

16 June 2023

Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email to: AERpricing@aer.gov.au

Dear Mr Anderson

Re: Review of gas distribution network reference tariff variation mechanism and declining block tariffs

Evoenergy welcomes the opportunity to provide a submission to the Australian Energy Regulator's (AER) Issues Paper for the review of the gas distribution network reference tariff variation mechanism and declining block tariffs.

Evoenergy owns and operates the electricity distribution network in the Australian Capital Territory (ACT) and gas distribution networks in the ACT and the Queanbeyan–Palerang Regional Council (QPRC) and Shoalhaven City Council local government areas of New South Wales.

Evoenergy supports the AER reviewing the tariff variation mechanism (i.e., form of control) at this time. Evoenergy is about to commence community consultation for our next access arrangement, and we are keen to engage on the matters raised in this issues paper with our customers.

Community engagement should inform the tariff variation mechanism

Evoenergy's gas network in the ACT and QPRC is regulated under a price cap form of control. Customers have benefitted from this form of control because it incentivised networks to connect new customers and drive efficiency which lowered prices. However, Evoenergy acknowledges that this same form of control may not be consistent with government's emissions reduction objectives or community expectations. The form of control should position the industry and customers alike to enable the energy transition.

Customers should be thoroughly consulted as part of this review and as part of each access arrangement process. Evoenergy considers the AER should maintain the flexible approach currently allowed for in the National Gas Rules (NGR), which empowers networks to reflect customers preferences in each access arrangement and not 'lock-in' a 'one size fits all' approach. Evoenergy notes that hybrid approaches are accounted for in the NGR and these

should be adequately considered as part of the review. Customer and community preferences vary across jurisdictions, as does government policy and these differences should be central to the AER's final decision for this review.

Changing tariff structures will adversely impact some customers

Evoenergy's gas network tariffs follow a declining block structure, which reflects the fixed cost nature of a distribution network business. As the AER notes in the issues paper, declining block tariffs may encourage greater gas consumption. However, declining block tariffs also reflect the underlying costs of delivering gas services and are therefore more efficient.

Further, with any tariff reform comes 'winners' and 'losers.' The ACT is a winter energy peaking jurisdiction, where gas is preferred by many customers to heat their homes. Importantly, declining block tariffs do not discourage use during cold periods when gas heating is essential. Many households, including vulnerable and disadvantaged households cannot easily reduce energy usage or electrify their household in the short term in response to price signals.

Similar to the positions we raise above on the form of control, Evoenergy seeks to discuss the structure of gas distribution network tariffs with our community as part of our upcoming access arrangement. Therefore, we support a flexible approach that balances support for customers and encourages electrification as the energy system decarbonises.

Evoenergy looks forward to continuing to engage with the AER as part of this review and with the community as we head into our next access arrangement.

Should you wish to further discuss matters raised in this submission, please contact Cameron Shields, Group Manager Regulatory Finance & Strategy at [REDACTED] or [REDACTED]

Yours sincerely,



Peter Billing |
General Manager, Evoenergy