Appendix J: Draft EN24 plan feedback summary

Regulatory proposal for the ACT electricity distribution network 2024–29

1. Draft EN24 plan feedback

On 24 August 2022, Evoenergy released its EN24 Draft plan for public consultation for a five-week period. We received submissions from the ACT Council of Social Service (ACTCOSS), and ActewAGL Retail. In addition, we received feedback from the Electric Vehicle Council, seven members of the public and comments on social media, as well as feedback received through ongoing consultation with ACT Government and Evoenergy's Energy Consumer Reference Council.

Below is a summary of the feedback we received on the questioned we asked consumers in the Draft EN24 plan. Written submissions received from ACTCOSS and ActewAGL Retail are provided at Appendix J.1 and Appendix J.2 respectively.

This feedback is considered together with the broader feedback we have received through our broad engagement program, including the rich feedback from our community panel (including approximately 10 hours of capacity building and 20 hours of collaborative engagement).

Table 1 Draft EN24 plan feedback summary

Question	Feedback / recommendations
1. Are we engaging with the right people about the right issues as part of preparing our plans for the 2024–29 period?	*Consumer voice: "Most of what I saw in your Draft EN24 plan was great in relation to who's going to give you what sort of feedback."* • The customer who did not consider we were engaging the right people suggested we reach out globally to engage customers of their experience in transitioning to net-zero emissions. • Identify which consumers sit under the umbrella term of 'vulnerable communities' (ACTCOSS) • Identify and reduce friction points and barriers to engagement and recognise the complexity of energy markets when designing engagement materials (ACTCOSS) • Facilitate consumer understanding of how Evoenergy's determinations impact bills by providing modelling that includes other cost components found on a consumer's retail bill (ACTCOSS)
2. Are there elements of our Draft EN24 plan that you think we need to engage further with consumers about?	*Customer voice: "… Secondly, put the power lines underground. Climate change will mean that above ground power lines will be extremely high maintenance and low reliability. It's a capital cost – make it now and recover in the future."* *Customer voice: "Why don't you explain to consumers what is happening right now with energy prices in Europe? As this is the path we are heading on and this too will be our future. Explain to consumers the situation in Germany the poster boy for the green movement is even worse."* • Develop consumer archetypes to identify who will benefit or require extra support during EN24 (ACTCOSS) • Understand the relationship between cost of living and energy affordability and explain steps to smooth and mitigate increased pricing within EN24 (ACTCOSS) • Identify any instances of cross-subsidisation between different consumer groups in the proposed EN24. Explain steps taken to remove cross-subsidisation between different consumer groups or why it remains (ACTCOSS) • Advocate for better outcomes for at-risk and low-income households (ACTCOSS)
3. Do you support Evoenergy replacing fleet passenger vehicles and light trucks with electric vehicles in 2024–29, even if they are more expensive	*Customer voice: "Not right now, especially if you're going to charge consumers for that money."* *Customer voice: "EVs have not been configured for light truck purposes. They will not last a day hauling equipment and running EWPs."* • It is reasonable that Evoenergy would be seeking to transition its fleet of traditional combustion vehicles with electric vehicles (EVs) given the ACT

	than petrol/diesel vehicles?	Government's broader policy to phase out new petrol and diesel cars from 2035. However, further information on how Evoenergy intends to transition its fleet needs to be provided. (ACTCOSS)

4.	Do you think our preliminary capex program adequately meets the expectations and priorities of consumers?	• Customers were concerned about our preliminary capex proposal for the following reasons:
		  ○ One customer did not support the program as they wanted more detail. Customer voice: "I need to hear more about the dollar amounts of what you propose and how it fits in with everything."
		  ○ One customers did not support our program on the basis that they didn't support the shift to net-zero. Customer voice: "Drop the net zero obsession and stick with reliable baseload power."
		• One customer did not support the program as they felt it did not go far enough. Customer voice: "I don't think there is enough investment to support EV uptake and increased solar and batteries in the ACT net zero target timeframe. "While Evoenergy may be constrained in their ability to lower costs to consumers, Evoenergy can look to smooth pricing impacts over the regulatory period. It can also seek to defer some investments. We commend Evoenergy for proactively looking to identify investments and costs that could be deferred over EN24. (ACTCOSS)

5.	Do you think the capex program is appropriate to support NZ45?	• ACTCOSS raised a number of questions relating to our capex proposal, mostly seeking further information.
		• Some feedback did not support the capex program because:
		  ○ One consumer considered that we are not investing enough. Customer voice: "I don't think there is enough investment to support EV uptake and increased solar and battery in the ACT net zero timeframe. More investment is needed upfront."
		  ○ One customer considered that we were expecting change too fast too quickly.

6.	Do you think that our proposed step changes appropriately balance customer expectations regarding risk and the changing needs of the network with affordability considerations?	*Customer voice: "You have not outlined what the real dollar amount of anything here is going to be?"* • Evoenergy's approach to proposed operating costs appears reasonable. We implore Evoenergy to continue to make improvements to its productivity (aiming to have actual opex below the AER's regulatory allowance for the period), to support the distribution of benefits to both network service providers and consumers under the Efficiency Benefit Sharing Scheme. (ACTCOSS)
7.	Do you feel that Evoenergy's preliminary opex forecast adequately meets expectations and priorities?	• Those customers which did not support our opex proposal provided the following reasoning: ○ They did not support the transition to net-zero. • Not enough detail. Customer voice: "What is the dollar impact for customers? You only talk about, in terms what might happen and what you expect to happen, no dollars." *Customer voice: "Recurrent maintenance costs are the elephant in the room, and not addressed here."*
8.	Are there specific aspects of our proposed opex that you support or would like to know more about?	n/a
9.	Do you think the proposed future tariff structure is appropriate to support the ACT transition to NZ45?	*Customer voice: "You are locked into the old mind set; you need to think outside the square. Consumers are making the capital investment in solar; your approach is penalising those that do. We are in an age of 'smart everything', so don't rely on users to monitor their consumption, use software it is available now (for example Reposit)."* *Customer voice: "Export charges for home solar (11AM to 3PM) will drive people away from installing solar. Without battery storage, that exported power will be wasted and not recouped to help with peak periods."* • ACTCOSS supports Evoenergy's vision to provide cost-reflective network tariffs that provide opportunities for consumers to manage the network component of their electricity bill, especially as more cost-reflective tariffs

