

# Reference Service Proposal

Evoenergy ACT and Queanbeyan-Palerang  
gas distribution network

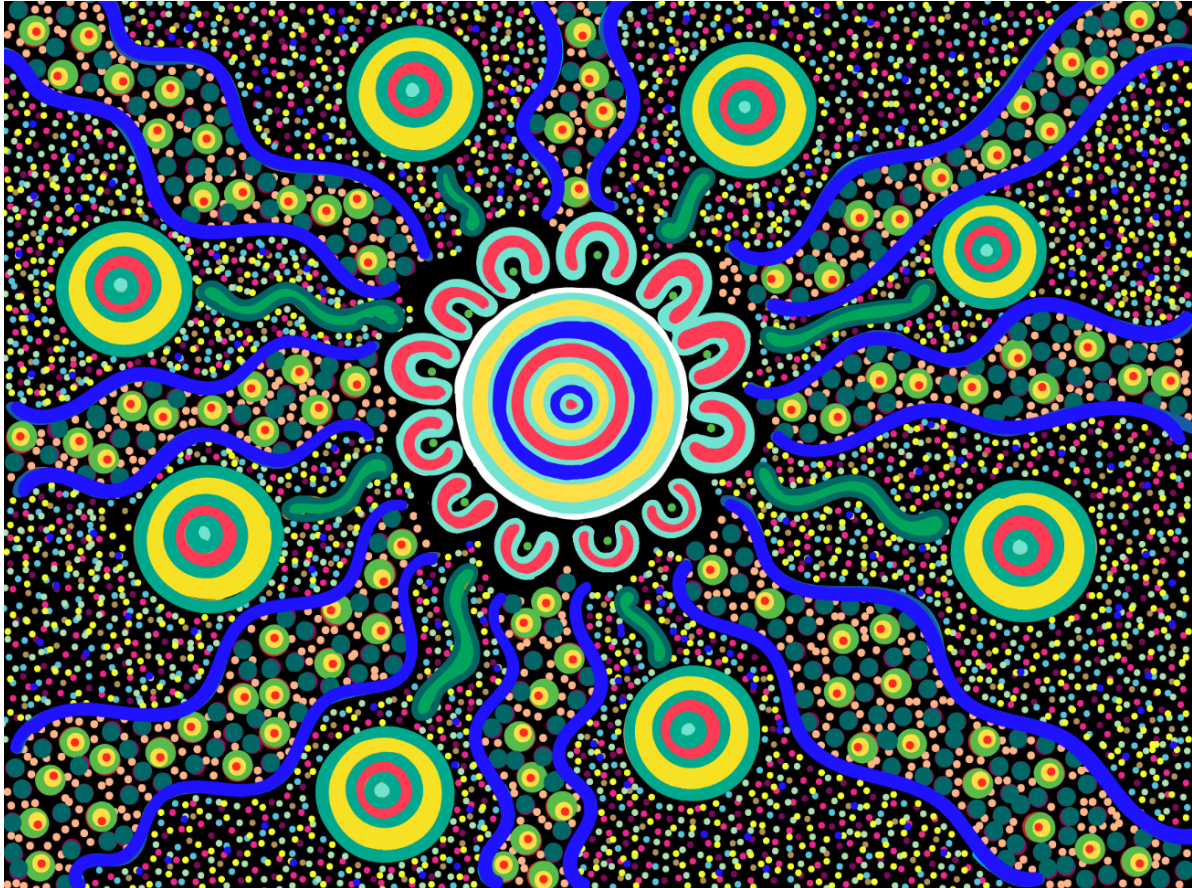
Access arrangement period commencing 1 July 2026

**evoenergy**

June 2024

## 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.*

## Executive summary

The ACT Government has set a clear direction for the transition away from gas to electricity through to 2045. The ACT Government's first Integrated Energy Plan 2024–30<sup>1</sup> sets the pathway for a phased customer exit from the gas service and subsequent decommissioning of the gas network.

An energy transition of this nature is unprecedented, and while it will bring benefits to the community, the transition also presents technical, economic, and social risks and challenges for Evoenergy and our customers.

Our gas customers are progressively electrifying their homes and businesses. The number of new gas connections has been trending downwards since late 2022, while the number of gas disconnections has been trending upwards. The pace and extent of the transition over the 'customer-led' phase of the ACT Government's Integrated Energy Plan 2024-30 is uncertain.

Our reference service proposal reflects the changing context for our gas customers over the next five years and beyond, and represents our approach to managing this period of uncertainty.

The proposed changes to our reference services are summarised as follows:

- **reference services:** in line with industry practice, separating Evoenergy's current single reference service into a transportation (including metering) service, and ancillary activities.
- **ancillary activities:** to reflect the ACT Government's policy direction and ban on new gas connections, clearly define a temporary disconnection and reconnection activity, and a permanent disconnection (abolishment) activity.

Our preliminary proposals for the tariff variation mechanism and tariff structures are:

- **tariff variation mechanism:** to better meet the National Gas Objective and National Gas Rules in the ACT context, propose a revenue cap for transport (including metering) service and a cap on individual prices for ancillary activities.
- **tariff structures:** retain the broad features of the current declining block structure while exploring whether to rebalance tariffs across both charge and customer types.

Evoenergy's customer and community engagement program has informed our reference service proposal and we will further engage with all stakeholders as we develop our access arrangement proposal.

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<sup>1</sup> ACT Government, [The Integrated Energy Plan 2024–2030, our pathway to electrification](#), June 2024.

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# 1. Evoenergy’s ACT and Queanbeyan-Palerang gas distribution network

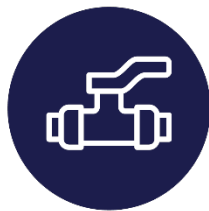
## 1.1. About us

Evoenergy safely and reliably delivers gas to over 150,000 customers in the Australian Capital Territory (ACT) and Queanbeyan-Palerang region (New South Wales (NSW)).<sup>2</sup> Around 90 per cent of our gas network users are located in the ACT.

The ACT and Queanbeyan-Palerang gas network is a scheme pipeline under the National Gas Rules (the Rules).<sup>3</sup>

A description and map of the ACT and Queanbeyan-Palerang gas network can be found on our [website](#).

Figure 1 Evoenergy’s gas distribution network: ACT and the Queanbeyan-Palerang region of NSW (at 30 June 2023)<sup>4</sup>



4,791 km  
gas mains



7,852 TJ per annum of  
gas received



69 TJ maximum peak  
daily



6 trunk receiving/  
pressure reduction  
stations



97 district regulating  
stations



154,600  
customers

Evoenergy also owns and operates the Nowra gas network in NSW. The Nowra network is a non-scheme pipeline under the Rules. More information on the Nowra gas network can be found on our [website](#).

<sup>2</sup> The Network comprises approximately 4,791 km of pipeline within the ACT and Queanbeyan-Palerang areas and includes pipeline licence no. 29 from Hoskinstown to Fyshwick.

<sup>3</sup> See: [Regulatory classification of gas pipelines | AEMC](#) for more information.

<sup>4</sup> At 30 June 2023, Evoenergy, Annual Regulatory Information Notice (RIN) response, 23 November 2023 (available on [AER website](#)).

### 1.1.1. We are a regulated business

Every five years, Evoenergy is required to submit a regulatory proposal to the Australian Energy Regulator (AER) that details the proposed services, network investments, revenue and prices required to deliver gas distribution services for the next regulatory period (2026–2031 gas access arrangement proposal).

The first step in the process is this reference service proposal.<sup>5</sup> We then submit our proposed changes to the access arrangement and supporting access arrangement information (known as our five-year gas plan) to the AER by 30 June 2025, as shown in Figure 2.

This document is Evoenergy’s 2026–31 reference service proposal and the AER will make a decision on this proposal by 31 December 2024.

Figure 2 Evoenergy’s 2026–31 access arrangement review regulatory timeline



<sup>5</sup> The Reference Service Proposal sets out proposed reference services for transportation and ancillary activities and other non-reference services. The AER expects gas network distribution businesses to engage with customers (AER to observe i.e. ‘see evidence of’) and address the tariff variation mechanism and tariff structures when submitting proposals.

### 1.1.2. Our ownership arrangements

Evoenergy is owned by Jemena Networks (ACT) Pty Ltd and Icon Distribution Investments Limited in equal partnership (commonly referred to as the ActewAGL Joint Venture (JV) Distribution Partnership).

ActewAGL Distribution owns and operates the electricity network in the ACT and the gas networks in the ACT, Queanbeyan-Palerang region, and Nowra, under the brand name 'Evoenergy'.

### 1.1.3. Our customers

At 30 June 2023, Evoenergy had approximately 154,600 customers on the ACT and Queanbeyan-Palerang gas network who consumed a total of 7,852 terajoules (TJs) of natural gas in 2022–23, as shown in Table 1.<sup>6</sup>

Evoenergy is the smallest regulated gas network in eastern Australia with around 3.5 per cent of total connections and 2.5 per cent of total consumption.

*Table 1 Evoenergy's ACT and Queanbeyan-Palerang customers (at 30 June 2023)<sup>7</sup>*

Customer Type	Customers	Consumption (TJs)
<b>Residential (less than 100GJ per annum)</b> Residential connections to the gas network across the ACT and Queanbeyan-Palerang region areas of NSW (including approximately 21,000 high rise units).	<b>151,585</b>	<b>4,802</b>
<b>Commercial (100GJ to 10TJ per annum)</b> Commercial customers including the service industry (restaurants, shops, banking, and retail), schools, some hotels and office buildings.	<b>2,976</b>	<b>1,778</b>
<b>Industrial customers (over 10TJ per annum)</b> Industrial customers include tertiary education facilities, large hotels, developers, ACT and Commonwealth Government customer sites such as swimming pools, hospitals and associated laundry facilities and sewage works, and manufacturing customers.	<b>43</b>	<b>1,272</b>
<b>Total Evoenergy gas network</b>	<b>154,604</b>	<b>7,852</b>

Since June 2023, Evoenergy's gas customer numbers have fallen. We now have 153,000 connected customers of which approximately 3,900 customers have not consumed gas in the past 12 months. We also have over 9,000 temporarily disconnected customers. For more information on our non-consuming customers see section 2.1.3.<sup>8</sup>

<sup>6</sup> Evoenergy, Annual RIN response, 23 November 2023 (available on [AER website](#)).

<sup>7</sup> Evoenergy, Annual RIN response, 23 November 2023 (available on [AER website](#)).

<sup>8</sup> Data current as of 30 April 2024. There are approximately 164,000 meter installation registration numbers (MIRNs) on Evoenergy's network.



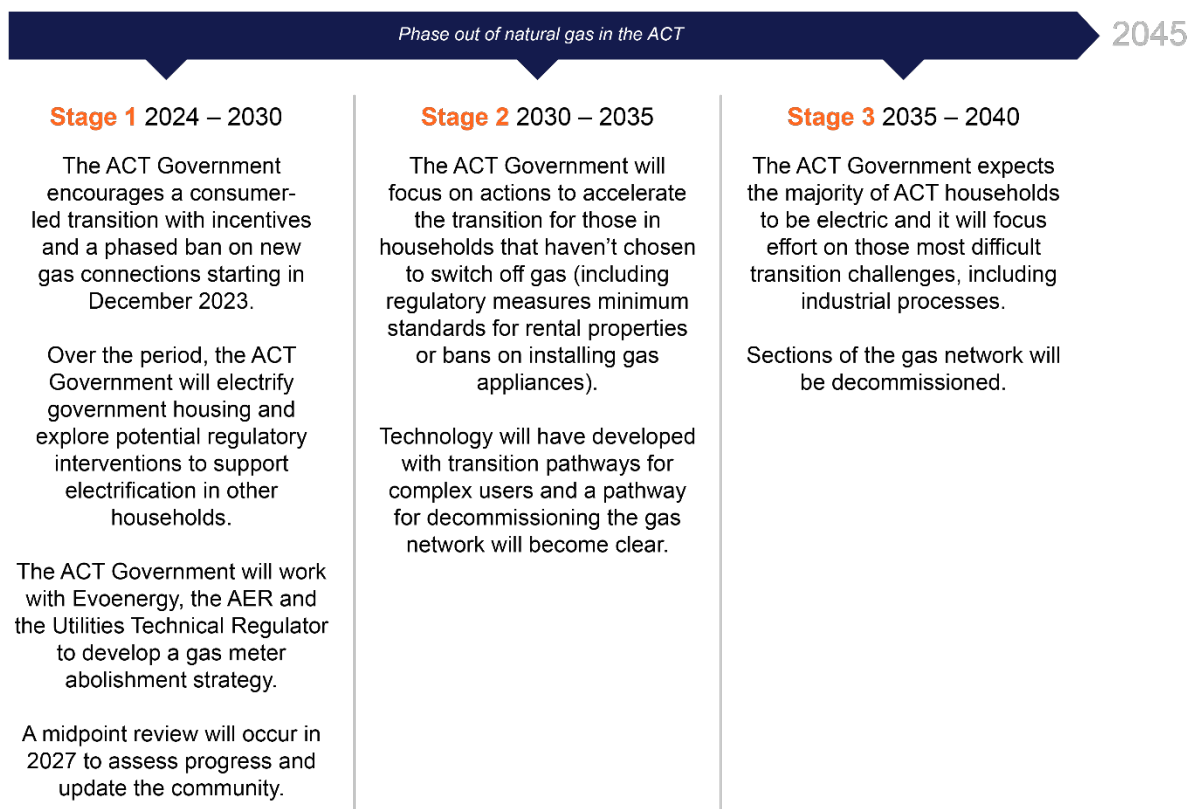
## 1.2. The future of gas in the ACT and Queanbeyan-Palerang over the next five years and beyond is uncertain

The ACT Government has set a clear direction for the transition away from gas to electricity through to 2045. The ACT Government’s first Integrated Energy Plan 2024–30<sup>9</sup> sets the pathway for a phased customer exit from the gas service and subsequent decommissioning of the gas network.

