

Ergon Energy, Energex (Energy Queensland)

2025-30 Distribution Revenue Proposals
Online Public forum

Acknowledgement of Country

Justin Oliver
AER Board Member

AER welcome and introductions

Justin Oliver
AER Board Member

Agenda/Contents

Topic	Speaker	Duration
Welcome/ Acknowledgment of country	Justin Oliver, AER Board member	5 mins
Energy Queensland presentation	1. Peter Scott (CEO) 2. Trudy Fraser (EGM) 3. Peter Price (Chief Engineer)	15 mins
Overview of Issues Papers	Gavin Fox, GM	10 mins
Consumer Challenge Panel (30) facilitated discussion	Mark Henley (Chair) Mike Swanston	25 mins
Closing remarks, next steps - submissions 15 May	Justin Oliver, AER Board member	5 mins

Ergon Energy and Energex (Energy Queensland)



Energex and Ergon Energy 2025-30 Regulatory Proposals

AER public forum
11 April 2024



Part of Energy Queensland





I'd like to begin by acknowledging the Traditional Custodians of the land on which we meet today. I would also like to pay my respects to Elders past and present.

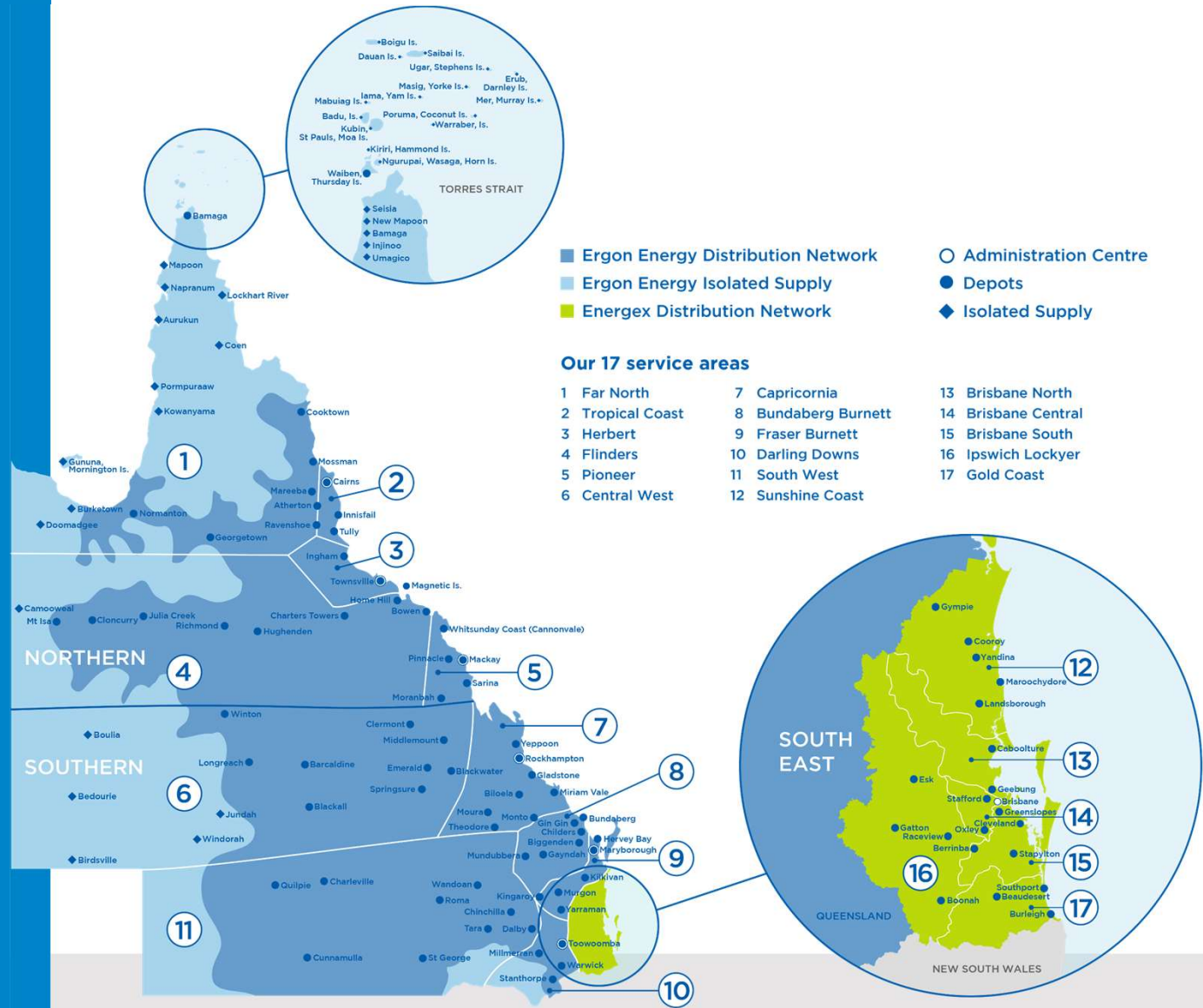
Acknowledgement of Country

Energy Queensland is Australia's largest, wholly government-owned electricity company

We energise Queensland communities from the Tweed River to Torres Strait and from Brisbane to Birdsville, and have a growing national footprint.

