

# Energy Consumer Reference Council

December 2018

**evo**energy

# Evoenergy Control

and

# Evoenergy Contact Centre

Matthew Turner

*Manager, Control*

Kiera-Lee Barrett

*Contact Centre Team Leader*

A photograph of two workers in safety gear. The worker in the foreground is a woman wearing a white hard hat with 'evoenergy' and 'Protector' logos, safety glasses, and an orange high-visibility shirt with 'evoenergy' and 'FR 6' on it. She is smiling and looking towards the right. The worker in the background is a man wearing a white hard hat, safety glasses, and an orange high-visibility shirt. They are both looking at a large set of documents or plans they are holding together. The background is a blurred outdoor construction site.

# Revised regulatory proposal for electricity network 2019-24

Chris Bell  
Emily Brown

evoenergy

# Overview

- Revised regulatory proposal submitted to AER on 29 November 2018 (published 5 December 2018)
- Takes account of the AER's draft decision
  - revises forecasts
  - provides more information to support forecasts
- Tariff structure responses
- Third party submissions 11 Jan 2019
- Final decision by 30 Apr 2019

*“... genuine efforts to engage with consumers ...”*

*“... the proposal ... is largely responsible and in general addresses the contemporary concerns of customers”*

*“... significant progress in improving its efficiency”*

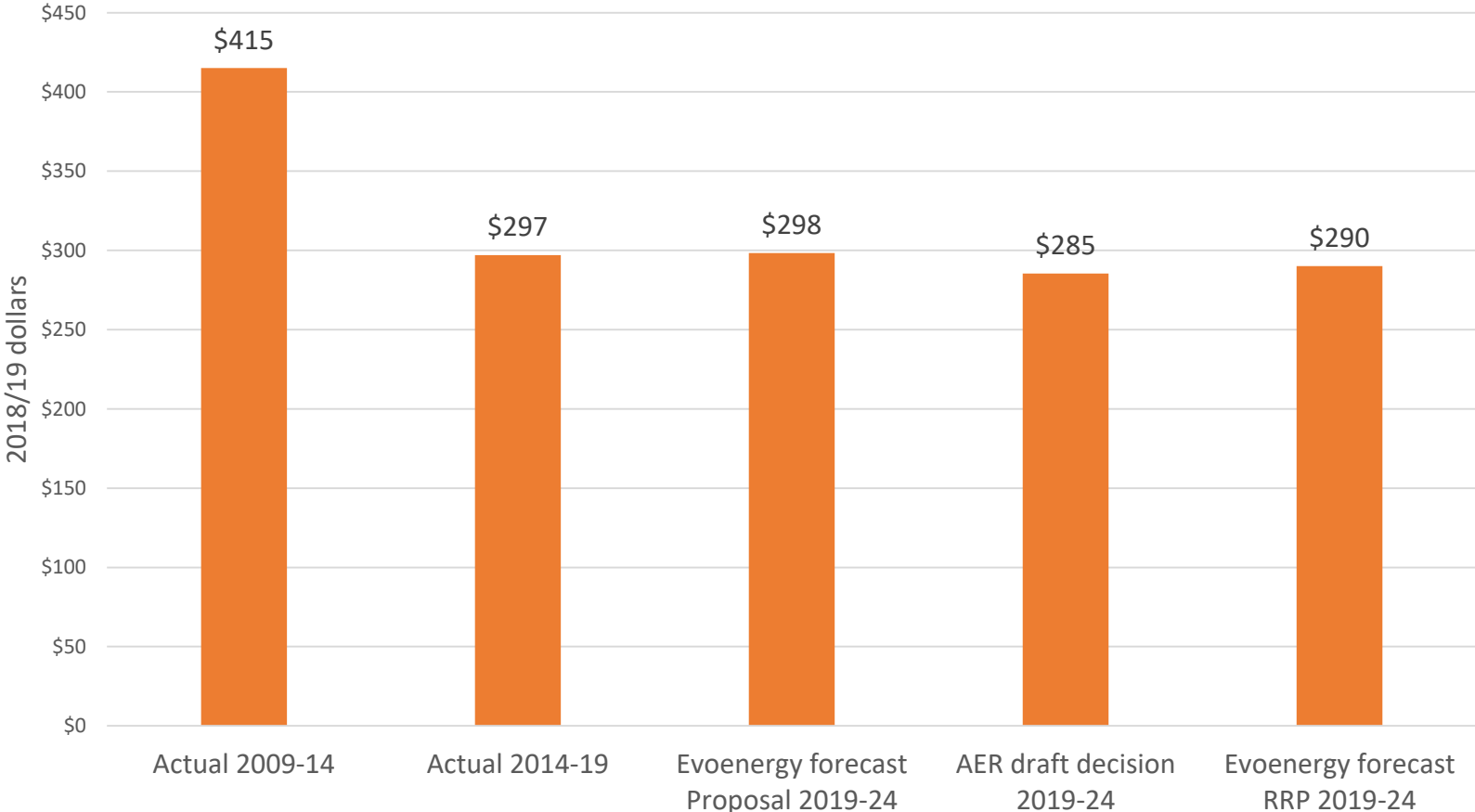
*“In many respects we agree with Evoenergy on the key drivers influencing its revenue requirement .... a few areas remain in which we require further information before we can accept proposed increases to capex and opex relative to the current period.”*

*“... there are elements of the expenditure proposals that suggest Evoenergy has ‘drifted more to the reliability side of the [cost/reliability] trade-off than some customers would prefer”*

# Operating expenditure (opex)

- Adopts changes from the AER's draft decision
- Revises base to match actual expenditure in the efficient base year (2017/18)
- Revised opex 2 per cent higher than AER's draft decision and 3 per cent below regulatory proposal.
- Forecast opex \$290 per customer (2018/19 \$ terms) for 2019-24. Despite new vegetation management responsibilities
  - 2 per cent less per customer than in 2014-19 period
  - 30 per cent less per customer than in 2009-14 period

