CITIPOWER Powercor AUSTRALIA united energy

RESPONSE TO CONSULTATION PAPER

ELECTRIC VEHICLE CHARGING INFRASTRUCTURE PROJECT

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1. Summary

We provide this submission to the Australian Energy Regulator (AER) in response to the Electric Vehicle Charging Infrastructure (EVCI) Consultation Paper (Consultation Paper).

As noted in our original submission and supplementary submissions, we believe there is merit in the AER granting a waiver supporting our limited trial. What is proposed is small in scale, enables exploration of potential synergies, can provide detailed insights for future kerbside EVCI proponents and network planning and further share benefits of existing distribution infrastructure with new and existing customers.

Through the public consultation sessions, stakeholders raised several issues with the potential granting of the waiver. These ranged from cross subsidies, discrimination, claims the market today is competitive and that the technologies and approaches being adopted by us are not innovative.

There appears a misconception that we can cross subsidise kerbside EVCI with provision of distribution services. This misconception appears rooted in the belief synergies between the provision of distribution services and other services should not be explored. The regulatory framework administered by the AER has embedded in it rigorous protections against cross subsidisation or transferring costs to the regulated asset base. We have an AER approved Cost Allocation Methodology through which we are externally audited annually and required to report to the AER. This process makes the type of cross subsidisation being suggested simply not possible under the current regulatory framework.

Synergies with distribution services are not cross subsidisation. We already today seek opportunities to generate additional revenue sources from investments in distribution services. The largest of these is supporting telecommunication providers, a service that has provided long standing benefits to telecommunication and electricity distribution customers. The exploration of alternative revenue sources has long been promoted by the AER and is enshrined in the Shared Asset Guideline which is intended to lower costs for electricity distribution customers.

Discrimination has been raised by stakeholders in several guises. To be clear, the regulatory framework expressly prohibits discriminatory behaviours, through sector specific regulation overseen by the AER and more broadly by the ACCC under the Australian Competition and Consumer Act. The issues raised by some stakeholders allude to delays and connection charges. Both are regulated by the AER and subject to the AER's Connection Charging Guideline. We are not aware of any formal complaints being raised against us or evidence being provided of wrongdoing. We would encourage the AER in evaluating arguments with respect to discrimination to take an evidence-based approach rather than what may theoretically happen.

Some stakeholders claimed what is being proposed by us is not innovative. Whilst everyone is entitled to their view as to what is truly innovative, we believe the benefits of the trial are not about use of the technology itself but rather the value of exploring the use of smart meters and data analytics, asset management synergies and contestability of charge point operators. Beyond the technologies themselves, there is also their applicability in different locations and circumstances.

Finally, some stakeholders inferred that the market for kerbside EVCI is not failing and that they are being blocked or delayed from entering the market. We can only speak for our networks, but today there are no kerbside EVCI's on our network. Given this, it is difficult to infer the market is thriving. We are aware of 2 trials being considered and we continue to work with these proponents, but we would challenge in assertion that the market is not failing.

The remainder of this submission addresses each of the Consultation Paper's questions. If you would like to discuss our comments further, please do not hesitate to reach out to Lauren Fetherston, Head of Regulatory Policy and Compliance at Lauren.Fetherston@ue.com.au or 0499 202 244.

2. Consultation paper questions

2.1.1 Do the current dynamics of the markets suggest a thriving and competitive marketplace?

It is not our intention, or desire, to damage competition in the pole mounted EVCI market. If an active and thriving market existed today, we would not be seeking a waiver or conducting a trial.

It is understood there are challenges for third party providers when it comes to kerbside EVCI investment with lack of density of EVs resulting in business models that require substantial public funding. Without that public funding, the market for EVs will not grow diminishing the scope for transport electrification to reduce carbon emissions. Anecdotally we have also heard that the non-pole mounted EVCI that does exist is subject to poor reliability. This is backed up through evidence cited by LEK that indicated globally 25 per cent of commercial charging infrastructure is offline or not functioning at any given time.

