
Issues Paper Response – Evoenergy

CCP26 Advice to AER re Evoenergy 2024-29 Regulatory
Proposal and AER Issues Paper

Consumer Challenge Panel (CCP) Sub-Panel CCP26

Robyn Robinson

Elissa Freeman

Mark Henley

12th May 2023

Contents

1. Overview	4
2. Background	5
2.1 Context	5
2.2 CCP involvement	5
3. Consumer engagement approach.....	6
4. Capital expenditure.....	12
5. Operating expenditure	13
6. Tariff Structure Statement.....	17
7. Customer Service Incentive Scheme	18
8. Systemic consumer engagement issues across NSW/ACT	18
Appendix 1 – CCP26 observations of Evoenergy’s pre-lodgement engagement	21
Appendix 2 – EN24 and TSS engagement phases	23
.....	23

Acknowledgement of Country

We acknowledge the Traditional Custodians of the various lands on which NSW and ACT electricity networks own and operate their networks and facilities. We honour the customs and traditions and special relationship of those Traditional Custodians with the land as well as those lands where this report is being prepared. We respect the elders of these nations, past, present and emerging.

Confidentiality

To the best of our knowledge this report does not present any confidential information.

1. Overview

The consumer engagement by Evoenergy in developing the electricity distribution proposal for 2024-29 has been sincere, as we have observed, but restricted by a limited scope of topics about which engagement was progressed in detail, and a lack of consistently resourced consumer advocacy capacity in the ACT. This recognises the goodwill and active engagement of the ECRC (Energy Consumer Reference Council), and a small group of well-informed consumers who have participated in discussion about this regulatory proposal.

CCP26 has noted a change in the role of the ECRC in relation to this regulatory reset. Rather than taking an active role in reviewing and challenging Evoenergy on the substance of the regulatory proposal, the ECRC has taken more of a co-design and assurance role, providing regular assessments of the effectiveness of the engagement program using a formal Health Check Report. While this is an important function for the ECRC, the change in focus has resulted in a gap in Evoenergy's ability to engage in depth on key building block topics, a role previously played (in part) by the ECRC.

Almost all of the engagement was online, as preferred by the members of the Panels and forums conducted. Evoenergy made effort to engage with a diversity of customer interests and facilitation of events sought to actively involve all participants. As mentioned, we observed greater struggles in seeking to engage in depth, particularly on topics where consumers could influence the amount of revenue sought. The engagement about tariffs occurred a greater depth than 'building block' topics, actively engaging customers and exploring options that consumers could influence.

The active and rapidly evolving energy policy debates being led by the ACT Government also impacted on Evoenergy's engagement for a range of reasons, including the rate and responsibilities for implementing the transition to net zero. We observed strong consumer support for this direction and for the Government in setting the direction for change. What is much less clear is the prudent expenditure required and the staging to achieve this desired future.

The Better Resets Handbook was released in December 2021 and we have experienced Evoenergy's responding to the Handbook. They did not seek to participate in the 'Early Signals Pathway', to which ACT and NSW distribution businesses were invited to apply.

At the heart of the Better Resets Handbook is an assumption that monopoly network service providers will deliver better services for their customers by listening to them. Since our appointment in November 2021, the Consumer Challenge Panel 26 (CCP26) members have observed hundreds of hours of consultation conducted by the three NSW and one ACT distribution businesses. Across all four consultative processes the wisdom of customers has been consistently displayed. In rooms full of technical and regulatory experts, customers offered useful and original insights about their needs and expectations of electricity distributors.

2. Background

2.1 Context

CCP26 members are acutely aware of external factors that have had an impact on developing the regulatory proposals for NSW and ACT electricity distribution businesses, including:

- The COVID 19 pandemic which has impacted on electricity use and on methods for engaging with consumers.
- Natural disasters, specifically fires then floods in many parts of NSW and significant ACT National Parks with some communities experiencing multiple events. We also recognise that recovery is still underway for many households, small businesses and their communities.
- Climate change and the transition to net zero emissions are forcing network businesses to adopt new approaches to demand forecasts and network investments.
- Rising electricity costs coupled with other cost of living pressures have resulted in growing numbers of households and businesses experiencing financial stress.

In identifying these factors, we understand that they have all influenced the nature of engagement and customer expectations. We also recognise and commend the considerable efforts made by staff and contractors of energy network businesses to support impacted communities, households and business; many having been directly impacted themselves.

2.2 CCP involvement

CCP26 was appointed in November 2021 with the primary role of providing advice to the AER on the effectiveness of NSW/ACT electricity distribution businesses' engagement activities with their customers and how this has been reflected in the development of their 2024-29 regulatory proposals. Four members were initially appointed to CCP26, but unfortunately Rob Nicholls was unable to continue after July 2022. CCP26 observed most of Evoenergy's pre-lodgement consumer engagement activities (See Appendix 1 for details). Overall CCP26 has observed about 50 hours of Evoenergy's consumer engagement activities. We chose to focus our observations on the ECRC, Community Panel, Community Pricing Panel and Pricing Workshop engagement streams.