	will help maximise efficient use of the network, minimising extreme spikes in demand and managing capacity constraints stemming from greater electrification. However, further work needs to be done to understand whether consumers, presently, have the knowledge and home systems in place to benefit from these changes and recognise these pricing signals. Evoenergy and retailers should also consider what sort of education and information programs need to be implemented to support introduction of the tariffs proposed for this period. (ACTCOSS) • New charges (such as the solar sponge charge and inclining overnight block charge) will introduce and create new consumer behaviours, with the potential to introduce new demand peaks. Evoenergy needs to ensure that proposed tariffs will remain fit-for-purpose in the long-term. Consumers require reliability and consistency to support behaviour change and investment in technology. (ACTCOSS) • Introduction of an export tariff will go towards supporting equity and fairness for cost recovery. As noted above, low-income households are less able to afford or access DER technologies to help reduce energy bills, and already spend disproportionately more of their income on energy. (ACTCOSS) • The proposed tariff structures for 2024–29 are more complex than the tariffs offered by Evoenergy during 2019–24 which has the potential to impact on the adoption of more cost-reflective tariffs and general effectiveness of price signals. Overly complex tariff structures or more tariff choice may lead to customer churn and increased operating costs (that are passed onto consumers). (ActewAGL Retail) • The name 'solar sponge' may introduce added complexity to tariffs, instead, using existing and widely understood terms such as 'peak', 'shoulder' and 'off-peak' may be more effective. (ActewAGL Retail) • The new inclining block charge may undesirably create new overnight network peaks and disincentivise the use of EV smart chargers by rewarding consumers that do all EV charging with a 10A power point. (Electric Vehicle Council)
10. Are there specific aspects of our proposed tariff structure that you support or would like to know more about?	• ACTCOSS raised a number of questions relating to the proposed TSS including about what work Evoenergy is doing with retailers on educating consumers on network tariffs, its long-term plans for tariff reforms, and consideration of smart meter penetration. • ActewAGL Retail

Appendix J.1 – ACTCOSS submission on Evoenergy's Draft EN24 plan

ACT COSS

ACT Council of Social Service Inc

Submission:

Evonergy Draft Electricity Network Plan 2024-29

October 2022

About ACTCOSS

ACTCOSS acknowledges Canberra has been built on the land of the Ngunnawal people. We pay respects to their Elders and recognise the strength and resilience of Aboriginal and/or Torres Strait Islander peoples. We celebrate Aboriginal and/or Torres Strait Islander cultures and ongoing contributions to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) advocates for social justice in the ACT and represents not-for-profit community organisations.

ACTCOSS is a member of the nationwide COSS Network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS's vision is for Canberra to be a just, safe and sustainable community in which everyone has the opportunity for self-determination and a fair share of resources and services.

The membership of the Council includes the majority of community-based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

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October 2022

An ACT Government funded initiative.

Initiative of

ACT Government

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Acronyms

ACOSS	Australian Council of Social Service
ACTCOSS	ACT Council of Social Service
AER	Australian Energy Regulator
Augex	Augmentation expenditure
Capex	Capital expenditure
Opex	Operating expenditure
Repex	Replacement expenditure
DER	distributed energy resources
EN24 Draft Plan	Evoenergy's Draft Electricity Network Plan 2024-29
EN24	Electricity Network Determination 2024-29
EV	Electric Vehicle
NSP	Network Service Provider
PV	Photovoltaic
TSS	Tariff Structure Statement

Introduction

The ACT Council of Social Service (ACTCOSS) welcomes the opportunity to provide feedback on *Evoenergy's Draft Electricity Network Plan 2024-29* (EN24 Draft Plan).[1] ACTCOSS's primary focus is to represent the interests of low-income and other at-risk energy consumers in the ACT.

ACTCOSS recognises the efforts that Evoenergy has taken to engage with consumers and consumer advocates in preparation of its EN24 Draft Plan. We also recognise that Evoenergy intends to undertake further engagement between the period of August to December 2022. This includes, partnering with ACTCOSS to undertake consultation to obtain the perspectives of harder to reach consumers residing within the Territory through consumer advocate representatives.

It is intended that this partnered consultation will be used in preparing Evoenergy's formal proposal to the Australian Energy Regulator (AER) that is due to be submitted on the 31 January 2023.[2]

This further engagement will be important for Evoenergy to meet the AER's consultation expectations as set out in the *AER Better Resets Handbook – Toward consumer-centric network proposals*.[3] It will also support the AER in ensuring that Evoenergy's proposal is meeting the AER's obligation to make determinations that advance the long-term interests of consumers under the *National Electricity Objective*.[4]

Our submission to the EN24 Draft Plan primarily focuses on the questions relating to engagement. It also outlines high-level comments and sentiments on each component of the Draft Plan and provides some requests for further information.

Summary

Table 1: Outline of recommendations for improved community engagement

Engagement recommendation
Recommendation 1: Identify which consumers sit under the umbrella term of 'vulnerable communities'
Recommendation 2: Identify and reduce friction points and barriers to engagement

[1] Evoenergy, Evoenergy's Draft EN24 plan, accessed 15 September 2022.

[2] AER, Evoenergy (ActewAGL) – Determination 2024-29, accessed 15 September 2022.

[3] AER, Better Resets Handbook – December 2021, accessed 15 September 2022.

[4] *National Electricity (South Australia) Act 1996*, s 7 (NEL).

