

Appendix 1.5: Energy Regulatory Advisory Panel (ERAP) meeting summaries

Access arrangement information

ACT and Queanbeyan-Palerang gas network
access arrangement 2026–31

Energy Regulatory Advisory Panel (ERAP)

The Evoenergy independent advisory forum, the Energy Regulatory Advisory Panel (ERAP) was established in December 2023 and concluded in October 2024.

Its member contributions informed Evoenergy's engagement program and discussions on regulatory approaches for the 2026–2031 gas network access arrangement.

The ERAP acknowledged the significant challenges for gas consumers in applying the current regulatory framework in the context of the ACT's 'Pathway to electrification'.

There were six ERAP meetings held, and meeting summaries are provided in this appendix. Other meeting material is available on Evoenergy's [website](#).

Meeting 1 dashboard report

Dashboard Report GN26 engagement

Energy Regulatory Advisory Panel Meeting 1 | 7 December 2023

This dashboard summarises feedback from a short feedback session, which will inform the development of the GN26 Consumer and Stakeholder Engagement Strategy.

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.

Meeting 1 summary

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #1 Summary | Thursday 7 December 2023, 1.30 – 4.30pm via MS Teams

Attendees

ERAP members Dr Andrew Nance (Chair), Louise Benjamin, Wendy Russell, Katherine Lowe, Gavin Duffy

Evoenergy John Knox, Peter Billing, Megan Willcox, Gillian Symmans, Bruce Hansen, Lauren Wachniewski, Leah Ross, Ashlyn Napier, Yolanda Mchao

Communication Link Helen Leayr, Amelia Simson, Rosie Garland

Energy Consumers Australia (ECA) representative Marie Harrowell, Senior Policy Associate
(joined at allocated time slot then left the meeting)

Agenda

- ERAP member introductions and welcome by Evoenergy CEO
- Overview of regulatory process
- Role and logistics of ERAP
- ECA presentation on Consumer Empowerment Funding Program and other resources
- Key challenges for GN26
- Discussion and feedback session facilitated by Communication Link: GN26 consumer and stakeholder engagement strategy

Summary of highlights from presentations and discussions

- ERAP members' areas of interest and focus are diverse and include consideration of consumer perspectives, advocacy for vulnerable and disadvantaged households, social science and deliberative democracy, long term challenges to decommissioning the gas network and flexible solutions in the regulatory framework.
- CEO welcome highlighted the challenge Evoenergy faces as a network with customers in the ACT and NSW, with differing policy landscapes, and the significant social, economic and technical challenges of the transition away from gas in the ACT e.g., the impact to workers because of decommissioning the network which was highlighted in the safety share.
- Evoenergy's gas network is a small, safe and reliable network, quite young at 42 years, with a generally affluent gas consuming customer base (with some significant exceptions).
- The ACT Government reports that it is on track to meet its 2025 target as part of the pathway to net zero by 2045 (NZ45). This is one of a number of ACT policy considerations including the ACT Government's Integrated Energy Plan, Pathway to Electrification, and the Climate Change and Greenhouse Gas Reduction Act 2023 (prohibited new gas connections in the ACT from 8 December 2023), and the addition of emissions targets in the National Gas Objectives. There are also a wide range of ACT Government customer facing programs and incentives to drive emissions reductions (and by extension the transition away from gas).
- ERAP members were provided with background on the economic regulation process including an overview of the GN26 regulatory review process dates and deliverables and key regulatory considerations e.g., expectations of the AER's Better Resets Handbook, and AER reviews on regulating gas pipelines under uncertainty and the review of gas distribution tariffs. It was noted that the process will involve a long engagement journey with consumers and relevant stakeholders.
- An overview of Evoenergy's (continuously improving) engagement journey was provided, from the formation of the Energy Consumer Reference Council (ECRC), Community Forums e.g., Citizens' Jury and Community Panels, Energy Matters forum for large customers, partnerships with ACTCOSS, surveys, regional roadshows and establishment of the ERAP.
- The role of the ERAP, ECRC and future community panels/forums was discussed. It was noted that Evoenergy is seeking the ERAP's varied expertise to guide, advise and challenge Evoenergy as it develops the GN26 proposal to ensure that consumers' long-term interests are considered and reflected in the development of proposals.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #1 Summary | Thursday 7 December 2023, 1.30 – 4.30pm via MS Teams

Summary of highlights from presentations and discussions (*continued*)

- Communication Link facilitated a session on the logistics of the ERAP including members' and Evoenergy's expectations. The ERAP's Operational Guidelines (includes Terms of Reference) and draft Code of Conduct were provided to the ERAP prior to the meeting.
- ECA representative provided an overview of its Consumer Empowerment Funding Program (CEFP) and other useful resources. ERAP members will explore opportunities to utilise the ECA's CEFP and research database (e.g., sentiment surveys, reports) in the future.
- Key strategic challenges for the GN26 review were discussed e.g. a new requirement to engage on the Tariff Variation Mechanism and tariff structure to inform the Reference Service Proposal (RSP) due for submission to the AER by 30 June 2024 (the ERAP noted that the AER's decision on these elements of the RSP is non-binding).
- Evoenergy put forward possible consumer focussed questions to the ERAP for consideration in the lead up to the consumer and stakeholder engagement strategy discussion and feedback session.
- Feedback from the recent ECRC meeting was presented to the ERAP and this included consideration of the representation of hard-to-reach consumers, establishment of principles to guide the energy transition e.g. fairness and equity, impact on workers, safety risks, and the appropriateness of the existing regulatory framework.

Key messages from the ERAP and resulting actions

- ERAP members encouraged more clarity on their role and the delineation with the role of the ECRC. Evoenergy will collaborate with ERAP members to work towards a common role description and interrelationship with ECRC through development of the engagement strategy.

Action 1.1: ERAP members to finalise any proposed changes to their Operational Guidelines and Code of Conduct including review mechanism. Agreement by Evoenergy and ERAP to be discussed at the next meeting.

- ERAP members encouraged Evoenergy to use as much time as possible within the regulatory reset timeline to consider the regulatory elements, particularly given the degree of uncertainty and new challenges before us. ERAP members therefore supported Evoenergy's current view to not pursue the AER's early signal pathway.
- ERAP members encouraged Evoenergy to view GN26 in the context of planning out to 2045. ERAP members suggested a first step of taking a long-term view to what 2045 could look like and then work backwards to what this means for the regulatory elements and framing the engagement journey. Evoenergy agrees and plans to set up an ERAP meeting in early 2024 to develop forward looking scenarios for the gas transition to 2045. These scenarios would then inform how we assess the regulatory elements and framework engagement with customers/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.

- ERAP members encouraged Evoenergy to source engagement feedback received to date through the various channels, both internally and externally, to understand current customer sentiments and identify gaps for further engagement. Evoenergy will build this into the engagement strategy.
- ERAP encouraged Evoenergy to engage early and continuously 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.

A dashboard report of the engagement strategy discussion and feedback session is attached. Feedback will be used inform development of the GN26 Consumer and Stakeholder Engagement Strategy.

Meeting 2 dashboard report

Dashboard Report GN26 engagement

Energy Regulatory Advisory Panel Meeting 2 | 7 February 2024

This dashboard summarises discussion and feedback on the GN26 engagement narrative, engagement tools, channels and scenarios.

Narrative and key messages



- Highlight the importance of looking through a consumer lens and why it matters to consumers.
- Clearly outline the context of transition, including the policy direction of the IEP, and its alignment with government policy objectives aimed at sustainability and emissions reduction.
- Outline risks and challenges in the context of continuing to provide affordable, safe and reliable services for customers.
- Focus on key challenge of recovery of costs with a declining customer base.
- Conversations will explain and explore the links to the electricity network.
- Increase focus on customer choice, agency and capability, e.g. recognising customer costs associated with appliance costs.
- Recognise businesses and NSW customers.

