

GN26 Energy Regulatory Advisory Panel (ERAP)



Meeting #1 Summary | Thursday 7 December 2023, 1.30 – 4.30pm via MS Teams

Attendees

ERAP members Dr Andrew Nance (Chair), Louise Benjamin, Wendy Russell, Katherine Lowe, Gavin Dufty

Evoenergy John Knox, Peter Billing, Megan Willcox, Gillian Symmans, Bruce Hansen, Lauren Wachniewski, Leah Ross, Ashlyn Napier, Yolanda Mchao

Communication Link Helen Leayr, Amelia Simson, Rosie Garland

Energy Consumers Australia (ECA) representative Marie Harrowell, Senior Policy Associate
(*joined at allocated time slot then left the meeting*)

Agenda

- ERAP member introductions and welcome by Evoenergy CEO
- Overview of regulatory process
- Role and logistics of ERAP
- ECA presentation on Consumer Empowerment Funding Program and other resources
- Key challenges for GN26
- Co-design session facilitated by Communication Link: GN26 consumer and stakeholder engagement strategy

Summary of highlights from presentations and discussions

- ERAP members' areas of interest and focus are diverse and include consideration of consumer perspectives, advocacy for vulnerable and disadvantaged households, social science and deliberative democracy, long term challenges to decommissioning the gas network and flexible solutions in the regulatory framework.
- CEO welcome highlighted the challenge Evoenergy faces as a network with customers in the ACT and NSW, with differing policy landscapes, and the significant social, economic and technical challenges of the transition away from gas in the ACT e.g., the impact to workers because of decommissioning the network which was highlighted in the safety share.
- Evoenergy's gas network is a small, safe and reliable network, quite young at 42 years, with a generally affluent gas consuming customer base (with some significant exceptions).
- The ACT Government reports that it is on track to meet its 2025 target as part of the pathway to net zero by 2045 (NZ45). This is one of a number of ACT policy considerations including the ACT Government's Integrated Energy Plan, Pathway to Electrification, and the Climate Change and Greenhouse Gas Reduction Act 2023 (prohibited new gas connections in the ACT from 8 December 2023), and the addition of emissions targets in the National Gas Objectives. There are also a wide range of ACT Government customer facing programs and incentives to drive emissions reductions (and by extension the transition away from gas).
- ERAP members were provided with background on the economic regulation process including an overview of the GN26 regulatory review process dates and deliverables and key regulatory considerations e.g., expectations of the AER's Better Resets Handbook, and AER reviews on regulating gas pipelines under uncertainty and the review of gas distribution tariffs. It was noted that the process will involve a long engagement journey with consumers and relevant stakeholders.
- An overview of Evoenergy's (continuously improving) engagement journey was provided, from the formation of the Energy Consumer Reference Council (ECRC), Community Forums e.g., Citizens' Jury and Community Panels, Energy Matters forum for large customers, partnerships with ACTCOSS, surveys, regional roadshows and establishment of the ERAP.
- The role of the ERAP, ECRC and future community panels/forums was discussed. It was noted that Evoenergy is seeking the ERAP's varied expertise to guide, advise and challenge Evoenergy as it develops the GN26 proposal to ensure that consumers' long-term interests are considered and reflected in the development of proposals.

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Summary of highlights from presentations and discussions (continued)

- Communication Link facilitated a session on the logistics of the ERAP including members' and Evoenergy's expectations. The ERAP's Operational Guidelines (includes Terms of Reference) and draft Code of Conduct were provided to the ERAP prior to the meeting.
- ECA representative provided an overview of its Consumer Empowerment Funding Program (CEFP) and other useful resources. ERAP members will explore opportunities to utilise the ECA's CEFP and research database (e.g., sentiment surveys, reports) in the future.
- Key strategic challenges for the GN26 review were discussed e.g. a new requirement to engage on the Tariff Variation Mechanism and tariff structure to inform the Reference Service Proposal (RSP) due for submission to the AER by 30 June 2024 (the ERAP noted that the AER's decision on these elements of the RSP is non-binding).
- Evoenergy put forward possible consumer focussed questions to the ERAP for consideration in the lead up to the consumer and stakeholder engagement strategy co-design session.
- Feedback from the recent ECRC meeting was presented to the ERAP and this included consideration of the representation of hard-to-reach consumers, establishment of principles to guide the energy transition e.g. fairness and equity, impact on workers, safety risks, and the appropriateness of the existing regulatory framework.

Key messages from the ERAP and resulting actions

- ERAP members encouraged more clarity on their role and the delineation with the role of the ECRC. Evoenergy will collaborate with ERAP members to work towards a common role description and interrelationship with ECRC through development of the engagement strategy.

Action 1.1: ERAP members to finalise any proposed changes to their Operational Guidelines and Code of Conduct including review mechanism. Agreement by Evoenergy and ERAP to be discussed at the next meeting.

- ERAP members encouraged Evoenergy to use as much time as possible within the regulatory reset timeline to consider the regulatory elements, particularly given the degree of uncertainty and new challenges before us. ERAP members therefore supported Evoenergy's current view to not pursue the AER's early signal pathway.
- ERAP members encouraged Evoenergy to view GN26 in the context of planning out to 2045. ERAP members suggested a first step of taking a long-term view to what 2045 could look like and then work backwards to what this means for the regulatory elements and framing the engagement journey. Evoenergy agrees and plans to set up an ERAP meeting in early 2024 to develop forward looking scenarios for the gas transition to 2045. These scenarios would then inform how we assess the regulatory elements and framework engagement with customers/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.

- ERAP members encouraged Evoenergy to source engagement feedback received to date through the various channels, both internally and externally, to understand current customer sentiments and identify gaps for further engagement. Evoenergy will build this into the engagement strategy.
- ERAP encouraged Evoenergy to engage early and continuously 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.

A dashboard report of the co-design session is attached. Feedback will be used inform development of the GN26 Consumer and Stakeholder Engagement Strategy.

Dashboard Report

GN26 engagement co-design

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This report details feedback from this short co-design session which will be used to inform development of the GN26 Consumer and Stakeholder Engagement Strategy for further consideration by the ERAP

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 opportunities
- 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

