



# **AGN SA Access Arrangement (July 2021 – June 2026) AER Public Forum**

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**July 2020**



## Business Update

#### LEGEND

- Transmission pipelines
- Distribution networks
- Gas distribution area
- Storage
- Electrolyser planned/ under construction

#### Customers

2.0+ million

#### Distribution

34,753 km

#### Transmission

4,321 km

#### Storage Facilities

57PJ

#### Area

National

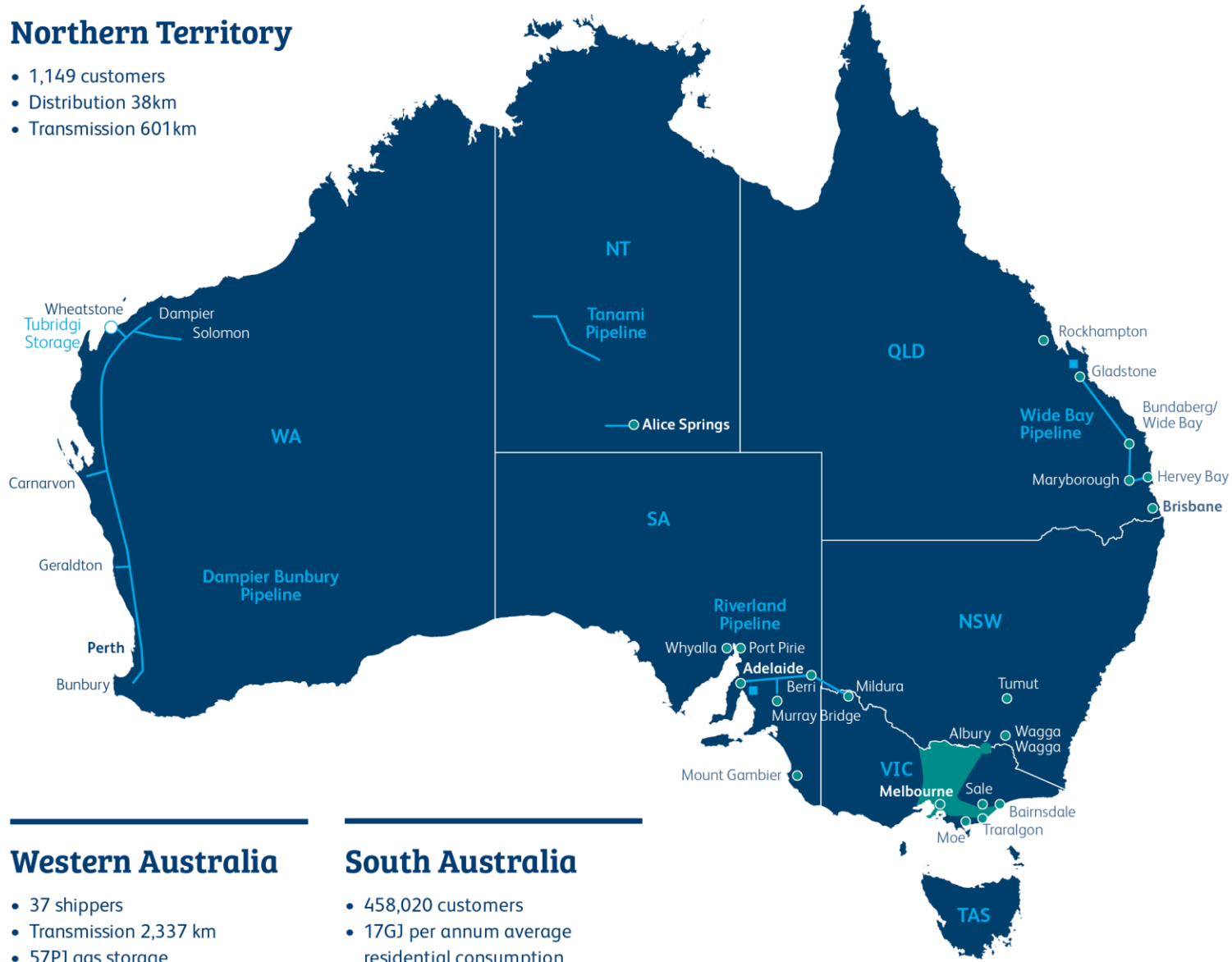
#### Asset Value

\$8.5 billion



## Northern Territory

- 1,149 customers
- Distribution 38km
- Transmission 601km



## Western Australia

- 37 shippers
- Transmission 2,337 km
- 57PJ gas storage

## South Australia

- 458,020 customers
- 17GJ per annum average residential consumption
- 90%+ penetration
- Distribution 8,180km
- Transmission 481km

## Queensland

- 105,878 customers
- 8GJ per annum average residential consumption
- 30%+ penetration
- Distribution 3,090km
- Transmission 314km

## New South Wales

- 59,942 customers
- 38GJ per annum average residential consumption
- 90%+ penetration
- Distribution 1,997km
- Transmission 85km

## Victoria

- 1,409,093 customers
- 51GJ per annum average residential consumption
- 90%+ penetration
- Distribution 21,448 km
- Transmission 503km

Note: Penetration rate is an estimate of the percentage of homes connected to the gas in areas served by our networks

## 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.



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### Delivering for customers

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Public safety

Reliability

Customer service

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### A good employer

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Health and safety

Employee engagement

