

Final Plan Attachment 5.2

Australian Gas Networks Stakeholder Engagement Scoping Paper

January 2016

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Stakeholder Engagement Scoping Paper

Australian Gas Networks Victoria and Albury

January 2016

Informing the strategic development of business decisions

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1 Introduction

1.1 Overview and Purpose of this Scoping Paper

Australian Gas Networks Limited (AGN) is committed to operating our networks in a manner that is consistent with the long-term interests of consumers. To achieve this, we are committed to implementing a robust stakeholder engagement program in each of the regions we serve in order to inform our business plans.

We consider stakeholder engagement to be an ongoing commitment which continually evolves and improves, informed by historic learnings as well as the specific wants, needs and characteristic of the region in which the program is being implemented.

This Scoping Paper is designed to form a basis for discussion with internal and external stakeholders to help inform our Victorian and Albury engagement program. It outlines learnings from previous engagement activities as well as our initial thoughts on who we should be consulting with, what we should be consulting on and our approach to engagement. It also seeks feedback on each of these elements.

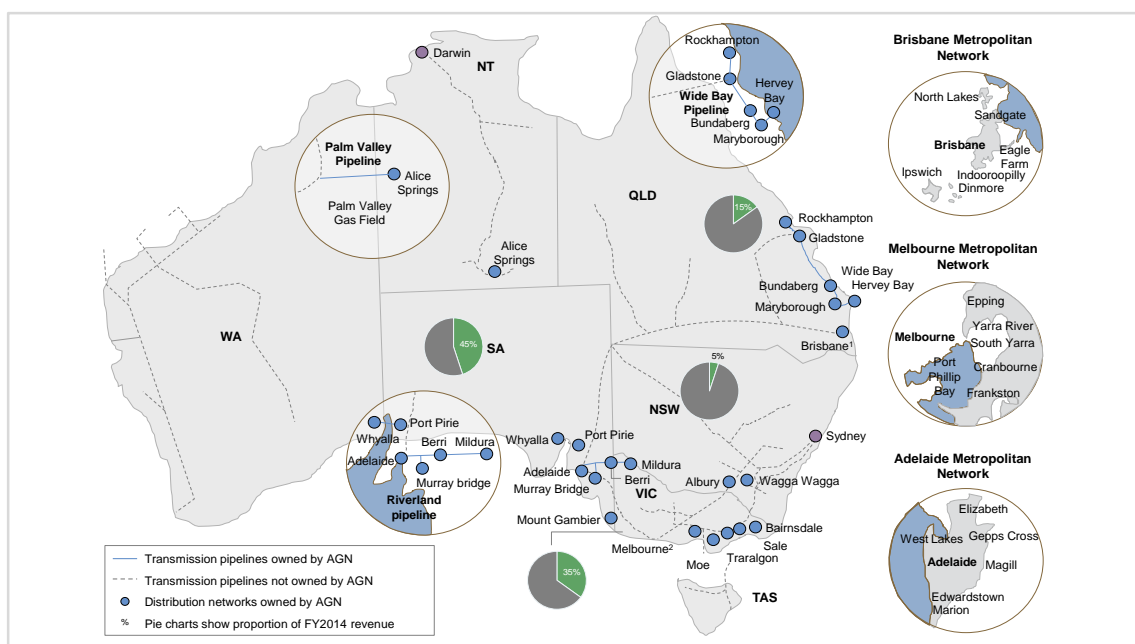
Feedback on the Scoping Paper will be used by AGN to inform the final Stakeholder Engagement Strategy for Victoria and Albury (earmarked for publish in January 2016) and ultimately to direct our research program, to occur in the first half of calendar 2016.

As mentioned above, the results of this engagement program will be used to inform our business plans. More specifically, AGN will use the engagement results to inform its revised Access Arrangement (AA) proposal (plans) for the Victorian and Albury networks. These will be submitted to the Australian Energy Regulator (AER) on or before 1 January 2017. The revised AA sets out the price and non-price terms under which AGN allows access to our networks and will apply for the five year period commencing 1 January 2018.

1.2 About Australian Gas Networks

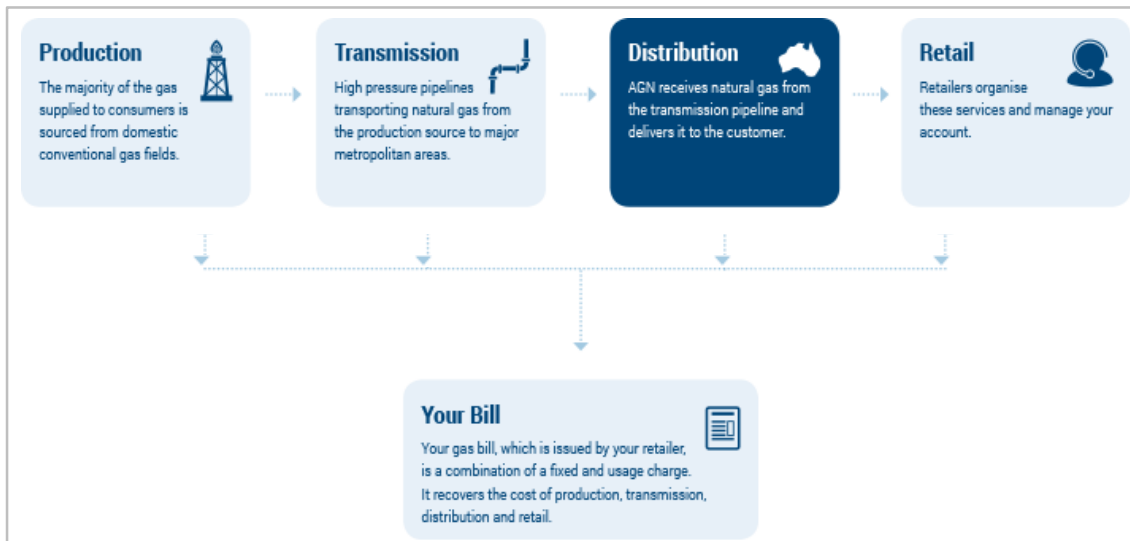
AGN is one of the leading natural gas distribution businesses in Australia, servicing around 1.2 million domestic, small business and large industrial customers. AGN owns over 23,000 kilometres of natural gas distribution networks and 1,100 kilometres of transmission pipelines in Victoria, South Australia, Queensland, New South Wales and the Northern Territory (see Figure 1.1). AGN is owned by the Cheung Kong Hutchinson Group of companies based in Hong Kong.

