

Final Decision

Energex Electricity

Distribution Determination

2025 to 2030

(1 July 2025 to 30 June 2030)

Attachment 2

Regulatory asset base

April 2025

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Version	Date	Pages
1	30 April 2025	9

List of attachments

This attachment forms part of the Australian Energy Regulator's (AER's) final decision on the distribution determination that will apply to Energex for the 2025–30 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. Where an attachment has not been prepared, our draft decision reasons form part of this final decision. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision.

The final decision includes the following attachments:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

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2 Regulatory asset base

Our distribution determination includes Energex’s opening regulatory asset base (RAB) value as at 1 July 2025 and the projected RAB value for the 2025–30 regulatory control period (period).¹ The value of the RAB substantially impacts Energex’s revenue requirement, and the price consumers ultimately pay. Other things being equal, a higher RAB would increase both the return on capital and return of capital (depreciation) components of the distribution determination.² This final decision sets out:

- the opening RAB value as at 1 July 2025
- the forecast closing RAB value as at 30 June 2030
- that depreciation based on forecast capital expenditure (capex) is to be used for establishing the RAB as at the commencement of the 2030–35 period.³

2.1 Final decision

2.1.1 Opening RAB as at 1 July 2025

Our final decision is to determine an opening RAB value of \$15,606.9 million (\$ nominal) as at 1 July 2025 for Energex. This amount is \$88.9 million (0.6%) lower than Energex’s revised proposed opening RAB of \$15,695.8 million (\$ nominal) as at 1 July 2025.⁴ It reflects our update to the roll forward model (RFM) for actual consumer price index (CPI) for 2024–25 which was lower than the estimate used in the revised proposal. This final decision is \$37.4 million (0.2%) higher than our draft decision amount for Energex’s opening RAB of \$15,569.5 million (\$ nominal).⁵

To determine the opening RAB as at 1 July 2025, we have rolled forward the RAB over the 2020–25 period to determine a closing RAB value at 30 June 2025 in accordance with our RFM.⁶ This roll forward process includes an adjustment at the end of the 2020–25 period to account for the difference between actual 2019–20 capex and the estimate approved in the 2020–25 determination.⁷ Our final decision also reflects updated 2024–25 forecast depreciation due to our decision on Energex’s cost pass through application for the Severe Weather Events in December 2023 to January 2024.⁸

¹ National Electricity Rules (NER), cl. 6.12.1(6).

² The size of the RAB also impacts the benchmark debt raising cost allowance. However, this amount is usually relatively small and therefore not a significant determinant of revenues overall.

³ NER, cl. 6.12.1(18).

⁴ Energex, *8.01 - SCS - Roll Forward Model*, November 2024.

⁵ This increase is mainly driven by the updates to the capex for 2023–24 to reflect actual values and an updated capex estimate for 2024–25, which resulted in an increase to the opening RAB value by \$123.3 million (0.8%) compared to the draft decision, all else being equal. Updates for 2024–25 inflation decrease the opening RAB value by \$85.4 million (0.6%).

⁶ AER, *Electricity distribution network service providers: Roll forward model (version 3.1)*, May 2022.

⁷ The end of period adjustment will be positive (negative) if actual capex is higher (lower) than the estimate approved at the 2020–25 determination. See NER, cl. S6.2.1(e)(3).

⁸ AER, [Final decision – Energex cost pass through application – Severe weather events in December 2023 to January 2024](#), April 2025. This update reduces the opening RAB by \$0.46 million.

Table 2.1 sets out our final decision on the roll forward of Energex's RAB over the 2020–25 period.

Table 2.1 AER's final decision on Energex's RAB for the 2020–25 period (\$ million, nominal)

