

JGN Tariffs Stage Three

Customer Engagement

Tariff Customer Forum Two

Tuesday 9 April 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 we've done so far and what to expect in this workshop

01

Stage 2 recap
Some bill impacts
Further feedback on the hybrid tariff.

02

Off-line consideration of Hybrid options.

03

Bill impacts from Hybrid options
Voting on threshold and sharing ratios for hybrid options

Aim of this session : To loop back to you with detailed costings for the tariff options we discussed in Stage 2.

Your guides from bd infrastructure



Rachel Fox
Lead facilitator



Lachlan Nicholson
Forum support



Andre Kersting
Gas Networks
Regulation
Manager



Spencer Little
Gas
Networks
Pricing Lead

Your guides from Jemena



Lay Na Lim
Senior Regulatory
Advisor



Jenny Hardman
Engagement
Support and
Communications
Lead



Merryn Spencer
Engagement Lead

Ground rules



Be ready to be
challenged



Everyone has
their say



Listen, don't
interrupt



Keep
contributions
relevant to the
subject



Be respectful

Using Groupmap

<https://join.groupmap.com/A66-D64-2D3>

Use your browser or your phone please log on!
The link is also in the chat!

Group discussion

- How's everyone been?
- What have you been thinking about? Did you find the homework straightforward?

Update and your questions answered

Andre Kersting

Gas Networks Regulation Manager



Context

Some of the things to consider in this session



Tariffs can't do two things at once



Focusing on affordability, equity and fairness



Minimising the impact on the winners and losers



Consider our forecasts



Think about impacts on different customer groups



Consider the role of the retailer

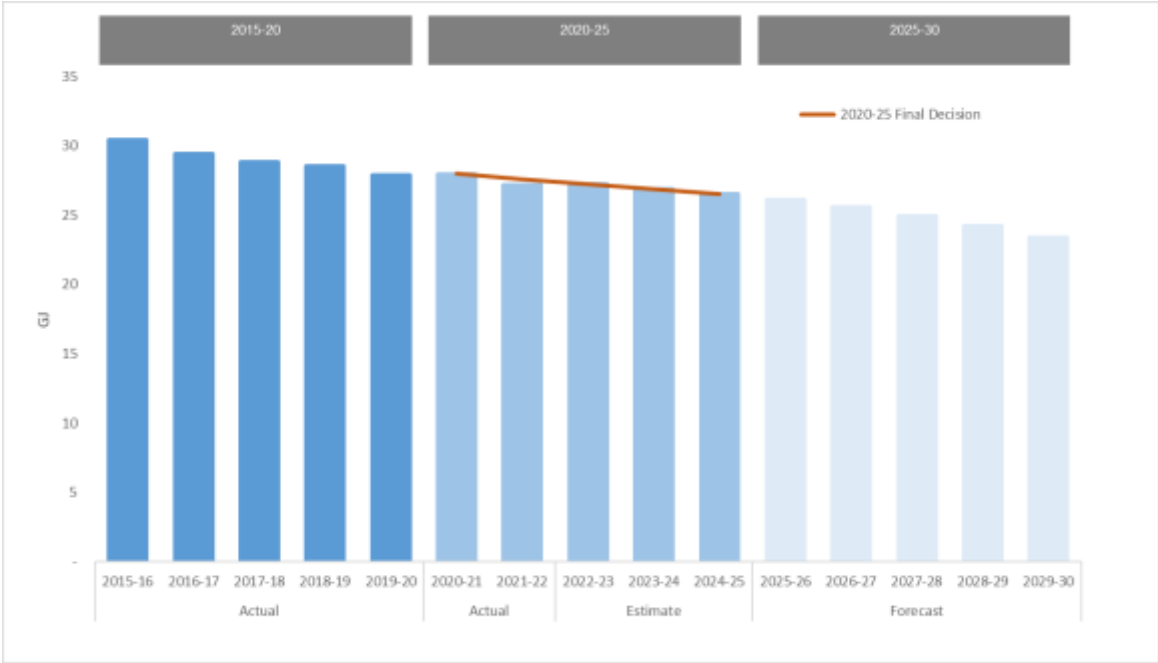
Total volume market gas consumption (PJ)

This chart compares the actual and forecast consumption from our network against the total consumption across the whole of NSW and the ACT as reported and forecast by the Australian Energy Market Operator (AEMO) in the 2023 Gas Statement of Opportunities (GSOO).



