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Gas Access Arrangement Regulatory Review 2026–31 (GN26)

Energy Regulatory Advisory Panel (ERAP)

Meeting 1: Thursday 7 December 2023, 1.30-4.30pm



Acknowledgement of Country



Technical housekeeping

- Turn cameras on if you can
- Keep yourself on mute while people are presenting
- Use the 'raise hand' feature or the chat for questions
- Timekeeping
- Meeting recording



Agenda

- Welcome by Evoenergy Chief Executive Officer
- Introductions by ERAP Chair
- Introduction to Evoenergy
- Overview of the regulatory process
- Role of the ERAP
- ERAP logistics
- Presentation by Energy Consumers Australia (ECA)
- Key challenges for GN26
- GN26 consumer engagement strategy: Discussion and feedback session with ERAP
- Other business
- Meeting close



Welcome

John Knox Chief Executive Officer



Introductions

Dr Andrew Nance ERAP Chair



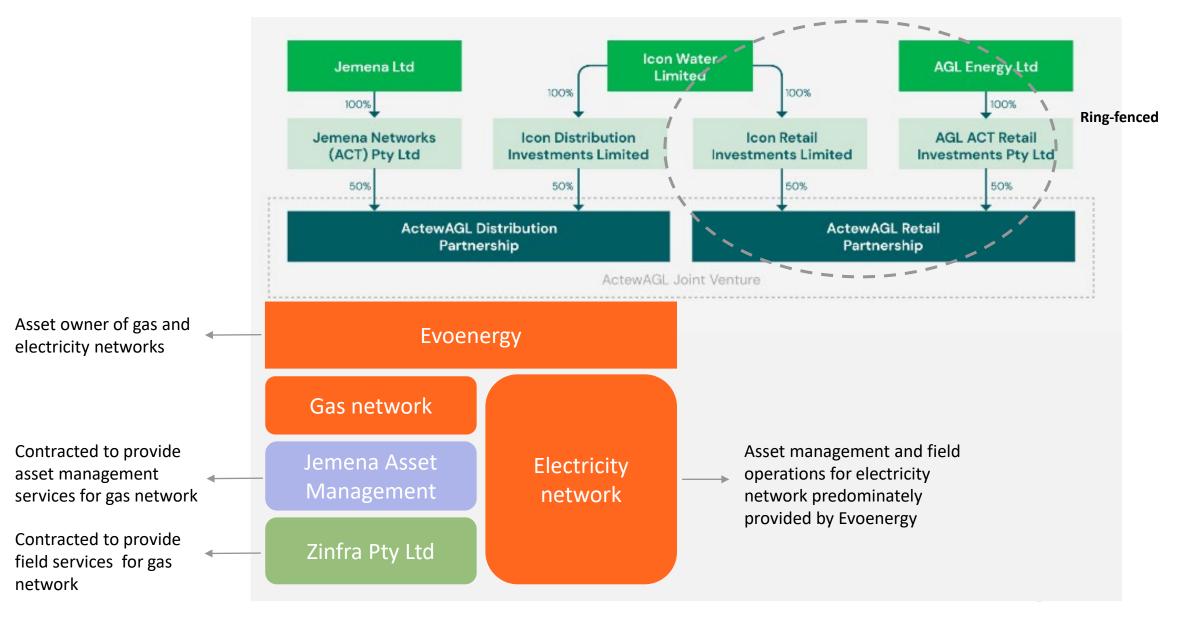
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Introduction to Evoenergy

Peter Billing General Manager, Evoenergy



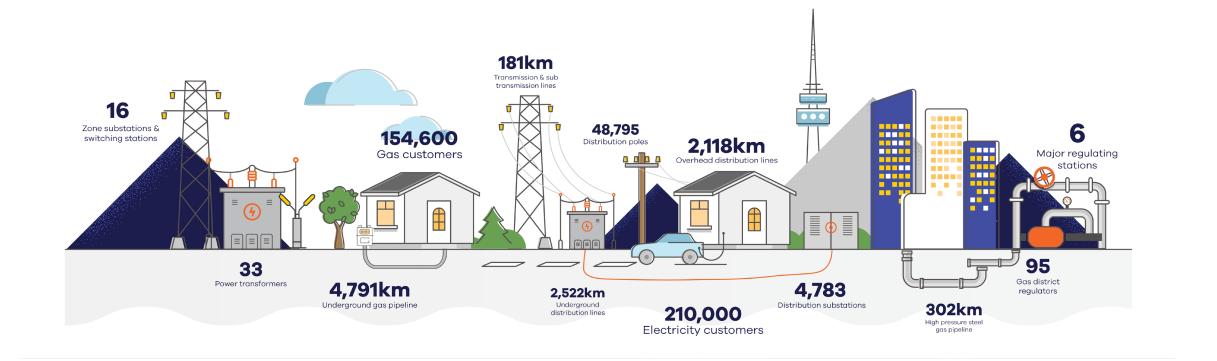
Evoenergy ownership and operational structure



Safety Share



Evoenergy's networks





Gas network overview – ACT & Queanbeyan-Palerang Regional Council (NSW)

