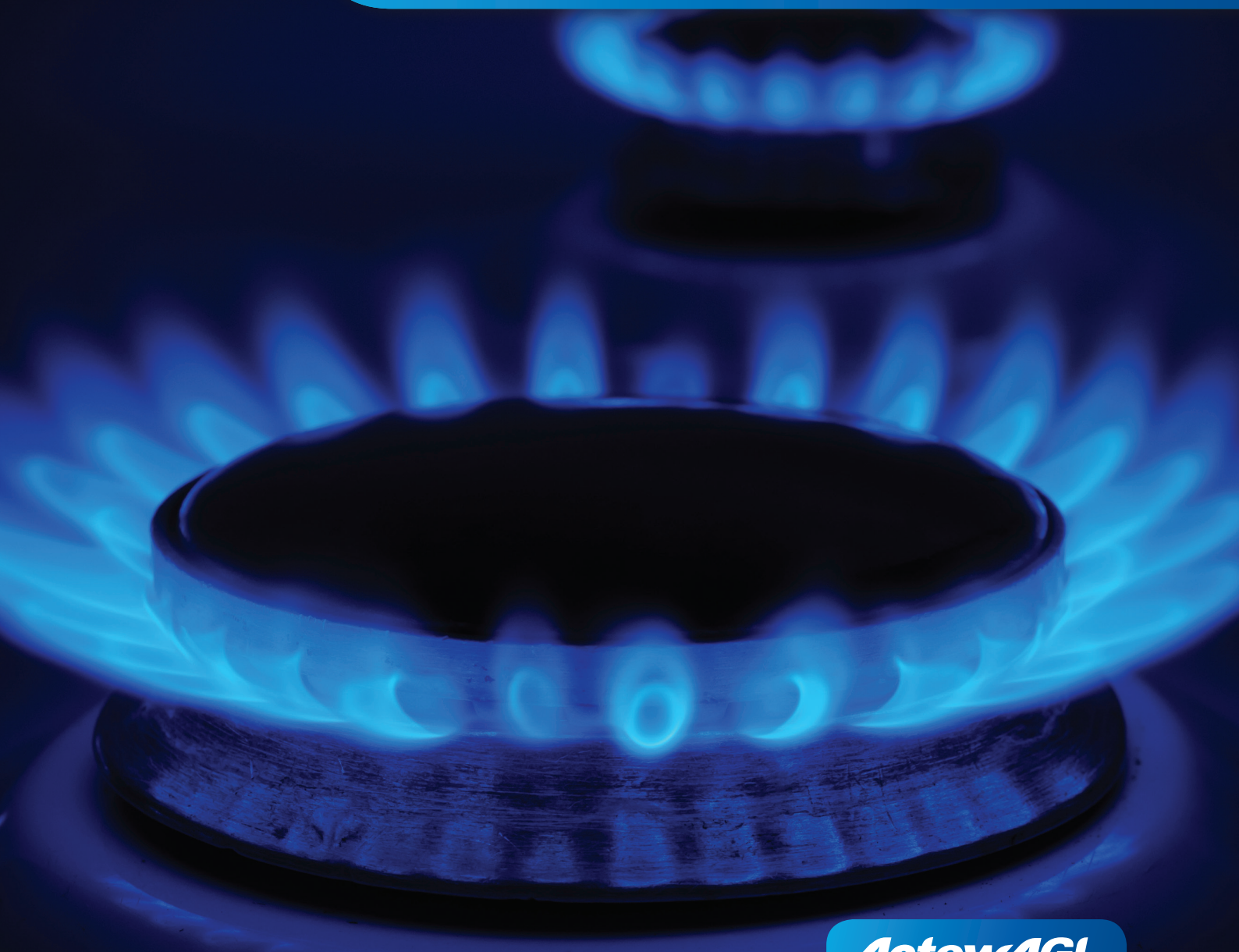


CONSUMER SUMMARY

ActewAGL Distribution Submission to the Australian Energy Regulator for the period 2016-2021

The Gas Network - Our 5 Year Plan



ActewAGL

for you

Inside

Our 2016-21 Plan

What makes up your gas bill?

