

# Jemena Gas Networks (NSW) Ltd

## 2015-20 Access Arrangement Proposal

Response to the advice from the Consumer  
Challenge Panel

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## TABLE OF CONTENTS

<b>1.</b>	<b>Introduction</b> .....	<b>1</b>
<b>2.</b>	<b>Customer and stakeholder engagement</b> .....	<b>3</b>
	2.1 Overview.....	3
	2.2 Levels of participation.....	4
	2.3 Customer Council.....	5
	2.4 Customer Forums.....	6
	2.5 Large industrial customers.....	7
	2.6 Community.....	9
	2.7 Measurement and Review.....	9
<b>3.</b>	<b>Rate of return</b> .....	<b>11</b>
<b>4.</b>	<b>Capital expenditure</b> .....	<b>14</b>
	4.1 Scenario testing.....	14
	4.2 Market expansion capital expenditure.....	15
	4.3 Reinforcement renewal and replacement capital expenditure.....	16
<b>5.</b>	<b>Operating expenditure and incentive mechanisms</b> .....	<b>17</b>
	5.1 Capitalisation of pigging and integrity digs.....	17
	5.2 Business efficiencies—IT capital expenditure.....	17
	5.3 Productivity improvement—EBA vs. non-EBA wages.....	18
	5.4 efficiency benefit sharing scheme.....	18
	5.5 Capital expenditure sharing scheme.....	18
<b>6.</b>	<b>Demand and marketing forecasts</b> .....	<b>21</b>
<b>7.</b>	<b>Tariffs</b> .....	<b>22</b>
	7.1 presentation of information to our customers.....	22
	7.2 Consolidation of metering and haulage charges.....	24
	7.3 tariff restructuring.....	26
	7.4 Price path smoothing.....	26
<b>8.</b>	<b>Pipeline services</b> .....	<b>28</b>
<b>9.</b>	<b>New initiatives</b> .....	<b>29</b>



## 1. INTRODUCTION

1. Jemena welcomes the opportunity to provide a submission in response to the Consumer Challenge Panel's (CCP) advice to the Australian Energy Regulator (AER) on Jemena Gas Networks' (JGN) 2015-20 Access Arrangement Proposal (proposal), which was published on the AER's website on 3 September 2014 (CCP advice).
2. The AER is to be commended for its customer engagement guideline and establishing a CCP. We recognise the importance of ensuring that our customers' needs and preferences are taken into account during the decision making processes. We support the intent of a CCP, to assist the AER to make better regulatory determinations by providing input on issues of importance to customers.
3. The AER's intentions for the CCP are set out in the CCP charter. The CCP's role includes:
  - advising the AER on whether the network businesses' proposals are justified in terms of the services to be delivered to customers, whether those services are acceptable to, and valued by, customers, and whether the network businesses' proposals are in the long-term interests of consumers
  - advising the AER on the effectiveness of network businesses' engagement activities with their customers and how this engagement has informed, and been reflected in, the development of their proposals.
4. While this remit is a positive one, it is also challenging to fulfil. From JGN's perspective, it requires the CCP to understand and form views on:
  - the service level expectations of the relevant customer base
  - whether the services provided by the business are valued by its customers
  - the component parts of the business' proposal to assess whether the proposal as a whole reflects the long-term interests of customers
  - the various elements of the business' customer engagement program, in the context of the AER's customer engagement guideline, and the engagement expectations of the various customer cohorts.
5. The AER has recognised the significant challenge facing the CCP. In many cases the CCP members have limited direct experience with the regulated business or jurisdiction to which they are assigned. As a result, the AER's expectations for the CCP's work program include that:
 

*... members of the CCP will meet with other consumer representatives and stakeholder groups...to understand jurisdictional issues and to provide an effective consumer focus...members of the CCP will use their expertise and consumer perspectives to challenge how we approach issues; to identify any gaps in our consideration and analysis; and ensure that we have a focus on matters that are important to consumers in each of the regulatory determinations we make.*
6. If the CCP does not have sufficient time, resources or guidance to perform these assessments, the final advice provided to the AER can be misguided. The advice can lead to negative outcomes for customers.
7. While we note that the CCP considers our proposal to be in the long-term interest of customers, unfortunately, we feel the CCP assigned to the JGN review has not been in a position to undertake a structured and considered review of our proposal and the extensive supporting materials JGN provided, or the customer engagement process that informed our proposal. This is because the process for assessing JGN's proposal was misdirected, superficial and incomplete in a number of areas.

These process shortcomings are likely the result of several factors. In particular, we think all parties are still coming to terms with the role of the CCP in the regulatory process including how the CCP interacts with the AER, customers and the regulated business.<sup>1</sup>

We feel that a number of the statements made in the CCP advice are likely to be a reflection of these circumstances. Certain claims and conclusions are ill-informed or incorrect. Many suggest that the CCP would have benefitted from more substantial and earlier involvement in the review process to-date.

We remain positive about the potential benefits a CCP can bring to the AER's regulatory review processes and that in future their advice will increasingly be targeted at the decisions the AER must make under the National Gas Law and National Gas Rules (**NGR**). We note that the AER has initiated a three year initial term for the CCP. In terms of the current JGN review, we are very much looking forward to the CCP's assessment of the AER's draft decision and our revised regulatory proposal. To this end, we would like to invite the CCP to present its initial thoughts on the AER's draft decision at our next Customer Council meeting.

We have prepared this submission to respond to the CCP advice and provide constructive feedback where possible. It is structured in comparable format to the CCP advice, with the key elements of the CCP advice addressed under separate headings.

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<sup>1</sup> For example, when the CCP raised concerns with our presentation of customer impacts, we sought feedback from the CCP on how best to present customer impact analysis from a customers' perspective. The CCP responded that it was not a matter for the CCP to provide advice to JGN about.

## 2. CUSTOMER AND STAKEHOLDER ENGAGEMENT

8. JGN considers that a number of the claims and criticisms made by the CCP in its advice to the AER on the effectiveness of our engagement with our customers are unfounded. In addition, we consider it appropriate that any review of our customer engagement activities recognises that the extent of engagement on our services, costs and prices has been a new experience for JGN, and for many of the stakeholders we engaged with.

### 2.1 OVERVIEW

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9. As demonstrated in our proposal, Jemena is committed to engaging with our customers, stakeholders and the community on our 5-year plans, and as part of our business-as-usual practice. We recognise this is important to help ensure our decisions promote the long-term interests of our customers. As detailed in appendix 1.4 of our 2015-20 Access Arrangement Information (**AAI**) document, our engagement commitments are to:
- help our customers, stakeholders and the community understand how gas services and prices are determined
  - keep our customers, stakeholders and the community informed of emerging factors that are influencing the energy market (including JGN)
  - involve our customers, stakeholder and the community in our decision making, and provide opportunities for them to provide feedback on the range of issues that are important to them
  - acknowledge and respond to the feedback we receive, including how it has influenced our decision making
  - be transparent about what we can and cannot do to manage gas prices and services, and what customers can do
  - measure, report and improve the effectiveness of our engagement through time.
10. In developing our customer engagement process for our proposal, we took close account of the expectations set out in the AER's consumer engagement guideline for network service providers<sup>2</sup>, which creates an expectation on networks to apply best practice principles to better engage with their customers. We adopted the recommended IAP2 spectrum when conducting this engagement.
11. In designing and implementing the engagement process we also took account of the findings of the Consumer Utilities Advocacy Centre research report on consumer advocates' perspectives on meaningful and genuine engagement, and other community engagement guidelines and best-practice models in other jurisdictions.
12. We are therefore pleased that the CCP '*found that JGN has demonstrated a genuine commitment to customer engagement as part of the process of developing the 2015 proposal*<sup>3</sup>. It was certainly our intention to undertake a comprehensive and useful customer engagement program.
13. We acknowledge that there are areas where we can improve our engagement process—we identified the challenges that we faced and areas for improvement in our AAI<sup>4</sup>. We are committed to meeting these challenges, improving our engagement activities and continuing our engagement as a business as usual

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<sup>2</sup> AER, *Consumer Engagement Guideline for Network Service Providers*, November 2013.

<sup>3</sup> CCP sub-panel 7, *Advice to AER from Consumer Challenge Panel sub-panel 7 regarding Jemena Gas Networks (NSW) Access Arrangement 2015-2020 Proposal*, 3 September 2014

<sup>4</sup> Jemena Gas Networks, 2015-20 Access Arrangement Information, 30 June 2014, Appendix 1.4

practice. We would welcome continued constructive engagement with the CCP and the AER, in addition to our customers and stakeholders, to meet these challenges. We note we have included additional funding in our operating expenditure proposal to undertake this important and valued work.

### 2.2 LEVELS OF PARTICIPATION

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14. The CCP comments on page 4 of its advice that:

*Most of JGN's CE has been at the 'Inform' level – informing customers and customer representatives regarding JGN and its plans. There have been some attempts at 'Consult' and 'Involve'...these attempts have not all been fully effective.*

15. We acknowledge that many of the issues and topics discussed with stakeholders were at the 'inform' level. However, it is important to recognise the differing levels of knowledge and experience in energy issues amongst our stakeholders. To facilitate meaningful engagement with our customers, it was first necessary to provide them with enough background information so that they could understand our role in the energy market, the regulatory framework and the context of our proposal. This is explicitly set out in our engagement commitments.
16. Once provided with this context, the level of engagement typically moved from the 'inform' to 'consult' or 'involve' level. This involved exploring the views of our cohort groups (and the general community via our website) by outlining how alternative decisions will affect our services, costs and prices over the 2015-20 and future periods. Finally, we confirmed what we heard with the cohort groups, and directly incorporated their feedback into our decisions for our proposal.
17. Engagement at a 'consult' level was undertaken on key aspects of our proposal, including:
- the service/cost trade-off
  - mechanisms for sharing cost efficiencies
  - tariffs and price structures – including the simplifying our network prices and services
18. At the 'involve' level we discussed the issue of energy intermediaries and how we may (or may not) be able to manage our risks and any changes to the customer experience as a result of network services being provided by an energy intermediary. We also involved (and will continue to involve) the Customer Council on the subject to assisting vulnerable customers, and also sought direct feedback on our broader customer engagement approach. We acted on this feedback directly through the establishment of the deliberative forums.
19. The feedback from the Customer Council, residential and business customers and other stakeholders was that we should look to manage some of these changes in our Reference Service Agreement, as well as advocate for regulatory and policy focus on potential impacts to the customer experience. We have committed to and have undertaken these measures,
20. As such, it is incorrect for the CCP to claim that our attempts to engage at 'consult' and 'involve' levels have not all been 'fully effective'.
21. It is particularly disappointing that our successes have not been recognised by the CCP. For example, in its submission to the AER on our proposal, PIAC noted that:<sup>5</sup>

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<sup>5</sup> Public Interest Advocacy Centre, *Things to like, things to check: PIAC submission to the AER's review of prices for Jemena Gas Network from 1 July 2015*, section 6, page 6



*in the lead up to Jemena submitting its pricing proposal to the AER, the Customer Council had three lengthy meetings that aimed to help Customer Council members better understand the issues facing Jemena and provide input on certain matters related to Jemena's proposal to the AER.*

22. PIAC further notes that, “Jemena has shown itself to be responsive to the concerns of the Customer Council and its members.”<sup>6</sup> In response to our confidential survey of the effectiveness of the engagement program, the overwhelming feedback from our Customer Council was positive.