Sequencing of the engagement topics



The following restructuring was proposed

1. **Recovery of costs from a declining customer base** including reflecting the importance of customer choice and fair cost allocation, especially for vulnerable customers. Integration with electricity planning and operating the network efficiently.
2. **Managing uncertainty and risks**, incorporating tariffs/pricing models, asset depreciation and access arrangement length. Enabling customer choices and aligning push-and-pull factors to different customer groups to ensure fair outcomes and recognition of customer preferences.
3. **Gas demand forecasts**, adding in changing impacts of demand beyond the 5-year regulatory period. Consider appliance-specific approaches and government incentives. Understand customer agency and capability to participate in the transition.
4. **Disconnections / Abolishments / Decommissioning**, including reflecting individual costs impacts (appliances, disconnection fees etc.) as well as broader network and societal costs. Consider who should bear these costs.

Scenarios

The following themes were discussed in relation to the development of scenarios



- **Consider 2 scenarios:** one that follows the ACT Government IEP pathway to 2045 and one that is based around customer trend behaviour to 2030.
- **Long-term impacts:** decisions made today will significantly affect the next 20 years, acknowledge the importance of potentially wrong assumptions and consequences.
- **Plausibility:** the plausibility of scenarios must be considered.
- **Trade-offs and consumer impact:** discussing trade-offs to understand the impacts on consumers, including economic costs associated with transitioning customers off gas and the implications for the electricity network.
- **Scenario types:** scenarios include consumer-driven transitions with and without government support, reflecting varying consumer agency and capability.
- **Policy alignment and regulatory support:** there are challenges in aligning assumptions and scenarios due to uncertainties in government policies and predictions. Regulatory interventions and support for vulnerable consumers need to be considered in scenarios.
- **Collaboration with government and regulators:** collaborative efforts with government and regulatory bodies in the development of the scenarios was suggested for credible/plausible transition paths and policy alignment, noting however, that government has set its own view of the pathway to 2045.
- **Consumer engagement and preferences:** scenarios as tools for engagement with consumers is crucial to understanding preferences and concerns regarding transition speed and costs.
- **Explaining costs:** It was suggested that 'cost buckets' could be used to explain the different costs that need to be recovered and how these are best managed individually and collectively within the GN26 period and out to 2045.

Channels and voices



Customer types and stakeholder groups:

- Evoenergy should cast the net wide and consider tapping into segments such as real estate agents, retailers, financial counselors, community organisations, landlords and small businesses for their insights on the gas transition.
- Opportunities to gather data from retailers, financial counselors, and community organisations.
- The importance of understanding different age groups and their capabilities and needs regarding home electrification was highlighted e.g. 40-45 year olds may be most impacted due to stage of life and period of transition.
- Vulnerability can be defined in different ways e.g. economic, social, physical, cultural, temporal, and specific challenges related to transitioning to new energy systems.

Tools and channels for engagement:

- Develop a simple plan on a page as an engagement / communication tool.
- Panels, forums, specialist steering groups, energy cafes, street walks and youth steering groups were mentioned as potential engagement platforms.
- Consider the potential to partner with the ACT Government and involve those accessing government incentive schemes into engagement activities.
- Consider other engagements and touchpoints Evoenergy has with customers as vehicles for capturing feedback and data.
- The importance of early publication of engagement to inform stakeholders like government agencies and regulators was emphasised, as was the importance of reporting back to the community on how consumer-identified outcomes will be addressed.
- Utilise surveys to gather consumer feedback, to provide insights into preferences and concerns.

Meeting 2 summary

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #2 Summary | Wednesday 7 February 2024, 9.00am – 4.30pm. ActewAGL House, 40 Bunda Street Canberra ACT

Attendees

ERAP members Dr Andrew Nance (Chair), Louise Benjamin, Wendy Russell, Katherine Lowe, Gavin Dufty

Evoenergy John Knox, Peter Billing, Megan Willcox, Gillian Symmans, Bruce Hansen, Lauren Wachniewski, Leah Ross, Yolanda Mchao

Communication Link (engagement strategy discussion and feedback session facilitation) Helen Leayr, Amelia Simson

Agenda

- Review of ERAP meeting #1 (key messages and actions)
- ERAP Operational Guidelines & Code of Conduct
- Recap role of ERAP
- Engagement narrative, key messages and topics (discussion and feedback)
- Engagement tools and channels
- ERAP workplan to June 2024
- Engagement scenarios (discussion and feedback)

ERAP administrative matters

- No conflict of interest declared.
- Meeting actions noted, and the Meeting #1 Summary and Operational Guidelines endorsed for publication on Evoenergy's GN26 web page.
 - Scope of ERAP report(s) to be determined closer to when required; possibly include an assessment of how well Evoenergy has used the regulatory framework to identify, assess and manage risks to consumers during GN26.
 - Review mechanism added to Operational Guidelines -> 12 months from commencement of the ERAP or earlier if required.
- Members signed the Code of Conduct.
- Members agreed on the ERAP workplan to June 2024 -> 3 meetings to be scheduled in mid-March, mid-April and end May.

Summary of highlights from discussions

- ERAP agreed that its role is to provide advice on key regulatory issues which promote the long-term interests of gas consumers (in accordance with the National Gas Objective) through the development of the Reference Service Proposal and GN26 Proposal. Their role would need to be clearly articulated to the AER and its Consumer Challenge Panel (CCP).
- The ERAP and Evoenergy Energy Consumer Reference Council (ECRC) Chairs would continue to liaise to bridge any gaps between the two forums and ensure that there is an ongoing feedback loop.
- The importance of good outcomes for customers was emphasised, including consideration of what good outcomes mean to different types of customers.
- Members emphasised the importance of early, close and ongoing liaison with the Australian Energy Regulator (AER) to ensure that there is a clear understanding of Evoenergy's policy context and the resultant risks to the business and community in relation to recovery of costs, including the costs associated with maintaining a safe and reliable network until 2045. Members encouraged Evoenergy to consider the benefit of investing effort to ensure that the CCP is included in the engagement journey.
- The ERAP suggested including other timelines with implications for GN26 to the GN26 timeline such as the Integrated Energy Plan (IEP), electricity network reviews (consideration of the integration of gas and electricity planning in decision making), and policy and election timetables.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #2 Summary | Wednesday 7 February 2024, 9.00am – 4.30pm. ActewAGL House, 40 Bunda Street Canberra ACT

Summary of highlights from discussions (*continued*)

- The ERAP offered views and guidance on the proposed suite of engagement tools and channels:
 - important to retain a “strong spine” of community representatives through GN26 engagement, and the energy transition more broadly
 - actively recruit a diverse and representative community forum
 - consider targeted engagement with vulnerable members of the community noting that vulnerability is hard to define as there are different layers e.g. social, economic, physical, cultural and temporal
 - use all data points and engagement channels available (including pulse checks); add weightings on engagement themes and messages as they can change fast and have a line of sight on how the weightings change
 - look for consistent themes across the various channels (triangulation), test consistent themes with different cohorts and keep note of difference in perspectives
 - consider reaching out to business customers for 1:1 discussions
 - consider partnering with the ACT Government to align thinking and seek support in developing realistic (credible and useful) engagement scenarios.
- Members noted Evoenergy intends to carry out customer research via a survey to pulse check on gas customers preferences and intentions, and a gas demand elasticity study.
- Members highlighted that the publication of a Draft Plan for public consultation (in December 2024 or early 2025) would provide an opportunity for Evoenergy to share what a consumer led transition (wins and challenges) means to its customers and other stakeholders (i.e. what is being heard from engagement and how Evoenergy will address this) with the ACT Government, AER and other stakeholders.

Key messages from the discussion and feedback sessions on the engagement narrative, key messages, topics and scenarios, and resulting actions

A dashboard report of the discussion and feedback sessions is attached.

