



Evoenergy 2021-26 Gas Access Arrangement (AA) Review

Online Public forum

4 August 2020

aer.gov.au

Agenda

Time	Item
11:00 – 11:15	AER: Welcome & introductions
11:15 – 11:35	AER: Initial observations & how to get involved
11:35 – 11:55	CCP24: Initial observations
11:55 – 12:20	Evoenergy: Thoughts in response
12:20 – 12:50	Stakeholders: Discussion/Q&A
12:50 – 1:00	AER: Thank you & close

Who are we?

- The AER works to make Australian energy consumers better off by:
 - Regulating electricity networks and covered gas pipelines, in all jurisdictions except WA;
 - Enforcing the laws for the NEM and spot gas markets in southern and eastern Australia;
 - Protecting the interests of household and small business consumers by enforcing the NERL.

About this process

- We regulate full regulation gas pipelines (such as Evoenergy's) under an approved AA.
- AA specifies pipeline services (reference services), and price and non-price terms & conditions on which reference services will be offered.
- AA forms the foundation for negotiations between pipeline operators and users.
- In terms of Evoenergy's 2021-26 AA Proposal, we will make regulatory decisions on the revenue Evoenergy can recover from users of its reference services.

What we want to hear from you

- Extent to which Evoenergy's Proposal draws on feedback received from its consumer engagement:
 - Has this been adequately reflected?
 - Are these the right areas of focus for us?
- Key themes from Evoenergy's consumer engagement:
 - Environmental sustainability;
 - Responsible transition;
 - A safe and reliable gas service;
 - Affordability and fairness (current/future customers, service, needs).

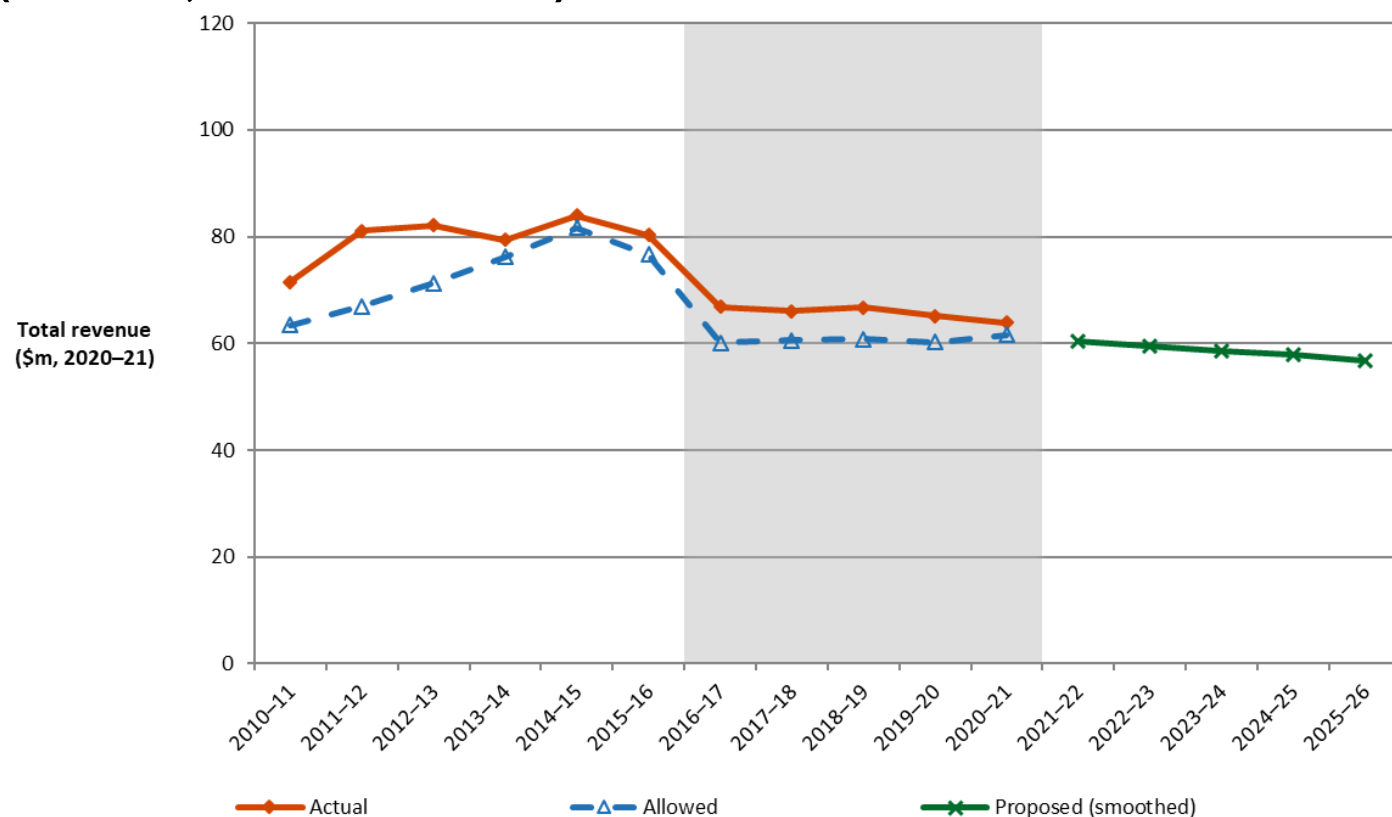
Evoenergy's Proposal – What it means for customers?

