ENERGY CONSUMERS AUSTRALIA

Evoenergy and Australian Gas Networks access arrangements 2026-2031

Submission to the Australian Energy Regulator

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Energy Consumers Australia is the national voice for household and small business energy consumers. We advocate for a fair, affordable, and reliable energy system—one that meets everyone's needs and leaves no one behind on the journey to net zero.

1 Introduction

Energy Consumers Australia (ECA) appreciates the opportunity to comment on the 2026-2031 access arrangement proposals for Australian Gas Networks (AGN) and Evoenergy. These proposals are being made in the context of significant uncertainty regarding the future of gas, and gas distribution networks, and the broader energy transition – and significant risk that consumers will bear an unfair burden of the costs and risks associated with this.

We acknowledge the complexities faced by gas distribution businesses and regulators in developing and reviewing access arrangement proposals in this context. Our overriding concern is to ensure household and small business energy consumers are not treated unfairly in the context of this transition. The Australian Energy Regulator's (AER) careful consideration and scrutiny of these proposals is an important opportunity for the AER to contribute to fairer outcomes for consumers within the future declining gas distribution network.

AGN's plan envisions further network growth ($155 million in new connections capex) and continued viability beyond 2050, underpinned by investment in renewable gas. While this reflects the policy environment on the future of gas in South Australia it is highly uncertain AGN's vision will be achievable and there is significant risk of asset stranding. Household and small business consumers should not unfairly bear the burden of these risks.

Evoenergy's access arrangement proposal reflects the very different policy and regulatory environment for the future of gas in the ACT. We welcome Evoenergy's commitment to support a steady and equitable path to the ACT Government's net zero emissions target by 2045, while managing the inherent uncertainty faced as customers transition off gas.

AGN seeks both to expand its investment in renewable gas, and to recover $30 million in accelerated (or 'additional') depreciation from consumers to manage its stranded asset risks. As we have previously argued, accelerated depreciation should be viewed not as a transfer of risk from future customers to today's customers, but as a transfer of cost and risk from a gas distribution business to customers.

We therefore recommend the AER reject AGN's proposal for accelerated depreciation. Likewise, while we generally support the approach taken in Evoenergy's plan, we do not agree with its proposal to recover the costs of past investments from consumers through accelerated depreciation, and recommend the AER reject this also.

Households and small business consumers should not be required to pay for renewable gas projects they are not likely to benefit from. Electrification is likely to always be more cost-effective for households and small businesses. The AER should therefore ensure these customers do not bear the cost of investments in renewable gas projects.

Consistent with our rule change request to the Australian Energy Market Commission (AEMC),[1] we encourage the AER to scrutinise the proposed new connections capex and require connecting customers to pay full connection costs, rather than these costs being socialised among the existing customer base.

The AER should also closely scrutinise other proposed capex – including metering costs, IT upgrades, mains replacement and other distribution system costs – with a view to ensuring these are minimised to only what is strictly necessary.

We note disconnections and safety are a key issue for Evoenergy as the gas network winds down. Evoenergy's proposed 'targeted approach to permanent disconnections to maintain safety at the lowest overall cost' appears reasonable in the interim while the AEMC is considering the Justice and Equity Centre's (JEC) rule change request on disconnections and permanent abolishments.[2]

We encourage the AER to carefully scrutinise the AGN and Evoenergy 2026-2031 access arrangement proposals and ensure the interests of household and small business consumers are at the centre of its decision-making.

Thank you for considering this submission. If you have any questions about the submission please contact Adam Collins at adam.collins@energyconsumersaustralia.com.au.

2 Feedback on access arrangement proposals

Household and small business consumers should not pay for renewable gas projects

AGN's plan reflects its confidence in the sustainability of its network beyond 2050, underpinned by renewable gas. AGN's 2030 target is to have a 10 per cent blend of renewable and carbon-neutral gas, and a 2050 target to transition to 100 per cent renewable gases and carbon-neutral gas.

AGN's plan seeks to enable it to recover certain costs associated with its renewable gas projects, including $26 million for the purchase of Renewable Gas Guarantee of Origin (RGGO) Certificates from the proposed HyP Adelaide project, and renewable gas readiness expenditures of around $7 million.

