

Advisory Board and Expert Panel 'Closing the Loop' Detailed Record

Jemena

—

20 March 2024

Introduction

Background

Jemena Gas Networks and the entire energy industry is operating in a period of uncertainty surrounding the future role of gas. The upcoming regulatory period 2025-2030 is likely to be highly scrutinised, presenting many challenges and issues for Jemena to consider and address in its long-term planning and next regulatory submission. Future scenarios of gas, as outlined by the Australian Energy Market Operator (AEMO) Integrated System Plan, suggest a future gas energy system in significant decline towards 2050 net-zero. It is anticipated that this could have significant and uneven effects on Jemena’s diverse 1.6 million customers in New South Wales.

Since Jemena lodged its 2020-2025 Business Plan with the Australian Energy Regulator (AER), there have been several changes to the Australian and global energy systems which may impact on that proposal’s success. As a result, Jemena is undertaking a Gas Networks 2050 project to consider these changes and issues in the development of the 2025-2030 Business Plan to be submitted to the AER:

- **Uncertainties that may reduce demand for natural gas** in the medium to long-term, including stronger emissions reduction ambitions at both the Federal and State levels and potential policy shifts.
- **Factors that may mitigate against falling gas demand** in the short to medium-term, including customer demand for natural gas and a lack of practical renewable alternatives for harder to abate industrial customers and the broader industry (e.g., ongoing demand for gas pipelines for distribution).

Gas Networks 2050 and Draft 2025 Plan engagement

To better understand and manage the needs, expectations and requirements of regulators, stakeholders and customers through this uncertainty, Jemena is delivering a program of genuine stakeholder engagement consisting of an **Advisory Board**, **Expert Panel** and **Customer Forums**.

The **Advisory Board** was established to engage with a diverse range of stakeholders, including both industry and customer representatives, to explore the challenges resulting from the uncertain future role of gas networks. The Advisory Board functioned as a source of advice to collaborate, strengthen, and shape Jemena’s customer engagement approach for their next regulatory proposal for the 2025-2030 period, while maintaining a long-term view out to 2050.

An **Expert Panel** of industry and energy specialists developed a set of four plausible future scenarios, utilised in Advisory Board deliberations to test Jemena’s possible response areas and filter specific response options for engagement at the **Customer Forums**.