Our gas customers are progressively electrifying their homes and businesses. The number of new gas connections has been trending downwards since late 2022, while the number of gas disconnections has been trending upwards. The pace and extent of the transition over the ‘customer-led’ phase of the Integrated Energy Plan is uncertain.

The three phases of the Integrated Energy Plan are shown in Figure 3.

Figure 3 Phases of the ACT Government’s Integrated Energy Plan



While the NSW Government has not prevented new gas connections, it has set a target of net zero emissions by 2050.

### 1.2.1. Hydrogen and renewable gases

In March 2024, legislation to extend the regulatory framework to hydrogen and renewable gases was passed by the South Australian parliament.<sup>10</sup> The amendments change the definition of natural gas to covered gas (which includes natural gas, hydrogen, biomethane, synthetic methane and blends of these gases).

<sup>9</sup> ACT Government, [The Integrated Energy Plan 2024–2030, our pathway to electrification](#), June 2024.

<sup>10</sup> [Statutes Amendment \(National Energy Laws\) \(Other Gases\) Act 2023](#), (South Australia).

The ACT Government has observed the high-cost of producing these gases at volume presents a significant barrier to replace gas in the ACT with a renewable gas alternative. The ACT Government has stated:<sup>11</sup>

There are options to produce and deliver green gas into the ACT. Green gas is expected to be more expensive than fossil fuel gas is now. Therefore, in future, green gas will be used in the ACT for hard to abate industrial uses, not household use.

As such, renewable gases are not considered a viable future alternative for Evoenergy’s gas network.

### **1.2.2. Future decisions start now**

The ACT has set an ambitious timeline for its decarbonisation efforts compared to other Australian jurisdictions. Evoenergy’s engagement will contribute to community discussion as the ACT’s residents progress towards this goal.

The number of new gas connections has been trending downwards since the ACT’s pathway to electrification was announced in August 2022. The number of gas disconnections has been trending upwards. Evoenergy experienced its fastest disconnection rate in June 2023, suggesting that gas disconnection may be accelerating. Further, we currently have approximately 13,000 customers<sup>12</sup> who are connected to the network, but who have not consumed gas in over twelve months. Together this suggests that future usage of gas from our network is uncertain.

Decisions will be required about how to fairly and equitably recover the costs of disconnections, network-wide decommissioning and recovering asset costs of a shared network.

The decisions made in the 2026–31 regulatory period will have implications for consumers and other stakeholders from 2026 out to 2045.

### **1.3. We are committed to listening to our community through the transition**

Through the development of our reference service proposal and as we progress our five-year gas plan, we are committed to continuing conversations with our community to better understand their energy needs, values, and long-term interests.

We are engaging with our community in a variety of ways (as shown in Figure 4) and our conversations are informing our decisions over the next five years and beyond. We are listening to the community’s views on the appropriate sharing of the costs for customers who leave the gas network and those who stay. We are mindful of the impact on those customers who may continue to require gas services because of their preferences, or because they do not have either the agency or capability to move to electric energy in their homes or businesses.

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<sup>11</sup> ACT Government, [The Integrated Energy Plan 2024–2030, our pathway to electrification](#), June 2024, pp.18–19.

<sup>12</sup> This is comprised of approximately 9,100 customers with temporary disconnections, plus customers who have not disconnected but have not consumed gas in over twelve months (around 3,900).

Figure 4 Our engagement journey for Evoenergy’s five-year gas plan (2026–31)

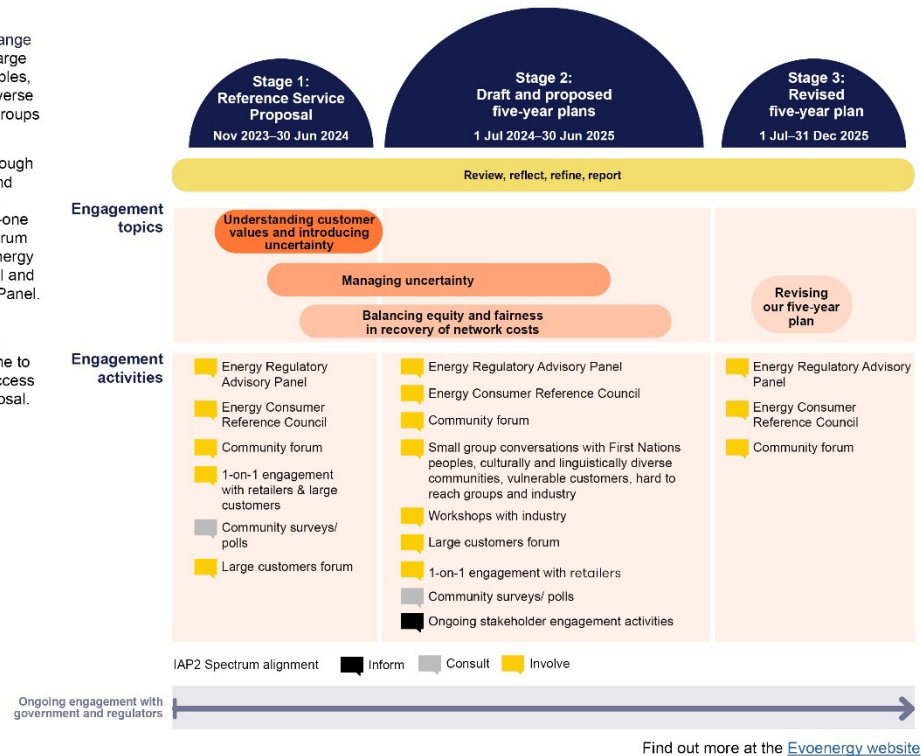
**How we will engage**

We will hear from a diverse range of voices, from businesses, large customers, First Nations peoples, culturally and linguistically diverse communities, hard to reach groups and young people.

We will engage genuinely through existing and new channels and activities. This includes small group conversations, one-on-one engagement, a community forum and engagement with our Energy Consumer Reference Council and Energy Regulatory Advisory Panel.

Our engagement journey is phased to ensure we ask the right questions at the right time to inform our 2026–2031 gas access arrangement regulatory proposal.

**Our engagement journey**



Find out more at the [Evoenergy website](#)

More information on our engagement strategy can be found on our [website](#).

**1.3.1. Our Energy Consumer Reference Council**

Our Energy Consumer Reference Council (ECRC) reflects the voices of our community and is charged with examining key challenges to help us understand community impacts, views, and values through the ACT’s electrification journey.

The ECRC forum provides a regular platform for members to represent their constituents’ views and interests, focused on the long-term strategic issues for the energy transition.

**1.3.2. Our Energy Regulatory Advisory Panel**

Our Energy Regulatory Advisory Panel (ERAP) is our recently established advisory panel of experts adding depth to our engagement on key regulatory elements of our five-year gas plan.

The ERAP comprises of five members with diverse interests and expertise. It provides advice as we develop a five-year plan that is in the long-term interests of Evoenergy’s consumers and meets the National Gas Objective (NGO).<sup>13</sup> More information on our ERAP can be found on our [website](#).

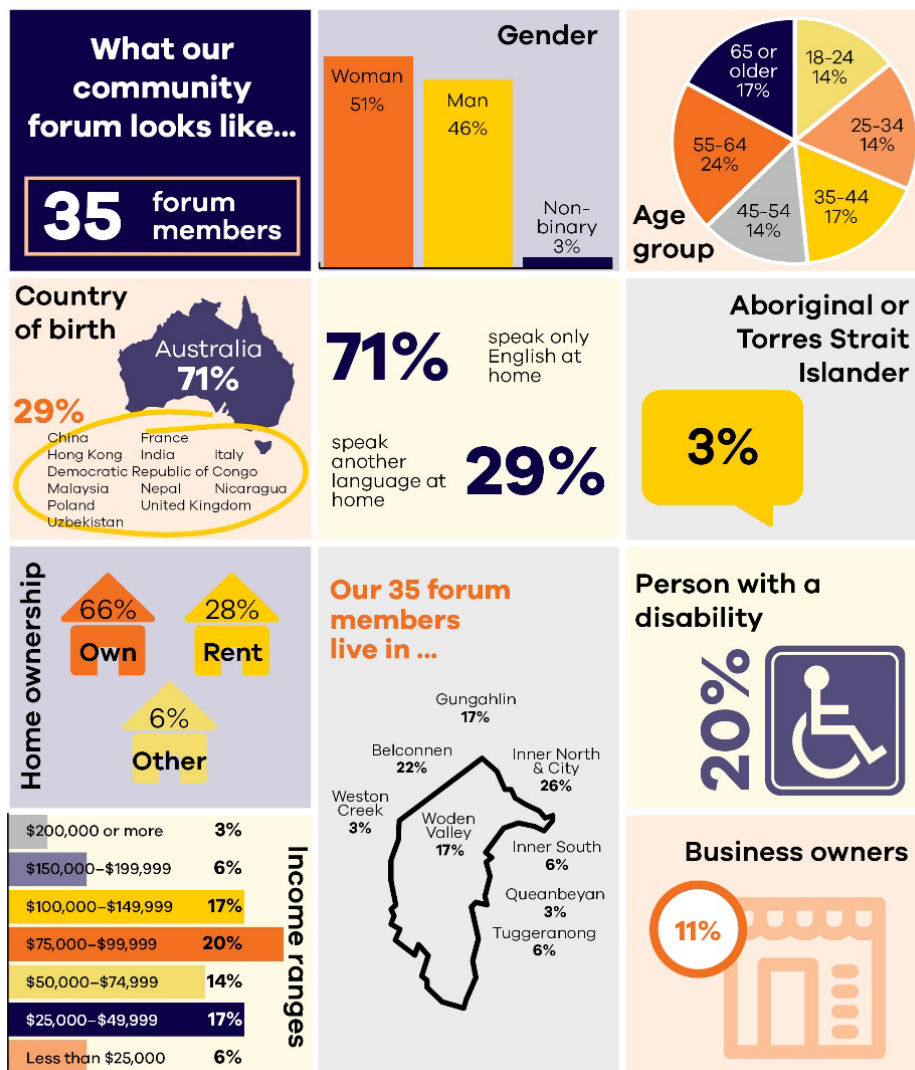
<sup>13</sup> National Gas Law section 23 sets the NGO as to: promote efficient investment in, and efficient operation and use of, covered gas services for the long- term interests of consumers of covered gas with respect to— (a) price, quality, safety, reliability and security of supply of covered gas; and (b) the achievement of targets set by a participating jurisdiction— (i) for reducing Australia’s greenhouse gas emissions; or (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

### 1.3.3. Our Community Forum

Our Community Forum has been established and independently recruited to help us better understand the values and long-term interests of our customers and make informed decisions over the next five years and beyond. Our forum participants represent a diverse mix of the ACT and Queanbeyan-Palerang communities, as shown in Figure 5.

In this forum, we use a range of tools and activities including group discussions, individual feedback using a story-wall, online communication tools, and digital polling. We provide information to our participants in a variety of ways such as site visits, FAQs, videos, and presentations. We also use personas and scenarios to encourage critical thinking and discussion during our sessions.

Figure 5 Our Community Forum



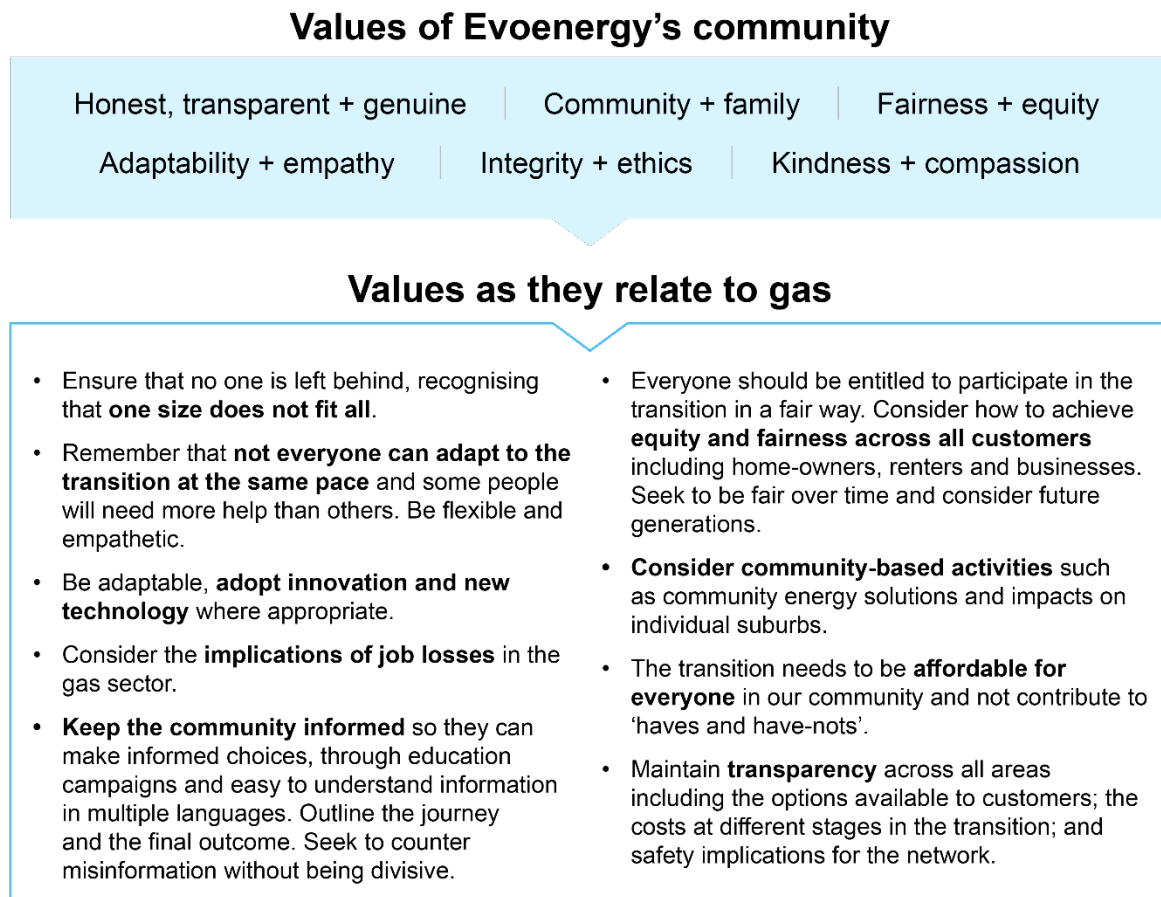
More information on our Community Forum can be found on our [website](#).

