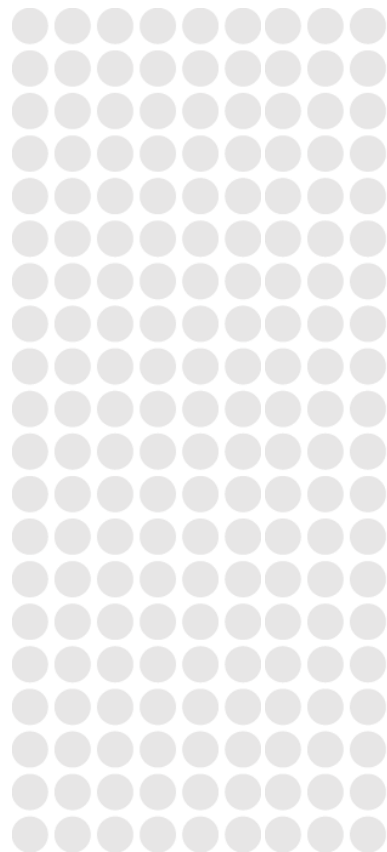




December 2016

victorian transmission system consumer engagement plan

Phase 1 - Consumer identification and current levels of engagement



energy. connected.

Contents

1	Introduction	2
2	Users of our Services	3
2.1	Direct users of the system	3
2.1.1	Representatives of direct users of the system	3
2.2	End users of gas	4
2.2.1	Representatives of end users of gas	4
2.3	Preliminary conclusions on targeting consumer engagement	5
3	Current levels of engagement	6
3.1	Direct users of the system	6
3.1.1	Engagement – direct account management	6
3.1.2	Engagement – day-to-day operation of the system	6
3.1.3	Engagement – capacity development	7
3.1.4	Engagement – information sharing and publication	8
3.1.5	Engagement – new services	8
3.2	End users of gas	9
3.2.1	Engagement – working groups	9
4	Next steps	11



1 Introduction

As a major national gas transmission service provider, APA play a critical role in providing safe and secure gas transmission services to gas users.

In Victoria, and in respect of the regulated Victorian Transmission System, this role has historically been focused on providing gas transportation services for the benefit of residential, small business, and industrial customers located in Victoria.

An emerging feature of the east coast gas market, and for the Victorian gas transmission system, is in the services it provides to gas users that are not located in Victoria, by transporting gas produced in the offshore Victorian gas production areas to customers located within the interconnected east coast gas market, as far north as Gladstone in Queensland.

The users of our system and the end users of the gas it transports are diverse and geographically spread – they are no longer limited to the end users of gas located in Victoria. This is key challenge for APA VTS in developing a meaningful and targeted approach to engaging with relevant consumers.

This document is the first part of a Consumer Engagement Plan for APA VTS. It focuses on identifying relevant consumer stakeholders and potential approaches for engagement. APA VTS considers this plan to be a 'work in progress', and welcomes input on the further development on this plan.

2 Users of our Services

2.1 Direct users of the system

The direct users of the Victorian Transmission System are market participants of the Declared Wholesale Gas Market. These are:

- Small retailers
- Large retailers
- Gas producers
- Large industrial customers
- Gas-powered generators

With the exception of some industrial customers, most of these market participants also have operations in at least one other jurisdiction, and some operate across the whole east coast gas market.

These users of the Victorian Transmission System are highly knowledgeable of gas market arrangements, and have in place contracts and arrangements with producers, gas transmission service providers, and in some cases end users of gas.

2.1.1 Representatives of direct users of the system

Many market participants are also members of, or indirectly represented by various energy industry associations and user groups. These groups are diverse, and they include:

- *Australian Energy Council*, representing major electricity and downstream natural gas businesses, such as retailers and gas-fired generators
- *Australian Petroleum, Production and Exploration Association*, representing gas producers
- *Major Energy Users*, representing large consumers of energy
- *Energy Users Association of Australia*, representing all energy users (large and small)

There are also broader business representative groups, such as the Business Council of Australian and the Australian Chamber of Commerce and Industry, that represent businesses more broadly, as well as targeted industry representative groups such as the Plastics and Chemicals Industry Association.

2.2 End users of gas

The direct users of the Victorian Transmission System can also be end users of gas. As end users they can be located in Victoria, or can be transporting gas for their own use at one or many locations in the east coast gas market. These end users include:

- Gas-powered generators
- Export LNG producers
- Industrial customers that use natural gas as a feedstock
- Large industrial customers that use natural gas for combustion

End users of gas can also be users that have gas transported on their behalf by aggregators such as retailers. These end users of gas can again be located in Victoria, or can be located at one or many locations on the east coast of Australia. These end users include:

- Residential and small business customers
- Small and large industrial customers.

These end users of gas have varied knowledge of gas market arrangements. End users that are also direct users of the transmission system are highly knowledgeable, while non-direct consumers can have very limited knowledge.