Providing context

To be clear, today there are no kerbside EVCI in the CitiPower, Powercor or United Energy networks. There is no market and therefore concerns that a trial would impact a thriving market are incorrect. Whilst beyond the scope of this waiver application, we note this situation is not unique to CPU with Essential having only 6 kerbside EVCIs and the ENA analysis showing there is one charger per 68 EVs in Australia, far below the global average of 11. Even in Australia's largest city Sydney, we understand only approximately 100 pole mounted EVCIs exist, with all the recipients benefiting from heavily discounted access fees. To put this in context, the New South Wales Government estimates that 38,000 EVCIs will be required by 2030.

We are aware of 2 trials being considered for our networks. Neither trial has commenced at this stage, and both are underwritten by public funding. Both are modest, proposing to comprise less than 100 EVCIs in total, and involve single port chargers (for reference our trial proposes using dual port EVCIs).

This is a trial, not a mandate

This waiver application is not about litigating the future of EVCI provision. When, and if, this debate occurs, it will be in a different context and place.

The waiver, if granted, is limited to the installation of 100 EVCIs, the same number proposed in total for the other 2 trials being considered by other third parties. We understand that CSIRO in comparison has stated the number of EVCI required in New South Wales is 33,000. Even assuming Victoria has a lower requirement, the trial being proposed would constitute less than 1 per cent of the entire market. The waiver, if granted, has a limited life (5 years). Given these circumstances, it is difficult to understand how this trial will have any impact on the market for EVs or EVCIs. Further, kerbside EVCIs are competing with larger scale EVCI located at supermarkets, hardware stores and other large commercial premises. They will also compete with customers who own EVCI, located at their house or apartment building.

The trial proposed by us offer a short-term option and a cheaper solution given the absence of jurisdiction-based funding requirements. Noting not all EV owners have the option of a home EVCI and range anxiety is a key concern for EV purchasers. Pole mounted EVCIs can address these concerns, but it is going to take time to develop.

No one is asking for exclusivity

This waiver application does not seek exclusivity in the provision of kerbside EVCI. We are working with third party EVCI providers and have a regulatory obligation to offer connection services to anyone who requests it. Further, we have offered discounted access charges to several third-party providers to assist the economics of their trials. These discounts are a cross subsidy from our electricity

distribution customers to third party providers. We provide them at the request of our jurisdiction however we note our electricity distribution customers have fully funded our poles. It is not clear to us why third-party providers should be treated differently to communication businesses, who are also users of poles and pay cost reflective access fees.

Economies of scope are not a contravention of the ring-fencing guideline

We note a key concern of third-party providers is we will own and maintain EVCIs at a lower cost. Whilst we can't comment on the cost structures of third-party providers, we strongly believe there are economies of scale and scope in us owning and operating EVCIs and the realisation of these will benefit EV users and electricity distribution customers alike.

We have well established asset management practices for poles, pole tops and conductor which can be synergised with EVCI installation and maintenance. Taking advantage of these synergies' benefits both our electricity distribution customers and EV users. Realising these synergies is not a crime. Prohibiting these synergies from being realised is not in the interests of customers, as it prevents them receiving the benefit through lower charges and greater access to EV charging facilities.

2.1.2 Do you agree a market insufficiency exists? What are your views on the cause of any coverage gaps across metropolitan (i.e. inner-city urban areas), suburban and regional Victoria?

There are no kerbside EVCIs installed in our networks today. The absence of kerbside EVCI represents a market failure itself. Similar market failures exist in New South Wales despite distributors discounting access charges. Whilst some kerbside EVCI does exist in Sydney, we understand it is less than 100 facilities.

Our comments on question 1 are relevant for question 2. No third-party providers have developed a business model with the ability to economically supply kerbside EVCIs to our knowledge. The trials we are aware of, are subsidised by government and this is likely to remain the case in the short to medium term.

