

30 April 2026

Ms Anna Collyer  
Chair  
Australian Energy Markets Commission

Dear Ms Collyer

## **Submission to the Commission's gas networks in transition directions paper (GRC0082)**

Evoenergy commends the Australian Energy Market Commission's (Commission's) consultation to date on strengthening the regulatory framework for gas networks to ensure the long-term interests of consumers are promoted through the energy transition. We welcome the opportunity to respond to the Commission's directions paper and participate in ongoing consultation on this important review.

We support the Commission taking a holistic approach to consider interrelated elements of the framework, and commend the Commission on its thorough consideration of the broader implications of the proposed rule changes and the alternative options explored to ensure that any reforms promote the long-term interests of consumers while maintaining network safety, reliability, and investment confidence.

Evoenergy considers the Commission's proposed directions, which seek to preserve core elements of economic regulation of gas networks enshrined in the revenue and pricing principles (RPPs), signal a positive step forward in promoting the long-term interests of consumers. Strengthening the regulatory framework at this important stage of the energy transition will best ensure an orderly transition through preserving principles of economic efficiency and incentives for market participants, and provide necessary clarity to all stakeholders over the intent of the regulatory framework.

While we broadly support the proposed directions, we urge the Commission to carefully consider the appropriate allocation of discretion, and balance of prescription and flexibility as it progresses draft rule changes. In doing so, we encourage the Commission to give due consideration to the fundamental incentives for service providers to remain competitive in declining gas markets, as well as the asymmetric risk faced by service providers and customers given the finite window of opportunity to effectively address the challenges faced as gas usage declines.

While we agree with the Commission's view that there will be a role for governments to play in supporting gas consumers and service providers through the energy transition, maintaining incentives for service providers in the regulatory framework will help to drive economically efficient outcomes and ensure a safe, reliable and equitable gas supply for all gas customers, including those who are last to transition, hence minimising the level of government support needed.

This is particularly important for Evoenergy and customers of its gas network, given the ACT Government's policy to phase out natural gas by 2045. The policy context fixes Evoenergy's gas network's remaining economic life and promotes material demand reductions, meaning that the risk of asset stranding is imminent, not merely a forecast scenario. In this context our gas access

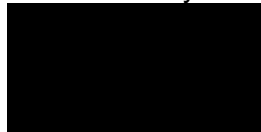
arrangement (AA) review for the 2026-31 period provided the opportunity to quantify, consider and engage on the appropriate profile of accelerated depreciation required to provide reasonable opportunity to recover efficient capital costs through a stable and equitable price path through to 2045. We are concerned that maintaining regulator discretion that enables the adoption of a short-term view and limited regard to the RPPs significantly increases the risk to both Evoenergy and our customers of a disorderly and inequitable transition in the region. Such an outcome would also harm investor and consumer confidence more broadly as other jurisdictions across Australia look to the ACT for indicators of gas transition outcomes for customers and service providers.

Evoenergy considers adopting a decision making model which gives service providers the discretion (option B) to determine the approach for the capital recovery provisions is consistent with service providers' incentives, is appropriate in the context of asymmetric risk, recent regulatory practice and no merits appeal over regulator decisions, and necessary to achieve the fundamental objectives of the regulatory framework as identified in the Commission's directions paper.

In this context, we provide the attached feedback on the specific proposed directions outlined in the directions paper, as well as support the views expressed in the Energy Networks Australia submission and the report prepared by Incenta Economic Consulting on behalf of Energy Networks Australia.

We look forward to continuing to engage throughout this review. Please contact Gillian Symmans, Group Manager Regulatory Reviews and Policy [REDACTED] should you wish to discuss our feedback.

