

## Attachment 5.2

# Customer and Stakeholder Feedback Tables

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SA Final Plan July 2021 – June 2026

July 2020

## Services

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

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| <p>🔍 Stakeholders agreed that the current list of reference services is appropriate and noted that two non-reference services (Out of Hours Special Meter Reading and Same Day Service) could become reference services in future AA periods if demand increases for those services.</p> <p>🔍 SARG and RRG acknowledged that the services (reference and non-reference services) offered in the current AA period met customers' needs and the current reference services are appropriate to continue.</p> | <ul style="list-style-type: none"><li>• Due to low demand, Out of Hours Special Meter Reading and Same Day Services will remain non-reference services.</li><li>• Based on the stakeholder feedback received, we developed a proposal to maintain the same set of reference and non-reference services in the next AA period.</li><li>• On 27 June 2019 we provided our Reference Service Proposal to the AER for the next AA period. The AER consulted on this proposal with stakeholders and in November 2019 approved our proposal.</li></ul> |
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#### Stage 3 Engagement: Draft Plan Consultation

- ⇒ Do you think the Pipeline and Reference Services we have proposed are appropriate?
- ⇒ Draft Terms and Conditions circulated to Retailers for feedback

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| <p>🔍 Stakeholders supported the proposed reference and non-reference services.</p> | <ul style="list-style-type: none"><li>• We proposed to maintain the current reference and non-reference services in the next AA period, which is consistent with our Reference Service Proposal approved by the AER in November 2019.</li></ul> |
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#### Stage 4 Engagement : Refining our Plans

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| <p>🔍 No further feedback was received in relation to services.</p> | <ul style="list-style-type: none"><li>• We made no further change to the Draft Plan.</li></ul> |
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#### Final Plan Outcome



Stakeholders support our proposal to maintain the current set of reference and non-reference services in the next AA period, which is consistent with our Reference Service Proposal approved by the AER in November 2019 (Chapter 6).

## Operating Expenditure

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

- 🔍 Customers' top priorities are price / affordability, reliability of supply and maintaining public safety.
  - 🔍 Customers expect AGN to deliver high levels of public safety and feel that safety is currently well managed.
  - 🔍 92% customer support to maintain current levels of public safety and 96% customer support to maintain current levels of reliability.
  - 🔍 Customers and stakeholders support continued customer service levels, with support for additional digital service channels to be made available.
  - 🔍 Stakeholders are keen to ensure that our costs are efficient, and that we can demonstrate this.
  - 🔍 Stakeholders were comfortable with the preliminary proposals presented to SARG and RRG in February 2020.
- Our opex proposal supports maintaining current levels of reliability, public safety and customer service.
  - Our totex forecast (combined opex and capex) for the next AA period is consistent with the levels we expect to incur in the current AA period.
  - Our opex forecast has been developed using previously approved regulatory methodologies.

#### Stage 3 Engagement : Draft Plan Consultation

- ➡ Do you support our approach to forecasting operating expenditure? Is there sufficient information to understand our proposals and the basis of the costs included in our forecast?

- 🔍 96% customer support for our investment proposals in our Draft Plan, noting support for the inclusion of new digital customer service channels.
  - 🔍 SARG and RRG indicated broad support for our proposed opex.
  - 🔍 CCP24 queried our approach to productivity and suggested consideration be given to applying a productivity factor.
  - 🔍 Stakeholders noted that vulnerable customers are experiencing financial stress with recent stagnation in wage growth, and queried the assumption that input costs escalate at 0.5%.
- We agreed to continue to refine our opex proposal which supports maintaining current levels of reliability, public safety and customer service.
  - We agreed to undertake further analysis to determine a productivity adjustment.
  - We noted that input cost escalation would be determined by the AER as part of other network business' reviews that were occurring at the time. We advised we will apply the AER's approach, consistent with a plan capable of acceptance.

#### Stage 4 Engagement : Refining our Plans

- 🔍 SARG and RRG broadly support our opex proposal to maintain current levels of reliability, safety and customer service (with new digital service channels).
  - 🔍 SARG and RRG support our proposal to include a productivity adjustment.
- In response to stakeholder feedback we have proposed a productivity adjustment.
  - Our operating expenditure proposals are provided in Chapter 7 of this Final Plan.
  - We have also applied the same approach to output growth as that used by the AER in its most recent decision for Jemena Gas Networks.

