

# Final Decision

## Evoenergy Electricity Distribution Determination 2024 to 2029

(1 July 2024 to 30 June 2029)

### Attachment 1 Annual revenue requirement

April 2024

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#### **Amendment record**

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1	30 April 2024	21

## List of attachments

This attachment forms part of the AER's final decision on the distribution determination that will apply to Evoenergy for the 2024–29 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision. In these circumstances, our draft decision reasons form part of this final decision.

The final decision includes the following documents:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 13 – Classification of services

Attachment 14 – Control mechanisms

Attachment 16 – Alternative control services

Attachment 18 – Connection policy

Attachment 19 – Tariff structure statement

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# 1 Annual revenue requirement

This attachment sets out our final decision on Evoenergy’s annual revenue requirement (ARR) and expected revenues for the provision of standard control services (SCS) over the 2024–29 regulatory control period (period) for its distribution and transmission (dual function assets) networks. Evoenergy’s dual function assets are high voltage assets which support the broader NSW/ACT transmission network owned and operated by Transgrid. The AER has decided to continue applying transmission pricing to these assets.<sup>1</sup>

Specifically, we set out our final decision on:<sup>2</sup>

- the ARRs (unsmoothed), which are the sum of the annual building block costs
- the total revenue requirement, which is the sum of the ARRs
- the annual expected revenues (smoothed)
- the X factors.

We determine Evoenergy’s ARRs using a building block approach. We determine the X factors by smoothing the ARRs over the period. The X factor is used in the CPI–X methodology to determine the annual expected revenue (smoothed).

## 1.1 Final decision

For the 2024–29 period, we determine total ARRs of \$920.2 million and \$176.7 million (\$ nominal, unsmoothed) for Evoenergy’s distribution and transmission networks respectively. These amounts are increases of \$1.9 million (0.2%) and \$0.5 million (0.3%) to Evoenergy’s revised proposal for its distribution and transmission networks respectively.

For both distribution and transmission, the increases in total revenues are largely driven by our final decision approving higher regulatory depreciation building blocks, which are \$5.5 million and \$1.2 million higher respectively than Evoenergy’s revised proposal.

We determine the annual expected revenue (smoothed) and X factor for each regulatory year of the 2024–29 period by smoothing the ARRs. For the 2024–29 period, our final decision is to approve total expected revenues of \$923.2 million and \$177.1 million (\$ nominal, smoothed) for Evoenergy’s distribution and transmission networks respectively. Our approved X factor profile:<sup>3</sup>

- For distribution is –6.79% for 2025–26 and 2026–27, followed by 2.94% per annum for the remaining years of 2027–28 and 2028–29.
- For transmission is –5.61% for 2025–26 and 2026–27, followed by 3.60% per annum for the remaining years of 2027–28 and 2028–29.

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<sup>1</sup> AER, *Framework and approach: Evoenergy (ACT), Regulatory control period commencing 1 July 2024*, July 2022, p. 49.

<sup>2</sup> NER, cll. 6.3.2(a)(1), 6.5.9(a) and 6.5.9(b)(1)–(2).

<sup>3</sup> Evoenergy is not required to apply an X factor for 2024–25 because we set the 2024–25 expected revenue in this decision.

Table 1.1 and Table 1.2 set out our final decision on the building block costs, the ARR, annual expected revenue, and X factors over the 2024–29 period for Evoenergy’s distribution and transmission networks respectively.

**Table 1.1 AER's final decision on Evoenergy’s ARR, annual expected revenue and X factor for the 2024–29 period – distribution (\$ million, nominal)**

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Return on capital	54.9	58.1	60.9	64.4	68.5	306.8
Regulatory depreciation <sup>a</sup>	49.8	57.3	50.5	52.8	44.0	254.4
Operating expenditure <sup>b</sup>	61.9	64.2	66.0	67.9	70.3	330.2
Revenue adjustments <sup>c</sup>	5.2	3.1	3.9	5.7	1.2	19.1
Cost of corporate income tax	2.2	2.7	1.9	2.6	0.4	9.8
Annual revenue requirement (unsmoothed)	173.9	185.3	183.2	193.3	184.4	920.2
<b>Annual expected revenue (smoothed)</b>	<b>162.3</b>	<b>177.9</b>	<b>195.0</b>	<b>194.3</b>	<b>193.7</b>	<b>923.2</b>
X factor <sup>d</sup>	n/a <sup>e</sup>	–6.79%	–6.79%	2.94%	2.94%	n/a

Source: AER analysis.

- (a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening regulatory asset base (RAB).
- (b) Includes debt raising costs.
- (c) Includes revenue adjustments from the efficiency benefit sharing scheme (EBSS), the capital expenditure sharing scheme (CESS) and the demand management innovation allowance mechanism (DMIAM).
- (d) The X factors will be revised to reflect the annual return on debt update. Under the CPI–X framework, the X factor measures the real rate of change in annual expected revenue from one year to the next. A negative X factor represents a real increase in revenue. Conversely, a positive X factor represents a real decrease in revenue.
- (e) Evoenergy is not required to apply an X factor for 2024–25 because we set the 2024–25 expected revenue in this decision. The expected revenue for 2024–25 is around 6.8% higher than the approved total annual revenue for 2023–24 in real terms, or 9.6% higher in nominal terms.

**Table 1.2 AER's final decision on Evoenergy's ARR, annual expected revenue and X factor for the 2024–29 period – transmission (\$ million, nominal)**

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Return on capital	11.1	11.8	12.2	12.5	13.4	61.2
Regulatory depreciation <sup>a</sup>	9.5	10.9	10.0	9.9	8.7	49.0
Operating expenditure <sup>b</sup>	11.6	12.0	12.4	12.7	13.2	61.9
Revenue adjustments <sup>c</sup>	0.5	0.1	0.2	0.5	–0.3	1.0
Cost of corporate income tax	0.7	0.8	0.8	0.8	0.6	3.8
Annual revenue requirement (unsmoothed)	33.4	35.7	35.6	36.5	35.5	176.7
<b>Annual expected revenue (smoothed)</b>	<b>31.8</b>	<b>34.4</b>	<b>37.3</b>	<b>37.0</b>	<b>36.6</b>	<b>177.1</b>
X factor <sup>d</sup>	n/a <sup>e</sup>	–5.61%	–5.61%	3.60%	3.60%	n/a

Source: AER analysis.

- (a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.
- (b) Includes debt raising costs.
- (c) Includes revenue adjustments from the EBSS and CESS.
- (d) The X factors will be revised to reflect the annual return on debt update. Under the CPI–X framework, the X factor measures the real rate of change in annual expected revenue from one year to the next. A negative X factor represents a real increase in revenue. Conversely, a positive X factor represents a real decrease in revenue.
- (e) Evoenergy is not required to apply an X factor for 2024–25 because we set the 2024–25 expected revenue in this decision. The expected revenue for 2024–25 is around 5.6% higher than the approved total annual revenue for 2023–24 in real terms, or 8.4% higher in nominal terms.

