

19 June 2023

Mr Gavin Fox  
General Manager, Market Performance  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC, 3001

By email: [AERpolicy@aer.gov.au](mailto:AERpolicy@aer.gov.au)

Dear Mr Fox,

**Re: Review of the cost benefit analysis guidelines and regulatory investment test guidelines consultation paper**

Evoenergy welcomes the opportunity to provide a submission to the Australian Energy Regulator's (AER) Consultation Paper for the review of the cost benefit analysis (CBA) guidelines and for its regulatory investment test (RIT) application guidelines (the Guidelines review).

Evoenergy owns and operates the electricity distribution network in the Australian Capital Territory (ACT) and gas distribution networks in the ACT and the Queanbeyan–Palerang Regional Council and Shoalhaven City Council local government areas of New South Wales.

Evoenergy supports the review and its objectives to implement the Australian Energy Market Commission's (AEMC) material change in network infrastructure project costs rule determination (MCC) and the Transmission Planning and Investment (TPI) Review Stage 2 final report. Evoenergy also supports the AER's decision to separately review the social licence issues regarding building and maintaining community acceptance of projects recommended by the AEMC.

Whilst Evoenergy is generally supportive of the amendments proposed by the AER, we have concerns with mandating approaches and methods on smaller projects subject to a RIT. We ask the AER to have regard to the additional costs imposed on network businesses and consider if the benefits outweigh the costs for both large transmission projects and smaller distribution projects. We consider the AER can achieve balance by recommending binding arrangements for projects above a monetary threshold and providing non-binding guidance for lower value projects.

Evoenergy considers it appropriate to have sensitivity analysis as a requirement in RITs above a certain threshold. We regularly apply sensitivity analysis for larger projects, where

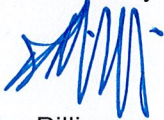
this analysis provides value and informs consideration of network and non-network options. However, sensitivity analysis is less valuable for smaller routine projects and may not be necessary in all cases.

The use of the AACE classification system for large actionable Australian Energy Market Operator (AEMO) Integrated System Plan (ISP) projects which are also subject to the CBA guidelines has been demonstrated through the AEMC review and the rule change process. However, the same value proposition has not been demonstrated for smaller projects and requires further investigation. For smaller projects, undertaking cost estimation with reference to the AACE classification system may have a material impact on preparation costs which may not be proportional or relevant.

Evoenergy understands that it is the AER's intention to improve the usefulness of information provided by project proponents. Evoenergy supports this intent and will seek to provide more information publicly as part of the RIT process. Evoenergy would welcome further guidance and best practice examples to inform its current RIT processes.

Should you wish to further discuss matters raised in this submission, please contact Leylann Hinch, Group Manager Strategy & Operations at [Leylann.Hinch@evoenergy.com.au](mailto:Leylann.Hinch@evoenergy.com.au).

Yours sincerely



Peter Billing  
General Manager Evoenergy