

23 April 2024

Ms Stephanie Jolly
Executive General Manager, Consumers, Policy and Markets
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Via email: VCR2024@aer.gov.au

Dear Ms Jolly,

2024 VCR Review – Draft Determination

Evoenergy welcomes the opportunity to provide a submission to the Australian Energy Regulator's (AER's) 2024 Value of Customer Reliability (VCR) draft determination.

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.

We agree with the draft determination in recognising the VCR is a key indicator of customer views and a central input in determining the efficient investment needed to meet customer expectations. As such, the VCR methodology must be robust and reflective of customer values over time.

Given the increasing customer dependency on electricity arising through the energy transition, and the once in five-year opportunity to review the VCR methodology, Evoenergy considers fulsome consideration should be given to the 2024 VCR methodology review. Evoenergy therefore supports the submission request made by Energy Networks Australia (ENA) for the VCR review being undertaken and consulted on using the standard rules procedure.

Our submission provides context beyond the scope of the draft determination consultation paper, to aid consideration of the impact of the energy transition on the VCR over the next five-years.

Electrification of the ACT

The ACT energy industry has been evolving at an accelerating pace in recent years, demonstrated in Evoenergy's electricity network by the rapid uptake of Consumer Energy Resources (CER) such as solar PV, residential batteries and Electric Vehicles (EV). The ACT has the highest rate of EV sales of any state or territory in Australia, representing almost 24% of new vehicle sales¹. The ACT is also now experiencing the electrification of gas appliances (space heating, cooking and hot water).

¹https://www.cmtedd.act.gov.au/open_government/inform/act_government_media_releases/rattenbury/2023/more%2delectric%2dvehicles%2dthan%2dever%2don%2dact%2droads

The ACT Government's energy policies, which have a strong focus on emissions reduction, are driving some of this change. These policies include the Powering Canberra Pathway to Electrification, ACT's Zero Emissions Vehicles Strategy 2022 – 30, the 2045 legislated Net Zero Emissions target and the ACT Sustainable Energy Policy 2020-25. The ACT Government will shortly release its Integrated Energy Plan which will set out the ACT's pathway to net zero emissions by 2045.

In the past two calendar years, winter peak demand on the electricity network in the ACT has surpassed the summer peak and we have observed new peaks occurring on winter mornings. At the same time, we are observing the duration of the evening peak extending through to 9pm. When combining the electrification of both gas and transport and the changing profile of electricity demand through the day, the value customers in the ACT derive from electricity and their dependence on a single energy source is ever increasing. This in turn increases customers' expectations on Evoenergy to continue to provide a reliable and safe supply of electricity.

As the VCR review is conducted only once every five years, we believe the 2024 VCR methodology should seek to capture customer views on the value of reliability within the context of the changing energy landscape. It is important to commence capturing the changing customer values now to align with the time when investment is needed to deliver on changing customer demands. Waiting for the next review in 2029 would create a disconnect between the inputs into investments benefit assessments and the true customer value of those investments.

Combination of related reviews - WALDO and VCR

We agree with the ENA that it would be most appropriate to conduct the value of customer resilience, the widespread and long duration outages (WALDO) assessment, and VCR review together, rather than separately. Evoenergy considers there would be significant value in a combined approach, recognising the interrelationships between the metrics. This approach would also align with the directive from Energy Ministers (ECMC, March 2024),

Should you wish to discuss matters raised in this submission, please contact Eddie Thanavelil on Eddie.Thanavelil@evoenergy.com.au

Yours sincerely



Megan Willcox
General Manger – Economic Regulation