(1).

[8] National Gas (South Australia) Act 2008, section 23.

[9] Including, the May 2023 amendment to the NGO to promote achievement of emissions reductions targets set by participating jurisdictions.

[10] National Gas (South Australia) Act 2008, section 28(1).

[11] See Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31- Overview, June, pp. 13–25.

legislated net zero emissions by 2045 and commitment to full electrification,[12] as well as recent regulatory developments.[13]

Importantly, our revised proposal reflects our community's expectations that the electrification transition is fair and equitable and recognises that not everyone in the community can transition at the same pace. Our revised proposal serves the long term interests of our consumers by more equitably sharing costs, providing a more stable long term price path. Unlike the AER's draft decision, our approach takes the necessary action now to avoid disproportionate impacts on those customers who are least able to transition early.

Our revised proposal supports a responsible, steady and equitable path through the electrification transition to achieve the ACT Government's emissions reduction objectives, and better enables Evoenergy to continue to provide a safe, reliable and efficient gas network for the communities we serve.

In response to the AER's draft decision, we have made a number of revisions to our five-year gas plan, much of which we tested with our community through October to December 2025.[14] We undertook this engagement to ensure our revised proposal continues to align with our community's expectations, priorities and values, particularly in relation to fairness, equity and ensuring customers only pay the efficient costs of safely and reliably operating and maintaining the gas network.

The key revisions to our five-year gas plan are:

- Demand: Evoenergy maintains that our demand forecast, based on the preferences and energy transition intentions of our community, best reflects the most reasonable demand forecast over 2026–31. While we disagree with many of the AER's criticisms of our forecasting method, we have revised our approach to take an average of our forecast informed by customer research, and the AER's trend-based alternative forecast. Our revised approach ensures our customers' transition intentions are still captured in the demand forecast, reflecting our community's view that Evoenergy's demand forecast should be informed by customer research, and their support for the innovative approach in our initial proposal.[15]
- Depreciation: Evoenergy maintains that the National Gas Rules (NGR) require the use of economic asset lives, and all evidence supports the gas network being decommissioned and/or economically unviable by, or before, 2045. We maintain that taking more action now on depreciation is in the best long term interest of gas consumers, in accordance with the NGO, and achieves our community's priority for a fair and equitable energy transition, while providing Evoenergy with a reasonable opportunity to recover our costs in accordance with the National Gas Law (NGL).

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[12] *Climate Change and Greenhouse Gas Reduction Act 2010*, section 6; ACT Government (2024). The Integrated Energy Plan 2024–2030: Our pathway to electrification, June.

[13] See AEMC (2025). Updating the regulatory framework for gas connections, December; AEMC (2025). Establishing a regulatory framework for retail customer initiated gas abolishment, October; AEMC (2025).

[14] See Attachment 1: Revised plan engagement report-January 2026.

[15] Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31 – demand forecast, June, pp. 20–21.

- Capital expenditure (capex): Evoenergy:
  - has amended our approach to network overheads and reduced the forecast number of network connections in New South Wales (NSW) to reflect feedback received from our NSW customers and recent regulatory developments.
  - maintains our initial proposal position that a capex incentive scheme is not appropriate given Evoenergy has strong incentives to minimise capex to reduce the risk of future asset stranding. The asymmetric scheme in the AER draft decision provides perverse incentives and is inconsistent with the regulatory framework.
- Operating expenditure (opex): Evoenergy has:
  - included jurisdictional taxes and levies as a category-specific cost enabling a true-up between the forecast and actual costs incurred, consistent with historic treatment. It is not appropriate for Evoenergy, and our customers, to either seek to influence or bear the risk of changes to ACT Government taxation decisions which are beyond our control, particularly given the significant materiality of these costs for Evoenergy relative to other gas distributors.
  - re-proposed our $1.5 million safety control program to ensure safety outcomes for temporarily disconnected customers, recognising the strong support from our community for this program and the significant savings achieved by avoiding the need to permanently disconnect all customers.
  - applied a trend that reflects our need to maintain and operate the entire network over 2026–31 as customer disconnections will be geographically dispersed.
- Tariff variation mechanism (TVM): Evoenergy maintains that a revenue cap TVM best reflects our community's clearly stated priority that customers pay no more, or less than the efficient costs of providing a safe and reliable gas service and our unique circumstances of an unprecedented energy transition with demand forecasting uncertainty. Nevertheless, as required by the AER's draft decision we have proposed a hybrid TVM with a 2 per cent revenue constraint and 50:50 sharing ratio.
- Tariff structures: Evoenergy maintains that its proposed 2026–31 tariff structures reflect our community's views that tariffs should achieve both emissions reductions objectives while providing relatively lower bill increases for smaller customers. However, as required under the AER's draft decision, Evoenergy's revised proposal includes a different approach involving a two-block volume individual (VI) and volume boundary (VB) tariff structure, and a flatter demand capacity tariff. We recognise this approach does not align with feedback from our community.
- Ancillary activities: Evoenergy has reduced the temporary disconnection charge by removing the safety control program , removed wasted visit charges from its basic and basis (urgent) permanent disconnection services, and retained a quoted service for its complex disconnection services on the basis that a standardised charge for a non-standard service is impracticable, inefficient and inconsistent with the Australian Energy Market Commission's (AEMC) draft determination.[16]

[16] AEMC (2025). Establishing a regulatory framework for retail customer initiated gas abolishment, October.

These revisions result in a total revenue requirement over the five-year period of $421.2m million (smoothed), which is 7 per cent higher than the AER's draft decision, and 11 per cent lower than our initial proposal on a like-for-like basis.[17]

This will lead to a real average annual retail bill increase of approximately 2.8 per cent per annum, or 8.6 per cent per annum at the network bill level for the average residential consumer (consuming 27 GJ per annum).

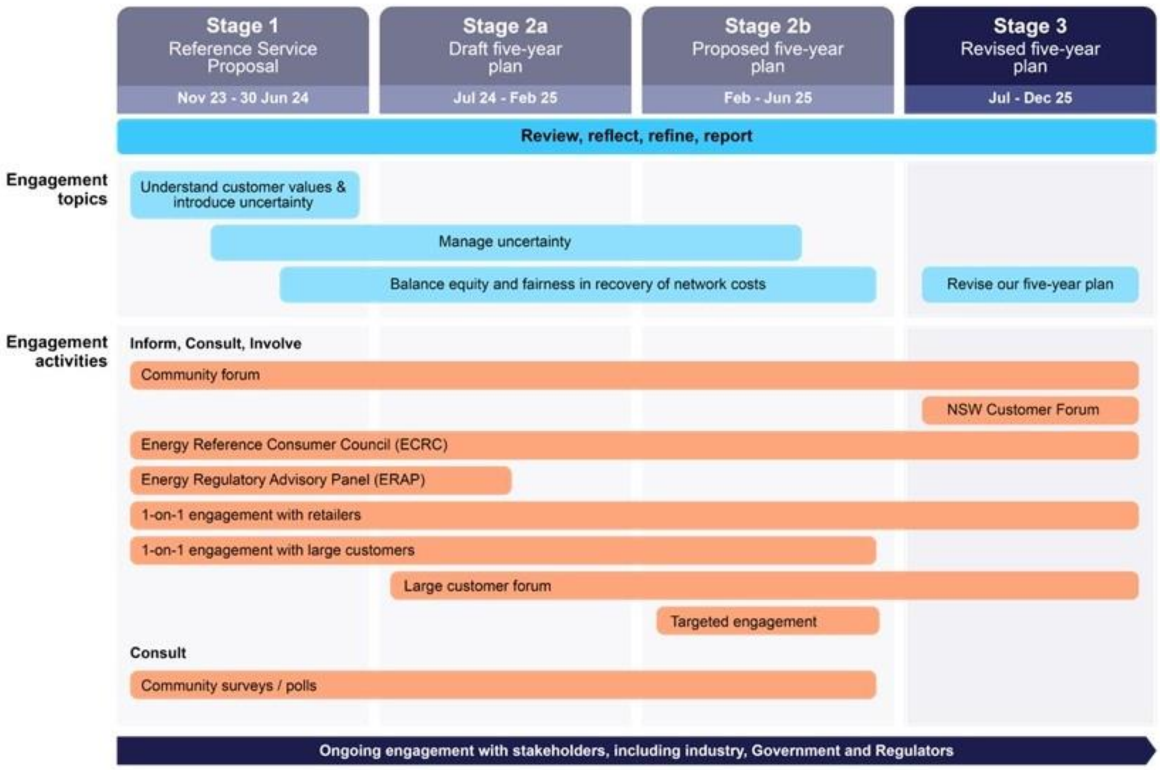
[17] Our initial proposal excluded jurisdictional taxes and levies, and our revised proposal includes jurisdictional taxes and levies. To ensure a like-for-like comparison, jurisdictional taxes and levies have been added to the initial proposal revenue requirement.

