

evoenergy

Community forum

Session 7

14 November 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

Tom Atkins – Environment, Sustainability &
Planning Approvals Manager

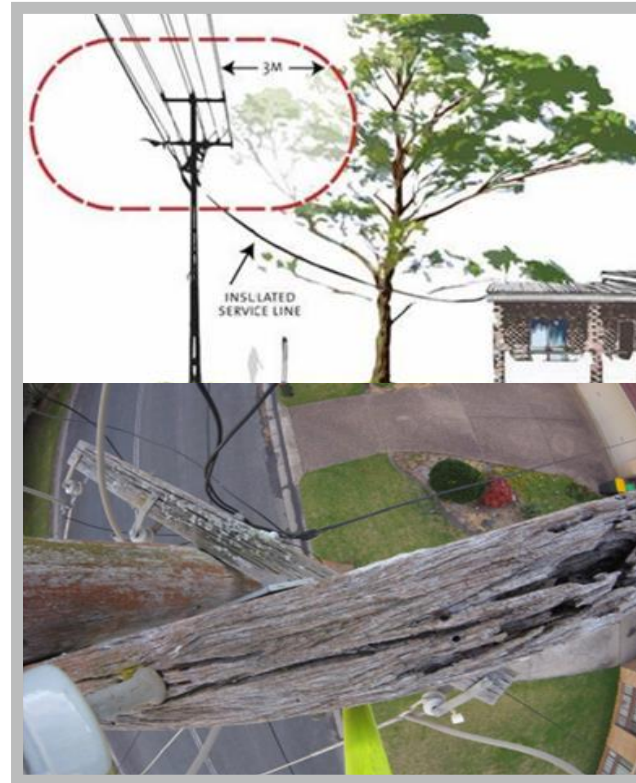
How we prepare for storm season

Inspect network



May

Identify vegetation encroachments and network defects



June

Rectify vegetation encroachments and network defects



July - September



Be prepared for Summer

- ✓ Complete your Emergency Survival Plan (ESA website).
- ✓ Keep trees away from powerlines. Arrange trimming yourself, or if they're too close ask an accredited arborist.
- ✓ Secure loose items around your home.
- ✓ Unplug sensitive appliances.
- ✓ Call Evoenergy to report damage to the network.
- ✓ More tips at evoenergy.com.au/extreme-weather

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
- Slido – using our phones
- Online participants
- Assistance in participation



2024 community forum work program

Session 1 4 May	Session 2 9 May	Session 3 20 May	Session 4 27 July	Session 5 1 August	Session 6 15 August	Session 7 14 November
<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• Reflect on first session.• Learn about revenue recovery options and uncertainty.• Consider the options, and how risk is shared.• Provide feedback on the options.	<ul style="list-style-type: none">• Reflect on session 2, revisiting revenue recovery options.• Learn about tariffs.• Consider tariff options, and the impact on different customers.	<ul style="list-style-type: none">• Reference service proposal update.• Learn about network costs that need to be recovered.• Consider the options.• Provide feedback on what is important to customers.	<ul style="list-style-type: none">• Learn about how network disconnections are managed.• Consider options for how these costs are recovered.• Consider other options for recovery of network costs.	<ul style="list-style-type: none">• Provide feedback on ways to better support customers through the transition.• Prepare a report to Evoenergy from the community forum.	<ul style="list-style-type: none">• Provide update on current thinking in response to engagement feedback.• Discuss another capital asset base recovery option.• Seek feedback on tariff rebalancing options.



Agenda

- Welcome
- Updates since we last met
- Another option for capital asset base recovery
- Activity 1 – asset recovery option
- *Break*
- Tariff structures and rebalancing
- Activity 2 – tariff rebalancing option
- Next steps and reflection activity
- Wrap up and session close

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Recap



Session 06: Community forum summary

Session 6, 15 August 2024

- Prepare the Community Forum Report to Evoenergy

Attendees

- 27 forum members
- 4 observers:
Energy Regulatory Advisory Panel;
Australian Energy Regulator and Energy Consumers Australia
- 8 Evoenergy staff

Presenters

- Barry Harvey,
Market Transactions Manager
- Gillian Symmans,
Group Manager Regulatory Reviews and Policy

Facilitator

Helen Leayr,
Communication Link

Group activity 1: Supporting customers during the transition

1) Should Evoenergy seek additional funding for programs to support customers during the transition?

Participants were split with some suggesting Evoenergy should seek funding, others felt Evoenergy should not add further to customer costs and that the responsibility for funding these types of activities rests with others. It was suggested it should be a shared responsibility across Evoenergy, State and Federal Government. It was also suggested that the retailers had a role to play in funding and delivery of customer communication.

2) What are your priorities for supporting customers and who should be responsible for implementing them?

Participants felt clear communication is key and shared suggestions such as effective advertising, education programs and that information is included with the bills, noting that people are time poor. A mixed view was shared about whether the Government or Evoenergy should be responsible.

It was suggested that customers could be supported by reducing the ability of retailers to unnecessarily increase costs.

Group activity 2: Finalising the Community Forum Report to Evoenergy

Participants prepared a Community Forum Report to Evoenergy that summaries and outlines priorities for Evoenergy's 2026-2031 gas network access arrangement regulatory proposal. The report is an independent record of the collective views of the participants. It will be provided directly to Evoenergy, who may share it with regulators, government and other industry organisations.

As a group participants reviewed an initial draft prepared by Communication Link. They considered what was missing, what needs changing and what needs improving. There were a range of edits made to the document.

The Community Forum Report will be distributed as a draft for review by participants for any final corrections. Participants agreed that one week would be provided for participants to review the draft. It was agreed that the document did not require any graphic design.

Next steps

- Session 7, 14 November 2024
- Update session 6 dashboard summary based on today's feedback
- Share updated community forum report with members for final review
- Keep in touch via Slack

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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 blue shirts and headsets are visible behind a wooden reception desk.

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Purpose

- Provide update on current thinking in response to engagement feedback
- Discuss another capital asset base recovery option
- Seek your views on tariff rebalancing options

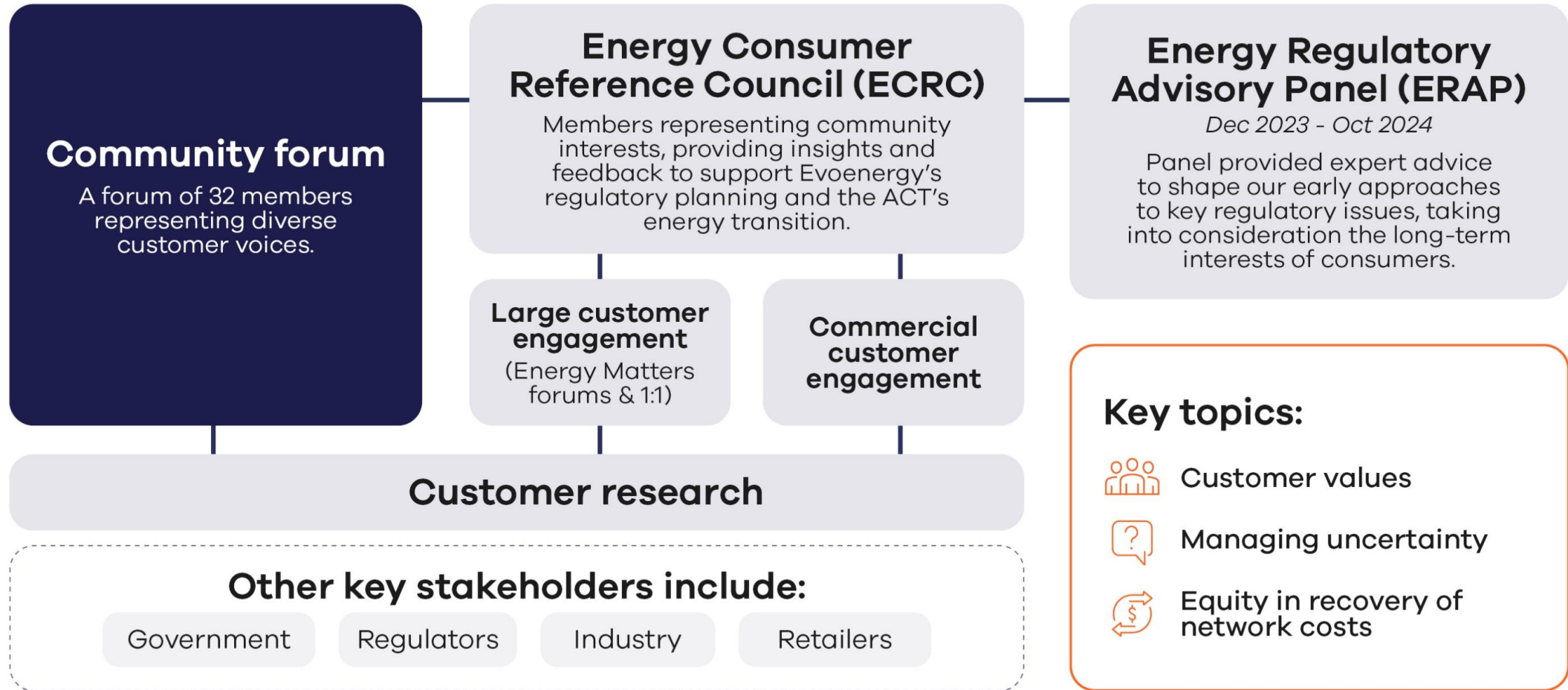
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Our engagement journey