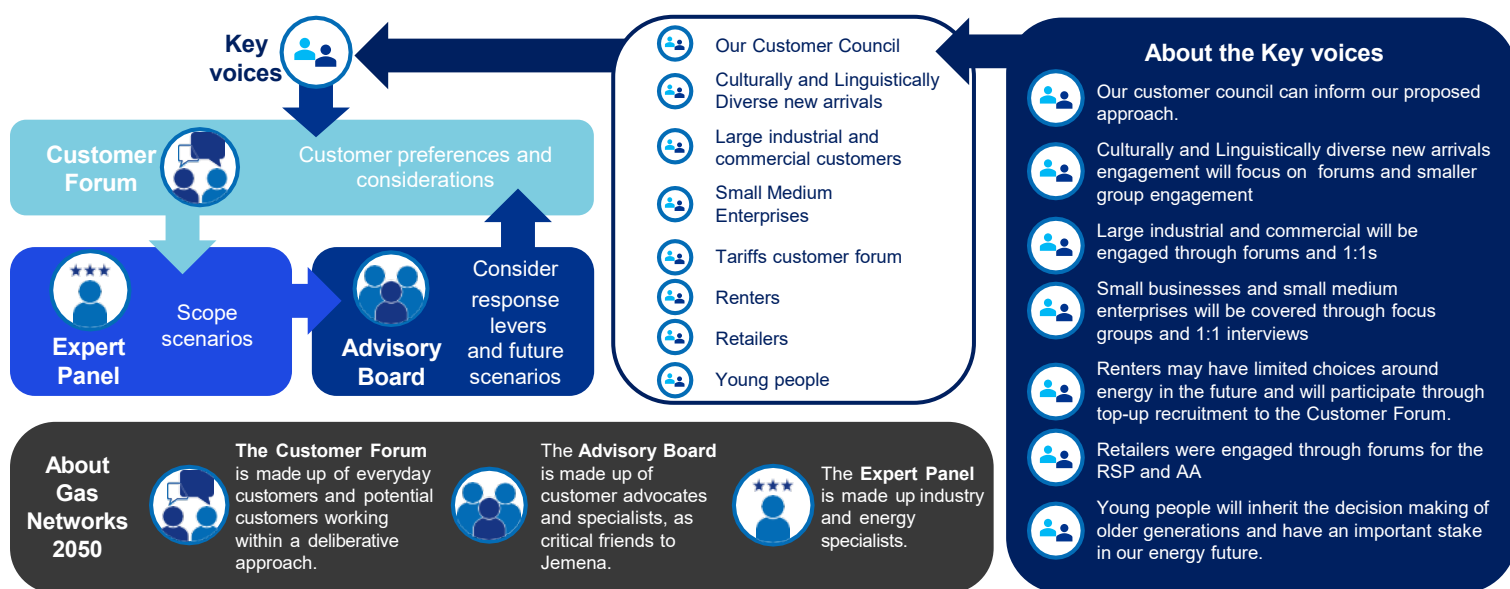


Figure 1. Gas Networks 2050 engagement

Introduction (continued)

Purpose of this report

This report provides an overview of key items discussed during a 'Closing the Loop' session with the Advisory Board and some members of the Expert Panel, including views expressed, questions raised by members, and responses Jemena provided to members during the session. A list of attendees is provided on pages 10-11.

Jemena's objectives for this Session were to reconvene key stakeholders who were involved from early 2022 through to mid-2023 to:

- Share an overview of engagement activity conducted, included Customer Forums.
- Provide an overview of the Australian Energy Regulator's Early Signal Pathway scorecard and how Jemena will address regulator feedback in the Draft 2025 Plan.
- Preview the Draft 2025 Plan ahead of public release, highlighting how recommendations from the Customer Forums were incorporated.
- Capture reflections from the Advisory Board regarding the overall process and outcomes of Gas Networks 2050.

Role of KPMG

KPMG was engaged to support the facilitation of Jemena's Advisory Board series, as part of the broader stakeholder engagement program Jemena is undertaking to inform its 2025-2030 Regulatory Proposal by:

- Advising on stakeholder engagement techniques for the Advisory Board and contributing to the development of Advisory Board presentation materials.
- Facilitating Advisory Board sessions to enable contribution from all members.
- Documenting Advisory Board sessions.

Jemena remains responsible for the session content.

KPMG's role did not include:

- Influencing stakeholder views.
- Advocating for or acting on behalf of Jemena.
- Providing advice on regulatory matters.
- Developing or presenting workshop materials relating to Jemena's Revenue Proposal.
- Expressing an opinion on or conducting an independent review of Jemena's actions.
- Fulfilling the role of preparing an independent consumer report as defined in *Section 3.4.2 Independent consumer support for the proposal* of the AER's Better Resets Handbook.
- Assuming decision-making responsibility on behalf of Jemena.

Advisory Board session details

Date	Friday, 2 February 2024
Time	9:30AM – 1:30PM (AEST)
Location	In-person at Jemena offices, 567 Collins Street Melbourne



Key discussion items

Key take-aways for Jemena

While the detailed record of discussion items is presented below, the following captures some key take-aways from the 'Closing the Loop' Session. The discussions in this session will contribute to future iterations of the Draft 2025 Plan and future stakeholder engagement activities:

- Members provided initial reflections on the Draft 2025 Plan. This included a desire to see a richer narrative relating to customer engagement and how Jemena might approach conflicting customer preferences. There was also a desire to better understand the customer recommendation relating to accelerated depreciation.
- Members provided feedback on what worked well during their involvement in the Gas Networks 2050 Stakeholder Engagement Program, including the transparency and professionalism in how the engagement was conducted, the strength of the diversity of stakeholders, and acknowledgement of how Jemena has engaged in a complex environment. There was also discussion of potential considerations for future engagement, including expansion of the customer advocate role, validation of customer engagement through broad quantitative research, and further expansion of culturally and linguistically diverse (CALD) community engagement (e.g., CALD businesses).