Yours sincerely



Megan Willcox  
General Manager, Economic Regulation

# Evoenergy's feedback on the Commission's Gas networks in transition directions paper

## 1. Capital cost recovery

We commend the Commission on providing clarity and direction on the role of capital recovery in serving the National Gas Objective (NGO). We agree that the proposed directions need to be viewed holistically and as a package of tools to work together to best achieve the NGO and RRP. For example, the capital redundancy provisions contemplated may ultimately have no or limited applicability if the changes to depreciation and treatment of inflation provisions are used early and appropriately. Conversely, regulatory decisions which defer or limit the use of these two proactive tools will almost certainly bring forward the use of the proposed capital redundancy provisions and could significantly increase the value of redundant capital.

To ensure collectively these tools best achieve the NGO and RRPs, the final rules must limit regulator discretion to reflect the asymmetric stranding risk faced by service providers and to appropriately align with the strong incentives service providers have to:

- preserve asset value where there is not a foreseeable stranding risk; and
- make decisions on capital cost recovery that enables them to remain competitive in the market and limit the magnitude of stranding risk where it is foreseeable.

In circumstances where jurisdictional policy is driving declining gas usage, or where competition for alternative energy sources is increasing, service providers have a strong incentive to bring forward capital recovery only where there is a perception of risk of asset stranding, and only to the extent consistent with efficient pricing of services. That is, pricing levels that maximise the consumer benefit of maintaining gas pipelines in operation while managing the risk of capital stranding. For our recent gas AA review Evoenergy invested in multiple research studies and customer engagement channels to understand the switching drivers for the customers we serve to ensure the amount of depreciation we proposed would, while enabling ACT Government policy, not accelerate the pace of customer switching and further risk capital recovery over the period to 2045. Similarly, rational service providers would reduce network prices below levels of regulated tariffs where regulated tariffs cause an exodus of customers and doing so would effectively make some capital value stranded and redundant.

Conversely, where there is no material perception of asset-stranding risk and confidence in capital recovery remains high, investors would seek to preserve the value of the capital asset base. Preserving the capital asset base delivers long term investor value through three mechanisms: 1. The net present value of regulated cash flows, where the regulated rate of return is expected to exceed investors' discount rates over time; 2. Preservation of capital value, reflected in asset valuations exceeding the current book value (i.e. a capital asset base valuation multiple greater than one); and 3. Retaining the opportunity to outperform the regulated return through efficiency incentives to outperform the various regulatory element benchmarks.

As discussed in our response to the consultation paper, we are concerned that recent regulatory decision making has not adequately recognised that these incentives exist. Instead, we have observed decisions which seek to limit network prices materially below efficient levels in the short-run, resulting in cost recovery being pushed into the future when service providers will have fewer customers and face greater competition from alternative energy sources. These recent decisions have restricted service providers' reasonable opportunity to recovery capital costs and significantly increased the likelihood and materiality of stranded asset risk and a disorderly transition for customers, likely leading to an early and greater degrees of government intervention.

We are concerned that regardless of the Commission’s views and the ultimate rule changes, without an appropriate assignment of discretion, there is a high risk that regulators may continue to focus on restraining price increases and determine that capital redundancy is achieved earlier (i.e., at a price level that is lower) than is in fact the case, particularly given the subjectivity and uncertainty over a potential “switching price.”

As discussed above, there are strong incentives for service providers to put forward AA proposals which appropriately respond to their specific context in terms of market trends and asset stranding risk and ensure efficient price levels that reflect the NGO (including price levels which may be below the regulatory decision). However, the absence of any merits appeal mechanism under the regulatory framework means that service providers have limited opportunity to appeal a decision where regulator discretion leads to outcomes that do not best achieve the NGO.

We are also mindful of the asymmetry that exists in the costs and risks associated with bringing forward capital cost recovery. We are concerned that the consequences of delaying the bringing forward of depreciation are far greater than bringing forward recovery ‘too early’. Service providers can dynamically respond to market signals if network charges are above sustainable levels during an AA period, and can reduce depreciation in future periods if circumstances change. On the other hand, regulatory decisions which defer accelerated depreciation to future periods exacerbate the level of stranding risk, or the pricing levels required to provide an opportunity to recover costs, and therefore drive inefficient, inequitable and disorderly outcomes for customers. This is discussed further in our revised proposal in response to the AER’s draft decision on Evoenergy’s 2026–31 AA, in which we demonstrate the asymmetric consequences in terms of future annual price increases between a scenario of going too early on depreciation versus a scenario of delaying depreciation too late. The analysis clearly shows the harm to customers is materially worse by delaying depreciation.<sup>1</sup>

