

# Minutes

## AGN South Australian Reference Group | Meeting 7

### Date

Tuesday, 08 August 2017

### Where

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

### Time

2.00pm - 4.00pm

### Attendees

Reference Group	AGN
Andrew McKenna (Business SA)	Andrew Staniford (Chair)
Jo De Silva (SACOSS)	Peter Bucki
Mark Henley (Uniting Communities)	Jin Singh
Reeva Brice (COTA SA)	Chris Hewson
Rowan McKeown (ESCOSA) Guest	Anna Mitchell
	Jason Morony (APA)

### Apologies

Reference Group	AGN
Anthony Moore (Consumers SA)	
Heather I'Anson (Primary Producers SA)	
David Hossen (Property Council of SA)	
Amber Miller (ESCOSA) Guest	
Sandy Canale (EWOSA) Guest	

### Minutes

The meeting commenced at approximately 2.00pm

#### 1. Welcome

AGN, Andrew Staniford (AS) welcomed all to the meeting and thanked members again for their time and contribution. AS commented on how AGN's stakeholder engagement program, which commenced with this group in SA, has evolved, and reiterated AGN's commitment and desire to embed our program into business as usual activities.

One member made a comment on the recent Energy Networks Australia (ENA) Regulation Forum in Qld where the Australian Energy Regulator's (AER's) Paul Conboy in her speech named three energy network businesses doing engagement well, AGN, Electranet and Tas Networks. He noted that this recognized AGN's work by the regulator as almost best practice, which is a real vote of confidence for those at the meeting and the challenge for AGN going forward.

## 2. Previous Minutes

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

## 3. Overview of AER's Draft Decision and our Revised Victoria/Albury AA Proposal

AGN, Peter Bucki (PB), provided an overview of the AER's Draft Decision for the Victoria/Albury AA Proposal stopping for comments and questions throughout, noting that:

- AGN's overarching objective for this Access Arrangement (AA) process (submitting a plan that delivered for customers, was underpinned by effective stakeholder engagement and was capable of being accepted by the Australian Energy Regulator (AER)) was set, and communicated, very early on.
- Another key aspect of the engagement program was the release of, and engagement on, the Draft Plan in July 2016, which included re-engaging with stakeholders to seek feedback on how we had incorporated their feedback into our plan to ensure we had accurately heard their views.
- Consistent with our overarching objective and our historic approach, AGN's revised Final Plan accepts the AER's Draft Decision (including updating for additional stakeholder feedback as well as more recent information on the inflation, rate of return, demand and expenditure, as requested by the AER). The Revised Final Plan submission will be a short form response to the Draft Decision.
- PB confirmed that the AER's consultation on Rate of Return and Inflation will be ongoing and sit outside of this Access Arrangement.
- One member asked how Victoria/Albury compared to other states with regard to government policies on customer connection and growth and new regional towns. AS responded that there were no new regional projects in the pipeline but general activity in Victoria shows a strong residential market and still offers growth. AS commented that it was important to note that it was the residential customers who will benefit the most from AGN's price reductions as network charges are a larger portion of the residential customer's bill, the network charges for commercial customers is a much smaller component of their bill and it is these customers who are feeling the effects/impacts of wholesale gas prices increases.
- AGN has consulted with both the Victoria/Albury Reference Group and our Retailer Reference Group on our Revised Final Plan, the outcomes will be reflected in our Revised Final Plan.
- AGN will be submitting a price cut which reflects a change in the price path (shallower up front price reduction, followed by shallower increases thereafter) and has sought feedback from stakeholders on this issue. One member commented that their clients would benefit more from a steeper price reduction, with steeper increases. PB also confirmed that the increases were 'real' increases, in addition to RBA estimates of inflation.
- On Incentive Schemes process, one member asked if there was going to be further work. PB confirmed AGN's next steps are to further engage with stakeholders and the AER on what is a reasonable network innovation scheme that could be accepted as part of upcoming access arrangement reviews.
- Next steps: Public submissions are due to the AER on 15 September, release date of final decision on 29 November.

#### 4. Competitive Position of Gas e Electricity

AGN, Chris Hewson (CH) provided an overview of AGN's analysis of retail pricing of gas appliances versus electric appliances and pricing updates, stopping for comments and questions throughout, noting that:

- Energy pricing is complex and can be difficult to navigate
- AGN focuses on most common energy options when making comparisons i.e like for like appliance comparisons
- 1 July price increases in SA received broad media coverage.
  - One member asked if AGN has seen or heard confusion from their customers around rising wholesale gas prices versus retail prices, CH confirmed that. AS also confirmed that AGN were concerned with some of the messaging in the media. The member suggested that AGN's messaging should aim to clarify the difference. AS confirmed that AGN's objective was to provide the facts in a complex environment to help customers understand.
  - Another member commented that the industrial and commercial sector was a communications challenge for AGN, as this sector is affected by the wholesale gas price. AS commented that AGN believe more transparency upstream is required, there needs to be a better understanding of gas prices, and there needs to be government policy to facilitate competition upstream so users of gas are able to get the best wholesale price for gas.
  - The member asked what AS believed the barriers to be in on upstream competition? AS responded some government policies are restricting new exploration of gas (no new supply), and he also believed that there should be more focus on the retailers to provide information, transparently to support prices they are offering to enable customers.
- General discussion questions included:
  - Are there areas where for SME's, gas was a more effective/efficient energy source, or does the type of industry determine your energy use? AS explained how it was quite complex. Another member also commented that an anomaly of the current state government energy productivity program was that it excludes gas.
  - One member asked if AGN would be looking to include Mount Barker in the next SA Access Arrangement proposal. AS commented that AGN had hoped to do it before the next revenue determination and has already started a process outside the regulatory review cycle but it is still a work in progress at the moment.

