

Jemena Gas Networks 2050 and Access Arrangement for 2025-2030

Retailer engagement session 4

4 September 2023



Give your feedback today:
Head to [menti.com](https://www.menti.com)
Enter the code 3144 0656



Competition disclaimer

Jemena is committed to complying with all applicable laws, including the Competition and Consumer Act 2010 (CCA).

The Act covers the relationships between suppliers, wholesalers, retailers and customers. Its purpose is to promote fair trading and competition and provide protection to customers.

The provisions are aimed at deterring practices which are anti-competitive.

Therefore, in this meeting, we ask that you:

- Be mindful of the diversity of interests represented from the gas distribution network and retailers and that our customer groups intersect.
- Do not share any commercial in confidence information which may be construed as promoting or enabling a cartel, price-fixing or misuse of market power.
- Respect the opportunity to be open and share information within the Chatham House Rules:
 - ❖ This means that participants are free to use the information received but neither the identity nor the affiliation of the speakers nor that of any other participant may be revealed.
 - ❖ If you would like to be able to share any presentations or reports from the meeting, then please seek the permission of the speaker or presenter.

The Act is also responsible for the establishment of the Australian Energy Regulator. It is worth reminding ourselves that the purpose statement of the AER works under is to make all Australian energy consumers better off now and in the future.

It is in that spirit that we come together today.

Please be aware of these rules and conditions.



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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



Retailer feedback from our July session (retailer forum)

Digital gas meters: feedback on this is primarily supportive with one retailer having a varied view.

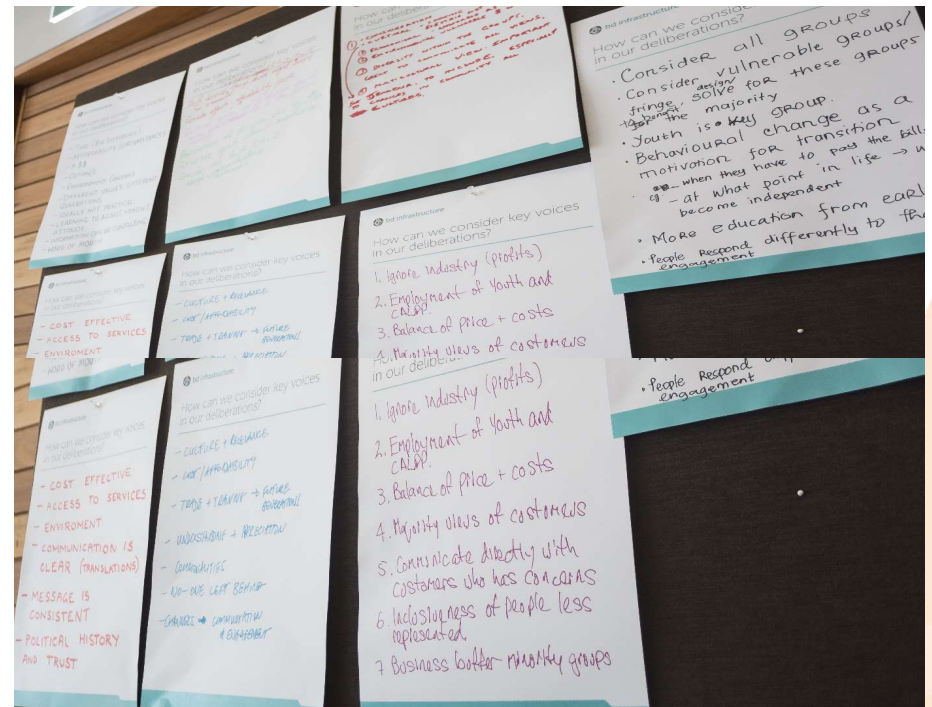
Vulnerable customer initiatives: feedback on this topic is primarily supportive with one retailer having a varied view.

Retailer feedback on tariffs:

- not favouring revenue cap.
- concerns about how retailers will implement Jemena's tariff structure should any changes be made.
- also concerned about having products that are reflective.
- keep it simple.

