Australian Gas Networks

Attachment 8.2

Opex Business Cases

Final Plan 2023/24 – 2027/28

July 2022

Contents

1 Capex V.11.OP – Dig up and repair TP pipeline locations

1.1 Project approvals

Table 1-1: Project approvals

Prepared by	Sophie Hood, Engineer
Endorsed by	Krishnan Pasupathi, Operations Manager VIC; Keith Lenghaus, Integrity Manager
Approved by	Craig Bonar, Head of Engineering and Planning

1.2 Project overview

Table 1-2: Project overview

Description of the problem / opportunity	The Victorian and Albury natural gas distribution networks include approximately 252 km of steel transmission pipelines that form part of a broader distribution network that delivers gas to more than 740,000 consumers. These steel transmission pressure (TP) pipelines require ongoing corrosion risk control, which if left untreated can lead to pipeline integrity failure and a major uncontrolled gas escape. The consequences of a major uncontrolled gas escape can be severe, as metropolitan TP pipelines are typically located in or near developed areas and major population centres. One of the key methods of mitigating the corrosion risk is to conduct direct current voltage gradient (DCVG) surveys and direct inspection excavations (or 'dig ups'). DCVG surveys are surveys that detect faults in pipeline coatings. The surveys are followed by digging up areas where the DCVG survey indicates the pipeline coating has failed. Australian Standard (AS) 2885.3-2012 (section 5.2) requires AGN to have a Pipeline Integrity Management Process (PIMP). An outcome of the PIMP is for the continued monitoring of pipelines that are not capable of being inspected via an in-line inspection process, and this includes surveying of these TP pipelines using DCVG every five years. The surveys are conducted in accordance with AS 2885.3-2012 Figure 9.1, with DCVG constituting a part of the indirect inspection step. For pipelines that are not subject to in-line inspection (i.e., "pigging"), DCVG is the primary inspection technique. Between 2018-2021, surveys resulted in 270 digs being conducted (average of 68 per annum). Only 1% of these dig ups revealed no coating defects or corrosion. This suggests that the corrosion risk remains and the DCVG surveys are effective. It is therefore prudent to continue to dig up and repair (as required) all sites identified through the DCVG process. With all pipelines having been surveyed in the last 5 years, it is likely that less than the recent historical annual average of ([redacted] dig ups will be required in the next 5-year period. As such, a reduced number of [redacted] dig ups per annum is proposed. Sites will be prioritised, with high priority sites identified through the DCVG process to be excavated first.
Untreated risk	As per risk matrix = High
Options considered	• Option 1 – Discontinue TP Dig Up and Repair program • Option 2 – Dig up estimated required [redacted] faults per annum ($4.6 million) • Option 3 – Dig up historical average [redacted] faults per annum ($6.3 million)
Proposed solution	Option 2 is the proposed solution. This involves excavating an expected [redacted] locations where indications have been recorded. This activity will mitigate the high health and

<table>
<tr><td></td><td>safety, operational and compliance risks associated with corrosion of the TP pipelines. It will also reduce the operational and financial risks of emergency repairs.

Option 1 does not mitigate the high health and safety, operational and compliance risks associated with corrosion of the TP pipelines.

Option 3 will provide for a continuation of the level of defects currently seen. This will mitigate the risk, but at a considerably higher cost than Option 2.</td></tr>
<tr><td>Estimated cost</td><td>The forecast direct cost (excluding overhead) during the next five-year period (July 2023 to June 2028) is $4.6 million (2021).

<table><tr><th>$'000 real 2021</th><th>23/24</th><th>24/25</th><th>25/26</th><th>26/27</th><th>27/28</th><th>Total</th></tr><tr><td>[redacted] excavations</td><td>920</td><td>920</td><td>920</td><td>920</td><td>920</td><td>4,601</td></tr></table></td></tr>
<tr><td>Basis of costs</td><td>All costs in this business case are expressed in real unescalated dollars at June 2021 unless otherwise stated.</td></tr>
<tr><td>Alignment to our vision</td><td>This project aligns with the Delivering for Customers aspect of our vision. It delivers for customers by mitigating the risk to public health & safety, as well as ensuring security and reliability of gas supply.</td></tr>
<tr><td>Consistency with the National Gas Rules (NGR)</td><td>This project complies with the following National Gas Rules (NGR):

NGR 79(1) – the proposed solution is consistent with good industry practice, several practicable options have been considered, and market rates have been tested to achieve the lowest sustainable cost of providing this service.

NGR 79(2) – proposed capex is justifiable under NGR 79(2)(c)(i) and (ii), as it is necessary to maintain the safety and integrity of services.

NGR 74 – the forecast costs are based on the latest market rate testing and project options consider the asset management requirements as per the Asset Management Strategy. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.</td></tr>
<tr><td>Treated risk</td><td>As per risk matrix = Moderate</td></tr>
<tr><td>Stakeholder engagement</td><td>We are committed to operating our networks in a manner that is consistent with the long-term interests of our customers. To facilitate this, we conduct regular stakeholder engagement to understand and respond to the priorities of our customers and stakeholders. Feedback from stakeholders is built into our asset management considerations and is an important input when developing and reviewing our expenditure programs.

Our customers have told us their top three priorities are price/affordability, reliability of supply, and maintaining public safety. They also told us they expect us to deliver a high level of public safety and are satisfied that this is current practice.

The proposed TP pipeline excavation program is a continuation of the asset safety and integrity program in place in the current access arrangement period and is therefore consistent with the current practice customers have told us they value. Undertaking the proposed excavation program will also help maintain reliability of supply at the lowest sustainable cost, minimising the impact on customers' gas bills.</td></tr>
<tr><td>Other relevant documents</td><td>• Australian Standard 2885.3 Pipelines-Gas and Liquid Petroleum: Operation and Maintenance (AS 2885.3)
• Asset Management Strategy – AGN Victorian Networks – 400-PL-AM-0003 per NNDL</td></tr>
</table>

1.3 Background

The Victorian and Albury natural gas distribution network includes over 12,000 km of pipelines and 252 km of transmission pressure (TP) pipelines that deliver gas to more than 740,000 customers. The maps at Appendix A show the full TP pipeline network.

The majority of the TP pipelines were constructed prior to 1982, with seven of the Victorian pipelines in excess of 50 years old. TP pipelines operate with a maximum allowable operating pressure above 1050 kPa, therefore their design, construction, operation and maintenance are governed by Australian Standard (AS) 2885.

The biggest risk associated with steel pipelines is corrosion, which can weaken the pipe wall and cause an integrity failure. To mitigate the risk of a TP pipeline integrity failure, the pipelines are coated with corrosion-inhibiting products and subject to a cathodic protection (CP) system, which uses a low voltage electrical current to inhibit the onset of steel corrosion. Some older sections of pipelines in our gas distribution networks are coated with coal tar enamel (CTE), while newer sections are coated with polyethylene (PE) and fusion bonded epoxy (FBE). Heat shrink sleeves (HSS) have been applied to pipelines of various ages.

If left unchecked, corrosion will eventually cause leaks, posing a risk to the gas supply. The subsequent emergency repair could also result in large scale loss of gas supply and considerable disruption for customers.

As a result of the significant consequence associated with pipeline failure, AGN's Pipeline Integrity Management Plan - PIMP requires the integrity of pipeline protective coatings to be assessed every five years using a DCVG survey, where the pipeline is not subject to an inline inspection program.[1] This survey involves taking surface measurements of the amount of electrical current that is escaping through coating faults into the surrounding soil. The coating fault 'indications' are denoted by an IR reading[2]. The IR reading provides an indication of the size of the coating fault. Depending on the size of the IR reading, the location of the pipeline, CP performance and previous dig up history, the section of pipeline where coating indications have been identified will be excavated and directly examined.

DCVG surveys and dig ups only provide an indication of the pipeline coating condition at a sample of locations where the pipeline steel condition has been assessed. Results must then be extrapolated for the remaining sections of the pipeline.

Figure 1-1 shows an example of pipeline corrosion detected via a DCVG survey and dig-up.

[1] The prevailing industry standard practice for detecting corrosion associated with coating disbonding is to use an inline inspection tool (also known as a pig). However, many of the TPs in the Victorian distribution system are currently not piggable.

[2] IR readings are the measure of current flowing from the pipe to the soil. IR = current resistance.

Figure 1-1: Damage on L103 detected by DCVG survey and excavation

1.3.1 Recent DCVG surveys & dig ups

Historically, only defects with IR readings greater than or equal to 15% were deemed high priority and subject to dig up and repair. Defects with readings less than 15% were deemed low priority and not subject to any remediation because it was expected that a small coating defect would be contained by the active corrosion protection system.

However, excavations on low priority sites prior to the current access arrangement period uncovered defects where the extent of corrosion was masked by the surrounding coating, and repairs to the coating were frequently required. From this, we concluded that the IR reading does not necessarily correlate to the amount of corrosion present. Therefore since 2014, in addition to excavation of defects with an IR reading of greater than 15%, excavation has also been conducted on locations that have returned multiple IR readings of less than 15%.

This decision has been further supported by the data gathered in the current access arrangement. Over the four years between 2018 and 2021, there were 270 excavated faults located by DCVG surveys. More than half of these (155) were dig ups in locations where multiple surveys had provided IR readings of less than 15%. Over 99% of subsequent excavations revealed some corrosion or coating defects.

The high proportion of corrosion and coating defects found where the IR reading is less than 15% provides substantial evidence that DCVG surveys are effective in detecting major coating defects. Given the continued frequency of coating defects at locations with IR readings, and in order to mitigate the high risks associated with TP pipeline corrosion, we consider it prudent to continue to excavate, examine and repair (where necessary) sites with high IR readings (>15%) as well as sites with multiple indications regardless of the IR reading.

Note that the DCVG dig-up and repair program is all associated with transmission pipelines are not currently subject to in-line inspection, and where DCVG is therefore the primary inspection technique.

1.4 Risk assessment

Risk management is a constant cycle of identification, analysis, treatment, monitoring, reporting and then back to identification (as illustrated in Figure 1-2). When considering risk and determining the appropriate mitigation activities, we seek to balance the risk outcome with our delivery capabilities and cost implications. Consistent with stakeholder expectations, safety and reliability of supply are our highest priorities.

Figure 1-2: Risk management principles

Our risk assessment approach focuses on understanding the potential severity of failure events associated with each asset and the likelihood that the event will occur. Based on these two key inputs, the risk assessment and derived risk rating then guides the actions required to reduce or manage the risk to an acceptable level.

Our risk management framework is based on:

- AS/NZS ISO 31000 Risk Management – Principles and Guidelines,
- AS 2885 Pipelines-Gas and Liquid Petroleum; and
- AS/NZS 4645 Gas Distribution Network Management.

The Gas Act 1997 and Gas Regulations 2012, through their incorporation of AS/NZS 4645 and the Work Health and Safety Act 2012, place a regulatory obligation and requirement on us to reduce risks rated high or extreme to low or negligible as soon as possible (immediately if extreme). If it is not possible to reduce the risk to low or negligible, then we must reduce the risk to as low as reasonably practicable (ALARP).

When assessing risk for the purpose of investment decisions, rather than analysing all conceivable risks associated with an asset, we look at a credible, primary risk event to test the level of investment required. Where that credible risk event has an overall risk rating of moderate or higher, we will undertake investment to reduce the risk.

Seven consequence categories are considered for each type of risk:

1 Health & safety – injuries or illness of a temporary or permanent nature, or death, to employees and contractors or members of the public

2 Environment (including heritage) – impact on the surroundings in which the asset operates, including natural, built and Aboriginal cultural heritage, soil, water, vegetation, fauna, air and their interrelationships

3 Operational capability – disruption in the daily operations and/or the provision of services/supply, impacting customers

4 People – impact on engagement, capability or size of our workforce

5 Compliance – the impact from non-compliance with operating licences, legal, regulatory, contractual obligations, debt financing covenants or reporting / disclosure requirements

6 Reputation & customer – impact on stakeholders' opinion of AGN, including personnel, customers, investors, security holders, regulators and the community

7 Financial – financial impact on AGN, measured on a cumulative basis

Note that risk is not the sole determinant of what investment is required. Many other factors such as growth, cost, efficiency, sustainability and the future of the network are also considered when we develop engineering solutions. The risk management framework provides a valuable tool to manage our assets, and prioritise our works program, however it is not designed to provide a

binary (yes/no) trigger for investment. As prudent asset managers, we apply our experience and discretion to manage and invest in our distribution networks in the best interests of existing and potential customers.

A summary of our risk management framework, including definitions, has been provided in Attachment 9.5 of the Final Plan.

The primary risk associated with DCVG indications is that one or more of the locations detected could be highly corroded, which if left untreated could result in a significant uncontrolled gas escape, resulting in fatality or permanent injury and/or loss of supply to >10,000 customers or a demand customer >1 TJ p.a.

The untreated risk3 rating is presented in Table 1-3.

Table 1-3: Risk rating – untreated risk

Untreated risk	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	High
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	High	Low	High	Low	Moderate	Low	Low	

Depending on the time and location it occurs, an integrity failure at one of these locations can adversely affect supply to tens of thousands of customers. Additionally, if an emergency repair is required, a pipeline section may need to be isolated, which can also affect supply to a significant number of customers.

In certain circumstances, an uncontrolled gas escape at one of these locations can have major health and safety consequences, leading to fatality or life threatening injuries. As a result, the untreated risk associated with corrosion at these TP pipeline locations is rated high. The untreated risk also poses a moderate compliance risk, as having insufficient DCVG survey activity could result in non-compliance with our obligations under AS 2885.3 Section 5.3.

1.5 Options considered

The following options have been identified to address the risk associated with potential corrosion or coating defects on TP pipelines:

Option 1 – Discontinue TP Dig Up and Repair program;

Option 2 – Dig up estimated [redacted] faults per annum; or

Option 3 – Dig up historical average [redacted] faults per annum.

We considered the option of excavating only those locations with 'high priority' defects (IR readings >15%), consistent with the business strategy prior to 2014. This option would result in a lower cost, with potentially only half the dig ups required. However recent evidence suggests that substantial asset integrity risks will remain, leaving a higher than acceptable potential for failure of one of the TP assets within the next access arrangement period, and an ongoing backlog of excavations and repairs. Asset integrity failure could also give rise to substantial emergency repair costs.

We also considered the option of excavating all locations with 'low priority' (< 15% IR reading) defects that have only shown a single DCVG indication (i.e. where this is the first instance of an indication at the location). This option has been dismissed because a single DCVG indication where the IR reading is less than 15% has not been found to have the same very high correlation

[3] Untreated risk is the risk level assuming there are no risk controls currently in place. Also known as the 'absolute risk'.

to coating defects and corrosion as multiple indications, and as such this would not be cost effective.

1.5.1 Option 1 – Discontinue TP Dig Up and Repair program

Under this option, we would not conduct any DCVG excavations. Instead, only reactive repairs will be conducted on TP pipelines. While this option poses no upfront cost, the costs and risks associated with reactively repairing a TP pipeline are substantial. In addition to this cost, repairing pipelines in this manner will severely impact the supply to thousands of customers. A potential TP leak also poses a major health and safety concern, as a rupture of a TP pipeline could cause life-threatening injuries.

This option is not viable as it contravenes AS 2885.3-2012 Section 5.3, which requires assessment, monitoring and maintenance of a pipeline coating system in accordance with the Pipeline Integrity Management Plan (PIMP). The PIMP states that all pipelines must be assessed every 5 years and must be amended if any faults are found.

1.5.1.1 Cost assessment

There would be no additional upfront capital costs with this option. However, once corrosion leaks begin to occur:

Extensive and high-volume repair of TP pipelines will be required to re-establish network integrity, resulting in a risk to security of supply for thousands of customers; and

There will be significant cost of leak repair on TP pipelines (approximately $200,000 per repair) as well as switching costs involving re-lights and temporary gas connection through emergency bottles or trailers for the affected customers.

1.5.1.2 Risk assessment

Option 1 results in a high overall risk level associated with coating and corrosion defects. Though there are some risk controls in place (the DCVG surveys and monitoring), they do not significantly decrease the untreated risk to an acceptable level (see Table 1-4).

Table 1-4: Risk assessment – Option 1

Option 1	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	High
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	High	Low	High	Low	Moderate	Low	Low	

Failing to address a high-risk rating where there is practicable treatment available is not consistent with the requirements of our risk management framework, and does not reflect the actions of a prudent asset manager. In the absence of any effective risk treatment, this risk will continue to rise as the TP pipelines continue to age and deteriorate.

1.5.1.3 Alignment with vision objectives

Table 1-5 shows how Option 1 aligns with our vision objectives.

Table 1-5: Alignment with vision – Option 1

Vision objective	Alignment
Delivering for Customers – Public Safety	N
Delivering for Customers – Reliability	N

Delivering for Customers – Customer Service	N
A Good Employer – Health and Safety	N
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	N
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	N

Option 1 would not align with our objectives of Delivering for Customers, as it would not address the safety risks associated with coating defects and corrosion on TP pipelines. Replacement of assets upon failure would also result in unplanned outages and disruption of supply for customers.

Allowing assets to fail and potentially giving rise to safety incidents would also place our employees in harm's way, and would also not be consistent with the actions of a socially responsible organisation. It is also likely that the long term costs of a reactive asset replacement would be considerably greater than a proactive refurbishment (or proactive replacement) program. This option therefore does not align with our objective to be Sustainably Cost Efficient.

1.5.2 Option 2 – Dig up estimated [redacted] faults per annum

Under this option, we would continue the practice established over the current and prior access arrangement periods of digging up and repairing (as necessary) locations that have shown either IR ratings of >15% or multiple IR readings of <15%.

Over the last four years (2018 – 2021), there were [redacted] excavated faults located by DCVG surveys, an average of [redacted] dig ups per year. All pipelines have been surveyed in the last 5 years, and indications suggest that many of the highest severity sites have recently been dug-up and treated where necessary. Given this, we consider it likely that over the next five years we can maintain the risk to ALARP by undertaking fewer dig ups than the recent historical annual average of 68. As such, a reduced number of [redacted] dig ups per annum has been forecast. Sites will be prioritised, with high severity sites (locations with higher IR readings) to be excavated first.

1.5.2.1 Cost assessment

The estimated direct capital cost of this option is $4.6 million (real 2021). This estimate is based on the average historical unit rate for DVCG dig ups within the current access arrangement.

