

AER RING-FENCING WAIVER APPLICATION FOR AN EV CHARGING INFRASTRUCTURE TRIAL FROM CITIPOWER, POWERCOR AND UNITED ENERGY - CONSULTATION PAPER

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INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under the Ring-Fencing Waiver Application for an EV Charging Infrastructure Trial from CitiPower, Powercor and United Energy (CPU) - Consultation Paper.

At EUAA we support the design of rules, legislation and procedures that achieve efficient, cost effective, equitable and transparent outcomes for networks, developers and consumers. In the energy sector under most circumstances, this is best achieved through a national approach and a sharp focus on the NEO.

We note that CPU's application, if approved, will

- Trial 100 EV charging infrastructure (EVCI) devices on 100 of the 9,000 poles in CPU's networks.
- Cost approximately \$1.2 million with an estimated revenue of \$200,000 per annum.
- Have separate accounting, i.e. capital and operational costs and revenue will be sandboxed from the regulated business accounts.
- Have losses (if any) absorbed by CPU shareholders
- Have open access to all "Charge Point Operators" allowing EV owners with accounts with these operators to access charging at CPU owned site.
- Publish findings of the trial for the benefit of the broader EVCI and DNSP communities.

We also understand that, similar to Uber's surge charging model, CPU proposes to have locational demand pricing based on congestion in the local network, and wholesale price signals.

While we support CPU's application, we do have some concern with competition, equity, pricing and transparency.

We address these concerns across the headings of "Location" and "Pricing" below.

LOCATION

We consider that there are different drivers throughout CPU's three networks and we do have some concerns that cannot be addressed until after AER's consideration of the application and the proposal is progressed to full business case.

Similar to the Essential Energy EVCI ring-fencing waiver, we see that Powercor installing EVCI in rural areas (e.g. Kaniva), poses little risk of competing directly with other EVCI investors due to the low demand for EVCI in rural areas. Likewise, and similar to Ausgrid's EVCI waiver, we see that CitiPower installing EVCI in Brunswick or Northcote posing little risk of crowding out other EVCI investors due to the high concentration of EV ownership and low off-street parking opportunities and therefore high demand for pole mounted EVCI.

We do however have concern over selection of sites between these two extremes. Our concern arises from CPU inadvertently installing enough EVCI in these "middle" regions to overwhelm demand and therefore squeeze out competition. CPU's application does not cover the location of each of the 100 EVCI and only gives general localities, which is to be expected at this point in the project's development. We consider that the AER will need to have oversight of specific location selection to ensure our concern does not arise.

PRICING

We consider that CPU will have lower costs to deliver EVCI than a third-party installer of EVCI. From a pricing perspective, these lower costs are proposed to be passed on to the EV owner using the EVCI to charge their vehicle. We have two issues with this approach:

- From a regulatory perspective, this represents a cross subsidy from an electricity consumer to the EV owner, i.e. if a third party EVCI installer owned and operated that EVCI, they would pay CPU to access the pole and that revenue would contribute to the Maximum Allowed Revenue (MAR) and therefore flow onto consumers as a decreased tariff.
- From a competition perspective, having a lower price for a CPU owned EVCI makes it difficult for other EVCI owners to compete.

To address these concerns:

- We consider that CPU should charge a "cost neutral" price for access to their EVCI, i.e. ensuring that the CPU owned EVCI operate on a fair and equal basis with third-party competitors.
- Additionally, while CPU should be allowed to make a profit above the \$1.2 million expenditure (as determined by the AER), we would expect the AER to cap this profit and profits over the cap would then contribute to the MAR as per an ordinary arrangement.

Additionally, we consider that the locational demand charges have the largest benefit to the network and are potentially provide the largest benefit to other CPU consumers, however for this to be successful, CPU needs to advertise the "current cost" for charging, either through signage similar to current service stations, or through app notification similar to Uber. While it is too early in the project scope to have a firm method for advertising, we would have expected to see some initial thoughts. We consider the network benefits from locational demand charges on EV charging would justify a higher profit allowance to CPU from the project.

CONCLUDING REMARKS

The EUAA supports CPU's application for a ring-fencing waiver to install 100 EVCI throughout its three networks. In supporting the application, we believe that the principles of competition, equity and transparency need further refinement.

The EUAA welcomes further discussions around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



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