

# Jemena Gas Networks 2050 and Access Arrangement for 2025-2030

Engagement Report

Retailer Engagement Session Four

4 September 2023



# Acknowledgement of Country

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

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

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





# Retailers session 4 playback

Comment and topic area	What we heard	What we will do
 <p><b>Correction to July retailer consultation overview</b> – on the topic of digital gas meters and vulnerable customers</p> <ul style="list-style-type: none"><li>• In the report back from forum 3, we wrote, ‘feedback on this is primarily supportive with one retailer having a varied view.’ The correction to the record is that ‘one retailer does not support.’</li><li>• One retailer commented ‘digital meters would be awesome!’</li><li>• Another commented that “as we move to a blended gas environment, I think we’re going to need the digital meters and the higher data capture rates to handle the changes in heating value”.</li></ul>	<ul style="list-style-type: none"><li>• Correction to the record for forum 3 around one retailer not supporting gas meters or vulnerable customer initiatives.</li><li>• Others support digital meters.</li><li>• Concerns around digital meters capturing changes in heating with different types of renewable gas.</li></ul>	<p>We’ve noted this and will ensure this sentiment is reflected in our engagement reporting.</p>
 <p>Retailer views on a <b>new approach to connections</b>:</p> <ul style="list-style-type: none"><li>• Majority support for medium option – with some costs shared across customers</li><li>• Queries about impacts on developers and whether this would change the installation of gas or electricity in new builds, and whether this response area applies to basic or negotiated services.</li><li>• Higher connection costs would drive customers to go all-electric.</li></ul>	<ul style="list-style-type: none"><li>• Majority support for medium option on a new approach to connections.</li><li>• Retailers are seeking more details on this response area through questions about impacts.</li></ul>	<p>We've noted this and will ensure this nuanced feedback will be included in our overall draft plan.</p>
 <p>Retailer views on <b>renewable gas</b></p> <ul style="list-style-type: none"><li>• One retailer commented that a renewable gas future would meet the needs of customers ‘as highlighted by customers, choice is important for them’.</li><li>• Another commented that domestic customers may reduce their gas use, but large industrials need intense heat.</li></ul>	<ul style="list-style-type: none"><li>• Choice is important for retailer customers.</li><li>• Large industries are reliant on gas and may find it difficult to shift away from gas.</li></ul>	<p>We note the interest from retailer customers in renewable gas to help with choice, and that some industrial customers may need gas to generate high heat in the future.</p>
 <p><b>Views on what’s coming up including</b> Reference Service Agreement (RSA) and Tariff engagement.</p> <ul style="list-style-type: none"><li>• If there is contentious content, circulate the RSA draft sooner to give retailer teams time to respond before presenting a consolidated view back. If it’s straightforward, the timeline is appropriate.</li><li>• Suggest a formal feedback process, survey and then meet with retailers.</li><li>• Being clear on the content, and giving time is key.</li></ul>	<ul style="list-style-type: none"><li>• Can Jemena bring the timeline forward for consultation to allow more time for retailers to respond?</li><li>• Focus on plain English documentation.</li></ul>	<p>In line with this feedback and our engagement principles, we will look to give an early view of the document to give sufficient time for retailers to arrange a response internally. Also, the intention is not necessarily about changing the position, it’s about writing a plain English version that is easy to understand.</p>

# Feedback on the outcomes from our July session

*We asked: what's your view on the outcomes from our July session?*

“Digital Meters would be awesome!”

“Correction to the feedback on digital gas meters and vulnerable customers: it's not a varied view, one retailer does not support them.”

# Feedback on the early customer forum recommendations

*We asked: what's your thoughts on the early customer views?*

“With the abolishment issue, in our experience they’re going to do it anyway.”

“The biggest problem we see with this is that it’s expected to accelerate a little more, because of the high cost, people are doing it without reference to Jemena...”

“We appreciate the safety and services without meters, but there are other aspects that need to be considered in this discussion. That’s certainly part of what we raised and discussed with Victorian networks as well.”

# Feedback on a new approach to connections

*We asked: 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? Where would you vote? ( in terms of low contribution upfront, medium or high contribution upfront?). Feedback focused on the medium option with some comments on the uncertainty and what would happen with higher connection costs, as well as clarification on which connection this refers to.*

“Medium – some costs are shared across customers”

“Is this regime across negotiated services or your basic connections?”

“Medium”

“Higher connection costs would drive customers to go 100% electric...”

“It’s more the fee you’re looking to charge the individual customer in the current level of uncertainty...”

“Medium”

# Feedback on renewable gas

*We asked: do you think a renewable gas future would meet the needs of your customers? And: How do you think the needs of your customers would be met if gas did not have a future? (optional)*

“Yes – as highlighted by customers, choice is important for them.”

“If you’re not rolling it out to residential customers, we’re going to find that our industrial customers are a long way from the nearest gas pipeline.”

“The case for domestic customers is one way or the other. Their load is not that great. By comparison, commercial industrial customers are different. They need that intense heat and they all need natural gas as feedstock. So, there’s a class of customers that are going to want gas for a very long time.”

# Reference Service Agreement (RSA) and Tariff Engagement

*Feedback from retailers focused on allowing sufficient time for engagement and several suggestions on format.*

“Experience has been that if it’s nice and straightforward, that’s plenty of time. But if that’s something contentious, that’s really tight.”

