

Jemena Gas Tariffs Customer Forum

Stage 2

Workshop 1

Thursday 9 November
5.30pm-6.30pm



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



Purpose and process

To take a deeper dive into tariff options developed using feedback you've already provided.

01

Ways of working
Recap
Overview of options
How to use the
Brains Trust
9 November



Homework

Developing
questioning the
Brains Trust

Due 20 November



02

Quizzing the Brains
Trust

22 November



Homework

What are we looking
for in the tariff
options?

Due w/c 27 Nov



03

Providing feedback
on the tariffs

6 December



Your guides



Rachel Fox
Facilitator



Ken Fullerton
Project and technical support

Workshops will be recorded

Recap: navigating the Zoom Room

The image shows a Zoom Room interface with a background featuring the 'bd infrastructure' logo. The interface includes a top bar with a 'View' button, a central video area, and a bottom toolbar with icons for Mute, Stop Video, Invite, Participants, Share Screen, Chat, Record, Reactions, and Leave Meeting. A 'Select a Camera' menu is open, showing options like FaceTime HD Camera, Blur My Background, Choose Virtual Background..., Choose Video Filter..., and Video Settings... A 'View' menu is also open, showing options like Speaker, Gallery (selected), Immersive, Hide Self View, Hide Non-video Participants, Follow Host's Video Order, and Fullscreen. Several purple callout boxes provide instructions: 'Keep your camera on. In video settings click the option to see 49 participants in gallery view' points to the 'Video Settings...' option; 'Keep yourself on mute - unless you want to speak!!' points to the Mute button; 'Chose 'Gallery' view' points to the 'Gallery' option in the View menu; 'Feel free to use the chat!' points to the Chat button; 'Use the emojis to tell us what you think!' points to the Reactions button; and 'If you leave the meeting you can rejoin anytime using the original link.' points to the Leave Meeting button.

Keep your camera on.
In video settings click the option to see 49 participants in gallery view

Keep yourself on mute - unless you want to speak!!

Select a Camera
✓ FaceTime HD Camera
Blur My Background
Choose Virtual Background...
Choose Video Filter...
Video Settings...

Chose 'Gallery' view

View
Speaker
✓ Gallery
Immersive
Hide Self View
Hide Non-video Participants
Follow Host's Video Order
Fullscreen

Feel free to use the chat!

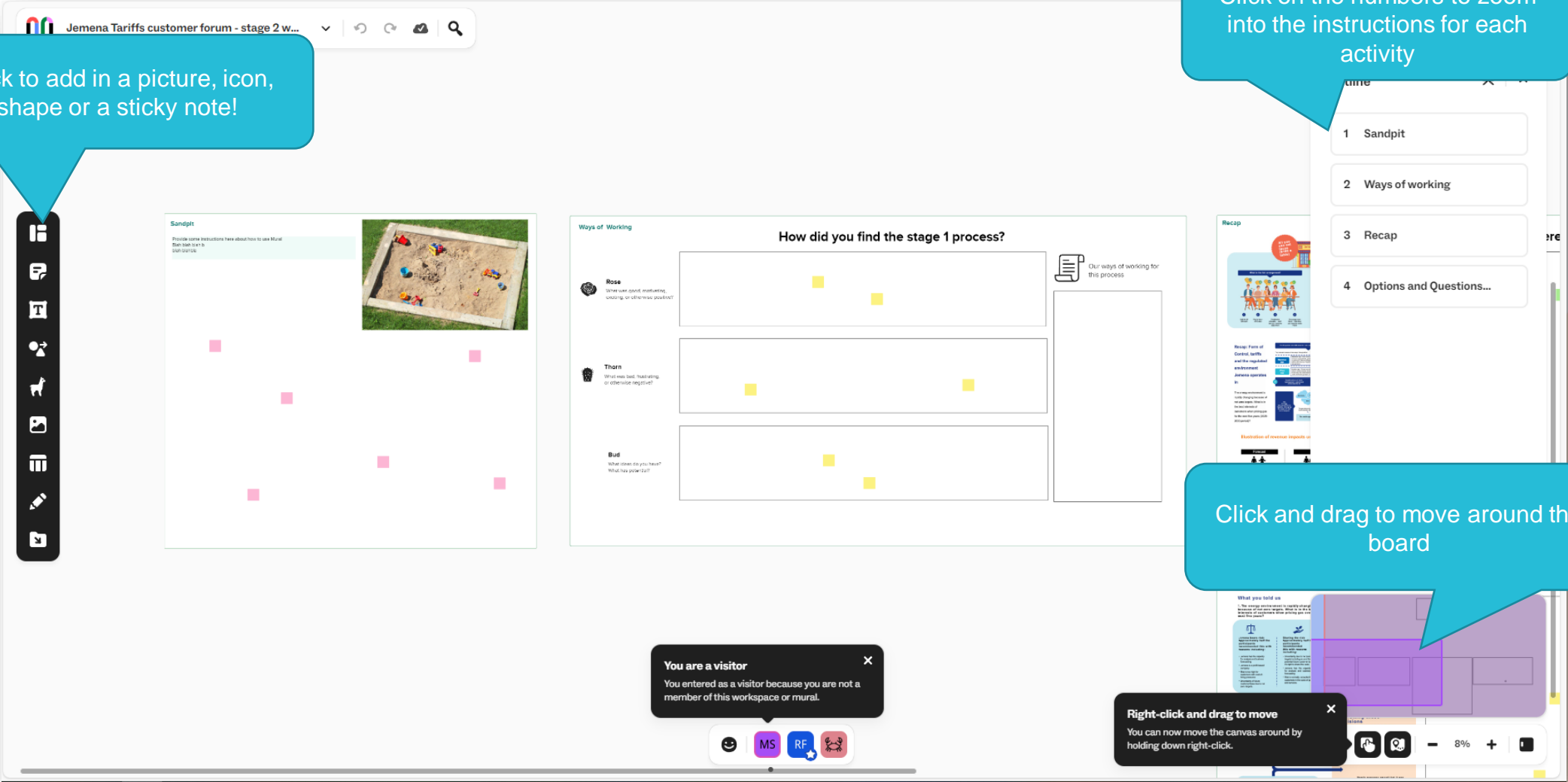
Use the emojis to tell us what you think!