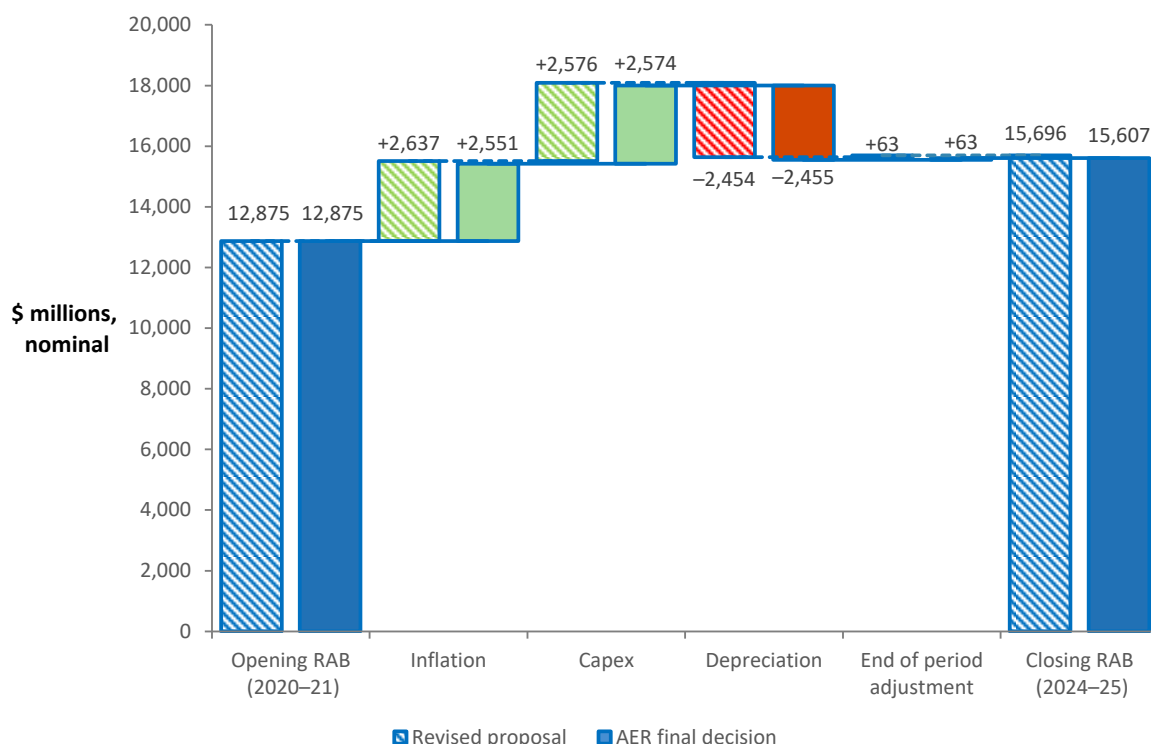
	2020–21	2021–22	2022–23	2023–24	2024–25 ^a
Opening RAB	12,874.5	12,916.3	13,322.9	14,342.3	14,984.3
Net capex ^b	380.1	392.9	447.5	588.5	764.8
Inflation on opening RAB	110.8	451.9	1043.4	581.1	363.3
Less: straight-line depreciation ^c	449.1	438.1	471.6	527.6	568.2
Interim closing RAB	12,916.3	13,322.9	14,342.3	14,984.3	15,544.2
Difference between estimated and actual capex in 2019–20	-	-	-	-	13.4
Return on difference for 2019–20 capex	-	-	-	-	4.6
Final year asset adjustment ^d	-	-	-	-	44.7
Closing RAB as at 30 June 2025	-	-	-	-	15,606.9

Source: AER analysis.

- (a) Based on estimated capex provided by Energex. We will true-up the RAB for the actual capex at the next distribution determination.
- (b) Net of disposals and capital contributions, and adjusted for actual CPI and half-year weighted average cost of capital (WACC).
- (c) Adjusted for actual CPI. Based on forecast capex.
- (d) Includes the addition of capitalised leases as at 30 June 2025.

Figure 2.1 shows the key drivers of the change in Energex's RAB over the 2020–25 period for this final decision. Overall, the closing RAB value at the end of the 2020–25 period is estimated to be 21.2% higher than the opening RAB at the start of that period, in nominal terms. The new net capex increases the RAB by 20.0%, while inflation indexation increases it by 19.8%. Depreciation, on the other hand, reduces the RAB by 19.1%. End of period adjustments increase the RAB by 0.5%.

Figure 2.1 Key drivers of changes in the RAB over the 2020–25 period – Energex’s revised proposal compared with the AER’s final decision (\$ million, nominal)



Source: AER analysis.

Note: Capex is net of disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the RFM.

In the draft decision, we reduced Energex’s proposed opening RAB value as at 1 July 2025 by \$21.2 million (0.1%). This reduction was largely due to the updates we made to the CPI inputs for 2023–24 and 2024–25 in the RFM to reflect more up-to-date values. We also amended the following inputs in the RFM for determining the opening RAB value:⁹

- We updated the nominal vanilla WACC for 2024–25, equity raising costs and the forecast straight-line depreciation inputs to be consistent with the values in our 2024–25 return on debt updated post-tax revenue model (PTRM).
- We increased capitalised lease costs being rolled into the RAB at the end of the 2020–25 period to reflect the updated WACC values.
- We updated the capex amounts for 2020–23 for the ‘IT systems’ and ‘In-house software’ asset classes to reflect the corrected CPI adjusted forecast capex for these asset classes in recognition of Energex’s proposal to self-fund the overspend of its forecasted capex relating to these asset classes.¹⁰

⁹ AER, *Draft decision: Energex distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 1–2.

