

Evoenergy Energy Consumer Reference Council (ECRC)

Meeting 30

Minutes August 14th 2019

ActewAGL House

Attendees

ECRC

Allan Williams	Chair
Susan Helyar	ACTCOSS
Geoff Buchanan	ACTCOSS
Jenny Mobbs	Council on the Ageing (COTA)
Kevin Cox	Gungahlin Community Council
Alicia Sadleir	Engineers Australia, Canberra Division
Adina Cirson	Property Council of Australia (ACT)
Didi Sommer	Tuggeranong Community Council
John Sullivan	Australian National University
Sean Gladman	Canberra Business Chamber

Evoenergy

Fiona Wright	Acting General Manager
Leylann Hinch	Branch Manager, Asset and Network Performance
Giuliana Baggoley	Consumer Engagement Manager
Bruce Hansen	Branch Manager, Gas Networks
Samantha Lloyd	Brand and Communication Specialist
Dennis Stanley	Branch Manager, Asset Strategy
Alison Davis	Program Manager, Customer Connections
Brad Eagle	Senior Project Manager
Bronwen Butterfield	Environment Team Lead
Glenn Pallesen	Branch Manager, Customer Connections

ActewAGL

John Knox	CEO
Gillian Symmans	Senior Economist
Phil Deamer	Acting Director Regulatory Affairs and Pricing
Chris Bell	Manager Price Review
James Dunlop	General Manager, New Energy (attended during Item 8.)

Guests

Helen Oakey	Conservation Council, ACT
Eleanor Lawless	Conservation Council, ACT
Joel Dignam	Better Renting
Slavko Jovanoski	Director, Networks, Australian Energy Regulator
Robyn Robinson	Chair, Consumer Challenge Panel (CCP24)
Mark Grenning	Member, Consumer Challenge Panel (CCP24)
Alexis Hardin	Link Economics

Apologies

ECRC

Rick Lord	Council on the Ageing (COTA)
Prof Barbara Norman	Canberra Urban and Regional Futures
Michael Hopkins	Master Builders Association
Nick Clarke	Engineers Australia, Canberra Division
Glenys Patulny	Tuggeranong Community Council
Ron Thompson	Canberra Business Chamber

Evoenergy

Janelle Waithe-Davison	Customer Liaison Officer
Scott Walters	Strategic Account Manager
Barry Harvey	Acting Manager, Energy Markets and Contact Centre

Guests

Benn Masters	SolarHub
Mark Henley	CCP24

Papers distributed prior to the meeting:

- Agenda meeting #30
- Draft Minutes ECRC Meeting #29
- 2015 Gas Networks Access Arrangement Review ECRC meeting slides

1. Welcome and introductions

ECRC Chairman Mr Williams welcomed members and guests. Apologies were noted.

Mr Williams welcomed ActewAGL CEO Mr Knox. Mr Knox also welcomed guests to the meeting. Mr Knox said the ECRC is particularly important now when one cannot make assumptions about knowing what consumers want, and where the industry will head next. He thanked members for their contribution and representation.

2. Review and ratify the minutes of meeting 29

The minutes and actions arising from ECRC meeting 28 were discussed. Of the actions arising, Evoenergy has committed to inviting an independent expert to present to the ECRC's October meeting (Meeting #31) on modelling the cost of future gas network options.

The ECRC Meeting 29 minutes were ratified.

3. ECRC member updates

- Mr Buchanan mentioned that ACTCOSS have entered into a contract with Evoenergy to deliver some of the GN21 vulnerable consumer engagement program including a consumer expert workshop on August 27th. Among the presenters at this workshop will be CCP24 Chair Robyn Robinson.
- Ms Sommer reported that Bruce Hansen presented to the Tuggeranong Community Council meeting on August 6th and that it was well received – Ms Sommer encouraged other attendees

to take advantage of Evoenergy's offer to present on the gas network future planning within the regulatory reset period.

