

evoenergy

# Regulatory proposal

For the ACT electricity distribution network  
1 July 2024 to 30 June 2029

January 2023

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Attachment 5	Control mechanisms
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Appendix B	Director certification of key assumptions	Evoenergy
Appendix C	Classification proposal	Evoenergy
Appendix D	Capital expenditure uncertainty	Evoenergy
Appendix E	EN24 and TSS consumer engagement strategy	Communication Link
Appendix F	Communication Link: Consumer engagement program report	Communication Link
Appendix G	Communication Link: Community panel process and outcomes report	Communication Link
Appendix H	Community panel member recommendations report	EN24 Community Panel
Appendix I	EN24 Have Your Say survey results	Evoenergy
Appendix J	Draft EN24 plan feedback summary	
Appendix K	Communication Link-ACTCOSS Evoenergy workshop listening report	Communication Link

Appendix L	Volume and customer number forecast	Evoenergy
Appendix M	Connection policy	Evoenergy
Appendix N	Proposed negotiating framework	Evoenergy
Appendix O	Regulatory proposal document index	Evoenergy
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## List of regulatory proposal models

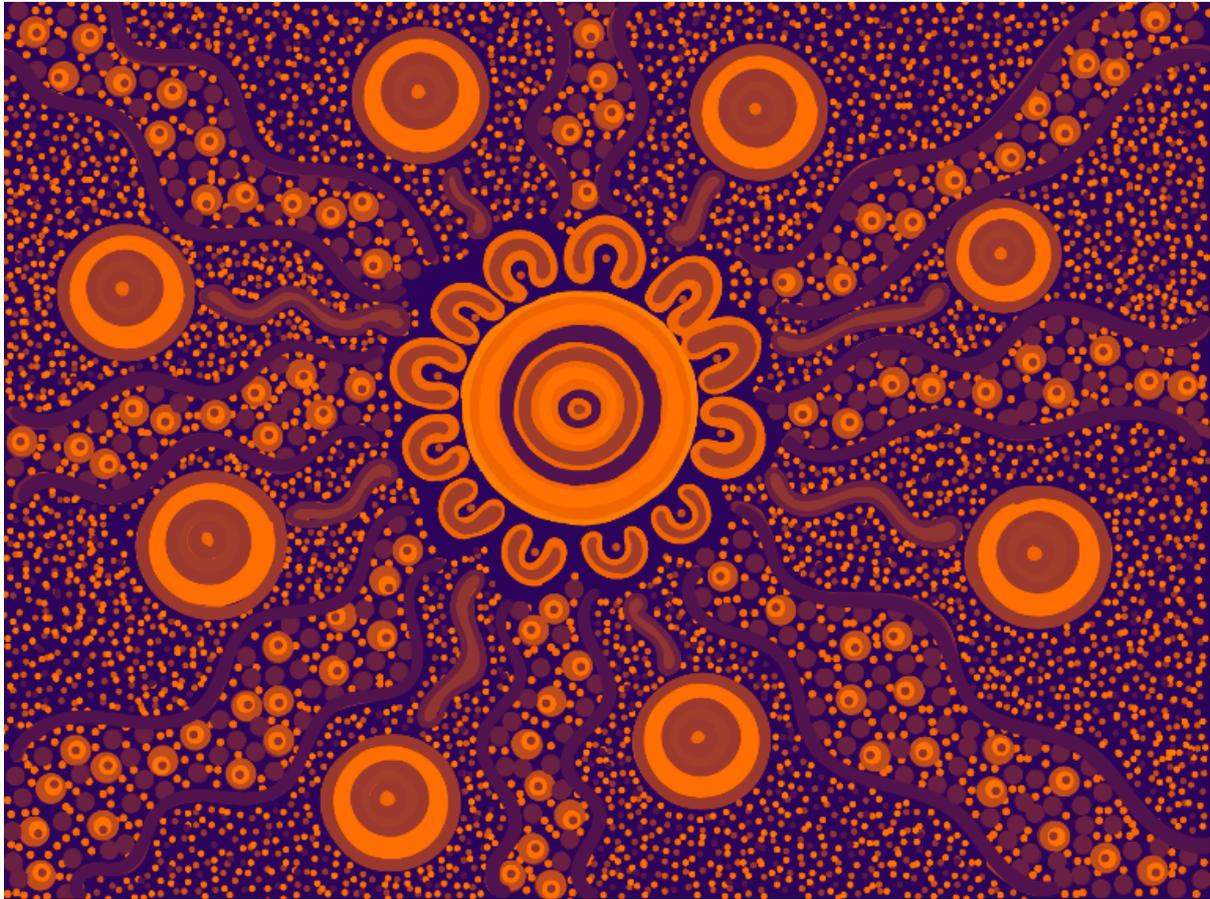
Model
Distribution RFM
Distribution PTRM
Transmission RFM
Transmission PTRM
Metering RFM
Metering PTRM
RAB depreciation tracking module - distribution
RAB depreciation tracking module - transmission
Forecast SCS opex model
Forecast SCS capex model
ACS cost build up model
LRMC model
Forecast metering opex model
WACC model

The contents of this document are based on the information available at the time of publication and are subject to change. Readers of this document should undertake their own enquiries in relation to any of the information included or referred to before acting on it or using it for any purpose.

All financial information in this document is presented in real June 2024 dollars unless otherwise stated. Tables may not sum due to rounding.

## Acknowledgment of Country

Evoenergy acknowledges the Traditional Custodians of the Canberra region, the Ngunnawal people, and pays respect to their Elders past and present. We recognise and celebrate all First Peoples' continuing connections and contributions to the region in which our footprint extends.



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.

## Foreword

We are pleased to present Evoenergy’s electricity network regulatory proposal for 2024 – 2029.

This proposal was prepared during a time of immense change across the energy sector. The change has been particularly pronounced in the ACT, where a strong push towards electrified modes of transport; a move away from gas, and an increasing number of high voltage customers using more power for major developments, means Evoenergy will be required to distribute more electricity than ever before.

As part of our commitment to the community we serve and in preparing our proposal, Evoenergy conducted broad consultation with customers and community groups. We know the ACT community strongly supports measures to achieve net zero carbon emissions and reduce the impacts of climate change. As such, we understand the need for responsible planning and investment in our electricity network as it continues its evolution to the crucial bi-directional platform necessary to enable the electrification of the ACT.

The work we do in the 2024 – 2029 period is the crucial next step in this twenty-plus year journey we are on. It establishes the foundation for the future electricity network necessary to support the rapidly changing energy needs of the ACT community. It supports a responsible investment path for the energy transition in the ACT, representing a balance between meeting the needs and expectations of the community and the cost of these investments.

Our net zero modelling shows a step increase in investment is required to enable the transformation of our network. While electrification will deliver community-wide benefits, such as improved efficiency and lower overall energy costs, and solar penetration and home batteries will offset growing demand to a degree, peak demand will increase over the regulatory period, driving the need for a significant uplift in capital expenditure (capex). This will not translate to a significant increase in the regulatory asset base, especially on a per customer basis. The increased volumes mean prices will not rise significantly despite the increase in capex, and new tariffs, designed to send price signals for owners of electric vehicles, solar panels and batteries, will play a role to reduce peak demand and maintain stable prices.

As the transition to electrification progresses, customers will use more electricity and will use the network in different ways. Ultimately, demand on the network will continue to be influenced by various factors including policy settings and incentives, consumer behaviour, and developments in technology. In this rapidly changing environment, our challenge is how to prudently shape the investment profile over time, building in capability when and as required to accommodate accelerated change and increased demand.

We know our customers support the energy transition in the ACT and expect Evoenergy to enable a smooth and successful outcome, engaging them along the way. This proposal establishes the foundation for that successful and responsible transition, and aims to strike a balance between network capability and carefully timed investment.

John Knox

Peter Billing

Chief Executive Officer

General Manager

# Our electricity network proposal for 2024–29 will take the next step towards a net-zero emissions future

## The ACT's net-zero pathway

**80-90%**

of new vehicle sales will be zero emission vehicles by 2030

Transition away from natural gas by

**2045**

## Our consumers' 5-year plans

**31%**

intend to purchase an electric vehicle

**18%**

intend to install solar or a battery

**32%**

plan on electrifying their gas use

Our electricity network will transition from providing around **one third** to **almost all** of the ACT's energy as we electrify gas and transport.

We will deliver on our community's priorities by investing to maintain reliability and transition the network while playing our role in maintaining energy affordability.



### Maintain reliability and improve network resilience but make decisions that balance this with cost

- Invest \$15 million to protect against the increasing cyber security threat.
- Maintain the safety and reliability of our network – the fastest growing network in Australia.



### Play our role in energy affordability

- Average annual increase of 1.3% after inflation to the network component of electricity bills.
- Average regulatory asset base and capital investment per customer are expected to remain amongst the lowest in Australia.
- Average operating expenditure per customer will continue to be below average.



### Take action towards achieving a net zero future

- Take the next steps to transform our network to support the provision of almost all energy use in the ACT.
- Invest \$162 million to begin to accommodate the doubling of peak demand driven by population growth and the transition to full electrification.
- Innovate by continuing to participate in projects and trials (e.g. community batteries, advanced tariffs, integration of electric vehicles).



### Play a key role in enabling small-scale solar, batteries and electric vehicles

- \$12 million to better integrate consumer resources through dynamic export limits and improved network visibility – improving our capability to manage two-way flows.



### Actively communicate with and inform the community

- We will rollout technology to allow us to better communicate with customers.



### Provide network tariffs that are fit for future users of the network

- Further evolve our tariffs to ensure we send the right price signals to mitigate the increase in peak demand.

# 1. About this regulatory proposal

## 1.1. Introduction

Evoenergy owns and operates the electricity and gas distribution networks in the Australian Capital Territory (ACT). This regulatory proposal for the regulatory control period between 1 July 2024 and 30 June 2029 relates to our electricity network, which comprises the poles and wires, transformers, substations, and other infrastructure that transports electricity to and from homes and businesses in the Territory.

Every five years, we must submit a regulatory proposal and proposed tariff structure statement (TSS) to the Australian Energy Regulator (AER) for review and approval. The AER reviews our plans and expenditure forecasts. It determines the revenue we can recover from customers during the five year period, and how we can recover this revenue through network tariffs.

Electricity customers pay for the operation of, and investments we make, in the electricity network as part of their electricity bills. An important part of developing our proposal was engaging with the community to understand their priorities in relation to our services, the expectations they have of Evoenergy, and how much they are willing to pay. We will continue to engage with consumers to understand their views on how we manage the ACT electricity network during the 2024–29 regulatory period and beyond.

Evoenergy's regulatory proposal and proposed TSS are set out as follows, with a full list of documents provided in Appendix O (Regulatory proposal document index).

- The **regulatory proposal (this document)** provides an overview of the factors influencing the proposal, introduces and summarises the elements required by the National Electricity Rules (the Rules) and references detailed explanations contained in attachments. Appendix A provides references to sections of this proposal that address relevant requirements of the Rules.
- **Six subject matter attachments** detail specific subjects addressing and demonstrating our compliances with the Rules. Appendix A of this document shows the relationship between the attachments and requirements of the Rules.
- **Our proposed TSS** (a seventh attachment).
- A **set of appendices** that contain detailed supporting information for this proposal and its attachments, including a modelling appendix that contains the models and spreadsheets used in calculating the figures reported in the regulatory proposal.
- Our **response to the Regulatory Information Notice (RIN)** issued by the AER on 27 October 2022.

The regulatory proposal is also accompanied by a separate **overview for consumers**. This overview document includes an explanation of the regulatory proposal for electricity consumers in plain language, details of consumer engagement undertaken, risks and benefits for consumers, and an explanation of the differences between Evoenergy's revenue proposal and current period revenues.<sup>1</sup>

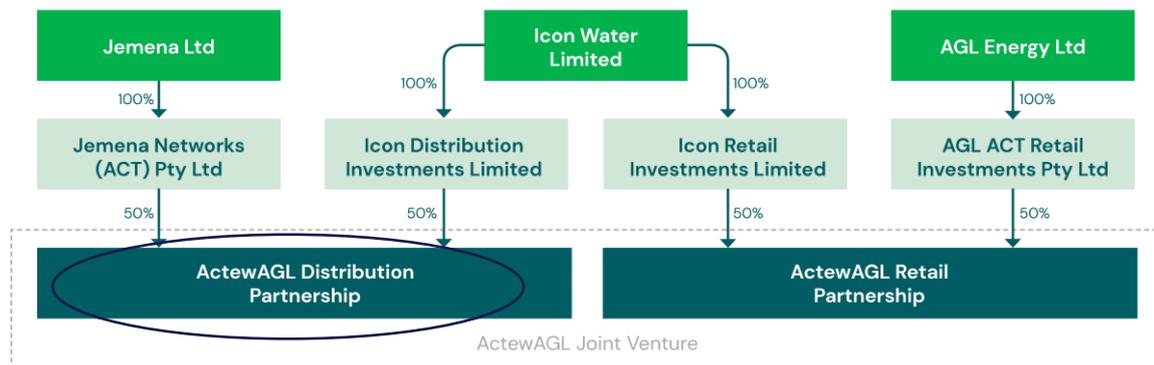
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<sup>1</sup> The Overview for consumers addresses the requirements of an overview paper as specified in the Rules, clauses 6.8.2(c1) and (c1a).

## 1.2. About Evoenergy

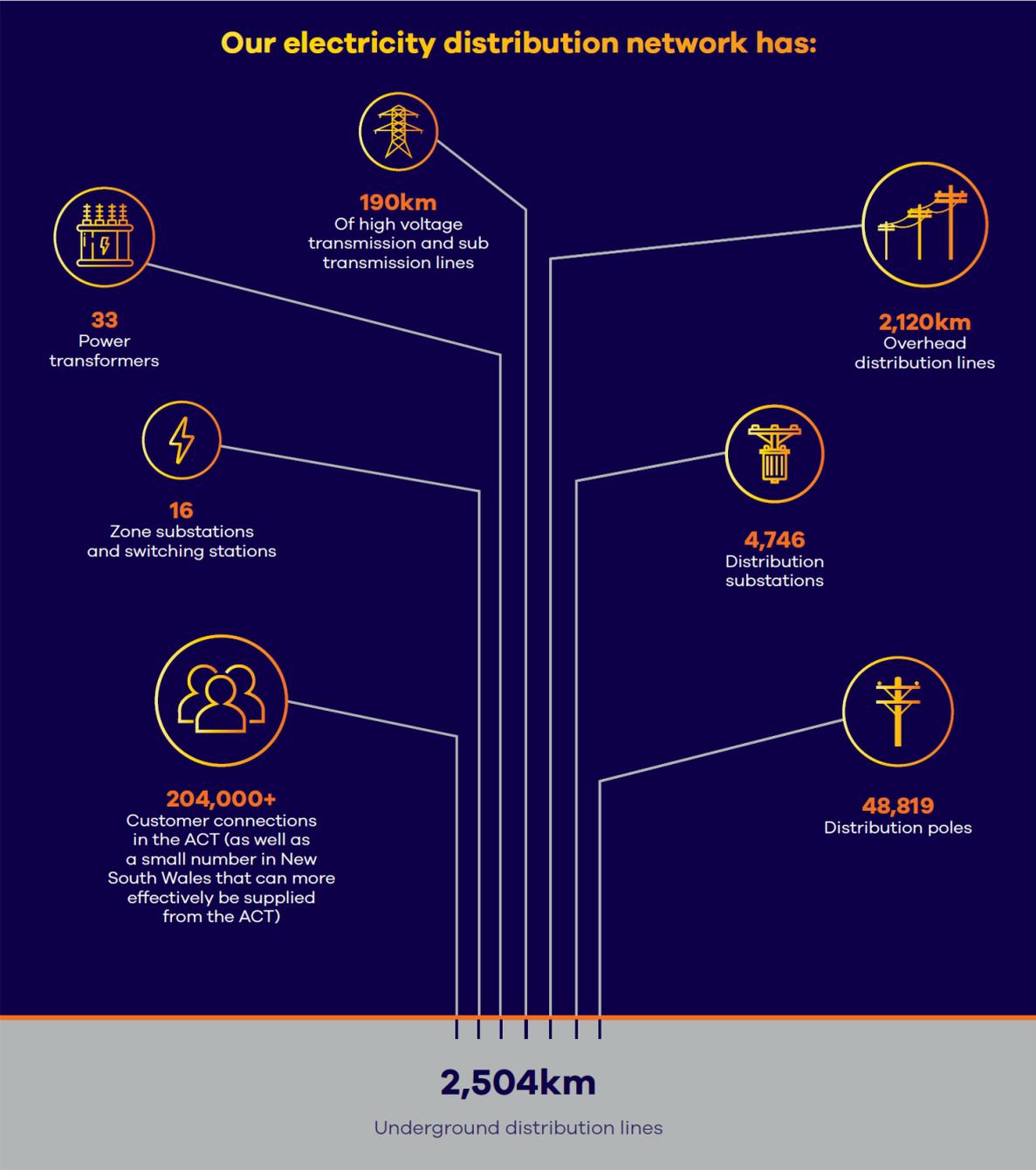
Evoenergy is part of the ActewAGL Distribution partnership owned equally by Icon Water Limited and Jemena Ltd via subsidiary companies. The ownership structure of the ActewAGL Joint Venture is illustrated in Figure 1. Evoenergy and the ActewAGL Distribution partnership are operated separately from ActewAGL Retail partnership and are ring-fenced such that ActewAGL Distribution and Evoenergy must engage with ActewAGL Retail on the same basis as other electricity retailers operating in the ACT. Evoenergy is the operating name of the energy network division of ActewAGL Distribution.

Figure 1 ActewAGL Joint Venture ownership structure



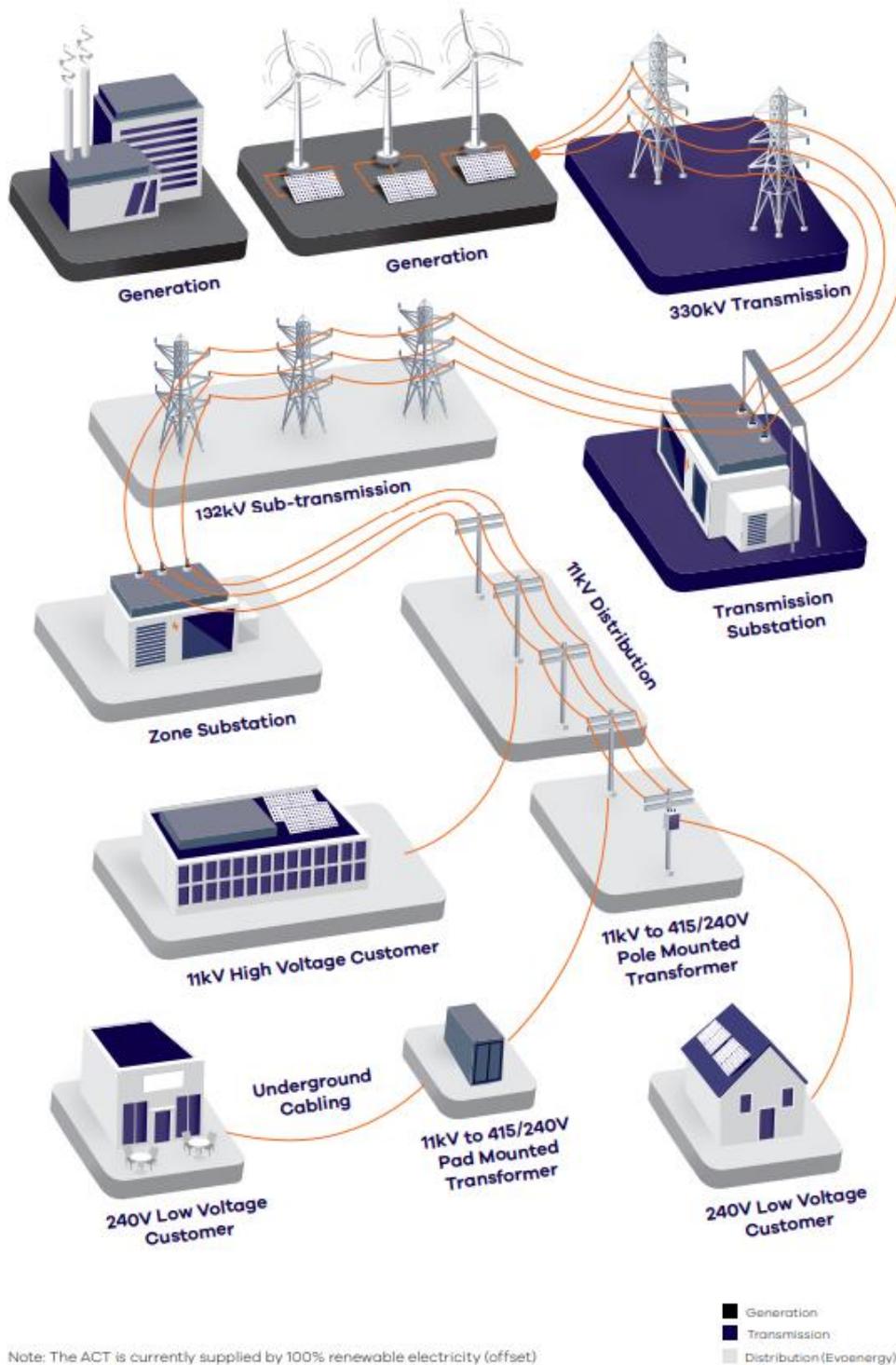
Evoenergy is licensed to provide electricity transmission, distribution, and network connection services in the ACT. An overview of key network statistics is shown in Figure 2.

Figure 2 Evoenergy’s electricity network key statistics



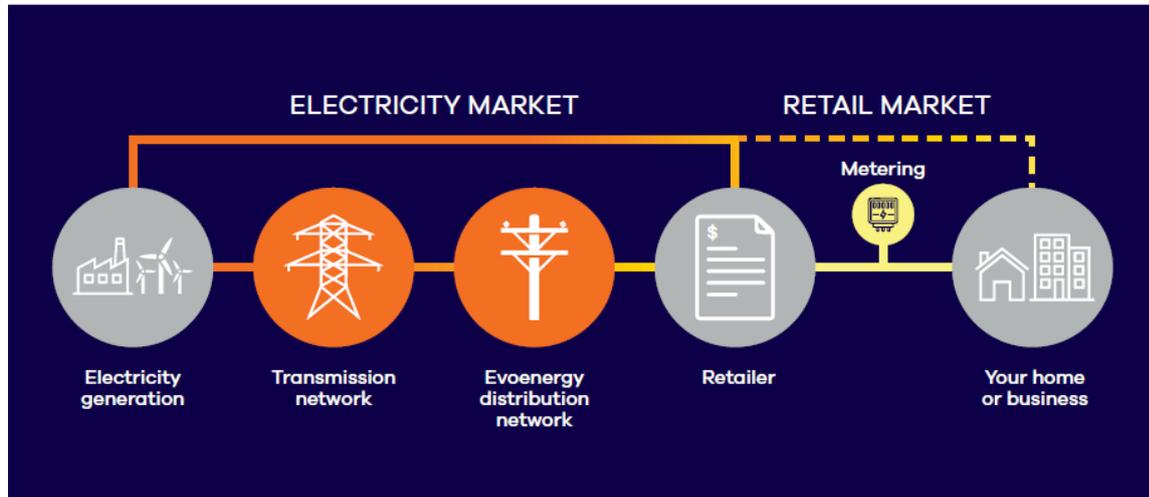
Our role is to deliver a safe and reliable energy supply to homes and businesses in Canberra and the surrounding region through our network of poles and wires, underground cables, and other infrastructure. We undertake electricity network maintenance, connect new customers, plan, and construct new infrastructure, and provide emergency response. Our role in the technical delivery of electricity is shown in Figure 3.

Figure 3 Evoenergy in the electricity delivery chain



We charge energy retailers to transport electricity through our network, and the retailers pass on this cost to energy consumers in their quarterly or monthly electricity bill. The electricity supply chain is shown in Figure 4. Our costs make up around a quarter of a typical ACT electricity bill.

