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Community forum

Session 12

9 December 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.

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Safety share

Bruce Hansen, Group Manager Gas Networks

Reporting emergencies

- **000** when life or property is threatened
- **131 909** faults and emergencies for gas (smell of gas or sound of escaping gas)
- **13 10 93** faults and emergencies for electricity

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
- Online participants - Mural
- Assistance in participation
- Network storywall
- Slido – using our phones
- Slack

Today's agenda

- Welcome
- Recap
- Evoenergy CEO opening remarks
- Presentation: AER draft decision on Evoenergy's five-year gas plan
- Presentation: Responding to the AER's draft decision on long term cost recovery
- Feedback activity

Dinner

- Presentation: Responding to the AER's draft decision on managing demand forecasting uncertainty
- Feedback activities
- Evoenergy closing remarks
- Wrap up session and close

Session 8 6 March 2025	Session 9 27 March 2025	Session 10 22 May 2025	Session 11 30 October 2025	Session 12 9 December 2025
Draft five-year gas plan launch • How we've considered and addressed feedback • Initial reflections	• Reflect on session 8 • Revisit gas network prices and revenue cap concerns • Revisit network cost recovery equity and long-term gas bill impacts • Revisit network permanent disconnections and user pays approach	• Reflect on session 9 • Outline proposed disconnections charges and safety approach • Share final thinking on how we'll minimise price variability under a revenue cap • Share stakeholder feedback on draft gas plan • Share proposed gas plan positions	• Reflect on session 10 • Share energy sector updates relevant to the GN26 review • Share stakeholder feedback on proposed gas plan • Share gas demand update	• Reflect on session 11 • Hear about the AER's draft decision on proposed gas plan • Consider and explore options for revised gas plan taking into consideration consumer and stakeholder feedback

Since session 11….

Established a NSW Customer Forum

Captures NSW customers' intentions, preferences and perspectives

- Complements community forum
- Diverse representation

AER Draft Decision

Published on Evoenergy's five-year gas plan (available on AER website)

Community forum's values

Adaptability + empathy

Community + family

Communication + collaboration

Fairness + equity

Honest, transparent + genuine

Integrity + ethics

Kindness + compassion

The values as they relate to gas

- 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 homeowners, 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.

CEO opening remarks

John Knox, Chief Executive Officer

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AER draft decision on our five-year gas plan

Megan Willcox, General Manager
Economic Regulation

Where we are in the review process

Evoenergy

Australian Energy Regulator

2023

Oct
- **ECRC** consumer council

Nov
- **ECRC** consumer council

Dec
- **ERAP** expert panel established

2024

Feb
- **ECRC** consumer council
- **ERAP** expert panel

Mar
- **Residential gas demand** survey

Apr
- **ECRC** consumer council
- **ERAP** expert panel

May
- **Community forum** sessions 1-3
- **ERAP** expert panel
- **Retailers** 1:1 engagement

Reference Service Proposal submitted to the AER

Jul
- **Community forum guest speaker series**
- **Community forum** session 4
- **ERAP** expert panel
- **ECRC** consumer council

Aug
- **Community forum** sessions 5-6
- **ECRC** consumer council
- **Energy Matters - 2 sessions** large customer forum

Sep
- **Energy Matters - 2 sessions** large customer forum
- **ERAP** expert panel

Oct
- **ECRC** consumer representative council
- **Energy Matters - 2 sessions** large customer forum
- **Retailers** 1:1 engagement

Nov
- **Community forum** session 7
- **Residential price and demand** survey
- **Large customer** survey & 1:1 engagement
- **Commercial customer** survey

Dec
- **ECRC** consumer council

2025

Mar
- **Community forum** sessions 8-9
- **ECRC** consumer council
- **Energy Matters** large customer forum
- **Queanbeyan-Palerang Regional Council** meeting

May
- **Community forum** session 10
- **ECRC** consumer council
- **Retailers** 1:1 engagement

Jun
- **ECRC** consumer council
- **Participate in ACTCOSS workshop** community organisations

Proposed five-year gas plan submitted to the AER

Aug
- **ECRC** consumer council

Oct
- **Community forum** session 11
- **ECRC** consumer council

Nov
- **NSW customer forum** sessions 1-2
- **Queanbeyan-Palerang Regional Council meeting**

Sessions pre-submission of revised five-year gas plan

Dec
- **Community forum** session 12
- **ECRC** consumer council
- **Energy Matters** large customer forum
- **Retailers** 1:1 engagement

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

AER draft decision elements

	 **Demand forecast**	 **Asset cost recovery**	 **Expenditure**
We proposed:	Demand forecast that reflects our customers transition intentions, using combination of historical trends and findings of customer research	Bringing forward cost recovery for a more equitable transition for all customers by 2045 Reflects regulatory framework and current situation (i.e., no Government funding options)	Significantly reduce expenditure from the current 5-year period Proposed a true-up for through annual pricing update process
AER's draft decision:	**Not accepted** Concerns with use of customer research findings in forecast Uses an alternative forecast that reflects historical trends and a conventional methodology and results in a slower transition	**Not accepted** Assumes most assets will still be in use by some customers beyond 2045 Limits accelerated depreciation to achieve a lower short term annual change to network charges (4% in real dollar terms)	**Not accepted** No true up for government taxes and levies Cut a further 19% off capital costs

AER draft decision elements

	Approach to adjusting prices	Approach to disconnections	Tariffs
We proposed:	Revenue cap to reflect jurisdiction circumstances, ensure customers pay only efficient costs, and remove forecasting risk	Manage safety through targeted permanent disconnections and user-pays approach	Gradually flatten tariffs to support emissions policy and manage bill impacts for small customers
AER's draft decision:	**Not accepted** Requires Evoenergy to propose a hybrid approach Considers this better shares forecasting risk between Evoenergy and customers	**Materially accepted** Accept basic and urgent permanent disconnection charge Exclude safety program costs from temporary disconnection and further reduction of this charge Expects a set charge for complex disconnections	**Partially accepted** Requires Evoenergy to reduce consumption tariff blocks from 4 to 2 and further flatten tariffs to better signal emissions reduction objectives

While we consider our response to the draft decision, we are thinking about…

- What does it mean for necessary investment to keep gas supply safe and reliable for remaining customers?
- What does it mean for our hard-to-electrify customers?
- What does it mean for the viability of our gas network going forward?
- What does it mean for Evoenergy's electricity network and customers electrifying?

