Evoenergy Energy Consumer Reference Council (ECRC)

Meeting 31

Minutes October 16 2019 2pm

ActewAGL House Civic

Attendees Representation

Allan Williams Chair

Geoff Buchanan Council of Social Service (ACTCOSS)

Jenny Mobbs Council on the Ageing (COTA)
Kevin Cox Gungahlin Community Council
Glenys Patulny Tuggeranong Community Council
Nick Clarke Engineers Australia, Canberra Division

Sean Gladman Canberra Business Chamber
Helen Oakey Conservation Council, ACT Region

Evoenergy

Fiona Wright Acting General Manager

Leylann Hinch Acting Manager, Operations and Strategy Group

Giuliana Baggoley Customer Interaction Manager

Alison Davis Acting Manager, Customer Connections Group

Bruce Hansen Manager, Gas Networks
Erin Chancellor Communications Specialist
Scott Walters Strategic Account Manager

Michael Dentrinos Accreditation Officer

ActewAGL

Chris Bell Manager, Price Review

Hannah Cootes Capability and Culture Advisor

Gillian Symmans Senior Economist

Phil Deamer Acting Director Regulatory Affairs and Pricing

Lev Yulin Principal Economist
Alexis Hardin Regulatory Affairs

Guests

Robyn Robinson Consumer Challenge Panel (CCP24)
Ezra Beeman Energeia Consulting (remote dial-in Item 8)

Apologies

Ashlee Berry Master Builders Association

Adina Cirson Property Council of Australia (ACT)

Prof Barbara Norman Canberra Urban and Regional Futures (CURF)

Anna Dennis Better Renting

Ron Thompson Canberra Business Chamber
Leigh Watson Master Plumbers Association ACT

John Sullivan Australian National University (Major Customers)

Susan Helyar Council of Social Service (ACTCOSS)

Papers distributed prior to meeting

- Reliability strategy
- Australian Energy Regulator (AER) fact sheet on Customer Service Incentive Scheme
- Evoenergy Accreditation and Authorisation fact sheet
- Evoenergy new structure overview
- Draft minutes ECRC meeting 30
- Meeting 30 workshop element report

1. Welcome and introductions

ECRC Chairman Allan Williams welcomed members and guests. Apologies were noted.

Mr Williams welcomed back Robyn Robinson, Chair of Consumer Challenge Panel 24 (CCP24).

Mr Williams also announced that the ECRC has two new members: the Conservation Council, ACT Region, and Better Renting organisation.

2. Review and ratify the minutes of meeting 30

The minutes and actions arising from ECRC meeting 30 were discussed. Outstanding actions were listed for the meeting 31 agenda, including an independent presentation

Mr Williams said that coming out of the matters arising from meeting 30 is an independent presentation around network options linked with future net zero emissions targets, options for change and alternative fuels. The ACT Government's Climate Change Strategy proposes that the ACT looks at alternative sourcing e.g. hydrogen for the gas system, in calling for a phasing out of natural gas by 2045. In today's agenda we have a briefing from Energeia.

Robyn Robinson asked about previous minutes and a reference to further modelling – does this come up later? Mr Williams replied that this was the Energeia item.

Helen Oakey said that the minutes from meeting 30 did not lay out all the things members wanted to see from modelling; could this be reiterated and captured in this meeting?

Mr Williams agreed yes, please bring it up again.

Ms Baggoley said that the mention of the Climate Change Strategy was a good opportunity to invite commentary form Leylann Hinch, Acting Manager, Operations and Strategy Branch.

Leylann Hinch said that Evoenergy are in the process of developing a submission in response to the ACT Government's Sustainable Energy Policy discussion paper, released on 6 September 2019. As ACT's gas and electricity distributor we will be responding to a number of chapters in the paper including, renewable energy, energy costs and consumer sentiment, energy efficiency, gas network, zero emissions vehicles and innovation and industry development. Our response will recommend a direction for 2020–25 we believe will support the ongoing development of sustainable, cost effective, safe and reliable energy networks for the Canberra community. We will continue to work closely with the ACT Government to ensure all immediate and future energy policy decisions consider the impact on our networks.

There were no questions for Mr Hinch.

The ECRC Meeting 30 minutes were ratified pending final input from Conservation Council, ACT Region.