As we outlined in our rule change request to the AEMC, there is substantial evidence that renewable gas is not a viable solution for the main users of the gas distribution network: households and small businesses.[3]

The use of hydrogen by households and small businesses is economically inefficient and technically difficult. More than fifty independent studies on the use of hydrogen have concluded that hydrogen is inefficient and not recommended for heating buildings.[4] An exhaustive review of the peer-reviewed literature demonstrates that electrification is likely to always be more cost-effective than hydrogen. It cannot replace gas 'in heating or consumer appliances above a 5 to 20 per cent blend without enormous

[1] AEMC, Updating the regulatory framework for gas connections | AEMC.
[2] AEMC, Establishing a regulatory framework for gas disconnections and permanent abolishment | AEMC.
[3] ECA, Gas Distribution Network Rule Change Requests, 12.
[4] Rosenow, J. 2024, A meta-review of 54 studies on hydrogen heating, Cell Reports Sustainability (available at A meta-review of 54 studies on hydrogen heating - ScienceDirect).

costs and disruption'.[5] As Alison Reeve (Grattan Institute) states: "Using hydrogen at home is like washing your floor with Italian mineral water - it'll do the job, but it'll cost a fortune."[6] There is overwhelming evidence that hydrogen for household or small business applications is a bad business decision.

While biomethane can operate without any modification to the existing gas network and is useable by existing gas appliances, there is not enough domestic biomethane to replace Australia's gas consumption. As noted in our rule change request, according to the Bio-Energy Roadmap the total annual production potential for biomethane in Australia is 371 PJ – only 25 per cent of annual domestic gas use.[7] Outside of residential and commercial users, the existing gas demand that must be decarbonised to meet 2050 net zero targets is 3 times larger than biomethane potential.[8] Australia's limited biomethane supplies are likely to focus on this market because it is more difficult and expensive for it to electrify.

It is uncertain whether AGN's vision for its network in 2050 will eventuate. Should AGN wish to undertake investments in renewable gas it should bear the risk of those investments. Households and small business customers should not be required to pay for renewable gas projects they are unlikely to benefit from. To the extent that any such costs are sought to be recovered from household and small business consumers, the AER should reject this.

New connections should be minimised and connecting customers required to pay full connection costs

AGN new connections capex

AGN proposes $155 million in capex to connect 34,000 new residential, business and industrial customers to its network and 'extend the distribution network to new areas where it is commercially and economically viable to do so'.[9] This is an increase on the $141 million approved for the current access arrangement period.

While we recognise AGN makes these proposals in the context of South Australian government policy that supports new gas connections and development of renewable gases, ECA's research suggests there is a clear risk that gas demand may be peaking or may have already peaked.[10] Connecting a large number of new customers puts existing and new customers at further risk of paying for stranded assets, particularly new connection assets that may only be used and useful for a fraction of their stated economic lives.

As discussed further below, modelling undertaken by Dynamic Analysis in relation to Jemena's 2025-2030 access arrangement proposal suggests minimising new expenditure such as new connections capex is a more effective solution to reduce asset stranding risks than accelerated depreciation.

[5] Rosenow, J. 2022, Is heating homes with hydrogen all but a pipe dream? An evidence review, Joule (available at Is heating homes with hydrogen all but a pipe dream? An evidence review - ScienceDirect).
[6] Alison Reeve (LinkedIn post); RenewEconomy, "Like washing your floor with Italian mineral water:" Why hydrogen won't do the things the gas industry says | RenewEconomy.
[7] Deloitte, Decarbonising Australia's gas distribution networks, December 2017, 45; Department of Industry, Science and Resources, Future Gas Strategy Analytical Report.
[8] Department of Industry, Science and Resources, Future Gas Strategy Analytical Report.
[9] AGN, Final Plan (July 2025), 111.
[10] E.g. ECA, Are we reaching the peak in residential gas customer numbers? | Energy Consumers Australia.

ECA has submitted a rule change request to the AEMC to require gas distributors to charge new customers the full cost of a new gas connection through an upfront connection fee, rather than socialising these costs among the existing customer base.[11] While this rule change is still being considered by the AEMC, we note stakeholder feedback to the consultation paper indicates significant support for this proposal from consumer groups, industry and other stakeholders.

As we stated in our rule change proposal, it is reasonable to contemplate how a business such as a gas distribution network that was facing a permanent decline in demand would behave if it didn't enjoy the regulatory protection of a regulated asset base. Such a business would not assume that it would be able to recover costs through ongoing, exponential increases to its charges, given that many of its customers have viable alternative options. Instead, a rational business in this situation would seek to reduce expenditure wherever possible, in particular minimising capex which might be difficult to recover in full over the longer term.[12]

Connecting customers should pay full connection costs rather than these costs being recovered from existing customers. We also recommend the AER carefully review the demand forecast for new connections, with a view to revising it downward.