Detailed discussion items

Captured below are key discussion items from the 'Closing the Loop' Session, detailing the agenda items and topics presented, questions and inputs from members, and responses provided by Jemena.

Topics presented by Jemena	Record of discussions	
<p>Welcome and Objectives</p> <ul style="list-style-type: none"> • The Advisory Board Chair, Rosemary Sinclair, opened the session by welcoming Advisory Board members and additional participants and observers to the session. • The Facilitator, Dr Matt Pearce, provided a summary of the session agenda, objectives, and a reminder of the Advisory Board work and Statement of Objectives. 	<p>Advisory Board work and Statement of Objectives accepted with no additional commentary.</p>	
<p>Overview of the Gas Networks 2050 stakeholder engagement</p> <ul style="list-style-type: none"> • Jemena Executive General Manager Networks, Shaun Reardon, provided an overview of Gas Networks 2050 engagement program, including <ul style="list-style-type: none"> • Expert Panel scenarios • Advisory Board work • Jemena’s modelling tool • Jemena’s overall engagement • Customer Values • Topics explored with various engagement forums • Summary of the Customer Forum recommendations. 	<p>During the Q&A, the Advisory Board shared the following comments and questions:</p> <ul style="list-style-type: none"> • There was a comment that there was a gap between the original work done with the Advisory Board and Expert Panel and this 'closing the loop' workshop, and there may have been a missed opportunity for these stakeholders to be involved in the deeper customer engagement. • There was a question about the engagement with CALD communities, and the interpretation of demographics within this (e.g., "new arrivals"). • There was a question about what scale was available to customers during the voting process. 	<p>Jemena acknowledged the comment, noting all Advisory Board members were invited to observe, and in some cases participate, the Customer Forums (e.g., Customer Forums 3 and 6, and Tariffs Customer Forum Stages 1 and 2).</p> <p>Questions were parked as the information was likely to be covered in subsequent presentations.</p>

Key discussion items (continued)

Topics presented by Jemena	Record of discussions	
<p>AER Early Signal Pathway</p> <ul style="list-style-type: none"> Australian Energy Regulator General Manager Distribution, Arek Gulbenkoglou, presented on the Better Reset Handbook and Early Signal Pathway. Mark Henley, from Consumer Challenge Panel 31, presented on the background of the Customer Consultative Panel and provided a high-level overview of Jemena's initial scorecard at the first review as part of the Early Signal Pathway. Australian Energy Regulator Director, Kirk Zammit, shared more detailed reasoning for the initial scorecard. Jemena General Manager Regulation, Ana Dijanosic, provided some summary remarks around how the AER feedback will be incorporated. 	<p><i>Question posed to Jemena, following discussion of Jemena's initial scorecard in the Early Signal Pathway traffic light report:</i></p> <ul style="list-style-type: none"> What level of effort will Jemena invest in converting all 'reds' to 'greens'? 	<p>Jemena responded that they know there will be areas AER will need to deep dive on, and the Early Signal Pathway helps to highlight where the AER may require further information to do their assessment. There will be some areas unlikely to shift from 'red' to 'green' in the scorecard, as this indicates the AER will do a detailed assessment. An example included accelerated depreciation.</p>
	<p><i>Question to AER:</i></p> <ul style="list-style-type: none"> Are there lessons and benefits from the processes already completed, and what should customer advocates be looking for? 	<p>AER responded that it is good to see engagement on accelerated depreciation. The benefit is 'no surprises', where issues are flagged early and there is a better chance AER receives all information they require for their assessment.</p>
	<p><i>Question to CCP:</i></p> <ul style="list-style-type: none"> Will the CCP be doing a review of the Early Signal Pathway? 	<p>CCP responded that it is likely there will be a review after the current four (4) processes are completed.</p>
	<p><i>Discussion on accelerated depreciation:</i></p> <ul style="list-style-type: none"> The impact of delaying accelerated depreciation on long term interest of customers and future cost-of-living pressures. This impact is reduced if you pay for accelerated depreciation when you have the maximum level of customers on the Network. 	<p>Jemena responded by acknowledging that this is a challenge, and that they are acutely aware of cost-of-living pressures. There is a need to strike the right balance when making these hard decisions.</p>

