Jemena Gas Networks

Outcomes report
Large customers forum 3
Draft 2025 Plan webinar

Tuesday 27 February

1.30 pm-2.30 pm

Key feedback themes

- Jemena gave an overview of the Draft 2025 Plan and the overall results on consultation with household customers and specifically highlighted large customers feedback in 2023.
- Overall, large customers agreed with the proposed initiatives in the Draft 2025 Plan. Two participants in the forum noted they had no comments on the Draft 2025 Plan and it “made sense” to them.
- There was general interest in renewable gas and one participant specifically asked if Jemena was pursuing opportunities at the policy and government level, and the renewable gas certification pilot is not yet recognised by the federal government.
- There was general interest in accelerated depreciation, and one participant referred to the longer-term savings that accelerated depreciation would give them, by bringing forward the capital recovery and it being lower in later years than it otherwise could have been. Another had a question about how Jemena was doing accelerated depreciation, for example going from a 50 year depreciation down to 20 or similar. Jemena clarified the Draft 2025 Plan proposes to bring forward $300 million of accelerated depreciation.
- Other participants were interested in digital metering and accessing data in real time, the future uncertainty and how renewable gas would impact energy demand mix in future.
- Two participants expressed an interest in the period beyond 2030, noting the Draft 2025 Plan covers the next five years. One noted that beyond 2030 is important because they have key investment decisions to make for their businesses.
- There were no negative responses on the proposed tariff structure variation mechanism. The questions from participants focused on timing of when the changes would take place, and the chargeable demand reset process.

Participants response to the question: *any initial reflections on the Draft 2025 Plan?*

“No , makes sense.”

“None so far.”

“Thanks for the opportunity and presentation.”

“I guess it's too early to think about the following and five years 30 to 35, but has there been any sort of indication on how you see that kind of that period or you're just focusing on 25 to 30 at the moment?”

“Helpful response around the future energy requirements, especially recognition of renewable gas into the energy demand mix.”

“Appreciate the workshop. Still leaves the longer term future uncertain.”

“Gas tariffs will go up slowly.”

“You are putting renewable gas back into the grid. I just wanted to get an understanding of how you’re sort of pushing that in the governance sphere? (..) the product is financially speaking quite attractive for the end customers.”

Large Customer Feedback on the proposed initiatives

Initiative	Reflection received	Jemena's response
A new approach to connections	• One large user asked if the approach to new connections would discourage customers from joining the network	• Jemena noted there is a balance to be struck between maintaining enough customer growth and being able to recover those costs from customers in future. • Jemena noted that they do offer a lot of connections free of charge now, and it's important to manage the growth. Noting the Customer Forum wanted Jemena to take a balanced view on this approach.
How Jemena manages its assets	• Large customers attending the forum were silent on this topic.	N/A
Moving towards renewable gas	• Several participants attending the forum expressed agreement with the proposed initiatives on renewable gas, including the opportunity for offsets in future. • One participant noted the composition of the gas would be important to note and prepare for as they make capital decisions on investment in their business.	• Jemena noted there are nine biomethane projects proposed in the Draft 2025 Plan in line with residential customers, small business and large customers recommendations. • It is noted biomethane is supported by current infrastructure in place as it's the same composition as natural gas. • Jemena noted they are expecting some more clarity from the State Government in due course about a gas decarbonisation roadmap and that work may commence in later 2024. • Recommended large customers follow this review also.
Accelerated depreciation	• One participant asked Jemena to clarify if they are going from 50-year depreciation adjusting down to 20 years – or changing the length of asset life. • Another participant noted the accelerated depreciation would help with technology adaptation in their own processes.	• Jemena noted the proposal in the Draft 2025 Plan is to bring forward $300 million of accelerated depreciation rather than adjust assets lives. • Jemena also clarified that this proposal is NPV neutral and helps maintain price stability in the future if there are fewer customers. • Jemena believes they have a role to play in the future beyond 20250 and renewable gases will play an important role in that future.

Participants responses to the question: *do you agree with the proposed initiatives, why or why not?*

"Yes, especially around renewable gas."

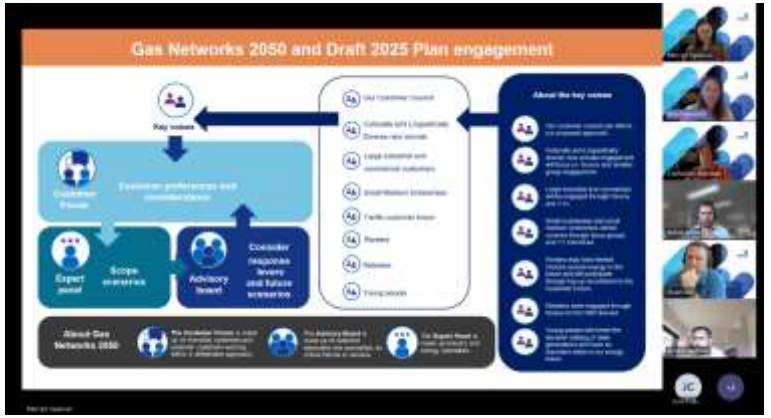
"Wouldn't the new approach to connection be a discouragement for more customers to connect to gas network? Otherwise makes sense."

"Broadly yes, the accelerated deprecation would definitely help with the adaptation of technology to our process."

Large Customer Feedback on the proposed initiatives (continued)

Initiative	Reflection received	Jemena's response
Supporting vulnerable customers	• Large customers attending the forum were silent on this topic.	• N/A
Digital meters	• One large customer attending expressed interest in digital metering and access to their data in real time, if possible.	• The digital metering roll out proposed in the Draft 2025 Plan does not provide for real time access and is focussed on 8,000 residential customers with hard to access meters. • Large customers can access a subscription data service offered by JGN for daily data. • They can also request a 'pulse connection' which creates an interface between the meter and their energy management systems. • Enquiries on either of these services can be sent to **rfs@jemena.com.au**
Permanent disconnections	• Large customers attending the forum were silent on this topic.	• N/A
Tariff structures and chargeable demand	• One large customer asked about the timing on the chargeable demand reset process and if there's some kind of contribution or negotiation with that process.	• Jemena noted this would take effect on the 1 July 2025. • Jemena noted this would be based on the consumption of the large customer over the previous 12 months and what the Maximum Daily Quantity (MDQ) and Maximum Hourly Quantity (MHQ) is.

"I would appreciate having access to that data if possible, but I support the great discussion out there about the period after 2030 and what's going to happen because in our case it's super critical. The next six years will whip by very quickly for us if we're not prepared."