FIGURE 1.1: MAP OF AGN'S NETWORKS



Gas distribution is an important step in the delivery of natural gas; our distribution network receives natural gas from transmission pipelines and delivers that gas to the customer's home or business. Retailers are responsible for entering into contracts for the purchase of gas from the producer and for the transport of that gas on the transmission pipelines (not owned by AGN) and the distribution network (owned by AGN). The distribution charge is a key part of the natural gas supply chain, accounting for around 40 to 60% of the bill issued by the retailer to the customer.¹

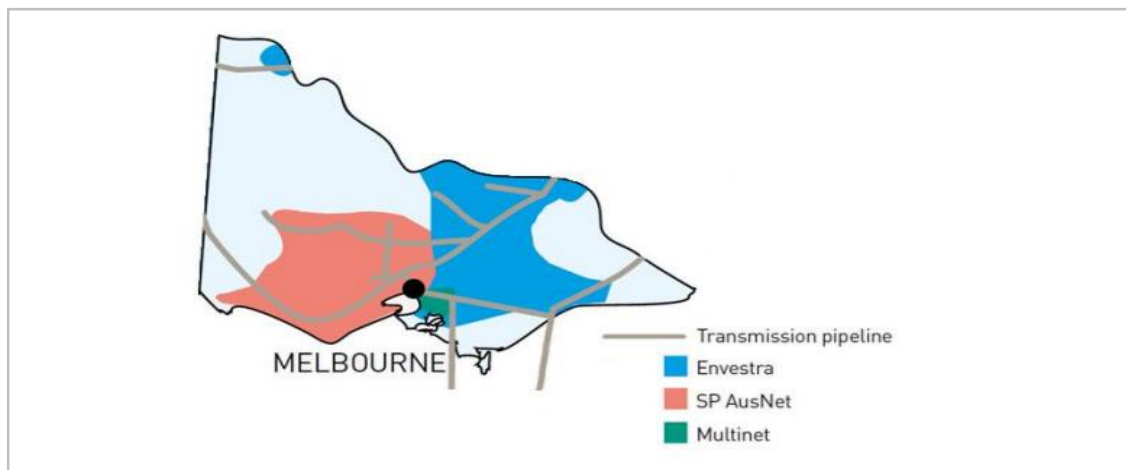
FIGURE 1.2: THE NATURAL SUPPLY CHAIN – GETTING GAS TO CUSTOMERS



In Victoria we are one of three distributors of natural gas. Our network services over 600,000 customers in the northern, outer eastern, central business district and south areas of Melbourne, the Mornington Peninsula, rural communities in the northern, eastern and north-eastern Victoria and south-eastern rural townships in Gippsland (see Figure 1.3).

We are the only distributor of natural gas in Albury, New South Wales, which is adjacent to our northern Victorian network (see Figure 1.4).

FIGURE 1.3: MAP OF GAS DISTRIBUTION NETWORKS IN VICTORIA

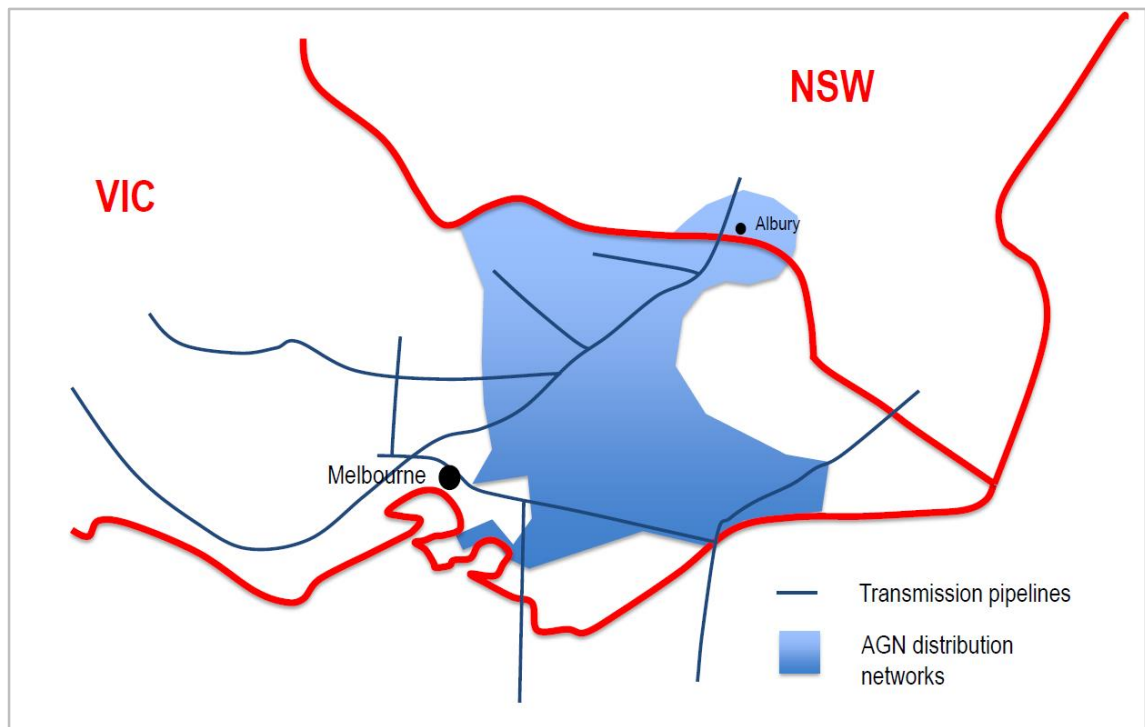


Source: AER 2013, "A guide to the AER's review of gas network prices in Victoria".

Note: Envestra was the previous name of AGN.

¹ Energy and Water Ombudsman Victoria, <https://www.ewov.com.au/publications-and-media/news-hot-topics/hot-topic-archive/how-is-the-price-of-electricity-and-gas-calculated-in-victoria>.

FIGURE 1.4: MAP OF AGN'S ALBURY AND VICTORIAN OPERATIONS



1.3 Background

AGN aims to be the leading natural gas distributor in Australia. A key input into achieving this aim is to effectively engage with a range of internal and external stakeholders of the business. AGN has sought to design our approach to stakeholder engagement such that it is consistent with promoting the National Gas Objective (NGO)² and the Australian Energy Regulator's (AER's) Customer Engagement Guideline for Network Service Providers (CE Guideline)³.

Box 1: The National Gas Objective

"The objective of this [National Gas] Law is to promote efficient investment in, and efficient operation of, natural gas services for the long term interest of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."

On its release in 2013, the AER's CE Guideline placed a new expectation on AGN (and other network businesses) to consult with stakeholders and to describe how this engagement has impacted our Access Arrangement (AA) Proposals⁴, thus ensuring that our AA Proposal promotes the NGO. AGN strongly supports the need for greater engagement with stakeholders as a means of better achieving the NGO.

² The NGO is set out in Section 23 of the National Gas Law.

³ AER 2013, "Consumer Engagement Guideline for Network Service Providers", <https://www.aer.gov.au/node/18894>.

