evoenergy

Attachment 6: Revenue requirement and bill impacts

Revised access arrangement information

ACT and Queanbeyan-Palerang gas network access arrangement 2026–31

Submission to the Australian Energy Regulator

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1. Revenue requirement

The AER's draft decision accepted our approach to the calculation of the forecast revenue requirement and how this would be recovered through prices by 'smoothing' the revenue requirement over the 2026–31 access arrangement period. The AER's draft decision set Evoenergy's 2026–31 smoothed revenue requirement as $392.2[1] million, which included jurisdictional taxes and levies, compared to our initial proposal forecast of $422.8 million, which did not include jurisdictional taxes and levies.[2] When taxes and levies are included, Evoenergy initial proposal included a smoothed revenue requirement of $471.5 million.[3]

1.1 Our revised revenue requirement for the 2026–31 period

Our revised revenue requirement (unsmoothed) for the 2026–31 access arrangement period is 11 per cent lower than our initial proposal, and 15 per cent higher than the approved revenue requirement for the current 2021–26 access arrangement period.[4]

The difference between our initial and revised 2026–31 revenue requirement is largely driven by changes to depreciation. Our annual revised revenue requirement is provided in Table 1, and details on the building block elements are summarised below. See Appendix 6.1: PTRM Step 1 and Appendix 6.2: PTRM Step 2.

Table 1 Our revised building block revenue 2026–31

$million, 2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Return on capital	24.2	23.0	21.7	20.3	19.2	**108.4**
Regulatory depreciation	21.0	22.1	23.2	24.0	25.1	**115.5**
Operating expenditure	35.4	35.0	35.0	35.0	34.9	**175.4**
Revenue adjustments	2.3	0.6	-2.5	1.1	5.3	**6.7**
Net tax allowance	2.9	2.9	3.0	3.0	3.0	**14.8**
Revenue requirement (unsmoothed)	**85.8**	**83.6**	**80.4**	**83.4**	**87.6**	**420.7**
Revenue requirement (smoothed)	**80.3**	**82.7**	**84.7**	**86.2**	**87.3**	**421.2**
Indicative X factor		**-8.6%**	**-8.6%**	**-8.6%**	**-8.6%**	

Totals may not sum exactly due to rounding

[1] All values in this attachment are real June 2026 dollars, unless otherwise stated.

[2] Our initial proposal excluded jurisdictional taxes and levies, and our revised proposal includes jurisdictional taxes and levies. Attachment 5: Operating expenditure for further information.

[3] Excluding debt raising costs.

[4] Evoenergy's 2021–26 revenue allowance included ancillary activities and transport services as a single reference service. In our revised proposal, ancillary activities are a separate reference services. To ensure a like-for-like comparison, ancillary activities have been removed from the 2021–26 revenue allowance.

1.1.1 Return on capital

We calculate the opening asset base using the AER's roll-forward model (RFM) (see Appendix 6.3: Roll forward model). The only change that we made to the AER's draft decision RFM was to update capex inputs for 2024–25 and 2025–26 and to adjust the opening asset value for accelerated depreciation (see section 1.1.2 below). The capex inputs for 2024–25 reflect actuals, as submitted in our 2024–25 annual RIN response and capex inputs for 2025–26 reflect updated estimates. The capital asset base is then calculated for every year of the access arrangement period 2026–31 by adding new capex and deducting depreciation. As a result of our revised capex forecast and depreciation approach, our capital base is forecast to decrease by 31 per cent over the access arrangement period 2026–31.

Table 2 Opening and closing capital asset base

$2025–26, millions	Initial proposal	Draft decision	Revised proposal
Opening capital base July 2026	412.2	409.3	409.4
Closing capital base June 2031	239.7	300.5	282.9

We have adopted the AER's draft decision rate of return assumptions (rate of return of 6.07 per cent for 2026–27) for the purposes of the revised proposal, noting these will be updated for the final risk-free rate estimate in the AER's final decision.

