

Attachment 3.2

Australian Gas Networks'
Stakeholder Engagement Scoping
Paper

2016/17 to 2020/21 Access Arrangement Information



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Stakeholder Engagement Scoping Paper

21 October 2014

1. Introduction

1.1 Overview

The Australian Energy Regulator's (AER's) Customer Engagement Guideline for Network Service Providers (CE Guideline) places an expectation on Envestra to consult with stakeholders and to describe how this engagement has impacted our Access Arrangement Proposals (AA Proposals). The upcoming South Australian (SA) AA Proposal will be the first time Envestra has implemented the CE Guideline.

This Paper outlines our initial thoughts on who our key stakeholders are and potential issues/topics that we could consult with stakeholders on.

1.2 Background

In November 2013, the AER released its CE Guideline. This document stated that:

...service providers must describe how they have engaged with electricity consumers and sought to address any relevant concerns identified as a result of that engagement. These changes to the NER reflect a desire by both rule makers and different levels of government for a much greater emphasis on consumer engagement. The guideline aims to support these initiatives and give guidance on our expectations of consumer engagement...

We intend to apply the guideline to all electricity and gas transmission and distribution network service providers (service providers), who must act in the long term interests of consumers. The guideline states our expectations of how service providers engage with their consumers—that is, their 'end users'.

The CE Guideline therefore places an expectation on Envestra to consult with stakeholders and to describe how this consultation has impacted on its AA Proposals. This will ensure that our AA Proposal promotes the National Gas Objective (NGO), which requires Envestra to promote the long term interests of consumers. Envestra strongly supports the need for greater engagement with stakeholders as a means of better achieving the NGO.

The objectives of our stakeholder engagement process are threefold:

- 1. to underpin our revised AA Proposals;
- 2. to inform the Essential Services Commission of South Australia's (ESCOSA's) review of Jurisdictional Service Standards for Envestra's SA network¹; and
- 3. to inform Envestra's internal planning, in particular our Business Development work.

¹ ESCOSA delayed its draft decision on these standards until January 2015 to allow Envestra time to consult with customers.

Deloitte has been engaged to assist Envestra in the first stage of the engagement process, which is to develop and implement a robust stakeholder engagement strategy. Deloitte's key deliverable is a customer insights report which will provide an independent analysis of what Envestra's stakeholders value most. Further information on Envestra's approach to stakeholder engagement is provided in Attachment 1.

One of the first steps in designing our stakeholder engagement strategy is to better understand who Envestra's key stakeholder's are and what we should consult on, which is the focus of this Scoping Paper. We will then use this information to develop a Stakeholder Engagement Strategy, which will be implemented over the October through December 2014 period.

2. Who are our external stakeholders?

The objective of this section is to define who Envestra's external stakeholders are with respect to the SA network. It is important that we understand who stakeholders are so we can design an effective and efficient engagement strategy for each stakeholder group. This section does not identify the engagement approach for each group – i.e. directly or through an industry body (such as the Energy Retailers Association of Australia (ERAA)), which will instead be determined as we finalise our engagement strategy.

Stakeholders are considered to be anyone who may be exposed to and/or impacted by Envestra's networks, not just gas consumers.

External stakeholders have been classified into two broad groups:

- 1. Group 1 stakeholders: Groups whose preferences and activities directly influence Envestra's operations and vice versa (Table 1). Communication with this group will likely be through workshops and interviews.
- 2. Group 2 stakeholders: Stakeholders who are "interested bystanders". These groups have an interest in/exposure to Envestra's activities, but aren't directly impacted by the operation of our network (Table 2). Communication with this group will likely be through a more targeted process.

