

Advisory Board

Session 8, 18 April 2023

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

Recap outcomes and packages of options based on AB7, discuss narratives for these options



02

Feedback for customer forum approaches and planning for the next stage



03

Thank you, feedback and next steps.



Your Advisory Board Chair



Rosemary Sinclair AM
CEO
auDA

Your facilitator



Dr Matt Pearce
Partner
KPMG National Lead for Energy & Utilities



The agenda for today

Our session today

Topics we will cover

Section 1: Welcome & Introductions

Acknowledgement of Country, introduction and objectives for today

Section 2: Reflections from Session 7 and draft report

Feedback on session 7 and draft report

Recap the shortlisted options to engage on and option packaging, and refine narratives

Break

Section 3: How to engage: early feedback on the engagement program design

How we plan to engage with customers at the Jemena Customer Forum on the shortlisted response options (Rachel Fox, BDi)

Section 4: Thank you, feedback, program wrap-up

Rosemary's Playback

Feedback: What did we do well during our time together? What would you want if we did this again?

Overview of next steps

Duration

5 total

5

60 total

30

30

5 total

100 total

100

20 total

5

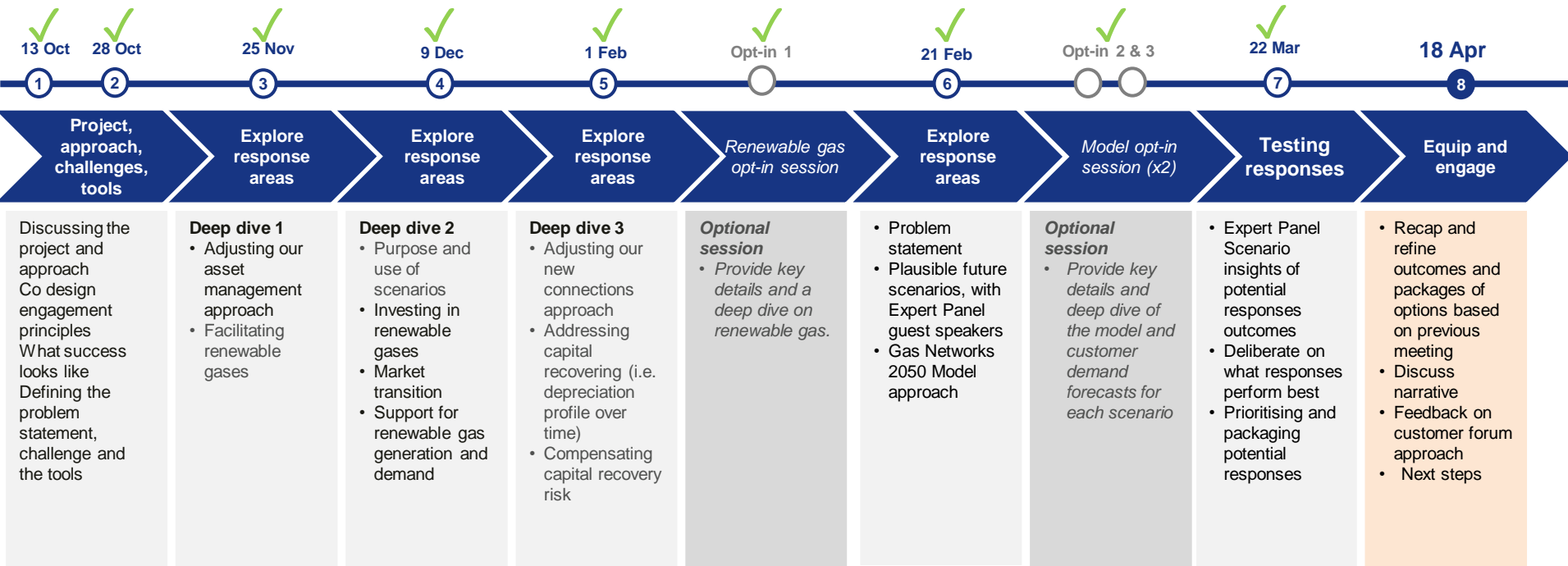
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5

In order to...