Methodology: what we did in the session

The aims and objectives of the session were to:

• Inform large customers on the overall customer and stakeholder engagement and how Jemena has reflected their feedback in their Draft 2025 Plan, and also highlighting the role of large customers feedback on influencing the initiatives and response options.

- Cover some reorientation information to bring large customers up to speed on what has happened since we last met in late 2023.
- Host discussion so large customers could dig into how Jemena has incorporated feedback into the Draft 2025 Plan. Jemena also spent some time capturing responses and reflections.

Attendees

There were eight (8) attendees from large customers in NSW. The roles held by attendees included Environmental Engineer, Capital Projects Manager, Utilities Manager and Head of Group Energy, from pharmaceutical and steel manufacturing, to the local government and state government sectors. Participants were also sent some pre-reading, including the Draft 2025 Plan and a 16-page summary of the Plan.

Format: The session ran for one hour on Microsoft Teams and used the engagement tool Menti to get feedback. The complete pack is included later in this document.

Overview Summary

Section 1: Welcome back, purpose and overview of the Engagement Program and Draft 2025 Plan (35min)

This section focused on a reorientation and welcome, plus an overview of the engagement program and Draft 2025 Plan, including large user feedback on the Draft 2025 Plan and what we have done with that feedback.

Section 2: Discussion and feedback (20min)

In this section, large customers gave feedback in answer to two questions posed by Jemena including: *1) Any initial reflections? 2) Do you agree with the proposed initiatives? Why? Or why not?* A reminder of the initiatives was also included. This feedback was sought in two ways: through an anonymous Menti online engagement tool and via a two-way conversation with the team in plenary.

Section 3: Next steps (5 min)

To conclude the session, the team provided a wrap-up and what to expect for the next stages.

Which large customers attended?

Name	Role	Organisation
Amin Gholami	Energy Manager	CSR Building Products Ltd
Andrew Cheah	Head of Group Energy	Group Energy Pty Ltd
Brady Clementson	Group Building Engineer	South Western Sydney Local Health District
Jasmine Stewart	Environmental Engineer	AstraZeneca
Jason Zantiotis	Manufacturing Manager	Weathertex Pty Ltd
Jose Cabello	Capital Projects & Environment Manager	Bisalloy Steels
Kunal Johri	Utilities Manager	The Council of the City of Sydney
Saul Milner	Gas Operations Manager	SMEC Energy

Apologies from large customers

Name	Role	Organisation
Kristen James	Area Manager	YMCA
Ben Crawford	Operations Manager	Independent Cement and Lime
Dennis Vidler	Utilities Manager	Astrazeneca
Nicolas Troy	Energy Manager	Coles Group
Jane Mansfield	Head of Energy	Coles

Jemena team attendees

Name	Role	Organisation
Ana Dijanosic	General Manager Regulation	Jemena
Brad Gee	Key Accounts Manager	Jemena
Catherine Marshall	Key Accounts Manager & JGN Commercial Stream Lead	Jemena
Merryn Spencer	Engagement Lead (Jemena Gas Networks)	Jemena

Note: Consumer Challenge Panel members were invited to observe the session but were unable to attend.

Large customers workshop

Walkthrough of Draft 2025 Plan

Online

Tuesday 27 February 2024

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

What to expect in the workshop

01
Welcome back! Purpose, understanding the process

02
Overview of engagement program and Draft 2025 Plan

03
Discussion and feedback

04
Next steps

Your guides

This session is being recorded!

Ana Dijanosic
General Manager Regulation

Brad Gee
Commercial Manager Key Accounts

Catherine Marshall
Key Accounts Manager
& JGN Commercial Stream Lead

Merryn Spencer
Engagement Lead (Jemena Gas Networks)

Overview of the engagement program

A recap and update of activity since 2023

Recap: principles of engagement

Two-way conversations: having an agenda, sharing information quickly

Meaningful: You want engagement to be meaningful, focused, transparent and open

Reminder:

- Raise your hand if you want to speak
- Mute your microphone when not speaking
- Use your real name and organisation

Draft 2025 Plan timeline

Setting the scene

- Significant **uncertainty** surrounding the future role of gas networks in the Australian energy landscape - the transition toward net zero carbon emissions by 2050 will require a once-in-a-generation transformation of the energy system.
- **A complex challenge** for JGN and our customers. The transition will have significant and different implications for our diverse range of customers.
- It is **imperative that we act now** through an adaptive approach to planning and maintaining optionality/flexibility.
- To help understand and manage uncertainty, we established **Gas Networks 2050** to work with stakeholders and customers to understand what the future might look like.
- We've also considered the **changes to the energy objectives**, and changes to the gas regulatory framework and to accommodate the development of renewable gas.
- Recognising **affordability and cost of living pressures** impacting customers today, we have sought to carefully balance the need to take action now against the short-term price impacts of our plans. We believe that our Draft 2025 Plan, which has been shaped by the feedback of our customers, reflects a balanced approach.
- Our customers recognise that **there is a need to act now** and were not supportive of us delaying taking action.

Planning for an uncertain energy future

War-time effort, with ambitious policies for net zero and rapid decarbonisation, supported by customers

Scenario 1: Electric Hare

Government	Social	Technology
Strong electrification policies	Community committed to decarbonisation	Slow technology development for H2 & biomethane

Economics	Customers	Decarbonisation
High energy prices leads to intervention	Rapid adoption of electrification	Rapid decarbonisation

Scenario 2: Big Hydrogen

Government	Social	Technology
Strong renewable fuel policies	Community committed to decarbonisation	Rapid technology development for H2 & biomethane

Economics	Customers	Decarbonisation
High costs initially, but rapidly fall	Some pay premium for renewable gas amenity	Rapid decarbonisation

Biomethane focus limited to hard to abate / gas-dependent users and Hydrogen is a niche product.

Renewable gas penetration

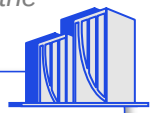
Biomethane is a stepping stone to the Hydrogen mass market.