Our proposal to the regulator

Changing the way we charge for our services

Where to learn more

How you can have your say.

A message from the CEO

ActewAGL and its predecessors have been serving the Canberra region since 1915 when the Kingston Power House was built. In 1981 natural gas supply commenced in Canberra offering our valued customers greater choice. We are proud of the quality service we continue to provide 100 years later, to more than 135,000 customers in Canberra, Queanbeyan and Bungendore.

We recognise the responsibility of providing essential energy services to our region and know that the way we operate our business, and what we charge for our services, can have a significant impact on the community.

This document provides a summary of what we have proposed to the Australian Energy Regulator (AER) with respect to the operation of our gas network business for the five year period 2016-21. The AER will consider our proposals, including our operating and capital expenditure plans for the next five years. Based on our submission, the Regulator will set the gas distribution network prices for 2016-21. Gas network prices represent around 30 per cent of the delivered price of gas in the ACT.

The outcomes from the AER's independent review of our business will impact on all gas consumers within the ACT, Queanbeyan and Palerang Shire. I encourage you to take the time to read this summary. The full submission can be found on our website at actewagl.com.au/consumerengagement

In preparing our submission we have taken into consideration feedback from businesses and the local community. I would like to take this opportunity to thank those that participated in the consultation process, in particular the members of the ActewAGL Distribution Energy Consumer Reference Council (ECRC), led by independent Chairman, Allan Williams.

It is important that we continue the conversation to ensure that ActewAGL Distribution can continue to respond to the needs, expectations and aspirations of our community as we commence our second century of providing safe, reliable and affordable energy services.



Michael Costello, AO
CEO, ActewAGL



Our 5 year plan 2016-21

ActewAGL's vision is to be known as a leader in the utilities industry, safe, reliable, competitive and community focussed.

The ActewAGL Distribution gas business has several strategic objectives to support this vision:

- To maintain alignment with the needs of our customers and on-going developments in the gas market and broader energy market.
- Have a long term focus (beyond this five year plan), recognising the long lives of our assets and the long term investments our customers make in energy appliances and infrastructure.
- Address the long term interests of all stakeholders
 - Customers
 - Community
 - Specific interest groups
 - Our owners and our staff

Our proposed five year plan has been prepared taking into consideration the following changes to the gas markets served by our network:

- Typical residential customer's gas consumption has been declining and is expected to continue to decline as appliances and buildings become more energy efficient.
- Canberra continues to grow and the number of new gas connections each year continues to rise, across new suburbs as well as areas of increasing urban densification.
- There is an increasing number of residential apartment blocks being constructed within Canberra, and these buildings have different requirements with respect to the provision of gas.

We have considered feedback from consumers in the preparation of our five year plan. Over the past six months we have hosted a number of community and business workshops and made several presentations to the ActewAGL Distribution ECRC on key areas of our submission.

What's this document for?

This booklet provides a summary of ActewAGL Distribution's gas five year plan as proposed to the Australian Energy Regulator (Regulator) for the period 2016 to 2021. Every five years ActewAGL Distribution is required to submit a pricing proposal to the Regulator. The Regulator undertakes a detailed review of our submission before determining what changes are required to our proposal. When the proposal is approved this determines the gas distribution prices for the next five years.

ActewAGL Distribution currently has 135,000 residential and business gas customers and manages around 4,900 kilometres of natural gas pipelines. During the preparation of the five year plan, we took the opportunity to speak with a range of consumers and other stakeholders to gather feedback on what is important to customers, including residential, small business, large energy users as well as those more vulnerable in our community. In particular we had several discussions with the ActewAGL ECRC which is made up of representatives of a broad cross-section of consumer and business groups.

