Gas Access Arrangement Regulatory Review 2026–31 (GN26)

Energy Regulatory Advisory Panel (ERAP)

Meeting 2: Wednesday 7 February 2024, 9.00am-4.30pm
ActewAGL House, 40 Bunda Street, Canberra City

Acknowledgement of Country

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Housekeeping

- Emergency exits
- Facilities
- Breaks around 11.15am, 1.00pm, 3.45pm

Welcome and introductions

Dr Andrew Nance
ERAP Chair

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Declaration of any conflict of interest

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Agenda

- Safety share
- Review of last meeting – 7 December 2023
- ERAP Operational Guidelines & Code of Conduct
- Priorities for ERAP
- Shaping the GN26 engagement narrative
- GN26 engagement tools and channels
- ERAP workplan
- Developing the GN26 engagement scenarios
- Recap and next steps
- Other business
- Meeting close ~4.30pm

Outcomes sought

- ✓Agree ERAP Operational Guidelines (Terms of Reference and Code of Conduct)
- ✓Shared commitment to role of ERAP in the GN26 proposal development
- ✓Discussion and feedback on elements of the GN26 consumer and stakeholder engagement strategy:
  - ✓Engagement narrative
  - ✓Engagement tools and channels
  - ✓Agreed workplan to mid-2024
  - ✓Engagement scenarios and underpinning assumptions for engaging with consumers

2. Safety Share

Bruce Hansen
Group Manager Gas Networks, Evoenergy

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3. Review ERAP Meeting #1

Dr Andrew Nance
ERAP Chair

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ERAP Meeting #1 *(pre-read meeting #1 summary)*

Meeting 1 summary: Key messages and actions

Key message	Action	Status
ERAP members encouraged greater clarity on their role and delineation with ECRC.	Action 1.1: ERAP members to finalise any proposed changes to the Operational Guidelines and Code of Conduct including review mechanism. Agreement by Evoenergy and ERAP to be discussed at the next meeting.	Operational Guidelines and Code of Conduct to be endorsed in ERAP meeting #2. Evoenergy has provided further information to delineate and clarify ECRC and ERAP roles for discussion. Refer session 3.
ERAP members encouraged Evoenergy to view GN26 in the context of 2045 and use scenarios to support engagement with stakeholders.	Action 1.2: ERAP and Evoenergy to develop scenarios which map out the implications, challenges and opportunities of the transition to NZ45. Evoenergy to schedule scenarios workshop for early 2024.	Evoenergy has explored the role of scenarios used by other networks and developed a template for discussion and feedback. Refer session 8 – scenarios.
ERAP members encouraged Evoenergy to source stakeholder feedback through existing channels and seek early and continuous engagement with the AER and Consumer Challenge Panel (CCP).	Action 1.3: Evoenergy to follow up with the AER regarding establishment of the GN26 AER project team and CCP to enable early engagement.	Recent meetings with AER indicate CCP may be established in early to mid 2024. Evoenergy will continue to follow up with AER. Evoenergy has provided an overview of key engagement themes from GN21 and EN24. Refer session 5 background.

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Operational Guidelines & Code of Conduct *(for endorsement)*

Document	Purpose	Status
Operational Guidelines	Establishes roles and responsibilities of ERAP members and Evoenergy	Amendments made to • Include updated Terms of Reference (as below) • Clarifies expectations relating to time commitment per meeting and remuneration • Clarify 'purpose' and 'about members' sections
Terms of Reference	Establishes purpose, functions and deliverables of the ERAP	Amendments made to • Include National Gas Objective (NGO) key focus areas to achieving emissions reduction targets and Reference Service Proposal (RSP) process and elements • Reference to the Code of Conduct • Insert review of Terms of Reference 12 months after commencement of ERAP • Clarify that the scope of ERAP reports will be agreed by the Panel Chair and Evoenergy nearer the date they are required
Code of Conduct	Confirms and manages expectations in relation to operational and behavioural conduct and real, perceived or actual conflicts of interest of ERAP members	Amendments made to • Include RSP process • Clarify advisory role focused on gas network consumers • To be signed by all ERAP members by end February 2024

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4. Priorities for ERAP

Discussion Lead: Megan Willcox, General Manager Economic Regulation

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Recap role of the ERAP

ERAP's role is to provide advice to Evoenergy on key regulatory issues which promote the long-term interests of gas consumers (in accordance with the NGO) through the development of the RSP and GN26 Proposal

- ✓ **Are we sincerely and effectively engaging with our consumers and stakeholders?**
- ✓ **Do we understand our consumers' values and preferred outcomes?**
- ✓ **Does our proposal have regard to those values and outcomes, and the long-term interests of consumers?**

Guiding

Helping us ask the right questions of our consumers and stakeholders

Challenging

Testing our thinking to ensure we have fully considered all the options

Expertise

Bringing your skills to the table

Reporting

Reporting back on how well we used the regulatory framework to identify, assess and mange risks to consumers during GN26 (TBC)

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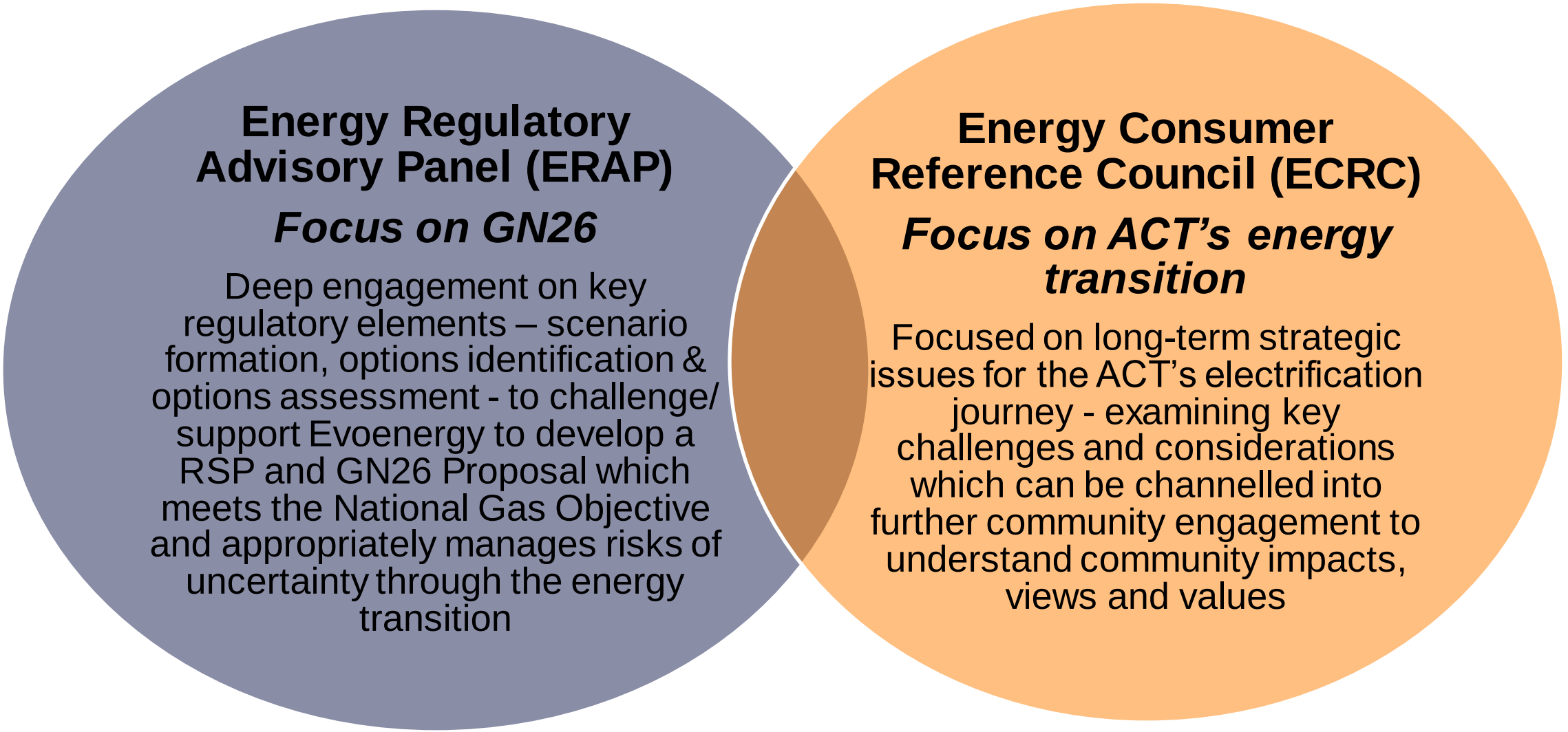
ERAP and ECRC: Difference in scope