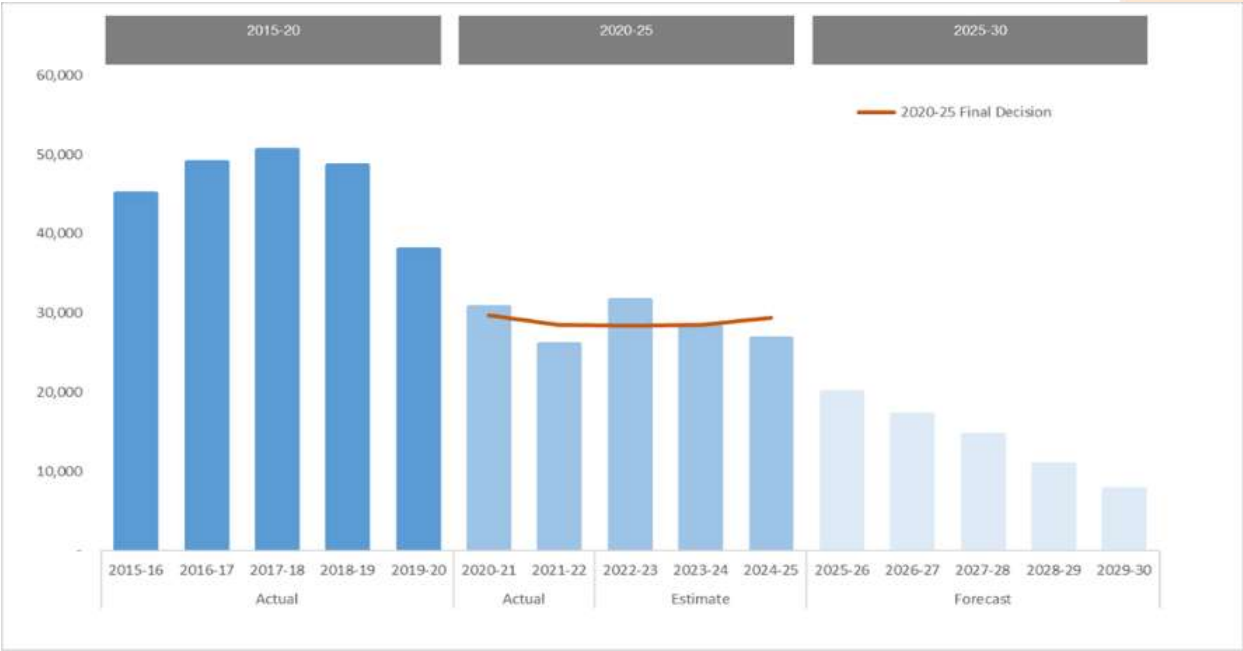
Gas consumption per connection

Consumption per connection fell sharply during 2015-20. This trend of reducing consumption per connection has continued into the current period, noting that 2020, 2021 and 2022 were impacted to varying degrees by COVID and resulting shutdowns influencing changes in consumption patterns for residential and commercial customers.











New connections

Core has forecast further reductions in the number of new customers connecting to our network over the 2025-30 period, driven by lower residential and commercial development and changes to planning rules encouraging electrification in new buildings.



Forecast factors we have considered

Residential		Commercial	
	Increasing solar and battery storage		Electrification of new buildings and NSW planning laws favouring electrification
	Growing trend toward replacement of gas heating with reverse cycle air-conditioning when appliances are due to be replaced or during renovation		Continuing advances in energy efficiency
	Growing trend in use of alternative water heating technologies		Growing trends in using alternative water heating technologies and reverse-cycle air conditioning
	Advances in dwelling construction standards which favour alternative energy sources		
	Advances in building and appliance efficiency and lower levels of appliance penetration (lower water and or space heating penetration) resulting in lower gas consumption.		

Questions

What questions do you have?