# Opex per customer

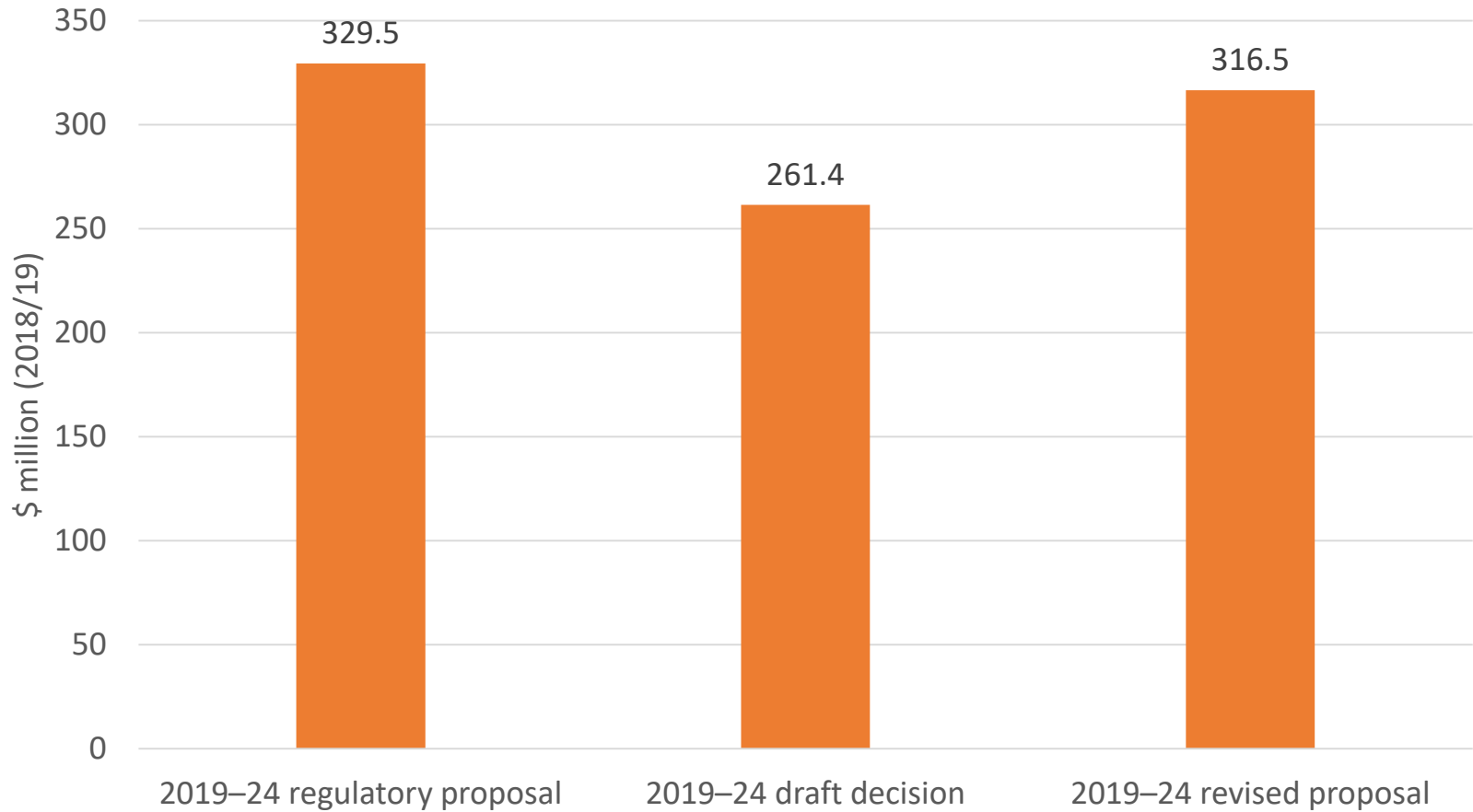


# Capital expenditure (capex)

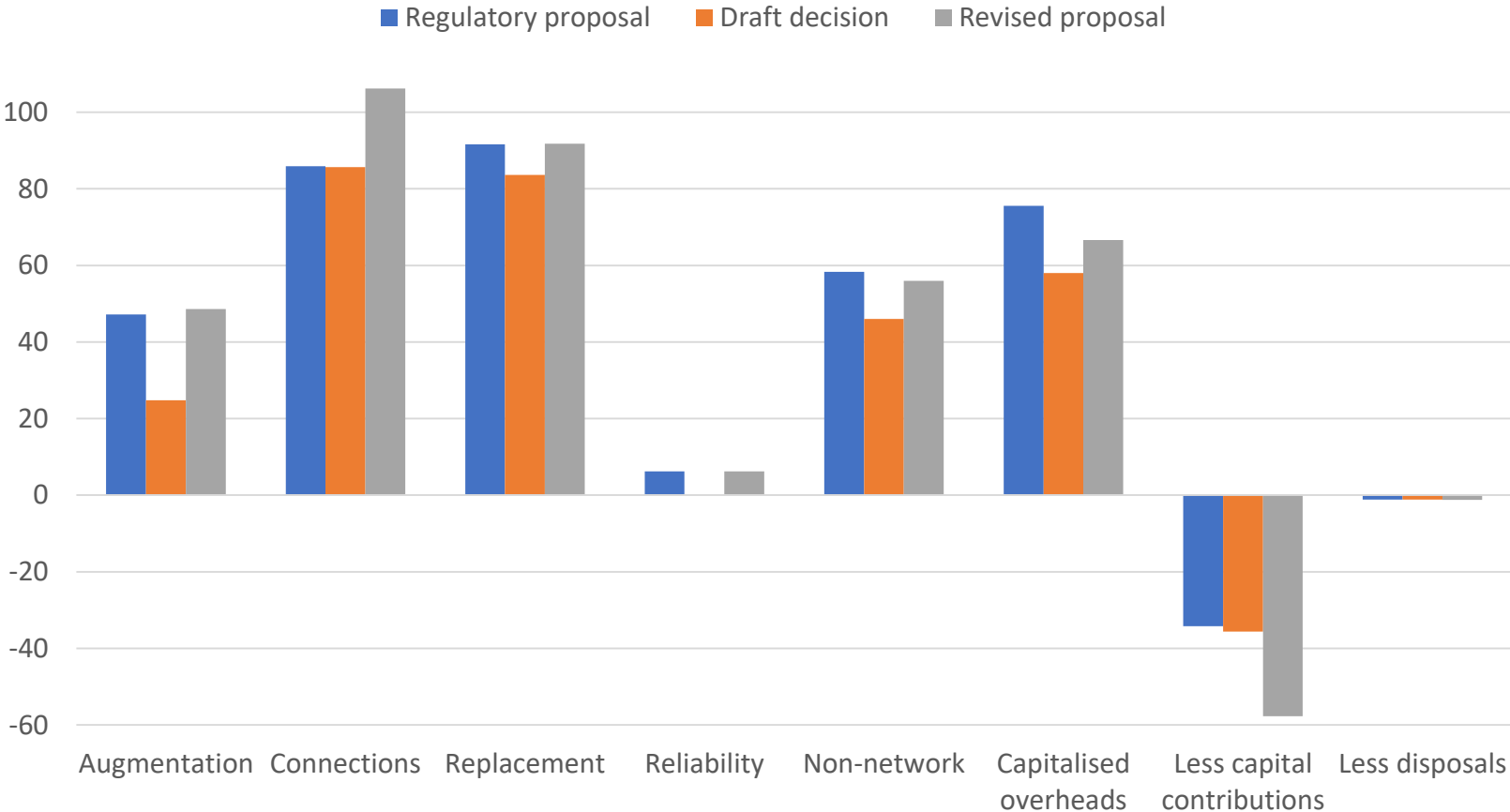
- Evoenergy maintained most of its January proposal
  - Refined network augmentation forecasts in new and high-growth areas of Canberra
  - Provided further information requested on other projects.
- Revised proposal net capex \$316.5 million (\$2018/19)
  - 21% more than draft decision
  - 4% below regulatory proposal