Given the incentives in place, recent regulatory decision making on capital cost recovery, the absence of an appeal mechanism, and the asymmetric risks to service providers and customers from delaying capital recovery, we consider that of the decision making models presented in the directions paper, across all elements of capital cost recovery, the appropriate level of regulator discretion is option B, in which distributors determine the approach.

We note the Commission’s view that option C<sup>2</sup> is the preferable model for depreciation and treatment of inflation, and option D<sup>3</sup> is appropriate for redundant capital. We consider option C(i) to be the limit of acceptable regulator discretion to achieve the intended outcomes, having regard to the factors discussed. We have observed in recent decision making that Option C(ii) involves an unacceptable level of risk that the objectives of the Commission in progressing regulatory change will not be appropriately enacted to best achieve the NGO and RPPs.

## 1. Depreciation

We support the Commission’s proposed direction to amend the depreciation provisions to support the efficient recovery of capital costs, and agree with the Commission’s view that accelerating depreciation does not shift risk to consumers because, absent the decline in demand, consumers would have paid the same capital costs in net present value terms, and accelerating recovery only changes the timing of the recovery. Providing clarity of the role of the regulator and including guidance on the circumstances in which accelerated depreciation may be appropriate will, if

<sup>1</sup> Evoenergy 2026, *ACT and Queanbeyan Palerang gas network access arrangement 2026–31, Revised access arrangement information, Attachment 3: Depreciation*, January, pp.44 - 47

<sup>2</sup> Option C would be the distributor’s proposal as the starting point, which departure only allowed if the regulator determines either option i: the distributor’s proposal be inconsistent with the NGO and RPPs, or option ii: an alternative approach would better promote the NGO and RPPs.

<sup>3</sup> Option C would give the regulator discretion to determine, but be guided by specific principles in the NGR.

appropriately reflected in regulatory decision making (through option B as discussed above), improve the use of the depreciation provisions in achieving the NGO and RPPs.

We consider that changes to the depreciation provisions should reflect the expectation that gas networks are declining by establishing a specific opportunity for service providers to bring forward depreciation over a remaining economic life of assets where they consider this best achieves the NGO and RPPs.

In considering appropriate guidance on the use of accelerated depreciation for assets facing the risk of stranding, it is appropriate that the evidence requirement considers a range of scenarios but reflects the asymmetric risk to service providers and customers by erring on the side of more accelerated demand decline scenarios over scenarios which contemplate slower demand decline.

In developing provisions, it would be helpful to include clear definitions of key terms, such as 'economic life'. We support Incenta's<sup>4</sup> views on what the provisions should include.

## 2. Treatment of inflation

We broadly support the Commission's proposed direction to amend the treatment of inflation provisions by introducing a decision point for how compensation for inflation is recovered, and provide guidance on the circumstances in which different approaches may be appropriate. We consider this direction will serve to promote the efficient recovery of compensation for inflation in circumstances where the use of the pipeline is expected to decline over the remaining economic life.

Service providers facing stranding risk have a strong incentive to appropriately balance the risks and trade-offs associated with how and when compensation for inflation is recovered. These changes will logically support the other directions proposed to ensure capital recovery best serves the long-term interests of consumers.

We note that this change will only be effective if appropriate decision making models are also in place for depreciation and capital redundancy provisions. For example, if discretion was to remain that would see the AER's recent 'price path' approach being adopted in setting accelerated depreciation allowances, changing the approach to the treatment of inflation would simply consume 'headroom' in the price path available for bring forward depreciation, resulting in capital cost recovery being pushed into future periods.