Table 1: Group 1 Stakeholders

Stakeholder Group	Description	
Network Users	Network Users	
Residential (R)	Residential users are those consumers that use gas for mainly domestic purposes, such as hot water heating, space heating and cooking.	
Commercial / Small Business/Industrial (C)		
Industrial Users (IU) Industrial users are non-residential users who consumer more than 10 TJ of gas per annum, such as hospitals, brickworks and industrial processing plants.		
Vulnerable Customers (V)	customers are those users experiencing financial hardship. These users will be particular	
Energy Retailers	Retailers contract with Envestra in order to facilitate the delivery gas to their customers (R, C, IU and V).	
Facilitators	Plumbers, builders, gas-fitters, developers, appliance retailers, appliance manufacturers. Those who facilitate the connection of gas to homes and property developments.	
Potential Users	Non-gas users, including those customers that were previously connected to the gas distribution network. Non-gas users may be impacted by our activities if they live in an area where there is gas distribution (safety, mains replacement etc.). This group represents the community in general outside of existing customers (which are captured elsewhere in the classification system).	

Table 2: Group 2 Stakeholders

Stakeholder Group	Description
Regulators	ESCOSA, the SA Office of the Technical Regulator and the AER. Regulators are responsible for implementing the relevant regulatory framework, including as it relates to the economic and safety/technical aspects of the network.
Energy Intermediaries	
Australian Energy Market Commission (AEMC) The AEMC is responsible for making rules which govern the natural gas markets. The objective of the AEMC's work is to promote efficient, reliable and secure energy markets which serve the long-term interests of consumers.	
Australian Energy Market Operator (AEMO)	AEMO is the energy market operator and planner. AEMO works closely with government stakeholders.
Government	
State	Relevant departments include: Energy, Planning SA, Environment, State Development, Industry and Consumer. Includes policy makers.
Local Council/ Government	Local Governments (and their constituents) are impacted by the provision of natural gas services, including in respect to constituent satisfaction with service (safety and access to gas) and through our capital works program (e.g. reinstatement following mains replacement).
Non-Government Organisations	Energy and Water Ombudsman of SA, Environmental groups.

Action Items

• Do Tables 1 and 2 provide a comprehensive list and accurate/appropriate description of Envestra's stakeholders?

3. What are our research themes?

The objective of this Section is to broadly define all potential topics on which Envestra may want to engage with stakeholders. Research themes are split into two broad categories:

- 1. consult (Table 3) where Envestra seek to understand stakeholders opinions and values. While we will focus on those matters we can control, the program might also consider whether we should influence policy in other areas (for example, in regards to vulnerable customers or whether retailers should adopt our tariff structures); and
- 2. educate (Table 4) where Envestra seek to inform stakeholders, ensuring there is a consistent and informed knowledge base. These issues lend themselves as suitable for a series of fact sheets to precede the communication process.

Table 3 does not:

- Include themes that Envestra has already consulted on, such as:
 - stakeholder opinions of natural gas;
 - o stakeholder values with respect to the supply of energy to your home; and
 - o consumer experience with respect to the connection and mains replacement process in SA.
- Contain questions to directly ask stakeholders, rather it summarises themes that we might want to understand stakeholder views on. These will be used by Deloitte in conjunction with their extensive experience to draft a non-leading consultation approach.

Table 3: Consult Themes

Topic	Key Issue	Action Items
Communication		
Methods of communication	 What are stakeholders preferred communication methods for information on the company, industry and regulation process? For example: Where do stakeholders want to find information about our services, our brand, different gas uses, etc.? For example, television, website, letter, media stories, print media, Facebook, radio, brochures, Twitter, fact/information sheets other. How would stakeholders like to provide feedback on our services? Website, online survey, post, telephone, Facebook, Twitter, other. Note that Envestra has recently surveyed communication preferences from a customer service and customer connection point of view. 	 Are there any other communication methods that we should consider? Are there any other issues (outside the listed examples) that we should consult on?

