ENERGY CONSUMERS AUSTRALIA

Submission on Australian Gas Networks (SA) and Evoenergy (ACT) draft decision and revised access arrangement proposals

Submission to the Australian Energy Regulator

DATE: 13/02/2026

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 Feedback on the draft decision and revised proposals

Energy Consumers Australia (ECA) welcomes the opportunity to provide feedback on the revised 2026–31 access arrangement proposals for Australian Gas Networks (AGN) South Australia (SA) and Evoenergy and the Australian Energy Regulator's (AER) draft decision.

These proposals are being made at a point in the energy transition where residential and small business gas demand is structurally declining, driven by consumer-led electrification, appliance substitution and improved energy efficiency. They are also being considered within Australia's commitment to achieve net zero emissions by 2050, under which electrification of small gas users represents one of the comparatively low-cost emissions reduction pathways that can deliver net benefits to households and small businesses. Together, it creates both structural change and uncertainty about the future role of gas distribution networks. We recognise the complexities this represents for gas distribution businesses and regulators in determining how costs and risks should be managed as demand declines.

As set out in our previous submissions, ECA's core concern is to ensure that households and small businesses do not bear an unfair share of costs and risks in the context of this uncertainty and future gas network decline.

We broadly welcome the AER's draft decisions, which respond to several of the matters we raised in our earlier submission.[1] For example, we welcome the draft decision to not accept AGN's proposed accelerated depreciation and to reduce Evoenergy's proposed accelerated depreciation amount, and to reduce capex proposals for both AGN and Evoenergy.

We note, since the previous consultation, that the Australian Energy Market Commission (AEMC) has made a final decision on ECA's connection costs rule change proposal, and is further considering several other proposals including ECA's rule changes on accelerated depreciation, capital expenditure and long-term planning for the future gas network.

In assessing the revised proposals, we urge the AER to continue to carefully scrutinise these proposals in the context of declining gas demand and risks to consumers in the transition. In particular, we remain concerned about the use of accelerated depreciation as a tool for addressing these risks. Our view is that continuing to allow accelerated depreciation should be seen as a transfer of the financial consequences of stranding risk from gas network businesses to current consumers. We welcome the Australian Energy Regulator's (AER) draft decision to reject AGN's proposed accelerated depreciation, and its decision to reduce the amount of depreciation initially proposed by Evoenergy, though we still query whether any amount of depreciation should be allowed.

To support this submission, ECA engaged Dynamic Analysis to assess the long-term outlook for AGN's gas network, including to demonstrate the implication of accelerated depreciation on households and

[1] ECA, submission-doc-aer-agn-evoenergy-access-arrangements-2026-2031.pdf.

small businesses. The model uses the AER's revenue calculations and AGN's tariff structures to forecast bill impacts to customers over a 30-year period.

The report (**Attachment A**) finds that accelerated depreciation is not viable: it will increase customers' bills but will have negligible impact on addressing stranding risks. The analysis finds that a typical customer will pay about $170 more over the 2027-2031 period with AGN's RAB declining by only 2.8% if accelerated depreciation is approved.

The report also highlights that:

- bills for residential gas customers will spiral upwards by up to 64% in ten years and 265% by 2050
- there are clear bill savings for South Australian consumers from electrification.

We consider these findings support our view that accelerated depreciation is not an appropriate or effective tool (either for addressing stranding risk or on price competitiveness grounds) and should not be approved.

While the circumstances differ between SA and the ACT/NSW region, both proposals raise the same fundamental question: how to manage network contraction without compounding affordability pressures for those who remain connected. In ECA's view, the regulatory framework must be applied in a way that avoids unnecessary expenditure and does not increase bills today on the basis that this may protect consumers in the future. Accelerated depreciation is currently presented by networks as a way to improve equity and protect those who remain on the network. However, where demand continues to decline and the reduction in stranding risk is marginal, increasing bills now does not meaningfully protect remaining household and small business energy consumers from rising costs over time.

ECA welcomes the AER's careful scrutiny of the access arrangement proposals and our recommendations in this submission and urges the AER to ensure it puts the interests of households and small business consumers at the centre of its decision-making.

Thank you for considering this submission. If you have any questions, please contact Claire Ohk at Claire.Ohk@energyconsumersaustralia.com.au.

We support the AER's decision to not approve accelerated depreciation for AGN and reduce accelerated depreciation for Evoenergy

We recommend the AER not approve the accelerated depreciation proposed in both access arrangement proposals. As we noted in our earlier submission, 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.