### 2.3 CUSTOMER COUNCIL

23. The CCP has stated that members of our Customer Council *were ‘not always sure of their role – whether they were attending and voicing views as an individual, or as a representative of a customer cohort.’*<sup>7</sup>
24. We are surprised by the CCP’s statement that members of our Customer Council were not always sure of their role. This is inconsistent with all of the feedback that we received from our Customer Council. Our Customer Council members represent organisations that have specific roles in advocating on behalf of residential and small businesses, our large industrial customers, or our key stakeholders. The Customer Council charter clearly states that the Customer Council seeks to *‘provide opportunities for Council members to raise matters on behalf of their representative groups’*.<sup>8</sup> This was discussed, and agreed to at the first meeting of the Customer Council. The Customer Council charter is provided as **Attachment 1**.
25. The CCP also noted that *‘there was also some concern about the lack of continuity and low attendance of some Customer Council members.’*<sup>9</sup> We acknowledge this challenge. In our AAI, we identified a number of the challenges experienced by us as well as our customers, stakeholders and community in engaging on the proposal. One of the challenges we identified was the turnover in customer and industry representatives and the obstacles that this creates in building capacity to engage effectively on key issues of concern to them.<sup>10</sup> We continue to consult with our Customer Council members on the best ways to address the challenges identified throughout the engagement process. We also note that this challenge is not isolated to JGN’s attempts at customer engagement, given it is recognised as affecting the customer representative sector more broadly.
26. The CCP has commented that Customer Council members *‘felt they had limited capacity to contribute on some issues at the ‘Consult’ level (in spite of JGN’s efforts), but being involved in this process has started to build capacity.’* JGN recognises that there are some topics where it is difficult for customers to engage meaningfully at a ‘consult’ level. In light of this, we sought to ensure that the membership of the Customer Council was as diverse as possible, so that we could engage on a broad spectrum of topics which were of interest to our various customer and stakeholder groups. We consulted with the Customer Council to identify those topics and issues of most interest to them. As noted in our AAI, we intend to recruit more members to the Customer Council to ensure we continue to have representation for our customer and stakeholder base.
27. Some important areas where consultation with our Customer Council informed the development of our proposal include managing the customer experience with energy intermediaries, how best to assist vulnerable customers, maintaining (and equalising) our current service levels, and our prices and tariff structures.

<sup>6</sup> Ibid, section 6, page 7.

<sup>7</sup> CCP sub-panel 7, *Advice to AER from Consumer Challenge Panel sub-panel 7 regarding Jemena Gas Networks (NSW) Access Arrangement 2015-2020 Proposal*, 3 September 2014, page 4.

<sup>8</sup> Jemena Gas Networks, 2015-20 Access Arrangement Information, 30 June 2014, (Appendix 1.4, Box 3-1) page 7.

<sup>9</sup> CCP sub-panel 7, *Advice to AER from Consumer Challenge Panel sub-panel 7 regarding Jemena Gas Networks (NSW) Access Arrangement 2015-2020 Proposal*, 3 September 2014, page 4.

<sup>10</sup> Jemena Gas Networks, 2015-20 Access Arrangement Information, 30 June 2014, (Appendix 1.4, Box 6-1) page 46.

### 2.4 CUSTOMER FORUMS

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28. On page 5 of its advice, the CCP notes that the intent of JGN's deliberative forums with customers was good, but it has questioned whether the voting by those in attendance is statistically significant. We accept that the deliberative forums comprised a small sample size of our customers, but disagree that the results cannot be relied upon, as is implied by the CCP.
29. The findings from JGN deliberative forums was qualitative in nature and the participants were professionally recruited with quotas set to ensure that they were broadly representative of the overall customer base (e.g. by age, gender, income, life stage, background etc). The sample size was robust from a qualitative perspective and was not intended to be "statistically significant", even though indicative quantitative results were provided through the use of individual audience response technology.
30. In-depth, cost-effective, qualitative research such as this is fundamentally important when it comes to gaining customer feedback on complex topics such as companies' 5-year plans and longer-term strategies. This is because these are topics that are largely unfamiliar to customers, and they involve complex concepts and information that need to be explained to participants before they are able to provide a more informed response. The findings from this sort of research are in turn extremely important in helping to design the questions for, and understand the results from, any subsequent quantitative research. It is important to recognise that deliberative forums are widely accepted as a useful and cost-effective means of engaging with the public to explore issues in depth, including customer preferences. For example, the Australian Energy Market Commission (**AEMC**) recently relied upon deliberative forums in its 2014 Retail Competition Review.
31. The costs associated with directly engaging with a statistically significant sample size of our residential and small customer base would have been prohibitively expensive, and likely to outweigh any benefits gained, particularly on these complex topics. This is one area where acting on the CCP's feedback may have negative consequences for customer outcomes.
32. Given the in-depth nature of the conversations with customers and their experience conducting research of this nature for several water and electricity utilities, Newgate Research indicated that they are confident that the customer views gathered in the research conducted for JGN are broadly indicative of how the overall customer base is likely to have responded if a quantitative survey were able to have been conducted.
33. In developing our engagement program we were cognisant of balancing the need to engage with our end users directly and the costs of doing so. We sought advice from our Customer Council and engagement partner (Newgate Research) on how best to approach our engagement with our residential and small business customers. Importantly, they told us that deliberative forums were an effective means of engaging with this customer cohort.
34. In its submission to the AER on our proposal, PIAC has noted:<sup>11</sup>

*Following an assertion by several members (including PIAC) that their organisations were not able to speculate about the preferences of 'everyday consumers' Jemena convened a number of deliberative forums with consumers. PIAC acknowledges that these activities impose a cost that Jemena must pass on to consumers. However, as these costs are likely to be 50 cents or less per residential customer, PIAC believes they are justifiable. This is because such events (if well run) provide Jemena with important insight into the preferences of residential consumers.*
35. The CCP has been particularly critical of the polling undertaken in relation to our customer preferences on the balance between safety, services, costs and prices, noting that it had a 'push poll flavour.' Further criticisms of

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<sup>11</sup> Public Interest Advocacy Centre, *Things to like, things to check: PIAC submission to the AER's review of prices for Jemena Gas Network from 1 July 2015*, section 6, page 7

our testing of customer preferences are included in the CCP's commentary on our capital expenditure program. Our comments in relation to the testing of customer preferences are included in section 75 of this document.

36. The CCP has stated that *'the most popular issue for consideration that JGN reports it heard from its residential and small business customers was 'changes to the distribution network that affect your area'*. It then incorrectly notes that *'there is no apparent mention in the JGN proposal as to how consultation on this topic is to be addressed, or whether it is addressed during 'business as usual' operations'*.
37. Table 6-2 of appendix 1.4 of the AAI summarises what we heard from our residential and small business customers, and what we intend to do in response. Our customers indicated an engagement preference of website updates, electronic newsletters and email registration. We have committed to:
  - consulting on key issues and testing preferences of end-customers (through workshops or deliberative forums)
  - using surveys (through website and targeted newsletters and pamphlets) on issues that may not require significant discussion or background material.
38. This consultation will be undertaken as part of our business as usual activity, as well as part of our preparations for our five yearly AA reviews.

### 2.5 LARGE INDUSTRIAL CUSTOMERS

39. The CCP is particularly critical of our engagement with our large user cohort. It has stated that our engagement has *"not been effective in this cohort"* and that there was *"no mention of engagement on the subject of price increases"*<sup>12</sup>. JGN cannot accept the conclusions drawn by the CCP and is disappointed that its comments are founded on a single interview with a one large user, and some informal discussions with large users at our public forum.<sup>13</sup> We certainly feel that this represents a very small sample size from which to draw such firm conclusions. It is important that the CCP tests the accuracy of claims made by all parties in the review process, before drawing conclusions from them.
40. In appendix 1.4 of our AAI we indicated that we received mixed feedback from our customers.<sup>14</sup> While some large users indicated that they were not informed about where they could find further information on our engagement, others told us that we engaged on the topics of interest to them and that they could participate in a meaningful way in the discussions. Any assessment of the effectiveness of our engagement with our large user cohort should consider the full range and breadth of our engagement activities and large-user feedback.
41. We considered one-on-one interviews were most appropriate for engaging with our large industrial customers, given that they are relatively small in number, we have existing relationships with them, the issues they are interested in are often very specific to them and they are time poor. We contacted each of our 20 largest industrial customers between December 2013 and April 2014, and arranged and conducted at least one interview with 14 of them. The focus of each interview reflected the customer's specific interests and concerns.
42. During the initial interviews we discussed their engagement preferences – including further issues of interest and their preferred method of engagement. We indicated that they could contact us to discuss any other areas of interest but the majority of customers indicated they were satisfied by:

<sup>12</sup> CCP sub-panel 7, *Advice to AER from Consumer Challenge Panel sub-panel 7 regarding Jemena Gas Networks (NSW) Access Arrangement 2015-2020 Proposal*, 3 September 2014, page 6.