A number of factors are worth noting about CCP26's observations of Evoenergy's electricity distribution consumer engagement:

- CCP26 was appointed around six months after Evoenergy's consumer engagement program commenced, which meant that we did not have an opportunity to observe the early stages of Evoenergy's stakeholder engagement when the engagement program was designed and the engagement vehicles were established.

- This Advice is heavily focussed on phases 1 and 2 of Evoenergy’s engagement. Phase 1 is the engagement undertaken to inform the Draft Plan, and Phase 2 is the engagement to inform the Regulatory Proposal (see Appendix 2).
- The unique nature of Evoenergy in Australia is recognised as it is both a gas and electricity distribution business and has a separate retail function.
- The ACT Government has been proactive in promoting the electrification of energy supply in the ACT with a focus on renewable electricity. The associated policy and program developments impact on Evoenergy as the electricity distribution network.

This Advice offers CCP26’s views on Evoenergy’s consumer engagement based primarily on our direct observations. In doing so, we are guided by the expectations set out in the AER’s Better Resets Handbook¹ (the Handbook). CCP26 has been asked to respond to the engagement-related questions raised in the AER’s Issues Paper². As such we are responding to Issues Paper questions 1, 2, 3, 5, 6, 7, 10, 11, 12, and 13.

We also note that this is the first written Advice that we are providing to the AER about Evoenergy’s consumer engagement for the electricity distribution 2024-29 regulatory period.

3. Consumer engagement approach

Question 1. Do the key themes from Evoenergy’s engagement resonate with your own preferences? Are there additional issues you would like to see influence Evoenergy’s proposal and our assessment of the proposal?

Question 2. Do you think Evoenergy has engaged meaningfully with consumers on all key elements of its 2024–29 proposal? Are there any key elements that require further engagement?

Question 3. To what extent do you consider you were able to influence the topics engaged on by Evoenergy? Please give examples.

Question 1

The Issues Paper provides a clear overview of the Evoenergy engagement program, so we do not replicate their overview, but rather highlight aspects of the engagement program and draw some observations in responding to the engagement associated questions from the Issues Paper.

Evoenergy’s engagement for the electricity distribution regulatory proposal 2024-29 commenced with discussions with the ECRC which was established in 2014 and is now a

¹ AER, *Better Resets Handbook*, December 2021

² AER, *Issues Paper, Evoenergy Electricity Distribution Determination 1 July 2024 – 30 June 2029*, March 2023

network energy consumer reference group with one of the longer periods of regular and consistent meeting experience.

A three-phase engagement process was developed around 18 months before the regulatory proposal was due to be lodged, allowing adequate time for active engagement and for consumer input to meaningfully impact on the regulatory proposal. The main elements of the engagement plan were described by Evoenergy as follows³:

- *Engagement design and development. April 2021-September 2021*
Designed in partnership with key stakeholders and ECRC
- *Phase 1: Framing and Values. October 2021 – July 2022*
Focus on ‘values for the future’ – hypothetical scenarios to understand how consumer values have changed since previous regulatory engagement.
- *Phase 2. August 2022 – December 2022*
Draft engagement plan
Focus on draft plan elements and targeted feedback received to phase 1 and test assumptions
- *Phase 3: Post January 2023*
Continuing Engagement
Regulatory submission and TSS lodged. Highlight on areas identified for further engagement and ‘close the loop; with consumers.

Note that much of the engagement undertaken was on-line as this format was generally preferred by members of the Panels and other engaged groups. We observed that each of the workshops was well run with care taken to apply a range of online tools and to provide clear information in order to give opportunities for all participants to be involved.

Evoenergy summarised their “key statistics of participation in deliberative engagement activities” as follows:

- *153 participants “contributing to deliberative engagement”*
- *53% male, 47% female*
- *69% homeowners, 31% renters*
- *2% first nations people, 29% speaking a language other than English*
- *6% 18-24, 10% 25-34, 14% 35-44, 18% 45-54, 31% 55-64, 20% 64 and older*

We suggest that central to the Evoenergy engagement program was the Community Panel, a group of 20 people selected from across the ACT community who met on 7 occasions over the 12 months from November 2021, and a separate Community Pricing Panel which met on 5 separate occasions between April and October 2022. Together with the two Pricing Workshops, the one vulnerable consumer workshop and the one Energy Matters Session, these elements formed the “deliberative engagement” streams reported by Evoenergy. We regard the Community Panel and the Community Pricing panel and the 2 pricing workshops as generally deliberative. AER could check with Evoenergy about the number of people who

³ Appendix F, Consumer Engagement Program Report as part of the regulatory proposal lodged January 2023

were involved in the depth of deliberative processes, we think that the number of participants may be overstated.

In Table 5⁴ of their regulatory proposal, Evoenergy says that the “engagement feedback outcomes” that they heard were:

- *Maintain reliability but make decisions that balance this with cost.*
- *Play our role in energy affordability.*
- *Take action towards achieving a net zero future*
- *Play a key role in enabling distributed energy resources.*
- *Ensure network tariffs are fit for future users of the network.*
- *Play a bigger role in communicating and informing the community.*

Evoenergy has listed in its proposal from page 36 “what we heard from consumers,” a crucial aspect of applying the principles of the Better Resets Handbook.