⁴ Every five years, AGN is required to develop and submit to the AER for its approval our revised price and non-price terms for access to our network. This is known as an Access Arrangement Proposal and is essentially a business plan outlining the services we will offer, the costs we are likely to incur and the prices we intend to charge.

Box 2: Extract from the AER's CE Guideline

"...service providers must describe how they have engaged with electricity consumers and sought to address any relevant concerns identified as a result of that engagement. These changes to the NER reflect a desire by both rule makers and different levels of government for a much greater emphasis on consumer engagement. The guideline aims to support these initiatives and give guidance on our expectations of consumer engagement..."

We intend to apply the guideline to all electricity and gas transmission and distribution network service providers (service providers), who must act in the long term interests of consumers. The guideline states our expectations of how service providers engage with their consumers—that is, their 'end users'."

AGN first implemented the CE Guideline in its South Australian AA Proposal, which was submitted to the AER on 1 July 2015.⁵ Work has now begun on applying the CE Guideline in Victoria and Albury, in preparation for our Victorian AA Proposal due 31 December 2016.

Having regard to the NGO and the CE Guideline, the primary objectives of our stakeholder engagement process are:

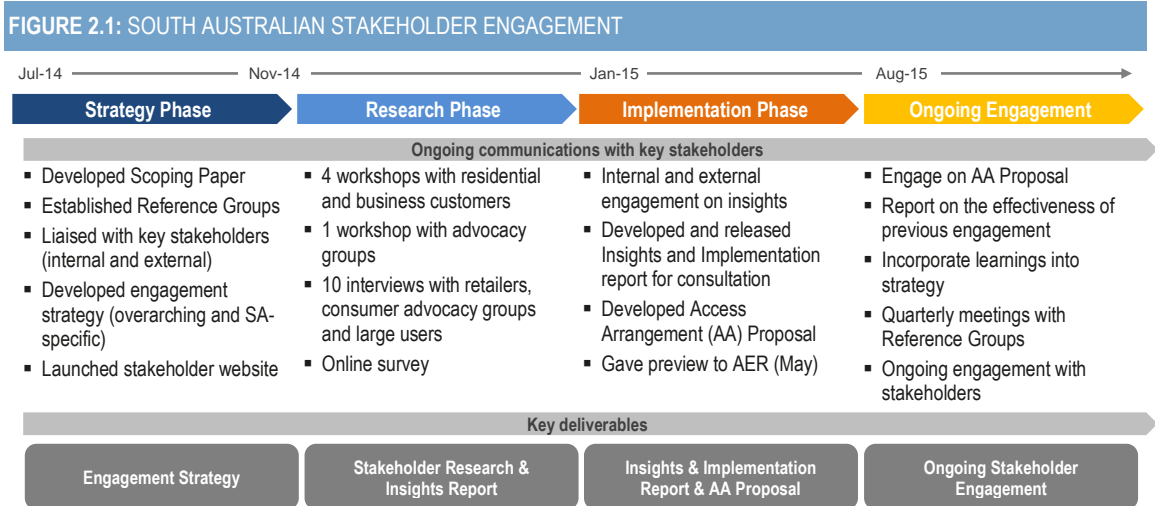
1. to underpin our revised AA Proposals; and
2. to inform AGN's internal planning, in particular our Business Development work.

Deloitte has been engaged to assist AGN to update the engagement strategy relevant to the Victorian network and to implement this strategy. Deloitte's key deliverable is an Insights report which will provide an independent analysis of what AGN's stakeholders value most.

⁵ AGN 2015, "Access Arrangement Proposal for South Australia", <http://www.aer.gov.au/node/33310>.

2 Learnings from Previous Engagement

In 2014 AGN implemented its stakeholder engagement program in South Australia. The documents pertaining to this engagement are available on our dedicated stakeholder website (www.stakeholders.agnl.com.au) or on the AER's website (<http://www.aer.gov.au/node/33310>). Figure 2.1 provides a summary of the engagement approach and key deliverables.



The engagement was well received, with AGN achieving its key performance indicators and getting positive feedback from those participating in the program:

- workshop participants noted that they learnt a lot during the session and that the information was presented well, they appreciated the opportunity to learn more about the sector and provide feedback;
- Reference Group members commented that the program was well-resourced, proactive and genuine;
- retailers appreciated the opportunity to engage of key matters prior to AA Proposal submission.

Box 3: Stakeholder Feedback

"We appreciate your level of resourcing and you have done a good job liaising with stakeholders and making yourselves accessible." **AGN Reference Group Member**

"I commend and thank the AGN Regulatory team for all their time, thought and effort into this Stakeholder engagement program. Also your friendliness, openness and willingness to listen." **AGN Reference Group Member**

"Congratulations to AGN for being proactive and being willing to listen. A sound approach has been developed and implemented." **AGN Reference Group Member**

"It's positive that AGN is concerned with our opinions." **South Australian Workshop Participant**

"SACOSS commends AGN for its frank, open, and upfront engagement with community groups including SACOSS." **SACOSS**

"... the stakeholder engagement program ... has been well resourced and pro-active and AGL agrees that its proposal is well-informed ..." **AGL**

"...AGN's approach to stakeholder engagement to be quite genuine and well intended... we wish to acknowledge their professional approach..." **Business SA**

"Origin acknowledges the proactive approach taken by AGN to engage with retailers in the lead up to this AA... We very much appreciate these efforts and would like to see a similarly consultative process undertaken for all networks going forward." **Origin Energy**

AGN acknowledges that there is, however, always room for improvement. Table 2.1 summarises feedback received from stakeholders and identified by AGN as areas of improvement/refinement in future programs.

TABLE 2.1: KEY LEARNINGS FROM THE SOUTH AUSTRALIAN ENGAGEMENT PROGRAM

Learning	AGN Comment
Confidence and trust must be built with the Reference Groups	<ul style="list-style-type: none"> Although AGN received positive feedback from members of our Reference Groups, only a small portion of members completed the feedback forms.
The role of the online survey in future engagement needs to be investigated as it is challenging to achieve a statistically significant response and because a lack of understanding of the regulatory regime and proposed price path limits the use of the survey tool to test willingness-to-pay	<ul style="list-style-type: none"> Despite advertising online and in print and offering a prize to survey participants, it was challenging to entice people to complete our online survey. This is likely due to our relatively high reliability and minimal customer interaction. As highlighted by independent consultants Deloitte, the online survey responses indicated a lack of understanding of what was being asked with respect to willingness-to-pay. The use of an online survey to increase the sample size of our willingness-to-pay work appears to be an inefficient use of resources. The use of an online survey will be reassessed in future engagement activities.
Care needs to be taken with respect to workshop timing	<ul style="list-style-type: none"> Participants noted that at times the workshop sessions ran overtime or were rushed towards the end of the session. AGN will focus on the timing of future workshops to ensure there is sufficient time for open discussion with participants.
The approach to engaging with large industrials needs to be revisited, given the relatively low take-up of interview offers	<ul style="list-style-type: none"> AGN is keen to meaningfully engage with all stakeholders, but there was a relatively low take-up of our offer of one-on-one interviews with large users. AGN understands that our customers are often time poor and in future engagement activities, will look to engage with additional large user industry bodies as well as offering one-on-one interviews.
Reference Group meetings could be improved by clearly setting out timelines and expectations at the start of the process	<ul style="list-style-type: none"> AGN agrees that a well defined charter and schedule will assist in future engagement activities.

