Advisory Board

Session 2, 28 October 2022

Acknowledgement of Country

We acknowledge the Traditional Owners of the lands upon which we operate and recognise their continuing connection to land, waters, and culture.

We pay our respects to their Elders past, present, and emerging.

Pictured: artwork by Aboriginal artist Chern'ee Sutton from Mount Isa for our Group's Reflect Reconciliation Action Plan

Welcome

01
Unpacking and defining the problem and opportunity together using Logic Mapping

02
Challenge session with Cameron Tonkinwise

03
We want to co-design deep dive topics for Advisory Board Sessions 3-5

Your Advisory Board Chair

Rosemary Sinclair AM
CEO
auDA

Your facilitator

Dr Matt Pearce
Partner
KPMG National Lead for Energy & Utilities

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Agenda for today

Topics we will cover

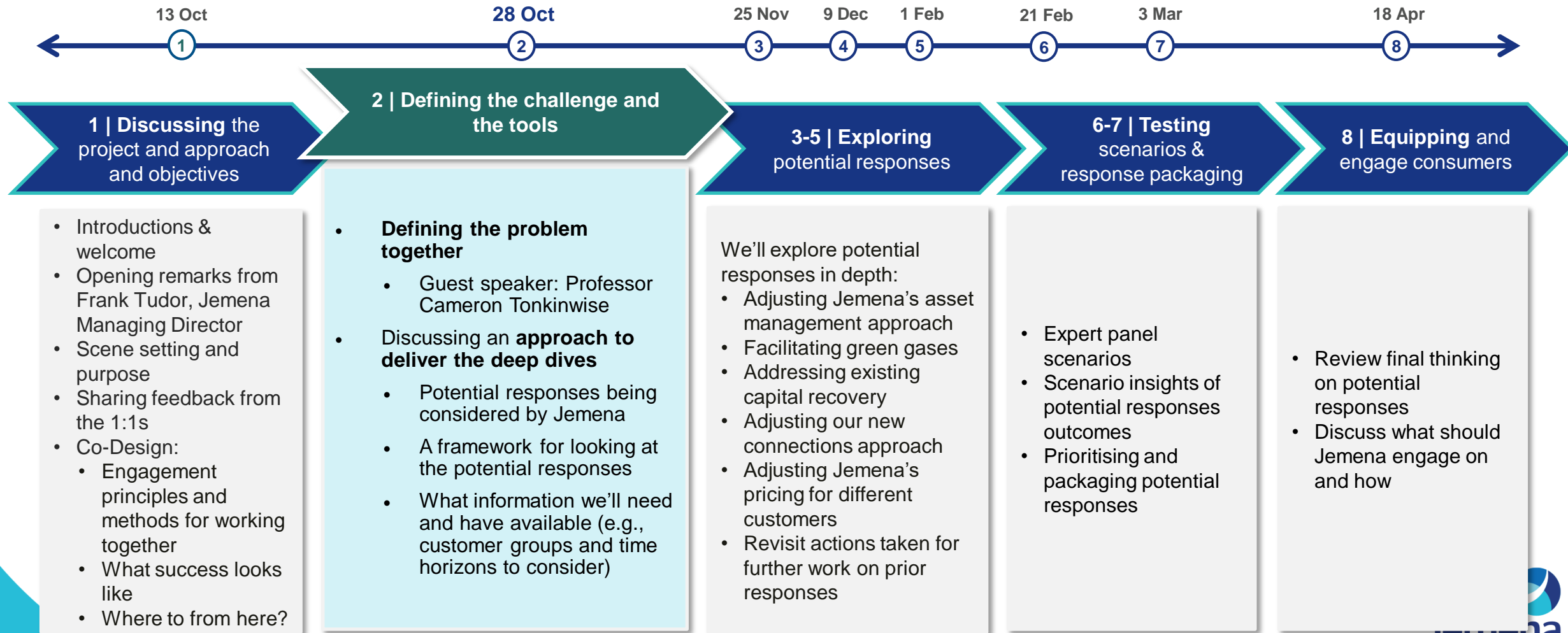|	Duration
Section 1: Welcome	
Acknowledgement of Country	5
Introduction & agenda for today	5
Reflections from Session 1	25
Section 2: Unpacking the problem and opportunity	
Initial logic map: Here's what we heard from you	5
Guest speaker: Cameron Tonkinwise	30
Stress test and build the logic map together: problem and opportunity statement	50
Rosemary's playback: Summarising the problem statements	5
Break	5
Section 3: Advisory Board Co-Design	
Jemena's range of possible responses	10
Where to from here: Advisory Board Sessions 3-5	35
Section 4: Session wrap-up and close	
Feedback and reflection from today's session	5