At the end of the section on page 49, there is a discussion headed “conflicting consumer feedback” where one observation is made that consumers have clearly said throughout the engagement process that they expect electricity costs to be kept down.

This is reflected in the “engagement feedback outcomes” listed above that includes “play our role in energy affordability.”

Evoenergy then presents that the conflicting feedback is that consumers also want the network to “Invest in the Future.”

The main discussion about capex and opex costs occurred as part of the 5th Community Panel meeting on 22nd June 2022 as an on-line meeting involving 14 participants. The focus of these discussions was on proposed expenditure by category, for 2024-29 compared to the current period spending by category. We considered that there was considerable scope for more detailed engagement on these core ‘building blocks’ of any regulatory proposal.

In Appendix E of Evoenergy’s consumer engagement strategy⁵ it is stated that the 2024–29 proposal presented the ‘*next evolution in consumer engagement*’. They reflect that this follows from successful recent engagement activities including the 2021–26 gas reset Citizens’ Jury and its continuing Energy Consumer Reference Council. They state that ‘*consumer engagement has become embedded across Evoenergy enabling engagement to operate as a ‘business as usual’ function*’.

Evoenergy concludes their discussion of consumer engagement in the proposal by stating⁶:

“Following the lodgement of our plan to the AER in January 2023, we will communicate and engage with the community to continue our conversation on

⁴ Evoenergy regulatory proposal, p. 37

⁵ Appendix E, Consumer Engagement Program Report as part of the regulatory proposal lodged January 2023, p. 1

⁶ Evoenergy regulatory proposal, p. 48

planning for the future. This third and final phase of the engagement program (Phase 3) may include workshops or targeted engagement activities that focus on specific topic areas that require deeper discussion.”

CCP26 Comments

A challenge for CCP26 has been to balance expectations about extent and breadth of consumer engagement for network businesses of very different sizes. Evoenergy has a smaller network than the NSW business who share the same regulatory cycle, particularly in term of customer numbers, length of network and budget, including budget for engagement.

We consider that the scope of engagement has been reasonable, for the topics on which engagement has occurred to reasonable depth. Breadth of engagement can mean different things to different people. Breadth can be understood to apply to the people participating: number of people, age range, cultural backgrounds, socio-economic status and more. Breadth can also refer to the range of topics considered. We consider that Evo made good efforts to engage with a breadth of consumer cohorts and perspective but there was less breadth in the range of topics considered. There was, to our observation, a lack of breadth of engagement on ‘building block’ aspects while there has been good breadth of participants with the Community and Pricing Panels in particular.

Some aspects of the engagement have been very strong, including

- Seeking to engage with a diversity of perspectives
- Commencing engagement early
- Ensuring that solar PV owners and non-solar PV owners were involved in consideration of future network and associated tariff discussions
- Exploring future network challenges and opportunities
- Exploring intentions about electric vehicle purchase
- Utilising the ECRC as a stable and ongoing point of reference
- Tariffs

We also identify three opportunities for Evoenergy to improve its engagement based on what we have observed.

- i. Hearing what consumers are saying, including the diversity of consumer views. This is reflected in the “conflicting consumer feedback” summarised above. We did not observe these as conflicting, as in opposing, views from consumers. Rather this is a challenge to Evoenergy to firstly recognise the primacy of affordability as an issue that was central to feedback for just about every session and to be cognisant of affordability concerns to *“Maintain reliability but make decisions that balance this with cost.”*

We also heard challenge of what Evoenergy heard from consumers in some sessions and most clearly articulated in the November 2022 workshop with ACTCOSS.

Perspectives expressed included:

- The view that some proposed tariffs, eg to support electric vehicles and rooftop solar were regressive cross subsidies

- Questions about whether people currently underutilising electricity for heating and cooling will see costs of electricity rise
- A plea to talk about “efficiency at lower costs not efficiency at higher costs”
- The opinion that Evoenergy didn’t fully understand the cost impact of electricity on disadvantaged communities.

There is a challenge for the Evoenergy Board and senior staff to progressively improve their ability to hear the voices of lower income and disadvantaged people and to reflect what they hear and push themselves for constructive responses.

- ii. Capacity to focus engagement on the central aspects of a regulatory proposal and to ensure the capacity of consumers to influence these.

We note, for example, that the fifth Community Panel agenda was:

- Operational expenditure (opex)
 - Draft opex forecasts
 - Review of consumer expectations
- Capital expenditure
 - Draft capex forecasts
 - Review of consumer expectations
- Tariff Structure statement
 - Overview of Community Pricing Panel insights
- Customer Service
 - Overview of customer service improvements and incentive schemes

This is a very full agenda and was, to the best of our understanding, the main opportunity to explore opex and capex issues, the main components of the ‘building blocks’ for revenue proposal development. Tariffs and aspects of future energy use, including electric vehicle consideration received more attention.

We are not convinced that there were appropriate levels of exploration of capex and opex expenditures.

- iii. Evoenergy has said that its engagement program for this reset has been the “*next evolution in consumer engagement.*” We agree that a number of aspects of engagement have improved considerably since the CCP observed engagement by ActewAGL, as they were, nearly a decade ago.

