



**Submission:**

**Evonergy Draft Electricity Network Plan  
2024-29**

**October 2022**

# About ACTCOSS

ACTCOSS acknowledges Canberra has been built on the land of the Ngunnawal people. We pay respects to their Elders and recognise the strength and resilience of Aboriginal and/or Torres Strait Islander peoples. We celebrate Aboriginal and/or Torres Strait Islander cultures and ongoing contributions to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) advocates for social justice in the ACT and represents not-for-profit community organisations.

ACTCOSS is a member of the nationwide COSS Network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS's vision is for Canberra to be a just, safe and sustainable community in which everyone has the opportunity for self-determination and a fair share of resources and services.

The membership of the Council includes the majority of community-based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

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## Acronyms

ACOSS	Australian Council of Social Service
ACTCOSS	ACT Council of Social Service
AER	Australian Energy Regulator
Augex	Augmentation expenditure
Capex	Capital expenditure
Opex	Operating expenditure
Repex	Replacement expenditure
DER	distributed energy resources
EN24 Draft Plan	Evoenergy's Draft Electricity Network Plan 2024-29
EN24	Electricity Network Determination 2024-29
EV	Electric Vehicle
NSP	Network Service Provider
PV	Photovoltaic
TSS	Tariff Structure Statement

## Introduction

The ACT Council of Social Service (ACTCOSS) welcomes the opportunity to provide feedback on *Evoenergy's Draft Electricity Network Plan 2024-29* (EN24 Draft Plan).<sup>1</sup> ACTCOSS's primary focus is to represent the interests of low-income and other at-risk energy consumers in the ACT.

ACTCOSS recognises the efforts that Evoenergy has taken to engage with consumers and consumer advocates in preparation of its EN24 Draft Plan. We also recognise that Evoenergy intends to undertake further engagement between the period of August to December 2022. This includes, partnering with ACTCOSS to undertake consultation to obtain the perspectives of harder to reach consumers residing within the Territory through consumer advocate representatives.

It is intended that this partnered consultation will be used in preparing Evoenergy's formal proposal to the Australian Energy Regulator (AER) that is due to be submitted on the 31 January 2023.<sup>2</sup>

This further engagement will be important for Evoenergy to meet the AER's consultation expectations as set out in the *AER Better Resets Handbook – Toward consumer-centric network proposals*.<sup>3</sup> It will also support the AER in ensuring that Evoenergy's proposal is meeting the AER's obligation to make determinations that advance the long-term interests of consumers under the *National Electricity Objective*.<sup>4</sup>

Our submission to the EN24 Draft Plan primarily focuses on the questions relating to engagement. It also outlines high-level comments and sentiments on each component of the Draft Plan and provides some requests for further information.

## Summary

**Table 1: Outline of recommendations for improved community engagement**

Engagement recommendation
<b>Recommendation 1:</b> Identify which consumers sit under the umbrella term of 'vulnerable communities'
<b>Recommendation 2:</b> Identify and reduce friction points and barriers to engagement

<sup>1</sup> Evoenergy, *Evoenergy's Draft EN24 plan*, accessed 15 September 2022.

<sup>2</sup> AER, *Evoenergy (ActewAGL) – Determination 2024-29*, accessed 15 September 2022.

<sup>3</sup> AER, *Better Resets Handbook – December 2021*, accessed 15 September 2022.

<sup>4</sup> *National Electricity (South Australia) Act 1996*, s 7 (NEL).

<b>Recommendation 3:</b> Recognise the complexity of energy markets when designing engagement materials
<b>Recommendation 4:</b> Facilitate consumer understanding of how Evoenergy's determinations impact bills by providing modelling that includes other cost components found on a consumer's retail bill
<b>Recommendation 5:</b> Develop consumer archetypes to identify who will benefit or require extra support during EN24
<b>Recommendation 6:</b> Understand the relationship between cost of living and energy affordability
<b>Recommendation 7:</b> Explain steps to smooth and mitigate increased pricing within EN24
<b>Recommendation 8:</b> Identify any instances of cross-subsidisation between different consumer groups in the proposed EN24. Explain steps taken to remove cross-subsidisation between different consumer groups or why it remains.
<b>Recommendation 9:</b> Advocate for better outcomes for at-risk and low-income households