Energex delivers power to 1.6 million customers in South-East Queensland (3 % of the State)

Ergon Energy deliver power to 761,000 customers in Regional Queensland (97 % of the State)





Engagement overview



CLEAN

We're supporting the transition towards clean and renewable energy including supporting 70 per cent renewable by 2032 and the electrification of transport



AFFORDABLE

We're committed to providing cost effective and efficient services, recognising the cost of electricity is a key concern for customers during these challenging times



CUSTOMER SERVICE EXCELLENCE



RELIABLE

We're building, maintaining and responding to provide a reliable and resilient network that meets the needs of our customers, including cyber security resilience as an essential service provider



SMART

We're planning ahead and evolving our networks to best enable customer choice in their energy supply solutions both now and into the future

Engagement reach by numbers



627 
customers and stakeholders engaged

228 
organisations engaged

171 
engagement events or opportunities

396 
hours of engagement

567 
customers and stakeholders engaged

172 
organisations engaged

175 
engagement events or opportunities

400 
hours of engagement

Our engagement themes

We will transition to 100% LED public lighting by 2030, resulting in lower emissions and energy savings for customers.

Support energy efficiency in public lighting

Good customer service should be a given

Given overwhelming feedback that customer service should not be incentivised, we propose that the CSIS and STPIS (telephone answering component) should not apply. Instead, we've committed to developing agreed customer service performance reporting with customers and stakeholders.

Given customers' concerns around affordability, the cost of EVs and the availability of charging infrastructure, we will not proceed with transitioning a small portion of our fleet to EVs.

Support for renewable and sustainable investments

We will continue to engage with Customers & Stakeholders

Concerns about energy affordability

In addition to investing prudently and efficiently, we will apply a 1% productivity factor to both opex and capitalised overheads to account for expected efficiency improvements and cost savings in how we deliver electricity to customers. The non-network ICT capex above forecast will be funded by our shareholder.

We're proposing a moderate increase in expenditure on our bush-fire, flood and storm resilience programs. We're also maturing our cyber security capability to reduce the risks of external threats to our network and data.

Concern over increasing risk of disruptive events

Support delivery of simplicity, savings, value and choice

Changes to our network tariffs will make them more efficient and provide customers with additional options to lower their network bill. These changes aim to align charges for using electricity to the periods most likely to result in the need for future investment.

We've chosen a 'moderate' pace of investment for integrating DER to balance the needs of those who want to take up new technologies with those who are unable to. Dynamic connections will enable more rooftop solar to be connected while limiting network investment.

Support for integration of DER and increasing export



We're addressing affordability by..

\$282* million revenue reduction



Proposing our shareholder will fund the overspend in ICT for Energex (\$130 million) Ergon Energy (\$121 million)



Applying a productivity factor of 1% to our forecast operating expenditure and capitalised overheads

Ergon Energy – We are proposing:



Forecast 2025-30 capex of \$5.8 billion.

Compared to the current 2020-25 period, this is:

- 20% higher than our actual/estimated capex
- 109% above the AER's allowance



**Ergon Energy Network
Regulatory Proposal**

2025-30
January 2024



**Energex
Regulatory Proposal**

2025-30
January 2024



Energex – We are proposing:



Forecast 2025-30 capex of \$3.4 billion.

Compared to the current 2020-25 period, this is:

- 22% higher than our actual/estimated capex
- 40% above the AER's allowance

Forecast Opex of \$2.3 billion.

