

Jemena Gas Networks (NSW) Ltd

2015-20 Access Arrangement Information

Appendix 1.5

JGN community and small business consultation report

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Attachment A
Newgate Research: Jemena Gas Networks
Five Year Price and Service Reset -
Community and Small Business
Consultation Qualitative Research Report

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Jemena Gas Networks

Five Year Price and Service Reset

Community and Small Business Consultation
Qualitative Research Report

April 2014

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Executive Summary

This report summarises the findings of qualitative research that Jemena Gas Networks (Jemena) undertook with residential and small business customers in early April 2014 to inform its Five Year Plan and ongoing communications and engagement strategy. The research comprised a three-hour focus group in Sydney's CBD and two four-hour deliberative forums in Parramatta and Orange with a total of n=59 participants.

This Executive Summary covers three key areas - knowledge and perceptions of Jemena and how these changed through the course of the sessions, consumer feedback on core elements of the Five Year Plan and preferences in relation to future communications and engagement.

Knowledge and Perceptions of Jemena

Most participants entered the research sessions without ever having heard of Jemena and none had more than very basic knowledge about the company. They did, however, have positive views about gas as a fuel, describing its efficacy for cooking and heating as well as its value for money as superior to electricity. Electricity's reputation had been tainted by substantial price rises in recent years and concern about future rises was overwhelmingly named as the biggest energy issue at present. While concern about gas prices was considerably lower than concern about electricity prices, it was still the main issue related to gas.

After being presented with information about Jemena, many participants expressed surprise that it, as the state's only gas distributor, takes 50% of their gas bills. The average estimate among all those who took part in the research was only 19%. At this point, Jemena became an important company to them. Previously participants had placed greater prominence on the retailers as these were the only 'gas companies' they had interacted with in the past.

Hearing that an increase in export activity was forecast to drive significant rises in domestic gas prices within a few years made participants feel more negatively towards Jemena. While initially some said this may drive them to use less gas in future, their preference for gas and assumption that electricity prices would also rise mean that most expected the current relativities to remain.

There was also widespread disappointment about Jemena's foreign ownership. That so many important Australian assets seem to be being "sold off" and having Chinese and Singaporean owners in charge of the company that controls a 50% segment of their gas bills created angst. Importantly, some suspected that Jemena's Chinese owners might be driving the increase in exports that will drive prices up in NSW. However, as discussions continued, this angst dissipated as it became clear that Jemena has a strong consumer focus and a vested interest in maximising the number of gas customers. Also, there was nothing to suggest that ownership changes had led to any adverse changes in the way Jemena operates and they ultimately understood that the new owners were not responsible for the increase in exports. Foreign ownership ended up more an irritation than a matter of significant substance to participants as gas consumers.

By the end of the sessions, many of the gas customers who had participated in the research praised the fact that Jemena was informing them about itself and directly consulting them about several of the decisions it has to make that have implications for all gas consumers.

Jemena's interest in assisting vulnerable customers also helped generate positive opinion towards the company.

The Five Year Plan

The research found widespread support for Jemena's thinking on all aspects of its Five Year Plan that were covered. Words like "sensible" and "common sense" were widely used.

Much of the discussion focused on which of following five options should guide Jemena's approach to the Five Year Plan.

Five Year Plan Options
Option 1 - Maintain current levels of service, continue to make the network larger and be proactive in marketing for new gas customers. (<i>Jemena's starting point</i>)
Option 2 - Save money (and lower consumer gas bills) by reducing service levels in the long term. This will result in longer response times to incidents, more gas leaks, less reliable gas delivery to households and decreased availability of gas to potential new customers.
Option 3 - Save money over the next five years by decreasing levels of service but restore them to current levels within ten years. Lower investment will cut bills over the next five years but may cost consumers more over ten years as the investment is replaced.
Option 4 - The same as Option 1 except that savings will be made by spending less on marketing to attract new customers and less on expanding the market through new connections.
Option 5 - The same as Option 1 but spend more on the "universal level of service" principle by improving service quality, primarily pressure levels, for existing customers who currently receive a lower level of service. This option adds to bills rather than saves money.

Ironically, despite general concern about rising energy prices, the one area where a (narrow) majority of participants differed from Jemena's current position was in supporting a small increase in gas prices so that existing customers whose level of service is below average could be improved (Option 5).

Otherwise, most favoured Jemena's stated positions over alternatives and the majority finished the sessions by scoring the company's Five Year Plan an A (being A+, A or A-) on an A to F (for fail) scale. Very few scored it below a B and there were no Ds or Fs. Further, at the end of the session 33% mildly agreed that Jemena had a sensible plan for the future, with a further 43% strongly agreeing.

Hearing that some of Jemena's own costs were likely to fall due to favourable capital market conditions and more detail about some of the major trade-offs it faces in its desire to provide both a quality service and low prices mitigated some earlier concern about price rises and won Jemena praise for its intention to pass savings on to consumers. There was also strong agreement with Jemena's position that safety is a non-negotiable top priority, which was strengthened by a video in the presentation about the recent gas explosion in New York City.

A more detailed analysis of the responses to the five options follows.

As mentioned, participants were presented with five options related to trade-offs between gas prices and investments Jemena can make. Two of the five options (Options 2 and 3) involved creating savings in consumer costs by making cuts in maintenance and service. Not one person in any session gave even a hint of support to this notion and some even criticised Jemena for raising it.

The option of making savings by cutting marketing costs (Option 4) was also rejected by everybody as they could see benefits for themselves if Jemena's fixed costs could be spread among a greater number of customers, with some suggesting that marketing efforts be expanded. Some questioned Jemena staff as to how certain they were that marketing does actually produce more customers. Hearing that gas attracts an average of 30,000 customers a year, which could fall to an estimated 11,000 with less marketing, and that there remain many people who have access to gas but don't have it connected, addressed this doubt. Indeed, some participants said they would like to see increased marketing by Jemena.

In the end, support for the option of an extra investment in the universal service principle (Option 5) just eclipsed Jemena's "status quo" option (Option 1) that involved maintaining existing levels of service, marketing and investment in the network. Even though this option would increase consumer prices, the increase was seen as small, solid in principle and so justifiable as an investment.

Similar logic was apparent when participants discussed whether or not gas should be regarded as an essential service. Most thought that for them it is and that, in principle, everyone should have access to it at similar prices. Some did hold to this view but most felt that the high cost of realising this was prohibitive. They would bear the cost of some extra investment but there's a limit and electricity does serve as a substitute.

Participants also received information about Jemena's alternatives for the "price path" of gas, that is whether Jemena should delay its savings in order to smooth the price rises between 2015 and 2020 or whether it should bring the savings on sooner and create a sharp price fall in the early years followed by a sharp price rise in the later years. A large majority favoured the smoother retail price path. Domestic consumers thought it would be easier to handle psychologically and some businesses thought it may be difficult to pass on large jumps in gas prices to their customers. Some made the point that when the big rises occur, people will have forgotten the large falls of a couple of years before.

Participants were also asked if they would prefer their bills to be made up of a low fixed cost and a high usage cost, a high fixed cost and low usage cost or no fixed cost and high usage cost. Most opted for a low fixed cost - Jemena's position - but there was also a significant minority who favoured a high fixed cost as they could consider themselves to be consumers of a high quantity of gas and could see from the graphs shown that they would be better off financially under this scenario. SME operators and people in Orange, explaining that their city's winters are very cold, were more likely to favour higher fixed costs but recognised they would still incur these costs during warmer summer months.

Participants were also asked the same question as a matter of principle. Here a big majority opted for low fixed costs and high usage costs as, firstly, it seemed fair that people who use more pay more and, secondly, it would be fairer on poorer people who need to minimise their gas consumption for economic reasons.

Assisting vulnerable customers attracted a lot of discussion. Some felt that as the organisation responsible for the largest segment of their bill, Jemena ought to help low income customers who struggle to pay their bills. Others questioned whether this should be Jemena's responsibility and praised it for considering such action. In the end, when participants realised that Jemena could do this without significant costs that would impact on bills, nearly everybody believed Jemena should act to assist vulnerable customers.

Note that participants had no knowledge of the objectives of the regulatory framework or that it is designed to promote the long-term interests of customers.

Communications and Engagement

At the end of the forums, when asked about the extent to which Jemena should be communicating with the community, there was a strong sense that Jemena should be doing more to raise its profile and explain how it fits within the gas supply chain, particularly as it comprises 50% of their gas bill.

That said, most were primarily interested in getting information that would help them save money rather than for its broad educational value and were similarly most interested in being consulted on issues that could potentially impact them personally.

When asked what topics they would most like Jemena to 'inform' them about in future, the most commonly chosen topics focused on how they could save money - how to keep gas bills down, the most efficient gas appliances, how the gas supply chain works and where customers' money goes.

When asked what topics they would like Jemena to 'consult' with the community about, the most commonly chosen topics were changes to the physical distribution network that affect their area, upcoming decisions Jemena has to make that will impact costs and consumer prices (e.g. trade-offs between improvements to the network and costs), and changes to regulatory and policy settings that may affect their gas supply or bills.

Many felt that information about Jemena should be included on gas bills and that this would be a cost-effective way to raise its profile.

The most preferred channel for communications was television advertising and generally supported adding its logo to its existing natural gas advertising campaign. As previously noted, many were keen for Jemena to do more advertising to attract new customers to the network because of the potential flow-on benefit to their own bills.

However, there was some acknowledgement that Jemena and gas wasn't a topic that everyone would be interested in so many felt that information should be made readily available for those who are interested through the Jemena website where they could subscribe to an email newsletter and make comments on a "Have your say" page.

Research Objectives

Background

As the sole distributor of mains gas in New South Wales, Jemena's role is to provide efficient, safe and reliable distribution services that meet the long-term interests of consumers across the state.

All current and potential users of mains gas are impacted by Jemena's operations and capital investment decisions. These influence the price competitiveness, reliability and availability of gas. The merits of gas compared to other available forms of energy are an important consideration in how people select their energy mix.

Jemena's main interface is with gas retailers; only a minority of consumers deals directly with Jemena, usually when connecting their home or business to gas mains or when there is a service difficulty. However, recognising Jemena's impacts on consumers and in line with the Australian Energy Regulator's *Consumer Engagement Guidelines for Network Service Providers* (AER Guidelines), Jemena engaged Newgate Research to engage and consult with gas consumers so as to provide input into Jemena's priorities and planning for the next five year period that commences in 2015.

The Research

This engagement program was research-based and predominantly qualitative in nature, although indicative quantitative measures were obtained on several key variables. The research was designed to put into effect Jemena's commitment to improved customer consultation and also to provide actionable consumer feedback about key factors affecting the next Five Year Plan including:

- Current consumer concerns and priorities;
- Forecast changes in wholesale gas markets during the next five year period that are beyond Jemena's control but will impact consumer gas prices;
- Jemena's priorities with regard to how it carries out its own operations;
- Any trade-offs in Jemena's pricing that could derive from altering these priorities;
- Options Jemena has for structuring its pricing during the next Five Year Plan period, including how its prices should interact with forecast changes in wholesale gas prices;
- Preferences regarding the relative weights of fixed charges and usage charges in consumers' gas bills; and
- What topics Jemena should inform consumers or consult with them in future, and through what channels.

The gas consumers who participated in this project were domestic consumers or owners or managers of small and medium enterprises (SMEs) that use mains gas for their operations. Large gas users (usually bigger businesses) were not engaged in this research.

This report summarises the engagement undertaken by Jemena, including the feedback provided by consumers and their evaluation of the engagement itself. Jemena will consider the findings in the development of its Five Year Plan.

Methodology

Newgate Research conducted the following research program amongst n=59 residential and small and medium business (SME) participants across NSW.

The research comprised three sessions that closely followed a discussion guide prepared by Newgate Research in consultation with Jemena. It was made clear throughout this research that only mains gas was to be discussed, not bottled or any other form of gas. Each session featured the following segments:

- Completion of an initial questionnaire designed to provide indicative measures of awareness, knowledge and interest in mains gas and Jemena (indicative in this context means the sample size was too small to provide statistically robust results as is done in quantitative studies).
- An unprompted hour of questions and discussion of topics designed to determine what gas consumers know about gas supply chain in NSW and Jemena. In this period, participants were also asked what topics relating to gas or Jemena interest them.
- Three presentations given by Jemena staff, each of which was followed by a discussion exploring reactions to its content. The presentations were titled:
 - *Who is Jemena?*
 - *Jemena's 5 Year Plan*
 - *Prices and Impacts on Customers*

The presentations used are available on the Jemena website.

- Completion of a final questionnaire designed to provide indicative measures of opinions about key topics covered in the session. This included re-asking some questions that were also asked at the start of the evening to gauge how opinions changed.

The three sessions comprised:

- **One three hour focus group held in Sydney CBD** on 1st April 2014. There were n=8 participants including n=6 residential consumers and n=2 SMEs. The primary purpose of this group was to test all the materials being prepared for the subsequent deliberative forums. This ensured the materials would be clear to participants and would enable all important topics to be covered in the time allowed. These documents included the discussion guide, the three presentations to be given by Jemena staff and the sets of quantitative questions to be asked at the commencement and the finish of the forums. In the focus group, these questions were filled out on paper questionnaires. The results of this group were also included in the analysis. Note that some important refinements were made to the presentations following this group to simplify content and answer key questions that emerged.
- **One four hour deliberative forum held in Orange** on 7th April 2014. The forum comprised n=17 participants, including n=15 residential customers and n=2 SMEs. Orange was chosen as a representative regional centre in NSW. At this forum, participants were seated at two tables split by annual household income, with one comprising people with household income under \$60,000 and the other over \$60,000.

The higher income table included two people representing local SMEs that use mains gas. Participants at both tables were mixed in gender and age. Wireless hand-held voting devices were used to capture responses to sets of questions soon after the start and at the finish of the forum.

- **One four hour deliberative forum held in Parramatta** on 9th April 2014. The forum comprised n=34 participants, including n=28 residential customers and n=8 SMEs. At this forum participants were seated at four tables, one solely for SME participants and the other three representing domestic mains gas consumers grouped by annual household income - below \$50,000, between \$50,000 and \$90,000 and over \$90,000. Participants at all tables were mixed in gender and age. They were not aware of the reason for their placement at certain tables but it allowed the facilitators to observe potential differences in knowledge and opinion. Wireless hand-held voting devices were used to capture responses to sets of questions soon after the start and at the finish of the forum.

Recruitment was undertaken by specialist recruiter J&S Research using a recruitment script and screening questionnaire prepared by Newgate Research. Key elements of the approach follow:

- **Residential Consumers:** A mix of general community segmented by household income with a mix of ages and life stages. There were also both home owners and renters. All participants had to be the main or joint gas bill payer in the household. A mix of customers of different gas retailers was also required. Some individuals who were from a non-English speaking background were deliberately included. Vulnerable customers were targeted and this included recruiting single parents and individuals who receive pensions or other government support payments.
- **SMEs:** Owners and managers of small to medium businesses that use large quantities of mains gas. Suitable businesses included bakeries, restaurants, laundries and panel beaters. All participants had to be the main or joint decision maker for choosing their business's energy provider.

In line with standard market research practices, all participants received an incentive for their time. Incentive amounts depended on how much time the research would take, location and whether it was for a residential or SME participant. Given SMEs are harder to recruit than residential participants, they were offered a higher incentive. Incentive amounts follow.

Location	Residential consumer	SME consumer
Sydney CBD focus group	\$120	\$180
Orange deliberative forum	\$180	\$220
Parramatta deliberative forum	\$180	\$220

Facilitation was led by Newgate Research CEO Sue Vercoe, with deliberative forum table facilitation also conducted by Bruce Dier, Julie Sheather and Tanya Ploen. A copy of the discussion guide can be found in the appendix to this report.

Quantitative data was collected at the focus group via a paper-based survey and at the deliberative forums via IML handheld audience response technology. The results were collated and are shown throughout the report.

When comparing these results with any subsequent quantitative survey results, it will be important to keep in mind that while participants were recruited to broadly reflect the community, by the end of the forum they were likely to be more engaged with the topic and, as result of the Jemena presentations and discussions at their tables, more knowledgeable about the various aspects of the Five Year Plan. In other words, quantitative data obtained at the start of the sessions reflects the broader population as they are now but the data obtained at the finish of the sessions is heavily influenced by information provided to participants during the sessions.

Note to the Reader

This research was conducted in accordance with the international quality standard for market and social research (ISO 20252). In preparing this report we have presented and interpreted information that we believe to be relevant to achieve the objectives of this research project.

Where assumptions are made as a part of interpreting the results or where our professional opinion is expressed rather than merely describing the findings, this is noted. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

Please note that qualitative findings included throughout this report should not be considered statistically representative and cannot be extrapolated to the general population. Numbers may not add up to 100% due to rounding. Quotes from the research have been included in the report to further support the findings. Verbatim quotes are included in blue font.

Research Findings

The Research Findings section of this report is divided into four sections:

- A. Knowledge and Perceptions of the Gas Sector and Jemena
- B. Jemena's Five Year Plan
- C. Engagement and Communications
- D. Forum Evaluation

A. Knowledge and Perceptions of the Gas Sector and Jemena

Key Energy Issues in Australia

Rising prices was the standout energy issue in the research sessions but the focus was more on electricity than gas. Most had noticed rises in all their energy bills but the general view was that electricity prices have risen sharply in recent years while gas has risen more slowly. Some, though a minority, reported not having noticed increases in their gas bills at all. However when participants were asked specifically about prominent issues relating to gas at present, prices were still the biggest issue.

Every bill I look at it increases. (Sydney CBD)

I'm Gen Y. I just pay my bill. I don't look at it. (Parramatta, middle income)

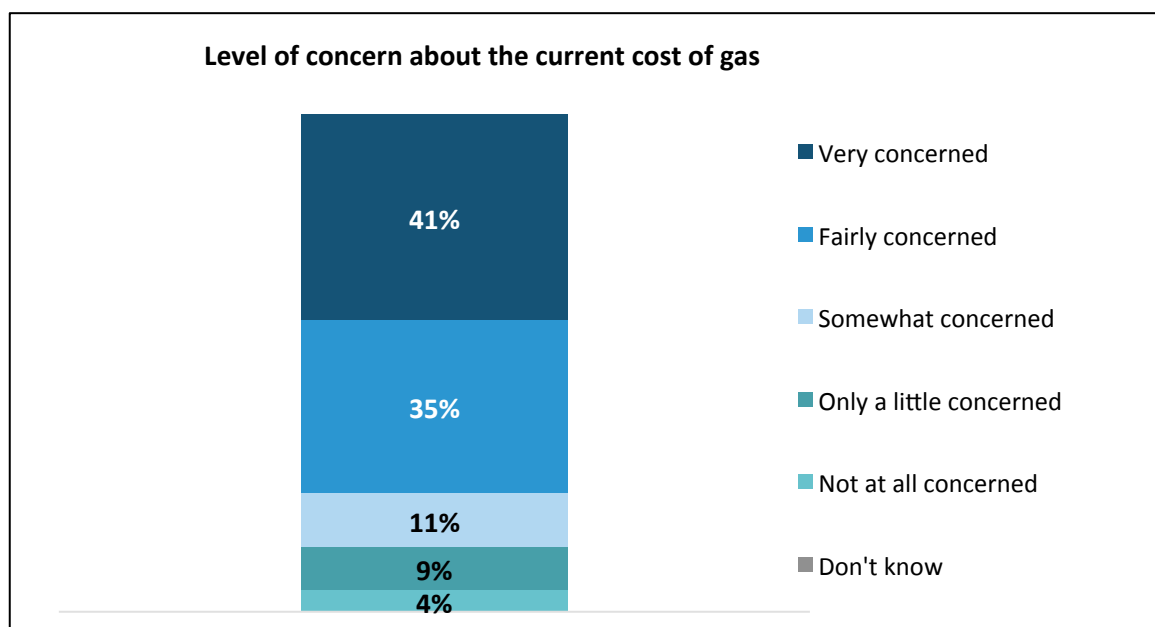
I haven't noticed that gas has gone up that much. (Parramatta, high income)

SME owners were more conscious of gas price increases than household consumers.

Price definitely – it just keeps going up. (Parramatta, SME)

*I review it constantly. My other costs aren't going up in the same way.
(Parramatta, SME)*

The following chart shows that concern about the current price of gas at the start of the sessions was widespread with most (76%) being either “very concerned” or “fairly concerned.”



Base: All Participants (n=46)

How concerned are you, if at all, about the current cost of gas?

The majority of participants were unsure why energy prices had been rising and most discussion about causes centred on electricity rather than gas. Levels of emotion or frustration were definitely higher when discussing electricity, aside from some SME owners whose consumption of gas is especially high. Some thought price rises might be due to privatisation with others suggestions that deregulation, rather than promoting competition, might actually be the causes of price rises. This view was mentioned in Orange and in the Parramatta SME group in particular. Deregulation of electricity pricing had been in the news the week before the forums were held. Generally, participants made no distinction between gas and electricity in this context and were sceptical about the impacts of deregulation.

*The deregulation is supposed to drop the price and make it more competitive.
(Parramatta, middle income)*

It's not transparent as to why it (energy) increases. (Sydney CBD)

*They are selling part of the electricity supply off to overseas companies.
(Parramatta, high income)*

Several participants said they found it confusing trying to work out how to get the best deals for energy, complaining that retailers have a variety of plans but also appear to have flexibility to offer extra discounts to individuals in order to obtain their business. A small number have sought help from brokers or comparison websites.

[Using a comparison website is] better than diving into the plethora of information. (Sydney CBD)

Most expect gas prices to rise in the future simply because “everything always goes up.” The majority was not aware of any reason why they should rise any more than other prices do generally. In contrast, a minority had heard on news media that gas prices were going to rise, though only some of these (mostly in Orange) could recall what the cause actually was, namely that increased exports of gas would expose Australian consumers more to international gas prices.

Some other energy issues were nominated. **Sustainability**, including the use of renewables, and **coal seam gas (CSG)**, including fracking, were the most prominent.

The use of renewables was generally seen as desirable (rather than as a contributor to higher prices) and some expressed a view that traditional fuels like electricity and gas would eventually become too expensive and people would switch to renewables like solar to reduce their costs.

Most mentions of CSG simply reflected a desire to know more about it and to understand more about the pros and cons of fracking. No strong opinions were apparent in the metropolitan areas but a couple of people in Orange made the point that CSG is damaging farmers.

I'm interested in fracking. What exactly does that mean? (Sydney CBD)

Farmers are losing their land. (Orange, high income)

As indicated, **deregulation** of electricity was raised as an issue, with most views being negative on balance, though this was based mostly on how they saw past impacts of deregulation

generally, not just in energy markets. Opinions were not strong about this as they were uncertain as to what the outcome may be in this instance. They don't believe deregulation usually benefits consumers but they also believe there have been cases when it has not had an adverse impact on them.

I heard they were going to deregulate the prices, so they might go down, or they might go up. Who knows? (Parramatta, SME)

Lower level energy issues raised by a very small number of people included:

- Fixed contracts for gas and electricity;
- The carbon tax; and
- Australia's approach to nuclear energy.

Perceptions of Gas as a Fuel

Most participants saw gas as superior to electricity for both efficacy and value for money

All participants used gas for cooking and most used it for hot water or heating as well. Several used it for all three. However, cooking, especially on stovetops, is where gas is seen to excel. Its ability to heat instantly and visibly gives it a clear edge over electricity in this regard. Several participants even expressed a view that its capability to raise or lower temperatures instantaneously makes food taste better. Gas was also widely seen as quicker for heating homes and water as well.

Gas is efficient for heating, much quicker than electric heating. (Parramatta, high income)

Easier to control for cooking. (Sydney CBD)

It gives beautiful heat. (Sydney CBD)

I use a lot of gas in my business and it is hot straight away. (Orange, SME)

Gas was thought to be a relatively clean source of energy as well. A smaller number praised it for the fact that gas pipes are underground rather than visible like electricity poles and wires.

The clear picture was that the vast majority of gas users have a strongly favourable opinion of gas and that if they were to face a choice between a gas or an electric appliance in future, they would likely choose the gas one. No participant said he or she had willingly swapped a gas appliance for an electric one, though some had moved house and used the pre-existing electric appliances rather than buy new gas ones.

Most regarded gas as the superior fuel and as significantly cheaper than electricity. To them, gas is better in terms of being easier to control and also more efficient because, being so precise to control and quick to warm up, one wastes less of it. However, some still made the point that recent price rises had diminished the value for money offered by gas.

There's a big difference (between gas and electricity for value for money). (Parramatta, low income)

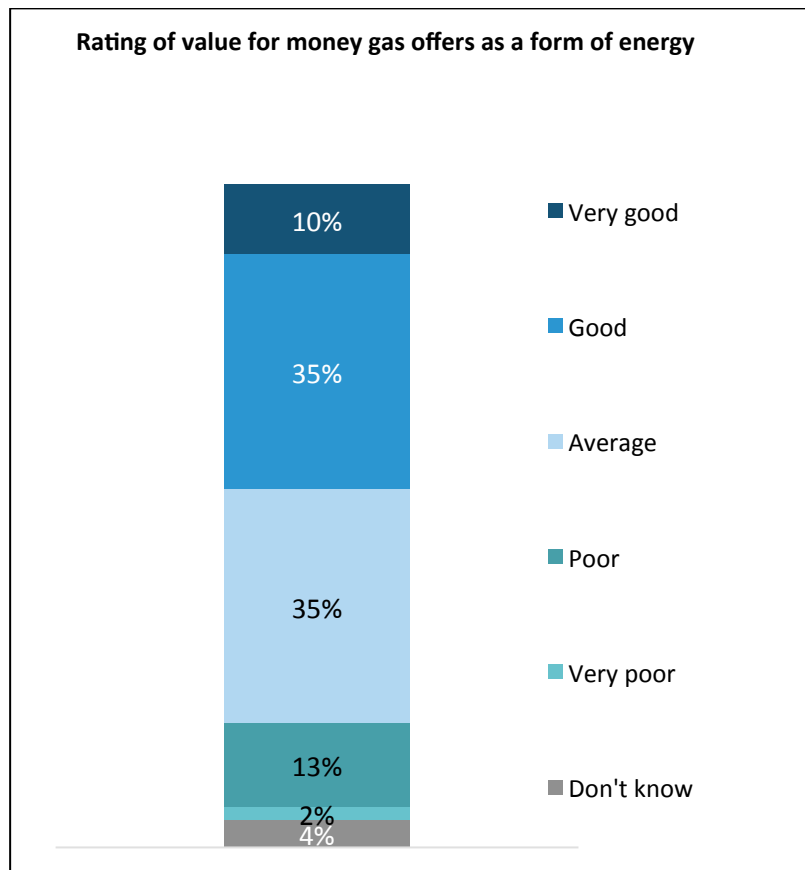
I'm more focused on electricity prices than gas. With gas, you really only turn it on when you need to use it. (Parramatta, SME)

The majority also believed that electric reverse cycle air conditioning fails to match gas for value for money with some complaining they are afraid to turn on their air conditioning because it costs so much money.