¹⁰ AER, *Draft decision: Energex distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 12–13; Energex, *Regulatory Proposal 2025–30*, January 2024, p. 61.

- We made other minor modelling input updates to correct capex inputs.

We also noted in the draft decision that the roll forward of Energex's RAB included estimated capex for 2023–24 and 2024–25, and estimated inflation for 2024–25, because the actual values for these inputs were not yet available at the time.¹¹

In its revised proposal, Energex adopted all of our draft decision changes. In addition, Energex updated the following inputs in its revised proposed RFM:¹²

- the estimated capex for 2023–24 with actuals
- the estimated capex for 2024–25 with revised estimates.

For this final decision, we have checked the actual capex for 2023–24 in Energex's revised proposed RFM. We are satisfied that these capex inputs reconcile with the values presented in Energex's annual reporting Regulatory Information Notice for 2023–24.

We also accept Energex's revised 2024–25 net capex estimates of \$764.8 million (\$ nominal) for this final decision.¹³ This is \$94.8 million (14.1%) higher than the amount included in our draft decision RFM. This increase is mainly due to Energex's revised gross capex estimate for this year, which is 24.6% higher than the estimated value at the time of its initial proposal. In response to our information request, Energex noted there were several reasons for this higher estimated gross capex.¹⁴ The main driver of this increase is a change in the treatment of capital contributions to ensure consistency with the approach applied in the 2020–25 period. Other contributing factors include higher estimated replacement capex and augmentation capex, partially offset by lower non-network related capex. While we accept Energex's revised 2024–25 capex estimates for the final decision, we note that the financial impact of any difference between actual and estimated capex for 2024–25 will be accounted for at the next distribution determination for the 2030–35 period.

We received no submissions on our approach to calculating the opening RAB. Our position in the final decision is limited to updates for more recent data in the RFM. This includes updating the 2024–25 estimated inflation input of 3.00% with actual CPI of 2.42% based on the December 2024 CPI from the Australian Bureau of Statistics, which became available after Energex submitted its revised proposal.

2.1.2 Ex post review of 2018–23 capex

We also consider the extent to which our roll forward of the RAB to 1 July 2025 contributes to the achievement of the capex incentive objective.¹⁵ The review period of past capex for this distribution determination is over 2018–19 to 2022–23.¹⁶ As discussed in the draft decision,

¹¹ AER, *Draft decision: Energex distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 1 and 3.

¹² Energex, *8.01 - SCS - Roll Forward Model*, November 2024.

¹³ This amount is net of disposals and capital contributions, and includes a half-year WACC allowance to compensate for the six-month period before capex is added to the RAB. It reflects the updated actual inflation rate for 2024–25 in our final decision.

¹⁴ Energex, *Response to information request 063 – Q1–2*, January 2025.

¹⁵ NER, cll. 6.12.2(b) and 6.4A(a).

¹⁶ NER, cl. S6.2.2A(a1).

Energex's total actual capex incurred from 2018–19 to 2022–23 is below the forecast allowance set at the previous relevant distribution determinations and, therefore, the overspending requirement for an efficiency review of past capex is not satisfied.¹⁷

For this final decision, we have included Energex's actual capex for 2023–24 and estimated capex for 2024–25 in the RAB roll forward to 1 July 2025. At the next distribution determination, the actual capex for 2023–24 and 2024–25 will form part of the review period for whether past capex should be excluded for inefficiency reasons.¹⁸ Our RAB roll forward applies the incentive framework approved in the previous distribution determination, which included the use of a forecast depreciation approach in combination with the application of the capital expenditure sharing scheme (CESS).¹⁹ As such, we consider that the 2020–25 RAB roll forward contributes to an opening RAB (as at 1 July 2025) that includes capex that reflects prudent and efficient costs, in accordance with the capex criteria.²⁰

2.1.3 Forecast closing RAB as at 30 June 2030

Once we have determined the opening RAB value as at 1 July 2025, we roll forward that value by adding forecast capex and inflation, and reducing it by depreciation to arrive at a forecast closing value for the RAB as at the end of the 2025–30 period.²¹