This booklet is an important part of providing useful information to our consumers so that they can provide us with regular and on-going feedback. Further information on the full submission to the Regulator, our continuing discussions with the community and the discussions of the ECRC can be found on the ActewAGL website at actewagl.com.au/consumerengagement

During discussions with representatives of our community we heard that our consumers:

- Value safety and reliability
- Want price stability and certainty
- Want to support vulnerable customers
- Are interested in what the long-term energy infrastructure looks like for the ACT
- Are keen to be involved in future energy discussions

Within our five year plan, we have proposed several changes to the services we offer and a restructured approach to pricing that will allow us to be more responsive to the needs of different customers.

Our submission to the Regulator sets out the forecast revenue we require to continue to deliver the safe and reliable services that our customers demand. While our connections are forecast to grow by around 13 per cent over the 5 year period, our forecast revenue requirement for the period (\$333 million) is about the same as the revenue allowance set by the Regulator for the 2010-15 review period when adjusted for inflation. By continually seeking efficiencies, we are able to reduce our operating expenses per customer from an average of \$208 per annum over 2010-15 to a forecast average of \$188 per annum for 2016-21 this is despite some increasing costs outside of our control such as government taxes, which account for about a quarter of our operating expenses.

Our five year plan has seven key priority areas:

5 YEAR PLAN SUMMARY



Commits to listening, providing more information, and increasing the options for our community to comment on what we do.



Ensures that natural gas remains a viable energy source for Canberrans by attracting more customers.



Investigates ways to provide more support to vulnerable customers.



Delivers a level of safety, reliability and service we are proud of and customers expect.



Ensures enough revenue to allow us to maintain our service standards for existing and future customers.



Meets the infrastructure needs of our growing region.



Responds to potential changes to the Australian gas market and the possible impacts on our customers.

What makes up your gas bill?

It is important to note that our five year plan relates only to the network distribution business. ActewAGL Distribution provides energy distribution services to a number of energy retailers including ActewAGL Retail, Origin Energy and Energy

Australia. The retail price of gas is not regulated within the ACT and gas consumers are free to choose their own gas retailer.

In the ACT the average residential gas bill is made up of around 30% distribution charges and 70% retail charges which include the price of the actual gas.



Our proposal to the Regulator

Our five year plan proposal to the Regulator can be found in a submission called Access Arrangement Information for the 2016-21 ACT, Queanbeyan and Palerang Access Arrangement. This submission sets out the terms and conditions of access to pipeline services that will be provided by us to our customers in those regions.

Access to the gas network is governed by the National Gas Rules and the National Gas Law and the Regulator's determination. ActewAGL Distribution must also comply with a range of other regulatory obligations, including technical and safety requirements.

Our proposal covers the following key areas as they relate to our five year plan:

- Performance over the past five years.
- Proposed services policy.
- Forecast operating expenditure associated with managing the network on a day to day basis.
- Forecast capital investment and associated costs of capital funding.
- Forecast connections and demand.
- Anticipated revenue requirement and proposed prices for the next five year period.



Responds to potential changes to the Australian gas market, impact of new technology and the possible impacts on our customers.

Over the past five years we have continued to deliver safe and reliable gas distribution services to our growing customer base, while remaining within the operating expenditure and capital investment amounts approved by the Regulator during the last five-year review.

Customer numbers during this time have continued to grow at an average of around 3 per cent per year. Average gas consumption per customer, however, has continued to decline for both residential and business customers, and overall total annual gas use has been declining since 2011/12.

Falling gas consumption, and a growing number of connections and customers continues to present unique challenges for our business and it is important that we respond to these changing market conditions responsibly.

We also need to take into consideration projected increases in the retail price of gas. While we cannot control the retail price of gas and the network distribution component is less than half the average household bill, we recognise that retail gas prices have an impact on our customers and the amount of gas they will use.



Delivers a level of safety, reliability and service we are proud of and customers expect.

As the population of Canberra and the region continues to grow, we are committed to providing the level of service, reliability and safety that our customers expect.