3. ECRC member updates

Glenys Patulny mentioned that she had attended the Curve forum looking at Molonglo; there was discussion about wanting to plant more trees along streets, but there is an issue with where electricity poles / cables, and gas pipes etc. go. How could street trees and electricity assets work together? Bruce Hansen said nature strips are becoming narrower nowadays. A trench is necessary for infrastructure, and utilities are all interested in the space.

Ms Patulny asked whether Evoenergy would/could push for wider verges so this can accommodate more trees which helps manage heat.

Ms Oakey wondered whether, with the ACT tree canopy target, regulation in this space may change. Ms Baggoley suggested we could discuss this at another meeting as a separate item?

Ms Oakey asked about mandating around gas network in new suburbs — what will Evoenergy's approach be, is it developer-dependent? Ms Baggoley suggested we return to this in an upcoming meeting.

Mr Williams remarked that it looks like reticulation of the gas network in new suburbs will remain an option as gas is still 'strong' in new suburbs.

Ms Oakey said Conservation Council ACT Region received a Net Zero Emissions Grant to help develop a website that will take Canberra residents on the journey from gas to all-electric houses, and show them what appliances they can switch off etc. and what associated savings will be, as well as what people can do to be more energy efficient. They're aiming for a winter 2020 launch.

Ms Robinson said she is also an Energy Advocate Rep for COTA nationally, brining energy issues for older consumers to the foreground. COTA has two volunteer advocates in the ACT, a workshop was held with all advocates last week. Jenny Mobbs took part. The objective was to examine key issues that impact older consumers in the energy space. We chose to consider The Energy Charter, Regulatory Changes to Embedded Networks, Energy Concessions. Participants looked at The Energy Charter disclosure statements. We worked on a response to those statements, which was a great outcome and we are going to combine this into a submission/response.

4. GN21 (gas network access arrangement review)

Chris Bell began by responding to questions from meeting 30 about capex spending in the current regulatory period. It was observed that Evoenergy spent less on capex in this regulatory period than the amount allowed by the AER. ECRC members had asked why there was this difference. Mr Bell said it is not necessarily intended that businesses always send their exact allowance and Evoenergy makes decisions on spending based on priorities. Priorities placed in regulatory submissions are validated/justified and assessed by the AER as 'proven projects' but they do change over time and sometimes it means less spending. Forecasts are justified as the best information available, and

approved by the AER. If less is spent it's an advantage to customers provided a business prudently underspent.

In such instances it may be regarded as being in customer best interests because the next period, the budget will be based on the capex previously spent. Customers end up being billed less. Another question was about the particular underspend on projects where an allowance was for \$88 million dollars but the final spend was approximately \$80 million. Large projects changed over this period. Ms Patulny asked what happens to the money if Evoenergy underspends. Mr Bell said Evoenergy must always justify the program submitted and we don't get to put it aside at all – all changes must also be justified. If Evoenergy underspends, the AER will want to examine that and may want to reduce future costs.

Nick Clarke asked for a 1-2 line overview on each major project and Mr Bell provided this commentary.

Next, Lev Yulin presented to members on Evoenergy's gas tariff strategy.

Ms Oakey asked about the pricing structure and whether customers only enjoy lower costs if they consume more gas. Mr Yulin said pricing Block 1 applies regardless, and as customers use more they shift into subsequent pricing Blocks where the cost per unit is reduced, yes.

Mr Williams asked whether Mr Yulin's figures were for usage per quarter – this was the case. Mr Yulin confirmed that most customers along the gas network sit in Block 2. He reminded members that they were looking at network charges, not retail.

Mr Cox was concerned that the tariff approach penalises people on low incomes. That they pay many times more than a high consumer. He asserted that low income people do not spend as much money on gas as high income people.

Mr Yulin showed with subsequent figures / tables that showed an average gas customer and their use, broken down by income levels. It showed that the lowest income earners use only 15% less than other, higher income categories. Mr Yulin said one key message is that gas usage does not vary substantially between income groups.

Ms Oakey asked whether the outlined costs were only connection fees. Mr Hansen said network charges are comprised of two fees – fixed fees and usage fees.

Mr Cox wondered whether gas fixed costs would be significantly less than electricity. He queried whether Evoenergy charges truly reflect the real cost of gas network connections. Mr Hansen said the charges also cover maintenance etc. to which Mr Cox voiced concern again that the costs are not reflective.

