

# AGN Victoria/Albury Reference Group – Meeting 3 Minutes

**FINAL**

## 1.1 Details

<b>Date:</b>	Monday 23 May 2016
<b>Time:</b>	10.00am – 12.00pm
<b>Location:</b>	Deloitte Offices, 550 Bourke Street Melbourne
<b>Dial-in:</b>	Available upon request
<b>Resources:</b>	AGN Customer Satisfaction Benchmarking AGN Stakeholder Insights AGN Customer Insights Report DRAFT Presentation on Proposed Incentives Arrangements

## 1.2 Attendees and Apologies

### 1.2.1 Attendees

Reference Group	AGN
Chris James (NORTH Link)	Craig de Laine (Chair)
Jon Onley (Australian Industry Group)	Ben Wilson
Ben Martin Hobbs (Consumer Utilities Advocacy Centre)	Anna Mitchell
Invited Observer: EWOV Representative, Belinda Sandilands	Shaun Spinks (Deloitte)
	Geoff Swier (Farrier Swier Consulting)
	Andrew Foley (APA Group)

### 1.2.2 Apologies

Reference Group	AGN
Gavin Duffy (St Vincent de Paul Society)	None
Ken Gardner (Master Plumbers Association)	
Randal Harkin (COTA VIC)	

## 1.3 Minutes

The meeting commenced at approximately 10:05 am AEDT.

### 1. Welcome

- AGN (Craig de Laine (CdL)) welcomed the Victoria / Albury Reference Group (VARG) and thanked them again for their attendance. Welcome to Chris James, NORTH Link who was attending his first meeting as the new Executive Director. NORTH Link provide economic advocacy for Melbourne's northern region, representing industries such as manufacturing. James has had previous experience with these types of Reference Groups, sat on Essential Services Committee Customer Consultative Panel. CdL also welcomed Belinda Sandilands, observing on behalf of EWOV (Research & Communications area). Also in attendance was Andrew Foley, GM of APA Victorian Networks who operate AGN's Victorian Network, and Shaun Spinks from Deloitte who will be presenting our Customer Insights developed out of the recent customer workshops.
- Geoff Swier will join during the meeting, Farrier Swier consulting, who are assisting AGN look at the incentive arrangements that might apply to AGN's Victorian Network. AGN is working with the two other Victorian DB's on a dedicated stakeholder engagement activity around the proposed incentives framework.

## 2. Review of Meeting 2 Action Items

- AGN (Anna Mitchell, (AM)) updated the group on the status of Previous Action items:
  - Meeting 2 minutes – finalised and circulated, available on stakeholder website.
  - VARG recruitment – AGN extended invitation to:
    - Vic Farmers Federation, declined, however, referred to Australian Dairy Industry Council, awaiting response.
    - Energy Consumers Australia, awaiting response.
    - Major Energy Users Association, this was also declined, but now in discussions regarding a broader strategic partnership.
    - In all cases where organisations declined to participate, all sited resources as the major reason, followed by interest in gas industry.
  - All remaining outstanding Action Items will be covered off throughout the presentations.
  - CdL advised that he and Ben Wilson had met with the AER, and amongst other things, discussed the composition of the group, AER seemed happy with the representation. CdL also reminded members that AGN welcomed additional suggestions for the group.

## 3. Update on AGN Customer Satisfaction Survey

- AGN (Ben Wilson (BW)) spoke to a short presentation stopping throughout for comment and questions. Key points noted by BW included:
  - Key element of “Delivering for Customers” (part of AGN’s Vision) is customer service.
  - AGN have engaged Customer Service Benchmarking Australia (CSBA) to directly measure customer service across key touch points.
  - CSBA are an independent firm.
  - UK regulator (Ofgem) has imposed this type of program where customer service is measured weekly in electricity and monthly in gas, with results published and financial incentives in place, however, it’s been the reputational incentive which has been more powerful and has driven customer change.
  - This has been done in a way which could possibly be the template for something the whole industry could do, and the other Victorian Gas DB’s are also looking at.
  - Results (Dec 2015 – March 2016) Slide 6
  - Planned interruptions score: Received good score (8.5)
  - Unplanned interruptions score: Scores are around 6.5, ideally it should be around 8. Drivers for this is around communications.
  - New Connections score: 7.25, which is ok. Again, drivers are around communications, time to connect.
  - Compared to the UK, the table shows significant improvement over time since the introduction of customer satisfaction benchmarking.
  - AGN is setting a target of 8.2 for Overall Satisfaction.