Market led vs Government led

Scenario 3: Electric Tortoise

Government	Social	Technology
Policies reactive to price shocks	Community focus on affordability	Slow technology development for H2 & biomethane

Economics	Customers	Decarbonisation
High energy prices leads to intervention	Slow to convert	Slow decarbonisation



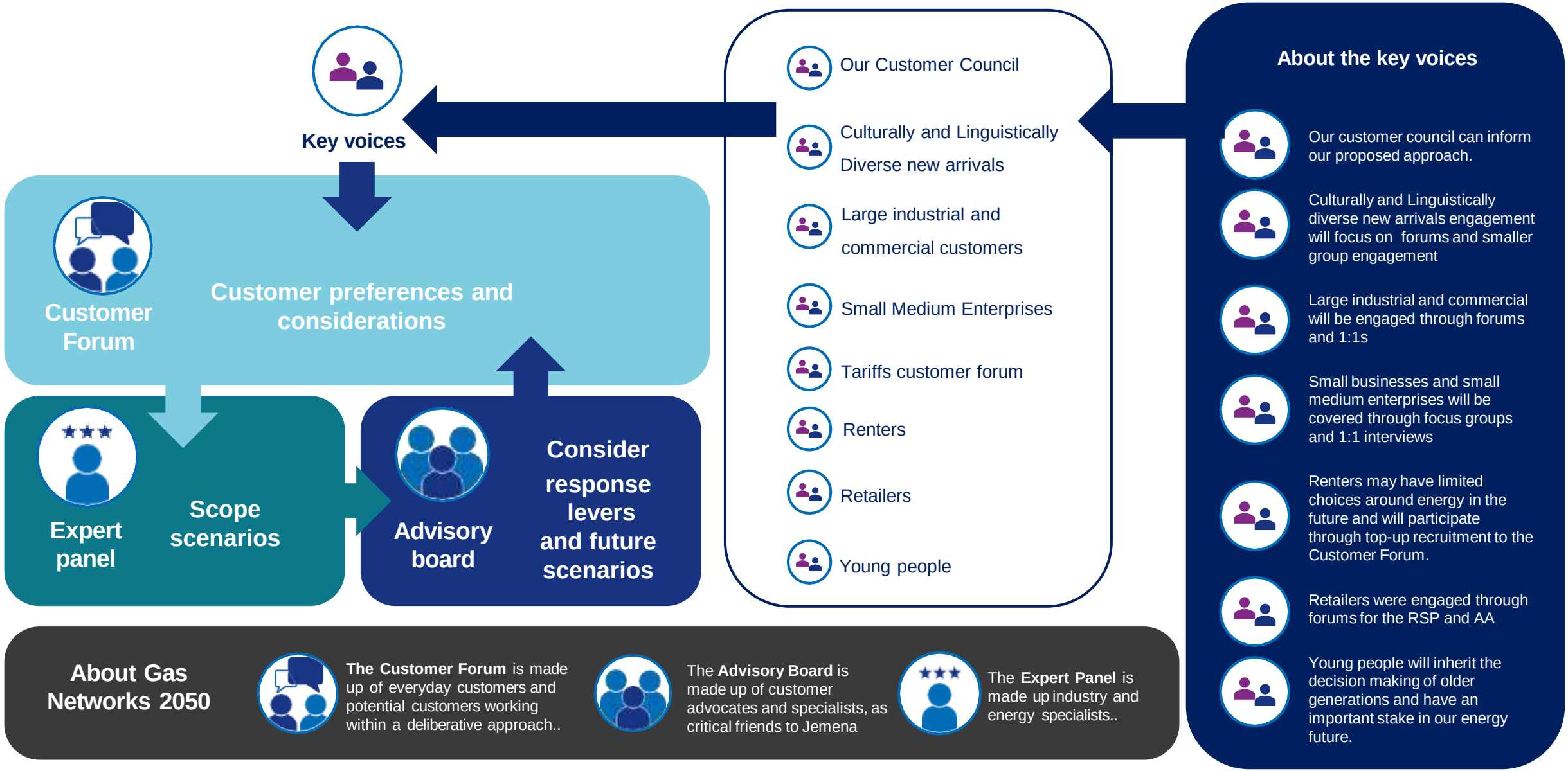
Scenario 4: Market Hydrogen

Government	Social	Technology
Policies based on incentives & price signals	Community focus on affordability	Rapid technology development for H2 & biomethane

Economics	Customers	Decarbonisation
Commercially competitive H2 market	Some pay premium for renewable gas amenity	Slow decarbonisation

Policy is outcomes-based and low intervention, with a focus on economic affordability. Decarbonisation is driven by the market.

Gas Networks 2050 and Draft 2025 Plan engagement



Our engagement at a glance

The engagement we've completed to date has gleaned customer insights through in-depth consultation. So far, it includes:

3,706 Total customers and stakeholders engaged overall

181 Engagement hours

88 Engagement events

221 Stakeholders and customers engaged through face-to-face and online workshops

11 Advisory Board workshops with 10 members

2,098 Visits to our online engagement platform yournetwork.jemena.com.au

13 Small businesses attended 5 focus groups

6 Sessions with young people and CALD community representatives

4 Expert Panel workshops with 6 Members

40+ Customers and non-customers contributed to 48 hours of deliberation in our main customer forum

2 Workshops with 23 large users

5 Workshops with 13 gas retailers plus 1:1s

1,500 Households that participated in an online willingness to pay survey

29 Customers contributed to 23 hours of deliberation in our tariffs customer forum

Topics explored with our different customer groups

Topic	Changes to our connections policy	Asset replacement program	Accelerated depreciation	Investments in renewable gas connections	Updates to tariff variation mechanism and tariff structures	Vulnerable customer initiatives	Digital metering	Managing permanent disconnections
Customer forum	✓	✓	✓	✓		✓	✓	✓
Key voices			✓	✓		✓		
Gas retailers	✓		✓	✓	✓	✓	✓	
Small businesses	✓	✓	✓	✓	✓			✓
Large users		✓	✓	✓				
Tariffs customer forum					✓			

Large customers engagement stages and feedback

1

- Early information gathering via an initial survey
- Understanding how you wanted to engage as part of the Reference Service Proposal.

2

- Feedback informed the design of the online forum in March 2023 and Major Customer Forum in August 2023.

3

- One-on-one sessions with customers and survey to understand demand requirements over the 2025-30 period.