- Evoenergy's network costs account for 28% of a residential consumer's retail bill, and 22% of a small business consumer's retail bill.
 - Bill impact of Evoenergy's proposal for 2021-26:

	Residential (28GJ/Yr customer)	Small business (470GJ/Yr customer)
\$ Nominal	+2.2% or +\$27 over 5yrs	+1.8% or +\$242 over 5yrs
(\$ Real, 2020-21)	-1.1% or -\$14 over 5yrs	-0.9% or -\$125 over 5yrs

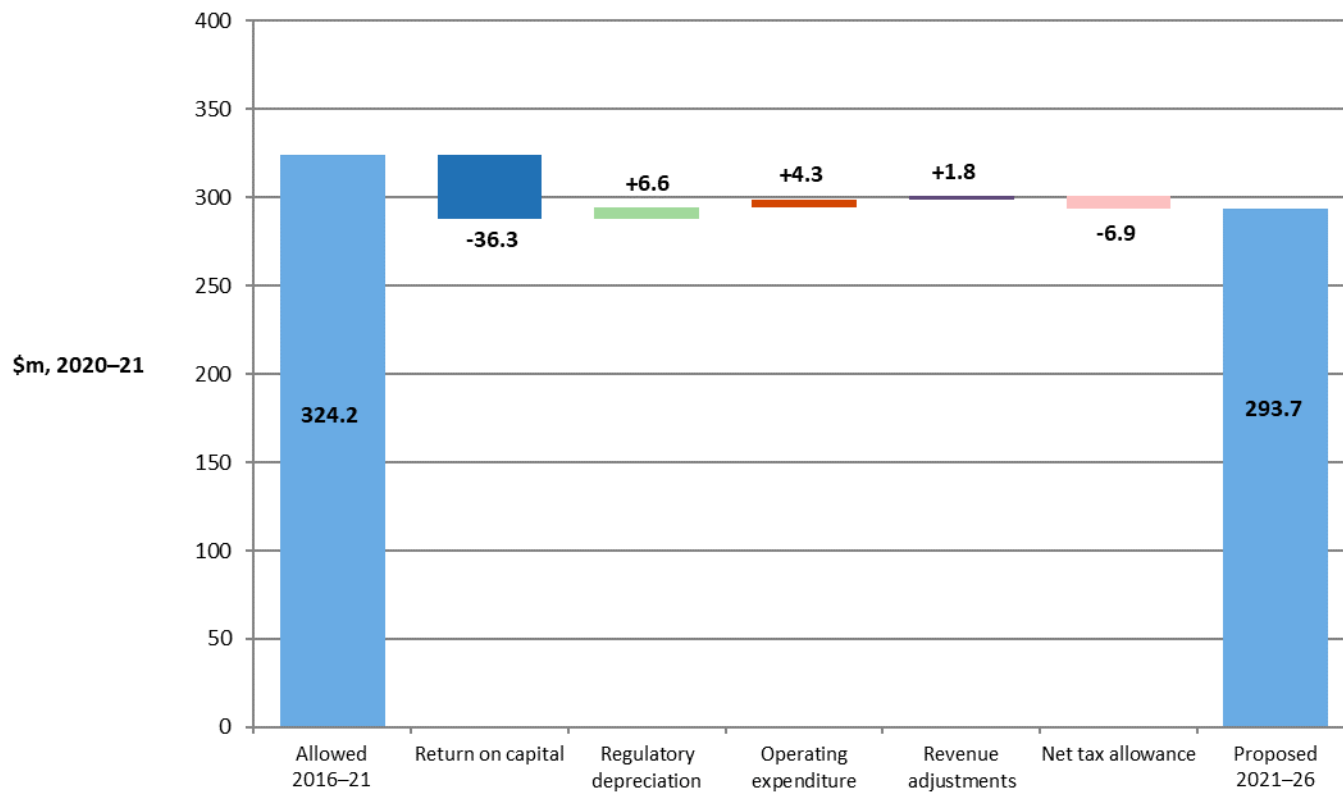
Evoenergy's Proposal – Total revenue

- Evoenergy proposing total revenue of \$293m (\$real, smoothed) for 2021-26.