Questions from retailers about tariffs and the engagement:

- Is Jemena leaning towards one tariff structure or the other?
- How do you combine all this feedback from all the different sources?
- Beyond tariffs and volumes: will Jemena include other costs like supply, abolishment and connection charges as demand composition changes?



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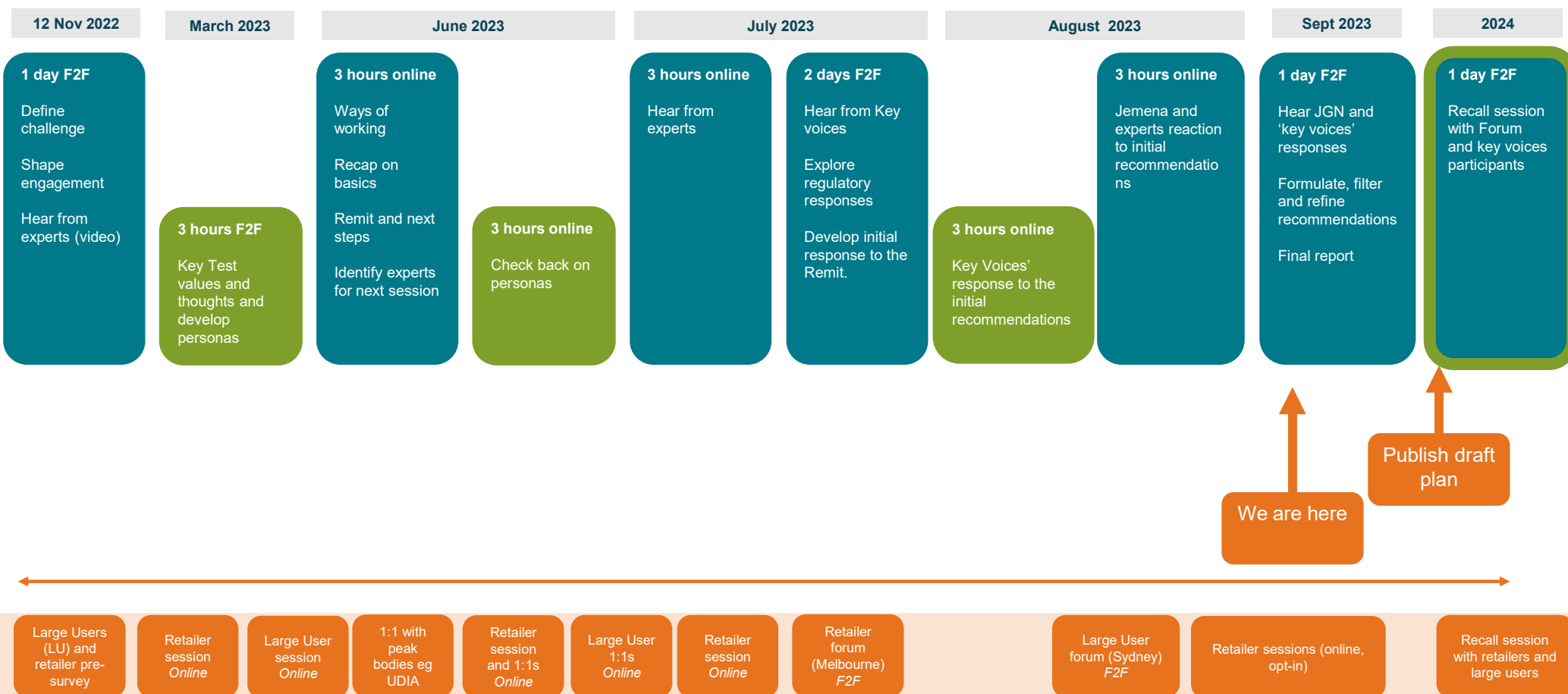
Early customer feedback on tariffs engagement

- The topic is complex to engage on and there's many factors to consider
- Customers are somewhat open to risk sharing and a hybrid approach (but it's inconclusive).
- Customers are split on whether declining, flat or inclining works best as they recognise each structure benefits or challenges different customer groups. However 80% believe that declining doesn't work in the current environment (ie unsuitable to be encouraging more gas use)
- Based on customer feedback, we are leaning towards a hybrid approach.

