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Community forum

Session 5
1 August 2024

Acknowledgement of Country

Evoenergy acknowledges the Traditional Custodians of the lands on which we live and work. We pay respect to the Elders, past and present and celebrate all First Peoples' continuing connections and contributions to Country.

Safety share

Bruce Hansen – Group Manager Gas Networks


CAS

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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

Agenda

- Welcome
- Types of disconnections
- Activity 1
- Recovering the cost of disconnections
- Activities 2 & 3

Break

- Recap of Session 4 – the network cost recovery challenge
- Activities 3 & 4
- Wrap up and session close

Updated community forum work program

Session 1
4 May

- Learn about the gas network
- Explore uncertainty that the energy transition is placing on Evoenergy and its customers
- Consider your values – what is important to you as customers.

Session 2
9 May

- Reflect on first session
- Learn about revenue recovery options and uncertainty
- Consider the options, and how risk is shared
- Provide feedback on the options.

Session 3
20 May

- Reflect on session 2, revisiting revenue recovery options
- Learn about tariffs
- Consider tariff options, and the impact on different customers.

Session 4
27 July

- Reference service proposal update.
- Learn about network costs that need to be recovered.
- Consider the options.
- Provide feedback on what is important to customers.

Session 5
1 August

- Learn about how network disconnections are managed.
- Consider options for how these costs are recovered.
- Consider other options for recovery of network costs.

Session 6
15 August

- Provide feedback on ways to better support customers through the transition.

Prepare a report to Evoenergy from the community forum

Session 7
14 Nov

- Review and reflect on Evoenergy's Draft Plan
- Consider how well it reflects input from the community forum.
- Provide feedback.

DRAFT Community forum summary

Session 4, 27 July 2024

- Reference Service Proposal update
- Recap revenue recovery
- Consider the challenge and approaches

Attendees

- 29 forum members
- 3 observers: Energy Regulatory Advisory Panel; Australian Energy Regulator
- 8 Evoenergy staff

Presenters

- Megan Willcox, General Manager Economic Regulation
- Andrew Ponsonby – Principal Economic Modeller
- Alexis Hardin – Manager Regulatory Finance and Strategy

Facilitator

Helen Leayr, Communication Link

Recovery of network investment costs: Introduction

Group activity 2: Consider the depreciation approaches

Participants recognised it as a challenging situation, but it is important to find a balance. Some participants said this is a policy-driven decision and that the transition will impact everybody in one way or another. Some said that residential customers should be considered differently than commercial customers. Participants also raised industry capacity and human impacts.

Participants need accessible information to make an informed decision to make a choice. Opportunity to share information in more ways to communicate longer-term impacts. People may not be aware of the impacts of the transition.

Participants said it is important to bring all players together in the conversation. It is hard to pick one approach over the other without all players at the table.

Questions were raised on whether Evoenergy needs to recover 100% of costs. There were also discussions around how different approaches may provide more or less incentive to transition.

Group activity 3: Consider an exit fee

Customers expressed the opinion that an exit fee was contrary to the government policy to encourage transition away from gas. Some participants said that an exit fee disincentivises leaving early and questioned the need to add an exit fee on top of already significant transition costs.

Potential approaches to address this challenge

Group activity 1: Consider the challenge

Participants said it was important that in addressing the challenge, Evoenergy consider the costs for those left on the network, and prioritise clarity and information for customers (e.g., central point, Q&A sessions). Groups discussed sharing the costs fairly as the transition is a government-agreed position. Some felt it was not fair to leave those left on the network to shoulder more of the cost, others feel the cost should not be borne by those who have made the transition already.

There was discussion about the need to recover all network costs. Some suggested this was not feasible. The groups were interested in network ownership and the relationship between Evoenergy and the ACT Government, and the other ACT taxes.

One idea shared such was that universities as centres of research and development being pushed to transition early to lead the way, rather than being large customers and considered harder to transition.

Groups discussed the ethical considerations of reaching net zero as a social policy and the impact relating to the broader cost of living. The group considered how the Government's policies and incentives can encourage people to get off the gas early and what role Evoenergy and pricing should play as incentivisation.