Compared to the current 2020-25 period, this is:

- 6.8% lower than our actual/estimated opex, and
- In line with the AER's allowance

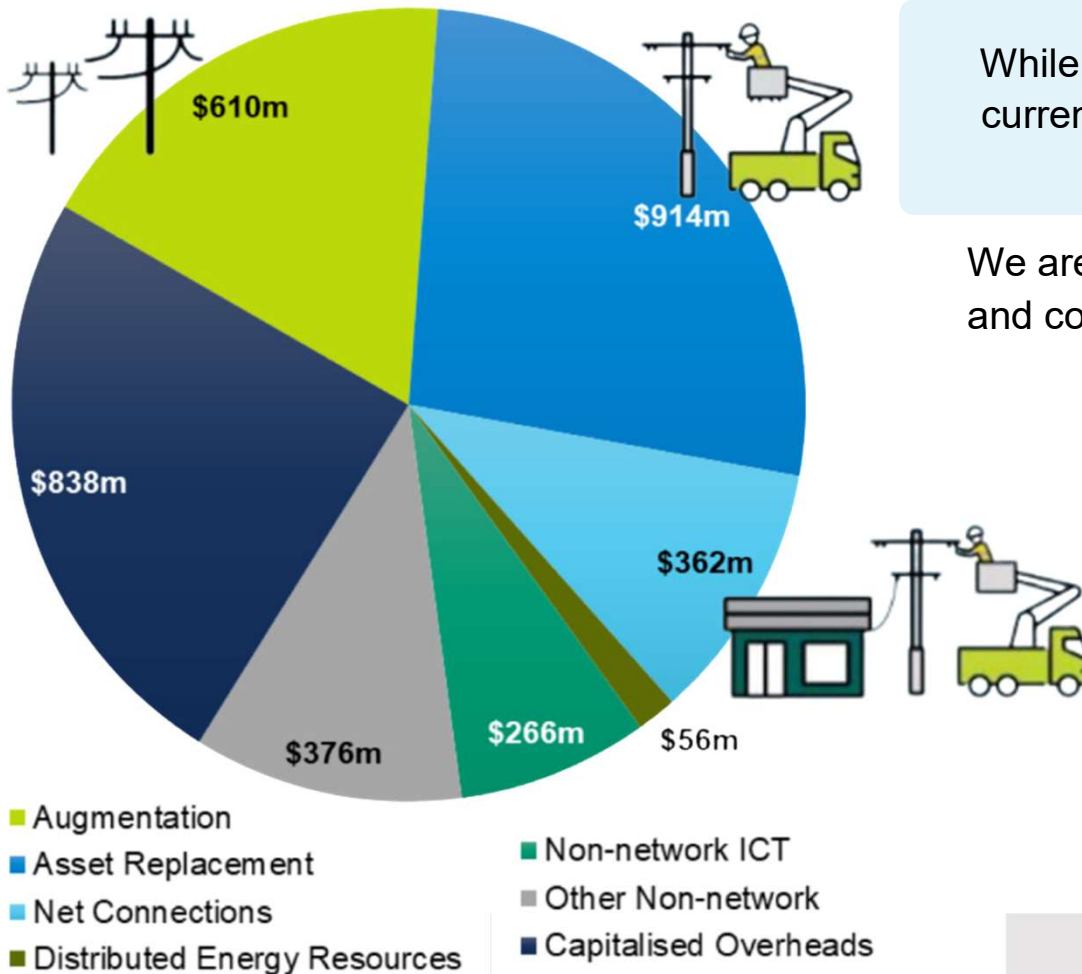


Forecast 2025-30 Opex of \$2.4 billion.

Compared to our current 2020-25 period, this is:

- 0.1% higher than our actual/estimated opex
- 3.9% above the AER's allowance

Energex capital expenditure

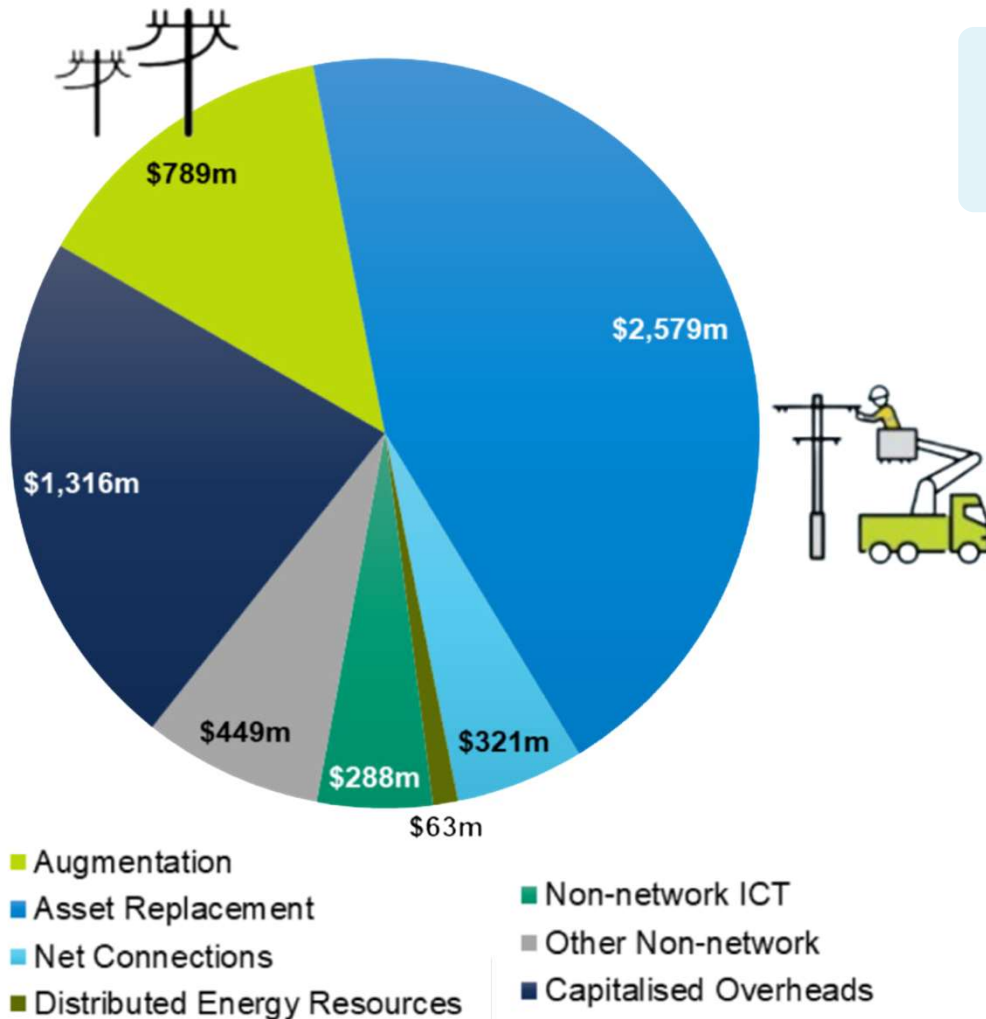


While Energex's capex is forecast to increase relative to the current period – our capex requirements for the network are 40% lower than what we spent in the 2010-15 period.

We are forecasting increased augmentation, replacement and connections capex requirements in the 2025-30 period:

- Population growth in green-field developments is triggering network augmentation and connections expenditure
- Network investment in sub-transmission that was previously delayed, is now required
- Bringing forward some projects from 2030-2035 due to infrastructure freezes for 2032 Olympic and Paralympic Games
- Two-way power flows is increasing the complexity of managing our networks

Ergon capital expenditure



Ergon's capex requirements are the most unique amongst all distributors in the National Electricity Market

Capex has increased in the current period, with the trend continuing in the next period:

- Large / ageing network: **consists of 1 million poles and 140,000km of conductor. Large parts of Western Queensland were electrified in the 1960s and 1970s. Average age will continue to increase.**
- Population and housing growth in green-field areas: (Townsville, Yeppoon & Toowoomba) are increasing augmentation requirements in the sub-transmission and distribution networks
- Replacement expenditure comprises the largest portion of our capex program: pole, cross-arm and conductor replacements required to ensure reliable and safe operation of our network
- Safety and compliance driven clearance rectification program: still required into the 2025-2030 period

Network tariff reform

DRIVERS OF CHANGE

PACE OF CHANGE FOR CUSTOMERS

OUTCOMES OF ENGAGEMENT

BETTER OUTCOMES FOR CUSTOMERS

Changes in how customers source and use energy

- Energy affordability
- Population and economic growth
- More customers taking up solar
- Increasing size of solar per customer
- Increasing use of storage
- EV penetration
- Electrification of everything
- Change in retailer pricing

External changes

- Transition to net zero
- Changing energy landscape
- Increasing role of transmission
- Regulatory change to integrate more renewables
- Removal of barriers for charging exports
- Regulatory change to increase smart meter uptake

Engagement themes

- Strengthening the peak price signal
- Updating time of use pricing windows
- Transitioning to two-way pricing to support renewables
- Updating load controlled tariffs
- Streamlining existing tariffs

Technology to support load and generation flexibility

Technology to record and charge for customer use at different times of day

Better outcomes for customers

- Improved price signals
- Refined time of use windows
- Phased introduction of two-way tariffs
- More optionality for load and generation flexibility
- Simpler streamlined tariffs

We are supporting customers...