In order to…

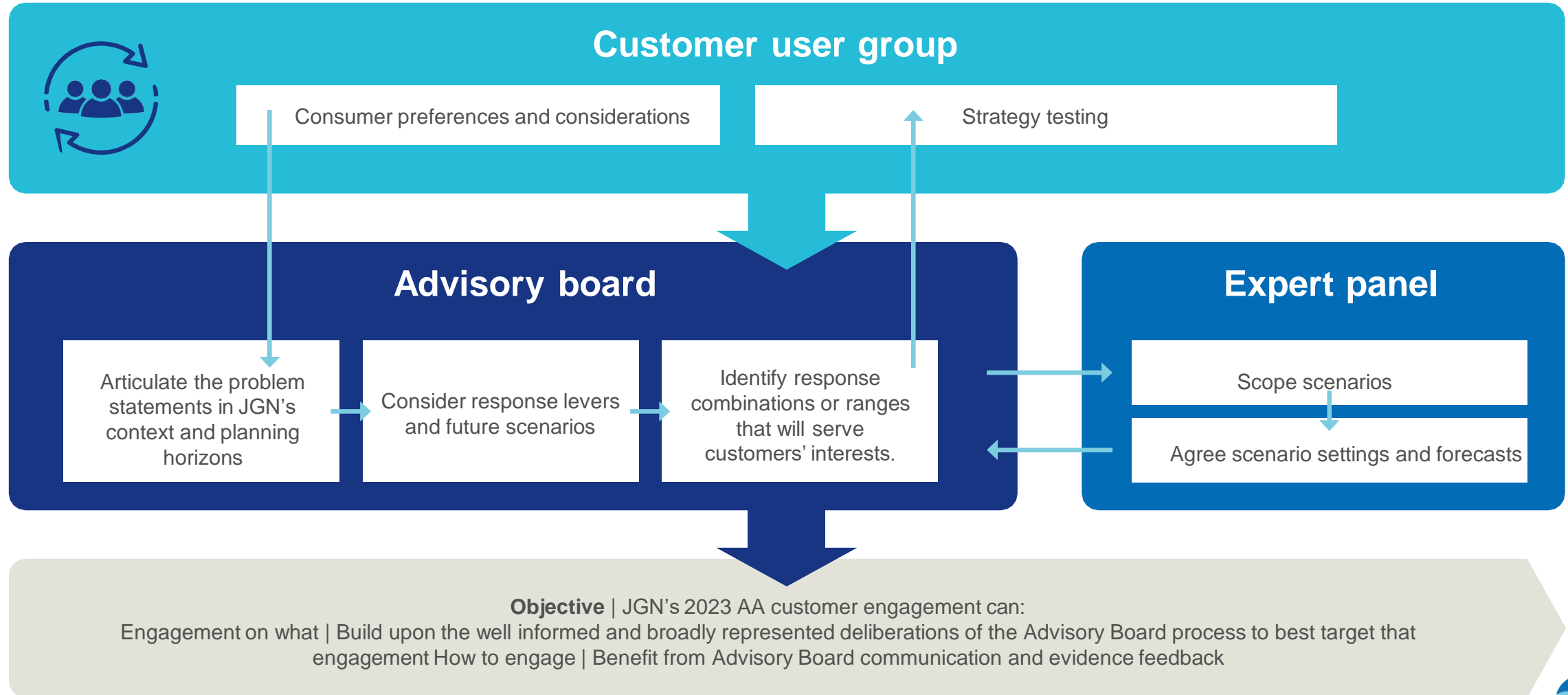**01** Agree a working version of the problem statement(s)

02 Agree an approach to deliver the deep dives, including:
   a. List and order response areas to consider
   b. Outline an approach for sharing info in deep dives
   c. Nominate the customer groups and time horizons to consider

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Recap: Advisory Board series overview

13 Oct — 1
28 Oct — 2
25 Nov — 3
9 Dec — 4
1 Feb — 5
21 Feb — 6
3 Mar — 7
18 Apr — 8

1 | Discussing the project and approach and objectives

2 | Defining the challenge and the tools

3-5 | Exploring potential responses

6-7 | Testing scenarios & response packaging

8 | Equipping and engage consumers

1 | Discussing the project and approach and objectives

- Introductions & welcome
- Opening remarks from Frank Tudor, Jemena Managing Director
- Scene setting and purpose
- Sharing feedback from the 1:1s
- Co-Design:
  - Engagement principles and methods for working together
  - What success looks like
  - Where to from here?

