Jemena Gas Tariffs Customer Forum

Stage 2

Workshop 3

Wednesday 6 December
5.00pm-8.00pm

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

BD to update

Purpose and process

To deliberate on the tariff options and come to a landing as a group on what Jemena should do.

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

Workshops will be recorded!

Your guides

Rachel Fox
Facilitator

Ken Fullerton
Project and technical support

Working together

Be ready to be challenged

Everyone has their say

Listen, don't interrupt

Keep contributions relevant to the subject

Be respectful

Your job this evening

Are these tariff options in the long term interests of customers?

- Separating small and large user tariffs
- Streamlining block tariffs
- A combination cap to share the risk

Your definition: *Household customers shouldn't be disadvantaged and gas supply should be reliable and safe – and we should meet or exceed environmental obligations.*

Key takeaways from the Brains Trust

"Tariffs can't do two things at once. Tariffs ensure things are equitable across the customer base, but there are other things gas networks can do – like renewable gas – to ensure environmental outcomes are reached."

Matthew Warren · 2nd
Principal at Boardroom Energy
Melbourne, VIC
Experience: Boardroom Energy, ENPEC PTY LTD, and 6 more

"Fixed charges are the 'social charge'; we all pay about the same. Variable charges, on the other hand, are more related to consumption. You could consider how these charges are allocated, depending on what you think customers want. Overall, while the network charges are not a large component of the bill. It can shape the overall way costs are allocated across the community."

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

"What we're here to do is think about what's good for all gas users. We've got so many different types of customers. We've got single parents, couples, the big end of town, the taco shop, and we've got apartments. The idea of what's good for the world and that's where some of these environmental factors come into it."

Zubin Meher-Homji · 1st
Founder and Director - Dynamic Analysis
Greater Sydney Area
Experience: Dynamic Analysis Pty Ltd, Networks NSW, and 2 more

"Distribution tariffs may have an impact on the retailer bill structure, however, retailers don't have to pass through the tariff structure depending on their own commercial decision. Distribution tariffs make up 30-40% of a retailer bill while the rest is made up of transmission, wholesale gas cost and the retailer's margin."

Jordan Rigby · 1st
Regulatory Manager - Red Energy
Melbourne, VIC
Experience: Red Energy

Using Group Map

Browse to **join.groupmap.com**
and enter invite code

EB3-C7A-F4E

https://join.groupmap.com/EB3-C7A-F4E

Use your browser or your phone to log on to Group Map

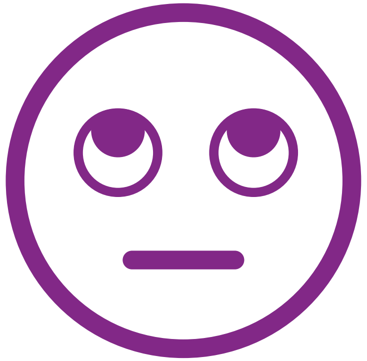
The link is also in the chat

Voting

Love

Like

Live with



Lament

Loath

Separating large and small use customers
Streamlining the blocks

JGN's customers and how they use gas

Households

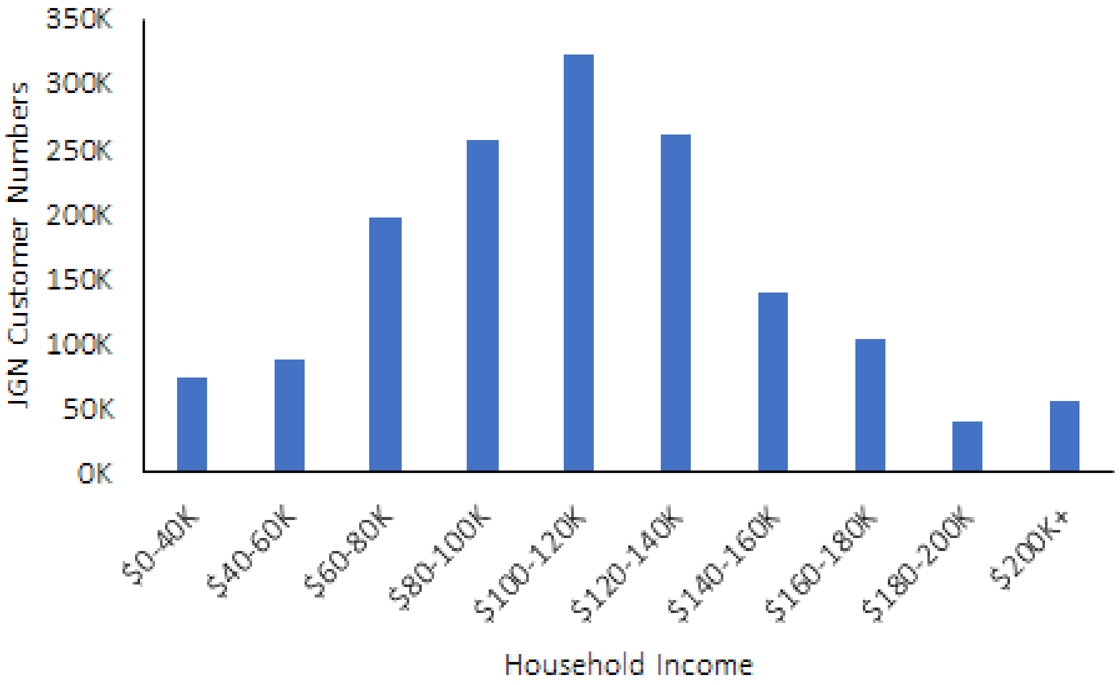
- **98%** of our customer base
- Use **31%** of total gas we deliver
- Include home owners, tenants, vulnerable customers
- Mixture of standalone and high-density housing