WE EXPLORED NETWORK AND CUSTOMER BENEFITS THROUGH:

- **Customer impact analysis**
residential segment-based insights & persona-driven outcomes
impact analysis across our suite of network tariffs
- **Long-term bill impact with/without network tariff reform**
predictive models showcasing reform benefits for all customers
- **Engaging retailers on the benefits of network tariff reform**, recognising that retailers may pass through network tariffs to customers or adopt technologies such as storage to manage exposure

DELIVERING BETTER OUTCOMES FOR CUSTOMERS

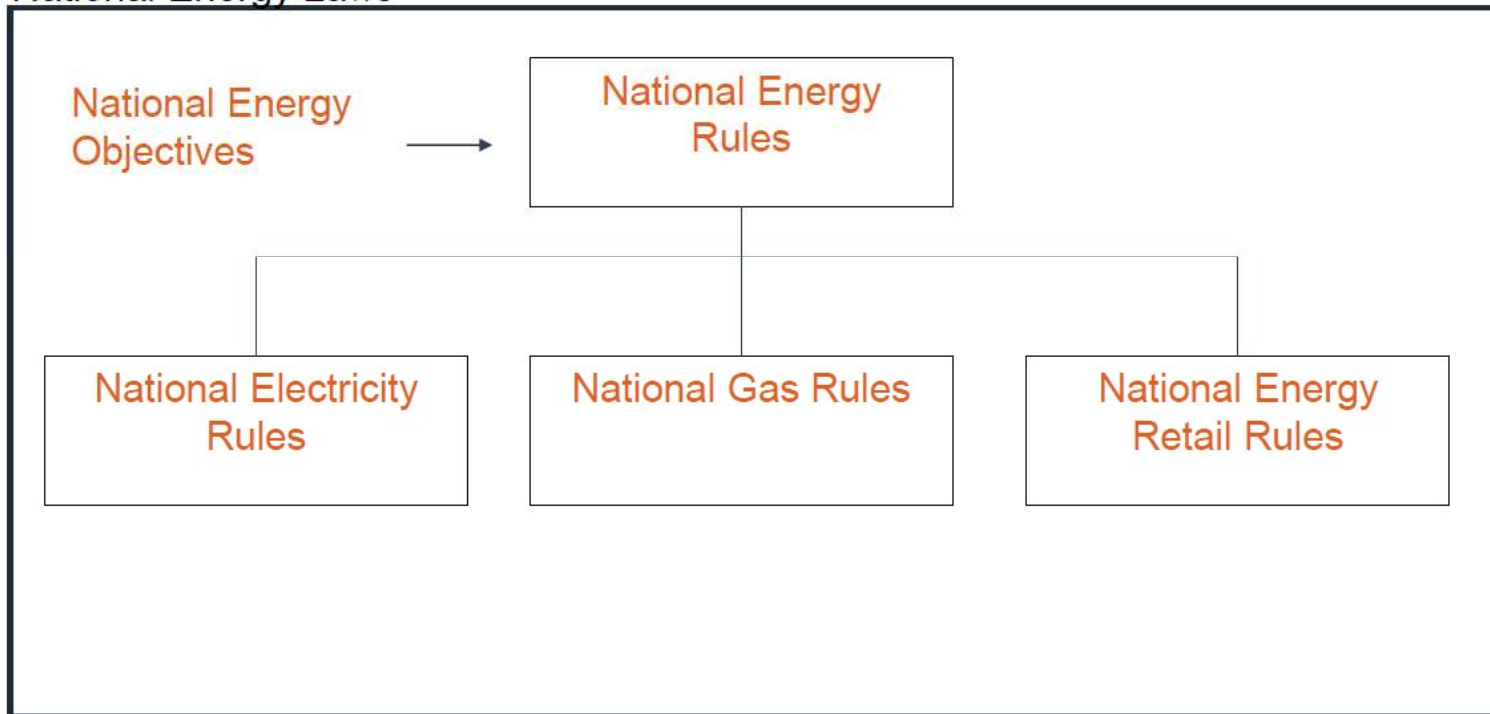


Overview of Issues Paper

Gavin Fox
General Manager
Network Pricing

Legal Framework

National Energy Laws



Better Resets Handbook

Sets out the **AER's expectations** for **consumer engagement** by the network in formulating a regulatory proposal



Sets out the AER's expectations for **expenditure forecasts**

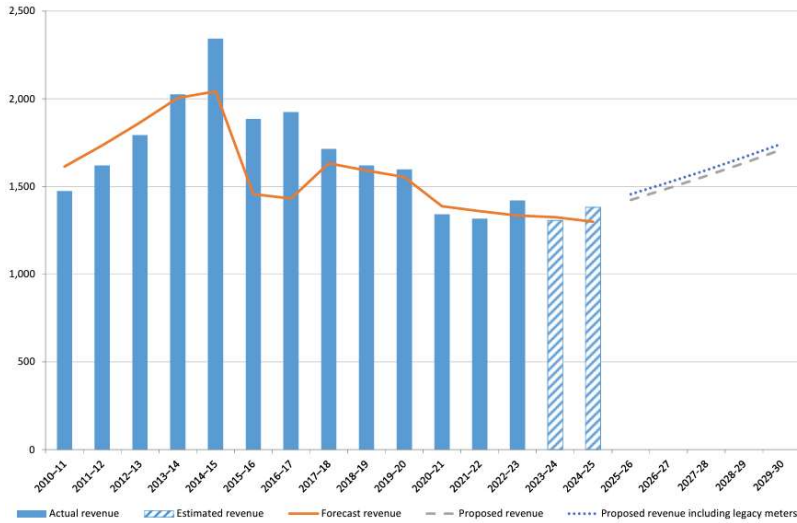
Where a proposal **meets expectations** the AER can undertake a **targeted review**