2 | Defining the challenge and the tools

- **Defining the problem together**
  - Guest speaker: Professor Cameron Tonkinwise
- Discussing an **approach to deliver the deep dives**
  - Potential responses being considered by Jemena
  - A framework for looking at the potential responses
  - What information we'll need and have available (e.g., customer groups and time horizons to consider)

3-5 | Exploring potential responses

We'll explore potential responses in depth:
- Adjusting Jemena's asset management approach
- Facilitating green gases
- Addressing existing capital recovery
- Adjusting our new connections approach
- Adjusting Jemena's pricing for different customers
- Revisit actions taken for further work on prior responses

6-7 | Testing scenarios & response packaging

- Expert panel scenarios
- Scenario insights of potential responses outcomes
- Prioritising and packaging potential responses

8 | Equipping and engage consumers

- Review final thinking on potential responses
- Discuss what should Jemena engage on and how

Draft agendas

Recap: Broader stakeholder engagement program

Customer user group

Consumer preferences and considerations

Strategy testing

Advisory board

Articulate the problem statements in JGN's context and planning horizons

Consider response levers and future scenarios

Identify response combinations or ranges that will serve customers' interests.

Expert panel

Scope scenarios

Agree scenario settings and forecasts

Objective | JGN's 2023 AA customer engagement can:
Engagement on what | Build upon the well informed and broadly represented deliberations of the Advisory Board process to best target that engagement How to engage | Benefit from Advisory Board communication and evidence feedback

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Our ask of you

01 Cameras on if possible.

02 When prompted please raise your hand and unmute.

03 Please put any questions you have in the Teams Chat.

04 During discussions, value other participants' contributions.

Reminder: This session is being recorded

Reflections from Session 1

What have you reflected on since Session 1?

Time: 10 mins

Use the 'raise your hand' button or Teams chat function to share your reflections – KPMG will capture all your comments

Session 1 playback

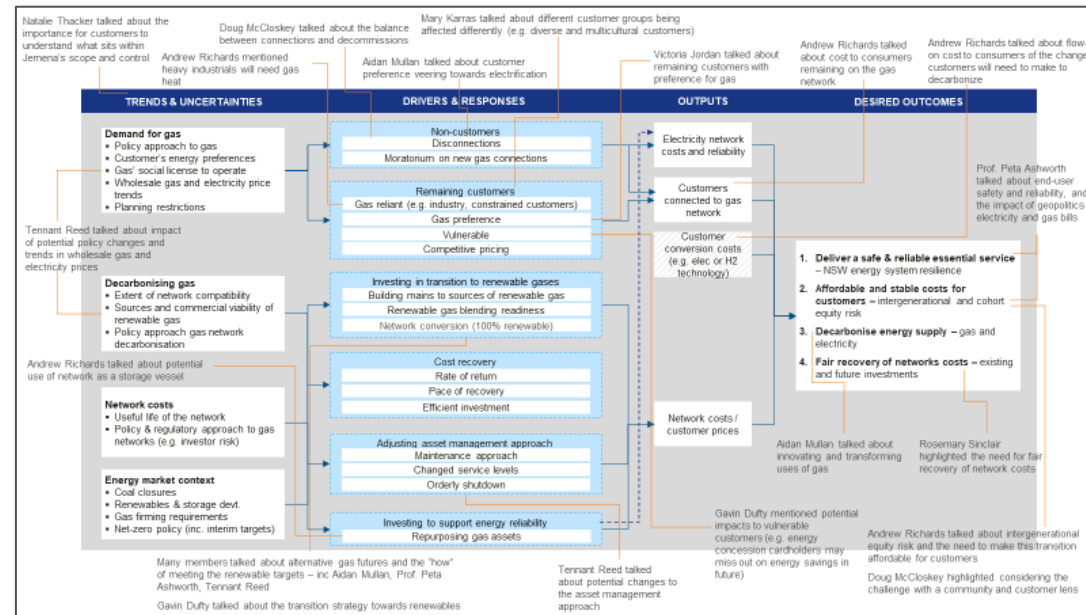| What we have heard	How we have responded
Engagement approach	• A Q&A document has been developed which includes this detail
• **Understanding consumer preferences** – Some Board members are interested in an overview of the research techniques Jemena will use during the price reset process to get a really deep and genuine understanding of consumer preferences – for example in depth anthropological qualitative research	• Advisory Board members are welcome to observe the Customer User Group engagement sessions. The first is on 12 November, with a number of follow up sessions to take place over CY23.
• **Refinement of engagement principles –** The Advisory Board would like to understand the detail that sits behind the single-word engagement principles and incorporate their own words into these definitions as they are taken forward	• A Q&A document has been developed which includes this detail and the Customer Council Charter has been made available to the Advisory Board on the central Microsoft Teams channel and by email. • It was agreed that these engagement principles could be revisited at a future session
• **Success for the Advisory Board –** There was feedback from the Advisory Board that it is too early to articulate what success of this process looks and feels like	• It was agreed that the question of "what success looks like for the Advisory Board" will be revisited at a later session to further define your criteria of success
• **Engagement approach** – There was a majority view that an in-person Advisory Board session would be beneficial	• Jemena will explore some options to bring the Advisory Board together in person at some point in the program in a way that is inclusive for all members