- 1 Recap and refine outcomes and packages of options (based on AB7 outcomes report)
- 2 Discuss narratives for these options
- 3 Feedback for customer forum approach and planning for that next stage
- 4 Thank you and feedback
- 5 Where to from here for the Advisory Board.

Recap: Advisory Board series overview



Co-design
Establish our process

Inform & Consult
Understand and investigate ways Jemena could respond

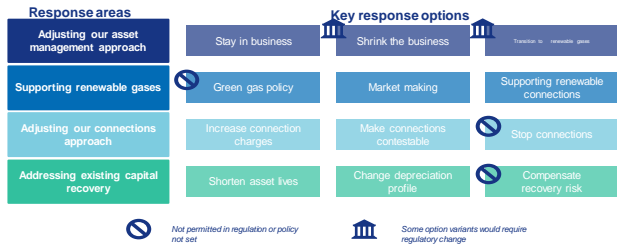
Involve & Collaborate
Target which response options to engage our customers on, and how we will do so

Recap: Our journey

In the context of an accelerating energy transition driven by community expectations and government emissions reduction policies, Jemena commits to being a trusted partner, delivering safe gas connection and transport services and meeting consumer and community expectations for:

1. Access to reliable and resilient services
2. Stability, affordability & equity in prices
3. A decarbonised energy supply
4. Fair returns and risk sharing on investments made by consumers and Jemena.

We voted on the Advisory Board Statement of Objectives



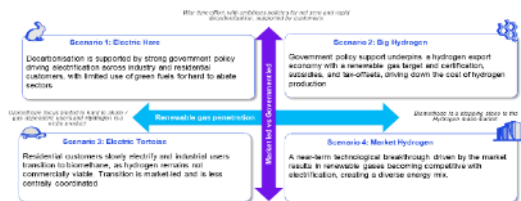
We explored different response options during our deep dive sessions

1. What responses perform best across the range of scenarios and would be suitable to put forward to Jemena's Customer Forum.
2. How should these preferred options be considered together?
3. What information will be important for engagement on these options?

We deliberated to filter response options for 2025–30 and trade-offs



The Expert Panel co-designed plausible future scenarios



Response options were assessed against the Statement of Objectives

Response option: Shorten asset lives of new assets instead of maintaining and replacing assets at current pace				
Objective	2025-30	2030-40	2040-50	Comments
Access to reliable and resilient services	Worse	No change	No change	Replacing assets at a slower pace reduces capex and RAG growth slightly, but increases maintenance capex. Access to reliable and resilient services worsens due to the increased asset age.
Stability, affordability & equity in prices	Worse	Improved	Improved	In the short to medium term, higher capex outweighs the benefit of a smaller RAG and puts minor upward pressure on prices (RAG 3.5 p.p.). In the long term, the impact is smaller as capex reduces in the utility network pricing.
A decarbonised energy supply	No change	No change	No change	Lower capex slows RAG growth, slightly reducing our stranding risks in new investments but the overall stranding risk remains significant. Network pricing in this scenario forces some customers to disconnect and causes appliance stranding. This could potentially be eased through government electrification support.
Fair returns and risk sharing on investments made by consumers and Jemena	Improved	Improved	Improved	

Jemena's AA engagement and option testing



Reflections from Session 7

Reflections from session 7

What are your reflections on the deliberative process and your experience of the full day Session 7?

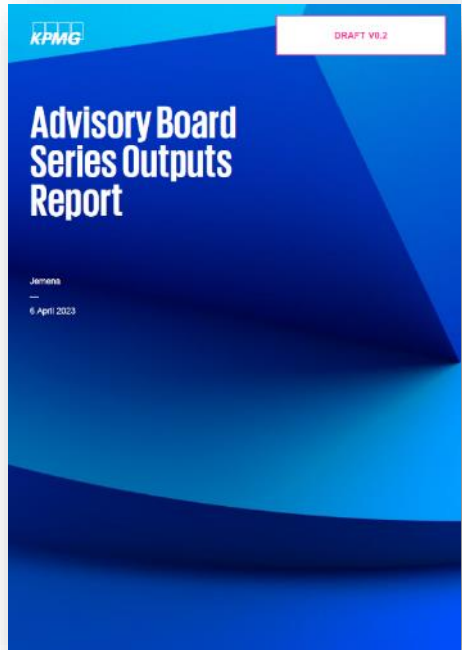
Summary of deliberation outputs and proposed packaging