“You could do the survey first, then see what answers you get back and see who you want to meet after that...”

“Thank you.”

(question about the AER’s tariffs review decision on influencing Jemena Gas Networks) “Are you going to be influenced in that regard? But you obviously get to make your own choice.”



# Methodology: What we did in the session



## Objectives

Our objectives of the day were to feedback what we'd heard in the July session, overview of the future scenarios developed, update on customer feedback so far, and get retailers' initial thoughts and questions on specific response areas within the 2025-30 Access Arrangement.

## Attendees

Invitations were sent to 42 attendees with 15 retailer representatives attending (see the breakdown on the following page). Five team members from Jemena also attended, with three apologies.



## Format

The session ran for a total of one hour over Microsoft Teams and divided into sections. We used interactive online tool Menti to solicit feedback from retailers within the session.

## Overview Summary

### **Section 1: Welcome, retailer feedback at the last session, an overview of future scenarios and customer engagement so far**

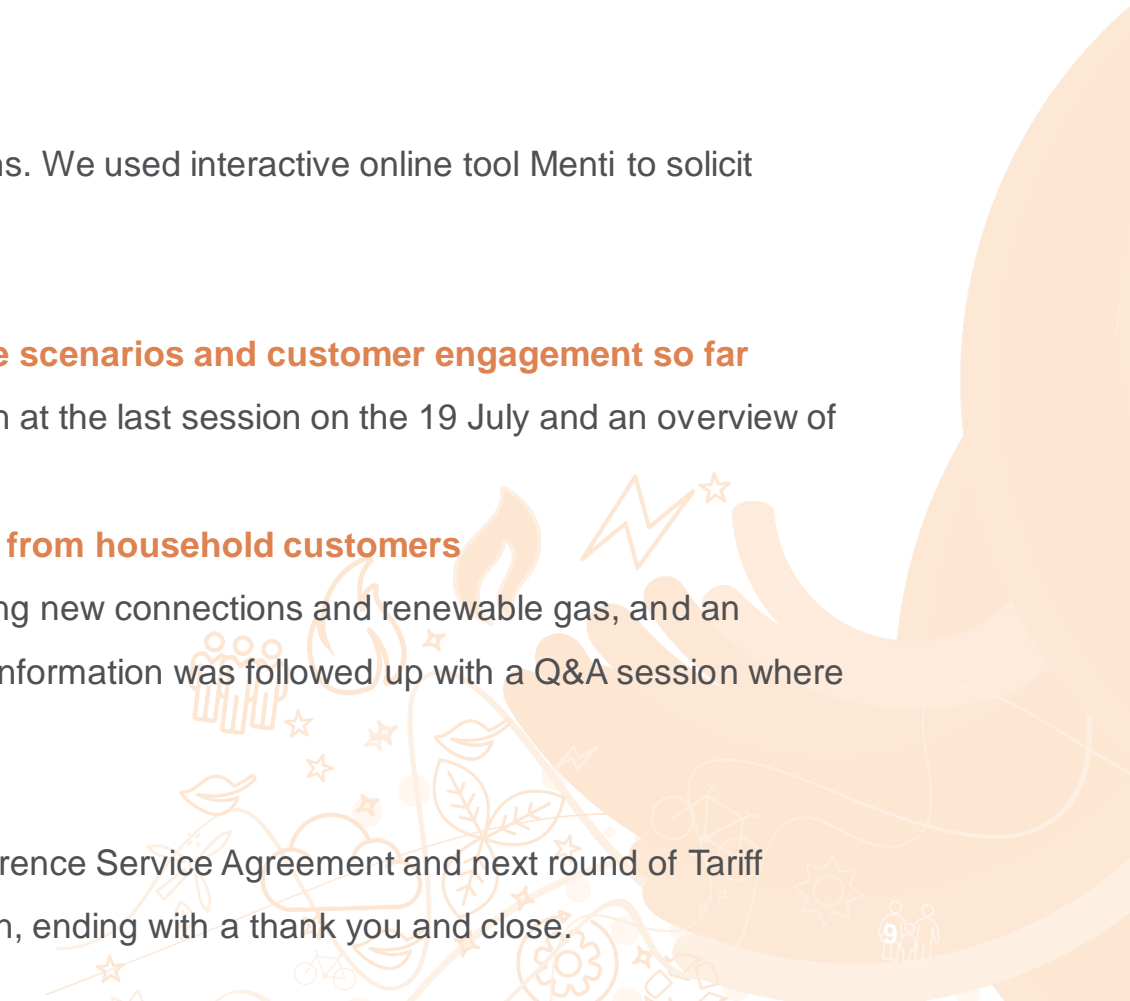
Our first section was dedicated to welcoming and check-in, reviewing feedback given at the last session on the 19 July and an overview of early customer feedback on tariffs.

### **Section 2: A new approach to connections, renewable gas, and early feedback from household customers**

Our second section of the day covered response areas of interest to retailers including new connections and renewable gas, and an overview of feedback from household customers on the other response areas. This information was followed up with a Q&A session where retailers gave their considered feedback verbally and via Menti.

### **Section 3: Coming up – reference service agreement and tariff engagement**

We rounded off the session with a reference to what is coming up including the Reference Service Agreement and next round of Tariff Engagement, and an invitation to meet one-on-one, seeking feedback on the session, ending with a thank you and close.