Next steps

- Session 5, 1 August 2024
- Update session 4 dashboard summary based on today's feedback
- Keep in touch via Slack

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Temporary & permanent disconnections

Bruce Hansen,
Group Manager Gas Networks

Model of typical residential installation

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Permanent disconnection (abolishment)

Eliminates safety risk

- **Removal** of above-ground gas assets
- Service pipe left in place, **cut off** at both ends
- Completed by an **authorised** Evoenergy gas technician
- Cost **recovered** from **customer/retailer**
- Permanent and **irreversible**
- Gas network **supply charges cease**

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Temporary disconnection

Safety risk **increases** with time

- **Wad/disc** placed in front of the meter to prevent gas flowing through
- Pressurised gas main on property
- Completed by an **authorised** Evoenergy gas technician
- Cost **recovered** from **customer/retailer**

Temporarily disconnected customers still have a connection, and Evoenergy must maintain that connection.

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Activity 1:
Consider methods of disconnection

Use your ‘voting stickers’ to answer the questions

1. Before you joined the Community Forum **did you know the difference** between permanent and temporary disconnection? (yes/no/maybe)

2. How well do you think gas customers **understand the difference** between a permanent and temporary disconnection? (sliding scale)

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Evoenergy's gas network disconnections

Megan Willcox – General Manager Economic Regulation

Purpose

Community Forum discussions **will inform our thinking** and will be shared with:

- ACT Government as part of its policy development
- Australian Energy Regulator as part of the 2026–31 access arrangement proposal

Current disconnection costs, paid by the disconnecting customer

Permanent disconnection
Currently $862 for residential customers
$1,583 for small commercial customers

No ongoing costs

Temporary disconnection
Currently $168 for residential customers
$233 for small commercial customers

Ongoing maintenance costs incurred by network
Currently recovered from connected customers

*2024-25 costs depending on meter size
**Disconnection costs for larger customers are as determined on a case-by-case basis

