

# Gas Networks 2050

## Access Arrangement

### Small Business Forum 2 of 2

(with group 2)

## Outcomes Report

8 November 2023

6.00 – 7.30 pm



# Methodology: What we did in the session



## Objectives

Our session objectives were to reorientate the group, explore the response areas responding to participant interests, a thank you, and reflect.



## Attendees

Six randomly selected small businesses attended, recruited through an independent market research company. (This included one small business that couldn't participate in the group session and heard a catch-up session the following day). They're all main gas users and the primary decision-makers on energy in their business, ranging across various industries.

## Observers

Observers attending were Mark Henley (Consumer Challenge Panel) (entire session) and Gus Mandigora (Assistant Director of Network Regulation, Australian Energy Regulator).

## Format

The session ran for one and a half hours online on Microsoft Teams using some online engagement tools such as Menti. This is the second forum report from the Wednesday, October 25 group meeting.



## Overview Summary

### Section 1: Introductions and check-in (10min)

This section focused on a reorientation, a check-in since we last spoke, and exploring what's been on participants' minds since. We also summarised what participants said last time and checked in about this. We also presented [newDemocracy's video on the different types of biases](#) and asked participants to think about this before the next section on response options.

### Section 2: Response options explorations and voting (65min)

In this section, we discussed the response options in detail as preferred by participants, including renewable gas, accelerating capital recovery, a new approach to connections and managing permanent disconnections. Then, we asked participants to discuss the response options and what they'd heard and vote on them, similar to the deliberative customer forum.

### Section 3: Conclusion (10min)

To conclude, we thanked small businesses for embarking on this engagement journey with Jemena, whether they thought it was a good process and their final thoughts. We also explored the opportunity with participants to reconvene on some specific topics (or example, tariffs), and the majority of participants expressed their eagerness to speak with Jemena again and give their insights at a future consultation session.



# What's been on your mind since we last talked?

Small Business Customers reflected on what's been on their minds since our last session with them on Wednesday 25 October 2023

There were a variety of views expressed and questions asked by participants – including:

- Government policy and any potential funding and support on issues arising from the transition
- The decisions made in the next five years will have a more significant impact on future generations
- The infrastructure investment required to reduce business customers' carbon footprint
- A newfound interest in the choices between gas or electricity in new builds and the future implications of this
- Jemena's business model and the responsibility to current and future customers within the context of a declining customer base
- Comparing gas and electricity in a business and what price incentives would be needed to switch, including a focus on affordability.

*"I'm curious how much of this is actually your decision versus a government decision."*

*"Hasn't the horse already bolted on this issue? (...) going forward if it's not going into new properties, you see the whole lifespan of gas the way it is becomes very limited."*

*"It is our responsibility to leave this world in a better condition."*

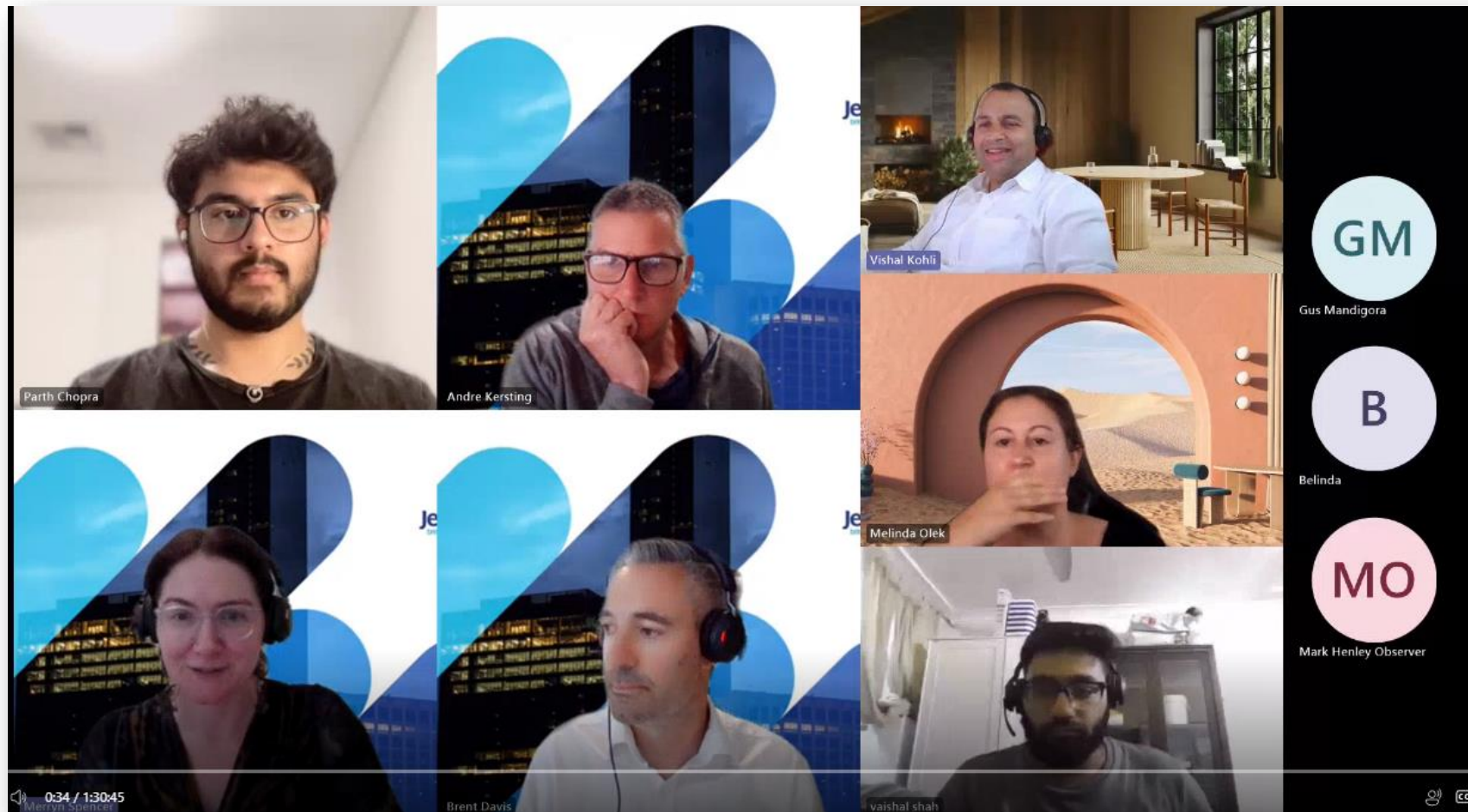
*"For me it's just about cost efficiency. (...) I think everyone, whether you're residential or business, you're feeling it at the moment where everyone's under the thumb with the whole thing whether it's interest rates, electricity, water, even groceries."*

# Was our playback an accurate record?

Small Business Customers considered a playback of what they said in the first session and generally agreed it was an accurate record. They also gave their thoughts.

(See **slide 12** for the playback slide)

Participants' reflections included a discussion on what affordability means to them. Some raised how the definition of affordability can vary according to the business.



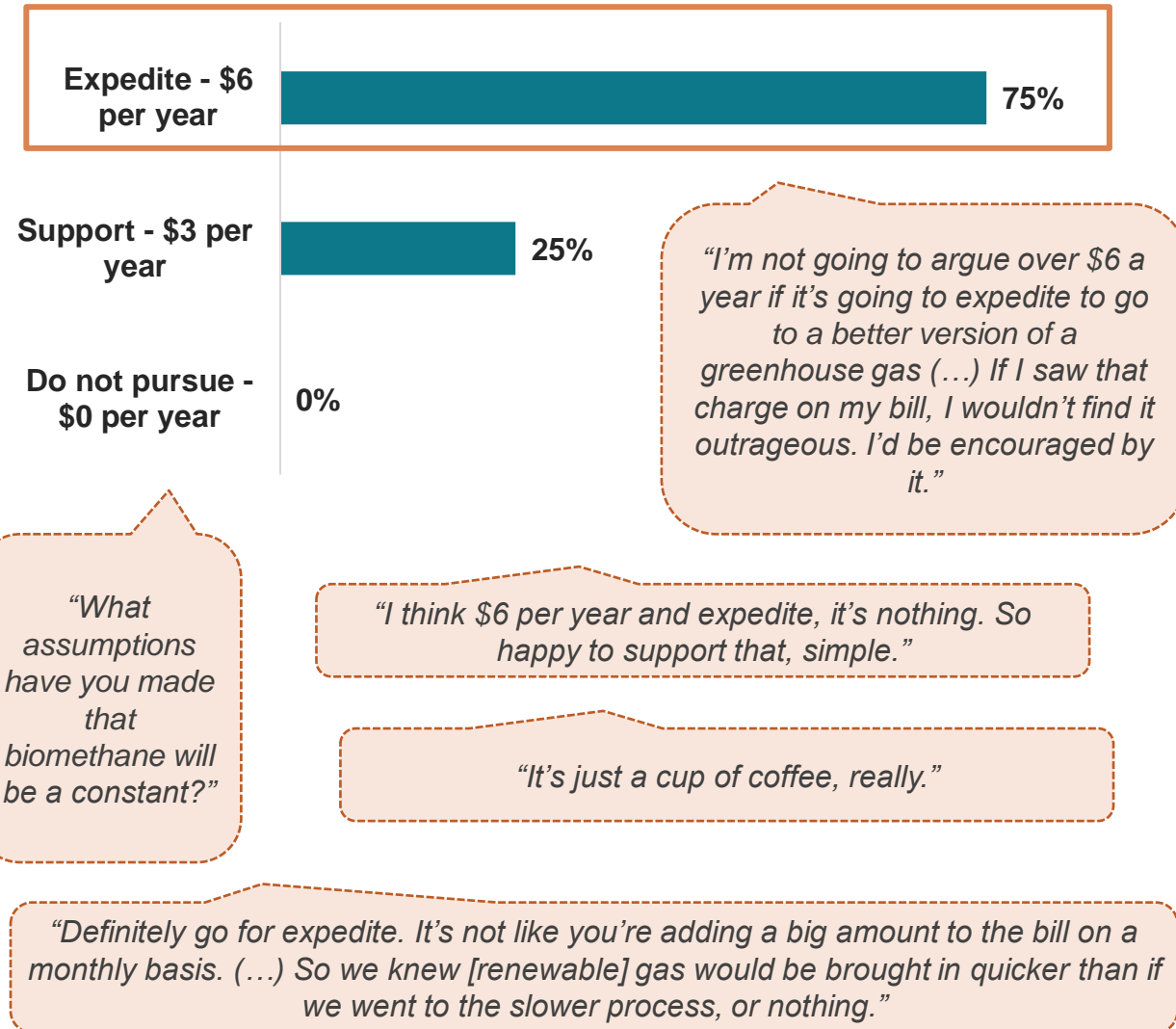
*"We've been talking about cost if you go gas verses electricity. If it was \$500, I probably wouldn't bother, but if it's got to \$1,000 I would consider switching [to electricity]."*