Whilst our offering is a trial, it tests an alternate delivery model. It is not reliant on funding from government. It will test the asset management synergies that can be realised between electricity distribution and EVCI assets, using advanced data analytics collected through consumption data and low voltage network modelling to identify locations that may prove more economic. The trial will provide rich consumption and demand data which can be used to inform future EVCIs. Alternate trials can not explore these potential benefits and will not share their learnings with the wider community given the proprietary nature of these trials.

A distributor led trial can greatly assist in identifying why pole mounted EVCIs remain uneconomic and secondly, whether pole mounted EVCIs can be economic under an alternate model.

2.1.3 What are your views on the potential benefits that may be gained from CPU's trial, including network learnings?

Our original submission presented the benefits from the trial should we receive the waiver. In summary these benefits included:

- an exploration of scope of scale efficiencies in the installation and maintenance of EVCI and distribution assets, with the potential to lower the costs for EV and electricity distribution customers in the provision of their respective services
- investigate the skills sharing and synergies available with our existing geographically spread, dedicated and experienced field staff in maintaining a reliable and high-quality supply of EVCI functionality, potentially lowering costs for EV users and electricity distribution customers
- study the speed in which EVCI can be deployed, enabling the faster adoption of EV technologies in transport

- test the leveraging of existing customer protections for asset reliability standards and guaranteed service levels for users of EVCI. These protections are not available for EV users under the third-party provision model
- provide the regulator and industry greater oversight and visibility of data and costs in the provision of EVCI to enable better economic and regulatory decision making. This information is not available today given the proprietary nature of third-party provision
- examine whether a distributior led trial can minimise disruption to communities in EVCI installation and maintenance and whether this leads to greater confidence in the EVCI provision, potential increasing the uptake of EV
- provide granular and robust information of EVCI usage in the short and medium term, informing future EVCI roll outs and demand management strategies
- assist in the identification of future sites where an EVCI roll out maybe most economic for the community and conversely, where there is likely to be a shortfall in EVCI provision
- lower the cost of distribution use of system services through the exploration of additional sources of pole usage that offset electricity distribution customers' investments
- assist future network planning decisions that allow a better understand of the impact of EVCI on the low voltage network in terms of energy demand and quality of supply
- end users are not limited to a single charging application or provider, and can charge using credentials from their preferred E-mobility Service Provider (EMSP), supporting consumer choice, increased accessibility to EVCI and a competitive market

It is expected further benefits will be realised as the trial progresses. This includes advances in the use of data analytics using our smart meter networks. We fully intend to share these learning with regulators, industry and most importantly, our customers.

A particular aspect of the trial we wish to draw attention to is distributor management of EVCI that will be needed in the future is there is wide scale deployment of kerbside EVCI. Distributor management (much the same as flexible exports) will be needed if customers want to avoid expensive and long lead augmentation (as we must augment due to peak loading). As distributors must augment to enable to meet the customer's load request (as we have no ability to control), we will have no option but to issue an offer to augment. Based on the applications from our EVCI trial customers, 60 per cent of sites selected require augmentation to enable the connection. A key learning from the trial will be testing and understanding how we maybe able to dynamically manage EVCI, that may in the future result in lower connection costs for future kerbside EVCI.

2.1.4 What are your views on CPU's claims that they can provide kerbside EV chargers more cost effectively than other third parties?

Our original submission highlighted the potential for an alternate EVCI provision model to deliver lower costs for EV users. We highlighted this as this will be the first trial, at least in Victoria, that is not supported by jurisdictional or regulator-based grants.

What we propose is a trial. There are no guarantees that the trial will be more cost effective than other trials however we consider this something worth testing. Equally submissions that state our kerbside EVCI maybe more expensive can not come from an informed space given we are still understanding our own cost structures. The important thing is regardless of whether we can provide more cost effective kerbside EVCI, our electricity distribution customers will have **no** exposure to any losses or downside.

Determining the roll out strategy and maintenance program approach we will implement is a work in progress. We are continually engaging with vendors, councils and charge point operators (CPOs) on alternate options and strategies. It is therefore impossible to accurately understand what the final costs will be until the trial is complete.