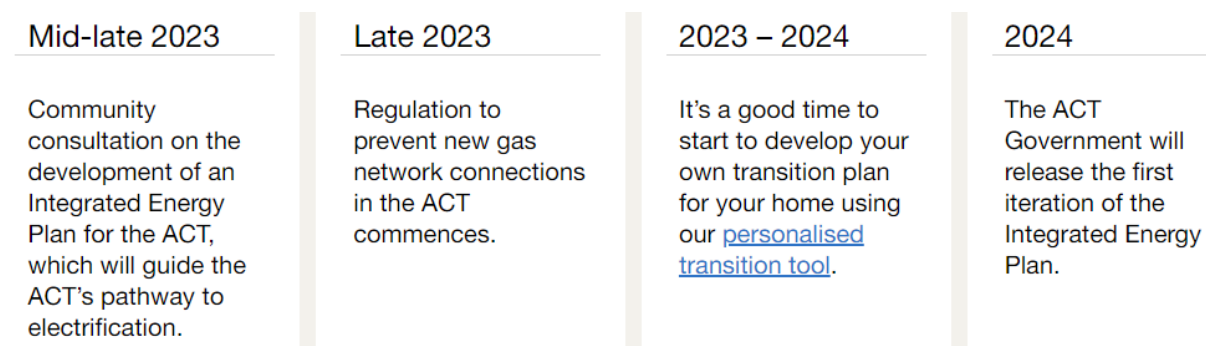
We observe that there is still scope for Evoenergy to embed deeper consumer understanding and engagement, and to more strongly embed influence from consumers in their business-as-usual engagement.

Question 2

The ACT Government has provided a clear policy focus on moving the ACT to be net zero by 2045 and in so doing to electrify many of the energy applications that have previously or are currently using gas and to promote the electrification of transport. The ACT Government also states that “*In 2020, we secured a nation-leading 100% renewable electricity supply for the ACT.*”⁷

⁷ <https://energy.act.gov.au/>

The ACT Government has also published a detailed timeline to 2045 that includes the development of an Integrated Energy Plan, to be released by 2024, as set out below:



We highlight the development of this Plan as being significant for Evoenergy as an electricity distribution business and because the plan will be released at about the same time as the 2024-29 regulatory period commences. There is uncertainty for Evoenergy regarding its role in the plan and potential cost implication arising from the Plan.

We also recognise that there have been regular policy and program updates from the ACT Government during the course of the engagement period leading up to the finalisation of Evoenergy's regulatory proposal.

CCP26 observed that engagement with Canberrans consistently demonstrated their shared commitment to ACT net zero plans and pathway to electrification and renewable electricity. This is important context for assessing Evoenergy's engagement with consumers and their responses.

Our observation is that Evoenergy has engaged meaningfully on some aspects of the regulatory proposal, but that there are also topics that would have benefitted from further targeted engagement.

We observed that a majority of the engagement related to topics that are not directly revenue related, eg tariffs and the Customer Service Incentive Scheme (CSIS). In other words, consumers' ability to influence the amount of revenue sought in the regulatory proposal was limited while engagement on how to collect the allowed revenue has been more developed and more robust.

In addition to opex and capex issues mentioned above and explored in sections 4 and 5 of this submission, another aspect for more meaningful engagement is in responding to ACT government policy. We observe that Evoenergy has tended to somewhat passively tell consumers what the Government has decided and then what they will do to comply with Government legislation. We observe that while Government policy and direction is set by legislation, the details about how to prudently implement the policy is the responsibility of Evoenergy for the ACT. The "how to efficiently implement?" questions are appropriate for active consumer engagement, by Evoenergy.

This question about the extent to which customers set the agenda, particularly for topics where there was a capacity for meaningful influence, has been difficult for CCP26 to be definitive about. We didn't observe the engagement co-design process at the outset, but understand it was considered by ECRC. We observed broad invitations from Evo at a number of sessions of the ilk: "what else would you like to know about?" invitations that sought an "inform" level response. We observed a desire from both Evoenergy and the "Panels" in particular to identify topics but some difficulty in 'making the connection', particularly regarding the topics that influence proposal revenue bids.

4. Capital expenditure

Question 5. Do you consider Evoenergy's capex proposal addresses the concerns of electricity consumers as identified in the course of its engagement on the proposal?

Question 6. Do you consider Evoenergy has demonstrated and supported the need for the increase in augmentation capex?

Question 7. Do you consider Evoenergy has explored all non-network options to address or alleviate the likely capacity constraints arising from the uptake of electric vehicles, including the consideration of tariff solutions and network load control options?

There was discussion about some specific capex projects:

- The Strathnairn Zone substation, which was a project deferred from 2019-24 regulatory proposal and Evoenergy argued that it was necessary to support the growth in the Ginninderry development, which has no gas connections.
- Feeders for urban infill to address anticipated capacity constraints for Kingston, Woden, Gungahlin and CBD West.
- Fleet replacement.

Panel members were asked if Evoenergy's preliminary capex program adequately meets the expectations and priorities of consumers. The results are summarised in the overview of the forum provided by Evoenergy⁸ on their "engagewithenergy" website.