Over the past five years, we have spent \$134 million managing the day to day operation of the gas network in 2015/16 dollar terms. In the years from 2016-2021 we have forecast operational expenditure of \$144 million, which represents a seven per cent increase from the previous period.

Operating expenditure priorities over the next five years are summarised in the diagram below.



FOR EVERY \$100 OPERATIONAL EXPENDITURE ON THE GAS NETWORK...

\$54

NETWORK OPERATIONS AND MAINTENANCE



Operating the network requires 24 hour 7 day a week monitoring and control. Maintenance is important to ensure the network is in good condition and much of this work involves responding to customer enquiries. This includes providing services requested by customers such as connections, disconnections and special meter reads.

\$17

BUSINESS SUPPORT COSTS



This covers functions such as finance, legal, marketing, as well as costs to develop our five year access arrangement plan and report our performance to the Regulator on an annual basis. A small amount of this expenditure is for engagement with our consumers.

\$25

GOVERNMENT CHARGES



As a gas network provider, we are liable for a number of government charges including the ACT Government Utilities Network Facilities Tax and government levies.

\$5

OTHER OPERATING COSTS



This covers the purchase of a small amount of gas to account for efficient system losses and other gas used to maintain the network.



Meets the infrastructure needs of our growing region.

In addition to keeping the network in good working order on a day-by-day basis, it is important to invest in the long-term infrastructure of the network including connecting new customers, installing new capacity and replacing old network components and equipment.

In the period 2010-2015 we spent \$90.8 million which was around 8 per cent less than the capital expenditure approved by the Regulator. For the 2016-21 period, we have proposed capital expenditure of \$115.6 million.

The capital investment priorities are summarised in the diagram below:



FOR EVERY \$100 CAPITAL INVESTMENT IN THE GAS NETWORK...

\$53

CONNECTS NEW CUSTOMERS



As the ACT and surrounding regions are growing it is important that gas be accessible to new residential and business customers. Connecting new customers also lowers prices by sharing fixed costs across a larger number of customers.

\$17

GROWING OUR CAPACITY



As the number of customers and demand for gas grows, we need to install bigger pipes and new gas pressure equipment to cater for the peak periods in demand, such as the very cold days in winter, when everyone has their heaters on.

\$29

REPLACE AGING INFRASTRUCTURE



To maintain the reliability and safety of the network for the long term we need to continually refurbish and replace infrastructure as it ages. This part of our capital expenditure continues to increase.

\$1

OTHER NON-NETWORK ASSETS



To help us operate the network we invest in areas such as Geographic Information Systems.



Ensures that natural gas remains a viable energy source for our region by attracting more customers.

It is important that we provide gas distribution services to our community in a way that is accessible to all and competitively priced. In order to do that we need to be able to respond to the needs of all of our customer groups, from residential and small business through to our larger gas customers.

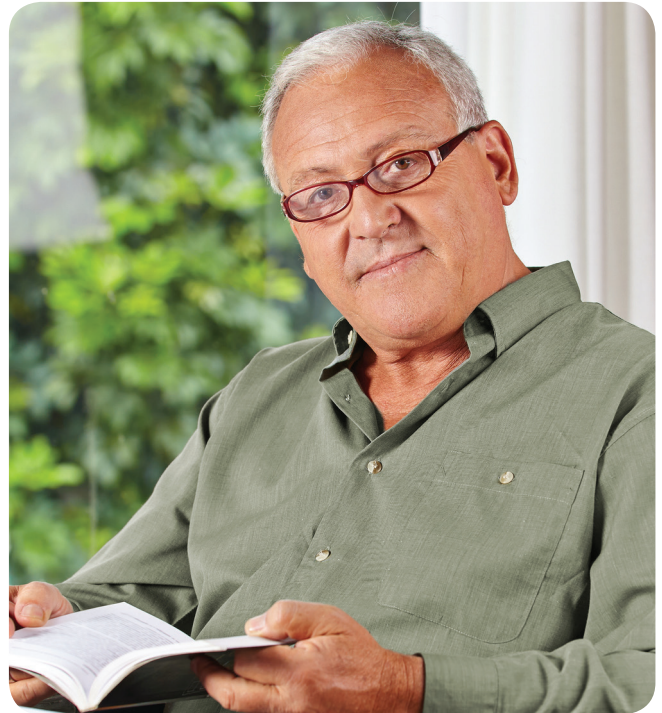
To allow us to better respond to our customer's needs we are proposing to restructure our services and associated tariffs.