It's much cheaper and more effective than gas for heating. (Sydney CBD)

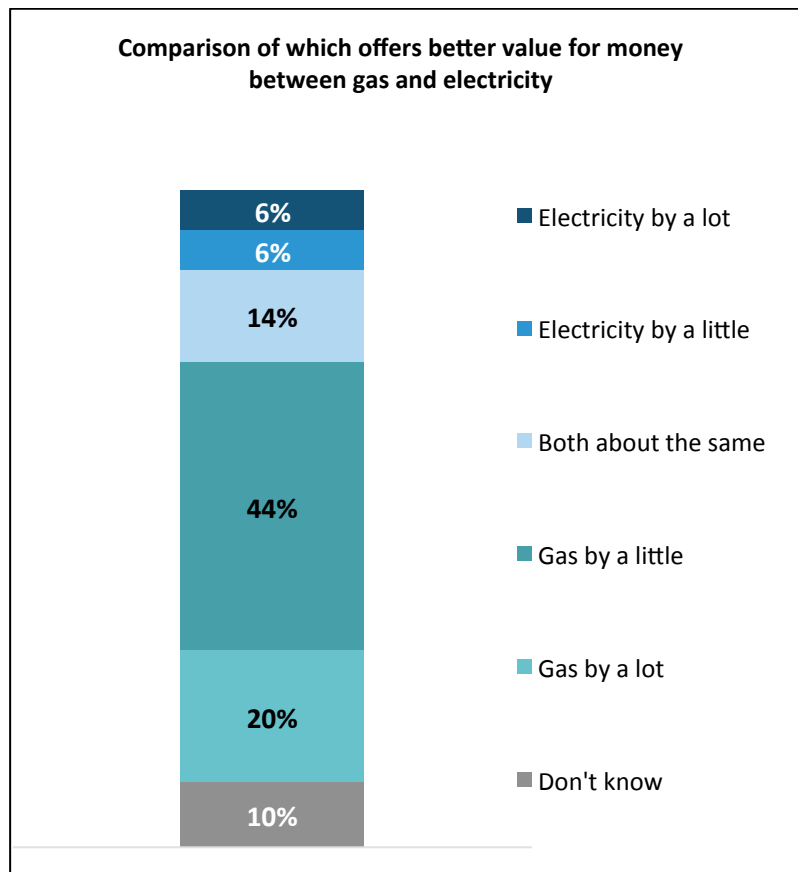
I would rather have that gas heater on than be uncomfortable. If I put the air-conditioning on for heating it is going to cost me twice the price. (Parramatta, high income)

The charts below show that most participants rated gas as good or average (81% of all participants across the forums) for value for money and considered it superior in this regard to electricity. Only a small number of participants, nearly all in Parramatta, believed electricity offered better value for money than gas (64% of respondents rating gas as better value for money vs. 12% electricity).



Base: All Participants (n=48)

How do you rate the value for money gas offers you as a form of energy?



Base: All Participants (n=50)

Comparing gas and electricity prices, which do you think offers you better value for money?

When asked whether they have ever tried to use less gas to save money like many do to save electricity, the vast majority had not. The few that had suggested saving money when one has gas appliances is more about putting a jumper on and not consuming gas unnecessarily rather than buying a more efficient stove or heating unit. One person in Orange (low income group) stressed that she turns her pilot light off when she goes on holidays for both “the safety factor and to save a dollar.”

Having said all this, though, many admitted they did not look closely at their gas bills. The majority view was that even if gas prices were to rise, electricity will likely rise by even more. They could not envisage electricity being more competitive than gas.

Gas does have drawbacks though

Participants had no trouble in naming several things about gas that they don’t like. Being committed gas customers, though, they accept these in their stride and don’t worry much about them.

The most commonly stated negatives about gas were its **smell** and the possibility of **leaks** that could potentially lead to an **explosion**. While the majority regarded gas as a safe form of energy, these safety-related concerns sit in the back of their minds as things that could happen if they are not careful with gas.

The explosion factor! (Parramatta, high income)

You can accidentally leave it on. (Sydney CBD)

Implicit from discussions about leaks is that customers considered the gas network safe and that problems occur infrequently. They have confidence that if they use gas sensibly, dangers are minimal. However, some did express a view that it is more dangerous than electricity but, being positive about gas generally, they don't dwell on this.

Gas is more dangerous than electricity. (Parramatta low income)

Both gas and electricity have their evils. (Parramatta)

Other lower level negatives relating to gas were that:

- It dries the air;
- You need to leave a door or window open for ventilation; and
- It is a finite resource and will one day run out.

Knowledge of Gas Bills, Pricing and Supply

Knowledge about how bills are constituted is patchy

Very few domestic customers could name megajoules (or kilojoules) as the unit of measurement of gas, with many having no idea at all. On the other hand, about half of SME participants could do so.

Tonnes? (Parramatta, high income)

Somewhat similarly, participants were not well versed in the components of their bill with most unaware of how their bill was split up. However, the majority did have an impression that their bills consist of some sort of fixed charge and a usage charge, though they could only guess as to the relative proportions represented by each. Most stated that they either did not read their bills or were unaware of where details of its breakdown are illustrated. Answers when asked about how their bills are made up included:

Peak and off peak. (Orange, low income)

I've never looked - I just look at how much I owe. (Parramatta, high income)

A service fee and a usage fee. (Parramatta, low income)

There were few differences between different demographic groups on this question except that SME operators were more definite in their impression that there are "usage" charges and a "network" charge, though some thought there were other components as well, aside from taxes. The majority thought their usage charge was higher than their supply charge, but couldn't say how much of their bill was fixed and how much was variable. Most were satisfied with the existing split between the fixed and variable charges on their bills but this was generally because they saw no reason to be discontented about it.

Very few understood how gas prices are set

Participants seemed to have little or no knowledge regarding how gas prices are determined. Responses to this question in all groups were predominantly guesses. On balance, most thought the government regulates prices in some way but they were not confident this was correct. Several said they hoped there is regulation so a degree of wishful thinking may have been driving this view.

As to how the regulation may work, many thought the government may set a maximum price and retailers are free to offer discounts below that. That prices are set by a mixture of market forces and regulation was a common view participants arrived at after considering this question for a while. A minority was more confident that this is what happens.

I thought it was regulated by the government. I feel there's a maximum they can charge and they can discount from there. (Orange, SME)

Energy companies decide for themselves what they are going to charge. They would have some freedom but couldn't be ridiculous, it depends on competition to an extent. (Parramatta, high income)

They have a certain amount they can play with. (Orange, low income)

I thought the regulator sets the maximum prices. (Orange, low income)

There was certainly no knowledge of the objectives of the regulatory framework or that it is designed to promote the long-term interests of customers. No-one could name any organisation or person in charge of regulation, nor did participants have any idea as to whether regulation is the responsibility of the federal or state government or both. In truth, this wasn't something they were particularly interested in.

Opinions were mixed as to whether regulators do a good job and whose interests they consider most in their decisions. Some expressed a view that the regulators must be doing a good job because gas prices are lower than electricity prices but others were unsure due to recent increases. The majority, on consideration, believed that regulators consider both consumers and the companies that produce or deliver gas. This, they explained, is essential because regulators must simultaneously deliver reasonable prices to households and ensure gas companies stay in business. Against this was a minority view that regulators' first priority is the wellbeing of gas businesses and that consumers come second.

Most realise they can choose between retailers

Awareness that consumers can select the retailer of their choice is high. Participants differed in their views as to how important this is, with some saying it and the existence of competition is important to them, while others believed that there would likely only be marginal differences between the prices and services offered by different retailers. Only at the Parramatta SME table was there significant uncertainty about whether one could choose between retailers, though most concluded that they probably have a choice because they could recall marketing activity. These small business people explained that they had not focused much on it because they didn't think it would make much difference.

Gas is gas. (Parramatta, SME)

Several participants explained that they had been approached by competing retailers or checked out what is available themselves. Most formed a view that short term discounts are available but offerings tend to be similar in the longer term.

They give you discounts for a month. (Sydney CBD)

There is very low awareness that residents of some apartment blocks can all be forced to use the same retailer. On learning why this is, most said it would bother them as it would take away any benefits of competition and leave them with nowhere to go if they were unhappy with the retailer. However, for most, this would be more a matter of principle than an issue of substance and, believing there is little difference between retailers, they thought they would quickly get over it and move on.

I wouldn't want to be dictated to by a centralised body. (Sydney CBD)

Some SME operators in the Parramatta forum expressed a different view, though none of them actually lived in apartments. Their view was that having one retailer for an entire block would actually increase bargaining power when seeking a better deal. They did not see this issue as a problem at all.

There were a couple of participants who said they live in apartments where they can only use one retailer. They were not overly fussed by this and didn't consider it a big issue at all.

Individual metering does matter

Views that it is important to have individual metering were strong amongst all demographic groups. No one was prepared to risk being charged for gas above and beyond what they use themselves. Some even acknowledged the possibility that they might in fact save money if their usage were averaged among several households but this consideration did not override their distaste for the thought of subsidising other households whose usage is heavier than their own. This was a far more important point than whether or not they could choose their own retailer, with some stating emphatically that they wouldn't want to live in a block without individual metering. Some others added with concern that this is the sort of problem one may not realise until after moving in.

It is very important because if you are sharing an apartment block with families and you are never home why should you be paying their usage. (Parramatta, high income)

It's very important you only pay for what you use. (Parramatta, low income)

I wouldn't live there. (Parramatta, high income)

High awareness that gas is not available in all parts of NSW

Almost every participant knew that gas is not available in several parts of NSW, including some metropolitan areas and many regional areas. Some people in Orange considered their city to be fortunate because they knew of other regional areas where gas is not available. Several people in both the city and regional parts of the research said they had previously lived in places without access to a gas service.

Most would contact their retailer if they had a problem with their gas

Participants were asked who they would contact if they had a problem with their gas. The majority of residential customers said they would call their “supplier” or retailer. The majority in the SME group in Parramatta said they would first contact their landlord or centre manager. After that, most SME operators said they would contact their retailer.

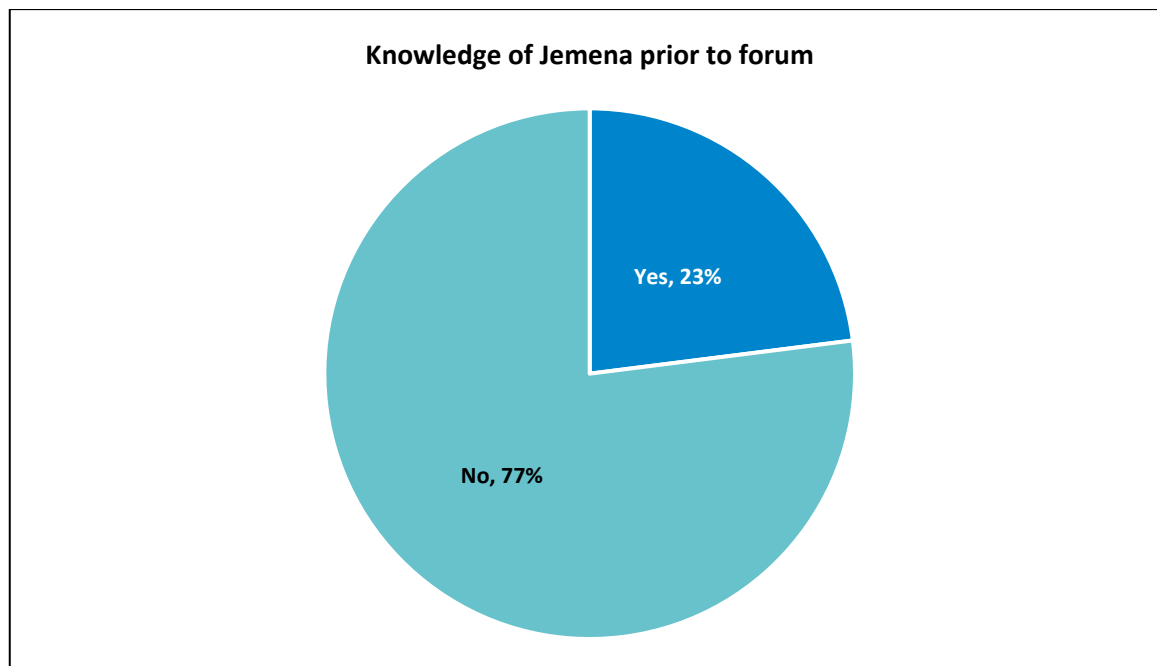
A small number of participants said they would call their plumber first, with a few saying they would only call their plumber if they considered the problem to be urgent. Their reasoning was that a large organisation might respond slowly whereas their plumber would likely attend to the problem quickly.

I had a problem once and I called the plumber. (Orange, high income)

Only a handful across all three sessions said they would call Jemena or “the contact number on the bill.” One of the few participants who was aware that Jemena was responsible for the gas pipelines in her street said she would call them if there was a problem. Other responses to this question included “Googling” and the fire service. For queries about bills, most would call their retailer.

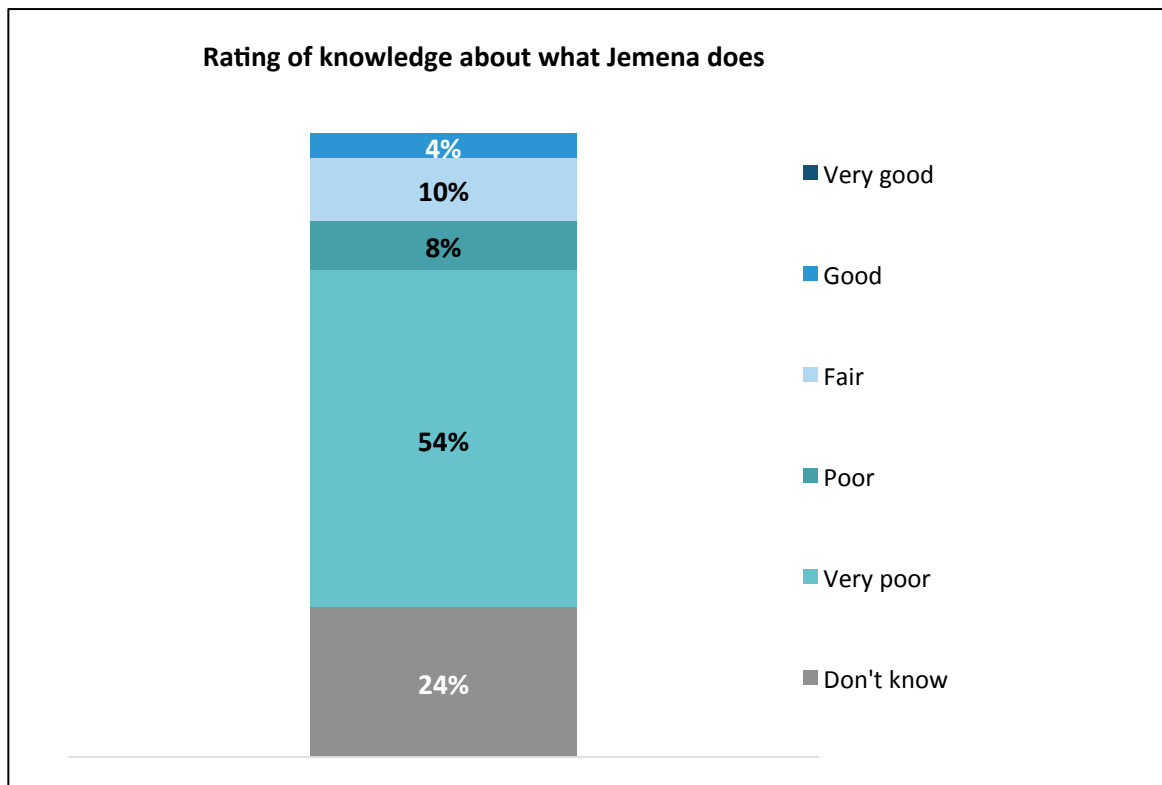
Knowledge of Jemena

Roughly three-quarters of participants (77%) had never heard of Jemena prior to being asked to attend this research project. The minority who had either noticed its name on their bill or had dealt with it in the past. These findings are replicated in the charts below of responses to questions asked at the start of the focus group and deliberative forums. Only a small proportion of participants (22%) rated their knowledge of Jemena anything above “very poor.”



Base: All Participants (n=48)

Before being invited to tonight's meeting, had you heard of Jemena?



Base: All Participants (n=50)

How would you rate your level of knowledge about what Jemena does?

Near the commencement of the research sessions, prior to discussing energy issues, participants were asked to write down what word or phrase first comes into their minds when they hear the word “Jemena.” Many later admitted they had no idea what Jemena does and what they wrote down reflected this, with the top-of-mind responses of some likening it to a woman, the Gemini car or the Janome brand of sewing machines. Some examples follow:

Iranian princess

Playschool (Jemima starred in it)

Girl's name

A woman in Greek mythology

Another brand of yoghurt

Sewing machine

Oil and gas (the writer explained that it sounds Middle Eastern to him)

Only a small number of participants wrote anything that reflects what Jemena actually is. These people had some knowledge of Jemena and what it does. This knowledge was obtained from personal dealings with Jemena (for example one did some work fitting equipment to Jemena cars) or from reading the gas bill.

Gas supplier

Gas supply

Pipelines

A couple of people commented that the name Jemena sounds nice and has a good feel to it, unlike some other names which can sound a bit harsh.

*The name Jemena, it gives a pleasant feel to it. It's not strong like "Bruce".
(Sydney CBD)*

Consequently, virtually no-one, not even those aware it was in the gas sector, knew anything of Jemena's origins, history or ownership. When asked whether they expect Jemena would be government or privately owned, most guessed that it would be a private company. The most common rationale for this was, as one person in the Sydney CBD put it, "Isn't everything privatised these days?" A few others added that Jemena doesn't sound like the name a government organisation would carry. Others again thought that Jemena must be a private company because a government organisation, they explained, would never do consumer research like this!

It doesn't have a guvvy [as in Government] name. (Sydney CBD)

A few in Orange dissented and thought Jemena would most likely be a government organisation or would be jointly owned by the government and a private company.

Those who thought it was a private company didn't know whether it would be Australian or foreign-owned but most of them suspected, or even feared, that it would be foreign owned or, if not, owned by an Australian billionaire.

The Chinese. (Orange, low income)

Rinehart. (Orange, low income)

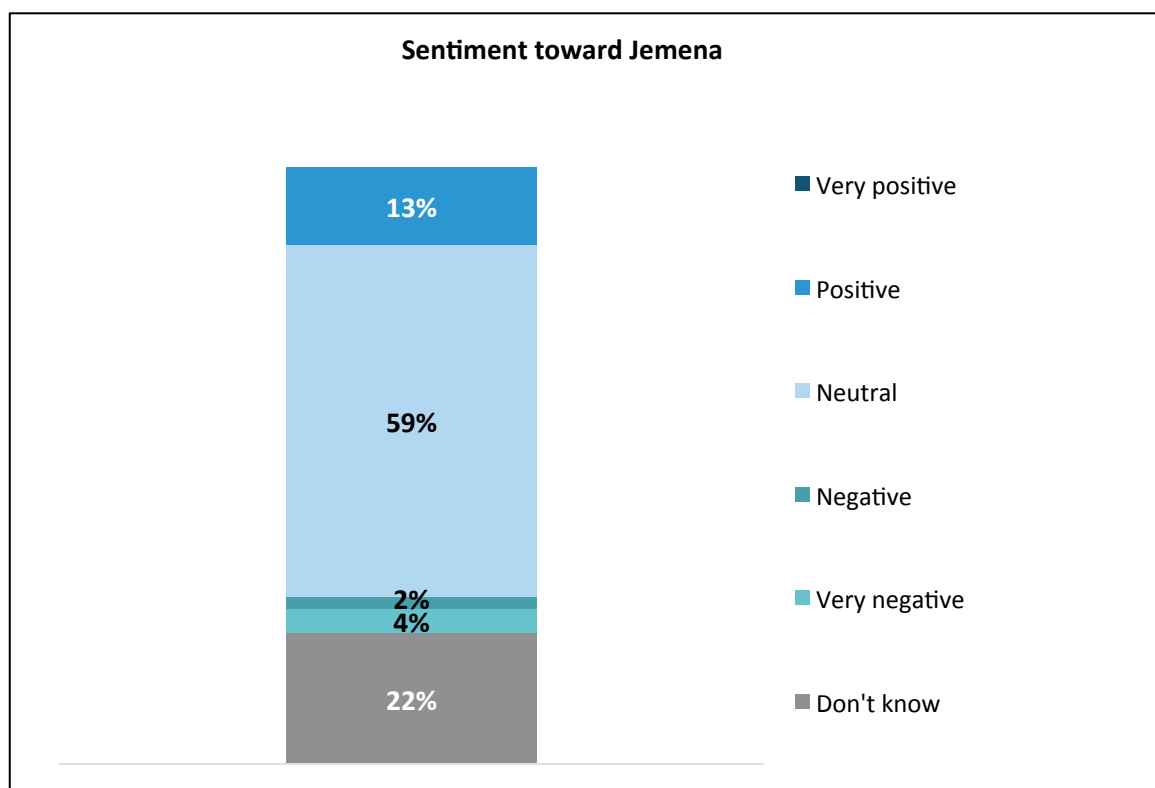
Initial Perceptions of Jemena

At the start of the forum most participants naturally said they had neutral feelings towards Jemena as they didn't know anything about it. A few said they had a positive opinion of Jemena. Three reasons were given for this:

- They had dealt with it and been left with a favourable impression;
- They could not recall any problems with their gas supply so assumed it must be doing a good job; or
- The fact they were conducting research amongst customers indicated care and concern about them.

The small number who reported a negative opinion of Jemena said they had either had a bad experience with it or suspected it may be a CSG extractor. Note that one participant in Parramatta had experienced a billing issue that was attributed to Jemena.

The chart below shows the dominance of neutral opinions about Jemena near the start of the sessions. Across all participants, 13% had positive views of Jemena and 7% were negative. The rest either had a neutral view or didn't know.



Base: All Participants (n=46)

Regardless of how much you know about Jemena, how would you say you feel about the organisation?

Sources of information about Jemena were also limited. Some had noticed its name on their bills, a few had had dealings with it and a couple of people in Sydney's CBD group thought they had seen it written on a car or van but were not sure of this.

Information about gas more broadly had been obtained from a number of sources including personal experience, branding and marketing activities (by retailers), media advertising (television, magazines and newspapers) and door-knockers. A couple said they had been on websites seeking information about gas appliances.

I researched gas when I was shopping around for new deals when moving houses. I went on the comparison site. (Parramatta, high income)

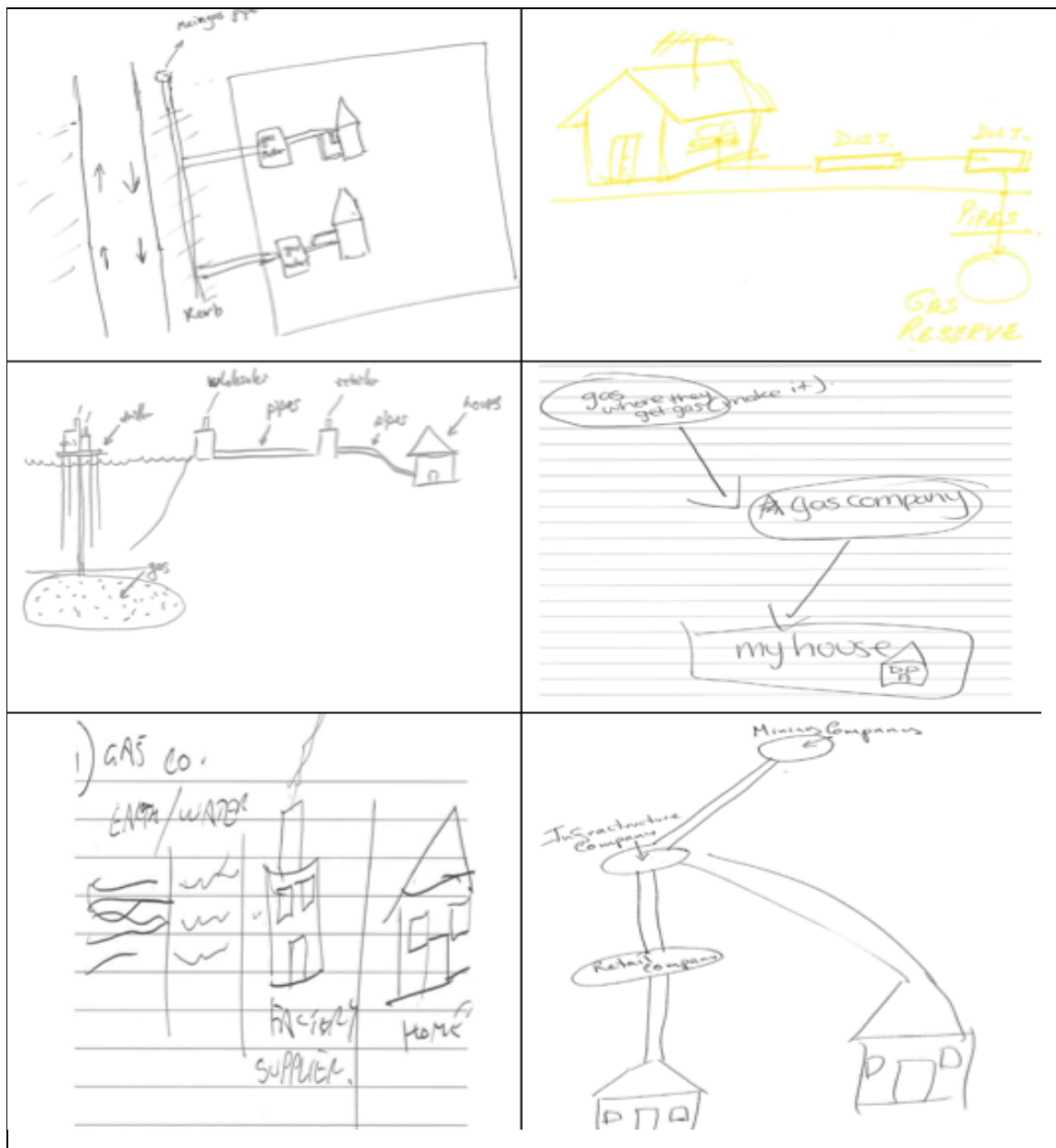
I just spoke to people and went to the AGL website for products as I knew that they would install them correctly as they are retailer. (Parramatta, high income)

Jemena's place in the gas supply cycle

Participants were asked to draw a diagram showing where the natural gas in their homes comes from and the various steps involved in how it gets from there to their homes. They were also asked, if possible, to include the names of the various companies they believe provide services at points along the supply chain.

