



APPLICATION FOR A RINGFENCING WAIVER

ELECTRIC VEHICLE CHARGING INFRASTRUCTURE PROJECT

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1. BACKGROUND

CitiPower, Powercor and United Energy (networks) met with Australian Energy Regulator (AER) staff on 15 January to discuss their application for a ring-fencing waiver electric vehicle charging infrastructure (EVCI) project (Waiver) lodged on 17 December.

In that meeting, AER staff raised several queries with respect to the Waiver application and requested some further information be provided to allow further consideration of the Waiver. The additional information sought was set in an email to the networks on 20 January.

The queries on which further information was sought included:

- **Avoiding crowding out private market participants.** The application indicates a long list of general locations where EVCI will be located, and we feel more details are needed on the strategy in which specific locations will be selected. In particular, it's important to outline the fact that, as costs are being recovered from only direct users, some EVCIs will be located in places that are profitable in order to cross-subsidise EVCI in locations that are loss-making. The strategy should set out how these locations will be selected in a way that avoids diluting revenue for 3rd parties and making it financially unviable for them to provide EVCI. You can clarify the point in your current application that, because CPU are able to provide EVCI at a lower cost, CPU may be viable in locations others might find unprofitable – but there needs to be more detail about the strategy for identifying these locations.
- **Funding, cost recovery, and cross-subsidisation.** The application should contain more detail on the business strategy for the EVCI – i.e. costings and funding arrangements, and what would happen if the EVCIs is loss-making overall. If there are confidential information, please provide a redacted version as well that we can publish for consultation. It should clarify CPU's plans on avoiding cross-subsidisation, specifically referring to the CAM and particularly in terms of ongoing maintenance of these assets that they propose CPU staff will undertake, and if possible further info CPU can provide on estimated cost savings for consumers with EVs.
- **Longer term plans at the end of asset life.** The application should also provide some information on what happens to the assets at end of life. As discussed, while we do not expect CPU to be able to predict exactly what will happen in 5 yrs time, the application should canvass some potential options for when the EVCI reaches end of life in 5yrs (after the waiver for the trial ends). One concern we have is that, at the end of asset life, the provider abandons the equipment and users arrive only to find it is no longer operating. There should be a strategy in place for what CPU's longer term plans for the EVCI are – e.g. tender it to a private third party to take over the equipment.
- **unregulated revenue.** While we do not expect details on unregulated revenues in this waiver application (as we understand there is no proposed RAB for EVCIs), it would be good to briefly clarify if the forecast unregulated revenue is included in each businesses' Reset RIN for the 2026-31 revenue proposals. CPU should liaise with its expenditure proposals team on this.

Each of these matters is considered further in this supplementary submission.

2. Avoiding crowding out private market participants

Further information has been requested with respect to how locations have been selected for participation in the EVCI trial and how selection of those locations may impact other EVCI providers.

2.1 Selection of EVCI locations

As presented in the Waiver, it is proposed the EVCI trial be deployed in stages, commencing with high-demand areas to ensure that early installations occur in areas with large numbers of electric vehicles (EVs).

The trial is limited to 100 locations, with the initial 80 sites listed in the Waiver application. The 80 sites were determined based on internal analysis of locations with high levels of electric vehicle (EV) ownership. Consideration was also given to the availability of off-street parking and achieving a balance of metropolitan and regional areas.

The process for agreeing the final 20 locations will be subject to consultation with the Victorian Government and local councils. It is expected these locations will consider:

- local EV ownership growth trends
- proximity to major roadways and public facilities
- regional and suburban coverage gaps.

The collaborative approach ensures trial EVCI will be well-distributed and support broader State and Federal Government efforts toward increased EV adoption. By implementing a flexible and data-driven plan, we will ensure an efficient and effective deployment of EVCI, that addresses current and future demand for EVCI in Victoria.

2.2 Crowding out of other EVCI providers

The Waiver application does not seek to restrict, or prohibit, other EVCI providers from participating in the EV market. We would expect, and assume, other EVCI providers will have their own plans and strategies for deploying infrastructure. There is no intention on our behalf to constrict, or limit, other EVCI providers strategies or plans. We welcome the greater choice for customers and support participation of other EVCI providers.