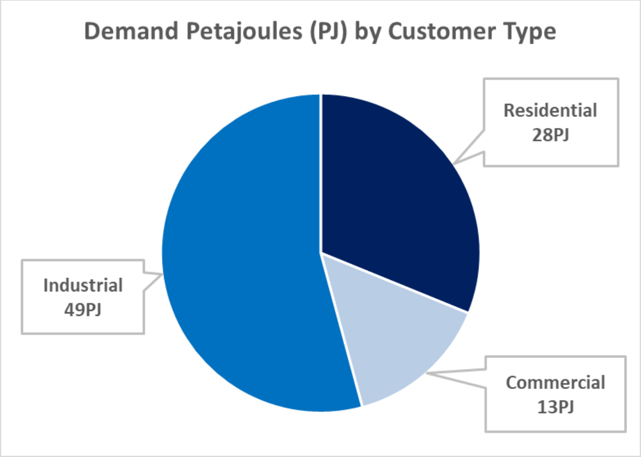
Business

- **2%** of our customer base
- Use **69%** of total gas we deliver
- Range from small businesses (e.g. restaurants, hairdressers) to large industrial businesses (mining companies, food manufacturers)

Intermediaries

- Include property developers, landlords and body corporates
- Landlords make some appliance decisions on behalf of customers (e.g. gas vs electric hot water system)
- Body corporates can fix gas metering arrangements at their site (for example, within a high-rise apartment building, or for an individual business in a shopping centre)





2022-23 demand in NSW was **91 PJ**, made up of:

- 31% households
- 54% industrial customers
- 15% commercial customers.

Did you know…

- ***350,000+*** *customers are from culturally and linguistically diverse backgrounds*
- ***93%*** *of our customers are in metro areas and* ***7%*** *in country areas.*

Did you know…

- **50%** of our customers are in the **top 3 deciles** of socio-economic advantage indicating a high level of household wealth and some higher levels of education.
- **60%** of our customers have an annual household income of $100k+ per year
- **80%** of our customers are in the 30-50 years age group.

Quick reminder: Jemena’s proportion of the overall bill

Current typical	Production	Transmission Pipelines	Distribution Pipelines	Retailer	Your Bill
15 gigajoule customer	21%	3%	36%	41%	$820

Jemena
bringing energy to life

Typical annual household bill

* Based on a customer with gas heating, cooking and hot water appliances using 15,000MJ per year.
Calculated using assumed wholesale price of $10GJ. Annual bill is for 2023-24 year.

Why are we doing this?

What's the reason for the proposed changes?