Table 1-6: Cost estimate – Option 2, $'000 real 2021

Option 2	2023/24	2024/25	2025/26	2026/27	2027/28	Total
No. excavations	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rate per excavation ($)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	**920**	**920**	**920**	**920**	**920**	**4,601**

Tables may not sum due to rounding

The key driver for this option is the early detection and repair of corrosion and coating defects. This will maintain asset integrity and reduce the risk of corrosion leaks on these assets. The benefits of this option are:

Reducing the risks of safety incidents and of supply loss to >10,000 consumers due to a significant gas escape;

Minimising long term repair costs, by avoiding the high operational costs involved with an increased quantity of emergency repairs (approximately $200,000 per repair);

Avoiding potential switching costs per affected customer; and

Treatment of all likely coating and corrosion defects on TP pipelines as they occur, preventing the build-up of a backlog of these defects.

1.5.2.2 Risk assessment

This option reduces the untreated risk from high to moderate, which is ALARP. The residual risk outcomes are shown in Table 1-7.

Table 1-7: Residual risk – Option 2

Option 2	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Moderate
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	Moderate	Negligible	Moderate	Negligible	Low	Negligible	Negligible	

Undertaking dig ups at [redacted] locations decreases the likelihood of the risk event occurring from unlikely (possible in certain circumstances) to remote (may occur if abnormal circumstances prevail). The risk consequence remains unchanged.

1.5.2.3 Alignment with vision objectives

Table 1-8 shows how Option 2 aligns with our vision objectives.

Table 1-8: Alignment with vision – Option 2

Vision objective	Alignment
Delivering for Customers – Public Safety	Y
Delivering for Customers – Reliability	Y
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	Y
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	Y
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

Option 2 would align with the Delivering for Customers aspect of our vision, as TP pipeline excavations in locations that are likely to contain coating defects and corrosion will help maintain reliability of supply and mitigate the risk of public safety incidents.

The proposed solution is also Sustainably Cost Efficient as repair of pipeline coating defects is the lowest sustainable cost of managing the corrosion risk, being significantly less expensive than

replacing whole sections of pipeline where the potential for corrosion exists. This ensures we can deliver the program within industry benchmarks.

1.5.3 Option 3 – Dig up historical average [redacted] faults per annum

Under this option, we would dig up and repair the recent annual historical average of [redacted] identified locations.

1.5.3.1 Cost assessment

The estimated direct capital cost of this option is $6.3 million (real 2021). This estimate is based on historical unit cost of DVCG dig ups within the current access arrangement, adjusted for inflation.

Table 1-9: Cost estimate – Option 3, $ real 2021

Option 3	2023/24	2024/25	2025/26	2026/27	2027/28	Total
No. excavations	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rate per excavation ($)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	**1,251**	**1,251**	**1,251**	**1,251**	**1,251**	**6,256**

The benefits of Option 3 are similar to those for Option 2.

1.5.3.2 Risk assessment

As shown in Table 1-10, Option 3 reduces the risk from high to moderate. The risk assessment for Option 3 is the same as for Option 2.

Table 1-10: Risk assessment – Option 3

Option 3	Health & Safety	Environment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Moderate
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	Moderate	Negligible	Moderate	Negligible	Low	Negligible	Negligible	

While additional dig ups would be completed, it is not expected that this would reduce the risk significantly below ALARP. The additional risk reduction associated with any dig ups additional to the [redacted] per annum forecast for option 2 is expected to be marginal.

1.5.3.3 Alignment with vision objectives

Table 1-11 shows how Option 3 aligns with our vision objectives.

Table 1-11: Alignment with vision – Option 3

Vision objective	Alignment
Delivering for Customers – Public Safety	Y
Delivering for Customers – Reliability	Y
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	Y
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	N
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

Option 3 would align with the Delivering for Customers aspect of our vision, as TP pipeline excavations in locations that are likely to contain coating defects and corrosion will help maintain reliability of supply and mitigate the risk of public safety incidents.

Option 3 would not align with our objectives of being Sustainably Cost Efficient, as repairing pipeline coating defects is not being completed for the lowest sustainable cost.

1.6 Summary of costs and benefits

Table 1-12 presents a summary of how each option compares in terms of the estimated cost, the residual risk rating, and alignment with our objectives.

Table 1-12: Comparison of options

Option	Estimated cost ($ million real 2021)	Treated residual risk rating	Alignment with vision objectives
Option 1	0	High	Does not align with Delivering for Customers or Sustainably Cost Efficient
Option 2	4.6	Moderate - ALARP	Aligns with Delivering for Customers and Sustainably Cost Efficient
Option 3	6.3	Moderate – ALARP	Aligns with Delivering for Customers but does not align with Sustainably Cost Efficient as it is not the lowest efficient cost

1.7 Recommended option

Option 2 is the proposed solution. This solution involves excavating TP pressure pipelines at [redacted] locations where DCVG IR readings are above 15% or that have multiple readings below 15%.

1.7.1 Why is the recommended option prudent?

Option 2 is the most prudent option because:

Excavating locations that have shown IR readings above 15% or multiple IR indications locations has proven to detect TP pipeline corrosion defects;

The proactive repair of coating and corrosion defects on TP pipelines will reduce the need for emergency repairs that have the potential to result in supply constraints and excessive repair and switching costs;

It is the most efficient option for reducing risks to an acceptable level:

Option 1 does not mitigate the high health and safety, operational and compliance risks associated with corrosion of the TP pipelines; and

Option 3 mitigates corrosion risk but for a significantly higher cost

It is consistent with customer and stakeholder expectations and our vision that we will maintain current high levels of safety and reliability; and

It is deliverable, as evidenced by the delivery of a similar amount of excavations delivered in the current period.

1.7.2 Estimating efficient costs

The [redacted] excavations proposed is based on a reduction from the average number of locations found with IR readings >15% or multiple readings <15% in DCVG surveys completed during the last access arrangement. Consistent with a typical ongoing program, the work has been split evenly over the next five years.

Cost estimates are based on the historical actual average unit rate per repair seen in the 2018-22 period. As noted in the cost estimate, the unit rates used for all projects managed within this program of work include the internal labour, external labour and materials/other costs forecast.

The forecast cost breakdown is shown in the table below.

Table 1-13: Cost estimate – Option 2, $ real 2021

Option 2	2023/24	2024/25	2025/26	2026/27	2027/28	Total
No. excavations	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rate per excavation ($)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	**920**	**920**	**920**	**920**	**920**	**4,601**

Tables may not sum due to rounding

This project will be delivered using an internal project manager to manage the schedule of works. The excavations will be conducted using a combination of external and internal resources. The results of excavations (the defects found and any repairs undertaken) will be reviewed by an internal engineer and added into the Geospatial Information System (GIS) system.

Please refer to Appendix B for a more detailed cost breakdown.

1.7.3 Consistency with the National Gas Rules

In developing these forecasts, we have had regard to Rule 79 and Rule 74 of the NGR. With regard to all projects, and as a prudent asset manager, we give careful consideration to whether capex is conforming from a number of perspectives before committing to capital investment.

NGR 79(1)

The proposed solution is prudent, efficient, and consistent with accepted and good industry practice and will achieve the lowest sustainable cost of delivering pipeline services:

Prudent – The expenditure is necessary in order to ensure that the ongoing integrity of the TP pipelines is maintained and to reduce the risk of major gas escapes that could impact public safety and reliability of supply, and is of a nature that a prudent service provider would incur.

Efficient – The excavation and remediation work is the only practical and effective option. It is also the most cost effective option. Engineering assessments and design will be carried out by internal staff and field work will be carried out by external contractors based on competitively tendered rates. The expenditure is therefore of a nature that a prudent service provider acting efficiently would incur.

Consistent with accepted and good industry practice – The ongoing effective management of the integrity of the TP pipelines is consistent with Australian Standard AS2885.3 Pipelines - Gas and Liquid Petroleum, Part 3: Pipeline Integrity Management. Reducing the risks posed by the corrosion of these pipelines to as low as reasonably practicable and in a manner that balances costs and risks is also consistent with this standard.

To achieve the lowest sustainable cost of delivering pipeline services – The excavation and remediation works are necessary to maintain the long term integrity of the TP pipelines. Failure to do so would result in additional expenditure (reactive response to a major gas escape and bringing forward replacement) and shorten the life of the pipelines. The project is therefore consistent with the objective of achieving the lowest sustainable cost of delivering services.

NGR 79(2)

The proposed capex is justifiable under NGR 79(2)(c)(i) and 79(2)(c)(ii), as it is necessary to maintain the safety and integrity of services. Allowing TP pipelines to continue to corrode to the extent performance is compromised will lead to network integrity issues, disruption to customer supply and potential uncontrolled release of gas. Option 3 achieves the same level of operational risk reduction as Option 2, but it does this at higher cost. We therefore consider Option 2 better meets the requirements of NGR 79(2).

As outlined in the business case, current practice has proven successful in uncovering coating defects and corrosion and remediation of these issues will allow us to maintain a level of service consistent with customer and stakeholder expectations.

NGR 74

The forecast costs are based on the latest market rate testing and project options consider asset management requirements as per the Asset Management Strategy. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.

Appendix A Asset maps

Figure 1-3: VIC TP pipeline network

North Melbourne - West Melbourne (section of T18)

Table 1-14 : DCVG Schedule

State	Pipeline	Description	Estimated Next Due Date
VIC & NSW	Dandenong To Crib Point	NW - DCVG Survey -	1/07/2023
VIC & NSW	Border to Albury Pipeline	NW - DCVG Survey -	1/07/2024
VIC & NSW	Albury ANM	NW - DCVG Survey -	1/07/2024
VIC & NSW	Wodonga West to Wodonga	NW - DCVG Survey -	1/07/2024
VIC & NSW	Wodonga City Gate to Border	NW - DCVG Survey -	1/07/2024
VIC & NSW	Illabo to Tumut Valley (PL28)	NW - DCVG Survey -	1/08/2024
VIC & NSW	North Melb to West Melb	NW - MPM Item - DCVG Surveys	1/02/2025
VIC & NSW	Sale to Maffra	NW - DCVG Survey -	1/04/2025
VIC & NSW	Longford to Sale	NW - DCVG Survey -	1/04/2025
VIC & NSW	Hastings- ESSO	NW - DCVG Survey -	1/07/2025
VIC & NSW	Hastings	NW - DCVG Survey -	1/07/2025
VIC & NSW	Dandenong to Frankston	NW - DCVG Survey -	1/07/2025
VIC & NSW	Lyndhurst to Bangholme	NW - DCVG Survey -	1/07/2025
VIC & NSW	Templestowe to Keon Park	NW - DCVG Survey -	1/08/2025
VIC & NSW	Tyabb to Mornington	NW - DCVG Survey -	1/11/2026
VIC & NSW	Shepparton to Dookie Rd	NW - DCVG Survey -	1/11/2026
VIC & NSW	North Melb to Fairfield	NW - DCVG Survey -	1/11/2026
VIC & NSW	Morwell to Tramway Rd	NW - DCVG Survey -	1/11/2026

VIC & NSW	Morwell to Tramway Rd-Supply to Brown Coal Liquefication Victoria	NW - DCVG Survey -	1/11/2026
VIC & NSW	Langwarrin - Frankston	NW - DCVG Survey -	1/11/2027
VIC & NSW	Dromana to Rye	NW - DCVG Survey -	1/11/2027
VIC & NSW	Bittern to Dromana	NW - DCVG Survey -	1/11/2027

Appendix B Cost estimates

Option 2

Category	Description	Item	Unit Cost	Total
		ea	$'000	$ '000
Materials and Labour	Based on average costs of DCVG excavation and repairs between 2019-2020	[redacted]	[redacted]	4,601
Grand Total				**4,601**

Note: The historical rate includes all expenditures. This includes labour costs (project management, engineering, crews, plant and equipment, traffic control and reinstatement) as well as material costs (coating and wraps).

Option 3

Category	Description	Item	Unit Cost	Total
		ea	$'000	$ '000
Materials and Labour	Based on average costs of DCVG excavation and repairs between 2019-2020	[redacted]	[redacted]	6,256
Grand Total				**6,256**

Note: The historical rate includes all expenditures. This includes labour costs (project management, engineering, crews, plant and equipment, traffic control and reinstatement) as well as material costs (coating and wraps).

Appendix C Comparison of risk assessments for each option

Untreated risk	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	High
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	High	Low	High	Low	Moderate	Low	Low	

Option 1	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	Unlikely	High
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	High	Low	High	Low	Moderate	Low	Low	

Option 2	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Moderate
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	Moderate	Negligible	Moderate	Negligible	Low	Negligible	Negligible	

Option 3	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Moderate
Consequence	Major	Minor	Major	Minor	Significant	Minor	Minor	
Risk Level	Moderate	Negligible	Moderate	Negligible	Low	Negligible	Negligible	

2 Opex V.27.CS – Renewable Gas Communications and Customer Education

2.1 Project approvals

Table 2.1: Business case – Project approvals

Prepared by	Chris Hewson, Head of Customer Growth
Reviewed by	Stephanie Judd, Acting Head of Stakeholder Engagement
Approved by	Kristen Pellew, Acting Executive General Manager Customer and Community

2.2 Project overview

Table 2.2: Business case – Project overview

Description of the problem / opportunity	Customers expect us to reduce carbon emissions and told us we should be doing more to communicate our low carbon strategy, our renewable gas plans, and what this means for customers. 87% of customers view climate change and reducing emissions as important or very important, but very few customers are aware of our decarbonisation plans, with only around 15% of Victorians having heard of renewable gas. Only 26% of customers consider our existing communication activities are adequate in terms of informing and engaging with customers on the future of gas. Customers expressed a strong desire for an uplift in activities to ensure information regarding the energy transition was more readily accessible to a broad range of customers. In response to potential options put forward to enhance our existing renewable gas related communications and education activities, 74% of customers supported an increased investment of between $2 - $3 per annum. Customers indicated that this increased level of communication and engagement would provide greater access to information to enable customers to make informed choices about energy in their homes and businesses. Customers noted that information regarding solar and batteries was comparably more readily available. AGN together with the gas industry[4] has a clear low carbon strategy which includes renewable gas blending targets between now and 2030. AGN is the best placed and the most credible voice to communicate the future of gas to customers. An enhanced renewable gas communications and customer education program: • Ensures that customers are informed, involved and engaged in the energy transition as it relates to gas • Provides customers with the information they need to inform the choices they are making now for energy in their homes and businesses (e.g., appliances) that they will likely continue to use well into the 2030's. • Delivers against customer and stakeholder expectations that the future of gas is of critical importance to Victorians. • Is an appropriate and prudent investment to compliment technical and operational investments to support our low carbon strategy and the energy transition. Our proposed renewable gas communication and customer education program has three key aspects: • Customer communications – increase levels of customer awareness of renewable gas and respond to key information our customers are seeking using television, radio and digital media, interactive social engagement channels and supporting online materials (to be funded by the business)

[4] Energy Networks Australia, Gas Vision 2050, April 2022

	• Community activities – expanded community engagement activities including presentations and forums with community groups including multicultural community organisations, site tours and presentations at renewable gas facilities, attendance at community events and regular communication through online resources (funded by customers) • Student learning and education – development of a school education program which would engage with around primary, secondary and tertiary students through a combination of in person and digital/online resources (funded by customers).
Untreated risk	As per risk matrix = **Moderate**
Options considered	• **Option 1** – A standard communications and engagement program reaching 35% of customers which introduces the concept of renewable gas and includes two eight-week television campaigns. (A total cost of $0.9 million per annum but with no additional cost to be funded by customers). • **Option 2** – A medium communications and engagement program reaching 55% of customers which explains a renewable gas future, including two eight-week television campaigns and some community events. (A total cost of $2.0 million per annum with $1.1 million per annum to be funded by customers.) • **Option 3** – A broad communication and education program which can be recalled by most Victorians, explains a renewable gas future, includes three 12-week television campaigns, media partnerships, community events and a schools education program. (A total cost of $3.5 million per annum with $2.6 million per annum to be funded by customers.)
Proposed solution	A Modified Option 1 is the proposed solution. This option includes a standard program reaching 35% of customers, greater community engagement and a schools education program as outlined in Option 3, at a total cost of $1.5 million per annum, with $600,000 per annum to be funded by customers (the remaining $900,000 to be funded from existing opex allowances). It involves: • Television, radio and digital media awareness and educational information reaching over 35% of customers. • Social media activity as an interactive engagement channel for answering community questions and providing project updates. • Digital advertising on a range of new and high traffic websites. • Presentations and forums with community groups, including multicultural community organisations. • Site tours and presentations at AGN renewable gas facilities. • Attendance at community events including sustainability and environment events, home shows and Science Fairs. • Supporting online materials as a key source of information on renewable gas. • Regular communication through online resources, updates by way of regular newsletters and social media. • A combination of in person and digital/online resources. • Hands-on and interactive curriculum linked workshops through incursions and excursions. • Professional learning opportunities for educators. • Attendance at student events including sustainability and environment events and Science Fairs. • Tailored activities for students where English is second language. Together, the activities proposed under the Modified Option 1 improve levels of renewable gas awareness in the community by providing a combination of communication, engagement and education activities. It further responds to expectations and strong customers support that AGN does more to engage customer and the community on the future of gas. Improving accessibility to information regarding the future of gas is an important step in ensuring that customers are

	equipped with the information to make informed choices with confidence about energy solutions and appliance choice in their homes and businesses. Modified option 1 is the preferred option because it will provide the level of information and education that our customers expect, while also reducing the untreated risk from moderate to low in a more cost-effective manner than the other options. It also represents a measured approach to renewable gas communications and customer education with more than half of the cost of the program to be funded through existing opex allowances. Further it aligns with our vision of delivering for customers and being sustainably cost efficient. Finally, it is worth noting that we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the communications and customer education we provide is best practice, appropriately targeted and achieving its objectives.
Estimated cost	The forecast cost to customers during the next five-year period (2023/24 to 2027/28) averages $600,000 per annum.