In a declining-demand environment, accelerated depreciation does not address the underlying drivers of consumer cost and risk. Fixed costs must still be recovered from a shrinking customer base, and higher near-term prices may accelerate exit for those able to leave, compounding affordability pressures for those who remain.

The Dynamic Analysis AGN modelling, as well as its earlier modelling on the Jemena gas network, supports our view that accelerated depreciation increases bills today without meaningfully reducing the risk of asset stranding.

The continued reliance on accelerated depreciation reflects the absence of an open, system-wide discussion about the future of gas distribution networks. It implicitly recognises that the economic life of the network may be shorter than the assumed regulatory asset lives, without providing a credible framework for how that transition should be managed in the interests of consumers.

ECA's position remains that accelerated depreciation should only be considered where it forms part of a broader, explicit policy framework to support an orderly and equitable transition off the gas network.[2] This includes equitable sharing of the costs of stranded assets between consumers, networks and government, rather than the current situation in which consumers are the only party that is paying for the costs of stranded assets. In the absence of such a framework, risk reduction should focus on minimising unnecessary expenditure, avoiding long-lived investments, and strengthening long-term planning for network contraction.

AGN's revised accelerated depreciation proposal

We support the AER's decision not to approve AGN's initial accelerated depreciation proposal and recommend the AER also reject the revised accelerated depreciation proposal.

In its initial access arrangement proposal, AGN sought approximately $30 million in accelerated depreciation over the 2026–31 period. Despite the AER not approving this, in its revised final plan AGN has now proposed $70 million in accelerated depreciation, an increase of $40 million.

Accelerated depreciation is presented as a mechanism to manage intergenerational equity and asset stranding risk. However, the Dynamic Analysis report commissioned by ECA shows that it is ineffective in addressing stranding risk.

As shown below (**Figure 1** and **Figure 2**), under AGN's revised proposal, accelerated depreciation would increase residential customers' bills by around $170 over the 2027–31 period, while reducing the regulatory asset base by only 2.8 per cent by the end of that period, not materially reducing stranded asset risk.

[2] See our rule change proposal on accelerated depreciation: Gas Networks in Transition | AEMC.

Figure 1 - Typical AGN residential customer – gas network bill ($, real 2026)[3]

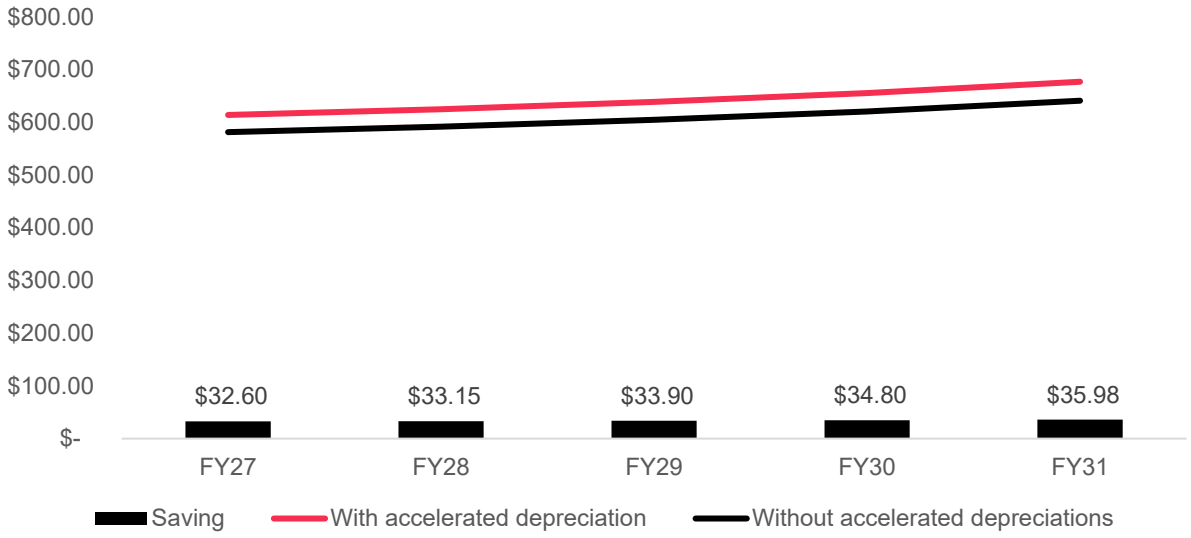
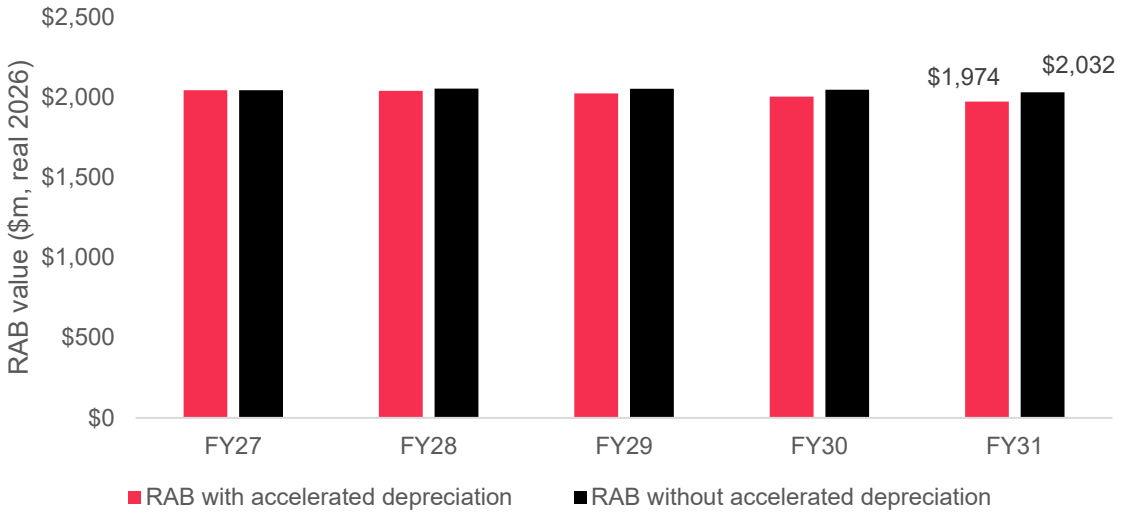