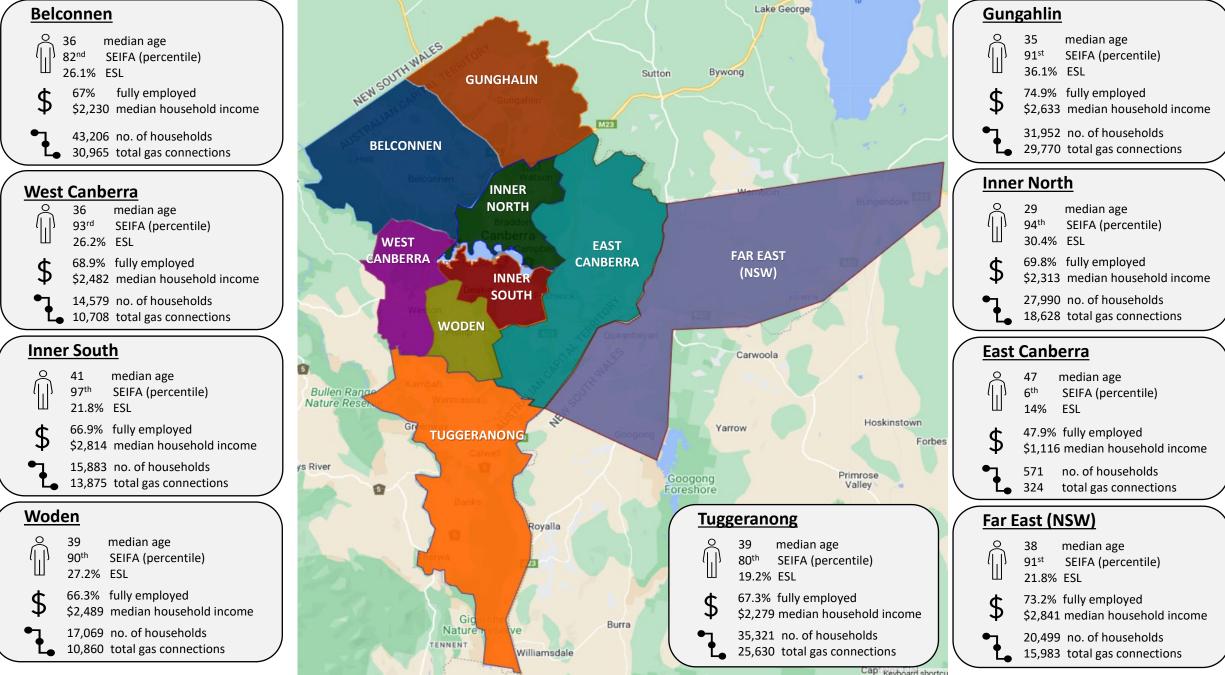


- ~ 3% of total volume of gas distributed to consumers across National Energy Market
- ~ 4% of total gas customers in the National Energy Market



Who are our gas customers?

Socio-Economic Indexes for Areas (SEIFA), Australian Bureau of Statistics (2021)



Pathway to net zero by 2045 (NZ45)



Key policy considerations

Su	m	m	а	ry	

Implications for Evoenergy's Reference Service Proposal (RSP) & Access Arrangement (AA) Proposal

ACT Government's Pathway to Electrification

commits the ACT to NZ45 and transitioning away from fossil fuel gas to renewable electricity.

<u>Climate Change and Greenhouse Gas Reduction Act 2023</u> (Part 2A(13A(1)) <u>prohibits new gas connections</u> in ACT from 8 December 2023.

<u>ACT Government's Integrated Energy Plan</u> (IEP) sets staged approach to phase out of gas.

Emissions target in the National Gas Objective sets out

jurisdictional emissions targets required to be considered by the Australian Energy Regulator (AER) when applying the NGO. For the ACT this includes:

- Net Zero by 2045 (Pathway to Electrification)
- Zero Emissions Vehicle Strategy
- Commonwealth targets (Renewable Energy Target and Energy Productivity Target)

See also the AER's <u>Amended National Energy Objectives (NEO)</u> <u>Guidance Note</u> which provides guidance on application of amended NEO to electricity determination 2024–29 proposals. RSP and AA Proposal need to take into consideration:

- IEP Stage 1 2024–30 (impacts GN26): No new connections to the network from 8 December 2023, falling volumes as customers substitute for electric appliances, increasing field work expenditure on disconnection and abolishment and cost of servicing new exempt connections.
- IEP Stage 2 2030–35 (impacts GN31): Accelerated falling demand from households, harder to transition households likely to be remaining on network. Field work focused on abolishments, early stages decommissioning and options for industrial operation/heavy vehicles.
- IEP Stage 3 2035–40 (impacts GN36): Commence phased decommissioning of the network.

RSP and AA Proposal to demonstrate a commitment to safety, reliability, security and price of network while operating in the context of NZ45 and Commonwealth targets.

Ministerial decision on value of emissions reduction is anticipated late 2023.