*"I guess that's relative, right?"*

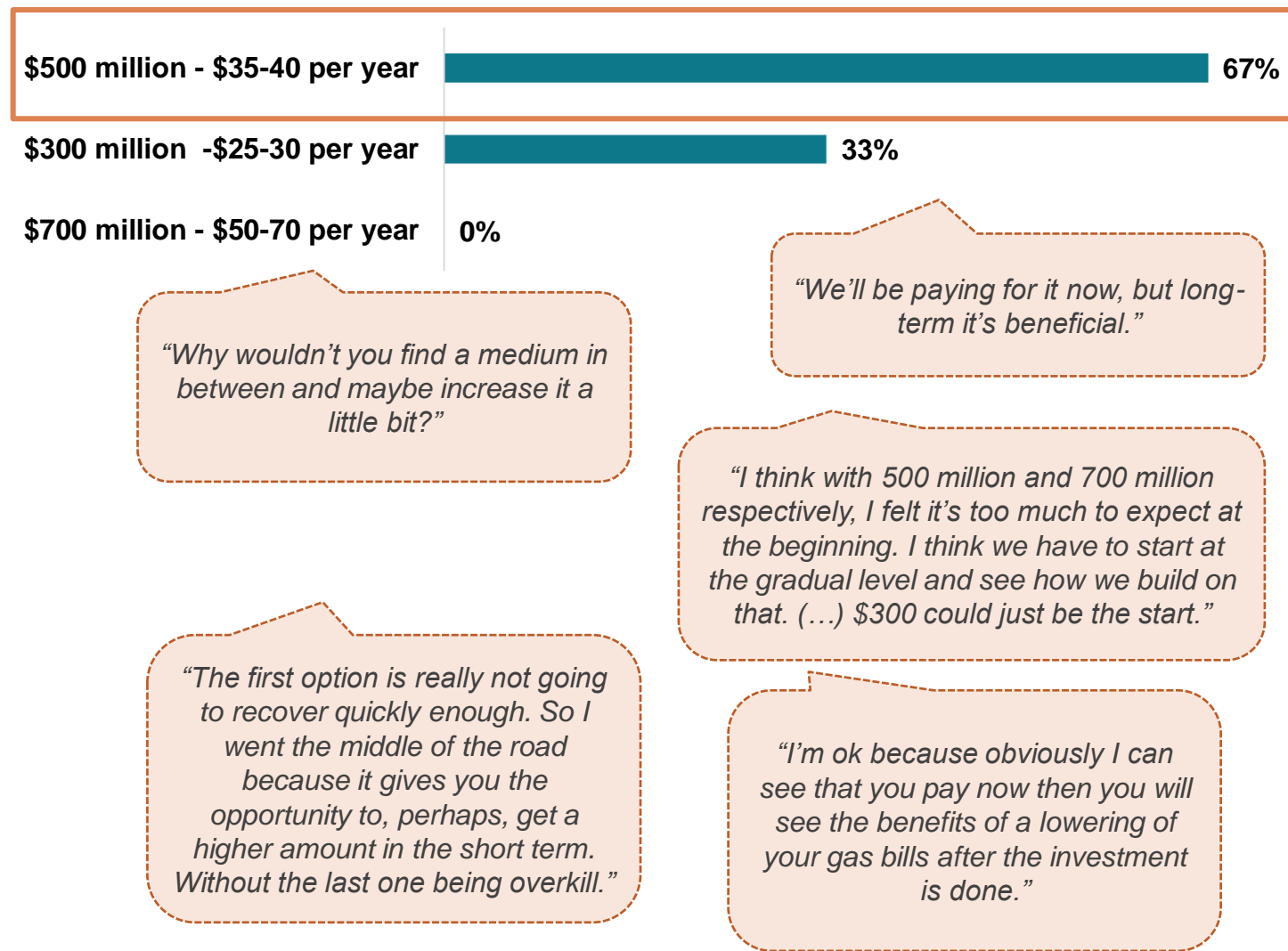
# Response areas voting

The main point of difference between small business customers and residential is to expedite, rather than support, renewable gas. Speeding up recovery also tended towards the \$500 million option. The reasons why participants voted the way they did are also included.

## Moving towards renewable gas:



## Accelerating capital recovery:

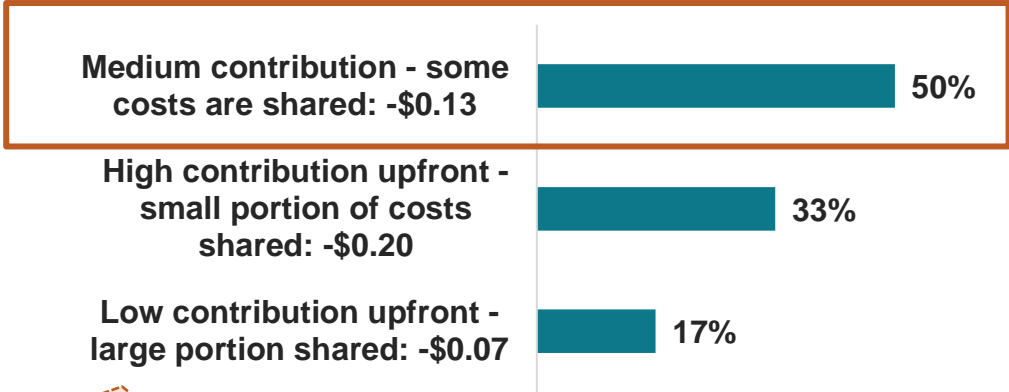




# Response areas voting

Small Businesses voting on the response areas is included below. Voting was similar to household customers for new connections, medium, and reasons, including sharing costs across the customer base and considering what's fair. However, the group was relatively split on permanent disconnections, and the various explanations are given below.

## A new approach to connections:



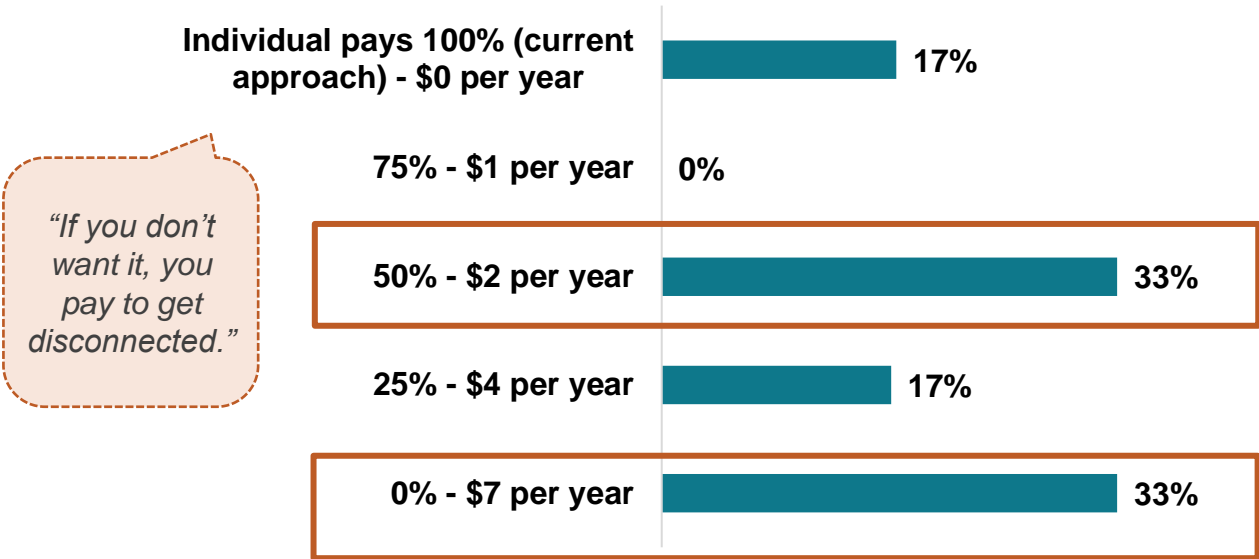
“Depending on what sort of gas and if there was uncertainty around the continuation of the gas supply, I certainly wouldn’t be considering that. I wouldn’t be outlaying that amount of money.”

“If you go down the medium path, you’re not ripping anyone off and you’re not ripping yourself off, you’re trying to be fair between both sides.”

“I went for the largest cost because it’s still nothing at the end of the day.”

“The majority of people will just accept that extra small cost because they’ll just think, ok, inflation, whatever, it’s fine. But if it’s going to be a big jump, you’re going to either lose customers or not get connections.”

## Permanent disconnections:



“If you don’t want it, you pay to get disconnected.”

“For \$1,200, I felt it’s a bit too high from a customer point of view if we can at least get that down somewhere probably to \$1000 or probably \$900.”

“Add a few more incentives that could attract more customers, we are renewable, yes, sustainable.”

“You probably pay for safety, getting rid of that connection. There’s definitely a cost attached (...) somewhere between a 50/50 split could be considered because I think it should be promoted if they want to go to some renewable energy source.”

\*\* Note a small base. Also note that participants were given the same figures as residential customers and then the overall average residential customer bill for the year because of the timing of this session. They were informed by the Jemena team in percentage terms what this may mean for their gas bill in their business.

# Final views

Small businesses gave their final views on the engagement process, and expressed interest in coming back for another session on tariffs

Participants gave their views on the process they'd been involved in over the last two sessions. They commented on what they most highly valued and wanted to be improved for next time:

- The clarity of topics, the careful preparation of presentations and that the team answered questions
- Appreciated being informed of how other groups voted on the response areas for example, residential customers
- Valued having a say about new and existing gas infrastructure and how it could be funded in the future.

*"Definitely for learning something new and getting to know some new stuff."*

*"Thank you very much for this opportunity."*

*"I would be interested to learn more about tariffs and how that's going to work out."*

*"I just wanted to thank you and your colleagues personally for the two very interesting and informative sessions on the future of gas. I thought the presentations were very well prepared and easy to follow from the perspective of a business and explained so much about the dilemma this industry faces. The group was well focused on the topics and issues raised clearly answered and explained."*

*"I think it was really informative."*

# Session slides

Wednesday 8 November 2023



# Gas Networks 2050

## Access Arrangement

### Small Business Forum 2 of 2

(with group 2)

8 November 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**

Reintroductions and  
report back



**02**

Exploring response  
areas (as nominated  
by you!)



**03**

Thank you and next  
steps.



This session is being recorded

## Your guides for today



**Andre Kersting**  
Gas Networks  
Regulation Manager  
Jemena



**Brent Davis**  
Business Development Manager  
Jemena



**Merryn Spencer**  
Engagement Lead  
Jemena

Welcome to our observers!



# Playback: what you said



**All agreed that affordability is a key concern, especially with interest rates and the inflationary environment, and choice is a big factor for this group.** Many are reliant on gas, some have noticed market shifts, and others are interested in keeping options open to both gas and renewable electricity sources as technology improves: the price of gas and affordability is of primary importance to this group, and many are looking closely at their costs. Most agree gas is still cheaper than electricity currently, however, the group is split on choice for the future – although some are heavily reliant on gas, others are interested in shifting to renewable electricity sources and many are interested in the leaps in technology with induction cooking and electric hot water. However, some are installing both and hedging their bets either way as they feel they need a back-up or need a choice.



**Interest in the renewable gas role in the transition:** because of their reliance on gas as a fuel source, this group is interested in accessing renewable gas in future. This group is concerned about whether appliances would still work and what the costs would be of potential appliance replacement would be. Others are interested in whether developers are still connecting to gas and monitoring changing trends.



