

evoenergy

Community forum

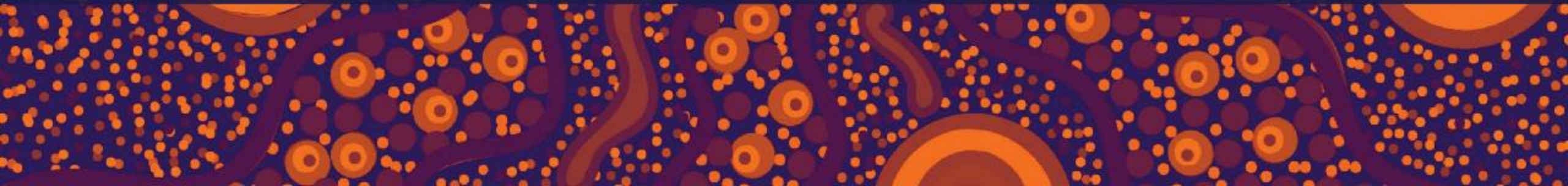
Session 2





Acknowledgement of Country

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



Safety share

Lauren Wachniewski

Communications and Engagement Manager, Evoenergy



Welcome

Helen Leayr, facilitator
Communication Link





Communication Link

Ask.
Listen.
Understand.
Achieve.

Independent facilitation

Facilitation: Helen Leayr

Supporting facilitators:

Rosie Garland

Rennae Sillett

- Build understanding through information
- Know what you can influence
- Be heard and understood

Technical housekeeping

- Emergency exit
- Bathrooms
- Breaks
- Network storywall + Slack
- Slido – using our phones
- Online participants
- Assistance in participation



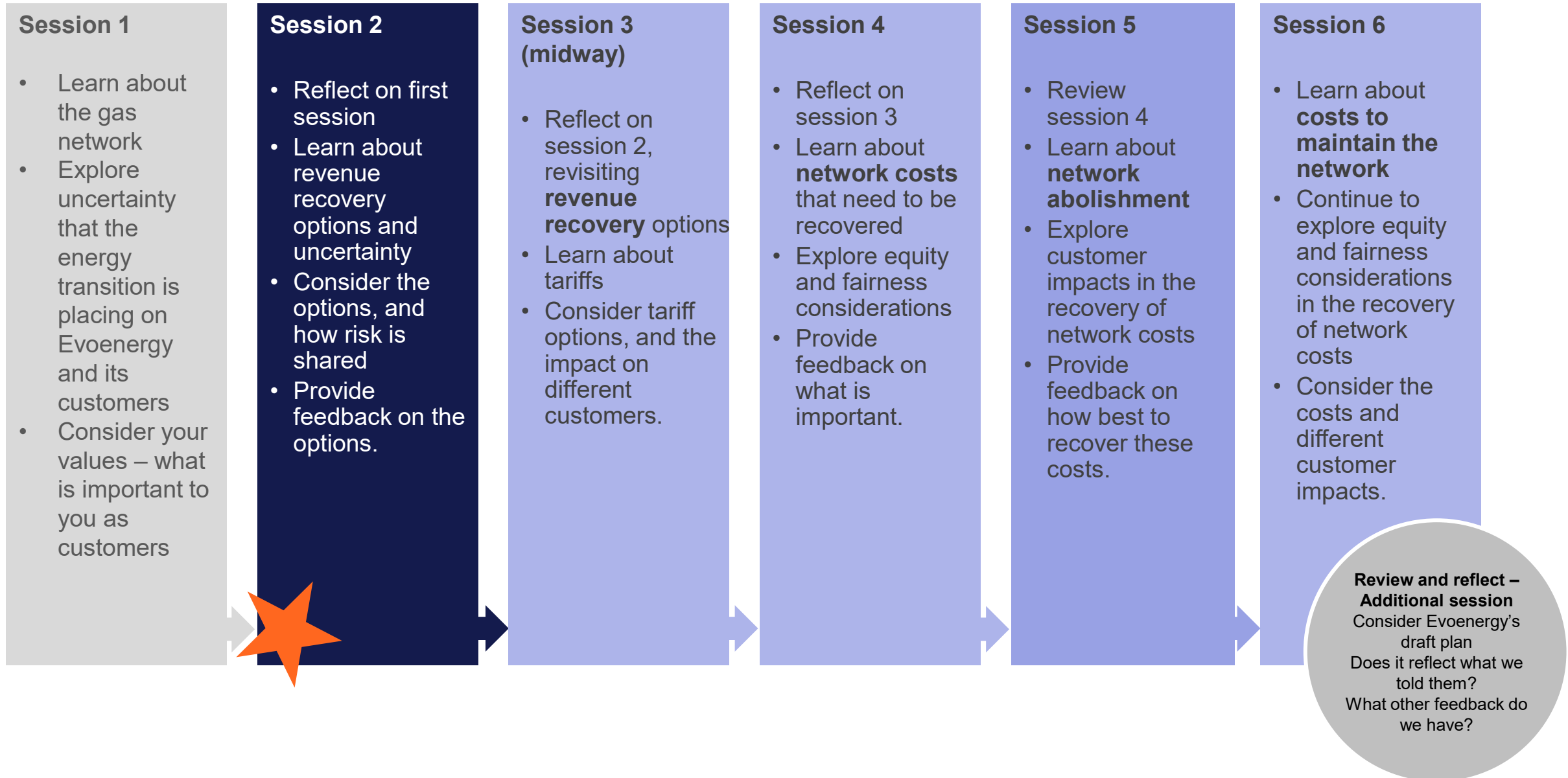
Today's agenda

- Welcome
- Scenarios and personas refresh
- Presentation: Network costs and how they are recovered
- Presentation: Managing demand uncertainty
- Feedback activities: Uncertainty and options to recover revenue

Working dinner

- Feedback activities: What options work best for our community and Evoenergy?
- Wrap up and session close

Community forum work program



Recap session 1 and values

Helen Leayr, Communication Link



Session 1

4 May 2024

- Introductions, values and principles
- About the gas network and Evoenergy
- Uncertainty and the energy transition
- Site tour

Attendees

- #32 Forum members
- #2 Observers from the Energy Regulatory Advisory Panel
- #8 Evoenergy staff

Presenters

- John Knox, CEO
- Peter Billing, General Manager
- Bruce Hansen (site tour)

Facilitator

Helen Leayr

Outcomes

Values

Community and family, Communication and collaboration, Honesty, transparency and genuine, Fairness and equity, Kindness and compassion and Adaptability and empathy.

Values as they relate to gas

Equity and ability to transition, transparency and fairness of fees, costs, timelines and information, we all contribute and are in it together and effective communication.

Operating principles

Participants considered how they wanted to work together: Respect, open mind, being ready to share, listening, considering ideas, listening, honesty, tolerance, sense of humour, anonymity, transparency, focus and everyone has a voice.

Reflections and learnings

- Introduction to Evoenergy and its network, including a site tour
- Getting to know each other
- Storywall questions

Next steps

- Join Slack
- Values and principles shared (via Slack)
- Session 2, 9 May 5-8pm, Rex Hotel

Values

We value these things

Adaptability + empathy

Community + family

Communication + collaboration

Fairness + equity

Honest, transparent + genuine

Integrity + ethics

Kindness + compassion

This is how these values could be represented in the gas transition

Ensure that no one is left behind, recognising that one size does not fit all.

Remember that not everyone can adapt to the transition at the same pace and some people will need more help than others. Be flexible and empathetic.

The transition needs to be affordable for everyone in our community and not contribute to 'haves and have-nots'.

Everyone should be entitled to participate in the transition in a fair way. Consider how to achieve equity and fairness across all customers including home-owners, renters and businesses. Seek to be fair over time and consider future generations.

Maintain transparency across all areas including the options available to customers; the costs at different stages in the transition; and safety implications for the network.

Be adaptable, adopt innovation and new technology where appropriate.

Keep the community informed so they can make informed choices, through education campaigns and easy to understand information in multiple languages. Outline the journey and the final outcome. Seek to counter misinformation without being divisive.

Consider the implications of job losses in the gas sector.

Consider community-based activities such as community energy solutions and impacts on individual suburbs.

Equality



Equity



Introducing engagement tools: Personas and demand scenarios

Megan Willcox, General Manager Economic Regulation



Recap: ACT Government's plan to phase out fossil fuel gas



Stage 1 consumer led transition supported through various ACT Government incentive schemes and programs



Stage 1 2024 – 2030: Setting the foundations for success

The ACT Government is supporting the consumer led transition through various incentives. This stage includes a phase-in of a ban on new gas connections from December 2023.

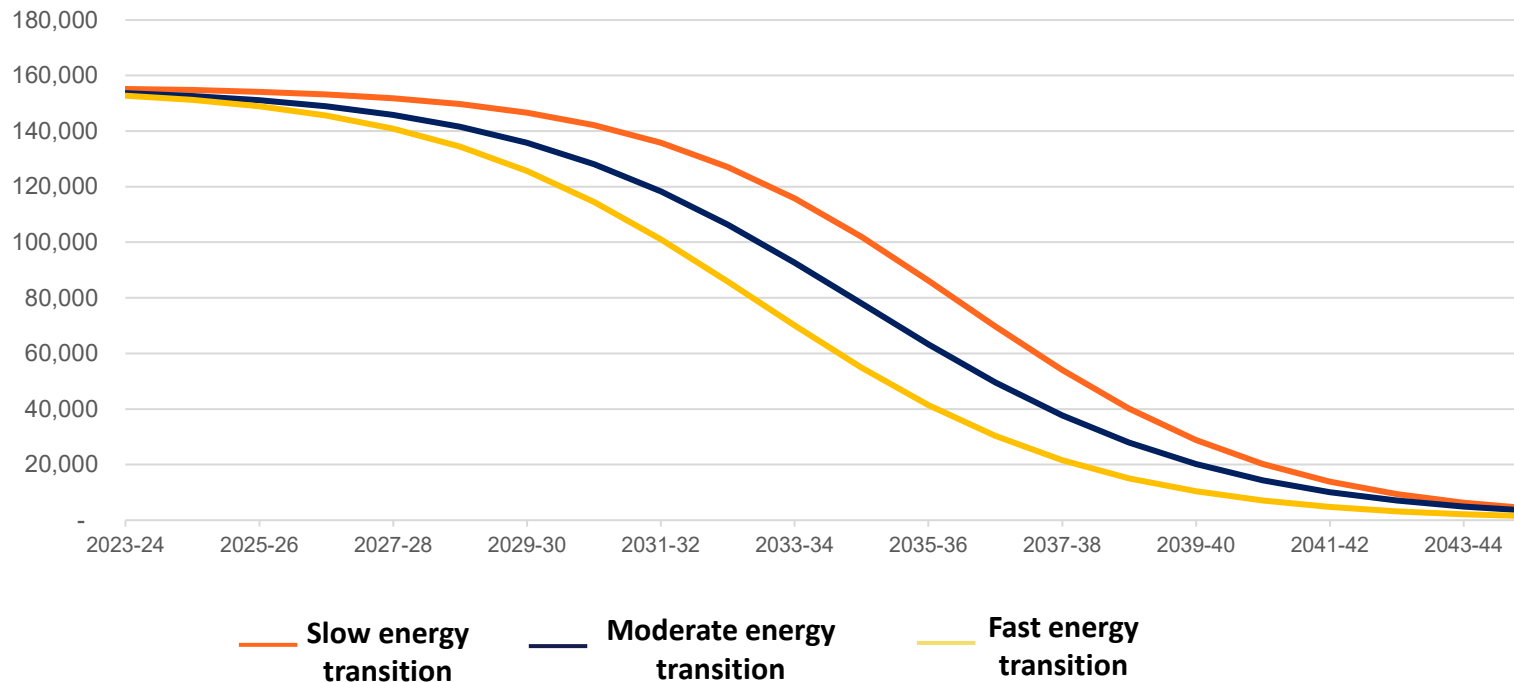
Stage 2 2030 – 2035: Accelerating the transition