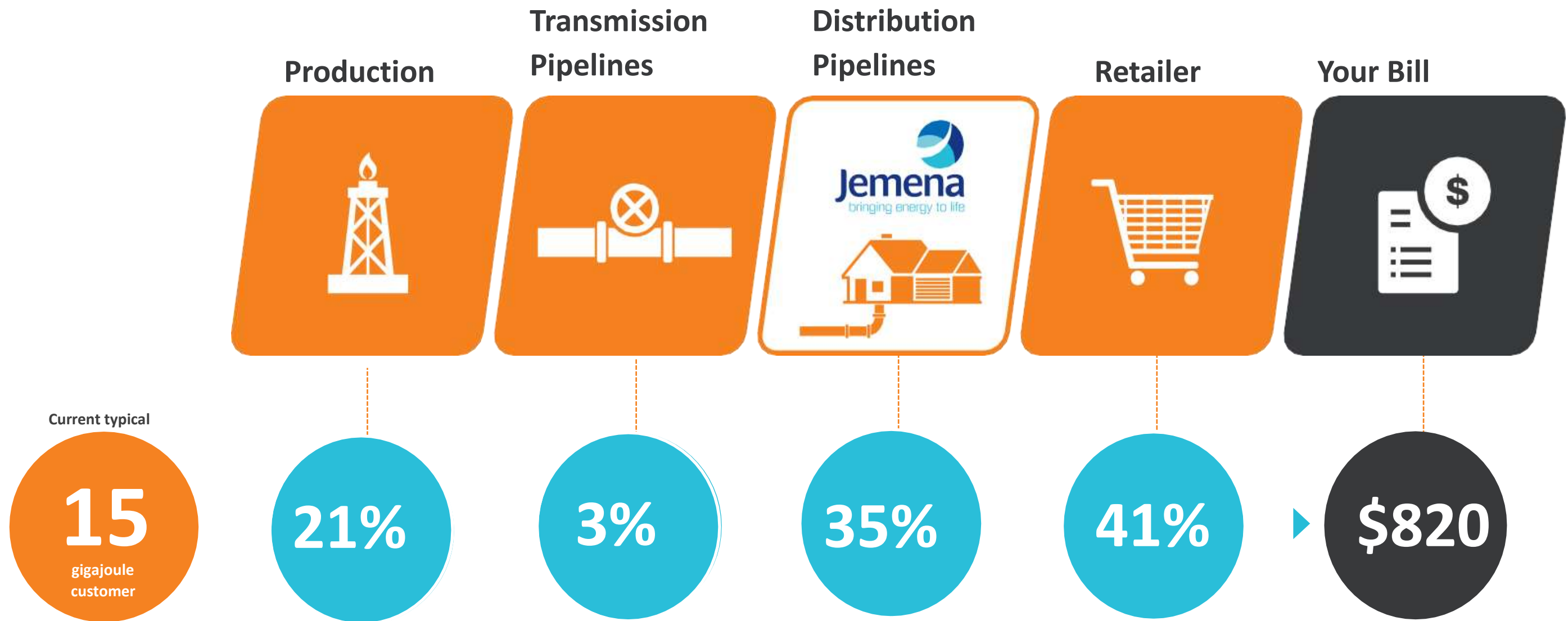
Hybrid Three Bill Impacts

Spencer Little

Gas Networks Pricing Lead



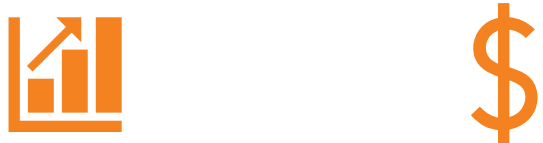
Quick reminder: Jemena's proportion of the overall bill



* 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.





Typical annual
household bill

Residential customer bill impacts - 5% threshold



50/50 sharing ratio

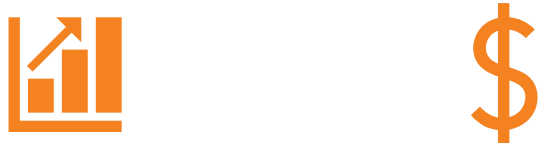
5% outperformance 7% outperformance

Customer type		Annual consumption	Average annual network bill	Bill change \$ (%)	Bill change \$ (%)
	Cooking only	2 GJ	\$117	-	-\$0.96 (-0.8%)
	Small home (cooking and hot water)	7.5 GJ	\$261	-	-\$2.13 (-0.8%)
	Larger home (cooking and hot water)	15 GJ	\$323	-	-\$2.64 (-0.8%)
	All gas home (cooking, hot water and heating)	25 GJ	\$399	-	-\$3.25 (-0.8%)

Key takeaway: Customers are slightly better off under the 7% outperformance scenario.





Note: Distribution network component only (~35% of the total bill).

Residential customer bill impacts - 3% threshold



50/50 sharing ratio

5% outperformance 7% outperformance

Customer type		Annual consumption	Average annual network bill	Bill change \$ (%)	Bill change \$ (%)
	Cooking only	2 GJ	\$117	-\$1.03 (-0.9%)	-\$2.10 (-1.8%)
	Small home (cooking and hot water)	7.5 GJ	\$261	-\$2.30 (-0.9%)	-\$4.70 (-1.8%)
	Larger home (cooking and hot water)	15 GJ	\$323	-\$2.84 (-0.9%)	-\$5.81 (-1.8%)
	All gas home (cooking, hot water and heating)	25 GJ	\$399	-\$3.51 (-0.9%)	-\$7.16 (-1.8%)

Key takeaway: Customers **benefit** under both outperformance scenarios.

Note: Distribution network component only (~35% of the total bill).





Residential customer bill impacts - 5% threshold



60/40 (customer/network) sharing

5% outperformance

7% outperformance

Customer type		Annual consumption	Average annual network bill	Bill change \$ (%)	Bill change \$ (%)
	Cooking only	2 GJ	\$117	-	-\$1.15 (-1.0%)
	Small home (cooking and hot water)	7.5 GJ	\$261	-	-\$2.56 (-1.0%)
	Larger home (cooking and hot water)	15 GJ	\$323	-	-\$3.17 (-1.0%)
	All gas home (cooking, hot water and heating)	25 GJ	\$399	-	-\$3.91 (-1.0%)

Key takeaway: Customers are very slightly better off compared with the 50/50 sharing ratio option, because they are bearing more risk.

Note: Distribution network component only (~35% of the total bill).





Residential customer bill impacts - 3% threshold



60/40 (customer/network) sharing

5% outperformance

7% outperformance

Customer type		Annual consumption	Average annual network bill	Bill change \$ (%)	Bill change \$ (%)
	Cooking only	2 GJ	\$117	-\$1.24 (-1.1%)	-\$2.53 (-2.2%)
	Small home (cooking and hot water)	7.5 GJ	\$261	-\$2.77 (-1.1%)	-\$5.65 (-2.2%)
	Larger home (cooking and hot water)	15 GJ	\$323	-\$3.42 (-1.1%)	-\$6.98 (-2.2%)
	All gas home (cooking, hot water and heating)	25 GJ	\$399	-\$4.22 (-1.1%)	-\$8.62 (-2.2%)

Key takeaway: Customers **benefit** the most under these options, with an average bill saving of 2.2% if outperformance reaches 7%.





Note: Distribution network component only (~35% of the total bill).

Residential customer bill impacts - 5% threshold



40/60 (customer/network) sharing

5% outperformance 7% outperformance

Customer type		Annual consumption	Average annual network bill	Bill change \$ (%)	Bill change \$ (%)
	Cooking only	2 GJ	\$117	-	-\$0.76 (-0.7%)
	Small home (cooking and hot water)	7.5 GJ	\$261	-	-\$1.71 (-0.7%)
	Larger home (cooking and hot water)	15 GJ	\$323	-	-\$2.11 (-0.7%)
	All gas home (cooking, hot water and heating)	25 GJ	\$399	-	-\$2.60 (-0.7%)

Key takeaway: Customers still benefit but slightly less than the 60/40 option, because customers are now bearing less risk.