# Who came? Retailer attendees

Name	Position	Organisation
Constantine Noutso	Regulation Manager	Red Energy
Corinne Berry	New Connections Group Lead	Energy Australia
Evans Repayo	Team Lead	Probegroup
Fiona Doherty	Network and Metering Relationship Manager	Alinta Energy
Gary Davies	Group Manager, Regulatory Policy	Origin
Jo Sullivan	Industry Regulation Lead	Energy Australia
Justin Dopierala	Billing and Metering Operations Lead	Powershop
Jordan Rigby	Regulation Manager	Red Energy
Kimberly Selby-Fullgrabe	Manager Operations Compliance	Energy Australia
Mario Iogha	Market Data Manager	Origin Energy
Mark Riley	Senior Industry Advisor	AGL
Patrick Whish-Wilson	Regulatory Economist	AGL
Rebecca Block	Connections and Metering Manager	Alinta Energy
Sean Jennings	Regulation Manager	Red Energy
Steve Ford	Pricing Analyst	Red Energy

# Who attended from Jemena Gas Networks?

Name	Position	Organisation
Emille Kueh	Jemena Gas Networks	Jemena Gas Networks
Andre Kersting	Gas Networks Regulation Manager	Jemena Gas Networks
Lay Na Lim	Senior Regulatory Advisor Regulation	Jemena Gas Networks
Merryn Spencer	Engagement Lead	Jemena Gas Networks
Catherine Marshall	Account Manager	Jemena Gas Networks

## Apologies

Name	Position	Organisation
Sandra Centofanti	General Manager Customer and Commercial	Jemena
Alban Delpey	Commercial Manager Gas Distribution	Jemena
Stephen Angel	Networks Development Manager	Jemena
Leonora Tedesco	Relationship Manager Energy Retail	Jemena

# Forum Slides



# Retailer feedback from our July session (retailer forum)

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

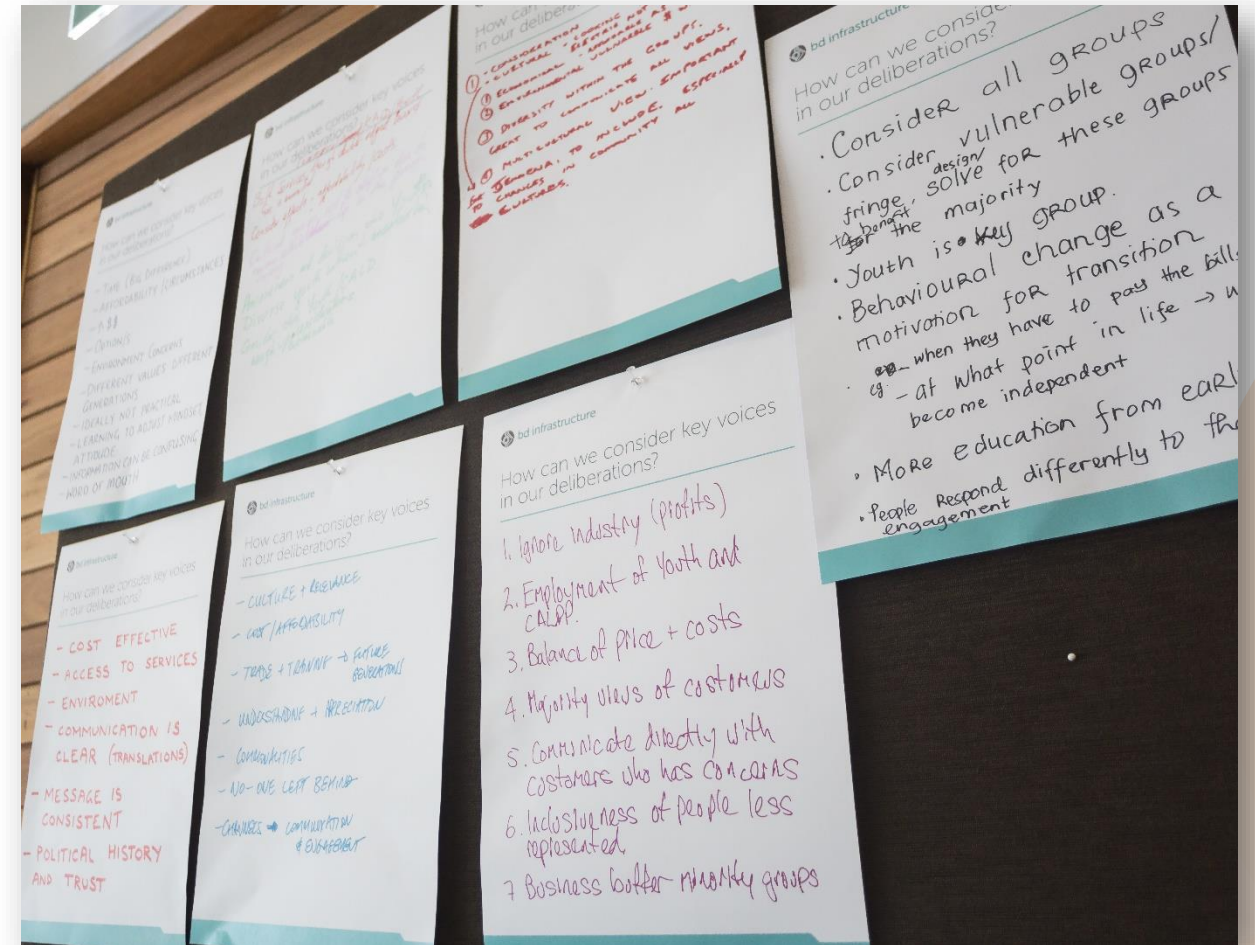
**Vulnerable customer initiatives:** feedback on this topic is primarily supportive with one retailer having a varied view.