$'000 real Jun 2021	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Communications	900	900	900	900	900	4,500
Expanded Community Engagement	240	240	240	240	240	1,200
Schools' education	360	360	360	360	360	1,800
Total business funded	**900**	**900**	**900**	**900**	**900**	**4,500**
Total customer funded	**600**	**600**	**600**	**600**	**600**	**3,000**

Basis of costs	All costs in this business case are expressed in real unescalated dollars at June 2023 unless otherwise stated.
Alignment to our vision	Modified Option 1 aligns with the following elements of our vision: • *Delivering for Customers* – the option is consistent with our objective to provide top quartile customer service levels, including making customer awareness, engagement and education a key part of changes to our key products and services; • *Sustainably Cost Efficient* – this option is consistent with our objective to behave in an environmentally and socially responsible manner.
Consistency with the National Gas Objective and Rules (NGO and NGR)	The renewable gas communications and customer education program furthers the National Gas Objective (NGO) by promoting efficient use of and investment in the network through building customer awareness of renewable gas. It will provide an information base on renewable gas, and what it means for the gas network and customer appliances that customers can refer to in making any decisions about their own energy mix in their homes and businesses. This will ensure customers are well-informed of different renewable energy options and ensure sustainability of natural gas services for the long-term interest of consumers. Modified Option 1 complies with the following National Gas Rules (NGR): **NGR 91** – the proposed solution is consistent with good industry practice, several practicable options have been considered, and market rates have been tested to achieve the lowest sustainable cost of providing this service. The test is prudent, efficient, consistent with accepted good industry practice and to achieve lowest sustainable cost of delivering services. **NGR 74** – the forecast costs are based on the latest market rate testing and project options consider customer requirements informed by detailed engagement. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.
Treated risk	As per risk matrix = **Low**

Stakeholder engagement	We are committed to operating our networks in a manner that is consistent with the long-term interests of our customers. To facilitate this, we conduct regular stakeholder engagement to understand and respond to the priorities of our customers and stakeholders. Feedback from stakeholders is built into our investment considerations and is an important input when developing and reviewing our expenditure programs. Through three phases of iterative customer workshops, we tested and refined our plan as they relate to renewable gas communication and educations plans. Customers were receptive to our renewable gas plans with 90% of AGN customers indicating their support for supportive of our plans for renewable gas communications and education. During further engagement with key stakeholder groups, some stakeholders questioned whether AGN were best placed to deliver/fund this type of program, whether it should be considered business as usual and if additional customer funding is justified. Some also highlighted any program would need to be co-designed with customers.
Other relevant documents	• Attachment 5.3 – KPMG Final Report –AGN Customer Engagement Program

2.3 Background

The AGN natural gas distribution network delivers gas to over 740,000 customers across Victoria and Albury. We are committed to sustainable gas delivery today, and tomorrow. Gas networks can decarbonise natural gas through the use of renewable gases like hydrogen and biomethane. Through Hydrogen Park Murray Valley and the Australian Hydrogen Centre we are laying a foundation for a strong zero emissions future so our customers in Victoria can continue to enjoy gas cooking and heating in their homes and businesses. In South Australia, AGN's Hydrogen Park South Australia is currently delivering blended renewable gas to around 600 customers on the network.

In the next AA period it will be critical to establish a framework for the decarbonisation of our network. We strongly support the decarbonisation of Victoria's economy and the targets established by the State Government.

Our board has recently endorsed a low carbon strategy that includes targets to deliver a 10% renewable gas blend across our distribution networks by 2030, and a stretch target to achieve the full decarbonisation of our distribution networks by 2040, or 2050 at the latest.

These targets align with government policy and our expectations for future technological developments in renewable hydrogen and distributed energy technologies. We believe our network has a pivotal role in the energy sector of the future in delivering renewable gases like hydrogen to customers.

We engaged extensively with a diverse range of customers and stakeholders to understand their values, needs and expectations for the services we provide.

Customers are concerned about climate change and protecting the planet for future generations. They expect us to reduce carbon emissions and are keen to understand more about the steps we are taking to deliver a cleaner energy supply. In particular, our first phase of customer engagement found the following insights:

Engagement insights
✓ Customers consider gas as an essential service, especially for heating in the colder months in Victoria.
✓ 89% of customers view climate change and reducing carbon emissions as important or very important.
✓ Customers expect AGN to be on the journey towards a cleaner energy supply.
✓ Customers are keen to better understand the cost implications for transitioning to renewable gas, including the need to switch appliances.

In summary customers expect AGN to reduce carbon emissions and told us we should be doing more to communicate our renewable gas plans, and what this means for customers.

89% of customers view climate change and reducing emissions as important or very important, but very few customers are aware of our decarbonisation plans, with only around 15% of Victorians having heard of renewable gas.

In response to customer feedback that we should enhance our existing activities, we presented three potential options in our second round of workshops for customers consideration, these options included:

- A standard communication and education program reaching 35% of customers which introduces the concept of renewable gas and includes two eight-week television campaigns (no additional customer funding per year).

- A medium communication and education program reaching 55% of customers which explains a renewable gas future, includes a two eight-week television campaigns and some community events (~$2 additional customer funding per year).

- A broad communication and education program which can be recalled by most Victorians, explains a renewable gas future, includes a three twelve-week television campaigns, media partnerships, community events and a schools education program (~$4 additional customer funding per year).

In our engagement activities, 74% of customers supported increased investment ($2 - $3 per annum) beyond our existing activities on more renewable gas communications and customer education activities.

These insights shaped our Draft Plans, where we included plans for a renewable gas communications and customer education program (see Box 1.1). Undertaking a renewable gas communications and customer education program will help to build customers' confidence that renewable gas will be available in the future. This will also help to reduce demand risk that may arise from uncertainty about the role our gas networks will play in a net zero carbon future.

Our Draft Plan proposal incorporated customer feedback that a mix of community activities, school-based education and media and digital communications will enable us to reach most customers and provide engaging educational opportunities for all of our customers and the community. We also leveraged our recent experience implementing enhanced communications on our South Australian network which has delivered very positive results.

Box 2.1: The Proposed Renewable Gas Communication and Education Program included in our Draft Plan

Customer communications

Our proposed communication campaigns would increase levels of customer awareness of renewable gas, and importantly, respond to key information our customers are seeking.

The communication campaign would include information relating to renewable gas including how it can be blended into the network, and what this means for customers. It would also provide further information on key issues of importance for customers, including the timing for introducing renewable gas, what it means for reliability and safety of the network, gas appliance compatibility, and a pathway for the low carbon transition.

The communication campaign would include:

- ✓ Television, radio and digital media awareness and educational information reaching over 80% of households in Victoria
- ✓ Social media activity and as an interactive engagement channel for answering community questions and providing project updates.
- ✓ Supporting online materials as a key source of information on renewable gas

Community Activities

In addition to broad customer communications, we are proposing to engage at a community level and deliver tailored communications activities.

The program would include:

- ✓ Presentations and forums with community groups, including multicultural community organisations
- ✓ Site tours and presentations at renewable gas facilities
- ✓ Attendance at community events including sustainability and environment events, home shows and Science Fairs
- ✓ Regular communication through online resources, updates by way of regular newsletters and social media

Student Learning and Education

We are proposing a school education program as a key component of our communications and education program. We are looking to support Victorian school and tertiary education through a series of events and learning resources for students and teachers. Designed to align to the Australian Curriculum, the program would provide learning through individual programs that raise awareness of the role of gas networks businesses in reducing emissions across the energy sector. The program would focus on providing education and information on the need to reduce emissions across the energy sector, benefits of renewable gas, how it is used, a greater understanding of the science behind renewable gas production, the roadmap for decarbonising natural gas networks and renewable gas projects.

The program would engage with around 160,000 Victorian primary and secondary school students across the more than 2000 schools, and 50000 tertiary students.

The program would include:

- ✓ A combination of in person and digital/online resources
- ✓ Hands-on and interactive curriculum linked workshops through incursions and excursions

Following the publication of our Draft Plan, we held a third round of workshops with customers. At these workshops we presented the above draft program for further testing and refinement with customers. We found that a majority of customers supported our proposed plan. Specifically, 90% customers support the plans for renewable gas communications and education. Elements that particularly resonated with customers include:

- Education in schools aligned to learning programs regarding sustainability and renewable energy
- Inclusion and targeting of ESL communities and students in engagement activities
- Engaging at community events to allow more meaningful engagement and discussion than traditional digital and print channels
- Community education activities which increase customer literacy and empowerment regarding the energy transition and builds customer confidence around fuel choice

- Educating society at large regarding environmental issues and impacts of choices for future generations *"Education is everything, all ages need to get what this means for the environment."*
- A sense of empowerment for younger generations: *"Give [the kids] something to feel empowered and positive by."*

The draft package presented in Phase 3 saw a portion of customers change their view and become in favour of greater investment in renewable gas communications and education compared to the early options presented in Phase 2. In fact, of identifiable responses across phases 2 and 3[1], the revised package at ~$2 saw:

- 91% customers who voted 'standard campaign' (~$1) in phase 2 workshops; and
- 89% customers who were originally opposed to renewable gas communications in phase 2 workshops

now support the revised renewable gas comms package in phase 3.

Customer feedback with respect to AGN's role in delivering the renewable gas communication and education program include:

- Aligning with educators to increase success of school programs.
- Emphasising their role as a distributor when delivering school programs.
- Providing information to address any potential to phase out gas.

We also presented our draft proposal to our stakeholder and retailer reference groups. Across these groups, there was lower support for our proposed renewable gas communication and customer education program with many questioning whether this is appropriately timed given the lack of policy certainty in Victoria. They also sought further justification for each of the program activities proposed, particularly in relation to any communication/marketing type activity.

We have considered this feedback and adapted our preferred option as presented in this business case, with media communications to be funded through existing opex allowances at a cost of $900,000 per annum. This leaves the expanded community engagement activities and new schools' education program to be funded through an additional opex allowance.

We consider an enhanced renewable gas communications and customer education program is particularly important in the next AA period given the state of the energy transition. It is a high value proposition for customers as choice and accessibility to information is important during the energy transition. A prudent business informs customers of key changes to products and markets. As the gas distribution network, we are best placed to deliver this program because we supply all customers connected to the natural gas network, and customers support us doing so.

2.4 Risk assessment

Risk management is a constant cycle of identification, analysis, treatment, monitoring, reporting and then back to identification (as illustrated in Figure 1.1). When considering risk and determining the appropriate mitigation activities, we seek to balance the risk outcome with our delivery capabilities and cost implications. Consistent with stakeholder expectations, safety and reliability of supply are our highest priorities.

Figure 1.1: Risk management principles

Our risk assessment approach focuses on understanding the potential severity of failure events associated with each asset and the likelihood that the event will occur. Based on these two key inputs, the risk assessment and derived risk rating then guides the actions required to reduce or manage the risk to an acceptable level.

Our risk management framework is based on:

- AS/NZS ISO 31000 Risk Management – Principles and Guidelines,
- AS 2885 Pipelines-Gas and Liquid Petroleum; and
- AS/NZS 4645 Gas Distribution Network Management.

The Gas Act 1997 and Gas Regulations 2012, through their incorporation of AS/NZS 4645 and the Work Health and Safety Act 2012, place a regulatory obligation and requirement on us to reduce risks rated high or extreme to low or negligible as soon as possible (immediately if extreme). If it is not possible to reduce the risk to low or negligible, then we must reduce the risk to as low as reasonably practicable (ALARP).

When assessing risk for the purpose of investment decisions, rather than analysing all conceivable risks associated with an asset, we look at a credible, primary risk event to test the level of investment required. Where that credible risk event has an overall risk rating of moderate or higher, we will undertake investment to reduce the risk.

Seven consequence categories are considered for each type of risk:

1 **Health & safety** – injuries or illness of a temporary or permanent nature, or death, to employees and contractors or members of the public

2 **Environment** (including heritage) – impact on the surroundings in which the asset operates, including natural, built and Aboriginal cultural heritage, soil, water, vegetation, fauna, air and their interrelationships

3 **Operational capability** – disruption in the daily operations and/or the provision of services/supply, impacting customers

4 **People** – impact on engagement, capability or size of our workforce

5 **Compliance** – the impact from non-compliance with operating licences, legal, regulatory, contractual obligations, debt financing covenants or reporting / disclosure requirements

6 **Reputation & customer** – impact on stakeholders' opinion of AGN, including personnel, customers, investors, security holders, regulators and the community

7 **Financial** – financial impact on AGN, measured on a cumulative basis

The untreated risk[5] rating is presented in Table 1-3. Note that untreated risk in this case assumes that we will continue with the current level of renewable gas communications which involves a television and digital campaign twice per year where we expect to reach 35% of Victorians who are able to recall our Renewable Gas communications, an increase from current awareness levels of 15%. The ratings therefore measure the risk associated with not implementing any of the measures in Options 2 or 3.

Table 2.3: Risk rating – untreated risk

Untreated risk	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Unlikely	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Moderate	

The risk events associated with not delivering an enhanced renewable gas communications and customer education program are reflected in the following risk categories:

- **People**: The untreated risk in this case is rated as Low because there is a risk that the business may face increased risk of retaining and recruiting staff if they do not understand the future of renewable gas and the key role that AGIG is playing in its development.
- **Reputation and Customer:** The untreated risk in this case is rated as Moderate because there is a risk that:
    - many customers remain unaware of renewable gas and our plans for renewable gas; leading to customer dissatisfaction and negative sentiment that we are not listening to their concerns or needs for a cleaner energy future
    - there is lack of information available to customers about renewable pathways for gas and what it means for their appliances, potentially leading to inefficient investment decisions in their homes and businesses
- **Finance:** The untreated risk in this case is rated as Moderate because there is a risk of reduced new connections rates and demand and associated revenue risk arising from uncertainty about the role our gas networks will play in a net zero carbon future.

2.5 Options considered

The following options have been identified to address the risks outlined above and enhance renewable gas communications and customer education:

- **Option 1** – A standard communication and education program reaching 35% of customers which introduces the concept of renewable gas and includes two eight-week television campaigns (a total cost $0.9 million per annum).
- **Option 2** – A medium communication and education program reaching 55% of customers which explains a renewable gas future, includes three eight-week television campaigns and some community events (a total cost $1.1 million per annum).
- **Option 3** – A broad communication and education program which can be recalled by most Victorians, explains a renewable gas future, includes three twelve-week television campaigns, media partnerships, community events and a schools education program (a total cost $2.64 million per annum).

[5] Untreated risk is the risk level assuming there are no risk controls currently in place. Also known as the 'absolute risk'.

2.5.1 Option 1 – Standard program reaching 35% of customers

Under this option, we would run a standard communication and education program which introduces the concept of renewable gas and includes two, eight-week television campaigns. This would extend a 4-week campaign which we undertook in 2021 which helped increase renewable gas awareness from 8% to 15% following the campaign. Specifically, the standard campaign would include:

- Renewable Gas advertisements on free-to-air television channels, introducing renewable gas and encouraging consumers to visit the AGN website to learn more (2 month campaign, twice yearly)
- Digital advertising on a range of news and high traffic websites, and
- Social media engagement on renewable gas.

2.5.1.1 Cost assessment

There would be no additional upfront costs associated with this option as the campaign would be funded from existing opex allowances.

2.5.1.2 Risk assessment

Option 1 will not result in any change to the risk assessment, which as noted in section 1.4 is measured on the basis that we implement our business-as-usual renewable gas communications with no enhancements, community or educational focus. The risk associated with this option is therefore still considered Moderate (see Table 1.4 below), which is inconsistent with the requirements of our Risk Management Framework. It is also inconsistent with what one would expect of a prudent service provider.

Table 2.4: Risk assessment – Option 1

Option 1	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Unlikely	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Moderate	

2.5.1.3 Alignment with AGN vision objectives

Table 1.5 shows how Option 1 aligns with our vision objectives.

Table 2.5: Alignment with AGN vision – Option 1

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	Y
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	Partial
Sustainably Cost Efficient – Environmentally and Socially Responsible	N

As this table shows, Option 1 would align with our objective of Delivering for Customers as it continues our existing renewable gas communication and education efforts.

Option 1 may be considered *Sustainably Cost Efficient,* as the limited renewable gas communications and customer education will provide a basic level of improved customer awareness of the renewable gas future. As noted in section 1.3, we are going through an important energy transition in Victoria and it has become increasingly clear that customers expect us to decarbonise and are looking for renewable energy options now.

2.5.2 Option 2 – Medium program reaching 55% of customers

Under this option, we would run a medium communication and education program reaching 55% of customers. The campaign would explain the renewable gas future and includes three, eight-week television campaigns and some community events. Specifically, a medium program would include:

- Renewable gas advertisements on free-to-air television channels, radio, video on demand, digital channels and YouTube introducing the concept of renewable gas (2 month campaign 3 times a year)
- Digital advertising on a range of news and high traffic websites,
- Social Media promotion of Renewable gas developments, and
- Around 10 community engagement activities per annum, including events and tours.

2.5.2.1 Cost assessment

The implementation of this option is estimated to cost an additional $1.1 million per annum, or a total of $5.6 million over the next AA period. This estimate is based on the following communications in addition to Option 1:

- Free-to-Air television: Expected reach of at least 55% of customers with a minimum frequency of 4.5 views for our target audience of 24–64 year old's within the AGN distribution network
- Radio: Expected reach of at least 24% of customers with a minimum frequency of 6 times
- Digital communications: Utilising a broad range of online channels including news and other high-volume websites, regularly updated content on AGN and industry websites, key social media platforms (such as Facebook and Instagram),
- Community events: a range of events across the AGN network including presentations and forums with community groups, including multicultural community organisations, site tours and presentations at renewable gas facilities, attendance at community events including sustainability and environment events, home shows and Science Fairs.

Table 2.6: Cost estimate – Option 2

Option 2	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Television	$790,000	$790,000	$790,000	$790,000	$790,000	$3,950,000
Radio	$50,000	$50,000	$50,000	$50,000	$50,000	$250,000
Digital	$160,000	$160,000	$160,000	$160,000	$160,000	$800,000
Community events	$110,000	$110,000	$110,000	$110,000	$110,000	$550,000
Total	**$1,110,000**	**$1,110,000**	**$1,110,000**	**$1,110,000**	**$1,110,000**	**$5,550,000**
Cost per annum						**$1,110,000**

The main benefits of this option are that it will:

- reach over half of our customers with a variety of engaging educational content aimed at increasing general awareness of renewable gas and encouraging consumers to learn more through community events and a range of online resources;

- provide for more community level engagement, something that was important and valued by customers;
- improve renewable gas awareness across the industry for potential staff at AGIG and more broadly within the industry to our stakeholder partners (such as gasfitters and appliance retailers) who play a key role in informing customers and meeting their service expectations.

2.5.2.2 Risk assessment

This option reduces the risk from moderate to low. The residual risk outcomes are shown in Table 1-7.

Table 2.7: Residual risk – Option 2

Option 2	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Low	Low	

The implementation of a medium campaign as listed above reduces the likelihood of the Reputation & Customer, People and Finance related risk events occurring from occasional (may occur occasionally every two years) to remote (may occur if abnormal circumstances prevail). The risk consequence remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

2.5.2.3 Alignment with vision objectives

Table 1-8 shows how Option 2 aligns with our vision objectives.

Table 2.8: Alignment with vision – Option 2

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	Y
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	Y
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 2 would align with our objective of Delivering for Customers as it provides an uplift on our existing renewable gas communication and education efforts.