## 1.2 Evoenergy's revised proposal

For the 2024–29 period, Evoenergy's revised proposal included total expected revenues (smoothed) of \$919.3 million and \$176.5 million (\$ nominal) for its distribution and transmission networks respectively.

Table 1.3 and Table 1.4 set out Evoenergy's revised proposed building block costs, the ARR, annual expected revenue and X factor for each year of the 2024–29 period for its distribution and transmission networks respectively.

**Table 1.3** Evoenergy’s revised proposed ARR, annual expected revenue and X factor for the 2024–29 period – distribution (\$ million, nominal)

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Return on capital	54.5	57.9	60.9	64.6	69.0	306.7
Regulatory depreciation <sup>a</sup>	48.6	56.2	49.4	51.8	42.9	248.9
Operating expenditure <sup>b</sup>	62.4	64.8	66.8	68.8	71.3	334.1
Revenue adjustments <sup>c</sup>	5.3	3.2	4.1	6.2	1.2	20.1
Cost of corporate income tax	1.9	2.4	1.7	2.3	0.1	8.5
Annual revenue requirement (unsmoothed)	172.8	184.5	182.8	193.6	184.5	918.3
<b>Annual expected revenue (smoothed)</b>	<b>166.5</b>	<b>186.4</b>	<b>187.6</b>	<b>188.8</b>	<b>190.0</b>	<b>919.3</b>
X factor	n/a <sup>d</sup>	–8.93%	2.10%	2.10%	2.10%	n/a

Source: Evoenergy, *Distribution PTRM*, November 2023.

- (a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.  
(b) Includes debt raising costs.  
(c) Includes revenue adjustments from EBSS, CESS and DMIAM.  
(d) Evoenergy is not required to apply an X factor for 2024–25 because we set the 2024–25 expected revenue in this decision.

**Table 1.4** Evoenergy’s revised proposed ARR, annual expected revenue and X factor for the 2024–29 period – transmission (\$ million, nominal)

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Return on capital	11.1	11.8	12.2	12.6	13.5	61.1
Regulatory depreciation <sup>a</sup>	9.3	10.7	9.8	9.6	8.4	47.8
Operating expenditure <sup>b</sup>	11.7	12.1	12.5	12.9	13.4	62.6
Revenue adjustments <sup>c</sup>	0.5	0.1	0.3	0.6	–0.3	1.2
Cost of corporate income tax	0.6	0.8	0.7	0.8	0.6	3.5
Annual revenue requirement (unsmoothed)	33.2	35.5	35.5	36.5	35.5	176.2
<b>Annual expected revenue (smoothed)</b>	<b>32.1</b>	<b>35.6</b>	<b>35.9</b>	<b>36.3</b>	<b>36.6</b>	<b>176.5</b>
X factor	n/a <sup>d</sup>	–8.02%	1.85%	1.85%	1.85%	n/a

Source: Evoenergy, *Transmission PTRM*, November 2023.

- (a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.  
(b) Includes debt raising costs.  
(c) Includes revenue adjustments from EBSS and CESS.  
(d) Evoenergy is not required to apply an X factor for 2024–25 because we set the 2024–25 expected revenue in this decision.



## 1.3 Assessment approach

We did not change the building block approach we use to determine the expected revenue from our draft decision. Attachment 1 (section 1.3) of our draft decision details that approach.<sup>4</sup>

## 1.4 Reasons for final decision

For the 2024–29 period, we determine total ARRs of \$920.2 million and \$176.7 million (\$ nominal, unsmoothed) for Evoenergy’s distribution and transmission networks respectively. There amounts are increases of \$1.9 million (0.2%) and \$0.5 million (0.3%) to Evoenergy’s revised proposed total ARRs of \$918.3 million and \$176.2 million (\$ nominal) for its distribution and transmission networks respectively. These changes reflect the impact of our final decision on the various building block costs.

Figure 1.1 and Figure 1.2 show the building block components in this final determination that comprise the ARR for Evoenergy, and the corresponding components from its revised proposal and our draft decision for Evoenergy’s distribution and transmission networks respectively.

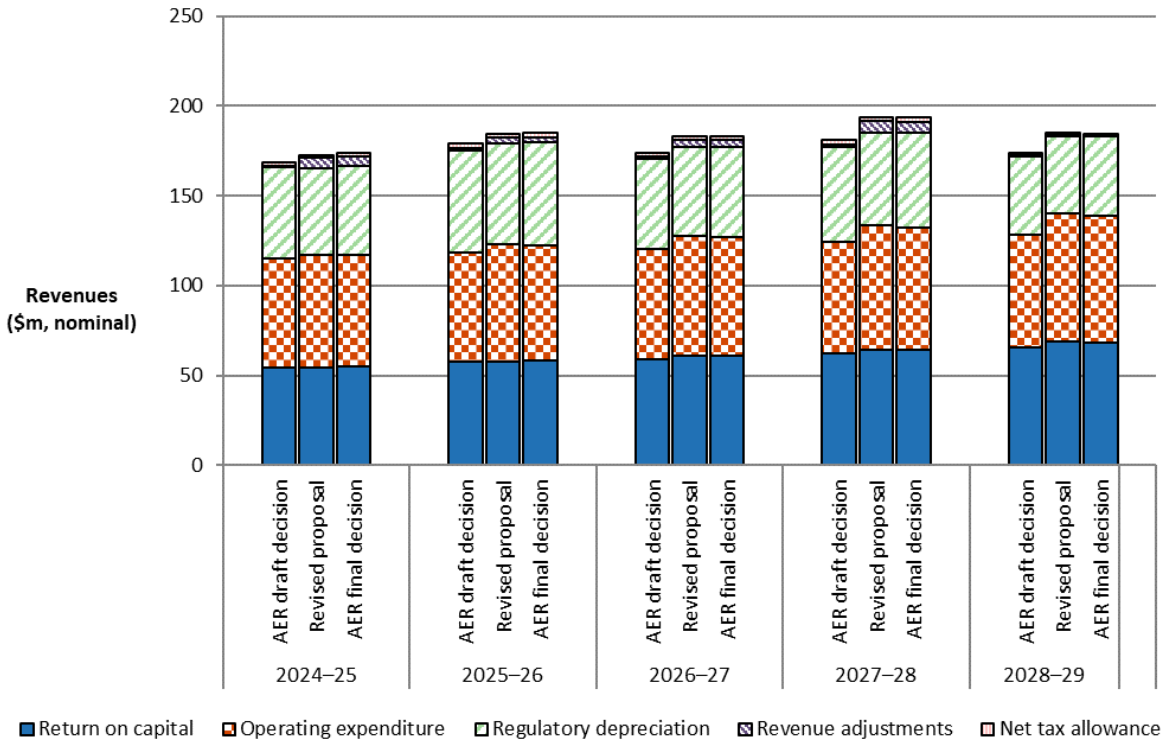
The changes we made to Evoenergy’s revised proposed building blocks for both distribution and transmission networks are (in nominal terms):

