



Gas Access Arrangement Regulatory Review 2026–31 (GN26)

Energy Regulatory Advisory Panel (ERAP)

**Meeting 2: Wednesday 7 February 2024, 9.00am-4.30pm
ActewAGL House, 40 Bunda Street, Canberra City**

Acknowledgement of Country

Housekeeping

- Emergency exits
- Facilities
- Breaks around 11.15am, 1.00pm, 3.45pm

Welcome and introductions

Dr Andrew Nance
ERAP Chair

Declaration of any conflict of interest

Agenda

- Safety share
- Review of last meeting – 7 December 2023
- ERAP Operational Guidelines & Code of Conduct
- Priorities for ERAP
- Shaping the GN26 engagement narrative: co-design
- GN26 engagement tools and channels
- ERAP workplan
- Developing the GN26 engagement scenarios: co-design
- Recap and next steps
- Other business
- Meeting close ~4.30pm





Outcomes sought

- ✓ Agree ERAP Operational Guidelines (Terms of Reference and Code of Conduct)
- ✓ Shared commitment to role of ERAP in the GN26 proposal development
- ✓ Co-design elements of the GN26 consumer and stakeholder engagement strategy:
 - ✓ Engagement narrative
 - ✓ Engagement tools and channels
 - ✓ Agreed workplan to mid-2024
 - ✓ Engagement scenarios and underpinning assumptions for engaging with consumers

2. Safety Share

Bruce Hansen

Group Manager Gas Networks, Evoenergy

3. Review ERAP Meeting #1

Dr Andrew Nance
ERAP Chair

ERAP Meeting #1 *(pre-read meeting #1 summary)*

Meeting 1 summary: Key messages and actions

| Key message | Action | Status |
|--|--|---|
| ERAP members encouraged greater clarity on their role and delineation with ECRC. | Action 1.1: ERAP members to finalise any proposed changes to the Operational Guidelines and Code of Conduct including review mechanism. Agreement by Evoenergy and ERAP to be discussed at the next meeting. | Operational Guidelines and Code of Conduct to be endorsed in ERAP meeting #2. Evoenergy has provided further information to delineate and clarify ECRC and ERAP roles for discussion. Refer session 3. |
| ERAP members encouraged Evoenergy to view GN26 in the context of 2045 and use scenarios to support engagement with stakeholders. | Action 1.2: ERAP and Evoenergy to develop scenarios which map out the implications, challenges and opportunities of the transition to NZ45. Evoenergy to schedule scenarios workshop for early 2024. | Evoenergy has explored the role of scenarios used by other networks and developed a template for co-designing scenarios with ERAP. Refer session 8 – scenarios co-design. |
| ERAP members encouraged Evoenergy to source stakeholder feedback through existing channels and seek early and continuous engagement with the AER and Consumer Challenge Panel (CCP). | Action 1.3: Evoenergy to follow up with the AER regarding establishment of the GN26 AER project team and CCP to enable early engagement. | Recent meetings with AER indicate CCP may be established in early to mid 2024. Evoenergy will continue to follow up with AER. Evoenergy has provided an overview of key engagement themes from GN21 and EN24. Refer session 5 background. |

Operational Guidelines & Code of Conduct *(for endorsement)*

| Document | Purpose | Status |
|------------------------|--|--|
| Operational Guidelines | Establishes roles and responsibilities of ERAP members and Evoenergy | Amendments made to <ul style="list-style-type: none"> • Include updated Terms of Reference (as below) • Clarifies expectations relating to time commitment per meeting and remuneration • Clarify 'purpose' and 'about members' sections |
| Terms of Reference | Establishes purpose, functions and deliverables of the ERAP | Amendments made to <ul style="list-style-type: none"> • Include National Gas Objective (NGO) key focus areas to achieving emissions reduction targets and Reference Service Proposal (RSP) process and elements • Reference to the Code of Conduct • Insert review of Terms of Reference 12 months after commencement of ERAP • Clarify that the scope of ERAP reports will be agreed by the Panel Chair and Evoenergy nearer the date they are required |
| Code of Conduct | Confirms and manages expectations in relation to operational and behavioural conduct and real, perceived or actual conflicts of interest of ERAP members | Amendments made to <ul style="list-style-type: none"> • Include RSP process • Clarify advisory role focused on gas network consumers • To be signed by all ERAP members by end February 2024 |



4. Priorities for ERAP

Discussion Lead: Megan Willcox, General Manager Economic Regulation

Recap role of the ERAP

ERAP's role is to provide advice to Evoenergy on key regulatory issues which promote the long-term interests of gas consumers (in accordance with the NGO) through the development of the RSP and GN26 Proposal

- ✓ **Are we sincerely and effectively engaging with our consumers and stakeholders?**
- ✓ **Do we understand our consumers' values and preferred outcomes?**
- ✓ **Does our proposal have regard to those values and outcomes, and the long-term interests of consumers?**



Guiding

Helping us ask the right questions of our consumers and stakeholders

Challenging

Testing our thinking to ensure we have fully considered all the options

Expertise

Bringing your skills to the table

Reporting

Reporting back on how well we used the regulatory framework to identify, assess and manage risks to consumers during GN26 (TBC)

ERAP and ECRC: Difference in scope

Energy Regulatory Advisory Panel (ERAP)

Focus on GN26

Deep engagement on key regulatory elements – scenario formation, options identification & options assessment - to challenge/support Evoenergy to develop a RSP and GN26 Proposal which meets the National Gas Objective and appropriately manages risks of uncertainty through the energy transition

Energy Consumer Reference Council (ECRC)

Focus on ACT's energy transition

Focused on long-term strategic issues for the ACT's electrification journey - examining key challenges and considerations which can be channelled into further community engagement to understand community impacts, views and values

Interest-Influence Matrix

Comments?
Have we missed anything?

| Input to engagement stages | ERAP ERAP's role is to provide advice to Evoenergy on key regulatory issues which promote the long-term interests of gas consumers (in accordance with the NGO) through the development of the RSP and GN26 Proposal | ECRC Represent their constituents' views and interests on the ACT's energy transition |
|--|---|--|
| Development of engagement strategy | Collaborate (co-design) strategy to meet engagement expectations in the AER Better Resets Handbook | Consult on draft engagement strategy |
| Identify customer values and preferences | Informed on outcome of engagement on consumer values | Consult/Involve provide own views of values of their constituents |
| Develop guiding principles (assessment criteria) | Collaborate (co-design) on overarching principles for assessing options for regulatory elements | Consult/Involve on overarching principles for assessing options for regulatory elements |
| Develop 2045 scenarios (demand-driven) | Collaborate (co-design) define set of gas transition scenarios for engaging on and assessing the impact of various options for regulatory elements and associated customer price impacts | Inform/Consult on set of scenarios for engaging on and assessing the impact of options for regulatory elements |
| Key regulatory elements* – Options identification and input assumptions | Involve/Collaborate advise on appropriateness of options considered and approach to input assumptions | Involve when consulting on customer impacts of options |
| Key regulatory elements* – understanding consumer impacts | Involve/Collaborate advise on whether customer impacts adequately understood, considered and assessed under each option. All regulatory elements in scope. | Involve on options to understand stakeholder preferences given price/equity/service trade-offs. May poll preferences. Most impactful/relevant regulatory elements in scope. |
| Key regulatory elements* – Assess options against scenarios and guiding principles to inform Evoenergy's proposed position | Collaborate advise on extent to which Evoenergy's proposed position reflects customer engagement outcomes and promotes the NGO | Inform through updates on submission |
| Report back | TBC consider how well Evoenergy used the regulatory framework to identify, assess and manage risks to consumers during GN26, in context of 2045 energy transition | No feedback from meetings minuted/summarised |

*Key regulatory elements include the Tariff Variation Mechanism, tariff structure, abolishment and decommissioning costs, accelerated depreciation and other TBA

ERAP CO-DESIGN

Key topics: indicative timeline

RSP Due
30 June 2024

AER non-binding
decision by Dec
2024

Evoenergy
Draft Plan Dec 2024
(TBC)

AA Due
30 June 2025

Stage 1: RSP (Jan-Jun 2024)

Stage 2: Draft Plan and AA Proposal (Jul 2024 – Jun 2025)