<sup>13</sup> Only three large users attended the public forum on our proposal.

<sup>14</sup> Jemena Gas Networks, 2015-20 Access Arrangement Information, 30 June 2014, (Appendix 1.4) Page 44

## 2 — CUSTOMER AND STAKEHOLDER ENGAGEMENT

- being represented by the 'large customer representatives' on the Customer Council (Energy Users Association and Australian Industry Group), or
  - receiving email notifications of key engagement material that was placed on website.
43. A key element of the engagement with our Customer Council was on our prices and tariff structures. We had a 'consult' session in February 2014 which discussed the balancing of revenue recovery over the current AA and our thinking for the 2015-20 AA. Background fact sheets and presentations were sent to Customer Council members (including the large customer representatives) and then made available on our website. Large customers received email notification of these documents.
44. In May 2014, we presented our Tariff Structures Statement (**TSS**) to the Customer Council which outlined our proposed tariffs structures and levels, including the rebalancing of revenue and customer impacts for typical large customers. This was an 'inform' session prior to release of the submission. The 'look and feel' of the TSS was an area of consultation with the Customer Council. We also presented a draft of the customer overview for comment by Customer Council members. Feedback was that it should focus on 'small customers'. The draft TSS, customer overview as well as background fact sheets and presentations were sent to Customer Council members (including the large customer representatives) and then made available on the website. All registered large customers received email notification of these also.
45. Prior to the submission of our regulatory proposal we offered each of the large customers a briefing session to highlight the key points of the submission including:
- an outline of our proposal, including proposed reference services and price path
  - specific tariff classes, charge levels and customer impacts
  - the location of further information (incl. JGN website) on release of the submission.
46. Only three large customers took up this invitation.
47. Following the submission of our proposal, we invited each of our top 20 large user customers to the public forum that we held in the Sydney CBD. The forum provided interest stakeholders with the opportunity to hear our senior decision-makers talk about our proposal, particularly the rationale for setting our service and price levels and price structures. Attendees at the forum were able to ask questions on our proposal. Of the large user customers that we invited to the meeting, only three attended. More detail on the public forum is included in section 2.6.
48. Noting the above activities that we undertook with our large user customers, it is disappointing that the CCP's assessment of our large user consultation does not recognise the breadth of engagement undertaken, or the challenges we faced in engaging with this time-poor customer cohort.
49. We acknowledge that there is room to improve our engagement with our large user customers. This is demonstrated in some of the feedback provided by our large users via the AER's submission process. However, a balanced assessment of our large user engagement would have at least acknowledged the positive feedback we received in relation to our engagement activities.
50. While the CCP has correctly observed that proposed price increases for industrials was not mentioned in the customer overview document, it is important to recognise that this was on advice from our Customer Council. Given that the price impacts were clearly identified in the TSS, we did not consider it necessary to also include these in the customer overview document, which was targeted at residential and small user customers.

### 2.6 COMMUNITY

51. The CCP has stated that our community engagement largely centred on our website, which may have precluded those without access to technology, those not proficient in English, and some segments of vulnerable customers from engaging with us.<sup>15</sup>
52. While we recognise that not all end users can access the Jemena website, we considered that it was an appropriate and cost-effective means of engaging with the broader community for the proposal. We also feel that the CCP's advice is not particularly constructive and we would welcome specific feedback from the CCP on measures to improve our engagement in this area.
53. Since we created our website, we have received around 6,000 page views on our customer engagement and price review pages. While we are pleased with this result, we acknowledge that more can be done to engage with the boarder community.
54. We have committed to working with our Customer Council to improve our website in the future. In addition, we continue to 'learn as we go' and look for ways to improve our engagement process. For example, in our AAI we have stated that we will continue to use our website and proactively target community events with 'pop-up' shops (as we have done effectively in Victoria in our electricity network) to provide a cost effective way of providing key information to the community and build our stakeholder network.<sup>16</sup>
55. Although not noted by the CCP, we also sought to engage with the broader community by holding a public forum to discuss our proposal. In addition to directly inviting retailers, large users and key stakeholders, we also advertised the forum in leading NSW newspapers. The forum provided an opportunity for customers, stakeholders and the community to hear an overview of our proposal from our senior decision-makers. We discussed how Jemena is responding to the changes occurring in the gas market in a way that promotes the long-term interests of our customers, particularly in setting our service and price levels and price structures.
56. The CCP also presented to the forum, providing attendees with an opportunity to hear the areas of interest to the CCP.

### 2.7 MEASUREMENT AND REVIEW

57. The CCP has criticised JGN's approach in measuring and reviewing the effectiveness of the engagement program, noting that it is qualitative, and that "*there is no evidence of any attempt being made to quantify the benefits of CE [customer engagement]*."<sup>17</sup>
58. The CCP's criticism of this element of our engagement is unconstructive. We acknowledge that our measurement of the success of our engagement approach was qualitative. Despite the criticisms of the CCP, we consider that surveying our customer and stakeholders was the most cost effective way of measuring the effectiveness of our engagement outcomes. The survey results, together with submissions from interested stakeholders and our customers on our proposal, have highlighted areas where we can improve our engagement processes.

<sup>15</sup> CCP sub-panel 7, *Advice to AER from Consumer Challenge Panel sub-panel 7 regarding Jemena Gas Networks (NSW) Access Arrangement 2015-2020 Proposal*, 3 September 2014, page 7.

<sup>16</sup> Jemena Gas Networks, 2015-20 Access Arrangement Information, 30 June 2014, (Appendix 1.4, Box 6-2) page 47

<sup>17</sup> CCP sub-panel 7, *Advice to AER from Consumer Challenge Panel sub-panel 7 regarding Jemena Gas Networks (NSW) Access Arrangement 2015-2020 Proposal*, 3 September 2014, page 7

59. We have committed to improving our engagement process in the future and will look at the feasibility of incorporating quantitative key performance measures when measuring our engagement strategies and activities.

### 3. RATE OF RETURN

60. The CCP advice to the AER Board on the rate of return does not address JGN's rate of return proposal directly, or the new expert material that we submitted. It is important for the AER to explain if and how it intends to rely on the CCP advice to perform its function under the NGR.
61. The CCP advice on JGN's proposal states:

*JGN is proposing a rate of return or Weighted Average Cost of Capital (WACC) of 8.67%. JGN is also proposing a departure from the AER's RoR Guideline. This approach has not been endorsed by JGN's customers and stakeholders.*

*We consider the proposed WACC to be inappropriately high, and do not support any departures from the RoR Guideline. The CCP as a whole has provided the AER with a paper on rate of return, which was presented to the AER Board on 12 August. We expect that the paper and its covering letter will be published shortly by the AER. The contents of that paper are relevant to this price review as to other price reviews. We incorporate the contents of that paper by reference in this submission as providing our views as a sub-panel on how the AER should address JGN's proposed rate of return.*

62. We respond below, including on stakeholder engagement, departure from the guideline, and the CCP rate of return advice to the AER Board.

#### 3.1 ENGAGEMENT WITH STAKEHOLDERS

63. We welcome feedback on our rate of return proposal from both our customers and other stakeholders. Although these stakeholders did not endorse our proposal directly, we did offer our JGN Customer Council members the opportunity to engage with us directly on it.
64. Only PIAC took up this offer, indicating in their submission that they appreciated this opportunity and found the discussions useful. If helpful, we are more than happy to engage with other stakeholders directly on our rate of return proposal.

#### 3.2 DEPARTURE FROM THE GUIDELINE

65. We note the CCP's concerns with our proposed departures from the rate of return guideline, but consider that these better give effect to the rate of return objective and AEMC's intent in updating the NGR. As noted in our submission, we consider that the rate of return guideline includes some key failings that our proposal aims to overcome, including on the role of different types of evidence and the riskiness of gas distribution networks given growing gas price and demand uncertainty.
66. As the AEMC indicated when it set the rate of return objective, the role of the guidelines was to provide certainty and transparency to stakeholders by highlighting the AER's thinking and to foster the continued evolution of rate of return estimation in Australia. While it plays an important role, the key point is that it is not binding and was not intended to limit how the rate of return is considered during price reviews like ours. It served as a starting point for our regulatory proposal (and others)—but not the end.

67. For instance, the AEMC stated:<sup>18</sup>

*The intention of the rate of return guidelines is not to be binding on either the regulator or the service provider. The role of the guidelines is to be distinctly different to how the existing Statement of Regulatory Intent (SORI) on WACC operates under the current Chapter 6 and 6A rate of return frameworks of the NER. The rate of return guidelines are not intended to explicitly lock-in any parameters or methodologies from which departure would not be permitted. In order for the guidelines to have some purpose and value at the time of the regulatory determination or access arrangement process, they must have some weight to narrow the debate. However, there should not be any "inertia principle" or "persuasive evidence test" applying to the application of the guidelines. Requirements on the regulator (and service providers) of this nature to justify departures from the guidelines would undermine the purpose of them.*

68. And further (when looking at how to treat different versions of the guideline):<sup>19</sup>

*Ultimately the rate of return framework is about making the best estimate of the rate of return. While the guidelines plays an important role in the process as the point of departure for the regulator, service providers and other stakeholders at the time of a determination or access arrangement, whether a previous or recently revised version of the guidelines is used as the point of departure should not fundamentally affect the ultimate aim of making the best possible estimate of the rate of return.*

69. We consider that our proposal seeks to set the best estimate of the rate of return. Certainly the rate of return guidelines are an important starting point, but we consider that departure is necessary to promote the NGO, the RPP and the rate of return objective.

70. We also note that we are not alone in proposing departures from the rate of return guideline. Other regulated networks have also recently proposed departures, as has the CCP in its advice to the AER Board (*Smelling the roses and escaping the rabbit holes: the value of looking at actual outcomes in deciding WACC*). In this advice, the CCP raises concerns with how certain evidence is used by the AER, such as RAB multiples and actual costs of debt, and recommends that the AER reconsider the role of this information.