Figure 4 Evoenergy in the electricity supply chain



### 1.3. Our approach

In developing our regulatory proposal and TSS for the 2024–29 regulatory period, we have been guided by the AER’s Better Resets Handbook (the Handbook). The Handbook, published in December 2021, outlines the AER’s expectations of what constitutes a high-quality proposal to guide network businesses in developing consumer-centric regulatory proposals. Table 1 below summarises how our regulatory proposal and the TSS meets the AER’s expectations.

Table 1 Better resets handbook

Component	AER expectations	Evoenergy’s proposal alignment with these expectations	Further details
Consumer engagement	<ul style="list-style-type: none"> <li>Businesses will sincerely partner with consumers and equip them to effectively engage in the development of their proposals</li> <li>Businesses engage broadly and deeply, having regard to accessibility and transparency and ensuring a focus on outcomes. This should be done over multiple channels and in a way that enables consumers to influence regulatory proposals</li> <li>Clearly evidenced impact is about how a proposal represents and is shown to represent consumer views.</li> </ul>	<ul style="list-style-type: none"> <li>Our first step in engagement for this proposal was working with our Energy Consumers Reference Council to design the engagement program over a year and a half ago.</li> <li>We have undertaken in depth engagement through a range of channels to ensure those wanting to share their views could do so at a level that suits their needs.</li> <li>We invested in capacity- building within our Community Panel and Community Pricing Panel to equip participants to effectively engage in the development of our proposal.</li> <li>We focussed the efforts of these panels on things that mattered most and that they could influence.</li> <li>Our executives and senior management were committed to the process, with executive attendance at all sessions.</li> </ul>	See section 3 and the TSS explanatory statement

<p>Capital expenditure (capex)</p>	<ul style="list-style-type: none"> <li>• Top-down testing of forecast at the total and category level as a starting point: <ul style="list-style-type: none"> <li>• Rely on actual spends where forecast is recurrent.</li> <li>• For non-recurrent expenditure (where top-down tests are less useful) seek demonstration that the program maximises net benefits</li> <li>• Demonstrate that replacement capex is not materially higher than expected using the AER's repex model.</li> </ul> </li> <li>• Evidence of prudent and efficient decision making on key projects and programs</li> <li>• Alignment with asset and risk management standards</li> <li>• Genuine consumer engagement</li> </ul>	 <ul style="list-style-type: none"> <li>• Recurrent categories of our program (aspects of ICT, fleet, connections, overheads etc.) are consistent with, or lower, than historic spends.</li> <li>• Non-recurrent expenditure is justified against the key drivers such as: <ul style="list-style-type: none"> <li>• Unprecedented increases in forecast peak demand from the electrification of gas and transport.</li> <li>• Growing distributed energy resources (DER necessitating two-way flows</li> </ul> </li> <li>• Repex higher than the current period is mainly driven by the need to replace more poles following prudent deferrals based on asset condition assessments. Our repex forecast remains consistent with the expectations of the AER's repex model.</li> <li>• Evoenergy's asset management system is ISO 55001 certified.</li> <li>• We have engaged with consumers throughout the development of our capex forecast, included information about indicative bill impacts and the options available. Consumers told us that they to support full electrification of the ACT's energy needs.</li> </ul>	<p>See section 4.2 and Attachment 1</p>
<p>Operating expenditure (opex)</p>	<ul style="list-style-type: none"> <li>• Opex is forecast using the 'base-trend-step' approach set out in the Expenditure Forecast Assessment Guideline</li> <li>• Use a base year for which audited actual opex is available and that a network business can demonstrate is not materially inefficient</li> <li>• Adopt the AER's approach to output, price, and productivity growth to calculate the trend.</li> <li>• Step changes are limited to a few well justified ones, or none at all. Step changes should be explored with customers and should meet a specific requirement as defined by the AER</li> </ul>	 <ul style="list-style-type: none"> <li>• We have forecast opex using the AER's preferred base-step-trend approach, using a base year that has a full year of audited actual expenditure.</li> <li>• While our base year opex is higher than the raw efficient level estimated by the AER's benchmarking models, this does not account for differences in capitalisation practices (currently under review by the AER) and our unique operating circumstances. Once these are accounted for, our base year is not materially inefficient and can be used with the 'base step trend' forecasting approach.</li> <li>• We have adopted the AER's preferred approach for output, price, and productivity growth.</li> <li>• We have included three step changes needed to meet specific requirements and have tested our approach to these step changes and the acceptance of these against indicative bill impacts with consumers.</li> </ul>	<p>See section 4.3 and Attachment 2</p>

Regulatory depreciation	<ul style="list-style-type: none"> <li>Apply standard AER models and maintain asset classes and asset lives from previous decisions.</li> </ul>		<ul style="list-style-type: none"> <li>We have used standard AER models, asset classes and lives for forecast regulatory depreciation.</li> </ul>	See section 4.4 and attachment 3
Tariff structures	<ul style="list-style-type: none"> <li>Businesses demonstrate:               <ul style="list-style-type: none"> <li>progression of tariff reform consistent with the network pricing objective and pricing principles set out in the Electricity Rules;</li> <li>incorporation of its tariff strategy in its overall business plan;</li> <li>significant stakeholder engagement and broad stakeholder support; and</li> <li>insight into and management of any adverse customer impacts.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Our proposed tariff reforms further evolve our tariffs (already the most advanced in Australia) so that they can continue to play a key role in managing increased demand on the network.</li> <li>Our TSS has be informed by extensive engagement with consumers, retailers and the AER.</li> <li>Our TSS balances pricing objectives with customer impacts.</li> </ul>	See section 5 and attachment 7

Key:



Mostly aligned with AER expectations



Largely aligned, with some areas departing from AER expectations



Not aligned

## 1.4. Changes since our Draft EN24 plan

We published our Draft EN24 plan in August 2022 to provide an opportunity for stakeholders to provide feedback on our plans before they were finalised for this proposal.

Key changes since our Draft EN24 plan include the following:

- We made changes to the assumptions underpinning our peak demand forecast and capex program to reflect the ACT Government's policy announcements (see sections 2 and 4.2).
- We updated several assumptions in our opex forecast, including adjusting our base year for costs associated with the administration of the ACT Government's large scale feed-in tariff, and updating our trend forecast and step change estimates to reflect updated information (see section 4.3).
- We updated rate of return parameter inputs which will be further updated by the AER in its draft and final decisions based on the 2022 Rate of Return Instrument, expected in February 2023.
- We updated our inflation forecast to 2.85 per cent instead of 2.50 per cent based on the AER's methodology.

- Updated our forecasts of customer numbers and how much electricity they will use based on updated information, included information from our HV customers.

These changes have together increased our total forecast revenue requirement over the 2024–29 regulatory period by three per cent. Because our volumes forecast has increased since the Draft EN24 plan, the impact on the network component of customer bills is lower (see section 4.4).

## 1.5. The regulatory process

An overview of the regulatory review timeframes and the opportunities for further consumer engagement and stakeholder input are provided in Table 2.

*Table 2 Regulatory review process*

Date	Activity
October 2021–August 2022	Develop Draft EN24 plan Consultation to inform Draft EN24 plan development
August–November 2022	Finalise regulatory proposal development Consultation on Draft EN24 plan and further targeted engagement
31 January 2023	Evoenergy submits regulatory proposal to AER
March–May 2023	AER invites stakeholder submissions on the regulatory proposal
September 2023	AER publishes draft decision
September–December 2023	AER invites stakeholder submissions on draft decision
December 2023	Evoenergy submits revised regulatory proposal to AER
30 April 2024	AER publishes final decision
1 July 2024	New regulatory period begins

## 2. The transition to a net zero emissions future

The ACT is at the forefront of the nation's energy transition. The ACT Government has set an ambitious 2045 net zero target which requires a rapid and extensive reduction in emissions. Natural gas is gradually being phased out and transport system will be decarbonised with zero emission vehicles, which will make up 80–90 per cent of new vehicle sales by 2030.

Evoenergy's electricity network, already the fastest growing electricity network regulated by the AER, will evolve from a system which provides one third of the ACT's energy, largely via one-way flows, to becoming the crucial platform which underpins almost all energy use in the ACT.

To help inform the transition, Evoenergy, in partnership with Marsden Jacobs Associates, has developed a dynamic model of the ACT energy system, Evoenergy's net zero model, to understand the impact of net zero pathways. The modelling has identified the peak demand will more than double over the period to 2045. This is similar to the Australian Energy Market Operator's (AEMO) findings for Victoria — a jurisdiction which will also electrifies a gas heating load.

Evoenergy will continue to explore how this dramatic increase in peak demand can be reduced through a range of new technologies and approaches (such as trials with batteries and EVs). We will also continue to refine our tariff structures — which are already the most advanced and have the highest uptake in Australia (see our network tariffs in section 5).

However, the sheer scale of transition will require significant network reinforcement, effectively the reshaping of our existing network. We expect that this will require in the order of \$2.5–\$3.0 billion of investment. The step increase in investment mirrors the transformation of our role in the ACT energy system – in terms of scale, function and criticality.

For the 2024–29 regulatory period, our modelling indicates that to achieve a steady pathway to net zero by 2045, we would need to invest in the order of \$0.75 billion (\$2023/24). However, not all of the policy settings to track along the pathway to net zero by 2045 are in place just yet. For this regulatory proposal, our capital investment forecast of \$521 million reflects current policies and the latest data we have available.

Given the commitment of the ACT Government and community to achieving net zero, we consider that it is highly likely that further policies will be announced over the next few years and consumer trends will accelerate, increasing demand and consequently the investment requirements to meet this demand over the 2024–29 regulatory period.

We have tested our investment approach with our consumers. Around two-thirds are supportive of our approach to net zero-driven capex, while around one third thought we should do more. See section 3 for further detail on our engagement journey and customer feedback.

### 2.1. ACT Government's climate response

The ACT's climate change response, including the legislated target of net zero by 2045, is urgent and ambitious. The scale and rate of change required to achieve such a rapid and extensive reduction in emissions is unprecedented.

The ACT Government released its Climate Change Strategy 2019–25 in September 2019. As the ACT has moved to renewable electricity, the focus of the strategy is on measures to reduce emissions from transport and gas which now make up the bulk of the ACT's emissions. This is shown Figure 5.

Figure 5 ACT greenhouse gas emissions in 2017/18 and projected emissions for 2019/20 by sector<sup>2</sup>

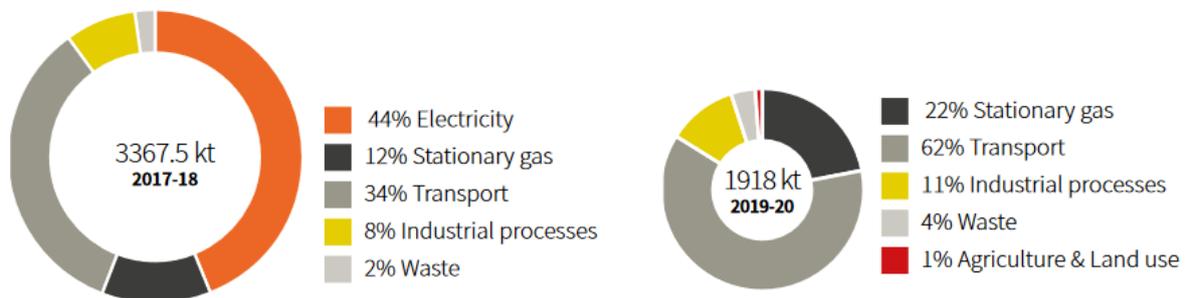
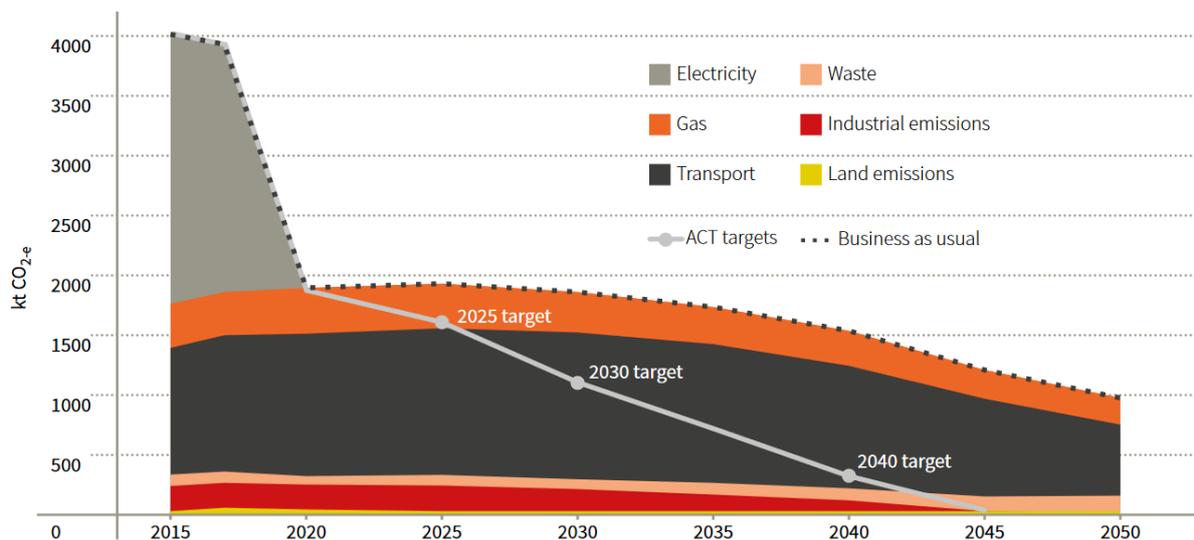


Figure 6 below identifies the changes required against a business-as-usual scenario to achieve the ACT Government’s legislated emission reduction targets.

Figure 6 ACT Greenhouse gas emissions to 2050 with no further government intervention against the legislated emission reduction targets<sup>3</sup>



Since the release of the ACT climate strategy, the ACT Government has released two important climate change policy positions on how the emissions from gas and transport will be reduced. These include the ACT Zero Emissions Vehicle Strategy 2022–30 (July 2022) and Powering Canberra: Our pathway to electrification (August 2022).

As the ACT climate strategy identifies, the ambitious scale and rate of change necessitates innovation — from government, industry, and the wider community. A successful transition will require constant learning, collaboration, and a dynamic approach.

While we are committed to the 2045 targets being achieved, the exact policy settings to get there are not yet in place. We also do not know how consumers will respond, or how policy and consumer responses will interact. What is clear, is that additional policies will be required to achieve net zero emissions by 2045. We expect these to evolve over time as more information, including about how

<sup>2</sup> ACT Government, *ACT Climate Change Strategy 2019–25*, September 2019

<sup>3</sup> ACT Government, *ACT Climate Change Strategy 2019–25*, September 2019

consumers are responding, becomes available. We anticipate the first stage of the ACT Government's Integrated Energy Plan, due for release in 2024, will outline some of these policies.

## ACT's Zero Emissions Vehicles Strategy 2022–30

The ACT's Zero Emissions Vehicle Strategy 2022–30<sup>4</sup> sets out a zero emission vehicle sales target of 80–90 per cent by 2030 and outlines the ACT Government's intention to cease registration of new non-zero emissions vehicle by 2035. Zero emission vehicles (also known as ZEVs) are those which produce zero tailpipe emissions. It includes battery EVs and hydrogen vehicles and plug in hybrids. The policy actions included in the strategy are set out in Figure 7.

Figure 7 Zero emissions vehicle strategy 2022–30 policy actions<sup>5</sup>

<b>Setting a clear direction</b>	
Aim to achieve 80-90% of new light vehicle sales in the ACT being ZEVs in 2030	2030
Prohibit onboarding of new ICE vehicles to rideshare and taxi networks by 2030	2030
Phase-out light ICE vehicles from 2035	2035
<b>Making ZEVs more affordable</b>	
Provide two years free registration for battery electric and hydrogen fuel cell electric vehicles and investigate potential for future reforms	2021-2024
Provide stamp duty exemption for new ZEVs	Ongoing
Offer \$15,000 zero-interest loans for ZEVs, charging equipment and installation	2021
Introduce incentives to encourage the uptake of electric bikes, motorbikes and trikes	2023
Expand the stamp duty exemption to include used ZEVs	2022
<b>Expanding the EV charging network</b>	
Introduce \$2,000 grants for installation of EV chargers in multi-unit buildings	2023
Deliver more than 70 publicly accessible EV charging stations across Canberra in 2022-23	2022
By 2023 at the latest, enact regulation in the Territory Plan to require EV charging infrastructure for new multi-unit residential and commercial buildings	2023
Expand the public EV charging network to ensure there are at least 180 publicly available charging stations in the ACT by 2025	2025
Continue cross-jurisdictional engagement to make EV chargers available on common interstate, long distance transit routes	Ongoing
<b>Supporting and informing uptake</b>	
Deliver the Zero Emissions Fleet Advisory Service to assist businesses and organisations	2021
<b>ACT Government leadership</b>	
Continue to advocate for strong national policy to support the ZEV transition including vehicle emissions standards	Ongoing
Continue to ensure that 100% of all newly leased government passenger vehicles are zero emissions where fit for purpose	Ongoing

<sup>4</sup> [https://www.climatechoices.act.gov.au/data/assets/pdf\\_file/0006/2038497/2022\\_ZEV\\_Strategy.pdf](https://www.climatechoices.act.gov.au/data/assets/pdf_file/0006/2038497/2022_ZEV_Strategy.pdf)

<sup>5</sup> ACT Government, *ACT's zero emissions vehicles strategy 2022 – 30*,

## The ACT's electrification pathway

The zero emissions vehicles strategy was followed by the release of the ACT Government's *Powering Canberra: Our pathway to electrification paper*<sup>6</sup> in August 2022, which sets out the Government's decision to pursue an electrification pathway and phase out the use of natural gas.

The phase out will occur over two decades. As part of the initial phase, the gas network will not be extended to new suburbs and from 2023 connections in existing areas will cease. Households across the ACT are being encouraged and incentivised (including through rebates) to electrify when their gas appliances are due for replacement. The ACT Government's Integrated Energy Plan will set the foundations for the two-decade transition and consider the use of renewable gas in niche applications.

## Australian Energy Market Operator's forecasts

The AEMO delivers a range of forecasting and planning publications, including the Electricity Statement of Opportunities (ESOO), Gas Statement of Opportunities (GSOO) and the Integrated System Plan (ISP).

The key inputs and assumptions for these publications are developed as part of the Inputs, Assumptions and Scenarios Report (IASR) process. The AEMO has developed five scenarios as part of this process. The central scenario 'step change' is described as:<sup>7</sup>

*Rapid consumer-led transformation of the energy sector and co-ordinated economy-wide action that efficiently and effectively tackles the challenge of rapidly lowering emissions. This requires a step change in global policy commitments to achieve the Paris Agreement's minimum objectives, supported by rapidly falling costs of energy production, including consumer devices. Increased digitalisation helps consumers manage energy use while also providing grid flexibility, and technologies and buildings become more energy efficient. Electric vehicle adoption is strong, with early decline in manufacturing of internal-combustion vehicles. By 2050, most consumers rely on electricity to heat their homes and businesses*

There are many parallels between this scenario and the ACT's path, in particular:

- 2050 net zero targets, which is five years behind the ACT Government's target;
- EV uptake between 80–90 per cent in 2030,<sup>8</sup> consistent with the ACT Government's electric vehicle strategy; and
- the electrification of gas by 2050,<sup>9</sup> consistent with the ACT Government's decision to pursue an electrification pathway.

The AEMO does not produce forecasts for the ACT. However, we can obtain insights by looking at Victoria which has some similarities to the ACT in that it has similar gas heating loads which will be electrified.<sup>10</sup> Notwithstanding that there are significant differences between Victoria and the ACT. For

<sup>6</sup> [https://www.climatechoices.act.gov.au/\\_data/assets/pdf\\_file/0009/2052477/Powering-Canberra-Our-Pathway-to-Electrification-ACT-Government-Position-Paper.pdf](https://www.climatechoices.act.gov.au/_data/assets/pdf_file/0009/2052477/Powering-Canberra-Our-Pathway-to-Electrification-ACT-Government-Position-Paper.pdf)

<sup>7</sup> AEMO 2021, *2021 Inputs, Assumptions and scenarios Report*, p.5. Available here: <https://aemo.com.au/-/media/files/major-publications/isp/2021/2021-inputs-assumptions-and-scenarios-report.pdf?la=en>

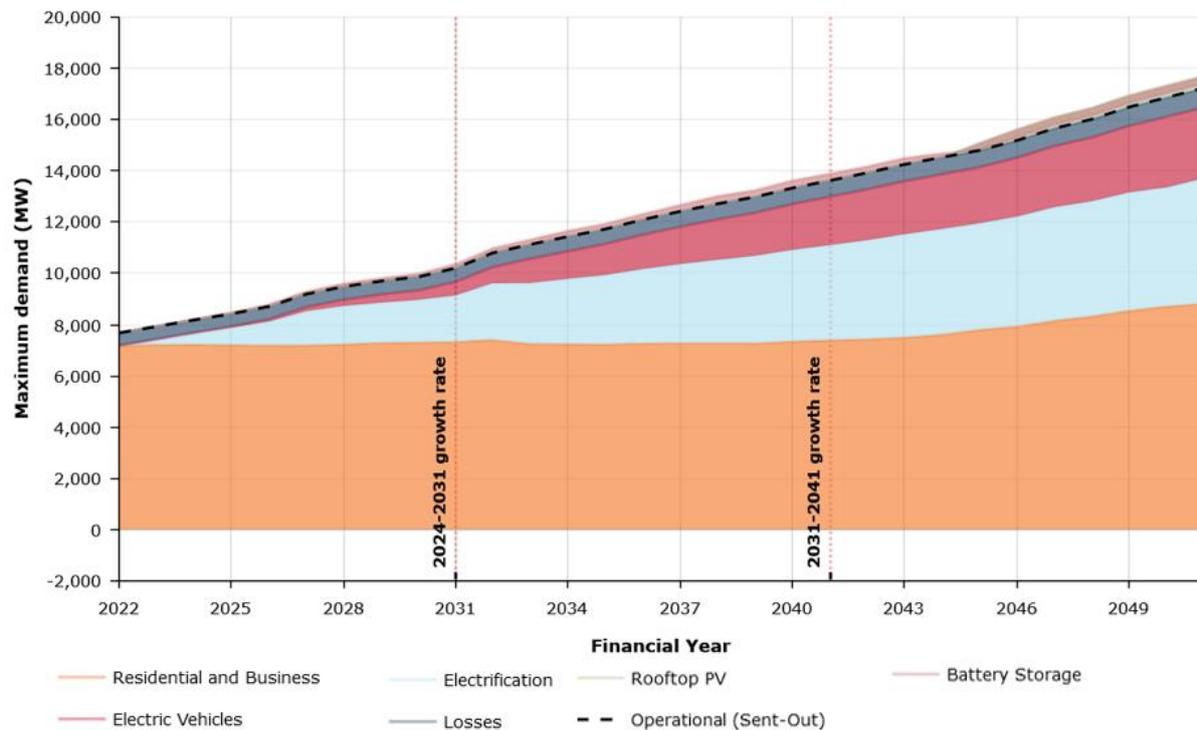
<sup>8</sup> CSIRO 2021, *Electric vehicle projections 2021*, Figure 5-1. Available here: [https://aemo.com.au/-/media/files/electricity/nem/planning\\_and\\_forecasting/inputs-assumptions-methodologies/2021/csiro-ev-forecast-report.pdf?la=en](https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/inputs-assumptions-methodologies/2021/csiro-ev-forecast-report.pdf?la=en)

<sup>9</sup> AEMO 2021, *2021 Inputs, Assumptions and scenarios Report*, p.41. Available here: <https://aemo.com.au/-/media/files/major-publications/isp/2021/2021-inputs-assumptions-and-scenarios-report.pdf?la=en>

<sup>10</sup> Residential gas consumption in the ACT is historically similar to Victoria. Average residential gas consumption in the ACT over the 2006-10 period was 60 GJ per customer before falling in recent years. Average consumption has since reduced due to an increase in the proportion of multi-unit customers, newer customers using less gas, and existing customers who have already commenced their electrification journey.

instance, the ACT has a lower industrial base. Figure 8 shows the forecast increase in winter maximum demand will increase by 224 per cent as net zero emissions is achieved.