## 1.4. What we are hearing from our community

We are hearing that the community is acutely interested in the equity and affordability implications of the phase out of gas in the ACT. Another theme emerging is the sustainability of the network over the medium-term on the basis that vulnerable and hard to transition customers are likely to be those remaining on the network beyond the 'customer-led' phase of the energy transition.

Our community wants transparent and trustworthy information to help them make choices that are fair, not just for themselves, but also for the wider community and future generations.

Figure 6 The values of Evoenergy's community as they relate to gas



More information on the specific engagement that informed the development of our reference service proposal is set out in Appendix B.

### 1.4.1. Our pulse checks on customer preferences

In April 2024, we engaged Sagacity Research to undertake a survey of the preferences and intentions of our household gas customers. We heard from approximately 1,600 respondents who told us that:

- they are increasingly inclined to switch their existing gas appliances to electric ones (including their cooktops)
- they are unlikely to switch appliances that are still working, but will replace their gas appliances with electric ones at the point of failure
- their gas appliances are old and the point of failure is likely to occur within the next five to ten years
- the key drivers for electrifying their homes are gas prices and environmental concerns.

The Sagacity Research report is available on our [website](#).

In May 2024, we asked our Community Forum participants how quickly they thought they would transition their energy use from gas to electric. Over a third of participants told us that they are not sure how quickly they will transition from gas to electric appliances. In making the decision to shift their energy use they told us they will be influenced by the cost of the transition, and remaining life of existing appliances, as well as the suitability of their home to transition (e.g. a rental property or apartment complex).<sup>14</sup>

Most recently we have heard from our customers about their intended electrification plan through our annual surveys:<sup>15</sup>

- **household customers:** approximately 24 per cent of households have no plans to electrify their homes, while 35 per cent have started to, or have plans to, electrify their homes over the next ten years.
- **large customers:** approximately 90 per cent are considering electrifying their businesses, of these 74 per cent intend to undertake this transition over the next five years. In discussions with us, large customers have identified cost as a barrier to electrification.

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<sup>14</sup> Communication Link, Evoenergy Community Forum, mid-way report of feedback received from sessions 1–3, May 2024, Attachment A, p. 10.

<sup>15</sup> Evoenergy, Annual Customer Satisfaction Survey, 2024; Evoenergy Large Customer Annual Survey, 2024.



## 2. Our reference service proposal

Under the Rules, Evoenergy is required to submit its reference service proposal no later than twelve months prior to the review submission date for the access arrangement.<sup>16</sup>

Rule 47A requires that the reference service proposal sets out the pipeline services and reference services that Evoenergy intends to offer under its 2026–31 access arrangement.<sup>17</sup> The reference service proposal must also describe any feedback received by its pipeline users and end users (retailers, large customers, and consumers) about the proposed reference services.<sup>18</sup>

In October 2023, the AER published its final decision on the review of gas distribution network reference tariff variation mechanisms and declining block tariffs.<sup>19</sup> The AER set out its expectation that gas distribution businesses submit to the AER a combined proposal for reference services, tariff variation mechanism and tariff structures twelve months ahead of the access arrangement review. The AER will release a non-binding decision on the combined reference service, tariff variation mechanism and tariff structure proposal within six months of Evoenergy's submission.

In its final decision, the AER noted that it expects businesses to undertake substantive stakeholder consultation to inform their tariff variation mechanism and tariff structure (and reference service) proposals. The AER further observed it will consider the proposed tariff variation mechanisms and tariff structures on a case-by-case basis to better account for differences between markets in terms of:

- levels of reliance on natural gas as an energy source
- policy settings, and
- views of distributor specific stakeholders.

Evoenergy is one of the first regulated gas distribution businesses to submit a combined reference service, tariff variation mechanism, and tariff structure proposal. The positions set out in this proposal are preliminary in nature and we recognise that any decision by the AER will be non-binding.

Through our recent experience undertaking early engagement on the tariff variation mechanism and tariff structures, we have recognised there are challenges engaging on these complex regulatory economic concepts. Our consumers and stakeholders sought to have a clearer view of the expected customer bill impacts when seeking to assess the relative merits of the different approaches.

We intend to revisit the tariff variation mechanism and tariff structures with our consumers and stakeholders once other elements of the regulatory framework have been considered and indicative customer bill impacts of different approaches can be modelled.

Appendix A sets out how Evoenergy's proposal addresses all the required elements of the reference service proposal under the Rules and the AER's decision.<sup>20</sup>

More information on the results of our engagement can be found in Appendix B (table of meetings and engagement feedback).

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<sup>16</sup> Rule 47A (3).

<sup>17</sup> Rule 47A (1)(a).

<sup>18</sup> Rule 47A (1)(d).

<sup>19</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs, Final decision](#), October 2023.

<sup>20</sup> Rule 47A; [AER, Review of gas distribution network reference tariff variation mechanism and declining block tariffs, Final decision](#), October 2023.

## 2.1. Our proposed pipeline and reference services for 2026–31

### 2.1.1. Evoenergy’s current pipeline and reference services (2021–26 access arrangement period)

Evoenergy currently provides the following pipeline services on our network:

- reference service: we provide a single reference service which covers transportation, meter reading and associated data services, and ancillary activities. This reference service forms the basis of prices and terms and conditions we set in our 2021–26 access arrangement as approved by the AER.
- non-reference services: we currently offer two non-reference services (interconnection service and negotiated services). These services are not part of the reference services, as they are less frequently used. The costs associated with providing these services depend on the customer’s needs, as such these services are negotiated between Evoenergy and the customer.

Evoenergy’s current services are described in our access arrangement 2021–26, available on the AER’s [website](#).

### 2.1.2. Pipeline and reference service considerations

Pipeline<sup>21</sup> and reference services<sup>22</sup> are defined in the National Gas Law (NGL) and the Rules. Under the Rules, the AER is required to have regard to several regulatory considerations in making decisions on the reference service proposal:

- reference service factors (Rule 47A (15)) include having regard to actual and forecast demand for the service, the extent to which the service is substitutable with another service, the ability to allocate costs to the service, usefulness of specifying that service to support access negotiations and disputes, and regulatory costs of specifying that service.
- engagement feedback from pipeline users and end users, including submissions made in response to its invitation (Rule 47A(13(c–d))).
- the NGO.<sup>23</sup>

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<sup>21</sup> NGL (section 2): pipeline service means — (a) a service provided by means of a pipeline, including —(i) a haulage service (such as firm haulage, interruptible haulage, spot haulage and backhaul); and (ii) a service providing for, or facilitating, the interconnection of pipelines; and (b) a service ancillary to the provision of a service referred to in paragraph (a), but does not include the production, sale or purchase of natural gas or processable gas; Rule 47 A(2): A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including: (a) The service type (for example forward haul backhaul, connection, park and load); (b) The priority of the service relative to the other pipeline services of the same type; and (c) The receipt and delivery points.”

<sup>22</sup> NGL (section 2): reference service means a pipeline service specified by, or determined or approved by the AER under, the Rules as a reference service; Under Rule 47 A(15) reference services are differentiated from pipelines services by the reference service factors specified in the Rules.

<sup>23</sup> NGL (section 23): The objective of this law is to promote efficient investment in, and efficient operation and use of, covered gas services for the long- term interests of consumers of covered gas with respect to—price, quality, safety, reliability and security of supply of covered gas; and the achievement of targets set by a participating jurisdiction— for reducing Australia’s greenhouse gas emissions; or that are likely to contribute to reducing Australia’s greenhouse gas emissions.



### 2.1.3. Our review of reference services

Currently, we offer a single reference which bundles our transportation, metering, and ancillary activities together. In our review, we considered whether our current approach:

- is in the long-term interests of consumers
- reflects the ACT Government's target of net zero emissions by 2045, and
- adequately addresses the reference service factors.

We concluded that the current arrangements would be improved by separating Evoenergy's current single reference service into a transportation (including metering) service, and ancillary activities reference service for the following reasons:

- importantly, this change would bring Evoenergy into alignment with standard industry practice, making it easier for those retailers and customers that interact with multiple gas distribution businesses.
- the change provides flexibility to respond to the changing demand for our services. As the region transitions and more customers switch away from using gas appliances, we expect that demand for our transportation service and connections services will fall. At the same time, we expect to see demand for our ancillary activities, such as permanent disconnections (abolishments), to increase.
- the change also enables us to more accurately and transparently outline the expected demand and costs associated with providing that activity or service in the face of uncertain demand for gas services in the ACT and Queanbeyan-Palerang region. This approach also allows Evoenergy to improve the description of each service, or activity.
- further, separate reference services provides flexibility for our approach to evolve over time in response to change in customer demands for the services through the energy transition through the application of the tariff variation mechanism.

Our assessment against the reference service factors is set out in Table 2.

As part of our review, we also concluded that changes to our ancillary activities are required to reflect the ACT Government's ban on new gas connections<sup>24</sup> and commitment that "sections of the gas network will be safely decommissioned by 2035–40."<sup>25</sup>

Under the *Climate Change and Greenhouse Gas Reduction Act 2010*, ACT customers are prevented from reconnecting to Evoenergy's network once the connection has been permanently disconnected (abolished). We consider changes to our ancillary activities are required to clarify the different intent for:

- **temporary disconnections** (locked or wadded at the meter) being temporary in nature and therefore being coupled with a re-connection service.
- **permanent disconnection** which is an abolishment of service with no reconnection option.

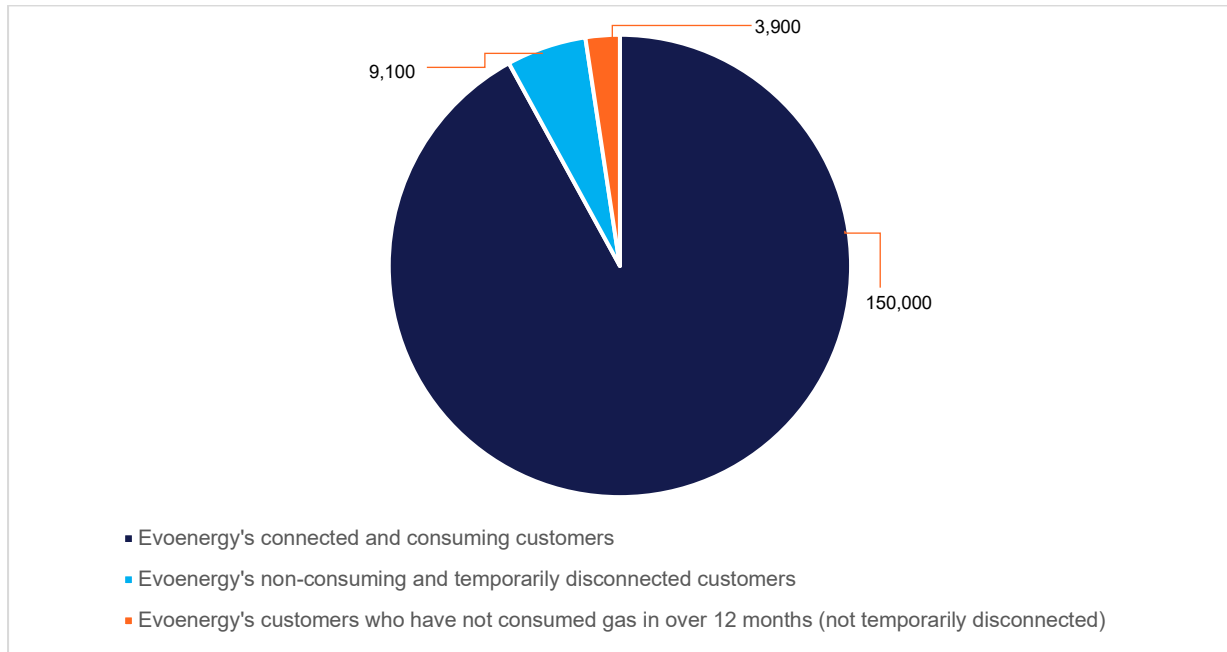
This approach clearly differentiates between a temporary disconnection service and permanent disconnection (abolishment) service, based on the key assumption that customers (or retailers) seeking to temporarily disconnect from the gas network are doing so because they will be reconnecting to the network at that delivery point in the future.

<sup>24</sup> [Climate Change and Greenhouse Gas Reduction Act 2010](#), section 13A.