Figure 2 – Value of AGN's RAB – with and without accelerated depreciation ($m, real 2026)[4]



We understand AGN also argues accelerated depreciation is needed to support the competitiveness of its network into the future and provide customers with choice as the energy sector transitions. We are unclear if or why this rationale (as distinct from stranding risk) should justify the use of accelerated depreciation, but in any case do not think accelerated depreciation would meaningfully improve the competitiveness of AGN's gas network.

As noted in our earlier submission, we think there is considerable doubt that AGN's renewable gas plans and 2050 network vision will eventuate. The Dynamic Analysis modelling also suggests that residential gas bills will spiral up dramatically. For the typical household that maintains their current level of gas consumption, bills will increase from roughly $600 to $1,000 over the 2027 to 2037 10-year period and

[3] Dynamic Analysis, SA Residential Gas Customers Long term trend analysis – Report to ECA.
[4] Ibid.

will be almost $2,250 by 2050 (**Figure 3**). The analysis also uses the assumed reduction in gas consumption forecast by AGN and shows that bills will continue to increase, despite consuming less each year (**Figure 4)**.

Additionally, there are clear and significant benefits to electrification, which will increase over time as gas bills increase (**Figure 5**).

Given this, we do not consider it likely that AGN's gas network will remain price competitive with substitutes over time (with or without accelerated depreciation) or that accelerated depreciation should be approved for this purpose in any case.

Figure 3 - Typical AGN residential customer – gas network bill – 13.5GJ consumption ($, real 2026)[5]