The waiver application is a trial. It is limited to only 100 sites and will conclude in 2031. One hundred sites is a very small number of EVCI given Victoria's geographic size. It should also be noted that our trial is not the only trial in Victoria, and not the only trial operating within our networks today. We wish to re-emphasise what we are proposing is a trial. It should not be interpreted as a large-scale foray by the networks into the EVCI market.

2.3 Provider of last resort

AER staff questioned why the Waiver application is not restricted to locations with relatively low density of EVCI or low levels of EV ownership. Reference was made to a proposal from South Australian Power Networks (SAPN) who we were told were seeking to become the EVCI provider of last resort in South Australia.

To be clear, we are not seeking to be the EVCI provider of last resort. The role of being EVCI provider of last resort is a social service and would require for privately owned entities, a subsidy from government. Our trial is not receiving any subsidy from Federal or State Governments hence performing this provider of last resort would guarantee the trial would make losses. Further, from a network planning perspective, the data we would gain from a provider of last resort trial would provide no understanding with respect to constraints, utilisation or quality of supply.

To expand, the network planning benefits of the trial include:

- impact of EVCI charging on demand in local networks
- impact of customer charging on price elasticity during periods of both low and high demand
- application of new technologies on the networks
- understanding utilisation rates of local area identities, for instance utilisation of residential streets compared to commercial and no-off-street parking locations to inform demand forecasting
- impact of power quality on the network from customer charging behaviour
- development of processes and technical guidelines for ECVI connections.

The trial does include locations that are based in regional and suburban locations where there are existing coverage gaps. That is, we are not putting EVCI next to existing EVCI providers. What we are doing however, is attempting to ensure the trial is self-sustaining. This requires a trial that across the 100 locations can be self-sustaining. In the absence of external funding, there is not another option.

Another consideration is the trial requires execution of an expression of interest (EOI) for charge point operators (CPOs) to gauge market interest and capability to manage EVCI. The EOI process will improve market competition and is the most efficient way to ensure a cost effective and reliable CPO is appointed. Implicit in conducting the EOI is that a CPO can earn a return on its investment. If the EOI comprised only poorly utilised EVCI, it is doubtful that any CPO would express interest in operating the EVCI in the absence of government grants.

2.4 Sharing of trial outcomes

A key benefit of the Waiver is the ability of the networks to publicly share insights, data, and learnings from the deployment of EVCI with other industry participants, promoting best practices, optimising infrastructure development, and contributing to an informed and competitive EV charging market for the benefit of electricity customers.

More specifically, from a network perspective, there is an important learning to align infrastructure deployment with actual demand to avoid under-utilised assets and market inefficiencies. By adopting a measured and collaborative trial approach, we aim to deliver a practical model that prioritises customer benefits, supports broader EV uptake, and avoids the pitfalls of over-investment in infrastructure deployment.

It should not be underestimated the learnings derived from the data, in terms of utilisation, demand patterns and quality of supply measurement, and how this can be deployed into future network planning decisions. Such data greatly improves the ability to plan the network, something that we do not have today, and is not achievable based on the limited number of EVCI deployed today.

2.5 Long term interests of customers

We understand some industry participants do not wish networks to be involved in EVCI. This is understandable given the deep economies of scale and scope in the provision of asset management services networks can access. Networks already operate and maintain a wide range of electrical infrastructure, operate highly skilled and trained workforces, can utilise expansive depot and fleet assets and have sophisticated procurement processes and procedures. It is not in the interests of some industry participants for these economies to be accessed, but the more important question is whether it is in the customers' interests, both EV users and network users.

Prohibiting network participation in EVCI is not in the long-term interests of customers. The economies of scale and scope offer the possibility of a lower cost service and secondly, a higher quality service with increased availability and reliability. The concept of preserving the EVCI market for potentially higher cost providers, with lower level EVCI availability, is incongruent with the long-term interests of customers.