### Final Plan Outcome



Our opex proposal delivers against customer expectations that current levels of reliability and safety are maintained. It also delivers against customer expectations that current levels of customer service be maintained, with the inclusion of improved digital service channels.

We have applied a productivity factor of 0.4% to our opex forecast in response to CCP24 feedback.

Customers and stakeholders support our approach and levels of operating expenditure included in this Final Plan.

## Operating Expenditure – Vulnerable Customer Assistance Program (VCAP)

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

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| <ul style="list-style-type: none"> <li>🔍 Customers' top priority is price / affordability.</li> <li>🔍 Supporting vulnerable customers in the community was identified as a focus area by customers and stakeholders, believing that AGN has a role to play.</li> <li>🔍 Customers told us that AGN has a social responsibility to support people in the community who are experiencing vulnerability including pensioners, low income earners and health issues.</li> </ul> | <ul style="list-style-type: none"> <li>• Assisting vulnerable customers was identified as a key issue for consideration in developing our proposals.</li> <li>• SARG and RRG endorsed engagement with experts the social service sector via co-design workshops.</li> </ul> |
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#### Stage 3 Engagement : Draft Plan Consultation

➡ Do you support investment in a vulnerable customer assistance program? Do you have any feedback on the activities we have proposed?

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| <ul style="list-style-type: none"> <li>🔍 From the co-design workshops, stakeholders told us key focus areas for AGN should be: understanding customers better; doing more in the community through public engagement and education; being proactive in situations where customers are vulnerable; and being present in the affordability debate.</li> <li>🔍 76% customer support for the Draft Plan proposal for a Vulnerable Customer Assistance Program (VCAP).</li> <li>🔍 Customers and stakeholders noted that AGN could work in partnership with social service and not-for-profit organisations to deliver the VCAP over the next AA period.</li> <li>🔍 Experts from the social service sector supported the Draft Plan proposal for a VCAP. We also received supportive submissions from EWOSA and SAFRRA.</li> <li>🔍 Stakeholders expressed a desire to understand AGN's plans in more detail once determined.</li> <li>🔍 Given the potential social and economic impacts of COVID-19 stakeholders highlighted assisting vulnerable customers as even more important.</li> </ul> | <ul style="list-style-type: none"> <li>• AGIG is an Energy Charter signatory and is developing a Vulnerable Customer Strategy which will incorporate feedback from the co-design process.</li> <li>• We proposed to further develop the VCAP for inclusion in our Final Plan, noting ongoing engagement will be a critical part of developing the program over the next AA period.</li> </ul> |
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#### Stage 4 Engagement : Refining our Plans

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| <ul style="list-style-type: none"> <li>🔍 Stakeholders supported the proposal to include the VCAP recognising that AGN will continue to work with customers and stakeholders in developing the model for implementation.</li> </ul> | <ul style="list-style-type: none"> <li>• The VCAP is included as part of our operating expenditure proposal in Chapter 7.</li> </ul> |
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#### Final Plan Outcome



Customers and stakeholders support our proposal to invest in a Vulnerable Customer Assistance Program which is included in this Final Plan (Chapter 7). Customers and stakeholders are keen to continue engaging with us to further develop, refine and implement our VCAP over the next AA period (recognising the need to continually innovate and respond to changing circumstances).



## Operating Expenditure – Replacing UAFG with Renewable Gas

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement: Developing our Plans

- 🔍 The future of gas and renewables is a key area of interest for stakeholders.
  - 🔍 Almost 9 in 10 customers (87%) told us that finding ways to lower carbon emissions is very or extremely important to them, and most expect AGN to proactively reduce its environmental footprint.
  - 🔍 Customers told us they are very interested in our actions to reduce emissions and contribute to environmental sustainability, in particular the role of hydrogen as a renewable gas.
- In addition to existing plans, we developed a further proposal to reduce carbon emissions by replacing unaccounted for gas (UAFG) with renewable gas to be tested with customers including by showing costs and bill impacts.
  - We noted the high level of interest by customers and stakeholders in renewable gas.

#### Stage 3 Engagement: Draft Plan Consultation

⇒ Do you support investment in replacing lost gas with renewable gas to reduce carbon emissions?