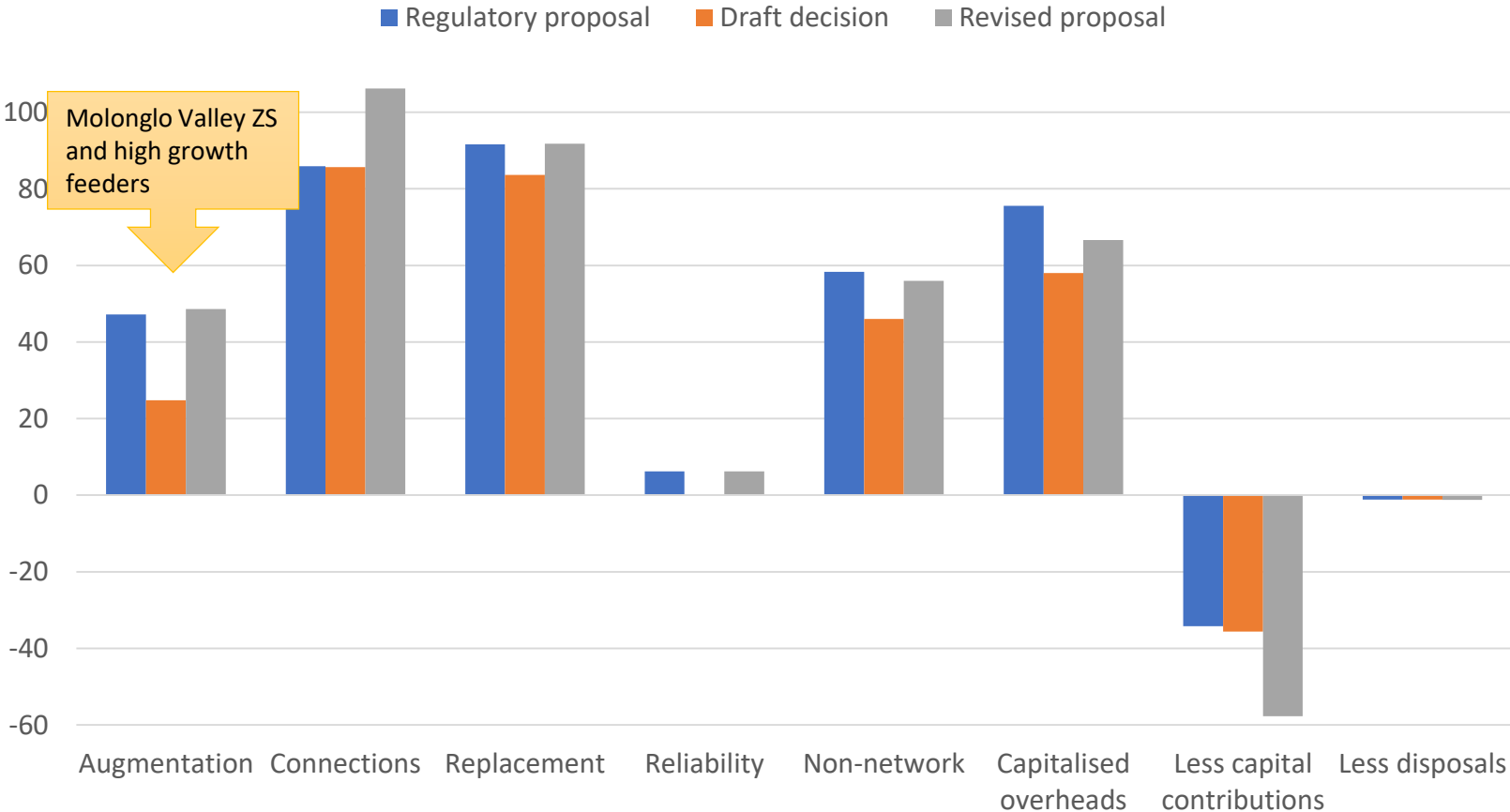
# Net capex



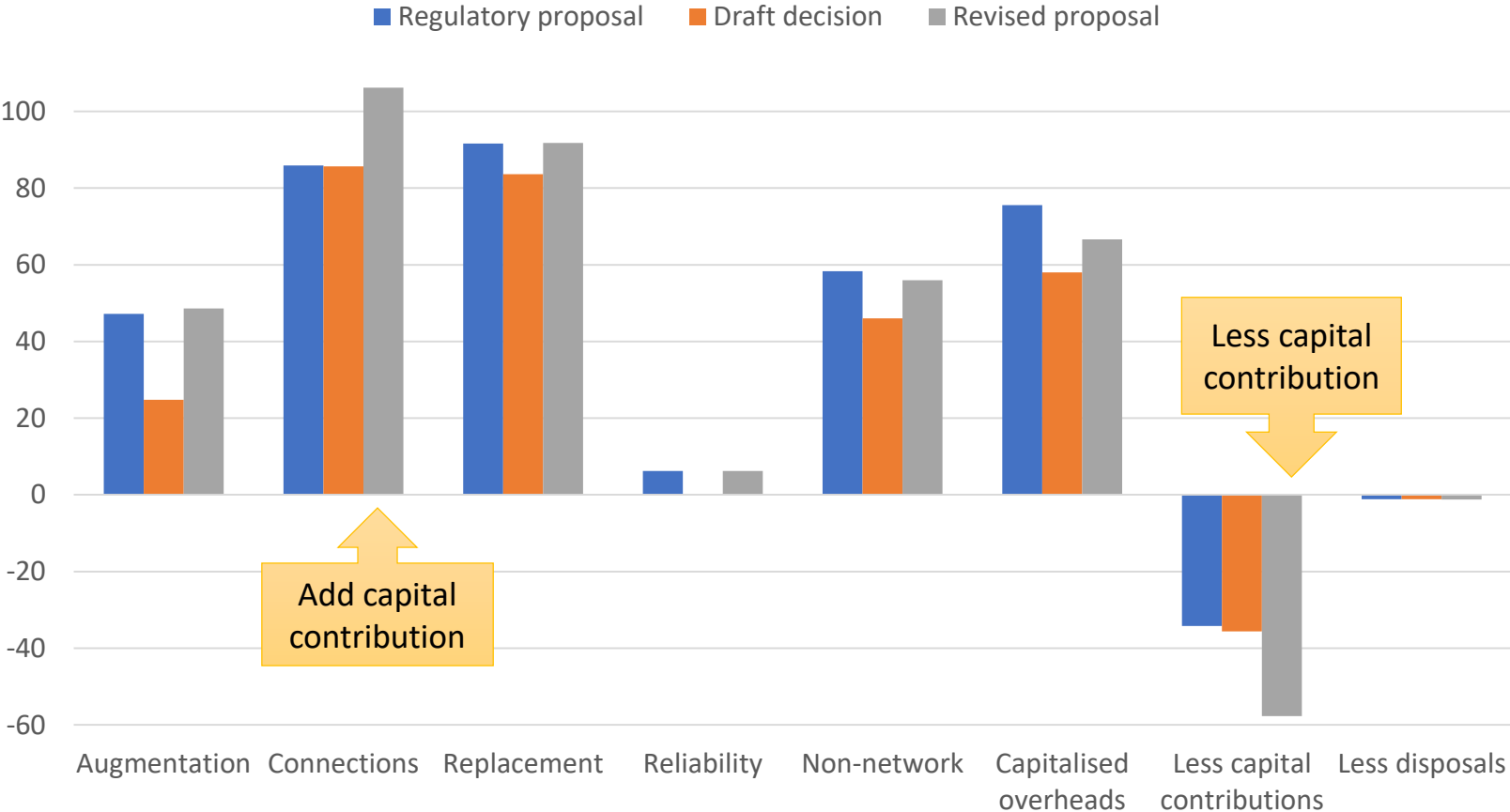
# Capex by category



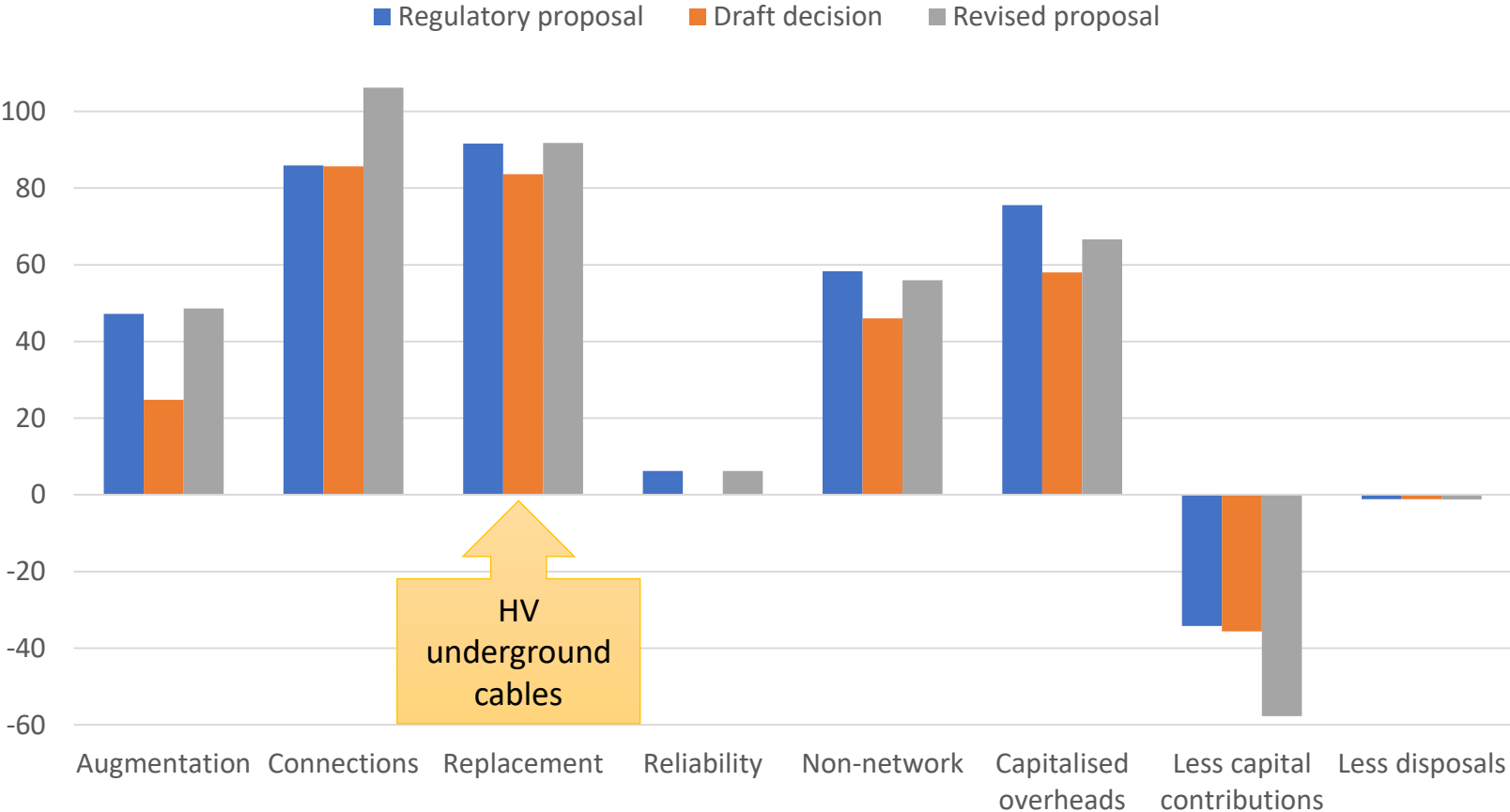
# Capex by category



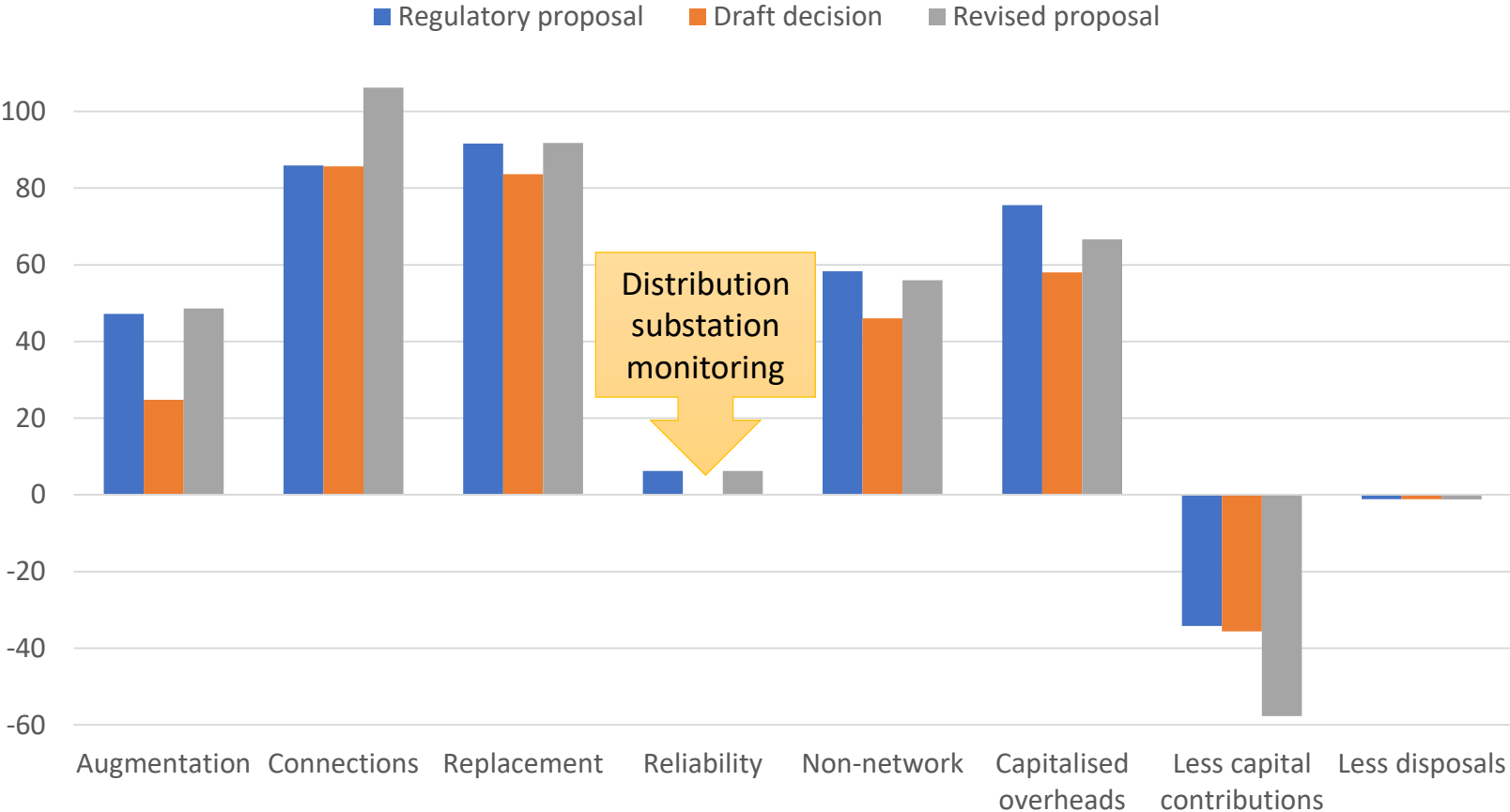
# Capex by category



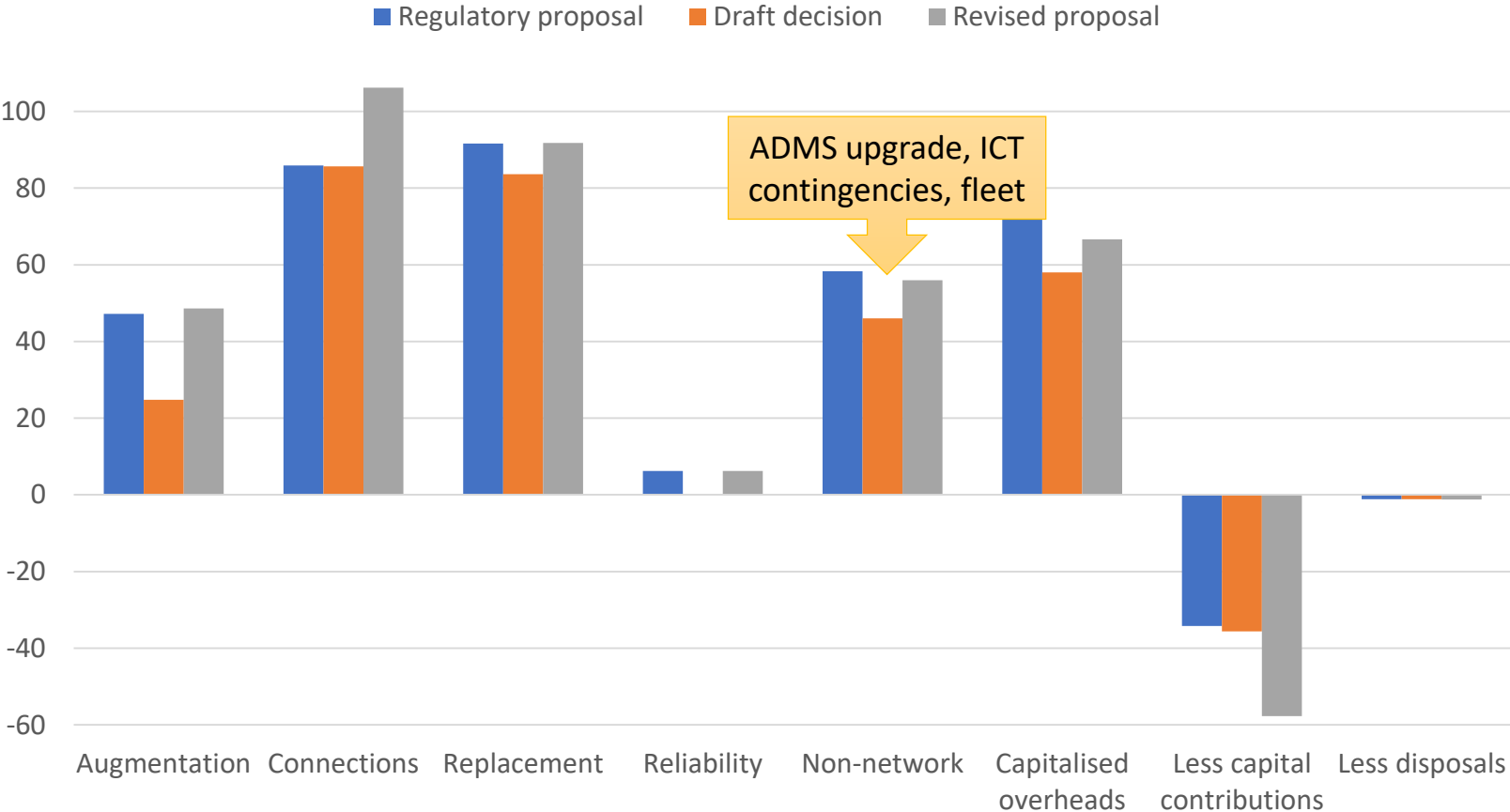
# Capex by category



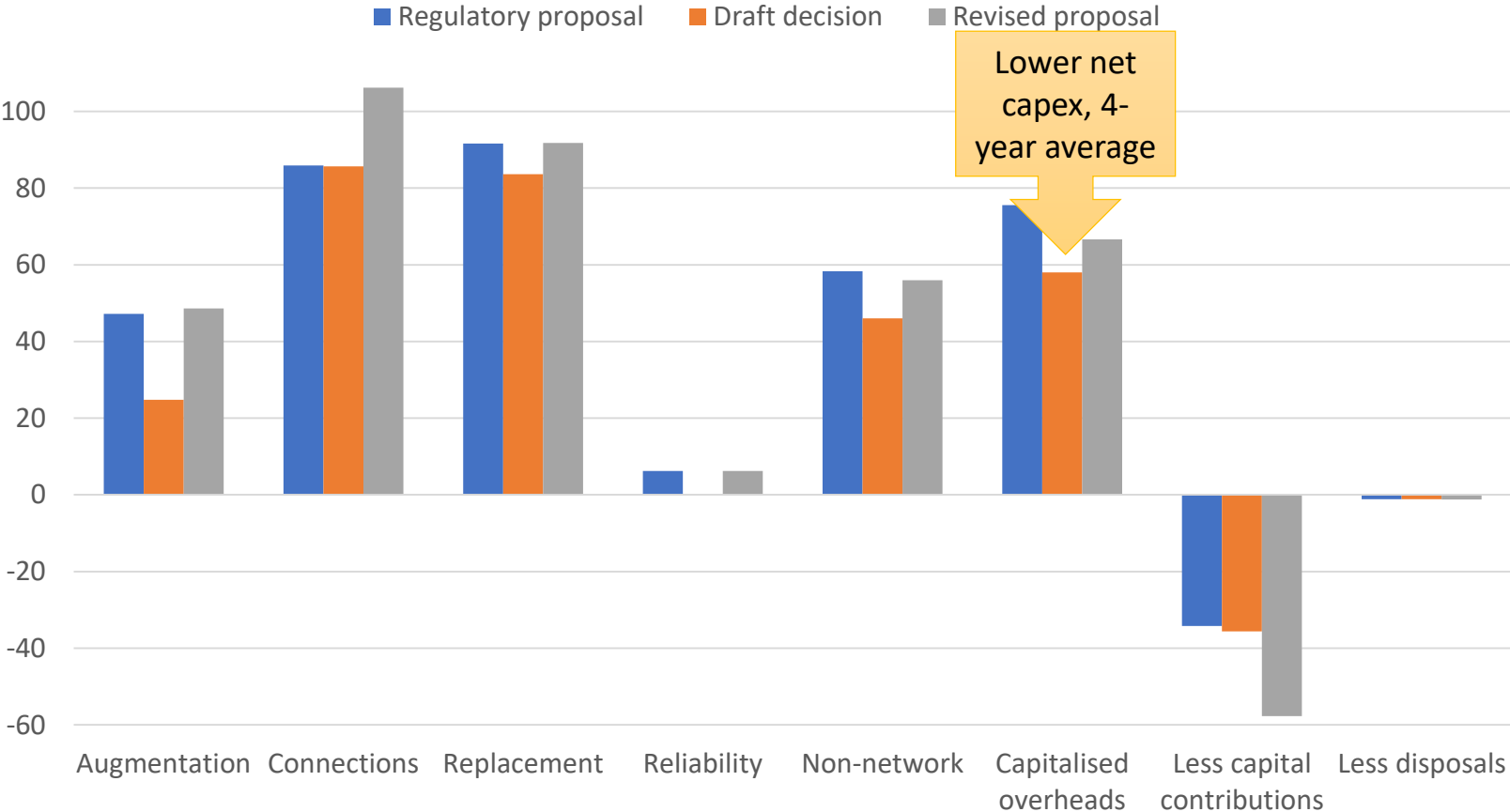
# Capex by category



# Capex by category



# Capex by category





# Rate of return

- Evoenergy does not agree with the AER's 5.80% draft decision on the rate of return on its asset base
- Proposes a rate of return 6.16% consistent with its submission on the separate rate of return process
- Rate of return final decision 17 December 2018

# Bill impact of revised proposal

- Revised proposal would allow Evoenergy to raise \$928 million (nominal) over the 5-year period
  - 6 per cent (\$57m) higher than the draft decision
  - 3 per cent (\$24m) lower than regulatory proposal
- Retail electricity bills would rise by 0.3 per cent per year after adjustment for inflation