Key discussion items (continued)

Topics presented by Jemena	Record of discussions	
<p>Draft 2025 Plan</p> <ul style="list-style-type: none"> Jemena General Manager Regulation, Ana Dijanosic, provided an overview of the Draft 2025 Plan. A Customer Forum Participant, Michael Sykes, shared reflections on the process, the customer recommendations and key discussions, remarks included <ul style="list-style-type: none"> Voting on customer recommendations was self-directed, and he did not feel pushed in a direction. Felt very genuinely engaged by Jemena. The challenge is increasingly complex due to an uncertain market, cost-of-living, being responsive to customer preferences. Jemena provided transparent information, with optional additional forums, which made participants feel in the loop and like they had the opportunity to understand Jemena's issues. There was a tightrope between the initial ethical and moral question posed and the reality of cost-of-living and an increase in bills. Jemena General Manager Regulation, Ana Dijanosic, presented how the customer recommendations were incorporated into the Draft 2025 Plan. 	<p><i>Question to Jemena regarding Draft 2025 Plan:</i></p> <ul style="list-style-type: none"> What data was used for Jemena's modelling? 	<p>Jemena responded that a third party, Bluonomy, was engaged to undertake modelling. A combination of data from AEMO and Expert Panel scenarios was utilised.</p>
	<p><i>Discussion on AEMO forecasts regarding Draft 2025 Plan:</i></p> <ul style="list-style-type: none"> The energy scenarios underlying GSOO 2023 are not yet consistent with net zero emissions goals outside electricity due to the maturity of policy. GSOO 2023 Orchestrated Step Change (OSC) scenario reflects rates of coal generation retirement, generation technology cost decline and reliance on gas for backup generation that are broadly consistent with global net zero around 2050. These scenarios do not fully incorporate other aspects of domestic or global transition, including Industrial gas demand (e.g., indicative decline rate for Safeguard Mechanism baselines cuts industrial gas demand by approx. 77% by 2040s, whereas OSC has flat demand), and global gas demand (e.g., IEA's net zero scenario projects global gas demand falls 75% by 2050, whereas OSC shows Australian exports decline modestly). 	<p>In discussion of the AEMO forecasts, Jemena responded that they saw a clear role for the gas network beyond 2050, although the size of the network may change over this period. This was reflective of the Expert Panel plausible future scenarios work, which described a role for gas under all scenarios developed. Jemena also commended that the Safeguard Mechanism will be articulated in the Draft 2025 Plan.</p>
	<p><i>Following Customer Forum Participant presentation there was broad discussion in the room on the stickiness of net zero in the context of bills increasing:</i></p> <ul style="list-style-type: none"> A question was posed about whether acting on environmental issues could become a philanthropic action rather than 'fundamental' in Maslow's Hierarchy of Needs due to cost of living pressures, and the potential flow on impact to a stop-start approach to net zero. Some shared observations of a continued openness to pay extra, which may subvert assumptions. The question becomes how much extra is reasonable. 	

Key discussion items (continued)

Topics presented by Jemena	Record of discussions
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Breakout discussions

- Participants had the opportunity to select 3 of below topics, to hear more detail from Jemena Stream Leads about
 - the issue,
 - what Jemena heard at the Customer Forums (customer recommendation), and
 - how Jemena will incorporate this.