2. We have continued to engage with our community

2.1 How we have engaged since our initial proposal

After submitting our five-year gas plan to the AER in June 2025, we continued to engage with our consumers and stakeholders to ensure that our revised proposal would reflect the values and expectations of our community. These discussions, held between July and December 2025, formed Stage 3 of our 24-month engagement program and leveraged the significant capacity building and in depth discussions on key topics undertaken in Stages 1 and 2. Our engagement stages are shown in Figure 1.

Figure 1 Phased engagement: Stage 3 engagement for our revised five-year gas plan



Through Stage 3, we revisited topics including demand, the TVM and depreciation with our existing deliberative forums.[18] While we recognise the complexity of these topics, we do not agree with the Consumer Challenge Panel, sub-panel 33's (CCP33's) implications that our community did not grasp these concepts.[19]

[18] Our existing deliberative forums include the community forum established to inform Evoenergy's 2026–31 gas access arrangement in May 2024, and our Energy Consumer Reference Council (ECRC) established in 2014 (commenced considerations of Evoenergy's 2026–31 gas plan in November 2023).

[19] AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026–31 – Overview, November, p. ix; CCP33 (2025). Advice to AER - Submission on Evoenergy's 2026-31 Access Arrangement Proposal, August, pp.31–32.

Participants in our deliberative forums are rightfully proud of their efforts and have been frustrated by how that effort has been received by the AER and CCP33.[20] Our community felt that comments made suggesting that they misunderstood, or did not fully comprehend the implications of key concepts such as the TVM and accelerated depreciation[21] undermined their commitment and contribution to the regulatory process.[22]

In response to a recommendation by the CCP33,[23] we established the NSW customer forum to specifically understand the preferences and perspectives of our NSW customers. This forum met twice through November 2025 and shared with us their views and insights on the implications for NSW customers of the ACT Government's electrification objective. Much like our other deliberative forums, participants from our NSW customer forum highlighted the importance of an equitable energy transition. Particularly, our NSW forum members told us they were concerned that NSW customers would transition more slowly and would be left with higher bills as a result.[24] We invited our NSW community forum members to join our final combined ACT and NSW community forum session held in December 2025.

More information on our approach to engaging on our revised proposal, including the CCP33's findings and our response to those findings can be found in Attachment 1: Revised plan engagement report. Findings from our engagement are summarised in Table 1 and referenced in relevant attachments to this revised proposal.

2.2 What our community has recently told us about their priorities

Over the two years of conversations we have had with members of our community on our gas plan, they have consistently told us they prioritise a fair and equitable energy transition that ensures Evoenergy will continue to provide safe and reliable gas services for those customers who remain on the network for longer. Our community also observed the importance of ensuring Evoenergy's viability for the ongoing provision of gas services for those members of the community who do not transition early. As we highlighted in our initial proposal, our community has consistently told us that they:[25]

- generally support the emissions reduction objectives of the ACT Government and expect Evoenergy to enable an equitable transition path to 2045,
- are concerned about the immediate and longer-term costs of the electrification journey, particularly for hard-to-transition gas customers, and expect Evoenergy to manage bill impacts for low and middle-income households,

[20] Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, p. 35.

[21] See AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026 to 2031 – Overview, November, p. ix–x.

[22] Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, p. 26, 35.

[23] CCP33 (2025). Advice to AER - Submission on Evoenergy's 2026-31 Access Arrangement Proposal, August, p.27.

[24] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, p. 21.

[25] Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31 – overview, June, pp. 27–29; Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31 – Attachment 1 – Consumer and stakeholder engagement, June.

- expect that customers will pay no more or no less than the efficient revenue allowance, even if demand is different from the forecast, and ensure that Evoenergy can safely and reliably operate the network.
- expect Evoenergy and the ACT Government to work together to ensure a fair and equitable transition to electrification, including in relation to the recovery of infrastructure investment, and
- expect Evoenergy and the ACT Government to communicate openly about what the energy transition means for them.

In response to the AER's draft decision, our community and key stakeholders were disappointed and observed that it did not reflect their feedback and values, or the ACT Government's net zero emissions by 2045 commitment.[26] Our community expressed their concern that the AER's draft decision reflects a short term view of a long term issue and this shortsightedness will result in higher prices over the longer term for those customers who cannot afford to electrify their homes and businesses early.

> *'The AER decision feels like it was produced by people with no idea of the ACT/Queanbeyan region. It feels politically motivated over short term to cap price increases; and not focused at all on the bigger picture…'*
>
> *'…It seems very short term focused within 5 years at keeping the prices low for 5 years. Which is the idea of the framework. The problem with the 5 year framework seems to be that is based on the assumption of a steady and slow growth of the network.'*
>
> *'Customers should be heard and AER needs to apply a forward thinking approach…. I am alarmed, deeply disappointed by the AER draft response.'*[27]

In preparing our revised plan, the community encouraged Evoenergy to continue to advocate for the community's values:[28]

> *'While it is necessary to be practical it is important for Evoenergy to continue to advocate for the values as outlined for community forum: adaptable, fairness and equity, integrity and to demonstrate foresight or a longer-term view regardless of AER short term.*
>
> *'It [Evoenergy's revised plan] needs to focus on what is best for the community. If that involves bringing forward some depreciation to assist those later on it should be done.'*

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[26] Attachment 1: Revised plan engagement report-January 2026, p.16; Appendix 1.1: Communication Link-Evoenergy community and customer forums-January 2026, pp. 26–27.

[27] Direct quotes attributable to community forum participants, see Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, pp. 25–26.

[28] Attachment 1: Revised plan engagement report-January 2026, p.16; Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, p. 29.