- Mr Sullivan announced that on 1 August Australian National University launched a new master plan for the Acton campus. The master plan incorporates elements as diverse as heritage, energy management and technology with more classic aspects such as landscape and building design standards. It can be viewed online: <https://www.anu.edu.au/news/all-news/acton-campus-master-plan>
- Ms Mobbs said that ActewAGL Retail (AAR) had recently run a workshop at COTA headquarters to help older people read their energy bills and understand them better. The AAR team were able to answer questions and check on the day if people were on the most appropriate bill for them. Jenny felt the event was successful.

4. Consumer Challenge Panel and Australian Energy Regulator: Introduction and Role

Mr Jovanoski provided a re-introduction to his role as Director, Networks, and to the role of the Australian Energy Regulator (AER) itself in regulatory reviews. Mr Jovanoski remarked upon Evoenergy being on a regulatory cycle that follows Jemena. He also reported that the AER had received no submissions on Evoenergy's Reference Service Proposal. Mr Jovanoski said that, at this meeting, the AER is keen to understand Evoenergy's approach to consumer engagement.

Chair of the Consumer Challenge Panel appointed to GN21, Ms Robinson, outlined the role of the Consumer Challenge Panel (CCP) and what they are interested in as Evoenergy develops their proposal. The CCP is appointed by the AER and works as independent consultants providing advice on consumer engagement conducted by the business, as well as whether the final proposal is in the long term interests of the consumer. The CCP evaluates the 'full package' from a consumer and stakeholder lens. Ms Robinson said that the CCP wants to understand what issues the business is grappling with and how it will present a full picture to consumers. Mr Grenning introduced himself to attendees.

Mr Williams responded by sharing some of the ECRC experiences over recent regulatory resets: it was noted that the ECRC made its first independent submission to such a process during the recent electricity network regulatory reset (EN19).

5. GN21 regulatory reset

Ms Hardin presented Evoenergy's regulatory proposal (GN21) update; placeholder inputs and preliminary results including indicative impacts on future gas prices.

Following Ms Hardin's presentation attendees participated in two workshop exercises: feedback from GN16 was shared and attendees indicated whether priorities and interests in 2015 remain more or less relevant to their communities/members in 2019; attendees then noted what particular topics and points they wanted expanded upon in future meetings, and to highlight their community/member key interests in the development of GN21.

(These exercises were to understand potential areas of interest where Evoenergy can provide more information or details to assist consumers in providing feedback on GN21. Feedback will be posted on the GN21 webpage to be launched in 2019).

Mr Cox asked if the capex calculations are standard. Mr Jovanoski and Ms Hardin both replied that the building block methodology used to calculate Evoenergy's revenue requirement is largely a standard mechanistic approach, with little discretion for either Evoenergy or the AER to change this approach.

Mr Jovanoski commented that there is some ability for distribution businesses to use different inputs and provided the example of Jemena adopting a 50-year asset life for HP Mains instead of an 80-year asset life that had previously been approved. He said the AER considers all these things, but an overall framework is embedded in the Rules.

Ms Oakey asked how renewable gas is being factored into GN21 in terms of (ACT) carbon reduction targets; whether there is a conflict between the government's climate change policy and actively increasing new gas connections.

Ms Helyar said that the CCP needs to investigate rationale for investing in gas network vs. electricity network.

Mr Hansen replied that Evoenergy regards renewable gas as the viable energy alternative with the potential to reduce greenhouse gas (GHG) emissions from the gas network to zero carbon more efficiently and that all-electrification by contrast is not in the long term interests of energy consumers.

Ms Hardin said that this is a key consideration in meeting affordability and greenhouse gas targets for ACT.

Mr Williams reminded attendees that Evoenergy will invite an independent presenter to comment on costing of decommissioning the gas network at the October meeting.

Mr Knox said that the future of the gas network in the context of a zero net emissions target by 2045 is one of the biggest issues that Evoenergy is grappling with. And that Evoenergy is uniquely placed being both a gas and electricity distributor: we need to understand what the coupling interaction could look like. Preliminary work considered the cost of transitioning to full electrification and estimated this to be in the billions of dollars. Independent experts are modelling this at the moment. This work will also include a peer group review, including representatives from the ANU.