71. We also note that this paper was authored by a CCP member who has also prepared a separate submission on JGN's proposal on behalf of large energy users and previously for PIAC.

### 3.3 CCP RATE OF RETURN ADVICE TO THE AER BOARD

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72. The CCP advice came after the deadline for submissions on our proposal (set by the AER)—and so we are unsure how the AER will take this into account in its draft decision for JGN and have only had limited opportunity to consider the points made.

73. After an initial review, we do have some concerns with both the recommendations made by the CCP and the underlying analysis used to support them. For instance, the CCP advice:

- a) compares risk premiums through time without acknowledging the well-recognised impacts of the global financial crisis on debt and equity spreads

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<sup>18</sup> AEMC, Economic Regulation of Network Service Providers, and Price and Revenue Regulation of Gas Services, Final Position Paper, 29 November 2012, Sydney, page 58.

<sup>19</sup> AEMC, Economic Regulation of Network Service Providers, and Price and Revenue Regulation of Gas Services, Final Position Paper, 29 November 2012, Sydney, page 59.



- b) compares returns allowed by overseas regulators without accounting for differences in real interest rates, regulatory regimes, or methodologies applied—for example, the CCP ignored additional financeability uplifts made by some regulators
  - c) does not reference the well-developed literature on why regulatory asset base multiples might depart from one, even in competitive markets—a matter canvassed in the AER guideline<sup>20</sup>—nor substantively consider why it is difficult drawing any hypothesis about forward-looking rates of return from this metric
  - d) makes factual errors when using published financial statements to identify actual network borrowing costs—an issue being considered in the NSW/ACT price reviews<sup>21</sup>
  - e) ignores the *ex ante* incentive-based nature of the regulatory framework when analysing *ex post* profitability of networks—it is not clear whether *ex ante* returns should match *ex post* returns over time once incentive benefits or penalties are considered.
74. If the AER intends to rely on the CCP advice, then we strongly encourage the AER to critically review the underlying analysis before doing so and consider submissions made by stakeholders (including the Energy Networks Association (**ENA**)) on similar recommendations made during the rate of return consultation last year.<sup>22</sup>

<sup>20</sup> See, for instance, *AER, Explanatory Statement – Rate of Return Guideline*, December 2013, page 48.

<sup>21</sup> Ausgrid, Endeavour Energy and Essential Energy, *Letter to the AER – NSW DNSPs’ Response to the AER’s Issues Paper*, 8 August 2014, pages 35–36 of Attachment 1.

<sup>22</sup> See, for instance:

ENA, *Response to the AER Rate of Return Guidelines – Issues Paper*, February 2013.

ENA, *Response to AER Rate of Return Guideline Consultation Paper*, 28 June 2013.

ENA, *Response to the Draft Rate of Return Guideline of the Australian Energy Regulator*, 11 October 2013.

### 4. CAPITAL EXPENDITURE

75. Unfortunately, the CCP advice does engage with the substance of the comprehensive capital expenditure proposal JGN has submitted to the AER. It is therefore not clear whether the CCP's advice in this area will be particularly useful to the AER's deliberations. If the CCP felt it was not equipped (through time or resourcing) to review our capital expenditure proposal, it may be more useful to simply note this and focus on other areas of our proposal.

#### 4.1 SCENARIO TESTING

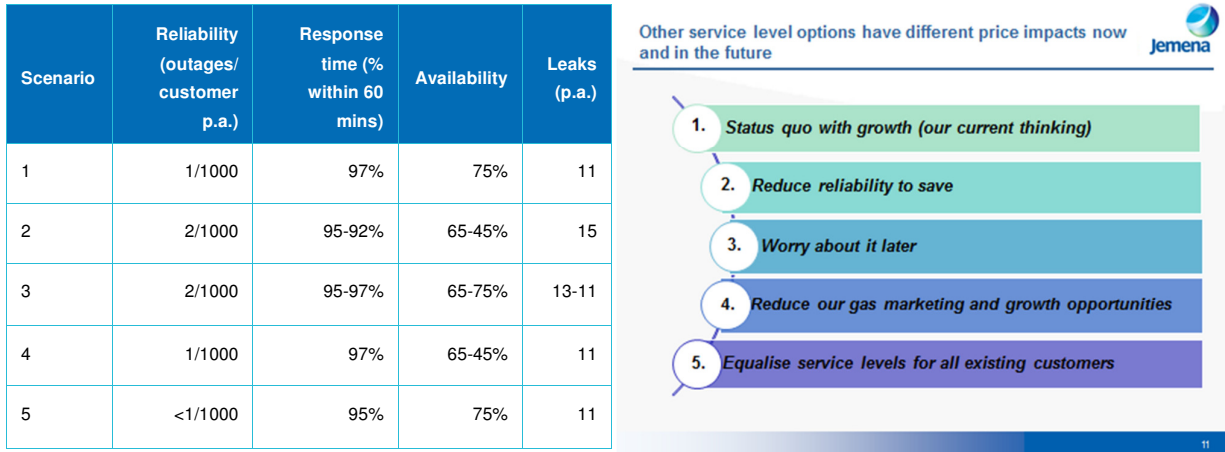
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76. JGN analysed and tested customer preferences for five scenarios. The CCP comments at page 8 that:

*Various scenarios were presented to customer forums. From the documentation provided by JGN, it seems that the scenarios or options that incorporated reduced service levels specified the cost implications, but did not quantify the associated service implications. Therefore, we do not accept the validity of JGN's claim that its capital plan best meets its customers' preferred long-term outcomes. Rather, this claim has not been appropriately tested to confirm its validity. Moreover, the service level reduction options that were presented at the customer forums were at such a high level that it is difficult to associate them directly with any elements of the proposed capital plan. (emphasis added)*

77. The CCP also summarises the options analysis and consultation on pages 5 and 6.
78. We assume that the reference to "*documentation provided by JGN*" is to the PowerPoint slides that JGN spoke to at the deliberative forums held at Orange and Parramatta in April 2014. Those slides are reproduced as appendix C to the Newgate report (AAI, appendix 1.5)
79. JGN does not accept that customers were inadequately informed about the options or that the forum results cannot be relied upon. JGN undertook to provide all key information to attendees through the presentations or at the table discussions. This is a key element of JGN's engagement commitment. PowerPoint slides are necessarily condensed: they do not contain all of the information provided/available to the customers at the forums. Presenters at the forums expanded on the slides verbally and the facilitators who led the focus group discussions at each table with customers had material about the scenarios that they could refer to (including the implications for each of the service indicators).
80. Relevant to the underlined quote above, we note that the presenter for the 'Our Plan' section of the deliberative forum provided quantitative service level outcomes when speaking to slide 11 of that presentation. The slide and a table of the service level outcomes that were verbally discussed on that slide is provided in Figure 4-1. This is a case where the CCP would have benefitted from validating its assumptions with the business prior presenting its advice to the AER.

Figure 4–1: Deliberative forums: Service implications explained verbally at the forums



- 81. We note that the service standard changes tested in the scenarios are described in detail in section 4 of JGN’s 20 year Asset Class Strategy (provided as appendix 6.1 to the AAI). That detail includes how the service level changes would be reflected in JGN’s capital and operating cost plans.
- 82. The CCP is particularly critical of the way options 2 and 3 were presented (see page 5). Newgate (at page 35) summarised the discussion of options 2 and 3 at the forums as follows:

*In contrast [to options 1 and 5], 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<sup>23</sup> 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.*

...

*Views were also negative about Option 4, reducing investment in marketing, but not anywhere near as strongly as with Options 2 and 3.*

- 83. It is unfortunate that the AER or CCP were unable to attend the forums and hear first-hand the information presented, the resulting discussions and customer feedback provided including the strength of customers’ opposition to the suggestion that expenditure on maintaining service standards might be reduced. We have taken this lesson into account by inviting the CCP to attend our equivalent customer deliberative forum for the Jemena Electricity Network in Victoria.

## 4.2 MARKET EXPANSION CAPITAL EXPENDITURE

- 84. The CCP advises the AER to “review the efficiency of the new contractual arrangements on the basis that negotiations on new contractual arrangements would generally focus on reducing rather than increasing unit rates.”

<sup>23</sup> SMEs = small and medium enterprises.

85. We note that unit rates have been established by open competitive tender and arm's length negotiation as described in appendix 4.1 to the AAI. The reasons for the rate increases are also described in that document. It is important that all claims made by the CCP are based on evidence and not speculation, and take into account the documentation submitted by the regulated business. JGN cannot be expected to outperform the competitive market for procuring these services.

### 4.3 REINFORCEMENT RENEWAL AND REPLACEMENT CAPITAL EXPENDITURE

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86. The CCP observes on page 9 that:

*Premature replacement of assets on the basis of nameplate age rather than asset condition is one of the key drivers of unnecessary network expenditure and price increases. Credible asset replacement/reinforcement justifications need to be based on robust assessments of asset condition, together with risk assessments that transparently identify the risks of alternative options.*

87. It is not clear how the CCP's reference in the first sentence to replacement of assets on the basis of nameplate age is constructive or particularly useful to the JGN review. As a statement of fact, we agree with the CCP. However, if it is implying that JGN's practice is to replace assets on the basis of nameplate age then we disagree.
88. The CCP may be alluding to the meter replacement program where meter age is a determining factor. That program accounts for \$87.6m or 44 per cent of the forecast \$199.2m increase in reinforcement renewal and replacement capex.
89. In the case of small meters it would be impractical and uneconomic to assess the condition of every meter individually. While age is generally the basis for replacing groups of small domestic meters, this is only done after in-service lives have been extended as far as economically feasible by sample testing in accordance with applicable standards. In other cases e.g. hot water meters, classes of meters are being replaced because of premature class failure.
90. For assets other than meters it is clear from the AAI and supporting documentation that JGN does not replace assets simply on the basis of nameplate age. Asset condition and failure risks, maintainability including availability of spare parts and manufacturer support, compliance with standards; and service capability are all important considerations when determining when an asset should be replaced.