Topics	Feedback we received	How we are responding
 **How large customers would like to be engaged**	• Would like two-way conversations. • Want engagement to be meaningful, focused, transparent and open.	• We focused on this during our engagement with large customers.
 **Planning for the future**	• Large customers were predominately interested in understanding how we are ensuring reliability and managing the energy transition. • See renewable gas playing an important role in the energy transition which can support large customer obligations of meeting the Federal Government's safeguard mechanism requirements. • Renewable gas could take the pressure off the electricity network and reduce investment by major gas customers and having a role in supporting ongoing processes that involve high heat.	• To avoid the risk of adverse customer outcomes resulting from the energy transition, it is prudent to act now, and implement a suite of initiatives – including investing in renewable gas connections that can minimise bill impacts over the longer term and address intergenerational equity issues.
 **Speeding up recovery of assets**	• Majority of large customers were silent in terms of their preferences for accelerated depreciation.	• Our proposed accelerated depreciation allowance is far less than what would be required if we were planning for a future in which our network had no role to play in a decarbonised energy sector
 **Reliability**	• Large customers wanted to understand how we are maintaining network reliability into the future.	• Our expenditure programs are focussed on ensuring that we continue providing efficient, reliable and safe services to customers through our asset management and maintenance programs.
 **Affordability**	• Large customers wanted more information to understand how we are ensuring affordability for the provision of our services.	• Recognising affordability and cost of living pressures impacting customers today, we have balanced the need to take action now against the short-term price impacts of our plans. In doing so will help provide greater stability for prices over the long term, and support the efficient future utilisation of our gas network by large customers

Customer forum recommendations

Jemena,

We, Jemena Gas Network Customer Forum, have met several times over the last ten months both in person and online to discuss the future of Jemena, the gas power industry, and the appropriate regulatory response for the next five-year period. We have heard from a diverse range of speakers both within and outside of Jemena and have learned a great deal about relevant and industry topics new to many of us. Based on our understanding of the gas industry and problems of an uncertain energy transition, and the input of the youth forum and culturally and linguistically diverse communities, through an ongoing democratic and inclusive listening/discussion process we have come together in agreement of regulatory responses to present these final recommendations.

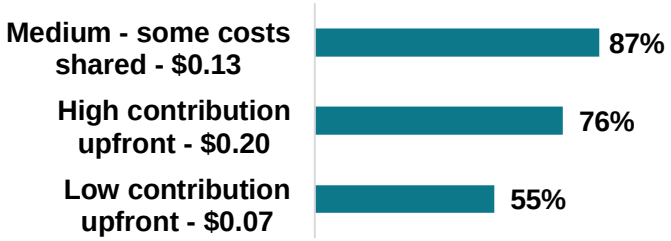
The recommendation (we want Jemena to...)	Context	Why this is important	Our response
Recommendation 1 - renewable gas strategy for supporting customers. • Support the best cost-effective strategy & environmentally friendly pathway moving forward. • Consider how costs are distributed around the customer base. • We are in favour of equitable distribution.	• This is in the best interest of current and future generations of customers & society as a whole.	• Customers feel valued & respected in terms of their voices and opinions being heard and taken into account at all times. • We are supporting the best interest of future generations. • Financially viable for all customers regardless of circumstances. • Benefits include the positive impact on the environment while still supporting sustainability at the same time. • Hydrogen, biomethane and other emerging technologies are to be observed and considered and prepared for potential scale once the most attractive and accessible options are ready for the commercial and residential market through the Jemena infrastructure. • This is directed at biomethane and hydrogen when it becomes more readily available.	See section 2.4 balancing the diverse views of customers See section 4.2.2 investing to connect renewable gas within our planned capital investments
Recommendation 2 - renewable gas reliability and safety • Invest in building a reliable renewable gas network while avoiding unnecessary redundancies (i.e., effective management & cost control). • 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.). • Benchmark and develop consensus and industry standards for reliability and safety relating to renewable gas networks. • Develop appropriate transparent internal policies and measures for the management of operational, environmental, and safety risks; involve relevant subject matter experts in these. • Ensure that after the energy transition, there will be no increases in fire and explosion risks.	• We know that major testing is being conducted on safety and reliability of the new renewable energy sources; results should be objectively evaluated and considered before decision making and implementation of network modifications. • We know that the chemical and safety characteristics of some of the renewable energy sources (e.g., hydrogen) increase the risks of fires and explosions - these all need to be considered for safe use, handling, and storage of the energy sources. • Focus on biomethane which only requires existing infrastructure. • Business continuity.	• To make sure the safety of the consumer and the network are in place, so all policies and procedures are followed. • To see the pragmatic aspect and check practicality (new technologies always have to be tested in the field) of the system modifications and adopted measures. • Fires and explosions and related injuries and deaths already occur with natural gas; to use a more risky energy source would require a great focus on proper risk mitigation and implementation strategies.	See chapter 4 our planned capital investments
Recommendation 3 – renewable gas advocacy and communication • Jemena needs to have a more public presence and speak up in the media. • Speak with the Federal and local government and councils about Renewable gas advocacy and planning for the future. • Educate all stakeholders to ultimately reduce the numbers of customers leaving gas over safety concerns.	• Without doing anything, there is inconsistent policies. • Some customers are concerned about the safety of using gas indoors, whereas it's been in use for centuries.	• The total reliance on one form of energy could be disastrous. • By following these recommendations, the public is reassured of the safety and reliability of gas. • Present to the public that Jemena believes safety is non-negotiable.	See chapter 3 responding to the energy transition

Customer forum recommendations (continued)

The recommendation (we want Jemena to...)	Context	Why this is important	Our response
Recommendation 3 – renewable gas advocacy and communication (continued) • Recognising everyone's knowledge varies, so supply more information so there isn't any misinformation when educating everyone. • To communicate with their customers on the future of renewable gas with a personable approach, so that customers don't abandon the company. This could include cost comparison between electricity and gas. • Communicate that the option of bio-methane is an environmentally friendly solution.	• Banning gas is not speaking for the people and allowing choice. • The importance of educating the public on the different options of gas.	• By utilising the bio-methane, as an option, we are protecting the environment by having another renewable gas option. • For Jemena this means it's a more affordable option because they don't have to change the infrastructure. • By implementing these recommendations Jemena ensures fairness for vulnerable existing and new customers and for the company itself.	See chapter 3 responding to the energy transition
Recommendation 4 - Affordability • Ensure that any investment in the gas infrastructure that is necessary for the energy transition doesn't leave behind those customers who may be more sensitive to price rises. • Finding a balance between rising cost of living and retaining customer base • Undertake as many initiatives as possible to incentivise people to keep themselves a gas customer. • 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.	• People are struggling to pay their bills. Inflation will only make this worse. • Jemena needs to invest by increasing cost, but too much increase will lead to customers finding other solutions and leaving the gas network. • 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. • This is understood but means special care needs to be taken for those needing help with this increase.	• Society has a moral responsibility to make sure that energy sources are affordable - it's an essential service. • Certain people may have more of a cultural reliance on gas (e.g., cooking) and shouldn't be discriminated against.	See chapter 9 pricing for current and future generations See chapter 3 responding to the energy transition See chapter 6.3 on depreciation See section 4.3.1 connecting customers to our network
Recommendation 5 – vulnerability • 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. • Support vulnerable customers to have a choice with gas. • To have a balanced approach on investment and the need to increase costs to customers.	• People have a basic need to keep warm and safe when using gas. • More choices for customers on types of energy offered whilst the costs are competitive in an open market. • Keep as many customers and open to new customers to keep costs down. • Jemena shows they care about all customers no matter what their circumstances are and offering financial assistance to vulnerable customers without passing the increased costs to mainstream customers.	• If people can't afford household gas, they may bring unsafe and unapproved gas appliances inside their home. • Supporting vulnerable customers is essential as we can all become vulnerable due to an unexpected change in circumstance. • Maintaining or increasing customers keeps gas prices down to all customers. By Jemena showing care to their customers in good and difficult times, it brings more positive feedback to Jemena.	See chapter 6 our proposed vulnerable customer initiatives See section 3 responding to the energy transition
Recommendation 6 – regulatory response options • Take these 7 recommendations into the future… while considering that these are the result of collaborative work from a diverse group of people and summarise a wide range of opinions. In addition to the recommendations produced from this group, we believe Jemena should continue to incorporate the summarised opinions from the youth and CALD groups, which do not entirely align with the final preferences presented here today.	• We believe that any decisions should be made with the future of all Australians in mind, and be measurable, tangible and proactive. Many of the preferences fall into a 'middle ground' which may slow change in either direction. If these decisions continue to be delayed, we only pass these issues on to the next round of participants in the Jemena public forum in 5 years.	• Jemena has curated a diverse group of people to ensure these recommendations align with the needs of the broader community. This recommendation is important because it has been the result of a long, collaborative process, and Jemena should respond to and act on these suggestions in a timely manner	See chapter 3 responding to the energy transition See section 2.4.7 balancing the views of diverse customers and stakeholders