1.1.2 Regulatory depreciation

Regulatory depreciation is calculated as depreciation minus indexation (inflation on opening capital base). Our revised proposal is for $160.2 million of depreciation, 24 per cent lower than our initial proposal. Details of our response to the AER's draft decision on regulatory depreciation and our revised proposal are provided in Attachment 3: Depreciation. Our revised regulatory depreciation of $115.5 million is calculated by deducting indexation of $44.7 million using the same method as the AER.

1.1.3 Operating expenditure

Evoenergy's revised opex forecast is $175.4 million, 4 per cent higher than the AER's draft decision. For more information on our revised opex for the period 2026–31 see Attachment 5: Operating expenditure.

1.1.4 Net tax allowance

The revised proposal net tax forecast of $14.8 million is calculated in accordance with the AER's PTRM. Evoenergy accepts the changes to tax asset lives made in the AER's draft decision and the use of year-by-year depreciation tracking to calculate tax depreciation (see Appendix 6.4: Depreciation tracking module).

1.1.5 Revenue adjustments

Revenue adjustments reflect the outcomes of the incentive schemes for capital and operating expenditure.

Capital expenditure sharing scheme

We have updated the CESS calculation as required by the AER's draft decision, using the updated CPI and real vanilla WACC. In addition, we have updated capex inputs by incorporating actual results for 2024–25 and a more recent estimate for 2025–26.

We have also included reported performance metrics for 2024–25. This resulted in an Asset Performance Index (API) of 109.49, which corresponds to a Contingent Payment Factor (CPF) of 100 per cent. Accordingly, the carryover amount for the 2021–26 period in our revised proposal is $5.35 million, to be allocated evenly across the 2026–31 period at approximately $1.1 million per year. Our CESS model is provided as Appendix 6.5: CESS Model-January 2026.

Efficiency carryover mechanism

Evoenergy accepts the AER's draft decision adjustments to the calculation of the Efficiency Carryover Mechanism (ECM). We have updated the AER's draft decision model for actual 2024–25 opex, consistent with our annual RIN submission for gas. The revised ECM carryover is $1.3 million. Our ECM model is provided as Appendix 6.6: ECM Model-January 2026.

2. Customer bill impacts

The indicative customer bill impacts (retail) in 2025–26 dollar terms (i.e. excluding annual inflation) resulting from the forecast revenue requirement outlined in section 1.1 and our demand forecast (as set out in Attachment 3: Demand) is shown in Table 4. The bill impacts shown below reflect our revised proposed flattening of Evoenergy's volume tariff as discussed in Attachment 6: Transportation (including metering) reference tariffs.

We have derived the retail bill impacts by only adjusting network costs in line with our revised proposal. We have assumed that all non-network components of the customer's bill, such as wholesale gas, transmission and retail costs, are held constant in today's dollar terms over the period. In reality, these other components will vary over the period and the actual retail bill will differ from those shown below.

