

## Evoenergy Application for Ring-fencing Waiver

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 (QPRC) and Shoalhaven City Council local government areas of New South Wales.

On 1 May 2023, Evoenergy notified the AER of a potential breach of clause 3.1(b) of the AER Electricity Distribution Ring-fencing Guidelines (the Guidelines). Evoenergy identified that it may be providing 'other services' beyond the network boundary at [REDACTED] in the Australian Capital Territory.

The electrical infrastructure at the site was designed in consultation with Evoenergy before the Guidelines came into effect. Evoenergy has had agreements with the operators of the site to service assets since the site was constructed. These services continued in effect after ringfencing obligations were introduced to the National Electricity Rules (NER) in January 2018.

Given the national significance of the facility, Evoenergy intends to support the [REDACTED] as relevant services are transitioned to an alternative provider. Evoenergy is applying for a waiver to clause 3.1(b) for a period of 24 months to allow reasonable time to:

- re-design systems to achieve the required separation of assets on the Evoenergy and customer side of the network boundary; and
- ensure continuation of supply for the site.

Evoenergy is committed to ensuring compliance with the Guideline consistent with the operation of Evoenergy's distribution network in a secure and reliable state, and the continued supply of electricity to [REDACTED] without interruption.

Following notification of this potential breach, Evoenergy undertook a comprehensive review of all existing High Voltage (HV) customer connections to identify if any other similar potential breaches had occurred. This review found no other potential material breaches of clause 3.1(b) in relation to ongoing works provided to a HV customer in the ACT.

## Applicant Information

1	<b>Name(s)</b>	Jemena Networks (Act) Pty Ltd and Icon Distribution Investments Ltd form the ActewAGL Distribution Partnership trading as Evoenergy.
2	<b>The obligation in respect of which Evoenergy is applying for a waiver</b>	<p>Evoenergy is seeking a waiver to its obligations under clause 3.1(b) of the Guidelines, in order to allow reasonable time to:</p> <ul style="list-style-type: none"> <li>• Re-design systems to achieve the required separation of assets on the Evoenergy and customer side of the network boundary; and</li> <li>• Ensure continuation of supply for [REDACTED].</li> </ul>
3	<b>Reason for waiver</b>	<p>[REDACTED] is a nationally significant facility and continuation of supply at the site is critical. When the site was constructed, several bespoke and complex redundancy mechanism and security of supply measures were established by Evoenergy. These systems are still in place and will take time to unwind and reconfigure to establish a clear network boundary for the secondary assets.</p> <p>Given the complexity of the network at [REDACTED] the customer will need to source a suitably qualified and capable party to take over maintenance requirements. Evoenergy will need to assist to ensure that supply is not interrupted during the transition period.</p>
4	<b>Details of the service, or services, in relation to which the DNSP is applying for variation of the waiver:</b>	<p>The customer owns the high voltage (HV) network assets at [REDACTED] on the customer side of Evoenergy's network boundary.</p> <p>Assets at the site include 13 substations (of which two are 11kV switching stations and eleven are 11kV / 415V distribution substations), transformers, HV switchgear, low voltage (LV) switchgear and generators.</p> <p>The network boundary at the site occurs at the incoming 11kV cable connections at switching station S12 and S13. All HV assets downstream from these cable connections are the property of the customer.</p> <p>Agreements between the customer and Evoenergy defined an 'operational boundary', within which Evoenergy would provide services to the site, that</p>

included the 13 distribution substations. Evoenergy seeks to provide the following services if the waiver is granted:

- Continue to inspect and maintain assets within the ‘operating boundary’.
- Operate assets such as performing isolations to support capital works, maintenance and emergency response.
- Embedded generation system maintenance.

Evoenergy seeks to continue providing the aforementioned services for the time specified in Section 5.

In addition, Evoenergy will commence works to re-design systems to achieve the required separation of assets on the Evoenergy and customer sides of the network boundary.