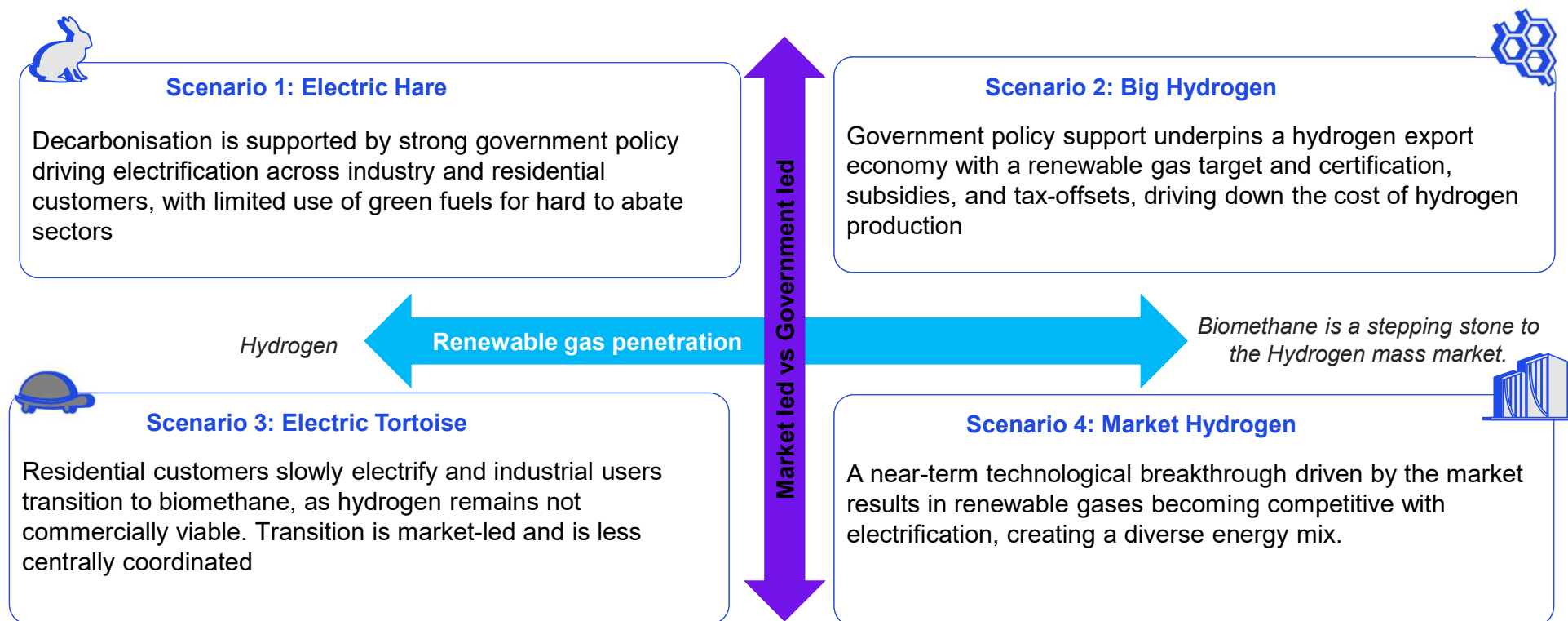


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Our engagement journey



The Expert Panel scenarios – the future is uncertain



Recap: engagement remit

Customer forum reporting and recommendations will include **remit response + analysis of response options**