Frequency of communication	 What level of consultation do stakeholders think is appropriate? For example: How often do stakeholders want to be consulted with and what do they think is an appropriate cost? Options include: quarterly/semi-annual/annual meetings with advisory board, surveys on new connections and after mains replacement, ongoing website updates; annual/biannual stakeholder workshops; annual/biannual online surveys. Note that Envestra has recently surveyed communication frequency preferences from a customer service and customer connection point of view. What do stakeholders think is a fit-for-purpose level of stakeholder consultation, having regard for cost and benefits? 	 Are there any other communication levels that should be considered? Are there any other issues (outside the listed examples) that we should consult on?
Topics to be discussed	 On what topics do stakeholders want to be engaged? For example: What do stakeholders want information on? Potential topics: about Envestra; gas market issues; changes to the physical network in your area; changes to regulatory and policy settings that may impact your supply or bills; how the gas supply chain works; explanation of decisions from Envestra that impact costs and prices; appliance information; the role of distribution and where customers' money goes; changes in gas market segments that may impact gas prices. What do stakeholders want information on and what do they want to be consulted on? 	 Is there anything else which stakeholders may want information on? Are there any other issues (outside the listed examples) that we should consult on?
Consumer Experience	ce/ Values	
Consumer values	 What do consumer's value? For example: Value the following: safety, reliable gas supply, price of gas delivered, security (i.e. concerns over leaving a gate open to read the meter) call centre promptness, property reinstatement, other. Note that in 2013 Envestra completed a survey in which customers were asked to value the importance of 10 criteria in respect to energy supply; this may be used in place or in conjunction with this work. How can we improve service to avoid negative experience and avoid disconnections? Billing format and timeliness (i.e. billed monthly, two-monthly, quarterly etc.). 	 Are there any other "values" which we could ask consumers to discuss? Are there any other issues (outside the listed examples) that we should consult on?
Willingness to pay for services	 Inform stakeholders of the benefits/costs of additional services and test their willingness to pay. For example in relation to: Promptness of attending to leaks. Promptness to answering phone calls relating to leaks. Quicker meter change activities. Repairing customer leaks when discovered by Envestra (e.g. during meter replacement work) 	 Are there any other services for which we would like to test consumer's willingness to pay?
New technology	Are stakeholders aware of new technologies and would they be willing to pay for these technologies, including for roll-out trials. For example: • Distributed electricity generation and smart meters (not for residential), gas-fired air-conditioning, gas-vehicle refuelling.	Are there any other new technologies we would like to test with consumers?

Vulnerable consumers	 Explore stakeholder's opinions on vulnerable customers. For example: Does Envestra have a role in assisting vulnerable customers? If not, who should be responsible for this? Possible options: retailers; Governments; advocacy groups; other. If so, what programs/initiatives do you prefer? Possible options: providing information on how to be energy smart and energy efficient, assist vulnerable customers to upgrade to more efficient appliances (i.e. by including funding in revenue); advocate for a change in government policy so that all customers have access to individual metering; advocate for government programs to assist vulnerable customers; other. 	 Are there any other ways in which Envestra may be able to assist vulnerable customers? Should willingness to pay be considered here?
Consumer Service		
Connection process	 Understand consumer's assessment of the connection process and areas for improvement before, during and after connection, for existing homes and new homes. For example: What do consumers think of the connection process (from "main-to-flame")? How can we make it easier? What do consumers like and dislike about the process? 	
Potential network users	Understand potential-gas user's perceptions of gas and why gas is not part of their energy mix (including customers that have disconnected from the gas network). For example: • Why have these users chosen not to connect to gas and is there anything we could do that might change their mind?	 Are there any other questions for non- gas users?
Additional services	Explore stakeholder views on Envestra offering additional services to amortise connection cost over a longer period. For example: • Do stakeholders understand how increasing the number of gas appliances impacts their energy bill?	 Are there any additional services that Envestra could offer to amortise connection cost?
Guaranteed service level (GSL)	 Inform consumers of our current service and test consumer interest in a GSL. For example Are there any areas of service that should be subject to a GSL payment scheme? What are consumers willing to pay to implement such a scheme? Attachment 2 provides information on Envestra's Victorian GSL scheme as an example of a scheme that could apply in SA. 	
Obligations	 What should Envestra's service obligations be? For example: Time taken to respond to leaks. Telephone, written responsiveness standards and targets? Envestra currently tracks a range of service standards, are these targets appropriate? 	 Are there any other service obligations/standards which we should test with stakeholders?
Tariff Design		
Structure	 Inform stakeholders of the options for tariff structure and test preferences. For example: Do stakeholders value fixed tariffs or tariffs that link to volume? Should retailers be required to pass on Envestra's tariffs? Alternatively, should there be greater collaboration with retailers in setting tariffs? Do stakeholders value smooth prices? Do stakeholders think tariffs should be postage stamped across the network e.g. Adelaide or should they vary according to cost and distance from the Delivery point? 	Is there anything else we would like to test with respect to tariff design?