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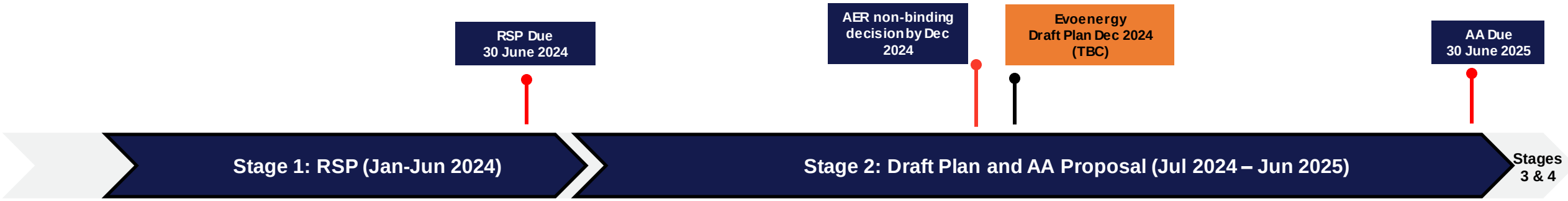
Interest-Influence Matrix

Comments? Have we missed anything?

Input to engagement stages	ERAP ERAP's role is to provide advice to Evoenergy on key regulatory issues which promote the long-term interests of gas consumers (in accordance with the NGO) through the development of the RSP and GN26 Proposal	ECRC Represent their constituents' views and interests on the ACT's energy transition
Development of engagement strategy	**Consult/Involve** strategy to meet engagement expectations in the AER Better Resets Handbook	**Consult** on draft engagement strategy
Identify customer values and preferences	**Informed** on outcome of engagement on consumer values	**Consult/Involve** provide own views of values of their constituents
Develop guiding principles (assessment criteria)	**Consult/Involve** on overarching principles for assessing options for regulatory elements	**Consult/Involve** on overarching principles for assessing options for regulatory elements
Develop 2045 scenarios (demand-driven)	**Consult/Involve** define set of gas transition scenarios for engaging on and assessing the impact of various options for regulatory elements and associated customer price impacts	**Inform/Consult** on set of scenarios for engaging on and assessing the impact of options for regulatory elements
Key regulatory elements* – Options identification and input assumptions	**Consult/Involve** advise on appropriateness of options considered and approach to input assumptions	**Involve** when consulting on customer impacts of options
Key regulatory elements* – understanding consumer impacts	**Consult/Involve** advise on whether customer impacts adequately understood, considered and assessed under each option. All regulatory elements in scope.	**Involve** on options to understand stakeholder preferences given price/equity/service trade-offs. May poll preferences. Most impactful/relevant regulatory elements in scope.
Key regulatory elements* – Assess options against scenarios and guiding principles to inform Evoenergy's proposed position	**Consult/Involve** advise on extent to which Evoenergy's proposed position reflects customer engagement outcomes and promotes the NGO	**Inform** through updates on submission
Report back	**TBC** consider how well Evoenergy used the regulatory framework to identify, assess and mange risks to consumers during GN26, in context of 2045 energy transition	**No** feedback from meetings minuted/summarised

***Key regulatory elements include the Tariff Variation Mechanism, tariff structure, abolishment and decommissioning costs, accelerated depreciation and other TBA**

Key topics: indicative timeline



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ERAP		Eng. Strategy	TVM / RSP / AA length	Demand/ Tariff Str	RAB	*Report on RSP*	Abols/ Decom.			Draft Plan eng. Expend. approach		TBC		Review approach for AA eng.		TBC	*Report on AA eng.*	
Community Forum/s			1. Values/ outcomes	2. TVM / RSP / AA length 3. Demand/ Tariff Str	4. RAB		5. Abols/ Decom.			Expend. approach		Draft Plan		TBC		TBC		
ECRC		Eng. Strategy		TVM / RSP / AA length Demand/ Tariff Str		Abols / Decom		RAB		Expend. approach		Draft Plan		TBC		TBC		
Retailers			RSP		RSP									AA		AA		
Large customers			RSP		RSP									AA		AA		

AA: Access Arrangement
Abols/Decomm: abolishments and decommissioning
Eng: engagement
Exp. approach: expenditure approach
RSP: Reference Service Proposal
Tariff Str: Tariff structure
TVM: Tariff variation mechanism

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5. Shaping the GN26 narrative: discussion and feedback session

Facilitator: Helen Leayr, Communication Link

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Background: Community views heard through GN21 and EN24

Gillian Symmans, Group Manager Regulatory Reviews

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GN21 engagement feedback themes and messages

Environmental sustainability

- Support for environmental sustainability was a key driver for many consumers

Responsible transition

- Limit expansion to a net zero energy supply and some expect cessation of expansion altogether
- Research into future energy options, costs and impacts
- Mixed views on accelerated depreciation
- Concern for impact of transition on vulnerable consumers

Affordability and fairness

- Concern for affordability especially for vulnerable consumers
- Concern regarding declining usage rate -> not progressive and may not equally benefit low-income households with lower gas usage per quarter
- Support for simpler tariffs
- Look for opportunities to drive further efficiency

Safe and reliable service

- Expect continued prioritisation of reliability and safety, and maintenance of infrastructure

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EN24 engagement messages

Engagement messages

Take action towards achieving a net zero future

Play a key role in enabling distributed energy resources

- Prioritise investment in preparation for net zero 2045
- Move quickly to reduce emissions in the network
- Support the increase in distributed energy resources
- Remain responsive to government policy
- Keep customers informed during the transition

Ensure network tariffs are fit for future users of the network

Play a bigger role in communicating with and informing the community

- Design tariffs that are:
  - fair and equitable
  - responsive, adaptive and flexible to current and emerging customer needs
- Work in collaboration with retailers to ensure consumers are well educated on the impact on their bill and why

Maintain reliability but make decisions that balance this with cost

Provide affordable electricity supply services

- Minimise consumer impacts, especially vulnerable customers, when scheduling works
- Prioritise timely notification of unplanned outages through multiple communication channels
- Support vulnerable customers, low income or those with a disability

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Discussion and feedback: GN26 engagement narrative

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Recap ERAP Meeting 1 engagement dashboard *(pre-read dashboard)*

Dashboard Report
GN26 engagement

Energy Regulatory Advisory Panel
Meeting 1 | 7 December 2023

This dashboard summarises feedback from a short feedback session, which will inform the development of the GN26 Consumer and Stakeholder Engagement Strategy.

GN26 timeline

- We need to start engaging now
- Consider how GN26 will lay the foundation for the next 22 years.
- Noted key dates within the GN26 timeline, particularly the Reference Services Proposal (RSP) due in June 2024.
- Use all the time available and when making decisions allow time for checks and adjustments if necessary.
- Consider appropriate resource allocation within Evoenergy.

Engagement topics

- Shutting down the network:
  - Decommissioning, abolishment (cost impacts and pace; what is fair allocation of costs and risks; implications for safety and reliability
  - Accelerated depreciation (price impacts).
- Consumer values: consumer-choice, fairness and equity.
- Managing risk and uncertainty: sharing between business and consumers (tariff variation mechanism (TVM)/ length of access arrangement, accelerated depreciation, demand profile).

Engagement methods

- Host a consistent community panel/forum across the engagement for ongoing guidance and review.
- Leverage existing feedback/ engagement activities.
- Include NSW customers.
- Emphasis on using multiple engagement methods and triangulating to comprehend varying consumer perspectives and areas of commonality.
- Forward looking to 2045 and ACT's Net Zero by 2045 target.

Challenges/Opportunities

Developing scenarios

- Consider creation of scenarios for the transition to 2045 to highlight challenges and opportunitie.s
- Consider:
  - How to seek agreement on Evoenergy's scenarios
  - How to seek agreement on triggers and impacts
  - Price fluctuations and influence on customer behavior
  - Age of household assets - behind-the-meter cost assessment and impacts on customer behaviour
  - Impacts on customer choice in different scenarios.
- Is there a technical tipping point that impacts safety and reliability? Consider customer expectations of safety

Talking with consumers and stakeholders

- Use customer-centric consultation.
- Consider:
  - Intergenerational equity considerations
  - How to determine fairness with stakeholders, in terms of risks and benefits over 22 years.
  - Partnering with ACT Government, AER, and consumers to determine what is fair
  - Framing conversations around both individual and collective experiences.
- 1-on-1 engagement with large customers and retailers
- Map stakeholder engagement to regulatory process.
- Undertake detailed customer analysis to inform engagement (consumption patterns, demographics, business nature).
- Draw on stakeholder feedback from EN24.
- Note that engagement on the RSP will require capacity building in consumers due to complexity of subject matter
- Reference business data sets across all stakeholder segments.