Cost-effectiveness is just one measure for this trial. Customer experience, reliability, and speed of deployment also matter. If there is one thing we have learnt from our customers through our engagement programs, is that they prefer value over cost. Economics tend to drive regulators to

decisions enshrined in lowest cost outcomes based on the belief it meets customers future needs and preferences. Our engagement has repeatedly shown there is no appetite amongst our customers for low-cost solutions that compromise reliability or quality of the service they receive. This has been highlighted to us regarding EVCI with many customers complaining about poor availability and vandalism of units. This is an area we believe we can improve the customer experience given our strong expertise in asset management and extensive field resources, vehicles and depots.

We remind all stakeholders of our commitment that if the trial proves uneconomic, it will solely be our shareholders that carry the consequences. Electricity distributor customers are protected, no matter the outcome, something they insisted on throughout our reset engagement program.

2.1.5 What do you view as the potential risks to competition from CPU's proposed trial?

What we are proposing is a 100 EVCI trial. It is not a mandated roll out or a significant volume of kerbside EVCI.

Extensive disciplines already in place

This is a trial taking place under the auspices of the AER and more general competition legislation through the Competition and Consumer Act. The investment proposed is small (approx. $1.2M), which reinforces this is not a major competitive threat to other market players.

We do not intend to contest any of the draft provisions proposed in the Consultation Paper, which include some of the most detailed and transparent data and information provisions ever observed in a waiver, and certainly far greater than that included in current industry trials. Further, we would highlight the discipline accorded by the AER approved Cost Allocation Method, which precludes any scope for any cost shifting or discrimination and is subject to external audit and a statutory declaration from our Chief Executive Officer.

Access fees to poles

The Consultation Paper and AER forums have repeatedly highlighted access fees. They are cited as 'anti-competitive' and a barrier to third party providers of kerbside EVCI.

Access fees to poles are not new. These have been levied on users of distribution assets funded by customers since the late 1990s. The revenue collected from access fees is subject to external audit and reported annually to the AER. Access fees are levied on all users of poles, not just third party EVCI providers. Telecommunication operators contribute materially more to access fees to distribution assets, contributions that have lowered the cost of distribution services to electricity distribution customers. We have been completely transparent in how access fees to distribution assets have been calculated. They have been calculated based on independent expert advice shared with AER and the Department of Energy, Environment and Climate Action (DEECA).

The access fees for distribution assets being proposed for third party EVCI operators' trials are not the fees presented to the AER or DEECA. Rather, they are heavily discounted access fees, set at the rate applied by AusGrid at the bequest of DEECA. Whilst we have agreed to cooperate with DEECA given the nascent nature of the kerbside EVCI market, this is to the detriment of our electricity distribution customers. They fully funded these distribution assets and should be entitled to a cost reflective sharing of costs with other distribution asset users.

Terms and conditions of pole access are not discriminatory

We have heard commentary that the terms and conditions included in access agreements to distribution assets for third party EVCI providers are discriminatory. We do not accept this and note we have adopted the same principled approach we take with telecommunication operators, that is, electricity distribution customers should not be worse off because a third party EVCI provider is attaching their assets to customers' distribution asset.

There are two elements to managing electricity distribution customers not being worse off:

- what happens if the public is injured by the third party EVCI, or the EVCI triggers an unplanned network outage (risk and liability) and
- who bears the cost of moving or removing third party EVCIs (e.g. a line is rebuilt, the third party EVCI reaches end of life).

Managing these risks on behalf of our electricity distribution customers is not discriminatory. Our approach is consistent with a long-standing approach applied to all access seekers to distribution assets. The risk profile proposed for access seekers mirrors the level of risk we are expected to accept ourselves. To characterise this approach as discriminatory is to suggest that these risks be borne by electricity distribution customers. This is not fair or equitable and electricity distribution customers may be better off refusing third parties' access to distribution assets.