Recommendation 3: Recognise the complexity of energy markets when designing engagement materials
Recommendation 4: Facilitate consumer understanding of how Evoenergy's determinations impact bills by providing modelling that includes other cost components found on a consumer's retail bill
Recommendation 5: Develop consumer archetypes to identify who will benefit or require extra support during EN24
Recommendation 6: Understand the relationship between cost of living and energy affordability
Recommendation 7: Explain steps to smooth and mitigate increased pricing within EN24
Recommendation 8: Identify any instances of cross-subsidisation between different consumer groups in the proposed EN24. Explain steps taken to remove cross-subsidisation between different consumer groups or why it remains.
Recommendation 9: Advocate for better outcomes for at-risk and low-income households

Table 2: Summary of information requests

Information requests - General
1. Explain steps taken to mitigate and smooth any impacts from price increases in the EN24 proposal.
2. Identify instances where low-income and at-risk consumers are cross-subsidising investments or tariffs from which they receive no benefit. Offer an explanation where a path has not been taken to remove that cross-subsidisation.

Information requests – relating to Capex
3. Outline what specific investments have been deferred based on asset condition, consumer trends and policy.
4. Has Evoenergy factored in the impact of more cost reflective tariffs under the proposed TSS on capacity constraint, in the proposed capex?
5. Has Evoenergy sought to optimise the existing hosting capacity within its proposed capex plan? If so, how has this occurred?
6. What has driven the 8% increase in capitalised overheads?
7. Outline how Evoenergy intends to phase out its fleet of fuel vehicles.

8. What is the criteria for when a traditional combustion vehicle would be retired and replaced?
9. Provide any modelling which substantiates Evoenergy's assumption that higher upfront costs of EVs may be offset by cheaper running costs.
10. Does Evoenergy's proposed DER spending have a net market benefit?
11. At present, how frequently does the Territory reach its network limits?

Information requests – relating to TSS
12. Has Evoenergy undertaken any work with retailers, to date, on educating consumers on network tariffs, or coordinating network price signalling on consumer bills?
13. What are some consumer types that Evoenergy has already identified as being at-risk of greater costs, and benefiting from the proposed TSS?
14. What is Evoenergy's long term plan with novel charges (e.g. solar sponge charge and inclining overnight block charge). Does Evoenergy anticipate having to make further changes to tariffs in future? If so, what would these potential further changes be?
15. What does Evoenergy mean when it says on p. 27 that 'some charges (outside the middle of the day) may increase to compensate for low solar sponge rate'?
16. How has Evoenergy designed its TSS with consideration of the current levels of smart meter penetration in the ACT? [5] What tariffs will be available to those without smart meters?
17. Who did Evoenergy consult with to represent 'vulnerable consumers' during TSS engagements (the consumer demographic)? What is Evoenergy's definition of consumer vulnerability? And, how did Evoenergy identify these representative consumers?

[5] The AEMC notes in its consultation paper on the *Review of the Regulatory Framework for Metering Services*, in 2020, that ACT smart meter penetration sits at ~16%.

Engagement

Engaging with the right people

ACTCOSS supports the breadth of stakeholders that Evoenergy is seeking to engage with. The EN24 Draft Plan outlines Evoenergy's intention to engage with:

Customer type	
Residential customers	Young people
Small-medium business customers	Retailers
Vulnerable communities	Large customers
Culturally and linguistically diverse communities	ACT Government
	Aboriginal and Torres Strait Islander communities

Unfortunately, the EN24 Draft Plan does not specify which groups of people sit under the umbrella term 'vulnerable communities'. It is not clear whose views are being captured and represented in Evoenergy's engagements with vulnerable consumers to date. This is particularly important as consumer vulnerability, as defined by the AER, may refer to personal circumstances of a consumer (which can be diverse and intersectional), as well as barriers created by characteristics of the energy market (such as complexity).[6] Both of which prevent a consumer from protecting or representing their interests.[7] Research has also shown it is not a term that all consumers identify with or respond positively to.[8]

It would be valuable for Evoenergy to make it clear which consumer groups it has consulted with in each of its engagements. This will help support the identification of households that should be included in EN24 engagement, but have currently been missed.

Recommendation 1:
Identify which consumers sit under the umbrella term of 'vulnerable communities'

[6] AER, Consumer Vulnerability Strategy – Draft for consultation, December 2021, p. 7.

[7] AER, Consumer Vulnerability Strategy – Draft for consultation, December 2021, p. 7.

[8] ESCV, Sensitive and appropriate engagement with consumers experiencing vulnerability, January 2021.

The importance of accessible design

Engaging with the right people on the right issues is only one part of genuine engagement. It is equally important to take steps to ensure engagement with consumers includes materials, information, forums, and platforms that are designed and written in a way that facilitate participant understanding. This understanding is what then leads to participants providing informed views, allowing them to guide the development of proposals.[9]

Poor engagement design can have a negative impact by biasing specific voices and missing others. To avoid poor engagement resulting from inaccessible design, it is important, in the planning stage, to acknowledge that not all consumers have strong digital literacy skills, and may face language or literacy barriers.[10]

Practically, this means some consumers need additional in-person or phone support, while others need information provided via video or audio or translated into Easy or Plain English. Other reasonable adjustments must be made as necessary. This is particularly important when capturing consumer perspectives through direct engagement.

For example:
Evoenergy's website currently requires online users, from the broader community, to complete a mathematics equation to register for future updates and to ask questions.[11] While verification processes serve a legitimate function in preventing robots from abusing and spamming forms, it is valuable to consider how processes can be designed in a way that serves a function but does not, inadvertently, prevent people with different needs and abilities from engaging.

Reducing barriers, friction points and offering support to accommodate people's different needs, will go far to create engagement processes that will allow for a diversity of people with different abilities and capacities to engage.

Recommendation 2:
Identify and reduce friction points and barriers to engagement.

Market complexity

Engagement also needs be designed in a way that recognises that energy markets are highly complex. Exacerbating this is the lack of visibility that everyday consumers have on the role Network Services Providers (NSPs) play in energy supply. This is because energy retailers are consumers' primary point of contact with the energy market.