Option 2 could be considered *Sustainably Cost Efficient,* because an enhanced renewable gas communications and customer education program would be environmentally and socially responsible. As noted in section 1.3, we are going through an important energy transition in Victoria and it has become increasingly clear that customers expect us to decarbonise and are looking for renewable energy options now. To ensure efficient decision making today about the energy mix in their homes and businesses in the future, customers need to be aware of their options and our plans for decarbonising the gas network. A medium campaign will raise levels of awareness for current and potential workforce in the industry and for over half of customers and provide some customer education needed to support this.

2.5.3 Option 3 – Broad campaign, recalled by most Victorians

Under this option, we would run a broad campaign explaining the renewable gas future which can be recalled by most Victorians, ongoing community engagement events and educational program;

- Renewable gas advertisements on free-to-air television channels, video on demand, digital channels and YouTube introducing renewable gas and encouraging customers to visit the AGN website to learn more (3 months, 3 times a year)
- Digital advertising on a range of news and high traffic websites,
- Media and TV partnerships (e.g. MasterChef)
- Social media promotion of renewable gas developments, and
- Around 20 community engagement activities per annum, including events and tours.
- A schools and tertiary education program with in-school education activities and online resource materials.

2.5.3.1 Cost assessment

The implementation of this option is estimated to cost $2.64 million per annum, or a total of $13.18 million over the next AA period. This estimate is based on the following:

- A broad reaching campaign including renewable gas advertisements on free-to-air television channels, Video on Demand digital channels and YouTube designed to reach and sufficiently introduce Renewable Gas to most Victorians and encourage them to learn more at the AGN website.
- A radio campaign to further extend our target market reach, reinforce key Renewable Gas awareness messages and encouraging conversation on its development.
- Supporting digital advertising across a range of news and high traffic websites.
- Use of social media as an interactive engagement channel for answering community questions and providing Renewable Gas project promotion and updates and supporting engagement activities.
- Ongoing community engagement events:
    - Presentations and forums with community groups, including multicultural community organisations
    - Site tours and presentations at renewable gas facilities
    - Attendance at community events including sustainability and environment events, home shows and Science Fairs
    - Regular communication through online resources, updates by way of regular newsletters and social media
    - Supporting online materials as a key source of information on renewable gas.
- School educational program:
    - A combination of in person and online resources to educate students on the role of hydrogen as a future energy source and the science behind the creation of hydrogen
    - Hands-on and interactive curriculum linked workshops through incursions and excursions including project site tours (either in person and virtually)
    - Professional learning opportunities for educators

- Attendance at student events including sustainability and environment events and Science Fairs
- Tailored activities for students where English is second language

Table 2.9: Cost estimate – Option 3

Option 3	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Television	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$7,500,000
Radio	$110,000	$110,000	$110,000	$110,000	$110,000	$550,000
Digital	$390,000	$390,000	$390,000	$390,000	$390,000	$1,950,000
Community events	$250,000	$250,000	$250,000	$250,000	$250,000	$1,250,000
Schools – Education resource development	$100,000	$100,000	$100,000	$100,000	$100,000	$500,000
Schools – Tours and face-to-face activities	$200,000	$200,000	$200,000	$200,000	$200,000	$1,000,000
Schools – Teacher learning tools	$35,000	$35,000	$35,000	$35,000	$35,000	$175,000
Schools program administration	$50,000	$50,000	$50,000	$50,000	$50,000	$250,000
Total	**$2,635,000**	**$2,635,000**	**$2,635,000**	**$2,635,000**	**$2,635,000**	**$13,175,000**
					Cost per annum	**$2,635,000**

The main benefits of this option:

- In a short time frame, communicate and engage with the majority of customers on our network building confidence that gas has a renewable future and that they can make informed choices about energy solutions and appliance choices.
- Includes extensive community engagement as we continue through the energy transition process so that customers are involved in decision making processes that will impact how they use energy
- Include a schools education program which will support schools and teachers to integrate renewable gas into STEM (science, technology and mathematics) and other Australian curriculum modules
- Improve renewable gas awareness across the industry for potential staff at AGIG and more broadly within the industry to our stakeholder partners (such as gasfitters and appliance retailers) who play a key role in informing customers and meeting their service expectations.

2.5.3.2 Risk assessment

This option reduces the risk from Moderate to Negligible. The residual risk outcomes are shown in Table 1-10.

Table 1.10: Risk assessment – Option 3

Option 3	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Negligible
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	

The implementation of a broad campaign as listed above reduces the likelihood of the Reputation & Customer, People and Finance related risk events occurring from occasional (may occur occasionally every two years) to negligible (may occur if abnormal circumstances prevail). The risk consequence remains unchanged.

Reducing the overall risk to Negligible is consistent with our Risk Management Framework.

2.5.3.3 Alignment with vision objectives

Table 1-11 1.11 shows how Option 3 aligns with our vision objectives.

Table 1.11: Alignment with vision – Option 3

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	Y
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	Y
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 3 **does align** with our objective of *Delivering for Customers* as it provides the level of customer service expected by customers by keeping them advised of key changes to the products and services they purchase and rely on for safe reliable performance in their homes and businesses. It also provides for significant community engagement or school education, both of which were valued by customers. This option would also align with our objective of being *Sustainably Cost Efficient* because the investment is critical to maintaining customer confidence in the gas network.

As we continue through an important energy transition in Victoria and it has become increasingly clear that customers expect us to decarbonise and are looking for renewable energy options now. To ensure efficient decision making today about the energy mix in their homes and businesses in the future, customers need to be aware of their options and our plans for decarbonising the gas network.

Relative to the other options, Option 3 is expected to:

- Better meet customer expectations due to the higher level of knowledge and understanding of the future for the gas network and be better informed for any energy or appliances decisions they are considering
- Be more environmentally and socially responsible by extensively engaging with community so that they are part of the energy transition and can contribute to it.

2.6 Summary of costs and benefits

Table 1.12 presents a summary of how each option compares in terms of the estimated cost, the residual risk rating, and alignment with our vision objectives (these objectives encapsulate the benefits of the options).

Table 1.12: Comparison of options

Option	Total Annual cost ($ million 2022/23)	Customer Funded Annual cost ($ million 2022/23)	Treated residual risk rating	Alignment with vision objectives
Option 1	0.9	0.0	Moderate	Does not align with *Delivering for Customers,* or *Sustainably Cost Efficient*
Option 2	2.0	1.1	Low	Does not align with *Delivering for Customers,* but is *Sustainably Cost Efficient*
Option 3	3.5	2.6	Negligible	Aligns with *Delivering for Customers,* and *Sustainably Cost Efficient*

2.7 Recommended option

A Modified Option 1 is the proposed solution, combining the Option 1 standard campaign reaching 35% of customers, and the Option 3 ongoing community engagement events and educational program. This option involves:

- Renewable Gas advertisements on free-to-air television channels, introducing renewable gas and encouraging consumers to visit the AGN website to learn more (2 month campaign, twice yearly)
- Digital advertising on a range of news and high traffic websites, and
- Social media engagement on renewable gas
- Ongoing community engagement events:
    - Presentations and forums with community groups, including multicultural community organisations
    - Site tours and presentations at renewable gas facilities
    - Attendance at community events including sustainability and environment events, home shows and Science Fairs
    - Regular communication through online resources, updates by way of regular newsletters and social media
    - Supporting online materials as a key source of information on renewable gas.
- School educational program:
    - A combination of in person and online resources to educate students on the role of hydrogen as a future energy source and the science behind the creation of hydrogen
    - Hands-on and interactive curriculum linked workshops through incursions and excursions including project site tours (either in person and virtually)

- Professional learning opportunities for educators
- Attendance at student events including sustainability and environment events and Science Fairs
- Tailored activities for students where English is second language

AGN will fund the communication (television and digital media) components of this option from existing opex allowances, at a cost of $900,000 per annum. The remaining community engagement and education components of the modified Option 1 program is estimated to cost an additional $600,000 per annum, or a total of $3.0 million over the next AA period. These estimated are outlined in Table 1.13.

Table 2.13: Cost estimate – Modified Option 1

Modified Option 1	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Television & Digital Media	$900,000	$900,000	$900,000	$900,000	$900,000	$4,500,000
Community events	$240,000	$240,000	$240,000	$240,000	$240,000	$1,200,000
Schools – Education resource development	$100,000	$100,000	$100,000	$100,000	$100,000	$500,000
Schools – Tours and face-to-face activities	$180,000	$180,000	$180,000	$180,000	$180,000	$900,000
Schools – Teacher learning tools	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000
Schools program administration	$50,000	$50,000	$50,000	$50,000	$50,000	$250,000
Total program cost	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$7,500,000
Customer Funded Total	$600,000	$600,000	$600,000	$600,000	$600,000	$3,000,000
Cost per annum						**$600,000**

Together the activities under modified Option 1:

- Improve levels of renewable gas awareness in the community by providing a combination of communication, engagement and education activities
- Responds to expectations and strong customer support that AGN does more to engage customers and the community on the future of gas
- Provides improved accessibility to information regarding the future of gas, allowing customers and communities to make informed choices with confidence about energy solutions and appliance choices in their homes and businesses
- Includes a school education program which was highly favoured by customers as important
- Responds to stakeholder feedback that AGN should consider funding from the business by delineating elements to be customer funded and business funded

This option reduces the risk from moderate to Low, with just one category, Finance remaining above Negligible. The residual risk outcomes are shown in Table 1-714.

Table 2.14: Residual risk – Modified Option 1

Modified Option 2	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	Moderate	

This option **does align** with our objective of *Delivering for Customers* and could be considered *Sustainably Cost Efficient.* Reducing the overall risk to low is consistent with our Risk Management Framework.

Finally, it is worth noting that we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the communications and customer education we provide is best practice, appropriately targeted and achieving its objectives.

This project will be delivered using a combination of internal and external resources, with internal resources used for the basis of our communications campaign, while external resources will be used to deliver the community events and schools program.

2.7.1 Why is the recommended option prudent?

The Modified Option 1 approach is the most prudent option because it is:

- the most cost-effective option that meets customer needs and reduces risk to an acceptable level (i.e., from moderate to low):
  - Option 1 would partially mitigate the risks associated with the People and Finance, but it does not meet the risks identified with Reputation & Customers.
  - Option 2 would reduce the risk rating from moderate to low, but it does not fully meet customer needs.
  - While Option 3 has the greatest reduction in risk to Negligible, the incremental benefits associated with the broader campaign, it is at a cost which exceeds the amount consumers believe is appropriate
- consistent with our vision that we will deliver for customers and customer and stakeholder expectations that we will do more to communicate our renewable gas plans and what it means for our customers, particularly when they are considering the future energy mix in their homes and businesses; and
- deliverable, as evidenced by similar work that we have done to engage with our customers, provide rebates for appliances and new connections and to work collaboratively with others to deliver aspects of the program.

The Modified Option 1 also represents a measured approach to responding to the energy transition and engaging customers as we move towards a net zero future. In particular, not enhancing our renewable gas communications and customer education could exacerbate feelings of uncertainty amongst our customers and mean there is an imbalance in the information available to them about renewable energy options for their homes and businesses in the future. Having clear and transparent information available is particularly important in aiding a better planned and more efficient transition to net zero. The forecast cost of the program, when expressed on a total cost per customer per annum basis of $0.76 per annum is supported by strong customer sentiment.

Finally, it is worth noting that we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the communications

and customer education we provide is best practice, appropriately targeted and achieving its objectives.

2.7.2 Consistency with National Gas Rules and National Gas Law

In developing the forecast expenditure on the proposed Renewable Gas Communication and Customer Education program (i.e. Modified Option 1), we have had regard to Rule 91 and Rule 74 of the NGR. With regard to all projects, and as a prudent asset manager/network business, we give careful consideration to whether opex is prudent and efficient from a number of perspectives before committing to fund new programs. We have also had regard to the National Gas Objective and revenue and pricing principles in the NGL.

NGR 91

The proposed solution is prudent, efficient, consistent with accepted and good industry practice and will achieve the lowest sustainable cost of delivering pipeline services:

- **Prudent** – The expenditure on the proposed Renewable Gas Communication and Customer Education program is necessary in order to meet customer expectation, support a planned and efficient energy transition and reduce the untreated risks associated with the Reputation & Customers and Financial categories to Negligible or Low. The expenditure is also of a nature that a prudent service provider would incur, particularly given the lack of awareness of renewable gas and our renewable gas plans, including how this impact the gas network and customer appliances.
- **Efficient** – The measures forming part of the proposed Renewable Gas Communication and Customer Education program are the most practical and effective measures to meet customer expectation, support a planned and efficient energy transition and to reduce the untreated risks from moderate to low. The additional costs of the proposed solution are small compared to the additional benefits of that option. The expenditure is therefore of a nature that a prudent service provider acting efficiently would incur.
- **Consistent with accepted and good industry practice** – Implementing the proposed Renewable Gas Communication and Customer Education program would be consistent with good service levels expected in any industry, whereby customers are kept up to date with changes that are planned to their products and/or services. The importance of customer and community engagement is well recognised in the energy networks industry as a mechanism to ensure customer expectations are met, now and in the future.
- To **achieve the lowest sustainable cost of delivering pipeline services** – The proposed Renewable Gas Communication and Customer Education program is necessary to give customers confidence that they can continue to rely on natural gas and renewable gas for key appliances in the home. Maintaining and growing our customer base, plays a key role in keeping the cost of natural gas down for our customers.

NGR 74

The forecast costs are based on the latest market rate testing and project options consider customer requirements informed by detailed engagement. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.

NGL

In addition to being consistent with rules 74 and 91, The renewable gas communications and customer education program furthers the National Gas Objective (NGO) by promoting efficient use of and investment in the network through building customer awareness of renewable gas. It will provide an information base on renewable gas, and what it means for the gas network and customer appliances that customers can refer to in making any decisions about their own energy

mix in their homes and businesses. This will ensure customers are well-informed of different renewable energy options and ensure long-term sustainability of natural gas services for the long-term interest of consumers.

Appendix A – Comparison of risk assessments for each option

Untreated risk	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Occasional	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Moderate	

Option 1	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Occasional	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Moderate	

Option 2	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Low	Low	

Recommended Option	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	Moderate	

Option 3	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Negligible
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	

3 Opex V.26.CS – Priority Service Program

3.1 Project approvals

Table 3-1: Project approvals

Prepared by	Stephanie Judd, Acting Head of Stakeholder Engagement
Reviewed by	Chris Fidler, Head of Customer and Market Services
Approved by	Kristen Pellew, Acting EGM Customer and Community

3.2 Project overview

Table 3-2: Project overview

Description of the problem / opportunity	Traditionally, the provision of assistance to customers experiencing vulnerability in the energy sector has been left to retailers, not-for-profit organisations and governments. It has, however, become clear through our stakeholder engagement process, the development of the Energy Charter, the Financial Services Royal Commission and the Consumer Policy Research Centre's (CPRC) work for the AER, that networks also have a role to play in supporting customers experiencing vulnerability and that this is becoming an increasingly important element of our social license to operate. In response to the CPRC's work, the AER published its Draft Consumer Vulnerability Strategy in December 2021. The Draft Strategy acknowledges the need for a whole of energy sector approach to addressing consumer vulnerability. Specifically, it outlines a range of outcomes, objectives and actions designed to achieve the AER's vision to '*see consumers experiencing vulnerability offered timely and effective supports that work for both consumers and energy businesses, improving energy affordability, helping consumers stay connected and reducing energy businesses' cost to serve*[6]. To achieve this, the AER is encouraging greater levels of energy system collaboration, innovation and leadership. This is further reflected in the feedback provided through our customer workshops, where 93% of customers felt that it is important or very important to have dedicated services for customers experiencing vulnerability. In explaining the importance, customers emphasised inclusivity, fairness, and AGN's duty of care to look after their most vulnerable. This is also reflected by feedback from other stakeholders, including members of the Victorian Gas Stakeholder Roundtable. Importantly, the provision of support to our customers experiencing vulnerability is not just part of our social licence to operate. Rather, it is embodied in the National Gas Objective and is also consistent with good industry practice and what would be expected of a prudent and efficient service provider. It is also required from a risk management perspective, with the untreated risks associated with the Reputation & Customers and People risk categories being rated as Moderate. To help inform the development of a holistic package of measures to support our customers experiencing vulnerability, we conducted collaborative workshops in late 2021 and early 2022. Representatives from a number of community organisations, peak bodies in the social service sector and the public sector attended and provided input into the design of the package. We also examined the measures that gas distribution networks in the UK have implemented to support their customers and have used that to inform our proposal. Through these two processes we have identified a package of measures that we could implement to support our customers experiencing vulnerability (our priority service customers), the objectives of which are to:

[6] AER, Draft Consumer Vulnerability Strategy, December 2021, p. 6

	• develop a range of initiatives designed to provide financial support to priority service customers and ease affordability concerns; • improve the way in which we communicate with priority service customers to ensure that they are well informed and supported; and • ensure that our processes are simple and easily accessed by priority service customers to ensure that we do not create further barriers and exacerbate vulnerabilities. More than half of the identified measures will be funded through our existing operating expenditure allowance (i.e., advice on efficient usage, additional training of customer service and field-crew staff to provide guidance and ensure empathetic experience and meter-self reads). This business case focuses on the remaining measures, which would require an increase in our opex, including to: • provide financial support; • improve communications; and • simplify processes.
Untreated risk	As per risk matrix = **Moderate**
Options considered	• **Option 1** – Do not increase our expenditure to support our priority service customers • **Option 2** – Implement all identified initiatives ($1.2 million pa) • **Option 3** – Implement only key initiatives ($0.9 million pa) The key difference between options 2 and 3 is the implementation of a dedicated culturally and linguistically diverse (CALD) community engagement program, and dedicated network resources (as opposed to shared resources across AGIG's Victorian networks).

Proposed solution	Option 3 is the proposed solution. This option involves:
	• the appointment of a dedicated priority service customer manager role within AGN (a shared resource with MGN), responsible for liaising with community organisations, developing referral programs for our customer service teams and other strategic aspects of the program;
	• the appointment of a dedicated priority service customer lead role within AGN, which will be responsible for the design and delivery of operational aspects of the program, including the trade panel and resolving complaints;
	• the development of a 'Priority Service Register' using the upgraded Customer Relationship Management (CRM) system (see Digital Customer Experience Business Case V.21.CS) – this register will form the basis for the provision of a range of priority services to our customers experiencing vulnerability, including advance notice of planned outages, priority support in an emergency and/or a dedicated liaison person where required; and
	• the provision of:
	  • gas appliance safety checks and emergency appliance repairs;
	  • improved CALD communications; and
	  • check-in and emergency heaters and cookers during extended outages.
	Together this package of measures will improve the customer experience for our priority service customers and will also reduce the financial barriers that some customers experiencing vulnerability may face in terms of utilising gas more efficiently and/or ensuring their appliances are operating in a safe and reliable manner.
	This option also reduces the risks associated with the Reputation & Customer, People and Finance risk categories to low or negligible as a result of:

- addressing the inadvertent disadvantage customers experiencing vulnerability face, which should reduce the risk of customer dissatisfaction and maintain/improve our reputation in the broader community;
- reducing pressure our frontline staff are exposed to, which should result in a lower level of occupational health and safety (OH&S) issues; and
- reducing compensation and/or incur other costs resolving complaints involving customers with higher needs and dealing with OH&S issues amongst our staff.

