

Gas Networks 2050

Access Arrangement

Small Business Forum 2 of 2

(with group 1)

Outcomes Report

1 November 2023

3.00-4.30pm



Methodology: What we did in the session



Objectives

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

Attendees

Seven randomly selected small businesses attended, recruited through an independent market research company. (This included one small business that couldn't attend the session and attended a catch-up session on 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) (full session) and Gus Mandigora (Assistant Director Network Regulation, Australian Energy Regulator) (partial session attendance).

Format

The session ran for one and a half hours online on Microsoft Teams. This is the second forum report from the group that first met on Wednesday 18 October.



Overview Summary

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

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

Section 2: Response options explorations and voting (50min)

In this section, we talked through the response options in detail as preferred by participants including renewable gas, accelerating capital recovery, our assets and managing permanent disconnections. Then we asked participants to discuss the response options and what they'd heard, and then vote on the response options similar to the deliberative customer forum.

Section 3: Conclusion (10min)

To conclude, we thanked small businesses for being with us on this engagement journey, 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, for example, tariffs.



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 18 October 2023

There were a variety of views expressed – including:

- Government policy and direction on this issue
- Consumer rights in the transition
- The viability of renewable gas
- Local government legislation impacts to local businesses (especially in the near and longer-term future)
- The expenses down the track
- The speed of the transition and concern around procuring other energy sources
- Visibility of communications around the transition and having long-term plan in place.

"How sustainable the change would be? If you switch from industry practice and source moving to the new in future. That's an interesting area to me."

"There has to be some sort of communication. There's a lot of ambiguity floating around."

"Who's going to bear all the expenses when they decide to cut off the gas?"

"What are the consumer rights in all this?"

"I was just thinking about this whole alternative option of using more biomethane and green hydrogen really, is it really viable? How expensive is it day-to-day, is it really possible?"

"I am a bit worried if City of Sydney just says no more gas connections. What's going to happen to this office? Because, you know, we run on gas. (...) we're a software development company, so we don't tend to rely on it [as much as others], but it's just the corporate utility side of it that obviously we rely on."

"What is the government doing?"

"From a continuity point of view (...) this is how we're operating today, if something drastically changes tomorrow. What's everybody's supposed to do? What's the process around that?"

"It's going to be a timely and expensive transition, and after that, where does it all land? (...) Give the consumer comfort that this has all been planned out, logically and it's not an ad hoc sort of thing they've just last minute put together."

"There might be some backup options but I know how expensive it's going to get in a few years time that's always in the back of mind."

Was our playback an accurate record?

Small Business Customers considered a playback of what they said in the first session and gave their thoughts.
(See **slide 11** for the playback)

Participants reflections included:

- They were satisfied with the playback slide presented.
- They felt it summarised their views from session one accurately.
- Another participant shared a recent reflection on gas in the future of energy and Jemena's comments in the media.

"It does sound about right. I remember all that."

"It resonates."

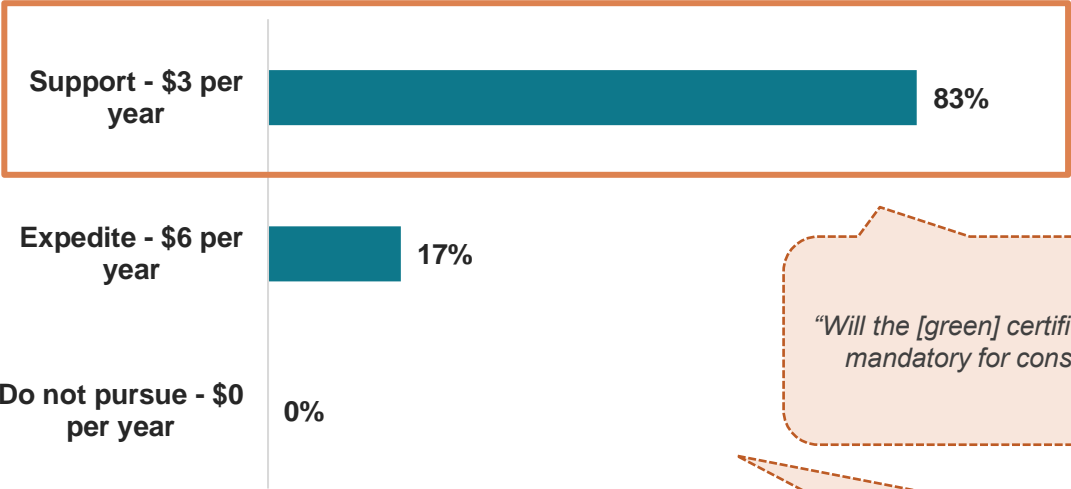
"It's a hot topic. In the Australian yesterday the boss of Jemena was talking about, they have all these gas pipelines and they can hold 80 gigajoules of gas in the pipeline. So that's an ideal backup for when the sun doesn't shine, and the wind doesn't blow. So, I thought that was quite topical."



Response areas voting

Small Business Customers had several questions and views for Jemena on the two response areas of renewable gas and speeding up recovery. Also, their voting on the response areas was like that of residential customers. The verbatims are also included for a flavour of why they voted in the way they did.

Moving towards renewable gas:



“Will the [green] certificate will be mandatory for consumers?”

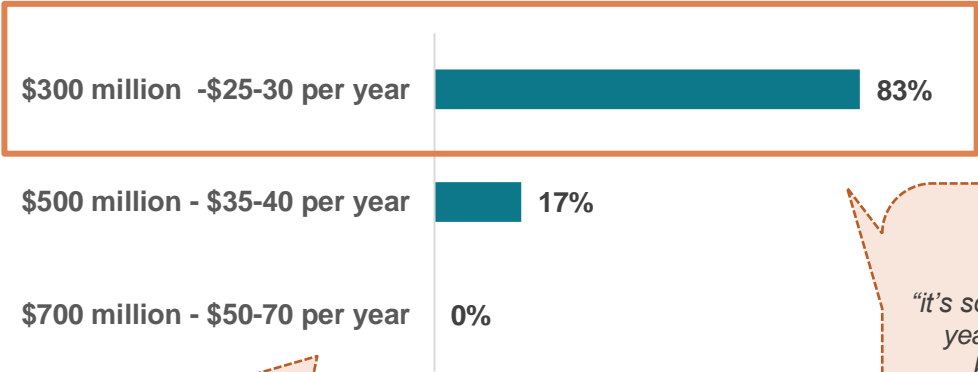
“Look at as a glass half full and you never know, Jemena might turn out to be a household name or something very shortly with all this stuff, with the right marketing campaign and the right publicity, who knows?”

“As long as you abide by the rules and you’re within the rules, you can really get out there, guns blazing I think.”

“I think you’d have to discount hydrogen at this stage and concentrate on your biomethane.”

“I think once you get the industry experts together and they pull all of these pieces from everywhere around the globe, they can put it al on a table and say, OK, well, what have we actually got here?”

Accelerating capital recovery:



“Start thinking now and paying in the current five years would be much better than paying double price later”

“Instead of kicking the cost down the road, we’re not going to miss that at all.”

“In terms of our business, we can quite easily recover that percentage from customers if we had to pay that. So I don’t think it would be impossible.”

“A lot of unknowns.”

“Understanding what’s going on in the background, I don’t think it’s completely unreasonable.”

“it’s so much ahead for us in five years time by Jemena, you know, it’s frightening.”

“I don’t see it being that much of a jump. I think it’s reasonable considering the long-term benefits.”