Discussion

Any initial reaction to the AER's draft decision?

Do you think it reflects the community's feedback? Why/ why not?

Provide your thoughts in the online chat, via slido, or share them with the whole group by contributing to our discussion.

Australian Energy Regulator draft decision initial reactions

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Responding to the AER's draft decision on long term cost recovery

Gillian Symmans, Group Manager
Regulatory Reviews and Policy

AER draft decision on depreciation

AER did not accept Evoenergy's proposal to:

- shorten asset lives to be recovered by the ACT's planned phase out of gas in 2045
- bring forward recovery of some past investment costs through the sum-of-years-digits method

Instead, the AER:

- shortened asset lives for:
    - High pressure assets to 30 years: assumes these will continue earning revenue until at least 2055-56
    - Medium pressure assets to 25 years: assumes these will continue earning revenue until at least 2050-51
- allowed additional accelerated depreciation to achieve a **4% per annum network price increase**, plus an additional 0.5% for approved revenue adjustments

What the AER said about depreciation

On asset lives:

- Considers high likelihood that network will be decommissioned by 2045, but not sufficient evidence that there is a 100% likelihood
- Considers there remains uncertainty how industrial customers will transition to net zero
- Recognises that it will likely not be economical to maintain portion of network for industrial customers, but notes that the ACT Government's plan does not rule out renewable gas for hard to abate industrial users

What the AER said about depreciation

On accelerated depreciation (AD):

- Considers that long-term price modelling should include some amount of decommissioning costs to factor in the potential impact of these costs on prices
- Can help reduce stranded asset risk and promote efficient investment, but must be balanced against short-term price impacts and affordability
- Considers that AD cannot be provided without constraint because this would potentially accelerate the pace of demand reduction and may therefore reduce Evoenergy's ability to recover its costs in the longer term
- Considers its draft decision strikes a balance between the need for some AD to promote efficient investment, and the need to limit the price impact of AD on consumers, particularly for vulnerable customers and those facing challenges during the energy transition

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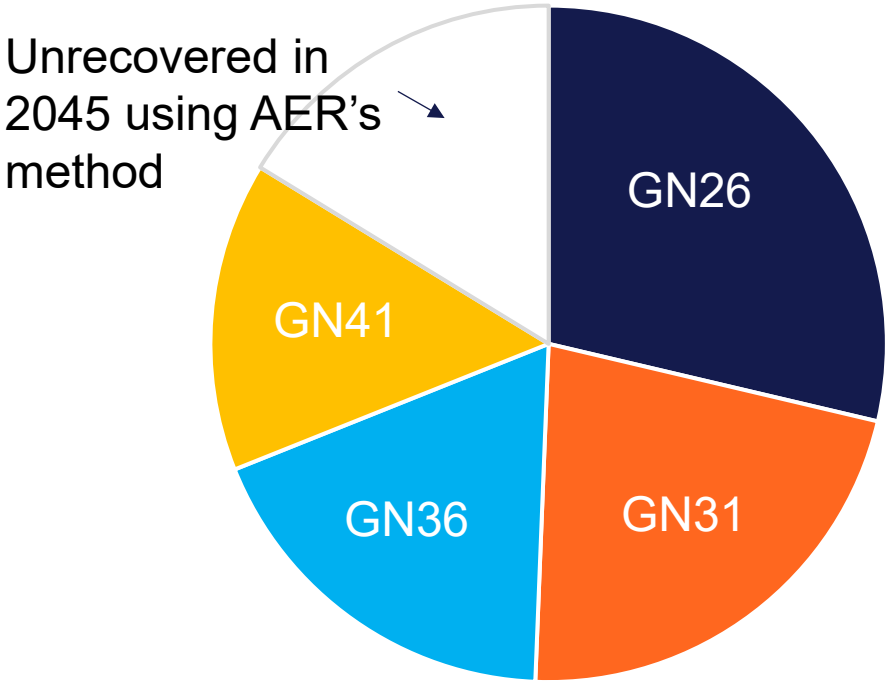
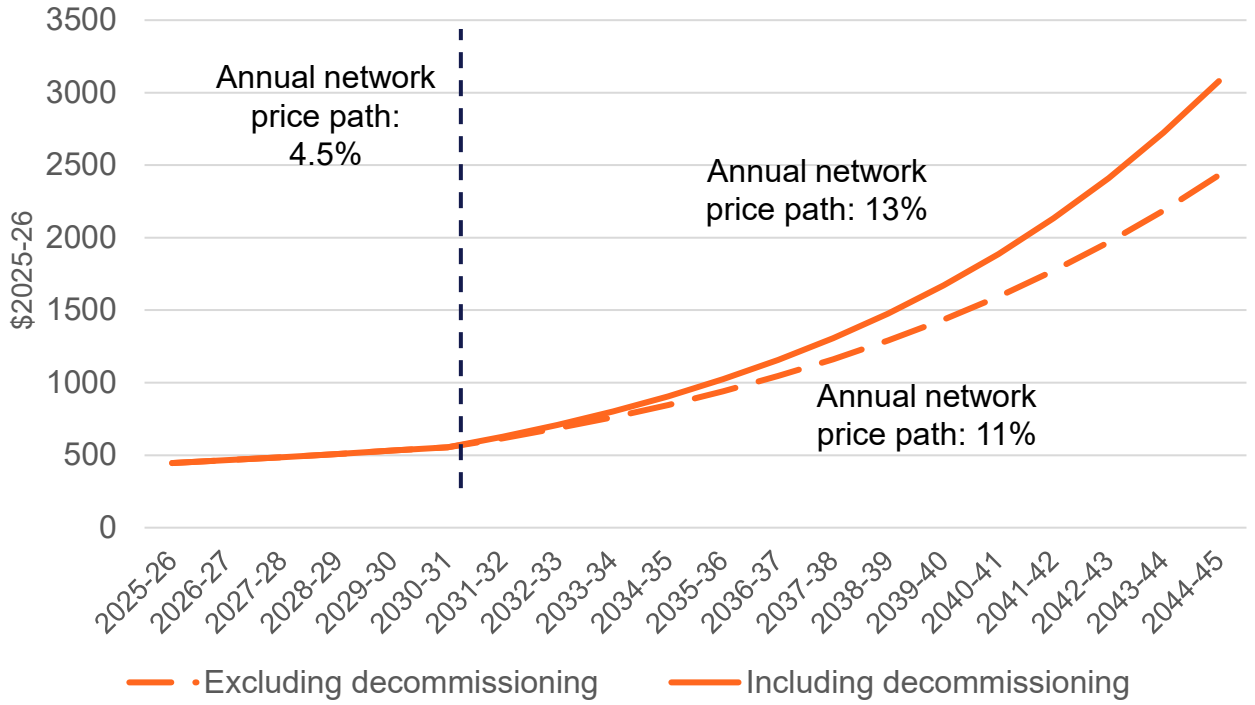
What does the AER's draft decision means for long term price impacts?