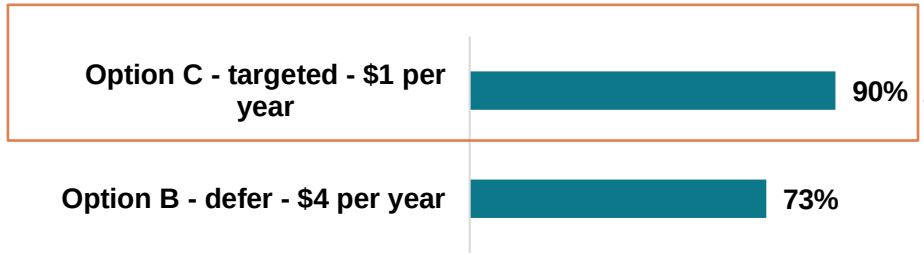
Customer forum voting on the initiatives (response options)

A new approach to connections



"While it is important to encourage new customers a nominal share in the cost of connection helps future proof everyone..."

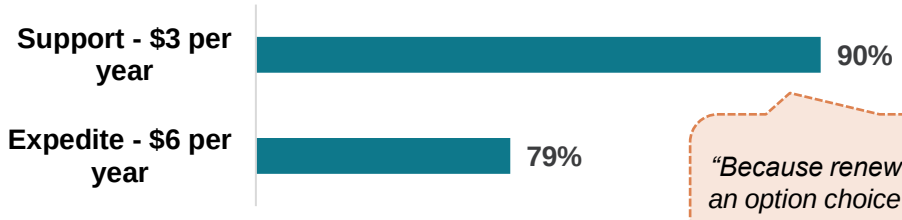
How Jemena manages its assets



"Safety and reliability are important factors to ensure sustainable use of energy in the long run."

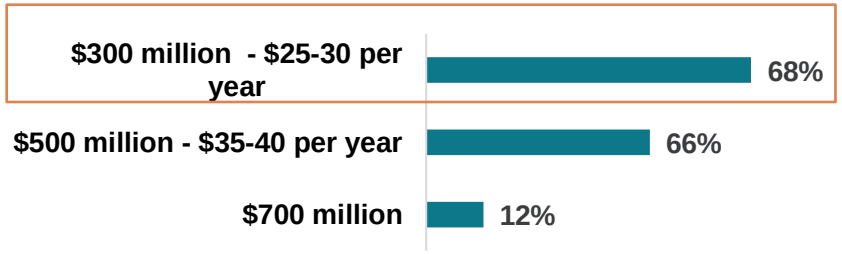
"Thinking in terms of what is most likely to be a future with more electrification, it makes sense for rehabilitation to be targeted."

Moving towards renewable gas



"Because renewable gas should be an option choice for customers who want to use gas."

Accelerated depreciation

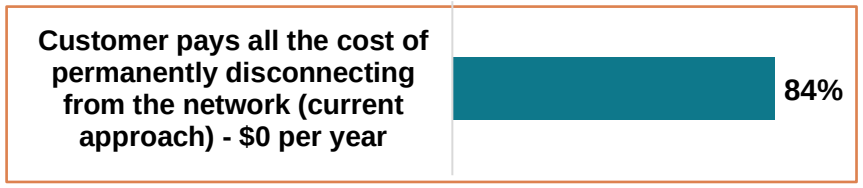


"I support this option (or even higher) as long as vulnerable customers are properly supported…"

Supporting vulnerable customers

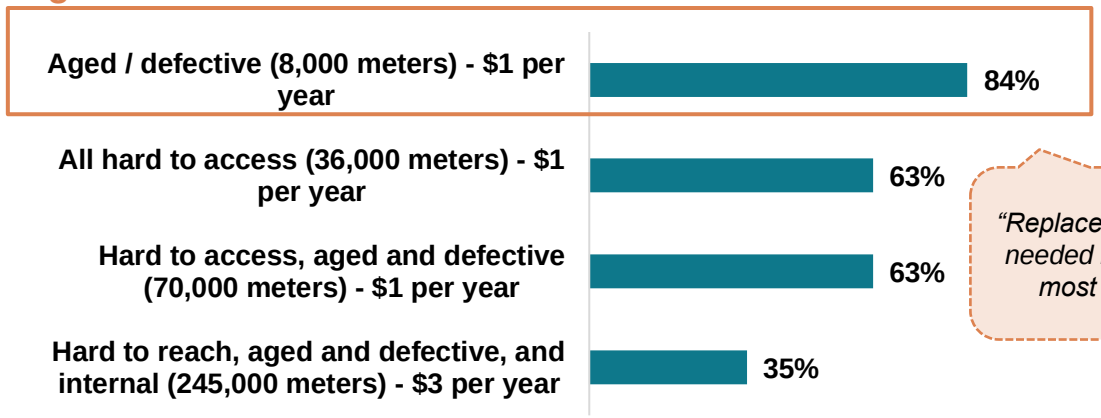
""Helping someone in need is integral to maintaining business and connections..."