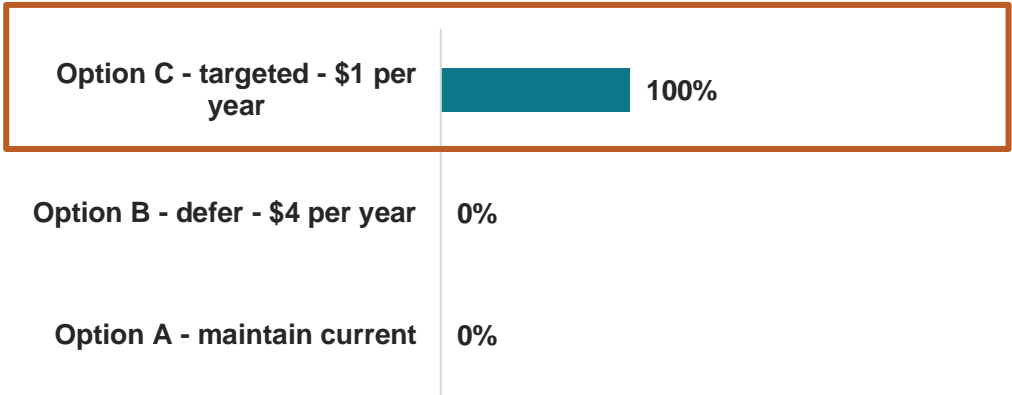
“Probably the 500 million option I think is probably reasonable and I don’t think it is unreasonable.”

** 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.

Response areas voting

Small Businesses voting on the response areas was the same as residential customers for asset management, however quite different for permanent disconnections. The group was quite split on this, and reasons are given in verbatims on the lower right.

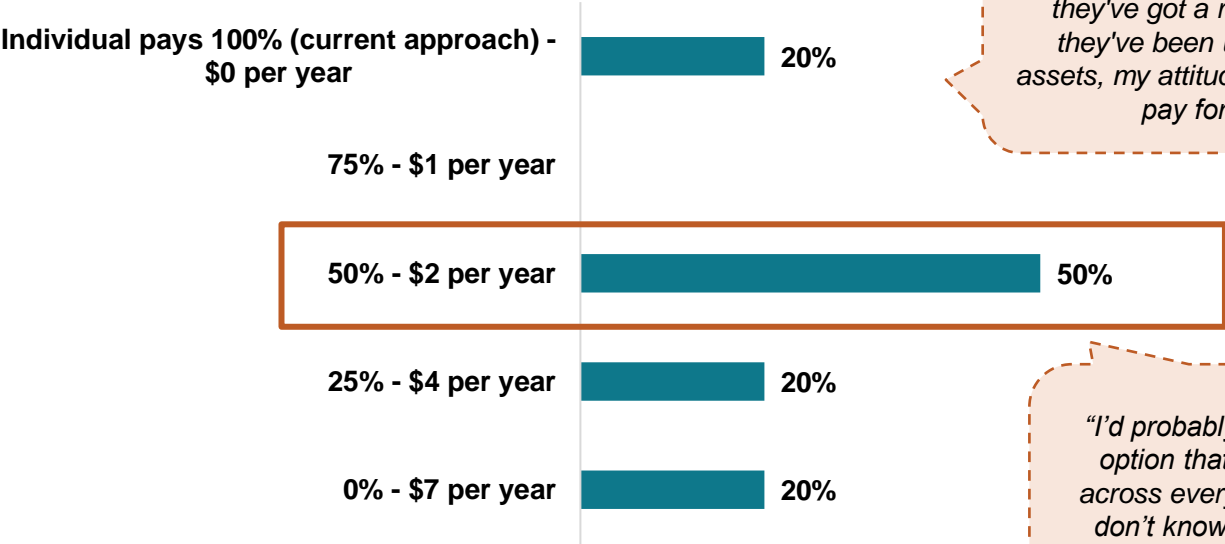
How Jemena manages its assets:



“Fixing where it needs to be fixed is probably the best way to go.”

“What the percentage of gas leaks now in the network?”

Permanent disconnections:



“If a customer's leaving, they've got a reason and they've been using your assets, my attitude is that they pay for it.”

“I actually disagree, and I think the fact that they're guiding us out the door should not come at a cost. (...) I think it should be spread across the board and whether it's borne by everyone else or whether it's subsidised by the government or Jemena covers portion of it or whatever it may be. I don't think the individual should have to come up with that figure.”

“I'd probably prefer an option that's spread across everybody. You don't know what you might do in the future.”

“I think if people are knocking down or rebuilding and they've got not other choice, then I think they should pay for that. (...) but if there's sort of like a 'groupthink' scenario like 'oh yeah, well all the businesses in our street are doing it, so I'm going to be the only one in between 20 houses or office buildings that's not doing it, so I better do it too'.”

“It's like telecommunications. I mean, there's a cost in connecting and disconnecting a phone normally.”

** 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 Owners gave their final views on the process.

Participants gave their views on the process they'd been involved in over the last two sessions. and they most highly valued the following:

- the transparency,
- wealth of information
- being involved early
- the engaging way the sessions were run.
- they also felt their views were important and valued.

All indicated they'd like to be involved in the next engagement activity on tariffs.

"Sharing these details with us as consumers. Just so we know what's going on."

"Definitely absolutely [interested in coming back]."

"With central utilities, I think there definitely has to be extensive consultation."

It's also good to know that things are going to happen, and maybe we're getting a little prepared for that."

"I appreciate the transparency that Jemena has."

"Thanks for involving us early in the discussion."

"It's quite engaging."

"I think it was great to get your information; sitting here and being told that your views are very important, I thought as a reasonable [use] customer, I've had a different insight today. You know, I'm on your side, but it's very hard to predict five years from 2026. I don't envy you."

"I think that it's really interesting and it's really positive."

"Very intuitive and connecting. Motivating at the same time."

"I think these sessions have been good. They've given me a lot of information. I didn't have a lot of knowledge and I didn't know a lot of what Jemena is thinking of doing."

"The information that's coming through is really interesting because unless you're in that industry, you would never know. I mean just to have something happen one day and no one was consulted, that's probably a negative for a utility in Australia and I don't think that's an acceptable way of working."

"Loved it. As I said last chat, I agree with [name omitted] & appreciate that our views are as important as they are."

Session slides

Wednesday 25 October 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

Playback: what you said in the last session



Affordability and reliability is a key concern: small businesses at the session expressed their reliability on gas for high heat for example sterilising equipment, for cooking food, and for food manufacturing. One expressed concern about having to shut down if they transitioned to electric appliances because of the cost. Another expressed they had no plans yet to transition off gas. Although everyone present understands the need to transition to net zero, there is anxiety about the transition, and questions about how they, as users heavily reliant on gas will be impacted including the costs for changing appliances are expensive. Several had questions as to how they may be supported during the transition.



Interest in renewable gas role and government policy role in the speed and process of the transition: because of their reliance on gas as a fuel and the difficulty shifting off gas, this group is particularly interested in using renewable gas in future. They are also cognisant of the government's role in the transition and that Jemena operates in a regulated environment.



Response options: the options that attendees are most interested in hearing about are renewable gas, how Jemena manages its assets, a new approach to connections, permanent disconnections, and digital metering.

Small businesses expressed appreciation at having an in-depth conversation at an early point in the planning process: satisfaction was expressed and interest in being asked key questions at this stage in the process about such big-picture topics about the future of the business and how the decisions impact them.



"It's all frightening as far as we're concerned that we're so dependent on gas for our machinery."

"It does concern me that if you stay on gas, then your cost to your business are going to be going up. So that's a worry."

"Same with sterilising equipment in theatre, we can't run those on electric options, so it has to be by gas."

"This new concept of getting the energy source from the hydrogen, I think that could be a game changer."

"it's not just the one way forward, right?"

"You're listening now, which is an advance on the past."

"Taking our opinion is a good thing."

"I actually feel quite privileged to be involved in such an important transition here, and have, you know, inside at such a fairly early stage in this."