To look at long term impacts, we have used an average of our demand forecast and the AER's demand forecast

Spread of depreciation over 5-year periods



Network component of typical residential bill required to provide a reasonable opportunity to recover costs



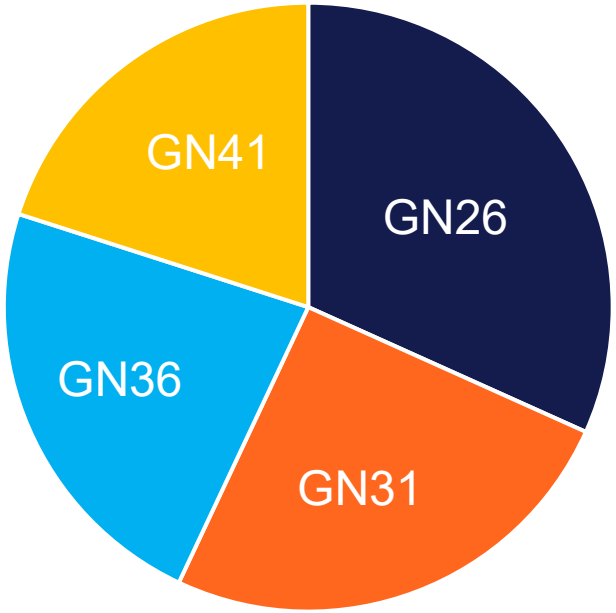
Initial thinking on an alternative approach

Continue to propose economic asset lives set consistently with the ACT Government Integrated Energy Plan

+

Apply same adjustment as AER to calculate additional depreciation

Spread of depreciation over 5-year periods to achieve full recovery by 2045



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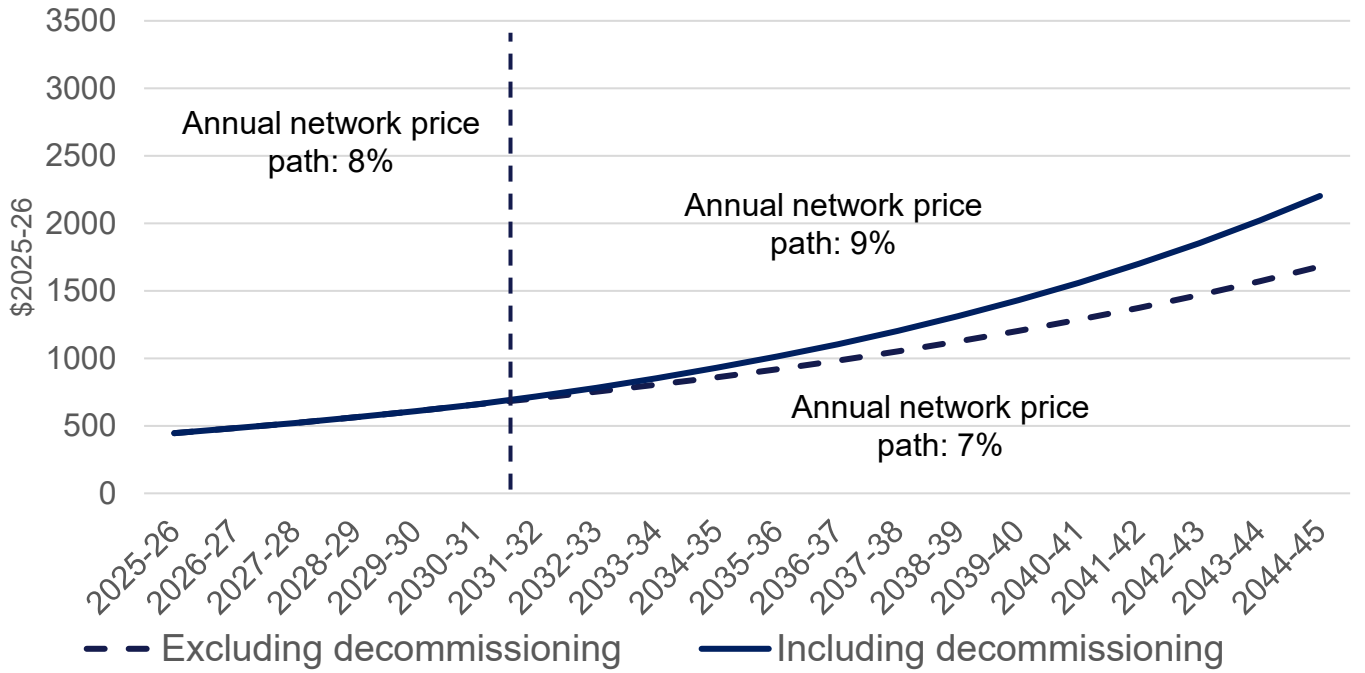