Note: Distribution network component only (~35% of the total bill).





Residential customer bill impacts - 3% threshold



40/60 (customer/network) sharing

5% outperformance

7% outperformance

Customer type		Annual consumption	Average annual network bill	Bill change \$ (%)	Bill change \$ (%)
	Cooking only	2 GJ	\$117	-\$0.82 (-0.7%)	-\$1.68 (-1.4%)
	Small home (cooking and hot water)	7.5 GJ	\$261	-\$1.84 (-0.7%)	-\$3.75 (-1.4%)
	Larger home (cooking and hot water)	15 GJ	\$323	-\$2.27 (-0.7%)	-\$4.63 (-1.4%)
	All gas home (cooking, hot water and heating)	25 GJ	\$399	-\$2.80 (-0.7%)	-\$5.72 (-1.4%)

Key takeaway: Customers again benefit under both outperformance scenarios, but slightly less than under the 60/40 sharing ratio option.

Note: Distribution network component only (~35% of the total bill).

Residential customer bill impacts - 3% threshold



60/40 (customer/network) sharing

5% underperformance

7% underperformance

Customer type		Annual consumption	Average annual network bill	Bill change \$ (%)	Bill change \$ (%)
	Cooking only	2 GJ	\$117	\$1.24 (1.1%)	\$2.53 (2.2%)
	Small home (cooking and hot water)	7.5 GJ	\$261	\$2.77 (1.1%)	\$5.65 (2.2%)
	Larger home (cooking and hot water)	15 GJ	\$323	\$3.42 (1.1%)	\$6.98 (2.2%)
	All gas home (cooking, hot water and heating)	25 GJ	\$399	\$4.22 (1.1%)	\$8.62 (2.2%)

Key takeaway: This is the **worst** outcome for customers when actual volumes are lower than expected, i.e. underperformance, as bills will increase.

Note: Distribution network component only (~35% of the total bill).

In terms of consultation results on tariff structures, overall, small business customers preferred the 5% threshold and 50:50 sharing. Their reasons given included giving a more balanced approach that works for their industry or business. For large customers, there were no negative responses on the proposed tariff structure variation mechanism, some asked about the timing of the chargeable demand reset process and if there is some contribution or negotiation with that process, and for access to data.



Small business reflections

(for the 3% sharing) "Based on the past history, mostly we are around over usage and so its more advantageous. 5% is more ideal though."

"Level of change to bill nominal"

"5% is more stable and safe. Not much difference to end customers unless drastic changes would happen."

"Risk level is higher for the small business."

"I think the 5% is the more balanced approach and works for my Industry."

"I guess it depends on individual business, for me 5% is a better option."

"Long term view is realistic for my business."

(for the 50:50 split) "I do prefer the balanced approach to these matters. I think my choice would reflect my industry."


"It's fair for both Jemena and customers."

"I feel as long as it is on a 50/50 split, it is a fair and suitable risk profile for most."

"Sharing the risk is the way to go for the small business."

Balance between the two parties."

"Its fair for all. More balanced way to share risk equally."




Large business reflections

"What about the timing of chargeable demand reset?"

"Is there some kind of contribution or negotiation with that process?"

"Gas tariffs will go up slowly."



Retailer reflections

"Simplicity"

"Having the numbers will be really helpful."

"I want to jump into the detail, but I'll try and stand back a bit, because clearly it's too early for that."

"I think interesting to see how this plays out, especially the fluctuations from one year to the next, and to see how that sort of is perceived, I guess, but customers, and how we're going to, you know, insulate that in our products, and contracts."

"The devil's in the detail in terms of the operationalization of the process. But in principle, you know, we understand that you know this. This is a feasible approach going forward, some sort of hybrid."

"Ability to manage risk should be taken into account as well."

"Very clear processes for customers. Because we're going to have some customers that start off with greater than 200 [GJ] and maybe half that plan shuts down for a year (...) we want a position to be able to move them up to a different tariff quite efficiently."

Questions

We will break into groups for some group discussion on what you've heard.