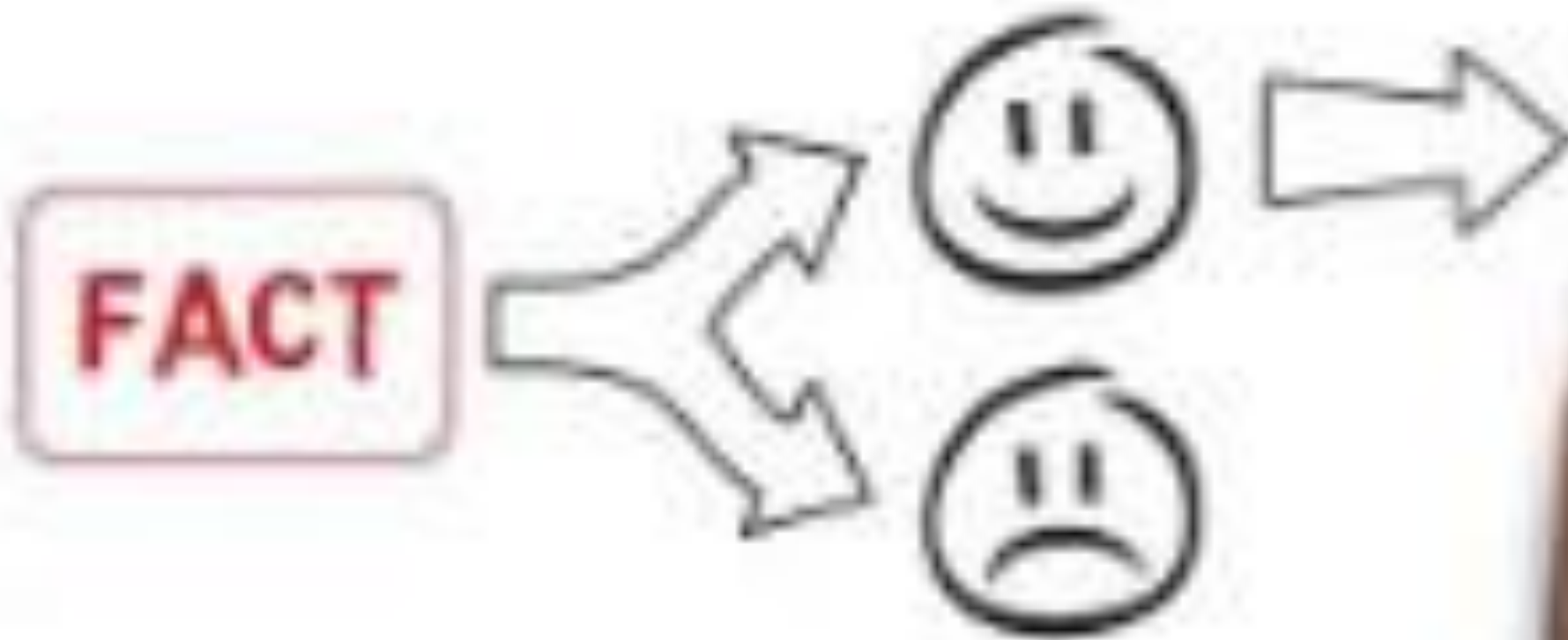
"Like the transparency from Jemena."

The responses we're exploring today

- 1) Moving towards renewable gas
- 2) Accelerating capital recovery
- 3) How Jemena manages its assets
- 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

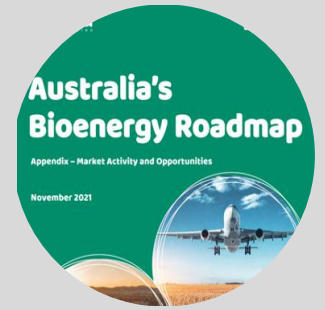
- Leading region in the development of renewable hydrogen production and equipment manufacturing capacity (India, China)
- Leading region in the development of global hydrogen supply chain – investing heavily in import infrastructure, transport and storage technologies (Japan, Korea)

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:

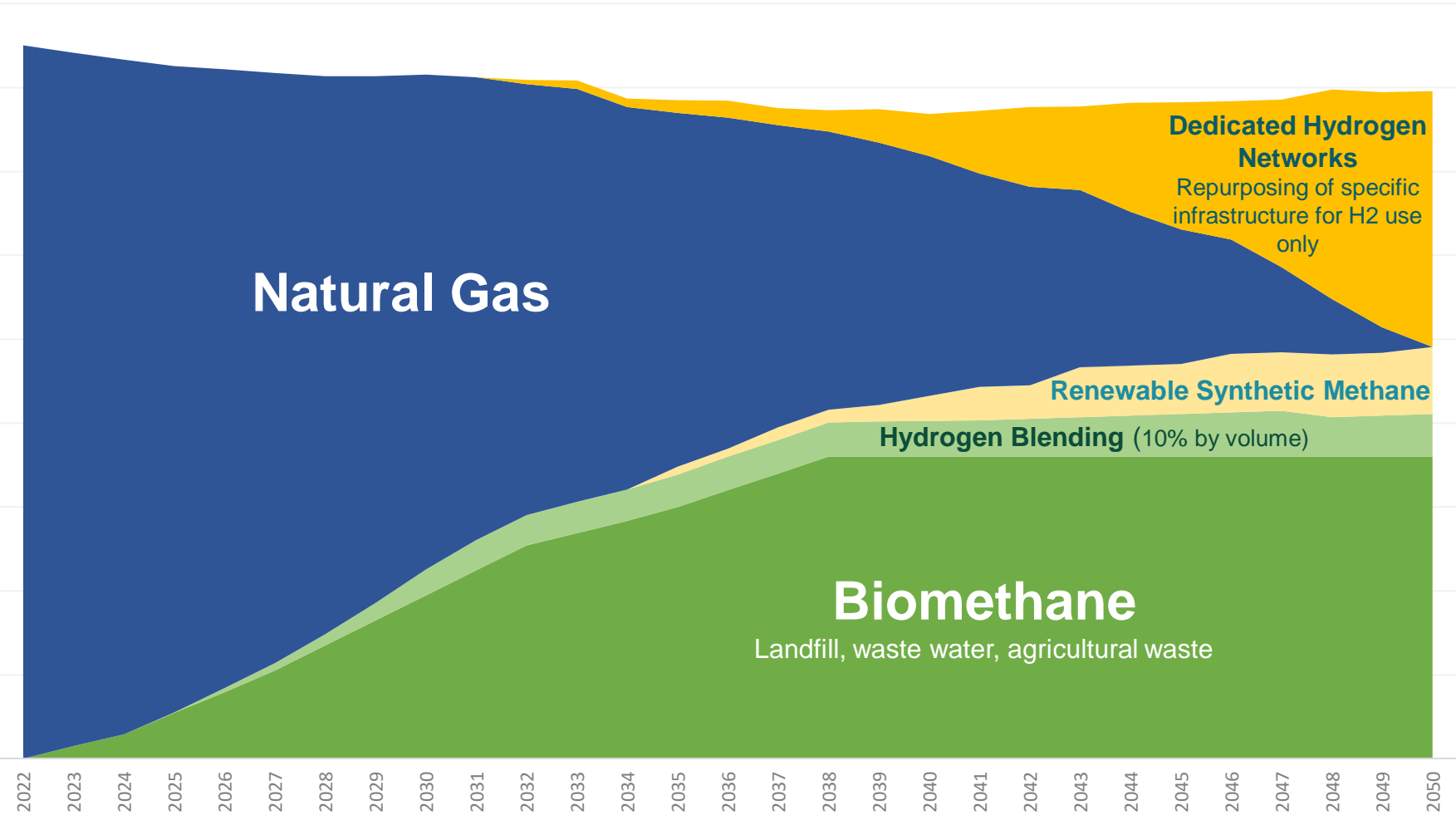
NSW Hydrogen Strategy with over \$150M hydrogen funding and stretch target of 10% blending in gas networks by 2030