- increases in the return on capital of \$0.03 million (0.01%) and \$0.03 million (0.05%) (Attachments 2 and 5, and section 2.2 of the Overview), driven by a higher average rate of return over the 2024–29 period
- increases in the regulatory depreciation of \$5.5 million (2.2%) and \$1.2 million (2.4%) (Attachment 4), driven primarily by the lower expected inflation rate in our final decision than at the time of Evoenergy’s revised proposal, which reduces the indexation adjustment to regulatory depreciation
- reductions in the operating expenditure (opex) forecast of \$3.9 million (1.2%) and \$0.7 million (1.2%) (Attachment 6), reflecting updates for a lower expected inflation applied in our final decision
- reductions in the revenue adjustments of \$1.0 million (4.8%) and \$0.2 million (19.3%) (section 2.7 of the Overview), driven primarily by a lower EBSS reward to reflect updates for a lower expected inflation applied in our final decision
- increases in the cost of corporate income tax of \$1.3 million (15.0%) and \$0.2 million (7.1%) (Attachment 7), driven by our final decision on higher regulatory depreciation amounts, higher return on equity amounts and lower tax depreciation amounts.

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<sup>4</sup> AER, *Draft decision, Attachment 1 – Annual revenue requirement – Evoenergy – 2024 Distribution revenue proposal*, September 2023, pp. 5–7.

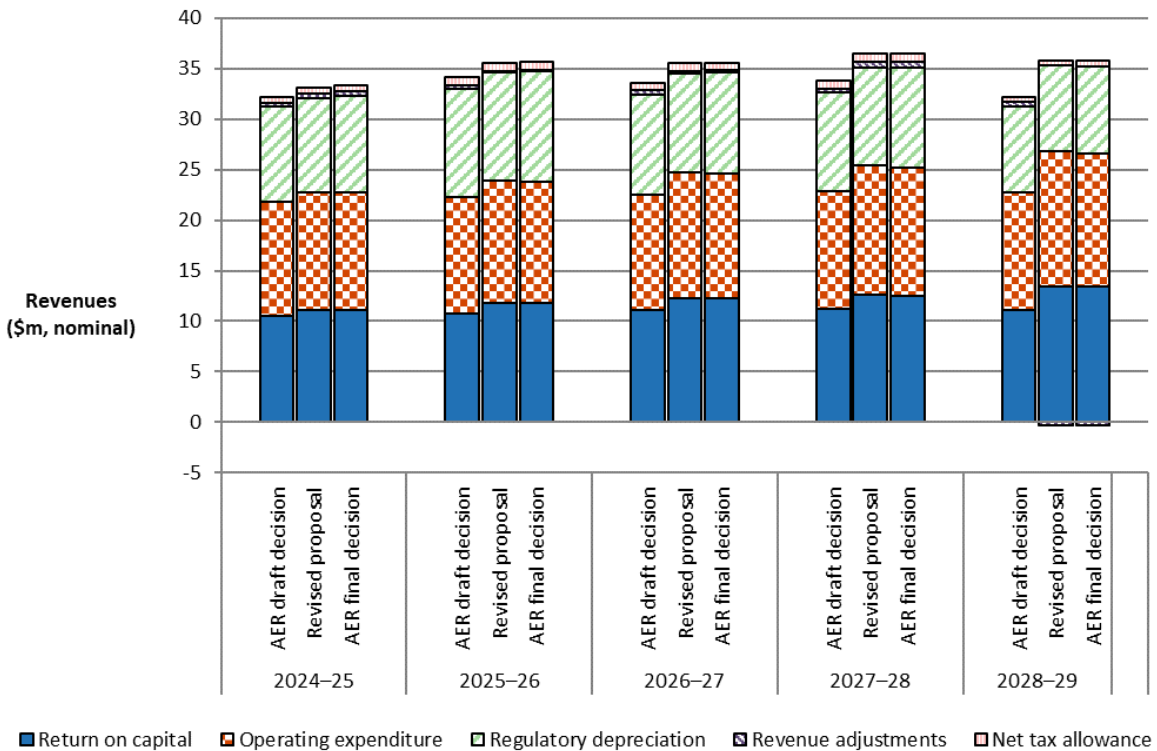
**Figure 1.1 AER's draft and final decisions, and Evoenergy's revised proposed ARR – distribution (\$ million, nominal)**



Source: AER analysis; Evoenergy, *Distribution PTRM*, November 2023.

Note: Revenue adjustments include EBSS, CESS and DMIAM amounts. Opex includes debt raising costs.

**Figure 1.2 AER's draft and final decisions, and Evoenergy's revised proposed ARR – transmission (\$ million, nominal)**



Source: AER analysis; Evoenergy, *Transmission PTRM*, November 2023.

Note: Revenue adjustments include EBSS and CESS. Opex includes debt raising costs.

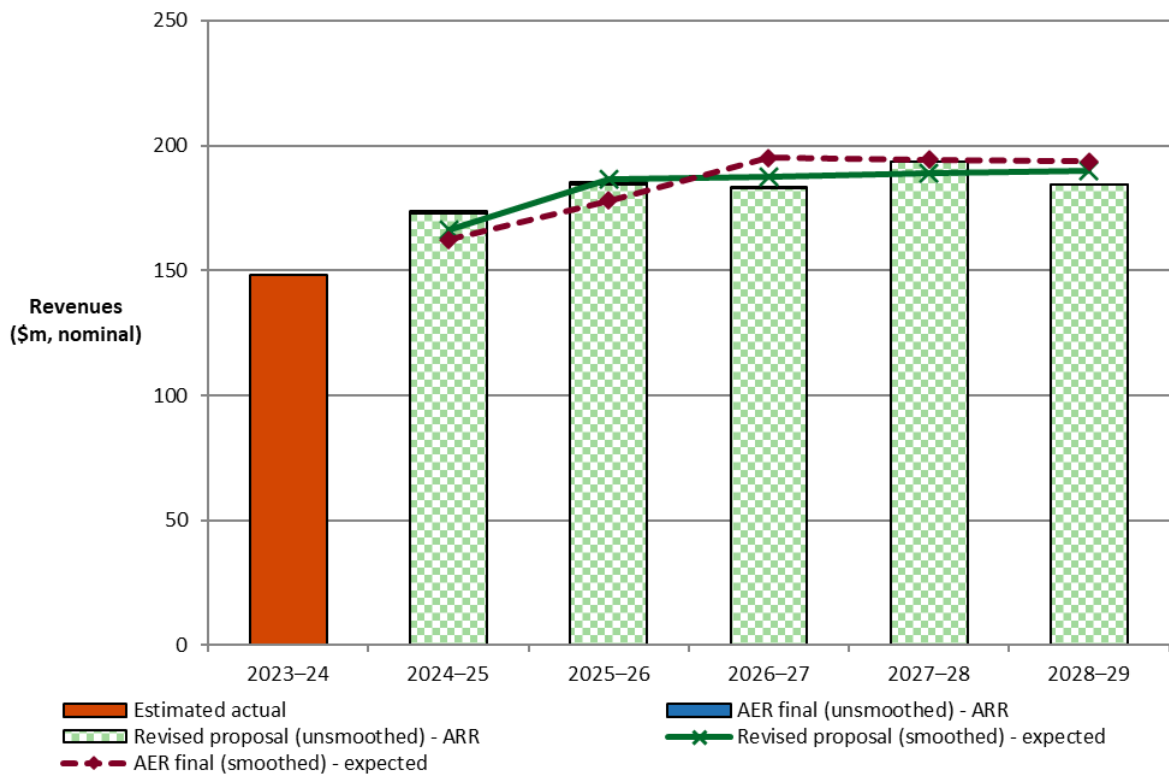
### 1.4.1 X factor and annual expected revenue