**Figure 8 2022 Electricity Statement of Opportunities: Winter Electricity Maximum Demand Operational, Victoria, Central PoE10.**



## 2.2. Implications for Evoenergy

Historically, electricity has only been one part of the ACT energy system. Fifteen years ago, almost all ACT households used gas for heating, hot water and cooking, and petrol or diesel to fuel their cars. Few households had solar. Evoenergy’s role was to connect homes and businesses to provide one-way access to electricity generated by large power stations.

Over the last 15 years we have seen significant change — largely due to the ACT community’s commitment to innovative and support green technologies. We have seen the ACT Government support the uptake of solar (through supportive policies such as feed-in tariffs) and deliver a shift to 100 per cent renewable electricity.

Consumers have embraced these new technologies. Now a quarter of all our customers use solar to generate electricity for their own use or to inject back into the grid. Over the last 10 years, the average panel size has more than doubled. In new areas such as Ginninderry, 100 per cent of households have solar.

More recently, we are seeing exponential growth in battery storage systems and EVs. In the ACT there are currently more than 3,500 domestic battery systems in place and around 3,300 electric or plug-in hybrid vehicles registered in the ACT. This is a 185 per cent increase on the prior year.<sup>11</sup>

<sup>11</sup> ACT Government 2022, Total vehicles registered in the ACT, 12 October 2022. Available here: <https://www.data.act.gov.au/Transport/Total-vehicles-registered-in-the-ACT/x4hp-vihn>

We are also seeing the ACT public transport system electrify with the roll-out and extension of the light rail to Woden and shift to electric buses. The ACT Government is in the final stages of purchasing 90 electric buses — about 20 per cent of the fleet.

Looking ahead, consistent with the ACT's climate change strategy, we expect to see the electrification of gas and transport — which currently make up 22.5 per cent and 63.6 per cent of energy used in the ACT, respectively.

As the ACT's community and energy system changes, so too must Evoenergy's electricity network. Evoenergy needs to continue evolving from providing one-way energy flows to becoming the single crucial platform which underpins almost all energy use in the ACT.

The importance and magnitude of this transition cannot be understated. In terms of:

- **Scale** — currently, Evoenergy's electricity network only provides about a third of the ACT's total energy. Facilitating the electrification of gas and transport loads will substantially increase peak capacity requirements – at a time when we are already seeing substantial infill development (70 per cent of all development) as Australia's fastest growing electricity network. These pressures will require extensive reinforcement of Evoenergy's existing low voltage grid over the next 20 years.
- **Function** — Evoenergy's electricity network needs to continue to evolve from a one-way network to two-way flows across the network. This will require surmounting the technical engineering challenges from an increasing penetration of geographically distributed asynchronous generation (such as energy from solar and batteries), such as voltage and frequency stability issues. To ensure power quality standards are met, the Evoenergy electricity network will need to play a more active, innovative, and smart role than in the past (for instance, through the installation of devices such as online tap changes to manage voltage issues).
- **Criticality** — as the platform of the ACT's future energy system, the importance and consumer value of a reliable and resilient electricity network has never been greater. In the future electricity network outages will affect a range of community-critical functions such as transport, heat, hot-water, light, communications etc. This is a shift from the past where heat, hot water and transport could function independently of the electricity network.
- **Innovation** — achieving such a rapid and extensive emission reduction is unprecedented and requires breaking new ground. For instance, no major jurisdiction in the world has completed the transition to zero emission vehicles.<sup>12</sup> In turn, there is a high level of uncertainty and an adaptive and innovative approach will be required to deliver.

Each of the elements above pose a significant challenge; however, together the challenge multiplies. Evoenergy must innovate while operating a network which a growing scale, expanding function and the ongoing resilience of the electricity network that has never been more important.

## Evoenergy's net zero modelling

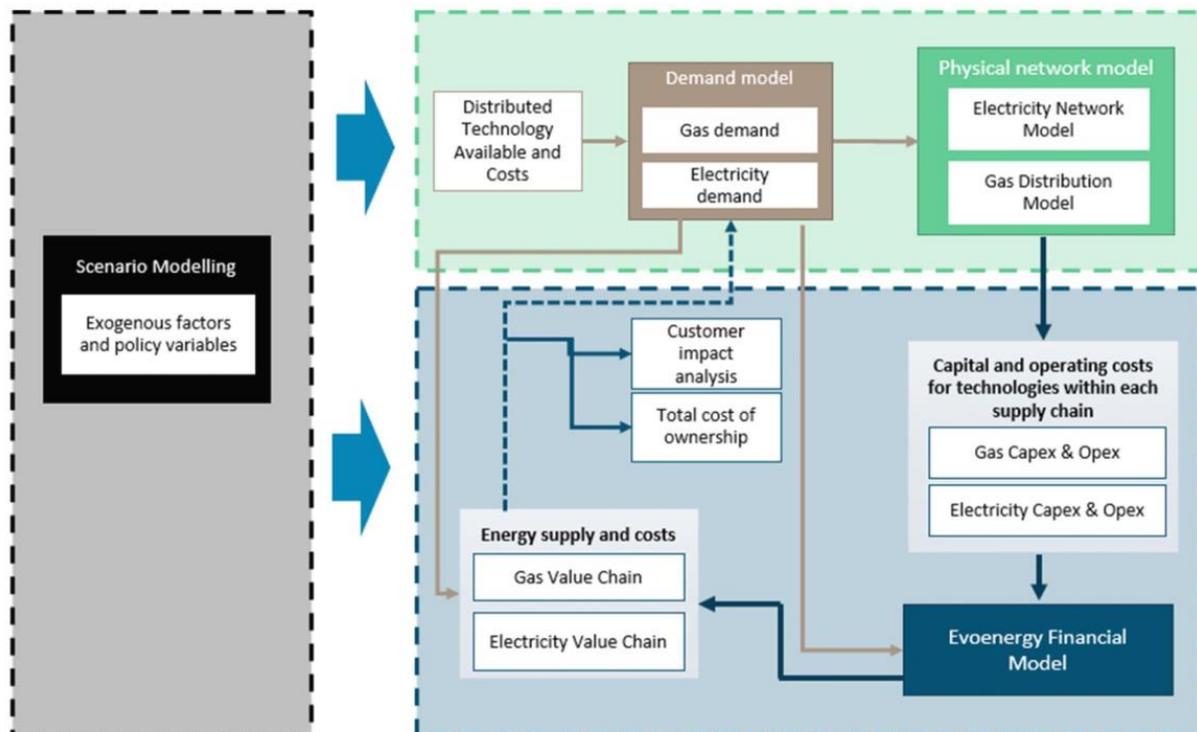
To help navigate the transition, Evoenergy, in partnership with Marsden Jacobs Associates, has developed a dynamic model of the ACT energy system, Evoenergy's net zero model, to understand the impact of net zero pathways.

Evoenergy's net zero model enables a data driven approach to consider the impacts of a net zero transition on our electricity and gas networks. It acts as a compass and provides ongoing analysis of the potential impacts, trade-offs and costs and benefits of different strategies to inform our strategy and long-term planning. The model is built to be flexible and can be continuously updated and maintained as new material information comes to light. Figure 9 shows the design of Evoenergy's net zero model.

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<sup>12</sup> The highest penetration is 26 per cent in Norway. See here: <https://elbil.no/om-elbil/elbilstatistikk/elbilbestand/> Note that Norway has a goal of 100% EV sales by 2025– which is only 5 years ahead of the ACT.

Figure 9 Evoenergy’s net zero model design



Until recently, Evoenergy’s net zero model focussed on two pathways to achieving a net zero emissions future:

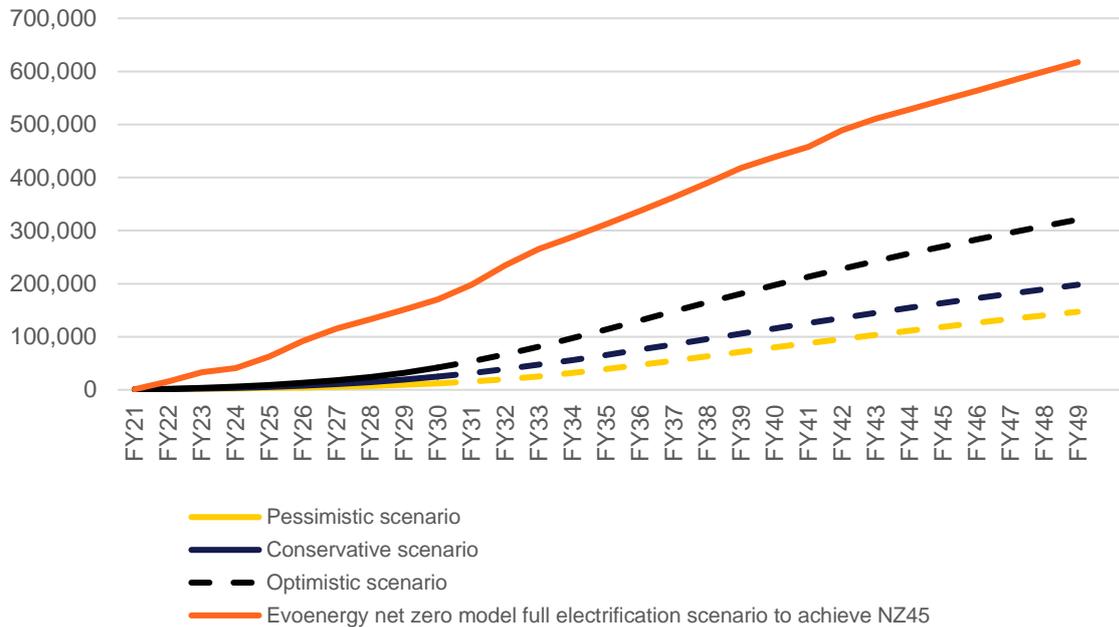
- **Full electrification:** providing energy services through electricity network only (decommissioning the gas network).
- **Partial electrification + green gas:** supplying electricity and emissions neutral ‘green gas’ through the electricity and gas networks to meet consumer energy needs.

However, since the release of our Draft EN24 plan, the ACT Government decided to pursue the full electrification pathway. We have also updated modelling to reflect the zero emission vehicle policies and targets included in the ACT’s Zero Emissions Vehicles Strategy. We aligned our forecasts with the scenarios prepared by Deloitte Access Economics in a report for the ACT Government. Figure 10 below presents these scenarios together with the forecast of required uptake of EVs to achieve a steady path to net zero emissions by 2045 from our net zero model. We note that new vehicle sales are currently sitting at 9.5 per cent of new vehicles,<sup>13</sup> which is ahead of the optimistic scenario.<sup>14</sup>

<sup>13</sup> <https://electricvehiclecouncil.com.au/reports/latest-state-of-evs-report-shows-huge-boom-in-ev-sales-but-australia-still-miles-behind-due-to-policy/>

<sup>14</sup> In the optimistic scenario zero emission vehicles were assumed to reach 8.62% and 12.02% of new vehicle sales in 2022/23 and 2023/24 respectively.

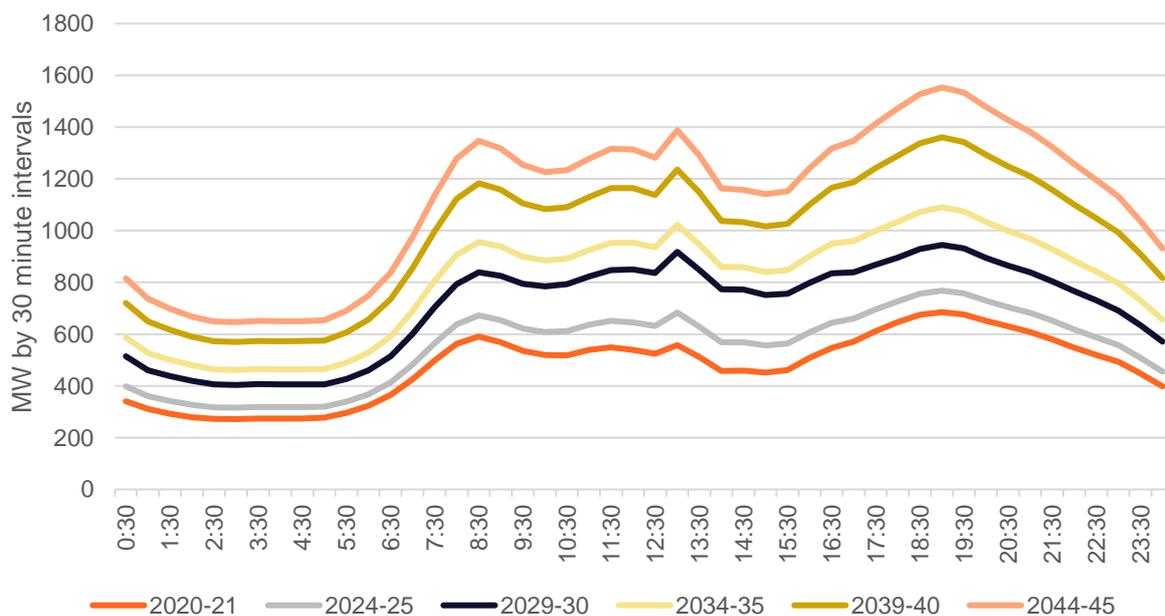
Figure 10 Total zero emission vehicle roll-out scenarios (ACT)



A key finding of the net zero modelling is that by 2045 winter peak electricity demand will be 2.25 times current peak demand. This increase is primarily caused by the uptake of EVs together with the electrification of gas demand. This is a similar projection of maximum demand uplift to that produced by the AEMO for Victoria.

Figure 11 shows the change in the winter peak demand profile over the period to 2045. For context, at a whole of system level, in 2021/22, the summer and winter peaks were 440MW and 685MW respectively. Historically, winter peaks are on average higher and more stable with more volatile summer peaks (summer 2018/19 maximum demand was 657MW due to persistent widespread heatwaves).

Figure 11 Forecast winter peak demand growth to 2044/45



Notably, the increase in maximum demand occurs largely in our existing areas as our existing customers electrify. The increase in demand in existing areas is further compounded by ongoing development in these areas — the ACT is Australia’s fastest growing jurisdiction with a planning policy aiming for 70 per cent infill.

We are undertaking a suite of measures to manage the expected increase in peak demand. This includes:

- Our **EVGrid trial**, where we are collaborating with electric vehicle owners to test dynamically managing charging based on real-time assessment of available network capacity.
- **Designing tariffs that are appropriate for changing the use of the network** while sending price signals that promote efficient use of the network for EV charging to reduce the impact on the network (see the summary of our proposed tariffs in section 5 for more information).
- Our **Ginninderry Residential Battery Trial**, where we are enabling battery owners to collaborate with Evoenergy to alleviate network congestion.
- **Battery tariff trials**, such as our residential battery tariff and large-scale battery tariff, to explore the potential of tariffs with sharper pricing signals.
- Our **Realising Electric Vehicles-to-grid Services** project explores how these services can be part of the future energy system. For instance, through the provision of contingency frequency control services.
- **Establishing a test facility** at the Australian National University to allow for safe testing of new DER-based technologies.
- **Enhancing visualisation of network capacity** to allow better informed strategic customer decision making on EV charging infrastructure.

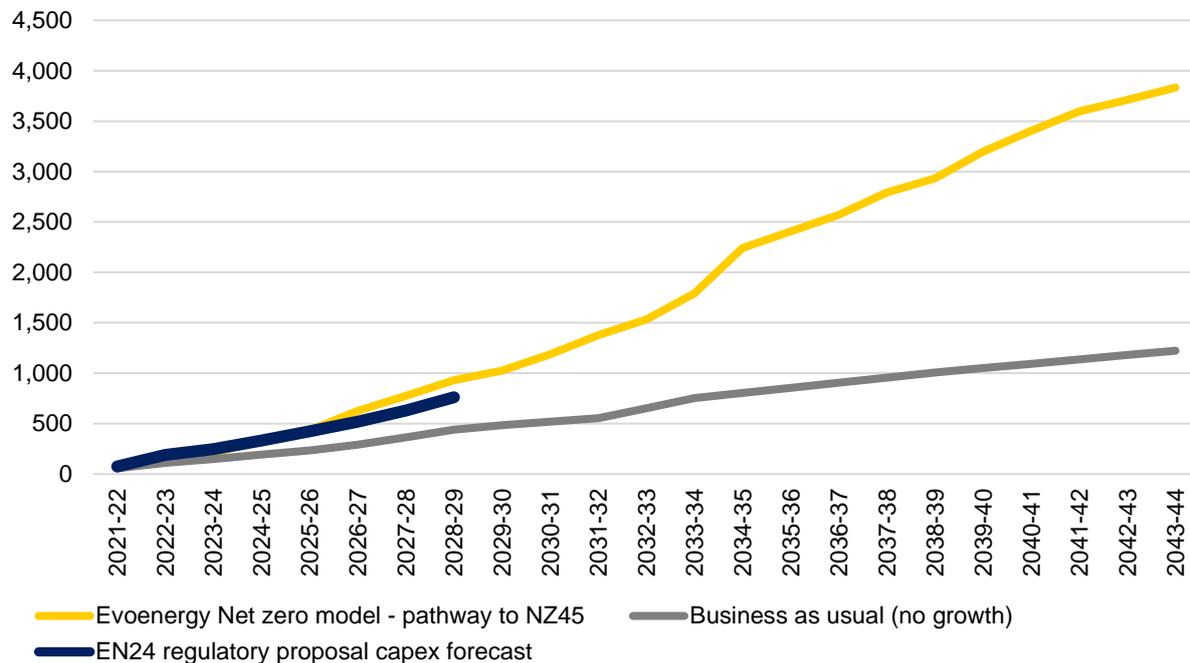
Despite these measures, due to the sheer scale of the increased load moving to our electricity network and the ongoing growth in existing areas, reinforcement, or reshaping of our existing network is unavoidable. In particular, our network will need additional 11 kV feeders which connect our zone substations to each suburb, as well as the zone substations themselves.

Our modelling shows us that to achieve net zero emissions by 2045 we will require additional investment in the order of \$2.5–3.0 billion beyond what we would have needed under a business as usual, no growth scenario. This suggests that to be on a steady path to achieve net zero by 2045, our program for the 2024–29 regulatory period would need to be up to around \$0.75 billion.

Our proposed 2024–29 capex program has been informed by, not based on, the net zero model, and is based on current policy settings and available trend data, which does not reflect the full extent of investment needed to remain on a steady path to net zero by 2045.

Figure 12 below shows our proposed cumulative capex for 2024–29 alongside the cumulative capex forecast required to achieve a steady path to net zero emissions by 2045.

**Figure 12 Net zero model forecast cumulative capex to achieve net zero by 2045 (\$ million, \$2023/24)**



### Risks and opportunities — a whole of system view

While additional investment is required to re-shape the electricity network, it will bring the benefits of achieving net zero and ancillary benefits such as lower total household energy costs over the long term by removing the need for gas as well as internal combustion engine vehicle fuels. It is expected that retail electricity prices will fall in real terms over the long term due to the increased utilisation of the electricity network. This highlights the importance of taking a customer outcome and whole system view.

While we have made best endeavours to prepare the best possible forecast by using the latest and most robust information available, developing forecasts out to 2029 at the early stages of such a long and ambitious transition is challenging.

The uncertainty is not uniform. The targets are clear and are backed by a strong commitment from the ACT community and government. As outlined above, the extent of the policy solutions and community choices which will be made to achieve this goal is not yet fully known — and will likely be refined over time.

This uncertainty means we do not know exactly which households will replace their gas appliances or buy an electric vehicle or when they will make this decision. In turn, there is a high-level of uncertainty in the medium to long term horizon as to when, where or how the network needs to be reshaped.

For instance, if electric vehicle uptake is more concentrated in specific areas or charging behaviour is more temporally concentrated and does not respond to network tariffs as we hope, we will need to bring forward the network reinforcement in that area.

Our approach for the 2024–29 period is to develop investment plans based on announced policy settings and targets. This results in an investment forecast of \$521 million. In contrast, our net zero model suggests that to achieve net zero by 2045, we will require in the order of an additional \$220 million in the 2024–29 regulatory period. While it is important that investment is made when it is

needed. It is important to note that rephasing of future regulatory periods is likely to increase the investment required in those periods.

While it is likely that additional policies will be announced, for instance, as part of the ACT Government's Integrated Energy Plan, it is unlikely that the ACT Government will announce a delay to any of its decarbonisation targets. As a result, there is an asymmetric risk that we will need to bring forward additional investment in our network. Or to put another way, there is a low probability we will be able to defer our proposed program, but a high risk that we will need to bring forward investments planned for future periods.

The risk to consumers is also asymmetric. Delayed or deferred augmentation would have significant consumer impacts, as shown recently in the west of London, where there is insufficient capacity in some areas to connect new customers until 2035.<sup>15</sup> Insufficient capacity would delay new developments or the uptake electric vehicles. While, in the context of the growing role of the electricity network and growing peak demand, additional capacity is unlikely to be underutilised.

The current regulatory framework provides limited options for managing the risk that government policies indirectly accelerate the need for network reinforcement investment via changed consumer behaviour. While possible, current regulatory practice does not give us confidence that the current specification of existing regulatory mechanisms (such as cost pass-throughs, contingent projects or determination re-opener provisions) could address the asymmetric risk we face — even though the drivers for these costs are largely beyond Evoenergy's control.

To address this risk, our proposal includes a contingent project that would be triggered where evidence emerges that the speed of the energy transition, and in particular the uptake of EVs and electrification, is greater than assumed in the capex forecasts put forward in this regulatory proposal, where this consequently requires us to undertake a material program of works during the 2024–29 regulatory period.

Evoenergy considers that a contingent project is the most appropriate mechanism available under the Rules to address the inherent uncertainty we face. The alternative would be for Evoenergy to seek a capex re-opener during the 2024–29 regulatory period. Our proposed approach to addressing capex uncertainty, including the nominated contingent project and discussion on this risk are outlined in Appendix D.

The capital expenditure sharing scheme (CESS) mechanism also exacerbates this risk with the asymmetric treatment of deferrals and pulling forward projects. Moving a project forward one regulatory period will create a CESS penalty of 30 per cent of the cost of the project, while deferring a project will only deliver a CESS benefit of the time value of money of the deferral. The CESS mechanism does not consider capex being brought forward as the AER considered that the risk of material cost increases from uncontrollable or unforeseen capex is addressed through the pass through and contingent project mechanisms.<sup>16</sup>

We look forward to engaging with the AER and ACT community further on how to best manage this risk to ensure that we can deliver a larger program if that is what is required. We consider that adapting current regulatory practice to be fit-for-purpose for the changing energy environment we operate in would be in consumer's interest.

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<sup>15</sup> Greater London Authority, *West London Electrical Capacity Constraints*, July 2022. Available here: [https://www.london.gov.uk/sites/default/files/checked\\_westlondoncapacity\\_0.pdf](https://www.london.gov.uk/sites/default/files/checked_westlondoncapacity_0.pdf)

<sup>16</sup> AER 2013, *Capital Expenditure incentive Guideline for Electricity Network Service Providers*, p.34

### 3. Consumer priorities and expectations

#### 3.1. Consumer engagement overview

Evoenergy has a long-standing commitment to the Canberra community. We strive to operate every day with consumers interests at centre of everything we do. For us, engagement is about two-way communication, listening to the needs of the community and involving them in our planning.

