



Advisory Board September 2024 Session Detailed Record

Jemena

—

September 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.

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 functions 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.

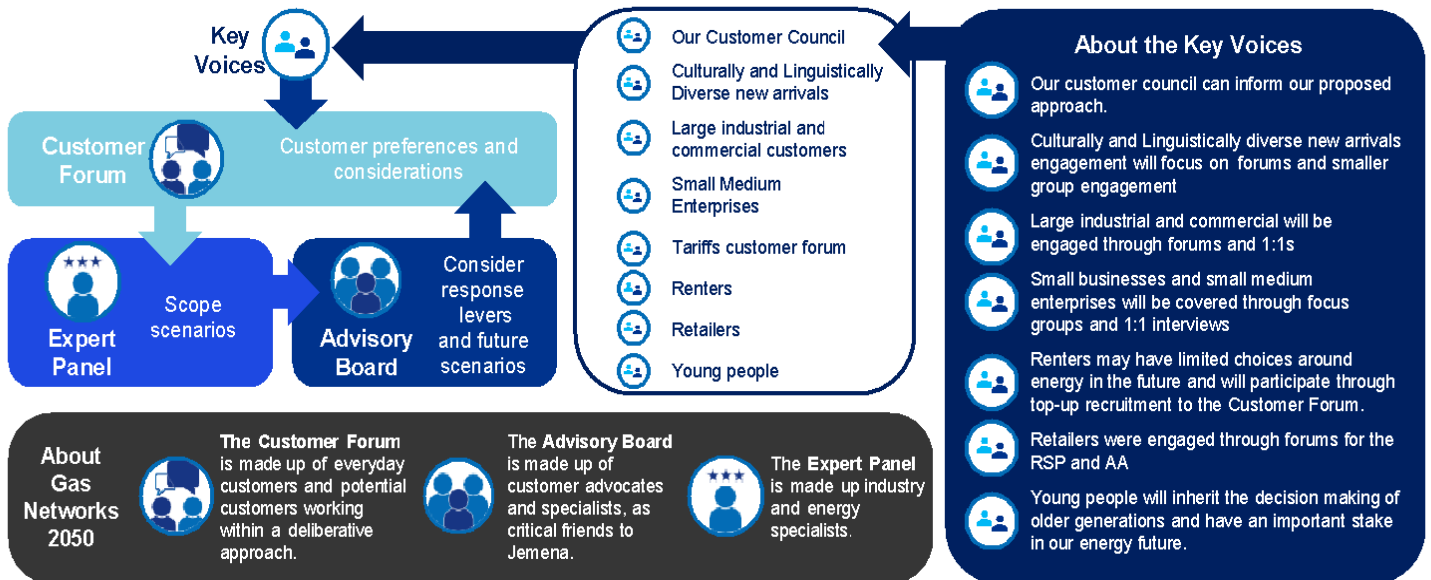
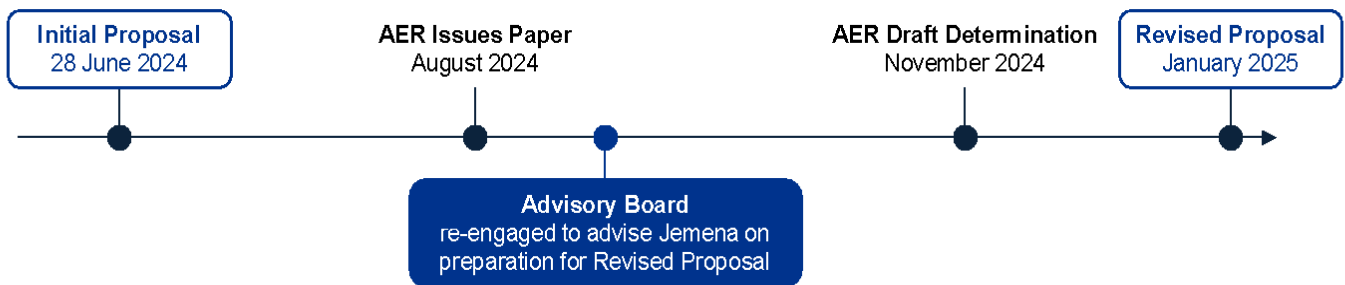


Figure 1. Gas Networks 2050 engagement

Timeline to submission of Revised Proposal



Introduction (continued)

Purpose of this report

The purpose of this report is to provide an objective account and summary of key items discussed during the September 2024 Advisory Board session.