3. Our concerns with the AER's draft decision

3.1 Overall the draft decision is to the detriment of economic efficiency and the long term interests of consumers

In its draft decision, the AER makes draft decisions on a number of components of our access arrangement for 2026–31 that operate, separately and together, to increase risk borne by Evoenergy (without providing us with any compensation for bearing this incremental risk) and deny us any realistic possibility of recovering our efficient costs incurred. These include the AER's draft decisions on:

- the economic lives of Evoenergy's pipeline assets – that is, to reject Evoenergy's proposal of economic lives for our pipeline assets that end in 2045, in accordance with the ACT's legislated date for achieving net zero emissions and associated planned date for phasing out gas and ceasing to operate, and fully decommissioning, our gas network,
- accelerated depreciation – that is, to reject Evoenergy's proposed accelerated depreciation based on the sum-of-the-years' digit method and instead apply a 4 per cent limit on real annual network price increases in determining our accelerated depreciation and overall depreciation allowance,
- the recovery of Evoenergy's efficient payments for the Utilities Network Facilities Tax (UNFT) and Energy Industry Levy (EIL) – that is, to reject Evoenergy's proposal to pass these costs through via the TVM in our access arrangement for 2026–31 and instead compensate Evoenergy for these payments, over which we have no control, only on an ex-ante forecast basis and without any provision for a true-up via the TVM of the kind that operates pursuant to our current access arrangement for 2021–26,
- the application of the Capital Expenditure Sharing Scheme (CESS) in 2026–31 – that is, to reject Evoenergy's proposal that no CESS apply in 2026–31 and to instead apply an asymmetric CESS that penalises capital expenditure overspends but does not reward capital expenditure underspends,
- the requirement for a hybrid TVM, instead of Evoenergy's proposed revenue cap, where:
  - the recovery of efficient forecast costs is dependent on the accuracy of the AER's demand forecast, in circumstances where the AER emphasises the uncertainty of future gas demand and the rate of decline due to factors beyond Evoenergy's control, and
  - the extent to which there is upward bias in the AER's demand forecast, and in the context of asymmetric demand risk, Evoenergy can expect to under recover 100 percent of AER forecast efficient costs up to a 5 per cent variation between actual and forecast demand, and only recover a portion of efficient costs (50 per cent) beyond the revenue constraint,
- demand forecasts – that is, to reject Evoenergy's demand forecasts for its Volume Individual (VI) and Volume boundary (VB) tariff customers (which account for the majority of customer numbers and gas consumption on our network) and instead adopt materially higher forecasts of customer numbers and gas consumption, and materially lower forecasts of disconnection numbers, and

- the structure of reference tariffs – that is, to reject Evoenergy's proposal for a gradual flattening of the 'declining' block tariff structure for our VI tariffs and no change to our VB or demand capacity tariffs, and instead require the alignment of the price for the blocks in the VI and VB tariffs in the first year of the 2026–31 access arrangement period and a gradual flattening of our demand capacity tariffs.

In making these draft decisions, the AER responds to the heightened risks and uncertainty arising from the ACT's transition to net zero emissions, and the associated phase out of gas and cessation of the operation of our network, by 2045 by:

- determining our total revenue allowance, demand forecasts and TVM so as to under-compensate us, by design, for our efficient costs incurred, and
- at the same time, increasing the risk borne by Evoenergy of higher uncontrollable costs or a faster decline in demand than are currently anticipated (without providing us with any compensation for bearing this incremental risk).

The Australian Competition Tribunal has previously recognised that the NGL and NGR require the AER's access arrangement decision to provide us with the opportunity to recover *at least* our efficiently incurred costs precisely because of the need to create incentives for efficiency, the achievement of which is the purpose of the regulatory regime, and the uncertainty for efficient cost recovery that arises from the regulatory setting of prices prior to ascertaining the actual operating environment that will prevail during the regulatory control period.[29] However, in its draft decisions, the AER has sought to ensure that, contrary to the requirements of the NGL and the NGR, 'the dice are loaded against [Evoenergy] at the outset by the [AER] not providing the opportunity for it to recover its efficient costs', with the result that Evoenergy 'will not have the incentives to achieve the efficiency objectives, the achievement of which is the purpose of the regulatory regime'.[30]

As confirmed by the HoustonKemp report on the AER's draft decision commissioned by Evoenergy and provided as Appendix 3.3 to this response, the AER's draft decisions referred to above:

- deny Evoenergy the reasonable opportunity to recover our efficient costs incurred that is the statutory premise of the NGO, and economic regulation by the NGL and NGR, and
- in so doing, distort incentives for economic efficiency, including in particular for the efficient investment required for the quality, safety, reliability and security of supply, as Evoenergy will not, as a result of the AER's decisions, fully recover any of the future investment costs it incurs.

The AER's draft decisions also:

- necessitate significant and unsustainable price escalation in future years if Evoenergy is to have any possibility of recovering our efficient investment costs (as required by the NGL and NGR) - to the extent they will have any impact on demand for gas and network services, the draft decisions will operate to accelerate (rather than ameliorate) the long term rate of demand decline that would otherwise occur, and
- materially increase the risk that, well ahead of 2045, it will become uneconomic for us to continue to operate our gas network for the benefit of our customers.

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[29] Application by EnergyAustralia and Others [2009] ACompT 8 at [77]-[78].

[30] Application by EnergyAustralia and Others [2009] ACompT 8 at [77].

As a consequence, if the AER's draft decisions are maintained, to the detriment of our customers:

- we will inevitably be unable to make some or all of the efficient investments required to maintain the quality, safety, reliability and security of supply of our reference services during the transition, and
- it is more likely that we will need to cease operating the network, as we will not be able to afford to continue doing so, well ahead of 2045.

3.2 The draft decision prioritises short term outcomes and the AER's policy views over the promotion of economic efficiency in the long term interests of consumers

The draft decisions have these effects because they prioritise short term price stability and affordability and the impacts on vulnerable consumers, in the context of declining demand ahead of the phase out of gas and cessation of the operation of the network in 2045, over the promotion of economic efficiency in the long term interests of consumers.

Affordability, and the impact of price outcomes for vulnerable customers, or those facing challenges during the energy transition, while important policy considerations and matters of concern to Evoenergy, do not provide the AER with any statutory basis to limit Evoenergy's recovery of our efficient costs. That is, social equity considerations are of no relevance to the NGO or the promotion of economic efficiency, or, thus, the discharge of the AER's NGL and NGR obligations imposed by reference to the NGO or to otherwise promote economic efficiency.

Some of these draft decisions are also informed by the AER's view that consumers should not be left to bear the costs of the energy transition, and its apparent desire to create incentives for the ACT Government to formulate a holistic policy response and Evoenergy (and other stakeholders) to engage with it for this purpose. For example:

- in making its draft decision to apply a 4 per cent limit on real annual network price increases to cap our depreciation allowance (and, ultimately, our total revenue allowance), the AER expressly encourages an open discussion between governments, gas networks and consumers and expresses the view that a holistic policy response to declining demand for gas and gas network services is required, including to determine who should pay for undepreciated past and future investment costs, and when and how these should be shared,[31]
- the AER's draft decision to compensate Evoenergy for UNFT and EIL payments, over which it has no control, only on an ex-ante forecast basis is informed by its view that compensating Evoenergy for these costs via the TVM 'does not incentivise Evoenergy to work with the ACT Government to minimise the impact of these charges to its consumers'.[32]

[31] AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026–31 – Attachment 1 Capital base, regulatory depreciation and corporate income tax, November, p. 15.