**Table 2: Summary of information requests**

<b>Information requests - General</b>
1. Explain steps taken to mitigate and smooth any impacts from price increases in the EN24 proposal.
2. Identify instances where low-income and at-risk consumers are cross-subsidising investments or tariffs from which they receive no benefit. Offer an explanation where a path has not been taken to remove that cross-subsidisation.
<b>Information requests – relating to Capex</b>
3. Outline what specific investments have been deferred based on asset condition, consumer trends and policy.
4. Has Evoenergy factored in the impact of more cost reflective tariffs under the proposed TSS on capacity constraint, in the proposed capex?
5. Has Evoenergy sought to optimise the existing hosting capacity within its proposed capex plan? If so, how has this occurred?
6. What has driven the 8% increase in capitalised overheads?
7. Outline how Evoenergy intends to phase out its fleet of fuel vehicles.

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|--|
| 8. What is the criteria for when a traditional combustion vehicle would be retired and replaced?   |
| 9. Provide any modelling which substantiates Evoenergy's assumption that higher upfront costs of EVs may be offset by cheaper running costs. |
| 10. Does Evoenergy's proposed DER spending have a net market benefit?  |
| 11. At present, how frequently does the Territory reach its network limits?  |

**Information requests – relating to TSS**

- |   |
|---|
| 12. Has Evoenergy undertaken any work with retailers, to date, on educating consumers on network tariffs, or coordinating network price signalling on consumer bills?   |
| 13. What are some consumer types that Evoenergy has already identified as being at-risk of greater costs, and benefiting from the proposed TSS?   |
| 14. What is Evoenergy's long term plan with novel charges (e.g. solar sponge charge and inclining overnight block charge). Does Evoenergy anticipate having to make further changes to tariffs in future? If so, what would these potential further changes be? |
| 15. What does Evoenergy mean when it says on p. 27 that 'some charges (outside the middle of the day) may increase to compensate for low solar sponge rate'?  |
| 16. How has Evoenergy designed its TSS with consideration of the current levels of smart meter penetration in the ACT? <sup>5</sup> What tariffs will be available to those without smart meters?   |
| 17. Who did Evoenergy consult with to represent 'vulnerable consumers' during TSS engagements (the consumer demographic)?<br>What is Evoenergy's definition of consumer vulnerability?<br>And, how did Evoenergy identify these representative consumers?       |

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<sup>5</sup> The AEMC notes in its consultation paper on the *Review of the Regulatory Framework for Metering Services*, in 2020, that ACT smart meter penetration sits at ~16%.

# Engagement

## Engaging with the right people

ACTCOSS supports the breadth of stakeholders that Evoenergy is seeking to engage with. The EN24 Draft Plan outlines Evoenergy’s intention to engage with:

Customer type	
Residential customers	Young people
Small-medium business customers	Retailers
Vulnerable communities	Large customers
Culturally and linguistically diverse communities	ACT Government
	Aboriginal and Torres Strait Islander communities

Unfortunately, the EN24 Draft Plan does not specify which groups of people sit under the umbrella term ‘vulnerable communities’. It is not clear whose views are being captured and represented in Evoenergy’s engagements with vulnerable consumers to date. This is particularly important as consumer vulnerability, as defined by the AER, may refer to personal circumstances of a consumer (which can be diverse and intersectional), as well as barriers created by characteristics of the energy market (such as complexity).<sup>6</sup> Both of which prevent a consumer from protecting or representing their interests.<sup>7</sup> Research has also shown it is not a term that all consumers identify with or respond positively to.<sup>8</sup>

It would be valuable for Evoenergy to make it clear which consumer groups it has consulted with in each of its engagements. This will help support the identification of households that should be included in EN24 engagement, but have currently been missed.

### Recommendation 1:

Identify which consumers sit under the umbrella term of ‘vulnerable communities’

<sup>6</sup> AER, Consumer Vulnerability Strategy – Draft for consultation, December 2021, p. 7.

<sup>7</sup> AER, Consumer Vulnerability Strategy – Draft for consultation, December 2021, p. 7.

<sup>8</sup> ESCV, Sensitive and appropriate engagement with consumers experiencing vulnerability, January 2021.