- Group 1: Merryn
- Group 2: Jenny
- Group 3: Rachel

Voting

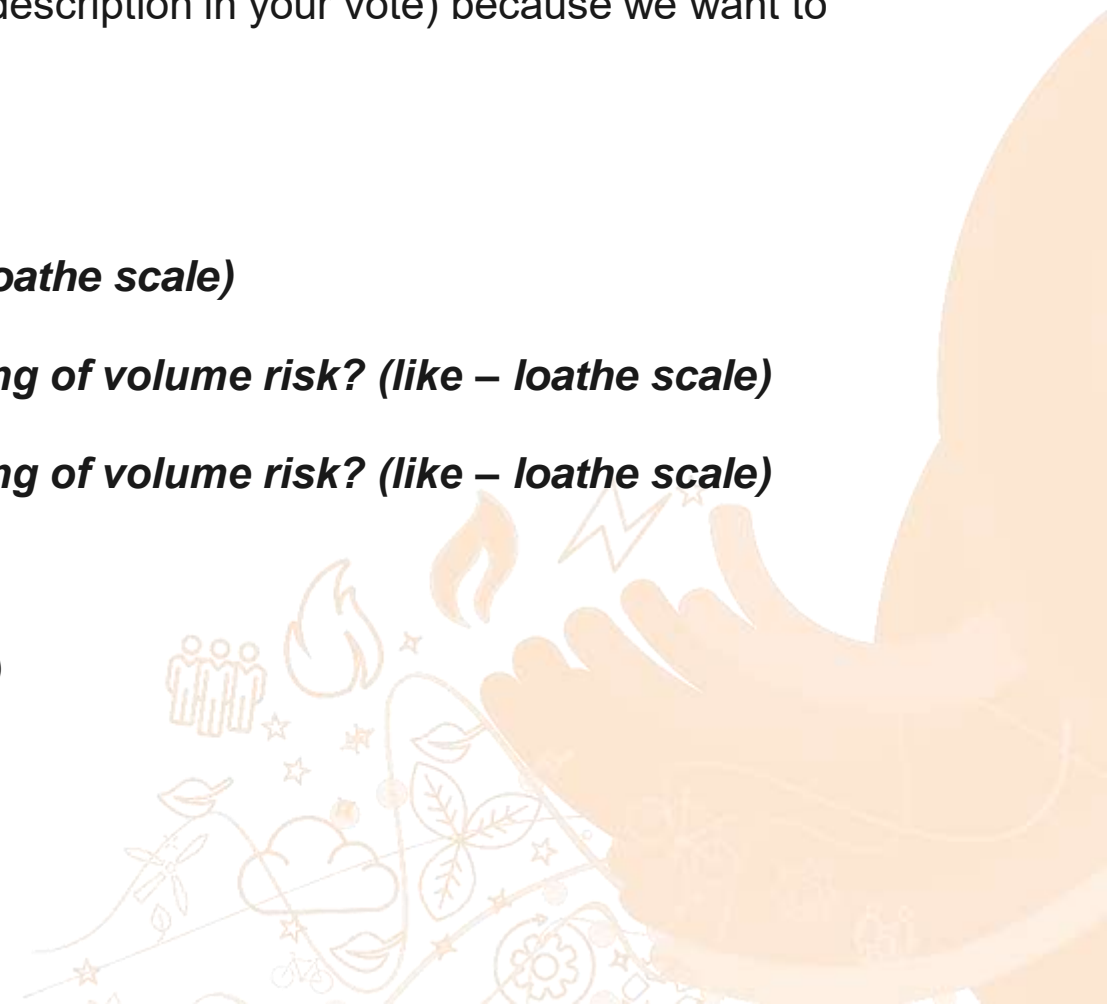
Consider all you've heard tonight.

As individuals, vote on the options.

You'll need to describe the reasons why you voted that way (for example give a description in your vote) because we want to understand what you've said and why!

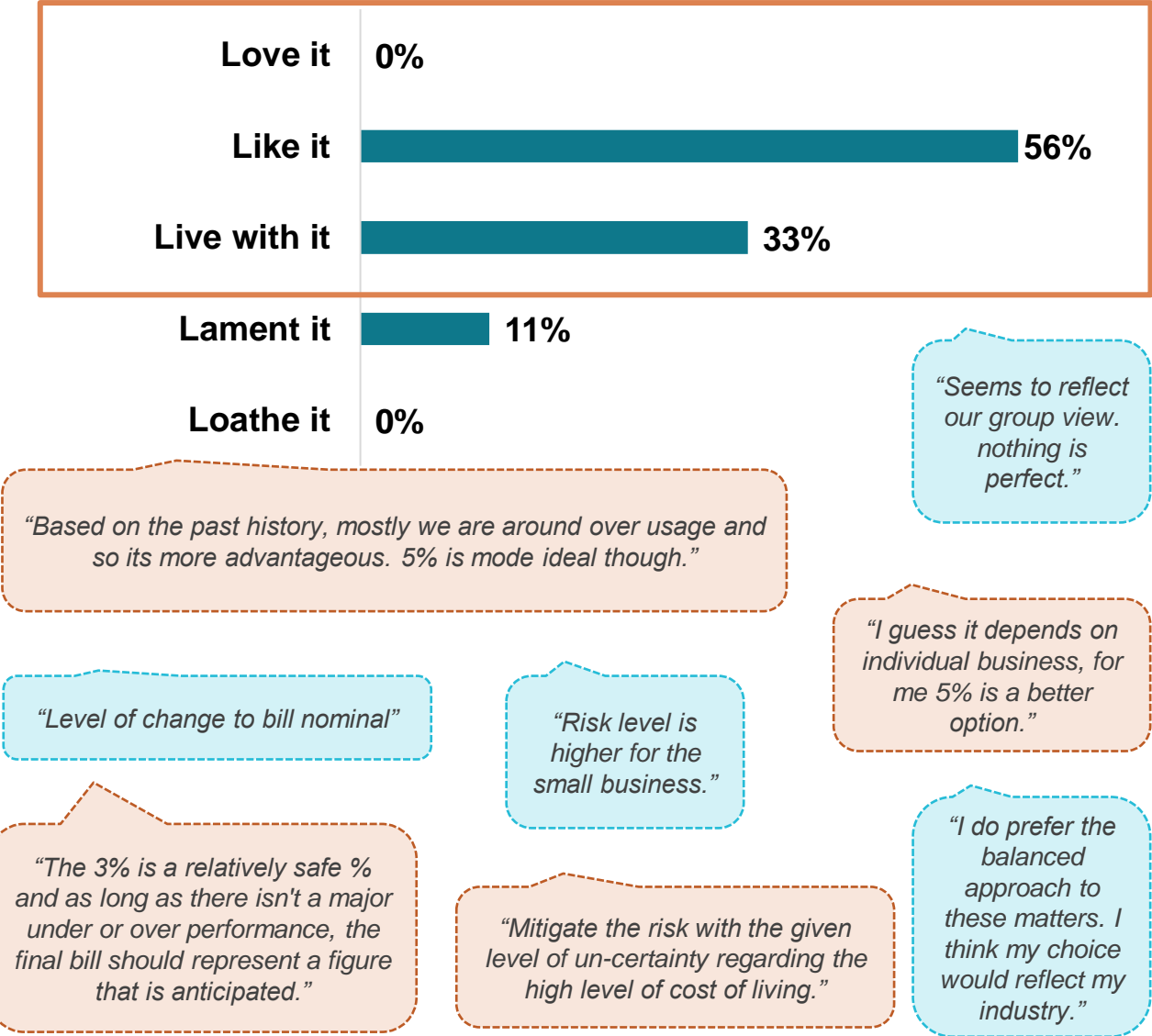
Questions:

- ***What's your level of comfort with 50:50 sharing of volume risk? (like – loathe scale)***
- ***What's your level of comfort with the 40 (customer) : 60 (network) sharing of volume risk? (like – loathe scale)***
- ***What's your level of comfort with the 60 (customer) : 40 (network) sharing of volume risk? (like – loathe scale)***
- ***What's your level of comfort with 3% threshold? (like – loathe scale)***
- ***What's your level of comfort with the 5% threshold? (like – loathe scale)***
- ***Why did you vote that way?***



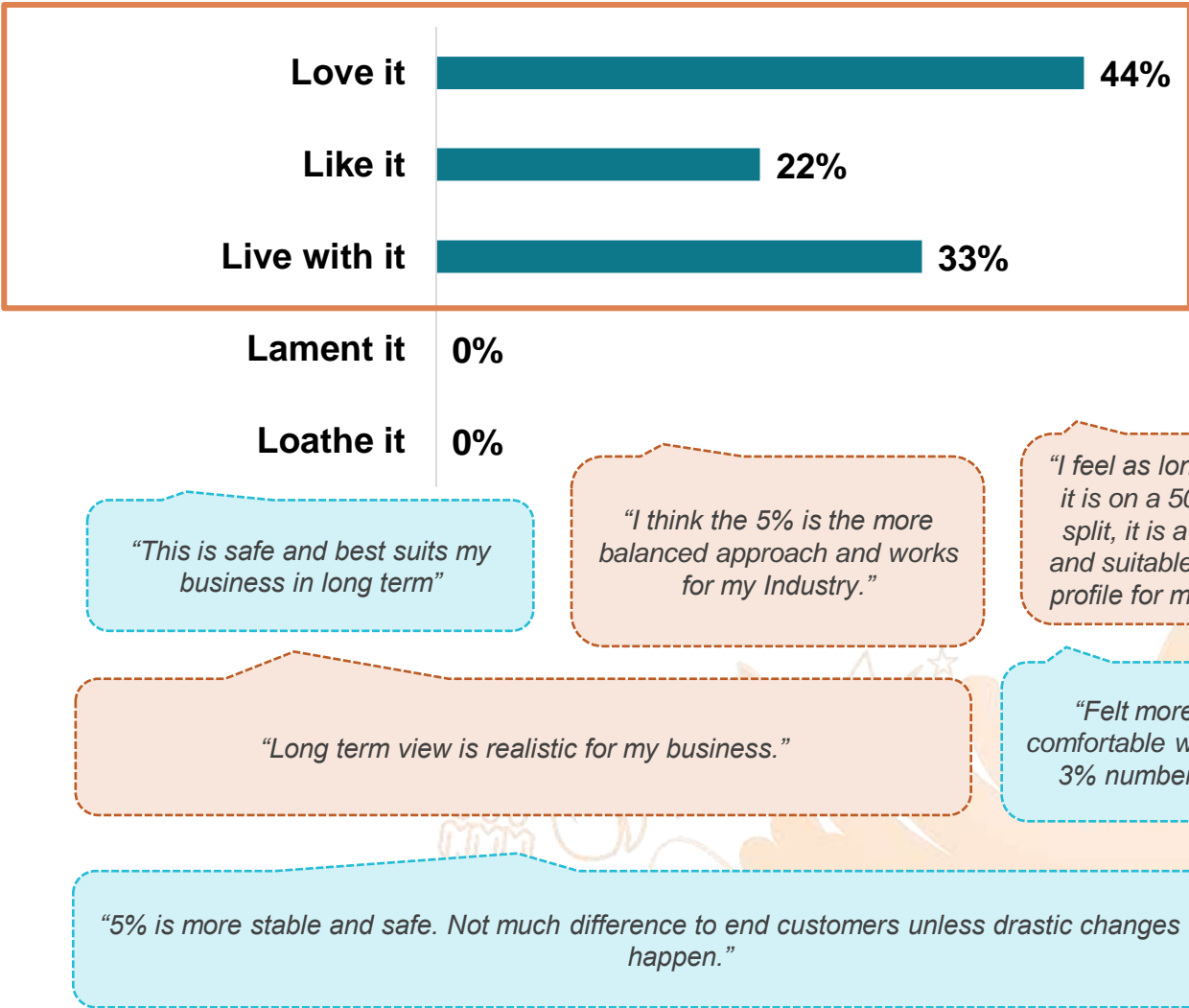
Regarding voting results for the sharing threshold, small business customers preferred the 5% threshold overall. Their reasons included giving a more balanced approach works for their industry or business.