Regulatory and Policy

- Consider the AER's position on accelerated depreciation and abolishment in recent regulatory proposals.
- Challenges associated with evolving RAB requirements
- Requirement for TVM in RSP is not in the National Gas Rules (note that the AER will make a non-binding decision).
- Acknowledging the influence of ACT Election cycles on pace of change and expectations.
- Consider impacts of legislative and policy drivers, including mandatory abolishment, more incentives for energy transition, support for vulnerable consumers to transition.
- Consider how to best involve the ACT Government while developing the regulatory proposal
- Understand the relationship/alignment with electrification program.

Is the narrative appropriate?

GN26 engagement narrative….

The transition is underway with customers already switching their homes to electricity.

We need to better understand the plans and values of our customers, so that we can make informed decisions for the next five years as well as the next twenty.

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Why we are engaging – the key message

Have we got our key messaging right?

- Canberra is entering a period of enormous change, as we become the first Australian jurisdiction to move all our energy customers off the natural gas network.
- The ACT Government has legislated that no fossil fuel gas will be used in the ACT after 2045. It is already working with homeowners and businesses to switch from natural gas to electricity. The ACT Government's Integrated Energy Plan sets the pathway for a phased customer exit from the gas service and subsequent decommissioning of the gas network.
- As the owner and operator of the ACT's energy networks, Evoenergy will play a leading role in managing this change.
- One thing we do know is that all Evoenergy customers will be impacted by the energy transition.
- We have lots of decisions to make. There are options and trade-offs to be deliberated, and the uncertain environment presents risks to both customers and the energy network that need to be considered. The transition needs to be safe and efficient, and we want to minimise impacts and costs for customers while allowing network costs to be recovered.
- We need input from the community and stakeholders to help map out a fair and equitable transition path.

The transition has never been done before….

- **There are many things we don't know, such as how quickly Canberrans will switch to electricity.**
- **Will some suburbs switch very quickly, while other areas take longer?**
- **Will some business operations be more difficult to transition than others?**
- **How do we manage the uncertainty of who will transition when?**
- **What is the best way to safely decommission the gas network while maintaining service quality and minimising customer inconvenience?**
- **How do we recover the costs of decommissioning?**
- **How do we fairly and equitably recover the cost of assets that we thought would last 50+ years and will soon be obsolete?**

Engagement topic: Gas demand

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

Key messaging

- There is more uncertainty than ever around future gas usage
- The ACT Government has passed legislation that bans new gas connections from December 2023, which will obviously define future connection rates but does not provide certainty about existing connections, gas usage and rates of disconnection
- A key aspect of planning for the next five years is to anticipate how much gas will be used by customers, including how many disconnections there may be
- The assumptions we make about future gas consumption have a significant impact on how we will operate the network and our network prices
- With such levels of uncertainty and the need to make assumptions regarding future gas consumption early, it may be time to consider the suitability of the five-year regulatory period

Engagement considerations and questions

- Understanding future demand for gas, including the potential rate of decline, is important but challenging
- Should we be more concerned about the uncertainty of gas demand now than before?
- How important is it that we effectively manage gas demand?
- What are the various ways of managing gas demand uncertainty?

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Engagement topic: Risk sharing

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

Key messaging

- Understanding future demand for gas, including the potential rate of decline, is important, but challenging to get right
- This uncertainty is prompting Evoenergy to consider options for different pricing models for the next five years
- There are a number of options including a price cap, a revenue cap or a hybrid-approach
- Depending upon the model adopted, the risk/reward of demand uncertainty is shifted between the customer and the network
- The decision over the option to take and the risk sharing, may also depend on when the demand forecast could be reset

Engagement considerations and questions

- In considering which approach to take, we need to understand how customers feel about the risks associated with the different options, including who bears the risk and how big the risk is?
- How should we share the risks/rewards between customers and the network?
- Over what time frame might it be appropriate for customers/networks to share the uncertainty risk?

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Engagement topic: Tariff structure

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

Key messaging

- A tariff describes how and how much you're charged for the energy you use - there are a range of ways tariffs can be structured including fixed supply charges and usage-based charges
- The tariff structure for the next regulatory period needs to be considered in the context of the anticipated and uncertain rates of declining gas usage in the region, and impacts on different types of customers
- The current structure encourages greater use of the gas network through declining rates based on gas usage - This may not be appropriate as we see customers move off the gas network
- It is important to consider the most appropriate tariff structure in this period of transition, while balancing cost recovery and customer impacts

Engagement considerations and questions

- What impact will different tariff structures have on the pace of customers moving away from gas?
- What impact will tariff structures have on different types of customers?
- What should tariffs look like as we balance declining customer numbers with continued (and possibly increasing) costs associated with network operation and decommission? E.g., Should we reconsider the declining block tariff? Should we reconsider the supply charge?

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Engagement topic: Switching off the network

Key messaging

- As customers progressively leave the gas network, we need to consider the best way to manage the transition to switching off the network
- There are different ways to manage shutting the network down, as customers exit:
    - Temporary disconnection of gas at the customer's meter
    - Permanent abolishment of the customer gas service from the mains in the street to the house
    - Decommissioning the network at the street or suburb level
- Each option has different impacts for safety, costs and service availability for other customers
- The optimal approach may change over time as more customers exit

Engagement considerations and questions

- How do we ensure the network remains safe while gradually shutting off the network?
- Who should bear the costs of shutting off the network, in the short term and long term?
- How do we balance customer choice to remain on gas with the higher cost of shutting off house by house rather than suburb by suburb?
- What is the most cost effective and fairest approach for all customers?
- Can decommissioning be effectively and efficiently brought forward?
- What is the tipping point where it is no longer efficient to continue to maintain a safe and reliable network for a small number of customers?

Are the descriptions appropriate?
Are we asking the right questions?
Are we missing anything?

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Engagement topic: Recovery of costs with a declining customer base

Comments? Have we missed anything?

Key messaging

- Network costs are typically recovered over a long time period (~80 years) to share the costs over multiple generations of users
- However, in line with the ACT Government's net zero by 2045 target, assets already built are now likely to become obsolete before the end of their useful lives
- The numbers of customers using the gas network is also declining which means the costs of the assets are spread over fewer and fewer customers over time.
- It is important to start planning for how these costs are recovered over time and across customers over the next five to twenty years

Engagement considerations and questions

- What is the appropriate approach to recover the remaining costs of assets built before today that will no longer be used for their full life (past 2045)
- What is the appropriate approach to recover the costs still required to maintain a safe and reliable network through the transition?
- Who should pay to recover these costs and over what timeframe?
- What are the price impacts and equity considerations for customers that stay and those that leave?

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15-minute break

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6. GN26 engagement tools and channels

Discussion Lead: Yolanda Mchao, Regulatory Engagement Project Manager

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How we will engage

To understand the views of our customers and stakeholders our engagement program will:

- Inform our gas network regulatory proposal for the period commencing July 2026
- Continue the important energy transition conversation that began in 2019 and will continue to 2045
- Hear from a diverse range of voices including:
  - **Technical expertise** through our ERAP
  - Long-term **consumer advocates** and partners through the ECRC
  - **Residential customers**, including older people, young people, culturally and linguistically diverse people and vulnerable customers through our customer forums and small-group conversations
  - **Large customers** through our large customers forum
  - **Industry** representatives through our existing relationships and meeting programs
  - **Retailers** through one-on-one conversations
  - **Broader community** through various channels e.g. customer research, our website, social media, etc.
- Continuously engage with key stakeholders, including government agencies and regulators
- Seek feedback on community and stakeholder views on:
  - Values with respect to **fairness and equity across customers** that may be impacted differently by the transition
  - Managing the **risks associated with uncertain demand forecasts** and the impact on **future gas tariffs** as the number of gas customers falls
  - Trade-offs that will impact on **customer prices and service quality** over the next 20 years
  - Preferences for **safely decommissioning the network and recovering investment costs**
- Use a range of scenarios to help our community and stakeholders understand the risks and uncertainties associated with different options and provide informed feedback