## The importance of accessible design

Engaging with the right people on the right issues is only one part of genuine engagement. It is equally important to take steps to ensure engagement with consumers includes materials, information, forums, and platforms that are designed and written in a way that facilitate participant understanding. This understanding is what then leads to participants providing informed views, allowing them to guide the development of proposals.<sup>9</sup>

Poor engagement design can have a negative impact by biasing specific voices and missing others. To avoid poor engagement resulting from inaccessible design, it is important, in the planning stage, to acknowledge that not all consumers have strong digital literacy skills, and may face language or literacy barriers.<sup>10</sup>

Practically, this means some consumers need additional in-person or phone support, while others need information provided via video or audio or translated into Easy or Plain English. Other reasonable adjustments must be made as necessary. This is particularly important when capturing consumer perspectives through direct engagement.

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*For example:*

Evoenergy's website currently requires online users, from the broader community, to complete a mathematics equation to register for future updates and to ask questions.<sup>11</sup> While verification processes serve a legitimate function in preventing robots from abusing and spamming forms, it is valuable to consider how processes can be designed in a way that serves a function but does not, inadvertently, prevent people with different needs and abilities from engaging.

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Reducing barriers, friction points and offering support to accommodate people's different needs, will go far to create engagement processes that will allow for a diversity of people with different abilities and capacities to engage.

<b>Recommendation 2:</b>
Identify and reduce friction points and barriers to engagement.

### Market complexity

Engagement also needs to be designed in a way that recognises that energy markets are highly complex. Exacerbating this is the lack of visibility that everyday consumers have on the role Network Services Providers (NSPs) play in energy supply. This is because energy retailers are consumers' primary point of contact with the energy market.

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<sup>9</sup> AER, Better Resets Handbook – December 2021, accessed 15 September 2022, p. 13.

<sup>10</sup> Brotherhood of St Laurence, Power Pain: An investigation of energy stress in Australia, 2022, p. 27.

<sup>11</sup> See Evoenergy, Engage with energy, accessed 15 September 2022.

Part of Evoenergy’s role in community consultation should be to reduce barriers stemming from market complexity by equipping and empowering consumers to effectively engage.<sup>12</sup> In practice, supporting effective engagement includes ensuring consumers and advocacy representatives have access to independent expert advice and research, providing appropriate remuneration for contributions that are made, and allowing for sufficient time for stakeholders to understand complex issues.<sup>13</sup>

Consultation should also be viewed as an opportunity for Evoenergy to help develop and maintain local advocacy capacity within the Territory, which will go towards supporting future determinations and access arrangements.

<b>Recommendation 3:</b>
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Recognise the complexity of energy markets when designing engagement materials
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*Further indicative bill impact modelling*

It is important that consumers have a clear understanding of how determinations impact them, especially as network costs represent around 45% of an average residential retail bill.<sup>14</sup> This means consumers need to understand that network investment costs are passed through to consumers on their energy bills in the form of a network tariff, and that further or greater investments will equate to higher bills.

The EN24 Draft Plan provides limited information on indicative bill impact. Table 7.6, while showing annual change in dollars, does not provide information that facilitates a fulsome consumer understanding of how the EN24 determination will impact their entire bill, as the information silos network costs from the total bill.

Evoenergy should look to provide modelling and information that shows the total retailer bill amounts that consumers can anticipate across the determination period 2024-29. This information could be presented in a table format, showing changes in the total bill amount across the determination period.