Topics

- Accelerated depreciation
- How we manage our assets
- Renewable gas connections
- A new approach to connections
- Tariff variation mechanism
- Vulnerable customers

Advisory Board Response

- Following the earlier presentations from Jemena, the AER and CCP, a Customer Forum participant, and the breakout discussions, the Facilitator invited the Advisory Board to share
 - Any initial reactions*
 - Reflections on how Jemena has incorporated these customer recommendations into the Draft 2025 Plan.*

Following the Breakouts, the Board came together to share reactions and reflections. Reflecting on all discussions, three issues emerged as requiring further exploration:

- Articulating the narrative for the customer engagement:**
 - Members were interested to better understand the process of the Customer Forum engagement. There was curiosity around how this would be documented in the Draft 2025 Plan to demonstrate evidence of authenticity of the engagement.
 - Others built on this with discussion of the importance of developing a rich narrative and exploring the values and insights from the customer perspectives, rather than documenting only the final decision.
- Accelerated depreciation:**
 - There was discussion on the customer recommendation relating to accelerated depreciation, and there was moderate agreement that this would be a contentious issue in the Draft 2025 Plan.
 - One member made broader contextual comments on the challenge of eliciting responses from a collection of individuals versus forming a collective plan. They gave an example of where an individual may tend to apply a relatively high discount rate to future costs and benefits.
 - This was echoed by two members who suggested accelerated depreciation as it is currently reflected may need further socialisation with customers, including a zero option, to support AER assessment of this in the Draft 2025 Plan.
- Conflicting customer preferences:**
 - There was discussion on the preferences of different customer cohorts, with an example given including the youth group's drive for quick decarbonisation action and whether this cohort had considered how this may impact the senior group.
 - Approaches discussed highlighted the importance of education on renewables to get valuable responses from customers, and there was a suggestion to flip the key question from "what can you live with" to "what can't you live without" as an effective way to manage conflicting preferences.



Key discussion items (continued)

Topics presented by Jemena	Record of discussions
<p>Advisory Board Final Reflections</p> <ul style="list-style-type: none"> The Chair shared reflections and observations before inviting Advisory Board members to provide their feedback and advice to Jemena. Specific questions asked were: <ol style="list-style-type: none"> <i>What worked well and we should we keep doing?</i> <i>What should we consider doing differently next time?</i> 	<p>With respect to what worked well, the Board commentary included:</p> <ul style="list-style-type: none"> Diversity of stakeholders: There was consensus on the strength of diversity in the stakeholders engaged in this process, which resulted in enlightening conversations. Jemena should continue bringing diverse stakeholders together to hear from Jemena and respond. Professionalism: Many reflected on the professionalism of the process. The Advisory Board were complementary of the Chair and Facilitator, particularly in focusing the Board throughout the process, managing robust discussions and disagreements. Transparency: Many noted that the engagement process was respectful, transparent and informative. In particular, the Expert Panel Scenarios were highlighted as extremely helpful, communication from Jemena kept participants informed and updated, and invitations to attend the other forums were appreciated. Engaging in a complex environment: It was generally acknowledged that this was complicated subject matter. Remarks included that it was obvious that Jemena was trying to do the right thing in the right way; this was a sound process in a tough environment; and the overall process was useful in raising literacy on these topics. Some reflected they now have a greater understanding of consumer preferences, which are highly complex and interlinked. Jemena was commended for the evident strong attempt to align the customer values with the Advisory Board Statement of Objectives. <p>With respect to what could be done differently, the Board reflected on:</p> <ul style="list-style-type: none"> Expanding the Advisory Board role: One member considered a gap in the engagement program where customer advocates have been involved in shaping the end-customer engagement through the Advisory Board but there was a missed opportunity to also engage these stakeholders for input on consumer interest and preferences. Validation through quantitative research: There was consensus that the process is a solid foundation to build a deeper shared understanding of customer preferences, with suggestions for future engagement including overlay quantitative research to validate outcomes from Customer Forums and bring greater confidence to those outcomes. Ensuring CALD engagement captures the diversity of these communities: One member encouraged Jemena to continue to engage with CALD communities to understanding the different groups and preferences and expand to engage with CALD businesses in the future.