  - \$6/year increase (in 2018/19 dollar terms) for an average Canberra residential customer
  - \$20/year increase for an average small business customer

# Retail bill impact of revised proposal

Real \$2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total/ average
Residential annual bill	\$2,012	\$2,027	\$2,019	\$2,025	\$2,032	\$2,041	\$29*
Small business annual bill	\$6,993	\$7,044	\$7,017	\$7,038	\$7,062	\$7,095	\$102*
Residential annual change		\$15	-\$8	\$6	\$7	\$10	\$6#
Small business annual change		\$51	-\$27	\$21	\$24	\$34	\$20#
Annual change, %		0.73%	-0.39%	0.30%	0.34%	0.48%	0.29%#

\* Total change in the annual bill between 2018/19 and 2023/24.

# Average annual change in the residential bill over the 2019–24 regulatory control period.

# Place holder decisions

- Opex productivity review
  - AER draft decision paper released on 9 Nov 2018. Pre-emptive productivity target of 1 per cent/year
  - Submissions on draft due 21 December 2018
  - AER will publish a final position once it has considered stakeholder feedback – Feb/Mar 2019
  - Submissions on implementation in open resets Mar/Apr 2019
- Review of regulatory tax approach
  - AER discussion paper released 2 Nov 2018
  - Final report and recommendations – Dec 2018
  - Implementation (if required) – Jan/Mar 2019

# 2019-24 Network Tariff Reform

Tariff	Proposed change	AER Draft Decision	Revised change
Residential KW Demand	Replace the flat energy charge with a TOU energy charge	Not approved	Evoenergy will retain flat energy charge
LV KW Demand	Replace the flat energy charge with a TOU energy charge	Not approved	Evoenergy will retain flat energy charge
LV TOU kVA Demand	Replace the anytime kVA maximum demand charge with a peak kVA maximum demand charge	Approved	Evoenergy will replace the anytime kVA maximum demand charge with a peak kVA maximum demand charge from 1 July 2019
LV TOU kVA Capacity			
HV TOU Demand			
HV TOU Demand – Customer LV			
HV TOU Demand – Customer HV and LV			
Off-peak (3) Day & Night	Closing this controlled load tariff to new LV commercial connections	No comment	As per proposal
All residential and LV commercial tariffs	One version of each tariff	No comment	As per proposal