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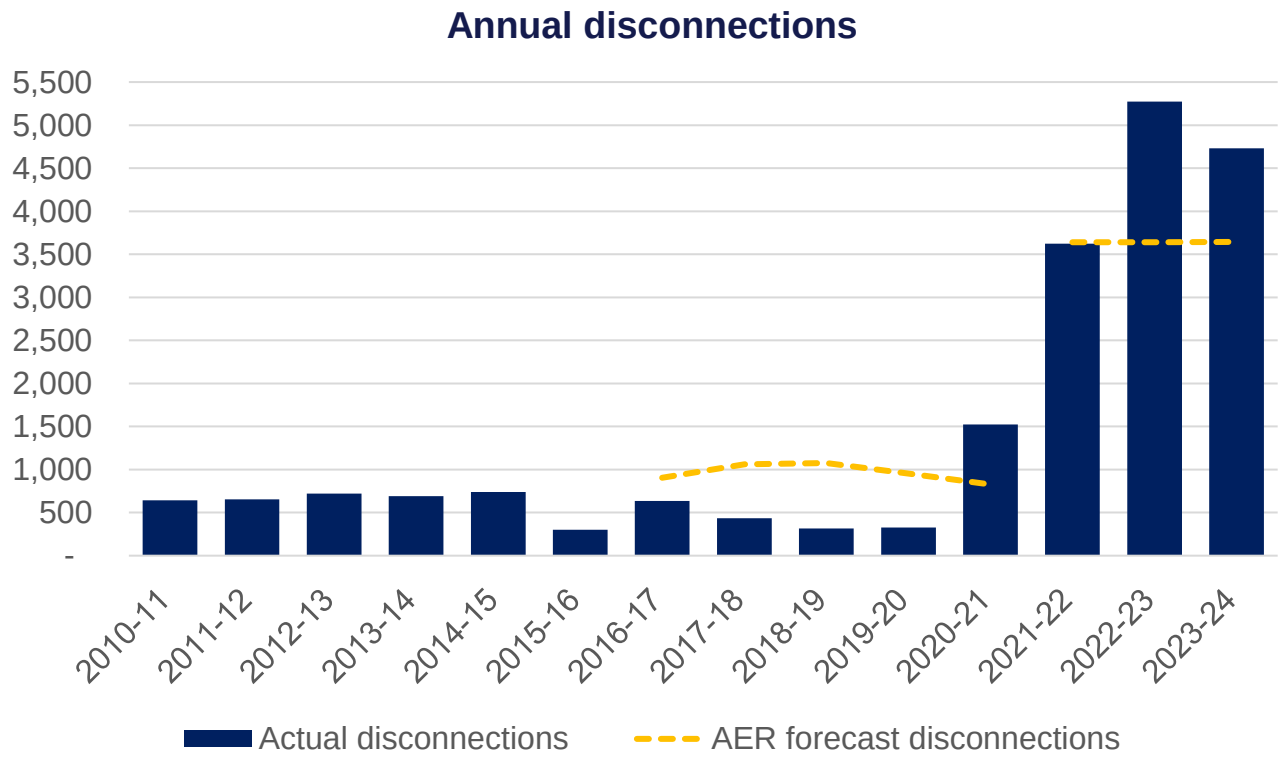
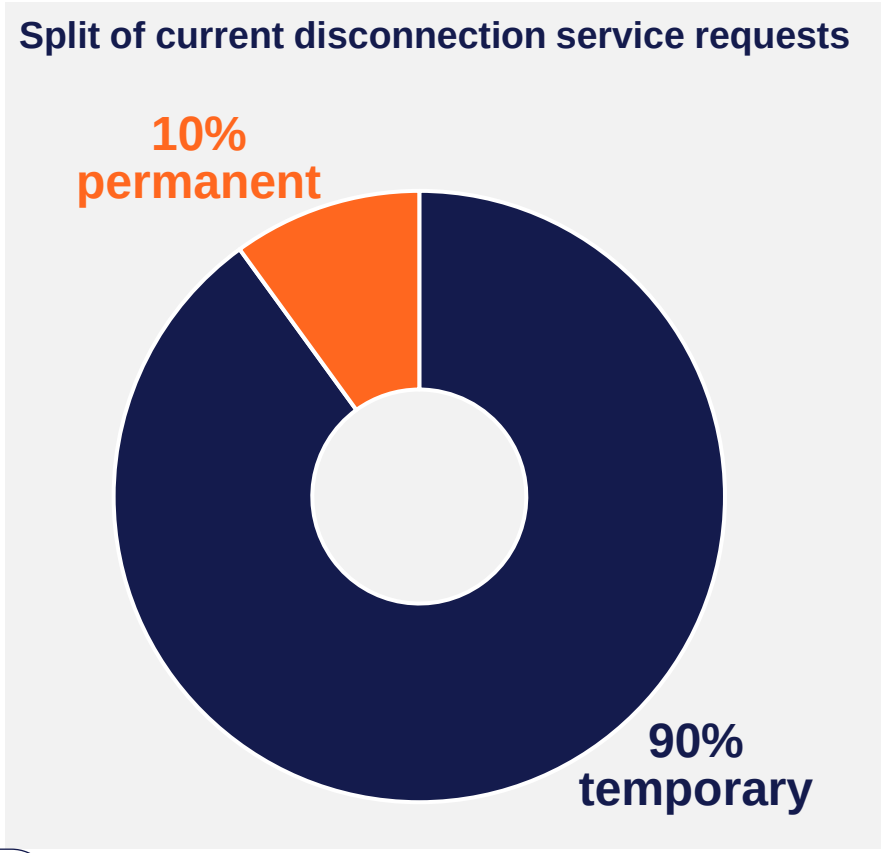
Disconnections are continuing to increase





- The safest approach is for customers who have removed all gas appliances to permanently disconnect from the network
- Currently most customer are temporarily disconnecting instead.
- Evoenergy is considering how to address this from a safety perspective

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Cost recovery approaches for permanent disconnections

Current approach

1 **All remaining gas customers pay**
(no charge for disconnecting customer)

2 **Disconnecting customer pays**
(no charge for all other gas customers)

$ **Amount paid by customer leaving the gas network** $$$

$$$ **Amount paid by customers remaining on the gas network** $

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Group activity 2:
Consider permanent disconnection costs

In small groups discuss these questions:

1. What do you think are the **advantages and disadvantages** of different cost recovery approaches for permanent disconnections**?**

2. What do you think is the **most appropriate way to recover costs** of permanent disconnections from customers**?** **Why?**

Record your answers on our worksheet and be ready to share with the forum.

