



Attachment 5.5

**KPMG MGN Customer Engagement Program
Phase 4 Final Report**

Response to AER Draft Decision

January 2023



Multinet Gas Networks Customer Engagement Program

Phase 4 Findings and Insights

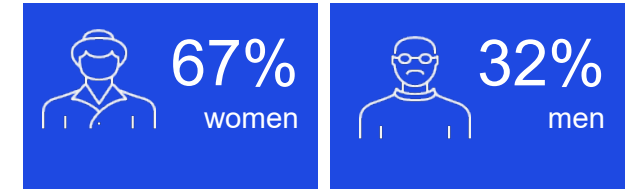
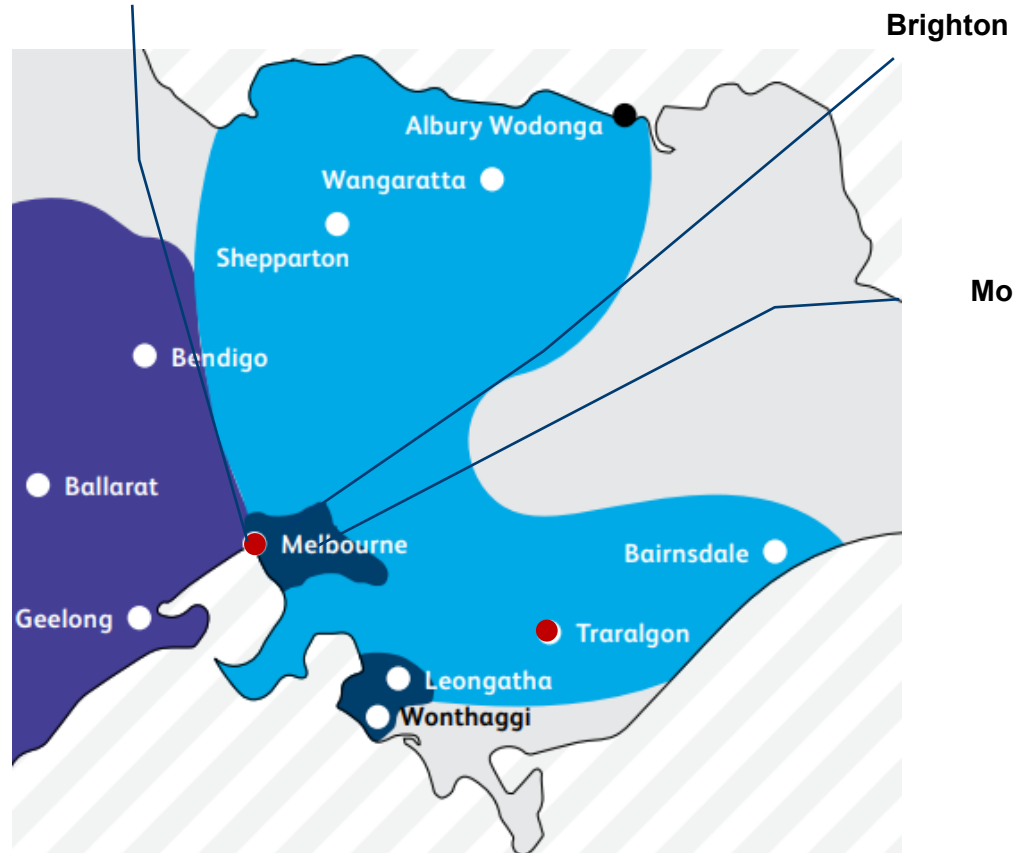
January 2023