The ACT Government continues to encourage behavioural change and provide information to assist the community, as well as introducing additional measures to accelerate the transition. This stage could include implementation of regulatory measures.

Stage 3 2035 – 2040: Electric Canberra delivering for households

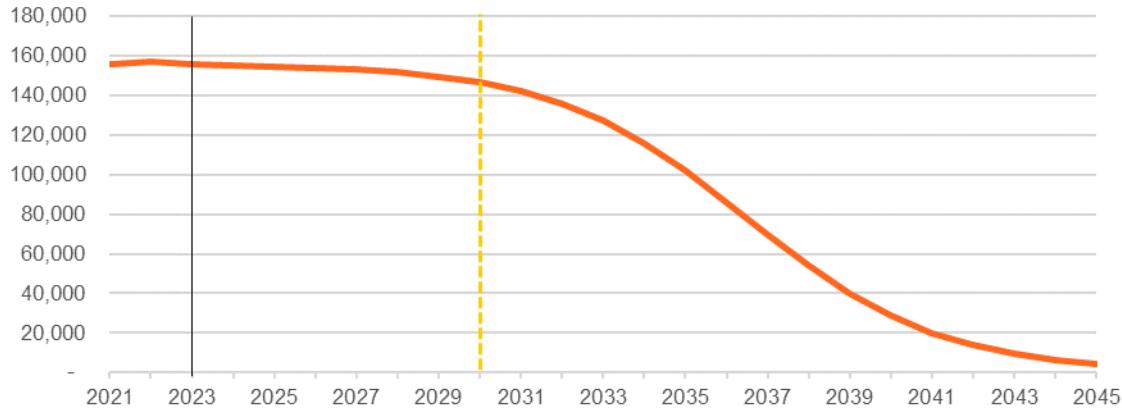
The ACT Government expects a focus on the phased decommissioning of the gas network.

Understanding and predicting demand for gas services is key to sharing costs, but it is more uncertain than ever

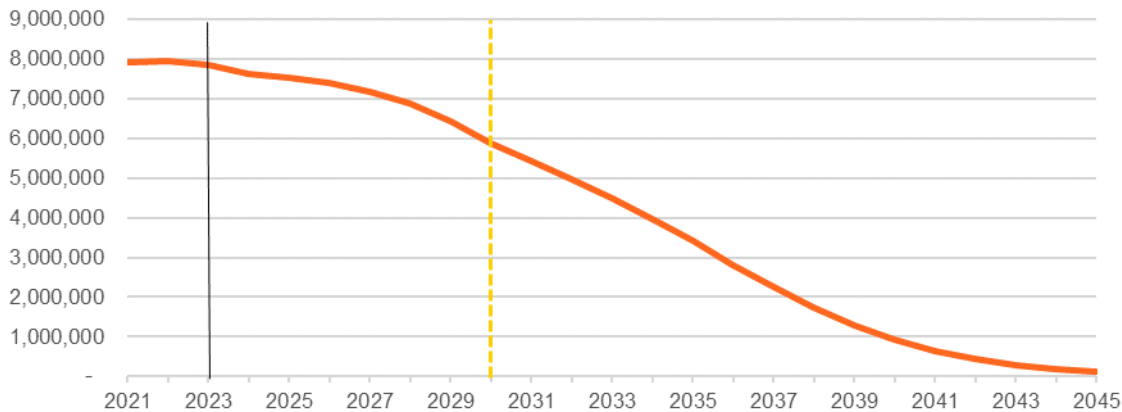


We'll use three illustrative scenarios of declining gas customers, as well as the impact on some typical customers to help describe the impacts of different options we are considering as we build our five-year plan

Total - Customer numbers - Slow case



Total - Consumption (GJ) - Slow case

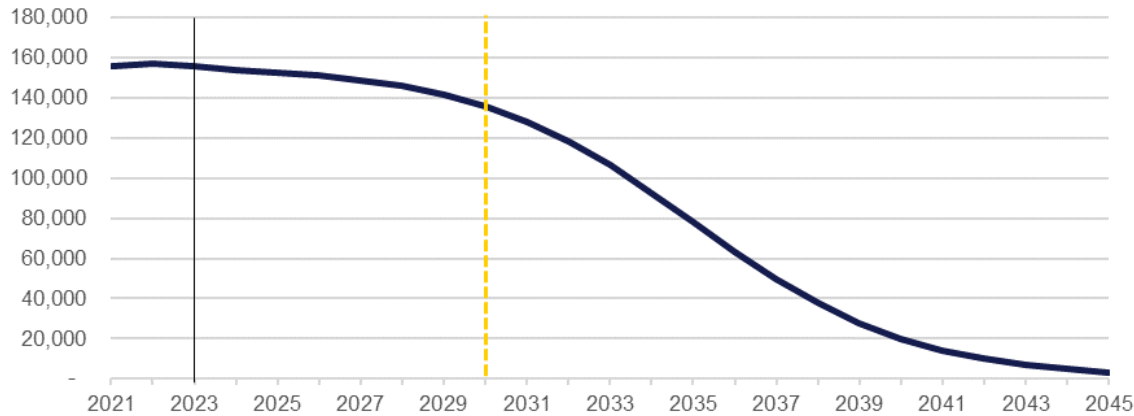


slow energy transition scenario:

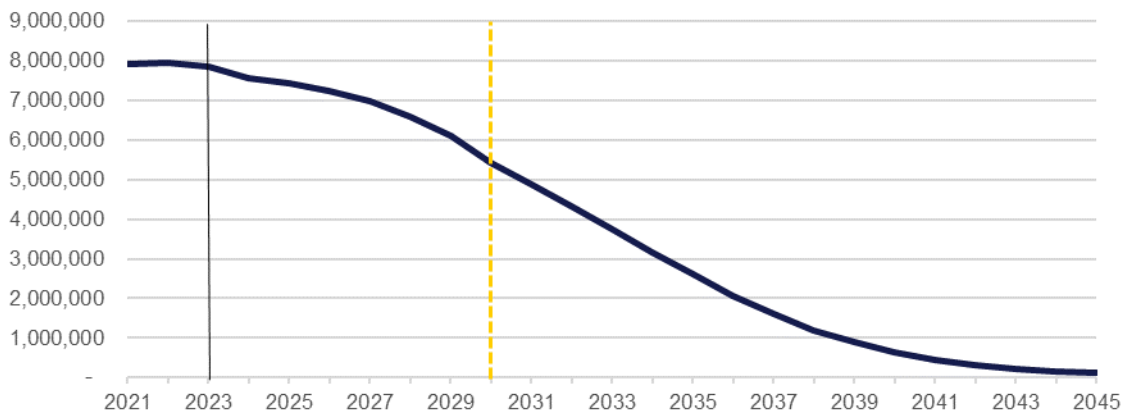
- Disconnections and consumption in line with IEP forecast upper end of forecast band by 2032
- Slower transition to more aggressive regulatory environment, which may include bans and minimum standards in place from 2032 such as:
 - A ban on the sale of gas appliances in ACT
 - Minimum standards for rental properties
 - Requirement for multi dwelling unit buildings to upgrade hot water systems



Total - Customer numbers - Moderate case



Total - Consumption (GJ) - Moderate case

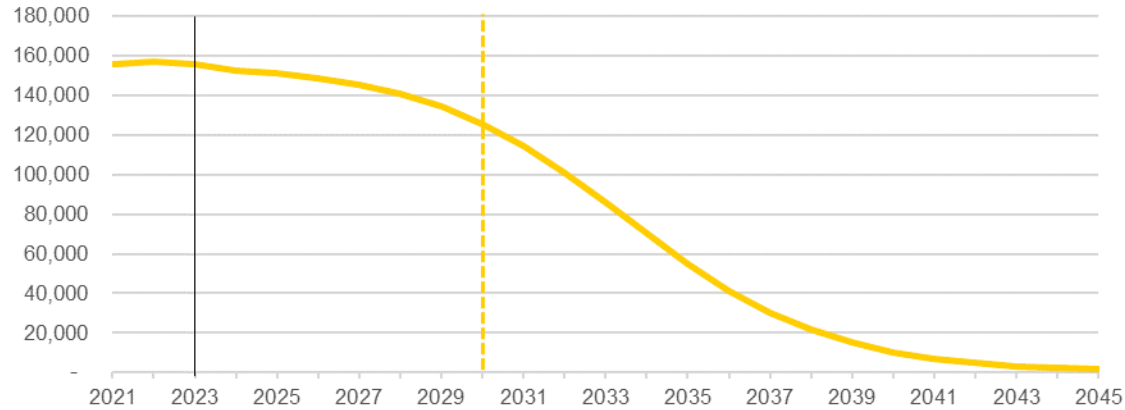


Moderate energy transition scenario:

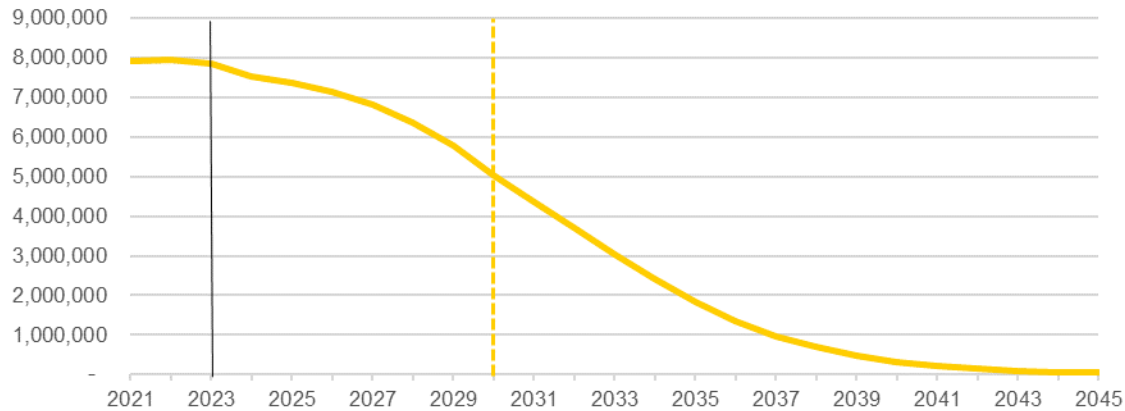
- Disconnections and consumption in line with IEP forecast upper bound by 2030
- More aggressive regulatory environment commences from 2030 (with no transitional arrangements in place), with possible measures such as:
 - Ban on sale of gas appliances in ACT
 - Minimum standards for gas-free rental properties
 - Requirement for multi-dwelling unit buildings to upgrade hot water systems



Total - Customer numbers - Fast case



Total - Consumption (GJ) - Fast case



***Fast* energy transition scenario:**

- Disconnections and consumption in line with IEP forecast mid-point by 2030
- Aggressive regulatory environment commences from 2030 (with no transitional arrangements in place), which measures such as:
 - Ban on sale of gas appliances in ACT
 - Minimum standards for gas-free rental properties
 - Requirement for multi-dwelling unit buildings to upgrade hot water systems



What costs do customers need to consider as part of the transition?



The costs to customers will vary, depending on a large range of factors

Customers will pay their gas bill for as long as they stay connected and the timing of the switch will impact costs

Currently approx. \$1,875 for a typical 4 person household

Costs will be higher when fewer customers are on the network

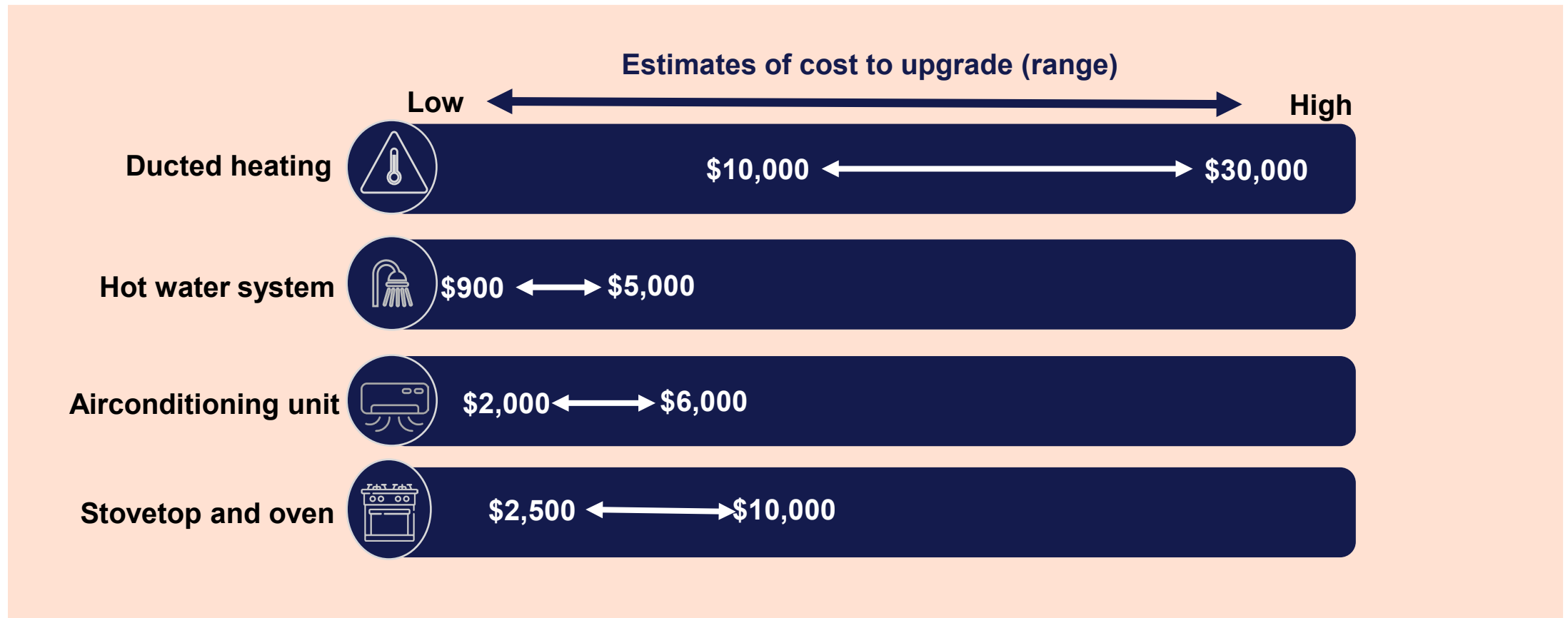
To safely and permanently disconnect from the gas network, the current cost is **approx. \$800 per household**

(we'll cover this at a later session)

The cost to switch appliances from gas to electric will vary depending on number of appliances, size of house, energy efficiency of appliance etc.

(see next slide)

The estimated cost of upgrading to electric appliances ranges up to \$30,000+



These costs may be partially offset by savings in energy efficiency as well as government rebates and use of solar, where applicable



slido



How quickly do you think you will shift your energy use from gas to electricity?

i Start presenting to display the poll results on this slide.


Personas

Wei from Belconnen

Single middle-manager.

Owens apartment

Sentiment <small>(Energy Consumers Australia Consumer Sentiment, 2023)</small>	"Not a problem" Despite having the capital to make a change, Wei has low motivation and opportunity to act (living in an apartment complex).
Ability to move to full electric	High, but not motivated
Gas appliances	<input checked="" type="checkbox"/> Cooking <input checked="" type="checkbox"/> Heating <input checked="" type="checkbox"/> Fireplace <input checked="" type="checkbox"/> Hotwater
Property type	Apartment (1 bedroom)
Cost to electrify	~\$18,000 per apartment ins pump
People per household	1
Average weekly income (household) (by region)	\$2,087 (approx. \$114,000 pa)
Region	Belconnen
Age	32
Average gas consumption and bill (annual)	\$600 (~7,000MJ)
Average electric consumption and bill	\$640 (5kWh/day)




Susan and Prav from the Inner South

Parents, two teens. Both parents full time senior executives.

Home 90% paid off

Sentiment <small>(Energy Consumers Australia Consumer Sentiment, 2023)</small>	"What's next?" High motivation and low barriers to electrifying their appliances. They have access to funds and have already taken action to electrify their home by installing solar system, hot water and a small A/C unit. They still have gas ducted heating and gas cooking.
Ability to move to full electric	High
Gas appliances	<input checked="" type="checkbox"/> Heating <input checked="" type="checkbox"/> Cooking <input checked="" type="checkbox"/> Fireplace <input checked="" type="checkbox"/> Hot water
Property type	Standalone house (4 bedroom). Recently installed solar system.
Cost to electrify	~\$20,000-25,000 (ducted electric heating and induction cooking). Already spent ~\$25,000 (~\$15,000 (solar system, electric hot water and small A/C unit)).
People per household	4
Average weekly income (household) (by region)	\$8,653 (approx. \$450,000 pa) (note: illustrative, not average income)
Region	Inner South
Age	55
Average gas consumption and bill (annual)	\$1,900 (35,000MJ)
Average electric consumption and bill	\$990 (10 kWh/day)





Capital Hotel

All hotel rooms equipped with gas hot water. Gas space heating in the foyer and some retail tenancies. Gas cooking in hotel restaurant and some retail tenancies.

Large hotel complex with retail tenancies.

Sentiment <small>(Energy Consumers Australia Consumer Sentiment, 2023)</small>	"Can't do much due to business type" Considers the cost of replacing instant hot water with heat pumps is cost and space prohibitive to transition to electric appliances in the retail tenancies will be driven by the retail owner.
Ability to move to full electric	Low
Gas appliances	<input checked="" type="checkbox"/> Hot water (all units) <input checked="" type="checkbox"/> Space heating (foyer and retail tenancies) <input checked="" type="checkbox"/> Cooking (for some tenants)
Property type/size	205 hotel rooms, 5 large conference rooms. 10 retail tenancies (hairdresser, coffee shop and restaurant).
Cost to electrify	Unknown
Region	Canberra City
Average gas consumption and bill (annual)	500,000 MJ
Average electric consumption and bill	150,000 kWh pa





Burley Griffin & Co

Electricity is the primary energy cost (office equipment, servers and kitchenette). Gas space heating and hot water are fixed as part of the building complex.

Medium legal firm. Employs approx. 55 staff.

Sentiment <small>- Energy Consumers Australia Consumer Sentiment, 2023</small>	"Already doing everything possible" Believes the business is doing everything possible to switch from gas and reduce energy use. Transition from gas hot water requires approval from building landlord.
Ability to move to full electric	Medium
Gas appliances	<input checked="" type="checkbox"/> Hot water <input checked="" type="checkbox"/> Space heating
Property type/size	500 sqm
Cost to electrify	TBD
Region	Weston Creek
Average gas consumption and bill (annual)	75,000 MJ
Average electric consumption and bill	65,000 kWh pa




Group activity: Consider the impacts on different customers

Each table and online group will be allocated a persona. Please discuss as small groups and answer these questions:

1. What factors will impact this persona's ability to transition more quickly or slowly?
2. What are the challenges and benefits to them moving to electricity?