Wide range of ACT Government customer facing programs and incentives to drive emission reductions

- Large-scale feed-in tariffs
- Energy Efficiency Improvement Scheme (EEIS)
- Sustainable Household Scheme
- Small and Medium feed-in tariffs
- Solar for Apartments Program
- Residential Strata EV Ready Pilot Study
- Sustainable Business Program
- Energy Bill Relief Fund
- Renters' Home Energy Program
- Home Energy Support Program (rebates provided to homeowners and landlords)

- Business Zero Emissions Vehicle Grants Program
- Sustainable Schools Program
- Wood Heater Removal Program
- Renewable Energy Innovation Fund
- Community Zero Emissions Grants
- Home Energy Efficiency Program
- Next Gen Energy Storage program
- Sustainable Home Advice Program
- Community Clubs Program

Plus many more direct and indirect levers, such as building codes, standards and public infrastructure programs



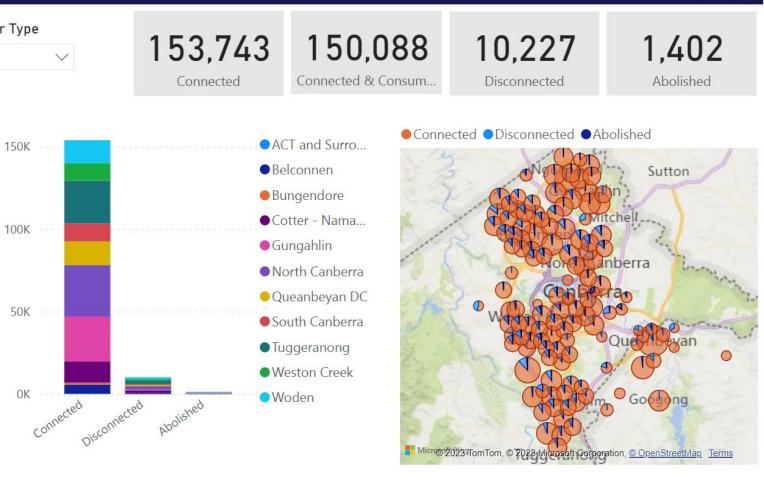
Gas Networks Connections as at Oct-23

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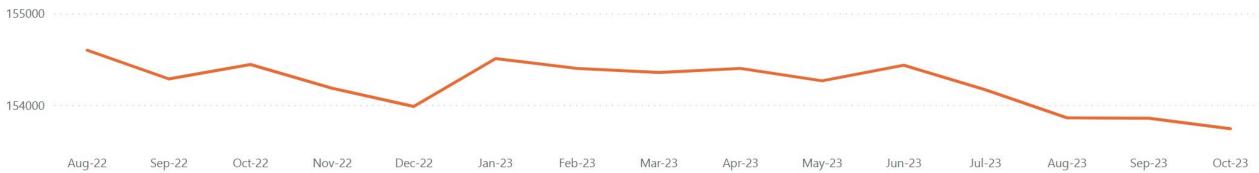
Location	Customer Ty	
All	\checkmark	All

Current Connections By Status and Location

Location	Connected	Disconnected	Abolished
± ACT	137,887	9,376	1,354
⊞ NSW	15,856	851	48
Total	153,743	10,227	1,402



Connections Over Time



Meter Type

All

Customer Count

100K

50K

OK

Overview of the regulatory process

Megan Willcox General Manager, Economic Regulation



Evoenergy is subject to economic regulation

- As a natural monopoly provider of electricity and gas network services, Evoenergy is subject to economic regulation by the AER.
- The main role of economic regulation is to set efficient prices for customers using the gas and electricity networks, while balancing customer outcomes in terms of quality, safety, reliability, security and achieving emissions reductions policies – refer to National Gas Objective & National Electricity Objectives



The national energy rules¹ set out the regulatory framework and require Evoenergy to submit investment plans and prices to the AER for assessment:

- Evoenergy's next forward investment plan for the gas network is for the period starting 1 July 2026 this is called an Access Arrangement.
- Evoenergy's next five-yearly investment plan for the electricity network is for the period starting 1 July 2024 this is called a regulatory determination. The current review is almost complete.

¹Refer to the National Gas Rules & National Electricity Rules

Evoenergy is also subject to technical (non-economic) regulation of reliability and safety by Utilities Technical Regulator, as well as industry-specific and broader workplace rules and regulations