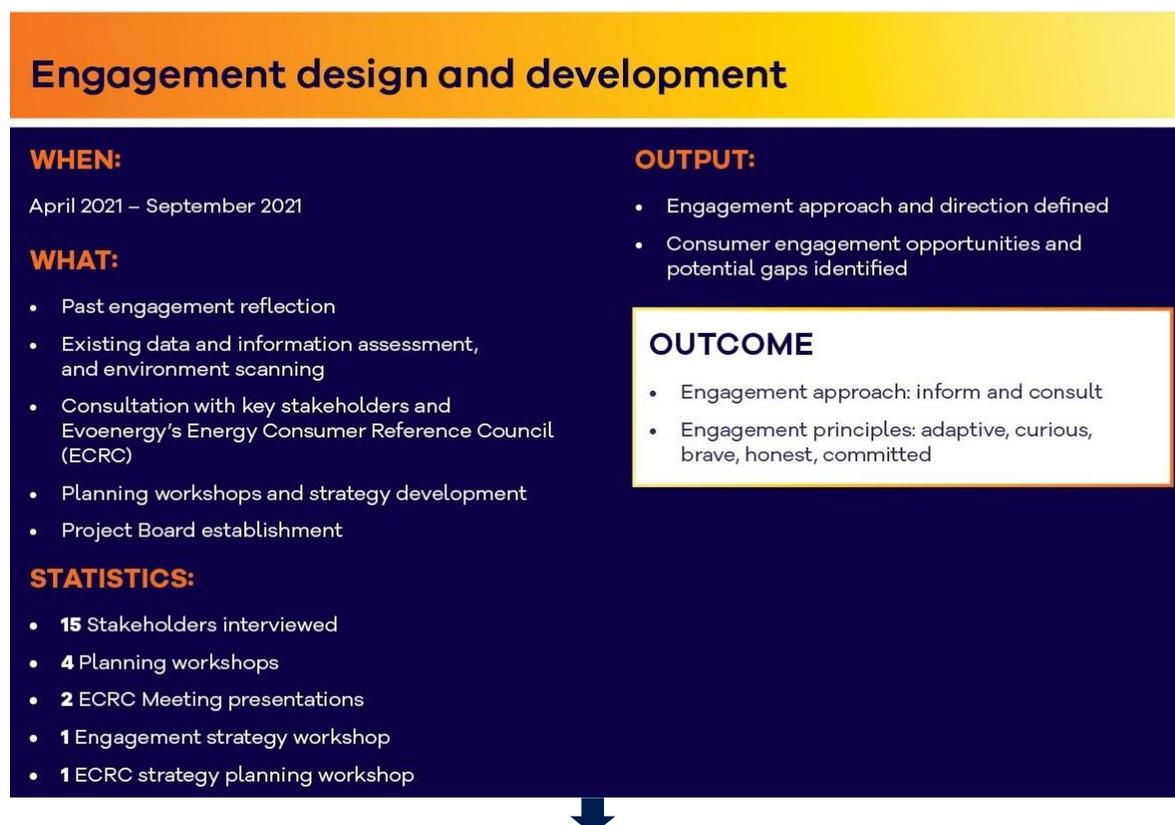
In preparing our electricity network regulatory proposal for the 2024–29 regulatory period, we made engaging with the community our focus. We have spent time with local energy consumers in a variety of ways to learn what they value most in the services we provide, and how we prepare for and respond to the energy challenges and opportunities brought about by the energy transition.

Over the past 18 months, our EN24 and TSS consumer engagement strategy (provided as Appendix E) has guided activities that have provided stakeholders and consumers from across our diverse community with the opportunity to influence Evoenergy’s regulatory proposal and TSS. Our engagement approach has built on what we have heard from consumers in recent years, and our commitment to continue to listen and understand energy users’ needs and expectations has ensured a sincere engagement process for all involved.

Through our engagement journey, we have learned that in addition to energy reliability and affordability, how we are investing in our energy network to achieve a net zero emissions future, and increasing the integration of solar, batteries and electric vehicles is increasingly important to our community. This expanded consideration of our energy network is as we expected with the current Government and industry focus on energy transition, even more so for Canberrans as the ACT Government lead the nation with ambitious electrification and electric vehicle policies.

A summary of our consumer engagement journey is shown in Figure 13, with further details outlined in Appendix F (Consumer engagement program report).

Figure 13 Consumer engagement journey



# 1 Framing and values

**WHEN:**

October 2021 – July 2022

**WHAT:**

- ECRC engagement
- Planning and agility workshops
- Community panel and community pricing panel meetings
- Pricing workshops
- [www.engagewithenergy.com.au](http://www.engagewithenergy.com.au) online engagement

**STATISTICS:**

- **6** Community Panel workshops
- **49** Participants
- **25** Online hours of discussion and deliberation
- **15** Business/government engaged
- **800** Consumers surveyed
- **2,200** [www.engagewithenergy.com.au](http://www.engagewithenergy.com.au) online engagement visits

**OUTPUT:**

- Understanding consumer values
- Refinement of our consumer engagement strategy
- Engagement program health check reports

**OUTCOME**

- A list of consumer values
- Targeted consumer-led deliberative engagement agenda
- Consumer inputs for net zero forecasts



# 2 Draft plan engagement

**WHEN:**

August 2022 – December 2022

**WHAT:**

- EN24 Draft release and consultation
- Community panel and community pricing panel meetings
- Vulnerable consumer workshop
- Energy Matters forum

**STATISTICS:**

- **9** Community Panel collaborative workshops
- **348** [www.evoenergy.com.au](http://www.evoenergy.com.au) media release views
- **191** Draft Plan downloads
- **55** Major customers engaged (Energy Matters workshop)
- **8** Draft Plan submissions received
- **4** Media interviews (radio and TV) to promote the Draft Plan and educate consumers
- **1** Public stakeholder briefing to present the Draft Plan

**OUTPUT:**

- Community panel recommendations report
- Evoenergy 2024–29 Draft EN24 feedback

**OUTCOME**

- Feedback shaped Evoenergy's 2024–29 Electricity Networks Regulatory Proposal



## 3 Continuing engagement

### WHEN:

January 2023 – Ongoing

### WHAT:

- We will continue to engage on areas of our plans that continue to evolve or where consumers have particular concerns.
- Beyond the EN24 and TSS engagement program, consumer engagement will continue to be embedded in the way we do business.

### OUTCOME

- Feedback from continuing engagement will inform any changes to our plans.

### 3.2. Engagement design and development

Our EN24 and TSS consumer engagement strategy is supported by Evoenergy’s Stakeholder Engagement Strategy,<sup>17</sup> which guides activities to enhance our relationships with consumers and the interest groups that represent them. Our stakeholder engagement principles have underpinned our engagement for this regulatory review.

#### Strategy development

To design our engagement strategy for the 2024–29 regulatory period, we held a range of internal workshops to reflect on past consumer engagement programs. We assessed key changes in the energy landscape and conducted a desktop review of new engagement practices. This process was essential to take forward key learnings to evolve and improve our engagement approach.

During this preliminary phase of the planning process, we also consulted with Evoenergy’s long-standing ECRC. Council members drew on their experience participating in the council as well as their own organisations to help Evoenergy develop an engagement program that was inclusive and reflective of the diversity of our community.

In developing our engagement program, we recognised and adapted to the unique characteristics of consumer engagement in the ACT. As a small jurisdiction without a professional energy consumer advocate cohort, we saw an opportunity to support interested members of the community in continuing to build capacity and knowledge in the energy networks and related matters. Our hope is that these consumers will continue to bring an informed perspective to future energy conversations.

The AER’s Handbook has provided invaluable guidance for Evoenergy on the expectations for a genuine, reasonable and efficient engagement process. Although at the time of release our planning was already underway, we utilised the guidance throughout strategy development and Phase 1 and Phase 2, to design a consumer engagement program and deliver a regulatory proposal we believe reflects the long-term interests of consumers in the ACT.

#### Engagement approach

Through the development of our engagement strategy, we identified key consumers and stakeholders that reflect the diversity of our community, and these consumers and stakeholders formed the focus of our engagement program. During this process, we analysed who we needed to engage with and how we should engage them to ensure wide consultation. Consumers and stakeholders and our key engagement activities are outlined in Figure 13.

<sup>17</sup> <https://www.evoenergy.com.au/-/media/evoenergy/about-us/stakeholder-engagement-strategy-2021.pdf>

Although we have existing relationships with many organisations, this process to identify all stakeholders at the start of the program was essential to ensure none were missed. This engagement program builds on over five years of working with these organisations.

Most of our engagement activities were designed to involve and collaborate with identified consumers and stakeholders, such as through our community panel sessions. Recognising the complexity of the engagement landscape, we established a community panel and community pricing panel to enable a more flexible, deliberative engagement process across a wider range of issues over a longer period. See more information about our community and community pricing panels in Appendix G (Community panel process and outcomes report), Appendix H (Community panel recommendations report), and Table 6.

To complement our deliberative engagement activities, we ran quantitative surveys throughout Phase 1 and Phase 2 of the engagement program, are to inform and consult with a broader range of consumers and stakeholders. This mix of activities enabled us to collect broader consumer views, and test and validate the feedback we received through our deliberative engagement program. See more information about our quantitative surveys in Table 7.



*Evoenergy's community panel sessions were facilitated online to ensure participants' safety during the Covid-19 pandemic.*

Figure 14 Engagement by activity and group

	ECRC health check	Community panel	Community pricing panel	Pricing workshops	Engagement Website	'Have your say' survey	EV Survey	DSO Survey	Consumer group partnership	One-on-one meetings	Energy Matters	Tariff trial engagement	Draft EN24 plan	Deep dives	Draft proposal workshop
Residential	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓
Small-medium business	✓	✓			✓	✓		✓	✓				✓	✓	✓
Vulnerable communities	✓	✓	✓	✓	✓	✓		✓	✓				✓	✓	✓
Culturally and Linguistically Diverse (CALD) communities		✓		✓	✓	✓		✓	✓				✓	✓	✓
Aboriginal and Torres Strait Islander communities		✓	✓		✓	✓		✓	✓				✓	✓	✓
Young people		✓	✓		✓	✓		✓	✓				✓		✓
Retailers										✓		✓	✓		✓
Large customers	✓				✓					✓	✓	✓	✓	✓	✓
ACT Government										✓		✓	✓		✓

### Engagement scope

Our engagement program has focused on engaging on areas of our planning that matter most to consumers and stakeholders, and where they can have the greatest influence.

In recognising and respecting the finite capacity of consumers to devote to engaging on our regulatory review process, as well as our own resource constraints as a small network business, we sought to

strike an appropriate balance between capacity building, discussing the ‘big’ issues that are top of mind for consumers, and seeking feedback on specific elements of our plans where consumer feedback could have the biggest impact. For example, during the capacity building phase of our community panel program, we gave panel members space to ‘set the agenda’ and guide discussion, while also providing clarity on the scope of engagement and where they could impact our planning.

As values emerged in Phase 1 of our deliberative engagement, we reflected on what and how consumers could influence in the development of our proposal. This meant we considered what was within Evoenergy’s control to determine, and what was out of scope, but that Evoenergy could influence. This approach helped to provide understanding and transparency around the role consumers have in the engagement process.

**Table 3 Consumer engagement scope**

Value	Engagement scope
Reliability	<ul style="list-style-type: none"> <li>• Level of investment to maintain reliability</li> <li>• Prioritisation of measures to increase network resilience</li> <li>• Level of investment to support the safety and security of the network</li> </ul>
Affordability	<ul style="list-style-type: none"> <li>• Understanding of how network costs contribute to the overall retail electricity bill</li> <li>• Consideration of how different levels of investment will impact the network component of the bill</li> <li>• Consideration of the overall revenue required this regulatory period</li> </ul>
Communication	<ul style="list-style-type: none"> <li>• How, when, and what Evoenergy communicates</li> <li>• Evoenergy’s role to communicate and engage</li> <li>• Identification and prioritisation of customer service measures to design the Customer Service Incentive Scheme (CSIS)</li> </ul>
Distributed energy resource integration	<ul style="list-style-type: none"> <li>• Level of investment to integrate solar, battery and EVs</li> <li>• Interrelationship between DER and net zero investment</li> </ul>
Tariffs	<ul style="list-style-type: none"> <li>• Design and application of new tariffs</li> <li>• Prioritisation of measures to address cross-subsidisation</li> </ul>
Energy transition	<ul style="list-style-type: none"> <li>• Level and pace of investment to enable the energy transition</li> <li>• Method of transition</li> </ul>

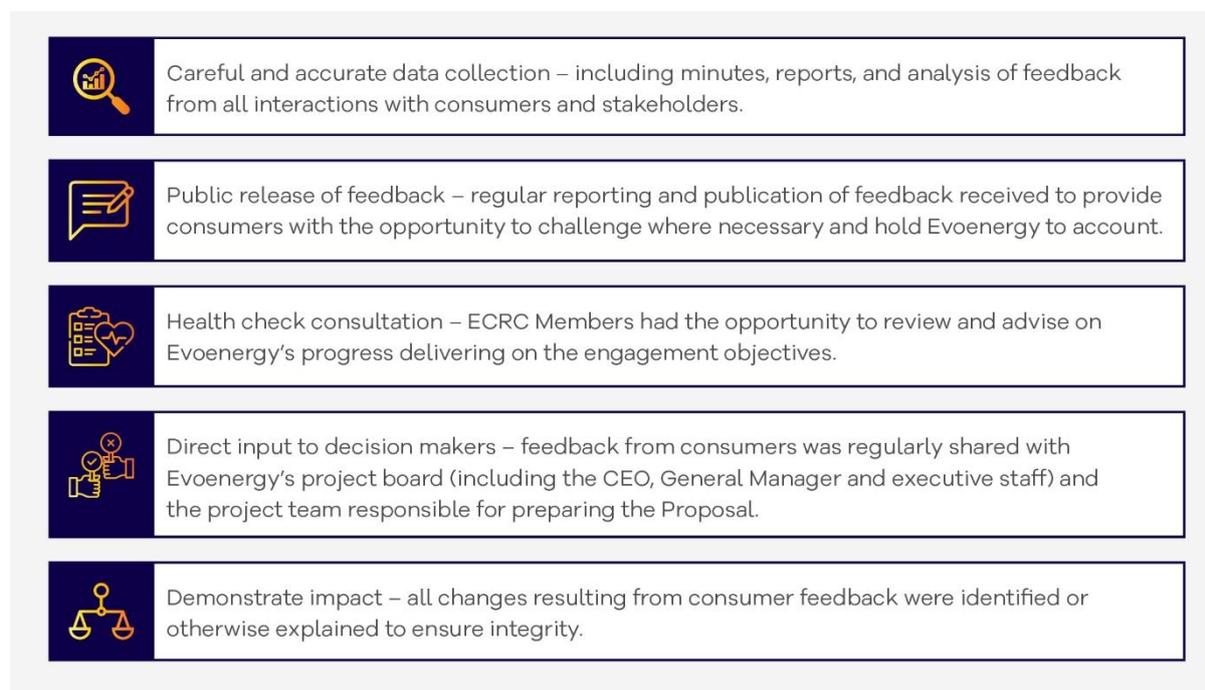
During deliberative engagement, participants occasionally asked questions or provided feedback on aspects of our planning that are out of scope. For example, on the topic of energy transition, we received feedback that Evoenergy should provide direct subsidies to vulnerable consumers to invest in DER, to ensure they’re not left behind in the transition.

When we received this type of feedback that was out of scope, we took time to listen to participants and acknowledge their concerns, discuss Evoenergy’s role, and provided guidance on who and how the feedback could be progressed.

### Measurement and evaluation

From the outset of strategy development through to completion of Phase 2 of the engagement program, Evoenergy undertook the steps outlined in Figure 15 to monitor and address consumer feedback. Our consumer engagement strategy has been measured by the objectives outlined in Table 4 below.

**Figure 15 Measurement and evaluation metrics**



**Table 4 Engagement objectives result**

Objective	Key performance indicator (KPI)	Result
<b>Strategy</b>  Demonstrate commitment to active and diverse engagement	<ul style="list-style-type: none"> <li>Health Check Report cards indicate a high level of success in designing and delivering engagement activities.</li> <li>ECRC Members feel they were engaged in the development of the key aspects of the proposal at the ‘collaborate’ level, as defined by the IAP2 spectrum of engagement.</li> </ul>	<b>Achieved KPI</b> We heard from all consumer and stakeholder groups targeted, see Figure 13 and Figure 14 .  <b>Achieved KPI</b> Health Check Report cards for December 2021 and June 2022 indicated that we were ‘On Track’ with achieving engagement objectives. The Dec 2022 Health Check Report card indicated ‘Requiring Work’. As part of their end of year review, the ECRC members felt it was important to acknowledge a continual aspiration for improvement.
<b>Accessibility</b>  Ensure consumers can	<ul style="list-style-type: none"> <li>A diverse range of engagement opportunities offered and supported by accessible electronic and hardcopy information, presentation, and tools.</li> </ul>	<b>Achieved KPI</b> Figure 13 and Figure 14 provide details of the broad range of engagement activities.

Objective	Key performance indicator (KPI)	Result
<p>meaningfully engage</p>	<ul style="list-style-type: none"> <li>Panel participants indicate they feel they were engaged in developing the key aspects of the regulatory submission at the identified participation level as defined by the IAP2 Spectrum of engagement.</li> <li>80% of participants report that information is easy to understand.</li> <li>No substantiated instances of participants expressing concern or dissatisfaction about content accessibility or inclusiveness.</li> </ul>	<p><b>Achieved KPI</b></p> <p>We engaged on 10 topics in depth across 25hrs of inform (capacity building engagement) and 19 hours of collaborative engagement.</p> <p><b>Achieved KPI</b></p> <p>83% of participants reported that the content was presented in a way that could be easily understood.</p> <p>75% of participants indicated the ability to participate, contribute to the discussion and provide feedback was easy or very easy.</p> <p><i>'I felt comfortable and safe enough to ask questions and make comments despite having no prior knowledge about the energy sector. I really enjoyed the process.'</i> – Community panel member</p> <p><b>Achieved KPI</b></p> <p>Early in the process, some panel members indicated concerns about technical barriers to participation. We responded by altering our approach to ensure all were given information that was accessible to enable engagement. These adjustments included providing a laptop to a panel member with accessibility issues, moving to online surveys which were easier to complete, and using online breakout rooms to facilitate discussion.</p>
<p><b>Intent</b></p> <p>Provide clarity on consumer and stakeholder impact</p>	<ul style="list-style-type: none"> <li>Participants report they felt they had influenced the eventual outcome.</li> <li>Health Check Report card result indicates continuous improvement pillar is met.</li> </ul>	<p><b>Achieved KPI</b></p> <p>80% of participants said they were confident that their input would influence Evoenergy's planning.</p> <p><i>'A good process that I hope will be taken into account in the EN24 submission.'</i> – Community panel member</p> <p><b>Achieved KPI</b></p> <p>ECRC members have commended Evoenergy for its efforts and acknowledged Evoenergy's commitment to continuous improvement.</p> <p>The December 2022 Health Check Report card indicated engagement feedback is contributing to, and impacting, Evoenergy's EN24 proposal. It was also noted Evoenergy was engaging well with targeted groups.</p>

We believe the engagement program has successfully delivered against all engagement strategy KPIs. We acknowledge that there is always room to improve, and we are committed to our ongoing consumer engagement journey across all aspects of our planning.

### 3.3. What we heard from consumers

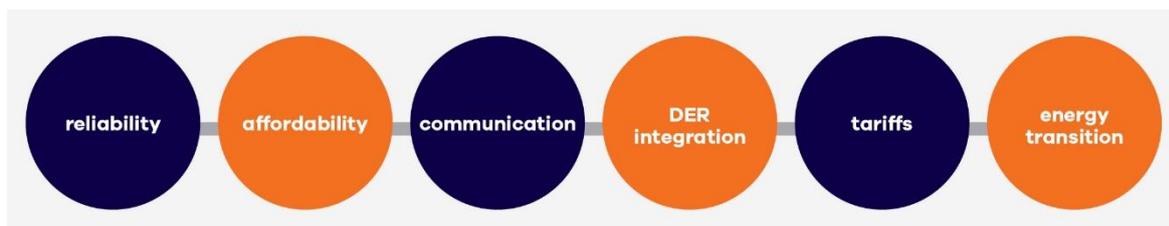
#### Values

Phase 1 of our engagement program focused on understanding how the values of energy consumers have changed since our last electricity network plan was developed. We wanted to understand what was important now, and what they thought would be important in the future.

During this stage of our engagement program, we heard that Canberrans need energy that is affordable, sustainable, reliable, and safe. We also heard that in the coming years, consumers want an energy network that is innovative and enables them to use energy efficiently and smartly while we move towards a net zero emissions future.

This feedback on consumer values directed our engagement approach, and we designed our program to focus across the six key areas identified in Figure 16.

*Figure 16 Key consumer values*



#### Consumer feedback

During Phase 1 and Phase 2 of the engagement program, we ran qualitative consumer engagement activities, such as our community panels and workshops, as well as quantitative surveys that were targeted at specific consumer groups, or that sought to consult across the broader community.

Across all activities, consistent feedback emerged across each of the six key values identified in Phase 1. Consumer feedback and how we have responded is presented in Table 5. Detailed feedback and how it has influenced our proposal is presented in Table 6 and Table 7.

**Table 5 Engagement feedback outcome**

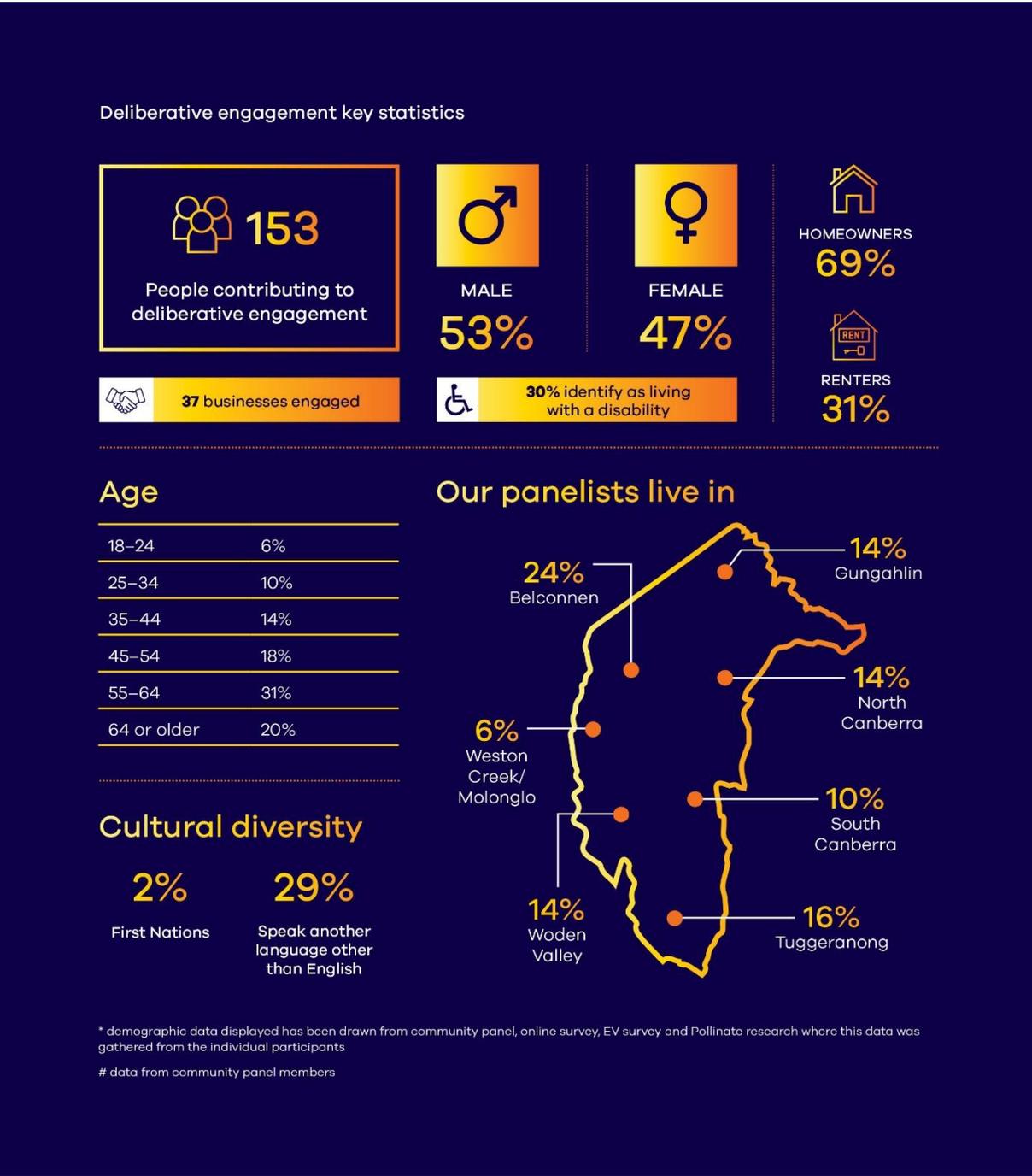
What consumers want	How we've responded	Outcome
Maintain reliability but make decisions that balance this with cost	We are committed to maintaining our current level of electricity network reliability.	
Play our role in energy affordability	A modest increase to network charges will allow us to invest in our energy future and keep pace with consumer and ACT Government expectations.	
Take action towards achieving a net zero future	We are proposing additional investment to increase network capacity and enable electrification.	
Play a key role in enabling distributed energy resources	We are proposing investment in technology to enable more solar, batteries and EVs and optimise their use.	
Ensure network tariffs are fit for future users of the network	We have made changes to our existing tariffs and proposed new ones that are designed with the future use of the network in mind and that will send price signals aimed at reducing the demand on the network at peak times.	
Play a bigger role in communicating and informing the community	We will increase and improve our communication during outages and throughout the energy transition.	

