

Minutes

AGN Retailer Reference Group | Meeting 7

Date

Wednesday, 22 February 2017, 10.00am – 12.00pm (ACDT)

Where:

Via Teleconference - Dial in details

Dial: 1800 672 949

Guest Passcode: 7242 2670 0000

Attendees

Reference Group	AGN
James Barton (Simply Energy)	Craig de Laine (Chair)
David Calder (Origin Energy)	Anna Mitchell
Constantine Noutso (Lumo Energy)	
Kim Cullen (AGL)	

Apologies

Reference Group	AGN
Geoff Hargreaves (Energy Australia) (Apol)	Andrew Staniford
Elizabeth Molyneux (AGL) (Apol)	Peter Bucki
Patrick Whish-Wilson (AGL) (Apol)	Krissy Raman
Karly Train (Energy Australia) (Apol)	Vicky Knighton
Sallie-Ann Proctor (Lumo Energy)	
Stefanie Macri (Lumo Energy)	
Sean Greenup (Origin Energy)	
Paul Mullan (Alinta Energy)	

Minutes

The meeting commenced at approximately 10.00am AEDT

1. Welcome

AGN, Craig de Laine (CdL) welcomed the group and made some quick comments on changes in AGN staffing and welcomed Anna Mitchell, officially to AGN as Manager Stakeholder Engagement, further displaying AGN's commitment to continuing this program with retailers and right across AGN's business.

2. Review of Minutes from previous meeting and action items

CdL noted that the meeting minutes for Meeting 6 have been circulated and noted.

Action: AGL to advise if conversation around service performance reporting/network level of service needs further discussion (Complete)

3. Final Plan update

CdL referred to the Key Metrics infographic for Victoria and Albury (slide 4) This infographic was first used during AGN's Draft Plan stage and has been carried through to post submission of Final Plan. It sets out on one page, the key outcomes/deliverables that AGN is proposing over the next five years for Victoria and Albury.

Highlights:

11% cut in prices from 1 Jan 2018, (actual cut is 11.5%) consistent with how information is presented throughout the Final Plan, AGN have used conservative messaging which is clear and concise.

Key deliverables:

Improve Service, this point is particularly important as AGN is keen to continue to work with this group in this area.

AGN is proposing to complete the replacement of all low and medium pressure cast iron and PVC pipes from the Victorian network (297km remaining). AGN followed our Reference Group's advice on the issue of engagement with the technical and safety regulator on this issue, AGN now has Energy Safe Victoria's (ESV) support for the volume of mains replacement AGN is proposing in the current period. See below a link to the letter from the ESV supporting the proposed mains and services replacement program:

<https://www.aer.gov.au/system/files/AGN%20-%20Attachment%208.9%20-%20Energy%20Safe%20Victoria%20-%20Letter%20to%20AGN%20-%20Australian%20Gas%20Networks%20distribution%20mains%20and%20services%20integrity%20plan%20September%202016%20-%2020161220%20-%20Public.pdf>

Overall, we have proposed a \$23m cut in total expenditure (totex), primarily driven by the lower volume of mains replacement in the next period. AGN has delivered 696km replaced in this current period.

The other key driver is the rate of return, AGN have used a placeholder period of September 2016 to set the rate of return, which at that time was 5.28% (approximately a 2% cut in rate of return) and the most significant contributor to the 11% cut that AGN is proposing.

AGN, compared to Multinet Gas and AusNet Services, have different approaches to the rate of return, gamma and inflation. AGN has taken the AER's preferred approach on these items and will continue to work with the AER and stakeholders on the issues.

One member questioned methodology AGN is applying to inflation in terms of cost of capital.

CdL commented that coming out of the South Australian (SA) review, there were two major issues, which were incentive mechanisms (around the design of the regulatory framework), and inflation. In AGN's Final Plan for Victoria and Albury, inflation is a key issue in this review process.

We have a situation where the AER has its approach, AGN does not have sufficient comfort that this is the right level (Referred to Building Blocks slide) means you do not get adequate return on assets.

AGN support a market-based approach.

The AER will be undertaking consultation on the issue of inflation during the first week of March as they understand there is an issue here which needs to be resolved. AGN will actively participate in the consultation and CdL encouraged the group to do the same.

On incentive arrangements, CdL explained that there is currently an incentive to reduce Opex, whereas electricity have incentives to reduce Opex and Capex, AGN is seeking to have a set of incentive arrangements which align with what applies to electricity distributors and distributors elsewhere. AGN believe there needs to be a matching incentive to reduce Capex and have proposed a contingent CESS and believe this framework drives the right behaviors in the business and allows the business to focus on running the business well.

One member asked AGN to table Credit Support as a future discussion item, and how AGN will reflect the AEMC decision, especially in Victoria.

Actions:

AGN to provide Building Blocks slide as previously presented with the minutes.