Mr Knox is aiming to present to the ActewAGL Board a zero net emissions by 2045 strategy by the end of 2019 and as part of this process various stakeholders would be consulted. He noted that the ACT government is concerned about the impact the existing gas network has on the Territory's greenhouse gas emissions, however new gas connections, including in new suburbs, continue to grow. He indicated that Biogas (bio-methane) is being explored along with hydrogen as options to decarbonise the gas distribution network. The broader hydrogen strategy is keeping the gas debate on the table. He said there is currently a critical window of opportunity, and that Australia's Chief Scientist Alan Finkel is looking closely at hydrogen strategy. Mr Knox noted that these options and investments are likely to be outside the approaching regulatory submission's framework. Lastly he mentioned that Evoenergy is also looking at offsets similar to the path taken for electricity for renewable gas.

Ms Oakey asked why Evoenergy is enabling new gas connections in greenfield suburbs? She remarked that while she acknowledges the benefits to Evoenergy of spreading costs across a larger customer pool, she was uncertain of the benefit of new connections while there was uncertainty about the long term future of gas networks. A further question was of the exact costs of upgrading the electricity network.

Mr Hansen reiterated that this modelling is coming, and that anything we present will be peer-reviewed by the ANU Energy Change Institute. Also that Energeia is considering no gas to new suburbs within their modelling.

Ms Helyar asked what resulted in the 8% reduction in Evoenergy's capex in the current regulatory period, which had been noted in Ms Hardin's presentation.

Mr Bell responded that it was due to variability in things like new development construction, but also other things like climate change (impacting local climate and energy consumption).

Ms Hardin promised to return to the ECRC with a breakdown on how this 8% difference came about.

Mr Jovanoski said that Jemena's activity was influenced by transmission networks and gave the example of deferred work on the Moomba pipeline that had some downstream effects, and that Evoenergy's capex can be similarly influenced by external factors.

Mr Cox asked why there are no plans to engage with ACT Government and seek funding around a hydrogen economy and productivity and benefits this could bring.

Ms Hardin responded that it is too early to make such a determination and advocate in this way. Evoenergy is still working on assessing options and developing a roadmap for the future of the gas network.

Mr Hansen reminded attendees that Evoenergy is not allowed to be a *producer* of hydrogen. Evoenergy's strategy is focussed on understanding what needs to be done on the network.

Mr Dignam asked how the production of hydrogen would impact the electricity network, given its dependence on electricity. Mr Hansen advised that the gas network has a very large energy storage capacity (in comparison to batteries, for example) and that hydrogen could be produced and stored in the network at times of otherwise low electricity demand. To replicate this capability without the gas network would likely require many large battery installations.

Ms Sadleir asked the reason for the \$5m difference between capex allowance and actual capex in 2018/19 that was shown in Ms Hardin's presentation. Evoenergy underspent the allowance and committed to providing some more context around this; planning approvals and land releases delayed some work resulting in re-scoping.

Ms Oakey asked what planning there was to inform consumers now that they may need to reinvest in new appliances as part of (potentially) decommissioning the gas network and that given longevity of appliances who provides the opportunity for customers to make more informed choices with major

investments like new heating systems. Ms Oakey acknowledged that the up-front costs of replacing gas appliances are not insignificant – she wondered how this would be communicated and handled.

Ms Lawless asked Mr Hansen to explain what he meant by renewable gas.

Mr Hansen replied that when he says renewable gas he refers mainly to hydrogen produced using renewable energy sources and bio- methane captured from waste that would otherwise emit methane and carbon dioxide directly to the atmosphere but that there are other sources of renewable gas production as well such as synthetic methane which combines waste carbon dioxide with hydrogen.

Ms Lawless asked whether modelling would be done on decommissioning the gas network to accommodate other energy sources. She said an inter-governmental panel reported there were only 12 years remaining in which to mitigate the effects of climate change. Ms Lawless asked to see data.

Mr Hansen explained the ACT winter morning gas consumption scenario of a 1770 MW effective load versus the peak electricity network load of 700 MW: reiterating that in effect the gas network is the bigger network, and that it holds twenty-five (25) times the energy of South Australia's massive storage battery (which was the largest of its type in the world at time of installation). Mr Hansen said the electricity network cannot match this storage capacity (of the gas network in the ACT). Hydrogen can be generated at night (when there is no solar generation) and can be used in the same way as stored energy. He remarked that more engineering modelling was required, but that in his opinion there was nothing to prevent bio-methane becoming a substantial contributor to lowering greenhouse gases in the short term.