Early signal pathway

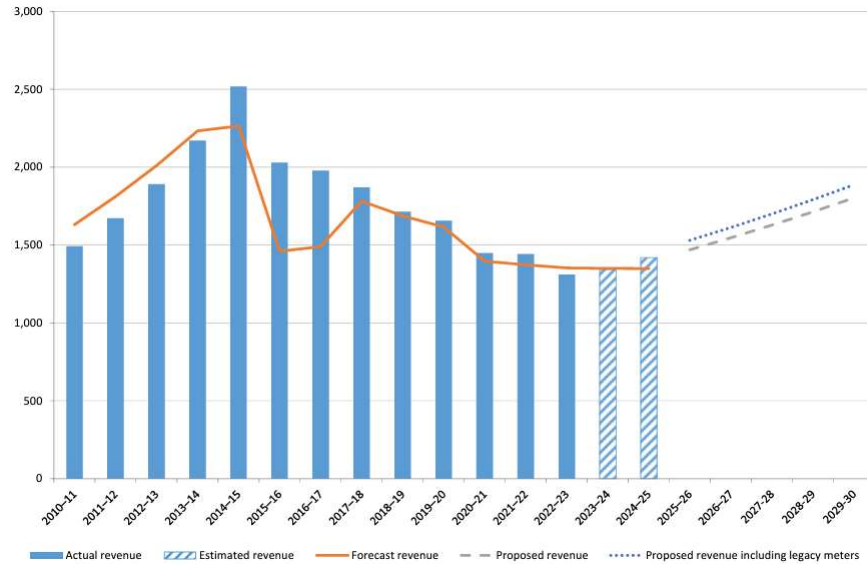
- Network commits to plan to develop proposal with consumers
- AER agrees provides feedback before lodgment
- AER gives an 'early signal' (ie pre-draft decision) on areas for targeted review

Energy Queensland's regulated revenue over time (\$million, 2024-25)

Ergon's regulated revenue over time (\$million, 2024 – 25)

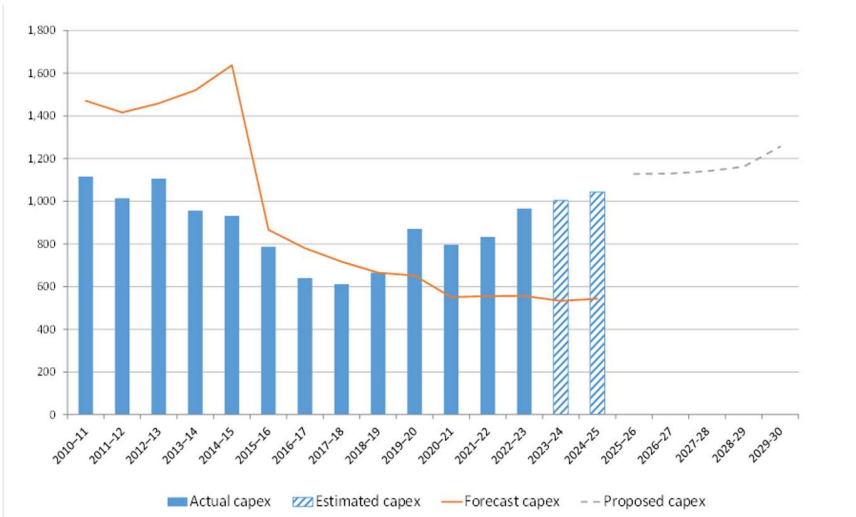


Energex's regulated revenue over time (\$million, 2024-25)