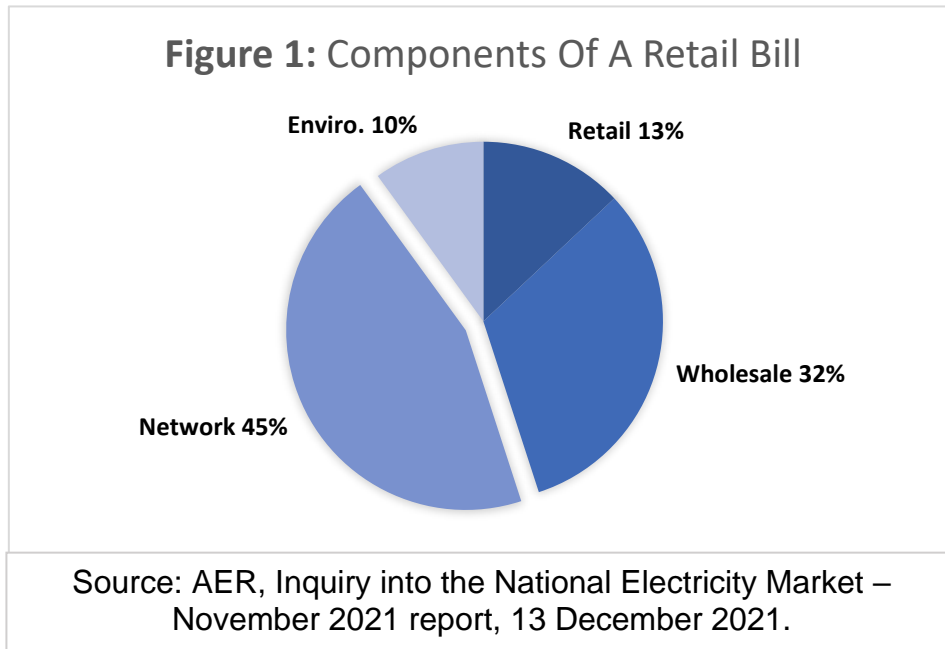
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<sup>12</sup> AER, Better Resets Handbook – December 2021, accessed 15 September 2022, pt. 3.2.3.

<sup>13</sup> AER, Better Resets Handbook – December 2021, accessed 15 September 2022, pt. 3.2.3. and 3.3.1.

<sup>14</sup> Australian Council of Social Services (ACOSS), Empowering disadvantaged households to access affordable, clean energy, 2017, p. 19.

This modelling should be based on Evoenergy’s projected network tariffs within EN24. It should include both whole-sale and retailer cost components, as well as network costs. This will make it clear to consumers and consumer advocates what the total cost and impacts the proposal will have on consumers, especially as network tariffs are only one of the components of a customer’s retail bill.



**Recommendation 4:**

Facilitate consumer understanding of how Evoenergy’s determinations impact bills by providing modelling that includes other cost components found on a consumer’s retail bill.

*Explore consumer archetypes*

Evoenergy should also develop consumer archetypes that represent real consumer groups/households in the Territory and their consumption habits. At a minimum, there should be a model of the total retail bill amounts that represents a household not receiving any concessions, and a model of the total retail bill amounts that represents a household receiving concession(s).

Evoenergy should also develop consumer archetypes to inform its tariff structure statement (TSS) to show which household types will benefit from proposed tariffs.

Modelling different consumer archetypes, considering bill impact (inclusive of the entire energy bill stack), and impending tariff structures for EN24, will help identify which households will need extra support over the determination period and which households will benefit most from EN24.

Evoenergy can then:

- Make informed adjustments within their EN24 proposal, if there are households identified that appear to be disproportionately, negatively impacted.
- Invest in targeted education campaigns to build awareness of impending changes and actions that consumers can take to mitigate costs.
- Advocate for at-risk consumer groups to receive greater support.

#### **Recommendation 5:**

Develop consumer archetypes to identify who will benefit or require extra support during EN24.

## **The impact of cost of living**

Over the last two years, we have seen a rise in the cost of living. More recently, events such as supply chain disruptions, natural disasters, and war in Ukraine, have further contributed to price increases of 6.1% across the board in Australia.<sup>15</sup> This means that more households are struggling, or unable, to afford the fundamentals of a healthy life such as housing, food, transport, health services and energy.

Rising energy prices are one of the main contributors to increasing pressures for low-income households in the ACT.<sup>16</sup> In the past five years, ACT households have seen the price of electricity increase by 28.1% compared to 3.0% nationally.<sup>17</sup> Concurrently, gas prices have also risen by 24.0% compared to 12.7% nationally, over the same period.<sup>18</sup>

A recent report by ACOSS, *How Jobseeker and other income support payments are falling behind the cost of living*, found that of 449 respondents living on Job Seeker, Youth Allowance and Parent Payment between July and August 2022:

- More than half were taking shortened or fewer showers because of increased energy costs
- 70% were cutting their use of heating
- 46% were going to bed early to keep warm

<sup>15</sup> ACOSS, *How JobSeeker and other income support payments are falling behind the cost of living*, September 2022.