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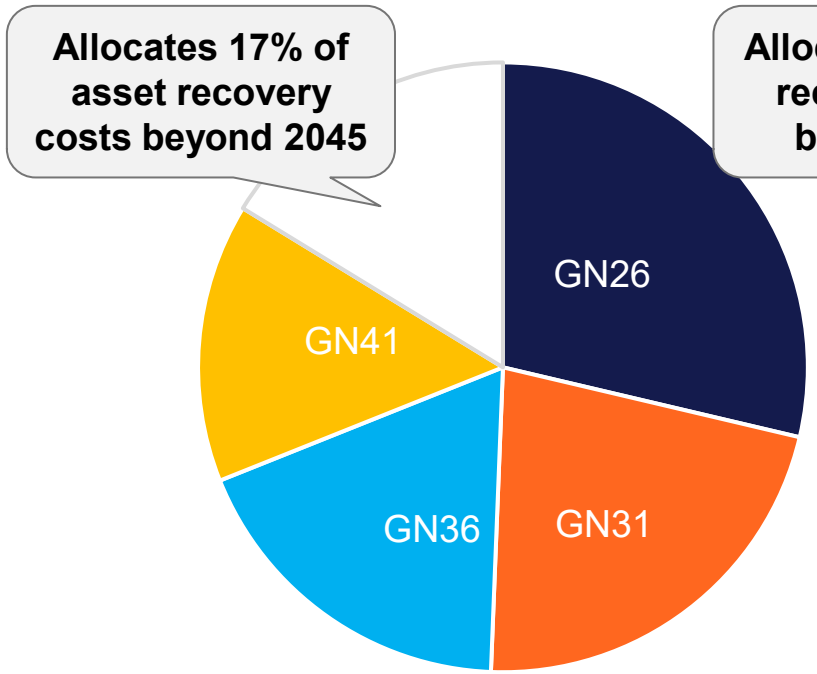
Comparing depreciation methods

Comparing depreciation methods

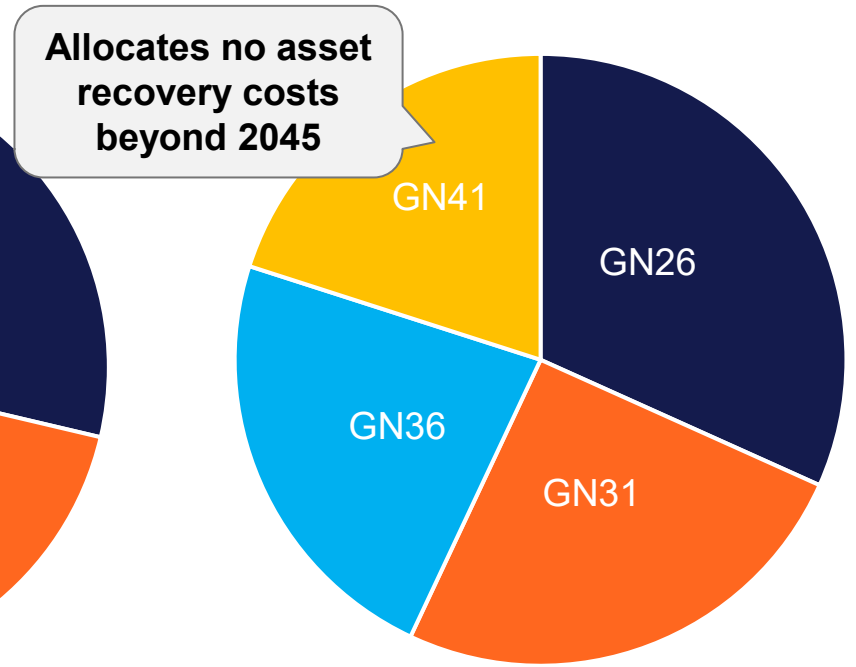
Initial thinking on alternative approach:

- Consistent with providing a reasonable opportunity to recover costs
- Reflects ACT Government's plans to phase out gas by 2045
- Reflects that maintaining the gas network for green gas beyond 2045 for limited customers is unlikely to be economically viable

