

Attachment 7.2A

Addendum to opex business cases

SA revised Final Plan July 2021 – June 2026
January 2021

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SA140 – Vulnerable Customer Assistance Program

Project Summary							
Project name	Vulnerable Customer Assistance Program						
Treated Risk	As per APA risk matrix = Low						
Budget category	Operating expenditure (Opex)						
Amendments to original business case	We have not made amendments to the original business case.						
Estimated cost	The forecast direct cost (excluding overhead) during the next five-year period (July 2021 to June 2026) is \$0.75 m pa.						
	\$'000 real 2019/20	21/22	22/23	23/24	24/25	25/26	Total
	Option 3	890.0	715.0	715.0	715.0	715.0	3,750.0
Basis of cost estimates	All costs in this business case are expressed in real unescalated dollars at December 2019 unless otherwise stated.						
Consistency with NGR	<p>This operating expenditure conforms with the following National Gas Rules (NGR):</p> <p>NGR 91 – The proposed solution is consistent with good industry practice, as reflected in the work recently undertaken by the CPRC for the AER, the Energy Charter (which was developed in conjunction with consumers) and the activities undertaken by our counterparts in the UK. It is also consistent with what a prudent service provider acting efficiently to achieve the lowest sustainable cost of service delivery would do, with two practicable options having been considered to address the identified risks and the least cost option being selected.</p> <p>NGR 74 – The forecast costs for the vulnerable customer role, development of a priority register and management of the appliance program are based on internal labour costs, while the costs of the appliance program are based on our knowledge of standard gas fitter rates and appliance costs. The project options consider our vulnerable customer requirements, which have been informed by our stakeholder engagement process and the co-design 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.</p> <p>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. Elements of Option 3 will also promote the efficient use of and investment in the network, consistent with the revenue and pricing principles</p>						
Project Approval							
Prepared by:	Kristen Pellew, Head of Stakeholder Engagement						
Reviewed by:	Chris Fidler, Head of Customer and Market Services						
Approved by:	Andrew Staniford, Chief Customer Officer						

Other Relevant Documents

This addendum should be read in conjunction with:

- the original business case 'SA140 – Vulnerable Customer Assistance Program' which was provided to the AER on 1 July 2020 as Attachment 7.2 to the AGN SA Final Plan; and
 - workshop materials presented at our VCAP workshop on 4 December 2020.
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1.1 Original business case

Our original business case included \$3.75 million to implement a vulnerable customer assistance program (VCAP) over the next AA period. Specific initiatives included:

- the establishment of a dedicated vulnerable customer service role within AGN;
- the development of a priority services register using the upgraded Customer Relationship Management (CRM) system; and
- the provision of funding:
 - for gas appliance safety checks and emergency appliance repairs for our vulnerable customers; and
 - to help our vulnerable customers access more efficient appliances.

In the development of our business case we referenced the development of the Energy Charter, the Financial Services Royal Commission and the the Consumer Policy Research Centre's (CPRC) work for the AER in relation to how businesses should support those who are vulnerable. We presented a case that networks have a role to play in supporting their vulnerable customers, and that this is becoming an increasingly important element of our social licence to operate.

In our original business case, we considered the following three options:

- Option 1 – Do not implement any additional measures to support our vulnerable customers but still implement measures identified that would be funding from our existing operating expenditure allowance
- Option 2 – Implement all of the identified measures at a cost of \$1.2 m pa
- Option 3 – Implement a sub-set of the identified measures at a cost of \$0.75 m pa

We recommended Option 3 because the option will provide the support our vulnerable 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 vulnerable customers, with clear targets that can be realised in the next AA period that are consistent with our vision and our customers' expectations that we will do more to support our vulnerable customers.

1.2 Stakeholder Engagement

Following the submission of our Final Plan we have continued to engage with stakeholders on the development and refinement of our VCAP proposal. This includes responding to feedback received from stakeholders via several feedback mechanisms.

Written submissions/ advice including:

- Public submissions to the AER on our Final Plan
- CCP24 advice to the AER on our Final Plan
- AER's Draft Decision

Stakeholder meetings and workshops including:

- Regular South Australian Reference Group (SARG) meetings and Retailer Reference Group Meetings (RRG).
- Meetings/ briefings with CCP24
- Meetings/ briefings with Energy Consumers Australia
- VCAP Stakeholder workshop (December 2020) with SARG, social service sector experts and retailers

The VCAP stakeholder workshop held in December 2020 post the publication of the Final Plan was held with members from SARG/RRG, social service experts from our earlier Co-design workshops, and CCP24 as observers. At this workshop we engaged with stakeholders on all feedback we had received in the context of the Draft Decision.

This workshop allowed us to engage with stakeholders on key areas of feedback prior to preparing our revised plan. A copy of the workshop materials is at Appendix A.

A high-level summary of all feedback received from stakeholders is provided below.

VCAP Stakeholder Engagement Feedback - Summary

- ✓ Many Stakeholders, including the CCP24 and AER recognised that our VCAP proposal was developed following on extensive customer and stakeholder engagement, including a co-design process with key experts from the social service sector
- ✓ Many stakeholders provided written submissions of support/ strong support for the proposal via Final Plan submissions to the AER, stakeholder meetings/ workshops and direct feedback to AGN.
- ✓ Stakeholders highlighted the importance of the program in considering how we support customers given the potential social and economic impacts of COVID-19
- ✓ Some stakeholders queried how the program would interrelate with other programs or if there was duplication in services currently offered by retailers, government and the social service sector
- ✓ Some stakeholders queried how the program would be further designed to ensure the service mix provided the best value for customers and the cost to consumers
- ✓ Retailers expressed a desire to be engaged in how the program will be implemented at an operational level, including cross-referrals and potential information sharing

A detailed summary of feedback in key themes and how we are responding is provided below in Table 1.

Table 1: Summary of customer and stakeholder feedback

Topic	Customer and Stakeholder Feedback	Our Response
Support for VCAP	<p>In submissions to the AER, many stakeholders were generally supportive of establishing a Vulnerable Customer Assistance Program</p> <ul style="list-style-type: none"> SAFCA, SAFFRA and EWOSA were supportive of the VCAP proposal¹ EnergyAustralia was supportive of the measures that assists vulnerable customers as well as improved customer communications² SACOSS supported our efforts to play a role in supporting vulnerable customers³ The CCP24 recognised clear support for a vulnerable customer response and suggested is in line with the intent of the AER's Statement of Expectations.⁴ <p>From feedback received during the workshop on 4 December and subsequent feedback received after the workshop, participants were supportive of the VCAP proposal noting the need for further engagement and refinement regarding operationalising the program</p>	<p>With the support of stakeholders, we are refining and further development our VCAP proposal. We intend to continue our engagement efforts in program design and implementation.</p>
Relationship to other programs	<p>In submissions to the AER, stakeholders and customers were keen to understand how VCAP would interrelate with other hardship and social sector support:</p> <ul style="list-style-type: none"> Business SA asked how does VCAP interrelate with the State Government's energy bill concession, and to what extent duplication can be avoided in either paying or assessing eligibility for such support mechanisms?⁵ The Minister for Energy and Mining is concerned that the VCAP may duplicate similar programs by retailers⁶ 	<p>In response to this feedback, we have undertaken a review of the existing support services provided by SA Government, retailers, and community and not for profit organisations. We presented our findings during the VCAP workshop on 4 December and additional services were identified by participants. Based on the work presented, participants were comfortable that VCAP initiatives do not duplicate existing programs of work, but rather are complimentary. This is discussed further in section 1.4.3.</p> <p>We also stepped through an example of a typical customer journey to highlight the different touchpoints we have with our customers.</p>

¹ SAFCA, Submission re AGN SA gas access arrangement proposal for the period 1 July 2021 to 30 June 2026, 7 August 2020 (SAFCA Submission), p.3; SAFFRA, AGN SA 2021-26 Gas AA Review, 10 August 2020, p.1; EWOSA, Submission to the AER's consultation on the AGN SA Access Arrangement 2021-26, 6 August 2020 (EWOSA Submission), p. 2.