Our connection policy is consistent with the AER's Connection Charging Guideline

The Consultation Paper suggest our Connection Policy and processes are a barrier to third party EVCI providers.

For context, our Connection Policy is approved by the AER every 5 years and must comply with the AER's Connection Charging Guidelines. That is, we are applying the policies that have been established by the AER. Secondly, we provide extensive, audited annual reporting through the regulatory information notice (RIN) to the AER on connections expenditure and timelines, information that is publicly available. Thirdly, we are unaware of any third-party EVCI provider arguing our connection processes are discriminatory. Whilst the process in some cases can seem protracted, negotiating access fees, liabilities, warranties and in some cases design can take time, especially when legal representation is involved.

This is a trial subject to extensive disclosure provisions and perhaps unprecedented oversight by the AER. The scope for discriminatory behaviour is next to negligible.

2.1.6 What are your views on CPU's proposed method of selecting EV charging sites based on areas with high EV ownership, and the number of units (100 EV chargers)?

No EVCI charge site has been 'locked in' with local authorities. We have used publicly available data analytics to identify sites where EVs are commonly located. Final site selection will be negotiated with local authorities and consumers. Our trial encompasses many local government authorities, and negotiating with them will be a key learning of the trial and the practicalities of kerbside EVCI.

The data analytics on which we have identified suburbs is not unique to us. The information we have used is available on public websites and it is not owned by us. It is available to any third party EVCI provider or the AER. Whilst we would wish more detailed information was available, it is not, and we continue to advocate for an EV register to be established by the Australian Energy Market Operator (AEMO).

2.1.7 What are your views on the depth of the market for kerbside EVCI?

We have no further comments to make here other than to refer the AER to our responses to questions 1 and 2.

2.1.8 What are your views on the potential for CPU to discriminate against third party EV charging service providers?

We refer the AER to our comments in question 5 related to discriminatory conduct.

2.1.9 What conditions would be fit for purpose, if a waiver is granted? Which are higher or lower priorities?

As discussed at the AER open forum, we are open to any of the draft conditions being considered in the Consultation Paper. However, the ability to make all the information being sought publicly available will be an issue.

The procurement processes and contracts we undertake will be with third party vendors. In our experience, these vendors are unlikely to be comfortable with the AER disclosing their terms and conditions as they compete in other markets, including third party EVCI provider markets. We would ask that the AER respect the confidentiality of such arrangements and recognise that public disclosure of documents related to these vendors may cause their businesses considerable harm.

The temptation for the AER, and other stakeholders, will be to load up the waiver with numerous or overly onerous conditions. Each of these conditions adds costs to the trial. We are not arguing that all these conditions are unnecessary, however should they become material, they may deter us from conducting the trial in which case the waiver process becomes academic.

Whatever conditions the AER may choose to include under the waiver, we believe they should not be replicating conditions that exist under other regulatory instruments. These include the Distribution Ring Fencing Guideline, Electricity Distribution Code of Practice, Electricity Distribution Licence, Competition and Consumer Law, Connection Charging Guideline and the Cost Allocation Methodology amongst other regulatory instruments.

Finally, the issue of access fees to distribution assets should not be considered in the context of the waiver conditions. As discussed, access fees for distribution assets are applied to a much wider group of stakeholders than just third party EVCI providers. To our knowledge they are applied by every distributor in Australia. If the AER has concerns as to the fair and reasonableness of third-party access fees, this needs to be part of a wider debate, one that includes electricity distributors who have a major stake in the outcome should they be asked to subsidise certain users of distribution assets.

2.1.10 What other conditions should be placed on the waiver, if granted, to prevent discrimination or to preserve fair market competition, and maximise the benefits from the trial?

Please see our comments in relation to question 9.

2.1.11 What data should CPU share as a minimum and what are the specific metrics that should be used – for example, specific metrics for measuring connection times

As stated in question 9, we are open to providing full transparency to all data we collect through the trial. The exception being data that is confidential to third party vendors or data that is otherwise publicly available.

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