Phil Deamer said he posed a complex question: Evoenergy provide the regulator with the details and reports for how we develop tariffs. This information is available on the AER website.

Mr Hansen said these capital costs are spread out over 50 - 80 years which should be considered. Ms Patulny asked whether maintenance of the gas network is cheaper or more expensive than that for the electricity network.

Mr Deamer referred to a long-run marginal cost report on the AER website.

Mr Williams said it might be worth revisiting this at the next meeting with a short presentation.

Ms Baggoley asked which customers are large consumers. Mr Hanses said universities, hospitals, government departments etc.

Ms Baggoley asked whether tariff figures laid out in Mr Yulin's presentation were open to feedback. Mr Yulin said yes, the regulatory affairs team is open to feedback: what he outlined was going to be in the draft proposal but this is certainly open to comments and feedback.

Mr Cox pressed on the justification for dropping the price (per unit) if consumption is higher. Mr Yulin replied that this relates to a common economic model where as volume increases, costs are spread and cost per unit reduces. Delivering the first kilojoule is relatively expensive, and becomes cheaper as usage goes down.

Ms Patulny asked what is meant by boundary metering. Mr Hanses said this is like what you'd find in a high-rise building. Ms Patulny checked businesses are treated the same as residential customers. Mr Yulin said that small businesses with consumption below 10 GJs are treated the same as a residential customer.

Geoff Buchanan asked what the impact was on the VRI by removing (some) other tariffs, as proposed. By moving to one (1) are concessions made at lower levels? Mr Yulin said that because there are so few customers on that tariff, moving them to a VRI tariff really doesn't impact tariff levels. The revenue that we would lose from abolishing tariffs with small customer base would be small, and wouldn't be passed onto the consumer.

Ms Robinson asked whether Evoenergy has determined the revenue (that would be) received from grouping customer classes. Mr Yulin replied that was a good question and Evoenergy have considered this, grouping them around margin of cost. Evoenergy has costs studies used to determine this.

Ms Patulny asked how rates in the ACT and surround compared with Sydney and other jurisdictions. Mr Hansen said the ACT is cheaper than in NSW, but slightly more expensive than in Victoria which is the cheapest in Australia.

Mr Clarke asked to review the typical consumption figures (44kJ) and how many gas users there are in the ACT and where Evoenergy is bracketing. Mr Hansen said in Tuggeranong the average consumption is approximately 50 GJ per annum but in Molonglo it's less – they still consumer 25GJ per annum. It is dependent on the appliance profile which varies across Canberran suburbs. Ms Okey wondered how complex it really is to examine usage across account holders. Mr Bell said to some degree it is not however we do not have data on appliances per household, their use etc. Ms Oakey checked with regards to price Blocks 1, 2 ... what would happen - say for low income families - how would it look if the load was spread more evenly across Block 1 and 2 – is there an equity issue around having block one so loaded? Mr Yulin reiterated that ultimately gas usage does not vary so significantly across customers. Even more so in the ACT, where we have such a high winter peak – so most people do benefit from block two.

Mr Cox remarked that he only uses gas for cooking at home and the cost of the gas is about 10% of the bill but he feels gas is expensive.

Ms Robinson asked whether the number of blocks could be compressed. Mr Yulin said Block 2 has been reduced previously but it really did not have an impact on customers - only 6% of customers

reach Block 3 and 4. Consumption distribution needs to be considered. The initial gas consumption attracts the greatest cost (is the most expensive part) providing a buffer to customers in winter months when people naturally use more gas; this doesn't mean you necessarily double your bill. Mr Cox asked whether Evoenergy have considered an approach built around ability to pay, rather than straight cost, to which there was a general response from the room that it would be too difficult to determine who could afford what, based on any evidence. Governments would have to become more involved and provide support and to some extent this already occurs.