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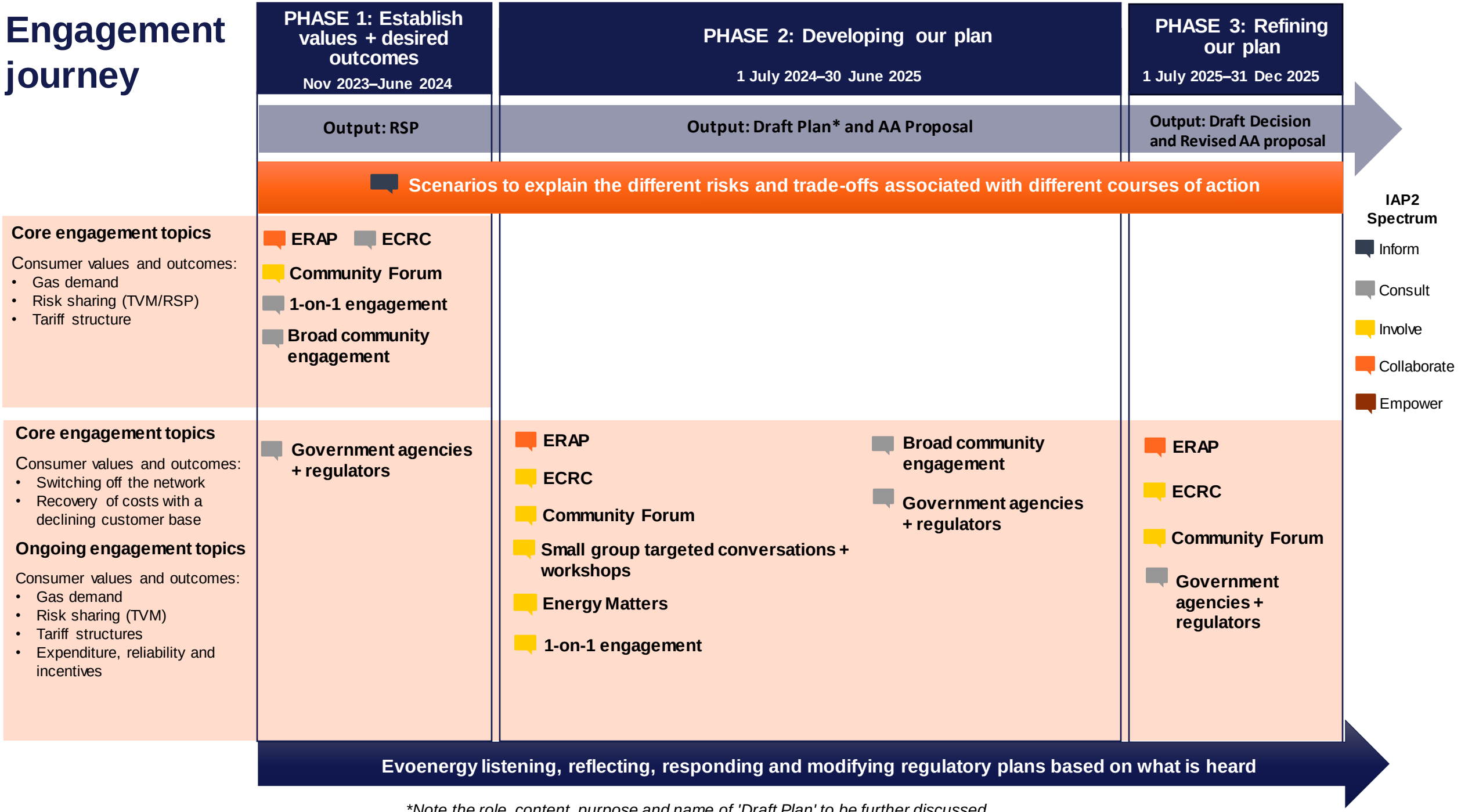
How our consumers & stakeholders will be heard

	Channel						
Stakeholder segment	**ERAP**	**ECRC**	**Community Forum (deep dives into core topics)**	**Large Customer Forum**	**1 on 1 engagement**	**Small group, targeted conversations and workshops**	**Other various channels (e.g. customer research, website, social media)**
Residential		•	•				•
Small-medium businesses		•	•	•	•		•
Large customers		•	•	•	•	•	•
Industry (e.g. gas fitters)		•			•	•	
Retailers				•	•		•
Government agencies and regulators					•		•
Consumer advocates		•					•
Youth/ CALD/ First Nations		•	•			•	•
Aggregate consumer (long-term interests of the consumer)	•						

Engagement journey



*Note the role, content, purpose and name of 'Draft Plan' to be further discussed

Discussion….

Have we missed a consumer cohort or segment?

Suggestions for engaging with hard-to-reach consumers?

Lessons from previous processes/proposals - what have you seen done well / not so well?

What would be the most effective role, content and purpose of a Draft Plan?

7. ERAP workplan finalisation

Leah Ross, Economic Regulatory Manager

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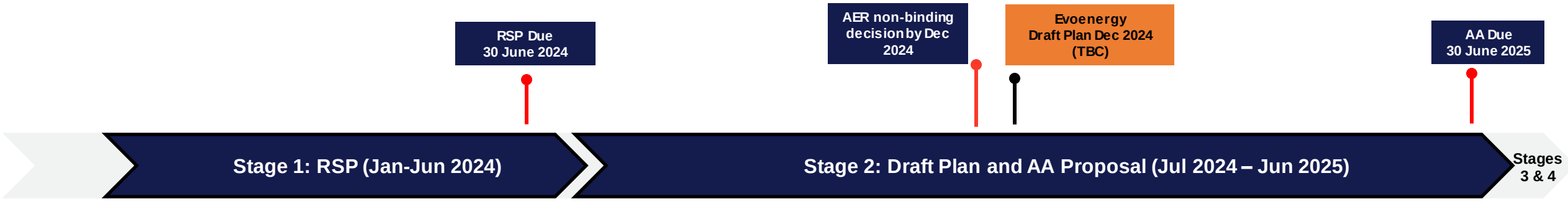
Key topics: indicative timeline



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Community Forum/s			1. Values/ outcomes	2. TVM / RSP / AA length 3. Demand/ Tariff Str	4. RAB		5. Abols/ Decom.			Expend. approach		Draft Plan		TBC		TBC		
ECRC		Eng. Strategy		TVM / RSP / AA length Demand/ Tariff Str		Abols / Decom		RAB		Expend. approach		Draft Plan		TBC		TBC		
Retailers			RSP		RSP									AA		AA		
Large customers			RSP		RSP									AA		AA		

AA: Access Arrangement
Abols/Decomm: abolishments and decommissioning
Eng: engagement
Exp. approach: expenditure approach
RSP: Reference Service Proposal
Tariff Str: Tariff structure
TVM: Tariff variation mechanism

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Meeting	Meeting 2 7 Feb	Meeting 3 Mid-late March (~15-20/3) (Canberra Day 13/3, Easter 29/3-1/4)	Meeting 4 Late April (~19-23/4) (Anzac Day 25/4)	Meeting 5 Mid-late May (~29/5) (Reconciliation Day 27/5)	Meeting 5 Mid-June (~15/6) (King's Bday 10/6)	Meeting 6 Late July (~24 July)	Meeting 7 Early October (~8 October) (Labour Day 1/10)	Meeting 8 Feb-March 2025	Meeting 9 May-June 2025
Items for discussion ***Consider, challenge and guide***	Agreed • Workplan • Oper. Guidelines Codesign • Eng. narrative • Eng. scenarios • Eng. tools	Consider, challenge and guide: • Approach to Tariff variation mechanism, reference services and length of Access Arrangement (options to manage risk and uncertainty: risk-sharing approaches and trade-offs) Evoenergy share feedback from other engagement	Consider, challenge and guide: • Approach to demand forecasts (elasticity of demand project) and tariff structure Evoenergy share feedback from other engagement	Consider, challenge, guide: • RAB recovery options (accelerated depreciation) • RSP approach Evoenergy share feedback from other engagement	Evoenergy report back on: • Final RSP approach • RSP approach	Consider, challenge, guide • Abolishments/ decomm Evoenergy share feedback from other engagement	Consider, challenge, guide: • Expend. Strategy • Draft Plan engagement • AER RSP (if avail.) Evoenergy share feedback from other engagement	Consider, challenge, guide • Review strategies for AA proposal Evoenergy share feedback from other engagement	
Prepare					*Report on Evoenergy's use of the regulatory framework to identify, assess and mange risks to consumers during GN26 RSP (TBC)*				*Report on Evoenergy's use of the regulatory framework to identify, assess and mange risks to consumers during GN26 AA (TBC)*
Other meetings	• ECRC 15/2		• ECRC 11/4 • Comm. Forum 1 (values/outcomes) • Comm. Forum 2 (TVM/RSP) • Comm. Forum 3 (Demand/tariff str.)	• Comm. Forum 4 (RAB)	• ECRC 20/6	• Comm. Forum 5 (abolish/ decomm)	• ECRC 24/10		

Draft workplan

Papers / presentation circulated 1 week in advance

Discussion….