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

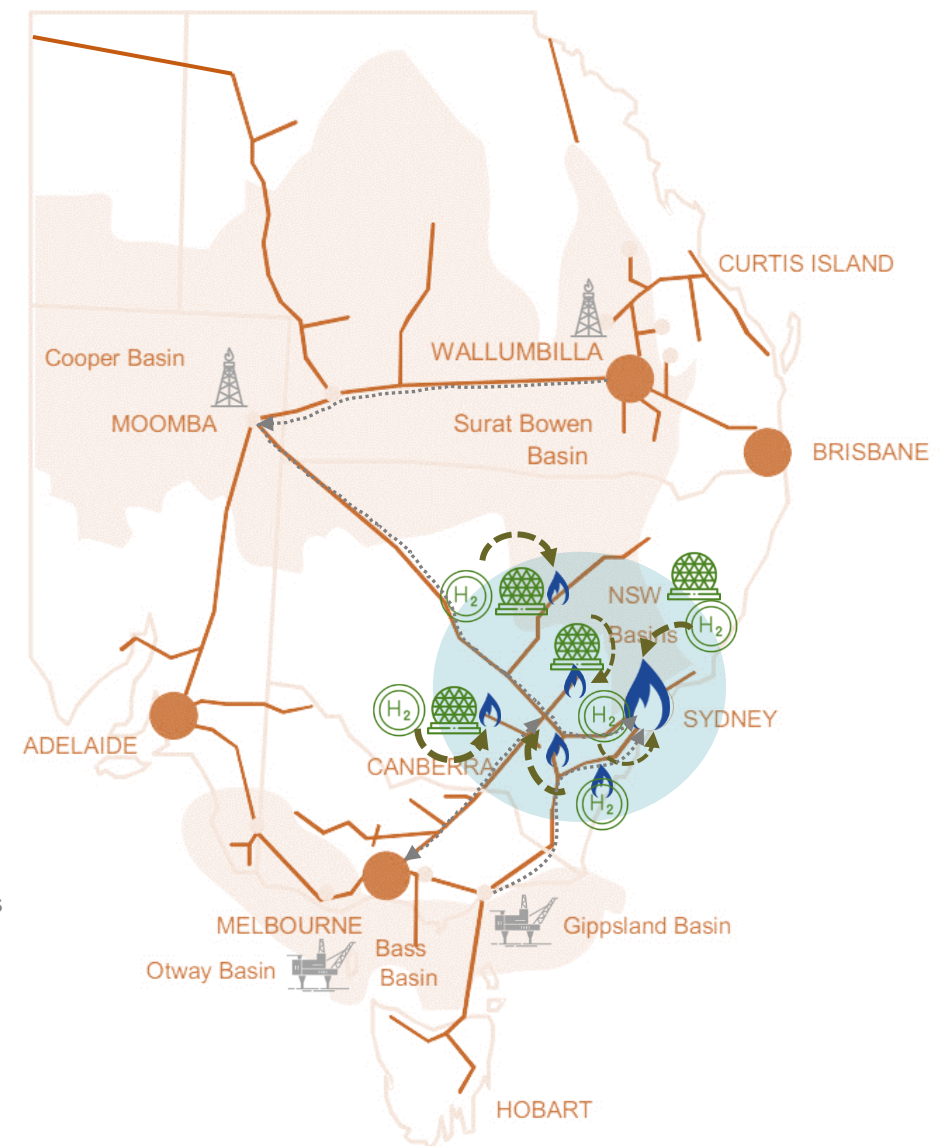
Current State

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.

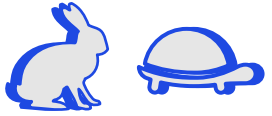


Future Potential

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

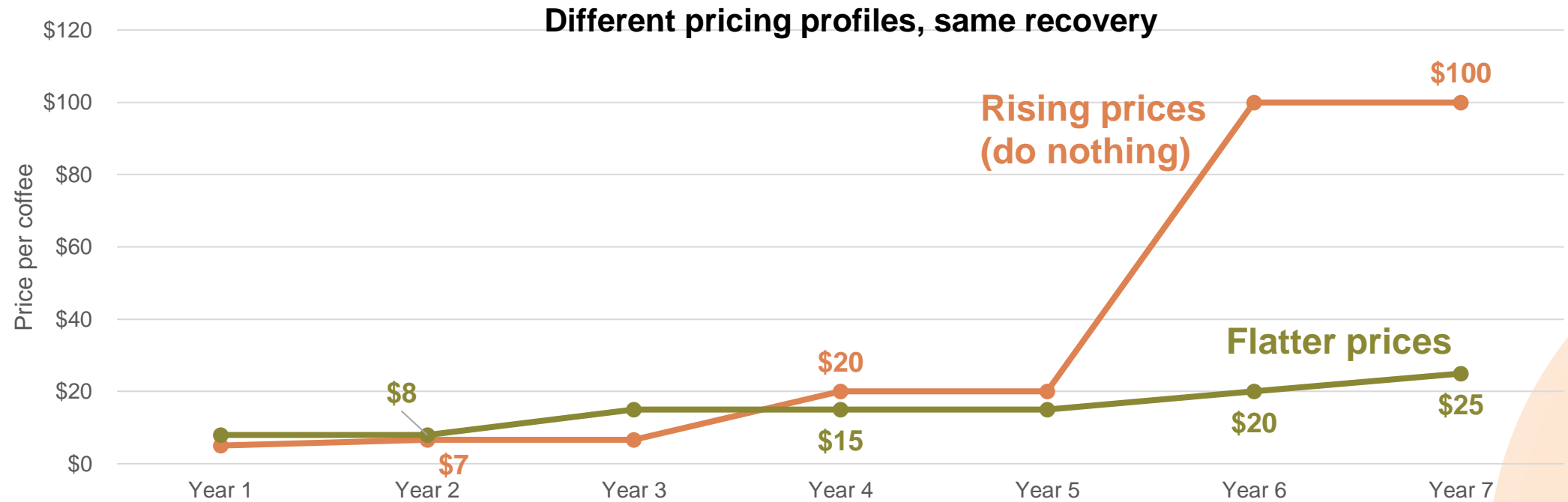
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Price per cup of coffee	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Coffee cups sold (demand)	200	200	200	200	200	200	200
Cost recovered	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

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?