If you leave the meeting you can rejoin anytime using the original link.

Leave Meeting

All of you have used zoom before, here's a quick refresher

Guide to using Mural



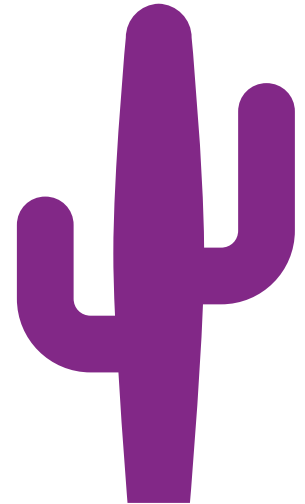
Rose, Bud, Thorn



What was good, motivating,
exciting, or otherwise
positive?



What was bad, frustrating,
or otherwise negative?



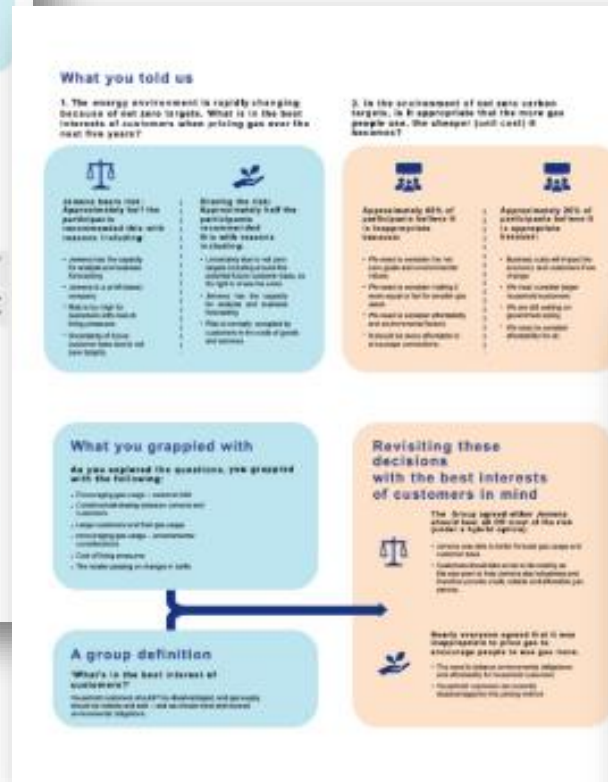
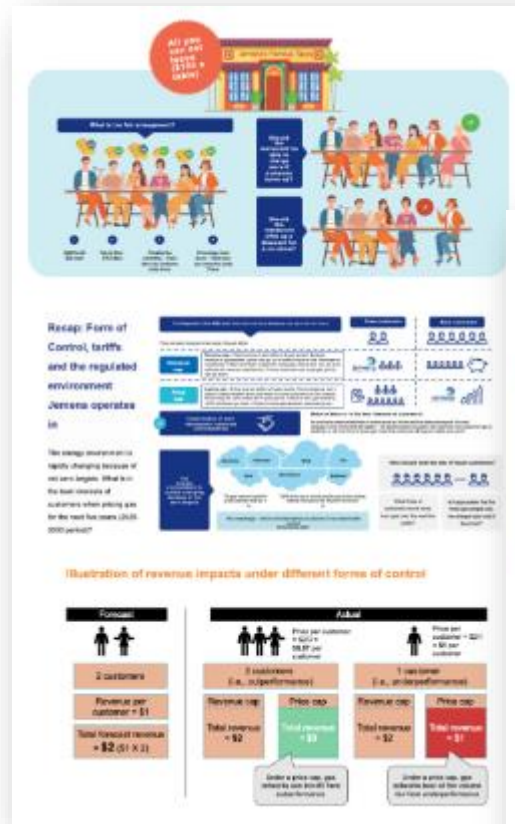
What ideas do you have?
What has potential?