Response area	Response option	Advisory Board sentiments	Jemena next steps for customers
Adjusting asset management approach	1. Replacing at slower pace instead of continuing to maintain and replace assets at current pace	<ul style="list-style-type: none"> Strongly supported Creates optionality. 	<ul style="list-style-type: none"> Take forward for engagement at Customer Forums.
Adjusting our asset management approach	2. Accelerate to 10% hydrogen capability instead of continuing new and replacement asset transition	<ul style="list-style-type: none"> Only supported in limited scenario set Focus on informing customers Affected by current and timing of scale of H2 production. 	<ul style="list-style-type: none"> Take forward for engagement with specific customer groups who cannot, or do not wish to, stop using gas Engagement will distinguish between biomethane and hydrogen, as our network and customer appliances are already biomethane ready
Supporting renewable gases	3. Support renewable gas instead of a passive renewable gas approach	<ul style="list-style-type: none"> Only supported in limited scenario set Some view that Jemena should do this anyway Many thought that the focus should be on informing and educating customers More directed to bespoke industrial user conversations now Need to support the social licence of hard-to-abate large users and industrial customers. 	<ul style="list-style-type: none"> There's potential to package option 2 and 3 for engagement. Consider the use of different language aligned to informing and educating.

Summary of deliberation outputs (ctd)

Response area	Response option	Advisory Board sentiments	Deliberation outputs
Adjusting our connections approach	4. Increase capital contributions instead of continuing low contribution connections	<ul style="list-style-type: none"> Strongly supported User pays principle. 	<ul style="list-style-type: none"> Take forward for engagement at Customer Forums.
Addressing existing capital recovery	5. Shorten asset lives of new assets instead of maintaining current lives	<ul style="list-style-type: none"> Strongly supported Supports intergenerational equity The regulatory compact has changed Managing risk for investments made by Jemena and customers 	<ul style="list-style-type: none"> Take forward for engagement at Customer Forums. Potential to package with option 6 for engagement.
Addressing existing capital recovery	6. Front-end some depreciation instead of maintaining current profile	<ul style="list-style-type: none"> Can be adapted for new information at each regulatory review. 	<ul style="list-style-type: none"> Take forward for engagement at Customer Forums. Potential to package with option 5 for engagement.

Draft Advisory Board Series Outputs Report



1. Is the draft report accurate?
2. Do you have any feedback and reflections on the draft report?
3. Subject to your feedback, can we agree this record of Advisory Board deliberation outputs?