Methodology

Phase 4 Customer Workshops

40 MGN customers returned for Phase 4 consultation; representing a 60% continuation rate from Phase 3.

South Melbourne



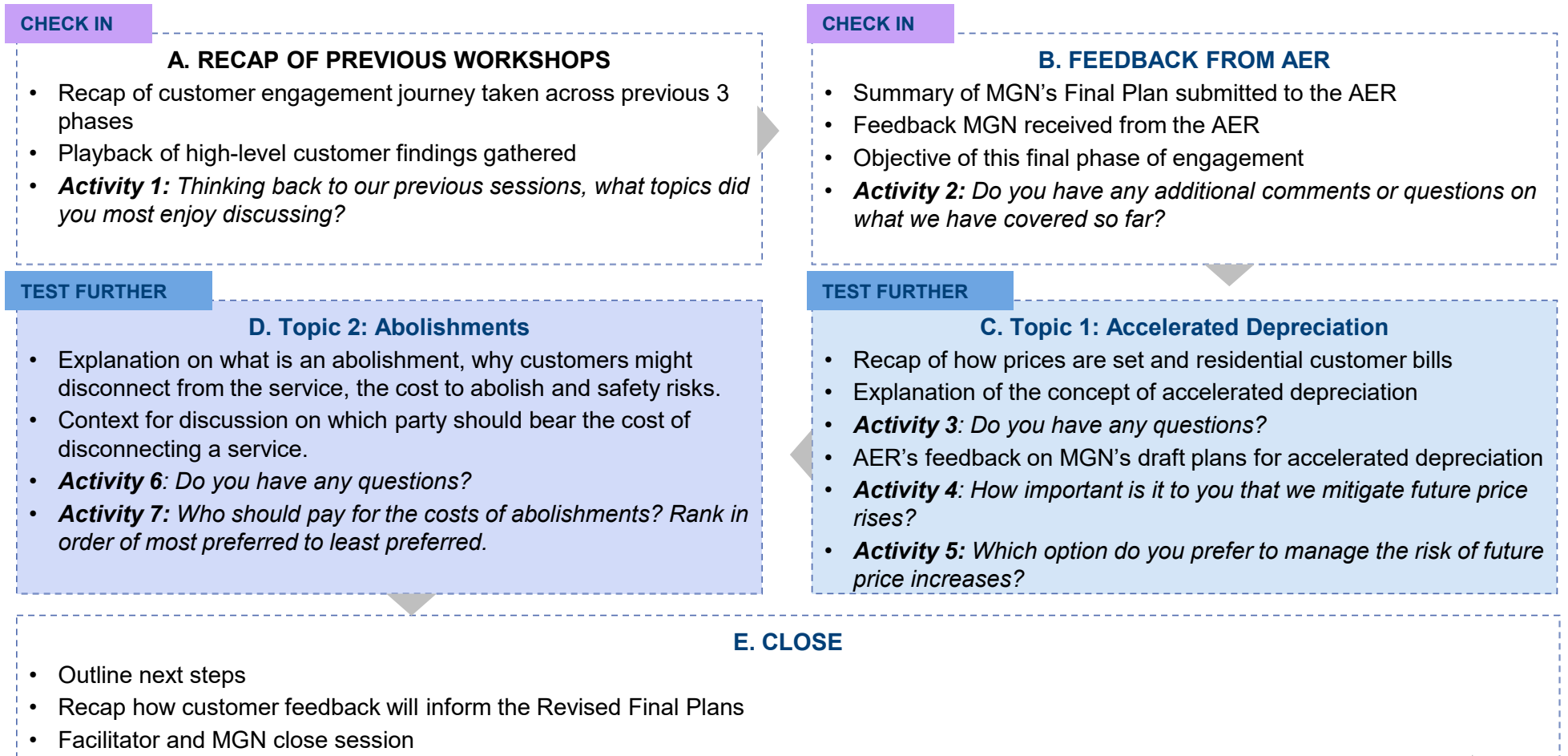
MGN customer count

Phase 1	Phase 2	Phase 3	Phase 4
106	92	67	40

[1] Vulnerable customers are those that indicated they receive government payment/s, live with a disability and or identify as Aboriginal or Torres Strait Islander.

Workshop Structure

Phase 4 was an opportunity for MGN to further refine its Revised Final Plan through the collection of targeted customer feedback on two topics that the Australian Energy Regulator flagged as requiring further customer input; accelerated depreciation and abolishments.



Topics Revisited

A majority of customers have a preference mitigating future price rises. Almost half of MGN customers believe the cost of abolishments should be paid by the disconnecting household, whilst 68% view remaining customers as the least preferable approach.

TOPICS

1



Accelerated Depreciation

PHASE 4
ACTIVITIES

Intended to gather feedback on whether customers would support a small price increase to appropriately mitigate future price risks.

KEY
INSIGHTS

- **88%** of MGN customers view mitigating future price rises as either very important or important.
- **77%** of MGN customers are comfortable paying more today if it reduces the risk that prices increase in the future.

2



Abolishments

Intended to gather feedback on who should pay the costs of permanent disconnection: the disconnecting household, remaining customers, the Government or a hybrid.