<sup>16</sup> ACT Council of Social Services (ACTCOSS), *2022 ACT Cost of Living Report: Tracking changes in the cost of living for low-income households in the Australian Capital Territory*, May 2022, p. 18 ('2022 ACT Cost of Living Report'), p. 16.

<sup>17</sup> ACTCOSS, *2022 ACT Cost of Living Report: Tracking changes in the cost of living for low-income households in the Australian Capital Territory*, May 2022, p. 18 ('2022 ACT Cost of Living Report'), p. 18.

<sup>18</sup> ACTCOSS, *2022 ACT Cost of Living Report: Tracking changes in the cost of living for low-income households in the Australian Capital Territory*, May 2022, p. 18 ('2022 ACT Cost of Living Report'), p. 18.

- 28% currently have energy bill debt
- 22% expect to go into debt when they receive their next bill. <sup>19</sup>

It is important that Evoenergy understand that any increase in electricity prices over the next determination period will have a significant impact on low-income households, especially as these households already spend a significantly higher proportion of their income on energy.<sup>20</sup> Additionally, any impacts will be exacerbated as low-income households are less able to mitigate rising prices through more efficient housing, owning rooftop solar, or replacing gas appliances with electric.

It is, therefore, important for Evoenergy to:

- Justify why components across capex and opex have increased.
- Clearly explain steps taken to mitigate and smooth any impacts from price increases in the EN24 proposal.
- Identify instances where low-income and at-risk consumers are cross-subsidising investments from which they will receive no benefit. And, offer an explanation where a path has not been taken to remove that cross-subsidisation.

Additionally, given the disproportionate impact this determination will have on low-income and disadvantaged households, it's important that these households' perspectives are given considered weight in influencing Evoenergy's determination.

As noted above, central to this will be to ensure low-income and disadvantaged groups are provided information in a way that links their lived experience with Evoenergy's plan for 2024-29.

<b>Recommendation 6:</b>
Develop consumer archetypes to identify who will benefit or require extra support during EN24
<b>Recommendation 7:</b>
Explain steps that have been taken to smooth and mitigate increased pricing over EN24.
<b>Recommendation 8:</b>
Identify any instances of cross-subsidisation between different consumer groups in the proposed EN24. Explain steps taken to remove cross-

<sup>19</sup> ACOSS, How JobSeeker and other income support payments are falling behind the cost of living, September 2022.

<sup>20</sup> ACTCOSS, 2022 ACT Cost of Living Report, p. 18.

subsidisation between different consumer groups or why it remains.

## Concession amounts

ACTCOSS recognises there are limitations on the degree of consumer support Evoenergy can offer consumers as an NSP. Consumer protections under the *National Energy Customer Framework* are applied through energy retailers, and concession amounts decided by the ACT government. There are also limitations on the adjustments that can be made in the EN24 proposal, given Evoenergy is subject to network capacity obligations under the ACT Government's pathway to net zero.

Evoenergy can however play a role in helping to identify areas that require changes outside of Evoenergy's remit by advocating for higher concessions and programs to support consumers during transition; and by working with retailers to educate consumers on how to best utilise the tariff they are on, or to identify a tariff that best suits a consumer's needs and usage patterns.

Evoenergy should look to model the impacts of rising energy prices and cost of living on low-income households. Modelling can include the amount of current concession and social security payment rates, anticipated energy bill amounts during the EN24 period, median rent, fuel, and grocery costs. Evoenergy should seek to highlight the amount of income available to low, fixed income households after paying for these essentials.

Having residual income is important as research shows that households experiencing financial stress may engage in self-rationing of their use, or sacrifice other essential goods such as food, clothing, and medicine, to pay for energy bills.<sup>21</sup> Lack of affordable energy can have severe consequences on a consumer's health, wellbeing, economic participation, and social inclusion.<sup>22</sup>

This information will be valuable to highlight to ACT Government as they conducted planned reviews of targeted concessions schemes. Amounts may need to be made higher or supports expanded to include groups of people that are currently falling outside of eligibility, in anticipation of the new regulatory period. It will also help identify household types that may benefit from targeted programs and policy to facilitate the move from gas to full household electrification.