**Response options:** participants are most interested in hearing about renewable gas, speeding up recovery, a new approach to connections, permanent disconnections, and digital metering in the next session.

**Small businesses expressed appreciation at being consulted and learning more about the future of energy and the gas network through this process:** satisfaction was expressed at being presented with all the information so transparently and listening to small business voices.



*"Bills have gone up but at the same time (...) the consumption is more or less the same."*

*"For our business, the revenue has gone down a bit. So less people coming to our business. Then the interest rates are going up, inflation etc. So then we are trying to reassess all of our bills on our side."*

*"I suppose my opinion is that I want both."*

*"Gas heating versus air conditioning, chalk and cheese. Gas wins every time."*

*"I think gas plays a very vital role, whether it's business or personal life. It's an essential part of our everyday routine."*

*"The fact you're trying to work with us now to do this."*

*"So the chefs, I'm not sure like the other restaurants, but they still prefer gas over electricity any day, like probably because of the background they are from, and bit more comfortable working with gas. (...) but definitely gas is the cheaper option when it compares in the restaurant side of it."*

*"You're actually putting us first before making a decision. You're acknowledging our existence."*

*"My electricity bill is much higher than my gas bill."*

*"I actually love my gas. If it was to eventually disappear, I think I would die. (...) When I bought my house I had an electric stove top. I ripped it out and put a gas one in."*

*"Something that will take say 20 minutes on a gas stove might take an hour on an electric stove."*

*"If you are using the induction hot plates. If I'm making tea on a gas stove, it takes me about 7 minutes, on the induction it takes me like 4 minutes. Induction cook top is way faster."*

*"When I got gas connected as well, the thought was to keep the price down. (...) but now I'm a little bit into the business in a position where I'm reviewing different utilities, gas still is cheap. So that's the reason I kind of like to keep both."*

*"I'd die without my gas cooking (...) but having said that, most of the restaurants and all the top chefs in Sydney use induction cooking and they're saying they're you know, it's better than gas. (...) I think it's just this mindset that I have that gas is better for cooking."*

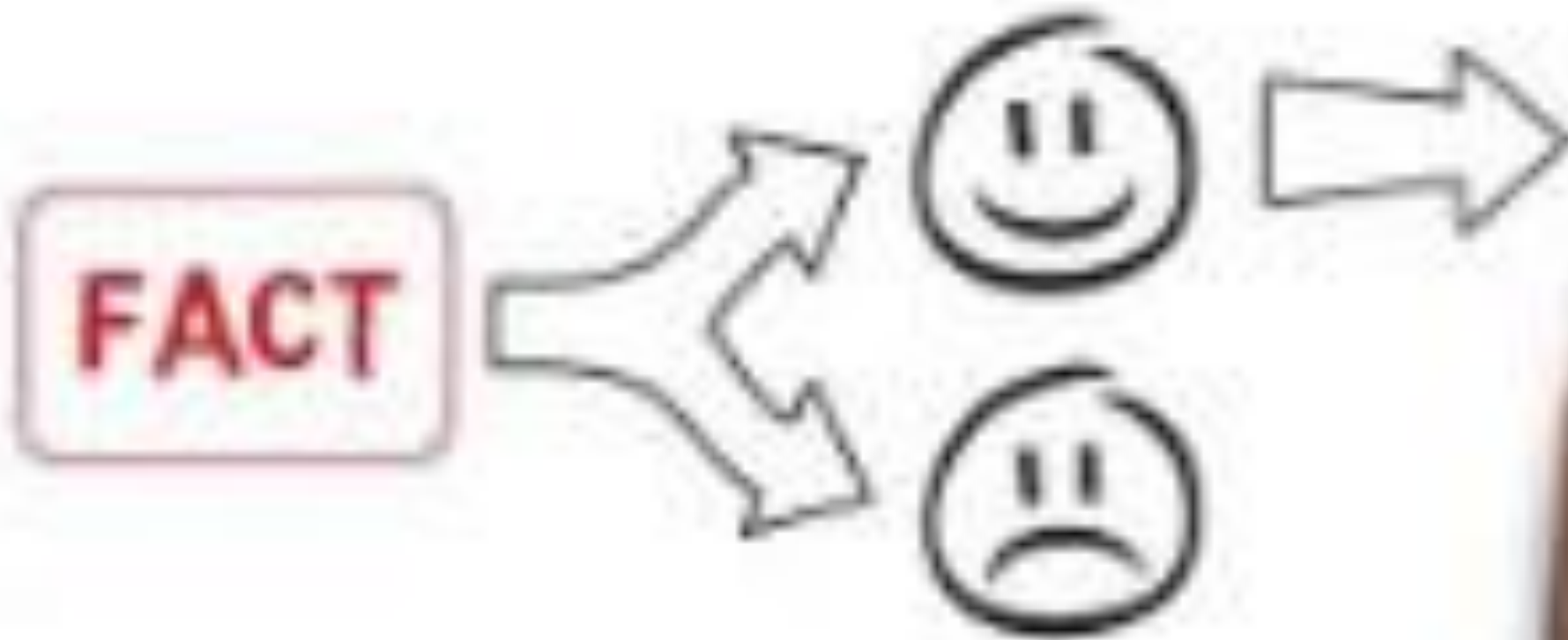
# The responses we're exploring today

- 1) Moving towards renewable gas
- 2) Accelerating capital recovery
- 3) A new approach to connections
- 7) Permanent disconnections





## 4. CONFIRMATION BIAS



# Keep moving towards renewable gas



# International settings for renewable gas



## United States

### Biomethane:

- 2,300 sites producing biogas across 50 states
- Primary pathway: landfill gas collection

### Hydrogen:

- Comprehensive policy and funding support introduced in IRA 2022 paves way for US to become the global leader in renewable energy production and export
- Total of US\$369bn funding and tax credits earmarked to support energy security and transition



## Latin America

### Biomethane:

- Holds ~20% of global bioenergy potential

### Hydrogen:

- Significant renewable hydrogen potential harnessing world class and low-cost solar, wind and hydro resources



## Middle East & North Africa

### Hydrogen:

- Significant renewable hydrogen ambitions among various member countries, with individual and collective national hydrogen strategies (e.g. Saudi Arabia, Oman, UAE, Egypt, Africa Green Hydrogen Alliance).
- Harness region's substantial renewable energy resources and location as gateway between key EU and Asian markets



## Europe

### Biomethane:

- 20,000 biogas plants in Europe - 10,000 in Germany alone
- >25% biomethane in Denmark's gas networks and >11% in Italy

### Hydrogen:

- Key pillar of EU decarbonization and energy security strategy – target of 65% system demand from renewable hydrogen by 2030.
- Policy frameworks and dedicated funding mechanisms under implementation



## United Kingdom

### Biomethane:

More than 80 biomethane plants connected to the grid

- Green Gas Certification Scheme,

### Hydrogen:

- Low-carbon hydrogen production capacity ambition of 10GW by 2030
- Launched policy consultation and funding rounds (from £240m) to support hydrogen development.



## Asia

### Biomethane:

- Holds ~30% of global bioenergy potential
- Policies support household digesters in rural China

### Hydrogen

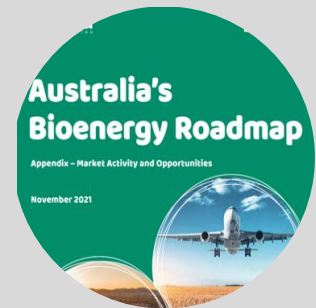
- Leading region in the development of renewable hydrogen production and equipment manufacturing capacity (India, China)
- Leading region in the development of global hydrogen supply chain – investing heavily in import infrastructure, transport and storage technologies (Japan, Korea)

# What is happening in Australia



## **National Hydrogen Strategy**

The development of a hydrogen industry, including hydrogen 'hubs' and a certification process.



## **Australia's Bioenergy Roadmap**

Identifies the role that the bioenergy sector can play in Australia's energy transition.



## **GreenPower Renewable Gas Certification**

Enable voluntary purchases to help displace natural gas with low-emission renewable gas such as biomethane, biogas and renewable hydrogen.

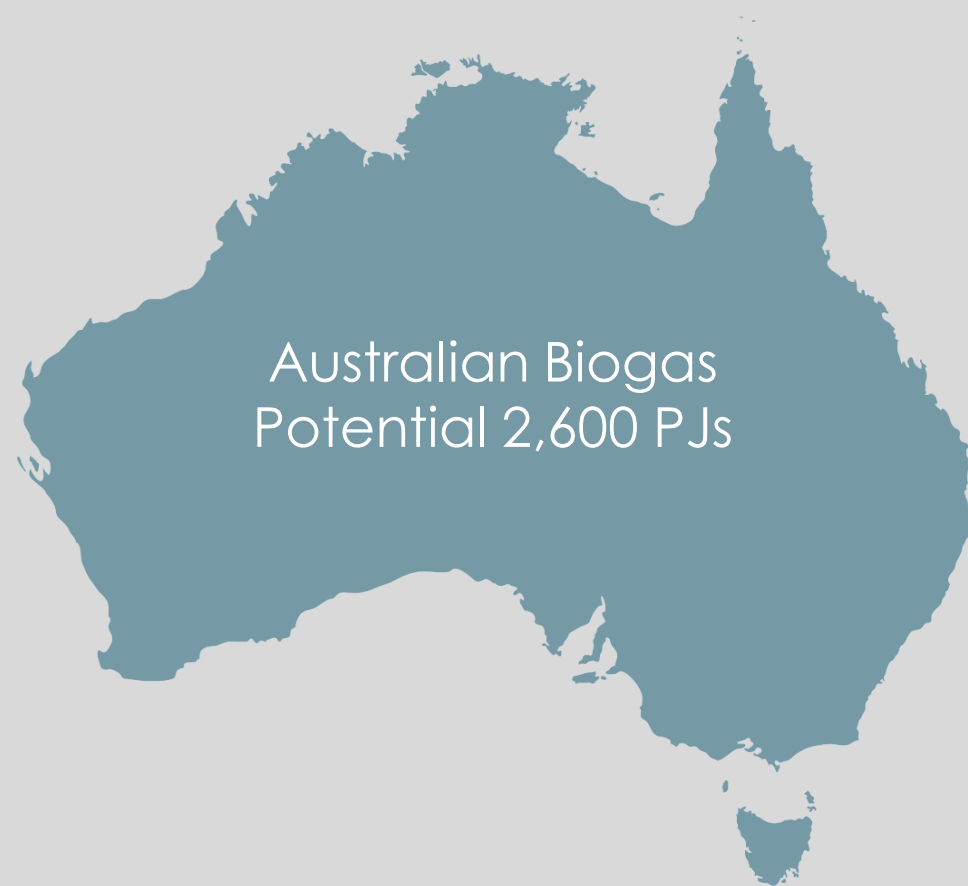


## **Renewable Fuel Scheme**

Support the growth of new supply chains to improve the affordability, reliability and sustainability of green hydrogen in NSW to help industries remain competitive as international markets decarbonise