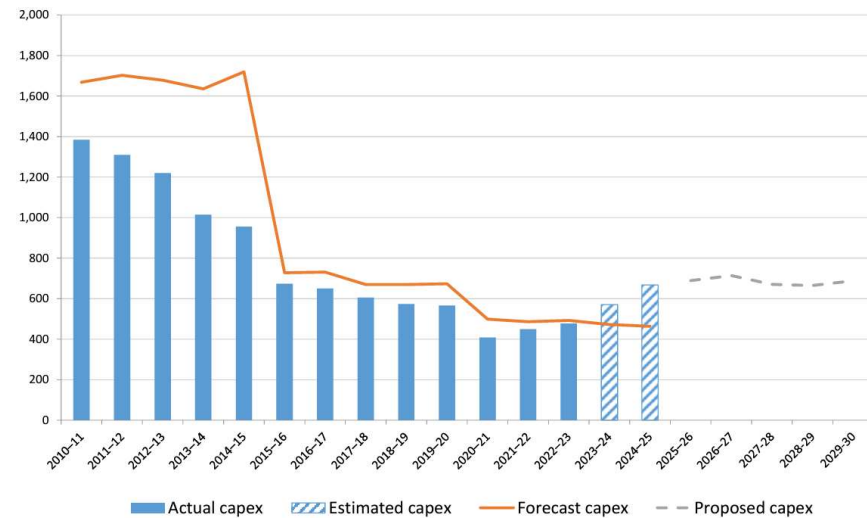


Energy Queensland's capital expenditure

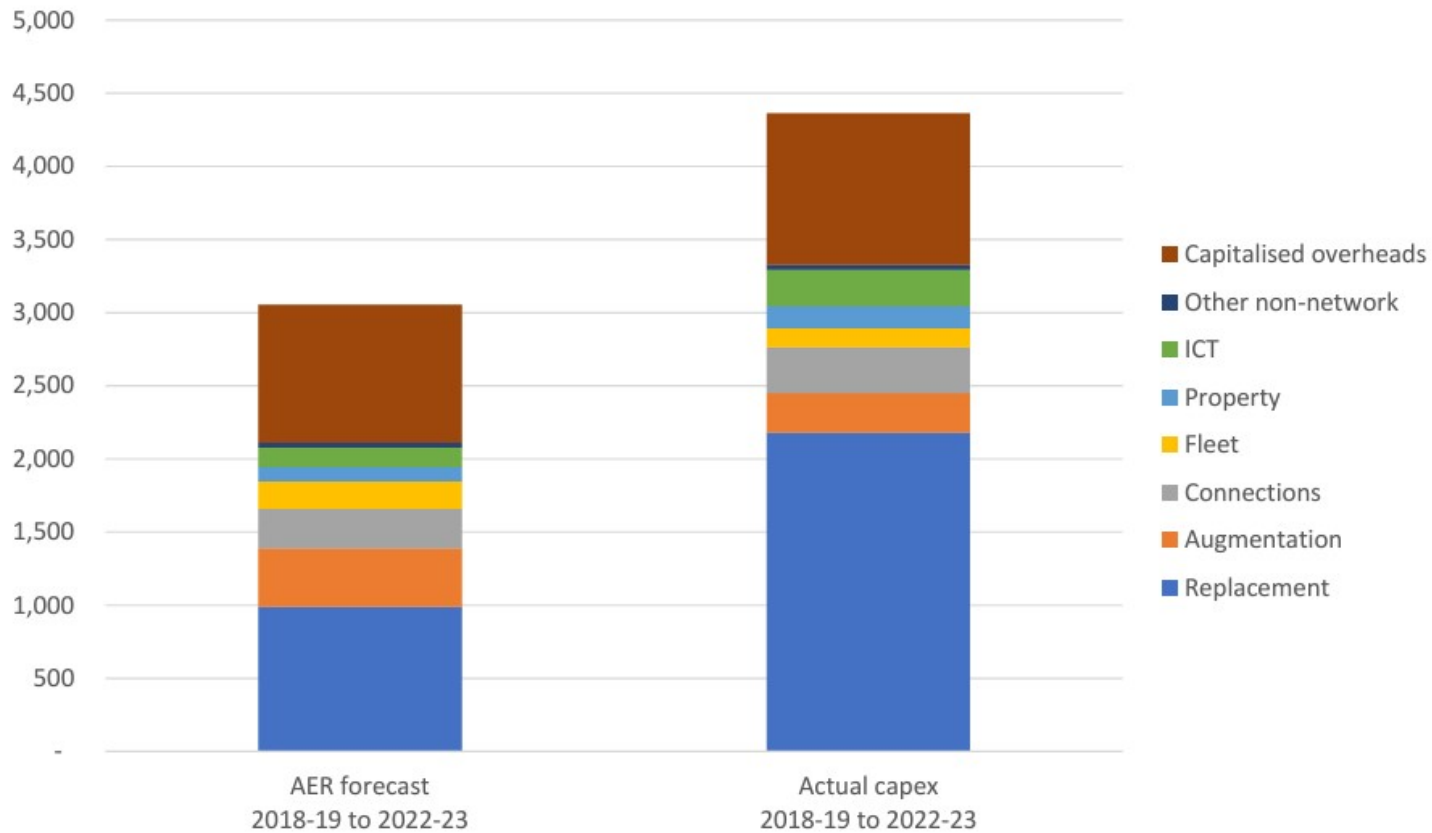
Ergon Energy's past and forecast net capex (\$million, 2024 – 25)



