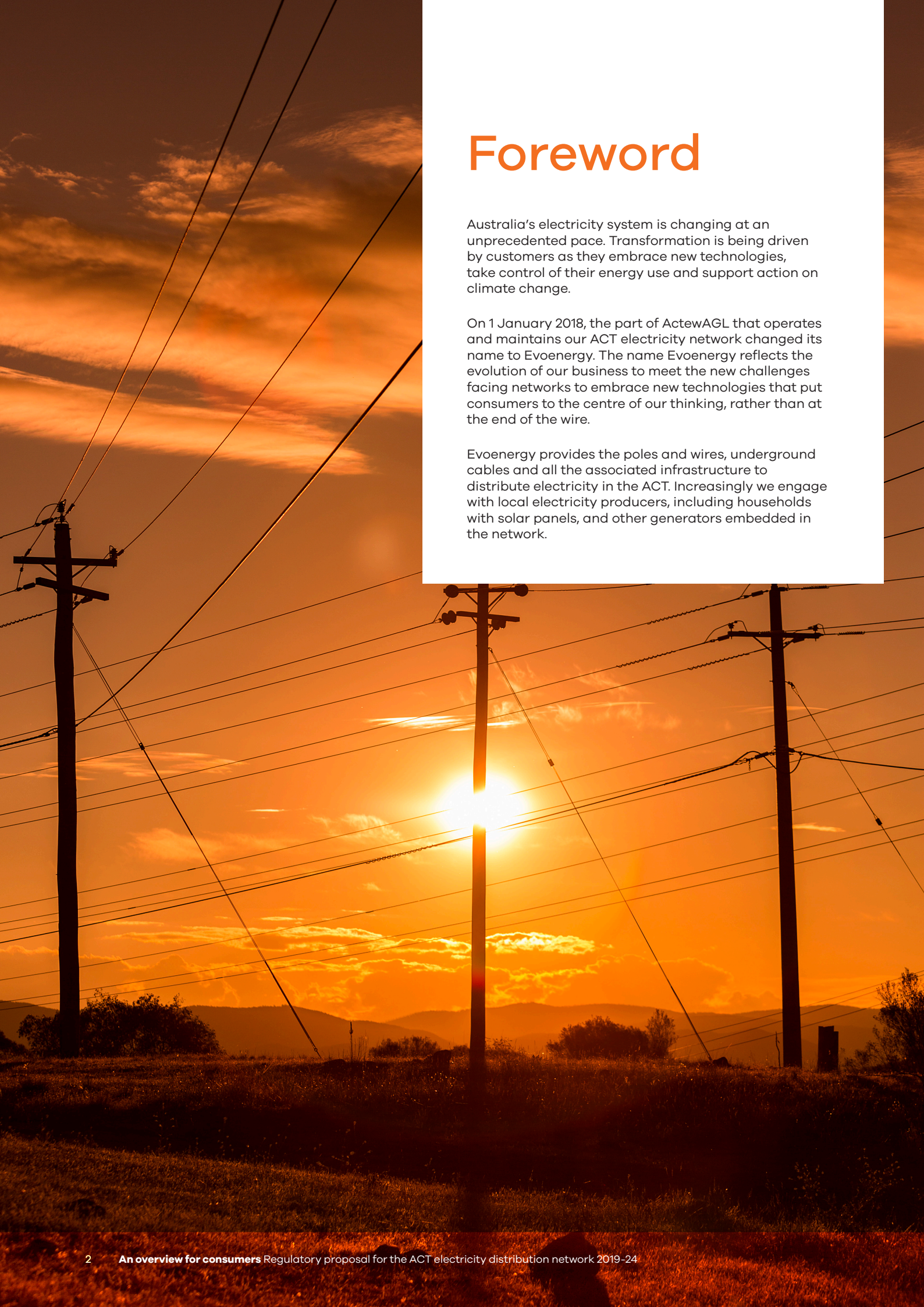
Our 2019-24 Plan

An overview for consumers of our regulatory proposal for the ACT electricity distribution network

January 2018

evoenergy



Foreword

Australia's electricity system is changing at an unprecedented pace. Transformation is being driven by customers as they embrace new technologies, take control of their energy use and support action on climate change.

On 1 January 2018, the part of ActewAGL that operates and maintains our ACT electricity network changed its name to Evoenergy. The name Evoenergy reflects the evolution of our business to meet the new challenges facing networks to embrace new technologies that put consumers to the centre of our thinking, rather than at the end of the wire.

Evoenergy provides the poles and wires, underground cables and all the associated infrastructure to distribute electricity in the ACT. Increasingly we engage with local electricity producers, including households with solar panels, and other generators embedded in the network.

In this environment, Evoenergy faces a number of new challenges and opportunities. There are increasing technical challenges in maintaining the quality and reliability of supply in the face of a rapid increase in the adoption of new technologies such as solar, wind and battery storage. To meet these challenges, Evoenergy must adapt its systems, providing greater network visibility and control, to manage two-way power flows in the network. The expected adoption of new technology, together with demand management measures, also provides Evoenergy with the opportunity to reduce and defer capital expenditure.

In developing our 2019–24 Plan, we have extensively consulted with our consumers to understand what you want, chiefly in terms of reliability, adoption of new technologies and tariff reform.

Since submitting our plan for the current 2014-19 period, we have established an Energy Consumer Reference Council (ECRC) with community and business representatives and an independent chair to provide us with broadly-based views and guidance from consumer perspectives. ECRC members have developed insights into the workings of the network and the issues faced and this has played an important role in framing our consumer engagement for the current proposal.

Over the period of more than twelve months before submitting our proposal, we provided information and sought input on the areas under consideration in our five-year plan through issues and discussion papers. We then sought and received views of consumers, through forums and surveys, on issues including their attitudes to new technologies and considerations of future reliability, cost and pricing. We are particularly pleased with the work we were able to support, in partnership with the ACT Council of Social Service (ACTCOSS), specifically seeking the views of vulnerable consumers.

The information and views received have been taken into account in developing our proposal.

In the current period, we have implemented substantial cost savings but at some cost to our enviable record of network reliability. Operating costs in the next period will be affected by new responsibilities for tree clearing around power lines passed to us by the Government. Despite this, we will keep average operating costs per customer at about the same level as the current period, which are well below historical levels.

We have been able to keep our capital expenditure at around the same level as in the AER's current decision. While we have spent more on readying our systems for the expected growth in adoption of new technologies, we have spent less on replacing and growing the network.

The overall impact of the 2019–24 Plan on the price of electricity in the ACT will be minimal,contributing an increase of less than one per cent to the average retail bill, before the impacts of other factors affecting retail bills, such as inflation and the price of wholesale electricity.

Evoenergy's 2019-24 Plan progresses our mission to offer consumers the safe, reliable and sustainable energy solutions they want, while seeking to respond to technology-led changes in the energy sector.