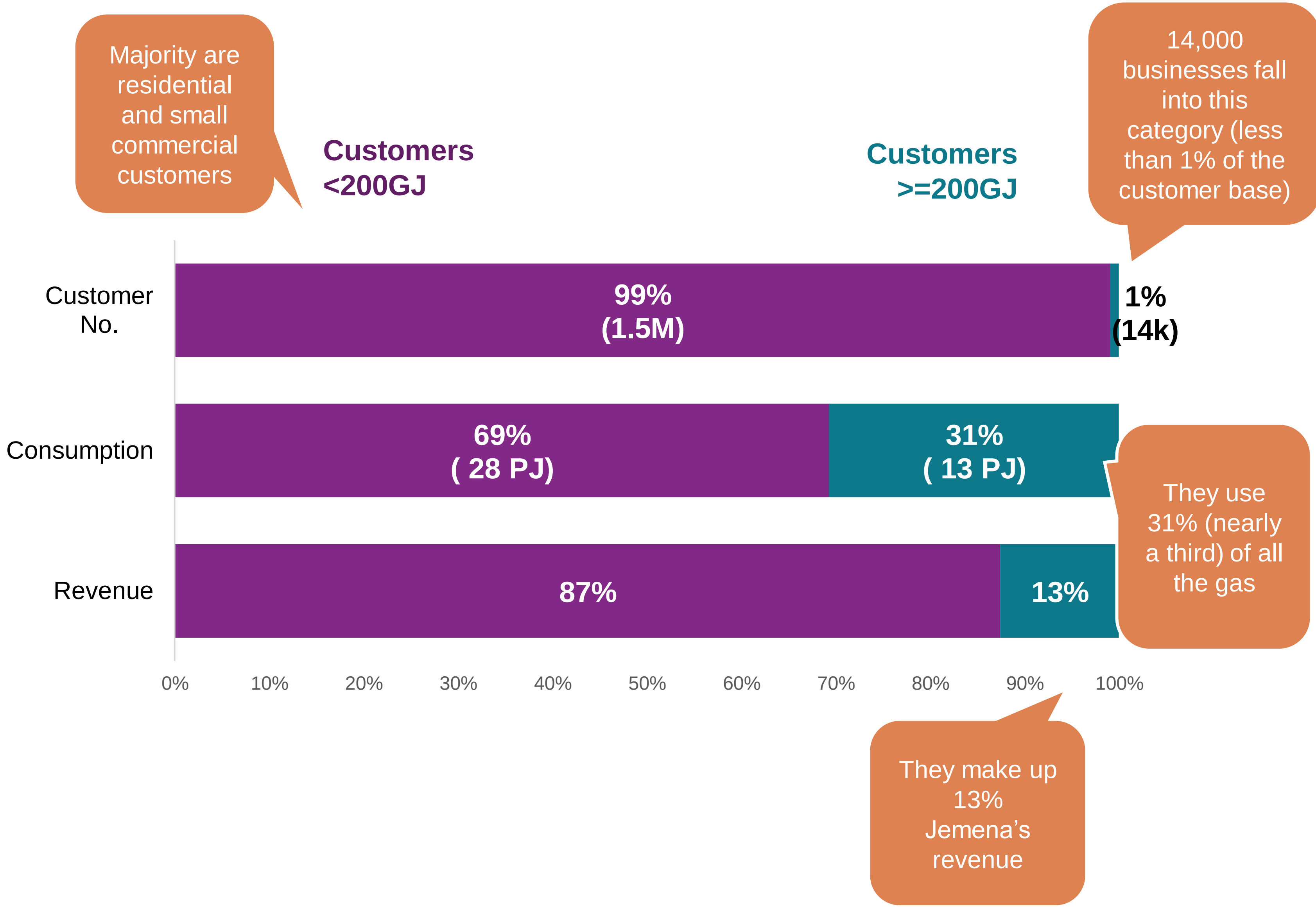
Tariffs can't do two things at once

Focusing on affordability, equity and fairness

Minimising the impact on the winners and losers

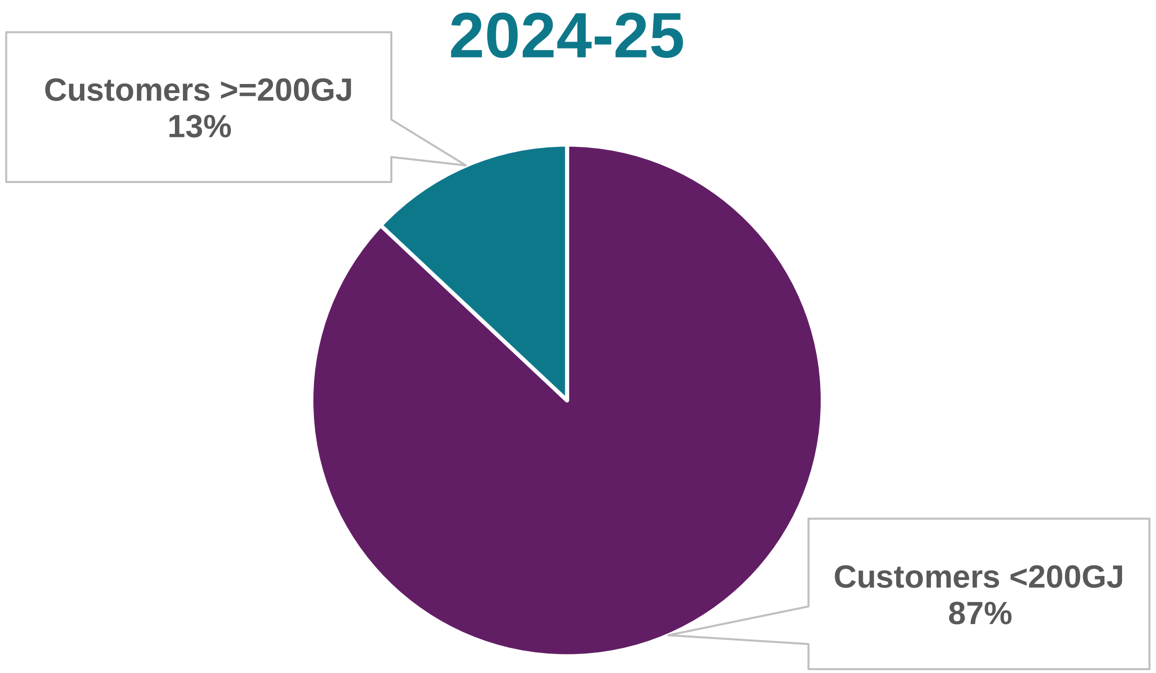