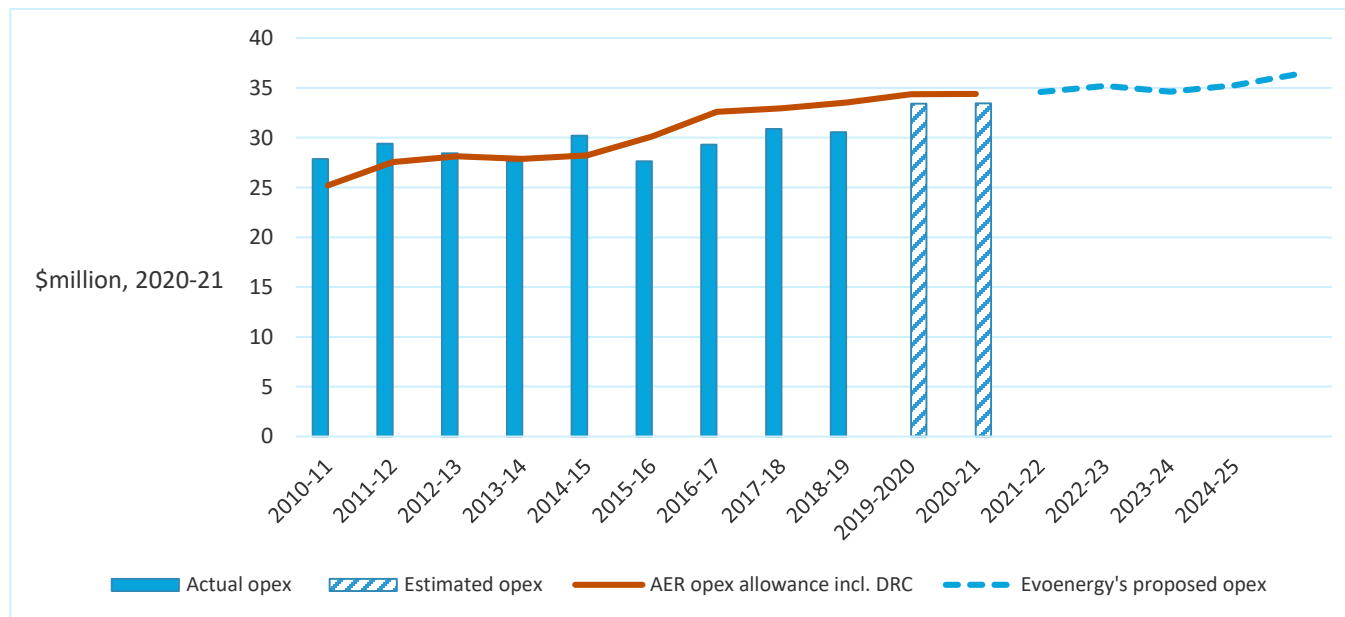
Evoenergy's Proposal – Changes in building blocks

- Total revenue *down* \$30.5m (9.4%) to \$294m (\$real, unsmoothed) for 2021-26, compared to 2016-21.