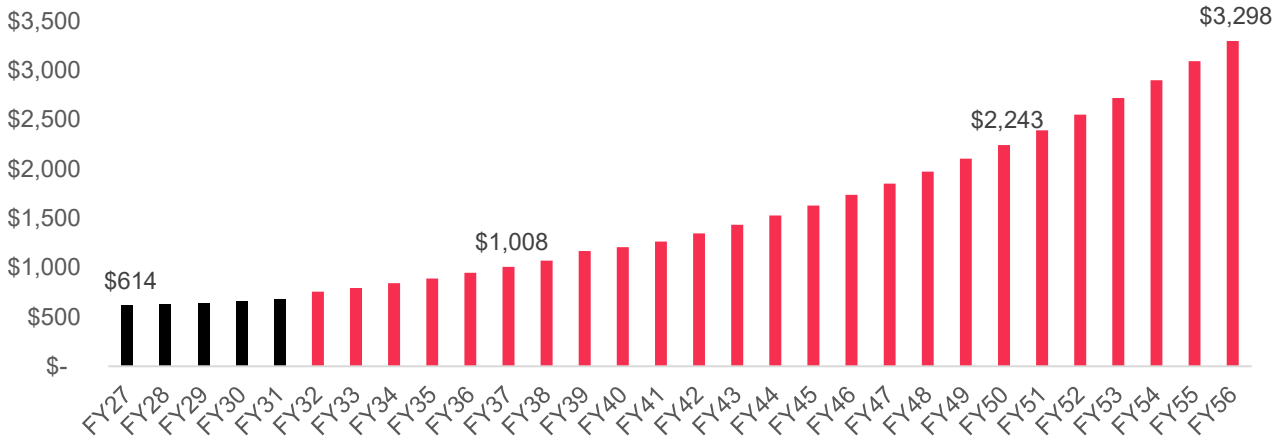
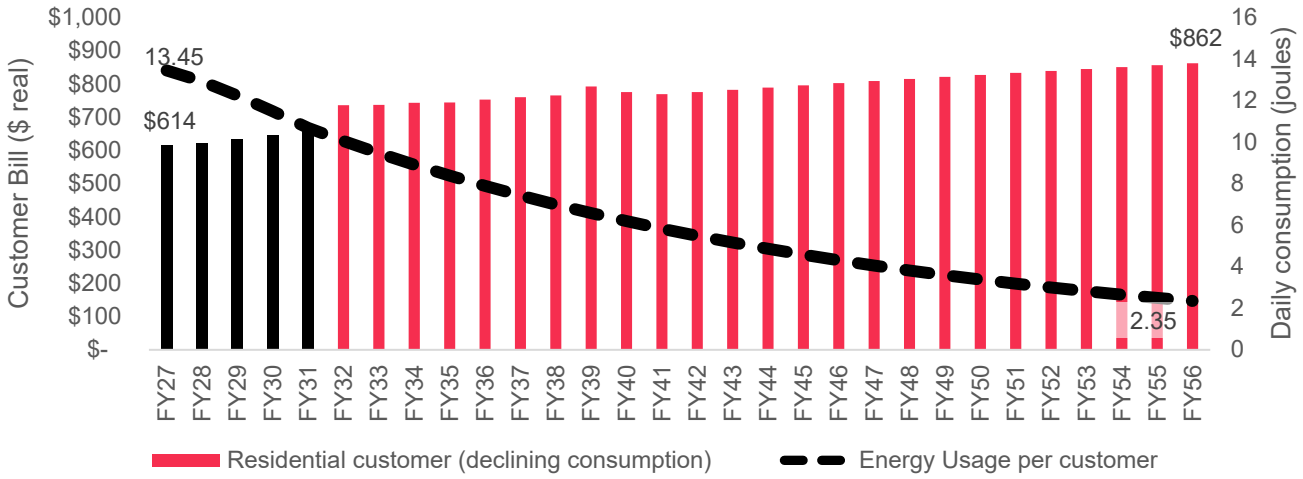
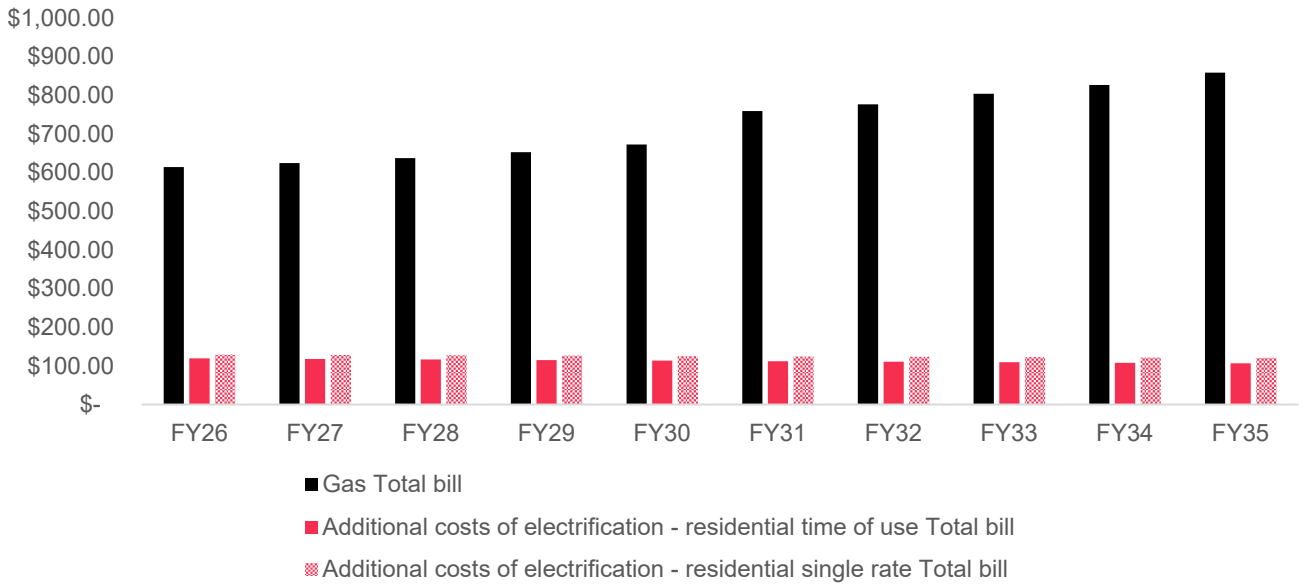