Research already shows that low-income, dual-fuel households in existing homes, including private renters, are groups that face barriers to transitioning from gas to all-electric. These households face what have been referred to as a 'poverty premium', where their inability to afford the upfront costs of switching

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<sup>21</sup> PIAC, *Close to the Edge Report – Qualitative and Quantitative Study*, November 2018, p 46; ACROSS, *Empowering disadvantaged households to access affordable, clean energy*, 2017, p. 23; PIAC, *More Power to You: Electricity and People with Physical Disability*, 2012, p. 13-14.

<sup>22</sup> ACROSS, *Empowering disadvantaged households to access affordable, clean energy*, 2017, p. 8

appliances prevents them from accessing long-term reductions in the cost of energy.<sup>23</sup>

Renters also face the additional barrier from 'split incentive', where energy efficiency improvements represent a cost to the lessor, but a saving to the tenant.<sup>24</sup> Existence of this barrier has been affirmed by a recent study conducted by the Australian National University which highlighted that property investors appear to be reluctant to install solar or further improve energy efficiency within their rental properties without a guaranteed return on investment.<sup>25</sup> The study also found that investors are unlikely to exceed legal energy efficiency requirements.<sup>26</sup>

Given these barriers, it is important these at-risk households receive support during transition and EN24 access arrangement period.

<b>Recommendation 9:</b>
Use EN24 to advocate for better outcomes for at-risk and low-income households

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<sup>23</sup> SACOSS, *Fact sheet: poverty premiums*, SACOSS, Adelaide, 2017, accessed 6 October 2022.

<sup>24</sup> Brotherhood of St Laurence, *Power Pain: An investigation of energy stress in Australia*, 2022, p. 8.

<sup>25</sup> Mara Hammerle, Lee White and Bjorn Sturmberg, *How can we involve renters in the renewable energy transition in Australia?* (pre-publication), June 2022, p. 16 and 24.

<sup>26</sup> Mara Hammerle, Lee White and Bjorn Sturmberg, *How can we involve renters in the renewable energy transition in Australia?* (pre-publication), June 2022, p. 24.

# General comments and requests for further information

## Capex

Over the regulatory period for EN24, Evoenergy has proposed a capital expenditure (capex) program of \$425 million, which is 16 per cent higher than the current (2019-24) period.

Key drivers of this increase appear to be greater proposed spend on:

- replacement expenditure (repex) related to vegetation maintenance and replacement of weathered poles,
- augmentation expenditure (augex) required to address emerging capacity constraints,
- customer initiated expenditure,
- population growth (although it is noted that this increases customer capital contributions resulting in a lower net capex),
- electrification of Evoenergy's fleet of vehicles,
- capitalised overheads shared with ActewAGL,
- DER-specific investments that will contribute to increased visibility of the low-voltage network.

In considering affordability, Evoenergy has sought to:

'strike the right balance between meeting consumer expectations for action toward net zero future, reliability, and affordability. [This includes] a moderate uplift in capex to grow the network...while deferring some other investment based on the condition of assets, consumer trends, and policy directions'

## Balancing capacity constraints and affordability

ACTCOSS supports Evoenergy having affordability as a key consideration.<sup>27</sup> We also acknowledge the challenges that Evoenergy has maintaining in affordable distribution, as increased pricing may be unavoidable during the EN24 determination period given the investments required to sufficiently support the ACT Government's net zero policy objectives.

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<sup>27</sup> ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.



The existing electricity grid was not constructed to support electricity moving in two-directions.<sup>28</sup> Rooftop solar PV poses challenges for networks as the current infrastructure can only support a certain level of solar export, in addition to meeting consumer peak demand.<sup>29</sup> Additional load has consequences for NSPs relating to overvoltage and breach of thermal capacity limits.<sup>30</sup> These challenges will grow with greater solar PV penetration and uptake of electric vehicles.

