

Minutes

AGN Victoria/Albury Reference Group | Meeting 4

Date

Tuesday, 28 June 2016

Where

Offices of Deloitte, 550 Bourke Street, Melbourne

Time

10.30am - 12.30pm

Attendees

Reference Group	AGN
Gavin Dufty (St Vincent de Paul Society)	Craig de Laine (Chair)
Ken Gardner (Master Plumbers Association)	Ben Wilson
Mark Henley (Uniting Communities)	Anna Mitchell
Ben Martin Hobbs (Consumer Utilities Advocacy Centre)	
Jon Onley (Australian Industry Group)	

Apologies

Reference Group	AGN
Randal Harkin (COTA VIC)	
David Havyatt (Energy Consumers Australia)	
Chris James (NORTH Link)	

Minutes

The meeting commenced at approx. 10.35am AEDT

1. Welcome

AGN, Craig de Laine (CdL) welcomed the group and thanked them again for their attendance.

CdL introduced/welcomed Mark Henley (Uniting Communities SA) to the Group. Mark has been a very active member of the AGN SA Reference Group and has a strong interest in many of the issues AGN has been discussing with the AER including incentive arrangements, appropriate inflation rates, how you assess step out growth and has offered to participate in the Victoria/Albury program when he can.

CdL also welcomed David Havyatt, from Energy Consumers Australia (ECA) to the group, despite being unable to attend this meeting, AGN was very pleased to be able to welcome ECA to the group and looked forward to their contribution.

CdL provided a brief SA Update: AGN met with the AGN SA Reference Group last week to take them through the AER final decision in relation to the operation of AGN's SA networks. AGN has accepted AER final decision (AGN is the only business not to appeal the recent final decisions). AGN's media release on the SA decision can be viewed [here](#).

2. Review of Minutes from previous meetings and action items

The minutes from the previous meeting held on 23 May 2016 have been circulated. No further comments on the previous minutes. The minutes are now available on our [website](#).

3. AGN Draft Plan: Five Year Plan for our Victorian and Albury Natural Gas Distribution Networks

AGN, Ben Wilson (BW) spoke to a presentation stopping throughout for comment and questions. Key points noted by BW included:

- AGN releasing our Draft Plan on 5 July. The reason we are releasing the plan early is because we want to be in a position where the plan that we submit a proposal at the end of the year is supported by stakeholders and capable of being accepted by the AER, which builds on from AGN's recent outcomes in SA.
- BW described AGN's current performance measures and highlighted outcomes of AGN's customer service benchmarking program with regards to emergency calls and leak responses, planned and unplanned interruptions as well as new connections.
- One member asked if AGN were going to review means/modes/median, as in electricity by setting some parameters around how long the trial is? Including understanding the 5% of calls that are not meeting the target (relating to leak response) BW explained that the theme for the next period is continuous improvement, year on year, at no extra cost.
- One member queried AGN's leak detection measures, in addition to customer reported leaks. BW explained AGN's leak detection surveys, where the frequency of surveys depend on risk profile of profile areas, ie surveys more frequently around schools, hospitals, high density areas. BW also provided information on AGN's leak detection vehicles. Leak survey standards set at 100%, but there are also discussions to be had around if they can be done more efficiently, using other/newer technologies etc.
- One member highlighted how the value proposition for the unplanned interruptions in gas was different to electricity. Particularly where customers are unable to substitute electricity to fill the gas services (whereas people can generally live with an electricity interruption) and queried what/if any substitutes AGN offered if people were off gas for a period of time? BW explained AGN has CNG trailers and other measures, he also highlighted that unplanned interruptions are not in our DNA. This member also provided some examples of how water companies were being sophisticated in their response to issues as a result of unplanned water sewage issues and providing different service offerings, which receives quite high customer satisfaction, which may be able to provide some learnings to AGN to learn from their response to water unplanned interruptions.
- On the topic of growth (coming from high rise dwellings), one member asked about AGN's plans for bulk connections, suggesting that there would be many residents who would like their own gas meter. BW commented that in NSW, it is common to have individual meters in individual units in high rises, however, in Victoria, this is not allowed for safety reasons. AGN has a growth strategy underway which includes looking at a strategy for high rise (bulk connections), and will continue to monitor new metering technology becoming available.
- Sustainably Cost Efficient: BW highlighted Draft Plan highlights that AGN will reduce costs, both opex and capex over the next period and offers a 11% upfront price reduction, followed by a 3% pa growth after that, and the reason for that profile is that it matches AGN's asset base. In SA, the AER final decision provided a 23% up front price cut, where they were coming off a higher return. This plan is consistent with what has been approved in SA. (Slide 4)

- In SA, AGN issued a press release on the decision to generate some good news stories, and also to put pressure on the retailers to ensure they pass that saving on. As a result, both Origin and AGL have publicly come out saying they will, Origin have since published their tariffs in line with this. Our intention for Victoria/Albury is the same, we will issue a Media Release when we release our Draft Plan.
- On the topic of the CBD mains replacement, one member questioned whether AGN factored in the broader economic cost of doing something versus not doing something when preparing proposals. BW highlighted that the primary driver for the mains replacement is safety.