- 🔍 Customers support AGN's proposal to reduce carbon emissions by replacing UAFG with renewable gas, with 84% support at an additional cost \$1.50 to \$5.50 on the average residential bill.
  - 🔍 Customers told us that the proposal is good value for money given the minimal price impact for potentially significant environmental benefits and the benefit for future consumers.
  - 🔍 Stakeholders broadly supported our proposal, but were keen to understand volumes and pricing.
- At our 28 May SARG/ RRG meeting we shared further information on our proposal to replace UAFG with renewable gas.
  - We advised that we are proposing to replace 20% of UAFG with renewable gas.
  - We proposed to further develop and refine our proposal to offset UAFG with renewable gas for consultation with SARG and RRG members.

#### Stage 4 Engagement : Refining our Plans

- 🔍 Stakeholders supported the proposal to replace up to 20% of UAFG with renewable gas.
- The proposal to replace up to 20% of UAFG with renewable gas is included as part of our operating expenditure proposal in Chapter 7.

### Final Plan Outcome



Customers and stakeholders support our proposal to replace up to 20% of UAFG with renewable gas as part of our operating expenditure proposal in this Final Plan.

## Operating Expenditure – Community Education Centre

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

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| <ul style="list-style-type: none"> <li>🔍 Customers are interested in understanding more about the gas distribution network and the role of AGN, and environmental sustainability (in particular hydrogen).</li> <li>🔍 CALD customers are very interested in having access to more information about gas for enhanced community education.</li> <li>🔍 Customers and stakeholders noted that education is an important part of supporting vulnerable customers.</li> </ul> | <ul style="list-style-type: none"> <li>• We shared information at customer workshops about gas, our role and renewable gas.</li> <li>• We developed a proposal for a community education centre and learning program for testing with customers.</li> </ul> |
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#### Stage 3 Engagement : Draft Plan Consultation

- ⇒ Do you support investment in an education centre and learning program?
- ⇒ Do you have any feedback on the activities that an education centre should perform?

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| <ul style="list-style-type: none"> <li>🔍 58% customer support for Community Education Centre at a bill impact of \$1.50 on the average residential bill.</li> <li>🔍 While customers told us they value investment in education, there were a range of questions and concerns on the accessibility, benefit and value for all South Australians.</li> <li>🔍 Customers queried whether a community education centre should be delivered by and/or funded in partnership with other organisations.</li> </ul> | <ul style="list-style-type: none"> <li>• We proposed to continue with our BAU customer and community education programs.</li> <li>• We agreed to continue to explore models and funding opportunities for enhanced community engagement.</li> <li>• We decided to not include a proposal for a community education centre and program in our Final Plan and will consult with SARG and RRG to confirm this approach.</li> </ul> |
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#### Stage 4 Engagement : Refining our Plans

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| <ul style="list-style-type: none"> <li>🔍 Stakeholders support our continued focus on community education as part of business as usual and that we are exploring potential opportunities to strengthen our community education initiatives.</li> </ul> | <ul style="list-style-type: none"> <li>• We have not included investment in a community education centre as part of our operating expenditure proposal.</li> </ul> |
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### Final Plan Outcome



We received mixed levels of support from customers for investment in a community education centre and have not included it as part of our expenditure proposal in this Final Plan. Stakeholders support our continued focus on community education as part of business as usual.

## Capital Expenditure

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

- 🔍 Customers told us their top priorities are price/affordability, reliability of supply and maintaining public safety.
  - 🔍 Customers told us they expect AGN to deliver high levels of public safety and feel that safety is currently well managed.
  - 🔍 92% customer support to maintain current levels of public safety and 96% customer support to maintain current levels of reliability
  - 🔍 Stakeholders highlighted the importance of converting to polyethylene pipes and replacing cast iron mains for safety, reliability, to minimise gas losses and to prepare for the future.
  - 🔍 Customers are interested in the supply chain and lifecycle of the mains.
  - 🔍 Customers and stakeholders were keen to understand whether any additional expenditure would be required in readiness for hydrogen blending.
  - 🔍 Stakeholders are keen to ensure that our costs are efficient, and that we can demonstrate this.
  - 🔍 Stakeholders were comfortable with the preliminary expenditure proposals presented to SARG and RRG in February 2020.
- Our capex proposal includes investment at levels required to maintain current standards of reliability, public safety and customer service.
  - Our totex forecast (combined opex and capex) for the next AA period is consistent with the levels we expect to incur in the current AA period.
  - Our capex forecast has been developed using previously approved regulatory methodologies.
  - We provided information to customers on the lifecycle of mains.
  - We are not proposing any additional expenditure in relation to 'hydrogen readiness' as the completion of our mains replacement program will do this while focusing primarily on safety outcomes.