Activity 2: Cost recovery approaches for disconnections

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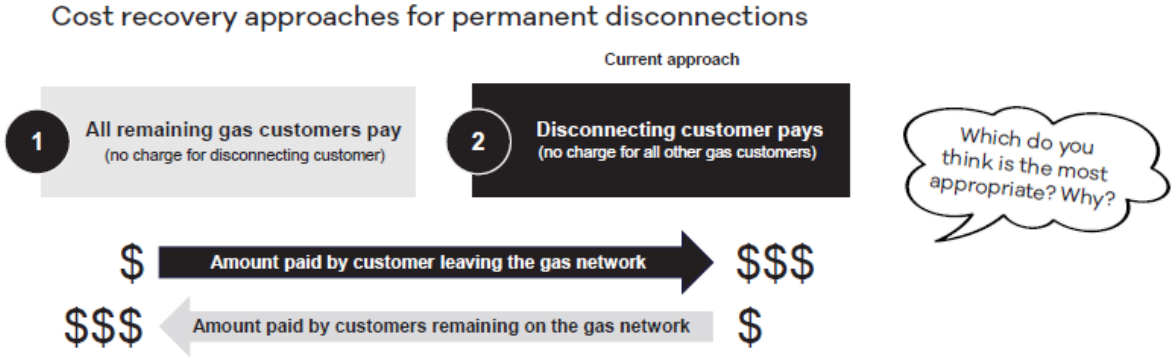
What is the most appropriate way for Evoenergy to recover the costs associated with permanent disconnections?

The disadvantage of disconnecting customers not paying all the cost is .....

What are the advantages and disadvantages of the different approaches?



Which do you think is the most appropriate? Why?

I think the cost should be split between remaining and disconnecting customers in this way..... because....

Incremental bill impacts of different approaches

Current average residential customer retail bill is approximately $1,630 per year for household using ~35GJ pa

	Current approach				
% of costs paid by disconnecting customer (balance paid by disconnecting customers)	**100%**	**75%**	**50%**	**25%**	**0%**
$ permanent disconnection charge paid by disconnecting customer	**$949***	**$712**	**$474**	**$237**	**$0**
Bill impact for remaining customers Note that the bill impacts are indicative and incremental	**$0** annual average additional costs for remaining customers	**$9** annual average additional costs for remaining customers	**$17** annual average additional costs for remaining customers	**$26** annual average additional costs for remaining customers	**$34** annual average additional costs for remaining customers

Analysis assumes:

- the cost to disconnect reflects the current AER-approved fee adjusted for inflation
- permanent disconnections will apply when a customer has no remaining gas appliances
- moderate gas transition scenario

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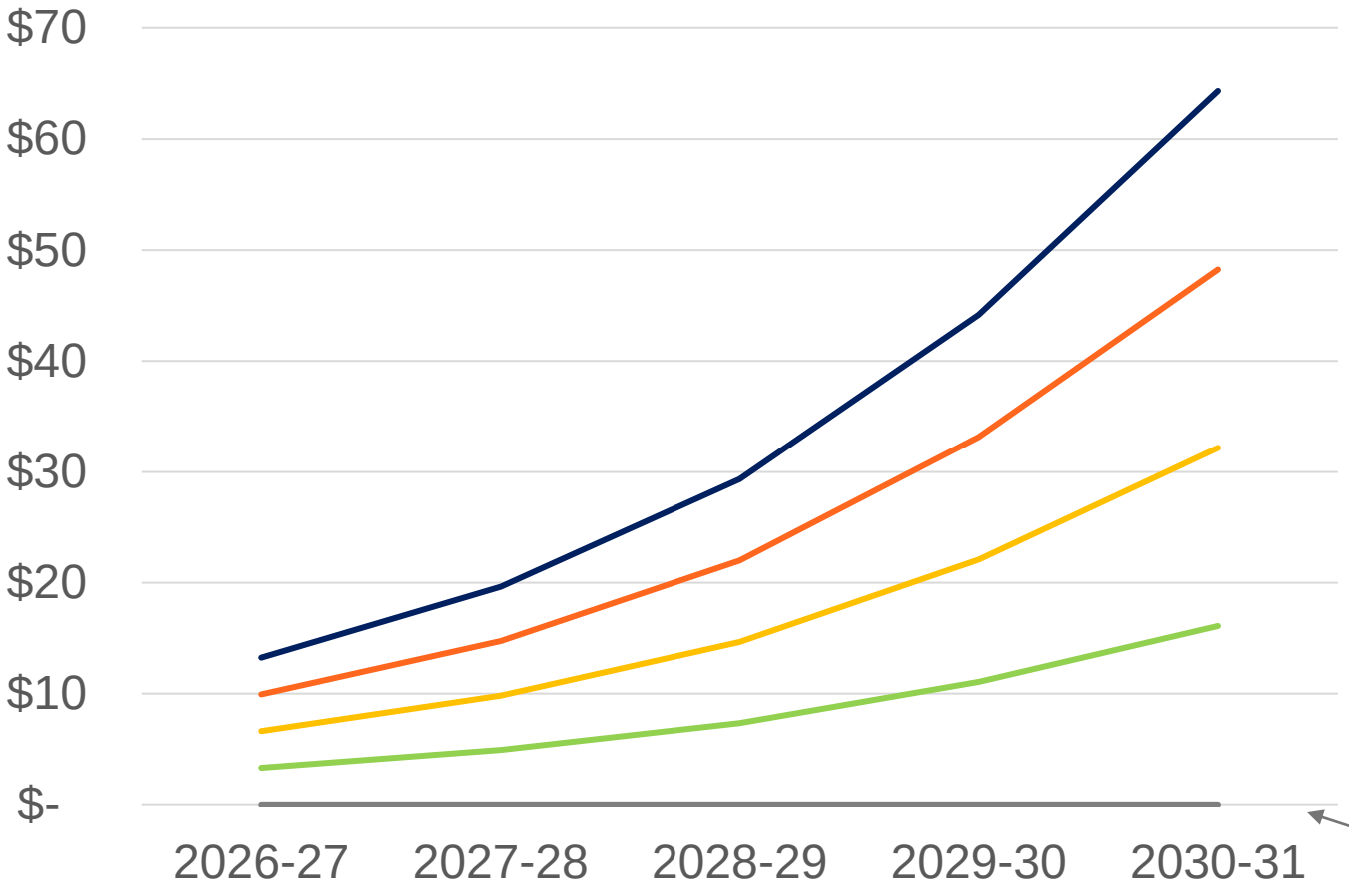
Incremental bill impact for remaining gas customers increases as more customers leave the gas network