<sup>25</sup> ACT Government, [The Integrated Energy Plan 2034–2030, our pathway to electrification](#), June 2024, pp. 18–19; ACT Government, [Developing ACT's Integrated Energy Plan, ACT Government Position Paper](#), August 2023; ACT Government, [Powering Canberra: our pathway to electrification, ACT Government Position Paper](#), August 2022, p.19.

This clarification of our activities will support network safety and promote equitable price outcomes for remaining customers. Evoenergy currently has over 13,000 non-consuming customer connections, who have not used reticulated gas for over 13 months. The number of non-consuming connections is increasing on a monthly basis. Of those 13,000 non-consuming connections, over 9,000 are temporary disconnections (see figure 7). The growing quantum of temporary disconnections presents a safety risk to the community.

Figure 7 Evoenergy's consuming and non-consuming customers (at 30 April 2024)



Further, disconnected customers do not contribute to the costs that their connection imposes on the network. These temporary disconnections continue to require maintenance, meter reading services to ensure accurate accounting of gas,<sup>26</sup> as well as emergency response in the event of gas leaks due to a service strike at the premises. The ongoing costs associated with temporary disconnections are cross subsidised and socialised over the remaining customer base. The customer-led transition is expected to result in disconnections occurring in a more ad-hoc than coordinated manner, contributing to the costs of the energy transition.

Temporary disconnection from Evoenergy's network is a significant issue that Evoenergy intends to explore and address in the 2026–31 access arrangement, and throughout the energy transition. The ACT Government has committed to partnering with Evoenergy, the Utilities Technical Regulator and the AER to develop a gas meter abolishment policy ahead of the AER's consideration of our access arrangement 2026–31.<sup>27</sup>

Our view is that consolidating temporary disconnection and reconnection services better reflects the intent of the service in our operating context and improves customer incentive to opt for a safer permanent disconnection (abolishment) service where they do not intend to resume using gas as customers exit the gas network.<sup>28</sup>

<sup>26</sup> Locks, wads, blanking devices and plugs are intended as temporary measures to prevent gas flow through the meter. These devices can be removed without authorisation.

<sup>27</sup> ACT Government, [The Integrated Energy Plan 2034–2030, our pathway to electrification](#), June 2024, p. 55.

<sup>28</sup> The AER-approved ancillary charges for 2024–25 are \$862–\$1,583 for an abolishment, \$168–\$233 for a disconnection, and \$57–\$71 for a reconnection (excluding GST), depending on connection size.

### 2.1.4. Views of our users, community, and other stakeholders

Evoenergy's proposal to separate our current single reference service into a transportation (including metering) service, and ancillary activities reference service is broadly supported by our retailers who observed this change would align Evoenergy's service offerings with all other gas network businesses on the east coast of Australia.

While the proposal to separate our current single reference service into a transportation (including metering) service, and ancillary activities reference service was not specifically raised in discussions with the community there was recognition that over the next five years demand for transportation services will decline, while demand for ancillary activities such as permanent disconnections (abolishments) is likely to increase as more customers remove gas from their homes and businesses.

In relation to the proposed amendment to the temporary disconnection and reconnection ancillary activities, retailers recognised the cost and safety implications of customers not abolishing their gas service. However, some retailers raised concern about practical implementation of the change and the retailer's ability to recover costs of temporary and permanent disconnection services from customers.

We recognise that an emerging theme in our conversations with our community is the need for fairness and equity. We will have more detailed discussions on our temporary and permanent disconnection activities and the fair allocation of the costs of these services with our community and stakeholders over the coming months.

See Appendix B for more detail on our consumer and stakeholder engagement on our proposed reference services.

### 2.1.5. Our proposed pipeline and reference services for the 2026–31 access arrangement period

Evoenergy proposes to offer the following **pipeline services** in our 2026–31 access arrangement period:

- transportation services, including meter and associated data related services: the transportation of gas by Evoenergy through the Network to an eligible Delivery Point for use and consumption within the premises served by that Delivery Point.<sup>29</sup> This includes the provision and maintenance of a standard metering installation at the Delivery Point as appropriate for the required capacity and meter reading frequency.
- ancillary activities service: activities including special meter reads, permanent disconnections (abolishments), reconnections, hourly fee, temporary disconnection and reconnection services.
- interconnection services: a service separately negotiated by Evoenergy and third parties to establish an interconnection service.<sup>30</sup> Our Interconnection Policy is available on our [website](#).
- negotiated services: negotiated services are provided where a prospective user has specific needs which differ from those which would be satisfied by the haulage service or the interconnection service.

Our 2026–31 pipeline services are described against our existing pipeline services at Appendix C.

<sup>29</sup> A delivery point is eligible if it was designated a reference service under Evoenergy's 2021–26 access arrangement, or has been subsequently established as a delivery point serviced from the gas network where: the maximum allowable operating pressure is less than or equal to 500kPa and will consume less than 10TJ per annum, or (b) the maximum allowable operating pressures is less than or equal to 1,050kPa and will consumer 10TJ or more per annum.

<sup>30</sup> Under Rules 38 and 39, we must publish our Interconnection Policy which includes the parameters for establishing new interconnection facilities (such as receipt points and downstream connection assets). This includes setting out information about how interconnection fees will be calculated and recovered (taking into account the requirements under rule 38(3)).

Having regard to the reference service factors in Rule 47A (15) (as set out in Table 2), we are proposing to amend our **reference service** in the 2026–31 access arrangement to separate our current single reference service into a transportation (including metering) service, and ancillary activities reference service (as shown in Tables 2 and 3).

*Table 2 Evoenergy’s current services (2021–26)*

Current reference service 2021–26	Current non reference services 2021–26
<p><b>Transportation and delivery of gas to customers:</b></p> <ul style="list-style-type: none"> <li>• ≤ 500kPa (consuming less than 10TJ pa)</li> <li>• ≥ 1,050 kPa (consuming more than 10TJ pa)</li> </ul> <p><b>Meter reading services including:</b></p> <ul style="list-style-type: none"> <li>• Meter related services;</li> <li>• Provision, installation and maintenance of standard meter; and</li> <li>• Meter reading and associated data activity</li> </ul> <p><b>Ancillary activities</b></p> <ul style="list-style-type: none"> <li>• Hourly charge</li> <li>• Special meter read</li> <li>• Disconnection (volume customer)</li> <li>• Reconnection (volume customer)</li> <li>• Disconnection and reconnection (demand customer)</li> <li>• Abolishment (volume customer)</li> </ul>	<p><b>Interconnection service</b></p>
	<p><b>Negotiated service</b></p>

Table 3 Evoenergy’s proposed services (2026–31)

Proposed reference services 2026–31		Proposed non-reference services 2026–31
Transportation (including metering) reference service	Ancillary activities reference service	
<p><b>Transportation and delivery of gas to customers:</b></p> <ul style="list-style-type: none"> <li>• ≤ 500kPa (consuming less than 10TJ pa)</li> <li>• ≥ 1,050 kPa (consuming more than 10TJ pa)</li> </ul> <p><b>Meter reading services including:</b></p> <ul style="list-style-type: none"> <li>• Meter related services;</li> <li>• Provision, installation and maintenance of standard meter; and</li> <li>• Meter reading and associated data activity</li> </ul>	<p><b>Ancillary activities</b></p> <ul style="list-style-type: none"> <li>• Hourly charge</li> <li>• Special meter read</li> <li>• Temporary disconnection and reconnection (volume customer)</li> <li>• Reconnection (volume customer)</li> <li>• Disconnection and reconnection (demand customer)</li> <li>• Permanent disconnection (abolishment) (volume customer)</li> </ul>	<b>Interconnection service</b>
		<b>Negotiated service</b>

We are further proposing to amend our ancillary activities to reflect the ACT Government’s phase out of gas (as shown in Table 4). The proposed changes clarify the different means by which volume customers<sup>31</sup> can disconnect from Evoenergy’s gas network:

- permanent disconnection (abolishment) activity: proposed change to refine nomenclature to clarify that abolishment is a permanent disconnection from Evoenergy’s network which can no longer be reversed.
- temporary disconnection and reconnection activity: Evoenergy is proposing to combine its temporary disconnection activity with its reconnection activity for volume customers, reflecting the intent of this service to be evanescent in nature with customers resuming consumption within a reasonable timeframe. The temporary disconnection and reconnection service is expected to largely apply to those disconnections requested by retailers for non-payment of retail bills, for rented properties between tenancy agreements, or for customers with a genuine intent to reconnect a gas appliance within a reasonable timeframe.

The proposed amendments are described in Appendix C. Further amendments to our disconnections ancillary activities may be required as we consider the implications of the ACT Government’s recent announcement to develop a gas meter abolishment policy in partnership with Evoenergy, the AER and the Utilities Technical Regulator.<sup>32</sup>

<sup>31</sup> Volume customers are customers consuming less than 10 TJs per year.

<sup>32</sup> ACT Government, [The Integrated Energy Plan 2034–2030, our pathway to electrification](#), June 2024, p. 55.

Table 4 Evoenergy’s current (2021–26) and proposed (2026–31) ancillary activities

2021–26 ancillary activities (current)	2026–31 ancillary activities (proposed)
Hourly charge	Hourly charge
Special meter read	Special meter read
Disconnection (volume customer)	<b>Temporary</b> disconnection and <b>reconnection</b> (volume customer)
Reconnection (volume customer)	Reconnection (volume customer)
Disconnection and reconnection (demand customer)	Disconnection and reconnection (demand customer)
Abolishment (volume customer)	<b>Permanent</b> disconnection (abolishment) (volume customer)

\*changes identified in bold text.

## 2.1.6. Reference service factors

Rule 47A (15) sets out the reference service factors which are relevant to the identification of the pipeline services to be offered as a reference service. The table below provides a summary of the reference service factor criteria used to identify the transport and metering service and the ancillary activities service as Evoenergy’s proposed 2026–31 reference services.

Table 5 Assessment of proposed 2026–31 reference services against reference service factors<sup>33</sup>

Rule 47A (15) Reference service factors	Transport and metering service	Ancillary activities service	Interconnection service	Negotiated services
<b>(a) Actual and forecast demand for the service, number of prospective users</b>	<p style="text-align: center;">✓</p> <p>Service for delivery of gas to all customers on the network (retailers and self-contracting users).</p> <p>At 30 June 2023, there were 154,604 customers on the Evoenergy network</p> <ul style="list-style-type: none"> <li>• Residential: 151,585</li> <li>• Commercial: 2,976</li> <li>• Industrial: 43</li> </ul> <p>There are six retailers servicing customers connected to the Network.</p>	<p style="text-align: center;">✓</p> <p>Demand for ancillary activities (2022–23)</p> <ul style="list-style-type: none"> <li>• Hourly charge: 27</li> <li>• Special meter reads: 38,633</li> <li>• Disconnection (volume): 5,042</li> <li>• Reconnection (volume): 1,237</li> <li>• Disconnection and reconnection (demand): 1</li> <li>• Abolishment (volume): 593</li> </ul>	<p style="text-align: center;">✗</p> <p>No/low demand for service forecast:</p> <ul style="list-style-type: none"> <li>• No downstream interconnections</li> <li>• Historical upstream connections to Moomba to Sydney Pipeline (APA Group) and Eastern Gas Pipeline (Jemena)</li> </ul>	<p style="text-align: center;">✗</p> <p>No demand for service forecast</p>
<b>(b) Extent to which the service is substitutable with another</b>	✗	✗	✗	✗

<sup>33</sup> Evoenergy, Annual Regulatory Information Notice (RIN) response, 23 November 2023 (available on [AER website](#)).

Rule 47A (15) Reference service factors	Transport and metering service	Ancillary activities service	Interconnection service	Negotiated services
service to be specified as a reference service			Proposed reference services do not cover establishment of interconnections with upstream and downstream facilities	Bespoke requirements cannot be met by reference service
(c) Feasibility of allocated costs to the service	✓	✓	✓	✓
(d) Usefulness of specifying service in supporting access negotiations and dispute resolution for other services	✓	✓	✗ Service and agreements will be bespoke, reflecting costs and requirements for new offtake or receipt point	✗ Service and agreements will be bespoke, reflecting costs and requirements for service.
(e) Likely regulatory costs for all parties in specifying the service as a reference service	✓	✓	✗ Service will be bespoke, reflecting costs and requirements for service.	✗ Service will be bespoke, reflecting costs and requirements for service.
<b>Conclusion</b>	<b>Reference service</b>	<b>Reference service</b>	<b>Non-reference service</b>	<b>Non-reference service</b>

**Note:** A tick (✓) indicates that Evoenergy’s assessment of the service against the individual reference service factor suggests weighting the conclusion towards specifying the service as a reference service. A cross (✗) indicates Evoenergy’s weighting the conclusion towards not specifying the service as a reference service.



## 2.2. Our preliminary proposed tariff structures for 2026–31

### 2.2.1. Evoenergy’s current tariff structures (access arrangement 2021–26)

In the 2021–26 access arrangement, Evoenergy undertook a significant simplification of tariff structures and designed a suite of network tariffs that is easy to understand, has low administrative costs and reflects Evoenergy’s efficient costs. This has resulted in grouping of customers into classes based on their usage of the gas network, as shown in Table 6.