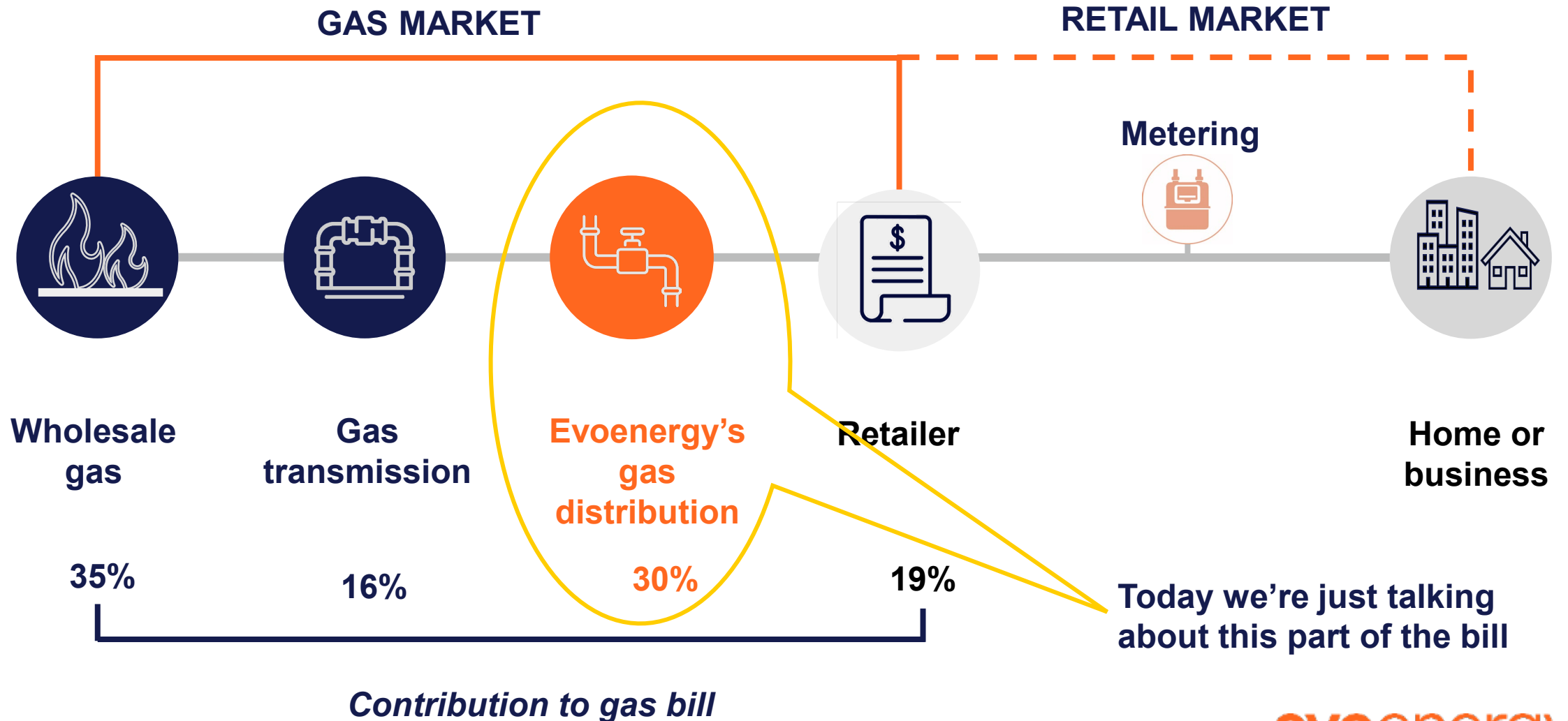
Record your answers on our worksheet

What are network costs and how are they passed through to gas users?

Gillian Symmans, Group Manager Regulatory Reviews,
Economic Regulation



Quick recap: Evoenergy in the gas supply chain



Recap: Evoenergy is a monopoly provider of gas services and is subject to a range of regulation



Safety and reliability of gas services



Ban on new gas connections



Prices, services and revenue



Security of Critical Infrastructure (SOCI)



Workplace safety

- To ensure the interests of consumers are protected, the maximum revenue we can earn is determined by the Australian Energy Regulator
- Every five years, we submit a plan to the Australian Energy Regulator for review to determine the amount of revenue we can earn from our customers
- The regulatory framework is set out in the National Gas Rules and National Electricity Rules and requires Evoenergy to submit proposals to the Australian Energy Regulator for assessment
- The main role of economic regulation is to set *efficient prices* for customers using the gas and electricity networks, while balancing *customer outcomes* in terms of *quality, safety, reliability, security and achieving emissions reductions policies* – National Gas Objective & National Electricity Objectives

Evoenergy's five-year investment plan

We need to ensure we have the right level of funding so that we can serve the long-term interests of our consumers by:



Continuing to provide a safe and reliable gas supply at acceptable service levels



Continuing to meet our regulatory obligations



Recovering investment costs and providing a regulated return to shareholders for investment in gas network



Responding to the ACT Government's electrification pathway (phase out of fossil fuel gas)

Doing all this as efficiently as possible

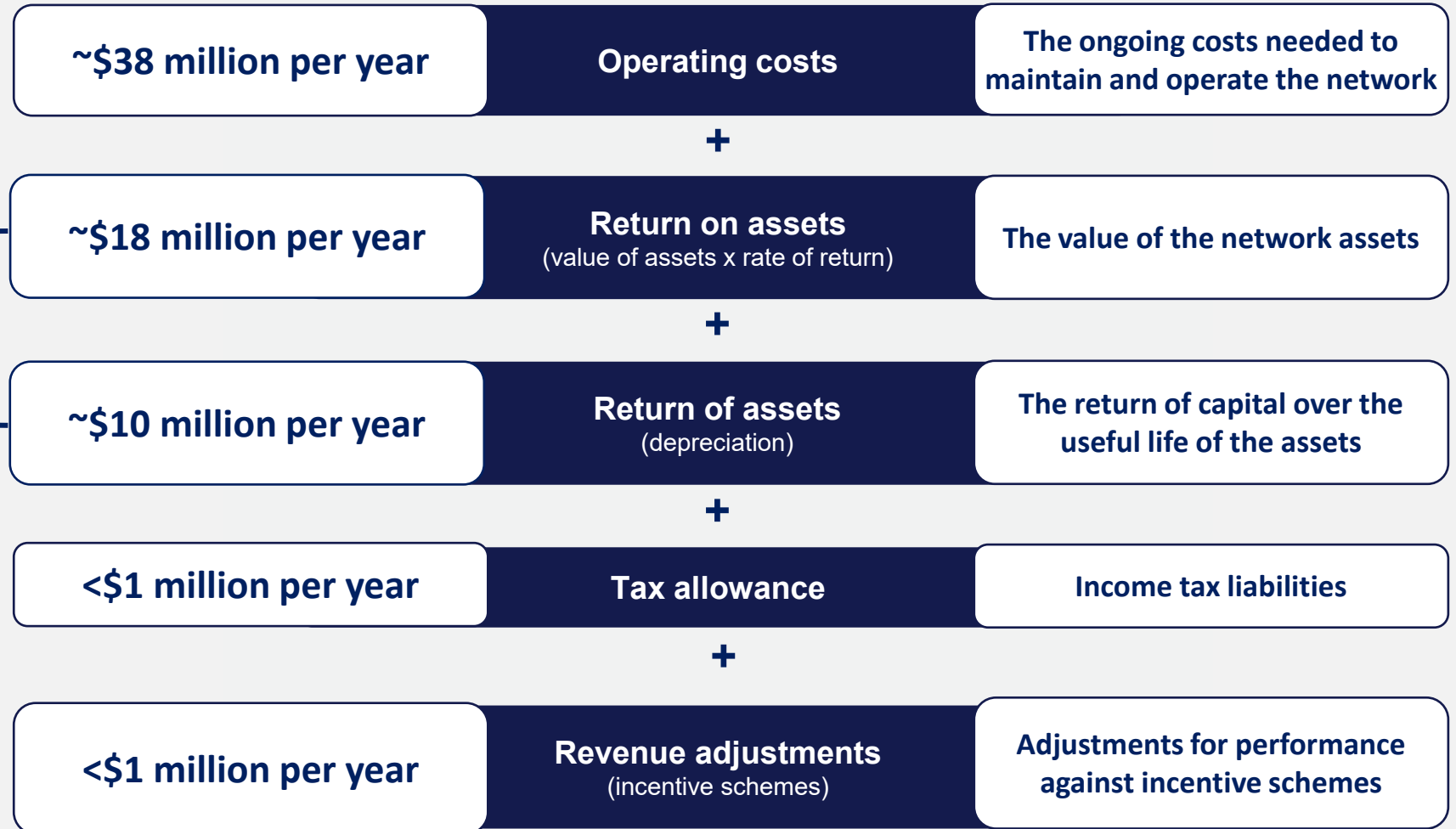
How our revenue was calculated for the current five-year period

Maximum allowed revenue in current regulatory period (1 July 2021 – 30 June 2026)