[9] AER, Better Resets Handbook – December 2021, accessed 15 September 2022, p. 13.

[10] Brotherhood of St Laurence, Power Pain: An investigation of energy stress in Australia, 2022, p. 27.

[11] See Evoenergy, Engage with energy, accessed 15 September 2022.

Part of Evoenergy's role in community consultation should be to reduce barriers stemming from market complexity by equipping and empowering consumers to effectively engage.[12] In practice, supporting effective engagement includes ensuring consumers and advocacy representatives have access to independent expert advice and research, providing appropriate remuneration for contributions that are made, and allowing for sufficient time for stakeholders to understand complex issues.[13]

Consultation should also be viewed as an opportunity for Evoenergy to help develop and maintain local advocacy capacity within the Territory, which will go towards supporting future determinations and access arrangements.

Recommendation 3:
Recognise the complexity of energy markets when designing engagement materials

Further indicative bill impact modelling

It is important that consumers have a clear understanding of how determinations impact them, especially as network costs represent around 45% of an average residential retail bill.[14] This means consumers need to understand that network investment costs are passed through to consumers on their energy bills in the form of a network tariff, and that further or greater investments will equate to higher bills.

The EN24 Draft Plan provides limited information on indicative bill impact. Table 7.6, while showing annual change in dollars, does not provide information that facilitates a fulsome consumer understanding of how the EN24 determination will impact their entire bill, as the information silos network costs from the total bill.

Evoenergy should look to provide modelling and information that shows the total retailer bill amounts that consumers can anticipate across the determination period 2024-29. This information could be presented in a table format, showing changes in the total bill amount across the determination period.

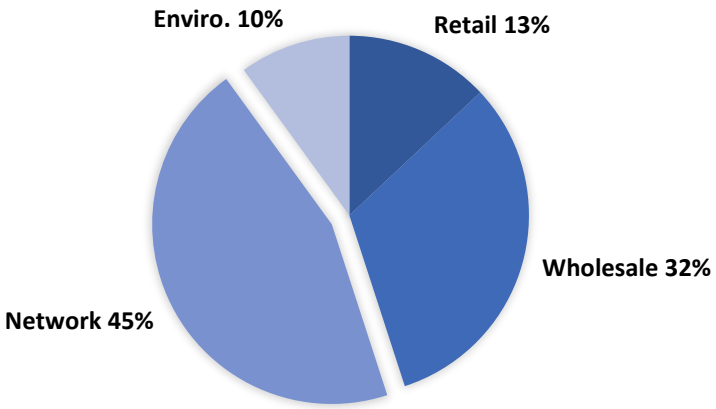
[12] AER, Better Resets Handbook – December 2021, accessed 15 September 2022, pt. 3.2.3.

[13] AER, Better Resets Handbook – December 2021, accessed 15 September 2022, pt. 3.2.3. and 3.3.1.

[14] Australian Council of Social Services (ACOSS), Empowering disadvantaged households to access affordable, clean energy, 2017, p. 19.

This modelling should be based on Evoenergy's projected network tariffs within EN24. It should include both whole-sale and retailer cost components, as well as network costs. This will make it clear to consumers and consumer advocates what the total cost and impacts the proposal will have on consumers, especially as network tariffs are only one of the components of a customer's retail bill.

Figure 1: Components Of A Retail Bill



Source: AER, Inquiry into the National Electricity Market – November 2021 report, 13 December 2021.

Recommendation 4:
Facilitate consumer understanding of how Evoenergy's determinations impact bills by providing modelling that includes other cost components found on a consumer's retail bill.

Explore consumer archetypes

Evoenergy should also develop consumer archetypes that represent real consumer groups/households in the Territory and their consumption habits. At a minimum, there should be a model of the total retail bill amounts that represents a household not receiving any concessions, and a model of the total retail bill amounts that represents a household receiving concession(s).

Evoenergy should also develop consumer archetypes to inform its tariff structure statement (TSS) to show which household types will benefit from proposed tariffs.

Modelling different consumer archetypes, considering bill impact (inclusive of the entire energy bill stack), and impending tariff structures for EN24, will help identify which households will need extra support over the determination period and which households will benefit most from EN24.

Evoenergy can then:

- Make informed adjustments within their EN24 proposal, if there are households identified that appear to be disproportionately, negatively impacted.
- Invest in targeted education campaigns to build awareness of impending changes and actions that consumers can take to mitigate costs.
- Advocate for at-risk consumer groups to receive greater support.

Recommendation 5:
Develop consumer archetypes to identify who will benefit or require extra support during EN24.

The impact of cost of living

Over the last two years, we have seen a rise in the cost of living. More recently, events such as supply chain disruptions, natural disasters, and war in Ukraine, have further contributed to price increases of 6.1% across the board in Australia.[15] This means that more households are struggling, or unable, to afford the fundamentals of a healthy life such as housing, food, transport, health services and energy.

Rising energy prices are one of the main contributors to increasing pressures for low-income households in the ACT.[16] In the past five years, ACT households have seen the price of electricity increase by 28.1% compared to 3.0% nationally.[17] Concurrently, gas prices have also risen by 24.0% compared to 12.7% nationally, over the same period.[18]

A recent report by ACOSS, *How Jobseeker and other income support payments are falling behind the cost of living*, found that of 449 respondents living on Job Seeker, Youth Allowance and Parent Payment between July and August 2022:

- More than half were taking shortened or fewer showers because of increased energy costs
- 70% were cutting their use of heating
- 46% were going to bed early to keep warm

[15] ACOSS, How JobSeeker and other income support payments are falling behind the cost of living, September 2022.

[16] ACT Council of Social Services (ACTCOSS), 2022 ACT Cost of Living Report: Tracking changes in the cost of living for low-income households in the Australian Capital Territory, May 2022, p. 18 ('2022 ACT Cost of Living Report'), p. 16.