#### Stage 3 Engagement : Draft Plan Consultation

- ⇒ Do you support our approach to forecasting capex, including our approach to mains replacement in the next period?
- ⇒ Is there sufficient information to understand our proposals and the basis of the costs included in our capex forecast? Is there any other specific information that would assist in the assessment of our proposal?

- 🔍 96% of customers supported investment proposals in our Draft Plan to maintain current levels of reliability, safety and customer service.
  - 🔍 Customers and stakeholders welcomed the proposed completion of the cast iron mains replacement program including the safety and operational benefits (e.g. hydrogen ready) this will deliver.
  - 🔍 SARG and RRG indicated support for our proposed capex investment.
- We agreed to continue to refine our capex proposal for inclusion in our Final Plan.

#### Stage 4 Engagement : Refining our Plans

- 🔍 SARG and RRG broadly support our capex proposal to maintain current levels of reliability, safety and customer service.
- Our capex proposal is included in Chapter 8 of this Final Plan.

### Final Plan Outcome



Our capex proposal delivers against customer expectations that current levels of reliability and safety are maintained. Customers and stakeholders support the approach and levels of capital expenditure included in our Final Plan.

Customers and stakeholders supported the ongoing delivery of our mains replacement program, noting the significant safety milestone in completing the cast iron mains replacement program.

This Final Plan provides supporting information on capex and evidence of our governance arrangements that support cost being efficient.

## Capital Base

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

- 🔍 Stakeholders acknowledged the complexities around the future of the network given the ongoing decarbonisation of energy supplies, particularly how this could affect the economic life of gas assets/networks and therefore depreciation.
  - 🔍 Stakeholders are keen to understand the future of renewable gas, such as hydrogen, noting hydrogen projects in South Australia and other states.
  - 🔍 Stakeholders acknowledged that AGN is proposing to determine depreciation in accordance with the approach approved by the AER for AGN's Victorian networks, including by removing from the capital base those mains that have been replaced.
- There are a range of potential pathways for the decarbonisation of energy supplies. We see a future for our gas distribution business through advances and investment in renewable gases.
  - We proposed to continue to apply the asset lives approved by the AER for the current AA period.
  - We have applied the same approach to that approved by the AER for our Victorian network whereby mains that have been replaced are depreciated by the end of the next AA Period.

#### Stage 3 Engagement : Draft Plan Consultation

- ⇒ Do you have any comments on our proposed approach to adjust our capital base over the current and next AA periods, including how we have taken into account our mains replacement program?
- ⇒ Do you consider that the RBA-based approach will produce better forecasts of inflation relative to the Bond Breakeven approach? Are there any other approaches to forecasting inflation that should be used/considered?

- 🔍 SARG and RRG members are supportive of the approach to consider reviewing asset lives for the subsequent AA period on account of both price impact and uncertainty if the future of the gas network in a low carbon economy is not clearer by that time.
  - 🔍 A stakeholder queried whether AGN had done modelling on reducing asset lives in the next period to address the uncertainty of the future of gas networks, and the potential impact on price.
  - 🔍 CCP24 put forward alternate options for considering and managing stranded asset risk for discussion.
  - 🔍 One stakeholder questioned the residual cost of the mains replacement program and the inclusion of this cost in the depreciation allowance
- Regarding the transition underway in the energy sector, we provided stakeholders with a high-level indication of the price impacts of adjusting economic lives of assets today or waiting until the next period.
  - We advised we are not proposing substantive changes to the economic lives of our assets at this stage, noting that our assessment suggests it is better to wait until the subsequent AA period before acting. This includes by waiting to see whether current hydrogen pilot projects are successful and if there is policy support for renewable gas.
  - We provided additional information regarding mains replacement at our May 2020 SARG/ RRG, noting the residual cost of replaced mains in our capital base exists because of its replacement before it's fully depreciated; and that this will reduce our return on investment in the next period by around \$9 million per year.

#### Stage 4 Engagement : Refining our Plans

- 🔍 We continued to engage with CCP24 on managing stranded asset risk.
  - 🔍 We advised SARG and RRG of our approach to depreciating the capital base and they supported our proposal.
- We have applied the same approach to depreciation as approved by the AER previously for mains that have been replaced or removed from the capital base.
  - We are not proposing any changes to our current approach to depreciation at this stage in response to the energy transition, instead preferring to wait for more information to become available on the role of gas in a low carbon future.