**5 The proposed commencement date and expiry date of the waiver with reasons for those dates:**

Evoenergy proposes that the waiver commences as soon as practicable. Given the importance of services provided to [REDACTED], Evoenergy has not stopped providing reactive and maintenance services.

Evoenergy proposes that the waiver apply for 24 months as it transitions out of providing services. Evoenergy will seek to cease providing services sooner if a suitable arrangement to transition services and cease providing support is provided earlier.

This is consistent with the approach set out in the Explanatory Statement to the Guidelines.

## Supporting information for waiver application

**6 Costs if waiver not granted**

Evoenergy submits that there is no viable short-term alternative to immediately return Evoenergy to compliance with the obligation, without putting at risk the continuation of supply at [REDACTED]. As mentioned in this application, the breach is a legacy issue which does not have a market solution readily available.

At this stage, it is not possible to quantify the costs associated with complying with the obligation if the waiver of the obligation is refused.

	<p>████ is a HV customer subject to a non-standard connection agreement. As such, █████ has funded the limited but ongoing operational, inspection and maintenance works undertaken by Evoenergy at the site.</p>
<p><b>7 The regulatory control period(s) to which the waiver would apply</b></p>	<p>The period to which the waiver would apply is Evoenergy’s current regulatory control period (2019–24) and next regulatory control period being 2024–29.</p>
<p><b>8 Additional measures the DNSP proposes to undertake if the waiver were granted</b></p>	<p>As outlined in correspondence to the AER on 1 May 2023, Evoenergy has advised the customer of a requirement to replace the LV switchboards at the site. Evoenergy has advised the customer that the work is contestable and cannot be undertaken by Evoenergy. Evoenergy will provide the customer with the information required to assist it to engage a contestable electricity service provider.</p> <p>Due to the national significance of █████, █████ has requested Evoenergy’s support while they transition to and engage a contestable electricity service provider. It was acknowledged by both parties that the disentanglement of Evoenergy’s protection systems from the customer’s private network assets, and the process for the customer to secure a new service provider for ongoing maintenance, and to manage faults and emergencies will take considerable time.</p> <p>The work required to remediate the potential breach includes the re-design of systems to achieve the required separation of assets on the Evoenergy and customer sides of the network boundary. The anticipated scope of works includes:</p> <ul style="list-style-type: none"> <li>• Development of a new system architecture and operating philosophy, which will allow the handover of protection and automation assets currently owned by Evoenergy to the customer, while retaining: <ul style="list-style-type: none"> <li>○ Adherence to Evoenergy’s HV Embedded Generation Technical Requirements; and</li> <li>○ Customer network redundancy and reliability of supply requirements.</li> </ul> </li> <li>• Currently, Evoenergy can remotely control assets at the site to re-configure the network and swiftly provide backup supply to the site</li> </ul>

in the event of an outage. This operating arrangement will need to be refined.

- Development of electrical and communication network designs to support the updated architecture and operating philosophy.
- Construction and device configuration work in alignment with the new design.
- Implementation of additional cybersecurity controls to achieve the required separation between Evoenergy and the customer's systems.
- Potential re-location of power quality monitoring assets to Evoenergy's side of the network boundary for ongoing power quality monitoring of the sites embedded generation system.
- Consolidation and handover of Evoenergy schematics and assets records to the customer for their ongoing management and maintenance.

Evoenergy will need to work closely with and support the customer throughout this process. Changes will need to be made in both Evoenergy's and the customer's systems and, for certain deliverables, the customer will likely need to engage external expertise to make changes in coordination with Evoenergy.

**9 The reasons why the DNSP considers the waiver should be granted**

Evoenergy request the AER consider if this application meets the requirements for an interim waiver as specified at clause 5.3.3 of the Guideline due to the national significance of [REDACTED] assets. This would remove the consideration of matters specified in clause 5.3.2 of the Guideline.