

9 August 2024

Mr Arek Gulbenkogl
General Manager, Network Expectation
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email to: aerinquiry@aer.gov.au

Dear Mr Gulbenkogl,

Re: Draft Decision Expenditure Forecast Assessment Guidelines - National Energy Objectives (NEO) Review

Evoenergy welcomes the opportunity to provide a submission to the Australian Energy Regulator's (AER) draft decision on the Expenditure Forecast Assessment Guidelines (EFA Guidelines) applying the amended National Energy Objective (NEO).

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.

Evoenergy supports the AER's proposed changes to the EFA Guideline as these are of a minor nature. Additionally, we support the AER issuing a guidance note to provide more information to stakeholders on how they will assess the emissions reduction objective in the NEO with respect to the capital and operating expenditure objectives. We agree with the AER's observation that this type of guidance is particularly important for investments such as consumer energy resources, investment in gas connections and expenditure to minimise gas pipeline leaks.

Evoenergy is at the forefront of the energy transition and is contemplating the implications of the emissions reduction objective in our upcoming gas access arrangement review for 2026–31 and ongoing monitoring throughout the 2024–29 period for our electricity distribution network. Clear guidance from the AER on its assessment approaches will be helpful as we assess the investment necessary to support the ACT's energy transition to net zero emissions by 2045.

Operationalising the suite of regulatory changes

Given the number of co-dependent and parallel process underway by the AER and other bodies, to incorporate the value of emissions reduction into the regulatory framework, we support the utilisation of feedback received via other consultative processes (i.e, the cost benefit analysis guideline and regulatory impact test guidelines) in developing the proposed guidance note.

We acknowledge the non-binding nature of the proposed guidance note, and support consideration of future revision as networks and regulators apply the changes to revenue

determinations and access arrangements. The entire energy industry is learning how best to factor in emissions reductions into economic objectives and we expect refinements may need to be made as the various pieces of guidance are operationalised.

Network tariffs

The AER's review of gas distribution network tariffs in 2023¹ noted the need for case-by-case assessment of gas tariff structures given jurisdiction-specific factors through the access arrangement process. In consultation with customers and key stakeholders, Evoenergy is considering the role of tariff rebalancing in achieving emissions reduction objectives, alongside other pricing principles, for its upcoming GN26 proposal.

We support the AER's view that the relationship between gas network tariffs and emissions reduction objectives should be considered in the context of assessing individual access arrangement proposals, and do not see a need for broader guidance at this time.

Evoenergy does not have any specific comments to make on the consultation questions in Part 3 of the draft decision but reiterates that the principles outlined by the AER will provide a sound basis for the guidance note which may need to be reviewed as future aspects are tested.

Evoenergy looks forward to continuing to engage with the AER as part of this review and the associated work program. Should you wish to further discuss matters raised in this submission, please contact Gillian Symmans, Group Manager Regulatory Reviews & Policy at

[Redacted contact information]

Yours sincerely



Megan Willcox
General Manager, Economic Regulation

¹ <https://www.aer.gov.au/documents/aer-final-decision-review-gas-distribution-network-reference-tariff-variation-mechanism-and-declining-block-tariffs-october-2023>