## 5. OPERATING EXPENDITURE AND INCENTIVE MECHANISMS

91. The CCP suggests that the AER examines the following areas of JGN's operating expenditure (opex) forecast:
- adjustments to the opex base year and forecast costs due to the transfer of pigging/integrity digs/ad-hoc mains renewal costs from opex to capital expenditure (capex)
  - business efficiencies resulting from the substantial investments in IT in the 2010-15 period
  - productivity improvements and business efficiencies derived as a result of growth in EBA wage rates which are forecast to be higher than growth for non-EBA wages.
92. The CCP has not included any analysis of these issues in its advice.

### 5.1 CAPITALISATION OF PIGGING AND INTEGRITY DIGS

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93. JGN performs in-line inspections every ten years, and integrity digs on a periodic basis.
94. The value of these investigations is effectively applied over the period between successive rounds of activity. In the 2010 AAI, the AER required those costs to be treated as opex. However, in subsequent decisions for APA GasNet and the Roma to Brisbane Pipeline, the AER has accepted capitalisation of these costs.
95. Capitalisation is also consistent with accounting treatment and supports mitigation of the impact of wholesale gas price on end-retail prices by lowering prices relative to expensing them.
96. For instance, we have removed any costs related to these expenditures from its base year—and transferred to capex—before applying the AER's preferred "base, step and trend" method to forecast opex over the 2015-20 period.
97. Therefore, our approach:
1. Is consistent with recent AER decisions
  2. Has been correctly applied through making the necessary adjustments to our cost forecasts to reflect this treatment
  3. Is consistent with supporting efficient use of natural gas by contributing to lower network prices.

### 5.2 BUSINESS EFFICIENCIES—IT CAPITAL EXPENDITURE

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98. JGN notes that—within table 4-7 of its AAI (pages 26 and 27)—its current period operating expenditure on administration and overheads are expected to significantly decrease in years 2013-14 and 2014-15, which is primarily driven by expected IT savings.
99. Care must be taken in the assessment of efficiencies, and the incentives that this can create to achieve efficiencies into the future. We note our proposal to apply an Efficiency Benefit Sharing Scheme (**EBSS**) to our operating expenditure in the next AA period. This requires us to share the benefits of efficiency savings with customers on a transparent and equitable basis.

### 5.3 PRODUCTIVITY IMPROVEMENT—EBA VS. NON-EBA WAGES

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100. JGN has engaged BIS Shrapnel (**BIS**) to forecast labour costs over the 2015-20 period. BIS—an expert economic forecaster—combined its economic outlook for NSW and Australia with standard forecast methods and historical data to develop forecasts that JGN thinks are reasonable.
101. JGN has used BIS's wage price index (**WPI**) real wage price forecast for the Australian electricity, gas, water and waste services (**EGWWS**) and construction sectors as proxies for its internal and external labour costs for the 2015-20 period.
102. In its 2015 AAI, we proposed that the EBA wages (EGWWS WPI) is approximately 0.5 percent p.a. higher than the construction WPI (average of 1.88 per cent compared against 1.40 per cent).
103. We note—through BIS's expert report—that collective bargaining dominates the pay setting arrangements in the utilities sector. The relative absence of workers relying on (often) low-increase awards means the overall average for total utilities wages will invariably be higher than the all industries average. BIS and JGN expect this wedge to continue over the 2015-20 period.
104. The CCP has also requested that the AER test JGN's claim regarding continued growth in wage costs above CPI across the 2015-20 period.
105. The fact that wages in the utilities sector grows differently to the CPI is clearly demonstrated by looking at recent historical outcomes. Over 2011-13, both EGWWS WPI and construction WPI (NSW) have risen above CPI level—with real wages growth ranging from 0.4 to 1.4 per cent and 0.9 to 1.0 percent respectively.

### 5.4 EFFICIENCY BENEFIT SHARING SCHEME

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106. The CCP advises the AER that the EBSS:  
*only has value for driving true efficiency, and for consumers' long-term interests, if the allowed opex is set at an efficient and prudent level... We therefore advise the AER to confirm that JGN's opex forecasts are set at an efficient and prudent level prior to adopting this proposal.*
107. We have prepared a significant body of evidence to demonstrate the efficiency of our opex forecasts.<sup>24</sup> It is disappointing that none of this material appears to have been reviewed by the CCP.
108. In our 2015 AAI proposal, we demonstrate that our opex forecast reflects the costs of a prudent service provider acting efficiently. We have demonstrated the efficiency of our 'base year' operating expenditure, adopted the AER's opex forecasting method and included an ambitious but achievable productivity factor in our opex forecast.
109. More detail can be found in JGN's 2015 AAI proposal and in appendix 7.2 (JGN's forecasting methodology).

### 5.5 CAPITAL EXPENDITURE SHARING SCHEME

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110. The CCP advises the AER that:

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<sup>24</sup> Jemena Gas Networks, 2015-20 Access Arrangement Information, 30 June 2014, chapter 7, appendix 7.2, appendix 4.3

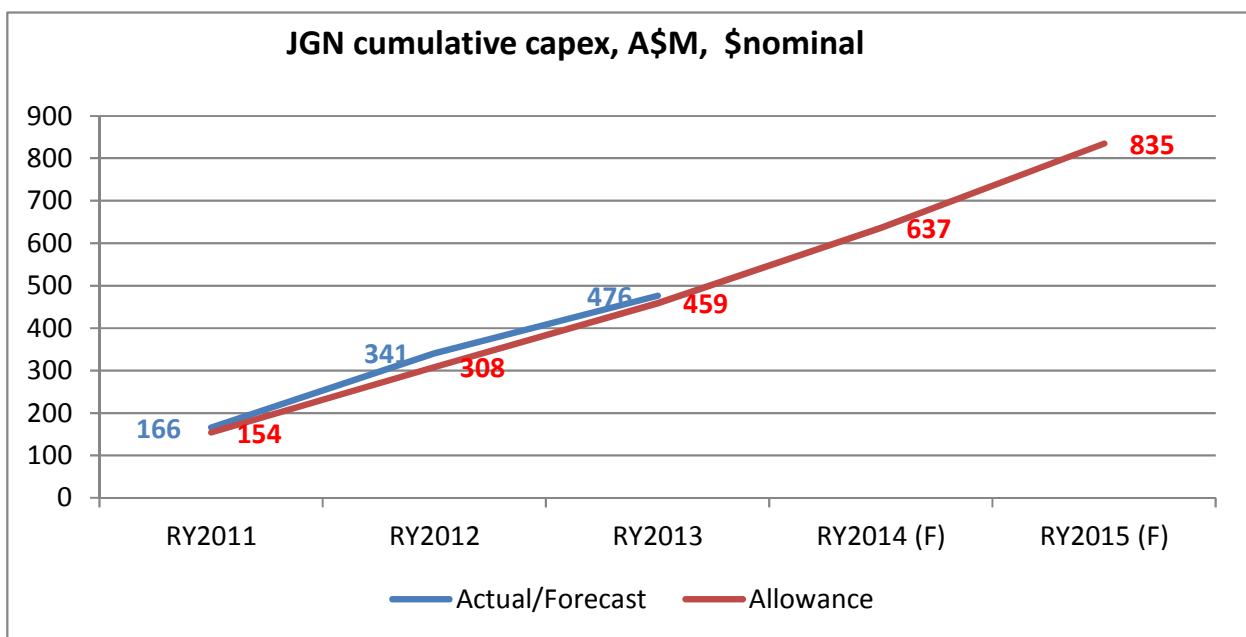
*Should the AER agree to the adoption of an EBSS for JGN for the 2015-20 period, we recommend that the AER also consider implementing a complementary Capital Expenditure Sharing Scheme.*

- 111. Implementing a CESS on JGN would represent a complete reversal of the logic chain which led the AER to remove the application of a CESS to the Victorian gas networks only 18 months ago.
- 112. The AER determined that the continuation of a CESS was not appropriate because:
  - even though capital deferrals can be efficient by minimising the long term total cost of service provision, it is difficult for the AER to determine which a deferral is efficient or not
  - gas service standard obligations are loosely defined and there is no service incentive scheme in place, which leads to a significant incentive to in inefficiently defer capex under a CESS
  - the ex-post conforming capex test under rule 79 of the NGR already places an incentive on gas networks to spend capital efficiently.
- 113. These circumstances and logic equally apply to JGN.
- 114. We have reviewed the AER’s rationale for applying a CESS to electricity distribution businesses, which the AER explains as follows:

*...the incentive for a business to spend less than its capex forecast declines throughout the period. So the business may choose to spend capex later, or on capex when it may otherwise have spent on opex, even if it may not be efficient to do so...The capital expenditure sharing scheme (CESS) provides a network business with the same reward for an efficiency saving and same penalty for an efficiency loss regardless of which year they make the saving or loss in.*

- 115. Figure 5–1 sets out our capital expenditure profile for the first three years of the current AA period. As is clearly shown, JGN’s capital expenditure profile does not exhibit the profile that concerns the AER.

**Figure 5–1: Capital expenditure profile 2011-13**



116. We therefore submit that a CESS is not warranted for JGN. Such a move by the AER would materially undermine the predictability of the AER's decision-making process for gas networks, and industry's confidence in the AER's decisions as consistent and transparent.
117. The CESS is a new tool developed by the AER under the Better Regulation process. Inevitably, there will be desire to apply new regulatory tools to regulated businesses. We would caution against this approach without careful consideration of the potential implications for investment incentives and regulatory certainty.



