

evoenergy

Community forum

Session 9

27 March 2025





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.

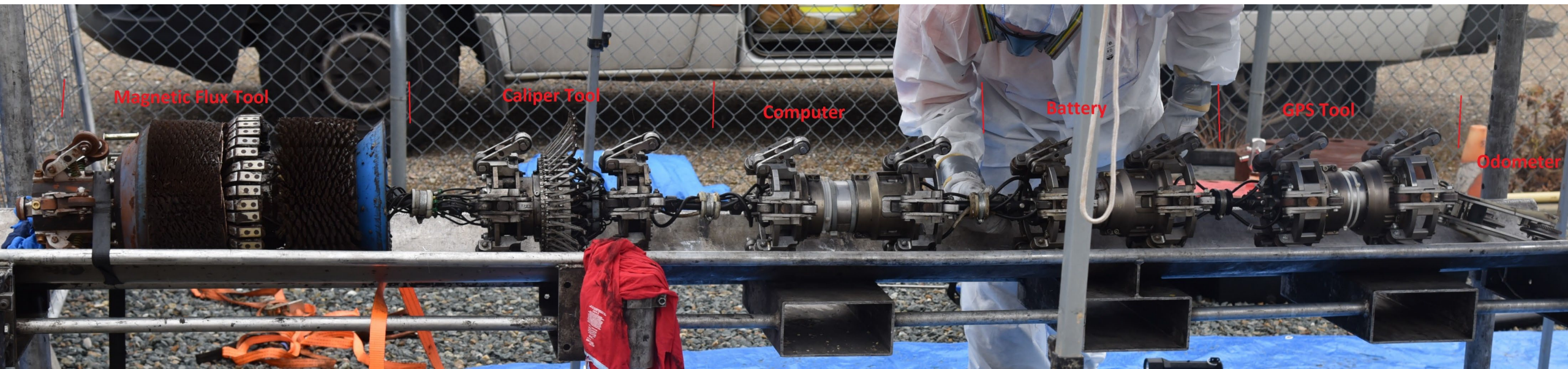
Safety share

Bruce Hansen,
Group Manager Gas Networks

Pig in the pipes

A specialised device to inspect the inside of the pipeline.

It's propelled by the gas flow.



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



2025 community forum work program

Session 8 6 March 2025	Session 9 27 March 2025	Session 10 22 May 2025
<p>Draft plan publication launch</p> <ul style="list-style-type: none">• Draft plan launch (how we've considered and addressed feedback in the draft plan).• Initial reflections on draft plan.	<ul style="list-style-type: none">• Reflect on session 8.• Revisit how we adjust gas network prices; understand any concerns with the revenue cap approach.• Revisit sharing of network cost recovery; explore and test equity considerations of long-term gas bill impacts on different customers.• Revisit network permanent disconnections; explore and test equity considerations of user pays approach.	<ul style="list-style-type: none">• Reflect on session 9.• Evoenergy present initial access arrangement proposal positions including demand forecast, adjustment of gas network prices and network cost recovery taking into consideration feedback on key elements.• Community forum provide feedback on initial access arrangement proposal positions.



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Agenda

- Welcome
- Recap
- Activity 1 – feedback on the draft plan
- How we will adjust gas network prices
- Activity 2 – consider the proposed revenue cap
- *Break*
- Equitable sharing of investment costs
- Activity 3 – consider the proposed sharing of asset recovery costs
- Equitable sharing of disconnection costs
- Activity 4 – consider the targeted approach to permanent disconnections
- Wrap up and session close

Recap



Session 8 – 6 March 2025

- Present an overview of the draft five-year gas
- Understand any future areas of interest

Attendees

- 23 forum members
- 1 observer: CCP
- Evoenergy staff

Presenters

- Gillian Symmans,
Group Manager
Regulatory Reviews and
Policy
- Megan Willcox,
General Manager
Economic Regulation

Facilitator

- Helen Leayr,
Communication Link

Comments and feedback on the draft plan

- Participants were pleased to see how their feedback was incorporated into the draft plan including lower fixed and block 1 charges.
- Participants commented on the higher percentage increase in bills for smaller residential gas users compared to larger residential, commercial, and other user types.
- Concerns expressed that smaller customers would have a higher share of network changes in their bill due to lower consumption.
- Interest in a potential future model where charges for the initial consumption blocks are reduced, benefiting smaller users more.
- Interest in ideas about different categories of permanent disconnections (basic vs. complex) to potentially lower costs in simpler cases.
- Support for a greater contribution from the ACT Government regarding assistance with the gas transition.
- Overall support for the draft plan and the way it reflected forum feedback.