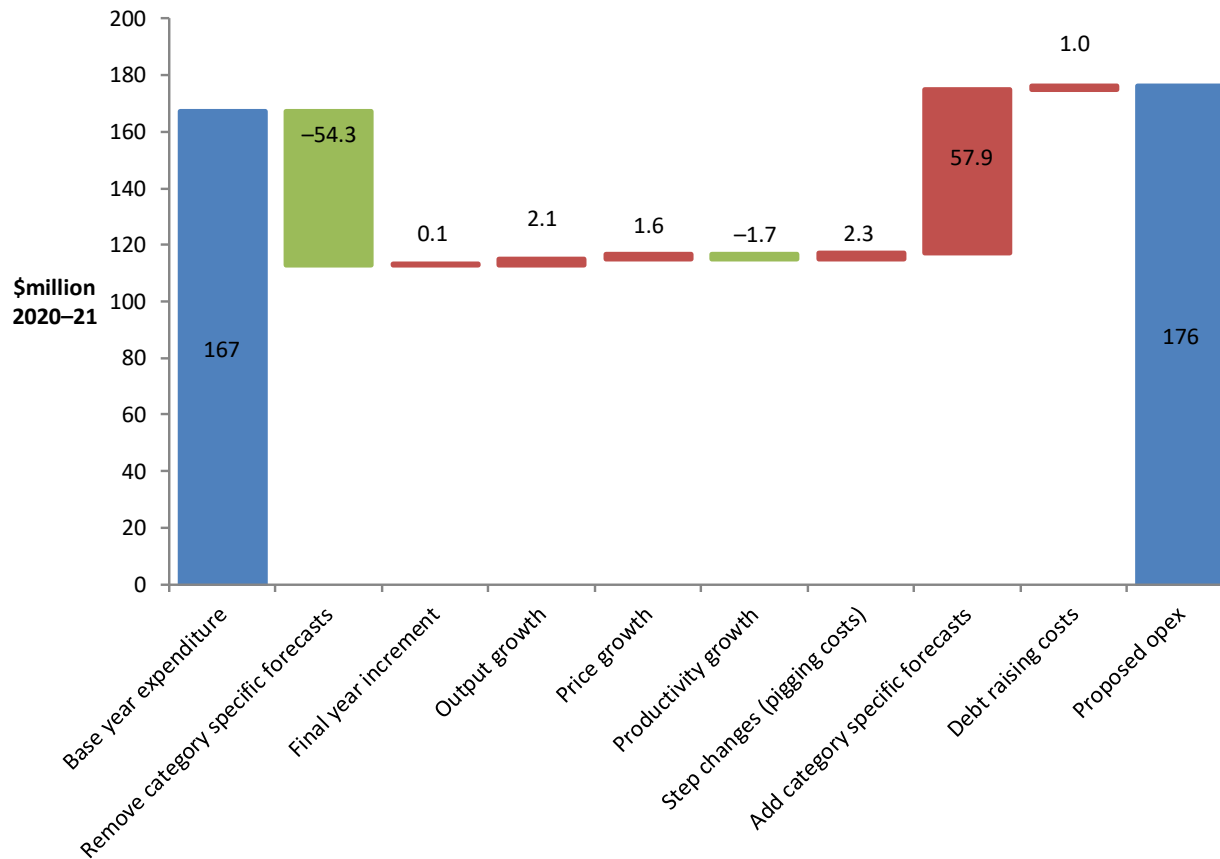
Evoenergy's Proposal – Operating expenditure (opex)

- Opex *up* 12% for the 2021-26 period to \$176m.
- Base year opex (2019-20) *up* 10% compared to the annual average over the first three years of 2016-21.