Do you have any questions or comments you want to raise?
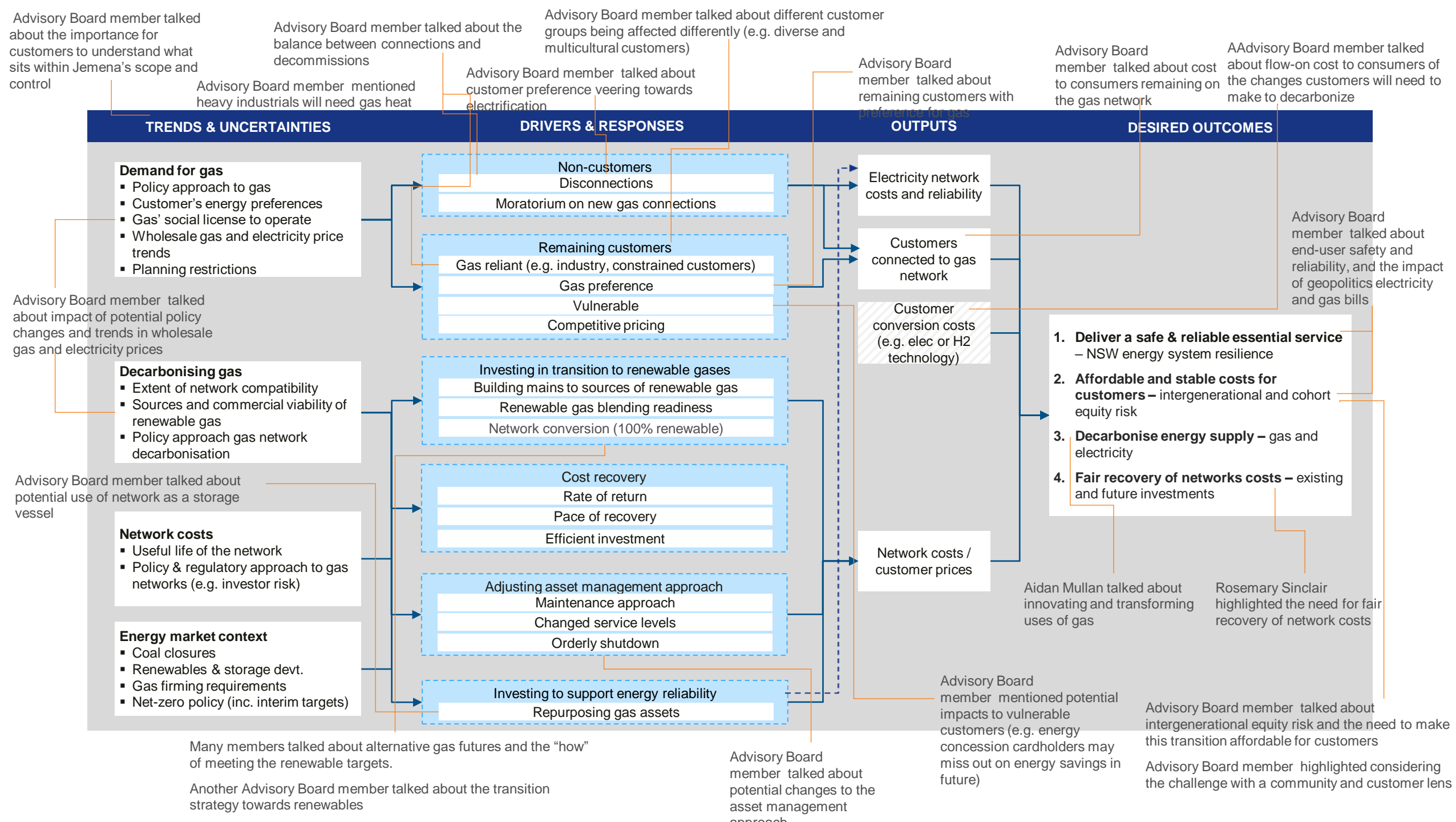
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Unpacking the Problem