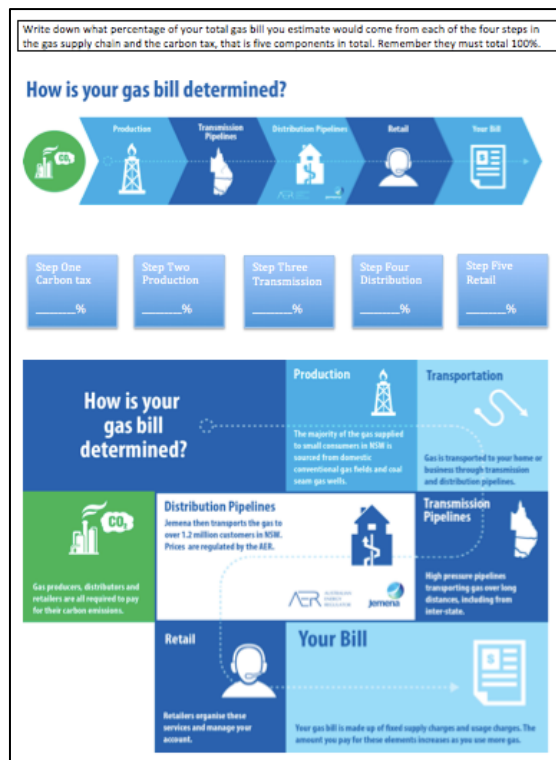
A representative selection of the drawings is shown below. Understanding of the gas supply chain was very limited, including where gas originates from, which no-one really knew, with most simply guessing it comes from underground. A small number of participants were close to being correct about the chain (e.g. top row on the right). The most common error was to place a gas processing plant or factory in the chain, akin to an oil refinery (e.g. the bottom two). Several others admitted having little idea and just drew pipes to their house (e.g. top left) or didn't draw anything at all. One thought that gas is delivered by truck from its source to the pipe network. Most had no sense of how far gas travels from the extraction point to their home.

Those who listed the companies that provide services along the chain could only name retailers. They suspected that some retailers may also fulfill other roles in the chain but they didn't know or offer any details. The retailers participants commonly named were AGL, Origin, Energy Australia and Lumo Energy.



Breakdown of bills amongst organisations in the supply chain

Later in the forum each participant was given a worksheet showing the correct gas supply chain and they were asked to write in the percentage of their bill that is allocated to each one (at right). The diagram of the supply chain included the carbon tax as well as production, transmission, distribution and retail. The table below shows the average of the allocated percentages among each table in the focus group and the deliberative forums (note that figures have been rounded to the nearest whole numbers so row totals may not equal exactly 100%).



	Production	Transmission	Distribution	Retail	Carbon tax
Parramatta SME	28%	15%	21%	21%	14%
Parramatta high income	8%	26%	19%	26%	24%
Parramatta middle income	8%	18%	18%	19%	35%
Parramatta low income	12%	21%	18%	24%	26%
Sydney CBD	23%	20%	21%	28%	8%
Orange high income	20%	16%	19%	35%	7%
Orange low income	23%	15%	19%	36%	10%
AVERAGE	17%	19%	19%	27%	18%
Actual Figure	20%	5%	50%	20%	5%

Results shown are from the worksheet titled: How is your gas bill determined.

The two major areas of misunderstanding concerned distribution and the carbon tax. Across the entire set of sessions for this research only two participants allocated 40% of their bill to distribution. No one put a figure higher than 40%. The average of 19% is well under half the correct figure of 50%.

With the carbon tax, 15% of participants gave a figure of 5% or under. In Parramatta, the estimates were far too high, with a couple of people thinking its portion of their bill would be 50%. In Orange and the Sydney CBD, the estimates were also too high but were far closer to the actual figure of 5%.

Impact of Information on Perceptions of Jemena

Two main issues emerged – rising gas prices and foreign ownership

In the first presentation to participants Peter Marcus, Jemena Gas Pipelines' Executive General Manager, spoke for around twenty minutes to give information about Jemena and the context in which it operates before taking presentations. A copy of his presentation and the others given during the forums is available on the Jemena website.

Two major points in this presentation stood out to participants.

First, that **gas prices are going to rise significantly due to exports**. This naturally bothered people in all groups but especially the SME and lower and middle-income groups. Many pondered whether gas would be used less in future and whether their own consumption of it would fall as its competitiveness vis-à-vis electricity declines. Many expressed concern about vulnerable groups like pensioners as well as concern about their own budgets. SME operators who use a lot of gas were particularly likely to find this news concerning and surprising.

Some, particularly in the Orange lower income group, initially said they thought the gas price hike would definitely motivate people to try to use less gas or move back to electric products but as the discussion continued, these kinds of comments dissipated. Many thought that electricity prices would also rise and enable gas to retain most of its price advantage.

For old people their bill rising up by that much a year, that's a lot different, so they're going to have to turn off their heaters and rug up. (Parramatta, high income)

I think electricity will go up by even more. (Parramatta, low income)

Second, **disappointment that Jemena is foreign owned**. Most people said this didn't surprise them but continues a trend towards foreign ownership of vital Australian assets that they don't like as they believe profits and control fall into foreign hands. Many assumed that foreign owners have no links or sense of responsibility to Australians and so invest in this country purely to make money, often cutting important functions to do so. Also, they explained that it's difficult for Australian consumers to complain to an owner that is located in another country. These views were expressed by members of all sessions.

It made me depressed that they're owned by China and Singapore. (Parramatta, high income)

It's an essential service. I'm surprised the federal government allowed that to happen. (Sydney CBD)

An Australian company would care more about our pricing. (Parramatta, high income)

Maintenance and reliability become secondary to profit. (Parramatta, SME)

However, subsequent discussions moderated this view. Implicit in Jemena's presentation was that the company has a long Australian heritage and there was nothing to suggest that the relatively recent acquisition of it by overseas interests was going to change anything about how Jemena operates. Explaining that the Chinese and Singaporean owners are big utility businesses also proved to be a small mitigating factor. By the end of the sessions, foreign ownership was seen more as a disappointment than as something that was going to affect them.

That said, concerns about foreign ownership in this instance were heightened because many people suspected there could be a link between the recent acquisition of the NSW gas distributor and the expansion of gas exports to Asia that is going to drive up Australian prices. It appeared to participants that the Chinese buyers of Australian gas had given themselves extra power by acquiring Australia's gas providers. Further, as in other research we have conducted in recent years, there is particular concern about Chinese ownership of assets because of a perception they are interested in more from a control than an investment perspective. This was a common misconception in these research sessions.

We have to suffer the consequences of it being shipped overseas. The company is being greedy and double dipping. (Parramatta, high income)

By the end of the sessions, concerns about foreign ownership, as stated, diminished but unease about increased exporting of gas remained. Some people expressed a view that gas is a finite resource and that in Australia we should keep it for ourselves.

I'm concerned that we will run out of gas if it is exported. (Orange, high income)

Others expressed annoyance about having local costs of gas dictated by overseas companies and that there is no shielding of Australian consumers from the high prices and vicissitudes of international commodity markets. This sentiment was encapsulated in a question asked straight after the presentation as well as in discussions soon after.

You are saying that our gas is going to be shipped to China or Japan and that is going to force us to pay a higher price because our resource is going? What is the reason behind that? (Parramatta, high income)

This information had mixed impact on impressions of Jemena, with most becoming slightly negative and others largely remaining neutral

After the first presentation about Jemena, participants were asked how the information impacted their perceptions of the company. Impressions were mixed.

Many were surprised to learn that 50% of their bill goes to Jemena, which was higher than they expected. However, its main impact was to make clear that distribution is a very important part of gas infrastructure and that Jemena's operations have a significant bearing on consumer costs. This did not make the majority of participants feel more or less favourable towards Jemena; rather they noted it as a fact about the state's gas service. Only a minority felt negative about this. These people were either worried about a foreign-owned organisation being responsible for 50% of their bills or just felt uneasy about one company having sole access to half the revenue raised through gas bills.

I'm surprised how much money the distributor makes. I would have thought it would have been between 10 and 30%. (Orange, SME)

To me it looks greedy that one company owns all that and is getting 50%. (Parramatta, high income)

If I call AGL, a Jemena truck would arrive. That would surprise me. (Sydney CBD)

Several participants commented on the fact that Jemena is a monopoly. This was another topic on which concern was apparent in the early part of discussion but mostly dissipated after a short while. At the end of the evenings, three facts neutralised all but a small amount of concern about Jemena's monopoly status:

- Jemena's vested interest in making gas competitive and increasing the number of gas customers;
- That its prices are regulated and that the regulator is active about making Jemena explain and justify its prices; and
- That consumers are free to choose their retailers who also make up a significant component of their bills.

(That it's a monopoly) is not an issue because there is a choice in retailers. I can still choose my supplier. (Parramatta, middle income)

Otherwise, participants felt that the presentation contained both positives and negatives about Jemena. Overall, slightly more people said their view of Jemena became slightly worse rather than better during the presentation but many others saw both pros and cons and their opinion remained neutral.

The points that created a positive impression were:

- The **history and longevity** of Jemena. For some, this eased concerns about foreign ownership.

I'm disappointed that no part of it is Australian owned but that doesn't make me negative about Jemena. It started here as AGL but now Australia doesn't even own 1% of it. (Orange, SME)

- Jemena's focus on **safety**.
- Jemena's **willingness to lower its prices** and help reduce the impact of commodity price rises on consumers. Some worried that retailers may not show the same concern and lift their prices.

Will retailers ramp up the price? (Parramatta, middle income)

- The fact that Jemena has a **vested interest in gas being competitive** and actively tries to attract more customers to gas.
- Mention of the **television advertisement for gas**. Several participants could recall this ad and said they liked it. A few had watched it online. Many wondered why Jemena's name had not featured in it, a fact they considered unusual because it would have made them feel favourable towards Jemena.

I saw it on YouTube. I could have skipped it but I chose not to. I watched it. It's good. (Parramatta, middle income)

- That the **name Jemena** is a Nunga aboriginal word with an admirable meaning.

(They should) communicate what Jemena actually is. The fact that it's an aboriginal name meaning, "hear, listen and think," that would catch me. (Sydney CBD)

The points that created negative feelings towards Jemena have been discussed previously but to sum up, they were (in broad descending order of importance):

- **Foreign ownership;**
- The impression that Jemena's **Chinese ownership may be linked to the increase in gas exports** that is expected to cause consumer prices in NSW to rise;
- Its **monopoly** status (minor); and
- That it represents **50% of the bill** (minor though exacerbated somewhat by foreign ownership).

Confirmation that gas is regulated made many participants feel slightly more positive. Generally, participants want gas (and electricity) to be regulated provided that the regulation is effective and places due emphasis on their own interests.

However, several formed the view that regulation of gas prices was making no real difference. This perception was driven by concerns about prices rising: if prices are going up, regulation is therefore ineffective in protecting consumers. Some even stated that they have more faith in competition than regulation with regard to gas.

Leave it to competition and the market. (Parramatta, low income)

For the majority of participants, knowing that prices were regulated had no impact on their perceptions of gas as a fuel or as a competitor to electricity.

After the second presentation on the Five Year Plan (responses to this are explained in the next section of this report) participants generally felt more positive about Jemena because of its efforts to keep prices down to help consumers and its emphasis on safety.

I'm impressed that Jemena is more concerned about the consumer than the retailer. (Parramatta, low income)

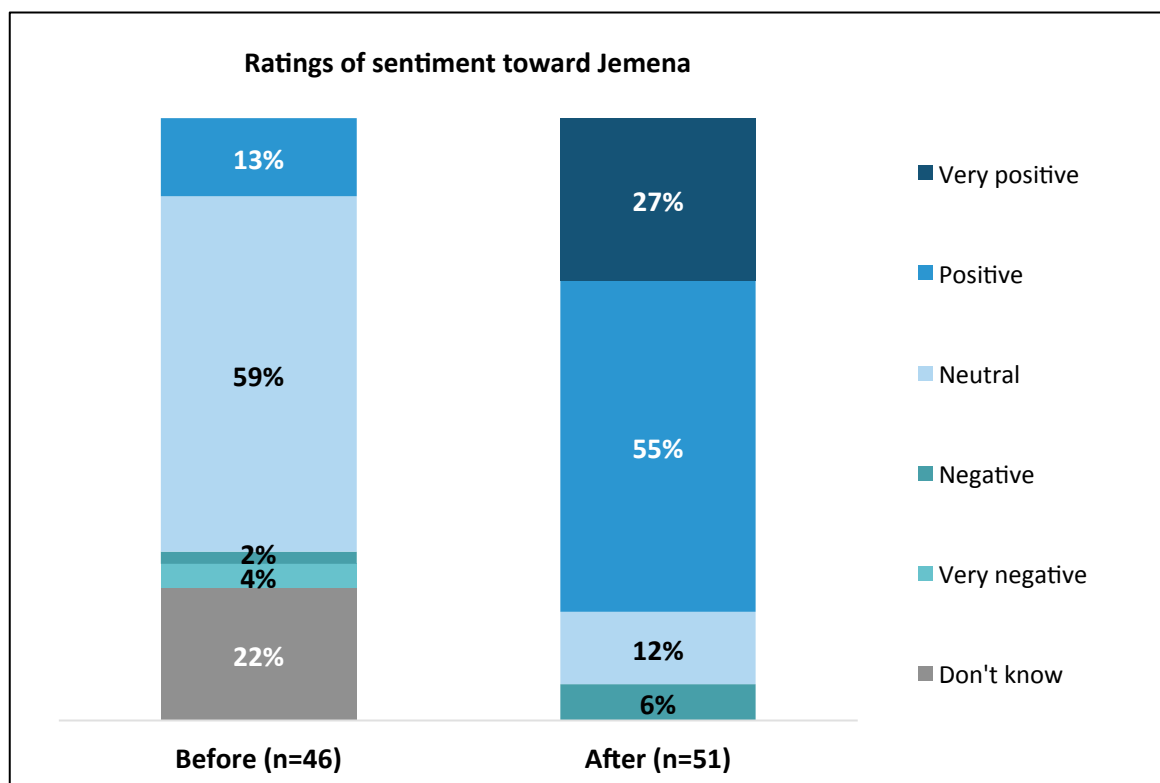
Information presented in the third presentation, which included a section on how Jemena could assist vulnerable customers, further increased positive feelings towards Jemena among many participants. This presentation further mitigated earlier concerns about forecast gas price rises by adding to the perception from the second presentation that Jemena is not only consulting with consumers but making their interests central to its decision-making processes. The vulnerable customer initiatives were particularly powerful in generating positive perceptions of Jemena, particularly as they would not have a flow-on impact on the prices customers pay.

I was initially neutral but moved towards positive by the conclusion of the night. The positiveness came from the fact that it appeared Jemena was trying to take care of customers. (Parramatta, low income)

I'm positive. They are actually asking the community what they think and they are looking to help the vulnerable. (Parramatta, low income)

I didn't like the idea that it was zero Australian. I went more negative but then became slightly more positive when they spoke about helping the vulnerable. (Parramatta, low income)

The charts below show the result of questions asked at the beginning and end of each session, demonstrating that participants' opinions of Jemena lifted substantially after exposure to more information and Jemena staff with 82% of participants giving a positive rating at the end of the forum (vs. 13% at the start of the forum), with most who initially didn't have an opinion of Jemena or just a neutral one shifting to a positive view. Only a very small number ended the research feeling negative.



Base: All Participants

Regardless of how much you know about Jemena, how would you say you feel about the organisation?

How would you say you now feel about Jemena?

B. Jemena's Five Year Plan

Having explored unprompted knowledge and perceptions of Jemena and issues related to gas and then given a presentation about Jemena and the context in which it operates and discussed this, participants were ready to have a more informed discussion about Jemena's proposed Five Year Plan.

Information about the Five Year Plan was broken up into two presentations given by Jemena Gas Network's General Manager of Regulation, Robert McMillan, with Q&A session and time for discussion after both.

Six key elements of the Five Year Plan were explored:

- Whether the cost of connecting to gas should be paid by the customer or subsidised by other customers.
- Whether or not Jemena is correct in believing that safety should be the number one priority for Jemena.
- Which of five scenarios best reflect consumers' preferences in terms of trade-offs that Jemena could potentially make in terms of the investments it makes in services and marketing in an effort to keep down the price that consumers pay for gas distribution.
- Jemena's price path over the next five years and the extent to which it should consider impacts on final consumer prices and bills as a result of rising wholesale prices when it sets its own prices.
- The balance between fixed and variable usage charges in Jemena's part of the bill.
- The extent to which Jemena should be taking action to assist vulnerable customers.

A summary of participants' opinions on each of these points follows.

Gas should be an essential service but is this feasible?

Gas customers mostly considered gas to be an essential service for themselves. They realised that they could substitute electricity but they value their access to gas and would feel a sense of loss if they did not have it. Many extrapolated this sentiment to form a view that gas is an essential service that everybody should have access to but others thought immediately about the cost implications of this and concluded that gas, while desirable, should not be classed as an essential service for everybody. They supported this view by pointing out that many households currently operate with only electricity, not gas.

Gas is essential especially for those who are used to having it. I would die if I couldn't have gas. It is probably one of the main reasons that I haven't moved. (Parramatta, high income)

In Orange, some also noted that town water is not available in many parts of the state because the cost of linking them to water mains is prohibitive and they felt the same situation also exists with gas.

It would be a massive cost to offer it to everyone. (Orange, low income)

Similar logic applied to the question as to whether all gas customers should be charged equally for connections. The majority initially supported the view that people should be charged the same amount regardless of where they live but, after discussion, many modified this opinion on the basis that a private company installs new connections and that other customers would not want to subsidise those who live a long way from the main pipeline. In contrast, a minority - but a sizable one - held firm to the principle that all customers should bear the same costs while several others ended up unsure about this point.

I think it should be the user who pays for installation. Why should I pay for someone's costs who has chosen to live further away? (Parramatta, high income)

Gas is an essential service . . . you can do the same with gas as electricity. (Sydney CBD)

Another suggestion coming from an SME operator for whom gas is a vital service was a compromise idea - that the overriding principle ought to be that you pay the same amount to connect to gas regardless of where you live but this should be tempered by caveats to prevent excessive costs.

Later in the forums once they had learnt how marketing led to new customer connections and helped bring costs down for all customers, many participants were keen for Jemena to continue its work to encourage more connections to the network in ways that were financially viable. In particular they wanted to see it continue to encourage developers to use gas in new buildings and new estates and suggested it undertake targeted marketing campaigns in certain communities where gas pipelines already exist to raise awareness of the benefits of gas connections.

The relative priorities of safety, cost effectiveness, quality and reliability and responsiveness

Towards the beginning of each session and before being provided with any information about Jemena or the gas supply chain, participants were asked to rank four priorities of a gas distributor – safety, quality and reliability, responsiveness and cost effectiveness – in terms of importance for them personally, with one being the most important and four being the least important. The results, averaged for each table at the focus group and deliberative forums, are set out in the table below.

GROUP AVERAGES	Safety	Quality and reliability	Responsiveness	Cost effectiveness
Parramatta SMEs	2	3	4	1
Parramatta high income	2	3	4	1
Parramatta middle income	3	2	4	1
Parramatta low income	1	3	4	2
Sydney CBD	3	2	4	1
Orange high income	1	3	4	2
Orange low income	1	2	4	3
AVERAGE	1.9	2.6	4.0	1.6

Results shown are from the worksheet titled: Your priorities as customers about gas distribution.

The definitions used for each priority is outlined below:

- **Safety:** The health and safety of customers, the community and employees
- **Quality and reliability:** Making sure gas is available when it is needed and reducing customer frustration relating to service disruption
- **Responsiveness:** minimising the time it takes to respond to supply disruptions and to connect customers
- **Cost effectiveness:** keeping gas as a competitive fuel to power homes and businesses

Across the sessions cost effectiveness narrowly eclipsed safety as the most popular choice for number one priority. Responsiveness was well behind the others in fourth (or last) place. In Parramatta and Sydney CBD, cost was the first choice but in Orange and in lower income groups, safety was seen as the most important factor.

Those who chose cost effectiveness first felt it was the element that most impacts them personally. However, in several groups some participants who did not put safety first said it was something they just assumed would be maintained at a very high standard and was not necessarily something they had given much previous thought to.

Participants who put safety first tended to be firm in their view that it overrides everything else.

Safety is the most important – for myself and for the community. (Parramatta, middle income)

I do have a concern with gas in the house. We used to live near a gas meter when I was young and it blew up. My parents always taught us to be very careful around gas. (Parramatta, middle income)

After the presentations, which included a news clip about a recent gas explosion in New York City, participants acknowledged that they had taken safety for granted and there was a common consensus that it was absolutely critical in gas service and should be Jemena's non-negotiable number one priority.

I think that safety is a no brainer that should go without saying. (Orange, low income)

It may cost more to not maintain it if something happens. (Parramatta, high income)

It is more important than dollars. (Parramatta, low income)

It's a zero-sum game. If they don't get safety right, their business is gone. (Parramatta, SME)

Indeed, some participants criticised Jemena for having appeared to raise the possibility that money could be saved by cutting back on safety. However, others quelled their concerns by clarifying that Jemena's position is that it is "non-negotiable."

It is reassuring. (Parramatta, low income)

The five scenarios: cuts to service levels or marketing would be false economy

In the presentation Jemena presented five scenarios and asked participants which one they would prefer to underpin its Five Year Plan. Each scenario represented different ways in which Jemena could cut its part of gas bills through trade-offs in the investments it makes in services and marketing. The less the investment, the greater would be the potential savings to households. Each scenario explained the likely cost savings per annum over the next five years as well as the likely cost implication over the following twenty year period. Ensuring the highest possible levels of safety was deemed non-negotiable by Jemena and this approach was supported by participants.

The five options outlined were as follows:

Option 1 - Maintain current levels of service, continue to make the network larger and be proactive in marketing for new gas customers.

Option 2 - Save money (and lower consumer gas bills) by reducing service levels in the long term. This will result in longer response times to incidents, more gas leaks, less reliable gas delivery to households and decreased availability of gas to potential new customers.

Option 3 - Save money over the next five years by decreasing levels of service but restore them to current levels within ten years. Lower investment will cut bills over the next five years but may cost consumers more over ten years as the investment is replaced.

Option 4 - The same as Option 1 except that savings will be made by spending less on marketing to attract new customers and less on expanding the market through new connections.

Option 5 - The same as Option 1 but spend more on the "universal level of service" principle by improving service quality, primarily pressure levels, for existing customers who currently receive a lower level of service. This option adds to bills rather than saves money.

Overall, there was strong support for Option 1, the status quo, and Option 5, which actually would add a small amount to customer bills in return for investing more in improving service quality for existing customers whose service is currently below the standard of the majority.

Significantly, slightly more household consumers supported the more costly Option 5 than Option 1 but SME operators, sensitive to price increases and already realising they were facing rises in a few years, mostly opted for the status quo.

Option 1 and Option 5 are the only ones that make any sense. (Orange, low income)

Hearing that Option 1 represented Jemena's current position created significant goodwill towards the company. People thought it displayed a sensible, consumer oriented attitude towards pricing and service levels. Expressions like "sensible" and "common-sense" were heard repeatedly at many tables. Similar views were stated about Option 5. No one questioned the value of its modest extra investment in service levels; some just didn't want any more to be added to their bills.

It (Option 1) shows common sense. (Orange, high income)

This is reassuring. (Parramatta, low income)

The biggest concern about Options 1 and 5 was the question as to whether retailers would pass Jemena's savings on to consumers. Here there was some unease about the extent to which retailers' prices are regulated.