## 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?



Give your feedback today: **head to [menti.com](https://www.menti.com) and enter the code 3144 0656**

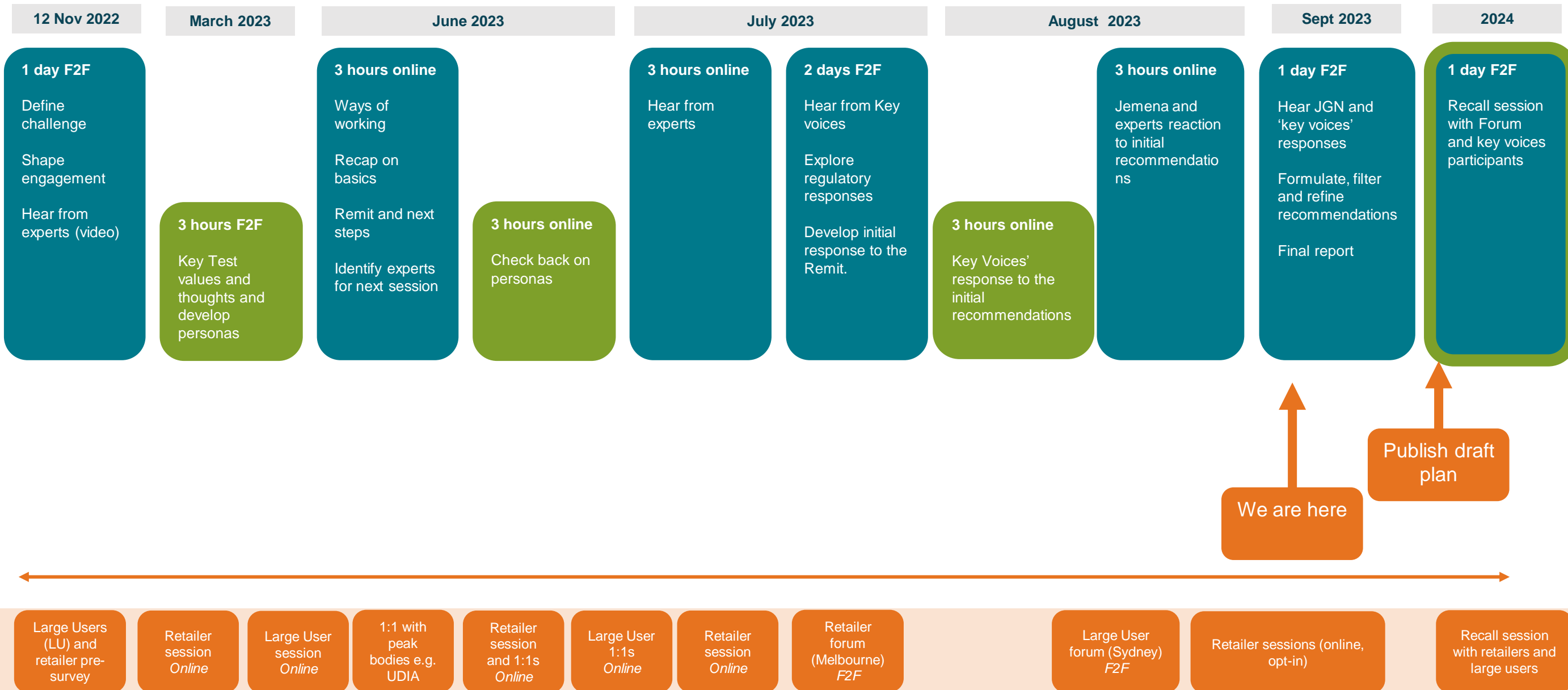
# Early customer feedback on tariffs engagement

- 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 (i.e. unsuitable to be encouraging more gas use)
- Based on customer feedback, we are leaning towards a hybrid approach.



Give your feedback today: **head to [menti.com](https://www.menti.com) and enter the code 3144 0656**