### Deliberative engagement feedback

At the core of our engagement program is deliberative engagement. Throughout Phase 1 and Phase 2, we prioritised spending time with consumers and stakeholders to involve them in our planning, and where possible, collaborate on direction and decision making.

We held five deliberative engagement streams that were targeted at different consumer and stakeholder groups on different topics, including seven community panel sessions, five community pricing panel sessions, two pricing workshops, one vulnerable consumer workshop, and one Energy Matters session. The approach for each stream was to first build participants knowledge of Evoenergy, our energy system, and the types of things we need to consider in this regulatory period, followed by targeted, collaborative two-way engagement. This approach to prioritise capacity building ensured meaningful engagement.

Figure 17 Deliberative engagement key statistics



**Table 6 Deliberative engagement feedback**

**Key:**



Engagement activity	Feedback	Influence area and reference (see Table 8)
Community Panel see also: <i>Appendix G (Community panel process and outcomes report)</i> <i>Appendix H (Community panel recommendations report)</i>	<ul style="list-style-type: none"> <li>Proactively and continuously incorporate consumer values when planning for the future.</li> </ul>	 5.1
	<ul style="list-style-type: none"> <li>Minimise consumer impacts, particularly considering the needs of vulnerable customers when scheduling works.</li> </ul>	 5.2
	<ul style="list-style-type: none"> <li>Move quickly to reduce emissions in the network, including supporting the increase in distributed energy resources, remaining responsive to government policy, and keep customers informed during the transition.</li> </ul>	 2.2
	<ul style="list-style-type: none"> <li>Ensure responsive, fair, and equitable tariffs are available to meet the current and emerging needs of customers and availability of technology.</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>Pursue a Customer Service Incentive Scheme that prioritises notification of unplanned outages through timely notifications.</li> </ul>	 1.1
	<ul style="list-style-type: none"> <li>Make investments to provide more flexible, accurate and timely information to customers about outages through multiple channels, such as SMS, social media, radio, and websites.</li> </ul>	 1.1
	<ul style="list-style-type: none"> <li>Continue to prioritise investment in preparation for net zero 2045.</li> </ul>	 2.3
	<ul style="list-style-type: none"> <li>Proceed with the proposed opex changes, supported by education to help consumers understand the need for additional investment.</li> </ul>	 3.4
	<ul style="list-style-type: none"> <li>Proceed with transitioning Evoenergy's vehicle fleet to zero emissions vehicles.</li> </ul>	 5.3
<ul style="list-style-type: none"> <li>Collaborate with retailers to ensure consumers are well educated on the impact on their bill and why.</li> </ul>	 5.3	

Engagement activity	Feedback	Influence area and reference (see Table 8)
Community Pricing Panel <i>see also:</i> <i>Addendum 7.1.1 (Community pricing panel report)</i>	<ul style="list-style-type: none"> <li>Proceed with the proposed tariff changes, they seem simple and logical and will encourage people to shift their load away from the evening peak.</li> </ul>	 4.1
	<ul style="list-style-type: none"> <li>Actively manage any impact on demand once we transition away from gas.</li> </ul>	 5.4
	<ul style="list-style-type: none"> <li>Proactively communicate tariff changes using simple messages that clearly explain the difference between the different type of tariffs.</li> </ul>	 5.3
	<ul style="list-style-type: none"> <li>Actively manage any adverse impact of the demand tariff on customers who may be use medical equipment overnight.</li> </ul>	 5.3
	<ul style="list-style-type: none"> <li>Proactively work with retailers to share information on tariffs (retailers have ultimate responsibility to do this).</li> </ul>	 5.3
Pricing Workshops <i>See also:</i> <i>Addendum 7.1.2 (Deliberative energy workshops report)</i>	<ul style="list-style-type: none"> <li>In principle, participants support the ‘Solar Sponge’ as a practical solution to manage network issues related to excess energy exported to the grid. Support is based on the belief it would have a (net) positive environmental, social, and economic impact.</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>Across all groups, participants claimed the Solar Sponge might encourage consumers to be more aware of their usage and change behaviours, but only when it is easy and convenient.</li> </ul>	 5.5
	<ul style="list-style-type: none"> <li>Majority of Canberrans are unaware of current network pricing structures (that all users currently pay for upgrades caused by export peaks).</li> </ul>	 5.3
	<ul style="list-style-type: none"> <li>Majority of participants were open to the introduction of an export tariff particularly when the indicative bill impacts were revealed.</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>Non-solar owners expressed concern that an export tariff will “disincentivise more people getting solar”.</li> </ul>	 5.5
	<ul style="list-style-type: none"> <li>If export tariffs are introduced, solar users and considerers should be given choice, flexibility, and transparency.</li> </ul>	 4.1
	<ul style="list-style-type: none"> <li>Consider if export pricing could be a disincentive to take up solar.</li> </ul>	

Engagement activity	Feedback	Influence area and reference (see Table 8)
Vulnerable consumer workshop <i>See also: Appendix K (ACTCOSS Evoenergy workshop listening report)</i>		5.5
	<ul style="list-style-type: none"> <li>Consider impact and support required for low income / vulnerable consumers, particularly in accessing renewable energy technologies.</li> </ul>	 5.2
	<ul style="list-style-type: none"> <li>Actively reduce the complexity of tariffs and the regulatory process.</li> </ul>	 5.3
	<ul style="list-style-type: none"> <li>Provide greater transparency and clear communication on 'true' price impacts taking into account retail costs and other factors.</li> </ul>	 5.3
	<ul style="list-style-type: none"> <li>Proactively plan for and consider the gas and electricity transition, and map further engagement required, particular for elderly and Culturally &amp; Linguistically Diverse consumers.</li> </ul>	 5.4
Energy Matters	<ul style="list-style-type: none"> <li>Proactively work with major energy users to identify opportunities to decarbonise and electrify gas load, and EV charging requirements in preparation for achieving NZ45.</li> </ul>	 5.4
	<ul style="list-style-type: none"> <li>Consider tariff assignment and trigger for the use of HV121 and HV122 tariffs.</li> </ul>	 5.6
	<ul style="list-style-type: none"> <li>Consider how Evoenergy will work with major energy users on how commercial and industrial scale energy generation can assist with network services.</li> </ul>	 5.4
	<ul style="list-style-type: none"> <li>Proactively engage with major energy users on the energy transition including communicating existing and emerging network constraints, to assist with major energy user capacity planning.</li> </ul>	 5.4
	<ul style="list-style-type: none"> <li>Actively consider capacity and growth strategies for major energy users and increase Evoenergy's workforce to meet the expected increase in design and planning demand.</li> </ul>	 2.1
	<ul style="list-style-type: none"> <li>Proactively engage with major energy users to review and advise on shifting load to optimise their use of tariffs.</li> </ul>	 5.6
	<ul style="list-style-type: none"> <li>Introduce a capacity reset mechanism to enable periodic review of capacity agreements, and where required, changes to capacity agreements.</li> </ul>	 4.3

## Draft EN24 plan feedback

Our Draft EN24 plan was released on 24 August 2022, and open for consultation for five weeks until 30 September 2022. We promoted the draft plan through stakeholder forums, social media, a media release, radio interviews as well as through our usual stakeholder channels.

Our deliberative engagement included discussions on our draft plan (as part of Phase 2). We heard:

- Positive feedback on Evoenergy’s engagement approach to shape the draft plan, with identification of other opportunities for engagement such as community batteries.
- Cost of living pressures highlighted, particularly for low-income households, and the need for Evoenergy to advocate for at-risk and low-income households over the period.
- Recognition that Evoenergy’s expenditure forecasts were reasonable but additional information was sought on some elements including distributed energy resource integration.
- Mixed support for export tariffs, some stakeholders concerned that an export tariff may discourage solar investment, others seeing their introduction as essential for consumer equity
- Concerns that tariff structures are complicated for consumers to understand, and that issues may arise from introducing a growing number of tariff options
- Questions about the possibility of change behaviour on EV charging patterns, use of fast charging, or the creating new load peaks.

These outcomes have been integrated into the overall deliberate engagement outcomes set out in Table 6. We received written submissions from the ACT Council of Social Service (ACTCOSS) and ActewAGL Retail. In addition, we received feedback from the Electric Vehicle Council, eight members of the public and ad hoc comments on social media.

ACTCOSS recognised Evoenergy’s efforts to engage with consumers and consumer advocates. ACTCOSS also provided a series of recommendations on how to improve community engagement. For instance, ACTCOSS recommended specifying which groups of people sit under the term vulnerable communities. ACTCOSS also identified a series of questions (such as how we have smoothed pricing over the period) which has helped inform the content of this regulatory proposal and its supporting attachments and appendices.

The Electric Vehicle Council and ActewAGL Retail provided feedback in regard to our proposed tariff structures which has been considered and integrated into our TSS.

Further information about feedback received on the Draft EN24 plan, see Appendix J and Appendix 7.1 (Tariff structure explanatory statement).

We note that in addition to actionable feedback on our draft plan, we also received broader valuable comments and insights (which could not be integrated either due to the nature or timing of this proposal). However, this feedback will help guide ongoing engagement with the ACT Community as well as our consideration of key strategic issues.

## Quantitative engagement feedback

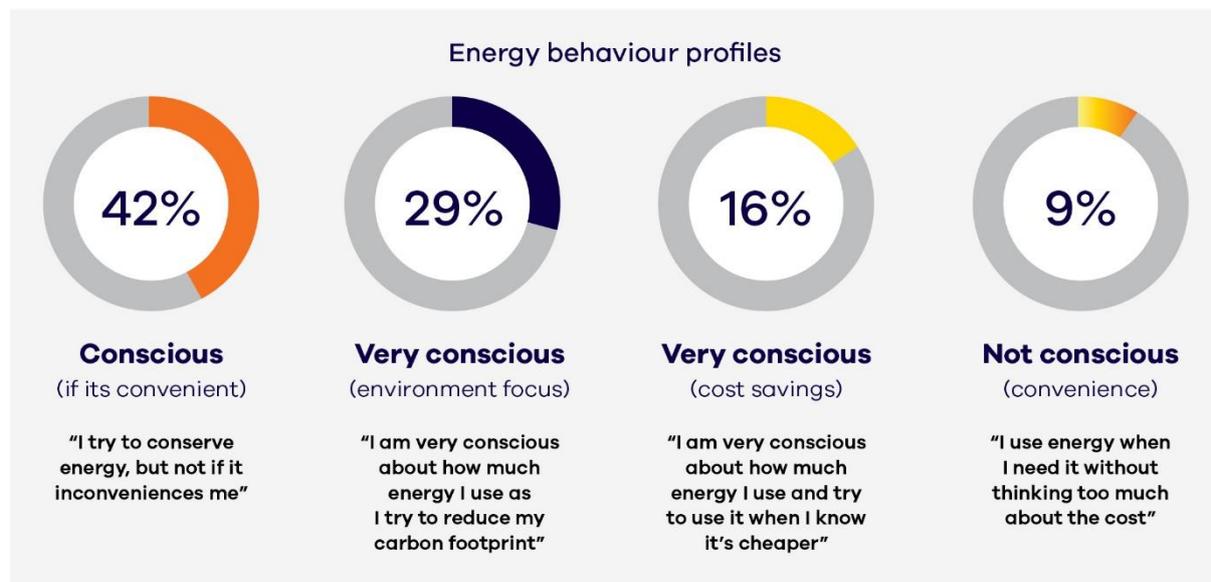
In Phase 2, we developed a comprehensive ‘have your say’ survey to engage energy users across the ACT, to reach new consumers in addition to those we engaged in the deliberative engagement streams. We wanted to give them the opportunity to provide feedback on some of the key areas of our planning.

We launched the survey through our dedicated engage with energy website and ran a promotional campaign to encourage as many Canberrans as possible to view and complete to the survey. At the end of the two-week survey period, we had received 718 responses — a statistically significant result that we can be confident represents a point in time snapshot of energy perception and sentiment across the community.

The survey included 40 questions on service delivery, climate change, tariffs, and energy products and energy usage, and leveraged existing results from two surveys conducted during the design and development phase of the engagement strategy: Evoenergy’s EV Survey and Distribution System Operator Survey. The results from all three surveys are displayed in Table 7.

Results from the ‘have your say’ survey revealed four energy profiles as shown in Figure 18, which summarise different types of energy use behaviour in the ACT, with convenience (51 per cent conscious and not-conscious) and environment-conscious motivation (29 per cent) driving most behaviour, followed by cost (16 per cent of all consumer behaviour). Detailed results of our ‘have your say’ survey are provided in Appendix I (Have your say survey results).

**Figure 18 Energy behaviour profiles**



**Table 7 Quantitative engagement feedback**

Engagement activity	Feedback	Influence
'Have your say' survey <i>see also:</i> <i>Appendix I (Have your say survey results)</i>	<ul style="list-style-type: none"> <li>78% Canberrans believe Evoenergy should provide real time outage communication at no extra cost</li> </ul>	1.1
	<ul style="list-style-type: none"> <li>74% Canberrans are happy with the current duration and frequency of unplanned outages</li> </ul>	 3.1
	<ul style="list-style-type: none"> <li>65% Canberrans believe everyone should pay for network upgrades to enable solar export</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>62% Canberrans are prepared to pay at least \$10 more each year to improve network resilience</li> </ul>	 3.2
	<ul style="list-style-type: none"> <li>1 in 2 Canberrans want to receive price signals to optimise their energy use</li> </ul>	 4.1
	<ul style="list-style-type: none"> <li>1 in 2 Canberrans believe it is fair to use tariffs to encourage export at peak times</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>32% Canberrans plan on electrifying their gas use in the next five years</li> </ul>	 2.2
	<ul style="list-style-type: none"> <li>31% Canberrans intend to buy an EV in the next five years</li> </ul>	 2.3
	<ul style="list-style-type: none"> <li>18% Canberrans intend to install solar or a battery in the next five years</li> </ul>	 3.4
EV Survey <i>See also:</i> <i>Addendum 7.1.4 (EV survey report)</i>	<ul style="list-style-type: none"> <li>4 in 5 EV owners also have solar, but only 1 in 5 have solar and a battery</li> </ul>	 2.3
	<ul style="list-style-type: none"> <li>79% EV owners charge at home using either a fast or trickle charge</li> </ul>	 2.3
	<ul style="list-style-type: none"> <li>75% EV owners invested in their EV to save money, whereas 89% of Canberrans intending to purchase an EV seek to reduce their emissions</li> </ul>	 2.3
	<ul style="list-style-type: none"> <li>61% EV owners do not fully charge at every charge indicating that convenience and lifestyle is a top driver for charging behaviour</li> </ul>	 5.5
	<ul style="list-style-type: none"> <li>60% EV owners view convenience or location of charging as either very or extremely important, and the top ongoing consideration of owning an EV</li> </ul>	 5.5

Engagement activity	Feedback	Influence
	<ul style="list-style-type: none"> <li>1 in 3 EV owners charge between 5.00pm–10.00pm, and other charging is evenly spread across the day</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>3.8 days per week is the average charging frequency amongst EV owners (across all days of the week)</li> </ul>	 2.3
	<ul style="list-style-type: none"> <li>'Ensure I have battery' is the top motivator for charging, cost or off-peak rates are not a significant driver</li> </ul>	 5.5
	<ul style="list-style-type: none"> <li>EV owners would need to save \$160pa (29%) off the cost of charging to change their behaviour</li> </ul>	 5.5
	<ul style="list-style-type: none"> <li>1 in 4 EV owners are on a ToU tariff, indicating cost or off-peak charging is not a key driver in charging behaviour</li> </ul>	 5.5
	<ul style="list-style-type: none"> <li>1 in 2 EV owners have 'lot of flexibility' when they charge during the week, more so on the weekend</li> </ul>	 5.5
Distribution System Operator survey	<ul style="list-style-type: none"> <li>74% Canberrans are extremely or very concerned about the environment</li> </ul>	 2.2
	<ul style="list-style-type: none"> <li>64% Canberrans would likely change the way they consume electricity if provided with more information</li> </ul>	 5.5
	<ul style="list-style-type: none"> <li>1 in 2 Solar owners are not willing to pay an export charge to support energy network transition</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>1 in 3 Canberrans are willing to pay \$23.50 each quarter to assist with the energy network transition</li> </ul>	 2.1
	<ul style="list-style-type: none"> <li>31% Canberrans have solar, a battery or an electric vehicle</li> </ul>	 2.3
	<ul style="list-style-type: none"> <li>1 in 3 Canberrans believe energy users should be charged based on how they use the network</li> </ul>	 4.2
	<ul style="list-style-type: none"> <li>1 in 3 Canberrans believe all energy users should pay to upgrade the network</li> </ul>	 2.1
	<ul style="list-style-type: none"> <li>23% plan on installing solar, a battery or buying an EV 'soon'</li> </ul>	 3.4

**Table 8 Engagement feedback influence**

Section	Influence in our Proposal
Customer Service Incentive Scheme 	1.1 Our capex and opex forecasts include expenditure for technology that will allow us to better communicate with consumers and improve our ability to keep consumers informed during outages and the connection application process.
Capital expenditure (capex) 	2.1 We're planning to grow the network while deferring some investment, based on what we know about the condition of our assets, consumer investment trends, and energy policy direction; this will result in a moderate capex uplift.
	2.2 Our proposal reflects a pace of investment that matches the current information available about the expected speed of the transition. We will continue to monitor consumer trends and policy direction and will adjust our forecast as required.
	2.3 We're proposing an uplift in capex to make additional investment in the network required to prepare for increased demand from EV uptake and electrification (on what we consider to be the most realistic trajectory), while balancing the need to play our role in energy affordability.
	2.4 We are leading by example by proposing to transition Evoenergy's vehicle fleet to zero emission vehicles.
Operating expenditure (opex) 	3.1 Our opex forecast provides the right level of expenditure to maintain current reliability levels.
	3.2 Our opex forecast includes significant vegetation management expenditure which is critical to reduce the risk of network outages in the event of extreme weather events
	3.3 Our forecast includes a step change for Distributed Energy Resource integration, which will allow us to play a key role in enabling the continued uptake of solar, batteries and EVs, and comply with new regulatory obligations brought about by recent changes to the National Energy Rules.
Tariff Structure Statement (TSS) 	4.1 We're proposing new cost reflective network tariffs that provide more opportunity for consumers to manage and optimise the network component of their electricity bill.
	4.2 We're proposing a 'solar soak' charge during the middle of the day, designed to encourage the use of electricity to soak up solar that would otherwise be exported. We're also proposing a 'solar reward' to conversely pay for electricity exported during peak demand when it's most needed.
	4.3 We're proposing a provision to review capacity charges under extenuating circumstances, as negotiated between Evoenergy and individual commercial customers.

**Table 9 Feedback for ongoing consideration**

Topic	Explainer
Consumer values	5.1 We will continue to plan and build a network that meets consumer needs and expectations now and into the future. We remain committed to ongoing engagement with consumers to keep pace with consumer values as they evolve, and to ensure those values are at the centre of our planning.
Vulnerable consumers	5.2 As a distribution business, Evoenergy has limited opportunity to provide direct support for vulnerable consumers, beyond mechanisms already in place to consider customers registered with life support equipment in our planning and scheduling. However, we will continue to engage with the community to further understand how we can best support these consumers.
Communication	5.3 We will work with retailers in this regulatory period on simple plain English information about the overall bill impact in this regulatory period and changes to network tariffs, to improve energy literacy enable bill clarity.
Energy transition	5.4 We will continue to engage with the community on the energy transition throughout the remainder of this regulatory review process in the context of our electricity network. This conversation will shift to focus on what it means for our gas network as we engage with consumers ahead of our next gas network access arrangement review for the 2026–31 period.
Consumer behaviour	5.5 We’re planning to conduct further research on consumer energy use behaviours, perception toward export tariffs, and evaluate the efficacy of new tariffs on shifting and optimising network load. The outcome of this research will inform ongoing network planning.
Tariffs	5.6 We will continue to work with our major customers on opportunities to shift load to optimise tariffs.

### Managing competing feedback

Throughout Phase 1 and Phase 2 of the engagement program, we analysed the feedback we received across two key conflicting areas; keeping costs down in this regulatory period and making additional investment above business as usual to prepare for the future.

Based on past regulatory engagement, we know it’s not unusual for consumers to explore and deliberate conflicting aspects of our planning. However, during engagement for the upcoming regulatory period, we observed tension between consumer views on overall bill impact, and the urgent need to commence our transition to achieve net zero by 2045.

Evoenergy’s electricity distribution network is facing transformational change, as the energy sector transitions to electrification to deliver on the ACT Government’s policy of net zero by 2045. This aspect of our planning has been a core engagement focus — both introduced and led by Evoenergy through the capacity building sessions and requested and led by consumers as they set the agenda.

As we processed all consumer feedback at Table 6 and Table 7, and feedback from our community panel, we found that there is a strong consumer preference to invest in and prepare for the future — in acknowledgement that doing so will result in additional cost. Consumers across all demographics expect Evoenergy to take action to invest in the future as soon as possible, to facilitate DER integration, enable electrification and progressively contribute to achieving net zero emissions by 2045. The feedback surrounding these key priorities is presented in Figure 19.

As we explored these ideas with consumers, we consciously balanced our role to provide factual expertise and guide discussion on all aspects of adjusting the level and pace of investment in the electricity network, while taking time to actively listen to consumer views and answer questions as they surfaced. This approach ensured our neutrality, allowed participants to lead discussion, and provided a level of integrity during this important stage of the engagement program.

In responding to this feedback, our proposal reflects a pace of investment that matches the current information available about the expected speed of the transition, coupled with new future focused tariffs. The majority of consumers we've have engaged with to date believe this is not enough, and that we need to do more. Our proposed approach to addressing capex uncertainty, as discussed in Appendix D, reflects this feedback.

### 3.4. Continuing engagement

Evoenergy is committed to ensuring continuous improvement of our consumer engagement approach. This ongoing commitment is summarised by the following pillars:

- **Accessible** — providing opportunities in a format and at a time that suits consumers
- **All of us** — ensuring engagement is inclusive and reflects the diversity in our community.
- **Authentic** — having a plan for how consumer feedback will shape regulatory submissions.
- **Adaptive** — reflecting on past engagement to validate and build on our experience.

Following the lodgement of our plan to the AER in January 2023, we will communicate and engage with the community to continue our conversation on planning for the future. This third and final phase of the engagement program (Phase 3) may include workshops or targeted engagement activities that focus on specific topic areas that require deeper discussion.

Figure 19 Conflicting consumer feedback



## 4. Our proposal

This section sets out key elements of our regulatory proposal for the 2024–29 regulatory period. Our proposal reflects the feedback we have received from consumers on the parts of our plans that matter most to them. Importantly, it will ensure Evoenergy can maintain its strong safety, reliability and affordability performance while navigating a challenging transition period.