3 Who are our External Stakeholders?

The objective of this Section is to define who AGN's external stakeholders are with respect to our Victorian and Albury gas distribution networks. It is important that we understand who stakeholders are so we can design an effective and efficient engagement strategy for each stakeholder group.

Stakeholders are considered to be anyone who may be exposed to and/or impacted by AGN's networks, not just gas consumers.

External stakeholders have been classified into two broad groups:

1. Group 1 stakeholders: Groups whose preferences and activities directly influence AGN's operations and vice versa (Table 3.1). Communication with this group will likely be through workshops and interviews.
2. Group 2 stakeholders: Stakeholders who are 'interested bystanders'. These groups have an interest in/exposure to AGN's activities, but aren't directly impacted by the operation of our network (Table 3.2). Communication with this group will likely be through a more targeted process.

TABLE 3.1: GROUP 1 STAKEHOLDERS

Stakeholder Group	Description	Possible Approach
Network Users		
Residential (R)	Residential users are those consumers that use gas for mainly domestic purposes, such as hot water heating, space heating and cooking.	Directly with R customers and/or through advocacy groups such as the Energy Users Association of Australia (EUAA) and the Consumer Utilities Advocacy Centre (CUAC).
Commercial / Small Business/Industrial (C)	Commercial, small business or small industrial users are non residential users who use less than 10 TJ of gas per annum, such as restaurants and bakeries.	Directly with C customer and/or through advocacy groups such as the EUAA, CUAC and the Australian Industry Group (AIG).
Industrial Users (IU)	Industrial users are non-residential users who consumer more than 10 TJ of gas per annum, such as hospitals, brickworks and industrial processing plants.	Directly with individual IU customers, and/or through advocacy groups such as the EUAA, AIG and the Major Energy Users Association (MEU).
Vulnerable Customers (V)	A sub-sector of all consumers, but likely to comprise mainly R users. Vulnerable customers are those users experiencing financial hardship. These users will be particularly susceptible to any increase in the cost of living or cost of operation.	Directly with V customers and/or through advocacy groups such as St Vincent de Paul, COTA, Brotherhood of St Laurence, Ethnic Communities Council of Victoria, Good Shepherd, Consumer Action Law Centre (CALC) and the Victorian Council of Social Services (VCOSS).
Energy Retailers	Retailers contract with AGN in order to facilitate the delivery gas to their customers (R, C, IU and V).	Directly with retailers and/or through the Energy Retailers Association of Australia (ERAA).
Facilitators	Plumbers, builders, gas-fitters, developers, appliance retailers, appliance manufacturers. Those who facilitate the connection of gas to homes and property developments.	Directly with the facilitators and/or through bodies such as the Master Plumbers Association of Australia.
Potential Users	Non-gas users, including those customers that were previously connected to the gas distribution network. Non-gas users may be impacted by our activities if they live in an area where there is gas distribution (safety, mains replacement etc.). This group represents the community in general outside of existing customers (which are captured elsewhere in the classification system).	Directly with potential-users.

TABLE 3.2: GROUP 2 STAKEHOLDERS

Stakeholder Group	Description	Possible Approach
Regulators	The Essential Services Commission of Victoria (ESCV), Energy Safe Victoria and the AER. Regulators are responsible for implementing the relevant regulatory framework, including as it relates to the economic and safety/technical aspects of the network.	Directly with the ESCV, Energy Safe Victoria and the AER.
Energy Intermediaries		
Australian Energy Market Commission (AEMC)	The AEMC is responsible for making rules which govern the natural gas markets. The objective of the AEMC's work is to promote efficient, reliable and secure energy markets which serve the long-term interests of consumers.	Directly with the AEMC.
Australian Energy Market Operator (AEMO)	AEMO is the energy market operator and planner. AEMO works closely with government stakeholders.	Directly with AEMO.
Government		
State	Relevant departments include: Department of Economic Development, Jobs, Transport and Resources; Consumer Affairs Victoria.	Directly with the relevant departments.
Local Council/ Government	Local Governments (and their constituents) are impacted by the provision of natural gas services, including in respect to constituent satisfaction with service (safety and access to gas) and through our capital works program (e.g. reinstatement following mains replacement).	Directly with the Victorian Local Governance Association.
Non-Government Organisations	Energy and Water Ombudsman of Victoria (EWOV), Environmental groups.	Directly with the EWOV and with other consumer groups such as the Victorian Farmers Federation and Environment Victoria.

Box 4: Feedback Point – Defining External Stakeholders

- *Do Tables 3.1 and 3.2 provide a comprehensive list and accurate/appropriate description of AGN's stakeholders?*
- *Do Tables 3.1 and 3.2 outline all the possible approaches for engaging with the stakeholders?*
- *Do you have any preference for the approach for engaging with each of these stakeholder groups?*

4 What should we Engage on?

The objective of this Section is to broadly define all potential topics on which AGN may want to engage with stakeholders. Research themes are split into two broad categories:

1. *consult* (Table 4.1) – where AGN seeks to understand stakeholder’s opinions and values. While we will focus on those matters we can control, the program might also consider whether we should influence policy in other areas (for example, in regards to vulnerable customers or whether retailers should adopt our tariff structures); and
2. *educate* (Table 4.2) – where AGN seeks to inform stakeholders, ensuring there is a consistent and informed knowledge base. These issues lend themselves as suitable for a series of fact sheets to precede the communication process.

Table 4.1 does not:

- include themes that AGN has already consulted on, such as:
 - stakeholder opinions of natural gas;
 - stakeholder values with respect to the supply of energy to your home; and
 - consumer experience with respect to the connection and mains replacement process in Victoria.
- contain questions to directly ask stakeholders, rather it summarises themes that we might want to understand stakeholder views on;
 - these will be used by Deloitte in conjunction with their extensive experience to draft a non-leading consultation approach.

Consult topics (Table 4.1) have been grouped into five themes for consultation, consistent with those identified in the South Australian program.