Figure 4 - Typical AGN residential customer - gas network bill - declining gas consumption ($, real 2026)[6]



[5] Ibid.
[6] Ibid.

Figure 5 - Annual gas bill compared to electricity bill increase from electrification ($, real 2026)[7]



Evoenergy's revised accelerated depreciation proposal

We welcome the AER's decision not to accept Evoenergy's proposed $105 million in accelerated depreciation but recommend the AER consider further revising down its draft decision to approve $47 million.

We maintain that accelerated depreciation alone is not a fair or effective solution to the risk of stranded assets and should only be considered if there is a clear process and safeguards in place to ensure consumers will have access to fair and affordable gas service for as long as they will use it. As the AER states in its draft decision, there is "no affordable amount of accelerated depreciation that will achieve long-term price stability."[8]

In a jurisdiction where the long-term role of gas is constrained by policy and demand is structurally declining, it is neither efficient nor equitable to assume that long-lived investments made late in the network's economic life should be fully recovered from remaining consumers. The AER's draft decision appropriately recognises that declining demand changes the risk profile of new investment, and that those risks should not be paid by remaining consumers.

We recognise cost-sharing raises broader policy matters beyond the AER's regulatory role and support the AER's call for, 'an open discussion between consumers, network businesses and governments regarding who should pay for the costs of stranded assets associated with past and future capital investments, and when and how these costs are shared.'[9] Nonetheless, just because the AER may not have other tools to address stranding risks within the current framework does not mean it is obliged to use accelerated depreciation, which increases bills without effectively reducing this risk.

[7] Ibid.
[8] AER, Evoenergy draft decision, p.x.
[9] AER, Evoenergy draft decision, p.x.

As we noted in our earlier submission, Evoenergy itself has had strong and consistent feedback through its customer and stakeholder engagement that other options need to be considered including: the ACT Government contributing through tax-payer funding; costs recovered through both the electricity and gas networks; Evoenergy not fully recovering its costs. 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.

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

While we support that the AER has not approved the proposed step change for purchase of renewable gas certificates for the proposed HyP Adelaide project (we understand AGN has withdrawn this proposed expenditure in any case), we do not support the AER's draft decision to approve the proposed $8 million for renewable gas adaptation for hydrogen and biomethane.

As we highlighted in our earlier submission, the use of hydrogen by households and small businesses is economically inefficient and technically difficult, and biomethane production is limited and not likely to be viable for households and small businesses. 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.

Capital expenditure should be minimised in the context of declining demand

We welcome that the AER has revised both AGN and Evoenergy's capex proposals downwards and urge the AER to continue to carefully scrutinise the revised proposals. Previously modelling from Dynamic Analysis commissioned by ECA on the Jemena gas network suggests minimising new expenditure can significantly reduce asset stranding risks, more so than accelerated depreciation.[10]

Meter replacement and digital metering

AGN's Revised Final Plan includes $27.8 million for domestic meter replacement and $2.5 million for its Digital Metering Program, forming part of a total $38.4 million meter replacement forecast.[11] These costs will ultimately be recovered from remaining gas customers.

While ECA acknowledges AGN's obligations under metering, safety and measurement frameworks, we remain concerned that the revised meter replacement proposal continues to treat declining demand and customer exit as largely irrelevant to the scale and timing of the program.