We propose to introduce tariffs that specifically relate to residential and a range of business types as described below:

- New pricing options to cover different types of residential customers include:
 - Small residential customer – such as those using gas for cooking only.
 - Medium residential customer – homes that use gas cooking and hot water.
 - Large residential customer 1 – homes with some gas heating as well as hot water or cooking.
 - Large residential customer 2 – customers that have whole of home gas heating, hot water and cooking.
- New small and medium business customer price packages to recognise the different requirements of these customers to residential customers.
- Boundary metering prices for residential and small commercial operators located within high rise dwellings and office blocks.
- New tariffs for large scale energy generators which is an emerging market in the ACT.

The new price packages reduce the fixed costs of accessing the network for small gas users, while charging larger customers a greater fixed price access fee and decreasing the per mega joule cost of gas.

When developing the new pricing structure, we followed a number of key principles, which we discussed with the ECRC and at our community and business workshops:



- **Promote efficient use and growth of our network**

Provide price incentives for new customers and for those customers who utilise our network more efficiently (to help reduce average costs and average prices for all network users).

- **Recover our costs**

Our revenues should recover efficient costs for providing our services.

- **Reflect efficient costs in our tariffs**

To encourage consumers to make efficient decisions on when and how they use gas.

- **Keep gas affordable and competitive**

Stay competitive with alternative energy sources.

- **Promote equity**

Similar customers to pay similar prices and avoid inequitable cost cross-subsidisation between different customer types.

- **Provide stability in our network prices**

Avoid sudden changes in customer bills.

- **Keep our tariffs simple and transparent**

Provide information on the new tariffs and consider customer preferences.

What does our new pricing structure mean for customer prices?

The new price packages will provide more choice to customers without significantly changing individual customer's bills.

The price of gas network distribution services needs to increase to meet the increased operational and capital investment costs. We have proposed to the Regulator that these prices be increased steadily over the five year period rather than making significant price increases at intervals during the period.

Over the five year period it is expected that the average Canberra residential gas network bill will increase by CPI.

The table below shows ActewAGL Distribution's estimates of how network tariffs for different types of customers will move. There is an initial adjustment to catch up the 2015/16 year (which is excluded from the Regulator's price considerations) and then price increases in line with CPI for the remainder of the five year period.

Customer segment	Anticipated change in price of gas distribution	
	FY16/17	FY17/18 – FY20/21
Gas cooking	Decrease	Relatively steady
Gas hot water and/or cooking	Relatively steady	Relatively steady
Gas heating and/or hot water/cooking	Relatively steady or decrease depending on consumption	Relatively steady
Gas whole-of-home heating and/or hot water/cooking	Decrease	Relatively steady
Home business	Relatively steady or decrease depending on consumption	Relatively steady
Small business	Decrease	Relatively steady
Medium business	Decrease	Relatively steady
Major customer	Increase	Increase



Investigates ways to provide more support to vulnerable customers.

We have also given commitments to working with organisations such as the ACT Council of Social Services to better understand the impact of network charges and explore ways that we can better support our vulnerable customers, particularly during the cold winter months.



Ensures enough revenue to allow us to maintain our service standards for existing and future customers.

It is important that our price packages generate enough revenue each year to cover our expected annual operating expenditure and long-term capital investment costs. After considering our submission, the Regulator will determine how much revenue we will be able to collect from our customers.

We believe our five year plan provides an appropriate level of revenue to cover the operational expenses and long term capital investment program outlined in this document, while achieving levels of safety and service our customers need.