In September 2024, Jemena Gas Networks reconvened their Advisory Board to discuss the Australian Energy Regulator (AER) Issues Paper and activity undertaken since the February 2024 Advisory Board meeting and submission of the Initial Proposal. Jemena sought the Advisory Board's reflections on:

- The changing regulatory and policy landscape, and what this means for Jemena,
- Issues raised in the AER Issues Paper, released in August 2024, and
- Key considerations for Jemena in preparation of their Revised Proposal in December 2024.

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, 13 September 2024
Time	9:00AM – 12:00PM (AEST)
Location	Online (Microsoft Teams)

Session agenda

The following agenda shows the topics presented and key discussion questions posed to the Advisory Board at the Session on 13 September:

Agenda Item

Welcome

- The Advisory Board Chair, Rosemary Sinclair, opened the session with an Acknowledgement of Country, and welcomed the Advisory Board members and additional participants and observers to the session.

Introduction and Objectives

- The Facilitator, Dr Matt Pearce, provided a walkthrough of the agenda, a description of the role of Jemena's Advisory Board within the session as well as providing an opportunity for commentary regarding any of the points previously stated.

Revisit the Initial Proposal

- Jemena Gas Networks Regulation Manager, Andre Kersting, presented a 'refresher' on Jemena's Initial Proposal and recent customer research. This presentation included the following topics:
 - A discussion of how feedback from the February 2024 'Closing the Loop' Session was addressed in the Initial Proposal.
 - An overview of the customer and stakeholder engagement program, highlighting how the Customer Forum shaped the Initial Proposal and insights from recent customer engagement completed by Sagacity and JD insights to validate the outcomes of the Customer Forums.
 - What the Initial Proposal means for customers, including Network bill impacts (excluding the impacts of inflation).
 - Overview of key components in the Initial Proposal, including renewable gas connections, accelerated capital recovery, approach to customer connections, Asset Management, Emissions reduction program including emissions measurement (Picarro) and proposed changes to our tariffs and tariff structures.

AER Issues Paper and Forum

- AER Executive Director, Resnet Coordination and Strategy, Network Regulation, Andreas Blahous, presented the AER Issues Paper released in August 2024, including an overview of Jemena's proposed revenue, proposed closing capital base value over time, accelerated depreciation, capital expenditure (capex), operating expenditure (opex) and a reflection on customer engagement undertaken.
- Key issues noted for in-depth review were capex, opex and accelerated depreciation.

What has changed

- Jemena Policy and Government Relations Manager, Job Northey, presented a brief overview of the current regulatory and policy landscape, highlighting the potential implications for Jemena of recent changes in National, Commonwealth and NSW policy and legislation.

Group discussion

- Dr Matt Pearce facilitated a group discussion to capture Advisory Board initial reflections on what's changed, and what this means for Jemena. The group discussion also provided the Advisory Board the opportunity to raise feedback which may inform Jemena's next steps while preparing their Revised Proposal.
- Key discussions, including areas of agreement and divergence, are captured on pages 5-7.

Closing remarks

- The Advisory Board Chair, Rosemary Sinclair, shared summary reflections and observations of the discussions, inviting Advisory Board members to raise any final comments not captured. No additional items were raised.
- Jemena General Manager Regulation, Ana Dijanosic, provided closing remarks thanking the Chair, Advisory Board members, observers and facilitators, and acknowledged all reflections and responses shared throughout the session.

Key take-aways

While the detailed record of discussion items is presented on pages 6 - 7, the following captures the key take-aways from the September 2024 Advisory Board Session.