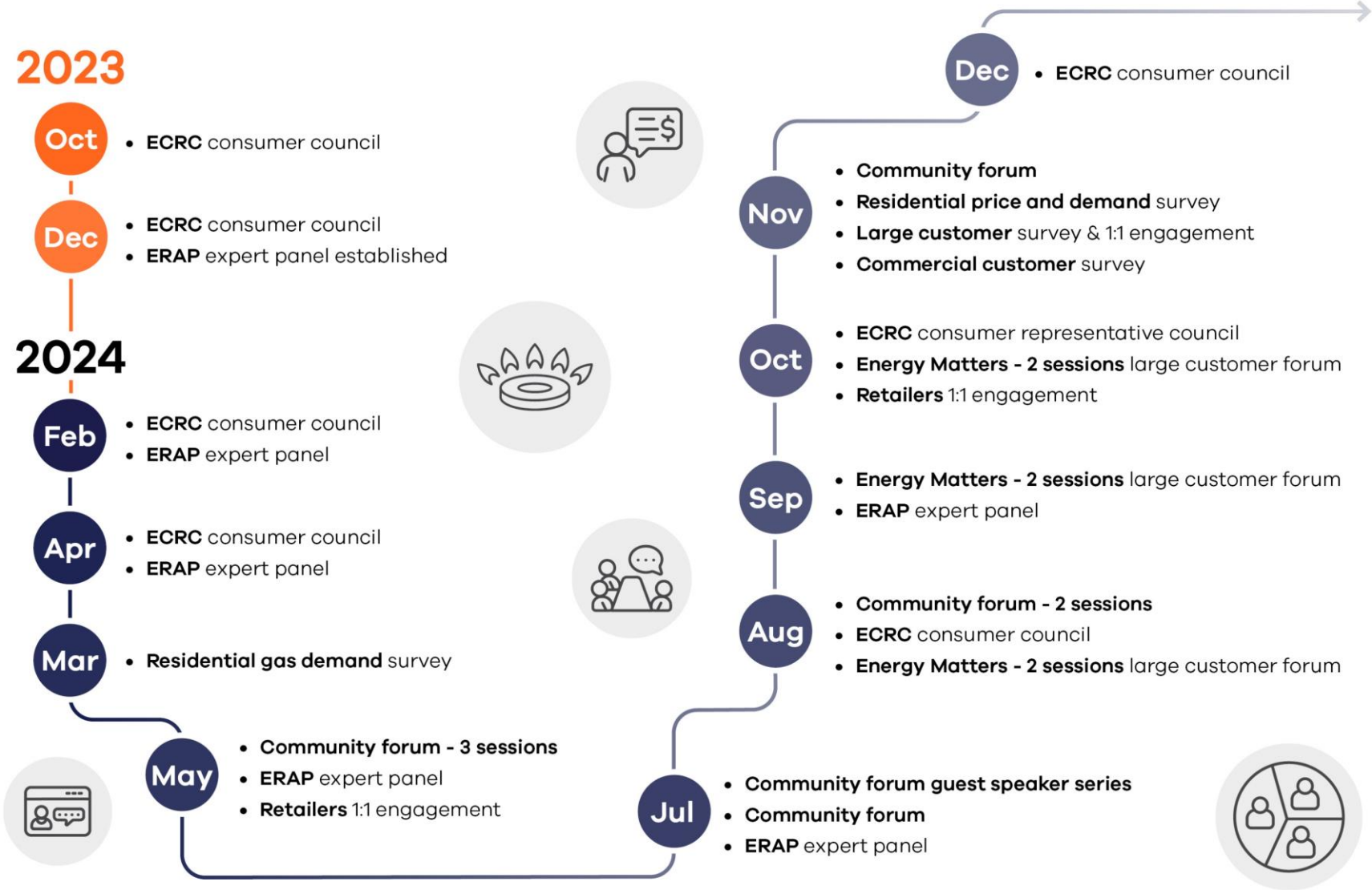
Megan Willcox, General
Manager Economic Regulation



Our engagement program



Our engagement journey



Ongoing engagement with ACT Government Net Zero Initiative Group, Regulators, Industry

What we heard from you and other stakeholders



- General support for ACT Government emissions reductions objectives
- Concern about the immediate and longer-term costs of the energy transition, particularly for hard to transition and vulnerable gas customers
- Concern about the cost and safety implications of disconnecting from the gas network
- Expectation that Evoenergy and the ACT Government will work together to ensure a fair and equitable transition, including looking beyond gas customers in relation to recovery of infrastructure investment
- Expectation that Evoenergy and the ACT Government will communicate openly about what the energy transition means for customers.

As we develop our five-year gas plan and consider engagement feedback, our current thinking is we need to...



- Continue to safely, reliably and efficiently **provide gas services to customers** who remain
- Promote **permanent disconnection as the safest option** while seeking to minimise the cost
- **Mitigate longer-term price impacts** on our vulnerable and hard to transition customers, who may stay longer, by taking action now:
 - **Bring forward our capital depreciation** to ensure costs are fairly and equitably shared among more customers, to mitigate the future price impacts on those who stay longer
 - **Maintain a user pays approach** for disconnection costs, to avoid shifting the cost burden to customers who can least afford to transition
- Continue **discussions with the ACT Government** to share the feedback from our community and stakeholders, particularly in relation to disconnection costs and asset cost recovery and explore options
- Continue to be **open and transparent** with our customers.