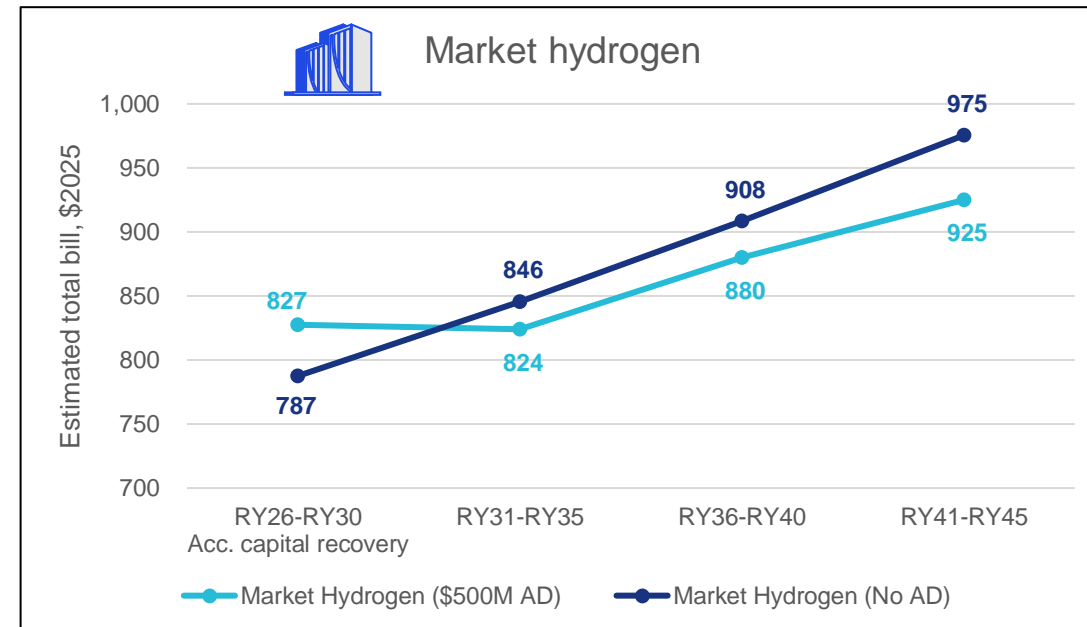
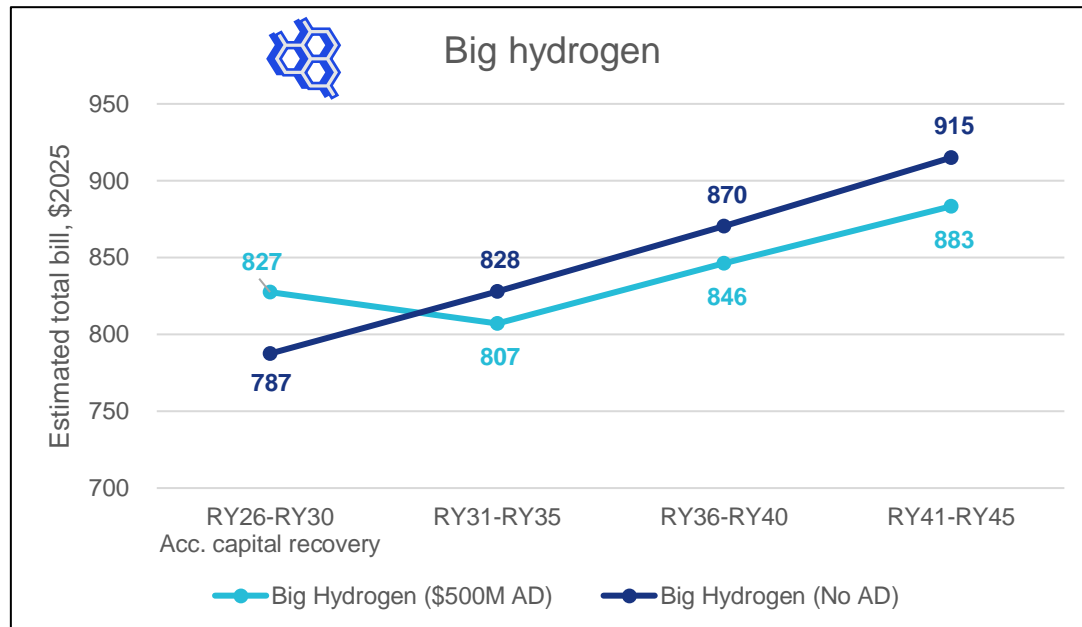
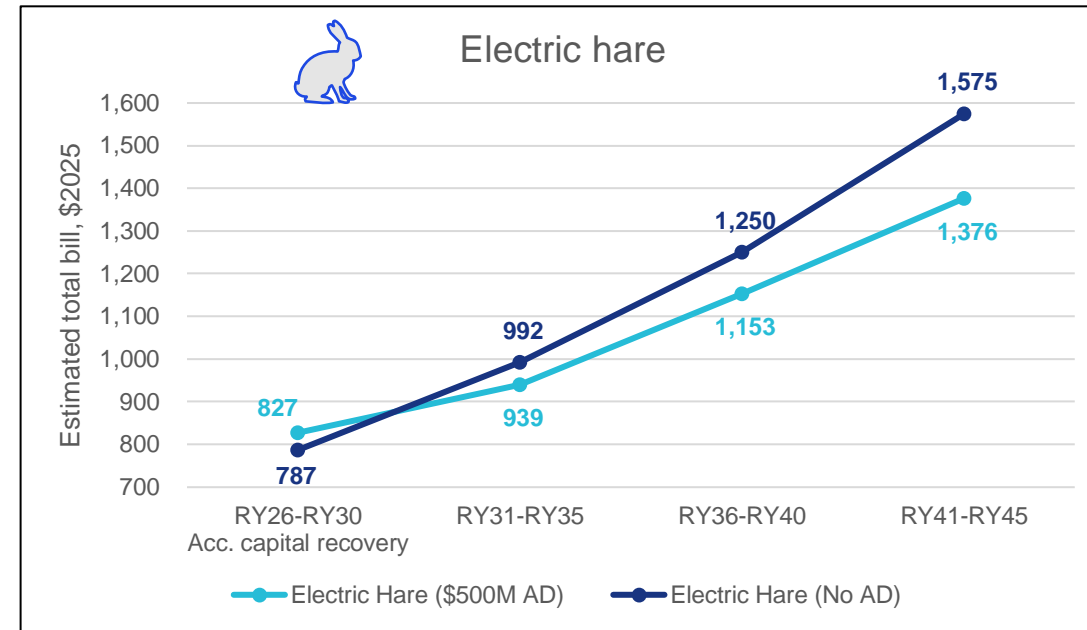
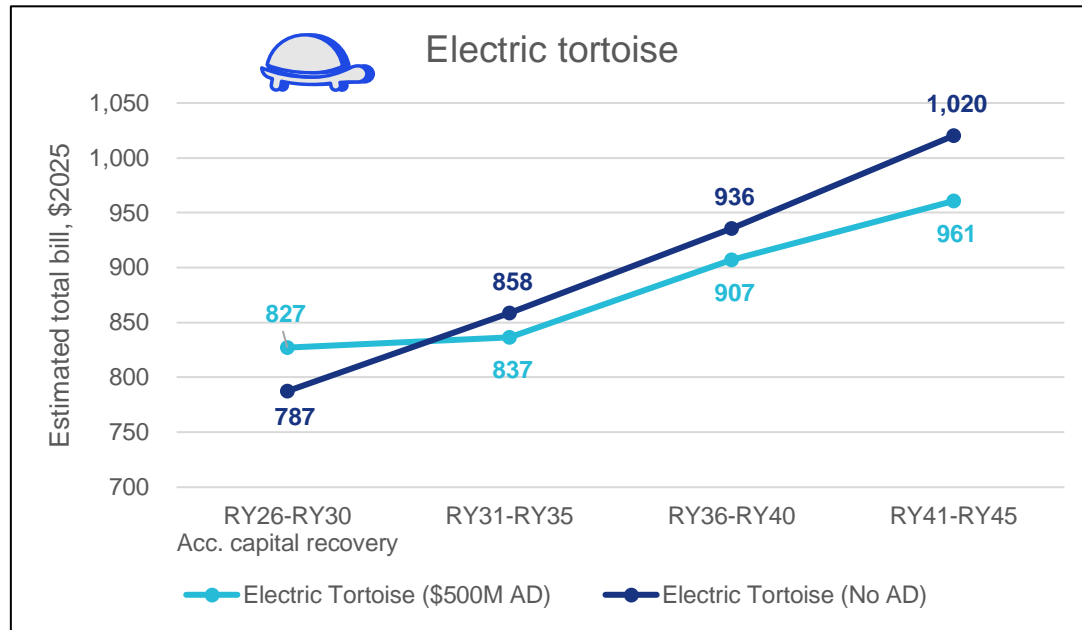