Stages
3 & 4

| | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 |
|-------------------|--------|---------------|-----------------------|---|--------|---------------|------------------|--------|--------|----------------------------------|--------|------------|--------|-----------------------------|--------|--------|-------------------|--------|
| ERAP | | Eng. Strategy | TVM / RSP / AA length | Demand/ Tariff Str | RAB | Report on RSP | Abols/ Decom. | | | Draft Plan eng. Expend. approach | | TBC | | Review approach for AA eng. | | TBC | Report on AA eng. | |
| Community Forum/s | | | 1. Values/ outcomes | 2. TVM / RSP / AA length 3. Demand/ Tariff Str | 4. RAB | | 5. Abols/ Decom. | | | Expend. approach | | Draft Plan | | TBC | | TBC | | |
| ECRC | | Eng. Strategy | | TVM / RSP / AA length Demand/ Tariff Str | | Abols / Decom | | RAB | | Expend. approach | | Draft Plan | | TBC | | TBC | | |
| Retailers | | | RSP | | RSP | | | | | | | | | AA | | AA | | |
| Large customers | | | RSP | | RSP | | | | | | | | | AA | | AA | | |

AA: Access Arrangement
 Abols/Decomm: abolishments and decommissioning
 Eng: engagement
 Exp. approach: expenditure approach
 RSP: Reference Service Proposal
 Tariff Str: Tariff structure
 TVM: Tariff variation mechanism



5. Shaping the GN26 narrative: co-design session

Facilitator: Helen Leayr, Communication Link

Background: Community views heard through GN21 and EN24

Gillian Symmans, Group Manager Regulatory Reviews

GN21 engagement feedback themes and messages

Environmental sustainability

- Support for environmental sustainability was a key driver for many consumers

Responsible transition

- Limit expansion to a net zero energy supply and some expect cessation of expansion altogether
- Research into future energy options, costs and impacts
- Mixed views on accelerated depreciation
- Concern for impact of transition on vulnerable consumers

Affordability and fairness

- Concern for affordability especially for vulnerable consumers
- Concern regarding declining usage rate -> not progressive and may not equally benefit low-income households with lower gas usage per quarter
- Support for simpler tariffs
- Look for opportunities to drive further efficiency

Safe and reliable service

- Expect continued prioritisation of reliability and safety, and maintenance of infrastructure

EN24 engagement messages

Engagement messages

Take action towards achieving a net zero future

Ensure network tariffs are fit for future users of the network

Maintain reliability but make decisions that balance this with cost

Play a key role in enabling distributed energy resources

Play a bigger role in communicating with and informing the community

Provide affordable electricity supply services

- Prioritise investment in preparation for net zero 2045
- Move quickly to reduce emissions in the network
- Support the increase in distributed energy resources
- Remain responsive to government policy
- Keep customers informed during the transition

- Design tariffs that are:
 - fair and equitable
 - responsive, adaptive and flexible to current and emerging customer needs
- Work in collaboration with retailers to ensure consumers are well educated on the impact on their bill and why

- Minimise consumer impacts, especially vulnerable customers, when scheduling works
- Prioritise timely notification of unplanned outages through multiple communication channels
- Support vulnerable customers, low income or those with a disability

Co-design of GN26 engagement narrative

Recap ERAP Meeting 1 co-design dashboard *(pre-read dashboard report)*

Dashboard Report GN26 engagement co-design

Energy Regulatory Advisory Panel Meeting 1 | 7 December 2023

This report details feedback from this short co-design session which will be used to inform development of the GN26 Consumer and Stakeholder Engagement Strategy for further consideration by the ERAP

GN26 timeline

- We need to start engaging now
- Consider how GN26 will lay the foundation for the next 22 years
- Noted key dates within the GN26 timeline, particularly the Reference Services Proposal (RSP) due in June 2024
- Use all the time available and when making decisions allow time for checks and adjustments if necessary
- Consider appropriate resource allocation within Evoenergy

Engagement topics

- Shutting down the network:
 - decommissioning, abolishment (cost impacts and pace; what is fair allocation of costs and risks; implications for safety and reliability)
 - accelerated depreciation (price impacts)
- Consumer values: consumer-choice, fairness and equity
- Managing risk and uncertainty: sharing between business and consumers (tariff variation mechanism (TVM)/ length of access arrangement, accelerated depreciation, demand profile)

Engagement methods

- Host a consistent community panel/forum across the engagement for ongoing guidance and review
- Leverage existing feedback/engagement activities
- Include NSW customers
- Emphasis on using multiple engagement methods and triangulating to comprehend varying consumer perspectives and areas of commonality
- Forward looking to 2045 and ACT's Net Zero by 2045 target

Challenges/Opportunities

Developing scenarios

- Consider creation of scenarios for the transition to 2045 to highlight challenges and opportunities
- Consider
 - how to seek agreement on Evoenergy's scenarios
 - how to seek agreement on triggers and impacts
 - price fluctuations and influence on customer behavior
 - age of household assets - behind-the-meter cost assessment and impacts on customer behaviour
 - impacts on customer choice in different scenarios
- Is there a technical tipping point that impacts safety and reliability? Consider customer expectations of safety

Talking with consumers and stakeholders

- Use customer-centric consultation
- Consider
 - Intergenerational equity considerations
 - How to determine fairness with stakeholders, in terms of risks and benefits over 22 years
 - Partnering with ACT Government, AER, and consumers to determine what is fair
 - Framing conversations around both individual and collective experiences
- 1-on-1 engagement with large customers and retailers
- Map stakeholder engagement to regulatory process
- Undertake detailed customer analysis to inform engagement (consumption patterns, demographics, business nature)
- Draw on stakeholder feedback from EN24
- Note that engagement on the RSP will require capacity building in consumers due to complexity of subject matter
- Reference business data sets across all stakeholder segments

Regulatory and Policy

- Consider the AER's position on accelerated depreciation and abolishment in recent regulatory proposals
- Challenges associated with evolving RAB requirements
- Requirement for TVM in RSP is not in the National Gas Rules (note that the AER will make a non-binding decision)
- Acknowledging the influence of ACT Election cycles on pace of change and expectations
- Consider impacts of legislative and policy drivers, including mandatory abolishment, more incentives for energy transition, support for vulnerable consumers to transition
- Consider how to best involve the ACT Government while developing the regulatory proposal
- Understand the relationship/alignment with electrification program

Is the
narrative
appropriate?

GN26 engagement narrative....

The transition is underway with customers already switching their homes to electricity.

We need to better understand the plans and values of our customers, so that we can make informed decisions for the next five years as well as the next twenty.

Why we are engaging – the key message

Have we got our key messaging right?

- Canberra is entering a period of enormous change, as we become the first Australian jurisdiction to move all our energy customers off the natural gas network.
- The ACT Government has legislated that no fossil fuel gas will be used in the ACT after 2045. It is already working with homeowners and businesses to switch from natural gas to electricity. The ACT Government's Integrated Energy Plan sets the pathway for a phased customer exit from the gas service and subsequent decommissioning of the gas network.
- As the owner and operator of the ACT's energy networks, Evoenergy will play a leading role in managing this change.
- One thing we do know is that all Evoenergy customers will be impacted by the energy transition.
- We have lots of decisions to make. There are options and trade-offs to be deliberated, and the uncertain environment presents risks to both customers and the energy network that need to be considered. The transition needs to be safe and efficient, and we want to minimise impacts and costs for customers while allowing network costs to be recovered.
- We need input from the community and stakeholders to help map out a fair and equitable transition path.

The transition has never been done before....

- **There are many things we don't know, such as how quickly Canberrans will switch to electricity.**
- **Will some suburbs switch very quickly, while other areas take longer?**
- **Will some business operations be more difficult to transition than others?**
- **How do we manage the uncertainty of who will transition when?**
- **What is the best way to safely decommission the gas network while maintaining service quality and minimising customer inconvenience?**
- **How do we recover the costs of decommissioning?**
- **How do we fairly and equitably recover the cost of assets that we thought would last 50+ years and will soon be obsolete?**

Engagement topic: Gas demand

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

Key messaging

- There is more uncertainty than ever around future gas usage
- The ACT Government has passed legislation that bans new gas connections from December 2023, which will obviously define future connection rates but does not provide certainty about existing connections, gas usage and rates of disconnection
- A key aspect of planning for the next five years is to anticipate how much gas will be used by customers, including how many disconnections there may be
- The assumptions we make about future gas consumption have a significant impact on how we will operate the network and our network prices
- With such levels of uncertainty and the need to make assumptions regarding future gas consumption early, it may be time to consider the suitability of the five-year regulatory period

Engagement considerations and questions

- Understanding future demand for gas, including the potential rate of decline, is important but challenging
- Should we be more concerned about the uncertainty of gas demand now than before?
- How important is it that we effectively manage gas demand?
- What are the various ways of managing gas demand uncertainty?