Next, Mr Yulin presented on the Capital Expenditure Sharing Scheme (CESS). He noted that if a capex underspend is achieved, then customers stand to save in the next regulatory period. Ms Patulny asked how these incentives work when certain standards must be maintained. Mr Yulin said it is true that the ACT does not currently have a service quality incentive scheme. Ms Oakey wondered why a capex incentive scheme was required if there was no capex underspend. Mr Cox asked if this was akin to asset stripping as has been noted in water utilities. Mr Yulin said it is really about sharing risk between capex and opex. Mr Hansen said it prevents 'gold plating' — Evoenergy is penalised if there is a capex overspend. Ms Oakey asked whether that would be plain in any case, that Evoenergy should not overspend. Mr Hansen replied that sometimes it is necessary. This CESS is a mechanism to avoid that, but we already do that voluntarily. The incentive makes sure you declare your capex over-spend.

Ms Patulny asked whether hydrogen research is built into capex. Mr Hansen said the AER does not allow capex for this, to which Ms Patulny asked whether 'left over' funding may go towards future gas option work. Mr Hansen said no, the AER regulate that.

Mr Clarke asked for clarification on the incentive: what currently happens if Evoenergy put in new infrastructure, allowed to use capex. Is that an incentive to create new connections because no money is lost, and money is spent – Evoenergy would 'win'. Evoenergy (unidentified) replied the AER still require our forecast but most new connections are in the control of the government and developers; mostly outside our control. Mr Clarke pressed – but this would still be of benefit to Evoenergy? Evoenergy replied that the scheme is not meant to be skewed by things but outside our control from a positive or a negative point of view.

Mr Bell said if Evoenergy were to place gas pipes into underdeveloped land, the AER would declare that imprudent. Mr Cox asked whether the incentives could be built around cost-per-connection. Evoenergy replied that the allowance is calculated based on the number of connections forecast. Mr Hansen said to Kevin that Evoenergy's Watson station hasn't had a upgrade since the early 1980's and while upgrade has been considered for many years it is still found to be very reliable and parts are available; that's not related to the 1500 connections that are out there, but we are talking about a station upgrade that might cost 5 million. Evoenergy asks can we defer an upgrade and still maintain a reliable system.

Ms Patulny asked how hydrogen and biomethane come into this. Regulatory affairs (unidentified) reminded members that Evoenergy does not actually *generate* gas.

Mr Cox asked whether Evoenergy was happy with this incentive scheme. Mr Yulin replied yes. It provides us with another way to reduce capex for the benefit of our customers, and ensures that service quality is maintained.

Ms Patulny asked about average duration and any difference applied across times of day. Mr Yulin said the specifics for usage times for gas haven't been determined yet, so outages just works across any kind of day – you just take the number of outages multiplied by number of days.

Ms Patulny checked – you've got it for electricity, and you are trying to get it for gas? Mr Yulin said yes, essentially but this also looks at service quality, it's all about maintaining service quality. Ms Oakey asked about market expansion impacts on maintaining the network i.e. a Belconnen example that was cut because it wasn't needed.

Mr Hansen said three categories exist: market expansion, capacity development and 'stay in business' (wear and tear).

Ms Robinson checked how non-system capex fits in. Mr Hansen said Evoenergy's fleet sits with an outsourced opex provider and their cost is an opex charge; there is little non-system capex. Mr Yulin added that any capex within Evoenergy's control is included in this scheme.

Mr Buchanan asked whether this will form part of Evoenergy's proposal. Mr Yulin confirmed this. Ms Oakey asked about anything beyond Evoenergy control going into the CESS, like with new developments, when the mandate for gas is removed for new developments, is this considered inside or outside your control. Evoenergy (unidentified) responded because this has not yet been determined, we can't say, but if mandatory connection is removed, this will have an effect on our forecast, as we will look at this then. Mr Hansen said it would still be market expansion i.e. regardless it will still be considered within Evoenergy's control.

5. Engagement update

Ms Baggoley provided an update of engagement activities within the GN21 engagement program. Of note, the website is live, and all visitors to the website are invited to complete a consumer survey to understand important issues and needs of gas customers.

Energy Matters 2019 (annual major customer event) considered gas. Scott Walters said there was much good feedback from attendees on how they are considering the future of gas, and how that will affect them. It was positive.

The Citizens' Jury begins October 19/20, there are observer sessions and Ms Baggoley was to share a link to register for observer sessions.

Mr Williams agreed that Energy Matters was well attended with a wide range of organisations represented. Ms Baggoley thanked Allan for attending, telling members that Mr Williams has attended a number of Evoenergy events in 2019 representing the ECRC, including Formal Safety Assessment Workshops.