\$7,000

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							

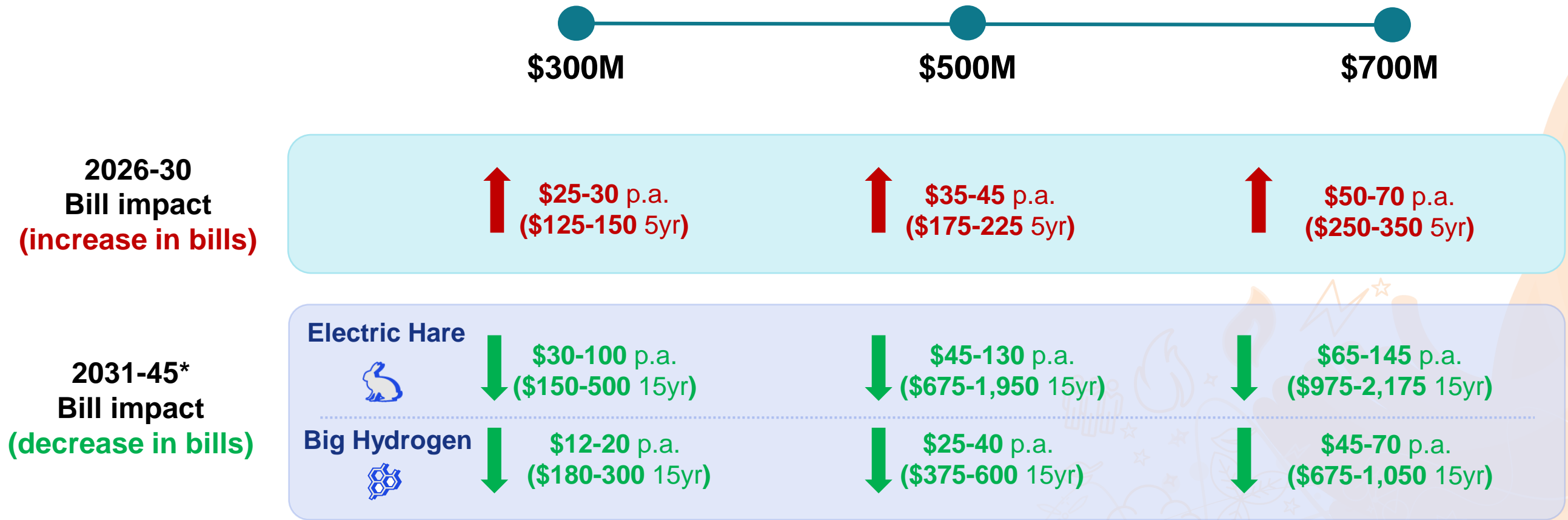
Estimated bill, with and without accelerating capital recovery



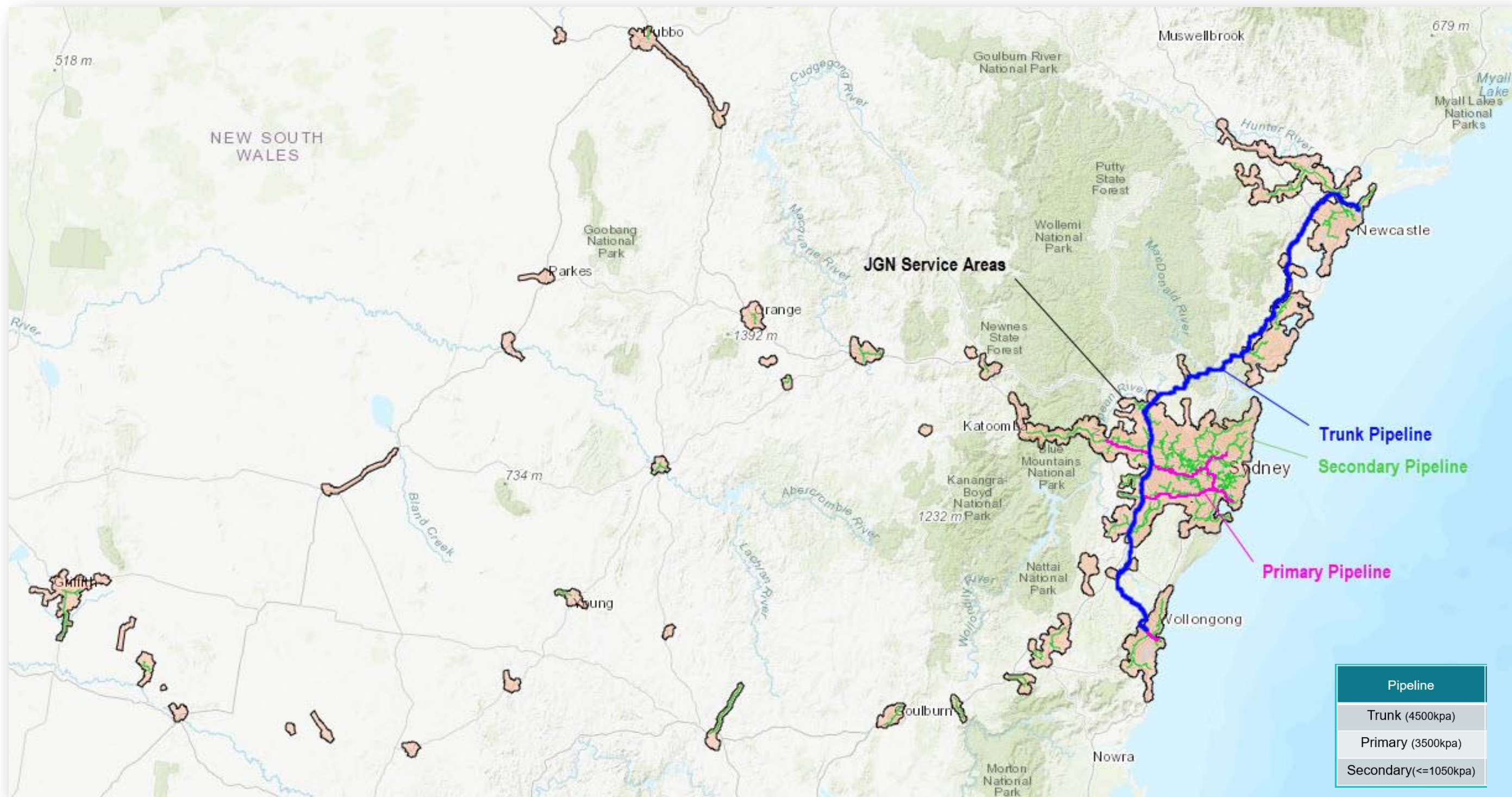
Accelerating capital recovery – regulatory response slider

To what extent should we accelerate capital recovery?

Accelerate capital recovery in 2025-30:



Consider: where would you vote?



Capex v Opex |

Replacing and Maintaining Network

CAPEX



Capital Expenditure (Capex) can be likened to purchasing a car. When you decide to buy a car, you make a one-time investment to acquire the vehicle.

OPEX



Operating Expenditure (Opex) is ongoing costs. These expenses occur regularly and are necessary to keep the car running. i.e. fuel costs, servicing and repairs.