Skills development

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### Sustainably cost efficient

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Working within industry benchmarks

Delivering profitable growth

Environmentally and socially responsible

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## Our Values

They drive our culture, how we behave and how we make decisions.



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### Perform

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We are accountable to our customers and stakeholders, we are transparent on our performance and we deliver results. We continuously improve by bringing fresh ideas and constructive challenge.



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### Trust

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We act with integrity, we do the right thing, we are guardians of essential Australian infrastructure. We act in a safe and professional manner and we take a 'no surprises' approach.



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### Respect

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We treat our customers and our colleagues the way we would want to be treated, and we embrace and respect diversity.



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### One Team

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We communicate well and support each other, and we are united behind our shared vision.

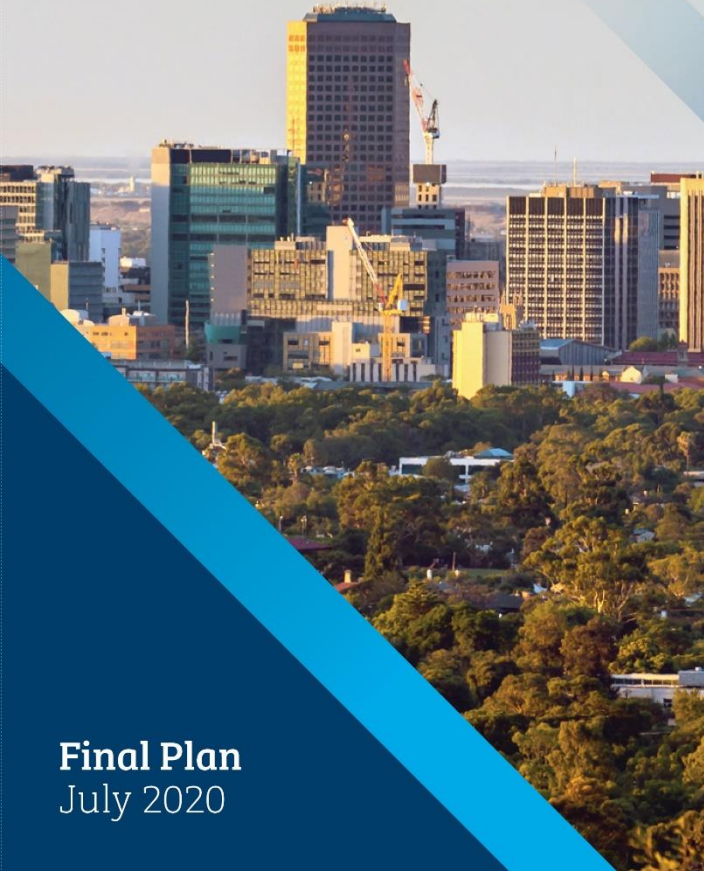


# Final Plan Overview



# Five year plan for our South Australian network

July 2021 - June 2026



# Final Plan

2021/22 – 2025/26

**Customers are at the  
centre of our planning  
in South Australia**

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## Our customers and stakeholders value:

- Maintaining a high level of community safety and reliability that our customers expect
- Sustaining our strong track record of customer service
- Keeping costs low, while still investing for the future

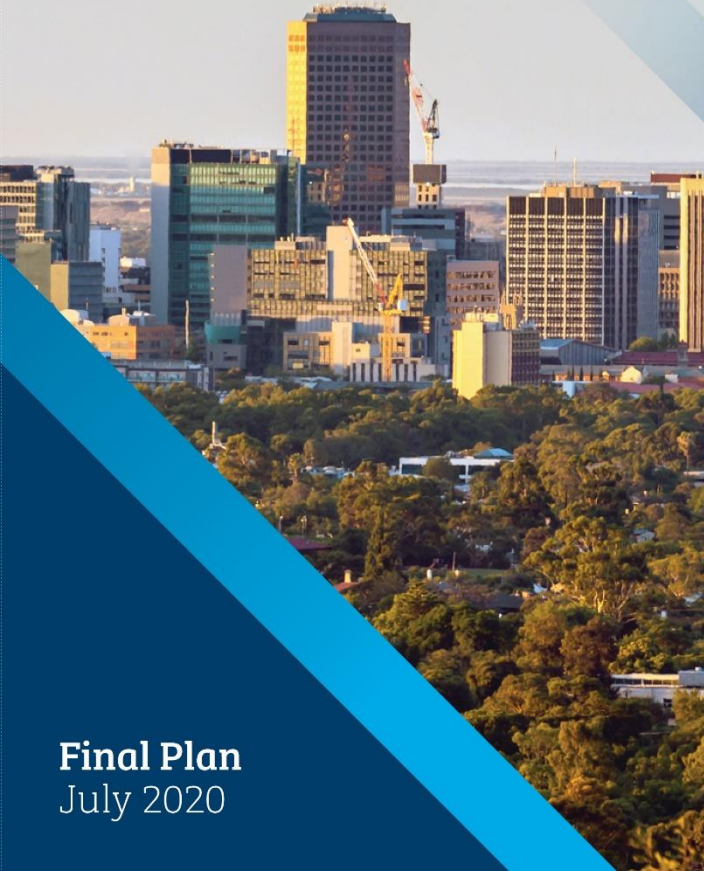
**Lower  
prices**

**7%**  
↓

**price cut  
from 1 July 2021  
(after inflation)**

# Five year plan for our South Australian network

July 2021 - June 2026



## Our plan from July 2021



### Delivering for customers

**39,000**

new connections

**>8.2**

customer satisfaction

public leak  
reports within **2 hours**

>95% and 100% compliance  
with Leak Management Plans



### A good employer



Top decile  
employee engagement

**>99%**

mandatory  
training compliance



Target Zero Harm  
across our operations



### Sustainably cost efficient



Stable operating and  
capital expenditure



Initial investments to secure  
the long-term future of the SA  
distribution network

**860 km**  
of mains replacement

completing the replacement  
of our highest risk mains



# SA AA | Engagement Overview

This has been our most extensive customer and stakeholder engagement program to date

Iterative workshops with customers allowed us to develop and refine our proposals over time



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



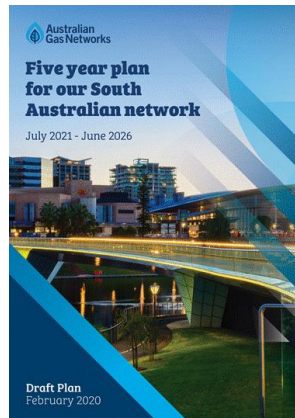
11 South Australian Stakeholder Reference Group Meetings and Workshops