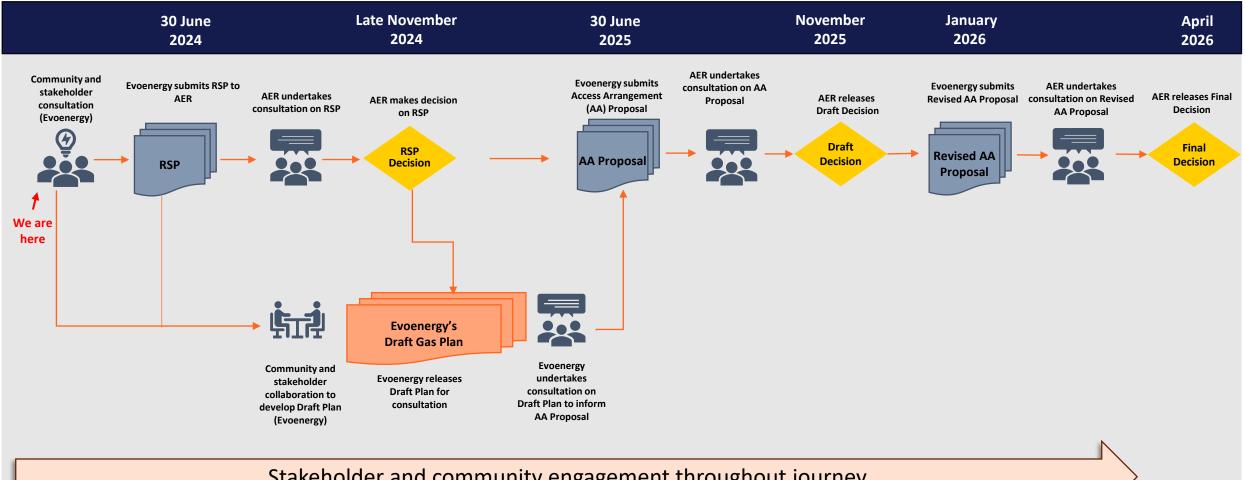
In the context of the ACT's 2045 electrification pathway, Evoenergy is seeking for its GN26 Access Arrangement Proposal to:

- \checkmark achieve the National Gas Objective
- ✓ recognise the evolving needs, priorities and preferences of our consumers
- ✓ continue to ensure safe and reliable service in the context of a changing landscape
- ✓ ensure a fair and equitable transition to 2045
- ✓ promote an efficient and responsible transition to 2045

Stakeholder and community engagement is central in achieving these objectives



The regulatory review process is a journey **GN26 key dates and deliverables**



Stakeholder and community engagement throughout journey



Key regulatory considerations

of tariff variation mechanism and tariff structures

in the RSP assessment.

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	Summary	Implications for Evoenergy's RSP and Access Arrangement Proposal
ter Resets adbook ards nsumer thric Network posals	The <u>Better Resets Handbook</u> sets out what the AER expects of a high-quality, consumer-centric regulatory proposal.	Design an engagement approach that allows for genuine and effective engagement with consumers through the regulatory process. This includes using our established Energy Consumer Reference Council (ECRC) (chaired by Rosemary Sinclair AO) and customer forums as avenues to actively seek out consumer and community views. ERAP has been established in response to feedback from the AER and Consumer Challenge Panel on the need to engage more deeply on the building blocks. Consideration of the AER's Early Signal Pathway process.
Julating gas elines under ertainty vation paper	Regulating gas pipelines under uncertainty recognises the challenges of determining appropriate regulatory measures given uncertain demand and sets out options for managing that uncertainty.	Ensure that demand risks associated with ACT's NZ45 are sufficiently substantiated to satisfy the AER to approve regulatory measures to manage uncertainty, which may include: accelerated depreciation; ex-ante compensation; costs-sharing under capital redundancy provisions; removing capital base indexation; revaluing regulatory asset base; introducing exit fees and increasing fixed charges.
iew of gas distribution work reference tariff variation chanism and declining sk tariffs gedision	<u>Review of gas distribution tariffs</u> considered the appropriateness of weighted average price caps and declining block tariffs given emissions objective in the NGO and changing consumer preferences. Final decision requires consideration	Ensure early engagement on tariff variation mechanism (form of control) and tariff structure to inform RSP for submission to the AER.