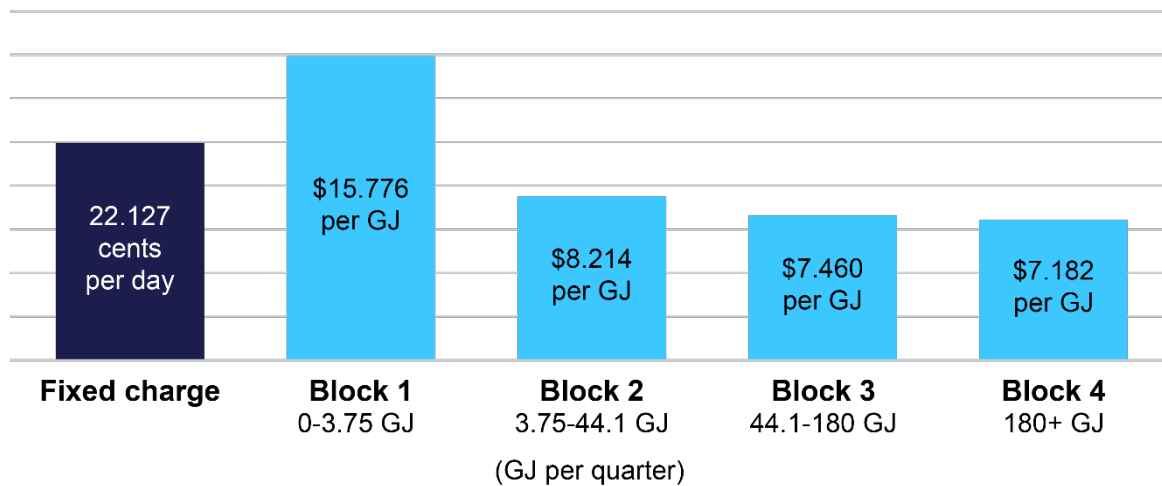
*Table 6 Evoenergy’s network tariffs*

Tariff class	Tariff	Type of customers
<b>Volume market</b> <b>(customers using less than 10 TJs per year)</b> <ul style="list-style-type: none"> <li>• ~150,000 customers</li> <li>• 85 per cent of gas volume</li> <li>• 95 per cent of Evoenergy’s revenue</li> </ul>	Volume Individual (VI)	Residential and business customers who have individual gas meters.
	Volume Boundary (VB)	Customers in high-rise dwellings or commercial complexes such as shopping centres that are supplied gas by an energy intermediary between the boundary meter and the end customer.
<b>Demand market</b> <b>(customers using 10 TJs per year or more)</b> <ul style="list-style-type: none"> <li>• 40 customers</li> <li>• 15 per cent of gas volume</li> <li>• 5 per cent of Evoenergy’s revenue</li> </ul>	Demand Capacity (DC)	Major customers who are billed based on the maximum volume of gas used over an hour or a day.
	Demand Throughput (DT)	Major customers who are billed based on the volume of gas used.

Most of our residential and business customers are on the volume individual (VI) tariff, which has a declining block structure as shown in Figure 8. This tariff class has been the focus of our consideration and review for the reference service proposal.

Figure 8 Evoenergy’s gas network volume individual tariff charges 2024–25

## Evoenergy gas network prices 2024-25



### 2.2.2. Tariff structure considerations

Under the Rules, the AER is required to have regard to a number of regulatory considerations in making decisions on tariffs:

- distribution pipeline tariff rules (Rule 94) require that tariff classes must be constituted so that customers are grouped into classes on an economically efficient basis; revenue from each tariff class must reflect efficient costs; and tariffs and charging parameters must:
  - be based on long-run marginal cost,
  - consider the customer’s ability and likelihood of responding to price signals, and
  - enable efficient recovery of costs with minimal distortion.
- the NGO.<sup>34</sup>
- in its 2023 decision, the AER observed that it will also have regard to a range of other factors including:<sup>35</sup>
  - the interplay between declining block structures and emissions reduction objectives of the NGO;
  - jurisdictional policy settings;
  - the impact of tariff changes on low-income customers;
  - ability of retailers to pass through tariffs;
  - the responsiveness of customers to prices; and
  - outcome of engagement with users.

<sup>34</sup> National Gas Law, section 23.

<sup>35</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs, Final decision](#), October 2023, pp.11-13.

### 2.2.3. Our review of tariff structures

In reviewing our tariff structures, we concluded that the declining block structure is generally effective in targeting different customer types and consumption patterns, and at signalling the efficient costs of using our gas distribution network. We also concluded that there are options, within the current tariff structure, that could be further considered to send appropriate price signals to different types of customers, and help promote fairness, equity, and efficiency through the energy transition. Further consideration will be given to opportunities to rebalance the volume tariffs having regard to:

- the balance of fixed charges and consumption charges, and
- the balance of the existing consumption block charges.

Any rebalancing of tariffs would mean that some charges increase while other charges decrease, such that the total annual revenue to be recovered through all the tariffs is aligned to the amount approved by the AER.

Further engagement and consideration of any tariff rebalancing is warranted once other elements of the regulatory framework have been considered and the revenue requirements and customer bill impacts are able to be estimated.

In coming to this view, Evoenergy considered the following principles which draw on the NGO, the Rules, and AER requirements:

- **simplicity and consistency:** introducing additional complexity to our tariffs would increase administrative costs, reduce the likelihood of retailer's passing through network tariffs, and limit customers' ability to understand and respond to network price signals.
- **cost reflectivity and efficiency, including the new value of emissions reduction:** the tariffs should signal Evoenergy's efficient costs of operating the gas network, which are largely fixed. Tariffs should also recognise the value of emissions reduction and ACT Government targets.
- **consideration of equity impacts across customer groups and over time:** tariffs should be set to maintain customer choice of energy source through the customer-led phase of the energy transition, reflecting efficient costs of transport and metering services. Tariffs should not unduly encourage customers to disconnect from the network earlier than they otherwise might. Tariffs should also fairly share network costs across customer segments, who may be impacted differently as the ACT transitions away from gas.

### 2.2.4. Views of our users, community, and other stakeholders

There were mixed views from our Community Forum on Evoenergy's current tariff structure for volume customers. In discussions, the Community Forum was looking to balance the equity implications of declining block tariffs, against the goal of reducing emissions in the ACT. Particularly, the Community Forum considered whether high fixed charges could encourage customers to disconnect earlier than they otherwise might, which in turn could jeopardise the sustainability of Evoenergy's gas network over the next five to ten years (i.e. before planned decommissioning). It was observed by some participants that hard-to-shift customers<sup>36</sup> will be most impacted by any risks to the medium and longer-term viability of the gas network service. In contrast, some participants considered that the current declining block structure does not adequately incentivise emissions reductions for larger users.

Our ERAP members observed that tariff structures should be designed to endure, provide price stability, and consider the intergenerational and long-term implications on customers and Evoenergy.

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<sup>36</sup> Hard to shift, or hard to transition customers are defined by the ACT Government as those who have been unable to transition to electric during the Integrated Energy Plan stages 2 and 3 (ACT Government, [Have your say: developing ACT's Integrated Energy Plan summary paper](#), August 2022, p.3).

Both ECRC and ERAP observed that there is a need to re-engage on tariffs once network costs, and therefore customer bill impacts can be estimated. ERAP members also observed that it is too early in the access arrangement process to engage with consumers on this complex topic.

ECRC members also considered that customers' ability to respond to price signals and the impact of tariffs on emissions reductions are important.

Retailers observed the current structure is simple and easy to pass through to customers. Some observed that in consideration of rebalancing tariff components, care should be taken not to encourage customers to withdraw from the network earlier than they might otherwise have done.

We will continue to engage with stakeholders, including large customers, on tariffs when we know more about our indicative tariff levels which will help inform consideration of rebalancing options.

### **2.2.5. Evoenergy's preliminary proposed tariff structures for the 2026–31 access arrangement period**

For our volume individual tariff, Evoenergy is proposing to retain its current declining block structure. Evoenergy will continue to give further consideration to the right balance across the four consumption blocks, and the consumption and fixed charges.

Consideration of rebalancing of charges is warranted following early consumer feedback that Evoenergy could consider maintaining a relatively low fixed charge and transition to a flatter structure for the consumption block charges. Such rebalancing could act to prevent residential customers from leaving the network earlier than they otherwise might. A flatter structure may also help respond to the community's feedback that tariffs should recognise the value of emissions reduction for larger gas users, while minimising bill impacts for smaller customers. It is however noted that any such rebalancing should also consider the bill impacts for larger gas users, and the requirement that network tariffs should reflect the efficient costs of operating the gas network which are largely fixed.

To further inform our consideration of tariff options, we are undertaking research and analysis on how our customers' demand for gas responds to changes in price. The rebalancing of charges within our volume individual tariff is subject to ongoing consideration and engagement, particularly with those customers who may be impacted by the changes. Any proposed changes to the current arrangements will be specified in our access arrangement proposal, due to the AER on 30 June 2025.

Evoenergy does not propose changes to its other customer tariff structures.

## **2.3. Our preliminary proposed tariff variation mechanism for 2026–31**

### **2.3.1. Evoenergy's current tariff variation mechanism (access arrangement 2021–2026)**

The tariff variation mechanism included in an access arrangement sets out the mechanism for recovery of revenues by gas network distributors for providing reference services. Evoenergy's tariffs and charges are updated annually throughout the access arrangement period in accordance with the AER-approved tariff variation mechanism.

The tariff variation mechanism adopted for the 2021–26 access arrangement period is a weighted average price cap (WAPC).<sup>37</sup> The WAPC places a cap on the average increase in prices from one year to the next, allowing prices for different services to adjust each year by a different amount, but subject to an overall WAPC constraint, approved annually by the AER. The WAPC is applied across

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<sup>37</sup> Evoenergy access arrangement for the ACT and Queanbeyan-Palerang gas distribution network, 1 July 2021–30 June 2026, clause 8.4.

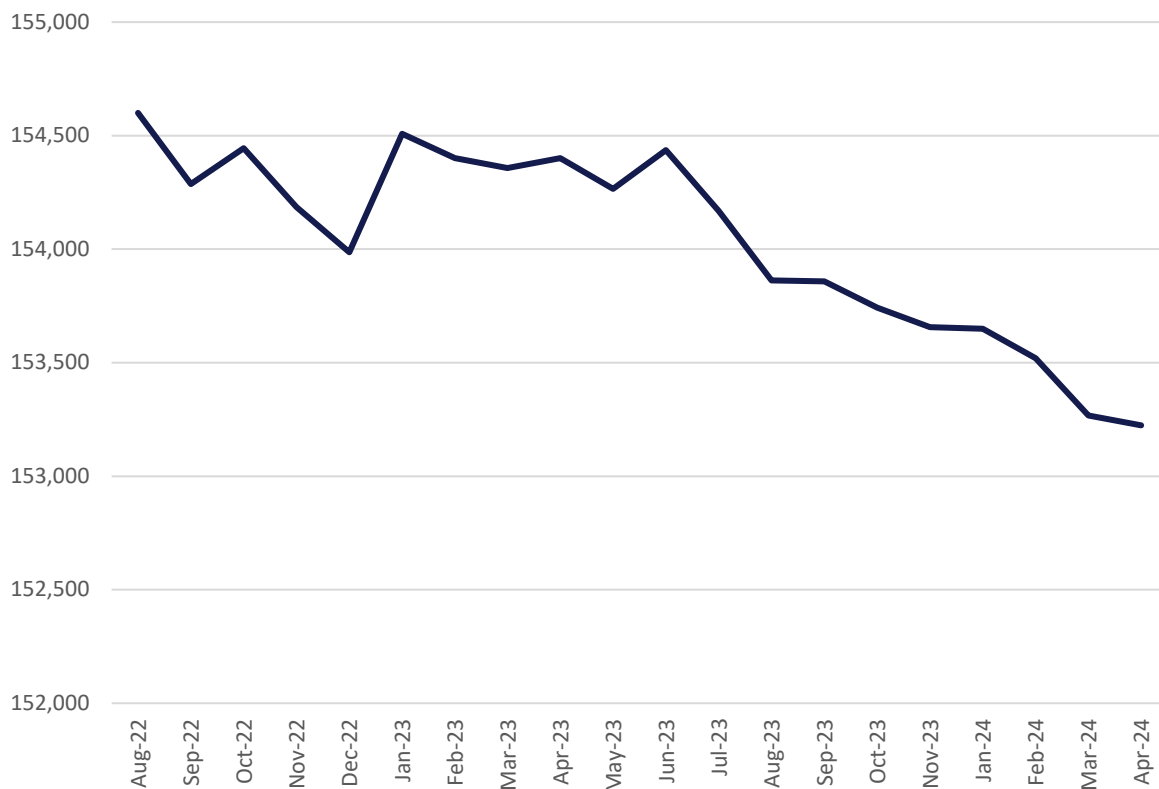
all services captured within the current single reference service for transport, metering, and ancillary services.

There are several factors affecting the difference between the AER’s revenue allowance and Evoenergy’s actual revenues in recent years under the WAPC, including:

- timing of the ACT Government’s ban on new gas network connections
- market expansion in new suburbs in the Queanbeyan-Palareng region, such as Jerrabomberra
- climate impacts such as longer periods of cooler weather, and
- the installation of instantaneous gas hot water systems in large unit complexes.

In recent years, Evoenergy’s connection numbers have declined as customers have commenced electrifying appliances (see Figure 9). The revenue outcomes for the remaining two years of the current access arrangement period (2023–24 and 2024–25) will depend on the combination of the weather and the pace at which customers transition from gas to an electric energy source.

*Figure 9 Evoenergy’s number of connected gas customers, includes consuming and non-consuming<sup>38</sup>*



<sup>38</sup> Evoenergy analysis.