AER draft decision

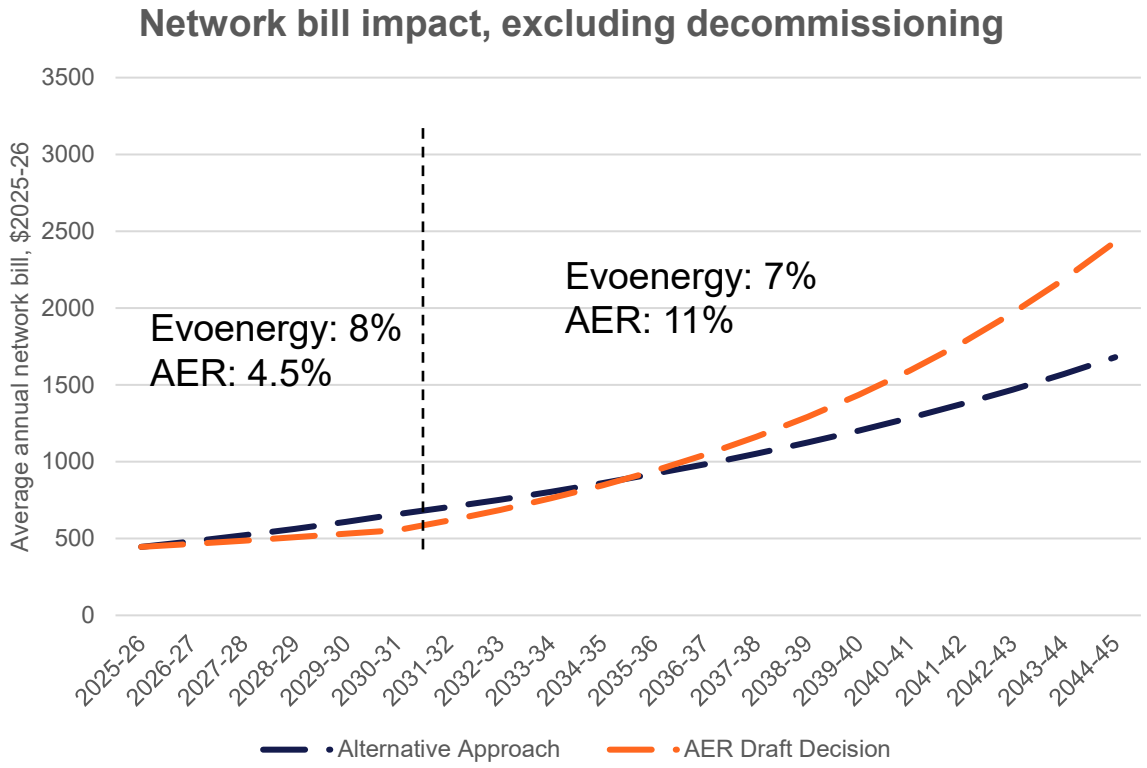


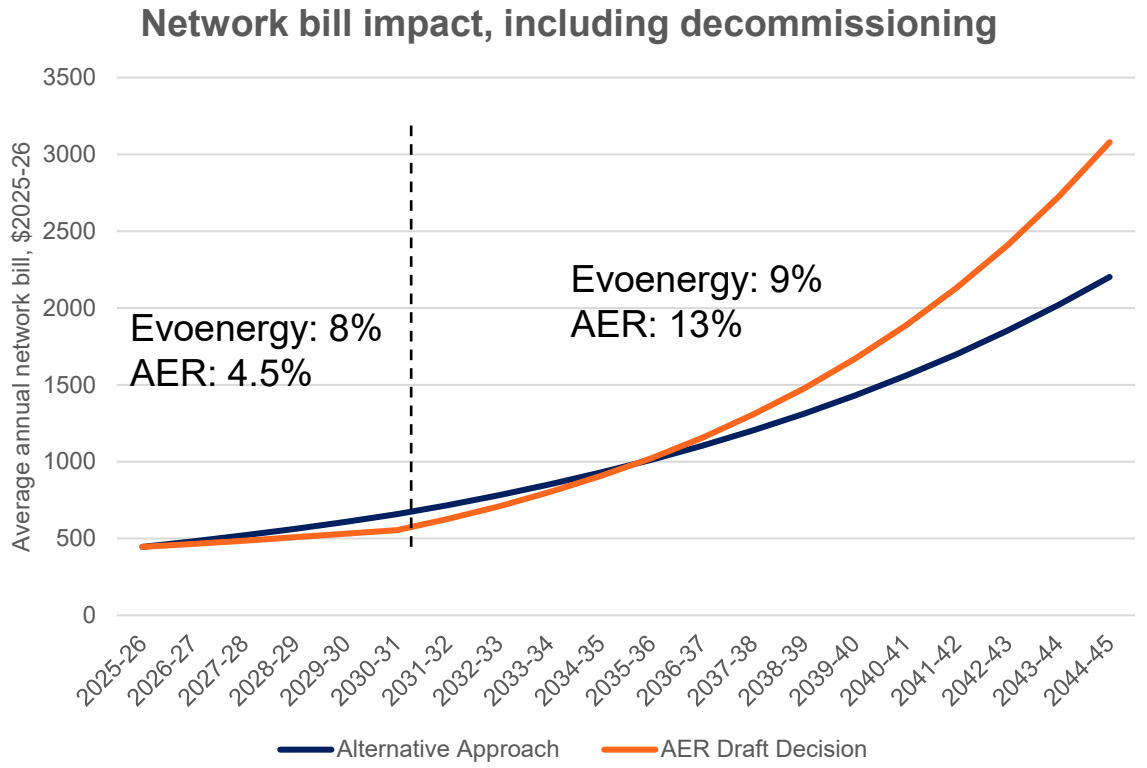
Evoenergy initial thinking on alternative approach



Comparing depreciation methods

Equity considerations of long-term network bill impacts with and without decommissioning costs