Engagement topic: Risk sharing

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

Key messaging

- Understanding future demand for gas, including the potential rate of decline, is important, but challenging to get right
- This uncertainty is prompting Evoenergy to consider options for different pricing models for the next five years
- There are a number of options including a price cap, a revenue cap or a hybrid-approach
- Depending upon the model adopted, the risk/reward of demand uncertainty is shifted between the customer and the network
- The decision over the option to take and the risk sharing, may also depend on when the demand forecast could be reset

Engagement considerations and questions

- In considering which approach to take, we need to understand how customers feel about the risks associated with the different options, including who bears the risk and how big the risk is?
- How should we share the risks/rewards between customers and the network?
- Over what time frame might it be appropriate for customers/networks to share the uncertainty risk?

Engagement topic: Tariff structure

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

Key messaging

- A tariff describes how and how much you're charged for the energy you use - there are a range of ways tariffs can be structured including fixed supply charges and usage-based charges
- The tariff structure for the next regulatory period needs to be considered in the context of the anticipated and uncertain rates of declining gas usage in the region, and impacts on different types of customers
- The current structure encourages greater use of the gas network through declining rates based on gas usage - This may not be appropriate as we see customers move off the gas network
- It is important to consider the most appropriate tariff structure in this period of transition, while balancing cost recovery and customer impacts

Engagement considerations and questions

- What impact will different tariff structures have on the pace of customers moving away from gas?
- What impact will tariff structures have on different types of customers?
- What should tariffs look like as we balance declining customer numbers with continued (and possibly increasing) costs associated with network operation and decommissioning? E.g., Should we reconsider the declining block tariff? Should we reconsider the supply charge?

Engagement topic: Switching off the network

Key messaging

- As customers progressively leave the gas network, we need to consider the best way to manage the transition to switching off the network
- There are different ways to manage shutting the network down, as customers exit:
 - Temporary disconnection of gas at the customer's meter
 - Permanent abolishment of the customer gas service from the mains in the street to the house
 - Decommissioning the network at the street or suburb level
- Each option has different impacts for safety, costs and service availability for other customers
- The optimal approach may change over time as more customers exit

Engagement considerations and questions

- How do we ensure the network remains safe while gradually shutting off the network?
- Who should bear the costs of shutting off the network, in the short term and long term?
- How do we balance customer choice to remain on gas with the higher cost of shutting off house by house rather than suburb by suburb?
- What is the most cost effective and fairest approach for all customers?
- Can decommissioning be effectively and efficiently brought forward?
- What is the tipping point where it is no longer efficient to continue to maintain a safe and reliable network for a small number of customers?

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

Engagement topic: Recovery of costs with a declining customer base

Comments?
Have we missed anything?

Key messaging

- Network costs are typically recovered over a long time period (~80 years) to share the costs over multiple generations of users
- However, in line with the ACT Government's net zero by 2045 target, assets already built are now likely to become obsolete before the end of their useful lives
- The numbers of customers using the gas network is also declining which means the costs of the assets are spread over fewer and fewer customers over time.
- It is important to start planning for how these costs are recovered over time and across customers over the next five to twenty years

Engagement considerations and questions

- What is the appropriate approach to recover the remaining costs of assets built before today that will no longer be used for their full life (past 2045)
- What is the appropriate approach to recover the costs still required to maintain a safe and reliable network through the transition?
- Who should pay to recover these costs and over what timeframe?
- What are the price impacts and equity considerations for customers that stay and those that leave?

15-minute break

6. GN26 engagement tools and channels

Discussion Lead: Yolanda Mchao, Regulatory Engagement Project Manager

How we will engage

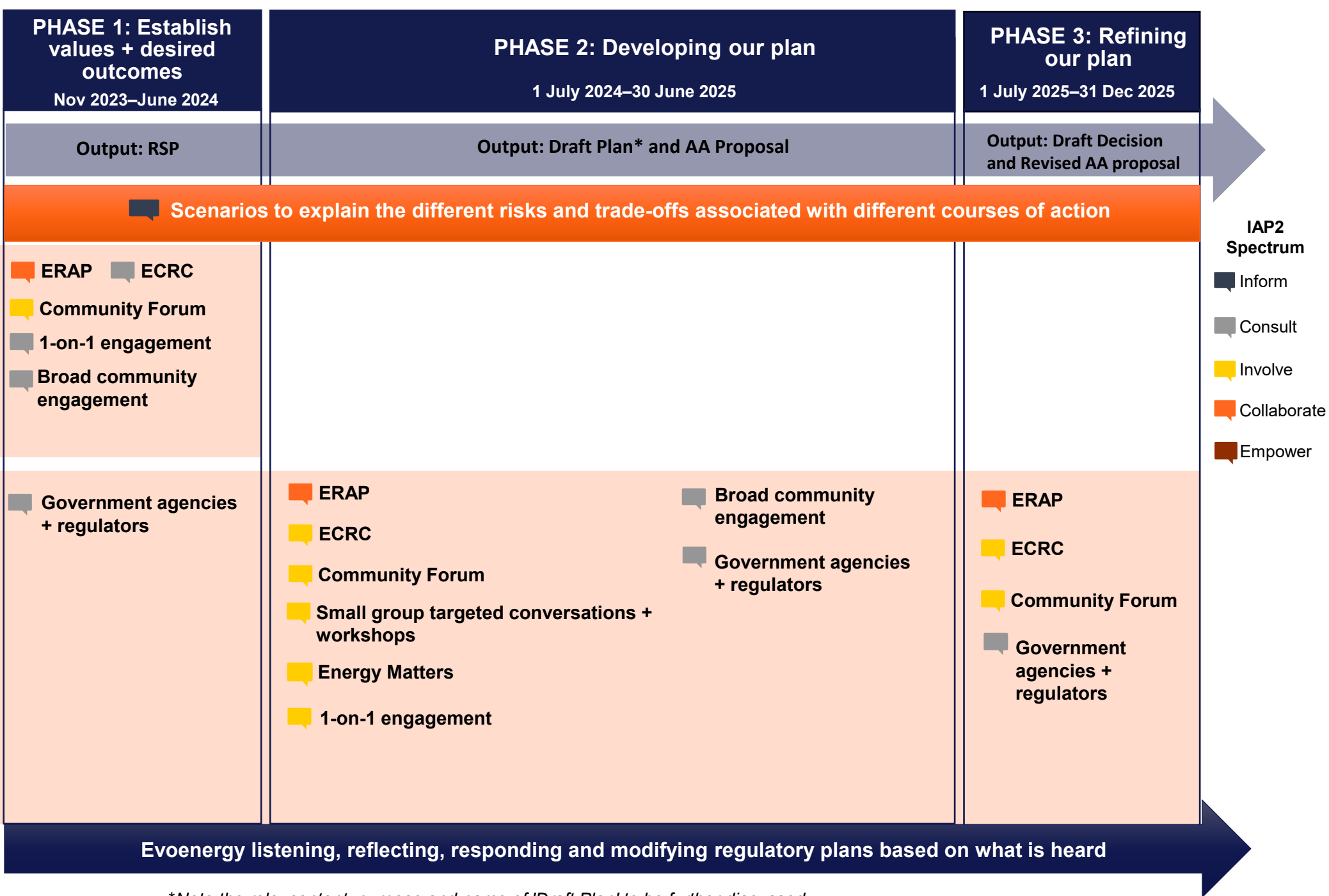
To understand the views of our customers and stakeholders our engagement program will:

- Inform our gas network regulatory proposal for the period commencing July 2026
- Continue the important energy transition conversation that began in 2019 and will continue to 2045
- Hear from a diverse range of voices including:
 - **Technical expertise** through our ERAP
 - Long-term **consumer advocates** and partners through the ECRC
 - **Residential customers**, including older people, young people, culturally and linguistically diverse people and vulnerable customers through our customer forums and small-group conversations
 - **Large customers** through our large customers forum
 - **Industry** representatives through our existing relationships and meeting programs
 - **Retailers** through one-on-one conversations
 - **Broader community** through various channels e.g. customer research, our website, social media, etc.
- Continuously engage with key stakeholders, including government agencies and regulators
- Seek feedback on community and stakeholder views on:
 - Values with respect to **fairness and equity across customers** that may be impacted differently by the transition
 - Managing the **risks associated with uncertain demand forecasts** and the impact on **future gas tariffs** as the number of gas customers falls
 - Trade-offs that will impact on **customer prices and service quality** over the next 20 years
 - Preferences for **safely decommissioning the network and recovering investment costs**
- Use a range of scenarios to help our community and stakeholders understand the risks and uncertainties associated with different options and provide informed feedback

How our consumers & stakeholders will be heard

| | Channel | | | | | | |
|--|---------|------|---|----------------------|-------------------|---|--|
| Stakeholder segment | ERAP | ECRC | Community Forum (deep dives into core topics) | Large Customer Forum | 1 on 1 engagement | Small group, targeted conversations and workshops | Other various channels (e.g. customer research, website, social media) |
| Residential | | • | • | | | | • |
| Small-medium businesses | | • | • | • | • | | • |
| Large customers | | • | • | • | • | • | • |
| Industry (e.g. gas fitters) | | • | | | • | • | |
| Retailers | | | | • | • | | • |
| Government agencies and regulators | | | | | • | | • |
| Consumer advocates | | • | | | | | • |
| Youth/ CALD/ First Nations | | • | • | | | • | • |
| Aggregate consumer (long-term interests of the consumer) | • | | | | | | |

Engagement journey



IAP2 Spectrum

- Inform
- Consult
- Involve
- Collaborate
- Empower

**Note the role, content, purpose and name of 'Draft Plan' to be further discussed*

Discussion....

Have we missed a consumer cohort or segment?

Suggestions for engaging with hard-to-reach consumers?

Lessons from previous processes/proposals - what have you seen done well / not so well?

What would be the most effective role, content and purpose of a Draft Plan?



7. ERAP workplan finalisation

Leah Ross, Economic Regulatory Manager

ERAP CO-DESIGN

Key topics: indicative timeline

RSP Due
30 June 2024

AER non-binding
decision by Dec
2024

Evoenergy
Draft Plan Dec 2024
(TBC)

AA Due
30 June 2025

Stage 1: RSP (Jan-Jun 2024)

Stage 2: Draft Plan and AA Proposal (Jul 2024 – Jun 2025)

Stages
3 & 4

| | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 |
|-------------------|--------|---------------|-----------------------|---|--------|---------------|------------------|--------|--------|----------------------------------|--------|------------|--------|-----------------------------|--------|--------|-------------------|--------|
| ERAP | | Eng. Strategy | TVM / RSP / AA length | Demand/ Tariff Str | RAB | Report on RSP | Abols/ Decom. | | | Draft Plan eng. Expend. approach | | TBC | | Review approach for AA eng. | | TBC | Report on AA eng. | |
| Community Forum/s | | | 1. Values/ outcomes | 2. TVM / RSP / AA length 3. Demand/ Tariff Str | 4. RAB | | 5. Abols/ Decom. | | | Expend. approach | | Draft Plan | | TBC | | TBC | | |
| ECRC | | Eng. Strategy | | TVM / RSP / AA length Demand/ Tariff Str | | Abols / Decom | | RAB | | Expend. approach | | Draft Plan | | TBC | | TBC | | |
| Retailers | | | RSP | | RSP | | | | | | | | | AA | | AA | | |
| Large customers | | | RSP | | RSP | | | | | | | | | AA | | AA | | |

AA: Access Arrangement
 Abols/Decomm: abolishments and decommissioning
 Eng: engagement
 Exp. approach: expenditure approach
 RSP: Reference Service Proposal
 Tariff Str: Tariff structure
 TVM: Tariff variation mechanism



| Meeting | Meeting 2 7 Feb | Meeting 3 Mid-late March (~15-20/3) (Canberra Day 13/3, Easter 29/3-1/4) | Meeting 4 Late April (~19-23/4) (Anzac Day 25/4) | Meeting 5 Mid-late May (~29/5) (Reconciliation Day 27/5) | Meeting 5 Mid-June (~15/6) (King's Bday 10/6) | Meeting 6 Late July (~24 July) | Meeting 7 Early October (~8 October) (Labour Day 1/10) | Meeting 8 Feb-March 2025 | Meeting 9 May-June 2025 |
|---|--|---|---|---|--|---|--|--|---|
| Items for discussion Consider, challenge and guide | Agreed <ul style="list-style-type: none"> Workplan Oper. Guidelines Codesign <ul style="list-style-type: none"> Eng. narrative Eng. scenarios Eng. tools | Consider, challenge and guide: <ul style="list-style-type: none"> Approach to Tariff variation mechanism, reference services and length of Access Arrangement (options to manage risk and uncertainty: risk-sharing approaches and trade-offs) Evoenergy share feedback from other engagement | Consider, challenge and guide: <ul style="list-style-type: none"> Approach to demand forecasts (elasticity of demand project) and tariff structure Evoenergy share feedback from other engagement | Consider, challenge, guide: <ul style="list-style-type: none"> RAB recovery options (accelerated depreciation) RSP approach Evoenergy share feedback from other engagement | Evoenergy report back on: <ul style="list-style-type: none"> Final RSP approach RSP approach | Consider, challenge, guide <ul style="list-style-type: none"> Abolishments/ decomm Evoenergy share feedback from other engagement | Consider, challenge, guide: <ul style="list-style-type: none"> Expend. Strategy Draft Plan engagement AER RSP (if avail.) Evoenergy share feedback from other engagement | Consider, challenge, guide <ul style="list-style-type: none"> Review strategies for AA proposal Evoenergy share feedback from other engagement | |
| | | | | | | | | | |
| Prepare | | | | | <i>Report on Evoenergy's use of the regulatory framework to identify, assess and manage risks to consumers during GN26 RSP (TBC)</i> | | | | <i>Report on Evoenergy's use of the regulatory framework to identify, assess and manage risks to consumers during GN26 AA (TBC)</i> |
| Other meetings | <ul style="list-style-type: none"> ECRC 15/2 | | <ul style="list-style-type: none"> ECRC 11/4 Comm. Forum 1 (values/outcomes) Comm. Forum 2 (TVM/RSP) Comm. Forum 3 (Demand/tariff str.) | <ul style="list-style-type: none"> Comm. Forum 4 (RAB) | <ul style="list-style-type: none"> ECRC 20/6 | <ul style="list-style-type: none"> Comm. Forum 5 (abolish/ decomm) | <ul style="list-style-type: none"> ECRC 24/10 | | |

Draft workplan

Papers / presentation circulated 1 week in advance

Discussion....

Are there additional topics that need to be considered before June 2024 (RSP) or June 2025 (AA Proposal)?

Are there views on the sequencing of meetings (noting ECRC meetings are already set)?