[17] ACTCOSS, 2022 ACT Cost of Living Report: Tracking changes in the cost of living for low-income households in the Australian Capital Territory, May 2022, p. 18 ('2022 ACT Cost of Living Report'), p. 18.

[18] ACTCOSS, 2022 ACT Cost of Living Report: Tracking changes in the cost of living for low-income households in the Australian Capital Territory, May 2022, p. 18 ('2022 ACT Cost of Living Report'), p. 18.

- 28% currently have energy bill debt
- 22% expect to go into debt when they receive their next bill. [19]

It is important that Evoenergy understand that any increase in electricity prices over the next determination period will have a significant impact on low-income households, especially as these households already spend a significantly higher proportion of their income on energy.[20] Additionally, any impacts will be exacerbated as low-income households are less able to mitigate rising prices through more efficient housing, owning rooftop solar, or replacing gas appliances with electric.

It is, therefore, important for Evoenergy to:

- Justify why components across capex and opex have increased.
- Clearly explain steps taken to mitigate and smooth any impacts from price increases in the EN24 proposal.
- Identify instances where low-income and at-risk consumers are cross-subsidising investments from which they will receive no benefit. And, offer an explanation where a path has not been taken to remove that cross-subsidisation.

Additionally, given the disproportionate impact this determination will have on low-income and disadvantaged households, it's important that these households' perspectives are given considered weight in influencing Evoenergy's determination.

As noted above, central to this will be to ensure low-income and disadvantaged groups are provided information in a way that links their lived experience with Evoenergy's plan for 2024-29.

Recommendation 6:
Develop consumer archetypes to identify who will benefit or require extra support during EN24
Recommendation 7:
Explain steps that have been taken to smooth and mitigate increased pricing over EN24.
Recommendation 8:
Identify any instances of cross-subsidisation between different consumer groups in the proposed EN24. Explain steps taken to remove cross-

[19] ACOSS, How JobSeeker and other income support payments are falling behind the cost of living, September 2022.

[20] ACTCOSS, 2022 ACT Cost of Living Report, p. 18.

subsidisation between different consumer groups or why it remains.

Concession amounts

ACTCOSS recognises there are limitations on the degree of consumer support Evoenergy can offer consumers as an NSP. Consumer protections under the *National Energy Customer Framework* are applied through energy retailers, and concession amounts decided by the ACT government. There are also limitations on the adjustments that can be made in the EN24 proposal, given Evoenergy is subject to network capacity obligations under the ACT Government's pathway to net zero.

Evoenergy can however play a role in helping to identify areas that require changes outside of Evoenergy's remit by advocating for higher concessions and programs to support consumers during transition; and by working with retailers to educate consumers on how to best utilise the tariff they are on, or to identify a tariff that best suits a consumer's needs and usage patterns.

Evoenergy should look to model the impacts of rising energy prices and cost of living on low-income households. Modelling can include the amount of current concession and social security payment rates, anticipated energy bill amounts during the EN24 period, median rent, fuel, and grocery costs. Evoenergy should seek to highlight the amount of income available to low, fixed income households after paying for these essentials.

Having residual income is important as research shows that households experiencing financial stress may engage in self-rationing of their use, or sacrifice other essential goods such as food, clothing, and medicine, to pay for energy bills.[21] Lack of affordable energy can have severe consequences on a consumer's health, wellbeing, economic participation, and social inclusion.[22]

This information will be valuable to highlight to ACT Government as they conducted planned reviews of targeted concessions schemes. Amounts may need to be made higher or supports expanded to include groups of people that are currently falling outside of eligibility, in anticipation of the new regulatory period. It will also help identify household types that may benefit from targeted programs and policy to facilitate the move from gas to full household electrification.

Research already shows that low-income, dual-fuel households in existing homes, including private renters, are groups that face barriers to transitioning from gas to all-electric. These households face what have been referred to as a 'poverty premium', where their inability to afford the upfront costs of switching

[21] PIAC, Close to the Edge Report – Qualitive and Quantitative Study, November 2018, p 46; ACOSS, Empowering disadvantaged households to access affordable, clean energy, 2017, p. 23; PIAC, More Power to You: Electricity and People with Physical Disability, 2012, p. 13-14.

[22] ACOSS, Empowering disadvantaged households to access affordable, clean energy, 2017, p. 8

appliances prevents them from accessing long-term reductions in the cost of energy.[23]

Renters also face the additional barrier from 'split incentive', where energy efficiency improvements represent a cost to the lessor, but a saving to the tenant.[24] Existence of this barrier has been affirmed by a recent study conducted by the Australian National University which highlighted that property investors appear to be reluctant to install solar or further improve energy efficiency within their rental properties without a guaranteed return on investment.[25] The study also found that investors are unlikely to exceed legal energy efficiency requirements.[26]

Given these barriers, it is important these at-risk households receive support during transition and EN24 access arrangement period.

Recommendation 9:
Use EN24 to advocate for better outcomes for at-risk and low-income households

[23] SACOSS, *Fact sheet: poverty premiums*, SACOSS, Adelaide, 2017, accessed 6 October 2022.

[24] Brotherhood of St Laurence, Power Pain: An investigation of energy stress in Australia, 2022, p. 8.

[25] Mara Hammerle, Lee White and Bjorn Sturmberg, How can we involve renters in the renewable energy transition in Australia? (pre-publication), June 2022, p. 16 and 24.

[26] Mara Hammerle, Lee White and Bjorn Sturmberg, How can we involve renters in the renewable energy transition in Australia?' (pre-publication), June 2022, p. 24.

General comments and requests for further information

Capex

Over the regulatory period for EN24, Evoenergy has proposed a capital expenditure (capex) program of $425 million, which is 16 per cent higher than the current (2019-24) period.

Key drivers of this increase appear to be greater proposed spend on:

- replacement expenditure (repex) related to vegetation maintenance and replacement of weathered poles,
- augmentation expenditure (augex) required to address emerging capacity constraints,
- customer initiated expenditure,
- population growth (although it is noted that this increases customer capital contributions resulting in a lower net capex),
- electrification of Evoenergy's fleet of vehicles,
- capitalised overheads shared with ActewAGL,
- DER-specific investments that will contribute to increased visibility of the low-voltage network.