[32] AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026–31 – Attachment 3 Capital expenditure, November, p.20–21.

This is notwithstanding that the NGL and NGR do not permit the AER to make a decision that is premised on:

- future reforms to the NGL and NGR that may take effect after its decision on the access arrangement for 2026–31 is made, or
- the AER's views on the appropriate policy response to declining gas demand or who should pay for undepreciated investment costs and how they should be shared.[33]

3.3 The draft decision on depreciation denies us the opportunity to recover our efficient costs and provides us with perverse incentives for economic efficiency

The NGR require the AER to make a factual finding on the economic lives of our assets, on the available evidence, and a decision on depreciation that generates expected revenues over the economic lives of our assets so determined that are sufficient to fully recover our investment costs. However, the AER's draft decision is to adopt economic lives for our pipeline assets that extend beyond 2045, without any evidentiary basis and in reliance on irrelevant considerations, with the result that our depreciation allowance generates an expected revenue stream over the remaining economic life of the gas network that is insufficient to provide for the full return of Evoenergy's investment costs.

The AER’s draft decision to allow $35 million of accelerated depreciation (in addition to the depreciation resulting from its decision on the economic lives of our assets) is based on its decision to apply a limit on real network price increases of 4 per cent per annum (before incentive scheme carryovers) to cap our depreciation allowance.

While the AER states that its 4 per cent real annual network price increase limit will deliver short term price stability and affordability, and, in turn, promote the efficient use of our network and efficient negative growth for our reference services, the basis for this view is unclear. In any event, the AER provides no evidence that a real annual increase in network prices in excess of 4 per cent will result in a materially greater reduction in demand for gas and network services than would occur where its 4 per cent limit is applied.

HoustonKemp finds that, to the contrary, the real annual increase in network prices associated with our initial and revised proposals would **not** result in materially greater reduction in demand for gas and network services than the AER's 4 per cent real annual network price increase limit, given the proportion of the retail gas price comprised by network prices and the relatively inelastic price elasticity of demand for gas.[34] There is, therefore, no evidentiary or economic basis for the AER's application of a 4 per cent real annual network price increase limit in determining our depreciation allowance.

The AER's draft decision to apply a 4 per cent limit on real annual network price increases in determining our depreciation allowance operates only to impose a cap on its decision on total

[33] Cf. AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026–31 – Attachment 1 Capital base, regulatory depreciation and corporate income tax, p. 15.

[34] Appendix 3.3: HoustonKemp, Assessment of the AER’s draft decision on depreciation-January 2026, pp. 15–17.

revenues and, thus, Evoenergy's recovery of our efficient costs, by reference to what the AER considers an appropriate and affordable short term price impact. Such a decision:

- is not authorised by rule 68B(1)(b) and Part 9 of the NGR,
- denies Evoenergy the reasonable opportunity to recover our efficient costs incurred that is the statutory premise of the NGO, and economic regulation by the NGL and NGR, contrary to the AER's obligations under section 28(1)(a) of the NGL and rule 68B(1)(a) of the NGR,
- in so doing, distorts Evoenergy's incentives for economic efficiency, including in particular for efficient investment in the gas network, and has a detrimental impact on service outcomes,
- fails to generate expected revenues over the economic life of our network that are sufficient to fully recover our investment costs, as required by rule 89(1)(b) of the NGR, and
- does not allow for Evoenergy's reasonable cash flow needs, as required by rule 89(1)(e) of the NGR.

Instead, the draft decision:

- materially increases the risk of the gas network becoming economically unviable well before 2045,
- creates a strong disincentive for Evoenergy to make any further investment in the gas network, including those required to maintain service outcomes for our customers, as these costs will not be fully recoverable,
- limits increases in gas prices to below the recent price path trend for electricity, so reducing financial incentives for customers to electrify their appliances and hindering the achievement of the ACT's zero emissions target by the legislated date of 2045[35], and
- necessitates significant and unsustainable price escalation in future years if Evoenergy is to have any possibility of recovering our efficient investment costs and, to the extent it will have any impact on demand for gas and network services, operates to accelerate (rather than ameliorate) the long term rate of demand decline that would otherwise occur.

These effects of the AER's application of a 4 per cent limit on real annual network price increases in determining our depreciation allowance are compounded by its draft decisions on other components of our access arrangement for 2026–31 that operate to increase risk to Evoenergy and further reduce our expected recovery of our efficient costs incurred.

3.4 The other draft decision elements have a compounding effect and further increase risk

The draft decisions on other elements compound the expected under-recovery of our efficient costs and heighten perverse incentives and the likelihood it will be unviable to operate our network through to 2045.

[35] Relevant to the May 2023 amendments to the NGO to include the promotion of the achievement of emissions reductions targets by participating jurisdictions.

The AER's draft decision to reject our proposal to recover our UNFT and EIL payments via the TVM, and instead provide compensation for these costs only on an ex-ante forecast basis through the opex building block in the amount of $48.2 million, operates, in combination with the AER's 4 per cent price path limit, to reduce our depreciation allowance and, thus, our total revenue by an offsetting amount.[36] This is because by capping our proposed depreciation allowance by reference to the revenue implied by its 4 per cent limit on real annual network price increases, the AER renders our depreciation allowance a 'balancing item' to achieve what it considers an appropriate and affordable short term price impact. As HoustonKemp observes in its report '[t]he practical outworking of this framework is that increases/decreases in Evoenergy's other efficient costs … can be expected to result in a commensurate, offsetting decrease/increase in depreciation'.[37]

Further, by refusing to maintain Evoenergy's current true-up mechanism via the TVM under our 2021–26 access arrangement for any differences in our actual UNFT and EIL payments from forecast, the AER increases the risk of forecasting errors in respect of these payments for Evoenergy. This is notwithstanding that we have no control over the quantum of these payments, as they are unilaterally determined by the relevant Minister pursuant to legislation.

Thus, the AER's decision on the recovery of our UNFT and EIL payments further reduces the expected recovery of our efficiently incurred costs, and our incentives to make the investments required to continue to supply quality, safe, reliable and secure services to our customers during the transition, and increases the risk that it will become uneconomic to continue to operate the gas network for our customers ahead of 2045.

HoustonKemp concludes, in its attached report, that the AER's draft decision to require the application of an asymmetric CESS, which penalises Evoenergy overspending its capex allowance but does not reward Evoenergy for underspending its capex allowance:[38]

- has the consequence that the expected value of each dollar of capex incurred by Evoenergy is less than $1, with the result that the AER's draft decision on the CESS denies Evoenergy a reasonable opportunity to recover its efficiently incurred capex, contrary to the revenue and pricing principles with which that decision is expressly required to comply, and
- in circumstances where Evoenergy underspends its approved capex in the early years of the 2026–31 period, will create a perverse incentive to overspend capex in the later years of the period (in practice, on short term assets, given uncertain future gas demand and the implications of the AER's draft decision for Evoenergy's ability to recover its efficient costs) so that, in aggregate, the capex allowance approved by the AER is spent in full over 2026–31.

Thus, in addition to the impacts of the draft decisions on depreciation and the recovery of our UNFT and EIL payments, the AER's decision on the application of the CESS in 2026–31:

- further compounds the expected under-recovery by Evoenergy of its efficiently incurred costs,

[36] Appendix 3.3: HoustonKemp Assessment of the AER's draft decision on depreciation-January 2026 illustrates this in respect of the UNFT payments at p. 20–21.