Areas we would like to discuss further

- Further discussion of rules and costs for disconnections including different categories for permanent disconnections.
- Sharing transition costs among all customers, both gas and electric.
- Discussion on AER framework and hybrid price/revenue caps.

Next steps

- Session 9, 27 March 2025 – 5.00 - 8.00pm, The Rex Hotel
- Provide feedback on the [draft plan](mailto:GN26feedback@evoenergy.com.au) GN26feedback@evoenergy.com.au
- Keep in touch via Slack



Purpose

- Revisit how we will adjust gas network prices and understand any concerns with the revenue cap approach.
- Revisit sharing of **network cost recovery**; explore and test equity considerations of long-term gas bill impacts on different customers.
- Revisit network **permanent disconnections** and gather feedback on the proposed user pays approach.

Our 2026 draft plan overview



The ACT’s electrification journey towards net zero emissions by 2045 is unprecedented and Evoenergy plays a key role in reaching this target. Extensive engagement over the past year has helped to shape our draft gas network plan.

What we heard from customers

- Generally support the emissions reductions objectives of the Government.
- Concerned about the immediate and longer-term costs of the electrification journey, particularly for hard to transition gas customers.
- Expect Evoenergy to maintain a safe, efficient and reliable gas network during the transition to electrification, including safely managing customer disconnections.
- Expect Evoenergy and the ACT Government to work together to ensure an equitable transition to electrification, including in relation to recovery of infrastructure investment.
- Expect Evoenergy and the ACT Government to communicate openly about what the energy transition means for customers.

What our draft plan means for customers



Note: Network charges account for around 30 per cent of a retail gas bill. Our draft plan would result in annual increases to retail gas bills of around 4 per cent plus inflation over the five-year period.
Retail bill impacts shown are indicative, as only the distribution component of the bill has been adjusted (approximately 30 per cent of the total bill) and all other components have been held constant in real terms.

To deliver on customers’ priorities, we will:

- Safely, reliably and efficiently provide services to those customers who remain connected to gas**
Our draft plan limits expenditure to only what is necessary to safely and reliably operate and maintain the network while meeting our obligations as gas demand declines.
- Seek to minimise the cost for both those disconnecting from, and remaining on, the gas network while managing safety risks**
We will maintain a cost-reflective, user-pays approach to disconnections, explore ways to lower disconnection costs, collaborate with the ACT Government on safe network management, and continue working with retailers to share safety information.
- Act now to ensure costs are shared equitably between more customers to manage price impacts for all customers now and in the future**
Our draft plan brings forward some depreciation costs to share these costs equitably, ensuring that those who remain on the network for longer are not asked to pay more than their fair share.
- Openly communicate and engage with stakeholders about our role in the electrification of the ACT’s energy needs**
We will work with the ACT Government and energy retailers to provide customers with clear, transparent, and consistent information on transitioning off gas, including safety and cost considerations.



Group activity:

Feedback on the draft plan

Consider these questions

1. Do you have any further thoughts or feedback on the draft plan?
2. How well do you think Evoenergy responded to feedback from the community forum?
3. Are there any areas of the draft plan you would like to discuss further?

Write your thoughts on a post-it-note and add it to the poster.

How we will adjust gas network prices

Ashlyn Napier,
Principal Regulatory Economist

Adjusting prices: recap of options

Revenue cap

Prices

≈

Revenue

÷

Actual
declining demand

Hybrid is a blend of a
revenue and price cap

**Weighted average
price cap**

Prices

≈

Revenue

÷

Forecast
declining demand

Adjusting prices: draft plan



What we heard

- Mixed views on revenue cap, price cap, and hybrid approaches
- A price cap may offer stability within the period
- A revenue cap provides stability between periods and long-term certainty for Evoenergy
- Some support a hybrid approach
- Customers generally support the ACT's emissions reduction goals
- Some customers are taking action to reduce their emissions



What we know

Price variation approach should be **appropriate for our circumstances**

- Demand incentives for price cap vs revenue cap
- Electrification transition is occurring now with regulatory incentives to encourage electrification
- Regulatory intervention to accelerate electrification (network decommissioning from 2035)
- Limited demand risk mitigation tools



Draft plan approach

Our draft plan includes a **revenue cap** approach to adjust prices based on actual declining demand.