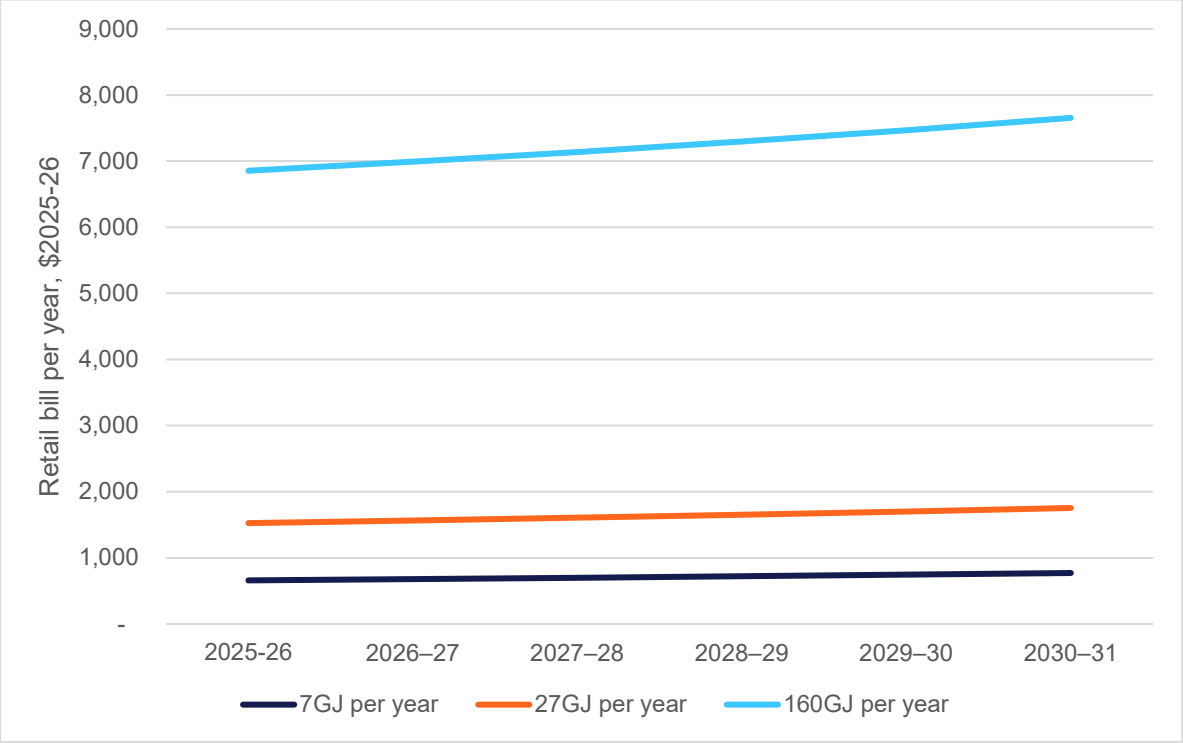
As shown in Table 3, the average annual increase in the real network bill is 8.6 per cent for the average residential consumer, while the corresponding indicative average annual increase in the real retail bill[5] is between 2.2 per cent and 3.2 per cent across our typical customer types shown (see also Figure 1).

[5] Indicative impact on annual average real increase in the retail bill is calculated assuming all other non-network components of the retail bill remain unchanged from 2025–26.

Table 3 Bill impacts for 2026–31 access arrangement period ($2025–26)

Usage	Bill component	2026–27	2027–28	2028–29	2029–30	2030–31	Average annual increase
7 GJ	Non-network	442	442	442	442	442	
	Network	236	256	278	302	328	8.6%
	Total retail	**677**	**698**	**720**	**744**	**770**	**3.2%**
27 GJ	Non-network	1,079	1,079	1,079	1,079	1,079	
	Network	484	526	572	621	675	8.6%
	Total retail	**1,564**	**1,606**	**1,651**	**1,700**	**1,754**	**2.8%**
160 GJ	Non-network	5,299	5,299	5,299	5,299	5,299	
	Network	1,691	1,837	1,996	2,169	2,356	8.6%
	Total retail	**6,991**	**7,137**	**7,295**	**7,468**	**7,655**	**2.2%**

Figure 1 Retail impacts for 2026–31 access arrangement period



Glossary

Term or acronym	Definition
AA	Evoenergy's access arrangement
ACT	Australian Capital Territory
AER	Australian Energy Regulator
CAB	Capital asset base
Capex	Capital expenditure
CESS	Capital Expenditure Sharing Scheme
CPI	Consumer price index
ECM	Efficiency carryover mechanism
EIL	Energy Industry Levy
GJ	Gigajoule – unit of measurement of energy consumption
Opex	Operating expenditure
PTRM	Post Tax Revenue Model (AER model) used to calculate Evoenergy's revenue forecast
RIN	Regulatory Information Notice
The Rules or Rules	National Gas Rules
UAG	Unaccounted for gas
UNFT	Utilities (Network Facilities) Tax