### **Hydrogen Strategy:**

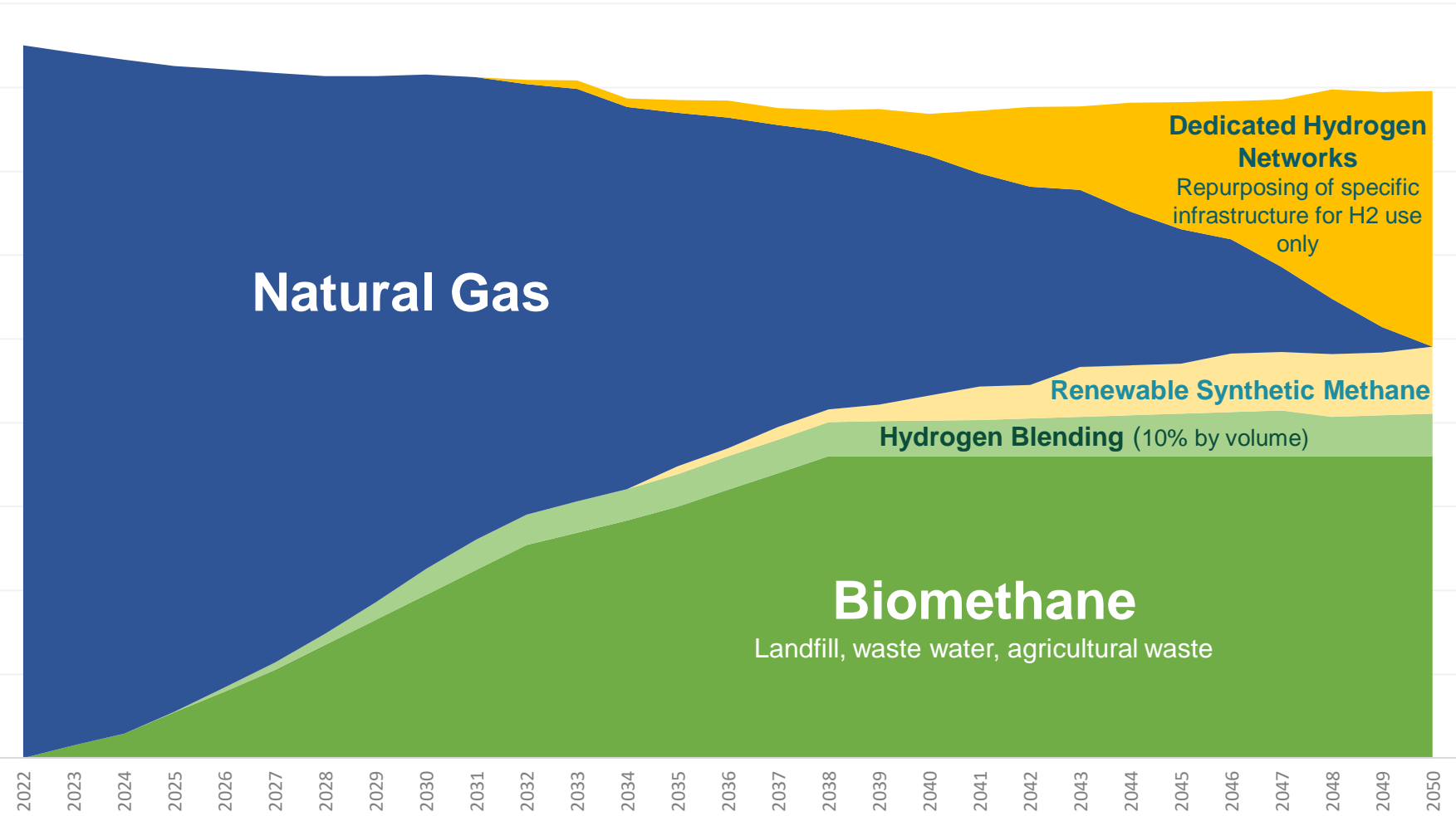
NSW Hydrogen Strategy with over \$150M hydrogen funding and stretch target of 10% blending in gas networks by 2030



Biogas in proximity to Jemena's NSW Gas Network

# Potential blends of gas in the network

*Illustrative example of a blend of renewable gas in a gas network*



Gas supplied into the network will evolve and the way we utilise the network will change.

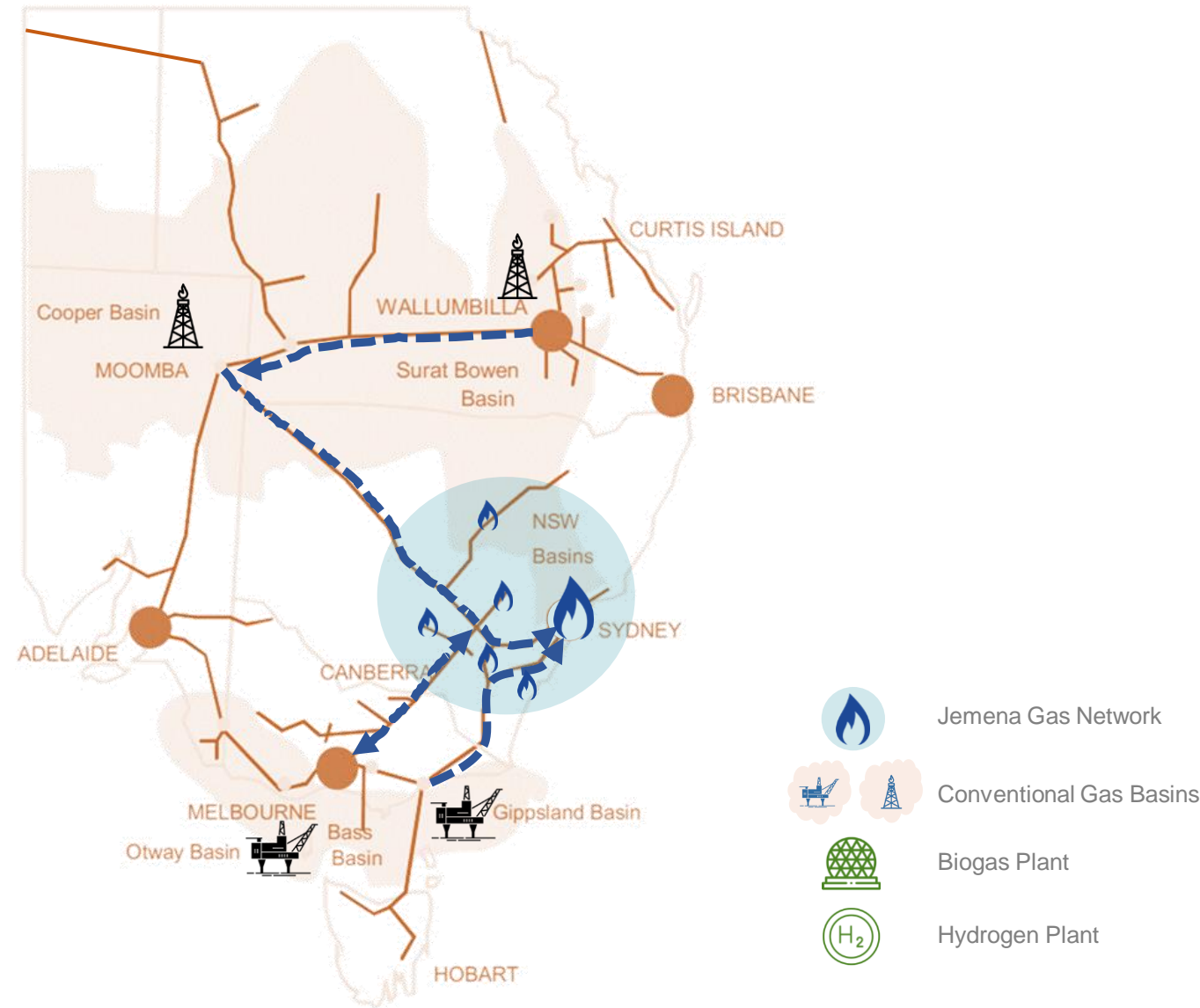




# Gas supply now and into the future

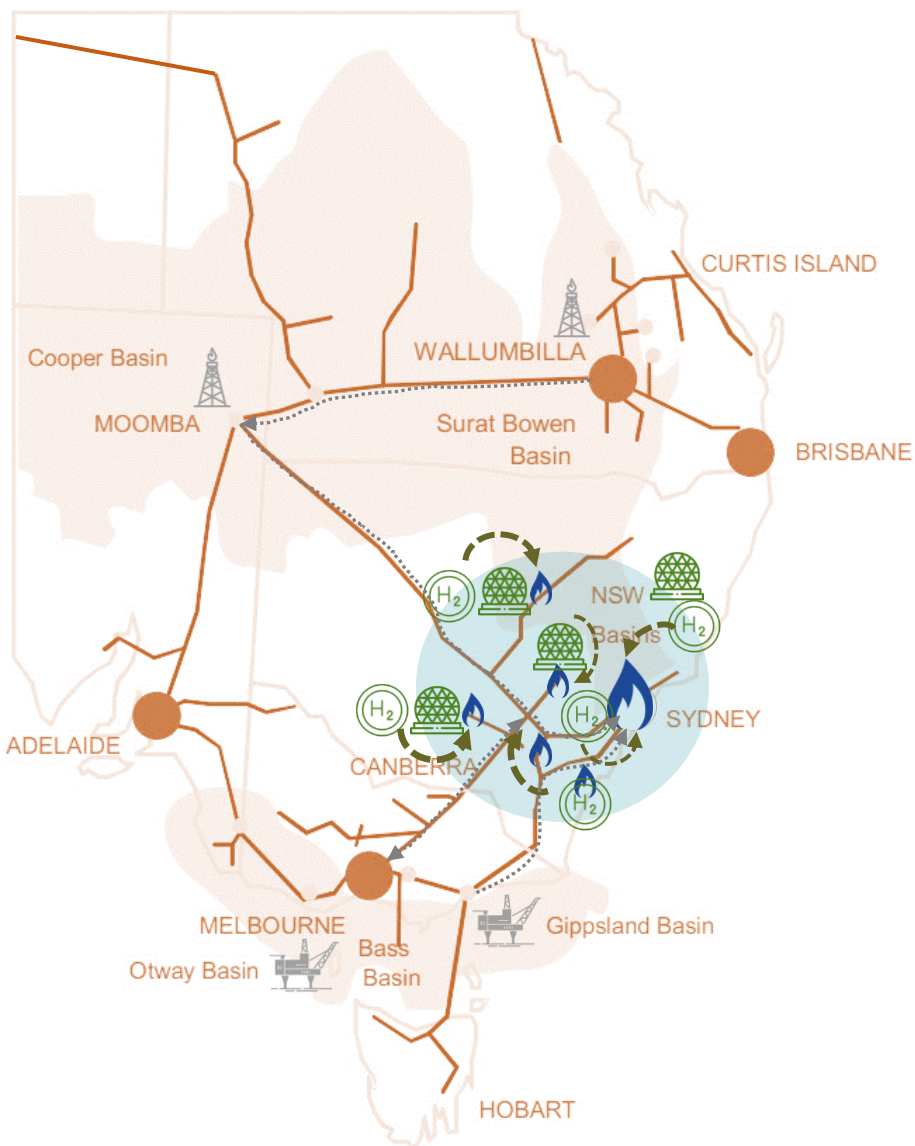
## Current State

Gas has come from a few, very large gas basins which are a long way from where we use our gas, being supplied by large transmission pipelines.