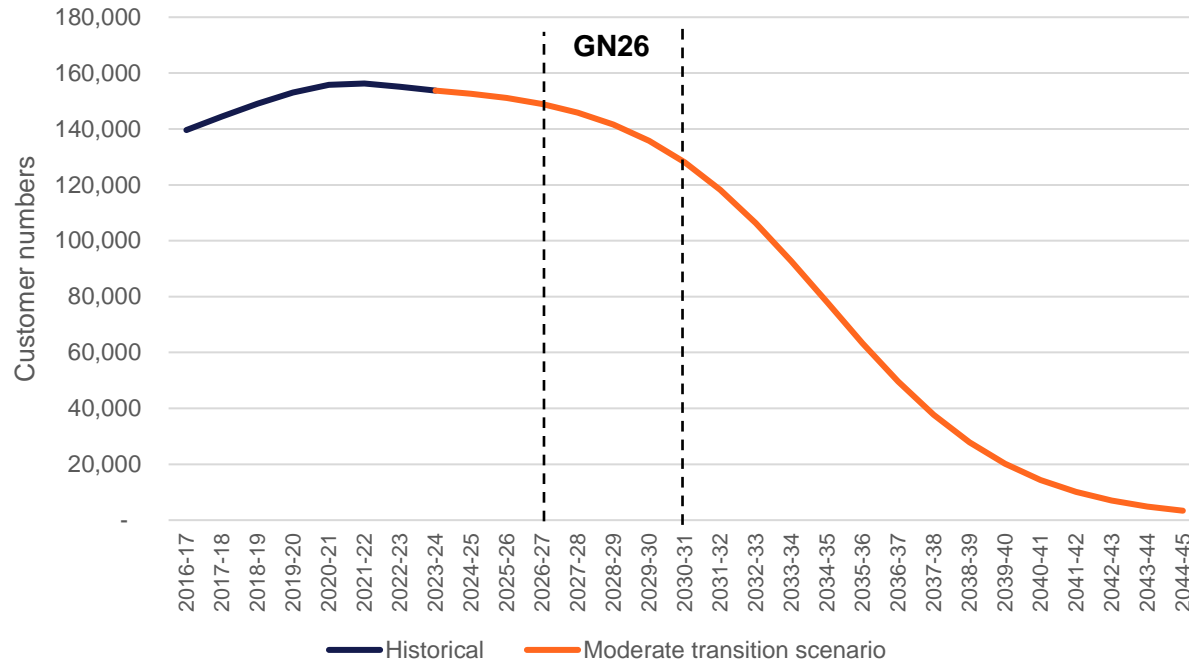
Update on current thinking

Gillian Symmans, Group Manager
Regulatory Reviews and Policy

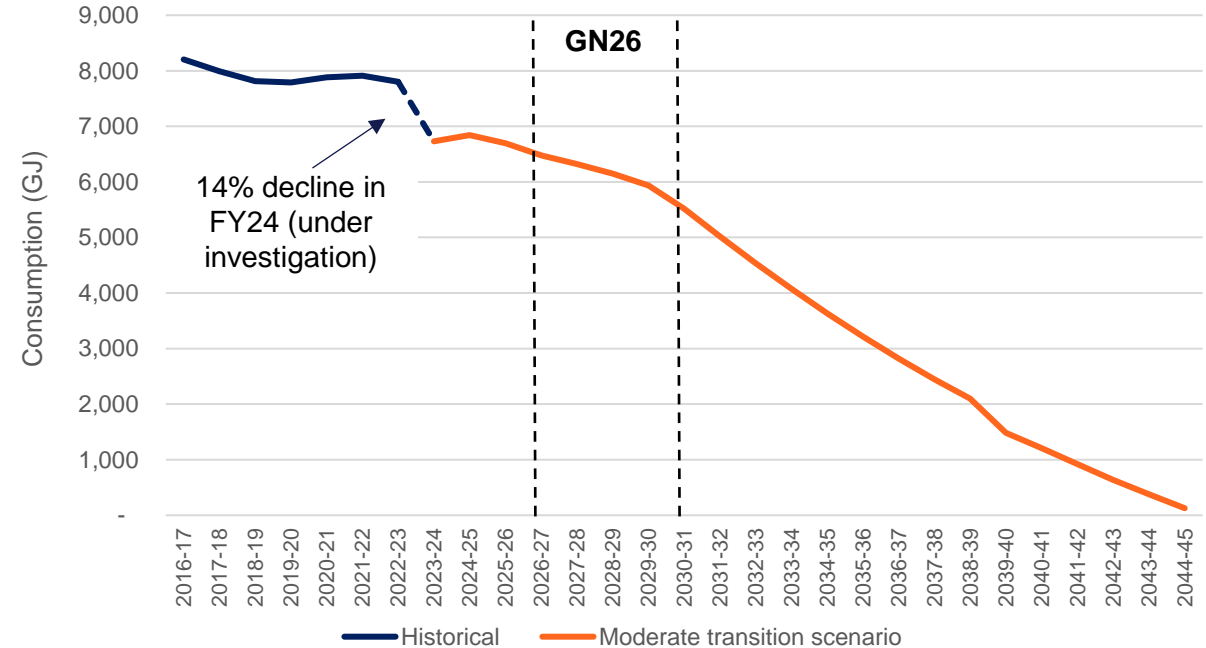


Demand forecast

Customer numbers



Gas consumption

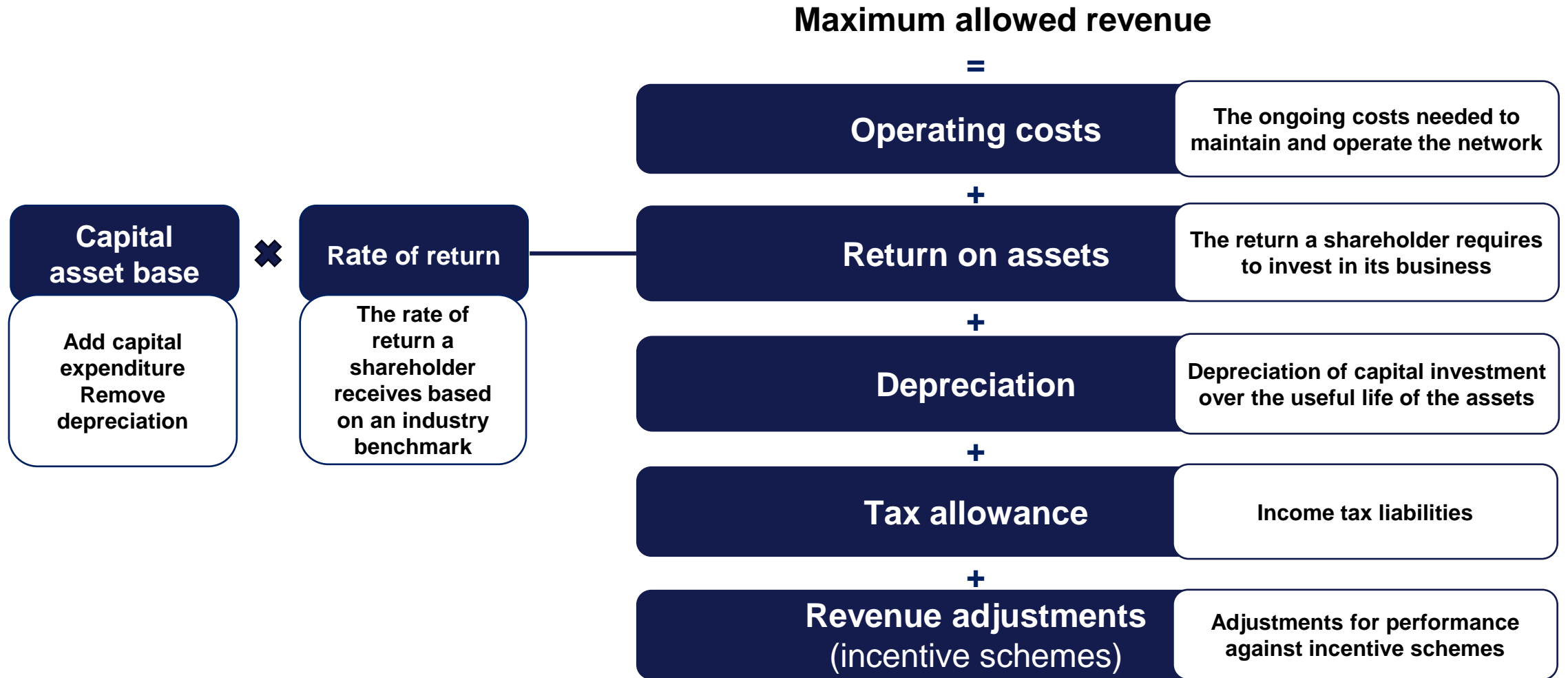


Our demand forecast is still under development to allow us to:

- investigate causes to changes between 2022-23 and 2023-24 gas consumption data
- include outcomes from customer research currently underway
- include additional data points.

As a result of the significant uncertainty and the need for further analysis, we intend to use Evoenergy's moderate transition scenario as a placeholder for the demand forecast

