

Attachment 5.5

Draft Plan Submissions

SA Final Plan July 2021 – June 2026

July 2020

Dear Matt/ Grace

We apologise for our delayed response to the AGN workshop but have felt that it is still worthwhile making a comment.

First, AGL wishes to acknowledge the time and effort the Australian Gas Networks (AGN) are taking in the preparation of their 5-Year Plan and the extensive effort AGN are taking to consult and work with retailers and customers on the final development and implementation of that Plan.

AGL notes that AGN has committed to a considered Capital and Operational Plan which should achieve appropriate outcomes in its business, covering various activities such as mains replacement, network extension, operational maintenance and customer response.

However, AGL has some concerns about the residual cost of the mains replaced under the proposed plan and the inclusion of this cost in the depreciation allowance. We recognise that AGN is following the rules, as in the Victorian case, but AGL would like to further explore:

- Why the residual cost is so large?
- How it is determined given there is no official Regulated Asset base register?
- What is in this value; and
- What does this extra charge on consumers mean for the business case sitting behind the replacement of the mains?

Given the current environment, AGN has advised that additional modelling will be undertaken in the immediate future which will include consideration of forecasts in relation to COVID 19 impacts and the potential reduction in network asset life for the SA network (from 60 to 40 or 30 years). The expectations is that this modelling will help all parties understand the proposed current price path (currently Pricing Plan 2).

As noted in the presentation, AGL and re-iterate that we would urge both AGN and the AER to consider how to consider the future AA period when new network rates are being considered, so that the rate movement across each Access Arrangement is maintained on a more even 'glide path' rather than having substantial rises or falls at the transition of each period, which generally lead to customer dissatisfaction.

Whilst AGL is very supportive of proposals such as the injection of Hydrogen into the AGN SA network, we wish to ensure that the hydrogen injection does not lead to incorrect billing issues for customers, as a result of the substantially different heating value the hydrogen would have relative to natural gas.

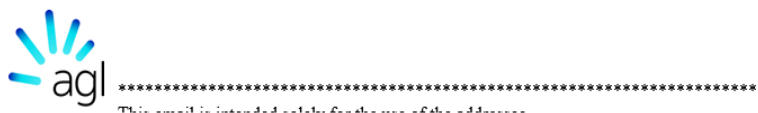
AGL considers that the normal energy and billing processes for customers could be substantially impacted by such injections, unless there are adequate measurement stations to capture the areas supplied by the hydrogen. Given the possible gas flows through the immediate network, AGL would wish to see at least the temporary use of additional measuring devices to monitor the gas flows to ensure there is a better understanding of the gas dynamics and ability to apply an appropriate gas heating value for customer billing.

If you have any queries please feel free to contact Patrick Whish-Wilson on 0407 695 496 or via e-mail pwhish-wilson@agl.com.au or myself.

Rgds
Mark

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17 April 2020
Kristen Pellew
Head of Stakeholder Engagement
Australian Gas Networks
Level 6, 400 King William Street
Adelaide SA 5000

Draft Five Year Plan for South Australia Network, July – June 2021 – 2026

Dear Kristen,

On behalf of SAFRRA Inc., thank you for the pleasure in submitting our submission for the Australian Gas Networks Draft Five Year Plan July – June 2021 – 2026.

We are pleased with the COVID – 19, Energy Networks Relief Package effective 1 April 2020 to 31 July 2020. This package may need to be revised with a longer extension time until 31 October 2020 and revised. Deferring or rebating in this case gas network charges to customers is essential. COVID – 19 Response Plan re customer's faults and emergencies not impacted, social distancing.

SAFRRA Inc., support the 8% GAS price cut before inflation but for many customers this seems confusing as we would like actual price cut clearly printed in any public notifications.

The Price path options we would support are Price Path 2, a more smooth line option. We support the reduction of gas accounts \$30.00 to Residential customers but would have like to see a higher reduction. Business saving \$270.00 a year and Industry \$15,000.00 a year but we would still liked to see a further reduction for both.

Regarding Rate of Return is not an easy future plan with COVID – 19, high unemployment in SA / Australia plus a forecast of a 6.7% decline Australia's national growth. Unemployment in SA and this State's growth could be much worse in reality.

SAFRRA Inc. believes in yearly revised Rate of Return plus extra funding from the State and Federal Government regarding Gas Supplies and to reduce costs to the customers. The ability to pay for the many vulnerable low income individuals and families and especially those with special needs will be overwhelming. AGN's Draft Rate of Return of 4.72% we believe will be lower and even the 3.9% effective ROR after inflation over five years maybe a lot lower.