Option 3 is the preferred option because it will provide the support our priority service customers require, while also reducing the untreated risk from moderate to low in a more cost-effective manner than the other options. It also represents a measured approach to providing support to our customers experiencing vulnerability, with clear targets that can be realised in the next AA period that are consistent with our vision and our customers' expectations that we do more to support those in need.

Finally, it is worth noting that we do **not** intend to 'go it alone' on the measures described above. Rather, we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the assistance we provide is best practice and appropriately targeted.

Estimated cost

The forecast direct cost (excluding overhead) during the next access arrangement (AA) period (July 2023 to June 2028) is $4.64 million (averaging $0.9 million p.a).

$'000 real Jun 2021	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Priority Service Program	1,127	865	891	865	891	4,640

Note that the forecast cost of developing the priority service register assumes that the proposed upgrade of the CRM system is approved (Attachment 9.14). If this does not occur, then revisions to the forecast costs will be required to account for the system related costs associated with developing the register.

Basis of costs

All costs in this business case are expressed in real unescalated dollars at December 2021 unless otherwise stated.

Alignment to our vision

Option 3 aligns with the following elements of our vision:

- *Delivering for Customers* – the option will result in a more responsive customer environment and improvements in the customer experience for our priority service customers;
- *A Good Employer* – the option will reduce the pressure and stress that our frontline staff may face; and
- *Sustainably Cost Efficient* – this option is consistent with our objective to behave in a socially responsible manner.

Consistency with the National Gas Objective and Rules (NGO and NGR)

Option 3 complies with the following National Gas Rules (NGR):

NGR 91 – the proposed solution is consistent with good industry practice, several practicable options have been considered, and market rates have been tested to achieve the lowest sustainable cost of providing this service.

NGR 74 – the forecast costs deliver a targeted program of work supported by our customers and customer representatives. They are based on the latest market rate testing and project options consider the proposed program of work in the context of the overall IT program, and in particular the Digital Customer Experience project on which this program is dependent. We have considered deliverability and included project efficiencies where possible. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.

	Option 3 is also consistent with the National Gas Objective (NGO) because it promotes the long-term interests of our customers with respect to price, quality, safety and reliability.
Treated risk	As per risk matrix = **Low**
Stakeholder engagement	We are committed to operating our networks in a manner that is consistent with the long-term interests of our customers. To facilitate this, we conduct regular stakeholder engagement to understand and respond to the priorities of our customers and stakeholders. Feedback from stakeholders is built into our asset management considerations and is an important input when developing and reviewing our expenditure programs. Customer preferences and expectations have been explored and assessed through a series of workshops. Our customers have told us their top three priorities are price/affordability, reliability of supply, and maintaining public safety. Insights from these workshops found customers expect us to help those in need and that they support us providing more support to customers experiencing vulnerability. The proposed Priority Service Program is a new initiative for the next AA period that will: • improve the customer experience for our customers experiencing vulnerability, and minimise the risk that we inadvertently exacerbate the disadvantage they may face; and • reduce the financial barriers that some customers experiencing vulnerability face in terms of utilising gas more efficiently and therefore reducing their gas bill and/or ensuring their appliances are operating in a safe and reliable manner. The proposed program is therefore consistent with what our customers value (i.e. helping those in need and affordability). The forecast cost of the program, when expressed on a total cost per customer per annum basis is $1.36 per annum and is also in line with what our customers told us they would be prepared to pay to provide this support.
Other relevant documents	• Attachment 5.3 – Customer Engagement Program • Attachment 9.14 – Capex V.21.CS Digital Customer Experience

3.3 Background

The AGN natural gas distribution network currently delivers gas to over 740,000 customers in Victoria and Albury, a reasonable proportion of whom are experiencing vulnerabilities. The term 'vulnerable customer' is used in this context to refer to customers that are experiencing financial hardship, or that are susceptible to other harm, detriment or disadvantage because they are in vulnerable circumstances.

A customer may, for example, be considered to be in vulnerable circumstances because they are elderly, physically or intellectually disabled, chronically ill, suffering from mental health issues, experiencing domestic violence, have low levels of literacy, or are from lower socio-economic, cultural or linguistically diverse backgrounds. For some customers, the circumstances of vulnerability can be permanent (e.g., due to chronic health conditions, poverty or language barriers), while for others it may be transient (e.g. due to short-term unemployment, relationship breakdown).[7]

While it is difficult to know precisely how many of our Victorian customers are vulnerable, the Essential Services Commission (ESC) has estimated that at the end of March 2022, approximately 2.2% (47,458) of gas residential customers were receiving tailored assistance from their retailer to help pay their bills[8]. Vulnerability figures are likely to be higher among culturally and linguistically diverse (CALD) Victorians, with CALD people facing additional challenges navigating

[7] CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 21
[8] ESC, Victorian Energy market Update: June 2022, p. 15

the energy market, accessing hardship support and finding an advocate to assist them[9]. Research undertaken by the Consumer Policy Research Centre (CPRC) for the AER on regulatory approaches to consumer vulnerability (see Box 1-1), further identified a range of energy market specific indicators of customer vulnerability, with current data across these indicators suggesting:

- 17% of Victorians are living with a disability[10]
- Close to 1 in 5 (18%) Victorians are experiencing high or very high levels of psychological distress[11]
- Nearly 1 in 5 Victorian adults (19.6%) reported being diagnosed with two or more of seven common chronic diseases[4]
- Fewer than half of the Victorian population (40.4%) reported being in excellent or very good health[4]
- 1 in 10 (9%) of Victorians feel socially isolated[4] with this number higher among culturally and linguistically diverse adults
- 1 in 6 Australian women have experienced physical and/or sexual violence[12]

Box 1-1: Consumer Policy Research Centre - Exploring regulatory approaches to consumer vulnerability

In 2019, the AER commissioned a report on regulatory approaches to consumer vulnerability. The report, which was prepared by the CPRC, recommended the AER work with consumers, industry, community organisations and other regulators to develop a customer vulnerability strategy. In doing so, the CPRC noted that:[13]

"Consumer vulnerability is in the spotlight following Australian and UK reviews of retail energy markets and other sectors, which revealed complex and strategically confusing or exploitative marketing practices, and egregious conduct in banking and insurance, as documented by the Financial Services Royal Commission.

Other inquiries (for example, the Victorian Family Violence Royal Commission) have also shown how essential service providers can exacerbate harm if they do not respond in an informed, sensitive way to the personal circumstances of their customers.

Vulnerability can be addressed at multiple stages of the customer journey. While many regulators and legal frameworks have traditionally focused on debt and payment difficulty, some are also looking more closely at the design of products and services, to help create inclusive markets where people can secure what they need at a fair price, without being excluded or taken advantage of. This approach has the potential to deliver deeper, more comprehensive market change and positive consumer outcomes."

Elaborating further on the steps that can be taken across the customer journey, the CPRC noted that:[14]

"From a market-outcomes perspective, it is efficient and effective for regulators, government, community organisations and industry to prioritise early and pre-emptive

[9] Monash University, Consumer experiences following energy market reforms in Victoria, June 2021, p.10
[10] ABS, disability, ageing and carers. Australia: summary of finding, Australian Government, 2018, Canberra
[11] Victorian Population Health Survey, Victorian Government, 2020
[12] AIWH, Family, domestic and sexual violence Australia, 2018, p.ix
[13] CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 3
[14] CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 8

interventions wherever possible, rather than focusing on 'bottom of the cliff' measures that wait for problems to emerge or become more advanced."

Traditionally, the provision of assistance to customers experiencing vulnerability in the energy sector has been left to retailers, not-for-profit organisations and governments. It has, however, become clear through our stakeholder engagement process, the development of the Energy Charter, the Financial Services Royal Commission and the CPRC's work for the AER, that networks also have a role to play in customers experiencing vulnerability and that this is becoming an increasingly important element of our social license to operate.

In response to the CPRC's work, the AER published its Draft Consumer Vulnerability Strategy in December 2021 (see Box 1.2). The strategy acknowledges the need for a whole of energy sector approach to addressing consumer vulnerability. Specifically, it outlines a range of outcomes, objectives and actions designed to achieve the AER's vision to '*see consumers experiencing vulnerability offered timely and effective supports that work for both consumers and energy businesses, improving energy affordability, helping consumers stay connected and reducing energy businesses' cost to serve'*[1]. To achieve this, the AER is encouraging greater levels of energy system collaboration, innovation and leadership.

Box 1-2: The AER's Draft Consumer Vulnerability Strategy

The AER's Draft Consumer Vulnerability Strategy will help to[1]:

- Improve support for consumers in vulnerable circumstances and to improve the way the way the market operates to boost consumer outcomes
- Bring a consistent, informed and evidence-based understanding of the lived experience of vulnerability to the AER's work and the energy market
- Prioritise or target projects and actions to address or prevent consumer harm
- Identify ways of reducing the costs of addressing vulnerability, and sharing risks across the sector, ultimately reducing cost to serve and therefore costs to all customers
- Identify opportunities to work together, influence or support others to improve consumer outcomes.

The Draft Strategy envisages 4 overarching *outcomes* for the energy market[1]:

- Outcome 1: barriers to consumers engaging in the market are reduced and consumers can access the products and services that best meet their needs
- Outcome 2: consumers facing payment difficulty receive effective, tailored assistance
- Outcome 3: the transitioning and future energy market meets the needs of consumers
- Outcome 4: balance affordability is improved, including by reducing the cost to serve where possible.

To contribute to these outcomes, that AER has identified 5 key *objectives* which has been informed by a range of research inputs. They are to[1]:

- Objective 1: improve the identification of vulnerability
- Objective 2: reduce complexity and enhance accessibility for energy consumers
- Objective 3: strengthen protections for consumers facing payment difficulty

- Objective 4: use the consumer voice and lived experience to inform regulatory design and change
- Objective 5: balance affordability and consumer protections by minimising the overall cost to serve.

Customers and stakeholders are also supportive of network businesses playing a role in better supporting customers experiencing vulnerable circumstances. Through the stakeholder engagement process conducted as part of the next AA, our stakeholders told us that we should be providing better support to vulnerable customers. Specifically, 93% of customers felt that it is important or very important to have dedicated services for customers experiencing vulnerability. In explaining the importance, customers emphasised inclusivity, fairness, and AGN's duty of care to look after their most vulnerable[15]. This is also reflected by feedback from other stakeholders, including members of the Victorian Gas Stakeholder Roundtable.

The importance that our customers and other stakeholders place on supporting customers in vulnerable circumstances is consistent with our vision and values and, in particular, our commitment to being socially responsible and delivering energy services accessible to all our customers. It is also consistent with many of the AER's consumer vulnerability objectives, as outlined above.

The importance of supporting customers experiencing vulnerability has become even clearer through the COVID-19 pandemic, with a greater number of our customers facing financial hardship and other vulnerable customers facing greater pressures. To help reduce the burden posed by the pandemic, AGN worked with other networks in Victoria, South Australia, and NSW to develop a relief package, which amongst other things provides for network charges to be deferred or rebated for residential customers that default as a result of COVID-19.[16]

The relief that we were able to provide our customers during that period highlights the important role that networks can play in supporting customers experiencing vulnerability, which as discussed in further detail below can take a variety of forms. It also highlights the responsibility for all parts of the supply chain to operate in a socially responsible manner and in the long-term interests of consumers, consistent with the National Gas Objective.

3.3.1 What support could AGN provide customers experiencing vulnerability?

AGN in Victoria and Albury does not currently have any formal programs in place to support our customers in vulnerable circumstances; rather support is provided on a case-by-case basis when we become aware that additional support is needed for a customer (see section 1.3.4 for more details). This contrasts with a targeted stream of new services being developed for AGN SA network, following approval of the dedicated Vulnerable Customer Assistance Program as part of the last access arrangement submission (this program has since been renamed the 'Priority Service Program' in response to feedback on appropriate language). We would like to align our level of service delivery with this program of work, to ensure that our customers experiencing vulnerability are better supported across all our regulated networks.

To get a better understanding of vulnerable Victorians, and the type of support that might meet their specific needs, together with the other Victorian gas networks we conducted a series of workshops in late 2021/early 2022 and invited a range of stakeholders who have extensive experience working with vulnerable individuals and communities to participate.

[15] KPMG, Final Report – AGN customer engagement program, April 2022
[16] ENA, Energy network relief package announced, 2 April 2020

We have also spoken with, and reviewed the programs of, gas and electricity distribution companies in the UK to understand the types of services that they offer their most vulnerable customers. The key points emerging from the workshops and our review of what other networks are doing are outlined in the following sections.

3.3.1.1 Dedicated Advisory Panel workshops

To design a program that truly delivers on the needs of Victorian priority service customers, we established a PSP Advisory Panel comprising of key representatives from social services organisations with a national and/or Victorian focus.

Box 1-3. Priority Service Panel Advisory Panel

- The Brotherhood of St Laurence
- Ethnic Communities Council of Victoria (ECCV)
- Financial Counselling Victoria
- Safe Steps
- Energy Water Ombudsman Victoria (EWOV)
- Uniting Vic Tas
- Council of the Ageing (COTA)
- Victorian Council of Social Services (VCOSS)
- Consumer Action Law Centre
- St Vincent de Paul

In September 2021, we held the first 2-hour workshop with the PSP Advisory Panel. In the first workshop, we:

- provided an overview of a proposed priority service program and priority service customers;
- discussed circumstances of vulnerability that might be considered as part of the program;
- discussed the role of network business in the delivery of priority services;
- identified the appropriate principles to guide a priority service program; and
- explored gaps in existing support for Victorians, and opportunities for our program.

Through our first workshop, we heard:

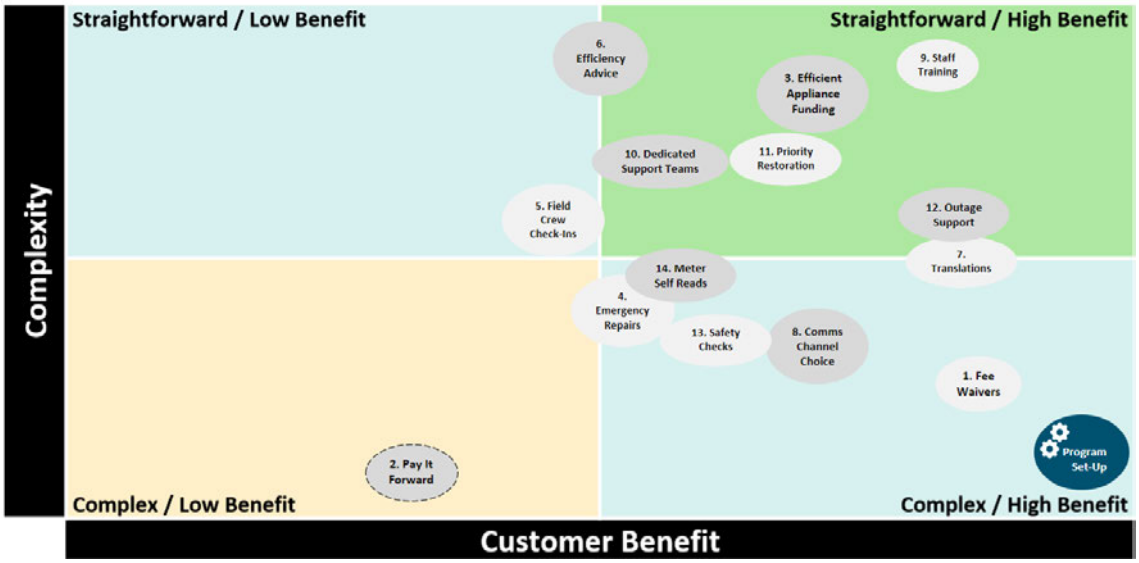
- ✓ *Low-income renters, elderly people, those facing medical hardship as well as people with a disability should be considered priority service customers*
- ✓ *We need to consider the transient/fluid circumstances of customers*
- ✓ *Addressing language and cultural barriers will be important*
- ✓ *Covid-19 has exacerbated affordability concerns and access to help*
- ✓ *Accessing the program needs to be as clear and simple as possible*
- ✓ *Individual situations will make it hard to design a universal program that fits the circumstances of all*

- ✓ *Advisory Panel members particularly liked initiatives that ensure people are able to make their own choices (i.e., self-meter reads) and incorporate field crew training*
- ✓ *Strong support for the program principles, with a strong preference for the program to complement/support existing support measures rather than duplicate*

The second workshop focused on prioritising potential priority service *initiatives. In this session we discussed the customer benefits, complexity, implementation considerations and measures of success across a list of 14 initiatives as identified in gap analysis undertaken in the first workshop.*

The 14 initiatives were then plotted on a complexity/customer benefit matrix, highlighting areas of prioritisation for the design of a priority service program (see Figure 3-1).

Figure 3-1 Prioritisation matrix from PSP Advisory Panel workshop 2



We held a third and final workshop with the panel in March 2022 to further refine our proposed program. We worked closely with the panel to prioritise and align the program across all Victorian gas networks and ensure that the program would deliver benefit to those experiencing vulnerability.

In the final session, we heard:

- ✓ *That the Advisory Panel liked the general direction of the proposed programs, but challenged the networks to consider how to best recruit people into the program without creating stigma that they are being labelled as 'vulnerable'*
- ✓ *It is critically important for the program to be a Victoria-wide program, as opposed to network specific, to ensure there is no confusion*
- ✓ *This program could be used to support customers during large scale emergency/weather events*
- ✓ *Some of the initiatives, such as meter self-reads, should be undertaken as business as usual activities*
- ✓ *Providing information in simple and accessible English is important as it not only supports CALD customers but also those with visual impairment and low levels of literacy*
- ✓ *Customers should be able to self-nominate into the program and there needs to be strong privacy protocols followed for the program (particularly if there is a register of some kind)*

- ✓ *That we need be open to learning as we go, keep talking to others and adopt lessons learned from similar programs*

3.3.1.2 What support have networks in other jurisdictions provided?

In contrast to Australia, gas and electricity networks in the UK have been providing specialised support to their vulnerable customers for some time, which is funded through their regulated price control mechanism and actively monitored by Ofgem.