## 6. DEMAND AND MARKETING FORECASTS

118. In its advice to the AER, the CCP encourages the AER to consider whether the marketing expenditure is prudent.
119. On page 10 of its advice, the CCP states:
- From a customer perspective, we suggest that the AER should consider whether it is prudent to encourage new customers to connect to the gas network, and existing customers to install more gas appliances, at a time when wholesale gas prices, and hence retail gas prices are predicted to rise substantially, and gas supplies are forecast to be directed towards export rather than domestic use.*
120. It is not clear to us how we should interpret this comment from the CCP. One interpretation—that customers should not connect to gas given perceived cost relativities between gas and alternate fuels—could be very damaging to gas customers' long-term interests and not support efficient investment in the NSW gas network. Increasing the number of customers efficiently connecting to our network is in the long-term interests of customers of natural gas and required by the national gas objective.
121. Given that the CCP has not undertaken any analysis of our proposed marketing expenditure or demand forecasts, we question its ability to provide an informed opinion as to the prudence of our marketing program or customer preferences for natural gas in NSW. There are a range of factors that a customer is likely to consider in deciding how to power their home or business, with ongoing fuel costs being one factor. Our role is to ensure gas remains a competitive and desirable fuel. We would question whether it is the role of the CCP or the AER to balance these factors and make judgements on behalf of customers.
122. We provided the AER with a detailed cost benefit analysis for our marketing program in confidential appendix 7.3 to the AAI, and in subsequent correspondence with the AER. These documents detail how our marketing program is in the long-term interests of customers.

### 7. TARIFFS

123. The CCP advice raises a number of concerns with JGN's approach to setting its tariff classes, structures and levels. We feel that a number of the CCP's concerns in this area are the direct consequence of the CCP's limited level of involvement in the development of our proposal. In some areas, it is also not clear what material value the advice brings to the regulatory review process. Further guidance may have been useful to ensure the CCP's efforts were directed to areas that are likely to concern customers.

#### 7.1 PRESENTATION OF INFORMATION TO OUR CUSTOMERS

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##### 7.1.1 CHOICE OF CUSTOMER ARCHETYPES FOR ASSESSING BILL IMPACTS

124. The CCP advice raises concerns with how we present pricing and bill impact information in our proposal and customer overview document. We have reviewed and updated the JGN fact sheet referred to by the CCP to address some minor typographical errors.
125. We were happy to provide the additional information for different customer types at the request of the CCP and welcome ongoing feedback on what is useful for customers. We note that when engaging with customers and presenting customer information, JGN was mindful to provide a balance between information that is easily understood, the risk of information overload, and potential for customer disengagement.
126. We provided typical customer impacts as an indication only and for customers to understand what the detail of our proposal actually meant for them. It is not practical to provide the impact on every customer.
127. JGN has not provided price paths for all tariffs as there are many reasons, such as changes in the market and how we balance our pricing principles, which would mean this might change from year to year. However, tables 10-2 and 10-3 of the TSS highlight those tariff components that are expected to move outside of the published price path represented in Table 10-1. JGN's efforts in providing a level of transparency in relation to price paths in the TSS have been recognised by the AEMC in its recent draft determination.<sup>25</sup> We note that no other network business has provided this level of transparency in its regulatory proposal.

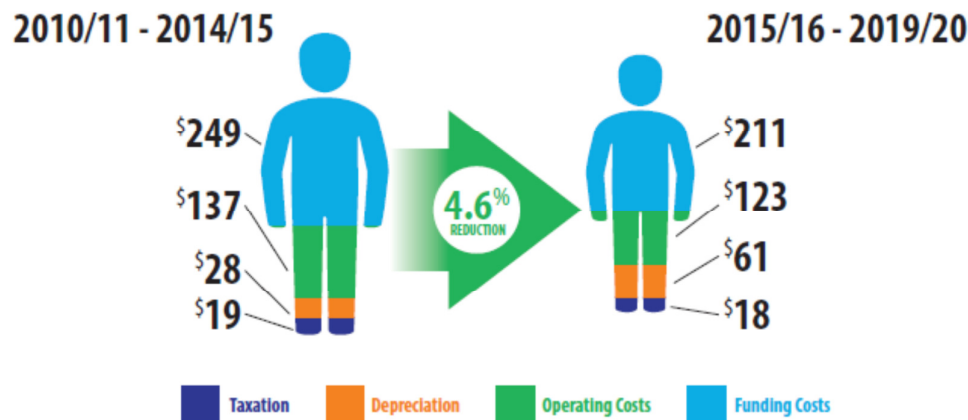
##### 7.1.2 PRESENTING BILL CHANGES IN A CUSTOMER-FRIENDLY MANNER

128. Figure 7-1 is extracted from the customer overview for our proposal.

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<sup>25</sup> AEMC, Draft Rule Determination, National Electricity Amendment (Distribution Network Pricing Arrangements) Rule 2014, August 2014.

Figure 7–1: Presentation of average revenue change in the JGN customer overview



129.

130. The CCP advice says:

*In the original printed Customer Overview, we have measured the man figure on the left to be 60mm by 25mm at the widest point, for an area of 1500 sq mm. The one on the right measures 52mm by 22mm, for an area of 1144 sq mm. This represents a reduction in size over the five-year period of 24%, while the actual reduction is 4.6%. The graphic substantially over-states the reduction, and may be misleading, because the graphical impression may pre-dominate over the printed figure.*

*We believe that JGN should pay more attention to issues such as the above in the way that information is presented to customers.*

131. Firstly, we must submit that it is quite extraordinary that the CCP would consider that customers would be misled and/or aggrieved by our illustrative graphic. We feel that customers might expect the CCP to devote their time to more meaningful engagement with the submitted materials.
132. In fact, the graphic is part of a suite that we introduced to enhance the customer engagement experience and for which we received positive feedback from our Customer Council.
133. The feedback included that simplifying messages in graphic form is the best way to enable readers to understand often complex concepts and messages. It is not our intention to mislead, demonstrated by the fact that all numbers are transparent on the graph and the large green arrow clearly states it is a 4.6 per cent reduction.
134. As part of our suite of engagement we sought to provide precision in data and tables and rely on graphics to be engaging and which provide a visual impact consistent with the key messages being portrayed.

### 7.1.3 PRESENTING PRICES IN REAL OR NOMINAL TERMS

135. The CCP advice states:

*We also question whether customers understand the significance of figures that are presented without the effects of inflation. We suggest that customers are not used to seeing figures presented in that way, and do not fully allow for inflation in their minds when they do see such figures.*

136. When engaging with customers and presenting customer information, JGN was mindful to provide a balance between information that is easily understood and information overload and potential customer disengagement. We tested with our Customer Council that they were comfortable with the way in which we were presenting our information and did not receive negative feedback on how prices were represented.
137. This meant it was important to show a single price change to limit confusion. We used price changes before inflation as the AA documentation survives, and is referred to, throughout the regulatory period. Using prices changes before inflation insulates them against the use of inflation forecasts that will likely prove to be wrong and represents the price changes that are a direct result of our proposal. We consider this is consistent with how such information is normally presented.
138. Additionally, we clearly labelled our graphs and tables to indicate the type of information presented.
139. We also note that the CCP asked our Customer Council members at the August 2014 Council meeting whether they understood the difference between real and nominal price increases, and that JGN had presented information on a 'without inflation' basis. The Customer Council members indicated that they understood the difference between real and nominal pricing. It is not clear why this feedback is not included in the CCP's advice.

### 7.1.4 PRESENTING AGGREGATE PRICE CHANGES FOR MULTIPLE YEARS

140. The CCP advice states:

*We also question the way the overall price changes across customer groups are presented. Several places in the JGN proposal state that the overall price decrease across customer segments over the five-year period is 14.8%. However, compounding these individual yearly changes (which we have not verified individually) shows an overall price change of 14.0%, not 14.8%.*

141. We agree that the total price change over the five years can be represented as a simple average (the total of each year's individual decrease) or a compounding figure (the total change over the five years).
142. Initial use of the compounding approach raised questions from customers and the media as to why it did not equal the sum of each year's decrease. As the materiality of the difference between 14.8% and 14% was reasonably immaterial, we chose to represent this figure in a way that made most sense to our customers and encouraged their engagement.
143. We note that the information that depicts the impact on customer bills with the proposal and fact sheets does represent the compounding impact of the price change over the five years. Again, it is not clear whether this issue is particularly useful to the AER's decision-making processes under the NGR.

## 7.2 CONSOLIDATION OF METERING AND HAULAGE CHARGES

144. The CCP has raised concern with our proposal to aggregate the separate metering reading and meter provision charges with the haulage reference tariffs. The AER has also asked JGN to provide further information on this proposal. There is concern that the proposal may impact the potential for gas metering competition in NSW.
145. Our customers told us that they found energy markets complex, including understanding how changes to network prices may impact their retail bill, and that this frustrated attempts to ensure customers are getting the best available retail offer. The majority of retail market contracts in NSW allow retailers to pass through changes in the relevant network charges. In response to customer feedback JGN has proposed a simplification of our references services in order to:

- simplify the number of individual tariffs and charge components, making it easier to understand the relevant fixed network charge (currently we have 3 fixed network charges that a customer would need to add together)
  - harmonise with the approach of gas distributors in other jurisdictions.
146. Our Customer Council told us that tariff simplification, which made network charges more easily understandable by customers, would encourage participation in energy markets. In our view this will promote efficient utilisation of the network (because customers on efficient retail offers will make efficiency usage decisions), and is therefore in the long term interests of our gas customers.
147. When JGN originally created a separate Meter Data Service as part of our 2000 Access Arrangement, this was in an environment where NSW regulators were phasing in retail contestability and considering contestability of gas meter reading services. Around that time provisions which contemplated the possible future introduction of contestable meter reading were also included in the NSW and ACT Gas Retail Market Business Rules.
148. Since that time:
- the market has not moved to implement gas meter reading contestability
  - the provisions to facilitate contestable meter data services have long since been removed from NSW and ACT gas retail market procedures.
149. Additionally, JGN considers it is highly unlikely that gas meter reading contestability would occur during the five years of JGN's proposed 2015 AA. Similarly the current RSA requires that services be taken as a bundled service (see clause 17.1) so they are presently merged in substance.
150. In support of this view JGN notes that:
- the AER approved services and charge structures for gas distributors in Victoria which came into effect in January 2014 and have not made any provision for separate charges or services to accommodate competition in metering or meter reading in the future
  - gas metering contestability wasn't raised in the recent AEMC Power of Choice review
  - electricity metering contestability has primarily been driven by a desire to foster a competitive rollout of time of use metering to mass market electricity customers. As there is no equivalent gas network or retail imperative for time of use gas pricing and associated behavioural change, this precedent is not relevant here.
151. As a result, we have:
- proposed a single reference service, the Haulage Reference Service, which includes meter reading by JGN
  - consolidated the existing tariff structure for Volume tariffs from multiple throughput and fixed charge components down to a single throughput charge and a single fixed charge
  - consolidated the existing fixed charges for daily meter reading of demand customers into the fixed charge for provision of basic metering equipment.
152. This simplified charge structure of a single throughput charge and a single fixed charge for volume tariffs is the same as that used (and approved by the AER) by Victorian, QLD and SA gas distributors for equivalent customer tariffs. The approved gas distribution tariffs in Victorian, QLD and SA for daily metered customers go one step further than has been proposed by JGN as they do not have any separate metering charge of any kind.