What’s your level of comfort with the 3% threshold?



N=9. Voting numbers: Love: 0, Like: 5, Live with: 3, Lament: 1, Loathe: 0

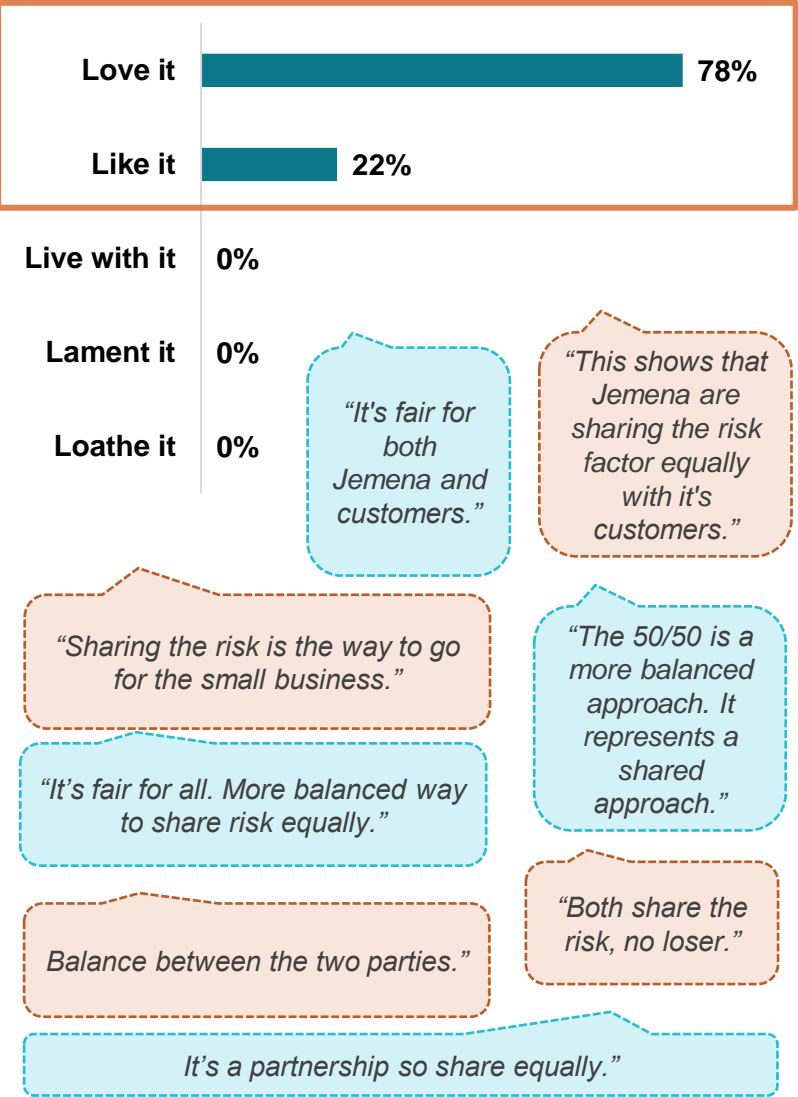
What’s your level of comfort with the 5% threshold?



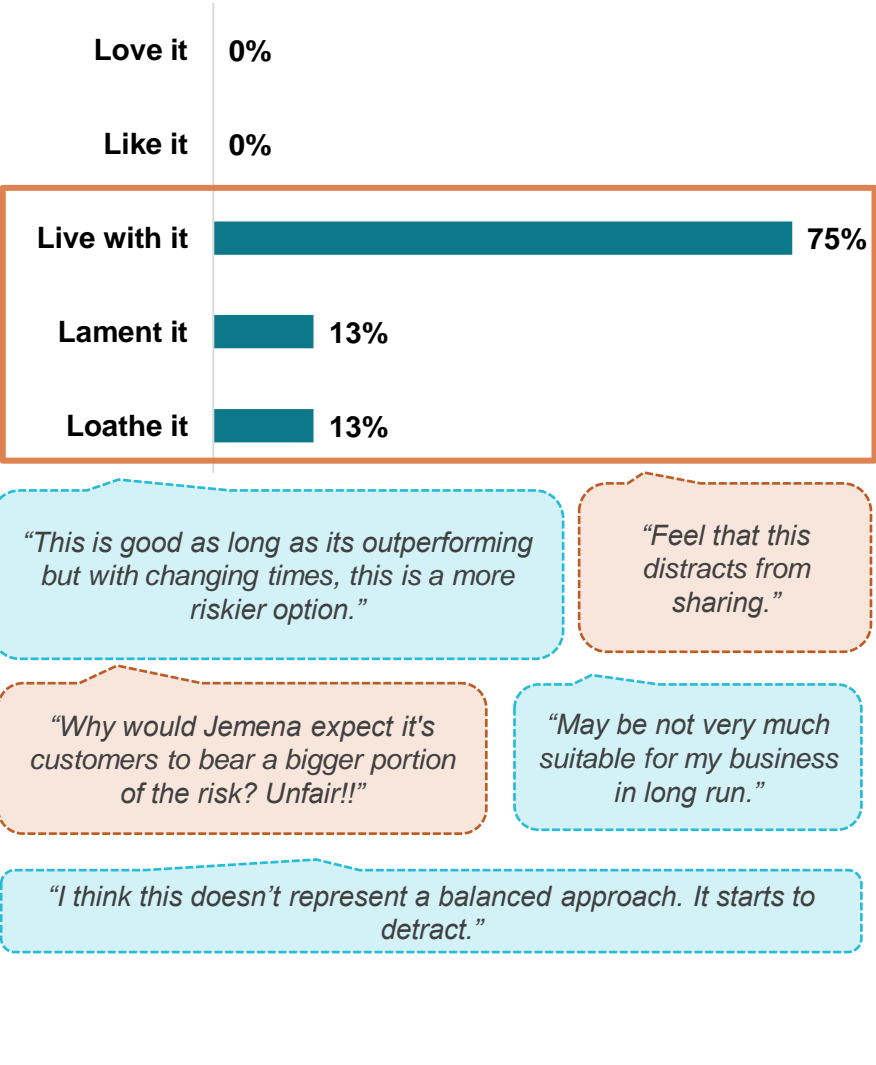
N=9. Voting numbers: Love: 5, Like: 2, Live with: 3, Lament: 0, Loathe: 0