Michael Costello, Chief Executive Officer

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Introduction

Who is Evoenergy?

Evoenergy is the name used by the ActewAGL Distribution partnership between Icon Water Limited and Jemena Limited via subsidiary companies to operate its regulated electricity and gas businesses.

We operate the poles, wires, cables, substations and other infrastructure that deliver electricity safely and reliably to the homes and businesses of our customers. We undertake electricity network maintenance, connect new consumers, plan and construct new infrastructure, respond to emergencies, and read customers' electricity meters.

Our electricity distribution network supplies electricity to over 190,000 customers in the ACT. Being the nation's capital, this includes supplying many important national institutions. Our network is consistently one of the most reliable in the National Energy Market.

We are committed to investing in innovation and new technology. Offering dynamic services matters to us so that our consumers can take advantage of all that the future has to offer.

From electricians to engineers, we employ over 300 local people who all help to keep your lights on.

Our new name

On 1 January 2018, the part of ActewAGL that looks after the electricity and gas networks changed its name to Evoenergy.

The new name reflects the evolution that is taking place in the energy industry and our ambition to evolve with it to ensure we continue offering our customers the safe, reliable and sustainable energy solutions they want.

Why are we **changing?**

Up until the change, ActewAGL was the brand name used for the retail business and the electricity and natural gas networks businesses. You'll still talk to ActewAGL, or another retailer, about your energy bills. But Evoenergy will deliver your electricity and gas through our networks to you.

This change has been brought about from a decision by the Australian Energy Regulator.

This is simply a name change. What doesn't change is our commitment to you.

We will continue to maintain the electricity and gas networks with a high standard of service, safety and reliability.

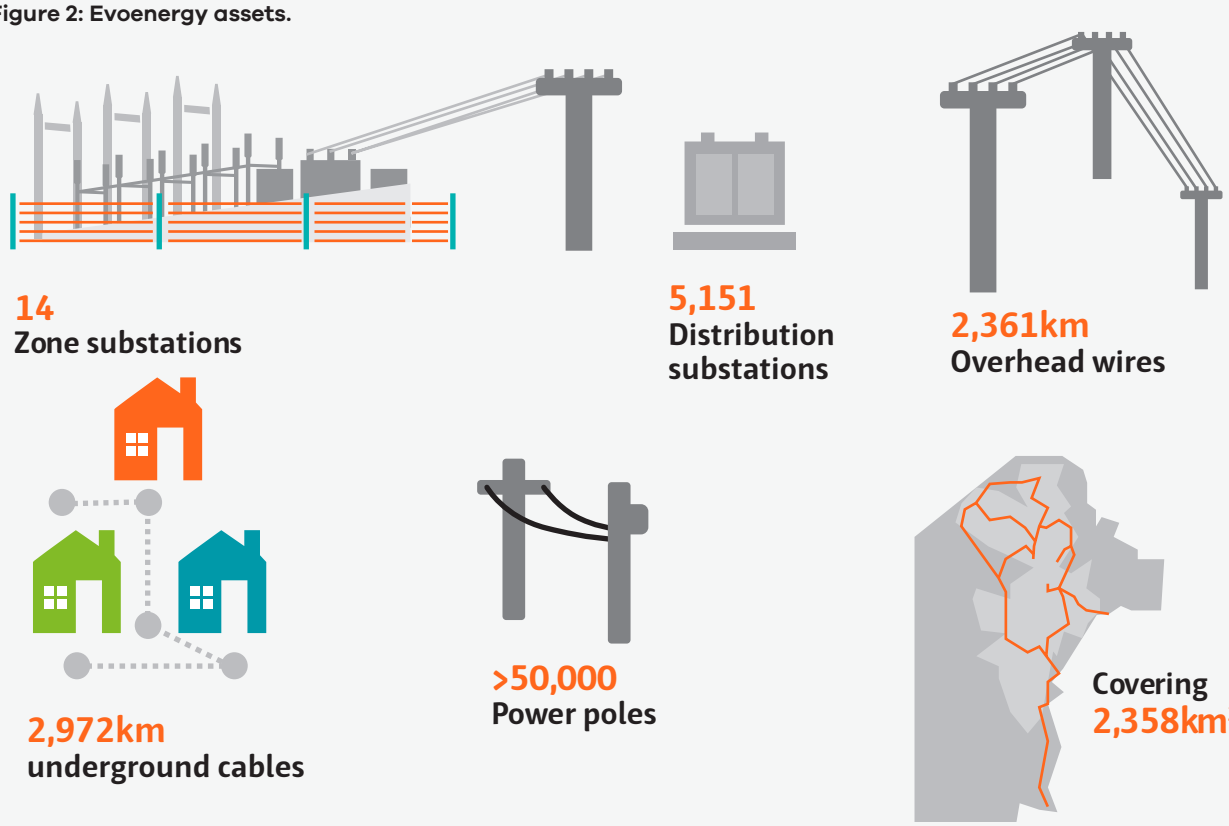
Our mission

Our mission is to offer our customers the safe, reliable and sustainable energy solutions they want.

Figure 1: Evoenergy ACT market statistics.

>401,000 ACT POPULATION		**2,915 GWh** TOTAL ENERGY DELIVERED ANNUALLY	
>176,000 # OF RESIDENTIAL CUSTOMERS		**633MW** NET PEAK DEMAND	
>17,000 # OF COMMERCIAL BUSINESS CUSTOMERS		**39.5 mins** AVERAGE DURATION OF UNPLANNED POWER OUTAGES PER CUSTOMER PER YEAR	
28 # OF LARGE AND OR CRITICAL CUSTOMERS		**0.70** AVERAGE NUMBER OF UNPLANNED POWER OUTAGES PER CUSTOMER PER YEAR	

