

AGN Retailer Reference Group – Meeting 4 Minutes

1.1

Details

Date:	Monday, 2 May 2016
Time:	10.00am – 12.00pm ACDT (10.30am -12.30pm Melbourne Time)
Dial-in:	Dial: 1800 672 949 Guest Passcode: 7242 2670 0000
Resources:	Stakeholder Preliminary Insights Report (circulated with this Agenda) DRAFT AGN Terms & Conditions (circulated with this Agenda) AGN Presentation: Tariff Structures & Customer Satisfaction Survey (circulated with this Agenda)

1.2

Attendees and Apologies

1.2.1

Attendees

Retailer Reference Group	AGN
Geoff Hargreaves (Energy Australia)	Craig de Laine (Chair)
James Barton (Simply Energy)	Peter Bucki
Keith Robertson (Origin)	Anna Mitchell
Karly Train (Energy Australia)	
Constantine Noutso (Lumo & Red Energy)	Shaun Spinks (Deloitte)

1.2.2

Apologies

Retailer Reference Group	AGN
David Grove (Origin Energy)	Vicky Knighton
Sean Greenup (Origin Energy)	
Elizabeth Molyneux (AGL)	
Sallie-Ann Proctor (Lumo Energy)	
Patrick Whish-Wilson (AGL)	
Stefanie Macri (Lumo Energy)	
Lillian Patterson (Origin Energy)	
Paul Mullan (Alinta Energy)	

1.3

Minutes

The teleconference commenced at approximately 10:35am AEDT.

1. Welcome

- AGN (Craig de Laine) (CdL) welcomed the group and welcomed new members to the group.

2. Previous Action Items

- Actions completed: Provide RRG details to enable AER to forward discussion papers; Meeting 3 Minutes circulated, finalised and uploaded to website <http://stakeholders.agnl.com.au/engaging-with-stakeholders/stakeholder-engagement/who-we-engage-with/>
- Actions covered by today's meeting: Chart showing the Cost Impact Assessment of Mains Replacement Program outlined on page 4 of presentation titled: RRG Presentation Meeting 4 Final

3. Overview of Stakeholder Insights Report: Preliminary insights

CdL introduced Shaun Spinks (Deloitte) (SS). Deloitte have been engaged to facilitate and independently report on the consumer workshops which form part of the Research Phase of AGN's Stakeholder Engagement Strategy.

- SS took the meeting through the Preliminary Insights gained from the recent AGN workshops.
- Research program sought to understand what are the key issues/themes customers were looking for from AGN and how that impacts the way they view or interact with gas.
- 4 themes identified: Customer Experience (namely, what does it feel like to be an AGN customer), Network Safety & Reliability (bulk of the workshops, ensuring that reliability is delivered at a high level whilst maintaining affordability), Access & Affordability (price) and Environmental Commitments.
- Qualitative research undertaken across the network.
- Mix of residents and small business, recruited on the basis of age, gender, income, household status etc. ensuring a good spread of consumers across the network.
- 9 insights taken from the research
 1. Customers are not aware of AGN
 2. Customers do not understand the structure of the gas industry
 3. Customers would like AGN to be more visible, believing it would improve their experience as customers
 4. Customers would like access to more information from AGN and prefer digital channels
 5. Customers view gas as a reliable source of energy and value the current standard of reliability
 6. Customers are supportive of initiatives that maintains the safety of the network
 7. Customers traditionally considered gas as a cost-effective alternative to electricity but are concerned about recent price increases
 8. Customers value the control gained by having their gas bill dependent on usage levels
 9. Customers would like AGN to play a leadership role in minimising the environmental impact of natural gas supply.
- Insights 1 & 2 are aligned: Importantly, for the retailers, Insight #2 highlights that customers are not aware of the industry, or the role of the retailers, or the separate sectors of the supply chain.
- Insights 3 & 4: Customers would like AGN to be more visible, believing it would improve their experience. Customers want to know more about AGN, they also want to know more about AGN's role, participants felt like they would have a better opportunity to understand the way the supply chain as a whole works and what that means for them from a billing perspective, therefore would better influence their decisions.
- Customers would like more information about AGN, but what was particularly important here, is how they access information. Participants were provided with a list of typical interactions that a customer might have with AGN and a list of different mediums. Most people are looking for more information, to draw on to improve their overall experience.
- Safety & Reliability: This was the bulk of the discussions with customers, they indicated that they view gas as a reliable source of energy and value the current standard of reliability. Compared to electricity, participants viewed gas as highly reliable. Conversations were around the nature of the work undertaken to attain the current levels of reliability and very little focus or support was shown from customers to not undertake certain work and or have a potential reduction in their bill. Support was extremely high from customers on key investment opportunities. For example, the Mains Replacement Program received the highest level of support from all customers and also, was their first preference out of the list of proposed investment opportunities. Total level of investment presented to consumers for Safety and Reliability projects was \$17.10, the average workshop participant was strongly supportive of spending \$13.10.