FIGURE 4.1: THEMES FOR CONSULTATION



Box 5: Feedback Point – Themes for Consultation

- *Are the themes for consultation identified in Figure 4.1 comprehensive?*

TABLE 4.1: CONSULT THEMES

Topic	Key Issue	Feedback Point
Customer Experience		
Methods of communication	<p>What are stakeholders preferred communication methods for information on the company, industry and regulation process? For example:</p> <ul style="list-style-type: none"> Where do stakeholders want to find information about our services, our brand, different gas uses, etc.? Television, website, letter, media stories, print media, Facebook, radio, brochures, Twitter, fact/information sheets other. How would stakeholders like to provide feedback on our services? Website, online survey, post, telephone, Facebook, Twitter, other. Note that AGN has recently surveyed communication preferences from a customer service and customer connection point of view. 	<ul style="list-style-type: none"> Are there any other communication methods that we should consider? Are there any other issues (outside the listed examples) that we should consult on? Have we consulted on this in Victoria/Albury recently?
Frequency of communication	<p>What level of consultation do stakeholders think is appropriate? For example:</p> <ul style="list-style-type: none"> How often do stakeholders want to be consulted with and what do they think is an appropriate cost? Options include: quarterly/semi-annual/annual meetings with advisory board, surveys on new connections and after mains replacement, ongoing website updates; annual/biannual stakeholder workshops; annual/biannual online surveys. <p>What do stakeholders think is a fit-for-purpose level of stakeholder consultation, having regard for cost and benefits?</p>	<ul style="list-style-type: none"> Are there any other communication levels that should be considered? Are there any other issues (outside the listed examples) that we should consult on? Have we consulted on this in Victoria/Albury recently?
Topics to be discussed	<p>On what topics do stakeholders want to be engaged? For example:</p> <ul style="list-style-type: none"> What do stakeholders want information on? Potential topics: about AGN gas market issues; changes to the physical network in your area; changes to regulatory and policy settings that may impact your supply or bills; how the gas supply chain works; explanation of decisions from AGN that impact costs and prices; appliance information; the role of distribution and where customers' money goes; changes in gas market segments that may impact gas prices? What do stakeholders want information on and what do they want to be consulted on? 	<ul style="list-style-type: none"> Is there anything else which stakeholders may want information on? Are there any other issues (outside the listed examples) that we should consult on?
Consumer values	<p>What do consumer's value? For example:</p> <ul style="list-style-type: none"> Value the following: safety, reliable gas supply, price of gas delivered, security (i.e. concerns over leaving a gate open to read the meter) call centre promptness, property reinstatement, other? How can we improve service to avoid negative experience and avoid disconnections? Billing format and timeliness (i.e. billed monthly, two-monthly, quarterly etc.). 	<ul style="list-style-type: none"> Are there any other "values" which we could ask consumers to discuss? Are there any other issues (outside the listed examples) that we should consult on? Have we consulted on this in Victoria/Albury recently?
Willingness to pay for services	<p>Inform stakeholders of the benefits/costs of additional services and test their willingness to pay. For example in relation to:</p> <ul style="list-style-type: none"> Promptness of attending to leaks? Promptness to answering phone calls relating to leaks? Quicker meter change activities? Repairing customer leaks when discovered by AGN (e.g. during meter replacement work) 	<ul style="list-style-type: none"> Are there any other services for which we would like to test consumer's willingness to pay?

Structure of Guaranteed Service Level (GSL) scheme	A GSL scheme is already in place in Victoria (see Attachment 1): <ul style="list-style-type: none"> • Are customers willing-to-pay for the GSL scheme? • Are customers satisfied with the structure of the GSL scheme? 	<ul style="list-style-type: none"> • <i>Should we consult on the GSL scheme?</i> • <i>Are there any other aspects of the GSL that we should test?</i>
Customer service incentive scheme	<ul style="list-style-type: none"> • Do customers support a customer service incentive scheme? • What should be included in this scheme? 	<ul style="list-style-type: none"> • <i>Are there any other specific elements of a customer service incentive scheme that we should test?</i>
Network Safety and Reliability		
Initiatives	<ul style="list-style-type: none"> • What are the key initiatives that AGN may put forward as part of its Access Arrangement and are consumer's willing-to-pay for these initiatives? • Can stakeholders help us shape/direct these initiatives? Are there options for roll-out? 	<ul style="list-style-type: none"> • <i>What are the specific initiatives in our business plan that we should be testing with consumers.</i>
Network Expansion and Innovation		
New technology	Are stakeholders aware of new technologies and would they be willing to pay for these technologies, including for roll-out trials. For example: <ul style="list-style-type: none"> • Distributed electricity generation and smart meters (not for residential), gas-fired air-conditioning, gas-vehicle refueling? • Remote meter reading devices? 	<ul style="list-style-type: none"> • <i>Are there any other new technologies we would like to test with consumers?</i>
Network Expansion	Are consumers willing-to-pay for AGN to conduct studies into potential new expansion areas?	<ul style="list-style-type: none"> • <i>Are there any other questions we should be asking with respect to network expansion?</i>
Additional services	Explore stakeholder views on AGN offering additional services to amortise connection cost over a longer period. For example: <ul style="list-style-type: none"> • Do stakeholders understand how increasing the number of gas appliances impacts their energy bill? 	<ul style="list-style-type: none"> • <i>Are there any additional services that AGN could offer to amortise connection cost?</i>
Access and Affordability		
Connection process	Understand consumer's assessment of the connection process and areas for improvement before, during and after connection, for existing homes and new homes. For example: <ul style="list-style-type: none"> • What do consumers think of the connection process (from "main-to-flame")? • How can we make it easier? • What do consumers like and dislike about the process? 	<ul style="list-style-type: none"> • <i>Is there anything else AGN would like to understand with respect to the connection process?</i> • <i>Have we already done recent research on this in Victoria/Albury?</i>
Potential network users	Understand potential-gas user's perceptions of gas and why gas is not part of their energy mix (including customers that have disconnected from the gas network). For example: <ul style="list-style-type: none"> • Why have these users chosen not to connect to gas and is there anything we could do that might change their mind? 	<ul style="list-style-type: none"> • <i>Are there any other questions for non-gas users?</i>