Recap: How our revenue forecast is calculated

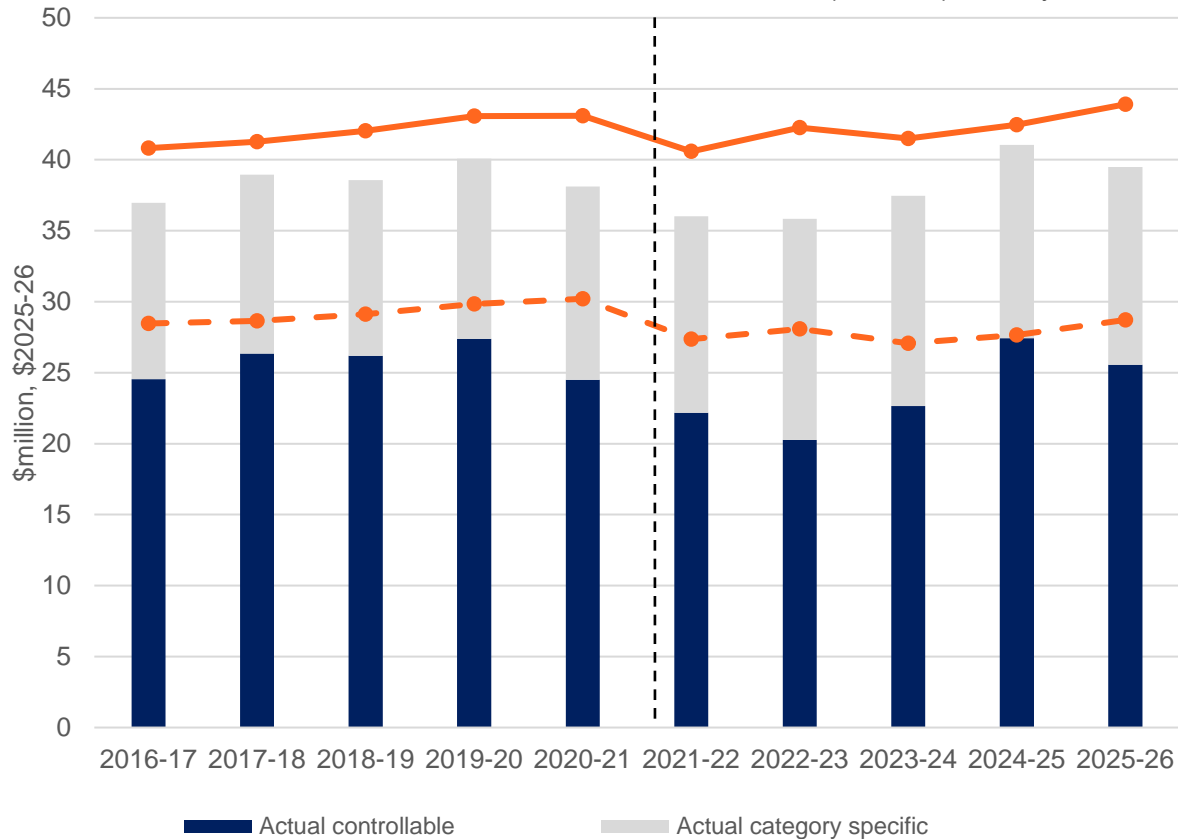


Our operating cost performance

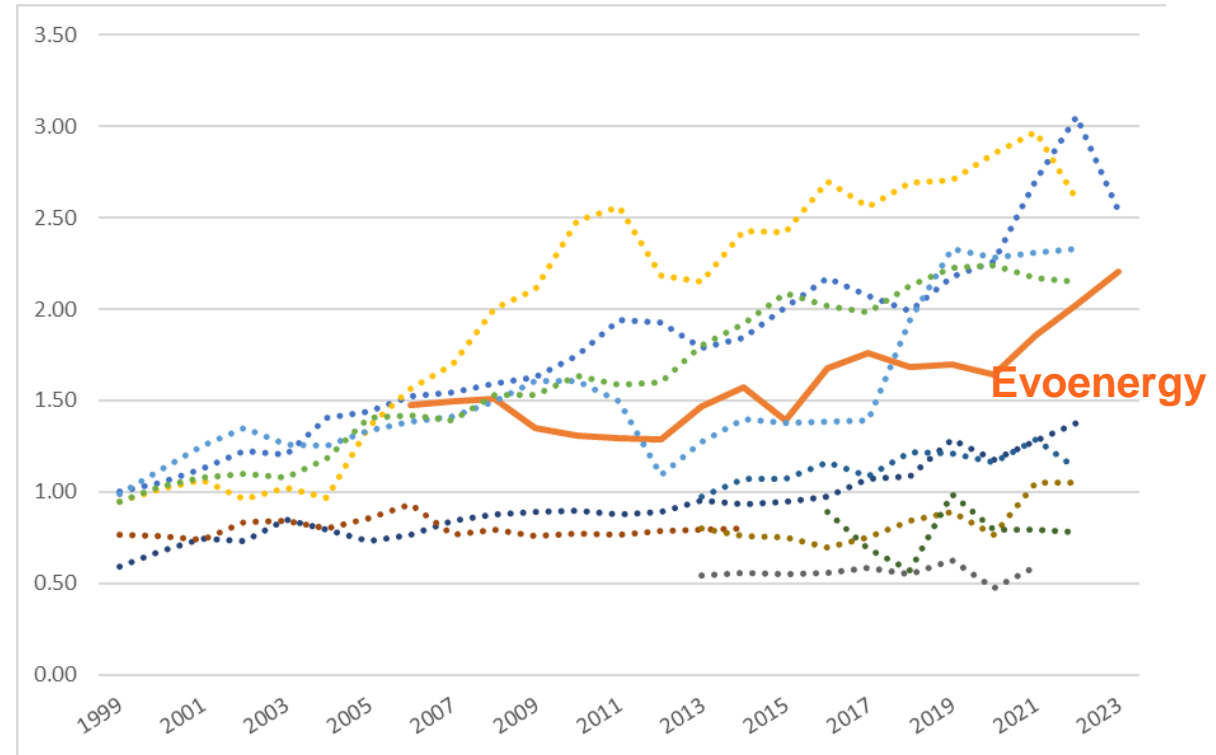
We have driven efficiencies to spend below our operating cost allowances

Actual: \$193m
Allowance: \$210m

Actual/Estimate: \$190m (\$181m)
Allowance: \$211m (\$203m)
Includes (excludes) ancillary services

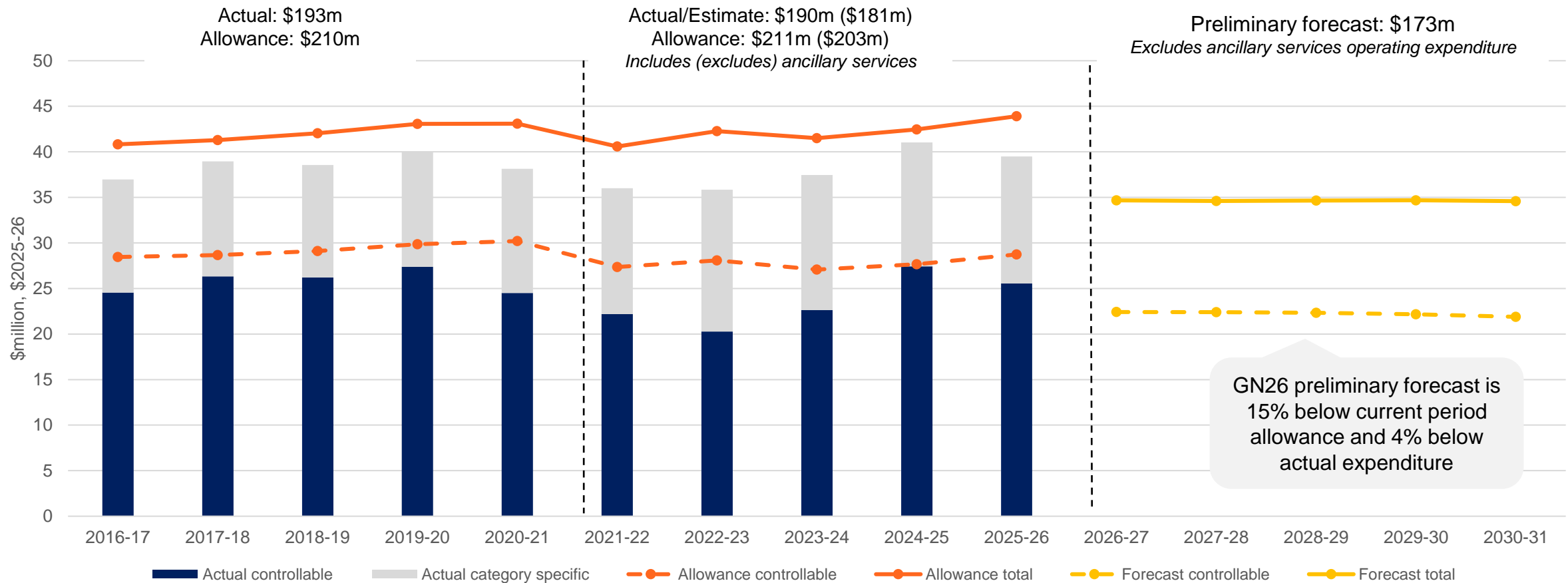


How we benchmark against other gas distribution businesses (Multilateral opex partial factor productivity index)