2.2.1 Representatives of end users of gas

Residential and small business customers are represented by a variety of bodies. Some of these bodies are charities, and others are supported directly by their membership. They generally represent specific types of customers such as the elderly, low income, small business or residential. These groups include, *inter alia*:

- *Public Interest Advocacy Centre*

- *Energy Consumers Australia*
- *Uniting Communities*
- *Energy Users Association of Australia*
- *St Vincent de Paul Society*
- *Ethnic Communities Council*
- *Total Environment Centre*
- *Australian Council of Social Services*
- *Consumer Utilities Advocacy Centre*

Larger end users are represented by bodies such as the Major Energy Users and the Australian Industry Group.

There is great diversity in knowledge and engagement across these groups in gas market arrangements and the gas transmission sector. They range from highly engaged and knowledgeable, to limited engagement and knowledge behind high level bill impacts on households.

2.3 Preliminary conclusions on targeting consumer engagement

For consumer engagement on issues relevant to the Victorian Transmission System, it would appear appropriate to develop differing plans for engagement of direct users of the system compared to end users of gas, particularly small end users.

As the number of direct users of the system is relatively low (there are under 25), it would appear appropriate for APA VTS to seek to directly engage with this group.

In respect of end users of gas, to the extent that they are not also users of the system, engagement through various representative groups appears appropriate. This approach appears to balance the desire to engage with small end users to gather input and feedback relevant to APA VTS's business operations, with some of the practical limitations of gathering that feedback where it is difficult to identify actual customers (particularly where they are located outside of Victoria).

3 Current levels of engagement

This section describes APA's current levels of engagement with consumers as a base for considering future development of the Consumer Engagement Plan.

3.1 Direct users of the system

APA VTS maintains a strong and ongoing relationship with direct users of the Victorian Transmission System.

APA VTS's engagement with these market participants is not limited to the Victorian Transmission System or the access arrangement development process – most of these market participants are APA customers on other east coast pipelines with whom APA has a strong and ongoing commercial relationship.

3.1.1 Engagement – direct account management

As discussed throughout this document, it is the nature of transmission businesses to have a small number of large customers, made up of large direct-connected customers, retailers and other aggregators.

APA has assigned direct account managers to each of these large shippers, who remain in constant contact with these major users. Through this ongoing relationship management process, shippers are able to engage with APA VTS easily and frequently, on a wide variety of issues.

3.1.2 Engagement – day-to-day operation of the system

Shippers of APA pipelines have daily engagement with APA through pipeline nominations and scheduling processes. These are largely managed through APA's web-based management system (APA Grid), which also allows shippers to access historical billing data, and otherwise manage their transportation portfolio.

The unique operating environment of the Victorian Transmission System means that this daily engagement with shippers associated with the operation of the system is not the case for the Victorian System.

The Victorian Wholesale Gas Market is a Declared Wholesale Gas Market (DWGM) under the National Gas Law. The DWGM is commonly referred to as



a 'market carriage' system. This means that pipeline capacity is assigned as a bundle through the outcomes of the gas dispatch process.

As a result, the 'normal' processes of pipeline ownership and management are not features of the relationship between APA VTS and shippers in the DWGM. These functions are all done by the market.

A further feature of the Victorian market arrangements is a separation between asset ownership and asset operation. While APA VTS owns the asset and makes decisions in relation to investment in the system (both augmentation and refurbishment and upgrade), the Australian Energy Market Operator (AEMO) operates the Victorian Transmission System on a day-to-day basis.

This feature of the market means that APA VTS has limited influence in the day-to-day operation of the market. APA VTS's influence is limited to setting the up-front system capability and operating limits for particular assets in the system, under which AEMO, as market operator, must operate those assets.

3.1.3 Engagement – capacity development

A key area of engagement with direct users of the system is in capacity development – understanding and responding to the needs of users for capacity.

While APA has direct commercial relationships with its current customers, APA is always working to engage with future customers and meet their needs. To achieve this, APA has committed to undertake periodic open seasons for developable capacity on all of its pipelines where it is feasible to do so.

The intent of these open seasons is to ensure that all possible demand for new pipeline capacity can be aggregated to deliver an optimal investment project. This allows shippers that may have relatively small incremental capacity needs, which could not in themselves drive or fund an expansion project, take part in a larger expansion project and access available economies of scale of investment in doing so.

APA has already conducted open seasons for the development of the capacity on the South West Pipeline in Victoria and the South West Queensland Pipeline.

APA will continue to conduct open seasons on its pipelines as a way to consult with current and prospective shippers on their future capacity needs,

to assist in the long term planning and development pipeline infrastructure in the east coast gas market.

3.1.4 Engagement – information sharing and publication

Another key area of consumer engagement with direct customers is in information sharing and publication. Our shippers have indicated to us, and through consultation processes by various market institutions, that they value relevant market information.