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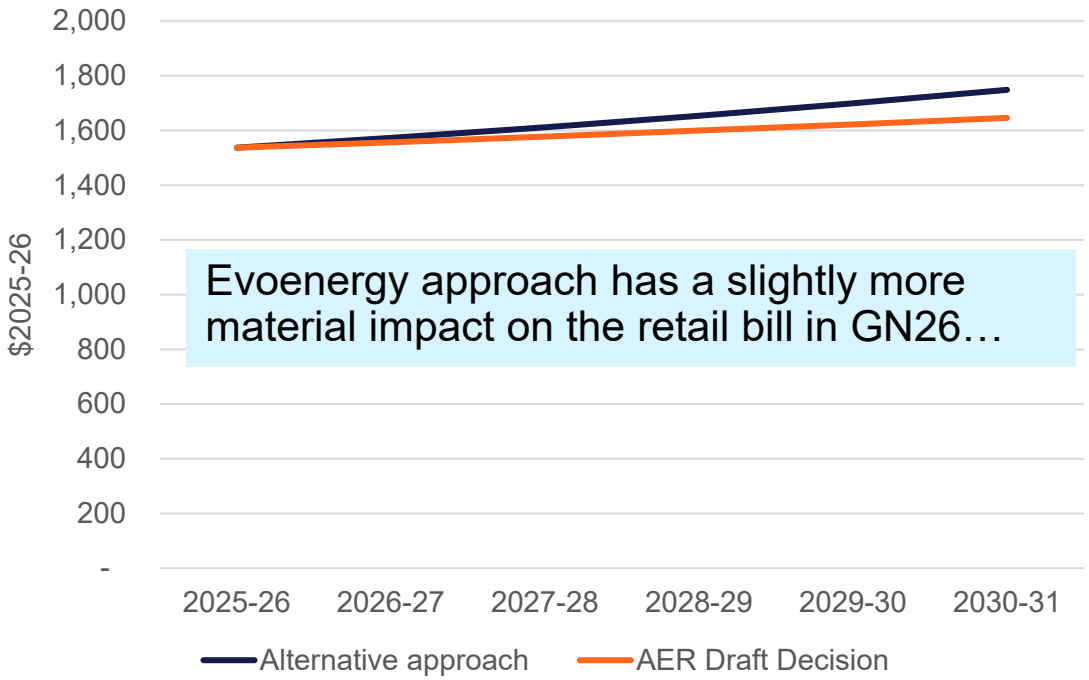
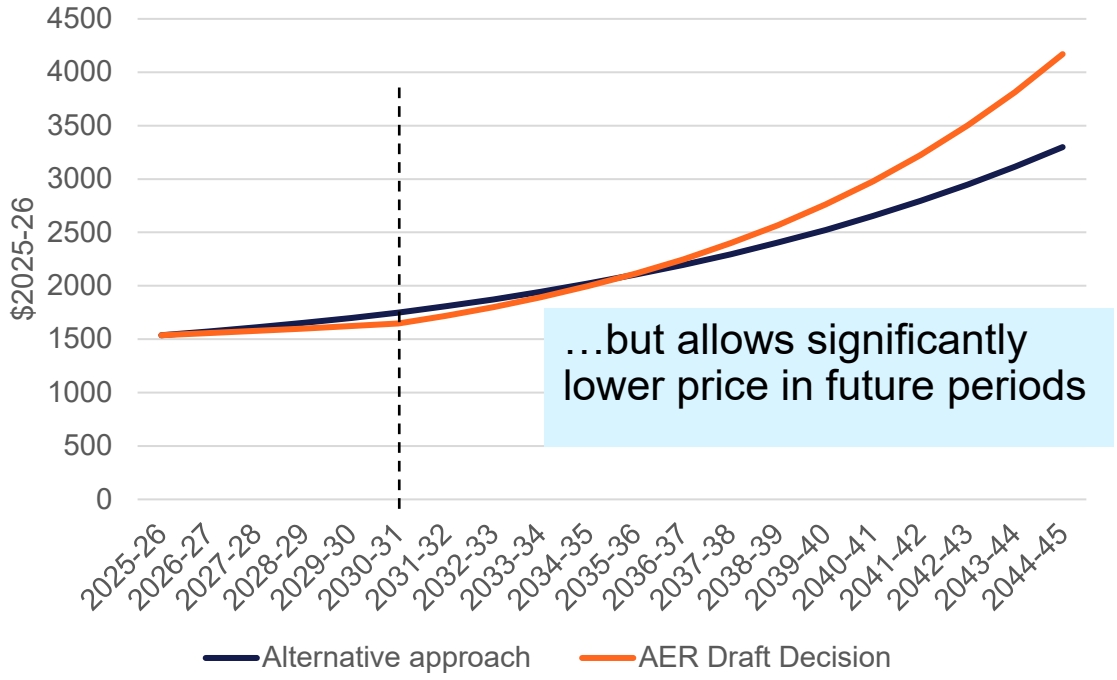
Comparing depreciation methods

To look at long term impacts, we have used an average of our demand forecast and the AER's demand forecast

Typical residential retail bill impacts





If policy changes or demand falls more slowly than forecast, we can always lower future prices. But we can never go back and share more costs with current customers in future.

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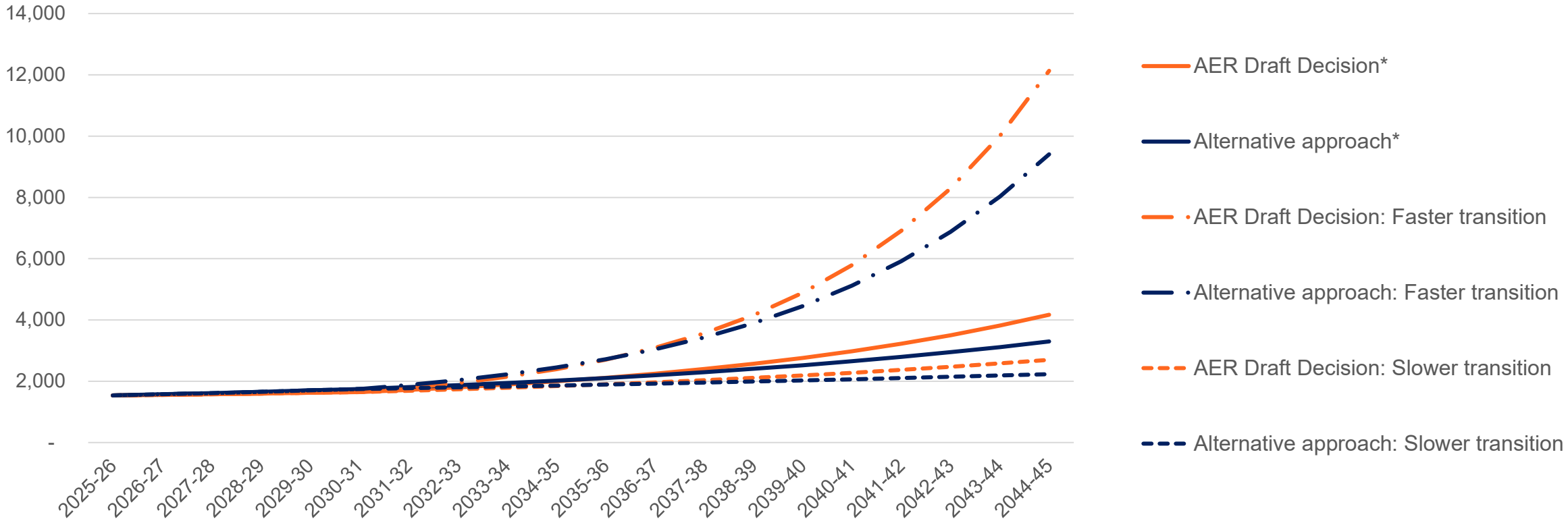
What about if demand declines slower or faster than forecast?