#### Final Plan Outcome




With the support of stakeholders, we are not at this stage proposing substantive changes to the economic lives of our assets in response to the uncertainty over the role of gas networks in a low carbon future – while there are risks that need to be addressed over time our assessment suggests it is better to wait until the subsequent AA period before acting.

We have applied the same approach as approved by the AER for our Victorian and Albury network whereby mains that have been replaced are depreciated by the end of the next AA Period.

Stakeholders supported AGN's proposed approach to depreciation, in particular to review asset lives as part of the subsequent AA period.



<b>Financing Costs</b>	
<b>Customer and Stakeholder Feedback</b>	<b>Our Response</b>
<b>Stage 1 and 2 Engagement : Developing our Plans</b>	
<ul style="list-style-type: none"> <li>🔍 Stakeholders acknowledged our intention to adopt the AER's Rate of Return Instrument, and a tax allowance of zero, consistent with the approach taken in the recent AER Tax Review. Stakeholders noted this is consistent with submitting a plan that is capable of being accepted.</li> </ul>	<ul style="list-style-type: none"> <li>• We have applied the AER's Rate of Return Instrument.</li> <li>• We have accepted the outcome of the AER's Tax Review. The forecast tax allowance for the next AA period is zero.</li> </ul>
<b>Stage 3 Engagement : Draft Plan Consultation</b>	
<p>➡ Do you have any comments on our approach to setting the financing and tax costs in this Draft Plan?</p>	
<ul style="list-style-type: none"> <li>🔍 Customers acknowledged AGN's intention to adopt the AER's Rate of Return Instrument in formulating its plans.</li> <li>🔍 Stakeholders supported the AER's review of tax allowances, resulting in an allowance of zero for AGN.</li> <li>🔍 Stakeholders questioned whether AGN's proposed debt return should be reduced to reflect currently low interest rates.</li> </ul>	<ul style="list-style-type: none"> <li>• We advised customers that applying the AER Rate of Return Instrument is consistent with the approach taken for other AGIG assets, and that this is consistent with submitting a plan which is capable of being accepted by our customers and stakeholders.</li> <li>• Stakeholders were informed that the return on debt is based upon a 10-year trailing average in line with the AER's Rate of Return Instrument.</li> </ul>
<b>Stage 4 Engagement : Refining our Plans</b>	
<ul style="list-style-type: none"> <li>🔍 No further feedback was received on our financing costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Our proposal applies the AER's Rate of Return Instrument and the outcome of the AER's Tax Review.</li> </ul>
<b>Final Plan Outcome</b>	
<div style="display: flex; align-items: center;">  <p>We have applied the AER's Rate of Return Instrument in this Final Plan, and this approach is supported by customers and stakeholders. The rate of return applied in this Final Plan is 4.40%. We have also updated our approach to calculating the tax allowance following the AER's Tax Review.</p> </div>	

## Incentives

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

- 🔍 Stakeholders noted that AGN is considering a capital expenditure sharing scheme (CESS) to compliment the current opex incentive scheme and that consideration is also being given to customer service and innovation incentive schemes.
  - 🔍 SARG discussed the incentive mechanisms, noting that while they can deliver better outcomes for customers, they need to be appropriately specified to operate as intended.
  - 🔍 Customers were keen to understand opportunities for AGN to be innovative, with almost 8 in 10 customers either supportive or strongly supportive of AGN investing in innovation. Customers told us the importance of innovation is that it contributes to finding better, more effective and efficient ways of providing services to customers.
- We consider incentive mechanisms to be an important part of a regulatory framework that helps to deliver efficiencies to customers in a timely manner.
  - We are therefore proposing the continuation of the AER's opex incentive mechanism that currently applies in South Australia, as well as a capex incentive mechanism consistent with that approved by the AER for our Victorian gas network and more recently for Jemena Gas Networks.
  - We included an innovation scheme proposal for testing customer support as part of Draft Plan consultation.

#### Stage 3 Engagement : Draft Plan Consultation

- ⇒ Do you support our proposal to maintain the opex efficiency benefit sharing scheme (EBSS)?
- ⇒ Do you support our proposal to introduce a contingent capital expenditure efficiency scheme (CESS)?
- ⇒ Do you think a network innovation scheme should be implemented? If so, what level of funding do you think should be allowed under this scheme; for example \$1 per year (\$2.5 million), \$2 per year (\$5 million) and so on? What type of projects should be in the scope?
- ⇒ Do you think a customer service incentive scheme (CSIS) should be implemented?