² EnergyAustralia, Submission to AGN SA – Proposed Access Arrangement 2021-26, 10 August 2020, p. 2.

³ SACOSS, SACOSS submission to the AER on AGN's Access Arrangement Proposal for the SA gas distribution network (July 2021 – June 2026), pp. 3-6.

⁴ CCP24, Advice to the AER on AGN SA Final Plan, July 2021-June 2026 (CCP24 Advice), p. 26.

⁵ Business SA, Submission on AGN 2021-26 AA Proposal, August 2020 (Business SA Submission), p. 2.

⁶ SA Minister for Energy and Mining Submission, p. 3.

Topic	Customer and Stakeholder Feedback	Our Response
	<ul style="list-style-type: none"> ECA questioned whether there a double up between initiatives being undertaken by other organisations (such as retailers and charities) and those proposed by AGN SA?⁷ SACOSS questioned whether customers were more likely to seek assistance from retailers as a distribution network do not always have a direct relationship to the customer⁸ <p>During the workshop on 4 December, participants did not identify any duplication between VCAP and existing programs. EWOSA confirmed this in feedback received after the workshop.</p>	
Program Design	<p>In submissions to the AER, stakeholders and customers questioned what is the right mix of support services and whether it is cost-effective, fit for purpose and appropriate:</p> <ul style="list-style-type: none"> ECA questioned whether other initiatives would be an appropriate mix and better aligned with the Energy Charter: <ul style="list-style-type: none"> Whether we had considered products and services that are tailored to vulnerable customers, training programs for frontline staff, further dispensation for disconnections if affordability issues arise? Is the additional role overlapping to what might be achieved through the proposed upgraded CRM? Could an existing CRM system already capture the information required for a priority services register? SACOSS asked to what extent the dedicated customer service role adds value over and above proposed initiatives being absorbed into existing opex, whether the priority services register a fit for purpose solution.⁹ <p>During the workshop on 4 December, some retailers had questions around the implementation of VCAP and how VCAP interacts with existing programs. Specifically:</p> <ul style="list-style-type: none"> Do we plan on leveraging existing information available in compiling data for the priority services register and/or collaborate with other parties to develop a database? What role do we see retailers and community organisations playing in referring customers to seek gas safety checks, funding for emergency appliance repairs and efficient appliances from AGN SA? 	<p>In response to this feedback, we have undertaken a review of the individual initiatives of VCAP and assessed whether we had the right mix of support services that would deliver a materially higher quality of service for our vulnerable customers.</p> <p>We presented our findings during the workshop and participants were generally comfortable on the proposed design of VCAP. Some stakeholders recognised that a degree of flexibility in the design is needed in responding to customers.</p> <p>We maintain the view that the initiatives under Option 3 will deliver for our vulnerable customers by improving customer experience and also work to reduce financial barriers that some vulnerable customers may face in terms of utilising gas more efficiently and/or ensuring their appliances are operating in a safe and reliable manner.</p> <p>However we recognise that VCAP is a first of its kind and therefore, we intend to work with retailers and other interested parties in trialing and refining the program in the first 18 months.</p>

⁷ ECA, Submission on AGN 2021-26 AA Proposal, August 2020 (ECA Submission), pp. 16-17.

⁸ SACOSS Submission, pp. 3-6.

⁹ SACOSS Submission, pp. 3-6.

Topic	Customer and Stakeholder Feedback	Our Response
Cost to Customers	<p>In submissions to the AER, stakeholders and customers wanted to understand how the program could and should be funded:</p> <ul style="list-style-type: none"> SACOSS asked to what the extent is AGN currently resourced to support vulnerable customers (noting our role with the Energy Charter) and whether rebates to switch to more efficient natural gas appliances prudent given the uncertainty in the future of gas?¹⁰ SACOSS also questioned whether some initiatives could be funded outside of our regulated review or whether it is more efficient to be provided by government or by retailers.¹¹ CCP24 suggested that shareholders should make a contribution to the cost of this program, it should not be paid for entirely by customers. CCP24 also asked if some of the marketing budget be applied to the vulnerable customer plan and reduce the bill impact for customers?¹² 	<p>At our December 4 workshop, we clarified that our proposal included initiatives like increased training which will be funded through existing opex and is considered part of BAU. The additional funds we have proposed are to support a distinct uplift in our service levels in response to customer engagement, where 76% of customers said they would support paying \$1-2 pa to provide more support to customers in vulnerable circumstances.</p> <p>We also confirmed that the marketing budget is only used to target our customer growth market.</p>

Note: In this 'traffic light' table, green shading represents no change from the Final Plan, orange represents a modification of the position outlined in the Final Plan and red shading represents a change from the Final Plan.

1.3 AER Draft Decision

In its Draft Decision, the AER did not approve the step change for a vulnerable customer assistance program. The AER was satisfied that "AGN undertook robust consumer consultation and the consulted customers supported the provision of a vulnerable customer assistance program."¹³

However, to help inform the final decision the AER requires:¹⁴

- further information showing that the proposed vulnerable customer assistance program would materially increase the quantity or quality of services it provides. In particular we note that AGN already offers rebates for new connections and rebates for gas appliances. AGN needs to clearly differentiate the activities it proposes to undertake as part of the vulnerable customer assistance program from its marketing activities*
- further co-design of the proposal with stakeholders to address, for example, concerns about potential overlaps of the proposal; and*
- demonstration that the vulnerable customer assistance program is discrete and measureable. If we are to provide additional opex for the program we consider it should be provided as a category specific forecast and the program*

¹⁰ SACOSS Submission, pp. 3-6.

¹¹ SACOSS Submission, pp. 3-6.

¹² CCP24 Advice, p. 26.

¹³ AER Draft Decision, Attachment 6, p. 33.

¹⁴ AER Draft Decision, Attachment 6, p. 33-35.

should be excluded from the ECM. To do this AGN will need to be able to separately report the costs of delivering the program.

1.4 Our response

We have taken on board the feedback from our stakeholders and customers and the AER and have undertaken further review, co-design and engagement on our VCAP proposal. We submit that Option 3 continues to be the recommended option because the measures in this option are in the long-term interests of consumers, consistent with the National Gas Objective.