Remit

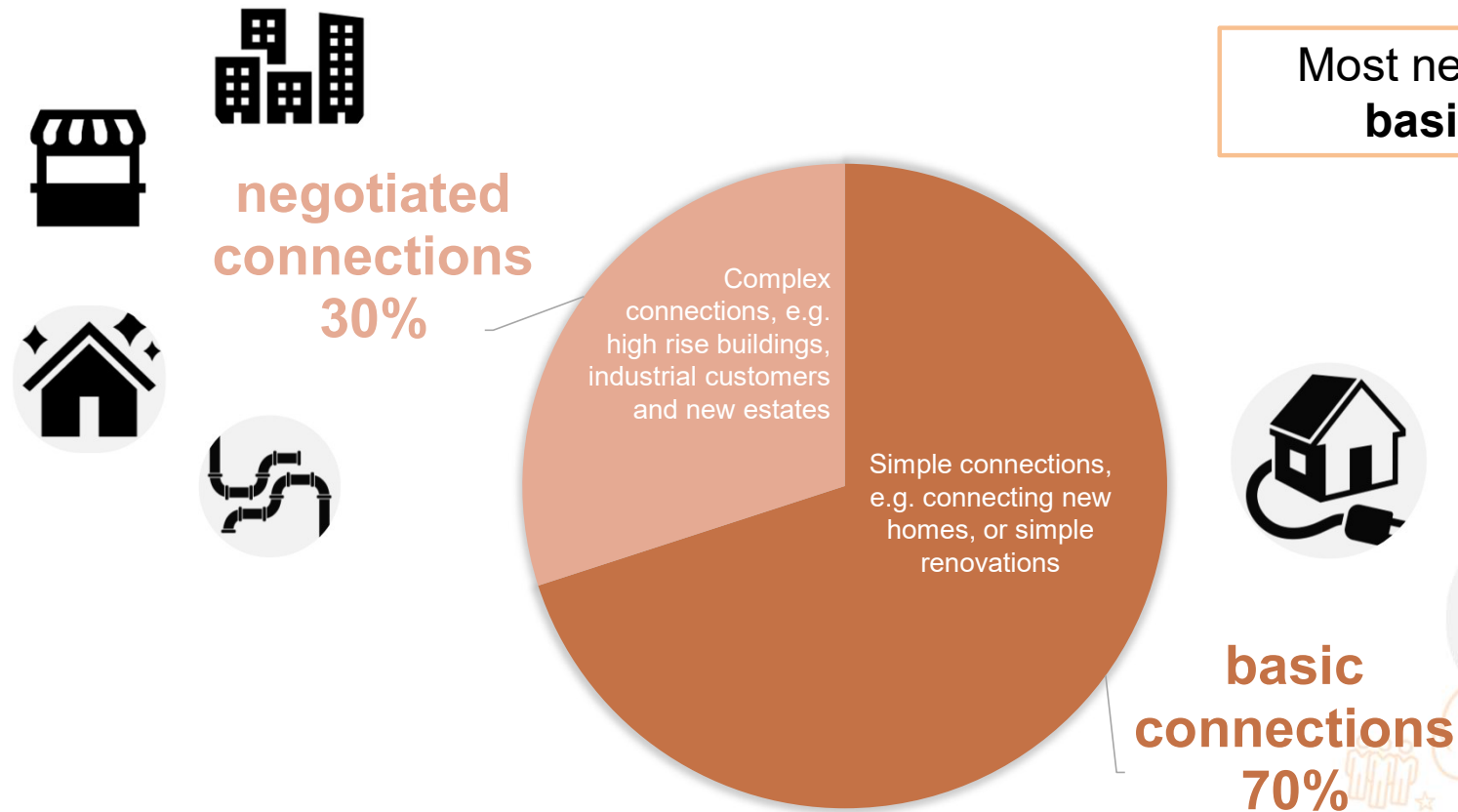
Australia is transitioning to net zero carbon emissions by 2050. We see a role for Jemena Gas Networks in the transition and beyond 2050. However, there is more and more uncertainty in the energy sector, and cost of living pressures and energy prices are rising. We want to adapt and take action now, 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.*

