

Submission to Evoenergy (ActewAGL) - Determination 2019-24

PrePower One Co-op
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Consumer Funding of Evoenergy Capex

This submission addresses funding Evoenergy Capex for the five years from 2019 to 2024 [as outlined here](#) with funding from consumers.

Sourcing Capex from consumers increases consumer engagement with Evoenergy in a positive way. It gives consumers a return on investment and the money stays within the Consumer community. Evoenergy does this by sourcing Capex funds from businesses and individuals prepaying for energy in contrast to funding with borrowings from sources external to Canberra. The approach leaves Evoenergy profits and operations the same while giving Canberra Consumers a high-return annuity investment. The increased level of engagement can lead to lower costs and better outcomes in a variety of ways to the benefit of both Evoenergy and consumers.

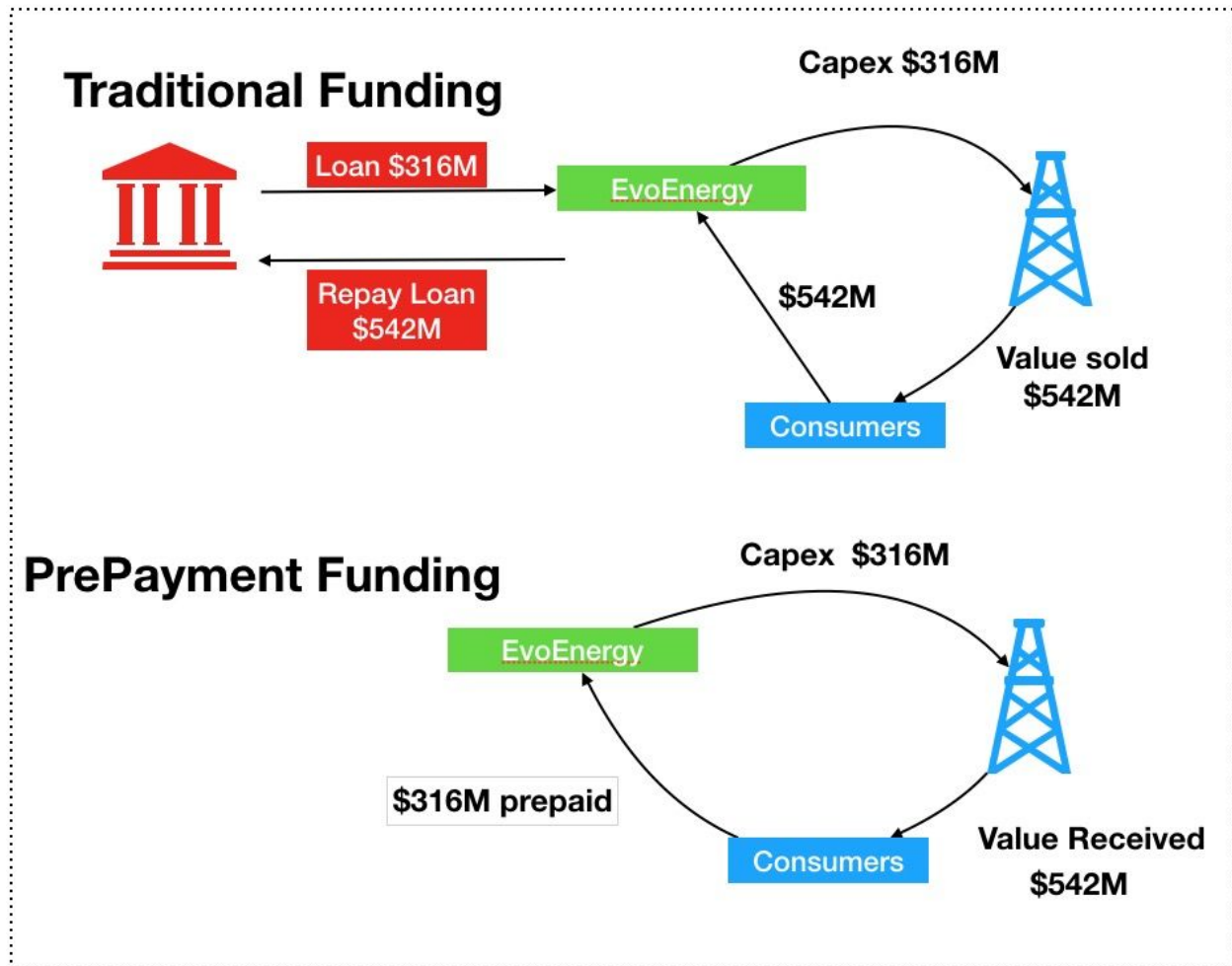
Evoenergy has submitted it needs to spend \$316 million in new Capex over the next five years. The regulator has recommended a Capital return on investments of 5.80% and for prices to increase to cover these costs.