153. Recognising that the AER has approved similar consolidated service and tariff structures for other gas distributors in recent decisions and in consideration of the other factors described above, JGN does not consider there to be any credible impact on competition or customer pricing impacts arising from the proposed changes, and we see no barrier to supporting customer preferences for pricing simplicity. Future AA reviews can consider any change in market dynamics if these arise.
154. It should also be recognised that there are also different competitive dynamics in NSW gas as we are very much in competition with electricity. As a result we have commercial incentives to continue to ensure the drive for a lowest sustainable cost and a positive customer experience around gas connections and bills.

### 7.3 TARIFF RESTRUCTURING

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155. The CCP advice states:

*We also support restructuring that encourages more efficient use of the gas network. We emphasise that only efficient use should be encouraged. Tariffs should not be restructured in a way that encourages inefficient use of gas.*

156. We agree with the CCP. It is not clear to JGN whether the CCP is implying that we have proposed inefficient tariff structures. It is not clear if this observation is particularly useful to the AER's decision-making process.
157. To the extent there is any concern with JGN's tariff structures, the TSS demonstrates in some detail how the tariff structures are consistent with our pricing objectives and how these support efficient use. These pricing objectives and principles as well as a draft of the TSS were tested with, and supported by, customers at our Customer Council meetings.
158. In particular:
  - the TSS outlines that we have a set of objectives, of which one is to 'promote efficient use of our network and treat customers equitably'
  - section 4.2 of the TSS notes some instances where we might need to balance our objectives when setting tariffs
  - section 6 of the TSS outlines how we have adjusted our suite of tariff classes to ensure we group customers together on an economically efficient basis
  - section 7 of the TSS outlines that the banded usage charges and our declining block structure reflect that "the costs of providing additional capacity decreases with volume market increases"
  - section 7.1.2 of the TSS outlines that a modification to charging blocks allows reductions to be targeted at key residential markets and to promote efficient utilisation
  - section 7.1.2 of the TSS outlines the different costs of boundary metered customers and that the tariffs should reflect these costs.

### 7.4 PRICE PATH SMOOTHING

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159. The CCP considers that it was not clear how JGN's proposed tariffs would have been designed differently in the absence of the objective to promote stability in end-retail prices.
160. The objective to promote stability in end-retail prices is a key driver of a proposed price path that provides for steady price changes. There are a number of alternative price paths that would have the same NPV that would

be less compatible with offsetting the impact of expected wholesale gas price changes on annual retail gas prices.

161. For example, a significant network price decrease in 2015-16 followed by network price increases in each of 2016-17 to 2019-20 would amplify the retail price increases in the years when wholesale gas prices are expected to increase. Advice from the Customer Council was that customers value end-price stability and as a result we explicitly tested residential and small business customer preferences in relation to these options.
162. These price path options were presented to the deliberative forum. Newgate summarised the views as:

*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.*

163. The price path options were clearly demonstrated on the slide presented at the deliberative forum (and reproduced as appendix C to the Newgate report (AAI, appendix 1.5).

### 8. PIPELINE SERVICES

164. We have addressed the issues of bundling the metering service with the haulage service in section 7.2 of this response.
165. The CCP also advises that the AER should ensure that appropriate protections are in place for customers of gas intermediaries.
166. JGN completely agrees that consideration needs to be given to the protections for customers of gas intermediaries. As noted, at the 'involve' level we discussed the issue of energy intermediaries and how we may (or may not) be able to manage our risks and any changes to the customer experience as a result of network services being provided by an energy intermediary. We discussed the balancing act between promoting innovation in energy services and customer protection.
167. JGN noted this in section 13.2.3 of its AAI. In particular, we noted that access to individual metering, retail choice and customer protection measures are valued by customers. We indicated that the regulatory and policy frameworks that support these new arrangements are still developing, and we consider measures may be required to protect the 'customer experience' and to further promote their long-term interests, for example, by offering new customers the flexibility to choose individual metering and billing.
168. We also received feedback from our engagement that we should do what we can to address customer concerns in this area. Having regard to this we:
- included controls in our terms and conditions of the reference services agreement (**RSA**) to ensure accountability of any intermediaries (refer appendix 7 of the RSA)
  - proactively submitted a letter to the NSW Department of Trade and Investment, Regional Infrastructure and Services on facilitating customer participation in energy markets and met with them to discuss this. We outlined that by 2020, we estimate that up to half of new customers could be supplied gas through energy intermediaries and the policy and regulatory framework needs to keep pace with innovations in the industry to ensure customers are provided with a choice.



## 9. NEW INITIATIVES

169. We welcome the CCP commendations for our new initiatives. JGN has focused on making this AA proposal a better experience for our customers and other interested stakeholders. The CCP notes that we have:
- made a commitment to assist vulnerable customers by becoming a partner of NILS NSW, a No Interest Loan Scheme, to help vulnerable customers access funds to replace their old gas appliances with new, more efficient models
  - published a TSS to improve transparency for customers on how network tariffs are set, and how they are anticipated to change in the future
  - worked to bring forward the timing of annual changes to network pricing by one month to give retailers more time to prepare market offers, and allow customers more time to shop around and compare retail offers.
170. We appreciate that the CCP has drawn the AER's attention to these initiatives. Our proposal also contains the following customer-focussed initiatives:
- the application of an EBSS to our operating expenditure, to equitably share the benefits of efficiency savings with our customers
  - the inclusion of a 5 per cent productivity factor to apply to our operating expenditure over 2015-20
  - the provision of clear and accessible information:
    - to be made available on our website on how retail gas prices are set, how our network prices are regulated and how customers can get involved
    - for customers to make it easier for them to manage their gas consumption, find a better retail market offer, and take advantage of any rebates that may be available to them
  - reducing our charges for special meter reads to reduce barriers to customer switching. This should make it easier for customers to take-up a competitive retail market offer that suits their needs.

10. ATTACHMENT 1 – CUSTOMER COUNCIL CHARTER

# Customer Council

## Charter

This Charter outlines Jemena Gas Network (JGN) Customer Council role, responsibility, member selection, council operation, engagement framework, meeting procedures and funding.

### 1 The Charter

The Customer Council is a regular forum to engage peak bodies that represent the key segments of JGN's customer base in relation to its overall price and service offering and the way that JGN delivers services to the community in compliance with its regulatory and commercial drivers.

JGN's customer engagement activities operate within an overarching customer engagement framework, which is a fundamental contributor to Jemena's vision—to be recognised as a world class owner and manager of energy delivery assets. The Council is a key component of this engagement framework and will be consistent with the AER's customer engagement guideline. The AER guideline provides principles to service providers that seek to proactively engage with customers regarding service delivery in ways that reflect customer preferences for engagement

The charter sets out the terms and conditions for the operation of the Customer Council.

The Council will review the charter every year as part of the performance evaluation of the Council. Outcomes of the Council will also inform part of JGN's consultation strategy as part of *2015-20 Access Arrangement (AA)* submission.

### 2 Council Objectives

The Customer Council will strive to understand and meet the reasonable expectations of all customers and reasonably balance competing interests; and ensure that proactive and innovative customer engagement plays an important role in the prudent optimisation of JGN's costs, services and prices.

The Customer Council has the following objectives, which adopts the key customer engagement principles of *Accessibility, Transparency, Communications, Inclusive and Measurement*- a forum that:

- Engages members of significant operational, industry and strategic issues, either

- current or on the horizon, that are of relevance to JGN customers;
- Enables members to provide structured feedback on issues presented, that are captured within the forum with any relevant associated actions assigned, and an account of how the feedback was reflected in JGN's decision making provided at an agreed later date ;
  - Where appropriate, provides two way collaborative engagement between JGN and the Council members;
  - Provides opportunities for Council members to raise matters on behalf of their representative groups;
  - Aids the delivery of just, equitable and effective provision of Gas services by JGN;
  - Assists the development of strengthened relationship between JGN and its customers, and their key sector representatives, by fostering an open and honest approach and dialogue regarding JGN services;
  - Provides an ongoing engagement channel that allows members to raise significant customer issues across the 5 year JGN AA cycle that would influence the price and service submissions. These issues will be discussed in the Council and where appropriate, will be used for consideration by JGN to inform for current, future and ongoing future operational decisions and strategy direction;
  - Provides a framework that measures the success and impact of the councils activities to the expectations of the members and their representative bodies.

### **3 Role of the Council**

The Council's role is to provide high quality relevant information and engagement to residential customers, commercial and industrial customers and community groups on JGN's activities in terms of this Charter, and on such other key issues related to JGN's planning and operations.

It is expected that the Council will achieve significant benefits for customers, community groups and JGN, through an enhanced understanding of stakeholders' issues and expectations. This will allow JGN to deliver services which better align with consumers' long term interests, contributing to the achievement of the National Gas Objective.

The Customer Council will focus on matters relevant to the Council members and the customer groups they represent.

Topics for consideration and discussion will only focus on significant current and future issues and where appropriate presented to the Council in advance of final decisions being made. The Council will not be a forum for the consideration of day to day one off operational issues or individual customer issues that are managed by other customer service channels.