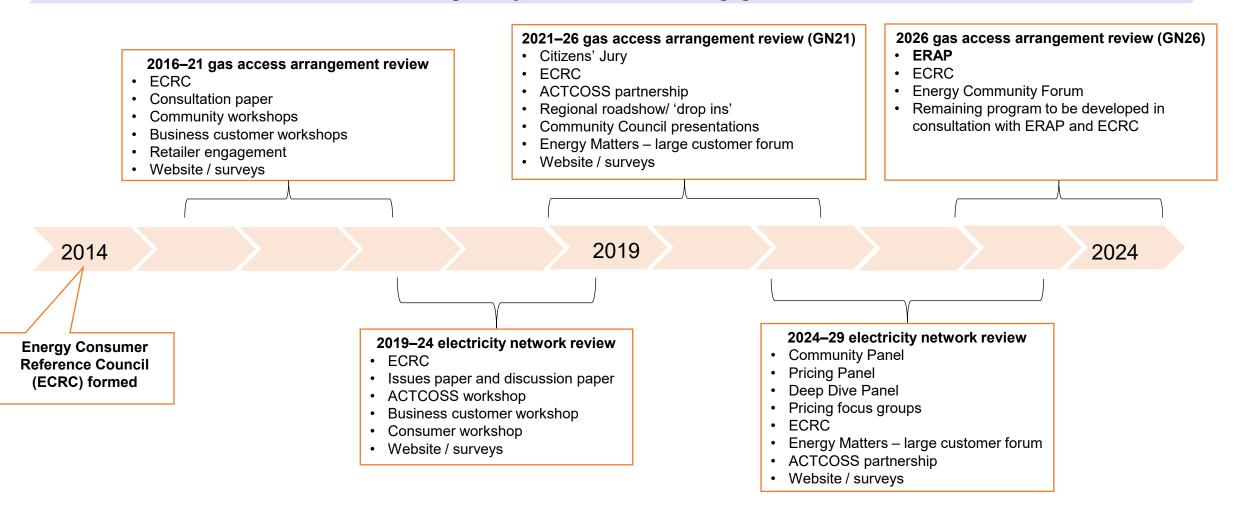
Role of the ERAP

Gillian Symmans Group Manager, Regulatory Reviews



Evolution of our consumer engagement

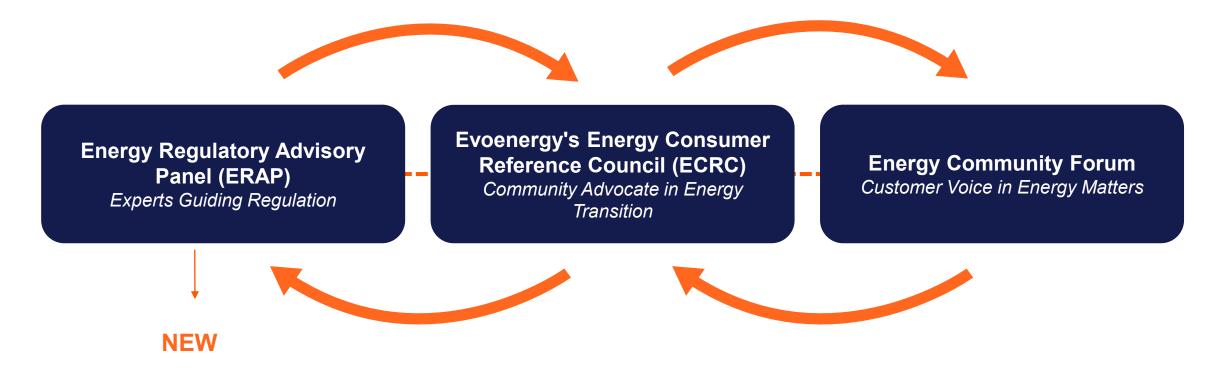
Regulatory reviews consumer engagement



BAU engagement / customer communications:

- ECRC - Community Council presentations - Website updates - Customer surveys

Evolving our approach to add depth and regulatory expertise



ERAP will add depth of engagement on regulatory elements ECRC will continue to reflect the voices of our community's representative organisations

Community forums and engagement channels will continue to reflect the diverse voices of our consumers



The role of ERAP is to help shape our GN26 proposal





ERAP logistics

Facilitator - Helen Leayr, Communication Link









Expectations

ERAP members will

- adhere to the Terms of Reference and Code of Conduct
- act with honesty, integrity, and professionalism without advocating any political or partisan interest.
- have respect for, and patience with, the views and opinions held by other panel members, subject matter experts and the Evoenergy team
- Respect the role of facilitators or guest presenters in managing discussions and panel meetings.
- commit to the process
- act in an advisory capacity by bringing insight and a customer perspective to discussions, issues, and opportunities, and promoting the long-term interests of energy consumers in accordance with the National Energy Objectives.
- when attending electronically, ensuring that the meeting is not broadcast to non-ERAP members.
- agree to Evoenergy promoting the ERAP's role including use of photographs and publication of meeting documentation and reports.
- not communicate confidential information that is discussed at the ERAP as advised by Evoenergy and the Chair, respect the position they hold regarding access to information from Evoenergy and not use this position in any way for personal gain.
- declare any actual, perceived, or potential conflict of interest in relation to a particular issue or item of discussion to the Chair as soon as the conflict (actual, perceived, or potential) arises.

Evoenergy will

- deliver a high level of organisation and logistical support to the work of the ERAP
- provide the ERAP members with appropriate, accurate and timely information
- present the ERAP members with balanced and informed subject matter experts where required
- accurately report the discussion and decisions of the ERAP
- be available to answer questions or concerns of ERAP members
- ensure that all ERAP members are treated equally, fairly and with respect



Draft terms of reference for Evoenergy's Energy Regulatory Advisory Panel

Evoenergy's Energy Regulatory Advisory Panel (ERAP) has been established to represent the longterm perspectives of our consumers and challenge Evoenergy on key issues relating to the 2026–31 Gas Access Arrangement (GN26 Proposal).

Members have been selected to represent personal and professional diversity of experiences. They are expected to provide independent and constructive feedback based on their expertise and insight during the development of the GN26 Proposal.

The ERAP is expected to form a view on the degree to which Evoenergy's GN26 Proposal addresses the long-term needs and preferences of consumers.

The ERAP does not represent consumers per se. Evoenergy will also, in collaboration with the ERAP, engage consumers directly on key issues and tradeoffs arising during the development of the GN26 Proposal in relation to price, reliability, safety and quality of services over the longer term.