Note: ERAP meetings will be scheduled after this session



Lunch – 45 minutes

8. Developing the GN26 engagement scenarios: co- design session

Facilitator: Helen Leayr, Communication Link

Context for scenarios

Bruce Hansen, Group Manager Gas Networks

Our customers (ACT and NSW)

| | Definition | Number of connections (at November 2023) | | | Annual Consumption (TJ) 2022/23 | | |
|---|--|---|--------|----------------|------------------------------------|------------------------|---------------------------------|
| | | ACT | NSW | TOT. | ACT | NSW | TOT. |
| Residential Less than 100GJ per annum | Residential connections to the gas network across the ACT and surrounding areas of NSW. Includes approx. 19,000 high rise units (~13%) (central hot water). | 134,099 | 15,472 | 149,571 | 3,880.9 (av. 28.95 GJ) | 495.4 (av. 32.7 GJ) | 4,376 (av. 29.33 GJ) |
| Small to Medium business (Small Tariff) 100GJ to 1 TJ per annum | Small to medium business connections, including service industry (restaurants, shops, banking and retail). | 3,318 | 346 | 3,664 | 844.9 (av. 254 GJ) | 87.2 (av. 252 GJ) | 932.1 (av. 254 GJ) |
| Major Customers (Large Tariff) 1TJ to 10TJ per annum | Major customers include larger schools, hotels, panel beaters, the ACT glassworks and smaller office buildings with space heating. | 365 | 16 | 381 | 1051.8 (av. 2.88TJ) | 39.5 (av. 2.33TJ) | 1,091.3 (av. 2.86TJ) |
| Contract customers 10TJ or more per annum | Contract customers using 10TJ or more per annum include tertiary education facilities, large hotels, developers and government customers. This includes ACT Govt facilities such as swimming pools, hospitals and associated laundry facility and sewage works. This also includes Commonwealth Govt customers such as APH, national cultural institutions and buildings. Also includes three manufacturers: Styrofoam, bakery and asphalt | 40 | - | 40 | 1,292.0 (av. 32.30TJ) | - | 1,292 (av. 32.30TJ) |
| Total Evoenergy gas customers | | 137,822 | 15,834 | 153,656 | 7,069.6 (av. 51.3 GJ) | 622.2 (av. 40.1 GJ) | 7,691.8 (av. 50.2 GJ) |
| Total customers (DNSPs regulated by AER) | Includes Evoenergy, JGN, AGN (SA), AGN (Albury & Victoria) AusNet Gas and Multinet | 4,391,000* | | | 297,090* | | |
| % Evoenergy (DNSPs regulated by AER) | | ~3.5% | | | ~2.5% | | |

Source: AER website [Gas network performance report 2023](#) (*2022 figures)

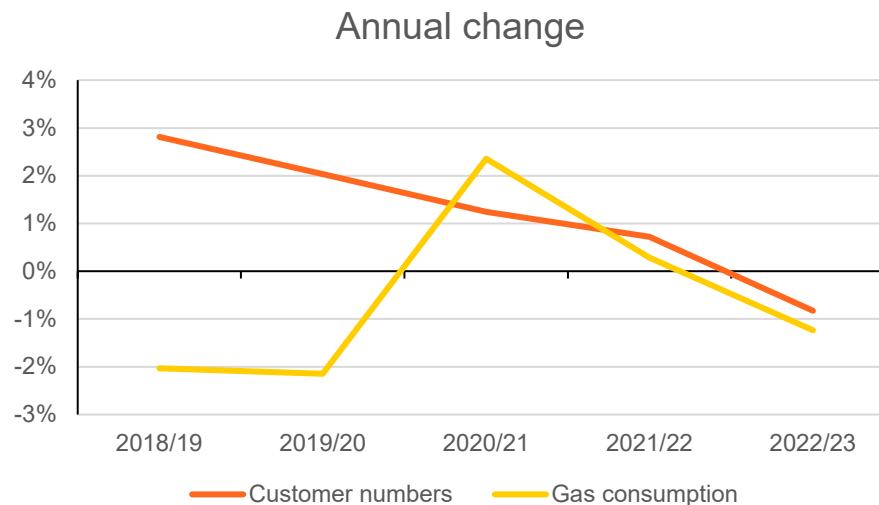


Recent Evoenergy gas performance

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|----------------------|---------|---------|---------|---------|---------|
| Network customers | 151,138 | 154,216 | 156,132 | 157,257 | 155,957 |
| Annual change (%) | 2.8% | 2.0% | 1.2% | 0.7% | -1.2% |
| Gas consumption (TJ) | 7,914 | 7,745 | 7,927 | 7,950 | 7,852 |
| Annual change (%) | -2.0% | -2.1% | 2.4% | 0.3% | -1.2% |

Source: Evoenergy RIN data

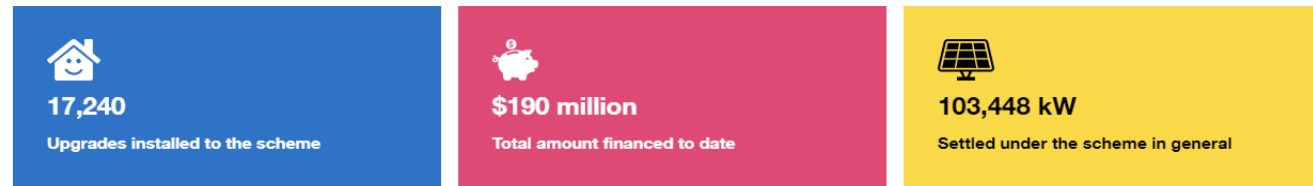
Note: Customer numbers are based on average of 1 July and 30 June numbers in a given financial year



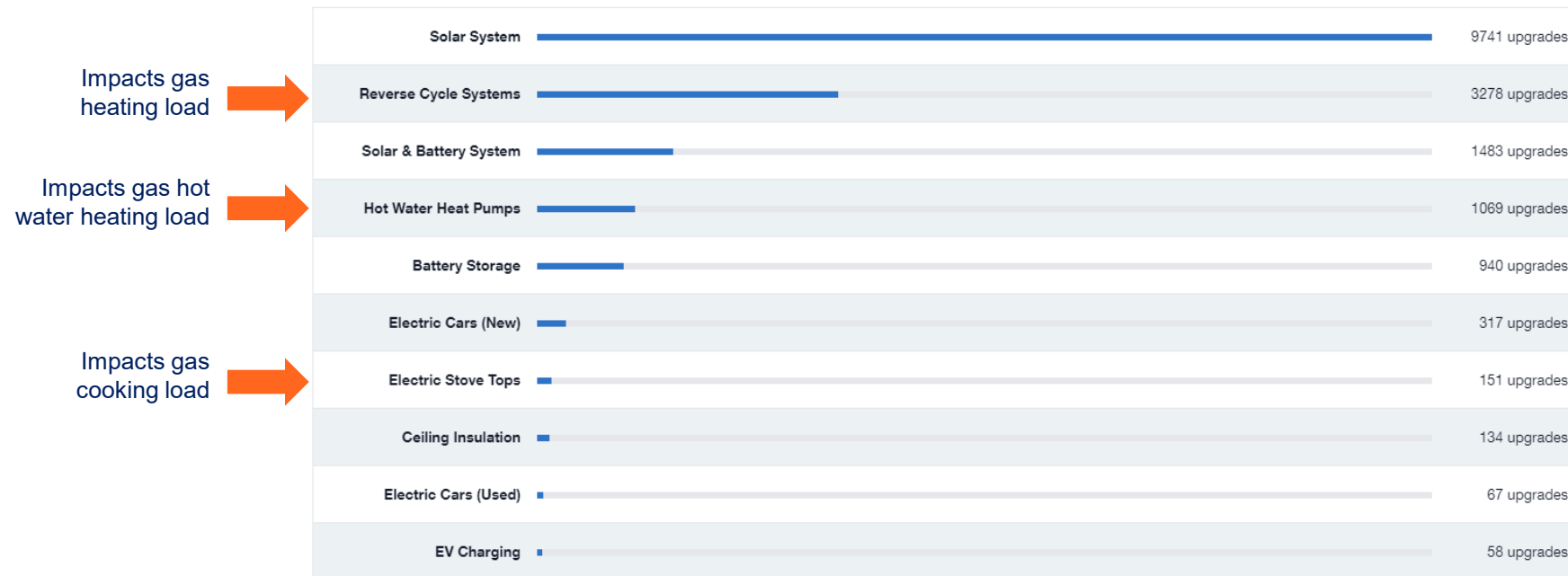
Both customer numbers and gas consumption fell in 2022/23 suggesting 'end of an era' (Coincides with 2-years of peak electricity demand)

ACT Government rebates and incentives are encouraging people to make the switch.....