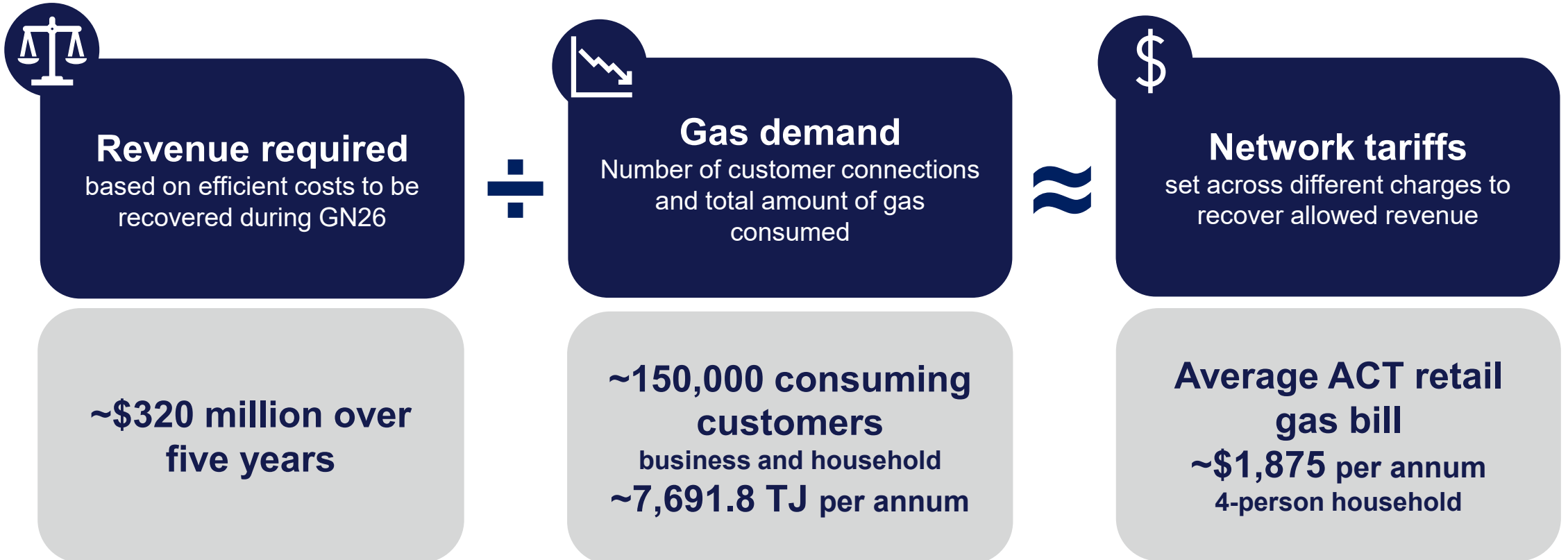
~\$335 million / ~\$67 million per year

=

~\$380 million value of assets
(this is also referred to as the regulated asset base (RAB) or capital asset base)



How Evoenergy's revenue is recovered from customers



How are gas network prices set?



AER allowed revenue

based on efficient costs to be recovered

Maximum allowed revenue

=

Operating costs

+

Return on assets

(value of assets x rate of return)

+

Return of assets

(depreciation)

+

Tax allowance

+

Revenue adjustments

(incentive schemes)



Gas demand

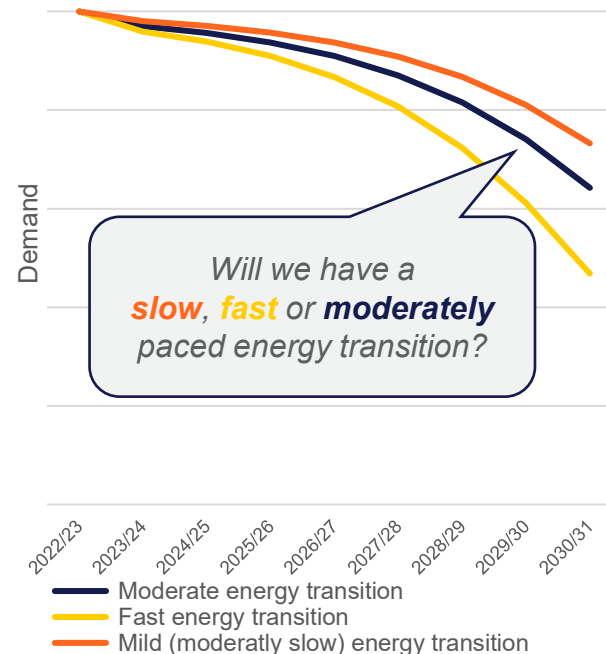
Number of customer connections and total amount of gas consumed

Demand includes the total number of **customer connections** and total amount of **gas volume consumed** (GJ)



Network tariffs

Prices billed to customers for gas transportation services



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**Questions?
Thoughts?**



The logo for Evoenergy, with 'evo' in orange and 'energy' in grey, is displayed on a white wall. Below the logo, two female call center agents wearing headsets are visible behind a white counter with a wood-grain base.

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Purpose

- **This session is about how costs are recovered over the next five-year period and managing this when demand is uncertain.**
- In June this year, Evoenergy needs to submit a proposal that covers the services they will offer over the next five-year period, as well as indicate how they propose to recover our costs from customers.
- Evoenergy will then consider these elements again as part of their five-year gas plan, due in June 2025.
- The feedback from this community forum and other stakeholders will inform Evoenergy's thinking and positions on how to manage demand uncertainty for the **next five years.**

Managing demand uncertainty

Ashlyn Napier, Principal Regulatory Economist



There are around 150,000 gas connections on Evoenergy's network.

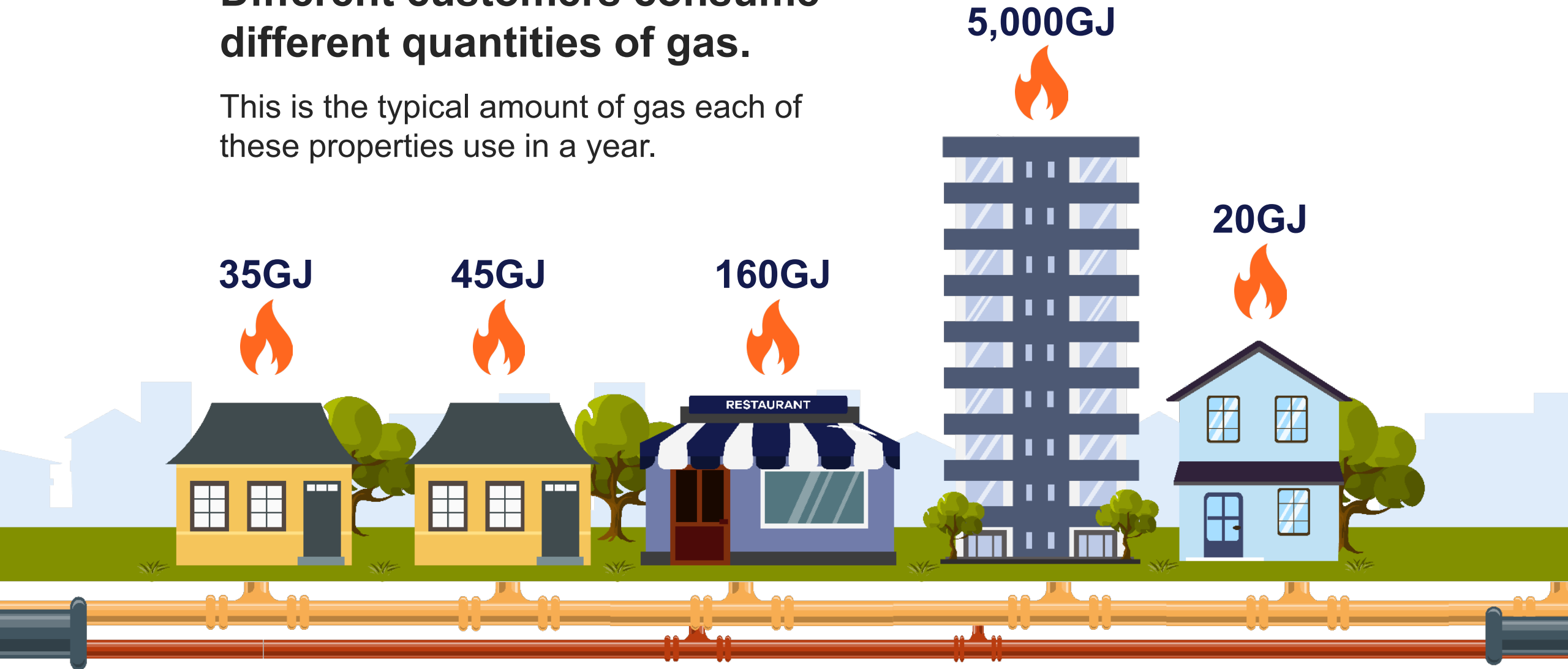
Evoenergy's costs to run and maintain the gas network are mostly fixed.

Gas network costs include such things as fixing leaks, pipeline maintenance, and gas infrastructure.



Different customers consume different quantities of gas.

This is the typical amount of gas each of these properties use in a year.



1

Revenue cap

Customers pay for network costs, and the price they pay is adjusted annually for the **actual** number of connections/amount of gas consumption

2

Price cap

Customers pay for network costs, and the price they pay is based on a 5-year **forecast** number of connections/amount of gas consumption

Consumption is the total amount of gas used in the whole network

35GJ



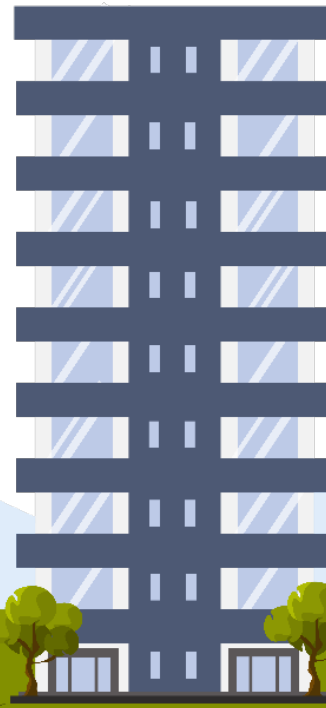
45GJ



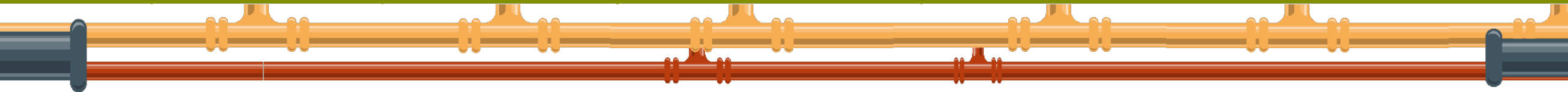
160GJ



5,000GJ



20GJ



1

Revenue cap

Customers pay for network costs, and the price they pay is adjusted annually for the **actual** number of connections/amount of gas consumption

2

Price cap

Customers pay for network costs, and the price they pay is based on a 5-year **forecast** number of connections/amount of gas consumption

Consumption is the total amount of gas used in the whole network

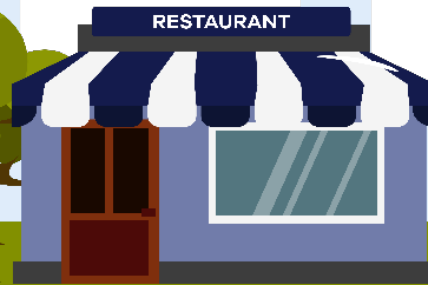
35GJ



45GJ



160GJ



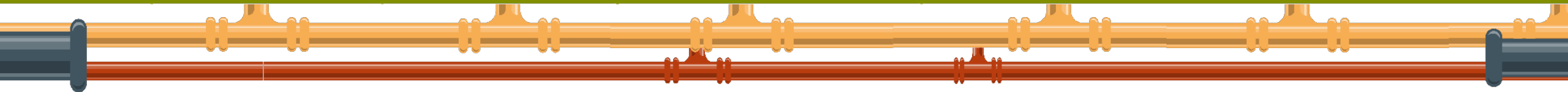
5,000GJ



20GJ



What is your view about gas prices being set based on forecast demand or actual demand?



slido



Which option do you prefer?