The VCAP initiatives will improve the customer experience for our vulnerable customers and will also reduce the financial barriers that some vulnerable customers may face in terms of utilising gas more efficiently and/or ensuring their appliances are operating in a safe and reliable manner.

1.4.1 Delivering a materially higher level of service

In responding to the AER’s feedback, we have undertaken further review to identify the current and planned work we have underway to support vulnerable customers. The findings of our review are summarised in Table 2 below. The remainder of this section outlines these initiatives in more detail.

Table 2: Summary of the initiatives supporting vulnerable customers

Work underway	Planned work	VCAP proposal
<ul style="list-style-type: none"> AGIG vulnerable customer strategy COVID related relief: <ul style="list-style-type: none"> Energy network relief package Our obligations to “not disconnect – other than at their request” Community Partnerships Program – funding to charitable and community organisations 	<p>To be funded through existing operating expenditure</p> <ul style="list-style-type: none"> Reviewing impact of our activities and processes on vulnerable customers Training our frontline staff Improving our communications, including website upgrades Community engagement 	<p>Seeking an opex step change resulting in a residential customer bill impact of \$1.50 pa (total cost \$0.75m pa)</p> <ul style="list-style-type: none"> A dedicated vulnerable customer role A priority services register using an upgraded CRM system Provide gas appliance safety checks and emergency repairs Financial support to help access to more efficient appliances. This is separate to our marketing budget and rebates for appliances targeted at new connections and the growth market.

1.1.1.1 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.

However, we are currently in the process of developing an AGIG vulnerable customer strategy, which was a commitment we made in our 2020 Disclosure Report as part of the Energy Charter. Our focus areas include:

- Continue to build AGIG’s understanding of customers in vulnerable circumstances

- Provide training to employees and service providers about customers in vulnerable situations
- Improve AGIG processes to minimise negative impact on vulnerable customers
- Identify where further assistance may be required to provide direct support to customers; and
- Utilise community partnerships to assist in how we deliver more for customers.

Having an AGIG vulnerable customer strategy in place would allow us to take a strategic and coordinated approach in delivering for our vulnerable customers moving forward.

Other support we currently provide on a general basis include our commitment around COVID related relief. 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.¹⁵

1.1.1.2 Planned work

In terms of the initiatives as part of our planned business as usual work program, these particular initiatives outlined in the table above were identified and recommended by participants from the co-design workshop for us to progress. We intend to fund these initiatives through our existing operating expenditure allowance and will be undertaken by existing employees.

1.1.1.3 VCAP proposal

We consider that the VCAP initiatives would deliver a materially higher quality of service to our customers, and is a genuine step change to the existing and planned business as usual activities we identified in supporting vulnerable customers. In particular, the VCAP initiatives would:

- provide for a more rapid resolution of complaints and improved customer experience by having a dedicated role to resolve complaints;
- result in a more responsive customer environment and improve the customer experience for our vulnerable customers through the provision of priority services; and
- reduce the financial barriers that some vulnerable customers face in terms of having access to safe, reliable and efficient appliances.

Table 3 below provides a summary of how each VCAP initiative delivers a materially better service for our vulnerable customers. Further information on each proposed initiative is found in the original business case.

¹⁵ Information on our Community Partnership Program can be found here: <https://www.agig.com.au/agig-community-partnerships-program>

Table 3: Summary of how VCAP initiatives delivers a materially better service

VCAP initiatives	How it delivers a materially better service
A dedicated vulnerable customer role	<p>Material improvement to customer experience where the specially trained staff would:</p> <ul style="list-style-type: none">• provide more rapid complaints resolution; and• identify signs of vulnerability and provide tailored support and referrals. <p>We currently do not have a dedicated role at AGIG. Having a dedicated role at AGIG will ensure vulnerable customers get more focused and personalised customer service when complaints or concerns are raised.</p>
Priority services register	<p>Material improvement to customer experience through a priority service register. This forms the basis for providing a range of priority services to our vulnerable customers, including:</p> <ul style="list-style-type: none">• providing advance notice of planned outages;• priority support in an emergency; and/or• assigning a dedicated liaison person where required. <p>We currently do not have formal process or system in place to identify and provide appropriate support for our vulnerable customers. Once a register is implemented, customers who are vulnerable will only have to tell us their story once, and the register will allow us to provide for a faster resolution of any complaints, resulting in a more responsive customer environment.</p>
Gas safety appliance checks and emergency appliance repairs	<p>Keeping our customers safe and connected by:</p> <ul style="list-style-type: none">• offering free gas safety appliance checks for around 2,000 South Australian households; and• accessing funding for emergency appliance repairs. <p>We currently do not offer these initiatives to our vulnerable customers. The proposed measures would remove these financial barriers for vulnerable customers and, in so doing, improve the safety and reliability of our vulnerable customers gas appliances and gas use.</p>
Financial support to help access to more efficient appliances	<p>Reducing financial barriers faced by vulnerable customers by having access to financial support for switching to more efficient gas appliances, where repair is not viable.</p> <p>We currently do not offer gas appliance rebates to our vulnerable customers. Any marketing activities and rebates we offer are targeted at our growth portfolio (new customers) only.</p> <p>The proposed initiative would reduce the financial barriers associated with switching to more efficient appliances and provide for reductions in gas bills. The use of newer appliances may also improve the safety with which gas is consumed.</p>

If the VCAP goes ahead we would be offering these new services as shown in the infographic below.

Infographic: Proposed VCAP service offerings



1.4.2 VCAP proposes services supported and valued by customers and stakeholders

Throughout the development of VCAP, we continue to receive strong support from key stakeholders in the social service sector. At our VCAP workshop, we presented and sought feedback on our VCAP business case as we recognised that customer and stakeholder preferences may have shifted since we released our Final Plan in July 2020, particularly in light of COVID. Our stakeholders and customers continue to see the value of VCAP in providing additional customer choice.

1.1.1.4 VCAP complements existing programs offered by third parties

At our VCAP workshop, we presented the different support services offered by government organisations, retailers and community and not for profit organisations in South Australia. We also stepped through what a typical customer journey would look like to highlight where our access points are.