Are there additional topics that need to be considered before June 2024 (RSP) or June 2025 (AA Proposal)?

Are there views on the sequencing of meetings (noting ECRC meetings are already set)?
Note: ERAP meetings will be scheduled after this session

Lunch – 45 minutes

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8. Developing the GN26 engagement scenarios: discussion and feedback session

Facilitator: Helen Leayr, Communication Link

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Context for scenarios

Bruce Hansen, Group Manager Gas Networks

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Our customers (ACT and NSW)

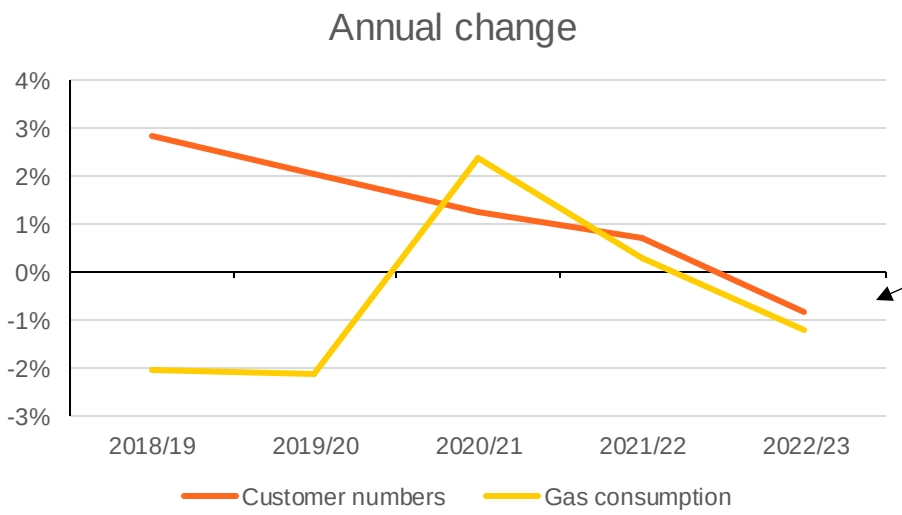
	Definition	Number of connections (at November 2023)			Annual Consumption (TJ) 2022/23		
		ACT	NSW	TOT.	ACT	NSW	TOT.
Residential Less than 100GJ per annum	Residential connections to the gas network across the ACT and surrounding areas of NSW. Includes approx. 19,000 high rise units (~13%) (central hot water).	134,099	15,472	**149,571**	3,880.9 (av. 28.95 GJ)	495.4 (av. 32.7 GJ)	**4,376 (av. 29.33 GJ)**
Small to Medium business (Small Tariff) 100GJ to 1 TJ per annum	Small to medium business connections, including service industry (restaurants, shops, banking and retail).	3,318	346	**3,664**	844.9 (av. 254 GJ)	87.2 (av. 252 GJ)	**932.1 (av. 254 GJ)**
Major Customers (Large Tariff) 1TJ to 10TJ per annum	Major customers include larger schools, hotels, panel beaters, the ACT glassworks and smaller office buildings with space heating.	365	16	**381**	1051.8 (av. 2.88TJ)	39.5 (av. 2.33TJ)	**1,091.3 (av. 2.86TJ)**
Contract customers 10TJ or more per annum	Contract customers using 10TJ or more per annum include tertiary education facilities, large hotels, developers and government customers. This includes ACT Govt facilities such as swimming pools, hospitals and associated laundry facility and sewage works. This also includes Commonwealth Govt customers such as APH, national cultural institutions and buildings. Also includes three manufacturers: Styrofoam, bakery and asphalt	40	-	**40**	1,292.0 (av. 32.30TJ)	-	**1,292 (av. 32.30TJ)**
Total Evoenergy gas customers		137,822	15,834	**153,656**	7,069.6 (av. 51.3 GJ)	622.2 (av. 40.1 GJ)	**7,691.8 (av. 50.2 GJ)**
Total customers (DNSPs regulated by AER)	Includes Evoenergy, JGN, AGN (SA), AGN (Albury & Victoria) AusNet Gas and Multinet	**4,391,000***			**297,090***		
% Evoenergy (DNSPs regulated by AER)		**~3.5%**			**~2.5%**		

Source: AER website Gas network performance report 2023 (*2022 figures)

Recent Evoenergy gas performance

	2018/19	2019/20	2020/21	2021/22	2022/23
Network customers	151,138	154,216	156,132	157,257	155,957
Annual change (%)	2.8%	2.0%	1.2%	0.7%	-1.2%
Gas consumption (TJ)	7,914	7,745	7,927	7,950	7,852
Annual change (%)	-2.0%	-2.1%	2.4%	0.3%	-1.2%

Source: Evoenergy RIN data
Note: Customer numbers are based on average of 1 July and 30 June numbers in a given financial year



Both customer numbers and gas consumption fell in 2022/23 suggesting 'end of an era'
(Coincides with 2-years of peak electricity demand)

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ACT Government rebates and incentives are encouraging people to make the switch…….

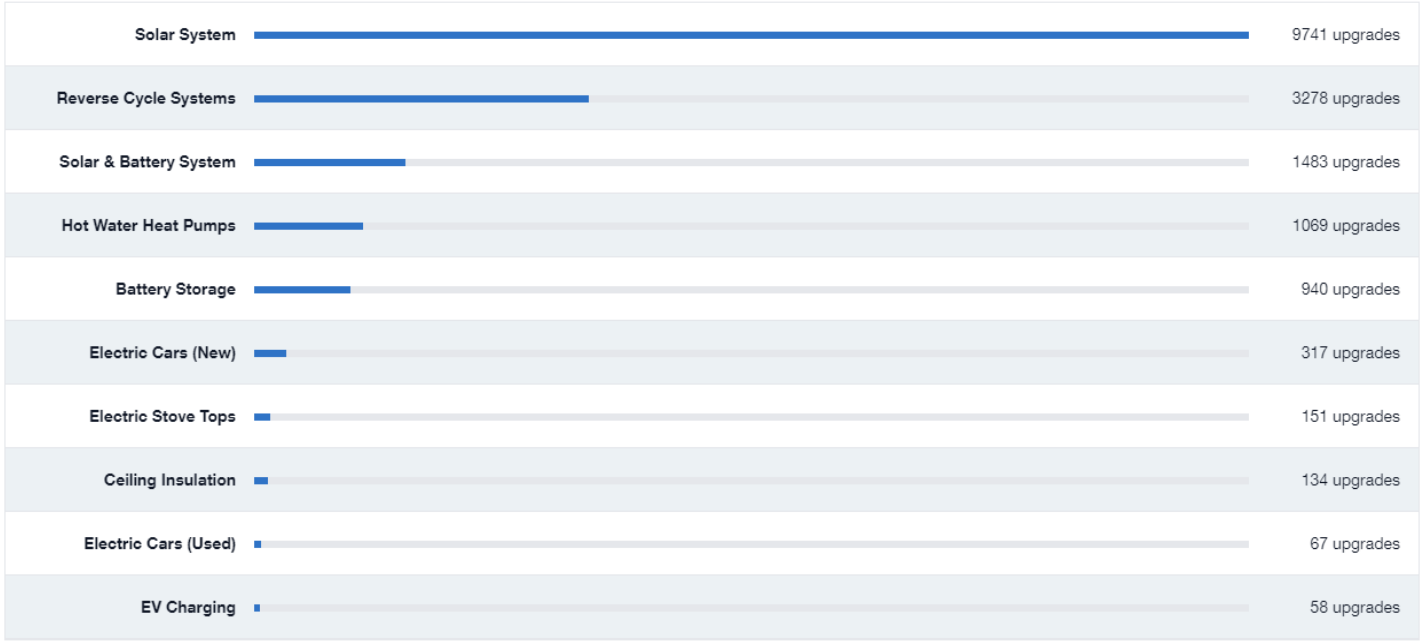
Sustainable Household Scheme Dashboard

17,240
Upgrades installed to the scheme

$190 million
Total amount financed to date

103,448 kW
Settled under the scheme in general

Total products by category



Impacts gas heating load

Impacts gas hot water heating load

Impacts gas cooking load

Source: ACT Government Climate Choices website [Rebates and incentives - Climate Choices (act.gov.au)]