ⓘ Start presenting to display the poll results on this slide.

What if Canberra has a **colder** than usual winter?

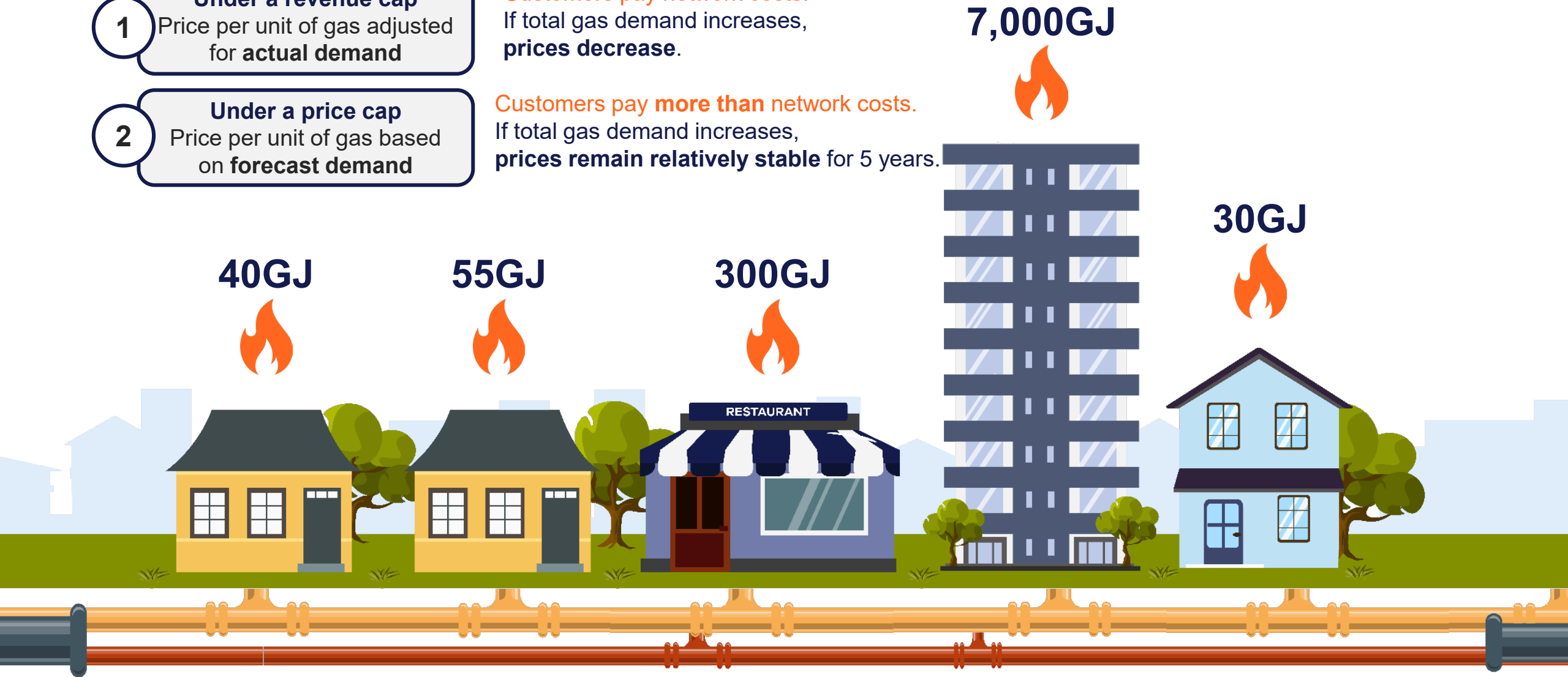
More gas is consumed.

1 Under a revenue cap
Price per unit of gas adjusted for actual demand

Customers pay network costs.
If total gas demand increases, prices decrease.

2 Under a price cap
Price per unit of gas based on forecast demand

Customers pay **more than** network costs.
If total gas demand increases, prices remain relatively stable for 5 years.



What if Canberra has a **colder** than usual winter?

More gas is consumed.

1

Under a revenue cap

Price per unit of gas adjusted for **actual demand**

Customers pay **network costs**.

If total gas demand increases, **prices decrease**.

2

Under a price cap

Price per unit of gas based on **forecast demand**

Customers pay **more than network costs**.

If total gas demand increases, **prices remain relatively stable** for 5 years.

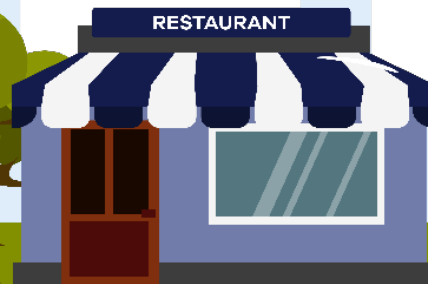
40GJ



55GJ



300GJ



7,000GJ



30GJ



Does your view on the different options change when everyone is using more gas?



slido



Does your view change when there is a cold winter and more people are using gas?

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What if some of these properties **electrify**?

Gas connections decrease and less gas is consumed.

1

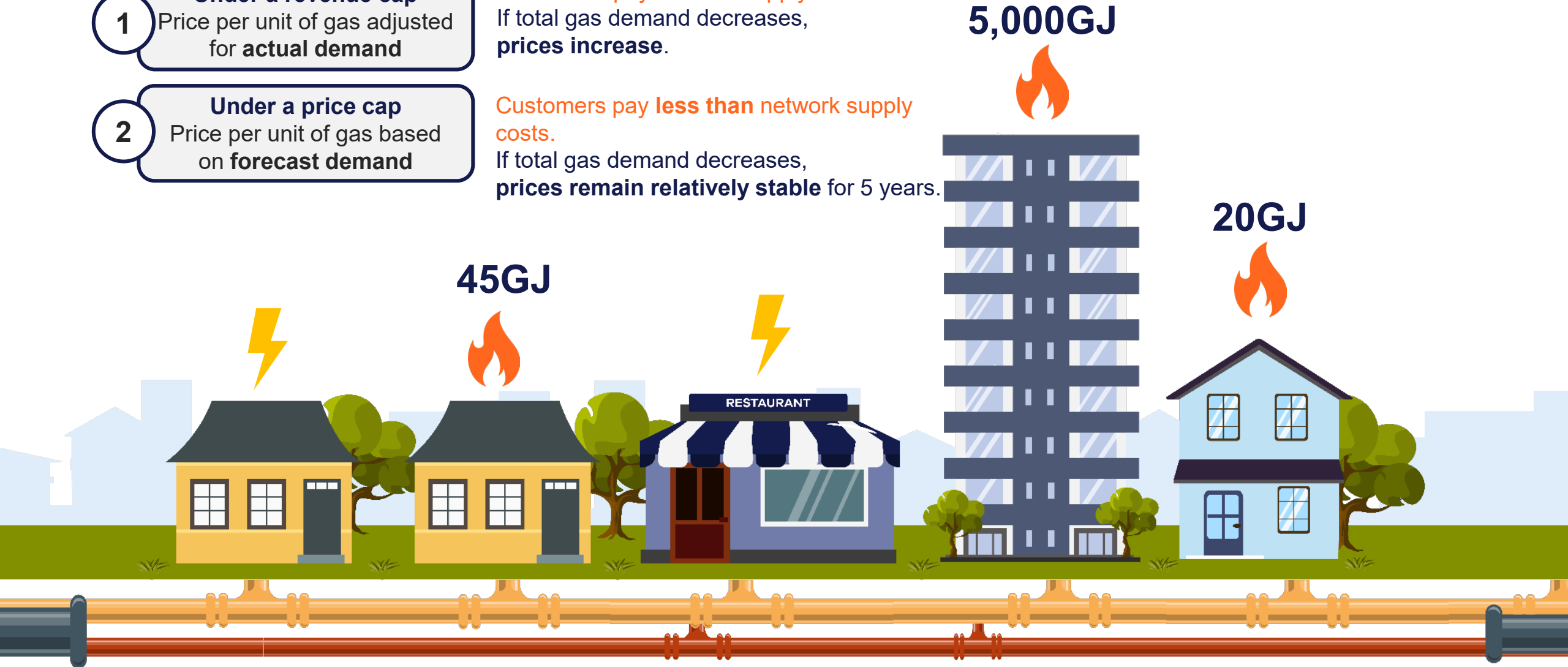
Under a revenue cap
Price per unit of gas adjusted for **actual demand**

Customers pay **network supply costs**.
If total gas demand decreases, **prices increase**.

2

Under a price cap
Price per unit of gas based on **forecast demand**

Customers pay **less than network supply costs**.
If total gas demand decreases, **prices remain relatively stable** for 5 years.



What if some of these properties electrify?

Fewer customers use less gas in total.