# Our engagement journey





# Recap: engagement remit

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

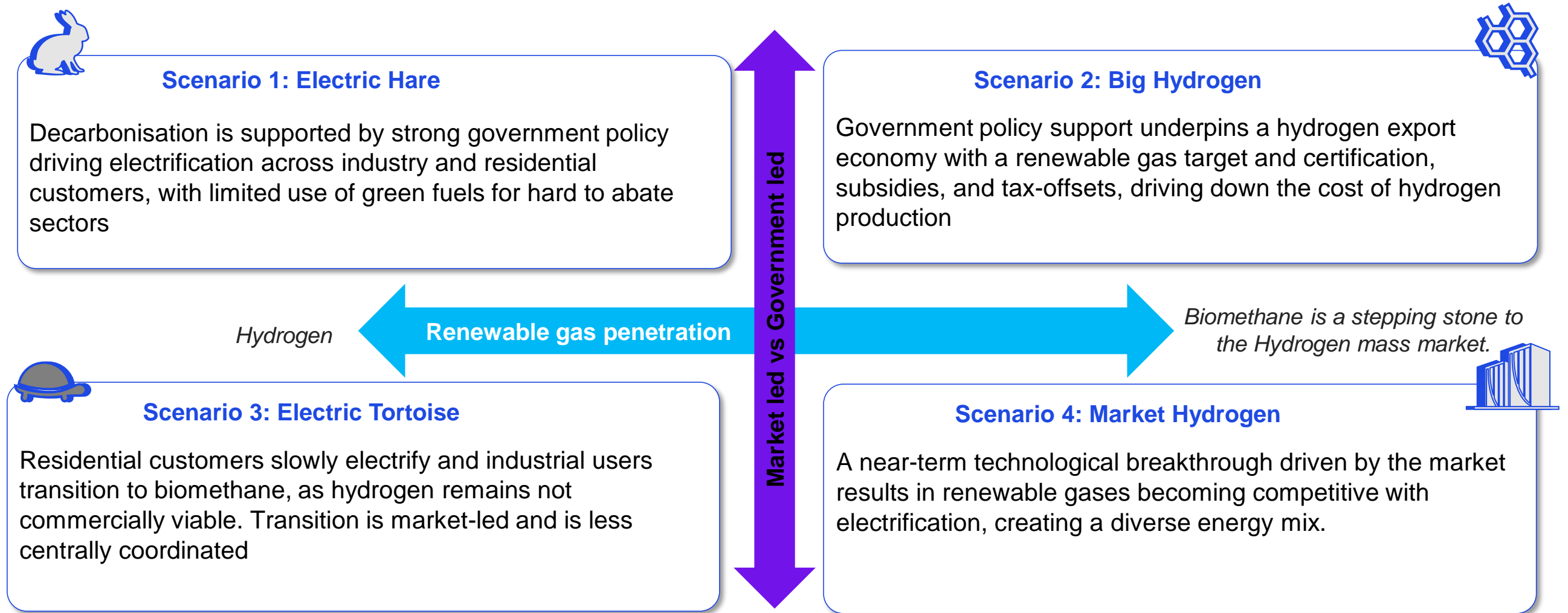
## Remit

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



# The Expert Panel scenarios – the future is uncertain



# Summary: a new approach to connections

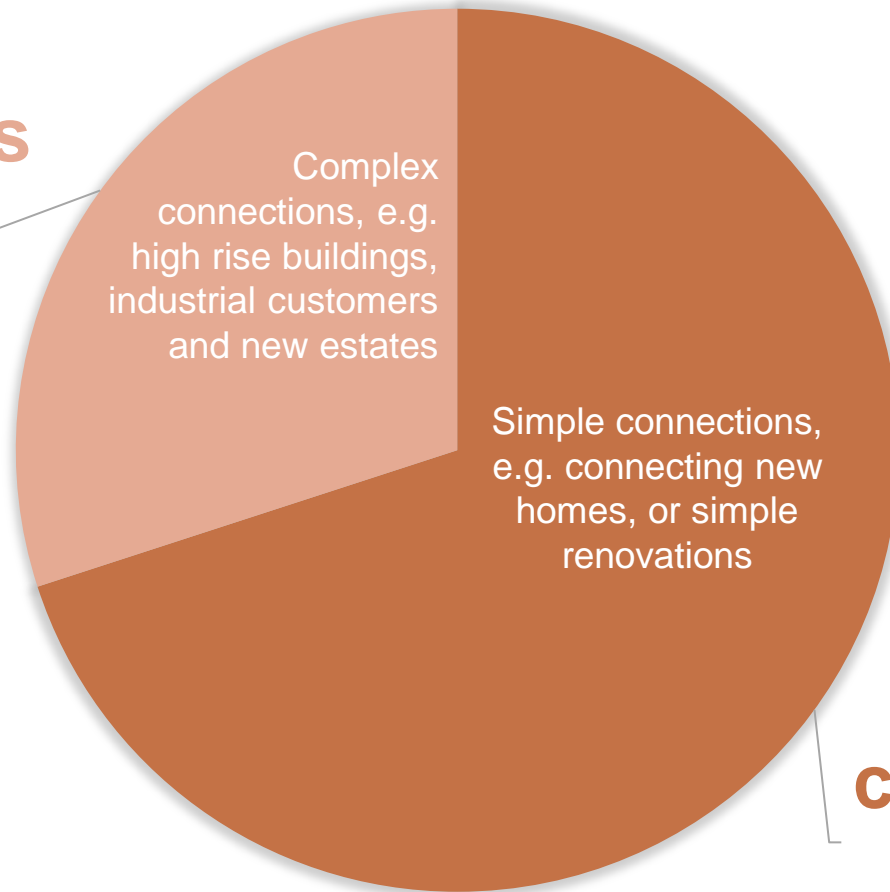


# Connecting to our network



**negotiated  
connections**  
**30%**

Complex connections, e.g. high rise buildings, industrial customers and new estates