- Those who voted yes (54%) *"suggested the proposed investment would provide for current and future needs regarding a move to full electrification and would meet consumer expectations."*
- Those who were unsure (46%) *"felt they didn't have enough information and there were too many uncertainties including future costs."*

Throughout the engagement program, each version of projected investment requirements has presented a real increase in capex when compared to the current period. The greatest proposed increase has been for augmentation capex, the preliminary proposal presented on 22nd June 2022 was for an augex increase of 49% for 2024-29 compared to 2019-24.

⁸ [Community-Panel-meeting-5-summary-1.pdf \(engagewithenergy.com.au\)](#)

CCP26 Comments

We observed participants feeling that they were unable to ‘get their head’ around all of the detail that was presented about capex proposals while there was also quite a degree of faith that Evoenergy has done enough preparation that their proposals were reasonable.

There was also the continuing perspective that Evoenergy needed to be playing its role in meeting ACT’s net zero commitments.

Question 5

We consider that Evoenergy has gone part-way in meeting some of the concerns of ACT energy consumers, particularly in further investing to meet climate policy objectives, while those consumers more concerned about affordability impacts are less satisfied with the proposal for rising network costs.

Question 6

We do not consider that the customer support of a significant increase in augmentation expenditure is strong. While there are some customers who support an accelerated progression to net zero, others were more circumspect about the augex increase and struggled to fully understand the detail.

We suggest that given the recent national concern about rising energy prices, much of which has emerged more recently, the main consumer engagement about capex expenditure proposals and augex in particular, should be topics for further engagement in preparation for the Revised Revenue Proposal.

There was also considerable interest from consumers in modelling for future electricity demand, including likely future purchase of electric vehicles. Deep dives about the modelling and forecasts were suggested, but to the best of our knowledge did not occur. We suggest that further exploration of electricity demand forecasting in the ACT would be useful in the period leading to the lodgement of a Revised Revenue Proposal.

Question 7

The questions of the possibilities for non-network solutions as a part alternative to increase capex expenditure were not adequately explored with customers, from the engagement that we observed.

5. Operating expenditure

- 10. Do you consider Evoenergy’s opex proposal addresses the concerns of electricity consumers, as identified in the course of its engagement on the 2024–29 proposal?*
- 11. Do you consider Evoenergy’s forecast opex for the 2024–29 period reasonably reflects the efficient costs of a prudent operator?*
- 12. Do you consider Evoenergy’s opex in its base year of 2021–22 as providing an efficient basis for forecast base opex for the 2024–29 period?*
- 13. Do you support Evoenergy’s distributed energy resource integration step change, and consider that it meets stakeholder expectations?*

Evoenergy is proposing total opex of \$390.1 million for the 2024-29 period which is \$50.3 million (14.8%) more than the actual/estimated opex for the current period, and \$30.2 million (8.4%) more than the approved opex for the current period.⁹ This includes three opex step changes totalling \$32.1 million.

As with capex considerations, the main engagement with consumers concerning opex was the June 25th Community Panel Forum. The summary of this forum as presented by Evoenergy is:

“Operating Expenditure (opex)

Panel members were presented with proposed options in forecast opex for new significant expenditure (called step changes) specific activities. These were:

- Security of Critical Infrastructure (SOCI) - \$14.6 million*
- Distributed Energy Resources (DER) Integration - \$11.6 million*
- Insurance premiums - \$5.0 million*

In addition to discussion and Q &A, Panel members selected ‘do as proposed’, ‘do nothing’ or ‘do more’ for each new expenditure item.

The estimate step change cost impacts for residential customers were presented as being about \$18 per year for the average residential bill. Evoenergy also advised participants that an opex productivity factor would be applied, reducing the total opex forecast by approximately \$5 million.

CP26 Comments

Question 10

CCP26 did not observe any deep engagement on or challenge of proposed opex. Given current cost of living concerns for many customers, and the strong affordability theme that permeated Evoenergy’s engagement, this is a concerning gap in Evoenergy’s engagement processes. Evoenergy’s Engagement Strategy anticipated ‘Deep Dives’ on issues requiring in depth discussion¹⁰. We suggest that opex would be an appropriate topic for a deep dive prior to submitting the Revised Revenue Proposal.

CCP26 considers that Evoenergy’s engagement on proposed opex step changes was ineffective for the reasons outlined below.

1. Security of Critical Infrastructure (SOCI) - \$14.6 million

⁹ AER, Issues Paper, *Evoenergy Electricity Distribution Determination 1 July 2024 – 30 June 2029*, March 2023, p. 18

¹⁰ Appendix E, Consumer Engagement Program Report as part of the regulatory proposal lodged January 2023, p. 23

There was no explanation of what the \$14.6 million would be spent on, and what outcomes it would achieve. For this step change, participants were only able to choose from 2 responses (they were advised that the 'do nothing' option was not acceptable). The two options available were:

- As per Evoenergy proposal
- Do more, and become industry-leader at a much higher cost.

'Don't know' or 'I need more information' was not an available option.

Security of critical infrastructure and cybersecurity are highly specialised fields of expertise. Without the benefit a comprehensive briefing on the topic, participants were invited to address the question 'What level of risk do you think Evoenergy faces from cyber threats and other hazards within the current operating environment?' – a question they struggled to answer. Participants raised questions such as 'what do consultants recommend?' and 'where are the gaps currently?' and 'what is the level of risk?' Responses from Evoenergy were highly directive towards the Evoenergy proposal.