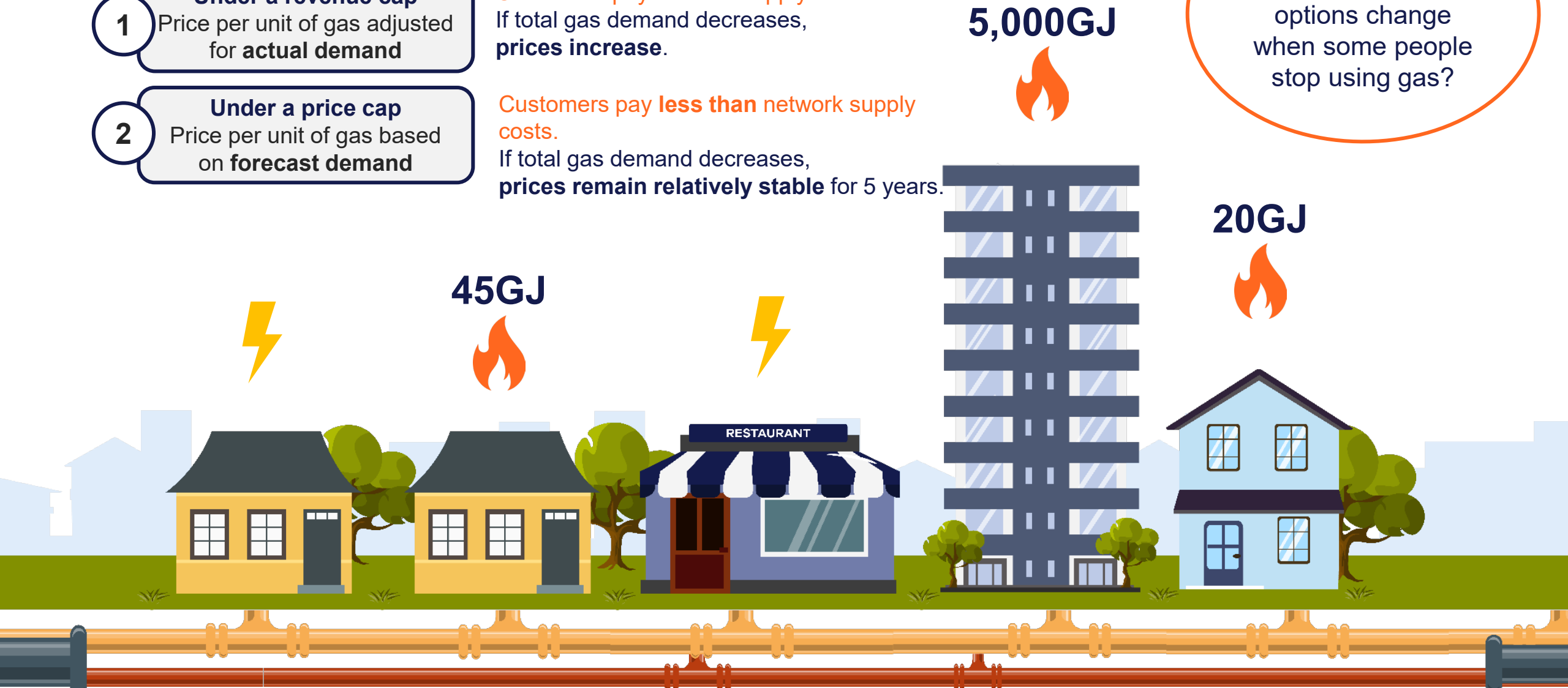
1 Under a revenue cap
Price per unit of gas adjusted for actual demand

Customers pay network supply costs.
If total gas demand decreases, prices increase.

2 Under a price cap
Price per unit of gas based on forecast demand

Customers pay less than network supply costs.
If total gas demand decreases, prices remain relatively stable for 5 years.

Does your view on the different options change when some people stop using gas?



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Does your view change when there are less customers using gas?

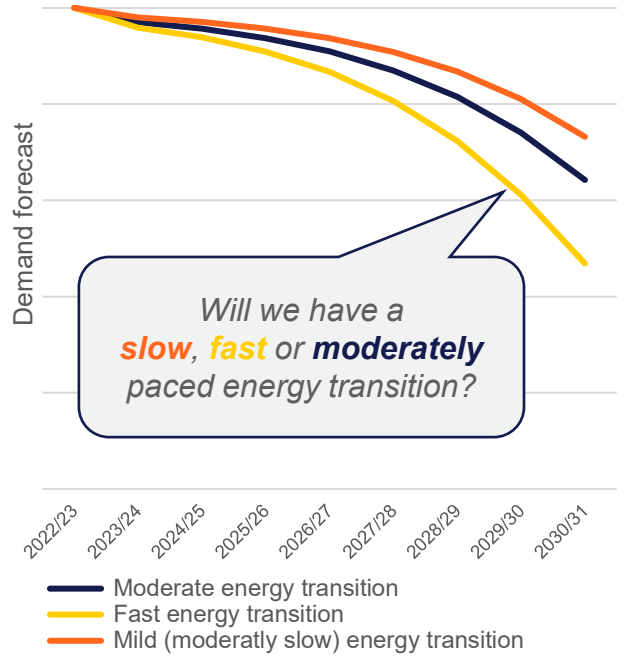
i Start presenting to display the poll results on this slide.

Relationship between demand and prices



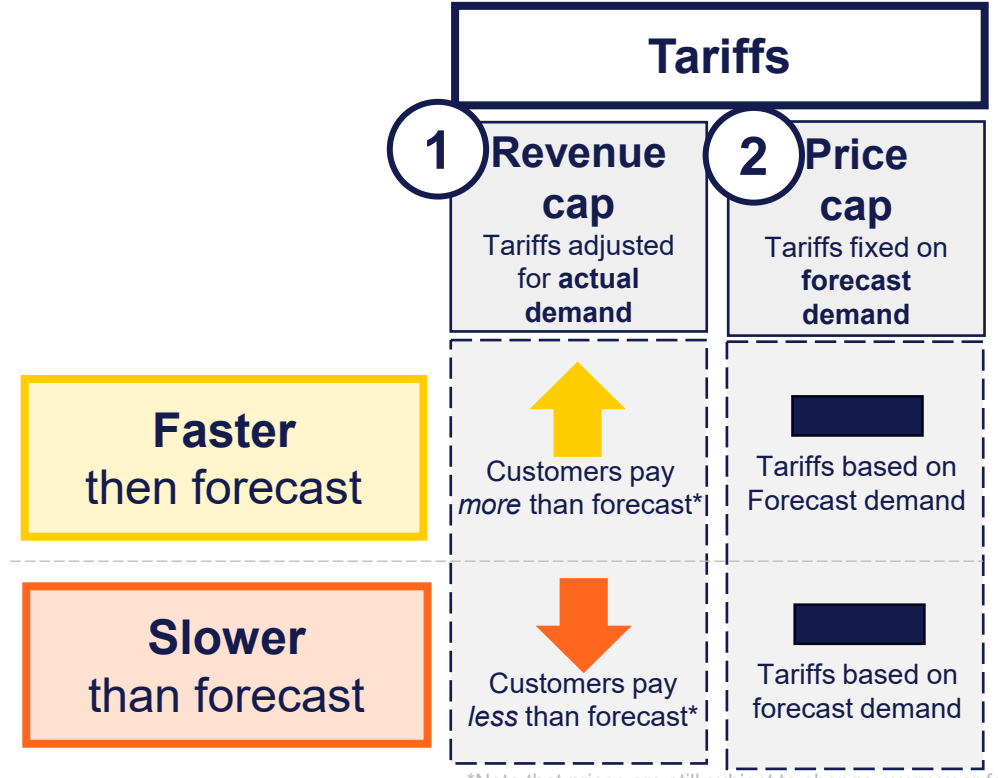
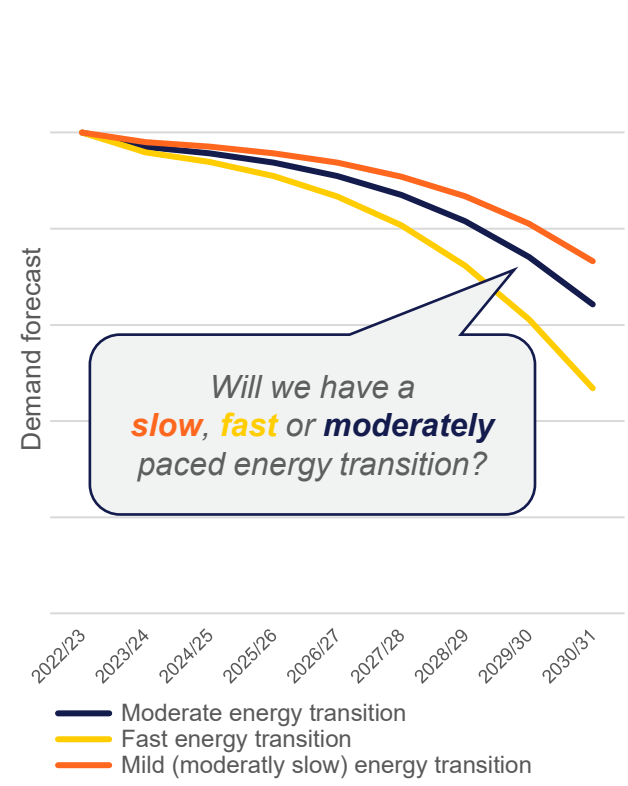
Maximum allowed revenue
=

- Operating costs**
- Return on assets (RAB x WACC)**
- Return of assets (depreciation)**
- Tax allowance**
- Revenue adjustments (incentive schemes)**