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



9 Retailer Reference Group Meetings and Workshops



Online engagement via Gas Matters



We regularly reported on feedback we received and how we responded



## SA AA | Key Customer Engagement Outcomes

**Our Final Plan  
responds to  
customer  
needs and  
expectations  
for services –  
now and in the  
future**

- Price and affordability is the most important issue for customers, and customers welcome the price cut
- AGN is trusted for its delivery of safe, reliable gas and customers expect us to maintain these standards
- Customers value current customer service levels but expect digital services be introduced in a cost effective way
- Environmental sustainability is a high priority for customers (87%), and there is a high level of support for investment in renewable gas to replace lost gas
- Customers support AGN investment in innovation
- Customers support investment in assisting vulnerable customers and consider this responsible business

**96% of customers supported or strong supported our Draft Plan and we have broad support from our stakeholders**

## SA AA | Feedback on Program

### We received positive feedback on our engagement program from both customers and stakeholders

- More than 90% of customers and stakeholders told us our program was
  - ✓ Inclusive
  - ✓ Transparent
  - ✓ Well run
  - ✓ High standard
- 98% of customers felt they had the opportunity to have their say
- CEO and Executive Management attendance at all customer and stakeholder workshops
- Around 20 AGN staff actively participated

**“The best engagement process in thirty years that I have had the pleasure of attending. Excellent presentation, well run, best organised and very inclusive...”**

SAFFRA



**“Good representation of management, it always feels like you are part of change”**

Customer workshop participant

## SA AA | Evolution of our Final Plan

**Our Final Plan is consistent with our Draft Plan and responds to the feedback we received on price/affordability, customer led initiatives, considering the impacts of Covid and productivity growth**

(\$2020/21, million)	Draft Plan	Final Plan
Rate of return (%)	4.72%	4.40%
Capital Expenditure	579	579
Return on Asset	425	387
Depreciation	464	506
Tax Allowance	0	0
Operating Expenditure (excl ARS and debt raising)	354	357
EBSS Carryover	37	12
Revenue	1,095	1,070
Initial Price Cut (% real)	7.9%	8.7%
(% nominal)		6.5%

### Lower revenue requirement resulting in an increased price cut

- Lower Rate of Return
- No change in total capex (but program has been refined and we have delayed the moving of some overheads to opex)
- Minor increase in opex, includes new initiatives tested with our customers
- Totex flat despite servicing additional 30,000 customers
- Increased depreciation
- Productivity factor of 0.4% pa applied (up from 0%)
- Covid impacts on connection growth in 2020 considered





# Delivering for Customers | New proposals





Ongoing engagement with stakeholders and customers will be part of the program's development

# Vulnerable Customer Assistance Program

## We are proposing a Vulnerable Customer Assistance Program as part of our operating expenditure

- ~\$780,000 pa or \$1.50 per customer pa
- The Program was developed following co-design workshops with a range of experts in late 2019
- We will establish a dedicated vulnerable customer services and complaints management role, introduce a range of priority services including the provision of advance notice of planned outages, priority support in an emergency and a dedicated liaison person where required (managed through an upgraded Customer Relationship Management (CRM) system)
- Funding for gas appliance safety checks, emergency appliance repairs and rebates to access more efficient appliances
- We intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the assistance we provide is best practice and appropriately targeted



75% of customer workshop participants are either supportive or strongly supportive of a customer assistance program.

The following key themes emerged as priorities for AGN from the co-design process:

- understanding customers better
- doing more in the community through public engagement, education, and outreach programs
- being proactive in situations where customers are vulnerable
- being present in the affordability debate.