# 2019-24 Tariff Assignment

	Default	Opt-out
<b>Residential</b>		
Residential (new connection or customer initiated)	Residential kW demand	Residential Time-of-Use
<b>LV commercial</b>		
LV commercial without a CT meter	LV kW Demand	<ol style="list-style-type: none"> <li>1. LV kVA TOU Demand</li> <li>2. LV kVA TOU Capacity</li> <li>3. General TOU</li> </ol>
LV commercial with a CT meter	LV kVA TOU Demand	<ol style="list-style-type: none"> <li>1. LV TOU kVA Capacity</li> <li>2. General TOU</li> </ol>
<b>HV commercial</b>		
HV commercial	HV TOU Demand (code 122)	n/a (mandatory default)

# Cost pass through

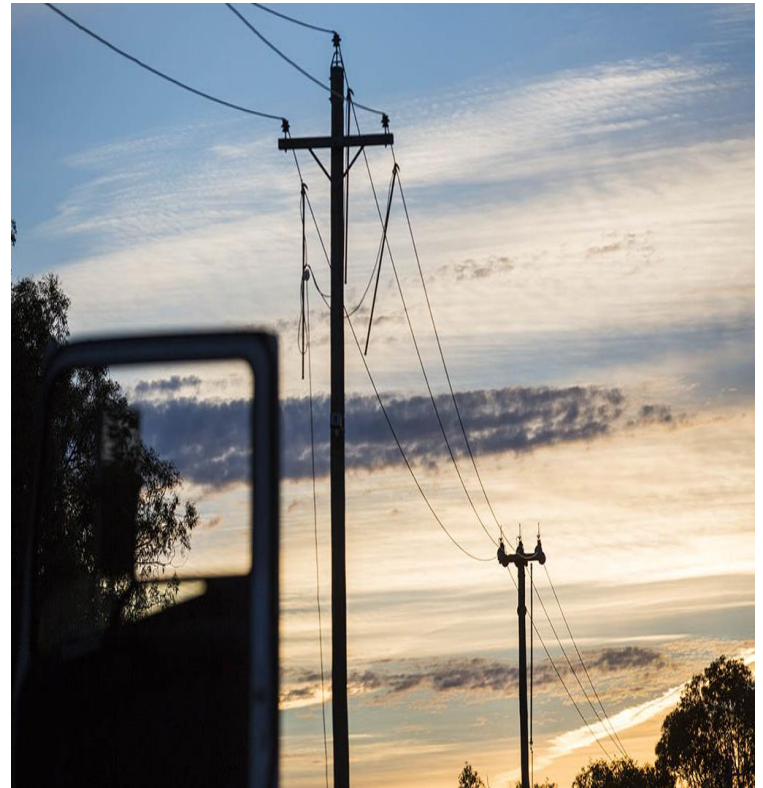


# Cost pass through applications

Evoenergy is seeking the AER's approval for positive cost throughs due to material increases in costs (2014-19) to comply with:

1. New vegetation management obligations
2. New ring-fencing obligations
3. Power of Choice reforms to the National Electricity Rules

Submitted on 7 December 2018  
AER decision expected early 2019





# Brand & Communications

Erin Chancellor – Evoenergy Communications & Corporate Affairs

# What have we done in 2018?

## FOCUS ON SAFETY



### How to focus on tree and vegetation safety.

#### 1.5m clearance

Ensure trees and vegetation at your place are kept at least 1.5m away from powerlines.

#### The hazard and the risk

Trees and vegetation grown too close to powerlines can cause blackouts, bushfires, and increase the risk of electrocution.

#### Evoenergy-accredited tree surgeons

If your trees and vegetation are already within 1.5m of a powerline, you'll need to call on Evoenergy-accredited tree surgeons to do the job for you. Please don't do it yourself!

Focus  
on safety

For a full list of safety tips, visit  
[evoenergy.com.au/safety](http://evoenergy.com.au/safety)

evoenergy



Here you can find some simple tips to prepare your home for bushfire season:



#### 1. Create a Bushfire Prep Plan

The first step in being prepared is making a plan for your home, including:

- prepare for your destination, how you are getting there and what is essential to take;
- prepare for a long stay, make sure you have all living necessities in case of a prolonged stay;
- prepare a Plan B, by having a backup plan in case things don't go according to plan;
- make sure you have a home safety kit with a torch, battery or battery powered radio and first aid supplies.

#### 2. Prepare your property

Take steps to create your home by identifying any potential fire risks on your property:

- cut back any overhanging trees or shrubs to protect your home;
- clean fallen leaves from your roof, pipes and gutters;
- make sure you have an accessible escape plan that reaches all parts of your home.

#### 3. Know your numbers

Knowing who to call is essential to being prepared for bushfire season:

- If you see any hazards or damaged electricity and gas infrastructure, report it to us on our emergencies and fault helpline **13 10 93** for electricity and **13 19 08** for gas;
- In a life-threatening emergency, call Emergency Triple Zero 000 for Police, Fire or Ambulance;
- Follow us on Twitter [@EvoenergyACT](https://twitter.com/EvoenergyACT) to get live updates of any outages in your area.



### How to focus on safety when you dig.

#### Call Dial Before You Dig on 1100

Before you start any work around your property, contact Dial Before You Dig to find out exactly where Evoenergy and Icon Water's assets are located underground.

#### Visit [www.1100.com.au](http://www.1100.com.au)

You can also lodge a Dial Before You Dig enquiry online via their website.

#### Then what?

Dial Before You Dig will pass on your enquiry to the relevant utility service, who will send the information to you within two working days.

Focus  
on safety

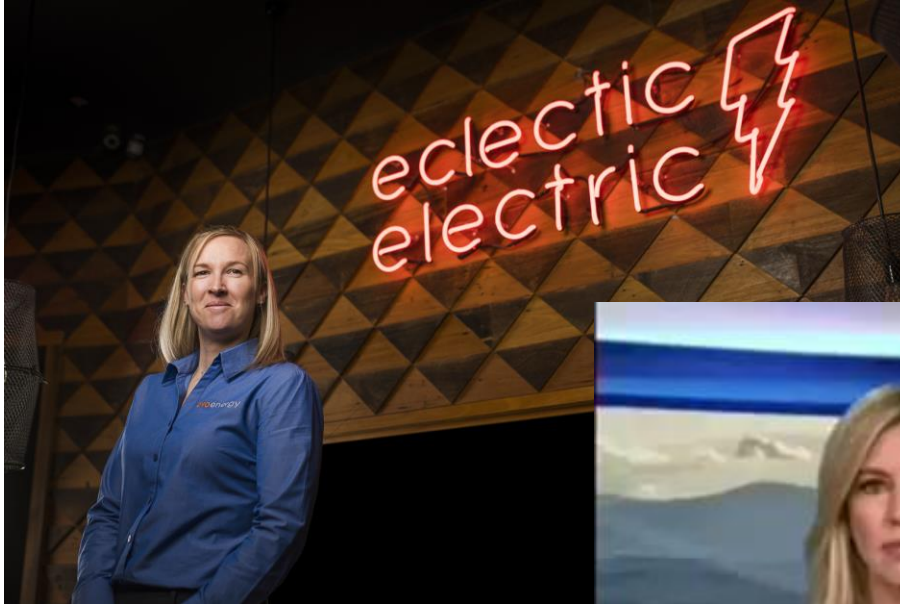
For more focus on safety visit:  
[evoenergy.com.au/safety](http://evoenergy.com.au/safety)  
[iconwater.com.au/safety](http://iconwater.com.au/safety)