The ERAP will assume responsibility for the detailed work on regulatory engagement and will provide updates to the ECRC, informing members of its work and providing opportunities to influence and contribute to regulatory engagement. The framework for our engagement approach for GN26

Functions

The functions of the ERAP Include, but are not

- Build an In-depth understanding of Evoenergy's business and key features of the ACT's energy sector, to support the provision of considered and Informed feedback across all aspects of the GN26 Proposal.
- Work to support Evoenergy's goal to operate in the long-term interest of consumers with respect to price, quality of service, reliability, emissions reduction and safety.
- Co-design the Consumer Engagement Plan for the GN26 Proposal Including scope of engagement topics and level of engagement for relevant topics, themes and engagement methodology.
- Input into the development of the GN26 Proposal, by bringing consumer views to key components of the Proposal and explore potential trade-offs between aspects of the Proposal and the longterm Interests of consumers.
- Test key aspects of the GN26 Proposal such
- 10 Evoenergy Energy Regulatory Advisory Panel Operational Guidelines

as, operating expenditure, capital expenditure, major projects, revenue path profile (including long term asset recovery), customer services and experience, approach and support for vulnerable

customers and tariff reform. Form an independent view on the degree to which the GN26 Proposal addresses the longterm needs and preferences of consumers having regard to the principles in the AER's Better Resets

Deliverables

- Provide advice on framing and communication of engagement materials to ensure they are accessible and will encourage consumer
- contributions and can support a diversity of views. Participate in reviews of engagement processes to support continual improvement of the engagement program.
- Attend scheduled meetings and deep dive sessions, meet as required to develop advice, give verbal updates to Evoenergy Executive and ECRC
- Agree with Evoenergy on the work program of the panel, appropriate timelines for key deliverables and any other milestones.
- Develop and deliver to Evoenergy, Independent reports on the GN26 Proposal as requested by Evoenergy and participate in engagement process review.

Panel Chair

The ERAP has a chair nominated by Evoenergy. The chair is responsible for:

- Overall effective functioning of the ERAP Includes managing the conduct of meetings and facilitating proper information flow to Evoenergy
- Conduct ERAP meetings in a way that encourages respectful collaboration and a diversity of viewpoints to be presented and heard.
- Lead discussions with Evoenergy executive on behalf of the ERAP on Issues subject to agreement by all ERAP members
- Endorse the agenda and record of each ERAP meeting.

Amendment, modification or variation

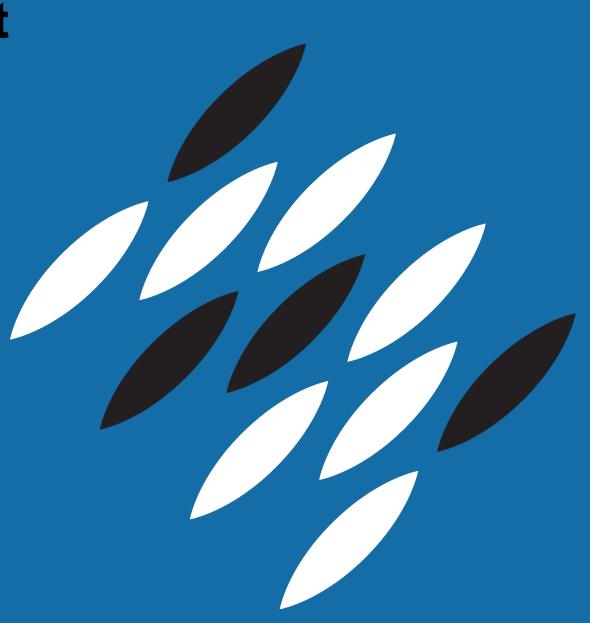
ERAP Terms of Reference may be amended, modified or varied after consultation and agreement by ERAP Panel members, and upon approval by