- 🔍 87% of customers support a small price increase to better support investment in innovation projects. 54% indicated they would be prepared to pay a price of \$2 per annum for an innovation fund.
  - 🔍 Stakeholders broadly supported our proposals for incentives noting that AGN would continue to engage industry on the development of the proposal. CCP24 noted the need for ongoing engagement with the industry.
- We advised stakeholders that over the coming months we will undertake wider industry engagement, including with other gas distributors, to inform the appropriate design and scope of the Innovation Scheme, including to determine the amount, type of scheme and AER/ Panel to review innovation projects

#### Stage 4 Engagement : Refining our Plans

- 🔍 SARG and RRG support our proposed approach to incentives, including the continuation of the EBSS, the introduction of a CESS and proposed introduction of an Innovation Allowance.
- Our proposals relating to incentives are included in Chapter 11 of this Final Plan.


### Final Plan Outcome



This Final Plan includes a continuation of the opex incentive mechanism (EBSS) that currently applies for our South Australian network.

The Final Plan proposes a new capex incentive mechanism (CESS) consistent with that approved by the AER for our Victorian gas network and more recently for Jemena Gas Networks (Chapter 11 Sections 11.3 and 11.4).

Stakeholders and customers support investment in innovation. As part of this Final Plan we have therefore proposed to introduce an Innovation Scheme, the design of which will be determined through a specific industry-wide engagement program conducted post Final Plan submission (see Section 11.5).

<b>Demand</b>	
<b>Customer and Stakeholder Feedback</b>	<b>Our Response</b>
<b>Stage 1 and 2 Engagement : Developing our Plans</b>	
<ul style="list-style-type: none"> <li>🔍 Stakeholders noted AGN's approach to demand forecasting is based on historic trends with adjustments for projected energy prices, weather and dwelling construction starts.</li> <li>🔍 Retailers acknowledged the trend shown in demand forecasts are consistent with their own observations and expectations of demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Our demand forecast applies methodologies accepted by the AER for our most recent South Australian and Victorian reviews. Our forecasting approach is also consistent with the approach adopted by the Australian Energy Market Operator (AEMO) in the Gas Statement of Opportunities.</li> </ul>
<b>Stage 3 Engagement : Draft Plan Consultation</b>	
<ul style="list-style-type: none"> <li>➡ Do you support our approach to forecasting demand?</li> <li>➡ Are there any other factors you think we should consider?</li> </ul>	
<ul style="list-style-type: none"> <li>🔍 Some stakeholders are concerned that should COVID-19 reduce demand for gas, a corresponding increase in gas prices will have negative outcomes (particularly for vulnerable customers).</li> <li>🔍 Stakeholders queried how AGN accounts for changes in the electricity market (e.g. batteries, solar, virtual power plants influencing demand for gas).</li> </ul>	<ul style="list-style-type: none"> <li>• We provided additional information on demand forecasting and noted that our demand model accounts for price elasticity and virtual power plants.</li> <li>• Our demand and growth capex forecasts have been updated with new HIA forecasts.</li> </ul>
<b>Stage 4 Engagement : Refining our Plans</b>	
<ul style="list-style-type: none"> <li>🔍 SARG and RRG support our proposed approach to demand, noting the information provided in relation to the potential impacts of COVID-19 on demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Our demand forecasts are included in Chapter 12 of this Final Plan.</li> </ul>
<b>Final Plan Outcome</b>	
	<p>Our approach to developing the demand forecast applies methodologies accepted by the AER for our most recent South Australian and Victorian reviews and is supported by stakeholders.</p> <p>The residential customer number growth reflects the Housing Industry Association's projection of housing starts, including the HIA's most recent view of the impact of COVID-19 on housing starts.</p>

## Revenue and Pricing

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

- 🔍 Customers told us that price and affordability are their top priorities. Customers and stakeholders supported our proposed price cut.
  - 🔍 Customers were keen to understand how gas distribution prices are included in their final bill – and how any savings might be passed on by their retailer.
- Based on early modelling we proposed a price cut for our customers. In our Draft Plan 6% after the impact of inflation (or 8% in real terms as expressed at the time) in the first year of the next period, followed by real increases of 1.2% each year thereafter, consistent with the growth in our capital base.
  - We noted that we will engage with retailers to encourage the pass through of any savings to customers when our new prices take effect on 1 July 2021, the same way we did when our prices were cut by 21% at the start of the current period.