Comparing long term impacts of AER draft decision and alternative approach in faster or slower transition than forecast

Forecast gas retail bill for an average residential customer (today's $, including decommissioning costs)



*To look at long term impacts, we have used an average of our demand forecast and the AER's demand forecast

Questions?

Group activity 1: Accelerated depreciation

In small groups discuss these questions:

Reflecting on our values and priorities…

1. What feedback do you have on the AER's approach to depreciation?
2. What feedback do you have on our initial thinking of an alternative approach?
3. Do you have other any ideas about how Evoenergy can respond to its concerns about the implications of the AER's draft decision?

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

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Dinner break

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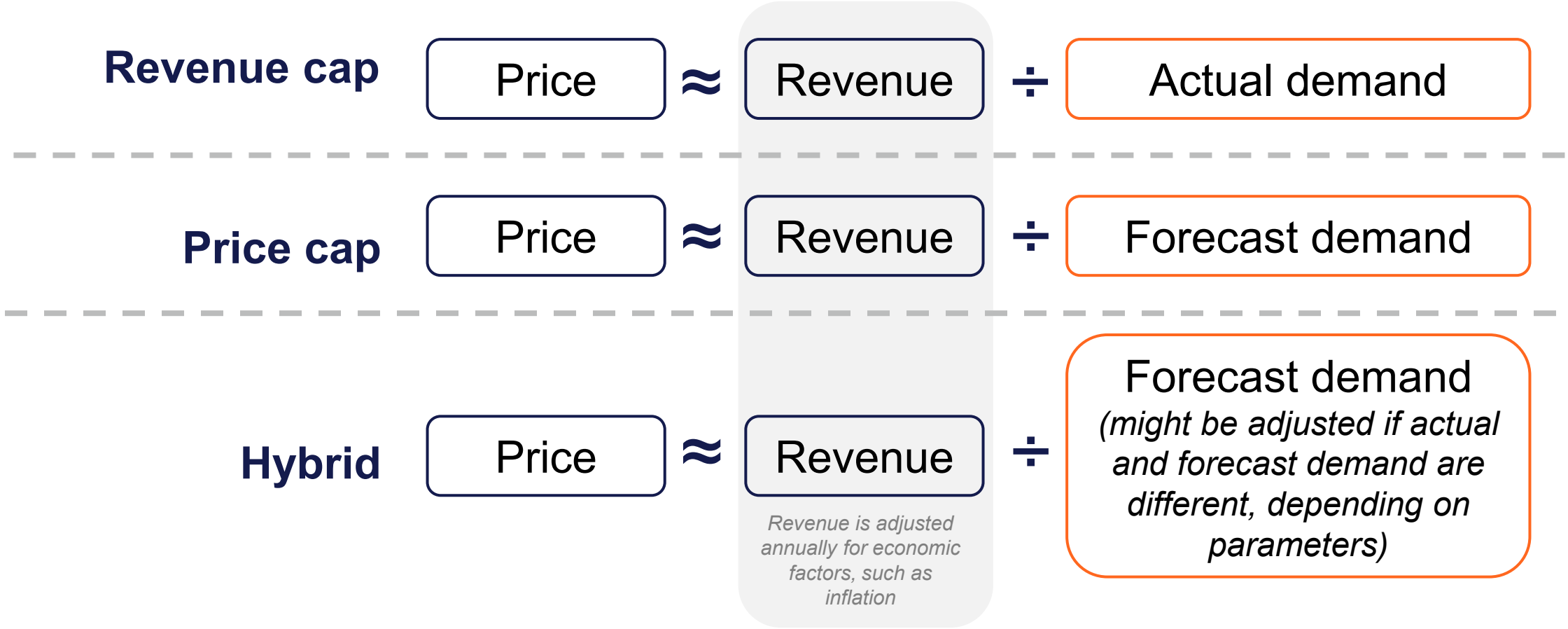
Responding to the AER's draft decision on managing demand forecasting uncertainty

Ashlyn Napier,
Principal Regulatory Economist

How are gas network prices updated?



Evoenergy customers values for gas network prices?

	Community forum ranking of considerations
1	Customers only **pay what is needed** to maintain a safe and reliable gas network
2	Low **price variability** if declining demand is faster/slower than forecast (**short term**)
3	Low **price variability** if declining demand is faster/slower than forecast (**long term**)
4	Consistency between **gas and electricity** network pricing

NSW Customer Forum feedback

A hybrid:

- could potentially smooth out impacts of forecasting uncertainty
- might encourage a slower transition
- protects customers by reducing Evoenergy's revenue to make up for lower price
- provides more certainty to Evoenergy in the 5-year period but could lead to price shocks every 5 years for customers

How will prices be updated every year?