### 2.3.2. Tariff variation mechanism considerations

There are several important considerations that the AER must have regard to in relation to the tariff variation mechanism, including, but not limited to:

- the NGO to promote efficient investment, operation, and use of gas services for the long-term interests of consumers with respect to price, quality, safety, reliability, security of supply, and achievement of emissions reduction targets.<sup>39</sup>
- under the Rules, the tariff variation mechanism must be designed to equalise, in net present value terms, the forecast revenue from reference services and the portion of total revenue allocated to reference services for the access arrangement period.<sup>40</sup>
- under the Rules, the AER is required to consider several factors in making decisions on the tariff variation mechanism, including whether the tariff variation mechanism is appropriate to a particular access arrangement, with regard to:<sup>41</sup>
  - the need for efficient tariff structures
  - administrative costs on the AER, the service provider, and end users
  - the tariff variation mechanism that applies to the current 2021–26 access arrangement
  - consistency with other services (both within and beyond Evoenergy’s jurisdiction), and
  - the risk sharing arrangements implicit in the access arrangement.
- in its 2023 decision on the ‘Review of gas distribution network reference tariff variation mechanism and declining block tariffs’, the AER noted that it will consider the implications of jurisdictional policy settings on the assignment of volume risk on a case-by-case basis.<sup>42</sup> The AER outlined that they would also consider the levels of reliance on natural gas and the views of distributor specific stakeholders.

In its review of the tariff variation mechanism and declining block tariffs, the AER made several observations about the allocation of demand risk under alternative tariff variation mechanisms allowed under the Rules:<sup>43</sup>

- a WAPC caps the average annual increase in prices, placing demand risk with distributors. Under a WAPC, distributors retain all revenues they earn (or losses incurred), and annual changes to tariffs are relatively more stable over an access arrangement period.
- a revenue cap sets a maximum allowed revenue for each year of the regulatory period, placing demand risk with consumers. Distributors only recover revenue equal to or less than the maximum allowed revenue, achieved through adjusting tariffs annually based on demand updates through an ‘overs and unders’ account.
- a revenue yield control is an average revenue cap, limiting the average revenue per unit of output (e.g. gas sold) that a distributor can recover, calculated by dividing approved annual revenue by output (e.g. consumption volume). Distributors comply with the constraint by setting tariffs so average revenue is equal to or less than the approved revenue per unit of output. Under a revenue yield control, distributors bear demand-related risks.
- hybrid tariff variation mechanisms combine revenue recovery approaches, meaning that a portion of revenue is fixed, and portion of revenue is variable according to pre-determined

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<sup>39</sup> NGL, section 23.

<sup>40</sup> Rule 92 (2).

<sup>41</sup> Rule 97.

<sup>42</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs Final decision](#), October 2023, pp.11-13.

<sup>43</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs. Issues paper for stakeholder feedback](#), May 2023, pp. 18, 25.

parameters. Hybrid approaches reflect cost and risk sharing arrangement between customers, distributor shareholders, and governments.

The AER also noted it is important that gas distributors have a regulatory pathway to manage volume risks.<sup>44</sup>

### 2.3.3. Our review of the tariff variation mechanism for the 2021–26 access arrangement period

With the ACT net zero emission by 2045 target, the ban on new gas connections<sup>45</sup>, ACT Government incentives for customer-led appliance switching,<sup>46</sup> and the ACT Government's commitment to phase out gas,<sup>47</sup> there is no doubt that gas customer connections and consumption will continue to fall in the ACT.

In its Integrated Energy Plan Position Paper the ACT Government forecast a wide range for the reduction in gas demand in the ACT by 2030, including a 13 to 26 per cent decrease in gas connections and a 28 to 35 per cent reduction in gas volumes over the period.<sup>48</sup> Given that the first phase of the ACT Government's Integrated Energy Plan reflects a customer-led transition, there is considerable uncertainty as to the timing and extent of the reduction in gas demand during this phase, which overlaps with Evoenergy's 2026–31 access arrangement.

Given the high degree of uncertainty over gas demand and the AER's review into the tariff variation mechanism, Evoenergy has undertaken a review of the appropriateness of the current WAPC tariff variation mechanism and engaged with our stakeholders on some of the key considerations.

Notably, the WAPC is intended to cap prices for customers while providing an incentive for market growth, benefiting both distributors and customers<sup>49</sup> over the long-term through improved asset utilisation. The WAPC has been effective historically in creating positive incentives for the growth of customer connections and growth in demand for gas services.

However, the ACT Government's commitment to phase out gas means there is no longer any opportunity for gas market expansion in the ACT, where approximately 90 percent of our gas customers are located. Under the *Climate Change and Greenhouse Gas Reduction Act 2010*, connections to the gas network are now banned in the ACT, subject to only a few exemptions.<sup>50</sup> Decreased utilisation of Evoenergy's gas network is also consistent with the amended NGO to reduce greenhouse gas emissions.

Under the ACT Government's Integrated Energy Plan and supporting financial incentives for electrification, customers are being actively encouraged to commence their transition from gas to electric appliances through the customer-led phase of the transition. The Integrated Energy Plan Position Paper outlines that the customer-led phase will be followed by regulatory measures from 2030 to accelerate the transition off gas, and this next phase may, for example, include such mandates as a ban on replacing gas appliances. Any incentive for Evoenergy to grow or retain

<sup>44</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs Final decision](#), October 2023, p. 7.

<sup>45</sup> [Climate Change and Greenhouse Gas Reduction Act 2010](#), sections 6 and 13A.

<sup>46</sup> For example, the Sustainable Household Scheme, Energy Efficiency Improvement Scheme, Home Energy Support Program and community grants.

<sup>47</sup> ACT Government, [Developing ACT'S Integrated Energy Plan, Canberra is electrifying: Towards a net zero emissions city ACT Government Position Paper](#), August 2023; ACT Government, [The Integrated Energy Plan 2034–2030, our pathway to electrification](#), June 2024.

<sup>48</sup> ACT Government, [Developing ACT'S Integrated Energy Plan, Canberra is electrifying: Towards a net zero emissions city ACT Government Position Paper](#), August 2023, p. 36.

<sup>49</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs. Issues paper for stakeholder feedback](#), May 2023, pp. 17-19.

<sup>50</sup> Exemptions can be granted in limited circumstances including where: there are no feasible alternatives to fossil fuel gas use; businesses are unable to establish in a building with an existing connection or an exempt zone; or there is a broader community benefit in allowing the connection. Connections to a premise in an industrial zone, park and recreation zone, transport and services zone, non-urban zone and to a building that is not a residential building (class 1-4) are not covered by the ban on new connections. See [ACT Government, Regulation to prevent new fossil fuel network connections, exemption information](#).



demand for gas from remaining customers would therefore be in direct conflict with government policy direction to phase out gas to achieve the legislated net zero emissions target by 2045.

Given the ACT context, Evoenergy now has very limited means to respond to reducing gas demand on its network and the incentives intended under a WAPC are rendered ineffective. It is therefore appropriate to consider whether a WAPC remains the appropriate tariff variation mechanism approach for our 2026–31 access arrangement.

### 2.3.4. Views of our users, community, and other stakeholders

There were mixed views on the tariff variation mechanism amongst our Community Forum participants. When considering two options (revenue cap and WAPC), some participants observed the WAPC could provide price predictability for the five-year period and allow some price increases to be deferred for future regulatory periods. However, other participants observed that a revenue cap appeared to be fairer and more equitable over the longer-term and avoided risk of material five-yearly price adjustments. In the discussions, equity and affordability emerged as key themes and it was observed that under a WAPC:

- future price increases (in the next period) will impact those customers who are less able to leave the gas network, and
- significant revenue under-recovery jeopardises the viability of Evoenergy’s gas network, which will also be most acutely felt by customers who cannot electrify quickly.

Some Community Forum participants did not have a strong preference, citing Evoenergy’s 30 per cent share of the final retail bill and the uncertainty over other contributing factors to the bill. Some participants considered a hybrid may have merit as a half-way position between the WAPC and revenue cap options.

ERAP members highlighted the importance of customer impacts over the long-term, including equity and risk allocation. In discussions, ERAP noted the importance of price stability both within the regulatory period and over future periods to avoid:

- customers leaving the network sooner than they would otherwise, and
- instability of prices across periods, with intergenerational consequences.

ERAP members were very concerned with the proposal to shift 100 per cent of demand risk onto consumers. ERAP members noted that consumers are unaware of those risks and how to manage them. ERAP members observed that a hybrid tariff variation mechanism could be used to share risks between customers and Evoenergy.

ERAP recommended Evoenergy make clear the tariff variation mechanism proposed in the reference service proposal is preliminary.

Both ECRC and ERAP members advised Evoenergy that the revenue control options should be considered in the context of the costs to customers and the network over the long-term, including capital base recovery and decommissioning costs. ERAP members further observed that it is too early in the access arrangement process to engage with consumers on this complex topic.

Retailers generally offered no strong views on the revenue control options. Some retailers observed that with demand uncertainty, they would expect customers to prefer price certainty over the period but recognised a WAPC shifts demand risk to Evoenergy and does not capture the potential for a significant increase in prices in the subsequent regulatory periods.

We intend to continue engaging with our stakeholders in relation to the tariff variation mechanism. Specifically, stakeholders sought greater clarity of the potential customer bill impacts of different tariff variation mechanism approaches under different demand scenarios. We will revisit this topic once we have engaged on the other revenue building blocks and can provide indicative customer bill impacts.



### 2.3.5. Evoenergy's preliminary proposed tariff variation mechanism for the 2026–31 access arrangement

As a preliminary position, Evoenergy is proposing for the 2026–31 regulatory period:

- transportation (including metering) service be subject to a revenue cap, and
- ancillary activities service be subject to a price cap for each service.

#### Transportation (including metering) service

Evoenergy's preliminary view is that, in the ACT context with an unprecedented degree of demand uncertainty, a revenue cap tariff variation mechanism better meets the long-term interests of consumers under the NGO and better meets the relevant factors to be considered in setting a TVM under the Rules.

- a revenue cap tariff variation mechanism better meets the long-term interests of consumers with respect to **price** in the ACT context, because:
  - price adjustments will occur incrementally if actual demand deviates from forecast demand, capturing the effects of weather and the energy transition. That is, a revenue cap tariff variation mechanism includes a self-correction mechanism whereby if demand deviates from forecast, prices will adjust smoothly each year in relatively smaller steps.
 

In contrast, under a WAPC tariff variation mechanism, there is a risk of significantly larger and sharper price adjustments each five-year period when the demand forecast is recalibrated, affecting intergenerational price outcomes. If the transition away from gas occurs faster than anticipated, this could mean those customers that have not made the transition early will bear a greater impact of the price shock, raising fairness and equity concerns as those customers remaining on the network potentially have less agency or capability to make the transition compared with those that leave early.

A revenue cap tariff variation mechanism means that price adjustments occur in line with the pace of the energy transition, minimising adverse intergenerational equity outcomes.
  - prices will only reflect the efficient cost of delivering gas distribution services. In contrast to a WAPC, a revenue cap tariff variation mechanism removes any windfall gains or losses resulting from differences between forecast and actual gas demand and ensures customers will pay no more and no less than the AER determines efficient. This is a particularly important factor in the context of the significant uncertainty in forecasting demand through the customer-led phase of the transition.
  - tariffs will be set to reflect efficient costs to serve and a fair and equitable transition. In contrast, under a WAPC, networks are incentivised to set tariffs to manage demand and revenue risk, for example based on different customers' abilities to transition away from gas. This can create a misalignment in the interests of the network and its customers, particularly in the ACT context of declining and highly uncertain demand coupled with a ban on new connections and government incentives for customers to transition.
 

Under a WAPC, setting prices based on customers' ability to disconnect would be unlikely to promote a fair and equitable transition, particularly for those customers without the agency or capability to transition early.
- a revenue cap TVM better meets the long-term interests of consumers with respect to **reliability, safety, and security of supply** in the ACT context, because:
  - Evoenergy receives only the revenue required to cover the efficient costs of maintaining a safe, reliable, and secure network for gas customers, no more and no less.

Conversely under a WAPC, given the high degree of demand uncertainty and very limited avenues for Evoenergy to manage demand risk, there would be a high risk

that Evoenergy would not have a reasonable opportunity to recover its efficient costs to maintain a safe, reliable, and secure gas supply for the long-term interests of gas customers.

- a revenue cap better promotes the achievement of the ACT government **net zero emissions targets and the NGO**, because:

- the ACT Government has set a clear pathway for the transition away from gas to achieve net zero emissions, starting with a customer-led transition. Evoenergy therefore should not have any role in influencing customer choice over their transition path. Under a revenue cap Evoenergy’s revenue is not dependant on the speed of the customer-led transition.

In contrast under a WAPC, with a legislated ban on new gas connections, the only remaining mechanism to manage demand risk is for the network to seek to retain customers and gas volumes as long as possible. This incentive is in direct contrast to ACT government policy to achieve net zero by 2045.

- a revenue cap better meets the Rules’ **risk sharing** considerations in the ACT context because:

- Evoenergy has very limited means to respond to demand falling below forecast to manage its cost recovery risk. ACT legislation prohibits new customer gas connections. ACT Government policy and economic incentives are strongly encouraging customers to switch their appliances from gas to electric before more regulatory measures are introduced.

Conversely, under a WAPC Evoenergy would be subject to demand risk for which it cannot manage, and the few means remaining to manage demand risk create incentives in direct contrast to the ACT policy objective that would not promote a fair and equitable transition for gas consumers, particularly those without the agency or capability to transition, for example, low income, renters, residents in multi-dwelling units.

- when considered in combination with the Rules’ reopener provisions, the risk sharing arrangements under either a WAPC or hybrid WAPC become somewhat asymmetric. As noted in the AER’s final decision,<sup>51</sup> should actual demand fall below forecast, a network may choose to seek a reopener of the determination to reset the demand forecast during the regulatory period. However, in contrast, there is no provision for customers to seek to reopen the regulatory determination to reset the demand forecast if actual demand exceeds the forecast.