Hopefully competition will kick in. (Orange, high income)

In contrast, Options 2 and 3 were criticised, sometimes strongly, for cutting back maintenance and service levels. Some felt this implied lower levels of safety. Even when it was pointed out that service levels, even after the cuts, would still be of very high quality, neither household consumers nor SMEs would have a bar of it. Several claimed these options contradicted Jemena's stated focus on safety as a non-negotiable. Very clearly, participants were adamant about the unsuitability of Options 2 and 3.

They are not giving us another option in regards to safety because we are not stupid. Who would choose reduced safety? We would only save 90 cents anyway! It isn't even really a choice. (Parramatta, high income)

Views were also negative about Option 4, reducing investment in marketing, but not anywhere near as strongly as with Options 2 and 3. Consumers easily grasped and supported the logic of attracting additional customers to gas so as to spread the system's base costs more widely. Some asked for evidence that the marketing actually does make a difference. When it was pointed out that around one-quarter of homes who have gas available are not currently connected and that 30,000 new customers are added each year on average and how much this was forecast to fall if marketing were reduced, any hesitancy about the benefits of marketing dissipated immediately. Consumers, including SMEs, saw it as in their own interests for Jemena to continue its efforts to market gas. Consequently, they did not see marketing as a justifiable area for savings.

Some tables at both the Orange and Parramatta forums suggested that it might in fact make sense if Jemena spends additional money marketing because it could potentially bring costs down for all consumers.

Following are some typical responses to each option:

Option 1.

Service levels remain unchanged and Jemena proactively grows the network so more people get access to gas and share costs.

Customers receive a total network price cut of 10% by 2019/20 (which is 50% of your bill), leading to reductions in retail gas bills of around \$60 per year by 2019/20.

They are maintaining their high standards and quality that will lead to cheaper gas in the future. (Parramatta, high income)

But will AGL pass the savings on to us? (Parramatta, high income)

I've never heard of retailers passing it on. (Sydney CBD)

Reasonable, safe and fair. (Parramatta, SMEs)

Option 2.

Decreasing long-term level of service e.g. longer response times to incidents, increased and more disruptive gas leaks, reduced level of reliability and decreased availability of gas to new customers.

Cost savings of - \$8.10 per year for next 5 years from 2016-20

Future additional costs of + \$9.80 per year for following 15 years from 2021-35

It's just not worth it. (Parramatta, SME)

How far does the standard drop? (Orange, SME)

This doesn't appeal to me. (Orange, low income)

This will bring poorer safety and reliability and is not worth it for only 90 cents. Why would anyone want to bring down their quality. (Parramatta, high income)

Option 3.

Temporarily decrease levels of service (as per Option 2) but return to current levels of service by 2030 (Option 1).

Relative to Option 1 (our current thinking) customers would get:

Next further savings of - \$7.80 per year for next 5 years from 2016-20

Future additional costs of + \$15.20 per year for following 15 years from 2021-35

It is too long (a time) to reduce safety. (Parramatta, low income)

*I feel like I am being asked a stupid question because I want good quality. What you are doing at the moment is good so why would you change it?
(Parramatta, high income)*

I have a family, I care about safety first. All costs are rising food and vegetables, my expectation for gas and electricity is that it is a commodity that I cannot live without. (Parramatta, high income)

In ten years the cost of labour will increase and it may cost more to repair it then. (Parramatta, middle income)

Jemena's reputation will suffer. There could be liability issues. (Parramatta, middle income)

Option 4.

Scaling back our plans to attract new customers to our network and relying on natural growth (reducing marketing and other incentive programs to encourage gas connection)

By 2020 28,000 less customers have gas

By 2035 164,000 less customers have gas

Relative to Option 1 (our current thinking) customers would get:

Next further cost savings of - \$0.90 per year for next 5 years from 2016-20

Future additional costs of +\$9.50 per year for following 15 years from 2021-35

I'm not impressed by that. It's an insignificant amount (the savings). (Sydney CBD)

I like the idea of attracting new customers to lower the price. (Parramatta, middle income)

I'd think they'd try to get more customers across the board. Marketing should be more intense. (Orange, SME)

Option 5.

Maintain current levels of service for most customers and improve service for those customers who currently receive lower levels

Equity in service levels across network

Fewer gas leaks, improved quality and reliability to allow higher demand appliances

Relative to Option 1 (our current thinking) customers would get:

Next additional costs of +\$0.60 per year for next 5 years from 2016-20

Future additional costs of +\$0.90 per year for following 15 years from 2021-35

In discussing Option 5, there was general agreement that the principle of “universal service” should be adhered to provided that it would not blow out costs to an unacceptable level. The increase in consumer costs presented in this option was considered to be small and acceptable by most. However, several dissented and stated they would rather not pay even this little bit extra if they have the choice.

There should be the same service for everyone. (Parramatta, low income)

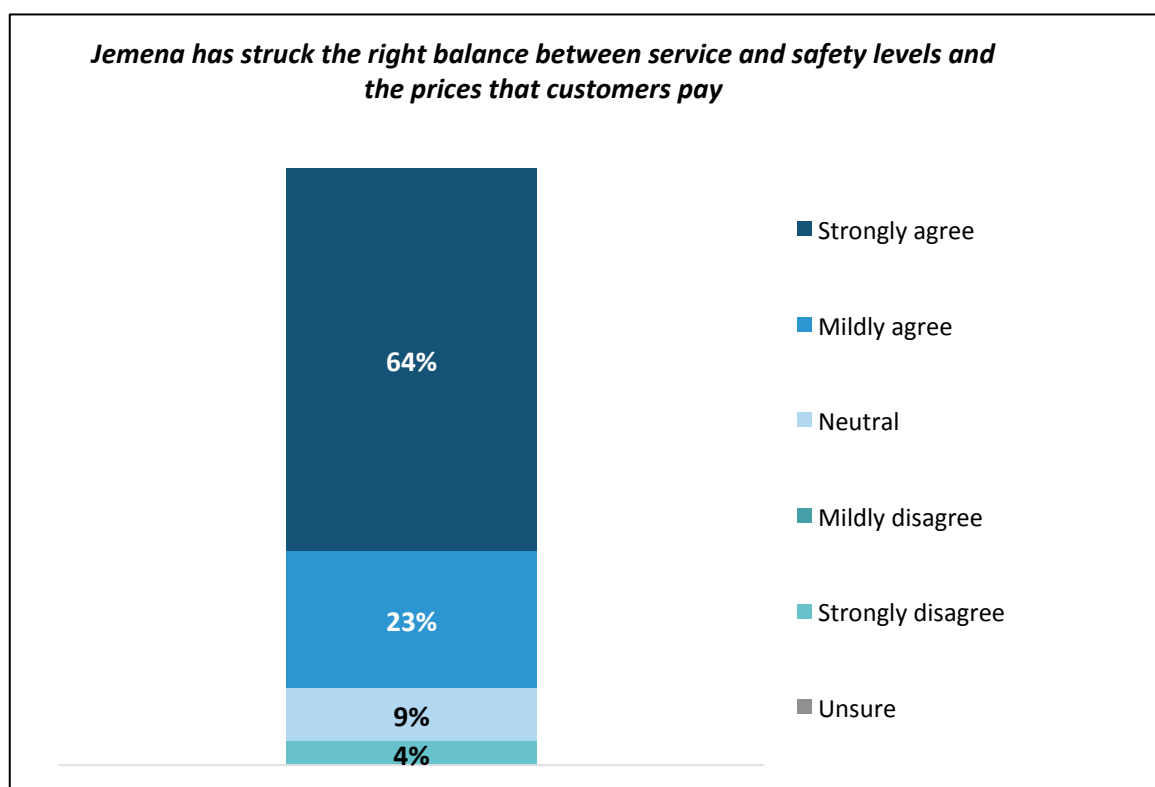
The flow-on effects if gas was improved would benefit the whole market. (Orange, low income)

It's worth that extra (60 cents) for future generations. (Sydney CBD).

The view expressed in the following quote differed from the above commentary but its tone was atypical of most of the people who preferred Option 1 to Option 5.

I'm happy with my supply. I don't care about others. (Parramatta, middle income)

At the end of the forum participants were asked about the extent to which they believe that Jemena has struck the right balance between service and safety levels and the prices that customers pay. On the basis that Option 1 represented the status quo, the majority (64%) strongly agreed with this position and only 2 participants (4%) disagreed.



Base: All Participants (n=47)

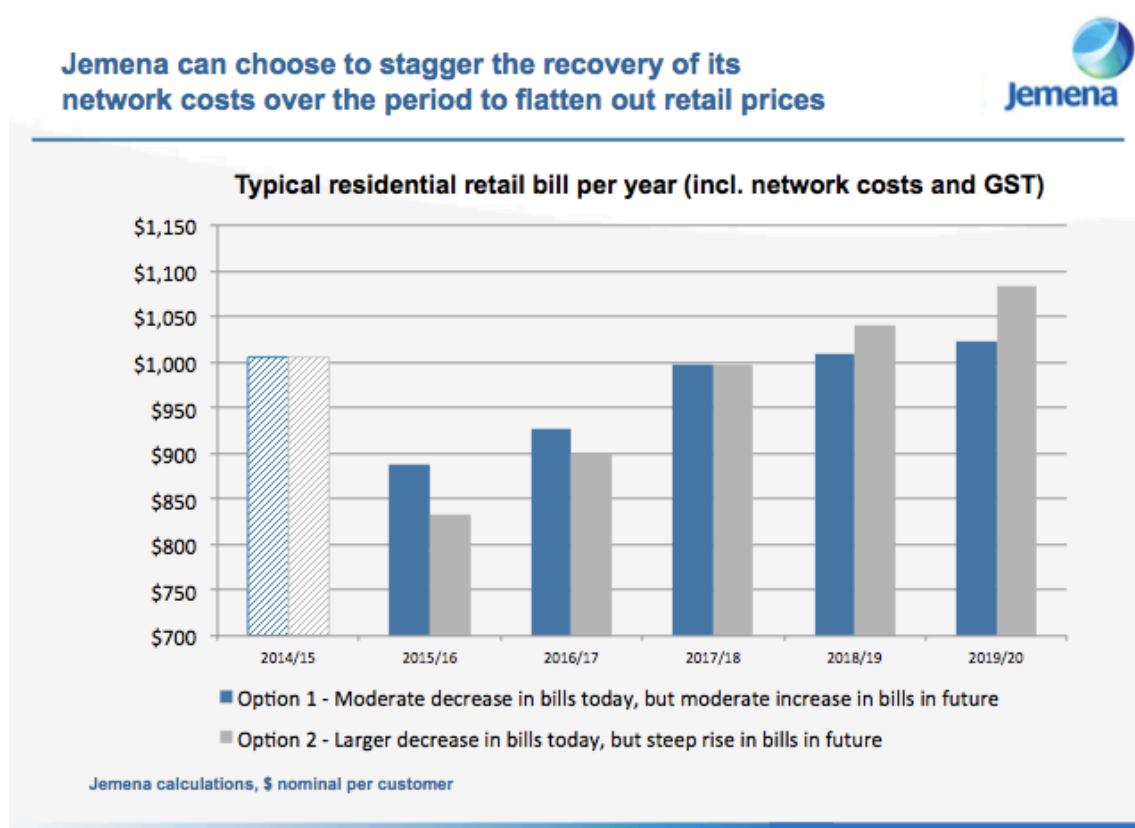
To what extent to you believe that Jemena has struck the right balance between service and safety levels and the prices that customers pay?

Price path: most want it to result in smooth retail prices

Jemena explained two potential approaches to its price path in the presentation, both of which would recover the same amount of revenue. In the subsequent discussion period this topic was the subject of the first of two stand-up exercises where participants were asked to indicate their response to a question by standing on one side of the room if they have one view and on the other side of the room if they have the opposing view or stand in the middle if they have no preference either way. They were asked:

Please stand on the left hand side of the room if you support having smaller retail price decreases initially and gradual increases in future years. Or, please stand on the right hand side of the room if you would prefer Jemena to create a large decrease now in Jemena's component of your bill followed by sharper rises in future years.

During this exercise a slide showing the two relevant price paths was on the screen, as shown below.



A big majority stood on the side of the room that represented the smoother price path (Option 1). Most participants did not want a bigger price reduction followed by a bigger price increase. They gave both practical and psychological reasons for their view.

Spreading out sounds better; in the long term you're prepared for it. (Orange, high income)

No-one likes price increases – in a few years time, we won't remember that prices were low and we'll be jumping up and down at the high price. (Parramatta, high income)

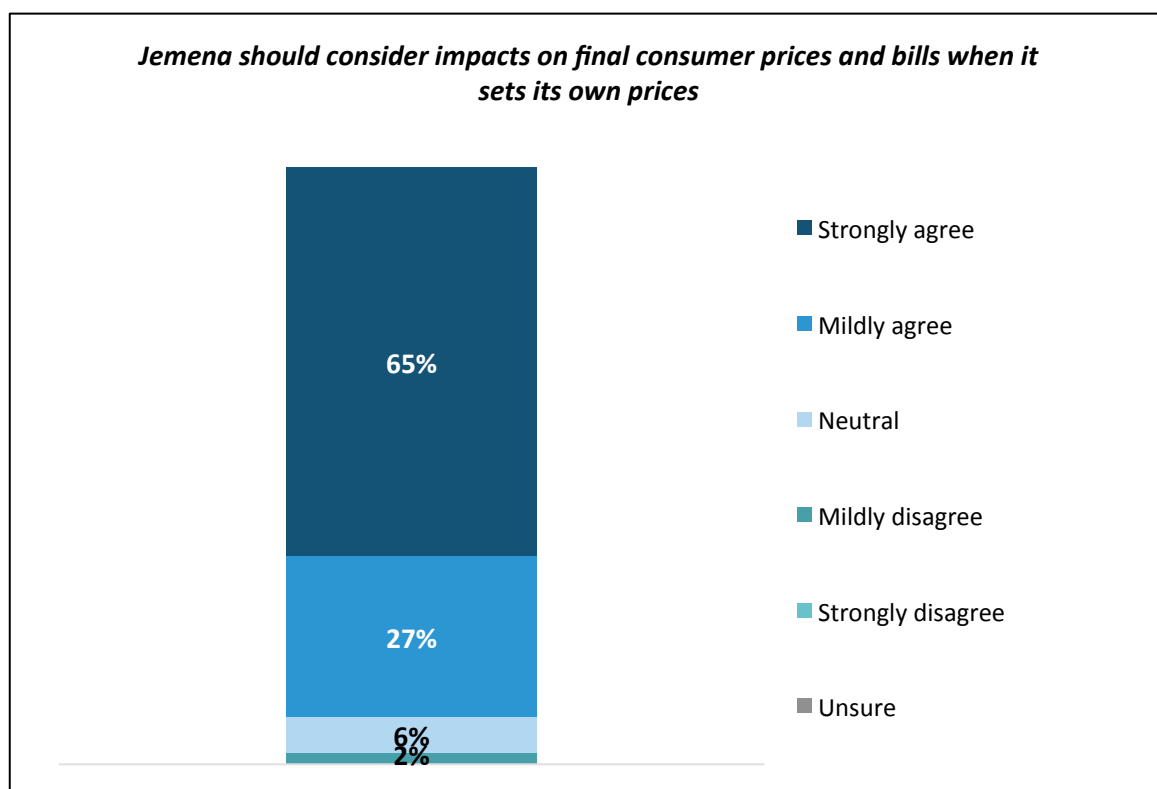
SME operators by a large margin also favoured smoother price movements.

Being a gradual increase you can justify an increase in your products whereas on the other side you can't justify a big increase in your products. From a business perspective it is very important. It makes it easier on companies.
(Parramatta)

There was just one dissenter from this, a business owner who implied that his business might not be able to withstand significant gas prices rises as were being forecast.

I want to keep prices down as long as I possibly can because in five years time I am going to have to shut up shop because I will not be able to afford gas prices.
(Parramatta)

At the end of the forum, a question on this topic was asked in a slightly different way, 'To what extent do you agree or disagree that Jemena should consider impacts on final consumer prices and bills when it sets its own prices'. The results show that most (92%) participants believed that Jemena should consider impacts on final consumer prices and bills when it sets its own prices.

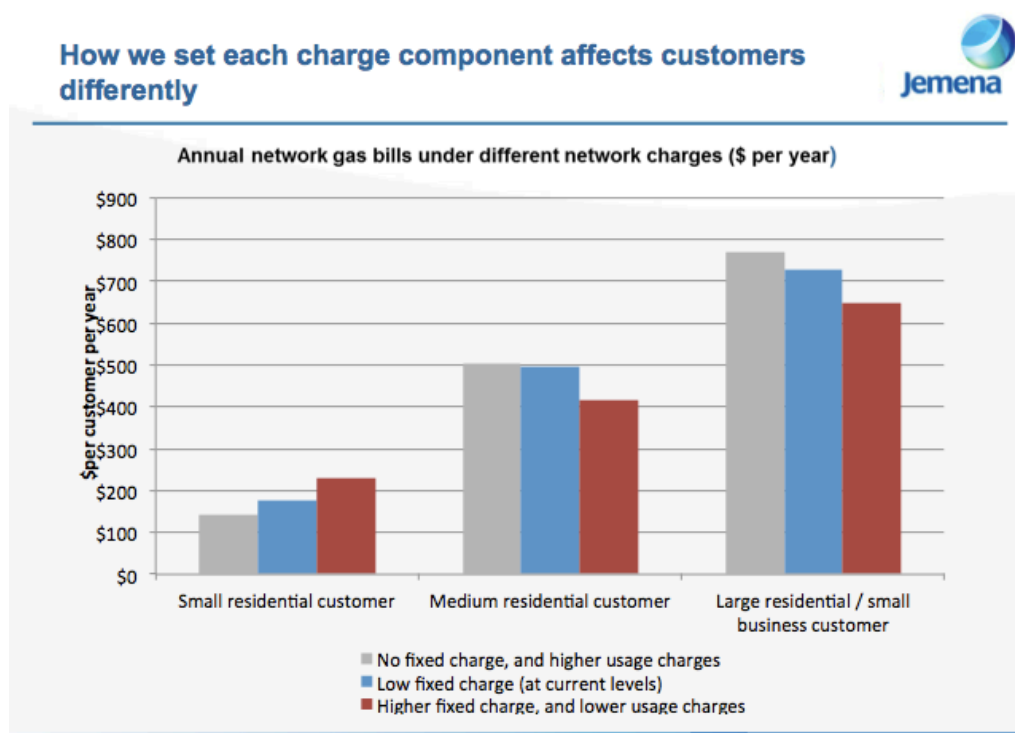


Base: All Participants (n=48)

To what extent do you agree or disagree that Jemena should consider impacts on final consumer prices and bills when it sets its own prices?

Fixed charges: views were mixed but more favour the status quo

Similarly in the third presentation Jemena presented three potential approaches to recovering its costs including the level of its fixed charges and the impact this was likely to have on residential consumers with low, moderate and high levels of gas usage while still recovering the same amount of revenue. Again, the relevant slide was shown (below) on the screen during the stand-up exercise that followed.



Participants were told:

Please stand at the centre of the room if you would like to see things remaining as they are now, with each average customer paying a fixed charge for gas distribution of around 13 cents per day (or \$45 per year) for connection. Remember that this is Jemena's part of your bill only. (Blue bars on chart)

Please stand on the left hand side of the room if you would like to see no fixed charge for gas distribution and a higher variable charge. This would advantage low usage customers. (Grey bars on chart)

Please stand on the right hand side of the room if you would like to see a higher fixed charge for distribution and a lower variable charge. This would advantage high usage customers. (Red bars on chart)

People generally stood in the position that reflected the cheaper option for them based on how much gas they use. Most stood in the middle which reflected the status quo with a fairly low fixed charge (\$45) and moderate usage charge because they considered themselves to be moderate users of gas. Some of them explained that they regard their current bill structure as fair.

I'm happy as it is. (Parramatta, high income)

However, a large number stood on the side of the room representing a higher fixed charge (\$180) and lower usage charge than is charged now. This included a sizeable minority in Parramatta but a small majority in Orange, where people explained that with their city's cold winters, they tend to use a lot of gas. Some however added that they wouldn't be keen on paying a high fixed charge over the summer when their gas usage is low.

I use a lot of gas so it works for me. I have everything on gas, I use a lot of gas and so economically I am better off. (Parramatta)

We use a fair bit of gas so it would be better for us to pay a high fixed rate and less per usage. (Parramatta)

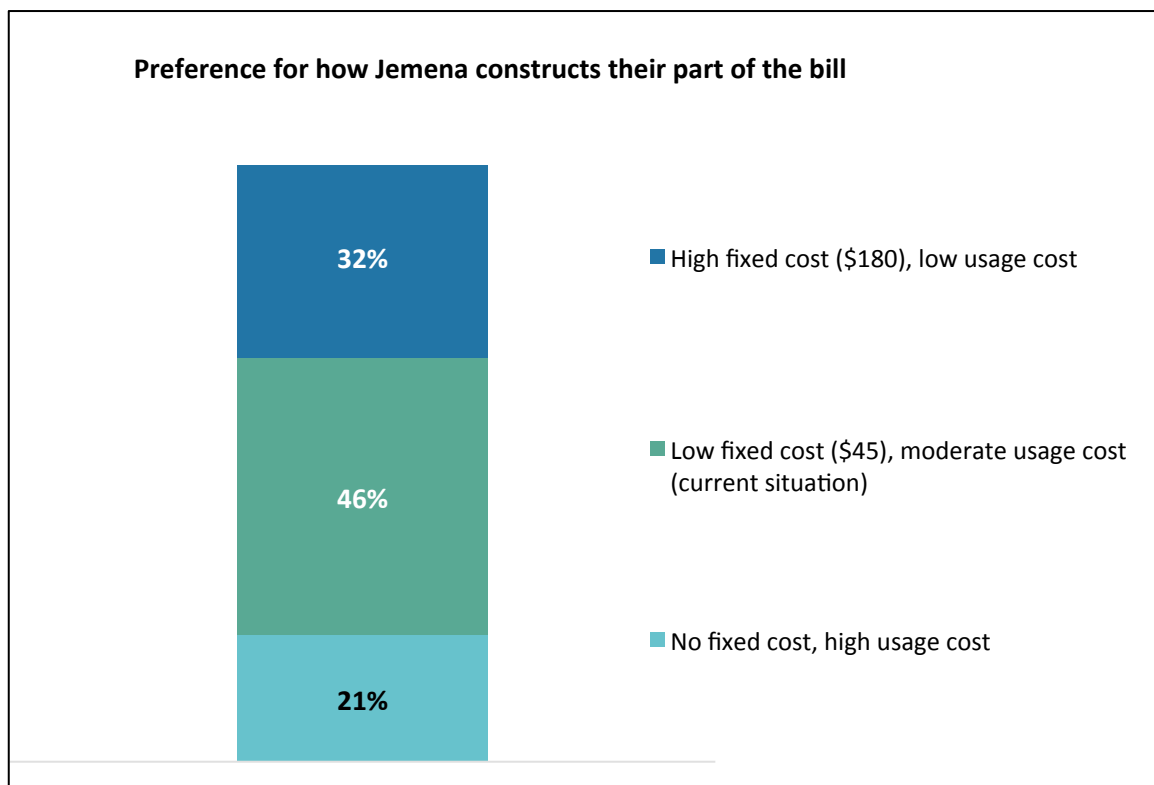
Based purely on that graph – I use a lot of gas. (Orange)

SME operators were split evenly between a higher fixed charge as they tended to be high users of gas and the status quo.

There were also several people who preferred no fixed cost and high usage charge as they considered themselves to be low users of gas. This included quite a lot of people in the lower income groups.

To explore this issue further, a follow-up exercise was done in Parramatta where people were asked to respond not on their own situation but on principle. They were asked to stand on one side of the room if they preferred a lower fixed charge and higher variable charge based on usage and on the other if they preferred a higher fixed charge and lower variable charge based on usage. On this basis, most favoured a low fixed cost. There were two reasons for this. Firstly, it would mean that people pay for what they use. Secondly, it would be fairer on people who use less gas, which presumably includes many customers who are under financial pressure.

At the end of the sessions, participants were again asked their preferences about the mix of fixed and usage prices. Results are shown in the following table. Almost half (46%), as before, favoured Jemena's current position with almost one third (32%) preferring wanting higher fixed costs and low usage costs. About one fifth (21%) preferred not to have a fixed cost at all and to make the system purely based on consumption.



Base: All Participants (n=28)

Thinking of Jemena's part of the bill, would you prefer...

Vulnerable customers: "Jemena doesn't have to support them but it's good that it does"

This topic attracted a lot of interest and produced free-flowing conversation because participants found it both important and relatively easy to understand. The quote in the sub-heading, said by a person from the Parramatta low income table, summed up the majority view. This also added significantly to positive impressions about Jemena.

Across the sessions, the view was almost unanimous that steps should be taken to assist vulnerable customers. However, participants were split about the extent of responsibility Jemena ought to take in this role. They noted that Jemena would be within its rights not to do anything about vulnerable customers at all.

Within this context, most believed that Jemena, being responsible for a greater portion of bills than anyone else, ought to take a central role but that other organisations in the gas chain should help out as well. Some thought it more an issue for government and welfare organisations but they were still keen for Jemena to occupy this space because government, especially, can be slow and unreliable in providing such assistance. This latter view was common in the lower income groups in both Orange and Parramatta.

Generally, participants in Orange were more likely than those in metropolitan Sydney to question Jemena's obligations to assist customers struggling to pay their bills. On the other hand, the SME operators and high income participants in Parramatta were fairly strong in believing Jemena has a role to play in making gas affordable for everyone.

I think that it is really unfortunate for people who cannot afford gas. I think that Jemena has a role to make gas more affordable. (Parramatta, high income)

It is not a luxury. You expect to be able to keep warm. (Parramatta, high income)

The pocket of opposition to assisting vulnerable customers came from a couple of people in the Parramatta middle income group. These tended to be people with a lot on their financial plates with housing and young children and their view was that they have to look after themselves and their families before worrying about anyone else.