Trade-Offs



One Off \$ Cost

Ongoing \$ Cost

Emissions

Leaks

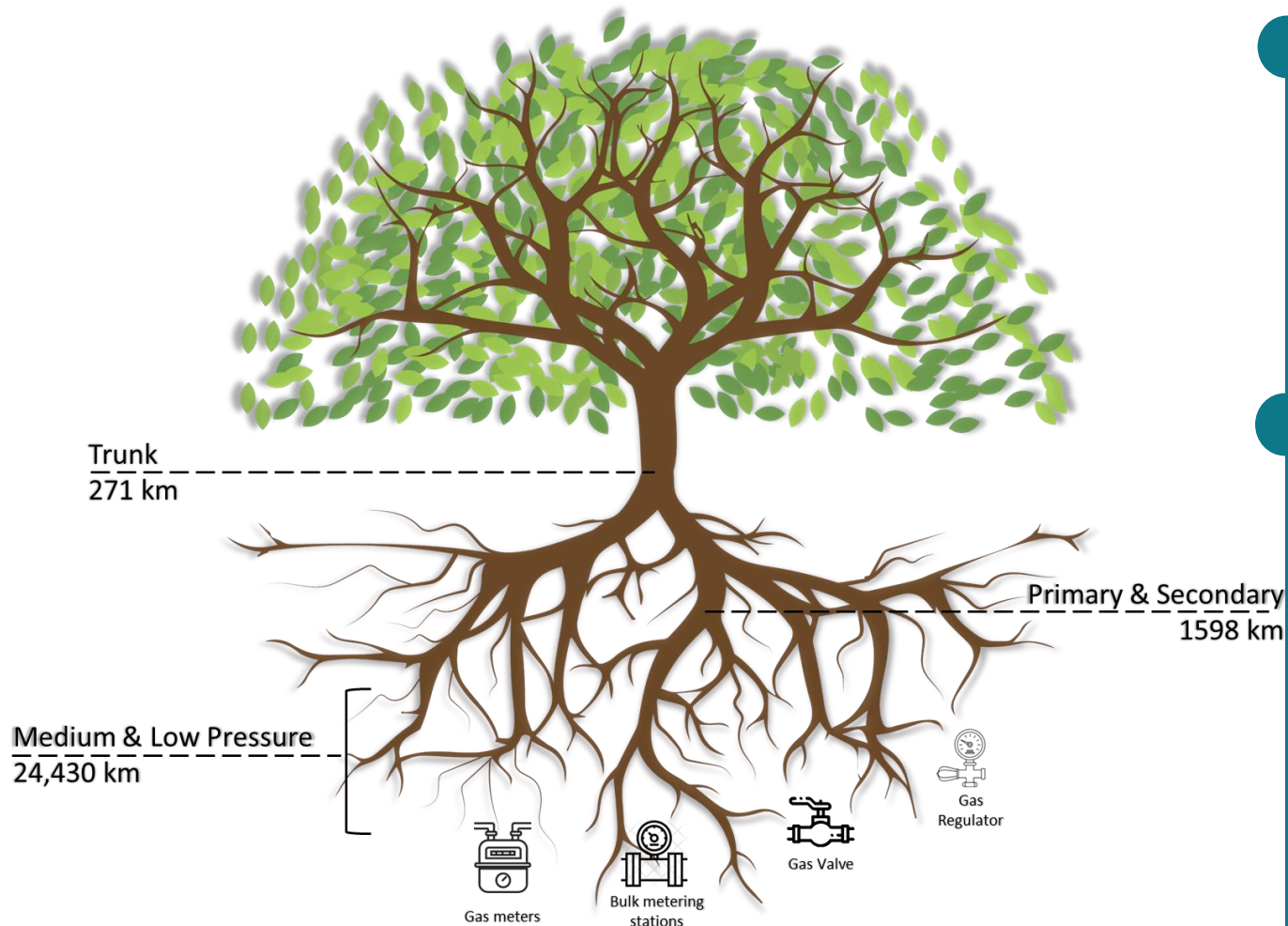
Reliability

Optionality

Risk / Safety

How we manage our assets – response slider

To what extent should we defer or target our assets program?



Option A: Continue what we do now
Maintain current asset rehabilitation program

Current / average bill



Option B: Defer mains program for five years (*Deferred rehabilitation*)
*This Option may result in greater impacts for the **environment** because we can't discover gas leaks quickly.*

*This option may mean **less reliability** because we're '**kicking the can down the road.**'*

Bill impact 2025-2030
\$4 a year

Bill impact 2030 - 2050
\$2 to \$1 a year



Option C: Selective replacement (*Targeted rehabilitation*)

*This option is better for the **environment** because we are using technology to discover gas leaks.*

*This option may mean **more reliability** because we are **selectively fixing** what needs fixing.*

Bill impact 2025-2030
\$1 a year

Bill impact 2030-2050
-\$0.5 to -\$2 a year

Consider: where would you vote?

Managing Permanent Disconnections



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

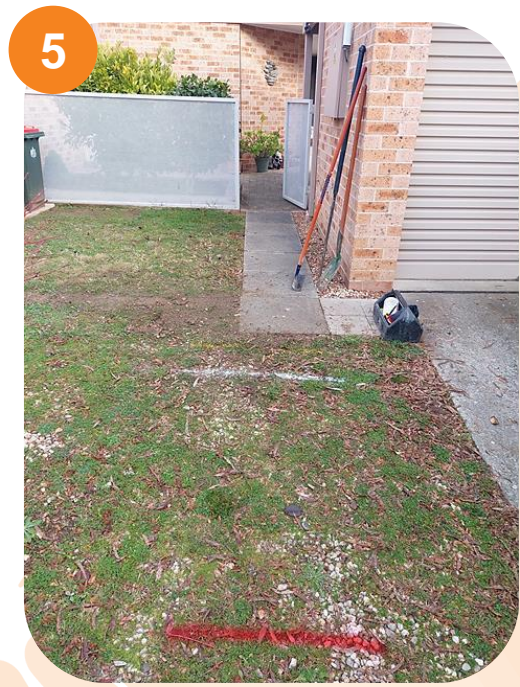
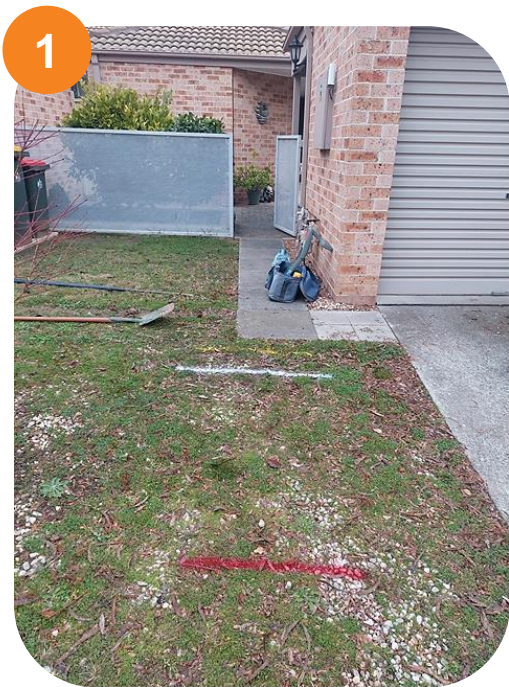
A permanent disconnection may be required for safety reasons, e.g. if someone is doing a knock down/rebuild of their house, or if the site is being developed.

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

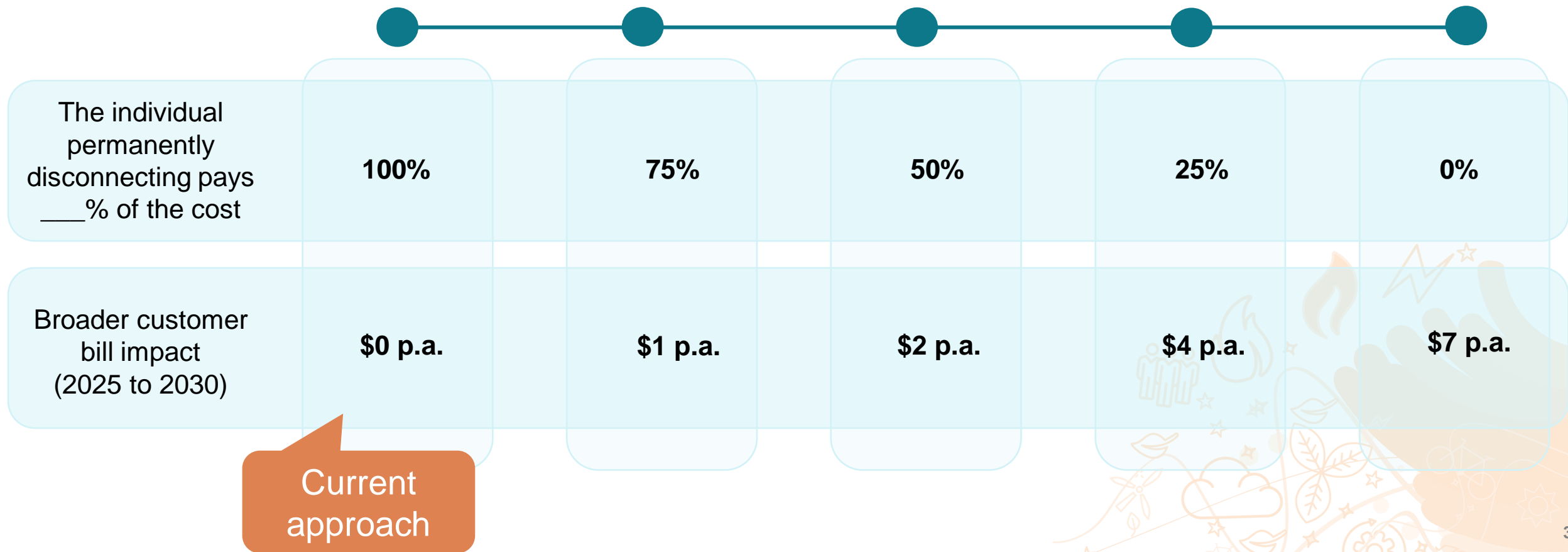
For Jemena, the customer requesting the permanent disconnection pays for it.