AGN, Craig de Laine (CdL) spoke to the next stage of the presentation stopping throughout for comment and questions. Key points noted by CdL included:

- Now in Implementation Phase of Stakeholder Engagement strategy, key outputs of this stage include the Draft Plan and further engagement with customers, reference groups and other stakeholders.
- Customer Insights have been reflected in our Draft Plan.
- Draft Plan provides a good opportunity for stakeholders to provide feedback, and it is crucial AGN receives feedback.
- One member commented on an email from the Dpt of Environment, who have just completed a stakeholder survey around energy efficiency, in SME's, which has implications for natural gas which was surprising. Member to provide copy to AGN to review.
- Further engagement still to take place:
 - o Incentives Forum on 11 July, being held in conjunction with AusNet Services and Multinet Gas.
 - o Dedicated engagement stream with ESV on the mains replacement program.
 - o Customer validation workshops.
- CdL commented compared to AGN's SA program, Victoria/Albury is further progressed and more refined, however, there is still a lot to be done in the lead up to AGN's AA Proposal.
- BW invited Mark Henley to comment on his experience with the SA Reference Group, the one thing MH noted that in Victoria, AGN has commenced their engagement earlier, which is a good key learning, and has provided the chance to think of the issues, MH highlighted that engagement works better around the complex issues ie. Incentive schemes, financeability and thought the incentives mechanism forum and issues paper has been a very good process.
- BW highlighted that AGN has underspent their current allowance which has been achieved by cost reductions in 2015/16, driven by new ownership at end of 2014, new management focus which has been to nationalise the business including reorganisation and rationalisation. (Slide 9)
- AGN is only proposing one step change for the next period in relation to marketing and forecasts opex at 3% less than incurred in the current period, which AGN believe is a pragmatic approach.
- Opex per customer (slide 9 chart), one member asked if AGN has plotted results against obligations in relation to customer charters. These requirements (rules) could be a key way to start on ongoing relationship and conversation with customers, although infrequent, this supports AGN's insights that customers are not aware of who AGN is but could be useful for AGN to consider. BW commented that a customer charter could be a good communication tool.
- One member supported that this would be a good opportunity for AGN to raise their brand awareness.
- On Capex IT, one member questioned what AGN orders completed looked like? Referenced by St Vincent de Paul Energy electricity disconnection report https://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/VINNI_ES_NATIONAL/Households_in_the_dark/ AGN to investigate and provide further information.
- Rate of Return: Again, Draft Plan is in line with AER guidelines/preferred approach with regard to cost of debt, cost of equity, forecast inflation, Gamma, however, AGN's approach may change pending further clarity on the outcomes of current NSW electricity appeal process. (Slide 15)

4. Incentive mechanisms: Ongoing engagement

- The Consumer Challenge Panel (CCP) in the recent SA decision supported the principal of capex incentive but said it needed to be balanced by an operating incentive, AGN proposed a package of measures, based on the analogy to electricity including STPIS (leak response, call handling performance)
- One member suggested reinstatement/restoration would be a good measure, BW highlighted some of the customer satisfaction results highlighted AGN was performing well in this area on planned works. AGN's customer satisfaction program is based on a UK model which is capable, for the next review, being subject to an industry scheme.
- One member commented on the fast rate of having water smart metering, and questioned AGN's position on smart metering in the next period, BW responded that there would need to be a good business case.
- One member commented that from a consumer perspective, there was still a lot of information to understand in a reasonably short period of time. All agreed the joint forum with the other DBs was a good approach.
- Following the incentives mechanisms forum, and the closing of submissions, AGN will receive a report with the findings which we will provide to the AER.
- GD suggested some additional invitees for the incentives forum based on current RSVPs: ESV, Local Government and Environment Groups (Env Vic), State Government departments.

5. Next Steps

- As discussed, AGN would like to submit a plan to the AER on or before 1 January that is capable of being accepted, that is supported by our stakeholders.
- AGN proposes to work with the group via a series of further workshops focusing on key issues for the group in the Draft Plan and asked the group what is the list of issues they would like to discuss further and what are the resources required by the group to facilitate feedback.
- CdL explained the dedicated engagement currently underway with ESV on the mains replacement.
- CdL suggested that additional support could be provided to ease the pressure of making submissions, and that the consultation/conversations could be supported through documentors i.e meetings/workshop outcomes recorded and agreed, all agreed that that it was more time effective for them to talk than to write a submission.
- CdL also noting these workshops/conversations were not driven by the 16 August submission deadline and would also look to involve the CCP on the workshops.
- Issues for discussions:
 - Change in depreciation
 - Asset write off/decommissioning
 - RAB growth , financeability
 - AEMC Review of the Victorian declared wholesale gas market
 - 15-20 year Vision
 - Social Good of Gas? Community value of infrastructure i.e hospitals and aged care facilities

- Customer Charters: AGN's story and how should that be delivered
 - BW referred group back to AGN's [Annual Review](#)
 - One member recommended that this group could be used to assist in the Annual Review production in future
- No for discussion:
- Mains replacement (was more contentious in SA)
 - Rate of Return

6. Thanks and close

CdL & BW thanked all for attending.

Next meeting: Meeting 5: TBC, AM to coordinate workshop topics and dates.

Action Items

Victoria / Albury Reference Group	Who	When
One week after circulation: Provide feedback on meeting minutes	All	22 July 2016
Ongoing: Advise potential agenda items (at least three weeks prior to meeting)	All	Ongoing
Provide Department of Environment survey results	GD	Complete

AGN	Who	When
Circulate draft meeting minutes	AM	15 July 2016
AGN to provide information on completed order rates, successful meter reads	AM	For next meeting
CdL to follow up discussions with MH on the topic of water smart metering	CdL	By 4 August
AGN to extend invitation to additional suggestions for incentives forum	AM	Complete
AGN to provide a list of key issues based on topics above to be workshopped	AM	Complete
AGN to provide further information on resources available to assist in documenting and reporting Draft Plan key issues and conversations	AM	By 4 August
AGN to utilize this group to assist in Annual Review production in future	AGN	Ongoing