I'm in my early 30s. Vulnerable people don't affect me so I don't want to prop them up. There will be a cost but I don't know who should foot the bill. All government, retailers and Jemena need to have a discussion. (Parramatta, middle income)

What? Jemena's now an advisory service. (Parramatta, middle income)

Support for assisting vulnerable customers - and that Jemena should play a prominent role in it - rose across the board when it was made clear that each of the options being considered would not add to consumer bills. There was then widespread support for every option, with only some minor debate as to how much of the responsibility for implementing them should fall on Jemena and how much should fall on the retailers or other organisations. The options were:

- *Provide information on how they can be energy smart and use energy efficiently to get their needs met for the lowest retail bill available.*
- *Assist vulnerable customers to upgrade to more efficient appliances that keep down their gas bills.*
- *Advocate for a change in government policy so that all customers have access to individual metering that would help them manage their bills and also boost retail competition.*
- *Advocate for government programs to assist vulnerable customers who have larger gas bills through actions such as gas rebates or energy audits.*

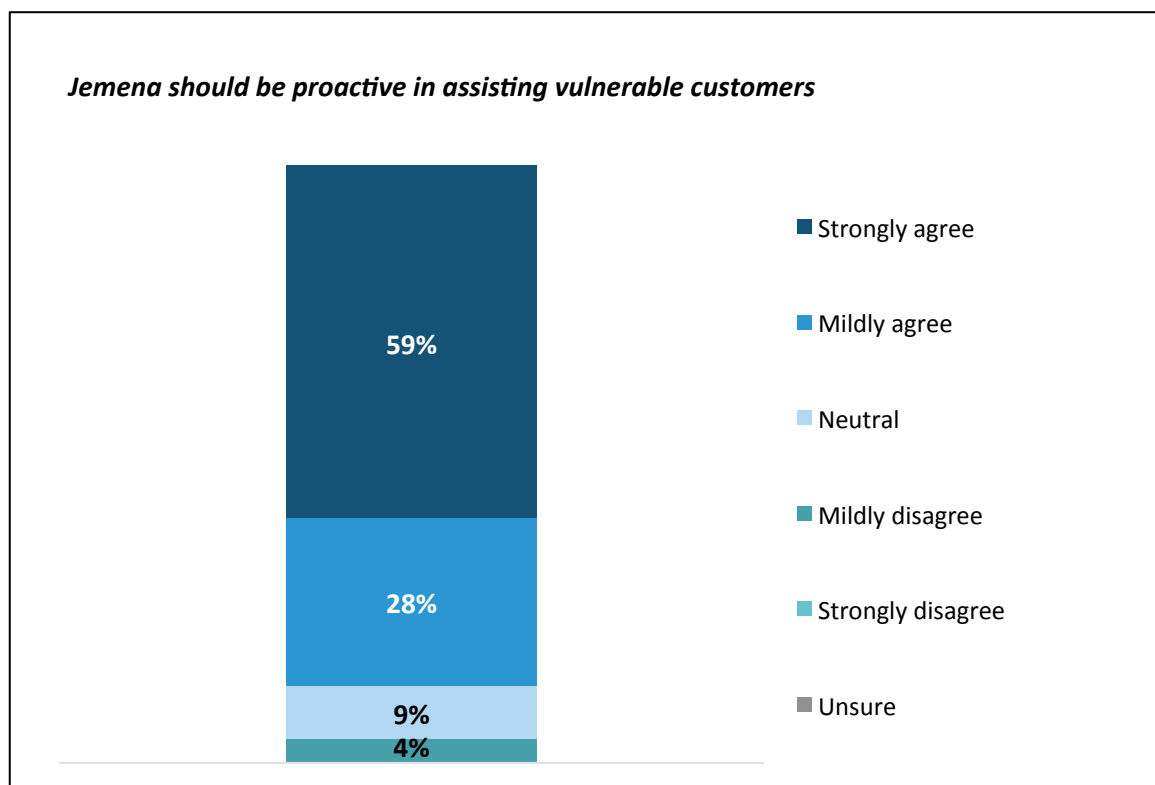
Some participants, mostly in higher income groups, raised concerns regarding how information would be made available for the vulnerable in a way in which they would be able to understand.

Vulnerable people don't have computers. We are talking about people who can't afford gas. (Parramatta, high income)

Of all the initiatives mentioned, those with most support were lobbying government to ensure that vulnerable customers who get rebates on their electricity bill also get rebates on their gas bill and the potential for Jemena to assist vulnerable customers to upgrade to more efficient appliances that keep down their gas bills. One low income participant in Orange was aware of a similar system that operates through an established charity and spoke of the program's effectiveness.

At the end of the sessions, participants were asked whether Jemena should be proactive in assisting vulnerable customers. The following chart shows that most (59%) strongly agreed

that it should, 28% mildly agreed, a small number (10%) were neutral with only 4% mildly disagreeing.



To what extent do you agree or disagree that Jemena should be proactive in assisting vulnerable customers?

Base: All Participants (n=46)

Overall Opinions on Jemena's Five Year Plan

Hearing that some of Jemena's own costs were likely to fall due to favourable capital market conditions and more detail about some of the major trade-offs it faces in its desire to provide both a quality service and low prices mitigated some earlier concern about price rises and won Jemena praise for its intention to pass savings on to consumers.

As noted in the earlier section on perceptions of Jemena and how they changed during the course of each session, participants responded positively to hearing about Jemena's efforts to keep prices down and its emphasis on safety resonated strongly and favourably.

What especially stuck in their minds was the challenge Jemena faces in trying to keep gas competitive while prices are going up and the efforts it is making to help consumers and make their interests central to its decision-making. Some felt that only Jemena is battling for them. The majority, including those who disagreed with some of Jemena's positions, considered Jemena's views to be well thought through and highly defensible.

It's like they are actually helping us. (Parramatta, SME)

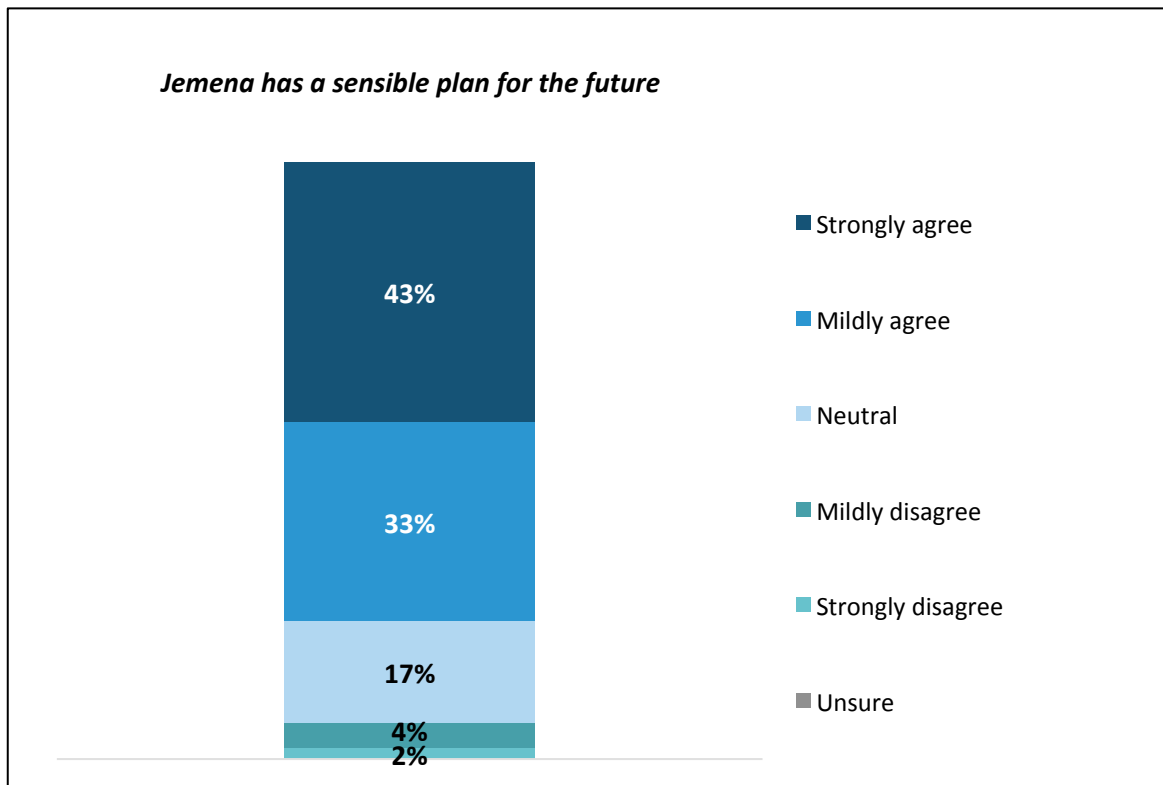
If they have more customers, it's good for us. It's a win: win situation. (Parramatta, SME)

You might be willing to pass the savings on to us but I don't know about the retailers. (Sydney CBD)

It's good they're trying to make up for rises in the other 50%. (Sydney CBD)

Common sense may rule in the end. (Parramatta, low income)

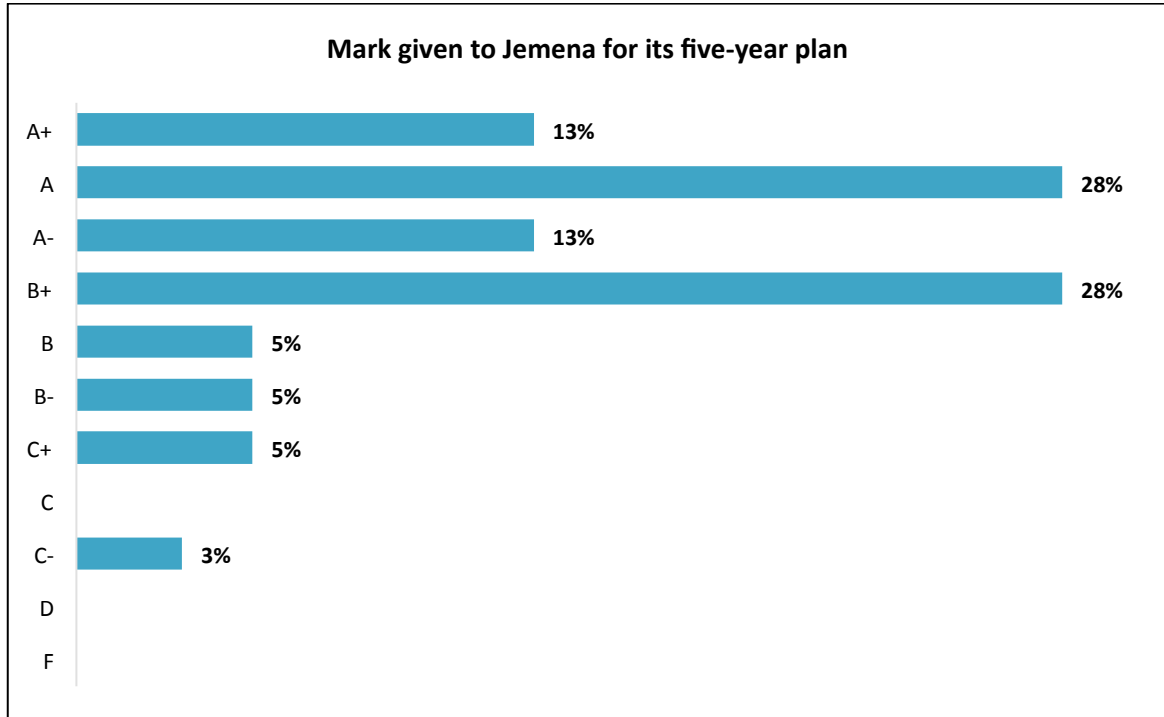
At the end of the forum a big majority (76%) agreed that Jemena has a sensible plan for the future, which was a refrain heard often during discussions. As the chart following shows, only a very small number (7%) disagreed with this.



Base All Participants (n=46)

To what extent do you agree or disagree with the statement: Jemena has a sensible plan for the future?

Lastly, participants were asked to give a mark for the Jemena Five Year Plan. The results were highly positive for Jemena. Over half (54%) gave it an A (being A+, A or A), most of the rest a B (38%) and only a few (8%) gave it a C, with no-one giving it a D or a Fail.

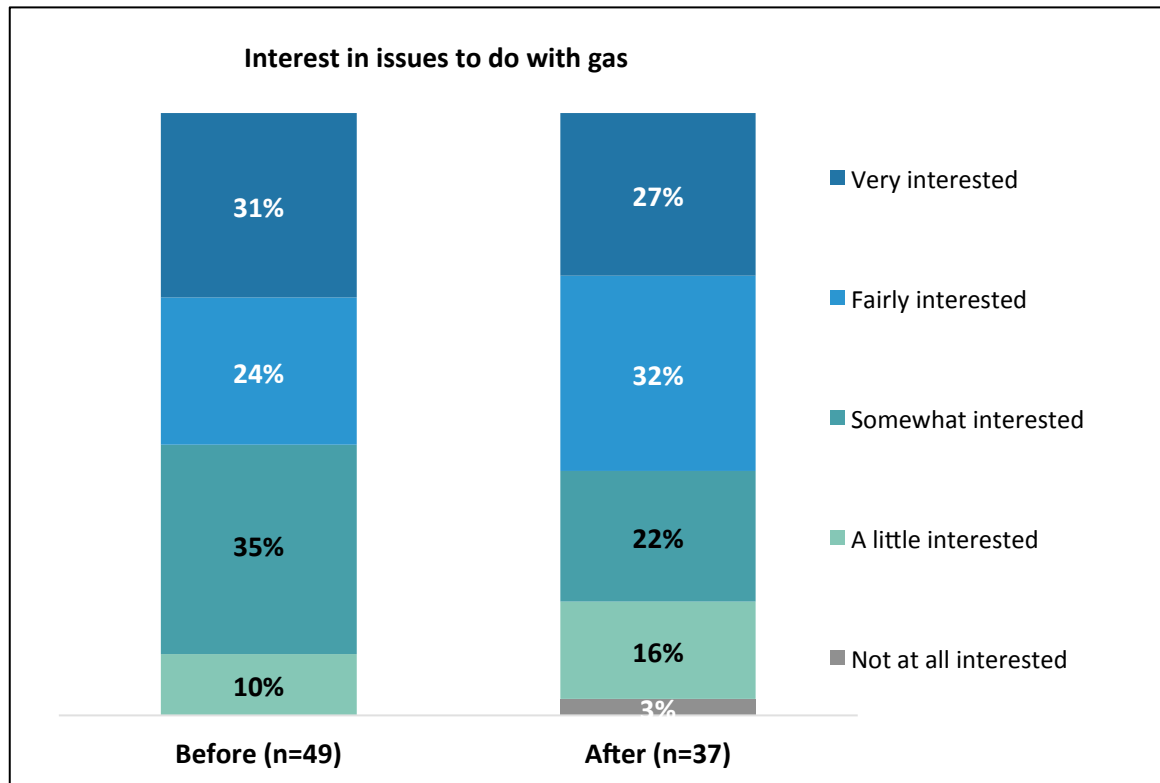


Base: All Participants (n=39)

Overall, if you had to give Jemena a mark for its five-year plan, what would you give it?

C. Engagement and Communications

At the start and end of each session participants were asked about their level of interest in issues to do with gas. Interest levels were initially quite strong with the majority (90%) of participants at least somewhat interested, but declined slightly down to 81% by the end of the evening, as participants had many of their questions answered and their curiosity satisfied.



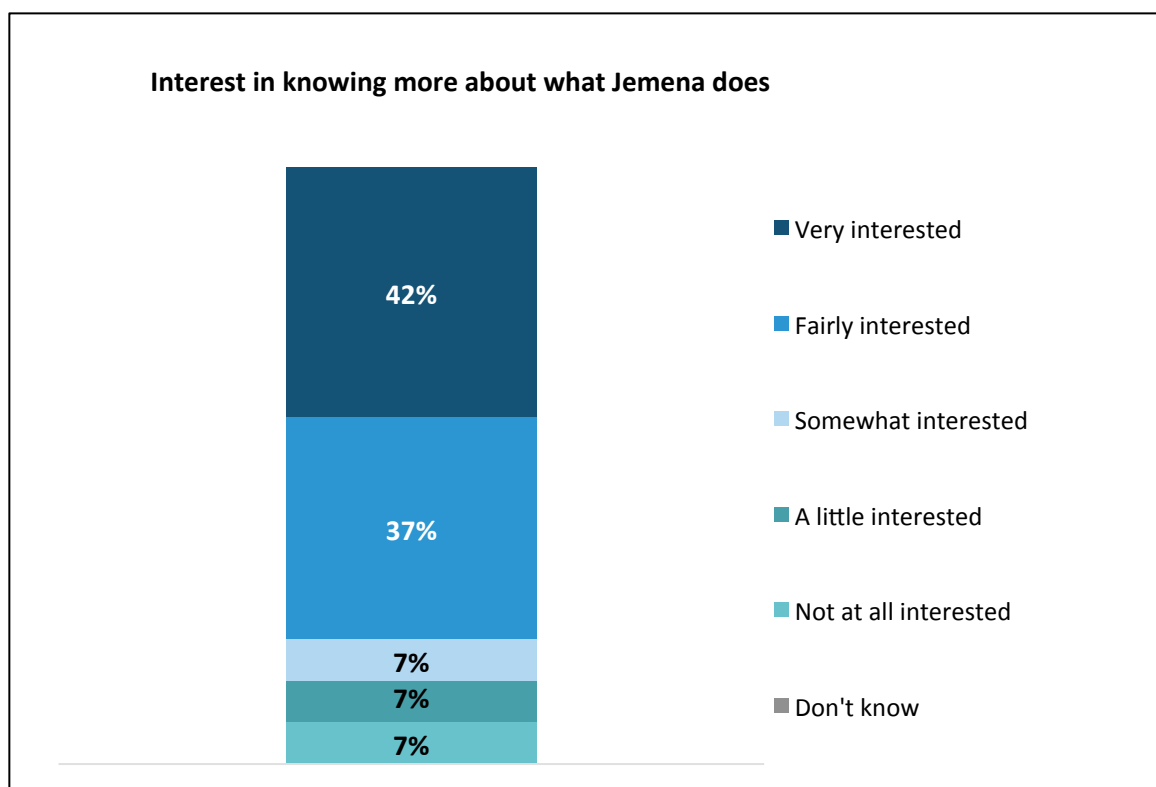
Base: All Participants

How interested would you say you are in issues to do with gas?

After approximately 45 minutes of unprompted discussion about gas issues, Jemena and its role in the gas supply chain and before any presentations, participants were asked if there are any questions about Jemena they would like to have answered in the course of the evening. The main responses were:

- Where does gas come from?
- How are prices set and regulated?
- Who owns Jemena and what exactly does it do?
- Are gas prices going to keep rising?
- What plans are available?
- What do retailers do for their money?

At the end of each evening participants were asked about their level of interest in knowing more about what Jemena does, its plans and how they may impact consumers and, as the next chart indicates, interest was high. The majority (86%) were at least somewhat interested in knowing more about what Jemena does with almost half of participants (42%) very interested.



Base: All Participants (n=43)

How interested are you in knowing more about what Jemena does, including what it plans to do over the next five years and the impact this could have on the price you pay for gas?

In discussions, participants said they supported Jemena consulting with and educating the community about what they do. There was a sense that since Jemena accounts for a large component of their bills, indeed more than their retailer, consumers should be told who the company is and how their money is being spent. Many thought this information should be included with their bills.

At the end of the Orange and Parramatta forums participants were handed a worksheet that listed several topics that Jemena could potentially communicate about. They were asked to indicate whether they would like to be informed, consulted or left alone about each one. It was explained that:

- “Inform” means receiving balanced information to help consumers understand what Jemena does and key issues and options.
- “Consult” means inform but also receive public feedback that Jemena will then take into account in its decision-making.
- Any costs involved in doing this will be recovered through a few extra cents being added to gas bills.

The worksheet also listed a set of ways in which information could be provided to customers. They were asked to list their top three preferences 1, 2 and 3.

The topics that attracted most interest overall (inform or consult) were:

1. Changes to the physical distribution network that affect your area
2. Changes to regulatory and policy settings that may affect your gas supply or bills
3. Upcoming decisions Jemena has to make that will impact costs and consumer prices (e.g. trade-offs between improvements to the network and costs)
4. Education about how to keep gas bills down

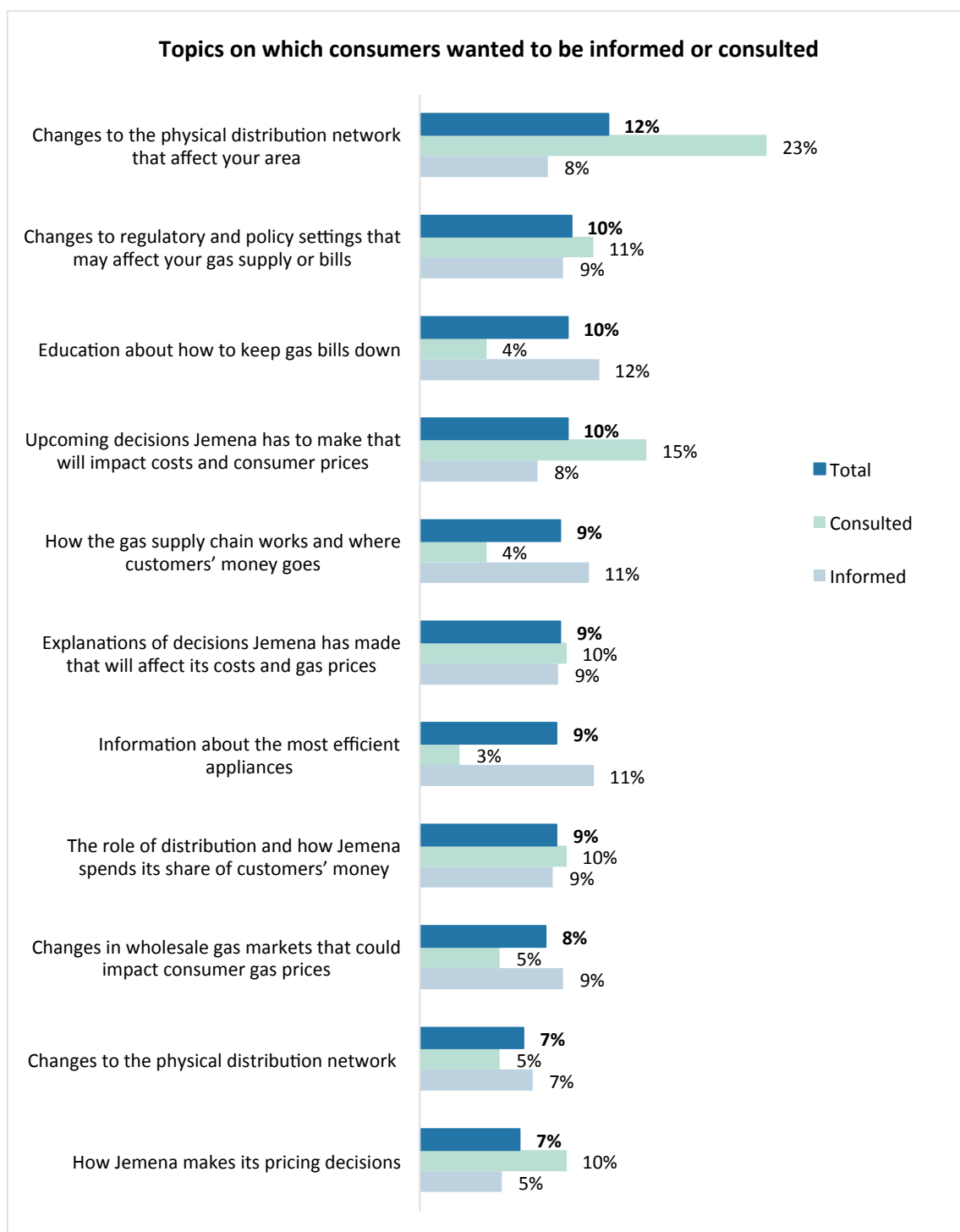
The most commonly chosen topics for information were:

1. Education about how to keep gas bills down
2. Information about the most efficient appliances
3. How the gas supply chain works and where customers' money goes

The most commonly chosen topics for consultation were:

1. Changes to the physical distribution network that affect your area
2. Upcoming decisions Jemena has to make that will impact costs and consumer prices (e.g. trade-offs between improvements to the network and costs)
3. Changes to regulatory and policy settings that may affect your gas supply or bills

The following chart shows responses to each topic. Generally, SME operators and higher income groups wished to be informed and consulted about fewer topics than low and middle income consumers. In viewing the charts, note that several people said they would rather not be consulted nor informed about some of the topics.