[37] Appendix 3.3: HoustonKemp Assessment of the AER's draft decision on depreciation-January 2026, p. 21.

[38] Appendix 3.3: HoustonKemp Assessment of the AER's draft decision on depreciation-January 2026, pp. 29–30.

- heightens the perverse distortions to incentives for economic efficiency, including in particular the disincentives for Evoenergy to make the efficient investments required to maintain service outcomes for our customers during the transition, and
- increases the likelihood that it will be unviable to operate the network through until 2045, for the benefit of our customers.

This application of the CESS is also inconsistent with the AEMC's intent in establishing the scheme and has previously been rejected by the AEMC on the basis that it is inconsistent with the NGO and the revenue and pricing principles.[39]

By rejecting Evoenergy's proposal for a revenue cap form of TVM and instead requiring the application of a 'hybrid TVM' in the context of the significant degree of demand uncertainty, the AER increases Evoenergy's risk of under-recovering its efficient costs due to demand forecasting risk. This provides us with perverse incentives to grow (or minimise the decline in) demand and, in the present circumstances where demand forecasting risk is asymmetric (with a greater probability of actual demand being lower than forecast than higher than forecast), expected revenue under a hybrid TVM is lower than the AER's revenue allowance for our efficient costs. As HoustonKemp concludes, Evoenergy's opportunity to recover our forecast efficient costs approved by the AER (which, for the reasons already explained, are designed to preclude us from fully recovering our efficient costs incurred) is dependent on the AER's ability to accurately forecast demand for gas, in circumstances where the AER emphasises, in its draft decision, the significant uncertainty that applies to future demand and the rate of demand decline, due to factors largely beyond Evoenergy's control.[40]

Thus, the AER's draft decision on the TVM further reduces the extent of our expected recovery of our efficiently incurred costs, and, in turn, our incentives to make the investments required to continue to supply quality, safe, reliable and secure services to our customers during the transition, and further increases the likelihood that it will be unviable to operate the network through until 2045.

The AER's draft decisions on our demand forecasts and tariff structure work with its draft decision to apply a hybrid TVM to further reduce the extent of our expected recovery of our efficient costs, and to strengthen the perverse incentives we have under a hybrid TVM to grow (or minimise the decline in) demand.

We refer to the report by Baringa provided as Appendix 2.4, which concludes that there are a number of issues with the demand forecasts adopted by the AER. In particular, Baringa concludes that these forecasts overstate future gas demand.[41]

As HoustonKemp concludes, to the extent that the AER's higher demand forecasts incorporate an upward bias, we can expect to under recover our efficient costs under a hybrid TVM.[42] This is because, under a hybrid TVM, we are not compensated for differences between actual and forecast revenue up to a specified threshold, and even beyond that threshold, we are permitted to recover only a portion of the difference.

[39] AEMC (2012). Draft National Electricity Amendment (Economic Regulation of Network Service Providers) Rule 2012, August, p. 130.

[40] Appendix 3.3: HoustonKemp Assessment of the AER's draft decision on depreciation-January 2026, p. 29; AER (2025). Draft decision Evoenergy (ACT) access arrangement 2026 to 2031 -Attachment 1 , November, pp. 53–55.

[41] Appendix 2.4: Baringa, Review of Evoenergy gas demand forecasts, January 2026, pp. 22–25.

[42] Appendix 3.3: HoustonKemp Assessment of the AER's draft decision on depreciation-January 2026, pp. 28–29.

Where the AER's demand forecasts overstate demand, expected revenue will materially under recover the AER's revenue allowance for our efficient costs under a hybrid TVM. Finally, the AER's draft decision on our tariff structure further heightens these issues. As HoustonKemp finds, the earlier flattening of the blocks in our VI and VB tariffs can be expected to increase the effect on our actual revenue of any differences between forecast and actual demand for gas.[43] This is because this flattening will operate to lower the price of our services for lower levels of consumption.

As a result, the AER's demand forecasts and decision on Evoenergy's tariff structure, in combination with its hybrid TVM, still further reduce our expected recovery of our efficient costs and, in turn, our incentives to make the investments required to continue to supply quality, safe, reliable and secure services to our customers during the transition, and still further increase the likelihood that it will be unviable to operate the network through until 2045.

3.5 If maintained, the draft decision would be affected by legal errors

The draft decisions hinder the achievement of the NGO and are contrary to the AER's obligations under section 28(1)(a) of the NGL and rule 68B(1)(a) of the NGR imposed by reference to it, which require the AER to make a decision that contributes to the achievement of the NGO and ensures our access arrangement for 2026–31 is consistent with it. The draft decisions are also non-compliant with a number of the NGR requirements applicable to those decisions pursuant to rule 68B(1)(b) of the NGR, and the AER's obligations under administrative law applicable to the making of its access arrangement decision.

We attach to our revised proposal at Appendix 3.2 a legal opinion from the Hon John Middleton AM KC, DLA Piper Senior Advisor and former Judge of the Federal Court of Australia and President of the Australian Competition Tribunal. In this legal opinion, the Hon John Middleton AM KC concludes that the AER's draft decisions on the economic lives of our pipeline assets and accelerated depreciation, and the various other components of the AER's draft decisions , if maintained, would be affected by a number of legal errors, including in particular non-compliance with section 28(1)(a) of the NGL and rule 68B(1)(a) and (b) of the NGR, and produce an outcome that unreasonably allocates risk to Evoenergy.

Notwithstanding the AER's NGL and administrative law obligations to provide Evoenergy (and other stakeholders) a meaningful opportunity to scrutinise and comment on its draft decision, the AER's written reasons for its draft decisions noted above do not fully expose the basis for its decisions or how the AER considers those decisions comply with the applicable NGL and NGR requirements.

Evoenergy is concerned by this lack of transparency, given the significance of the AER's decisions to its continued financial viability, and ability to operate the gas network safely, reliably and securely in the interests of our customers, during the transition process and through to 2045.

Evoenergy has sought to respond, in detail, to the draft decisions in this revised proposal. To the extent that Evoenergy has not fully anticipated or understood the rationale and reasoning for the AER's draft decisions, or the AER's rationale and reasoning evolves in response to our revised proposal or stakeholder submissions, Evoenergy's expectation is that the AER will bring this to

[43] Appendix 3.3: HoustonKemp Assessment of the AER's draft decision on depreciation-January 2026, p. 33.

our attention and provide us with a genuine and meaningful opportunity to comment on the basis for the AER's decision, before it is made.

This is critically important given the (already noted) significance of this decision to Evoenergy's continued financial viability and ability to safely, reliably and securely operate our gas network during the transition and through to 2045, for the benefit of our customers, the novelty of the operating conditions in the context of which the AER is making its decision and the heightened potential for that decision to have unintended perverse outcomes where effective consultation does not occur.

3.6 The draft decisions are inconsistent with our community feedback

Finally, the AER's draft decision to arbitrarily prioritise short term gas prices at the expense of long term price stability is in direct contrast to the strong feedback from Evoenergy's community across the ACT and NSW regions to promote an equitable transition path, which avoids leaving significantly higher prices for those least able to transition.