SAFRRA Inc., supports the AER's review re taxation for AGN, zero.

The Future of Gas

We would strongly support AGN's Hydrogen Park South Australia and other blending projects, Australian Hydrogen Centre, blending of hydrogen with methane. The future of Gas is for AGN to reduce carbon emissions. AGN needs to have a comprehensive business plan, AGN do the work now and showing our STATE Government the advantages of Hydrogen blending, cost effective and hopefully our State Government funds projects that will create employment in SA.

SAFRRA Inc., supports AGN's Capital Base Standard Asset Lives depreciation year by year tracking and agree changing the useful life of assets be considered in the next five year plan. In these current troubled economic times asset lives depreciation would cost the gas customer either increased or future very low gas cost reductions.

We support AGN's mains and inlets replacement program LP cast iron and HP HDPE delivering a price cut for customers. Well done AGN.

We believe RAB is inflated with AER's inflation 2.34%, current markets 0% but COVID – 19 issues over the next five years who can predict the real inflation rate maybe a year by year review within the five year period.

Demand – Forecasting Methodology

SAFRRA Inc., expect a major reduction in Gas Demand both commercial and residential. High unemployment, businesses closures and we will never be the same again. We will experience a total new playing field. HIA's new connections forecasts to be very low as well as Gas conversions and as a result both will take a major reduction. Total dwellings house, multi-units affected with reduced housing built including medium high rise.

AGN's demand due to cooler weather we hope increases profits but a huge rise in customers unable to pay bills due to COVID – 19 and future employment gone as well, troubled times. A decline in volume growth we believe will be much lower than .2% per year.

Industry Demand we agree face significant downside due to COVID – 19 and some industries will never recover. My heart goes out to Industry. We will need new manufacturing in SA for future employment and getting the economy going again. The decline in gas consumption forecasts will be much lower than 1.5%.

AGN's Revenue

SAFRRA Inc. believes AGN's revenue over the next five years will be reduced, AGN's draft revenue forecast is the best they can do currently. Again COVID – 19 will impact financially and the State and Federal Government we believe will have to come to the financial aid of AGN and many industries.

SAFRRA Inc. supports AGN's continuing to standardise terms and conditions across its networks. AGN's customers are very satisfied with the service, reliable product, quick attending to gas leaks and public safety there top priorities, plus future smart meters where required.

On behalf of SAFRRA Inc., I have experience one of the best community engagement processes by AGN in regard to the Draft Plan and full credit to all AGN staff involved in this process. In particular the professional, excellent work and role of AGN's, Ben Wilson, Chief Executive, thank you.

In summary SAFRRA Inc., wishes that AGN continue supporting the ongoing vulnerable / hardship customers:- indigenous residents, those on aged pensions, unemployed, students, those on federal income support, those on low incomes, self funded retired people, those with disabilities, residents new to SA, the Multicultural Communities. We acknowledge the State and Federal Governments role in customer concessions / rebates and support for the above which is Governments responsibilities.

We would like AGN to support renters of property (residents) who have financial hardships paying utility bills, once AGN receives a name list like SA Water currently have. We believe this information will make a difference to support financial hardship residents amongst renters.

Gas price is the most important issue to Ratepayers and Residents, please keep them as low as possible and especially with COVID -19 and beyond through our State's recovery process.

Kevin Kaeding
President
SAFRRA INC.

Mr Ben Wilson
Chief Executive Officer
Australian Gas Networks
Level 6, 400 King William Street
Adelaide, SA 5000

Via email: ben.wilson@agig.com.au

Cc Phil Jones at phil.jones@agig.com.au

Dear Mr Wilson,

Re: AGN - Our Five Year Draft Plan for the South Australian gas distribution network (July 2021 – June 2026)

SACOSS would like to thank Australian Gas Networks (AGN) for the opportunity to engage on the development of its Draft Plan for the South Australian gas distribution network (July 2022 – June 2026) ("Draft Plan").

We are broadly supportive of the major aspects of the Draft Plan and the way AGN has engaged with consumers via its extensive stakeholder engagement program. As a member of AGN's South Australian Reference Group, we have particularly appreciated the transparency by which AGN has developed its Draft Plan to date. However, SACOSS notes that since the development of the Draft Plan, the challenges arising from the ongoing COVID-19 pandemic has introduced risks and uncertainties previously not incorporated or considered during AGN's planning and consultation process. It is with this view that SACOSS wishes to offer the following commentary, noting that specific feedback on other aspects of the plan can be made a later date.