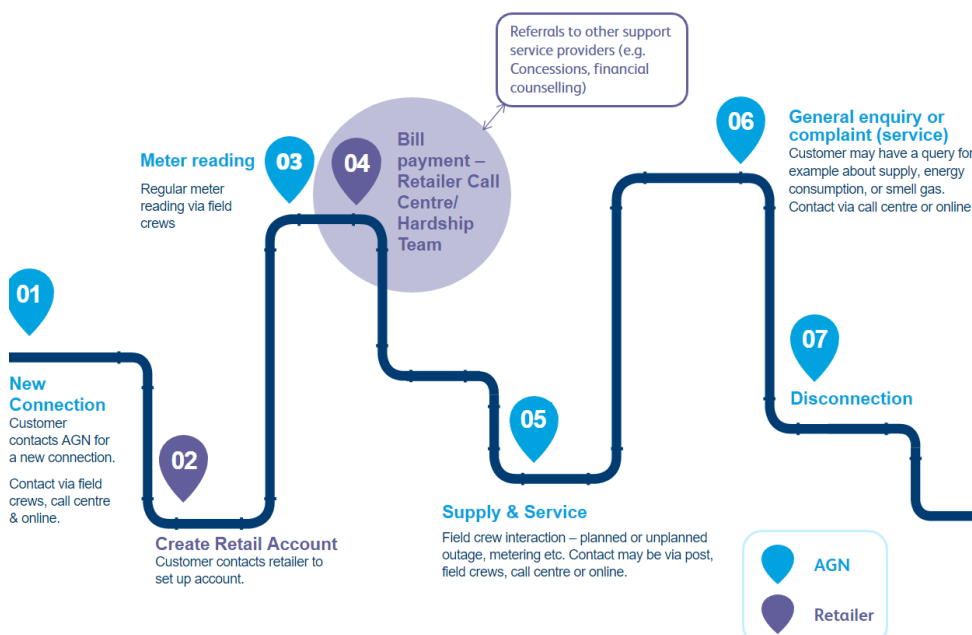
With input from participants, we also identified additional support services offered in SA. As summarised in Table 4 below, current support services available in SA largely focus on supporting customers who may be facing financial hardship and require bill support.

Table 4: Summary of support services in SA

SA Government	Retailers	Community/ not for profit organisations
<ul style="list-style-type: none"> Energy concession up to \$232 over 20/21 for low or fixed income earners to help with energy bills Medical heating and cooling concession up to \$227 for low or fixed income earners with a medical condition who require frequent use of heating and cooling Cost of living concession up to \$715 to help those on low or fixed incomes with all of their cost of living expenses, whether that be council rates, electricity, water, gas or medical bills Emergency Electricity Payment Scheme (EEPS) of up to \$400 for low-income households experiencing significant financial difficulties and have had or are at risk of disconnection Energy and Water Ombudsman of South Australia 	<ul style="list-style-type: none"> Retailer financial hardship programs: <ul style="list-style-type: none"> 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 Retailer Energy Efficiency Scheme (administer via ESCOSA) – offering free or discounted energy saving activities, home energy audits 	<ul style="list-style-type: none"> Financial counselling services such as the National Debt Helpline Partnerships with retailers – e.g. AGL, Uniting Communities (2018) – home energy audits and appliance replacements of up to \$1000 Other broader social support programs

From discussions during the workshop and feedback received after the workshop, participants were comfortable that there was no duplication between the individual initiatives of VCAP and other existing programs. Rather participants considered that the VCAP initiatives proposed provide an alternative access point to customers and offer complementary support services. The infographic below provides an overview of the different touchpoints a typical gas customer may have with their retailer and distributor.

Infographic: Customer Journey



1.1.1.5 VCAP will be designed and delivered through ongoing engagement

While participants recognised there was no duplication with existing program, some participants had questions around the implementation of VCAP and how it will interface with other support services when operationalised.

As this will be our first Vulnerable Customer Assistance Program, we intend to continue to work with stakeholders in trialing and refining the program in the first 18 months. In particular:

- The uptake and success of support programs (safety checks, emergency repairs)
- Identify opportunities for tailored services (the dedicated role is critical); and
- Working together with retailers and community organisations.

Further, we also recognise the need to be flexible in responding to our customers' needs. Therefore, we may need to adjust the program during the next AA period if we find that some measures are more effective in supporting our vulnerable customers than others, or if new measures are identified through the period.

1.1.2 VCAP proposal will be discrete and measurable

In response to the AER's Draft Decision, we are proposing for VCAP to be treated as a category specific forecast and excluded from our Efficiency Carryover Mechanism rather than a step change to our opex. To ensure we provide timely and accurate reporting in a transparent manner we are proposing to report on the costs of delivering the program through our Annual Reviews.

1.5 Summary

Through further engagement we have responded to customer and stakeholder feedback and refined our VCAP proposal. We have outlined further steps to be taken to ensure the program is:

- Implemented through ongoing engagement with retailers and other stakeholders; and
- Prioritised over the period so that funds are directed to the services that customers value/deliver the most customer benefit.

We have provided additional information that addresses each of the AER's concerns raised in its Draft Decision and will allow the AER to approve the step change in funding required to deliver our VCAP proposal.

1.5.1 Estimating efficient costs

The cost estimates and the basis of these costs for option 3 remain unchanged since we submitted as part of our Final Plan in July 2020 and are reproduced in Table 5 below. The total costs have been escalated to dollars of 2020/21 by adjusting for forecast inflation and the trend escalation factor (i.e. input cost, output growth and productivity) applied to our revised Final Plan opex forecast.

Table 5: Escalated Vulnerable Customer Initiative cost estimate (\$'000, 2020/21)

	2021/22	2022/23	2023/24	2023/25	2025/26	Total
Total unescalated (\$ Dec 19)	890.0	715.0	715.0	715.0	715.0	3,750.0
Escalation	30.2	24.3	24.3	24.3	24.3	127.3
Total escalated (\$ Jun 21)	920.2	739.3	739.3	739.3	739.3	3,877.3

Consistency with National Gas Rules and National Gas Law

In developing the forecast expenditure on the proposed Vulnerable Customer Assistance Program, 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 Vulnerable Customer Assistance 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 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 Vulnerable Customer Assistance Program are the most practical and effective measures to support our vulnerable customers 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 Vulnerable Customer Assistance 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:¹⁶

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.

¹⁶ Consumer Policy Research Centre, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 8.

- 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 AGN is 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 Vulnerable Customer Assistance 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 vulnerable customer role, development of a priority register and management of the appliance program are based on internal labour costs, while the costs of the appliance program are based on standard gas fitter rates and appliance costs. The project options consider our vulnerable customer requirements, which have been informed by our stakeholder engagement process and the co-design 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

In addition to being consistent with rules 74 and 91, implementing a Vulnerable Customer Assistance Program will promote the long term interests of our customers, consistent with the NGL, 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. rebates for more efficient appliances) will also promote more efficient use of and, in turn, more efficient investment in the network. This is consistent with both the NGL and revenue and pricing principles in the NGL.¹⁷

¹⁷ In particular, the principles set out in sections 24(3), (6) and (7).



Vulnerable Customer Assistance Program

Stakeholder Workshop

4 December 2020

Today's Workshop | Welcome back



- Welcome members of SARG, RRG & Co-design team
- Since we last met we have released our Final Plan for the South Australian gas network for 2021/2022 to 2025/2026 which included funding for a proposed Vulnerable Customer Assistance Program.
- At today's session we are keen to share and discuss with you -
 - More details on our Vulnerable Customer Assistance Program proposal
 - Stakeholder feedback to date, how we are proposing to respond and to seek further feedback from you
 - Our commitment to ongoing engagement and refinement of our proposal

We will submit our revised Final Plan to the Australian Energy Regulator on 13 January 2021

Today's Workshop | Agenda

Agenda Item	Time
1. Background and update	2:30 – 2:45pm
2. Vulnerable Customer Assistance Program Proposal	2:45 – 3:00pm
3. Stakeholder Feedback <ul style="list-style-type: none">- Relationship with other programs- Program design- Cost to consumers	3:00 – 4:15pm
4. Wrap up & next steps	4:15 – 4:30 pm

Our Vision

Our vision is to be the leading gas infrastructure business in Australia. In order to deliver this we aim to achieve top quartile performance on our targets.