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WATER

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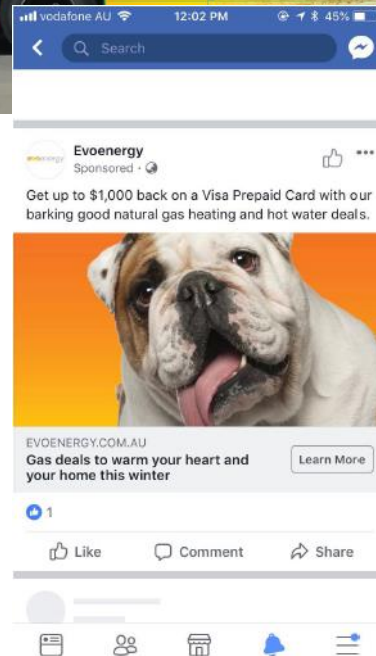
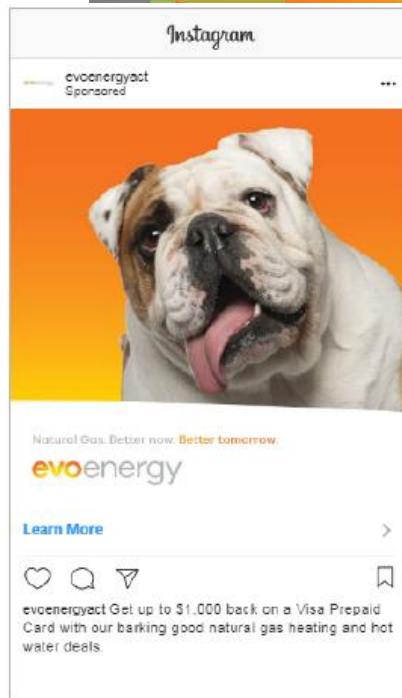
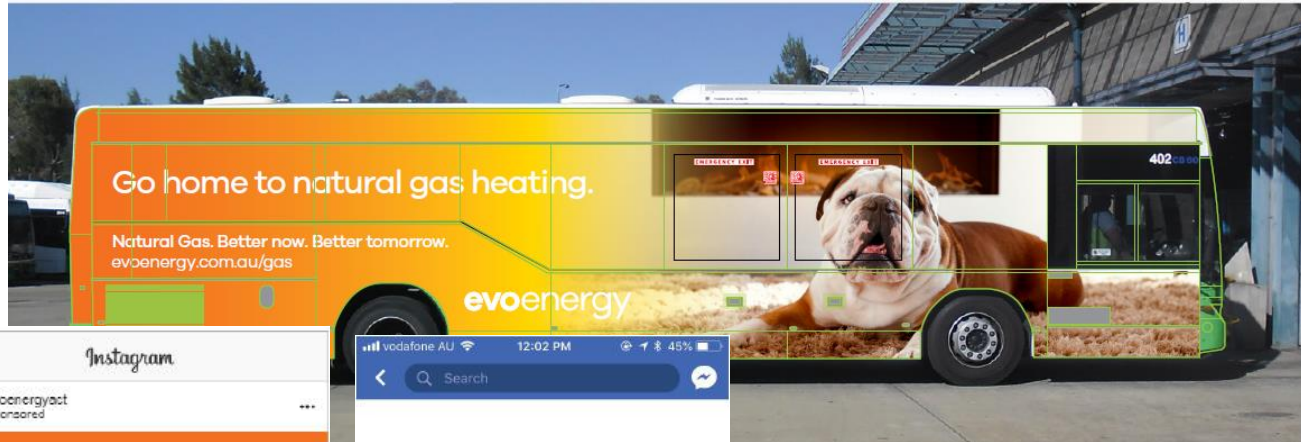
# What have we done in 2018?

## WOMEN IN POWER – APPRENTICE PROGRAM



# What have we done in 2018?

## NATURAL GAS



# What have we done in 2018?

## INNOVATION

### VIRTUAL POWER

Energy If South Australia is able to go ahead with its 'virtual power plant' after its election next month, it will be a huge step towards a more decentralised energy system, writes **Ben Potter**.

The idea of the "big battery" took hold in the public mind last year. This year it could be the "virtual power plant" that sticks in the public's imagination. If it does, it would mean another step change in the evolution of the power grid from a centralised network built around large coal-fired power stations to a decentralised grid that gets its energy from coal, gas, hydro, wind, solar and battery-stored energy in millions of "distributed" locations.

In theory the distributed grid is more resilient than the centralised grid because it is less vulnerable to failures in large generators or key transmission lines. In practice, smart software and management are required to make it happen – and that is where the virtual power plant can play a role.

Last year Tesla and Neoen's 100-megawatt big battery was installed in record time at Neoen's Hornsdale wind farm 200 kilometres north of Adelaide to be ready on December 1, satisfying Tesla founder Elon Musk and Adani's co-founder Mike Cannon-Brookes' famous Twitter bet.

The battery has already shown its value over the summer, injecting power into the grid in milliseconds on several occasions

successful debut will embolden other big battery proponents to push ahead this year. By contrast, virtual power plants have operated on a small scale with early adopters of household batteries for three years using batteries and software provided by firms like Canberra-based Reposit Power. Reposit, one of the pioneers of the field, has about 2500 household batteries at its disposal.

SA Premier Jay Weatherill's announcement of an \$800 million virtual power plant on Sunday could be a game changer and push the technology into a new league – if, which is no certainty, his Labor government wins another term at next month's election. Betting markets have the Liberal opposition a narrow favourite – but they struggle to account for the rise of Nick Xenophon's kingmaking SA Best Party.

"At key moments, the virtual power plant could provide as much capacity as a large gas turbine or coal power plant," Tesla said in a statement.

More importantly, says SA government adviser Frontier Economics, it would reduce SA's wholesale electricity prices the highest in the National Electricity Market – by about \$15 a megawatt hour, benefiting all power users. And it would reduce typical retail costs for participating households by about 30 per cent, or from 40¢ a kilowatt hour to 27¢ per kWh.

Origin Energy or EnegoAustralia, would be attractive right now. McManus said he would have to see the details – Tesla would seek private partners to fund the \$800 million rollout – but in principle if Powershop were offered an opportunity to buy a chunk of 250MW in additional peaking power capacity, "we'd be in that market tomorrow". Rival suppliers Reposit and Hedlow, a battery firm, complain that the huge rollout is not being put out to public tender. But an SA government spokesman says the plan was Tesla's pitch to SA's Renewable Technology Fund, which was open to all comers.

Even if Weatherill loses the election, virtual power plants will still get a boost. Liberal Opposition Leader Stephen Marshall has pledged \$100 million to subsidise batteries for 40,000 mean-tested households.

Marshall didn't have any plans to orchestrate the batteries in a virtual power plant, but Reposit is advising the opposition on how they can use software to get the most out of these batteries – which may amount to the same thing. Marshall's plan also targets existing solar households, whereas Weatherill's would serve 24,000 public housing dwellings, which currently have little or no access to solar panels, let alone batteries.

Weatherill's virtual power plant would be made up of 50,000 five-kilowatt, 13.5-kilowatt-hour Tesla Powerwall 2 bat-

### Now we're cooking ... with first-of-its-kind hydrogen facility



The ACT government says it will build a first-of-its-kind hydrogen facility in 2018. It is a major step for hydrogen production in Australia.

Inspecting the facility on Tuesday, Canberra's mayor, ACT Territory Minister, Energy, Resources, Agriculture, Food and Communities, and Canberra's manager of water supply, David Young, Photo: James Thomas



Australia's network of components needed to create a hydrogen economy will be in place by 2030, says a report from the Australian Hydrogen Council.

The report, titled 'Hydrogen: A Roadmap for Australia', says the country is well positioned to become a global leader in hydrogen production and export.

The report says that Australia has the potential to become a major hydrogen producer and exporter, thanks to its abundant natural gas reserves and advanced liquefaction technology.

"The report of the task force will inform us on the scale and timing of the impact of introducing hydrogen to our energy system," Mr. Marshall said. "We will be working with our partners to build long-term pipelines for sustainable hydrogen gas use and to build secure storage assets."

The Canberra site of the facility will be used to store the hydrogen.