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

Scan the QR Code on the left, or go to

www.menti.com

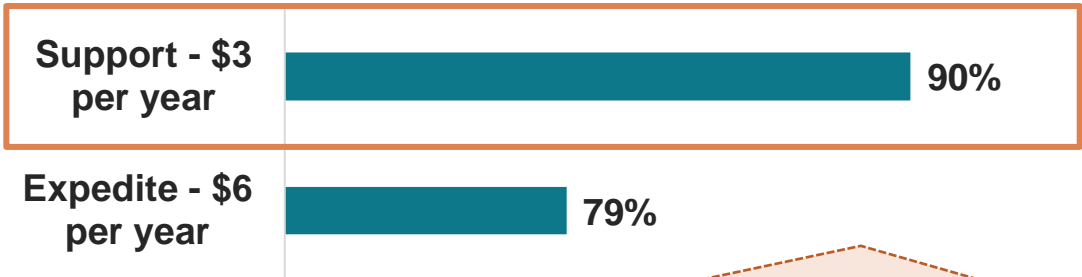
And enter the code

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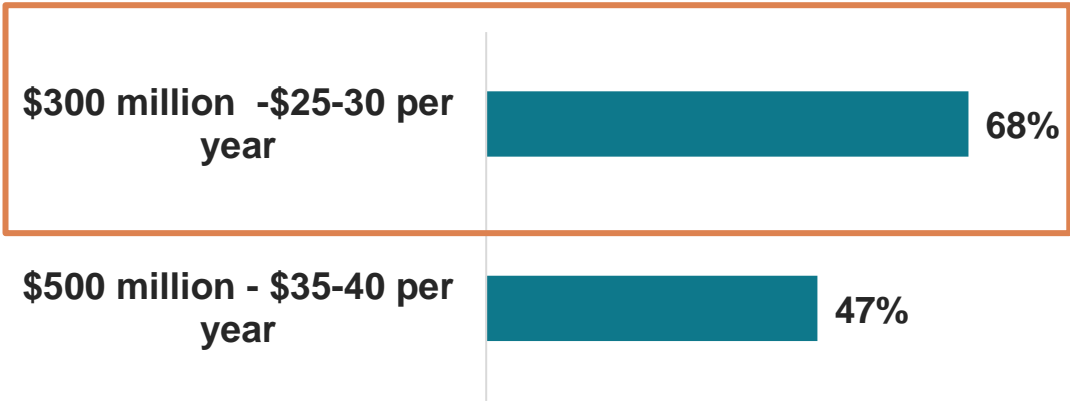
Where household customers landed

Moving towards renewable gas:



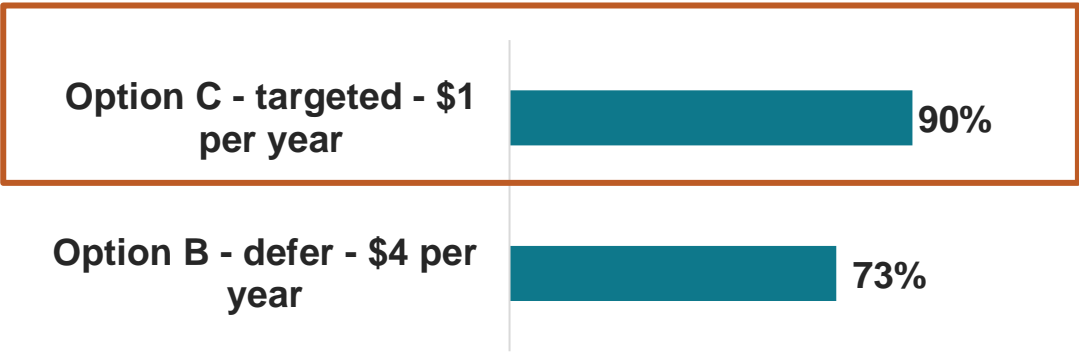
“To continue to invest and research in pilot studies and trials to properly study the safety of new / renewable gas networks (all aspects – from supplying, distribution, consumers, storage, etc.)

Accelerating capital recovery:



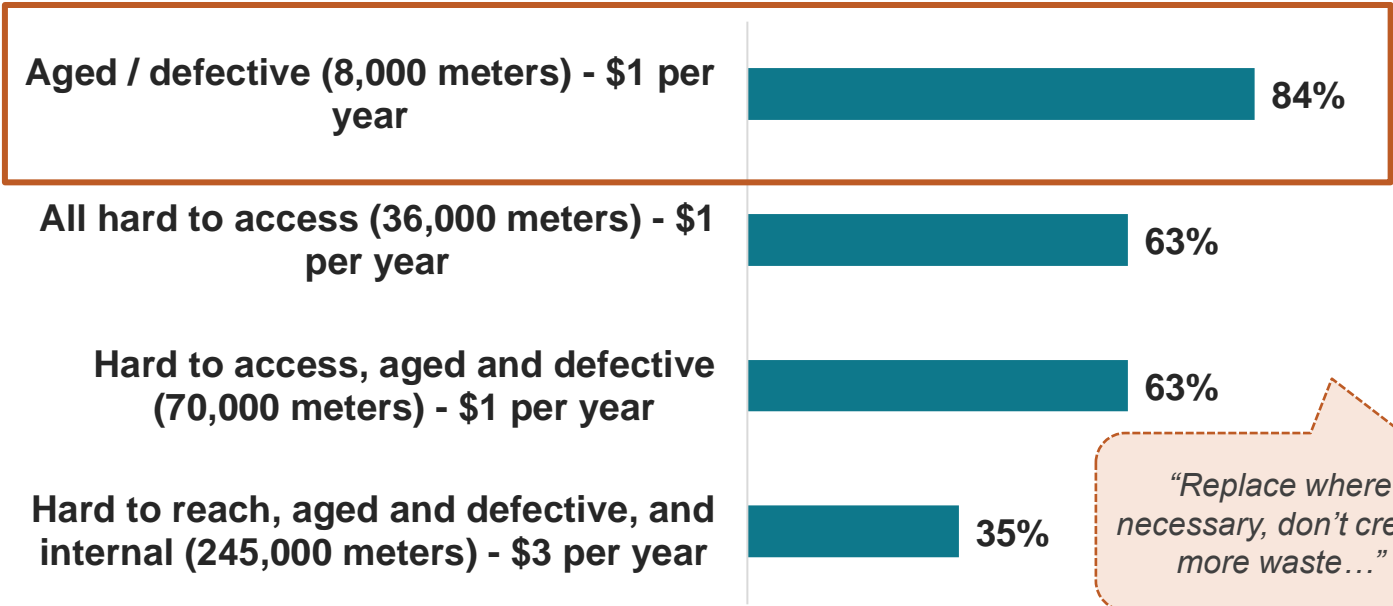
“There will be a short-term (five-year) financial hit due to accelerated asset recovery in order to reduce the rate of bill increase in the future (...) special care needs to be taken for those needing help with this increase...”

How Jemena manages its assets:



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

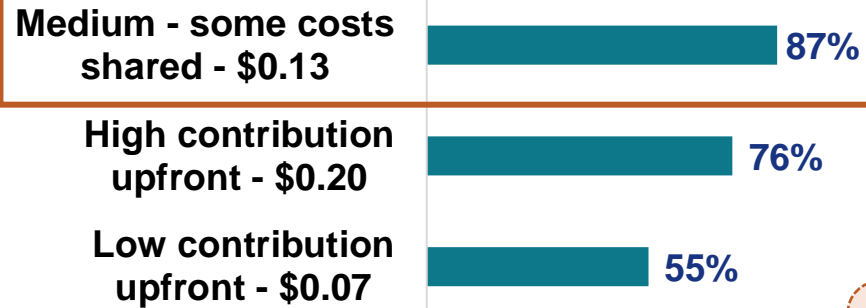
Digital metering:



“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 together later this month to **talk tariffs**?

CRNRSTONE research will be in touch with your stipends via email