Base: All Forum Participants (n=50)

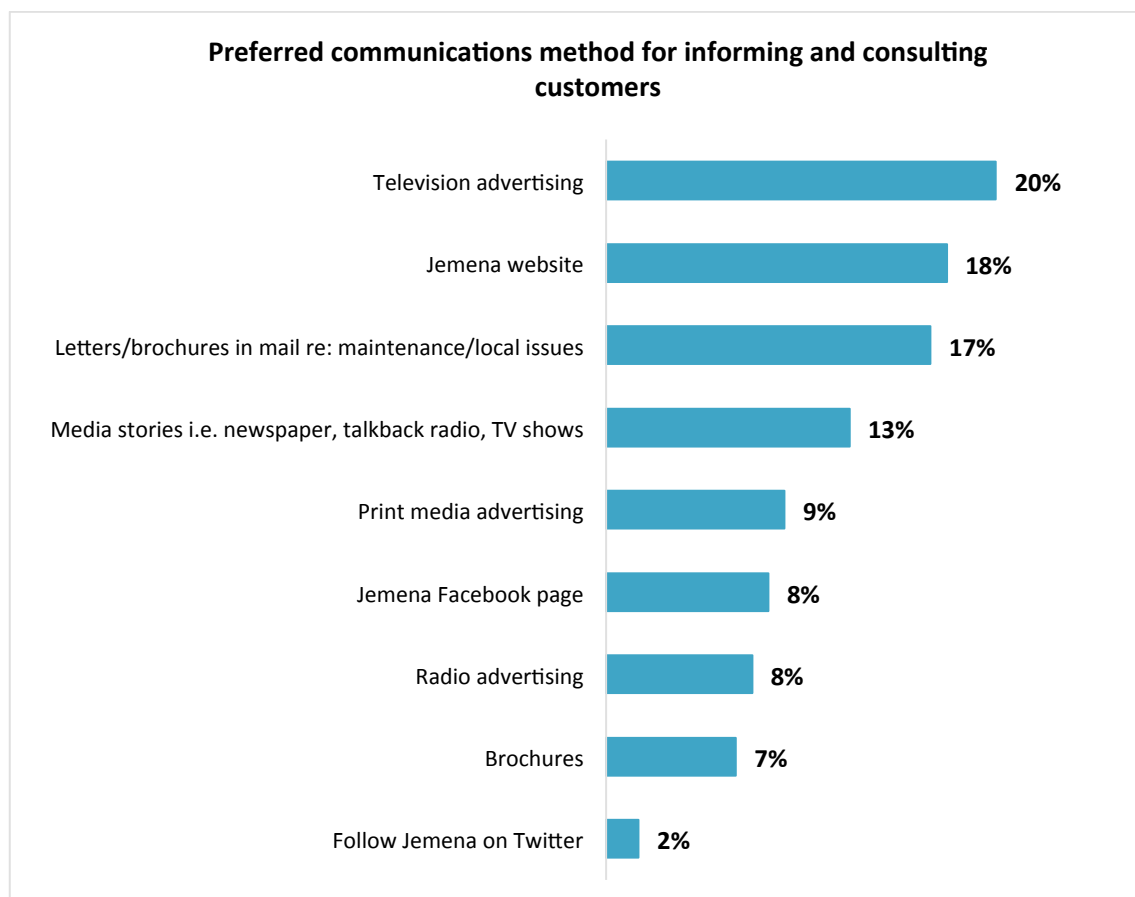
Results shown are from the worksheet titled: Topics you would like to be informed or consulted about

The main topic consumers wanted to be informed or consulted about was about changes to the physical distribution network that affected their area with 23% wanting to be consulted and 8% wanting to be kept informed. Many participants were also interested in getting information that would help them save money (10% mentioning being informed and consulted about how to keep bills down) rather than for its broad educational value and were similarly most interested in being consulted on issues that could potentially impact them personally.

The worksheet also asked for preferences in a list of possible communications vehicles. Those most commonly selected were:

1. Television advertising (20% of participants)
2. The Jemena website (an amalgam of the website generally, a subscription emailed newsletter and, chosen by fewer, the “Have your say” page) (18% of participants)
3. Letters/brochures in your letter box regarding maintenance or other issues in your local area (17% of participants)

The full list is shown in the chart below.



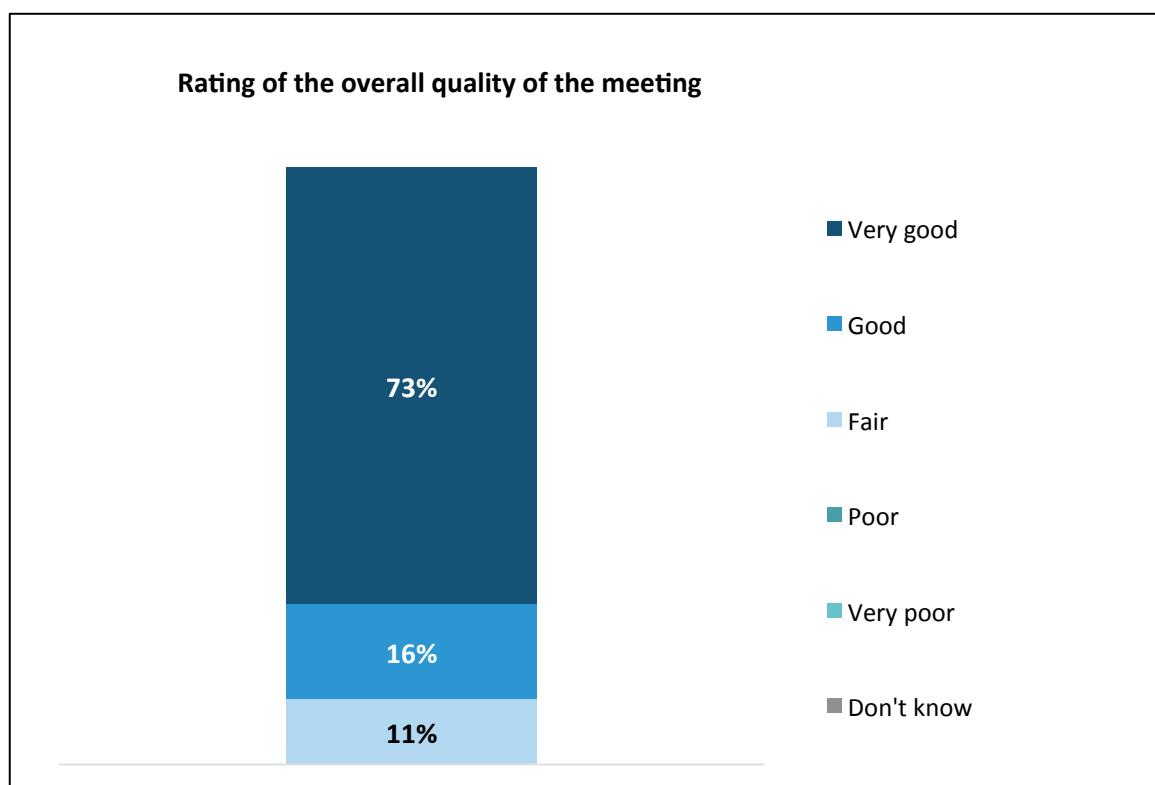
Base: All Forum Participants (n=50)

Results shown are from the worksheet titled: Means for delivering messages

D. Forum Evaluation

At the end of each forum participants were asked to rate the overall quality of each session and invited to provide comments to Jemena staff or the facilitators on how they could be improved for future reference.

As the chart below shows, satisfaction levels were high with almost three quarters (73%) rating the forum as very good and the rest (27%) rating the forum good or fair. Many of participants praised the fact that Jemena was informing them about itself and consulting them about several of the decisions it has to make that have implications for all gas consumers.



Base: All Forum Participants (n=45)

Jemena's aim tonight was to explore community knowledge and perceptions of the company and gather feedback on its five-year plan. In that context, how would you rate the overall quality of today's meeting?

Appendix: Deliberative Forum Discussion Guide

Session Introduction and Initial Voting		6.00 – 6.15pm
Chair 5 mins	<u>WELCOME AND INTRODUCTION</u>	
Chair 10 mins	<u>HANDSET VOTING QUESTIONS</u>	
Table Discussions		6.15 – 7.10pm
Chair 10 mins	<u>PARTICIPANT INTRODUCTIONS</u>	
Table 20 mins	<p><u>ENERGY ISSUES AND GAS IN GENERAL</u></p> <p>Warm up</p> <ul style="list-style-type: none"> Write down the first word or phrase that comes into your mind when you hear the name “Jemena.” Don’t say it aloud. Just keep it until we discuss it. <p>Energy Issues</p> <ul style="list-style-type: none"> What would you say are the key issues when it comes to energy in Australia at the moment? Have you read or seen anything in the media about energy issues? Are there any particular issues related to gas that you are aware of? <ul style="list-style-type: none"> <i>Listen to the issues raised and roughly rank their relative importance.</i> <i>(If rising costs mentioned)</i> Which is more of a concern, your electricity or your gas bill? Why is this? Have you heard anything about changes to the Australian gas market or the future of gas prices? Do you have a sense that they are going up, going down or will remain about the same over the next five years <i>(If going up)</i> Will they rise gradually or sharply? <p>Using Gas</p> <ul style="list-style-type: none"> What do you use gas for in your home? <ul style="list-style-type: none"> Who has a gas hot water system? Who has a gas cooktop? Oven? Who has gas heating? What do you like about using gas? And what don’t you like about using gas? <ul style="list-style-type: none"> In principle, would you be keen to use more gas or less gas in future? Why? How does gas compare with electricity as a fuel? Has anyone done anything to try and reduce the amount of gas that you use to save money? <p>Contact</p> <ul style="list-style-type: none"> If you had a problem with some aspect of your gas service, whom would you first call about it? What about a bill error, whom would you contact about that? <p>Knowledge about Billing and Pricing</p> <ul style="list-style-type: none"> Let’s now talk about the basis on which you are billed for your gas usage. First of all, who can tell us the unit of measurement for gas? What the main components of your bill? <i>(Listen and then prompt as needed)</i> <ul style="list-style-type: none"> Are you aware there is a fixed service charge and a variable charge based on how many units of gas you consume? <ul style="list-style-type: none"> Do you have any idea as to how much of your bill is fixed and how much is variable? Do you think the split between them is about right or is there too much of one and not enough of the other? Does anyone know how gas prices are determined - is it by market, by government or both? <ul style="list-style-type: none"> Are gas prices regulated? What about electricity prices? If so, who do you think is responsible for regulation? Can you name any person or organisation? Do you think regulators do a good job? Whose interests do you think they look after? <p>Customer priorities</p> <p>The sheet of paper I am handing out lists four important considerations affecting your gas service and its cost. Can you rank them 1 to 4 in terms of which are the most important priorities for you personally. Write “1”</p>	

	<p>next to the one you regard as most important, “2” next to the second most important, “3” for the third most important and “4” for the last one.</p> <ul style="list-style-type: none"> What did you write as your first priority? Why did you choose that one? What was your second priority? Why?
<p>Table 10 mins</p>	<p><u>INITIAL KNOWLEDGE AND PERCEPTIONS OF JEMENA</u></p> <p>Initial Knowledge of Jemena</p> <ul style="list-style-type: none"> Starting from the person on my immediate left, read out the word you wrote earlier in response to the word “Jemena”. Before being invited to come to this forum tonight, who had heard of Jemena? (<i>Get show of hands</i>) <ul style="list-style-type: none"> What did you know about it at that point? What do you think Jemena does? What is it responsible for? What do you think its employees do? Do you know anything about Jemena’s history or origins? Who owns Jemena? Do you think it is a privately owned company or a government owned company? <ul style="list-style-type: none"> Why do you say this? What would be the implications if it were privately owned? What if it was Government owned? What difference would it make? <p>Initial Perceptions of Jemena</p> <ul style="list-style-type: none"> Earlier we asked you about how you felt about Jemena. <ul style="list-style-type: none"> Who said they felt positive about the organisation? What made you say that? <i>Get rough sense of hierarchy</i> Who said they felt negative about it? What made you say that? <i>Get rough sense of hierarchy</i> Who said they felt neutral about it? What made you say that? <p>Sources of information</p> <ul style="list-style-type: none"> Where have you got your information about Jemena? Where have you got your information about gas more broadly? <i>Listen for mention of Natural Gas advertising</i>
<p>Table 15 mins</p>	<p><u>GAS ISSUES IN MORE DETAIL</u></p> <p>Where Jemena Fits in the Gas Supply Chain</p> <ul style="list-style-type: none"> I’d like you to spend a minute or two drawing a diagram showing your understanding of where the natural gas in your home comes from and how it gets to your home and the various steps involved. Indicate in your drawing where you believe the gas originates from. <ul style="list-style-type: none"> Please label this and, if you can, write down the names of the various companies you think provide services at various points along the chain. <p>Retailers, Choice and Metering</p> <ul style="list-style-type: none"> Do you have a choice over which gas retail company you go with? What if you are in an apartment, can you choose your retailer? <ul style="list-style-type: none"> How competitive do you think the consumer market for gas is? Does it make much difference which gas retailer you are with? [Explain] In some apartment blocks, residents all have the same retailer and cannot choose another one. Would this bother you? Do all gas companies offer the same price and pricing structure for gas or do they vary? Do you understand the term individual metering? How important to you is individual metering and billing? <p>Availability of Gas</p> <ul style="list-style-type: none"> Do you think gas is available everywhere in Sydney/Orange or just in certain areas? <ul style="list-style-type: none"> What about across the rest of NSW? Do you see gas as an essential service? <ul style="list-style-type: none"> Do you think that everyone should pay the same price for gas or should prices be based more commercially on distance from the main gas network? Should it cost the same amount to connect to gas regardless of where you live? <p>Break-down of Gas Supply Chain</p> <ul style="list-style-type: none"> (<i>Worksheet asking people to put proportions of bill on key parts of the gas supply chain</i>) <ul style="list-style-type: none"> What proportion of the price you pay for your gas bill would you say comes from each of these four parts of the gas chain? (<i>Fill in and then discuss</i>)
<p>Table 5 mins</p>	<p><u>AREAS OF INTEREST</u></p> <ul style="list-style-type: none"> Based on what you’ve heard so far this evening, are there any questions you have about Jemena and

	what it does that you would like to have answered?
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'About Jemena' Presentation and Discussion		7.10 – 7.50pm
Open Forum 25 mins	PRESENTATION 1: About Jemena	
Table 15 mins	REACTIONS AND IMPRESSIONS OF JEMENA Reactions to Presentation and Impact on Perceptions of Jemena <ul style="list-style-type: none"> What is your initial reaction to what you heard in that presentation? <ul style="list-style-type: none"> Was there anything that you found particularly interesting? Did you hear anything that concerned you? Was there anything that surprised you? Did anything in that presentation change how you feel about Jemena? <ul style="list-style-type: none"> Did anyone become more negative? <i>Why? Add to initial list of concerns</i> Did anyone become more positive? <i>Why? Add to initial list of positives</i> Did your impression of Jemena's importance change? <i>Why?</i> Probe: Why does foreign ownership worry you? Is it just about profits going offshore? Probe: How do you feel now about gas regulation? <ul style="list-style-type: none"> Gas in NSW is regulated by the Australian Energy Regulator which controls how much can be charged for usage of gas pipelines and by IPART which determines the maximum prices that can be charged for certain retail energy, water and transport services in New South Wales. Regulators also set safety standards and try to ensure there is genuine competition and consumer choice in the market. Does regulation make you feel more positive or negative as a consumer of energy? Probe: How do you feel about Jemena being a monopoly? <ul style="list-style-type: none"> Does a monopoly worry you if it is regulated and it is part of an industry that competes with other fuels, especially electricity? Probe: How do you feel about prices being regulated? <ul style="list-style-type: none"> Does this make you feel more or less positive about gas as a fuel? 	
Break 10 mins	BREAK	
Five Year Plan Introductory Presentation and Discussion		8.00 – 8.45pm
Open Forum 25 mins	PRESENTATION 2: Jemena's Five Year Plan	
Table 20 mins	REACTIONS: Considerations Implicit to Gas Delivery Reactions <ul style="list-style-type: none"> What is your initial reaction to that presentation? <ul style="list-style-type: none"> What sticks in your mind the most? Did anything in it make you feel more or less positive towards Jemena? <i>Why?</i> Did you hear anything that you didn't understand or found confusing? Don't be shy – others may be thinking the same thing. Safety <ul style="list-style-type: none"> Do you feel that Jemena invests the right amount in keeping its network safe or do you think it should invest more or less? Do you agree that a high level of investment in safety so important that it should be a non-negotiable issue? Five Scenarios In the presentation, Jemena mentioned five options that relate to trade-offs between gas prices and investments it makes. Obviously, the less the investment, the greater the potential savings to households. I will hand out a piece of paper that summarises each option and we will talk about each one:	

	<ul style="list-style-type: none"> • Option One: Maintain current levels of service, continue to make the network larger and be proactive in marketing for new gas customers (Jemena's starting position) <ul style="list-style-type: none"> ○ This is Jemena's current position. ○ Does it make sense? How would you describe it? ○ Do you feel positive or negative about this option? • Option Two: Save money (and lower consumer gas bills) by reducing service levels in the long term. This will result in longer response times to incidents, more gas leaks, less reliable gas delivery to households and decreased availability of gas to potential new customers. <ul style="list-style-type: none"> ○ Are any of these consequences of lowering service levels acceptable in return for savings on your bills? ○ What about reducing investment in making savings available for new customers? Is this an acceptable tradeoff? ○ Do you feel positive or negative about this option? • Option Three: Save money over the next five years by decreasing levels of service but restore them to current levels within ten years. Lower investment will cut bills over the next five years but may cost consumers more over ten years as the investment is replaced. <ul style="list-style-type: none"> ○ How appealing are these savings in the short term? ○ How worried would you be that it may end up costing you more in the long term? ○ Do you feel positive or negative about this option? <p>Note: the last two options assume that current levels of service are maintained except for a change embodied in each one.</p> <ul style="list-style-type: none"> • Option Four: The same as Option One except that savings will be made by spending less on marketing to attract new customers and less on expanding the market through new connections. <ul style="list-style-type: none"> ○ Do you feel positive or negative about this option of saving money by not investing in marketing? • Option Five: The same as Option One but spend more on the "universal level of service" principle by improving service quality, primarily pressure levels, for existing customers who currently receive a lower level of service. This option adds to your bill rather than saves money on it. <ul style="list-style-type: none"> ○ What do you understand the term 'universal level of service' to mean? ○ [Explain only if necessary] Universal level of service means that all retail customers should be charged a similar level and structure of pricing and receive a baseline standard of service and reliability, regardless of whether they live in a high or low cost area for providing gas. This principle requires that consumers in low cost areas subsidise those in higher cost areas] ○ How important is it that Jemena improve service quality for customers who currently receive a lower level of service? ○ Is it clear that this is about improving levels of service for some customers while simply maintaining it for most? ○ Is it worth spending extra money that will impact your bill to provide this? ○ [If time permits] To give a current example of this issue, Jemena has an aging network in the Kensington area of Sydney where households will increasingly find their gas is coming through at fairly low pressure. This will mean they can only use certain gas appliances or have to pay to install more expensive pipes within their property to make sure they can use the appliances they want to use. Upgrading these pipes so that the 2,200 existing users in Kensington experience the same level of service as other gas users will cost around \$8.4 million. This will add around 50c to the average bill by 2020. Do you support or oppose this spend? Why? ○ If the same issue occurred in a different area in future, would you feel the same?
Key Decisions for Consumers 8.45pm – 9.30pm	
Open Forum 20 mins	PRESENTATION 3: Price Impacts on Individual Customers
Table 15 mins	<p>PRICE IMPACTS ON CONSUMERS</p> <p>We would now like to ask you questions about [four] key issues raised in that presentation that will ultimately have an impact on the prices that you as customers pay for your gas.</p> <p>Jemena's Priorities and Regulation</p> <ul style="list-style-type: none"> • What sticks in your mind from this presentation? • Was it clear? • Did anything in it make you feel more or less positive towards Jemena? Why? • How would you describe Jemena's thinking with regard to consumer prices?

	<ul style="list-style-type: none"> As gas consumers, how do you feel about the next five years? <ul style="list-style-type: none"> Do you expect this price increase in a few years will cause you to use less gas? What is your impression about how gas prices are regulated? Does it seem to be adequate or not? <p>Vulnerable Customer Issue</p> <ul style="list-style-type: none"> To what extent do you think it is Jemena's responsibility to assist vulnerable customers, the small proportion of customers who struggle to pay their gas bills? Do you think the government is better placed to provide this sort of help? If it is done privately, is it more the responsibility of Jemena, the distributor, or their retailer, or both? Here are three ways Jemena could help vulnerable customers. Which ones if any do you think Jemena should do? Which is the best one? Why do you think it is the best? <ul style="list-style-type: none"> Provide information on how they can be energy smart and use energy efficiently to get their needs met for the lowest retail bill available. Assist vulnerable customers to upgrade to more efficient appliances that keep down their gas bills. [If this option is supported ask] How should this be done – with low interest loans or Jemena working with key partner organisations? Advocate for a change in government policy so that all customers have access to individual metering which would help them manage their bills and also boost retail competition Advocate for government programs to assist vulnerable customers who have larger gas bills through actions such as gas rebates or energy audits.
<p>Open Forum</p> <p>10 mins</p>	<p>Price Path</p> <ul style="list-style-type: none"> I'd like to do an exercise to reflect your preference on fixed charges. Jemena mentioned in that presentation that large increases in gas costs are forecast as a result of developments in Australia's gas export industry. Jemena could structure its prices over the next 5 years so as to provide smoother prices and avoid a retail price shock. <ul style="list-style-type: none"> Please stand on the left hand side of the room if you support bill smoothing - having smaller retail price decreases initially and gradual increases in future years. In 2020, the price you pay would be \$x higher than you pay now. Please stand on the right hand side of the room if you would prefer Jemena to disregard the impact of prices on consumers. This would mean a large decrease now followed by sharper rises in future years. In 2020, the price you pay would be \$x higher than you pay now. <p><i>(Discuss why they are standing in their positions)</i></p> <p>Fixed charges</p> <ul style="list-style-type: none"> Let's move on to a second exercise which is about Jemena's proportion of the bill. <ul style="list-style-type: none"> Please stand at the centre of the room if you would like to see things remaining as they are now, with each average customer paying a low fixed charge for gas distribution of around \$45 per year) for connection. Please stand on the left hand side of the room if you would like to see no fixed charge for gas distribution and a higher variable charge. This would advantage low usage customers. Please stand on the right hand side of the room if you would like to see a higher fixed charge of \$180 and a lower variable charge. This would advantage high usage customers. <p><i>(Discuss why they are standing in their positions)</i></p>
<p>Communications and Engagement 9.30 – 9.40pm</p>	
<p>Table</p> <p>10 mins</p>	<p>Communications and Engagement</p> <ul style="list-style-type: none"> One thing we are particularly interested in discussing tonight is the extent to which an organisation like Jemena should be informing and consulting gas consumers. However, it is important to point out that any costs involved in doing this will be recovered through a few extra cents being added to gas bills. <ul style="list-style-type: none"> When I use the word 'informing' I mean providing balanced information to help consumers understand what Jemena does and key issues and options. When I use the word 'consult' I mean informing the community but also getting public feedback that Jemena will then take into account in its decision-making. Remember throughout this section of the discussions that costs for communication have to be recouped via gas bills. The piece of paper I am handing out lists a set of topics about which Jemena could inform gas users, a one way communication, or consult with them, a two way communication. For each one, indicate whether you would like Jemena to inform or consult you about it or just leave you alone. If there are any other topics you would like Jemena to inform or consult you about, write it down and indicate whether you would want to be informed or consulted about it. Think in particular about any aspects of their Five Year Plan that you would like to be informed or consulted about. Please feel free to add on any other topics you think Jemena should be communicating or consulting about below.

	<ul style="list-style-type: none"> The page also contains a set of ways in which communications relating to informing and consulting could be delivered. Indicate which is your first, second and third preference by writing the numbers 1, 2 or 3 next to them. Discuss results as time permits.
Final Voting, Thanks and Close 9.40– 10.00pm	
<i>Open Forum</i> <i>15 mins</i>	<u>HANDSET VOTING QUESTIONS</u>
<i>Chair</i> <i>5 mins</i>	<u>CLOSING COMMENTS</u>

Attachment B
JGN deliberative forum - April 2014 -
Presentation No 1 - Who is Jemena

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Jemena

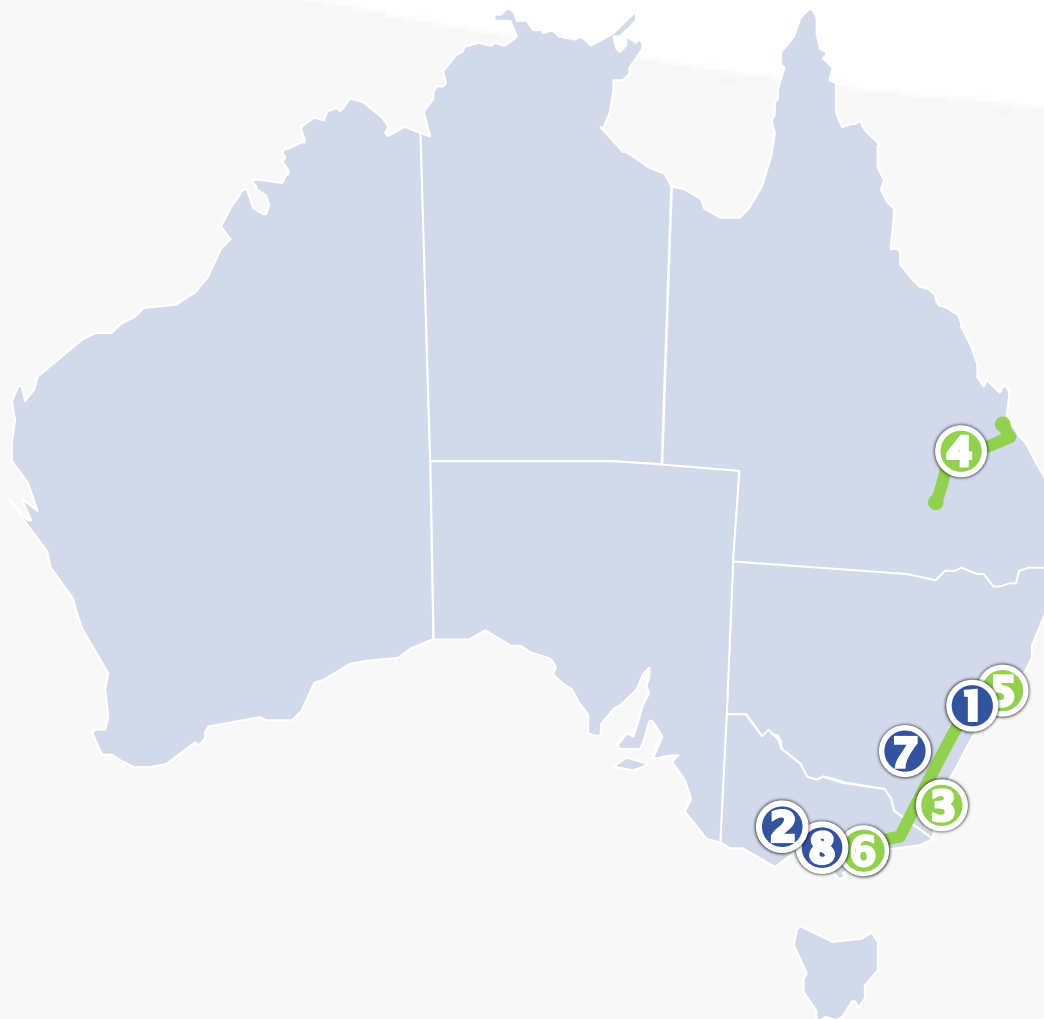


Who is Jemena

April 2014



Jemena's Assets



**Regulated
Assets**



**Unregulated
Assets**

- ① Jemena Gas Network**
- ② Jemena Electricity Network**
- ③ Eastern Gas Pipeline**
- ④ Queensland Gas Pipeline**
- ⑤ Colongra Gas Transmission and Storage Pipeline**
- ⑥ VicHub**
- ⑦ ActewAGL Distribution Partnership**
- ⑧ United Energy Distribution**



Jemena

Jemena's Vision

“To be recognised as a world class owner and manager of energy delivery assets”



Jemena
is committed
to engaging
with the
community.