Following the AER's draft decision, we engaged with our community forum (including both our ACT and NSW customers), our Energy Consumer Reference Council (ECRC), large customer forum and retailers. Common themes arising from our community feedback include concerns that the draft decision:

- does not reflect the unique circumstances of ACT/Queanbeyan-Palerang region and the communities' goal for achieving emissions reduction in a fair and equitable way,
- does not reflect ACT Government policy, and assumes that our network will continue operating beyond 2045 despite clear evidence to the contrary,
- has a short term focus on low prices without considering the longer term consequence, particularly for vulnerable consumers,[44] and
- implies that customers do not properly understand the challenges facing the ACT, disregarding feedback on that basis. [45]

As customer impacts and social equity are important to Evoenergy, we have designed our revised proposal with these matters in mind, and in consultation with our customer base, notwithstanding that these matters are not relevant to the discharge of the AER's statutory obligations. Our revised proposal is designed to minimise adverse outcomes for our customers as a consequence of the energy transition, while ensuring that we are provided with a reasonable opportunity to recover our efficient costs.

[44] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, p. 30.

[45] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, p. 28.

4. Our revised gas access arrangement proposal

In responding to the AER's draft decision, we have:

- accepted the components of the draft decision where no material amendments to our five-year gas plan are required, or where we consider the draft decision permits us to safely, reliably and efficiently operate the network in the long term interests of customers,
- provided additional economic and legal analysis and consumer and stakeholder views to respond to components of the draft decision that we cannot accept, such as where the draft decision is in contradiction of the regulatory framework,
- updated our revised five-year gas plan to reflect new information, regulatory arrangements and circumstances,
- updated our access arrangement, including the reference service agreement (RSA) to reflect the AER's draft decision and our revised five-year gas plan (see Attachment C: Access Arrangement 2026–31 and Attachment E: Reference Service Agreement 2026–31), and
- summarised elements of our additional customer feedback and revised five-year gas plan, relative to our initial proposed five-year gas plan and the AER's draft decision, are provided in Table 1 and detailed in the referenced attachments.

The information in this revised proposal is in addition to that provided in our June 2025 proposal, which included the access arrangement information required under the NGR. This revised proposal supersedes the information provided in our June 2025 proposal to the extent there is any conflict.

The structure of our revised proposal is set out in Attachment A: Document list. Attachment B provides a register of sensitive information which is to be kept confidential.

Unless otherwise stated, dollar values are stated in our revised proposal are shown in real June 2026 terms ($2025–26).

Table 1 AER's draft decision on Evoenergy's gas access arrangement 2026–31 initial proposal and our revised proposal

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Demand We engaged independent experts, the Centre for International Economics (CIE), to develop a detailed gas demand forecast for the 2026–31 period, and beyond to 2045. CIE delivered a first-of-its-kind approach for our gas network, combining econometric modelling with extensive customer research. The results from CIE's forecast show demand declining over the 2026–31 period by 28 per cent for consumption and 31 per cent for customer numbers.	**Did not accept** The AER accepted Evoenergy's forecast for demand tariffs but did not accept the forecast for volume tariffs. The AER expressed concerns with CIE's methodology, including the fast pace of disconnections implied by CIE's customer research. The AER substituted a 'placeholder' forecast developed by Frontier Economics, which relies largely on linear extrapolations of historical trends using a more conventional forecasting method. The draft decision forecast shows demand declining over the 2026–31 period by 21 per cent for consumption and 17 per cent for customer numbers.	Our community expressed concerns that their views and feedback had not been sufficiently reflected in the AER's draft decision. Members of our deliberative forums felt that our demand forecast should be informed by customer research and supported our innovative approach.[46] Responding to the AER and CCP33 observations, we sought to better understand the electrification intentions of our NSW customers and found that while many customers have no immediate plans to electrify their homes, the ACT Government's plans to phase out gas by 2045 will influence the behaviour of NSW customers.[47] Our NSW community forum considered the AEMC decision to introduce an upfront connection charge would stop or disincentivise new NSW connections.[48]	We have updated our customer-research based demand forecast (prepared by CIE) for additional data and to address valid methodological concerns raised by the AER. We disagree with many of the AER's criticisms of the CIE's customer-research based forecasting method and have material concerns with Frontier Economics' forecast derived primarily from linear extrapolations of historical trends. However, in the context of our unique circumstances of an unprecedented energy transition with demand forecasting uncertainty, **we have revised our demand forecast approach to take an average of the CIE's updated demand forecast, and the AER's alternative forecast for volume tariff customers.** This ensures our customers' transition intentions are still captured in the demand forecast. **Our revised plan demand** forecast shows demand declining over the 2026-31 period by 23 per cent for consumption and 25 per cent for customer numbers. ***See Attachment 2: Demand for more information.***

[46] Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31 – demand forecast, June, pp. 20–21.

[47] Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, pp. 19–20.

[48] Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, pp. 19–20.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Depreciation ($212 million)[49] We proposed a balanced approach to depreciation to the lay the foundations for an equitable transition pathway while providing a reasonable opportunity for Evoenergy to recover its efficient investment costs. We proposed to align the remaining life of gas assets to 2045 and accelerate the depreciation profile of gas network assets (using the sum-of-years-digits methodology). Our proposal meant that costs would be shared across a wider customer base and reduced the risk of significantly rising prices in the second half of the energy transition.	**Did not accept** The AER did not accept our proposed depreciation on the basis that it considered Evoenergy's gas network has a future beyond 2045. The draft decision results in total depreciation of $141 million calculated by: • reducing existing and new asset lives for medium-pressure and high-pressure assets to 25 years and 30 years respectively, and • adding an additional depreciation amount calculated with reference to a real price path of 4 per cent.[50]	Our community expressed disbelief that the AER disregarded ACT Government policy.[51] Our community were also concerned the 'guardrail' used to guide the short term price path in AER's draft decision would inevitably result in higher prices for those customers who cannot afford to electrify in the longer term.[52] We sought feedback on an alternative approach which reduced depreciation but retained the principle of reasonable opportunity to recover efficient costs.[53] We showed the long term price paths of the AER's draft decision, against our revised approach, under different demand scenarios. Our community raised affordability concerns and encouraged consideration of alternative recovery options but considered Evoenergy's revised approach a fair compromise.[54]	Under the ACT's legislated net zero targets and its commitment to commence phased decommissioning of the gas network during the 2035–40 period, coupled with evidence that it will not be economically viable to continue to operate the network for a small number of customers, we maintain there is adequate evidence the gas network will be decommissioned and/or uneconomic by 2045 or earlier. Taking more action on depreciation now is in the best long-term interest of our gas consumers and achieves the community's priority for a fair and equitable energy transition. Nevertheless, reflecting the AER draft decision we have reduced our accelerated depreciation amount. **Evoenergy's revised total depreciation forecast is $160.2 million** (14 per cent higher than the draft decision). ***See Attachment 3: Depreciation for more information.***

[49] Unless otherwise stated, all values are shown in real June 2026 terms.

[50] Including government taxes and levies but excluding the impact of incentive schemes.

[51] Attachment 1: Attachment 1: Revised plan engagement report-January 2026, p.16, Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, p.25–26.

[52] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026.

[53] National Gas Law, see National Gas (South Australia) Act 2008, s. 23 and 28(1).