Why 200 Gigajoules?

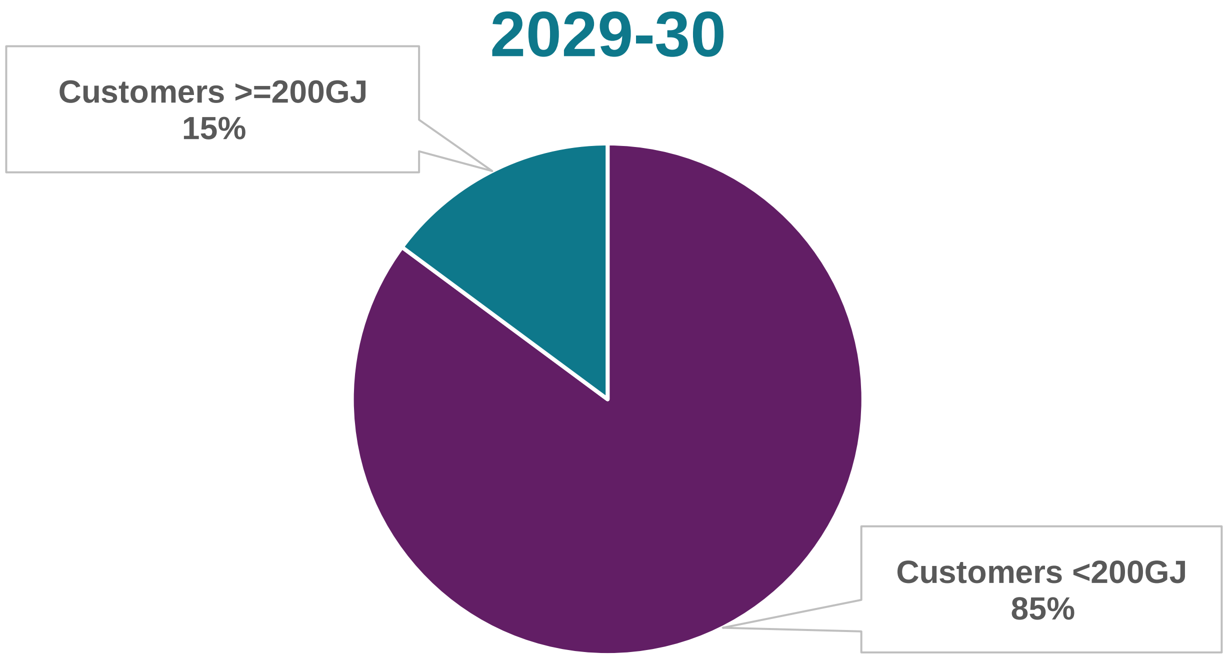
The 200 Gigajoule cut-off is about how much you use.



Note: The above numbers are the latest actual data from FY2023

How will this impact revenue collected over time?