In a response to this feedback, APA has developed a number of web-based resources for shippers (as well as other interested stakeholders) to access information about APA's pipelines, services and prices.

Our website gives shippers information on pipelines, available capacity, hourly-updated pipeline utilisation, pipeline services, contractual arrangements and transportation tariffs for all APA pipelines that have more than one shipper.

Our Services >

Want to transport, store or deliver natural gas; efficiently manage energy infrastructure or source efficiently generated power? Click below to learn more.

Learn more >

gas transmission >

[gas transmission services](#)
[capacity trading](#)
[indicative transmission tariffs](#)
[gas storage](#)
[east coast grid](#)
[west coast grid](#)
[central region pipelines](#)


gas distribution >


[allgas gas distribution network](#)
[tamworth gas distribution network](#)

asset management >

other energy services >
[wind farms](#)
[electricity interconnectors](#)
[gas-fired power generation](#)

QUICK LINKS

 [APA Grid portal](#)
For online grid services >

 [Capacity Trading website](#)
Online capacity trading services >

3.1.5 Engagement – new services

APA continues to develop new services and offerings on its pipelines. The process of service development is often iterative – it involves building and adapting offerings in consultation with contracting shippers to develop a targeted service that meets their needs.

This process often leads to new services being offered more broadly to other shippers and on other pipelines. APA's in-pipe trade service is an example of a service developed in this way.

3.2 End users of gas

APA VTS has historically had limited engagement with small customers and small customer representative groups. This is because APA has no direct contractual or business relationship with these end users, and therefore has difficulty identifying these users. These users are also geographically dispersed.

As described above, gas supplying a residential customer in NSW may have been shipped on one or more APA pipelines within or outside of NSW, or, alternatively, may not have been shipped on an APA pipeline at all. Identifying opportunities for meaningful, effective and relevant engagement with end users of gas is therefore difficult.

Nevertheless, better engagement with end users of gas has been identified as a key area for development for APA's Consumer Engagement Plan.

3.2.1 Engagement – working groups

APA attends a number of industry working groups to which consumer groups are members. These working groups are largely run by the energy market institutions (Australian Energy Market Commission and Australian Energy Market Operator), and provide a forum for policy development and discussion amongst their members. Importantly, they also provide a forum for sharing ideas and experiences, and building relationships as a basis for future engagement. Some of these working groups are:

- AEMO Gas Market Consultative Forum
- National Gas Emergency Response Advisory Committee
- Gas Advisory Board of WA
- Bulletin Board consultative forum WA
- AEMC working groups on information transparency
- AEMO Gas Supply Hub Consultative Forum
- AEMO Consumer Forum
- AEMC Gas Advisory Committee

APA has recently attended the AEMO Consumer Forum to begin to build relationships with consumer groups that are interested in energy market



issues. Specifically, APA VTS has engaged with this group on the development of the Victorian Transmission System access arrangement.

To date, interest within this forum on the Victorian Transmission System access arrangement development process has been limited. One member of the Consumer Forum advised that this is probably related to the minor impact of gas transmission prices on the end customer bill and the limited resources available to consumer groups. There was also a suggestion that knowledge levels of the gas industry were lower, and this may be impacting levels of engagement.

4 Next steps

APA is committed to developing and implementing an effective Consumer Engagement Plan. We acknowledge that, with respect to engagement with small end users of gas, we are at the very start of this process and there is considerable scope to grow.

APA has identified two initial areas for future engagement that it would like to investigate with consumers:

- **Education**

In light of the above discussion in relation to representatives of small end users, APA has identified the potential to build consumer engagement by increasing general knowledge of the gas sector and how it operates, and APA's places in the sector.

APA is looking at ways it can offer more general or educational information services to small users, both by itself, and through its industry association, the Australian Pipeline and Gas Association. This appears to be an important early step towards more effective and inclusive engagement.

APA's (albeit limited) experience in providing these education sessions to date has been that they quickly move into discussions of policy and regulatory practice. For example they can evolve into discussions about the allocation and sharing of costs, the setting or design of tariffs, or decisions on the long term development of an asset.

As a gateway to further meaningful consultation and engagement, APA considers that starting with an education base has the potential to leverage into strong consultative and collaborate relationships between APA and consumer representatives into the future.

- **Information sharing and publication**

There is always scope to grow and improve our information sharing and publication efforts with our shippers and APA considers this is a key area for future engagement with shippers and end users of gas to identify gaps that APA may be able to fill.



APA would welcome further suggestions for areas of targeted engagement with end use consumers as part of this first step towards increased consumer engagement.

APA envisions that the scope and relevance of engagement will develop over time and in particular become more targeted as end use consumers become more knowledgeable on issues and how they impact on small customers.

The next stages of this Consumer Engagement Plan will involve consultation on this document and proposed steps, and, if endorsed, development of communication tools to deliver the suggestions outlined above.