AGN to include Credit Support as future Agenda item for next meeting and follow up with member on their issue.

Discussions then moved to general issues and the group's reaction to AGN's Final Plan. Feedback included that members were comfortable with the Plan and it was consistent with what had been presented previously.

AGL raised an item in Multinet's proposal on ancillary reference services which was facilitating a disconnection in the street by alternative means than removing the pipe with the installation of a valve in instances where there is no access to the meter or continued issues with access and street disconnection as a last resort option. AGL would believe this could be a good additional service provided by distributors. Reason being is that disconnection in the street can be quite disruptive and reconnection can be quite slow.

AGL also raised the issue of performance reporting. AGL have been looking at changes brought through by a new COAG initiative (December 2016) in relation to performance reporting from distributors and will be raising this with the AER. AGL believe that improved reporting from both ends will increase transparency, efficiency and engagement between distributors and retailers and improve services for customers.

CdL indicated that AGN would support more public reporting of information and consistency in that reporting and would be happy to work with AGL when the time comes.

On the issue of financing costs, one member sought confirmation on financing costs that AGN is applying the AER guidelines until proven to be no longer appropriate which may come about in two ways. 1. Further engagement and discussion with stakeholders requires change and 2. Decisions coming out of the merit and judicial review process. AGN would apply those outcomes.

CdL then raised tariffs as an issue for further discussion. The message AGN took away before the Draft Plan was released was that retailers wanted simple tariff structures and an alignment in tariffs. In the Draft Plan, AGN aligned the tariff zones so that everyone would pay the same tariff but meant that customers would experience different price cuts/increases, however, feedback indicated that the same cut in prices should apply to all.

This feedback was then factored into the Final Plan so all customers receive the same upfront price cuts on Jan 1 2018, and AGN is proposing to have a higher re-balancing control formula which allows AGN to align tariffs over time and the ability to introduce a new tariff during the five year period and provides some flexibility. Refer to page 171 of Final Plan (Table 14.4)

AGN, Anna Mitchell (AM) raised the question to those on the phone, if it would be worthwhile to schedule an additional meeting to further discuss the tariff issue and keep the conversation going?

All agreed to an additional meeting in late March on tariffs.

Actions:

AGL to send email detailing alternative street disconnection as mentioned in Multinet's proposal (Complete) , AGN to review and respond.

AM to arrange additional meeting to discuss tariffs in late March.

4. Planned customer activities for 2017

AM provided the group with an overview of AGN's planned customer activities for 2017.

Customer Service Benchmarking update: AGN now has a full 12 months' worth of data which provides a good analysis into the drivers of dissatisfaction over the three key touchpoints, being planned outages, unplanned outages and new connections. This program will now be embedded into AGN's business as usual activities which includes setting stretch targets based on the previous year's performance.

Natural gas benefits and awareness campaign, supported by TV commercials (in selected areas), and digital campaign to commence shortly following on from AGN's 'Everyday Experts recommend natural gas' campaign.

Continuation and standardisation of Rebates program which promotes the installation of gas appliances in partnership with gas appliance retailers/plumbers/gasfitters etc.

Ongoing optimisation and further development of www.australiangasnetworks.com.au which launched in October 2016 and consolidated several customer websites into one.

Action:

AGN to do further analysis on the drivers for dissatisfaction particularly in regards to new connections to identify if there are opportunities for AGN and Retailers to work together to improve communications.

5. Reference Group Charter review

AGN is currently reviewing the Reference Group Charter and encouraged the group's feedback.

Action:

AM to distribute Reference Group Charter, Reference Group to provide any feedback to AGN.

6. Thanks and close

CdL thanked all in attendance.

The meeting concluded at approximately 11.20am

Next Meeting: Meeting 8 | Tuesday 25 July 2017, 10.00am – 12.00pm

Action Items

Retailer Reference Group	Who	When
One week after circulation: Provide feedback on meeting minutes	All	17/03/2017
Advise potential agenda items (at least three weeks prior to meeting)	All	04/07/2017
AGL to advise if service performance reporting/ network level of service requires further discussion.	AGL	Complete
AGL to send email detailing alternative street disconnection as mentioned in Multinet's proposal (and the specific reference) and AGN will review/respond.	AGL	Complete, AGN to provide response
Provide feedback to AGN on Reference Group Charter	All	By 17/03/2017

AGN	Who	When
Circulate draft meeting minutes	AM	Complete
Provide Building Blocks slide as previously presented	AM	Complete
Include Credit Support as future Agenda item for next meeting and follow up with member on their issue.	AM	By 10/03/2017
Arrange additional meeting to discuss tariffs in late March	AM	By 17/03/2017
Conduct further analysis on the drivers for dissatisfaction particularly in regards to new connections to identify if there are opportunities for AGN and Retailers to work together to improve communications.	AM	Before next meeting
Distribute Reference Group Charter	AM	Complete