Key discussion items (continued)

Topics presented by Jemena	Record of discussions
<p>Advisory Board Final Reflections (continued)</p>	<p>Additional commentary on lessons learned included:</p> <ul style="list-style-type: none"> • Engaging on complex issues: It was acknowledged that complex topics had been broken up into chunks for the purpose of engagement, but these could be brought together for an even more holistic response. There was some agreement that future conversations with customers could link into the electricity network and the interrelationship of the integrated energy system on these complex issues. • Working with uncertainty: One member acknowledged the challenge in working with uncertainty, and suggested Jemena could consider whether to treat policy uncertainty as given or whether this process could help to reduce uncertainty in the future.
<p>Thank you, feedback, and program wrap-up</p> <ul style="list-style-type: none"> • Jemena General Manager Regulation, Ana Dijanosic, shared an overview of next steps for Jemena’s broader Gas Network project, with the Draft 2025 Plan due to be released the following week. • Jemena Executive General Manager Networks, Shaun Reardon, provided closing remarks thanking the Chair, Advisory Board members, observers and facilitators, and acknowledged all reflections and responses shared throughout the session. 	<p>N/A</p>

Attendance

Advisory Board Members

Name	Organisation	Attendance
Aidan Mullan	Interface	Apology
Andrew Richards	Energy Users Association of Australia	Attended
Douglas McCloskey	Public Interest Advocacy Centre	Attended
Gavin Dufty	St Vincent de Paul	Attended
Mary Karras	NSW Ethnic Communities Council	Attended (Online)
Natalie Thacker	Customer Representative	Attended
Prof. Peta Ashworth OAM	Curtin Institute for Energy Transition	Attended
Rosemary Sinclair AM	Advisory Board Chair	Attended
Tennant Reed	Australian Industry Group	Attended (Online)
Victoria Jordan	Customer Representative	Attended

Expert Panel Members

Name	Organisation	Attendance
Brian Spak	Energy Consumers Australia	Attended
Matt Clemow	Australian Energy Market Operator	Attended
Shahana McKenzie	Bioenergy Australia	Apology
Dr Patrick Hartley	CSIRO	Apology

External Presenters and Observers

Name	Organisation	Attendance
Michael Sykes	Customer Forum Participant	Attended
Arek Gulbenkoglou	Australian Energy Regulator	Attended (Online)
Kirk Zammit	Australian Energy Regulator	Attended (Online)
Gus Mandigora	Australian Energy Regulator	Attended (Online)
Melissa Boag	Australian Energy Regulator	Attended
Mark Henley	Consumer Challenge Panel	Attended

Attendance (continued)

Jemena Gas Networks Attendees

Name	Role	Attendance
Shaun Reardon	Executive General Manager	Attended
Ana Dijanosic	General Manager Regulation	Attended
Andre Kersting	Gas Networks Regulation Manager	Apology
Mark Dragar	General Manager Asset and Operations	Attended
Shahab Mian	Asset Management AA Stream Lead	Attended
Sandeep Kumar	Group Manager Reg Analysis, Pricing & Strategy	Attended
Jerrie Li	Regulatory Modelling Senior Analyst, Regulatory Analysis & Strategy	Attended
Suzie Jakobovits	General Manager, Renewable Gas	Attended
Catherine Marshall	Evoenergy and Key Account Manager	Attended
Deb Capicchiano	Price Review Program Manager	Attended
Jenny Hardman	Engagement Support and Communications, Price Review	Attended
Merryn Spencer	Engagement Lead	Attended
Lay Na Lim	Senior Regulatory Advisor, Regulation	Attended
Anson An	Strategy Manager	Attended

External Facilitation Team

Name	Organisation	Attendance
Matt Pearce (Facilitator)	KPMG	Attended
Lauren Minuzzo	KPMG	Attended



