

25 February 2026

Dr Kris Funston
Executive General Manager
Network Regulation
Australian Energy Regulator

Dear Kris

Thank you for your response dated 10 February 2026 (AER letter) to our 2 February 2026 request for the AER to provide the additional internal analysis referred to by AER Board members at the meeting between Evoenergy and the AER Board on Thursday 29 January 2026 (the meeting).

Evoenergy has reviewed the AER internal analysis attached to the AER letter. The AER internal analysis models gas network price outcomes under alternative demand forecasts over the period to 2045. These alternative demand forecasts:

- are hard-coded and therefore we cannot interrogate the underlying assumptions, including any assumed price elasticity (if there is one), or the basis for those assumptions,
- do not appear to be informed by any consideration of alternative accelerated depreciation allowances, and
- do not appear to take any account of the demand response to retail prices, the effects of any resultant retail price- demand feedback loop, or price elasticity.

The only conclusion that can be drawn from the AER analysis is that when demand is lower, or depreciation is higher, prices are higher. The lack of any price-demand response analysis, elasticity parameter, or feedback loop in the AER internal analysis means no conclusion can be reached on the basis of that analysis regarding the impact on demand arising from a change in the network price. Consequently, the AER internal analysis does not provide any evidence to support the AER's conclusions that:

- demand destruction occurs due to the price impacts of accelerated depreciation,¹
- Evoenergy's initial proposal for accelerated depreciation would lead to unsustainable price escalation,² and
- a 4.0 per cent real network price increase limit is needed as a 'guardrail' to avoid the risk of the use of the network declining faster than anticipated.³

In contrast Evoenergy's initial and revised proposals and supplementary submission have provided extensive evidence that our accelerated depreciation proposal will not have a material impact on demand, either in the 2026–31 period or beyond.⁴

As requested in the AER letter, Evoenergy attaches a public version of its 2025 long term post-tax revenue model to 2045. To preserve customer confidentiality we have redacted and hard coded some tariff level demand and revenue forecasts in the public version.

¹ As indicated by AER Board members at the AER Board meeting on 29 January 2026.

² As stated in the AER letter of 10 February 2026.

³ As stated in AER's draft decision on Evoenergy's 2026-31 access arrangement, Attachment 1, p.20.

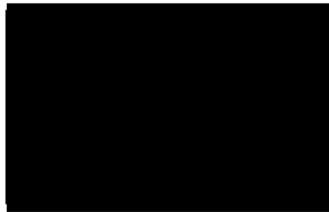
⁴ Refer to all of the following: Evoenergy (2026). [Supplementary submission to the AER, dated 13 February 2026](#), including Attachments A (Centre for International Economics (CIE)) and B (HoustonKemp), February; Evoenergy (2026). [ACT and Queanbeyan-Palerang gas network revised access arrangement 2026–31](#), Attachment 2 (Demand), Appendix 2.1 (CIE), Appendix 2.3 (CIE), Attachment 3 (Depreciation), Appendix 3.2 (J. Middleton AM KC) and Appendix 3.3 (HoustonKemp), January; Evoenergy (2025). [ACT and Queanbeyan-Palerang gas network access arrangement 2026–31](#), Attachment 2 (Demand), Appendix 2.2 (CIE), Appendix 2.3 (CIE), Attachment 6 (Depreciation), June.

As the AER's letter does not respond to our related request of 2 February 2026, we reserve all rights in respect of any further evidentiary material considered or relied on by the AER in making its draft decision that has not been identified and/or provided to us during the AER's decision-making process to date.

Finally, Evoenergy requests that, before making its final decision, the AER provide us with any new evidentiary material or analysis prepared or commissioned by the AER following its draft decision, and an opportunity to comment on that material or analysis.

If you would like to discuss any matters raised in this submission, please contact me.

Yours sincerely



Megan Willcox
General Manager, Economic Regulation