HOW CAN I LEARN MORE?



Commits to listening, providing more information, and increasing the options for our community to comment on what we do.

A full copy of our submission to the Australian Energy Regulator can be found on our website at actewagl.com.au/consumerengagement

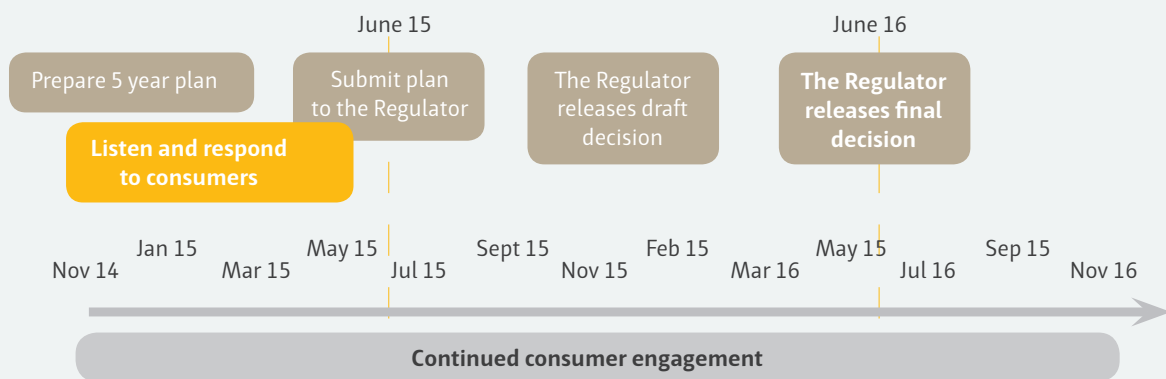
For information on the five-year review process, it may also be useful to visit the website of the Regulator at aer.gov.au

You can still have your say

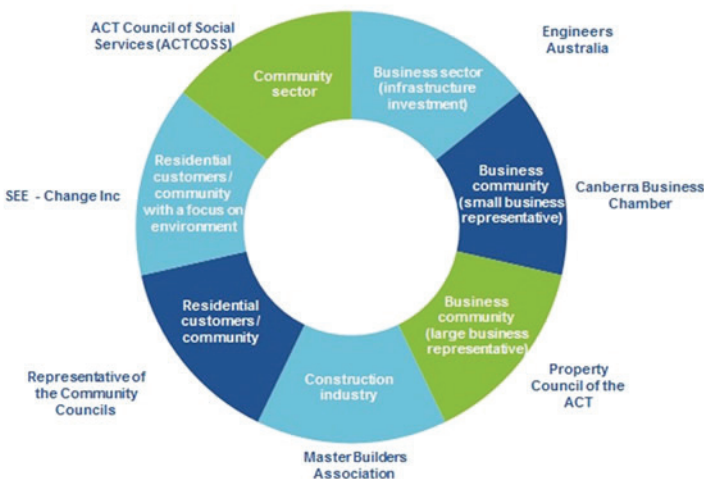
The presentation of our submission to the Regulator is the next step in a continuing conversation we will have with our consumers about the way we operate our business and the level and type of services we provide to our customers.

The timeline below shows there are several opportunities for you to continue to have your say on our five year plan. These opportunities include responding to the Regulator's draft decision which is expected to be released in late November 2015 and providing feedback to us as we prepare our response to the Regulator's draft decision.

Gas Access Arrangements 2016/17 - 20/21



We will continue to provide briefings and seek input from our ECRC which has an independent chair and include representatives from a wide range of community and business organisations from the Canberra region. Members of the broader public are welcome to provide input through one of the community organisations identified below.



WE WILL LISTEN 

You can also provide your comments directly to us by writing to or emailing us at the contact details below:

Peter Cunningham, Branch Manager,
Distribution Strategy and Compliance,
ActewAGL Distribution

consumerfeedback@actewagl.com.au

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