Current strategies such as fixed export limits and reliance on inverter tripping (which renders solar unavailable even for consumers self-consumption), are not viable long-term strategies.<sup>31</sup> There are also benefits for everyone in distributed energy resources (DER) generation, as well as reductions in carbon emissions.<sup>32</sup>

While Evoenergy may be constrained in their ability to lower costs to consumers, Evoenergy can look to smooth pricing impacts over the regulatory period. It can also, as already be noted in the EN24 Draft Plan, seek to defer some investments. We commend Evoenergy for proactively looking to identify investments and costs that could be deferred over EN24.

## **Replacement of fleet passenger vehicles with electric vehicles**

Evoenergy's overall non-network IT program is around six per cent higher than the final decision for the 2019-24 regulatory period. The largest component of this are non-system assets, including its fleet which Evoenergy intends to spend \$13 million on transitioning from fuel to electric.

It is reasonable that Evoenergy would be seeking to transition its fleet of traditional combustion vehicles with electric vehicles (EVs) given the ACT Government's broader policy to phase out new petrol and diesel cars from 2035. However, further information on how Evoenergy intends to transition its fleet needs to be provided.

To support understanding of the proposed capex, ACTCOSS has some further questions.

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<sup>28</sup> ACROSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

<sup>29</sup> ACROSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

<sup>30</sup> ACROSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

<sup>31</sup> ACROSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

<sup>32</sup> ACROSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 5-6.

### Further questions on proposed capex

1. Outline what specific investments have been deferred based on asset condition, consumer trends and policy.
2. Has Evoenergy factored in the impact of more cost reflective tariffs under the proposed TSS on capacity constraint, in the proposed capex?
3. Has Evoenergy sought to optimise the existing hosting capacity within its proposed capex plan? If so, how has this occurred?
4. What has driven the 8% increase in capitalised overheads?
5. Outline how Evoenergy intends to phase out its fleet of fuel vehicles. What is the criteria for when a traditional combustion vehicle would be retired and replaced?
6. Provide any modelling which substantiates Evoenergy's assumption that higher upfront costs of EVs may be offset by cheaper running costs.
7. Does Evoenergy's proposed DER spending have a net market benefit?
8. At present, how frequently does the Territory reach its network limits?

## Opex

Over the regulatory period for EN24, Evoenergy has proposed an operating expenditure (opex) program of \$378.5, which is 9 per cent higher than the current (2019-24) period.

Key drivers of proposed opex step change include:

- Higher insurance costs
- Requirements for increased cyber security
- Incorporation of DER into the network.

Evoenergy's approach to proposed operating costs appear reasonable.

However, Evoenergy notes in its EN24 Draft Plan that it is ranked among the lower performing NSP businesses. We implore Evoenergy to continue to make improvements to its productivity (aiming to have actual opex below the AER's regulatory allowance for the period), to support the distribution of benefits to both NSPs and consumers under the Efficiency Benefit Sharing Scheme.<sup>33</sup>

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<sup>33</sup> AER, AER Efficiency benefit sharing scheme, November 2013.

## Tariff Structure Statement (TSS)

Evoenergy notes its vision for the TSS is to:

‘Provide cost reflective network tariffs that provide opportunities for consumers to manage the network component of their electricity bill.’

### **Barriers to consumer empowerment**

ACTCOSS supports this vision especially as more cost-reflective tariffs will help maximise efficient usage of the network, minimising extreme spikes in demand and managing capacity constraints stemming from greater electrification. However, further work needs to be done to understand whether Territory consumers, presently, have the knowledge and home systems in place to benefit from these changes and recognise these pricing signals.

Consumers understanding the behaviours required for each proposed charge is a precondition to achieving this vision of empowerment, at a minimum. Followed by having the access to technology to make it easier for consumers to shift their usage, especially when lifestyle poses barriers.<sup>34</sup>

A study by CSIRO on *Australian Consumers Likely Response to Cost-Reflective Electricity Pricing* notes that for cost-reflective pricing to be successful there must be widespread uptake among consumers, and optimal usage from consumers enacting the appropriate behavioural response.<sup>35</sup>

This study found:

- Household preference for tariff structures were ‘ranked’ from an affinity for simple and familiar tariff structures to complex and novel.
- That households that are more amenable to taking up cost-reflective pricing appear to be people with high levels of formal education and renters.
- Participants also preferred peak time rebates, time-of-use tariffs, and critical peak pricing over real-time and capacity pricing.