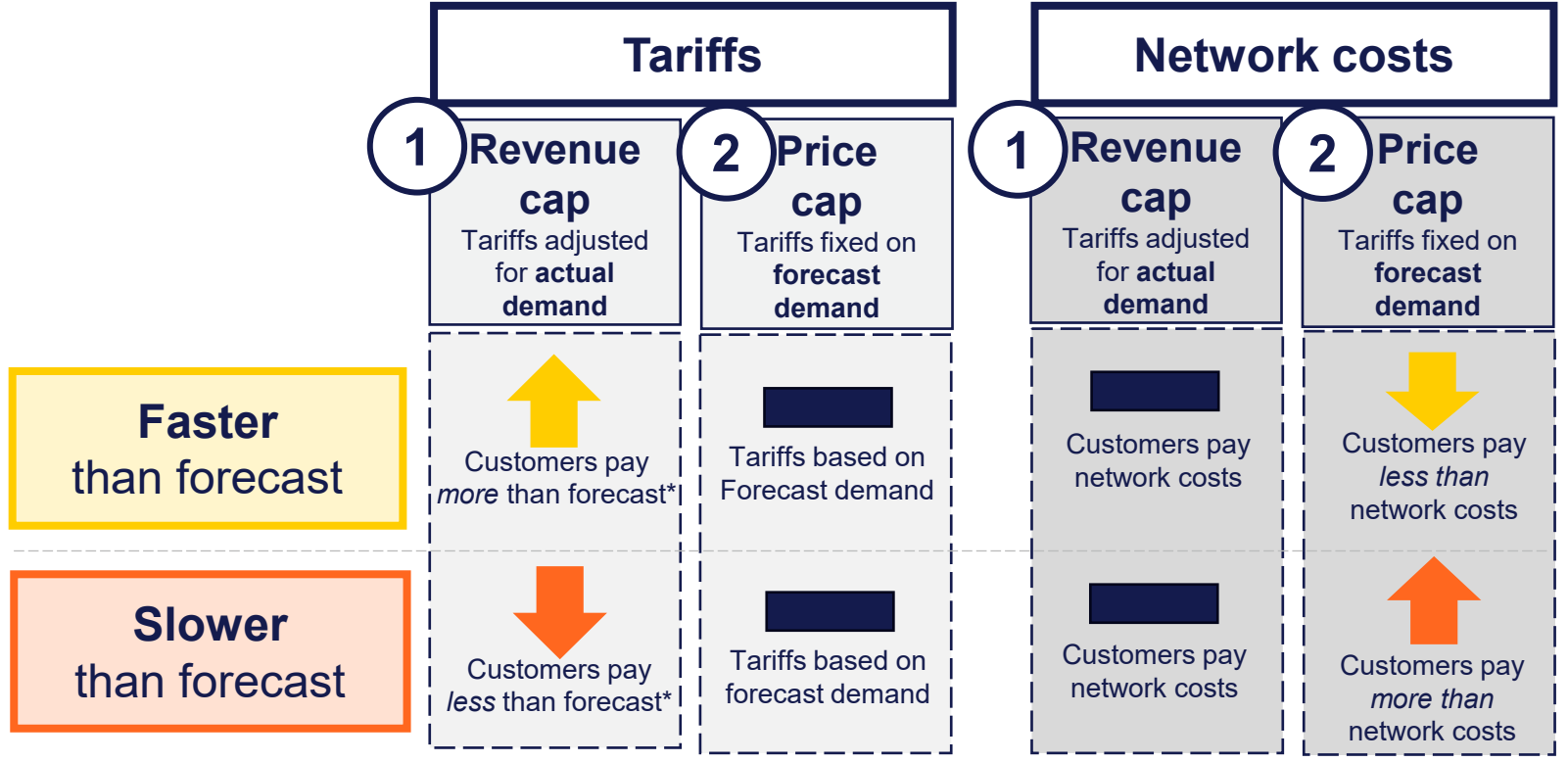
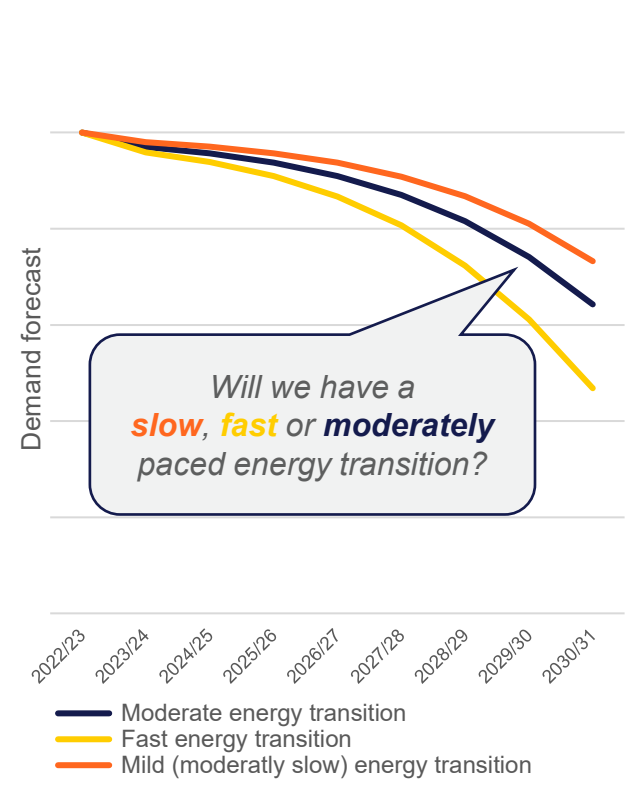
Demand includes the total number of **customer connections** and total amount of **gas volume consumed (GJ)**

Relationship between demand and prices



*Note that prices are still subject to change every year for economic factors such as inflation and AER-approved pass through events, under each a price and revenue cap.

Relationship between demand and prices



*Note that prices are still subject to change every year for economic factors such as inflation and AER-approved pass through events, under each a price and revenue cap.

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Questions?



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Considering the options for our customer personas



Group activity: What would our customer personas think?

Working in your small groups consider your personas and answer these questions:

1. What do you think the views of your persona would be on each of the options for how Evoenergy recovers revenue?
2. Why?

Record your answers on our worksheet



Dinner

Options for managing demand uncertainty

The Australian Energy Regulator enforces the National Gas Rules on how Evoenergy can earn revenue.

1

Revenue cap

2

Tariff/price cap

Demand	Prices adjusted for actual demand .	Prices based on forecast demand .
Customer prices	Prices are adjusted annually based on actual demand to ensure network costs are recovered.	Prices are set for the 5-year regulatory period and are based on forecast demand.
Customer impacts	Customers pay the amount networks need to recover costs – no more no less.	Customers pay more or less than the amount networks need to recover costs.
Revenue	Maximum revenue is set for the 5-year regulatory period.	Revenue is variable for the 5-year regulatory period.
Network profitability	Gas distribution networks cannot earn more than the revenue allowance or less than the revenue allowance, recouping only efficient costs .	Gas distribution networks can earn more than the revenue allowance (profit) or less than the revenue allowance (loss), making windfall gains/losses .

Prices and revenue are updated annually for market factors such as inflation or AER-approved pass throughs.

Reflection and discussion

Activity 3: Implications for the community and Evoenergy

Helen Leayr, Communication Link



What is the best risk sharing arrangement for everyone?

1

Revenue cap

Your *bill could be more or less than forecast*, depending on whether demand is lower or higher than the forecast.

Evoenergy recovers its costs - no more and no less.

2

Price cap

Your bill will be similar to the forecast and is based on forecast demand. *You might pay more or less than what it costs to supply you.*

Evoenergy earns *profit* if customer use more gas, and makes a *loss* if customers use less gas.

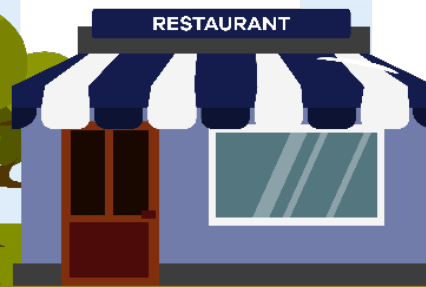
?GJ



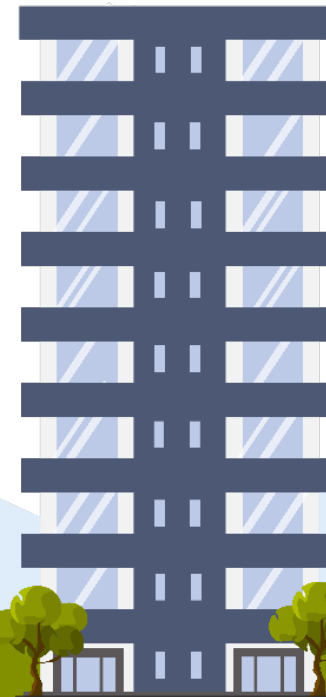
?GJ



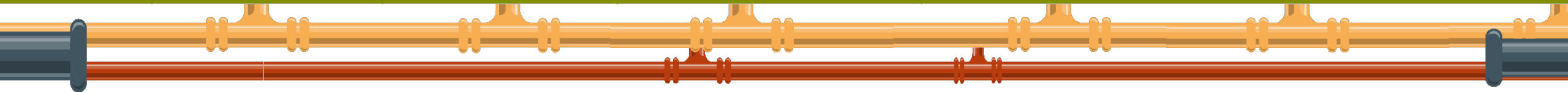
?GJ



?GJ



?GJ



Group activity: managing risk while considering customer values

Working in small groups discuss these questions and record your thoughts on our worksheet.

1. How should Evoenergy reflect the values you have identified as they consider the revenue recovery options?
2. On balance, what do you think is the best option - consider Evoenergy, the customer and the broader community?

Session review and reflection



Session 2, 9 May 2024

- Learn about revenue recovery options
- Consider options, including managing uncertainty and risk
- Provide feedback

Attendees

- 34 forum members
- #3 observers:
Evoenergy Regulatory Advisory Committee;
Australian Energy Regulator
- 9 Evoenergy staff

Presenters

- Megan Willcox, General Manager Economic Regulation
- Gillian Symmans, Group Manager Regulatory Reviews
- Ashlyn Napier, Regulatory Economist

Facilitator

Helen Leayr
Communication Link

Participants considered the impacts of uncertainty on Evoenergy's ability to recover revenue.

Revenue recovery options

Following presentations to explain the options between a revenue cap and price cap and the potential impact on customers, groups considered a range of impacts for different customers using personas.

In the slido poll generally, about half the room thought a revenue cap was most appropriate, a third preferred a price cap and the remaining didn't know yet. The group then considered different scenarios and the potential views of different customer types and generally felt the **price cap** was most appropriate for individual customers particularly over a 5-year period.

Managing risk while considering customer values

<Results to be inserted>

Making the transition

The group considered how quickly you would shift your energy use from gas to electricity with consideration of a slow transition (10 years or more), medium transition (5-10 years) and fast transition (in the next 5 years).

A slower transition was the most likely option, followed by a medium transition and a faster transition being the less popular option. Roughly a third of votes were not sure. The group was asked to consider whether their view remained the same if there are less customers using gas and more than 50% said their view does not change.

Next steps

- Session 3, 20 May 2024
- Keep in touch via Slack

Next forum: Session 3

- Reflect on session 2, including revisiting revenue recovery options
- Learn more about tariffs
- Consider and explore tariff structure options, including the impacts on different customers and how risk is shared.

Monday 20 May, 5-8pm, Rex Hotel

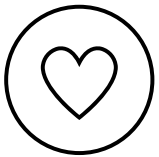
Heads, hands, heart checkout



Head: Something you are thinking about



Hands: Something you want to do



Heart: Something you are feeling.

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Reflection survey Session 2

ⓘ Start presenting to display the poll results on this slide.

Thank you