Price tolerance/elasticity of demand	Understanding stakeholders' price tolerance/elasticity of demand.	<ul style="list-style-type: none"> • <i>Is there anything else we should be looking at to understand with respect to customers' price tolerance?</i>
Tariff Structure	<p>Inform stakeholders of the options for tariff structure and test preferences. For example:</p> <ul style="list-style-type: none"> • Do stakeholders value fixed tariffs or tariffs that link to volume? • Should retailers be required to pass on AGN's tariffs? Alternatively, should there be greater collaboration with retailers in setting tariffs? • Do stakeholders value smooth prices? • Do stakeholders think tariffs should be postage stamped across the network or should they vary according to cost and distance from the Delivery point? 	<ul style="list-style-type: none"> • <i>Is there anything else we would like to test with respect to tariff design?</i>
Vulnerable consumers	<p>Explore stakeholder's opinions on vulnerable customers. For example:</p> <ul style="list-style-type: none"> • Does AGN have a role in assisting vulnerable customers? • If not, who should be responsible for this? Possible options: retailers; Governments; advocacy groups; other. • If so, what programs/initiatives do you prefer? Possible options: providing information on how to be energy smart and energy efficient, assist vulnerable customers to upgrade to more efficient appliances (i.e. by including funding in revenue); advocate for a change in government policy so that all customers have access to individual metering; advocate for government programs to assist vulnerable customers; social tariffs other. 	<ul style="list-style-type: none"> • <i>Are there any other ways in which AGN may be able to assist vulnerable customers?</i> • <i>Should willingness to pay be considered here?</i>
Environmental Commitments and Reporting		
Expectations	<ul style="list-style-type: none"> • What are stakeholder's expectations with respect to environmental transparency? • AGN's role with respect to the environment? 	<ul style="list-style-type: none"> • <i>What else should we be consulting on with respect to the environment?</i>

Box 6: Feedback Point – Themes for Consultation

- *In addition to the specific Feedback Point questions outlined in Table 4.1, is there any other comment on the topics for consultation, including any additional topics?*

TABLE 4.2: EDUCATE THEMES

Topic	Description
Who, what, where and why	<ul style="list-style-type: none"> Who are AGN, what do we do (including the location of our networks) and why we are consulting with stakeholders.
Safety and reliability	<ul style="list-style-type: none"> Overview of our recent performance. How we manage our networks including notification times and regulations for accessing someone's property.
How we operate	<ul style="list-style-type: none"> What is economic regulation and how does it work. Our approach to economic regulation and associated timelines. What is the National Energy Customer Framework (NECF) and what is AGN doing to comply with these obligations.
Stakeholder engagement	<ul style="list-style-type: none"> Current activities and results. AGN's approach to stakeholder engagement and how these results will feed into to our wider activities. Our ongoing commitment to stakeholder engagement. Identify the expectations of our stakeholder consultation process.
The cost of providing our services	<ul style="list-style-type: none"> How do we fund our assets and services? The regulatory framework explained, including how our rate of return is determined. Operating expenditure and capital expenditure explained, and what it means to stakeholders. Cost recovery explained.
Expansion plans	<ul style="list-style-type: none"> Recap on where we operate. Plans to expand the network, how we make decisions to grow the network and the benefits to customers.
Gas prices explained	<ul style="list-style-type: none"> The gas supply chain and key players. How are gas prices determined and where does the money go? Gas demand and drivers of price including how AGN will forecast gas demand. Retail bill expectations.
Gas bills explained	<ul style="list-style-type: none"> What are the components of a gas bill? Who is responsible for each component?
Using the network efficiently	<ul style="list-style-type: none"> The benefits of having numerous appliances per connection. The benefits of having more connections?
Key factors influencing our business plan	<ul style="list-style-type: none"> Our operating environment. Other.

Box 7: Feedback Point – Educate Themes

- *Does Table 4.2 capture a comprehensive list of all topics that stakeholders should be informed on?*
- *Does Table 4.2 represent a strong knowledge base for stakeholders to provide feedback on the items listed in Table 4.1?*

5 Approach to Stakeholder Engagement

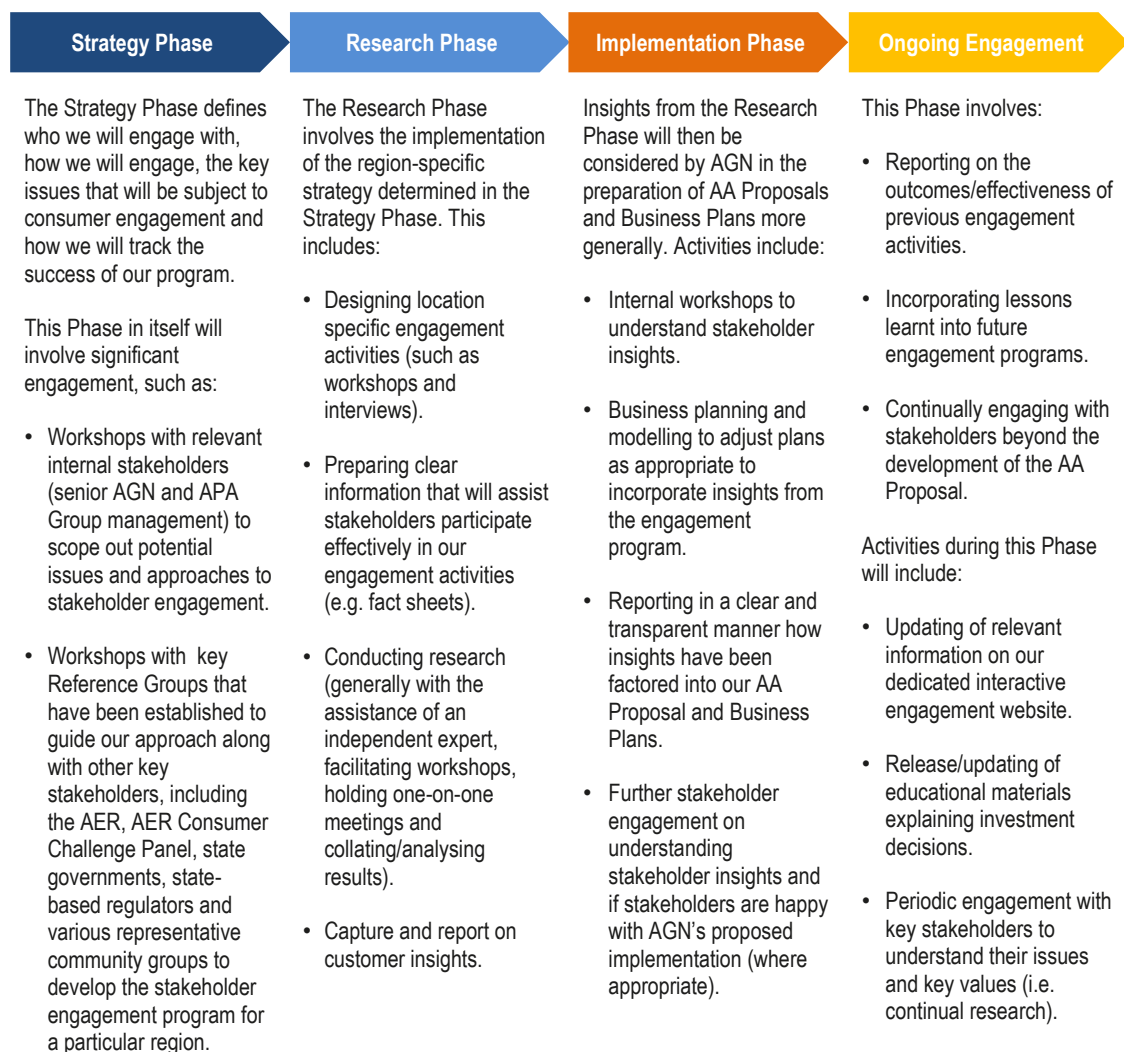
The objective of this Section is to outline AGN's approach to stakeholder engagement in Victoria and Albury.