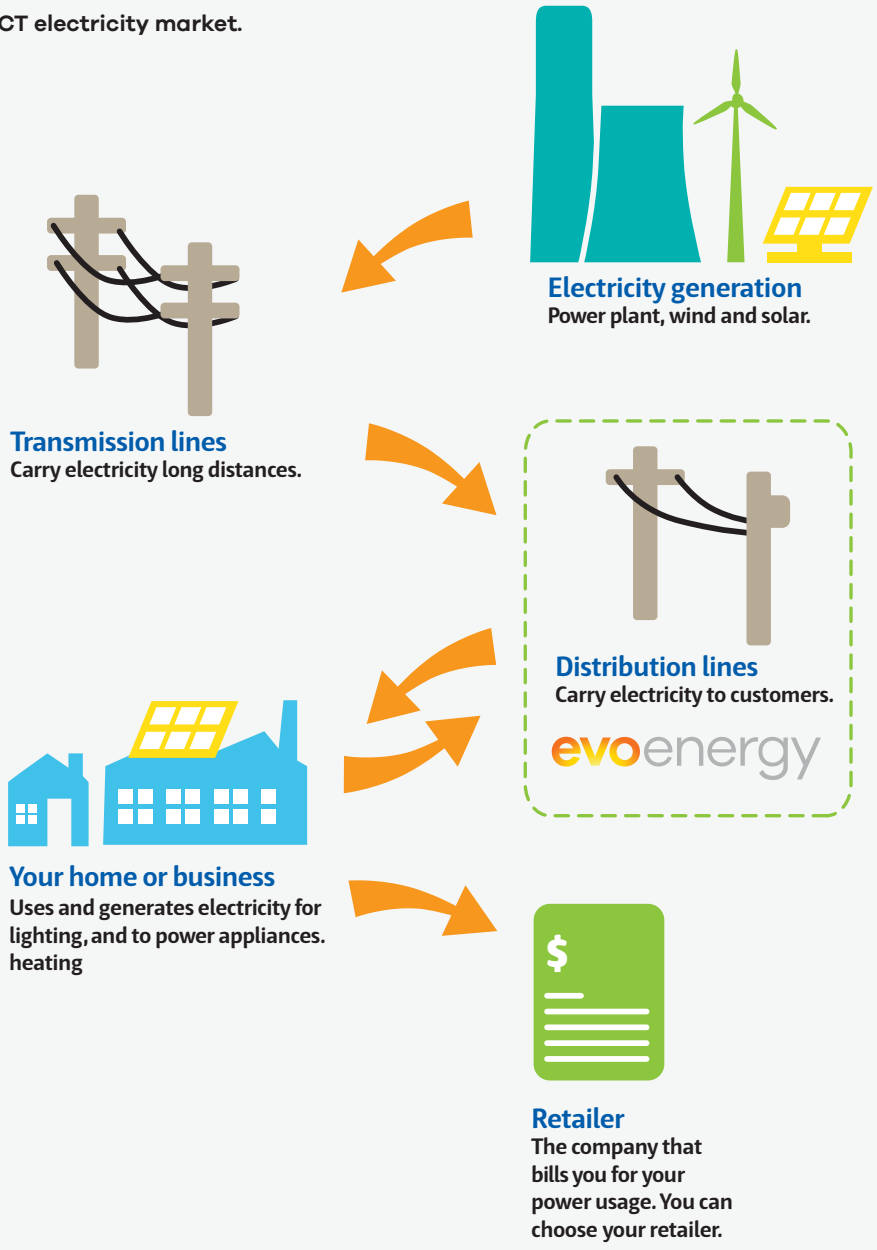
Figure 2: Evoenergy assets.



How do we fit in the electricity supply chain?

The Evoenergy network is an essential part in the process of moving electricity from where it is generated to where it is used by our consumers

Figure 3: The ACT electricity market.



Electricity bills are made up of two key components network and retail costs.

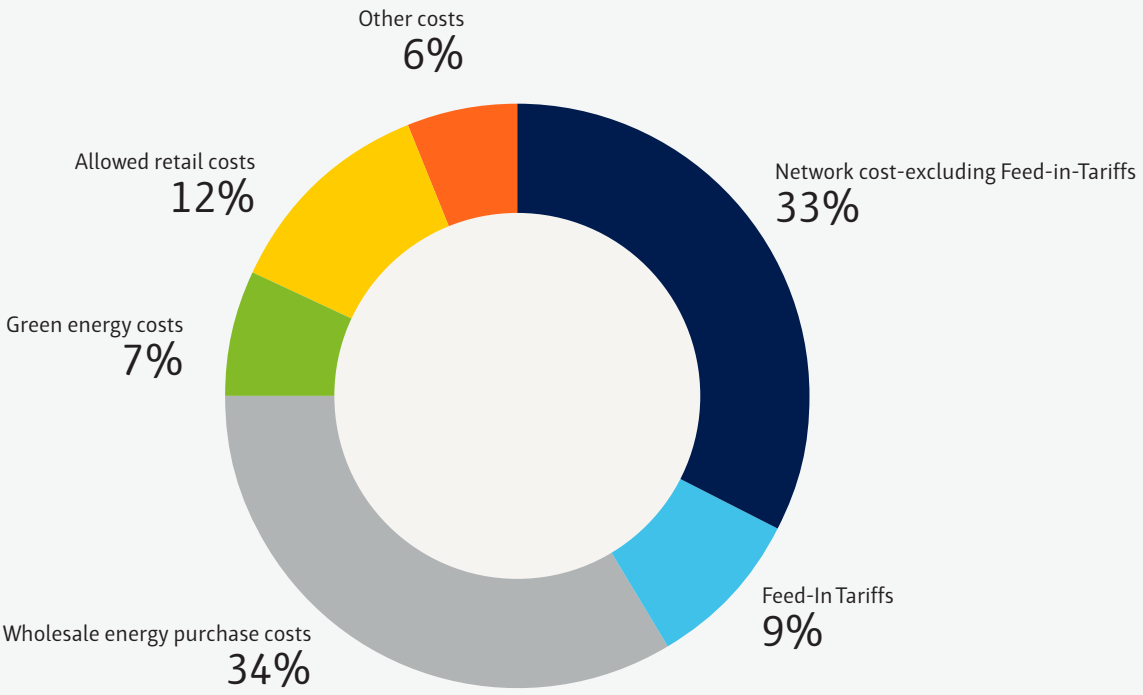
The network component of the bill includes the following costs.

- Distribution costs – poles and wires that deliver electricity from the electricity substations to your home or business.
- Transmission costs – high voltage lines that deliver electricity from the large electricity generators to substations.
- ACT schemes and taxes – the energy industry levy, the utilities network facilities tax and the Feed in Tariffs for both small and large scale solar and wind.
- Metering costs – for providing applicable metering services.

The retail component of your electricity bill includes wholesale energy costs (purchasing electricity from generators), green energy charges (resulting from government energy saving programs), ACT Government's Energy Efficiency Improvement Scheme, and retail costs and margins (reflecting the retailer's operating costs).

It is important to note that it is only the distribution component of your electricity bill that is determined as part of this five-year regulatory review process

Figure 4: Components of average annual electricity bill (2017/18).



Independent Competition and Regulatory Commission, "Final Report: Standing offer prices for the supply of electricity to small customers from 1 July 2017", June 2017

Our five year plan

What is our five year plan?

Although we are constantly planning for the future, every five years we develop a plan that sets out the services we will provide, the costs we are likely to incur, and indicative prices customers will be charged for these services over a five year period. The plan explained in this document is for the period from 1 July 2019 to 30 June 2024, and we refer to it as our 2019–24 Plan. The rest of this document provides an overview of our proposed 2019–24 Plan, and what this means for you. It also explains how we developed this plan, including how feedback from our consumers has helped shape the plan.

Our 2019–24 Plan must promote the long term interests of consumers and comply with a number of requirements of the National Electricity Law and National Electricity Rules.

