

Minutes

AGN South Australian Reference Group | Meeting 6

Date

Tuesday, 28 February 2017

Where

**Australian Gas Networks Offices
Level 6, 400 King William Street
Adelaide**

Time

2.00pm - 4.00pm

Attendees

Reference Group	AGN
Reeva Brice (COTA SA)	Craig de Laine (Chair)
Heather I'Anson (Primary Producers SA)	Jin Singh
Anthony Moore (Consumers SA)	Anna Mitchell
Vanessa Musolino (SACOSS)	
Andrew McKenna (Business SA)	
Amber Miller (ESCOSA) Guest	

Apologies

Reference Group	AGN
Mark Henley (Uniting Communities)	Andrew Staniford
Jo De Silva (SACOSS)	
David Hossen (Property Council of SA)	
Tim Kelly (Conservation SA)	
Sandy Canale (EWOSA) Guest	
Nathan Petrus (ESCOSA) Guest	

Minutes

The meeting commenced at approximately 2.00pm

1. Welcome

AGN, Craig de Laine (CdL) welcomed all to the meeting and thanked members again for their time and contribution.

Discussions then went straight into the issues currently affecting members including:

- Allot going on in the industry at the moment, difficulty in decide what to target and get involved in.
- Finkel Review
- SA Reliability (short term, Hazelwood)
- Cost of Gas: Feedback from larger users is that gas prices are increasing and is becoming more challenging across the State based jurisdictions
- Low carbon future
- Gas supply constraints
- Integration of climate policy and energy policy's and the impact on affordability

CdL provided an overview of AGN's position of the Finkel Review, comments included:

AGN believe we have a role to play but see a lot of the policy discussion and debate as heavily focused on electricity, AGNs submission includes highlighting the role natural gas networks can play in ensuring reliable and secure energy supply to customers, as well as the de carbonisation journey and future opportunities for natural gas.

CdL also reported on the SA Government's new Hydrogen Taskforce with whom AGN met with recently. They are looking developing a hydrogen economy in SA looking at the technology, the economics for export, suppling industry etc. Their preliminary findings will be released in May, AGN will watch closely and keep the group informed.

CdL also noted that the Energy Networks Association (ENA) will be releasing their Gas Vision for 2050, and the de-carbonisation journey for gas shortly.

One member asked AGN's position on the storage of gas for domestic use in the context of price increases in the wholesale market.

- CdL provided statistics (6 million Tesla batteries would be required to match gas storage facilities available in Aust) to support that there was an incredible amount of gas storage available in existing storage facilities, not including the amount of storage available in the network, which supports the reliability and security story AGN is trying to get out.
- AGN supports fact and evidence based debate on gas exploration.

Questions continued on gas storage, how it is stored, if SA needed more storage to ensure secure supplies of gas, will that help the electricity market?

- CdL confirmed that gas can be stored via three ways, 1) in the network, 2) dedicated storage facilities such as Iona and 3) Line pack where a transmission line is duplicated and used for storage.
- CdL understands that the storage is there but will provide further detail.

Another member questioned if storage in old underground mines was possible?

- CdL confirmed that carbon could be stored underground.

Another member commented on the debate of what was in the public's interest versus what was in shareholder interest, and asked AGN's position on the matter.

- CdL confirmed that AGN were driven by selling gas, a reservation policy at face value would make sense for AGN. With a domestic network AGN would like gas to stay domestic (keeping in mind that 'storage gas' may still need to pass through the network)

Another member asked if AGN's expansion plans, for example, Mt Barker, included assurances for the continuation of supply for the rest of the network for domestic needs and what technological advances AGN uses particularly in regional areas for dealing with bush fires and if there were any trends AGN could provide on Gas v Electric hot water services.

- CdL confirmed that there was no shortage of gas, but the fact that more wholesale gas is going offshore is having a price impact, AGN's ability to supply customers is not affected.
- CdL also confirmed that AGN has the ability to shut the network down in the event of bush fires, additionally AGN is currently installing bushfire shut off valves on the network in bushfire prone areas which was approved by the AER for SA and is looking to do the same in Victoria.
- JS confirmed that consumer preferences for natural gas hot water were still very high, but there has a shift to solar.

CdL also provided an update on the Mt Barker project, and highlighted the following:

- Application for LPG license has been approved.
- Mt Barker will be reticulated with LPG gas (appliances can be converted later).
- FEED study being undertaken reviewing things like engineering, demand and developing a detailed economic case if the project is viable. AGN is aiming to provide a report to the September Board Meeting with a recommendation.

CdL also commented that AGN is trying to be more vocal and active in the 'policy' debate, and arguing for technology neutral policy to even up the playing field. AGN is keen to look at gas policy around the world.