Evoenergy new connections capex

Evoenergy is forecasting no new gas connections in the ACT, consistent with ACT legislation, and therefore there is no capex related to market expansion in the ACT. In NSW, Evoenergy forecasts some market expansion but does not propose to impose connection charges on new customers.[13] While Evoenergy considers this will have 'limited impact' for its network, consistent with our rule change proposal we consider that any connecting customers should be required to pay full connection costs.

Accelerated depreciation should not be approved

We recommend the AER reject the accelerated depreciation proposed in both access arrangement proposals.

As we have argued in response to previous access arrangement proposals,[14] accelerated depreciation should be viewed not as a transfer of risk from future customers to today's customers, but as a transfer of cost and risk from a gas distribution business to customers. Accelerated depreciation shields network businesses from risk by requiring consumers to pay more today, and is not in the long-term interests of consumers.

Depreciation is a normal business expense that accrues to and is managed by nearly all businesses. In the context of regulated networks, depreciation plays a larger role, because it defines the timeline over which network businesses recover their costs. Accelerating depreciation for a network business speeds up its cost recovery.

We consider the argument that accelerated depreciation is a payment from today's consumers to tomorrow's, and is necessary to maintain intergenerational equity, to be wrong. Accelerated depreciation

[11] ECA, Updating the regulatory framework for gas connections | AEMC.
[12] ECA, new_rule_change_proposal_-_energy_consumers_australia_-_gas_distribution_networks_-_requirin_0.pdf, 13.
[13] Evoenergy, Evoenergy's five-year gas plan 2026–31: overview, 43.
[14] E.g. ECA, Submission on Jemena Gas Networks 2025-30 Access Arrangement Plan, 11.

is a payment from today's consumers to network businesses to reduce the business's exposure to risks and potential financial losses.

We also consider that continuing to allow accelerated depreciation – rather than reducing risks to investors – increases risks because it puts additional cost and risks on households and small businesses, who are already enormous investors in the clean energy transition.

The risks to the future of the gas network primarily result from consumers choosing to switch to all electric homes. Consumer choice is a foundational element in the current regulation of energy services in Australia. Accelerated depreciation puts cost on one consumer for another's choice to use electricity as their sole networked energy solution. It is problematic to increase consumer costs simply because consumers exercise their foundational right to choose the energy solution they prefer.

As part of ECA's engagement with Jemena's 2025-2030 access arrangement proposal, we commissioned Dynamic Analysis to develop a long-term model that provides insight into the direction of network prices for Jemena's gas customers in New South Wales.[15] While there are differences between each state and network, many of the observations from the report are also likely to be relevant to accelerated depreciation decisions for other networks.

The report found that gas prices would spiral up under the modelled assumptions, minimising new expenditure will reduce asset stranding risks (more than accelerated depreciation), and accelerated depreciation is not a sustainable solution. Modelling found that Jemena's proposed accelerated depreciation would result in a typical customer paying about $130 more over the 2026-30 period, while only leading to a ten per cent reduction in the RAB by 2055 (from $2.3 billion to $2.1 billion). This would do little to protect customers from any adverse consequences arising from asset stranding, such as gas distribution networks experiencing financial distress such that safe and reliable supply is compromised.

We note ECA has submitted a rule change to the AEMC that seeks to ensure that accelerated depreciation is only considered as an option if there are other criteria and frameworks in place that help reduce costs and risks for consumers.[16] Suggested criteria are set out in the rule change request.[17] While this rule change request is pending, the AER could consider similar matters as part of its consideration of accelerated depreciation proposals in the AGN and Evoenergy access arrangements.

For example, the AER could question AGN and Evoenergy on whether they have written down the costs of any of their regulatory asset base in light of the stranded asset risk they face. If consumers are expected to pay more now to reduce the risk of future network assets being stranded, so too should network owners. We would also encourage the AER to contemplate whether AGN and Evoenergy are taking all reasonable steps to reduce the stranding risk of their network assets as they ask consumers to pay more. Have the networks comprehensively identified the opportunities to reduce network costs over the coming decades? Have they identified areas within their networks that are ripe for 'strategic decommissioning'? Have they deferred or avoided all non-essential capital expenditure?