Refining the narratives for engagement

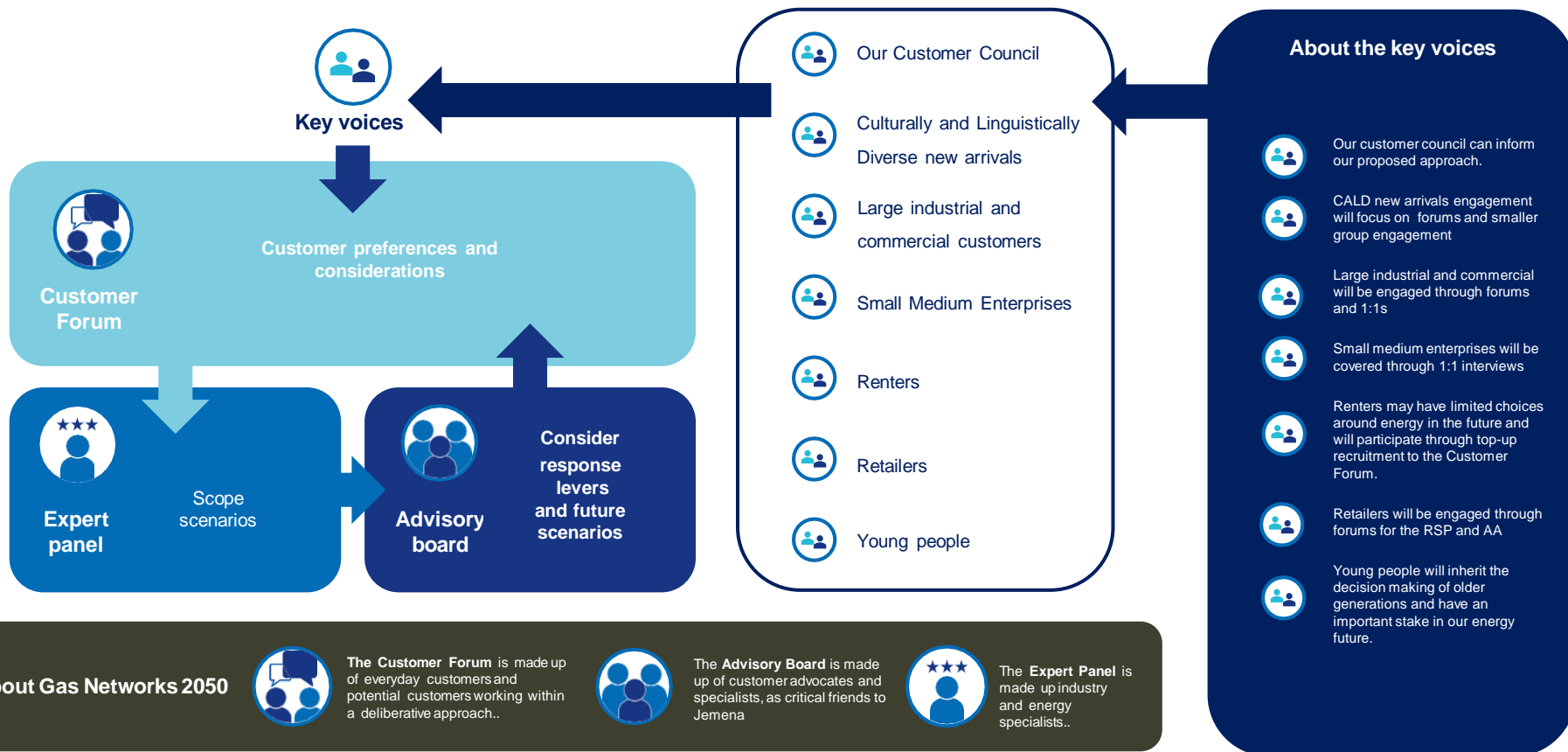
1. What key considerations should Jemena take into account when engaging on the response options?
2. What might be the challenges and opportunities when engaging with customers?
3. What issues and/or trade-offs should be emphasised?



How to engage: early feedback on the engagement program design

Who we're engaging: engagement for Access Arrangement (AA) 2025-2030

Engagement for Jemena's access arrangement will be authentic, and rich to really listen to the diverse needs of our customers.



Who we're engaging – demographics

Customer Forums – Where & when?



7 Forums +1
preparatory
workshop

48 hours of
deliberation

In-person (4) and
online (4)

Who?



54
customers

13
From the 2020-25
AA
41 Are new

18
Have a language
other than English



Male 24
Female 29
Nonbinary 1

Gas users: 49
Non gas users: 5

House: 20
Duplex/Semi: 10
High rise: 1
Medium rise: 11
Low rise: 6
Other: 4
Unknown: 2



Age groups
18-24: 7
25-34: 11
35-44: 12
45-54: 10
55-64: 8
65-74: 6



Greater Sydney: 36
Hunter/Central Coast: 4
Illawarra: 5
Regional: 9

Home owner: 34
Rental: 20

Young People and Culturally and Linguistically Diverse

4 online and in-
person forums with
young people

3 online and in-
person forums with
CALD educators

5 diverse young
people from
across Sydney

4 CALD educators

Background
information from
surveys

Tamil
Arabic / Assyrian
Nepali
Vietnamese

Age group: 18-24

Educators are
from NSW Ethnic
Communities
Council

Our engagement principles

The 3 core principles adopted for our engagement reflect the culture of the business and ensure our 2025-2030 Plan continues to enable a customer focus in all that we do.