Permanent disconnections



"Disconnecting customer should pay…"

Digital meters



"Replacement when needed makes the most sense."

Key strategies to respond to the changing energy landscape

Focus area	Initiative		Customer values
Inter-generational equity 	How we manage our assets	• Our expenditure forecasts include investment in new technologies that will help us to reduce emissions and allow us to invest in our assets in a more targeted manner.	Reliability and safety
	A new approach to connections	• We will make changes to our connections policy so that more customers make an upfront contribution to connect to our network.	Fairness
The transition to net zero 	Accelerated depreciation	• To ensure fair recovery of costs from our customers across generations, we propose to speed up recovery by $300 million.	Fairness Affordability
	Supporting renewable gas connections	• We propose to support connections to nine biomethane projects.	Fairness Affordability Access to the gas network (choice) Environment

What we will deliver for customers

Deliver reduced emissions through technology

Connect 70,000 homes and businesses across NSW and look after our existing customer base

Complete our vulnerable customer strategy and support to vulnerable customers

Replace manual inspections with **new technology** to efficiently detect leaks

Replace 8,000 ageing meters with new digital meters so customers receive accurate bills

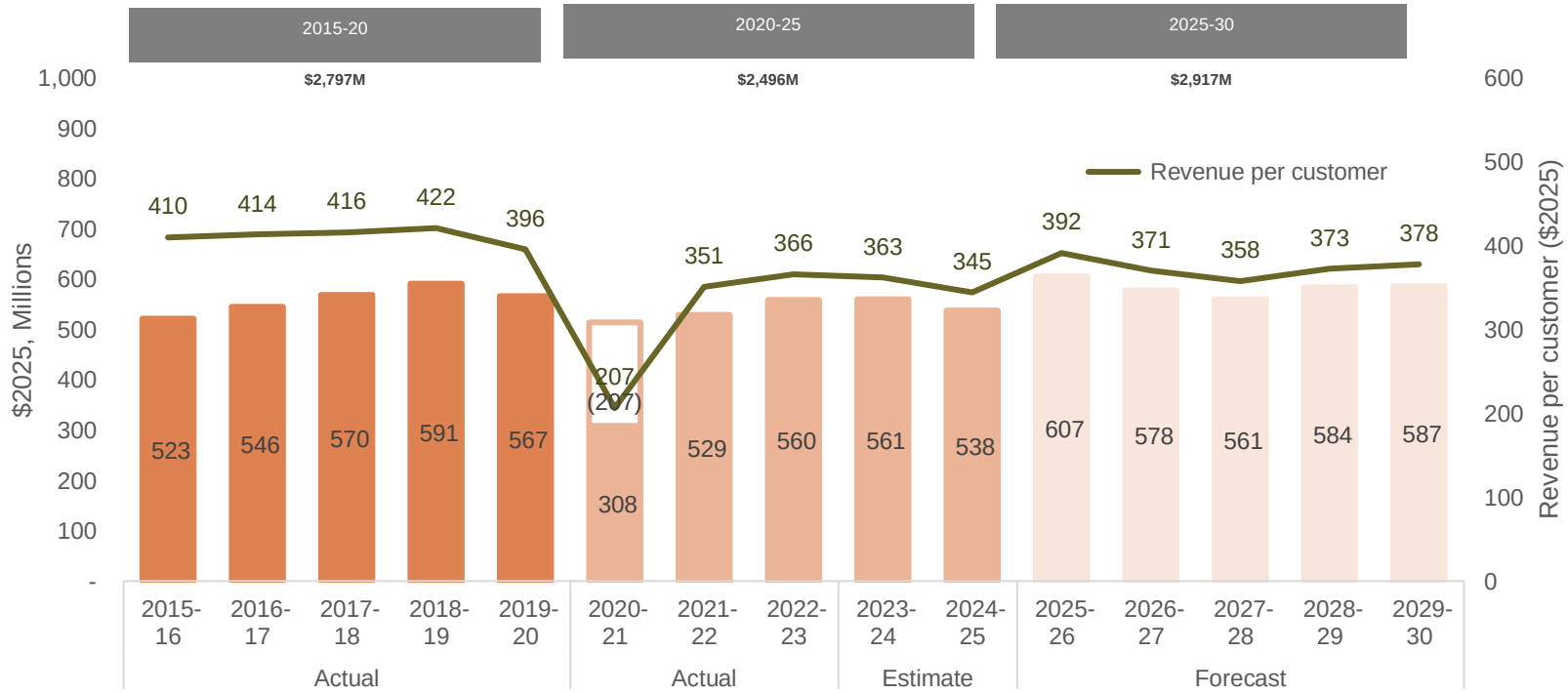
Renew 132 km of old mains targeting leaks and maintaining the reliability and safety of the network

Continuing cloud based software and remote working to enhance security and efficiency

Plan for the future by proposing nine new biomethane renewable gas connection projects

Breakdown of building block revenue

Building block revenue and revenue per customer across the three Draft Plan periods (real $2025, millions)



	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Return on capital	206	202	198	192	185	984
Depreciation (return of capital)	92	100	110	120	131	552
Operating expenditure	263	262	259	256	252	1,293
Incentive schemes	35	3	(17)	4	6	32
Net tax allowance	11	10	11	12	13	56
Annual revenue requirement	**607**	**578**	**561**	**584**	**587**	**2,917**
Price path (in real terms)	1.89%	1.89%	1.89%	1.89%	1.89%	
Price path excluding incentive schemes (in real terms)	1.50%	1.50%	1.50%	1.50%	1.50%	