Revenue cap
Demand neutral



Weighted average price cap
Demand incentivised



Adjusting prices: illustrative example



Say, the gas network costs \$100 to run – this won't change

We currently have **10 customers** connected, but demand will decrease.

This is an illustrative worked example.



**The regulator sets
and locks forecast
demand for the
next 5 years**

**They forecast
8 customers
connected, who expect
to pay \$12.50 each.**

This is an illustrative worked example.



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If actual demand is different to the forecast

which was 8 customers, \$12.50

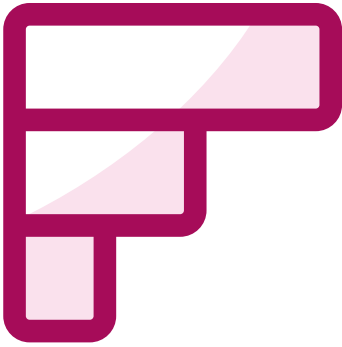
		Slower electrification	Faster electrification	
	Customers	9	7	
	Cost to run network	\$100.00		
	Cost per customer	\$11.11	\$14.29	
Revenue cap	Customer pays	\$11.11	\$14.29	Customers pay amount Evoenergy needs
	Evoenergy revenue	\$100.00	\$100.00	
Weighted average price cap	Customer pays	\$12.50	\$12.50	Customers pay more or less than Evoenergy needs
	Evoenergy revenue	\$112.50	\$87.50	
Hybrid (5% threshold)	Customer pays	\$11.67	\$13.57	Customers pay more or less than Evoenergy needs
	Evoenergy revenue	\$105.00	\$95.00	

*This is an illustrative worked example.
What Evoenergy needs is assessed by the Australian Energy Regulator.*

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Adjusting prices: draft plan

	Revenue cap	Weighted average price cap	Hybrid
Guaranteed that customers pay only what is needed to maintain a safe and reliable gas network	✓	✗	✗
Consistency between gas and electricity network pricing approaches	✓	✗	✗
Low administration costs (e.g., risk of reopeners/regulatory period length)	✓	✗	✗
Low price variability if declining demand is faster/slower than forecast	✓ Medium to long term	✓ Short term	✓ Short term
Consistent with emissions reduction objectives	✓	✗	✗



Please rank the following in order from most importance to least important.

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



Group activity:

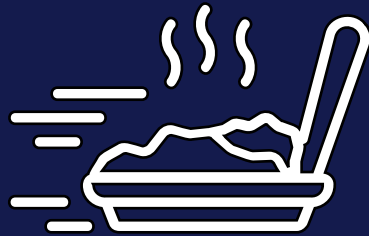
Consider the proposed revenue cap

In small groups discuss these questions:

1. What are your views on the revenue cap / concerns you about the use of a revenue cap?
2. Do you have any ideas / considerations for how these concerns could be addressed by Evoenergy?

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

Dinner break



Fair sharing of network costs

Gillian Symmans,
Group Manager Regulatory Reviews & Policy

Recap: draft plan approach to equitable recovery of past infrastructure investment



What we heard

- Concern about medium-long term bill impacts for remaining customers
- Concern over full capital base recovery through the regulatory framework alone
- Consider:
 - ACT Government funding
 - Cost-sharing across electricity and gas
 - Evoenergy not recovering all its costs



What we know

- Assets remain in use until most customers leave
- Declining gas use leaves past investment costs to fewer customers
- Early action supports a fair transition
- Currently need to work within the regulatory framework



