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Contact Officer: Jacquie Shannon
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3/11/2023

Mr John Knox
Chief Executive Officer
Evoenergy

Sent by email to: [REDACTED]

Dear Mr Knox

Re: Waiver from the Distribution Ring-fencing Guideline - Evoenergy's ACT and Nowra gas networks.

Thank you for the application from Evoenergy (AAD) dated 16 August 2023 seeking a waiver from clause 3.1(b) of the Ring-fencing Guideline for Electricity Distribution (the Guideline) to allow Evoenergy to continue owning and operating two natural gas distribution pipelines in NSW and the ACT.

Evoenergy's Proposal

Evoenergy is the legacy owner of two gas distribution pipelines, namely the ACT Gas Network and the Nowra Gas Network, which service a small number of customers.

Evoenergy states that whilst it is possible to achieve legal separation of the gas network businesses from its role as an electricity distribution provider, the costs of achieving this outcome outweigh the benefits to competition and, therefore, consumers. For this reason, Evoenergy has requested a renewal of its existing waiver dated 18 December 2017, which is due to expire on 30 June 2024

AER Assessment and Decision

The Guideline requires that, in assessing a waiver application, the AER must have regard to the National Electricity Objective; the potential for cross-subsidisation and discrimination; and the benefit, or likely benefit, to consumers from the distribution network service provider (DNSP) complying with the obligation, relative to the cost to consumers from the DNSP complying with the obligation.

Evoenergy has stated that:

- the costs of separating gas network businesses from its electricity distribution arm would outweigh the benefits to competition and consumers;
- the potential for harm that may result from the lack of legal separation in this case is very limited, as the ACT gas network is already subject to economic regulation by the AER; and
- Evoenergy's cost-allocation method already deals with the appropriate allocation of costs between its regulated electricity services and its gas distribution services.

The Guideline aims to prevent competitive harm. The AER accepts Evoenergy's position that the costs of separating its network businesses would outweigh the benefits to competition and consumers.

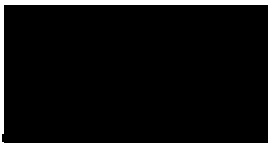
The AER has decided to grant a waiver of Evoenergy's obligation to comply with clause 3.1 (b) of the Guideline from 1 July 2024 until 30 June 2029 to allow Evoenergy to continue to own and operate its:

- natural gas distribution pipelines located in the ACT and the Queanbeyan-Palerang council area east of Canberra (ACT Gas Network); and
- natural gas distribution pipelines located in the Nowra network in the Shoalhaven local government area on the NSW south coast (Nowra Gas Network).

The AER expects Evoenergy to comply with the Guideline in all other circumstances and in all other respects.

Evoenergy is required by clause 5.7 of the Guideline to include this waiver on its waiver register, which must be publicly available on Evoenergy's website.

Yours sincerely



Jarrod Ball
AER Board Member

Sent by email on: 3/11/2023