# Consumer engagement update



Giuliana Baggoley

*Consumer Engagement Manager*

# Recent engagement

October 18<sup>th</sup>

*Embedded generation requirements (Class 1) industry consultation*

October 26-28<sup>th</sup>

*Canberra Home and Leisure Show*

November 7<sup>th</sup>

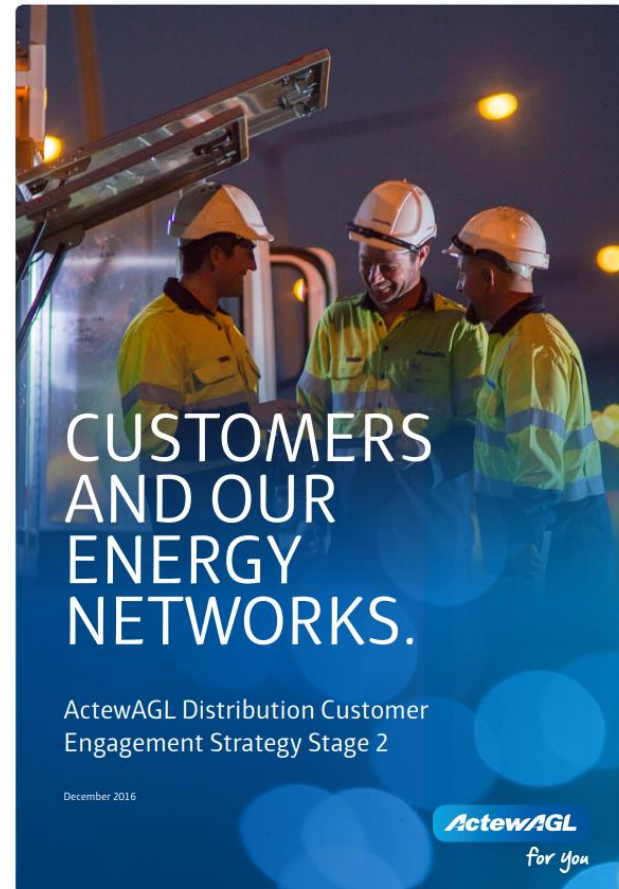
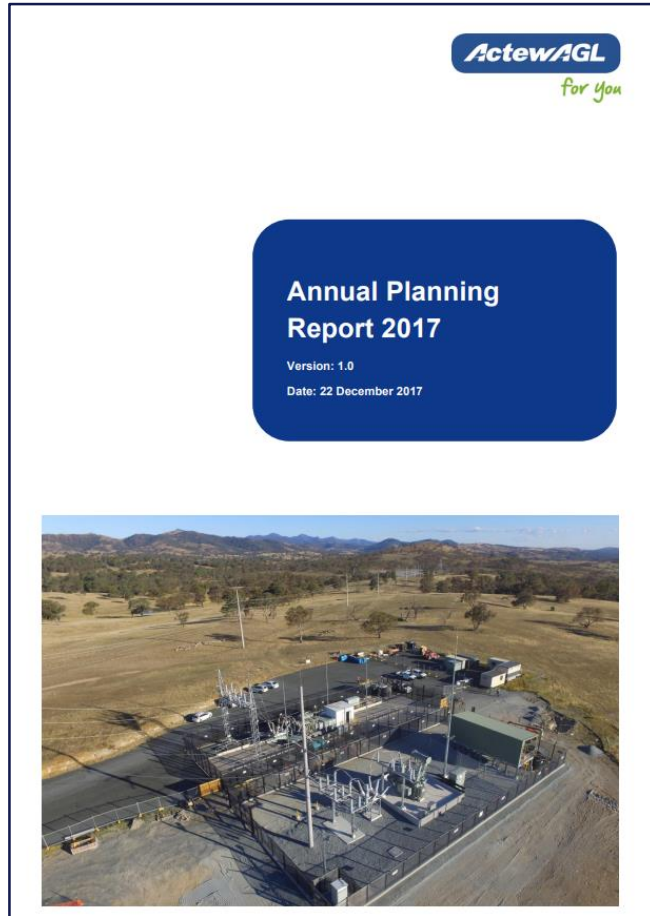
*EN19 Deep Dive Annex*

November 12<sup>th</sup>

*Master Builders Association, and utilities round table*



# Upcoming engagement

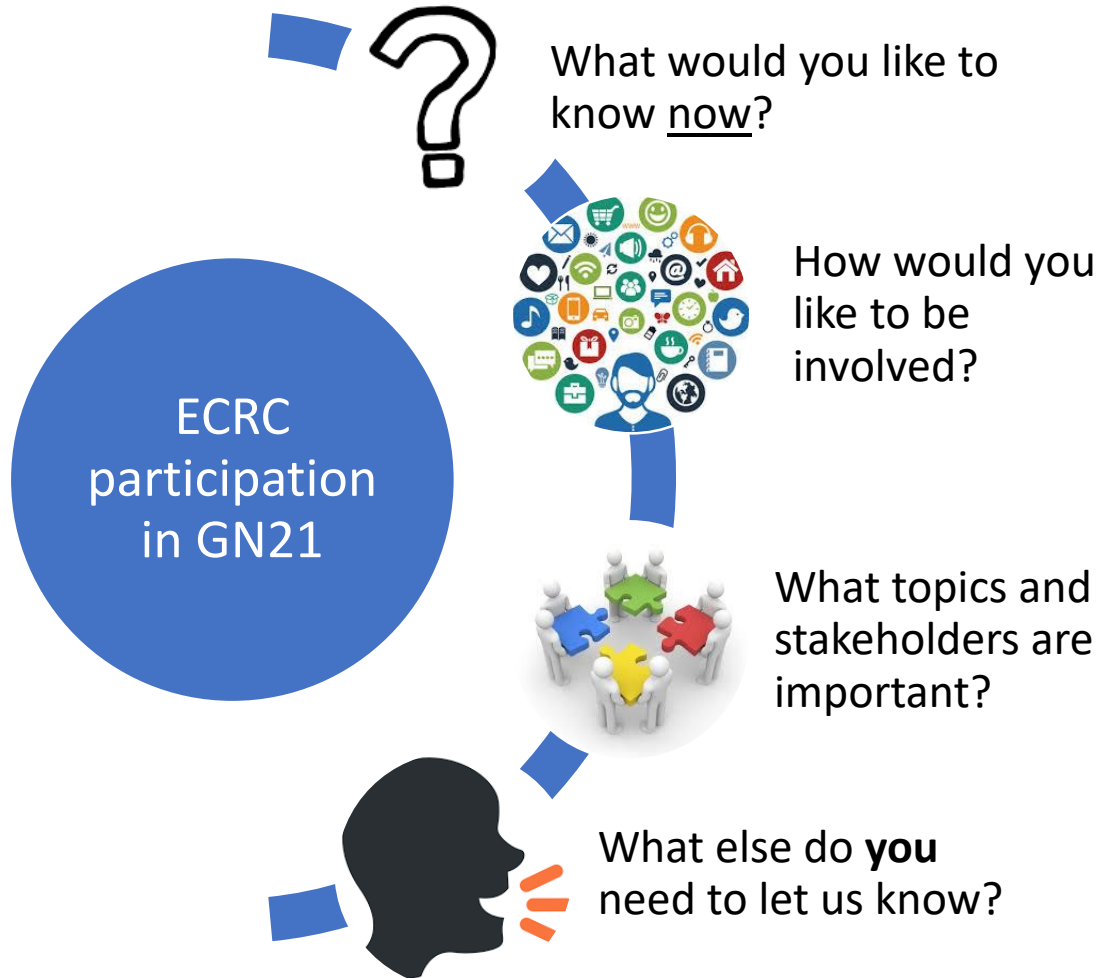


# Gas network access arrangement review 2021 – 2026 (GN21)

High level staged approach



# GN21 consumer engagement and communication plan





# Communique draft

NEXT MEETING - WEDNESDAY FEBRUARY 13th

Meetings invites for 2019 will circulate soon