We would draw the AERs attention to comments in its explanatory document supporting the 2017 creation of the Electricity Distribution Ring-fencing Guideline:

Further, we consider it is not the intention of the Guideline to remove all competitive advantage, only anti-competitive advantage. We note that we can only regulate DNSPs, not RESPs or other affiliated entities. The intention of the Guideline is to remove barriers to competition for the provision of contestable electricity services by requiring DNSPs to ring-fence this business from the provision of direct control services. In this way, ring-fencing prevents a RESP from gaining any anti-competitive advantage over a competitor or potential competitor by way of cross-subsidy or discrimination from a DNSP. The Guideline does not seek to remove any advantage a RESP may hold where that advantage is not achieved by cross-subsidy or discrimination from the DNSP, for example, economies of scale. (p.25, AER Ring-fencing Guideline Version 2 – Explanatory Statement)

We interpret this to be stating that economies of scale and scope are not an exercise of anti-competitive conduct and should not be prohibited.

3. Funding, cost recovery, and cross-subsidisation

3.1 Business strategy

The costs associated with providing the service will be through a nominated distribution service. Additionally, funding support through the Demand Management Innovation Allowance Mechanism (DMIAM) will be explored to assist with project costs. DMIAM funding would be appropriate due to the innovative nature of this trial and learnings in terms of demand management capability, which will inform future network demand strategies.

It is important to understand that the costs of providing the EVCI service must be reported separately under the RIO, are subject to external audit, reportable to the AER and published on the AER website.

The investment in the EVCI trial is modest. We estimate the total investment to be around \$1.2M. The investment is deliberately small as the nature of the Waiver we are seeking is to support a trial, not establish a new business. Further, because this is a trial, by its nature the outcome is uncertain, so the shareholders have chosen to limit their investment.

Where applicable, funding mechanisms such as the DMIAM may be explored to support elements of the trial, ensuring alignment with regulatory funding frameworks while maintaining cost separation.

3.2 Cross subsidisation

We understand that the AER is seeking clarity on how we will separate maintenance costs associated with EVCI. EVCI maintenance costs will be captured through online timesheets linked to our SAP system and assigned to an activity type so that EVCI maintenance costs can be directly attributed to the EVCI service.

Our AER approved CAM already caters for the allocation of shared network and corporate overhead costs between standard control, alternate control and unregulated services, and the EVCI service would be treated accordingly.

3.3 End of trial

Further detail has been requested by the AER on the proposed treatment of EVCI post trial completion.

It is difficult in 2025 to guess what the market for EVCI and more generally, growth in EV ownership will be in 2031. Technology, government policy, regulation and consumer sentiment all move quickly and it maybe that the EVCI we install in 2025 will be redundant. We also do not know the outcome of the trial and whether the networks would even be able to offer a viable service. Because of these uncertainties, we are hesitant to commit to what 2031 will look like.

However, if the trial ends in 2031, our EVCI technology remains current, and there is no commitment to a longer-term role for networks in the provision of EVCI, we will propose to tender the assets to the market to ensure a continued service offering. We would not of course be able to guarantee that the service that customers have been receiving in terms of reliability and availability etc. would be maintained once ownership of the EVCI has transferred to a third party.

4. Revenue forecast

4.1 Inclusion of the EVCI trial in the regulatory proposals

The AER has asked whether we have included forecast revenues for the EVCI trial as part of our regulatory proposals to be lodged on 31 January.

The regulatory proposals will not include revenue associated with EVCI trial. This is for several reasons, including:

- we have no certainty a waiver will be granted by the AER
- even if a waiver is granted, its terms are uncertain and will be determined by the AER, not the networks
- we will need to ensure the appropriate regulatory treatment and funding mechanisms, including the potential use of DMIAM, are pre-approved and are within the AER guidelines.

No revenue has been included in our regulatory proposal since we don't have these certainties. Also, at this stage we are only planning a trial of 100 sites where revenue would be very small i.e. less than \$200,000 per annum which, when split across 3 networks, becomes even smaller.

Should a waiver be granted, we would then be in a position to include a forecast of the revenues as part of our revised regulatory proposals, which will be submitted to the AER late in 2025 following the draft determination.



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