Our proposal builds on our performance over the 2019–24 and proceeding regulatory periods. We are proud that our network costs make up the lowest proportion of electricity bills in the National Energy Market (NEM). This is driven by our performance (compared to all other networks regulated by the AER) as having:

- 2<sup>nd</sup> lowest revenue per customer;
- 3<sup>rd</sup> lowest regulatory asset base per customer;
- 2<sup>nd</sup> lowest capital investment per customer;
- most advanced residential tariffs in Australia;
- highest proportion of customers on cost-reflective tariffs; and
- below average opex per customer.

Our exceptional past performance provides a solid foundation for our plans for the 2024–29 regulatory period. For instance, our low historic expenditure translates into a lower regulatory asset base (RAB) and bills providing headroom for the additional investment required to achieve net zero emissions.

We have focussed on the needs of the ACT energy system together with the priorities and expectations of our customers to develop our EN24 regulatory proposal. As a result, each element of our proposal, works together to bring together a customer and transition focussed plan.

This section provides further detail on three key elements of our plan, which are materially influenced by the energy transition and our customer priorities and expectations. We then provide further detail on how we have calculated our forecast revenue, price path and indicative network tariffs.

### 4.1. Demand for our services

Key to our planning for a regulatory period is what the demand for the services we provide will be over the period. These forecasts have a significant impact on major elements of our proposal, such as the augmentation capex we need to undertake, the number of customers we will serve and new customers we will need to connect, and the network prices we charge.

There are several considerations relating the demand for our services. How these are forecast and what they each are used for in developing our regulatory proposal are summarised in Table 10.

#### Australia’s fastest growing electricity network

Over the last decade the ACT’s population has grown by 22 per cent — the fastest of all Australian states and territories. Evoenergy has experienced the largest increase in customers and ratcheted maximum demand of all networks regulated by the AER both in the last decade and since the beginning of benchmarking data in 2006.

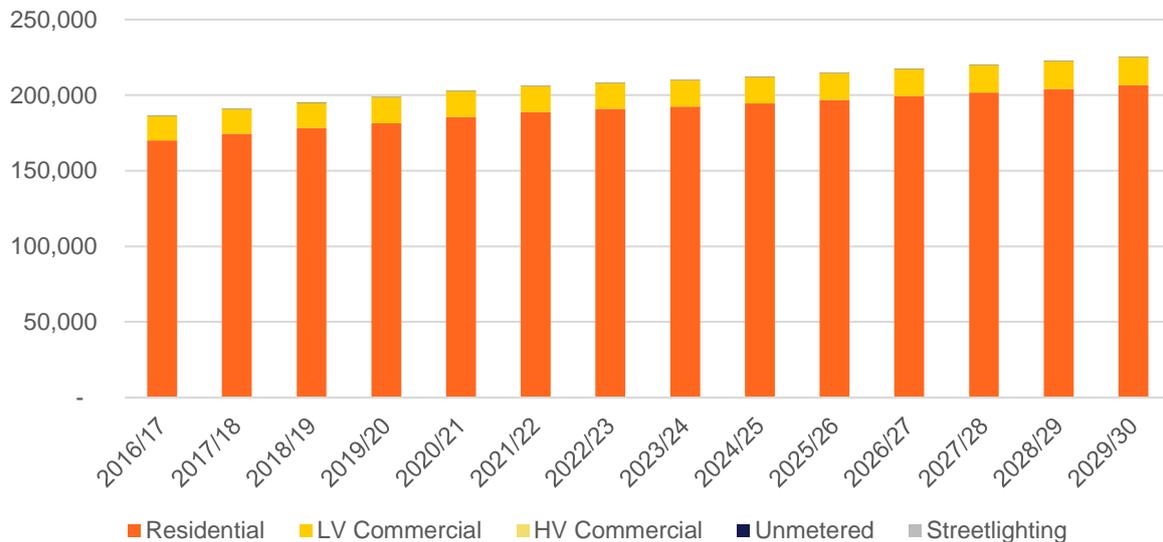
**Table 10 Demand for our services**

Demand forecast element	Key forecast inputs	What this is used for in our regulatory proposal	Where to find more information
<p><b>Customer numbers</b></p> <p>How many residential, commercial and high voltage customers will use the network.</p>	<ul style="list-style-type: none"> <li>Forecast by different categories using historical data and population growth projections.</li> </ul>	<ul style="list-style-type: none"> <li>Energy consumption volumes forecast.</li> <li>Customer connections capex forecast.</li> <li>Output growth in our opex forecast.</li> </ul>	Appendix L
<p><b>Energy consumption volumes forecast</b></p> <p>How much electricity these customers will use.</p>	<ul style="list-style-type: none"> <li>Estimated by combining customer number forecasts by category with forecasts of consumption per customer.</li> <li>Consumption per customer estimates are based on historical data and assumptions to account for consumption drivers, such as 'behind the meter' consumption (solar PV, batteries), switching from gas to electricity and EV uptake.</li> </ul>	<ul style="list-style-type: none"> <li>Determining network prices.</li> </ul>	Appendix L
<p><b>Maximum demand</b></p> <p>What the maximum load on the network will be in both winter and summer over each year.</p>	<ul style="list-style-type: none"> <li>Historical demand data.</li> <li>Known new block load data.</li> <li>Forecast assumptions based on Evoenergy's net zero model.</li> </ul>	<ul style="list-style-type: none"> <li>Augmentation capex forecast.</li> </ul>	Appendix 1.16

## Customer numbers

The total number of customers connected to the ACT electricity network is forecast to be around eight per cent higher by the end of the next regulatory period (2028/29) compared to 2021/22. Residential customers account for 92 per cent of Evoenergy’s customers and will account for the majority of the growth. We are also expecting a significant increase in the number of HV connections over the period.

**Figure 20 Customer numbers**



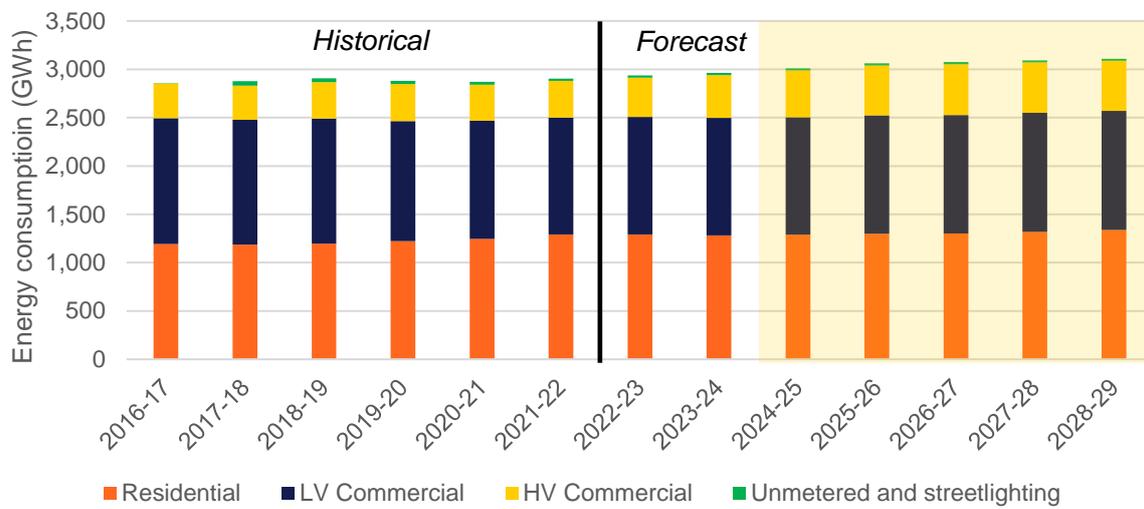
## Electricity consumption

Total electricity network consumption<sup>18</sup> is forecast to increase by an average of around three per cent per year during the 2024–29 regulatory period. The increase in consumption is expected to be primarily driven by HV commercial connections, which is forecast to account for around 68 per cent of consumption growth to 2028/29.

Total residential and LV commercial consumption is expected to increase over the forecast horizon due to expected population growth. Increased consumption is also expected due to gas to electricity switching and EV uptake (for residential connections). However, consumption per customer is expected to fall due to continued energy efficiency improvements and solar PV and behind-the-metre battery uptake.

<sup>18</sup> Total electricity network consumption excludes consumption which is met by solar PV or behind the meter batteries.

Figure 4 Forecast energy consumption volumes, GWh

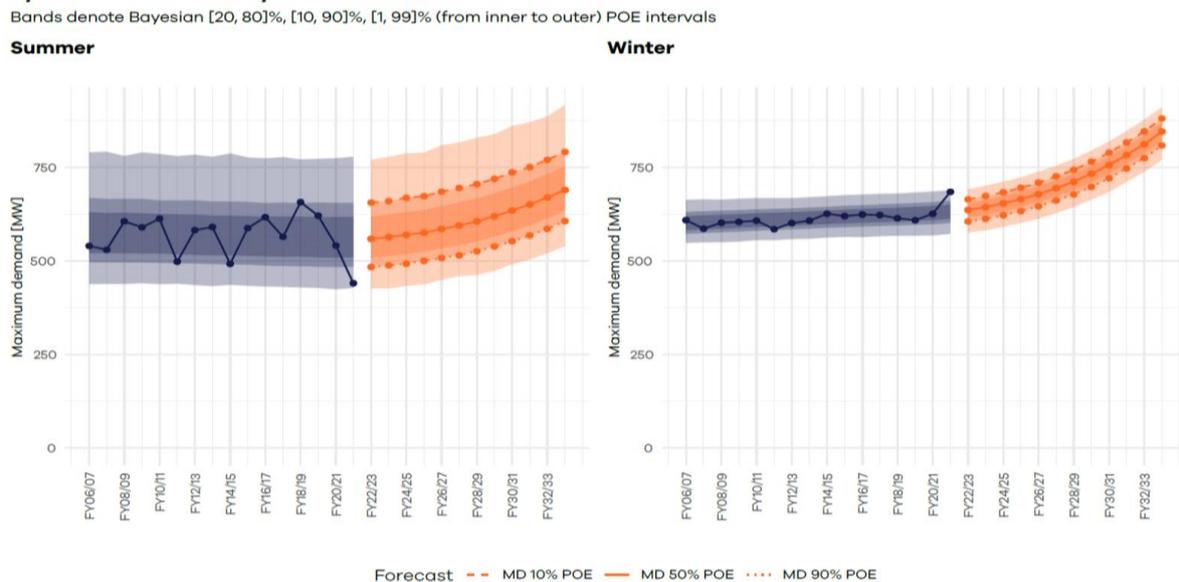


**Maximum demand**

Maximum demand is the key driver in determining the amount of augmentation capex we need to make sure the electricity is always there when needed. Ensuring the assumptions we make in our modelling reflect the best information available is imperative. If we underestimate maximum demand, we are likely to underestimate the capex required and there is a risk that customers will experience issues with the reliability of the electricity supply. On the other hand, if we overestimate network demand and spend more capex than is needed, customers pay more for improvements to the network than is absolutely necessary. To make sure our demand forecast for the 2024–29 regulatory period is as accurate as possible, we have prepared detailed forecasts at a zone substation level that uses historical data together with assumptions around the impact of policy and customer trends.

The forecast shows continued growth of maximum demand, largely driven by the increasing number of EVs but with customers switching from gas and electricity to electricity only also having an impact. The forecast is also driven by expected increases in high voltage commercial customer load. Further information on our maximum demand forecasts is provided in Appendix 1.16 (Network Development Plan).

**Figure 21 System historical and 12 year maximum demand forecasts – winter and summer**



## 4.2. Capital expenditure

Evoenergy’s proposed net capex for the 2024–29 regulatory period is \$521 million (\$2023/24). Our program has been developed consistent with the AER’s Handbook. Detailed information on our proposed capex program is contained in Attachment 1 (Capital expenditure) and related appendices. Our key assumptions are outlined in Appendix B. This section provides a high-level summary of the contents of Attachment 1.

The capex forecast has been prepared for the different capex categories summarised below:

- **Repex:** replacing network assets that have reached the end of their technical life to maintain service levels.
- **Customer initiated (CI):** Building or upgrading the network to connect new customers.
- **Augmentation (augex):** Augex can be demand driven – where more electricity is needed, so we need more capacity in the network, or non-demand driven – where investment is needed to address other drivers including power quality issues and regulatory compliance obligations. This is also referred to as ‘reliability and quality’ improvements expenditure.
- **Non-network:** IT, property, fleet and other non-network assets which enable the delivery of services. Part of our fleet spend relates to transitioning to EVs from internal combustion engine vehicles.
- **Capitalised overheads:** corporate costs incurred to support the network such as non-network information and communication technology, human resources, legal and finance.

The investments we make over the 2024–29 regulatory period, as well as supporting growth in our region and catering for a business-as-usual needs, will be the first step on the decades-long transition to a net zero emissions future. That means our capex forecast includes additional augmentation investment necessary to meet the energy needs of Canberrans as more demand is placed on the electricity network with rapid growth in EVs, customers transitioning off gas, and steady growth in the residential and commercial sectors.

Evoenergy’s capex program has been developed to deliver on the priorities and expectations of our consumers. We heard that they want reliability to be maintained and to ensure Evoenergy’s network supports increased customer DER investment and two-way flows, as well as support the ACT’s

transition to a net zero emissions future. We also heard that consumers want us to meet these expectations at an efficient cost to play our role in addressing affordability concerns. Evoenergy believes its proposed capex program is a prudent balance in this respect. While our capex is forecast to increase (see Figure 22), the increase is significant rather than substantial, particularly when considering our strong customer growth over time.

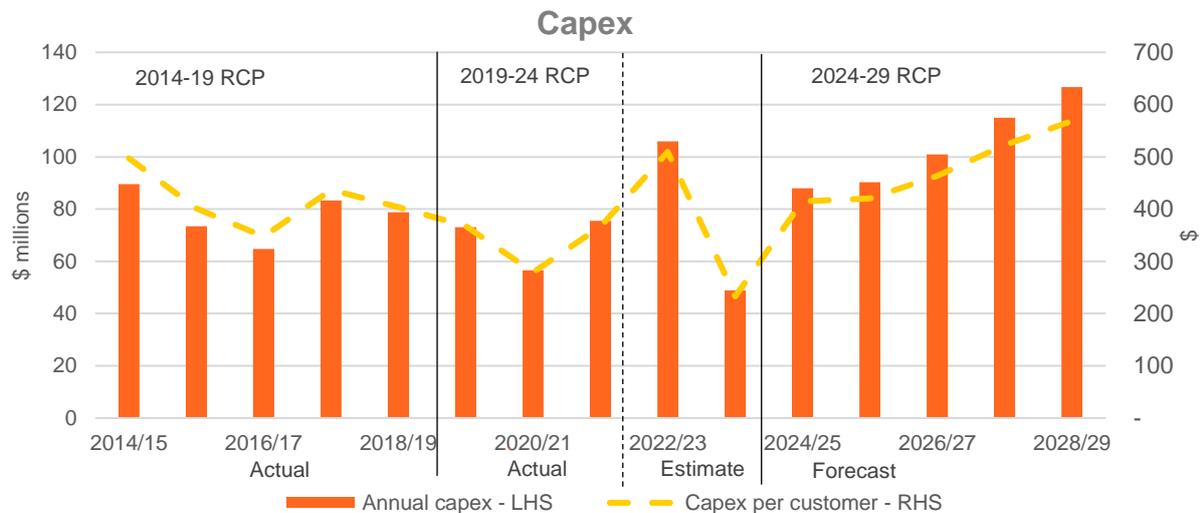
*Table 11 2024–29 standard control services capex forecast*

Capex category	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Repex	20.4	21.8	23.8	25.7	25.8	117.6
Customer initiated	24.2	23.3	24.3	24.1	26.6	122.5
Augex (demand driven)	23.8	24.7	33.5	41.4	45.8	169.3
Reliability and quality	3.6	2.1	2.0	2.4	2.2	12.3
<b>Non-network expenditure</b>	<b>12.7</b>	<b>14.5</b>	<b>11.1</b>	<b>12.8</b>	<b>17.0</b>	<b>68.1</b>
Capitalised overheads	14.8	15.0	17.2	19.5	21.1	87.6
<b>Gross capex</b>	<b>99.5</b>	<b>101.5</b>	<b>111.9</b>	<b>126.0</b>	<b>138.7</b>	<b>577.5</b>
Capital contributions	10.3	10.0	10.4	10.4	11.4	52.6
Disposals	1.1	1.2	0.6	0.6	0.6	4.2
<b>Net capex</b>	<b>88.0</b>	<b>90.2</b>	<b>100.9</b>	<b>115.0</b>	<b>126.7</b>	<b>520.8</b>

Note: totals may not sum due to rounding.

Figure 22 shows Evoenergy’s (net) capex over the prior regulatory period, the current regulatory period as well as the 2024–29 regulatory period. With the additional augmentation investment required in our network, our forecast annual capex is set to increase, particularly for the last two years of the period. However, on a capex per customer basis, the increase is of a lower magnitude. This reflects the robust growth of the ACT region and our customer numbers.

Figure 22 Evoenergy’s capex spend over time (\$2023/24)



Detailed information about how Evoenergy manages its assets is provided in Appendix 1.2 (Asset management). Evoenergy’s capex over the current period is discussed in Appendix 1.1 (2019–24 period capital expenditure) while proposed capex program for the 2024–29 regulatory period is provided in Attachment 1 (Capital expenditure).

As discussed in 2.2 above, to address uncertainty around the speed of the energy transition and its impact on demand on our network during the 2024–29 regulatory period, we consider it to be in the long term interest of consumers for Evoenergy distribution determination to facilitate the ability for Evoenergy to submit a further proposal to vary our capex during the regulatory period, where we are able to provide compelling evidence that this is required.

Evoenergy has proposed a contingent project (\$100–150 million) that would be triggered where evidence emerges that the speed of the energy transition, in particular the uptake of EVs and electrification, is greater than assumed in the capex forecasts put forward in this regulatory proposal, where this consequently requires us to undertake a material program of works during the regulatory period. More information on this contingent project is contained at Appendix D.

### 4.3. Operating expenditure

Our opex for standard control services includes the costs of operating and maintaining our network and non-network assets, responding to emergencies, and providing services to customers like responding to enquiries and providing billing information to retailers. While these costs are typically largely recurrent in nature, additional expenditure is needed when our regulatory obligations or operating environment materially change.

Detailed information on our proposed opex forecast is contained in Attachment 2 (Operating expenditure) and related appendices. Our key assumptions are outlined in Appendix B. This section provides a high-level summary of the contents of Attachment 2.

Our opex forecast works together with capital investment to meet customer expectations around maintaining reliability and customer services at the lowest possible cost, and sometimes trade-offs between opex and capex occur to ensure this is achieved. For example, sometimes we are able to extend the useful life of an asset by performing maintenance on that asset (opex), whereas other times it is more efficient to replace the asset (capex).

In preparing our forecast, we must demonstrate that our proposed spend is efficient before the AER will accept it. We have used the AER’s preferred forecast method, base-step-trend, to forecast our operating expenditure forecast for the 2024–29 regulatory period. The method forecasts future

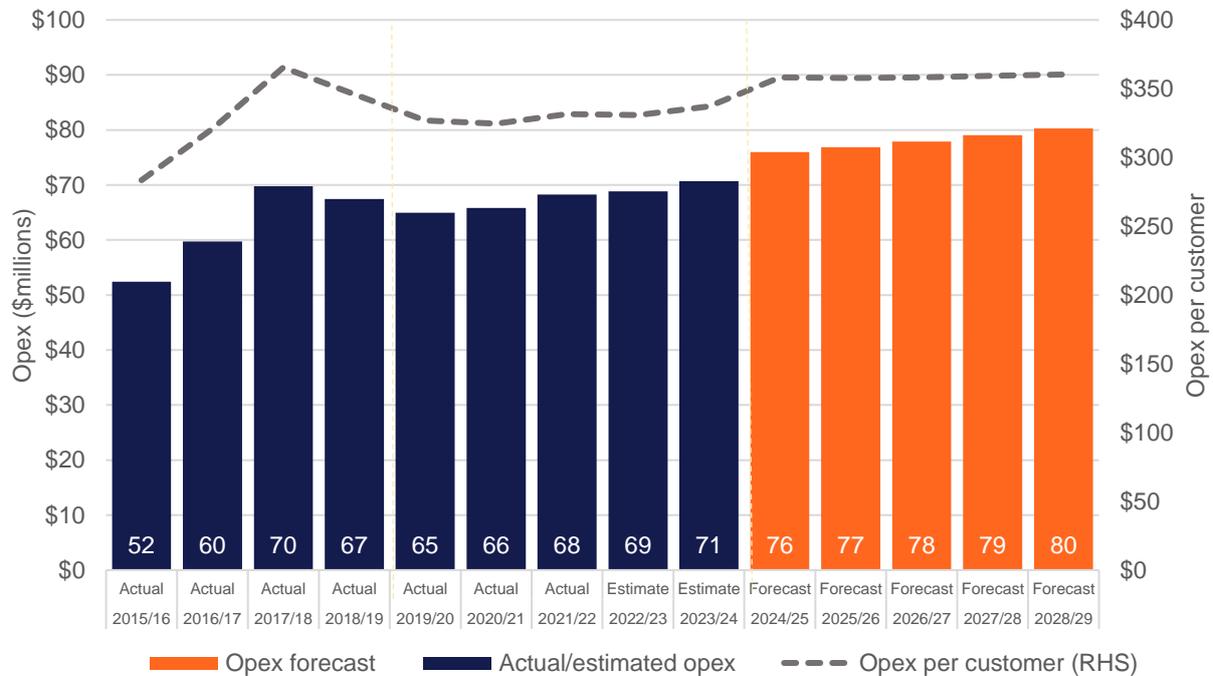
operating expenditure using a ‘base’ year — where the operating costs are representative of the efficient costs necessary to operate and maintain the network and meet existing regulatory obligations. It is then adjusted to account for growth in labour costs and the number of customers we serve (among other drivers of increased costs, known as ‘outputs’), as well as expected improvements in our productivity. Finally, the forecast is adjusted for ‘step changes’ in our costs to account for changes in our regulatory obligations or operating environment that are largely beyond our control.

Evoenergy’s opex forecast for the 2024–29 regulatory period is \$390 million (\$2023/24). This is eight per cent higher than the current period allowance due to the growth in our network demand, with the number of customers we serve expected to increase by around five per cent over the period. The opex forecast also captures costs associated with insurance premiums in the context of more frequent and extreme weather events, expenditure associated with activities to enable DER based on Evoenergy’s regulatory obligations and customer expectations, and building resilience based on cyber and critical infrastructure security requirements.

We recognise that increases in operating costs have a more immediate impact on customer bills than other costs, and so engaged with our consumers on these step changes to understand whether they considered them reasonable, whether they expected us to take on more risk and spend less on these requirements, or spend more to further reduce the level of risk. Overall, consumers recognised the need for these additional costs and considered the basis of our forecasts to be reasonable.

Figure 23 below presents Evoenergy’s standard control services opex over time and on a per customer basis. While Evoenergy has spent within the allowance the AER set for us over the 2019–24 regulatory period, there are several cost drivers that will increase our opex over the 2024–29 regulatory period. Over the period opex per customer will remain stable. Table 12 shows the build-up of opex in each year of the 2024–29 regulatory period.

**Figure 23 Evoenergy’s standard control services opex and opex per customer over time (\$2023/24)**



**Table 12 Proposed opex forecasts for standard control services (distribution and transmission, \$ million, 2023/24)**

Opex components	2024/25	2025/26	2026/27	2027/28	2027/29	Total
Base opex	\$66.85	\$66.85	\$66.85	\$66.85	\$66.85	<b>\$334.24</b>
Base year adjustment	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43	<b>\$7.16</b>
Input price change	\$0.43	\$0.81	\$1.12	\$1.33	\$1.67	<b>\$5.36</b>
Output change	\$0.81	\$1.86	\$2.83	\$3.86	\$4.98	<b>\$14.34</b>
Productivity change	-\$0.35	-\$0.71	-\$1.08	-\$1.46	-\$1.85	<b>-\$5.45</b>
Step changes	\$6.18	\$5.97	\$6.09	\$6.43	\$6.51	<b>\$31.17</b>
Debt raising costs	\$0.64	\$0.64	\$0.64	\$0.65	\$0.67	<b>\$3.24</b>
<b>Opex forecast</b>	<b>\$75.99</b>	<b>\$76.85</b>	<b>\$77.88</b>	<b>\$79.09</b>	<b>\$80.25</b>	<b>\$390.06</b>

Notes: totals may not sum due to rounding. Base year is adjusted for the increment between the base year (2021/22) and the final year (2023/24), Demand Management Incentive Scheme (DMIS), movements in provisions, contingent ACT Government Large Feed in Tariff administration costs, and category specific forecasts.