Simple connections, e.g. connecting new homes, or simple renovations

Most new connections are  
**basic connections**



**basic  
connections**  
**70%**



**Split of new connections: basic vs negotiated**

# Connection charges

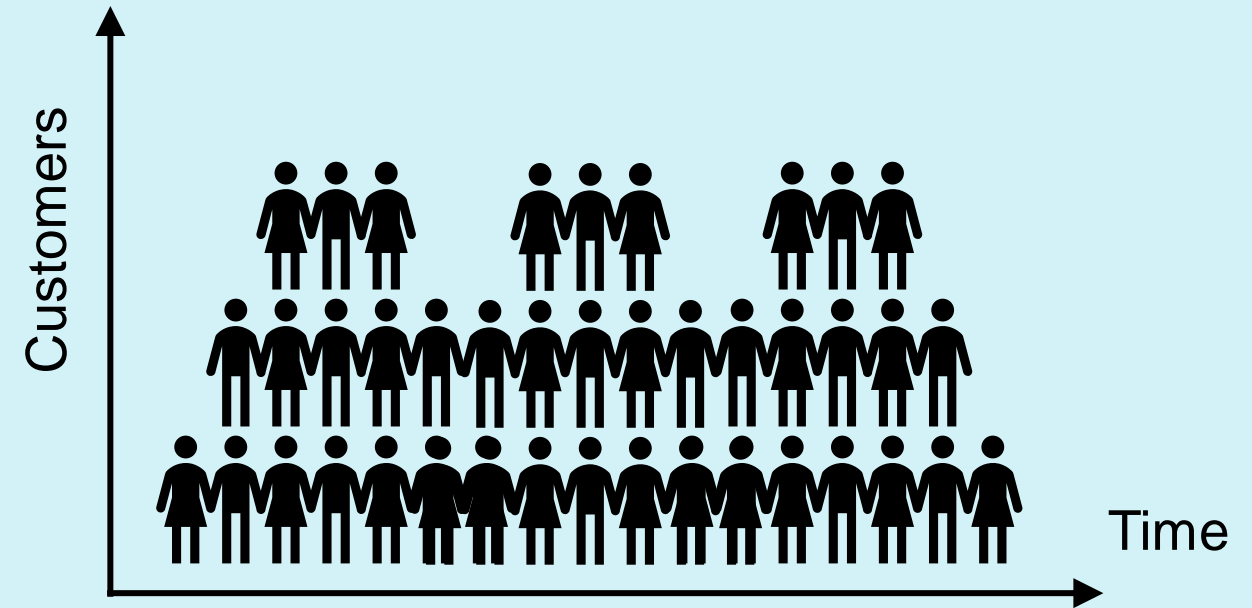
## Connection charges

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

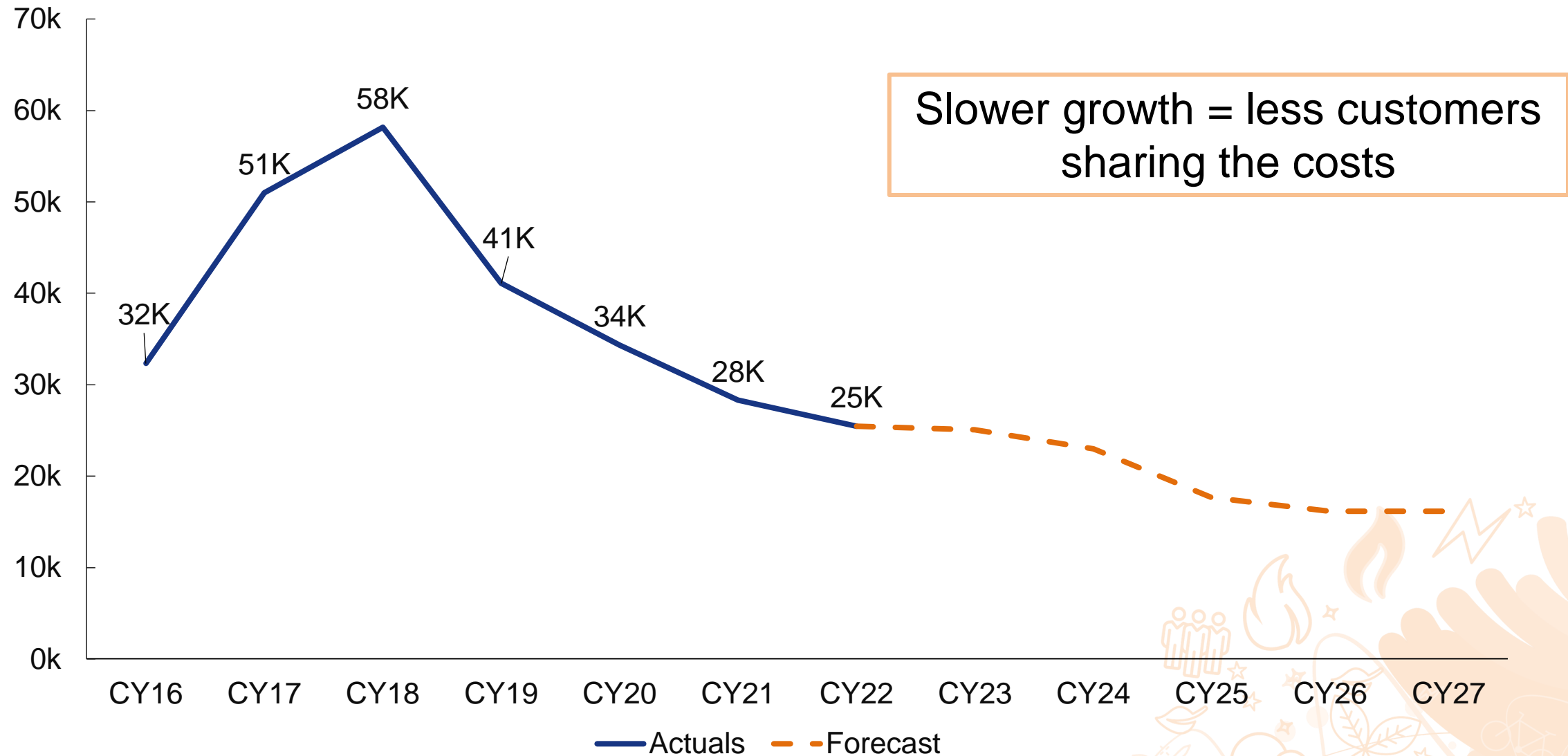
Currently, the cost of new connections is recovered over many years, across the customer base