In terms of sharing volume risk, small business customers preferred the 50:50 sharing overall, followed by the 40 (customer):60 (Jemena) sharing options. Reasons included that it was fair for all and a more balanced way to share risk with a partnership approach.

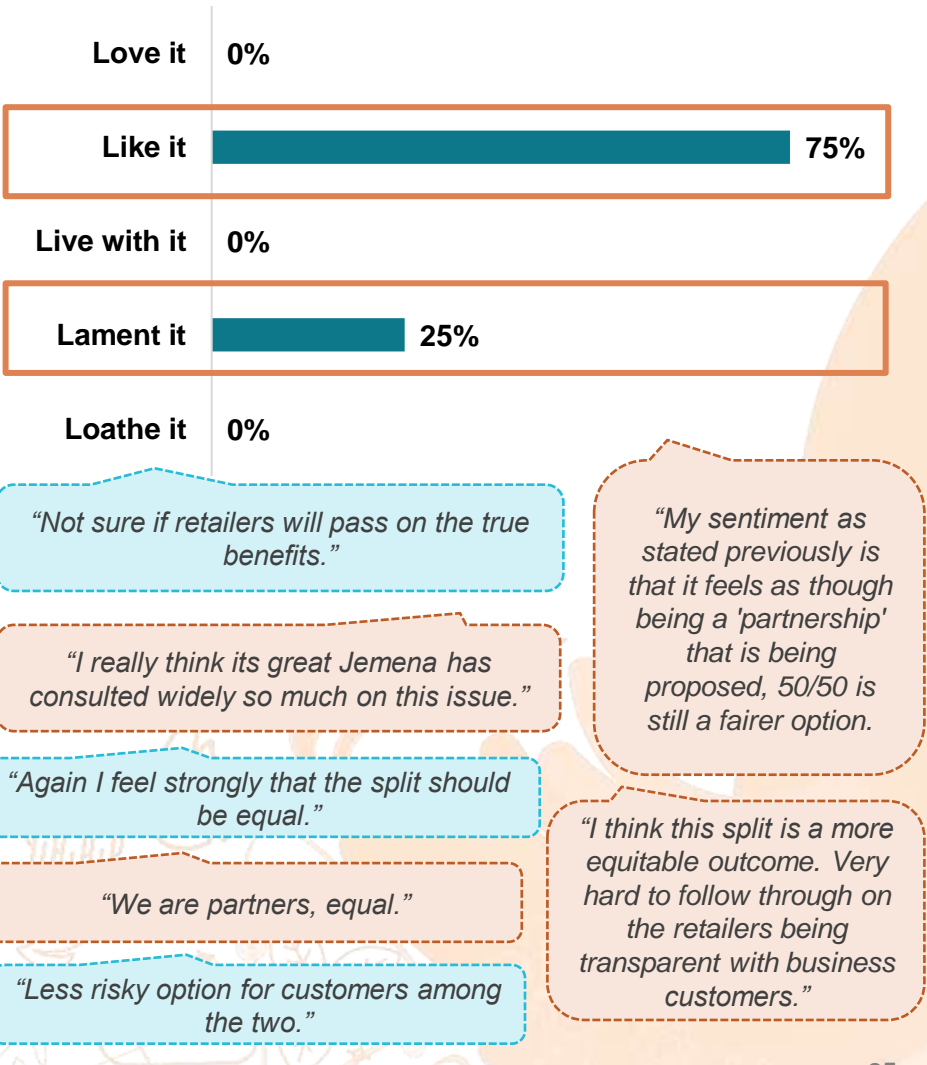
What's your level of comfort with 50:50 sharing of volume risk?



What's your level of comfort with the 60 (customer):40 (network) sharing of volume risk?



What's your level of comfort with the 40 (customer):60 (network) sharing of volume risk?



**to hear,
listen
and think**