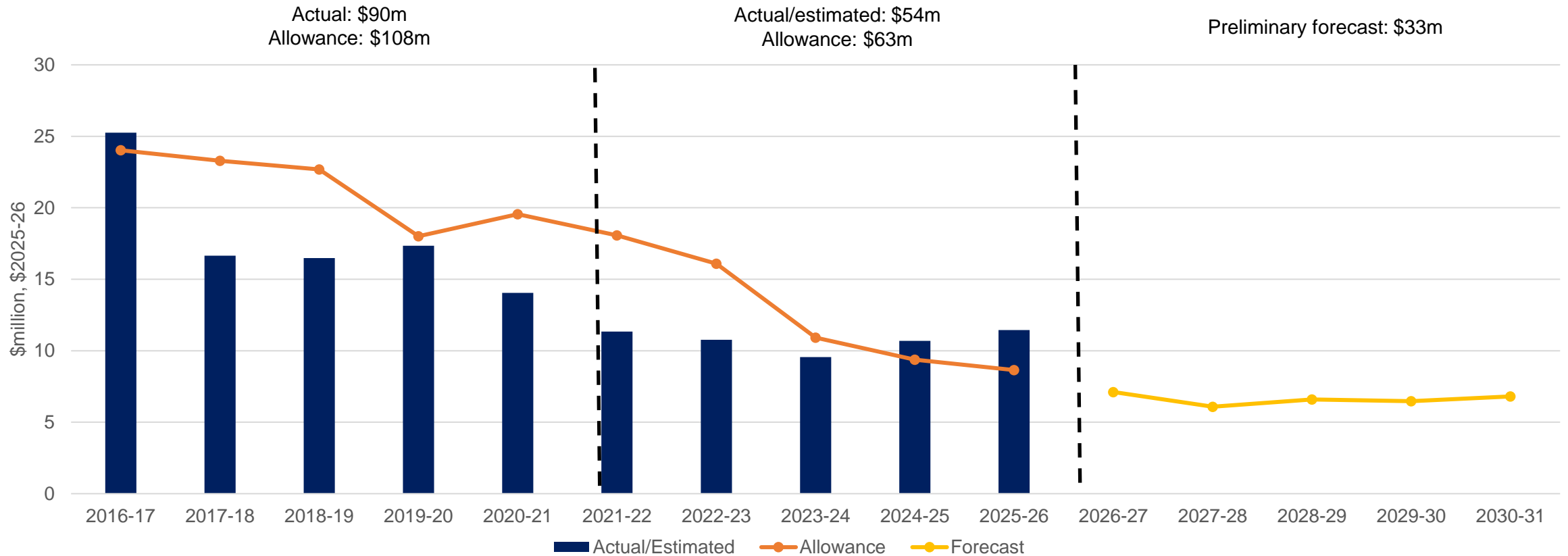
Our preliminary operating expenditure forecast aims to keep our costs down where we can, while maintaining safe and reliable gas supply for customers

We are under our GN21 allowance and will continue to drive reductions in GN26



Our preliminary capital expenditure forecast aims to keep our costs down where we can, while maintaining safe and reliable gas supply for customers

Our preliminary capital expenditure forecast is \$33 million, **39%** below actual capital expenditure for the current period



Permanent and temporary disconnections



What we heard from you and other stakeholders...

- The cost of permanent disconnections is too high and may act as a disincentive to leave the network.
- More information should be provided to the community on safety risks.
- They question the appropriateness of offering a temporary disconnection service in the ACT.



Our current thinking ...

- We are exploring opportunities to reduce the cost of safely disconnecting for our customers by **introducing a basic permanent disconnection.**
- We are considering whether to introduce **individually priced services for more complex disconnections.**
- We will maintain a **user pays approach** for permanent disconnections to avoid shifting the cost burden to customers who can least afford to transition.
- We will work with retailers to **share safety information** about disconnections with customers.
- We are assessing the most efficient way to manage network safety as customers disconnect.
- We will **work with ACT Government** to ensure the best interests of our community are served.

Another capital base recovery option

Another capital base recovery option

We discussed..

- Understanding the capital base recovery challenge
- Potential tools to address the challenge
- Different approaches to asset cost recovery
- Used placeholder information to show potential bill impacts of different approaches



What we heard from engagement...

- Concern about price impacts
- We should consider:
 - contribution through tax-payer funding
 - costs recovered from all energy users, not just gas users
 - Evoenergy not fully recovering its costs
- No support for an exit fee



Another option

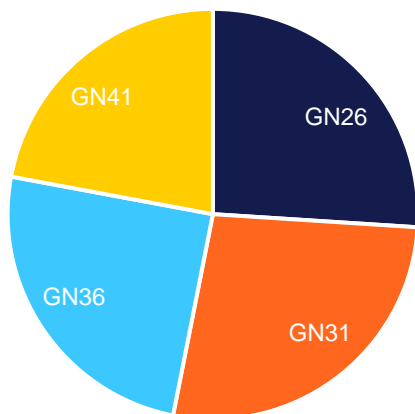
- Uses a sum-of-the-years-digits approach for depreciation
 - shares cost recovery reasonably between customers now and in future
 - provides certainty to customers about future gas network charge increases
 - provides certainty to Evoenergy to plan for a future decommissioning of the gas network
- We will continue discussions with ACT Government on community feedback and explore other options

We considered two main depreciation methods

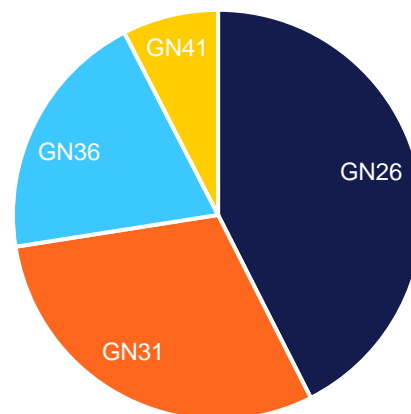
The new option is between the approaches we engaged with you and other stakeholders on

Depreciation approaches and terms	Definition / assumptions
Straight line depreciation with shortened asset lives (SL45)	Standard approach, calculated by dividing the cost of an asset by the useful life of the asset.
Sum of years' digits (SYD)	Accelerated depreciation method that results in a front-loaded depreciation profile, with the rate of depreciation declining over the period to 2045.
Customer weighted (CW)	Accelerated depreciation method calculated by allocating an equal amount of the asset cost to every customer each year to 2045.

These approaches impact the amount of capital base depreciation over time

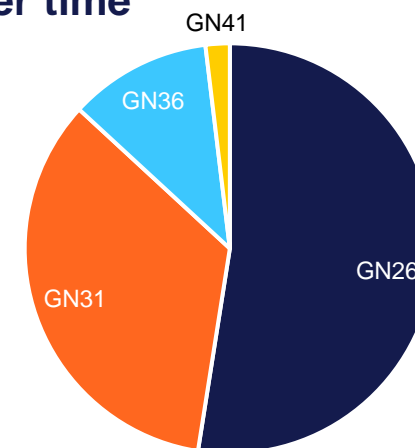


Straight line depreciation



Sum of years' digits depreciation

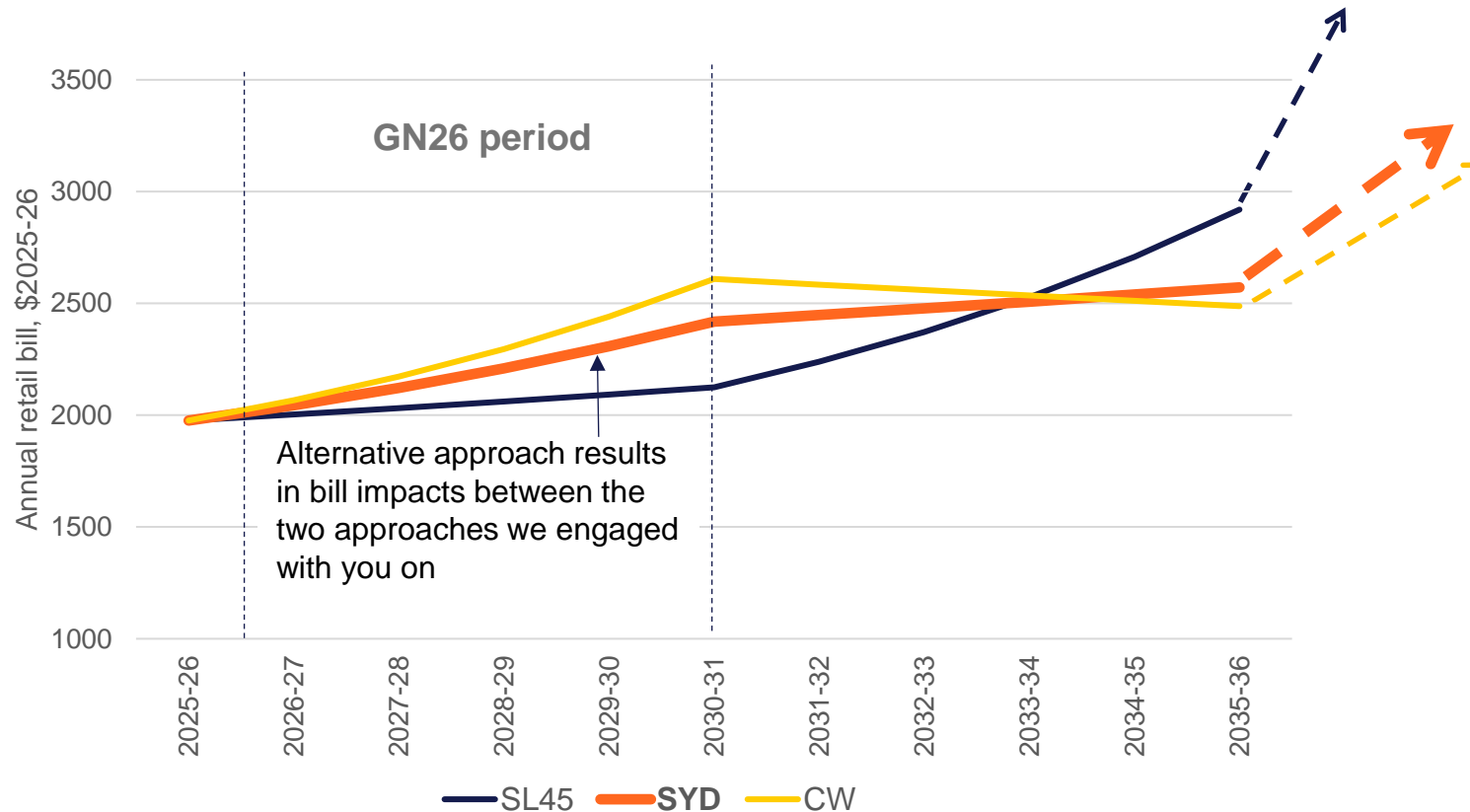
This approach is between the approaches we engaged with you on