Developing the draft logic map

- This draft version was developed from key comments on 'the challenge' we heard during the Advisory Board pre-briefings
- It is an iterative document that has been built upon by the facilitation team and Jemena

Advisory Board member talked about the importance for customers to understand what sits within Jemena's scope and control

Advisory Board member talked about the balance between connections and decommissions

Advisory Board member mentioned heavy industrials will need gas heat

Advisory Board member talked about customer preference veering towards electrification

Advisory Board member talked about different customer groups being affected differently (e.g. diverse and multicultural customers)

Advisory Board member talked about remaining customers with preference for gas

Advisory Board member talked about cost to consumers remaining on the gas network

AAdvisory Board member talked about flow-on cost to consumers of the changes customers will need to make to decarbonize

TRENDS & UNCERTAINTIES	DRIVERS & RESPONSES	OUTPUTS	DESIRED OUTCOMES

Demand for gas
- Policy approach to gas
- Customer's energy preferences
- Gas' social license to operate
- Wholesale gas and electricity price trends
- Planning restrictions

Advisory Board member talked about impact of potential policy changes and trends in wholesale gas and electricity prices

Decarbonising gas
- Extent of network compatibility
- Sources and commercial viability of renewable gas
- Policy approach gas network decarbonisation

Advisory Board member talked about potential use of network as a storage vessel

Network costs
- Useful life of the network
- Policy & regulatory approach to gas networks (e.g. investor risk)

Energy market context
- Coal closures
- Renewables & storage devt.
- Gas firming requirements
- Net-zero policy (inc. interim targets)

Non-customers
Disconnections
Moratorium on new gas connections

Remaining customers
Gas reliant (e.g. industry, constrained customers)
Gas preference
Vulnerable
Competitive pricing

Investing in transition to renewable gases
Building mains to sources of renewable gas
Renewable gas blending readiness
Network conversion (100% renewable)

Cost recovery
Rate of return
Pace of recovery
Efficient investment

Adjusting asset management approach
Maintenance approach
Changed service levels
Orderly shutdown

Investing to support energy reliability
Repurposing gas assets

Electricity network costs and reliability

Customers connected to gas network

Customer conversion costs (e.g. elec or H2 technology)

Network costs / customer prices

Advisory Board member talked about end-user safety and reliability, and the impact of geopolitics electricity and gas bills

1. **Deliver a safe & reliable essential service** – NSW energy system resilience
2. **Affordable and stable costs for customers –** intergenerational and cohort equity risk
3. **Decarbonise energy supply –** gas and electricity
4. **Fair recovery of networks costs –** existing and future investments

Aidan Mullan talked about innovating and transforming uses of gas

Rosemary Sinclair highlighted the need for fair recovery of network costs

Many members talked about alternative gas futures and the "how" of meeting the renewable targets.

Another Advisory Board member talked about the transition strategy towards renewables

Advisory Board member talked about potential changes to the asset management approach

Advisory Board member mentioned potential impacts to vulnerable customers (e.g. energy concession cardholders may miss out on energy savings in future)

Advisory Board member talked about intergenerational equity risk and the need to make this transition affordable for customers

Advisory Board member highlighted considering the challenge with a community and customer lens

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DESIRED OUTCOMES
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Guest speaker

Professor Cameron Tonkinwise

Let's now come back to the draft logic map to unpack the problem and opportunity statement

Stress testing the logic map

To stress test and build on the draft logic map,
let's work through three questions…

What works?

What doesn't?

Is there anything missing?