- **45%** of MGN customers believe that a disconnecting household should pay the cost of abolishments.
- **68%** of MGN customers selected remaining customers on the gas network as the least preferred party that should pay abolishment costs.



88% of MGN customers believe mitigating future price rises is important.

MAIN OBSERVATIONS:

[Link to Topic](#) **1**

[Link to Activity: 4](#)

88% (34) of MGN customers view mitigating future price rises as either very important or important, with 44% (17) perceiving it as *very important* to mitigate future price rises.

Contributing to the perceived importance is customer sentiment around:

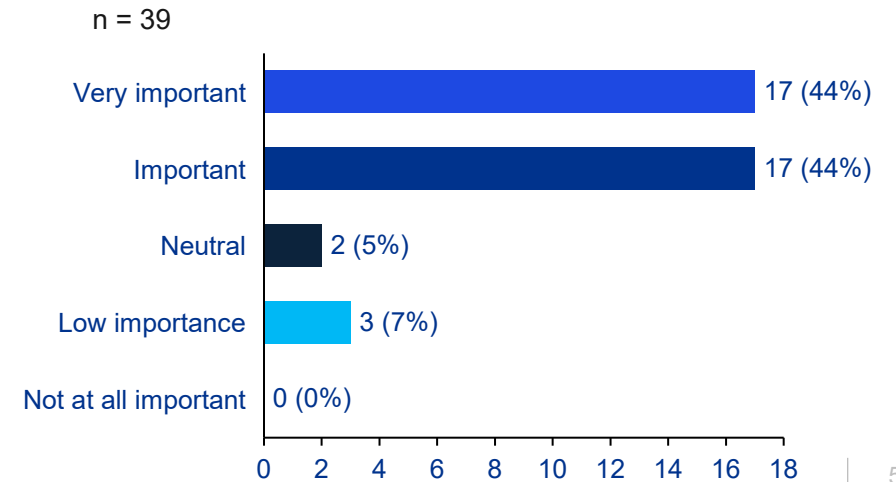
- Budgeting for the future: *“Users need to manage their budgets and allow for price increases.”*
- Desire to use gas in the longer term: *“I voted as it being important because I intend to stay with gas and don't want it to become too expensive.”*
- Energy prices have increased steadily in recent times: *“It's important to mitigate future price increases, as gas prices have already increased significantly in the last few years.”*
- Protect the vulnerable: *“Price will only go up. The vulnerable community needs [sic] and low income earners have to be protected!”*

12% (5) of MGN customers are neutral or perceive mitigating future prices rises as low importance. There were no MGN customers who perceive it as not at all important.

Customers acknowledge that gas is a fuel of choice and mitigating future price rises is important to ensure it is not cost prohibitive in the longer term:

- *“If we don't mitigate prices we may have to change our energy source which comes with a cost as well and is not usually done immediately.”*
- *“I voted Very Important as it may well affect me in the future, I will need to determine if A) I can afford the increase or B) it is worth the increase.”*

Importance of mitigating future price rises



Note: Quantitative data based on Menti responses.



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77% of MGN customers prefer to pay more today to reduce the risk of future price increases.

MAIN OBSERVATIONS:

[Link to Topic](#) 1

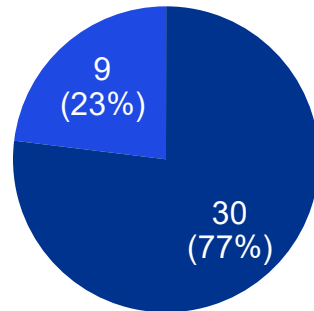
[Link to Activity: 5](#)

77% (30) of MGN customers support a price increase today if it reduces the risk of future price increases.

“...It sounds reasonable if it mitigates a sizeable [future] increase people can’t afford.”

Preference for flat prices vs a price increase today
(to manage future risk from AD)

n = 39



- Flat prices today (option 1)
- Price increases today (option 2 or 3)

Of the customers who prefer a price increase today, 80% (24) prefer to pay up to \$15 per annum.

The remaining 20% (6) of customers that prefer a price increase opted for up to \$30 per annum.