The support provided by networks in the UK, is principally carried out through a priority service register, which is a network specific confidential register of customers requiring priority services. The priority services provided to the customers on this register are intended to help with access, safety and communication and, include, amongst others:[17]

- the provision of information in an accessible format, including information on how to understand and manage costs and consumption and how to switch to other retailers;
- advance notice of planned outages;
- priority support in an emergency (e.g. the provision of alternative heating and cooking facilities in the event of a supply interruption);
- meter reading services at more regular intervals; and
- free gas safety checks every 12 months.

In addition to priority services, gas networks such as Northern Gas Networks, have implemented a range of other initiatives to support customers experiencing vulnerability, including:[18]

- providing connections to fuel poor customers;
- conducting carbon monoxide and energy efficiency awareness campaigns and providing referrals for further help with in-house measures;
- providing funding to charities to provide services to hard-to-reach customers; and
- working with specialist organisations to train staff to help identify signs of vulnerability and to provide appropriate support and referrals.

In its framework decision for the upcoming price control review (referred to as RIIO-2), Ofgem has reiterated the importance of networks supporting vulnerable customers:[19]

> *"Our objective for RIIO-2 is to ensure that regulated network companies deliver the value for money services that both existing and future consumers want. In particular, that the price controls:*
>
> - *Give due attention to mitigating the impact of networks on the environment*
> - *Are designed so that networks play a full role in addressing consumer vulnerability issues."*
>
> *"Our objectives also emphasise that networks must play a full role in addressing* ***consumer vulnerability*** *issues. We will achieve this by:*
>
> - *Expecting network companies to set out in their business plans how they intend to assist consumers in vulnerable situations. Companies should develop these proposals using the*

[17] https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/extra-help-energy-services/priority-services-register
[18] Northern Gas Networks, Customers in vulnerable situations strategy – A7 – NGN RIIO-2, 2019
[19] Ofgem, RIIO-2 Framework Decision, 2018, pp. 4 and 7

insight that stakeholders can bring. We will take into account the quality of their proposals, and the views of stakeholders, in our assessment of business plans.

- *Identifying and developing appropriate output measures for each sector to ensure companies play a full role in addressing consumer vulnerability…*
- *Exploring how we can use the innovation funding we provide to support projects that deliver benefits across the system. In particular, where those benefits may be most valuable for vulnerable consumers."*

3.3.1.3 What support is already available to Victorians experiencing vulnerability?

As summarised below (Table 3-3), current gas focused support services available below largely focus supporting customers who may be facing financial hardship and require bill support.

Table 3-3: Support available in Victoria for those experiencing vulnerability

Victorian Government	Retailers	Community/ not for profit organisations

• **Power saving bonus** a one-off payment of $250 to bill stressed households as a result of Covid-19 (planned end in June 2022)
• **Utility relief grant scheme** can assist customers with *up to* $1,300 to pay off overdue bills
• **Non-mains energy concession** can refund some of the cost of buying firewood and bottled gas
• **Winter gas concession** provides 17.5% off winter gas bills (May to October)
• **Excess gas concession** gives 17.5% off gas bills > $1,644
• **Energy Saving Package** which includes efficient appliance rebates, housing upgrades and new standards for rental properties.
	• Retailer financial hardship programs:
	  • Payment plans & debt management
	  • Deferral outside of credit management
	  • Dedicated support teams
	  • Training of call centre staff
	  • Advice on energy efficiency/ audits
	  • Referrals to financial counselling & other support services
	• Life Support Customer provisions
		• Financial counselling services such as the National Debt Helpline
		• Uniting Vic Tas and Jemena energy efficiency program (Power Changes)
		• Good Shepherd no interest loans for energy efficient appliances up to $1,500
		• Other broader social support programs

3.3.2 What are we considering for the next AA period?

As noted above, the provision of assistance to customers experiencing vulnerability has traditionally been the domain of retailers, not-for-profit organisations and government agencies. It is clear though from the feedback that our stakeholders have provided, the results of the workshops, the Energy Charter and the CPCR's recent work for the AER on customer vulnerability that, and the AER's endorsement of the business case for our dedicated program in AGN SA, we also have a role to play in supporting customers experiencing vulnerability.

We therefore intend to implement a Priority Service Program in the next AA period in Victoria. At AGN, we consider vulnerable customers 'priority service' customers because they are more reliant on the safe, reliable and affordable delivery of our services when compared to other customers.

The objectives of this program will be to:

(a) Develop a range of initiatives designed to provide financial support to priority service customers and ease affordability concerns, including by:

- providing funding for gas appliance safety checks; and
- funding emergency appliance repairs.

(b) Improve the way in which we communicate with priority service customers to ensure that they are well informed and supported, including by:

- creating dedicated priority service program strategic and operational roles within AGN, which would be responsible for all aspects of the Priority Service Program;
- developing energy efficiency materials aimed at improving the energy literacy of vulnerable customer groups;
- improving communications with our CALD customers, to the benefit of all, including by:
  - providing information in an accessible format (easy English) and in multiple languages;
  - developing demonstration videos in simple langue that explain our role and processes, for example the purpose of meter reads and why we enter customers' properties; and
  - developing a program of targeted and bespoke engagement with CALD communities and their leaders to improve information dissemination and build trust; and
- training our customer service and field-based staff (including contractors) (jointly referred to as 'frontline staff') to:
  - engage with vulnerable customers with sensitivity and empathy about the varied and underlying causes of vulnerability; and
  - refer our vulnerable customers to:
    - the priority services and other initiatives available from AGN to support these customers; and
    - dedicated support services where required.

(c) Ensure that our processes are simple and easily accessed by priority service customers to ensure that we do not create further barriers and exacerbate vulnerabilities, by:

- checking in on our priority service customers during extended gas outages to ensure their health and welling, and providing temporary heating and cooking support if needed;
- providing the option of meter-self reads to customers who would prefer this, mitigating potential anxieties associated with field crews accessing their properties; and
- developing a register that can be used to introduce a range of priority services for our vulnerable customers (e.g., providing advance notice of planned outages, providing priority support in an emergency and/or assigning a dedicated liaison person to a field team where required).

The following table provides further detail on the measures that we could implement to achieve these objectives and the benefits they are expected to provide our customers experiencing vulnerability. Grey shading is used in this table to identify those measures that we intend to fund from our existing operating expenditure allowance. No shading, on the other hand, is used to identify those measures that we are proposing to be funded under the step-change, noting that

that are delivering a material step up in the type and quality of services typically provided by a network business.

Table 3-4: Measures to support customers vulnerable in vulnerable circumstances

Objective	Potential initiatives	Benefit to vulnerable customers
Financial support and affordability	Provide funding for: • gas appliance safety checks; and • emergency appliance repairs, • for priority service customers.	For priority service customers facing financial hardship, the cost of: • obtaining a gas appliance safety check may be prohibitive, which may expose them to a greater risk of carbon monoxide poisoning or other safety issues; and • emergency repairs for hot water systems, stoves or heating may also be prohibitive, which may mean they are unable to use these appliances for a period and therefore experience further hardship or use it when it is not safe to do so and therefore face other safety issues. • The proposed measures would remove these financial barriers for priority service customers and, in so doing, improve the safety and reliability of our priority service customers gas appliances and gas use.
Improving our communication	Priority Service Program Manager The **Manager** role would oversee the AGN Victorian program. This role would be responsible for the strategic development and implementation of the program(s) including setting the inclusion criteria for the program through further engagement with the industry as well as working with the legal, regulatory, and operational teams to ensure the programs are designed and delivered properly. Tracking and monitoring the performance of the program would also be important for this role.	This strategic role will work on improving the overall customer experience for our priority service customers across the state. This oversight will ensure that our products, services and experiences meet the needs of vulnerable customers and there is a voice for vulnerable customers in our decision-making. They will also be responsible for establishing working relationships and programs with organisations that represent vulnerable customers.
	Priority Service Program Lead The **Lead** role would largely be responsible for the operational delivery of the program, in partnership with our Customer Care Team. This role would also manage external contractors and Trade Panels needed to deliver the proposed set of new services.	This role would ensure that all priority service customers get a more focused and personalised customer experience when concerns and complaints are raised. Having a single point of contact for priority service customers within the business will ensure issues and concerns are resolved more rapidly. They will also be responsible for the design and delivery of the appliance program.

Objective	Potential initiatives	Benefit to vulnerable customers
	Advice on efficient usage	We understand that the energy sector is confusing for many, particularly around what constitutes efficient usage and practices when it comes to gas. This initiative is designed to remove this confusion and equip priority service customers with the knowledge to make effective changes in their home when it comes to efficient gas practices. It also raises awareness around the program and acts as a potential means to further engage with these priority customers.
	CALD communications, including: • Translation services (funded outside of step change) • Easy English review of the full communication suite • Translation of critical letters/communications into top 3 languages spoken on the network • Demonstration videos for key processes, including around meter reading and the need to enter a customer's property	Improving the way that we communicate with CALD customers would improve their customer experience and reduce the risk that we inadvertently exacerbate their vulnerability through our interactions. Communicating in-language may also foster a greater sense of acceptance and build trust between CALD customers and AGN.
	CALD Community Engagement Program A targeted program of community engagement activities designed to improve engagement levels among CALD communities in our network.	We know that CALD customers face challenges when engaging with the energy market and are more likely than non-CALD customers to be experiencing vulnerability. A bespoke engagement program designed to educate and involve communities in the gas, and energy sector, would benefit customers by improving their trust and confidence in the sector and their ability to navigate it.
	Additional training of customer service and field-crew staff to provide guidance and ensure empathetic experience	Training our customer service and field staff in this manner would result in a more responsive customer environment, improve the customer experience and reduce the risk we inadvertently exacerbate our customers' vulnerability. It would also mean that our staff are better able to recognise the indicators of vulnerability and, where appropriate, refer customers to the priority service program we offer and other initiatives available from AGN to support these customers, and other dedicated support services, where required.

Objective	Potential initiatives	Benefit to vulnerable customers
		This form of training may also reduce the pressure our frontline staff face when interacting with priority service customers and reduce complaints, because it would improve their understanding of the underlying causes of vulnerability.
Simplifying our processes	Check-in and provide additional support during outages through providing and heating appliances. Customers will not have to return these donated appliances once gas supply is restored.	Offering higher levels of support and care to priority service customers when facing an extended gas outage ensures that we maintain the health, safety and wellbeing of these customers at what is typically a challenging time. It also means that customers do not necessarily have to relocate from their homes. We will maintain an emergency supply of heaters and cooking appliances that field crews can gift to customers where they are impacted from gas supply interruptions.
	Meter self-reads	In conjunction with retailers who already offer this service, we will further explore the opportunity for priority service customers to submit/provide a meter self-read means that they will have fewer estimated reads and ensures improved billing accuracy. It also limits the number of people accessing a customer's property which may cause concern for some customers experiencing vulnerable circumstances.
	Develop a priority service register using the upgraded CRM system that can then be used to provide priority services to our vulnerable customers (e.g., providing advance notice of planned outages, providing priority support in an emergency and/or assigning a dedicated liaison person to a field team where required). The upgraded CRM will also be used to implement and monitor the delivery of the priority services.	This measure would benefit priority service customers because it would enable priority services to be delivered to vulnerable customers (e.g., providing advance notice of planned outages, providing priority support in an emergency and/or assigning a dedicated liaison person to a field team where required) and provide for a faster resolution of any complaints they may have, both of which will improve the customer experience. The development of a register of priority service customers would also mean customers do not need to self-identify as vulnerable, which could reduce the stigma associated with asking for support.

Table 3-5: Additional measures to support customers in vulnerable circumstances

Objective	Potential initiatives
Financial support and affordability	a. Provide funding for: i. gas appliance safety checks ii. emergency appliance repairs, for priority service customers
Improving our communication	b. Appoint a Priority Service Program Manager that is either: i. a shared resource with the Multinet Gas Network ii. wholly resourced to AGN
	c. Priority Service Program Lead
	d. CALD communications
	e. CALD community engagement program
Simplifying our processes	f. Check-in and provide additional support during outages through the cooking and heating appliances

3.3.3 Partnering with third parties in the delivery of the program will be critically important

It is important to note that we do not intend to 'go it alone' on the measures set out in Table 3-4. Rather, we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the assistance we provide is best practice and appropriately targeted. We intend, for example, to work collaboratively with others to:

- help identify those customers that would benefit from free gas appliance safety checks, appliance repairs or support during outages;
- develop our improved communications program, including energy efficiency information;
- develop and deliver a targeted CALD engagement program; and
- deliver training to our front-line staff.

3.3.4 The program will deliver a materially higher level of service to customers experiencing vulnerability

Another important point to note about the measures in Table 3-4 is that they are not intended to replace or duplicate the support that is already available to customers experiencing vulnerability. Rather, they are intended to complement and supplement existing measures.

As outlined in Section 3.3.1.3, current gas focused support services available to gas via the government, retailers and community/not for profit organisations largely focus on supporting customers who may be facing financial hardship and require bill support.

We have also reviewed the current and planned work AGIG has underway to support customers experiencing vulnerability. The findings of our review are summarised in Table 3-6. The remainder of this section outlines these initiatives in more detail.

Table 3-6: Summary of the initiatives supporting customers experiencing vulnerability

Work underway	Planned work funded through existing opex allowances	PSP proposal forecast direct costs of $0.9M p.a.
• AGIG vulnerable customer strategy • Priority Service Customer Satisfaction (C-SAT) measure • Developing and implementing our Priority Service Program for AGN SA • Energy Charter initiatives, including 'knock before you disconnect' • Volunteering Program for all staff allowing 1 days leave to pursue charitable activities • Community Partnerships Program – funding to charitable and community organisations • Support for vulnerable customers provided on a case-by-case basis	• Advice on energy efficient usage • Additional training of frontline staff • Meter self reads • A priority services register using an upgraded CRM system	• A dedicated priority service customer Manager and Lead • Provide gas appliance safety checks and emergency repairs • Provide check-in and heating/cooking support to customers during extended outages • Improve our communications and engagement with CALD customers The PSP program will cost $1.36 per customer per annum

3.3.4.1 Work underway

We currently do not have any formal programs in place to support our vulnerable customers, rather support is provided on a case-by-case basis when we become aware that customers may have specific needs.

In 2021 we developed a draft Vulnerable Customer Strategy under our commitment to the 2020 Energy Charter. This draft strategy has been developed around five principles:

1. Build relationships with key stakeholders and grow AGIG's understanding of customers in vulnerable circumstances.
2. Provide training to employees and service providers about customers in vulnerable situations.
3. Improve AGIG processes to minimise negative impact on customers in vulnerable situations.
4. Make use of AGIG's Community Partnership initiatives to assist vulnerable communities.
5. Identify where further assistance may be required to provide direct support to customers.

Having an AGIG-wide Vulnerable Customer Strategy in place allows us to take a strategic and coordinated approach in delivering for our priority service customers moving forward.

Other support we currently provide on a general basis include our commitment to the #bettertogether initiatives as part of the Energy Charter. Also, as part of our Community Partnerships Program we are providing annual funding and in-kind support to selected charitable and community organisations, projects, events and programs that are socially and environmentally responsible. Key areas of investment include supporting those who are vulnerable, promoting diversity, environmental sustainability, education and supporting local communities.[20] We also offer our staff the opportunity to volunteer with any one of our community partners.

[20] Information on our Community Partnership Program can be found here: https://www.agig.com.au/agig-community-partnerships-program

3.3.4.2 Planned work

In terms of the initiatives as part of our planned business as usual work program (see Table 3-6), these were identified and recommended by participants from the PSP Advisory Panel. We intend to fund these initiatives through our existing opex allowance. They will be undertaken by existing employees.

3.3.5 The program will be discrete and measurable

Consistent with the 'Vulnerable Customer Assistance Program' approved in our AGN South Australia AA, we are proposing to include this Priority Service Program as a category specific forecast so that the costs and activities delivered within this program can be separately tracked.

Earlier this year we introduced a series of measures into our regular customer satisfaction survey to determine a priority service customer specific score. Understanding this enables AGIG to better understand how our priority service customers experience our services and identify opportunities for improvement. We can apply this measure to any new services implemented as part of the proposed program.

In addition, we will provide timely and accurate reporting in a transparent manner on the costs of delivering the program which include reporting on our website, through our disclosure reporting under the Energy Charter and our Annual Reviews.

3.4 Risk assessment

Risk management is a constant cycle of identification, analysis, treatment, monitoring, reporting and then back to identification (as illustrated in Figure 3-2). When considering risk and determining the appropriate mitigation activities, we seek to balance the risk outcome with our delivery capabilities and cost implications. Consistent with stakeholder expectations, safety and reliability of supply are our highest priorities.

Figure 3-2: Risk management principles

Our risk assessment approach focuses on understanding the potential severity of failure events associated with each asset and the likelihood that the event will occur. Based on these two key inputs, the risk assessment and derived risk rating then guides the actions required to reduce or manage the risk to an acceptable level.

Our risk management framework is based on:

- AS/NZS ISO 31000 Risk Management – Principles and Guidelines;
- AS 2885 Pipelines-Gas and Liquid Petroleum; and
- AS/NZS 4645 Gas Distribution Network Management.

The Gas Act 1997 and Gas Regulations 2012, through their incorporation of AS/NZS 4645 and the Work Health and Safety Act 2012, place a regulatory obligation and requirement on us to reduce risks rated high or extreme to low or negligible as soon as possible (immediately if extreme). If it

is not possible to reduce the risk to low or negligible, then we must reduce the risk to as low as reasonably practicable (ALARP).

Seven consequence categories are considered for each type of risk:

1 **Health & safety** – injuries or illness of a temporary or permanent nature, or death, to employees and contractors or members of the public

2 **Environment** (including heritage) – impact on the surroundings in which the asset operates, including natural, built and Aboriginal cultural heritage, soil, water, vegetation, fauna, air and their interrelationships

3 **Operational capability** – disruption in the daily operations and/or the provision of services/supply, impacting customers

4 **People** – impact on engagement, capability or size of our workforce

5 **Compliance** – the impact from non-compliance with operating licenses, legal, regulatory, contractual obligations, debt financing covenants or reporting / disclosure requirements

6 **Reputation & customer** – impact on stakeholders' opinion of AGN, including personnel, customers, investors, security holders, regulators and the community

7 **Financial** – financial impact on AGN, measured on a cumulative basis

The risk events associated with not implementing any of the vulnerable customer support measures set out in Table 1-5 are that we could inadvertently exacerbate the financial hardship, harm, detriment or disadvantage that our vulnerable customers face, which could, in turn result in:

- a deterioration in customer satisfaction and our reputation amongst other stakeholders, regulators, governments and the community more generally;
- our frontline staff being exposed to additional pressure and stress, which may in turn, contribute to a higher level of occupational health and safety (OH&S) issues; and
- compensation and/or other dispute resolution costs having to be paid to our vulnerable customers, as well as the costs associated with higher levels of OH&S issues amongst our staff.