#### Stage 3 Engagement : Draft Plan Consultation

- ⇒ Have we provided enough information to understand the basis of our proposed price, including how it is split between the capacity and commodity components?
- ⇒ Is there anything that our Draft Plan hasn't considered that is important to you?

- 🔍 Customers and stakeholders supported the proposed price cut of 6% (after inflation) in the Draft Plan.
  - 🔍 While some stakeholders indicated a preference for 'smoothing' (i.e. consistent price reductions each year), most stakeholders indicated a preference for AGN's current model.
  - 🔍 Some stakeholders suggested that AGN consider how the price path is communicated with customers more simply.
  - 🔍 Stakeholders queried how COVID-19 might impact AGN's revenue and debt costs (and by extension impact on price), noting that further assessment is required.
- We are proposing a larger price cut in year 1 followed by real increases as this was the preferred model by most customers and stakeholders. It also aligns the price path for years 2 to 5 with growth in our capital base and therefore funding costs. The proposed price path will also provide relief to customers impacted by COVID-19.
  - We committed to include more information in this Final Plan regarding price cuts and the price paths for residential, business and commercial customers in real terms.

#### Stage 4 Engagement : Refining our Plans

- 🔍 SARG and RRG supported the 7% price cut (after inflation) and endorsed the proposed way in which AGN will be communicating the price impacts and price path for customers.
- Our approach to total revenue and proposed prices is included in Chapter 13 of this Final Plan.
  - In the Final Plan we communicate key price impacts after the impact of inflation in Chapter 4 (as opposed to in real terms).

### Final Plan Outcome



We have maintained a fairly stable price path throughout our engagement process, including an initial price cut of between 6-7% on 1 July 2021. We also note the importance of delivering this price cut to customers, including following the COVID-19 pandemic. We have therefore decided against including certain initiatives in our Final Plan, particularly our proposed change to capitalisation of overheads in the Draft Plan and accelerating depreciation due to the uncertainty of gas in a low carbon energy system.

We are proposing an upfront price cut of 7% (after inflation) which builds on price cuts of 21% delivered at the beginning of the current AA period.

Customers and stakeholders support our proposed price path and revenue.

## Network Access

### Customer and Stakeholder Feedback

### Our Response

#### Stage 1 and 2 Engagement : Developing our Plans

- 🔍 We distributed draft terms and conditions in June 2019. We received feedback from three retailers on the first draft.
- We noted the process that commenced 10 years ago to standardise our terms and conditions across all our networks. To this end, we started with our current terms and conditions as a base which includes the outcomes of previous engagement and AER decisions.
  - Feedback was incorporated into the second draft of the terms and conditions which were provided to members of our Retailer Reference Group in December 2019.
  - We committed to continuing to provide opportunities for retailers to comment on our proposed terms and conditions as part of stages 3 and 4 of our engagement program.

#### Stage 3 Engagement : Draft Plan Consultation

⇒ Do you support AGN continuing to standardise terms and conditions across its network?

- 🔍 We received two retailer submissions on terms and conditions regarding changes to customer details, credit support, time limits, disclosure to associated companies, best endeavors to read meters and users procuring gas through market mechanisms.
- 🔍 We also received communication from another retailer seeking alignment with the Australian Energy Market Operator's Retail Market Procedures.
- 🔍 We received a submission supporting our approach to continuing to standardise terms and conditions across our networks.
- We provided responses addressing all the feedback on terms and conditions.

#### Stage 4 Engagement : Refining our Plans

- 🔍 We continued to discuss our draft terms and conditions focusing on the new customer details clause.
- 🔍 SARG and RRG support the standardisation of our terms and conditions across our networks.
- In response to feedback, we have modified the proposed customer details clause in the third version of the proposed terms and conditions. The customer details clause is now a general clause in line with the recently approved Jemena Gas Networks terms and conditions as opposed to the detailed clause in Multinet and AusNet terms and conditions, which we proposed in the first draft of the terms and conditions.

#### Final Plan Outcome



We have continued standardising our terms and conditions for our networks across Australia. Our AA Document will remain consistent with the AA Document that applies in the current AA period.