Ms Hardin was questioned on what makes up controllable and uncontrollable components of operating expenditure (opex). Ms Symmans explained that the main contribution to the uncontrollable opex was the ACT Government's UNFT (utility network facilities tax) which accounted for approximately \$10M/year and the energy industry levy. There is also a small amount for unaccounted for gas mainly as a result of metering inaccuracy.

Ms Helyar asked whether the opex underspend in this regulatory period (shown in the presentation) was due to less growth in the gas network than expected.

Mr Bell said Evoenergy has been able to beat the AER's opex allowance through achieving productivity improvements. The regulatory regime provides a strong incentive for energy distributors to become more efficient as, under the AER's methodology, they are able to keep the savings for five years before lower costs are passed on to consumers as a lower opex base in the next period.

Ms Helyar asked Mr Jovanoski how the AER will continue to calculate the weighted average costs of capital (WACC) when cost of capital is approaching zero.

Mr Grenning answered that that risk premium on a business like energy is low. That the equity component is lower than the debt component due to lower interest rates. Ms Hardin commented that the risk free rate is definitely falling and risk premium is falling.

Ms Helyar asked that the CCP consider this, however Ms Hardin said there is not this discretion around financial parameters, as they are now set via an instrument that binds both the business and the AER. Mr Grenning then asked Ms Hardin what the delivered price is for customers.

Ms Hardin said that Evoenergy's distribution network costs comprise about one quarter (1/4) of the total retail bill.

Mr Williams asked the meeting whether they had a view of front-loading the price reductions as was shown in Ms Hardin's presentation (which included a note that this was not the only way of smoothing costs). There were no strong views on this position i.e. no response.

[Ms Cirson asked how Evoenergy incorporates the ACT Government energy efficiency policy into future planning. She remarked that businesses and developers work years in advance but need certainty now (this has been mentioned to the ACT Government).

Ms Hardin and Mr Bell mentioned that the consultants contracted by Evoenergy will take all such things into account with their modelling; that there are many factors incorporated into their planning.

Ms Robinson asked what customer growth percentage is being assumed in placeholder figures. An assumed customer growth of two percent (2%) is used in the preliminary estimates based on current trends.

The question was asked about the rate of disconnections in established (brownfield) suburbs. Mr Hansen replied that there have been 850 disconnections attributed to demolition of Mr. Fluffy homes over the past couple of years. Aside from Mr. Fluffy houses, the disconnection rate is very small.

Ms Helyar remarked favourably on front-loading price reductions and smoothing out the rest over the remaining years in the regulatory period.

Mr Sullivan said there need to be rebates from retailers on gas appliances to soften the up-front capital costs; to smooth out costs of ownership and energy to help with any transition. He said this is happening with EEIS sessions.

Mr Sullivan said as a major customer with significant heating needs that it would cost millions of dollars to switch to no-gas, and wondered aloud at the realistic options moving forward.

During the first workshop exercise attendees identified at least four priorities for GN21 –

- Reliability,
- Price stability
- Understanding the energy transition and associated impacts (including \$)
- Affordability & vulnerable customers

Ms Mobbs remarked that affordability is becoming significant.

Mr Dignam was interested in teasing out some of the priorities and remarked that reliability could or should encompass having *access* to affordable gas as an energy source.

Ms Oakey again raised what she regards as a need to speak to the changeover of appliances during any transition.

Mr Hansen said in the past Evoenergy have been accommodating to customers (having access) by laying gas pipelines where it has been somewhat more costly to do so. This helps ensure that everyone enjoys the same reliability in gas supply.

Ms Cirson said there should be discussion about engagement at the building approval stage; this needs to be looked at, and asked about the interaction with electricity and water providers.

6. Evoenergy Environment Team Overview

Ms Butterfield presented on Evoenergy's (electricity network) environment team and provided an overview of their roles and responsibilities, including Evoenergy's environmental considerations when developing new sites, maintaining and managing assets, and doing all works. Ms Butterfield talked about Evoenergy remediation works and processes of putting dry fill back in holes, and the need to dry out wet fill for special testing and disposal.