Monetary preference of those who expressed appetite for a price increase today
(to manage future risk from AD)

n = 30



Note: Quantitative data based on Menti responses. **Option 1:** I prefer flat prices today and am prepared to wear future price risk. **Option 2:** I am comfortable to pay a little bit more today (up to \$15 per annum) if it reduces the risk that prices increase in the future. **Option 3:** I am comfortable to pay a bit more today (up to \$30 per annum) if it reduces the risk that prices increase in the future.

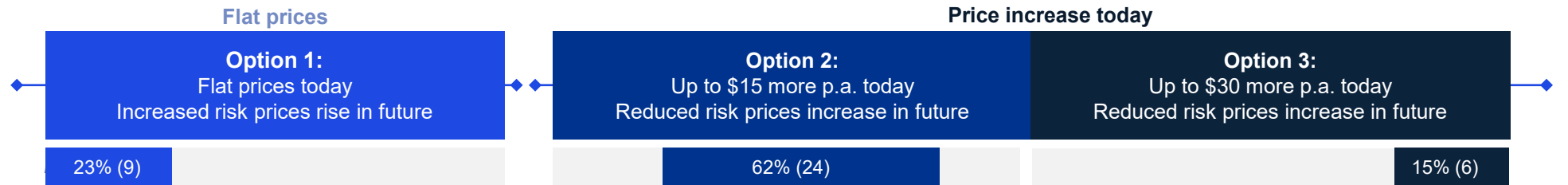


62% of MGN customers are comfortable paying up to \$15 more today to reduce the risk of future price increases.

MAIN OBSERVATIONS:

[Link to Topic](#) 1

[Link to Activity: 5](#)



In the context of accelerated depreciation...

23% of MGN customers support flatter prices today at the risk of higher prices in future.

Customer sentiment for flat prices

Risk is inevitable:

- *“Everything is a risk. I don’t believe the price won’t go further up in future.”*
- *“Because the future is unpredictable, maybe there are initiatives that could mean lower prices in the future.”*

62% of MGN customers support a price increase of up to \$15 p.a.

Customer sentiment for paying up to \$15 p.a. more:

- For the future benefit of all customers: *“Happy to pay \$15 if it helps keep prices down in the long run for all customers.”*
- A reasonable middle ground in light of uncertain future: *“We don’t know what the future cost increase will be exactly, and given the cost of living currently, I chose option 2.”*

15% of MGN customers support a price increase of up to \$30 p.a.

Customer sentiment for paying up to \$30 p.a. more:

- Comparable to other expenses and justifiable for future’s sake: *“\$30 is very reasonable (a bottle of nice wine). I can afford to help my future generation now.”*
- A form of future protection of gas: *“I see investing today provides a better chance of trying to maintain access to gas connection for the future.”*

In agreeing to a price increase, some customers cited protecting vulnerable customers:

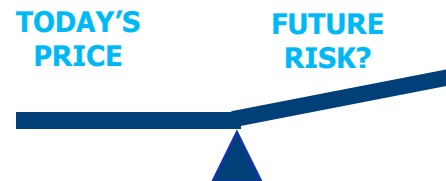
- *“Most of us wouldn’t notice that amount but we know there are people who can’t afford groceries week to week so that amount is noticeable for them.”*

More broadly, some customers questioned and MGN acknowledged, that future certainty could not be provided:

- *“I would pay the \$15 only if it was locked in that my gas charges were guaranteed to be reduced?”*
- *“I would like to know what assurance there is that the future price rises will be restrained.”*

Other customers acknowledged that MGN’s prices are just one component of the retail gas price:

- *“Regardless of how much we pay the distributor, we could potentially be paying the retailer a lot more.”*