Gas consumption is forecast to decline over the 2025-30 period

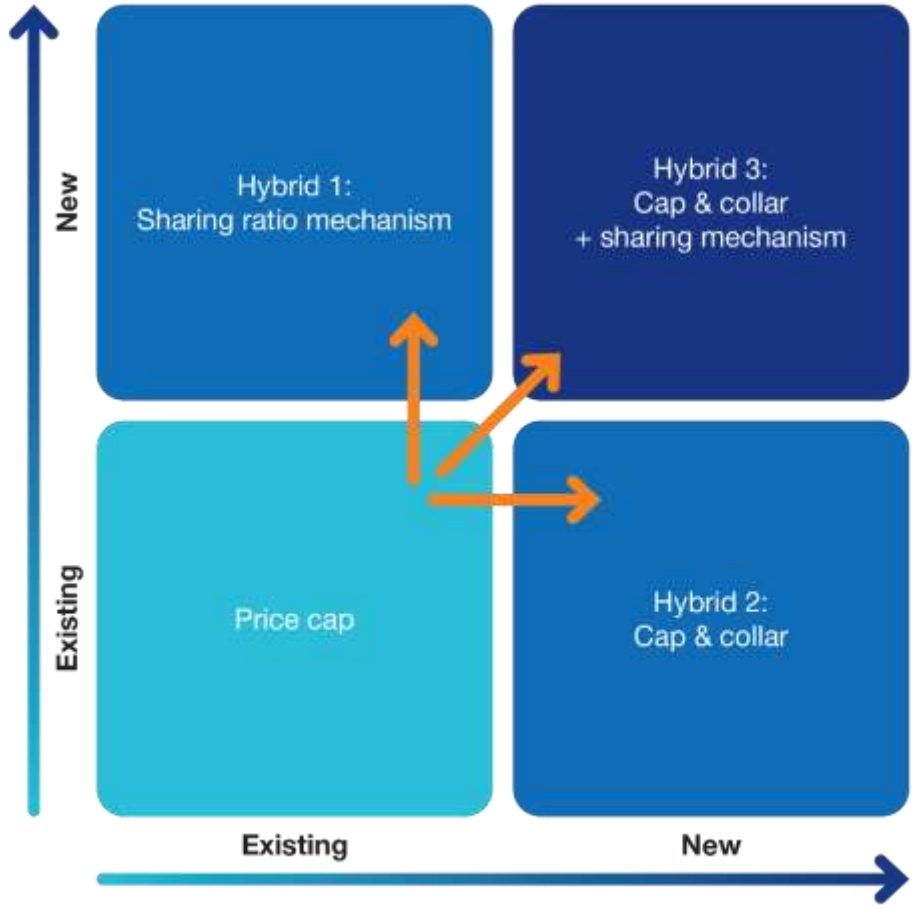
Total volume market gas consumption

Total demand market gas consumption (with PJ)

Source: Core validated against AEMO's 2023 GSOO

Proposed changes to the tariff variation mechanism

Testing possible tariff variation mechanisms with customers and retailers



Preferred option

Customers were not supportive of a revenue cap on the basis that they did not think that customers should bear all the volume risk.

Pricing principles

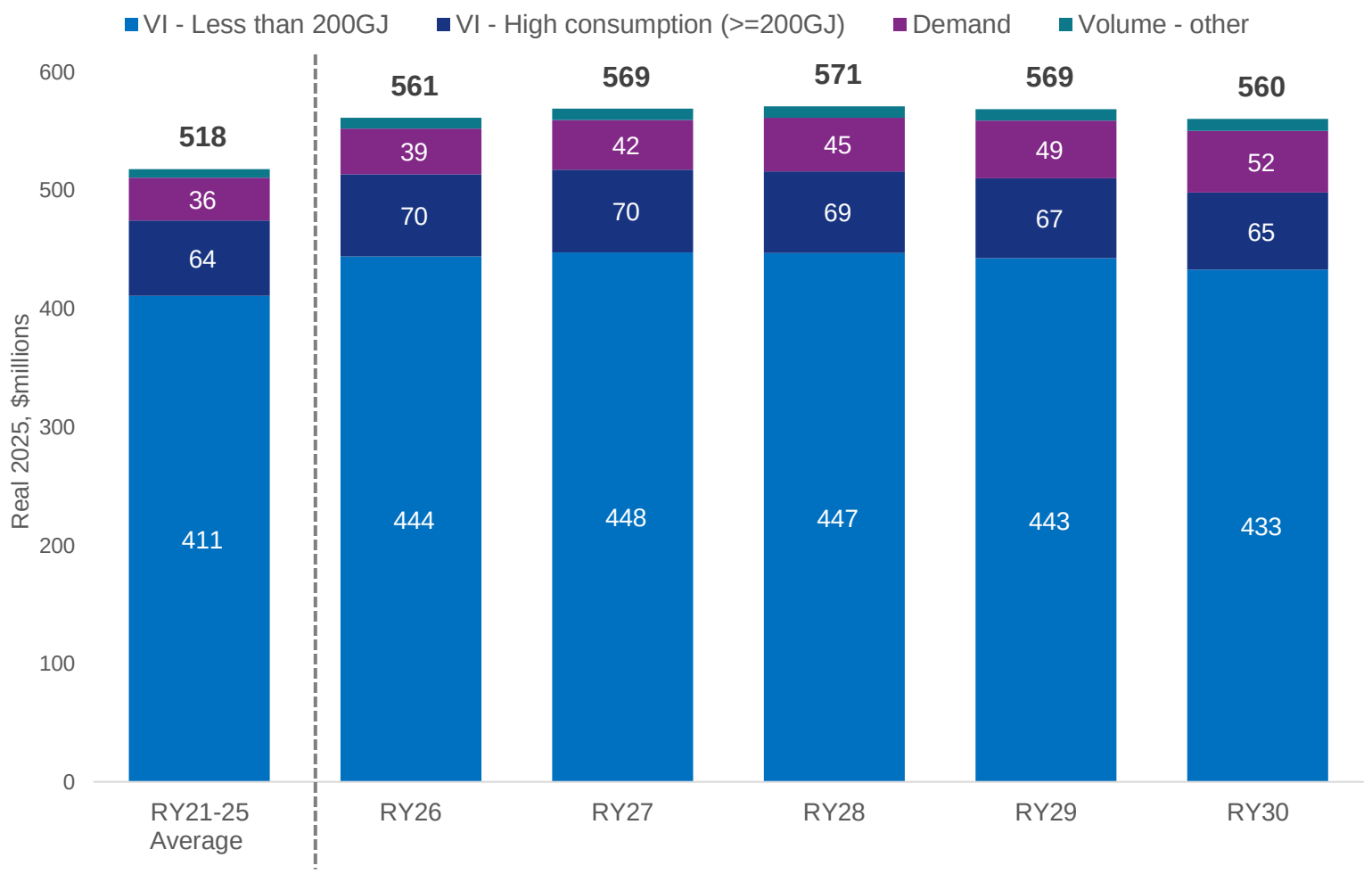
We engaged with retailers, residential and small business customers, to explore how we should charge for the provision of our services over the next five years. This included engaging on a set of **pricing principles**.

These principles aim to ensure that our tariff structure addresses affordability issues, improves fairness, promotes stable prices so our customers can manage their household and business budgets, and ensures our services remain competitive into the future.