Delivering for customers

Public safety

Reliability

Customer service



A good employer

Health and safety

Employee engagement

Skills development



Sustainably cost efficient

Working within industry benchmarks

Delivering profitable growth

Environmentally and socially responsible

SA AA | Our Customer and Stakeholder Engagement Program

Supporting vulnerable customers was a key topic of engagement



We held 22 workshops with customers over 3 stages across metro and regional SA



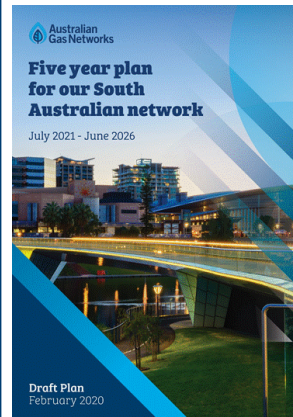
14 South Australian Stakeholder Reference Group Meetings and Workshops



3 Co-design workshops with the social services sector
How can AGN better assist vulnerable customers?



We partnered with Multicultural Communities SA to run workshops with the CALD community



We consulted widely on a Draft Plan 5 months before lodgement

Meetings and surveys with major customers



10 Retailer Reference Group Meetings and Workshops



Online engagement via Gas Matters



We regularly reported on feedback we received and how we responded

AGN SA | Development of our VCAP Proposal

We engaged with customers and consumer representative groups on affordability and how to assist those who are vulnerable as part of our engagement program

Through a series of co-design workshops we engaged with experts from the social services sector and considered *"How might AGN better assist those who are vulnerable?"*

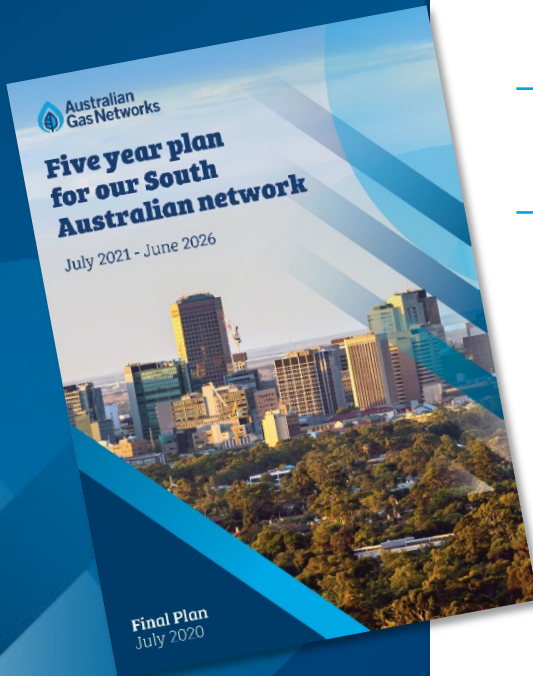
We developed a list of priority areas for action

We developed a VCAP Proposal for testing with customers and stakeholders in our Draft Plan

We included the VCAP proposal in our Final Plan

AGN SA | AER Draft Decision

	Final Plan	Draft Decision
Price cut (after inflation)	7%	14%
Rate of Return	4.4%	4.25% ↓
Capital Expenditure	579	481 ↓
	314	295 ↓
Operating Expenditure (ex UAFG)	✓Vulnerable Customer Assistance Program	✗
	✓Digital Customer Experience Project	
	Replace up to 20% UAFG with renewable gas	✓
Revenue (\$ nominal)	1,136	1,029 ↓
Demand (Tariff R & C) Consumption	51,366TJ	51,336TJ



AGN SA | Stakeholder Feedback on VCAP

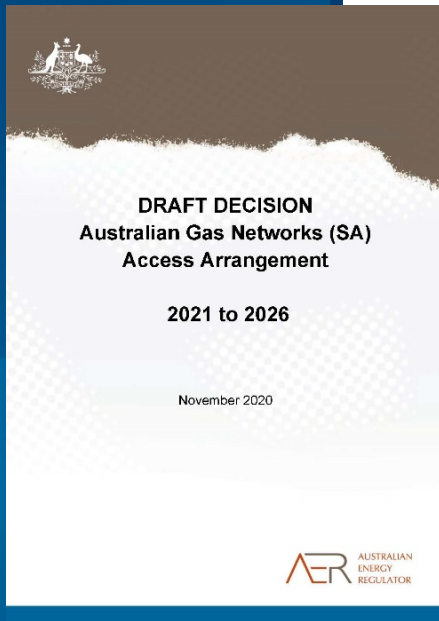
Many stakeholders:

- ✓ Were supportive of AGN dedicating programs and services to those who are vulnerable
- ✓ Highlighted the importance given the social and economic impacts of COVID-19
- ✓ Referenced the co-design process and acknowledged AGN's leadership role to better understand the needs of those customers who are vulnerable;
- ✓ Noted the need for ongoing engagement to further refine the program

Key themes from the feedback that we will be responding to include:

- **Relationship to other programs and services** provided by others (e.g. retailer hardship programs and Government concessions)
- **Program design**, including what elements are considered appropriate for a gas distribution business and what would deliver the most value for customers
- **Cost to consumers**

VCAP | AER Draft Decision (27 November)



The AER:

- Is satisfied of customer support - "We are satisfied that AGN undertook robust consumer consultation and the consulted customers supported the provision of a vulnerable customer assistance program"
- Needs further information demonstrating that VCAP will deliver a materially higher level of service
- Recommends further co-design to address potential overlaps
- Needs to be clear on what we are proposing under VCAP and differentiate from AGN existing activities (like its marketing activities)

We are:

- ✓ Undertaking ongoing engagement to refine our VCAP proposal
- ✓ Identifying how our VCAP proposal complements other vulnerable assistance programs by third parties

AGN SA | Work program to assist vulnerable customers

Work underway

- ✓ AGIG vulnerable customer strategy
- ✓ COVID related relief :
 - ✓ Energy network relief package
 - ✓ Our obligations to “not disconnect – other than at their request”
- ✓ Community Partnerships Program – funding to charitable and community organisations

Planned work

To be funded through existing operating expenditure

- ✓ Reviewing impact of our activities and processes on vulnerable customers
- ✓ Training our frontline staff
- ✓ Improving our communications, including website upgrades
- ✓ Community engagement

VCAP proposal

Seeking an opex step change resulting in a residential customer bill impact of \$1.50 p.a (total cost \$0.75m p.a.)