Capital Expenditure		
Expansion projects	Assess desire for gas in region and willingness to pay. For example: • Do stakeholders want gas in Mount Barker and/or Sellicks Beach and/or on the fringe of the network? If so, would stakeholders be willing to pay and how much? Alternatively, is there a role for State Government funding?	
Replacement projects	Inform stakeholders of why we are proposing some projects and gauge support for the projects.	
Terms and Conditio	ns	
Retailer views	Explain and test our terms and conditions with retailers.	 Are there elements that we specifically want to test?

Action Items

- Does Table 3 capture all relevant issues that are suitable for Envestra's stakeholder engagement program?
- What are the key issues/priorities for the business, including the specific issues within each issue description that should be included in Envestra's engagement program (e.g. specific capital expenditure programs)?

Table 4: Educate Themes

Торіс	Description
Who, what, where and why.	Who are Envestra, what do we do (including the location of our networks) and why we are consulting with stakeholders.
Safety and reliability	Overview of our recent performance. How we manage our networks including notification times and regulations for accessing someone's property.
How we operate	What is economic regulation and how does it work? Our approach to economic regulation and associated timelines. What is the National Energy Customer Framework (NECF) and what is Envestra doing to comply with these obligations.
Stakeholder engagement	Current activities and results. Envestra's new approach to stakeholder engagement and how these results will feed into to our wider activities. Our ongoing commitment to stakeholder engagement. Identify the expectations of our stakeholder consultation process.
The cost of providing our services	How do we fund our assets and services? The regulatory framework explained, including how our rate of return is determined. Operating expenditure and capital expenditure explained, and what it means to stakeholders. Cost recovery explained.
Expansion plans	Recap on where we operate. Plans to expand the network, how we make decisions to grow the network and the benefits to customers.
Gas prices explained	The gas supply chain and key players. How are gas prices determined and where does the money go? Gas demand and drivers of price including how Envestra will forecast gas demand.
Gas bills explained	What are the components of a gas bill? Who is responsible for each component?
Using the network efficiently	The benefits of having numerous appliances per connection. The benefits of having more connections?
Key factors influencing our 2015 plan	Our operating environment. Other.

Action Items

- Does Table 4 capture a comprehensive list of all topics that stakeholders should be informed on?
- Does Table 4 represent a strong knowledge base for stakeholders to provide feedback on the items listed in Table 2?

Attachment 1: Envestra's approach to stakeholder engagement

This Attachment sets out our proposed approach to stakeholder engagement. More specifically it provides information on:

- current stakeholder engagement work;
- the requirements of the AER CE Guideline;
- Envestra's proposed approach to implementing the CE Guideline; and
- key project milestones.

Current Activities

Envestra undertakes regular customer surveys as part of our marketing program. Initially, surveys were focussed on understanding customer perceptions of natural gas, which highlighted:

- a preference to use natural gas; but
- concerns with the complexity (number of steps) in the customer connection process; and
- uncertainty over where to access relevant information (i.e. retailer, Envestra or APA).

More recently these surveys focussed on the customer experience following a connection, mains replacement and/or meter replacement. These surveys highlighted:

- meter replacement and customer connection experience was consistent with expectations;
 whilst
- mains replacement identified certain areas for improvement with regard to re-instatement and promptness of resolving customer issues.