Gas Networks Connections as at Nov-23

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Location: All

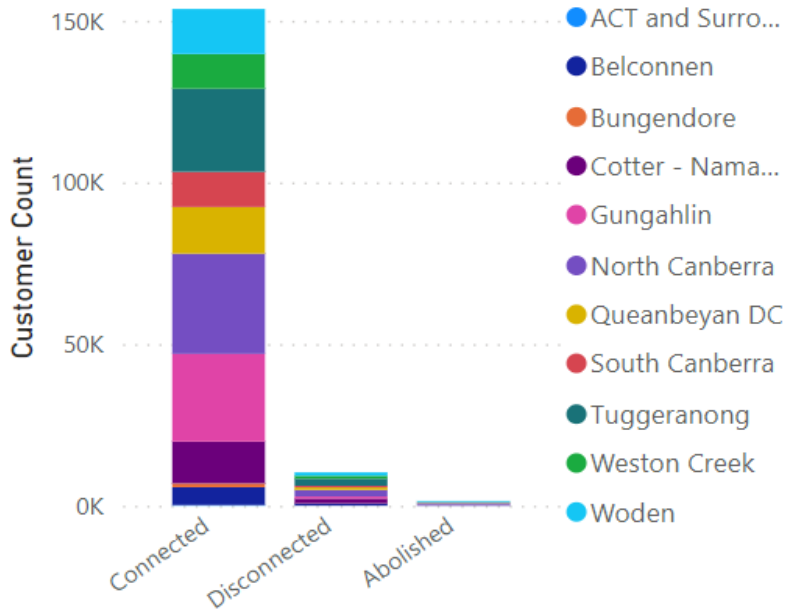
Customer Type: All

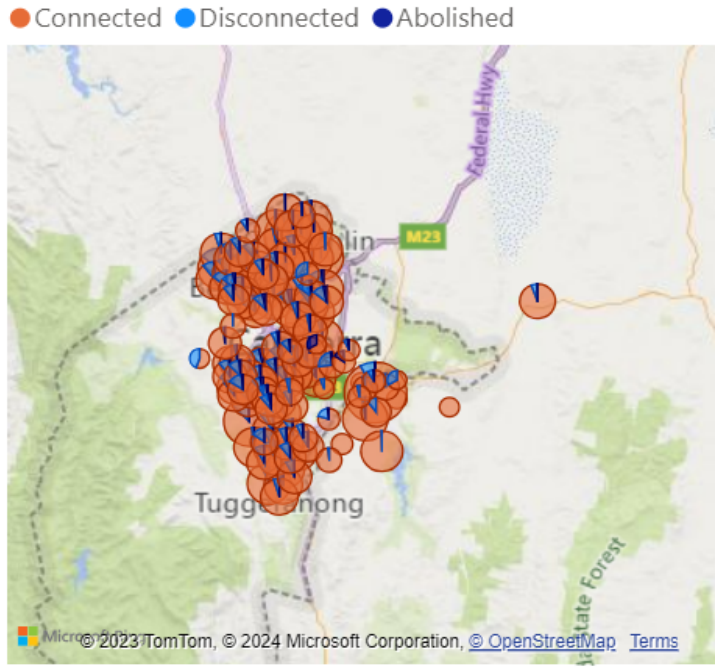
Meter Type: All

153,656	149,747	10,328	1,436
Connected	Connected & Consum...	Disconnected	Abolished

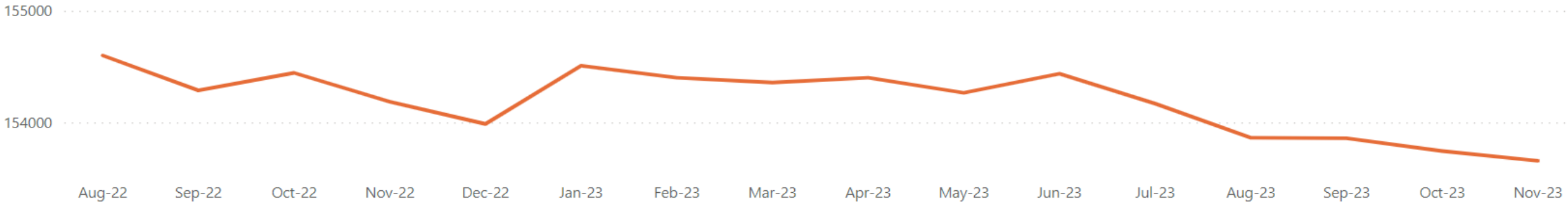
Current Connections By Status and Location

Location	Connected	Disconnected	Abolished
⊞ **ACT**	**137,822**	**9,456**	**1,386**
⊞ **NSW**	**15,834**	**872**	**50**
Total	**153,656**	**10,328**	**1,436**