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.



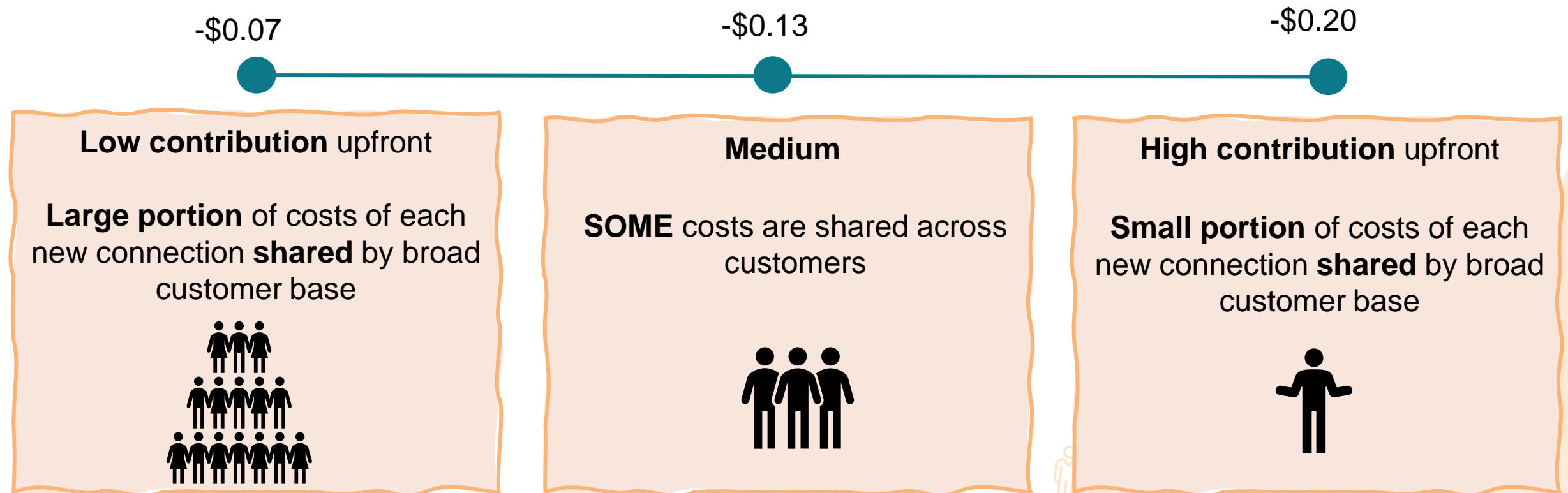
# New connections numbers



# 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:

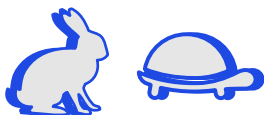
- **affordability:** because of the high level of bills, customers expect costs to be maintained and managed during transition
- **Communications:** education and awareness to customers, transparent action plans about the transition.
- **Collaboration:** with retailers for example incentives to switch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

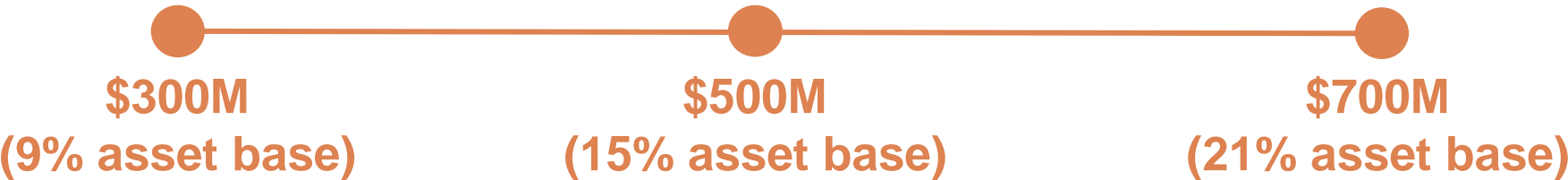


**DO NOT** pursue any renewable gas connections

**SUPPORT** renewable gas connections

**EXPEDITE** renewable gas connections

## Accelerate capital recovery:



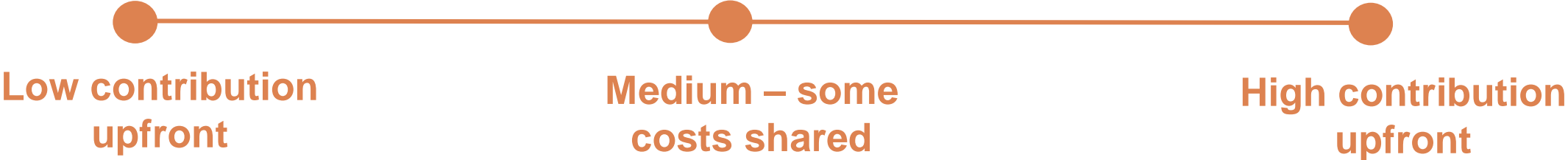
## How we manage our assets:

Option A: Maintain current program

Option B: Defer rehabilitation for 5 years

Option C: Targeted rehabilitation

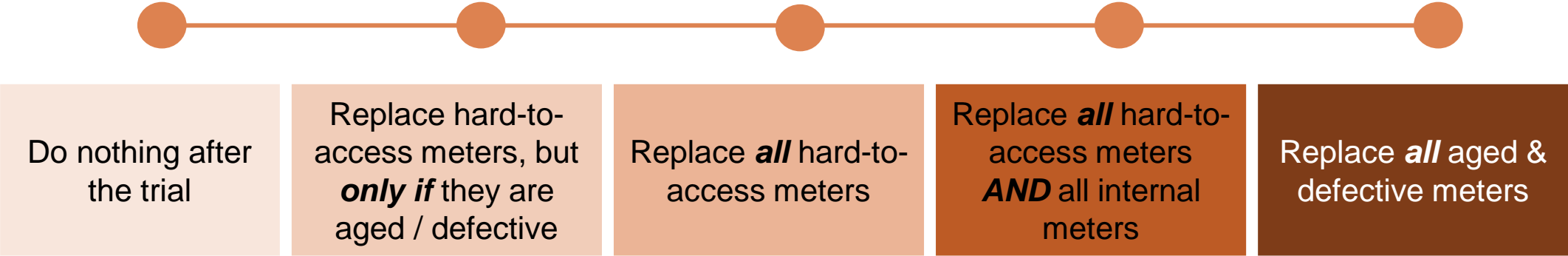
A new approach to connections



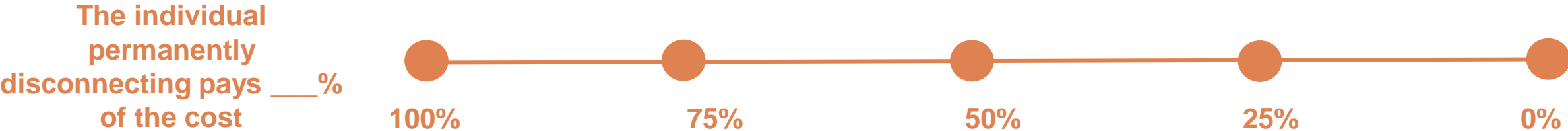
Vulnerable customer strategy and programs



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.





# Questions – renewable gas

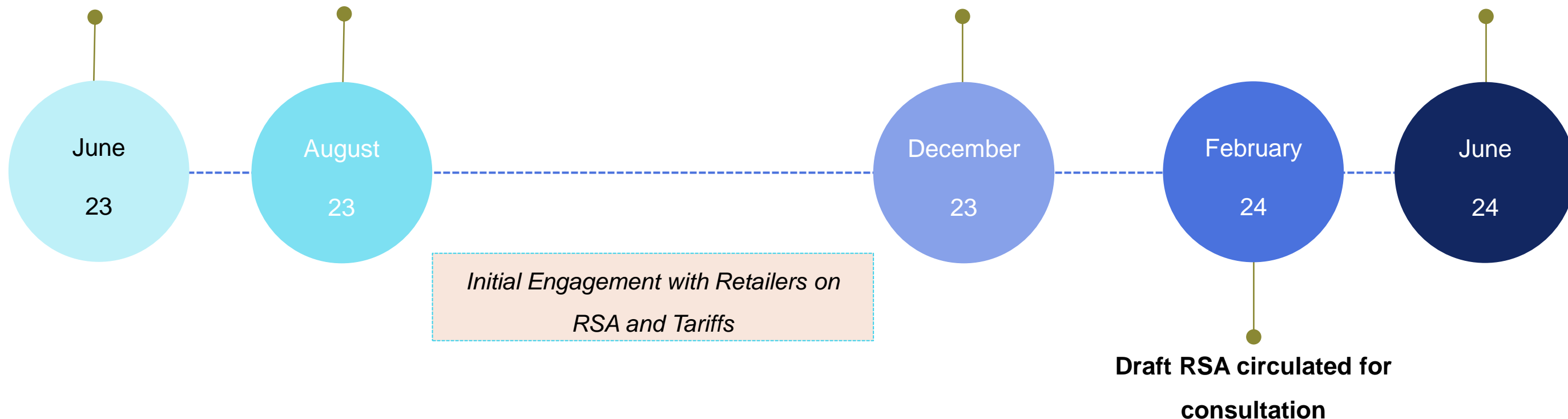
- Do you think a renewable gas future would meet the needs of your customers?
- How do you think the needs of your customers would be met if gas did not have a future? (optional)

# 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?**