In considering affordability, Evoenergy has sought to:

> 'strike the right balance between meeting consumer expectations for action toward net zero future, reliability, and affordability. [This includes] a moderate uplift in capex to grow the network…while deferring some other investment based on the condition of assets, consumer trends, and policy directions'

Balancing capacity constraints and affordability

ACTCOSS supports Evoenergy having affordability as a key consideration.[27] We also acknowledge the challenges that Evoenergy has maintaining in affordable distribution, as increased pricing may be unavoidable during the EN24 determination period given the investments required to sufficiently support the ACT Government's net zero policy objectives.

[27] ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

The existing electricity grid was not constructed to support electricity moving in two-directions.[28] Rooftop solar PV poses challenges for networks as the current infrastructure can only support a certain level of solar export, in addition to meeting consumer peak demand.[29] Additional load has consequences for NSPs relating to overvoltage and breach of thermal capacity limits.[30] These challenges will grow with greater solar PV penetration and uptake of electric vehicles.

Current strategies such as fixed export limits and reliance on inverter tripping (which renders solar unavailable even for consumers self-consumption), are not viable long-term strategies.[31] There are also benefits for everyone in distributed energy resources (DER) generation, as well as reductions in carbon emissions.[32]

While Evoenergy may be constrained in their ability to lower costs to consumers, Evoenergy can look to smooth pricing impacts over the regulatory period. It can also, as already be noted in the EN24 Draft Plan, seek to defer some investments. We commend Evoenergy for proactively looking to identify investments and costs that could be deferred over EN24.

Replacement of fleet passenger vehicles with electric vehicles

Evoenergy's overall non-network IT program is around six per cent higher than the final decision for the 2019-24 regulatory period. The largest component of this are non-system assets, including its fleet which Evoenergy intends to spend $13 million on transitioning from fuel to electric.

It is reasonable that Evoenergy would be seeking to transition its fleet of traditional combustion vehicles with electric vehicles (EVs) given the ACT Government's broader policy to phase out new petrol and diesel cars from 2035. However, further information on how Evoenergy intends to transition its fleet needs to be provided.

To support understanding of the proposed capex, ACTCOSS has some further questions.

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[28] ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

[29] ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

[30] ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

[31] ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

[32] ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

Further questions on proposed capex
1. Outline what specific investments have been deferred based on asset condition, consumer trends and policy.
2. Has Evoenergy factored in the impact of more cost reflective tariffs under the proposed TSS on capacity constraint, in the proposed capex?
3. Has Evoenergy sought to optimise the existing hosting capacity within its proposed capex plan? If so, how has this occurred?
4. What has driven the 8% increase in capitalised overheads?
5. Outline how Evoenergy intends to phase out its fleet of fuel vehicles. What is the criteria for when a traditional combustion vehicle would be retired and replaced?
6. Provide any modelling which substantiates Evoenergy's assumption that higher upfront costs of EVs may be offset by cheaper running costs.
7. Does Evoenergy's proposed DER spending have a net market benefit?
8. At present, how frequently does the Territory reach its network limits?

Opex

Over the regulatory period for EN24, Evoenergy has proposed an operating expenditure (opex) program of $378.5, which is 9 per cent higher than the current (2019-24) period.

Key drivers of proposed opex step change include:

- Higher insurance costs
- Requirements for increased cyber security
- Incorporation of DER into the network.

Evoenergy's approach to proposed operating costs appear reasonable.

However, Evoenergy notes in its EN24 Draft Plan that it is ranked among the lower performing NSP businesses. We implore Evoenergy to continue to make improvements to its productivity (aiming to have actual opex below the AER's regulatory allowance for the period), to support the distribution of benefits to both NSPs and consumers under the Efficiency Benefit Sharing Scheme.[33]

[33] AER, AER Efficiency benefit sharing scheme, November 2013.

Tariff Structure Statement (TSS)

Evoenergy notes its vision for the TSS is to:

> 'Provide cost reflective network tariffs that provide opportunities for consumers to manage the network component of their electricity bill.'

Barriers to consumer empowerment

ACTCOSS supports this vision especially as more cost-reflective tariffs will help maximise efficient usage of the network, minimising extreme spikes in demand and managing capacity constraints stemming from greater electrification. However, further work needs to be done to understand whether Territory consumers, presently, have the knowledge and home systems in place to benefit from these changes and recognise these pricing signals.

Consumers understanding the behaviours required for each proposed charge is a precondition to achieving this vision of empowerment, at a minimum. Followed by having the access to technology to make it easier for consumers to shift their usage, especially when lifestyle poses barriers.[34]

A study by CSIRO on *Australian Consumers Likely Response to Cost-Reflective Electricity Pricing* notes that for cost-reflective pricing to be successful there must be widespread uptake among consumers, and optimal usage from consumers enacting the appropriate behavioural response.[35]

This study found:

- Household preference for tariff structures were 'ranked' from an affinity for simple and familiar tariff structures to complex and novel.
- That households that are more amendable to taking up cost-reflective pricing appear to be people with high levels of formal education and renters.
- Participants also preferred peak time rebates, time-of-use tariffs, and critical peak pricing over real-time and capacity pricing.

Evoenergy should seek to work with Territory retailers to ensure price signals are being passed onto consumers. Evoenergy and retailers should also consider what sort of education and information programs need to be implemented to support introduction of the TSS. Initiatives should look to explain each charge component of the network tariff, the times each charge comes into effect, and what the appropriate behaviour for each charge component would be.

Information on different technology available should also be provided, and should include more sophisticated systems to simple, less-costly solutions (for example, smart plugs).

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[34] For example, a person who works 9-5 during the day, who would normally undertake chores and cooking in the evening could shift some of their appliances to run during the solar sponge charge through a home management or scheduling system.