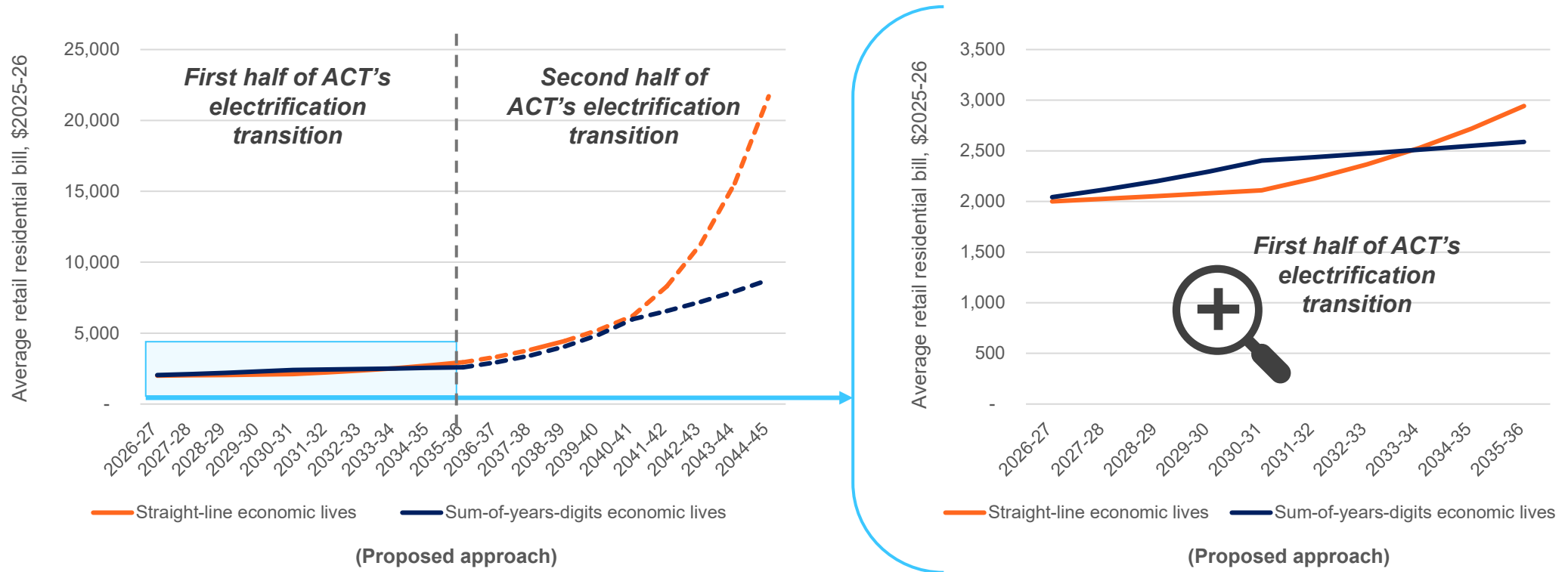
Draft plan approach

- **Two changes** to the historic depreciation approach:
 1. Use economic asset life
 2. Accelerate cost recovery

Recap: equitable recovery of past infrastructure investment

Taking action now will provide the greatest opportunity for an equitable transition, as costs are shared across a wider customer base.

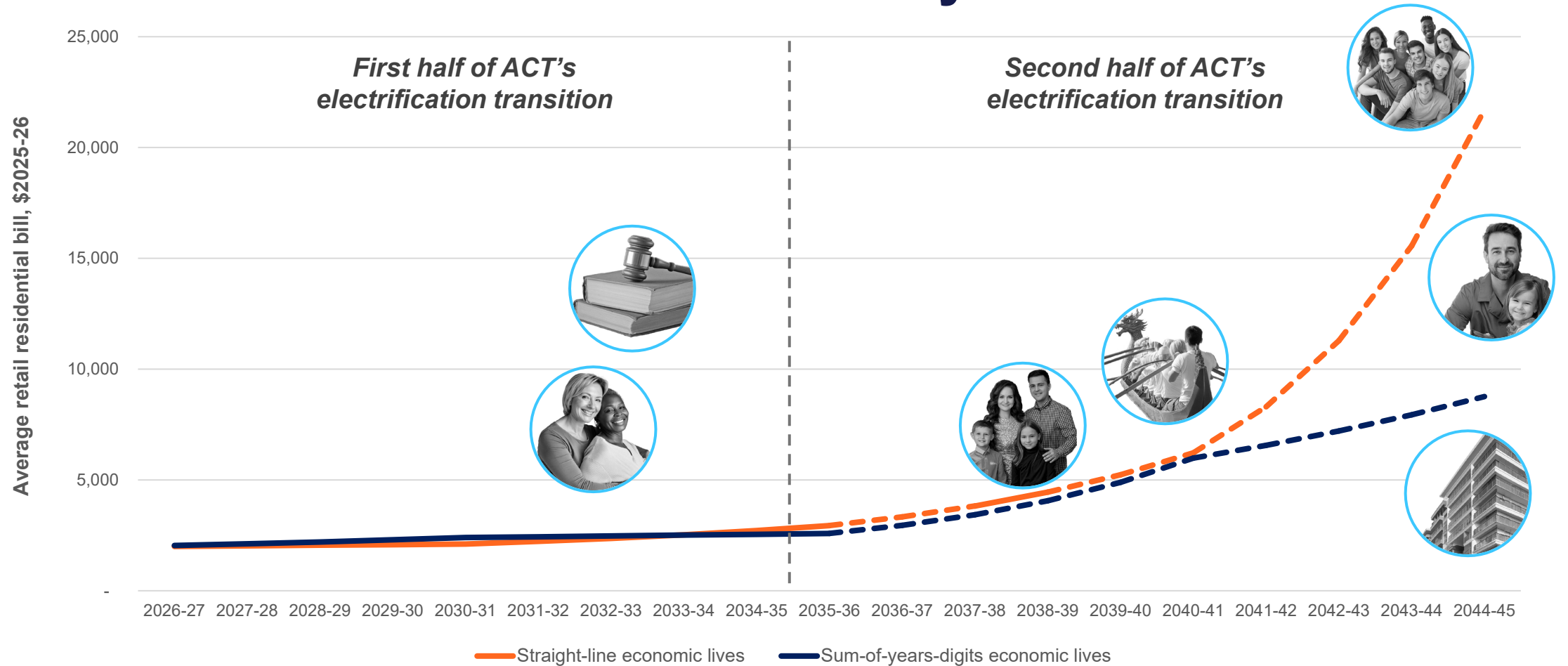
Illustrative residential bill impacts - straight line 2045 v draft plan approach