With a five-year regulatory period, there are different ways to manage uncertain demand…

Evoenergy proposal

1. Each year **update gas prices** for:
   - actual demand
   - updated forecast demand
2. Customers only pay efficient revenue approved by AER, no more and no less
3. Evoenergy recovers only what is allowed for safe and reliable gas services, no more and no less

This is called a 'revenue cap' price variation approach

AER preferred

1. **Do not update gas prices** for actual demand or a new forecast, unless the AER's demand forecast is materially incorrect (±5% variation between actual and AER forecast demand)
2. Customers likely to pay more or less than efficient costs
3. Evoenergy likely to receive more or less than efficient costs

This is called a 'hybrid' price variation approach

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What the AER said about managing demand forecasting uncertainty through the approach to updating prices

- Noted the AER's Consumer Challenge Panel view that **customers struggle with their understanding** of the implications of the different options
- A hybrid approach, with elements of both price cap and revenue cap regulation, assigns **volume risk** to both customers and the network service provider.
- Considers this approach reduces the incentive to encourage **gas consumption** while providing protection to consumers against large price increases if demand falls faster than forecasts.
- Considers a hybrid tariff variation mechanism **reflects the changed regulatory context**, including the emissions reduction element of the national gas objective.

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

Say, we currently have **12 customers** connected, but demand will decrease.

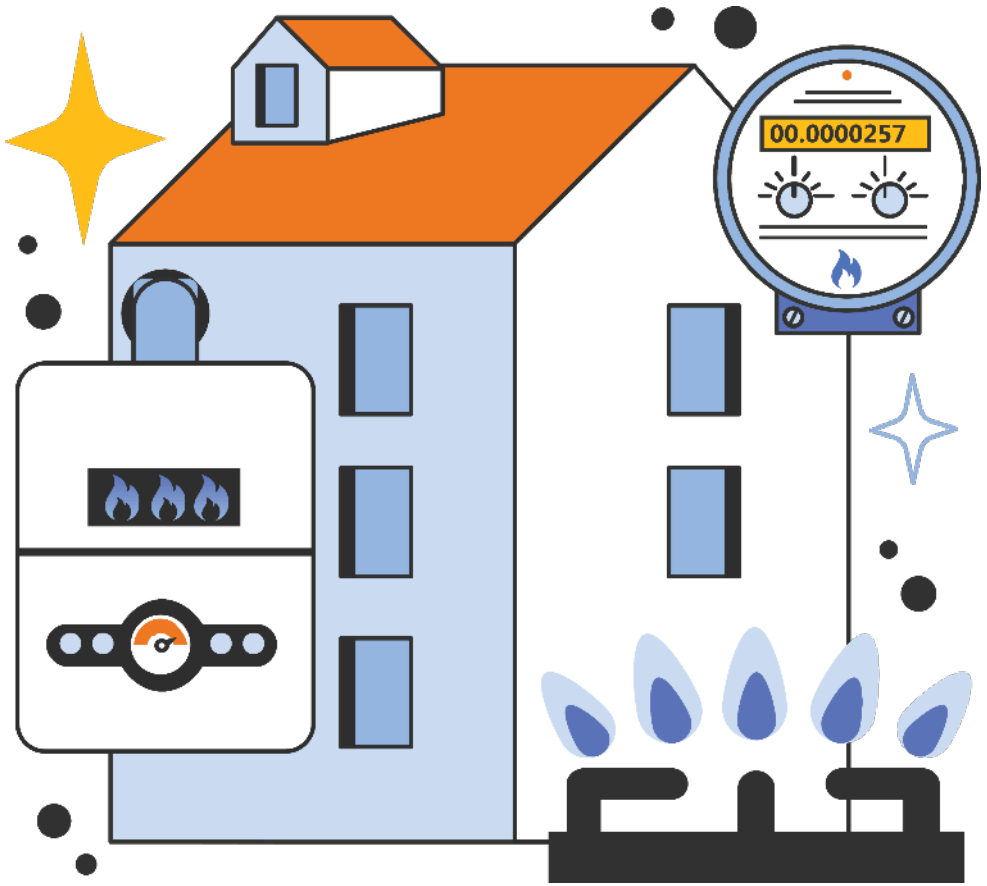
$100 ÷ 12 customers
= $8.33 per customer

This is an illustrative example.

The regulator sets the forecast demand for the next 5 years

The regulator forecast **10 customers** are connected

$100 ÷ 10 customers
= $10.00 per customer



This is an illustrative example.

If actual demand is different to the forecast

Forecast demand 10 customers paying $10.00 each = $100 network cost

		Slower transition	Faster transition	
Revenue cap (Evoenergy proposal)	Customers	**11**	**9**	Customers pay amount Evoenergy needs
	Cost to run network	$100.00		
	Cost per customer	$9.09	$11.11	
50/50 sharing hybrid	**Customer pays**	**$9.55**	**$10.56**	Customers pay more or less than Evoenergy needs
	Evoenergy revenue	$105.00	$95.00	
Narrow hybrid	**Customer pays**	**$9.64**	**$10.44**	Customers pay more or less than Evoenergy needs
	Evoenergy revenue	$106.00	$94.00	
Broad hybrid (AER draft decision)	**Customer pays**	**$9.77**	**$10.28**	Customers pay more or less than Evoenergy needs
	Evoenergy revenue	$107.50	$92.50	

This is an illustrative worked example.

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Questions?

Group activity 2: Adjusting prices to manage demand uncertainty

In small groups discuss this question:

1. Do you think a **50/50 sharing hybrid**, a **broad hybrid** or a **narrow hybrid** approach is most appropriate in Evoenergy's circumstances? Why?

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

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Discussion

1. Thinking about everything we've discussed over the last 18+ months, what do you think are the most important things for Evoenergy to consider as it prepares its revised proposal?
2. What is your final piece of feedback you would like shared with the AER as it makes it final decision?

Provide your thoughts in the online chat, via slido, or share them with the whole group by contributing to our discussion.

Final feedback to Evoenergy and the AER

Closing remarks

Megan Willcox, General Manager Economic Regulation

Wrap up 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

Heads, hand and heart

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Heads, hand and heart

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

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Thank you