Sets the challenge and gets to the heart of the problem

Summary: a new approach to connections



Connecting to our network



Most new connections are
basic connections

Split of new connections: basic vs negotiated

Connection charges

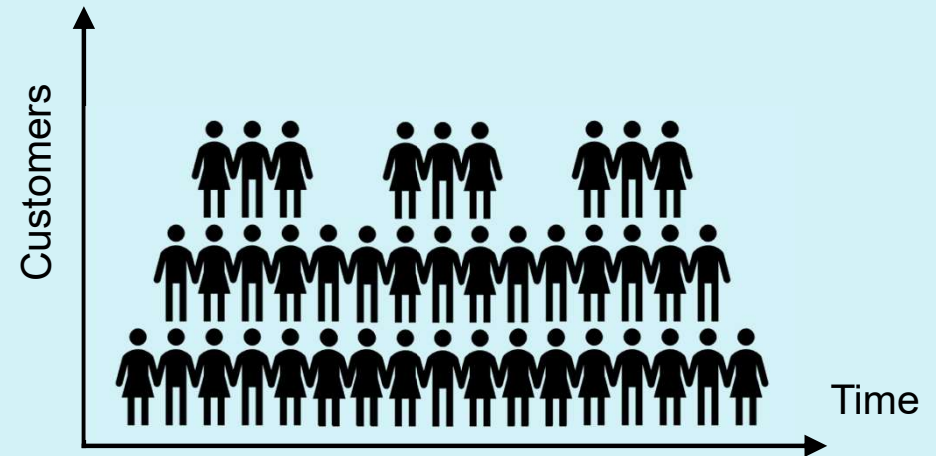
Connection charges

We are allowed to charge an upfront amount that allows us to “break even”



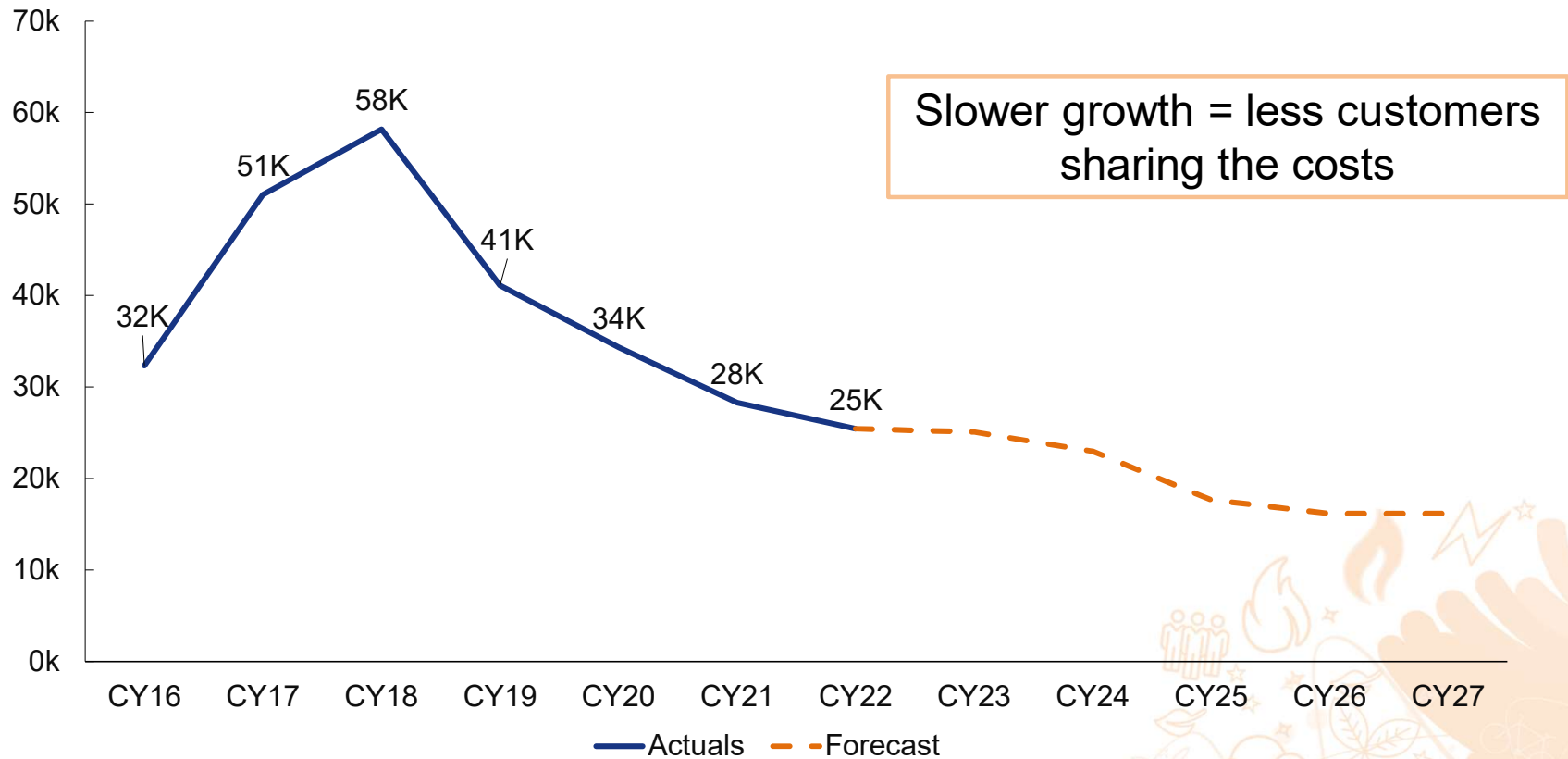
The amount we charge for a new connection must not exceed the difference between our costs and revenues derived

