

Evoenergy Distribution 2024–29 Draft decision Pre-determination conference

AER Board Member – Lynne Gallagher – Conference Chair
11 October 2023

Acknowledgement of country

Lynne Gallagher
AER Board Member

AER welcome and introductions

Lynne Gallagher
AER Board Member

House keeping

- Questions can be asked at anytime by adding it to the chat, and will be addressed during the facilitated discussion session
- During the facilitated discussion you are welcome to ask questions or provide comments. Please use the 'raise your hand' button
- Questions not addressed in this session will be answered and available after the session
- The presentation will be available on the website after this session.

Agenda

| Topic | Speaker | Duration |
|---|--|----------|
| Welcome / Acknowledgement of country | Lynne Gallagher, AER Board Member | 5 mins |
| Key themes of our draft decision | Lynne Gallagher, AER Board Member | 10 mins |
| AER's Evoenergy 2024–29 Distribution draft decision | Arek Gulbenkoglou, General Manager, AER Network Expenditure Branch | 10 mins |
| Evoenergy next steps and any reflections | Peter Billing, General Manager, Evoenergy | 10 mins |
| Facilitated discussion | Kris Funston, Executive General Manager, AER Network Regulation Questions for the AER and Evoenergy | 20 mins |
| Closing remarks, next steps | Lynne Gallagher, AER Board Member | 5 mins |