We note the Commission's proposed direction for this change is to adopt option C in the decision model contemplated. Our view is that when considered together with the depreciation and capital redundancy provisions, option B is more appropriate, as service providers are best placed and to assess the circumstances they face and incentivised to determine the appropriate approach to managing stranding risk in these circumstances. However, if the Commission's preference is to adopt option C, we consider C(i) provides the maximum level of discretion to regulators in making decisions that are consistent with the NGO and RPPs.

## 3. Redundant capital

While we support the Commission's intention that capital redundancy provisions would only be used as a last resort after other tools have been used and it becomes clear that stranding cannot be averted, we have concerns regarding how these provisions are contemplated in the directions paper.

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<sup>4</sup> Incenta 2026, *Gas networks in transition: Analysis of the AEMC's proposals for capital recovery*, p.18, April.

Firstly, we encourage the Commission to further consider the concepts of full and partial redundancy, as well as ensure the distinction between physical and economic stranding is made as it progresses rule change refinement.

We agree with Incenta's views on the characterisation of 'physical redundancy and stranding' and 'economic redundancy and stranding'. As discussed in Incenta's<sup>5</sup> report, we consider that 'economic redundancy' is a more accurate and useful term for the issue associated with service providers being unable to recover the capital value of assets as a result of needing to limit prices to remain competitive with alternative fuels.

As discussed above, service providers face strong incentives to set network prices at competitive levels, which may be below the regulated price, and in effect involve service providers realising a level of asset stranding (and write down).

As such, we have concerns with the provisions contemplated, which would assign a role to regulators in determining capital redundancy on an ex-ante basis using a potentially highly subjective and speculative estimate of "switching price." There are a range of factors influencing customer switching behaviours, and price competition occurs at the retail level. This presents significant challenges for both service providers and regulators in forecasting a retail level "switching price." We are therefore concerned that this approach would distort market outcomes, undermine investor confidence in the regulatory framework and therefore not achieve the NGO and RPPs.

If a provision is to be made in the National Gas Rules (NGR) to deal with economic redundancy, we consider this would only be appropriate as an ex-post mechanism, whereby the "switching price" is revealed by service providers acting to maximise cost recovery through lowering network charges below regulated prices, and hence revealing the level of redundancy.

Given the intent of capital redundancy being a last resort once service providers have been provided with an opportunity to recover costs, we are concerned that providing regulators with discretion to impose capital redundancy creates an incentive for regulators to determine a "switching price" below what would otherwise be the revealed level in the pursuit of consumer protection. This would lead to inefficient market outcomes and distort investment incentives for service providers, consistent with what we have observed in recent regulatory decisions in which a low price 'guardrail' has been set. This is particularly concerning given the lack of merits appeal opportunity and the low evidentiary basis applied in regulator decision making.

We consider the strong incentives service providers face to achieve competitive market outcomes (discussed above) provide adequate protection for customers. To the extent additional customer protections are required for those facing vulnerability, these are more appropriately addressed through targeted government assistance and retail customer support programs.

Given the incentives that exist for both service providers and regulators, capital redundancy should only be at the discretion of service providers, and we support new capital redundancy provisions which provide clear guidance and requirements for how this is managed through a 'revealed' ex-post mechanism.

We recognise the Commission's intent in providing a mechanism by which redundant capital can be 'parked' in a redundant capital account which can be reversed in the event that market conditions change. While we note that reversal is highly unlikely to be feasible in Evoenergy's circumstances given the limited remaining time over which the network can recover efficient costs from customers, we see merit in the Commission further exploring practical options to provide such a mechanism.

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<sup>5</sup> Incenta 2026, *Gas networks in transition: Analysis of the AEMC's proposals for capital recovery*, pp.26-27, April.

## 2. Long-term forecasts

Evoenergy supports gas network service providers developing long-term outlooks which provide information on likely long-term consequences to inform decision-making which supports the long-term interests of consumers. We note that service providers, including Evoenergy, already provide long-term forecast information in AA proposals to support informed stakeholder engagement and decision-making.