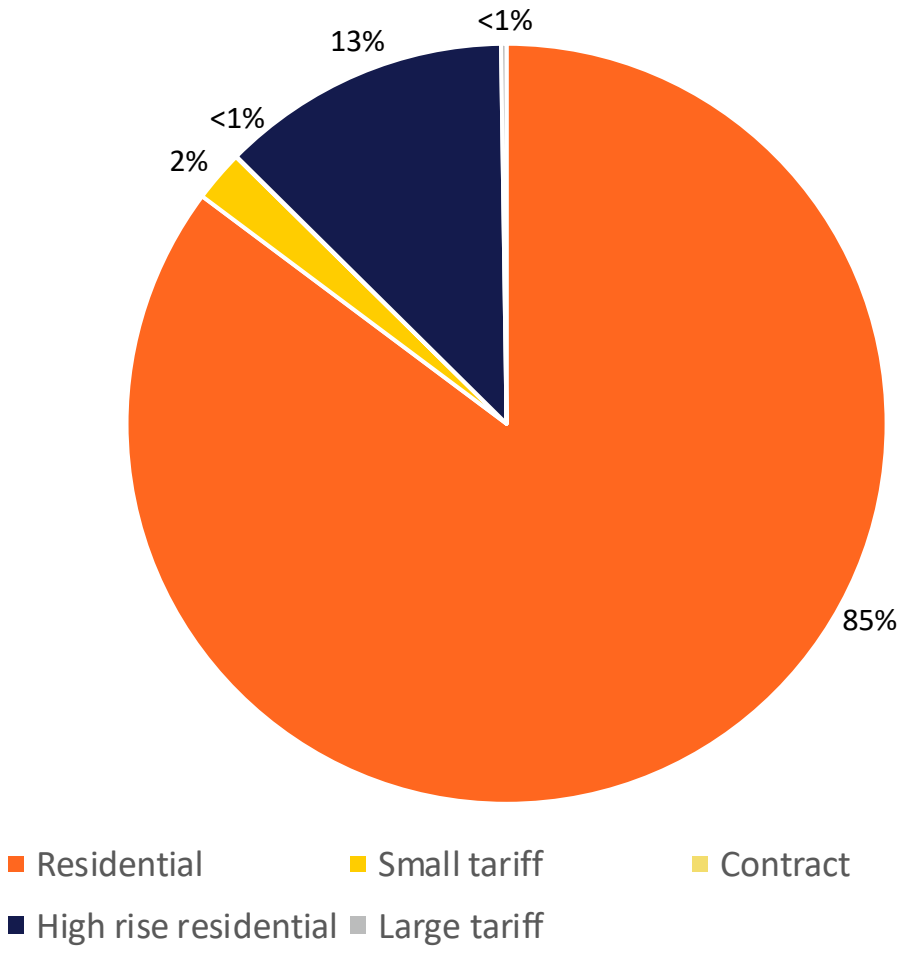


Connections Over Time

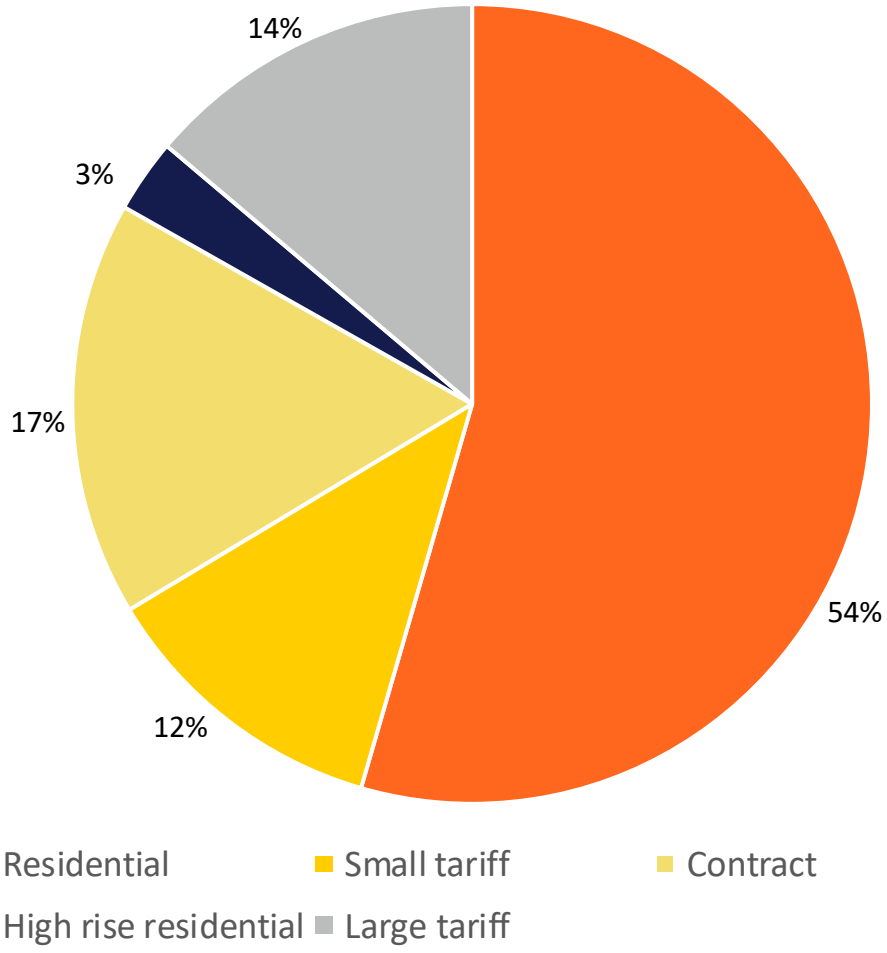


Demand per customer segment

Customer segment numbers



Consumption (TJ) 2022-23



ACT Government's Integrated Energy Plan

Phase	IEP 1: 2024-30 Setting the foundations	IEP 2: 2030-35 Accelerating the transition	IEP 3: 2035-45: Electric Canberra
Approach	Consumer led transition (household and business decisions on when to replace fossil fuel gas appliances, close accounts and abolish) New fossil fuel gas connections banned from end 2023 Support for household electrification and Consumer Energy Resources	Regulatory led transition (e.g. mandatory replacement of appliances, electrification of rental properties) Barriers to gas abolishment reduced Technological advancement to support integration of electrification for complex buildings, business and industry (certainty around niche green gas) Decommissioning plan and workforce reskilling	Commence phased decommissioning Workforce transition
Indicators	*By 2030 (from 2023 base):* • *↓Retail accounts (131,000→94,000-109,000)* • *↓Network connections (139,000→103,000-121,000)* • *↓Connected households (67%→ 45-52%)* • *↓Total volume (PJ) (6.5PJ→4.27-4.7PJ)*	*To be determined*	*By 2045:* • *Net zero emissions** **indicators will be informed by lessons of the transition and emissions reductions achieved*
AA	*Access arrangement 2026-31*	*Access arrangement 2031-36*	*Access arrangement 2036-41+*

Scenarios

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Why have future scenarios for GN26?

There is more uncertainty than ever before

- Policy pathway to 2045 is clear, starting with a customer-led transition, but there is uncertainty exactly how and how fast the transition away from gas will occur
- The demand forecasts is central to many interrelated elements of the regulatory framework
- But there is greater uncertainty over the future demand profile than ever before - how fast will customers decrease/disconnect their gas consumption and which type of customers will transition and when?
- The uncertainty creates risks for customers and network alike

Scenario analysis is a common tool for managing uncertainty:

- **An engagement tool** – for framing discussions around options and trade-offs in an uncertain world. Give comfort to stakeholders we are thinking about the long-term
- **A decision-making tool** – allows for optimal decisions to be made today, taking into account the uncertainty of tomorrow. Allows us to manage uncertainty and optimise risk
- **Scenario analysis is not about predicting the future** – it's about understanding how decisions made today could look like under different futures

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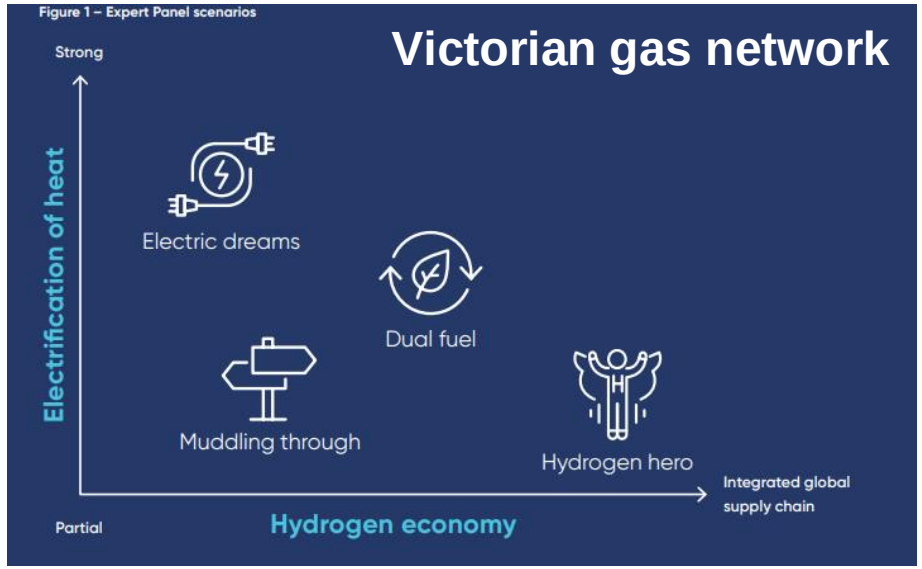
Examples from other networks

Victorian gas network



Conscious that developing a strategy for the future of gas networks would benefit from a whole-of industry approach, rather than an individual network approach, we along with our fellow Victorian networks, Australian Gas Networks and Multinet Gas Networks, convened a panel of independent industry experts to develop potential future scenarios that Victorian gas networks could consider. The purpose of the scenario development was not to pick a winner, but to understand the various ways the future could unfold and plan for these eventualities.

Victorian electricity network

Steady State

Scenario 1

Electricity is managed and supplied in much the same way as it is today, considered as business-as-usual. There is a strong driver to reduce costs while maintaining network performance and ensuring security of supply.

Consumer Power

Scenario 2

Electricity supply and demand is markedly impacted by consumers' uptake of new energy efficient appliances, electric vehicles and individuals' investment in renewable energy sources.

Green Power

Scenario 3

The electricity network (and market) adapts to a greener future quickly, backed by more investment in alternative energy sources and policies that encourage more ambitious renewable energy targets.

Assumptions		Steady State	Consumer Power	Green Power
1.	Level of electrical energy efficiency	Low	High	Medium
2.	Uptake of demand management by residents	Low	Medium to High	Medium
3.	Demand side response by businesses	Medium	High	High
4.	Uptake of electric vehicles	Low to Medium	High	High
5.	Electric vehicle subsidies	Low	Medium	Medium
6.	Support for renewable generation	Medium	Medium	High
7.	Support for local renewable energy production	Medium	High	High
8.	Support for large-scale renewable energy	Medium	Medium	High
9.	Commercial and industrial investment in renewables	Medium	High	High
10.	Progress towards Victorian Government Renewable Energy Targets	High	High	Exceeding
11.	Participation in new network pricing options	Low	High	Medium

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Developing scenarios for G26 engagement