- ERAP members advised Evoenergy to be upfront about the issues and challenges for GN26 such as managing uncertainty, the recovery of costs from a declining customer base and how these costs will be shared – consideration of costs from individual and collective perspectives.
- ERAP members advised Evoenergy to highlight the risks and challenges that the transition poses for Evoenergy and its customers that will need to be effectively managed if Evoenergy is to continue to provide an affordable, safe and reliable service to customers until they make the switch.
- ERAP members advised Evoenergy to highlight the ACT Government’s policy mandate and Integrated Energy Plan to transition from gas to electricity by 2045.
- ERAP members reminded Evoenergy to include the NSW gas network and resulting consideration of NSW customers in engagement messaging.
- ERAP members challenged Evoenergy to consider framing engagement discussions around consumer choices (i.e., agency and capability) in the transition.
- ERAP members and Evoenergy discussed the development of two bookend engagement scenarios: I. High case aligned with the IEP phases to 2045, and II. Low case informed by the trend curve to 2030.

Action 2.1: Evoenergy to work with the AER to confirm it understands the role of the ERAP in GN26 engagement and how it fits with community consultation and the role of Evoenergy’s ECRC.

Action 2.2: Evoenergy to review and update the ERAP workplan to align with revised engagement topics and note key dates relating to the IEP, electricity network reset reviews, policy and elections.

Action 2.3: Evoenergy to consider and incorporate the ERAP’s recommendations and feedback to finalise development of the GN26 Consumer and Stakeholder Engagement Strategy.

Meeting 3 summary

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #3 Summary | Session 1: Friday 12 April 2024, 9.30am – 11.45am via MS Teams

Attendees

ERAP members Dr Andrew Nance (Chair), Louise Benjamin, Wendy Russell, Katherine Lowe, Gavin Dufty

Evoenergy John Knox (CEO), Peter Billing (General Manager Evoenergy), Megan Willcox (General Manager Economic Regulation), Gillian Symmans (Group Manager Regulatory Reviews & Policy), Bruce Hansen (Group Manager Gas Networks), Chloe Alexander (A/g Communications & Engagement Manager), Leah Ross (Economic Regulatory Manager), Yolanda Mchao (Regulatory Engagement & Project Manager), Ashlyn Napier (Principal Regulatory Economist), Lev Yulin (Group Manager Regulatory Pricing & Finance)

AER Network Pricing Team (observers) Anita Bryant (Assistant Director), Nickolas Innes (Analyst)

Agenda

- Options to manage risk and uncertainty:
 - Consideration of available options: Tariff Variation Mechanism (TVM), tariff structure, reference services
 - Framing and language for engagement on these topics

Outcome sought:

- Explain and explore options to manage risk and uncertainty with ERAP feedback given in relation to:
 - The National Gas Objective (NGO) 'long term interests of consumers'
 - Framing and language for engaging with consumers and the community

1. Welcome

- The chair opened the meeting with an Acknowledgement of Country.
- No conflict of interest declared, and the ERAP noted the overview of the agenda and meeting outcomes sought.

2. Safety share

- Evoenergy's safety share was about the importance of using the right communication channels in safety situations for faster responses, using recent examples of time-critical safety incidents being reported via ministerial emails and media contact information instead of faults and emergency contacts.

3. ERAP workplan: overview to December 2024

- The ERAP **noted** the workplan presented by Evoenergy which consists of interrelated matters for consideration along the journey to submitting the Reference Service Proposal (RSP) in June 2024 and the access arrangement (AA) proposal in June 2025 and beyond, with a primary focus on the 2026–31 period. The workplan starts with context setting (policy and regulatory) and outlining the challenge and how Evoenergy will engage, moving to the RSP topics of the tariff variation mechanism (TVM) and tariff structures then onto the other regulatory elements including expenditure and recovery of the regulated asset base. The ERAP noted within the workplan there is a degree of flexibility to revisit topics before submitting the AA as decisions will need to be considered holistically.

4. Introducing managing risk and uncertainty

- The ERAP **noted** the presentation by Evoenergy which discussed that there is considerable uncertainty about how fast and when the net zero target will be met. While the TVM challenge is a five-year issue with implications for the future, it is primarily about managing and sharing the risk associated with demand uncertainty over the 2026–31 period. The ACT policy context and recent AER reviews and decision making have changed the landscape for the form of control. Under a price cap, there is an incentive to connect customers, which in turn means that costs are shared across a large customer base (this is no longer an option in the ACT) and network businesses, including Evoenergy have historically outperformed demand forecasts. In recognising this shift, the AER undertook a series of reviews into regulating gas distribution business in uncertainty (2021) and the TVM and tariff structures (2023). In October 2023, the AER made a decision that requires network businesses to propose the TVM and tariff structures as part of the RSP. These elements are non-binding and Evoenergy intends to propose placeholder positions that will be reviewed, refined and revisited through the engagement process (including through the access arrangement submission and revision periods).

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #3 Summary | Session 1: Friday 12 April 2024, 9.30am – 11.45am via MS Teams

4. Options to manage risk and uncertainty

Tariff Variation Mechanism

- The ERAP **noted** the presentation by Evoenergy on the following regulatory factors regarding the TVM:
 - The TVM is just one way of managing and sharing demand uncertainty as the energy transition progresses.
 - Evoenergy's TVM position is under consideration and will be reviewed, refined and revisited as we continue to engage with our stakeholders and community.
 - The TVM is set for five years and will be reassessed in future regulatory periods.
 - Ultimately the TVM does not mitigate the long-term risk of recovering efficient investment costs over a declining customer base without significant price increases.
 - Evoenergy is reassessing the TVM because (a) it is an AER requirement; and (b) we are exposed to increasing uncertainty as the energy transition progresses.
 - There is a great level of flexibility in the NGR regarding the design and implementation of TVM options and what combination of options network businesses can utilize (e.g. revenue cap, price cap, weighted average price cap, revenue yield or hybrid).
 - The NGR require that proposed TVMs must be rationalised with a range of relevant considerations e.g., efficient tariff structures, administration costs and risk sharing arrangements.
- The ERAP **noted** the presentation by Evoenergy on its consideration of alternative TVM options. The ERAP offered the following observations:
 - Evoenergy should consider the TVM and revenue risk, and long-term risk of a declining customer base in the ACT, when setting different tariff structures under a price or revenue cap to neither escalate or defer demand.
 - The TVM position outlined in the RSP should be considered preliminary and non-binding. Further, any feedback from the community should also be considered preliminary, as it is challenging to engage with the community on the TVM without presenting revenue requirements and resulting bill impacts over the next five years. The ERAP encouraged Evoenergy to consider not proposing a TVM in its RSP.
 - When engaging on and proposing a TVM, Evoenergy should consider the differences in customer preferences, price stability and impacts on emissions reductions. Evoenergy should also recognise the design of different TVMs could have intergenerational implications, as well as social equity implications.
 - While GN26 is focused on the 2026–31 period, decisions made in this regulatory period will have consequences for later regulatory periods. It is therefore crucial to ensure the TVM or any regulatory setting does not create incentives for, or influence customers to leave the network sooner than they otherwise would have.
 - Evoenergy may need to reconsider its TVM proposal as its demand forecasts become available.
 - Evoenergy could consider a price cap where over recovery of revenue is 'banked' for future costs of decommissioning or regulatory asset base (RAB) recovery.
 - Evoenergy should consider engaging with the community on a hybrid TVM approach in addition to price and revenue caps.
 - The ACT Government's consultation report on the Integrated Energy Plan (IEP) indicates some community sentiment that a customer led approach is not the most effective. Evoenergy should ensure alignment with the IEP set of principles.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #3 Summary | Session 1: Friday 12 April 2024, 9.30am – 11.45am via MS Teams

4. Options to manage risk and uncertainty

Tariff Variation Mechanism (cont.)

