

Appendix 1.5

Deep dive A outcomes report

Access arrangement information

ACT and Queanbeyan-Palerang gas
network 2021–26

Submission to the Australian Energy Regulator

June 2020

Evoenergy Deep Dive Part A Outcomes

On Thursday 12 March 2020, Evoenergy hosted a Deep Dive to enable facilitated detailed discussion on elements of the draft GN21 Draft Plan. 17 attendees representing the Evoenergy's Energy Consumer Reference Council (ECRC), attendees from the GN21 Citizens' Jury, vulnerable community member advocates and representatives from Evoenergy's large customers were all in attendance.

The purpose of the Deep Dive was to gather considered input to inform the final GN21 Plan on two key areas of focus:

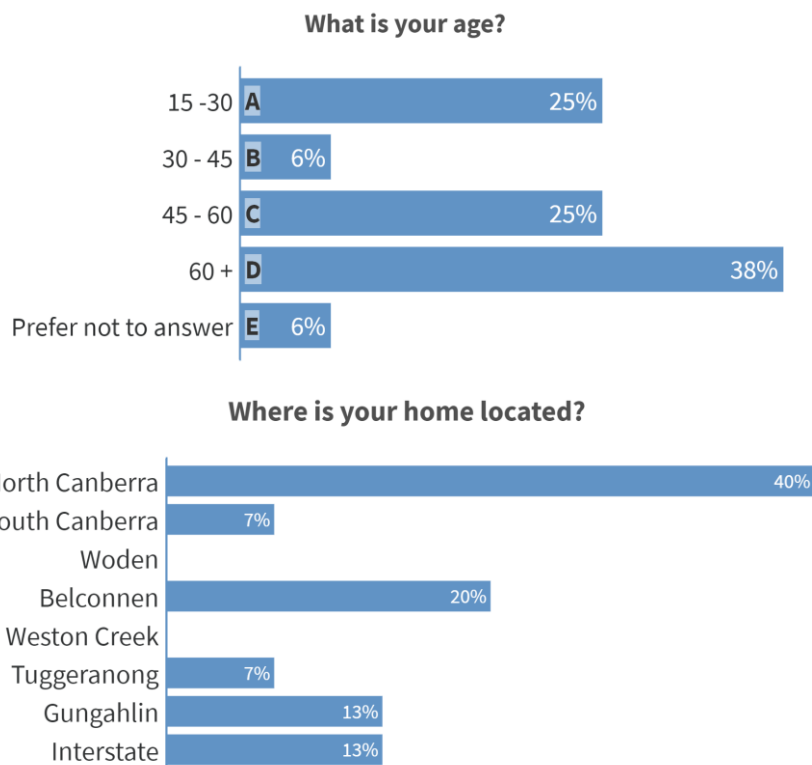
1. identifying risks, unintended consequences or benefits and opportunities Evoenergy may not have considered in framing the draft GN21 Plan; and
2. establishing a Capital Efficiency Sharing Scheme and performance measures.

Attendees

17 attendees were present. Seven were members of the Citizens' Jury representing household energy consumers from ACT and NSW, the remaining ten attendees, many of whom were members of the ECRC, represented organisations including:

- ACT Council of Social Services
- Better Renting
- Council on the Aging
- Conservation Council ACT
- Engineers' Australia
- Queanbeyan-Palerang Regional Council

Below is a snapshot of the attendee demographics:



Exploration of the draft GN21 Plan

Risks and unintended consequences

Attendees were asked to identify potential risks, suggested mitigations and unidentified consequences in the draft GN21 Plan. A summary of the concerns raised are listed below.

- **Change of ACT Government** results in potential abandonment of 2045 zero net greenhouse gas emission target
- **Loss of choice** – removing gas removes a choice of energy source from Evoenergy consumers
 - Also, as a monopoly market, retailers will have even less incentive for competition
- **Shortened asset lives** will be an issue especially if renewable gas becomes supported by ACT Government and has potential to increase future costs.
 - How does discontinuing or shortening asset life affect NSW customers who aren't beholden to ACT Government emission reduction targets?
- **AER rejection of proposal** was highlighted as a risk and it was raised that attendees would like to understand what the plan would look like if the AER does not support the proposal for accelerated depreciation
- **Safety of the network** in periods of prolonged fire risk
- **Population growth** considered in the plan should not only be ACT wide but needs to align with the geographic distribution of population growth of across new and existing suburbs, especially if high levels of population growth are occurring in greenfield sites where no network expansion is planned
- Over investment in **Capex**
 - NSW (why?)
 - Multiunit (new)
- The proposed **tariff structure** was viewed to penalise low volume customers and it was suggested this was likely because they are poorer
- **Net Zero Emission by 2045 - Transition concerns**
 - Clarity needed from ACT Government about whether policy is against all gas or just natural gas
 - Need to understand what areas of protection there will be for low income, older, vulnerable consumers from the transition
 - Need to understand how tenants will be able to ensure landlords 'do the right thing' during the transition
 - Need guarantee that Evoenergy will maintain the network to a high standard irrespective of consumer numbers and usage to ensure safety and reliability
 - Concerns over naming of renewable gas as one option when it represents quite different alternative types of gas
 - Cost implications were raised about how delaying the phase out of gas could be viewed as more cost effective
 - Pressure on electricity network
 - Costs to both gas and electricity consumers of decommissioning gas
 - Stranded gas consumers – potential for low income, rental houses to face greater costs
 - Risk to consumers e.g. market expansion in established suburbs (esp. in multi units) may lead to stranded personal assets
 - Staff reductions and redundancy costs