# Digital customer experience project

**We are proposing to provide more digital services, enhancing two-way interactions and customer notifications**

- ~\$280,000 pa opex and \$2 million total capex or ~\$1.50 per customer pa
- We will implement a CRM and self service to capture, track, respond to and update customers on enquiries and requests
- This follows testing of potential functionality with our customers
- When we spoke to customers, they told us a more simple, web-based self-service for common and frequent enquiries and requests was likely to meet their requirements, with many considering full SMS capability (at a much higher bill impact) was not seen as value for money



Customers support AGN's proposal to invest in digital communication and customer services in a cost effective way, with varying individual preferences for specific functionality

# Network Innovation Scheme

**To support innovation in our gas network, we are proposing the introduction of an Innovation Allowance**

- \$2.5 - \$5 million or \$1-2 per customer pa
- Stakeholders and customers support investment in innovation with almost 8 in 10 customers either supportive or strongly supportive of AGN investing in innovation
- The Innovation Allowance will provide a clear framework (including rules and requirements) for funding of innovative projects
- Over the coming months we will undertake wider industry engagement, including with other gas distributors, to inform the appropriate design and scope of the Innovation Allowance

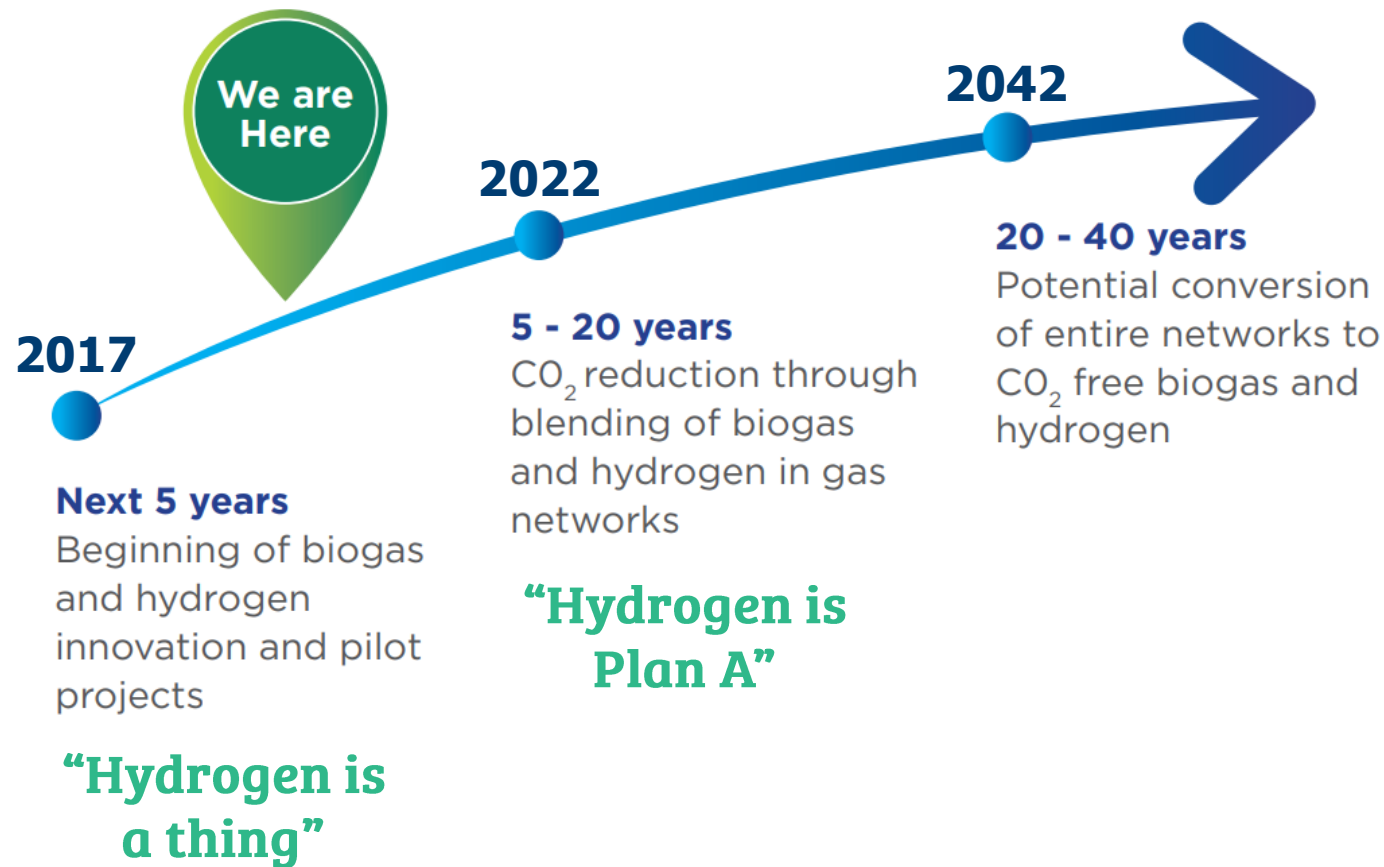


87% of customers support a small price increase to better support investment in innovation projects. 54% indicated they would be prepared to pay a price of \$2 per annum for an innovation fund

Customers told us the importance of innovation is that it contributes to finding better, more effective and efficient ways of providing services to customers

# The Future of Gas | Gas Vision

While the future of gas is uncertain, we are tracking in line with the roadmap outlined in Gas Vision 2050



We are continuing to deliver Gas Vision 2050



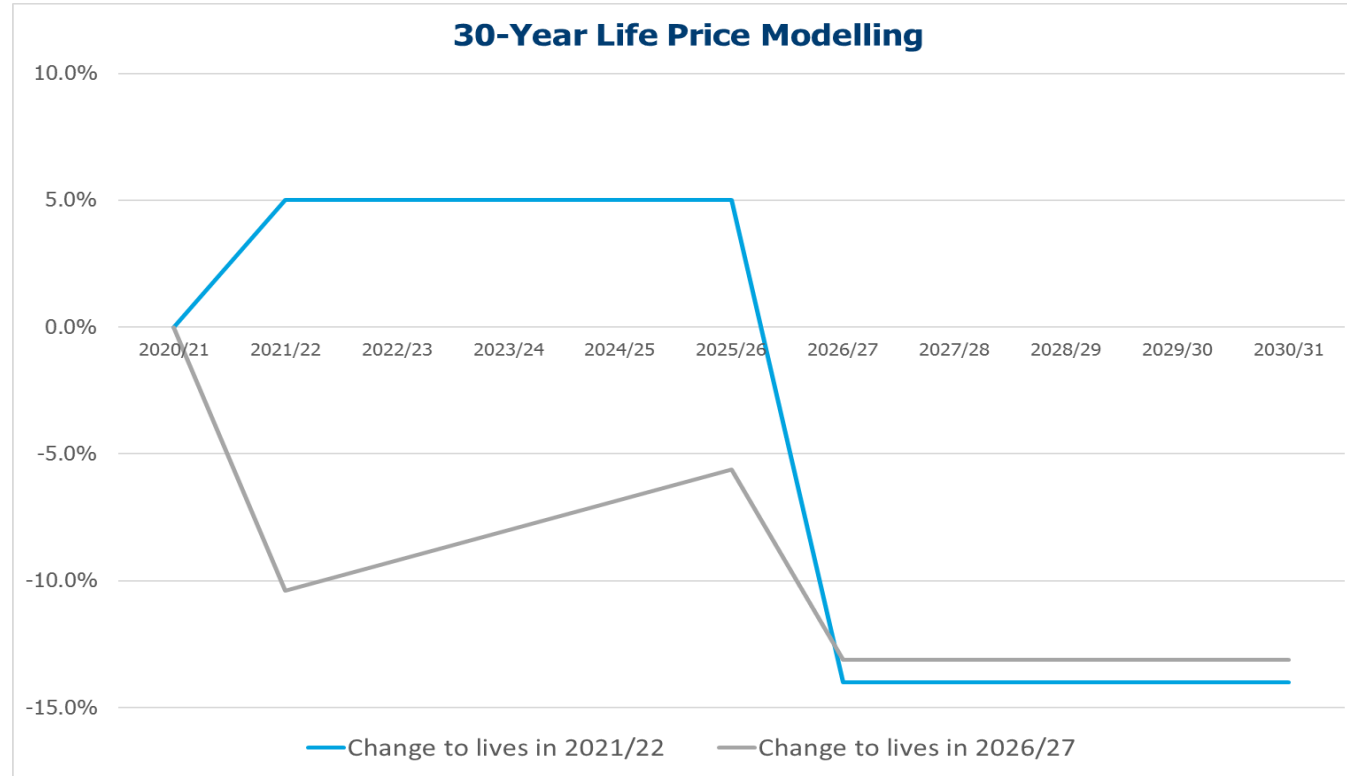
- Released in 2017, Gas Vision 2050 highlights how gas can contribute to a cleaner energy future
- It highlights a timeline for achieving this future
- We are midway through the first phase – delivering demonstration projects