- The ERAP **noted** Evoenergy's proposed approach to engaging on the TVM with the community using the *Pattie's Burgers* analogy. The ERAP provided the following observations:
 - Framing of the analogy should show that risk allocation is worn by other customers. It is therefore important to demonstrate through the analogy people's ability or agency to manage the additional risk that other consumers leaving would place on them.
 - Before introducing the analogy, Evoenergy should explain why the business costs are fixed.
 - Evoenergy should remove the references to 'winners' and 'losers' in the analogy.
 - At this early stage of engagement, it will be difficult to illicit consumer preferences. It will be important to focus on exploring community views and concerns about the different options and how they align with their expectations. It will also be important to ensure diversity of views (e.g. Evoenergy's Energy Consumer Reference Council highlighted there will be different views between residential and business customers).
 - The burger analogy implies a level of choice and agency for customers that does not exist for some gas customers. It will be important when using the analogy to introduce the personas and lead discussions about complimentary measures regarding how those who are left behind or are vulnerable and how these cohorts can be assisted during the transition.
 - The burger analogy is a good starting point for conversations with the community but may oversimplify the situation. Evoenergy should consider replacing the analogy and using the gas network as an example.
 - The TVM discussion should consider pricing impacts beyond the five-year regulatory period and be put into the context of the overall revenue requirement for the five-year period and beyond.
- The ERAP **noted** Evoenergy's presentation that the gas connections scenarios shown were developed in consultation with the ERAP and are guided by the IEP – fast transition represents gas numbers hit the mid point of the IEP band in 2030, moderate represents the upper bound and the slow case represents a two-year lag from the target. The scenarios are based on very preliminary modelling using illustrative demand scenarios (+/- 10% dependent on the deviation between actual and forecast demand), taking into account bill impacts under different TVM options. The ERAP suggested the following:
 - Consider the temporal nature of the transition i.e., declining customer numbers, accelerated depreciation and the implications for the next regulatory period.
 - Outline all assumptions used to develop TVM scenarios including future demand and RAB recovery.
 - IEP consultation report outlines community concerns about affordability and equity and emphasised the connection between gas and electricity and the need for the energy transition to be considered holistically.
 - Emphasise the role of the government in delivering the IEP.
 - Describe different elements of the cost stack and discuss tariff cost allocations between fixed and variable, and glide paths and side constraints.
 - Consider the impacts on different personas in the illustration in terms of consumption and to contextualise the diverse customer base.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #3 Summary | Session 1: Friday 12 April 2024, 9.30am – 11.45am via MS Teams

Tariff structures

The ERAP **noted** Evoenergy's presentation on the following regulatory factors regarding tariff structures:

- While the TVM has clearly defined book ends to frame discussions, tariffs have an open-ended range of options that Evoenergy could potentially explore e.g., introducing new tariffs or varying existing tariffs.
- As part of Evoenergy's principles-based review of existing tariff structures it will consider increased demand uncertainty, fairness and equity considerations (including the ability for customers to respond to tariffs, and the recognition that equity has different meaning to different people), as well as the need for stable and efficient cost recovery and the cost of emissions reductions.
- It is important to recognise that any change to the tariff structures (e.g. rebalancing tariffs between customers) will have implications for customers.
- Evoenergy has a declining block structure due to the high fixed cost of operating the network. Application of the principle of economic efficiency would result in a very high fixed charge and a very low usage charge. This approach has affordability implications particularly for smaller customers. To balance affordability and equity, Evoenergy's declining block structure seeks to include some of the fixed costs in the Block 1 usage charge. This approach also provides greater bill certainty for smaller customers in the winter months e.g., if a customer doubles their gas consumption in winter, their gas bill will be less than double.
- The majority of Evoenergy customers (residential and small/medium businesses) are on the volume individual tariff with a declining structure.
- Evoenergy's tariffs are simple and are passed through by retailers. Evoenergy recognises in some jurisdictions, particularly Victoria, networks offer a range of tariffs (summer, winter, regional), however there is a trade-off between simplicity and cost reflectivity and the simpler tariffs are more likely to be passed through by retailers.

The ERAP provided the following observations:

- Consider introducing a NSW tariff to reflect the growing customer numbers, and the decline in the ACT.
- Evoenergy should consider how tariff structures deal with large users (customer numbers will not fall as much as demand falls).
- Avoidance of price shocks (inter and intra-regulatory periods) is an important criteria and should be considered as part of the review.
- Evoenergy should develop a retail bill illustration for a holistic perspective.
- Evoenergy's current tariffs are simple both for customers to understand and to administer.
- The more complex the tariff structure, the less likely retailers will pass through those tariffs and the more costly it is to administer.
- Tariffs should be designed to be enduring, provide price stability and consider the intergenerational and long-term implications on the customer and the business.
- When engaging with customers, Evoenergy should consider presenting the counterfactual to the proposed principles (i.e., complex tariffs, costly to administer and hard to respond to because the tariff is not passed through).
- Evoenergy should provide working assumptions for community forum sessions to keep discussions on focus e.g., bio renewables are not an option in the ACT, consideration of dividing the ACT and NSW network as there is a social license element to navigate etc.

Reference services: The ERAP agreed to provide feedback on the option to consider specifying two reference services: transport and metering; and ancillary services in Evoenergy's RSP out of session by 19 April 2024.

Meeting 4 summary

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #4 Summary | Wednesday 29 May 2024, 10.30am – 1.30pm, via MS Teams

Attendees

ERAP members Dr Andrew Nance (Chair), Louise Benjamin, Wendy Russell, Katherine Lowe, Gavin Duffy

Evoenergy John Knox (CEO), Peter Billing (General Manager Evoenergy), Megan Willcox (General Manager Economic Regulation), Gillian Symmans (Group Manager Regulatory Reviews & Policy), Bruce Hansen (Group Manager Gas Networks), Lev Yulin (Group Manager Regulatory Pricing & Finance), Lauren Wachniewski (Communications & Engagement Manager), Leah Ross (Economic Regulatory Manager), Andrew Ponsonby (Principal Economic Modeller)

AER Network Pricing Team (observers) Dale Johansen (Director), Anita Bryant (Assistant Director)

Sagacity Research (presenter) Duncan Rusby (Director) *(attended for demand uncertainty presentation only)*

Agenda

- Demand uncertainty (presentation by Sagacity Research)
- GN26 engagement outcomes and Community Forum observations
- Managing equity and fairness: capital base recovery regulatory considerations and illustrative scenarios

Outcomes sought

1. Shared understanding of demand uncertainty in the ACT and Queanbeyan-Palerang region.
2. Share outcomes of GN26 engagement to date.
3. ERAP provide feedback/observations on community forum sessions.
 - Effectiveness of the sessions to support continuous improvement
 - Views of and implications for the long-term interests of Evoenergy's consumers.
4. Explore illustrative scenarios to manage equity and fairness with regards to the recovery of Evoenergy's capital base and feedback given in relation to the National Gas Objective.

1. Welcome

- The chair opened the meeting and invited attendees and observers to introduce themselves.
- No conflict of interest declared, and the ERAP noted the overview of the agenda and meeting outcomes sought.

2. Acknowledgement of Country

- Evoenergy offered an Acknowledgement of Country, reflecting on Reconciliation Week and the importance of truth-telling in difficult conversations.

3. Safety share

- Evoenergy's safety share highlighted the importance of abolishing services in managing safety of the gas network through the consumer-led phase of the energy transition.

4. Demand uncertainty: future demand for gas in the ACT and Queanbeyan-Palerang (presentation by Sagacity Research)

- The ERAP noted the presentation by Sagacity Research on a recent survey of ACT and Queanbeyan-Palerang gas customers on their preferences and future intentions for gas. The presentation identified an acceleration of demand uncertainty over the next five years, and a strong shift in customer preferences towards electrical appliances. The ERAP considered findings that customers will likely replace current gas appliances with electric appliances, at the point of failure (but not before) and that the point of failure for a large portion of aging appliances is likely to occur in the next five to ten years. The ERAP considered these survey findings suggested that the consumption is likely to fall faster than customers numbers, particularly as large load appliances such as heaters are replaced. The ERAP also noted advice from Evoenergy that over the past 15 years, average customer consumption has been falling and this could be the result of a number of factors (appliance switching and weather) and further that in the past 12 months there are approximately 2,000 customers connected to the network who have consumed no gas in the past 12 months. The ERAP sought to clarify how this survey will be used in Evoenergy's demand forecast and were advised econometric modelling will be undertaken that will consider a range of inputs including this report, as well as other customer surveys run by Evoenergy and ACT Government, known customer electrification plans including for ACT Government owned assets and the findings of a soon-to-be commissioned demand price elasticity study. The ERAP observed the use of "uncertainty" in this report may be confusing for readers.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #4 Summary | Wednesday 29 May 2024, 10.30am – 1.30pm, via MS Teams