We must submit a proposal that reflects this plan to the Australian Energy Regulator (the AER), who reviews our proposal, checks that it complies with these requirements, and decides to either approve the proposal or specify changes we must make. This decision sets the maximum revenue we can recover from our customers for each year of the five year period. Together with the cost of using TransGrid's transmission network, ACT Government taxes, levies and feed-in tariff, this makes up the network usage cost charged to customers as part of your total electricity bill.

As part of our plan we must also develop a proposed tariff structure statement (TSS), which explains our current network tariffs (the basis on which the network charge is calculated), and how these may change in the future.

We explain our proposed plan in this document and the regulatory proposal itself, which can be found on our website at **www.evoenergy.com.au**

Context of plan – industry changes

Significant changes are occurring in the electricity industry. The increasing take-up of emerging technologies combined with the changing energy needs of our consumers mean the modern electricity grid is likely to be very different from just poles and wires.[1]

Until fairly recently, poles and wires transported energy generated from an electricity power plant to consumers. The grid simply delivered electricity to consumers via a one-way energy system.

Now, major advances in technology are transforming how power is supplied and are turning our electricity grid into a dynamic, two-way market for energy transportation. The new and increasingly affordable technologies are giving customers greater choice about how they meet their energy supply needs.

In the ACT, rooftop solar panel uptake continues to grow and is now required in some developments of new residential suburbs. For example, developments at Denman Prospect and Ginninderry estate require PV systems installed on all new detached dwellings. The Australian Energy Market Operator also notes that as capital costs decline in the medium-term, together with the introduction of cost-reflective tariff structures, more residential battery storage is expected to become viable.

Over time, Evoenergy is also expecting other developments such as electric vehicles, the ACT Government's new electric light rail system (Capital Metro), fuel switching and smart meters to drive changes in the electricity grid.

From 1 December 2017, distribution network providers like Evoenergy, are no longer responsible for installing, maintaining and replacing electricity meters. This responsibility has now been shifted to retailers or third parties acting as metering coordinators. Evoenergy will still be responsible for existing meters until they need to be replaced. Smart meters also became the standard electricity meter in the ACT for all new connections and meter replacements from 1 December 2017. Smart meters equip customers with real-time electricity usage data that enables them to make choices about how much electricity they use and when.

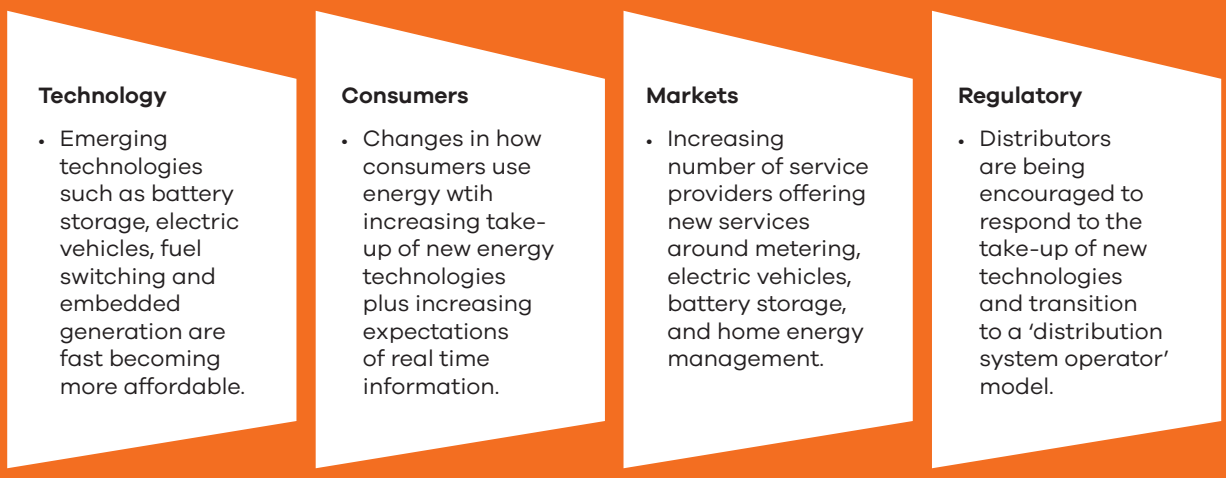
Just as the electricity industry is being transformed, Evoenergy is transforming the business to innovate and grow. Our transformation is based on the needs of our customers and the community.

Evoenergy is already preparing for changes in how the modern grid will operate, such as developing new business processes and IT systems. Evolving with innovations in technology has been key to ensuring that Evoenergy has an appropriate technology platform to enable the continued delivery of safe and reliable network services.

We are also investing in initiatives to reduce demand peaks on our networks. These include:

- Trial of SMS load reduction requests to determine the acceptance and effectiveness of sending direct messages to customers via SMS to request short-term load reductions over designated times.
- Trial of a virtual power plant, where we tested a coordinated deployment of residential battery stored power for network support.
- Trial of demand reduction contracts with a number of large commercial customers. Under these contracts, customers will be incentivised to reduce their load from the network at designated times of network constraint.

Figure 5: Drivers of change in the electricity industry.



1. CSIRO and Energy Networks Australia, Electricity Network Transformation Roadmap: Final Report, April 2017. Retrieved from www.energynetworks.com.au/roadmap.

How we developed our 2019–24 Plan

Based on a range on considerations, including our own expertise, expected demand, industry developments, input from consumers and community groups and mandatory obligations, we looked at what the needs of our network would be over the planning period and beyond to ensure safety and service levels would meet our consumers' expectations.

With this information, we worked out how to meet these safety and service levels at the most efficient cost. For capital costs, like investment in infrastructure to replace assets or grow the network, we first estimated costs of individual projects and then looked at this program as a whole to assess how we can achieve an acceptable level of reliability risk across the network at the lowest possible cost to customers. We also looked at financial market conditions to work out an appropriate rate of return our owners should be allowed to make for this investment.

For operating costs, like the day-to-day running and maintenance of the network, we look at what we spent in the current period and what changes in costs we are likely to face due to such things as new obligations and growth in our customer numbers. We also look at how we compare to other distribution businesses to check that our spending is reasonable.

How we engaged with our consumers

To help us shape our 2019-24 Plan and TSS, we engaged with a range of consumers and community groups to gather feedback on what our consumers expect from us and the services we provide, as well as to get participants' views on ideas and options we were considering for our plan. We also talked to energy retailers to seek their feedback on electricity network tariff reforms and the way in which these reforms could be practically implemented to achieve better outcomes for consumers.

Our consumer engagement program included:

- ongoing presentations to and feedback from our Energy Consumer Reference Council (ECRC)[2];
- consumer publications to provide background information, raise questions and seek feedback from consumers;
- consumer workshops;
- online surveys;
- individual meetings with retailers; and
- written submissions from stakeholder groups.

These consumer engagement activities were supported by website information, social media promotions and communication through industry and community organisations.