Under a revenue cap, reliance upon the demand forecast is minimised with annual updates, aligning incentives of all stakeholders to derive a demand forecast as robust as possible, reducing the likelihood of a network needing to reopen the regulatory determination for the purposes of resetting the demand forecast to recover its efficient costs.

Our view is that it is in the best interests of consumers to avoid the need for reopening or accelerating the review of access arrangements due to the significant regulatory costs associated with these processes.

- a revenue cap meets the **other considerations in the Rules** with respect to efficient pricing, administrative costs, and consistency with other services. Notably all electricity networks, including Evoenergy’s ACT electricity network are subject to a revenue cap. Under a revenue-cap, tariffs reflect efficient costs to deliver services. Given Evoenergy’s and the AER’s significant experience with revenue caps for electricity networks, there are low administrative costs to implement and administer a revenue for Evoenergy’s gas network.

In contrast consideration of a hybrid tariff variation mechanism would require introducing new concepts, regulatory processes, and additional complexity for Evoenergy and the AER.

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<sup>51</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs Final decision](#), October 2023, p.7.

We acknowledge however the concerns raised by some of our Community Forum participants in relation to price predictability within the five-year regulatory period under a revenue cap. We note that those in favour of a WAPC were predominantly concerned about price predictability or stability over the short term. We consider a robust process for annual demand forecast updates as part of the annual tariff setting process appropriately manages this risk for our customers.

Importantly, a revenue cap tariff variation mechanism provides an opportunity to update the demand forecast each year for the remaining regulatory years based on the latest available information, helping provide greater price certainty. Under a revenue cap, where there is an annual 'unders and overs' account, the more accurately we forward forecast the demand for our annual pricing proposal, the less risk there is of a build-up of the 'under and overs' account and therefore more ability to smooth the annual price adjustments in line with the pace of the energy transition as actual demand deviates from the forecast. We note that forecasting gas demand one year ahead, and updating the forecast each year, is significantly more accurate than seeking to 'lock-in' a forecast up to six years ahead as required under a WAPC tariff variation mechanism.

Our ERAP and some members of our Community Forum considered a hybrid tariff variation mechanism should be given consideration. A hybrid approach can be designed to take many different forms. In essence, a hybrid retains the same core features and incentive properties of a WAPC up to a pre-defined level of demand variation from the forecast, and thereafter would revert to the same features and incentive properties of a revenue cap.

Our preliminary view is that a hybrid approach does not better address any elements of the NGO or the Rules compared with a revenue cap in the ACT context. This is because a hybrid, at least to some degree, retains similar features and incentives of a WAPC, which as noted above:

- places demand risk with Evoenergy during the customer-led transition phase, where there is very limited ability for Evoenergy to manage this risk and therefore creates a real likelihood of Evoenergy being unable to recover the efficient costs of delivering a safe, reliable and secure gas network for customers
- introduces the potential for adverse incentives on Evoenergy, in seeking to manage demand risk to recover efficient costs, which are contrary to ACT government policy to incentivise a customer-led transition away from the gas service to meet net zero emissions targets and may undermine community expectations for a fair and equitable transition, with regard to intergenerational impacts, particularly for hard-to transition customers, including low income, renters and residents of multi-dwelling units.

Importantly, we emphasise that none of the tariff variation mechanism approaches, and no degree of accuracy in the demand forecasting, can avoid the increase in gas network prices expected to occur as customers progressively electrify their appliances and exit the gas network, leaving fewer and fewer customers to recover the largely fixed costs of running a gas network. Further, none of the tariff variation approaches addresses the risk of Evoenergy being unable to recover its investment costs over the long term.

As noted above, we will continue to engage with our stakeholders on the relative merits and impact of different tariff variation mechanism approaches within the ACT context. Our draft plan and access arrangement proposal will reflect further engagement feedback received on the tariff variation mechanism and any update in our preliminary position to propose a revenue cap.

### **Ancillary activities service**

As noted above, we expect the demand for our ancillary reference services to diverge from our transportation and metering services over the next regulatory period. It is anticipated that demand for ancillary activities, particularly disconnection services, will increase as customers progressively switch appliances from gas to electric and eventually fully electrify their homes and businesses.

To ensure customers only pay the efficient costs of the specific ancillary services they require, and the appropriate price signals are sent to customers regarding the costs of those services, we propose a cost-reflective price cap be applied to each service type.

We intend to develop a proposed schedule of prices for our ancillary services as part of our access arrangement proposal, due 30 June 2025. In developing our proposed price caps, we will engage with our stakeholders on potential equity and fairness considerations.

## Glossary of terms and acronyms

Term or acronym	Definition
<b>ACT</b>	Australian Capital Territory
<b>AEMC</b>	Australian Energy Market Commission
<b>AER</b>	Australian Energy Regulator
<b>CSIRO</b>	Commonwealth Scientific and Industrial Organisation
<b>Decommissioning</b>	Decommissioning refers to the complete or partial shutting down and removal of the infrastructure of the gas network that is no longer in use.
<b>Five-year plan</b>	Evoenergy's publication of an initial position on its access arrangement proposal shaped by consumer and stakeholder engagement, for public consultation
<b>GJ</b>	Gigajoule – unit of measurement of energy consumption
<b>NGL</b>	National Gas Law
<b>NGO</b>	National Gas Objective
<b>NSW</b>	New South Wales
<b>Permanent disconnection (abolishment)</b>	The permanent disconnection (abolishment) of a gas connection at the premises. A permanent disconnection (abolishment) 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.
<b>PJ</b>	Petajoule– unit of measurement of energy consumption
<b>Temporary disconnection</b>	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.
<b>TJ</b>	Terajoule – unit of measurement of energy consumption
<b>The Rules</b>	National Gas Rules

## Appendix A: Reference service proposal requirements

Under the Rules Evoenergy is required to submit its reference service proposal no later than twelve months prior to the review submission date for the access arrangement.<sup>52</sup> The reference service proposal forms part of the 2026–31 access arrangement, setting out proposed reference services for transportation and ancillary activities and other non-reference services.

The reference service proposal is required to set out the pipeline services and reference services that Evoenergy intends to offer under its 2026-31 access arrangement.<sup>53</sup> The reference service proposal must also describe any feedback received by its pipeline users and end users (retailers, large customers, and consumers) about the proposed reference services.<sup>54</sup>

In October 2023, the AER completed its review of gas distribution network reference tariff variation mechanism and declining block tariffs.<sup>55</sup> The AER concluded that it should not make a one-size-fits-all decision on the tariff variation mechanism and tariff structures. Instead, the AER’s final decision was for gas distribution networks to include a proposed tariff variation mechanism and tariff structure in their reference service proposals. This allows the AER to consider these matters on a case-by-case basis, taking into account the circumstances of the gas network and the views of stakeholders.<sup>56</sup> The AER notes its reference service proposal decision on these elements are non-binding and may be subject to change.

Table A.1 identifies how Evoenergy’s proposal addresses all the required elements of the reference service proposal under the Rules and AER’s decision.<sup>57</sup>

*Table A.1 Reference service proposal elements*

Requirement		Section of proposal
<b>Rule 47A(1)</b>	<b>A service provider in respect of a full regulation pipeline must, whenever required to do so under sub-rule (3), submit to the AER a reference service proposal in respect of a forthcoming full access arrangement proposal that:</b>	
<b>(a)</b>	identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;	Section 1.1
<b>(b)</b>	sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in sub-rule (2);	Section 2.1.5 and Appendix C
<b>(c)</b>	from a list referred to in sub-rule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as	Sections 2.1.5

<sup>52</sup> Rule 47A (3)(a).

<sup>53</sup> Rule 47A (3)(c) requires that reference services must be proposed having regard to the reference service factors and any supporting information required by the AER.

<sup>54</sup> Rule 47A (3)(d).

<sup>55</sup> AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs. Issues paper for stakeholder feedback](#), May 2023; AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs. Final decision](#), October 2023.

<sup>56</sup> AER, Review of gas distribution network reference tariff variation mechanism and declining block tariffs, Final decision, October 2023.

<sup>57</sup> Rule 47 A(1); AER, [Review of gas distribution network reference tariff variation mechanism and declining block tariffs. Final decision](#), October 2023.

	reference services having regard to the reference service factors including any supporting information required by the AER; and	
(d)	if the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.	Section 2.1.4, 2.2.4, 2.3.4 and Appendix B
<b>AER's decision</b>	<b>Review of gas distribution network reference tariff variation mechanism and declining block tariffs and final decision</b>	
	Evoenergy's proposed tariff structures	Section 2.2.5
	Evoenergy's proposed tariff variation mechanism	Section 2.3.5
	Substantive stakeholder consultation to inform the tariff variation mechanism and tariff structure (and reference service) proposals	Appendix B and Attachment A

## Appendix B: Summary of feedback received during engagement on elements of Evoenergy’s reference service proposal

Table B.1 Summary of feedback

Feedback channel and meeting dates	Feedback
<p><b>Evoenergy Regulatory Advisory Panel (ERAP)</b></p> <ul style="list-style-type: none"> <li>• 7 December 2023 (online)</li> <li>• 12 February 2024 (in person)</li> <li>• 15 April 2024 and follow-up out of session feedback (online) (observed by AER)</li> <li>• 29 May 2024 (online) (observed by AER)</li> </ul>	<p><b>Reference services and ancillary activities:</b> ERAP members considered engagement on the issue of separating reference services to be unnecessary if there is no customer impact. In relation to the proposed changes to ancillary activities, ERAP considered engagement would only be required if the customer impact is beyond that already resulting from the ACT Government’s policy to allow no new gas connections.</p> <p><b>Tariff structures:</b> ERAP members observed that tariff structures should be designed to endure, provide price stability, and consider the intergenerational and long-term implications on customers and Evoenergy. ERAP observed that there is a need to re-engage on tariffs once network costs, and therefore customer bill impacts can be estimated. ERAP members also observed that it is too early in the access arrangement process to engage with consumers on this complex topic.</p> <p><b>Tariff variation mechanism:</b> ERAP members highlighted the importance of customer impacts over the long-term, including equity and risk allocation. In discussions, ERAP noted the importance of price stability within the regulatory period and over future periods to avoid:</p> <ul style="list-style-type: none"> <li>• customers leaving the network sooner than they would otherwise, and</li> <li>• instability of prices across periods, with intergenerational (intra regulatory period) consequences.</li> </ul> <p>ERAP members also observed that a hybrid tariff variation mechanism could be used to share risks between customers and Evoenergy. ERAP recommended Evoenergy make clear the tariff variation mechanism proposed in the reference service proposal is preliminary.</p> <p>ERAP members were very concerned with the proposal to shift 100 per cent of demand risk onto consumers. ERAP members noted that consumers are unaware of those risks and how to manage them. ERAP members observed that a hybrid tariff variation mechanism could be used to share risks between customers and Evoenergy.</p> <p>ERAP recommended Evoenergy make clear the tariff variation mechanism proposed in the reference service proposal is preliminary.</p> <p>ERAP members advised Evoenergy that the revenue control options should be considered in the context of the costs to customers and the network over the long-term, including capital base recovery and decommissioning costs. ERAP members also observed that it is too early in the access arrangement process to engage with consumers on this complex topic.</p>



Feedback channel and meeting dates	Feedback
<p><b>Community Forum</b></p> <ul style="list-style-type: none"> <li>• 5 May 2024 (in person)</li> <li>• 9 May 2024 (hybrid) (observed by AER)</li> <li>• 20 May 2024 (hybrid) (observed by AER)</li> </ul> <p>Attachment A: Communication Link Community Forum mid-point review report.</p>	<p><b>Reference services and ancillary activities:</b> Not discussed. Future Community Forum sessions will seek feedback on managing permanent disconnections (abolishments) and temporary disconnections to inform Evoenergy’s approach to disconnections in its access arrangement proposal (July–August 2024).</p> <p><b>Tariff structures:</b> There were mixed views from our Community Forum on Evoenergy’s tariff structures. In discussions, the community was looking to balance the equity implications of declining block tariffs, against the goal of reducing emissions in the ACT. Particularly, the community considered whether high fixed charges could encourage customers to disconnect earlier than they otherwise might which in turn could jeopardise the sustainability of Evoenergy’s gas network over the next five to ten years (i.e. before planned decommissioning). It was observed by some participants that that hard-to-shift customers will be most impacted by any risks to the medium and longer-term viability of the gas network service. In contrast, some participants considered that the current declining block structure does not adequately incentivise emissions reductions for larger users.</p> <p><b>Tariff variation mechanism:</b> There were mixed views on the tariff variation mechanism amongst community representatives. When considering the two options (revenue and price cap), some participants observed the WAPC could provide price predictability for the five-year period and allow some price increases to be deferred for future regulatory periods. However other participants observed that a revenue cap appeared to be a fair and equitable way to share risk between Evoenergy and consumers over the longer-term. In the discussions, equity and affordability emerged as key themes and it was observed that under a WAPC:</p> <ul style="list-style-type: none"> <li>• future price rises (in the next period) will impact those customers who are less able to leave the gas network; and</li> <li>• significant revenue under-recovery jeopardises the viability of Evoenergy’s gas network, which will also be most acutely felt by customers who cannot electrify quickly.</li> </ul> <p>Some Community Forum participants did not have a strong preference, citing Evoenergy’s 30 per cent share of the final retail bill and the uncertainty over other contributing factors to the bill. Some participants considered a hybrid may have merit as a half-way position between the WAPC and revenue cap options.</p>
<p><b>Retailers (one on one meetings)</b></p> <ul style="list-style-type: none"> <li>• Origin Energy 7 May 2024</li> <li>• Energy Australia 14 May 2024</li> <li>• Red Energy 16 May 2024</li> <li>• ActewAGL Retail 9 &amp; 31 May 2024</li> </ul>	<p><b>Reference services and ancillary activities:</b> Retailers are broadly comfortable with the proposed separating our current single reference service into a transportation (including metering) service, and ancillary activities. In relation to the ancillary activities, retailers recognised the cost and safety implications of customers not abolishing their gas service, however some raised concern about practical implementation of the change particularly around the retailer’s ability to recover costs of temporary disconnection and permanent disconnection (abolishment) services from customers.</p>