Sustainable Household Scheme Dashboard



Total products by category



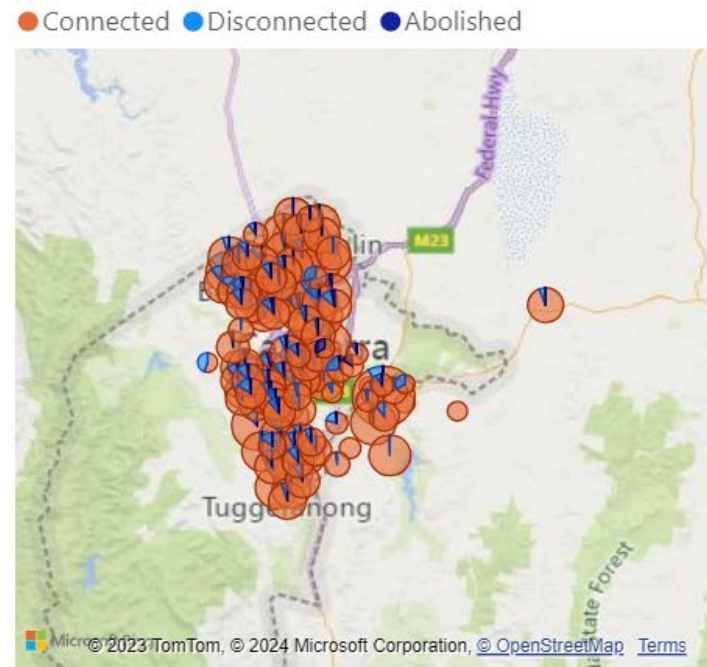
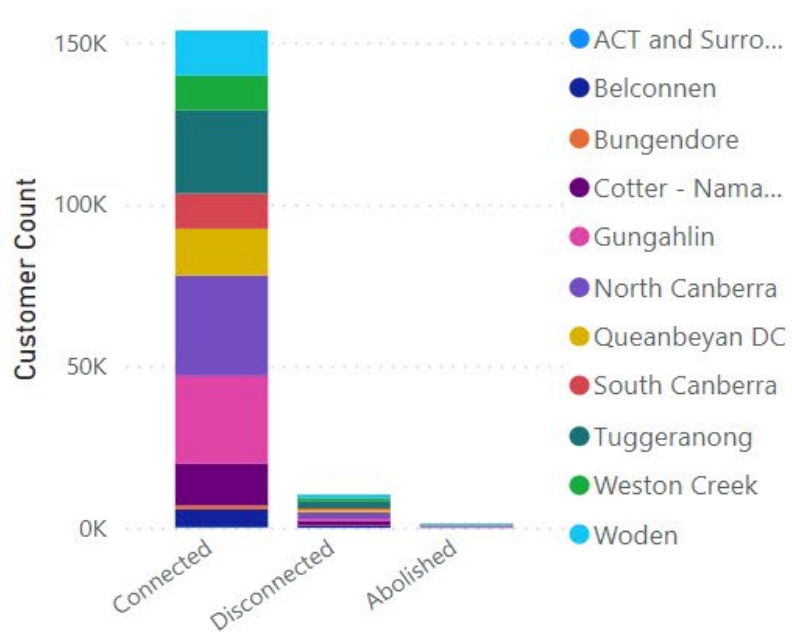
Gas Networks Connections as at Nov-23

Location:
 Customer Type:
 Meter Type:

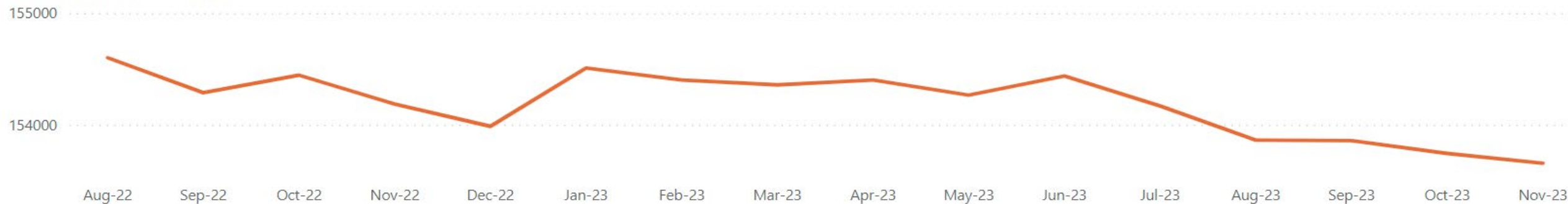
| | | | |
|-----------------------------|---|-------------------------------|---------------------------|
| 153,656 Connected | 149,747 Connected & Consum... | 10,328 Disconnected | 1,436 Abolished |
|-----------------------------|---|-------------------------------|---------------------------|

Current Connections By Status and Location

| Location | Connected | Disconnected | Abolished |
|--------------|----------------|---------------|--------------|
| ACT | 137,822 | 9,456 | 1,386 |
| NSW | 15,834 | 872 | 50 |
| Total | 153,656 | 10,328 | 1,436 |