Our approach to stakeholder engagement is based on the overarching stakeholder engagement strategy developed in December 2014 as part of the South Australian Stakeholder Engagement strategy and provided as Attachment 2 to this Paper.

The strategy consists of four phases. It commences with developing the specific engagement approach (referred to earlier as the region-specific strategy), followed by undertaking relevant research to understand stakeholder values and then including the outcomes of the engagement program into our business planning.

The final phase is to continually engage with stakeholders to ensure we are always acting in a manner that is consistent with their long term interests. The key activities to be undertaken under each phase are outlined in Figure 5.1.

FIGURE 5.1: APPROACH TO STAKEHOLDER ENGAGEMENT



As mentioned in Section 1, Deloitte has been engaged to assist with the implementation of this program. More specifically they will assist with the development of workshop materials, facilitate workshops with stakeholders and independently record and report on stakeholder insights.

Box 8: Feedback Point – Approach to Stakeholder Engagement

- *Can you highlight any areas of improvement to the overarching strategy and approach?*
- *Do you have any comment on the number and location of consumer workshops we should be holding in the Research Phase?*

Attachment 1: Structure of the GSL Scheme

Figure A1.1 summarises key components of AGN's GSL scheme in Victoria as taken from the relevant gas distribution code.

FIGURE A1.1: VICTORIAN GSL SCHEME

Gas Distribution System Code		Version 10.0
PART E GUARANTEED SERVICE LEVELS		
Area of service	Threshold to incur GSL payment ^a	GSL payment amount
Appointments ^b	Failure to attend appointment within agreed appointment window: <i>Customer present</i> – 2 hours <i>Customer absent</i> – agreed date	\$50 per event
Connections ^c	Failure to connect a <i>customer</i> within 1 day of agreed date	\$80 per day (subject to a maximum of \$240)
Repeat interruptions ^d	Unplanned interruptions to a <i>customer</i> in a calendar year period resulting from faults in the <i>distribution system</i> : Upon fifth interruption Upon tenth interruption	\$150 additional \$150
Lengthy interruptions ^e	Gas supply interruption to a <i>customer</i> not restored: within 12 hours within 18 hours	\$150 additional \$150

^a GSL scheme applies to tariff V customers only.

^b An appointment window of two hours applies if the customer is required or requests to be present. A one day appointment window applies if the customer is not required or does not request to be present. Appointments rescheduled by the distributors are counted as missed appointments. Appointments rescheduled at the request of the customer are excluded from payments.

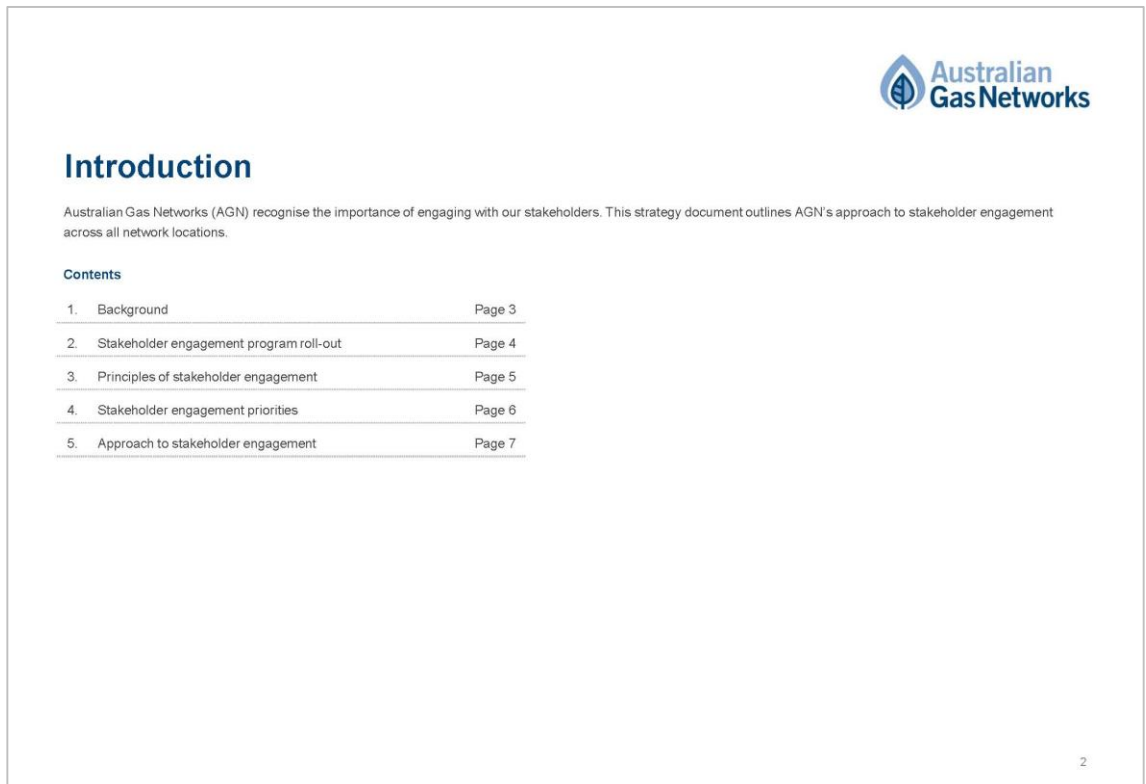
^c Excluding if the distributor is unable to gain access to the installation site.

^d Excluding force majeure, faults in gas installations, transmission faults, upstream events and third party events.

^e Excluding force majeure, faults in gas installations, transmission faults, upstream events and third party events impacting large diameter mains affecting more than 50 customers. Large diameter mains are high pressure mains of nominal diameter 100 mm or greater, and medium pressure or low pressure mains of nominal diameter 150 mm or greater.

Attachment 2: Overarching Engagement Strategy

The overarching stakeholder engagement strategy follows. It is also available to download from the AGN stakeholder site (www.stakeholders.agnl.com.au).





Background

Our aim is to operate our networks in a manner that is consistent with the long term interests of consumers. To achieve this we need to meaningfully engage with key stakeholders, particularly in those regions that are served by our natural gas distribution networks.