14 (of the original 22) Panel members voted on this recommendation, with 7 voting for each of the available options. Participants' comments on their reasons for voting in a particular way highlighted their lack of understanding of this topic:

- High risk clients such as ASIO and ASD should pay more
- The ACT is an important seat of government, we should spend more
- Better security is better for everyone, particularly vulnerable customers who have less capacity to safeguard themselves against cyber risk.
- We don't seem to have a choice
- Assessments need to be based on costs and benefits

CCP26 does not believe this step change was fully understood by Panel members, and consider that their support is qualified.

2. Distributed Energy Resources (DER) Integration - \$11.6 million

Again, there was no explanation of what the money would be spent on, and what alternatives were considered. The outcomes were described as:

- Transition to a Dynamic System Operator and Dynamic Operating Envelopes
- Removing voltage constraints on the network
- Enabling greater network 'visibility'

Participants were generally supportive of expenditure on DER Integration, not because they understood what was being proposed, but because they thought it was aligned with the net zero policies of the ACT Government which are well supported by most ACT residents, from our observations.

When presented with the options:

1. Do nothing – impose hard export limits, and face compliance risk

2. Do as proposed – provide access to export generation, and improve network utilisation
3. Do more – enable greater levels of DER and community batteries, over invest (our emphasis)

and the advice from Evoenergy that option 2 “gives the best possible outcome for installing solar”, the voting outcome was a foregone conclusion.

(Note: ‘Don’t know’ or ‘I need more information’ were not given as available options for response.)

3. Insurance premiums - \$5.0 million

The options that were presented to participants were:

1. Do nothing – Evoenergy advised that this option was unacceptable to the Board
2. Do as proposed
3. Do more – Evoenergy stated that this may not in fact be an option

le only 1 option was available, and it received the majority of the votes.

CCP26 did not observe any discussions about Board risk appetite, risk trade-offs, or other options for managing risk such as cost pass throughs which would usually form the background to an informed discussion on risk options.

From the engagement that we observed we consider that the three step changes proposed were recognised as important by those who participated in the engagement. However, there was not the detail of discussion that would have led consumers to confident responses on consideration of the detail of the proposed step changes.

Question 11

It is difficult for us to comment on the extent to which the opex proposal for 2024-29 “reasonably reflects the efficient costs of a prudent operator?” This is not a question that was subject to engagement.

However, we note that the cyber security and insurance step change proposals are similar to cost increases being sought by other network providers. This suggests that the proposed increases are likely to be comparable with peers We will leave it to the AER to determine whether the expenditures proposed are both prudent and efficient.

We also ponder engagement with community on SOCI, particularly at the moment. With rapidly evolving policy and implementation developments, this topic is difficult for consumers to keep up with and contribute meaningfully to the detail. Insurance is different as it is a topic with which most consumers have personal experience and have been required to think through their risk – cost trade-offs. So consumers have views about the extent to which risk should be shared.

Question 12

As with the response to question 11, the extent to which the base year is efficient was not the subject of active engagement with consumers. We are happy to leave the question of efficiency of the base year to the AER.

A continuing focus on delivering opex productivity improvements remains important for Evoenergy's customers.

Question 13

The distributed energy resource integration step change was considered by the Community Panel with our observations of their responses being summarised in response to question 10, namely that participants were generally supportive of expenditure on DER Integration because they thought it was aligned with the net zero policies of the ACT Government which are well supported by most ACT residents.

6. Tariff Structure Statement

The Handbook sets out the AER's expectations that in preparing their Tariff Structure Statements, network businesses will demonstrate "significant stakeholder engagement and broad stakeholder support".

The Community Pricing Panel was not originally included in Evoenergy's EN24 and TSS Consumer Engagement Strategy. The need to form a dedicated group to engage in in-depth discussions on tariffs became apparent at the second meeting of the Community Panel in December 2021 in response to the Panel's initial exposure to network tariff structures. Evoenergy responded to this challenge and established the Community Pricing Panel, consisting of 30 randomly selected participants, including some participants from the Community Panel, to further explore and understand pricing issues and tariff structures.

The Community Pricing Panel process was effective in providing a mechanism for engaging more deeply on network tariffs. Insights were also gathered from two face-to-face deliberative forums targeting responses specifically from solar PV owners, intending solar PV owners, non-solar PV owners and vulnerable customers.

Overall, the engagement on tariff design and implementation was comprehensive. The two main contentious aspects of tariff design – the introduction of two-way tariffs, and a solar soak tariff dominated all of the conversations. CCP26 considers that Evoenergy has carefully navigated a path between strongly opposing views on both of these issues.