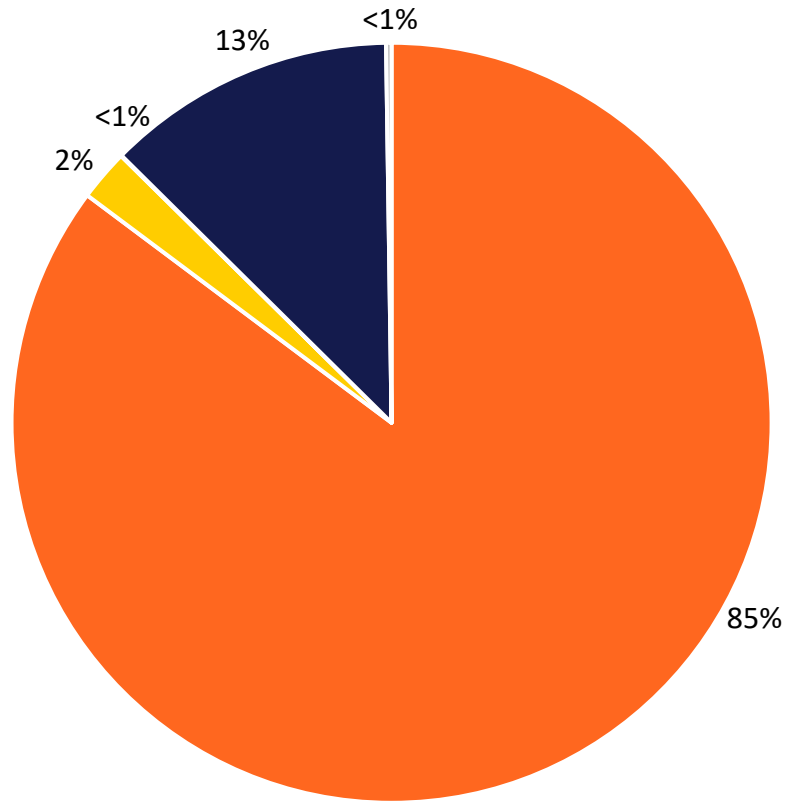


Connections Over Time



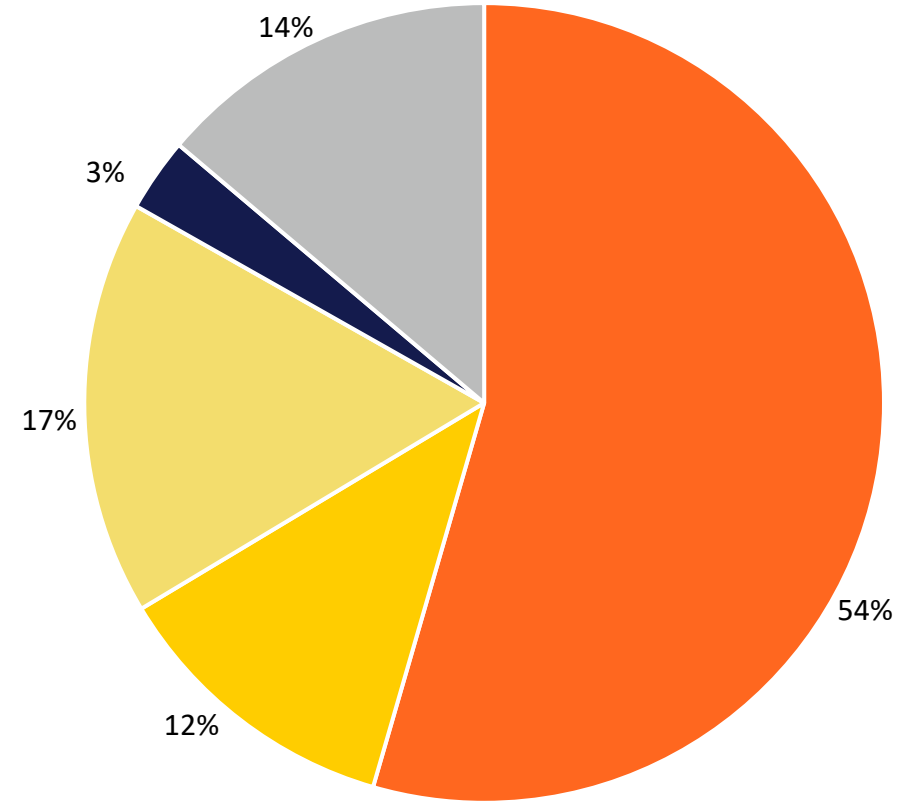
Demand per customer segment

Customer segment numbers



Residential Small tariff Contract
High rise residential Large tariff

Consumption (TJ) 2022-23



Residential Small tariff Contract
High rise residential Large tariff

ACT Government's Integrated Energy Plan

| Phase | IEP 1: 2024-30 Setting the foundations | IEP 2: 2030-35 Accelerating the transition | IEP 3: 2035-45: Electric Canberra |
|------------|---|--|--|
| Approach | <p>Consumer led transition (household and business decisions on when to replace fossil fuel gas appliances, close accounts and abolish)</p> <p>New fossil fuel gas connections banned from end 2023</p> <p>Support for household electrification and Consumer Energy Resources</p> | <p>Regulatory led transition (e.g. mandatory replacement of appliances, electrification of rental properties)</p> <p>Barriers to gas abolishment reduced</p> <p>Technological advancement to support integration of electrification for complex buildings, business and industry (certainty around niche green gas)</p> <p>Decommissioning plan and workforce reskilling</p> | <p>Commence phased decommissioning</p> <p>Workforce transition</p> |
| Indicators | <p><i>By 2030 (from 2023 base):</i></p> <ul style="list-style-type: none"> • ↓Retail accounts (131,000→94,000-109,000) • ↓Network connections (139,000→103,000-121,000) • ↓Connected households (67%→ 45-52%) • ↓Total volume (PJ) (6.5PJ→4.27-4.7PJ) | <p><i>To be determined</i></p> | <p><i>By 2045:</i></p> <ul style="list-style-type: none"> • Net zero emissions* <p><i>*indicators will be informed by lessons of the transition and emissions reductions achieved</i></p> |
| AA | <p><i>Access arrangement 2026-31</i></p> | <p><i>Access arrangement 2031-36</i></p> | <p><i>Access arrangement 2036-41+</i></p> |

Co-design of scenarios

Why have future scenarios for GN26?

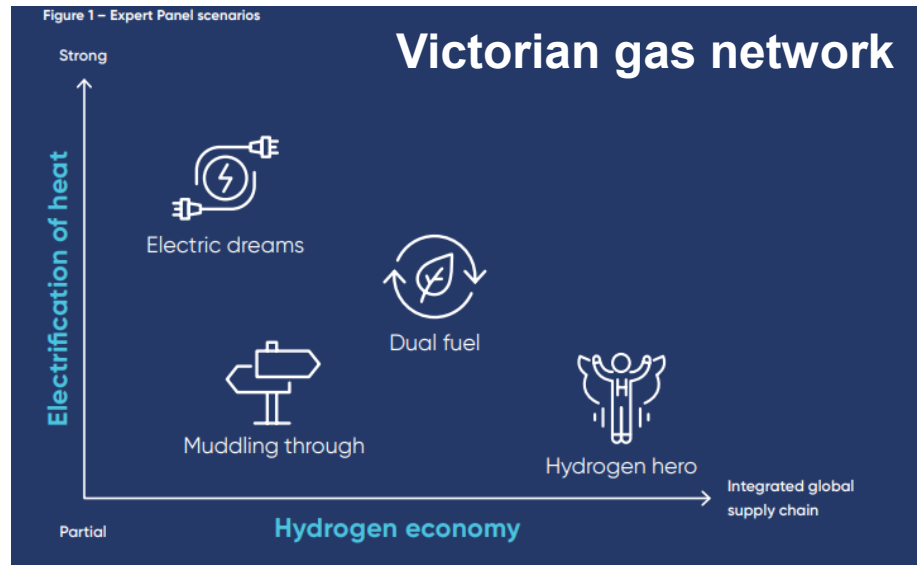
There is more uncertainty than ever before

- Policy pathway to 2045 is clear, starting with a customer-led transition, but there is uncertainty exactly how and how fast the transition away from gas will occur
- The demand forecasts is central to many interrelated elements of the regulatory framework
- But there is greater uncertainty over the future demand profile than ever before - how fast will customers decrease/disconnect their gas consumption and which type of customers will transition and when?
- The uncertainty creates risks for customers and network alike

Scenario analysis is a common tool for managing uncertainty:

- **An engagement tool** – for framing discussions around options and trade-offs in an uncertain world. Give comfort to stakeholders we are thinking about the long-term
- **A decision-making tool** – allows for optimal decisions to be made today, taking into account the uncertainty of tomorrow. Allows us to manage uncertainty and optimise risk
- **Scenario analysis is not about predicting the future** – it's about understanding how decisions made today could look like under different futures

Examples from other networks



Conscious that developing a strategy for the future of gas networks would benefit from a whole-of industry approach, rather than an individual network approach, we along with our fellow Victorian networks, Australian Gas Networks and Multinet Gas Networks, convened a panel of independent industry experts to develop potential future scenarios that Victorian gas networks could consider. The purpose of the scenario development was not to pick a winner, but to understand the various ways the future could unfold and plan for these eventualities.

Victorian electricity network

Steady State

Electricity is managed and supplied in much the same way as it is today, considered as business-as-usual. There is a strong driver to reduce costs while maintaining network performance and ensuring security of supply.



Scenario 1

Consumer Power

Electricity supply and demand is markedly impacted by consumers' uptake of new energy efficient appliances, electric vehicles and individuals' investment in renewable energy sources.



Scenario 2

Green Power

The electricity network (and market) adapts to a greener future quickly, backed by more investment in alternative energy sources and policies that encourage more ambitious renewable energy targets.



Scenario 3

| Assumptions | Steady State | Consumer Power | Green Power |
|--|---------------|----------------|-------------|
| 1. Level of electrical energy efficiency | Low | High | Medium |
| 2. Uptake of demand management by residents | Low | Medium to High | Medium |
| 3. Demand side response by businesses | Medium | High | High |
| 4. Uptake of electric vehicles | Low to Medium | High | High |
| 5. Electric vehicle subsidies | Low | Medium | Medium |
| 6. Support for renewable generation | Medium | Medium | High |
| 7. Support for local renewable energy production | Medium | High | High |
| 8. Support for large-scale renewable energy | Medium | Medium | High |
| 9. Commercial and industrial investment in renewables | Medium | High | High |
| 10. Progress towards Victorian Government Renewable Energy Targets | High | High | Exceeding |
| 11. Participation in new network pricing options | Low | High | Medium |