1

Let our **customers** and **stakeholders** views shape our regulatory proposal



2

Build **trust** and **collaborate** with customers in our regulatory proposals



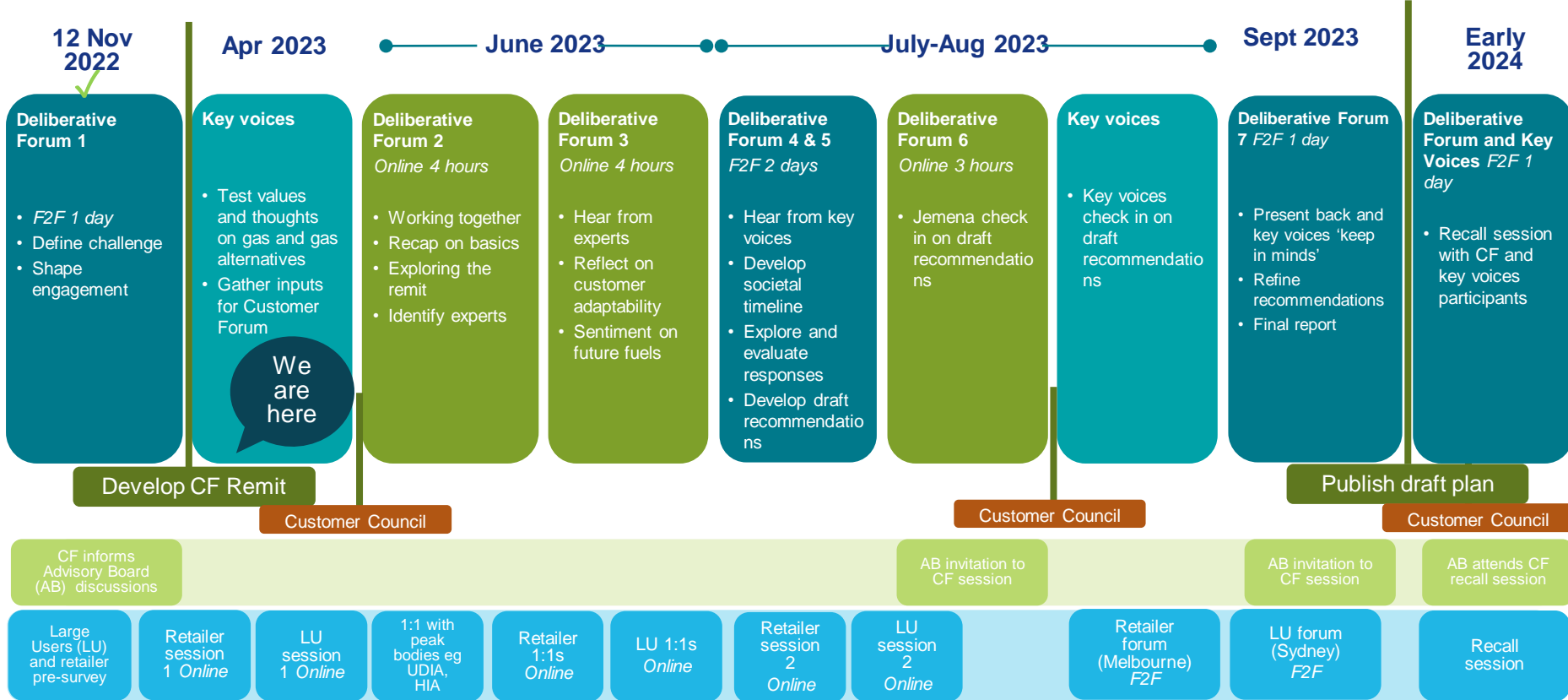
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Continue to support growth of Jemena's customer focused **culture**



IAP2 Core Values

We are inspired by the International Association for Public Participation



What we've heard from customers so far:

- Choice of gas
- Vulnerable customer initiatives
- Connections
- Willingness to pay for renewable gas and innovation
- Expectations of access into the future
- Reliability and security of supply
- Dealing with uncertainty (across the four demand scenarios) through accelerated depreciation and charging for connections
- Tariff reform options and fairness.

Engagement Overview

Gas Networks 2050

What is deliberation?

DELIBERATION

| noun | de-lib-er-a-tion |

A long and careful consideration or discussion.

When used with the term 'democracy', deliberation is about participants¹ considering relevant facts from multiple points of view, talking with others to think critically about options before them and enlarging their perspectives, opinions and understandings.

¹A random and representative sample of participants is necessary to achieve integrity with the process.

Engagement narrative

*Story to
communicate
to customers*

Context and regulatory plan

Context of uncertainty > Move to electrification > Impact to customers depending on the future we plan for

Are there any refinements to the narrative that you can suggest?