On the introduction of export charges, we noted a range of perspectives expressed:

- Why should I cover the costs for others? (Community Pricing Panel)
- All users contribute to the power usage and should share the cost of upgrades (Community Panel)
- Is it fair for customers without solar to have a higher bill? (Customer Panel)
- 65% Canberrans believe everyone should pay for network upgrades to enable solar export (Have Your Say Survey)

- 1 in 2 Canberrans believe it is fair to use tariffs to encourage export at peak times (Have Your Say Survey)
- ACT must lead the way – roll it out quickly (Community Panel)

On the introduction of a solar soak tariff:

- It won't help people who work 9 to 5 (Community Pricing Panel)
- It will be a disincentive to invest in solar panels (Deliberative forum)
- This will keep costs down for people without solar – it's fair (Community Pricing Panel)
- Good idea – we can't let energy go to waste (Community Pricing Panel)
- Will I have to buy new appliances (with timers) (Community Panel)

Evoenergy states that *“customers were generally supportive of introducing an export tariff, and their feedback shaped the design and conservative introduction of the proposed export tariff.”*¹¹ CCP26 has less confidence regarding the level of support for the introduction of export tariffs, however we agree that customer feedback has been very influential in shaping its design and conservative introduction.

7. Customer Service Incentive Scheme

Engagement on the introduction of a new Customer Service Incentive Scheme (CSIS) was a major focus for the Community Panel. It was discussed in Panel meetings 2, 3 and 5. The CSIS was presented as a 'given', imposed on Evoenergy by the AER i.e. customers were not asked whether a CSIS is required, or if they are prepared to pay more for improved customer service. Engagement with the Community Panel was then directed towards the possible parameters for the scheme. Panel members discussed the elements of customer service that are important to them, and from these discussions, Evoenergy distilled and presented three measures which customers were asked to rank in order of priority. CCP26 did not observe any engagement with customers on measures or the relative weightings of the performance parameters. We consider that there was a missed opportunity for more collaborative engagement in designing a brand new incentive scheme.

8. Systemic consumer engagement issues across NSW/ACT

Customer Service Incentive Scheme

It is now three years since the AER introduced the CSIS scheme. During the NSW/ACT regulatory resets we have observed a range of customer responses to proposed models and different levels of sophistication in approaches to designing a scheme. It is too soon to commence a formal review of the scheme, but we do consider that it may be useful to provide an opportunity to reflect on the strengths and weaknesses of models that have been adopted and what emerging best practice might look like. In particular we are interested in how models can be designed to align with strategic initiatives and produce concrete, forward-looking benefits to customers.

¹¹ Evoenergy, *Attachment 7.1, Tariff Structure Explanatory Statement*, p. 82

Good governance

In the *Better Resets Handbook*, the AER places a strong focus on ensuring the independence and integrity of consumer engagement processes. The Handbook sets out the following expectations to ensure independence¹²:

- Consumer representatives should clearly declare any interests that may be perceived to conflict with those of the consumers they are representing and provide details on how they're managing any conflicts of interest;
- Networks and consumer representatives should transparently set out all governance arrangements covering their interactions in the development of a regulatory proposal, including arrangements in place to ensure the independence of consumer representatives;
- Networks should publicly declare all remuneration arrangements, benefits and financial support provided to consumer representatives.

CCP26 strongly support these expectations which we believe form the bedrock of good governance for the engagement process and serve to instil confidence in its integrity. However, we note that not all of the businesses we have observed prioritise compliance with these expectations. In our view, best practice requires that documentation of governance arrangements including remuneration arrangements, and conflict of interest declarations are developed and maintained, and are available in the public domain. In addition, businesses should demonstrate that they are appropriately managing any conflicts throughout their engagement processes.

Evoenergy somewhat complies with these requirements. In Evoenergy's case, we note that the ECRC Terms of Reference is publicly available on the Evoenergy website. The Terms of Reference does not specify the role of the ECRC in relation to Evoenergy's regulatory proposals. It is noted that members are entitled to receive sitting fees for meetings attended, however the quantum of the fee is not specified. The Terms of Reference is silent on managing conflicts of interest. CCP26 have not sighted a publicly available conflict of interest register.

Business-As-Usual engagement

The *Better Resets Handbook* expects networks to engage with consumers as an ongoing business-as-usual process, rather than a one-off process only undertaken in preparing for regulatory resets. Each of the NSW and ACT network businesses developed bespoke engagement processes to help inform their regulatory proposals. These processes typically operated in parallel with regular business-as-usual processes, varied widely and included a diversity of methods including citizens jury processes, deliberative forums, focus groups and one-off discussion groups. In all of these settings we observed groups of passionate, thoughtful, committed customers who were able to absorb sometimes quite complex material, and make valuable and insightful contributions to the network business's service

¹² AER, *Better Resets Handbook, Towards Consumer Centric Network Proposals*, December 2021, p. 14

offerings and future plans. We challenge all businesses not to waste these valuable assets, and to consider how to harness the knowledge, insights and interest built up through the various customer and stakeholder groups established to participate in engagement activities for the current regulatory reset, with a view to creating new mechanisms for deeper ongoing customer engagement as a regular part of their ongoing business operations.

Use of independent research budgets

Despite research budgets being available to various customer panels during the NSW/ACT regulatory resets, we have not observed any panels making use of this funding. Given the novel issues raised during this round of resets we consider it unlikely that there was no need for expert advisory services. We are therefore unsure why these opportunities are not being pursued. If this trend continues, we encourage a conversation with consumer representatives to explore what other steps could be put in place to support and equip them to engage with regulatory reset engagement processes.