AGN's accelerated (or 'additional') depreciation proposal

We recommend the AER reject AGN's proposed accelerated depreciation proposal for the reasons outlined above. While we recognise the complexity AGN faces in planning for the future of its network in

[15] Dynamic Analysis, Turning down the gas: Minimising consumer risk.
[16] AEMC, Gas distribution networks – Depreciation | AEMC.
[17] ECA, Gas Distribution Network Rule Change Requests, 19-20.

the context of significant policy and regulatory uncertainty regarding the future of gas, we do not support these costs being recovered from consumers through accelerated depreciation.

AGN proposes '[a]dditional depreciation of around $30 million to assist the network in its evolution towards a competitive future and maintain balance of risk sharing in the regulatory framework'.[18] The proposal reflects an acknowledgement of what AGN describes as the 'future challenges for the network', yet AGN anticipates significant network growth and envisions a future for the network well beyond 2050, underpinned by investment in renewable gases.

AGN states that, '[r]ather than simply assuming the gas network will become a stranded asset and massively augmenting the existing electricity network to deliver the equivalent energy via electrons, adapting our network for renewable gas ensures continued use of existing infrastructure'.[19]

While we acknowledge the proposed $30 million for accelerated depreciation is relatively modest compared to other recent proposals from distribution businesses, we do not think AGN can 'have it both ways'. Either the plan should reflect that AGN is cognisant of, and actively planning for, asset stranding risks, or that it does not consider its network assets at risk of stranding and therefore should not be proposing accelerated depreciation. In either case, the AER should avoid requiring consumers to pay for inefficient or unfair costs.

Evoenergy's accelerated depreciation proposal

We also recommend the AER reject Evoenergy's accelerated depreciation proposal for the reasons outlined above.

Evoenergy proposes a 'sum-of-years'-digits accelerated depreciation method, to more equitably share the recovery of the past infrastructure investment costs earlier while more customers remain on the network'.[20] This approach results in total depreciation for 2026-2031 of $212 million – $75 million more than under a straight-line depreciation method.[21]

As noted previously we consider that the argument that accelerated depreciation is necessary to maintain intergenerational equity is wrong – it should be viewed as a transfer of cost and risk from a gas distribution business to customers. While we are generally supportive of the responsible approach Evoenergy is taking to the future of its network through the access arrangement proposal, we do not agree that it should recover the costs of past investments from consumers through accelerated depreciation.

Evoenergy notes that there has been strong and consistent feedback through its customer and stakeholder engagement for consideration of:

- the ACT Government contributing through tax-payer funding
- costs recovered through both the electricity and gas networks
- Evoenergy not fully recovering its costs.[22]

[18] AGN, Final Plan (July 2025), 16.
[19] AGN, Final Plan (July 2025), 104.
[20] Evoenergy, Attachment 6: Depreciation, 6.
[21] Evoenergy, Attachment 6: Depreciation, 27.
[22] Evoenergy, Attachment 1: Consumer and stakeholder engagement, 28.

Evoenergy could take steps now – through the proactive writing down of some of its assets (equal to the amount of depreciation it requests) – not to recover its costs fully, but has chosen not to do so.

The role of government in paying for stranded assets may be beyond the scope of this access arrangement proposal to resolve, but this does not imply that accelerated depreciation is the right solution.

Indeed, simply because the AER lacks the ability or discretion to apply effective solutions other than accelerated depreciation to address stranded asset risk does not obligate the AER to choose that solution. By choosing accelerated depreciation, the AER enables network businesses to transfer costs the business should have reasonably foreseen to its captive consumer base. This does not support long-term good governance by network business and may also enable governments to delay addressing their role in responsibly planning for the future of the gas distribution network.

Customer engagement on accelerated depreciation

While we generally welcome the customer and stakeholder engagement processes that AGN and Evoenergy have undertaken, we caution against drawing overly broad conclusions from this feedback, particularly in relation to complex matters such as accelerated depreciation.

For example, in Table 5.8 of AGN's plan (summary of customer and stakeholder feedback support) the 'customer' tab under Depreciation is shaded green, which may be intended to suggest customers supported or responded positively to AGN's proposals on accelerated depreciation.[23] However, the customer feedback only indicates self-reported understanding of 'the context of regulatory depreciation', and general support for AGN's proposal to re-consult if the dollar figure for depreciation per customer was larger than $40. This does not mean customers understood AGN's accelerated depreciation proposals or that customers supported these proposals. It is also not clear if customers were given a meaningful opportunity to consider a 'no accelerated depreciation' option.