Questions to guide the engagement

- How adaptable do you feel customers might be to the energy transition?
- What is in the best interests of customers to reach Net Zero?
- To what extent should we explore renewable gas alternatives that could make use of our existing network?
- How can we continue to support customers who don't have an option to disconnect from gas?
- How can we limit the impact to remaining gas customers who face paying for a larger portion of the network due to a declining customer base?
- What happens to the investments we have already made if customers continue to move away from gas?

Do these questions cover the aspects that you feel are needed?

Adjusting asset
management
approach


Adjusting our
connections
approach

Addressing
existing capital
recovery

Supporting renewable
gases

Engagement remit and recommendations

- Reporting and recommendations will include **remit response + analysis of response options**



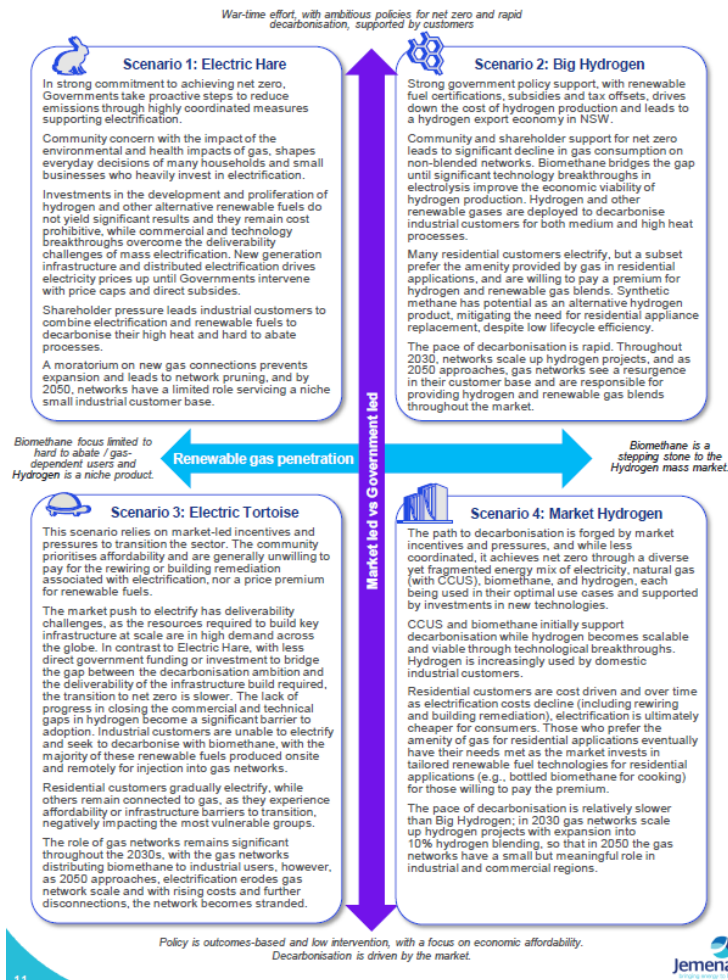
Sets the challenge and gets to the heart of the problem

Remit

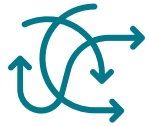
Australia is transitioning to net zero carbon emissions by 2050. We see a role for Jemena Gas Networks in the transition and beyond 2050. However, there is more and more uncertainty in the energy sector, and cost of living pressures and energy prices are rising. We want to adapt and take action now, but we need the support of customers to do this. *Can we do this in a way that is fair for customers over the next five years, and beyond, whilst managing uncertainty and remaining affordable in the future.*

Scenarios

- Exploring possible futures with the Customer Forum is a key outcome
- We want the Customer Forum to examine the possible futures through the lens of technical experts
- Technical experts can help with providing (and educating) context regarding timeframes for decarbonisation, progress of technology and associated costs.