Feedback channel and meeting dates	Feedback
	<p><b>Tariff structures:</b> Retailers observed Evoenergy’s current tariff structure is simple and easy to pass through to customers. Some observed that in consideration of rebalancing tariff components, care should be taken not to encourage customers to withdraw from the network earlier than they might otherwise have done.</p> <p><b>Tariff variation mechanism:</b> Retailers observed that with demand uncertainty, they would expect customers to prefer price certainty over the period but recognised a WAPC shifts demand risk to Evoenergy and does not capture the potential for a significant increase in prices in the subsequent regulatory periods.</p>
<p><b>Evoenergy Energy Consumer Reference Council (ECRC)</b></p> <ul style="list-style-type: none"> <li>• 12 October 2023 (in person and online) (gas abolishments)</li> <li>• 12 February 2024 (in person and online) (gas network introduction and abolishments)</li> <li>• 11 April 2024 (in person and online) (tariffs and tariff variation mechanism)</li> </ul>	<p><b>Reference services and ancillary activities:</b> ECRC noted demand for Evoenergy’s transportation and metering services is expected to fall while demand for ancillary activities including temporary and permanent disconnections (abolishments) will rise from current levels. Future ECRC 2024 meetings will seek feedback on the approach to managing temporary disconnections and permanent disconnections (abolishments).</p> <p><b>Tariff structures:</b> ECRC members considered there is a need to re-engage on tariffs once network costs are known. Members also considered that customer’s ability to respond to price signals and impact on emissions reductions are important.</p> <p><b>Tariff variation mechanism:</b> ECRC members highlighted the need for fairness and transparency on the outcomes of a price or revenue cap for all customers (commercial, industrial, and residential). Members also emphasised the importance of addressing cost impacts over a declining customer base and the need for accurate demand forecasts.</p>
<p><b>Large customers</b></p> <ul style="list-style-type: none"> <li>• One on one meetings</li> <li>• Large customer annual survey (June 2024)</li> </ul>	<p>Large customer engagement over this period has focused on the broader energy transition. In our annual survey of large customers we heard that approximately 90 per cent are considering electrifying their businesses, of these 74 per cent intend to undertake this transition over the next five years. In discussions with us, large customers have identified cost as a barrier to electrification.</p> <p>Future engagement with large customers on the regulatory elements will be to inform development of our draft plan and access arrangement proposal. An Energy Matters forum will take place in late July or early August 2024.</p>

## Appendix C: Proposed draft changes to reference services 2026–31

Our proposed draft changes to the existing reference and non-reference service as currently specified in the access arrangement (clause 2 and schedule 3, clause 4.1(f)) for Evoenergy’s gas distributions network 1 July 2021 – 30 June 2026, are outlined below and have been marked in track changes to reflect the proposed services offerings in Evoenergy’s 2026-31 access arrangement. These changes will be confirmed in the access arrangement proposal submitted in June 2025.

Other ancillary activities, or changes to the activities as described below may be proposed in Evoenergy’s access arrangement proposal 2026–31 as we consider the implications of the ACT Government’s recent announcement to develop a gas meter abolishment policy in partnership with Evoenergy, the AER and the Utilities Regulator.<sup>58</sup>

*Table C.1 Pipeline services proposed to be offered under Evoenergy’s 2026-31 access arrangement*

Service	Draft description (2026–31)
<b>Pipeline Services</b>	<p><b>2.1</b> Evoenergy offers the following Pipeline Services:</p> <ul style="list-style-type: none"> <li>a. the Reference Services:               <ul style="list-style-type: none"> <li>i. <b>Transportation (including metering) Reference Service</b></li> <li>ii. <b>Ancillary Activities Reference Service</b></li> </ul> </li> <li>b. Non-Reference Services</li> </ul>
<b>Reference Services</b>	<p><b>2.2</b> Evoenergy will make the <b>Transportation (including metering) Reference Service</b> and the <b>Ancillary Activities Reference Service</b> available to Users and Prospective Users in accordance with this Access Arrangement.</p> <p><b>2.3</b> The <b>Transportation (including metering) Reference Service</b> is a Service for:</p> <ul style="list-style-type: none"> <li>a. the transportation <b>and delivery</b> of Gas by Evoenergy through the Network to an eligible Delivery Point for use and consumption within the premises served by that Delivery Point; <b>and</b></li> <li>b. meter reading services including:               <ul style="list-style-type: none"> <li>i. meter related services; and</li> <li>ii. provision, installation and maintenance of a standard metering installation and</li> </ul> </li> </ul>

<sup>58</sup> ACT Government, [The Integrated Energy Plan 2034–2030, our pathway to electrification](#), June 2024, p. 55.

Service	Draft description (2026–31)
	<p>iii. meter reading and associated data activities as appropriate for the required capacity and meter reading frequency and associated data activities, and the provision and maintenance of a standard metering installation at the Delivery Point as appropriate for the required capacity and meter reading frequency, where a Delivery Point is not permanently disconnected (abolished) from the Network and does not include Ancillary Activities Services; and</p> <p><del>(a) ancillary activities as set out in the Reference Tariff Schedule as may be requested by a User.</del></p> <p><b>2.3A</b> The Ancillary Activities Reference Service are those services set out in the Ancillary Activities Reference Service Schedule as requested by a User for an eligible Delivery Point.</p> <p><b>2.4</b> A Delivery Point is eligible for the Reference Service if:</p> <ul style="list-style-type: none"> <li>a. it is a Delivery Point existing on the Network to which the Service Provider provided a reference service under the 2021 26 Access Arrangement immediately before the Effective Date <del>a service designated as a reference service under the 2016-21 Access Arrangement is provided on the Commencement Date;</del> or</li> <li>b. it is a new Delivery Point, established on or after the Commencement Date, that is served <del>directly supplied</del> served from the Network, where: <ul style="list-style-type: none"> <li>i. the maximum allowable operating pressure is less than or equal to 500 kPa and Evoenergy reasonably expects that the Delivery Point will consume less than 10 TJ per annum; <del>or</del></li> <li>ii. the maximum allowable operating pressure is less than or equal to 1,050 kPa and Evoenergy reasonably expects that the Delivery Point will consume 10 TJ per annum or greater; <b>or</b></li> <li>iii. <b>as otherwise agreed between the Service Provided and User or Prospective User (as the case may be).</b></li> </ul> </li> </ul> <p><b>Terms and Conditions of the Reference Service</b></p> <p><b>2.5</b> The terms and conditions upon which Evoenergy will provide the Transportation Reference (including metering) Service and Ancillary Reference Services are set out in the Reference Service Agreement.</p>
<b>Non Reference</b>	<p><b>2.6</b> Evoenergy offers the following Non-Reference Services:</p> <ul style="list-style-type: none"> <li>a. an Interconnection Service, which is described in clause 2.7 below; and</li> <li>b. a Negotiated Service, which is described in clause 2.8 below.</li> </ul>

Service	Draft description (2026–31)
<p>Interconnection service</p> <p>Negotiated service</p>	<p><b>2.7</b> An Interconnection Service is a Service provided by Evoenergy to connect a Pipeline or facility to the Network and establish:</p> <ul style="list-style-type: none"> <li>c. to establish a Delivery Point to enable delivery of Gas from the Network into a Downstream Network; or</li> <li>d. to establish a Receipt Point to enable the receipt of Gas into the Network from an Upstream Facility,</li> </ul> <p>in accordance with Part 6 of the National Gas Rules including the Service Provider’s Interconnection Policy.</p> <p><b>2.7A</b> For the purpose of paragraph 2.7:</p> <ul style="list-style-type: none"> <li>a. Pipeline has the meaning given to that term in the National Gas Law;</li> <li>b. Interconnection Policy means the Service Provider’s interconnection policy developed and maintained in accordance with the National Gas Rules.</li> </ul> <p>on the terms and conditions agreed to by Evoenergy and the Prospective User including those, to the extent applicable, contained in the Operational Schedule.</p> <p><b>2.8</b> Where a Prospective User has specific needs which differ from those which would be satisfied by the Reference Service or the Interconnection Service, the Prospective User may seek to negotiate different terms and conditions as a Negotiated Service and enter into a Service agreement with Evoenergy.</p>

Table C.2 Ancillary activities reference service proposed to offered under Evoenergy’s next access arrangement (2026–31)

Activity	Draft description (2026–31)
<p><b>Hourly Charge – non-standard User-initiated requests and queries</b></p>	<p>The assessment of a User’s or Prospective User’s requirements, collation of information and provision of a response to a User or Prospective User in relation to non-standard requests and queries. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Large Customer connection or upgrade inquiries requiring additional investigation by Evoenergy due to the nature of the request; and</li> <li>• requests for measurement data additional to data provided in standard reports.</li> </ul>

Activity	Draft description (2026–31)
	Not applicable to the processing of connections and alterations under Part 12A of the National Gas Rules.
<b>Disconnection (Volume Customer Delivery Points)*</b>	<p>Disconnection of supply to a Delivery Point (by wadding or locking the meter) in order to prevent withdrawal of gas where the User requests that the meter is not to be moved or removed.</p> <p>A request for disconnection is also a request to remove the Delivery Point from the Volume Customer List under the User's Service Agreement.</p> <p>The specific method of disconnection will be at the discretion of Evoenergy, to ensure the site is able to be left in a safe state.</p>
<b>Temporary disconnection and reconnection (Volume Customer Delivery Point)</b>	<p>Disconnection of supply to a Delivery Point (by wadding or locking the meter) in order to temporarily prevent withdrawal of gas where the User requests that the meter is not to be moved or removed.</p> <p>The specific method of disconnection will be at the discretion of Evoenergy, to ensure the site is able to be left in a safe state.</p> <p>The charge for disconnection will also include the subsequent costs of reconnection where the Delivery Station components and pipework are still installed at the Delivery Point and can be re-energised without alteration or replacement.</p> <p>Reconnection in circumstances other than those described above requires a new connection and a new Request to be made by NSW or exempt ACT customers, only. ACT customers are restricted from requesting a new connection under the <i>Climate Change and Greenhouse Gas Act 2010</i>, unless exempted under section 13A(4)(b)(iii).</p> <p><del>A request for disconnection is also a request to remove the Delivery Point from the Volume Customer List under the User's Service Agreement.</del></p>
<b>Reconnection (Volume Customer Delivery Points)</b>	<p>Reconnection of a disconnected Delivery Point made in accordance with the National Energy Retail Law or Rules as in force at the Commencement Date, the Reference Service Agreement, or in other circumstances (at Evoenergy's discretion, acting reasonably) where the Delivery Station components and pipework are still installed at the Delivery Point and can be re-energised without alteration or replacement.</p> <p>Reconnection in circumstances other than those described above requires a new connection and a new Request to be made by NSW or exempt ACT customers, only. ACT customers are restricted from requesting a new connection under the <i>Climate Change and Greenhouse Gas Act 2010</i>, unless exempted under section 13A(4)(b)(iii).</p>
<b>Disconnection and reconnection – Demand</b>	Disconnection for a Demand Customer Delivery Point where the User requests that the meter is not to be moved or removed.

Activity	Draft description (2026–31)
<b>Customer Delivery Points</b>	<p>If requested by the User, the charge for disconnection will also include the subsequent costs of reconnection where the Delivery Station components and pipework are still installed at the Delivery Point and can be re-energised without alteration or replacement.</p> <p>Reconnection in circumstances other than those described above requires a new connection and a new Request to be made. <i>by NSW or exempt ACT customers, only. ACT customers are restricted from requesting a new connection under the <a href="#">Climate Change and Greenhouse Gas Act 2010</a>, unless exempted under section 13A(4)(b)(iii)</i></p>
<b>Permanent disconnection (abolishment) (Volume Customer Delivery Points)</b>	<p>Permanent <b>disconnection (abolishment)</b> decommissioning of a Delivery Point, typically including the removal of the meter. A request for <b>permanent disconnection (abolishment)</b> is also a request to remove the Delivery Point from the Customer List under the User's Service Agreement.</p> <p>The specific method of abolishment will be at the discretion of Evoenergy to ensure the site is able to be left in a safe state.</p> <p>Subsequent reconnection of the Delivery Point requires a new connection and a new Request to be made <i>by NSW or exempt ACT customers, only. ACT customers are restricted from requesting a new connection under the <a href="#">Climate Change and Greenhouse Gas Act 2010</a>, unless exempted under section 13A(4)(b)(iii).</i></p>
<b>Special Meter Reads</b>	<p>For meter reading for a Delivery Point in addition to the scheduled ordinary meter reading comprised in the Reference Service (for instance, when the meter reader makes a special visit to read a particular meter out of the usual meter reading route or schedule). This service must be scheduled by the User with Evoenergy in accordance with the applicable market procedures.</p>
<b>Other ancillary activities</b>	<p>Other ancillary activities, or changes to the activities as described may be proposed in Evoenergy's access arrangement proposal 2026–31 as we consider the implications of the ACT Government's recent announcement to develop a gas meter abolishment policy in partnership with Evoenergy, the AER and the Utilities Technical Regulator.<sup>59</sup></p>

<sup>59</sup> ACT Government, [The Integrated Energy Plan 2034–2030, our pathway to electrification](#), June 2024, p. 55.