[35] CSIRO, Australian Consumers' Likely Response to Cost-Reflective Electricity Pricing, June 2015.

Helping consumers understand novel charge components should also be emphasised.

Consumer archetypes

As noted above, Evoenergy should seek to develop consumer archetypes based on different households and their assumed consumption habits to help identify households which may be at-risk of being negatively impacted from the proposed TSS.

Archetypes developed should be realistic in assuming that some households will not have or able to access efficient appliances, access to a home management or scheduling system, solar, or the ability to change usage. These archetypes should not be aspirational and 'rational' but realistic in the characterisation of consumer behaviours.

Small business archetypes also need to be included and EN24 will need to consider that some small businesses are able to shift their operations while others cannot.

Evoenergy should then seek to undertake a deep dive on proposed tariffs with consumers identifying as a household type that are at-risk of being negatively impacted by the proposed TSS. This deep dive should focus on identifying the types of supports and information these households need.

These consumer archetypes may also be used to justify Evoenergy's TSS as it will also help to clearly identify at-risk and low-income households that will benefit from these changes. It can also help Evoenergy design default tariffs in a way that accommodates the needs of those who are less engaged and unable to undertake adaptive technologies.

Strategic vision

Evoenergy should take care to ensure tariff designs are strategic, looking at the impact of new charges beyond the 5-year regulatory period.

New charges (such as the solar sponge charge and inclining overnight block charge) will introduce and create new consumer behaviours, with the potential to introduce new demand peaks. Evoenergy needs to ensure that proposed tariffs will remain fit-for-purpose long-term. Consumers require reliability and consistency to support behaviour change and investment in technology.

Export tariffs

Evoenergy notes it is considering introducing an export tariff.

ACTCOSS is in support of introducing of an export tariff as without DER owners 'do not pay for the services of exporting energy to the grid, nor for any extra costs that DER may cause networks', except for one-off connection charges.[36]

[36] ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 7-8.

This creates inequities as non-DER households remain paying a greater share of network costs.

Introduction of an export tariff will go towards supporting equity and fairness for cost recovery. As noted above, low-income households are less able to afford or access DER technologies to help reduce energy bills, and already spend disproportionately more of their income on energy.

Further questions on proposed capex
9. Has Evoenergy undertaken any work with retailers, to date, on educating consumers on network tariffs, or coordinating network price signalling on consumer bills?
10. What are some consumer types that Evoenergy has already identified as being at-risk of greater costs, and benefiting from the proposed TSS?
11. What is Evoenergy's long term plan with novel charges (e.g. solar sponge charge and inclining overnight block charge). Does Evoenergy anticipate having to make further changes to tariffs in future? If so, what would these potential further changes be?
12. What does Evoenergy mean when it says on p. 27 that 'some charges (outside the middle of the day) may increase to compensate for low solar sponge rate'?
13. How has Evoenergy designed its TSS with consideration of the current levels of smart meter penetration in the ACT? [37] What tariffs will be available to those without smart meters?
14. Who did Evoenergy consult with to represent 'vulnerable consumers' during TSS engagements (the consumer demographic)? What is Evoenergy's definition of consumer vulnerability? And, how does Evoenergy identify these representative consumers?

[37] The AEMC notes its is consultation paper on the *Review of the Regulatory Framework for Metering Services*, in 2020, that ACT smart meter penetration sits at ~16%.

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Appendix J.2 – ActewAGL Retail submission on Evoenergy's Draft EN24 plan

Mr Peter Billing
General Manager, Evoenergy
40 Bunda Street
Canberra City, ACT, 2601

30 September 2022

Via email: consumerfeedback@evoenergy.com.au

Dear Mr Billing

Draft Electricity Network 2024–29 plan

ActewAGL Retail ("ActewAGL") welcomes the opportunity to provide a submission in response to Evoenergy's Draft Electricity Network 2024–29 plan.

The energy transition underway presents both opportunities and challenges for energy distributors and retailers. Over the 2024–29 regulatory period, the trend of retail customers increasingly participating in the energy supply chain is likely to accelerate. This reflects the continued growth in embedded generation, the adoption of emerging technologies like electric vehicles and battery storage, as well as the transition from a dual fuel home to an all-electric home.

As customers play an increasingly active role in the energy supply chain, distributors and retailers must ensure they provide solutions appropriate for customers' increasingly diverse usage requirements, while continuing to operate a stable electricity supply system.

ActewAGL has reviewed Evoenergy's draft electricity network plan for 2024–29 and has provided comments regarding the proposed changes to tariff structures, and the intended retailer and customer responses.

Should you have any questions in relation to this submission please contact Rohan Richardson, Group Manager Business Intelligence and Transformation, on (02) 6248 3592 or via email to: rohan.richardson@actewagl.com.au.

Yours sincerely

Rachael Turner
General Manager - ActewAGL Retail

Attachment 1: Evoenergy proposed tariff structures 2024–29

Introduction

ActewAGL recognises that as the energy transition gathers pace, the demands placed on the electricity network will change. This reflects changes in customer behaviour as a result of several factors including technological improvements, changes in energy pricing, government policy and climate awareness.

The growing proportion of customers with solar and/or batteries are typically consuming less energy from the electricity network, thereby also reducing what they pay in usage charges. The proportion of revenue collected through supply charges compared to usage charges may require re-evaluation as conditions change.

Comments on specific elements of Evoenergy's proposed tariffs are below.

1. The proposed tariff structures are complicated

The proposed tariff structures are more complex than the tariffs offered by Evoenergy during 2019–24.

ActewAGL considers that a high degree of complexity has the potential to impact on the adoption of more cost reflective tariffs and general effectiveness of price signals.

ActewAGL considers proposed changes to the existing time of use tariff[1] could be challenging for some customers. Option one has peak, shoulder, solar sponge and off-peak usage charges occurring daily. Given the off-peak interval is a two-rate inclining block structure which resets hourly, the proposed tariff design has 21 usage charging intervals per day.