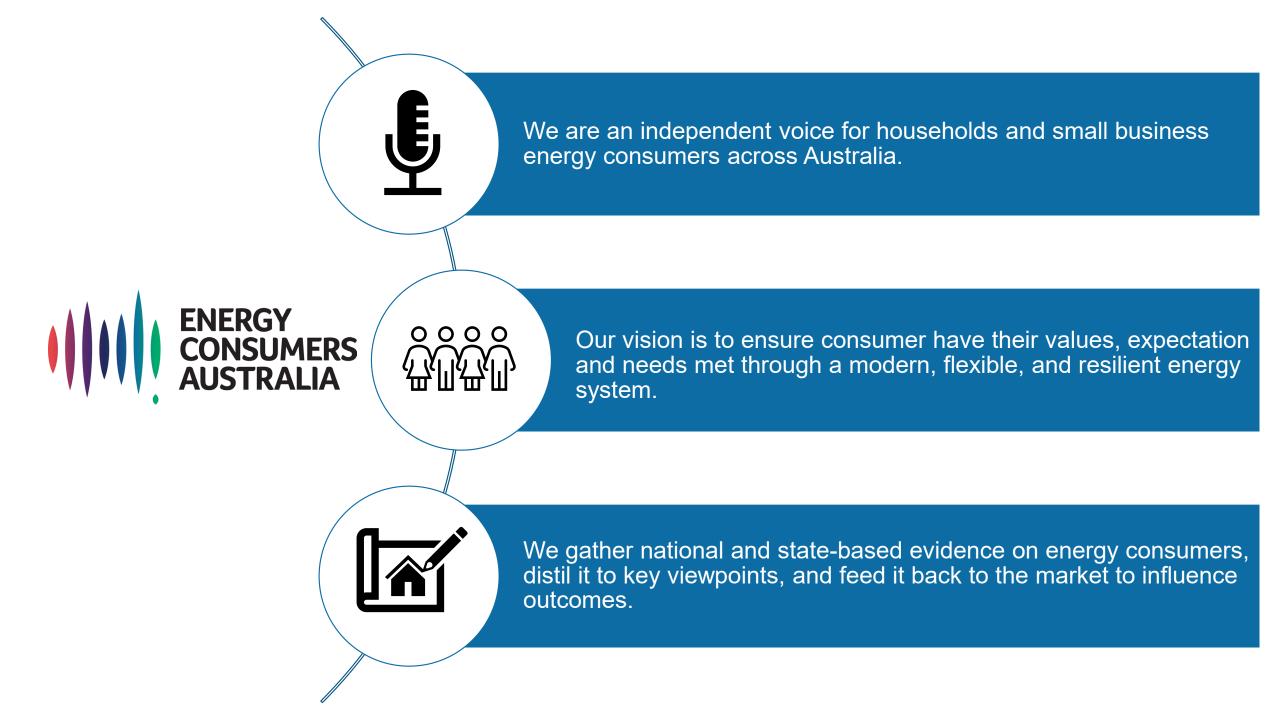


Consumer Empowerment Funding Program (CEFP)

Marie Harrowell Senior Policy Associate









ECA Grants Program Influence, Collaboration and Participation grants

ENERGY CONSUMERS AUSTRALIA

> ECA consumer research database National Energy Consumer Sentiment Survey National Energy Consumer Behavioural Survey

Latest Surveys

Sentiment Survey June 2023

Behaviour Survey October 2023 Consumers' Voice October 2022

Consumer Empowerment Funding Program



• Consumers are the reason our energy system exists. It is fundamental to how we live our lives today and will be increasingly so in the future.

• Consumers should feel equipped to influence the development of regulatory proposals in the long-term interests of all Australians.

• This ECA funding program has been established to help provide consumer voices with support to further engage and have impact on network determination processes.

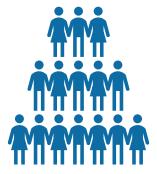
We provide funding for reset panels to access for:







Small research projects



Facilitation of broader consultation with the community

Independent report and submission writing services

Funding details

How much?

- Any individual application can be up to \$50,000.
- Panels can access up to \$50,000 per financial year.
- Reset panel members must decide in consensus how to utilise the funding given their needs and funding options.

When?

 Reset panels can apply at any time during an ongoing network reset consumer engagement process- up until the due date for the revised regulatory proposal submission to the AER.

How to apply?



- Access the online application form here.
- The application will require detail on the outcomes, benefits and impacts you anticipate the funding will have.
- We also ask you commit to providing timely information back to ECA on the project.

Marie is available for initial discussions to assist in the application process.

How does this program work alongside network support?

• Network support for consumer engagement remains essential.



- This program aims to complement existing network funding.
- We will continue to work with networks and consumer advocates to understand how our funding can be most effective in supporting consumer voices.

For more information or further discussion please contact me at:

marie.harrowell@energyconsumersaustralia.com.au

10 minute break



Key challenges for GN26

Megan Willcox General Manager, Economic Regulation



The net zero journey for the ACT creates new challenges for the regulation of the gas network

- How do we ensure fair and equitable cost recovery through to 2045 as customers progressively leave the gas network?
- How do we balance the needs and perspectives of customers who are at different stages of the electrification journey?
- How do we cost effectively decommission the network while still ensuring reliable supply to remaining customers?
- How do we maintain a safe and reliable network as customers progressively leave and disconnect their supply?
- How do we ensure our proposal supports the net zero policy goal, while neither intensifying or inhibiting customer exit or exacerbating customer disadvantage?
- How do we manage the uncertainty of how quickly our customers will transition away from gas?
- Who bears the risks and costs if our forecast assumptions are wrong?
- What role does the ACT government play in all of the above?

Have we identified the key challenges?

Have we phrased these appropriately?

What have we missed?



Specific regulatory elements have set processes and timelines

Reference Service Proposal 30 June 2024

Term of access arrangement:

• Is the five-year period still appropriate given uncertainty over the speed of the energy transition?

Form of control

 Are price caps, revenue caps or hybrids the way forward to share risk of uncertainty over customer gas demand?

Gas services

- Are there any new/changed gas services that need to be identified?
- Do any services need to be classified differently? i.e. which services are shared and paid for by all customers and which services are customer services with specific customer charges.

Access Arrangement Revision Proposal 30 June 2025

Depreciation profile:

 How should gas network asset value depreciate over next 20 years to 2045?

Demand forecasts

• How do we forecast the level of gas demand and gas disconnections over 2026–2030 to through to 2045?

Forecast expenditure and incentives

- What is the prudent level of expenditure to maintain the gas network for remaining customers?
- Are the current expenditure incentives appropriate for the transition out of gas?

Network decommissioning and service abolishments

• What approach should be taken to decommission the gas network by 2045, while maintaining safe, reliable secure supply for remaining customers?