What do the bill impacts of our proposed approach look like for our residential and business personas over the next 5 to 10 years?



What do the bill impacts of our proposed approach look like for our residential and business personas over the next 5 to 10 years?



Have we got the balance right between customers prices now and in the future?

Having regard to:

- **ACT policy context**
- **Risk carried by Evoenergy**
- **Current framework:**
no options to recover costs outside the regulatory framework currently exist
- **Community forum values:** impacts on different customers now and in the future



**Consider the average annual
change in a retail gas bill for...**

A family of four

The family will gradually electrify,
starting from FY36



Large owner-
occupier household

45,000MJ

Change in average annual retail gas bill* in:

	First 5 years (2026 - 2031)	Second 5 years (2031 - 2036)
Draft plan	+\$98 (4%)	-\$50 (-2%)
Straight line 2045	+\$31 (1%)	+\$85 (3%)

**real 2025-26 dollars*

Official

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Parents, senior execs

Susan and Prav are keen to gradually go all-electric and will fully electrify by the end of the GN26 period



Typical owner-
occupier household

35,000MJ

Change in average annual retail gas bill* in:

First 5 years

(2026 - 2031)

Second 5 years

(2031 - 2036)

Draft plan

+\$43 (2%)

**Straight
line 2045**

-\$3 (0%)

**Fully
electrified**

**real 2025-26 dollars*

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A single parent

Tony's townhouse setup makes electrification difficult, he will continue using gas beyond 2036



Rental household

20,000MJ

Change in average annual retail gas bill* in:

	First 5 years (2026 - 2031)	Second 5 years (2031 - 2036)
Draft plan	+\$62 (5%)	+\$27 (2%)
Straight line 2045	+\$19 (2%)	+\$119 (9%)

**real 2025-26 dollars*

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A student share house

They have high gas use and no control over when they electrify, so will still be using in FY36



Large rental household

45,000MJ

Change in average annual retail gas bill* in:

	First 5 years (2026 - 2031)	Second 5 years (2031 - 2036)
Draft plan	+\$98 (4%)	+\$43 (2%)
Straight line 2045	+\$31 (1%)	+\$190 (8%)

**real 2025-26 dollars*

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A family-run restaurant

The Dragon Boat is in an apartment complex and prefers cooking with gas, so will still be using gas up to FY36



Small restaurant
apartment
complex rental

160,000MJ

Change in average annual retail gas bill* in:

	First 5 years (2026 - 2031)	Second 5 years (2031 - 2036)
Draft plan	+\$250 (4%)	+\$108 (1%)
Straight line 2045	+\$78 (1%)	+\$484 (7%)

**real 2025-26 dollars*

Official

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A medium legal firm

Burley Griffin & Co needs the building owner's approval to switch to gas hot water, then will electrify by FY36



Medium legal
building complex
rental

75,000MJ

Change in average annual retail gas bill* in:

First 5 years

(2026 - 2031)

Second 5 years

(2031 - 2036)

Draft plan

+\$139 (4%)