# Final Plan | 30 Year Life - Price Path Modelling (before inflation)

Adopting asset life adjustment now in South Australia would deliver price volatility over two periods

Modelling indicates an asset life adjustment can be made in five years time, while still delivering a price reduction



- Acting now would deliver an approximate 5% increase, and then a 19% decrease – a “price rollercoaster”
- Delaying adjustment will allow for consecutive price cuts of 10% and 8% - a much smoother ride for customers, and ongoing customer growth

# Gas Vision 2050 | Delivering the Vision – Phase 1

Delivering projects across the country and across the gas value chain



## Possible: Storage Feasibility

- H<sub>2</sub> storage capabilities at Tubridgi

## Hydrogen Park Gladstone



- 175kW electrolyser
- 10% H<sub>2</sub> to homes and businesses
- Online: End-2021

## Australian Hydrogen Centre

- 10% and 100% blending in SA and VIC feasibility
- Socialise HyP SA learnings

## DBP Feasibility Study

- 18 month study
- Technical feasibility
- Regulator roadmap



## Hydrogen Park South Australia

- 1.25MW electrolyser
- 5% H<sub>2</sub> to >700 homes
- Online: Mid-2020
- Expansion: Industry, refuelling



# The Future of Gas | UAFG



## Following strong customer support, we are proposing to start the transition to a low carbon future by blending renewable gas in the network to supply UAFG

- This was the highest ranked option of those we tested with customers during our phase 3 workshops
- We are actively pursuing this opportunity with interested third parties, and will keep our stakeholders and the AER updated as the matter progresses, including on price impact
- Although our negotiations are currently ongoing with a biogas supplier and a large energy retailer, early indications are that the price differential will be at the low end of the \$1.50 to \$5.50 range, or potentially even less than \$1.50
- This is a key strategic initiative supporting our role in a low carbon energy delivery future
- Our approach aligns with the framework we have proposed for dealing with the current uncertainty over the future role of gas and differs from the shortening of asset lives approach proposed by other distributors

87% of participants in customer workshops reported that finding ways to lower carbon emissions is very or extremely important to them.

84% of customers supported or strongly supported investment in renewable gas for UAFG at a cost of \$1.50 – \$5.50 on the average annual bill.

**Consistent with Gas Vision 2050, we are undertaking further initiatives to progress the transition to renewable gas**

# Final Plan | Ongoing engagement




We are committed to ongoing stakeholder engagement to ensure we understand and are responding to the priorities of our customers and stakeholders.

Activities	Dates
Wide distribution of Final Plan	Jul 2020
Online engagement via Gas Matters	Ongoing
Combined SARG / RRG Meeting	Post Final Plan submission – 4 Aug* Post AER Draft Decision – Nov 2020* Post AER Final Decision – Feb 2021*
Ongoing engagement with SARG and RRG (regulatory updates and BAU engagement)	4 to 6 a year
Further engagement on specific initiatives including our vulnerable customer assistance program and innovation scheme	Now to December 2020

\* Dates are indicative



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