[54] Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, p.28; Attachment 1: Attachment 1: Revised plan engagement report-January 2026, pp.16–17.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Capital expenditure (capex) Key elements of our $39 million forecast: • $1.5 million network renewal project to replace obsolete equipment, • $28.6 million meter renewal program to replace faulty or end-of-life meters, • $6.2 million on new NSW connections (aligned to the NGR at the time), • $17.7 million in capitalised overheads to ensure delivery of capital program, • removal of the CESS on basis there already exist strong incentives to reduce capex.	**Accepted, in part** The AER reduced our capex forecast to $31.4 million by: • accepting proposed meter and network renewal capex, • revising market expansion forecast to reflect the AEMC's final decision on gas connection charges,[55] • not accepting our proposed network overheads, and • requiring an asymmetric CESS with an overspend penalty but no reward for underspend.	Our NSW customer forum considered the AEMC decision to introduce an upfront connection charge would stop or disincentivise new NSW connections.[56]	**Evoenergy's revised capex forecast of $33.0 million** (5 per cent higher than the draft decision) reflects our community's expectations and our commitment to spend no more than is required to maintain network safety, reliability and to meet legal obligations. Our revised capex forecast: • **amends our approach to network overheads** by adopting a 50:50 fixed to variable ratio to these costs, and • **reduces the forecast number of network connections in NSW** to reflect the AEMC's final decision and the feedback received from our NSW customers.[57] We maintain that the ACT Government's commitment to commence phased decommissioning of the gas network during the 20235–40 period[58] provides sufficient incentive for Evoenergy to minimise its capex and a **CESS is not appropriate.** Further the asymmetric CESS put forward by the AER provides perverse incentives and is inconsistent with the regulatory framework. ***See Attachment 4: Capital expenditure for more information.***

[55] AEMC (2025). Final rule determination: National Gas Amendment (Updating the regulatory framework for gas connections) Rule, December.

[56] Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, pp. 19–20.

[57] Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, pp. 19–20.

[58] ACT Government (2024). The Integrated Energy Plan: Our pathway to electrification, June, p. 18.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Operating expenditure (opex) Key elements of our $123 million[59] forecast: • exclusion of jurisdictional taxes and levies from opex category-specific forecasts, • exclusion of ancillary activities from opex forecasts, • applying 2023–24 as the base year, • rate of change trends applied that reflect the ACT region's context, and • no step changes.	**Did not accept** The AER increased Evoenergy's opex forecast to $169.3 million. The AER did not accept Evoenergy's proposal to exclude jurisdictional taxes and levies from our opex forecast and instead requires these costs to be included as a step change. The AER also did not accept Evoenergy's output growth trend.	We heard strong feedback from our community about the importance of safety and their support for the safety control program for temporarily disconnected customers.[60] Retailers also observed the importance of providing customers with safety information.[61]	**Evoenergy's revised opex forecast of $175.4 million** (4 per cent higher than the draft decision) continues to reflect our community's expectations and our commitment to spend no more than is required to operate the network safely, reliably and meet legal obligations but has been amended to largely reflect the AER's draft decision. Our revised opex forecast includes: • **jurisdictional taxes and levies as category-specific costs** consistent with historic treatment and the inappropriateness of Evoenergy, and customers, bearing the risk associated with changes to ACT Government taxation (which are unilaterally determined by the relevant Minister), particularly given the materiality of these costs for Evoenergy relative to other distributors, • **safety control program step change** to ensure safety outcomes for temporarily disconnected customers which is integral to our prudent and efficient targeted approach to manage disconnections, and • **trends that reflect our need to maintain and operate the entire network** over 2026–31 despite forecast customer disconnections. ***See Attachment 5: Operating expenditure for more information.***

[59] Our initial opex proposal excluded jurisdictional taxes and levies (UNFT and EIL), when these amounts are included our opex proposal is $172 million.

[60] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, pp. 30-31.

[61] Attachment 1: Revised plan engagement report-January 2026, p. 17.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Transportation[62] reference service tariff variation mechanism Adopt a revenue cap as the most appropriate TVM in our circumstances to ensure that customers pay no more, or less than the efficient costs of providing safe and reliable gas services.	**Did not accept** The AER required Evoenergy to implement a hybrid TVM incorporating elements of both price cap and revenue cap regulation, using the example of the Jemena Gas Networks (JGN) 2025–30 gas access arrangement TVM.[63]	Following release of the AER's draft decision, we sought our community's views on different hybrid TVM designs (50:50 sharing, narrow revenue constraint and broad revenue constraint) under a range of demand scenarios. Our community observed the 50:50 sharing ratio is the fair sharing of risk between customers and Evoenergy and that a broader revenue band does not align with emissions reduction objectives. [64] Participants expressed concern that neither approach properly addressed affordability for vulnerable customers who may involuntarily become 'stayers'.[65] The ECRC observed that the 50:50 sharing minimises variance and acts to manage risk in an uncertain transition environment.[66]	Evoenergy maintains that a revenue cap TVM best reflects our community's clearly stated priority that customers pay no more, or less than the efficient costs of providing a safe and reliable gas service and our unique circumstances of an unprecedented energy transition with demand forecasting uncertainty. Nevertheless, **as required by the AER draft decision we have proposed a hybrid TVM** with a 2 per cent revenue constraint and 50:50 sharing ratio. Under a hybrid design the level of risk exposure for both customers and Evoenergy is a product of the accuracy of the final demand forecast approved by the AER. ***See Attachment 7: Transportation (including metering) reference tariffs for more information.***

[62] References to the Transportation reference service mean the Transportation (including metering) reference service.

[63] AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026 to 2031 – Overview, November, p.viii.

[64] Appendix 1.1: Communication Link-Evoenergy community and customer forums-January 2026, p. 29.

[65] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, p. 23.

[66] Attachment 1: Revised plan engagement report-January 2026, p. 18.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Tariff structures Adopt a gradual and measured transition to a 'flatter' tariff for the majority of our customers. Proposed lowering Block 1 charges in our VI tariff while increasing Blocks 2–4, resulting in flatter prices across different usage levels. We proposed no change to our demand tariff.	**Did not accept** The AER required Evoenergy to: • volume individual (VI): reduce the current four block structure to a two-block structure, • volume boundary (VB): reduce the current three block structure to a two-block structure, and • demand capacity (DC): flatten the structure, or outline a plan to transition to a flatter tariff structure. The AER observed that Block 1 could be 'priced high relative to the remainder of the tariff structure.'[67]	In both discussions with our deliberative forums and with retailers, concerns were raised about the impact for smaller VI customers, compared to Evoenergy's proposal. [68] Retailers also observed that these changes raise a number of implementation issues (including administration and billing system costs) and could increase costs for hardship and small customers relative to Evoenergy's initial proposal.[69]	Evoenergy maintains that its proposed 2026–31 tariff structures reflect our community's views that tariffs should achieve both emissions reductions objectives while providing relatively lower bill increases for smaller customers. However, **Evoenergy's revised tariff structures reflect the AER's draft decision** as follows: • VI tariff: removes Blocks 3 and 4, to create a two-block structure from 2026–27. • VB tariff: removes Block 3 to create a two-block structure from 2026–27. • DC tariff: given the unique circumstances facing our largest customers, gradually equalise Blocks 2 and 3 to effectively achieve a two-block structure by 2030–31. ***See Attachment 7: Transportation reference tariffs for more information.***

[67] AER (2025). Draft decision – Evoenergy (ACT) access arrangement 2026 to 2031 – Attachment 5 – Reference services, November, p.12.

[68] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, p. 25; Attachment 1: Revised plan engagement report-January 2026, pp. 26, 29.