Evoenergy should seek to work with Territory retailers to ensure price signals are being passed onto consumers. Evoenergy and retailers should also consider what sort of education and information programs need to be implemented to support introduction of the TSS. Initiatives should look to explain each charge component of the network tariff, the times each charge comes into effect, and what the appropriate behaviour for each charge component would be.

Information on different technology available should also be provided, and should include more sophisticated systems to simple, less-costly solutions (for example, smart plugs).

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<sup>34</sup> For example, a person who works 9-5 during the day, who would normally undertake chores and cooking in the evening could shift some of their appliances to run during the solar sponge charge through a home management or scheduling system.

<sup>35</sup> CSIRO, *Australian Consumers’ Likely Response to Cost-Reflective Electricity Pricing*, June 2015.

Helping consumers understand novel charge components should also be emphasised.

### **Consumer archetypes**

As noted above, Evoenergy should seek to develop consumer archetypes based on different households and their assumed consumption habits to help identify households which may be at-risk of being negatively impacted from the proposed TSS.

Archetypes developed should be realistic in assuming that some households will not have or able to access efficient appliances, access to a home management or scheduling system, solar, or the ability to change usage. These archetypes should not be aspirational and 'rational' but realistic in the characterisation of consumer behaviours.

Small business archetypes also need to be included and EN24 will need to consider that some small businesses are able to shift their operations while others cannot.

Evoenergy should then seek to undertake a deep dive on proposed tariffs with consumers identifying as a household type that are at-risk of being negatively impacted by the proposed TSS. This deep dive should focus on identifying the types of supports and information these households need.

These consumer archetypes may also be used to justify Evoenergy's TSS as it will also help to clearly identify at-risk and low-income households that will benefit from these changes. It can also help Evoenergy design default tariffs in a way that accommodates the needs of those who are less engaged and unable to undertake adaptive technologies.

### ***Strategic vision***

Evoenergy should take care to ensure tariff designs are strategic, looking at the impact of new charges beyond the 5-year regulatory period.

New charges (such as the solar sponge charge and inclining overnight block charge) will introduce and create new consumer behaviours, with the potential to introduce new demand peaks. Evoenergy needs to ensure that proposed tariffs will remain fit-for-purpose long-term. Consumers require reliability and consistency to support behaviour change and investment in technology.

### ***Export tariffs***

Evoenergy notes it is considering introducing an export tariff.

ACTCOSS is in support of introducing of an export tariff as without DER owners 'do not pay for the services of exporting energy to the grid, nor for any extra costs that DER may cause networks', except for one-off connection charges.<sup>36</sup>

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<sup>36</sup> ACOSS and Total Environment Centre, Submission to the AEMC – More Sun for Everyone: Distributed Energy Resources Rule Change, July 2020, p. 7-8.

This creates inequities as non-DER households remain paying a greater share of network costs.

Introduction of an export tariff will go towards supporting equity and fairness for cost recovery. As noted above, low-income households are less able to afford or access DER technologies to help reduce energy bills, and already spend disproportionately more of their income on energy.

<b>Further questions on proposed capex</b>
9. Has Evoenergy undertaken any work with retailers, to date, on educating consumers on network tariffs, or coordinating network price signalling on consumer bills?
10. What are some consumer types that Evoenergy has already identified as being at-risk of greater costs, and benefiting from the proposed TSS?
11. What is Evoenergy's long term plan with novel charges (e.g. solar sponge charge and inclining overnight block charge). Does Evoenergy anticipate having to make further changes to tariffs in future? If so, what would these potential further changes be?
12. What does Evoenergy mean when it says on p. 27 that 'some charges (outside the middle of the day) may increase to compensate for low solar sponge rate'?
13. How has Evoenergy designed its TSS with consideration of the current levels of smart meter penetration in the ACT? <sup>37</sup> What tariffs will be available to those without smart meters?
14. Who did Evoenergy consult with to represent 'vulnerable consumers' during TSS engagements (the consumer demographic)? What is Evoenergy's definition of consumer vulnerability? And, how does Evoenergy identify these representative consumers?

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<sup>37</sup> The AEMC notes its consultation paper on the *Review of the Regulatory Framework for Metering Services*, in 2020, that ACT smart meter penetration sits at ~16%.

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