5. GN26 engagement outcomes

- The ERAP **noted** the presentation by Evoenergy on the outcome of recent engagements, including Stage 1 of the Community Forum, ECRC, retailer and large customers meetings. The ERAP noted that the key themes emerging from these engagements are equity, affordability, transparency and sustainability of the network. In particular, there is strong concern amongst Forum members about the impacts of the energy transition on vulnerable and hard to shift customers.
- The ERAP advocated for Evoenergy to continue its ongoing discussions with the ACT Government in relation to its own transition plans for its assets, as well as its approach to managing and supporting vulnerable and hard to transition members of the community and its plan for complex buildings such as multi-dwelling units.
- The ERAP also noted the summary outcomes from the recent Community Forums including the community's gas network values, feedback on options to manage demand uncertainty (tariff variation mechanism (TVM)) and Evoenergy's tariff structures. The ERAP strongly recommended that Evoenergy refrain from drawing conclusions about customer preferences about the tariff variation mechanism from this engagement and reiterated its view that it is challenging to engage with the community on the TVM without presenting revenue requirements and resulting bill impacts over the next five years. The ERAP suggested Evoenergy focus more on what is important to customers and their values rather than seeking explicit preferences on regulatory approaches.
- The ERAP offered the following observations for Evoenergy to consider as it plans its future Community Forums:
 - It will be important to capture and use the Forum participant's views and suggestions on the issues that are outside Evoenergy's control (including recommendations for ACT Government action i.e. complementary measures such as support for vulnerable customers, or education campaigns, or support programs).
 - ERAP recommended Evoenergy consider:
 - offering an optional, online Q&A session ahead of the next round of Forums to maintain connection and capacity building for participants.
 - engaging with ERAP members on the approach to the next round of Community Forums.

6. Managing equity and fairness: capital base recovery considerations and illustrative scenarios

- The ERAP and observers **noted** the confidential nature of the material provided by Evoenergy and further noted that illustrative scenarios (both for customer demand and for accelerated depreciation approaches) had been provided to facilitate a discussion about capital base recovery and did not reflect Evoenergy's intended approach. The members and observers agreed the discussion would be confidential.
- The ERAP considered the existing regulatory options, the precedents for capital base recovery and Evoenergy's illustrative scenarios and offered the following observations:
 - When discussing this issue with the community it will be important to facilitate and build on previous discussions about what is important to customers (their values) as they consider the implications of the capital base recovery task over the GN26 period, as well as beyond (i.e. equity, fairness, emissions reductions).
 - While the regulatory framework provides a reasonable opportunity to recover at least efficient network costs (National Gas Law, s23-24), Evoenergy cannot assume that full cost recovery is certain and consideration will need to be given to redundant asset provisions in the National Gas Rules (NGR 85). Further, Evoenergy should consider the full range of levers available as it develops its capital base recovery position (including exit fees, stranded asset compensation, increased fixed charges) (continued next page).

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #4 Summary | Wednesday 29 May 2024, 10.30am – 1.30pm, via MS Teams

6. Managing equity and fairness: capital base recovery considerations and illustrative scenarios (continued)

- The ERAP considered the existing regulatory options, the precedents for capital base recovery and Evoenergy's illustrative scenarios and offered the following observations (continued):
 - Using a linear accelerated depreciation methodology would result in unacceptable intergenerational outcomes. Ensuring equitable outcomes will require aligning customer demand to the capital recovery task in the immediate term (i.e. GN26 period).
 - Evoenergy should consider opportunities to recover its capital base outside the current scope of the regulatory framework (such as a re-evaluation of the asset base across Evoenergy's energy portfolio). The ERAP offered to support Evoenergy as it considers advice and options on this issue.
 - The ERAP sought clarity on how the AER's Victorian gas network (2023-28) decisions to accept accelerated depreciation for annual real price increases up to 1.5% has been practically implemented.
- The ERAP offered the following observations on engaging with the community about capital base recovery:
 - It will be necessary to demonstrate to the community the intergenerational impacts of the recovery task (i.e. the enormity of the task in the longer-term to 2045). To this end, ERAP offered suggestions to modify the illustrative scenarios to show the five yearly price impacts and areas of uncertainty more clearly. ERAP also suggested overlaying the value of current ACT Government support (such as the Sustainable Households) against the capital base recovery task.
 - Contextualise the capital base recovery tasks in relation to the value of emissions reductions (i.e. the benefits and costs of emissions reductions) and consider ways to graphically demonstrate the value of emissions reductions against the capital recovery task.
 - Consider how to demonstrate the implications of large customers moving off the gas network early (i.e. loss of large consumption load) on households and hard to shift customers.
 - The ERAP reiterated the importance of capturing community recommendations and sentiment about taking early action and support for vulnerable customers.

Actions

Action 4.1 Evoenergy to circulate the Sagacity Research study for ERAP's consideration (out of session feedback is provided on page 4).

Action 4.2 In planning Stage 2 of the Community Forums, Evoenergy consider: offering an optional, online Q&A session ahead of the next round of Forums to maintain connection and capacity building for participants; and engaging with ERAP members on the approach to the next round of Community Forums.

Action 4.3 Material distributed to ERAP will be taken as read for future meetings to allow for Panel member discussion and contribution.

Action 4.4 ERAP recommended Evoenergy contextualise the capital base recovery tasks in relation to the value of emissions reductions (i.e. the benefits and costs of emissions reductions) and consider ways to graphically demonstrate the value of emissions reductions against the capital recovery task.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #4 Out of Session observations and responses on item 4 (demand uncertainty: future demand for gas in the ACT and Queanbeyan-Palerang (presentation by Sagacity Research) (by email 7 June 2024)

ERAP: The definition and use of the term ‘uncertainty’ in the report is not particularly intuitive and may confuse readers.

Evoenergy response: Noted. We are mindful that it is not our place to change the terminology used by third party researchers. However, when making the report publicly available we will note that “uncertainty” is defined as the proportion of customers likely to change existing gas appliances to electric appliances.

ERAP: The Panel is very interested in understanding how the research is intended to be used. We are aware of the strong feedback Evo received from the AER and their consultants in GN21 and feel it would be necessary to address the concerns raised if it is intended to be used in a similar way for GN26.

Evoenergy response: The study commissioned as a pulse check on the community’s sentiments and preferences. In the first instance, the report has been used to inform our engagement and as context i.e. the transition is underway but the timing of the transition is uncertain. We have now engaged our consultants to prepare the GN26 Demand Forecast and the survey will be considered as one of many contextual inputs to our formal demand forecast. We will be engaging with ERAP on our demand forecasts in September and at that time expect to be able to provide more clarity on the role of the Sagacity research in forming the demand forecast.

ERAP: In that context, it would be useful to reflect on the GN21 demand forecasts and to contrast the Draft, Revised and Final demand and customer numbers with the actuals to date (2019-20 were the latest ‘actuals’ used in the GN21 decision).

Evoenergy response: As part of our discussion with ERAP in September we will share actuals against AER approved forecasts. We will also include analysis, reflection and discussion on the changing shape of our demand in our draft plan and proposal. We note the AER’s GN21 offer for a mid-period re-opening and think it is important for consumers to understand how this has unfolded. This seems even more relevant in the context of GN26 and consideration of re-openers.

We agree that reopeners are an important consideration in managing demand uncertainty. We are open to considering the role of reopeners for managing demand uncertainty in GN26 and will keep these front of mind as we develop the various elements of our draft plan and AA proposal. We welcome ERAP thoughts on the interrelationships between reopeners and the various regulatory elements as we engage with you on these.