- Access and Affordability: The workshop conversation were around tariffs and tariff structures, what AGN wanted to understand was if customers have a preference for variable v fixed tariff. Overarching message was they prefer variable and the ability to influence their bill. Traditionally, customers traditionally considered gas as a cost-effective alternative to electricity but are concerned about recent price increases.
- Environment: We asked what are the key things customers think of when they think of AGN and the environment. And environment appeared front of mind for most. When we drilled down, they were looking for leadership across the entire supply chain. Looking for AGN to have a voice on the environment and the impact, including exploration and overall supply.
- Deloitte are in the process now of finalising a report which will be tabled with AGN in the coming weeks, then be publicly available with the release of AGN's Draft Plan in July.
- One member had a question on safety and reliability, and the support for the mains replacement. Were customers clear about the cost impact?
- SS confirmed with was a qualitative discussion (workshop not survey), two things occurred, AGN shared the cost impact, but also the participants had a worksheet, and were able to rank which projects were more important to them.
- Further Engagement: CdL also pointed out that the group may recall discussions during the SA process where AGN proposed a broad incentives framework to apply and the inclusions of Capital Expenditure Sharing Scheme and Customer Service Incentive Schemes and also proposed to increase the strength of the schemes. The main criticism received from the AER was that it required further industry wide consultation. As a result, in Victoria AGN is seeking to have dedicated engagement on what incentives should apply. This is being coordinated with other Vic Gas DB's and AGN expect to be releasing an Issues Paper on incentive framework in June.

Actions:

- AGN to send final Deloitte report to RRG in May so feedback can be considered prior to publishing the Draft Plan in July.
- AGN to keep RRG informed of engagement opportunities regarding incentives framework.

4. Draft Victorian Terms and Conditions

CdL discussed the first draft of the Terms & Conditions which have been circulated for comment and review.

- CdL commented that in SA, this consultation process worked well with the RRG and resulted in several versions of the Terms & Conditions.
- The proposed draft Victorian and Albury Terms & Conditions provided are marked-up to show changes made to the current Victorian terms.
- AGN have continued with the process of standardising terms across our networks. The key changes to the draft terms have therefore been made to reflect the recent draft decision made by the AER in respect of the South Australian network; and our name change, Envestra to AGN.
- CdL highlighted that these are a first draft for discussion. AGN will consider the final AER decision for SA which is coming out 26 May with respect to this area, whether the draft needs to be altered.
- AGN is seeking input from RRG by 9 June. Feedback will be reported at the next meeting scheduled for 13 July 2016.

CdL introduced Peter Bucki (PB) to talk to the Tariff Structure presentation (Slide 11 onwards).

- 30 different gas rules relevant to setting tariff structures
- The current situation:
 - AGN's objective is to ensure that gas remains an attractive and competitive fuel of choice.
 - AGN is in a strong competitive position in Victoria, unit costs are relatively low, compared to SA and Qld network charges.
 - AGN wants to ensure customers pay similar prices and avoid price shock.