SACOSS welcomes the response taken by AGN (as part of its industry body, Energy Networks Australia; ENA) to support business and residential customers experiencing hardship as a result of the COVID-19 pandemic ("relief package")¹, including:

- Committing to no disconnections for residential or small business customers experiencing financial stress from 1 April to 31 July 2020 and potentially beyond;
- Rebating or deferring network charges to eligible residential customers who go on payment plans or hardship arrangements as a result of COVID-19 for the period 1 April to 30 June 2020; and

¹ <https://www.energynetworks.com.au/miscellaneous/covid-19-electricity-and-gas-network-relief-package/>

- Full tariff relief to eligible small business customers experiencing financial stress and are mothballing as a result of COVID-19 over 1 April to 30 June 2020;

Particularly if the need for a relief package extends beyond 30 June 2020, SACOSS encourages AGN to consider and include in its final plan to be submitted to the Australian Energy Regulator (AER):

- Modelling and transparent analysis of potential long-term price impacts of COVID-19 on financeability, noting ENA's commentary that the relief package "will have a real impact on the network sector and could impact the creditworthiness of some networks. It will be necessary to reconsider network expenditure to ensure that credit metrics and loan covenants are maintained."² While SACOSS has no doubt that AGN will be performing its due diligence on such matters internally, we encourage AGN to clearly outline any material implications as a result of COVID-19 in its Final Plan;
- If necessary, where potential trade-offs could be made to ensure that the plan still delivers an overall price cut, with a sustainable price path;
- Any required adjustments to its Draft Plan components such as demand forecasting (given wider economic uncertainties around new residential, commercial and industrial connections) and unaccounted for gas forecasts (given potential impacts of COVID-19 on wholesale gas prices); and
- An assessment on the durability of consumer preferences and whether they may have shifted as a result of COVID-19. For example, this may play out in relation to willingness to pay for innovation projects or potential new initiatives around the future of gas.³ Noting that stakeholder responses only reflects one component of AGN decision making, we suspect that price and affordability may continue to be a key driving priority for many consumers.

We appreciate that many in the energy sector are only beginning to understand the ongoing risks and uncertainties of the COVID-19 pandemic and it may be too early to quantify the full extent of the flow-on impacts.

SACOSS remains committed to working with AGN in its regulatory process to ensure that the plan delivers in protecting the long-term interests of consumers. We welcome the opportunity to discuss any issues raised above in further detail as required.



Ross Womersley
Chief Executive Officer, SACOSS
20 March 2020

² <https://www.energynetworks.com.au/miscellaneous/covid-19-electricity-and-gas-network-relief-package/>, p. 7

³ <https://gasmatters.agig.com.au/44564/documents/130231>, p. 70 - 71



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Submitted electronically communityengagement@agiq.com.au

17 April 2020

Dear Mr Wilson,

**Submission to the Australian Gas Networks ("AGN")
Consultation on the Draft Plan 2021 - 2026 ("the Draft Plan")**

The Energy and Water Ombudsman (SA) Limited ("EWOSA") welcomes the opportunity to comment on AGN's Consultation on the Draft Plan.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

EWOSA receives complaints and disputes between consumers of electricity, gas and water services and Members of the scheme. AGN is a Member of EWOSA.

EWOSA has welcomed involvement in the co-design workshops focussed on vulnerability as part of AGN's development of the Draft Plan. EWOSA supports the AGN proposal to develop a vulnerable customer assistance program.

AGN has noted that opportunities to support vulnerable customers which AGN are considering include:

- A priority services register that allows AGN to proactively contact customers in circumstances such as outages
- Rebates or discounts for connection fees or plumbing assistance
- Policy advocacy for vulnerable customers
- Specialised training programs for customer facing service roles

EWOSA considers that all of these initiatives would be valuable in supporting those most vulnerable in our community. We see much evidence of the challenges some customers are facing in South Australia and believe that supporting vulnerable customers is a high priority for the energy and water sector.

Thank you for consideration of this submission. Should you require further information or have any enquiries in relation to this submission, please contact Jo De Silva via jo.desilva@ewosa.com.au or phone (08) 8216 1851.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jo De Silva', with a stylized, cursive script.

Jo De Silva
Policy and Communications Lead
Energy and Water Ombudsman SA