A number of key themes emerged through the course of our engagement program.

- You emphasised the importance placed on **meaningful involvement in the regulatory determination process.**
- **Predictability and certainty** across many aspects of our plan is important, particularly with respect to price changes.
- **Technology** should play an important role in the future of Evoenergy as it has the potential to provide innovative solutions and cost-effective outcomes.
- You support the approach to **balancing cost and reliability outcomes** currently adopted by Evoenergy, particularly with respect to operating costs.
- **Maintaining security of supply** is important, particularly during the adoption of new technology.
- Most consumers are prepared to **modify their electricity consumption in response to price signals.**
- You **support a transition to cost-reflective tariffs** as they provide a price signal to encourage consumers to consider changing their electricity consumption, and **support for consumers during the transition** is important.
- It is important that price signals are supported by **consumer information and education** to allow consumers to take advantage of potential savings.

This engagement has been important in helping us strike the right balance between costs and service levels provided to both existing and new customers, the costs to maintain these, and how these are reflected in customers' bills.

We have addressed the feedback we received and ensured that the key themes that emerged are reflected in our 2019–24 Plan. We explain how we have done this in our regulatory proposal (including the proposed TSS). Some examples are:

- We will continue to prioritise safety as we continue to provide the secure, reliable services you want.
- We are investing in network technology to help us run our network smarter and more efficiently as our network must increasingly accommodate two-way flows between us and our customers. This will give customers better access to information to give them more control over their usage and bills, and allow better use of new consumer based generation and storage technologies.
- We will continue to ensure customer impacts are considered when setting network prices.

2 The Energy Consumer Reference Council (ECRC) was established in 2014. It has an independent chairperson and is made up of representatives of cross-sections of Canberra consumers from vulnerable consumers, residential, small and large businesses.

- We will continue our engagement with consumers and retailers, and support them through the implementation of cost reflective tariff changes.
- We are proposing innovative ways to manage growth in demand (via demand management solutions and cost reflective tariff reforms) so that we can potentially delay or avoid investment in major new infrastructure, such as new zone substations.
- We are continuing to drive efficiency across the business so that we can maintain predictable and stable network electricity charges to help manage rising energy costs.
- We will continue to engage with you and ensure your views are central to our business decision making.

What does our plan include?

As a business we incur capital and operating costs to provide our services to you. Rather than recovering these all in the period we incur them, we calculate the revenue we require in a given five year period to fund these costs using what's called a 'building block approach'. This approach estimates the following 'building blocks' and stacks them together to determine the revenue we need to collect from customers.

- A rate of return applied to the value of our asset base which reflects efficient capital funding costs.
- The depreciation of our assets, which recovers the value of our assets over their useful life.
- Our forecast operating costs, which reflect the efficient cost of operating the network and maintaining our assets.
- Relevant tax expenses.
- Any adjustments to our revenue requirement related to various incentive schemes in place.

The diagram below shows the breakdown of the total regulated revenue requirements.

Figure 6: Breakdown of total regulated revenue requirements

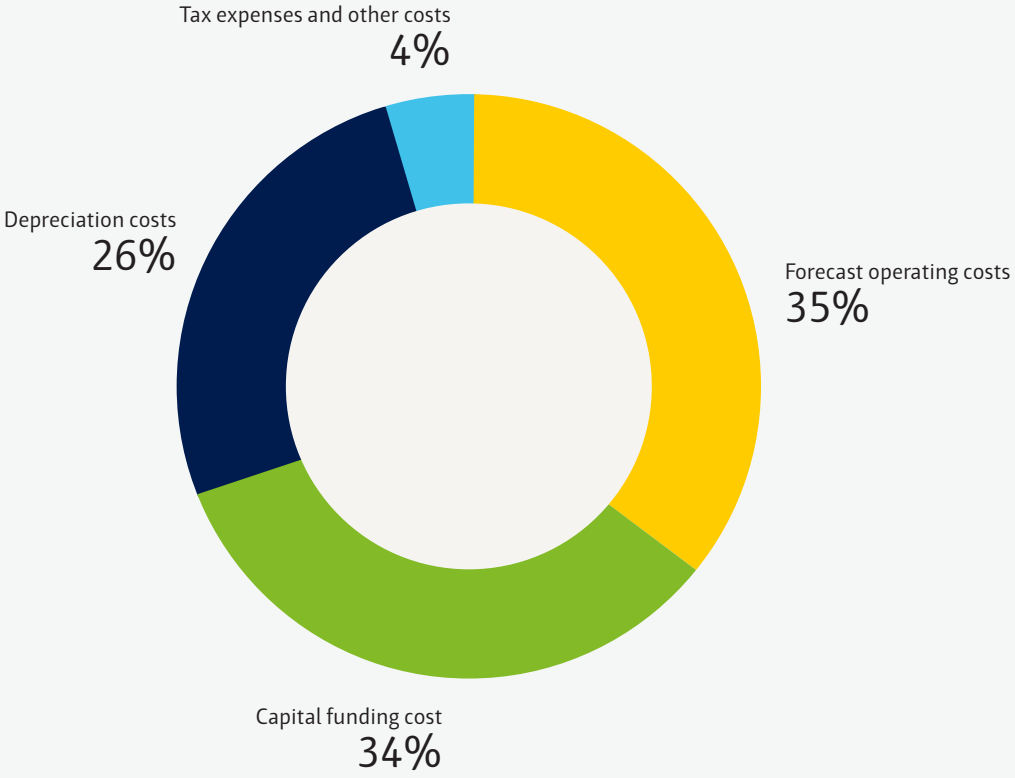
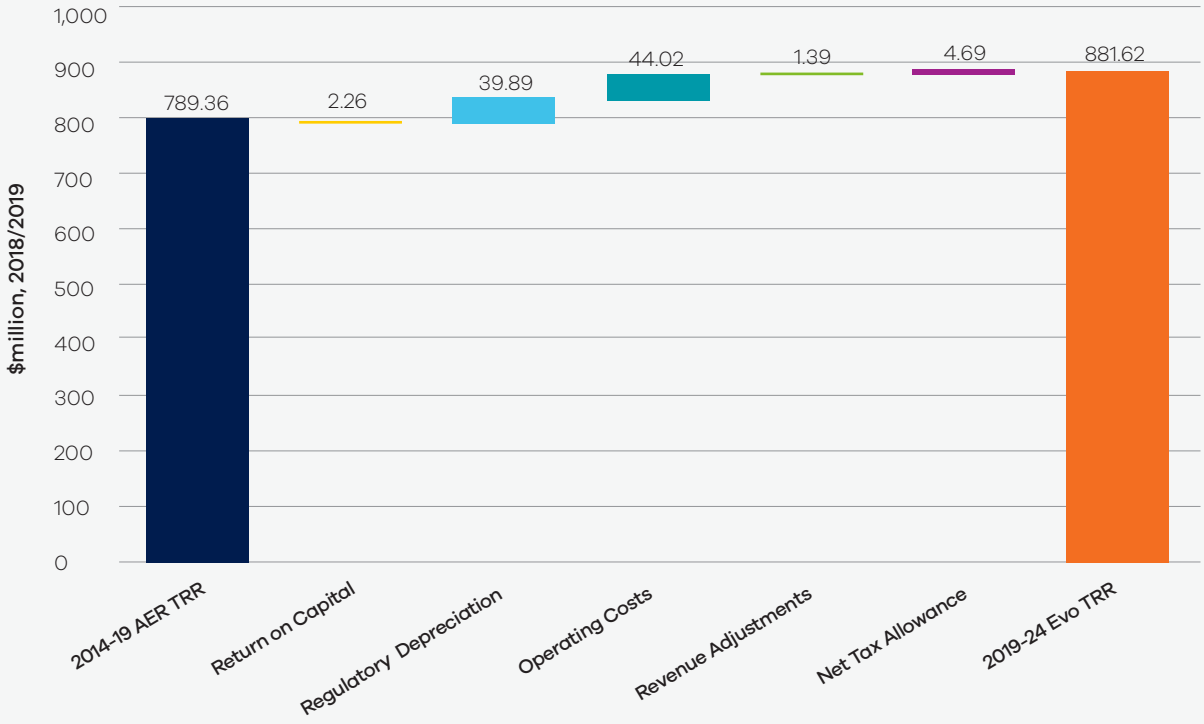