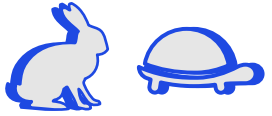


## Future Potential

Gas could be sourced from a decentralised network of local smaller-scale renewable gas production facilities.



# Renewable Gas – regulatory response slider



*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

**Renewable gas blend**

None

~10% renewable gas blend by 2030

~20% renewable gas blend by 2030

**Electrification**

Households may need to electrify earlier

Some households may delay electrification

Some households may delay electrification

**Customer retention**

Customer numbers may decline over time more quickly

More customers are retained on the gas network

More customers are retained on the gas network

**Reliability in regional areas**

No change to gas supply reliability in regional areas

Gas supply reliability in regional areas slightly improved

Gas supply reliability in regional areas slightly improved

Bill impact, 2025-30

Bill impact, 2025-30

\$3 a yr

Bill impact, 2025-30

\$6 a yr

If significant numbers of customers leave the gas network, bills may increase

**Consider: where would you vote?**



# Coffee shop parable: Making coffee under uncertainty

Every **7 years**, you invest **\$7,000** in a new coffee machine



La Pavoni Commercial Volumetric  
2 Group Espresso Machine

You sell **200 cups** of coffee per year... at **\$5 per cup**.

Each year, you get **\$1,000** in revenues (\$5 X 200 cups)

It takes **7 years** to recover your coffee machine. (\$1,000 X 7 years)



However, the government has announced that:

- There may be phasing out of coffee in the future
- Some people think coffee is unhealthy which is starting to gain momentum via social media and published expert reports!

**Demand for your coffee will start declining in the next 7 years. How do you price your coffee after the government announcements?**

| Situation without government announcements |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|
|  | Year 1  | Year 2  | Year 3  | Year 4  | Year 5  | Year 6  | Year 7  |
| Price per cup of coffee                    | \$5     | \$5     | \$5     | \$5     | \$5     | \$5     | \$5     |
| Coffee cups sold (demand)                  | 200     | 200     | 200     | 200     | 200     | 200     | 200     |
| Cost recovered                             | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |

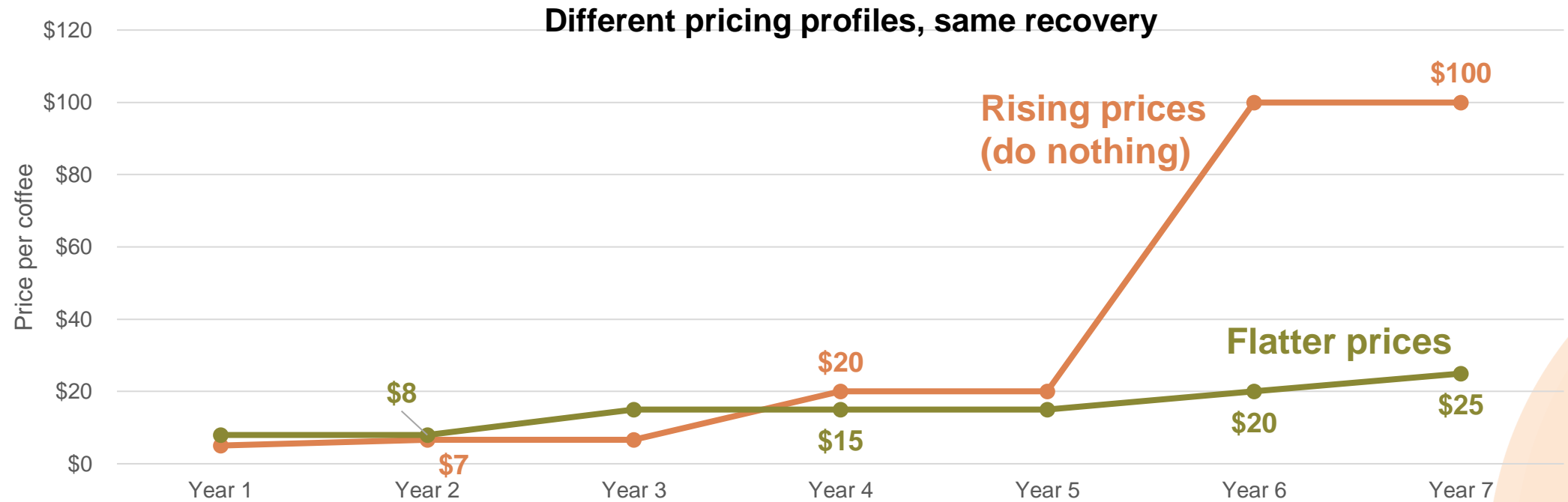
Total cost recovered in 7 years: **\$7,000**



# Pricing your coffee under uncertainty

## How would you price your coffee in the future?

## What are the considerations?



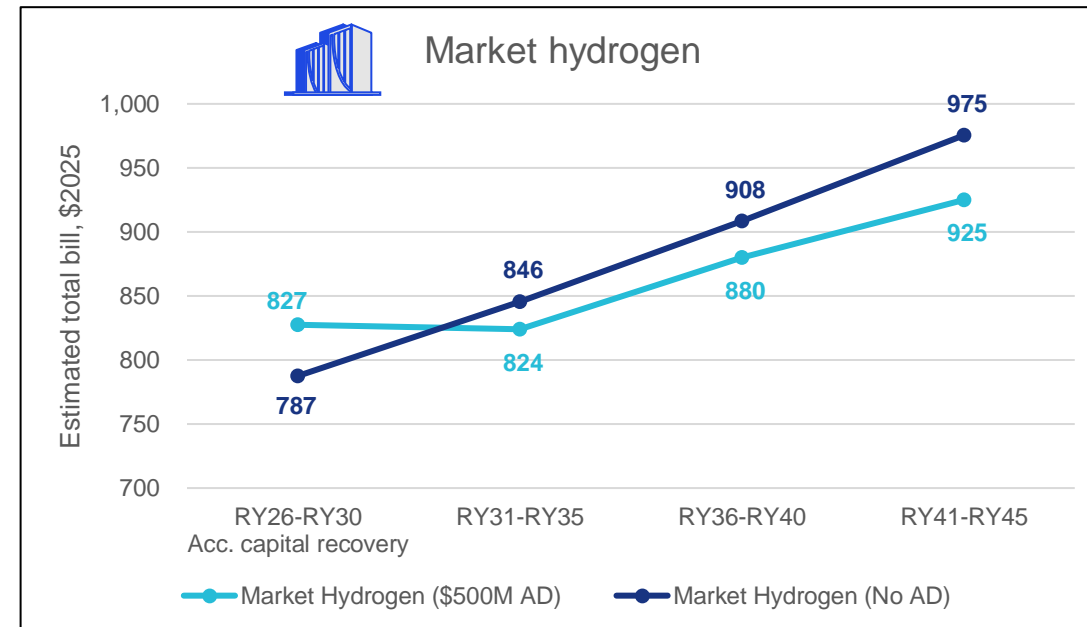
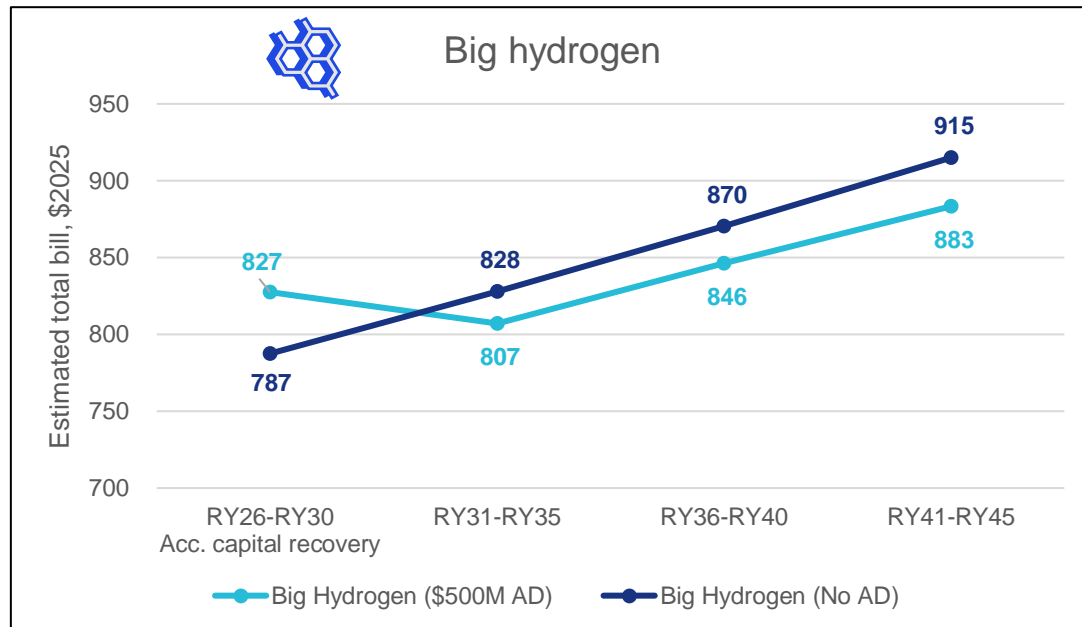
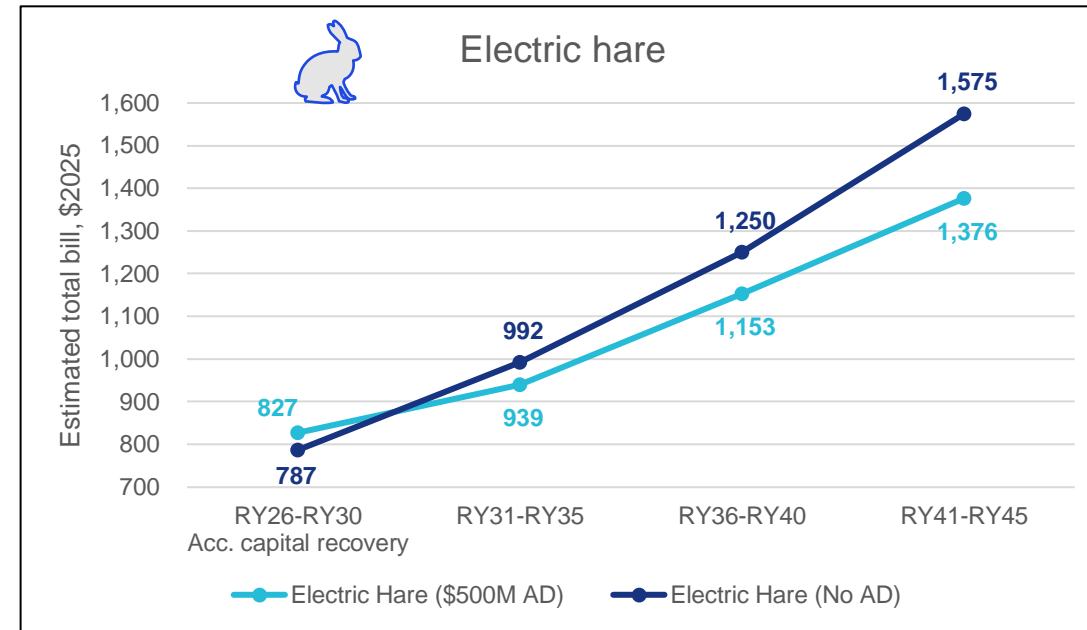
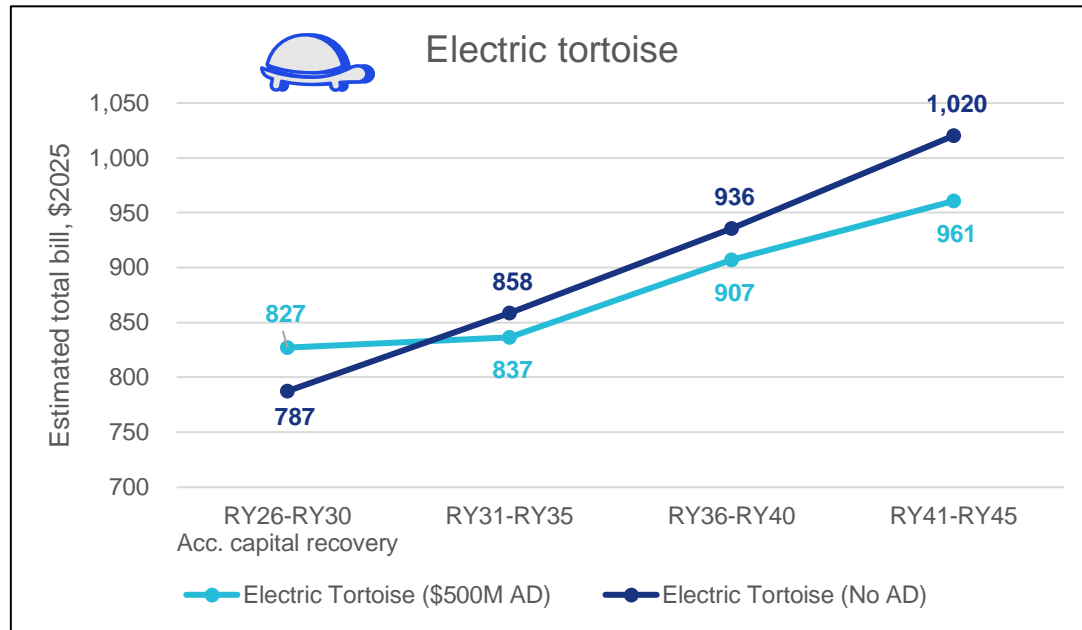
\$7,000