For this final decision, we determine X factors for Evoenergy as set out in Table 1.1 and Table 1.2 for its distribution and transmission networks respectively. The net present values (NPVs) of the ARR are \$774.6 million and \$148.8 million (\$2023–24) as at 1 July 2024 for Evoenergy’s distribution and transmission networks respectively. Based on these NPVs and applying the CPI–X framework, we determine that:

- For distribution, the expected revenue (smoothed) is \$162.3 million in 2024–25 increasing to \$193.7 million in 2028–29 (\$ nominal). The resulting total expected revenue is \$923.2 million for the 2024–29 period.
- For transmission, the expected revenue (smoothed) is \$31.8 million in 2024–25 increasing to \$36.6 million in 2028–29 (\$ nominal). The resulting total expected revenue is \$177.1 million for the 2024–29 period.

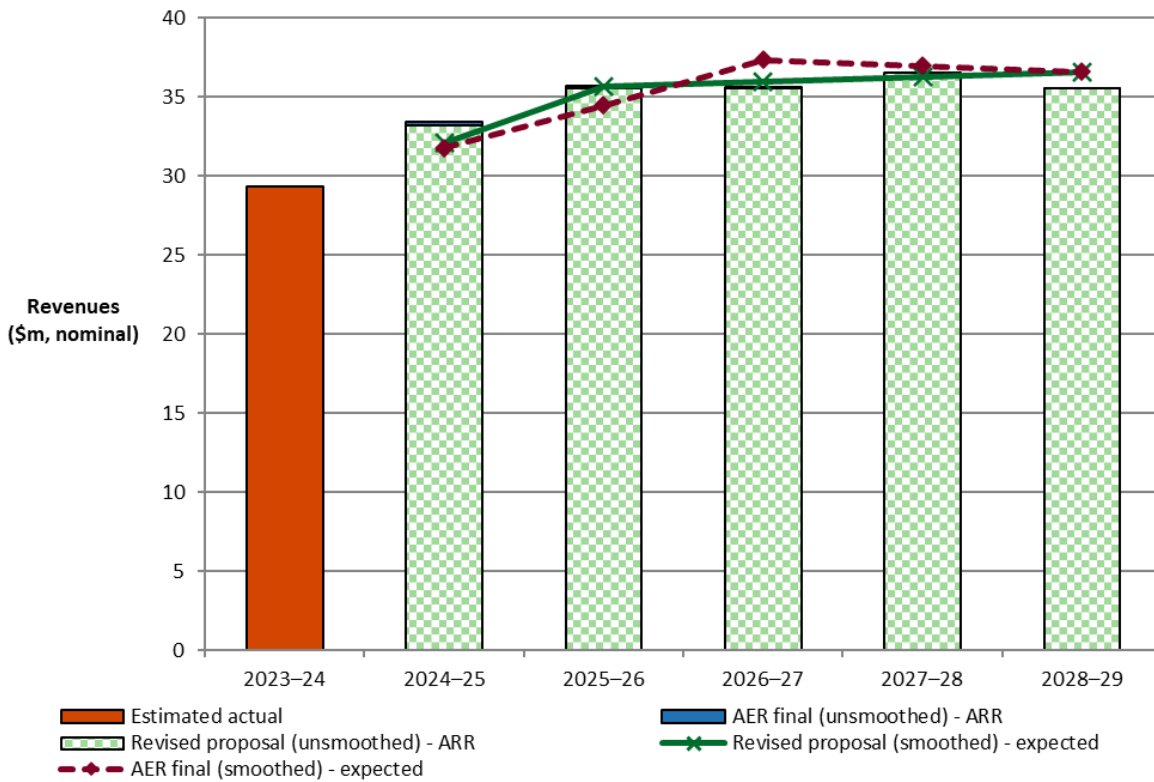
Figure 1.3 and Figure 1.4 show our final decision on Evoenergy’s annual expected revenue (smoothed revenue) and the ARR (unsmoothed revenue) for the 2024–29 period for its distribution and transmission networks respectively.

**Figure 1.3 AER’s final decision on Evoenergy’s revenue for the 2024–29 period – distribution (\$ million, nominal)**



Source: AER analysis; Evoenergy, *Distribution PTRM*, November 2023.

**Figure 1.4 AER’s final decision on Evoenergy’s revenue for the 2024–29 period – transmission (\$ million, nominal)**



Source: AER analysis; Evoenergy, *Transmission PTRM*, November 2023.

To determine the profile of expected revenue for Evoenergy over the 2024–29 period, we have considered the stakeholder’s submission to our draft decision and Evoenergy’s revised proposal, and set the expected revenue for the first regulatory year at \$162.3 million and \$31.8 million (\$ nominal) for its distribution and transmission networks respectively. These are \$11.7 million and \$1.6 million lower than the respective ARR for that first year. We then apply an expected inflation rate of 2.66% per annum and a profile of X factors to determine the expected revenue in subsequent years.<sup>5</sup>

The X factors we set must be such as to minimise, as far as reasonably possible, the variance between the expected revenue (smoothed) and the ARR (unsmoothed) in the last year of the 2024–29 period.<sup>6</sup> This helps to minimise any potential large revenue variance (and thus price shocks) at the commencement of the 2029–34 period. Our standard approach has been to keep a divergence of up to +/-3% between the smoothed and unsmoothed revenues for the last year of the regulatory period, if this can achieve smoother price changes across the regulatory control periods.

Our draft decision smoothing profile provided a final year revenue difference of 3% for Evoenergy’s distribution and transmission networks, as did Evoenergy’s revised proposal.