#### 5. SA Major Projects Update

APA, Jason Morony (JM) provided an overview of major projects in progress in SA stopping for comments and questions throughout, noting that:

- Allot of activity down South. Seaford / Aldinga to be completed this year and are critical to future growth.
- Commercial activity around the Two Wells region is presenting some positive possibilities to the north also. Feedback is showing that the commercial interest around Two Wells is driven partly by land pricing (economics) and the availability of gas and water has helped.

- On the Northern Adelaide irrigation scheme, one member questioned where AGN stood in relation to infrastructure to service these commercial, JM confirmed that the trunk main built has been built with additional capacity allowing for future growth.
- In McLaren Vale, as works are almost complete and marketing activities commencing, we expect to see an increase in connection requests (there are 1800 residential homes able to connect), however, the focus was to connect commercial customers first.
- Infill Projects include areas identified by AGN as opportunities within the existing distribution network footprint. Prudence and economic assessments are underway and gaining momentum.
- On the Mains Replacement Program, on target to 1050km approved over five years.
  - One member questioned why AGN had only completed half of the year one target of HDPE mains replacement, particularly if AGN had listed that as high risk and priority in the SA Access Arrangement. JM explained that there had been no change to priorities, or views on risk, or targets, but prior to being able to affect the move to the HDPE replacement at the start of this regulatory period, the current low pressure block replacement projects were required to be closed out, this has now been completed and work is focused and on track to reach HDPE targets.

## 6. Successful customer engagement

Uniting Communities, Mark Henley (MH), shared observations from his recent attendance the Citizens Energy Forum in London via funding from Energy Consumers Australia and ESCOSA looking from a consumer perspective at electricity and water regulation. Key highlights:

- Surprised by the amount of conversation around 'data'.
- Renewable energy accepted as crucial in Europe, more than in Australia
- Recognises the need for consumers to have protection, but surprised about how vulnerable customers are integrated into the thinking of all stakeholders in the uk. Vulnerable customers was a recurring theme.
- New energy markets will settle down, but it is still a few years away.
- Observations on UK regulation:
  - Leadership show by regulators
  - Sensed a systematic approach to infrastructure
  - How do incentives drive better outcomes for customers, balanced with network businesses was a recurring theme
  - Mixed views of the benefits to consumers of RIIO from advocates.
  - On the Stakeholder Engagement and Customer Vulnerability Incentive Scheme, network businesses are required to present three reports to the regulator each year (max 12 pages each) which cover their stakeholder and consumer vulnerability strategies; stakeholder engagement outcomes; and consumer vulnerability outcomes. Reports are audited, then assessed against a vigorous set of criteria by an independent panel, which results in score, score determines a percentage of incentive payment the business is allowed to collect. The strength of the incentive was more reputational than financial from those MH spoke to.
  - With regards to vulnerable customers, the network businesses doing it well had good partnerships which has led to a range of referrals and utilization of local resources.
  - Annual reporting on stakeholder engagement to the regulator.

- Consumer Forum model (Scottish Water) was a well-regarded model.

AS thanked Mark and suggested there were some ideas for AGN to come back and review as AGN evolves. MH reiterated that he didn't see anything in the UK in terms of consumer engagement that isn't happening in Australia, but he suspected there was more of it.

## 7. Marketing Update

Skipped due to time constraints.

## 8. Business as usual engagement

In the essence of time, AGN, Anna Mitchell (AM) drew members attention to a series of questions on page 40 of the presentation materials and asked members to consider these in the lead up to the next meeting, with additional information to be provided to assist collect information and facilitate discussions.

## 9. Thanks and close

AS thanked all in attendance. The meeting concluded at approximately 4.10pm

Next Meeting: Meeting 8 | Tuesday 19 December 2017, 2.00pm – 4.00pm

## Action Items

Reference Group	Who	When
One week after circulation: Provide feedback on meeting minutes	All	22/8/2017
Review and consider questions on page 40 of meeting materials prior to next meeting.	All	Prior to next meeting

AGN	Who	When
Circulate draft meeting minutes	AM	15/8/2017
Circulate updated meeting materials	AM	With minutes
AGN to share quarterly updates on the benchmarking program	AM	Ongoing
Seek information from members on communication and engagement preferences and communication channels used.	AM	Before next meeting
AGN to provide further information on: <ul style="list-style-type: none"> <li>- SA Government's new Hydrogen Taskforce findings (May)</li> <li>- Gas storage levels and requirements</li> <li>- Consumer complaints statistics in relation to solar</li> <li>- Unplanned outages in SA</li> </ul>	AGN	For next meeting