The untreated risk[21] rating is presented in Table 1-3. Note that untreated risk in this case assumes that we will implement the measures identified in Table 3-4 as being capable of being funded through our existing operating expenditure allowance (i.e., providing advice on energy efficient usage, undertaking additional training of frontline staff and allowing meter self reads). The ratings therefore measure the risk associated with not implementing any of the measures in Table 1-5.

Table 3-7: Risk rating – untreated risk

Untreated risk	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Unlikely	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Low	

The consequence of these risk events are reflected in the following risk categories:

[21] Untreated risk is the risk level assuming there are no risk controls currently in place. Also known as the 'absolute risk'.

- **Reputation & Customer:** The untreated risk is Moderate under the Risk Management Framework because there is a risk that at least once every two years we will exacerbate the disadvantage faced by our customers experiencing vulnerability and would experience a sustained deterioration in customer satisfaction.
- **People:** The untreated risk is Minor under the Risk Management Framework because there is a risk that at least once every two years the exposure of our frontline staff to additional pressure and stress will contribute to higher levels of OH&S issues.
- **Finance:** The untreated risk is Moderate under the Risk Management Framework because while unlikely, it is possible when certain circumstances prevail that the costs associated with resolving complaints involving our vulnerable customers and dealing with higher levels of OH&S issues could be in the order of $1 to $5 million.

3.5 Options considered

The following options have been identified to address the risks outlined above and to play our part in supporting our customers experiencing vulnerability:

- Option 1 – Do not increase our expenditure to support our priority service customers
- Option 2 – Implement all the vulnerable customer assistance measures
- Option 3 – Implement only key initiatives

The key difference between Option 2 and 3 is that Option 2 includes:

- a Priority Service Manager role wholly resourced by AGN, rather shared with MGN; and
- the development of a dedicated engagement program for CALD customers.

3.5.1 Option 1 – Do nothing additional

Under this option, none of the priority service customer assistance measures would be implemented. AGN would, however, still implement the following measures shown in Table 3-4, including:

- working with community organisations, government agencies and retailers to develop and deliver advice on energy efficient usage;
- training our frontline staff to engage with customers with empathy and sensitivity; and
- establishing processes to enable priority service customers to submit meter-self reads should they prefer.

These initiatives would be funded from our existing opex allowance.

3.5.1.1 Cost assessment

There would be no additional upfront costs associated with this option. There may, however, be a range of indirect costs associated with this option for both our customers and our people. For example, not developing a priority service register and introducing priority services for our customers experiencing vulnerability could:

- inadvertently exacerbate the disadvantage faced by our customers experiencing vulnerability and therefore impose a cost on these customers; and/or
- expose our frontline staff to additional pressure and stress, which could result give rise to a range of OH&S issues.

While the first of these impacts will be borne by our customers experiencing vulnerability, the second will be borne by the network, the costs of which will be ultimately passed through to all users.

3.5.1.2 Risk assessment

Option 1 will not result in any change to the risk assessment, which as noted in section 1.4 is measured on the basis that AGN implements the improved energy efficiency information, self-meter reads and frontline training measures, but none of the additional measures in Table 1-5. The risk associated with this option is therefore still considered Moderate (See Table 1-8), which is inconsistent with the requirements of our Risk Management Framework. It is also inconsistent with what one would expect of a prudent service provider.

Table 3-8: Risk assessment – Option 1

Option 1	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Occasional	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Moderate	

3.5.1.3 Alignment with vision objectives

Table 3-9 shows how Option 1 aligns with our vision objectives.

Table 3-9: Alignment with vision – Option 1

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	N
A Good Employer – Health and Safety	N
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	N

As this table shows, Option 1 would **not** align with our objectives of *Delivering for Customers*, because it would not provide for the level of customer service that our vulnerable customers require and could result in lower levels of customer satisfaction and a greater number of complaints.

This option would also be inconsistent with our objective of being *A Good Employer*, because if, for example, we are not aware of the need to provide priority services to vulnerable customers in certain circumstances our frontline staff could be exposed to greater levels of pressure and stress. This could, in turn, expose them to a range of OH&S issues.

Option 1 would also be inconsistent with our objective of being *Sustainably Cost Efficient,* because the failure to implement specific measures to support our vulnerable customers would be socially irresponsible. As noted in section 1.3, it has become increasingly clear over the current AA period (including as a result of the AER's Draft Consumer Vulnerability Strategy, Financial Services Royal Commission, the work the CPRC has recently carried out for the AER on customer vulnerability

and our work on the Energy Charter) that networks should be providing support to our vulnerable customers and the failure to do so would put our social license to operate at risk.

3.5.2 Option 2 – Implement all identified initiatives

Under this option, the priority service program would comprise all of the measures recommended by the PSP Advisory Group, including to:

- provide funding for:
  - gas appliance safety checks
  - emergency appliance repairs for vulnerable customers
- appoint a Priority Service Manager and Lead role at AGN
- improve communications with CALD customers
- develop a targeted CALD community engagement program
- check-in and provide cooking and heating assistance during extended outages

3.5.2.1 Cost assessment

This option is estimated to cost $1.2 million per annum over the next AA period. This estimate is based on the following assumptions:

- The appointment of a Priority Service Program Manager is estimated to cost [redacted] over the period, which represents the cost of employing 1 full time equivalent (FTE) staff member at an annual cost of [redacted].
- The appointment of a Priority Service Program Lead is estimated to cost [redacted] over the period, which represents the cost of employing 1 FTE staff member at an annual cost of [redacted].
- The development of a priority service register is estimated to cost [redacted], which is the cost of employing one FTE staff member for a year to set up the register. Note that this cost estimate assumes that the proposed upgrade of the CRM system is approved (see Attachment 9.14). If this does not occur, then revisions to the forecast costs will be required to account for the system related costs associated with developing the register through a different system.
- The provision of funding for gas safety checks, emergency appliance repairs and appliances (i.e., heaters and cook tops) to support customers in extended outages is estimated to cost [redacted] per annum, which includes the cost of:
  - conducting the gas safety checks, which is estimated to cost [redacted] per annum (this estimate assumes that it costs [redacted] per safety check, and we will fund 800 checks each year)
  - providing funding for emergency appliance repairs, which is estimated to cost [redacted] per annum (this estimate assumes that it costs [redacted] per appliance repair and that 300 repairs are funded each year); and
  - provide temporary heating and cook tops to customers during extended outages, which is expected to cost [redacted] per heating unit and [redacted] per cooking unit and have 60 units available at any given time. It important to note that these appliances are gifted to customers not collected after the event.
- A number of improvements to our communication with CALD customers which is estimated to cost [redacted] over the AA period, and includes an easy English review of the entire communications/letter suite (this assumes that it costs [redacted] per review and that 40

communications/letters need to be reviewed in 2023/24), translation of critical communications/letters into the top three languages spoken on the AGN network (this assumes that translation into three languages costs [redacted] per communication/letter and that 15 letters will be translated over the period) and the development of demonstration videos (this assumes that it costs [redacted] per video and we will create 9 videos over the period).

- The development of a dedicated CALD engagement program is estimated to cost [redacted] per annum, which is based on the cost of developing the program and associated collateral materials and a staff member to work on a part time basis (0.5 FTE) to manage the program.

Under this option:

- Internal resources would be used for the priority service program Manager and Lead roles, the development of the priority service register, and the management of the CALD community engagement program. The labour related costs are based on the costs of hiring equivalent roles within AGIG and reflect the total cost of employing an FTE staff member (including salary, superannuation, training and other onboarding costs).
- Internal resources (field crew staff) would be responsible for the delivery of customer check-in and heater/cooker deliveries during extended gas outages.
- External resources would be used to deliver the CALD communication program (e.g., easy English review, translation, and demonstration videos). The costs related to these initiatives are based on pricing details and quotes provided by an independent expert communication agency.
- External resources would be used to deliver part of the appliance program (e.g., gas fitters would conduct safety checks and emergency appliance repairs). These costs are based on standard gas fitter rates and appliance costs in Victoria.

Table 3-10: Option 2 – Cost estimate

Option 2		2023/24	2024/25	2025/26	2026/27	2027/28	Total
Priority Service Program Manager role (VIC)		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Priority Service Program Lead role		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Development of Priority Service Register		[redacted]	$0	$0	$0	$0	[redacted]
Emergency gas appliance repairs	Cost per repair	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of repairs	300	300	300	300	300	[redacted]
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
CALD communications	*Easy English Review*	[redacted]		[redacted]		[redacted]	
	No. of letters	40	$0	10	$0	10	
	Total cost	[redacted]		[redacted]		[redacted]	
	Translation (top 3 languages) per letter	[redacted]		[redacted]		[redacted]	
	No. of letters	10	$0	5	$0	5	[redacted]
	Total cost	[redacted]		[redacted]		[redacted]	
	Demonstration video	[redacted]		[redacted]		[redacted]	
	No. of videos	5	$0	2	$0	2	
	Total cost	[redacted]		[redacted]		[redacted]	
CALD Community Engagement Program		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Additional support during outages – heating	Cost per unit	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of units	30	30	30	30	30	
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Additional support during outages – cooking	Cost per unit	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	No. of units	30	30	30	30	30	
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Gas appliance safety check	Cost per safety check	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of repairs	800	800	800	800	800	[redacted]
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
		$1,464,950	$1,202,200	$1,228,950	$1,202,200	$1,228,950	$6,327,250
						Cost per annum	$1,265,450

Tables may not sum due to rounding

Table 3-11: Cost estimate – Option 2, $'000 real 2021

Option 2	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Opex	1,465	1,202	1,229	1,202	1,229	6,327
Total	**1,465**	**1,202**	**1,229**	**1,202**	**1,229**	**6,327**

The key driver for this option is the provision of support for our customers experiencing vulnerability. The main benefits of this option are that it will:

- result in a more responsive customer environment and improve the customer experience for our vulnerable customers through the provision of priority services;
- provide for a more rapid resolution of complaints by having a dedicated Manager and Lead to resolve the concerns and complaints raised by vulnerable customers, which will, in turn, reduce our financial related risks;
- reduce the financial barriers that some vulnerable customers face in terms of having access to safe, reliable and efficient appliances; and
- provide fit-for-purpose communications and engagement activities to CALD customers focused on building their knowledge of the role of gas distributors and the services that we provide.

The provision of priority services to customers experiencing vulnerability will also reduce the pressure and our frontline staff may otherwise face in the absence of these services, which will reduce the OH&S and financial related risks.

3.5.2.2 Risk assessment

This option reduces the risk from moderate to low. The residual risk outcomes are shown in Table 3-12.

Table 3-12: Residual risk – Option 2

Option 2	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Low	Low	

The implementation of all the identified initiatives reduces the likelihood of the Reputation & Customer, People and Finance related risk events occurring from occasional (may occur occasionally every two years) to remote (may occur if abnormal circumstances prevail). The consequence remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

3.5.2.3 Alignment with vision objectives

Table 3-13 shows how Option 2 aligns with our vision objectives.

Table 3-13: Alignment with vision – Option 2

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	Y
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 2 would align with our objectives of *Delivering for Customers*, because it would result in an improvement in customer service. Specifically:

- Providing financial support would reduce the financial barriers that some vulnerable customers face in terms of accessing services to ensure that their appliances are in a safe and reliable manner.
- Providing an AGN specific PSP manager and lead would result in a more responsive customer environment, improve the customer experience for our vulnerable customers and provide for a more rapid resolution of complaints.
- Improving our services for CALD customers would result in improved engagement with CALD communities on the network who often experience exacerbated vulnerability due to language barriers.
- Improved processes would ensure that our most vulnerable are safe and cared for when their gas supply is unavailable.

Option 2 would also be consistent with our objective of being *A Good Employer*, because the provision of priority services to our vulnerable customers should reduce the pressure and stress our frontline staff and, in particular, our field staff, may otherwise face.

This option would also align with our objective of being *Sustainably Cost Efficient* because, as highlighted by the AER's Draft Consumer Vulnerability Strategy, Financial Services Royal Commission, the CPRC's work on customer vulnerability and the Energy Charter, supporting vulnerable customers is becoming an increasingly important element of our social license to operate. Undertaking the measures in this option would therefore be socially responsible.

Overall, when compared to Option 1, this option is expected to result in a higher level of:

- customer service provided to our vulnerable customers;
- health and safety for our employees; and
- social responsibility.

However, this program does not align with *Working Within Benchmarks*, as there is no attempt to leverage efficiencies that could be realised across the AGIG Victorian networks (AGN and MGN), for

example by sharing resources. Further, this option includes a program of works which was not explicitly explored with our PSP Advisory Group.

3.5.3 Option 3 – Implement only key initiatives

Under this option, the priority service program would be delivered as per Option 2, but without:

- a dedicated AGN PSP Manager; and
- the CALD community engagement program.

3.5.3.1 Cost assessment

The implementation of this option is estimated to cost $0.93 million per annum over the next AA period. This estimate is based on the following:

- The appointment of a Priority Service Program Manager, who will work across both the AGN and MGN priority service programs[22], is estimated to cost [redacted] over the period, which represents the cost of employing 0.5 FTE staff members at an annual cost of [redacted].
- The appointment of a Priority Service Program Lead is estimated to cost [redacted] over the period, which represents the cost of employing 1 FTE staff member at an annual cost of [redacted].
- The development of a priority service register is estimated to cost [redacted] which is the cost of employing an FTE staff member for a year to set up the register. Note that this cost estimate assumes that the proposed upgrade of the CRM system is approved (see Attachment 9.14). If this does not occur, then revisions to the forecast costs will be required to account for the system related costs associated with developing the register through a different system.
- The provision of funding for gas safety checks, emergency appliance repairs and appliances (i.e., heaters and cook tops) to support customers in extended outages is estimated to cost [redacted] per annum, which includes the cost of:
  - conducting the gas safety checks, which is estimated to cost [redacted] per annum (this estimate assumes that it costs [redacted] per safety check, and we will fund 800 checks each year)
  - providing funding for emergency appliance repairs, which is estimated to cost [redacted] per annum (this estimate assumes that it costs [redacted] per appliance repair and that 300 repairs are funded each year); and
  - provide temporary heating and cook tops to customers during extended outages, which is expected to cost [redacted] per heating unit and [redacted] per cooking unit and have 60 units available at any given time. It important to note that these appliances are gifted to customers not collected after the event.
- A number of improvements to our communication with CALD customers which is estimated to cost [redacted] over the next AA period, and includes an easy English review of the entire communications/letter suite (this assumes that it costs [redacted] per review and that 40 communications/letters need to be reviewed in 2023/24), translation of critical communications/letters into the top three languages spoken on the AGN network (this assumes that translation into three languages costs $650 per communication/letter and that

[22] Under this option, we are proposing that the Priority Service Program Manager role be a shared role across our AGN Albury and Vic and MGN networks. This means that the costs associated with the role will be shared evenly across both networks.

15 letters will be translated over the period) and the development of demonstration videos (this assumes that it costs [redacted] per video and we will create 9 videos over the period).

Under this option:

- Internal resources would be used for the priority service program manager and lead roles and the development of the priority service register. The labour related costs are based on the costs of hiring equivalent roles within AGIG and reflects the total cost of employing an FTE staff member (including salary, superannuation, training and other onboarding costs).
- Internal resources (field crew staff) would be responsible for the delivery of customer check-in and heater/cooker deliveries during extended gas outages.
- External resources would be used to deliver the CALD communication program (e.g., easy English review, translation, and demonstration videos). The costs related to these initiatives are based on pricing details and quotes provided by an independent expert communication agency.
- External resources would be used to deliver part of the appliance program (e.g., gas fitters would conduct safety checks and emergency appliance repairs). These costs are based on standard gas fitter rates and appliance costs in Victoria.

Table 3-14: Option 3 – Cost estimate

Option 3		2023/24	2024/25	2025/26	2026/27	2027/28	Total
Priority Service Program Manager role (50%)		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Priority Service Program Lead role		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Development of Priority Service Register		[redacted]	$0	$0	$0	$0	[redacted]
Emergency gas appliance repairs	Cost per repair	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of repairs	300	300	300	300	300	[redacted]
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
CALD communications	*Easy English Review*	[redacted]		[redacted]		[redacted]	
	No. of letters	40	$0	10	$0	10	
	Total cost	[redacted]		[redacted]		[redacted]	
	Translation (top 3 languages) per letter	[redacted]		[redacted]		[redacted]	
	No. of letters	10	$0	5	$0	5	[redacted]
	Total cost	[redacted]		[redacted]		[redacted]	
	Demonstration video	[redacted]		[redacted]		[redacted]	
	No. of videos	5	$0	2	$0	2	
	Total cost	[redacted]		[redacted]		[redacted]	
Additional support during outages – heating	Cost per unit	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of units	30	30	30	30	30	
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Additional support during outages – cooking	Cost per unit	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of units	30	30	30	30	30	
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Gas appliance safety check	Cost per safety check	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of repairs	800	800	800	800	800	[redacted]
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
		$1,127,450	**$864,700**	**$891,450**	**$864,700**	**$891,450**	**$4,639,750**
						Cost per annum	**$927,950**

Tables may not sum due to rounding

Table 3-15: Cost estimate – Option 3, $'000 real 2021

Option 3	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Opex	1,127	865	891	865	891	4,640
Total	**1,127**	**865**	**891**	**865**	**891**	**4,640**

The key driver for this option is the provision of support for our priority service customers. The main benefits of this option are that it will:

- result in a more responsive customer environment and improve the customer experience for our customers experiencing vulnerability through the provision of priority services;
- provide for a more cost-effective method of addressing complaints by having a shared manager, but dedicated lead to resolve the concerns and complaints raised by vulnerable customers, which will, in turn, reduce our financial related risks and minimise the impact on customer bills in doing so;
- reduce the financial barriers that some vulnerable customers face in terms of having access to safe, reliable and efficient appliances
- provide fit-for-purpose communications to CALD customers focused on building their knowledge of the role of gas distributors and the services that we provide.

The provision of priority services to customers experiencing vulnerability will also reduce the pressure and our frontline staff may otherwise face in the absence of these services, which will reduce the OH&S and financial related risks.

3.5.3.2 Risk assessment

In a similar manner to Option 2, Option 3 reduces the risk from moderate to low (see Table 3-16).

Table 3-16: Risk assessment – Option 3

Option 3	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Low	Low	

The implementation of a targeted set of vulnerable customer measures reduces the likelihood of the Reputation & Customer, People and Finance related risk events occurring from occasional (may occur occasionally every two years) to remote (may occur if abnormal circumstances prevail). The consequence remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

3.5.3.3 Alignment with vision objectives

Table 1-11 shows how Option 3 aligns with our vision objectives.