We received one stakeholder submission on the revenue smoothing approach for Evoenergy. The ACT Council of Social Services (ACTCOSS) questioned the appropriateness of steep bill increases in the first two years of the 2024–29 period resulting

<sup>5</sup> NER, cl. 6.5.9(a).

<sup>6</sup> NER, cl. 6.5.9(b)(2).

from our draft decision and Evoenergy’s revised proposal’s revenue smoothing profile in the context of cost-of-living concerns.<sup>7</sup>

For this final decision, the approved higher revenues than in the draft decision and Evoenergy’s revised proposal are primarily driven by movement in a market parameter, namely the expected inflation rate. Consequently, to accommodate these higher revenues we have allowed the difference between the expected revenue and ARR in the last year of the 2024–29 period for Evoenergy’s distribution network to diverge more than would be usual. This approach smooths the increase in expected revenues over the first three regulatory years (2024–25 to 2026–27) for both Evoenergy’s distribution and transmission networks. In the present circumstances, based on the X factors we have determined for Evoenergy, the final year revenue differences are 5.0% and 2.9% for Evoenergy’s distribution and transmission networks respectively.

On balance, we consider that our profiles of X factors for this final decision result in expected revenues in the last year of the 2024–29 control period that are as close as reasonably possible to the ARRs for that year for Evoenergy’s distribution and transmission networks.<sup>8</sup> We are satisfied that our revenue smoothing approach balances the need of promoting smoother price changes for customers across the 2024–29 period and minimising any large revenue variance at the commencement of the subsequent regulatory control period (2029–34).

Our final decision results in average increases of 5.5% per annum and 4.5% per annum (\$ nominal) in the expected revenues over the 2024–29 period for Evoenergy’s distribution and transmission network respectively:<sup>9</sup>

- For distribution, this consists of initial increases of 9.6% per annum in 2024–25 to 2026–27, followed by annual reductions of 0.4% over the remaining 2 years of the 2024–29 period.<sup>10</sup>
- For transmission, this consists of initial increases of 8.4% per annum in 2024–25 to 2026–27, followed by annual reductions of 1.0% over the remaining 2 years of the 2024–29 period.<sup>11</sup>

Our final decision also results in increases of 9.2% and 4.8% in real terms (\$2023–24) to Evoenergy’s total ARR relative to those in the 2019–24 period for its distribution network and transmission network respectively. For distribution, the outcome is largely due to increases in return on capital and revenue adjustments in this final decision for the 2024–29 period than those approved in the 2019–24 determination. For transmission, the outcome is largely due to increases in return on capital and opex in this final decision for the 2024–29 period than those approved in the 2019–24 determination.

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<sup>7</sup> ACT Council of Social Services, *ACTCOSS Submission: AER Draft Decision and Evoenergy Revised Proposal: Evoenergy Electricity Distribution Determination 2024–2029*, January 2024, pp. 5, 9.

<sup>8</sup> NER, cl. 6.5.9(b)(2).

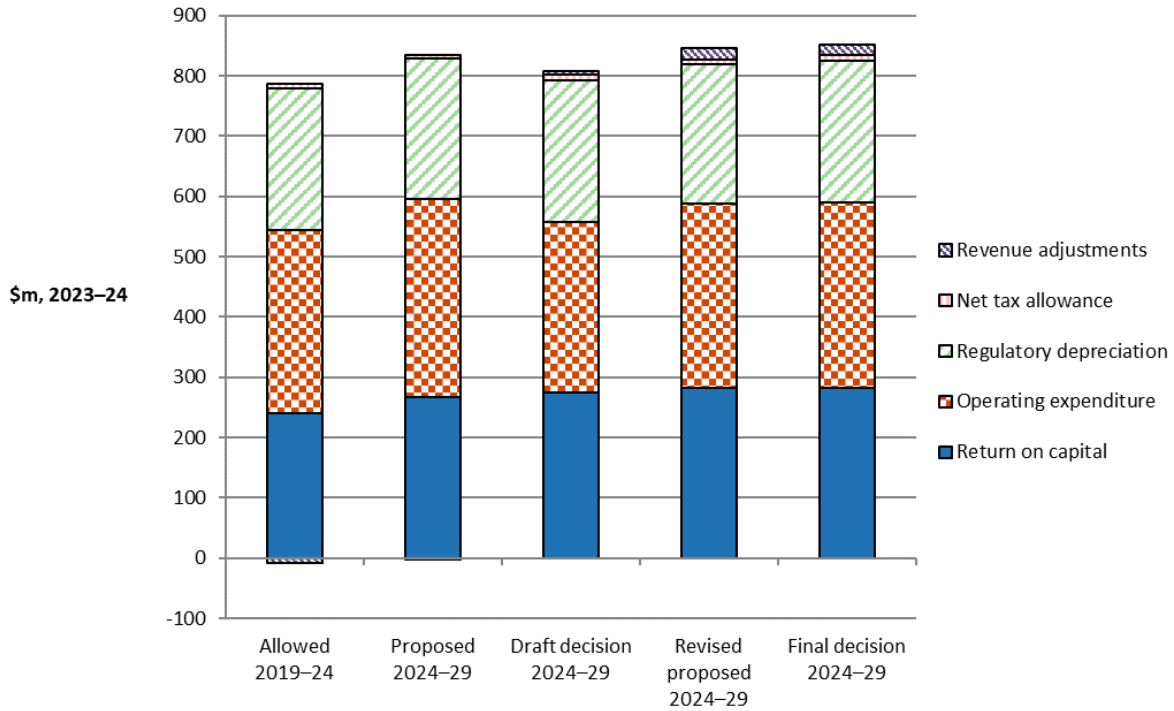
<sup>9</sup> In real 2023–24 dollar terms, our approved expected revenue for Evoenergy results in average increases of 2.8% per annum and 1.8% per annum over the 2024–29 period for its distribution and transmission networks respectively.

<sup>10</sup> In real 2023–24 dollar terms, this consists of initial increases of 6.8% per annum in 2024–25 to 2026–27, followed by annual reductions of 2.9% over the remaining 2 years of the 2024–29 period.

<sup>11</sup> In real 2023–24 dollar terms, this consists of initial increases of 5.6% per annum in 2024–25 to 2026–27, followed by annual reductions of 3.6% over the remaining 2 years of the 2024–29 period.