Meeting 5 summary

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #5 Summary | Monday 15 July 2024, 1.30pm – 4.30pm, via MS Teams

Attendees

ERAP members Dr Andrew Nance (Chair), Louise Benjamin, Katherine Lowe, Gavin Duffy
Apology: Wendy Russell

Evoenergy John Knox (CEO) (*from agenda item 6*), Peter Billing (General Manager Evoenergy), Megan Willcox (General Manager Economic Regulation), Gillian Symmans (Group Manager Regulatory Reviews & Policy), Bruce Hansen (Group Manager Gas Networks), Yolanda Mchao (Regulatory Engagement & Project Manager), Lauren Wachniewski (Communications & Engagement Manager), Ashlyn Napier (Principal Regulatory Economist) (*up to agenda item 6*), Alexis Hardin (A/g Group Manager Regulatory Pricing & Finance) (*for agenda item 7*)

AER Observer Meg Zerafa (Director, Reset Coordination)

Agenda

ERAP reflections on:

- ACT Government's Integrated Energy Plan 2024–2030
- Evoenergy Reference Service Proposal preliminary positions
- Recent engagement outcomes
- Managing equity and fairness:
 - Disconnections
 - Potential customer support step change
- Options for recovery of gas network costs beyond current regulatory framework

1. Welcome

- The chair opened the meeting and welcomed attendees.
- No conflict of interest noted.
- Status of actions from meeting #4 noted.

2. Safety share

- Evoenergy's safety share described how safety risks regarding permanent disconnections (or abolishments) or services connected to a customer's premises are assessed, an ongoing fundamental part of managing the gas network.
- A low or negligible risk is continuously monitored with a review at least every five years. Evoenergy would not be allowed to operate the network if a risk is rated high or extreme and additional controls would be required to reduce the risk to a minimum intermediate rating. An intermediate rating would require Evoenergy to determine if the risk is *as low as reasonably practicable* (ALARP) to enable continuous monitoring. Risks may increase over time as the number of dormant services increase (no cumulative risk) and customer awareness of safety implications diminishes. As more customers switch from consuming to non-consuming, permanent disconnections would eliminate risks entirely.
- Evoenergy in collaboration with Jemena Gas Networks (JGN) and Zinfra has engaged a consultant to conduct an ALARP review; a report on findings will be finalised in August 2024.

3. Integrated Energy Plan 2024–2030 (IEP1)

ERAP made the following observations on IEP1:

- It is less detailed than the Position Paper and does not highlight the complexities and challenges of the transition.
- There are new commitments such as incentives to electrify social housing and government buildings, but support for lower income households is limited.
- Demand and customer number projections in the Position Paper are not included posing a challenge in determining the demand forecast.
- ACT Government's (ACTG's) commitment to collaborate with Evoenergy, the Utilities Technical Regulator (UTR) and Australian Energy Regulator (AER) to find solutions to capital base and disconnections and decommissioning challenges is a positive step. There is however a need to align the development of the gas meter abolishment policy with GN26 timeframes.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #5 Summary | Monday 15 July 2024, 1.30pm – 4.30pm, via MS Teams

- Evoenergy advised that ACTG has appointed a consultant to conduct an options analysis for permanent disconnections and decommissioning of services and included Evoenergy and JGN in discussions with the consultant. However, the range of possible outcomes and uncertainty being managed through the process has not necessarily been reduced in a material way so Evoenergy will continue to emphasise their importance in continuing discussions with ACTG.

4. Reference Service Proposal (RSP)

ERAP provided the following reflections and feedback on Evoenergy's preliminary RSP submitted to the AER on 28 June 2024:

- The AER's requirement for engagement to inform the RSP (on the tariff variation mechanism (TVM) and tariffs) is impractical and unrealistic at this stage of the review process. Evoenergy does not have a foundation for an informed view on customer preferences especially when they are considering the transition during these early stages.
- While Evoenergy's RSP is preliminary, the revenue cap position appears to be firm, with no clear support from the community, the Energy Consumer Reference Council (ECRC) and the ERAP. Other network service providers opted for different approaches such as hybrid or a price cap.
- Evoenergy's arguments and analysis for a revenue cap in the RSP:
 - Fail to highlight that a revenue cap shields it from the demand risk allocating the full risk to customers. This is a short-term view about risk as a shift from price to revenue cap is not a five-year decision. The demand forecast therefore becomes more important under a revenue cap and how the information is presented to the community so they can make informed decisions on ACTG's complementary measures. Hybrid would help manage the issues and unacceptable network risk.
 - Understates that there is potential for windfall profit to Evoenergy as costs are not all fixed.
 - Do not address the issues entirely as the TVM is about managing the demand uncertainty and there are other issues with larger bill impacts.
 - Require a bit more nuance especially around the justification of the benefits of a revenue cap as a way to reduce the impact of intergenerational price outcomes under a price cap due to the risk of larger and sharper price adjustments each five-year period when the demand forecast is recalibrated.
 - Lead to a significant change in the nature of the relationship between Evoenergy, the community and the government (need for a whole new agreement; what is the pact being developed). As the transition progresses, there will be a need for more information e.g. factsheets.

Evoenergy provided the following responses on the issues raised by ERAP:

- There was no firm position on the preference for a revenue cap when Evoenergy was engaging with the community, ERAP and ECRC as internal and external stakeholder engagement was still underway.
- While Evoenergy may not have ordinarily chosen to engage on the TVM as early in the regulatory process the demand uncertainty challenge remains the same irrespective of the network bill start point and Evoenergy still intends to re-engage on TVM once the start point for customer bills is more known.
- The incentives inherent under a price cap to grow customer demand are no longer appropriate in the ACT context. There are other regulatory elements which have substantially more material bill impacts in the ACT context such as disconnections and capital asset base recovery.
- The TVM cannot avoid the price increases resulting due to a falling demand. The TVM only addresses the difference between forecasts and actuals. Under a revenue cap, the accuracy of the demand forecast is very important and can be updated yearly, providing more accuracy than forecasting five years ahead.
- Moving forward Evoenergy will seek to provide earlier information to ERAP on its thinking on regulatory elements as positions begin to form.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #5 Summary | Monday 15 July 2024, 1.30pm – 4.30pm, via MS Teams

5. GN26 engagement outcomes

Evoenergy highlighted the following points:

- The community forum July 2024 guest speaker series has been well attended and indicates expected community interest as the transition progresses. ACTG presented on IEP1 at the first session as the community continues to be empowered to form views on the transition.
- Evoenergy advised that 1:1 conversations with some large customers are already underway, and highlight that cost is a significant barrier to transition plans. Large customer forums will be held in August 2024 to further draw out their intentions to electrify.

ERAP provided the following reflections and feedback on Evoenergy's recent engagement:

- Evoenergy could consider developing consumer factsheets as the initial phase of IEP1 is consumer led.
- Results of the large customer survey should be carefully analysed to ensure data is extrapolated appropriately and nuances such as the inclusion of electricity customers, ACTG sites are explicitly outlined since the needs and intentions of the different customers vary (for example ACTG sites include schools and colleges which are part of ACTG's project to electrify buildings in the next 10 years).
- When engaging with retailers, Evoenergy should ask them about their future debt position as this will change with escalating costs and people transitioning off gas (retailers and others in the energy market might start to react due to material risks).

6. Managing equity and fairness: disconnections strategy

Evoenergy highlighted the following points:

- In addition to safety considerations especially for wadded connections and those that have a gas valve turned off, consideration also needs to be placed on equity and fairness and ACTG's greenhouse gas emission reduction targets, a relatively complex and multifaceted issue.
- Under the current framework, retailers require Evoenergy to temporarily disconnect customers with outstanding bill payments. The service does not include ongoing meter reading costs. This has led to the use of temporary disconnections when customers do not intend continue using gas. Evoenergy preliminary RSP proposes to better define when a temporary or permanent disconnection will apply.
- Permanent disconnections are costly (with an expected escalation through the GN26 period, and further to 2045) while temporary disconnections are less expensive. The current cost of disconnecting is structured around physical temporary disconnections and ongoing costs of maintaining the network.