Reflections on Jemena’s high-quality consumer engagement program

A theme that emerged from the discussions throughout the Session was an acknowledgement of the quality of the engagement program that Jemena had delivered to customers and stakeholders to inform their Initial Proposal:

- During their presentation, the AER representative reiterated the commentary within the Issues Paper, and this sentiment was echoed by many of the Advisory Board members:

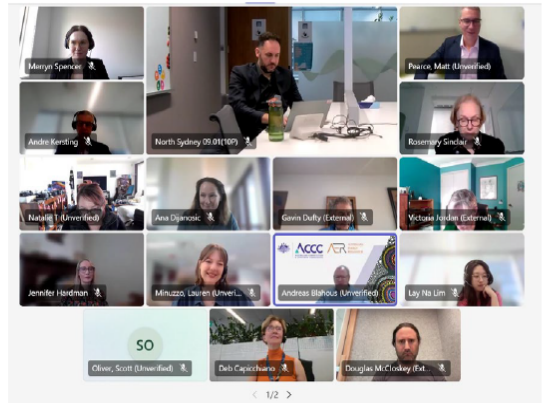
“Overall, JGN has delivered a well-planned, comprehensive, and high-quality consumer engagement program, which delivered transparent and sincere engagement with its customers and stakeholders. JGN has shown a genuine commitment to the early signal pathway through its extensive engagement program.”

Australian Energy Regulator Issues Paper

- This was consistent with the feedback submitted in advance of the Session from the Energy Users Association of Australia, and was reflected in the closing remarks from the Advisory Board Chair, Rosemary Sinclair, during the Session wrap up:

“The reason [the AER] are satisfied with those aspects of the proposal is because of the degree of engagement and authenticity of that process... This [conversation today] has been a very good example of our process, which is why we feel that it’s an authentic process.”

Advisory Board Chair



Advisory Board September 2024 Session

Consideration for preparing Jemena’s Revised Proposal

The objective of this session was to seek Advisory Board advice on considerations for Jemena when preparing for the submission of the Revised Proposal, including potential future stakeholder engagement activities. The Advisory Board agreed the following:

- Any further customer and stakeholder engagement should focus on one key topic – accelerated depreciation.
- From a principles perspective, the Advisory Board recommended
 - The audience should be representative of the Jemena’s customer base but capture a different audience to the Customer Forum to avoid engagement fatigue.
 - This engagement could be quantitative in nature, for example a quantitative survey, to triangulate feedback already captured from the Customer Forum and validated by the Sagacity and JD Insights research.
 - Through a quantitative approach there should be sufficient explanation of the technical concepts involved in accelerated depreciation to enable informed responses.
 - Additional specific intervention should be considered to support culturally and linguistic diverse (CALD) communities to engage meaningfully in this format.

Key discussion items

Detailed discussion items

Captured below are key discussions from the September 2024 Advisory Board Session, detailing the topics discussed, inputs from members, including areas of alignment and divergence, and responses provided by Jemena.

During the Session, the Advisory Board were invited to reflect on the following discussion questions:

- A. Has this discussion highlighted anything you think Jemena should give specific consideration to in preparation of their Revised Proposal?
- B. Is there value in Jemena going back to customers to engage on a particular topic?

Preparing for the Revised Proposal: Further engagement on accelerated depreciation

Throughout the Session, the topic of accelerated depreciation was raised multiple times, and it was this area that the Advisory Board considered most valuable for additional customer engagement.

Areas of alignment:

- There was consensus that due to the complexity of the topic of accelerated depreciation, further engagement should focus on this one material issue only.
- There was recognition by the Advisory Board of potential 'engagement fatigue'. There was agreement that the audience of any additional engagement on this topic should be a new representative sample of customers. One member suggested this could include developers, appliance manufacturers, and appliance sellers.
- There was agreement from the majority of the Advisory Board that consideration would need to be given to how a new cohort of customers could be supported to engage in an informed way on the complex issue of accelerated depreciation in a format such as a survey. The depth of education provided through the Customer Forums was acknowledged.
- One member raised that there may be limitations to culturally and linguistic diverse (CALD) communities' engagement in a quantitative survey on accelerated depreciation. This was supported by other members, and it was noted consideration should be given to specific interventions to support this cohort to engage on this complex topic.

“I would definitely vote for a quantitative exploration of accelerated depreciation.”