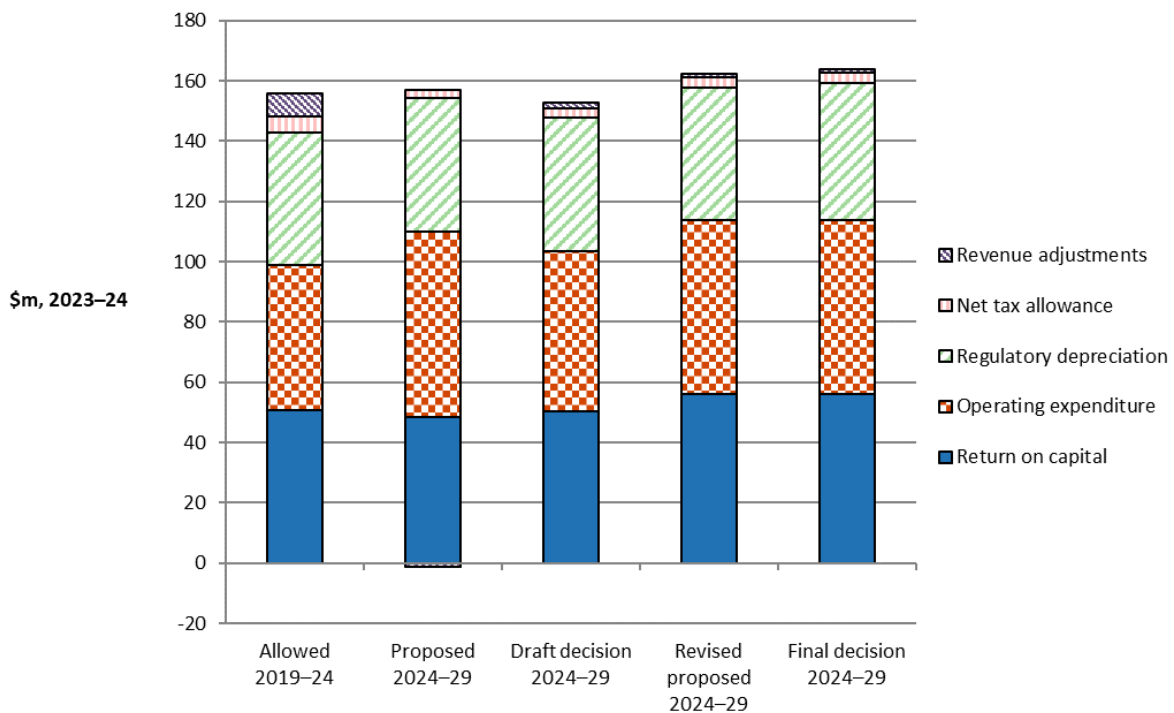
Figure 1.5 and Figure 1.6 compare our final and draft decision building blocks for Evoenergy’s distribution and transmission networks for the 2024–29 period with its proposed and revised proposed revenue requirements for the same period, and the approved unsmoothed revenue for the 2019–24 period.

**Figure 1.5 Total revenue by building block components – distribution**  
(\$ million, 2023–24)



Source: AER analysis.

**Figure 1.6 Total revenue by building block components – transmission**  
(\$ million, 2023–24)



Source: AER analysis.

### 1.4.2 Shared assets

Our final decision is not to apply shared assets revenue adjustments to Evoenergy’s total expected revenues for its distribution and transmission networks for the 2024–29 period.

In our draft decision, we did not apply a shared asset revenue adjustments to Evoenergy’s distribution and transmission revenues because we estimated that the unregulated revenues were less than 1% of its expected revenues in each year of the 2024–29 period. Therefore, the materiality threshold was not met in any year of the 2024–29 period.<sup>12</sup> Using the same assessment approach as the draft decision, we consider that this materiality threshold is also not met in any year of the 2024–29 period for this final decision, and therefore we do not apply shared asset revenue adjustments.

### 1.4.3 Indicative average distribution price impact

Our final decision on Evoenergy’s expected revenues ultimately affects the prices customers pay for electricity. There are several steps required in translating our revenue decision into indicative distribution price impacts.

We regulate Evoenergy’s SCS for its distribution and transmission networks under a revenue cap form of control. This means our final decision on Evoenergy’s expected revenues does not directly translate to price impacts. This is because Evoenergy’s revenue is fixed under the revenue cap form of control, so changes in the consumption of electricity will affect the prices ultimately charged to customers.

For these reasons, we are not required to establish the distribution prices as part of this determination for Evoenergy’s distribution network. However, we will assess Evoenergy’s annual pricing proposals before the commencement of each regulatory year within the 2024–29 period. In each assessment we will administer the pricing requirements set in this distribution determination.

For Evoenergy’s transmission network, the charges are collected with regard to the entire transmission network across NSW/ACT because Evoenergy’s dual function assets are a small, embedded component of the broader transmission network. Transgrid, which is the coordinating transmission network service provider for this network region, establishes transmission charges and determines the net transfer of payments required between Evoenergy and Transgrid after accounting for the dual function asset revenues collected by Evoenergy from its ACT customers.<sup>13</sup>

For this final decision, we have estimated some indicative average distribution and transmission price impacts flowing from our determination on the expected revenues for Evoenergy over the 2024–29 period. In this section, our estimates only relate to SCS (that is, the core electricity network charges), not alternative control services (such as metering charges). These indicative price impacts assume that actual energy consumption across the 2024–29 period matches Evoenergy’s forecast energy consumption, which we have adopted for this final decision. We also have not factored in any changes arising from incentive scheme amounts, cost pass throughs or unders/overs reconciliation that usually occur in the annual pricing process to come up with the total allowed revenue.

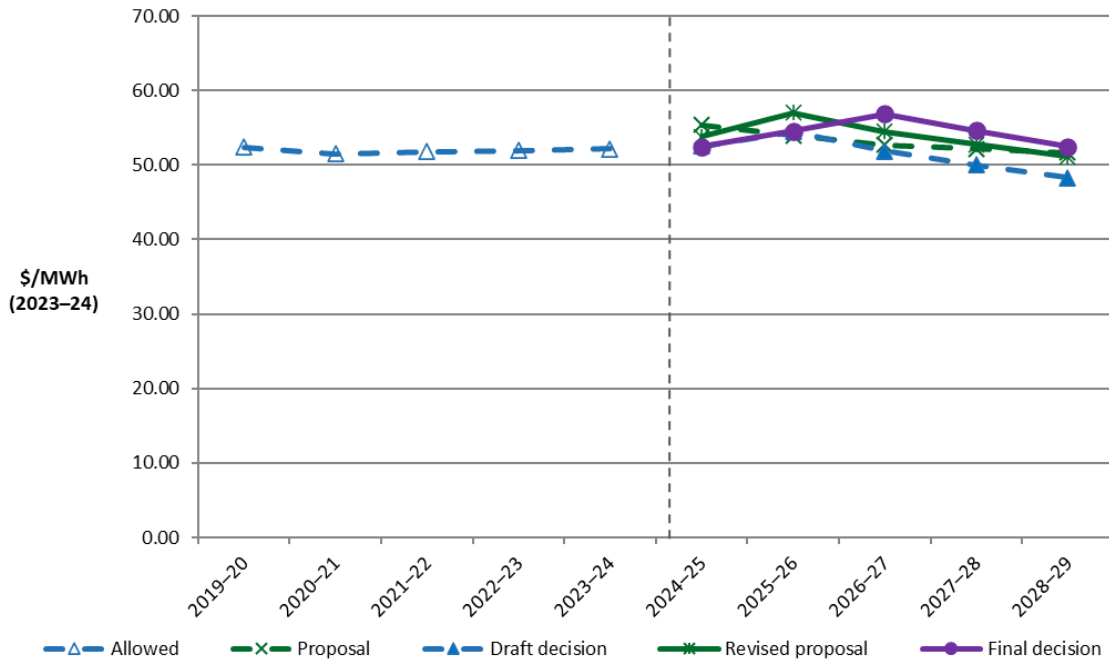
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<sup>12</sup> AER, *Draft decision, Attachment 1 – Annual revenue requirement – Evoenergy – 2024 Distribution revenue proposal*, September 2023, p. 13.