Over time Jemena will **increase** the proportion of revenue collected from higher-use customers by increasing their tariffs

And **decrease** the proportion of revenue collected from lower-use customers by decreasing their tariffs

Proposed new tariff block structure and customer impacts

Old

Coastal	Block 1	Block 2	Block 3	Block 4	Block 5	Block 6
Country	Block 1	Block 2	Block 3	Block 4	Block 5	Block 6

Proposed New

Less than 200GJ	Block 1	Block 2	Block 3	Block 4
High consumption (over 200GJ)	Block 1	Block 2	Block 3	Block 4

Covers Block 1-4 in old structure

~ Block 5

~ Block 6

Who may be impacted by the new structure?

Large businesses

Residential smaller user (e.g. city apartment dweller, cooktop only)

Residential large family home (regional, many appliances, multiple heaters)

Residential smaller user (e.g. small house or townhouse in the city, 1-2 appliances)

Residential smaller user (e.g. city apartment dweller, cooktop only)

Large luxury family home (e.g. with a heated pool in the Eastern Suburbs of Sydney, or body corporate)

Residential smaller user (e.g. city, small house or townhouse, 1-2 appliances)

Large businesses

Questions – the ask of you

Splitting large and small user customer tariffs

- **How comfortable are you that Jemena's proposal to split large and small user customer tariffs is in the long-term best interests of customers?**

Streamlining block tariffs

- **How comfortable are you that Jemena's proposal to streamline tariff blocks is in the long-term best interests of customers?**

Jemena

A combination cap to share the risk

Revision – 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 paying 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 friends/5 years = $1,000 per friend per year.

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.

Sharing of risk: Price cap and revenue cap: hybrid options

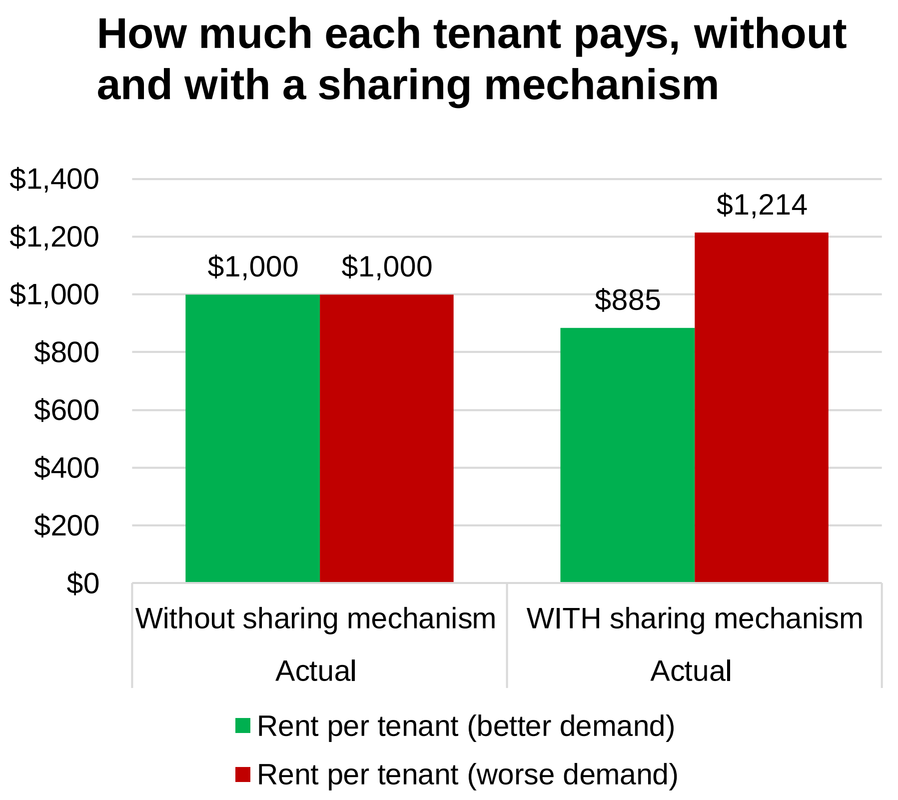
	Share house analogy	Impact to customers	Jemena
Hybrid option 1:	Anything below or above 10 housemates, the up- and down-side risk is shared equally.	Risk/reward is equally shared between JGN and customers.	Risk/reward is equally shared
Hybrid option 2:	Landlord bears up- and down-side risk as long as demand is within a range (i.e. 9-11 housemates). Beyond this range, housemates bear all the risk.	JGN bears risk up to a point. Customers bear the risk beyond that point.	Doing better or worse than expected is allowable within a 'limited range'.
Hybrid option 3:	Landlord bears up- and down-side risk as long as demand is within a range (i.e. 9-11 housemates). Beyond this range, risk is split 50/50.	JGN bears risk up to a point. Beyond that point, risk is split 50/50.	Doing better or worse than expected is allowable within a 'limited range'. Beyond this, risk/reward is equally shared.