We intend to leverage-off, and continue with, this market research work as an important part of our stakeholder engagement process.

Other activities undertaken to date include:

- meeting with ESCOSA's Consumer Advisory Committee (CAC);
- meeting with the SA Government to introduce the AA review process and address how the SA Government would like to be involved:
- meeting with JGN to discuss their experience and key learnings from their recent stakeholder engagement process;
- teleconference with SA Water and SA Power Networks (SAPN) to discuss their engagement approach;
- attending the Energy Networks Association (ENA) Consumer Engagement Working Group teleconference;
- meeting with internal stakeholders (Envestra and APA) to discuss who stakeholders are and what we could consult on; and
- meeting with our Reference Group (sub-group of ESCOSA's CAC).

Requirements of the AER Customer Engagement Guideline

The CE Guideline sets out best practice principles for stakeholder engagement. This requires Envestra to develop and implement a robust stakeholder engagement strategy, track and report on performance, review results and implement feedback (where relevant). A broad Stakeholder Engagement Plan, based on the principles set out in the CE Guideline, is set out in Figure 1.

Summary of Proposed Approach

The key steps in delivering a robust and fit-for-purpose stakeholder engagement process are summarised in Figure 2.

Key Milestones

Key milestones are:

- End-November: Envestra and Deloitte to finalise stakeholder surveys and workshops;
- Monday 15 December 2014: Deloitte deliver Customer Insights report; and
- Thursday 30 April 2015: Stakeholder engagement chapter of the AA Proposal to be completed.