Currently, the cost of new connections is recovered over many years, across the customer base



This method of **sharing** costs is what enabled us to **keep connection charges low**.
More customers means that our fixed costs are spread over a larger customer base.

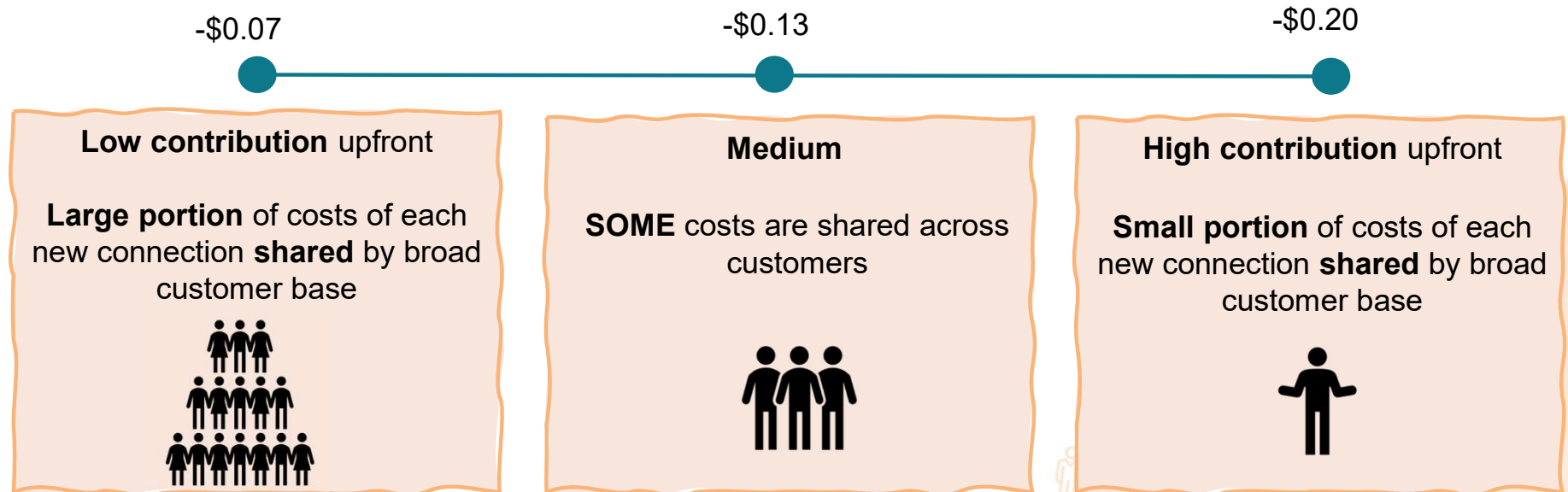
New connections numbers



Regulatory response slider – new connections

In the context of current uncertainty about the future role of our network, should we reconsider our current approach to how we charge for connections?

Should costs be largely spread across the customer base or should new customers pay a greater portion upfront?