Ms Sommer asked about some highlighted area on a map in the presentation deck – Ms Butterfield explained the red dot denotes an area where there may be hydrocarbon risks, and that in the map the dot size does not indicate the size of the flagged area but is precautionary (in some instances it may only refer to one building or block). Other areas marked on maps the environment team view and review include raising awareness of asbestos.

Ms Sommer asked the locations of the disposal areas that Ms Butterfield mentioned in her presentation.

Ms Butterfield explained that ACT disposal centres are located at Mugga Lane, West Belconnen and other places across the ACT: special burial sites exist at disposal centres to manage environmental hazard waste and that these are regulated by EPA.

Mr Sullivan asked about older assets and the risk of polychlorinated biphenyls (PCB). Ms Butterfield said the transformer that failed (referenced in her presentation) was replaced the following day due to PCBs. The equipment was replaced and Evoenergy is in the process of digging up the soil.

Ms Sommer asked about undergrounding assets across the Jerrabomberra Wetlands, which was referred to in the presentation; why this would be done and whether it was not more disruptive to underground assets that are in place overhead. Ms Butterfield explained that the team considers the balance of long-term impact versus any short-term localised impact. Typical lifespan of cables is 40-50 years though some can remain in good working condition for up to 80 years in a network. New cables are made of plastic.

7. ECRC Terms of Reference Review

Ms Baggoley presented on the proposed 2019 review of the ECRC Terms of Reference (ToR) that have not changed since the inception of the ECRC in 2014. Ms Baggoley explained that stakeholders were being consulted in the review which she hoped would have concluded by the October 2019 ECRC meeting. Members requested a shared online document in which they could contribute their feedback to the ToR review, as well as a short discussion paper. Ms Baggoley said she would consider all feedback

and would inform members and their organisations when the document and discussion paper were ready for input.

Mr Williams asked for feedback from Ms Robinson and Mr Grenning, who have visibility of other distribution consumer councils, to gauge how our ToR compare with others.

8. Remote Area Power Supply (RAPS)

Mr Eagle presented on the RAPS project work Evoenergy is undertaking in Gudgenby and near Corin Dam. Evoenergy faces the challenge of maintaining long overhead lines that run across rugged, heavily vegetated terrain to supply relatively small loads. Providing these locations with solar panels, generators and battery storage is a way of managing maintenance costs and bushfire risk in these areas. SolarHub is a project partner.

9. Other business

Mr Dignam mentioned Better Renting's Unsafe as Houses report, published on Monday August 12th, which draws on international research and suggests between 30 and 50 per cent of "excess winter mortality" is related to cold living environments. https://www.betterrenting.org.au/unsafe_as_houses

Ms Sommers, also a member of RENEW (ACT) reported that Ed Gaykema presented at a RENEW monthly meeting following the June ECRC meeting. Approximately 50 attendees heard Ed speak on hydrogen and bio methane gas futures.

Mr Cox asked about contributing to ways to advocate for more affordable housing. We need engagement with builders: he wondered whether Evoenergy will be looking at this.

There were no other matters raised.

10. Next meeting – number 31 – will be held on October 9th 2019

The meeting closed at 12.30pm

ACTIONS

ACTION	OWNER	COMMENTS
Create shared-access file for members to review ECRC Terms of Reference	Giuliana Baggoley	ToR circulated instead as Evoenergy IT could not accommodate shared document.
Circulate Terms of Reference discussion paper to members	Giuliana Baggoley	Done – responses received and incorporated into review
Collate feedback from workshop session and provide to GN21 team (and feed back to attendees)	Giuliana Baggoley	Will provide feedback to members. This was already provided to regulatory affairs team for GN21 draft proposal development.
Provide ECRC with a breakdown on what resulted in an 8% difference between proposed and actual capex in current regulatory period.	Alexis Hardin	Meeting 31
Provide ECRC with detailed explanation for the \$5m difference between capex allowance and actual capex in 2018/19 that was shown in Ms Hardin’s presentation.	Chris Bell	Meeting 31