Hybrid option 1: 50/50 sharing mechanism

	Forecast	Actual Without sharing mechanism	Actual WITH sharing mechanism
Better than expected			
No. of tenants	**10**	**13**	**13**
Rent per tenant	**$1,000**	**$1,000**	**$885**
Total rent (how much the Landlord gets)	$10,000	$13,000 Landlord Better off by $3,000	$11,500
Worse than expected			
No. of tenants	**10**	**7**	**7**
Rent per tenant	**$1,000**	**$1,000**	**$1,214**
Total rent (how much the Landlord gets)	$10,000	$7,000 Landlord Worse off by $3,000	$8,500

The extra $3,000 is split 50/50 between the tenants and landlord.

The deficit of $3,000 is split 50/50 between the tenants and landlord.

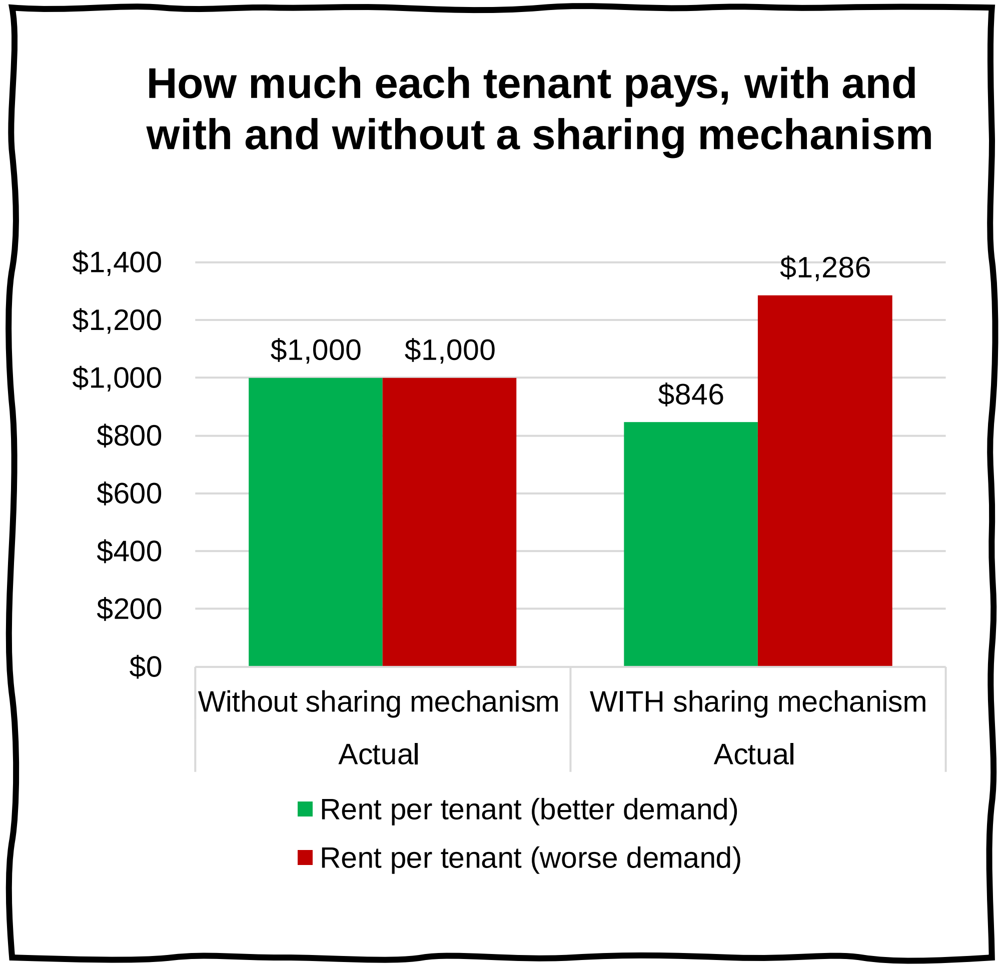


Hybrid Option 2: “Limited range” sharing (1 customer)