#### 4.4. Our forecast 2024–29 revenue

Consistent with the regulatory framework to calculate our proposed network charges, we:

- determine our revenue requirement for the 2024–29 period using a ‘building block’ approach;
- ‘smooth’ our five year revenue across years to minimise year to year price impacts; and
- divide our smoothed annual revenue by forecast demand to determine our network charges.

In accordance with the AER’s final Framework and Approach for Evoenergy, revenue will be recovered under a ‘revenue cap’ control mechanism. Under a revenue cap any differences between expected and actual revenue (due to higher or lower volumes) are taken into account when determining future years’ prices. This means any over or under recoveries are returned or recovered in later years. Further details on our proposed control mechanism are provided in Attachment 5 (Control mechanism).

#### The building block approach

Under the building block approach, we forecast and add together:

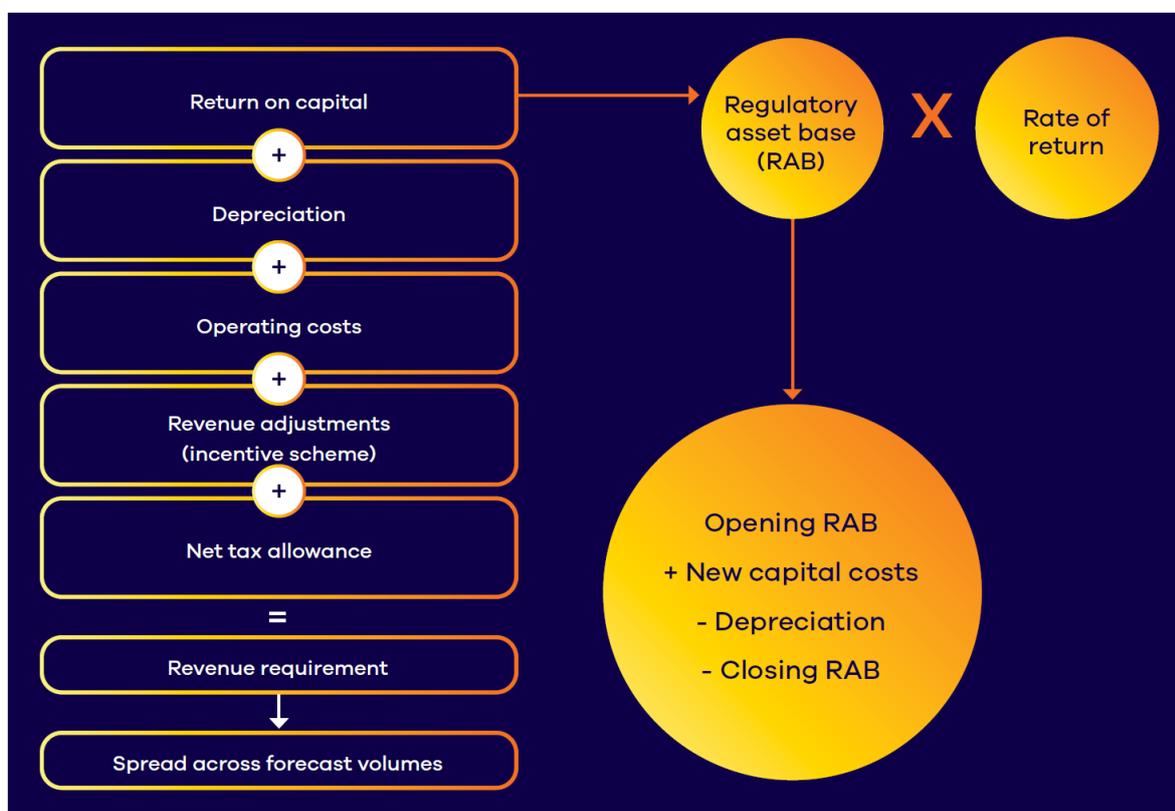
- **A Return on capital** —which reflects the cost to fund our investments. It is made up of interest costs along with a fair return to shareholders.
- **Regulatory depreciation (or return on capital)** — the recovery of past investments we have made (we recover our costs over an assets useful life rather than upfront when the costs are incurred).

- **Operating expenditure** — the day to day costs of running our network (such as maintenance).
- **Revenue adjustments** — for instance, for penalties or rewards from implementation incentive schemes.
- **A net tax allowance** — to cover our corporate income tax liabilities.

Central to this approach is the RAB which reflects the as-yet-recovered investments we have made. Each year the RAB is adjusted to reflect the additional investments we have made as well as the costs we have recovered through regulatory depreciation.

As Evoenergy operates transmission and distribution assets, we calculate a separate RAB and revenue requirement. These figures together with further detail on our calculation of total revenue is presented in Attachment 3 (Revenue requirement and price impact). However, for simplicity in this summary we only present the combined total. The workings of the building block approach are set out in Figure 24.

Figure 24 Revenue building blocks



We have forecast each building block using standard regulatory approaches consistent with the Rules, the AER’s guidelines (such as the better resets handbook) and current regulatory practice, as shown in Table 13 below.

**Table 13 Our forecasting approach for each building block**

Building block	Our approach
Return on capital	Evoenergy’s return on capital is calculated by applying the rate of return to the RAB. We will apply a rate of return consistent with the 2022 rate of return instrument (RoRI) which will be published in February 2023. For this proposal we used a placeholder based on the AER’s 2018 RoRI. See the subsection on rate of return below.
Regulatory depreciation	Under the regulatory framework, the standard approach is for regulatory depreciation to be calculated as straight-line depreciation less the inflation adjustment on the opening RAB.  We are proposing to move to a year-by-year approach to tracking depreciation (away from the weighted average remaining life approach). This results in a recovery profile which better reflects the economic lives of our assets.
Opex	The AER’s ‘base step trend’ approach, outlined in section 4.3.
Revenue adjustments	Our 2024–29 regulatory period revenue forecast includes a total revenue adjustment of -\$1.9 million, as a result of our performance under the EBSS and CESS during the 2019–24 regulatory period. These schemes and the resulting revenue adjustments are explained in Attachment 4.
Net tax allowance	We have calculated net tax expenses in line with the AER’s final tax decision.

### Regulatory Asset Base

Evoenergy’s RAB, on a per customer basis, is the third lowest of all networks regulated by the AER sitting about 39 per cent lower than the average.<sup>19</sup> Over the 2024–29 regulatory period, as shown by

Table 14, our RAB will increase by 24.5 per cent. In real terms this is 8.1 per cent.

**Table 14 Roll forward of the RAB over 2024–29 (\$ million, nominal)**

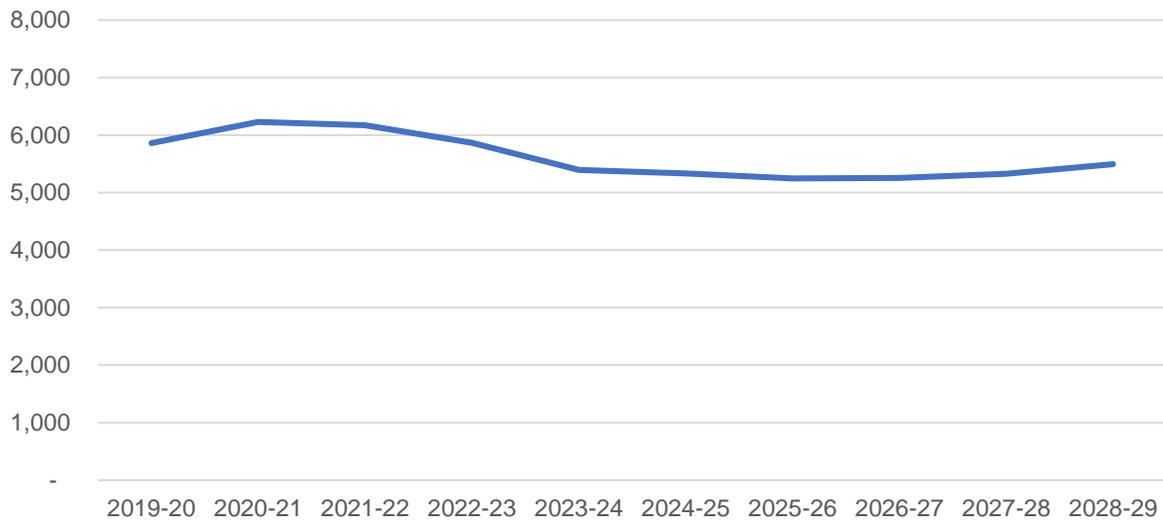
	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Opening RAB</b>	1,131.2	1,162.8	1,192.1	1,243.7	1,311.6
<b>Forecast net capex</b>	91.7	96.8	111.2	130.5	147.8
<b>Depreciation</b>	92.4	100.6	93.6	98.0	89.0
<b>Inflation on opening RAB</b>	32.2	33.1	34.0	35.4	37.4
<b>Closing RAB</b>	1,162.8	1,192.1	1,243.7	1,311.6	1,407.8

<sup>19</sup> AER, State of the Energy Market 2022, Electricity networks, p.78

Note: numbers may not sum due to rounding.

On a per customer basis the RAB is falling slightly over a 10 year horizon in real terms, as shown by Figure 25. Accordingly, we expect that by 2029 we will still have the third lowest RAB per customer of all businesses regulated by the AER.

**Figure 25 RAB per customer (\$2023/24)**



### Rate of return

The return on capital building block is calculated by multiplying the value of our regulated asset base (RAB) by the rate of return. The rate of return is set according to the AER’s rate of return instrument (RoRI), which outlines the methodology that is used to calculate the returns that network businesses receive for investments in the network.

We will apply a rate of return consistent with the 2022 rate of return instrument (RoRI) which will be published in February 2023. For this proposal we used a placeholder based on the AER’s 2018 RoRI.

Our placeholder rate of return is shown in Table 15. We estimate the average rate of return for the regulatory period at 5.68 per cent, which is higher than the average of 5.21 per cent over the 2019–24 regulatory period.

*Table 15 Placeholder rate of return*

	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Nominal risk free rate (%)</b>	3.77	3.77	3.77	3.77	3.77
<b>Market risk premium (%)</b>	6.1	6.1	6.1	6.1	6.1
<b>Equity beta</b>	0.6	0.6	0.6	0.6	0.6
<b>Return on equity (%)</b>	7.43	7.43	7.43	7.43	7.43
<b>Return on debt (%)</b>	4.37	4.49	4.50	4.56	4.66
<b>Gearing (%)</b>	60	60	60	60	60
<b>Nominal rate of return (%)</b>	5.60	5.67	5.67	5.71	5.77

### Return on debt

The 2018 RoRI requires the return on debt to be calculated as a 10 year trailing average, updated annually. We estimate the ten year trailing average annual return on debt using:

- actual observations for years 2016 to 2021; and
- a placeholder averaging period of 45 business days in May/June 2022 to derive a placeholder that is applied in the 2023/24 to 2028/29 financial years.

The 10 year trailing average debt rates will be updated in accordance with the 2018 RoRI.

The return on debt estimate is updated annually to reflect the market conditions network businesses face when borrowing debt to fund capital expenditure. As such, the annual return on debt update is sensitive to market conditions which are impacted by global factors that influence financial markets like interest rates and risk. These global factors are pushing the cost of debt higher which is impacting the borrowing costs network businesses face.

It is important to note that our regulatory proposal reflects an estimate of the cost of debt which is updated annually to reflect market conditions. This ensures network businesses like Evoenergy can recover the costs to finance capital expenditure, while also ensuring customers only pay towards the costs that reflect actual prevailing market conditions.

### Return on equity

The return on equity must be calculated as the risk free rate, plus a market risk premium multiplied by an equity beta. The risk free rate must be calculated as the 10 year yield to maturity on Commonwealth Government Securities, measured over the agreed risk free rate averaging period.

We have calculated the return on equity using a placeholder risk free rate of 3.77 per cent, based on the placeholder averaging period of the last 20 business days in September 2022. The risk free rate will be updated based on observations during the risk free rate averaging period we nominate on a confidential basis to the AER.

### Averaging periods

The 2018 RORI proposes there be an averaging period set for each year of the relevant regulatory period from which the data for the allowed return on debt will be drawn, and a single averaging period from which risk free rate data for the allowed return on equity will be drawn.

The 2018 RORI states we can provide the period no later than the lodgement date of the regulatory proposal and agreed by the AER on a confidential basis. We have proposed our averaging periods confidentially to the AER in Appendix 6.1.

### Building block revenue requirement

Putting all the building blocks together, produces a total revenue requirement of \$990.2 million. This is set out in Table 16.

*Table 16 Total building block revenue requirement (\$ million, \$2023/24)*

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Return on capital	61.6	62.3	62.2	63.4	65.8	315.3
Regulatory depreciation (return on capital)	58.5	63.8	54.8	55.9	44.8	277.8
Opex	76.0	76.8	77.9	79.1	80.2	390.1
Revenue adjustments	-0.3	-1.9	-1.0	0.5	0.8	-1.9
Net tax allowance	2.2	3.0	1.7	1.7	0.4	8.9
<b>Annual revenue requirement (unsmoothed)</b>	<b>197.8</b>	<b>204.1</b>	<b>195.6</b>	<b>200.6</b>	<b>192.1</b>	<b>990.2</b>

Note: totals may not sum due to rounding.

Our 2024–29 revenue requirement is 7.3 per cent higher than the revenue requirement for the current 2019–24 period. To put this in context, over 2019–24 regulatory period customer numbers increased by 6.8 per cent.

A breakdown of the movements between periods is shown in Figure 26. The increase is largely driven by the return on capital (and higher rate of return) together with higher operating expenditure. These increases are offset by revenue adjustments resulting from incentive schemes and a small fall in regulatory depreciation.

**Figure 26 Comparison of total revenue requirement 2019–24 to 2024–29 (\$ million, 2023/24)**



Note: numbers may not sum due to rounding.

### Smoothed revenue requirement

To minimise year on year variability in prices we have smoothed revenues over the 2024–29 period. We do this by identifying an alternative revenue profile which delivers the same amount of revenue over the five year period, in net present value terms. The result of this process is a series of ‘X-factors’ – the after-inflation price changes required in each year.

We have set the X-factors to minimise the variance between building block revenue and the smoothed revenue required for the last regulatory year.<sup>20</sup> The AER considers that a divergence of up to three per cent is reasonable if this can promote smoother price changes over the regulatory period.<sup>21</sup> This requires real price increase upfront followed by real price reductions. Evoenergy’s smoothed revenues and X-factors are presented in Table 17.

<sup>20</sup> As required by Rule 6.5.9(b)(2)

<sup>21</sup> AER 2022, Draft Decision: *ElectraNet Transmission Determination 2023 to 2028 Attachment 1 Maximum allowed revenue*, p.5. Available [here](#).

*Table 17 Smoothed revenue and X-factors (\$ million, 2023/24)*

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
<b>Distribution</b>						
Smoothed revenue	166.7	166.8	166.9	167.0	167.1	834.5
X-factors	-12.6%	-0.1%	-0.1%	-0.1%	-0.1%	
<b>Transmission</b>						
Smoothed revenue	31.7	31.4	31.2	31.0	30.8	156.1
X-factors	-8.1%	0.7%	0.7%	0.7%	0.7%	

### Network bill impacts

The network component of bills will increase by about 1.3 per cent on average through the 2024–29 regulatory period in real terms. This is about \$7 a year for residential customers and \$43 a year for commercial customers on an after-inflation basis. Table 18 presents the indicative network bill impacts in nominal dollars.

*Table 18 Indicative network bill impacts (\$nominal)*

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Indicative network charges – residential customer</b>	579	656	663	679	694	709
Annual change \$		77	7	16	15	15
Annual change %		13.3%	1.0%	2.4%	2.2%	2.2%
<b>Indicative network charges – LV commercial customer</b>	3,370	3,818	3,857	3,948	4,034	4,124
Annual change \$		449	39	91	86	90
Annual change %		13.3%	1.0%	2.4%	2.2%	2.2%

## 4.5. Other matters

### Incentive schemes

Under the regulatory framework, network businesses like Evoenergy can be subject to one or more incentive schemes to encourage efficiency in the provision of services. Such schemes can incentivise Evoenergy to find better ways of delivering services, and reduce costs, which in turn benefit customers through better service quality and lower bills.

Currently, Evoenergy is subject to four incentive schemes, namely:

- **Service performance** — service target performance incentive scheme (STPIS);
- **Opex efficiency** — efficiency benefit sharing scheme (EBSS);
- **Capex efficiency** — capital expenditure sharing scheme (CESS); and
- **Demand management** — demand management incentive scheme (DMIS).

A further incentive scheme for customer service – the Customer Service Incentive Scheme (CSIS) is being proposed by Evoenergy to apply from 1 July 2024.

#### Service target performance incentive scheme

The STPIS is designed to encourage businesses like Evoenergy to maintain existing levels of reliability and service, and to make improvements while ensuring customers pay no more than necessary. Evoenergy is penalised under the STPIS if its service performance declines and rewarded if its service performance improves.

For the 2024–29 regulatory period, Evoenergy proposes a minor change to the STPIS, which involves moving the telephone answering parameter (which currently operates under the STPIS) to the newly introduced CSIS, as outlined below. This will allow all customer-service based incentives to be treated consistently under the one scheme.

#### Efficiency benefit sharing scheme

The EBSS is designed to encourage businesses like Evoenergy to minimise opex during a regulatory period. The EBSS provides a continuous incentive to pursue efficiency improvements in opex and to share the efficiency gains with customers.

Evoenergy is rewarded if it makes incremental efficiency gains and penalised if it makes incremental efficiency losses. Ultimately, the benefits of the EBSS flow to customers through lower prices. The incentive to reduce opex operates in parallel to the STPIS and CSIS, ensuring that cost reductions do not come at the expense of reduced service quality.

#### Capital expenditure sharing scheme

The CESS provides financial rewards for Evoenergy if its capex becomes more efficient and financial penalties if capex become less efficient.

Consumers benefit from improved efficiency through lower regulated prices over time. The CESS works together with the EBSS to ensure that decisions regarding asset maintenance (opex) and replacement (capex) are not distorted.

#### Demand management incentive scheme

The DMIS provides incentives for businesses like Evoenergy to conduct research and investigations into innovative approaches to manage demand. It also aims to enhance industry knowledge of practical demand management projects and programs through the publication of annual DMIS reports.

The incentive scheme encourages Evoenergy to reduce capex by using demand management solutions to defer costly network investments.

### Customer service incentive scheme

The CSIS is a new, optional scheme that Evoenergy proposes to apply for the first time in the 2024–29 regulatory period. The CSIS helps to quantify the benefits of improving customers’ service experience and provides an incentive for Evoenergy to improve its service in the areas that matter most to customers. In simple terms, we get penalised or rewarded based on how we perform in delivering services our customers value.

While we always strive to provide high quality and impactful service to our customers, the CSIS provides an additional incentive to get it right.

We are proposing to introduce the CSIS following in-depth consultation with consumers about what matters most in terms of customer service experience. The three measures we propose to include are based on this engagement, and the weighting of each of the measures reflects the rankings consumers gave these measures.

- **SMS notifications of unplanned interruptions:** measures how fast SMS notifications are sent to registered customers from the time an unplanned interruption is confirmed. As this is a new service, we propose to phase this measure in from 2025/26 to enable us to collect enough data to set a performance baseline.
- **Website visibility of unplanned interruptions:** measures how fast unplanned interruptions are published on the outages map on Evoenergy’s website, which will be measured as a percentage of outages published within  $x$  minutes.
- **Telephone answering:** consistent with the measure previously included under STPIS, which is based on the percentage of calls to the fault and emergency line answered within 30 seconds

Further information about these schemes is provided in Attachment 4 (Incentive schemes).

### Pass through events

The regulatory framework requires adaptability and flexibility to meet the challenges of unplanned and unforeseen events which can materially change the costs of providing distribution services.

The cost pass through mechanism is a vital part of the regulatory framework because it enables revenue allowances to be adjusted for changing circumstances while preserving incentives to reduce costs. The mechanism ensures that in the face of these increasingly frequent adverse events, Evoenergy can focus on delivering outcomes for consumers without uncertainty surrounding its ability to recover costs. The cost pass through mechanism also ensures that expenditure allowances (and in turn bills) do not need to include costs to ensure service providers can manage all possible events.<sup>22</sup>

The Rules contain a set of prescribed pass through events that apply to all distribution determinations. A distribution business may also propose additional nominated cost pass through events to apply over the regulatory period. Evoenergy proposes to include the usual four cost pass events which the AER has routinely approved over the last two regulatory cycles. Evoenergy is not proposing any modification or adjustment to the mostly recently approved definitions.

While Evoenergy is not proposing any specific changes, we would welcome adjustments to incorporate greater flexibility into the cost pass through definitions (for instance, to provide greater

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<sup>22</sup> The AER has similarly noted that “The pass through mechanism recognises that an efficient revenue allowance cannot be established with complete certainty and that it may not be efficient to require DNSPs to manage all situations or circumstances through their revenue allowance.” See: AER 2010, South Australia distribution determination 2010-11 to 2014-15, May 2010, p. 223.

recognition of the potential for long-running natural disasters and the potential for cyber security attacks). We consider adjustments of this nature would be appropriate given the changes in our operating context over the last five to 10 years.

### Proposed pass through events

Evoenergy proposes four **nominated pass through events** for the 2024–29 regulatory period (in addition to those included in the Rules):<sup>23</sup>

- an insurance coverage event;
- an insurer credit risk event;
- a natural disaster event; and
- a terrorism event;

Table 19 sets out Evoenergy’s proposed definitions for these four events. The definitions are based on the definitions in the AER’s draft decision for Transgrid, the AER’s most recent pass through decision, with only minor changes (e.g., to replace ‘Transgrid’ with ‘Evoenergy’).

*Table 19 Evoenergy’s proposed nominated pass through events*

Proposed event	Nature and type of event
Insurance coverage event	<p>An insurance coverage event occurs if:</p> <ol style="list-style-type: none"> <li>1. Evoenergy:               <ol style="list-style-type: none"> <li>a) makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy or set of insurance policies; or</li> <li>b) would have been able to make a claim or claims under a relevant insurance policy or set of insurance policies but for changed circumstances; and</li> </ol> </li> <li>2. Evoenergy incurs costs:               <ol style="list-style-type: none"> <li>a) beyond a relevant policy limit for that policy or set of insurance policies; or</li> <li>b) that are unrecoverable under that policy or set of insurance policies due to changed circumstances; and</li> </ol> </li> <li>3. The costs referred to in paragraph 2 above materially increase the costs to Evoenergy in providing Direct Control Services.</li> </ol> <p>For the purposes of this insurance coverage event:</p> <p><i>changed circumstances</i> means movements in the relevant insurance liability market that are beyond the control of Evoenergy, where those movements mean that it is no longer possible for Evoenergy to take out an insurance policy or set of insurance policies at all or on reasonable commercial terms that include some or all of the costs referred to in paragraph 2 above within the scope of that insurance policy or set of insurance policies.</p> <p><i>‘costs’</i> means the costs that would have been recovered under the insurance policy or set of insurance policies had:</p> <ol style="list-style-type: none"> <li>i. the limit not been exhausted; or</li> <li>ii. those costs not been unrecoverable due to changed circumstances.</li> </ol>

<sup>23</sup> The Rules include a regulatory change event, service standard event, a tax change event and a retailer insolvency event. See National Electricity Rules, 6.6.1(a1).

