

Consumer
Challenge
Panel

21 June 2018

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By email: slavko.jovanoski@aer.gov.au

Dear Slavko

Evoenergy 2014-19 revenue allowance remittal proposal

On 18 June 2018, you requested CCP10 to provide advice to the AER on a draft of a letter from Michael Costello, the CEO of Evoenergy (Evoenergy), to Paula Conboy, Chair of the AER, outlining a proposal for the remittal of Evoenergy's 2014-19 determination. The proposal comprises a 6-page letter to the AER and a one-page infographic.

Evoenergy has engaged with consumer groups about this proposal. The proposal has been disclosed by Evoenergy to and discussed with consumer groups in the following meetings:

Stakeholder Group	Dates
Bilateral discussions CCP10 and ECA	7 th June 2018
Evoenergy's Energy Consumer Reference Council (ECRC)	7 th June 2018, with Chair of ECRC 13 th June, with full ECRC – 7 community / stakeholder representatives with ECA and CCP also in attendance
ACTCOSS CEO, Susan Helyar and CCP	7 th June 2018
Energy Policy Consortium, comprising ACTCOSS, ACT Business Chamber, Care Financial Counselling, See Change and Conservation Council	13 th June 2018

It is our observation that between the ECRC and Energy Policy Consortium (Coordinated by ACTCOSS) there is a significant representation of consumer views from across the ACT.

As the AER is aware, CCP10 had the following involvement during this engagement process:

- we gave feedback to Evoenergy on the draft proposal as it was being developed between December 2018 and June 2018;
- we gave feedback on the draft proposal letter on 7th June 2018;
- we participated in bilateral discussions involving ACTCOSS and ECA during June, also providing some background briefing to these organisations; and
- we participated in the ECRC meeting of 13th June. We observe that Evoenergy uses its ECRC as a significant focus for consumer engagement, and it includes a good range of ACT consumer and stakeholder interests.

CCP10 confirms that Evoenergy was very receptive to comments from consumer groups and that it has taken steps to incorporate that feedback in the final proposal and the infographic.

In meetings with the ECRC and Energy Policy Consortium, there was appreciation of the willingness of Evoenergy to consult and recognition of both the rapidly changing nature of energy markets and of the efforts of ActewAGL, now trading as Evoenergy to improve its efficiency over recent years, including significant cost reductions for operating expenditure. This perspective is discussed in the letter to the AER which references Evoenergy's improving opex multilateral partial factor productivity (MPFP) from the AER's most recent benchmarking report.

CCP10 recognises that Evoenergy has proposed to the AER:

- a revenue allowance in accordance with the AER's set aside 2015 determination;
- to retain approximately \$26 million that it has collected due to variations in demand forecasting during the period the undertakings have been in place for the 2014-19 period;
- a reduced STPIS penalty of \$1.2m; and
- to return about \$1 million of this over-recovery to consumers in the 2019-24 regulatory period.

A feature of the proposal is that the revenue effects will be smoothed over the 2019-24 period, contributing to price stability for Evoenergy's consumers. In order to achieve this proposal, Evoenergy has chosen not to re-open contentious matters following the Federal Court decision.

CCP10 supports Evoenergy's proposal for resolving its regulatory allowance for 2014-19, following the remittal of that determination to the AER by the Federal Court. We commend Evoenergy on its recent consumer engagement on its proposal and on the way it has listened to that feedback and reflected it in its revised proposal.

CCP10 believes that the Evoenergy proposal is in the long-term interests of Evoenergy's customers. We understand that this involves Evoenergy retaining up to \$26m in revenue that could otherwise be returned to consumers, but this needs to be considered in the context of the overall proposal. Consumers will benefit from:

- the certainty provided by the resolution of the proposed price path;
- the removal of the risk for consumers from the re-opening of the contentious issues from the Federal Court decision, particularly in regard to debt costs;
- the reductions in operating expenditure that Evoenergy has achieved on an ongoing basis;
- the return of approximately \$1m to consumers over the 2019-24 regulatory period;
- Evoenergy's commitment that there will be no real increase in prices for standard control services during 2019-24 as a result of this proposal; and
- enhanced focus on ongoing consumer engagement.

It is our opinion that the benefits outweigh the costs, in aggregate, for consumers from this proposal.

We commend Evoenergy for taking this opportunity to resolve the 2014-19 revenue determinations. Consumers were not well served by the regulatory impasse between the AER and the NSW/ACT businesses around the 2014-19 determinations.

We also commend the consumer groups on their willingness to engage with Evoenergy for this remittal process and the 'good faith' that they have demonstrated, and which has been responded to very constructively by Evoenergy. CCP10 notes that the consumer groups continue to raise affordability as a key issue in the ongoing engagement about Evoenergy's 2019-24 determination. CCP10 encourages Evoenergy to continue to look for ways to respond in good faith to these concerns as part of its engagement on its 2019-24 determination.

We are aware that the AER has agreed to give a copy of this letter to Evoenergy prior to it lodging its final proposal with the AER.

Yours sincerely

Mark Henley, Louise Benjamin, Eric Groom and Mike Swanston