Key themes of our draft decisions

Lynne Gallagher
AER Board Member

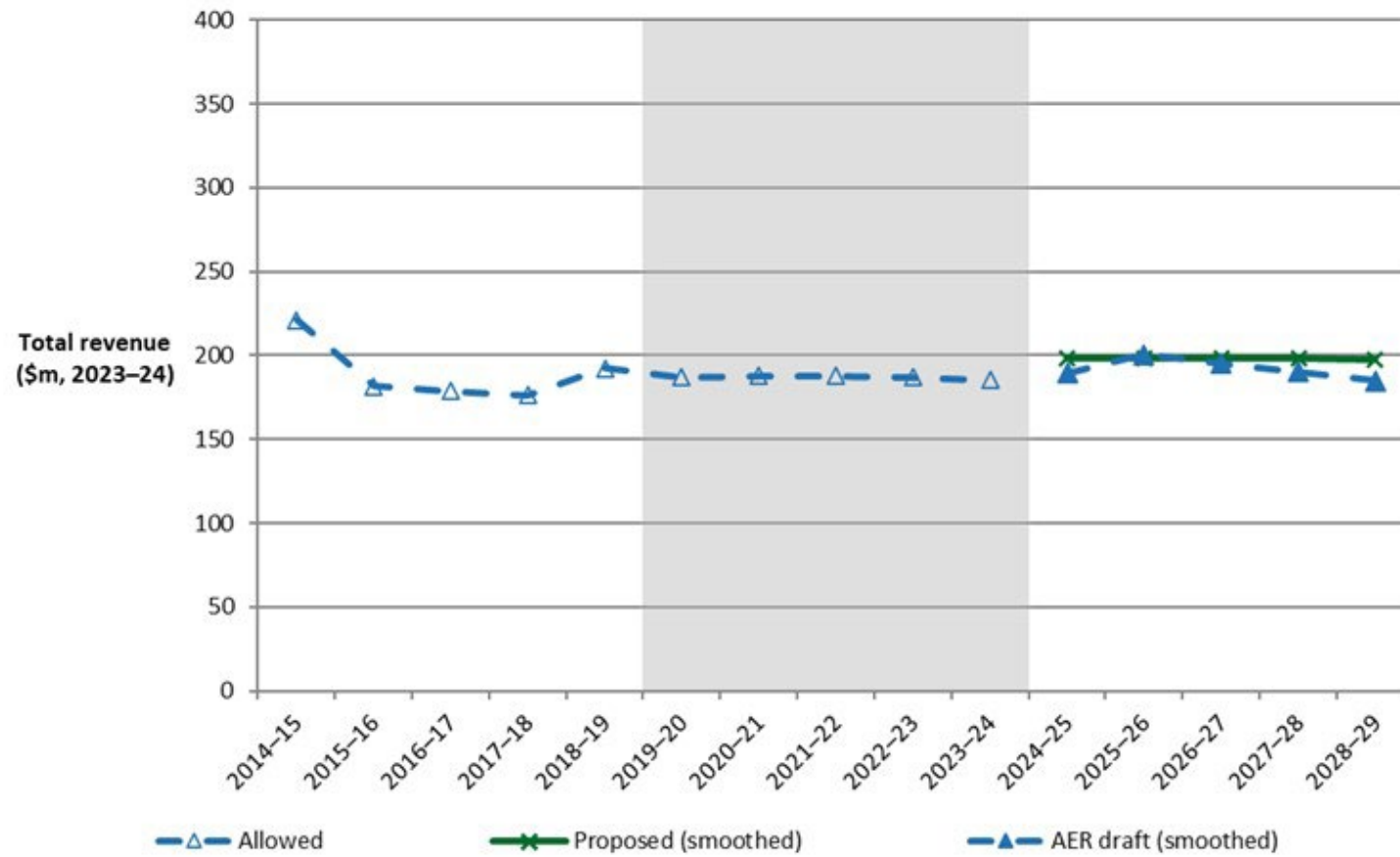
Key themes

- Ensuring consumers pay no more than necessary for safe and reliable energy
- Supporting the energy transition
- Consumer engagement driving proposals
- New emissions objectives
- Network tariff reform

AER's Evoenergy 2024–29 draft decision

Arek Gulbenkogl
General Manager
AER Network Expenditure

Evoenergy - Changes in distribution regulated revenue over time – distribution and transmission (\$ million, 2023–24)



Source: AER analysis

Evoenergy

- Our draft decision: **\$1,043.7 million** (\$ nominal, smoothed)
 - 3.2% reduction from Evoenergy's proposal
 - 27.8% higher than our decision for the current (2019–24) period.
- Key areas of difference from Evoenergy's proposal to our draft decision:
 - Driven by reductions in capital and operating expenditure
 - Offset by our lower inflation forecast (increasing regulatory depreciation) and higher return on capital
- Our draft decision:
 - Capex: \$416.3 million (\$104.5 million or 20% lower)
 - Opex: \$336.8 million (\$53.6 million or 13.7% lower)

Evoenergy

- Areas of focus
 - Proposed capex forecast and demand forecasts
 - Contingent project for feeder and substation works to support EV charging
 - Base year opex efficiency
 - Tariff Structure Statement
 - Metering

Evoenergy

Peter Billing
General Manager
Evoenergy

Draft decision initial observations

Peter Billing, General Manager Evoenergy
AER pre-determination conference

11 October 2023

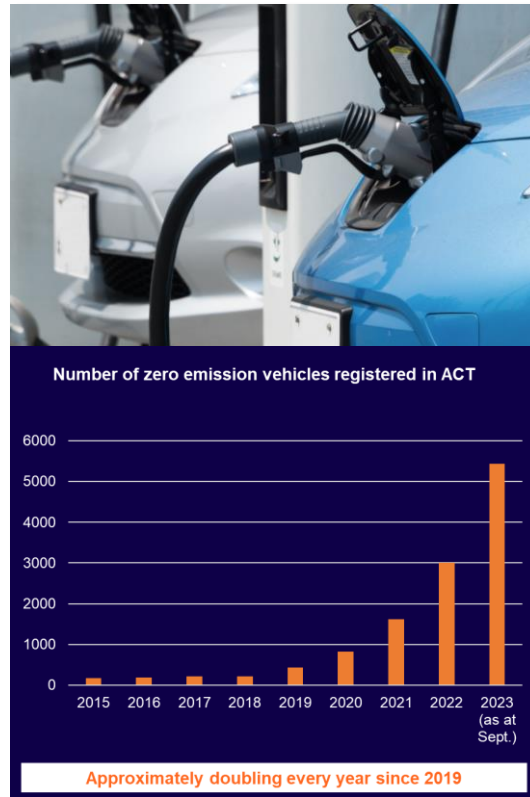


What has changed since our initial proposal?