## 4. Overview of Stakeholder Insights Report (Shaun Spinks, Deloitte)

- AGN (Craig de Laine (CdL)) welcomed Shaun Spinks (SS) from Deloitte. Since the last meeting, AGN, have moved into the Research Phase of our Stakeholder Engagement strategy, and with the assistance of Deloitte have held our customer workshops, received our Insights and are now considering how we react to those.
- SS commented that in addition to the above research AGN is undertaking, the customer workshops conducted allowed AGN the opportunity to have two rich data sets to consider, the customer service data, together with high level conversations around how customers feel about the product that is not based purely on an interaction.

- SS spoke to a short presentation stopping throughout for comment and questions. Key points noted by SS included:
  - Research found 9 overarching insights: which were consistent across the workshops.
    - Customers are not aware of AGN
    - Customers do not understand the structure of the gas industry
    - Customers traditionally considered gas as a cost-effective alternative to electricity but are concerned about recent price increases
    - Customers would like AGN to be more visible, believing it would improve their experience as customers
    - Customers would like access to more information from AGN and prefer digital channels
    - Customers view gas as a reliable source of energy and value the current standard of reliability
    - Customers are supportive of initiatives that maintains the safety of the network
    - Customers value the control gained by having their gas bill dependent on usage levels
    - Customers would like AGN to play a leadership role in minimising the environmental impact of natural gas supply.
  - 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.
  - CdL reiterated that this was discussed at the recent ENA Conference where Gavin Dufty presented on a panel and talked about this exact same thing, he said people want more information about the gas supply industry, they want to know what's driving price and where they can go to put pressure on the sector to get better price outcomes.
  - John Onley (JO) commented that both he and Gavin sit on the Jemena and CitiPower/Powerecor CCC and what this shows is the same for the electricity DB's, and having an identity is a key challenge. Community programs go some way in addressing this for example: CitiPower's sponsorship of a regional NAB Cup.
  - 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, in a digital format, to draw on when they choose, 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 have a potential reduction in their bill.
  - Support was extremely high from customers on key investment opportunities that maintain and improve the reliability and safety of the network. For example, AGN presented a range of investment options AGN is considering undertaking during the next Access Arrangement period and asked customers were they would be prepared to pay for those things. It was not a willingness to pay choice modelling exercise. For example, AGN asked if customers valued the Mains Replacement Program, explaining why it is necessary, and the typical cost impact on the customers annual bill. This received the highest level of support from all customers and also, was their first preference out of the list of proposed investment opportunities.
  - On the issue of AGN gaining access to inaccessible meters, JO commented that meter readers are a real opportunity for AGN to 'value add' which is extremely difficult in gas. BW agreed with these comments and advised that AGN would be trailing using the meter readers to distribute information about AGN in SA in coming months.

- Member questions on research recruitment:
  - o Profile of workshop attendees: SS responded with majority were residential, however, there were some small business represented. AGN were also running this in parallel with discussions directly with large users.
  - o Recruitment of CALD and vulnerable customers: AGN didn't set a set target or quota for vulnerable customers, however attendees were recruited across an income spread and it was evident that some would be considered vulnerable customers.
- SS reminded all that Draft Report is strictly embargoed however, welcomed feedback from the group.
- CdL thanked SS and requested member feedback on Deloitte's report by the end of May.

**ACTIONS:**

- o AGN to provide copies of any Victorian consumer communication materials to EWOV in case it generates additional calls.
- o Reference Group to provide feedback on Deloitte's Draft Report by the end of May via Anna Mitchell.

**5. Proposed Incentives Arrangements (Geoff Swier, Farrier Swier Consulting)**

- AGN (Craig de Laine (CdL)) welcomed Geoff Swier (GS) from Farrier Swier Consulting. CdL reminded the group that the three Victorian Distributors (Aunet, Multinet and AGN) are all working together on the incentive arrangement framework and have jointly engaged Farrier Swier on the process which includes the development of an Issues Paper that will be open for public consultation as well as a stakeholder workshop.
- GS spoke to a short presentation stopping throughout for comment and questions. Key points noted by GS included:
  - Incentive Framework for gas is much less developed than electricity distribution.
  - The National Gas Rules (rule 98) are much less prescriptive about incentive frameworks, and gives the AER cart blanche to decide whether or not it will accept incentives, therefore the onus is very much on the businesses to engage with their customers and demonstrate to the AER the framework is justified and promotes the long term interest of consumers.
  - GS also working with AGN with their work in this area to advance AGN's views.
  - Issues paper is not advocating any position as such, it's very 'matter of fact', attempting to put out the analysis in a neutral way.
  - CdL also commented that in SA Review, AGN proposed an expanded incentive framework apply in SA, a key criticism from the AER was that there was a lack of industry wide consultation on the types on incentives proposed for SA.
  - In the UK, OFGEM (UK regulator) has introduced specific innovation measures as part of its new regulatory framework RIIO (Revenue = Incentives + Innovation + Outputs) model. Regulator has a much stronger interest and focus on innovation than the AEMC and AER, so it's a very important debate to have.
  - Issues Paper: Economic regulation literature stresses the importance of holistic incentives. Victorian gas DB is not holistic. Issues paper is going to focus on retaining EBSS, but also debates whether the incentive power, should be made stronger, and explores the merits of introducing three new incentive schemes; a Capital Expenditure Sharing Scheme (CESS), a Customer Service Incentive Scheme (CSIS) and a Network Innovation Scheme (NIS).
  - Overarching objective of economic regulation of gas based business is to promote the economic efficiency for the long term interests of consumers (LTIC).