Recap

Lay Na Lim

Senior Regulatory Advisor

Your background reading



Key concept – price vs. revenue cap

Imagine you and 9 other friends (i.e. 10 of you altogether) are seeking a share house to rent.

You find a landlord that has a big house, which she can rent to all 10 of you for a good price!

The landlord needs to recoup the costs of maintaining the house, and pay off the mortgage. She needs **\$50,000 for the next 5 years** to cover this.

She is happy with collecting the rent from each of you at the end of each year. She just wants to make sure that she has \$50,000 in total, by the end of 5 years.

If all 10 friends stay in the house for the next 5 years, each friend has to pay \$1,000 per year.

$\$50,000 / 10 \text{ friends} / 5 \text{ years} = \$1,000 \text{ per friend per year.}$



Price vs. Revenue cap

Let's say you know that 5 of your friends want to move overseas after two years...

With this information, how would you negotiate the terms of the contract?

Price cap

As a **tenant**, would you write in the contract that the landlord is only allowed to charge each tenant \$1,000 for the next 5 years, regardless of how many people end up staying in the house?



Revenue cap

As a **landlord**, how would you protect yourself against tenants leaving? You could state that if tenants start leaving the house, the rent of the remaining tenants would increase. E.g. if 5 friends leave halfway through, then the remaining 5 friends would have to pay double the rent.

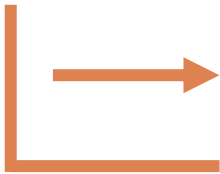


Recap of declining, flat and inclining block tariffs



Declining block tariff

- Most gas networks use this structure right now.
- The more you use the network, the less it costs (unit cost).
- There are two broad categories – demand tariffs (Large Industrial consuming >10TJ per annum) and volume tariffs (Residential and small commercial customers).
- Examples given in the paper are from Jemena in NSW and AGN in Murray Valley (Victoria).



Flat tariff

- Less complex, customers pay a steady or flat unit rate.
- Small volume customers pay less.
- Large customers are generally worse off compared to declining block tariffs.



Inclining block tariff

- The more you use gas, the higher the unit cost.
- Best option for smaller volume customers.
- Large customers are still worse off.
- Incentive to use less gas.

Pricing principles



Cost reflectivity: using the relevant laws here to observe cost reflective prices



Price stability: minimising large tariff increases to help customers manage bills in future



Simplicity: understandable, minimising transaction costs and applicability of overseas pricing structures



Revenue adequacy: efficient cost recovery



Fairness / equity: usage cost is according to costs of the network and covering equity considerations like cost of living pressures.

Tariff Options

Emma Wilson

Gas Network Pricing Lead



What have customers told us?

How should Jemena share the risk of an uncertain customer base?

Jemena Gas Networks should **bear** the risk

~50%

Jemena is a profit-based company and has the expertise for analysis and business forecasting. Further, customers face cost-of-living pressures.