ECA has engaged Bartley Consulting and Newgrange Consulting to prepare a report on *Understanding consumer perspectives on accelerated depreciation and financeability*.[24] Among other matters the report finds that, 'network operators' engagement with end consumers on accelerated depreciation is typically narrowly focused to establish consumer support for a particular amount of accelerated depreciation and does not commonly include an option for no accelerated depreciation. This lack of context diminishes the value of consumer engagement on accelerated depreciation for regulators and consumer representatives.'[25]

The report makes a number of recommendations on engagement on accelerated depreciation that should be considered by AGN and Evoenergy in ongoing engagement, including in relation to:

- the need to consider consumer perspectives on fairness and equity (including, but not limited to, intergenerational equity)
- co-design and delivery between network operators, consumer representatives and regulators, including incorporating countervailing evidence and perspectives from non-network parties
- ensuring consumers understand what is being asked of them, including by asking consumers the reason for their views to cross-check understanding

[23] AGN, Final Plan (July 2025), 59.
[24] Helen Bartley and Kieran Donoghue, Understanding consumer perspectives on accelerated depreciation and financeability (August 2025) (the report is not yet published but will be made available at Research | Energy Consumers Australia).
[25] Ibid, 4.

- incorporating AER guidance on consumer engagement given in its Jemena Gas Networks decision
- confining the range of proposed options to what will be plausibly acceptable to a regulator, including testing an option for no accelerated depreciation.

Metering replacement expenditure should be minimised

We support Evoenergy's proposal to limit meter renewal expenditure to only those meters that it is required to replace under the Gas Metering Code because they have reached the end of their useful life.

AGN proposes $38.4m in capex for its meter replacement program – nearly double the amount from the current access arrangement period. We do not see compelling evidence in AGN's proposal for why the cost of meter replacement should increase at all, much less double. AGN should be taking all possible avenues to reduce its future costs and risks; it appears to be inclined to increase both costs and risks through its metering proposal.

We recommend the AER reduce it below the amount allowed in the current period. We encourage AER to ask AGN to identify what its metering costs would be if it applied Evoenergy's approach and only requested expenditure for meter replacement where strictly necessary to do so to meet regulatory requirements.

Other capex proposals should be closely scrutinised

We encourage the AER to scrutinise the other forecast capex requested in the access arrangement proposals, including (but not limited to):

- AGN's proposed $92.3 million for IT systems – this is more than double the amount in the current access arrangement period. This should be closely scrutinised by the AER including to ensure that the regulated asset lives of the IT capital are appropriate.
- AGN's proposed mains replacement ($84.9 million) and 'other distribution system' costs ($91.9 million) should be brought to zero or minimised as far as practicable except where safety overwhelmingly requires replacement or other costs now. If AER chooses to allow non-safety required pipeline costs, it should consider allowing them with a regulated asset life of 20 years.

On capex generally we note ECA has lodged a rule change request with the AEMC on capex criteria.[26] That rule change request seeks to require more detailed and rigorous criteria for the assessment of capex proposals. While the rule change request is still pending, the AER could consider AGN and Evoenergy's capex proposals in the context of some of the issues and suggestions raised in the rule change request. The request also notes a more rigorous application of existing criteria could enable more careful and constrained spending on capex.[27]

Disconnections and safety

We note safety is a key issue for Evoenergy's current proposal given the forecast decline in the network and increasing disconnections. Evoenergy proposes to adopt a targeted approach to permanent

[26] AEMC, Gas distribution networks – Capex criteria | AEMC.
[27] Ibid, 18.

disconnections, where the decision on which disconnection service is most appropriate will depend on the circumstances of the individual property and property owner.

- It states this will:
    - retain its existing cost-reflective user-pays approach for permanent disconnections on the basis that it promotes equity and efficiency during the electrification transition, while maintaining network safety at the lowest cost
    - introduce differentiated permanent disconnection services (basic, basic (urgent), and complex) to reduce costs for most customers and provide flexibility for customers as they electrify their homes and businesses
    - include a Safety Control Program to support and educate the community, and provide targeted information for those with a non-consuming service. The cost of this program is proposed to be recovered through the temporary disconnection charge.[28]

We note the approach to disconnections may be impacted by the AEMC's current consideration of the JEC's rule change request to create a new regulatory framework for gas disconnections, including temporary disconnections and permanent abolishments.[29] Evoenergy's proposed approach appears reasonable pending the outcome of that rule change request.

[28] Evoenergy, Evoenergy's five-year gas plan 2026–31: overview, 47.
[29] AEMC, Establishing a regulatory framework for gas disconnections and permanent abolishment | AEMC.

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