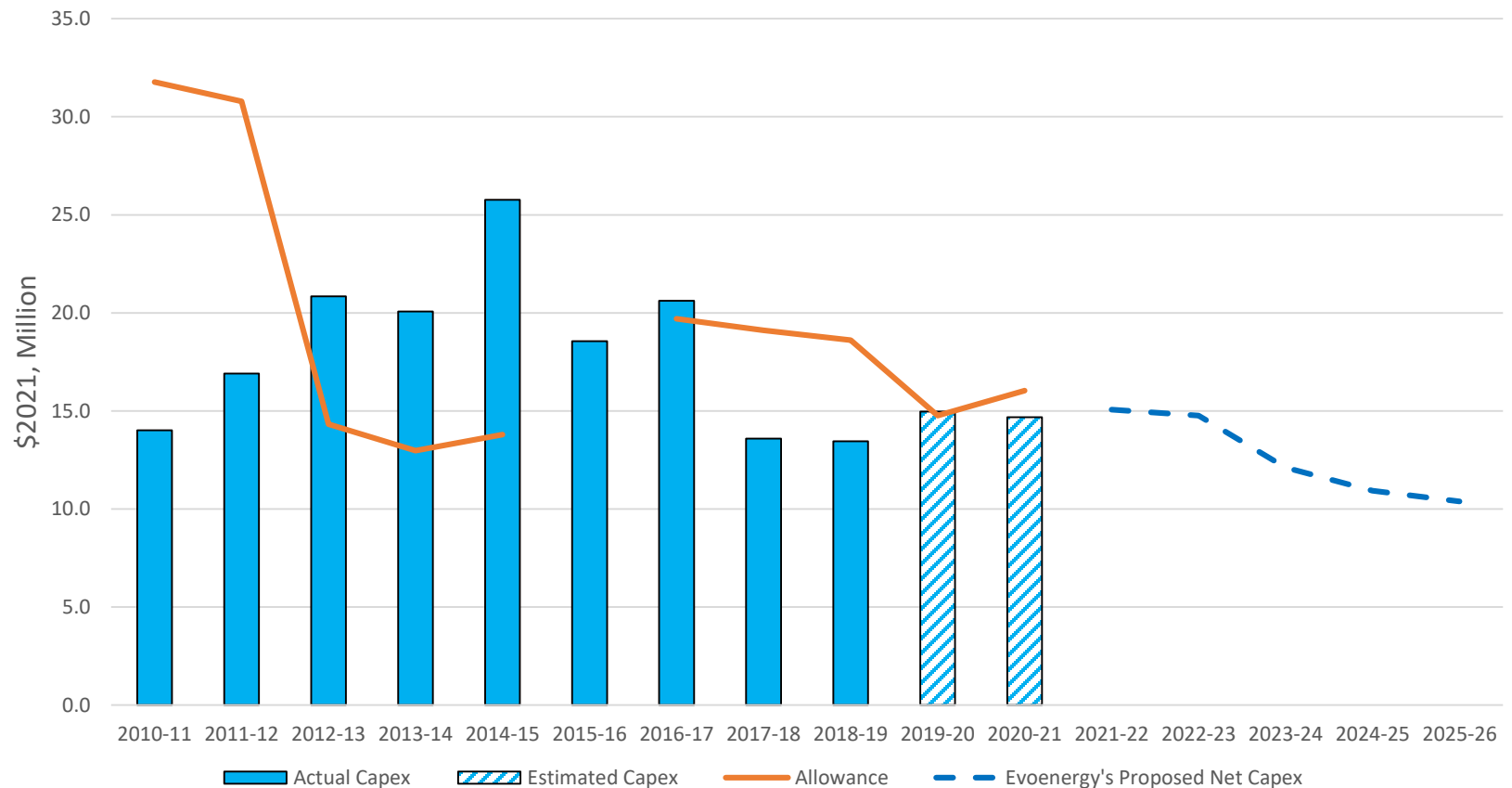
Evoenergy's Proposal – Operating expenditure (opex)

- Opex key drivers are:
 - ACT Govt's utilities network facilities tax (a category specific forecast);
 - Pipeline inspection costs (pigging costs).



Evoenergy's Proposal – Capital expenditure (capex)

- Capex *down* 18% for the 2021-26 period to \$63.3m.



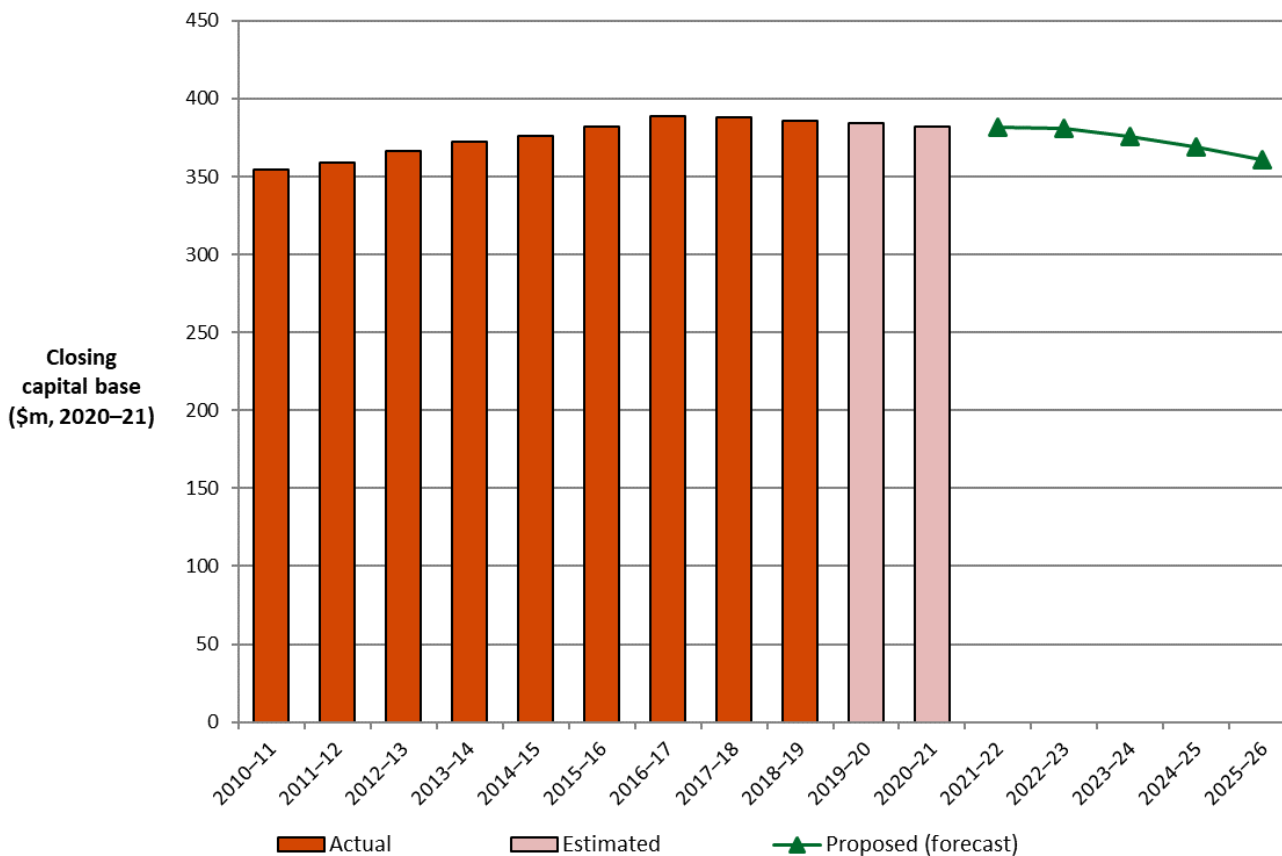
Evoenergy's Proposal – Capital expenditure (capex)