Actions:

AGN to circulate:

- *Draft Finkel Review submission (Complete)*
- *ENA issues paper: Gas Vision for 2050 when available*
- *Northern Gas Projects Pilot Project, Leeds H21 (with minutes)*

AGN to provide further details on:

- *SA Government's new Hydrogen Taskforce*
- *Gas storage levels and requirements*
- *Statistics on consumer complaints relating to solar*

CdL also made some comments on changes in AGN staffing, noting Peter Bucki had been appointed to the role of Head of Regulation, CdL's role had expanded to focus on the strategy side of the business, and Anna Mitchell, has joined AGN, from APA Group, as Manager Stakeholder Engagement, further displaying AGN's commitment to continuing this program with this group and right across AGN's business. Given these changes, it will be most likely also, that AGN's Chief Operating Officer, Andrew Staniford, will take over as Chair of this group going forward. These organisation changes are part of AGN's efforts to embed Stakeholder Engagement as business as usual.

CdL also reminded the group to feel free to make any suggestions as to the composition of this group to ensure it accurately reflects AGN's key stakeholders. AGN considers it to be best practice to continually review.

2. Previous Minutes

Despite the positive flow of the meeting, CdL noted that the meeting minutes for Meeting 5 have been circulated and noted.

3. Victoria/Albury Final Plan update

CdL referred to the Key Metrics infographic for Victoria and Albury (slide 4)

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 (AGN network charges) 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.
- The key difference to the SA process undertaken with this group, is that AGN released a 'Draft Plan' for the Victorian/Albury Networks during July, which was a significant step forward and allowed AGN to hold a series of additional workshops with customers and key stakeholders to ensure we had reflected in our plans, what we heard from them previously, correctly.

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 has taken key learnings from the SA program and used throughout the Victoria/Albury submissions.

Next steps for Victoria/Albury process:

- 3 March, public submissions due (complete)
- 29 June, AER releases draft decision
- 14 August, AGN response to draft decision due
- End Nov, Final decision made

4. Planned customer activities for 2017

AGN, Jin Singh (JS) provided the group with an overview of AGN's planned customer activities for 2017 as well as the results from AGN's Customer Benchmarking Program.

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. Regarding new connections, although AGN does not 'own' the process end to end, AGN sees themselves as having a role to play in improving communications with customers, which proves challenging.

JS also provided an overview of other activities underway, including:

- 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 which has commenced earlier than usual and started in January. JS also confirmed that rebates were open to small businesses.
- Ongoing optimisation and further development of www.australiangasnetworks.com.au which launched in October 2016 and consolidated several customer websites into one.

Actions:

- *AGN to provide group data on unplanned outages in SA.*
- *AGN to share quarterly updates on the benchmarking program (which can be shared with each member's respective members) and look to sync up Reference Group meeting schedule with this program next year.*
- *ALL to provide AGN with a summary of their communication channels (type, timing etc) and any ideas on how AGN can provide content that is relevant which members can utilise to disseminate information (for example ageing appliance checks, things to look for (as suggested by Consumers SA). AGN to pursue with Business SA and Consumers SA how to best communicate these updates.*
- *AGN to resend Reference Group member survey.*

5. Review of Reference Group Charter

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. Future Agenda Items

In addition to the positive discussions at the beginning of the meeting, AGN will include updates on the gas de-carbonisation story and gas policy as ongoing Agenda items.

Additionally, AGN will include regulatory cycles, customer service performance, and commercial activities and welcomed any additional suggestions. Suggestions included:

- Current commentary on pricing would be useful (ESCOSA already monitor prices at a retail level)

- AGN Policy interactions on a national level, AGN could present forward looking Policy Agenda items (taken from the AGN Register) which may help identify joint issues.
- What would the group like to see included on the AGN website, Stakeholder pages?

7. Thanks and close

CdL thanked all in attendance.

The meeting concluded at approximately 4.00pm

Next Meeting: Meeting 7 | Tuesday 1 August 2017, 2.00pm – 4.00pm

Action Items

Reference Group	Who	When
One week after circulation: Provide feedback on meeting minutes	All	30/03/2017
Provide AGN with a summary of communication channels and any ideas on how AGN can provide content that is relevant. Things to include: Communication type & channel ie. Newsletter, email newsletter, website etc. Frequency, Audience	All	By Fri 7 April 2017
Provide feedback to AGN on Reference Group Charter	All	30/03/2017
AGN	Who	When
Circulate draft meeting minutes	AM	7/03/2017
AGN to circulate		
<ul style="list-style-type: none"> - Draft Finkel Review submission (Complete) - Northern Gas Projects Pilot Project, Leeds H21 (with minutes) - ENA issues paper: Gas Vision for 2050 when available (Complete) 	AGN	Ongoing
AGN to provide further information on:		
<ul style="list-style-type: none"> - SA Government's new Hydrogen Taskforce findings (May) - Gas storage levels and requirements - Consumer complaints statistics in relation to solar - Unplanned outages in SA 	AGN	For next meeting
AGN to share quarterly updates on the benchmarking program	AM	Ongoing
Resend Reference Group member survey	AM	With minutes
Distribute Reference Group Charter	AM	With minutes