Amount paid by remaining customers	Average annual bill impact (30GJ/year)	Cumulative additional costs for 2026–31 (30GJ/year)
100%	$34	$171
75%	$26	$128
50%	$17	$85
25%	$9	$43
0%	$0	$0

Current approach

Current average residential customer retail bill is approximately $1,630 per year for household using ~35GJ pa

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Group activity 3:
Consider permanent disconnection costs

In small groups discuss these questions:

1. Now that you have been shown the **potential bill impacts**, does your view change**?**

2. How much do you think is **reasonable for a disconnecting customer to pay?**

Record your answers on our worksheet and be ready to share with the forum.

Activity 2: Cost recovery approaches for disconnections

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What is the most appropriate way for Evoenergy to recover the costs associated with permanent disconnections?

It changes my opinion to ..... Because.....

I think it is reasonable to expect disconnecting customers to pay..... Because....

Does your view change when you consider the potential bill impacts? How?

Indicative bill impacts under different cost recovery approaches

% of costs paid by disconnecting customer (Balance paid by all remaining customers)	100% (current approach)	75%	50%	25%	0%
$ amount paid by disconnecting customer	$949* Permanent disconnection charge	$712 Permanent disconnection charge	$474 Permanent disconnection charge	$237 Permanent disconnection charge	$0 Permanent disconnection charge
Bill impact for remaining customers. Note that the bill impacts are indicative and incremental	$0 annual average additional costs for remaining customers	$9 annual average additional costs for remaining customers	$17 annual average additional costs for remaining customers	$26 annual average additional costs for remaining customers	$34 annual average additional costs for remaining customers

*indicative $2025/26 figure based on current AER-approved fee adjusted for inflation

How much do you think is reasonable for a disconnecting customer to pay? Why?

Now that I see the numbers I think it is best to.....

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Reflection and discussion

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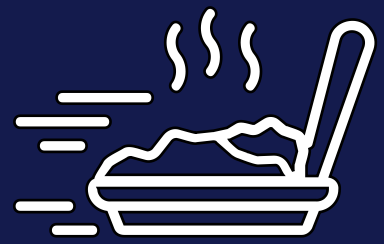
Dinner break



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Other potential options to address the network cost recovery challenge

Cost recovery with changes to depreciation

On Saturday we asked you to assume:

- Evoenergy will seek to **recover its total** efficient network investment
- Will be achieved through the **regulatory framework** (no alternative funding available)
- **Won't be significant change** in policy direction to electrify by 2045
- Customer number profile will be **in line with** the moderate energy transition scenario
- 'Business as usual' approach is **not a viable option**
- Non-network component of the retail bill **held constant**

What if we challenged these assumptions?

Which would you change? How?