[69] Attachment 1: Revised plan engagement report-January 2026, p.19.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Ancillary activities – disconnections Establish user pays, targeted approach to permanent disconnections with differentiated services (basic, basic (urgent) and complex). Establish safety control program to educate the community and provide targeted information for temporarily disconnected customers.	**Accepted, in part** The AER accepted Evoenergy's targeted user pays, approach to permanent disconnections with differentiated basic and basic (urgent) services to apply in most circumstances. However, the AER required Evoenergy to establish a tariff for the complex permanent disconnection service. The AER also did not accept Evoenergy's proposed inclusion of the safety control program in the temporary disconnection charge.	In discussions, retailers observed that it would not be possible to standardise complex disconnection services due to the high variability between the types of services requested (e.g. removing a hot water meter from a multi-dwelling unit compared to work on a high pressure pipeline).[70] As noted above, we heard strong feedback from our community about the importance of safety and their support for the safety control program for temporarily disconnected customers.[71] Retailers also observed the importance of providing customers with safety information and the changes to the National Energy Retail Rules foreshadowed in the AEMC's draft determination requiring retailers to provide general information on disconnection services.[72,73]	Evoenergy maintains it is **inefficient, not practicable and inconsistent with the AEMC's draft determination to establish a standardised charge for a complex disconnection** as there is significant variability in the scope and cost of works for these services. An individually priced charge is appropriate given the non-standard nature of these services, supported with strong regulatory framework and accessible customer protections. Our RSA ensures that customers (through their retailer) are provided with a quote, scoped by a technician, for the complex permanent disconnection service. This means the complex disconnection charge is set to the actual cost of providing the service. Under the specified arrangements, customers have the option to not proceed with the quote. Our approach to complex permanent disconnections is supported by retailers.[74] We maintain our view the **safety control program is prudent and efficient**, being integral to the effectiveness of our targeted approach to disconnections, and strongly supported by our

[70] Attachment 1: Revised plan engagement report-January 2026, p. 21.

[71] Appendix 1.1: Communication Link-Report of feedback from community and customer forum sessions-January 2026, pp. 30-31; Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31 – Attachment 1 – Consumer and stakeholder engagement, June, p. 35.

[72] Attachment 1: Revised plan engagement report-January 2026, p. 17.

[73] AEMC (2025). Establishing a regulatory framework for retail customer initiated gas abolishment, October.

[74] Attachment 1: Revised plan engagement report-January 2026, p.21.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
			community. [75] To address the AER draft decision we have **proposed this program as an opex step change**. ***See Attachment 8 Ancillary activities reference service and tariffs and Attachment 5: Operating expenditure.***
Other ancillary activities We proposed ancillary service charges: • based on a bottom-up cost build up, and • varied annually in line with Consumer Price Index (CPI), and labour escalation. We proposed wasted visit charges to ensure these costs are allocated to the relevant customer.	**Accepted, in part** The AER accepted Evoenergy's proposed ancillary activities and associated charges, except for: • Wasted visits: further justification on charges, volumes and explanation of controls in place to reduce wasted visits. • TVM: requires charges to be varied in line with CPI only.	In discussions, most retailers observed that they inform customers of any wasted charges that may be passed through. In the ACT many wasted visit fees are not passed through to customers.[76] In its submission, the ACT Government emphasised wasted visit charges should only apply where a customer has been advised of the risk of such a fee applying, and that customer is genuinely at fault.[77]	Evoenergy's ancillary activities charges are cost reflective and efficient. However, in response to the AER's draft decision, the following revisions have been made to our ancillary activities reference service: • Wasted visits: are unavoidable and should be a separate charge to promote economic efficiency. Our charges are efficient and cost-reflective, but in response to the AER's concerns we have **removed wasted visit fees for basic and basic (urgent) permanent disconnection services given the low volumes expected.** These costs will instead be recovered through the charges for those services. • The ancillary activities **TVM has been amended to adjust charges in line with CPI.** ***See Attachment 8 Ancillary activities reference service and tariffs for more information***

[75] Evoenergy (2025). ACT and Queanbeyan-Palerang gas network access arrangement 2026–31, Appendix 1.2, Report of feedback from community forum sessions 1-10, June, p. 44; see also Appendix 1.1: Communication Link- Report of feedback from community and customer forum sessions-January 2026, pp. 25–26.

[76] Attachment 1: Revised plan engagement report-January 2026, p. 20.

[77] ACT Government (2025). Submission on Evoenergy 2026-31 Access Arrangement Proposal, August.

Initial 2026–31 gas plan	AER's draft decision	The recent views of our community and stakeholders	Revised 2026–31 gas plan
Total revenue and bill impact Total revenue requirement for the transportation reference service $422.8 million (smoothed).[78] Real average annual bill increase of 4 per cent for typical residential customer (27 GJ).	**Did not accept** Total revenue for the transportation reference service of $392.2 million (smoothed)[79] calculated with reference to a 'guardrail' real network price increase of 4 per cent per year (4.5 per cent including incentive schemes).	Throughout our discussions, our community reiterated the values, views and priorities they had previously shared with us about the need to ensure a fair and equitable transition that recognises and protects those members of the community who are unable to electrify their homes or businesses over the next five years.	**Total revenue requirement of $421.2 million (smoothed)[80]** (7 per cent higher than the AER's draft decision) reflecting revised approaches to key elements of our access arrangement proposal. Our revised revenue requirement results in a real average annual retail bill increase of 2.8 per cent per annum, or 8.6 per cent per annum at the network bill level for the average residential consumer (consuming 27 GJ per annum). ***See Attachment 6 Revenue requirement and bill impacts for more information.***

[78] Excluding jurisdictional taxes and levies (Utilities Network Facilities Tax (UNFT) and Energy Industry Levy (EIL). When including jurisdictional taxes and levies (UNFT and EIL), our initial revenue requirement was $472 million (smoothed).

[79] Including jurisdictional taxes and levies.

[80] Including jurisdictional taxes and levies.

Glossary

Term or acronym	Definition
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
Capex	Capital expenditure
CESS	Capital Expenditure Sharing Scheme
CIE	Centre for International Economics
CCP33	AER Consumer Challenge Panel, sub-panel 33
CPI	Consumer price index
Decommissioning	Decommissioning refers to the complete or partial shutting down and removal of the infrastructure of the gas network that is no longer in use.
ECRC	Energy Consumer Reference Council
EIL	Energy Industry Levy
GJ	Gigajoule – unit of measurement of energy consumption
IEP	ACT Government's Integrated Energy Plan
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NSW	New South Wales
Opex	Operating expenditure
Permanent disconnection	The permanent disconnection of a gas connection at the premises. A permanent disconnection involves the removal of the gas meter and the physical disconnection of any pipeline to the property. This is considered the safest option as it removes all risks associated with having a pressurised gas pipe, including the risk of gas leaks and excavation strikes.
RSA	Reference Service Agreement
Temporary disconnection	A disconnection is a temporary closure of a gas connection on a premises. It involves disabling the meter equipment by introducing a plug, wad, meter lock or blanking device to the inlet of the meter, preventing gas flow through the meter. A temporary disconnection does not disconnect the pipeline to the premises, meaning the gas pipeline is still active and pressurised. A temporary disconnection can be reversed.
TVM	Tariff Variation Mechanism
UNFT	Utilities Network Facilities Tax
VB	Volume Boundary tariff
VI	Volume Individual tariff