What is Jemena Gas Networks?

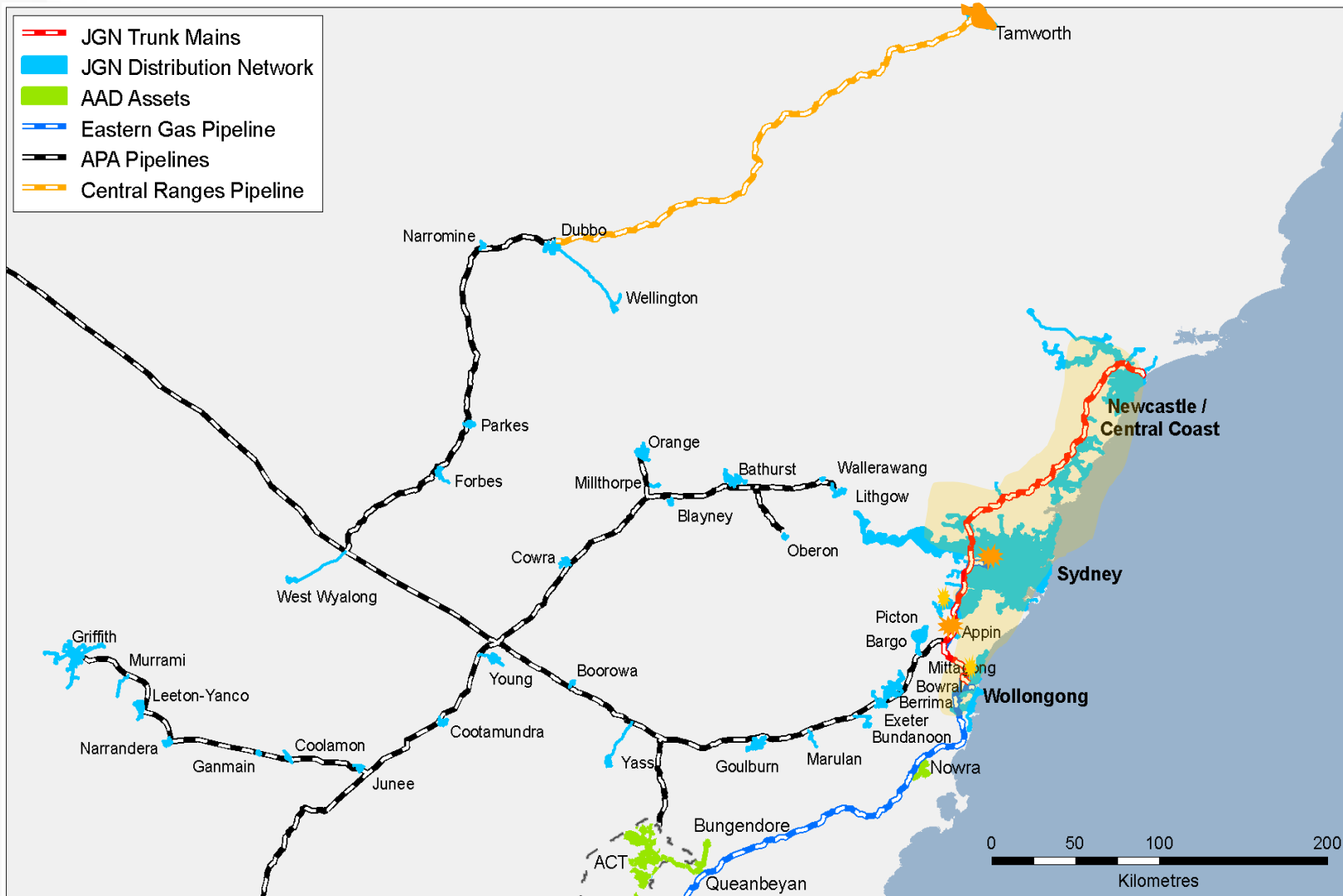
History of gas in NSW

1837	The Australian Gas Light Company is established
1976	Natural gas comes to NSW via the Moomba Sydney Pipeline
1980's	Conversion to high pressure network & major mains renewals
2001	Introduction of customer competition – pick your retailer
2006	AGL sells the NSW Gas Network to Alinta
2007	Jemena is formed from the sale of Alinta to Singapore Power International
2014	New ownership of Jemena announced - shared between State Grid of China and Singapore Power International



Jemena Gas Networks (JGN) footprint

Jemena



Getting gas to you

Getting gas to you



What makes up your gas bill – typical residential customer



Source: IPART

Source: Jemena calculations

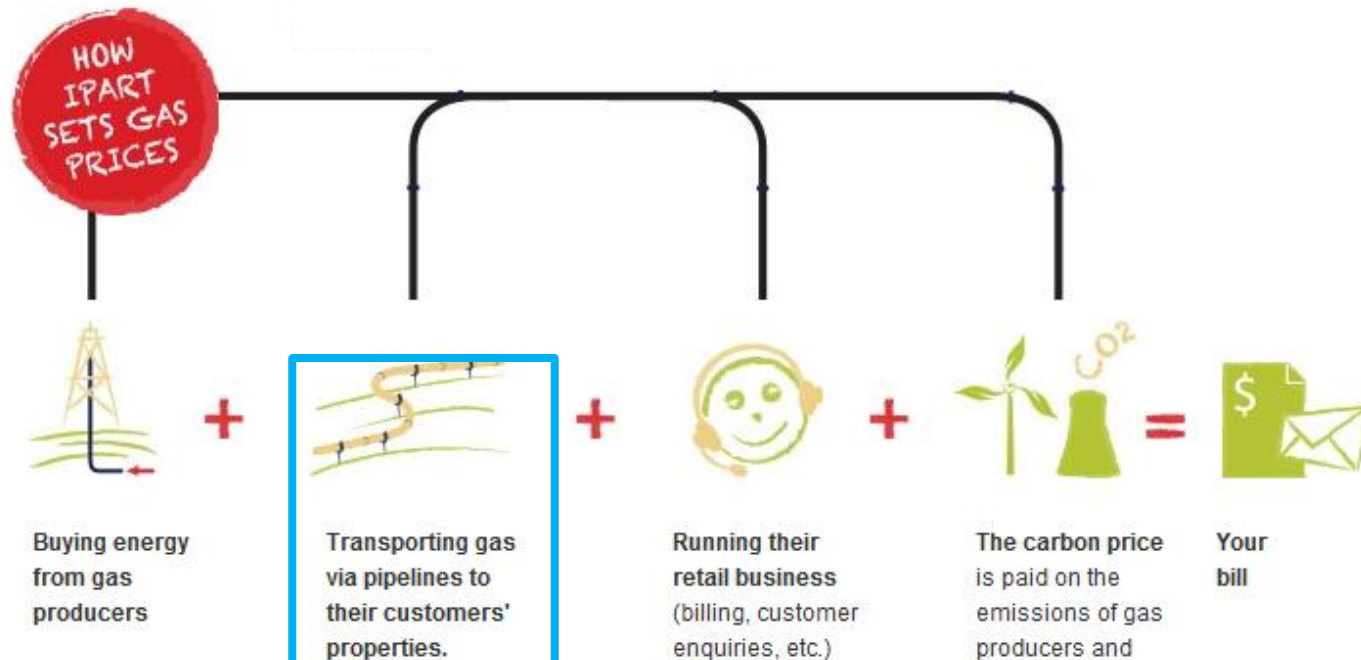


Jemena

What we do



Retail gas prices set by IPART



Our distribution network prices are regulated by the AER, and comprise around half a typical residential bill



You have a choice of retailer



From the
Australian
Energy
Regulator

Jemena faces three big challenges

Our gas market is changing



Arrow Energy LNG Plant, Curtis Island, Queensland



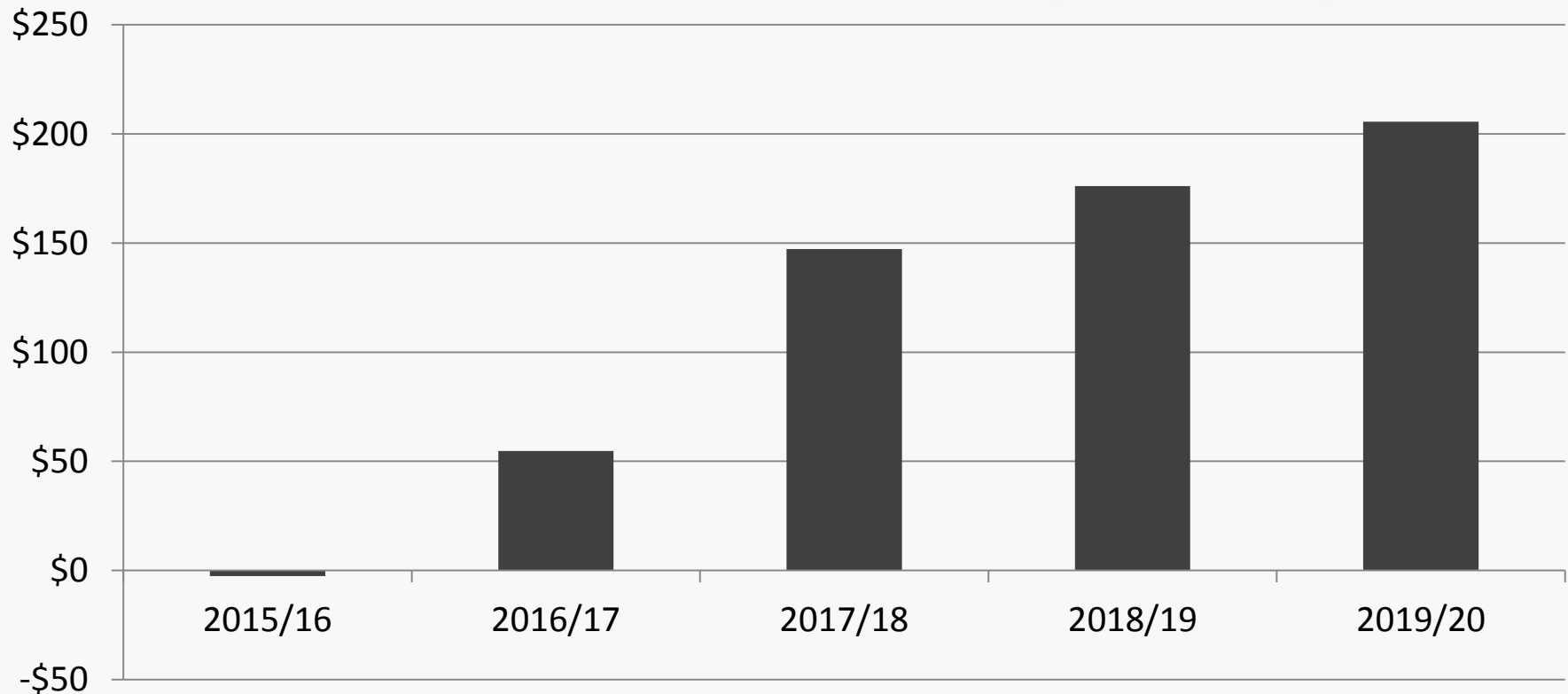
LNG tanker NW Australia



Rising gas prices will make it harder to compete

Jemena

Total forecast changes in a typical retail customer bill (\$ per year)



Jemena calculations, \$ nominal per customer (23 GJ pa), assumes no real change in network costs

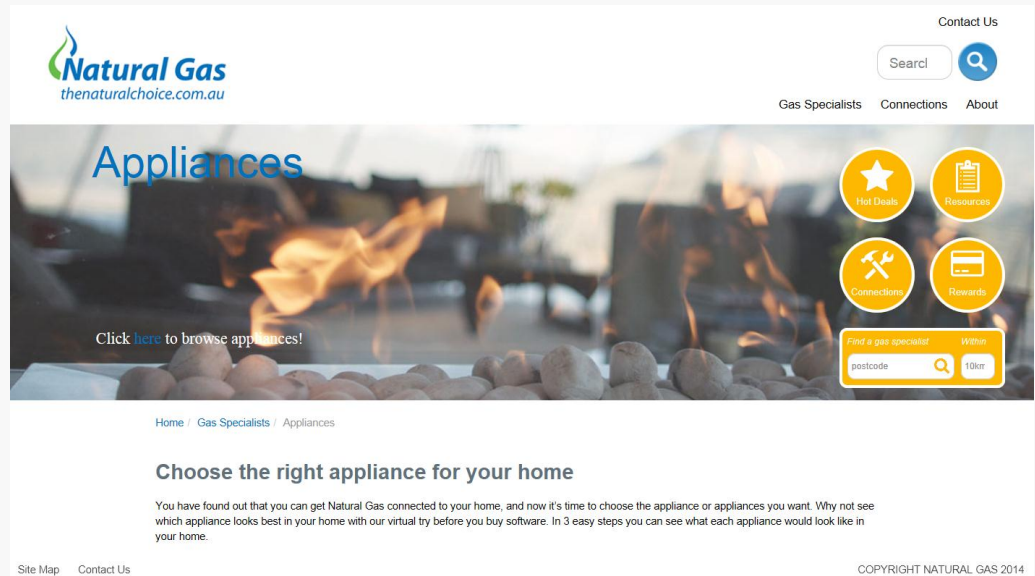
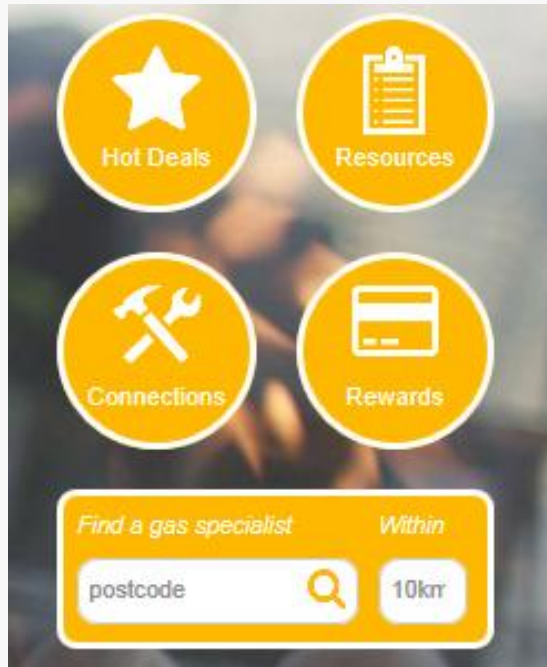


Jemena

Putting downward pressure on prices to keep gas competitive



We provide information to customers on the Natural Choice website...



NaturalGas30secAppliance-2404.mp4

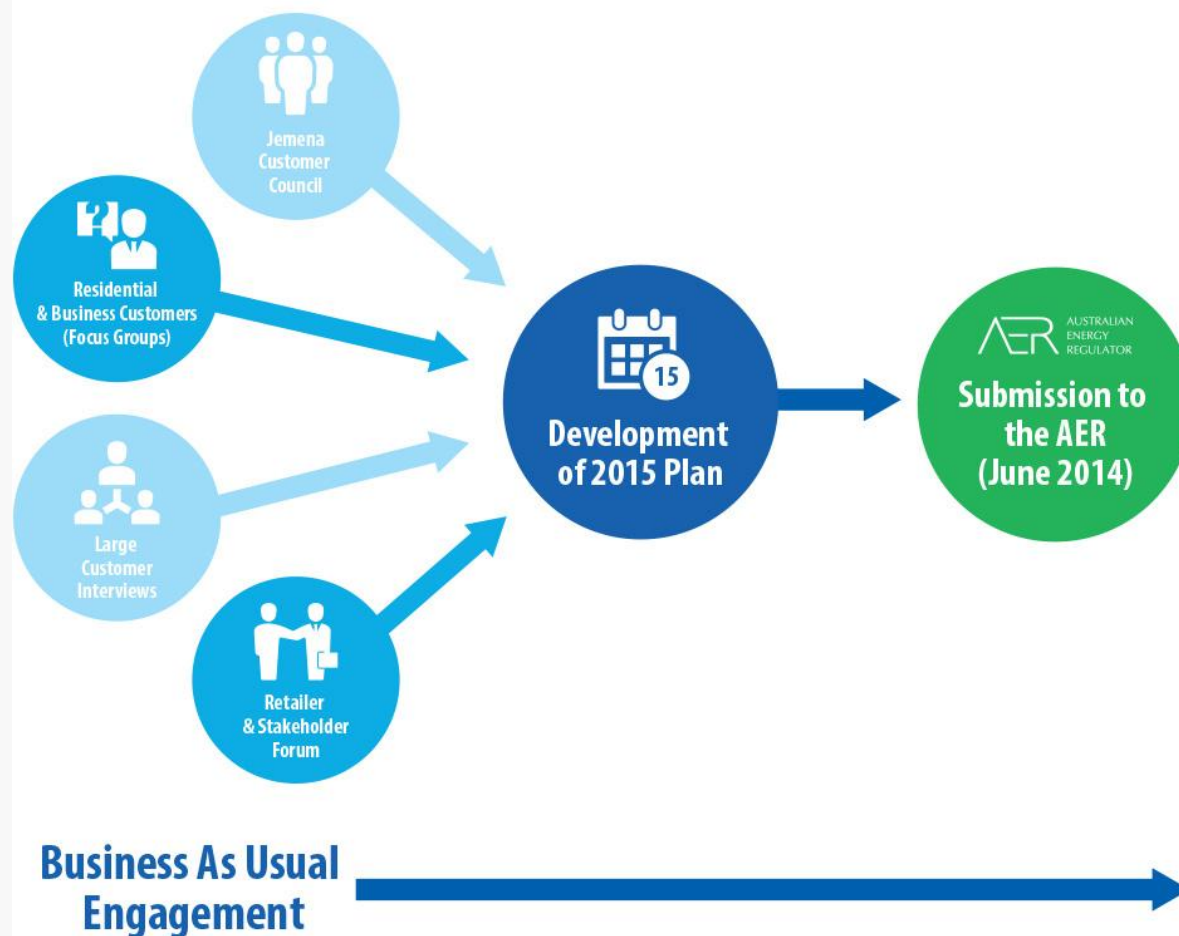
...and we are also actively marketing to customers

Why are we here tonight?

Your involvement in our business

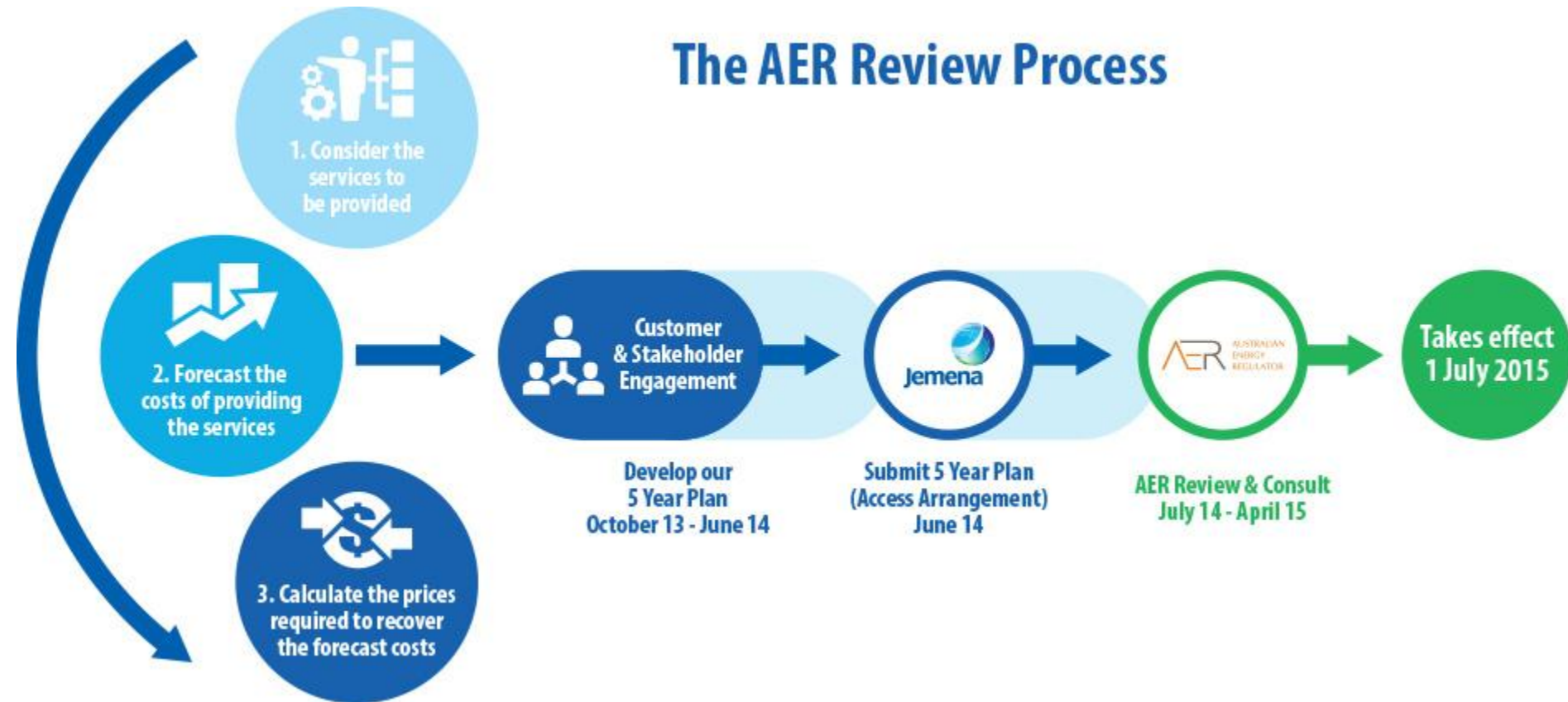
Jemena Engagement Approach

Developing our 5 Year Plan: October 2013 - June 2014



We are engaging with a range of customers and stakeholders

The AER Review Process



Any Questions or Comments?

Attachment C
JGN deliberative forum - April 2014 -
Presentation No 2 - Jemena's 5-year plan

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Jemena



Jemena's 5 Year Plan

April 2014



What is our current thinking on our 5 Year Plan?