Value for money in engagement programs

The CCP26 has observed engagement programs growing significantly in scale and cost. We have not seen any business report on the total cost of their programs, and as such we can not offer a view on the value for money derived from the various engagement programs. It would be useful if the Handbook offered guidance on whether engagement programs ought to demonstrate value for money.

Appendix 1 – CCP26 observations of Evoenergy’s pre-lodgement engagement

Activity	Date	Format	Hours	Observer(s)
ECRC Meetings	9/12/2021	On line	3	Mark Henley
	3/02/2022	On line	3	Robyn Robinson (2 hrs), Mark Henley
	7/04/2022	On line	3	Robyn Robinson (2 hrs)
	30/06/2022	On line	3	Robyn Robinson
	18/08/2022	On line	3	-
	13/10/2022	Cancelled		
	1/12/2022	In person	3	-
	2/02/2023	Cancelled		
Community Panel Meetings	4/12/2021	On line	5	Robyn Robinson, Mark Henley
	12/2/2022	On line	5	Robyn Robinson, Mark Henley
	19/03/2022	On line	5	Robyn Robinson, Mark Henley
	25/6/2022	On line	5	Robyn Robinson, Mark Henley
	20/08/2022	On line	5	Robyn Robinson, Mark Henley
	31/10/2022	On line	2.5	Robyn Robinson, Mark Henley
Community Pricing Panel Meetings	12/04/2022	On line	2.5	Robyn Robinson
	26/04/2022	On line	2.5	Robyn Robinson
	17/05/2022	On line	2.5	Robyn Robinson
	31/05/2022	On line	2.5	Robyn Robinson
	14/10/2022	On line	1.5	
Pricing Workshops	24/05/2022	Hybrid	1.5	Robyn Robinson, Mark Henley
	8/06/2022	Hybrid	2	Robyn Robinson, Mark Henley
Vulnerable Consumer Workshop	17/11/2022	On line	2	Mark Henley
Energy Matters Forum	3/08/2022	On line	1	Robyn Robinson

	30/08/2022	On line	1	Robyn Robinson
Other: Evo briefing re engagement & draft plan	25/08/2022	On line	1.5	Robyn Robinson, Mark Henley
Other: Check in with Evo	19/1/2023	On line	1	Robyn Robinson, Mark Henley

Appendix 2 – EN24 and TSS engagement phases

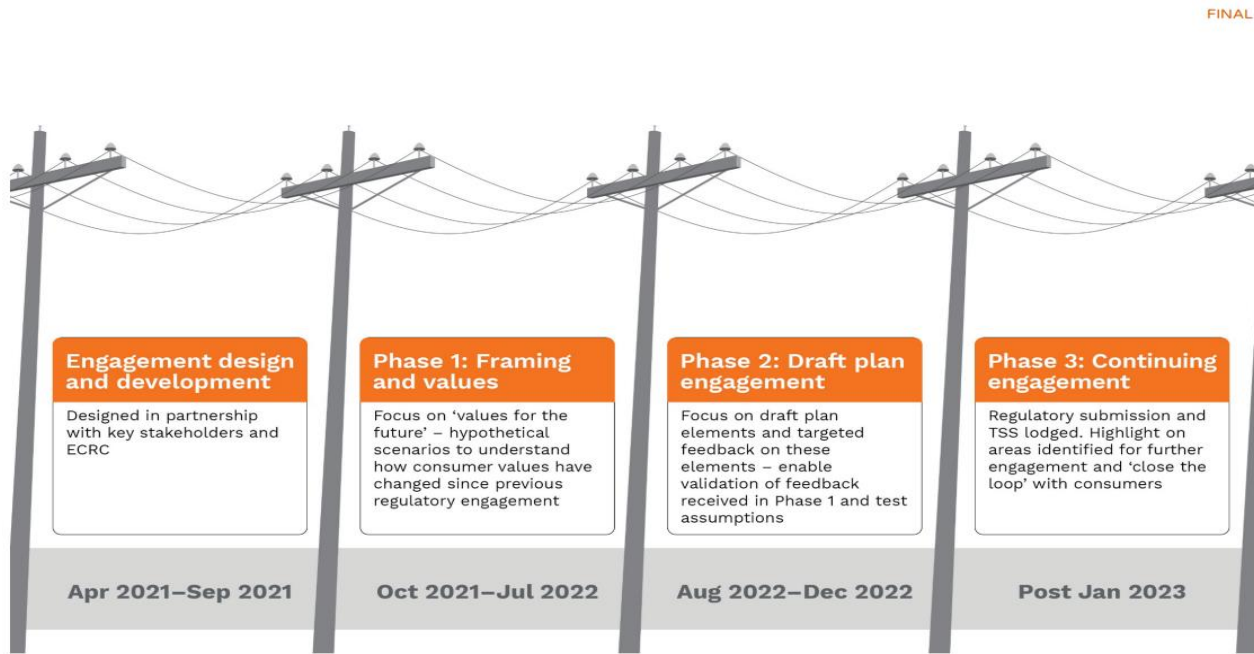


Figure 3. EN24 and TSS engagement phases