6. Accreditation and Authorisation

Accreditation/ Authorisation Officer Michael Dentrinos opened by telling members of the number of incidents and near-misses recorded during the last few months, highlighting the importance of Evoenergy's approach to a new Accreditation and Authorisation program. The key message is around safety and our need to know when people are working on and around our network.

Ms Patulny asked what happens when someone wants to put a tree in their nature strip. Mr Dentrinos said this is why Evoenergy encourages people to call "Dial before you Dig" and employ people who understand where cables are and how to work safely. Ms Patulny asked about cable depth. Mr Dentrinos said though there is a range, typically it's about 700mm, like water and gas.

Mr Clarke commented that with different levels of rock and soil there are different standards and depend on where you are in Australia.

Fiona Wright said that Mr Dentrinos was speaking generally more about civil works, bigger projects, than backyard works.

Ms Patulny asked whether Canberra light rail creates issues in this space. Mr Dentrinos said geospatial technology allows this to be accurate. Evoenergy have machines that sense pulses etc. Mr Cox asked whether such information would be included on ACTMapi. Mr Dentrinos said Evoenergy work with Dial Before You Dig very closely. Evoenergy does not release network maps publicly.

Mr Clarke noted that this would create risk to the network.

Mr Walters asked if the system was for contractors etc. who may be working in and around out network. Mr Dentrinos confirmed this, adding that the Evoenergy website will contain more information so the general public knows who to contact in the event they need works done. Evoenergy want the community to be safe and that the right (authorised) people are on the network. Mr Cox asked if this approach has been taken before. Mr Dentrinos said yes but not to this degree – this will be more comprehensive.

Ms Patulny returned to her questions about trees and nature strips. When Evoenergy install cables, is it as close to the street as possible? Mr Dentrinos deferred to other authorities within Evoenergy and externally as to where cables and network is laid.

7. Energeia future network options work

Mr Williams introduced Energeia and Ezra Beeman (on remote video dial-in). Energeia is a consultancy contracted by Evoenergy to explore potential impacts of full network electrification. Mr Williams said ECRC members want to know more about the future of gas, especially with the release of the ACT Government draft climate strategy outlining decommissioning of natural gas networks by 2045.

Mr Beeman presented on what Energeia have been asked to examine, and their methodology in considering impacts on Evoenergy should the natural gas network be decommissioned.

Mr Clarke mentioned current modelling that considers electric vehicles (EV) being charged at home at the end of a work day while they could be charged when at work and then provide energy to power the home. Ms Oakey added that using meters across different sites was potentially part of this.

Mr Beeman said Energeia was definitely looking at workplace charging and charging outside of the home. Mr Clarke said this means the government would not have to worry about in-house batteries. Ms Oakey expressed her interest in their modelling around new houses having reverse cycle air conditioning, but maintaining gas water heaters and gas stoves. Mr Beeman said that's within our 'base case' only not the 'electrification' case. Ms Oakey reckoned the 'base case' would include people using gas for heating, too. Mr Beeman said under business-as-usual that is the trend they've seen, including forecasting that shows a downward trend in gas consumption per household. However water heating, it's commonly gas but for heating, there's a trend towards reverse cycle A/C. Mr Hansen added that in Gungahlin and Molonglo there is a lower uptake of gas heating. The reason for this is that A/C have subsidised A/C purchase cost plus other reasons like there's only one set of ducts, one control panel. So we see something like 4-out-of-5 homes in Tuggeranong with ducted heating, but only around 1-in-20 in Molonglo etc.

Ms Oakey thanked Bruce and then suggested they produce modelling of two energy sources that are very easily to replace; what's the barrier to replacing those? Mr Beeman said there are a few considerations especially in Canberra.

Mr Clarke remarked that reverse cycle can freeze in our winter climate.

Ms Oakey asked how voluntary demand management is being put into this modelling. Even without the capacity to do this now, it should be part of the modelling. Talking about consumer demand management, as a consumer level, not utility level. Mr Beeman said with batteries peak demand can be moved across periods/times. With increasing focus on EV there will be greater focus on modelling based on this, because they're such big resources. Energy efficiency is a big part of this.