We want to promote our customers' interests

- Our customers have told us they are concerned about gas affordability
- We want to:
 - put downward pressure on end-retail gas prices and keep gas competitive
 - make sure we are providing services that our customers value
 - balance current and future customer interests
 - assist vulnerable customers in our community



We have to make long term decisions on behalf of our customers

Jemena



The decisions we make
today affect you now and
in the future

We need to get this
balance right and test it
with you



Safety is our non-negotiable top priority

We are proactive in:

- Designing and constructing our network prudently
- Regularly inspecting and maintaining our assets ('pipeline patrols')
- Responding to incidents such as leaks and bushfires
- Maximising staff and public awareness about gas safety



NYC Building Explosion Collapse Caught on CCTV - 8 Killed in Deadly Blast.mp4





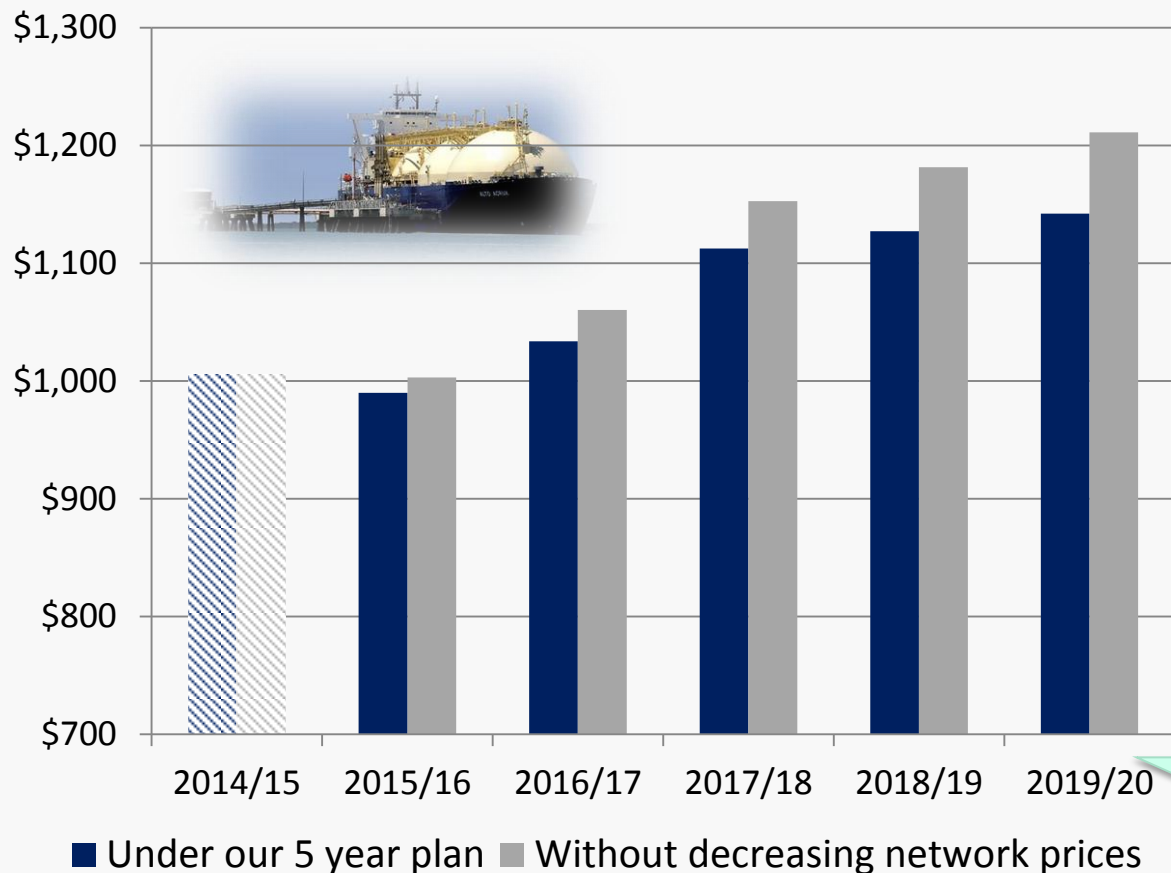
Our costs and prices:

Cost of providing our services

Prices for recovering our costs
(today and in the future)

Our costs are falling and we can put downward pressure on prices

Typical residential retail bill per year (incl. network costs and GST)



- Our funding costs have fallen since the GFC and these are over ½ our costs
- Offsetting these savings are rises in expenditure for some activities
- Overall our 5 year plan can lower our network prices in real terms by **10%** by 2020, and your retail bills by \$70 per year

Jemena calculations, \$ nominal per customer (23 GJ pa)

What level of service do our customers want ...



... and is this different to current levels?

Our current thinking: Current service levels are of a high standard and 'about right'

There are a number of aspects to our service levels:

- **Public amenity** – minimising the gas that leaks (and smells bad) and disruptions to traffic (digging up streets, driveways and footpaths)
- **Service quality** – providing the gas pressure to meet customer expectations, particularly around new more efficient (but demanding) gas appliances
- **Reliability** – making sure gas is available when it is needed and reducing customer frustration relating to service disruption
- **Responsiveness** – minimising the time it takes to respond to supply disruptions and to connect customers
- **Availability** – making sure gas is available to new customers

Other service level options have different price impacts now and in the future

1. *Status quo with growth (our current thinking)*
2. *Reduce reliability to save*
3. *Worry about it later*
4. *Reduce our gas marketing and growth opportunities*
5. *Equalise service levels for all existing customers*

Option 1: Status quo with growth

What does it mean for customers?

- **Our services**

- Service levels remain unchanged and Jemena proactively grows the network so more people get access to gas and share costs

- **Our costs**

- Customers receive a total real **network** price cut of 10% by 2019/20 (which is 50% of your bill), leading to reductions in **retail** gas bills of around \$60 per year by 2019/20
- Our average annual cost per customer is:
 - **Next \$392** for next 5 years from 2016-20
 - **Future \$362** for following 15 years from 2021-35

Now \$450

Next \$392

Future \$362

Option 2: Reduce reliability to save

What does it mean for customers?

- **Our services**

- Decreasing long term level of service e.g. longer response times to incidents, increased and more disruptive gas leaks, reduced level of reliability and decreased availability of gas to new customers

- **Our costs**

- Relative to Option 1 (our current thinking) customers would get:
 - **Next** *further* cost savings of - **\$8.10** per year for next 5 years from 2016-20
 - **Future** *additional* costs of + **\$9.80** per year for following 15 years from 2021-35

Now \$450

Next \$384

Future \$371

Option 3: Worry about it later

What does it mean for customers?

- ***Our services***

- Temporarily decrease levels of service (as per option 2) but return to current levels of service by 2030 (option 1)

- ***Our costs***

- Relative to Option 1 (our current thinking) customers would get:
 - **Next** *further* savings of - **\$7.80** per year for next 5 years from 2016-20
 - **Future** *additional* costs of + **\$15.20** per year for following 15 years from 2021-35



Option 4: Reduce our gas marketing and growth opportunities

What does it mean for customers?

- ***Our services***

- Scaling back our plans to attract new customers to our network and relying on natural growth (reducing marketing and other incentive programs to encourage gas connection)
 - By 2020 28,000 less customers have gas
 - By 2035 164,000 less customers have gas

- ***Our costs***

- Relative to *Option 1* (our current thinking) customers would get:
 - **Next** further cost savings of - **\$0.90** per year for next 5 years from 2016-20
 - **Future** additional costs of **+\$9.50** per year for following 15 years from 2021-35



Option 5: Equalise service levels for all existing customers

What does it mean for customers?

- ***Our services***

- Maintain current levels of service for most customers and improve service for those customers who currently receive lower levels
 - Equity in service levels across network
 - Fewer gas leaks, improved quality and reliability to allow higher demand appliances

- ***Our costs***

- Relative to *Option 1* (our current thinking) customers would get:
 - **Next** additional costs of +\$0.60 per year for next 5 years from 2016-20
 - **Future** additional costs of +\$0.90 per year for following 15 years from 2021-35



What level of service do our customers value?

Question:

We want to understand whether you would prefer Jemena to:

1. Maintain current levels of service and continue to grow the network
2. Decrease our long term levels of service
3. Temporarily decrease our levels of service for the next 5 years
4. Reduce our gas marketing and growth opportunities for new customers
5. Equalise our service levels for existing customers who currently receive lower levels of service

Questions?

Attachment D
JGN deliberative forum - April 2014 -
Presentation No 3 - Prices and impacts on
customers

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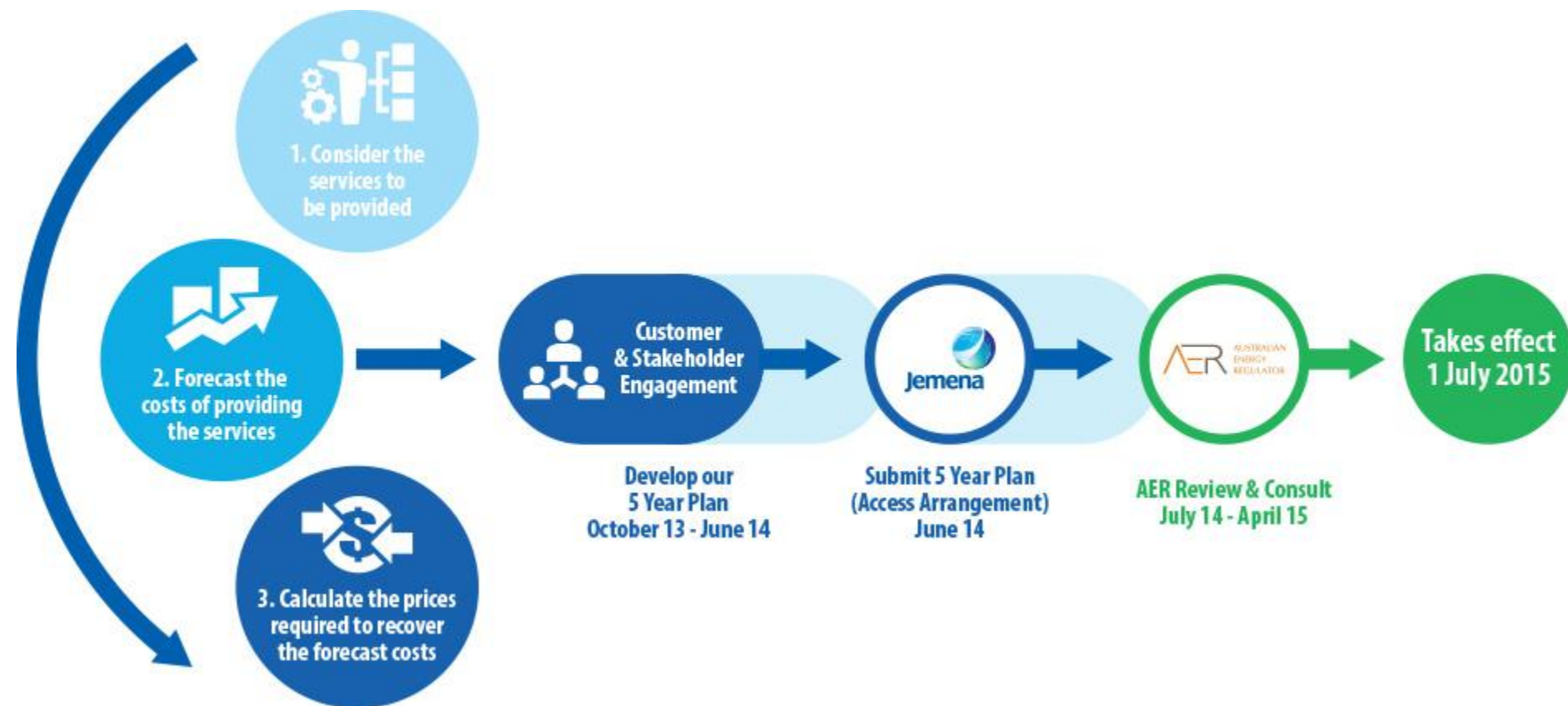
Jemena



Prices and impacts on customers

April 2014

Developing our 5 Year Plan involves engaging with the community on our services, costs and prices



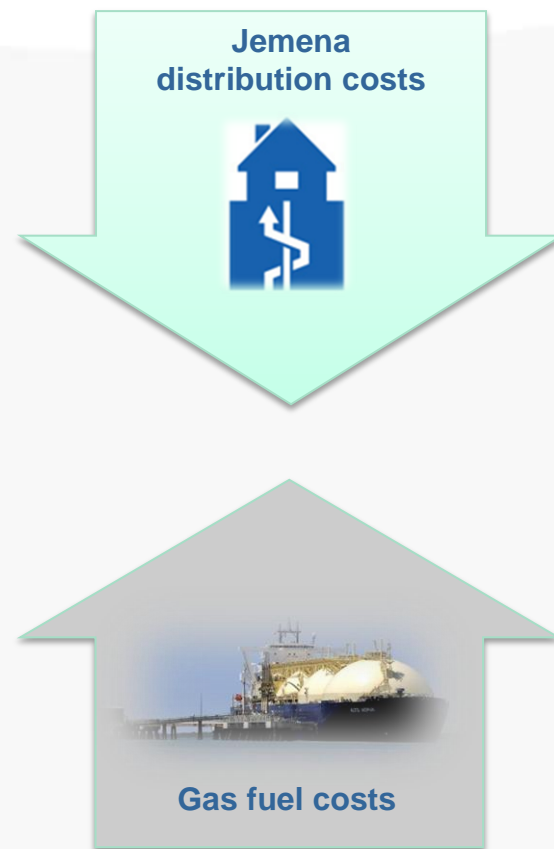


How should we recover our costs over the 2016-20 period?

What does it mean for us and our customers?

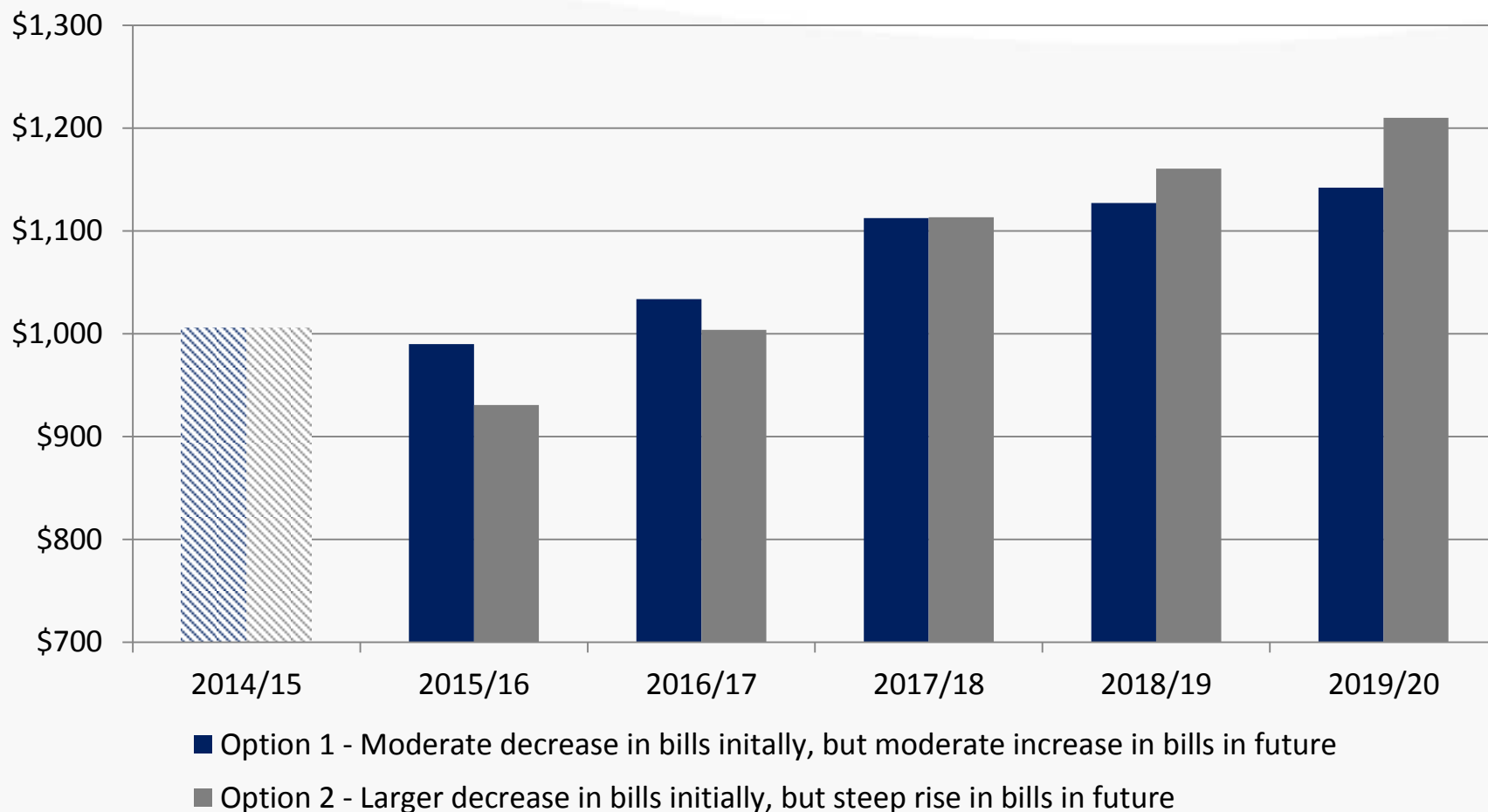
Jemena can choose how to stagger its prices over the five year period

- Jemena receives the same total 5 year revenue regardless of the timing of the recovery
- Spreading our price reduction over the period can be a 'win-win' for us and our customers
 - We recover our costs at times when we need the cash to fund significant projects
 - We avoid putting pressure on retail prices at times when other components of your bill are increasing



Jemena can choose to stagger the recovery of its network costs over the period to flatten out retail prices

Typical residential retail bill per year (incl. network costs and GST)



Jemena calculations, \$ nominal per customer (23 GJ pa)

Avoiding retail price shocks for our customers

Question:

We want to understand whether you would prefer Jemena to:

- **Option 1:** Recover our costs in a way that minimises the changes in total **retail** prices for customers
 - Profile – Moderate decrease in bills initially, but moderate rise in bills over remaining years
 - Outcome – Retail prices in 2020 prices would be \$137 higher than 2014/15
- **Option 2:** Be indifferent to **retail** price changes for customers
 - Profile – Larger decrease in bills initially, but steeper rises in bills over remaining years
 - Outcome – Retail prices in 2020 would be \$204 higher than 2014/15



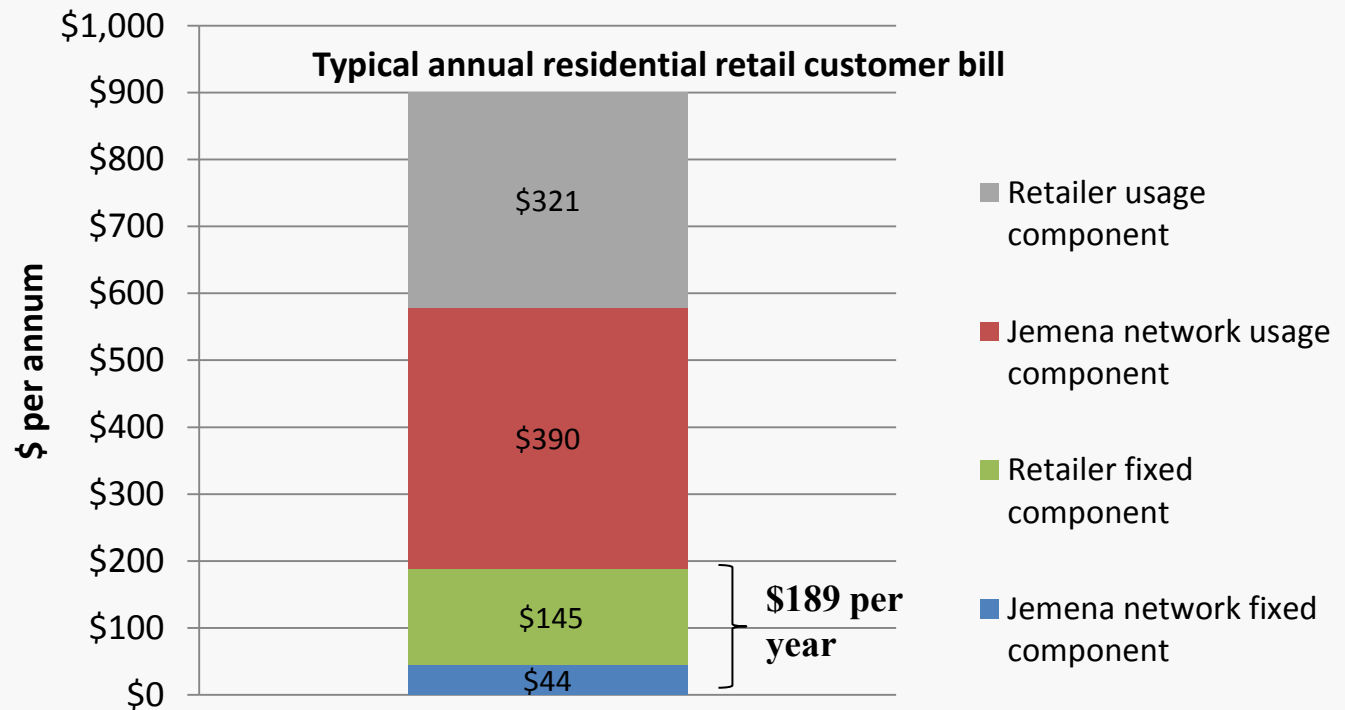
How do we charge residential customers for the costs we incur in supplying them with gas?

What do our typical customers' bills look like?



We recover most of our costs through usage charges...

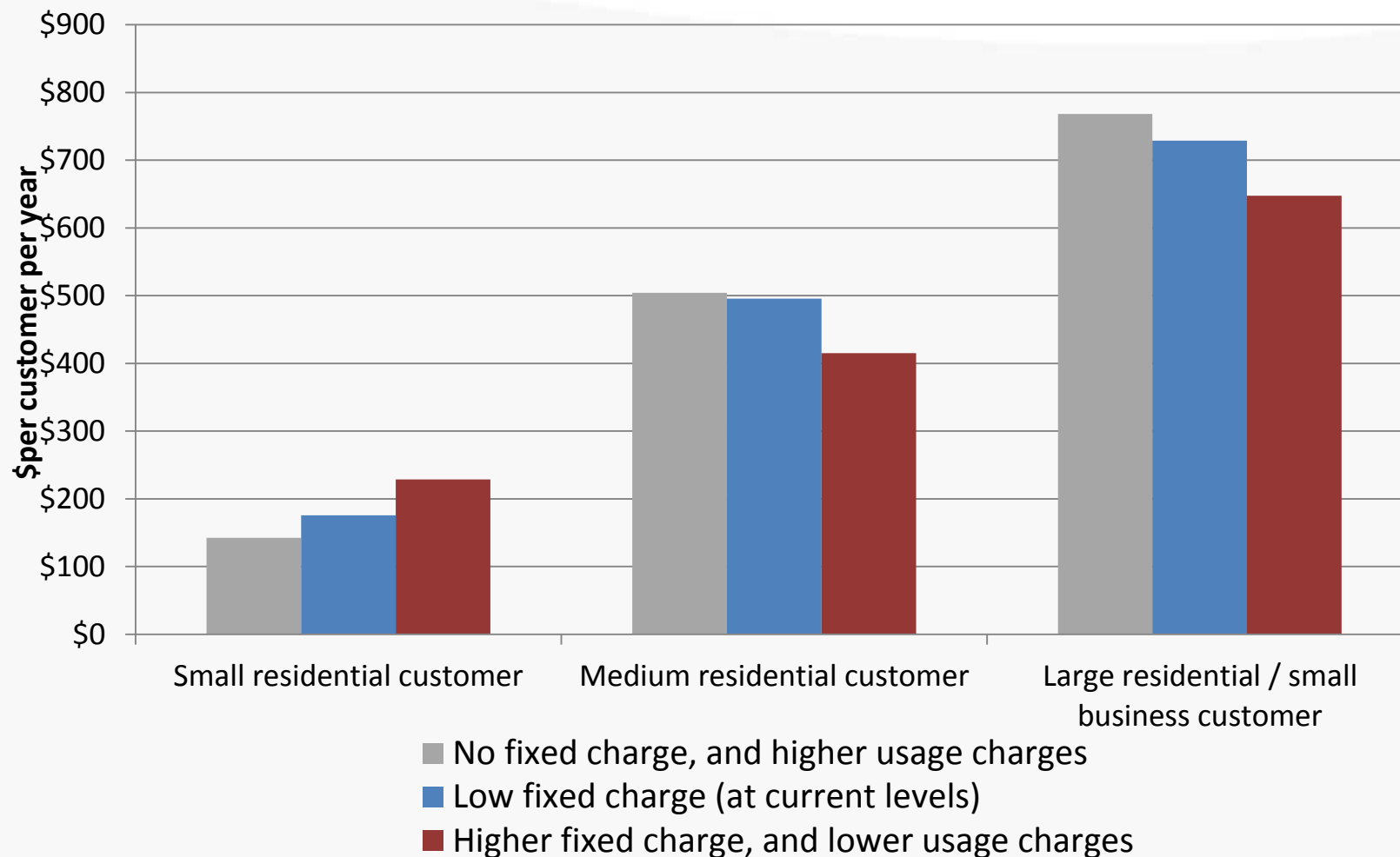
With fixed charges of \$44 per year



Source: Jemena calculations, AGL regulated retail gas prices 2013-14, 23 GJ pa

How we set each charge component affects customers differently

Annual network gas bills under different network charges (\$ per year)



How we set each charge component affects customers differently

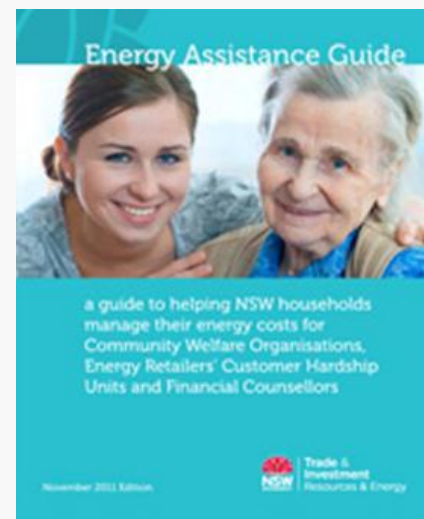
Question:

We want to understand whether you would prefer Jemena to:

- Option 1: **Minimise** our fixed charges so customers **primarily** pay for gas based on their **usage** (our starting position)
- Option 2: Have **no fixed charge** so customers **only** pay based on their **usage** (with higher usage charges)
- Option 3: Have **higher fixed charges** (and lower usage charges) so customers **primarily** pay for gas based on their **connection**?

Assisting customers to manage energy bills

- Some customers may need assistance in:
 - **Being ‘energy smart’** — understanding how their usage compares to others, where their energy is going and whether changes can be made to how energy is used
 - **Upgrading to new more efficient appliances**
 - **Getting the best price** — be informed and active in the competitive retail market (AER’s Energy Made Easy website)
 - **Getting help and assistance** — understanding customer rights, protections and assistance available (NSW Government’s Energy Assistance Guide).



How can we best assist vulnerable customers?

Question:

We want to understand whether you think Jemena should:

- Assist customers to participate in energy markets by providing information on how customers can be energy smart and get the best retail prices. If so, what is the best way to provide this information?
- Assist vulnerable customers to overcome the upfront costs of upgrading their appliances to better manage their energy bills, say through funding no or low-interest loans, or working with key partner organisations
- Advocate for Government policy to ensure customers have access to individual metering to encourage energy efficiency and drive retail competition
- Advocate for Government programmes to assist vulnerable customers with larger gas bills (say through gas rebates, and/or energy audits)

Questions?