- Members questions on presentation:
    - o JO commented that the word 'Innovation' was bandied around loosely and it was currently a steady as she goes regime which is disappointing and requires leadership in the area.
  - Slide 10 – EBSS: Designed to encourage businesses to pursue continuous operating expenditure efficiency through the five year regulatory period. Currently shares the efficiency gains on a 30/70 basis between the business and customers.
  - Slide 11 – CESS: Incentivises the business to pursue continuous capital expenditure efficiently improvements over time.
  - Slide 12 – CSIS: Dovetails into the work AGN is already doing in this area, and engagement with customers, understanding what is important, where is the value add? And how do you define that in a measurable term, and design penalties and incentives around that, which drive improvement.
  - Slide 13 – NIS: Looking again towards the UK, this is an area of opportunity, however, this requires a lot of discussion and debate.
- CdL thanked GS, advised that Reference Group Members would receive a copy of the Issues Paper and an invitation to attend the dedicated workshop on incentives in the coming week.

## 6. Timeline

- CdL provided an update on timings and key focus areas:
  - Deloitte Report, AGN to provide feedback to Deloitte and finalise by early June. Key task for AGN is to now consider the insights received through engagement program and incorporate into AGN's Draft Plan (DP).
  - AGN's DP is a key part of the Stakeholder Engagement Program and Access Arrangement Review process and will be released on 5 July.
  - DP will cover all elements of the proposed plan AGN will be submitting to the AER including price path.
  - CdL stressed AGN is keen to get active and effective engagement on the DP. AGN is proposing to hold a series of meetings with Reference Group and other stakeholders on the key issues.
  - Meeting schedules: Meeting on 12 July – AGN would like to provide a briefing to Reference Group before the Draft Plan's release, AGN proposed to move meeting to prior 5 July (2<sup>nd</sup> or 3<sup>rd</sup> week of June) and push meeting on 12 July out further to give group time to reflect and identify what issues you would like to discuss further.
  - BW mentioned that this DP was the first time a DB has published a full Draft Plan including a price path six months before they are required to submit to the regulator.
  - Incentives engagement: Issues paper out by 1<sup>st</sup> week of June, with a workshop on 15 or 20 June (of which Reference Group will receive further information).

## 7. Thanks and close

- The meeting concluded at approximately 11.59am AEDT.

## 1.4 Action Items

- **Victoria/ Albury Reference Group:**

- One week after circulation: Provide feedback on meeting minutes.
- Provide feedback on Deloitte's Customer Insights Report by the end of May to Anna Mitchell.
- Ongoing: Advise potential agenda items (at least three weeks prior to meeting).

- **AGN:**

- Circulate draft meeting minutes (final minutes to be circulated post feedback from the Reference Group).
- Provide copies of any Victorian consumer communication materials EWOV in the event it generates additional calls.
- Facilitate briefing session on Draft Plan with Reference Group (prior to its release)
- Ongoing: Follow up with GD/YVW re opportunities for customer service benchmarking and measuring customer complaints.
- Ongoing: Consider future management system suppliers as a future stakeholder.

Previous Action Item resolutions:

- Distribute information regarding regulatory compliance costs in application to AER (headline numbers). In the order of \$200,000 Highlighted in issues paper to the AER on the consolidation of Victoria and Albury).
- Provide definition of vulnerable customers for comment: AGN follows the ENA's broad definition (link below), but will continually seek feedback and further advice from our stakeholders on this matter. [http://www.ena.asn.au/sites/default/files/supporting\\_vulnerable\\_customers\\_-\\_houstonkemp\\_options\\_paper\\_final.pdf](http://www.ena.asn.au/sites/default/files/supporting_vulnerable_customers_-_houstonkemp_options_paper_final.pdf)

**NEXT MEETING: Tuesday 12 July 2016, 2.30pm – 4.30pm (AEST)**

**MEETING DATE TO CHANGE, ANNA MITCHELL WILL PROVIDE REVISED MEETING DATES ASAP.**