Benefits and opportunities

Attendees were asked to identify potential benefits and opportunities presented in the draft GN21 Plan. A summary of the benefits and opportunities identified are listed below.

- Renewable gas including hydrogen and waste capture
 - Opportunity for Evoenergy to lobby ACT Government to build/invest in waste management plant and use gas for supply
 - The certainty provided by the 2045 target and the five year plan provides the opportunity to undertake further research, invest in hydrogen options and calculate costings for conversion
 - ACT could be a model for other networks/ jurisdictions
- Clarity for the next 5 years and costs during that period
- Households that don't get connected to gas will have lower fuel costs
- The ACT Government campaign to get people to convert from gas to electricity could be successful and 'market expansion' won't be needed
- Disconnection fees could discourage disconnection; should be reviewed
- Government could take responsibility to cover some portion of revenue required to reduce household costs
- Collaboration opportunity with QPRC and NSW Government will strengthen relationships.



Capital Expenditure Sharing Scheme

The draft GN21 Plan outlines Evoenergy's proposal to implement a Capital Expenditure Sharing Scheme (CESS). Attendees were asked to consider the proposed performance measures themselves, as well as the proposed selection criteria and weighting and measures used for evaluation.

The frequency and duration of unplanned supply interruptions was viewed as most important. There was also suggestion of the importance of other factors including the speed of customer service response- call and wait response. It was also suggested that staff welfare, OHS and interaction between measures needed to be factored into measures as well.

Each group suggested that 'estimated meter reads' was not an appropriate measure for the CESS and should be removed or if left in, it should have a very low weighting. However, feedback noted that this is an extremely important issue, but that it could be dealt with better including creating incentives to smart meters and including better communications to customers on processes around estimations, queries and rectification.

The six proposed performance measures proposed and feedback on each in the tables below:

GROUP 1	Measure	Weighting
	Average duration of unplanned supply interruptions <i>(hours / 1,000 customers)</i>	20%
	Average frequency of unplanned supply interruptions <i>(outages / 1,000 customers)</i>	60%
	Mains and services leaks <i>(per 1,000km of mains)</i>	20%
	Meter leaks <i>(per 1,000 customers)</i>	
	Estimated meter reads <i>(% of reads that are estimates)</i>	Should be replaced with call centre response time

GROUP 2	Measure	Weighting
	Average duration of unplanned supply interruptions <i>(hours / 1,000 customers)</i>	25%
	Average frequency of unplanned supply interruptions <i>(outages / 1,000 customers)</i>	25%
	Mains and services leaks <i>(per 1,000km of mains)</i>	20%
	Meter leaks <i>(per 1,000 customers)</i>	30%
	Estimated meter reads <i>(% of reads that are estimates)</i>	Remove and replace with a better process to resolve

GROUP 3	Measure	Weighting
	Average duration of unplanned supply interruptions <i>(hours / 1,000 customers)</i>	15%
	Average frequency of unplanned supply interruptions <i>(outages / 1,000 customers)</i>	25%
	Mains and services leaks <i>(per 1,000km of mains)</i>	25%
	Meter leaks <i>(per 1,000 customers)</i>	25%
	Estimated meter reads <i>(% of reads that are estimates)</i>	10%

Outstanding questions

The Deep Dive also highlighted questions. Where possible, these questions were answered during the session.

Blue Sky

Additional questions and points for discussion were raised during the session, these are listed below:

1. What does the AER really know/understand about the ACT?
2. Do we need retailers? Let us have community owned retailing.
3. Think about different prices for different uses of gas.
4. Have retail pricing with no fixed charge just consumption.
5. Raise capital from the community.
6. How would a carbon price in the form of tradable emissions permits affect the plan?

Due to time constraints, these items were not able to be explored during the Deep Dive. A supplementary online forum is to be arranged to encourage further exploration of these items.