	<p>A relevant insurance policy or set of insurance policies is an insurance policy or set of insurance policies held during the regulatory control period or a previous regulatory control period in which Evoenergy was regulated; and</p> <p>Evoenergy will be deemed to have made a claim on a relevant insurance policy or set of insurance policies if the claim is made by a related party of Evoenergy in relation to any aspect of Evoenergy’s network or business; and</p> <p>Evoenergy will be deemed to have been able to make a claim on a relevant insurance policy or set of insurance policies if, but for changed circumstances, the claim could have been made by a related party of Evoenergy in relation to any aspect of Evoenergy’s network or business.</p> <p>Note: For the avoidance of doubt, in assessing an insurance coverage event through application under rule 6.6.1(j), the AER will have regard to:</p> <ol style="list-style-type: none"> <li>i. the relevant insurance policy or set of insurance policies for the event;</li> <li>ii. the level of insurance that an efficient and prudent DNSP would obtain, or would have sought to obtain, in respect of the event;</li> <li>iii. any information provided by Evoenergy to the AER about Evoenergy’s actions and processes; and any guidance published by the AER on matters the AER will likely have regard to in assessing any insurance coverage event that occurs.</li> </ol>
<p><b>Insurer credit risk event</b></p>	<p>An insurer credit risk event occurs if an insurer of Evoenergy becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, Evoenergy:</p> <ol style="list-style-type: none"> <li>a) is subject to a higher or lower claim limit or a higher or lower deductible than would have otherwise applied under the insolvent insurer’s policy; or</li> <li>b) incurs additional costs associated with funding an insurance claim, which would otherwise have been covered by the insolvent insurer.</li> </ol> <p>Note: In assessing an insurer credit risk event pass through application, the AER will have regard to, amongst other things:</p> <ol style="list-style-type: none"> <li>1. Evoenergy’s attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer’s track record, size, credit rating and reputation; and</li> <li>2. in the event that a claim would have been covered by the insolvent insurer’s policy, whether Evoenergy had reasonable opportunity to insure the risk with a different provider.</li> </ol>
<p><b>Natural disaster event</b></p>	<p>Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2024–29 regulatory control period that changes the costs to Evoenergy in providing Direct Control Services, provided the cyclone, fire, flood or other event was:</p> <ol style="list-style-type: none"> <li>a) a consequence of an act or omission that was necessary for the service provider to comply with a regulatory obligation or requirement or with an applicable regulatory instrument; or</li> <li>b) not a consequence of the acts or omissions of the service provider.</li> </ol> <p>Note: In assessing a natural disaster event pass through application, the AER will have regard to, among other things:</p> <ol style="list-style-type: none"> <li>1. whether Evoenergy has insurance against the event; and</li> <li>2. the level of insurance that an efficient and prudent NSP would obtain in respect of the event.</li> </ol>

<b>Terrorism event</b>	<p>A terrorism event means an act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which:</p> <p>from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear) and changes the costs to Evoenergy in providing Direct Control Services.</p> <p>Note: In assessing a terrorism event pass through application, the AER will have regard to, among other things:</p> <ol style="list-style-type: none"> <li>i. whether Evoenergy has insurance against the event;</li> <li>ii. the level of insurance that an efficient and prudent NSP would obtain in respect of the event; and</li> <li>iii. whether a declaration has been made by a relevant government authority that a terrorism event has occurred.</li> </ol>
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### Pass through assessment framework

Evoenergy manages risks beyond systemic and business specific or residual risks, through a number of strategies including:

- **prevention:** avoiding the risk;
- **mitigation:** reducing the negative effect or probability of the risk;
- **insurance:** transferring the risk to another party via payment of a fair premium; and
- **self-insurance:** putting aside funds to manage the likely costs associated with a risky event.

The pass through mechanism supports Evoenergy’s ability to efficiently manage the risk of operating the business. Specifically, the pass through events defined in the Rules address the risks of a limited range of unplanned and unforeseen events which could have a material cost consequence.

Nominated pass through events enable Evoenergy to efficiently manage additional unplanned and unforeseen events with high consequences that are not reflected in Evoenergy’s revenue allowance. Evoenergy uses nominated pass through events to manage risks that cannot be managed through avoidance, mitigation, commercial insurance or self-insurance.

The AEMC has recognised that the specification of nominated pass through events is necessary to ensure Network Service Providers (NSPs) are provided with the opportunity to recover their efficient costs where those costs result from unforeseen and uncontrollable events for which insurance is limited or not available on commercial terms and self-insurance is not appropriate.<sup>24</sup>

In the absence of cost pass throughs in these circumstances, the AEMC recognises that efficient investment in, and efficient operation of, an NSP’s network would likely be adversely affected over the long term, contrary to the National Electricity Objective (NEO).<sup>25</sup> Accordingly, specifying nominated pass through events can be necessary and contributes to the achievement of the NEO where these events are consistent with the considerations specified in the Rules.

<sup>24</sup> AEMC 2012, Rule Determination National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule, p. 18–19

<sup>25</sup> AEMC 2012, Rule Determination National Electricity Amendment (Cost pass through arrangements for Network Service Providers) Rule, p. 18

A pass through event occurs if the requirements of one of the four pass through events defined in the Rules, or a nominated pass through event approved in a distribution determination, are satisfied.<sup>26</sup>

Pass through events can have either a positive or a negative impact on the costs incurred, or costs likely to be incurred, by a DNSP. If a pass through event occurs, the approved costs (savings) from the event are passed through to consumers and network charges increase (decrease).

The nominated pass through event considerations are set out in the Rules.<sup>27</sup>

Table 20 explains how each of the events proposed by Evoenergy is consistent with the nominated pass through event considerations in the Rules.

**Table 20 Assessment of nominated pass through event considerations in respect of insurance coverage, insurer credit risk, natural disaster and terrorism**

Nominated pass through event considerations	How these are addressed by Evoenergy's proposal
Whether the nominated event proposed is an event covered by a category of pass through event specified in the Rules.	The nominated pass through events relating to insurance coverage, insurer credit risk, natural disasters and terrorism are not already covered by any categories of pass through events specified in the NER.
Whether the nature or type of event can be clearly identified at the time the determination is made for the service provider.	Each of the events can be and are clearly identified.
Whether a prudent service provider could reasonably prevent an event of that nature or type from occurring or substantially mitigate the cost impact of such an event.	Evoenergy could not, acting prudently and efficiently, completely eliminate the risk of the nominated pass through events relating to insurance coverage, insurer credit risk, natural disaster and terrorism occurring or substantially mitigate the cost impact of such an event.
Whether the relevant service provider could insure against the event, having regard to insurance and self-insurance.	<p>Evoenergy cannot obtain appropriate insurances on reasonable commercial terms to cover the full range of costs that could be potentially incurred as a result of the occurrence of these specific events.</p> <p>Evoenergy considers that the relative infrequency and potentially high costs of these events create significant challenges for self-insurance for this type of risk. Further, there is limited data for calculating a credible self-insurance premium. Obtaining further commercial insurance would likely be inefficient and would not be in the long-term interests of consumers.</p>
Any other matter the AER considers relevant and which the AER has notified Network Service Providers (NSPs) is a nominated pass through event consideration.	In its recent decisions, the AER has accepted that nominated pass through events that are identical or closely correspond with those proposed by Evoenergy are consistent with the nominated pass through event considerations.

<sup>26</sup> Rules, clause 6.6.1(a1)(1)-(5)

<sup>27</sup> Rules, Chapter 10 Glossary

### Previous AER consideration

In its recent decisions, the AER has accepted that the nominated pass through events proposed by Evoenergy are consistent with the nominated pass through event considerations. Specifically, the AER has concluded in respect of these events that:<sup>28</sup>

- they are not covered by a pass through event specified in the Rules;
- the nature and type of these events can be clearly identified at the time of the AER's decision, and where there is room for doubt, appropriate parameters can be applied through its assessment of a pass through application;
- while a prudent service provider could take steps to reduce the likelihood and cost impacts of these events, and could insure or self-insure against them, expenditure beyond a certain level aimed at completely eliminating the risk is likely to be imprudent or inefficient. In such circumstances, a sharing of risk between the NSP and its customers is appropriate and more likely to be in the long-term interests of consumers with respect to price.

## 4.6. Negotiation framework for negotiated services

A *negotiated distribution service* is defined in the Rules as 'a distribution service that is a negotiated network service within the meaning of Section 2C of the National Electricity Law'. These are regulated services for which the AER determines that the recipient has a degree of market power equal to that of the DNSP, allowing terms and conditions for the service to be negotiated with minimal regulatory protection. Such an arrangement is in contrast with the direct regulatory control over the terms for provision of services regulated under a price of revenue cap form of control (direct control services).

Energy currently has no distribution services classified as negotiated distribution services and the AER's Framework and Approach final decision for Evoenergy in the forthcoming regulatory period (2024–29) does not nominate any such services. Notwithstanding, the Rules require that Evoenergy submit a negotiating framework for this purpose.

Part D of Chapter 6 of the Rules regulates prices that may be charged by DNSPs for the provision of services classified as negotiated distribution services.

Specifically, Clause 6.7.5(a) of the Rules requires the DNSP to prepare a document (the negotiating framework) setting out the procedure to be followed during negotiations between the DNSP and any person (the Service Applicant or applicant) who wishes to receive a Negotiated Distribution Service from the DNSP, as to the terms and conditions of access for the provision of the service. Clause 6.8.2(c)(5) of the Rules stipulates that a regulatory proposal must include a proposed negotiating framework for services classified as the Negotiated Distribution Services.

Clause 6.7.5l of the Rules sets out the requirements which the negotiating framework must comply with. Clauses 6.7.3, 6.12.1(15) and 6.12.1(16) require the AER to include in its determination decisions on negotiating framework with which the distribution network services provided must comply.

Evoenergy has prepared the proposed negotiating framework for the 2024–29 regulatory control period in compliance with clause 6.7.5(a) of the Rules and submits it as part of this regulatory proposal in compliance with clause 6.8.2(c)(5) of the Rules. The proposed negotiating framework is included at Appendix N to this regulatory proposal.

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<sup>28</sup> AER 2017, Attachment 13 Pass through events, Draft decision ElectraNet transmission determination 2018 to 2023, p. 13-11

## 4.7. Connection policy

Evoenergy's Connection Policy (the Policy) sets out the circumstances in which we may require a Retail Customer or Real Estate Developer to pay a connection charge and how these charges are calculated for the provision of connection services.

Evoenergy has made amendments to the Policy to provide greater clarity and simplification and to ensure it meets the changing needs of consumers and the use of the network, and in accordance with the following:

- Chapter 5A and Chapter 6 of the Rules
- The AER's connection charge guidelines for retail electricity customers, version 3.0 (AER connection charge guidelines).
- The AER's Final Framework and Approach decision for the proposed classification of services for the 2024–29 regulatory control period, and our classification proposal outlined in Appendix C.

The Policy sets out the connection charges that may apply for different types of connections ranging from basic connections (requiring no augmentation of the network) for residential and small commercial customers on unserved blocks in urban areas, through to large (>100 amps) commercial connections requiring a new substation, subdivision estate reticulation, and embedded generator connections.

A Retail Customer will not be required to make a capital contribution towards the cost of augmenting the shared network where the customer's estimated peak or peak coincident demand is below the shared network augmentation charge threshold of 100 amps (or 70kVA) per phase.

The connection charges payable by a connection applicant will depend on the type of connection and the connection assets and services involved. In general, the total charge for a new connection or altered connection may comprise:

- A capital contribution toward the costs of the assets used to provide standard control connection services. Where the estimated incremental costs of a connection exceed the estimated incremental revenue, the connection applicant may be required to make a contribution toward the costs of the premises connection assets and any required network extensions.
- Charges for alternative control services, services provided at above the least cost technically acceptable standard (LCTAS) at the customer's request, and special connection requirements. Alternative control services may include asset removals or relocations, temporary connections and service upgrades. Connection applicants pay for any required alternative control services, on a cost recovery basis as approved by the AER.
- Charges payable under the pioneer scheme. Where a connection involves the use of extension assets paid for by an original customer, within the past 7 years, the subsequent customer may be required to make a contribution towards the cost of the extension assets and the original customer may be eligible for a refund. The pioneer scheme will generally not apply to residential and small commercial urban customers, although it may in some cases – for example for rural connections requiring network extensions.

Following the introduction of the Power of Choice reforms on 1 December 2017, which introduced contestability to metering services, Evoenergy no longer provides metering services for new connections or connection change requests. Retailers provide metering services and customers will need to obtain a metering quotation from their retailer during the connection process.

Larger commercial customers and Real Estate Developers may be required to make a capital contribution toward the costs of premises connection assets and network augmentations or extensions, depending on the outcome of the incremental cost-revenue test (ICRT). Design and

administration costs will be included in the calculation of the required contribution. Charges will also separately apply where the connection involves alternative control services and higher standard services or special requirements. The pioneer scheme may also apply to these connection applicants.

Evoenergy will not impose a static zero export limit (unless specifically requested by the customer) if the customer has a suitable dynamic response system installed as specified by Evoenergy for a particular location. Evoenergy will only impose a static zero export limit in the following circumstances:

- When explicitly requested by the customer; or
- The export from the micro embedded generator will result in a high probability of Evoenergy not meeting a regulatory obligation (such as a voltage level or power quality standard) or to maintain the network within its technical limits; and
- The cost of augmenting the network assets to allow a reasonable export capacity level by the micro embedded generation connection applicant is outweighed by the benefits arising from the additional export capacity, taking into consideration expected future new distributed energy resource that will be able to export to the grid arising from the augmentation. However, this won't apply if the connection applicant elects to fund the necessary network augmentation to meet the applicant's needs.

Evoenergy's proposed Connection Policy is provided at Appendix M.

## 4.8. Shared assets

Where an asset is used to provide both standard control services and unregulated services we must share the revenue with our customers, if this exceeds a materiality threshold.<sup>29</sup> We do not expect to exceed the threshold over the 2024–29 regulatory period and so no cost reduction is required. Further details are provided in Attachment 3 (Revenue requirement and price impact).

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<sup>29</sup> NER, clause 6.4.4

## 5. Network tariffs

To support advances in renewable technology, a society-wide focus on reducing emissions and an increasing emphasis on energy independence, Evoenergy is proposing changes to ACT network electricity tariffs to progress cost reflective network tariff reform in the ACT.

In preparation for the 2024–29 regulatory period TSS proposal, Evoenergy has taken into account the expected future use of the ACT electricity network and consulted widely with the ACT community, retailers, aggregators and the ACT Government about their preferences regarding network tariffs. In conclusion, Evoenergy has developed a series of tariff reform proposals suitable for the 2024–29 regulatory period. Full details of our TSS are provided in Attachment 7 and the appendices accompanying this attachment.

### 5.1. Residential tariff reform

Residential tariff reform is the focus of the 2024–29 regulatory period TSS, with proposed changes to the residential demand and time-of-use (TOU) tariffs. These reforms incorporate lessons learnt from the residential battery tariff trialled during the 2019–24 regulatory period. These include the introduction of a relatively low ‘solar soak’ charge during the middle of the day which is designed to incentivise electricity use to soak up solar that is exported to the electricity network. The reforms also include new charges to signal that high demand (e.g., EV fast recharging) could lead to new peak demands on the network that impose higher costs due to required network upgrades.

### 5.2. Commercial tariff reforms

Since Evoenergy’s low voltage and high voltage commercial tariffs are highly cost reflective following reforms during the 2019–24 regulatory period, with most tariffs including TOU consumption charges, peak demand charges and (in some cases) capacity charges, Evoenergy are proposing relatively minor amendments to the commercial tariff structure in the 2024–29 regulatory period.

The commercial tariff reforms proposed for the 2024–29 regulatory period continue refining the cost reflectiveness of ACT network tariffs and include structural changes to the Streetlighting and Small unmetered tariffs.

In anticipation of stand-alone, grid-scale batteries including community batteries coming online, Evoenergy is proposing the introduction of a new tariff designed for large-scale batteries that connect to the ACT distribution low voltage or high voltage network. This tariff structure has been trialled during the current (2019–24) regulatory period.

Evoenergy is proposing to trial a tariff designed for electric vehicle public charging stations in the 2024–29 regulatory period. The structure of the tariff to be trialled will be finalised closer to the time of the proposed trial commencement on 1 July 2025.

### 5.3. Export tariffs

In recent years, imbalance between the supply and demand of electricity has been widening. This typically arises in residential areas in the middle of the day when demand for electricity is relatively low and exports from rooftop solar PV is high. As the imbalance continues to widen, additional investment will be required to manage voltage fluctuations on the network.

In response to this challenge for electricity networks, the AEMC made change to the Rules that aims to integrate DER more efficiently into the network.<sup>30</sup> Accordingly, Evoenergy proposes the introduction of export price signals that are summarised in the Table below.

Evoenergy proposes to introduce export pricing in a measured and gradual manner. This is reflected in Evoenergy’s proposed export tariff structures, tariff levels and assignment policy. This approach is in response to feedback gathered from stakeholders during TSS engagement. It also reflects the needs of Evoenergy’s network requirements. While Evoenergy’s network currently has capacity to host exports, the network will require upgrades in the future as exports to the network continue to increase in line with the take-up of solar PV and home batteries.

The tariff reforms we are proposing have been informed by extensive consumer engagement and learnings from tariff trials carried out in the 2019–24 regulatory period. The proposed reforms are set out in Table 21 below.

**Table 21 Summary of proposed tariff reforms**

Tariff category	Tariff reforms proposed for 2024–29
Residential tariff reforms	<p>Residential demand tariff:</p> <ul style="list-style-type: none"> <li>• Introduce a relatively low solar soak energy charge between 11am and 3pm AEST.</li> <li>• Introduce an off-peak demand charge between 8pm and 9am AEST.</li> <li>• Set a lower peak demand price outside of winter months (June, July and August).</li> </ul> <p>Residential TOU tariff:</p> <ul style="list-style-type: none"> <li>• Introduce a solar soak period between 11am and 3pm AEST.</li> <li>• Remove the morning peak period between 7am and 9am AEST.</li> <li>• Remove the shoulder periods between 9am and 5pm, and between 8pm and 10pm.</li> <li>• Extend the off-peak period to between 8pm and 11am, and between 3pm and 5pm.</li> <li>• Introduce an inclining block structure to the off-peak period between 8pm and 9am.</li> </ul>
Commercial tariff reforms	<p>Tariff with capacity charges:</p> <ul style="list-style-type: none"> <li>• Provision to review capacity charges under extenuating circumstances, as negotiated between Evoenergy and individual consumers.</li> </ul> <p>Streetlight tariff; small unmetered loads tariff”</p> <ul style="list-style-type: none"> <li>• Remove fixed charge; only apply energy consumption charge.</li> </ul> <p>New proposed tariff:</p> <ul style="list-style-type: none"> <li>• Designed for stand-alone, distribution-connected, large-scale batteries.</li> </ul> <p>EV public charging station:</p> <ul style="list-style-type: none"> <li>• Tariff trial during 2024–29 regulatory period.</li> </ul>

<sup>30</sup> AEMC, *Access, pricing and incentive arrangements for distributed energy resources*, Rule determination, 12 August 2021

Tariff category	Tariff reforms proposed for 2024–29
Proposed export tariffs	<p data-bbox="547 356 991 387">Residential export tariff (secondary tariff):</p> <ul data-bbox="595 421 1356 723" style="list-style-type: none"> <li data-bbox="595 421 1356 477">• Export reward (in cents per kWh) for all exports during the evening peak period (5pm-8pm AEST).</li> <li data-bbox="595 483 1356 539">• Export charge (in cents per kWh) on exports during the solar soak period (11am-3pm AEST) above the basic export level (5 kW).</li> <li data-bbox="595 546 1356 629">• This secondary tariff will apply alongside residential customers' (primary) demand or TOU tariff, as residential customers on the export tariff will need to have a smart meter installed.</li> <li data-bbox="595 636 1356 723">• Residential customers with existing export capacity can opt-in; residential customers who install new export capacity from 1 July 2025 will default to the export tariff without an opt-out provision.</li> </ul> <p data-bbox="547 741 815 772">Large-scale battery tariff:</p> <ul data-bbox="595 801 1377 1048" style="list-style-type: none"> <li data-bbox="595 801 1377 857">• Peak demand charging windows depend on batteries' location within Evoenergy's network.</li> <li data-bbox="595 864 1377 898">• Different price levels set according to LV or HV connection.</li> <li data-bbox="595 904 1377 965">• Tariff components include a capacity charge, peak demand charge, net consumption charge, critical peak rewards and charges.</li> <li data-bbox="595 972 1377 1048">• Eligibility for a reimbursement of avoided transmission costs and/or subject to a payment of incurred transmission costs (settled externally to the tariff structure).</li> </ul>

## 6. Alternative control services

### 6.1. Metering services

The AER has classified Evoenergy's network ancillary services, Type 5 and Type 6 metering services, enhanced connection service and connection and application management services as Alternative Control Services (ACS) for the 2019–24 regulatory period.<sup>31</sup> These services represent a relatively small component of Evoenergy's total revenue.

The AEM Commission is currently reviewing the regulatory framework for metering services. The draft report recommended phase out of type 5 and type 6 meters, to be replaced with smart meters with a target of 100 per cent by 2030. Evoenergy is proposing to accelerate the depreciation of its remaining Type 5 and Type 6 meters by calendar year 2030 and will consider the potential for metering services to be reclassified as SCS to support their delivery in a way that ensures metering contributes to an efficient energy system capable of maximising the benefits for all consumers.

### 6.2. Ancillary network services

Evoenergy's proposal includes transparent and cost-reflective prices for ACS, customers will only bear the costs of providing these specific services if and when they require the services. ACS are often customer specific or requested and are billed on a per service basis to individual customers.

Further information on our proposed metering services and ancillary network services is provided in Attachment 6 (Alternative Control Services).

<sup>31</sup> AER, Framework and approach for Evoenergy, July 2022

## Glossary

AAR	Average Annual Return
ABS	Australian Bureau of Statistics
ACS	Alternative Control Services
ACT	Australian Capital Territory
ADMS	Advanced Demand Management System
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APS	Asset Portfolio Strategy
Augex	Augmentation expenditure
CALD	Culturally and linguistically diverse
CAM	Cost Allocation Methodology
Capex	Capital Expenditure
CESS	Capital Expenditure Sharing Scheme
CPI	Consumer Price Inflation
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSIS	Customer Service Incentive Scheme
DER	Distributed Energy Resources
DFA	Dual Function Assets
DMIA	Demand Management Incentive Allowance
DMIAM	Demand Management Innovation Allowance Mechanism
DMIS	Demand Management Incentive Scheme
DNSP	Distribution Network Service Provider
DRC	Debt Raising Cost
DSO	Distribution System Operator
DUOS	Distribution Use of System Charges
EBSS	Efficiency Benefit Sharing Scheme
ECRC	Energy Consumer Reference Council
EFM	Expenditure Forecasting Methodology
EN24	Electricity Distribution Network Determination 2024-29
ESOO	Electricity Statement of Opportunities
EV(s)	Electric Vehicle(s)
GIS	Geospatial Information System
GSOO	Gas Statement of Opportunities
HV	High Voltage
HV121/122	High Voltage tariff types
IAP2	International Association of Public Participation

ICRT	Incremental Cost-revenue-test
ICT	Information Communication Technology
ISP	Integrated System Plan
KPI	Key Performance Indicator
LFiT	Large Feed in Tariff
LV	Low Voltage
MEDs	Major Event Days
MVA	Mega Volt Ampere
MW	Mega Watt
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NZ45	Net Zero 2045
Opex	Operating Expenditure
POE	Probability of exceedance
PTRM	Post-tax Revenue Model
PV	Photovoltaic
QoS	Quality of Supply
RAB	Regulatory Asset Base
RBA	Reserve Bank of Australia
Repex	Replacement Expenditure
RFM	Roll-forward Model
RIN	Regulatory Information Notice
RIT-D	Regulatory Investment Test for Distribution
RMD	Ratcheted Maximum Demand
RoRI	Rate of Return Instrument
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCS	Standard Control Services
SOCI	Security of Critical Infrastructure
STPIS	Service Target Performance Incentive Scheme
TSS	Tariff Structure Statement
The Rules	National Electricity Rules
TUOS	Transmission Use of System
WACC	Weighted Average Cost of Capital
ZEV(s)	Zero Emission Vehicle(s)