<sup>13</sup> Evoenergy, *2023–24 – Electricity network pricing proposal*, May 2023, pp. 12–14.

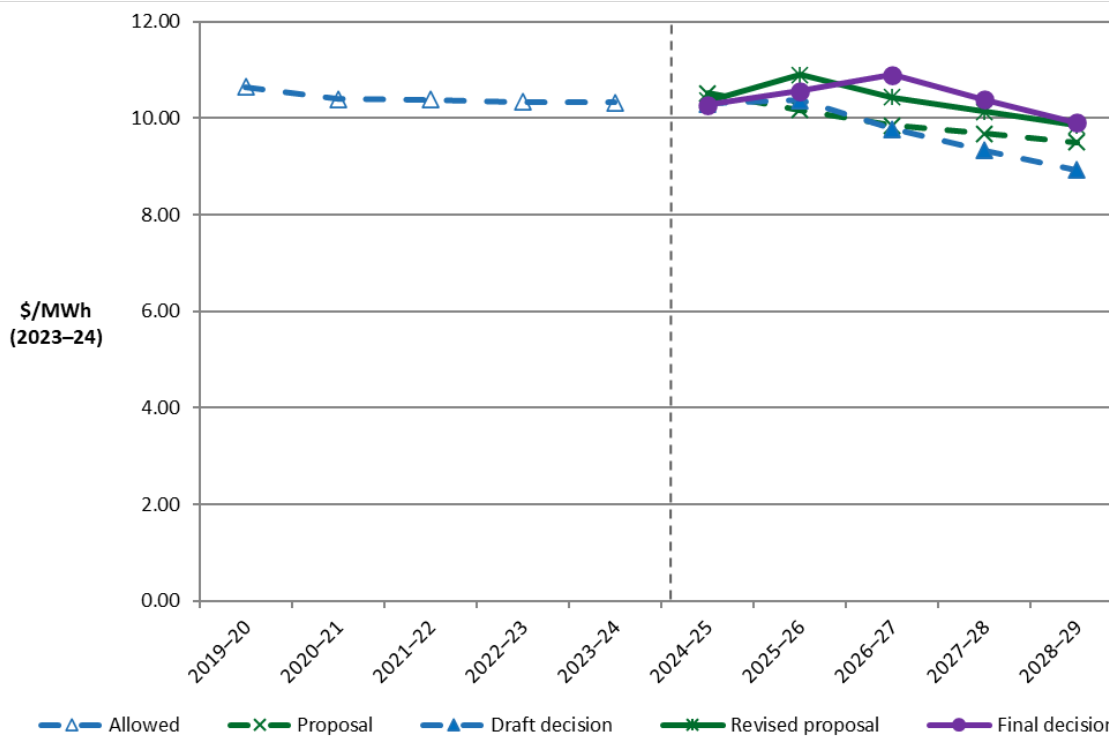
Figure 1.7 and Figure 1.8 show Evoenergy’s indicative average price path over the period 2019–20 to 2028–29 in real 2023–24 dollar terms based on the expected revenues established in our final decision, compared to Evoenergy’s revised proposed revenue requirements for its distribution and transmission networks respectively. The indicative price path is estimated using the approved expected revenue and dividing by forecast energy consumption for each year of the 2024–29 period.

**Figure 1.7 Indicative price path for Evoenergy – distribution (\$/MWh, 2023–24)**



Source: AER analysis.

**Figure 1.8 Indicative price path for Evoenergy – transmission (\$/MWh, 2023–24)**



Source: AER analysis.



We estimate that our final decision on Evoenergy’s annual expected revenue will result in an increase to average distribution charges by about 1.0% per annum, and an increase to average transmission charges by about 0.03% per annum, over the 2024–29 period in real 2023–24 dollar terms.<sup>14</sup> Evoenergy’s revised proposal provided for a real average increase of 0.5% per annum for its distribution network, but a real average reduction of 0.1% per annum for its transmission network over the 2024–29 period.<sup>15</sup> These high-level estimates reflect the aggregate change across the entire network and do not reflect the particular tariff components for specific end users.

Table 1.5 and Table 1.6 display in nominal terms the comparison of the revenue and price impacts of Evoenergy’s revised proposal and our final decision for its distribution and transmission networks respectively.

**Table 1.5 Comparison of revenue and price impacts of Evoenergy’s revised proposal and the AER’s final decision – distribution (\$ nominal)**

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
<b>AER final decision</b>						
Revenue (\$ million)	148.0	162.3	177.9	195.0	194.3	193.7
Price path (\$/MWh) <sup>a</sup>	49.98	53.90	57.52	61.56	60.68	59.83
Revenue (change %)	–	9.6%	9.6%	9.6%	–0.4%	–0.4%
Price path (change %)	–	7.9%	6.7%	7.0%	–1.4%	–1.4%
<b>Evoenergy revised proposal</b>						
Revenue (\$ million)	148.0	166.5	186.4	187.6	188.8	190.0
Price path (\$/MWh) <sup>a</sup>	49.98	55.29	60.28	59.21	58.95	58.70
Revenue (change %)	–	12.5%	12.0%	0.6%	0.6%	0.6%
Price path (change %)	–	10.6%	9.0%	–1.8%	–0.4%	–0.4%

Source: AER analysis; Evoenergy, *Distribution PTRM*, November 2023.

(a) The price path is in nominal terms and is constructed by dividing nominal expected revenue for SCS by forecast energy consumption for each year of the period.

<sup>14</sup> In nominal terms, we estimate average distribution and transmission charges to increase by 3.7% and 2.7% per annum for Evoenergy’s distribution and transmission networks respectively. These amounts reflects an expected inflation rate of 2.66% per annum as determined in this final decision.

<sup>15</sup> In nominal terms, Evoenergy’s revised proposal would reduce the distribution and transmission charges by 3.3% and 2.7% per annum for Evoenergy’s distribution and transmission networks respectively. This amount reflects an expected inflation rate of 2.80% per annum as proposed by Evoenergy in its revised proposal.