Pricing principle	How do we plan to meet this
Cost reflectivity: the prices charged for services reflect the underlying costs of providing those services.	– To improve cost reflectivity, we are splitting out large 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. Over time, the cost drivers for each customer segment will change and evolve. – To more accurately capture the utilisation of our network by demand customers, we plan to incrementally increase the proportion of revenue we recover from this customer segment.
Price stability: minimising large tariff variations to help customers manage bills in future	– To avoid bill shock for smaller volume market residential and commercial customers we are continuing with declining tariff blocks.
Simplicity: understandable and avoiding unnecessarily complex tariff structures	– For simplicity, we propose to remove the geographic location distinction (that is coastal and country) for volume market customers and reduce the number of tariff blocks.
Revenue adequacy: efficient cost recovery to generate sufficient revenue to cover the costs of operating JGN's network	– The prices we propose will reflect the forecast gas volumes we expect in the next regulatory period and enable us to recover revenue to meet our efficient costs.
Fairness: usage cost is according to costs of the network and covers equity considerations like cost of living pressures.	– The separation of large volume market customers will allow us to charge a higher fixed charge from large volume customers relative to smaller customers. In addition, our overarching Draft 2025 Plan proposal seeks to balance the need to act now to support intergenerational equity, while keeping in mind current cost-of-living pressures.

Market type			Proportion of revenue	Consumption
Volume customers under 10 terajoules per year		**Residential:** Homeowners or tenants that use gas for domestic purposes. This includes heating, hot water and cooking.	78%	31% (28.4 petajoules)
		**Commercial:** Small businesses and commercial owners using gas for heating in offices or shops, hot water for medical equipment sterilisation, and for commercial cooking like restaurants and bakeries.	15%	15% (13.3 petajoules)
Demand customers Over 10 terajoules per annum		**Industrial:** Substantial users that need gas for very high heat including chemical production, steel, manufacturing or electricity generation.	7%	54% (49.4 petajoules)

Proposed changes to revenue recovery from different customer segments



To improve cost reflectivity, we propose to –

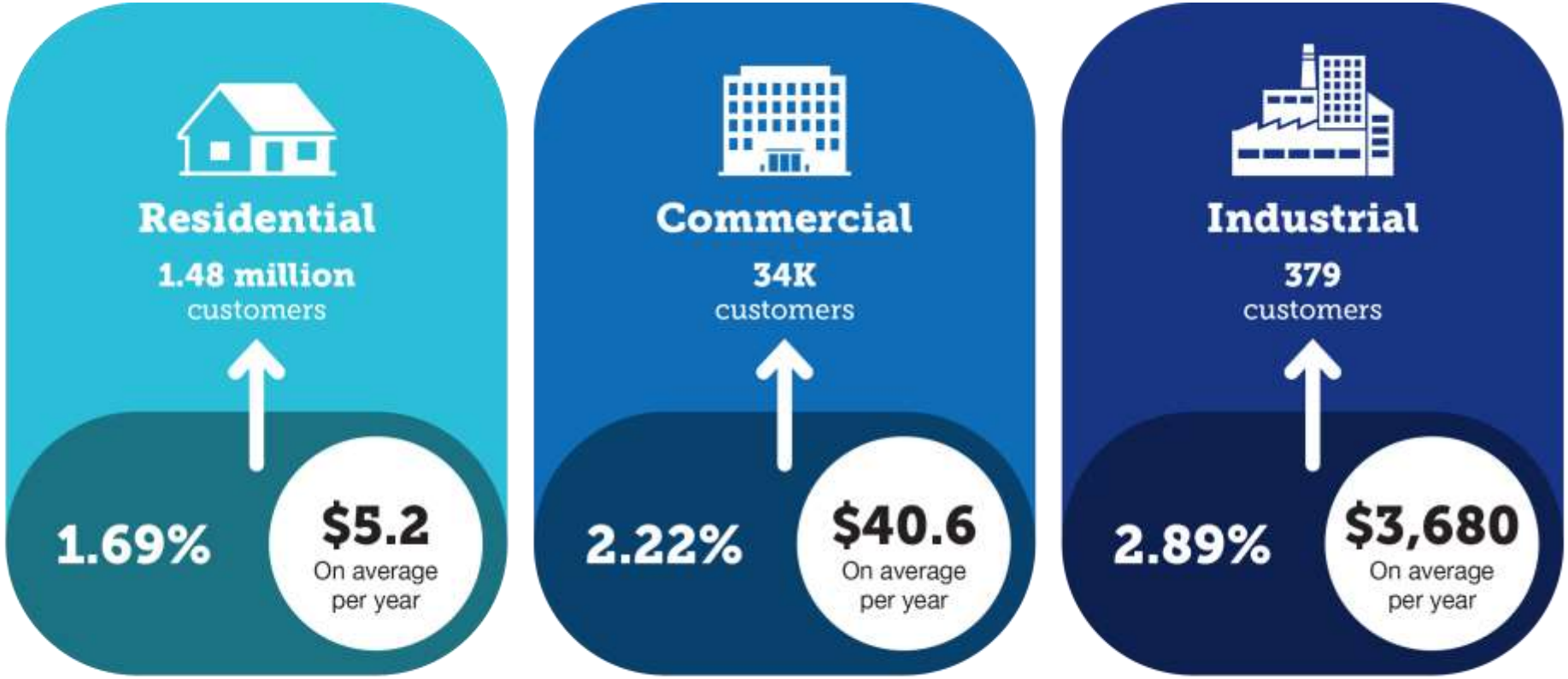
- gradually **increase** the **revenue proportion** from **demand customers**, reflecting their future use of our network
- **reduce revenue proportion** of volume customers, especially our **residential and small to medium size commercial customers** (consuming less than 200GJ).

Our proposed bill impacts

Breakdown by customer group

* All dollars reported in $2025 real

Indicative bill impact (network component)



** Note the price impacts are calculated based on 15 GJ annual consumption for a residential customer, 300 GJ for a commercial customer, and 350GJ of Chargeable Demand for an industrial customer.

Our Draft Plan proposes an opportunity for demand market customers to reset their chargeable demand.

Discussion questions

Reflect on the following:

1. *Any initial reflections?*
2. *Do you agree with the proposed initiatives? Why? Why not?*

- *As a reminder, the initiatives are:*
  - *moving towards renewable gas*
  - *accelerated depreciation*
  - *changing how we manage our assets*
  - *a new approach to connections*
  - *vulnerable customers*
  - *digital metering*
  - *permanent disconnections.*

Scan the QR code or go to menti.com and enter the code 8885 7901

Thank you! Have your say on the Draft 2025 Plan from 5 February—4 March 2024: yournetwork.jemena.com.au