- Capex key drivers are:
 - Decreased market expansion;
 - Capacity development.



Evoenergy's Proposal – Capital base

- Capital base *down* 5.5% (\$21m) by the end of the 2021-26 period to \$361m.



Issues:

(1) Proposed reduction to asset lives for new capital

- Role of natural gas and gas networks in future?
 - ACT Govt's legislated target of net zero carbon emissions by 2045;
 - Potential for re-purposing gas network (renewable gas);
 - Potential for shutting down gas network.
- Evoenergy proposing reduced asset lives (new capital):
 - Shorter lives compared to AER approach, which increases regulatory depreciation by \$0.7m (1.7%).
 - Some support received through Evoenergy's stakeholder engagement.
- Stakeholders' views on Evoenergy's proposal for 'accelerated depreciation' of certain new capital assets?

Issues:

(2) Proposed reduction to forecast gas demand

- Over the 2021-26 period, Evoenergy proposing:
 - Connections forecast to grow by 3.1%;
 - Household gas usage to fall by 10%.
- Uncertainties around the ACT's gas demand outlook
 - ACT Govt's legislated net zero carbon emissions by 2045
- The challenge is how to derive or assess Evoenergy's gas demand forecast accurately, so that forecasting risks are reasonably shared between Evoenergy and its customers.
- Stakeholders' views on Evoenergy's proposed forecast gas demand?

Issues:

(3) Proposed capital expenditure sharing scheme


- Evoenergy is proposing a CESS for 2021-26.
 - Based on the design the AER approved recently for JGN's 2020-25 access arrangement (5 June 2020).
- Stakeholders' views on Evoenergy's proposed CESS?

Issues:

(4) Proposed changes to Reference Service Agreement

- Evoenergy is proposing changes to its RSA relating to:
 - the liability and indemnity regime;
 - insurance requirements for users and Evoenergy;
 - disconnection processes and arrangements.
- Evoenergy's proposed changes to its RSA are similar in nature to what the AER approved recently for JGN's 2020-25 access arrangement (5 June 2020).
- Stakeholders' views on Evoenergy's proposed changes to its RSA?

What happens next?

Milestone	Date
Evoenergy submitted Access Arrangement (AA) Proposal	26 June 2020
AER stakeholder forum on Evoenergy AA Proposal	4 August 2020
 Submissions on Evoenergy AA Proposal close	10 August 2020
AER publishes Draft Decision	November 2020
Evoenergy submits Revised AA Proposal	January 2021
Submissions on Draft Decision and Revised AA Proposal close	February 2021
AER publishes Final Decision	April 2021

How can you get involved?

- Stakeholder submissions due 10 August 2020
- Subscribe to our website for updates:
<https://www.aer.gov.au/newsletter/subscribe>
- Contact us:
Evoenergy2021@aer.gov.au

Questions?