**Table 1.6 Comparison of revenue and price impacts of Evoenergy’s revised proposal and the AER’s final decision – transmission (\$ nominal)**

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
<b>AER final decision</b>						
Revenue (\$ million)	29.3	31.8	34.4	37.3	37.0	36.6
Price path (\$/MWh) <sup>a</sup>	9.90	10.56	11.14	11.79	11.54	11.30
Revenue (change %)	–	8.4%	8.4%	8.4%	–1.0%	–1.0%
Price path (change %)	–	6.7%	5.5%	5.8%	–2.1%	–2.1%
<b>Evoenergy revised proposal</b>						
Revenue (\$ million)	29.3	32.1	35.6	35.9	36.3	36.6
Price path (\$/MWh) <sup>a</sup>	9.90	10.65	11.52	11.34	11.32	11.30
Revenue (change %)	–	9.4%	11.0%	0.9%	0.9%	0.9%
Price path (change %)	–	7.6%	8.1%	–1.5%	–0.2%	–0.2%

Source: AER analysis; Evoenergy, *Transmission PTRM*, November 2023.

(a) The price path is in nominal terms and is constructed by dividing nominal expected revenue for SCS by forecast energy consumption for each year of the period.

#### 1.4.4 Expected impact of final decision on electricity bills

The annual electricity bill for customers in the ACT reflects the combined costs of all the electricity supply chain components—wholesale energy generation, transmission, distribution, metering, and retail costs. This final decision primarily relates to Evoenergy’s distribution charges for SCS and transmission charges, which represent a combined network bill proportion of approximately 21% on average for residential customers’ and 27% on average for small business customers’ annual electricity bills in the ACT.<sup>16</sup>

We estimate the expected bill impact by varying the distribution and transmission network charges in accordance with our final decision in this attachment, while holding all other components constant—including the metering component and the broader transmission component associated with Transgrid’s determination.<sup>17</sup> This approach isolates the effect of our final decision on the core distribution and transmission charges only for Evoenergy.

<sup>16</sup> Evoenergy, *2023-24 - Electricity network pricing proposal*, 5 May 2023, p. 14.

Independent Competition and Regulatory Commission, *Retail electricity price recalibration 2023-24: standing offer prices for the supply of electricity to small customers*, June 2023, p. 4.

Evoenergy’s dual function assets are a small, embedded component of the broader transmission network owned and operated by Transgrid. This combined network bill proportion only accounts for Evoenergy’s dual function assets transmission component and does not include the broader transmission component for Transgrid.

<sup>17</sup> We also have not factored in any changes arising from incentive scheme amounts, cost pass throughs or unders/overs reconciliation that usually occur in the annual pricing process to come up with the total allowed revenue.

However, this does not imply that other components will remain unchanged across the period.<sup>18</sup>

Based on this approach, we expect that our final decision on the distribution and transmission components will increase the average annual residential electricity bill in 2028–29 by about \$18 (\$ nominal) or 0.8% from the 2023–24 total bill level.

Similarly, we expect that our final decision will result in the distribution and transmission components of the average annual electricity bill for a small business customer in 2028–29 to increase by about \$98 (\$ nominal) or 1.0% from the 2023–24 total bill level.

Our estimated bill impact is based on the typical annual electricity usage of 6,500 kWh and 25,000 kWh for residential and small business customers in the ACT, respectively.<sup>19</sup> Therefore, customers with different usage will experience different changes in their bills. We also note that there are other factors which we have not considered here, such as metering, wholesale and retail costs, which affect electricity bills.

Table 1.7 shows our estimated impact of our final decision and Evoenergy’s revised proposal on the average annual electricity bills for residential and small business customers in the ACT over the 2024–29 period.

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<sup>18</sup> It also assumes that actual energy consumption will equal the forecast adopted in our final decision. Since Evoenergy operates under a revenue cap, changes in energy consumption will also affect annual electricity bills across the 2024–29 period.

<sup>19</sup> Independent Competition and Regulatory Commission, *Retail electricity price recalibration 2023-24: standing offer prices for the supply of electricity to small customers*, July 2023, p. iv.

**Table 1.7 Estimated impact of Evoenergy’s revised proposal and AER’s final decision on annual electricity bills for the 2024–29 period (\$ nominal)**

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
<b>AER final decision</b>						
Residential annual electricity bill	2,267 <sup>a</sup>	2,304	2,338	2,375	2,366	2,357
Annual change <sup>c</sup>	–	37 (1.6%)	34 (1.5%)	37 (1.6%)	–9 (–0.4%)	–9 (–0.4%)
Small business annual electricity bill	9,572 <sup>b</sup>	9,771	9,954	10,157	10,108	10,061
Annual change <sup>b</sup>	–	199 (2.1%)	183 (1.9%)	204 (2.0%)	–49 (–0.5%)	–47 (–0.5%)
<b>Evoenergy revised proposal</b>						
Residential annual electricity bill	2,267 <sup>a</sup>	2,316	2,363	2,353	2,350	2,348
Annual change <sup>c</sup>	–	49 (2.1%)	47 (2.0%)	–10 (–0.4%)	–2 (–0.1%)	–2 (–0.1%)
Small business annual electricity bill	9,572 <sup>b</sup>	9,836	10,090	10,036	10,024	10,012
Annual change <sup>b</sup>	–	264 (2.8%)	254 (2.6%)	–54 (–0.5%)	–12 (–0.1%)	–12 (–0.1%)

Source: AER analysis; Evoenergy, *2023-24 - Electricity network pricing proposal*, 5 May 2023, p. 14; Independent Competition and Regulatory Commission, *Retail electricity price recalibration 2023-24: standing offer prices for the supply of electricity to small customers*, July 2023, p. 4.

- (a) Annual bill for 2023–24 is sourced from Independent Competition and Regulatory Commission, *Retail electricity price recalibration 2023-24: standing offer prices for the supply of electricity to small customers* and reflects the average consumption of 6500 kWh for residential customers in the ACT.
- (b) Annual bill for 2023–24 is sourced from Independent Competition and Regulatory Commission, *Retail electricity price recalibration 2023-24: standing offer prices for the supply of electricity to small customers* and reflects the average consumption of 25000 kWh for small business customers in the ACT.
- (c) Annual change amounts and percentages are indicative. They are derived by varying the networks component of the 2023–24 bill amounts in proportion to yearly expected revenue divided by forecast energy as provided by Evoenergy. Actual bill impacts will vary depending on electricity consumption and tariff class.

## Shortened forms

Term	Definition
AER	Australian Energy Regulator
ARR	annual revenue requirement
capex	capital expenditure
CESS	capital expenditure sharing scheme
CPI	consumer price index
DMIAM	demand management innovation allowance mechanism
EBSS	efficiency benefit sharing scheme
kWh	kilowatt hour
MWh	megawatt hour
NER	National Electricity Rules
NPV	net present value
opex	operating expenditure
PTRM	post-tax revenue model
RAB	regulatory asset base
RFM	roll forward model
SCS	standard control services