ERAP made the following observations and suggestions on Evoenergy's disconnections strategy and proposed approach to engagement with relevant stakeholders:

- Seek feedback on the different abolishment services with inclusions and exclusions (e.g. scheduling field crew) to be offered within a particular timeframe. This would mean services would be catered to individual circumstances and reduce costs for certain customers. It would also ensure a safe way to manage those who are left on the gas network.
- Clarify that Evoenergy is engaging with consumers to seek qualitative input and feedback to inform its position and what it would advocate for in specific discussions with ACTG, AER and the UTR on the joint gas meter abolishments policy as they might have different views.
- Consider the possibility of a cost reflective temporary disconnection tariff, depending on the nature of temporary disconnections and when they are deemed to be permanent (the extent to which there is an upside to the electricity network).
- Impose a standing charge on customers who have temporarily disconnected and no longer have a relationship with their retailer, as Evoenergy continues to have a financial relationship with the retailer.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #5 Summary | Monday 15 July 2024, 1.30pm – 4.30pm, via MS Teams

- Consider any possible damage to customers' gardens when permanently disconnecting to minimise negative feedback that might impact the abolishment policy.
- Put weight on the user pays principle for GN26 as this would be fairer to remaining customers, instead of socialising the costs. Revisit the appropriate approach in the longer term, as other more efficient solutions may become available and once wider-scale network decommissioning becomes feasible/economic. Develop a user pays approach for the next five years including a remediation policy, with a review when Evoenergy learns more about the pace of the transition.
- Guiding principles for developing a position on disconnections should not only focus on safety and equity, but also on the long-term interests of customers outlined in the National Gas Objective around price, and the mandated delivery on government policy.
- ERAP indicated support for permanent disconnections where appropriate and the user pays approach for the next five years, given socialisation would lead to cross subsidies and those left behind carrying significant costs. Behavioural economics would also play a part regarding what customers are willing to do based on incentives or obligations that fall into that.

7. Managing equity and fairness: consideration of opex customer transition support step change

Evoenergy highlighted the following points:

- Expenditure forecast is under development and will be provided to the ERAP at the next meeting in September 2024.
- The proposed customer support step change would be part of the opex or opex allowance and is aimed at providing ACT customers with support through the energy transition.

ERAP made the following observations and suggestions on Evoenergy's consideration of a customer support step change for engagement with the GN26 community forum:

- Evoenergy is in a different position to other networks due to IEP1 and as such should identify a gap or deficit that is not already met by ACTG's measures and seek funding for a specific program that is bespoke and adds value to ACT customers. Vulnerable and low-income customers are accounted for in the IEP1. Identifying and defining a gap will take time as it will require consideration of the progress and evolution of government policy and support measures so a staged engagement approach will be more appropriate. As customers leave the network, there is a utilisation benefit of their electrification and market failures therefore Evoenergy would want to improve the utilisation of the electricity network and not necessarily add to costs in a way that will not be recovered. Examples of possible support options include:
 - call center staff upskilling to respond to an increase in the volume of customer calls
 - informing customers about demand forecasts under a revenue cap
- Evoenergy will need to keep the AER informed of the possibility of a step change early and foreshadow in its Draft Plan noting that AER acceptance relies on proper justification and community support.

8. Options for recovery of gas network costs beyond the current regulatory framework

The ERAP provided the following reflections and feedback on Evoenergy's proposed scope on long term asset cost recovery options:

- On the factors under consideration:
 - *Precedent for future industry structures* is not as important as Evoenergy is in a unique position as available options are broader as it is a gas and electricity network provider. Evoenergy is expected to provide a safe and reliable service for those left behind and needs to be incentivised to remain to the end.
 - *An efficient or optimised capital asset base for the electricity network* (utilisation of the network) could be a factor as there are efficiencies to be gained if incentives are well placed.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #5 Summary | Monday 15 July 2024, 1.30pm – 4.30pm, via MS Teams

- *Flexibility* on the time period over which Evoenergy might recover any unrecovered costs as a jurisdictional scheme from the electricity network.
- There is a broader social benefit as reflected in the value of emissions reduction and putting a sense of scale of what Evoenergy is trying to achieve and putting a scale around what is outside the regulatory framework. Strength of the ACTG balance sheet is a factor and including consistency with policy.
- Evoenergy should look at a breakdown of asset types in the capital asset base and current asset lives that extend beyond 2045 as it will need to understand the maximum pain point that it can inflict under the AER of recovering via accelerated depreciation. Also, identification of the buckets of money, not just the unrecovered capital costs now, but also future costs that it cannot put a figure on e.g. decommissioning. Then work out which costs would be practicable for electricity customers to pay for.

Evoenergy provided the following responses to ERAP's questions and suggestions:

- In response to an ERAP question on the residual scrap value of the assets, Evoenergy advised that there may be some small residual scrap value for the materials, however there is a capital investment involved and labour costs to install the assets, and additional labour required to extract the assets. JGN is working on a decommissioning network plan that will consider various options.
- In response to ERAP suggestions that Evoenergy shareholders forego recovery of the network costs, Evoenergy advised that at this point of the transition, the options under consideration are those which could achieve full recovery of the capital asset base and decommissioning costs.

9. Other business Nil. Further feedback or suggestions from the ERAP can be provided to the chair out of session.

The meeting closed at 4.37pm

Outstanding actions

Action 4.4 ERAP recommended Evoenergy contextualise the capital base recovery tasks in relation to the value of emissions reductions (i.e. the benefits and costs of emissions reductions) and consider ways to graphically demonstrate the value of emissions reductions against the capital recovery task.

Meeting 6 summary

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #6 Summary | Tuesday 24 September 2024, 1.30pm – 4.30pm, via MS Teams

Attendees

ERAP members Dr Andrew Nance (Chair), Wendy Russell, Louise Benjamin, Gavin Dufty

Evoenergy John Knox (CEO), Peter Billing (General Manager Evoenergy), Megan Willcox (General Manager Economic Regulation), Gillian Symmans (Group Manager Regulatory Reviews & Policy), Bruce Hansen (Group Manager Gas Networks), Leah Ross (Economic Regulatory Manager), Yolanda Mchao (Regulatory Engagement & Project Manager), Lauren Wachniewski (Communications & Engagement Manager), Lev Yulin (Group Manager Regulatory Pricing & Finance), Alexis Hardin (Manager Regulatory Finance & Strategy)

AER (*agenda item 3*) Arek Gulbenkoglul (General Manager Network Expenditure), Andreas Blahous (Executive Director Reset Coordination & Strategy), Dale Johansen (Director Network Pricing), Bethanie Adams (Assistant Director Network Pricing), Anita Bryant (Assistant Director Network Pricing)

Agenda

- Capital redundancy provisions in the National Gas Rules
- Community and stakeholder engagement outcomes
- Preliminary 2026–2031 gas demand forecasts
- Preliminary 2026–2031 expenditure forecasts

1. Welcome

- The Chair opened the meeting and welcomed attendees.
- No conflict of interest noted.
- Status of outstanding action from meeting #4 noted.

2. Safety share

Evoenergy's safety share focussed on psychosocial safety, highlighting ways to manage stress, heavy workloads and difficult interactions that can affect mental health and well-being at work. Some of the hazard management tips included checking in regularly with staff, mindful behaviour especially during busy or stressful periods and speaking up and accessing support mechanisms to address issues early before they escalate. Useful tools and resources are available on the Safe Work Australia website.

3. Capital redundancy provisions in the National Gas Rules (NGR)

Australian Energy Regulator (AER) representatives were invited to attend and there was discussion among ERAP, AER and Evoenergy on different perspectives and interpretations of Rule 85 of the NGR on capital redundancy provisions.

ERAP made the following observations and points:

- ERAP's view is that an asset does not have to be near or fully redundant before a cost sharing mechanism can be applied to a network service provider.
- ERAP's view is that Evoenergy's customer engagement should include presenting the capital redundancy mechanism as an option.
- ERAP's view is that Rule 86 provides protection from uncertainty of the speed of the gas transition as it allows capital that has been considered redundant under Rule 85 to be added back to the capital asset base on the basis that the assets are used again or used more than they were when they were removed from the asset base.

Evoenergy noted its views on Rule 85 do not align to ERAPs.

The AER noted its full consideration of the applicability of the provision would be determined at the Draft Decision stage of the GN26 review process (November 2025).