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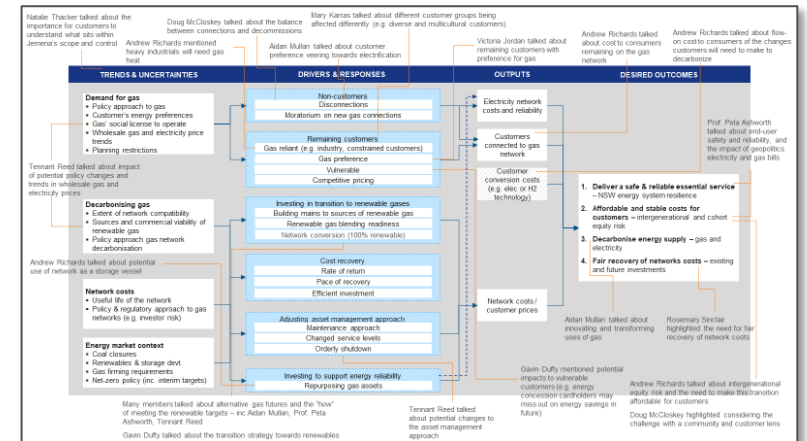
Rosemary's playback

Where to from here – Sessions 3-5

Potential response areas

Adjusting our asset management approach	Facilitating green gases	Addressing existing capital recovery	Adjusting our new connections approach	Adjusting our pricing for different customers
• How long should we maintain and operate our assets to service customers? • How big should our asset be in future (scale and locations)? • How fast should we be investing to prepare for green gasses?	Should our focus be: • to just enable green gas connection or network, or • to actively grow the market for green gasses through marketing and building green gas demand?	• How long do most customers want to be using our asset, and therefore over what horizon should we recover our investment? • If we risk not recovering it, how should we be compensated for that risk?	• How should we balance supporting connections growth and not exacerbating capital recovery challenges? • Should renewable connections be funded by the customer-base to support transition?	The more we segment our customers the more we can target our pricing to support competitive gas prices for different customers. Should we be doing more of this targeting than we do now?

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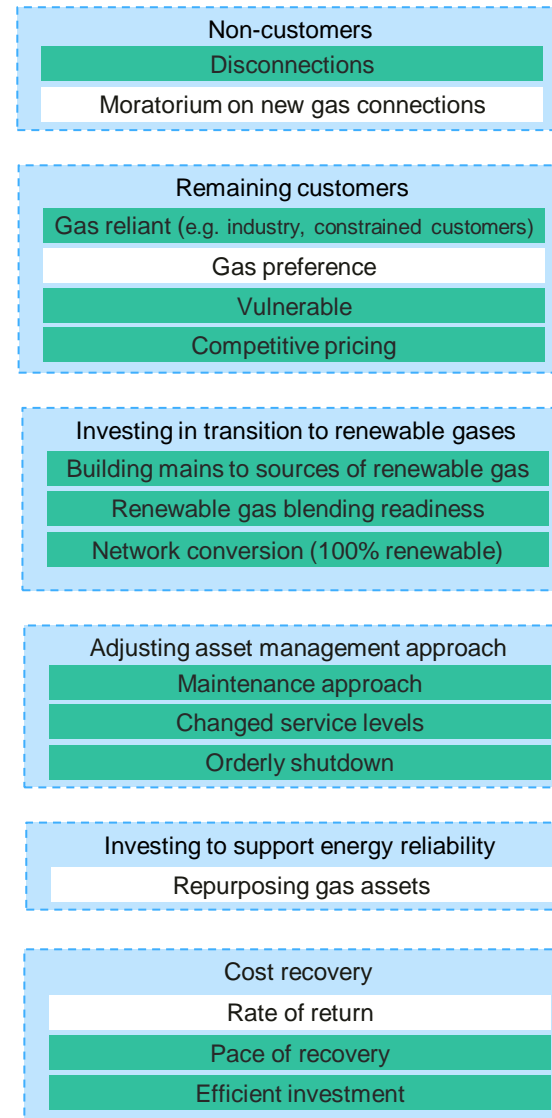Customer conversion costs (e.g. elec or H2 technology)

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Network costs / customer prices

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Investing to support energy reliability
- Repurposing gas assets

Potential response areas

How these potential response areas were developed

- These were developed by Jemena to demonstrate the *range* of potential response areas it can act upon and is already exploring
- Jemena has also cross-checked how well these cover the breadth of drivers and responses identified in the logic map

Identified drivers & responses

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Potential Jemena response areas

- **Adjusting our pricing for different customers**
- **Adjusting our new connections approach**
- **Facilitating green gases**
- **Adjusting our asset management approach**
- **Addressing existing capital recovery**