| Do nothing to address declining demand   |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|
|  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
| Price per coffee                         | \$5    | \$7    | \$7    | \$20   | \$20   | \$100  | \$100  |
| Coffee cups sold (demand)                | 200    | 150    | 150    | 50     | 50     | 10     | 10     |
| Cost recovered                           | \$1k   | \$1k   | \$1k   | \$1k   | \$1k   | \$1k   | \$1k   |
| Total cost recovered in 7 years: \$7,000 |        |        |        |        |        |        |        |

| Increase prices by a little right now    |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|
|  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
| Price per coffee                         | \$8    | \$8    | \$15   | \$15   | \$15   | \$20   | \$25   |
| Coffee cups sold (demand)                | 200    | 150    | 150    | 50     | 50     | 10     | 10     |
| Cost recovered                           | \$1.6k | \$1.2k | \$2.3k | \$0.8k | \$0.8k | \$0.2k | \$0.3k |
| Total cost recovered in 7 years: \$7,000 |        |        |        |        |        |        |        |



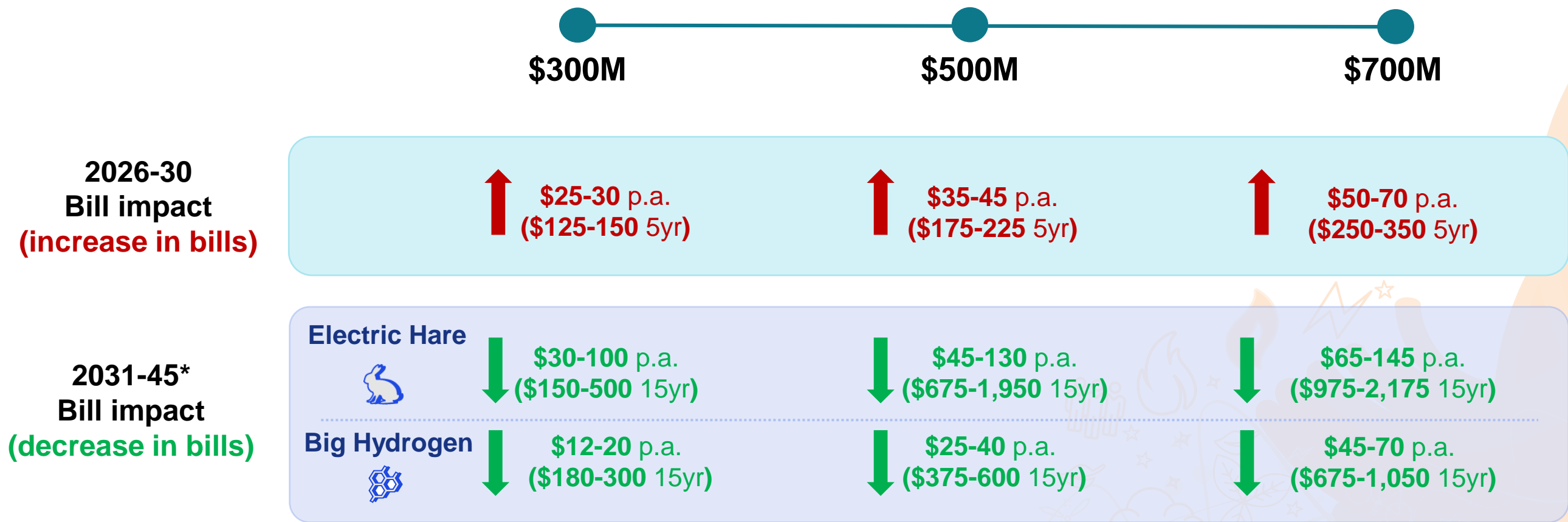
# Estimated bill, with and without accelerating capital recovery



# Accelerating capital recovery – regulatory response slider

To what extent should we accelerate capital recovery?

Accelerate capital recovery in 2025-30:

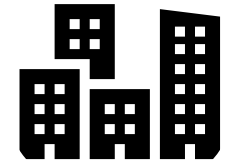


Consider: where would you vote?