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #6 Summary | Tuesday 24 September 2024, 1.30pm – 4.30pm, via MS Teams

4. GN26 engagement outcomes

Evoenergy highlighted the following points on recent engagement:

- Communication Link prepared a summary report on community forum sessions four to six held in July and August 2024. The report provides a balanced view on the feedback from all participants based on quantitative and qualitative sources of information.
- The community forum prepared its report at session six outlining key priority areas and recommendations, working well together to form collective views following intense sessions on complex topics and difficult issues.
- The forum's recent exit survey results indicate a degree of built capacity and an interest in participating in additional GN26 community forum sessions and future energy engagement opportunities outside the forum, an opportunity for Evoenergy to retain a strong spine of community representatives.
- Discussions with large customers (government and private sector) are underway via forums and one-to-one conversations with Evoenergy staff as part of business-as-usual engagement around electrification, the transition and customer intentions. The Integrated Energy Plan (IEP) does not provide targeted support for large private sector customers and a key theme emerging from these customers relates to the cost of the transition.
- Evoenergy's community forum participants were independently recruited by Communication Link using direct communication and social media to seek expressions of interest from Evoenergy's gas customers (including previous reset engagement participants). Respondents were stratified against ACT regions, income ranges, language and gender diversity, home ownership using the latest census data to ensure a representative balance of members. The forum initially included three NSW representatives.
- Some gaps have been identified in terms of reaching certain customer segments e.g. small/medium size businesses, vulnerable customers and NSW customers, and Evoenergy is considering how to engage with these cohorts.
- Two submissions on Evoenergy's reference service proposal (RSP) were received by the AER, from ERAP and ACT Government.
- Evoenergy's intended release of a Draft Plan for public consultation will be delayed from December 2024 to mid-late February 2025.

ERAP provided the following reflections and feedback on Evoenergy's engagement:

- Members observed the breadth and depth of Evoenergy's engagement including the deliberative and respectful report writing approach by the community forum at session six and highlighted that while more engagement is required to bridge any gaps, time and resource constraints are a relevant consideration.
- Contextualisation of the profile of the cohorts Evoenergy has engaged with to a broader population like the ACT or Evoenergy's gas network would be useful to cross reference. This would enable identification of any gaps and provide guidance on segments requiring any further engagement e.g. renters, vulnerable groups and NSW customers. Certain cohorts like small/medium size businesses can be difficult to engage deeply with.
- In the absence of presenting alternative options such as capital redundancy to the community forum, Evoenergy's intended presentation of preliminary bill impacts to the community forum at its next sessions might distort the forum's feedback, and as such Evoenergy may not meet the Better Reset Handbook's requirement to equip customers with accurate information.
- Evoenergy will need to ultimately show in its Draft Plan how engagement and feedback received has informed its decisions e.g. Evoenergy's RSP position to switch to a revenue cap following engagement with customers.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #6 Summary | Tuesday 24 September 2024, 1.30pm – 4.30pm, via MS Teams

5. GN26 preliminary gas demand forecast

Evoenergy highlighted the following points:

- Consultants, the Centre for International Economics (CIE) have been engaged to assist with the development of the GN26 demand forecast. The forecasts presented are preliminary as CIE are continuing to develop them, test assumptions and scrutinise available data. The forecasts will change over the next 6 to 12 months as more data becomes available including the outcomes of Evoenergy's price elasticity study which will focus on customers' responsiveness to different levels of gas prices in the future, their preferences for different types of appliances and decision points around when they might electrify.
- Evoenergy discussed the performance of demand against the forecast for the current period and indicated that while the decline in customer numbers was later than expected, it has since occurred at a faster rate.
- Evoenergy discussed the forecast methodology and emphasised the considerable uncertainty in the timing and pace of the decline in gas demand over the GN26 period, including challenges in identifying the appropriate starting point for the forecast, given a significant decline in consumption in the latest annual data.
- Evoenergy noted that CIE is mapping the forecast against the IEP scenarios to 2030 and will also consider outcomes of a price elasticity study currently underway ahead of the final demand forecast for the access arrangement (AA) proposal.

ERAP made the following observations and points:

- There will be a need to bring together electricity and gas forecasts soon (e.g. in the next three years) as the IEP stages progress, and more data becomes available.
- Evoenergy should consider social research which challenges economic modelling as it shows that the connection between prices and behaviour differs across different groups e.g. a study at the Australian National University on intentions to move from gas to induction stoves reflected that it had more to do with the cycle of renovation and life factors rather than economic rationale. Consideration should also be placed on modelling constraints in the market to deliver electrification e.g. tradespeople.
- Since actual demand is above the forecast in the first three years of the GN21 period, Evoenergy will have over recovered revenue under the current price cap during this time, illustrating the shift of demand uncertainty risk to customers under a revenue cap. ERAP's view is there are many assumptions being made and a breadth of possible outcomes in forecasting for GN26 and it does not consider Evoenergy's customers to be well equipped to respond or bear the risks.

6. GN26 preliminary expenditure forecasts

Evoenergy highlighted the following points:

- Preliminary expenditure forecasts are based on various placeholder assumptions and will continue to be updated ahead of the Draft Plan and AA proposal. Forecasts for GN26 are aimed at minimising expenditure while maintaining the safety, reliability and security of the gas network.
- Engagement with the community forum on a customer support step change elicited mixed views regarding whether Evoenergy or the ACT Government was responsible therefore Evoenergy intends to exclude the step change in the Draft Plan and seek further feedback through the consultation on specific measures it could provide.
- Capital expenditure (capex) has been declining steadily over time, with expenditure for GN21 expected to be 15 per cent below the allowance. The capex forecast for GN26 reflects meter renewal expenditure, with some market expansion (new connections) in NSW, but no major projects planned.
- For operating expenditure (opex), Evoenergy has applied the standard AER base-step-trend methodology, using 2023-24 as the base year. Consultants CEG have been engaged to benchmark Evoenergy's opex performance against other gas distribution businesses. Preliminary results support the efficiency of Evoenergy's base year.

GN26 Energy Regulatory Advisory Panel (ERAP)

Meeting #6 Summary | Tuesday 24 September 2024, 1.30pm – 4.30pm, via MS Teams

6. GN26 preliminary expenditure forecasts (*continued*)

ERAP made the following observations and points:

- The decline in capex should be shown with reference to 2024-25 when the ban on new gas connections came into effect, to allow for a like for like comparison. Similarly, opex for GN26 should be compared with opex for previous periods excluding ancillary reference services.
- Consideration should be placed on the economic viability of renewing meters rather than purchasing new ones, depending on policy and technical regulation requirements. Discussion with the technical regulator about the standards that are being imposed and whether there is scope for change will be useful as there is an expectation that the meters will become redundant by 2045. Noting the need to find the balance between a reasonable capex program while minimising the operational risk of meter service failure.
- Evoenergy should list the steps it is taking to mitigate risks to customers by minimising expenditure forecasts including no step changes in opex, reducing meter renewal capex as far as possible and discussing the Utilities Network Facilities Tax for gas with the ACT Government.

7. Other business

Evoenergy highlighted the following points:

- The preliminary demand forecast, tariff rebalancing options and indicative bill impacts are intended to be presented to the community forum in November 2024.

ERAP made the following observations and points:

- There is a challenge for Evoenergy to seek feedback from customers about a scenario in GN26 which assumes full capital recovery from a diminishing gas customer base without presenting the capital redundancy provision. This might distort the feedback Evoenergy receives from the community forums on customer preparedness to absorb accelerated depreciation when there are intergenerational equity impacts. Customer support for the Draft Plan will be limited as customer preferences will not be adequately reflected.
- At community forum session six, participants showed an impressive ability to process very complex topics and content working well with engagement consultant Communication Link in preparing the forum's report. The process highlighted the importance of involving everyone in the journey.

The meeting closed at 4.17pm.

Status of outstanding action

Action 4.4 ERAP recommended Evoenergy contextualize the capital base recovery tasks in relation to the value of emissions reductions (i.e. the benefits and costs of emissions reductions) and consider ways to graphically demonstrate the value of emissions reductions against the capital recovery task.

Ongoing: Evoenergy is considering this and has commenced analysis.