We will engage with ERAP to help us answer these, and many more questions through the regulatory process



What we're hearing from ECRC

As we prepare for the gas transition we should consider:

- Ensuring hard to reach customers are represented and considered (e.g. CALD, renters)
- The impact on workers
- Establishing principles to guide Evoenergy's energy transition
- Lessons from other transitions (e.g. NBN rollout and removal of Telstra copper wires)
- The risks around the cost and pace of change (i.e. electricity network capacity)
- The appropriateness of existing regulatory framework





Ask. Listen. Understand. Achieve.

GN26 Consumer Engagement Strategy

ERAP discussion and feddback session Facilitator – Helen Leayr

December 2023

Consumer engagement requirements

- Better Resets Handbook
- Evoenergy's Stakeholder
 Engagement Strategy +
 engagement principles
- IAP2 Public Participation Spectrum

IAP2'S Public Participation Spectrum

The IAP2 federation has developed the Spectrum to help groups define the public's role in any public participation process. The IAP2 Spectrum is quickly becoming an international standard.

Increasing impact on the decision

Inform	Consult	Involve	Colaborate	Empower	
Public participation goal					
To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/ or solutions.	To obtain public feedback on analysis, alternatives and/ or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the classification of the preferred solution.	To place final decision making In the hands of the public.	
Promise to the public					
We will keep you Informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will Implement what you decide.	



Today's engagement strategy session

- Engagement requirements and Evoenergy's engagement principles
- Background on previous gas engagement
- Initial strategy thinking
- The discussion and feedback approach.

Evoenergy's engagement principles

We are	What this means to us	What it signifies stakeholders
Adaptive	 Tailored approaches - no one-size- fits-all Evolving alongside the changing energy landscape 	 Flexible engagement and communication to meet stakeholder needs Engagement on your own terms
Curious	 Enthusiasm for learning and exploring new ideas Embracing diverse perspectives 	 Your voice will be listened to and valued Inclusive engagement practices
Courageous	 Evaluating and enhancing our engagement practices Initiating bold conversations and seeking input 	You can hold us accountableWe will actively seek your feedback
Transparent	 Providing clear, precise, relevant and timely information Openness around the purpose, scope and outcomes 	 We will use plain language to help you make informed contributions You will be able to read reports on our engagement activities, and their impact, on our website
Committed	 Allocating time and resources for engagement Acting with integrity - doing what we say we'll do 	 Our commitment is long-term – our engagement is ongoing We will explain how your inputs influence our work and your experiences



Previous engagement tools and channels



- Citizens' Jury
- ECRC
- Online survey + content
- Smart Business Expo

- Workshops
- Deep dive sessions
- Energy Matters
- Site visits

- Regional roadshow community councils + drop in sessions
- Briefings + 1:1 consultations
- Written submissions

Target consumers

- Residential consumers
- Large customers
- CALD communities
- First Nations communities
- Vulnerable communities
- Young people
- Retailers



The net zero journey for the ACT creates new challenges for the regulation of the gas network

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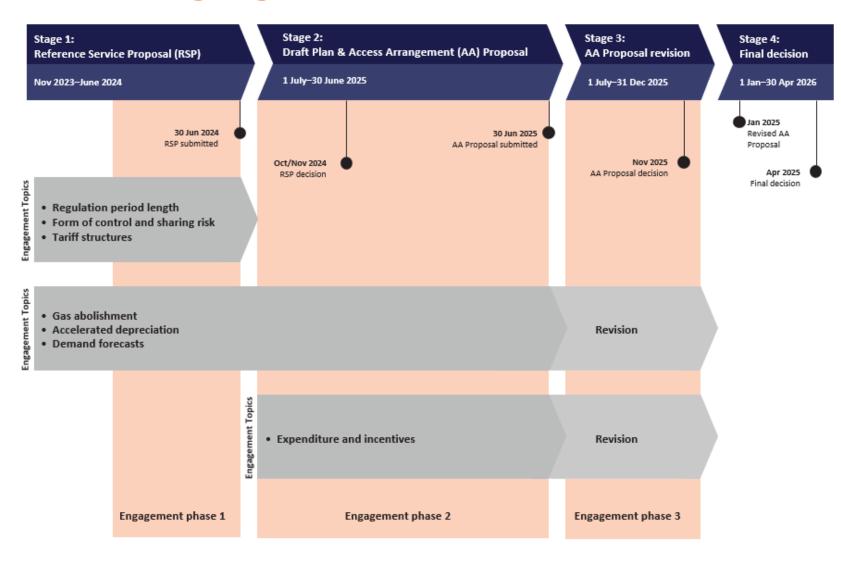
Have we identified the key challenges?

Have we phrased these appropriately?

What have we missed?



Proposed engagement timeline



Other business



Thank you and close

- Next meeting will be held in February 2024
- Draft GN26 consumer engagement strategy will be circulated out of session in February 2024
- Evoenergy ERAP contact: Yolanda Mchao, Regulatory Engagement and Project Manager

 <u>EvoenergyGN26Review@evoenergy.com.au</u>