Energex's past and forecast net capex (\$million, 2024-25)

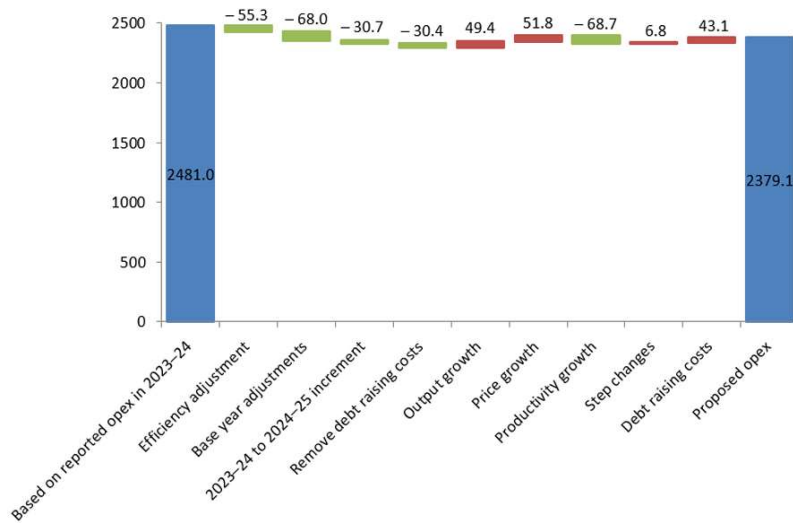


AER forecast and Ergon actual net capex for the ex-post period

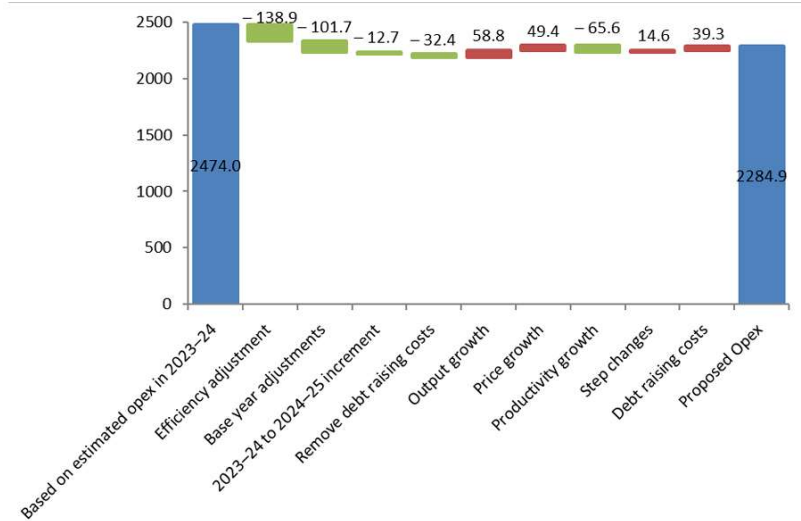


Energy Queensland's operating expenditure

Breakdown of Ergon's opex forecast (\$million, 2024 – 25)



Breakdown of Energex's opex forecast (\$million, 2024-25)



Issues Paper

Ergon Energy and Energex electricity distribution determinations 2025–30

March 2024



We would like stakeholder views on:

- Our approach to the ex-post review of Ergon’s capex overspend
- The scope of our in-depth assessment, particularly for capex
- The extent and impact of consumer engagement

	Proposed focus areas for AER review
Capex	Ergon Energy - 70% in-depth review Energex – 56% in-depth review
Opex	Base opex efficiency adjustment
Depreciation	High level review
Tariffs	High level review

Facilitated Discussion



Next Steps

Milestone	Date
Ergon Energy and Energex submitted regulatory proposals to the AER	31 January 2024
AER published an issues paper	26 March 2024
AER holds a public forum	11 April 2024
Submissions on regulatory proposals close	15 May 2024
AER publishes draft determination decision	September 2024
AER holds a pre-determination conference	October 2024
Energy Queensland submits revised regulatory proposal to AER	December 2024
Submissions on revised regulatory proposal and draft decision close	January 2025
AER publishes distribution determination for regulatory control period	April 2025

Submission details

- We invite interested parties to make submissions on the Issues Paper by **5pm AEST, 15 May 2024**.
- We encourage early submissions, where possible, to inform the next phase of consultation.
- Submissions should be emailed to energyqueensland2025@aer.gov.au