Customer weighted depreciation

This approach allows capital asset base recovery to be shared among more customers, partially mitigating future price escalation

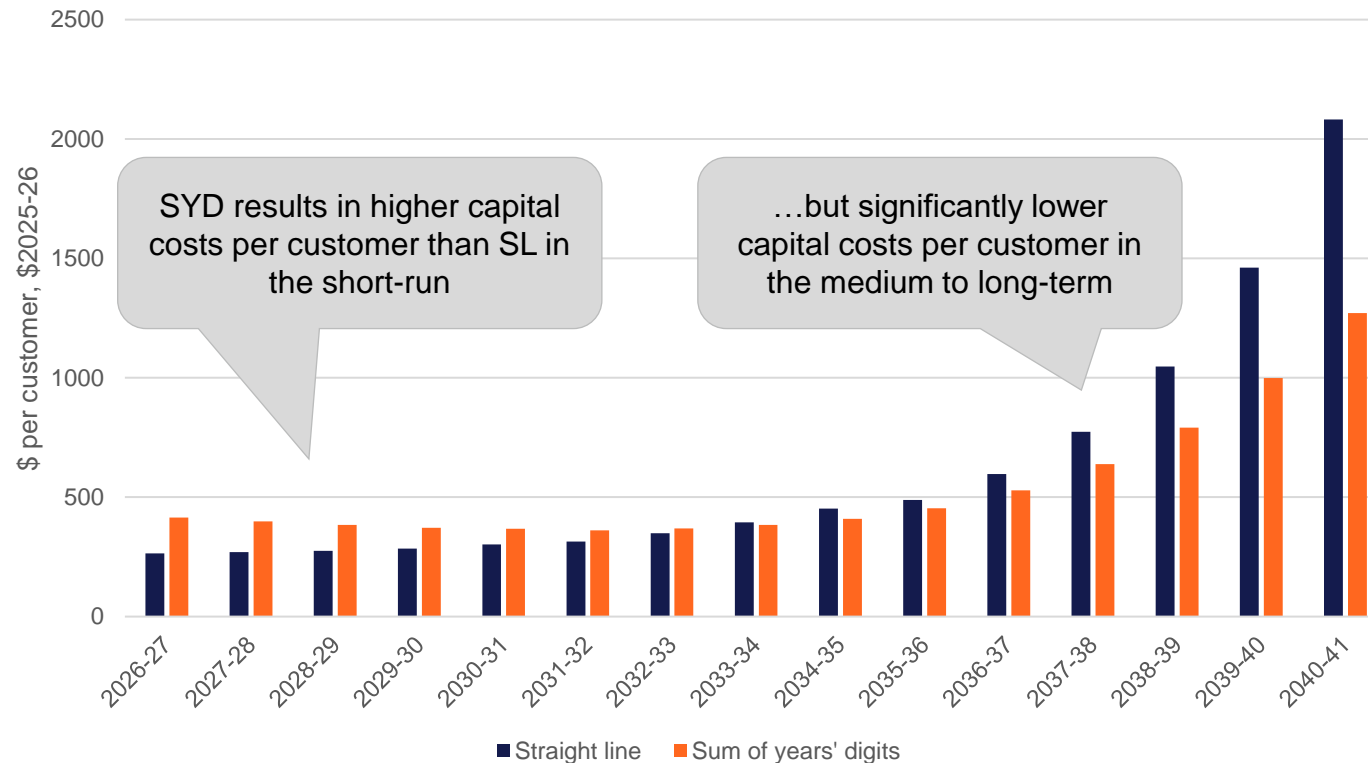
Illustrative impacts of another option: Indicative annual residential retail bill



Assumptions: No change in non-network components of retail bill, moderate transition placeholder forecast, indicative long-term expenditure forecasts. Excludes decommissioning costs and customer permanent disconnection costs. Excludes demand response to price changes.

Capital recovery per customer

Capital building blocks per customer, sum of years' digits (SYD) versus straight line (SL) (illustrative)



- Bringing cost recovery forward through accelerated depreciation allows costs to be recovered from more customers
- This results in a relatively small increase in capital recovery per customer in the short-term
- Accelerated depreciation reduces capital costs to be recovered in the medium to long-term when customer numbers are lower
- This results in a significant reduction in capital recovery per customer in the medium to long-term



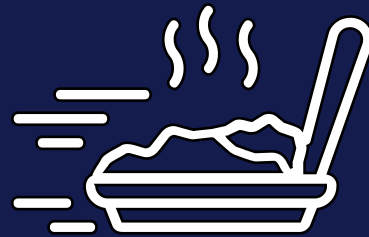
Group activity: Consider sum of years' digits depreciation option

In small groups discuss these questions:

1. What do you think are the **advantages and disadvantages** of the sum of years' digits option?
2. Does this option align with the community forum's priorities in your report?
Why or Why not?
3. Is there anything else Evoenergy should consider?
Why?

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

Dinner break



Tariff structures and rebalancing

Alexis Hardin, A/g Group Manager
Regulatory Pricing and Finance



Approach to tariff structures

Tariff structures reflect the way Evoenergy charges gas retailers to recover costs

The gas rules require tariff structures to **reflect efficient costs**, consider **customers' ability to respond**, reflect characteristics of different **customer classes**, and **have minimal distortion of efficient consumption**

Why are tariff structures important for 2026–31?