Figure 7: Comparison of revenue requirement 2014-19 vs. 2019-24.



*TRR means total revenue requirement over the five year period.

How does this plan compare to 2014-19?

Based on our expectations of these costs, we are proposing average revenue of $176 million per year for each year of the 2019-24 period, or a total of $882 million. This represents a $92 million (12 per cent) increase above what the AER determined we could recover during the 2014-19 period, excluding the impacts of inflation.

As shown in figure 7 above, this proposed increase is driven primarily by:

- Higher depreciation expenses as a result of higher expenditure on assets with shorter lives (such as a greater share of spending on IT assets).
- Higher operating costs because we have been given new vegetation management obligations (see box 2). Operating costs also grow as our customer base and the size of our network grow.

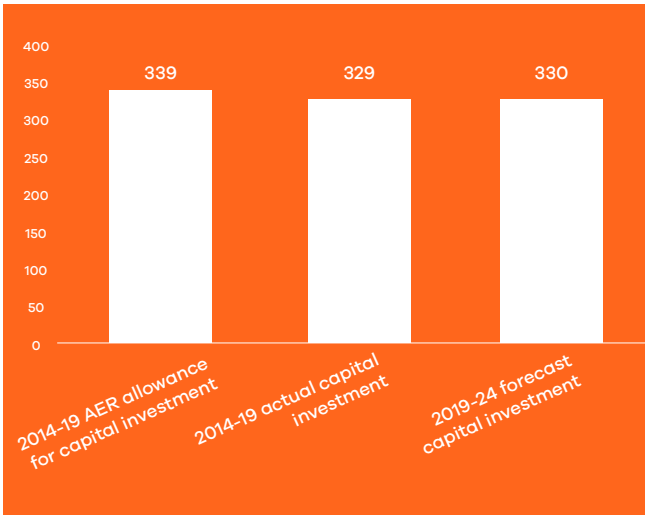
What investment are we planning?

Consumer needs and expectations underpin our capital investment strategy, especially as we enter a period of rapid technological change. Figure 9 on the next page shows the investment mix, which includes significant costs in replacing ageing assets, upgrading information technology and communications systems, and servicing growth.

Our approach to forecasting capital investment enables us to extract more consumer value for every investment dollar spent.

The result is that despite the need to keep step with considerable changes in technology and accommodate additional unforeseen costs of complying with regulatory changes (such as Power of Choice reforms), we have been able to, and will continue to manage capital investment within historical levels (see figure 8 below).

Figure 8: Total capital investment across regulatory periods ($ millions, real 2018/19)



The main drivers of Evoenergy's proposed capital expenditure for the 2019-24 regulatory period are:

1. connecting new customers as mandated by government land releases for development by residential, commercial, and industrial customers. In particular, Evoenergy is to address strong commercial load growth in the Fyshwick area, residential growth around the Kingston area, Gungahlin and Molonglo as per the ACT Government's land release program;
2. the continuation of upgrades to information technology and secondary systems to address complex challenges arising from the expected rapid uptake of distributed energy resources in the electricity market as more electricity customers increasingly become electricity producers as well;
3. the construction of feeders and a new mobile zone substation to maximise existing asset use to meet demand for electricity in new urban areas; and
4. the continuation of asset renewal and replacement to address ageing pole, pole tops, and underground cable assets with increasing risk profiles.

In summary, our investment strategy enables us to manage the increasingly complex needs and uncertainties of the electricity market landscape, the reliability and security of the network, and maintain value and price stability for customers.

Figure 9: Capital investment breakdown.

For every $100 capital investment on the electricity network...

$25
CONNECT NEW CUSTOMERS

The ACT is growing and the electricity network must be accessible to new residential developments as well as new business operators. We invest significantly in new infrastructure to meet the changing needs of our community and economy.

$24
NON-NETWORK EXPENSES

This includes expenditure related to IT and communications, buildings and property management, and motor vehicles.

$24
REPLACE AGEING INFRASTRUCTURE

To maintain the reliability and safety of the network for the long term we need to refurbish and replace infrastructure as it ages.

$9
GROWING OUR CAPACITY

As the number of customers and demand for electricity grows, we need to cater for peak periods in demand, such as the very cold days in winter, when many people have their heaters on.

$18
CAPITALISED BUSINESS COSTS

This includes costs related to corporate services, legal and business services functions including IT and corporate systems in providing the capital works program.

What will our operating costs be?

Operating costs includes the costs of operating and maintaining our assets, responding to outages and any damage caused by adverse weather and other events, and minimising safety and reliability hazards by clearing vegetation around our assets. It also includes support functions such as finance, human resources, IT, legal, customer services and billing.

Figure 10: Operating costs breakdown

For every $100 operating costs on the electricity network...

$16
MAINTAINING THE NETWORK

We undertake regular maintenance to ensure the network is in good condition and we can continue to provide safe and reliable services.

$10
INSPECTING AND CLEARING VEGETATION

We regularly inspect and clear vegetation around electricity infrastructure to prevent supply interuptions and bushfires.

$4
RESPONDING TO EMERGENCIES

We respond to restore safety and electricity supply when emergencies such as bad weather cause problems to the network.

$36
NETWORK PLANNING AND OPERATIONS

Maintaining safe, reliable and secure services requires ongoing planning and 24 hour 7 day a week monitoring and control. To do this, we must ensure the supporting technology and systems are maintained and supported. We must also maintain detailed standards and training for electrical workers, and fulfil numerous reporting obligations to various regulatory bodies as a participant in the National Electricity Market.