These bill impacts do not account for changes in new connection numbers that could result from customers choosing not to connect because of higher contribution charges. If less customers connect, our costs will need to be shared across a lower customer base potentially resulting in higher bills.

Question: Where would you vote?

Early feedback from household customers



Early customer recommendations

Around uncertainty:

- **transparent** communication
- **pursue** renewable gas development

Around meeting customer expectations:

- **safety:** prioritise safety in the transition
- **choice and planning:** where it benefits customers, pursue new products / innovations
- **sharing lessons learned** from projects globally
- **environmental impact** must be considered.

Around supporting customers through the transition:

- **affordability:** because of the high level of bills, customers expect costs to be maintained and managed during transition
- **Communications:** education and awareness to customers, transparent action plans about the transition.
- **Collaboration:** with retailers for example incentives to switch to renewable gas



The regulatory response options

Moving towards renewable gas:



electrification future on its own

Renewable Gas connections in the future



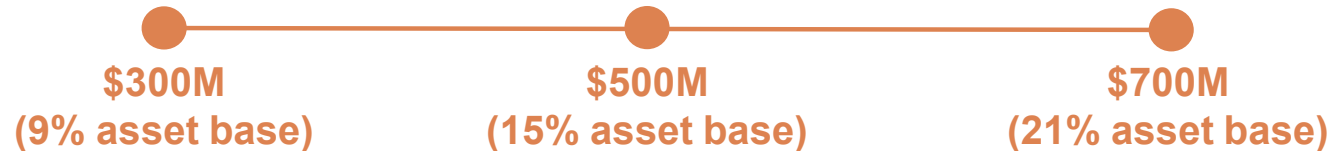
electrification working with renewable gases

DO NOT pursue any renewable gas connections

SUPPORT renewable gas connections

EXPEDITE renewable gas connections

Accelerate capital recovery:



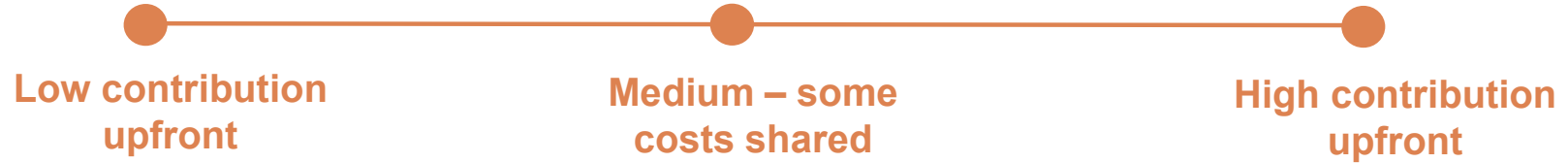
How we manage our assets:

Option A: Maintain current program

Option B: Defer rehabilitation for 5 years

Option C: Targeted rehabilitation

A new approach to connections



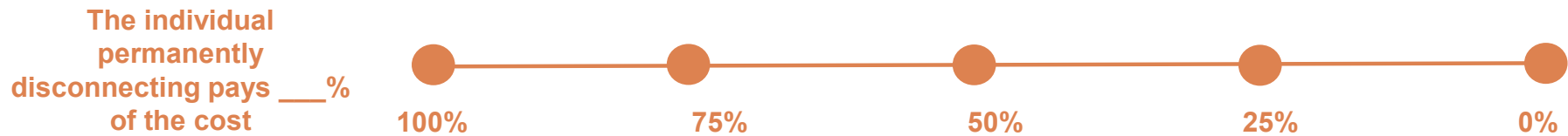
Vulnerable customer strategy and programs



Digital metering



Managing permanent disconnections



Early customer feedback on the regulatory responses

Keep moving towards renewable gas: Top vote from customers was the **middle option (support)** at **59% (\$3 p/a)** with expedite coming in at **38% (\$6 p/a)** and no connections at **3%**. Reasons were giving a choice to customers, while still being cautious and conservative, responding to government policy and technology and balancing all needs.

Accelerating capital recovery: Votes were split between the **\$300million (\$25-30 p/a)** and **\$500 million (\$35-45 p/a)** (the middle and lower option between \$300 - \$700m). Reason given as this option balances all, a moderate approach is needed, with everyone paying a small contribution and to also protect against bill shock.