Table 3-17: Alignment with vision – Option 3

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	Y
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	N
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 3 would align with our objectives of *Delivering for Customers*, because it would result in an improvement in customer service. Specifically:

- Providing financial support would reduce the financial barriers that some vulnerable customers face in terms of accessing services to ensure that their appliances are in a safe and reliable manner.
- The introduction of a Victorian Manager and AGN Victoria PSP Lead role would result in a more responsive customer environment, and improve the customer experience for our vulnerable customers in the most cost efficient manner.
- Improved communications for CALD customers, targeted communications initiatives would provide a good first step to improve engagement with CALD communities on the network who often experience exacerbated vulnerability due to language barriers.
- Improved processes ensure that our most vulnerable are safe and cared for when their gas supply is unavailable.

Option 3 would also be consistent with our objective of being *A Good Employer*, because the provision of priority services to our vulnerable customers should reduce the pressure and stress our frontline staff and, in particular, our field staff, may otherwise face.

This option would also align with our objective of being *Sustainably Cost Efficient* because, as highlighted by the AER's Draft Consumer Vulnerability Strategy, Financial Services Royal Commission, the CPRC's work on customer vulnerability and the Energy Charter, supporting vulnerable customers is becoming an increasingly important element of our social licence to operate. Undertaking the measures in this option would therefore be socially responsible.

Relative to the other options, Option 3 is expected to:

- Result in the level of customer service provided to our vulnerable customers being higher than it is under Option 1 and marginally lower than what it is under Option 2. Customer service may be marginally lower under Option 3, because it involves a shared manager role to oversee AGIG's Victorian program, but that comes at a cost reduction for customers.
- Result in the health and safety of our employees being higher than they are under Option 1, but equivalent to the levels under Option 2.

- Result in our level of social responsibility being higher than it is under Option 1 and marginally lower than what it is under Option 2. Our social responsibility is expected to be marginally lower because it does not involve the development of a targeted CALD customer engagement program. It is unclear at this stage whether a community engagement program would give rise to significant additional benefits, relative to the delivery of community-based education programs and outreach initiatives, which we also intend to do in partnership with others within our current operating expenditure allowance. It is for this reason that the difference in social responsibility under the two options is only considered marginal.

3.6 Summary of costs and benefits

Table 1-12 presents a summary of how each option compares in terms of the estimated cost, the residual risk rating, and alignment with our vision objectives (these objectives encapsulate the benefits of the options).

Table 3-18: Comparison of options

Option	Estimated annual cost ($ million)	Treated residual risk rating	Alignment with vision objectives
Option 1	0	Moderate	Does not align with *Delivering for Customers, A Good Employer* or *Sustainably Cost Efficient*
Option 2	1.2	Low	Aligns with *Delivering for Customers* and *A Good Employer* and partially aligns with *Sustainably Cost Efficient*
Option 3	0.9	Low	Aligns with *Delivering for Customers, A Good Employer* and *Sustainably Cost Efficient*

3.7 Recommended option

Option 3 is the proposed solution. This solution involves:

- the appointment of a dedicated priority service customer manager role within AGN (a shared resource with MGN), responsible for liaising with community organisations, developing referral programs for our customer service teams and other strategic aspects of the program;
- the appointment of a dedicated priority service customer lead role within AGN, which will be responsible for the design and delivery of operational aspects of the program, including the trade panel and resolving complaints;
- the development of a 'Priority Service Register' using the upgraded Customer Relationship Management (CRM) system (see Attachment 9.14) – this register will form the basis for the provision of a range of priority services to our customers experiencing vulnerability, including advance notice of planned outages, priority support in an emergency and/or a dedicated liaison person where required; and
- the provision of:
  - gas appliance safety checks and emergency appliance repairs;
  - improved CALD communications; and
  - check-in and emergency heaters and cookers during extended outages.

Together the measures in this option will improve the customer experience for our customers experiencing vulnerability and will also reduce the financial barriers that some vulnerable customers may face in terms of ensuring their appliances are operating in a safe and reliable manner.

This option will also reduce the untreated risks associated with Reputation & Customer and Finance to low and the People risks to negligible, because it will reduce the risk that:

- we inadvertently exacerbate the financial hardship, harm, detriment or disadvantage that our vulnerable customers face;
- our frontline staff are exposed to additional pressure and stress, which could otherwise result in higher levels of OH&S issues; and
- we have to pay compensation and/or incur other costs resolving complaints and dealing with higher levels of OH&S issues.

This project will be delivered using a combination of internal and external resources, with internal resources used for the priority service program manage and lead roles, development of the priority service register, and the management of the appliance program, while external resources will be used to deliver the appliance and CALD communication.

3.7.1 Why is the recommended option prudent?

Option 3 is the most prudent option because it is:

- the most cost-effective option that reduces risk to an acceptable level (i.e., from moderate to low):
  - Option 1 would not mitigate any of the risks associated with the Reputation & Customers, People and Financial categories identified in section 1.4.
  - Option 2 would also reduce the risk rating from moderate to low, but the costs of doing so are higher than they are under Option 3. Further, the incremental benefits associated with some of the additional measures in Option 2 (i.e., the appointment of a priority service manager solely for AGN (not shared with MGN) and the development targeted CALD engagement program) do not appear to be significant enough to justify the additional expenditure at this stage. While this could change in the future, it is prudent to focus on those measures that will deliver the greatest benefit to our vulnerable customers in the least cost manner.
- consistent with our vision that we will deliver for customers and customer and stakeholder expectations that we will do more to improve the customer experience for our vulnerable customers and provide other support to these customers; and
- deliverable, as evidenced by similar work that we have done to engage with our customers and work collaboratively with others to deliver aspects of the program.

Option 3 also represents a measured approach to providing support to our customers experiencing vulnerability, with clear objectives that can be realised in the next AA period. This approach is also consistent with the Priority Service Program being implemented in our AGN SA network, and ensures we leverage the learnings from the program. The forecast cost of the program, when expressed on a total cost per customer per annum basis ($1.36 per annum) and is supported by strong customer sentiment.

Finally, it is worth reiterating that we don't intend to 'go it alone' on the measures described above. Rather, we intend to continue collaborating with community organisations, government

agencies and other parts of the energy supply chain to ensure the assistance we provide is best practice and appropriately targeted.

3.7.2 Estimating efficient costs

The forecast cost breakdown is shown in Table 3-19, while Table 3-20 explains the basis for the forecast costs. All the expenditure related to this project is opex. As Table 3-20 highlights, the internal labour costs have been based on the costs of hiring equivalent roles within AGIG and reflects the total cost (salary and on cost) of employing an FTE staff member.

The external costs on the other hand (i.e., the costs of conducting gas safety checks, emergency appliance repairs, procuring and installing emergency heaters and cookers, CALD communications) are based on standard gas fitter rates and appliance costs as well as standard communication agency rates. We have applied the standard unit rates based on historical and quoted costs, however in implementing the program we will conduct a competitive tender to lock in these rates.

Table 3-19: Cost estimate – Recommended option

Option 3		2023/24	2024/25	2025/26	2026/27	2027/28	Total
Priority Service Program Manager role (50%)		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Priority Service Program Lead role		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Development of Priority Service Register		[redacted]	$0	$0	$0	$0	[redacted]
Emergency gas appliance repairs	Cost per repair	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of repairs	300	300	300	300	300	[redacted]
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
CALD communications	*Easy English Review*	[redacted]		[redacted]		[redacted]	
	No. of letters	40	$0	10	$0	10	
	Total cost	[redacted]		[redacted]		[redacted]	
	Translation (top 3 languages) per letter	[redacted]		[redacted]		[redacted]	
	No. of letters	10	$0	5	$0	5	[redacted]
	Total cost	[redacted]		[redacted]		[redacted]	
	Demonstration video	[redacted]		[redacted]		[redacted]	
	No. of videos	5	$0	2	$0	2	
	Total cost	[redacted]		[redacted]		[redacted]	
Additional support during outages – heating	Cost per unit	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of units	30	30	30	30	30	
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Additional support during outages – cooking	Cost per unit	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of units	30	30	30	30	30	
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Gas appliance safety check	Cost per safety check	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
	No. of repairs	800	800	800	800	800	[redacted]
	Total cost	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
		$1,127,450	**$864,700**	**$891,450**	**$864,700**	**$891,450**	**$4,639,750**
						Cost per annum	**$927,950**

Tables may not sum due to rounding

Table 3-20: Basis for cost estimates – Recommended option

Option 3	
Internal labour costs	The FTE related cost estimates are based on the costs of hiring equivalent roles within AGIG and reflects the total cost of employing a FTE staff member (including salary, superannuation, training and other onboarding costs).
Gas safety checks	The cost of a gas safety checks ([redacted] per unit) is based on the standard cost for a gas fitter to carry out gas heater, hot water and oven services check in Victoria, which has then been adjusted to reflect the fact that the safety checks in regional locations carry a higher call-out fee compared to more metropolitan locations.
Emergency appliance repairs	The cost of emergency appliance repairs ([redacted]) is based on the standard call out fees for plumbers and gas fitters in Victoria and includes an estimate of the cost of parts to undertake the repairs.
Emergency appliances	The cost of temporary heating ([redacted]) and cooking ([redacted]) units is based on the standard unit rates applied to recent purchases of these units in our MGN network.
No. of safety checks and appliance repairs and appliances	The number of gas safety checks (800), emergency appliance repairs (300), emergency heaters (30), cookers (30) that are assumed to be delivered / undertaken in each year is based on a conservative estimate of the number of priority service customers that may require this type of assistance as well as the expected frequency of extended gas outages on the network. In this regard, it is worth noting that according to estimates published by the ESC approximately 2.2% of Victorians (~47,000 people) were on a retailer hardship program in 2021.
CALD communications	The cost of the easy English review ([redacted] per communication/letter), translation services ([redacted] per communication/letter) and demonstration videos ([redacted] per video) are based on pricing quotes supplied by a reputable communication agency for costing purposes.
No. of easy English review, translated comms/letter and demonstration videos	The communications/letter suite at AGN totals 40 items. We are proposing to undertake an easy English review of the entire suite to ensure that they are simple and easy to understand. In years 3 and 5 of the program, as new letters enter the suite, we have budgeted for an additional 10 letters to be reviewed. We will target the top 10 communications/letters in terms of reach and frequency of dissemination for translation. As we do not expect the letter suite to change significantly each year, we have proposed to translate any new target communications in years 3 and 5 of the program (an additional 10 communications/letters). Finally, initial assessments suggest that 5 demonstrations videos would be satisfactory to cover the key information needs of our CALD customers. We have budgeted for an additional 4 demonstration videos during the period as new information and processes emerge.

3.7.3 Consistency with National Gas Rules and National Gas Law

In developing the forecast expenditure on the proposed Priority Service Program (i.e. Option 3), we have had regard to Rule 91 and Rule 74 of the NGR. With regard to all projects, and as a prudent asset manager/network business, we give careful consideration to whether opex is prudent and efficient from a number of perspectives before committing to fund new programs. We have also had regard to the National Gas Objective and revenue and pricing principles in the NGL.

NGR 91

The proposed solution is prudent, efficient, consistent with accepted and good industry practice and will achieve the lowest sustainable cost of delivering pipeline services:

- **Prudent** – The expenditure on the proposed Priority Service Program is necessary in order to support our vulnerable customers and reduce the untreated risks associated with the Reputation & Customers and Financial categories to low. The expenditure is also of a nature that a prudent service provider would incur, particularly given the growing awareness of the need to support vulnerable customers, as evidenced by the AER's Draft Consumer Vulnerability Strategy, findings of the Financial Services Royal Commission, the CPRC's work for the AER on consumer vulnerability and the Energy Charter.
- **Efficient** – The measures forming part of the proposed Priority Service Program are the most practical and effective measures to support our customers experiencing vulnerability and to reduce the untreated risks from moderate to low. The proposed solution is also the most cost effective option. The expenditure is therefore of a nature that a prudent service provider acting efficiently would incur.
- **Consistent with accepted and good industry practice** – Implementing the proposed Priority Service Program would be consistent with good industry practice, as highlighted by:
    - a key element of the CPRC's advice to the AER on regulatory approaches to consumer vulnerability, which is that:[23]

    "From a market-outcomes perspective, it is efficient and effective for regulators, government, community organisations and industry to prioritise early and pre-emptive interventions wherever possible, rather than focusing on 'bottom of the cliff' measures that wait for problems to emerge or become advanced."

    - the activities undertaken by gas and electricity networks in the UK to support their vulnerable customers, which are being encouraged by Ofgem; and
    - the Energy Charter, which we are a signatory to and which was developed in collaboration with consumer and customer representatives, including Energy Consumers Australia, and has as one of the five key principles supporting customers in vulnerable circumstances.
- To **achieve the lowest sustainable cost of delivering pipeline services** – The proposed Priority Service Program is necessary to provide the support our vulnerable customers require, which is in the long-term interests of all of our customers and our staff. Failure to implement this package could further exacerbate the vulnerability some of our customers face and give rise to a range of OH&S issues for our frontline staff. We may therefore incur additional costs over the longer term from not implementing the package. The project is therefore consistent with the objective of achieving the lowest sustainable cost of delivering services.

NGR 74

The forecast costs for the priority service program manager and lead roles, development of a priority register and management of the appliance program are based on internal labour costs. The costs of the appliance program are based on standard gas fitter rates and appliance costs. The costs of the CALD communication initiatives are based on pricing details and quotes provided by a reputable communication agency. The project options consider our vulnerable customer requirements, which have been informed by our stakeholder engagement process and the PSP Advisory Panel workshop conducted with participants with extensive experience in this area. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.

NGL

[23] CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 8.

In addition to being consistent with rules 74 and 91, implementing a Priority Service Program will promote the long term interests of our customers, consistent with the NGO, because it will result in improvements to the quality, safety, reliability and security of supply to our vulnerable customers.

Elements of the program (e.g. emergency appliance repairs) will also promote more efficient use of and, in turn, more efficient investment in the network. This is consistent with both the NGO and revenue and pricing principles in the NGL.[24]

[24] In particular, the principles set out in sections 24(3), (6) and (7).

Appendix A – Assumptions supporting proposed initiatives for Priority Service Customer Program

A.1. Staffing requirements

The FTE requirements for our Priority Service Program would be:

- 0.5 FTE to manage the broader and strategic elements of the program across our Victorian networks. As we implement vulnerable customer initiatives, there will be a requirement to establish working relationships and programs with organisations that represent vulnerable customers. These organisations deal directly with customers in vulnerable situations and by increasing awareness of the proposed initiatives, they can refer customers to us for assistance. This role will also allow co-design to better understand where our field activities impact customers. This will provide us with insights and improvement opportunities where the maximum benefit to vulnerable customers can be actioned. This role will also establish referral programs from our customer contact teams to supporting agencies. Northern Gas Networks in the UK has built similar relationships with community service organisations across their geographic area. When an employee or contractor identifies a customer in a potential vulnerable situation (normally during a site visit to their premise), they have a referral group they can offer to the customer. Examples may be financial hardship, physical disabilities or mental health issues.

- 1 FTE to manage the operational elements of the program. This would involve initial design of the program, setting up a trade panel and negotiating supply and repair costs. They would be required to develop operating procedures and communicate internally and externally to ensure the program is directed to customer in vulnerable situations. This person would also run the program once implemented. Activities in the operational phase would include screening applications and referrals, liaising with trade panel partners, works scheduling, auditing and reporting on program outcomes, customer feedback and process improvement

A.2. Business as usual activities – customers facing vulnerability

A number of activities to be implemented in the next AA period that are required to improve the support provided to customers in vulnerable situations will be undertaken by existing employees. These include:

- Provision of training to office and field-based customer service employees and service providers (contractors) in areas of identification of vulnerable customers, initiatives available from AGN to support customers, referral organisations for the provision of targeted services.

- Development of communication material targeted at providing advice on energy efficient research and improving energy literacy among priority service customers.

- Development and implementation of process to allow priority service customers to submit meter-self reads should that be their preference.

A.3. Proposed new services and initiatives for priority service customers

Safety Checks

Recommendation for gas appliances (i.e., heater, hot water system and oven) to be regularly checked by a licensed gas fitter.

Gas heater services in metro-Melbourne are quoted around [redacted] gas hot water system services are quoted at [redacted] and gas oven services between [redacted] Allowing for higher call-out fees in regional locations, we are proposing a budget of [redacted] per unit check.

If we were to provide 800 checks per annum, this would be a total cost of [redacted] **p.a.**

Emergency Repairs

Call out fees and appliance repairs when an appliance fault is identified by our field crews. Call out fee, 2 hours on site and parts totals ~[redacted].

[redacted] per repair at 300 repairs pa totals [redacted] **pa.**

Emergency heaters for extended outages

Heaters and cookers supplied by our field crews when checking-in on priority service customers experiencing an extended gas outage.

Heating units cost [redacted] per unit

Cooking until cost [redacted] per unit

Having 30 heaters and 30 cookers available totals [redacted] **pa.**

The costs associated with coordinating and scheduling field crews to go back to each property to collect the heaters and cookers are prohibitive, as such, we are proposing to gift the units to customers.

CALD communications

Recommendation to review all communication collateral to ensure it is communicated in easy English, translation our critical communications into the top 3 languages spoken on our network and develop a series of demonstration videos targeting CALD customers.

Easy English review per communication/letter is quoted at [redacted] and we will undertake this for all 40 communications/letter in our suite costing [redacted] in year 1. We will undertake the same reviews in years 3 and 5 of the program for 20 new communications/letters totaling [redacted].

Translation services into top three languages per communication/letter is quoted at [redacted] and will we translate the top 10 communications/letter in our suite in 2023/24 totaling [redacted]. We will translate an additional 10 letters in years 3 and 5 of the period totaling [redacted].

The design, filing and editing of demonstration videos is quested at [redacted] per video. We will develop 9 videos over the period totaling [redacted].

The total cost of this initiative would be **$141,250 over the next AA period.**

Appendix B – Comparison of risk assessments for each option

Untreated risk	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Occasional	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Moderate	

Option 1	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Occasional	Remote	Occasional	Occasional	Moderate
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Moderate	Moderate	

Option 2	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Low	Low	

Option 3	Health & Safety	Environ-ment	Operations	People	Compliance	Rep & Customer	Finance	Risk
Likelihood	Remote	Remote	Remote	Remote	Remote	Remote	Remote	Low
Consequence	Minimal	Minimal	Minimal	Minor	Minimal	Significant	Significant	
Risk Level	Negligible	Negligible	Negligible	Negligible	Negligible	Low	Low	