**Straight
line 2045**

+\$78 (1%)

**Fully
electrified**

**real 2025-26 dollars*

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A large hotel complex

The Capital Hotel will still use gas in FY36 and beyond due to cost and space constraints



Large hotel complex with retail tenancies

500,000MJ

Change in average annual retail gas bill* in:

	First 5 years (2026 - 2031)	Second 5 years (2031 - 2036)
Draft plan	+\$671 (3%)	+\$290 (1%)
Straight line 2045	+\$210 (1%)	+\$1,298 (6%)

**real 2025-26 dollars*

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Official

Summary: The impacts are different for the ‘switchers’ and the ‘stayers’

		First 5 years (2026 - 3031)		Second 5 years (2031 - 2036)		
		Draft plan	Straight line to 2045		Draft plan	Straight line to 2045
The ‘switchers’	Susan and Prav	\$43 (2%)	-\$3 (0%)		Fully electrified	
	Burley Griffin & Co legal firm	\$139 (4%)	\$44 (1%)			
The ‘stayers’	Jerrabomberra family	\$98 (4%)	\$31 (1%)		-\$50 (-2%)	\$85 (3%)
	Tony	\$62 (5%)	\$19 (2%)		\$27 (2%)	\$119 (9%)
	Share house	\$98 (4%)	\$31 (1%)		\$43 (2%)	\$190 (8%)
	Dragon Boat	\$250 (4%)	\$78 (1%)		\$108 (1%)	\$484 (7%)
	Capital Hotel	\$671 (3%)			\$290 (1%)	\$1,298 (6%)



Group activity:

Consider the impacts of the different approaches to depreciation across different customer types.

In small groups discuss these questions:

- Are the annual bill increases proposed in our draft plan to recover asset costs reasonable, compared to bill increases under a straight-line approach?
- Why / why not?

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

Risk: excavation strike on a non-consuming service for a single detached residential building.

Safety assessment findings

- Costs of 100% permanent disconnections are disproportionate to the risk.
- An approach that targets those customers most at risk (targeted approach) could maintain risk levels as low as reasonably practicable.



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What does a targeted approach mean to Evoenergy?

Targeted approach means:

Advocate for a mandate on a permanent disconnection being required for:

Properties with no gas appliances connected at the time of sale (seller to incur cost)

Properties being demolished (already required)

Supported by:

Offering permanent disconnection to customers if preferred

Working with retailers to educate customers on safety to inform customer decisions

Targeted communication to temporarily disconnected properties

Monitoring risk and adjusting approach as needed

Way forward for our draft plan

Draft plan approach

Work with ACT Government to progress an efficient (targeted) disconnections approach

Keep user-pays disconnection to avoid higher bills for remaining customers

Introduce basic and complex disconnection charges to reduce costs

Why user pays

Recovering costs from remaining customers increases their bills

Sharing costs between the disconnecting customer and remaining customers increases demand for permanent disconnections

Temporarily disconnected properties incur ongoing costs (e.g. meter reading)



Group activity:

Consider the proposed approach to permanent disconnections. Consider the impacts across different customer types.

In small groups discuss these questions:

- Given our intention to seek a targeted approach to permanent disconnections, do you think it is fair and equitable for the disconnecting property owners to pay for a permanent disconnection?
- Why / why not?

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

Session 9, 27 March 2025

- Feedback on draft plan
- Revisit revenue recovery options, network cost recovery options and permanent disconnections

Attendees

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

Presenters

- Ashlyn Napier, Principal Regulatory Economist
- Gillian Symmans, Group Manager Regulatory Reviews & Policy

Facilitator

Helen Leayr,
Communication Link

Activity 1: Comments and feedback on the draft plan

Activity 2: Proposed revenue cap

What are your views on the revenue cap / concerns you about the use of a revenue cap?

Do you have any ideas / considerations for how these concerns could be addressed by Evoenergy?

Activity 3: Approaches to depreciation

Are the annual bill increases proposed in our draft plan to recover asset costs reasonable, compared to bill increases under a straight-line approach? Why / why not?

Activity 4: approach to permanent disconnections.

Given our intention to seek a targeted approach to permanent disconnections, do you think it is fair and equitable for the disconnecting property owners to pay for a permanent disconnection? Why / why not?

Next steps

- Update session 9 dashboard summary based on today's feedback
- Keep in touch via Slack

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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Please download and install the Slido app on all computers you use



Heads, hand and heart

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

Thank you