# Managing Jemena's financial risk through a new approach to connections

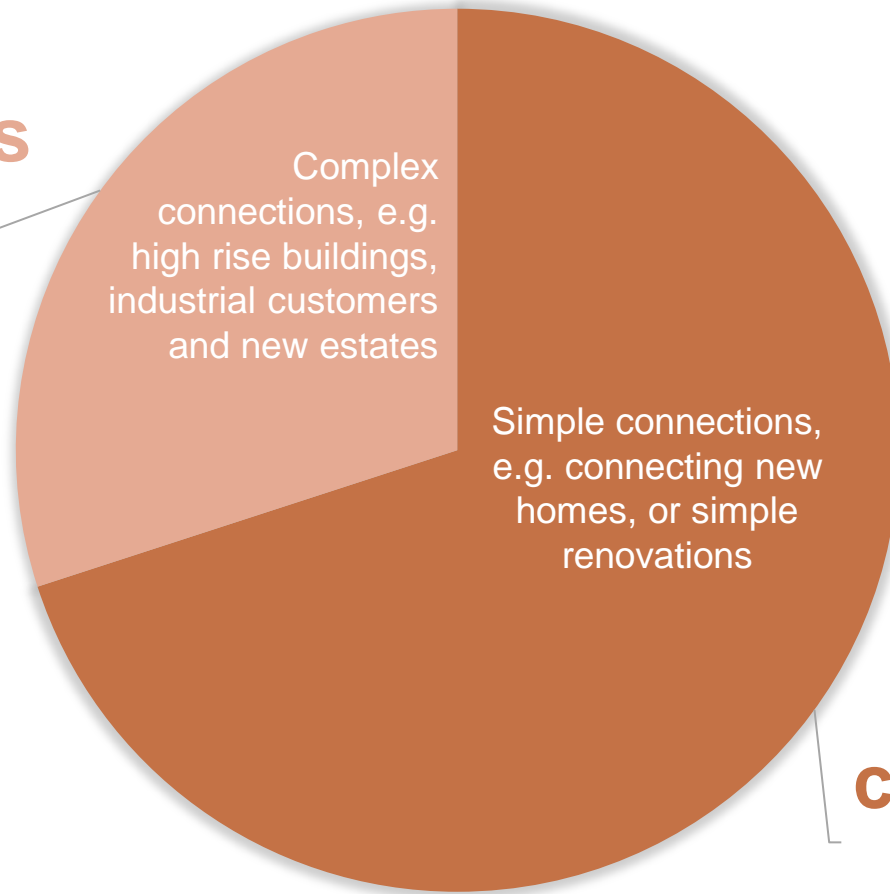


# Connecting to our network



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

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



Most new connections are  
**basic connections**



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



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

# Connection charges

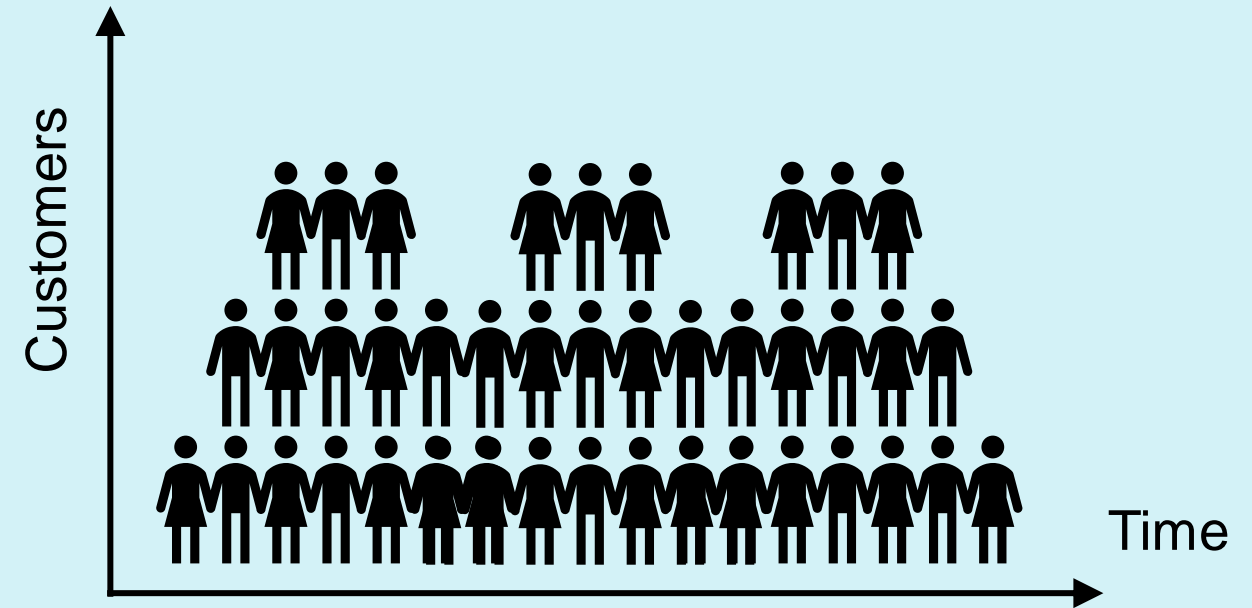
## Connection charges

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

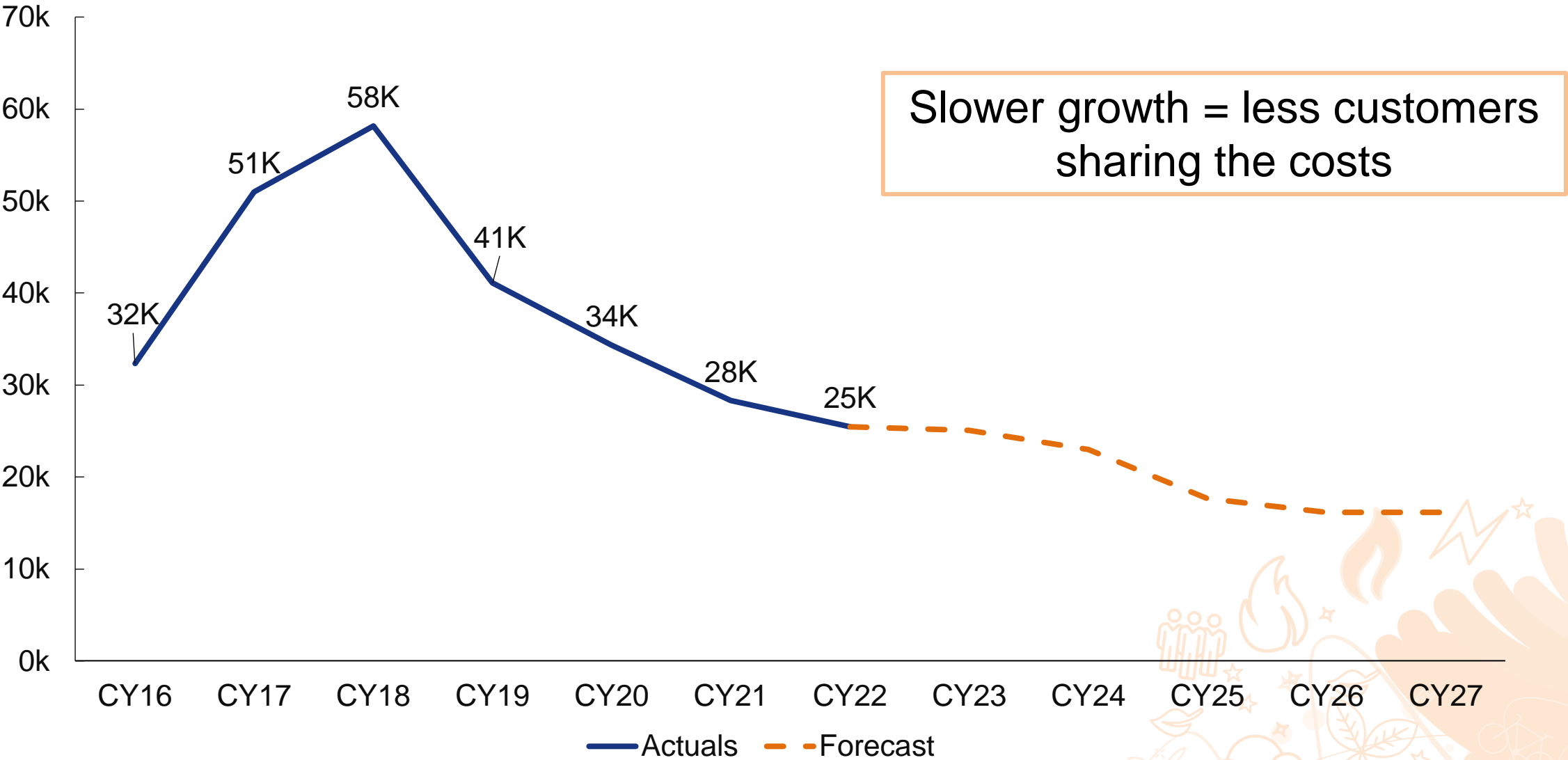
Currently, the cost of new connections is recovered over many years, across the customer base



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.



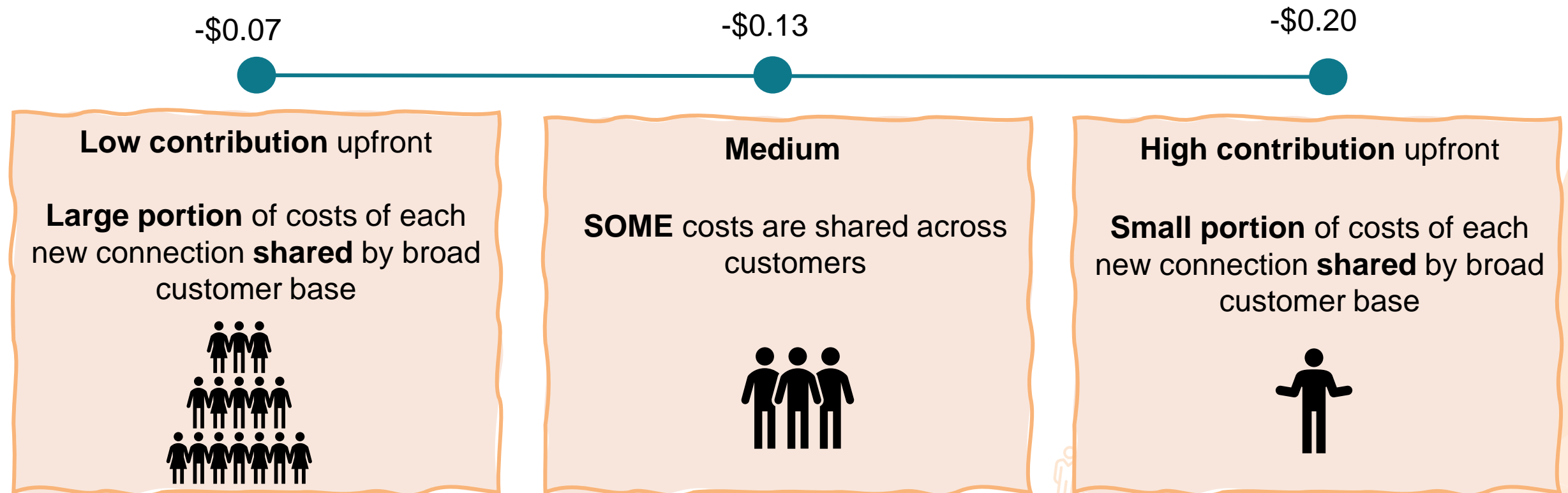
# New connections growth



# Regulatory response slider

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.



# Permanent disconnections

## What

### Steps involved in a permanent disconnection

- 1 Meter is removed from the premise
- 2 Customer service is cut from the main and capped
- 3 While the service is left on the property it is no longer “live” and has no gas
- 4 After permanently disconnecting, a customer needs a new connection to get gas again

## Why

A permanent disconnection may be required for safety reasons, e.g. if someone is doing a knock down/rebuild of their house, or if the site is being developed.

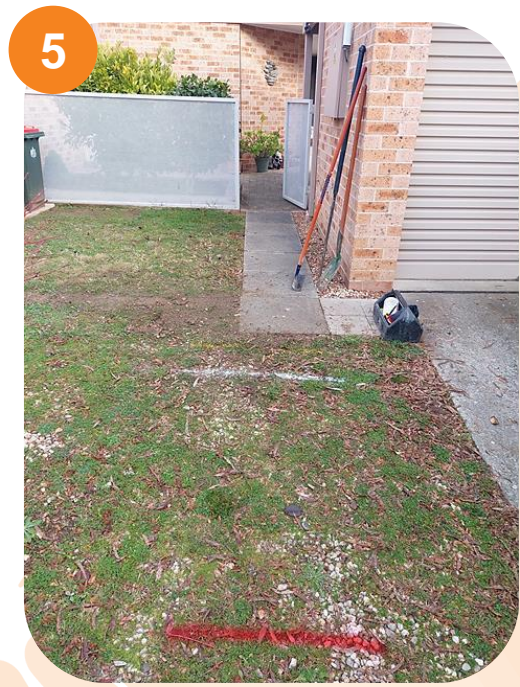
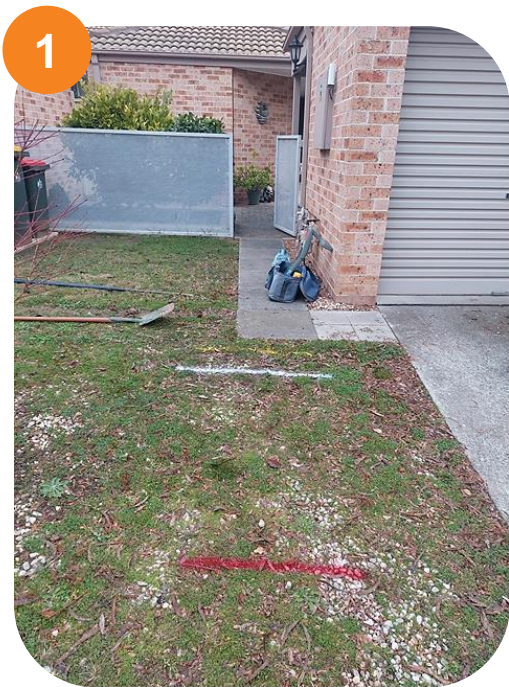
If customers remove all their gas appliances, they may choose to permanently disconnect from the gas network

## How many

In recent years, approximately 4,000 customers permanently disconnect from the gas network.



# A look at permanent disconnections





# Current cost of permanently disconnecting



## Cost

Currently, residential customers are charged around **\$1,400 (including GST)** to permanently disconnect from the gas network.



## Who pays

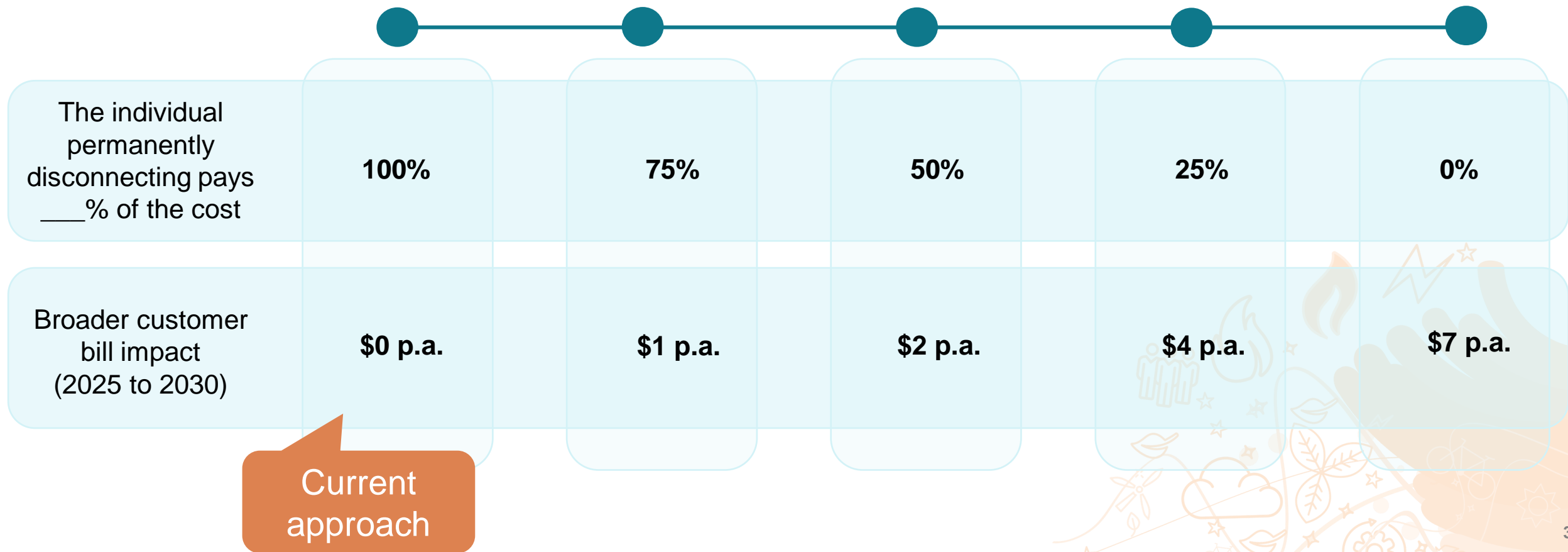
For Jemena, the customer requesting the permanent disconnection pays for it.