$5
CUSTOMER SERVICES

We respond to customer enquiries such as new connections and quality of supply issues.

$29
BUSINESS OVERHEADS AND SUPPORT COSTS

To continue to provide safe, reliable and secure services we have a number of support costs including functions such as human resources, finance, legal, IT, and customer billing.

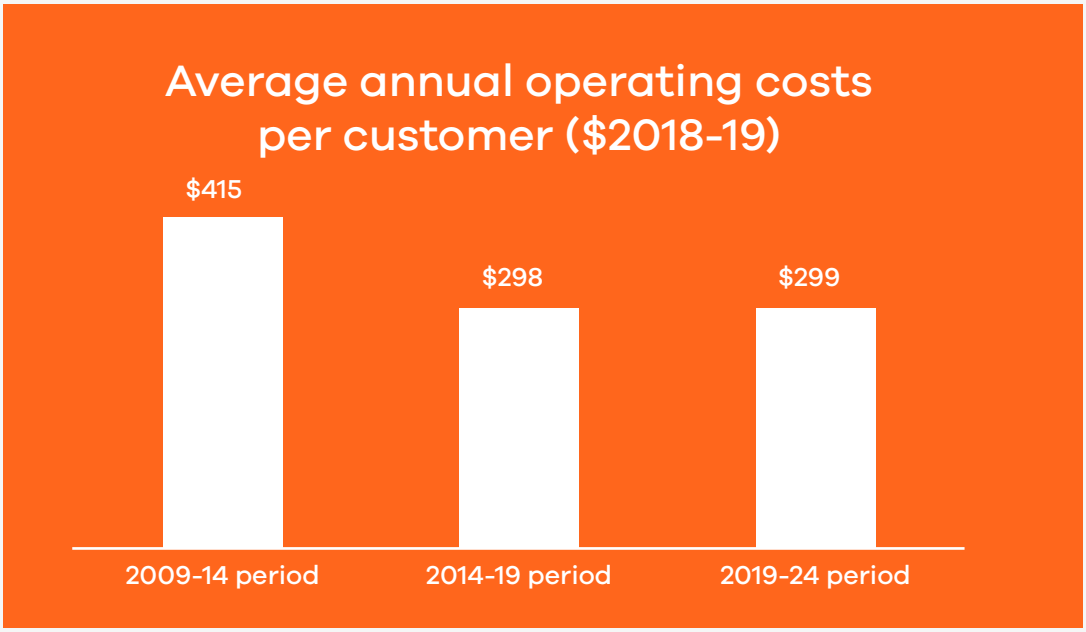
Over the last few years, we have worked hard to reduce our operating costs, and costs over the current period will be over 20 per cent lower than the previous 2009-14 period, despite a growing number of customers and other cost pressures.

In our 2019–24 Plan, we are proposing a 10 per cent increase in operating expenditure (before the impact of inflation) compared to the current five year period for our network services (not including metering and government levies which we are required to pass through electricity network charges). This increase is driven by a combination of factors.

- Canberra is a rapidly growing city, and with this growth comes additional costs to service new customers and their energy demands. The upshot of this is that as our customer base grows, our costs are spread across more customers (see box 1 **Reducing average operating cost per customer**)
- Our labour costs don't necessarily increase at the same rate as inflation. We use an independent forecast to estimate how our labour costs will change over the period, and this contributes a small amount to the total increase in our costs.
- From July 2018, we will be given additional responsibilities for vegetation clearing around electrical assets from the ACT Government following changes to the relevant legislation. This will benefit customers by reducing the risk of bushfires and power outages caused by trees interfering with power lines. (see box 2 '**Changes to vegetation clearing responsibilities'**)
- We also want to take advantage of an opportunity to lower the overall cost to service demand growth in a new urban development leveraging rooftop solar panel investment by encouraging residents to utilise battery storage. This is a lower cost solution because it means we can delay building a new zone substation in the area.

Box 1: Reducing average operating cost per customer

Despite a range of cost pressures (see **'What will our operating costs be?'**), we are committed to driving efficiency in our business to keep costs to customers down. We have achieved a significant reduction in our average annual operating cost per customer (excluding the impacts of inflation) over the current five year period and will maintain this into the 2019-24 period.



Box 2: Changes to vegetation clearing responsibilities

To maintain the safety and reliability of supply, it is important that an adequate distance between vegetation and electricity infrastructure is maintained. In the 'Bush Capital', this is no easy feat!

Responsibilities for this used to be shared between Evoenergy and the ACT Government, however recent changes to the relevant legislation mean that we will have additional responsibilities from July this year. These include clearing vegetation on unleased Territory-owned land (such as parks, nature strips and nature reserves) as well as inspecting electrical infrastructure on leased rural land and taking corrective action by issuing notifications to leaseholders and in some instances, undertaking the clearing ourselves.

These changes will benefit the community by reducing the risk of bushfires and outages caused by vegetation interfering with electrical infrastructure, which can be costly and inconvenient, and in extreme cases, can have devastating consequences.

In the lead up to these changes being made, we engaged with a range of community groups to ensure a balance between safety, appearance and environmental considerations could be reached.

Network tariff reforms

Part of the regulatory submission is a proposed Tariff Structure Statement (TSS) which provides consumers and other stakeholders, with clear and accessible information about current network tariffs, and how these tariffs may change in the future. This is our second TSS. Once approved by the AER, the TSS will normally remain in place for the entire regulatory period (that is, from 1 July 2019 until 30 June 2024). The concept of the TSS was introduced to focus network businesses on developing more 'cost reflective' network tariff structures. In this context, cost reflective pricing is about ensuring that network electricity charges to consumers reflect the economic cost of providing electricity network services to the consumer.

In the first TSS (applicable in 2017/18 and 2018/19), Evoenergy introduced new cost reflective demand tariffs for residential and small business customers. These tariffs were implemented on 1 December 2017, coinciding with the introduction of smart meters. The second proposed TSS is focussed on large commercial customers. The charges proposed are as follows:

- Refining the tariff structure for large commercial consumers by changing the anytime maximum demand charges to peak demand charges.
- Refining the residential and small to medium business peak demand tariffs which are the default for customers using the new 'smart' meters.
- Closing the off-peak tariffs to new commercial customers from 1 July 2019
- Simplifying the tariff structure by offering one version of each tariff from 1 July 2019, rather than the current approach of offering two versions (one with a metering capital charge applied to the access charge and one version without it applied). Metering charges will be added separately when customers are billed, depending on the circumstances of each customer.

What does our plan mean for you?

Indicative bill impacts

Our proposed revenue requirement will result in a real increase of approximately $16 per year ($33 including inflation) for residential customers and $56 ($113 including inflation) for non-residential customers on an average customer bill. This is an average annual increase in the retail bill of less than one per cent over the regulatory period, excluding the impacts of inflation.