- ✓ A dedicated vulnerable customer role
- ✓ A priority services register using an upgraded CRM system
- ✓ Provide gas appliance safety checks and emergency repairs
- ✓ Financial support to help access to more efficient appliances

Our Vulnerable Customer Assistance Program Proposal

COVID-19 has highlighted the important role networks can play in supporting vulnerable customers and the shared responsibility that all parts of the supply chain have in providing such support

AGN SA | Supporting vulnerable customers

- While assisting vulnerable customers has traditionally been the domain of retailers, not-for-profit organisations and governments, **networks also have a role to play and doing so is an important element of our social licence to operate**
- This is reflected in:
 - the feedback provided in our customer workshops, with **95% supporting a VCAP at a cost of \$1-\$2 p.a.** (76% were actively supportive and 19% slightly to moderately supportive)
 - the **Energy Charter** which recognises everyone in the supply chain has a role to play
 - the **Consumer Policy Research Centre's recent work for the AER** on regulatory approaches to consumer vulnerability, which amongst other things found that:
 - network service providers can exacerbate harm if they do not respond in an informed, sensitive way to a customer's personal circumstances; and
 - vulnerability can be addressed at multiple stages of the customer journey.

Energy Charter | Our Commitment

We are a
signatory to the
Energy Charter

We report
annually on how
we deliver
against these
principles



Principle Five:

Energy business should:

- Have processes to enable early identification of and engagement with customers at risk and measures to prevent them falling into hardship.
- Provide tailored services to customers in vulnerable circumstances and support them to get back on track.
- Provide flexible solutions that are easy to access and are provided by specially trained frontline staff.
- Partner with others in the supply chain, government & community organisations to implement innovative solutions that improve outcomes for customers in vulnerable circumstances.

AGIG | Vulnerable Customer Strategy

One commitment in our 2020 Disclosure Report was to formalise vulnerable customer initiatives across AGIG and to develop a vulnerable customer strategy. Our focus areas:

1. Continue to build 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 vulnerable customers
4. Identify where further assistance may be required to provide direct support to customers
5. Utilise community partnerships to assist in how we deliver more for customers

**Northern Gas Networks
Customers in vulnerable
situations strategy.**



A VCAP is also consistent with the principles embodied in the regulatory framework

Under National Energy Retail Law (NERL) we have a deemed contract relationship with our customers for connection and supply

Regulation | Consistency with National Gas Law and Rules

- Supporting vulnerable customers through a VCAP aligns to the **National Gas Objective** to promote the long-term interests of natural gas consumers
- **Good industry practice** for vulnerable customers is:
 - Specially trained staff who help identify signs of vulnerability and provide appropriate support and referrals;
 - Accessible information and conducting energy efficiency campaigns;
 - Priority services (e.g. advance warning of outages and priority support in an emergency); and
 - conducting free gas safety checks.
 - This is reflected in the Consumer Policy Research Centre's work for the AER, the Energy Charter and the steps taken by our UK counterparts
- Supporting vulnerable customers through a VCAP is **prudent and efficient** as:
 - there are a large number of vulnerable customers in our network; and
 - doing nothing poses Customer & Reputation, People and Financial risks such as:
 - we could inadvertently exacerbate our vulnerable customers' disadvantage;
 - expose our frontline staff to additional OH&S issues; or
 - have to pay compensation or incur other costs to resolve complaints involving vulnerable customers and/or to deal with higher levels of OH&S issues

Three options were considered in the business case, all of which provided for greater support for our vulnerable customers

VCAP | Options

Option 1: Implement the measures that can be funded through existing opex (Incremental Cost: \$0)

- ✓ Review impact of our activities and processes on vulnerable customers
- ✓ Train frontline staff to engage with customers with empathy and sympathy
- ✓ Improve our communications and the accessibility of information
- ✓ Community engagement, education and outreach programs
- ✓ Advocate for vulnerable customers in regulatory and policy processes

Option 2: Implement all identified assistance measures (Incremental cost \$1.2 m p.a.)

Measures in Option 1 + the following measures:

- a. Establish a dedicated vulnerable customer service unit (2.5 FTEs)
- b. Develop a vulnerable customer priority service register
- c. Provide funding for gas appliance safety checks, emergency repairs and financial support to facilitate access to more efficient appliances
- d. Develop an education and public engagement centre

Option 3: Implement a sub-set of the identified assistance measures (Incremental cost \$0.75 m p.a.)

Measures in Option 1 + the following measures:

- a. Establish a dedicated vulnerable customer service role (1 FTE)
- b. Develop a vulnerable customer priority service register
- c. Provide funding for gas appliance safety checks, emergency repairs and financial support to facilitate access to more efficient appliances

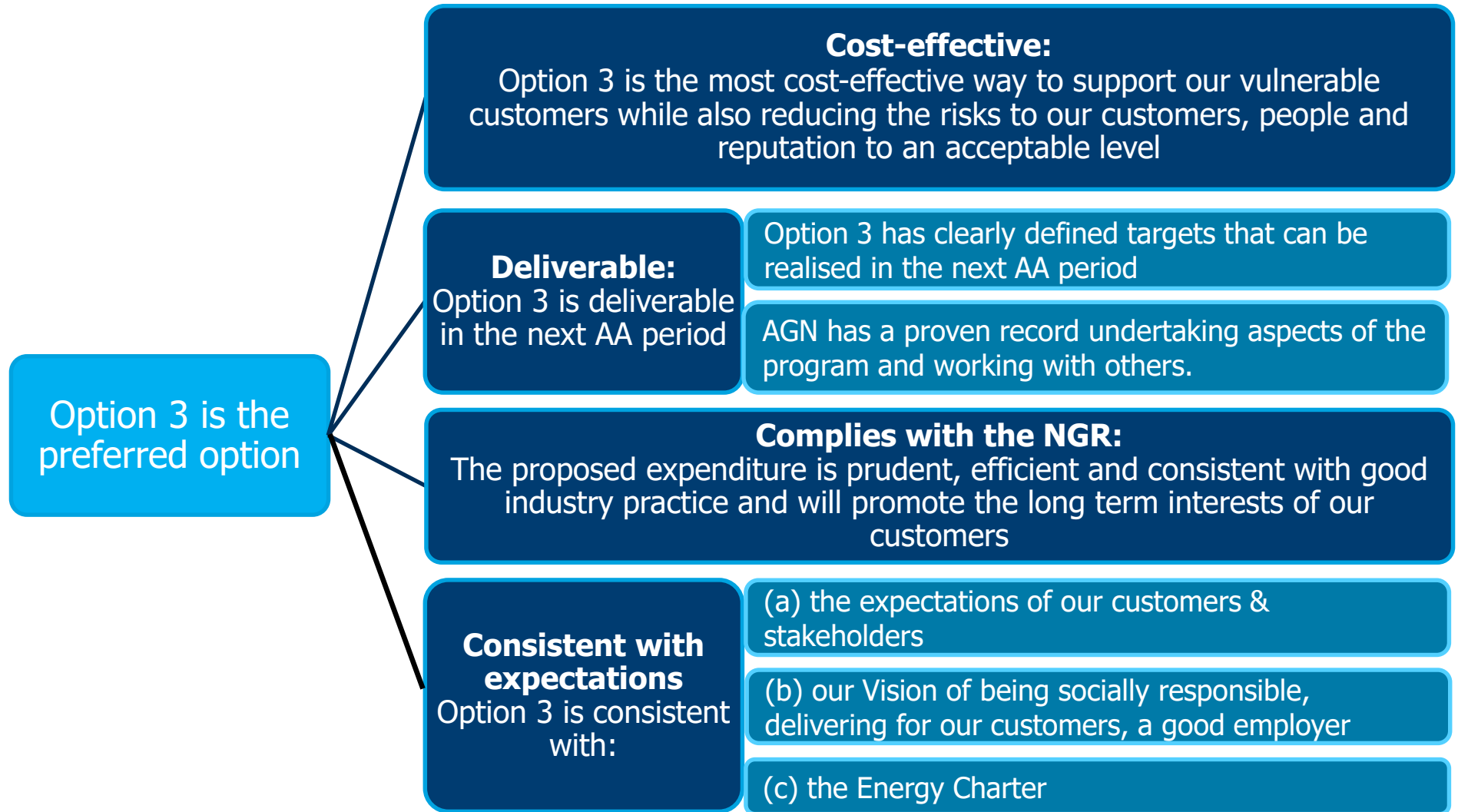
A business case was conducted to examine the costs, benefits and risks associated with the three options