For some networks, decommissioning is likely to occur sooner than the 20 year time horizon contemplated. We therefore consider an appropriate change to this requirement would be for networks to develop an outlook which covers the next 20 years or where relevant, the expected completion of network decommissioning, whichever is sooner.

In the development of draft rule changes, we urge the Commission to give consideration to requirements that adequately reflect the declining confidence of assumptions as the outlook horizon increases, and limitations of service providers in forecasting external drivers of outcomes, such as government policy and wholesale gas costs.

We consider expected inclusions of long-term outlook information should be flexible enough to reflect the jurisdictional circumstances of individual service providers – for example, decommissioning plans would reasonably be expected to be more developed for Evoenergy than other service providers.

Long-term outlooks would necessarily include a range of scenarios, and again, requirements should have the flexibility to reflect the jurisdictional circumstances in the scoping of scenarios. This is important given the degree of uncertainty, the number of variables that drive potential future states, and the different incentives and perspectives that drive views on future demand scenarios. The Commission could consider the role of independently developed forecast for key inputs to long-term outlooks, where applicable and relevant to the specific network context and jurisdiction.

We support the need for service providers to demonstrate how AA proposals reflect the long-term outlook for their networks and customers and are internally consistent. Equally, we consider it necessary for regulators to demonstrate this in AA decisions. As such we support the Commission's proposed direction to require the regulator to consider the longer-term outlook in decision making.

We note the Commission's view that requiring the regulator to consider the longer-term outlook is not intended to bind future decisions by the regulator. Given the degree of uncertainty involved in preparing longer-term outlooks, it is similarly important that service providers are not unreasonably held to their longer-term outlook assumptions. For example, long-term operating expenditure requirements (which are a key driver of revenue needs) will be sensitive to customer decline trends (such as the extent to which individual customers electrify gas appliances gradually or together and geographic dispersion of electrifying customers) and jurisdictional policy.

### 3. Expenditure assessments

Evoenergy broadly supports the Commission’s proposed changes to the capex and opex provisions of the NGR to improve regulatory clarity and transparency and support the long-term interests of consumers under uncertain and declining demand.

In developing proposed changes to capex criteria, we encourage the Commission to consider flexibility to ensure the expectations on service providers to consider a range of options and undertake quantitative cost benefit analyses to justify all types of capex is commensurate with the scale and nature of proposed capex.

For example, faced with electrification policy certainty and significant stranding risk, Evoenergy’s capex proposal for the 2026–31 AA period reflects a strategic end-of-life asset management approach, in which investment is minimised to a level required to meet safety, reliability and regulatory obligations. In this context, imposing a very high evidence threshold on service providers may involve additional cost which may be material relative to the scale of the investment program and may be disproportionate to the risk of overinvestment in an environment where service providers with a declining network already face a strong incentive to minimise capex.

### 4. Reference tariffs

#### a) Tariffs

In relation to the Commission’s proposals on tariffs, Evoenergy provides the following overarching observations.

Consistent with service providers’ incentives to minimise stranded asset risk (discussed above), it is also in the interests of service providers to set the level and structure of tariffs in a manner that maximises the prospect of cost recovery over the transition period. If this means lowering gas network prices to slow the exit of customers from gas to electricity, then it is commercially rational for gas distribution businesses to do so. It is unnecessary to attempt to ‘replicate’ or ‘mimic’ what would happen in a competitive market for tariff setting purposes.

We note the importance of not overstating the practical influence of network tariffs on final retail prices when considering changes to network tariff rule provisions. In Evoenergy’s case, gas network charges comprise 29 per cent of the average residential retail bill. Further, there is no requirement for retailers to reflect the network price structure in their retail prices. This severely limits the ability of tariff classes and structures to influence retail customer decisions. Any proposals that necessitate the consideration of retail gas prices should recognise these limitations and ensure the complexity and costs associated with undertaking the required analysis is commensurate with the expected benefits the proposal is likely to deliver.

Evoenergy provides the following feedback on the Commission’s specific proposals.