Updated data



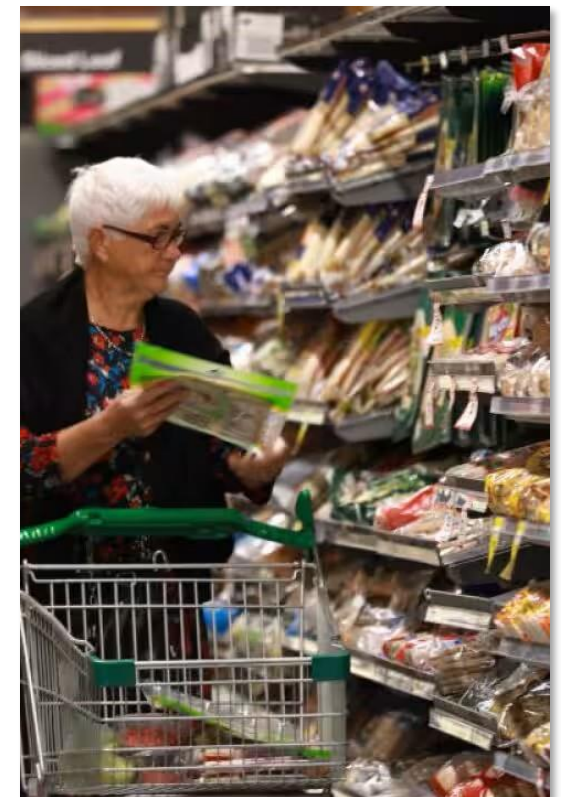
Higher than expected EV uptake









Increased cost to build infrastructure



Cost of living has increased



Delivering on our community's priorities

| What consumers want | | Initial views on how the draft decision delivers these |
|--|---|--|
| Play a key role in enabling distributed energy resources |  | Investment in DER/CER needs to be balanced with augmentation expenditure to achieve optimal outcomes. |
| Play our role in energy affordability |  | While the draft decision achieves network bill stability over period, this needs to be balanced with our efficient operating expenditure requirements, having regard to our circumstances. |
| Ensure network tariffs are fit for future users of the network |  | Presents opportunities for further tariff development over 2024-29 period. |
| Play a bigger role in communicating and informing the community |  | Accepts investment in technology to deliver more control to customers making it easier to communicate, and work with Evoenergy. |
| Take action towards achieving a net zero future |  | Customers will bear the risk if investment does not keep pace with the energy transition and there are limited options to manage uncertainty, for example, contingent projects. |
| Maintain reliability but make decisions that balance this with cost |  | Material cuts to proposed replacement capex and operating expenditure may impact reliability and customer service outcomes. |

Engagement continues for our revised proposal

Community panel
deep dive
sessions

Meetings with
retailers

Customer
research on
expected response
to EV tariffs

Energy Matters
forum

Consideration of
feedback received
on initial proposal



Revised proposal current thinking

| | | | | |
|--|--|---|--|---|
| Capital expenditure | Proposed: \$521m Draft decision: \$416m 20% cut | Operating expenditure | Proposed: \$390m Draft decision: \$336m 14% cut | Network tariffs |
| Current thinking for our revised proposal: | | Current thinking for our revised proposal: | | Current thinking for our revised proposal: |
| <ul style="list-style-type: none">• Update maximum demand forecast to reflect latest EV data and align with CSIRO forecast assumptions• Update project estimates based on latest market estimates• Strengthen business cases for uplift in replacement expenditure | | <ul style="list-style-type: none">• Proposed FY2023 as the base year, which was materially lower than FY2022• Present further analysis to ensure our benchmark performance is compared on a 'like for like' basis• Present detailed business case for proposed security of critical infrastructure opex | | <ul style="list-style-type: none">• Customer research on openness to EV controlled load charging• Considering feedback on tariff complexity• Assessing the costs and benefits of implementing complex tariffs |

evoenergy

Thank you



Draft decision – Q&A


Kris Funston
Executive General Manager
AER Network Regulation



Closing remarks, next steps

Lynne Gallagher
AER Board Member

Next Steps

| Milestone | Date |
|---|--------------------|
| Evoenergy submits its combined transmission and distribution regulatory proposals to AER | 31 January 2023 |
| AER published an issues paper for the business | 28 March 2023 |
| AER holds a public forum | 5 April 2023 |
| Submissions on regulatory proposals close | 12 May 2023 |
| AER publishes draft determination decision | 28 September 2023 |
|  AER holds a pre-determination conference | October 2023 |
| Evoenergy submits revised regulatory proposal to AER | 30 November 2023 |
| Submissions on revised regulatory proposals and draft decision close | By 19 January 2024 |
| AER publishes Evoenergy distribution determination for regulatory control period | by 30 April 2024 |

Submission details

- We invite interested parties to make submissions on the revised proposals and our draft decisions by **5pm AEDT, 19 January 2024**
- **We encourage early submissions, where possible, to inform our final decisions**
- Submissions should be emailed to AERresets2024-29@aer.gov.au