VCAP | Options analysis

Option 1	Option 2	Option 3
Costs: \$0 upfront costs, <u>but</u> potentially large indirect costs associated with risks: <ul style="list-style-type: none"> • inadvertently exacerbating the disadvantage facing our customers • OH&S issues for our frontline staff • compensation and other costs resolving complaints & OH&S issues. 	Costs: \$1.2 m p.a. (~\$2.40 per customer p.a.)	Costs: \$0.75 m p.a. (~\$1.50 per customer p.a.)
Benefits: <ul style="list-style-type: none"> • Moderate improvement to customer experience • Moderate improvement to empowering customers through energy literacy programs, outreach initiatives and advocacy • Moderate improvement to employee OH&S 	Benefits: <ul style="list-style-type: none"> • Material improvement to customer experience (benefit marginally higher under option 2 because the dedicated VC unit will have 2.5 staff) • More rapid complaints resolution • Lower financial barriers to accessing safe, reliable & efficient appliances • Moderate improvement to empowering customers through energy literacy programs, outreach initiatives and advocacy* • Material improvement to employee OH&S 	Benefits: <ul style="list-style-type: none"> • Material improvement to customer experience • More rapid complaints resolution • Lower financial barriers to accessing safe, reliable & efficient appliances • Moderate improvement to empowering customers through energy literacy programs, outreach initiatives and advocacy • Material improvement to employee OH&S
Residual risk: Moderate	Residual risk: Low	Residual risk: Low

* While it is possible under Option 2 that the dedicated education and public engagement centre could give rise to additional benefits, it unclear how material these would be relative to the education and outreach initiatives assumed in Option 1.

VCAP | Option 3



The forecast cost is also in line with what customers told us they are prepared to pay to provide this type of support (i.e. \$1-\$2 per annum)

VCAP| New services for those who are vulnerable



Do you have any questions or further feedback on the service offering in our business case?



Free gas safety appliance checks, for around 2,000 South Australian householders – keeping our customers safe



During a planned or unplanned outage we will provide tailored support, such as temporary cooking, heating or washing needs.



We will help engage, identify and refer vulnerable customers for support, as AGN field crews have face to face interactions with customers and the community.

Financial support of up to \$1,250 for switching to more efficient gas appliances for customers to help manage their bills



Vulnerable customers can access funding (\$500,000 over the period) for emergency appliance repairs, keeping those in need connected



Customers who are vulnerable will only tell us their story once and our call centre and field crews will provide a tailored service

VCAP | Customer scenarios



Scenario	Customer service (VCAP)
AGN Fault & Emergency crew attend a premise and identify fault in customer's heater	<ul style="list-style-type: none">✓ The customer is an older man living alone, and is not able afford to repair the heater due to financial hardship✓ The field crew request customer's approval for referral to VCAP, who arrange for a Trade panel gas fitter to attend site and repair the heater at no cost✓ We will provide the customer with referrals to their retailer and other support services✓ Now on VCAP, customer details will be flagged in our CRM
A customer contacts AGN call centre with concerns about a planned gas interruption.	<ul style="list-style-type: none">✓ Using appropriate questioning, the trained call centre agent establishes the customer has health issues and requires continuous heating✓ The agent also establishes no safety check has occurred at this premise for some time✓ AGN arranges for temporary electric heating to be available for the planned interruption and organises a Trade Panel fitter to complete an appliance and CO check at the premise✓ Now on VCAP, customer details will be flagged in our CRM

Responding to Feedback

Feedback | Relationship to other programs

You told us you are keen to understand how VCAP would interrelate with other hardship and social service sector support



How does VCAP interrelate with the State Government's energy bill concession, and to what extent duplication can be avoided in either paying or assessing eligibility for such support mechanisms?

Does the Vulnerable Customer Assistance Program duplicate similar programs by retailers and charities.

How do the initiatives align with those that retailers already have in place?

Who the customer interfaces with the most on vulnerability issues? Are customers more likely to seek assistance from retailers or a distribution network who do not always have a direct relationship to the customer.

Are the current initiatives that AGNSA undertakes adequate?

Vulnerable customers | Support services in SA



Are there other support services available that should be included in relation to supporting vulnerable customers?

SA Government

- **Energy concession** up to \$232 over 20/21 for low or fixed income earners to help with energy bills
- **Medical heating and cooling concession** up to \$227 for low or fixed income earners with a medical condition who require frequent use of heating and cooling

Retailers

- **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**
- **Retailer Energy Efficiency Scheme** (administer via ESCOSA) – offering free or discounted energy saving activities, home energy audits

Community/ not for profit organisations

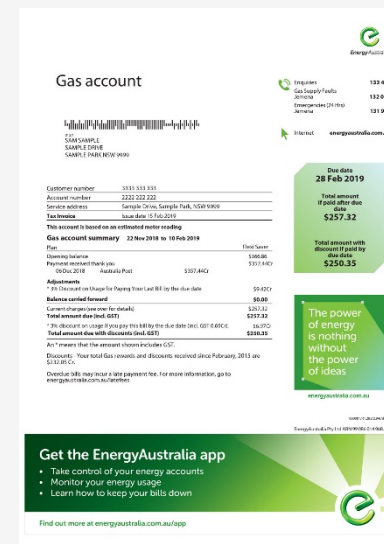
- **Financial counselling services**
- **Partnerships with retailers** – e.g. AGL, Uniting Communities (2018) – home energy audits and appliance replacements of up to \$1000
- **Other broader social support programs**

AGN Customers | Touchpoints



Distributor (connect & supply)

- A new connection
- Rebates (new connections)
- An outage (planned or unplanned)
- Faults and emergencies
- Meters (meter reading, access)
- Capital works (in local streets)
- General enquiries/ complaints