Advisory Board Member

“As I look at that map of consumer engagement, I wonder whether we might be at the limit of the appetite of consumers to be engaged.”

Advisory Board Member

Throughout the robust discussion, there were a number of additional considerations and divergent views tabled, including:

- While it was agreed the Advisory Board recommendation would remain at principles-level only,
 - One member suggested that the Advisory Board may be involved in the design of the survey questions.
 - One member discussed potential detailed design aspects of a quantitative engagement on accelerated depreciation, particularly in relation to how to present complex concepts in a simple and accessible way, suitable for a survey. The example provided was the concept of a “slider-scale” to demonstrate the long-term impact of decisions made on accelerated depreciation on this reset.

Jemena Response

Jemena acknowledged the recommendation to consider additional, quantitative engagement on the topic of accelerated depreciation. It was noted that any additional customer engagement would need to take place by November, in order to meaningfully incorporate the outcomes into the Revised Proposal due in January 2025. It was also noted that to prepare for the topic of accelerated depreciation at the Customer Forum, there were 8 sessions of information to educate customers, and therefore the complexity of the topic may present a challenge for quantitative engagement.

Other matters discussed

Discussion on the broader regulatory framework

Another significant discussion topic during the Session centred on broader regulatory issues beyond the current price review, including regulatory framework issues in the context of uncertainty.

“We're trying to use a steady state process in the middle of tremendous uncertainty.”

Advisory Board Member

To that end, Advisory Board members raised four key issues for future consideration:

1. **Integrated energy planning:** The future potential for the regulatory reset process to bring the gas and electricity regulatory processes together to enable consideration of the integrated energy system in critical aspects, including demand forecasts given the likelihood of electrification.

“It's making less and less sense to me to be doing gas and electricity separately. [The] integrated energy system is really upon us now.”

Advisory Board Member

2. **The role of government intervention to support price stability and intergenerational equity:** There was a suggestion from multiple members that in the future, there may be a role for governments to step in and assist with the “tail” of the remaining asset costs. This was raised through the discussion on capital recovery and accelerated depreciation and the approach to customer connections (e.g. exit fees) as a framework issue that could be explored in the future in relation to the allocation of risk and cost between governments, consumers – both industrial and hard-to-abate and residential customers – and taxpayers.
3. **Customer role in the pace of the energy transition:** There was discussion on the pace of the energy transition and the impact of uncertainty of customer-led decarbonisation on demand forecasts. There was discussion of current trends in residential appliance replacement, including induction cooktops and heat pumps. Members noted that research suggests customers will wait to upgrade household appliances, and this is typically driven by ‘end-of-life’ of existing appliances, rather being motivated to accelerate the gas strategy.

“Consumers will [upgrade appliances] when they change houses, renovate kitchen, or when there is another reason to change appliances.”

Advisory Board Member

4. **Better Resets Handbook has the potential to encourage ‘method shopping’:** One member noted that Jemena had demonstrated a connection between the outcomes from the Customer Forum and the initiatives in the Draft Plan. This had been validated by multiple pieces of additional research, and the AER had reflected positively on the quality and comprehensive nature of the engagement undertaken with customers and stakeholders. This member raised a concern that requiring additional engagement has the potential to undermine the credibility of deliberative methods of engagement undertaken and the validity of outcomes derived, and this may be viewed as ‘method shopping’.

“[That implies] we don't have confidence in the consultation outcomes [...] and we lack confidence in the reliability of what those people are saying.”

Advisory Board Member

Jemena Response

Jemena acknowledged the robust discussion, noting the framework issues raised would not be addressed through the current price review, although they would be captured for future policy and regulatory engagement activities.