How we manage our assets: Voting was split between **options B - \$4 a year** (defer for 5 years) and **C - \$1 a year** (targeted rehabilitation to reduce long-run capex). Customers recommend to delay expensive decisions with where there's no impact on customers.

A new approach to connections: Customers voted for **some costs** shared across customers **-\$0.13 a year** (the medium option of three). Reasoning focused on a user-pays approach, with some additional ideas on payment plan options.



Early customer feedback on the regulatory responses

Supporting vulnerable customers: majority of votes for **'do more'** approach -adding **30c to the bill per year**. Customers want a communications program with a broad approach inclusive of vulnerable and diverse groups

Digital metering: voting in this area was split across the five possible outcomes and mostly focused on the rollout **to 245k** (\$3 bill impact per year) and **to 70k** meter options (\$1 impact per year). In their reflections, customers emphasised to do something, and asked Jemena to prioritise the greatest need.

Permanent disconnections: majority voted to **maintain the current arrangements** (eg user-pays \$1400 to leave the network), and asked Jemena give incentives to reconnect.



Early key voices feedback

Youth steering group: companies taking action, protect those at the fringes, environmental care and action, and financial position of young people.

Culturally and Linguistically Diverse (CALD) group: strong cultural connections to gas cooking, environmental awareness, vulnerability and lack of voice. Desire for renewable gas.



Check-ins with key voices in March, June and on the 9 and 10 August 2023

Questions – renewable gas

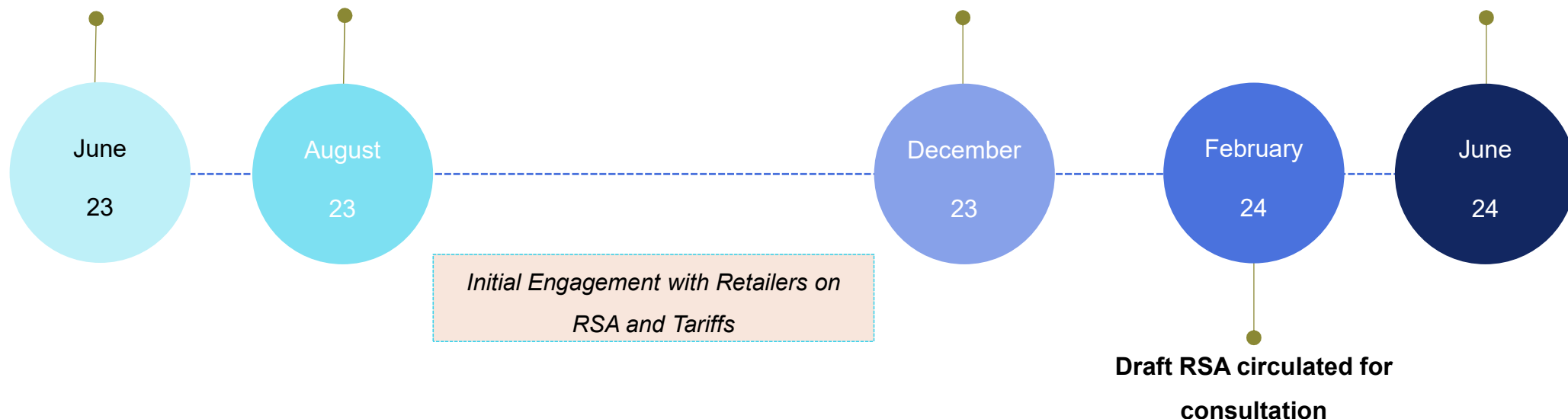
- Do you think a renewable gas future would meet the needs of your customers?
- How do you think the needs of your customers would be met if gas did not have a future? (optional)

Coming up: Reference Service Agreement (RSA) and Tariff Engagement

Reference Services
Proposal Submitted

AER – Reference Services Proposal
Decision

Initial Proposal to be
Submitted including
Draft RSA



Question: let Emille or Leonora know who are the right people from your organisation for us to be engaging with?