#### **Requirement to consider and explain how tariffs and tariff variation mechanisms would impact customers within and beyond the AA period**

Evoenergy supports the Commission’s proposal in relation to considering the long-term customer impacts in relation to reference tariffs, the reasonable opportunity to recover efficient costs and internal consistency within an AA. However, we are concerned regarding the proposal to assess customer exit decisions and customer behaviour in response to competition from alternative fuel sources.

A customer's decision to remain connected to, or exit, the gas network depends on a wide range of factors including the relative retail prices for gas and electricity, transition costs, appliance condition and preferences, as well as personal ideology. Network tariff classes and structures are likely to play a very limited role in influencing customer decisions, and no role at all where they are not passed through by retailers.

Similarly, assessing how competition and the outlook for competition from alternative fuel sources is expected to influence customer behaviour requires complex analysis driven by numerous uncertain variables. The potential cost and complexity associated with undertaking such an assessment would provide very limited benefit in terms of influencing tariff class and structure design.

As part of its 2026–31 AA review, Evoenergy undertook a high-level analysis of the longer-term impact of reference tariffs on consumer demand. The analysis demonstrated that the impact of reference tariffs has a minimal impact on consumer demand. This finding is consistent with research submitted as part of Evoenergy's 2026–31 access arrangement proposal, which indicated that decisions to exit the network are predominantly driven by non-price factors, such as appliance life.

More generally, primacy should be given to the service provider's reasonable opportunity to recover efficient costs. The introduction of customer impact principles should not create scope for regulators to pursue social policy objectives that more appropriately sit with the executive and legislative branches of Government.

### **Role of long-run marginal cost in tariff setting**

Evoenergy agrees with the Commission's proposal regarding the role of long-run marginal cost (LRMC). LRMC should be considered only where it contributes meaningfully to tariff design. In the context of declining demand, LRMC becomes increasingly difficult to define and less relevant to pricing outcomes. Under such conditions, the primary objective of tariffs shifts towards stable cost recovery rather than the provision of marginal price signals.

### **Role of avoidable costs in tariff setting**

Evoenergy agrees that avoidable costs are likely to decline over the transition period as asset replacement becomes less likely. However, given the largely fixed cost nature of gas distribution networks, it is highly unlikely that the proposed revenue for any tariff class will fall below avoidable cost.

If the Commission does alter the methodologies for estimating avoidable costs, it will be important to ensure that the cost and complexity of implementation are proportionate to the benefits such changes are expected to deliver.

### **Application of standalone costs**

If the Commission considers it necessary to retain an upper bound on reference tariff revenue as a safeguard for consumers, the current rules are sufficient to provide this protection. Evoenergy does not support the setting of standalone costs with reference to competing energy sources. Such an approach could effectively impose a price ceiling on gas networks that could constrain the reasonable opportunity to recover costs.

## **b) Tariff variation mechanisms (TVM)**

Evoenergy supports the Commission's directions paper to ensure the TVM is suited to the specific circumstances of the service provider and are internally consistent with other components of the AA. We consider that the TVM should be consistent with the RPPs, including providing a reasonable opportunity to recover at least efficient costs, incentives to promote economic efficiency, and provided with a return commensurate with regulatory and commercial risks in providing services within a specific jurisdictional operating context and with regard to interdependencies within an AA determination.

However, in reviewing the Commission's proposed TVM related rules amendments (set out in figure D1 and section d.2.1), Evoenergy is concerned the Commission's intended directions would not be fully achieved. The proposed rule amendment to require consideration of impacts on customers within and beyond the AA period is unlikely to provide sufficient clarity and guidance for the regulator, service providers and stakeholders that this includes consideration of the specific service provider circumstances or internal consistency with other AA components.

In deciding on the TVM approach, the NGR currently require the regulator to have regard to both the desirability of consistency for similar services, within and beyond the relevant jurisdiction, and the previous regulatory arrangements (refer NGR section 97(3), clauses c) and d)). The existence of these two clauses in the NGR have likely contributed to the AER's recent decisions to require all gas networks to have the same TVM approach irrespective of the specific operating context, jurisdictional policy or the other regulatory elements. However, a consistent form of control between gas and electricity energy substitutes within a jurisdiction should be considered to promote economic efficiency.