AGN describe domestic meter replacements as "unavoidable."[12] In a network where demand is declining, this framing warrants closer scrutiny. Gas meters typically have long asset lives.[13] However, some household and small business energy consumers have been forecasted to disconnect before those meters reach the end of their useful life. Replacing meters without accounting for likely customer exit risks imposing costs on remaining consumers for assets that may not be fully utilised.

[10] ECA, Turning down the gas: Reducing consumer risk | Energy Consumers Australia.
[11] AGN SA Attachment 9.18 Response to Draft Decision on Meter Replacement January 2026 | Australian Energy Regulator (AER)
[12] Ibid, p.19.
[13] Ibid, p.13: AGN SA notes how meters can range from 18-40 years in age for different meter types.

ECA agrees with the AER's draft view that alternative, more targeted and lower-cost solutions should be carefully assessed, particularly where only a small proportion of customers that are affected by access or reading constraints.

IT transition

ECA notes AGN's proposed capital expenditure associated with the transition of IT and operational technology systems following APA's exit from the provision of operations and maintenance services. We acknowledge that some level of expenditure is required to maintain business continuity and meet regulatory and cyber security obligations.

The AER should assess this expenditure in the context of declining gas demand and an expected reduction in network utilisation over time. While the transition is presented as largely unavoidable, the scale, design and timing of the proposed solution should be tested to ensure it remains proportionate and efficient in a contracting network.

ECA also notes the inclusion of risk and contingency allowances within the IT transition costs. To the extent that these risks relate to delivery, implementation and project management decisions within AGN's control, the AER should carefully consider whether it is appropriate for consumers to bear these costs, particularly as cost recovery is increasingly concentrated on a smaller customer base.

Operating expenditure must demonstrate genuine adaptation to declining utilisation

AGN's revised opex proposal continues to reflect a largely fixed cost structure, with limited explanation of how operating practices, staffing or organisational scale will adjust as gas demand continues to decline. In a contracting network, this creates a material consumer risk, as fixed and quasi-fixed costs must be recovered from a progressively smaller customer base.

ECA considers that declining demand should raise, rather than lower, expectations of efficiency and adaptation. The AER should carefully assess whether AGN's opex forecasts genuinely reflect opportunities to simplify operations, scale activities down over time, and change operating practices in line with reduced network utilisation. This includes testing whether proposed productivity improvements are credible and proportionate given the scale and pace of demand decline reflected in AGN's revised forecasts.

Stakeholder engagement must present the full impact and available options for consumers

ECA recognises that AGN and Evoenergy undertook substantial stakeholder engagement programs. The AER has acknowledged the commitment and structure of these processes, including the breadth of workshops and reference groups.[14] We also acknowledge positive aspects of this engagement, including AGN utilising findings from the research undertaken by Kieran Donoghue and Helen Bartley on behalf of the ECA on 'Understanding consumer perspectives on accelerated depreciation and financeability'.

However, the Better Resets Handbook makes clear that effective engagement is not measured only by the volume of activity, but by whether participants are appropriately equipped and informed to

[14] See AER draft decision on Evoenergy, pp. 7-11 and AER draft decision on AGN pp.7-10

meaningfully participate, and whether there is a clearly evidenced impact of engagement on the final proposal. ECA considers that a part of this requirement means that participants should be prepared with clear and evidence-based information about how the proposals impact consumers.

For instance, feedback recorded in Evoenergy's community and customer forums highlights a limitation in the way depreciation issues were framed. Participants were asked to compare three depreciation approaches, and no other options for sharing the costs of the declining network.[15] The discussion itself suggests that participants saw broader solutions as necessary, including government support, shareholder contributions and alternative cost allocation approaches.[16]

In addition, while NSW participants described accelerated depreciation as "more equitable,"[17] the engagement material does not clearly demonstrate that participants were provided with evidence on whether accelerated depreciation materially reduces long-term consumer risk, as opposed to primarily shifting the timing of cost recovery. ECA encourages the AER to treat this engagement as a useful indicator of consumer concern about affordability and risk allocation. However, it should not be considered as evidence that consumers support and/or agree that accelerated depreciation is an effective measure that will protect consumers from stranded asset risk or rising long-term costs.

[End of submission]

[15] Evoenergy Communication Link Appendix 1.1 Report of feedback from community and customer forum sessions January 2026 | Australian Energy Regulator (AER), p.20
[16] Ibid. p.27
[17] Ibid. p.21

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