For this final decision, we determine a forecast closing RAB value as at 30 June 2030 of \$17,788.0 million (\$ nominal) for Energex. This is \$190.5 million (1.1%) lower than Energex's revised proposal of \$17,978.6 million (\$ nominal).²² This reduction is mainly due to our final decision on a lower forecast RAB indexation due to the lower expected inflation rate of 2.72% rather than the 2.85% in Energex's revised proposal. Our final decisions on the opening RAB as at 1 July 2025 (discussed in this attachment), the expected inflation rate (section 2.2 of the Overview), forecast depreciation (Attachment 4), and forecast capex (Attachment 5) also affect the forecast closing RAB value as at 30 June 2030.²³

Table 2.2 sets out our final decision on the forecast RAB values for Energex over the 2025–30 period.

¹⁷ NER, cl. S6.2.2A(c); AER, *Draft decision: Energex distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, p. 14.

¹⁸ Here, 'inefficiency' of past capex refers to three specific assessments (labelled the overspending, margin and capitalisation requirements) detailed in NER, cl. S6.2.2A. The details of our ex-post assessment approach for capex are set out in AER, *Capital expenditure incentive guideline*, April 2023, pp. 12–19.

¹⁹ AER, *Final decision: Energex distribution determination 2020–25 – Attachment 2 – Regulatory asset base*, June 2020, pp. 9–10.

²⁰ NER, cll. 6.4A(a), 6.5.7(a), 6.5.7(c) and 6.12.2(b).

²¹ NER, cl. S6.2.3.

²² Energex, *8.01 - SCS - Roll Forward Model*, November 2024.

²³ Capex enters the RAB net of forecast disposals and capital contributions. It includes equity raising costs (where relevant) and the half-year WACC to account for the timing assumptions in the PTRM. Therefore, our final decision on the forecast RAB also reflects our amendments to the rate of return for the 2025–30 period (section 2.2 of the Overview).

Table 2.2 AER's final decision on Energex's RAB for the 2025–30 period (\$ million, nominal)

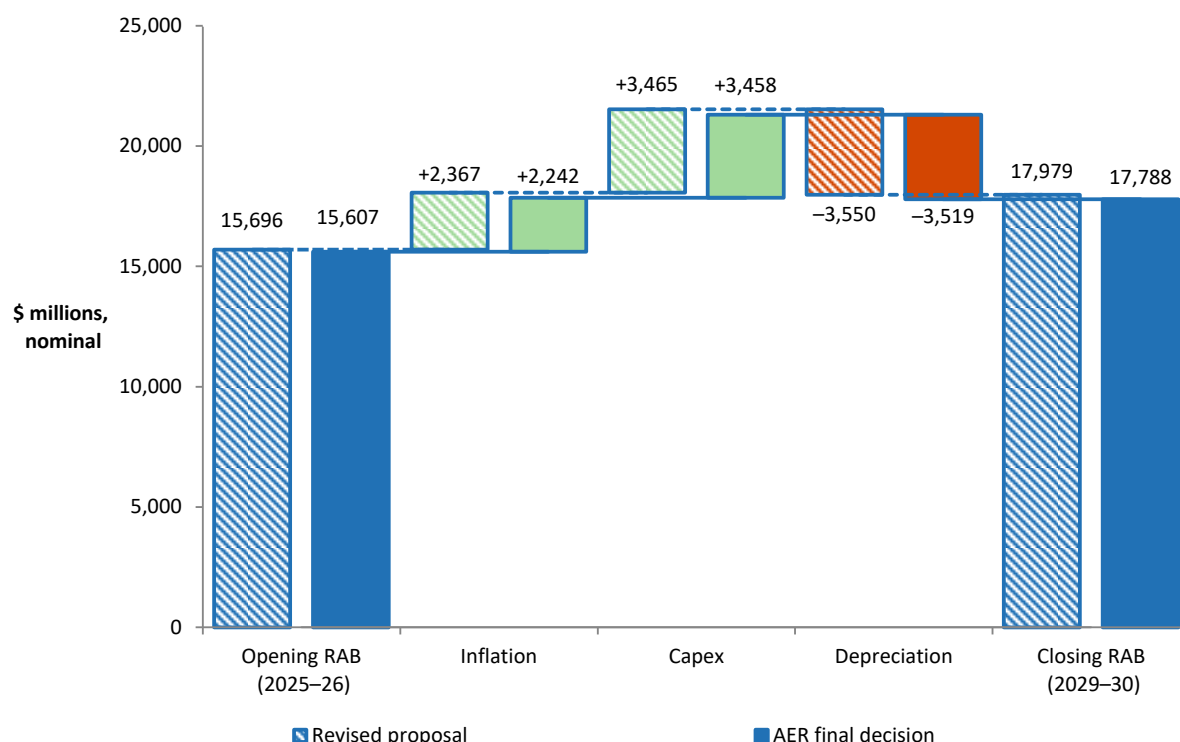
	2025–26	2026–27	2027–28	2028–29	2029–30
Opening RAB	15,606.9	16,053.2	16,510.1	16,922.7	17,340.3
Net capex ^a	647.4	685.5	674.3	703.9	746.6
Inflation on opening RAB	424.5	436.6	449.0	460.2	471.6
Less: straight-line depreciation	625.6	665.3	710.7	746.5	770.5
Closing RAB	16,053.2	16,510.1	16,922.7	17,340.3	17,788.0