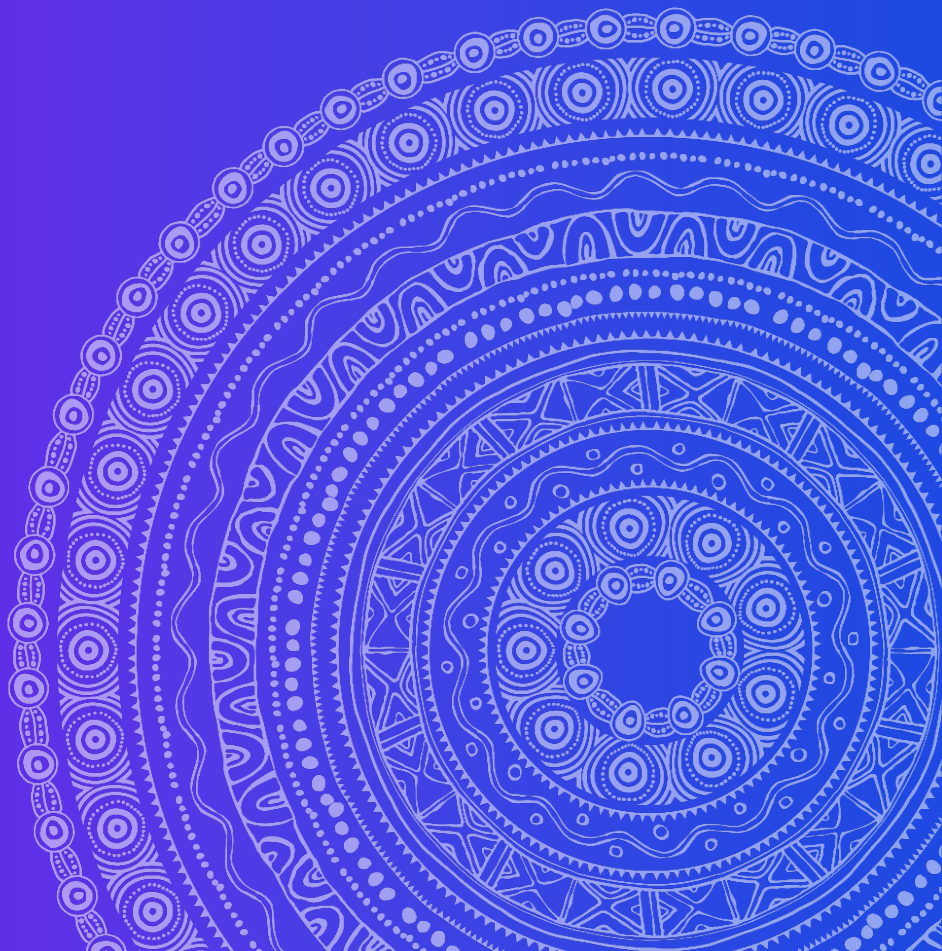
Acknowledgement of Country

KPMG acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present, and future as the Traditional Custodians of the land, water and skies of where we work.

At KPMG, our future is one where all Australians are united by a shared, honest, and complete understanding of our past, present, and future. We are committed to making this future a reality. Our story celebrates and acknowledges that the cultures, histories, rights, and voices of Aboriginal and Torres Strait Islander People are heard, understood, respected, and celebrated.

Australia's First Peoples continue to hold distinctive cultural, spiritual, physical and economical relationships with their land, water and skies. We take our obligations to the land and environments in which we operate seriously.

We look forward to making our contribution towards a new future for Aboriginal and Torres Strait Islander peoples so that they can chart a strong future for themselves, their families and communities. We believe we can achieve much more together than we can apart.





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Inherent Limitations Disclaimer

This report has been prepared as outlined with Jemena Gas Networks in the Scope Section of the engagement letter/contract dated 16/09/2022. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently, no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of Jemena Gas Networks but only to the extent of the sample surveyed, being Jemena Gas Networks approved representative sample of stakeholders. Any projection to the wider stakeholder group is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by KPMG stakeholder consulted as part of the process.

No reliance should be placed by KPMG on additional oral remarks provided during the presentation, unless these are confirmed in writing by KPMG.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

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