Exploring possible futures



Future is
marked by
uncertainty



Participants
should still
explore
possible
futures



Customer
Forum can
explore
through
experts



Customer Forum will:

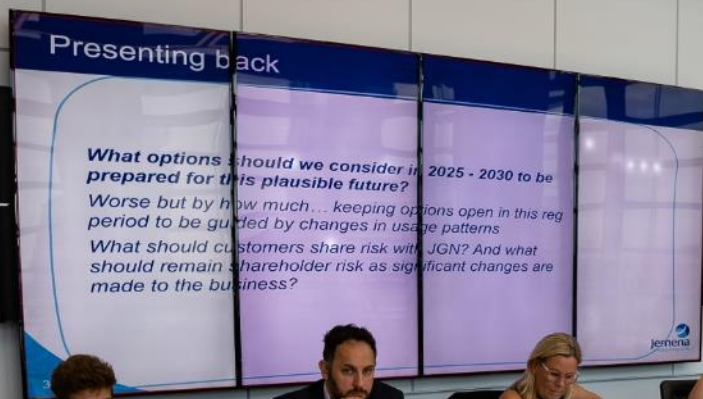
- Explore adaptability to the future
- Determine societal timeframe

Response options

#	2	3	1	4	5	6	Policies		
Current wording	Hydrogen Capability	Advocate for renewable gases	Asset replacement	Capital contributions	Asset lives	Capital recovery	Vulnerable customers	Smart metering	Abolishments
Reframing	Moving towards renewable gas		Slowing network growth		Managing Jemena’s financial risk		Supporting customers through the transition		
Focus	Sentiment mapping on moving towards renewable gas								
	Evaluation against reliability, affordability, fairness, choice and environment								

Feedback on the engagement program

- Are there any refinements to the program that you can suggest?
- Does the engagement speak to the AB outputs from Session 7?
- Does the engagement program target a reasonable representation of Jemena's gas distribution customer base?
- Are you satisfied that the engagement program provides adequate opportunity to 'close the loop' with customers in terms of how their expectations have informed Jemena's AA proposals?



Presenting back

What options should we consider in 2025 - 2030 to be prepared for this plausible future?
Worse but by how much... keeping options open in this reg period to be guided by changes in usage patterns
What should customers share risk with JGN? And what should remain shareholder risk as significant changes are made to the business?

jerena

Thank you and wrap up



Rosemary's playback

Overall feedback for Jemena on the Advisory Board process

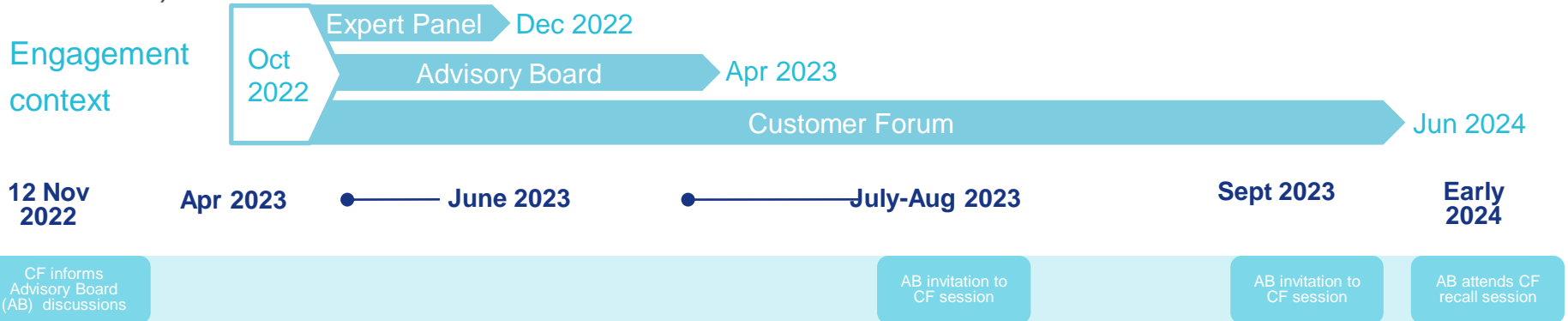
1. What did we do well?
2. What could we do even better?
3. What would you want if we did this again?

Further feedback for Jemena

Do you have any further advice or feedback for Jemena?

Next steps

- Advisory Board on an as-needs, opt-in basis for specific topic areas as we progress.
- Invitation to opt-in to the customer forums (noting BD's recommendation to minimise observers at in-person sessions)
- Advisory Board to reconvene to review the draft plan – closing the loop (we suggest March 2024).



Thank you

Please contact us if you have any other feedback for us.

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