Fairness and equity across customers



Customer responses to tariffs are likely to increase



Emissions reduction considerations

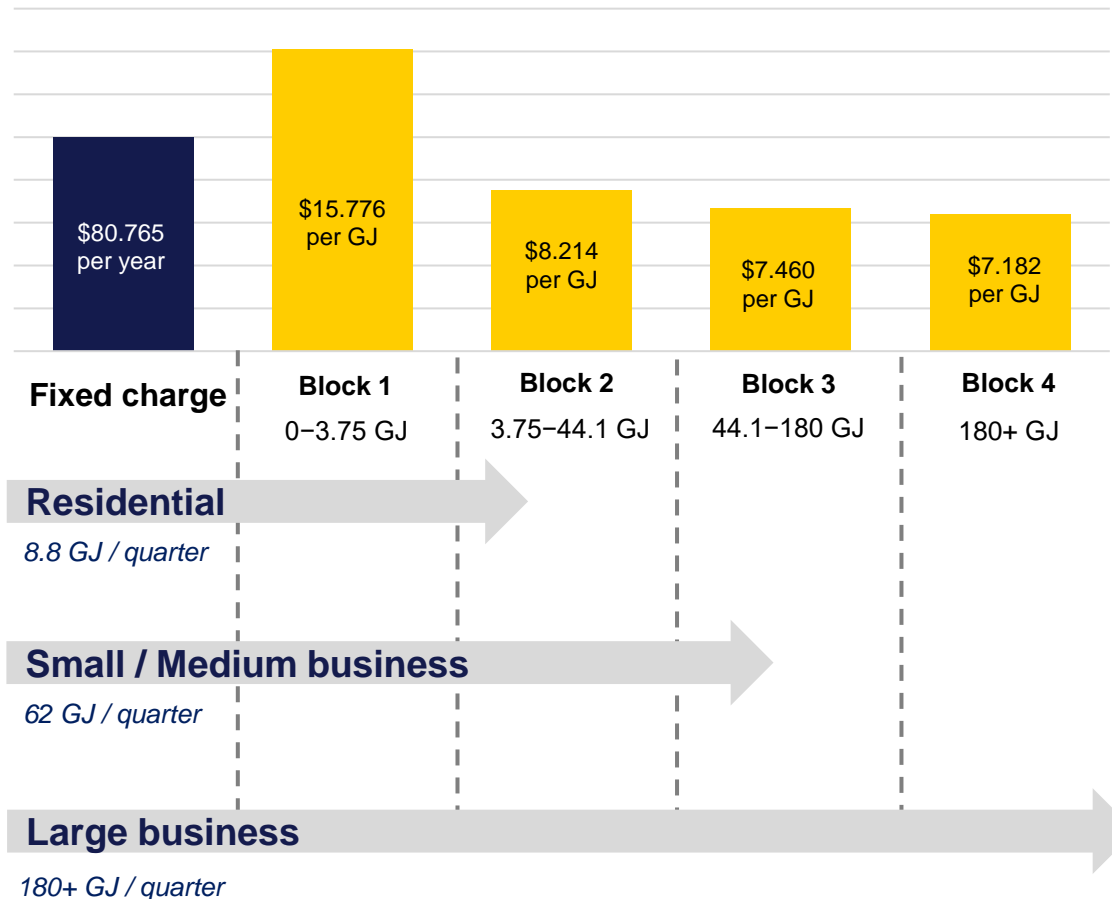


Increased demand uncertainty

Evoenergy gas network tariffs 2024-25

Residential and commercial customers (volume tariff)

Approximately 150,000 customers



Explanation of current tariff structure

Relatively higher Block 1 charge

- Keeps fixed charge lower
- Supports usage-based pricing
- Reflects high fixed network costs

Reduced Block 2 charge

- Stabilises bills year-round, reducing winter bill shock
- Historically encouraged gas uptake

Lower Blocks 3 and 4 for larger customers

- Costs don't rise significantly with higher gas usage
- Businesses use and pay more overall

Which tariff structures are appropriate for GN26?



Context for change since 2021–26

- National Gas Objectives and Rules require consideration of the achievement of emissions reduction targets
- ACTG has banned new gas connections from December 2023
- ACTG incentives for customers to substitute gas for electric appliances
- ACT Integrated Energy Plan seeking to shift customers away from gas service over next 20 years through three phases, customer led, regulatory led, network led
- Already observing declining gas demand and customer disconnections – gas network prices are expected to increase



Questions for 2026-31

- Are current tariff structures aligned with new context?
- What is the right balance of cost recovery between residential and commercial customers?
- How can tariffs support equitable and efficient recovery of costs as gas demand declines?
- Are there equity and fairness considerations to take into account as some customers are less able to move away from gas? E.g. low-income, renters, multi-unit dwellings, gas dependent businesses.
- What other considerations are important to inform the design of Evoenergy's gas network tariffs for 2026 to 2031?

Key themes from consumer and stakeholder feedback



General support for 'flatter' volume tariff structure



Declining block structure may not signal emissions reduction objectives (especially for larger customers)



Balancing equity is important – high fixed charges and block 1 impacts smaller customers while benefiting large customers



Tariffs should support customers moving off gas, while managing impacts for those left behind (including vulnerable customers)



Tariff structures should consider customers' ability and willingness to respond



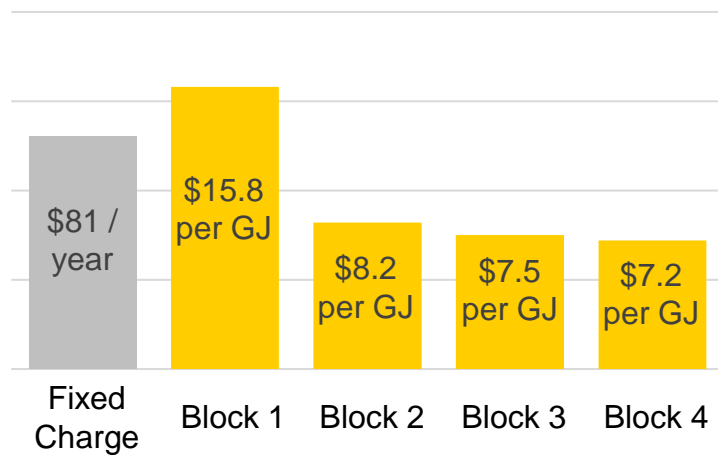
Tariff structures should be easy to understand and simple for retailers to adopt

Options for rebalancing

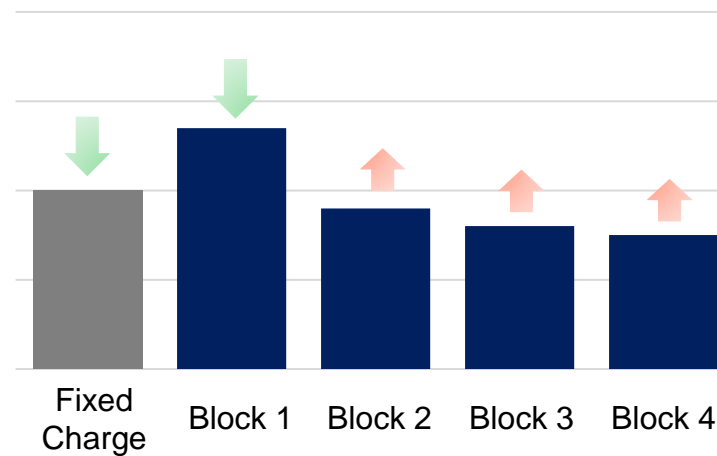
Rebalancing tariffs during 2026–2031

Evoenergy considering gradual rebalancing towards flatter volume tariff structure during 2026–31

Current volume tariff structure (2024-25)



A 'flatter' structure in 2026–31



Why a flatter structure?

- Improves affordability for smaller customers
- More even cost sharing between residential and commercial customers
- Stronger emissions reduction price signals for larger customers

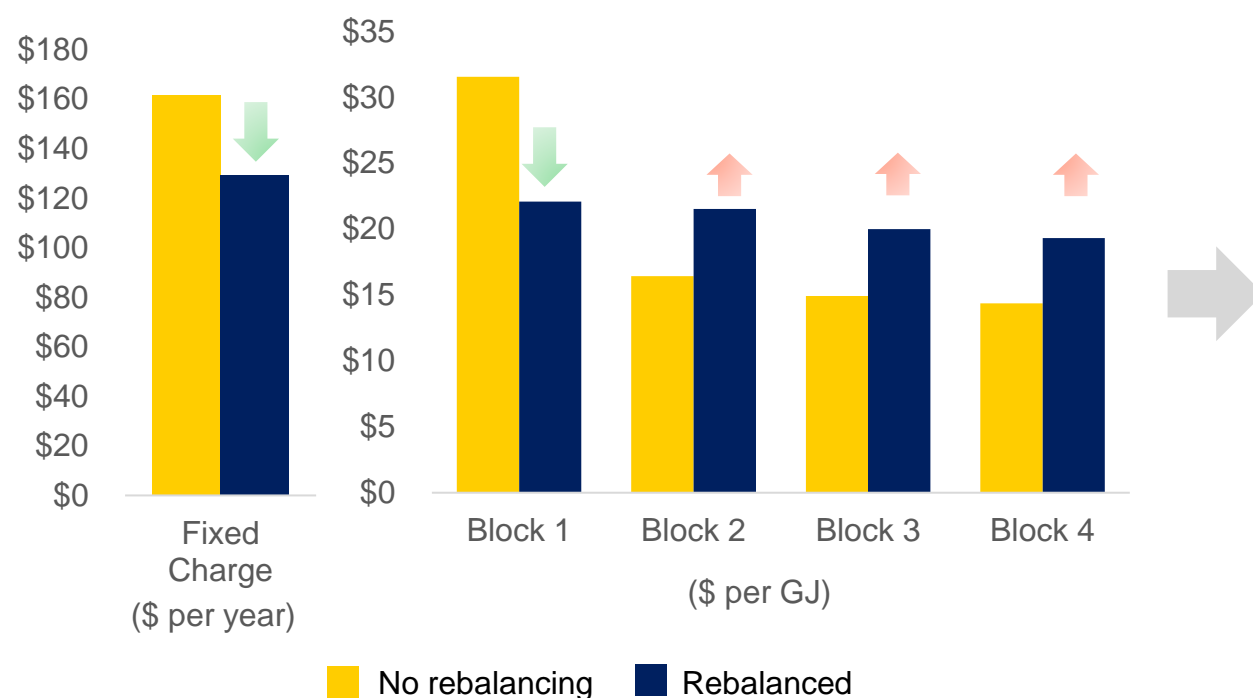
However, any rebalancing should also...