We agree with the Commission that the TVM should align with other decision elements such that an AA decision is internally consistent. Interdependencies between components of an AA decision could be achieved by ensuring that a service provider is allowed a return commensurate with the regulatory and commercial risks involved in providing reference services in that businesses' specific operating environment. For example, if a service provider assumes more risk of an incorrect demand forecast set by the regulator, where that regulator recognises the high degree of uncertainty of such a demand forecast under a price cap, that service provider should be adequately compensated for such risk, especially where that risk is outside of the control or influence of the service provider, in accordance with the NEL. In deciding whether a particular TVM is appropriate to a particular AA, the NGR should include that the regulator explicitly has regard to ensuring that it provides a return commensurate with regulatory and commercial risks that the business assumes under other components of the AA while still promoting an ex-ante incentive-based regulatory framework. This approach would better ensure that the regulator is provided with clearer guidance and ensure adherence with the NGL revenue and pricing principles.

From the commencement of our 2026–31 AA review the AER stated a strong preference for Evoenergy to adopt the same TVM approach as the AER had recently accepted for Jemena Gas Networks. The AER's strong preference for the same TVM was expressed before any consideration of Evoenergy's specific operating or policy context and before any consideration of the other regulatory elements, as our AA proposal had not been submitted. The AER's draft decision on Evoenergy's TVM similarly does not address any of Evoenergy's material on the relevance of our specific context which varies materially compared to Jemena Gas Networks. Nor does the AER's draft decision give regard to the interrelationship between its TVM decision and its decisions on the other regulatory elements, such as being provided with a reasonable opportunity to recover efficient costs in providing safe and reliable gas services and meeting regulatory obligations.

Additionally, the AER's draft decision does not allow for a return commensurate with the risks of not recovering prudent and efficient capital investment based on a constrained price path nor for the risk of not recovering revenue due to the uncertainty of the demand forecast set by the AER under a

hybrid price cap TVM. The rate of return is set based on the same methodology as electricity networks that have a very different risk profile and the same as other gas networks with different consumer preferences and jurisdictional policies.

We therefore consider achieving the Commission’s intended direction for the TVM that provides the AER with guidance for making AA decisions consistent with the NGL revenue and pricing principles requires amendment to the NGR to:

- include a new factor which explicitly requires consideration of the relevant context specific circumstances of the service provider;
- include a new factor which explicitly requires consideration of the interrelationship with the other regulatory elements and explicitly allows for a return commensurate with the regulatory and commercial risks associated with the AA decision (the regulator may be required to develop a guidance note considering how such a return may be evaluated and calculated); and
- remove existing provision of (97(3)c) as it is not longer fit for purpose and would not necessarily be consistent with considering jurisdictional circumstances;
- provide additional clarity to NGR 97(3)(d) to include the consideration of ensuring productive and allocative efficiency between energy substitutes within the relevant jurisdiction. This facilitates pareto efficiency where no one can be made better off without making someone else worse off.

#### **4. Decommissioning framework**

We agree with the Commission that a comprehensive and holistic assessment of issues involved in decommissioning is needed to establish a decommissioning framework, and understand the decision to exclude this work from this rule change process.

Due to the ACT Government’s policy to phase out natural gas by 2045,<sup>6</sup> establishing a decommissioning framework, including determining how this process will be funded, is a high priority for Evoenergy. We agree with comments made by the Commission in the public forum that a decommissioning framework needs to be established in time for Evoenergy’s next AA review, as well as the Commission’s comments on the range of questions needing to be resolved in establishing this framework.

Given the breadth and complexity of issues needing consideration, the stakeholders involved, and the potential consequences of delayed action on resolving these issues, we are keen to continue working with ACT Government and the Commission to progress work on this matter as a priority.

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<sup>6</sup> ACT Government (2024). [The Integrated Energy Plan 2024–2030: Our pathway to electrification](#), June, p. 19.