- Recent changes:
 - Since the last review 5 years ago, (tariffs prior to that were the same since privatisation) tariffs were changed to splitting the Tariff V to Residential and Commercial Tariffs. The final tariff structure mimicked the SA structure and the removal of seasonal peak, off peak split.
- Tariff Zones (Slide 14)
 - Currently have 5 tariff zones in Victoria and Albury
 - The Victorian and Albury Access Arrangements were recently consolidated with the AER specifying that Albury must remain a separate tariff zone.
 - AGN has observed the different rates for usage between Central and Northern, supply charges are identical, Tariff D are also identical, AGN is looking at the potential to align the rates.
 - PB sought the groups feedback on if the RRG prefer keeping four tariff zones in Victoria or would they prefer zones to be consolidated?
 - The RRG broadly supported the simplicity of moving to a single zone.
- Tariff Classes (Slide 15)
 - There are 3 broad tariff classes: Residential, Commercial (<10TJ) and Industrial (>10TJ)
 - PB sought the groups support the continuation of separate tariffs for the Residential, Commercial and Industrial classes.
 - The RRG had no major concerns and considered it consistent with the industry.
- Tariff Structures (Slide 16)
 - AGN currently employs a declining block tariff structure for its Residential and Commercial and Tariff D classes.
 - With respect of Residential, the components seek to mimic the possible consumption of appliances. The declining block tariff is intended to promote the installation of gas appliances, the more appliances connected the lower the unit cost of gas delivered.
 - The Stakeholder insights presented earlier, customers have indicated a preference for a high variable component to enable greater control of their bill, the current tariff structure implies 19% fixed and 81% variable of the network component of a customer's bill.
 - PB sought the groups support the continuation of a declining block tariff?
 - One member preferred a flat block structure and questioned if this structure did in fact produce additional load? PB confirmed that when attempting to market the use of gas, it helps our economics of trying to sell additional appliances.
 - PB also highlighted the biggest issue at the moment being the popularity of reverse cycle air conditioning for heating. Declining block structure enables AGN to highlight the more appliances you have, the cheaper it becomes, and so it does help our argument when comparing costs with electricity.
 - Another critical difference highlighted by PB is the difference between gas and electricity networks. Gas don't have the same issues. Additional load doesn't trigger augmentation to the same extent as electricity.
 - The RRG expressed broad support for maintaining the status quo, with a mind to considering the option of a flat price path in the future.

Actions:

- PB, CdL encouraged RRG to have further discussion and provide feedback on issues such retailer pricing.

5. Customer Service Satisfaction Survey Program (Slide 19 onwards)

- Objective is to measure our customer service, understand consumer views and ultimately improve the service we are delivering to customers.
- CdL shared the early results:
 - Planned interruptions received a good score (relative to target of 8 and above)
 - Unplanned interruptions received a poor score, highlighting we need to improve our communications with regard to unplanned interruptions.
 - New connections: Need improvement as that is a planned process.
- AGN also believe these sorts of measures could be rolled out across the industry and could also be used a basis for a formal incentive scheme.

6. ESC Energy Hardship Inquiry Report

- AGN made the commitment to the RRG, to keep each other informed and look for opportunities to work together for any hardship/vulnerable customer issues. AGN is seeking the retailers feedback about the findings as it applies to them.
- Given many are still considering the review, having gone through 6 months of discussions with the ESC, most retailers are still working a final response and will inform AGN of the outcomes.

Actions:

- Retailers to provide updates on ESC Hardship Inquiry as appropriate.

7. Other and Next Steps (Slide 24)

- CdL highlighted milestones:
 - Stakeholder Workshops completed
 - Dedicated engagement on incentives to be undertaken
 - Deloitte Stakeholder Engagement report to be distributed to group, feedback welcome
 - 9 June: Retailer feedback due on draft Terms and Conditions.
 - 5 July: AGN to release Draft Plan, open for consultation/feedback for 4-6 weeks
 - Next Meeting: 13 July 2016

CdL thanked all for their time and thanked all for the feedback. The meeting concluded at approx. 12.00pm.

1.4 Summary of Action Items

- Retailer Reference Group:
 - Retailers to provide updates on ESC Hardship Inquiry as appropriate.
 - PB, CdL encouraged RRG to have further discussion and provide feedback on issues such as retailer pricing.
 - Provide potential agenda items (at least 3 weeks prior to meeting).
 - Monitor opportunities for an alignment with consumer messaging (ongoing).
- AGN:
 - Circulate draft meeting minutes pertaining to Meeting 4 for comment and discussion.
 - Send final Deloitte report to RRG in May so feedback can be considered prior to publishing the Draft Plan in July.
 - Keep RRG informed of engagement opportunities regarding incentives framework.