Jemena's starting deep dive list

Adjusting our pricing for different customers

Adjusting our new connections approach

Facilitating green gases

Adjusting our asset management approach

Addressing existing capital recovery

Session wrap-up and close

Thank you

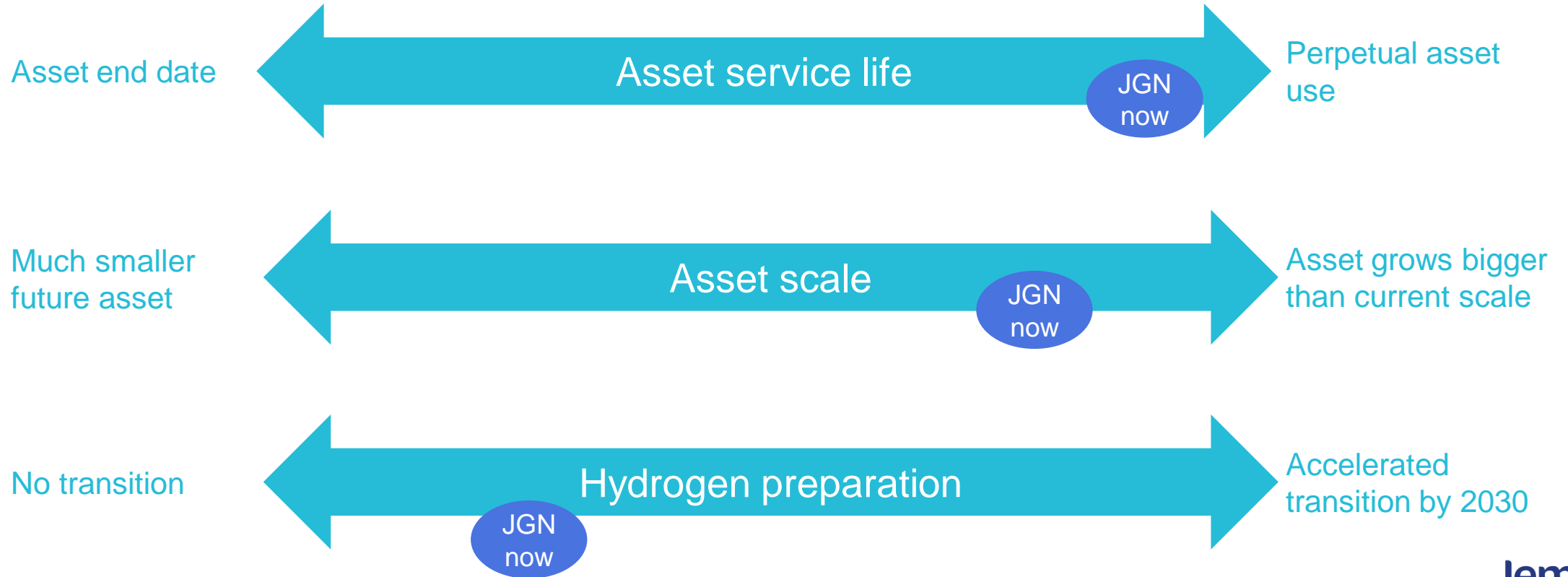**Please contact us if something comes up, you didn't get a chance to raise an issue, or you just don't feel heard.**

Dr Matt Pearce
KPMG Partner
National Sector Lead, Power & Utilities

Ana Dijanosic
General Manager Regulation
Jemena

v1.1

Step 1 What asset responses are we considering?

Engagement purpose | Introduce the response area and bookend range of action for unique responses within it, and explain where we are now

Asset end date → **Asset service life** JGN now → Perpetual asset use

Much smaller future asset → **Asset scale** JGN now → Asset grows bigger than current scale

No transition → **Hydrogen preparation** JGN now → Accelerated transition by 2030

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Step 2 What are some possible options?

Engagement purpose | Engagement on each lever that the Advisory Board thinks is feasible within 'guide rails' of what's possible. Explore specific action options and their impacts / lead times, answer questions and understand preferences
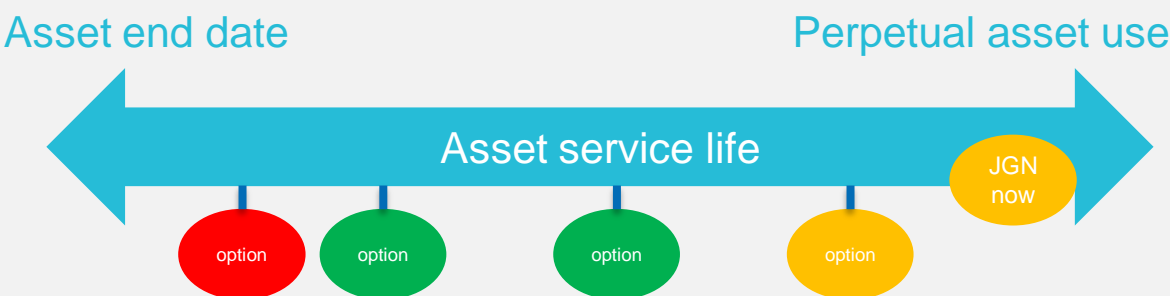
Asset end date