Option two omits the shoulder charge but expands the off-peak charge by an extra two hours a day. Given off-peak is a two-rate inclining block structure which resets hourly, option two features 24 usage charging intervals per day.

ActewAGL understands the original rationale of demand tariffs was to price demand during peak periods so customers would shift discretionary usage to off-peak periods. More information would be helpful to understand how the addition of off-peak demand charges is anticipated to reduce peak demand (which often occurs during the 5pm – 8pm peak period).

Operational issues arising from complicated tariff structures

Operational issues arising from the tariff proposals outlined in the draft plan are listed below:

- Retailers often favour simple tariffs for campaigns to acquire and retain customers. Customers have indicated they find the energy market confusing[2], and it is possible that retailers who pass on more complex tariff structures may see customers churn to retailers with simpler and easier-to-understand pricing structures.

- Complicated tariff structures increase retailer costs to serve because of the greater system and labour demands involved in administering them. As a result of increased complexity, retailers may also receive additional enquiries and complaints, further increasing operating costs and ultimately impacting on customer bills.

- Some customers have noted that the demand tariffs provide insufficient incentive for them to continually and actively manage their demand. Some have also indicated frustration that if they experience high demand on one day, their demand reduction efforts on every other day in that billing period will have been 'wasted'.

- ActewAGL would welcome further detail on how the adjustments to existing tariffs would be implemented. For example, it is proposed to adjust the charging windows of the residential time-of-

[1] 015 Residential Time of Use and 016 Residential Time of Use XMC

[2] ACT Government Your Say panel, Electricity Code Survey – 1 August 2022.

use tariff.[3], however many customers assigned to this tariff have meters that cannot be re-programmed.[4]

- Rather than using the term 'solar sponge' to describe the low-cost usage charges during daylight hours, ActewAGL suggests describing different charging intervals as 'peak', 'shoulder' and 'off-peak' as adopted by the Australian Energy Regulator (AER).[5] These terms are more widely understood by customers and can be applied to different periods of the day as the network load profile evolves.

2. The large number of tariff options reduces economies of scale for retailers

ActewAGL prefers simple tariff structures that are applied to broader cohorts of customers.

ActewAGL considers network tariffs should be limited to a smaller number of options, be relatively simple and technology agnostic. This reflects ActewAGL's view of distributors as business-to-business (B2B) service providers of network capacity to retailers, who then on-sell this coupled with other components (wholesale energy, green certificates, metering etc.) to customers.

ActewAGL notes a specific network tariff has been proposed for customers with Home Energy Management Systems (HEMS), however as noted above, prefers simple tariff structures applicable to broader cohorts of customers rather than network tariffs for specific customer/ technology types.

Operational issues arising from having a large number of tariffs

- Evoenergy's tariff assignment policy proposes to move all sites to a default tariff[6], which would result in additional administration to be undertaken by retailers. ActewAGL's preference is for Evoenergy to only change tariffs following a retailer request.

  Evoenergy currently reinstates a default tariff any time a meter is reconfigured (even if a retailer has already selected a valid tariff option). From 1 July 2024, retailers may have several valid tariffs to choose from (i.e., time of use, solar sponge, demand or battery tariff) and therefore the application of a default demand tariff could again lead to unnecessary follow-up administration for the retailer.

- More information would be helpful to understand how legacy network tariffs would be managed into the future. Given the majority of sites in the ACT are currently assigned to these legacy tariffs, further clarification would assist retailers with planning and preparing for any future tariff reform.

3. Proposed export pricing structure is overly complex

Evoenergy's proposal to levy export charges on retailers for sites connected to the network from 1 July 2025 will materially increase the number of tariff combinations and require significant system investment.

Should Evoenergy introduce export charges, ActewAGL's preference is to apply the charge to the existing general solar tariffs (1999 and GENR)[7] instead of creating new solar export tariffs that include a solar export charge. That is, apply export charges to all solar connections (excluding ACT Government premium Feed-in-Tariff (FiT) customers) as opposed to new connections from 1 July 2025.

Operational issues arising from introducing export charges

- Regardless of the approach Evoenergy adopts, it is unlikely retailers would offer install date specific FiT's because of administrative complexities associated with compliance with AER guidelines.[8]

[3] 015 Residential Time of Use and 016 Residential Time of Use XMC.

[4] This refers to Type 5 and Type 6 meters that are owned by Evoenergy.

[5] Retail Pricing Information Guidelines, Australian Energy Regulator, 2018.

[6] Currently the default is 025/026 for residential and 106/107 for small business.

[7] 1999 and GENR refer to net connected and gross connected renewable energy generation charge codes, respectively.

[8] Retail Pricing Information Guidelines 2018.

- Option one in the draft plan could not be implemented within the current design of the market. Market Settlement and Transaction System (MSATS) only allows for the assignment of one network tariff to a stream.[9] Additional implications for Option one include;

    - An additional line item for solar customers in Network Use of System (NUOS) invoices. Customers on the GENR and 1999 tariffs will be billed a GENR and/or a 1999 charge and the new export charge.

    - The same kWh being counted/billed twice within a NUOS invoice.

- Option two would be ActewAGL's preferred way for export charges to be implemented, whereby Evoenergy would apply the new export charge to the applicable rates of the existing GENR and 1999 codes (both currently zero).

- ActewAGL would welcome further clarification regarding how export charges would operate alongside ACT Government premium FiT arrangements.[10] ActewAGL has experienced challenges where on occasions, ACT Government premium FiT tariffs are not recognised for the customer's site following Type 4 meter upgrades.

- ActewAGL would welcome further advice on the rationale for export charges only applying to residential customers and not all customers, as is proposed by Essential Energy in its draft Tariff Structure Statement.[11]

[9] In this case, the B stream.

[10] Network tariff codes 201, 301, 302, 303 and 304.

[11] Essential Energy 2022, Draft Tariff Structure Statement 2024–29