In some cases, the cost of permanent disconnection cannot be recovered from the customer.

# Regulatory response slider

## Permanent disconnections

If an individual permanently disconnects from the gas network, what proportion of that disconnection cost should be shared amongst the broader gas network's customer base?

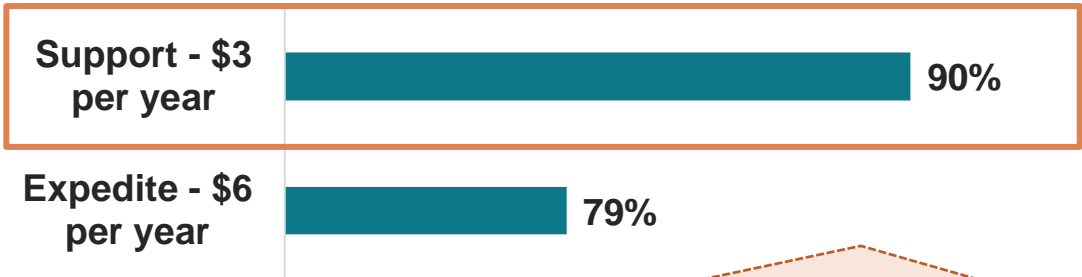


# Let's hear from you! Voting on menti



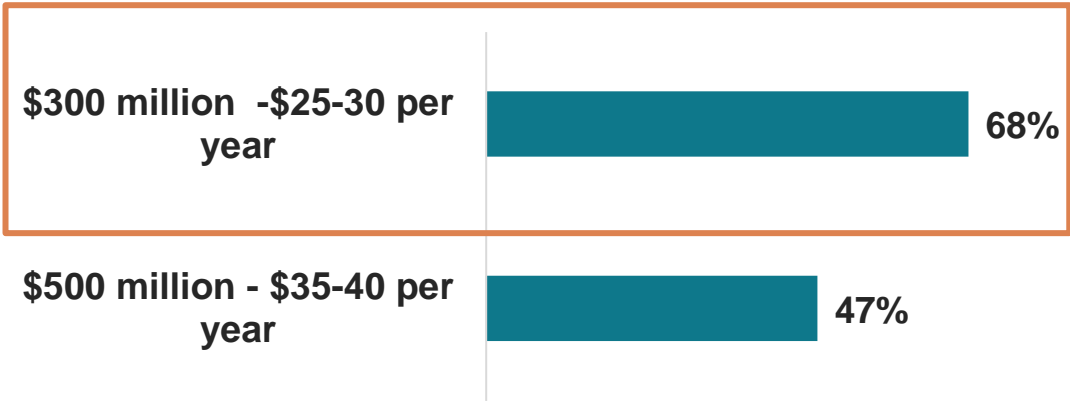
# Where residential customers landed

## Moving towards renewable gas:



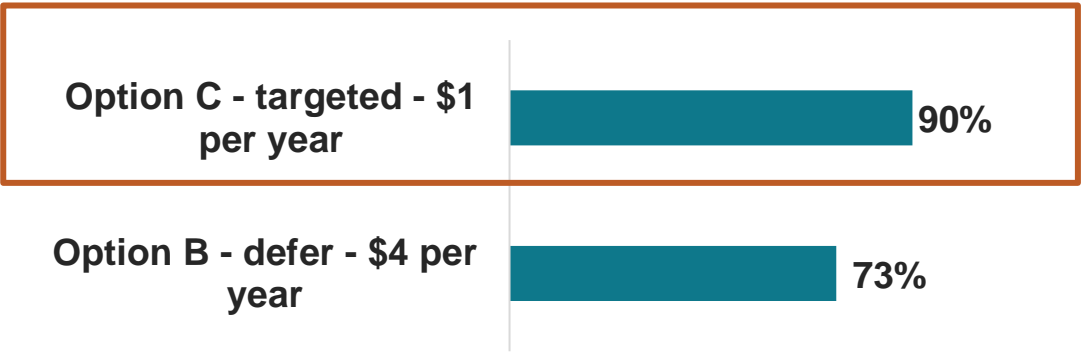
*“To continue to invest and research in pilot studies and trials to properly study the safety of new / renewable gas networks (all aspects – from supplying, distribution, consumers, storage, etc.)”*

## Accelerating capital recovery:



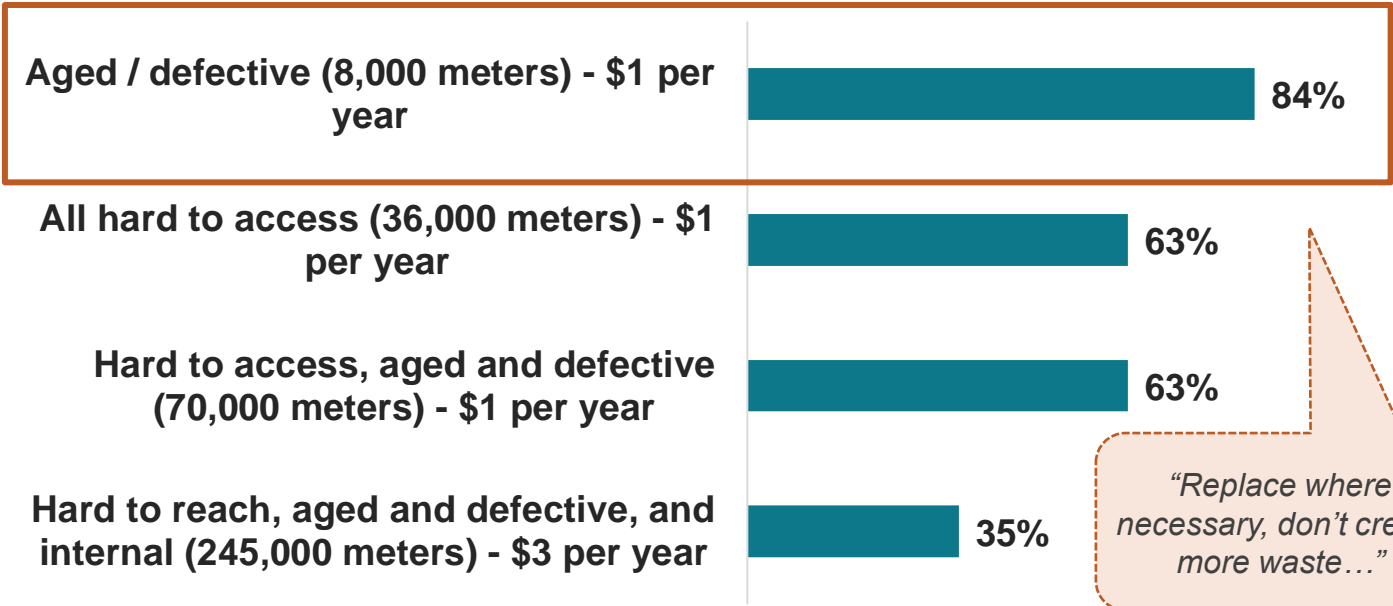
*“There will be a short-term (five-year) financial hit due to accelerated asset recovery in order to reduce the rate of bill increase in the future (...) special care needs to be taken for those needing help with this increase...”*

## How Jemena manages its assets:



*“Benchmark and develop consensus and industry standards for reliability and safety relating to gas networks...”*

## Digital metering:

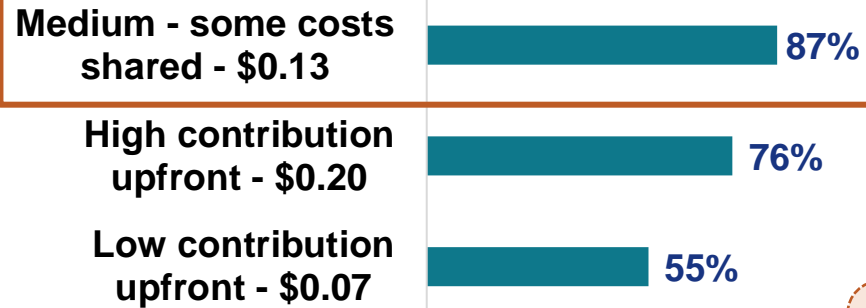


*“Replace where necessary, don’t create more waste...”*



# Where household customers landed (continued)

## A new approach to residential connections:



*"Subsidise connection costs for new customers to help increase new connections which in turn can help spread costs over a larger base and make it more affordable..."*

*"Keep it in the middle to encourage new customers to connect and keep existing customers..."*

## Supporting vulnerable customers:



*"We want Jemena to use their profits to help vulnerable customers and invest to make it fair for customers. At the same time support customers who are willing to share the costs in supporting vulnerable customers..."*

## Permanent disconnections:



*"Disconnecting customer should pay, not shared by others as connection cost was already passed to all."*

*"100% disconnection costs borne by the customer. If forced on customers e.g. ACT > then give subsidies."*

*"Customers should be responsible for their own decision."*

*"It is not fair for the overall customer base to shoulder the cost of the luxury home renovation/rebuilding (main reason for permanent disconnection). For some small scale where people have abandon site, pass the cost to retailers who has 30% cost/role in the bill."*

*"There should be a penalty if you disconnect to avoid exacerbating a shrinking customer base."*

*"Choice is customers if renovating or knock down rebuild, they can afford it others shouldn't pay this cost when they re-connect. Subsidise the reconnect fee only."*

*"Disincentivise disconnection. More fair on remaining customers. Customers more likely to choose temp disconnection."*

*support funding more fossil fuels so it would be good if more people left."*

*"Incentivise people leaving until biogas (sorry Jemena)"*

# Final check in

- Did you feel this was a good process? Was it authentic?
- What are your, if any, final thoughts?
- Would you be interested in coming back together with us again?



# Thank you!



Would you be interested in coming back online in March 2024 to hear about the Draft 2025 Plan?

Would you be interested in coming back to **talk tariffs?**

CRNRSTONE research will be in touch with your stipends via email