We have developed and published our stakeholder engagement strategy to transparently set out our approach to engaging with stakeholders. Importantly, we have sought to design our approach to stakeholder engagement such that it is consistent with the National Gas Objective (NGO) and the Australian Energy Regulator's (AER's) Customer Engagement Guideline.

The National Gas Objective (NGO)

The National Gas Objective (NGO), which is set out in Section 23 of the National Gas Law (NGL), states that:

"The objective of this [National Gas] Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."

Effective engagement with our key stakeholders is key to assisting AGN both understand and operate our natural gas distribution networks in a manner that is consistent with the "long term interests of consumers of natural gas".

Customer Engagement Guideline for Network Service Providers

The AER "Customer Engagement Guideline for Network Service Providers" provides a high level framework to help businesses like ours integrate stakeholder engagement into business-as-usual operations. The framework is centered around the following key components:

- **Principles** – adhering to a set of best practice principles to guide effective stakeholder engagement (which include the need for engagement to be clear, accurate and timely; accessible and inclusive; transparent and measurable);
- **Priorities** – the need to identify the issues and priorities for stakeholder engagement to ensure we understand and incorporate stakeholder views into business planning, recognising that stakeholders have diverse views;
- **Delivery** – setting the manner by which stakeholder engagement will occur for different stakeholder groups, including through holding stakeholder workshops and focus groups;
- **Results** – articulating the outputs of stakeholder engagement and how this has impacted on business planning; and
- **Evaluation and Review** – implementing a robust process to identify areas for continuous improvement.

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Stakeholder Engagement Program Roll-out

Figure 1 illustrates how our stakeholder engagement program will be sequentially rolled-out to the communities served by our natural gas distribution networks. This reflects that engagement will be focussed in those areas where AGN is revising its business plans, as part of the five-yearly review of our Access Arrangements (AA).

The current AA periods in each jurisdiction are as follows:

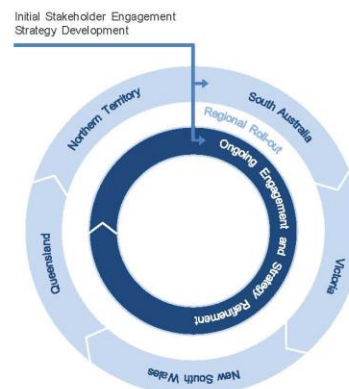
- South Australia – 1 July 2011 to 30 June 2016; and
- Victoria and Albury – 1 January 2013 to 31 December 2017.

We will also engage with those stakeholders supplied by networks that are subject to light regulation (Queensland) or no regulation (Northern Territory and parts of Queensland and New South Wales).

AGN will develop a region-specific stakeholder engagement strategy to ensure our approach for engagement is properly targeted and adjusted over time (for example to reflect that key stakeholder groups and priorities for engagement can change over time). In doing so, the region-specific strategy will draw on the principles and approach set out in this document. We also intend to take into consideration any learnings from previous stakeholder engagement programs.

Whilst the regional focus on engagement may be staggered, AGN intends to engage with stakeholders in all regions on an ongoing basis.

Figure 1: Stakeholder engagement program roll-out



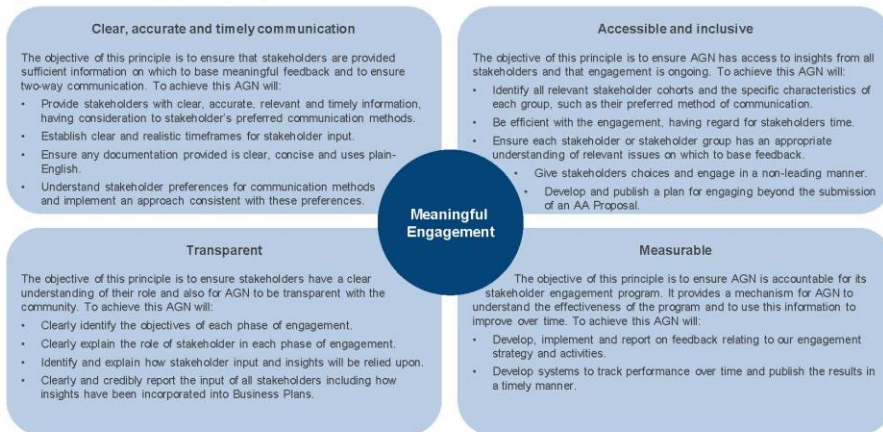
4



Principles of Stakeholder Engagement

AGN will collaboratively and actively engage key stakeholders in those regional and metropolitan areas that are served by our networks. The objective of this program is to generate meaningful insights into what stakeholders value, which in turn will be factored into our business planning. To achieve this, AGN will engage with stakeholders having regard to four overarching best practice principles which are taken from the AER's Customer Engagement Guidelines and summarised in Figure 2. This strategy document has been developed having regard to these principles, which essentially set out our commitments to our stakeholders.

Figure 2: Stakeholder engagement principles.



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Stakeholder Engagement Priorities

Drawing on the four key engagement principles, AGN has identified three key priorities to ensure that our business plans reflect the long term interests of stakeholders.

Balancing external and internal engagement

Collaborative engagement with external stakeholders will allow AGN to ensure their views and priorities are considered and addressed. Importantly, internal engagement will ensure that stakeholder insights are applied to business decisions.

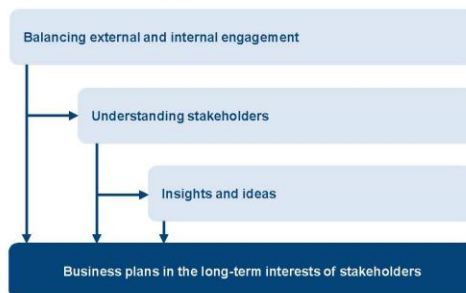
Understanding stakeholders

Deep stakeholder understanding is fundamental to good business planning and decision making. A mix of qualitative and quantitative research and analysis methods will provide an in-depth understanding of stakeholder groups and their perspectives, which is fundamental to ensuring our business plans are consistent with the long term interests of stakeholders.

Insights and ideas

Generating insights from stakeholders is a collaborative process. AGN will ensure that stakeholder views are understood and considered when developing business plans. This is considered essential to providing services that promote the long-term interests of stakeholders.

Figure 3: Stakeholder Engagement Priorities



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Approach to Stakeholder Engagement

AGN's approach to stakeholder engagement comprises four phases. It commences with developing the specific engagement approach (referred to earlier as the region-specific strategy), followed by undertaking relevant research to understand stakeholder values and then including the outcomes of the engagement program into our business planning. The final phase is to continually engage with stakeholders to ensure we are always acting in a manner that is consistent with their long term interests. The key activities to be undertaken under each phase are outlined in Figure 4.

Figure 4: Approach to stakeholder engagement.



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