	Forecast	Actual Without sharing mechanism	Actual WITH sharing mechanism
Better than expected			
No. of tenants	**10**	**13**	**13**
Total rent (how much the Landlord gets)	$10,000	$13,000	$11,000
Rent per tenant	**$1,000**	**$1,000**	**$846**
Worse than expected			
No. of tenants	**10**	**7**	**7**
Total rent (how much the Landlord gets)	$10,000	$7,000	$9,000
Rent per tenant	**$1,000**	**$1,000**	**$1,286**

The landlord gets upside from 1 tenant only. Tenants get all the benefit from the 2 extra tenants (e.g. in the range of 9-11 tenants)

The landlord gets downside from 1 customer only. Tenants bear downside from 2 less tenants (e.g. in the range of 9-11 tenants)

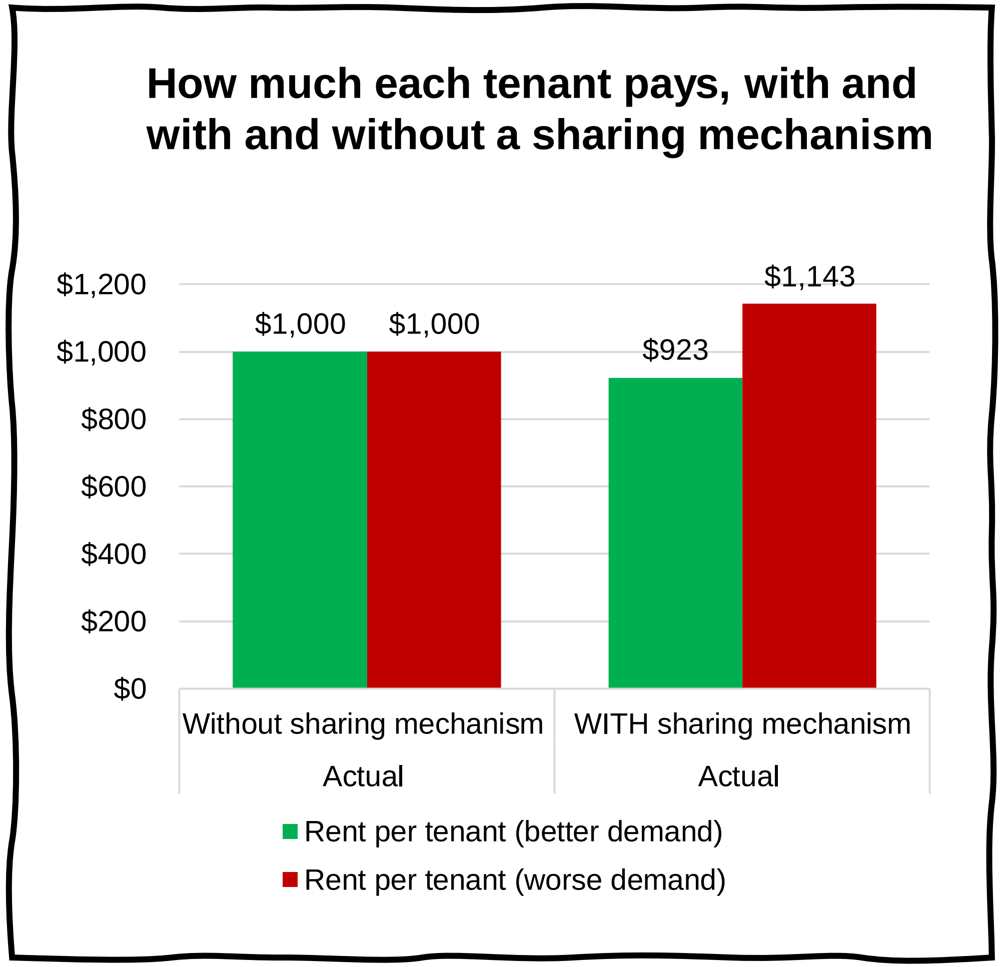


Option 3: Bounded sharing + 50/50 split

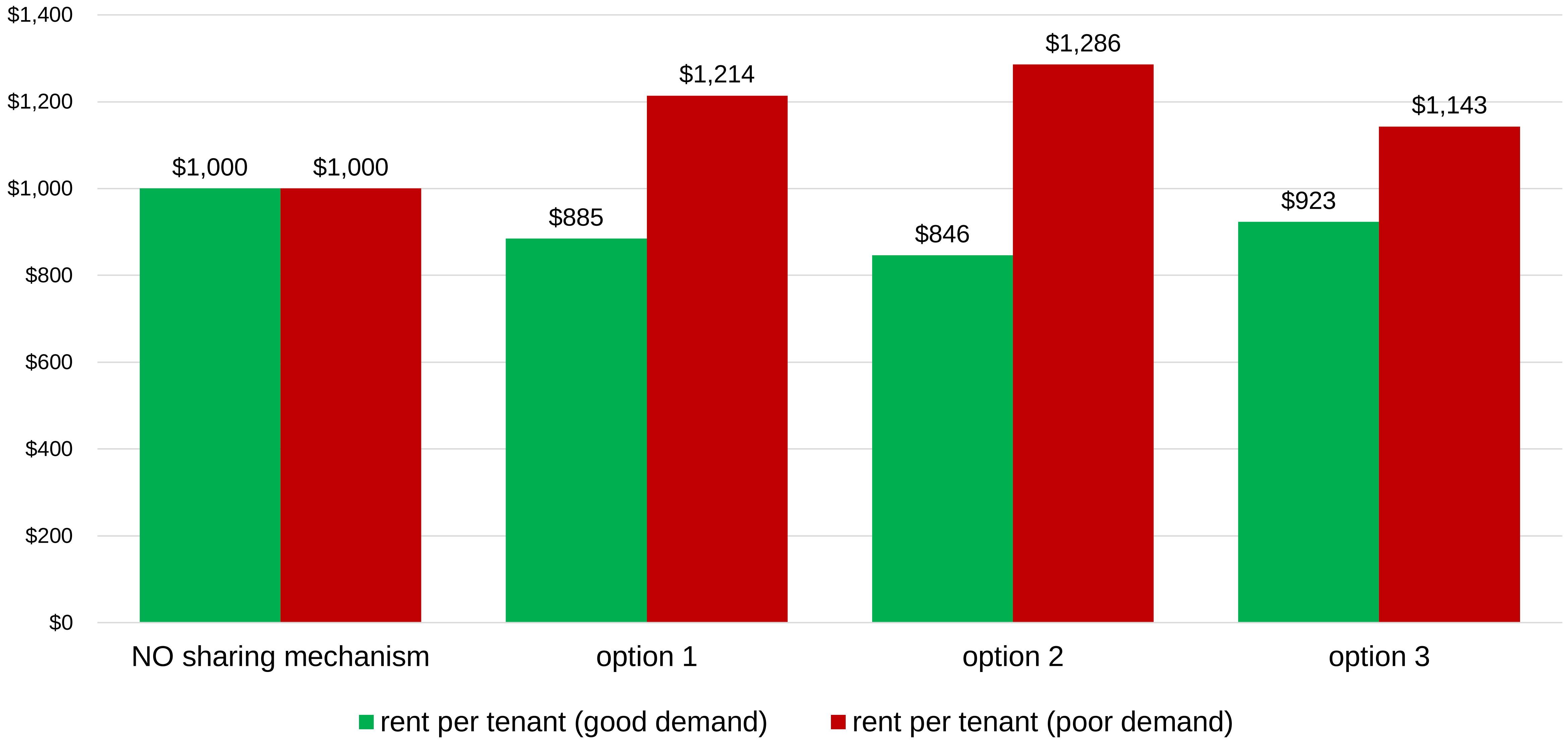
	Forecast	Actual Without sharing mechanism	Actual WITH sharing mechanism
Better than expected			
No. of tenants	**10**	**13**	**13**
Total rent (how much the Landlord gets)	$10,000	$13,000	$12,000
Rent per tenant	**$1,000**	**$1,000**	**$923**
Worse than expected			
No. of tenants	**10**	**7**	**7**
Total rent (how much the Landlord gets)	$10,000	$7,000	$8,000
Rent per tenant	**$1,000**	**$1,000**	**$1,143**

The landlord gets upside from 1 tenant only. The benefit from the 2 extra tenants (e.g. outside 9-11 tenants) is split 50/50

The landlord gets downside from 1 tenant only. The deficit is of 2 less (e.g. outside 9-11 tenants) customers is split 50/50



Comparison of different rents across the options for risk sharing



Questions – the ask of you

Risk sharing

- ***How comfortable are you that a 50:50 sharing mechanism is in the long-term best interests of customers?***

- ***How comfortable are you that limited range sharing is in the long-term best interests of customers?***

- ***How comfortable are you that bounded sharing + 50:50 split is in the long-term best interests of customers?***

Jemena

Final reflections and next steps

- Thanks for your participation and hard work!
- Gift cards will be processed and delivered within next 7-10 business days (digital ones should be faster).
- Further comments & questions please email: Engagement@bdifrastructure.com
- Happy and safe Xmas and holidays!