Affordability needs to be prioritised

Jemena Gas Networks and customers should **share** the risk

~50%

Amidst the uncertainty surrounding net zero and the future customer base, it's appropriate to share risk. Further, it's typical that risk is priced into the cost of goods and services.

JGN and customers should share the risk of customers leaving the network

Should JGN continue to price gas so that the more gas people use, the cheaper (unit cost) it becomes?

NO

80%

We need to consider the environment, but at the same time ensure fairness for smaller households that still consume gas. Affordability and the environment should be considered together.

Declining block tariffs are not appropriate in addressing environmental concerns



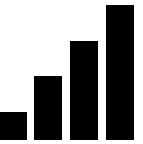
YES

20%

Consideration needs to be given to households that still rely on gas, and affordability for everyone. Government policy should give clearer direction.

Fairness is important for smaller gas consumers

Early thinking: Looking after households as they transition

What are we proposing now?	What can we do later?	How does this align with your feedback?
<p>Separate out Household customers and Medium to Large Commercial customers.</p> 	<ul style="list-style-type: none"> Develop a different set of tariffs for Household customers and Small Commercial customers. Adjust fixed vs. variable pricing 	<p><u>Affordability and Equity</u></p> <p>To improve cost reflectivity, we are considering splitting out medium-volume market customers as a separate tariff category. This will allow us to develop more cost-reflective tariffs for this category of customers and reduce the number of tariff blocks.</p> <p>Over time, the cost drivers for each customer segment will change and evolve.</p>
<p>Combine price cap and revenue cap (“Combination cap”).</p> 	<p>Depending on market developments (such as the pace of electrification and renewable gas), we could further adjust the Combination cap.</p>	<p><u>Sharing of demand risk</u></p> <ul style="list-style-type: none"> With the Combination cap, JGN will absorb loss of revenues (up to a point) if customers depart the network. On the flip side, any unexpected gains due to a surge in customers won't result in windfalls for JGN.
<p>Streamline declining block tariffs.</p> 	<p>Depending on consumption patterns, we could further flatten tariffs and/or incline tariffs.</p>	<p><u>Pricing for the environment</u></p> <ul style="list-style-type: none"> The impact of declining / flat / inclining tariffs on gas consumption is still unclear. To avoid bill shock, the transition away from declining blocks should be gradual, not sharp and sudden.

What you've told us

Fairness is important for smaller gas consumers

Affordability needs to be prioritised

JGN and customers should share the risk of customers leaving the network

Declining block tariffs are not appropriate in addressing environmental concerns

Who's in the Brains Trust?



Zubin Meher-Homji • 1st

Founder and Director - Dynamic Analysis
Greater Sydney Area

📖 Experience: Dynamic Analysis Pty Ltd, Networks NSW, and 2 more



Gavin Dufty • 1st

Vinnies / GM Policy and Research / non Executive Director
Melbourne, VIC

📖 Experience: St Vincent de Paul Society Victoria, Victorian Council of Social Service, and 1 more



Mystery guest
Energy transition
expert



Jordan Rigby • 1st

Regulatory Manager - Red Energy
Melbourne, VIC

📖 Experience: Red Energy

Group work

- How will you use the Brains Trust?
- What questions would you like to ask them to help you deliberate?
- Quick report back: “I’m burning to ask the Brains Trust.....”

Thank you and reminder of key dates!



Activity	Date	Time	Location
IT set up & testing	W/c 6 November 2023	Individual sessions (Times TBC)	Zoom / MS Teams
Workshop 1	Thursday 9 November 2023	5:00 – 6:30pm (1.5 hours)	Zoom
Reading and activity task 1	Optional completion of homework together Due 10:00am on Monday 20 November.	<i>Suggest 4-5pm on Tues 14 Nov</i> Or do at a time convenient to you!	yournetwork.jemena.com.au/
Workshop 2	Wednesday 22 November 2023	5:00 – 6:30pm (1.5 hours)	Zoom
Reading and activity task 2	W/c Monday 27 November 2023	Do at a time convenient to you!	yournetwork.jemena.com.au
Workshop 3	Wednesday 6 December 2023	5:00 – 8:00pm (3 hours)	Zoom
Wrap up and evaluation survey	W/c Monday 11 December 2023	Do at a time convenient to you!	Online (Survey Monkey)