Developing scenarios for G26 engagement

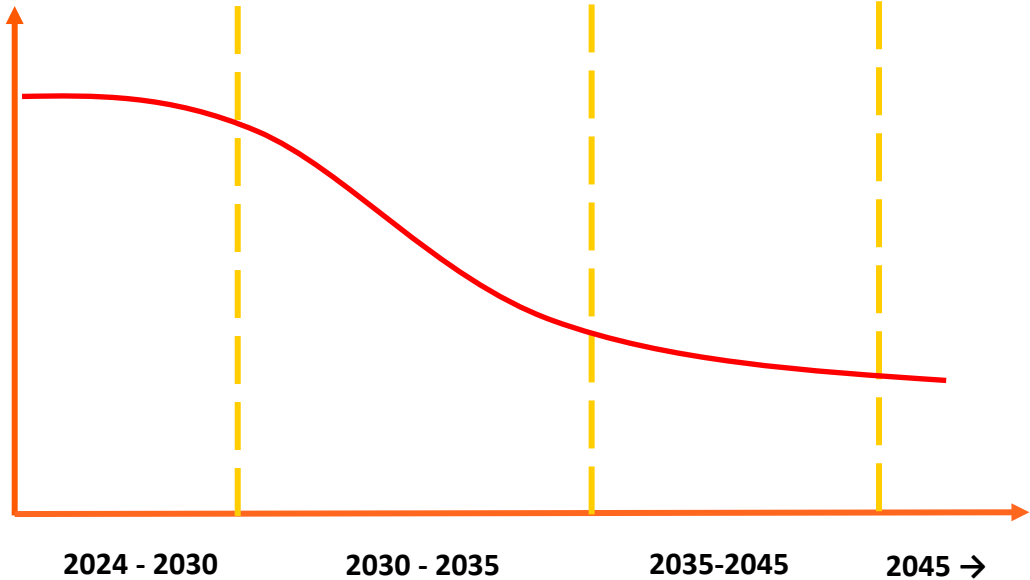
| <i>Suggested steps</i> | <i>Evoenergy initial thinking</i> |
|---|---|
| 1. Agree on scope and framing of scenarios | <ul style="list-style-type: none">• Limit to ACT gas network future scenarios – i.e. broader energy transition scenarios out of scope, large-scale green gas future out of scope• Scenarios have different drivers which impact on gas demand profiles |
| 2. Define scenarios | <ul style="list-style-type: none">• Three broad scenarios - slow, mid (in line with Integrated Energy Plan), fast |
| 3. Identify assumptions to include | <ul style="list-style-type: none">• Identify key drivers• Recognise there will be some circularity of assumptions• Identify indicative demand outcomes of drivers |
| 4. Determine assumptions for each scenario | <ul style="list-style-type: none">• Draw from available data sources• Recognise that assumptions are indicative and serve to set a spectrum / range of possible outcomes |
| 5. Name it | <ul style="list-style-type: none">• Placeholder: Slow, steady, fast transition off gas |

Scenario development for discussion

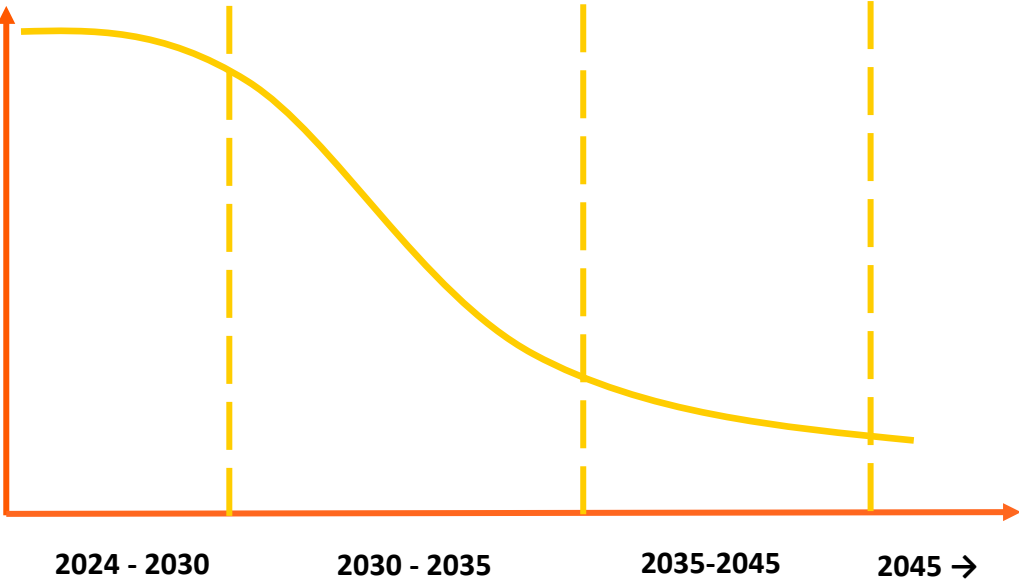
| | Slow transition off gas | Steady transition off gas | Fast transition off gas |
|--|--|--|--|
| Description of scenario | Under this scenario, NZ45 is not achieved without offsets etc. This may occur as a result of: <ul style="list-style-type: none"> consumer preferences to stay with gas appliances and services, changes in government policy, or a breakdown in technological innovation required to achieve technological advancements required to shift some consumers to full electric (eg large customers, multi-occupancy residences). | This scenario aligns with the IEP phases to NZ45: <ul style="list-style-type: none"> Phase 1 (to 2030): consumer led transition, with incentives and no new gas connections Phase 2 (2030-35): regulatory led transition, and government intervention to shift hard to move customers (vulnerable) and technological advancements to shift large customers and multi-occupancy residences) Phase 3 (2035-45): continued government intervention to shift hard to move customers (vulnerable). Commence phased decommissioning | Under this scenario, NZ is achieved ahead of 2045 (eg 2035 or 2040). This may occur as a result of <ul style="list-style-type: none"> changes in government policy to intervene (via regulation or additional incentives or support for vulnerable consumers) earlier Technological advancements to shift large customers and multi-occupancy residences Community and consumer preferences to quickly move to NZ |
| Assumptions | | | |
| Drivers | | | |
| Government policy | Light-handed | In line with IEP1 | Aggressive |
| Government funding / incentives | low | moderate | High |
| Improvements in technological advancements / technical feasibility for large / complex users | Slow | Moderate | Fast |
| Consumer willingness / sentiment | Resistant | Moderate | Enthusiastic |
| Improvement in competitiveness of electric appliances | Slow | Moderate | Fast |
| <i>What else?</i> | | | |
| Demand outcomes | | | |
| Rate of disconnections | | | |
| 2026-30 | Slow | In line with IEP1 | Fast |
| 2031-35 | Moderate | In line with IEP2 | Fast |
| 2035-45 | Moderate | In line with IEP3 | Approaching zero disconnections |
| Average consumption per connection | | | |
| 2026-30 | Steady | In line with IEP1 | Declining |
| 2031-35 | Declining | Declining | Declining |
| 2035-45 | Declining | Declining | Approaching zero |

High level illustrative demand profile under each scenario

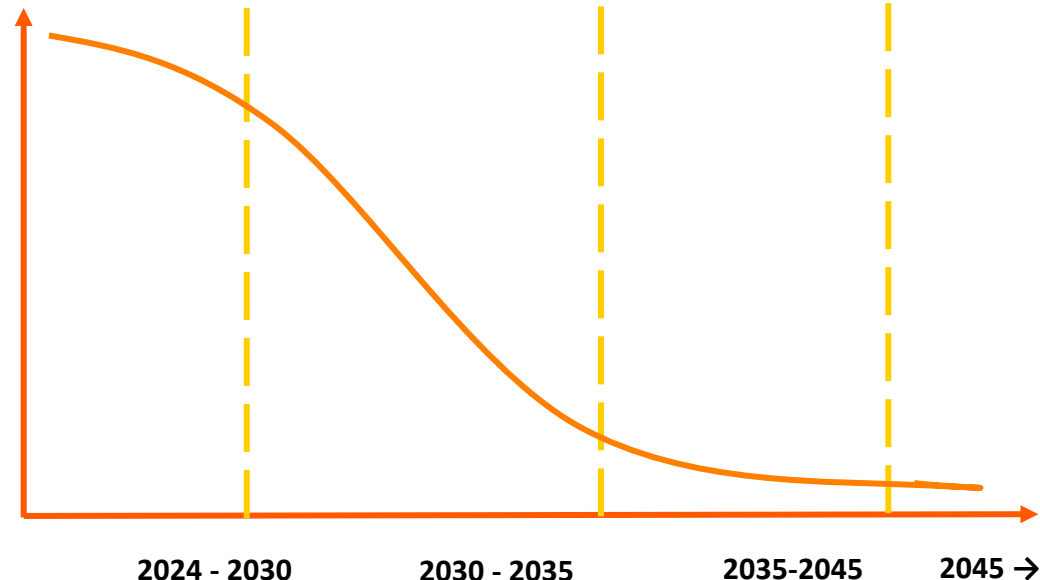
Slow transition off gas



Steady transition off gas



Fast transition off gas



Discussion....

In these scenarios, are there any shortcomings?

Do we need to further explain key elements?

What are the impacts? And which cohort is most affected?

How effectively does this scenario, as a communication tool, work alongside the narrative to explain our key messages and highlight the impacts on customers?



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15-minute break

Recap and next steps

- Meeting #2 summary and co-design outcomes dashboard report
- Finalisation of GN26 consumer and stakeholder engagement strategy
- Final ERAP meetings schedule to be circulated to members and meetings scheduled – expect next meeting to be held end March 2024 to discuss Tariff Variation Mechanism



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Other business

Meeting close ~4.30pm