The suggestion in this proposal is for Evoenergy to source Capex funds from Evoenergy Consumers through local Not for Profit Cooperatives and repay the loans with long-term annuity streams of discounted energy. Consumers could participate through the recently established Not for Profit [Pre Power One Co-op](#). As more cooperatives are established it is recommended that Evoenergy deals with a single Pre Power Cooperative of Local Cooperatives. The Pre Power Cooperative of Cooperatives will collect the investments and distribute the annuities to the Local Cooperative members.

Traditional Loan Funding

With traditional debt financing Evoenergy approaches a bank or financier and borrows money to be repaid over say twenty years. Evoenergy has said they need \$316 million over the five years

and the Energy regulator is allowing a return of 5.80%. Assuming a loan period of twenty years each year Evoenergy will repay the bank about \$27,100,000. Of this - on average - \$15,800,000 is Capital Return and \$11,300,000 is interest. To repay the money Evoenergy has to sell \$27,100,000 of energy each year and has to repay a total of \$542 million over the twenty years. This means Evoenergy requires sales of \$542 million of which \$316 million is capital return and \$226 million is payment of interest.



Pre Payment Funding

An alternative funding method is for Pre Power Cooperatives to lend the money to Evoenergy and receive 1.72 times the value over twenty years in equal instalments each month of discounted energy. Evoenergy will repay with \$27,100,000 of discounted energy each year for twenty years. As nothing else has changed Evoenergy has produced and sold \$27,100,000 of energy per year. The total invoiced energy of Evoenergy is the same as the regular loan of \$542 million over the twenty years. But, instead of paying the loan back as cash Evoenergy pays back the loan with discounted energy. Instead of the banks getting a return on investment in money Evoenergy consumers will get a return in discounted energy.

Prepayments will integrate with ActewAGL and other Energy retailers billing systems. The only change to billing is that the Energy retailers agree to accept prepayments redemption as payments for invoices they issue. It would appear to consumers as just another payment method and would be straight-forward and low cost to implement.

Annuity Comparison

An allocated pension from the [average super fund returns \\$8577 per annum](#) for 12 years on a \$100,000 investment. The same investment using prepayments with Evoenergy returns \$8,577 indexed for inflation per annum in energy over 20 years. It means investing in Evoenergy prepayments is attractive to Canberra customer investors particularly if Evoenergy adjusted the value of prepayments for inflation rather than the cost of energy.

Introducing Not for Profit Consumer Cooperatives

We expect Not for Profit Pre Power Cooperatives to be a popular way for households to finance solar panels and batteries but, we expect the take-up to be relatively slow. However, with the help of Evoenergy Consumer Engagement and with up to \$316 million dollars worth of new investment opportunities the take-up will be rapid as every customer, including commercial customers, is likely to want to join a local Cooperative. Canberra residents, businesses and other bodies, including the government, have superannuation savings looking for secure, high-return local investments.

Consumer Engagement

Evoenergy has an [active program of consumer engagement](#). Prepayment Funding through local Not for Profit Cooperatives will assist this engagement. Every consumer who joins a Co-op will be contactable reliably, securely, and privately through their participation. This opens up communications channels and consumers can actively assist Evoenergy to deliver energy with lower-costs and higher reliability as the Co-ops share in the savings.

Equity for Low-Income Households

All households get electricity at a lower price when produced and purchased from the Not for Profit Cooperatives. Low-Income households can get further discounts by being provided with zero-interest loans from the government to invest in Evoenergy or Pre Power Cooperatives instead of rebates. They must use the loans to purchase energy prepayments. This approach can reduce the cost of energy to about 40% of the grid price without it being an imposition on the government budget. See [this project by the Brewarina Indigenous Community](#) and the Valley Centre to see how others are assisting low-income consumers.

Implementation

Implementation of prepayment funding will be incremental and staged over several months. The systems that administer the Not for Profit Pre Power Co-ops is flexible and integrates using standard Application Programming Interfaces that require no internal changes to existing systems.

Summary

Consumer Funding requires no change to Evoenergy operations. The administration of the loans and distribution of value is handled by Pre Power Not for Profit Cooperatives. Evoenergy continues to own the network and get the same profit from its operations. However, Evoenergy can work with the Not for Profit Cooperatives to reduce energy consumption and increase the takeup of batteries, other production improvements, and demand management systems to make the network more resilient, reliable and lower-cost. Governments can consider using low-cost loans instead of rebates to those who struggle with their energy bills. These initiatives could replace some existing and future Evoenergy and Government costs so that Evoenergy maintains and increases its profits.

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