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Other ideas to address the challenge of recovering network costs

Some of the things already on our ideas board are:

- Energy network owners carry some of the cost though not getting 100% return on their assets
- Change the role of governments, so that they contribute more
- Encourage different behaviour from large non-residential customers – treat them differently
- Consider the role of costs in incentivising customers to leave the network
- Share the transition costs across the gas and electricity networks/customers
- Write off the network assets at zero value now

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Other ideas to address the challenge of recovering network costs

What if we challenged these assumptions:

- Evoenergy will seek to **recover its total** efficient network investment
- Will be achieved through the **regulatory framework** (no alternative funding available)
- **Won't be significant change** in policy direction to electrify by 2045
- Customer number profile will be **in line with** the moderate energy transition scenario
- 'Business as usual' approach is **not a viable option**
- Non-network component of the retail bill **held constant**

Group activity 4:
Other ideas you have

Working in pairs, chat about the assumptions and what you would change and how?

Add your ideas to the ideas poster.

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Share and reflect

Group activity 5:
Prioritisation

1. Use your stickers to tell us **which ideas are your highest priority?**

   (exercise is replicated on the jamboard for those online.)

DRAFT Community forum summary

Session 5,
1 August 2024

- Disconnection options and approaches to recover disconnection costs

Attendees

- 28 forum members
- 3 observers: Energy Regulatory Advisory Panel; Australian Energy Regulator
- 8 Evoenergy staff

Presenters

- Bruce Hansen, Group Manager Gas Networks
- Megan Willcox, General Manager Economic Regulation

Facilitator

Helen Leayr, Communication Link

Temporary & permanent disconnections

Group activity 1: Consider methods of disconnection

Participants shared a mixed response to whether they knew the difference between permanent and temporary disconnections before joining the community forum. Roughly half of participants shared that they were aware, and the other half shared that they were not aware.

Participants felt that gas customers have no understanding at all about the difference between a permanent and temporary disconnection.

Group activity 2 & 3: consider permanent disconnection costs

A 50/50 split was considered a fair approach by a number of groups. There was concern around bill impact and disconnection costs going up for those left on the network over future regulatory periods. It was suggested disconnection costs be kept to a minimum through efficient scheduling of disconnections, reducing retailer 'mark-up' etc

Some thought that as a Government policy, every resident in the ACT should pay. It was suggested that the ability to temporarily disconnect not be available to customers.

A higher upfront price may make it harder to communicate the safety risk, and if it costs are too high, customers will not want to pay which may be a disincentive to disconnect. There were concerns that higher disconnection costs when compared to the cost of changing appliances may mean those with only one appliance may not disconnect to avoid the cost.

The idea of a 'disconnection bank' was suggested. Where disconnection cost is calculated on a per customer per year basis. The customer pays an annual proportion of that total cost until they leave the network and then they pay the balance. Over time the balance goes down - like forced savings.

It was also suggested to incentivise people to disconnect early by offering a 'street/neighbourhood price' that reflects the fact that if everyone gets off at once there is a saving shared by everyone.

Other potential options to address the network cost recovery challenge

Group activity 4 & 5: Other ideas to address the challenge of recovering network costs

Increased pricing and operational synergy between gas and electricity networks. A suggestion that the structure of the energy ownership should change – e.g. electricity and gas be considered one.

Encouraged conversations within ACT Government to consider the energy transition holistically.

Participants challenged what would happen if Evoenergy did not recover all their costs and suggested it was unreasonable to expect to do so.

It was suggested that the transition may happen at a faster pace than Evoenergy was expecting,. Evoenergy should play a role to incentivise customers to transition.

Participants asked what will happen to assets when they are waste and from a customer perspective, they don't want to be taxed multiples times.

Ideas that were prioritised by the group: the current regulatory framework is no longer appropriate; that Evoenergy transition faster that the Government timeframe be innovative/revolutionary; the disconnection bank idea and managing transition on a suburb-by-suburb basis, bringing together all the energy (gas and electricity)to be considered as a whole; do not recover all 100% of assets; ACT Government pay more of the costs.

Next steps

- Session 6, 15 August 2024
- Update session 5 dashboard summary based on today's feedback
- Keep in touch via Slack

Next forum: Session 6 – in person if possible

- Reflect on session 5
- Consider what support customers need during the transition and who should provide it
- Write our Community Forum report

Thursday 15 August, 5 – 8 pm

We will keep in touch via slack.

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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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Heads, hand and heart

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

Thank you