- Consider bill increases for larger customers
- Ensure tariffs still signal 'fixed cost' nature of gas network
- Maintain simplicity of tariff structure, and ability for retailers to pass-through to customers.

Volume tariff rebalancing – option 1

10 per cent real reduction in Fixed Charge and Block 1 Charge by 2030-31

Illustrative network charges by 2030-31 (\$real 2025-26)



Illustrative retail bill 2030-31 (\$real 2025-26)

	Small residential (7 GJ)	Typical residential (35 GJ)	Commercial (160 GJ)
No rebalancing (retail bill by 2031)	\$841	\$2,312	\$8,309
Rebalanced (retail bill by 2031)	\$803	\$2,292	\$8,528
Change in retail bills	-\$38 (-5%)	-\$19 (-1%)	+\$219 (+3%)
Change in network bills	-\$38 (-10%)	-\$19 (-2%)	+\$219 (+7%)

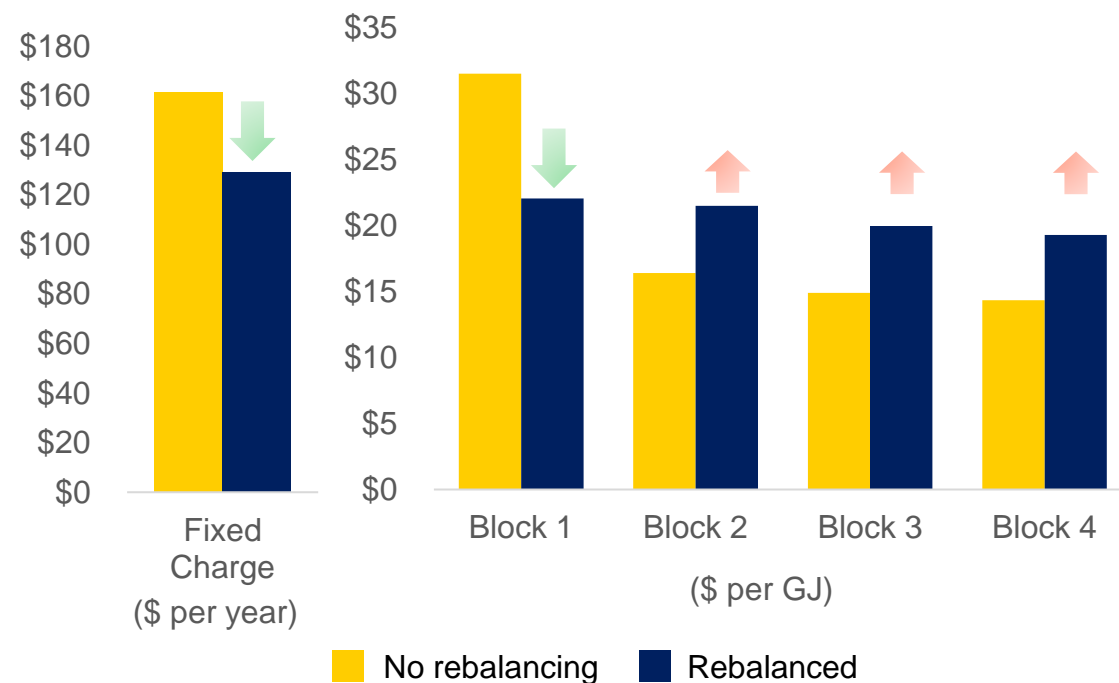


Note: Network costs make up around 30 per cent of a retail gas bill. Non-network costs were held constant for this analysis.

Volume tariff rebalancing – option 2

20 per cent real reduction in Fixed Charge and Block 1 Charge by 2030-31

Illustrative network charges by 2030-31 (\$real 2025-26)



Illustrative retail bill 2030-31 (\$real 2025-26)

	Small residential (7 GJ)	Typical residential (35 GJ)	Commercial (160 GJ)
No rebalancing (retail bill)	\$841	\$2,312	\$8,309
Rebalanced (retail bill)	\$765	\$2,273	\$8,747
Change in retail bills	-\$76 (-9%)	-\$39 (-2%)	+\$439 (+5%)
Change in network bills	-\$76 (-20%)	-\$39 (-4%)	+\$439 (+15%)



Note: Network costs make up around 30 per cent of a retail gas bill. Non-network costs were held constant for this analysis.

Volume tariff rebalancing – summary

Illustrative bill impacts in 2030-31 (\$real 2025-26)

	No rebalancing Keep the current balance of charges			Option 1 10% lower Fixed Charge + Block 1 Charge by 2030-31			Option 2 20% lower Fixed Charge + Block 1 Charge by 2030-31		
	Small residential (7 GJ)	Typical residential (35 GJ)	Commercial (160 GJ)	Small residential (7 GJ)	Typical residential (35 GJ)	Commercial (160 GJ)	Small residential (7 GJ)	Typical residential (35 GJ)	Commercial (160 GJ)
Retail bill (2030-31)	\$841	\$2,312	\$8,309	\$803	\$2,292	\$8,528	\$765	\$2,273	\$8,747
Impact of rebalancing on retail bill				-\$38 (-5%)	-\$19 (-1%)	+\$219 (+3%)	-\$76 (-9%)	-\$39 (-2%)	+\$439 (+5%)
Impact of rebalancing on network bill				-\$38 (-10.0%)	-\$19 (-2%)	+\$219 (+7%)	-\$76 (-20%)	-\$39 (-4%)	+\$439 (+15%)

Remember: Evoenergy sets network tariffs

Network tariffs = ~ 30% of the total retail bill

Retailers set retail tariffs





Group activity:

Consider tariff rebalancing options

In small groups discuss these questions:

1. What do you think are the **advantages and disadvantages** of the tariff rebalancing options?
2. Is there anything else Evoenergy should consider? **Why?**

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

What's next?

Megan Willcox, General Manager Economic Regulation



Next steps

- We will continue to engage with our customers and other stakeholders
- We plan to publish a draft gas plan for public consultation early next year
- We will submit an initial gas plan to the AER in June 2025
 - Our gas plan will take into consideration feedback received on the draft plan
- We would like to continue to engage with you next year
 - ~4xcommunity forums sessions in 2025, before and after we submit our initial plan to the AER



Individual reflection activity:

Consider these questions:

1. What has been a highlight of your involvement in the community forum?
2. What would you like to see done differently or more of in the future?
3. Would you like to continue to be involved in this community forum?

*Record your answers on the worksheet or via video
- online or with our in-house camera man!*

Session 7, 14 November 2024

- Update
- Another option for asset recovery
- Tariff structures and rebalancing

Attendees

- 29 forum members
- 2 observers: Australian Energy Regulator, Consumer Challenge Panel
- 8 Evoenergy staff

Presenters

- Megan Willcox, General Manager Economic Regulation

Facilitator

Helen Leayr,
Communication Link

At the end of the session participants undertook a personal reflection activity about what they enjoyed and what could be done differently in delivering the Community Forum.

Asset Recovery

Group activity 1: Capital asset base recovery option

What do you think are the **advantages and disadvantages** of the sum of years' digits option?

Does this option align with the community forum's priorities in your report? **Why or Why not?**

Is there anything else Evoenergy should consider? **Why?**

Tariff structures

Group activity 2: Tariff structures and rebalancing

What do you think are the **advantages and disadvantages** of the tariff rebalancing options?

Is there anything else Evoenergy should consider? **Why?**

Next steps

- Update session 7 dashboard summary based on today's feedback
- Keep in touch via Slack
- Wait for information on 2026

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**Thank you and
close**



Heads, hands, heart checkout



Head: Something you are thinking about



Hands: Something you want to do



Heart: Something you are feeling.

Slido.com
#2383154



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Heads, hand and heart

① Start presenting to display the poll results on this slide.

Thank you