Attendance

Advisory Board Members

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

External Presenters and Observers

Name	Organisation	Attendance
Andreas Blahous	Australian Energy Regulator	Attended
Rob Gannon	Australian Energy Regulator	Attended
Christine Xue	Australian Energy Regulator	Attended
Belinda Sheldrick	Australian Energy Regulator	Attended
Brendan Li	Australian Energy Regulator	Attended
Alexander Kouchinsky	Australian Energy Regulator	Attended
Helen Bartley	Consumer Challenge Panel	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	Attended
Mark Dragar	General Manager Asset and Operations	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
Joeb Northey	Manager, Policy and Government Relations	Attended
Emma Browning	Senior Policy and Government Relations Advisor	Attended

External Facilitation Team

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

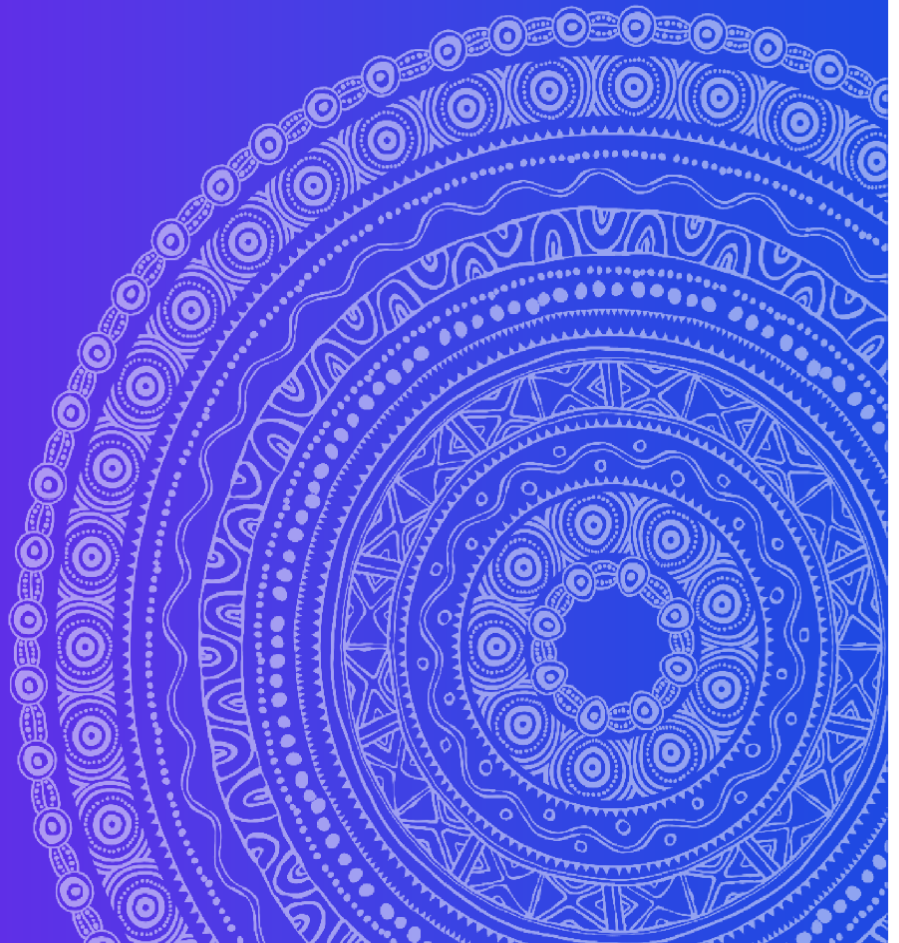
Acknowledgement of Country

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.





Contacts:

Dr Matt Pearce
KPMG Partner – National Energy,
Mining & Property Industry Leader

Ana Dijanosic
General Manager Regulation
Jemena

Inherent Limitations Disclaimer

This report has been prepared as outlined with Jemena Gas Networks in the Scope Section of the engagement letter/contract dated 06/09/2024. 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.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Third Party Reliance

This report is solely for the purpose set out in the Scope Section and for Jemena Gas Networks' information and is not to be used for any purpose not contemplated in the engagement letter/contract or to be distributed to any third party without KPMG's prior written consent.

This report has been prepared at the request of Jemena Gas Networks in accordance with the terms of KPMG's engagement letter/contract dated 06/09/2024. Other than our responsibility to Jemena Gas Networks, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

[KPMG.com.au](https://www.kpmg.com.au)



©2024 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

Liability limited by a scheme approved under Professional Standards Legislation.

Document Classification: KPMG Public