Asset service life

JGN now

Perpetual asset use

option

option
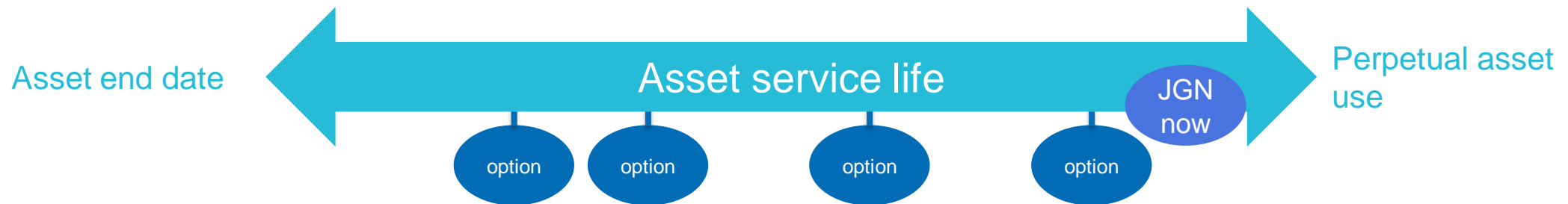
option

option

Step 3 How would different futures affect the option outcomes?

Engagement purpose | Test how actions perform in expert panel scenarios using testing criteria/principles set by advisory board
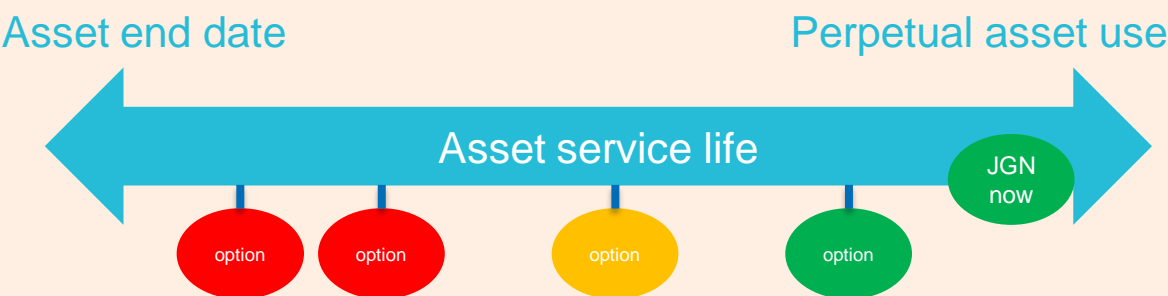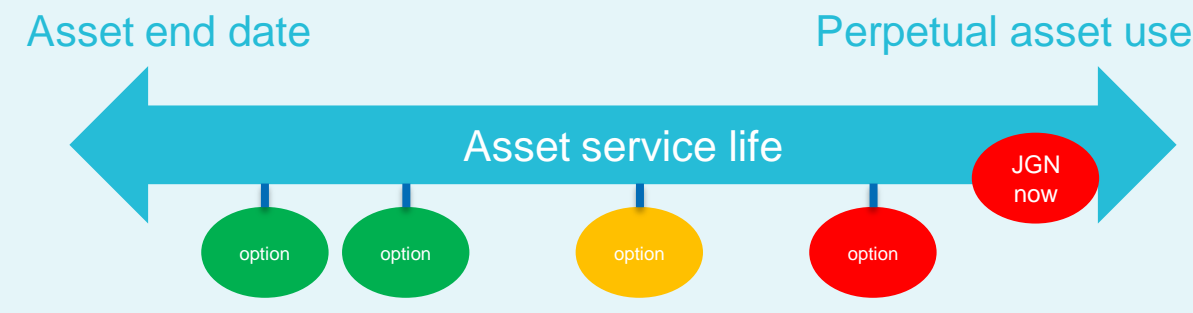
Step 4 What does the advisory board think?

Engagement purpose | See if there's a **reasonable response range** the advisory board want us to focus on or any **no regrets actions**

Focus here

Asset end date

Asset service life

JGN now

Perpetual asset use

option   option   option   option

Focus here