It is important to note that the expected bill impact is estimated by adjusting the distribution component of the bill while holding all other elements of the bill constant in real terms. In reality, it is likely that other elements of the bill will also vary, impacting final prices. However, this analysis is focused on isolating the impact of the proposed distribution element of the bill.

Table 1: Indicative retail bill impacts.

($2018-19)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Average residential annual electricity bill, (8,000kWh)	1,935	1,954	1,973	1,985	2,000	2,016
Annual change		18	19	12	16	15
Average non-residential annual electricity bill, (25,000kWh)	6,703	6,766	6,832	6,874	6,928	6,981
Annual change		63	66	42	54	53
Real annual change %		0.94	0.98	0.62	0.79	0.76

Risks and benefits of our 2019-24 Plan

Our 2019-24 Plan will deliver the following benefits to our consumers in the ACT. We have also outlined some risks which may affect our ability to deliver on our 2019-24 Plan.

Table 2: Risks and benefits.

Consumer benefits	Potential risks
Maintaining a safe, reliable and secure network Safety of staff and consumers remains Evoenergy's top priority. Our proposed investment in infrastructure and our forecast of operating costs will deliver electricity services for the ACT that are safe. We plan to install monitoring devices across the network in order to proactively identify and address outage and voltage issues. We are proposing reliability targets that will see us maintain our strong performance against others in the industry.	**Risk of forecasts not being approved** If our proposed capital program and operating costs forecasts are not approved, electricity supply may not be as reliable in some areas, resulting in more frequent and/or longer power outages. Under the AER's incentive regime, we will reimburse consumers for deterioration of reliability beyond a certain level.
Price stability The network component of electricity retail prices in the ACT continues to be the lowest amongst all jurisdictions in Australia.[3] Our Plan is expected to increase the average customer retail bill by less than one per cent per year over the five year period in real terms[4] and savings in capital and operating expenditure achieved during the current regulatory period will help to achieve this.	**Other factors driving electricity prices** Network charges account for around 33 per cent of an average residential customer's electricity bill in the ACT. Changes in other components of electricity prices such as the wholesale price of electricity, retailer costs and government charges and levies would also impact the prices that our customers pay. Unforeseen events or changes in our operating environment may arise in the next period, which may result in additional expenditure requirements and/or reprioritising of expenditure towards addressing them. We have proposed four pass through events in order to efficiently manage the risk to customers of rare and extreme events that are beyond our control. Where these events don't occur, customers won't pay for them.
Revenue cap We are moving to a revenue cap, which means that we cannot recover more than the regulator allows. Over-recovery of revenue in a particular year will result in lower prices in the next year.	**Demand risk** If electricity consumption falls more than we forecast, network prices may increase to allow us to recover the allowed revenue.

3 AEMC, 2017 Residential Electricity Price Trends, 18 December 2017. page 40.

4 The actual price impact on individual customers will vary based on their energy consumption and tariff class, as well as the approach retailers used in passing on network charges to their customers.

Consumer benefits	Potential risks
Keeping operating costs down We are continuing to improve our cost performance. Our level of operating costs put us as a mid-range performer according to the latest AER's annual benchmarking report.	**Risk of inadequate costs expenditure** There is a risk that further reductions in operating costs would not be sustainable, and may affect service delivery and the safety of the network as well as the longevity of our assets. If we do not receive adequate funding for changes in our costs such as our new vegetation management obligations, we run the risk of non-compliance with these obligations and resulting penalty payments, as well as placing risk on the network.
Evolving the network to respond to changes in the energy market We are proposing significant investments in upgrading our network planning systems and asset information systems. We are also planning to reduce or defer some capital expenditure based on expectations about the adoption of new technology and the success of demand management options.	**Risk of slower uptake of embedded technology or higher demand** If demand requirements of the network exceed the forecasts we have used for capital investment planning, we may have to invest in new infrastructure earlier than originally planned to service this demand.
Growing the network We are proposing investments to meet demand from new developments, such as the Molonglo Valley district, which is being developed by the ACT government at the proposed rate of 1,000 dwellings per year. Further network investment in Belconnen, Fyshwick and Mitchell will also be necessary to meet increased demand in those areas.	**Risk of inadequate response to demand management initiatives**. Non-network demand management initiatives may require consumers to change their electricity usage in order to be effective. We are currently running trials on how to best achieve this.
Replacing the ageing network We have improved asset management strategies in regards to risk evaluation and condition assessment capabilities, resulting in savings to customers while maintaining an acceptable level of risk. Ageing underground cables with increasing failures and outages to customers will be replaced under a more efficient asset management strategy that monitors the actual condition and risk of the assets , instead of repeatedly repairing failures or scheduling replacement at set intervals. Evoenergy's network contains a significant number of old wooden poles which are replaced at end of life with concrete and fibreglass poles. This will ensure risk is managed maintaining continued reliability and safety of the network while also installing assets with lower lifecycle costs constraining increases in maintenance expenditure.	**Risk of inadequate replacement capital expenditure** Failure to replace ageing assets before they fail will have far reaching adverse consequences on safety, quality and reliability of supply.

Consumer benefits	Potential risks
A fair return on our investments Providing Evoenergy with a fair rate of return on its investments will ensure our owners continue to invest in infrastructure necessary to continue to provide the services you want.	**Risk of inadequate returns to owners.** Underinvestment may occur if our owners do not obtain a reasonable rate of return that is commensurate with industry risks
More cost reflective tariffs More cost reflective tariffs enable sharper price signals to encourage more efficient use of the network. More efficient use of the network is expected to lead to avoidance or postponement of some infrastructure investment, delivering savings to customers in the long-term.	**Risk of inadequate update of cost reflective tariffs.** If customers choose to opt out of the default tariffs, or retailers do not pass the price signals onto customers, the cost reflective network price signals will be eroded. This means that, in the long term, network prices may be higher than if the cost reflective price signals were passed through to customers.

How you can get involved

We have now submitted to the AER our regulatory proposal setting out our 2019–24 Plan, but we want to continue the conversation with you on our plan.

There are a number of ways you can get involved.

Contact us directly at **consumerfeedback@evoenergy.com.au**

The AER will invite submissions on our proposal. Details on this process will be available on the AER's website at **www.aer.gov.au** or by contacting us.

You can get in touch with representatives on our Energy Consumer Reference Council to bring your interests and views to the table through this forum. A list of ECRC representatives can be found here: **https://evoenergy.com.au/consumer-engagement-program/energy-consumer-reference-council**

If you would like more information on anything covered in this document, you can view our full regulatory proposal on the AER's website at **www.aer.gov.au**

The AER will make a draft decision on our plan later this year. We will then have an opportunity to respond through a revised proposal, and your feedback will help shape this response before a final decision is made by the AER in April 2019.

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