Source: AER analysis.

- (a) Net of forecast disposals and capital contributions. In accordance with the timing assumptions of the PTRM, the capex includes a half-year WACC allowance to compensate for the six month period before capex is added to the RAB for revenue modelling.

Figure 2.2 shows the key drivers of the change in Energex's RAB over the 2025–30 period for this final decision. Overall, the closing RAB value at the end of the 2025–30 period is forecast to be 14.0% higher than the opening RAB at the start of that period, in nominal terms. The approved forecast net capex increases the RAB by 22.2%, while expected inflation increases it by 14.4%. Forecast depreciation, on the other hand, reduces the RAB by 22.5%.

Figure 2.2 Key drivers of changes in the RAB over the 2025–30 period – Energex’s revised proposal compared with the AER’s final decision (\$ million, nominal)



Source: AER analysis.

Note: Capex is net of forecast disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the PTRM.

Forecast net capex is a significant driver of the increase in the RAB. In our final decision, we accepted Energex’s revised proposal forecast net capex of \$3,134.7 million (\$2024–25) over the 2025–30 period.²⁴ Refer to section 2.4 of the Overview to this final decision and Attachment 5 for the discussion on forecast capex.

2.1.4 Application of depreciation approach in RAB roll forward for the next distribution determination

When we roll forward Energex’s RAB for the 2025–30 period at the next distribution determination, we must adjust for depreciation. For this final decision, we determine that the depreciation approach to be applied to establish Energex’s opening RAB at the commencement of the 2030–35 period will be based on the depreciation schedules (straight-line) using forecast capex at the asset class level approved for the 2025–30 period.²⁵ This approach is consistent with our draft decision.²⁶ Further, this approach is consistent with our

²⁴ This amount is net of forecast disposals and capital contributions, and excludes the half-year WACC adjustment.

²⁵ NER, cl. 6.12.1(18).

²⁶ AER, *Draft decision: Energex distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2023, pp. 15–16.

*Framework and approach.*²⁷ Energex’s revised proposal did not raise any issues with this approach.

As discussed in section 3 of the Overview to this final decision, we will also apply the CESS to Energex for the 2025–30 period. We consider that the CESS will provide sufficient incentives for Energex to achieve capex efficiency gains over that period. We are satisfied that the use of a forecast depreciation approach in combination with the application of the CESS and our other ex post capex measures are sufficient to achieve the capex incentive objective.²⁸

2.2 Assessment approach

We did not change our assessment approach for the RAB from our draft decision. Attachment 2 (section 2.3) of our draft decision details that approach.²⁹

²⁷ AER, *Framework and approach papers – Ergon Energy and Energex 2025–30*, July 2023, p. 21.

²⁸ Our ex-post capex measures are set out in the capital expenditure incentive guideline. This guideline also sets out how all our capex incentive measures are consistent with the capex incentive objective. AER, *Capital expenditure incentive guideline for electricity network service providers*, April 2023, pp. 12–21.

²⁹ AER, *Draft decision: Energex distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2023, pp. 6–10.

Shortened forms

Term	Definition
AER	Australian Energy Regulator
capex	capital expenditure
CESS	capital expenditure sharing scheme
CPI	Consumer Price Index
depreciation	return of capital
NER	National Electricity Rules
period	regulatory control period
PTRM	post-tax revenue model
RAB	regulatory asset base
RFM	roll forward model
WACC	weighted average cost of capital