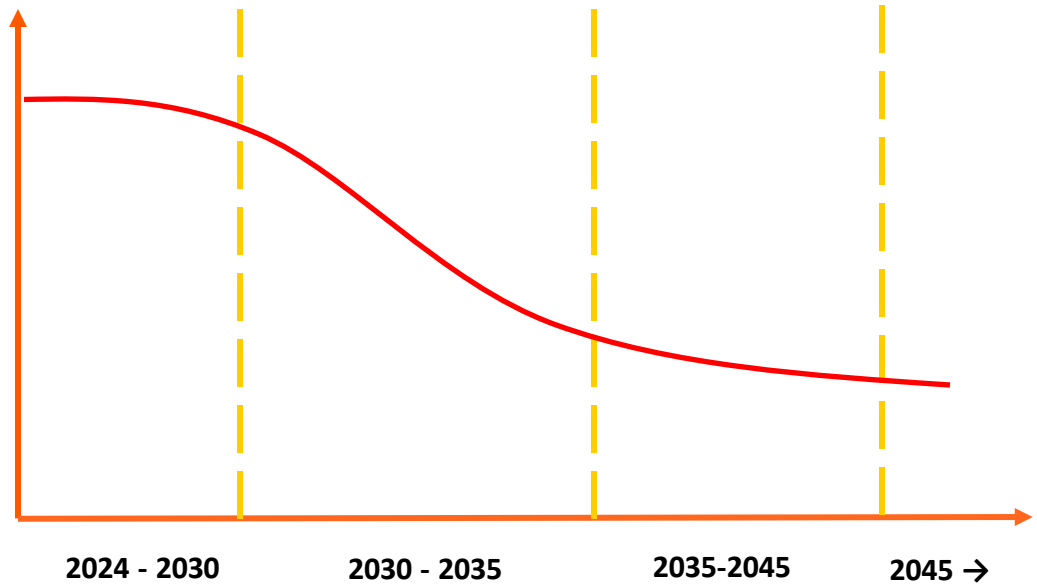
Suggested steps	*Evoenergy initial thinking*
1. Agree on scope and framing of scenarios	• Limit to ACT gas network future scenarios – i.e. broader energy transition scenarios out of scope, large-scale green gas future out of scope • Scenarios have different drivers which impact on gas demand profiles
2. Define scenarios	• Three broad scenarios - slow, mid (in line with Integrated Energy Plan), fast
3. Identify assumptions to include	• Identify key drivers • Recognise there will be some circularity of assumptions • Identify indicative demand outcomes of drivers
4. Determine assumptions for each scenario	• Draw from available data sources • Recognise that assumptions are indicative and serve to set a spectrum / range of possible outcomes
5. Name it	• Placeholder: Slow, steady, fast transition off gas

Scenario development for discussion

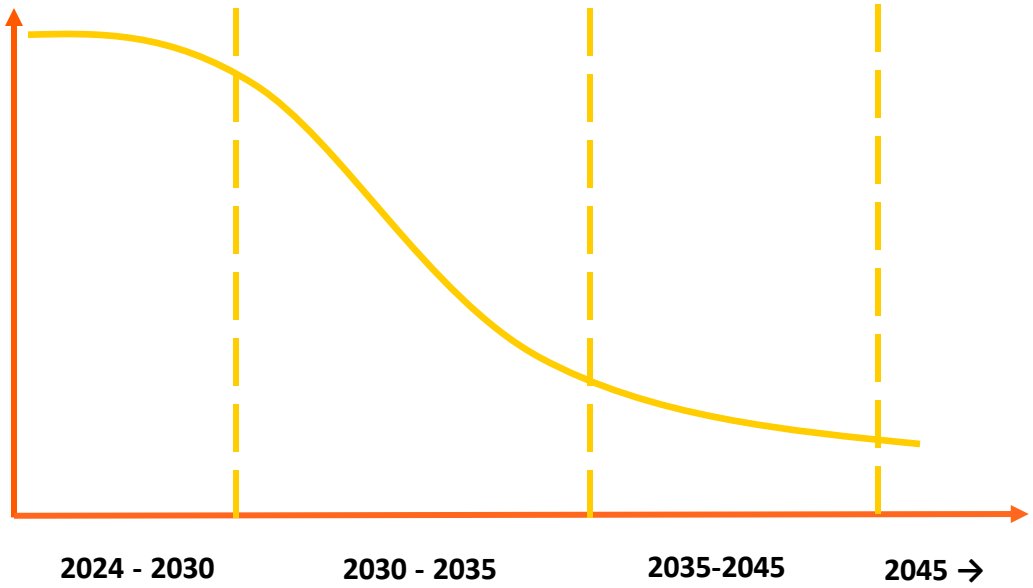
	Slow transition offgas	Steady transition offgas	Fast transition offgas
Description of scenario	Under this scenario, NZ45 is not achieved without offsets etc. This may occur as a result of: • consumer preferences to stay with gas appliances and services, • changes in government policy, or • a breakdown in technological innovation required to achieve technological advancements required to shift some consumers to full electric (eg large customers, multi-occupancy residences).	This scenario aligns with the IEP phases to NZ45: • Phase 1 (to 2030): consumer led transition, with incentives and no new gas connections • Phase 2 (2030-35): regulatory led transition, and government intervention to shift hard to move customers (vulnerable) and technological advancements to shift large customers and multi-occupancy residences) • Phase 3 (2035-45): continued government intervention to shift hard to move customers (vulnerable). Commence phased decommissioning	Under this scenario, NZ is achieved ahead of 2045 (eg 2035 or 2040). This may occur as a result of • changes in government policy to intervene (via regulation or additional incentives or support for vulnerable consumers) earlier • Technological advancements to shift large customers and multi-occupancy residences • Community and consumer preferences to quickly move to NZ
Assumptions			
Drivers			
Government policy	Light-handed	In line with IEP1	Aggressive
Government funding / incentives	low	moderate	High
Improvements in technological advancements / technical feasibility for large / complex users	Slow	Moderate	Fast
Consumer willingness / sentiment	Resistant	Moderate	Enthusiastic
Improvement in competitiveness of electric appliances	Slow	Moderate	Fast
What else?			
Demand outcomes			
Rate of disconnections			
2026-30	Slow	In line with IEP1	Fast
2031-35	Moderate	In line with IEP2	Fast
2035-45	Moderate	In line with IEP3	Approaching zero disconnections
Average consumption per connection			
2026-30	Steady	In line with IEP1	Declining
2031-35	Declining	Declining	Declining
2035-45	Declining	Declining	Approaching zero

High level illustrative demand profile under each scenario

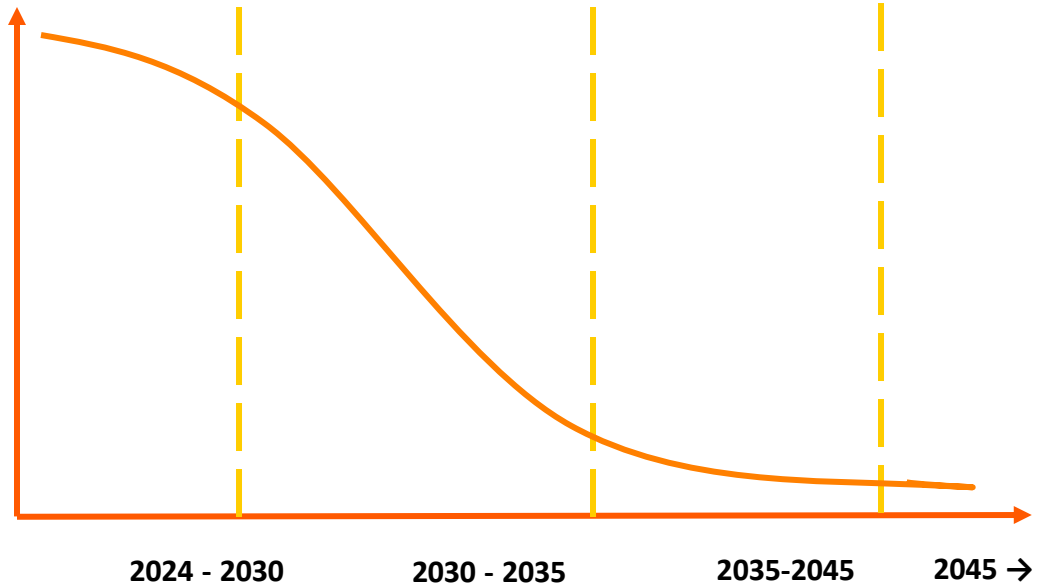
Slow transition off gas



Steady transition off gas



Fast transition off gas



Discussion….

In these scenarios, are there any shortcomings?

Do we need to further explain key elements?

What are the impacts? And which cohort is most affected?

How effectively does this scenario, as a communication tool, work alongside the narrative to explain our key messages and highlight the impacts on customers?

15-minute break

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Recap and next steps

- Meeting #2 summary and engagement discussion and feedback session outcomes dashboard report
- Finalisation of GN26 consumer and stakeholder engagement strategy
- Final ERAP meetings schedule to be circulated to members and meetings scheduled – expect next meeting to be held end March 2024 to discuss Tariff Variation Mechanism

Other business

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Meeting close ~4.30pm

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