Figure 1: Stakeholder Engagement Plan

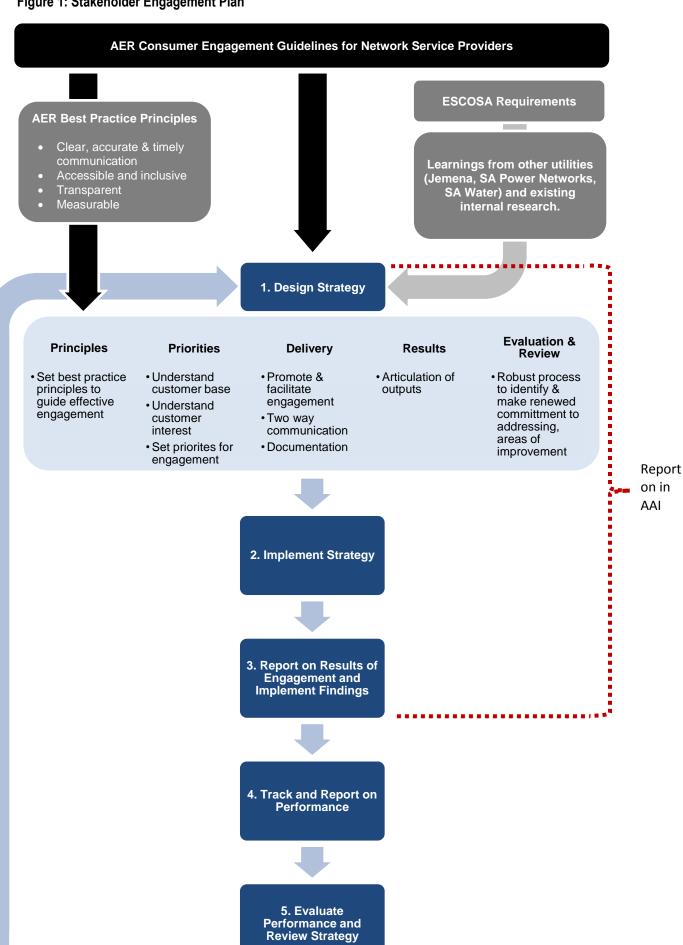


Figure 2: Summary of Proposed Approach

1. Strategy and Material Development Envestra to lead communication with internal stakeholders (including APA) to define who and where our customers are and what we want to test with them. **Internal Stakeholders** Envestra to lead periodic meetings with an advisory board consisting of representative bodies to advise member concerns and preferred communication techniques. Given time pressures on Envestra and on representative bodies, we propose to use existing Reference Group groups rather than establish our own board. More specifically we will liaise with a sub-group of ESCOSA's CAC (referred to as our Reference Group). **Strategy Delivered** Deloitte to provide input into Envestra's stakeholder engagement strategy. **AER** Envestra to brief the AER on our strategy and implement feedback where appropriate. Prepare appropriate materials to guide informed stakeholder engagement and test, where Materials Developed relevant, willingness to pay for initiatives (completed by Envestra). 2. Engaging with External Stakeholders² Deloitte to facilitate 3-5 customer workshops with stakeholders to understand stakeholder Workshops priorities and investigate research themes. Surveys Deloitte to implement and host online customer surveys. **Interviews** Envestra and Deloitte to conduct "deep dive" interviews with major customers. AER/ESCOSA Envestra to continuously engage with the AER/ESCOSA. Envestra to periodically liaise with the Reference Group, and other key interest groups, particularly those that are not adequately represented by the Reference Group, such as: the ERAA, Government departments. Reference Group and These meetings will be used to understand stakeholder priorities, and to update on our Others progress/results. 3. Presentation of Results Deloitte to interpret and analyse outcomes of stakeholder engagement in an independent, actionable, customer insights report. **Customer Insights Report Delivered** This report will be submitted to the AER as part of our AA Proposal and will feed into the ESCOSA process. Envestra to describe in its Access Arrangement Information it stakeholder engagement AAI program and how it has impacted its AA Proposal. This will draw upon the Deloitte report where appropriate. Envestra to redevelop website to include stakeholder consultation page(s) and provide links Website to relevant documents. 4. Ongoing Engagement Envestra to develop an ongoing strategy for stakeholder engagement which may feed into **Develop & Implement** our AA Proposal. This strategy will define the process for periodically engaging with a Ongoing Strategy Reference Group and directly with stakeholders.

² Although Deloitte will lead workshops, surveys and interviews, Envestra will be included on the process and will ensure the material reflects what we wish to liaise with stakeholders on.

Attachment 2: Victorian GSL scheme

Figure 3 summarises key components of Envestra's GSL scheme in Victoria as taken from the relevant gas distribution code.

Figure 3: Victorian GSL scheme.

Gas Distribution System Code	Version 10.0

PART E GUARANTEED SERVICE LEVELS

GSL payment amount	Threshold to incur GSL payment ^a	Area of service
\$50 per event	Failure to attend appointment within agreed appointment window:	Appointments b
	Customer present - 2 hours	
	Customer absent - agreed date	
\$80 per day	Failure to connect a customer within 1 day of	Connections c
(subject to a maximum of \$240)	agreed date	
	Unplanned interruptions to a <i>customer</i> in a calendar year period resulting from faults in the <i>distribution system</i> :	Repeat interruptionsd
\$150	Upon fifth interruption	
additional \$150	Upon tenth interruption	
	Gas supply interruption to a <i>customer</i> not restored:	Lengthy interruptions ^e
\$150	within 12 hours	
additional \$150	within 18 hours	

a GSL scheme applies to tariff V customers only.

b An appointment window of two hours applies if the customer is required or requests to be present. A one day appointment window applies if the customer is not required or does not request to be present. Appointments rescheduled by the distributors are counted as missed appointments. Appointments rescheduled at the request of the customer are excluded from payments.

 $[{]f c}$ Excluding if the distributor is unable to gain access to the installation site.

d Excluding force majeure, faults in gas installations, transmission faults, upstream events and third party events.

e Excluding force majeure, faults in gas installations, transmission faults, upstream events and third party events impacting large diameter mains affecting more than 50 customers. Large diameter mains are high pressure mains of nominal diameter 100 mm or greater, and medium pressure or low pressure mains of nominal diameter 150 mm or greater.