Mr Buchanan asked about the impact measured in the modelling for consumers around affordability or reliability. Mr Beeman said Energeia is estimating differences in terms of customer bills, dollars they spend, amounts invested in solar, storage and EV; we've tried to be all-encompassing. The work is not built around impacts to vulnerable consumers per se – they are not exploring that specifically – however any bill changes will have a relative impact on vulnerable customers.

Mr Buchanan mentioned it comes up with solar panels as well, and the inequities that come with rolling out solar panels too.

Ms Robinson asked whether Energeia is also considering the cost to consumer of appliance replacement under this scenario. Mr Beeman said yes: they have been trying hard to get this right, deeply considering the cost of replacing a gas appliance for an electric appliance. Once gas isn't available and you have to go electric, we've also taken that into consideration in what that means for the consumer.

Mr Cox asked whether Energeia is considering a scenario where Evoenergy keeps the existing gas network but distributes renewable gas. Mr Beeman said that's not within scope for Energeia. Mr Hansen said the work is limited to an electrification scenario, uncomplicated by other factors. Ms Oakey returned to Mr Hansen's remark re: A/C units being subsidised. Mr Hansen explained that manufacturers are 'subsidising' reverse-cycle A/C and more people are buying these. Ms Oakey asked whether Energeia is modelling on decreased costs/unit for heat pumps. Mr Beeman said while

Energeia can consider increasing reverse-cycle A/C use it may not increase too much in real terms and a more expensive (stage 2) heat pump would operate in the coldest times in Canberra: currently reverse A/C doesn't heat as well during extreme cold and consumers may back this system up with another (gas or electric) appliance. Overall Energeia have not put a price on the downward pricing of the heat pump.

8. Customer Service Incentive Scheme

Lev Yulin spoke about how the AER is considering whether it would benefit customers to provide electricity distribution businesses with an incentive to improve customer service. AusNet Service's (AusNet – a Victorian electricity and gas distributor) trial of the New Reg process has revealed evidence that customers might value improvements in distributor performance. The idea of customer satisfaction surveys is being considered.

Currently the Service Target Performance Incentive Scheme (STPIS) measurement of customer service provides an incentive for distributors to answer fault line telephone calls within 30 seconds. These incentives are homogenous, as they rely on a single performance benchmark.

Mr Cox asked why surveys are being considered and not some other, 'real' measures. Mr Yulin replied that such measures would be tracked under the existing incentive scheme, but the intent now is to ask customers what their experience was, to adopt a more customer-focussed process. It may also allow distributors to measure customer satisfaction with our website, for example. The AER is holding a workshop on November 6th in Canberra and details are available on the AER website: https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/customer-service-incentive-scheme/initiation

Mr Walters asked whether this was aimed at commercial or residential customers, to which Mr Yulin replied that it may apply to both.

Mr Williams asked what the proposed approach would offer all parties.

Mr Cox said that, having attended a series of forums recently that discussed community-owned energy infrastructure, he feels people are more satisfied with their energy systems if they have a connection with it some way or another, as opposed to it being just a service. He reiterated his belief that Evoenergy should consider providing more options for customers to contribute and become involved with the network.

Mr Yulin replied that this could be something that might come out of this process, but whatever is chosen should ideally be within the utility's control to allow for calibration and administration of an effective process.

9. Other business

Ms Baggoley announced Evoenergy is holding an Annual Planning Report Workshop ahead of APR release. This is in response to stakeholder feedback received at the February 2019 launch, to consult ahead of publication of Evoenergy's APR. The workshop is November 6th at ActewAGL House and

invitations have gone to major customers, industry partners and emerging innovation organisations as well as ACT Government.

Kevin Cox said his cooperative had received a small grant from the ACT Government which lends credibility to their work.

10. Next meeting. ECRC meeting number 32 will be held December 11th 2019

The meeting closed at 4.55pm

ACTIONS ARISING

Action	Owner	Due
Agenda item discussing verges, trenches and ACT	Giuliana Baggoley	Meeting 32 or 33
canopy / tree management.		
Review of operation and maintenance costs of running gas network (vs electricity network) in relation to connection charges	Regulatory Affairs	Meeting 32 or 33
Share link to register to observe Citizens' Jury sessions	Giuliana Baggoley	Done October 16th
Provide updates on Evoenergy's position around gas network in new suburbs – what will Evoenergy's approach be, is it developer- dependent?	Regulatory Affairs	Will form part of the draft proposal for GN21