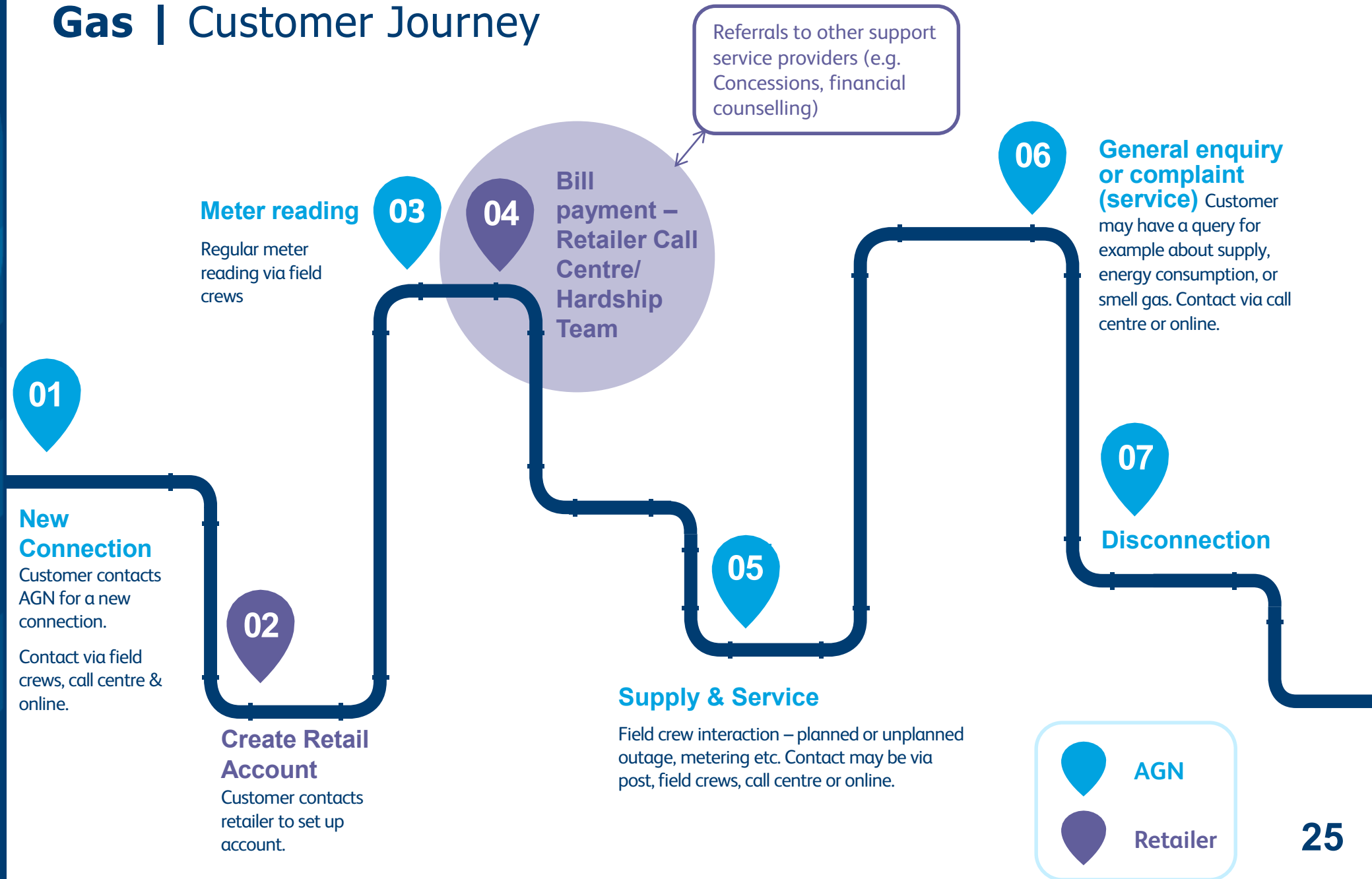
Retailer (billing)

- Establish a new account
- Receiving and paying a bill
- Energy deal/ discount arrangements
- Energy efficiency advice
- Payment plans & enquiries
- Hardship assistance
- Billing complaints

Gas | Customer Journey



Where do you see opportunity for AGN to better support customers who are vulnerable?





Are you comfortable with the information we have presented and our approach?

Do you have any further suggestions?

Feedback | Relationship to other programs

We intend to further engage with others to refine the relationship with VCAP and other programs.

We think there is opportunity for:

- AGN to provide services in the supply chain (where they have contact) which can assist vulnerable customers
- Be a point of referral to others (e.g. Government concessions, retailer hardship)
- Delivering our support programs in partnership with others (e.g. community partners)

Feedback | Program design

Along with the support for the program, you have questioned what is the right mix of support services – cost-effective, fit for purpose and appropriate.



Stakeholders supported improved communication with customers, dedicated vulnerable support role (policy development and leading practice) and a priority services register with tailored services.

Have you considered products and services that are tailored to vulnerable customers, training programs for frontline staff, further dispensation for disconnections if affordability issues arise?

Is the additional role overlapping to what might be achieved through the proposed upgraded CRM? Could an existing CRM system already capture the information required for a priority services register?

To what extent does the dedicated customer service role add value?

Is a priority services register a fit for purpose solution?

Are rebates to switch to more efficient natural gas appliances prudent given the uncertainty in the future of gas?

Feedback | Program design



How should we ensure our program design has the right mix of services?

Which elements do you think are the most important?

We think there is opportunity to trial, test and refine the program in the first 12 – 18 months in particular:

- The uptake and success of support programs (safety checks, emergency repairs)
- Identify opportunities for tailored services (the dedicated role is critical)
- Working together with retailers and community organisations

Based on feedback on the submissions, we are considering:

- Including training for field based staff (good idea!)
- Our disconnections policy, considering learnings from COVID
- CRM requirements for the program
- How we measure the success of the program

VCAP includes:

- ✓ A dedicated vulnerable customer role
- ✓ A priority services register using an upgraded CRM system
- ✓ Gas appliance safety checks and emergency repair assistance
- ✓ Support to help access to more efficient appliances

Feedback | Cost to customers

You told us you wanted to understand how the program could and should be funded.

"We don't disagree that vulnerable customers need to be supported, but we are always mindful that this occurs in the most efficient manner. "

Business SA



To what the extent is AGN currently resourced to support vulnerable customers (noting Energy Charter)?

Shareholders should make a contribution to the cost of this program, it should not be paid for entirely by customers

Should some of the marketing budget be applied to the vulnerable customer plan and reduce the bill impact for customers?

What would be the bill impact for medium to large business customers?

Is it more efficient to require retailers to expand on their existing programs, and also compared to a deeper price cut.

Feedback | Cost to customers



Given the information presented today, do you think the VCAP funding model we have proposed is appropriate?

VCAP has a cost impact of \$1.50 per annum on the annual residential bill

- We have committed to improve our services within BAU functions such as communications and processes
- The program operating expenditure cost is \$750,000 per annum
- If not included in our proposal, the price cut would be 0.1% more

You asked...

- Could we reallocate marketing budget?
- Could we ask our shareholders to fund part of the scheme?
- Is it more efficient for retailers to fund the scheme?

**Do you have any other
questions or feedback?**

Next Steps

VCAP | Next steps

- We will submit our revised Final Plan to the Australian Energy Regulator in January next year
- Our engagement reports and information supporting our Draft Plan are available on gasmatters.agig.com.au
- Thank you for your participation

What advice do you have for us moving forward?

Are you interested in continuing to engage with us going forward?

Stay involved! Sign up to Gas Matters
[**gasmatters.agig.com.au**](https://gasmatters.agig.com.au)