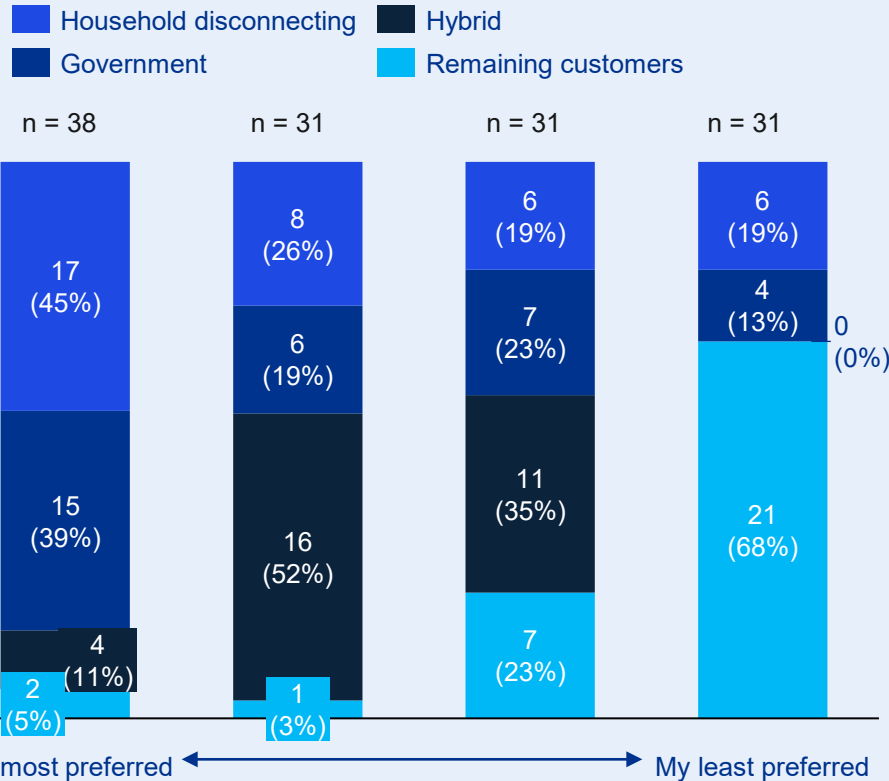
Almost half of MGN customers prefer that the disconnecting household pay the costs incurred through abolishment.

MAIN OBSERVATIONS:

[Link to Topic](#) **2**

[Link to Activity: 7](#)

Customer preference for party responsible for payment of abolishment costs



Most preferred option



Household disconnecting

45% (17) of MGN customers prefer the household disconnecting pay the \$950 abolishment cost.

“The household should pay as it is their decision [to disconnect] and they should therefore bear the cost.”

Least preferred option



Remaining customers

68% (21) of MGN customers indicated that payment of abolishment costs by remaining customers was their lowest preference.

“I don't think it's fair for remaining (potentially vulnerable customers) to be responsible for the increased per annum cost.”

Additional customer reflections arising from abolishment include:

- The future of gas: *“You may find potential new customers reluctant to connect if faced with a disconnection charge.”*
- Alternative options: *“Can you just leave it connected and pay the service fee every bill?”*

[1] Methodology: Participants were invited to rank the options from most preferred to least preferred. Note that some respondents did not rank all provided options.



Customers cited the overall cost of electrifying and customer choice as reasons why they felt the household should pay.

MAIN OBSERVATIONS:

[Link to Topic](#) **2**

[Link to Activity: 7](#)

Most preferred

Household disconnecting



Key customer drivers for this sentiment include:

- Fairness of a user pays model: *“The customer should pay for their decisions. It is not fair for their costs to be allocated to others (whether others on the network or the government).”*
- Abolishment constituting part of the ultimate cost to electrify: *“To migrate to all-electric would have significant expenses... the \$950 disconnect fee [is] a small percentage...”*
- Emphasis that disconnection is a choice: *“If a client wants to disconnect, he should pay for the expense from his request.”*

Government



39% (15) voted for government as their first choice to pay for disconnection. Some customers suggest incentives should be provided for electrifying: *“The government has introduced a bunch of incentives for households to electrify. They should also be responsible for covering the cost of disconnecting.”*

Least preferred

Remaining customers



In selecting remaining customers as the least preferred, sentiment ultimately questioned the appropriateness of subsidising other customers' costs:

“It doesn't seem fair that people who remain on gas end up footing the bill for other people's decisions to disconnect.”

Hybrid option

Customers were also presented with a “hybrid” option; a combination of some payment by the household requesting the disconnection and some payment by the government.

11% (4) of customers voted for the hybrid option as their preferred option. Sentiment highlighted that the cost could be absorbed by multiple parties: *“While \$950 is a lot of money...we can't expect [the] Government to pay for everything.”*



Inherent Limitations

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 Multinet Gas Networks (MGN) but only to the extent of the sample surveyed, being MGN's approved representative sample of customers and stakeholders. Any projection to the wider customer base 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, MGN customers and stakeholders consulted as part of the process. 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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The findings in this report have been formed on the above basis.

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End of Report