Feedback and issues raised by the Council will be considered by JGN with any actions and outcomes advised to the council

### **4 Members Responsibilities**

It is the responsibility of council members to:

- Regularly attend meetings and actively participate in discussions. If a member is unable to attend, a representative should be sought to attend in their place if

possible;

- review and discuss material provided by JGN as pre reading for the council meetings or circulated out-of-session;
- read and prepare comments on any papers or presentations provided in advance of Council meetings to inform discussions;
- report the views of their organisation and those they represent, to JGN;
- give feedback from the Council meetings to their member agency and the wider community when appropriate;
- Respect the views of other Council members;
- respect any information or material that is advised to be confidential;
- suggest agenda items in advance of meetings or in the council meeting when the forward agenda and priority is discussed;
- abide by the Council Charter;
- respect the position they hold with regard to access to information from JGN, and not use this position in any way for individual personal gain.

JGN acknowledges Council members' right to make public comment (other than on confidential material or matters). As a courtesy, JGN requests members advise the Chairperson or the Secretary of any impending media items relating to the Council or JGN.

## 5 JGNs responsibilities

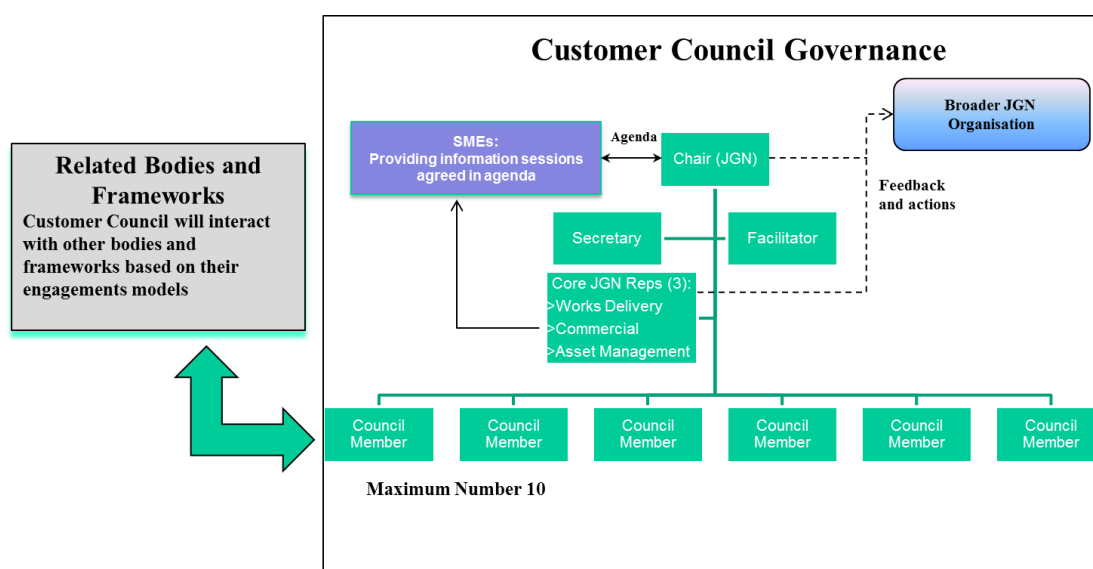
It is the responsibility of JGN to:

- ensure a high level of organisation support of the Councils activities and outcomes;
- pass on the Council's feedback and issues to relevant JGN staff;
- give members feedback on how their feedback and issues have been incorporated or used to inform JGN decisions;
- seek feedback from the Council on projects and proposals at an early stage;
- provide the required agenda, papers and other documentation in advance of each Council meeting (1 week prior);
- publish the agenda for each upcoming meeting, and the ratified meeting minutes from each previous Council meeting;
- actively monitor any feedback or questions from members out-of-session;
- encourage all Council members to present their views;
- respond within agreed timeframes and responsibilities to requests for information;
- provide the Chairperson and other support as required to help promote the Council's existence and objectives to JGN staff and the community;
- consider Council members' suggestions on how the Council's functioning may be improved;
- work within the framework of the Council Charter;
- provide appropriate induction for new members. This includes providing the new member with written background material on the council via this charter and formally introducing them at their first meeting and the customers they represent.

## 6 Membership

The Customer Council will have the following membership:

- Chairperson (Jemena Leadership Team member or their delegate (Senior Manager));
- external Council Members (Maximum of 10 from key representative organisations) which includes defining the customer groups they represent;
- internal JGN senior representatives from the following business units:
  - Works Delivery
  - Commercial
  - Asset Management
- Secretary;
- Independent facilitator;
- Invited subject matter experts to present agenda topics for information and discussion.



External council members may include representative organisations across the following segments:

Customer Groups	Description/Criteria
Top 20 Customers	Top 20 customers in terms of annual consumption and network charges, as at the 30 <sup>th</sup> June 2013.
Large Industrial	>100TJ per annum, at the 30th June 2013
Industrial & Commercial Customers	Non-residential customers that have a usage of less than 100TJ, at 30 June 2013
Residential – Vulnerable	Households that: <ul style="list-style-type: none"> <li>• Are fuel poor – being , those that spend a material amount of their income (e.g., &gt;10%) to maintain a satisfactory heating regime; or</li> <li>• Contain someone who is disabled or has a long-term illness.</li> </ul>
Residential – General	Households, which are not otherwise defined as being vulnerable.
Network Users	Businesses that have network transportation contracts in place with JGN or are seeking to become a network user
Other market stakeholders	

External members of the Council may represent more than one section of the community. Each member represents the representative group which nominated them. To ensure the group functions effectively, external membership of the Council will be limited to ten members.

## **7 Selection Criteria of member agencies and their representatives**

JGN will invite and appoint member bodies to the Council to represent one or more of the groups defined in section 6.0 to provide a good cross section of Gas users. Council membership is made up of representatives from those selected bodies.

The selected bodies must satisfy the following criteria:

- be a formally constituted entity, with a reasonably sized membership;
- have direct links and interest in promoting the interests of one or more of the community or customer group;
- non-party political in nature;
- non-profit making characteristics;
- may include selected customers.

The member body is responsible for nominating a representative to the Council who satisfies the following criteria:

- an interest in gas distribution issues;
- an interest in customer service;
- an ability to report their views and those of the wider community to JGN;
- an ability to give feedback from the Council meetings to their member agency and the wider community when appropriate and where possible;
- a commitment to work within the philosophy of the Council Charter.

Appointment of members to the Customer Council is at the discretion of the chair of the Customer Council. JGN will confirm the appointment of new members in writing to the member body.

## 8 Term of Membership

Members of the Council may serve for up to a three year term. At the end of each three year term, each representative's membership should be considered by the member body. A representative may serve for multiple terms (either consecutive or non-consecutive), up to a maximum of three terms (nine years). At the end of each three year term, JGN will consult with the member body seeking confirmation of the continuation of their representative, or the details of a replacement nominee.

If a member's position on the Council becomes vacant at any time, JGN may request a replacement from the member organisation, or select a new member organisation to represent the interests of any groups listed.

Where appropriate, approaches may be made direct to relevant community organisations when membership vacancies arise.

JGN reserves the right to alter representation on the Council at any time, and will notify member bodies in writing, should this occur. Either JGN or the member agency may terminate a member's tenure on the Council.

Termination of a member could result from:

- missing three or more consecutive meetings without an apology;
- misconduct (such as inappropriate behaviour in meetings, or abuse of their position on the council for individual personal gain);
- contravening the disclosure or confidentiality responsibilities of members, as outlined in the Charter;
- violating the intent and philosophy of the Charter in any way that does not adequately represent the views of the member agency and/or the wider community;
- acting in a way that is contrary to the values of the Customer Council or JGN;
- a member on the Customer Council becoming an employee of JGN or a direct provider of goods or services to JGN.

Membership of the Council may be terminated at the discretion of the Chairperson. Notification of the termination of a member will be made in writing to the member body as well as direct to the member.



## 9 Administration of meetings

Council meetings will be held initially in October 2013 and November 2013 to initiate and establish forward agenda items. Future milestone meetings will be quarterly thereafter in February, May, August and November, and will generally be 3 hours in duration (subject to the agenda), commencing at 9.30am. As agreed within the Council, extra sub meetings may be held due to the urgency and interest of discussion topics that have been agreed within the forward agenda.

Meetings will be chaired by a Jemena Leadership Team member (or delegate where required), as nominated by JGN. The chair will be supported by a secretary and an independent facilitator to manage agenda topics.

JGN will provide members with:

- A copy of the agenda and papers for each meeting via email, at least one week prior to the meeting;
- A contact list of all attendees;
- Pre reading material where appropriate;
- Out of session material when required.

Time will be allocated at the start of each meeting to:

- Confirm attendees and introduce invitees;
- Confirm the minutes of the previous meeting;
- Update on Actions;
- Any questions. JGN will follow up any questions that cannot be immediately answered as soon as practicable.

Each meeting of the Council will include a discussion on a number of agenda topics presented by a JGN subject matter expert. Agenda topics may be proposed by JGN, or suggested by the Council. All Council members have the right to raise agenda items, and should do in advance of each meeting and agreed in the forum as part of a forward agenda.

Minutes will be recorded, and draft minutes will be issued to members within two weeks of each meeting.

Generally, most decisions will be on consensus rather than a voting basis.

Five external Council members in person or by proxy, representing at least four customer segments, are a quorum for the milestone Customer Council meetings. Three external Council members in person or by proxy are required for any extra sub meetings.

Whenever any feedback or issue is made to JGN, JGN will advise the Council of the final outcome or actions within a reasonable time, and the reasons for that decision.

A formal measurement framework will be developed and agreed within the council, which will determine the relevance and success of the Council. JGN will undertake the measurement and provide results to the Council and other appropriate parties as agreed by the Council.

## 10 Engagement topics

In line with the Objectives of the Council, a range of agenda topics will be developed. Initial topics will be identified by JGN applying the following guidelines below. However, within a Council meeting, members may also raise topics they wish to discuss. The Chair will manage the discussion of future agenda topics, which will be agreed at the Council meeting. An ongoing list of topics will be created, prioritised and then scheduled in a forward agenda. JGN will then invite a subject matter expert to present the topic.

Topics will cover the following areas:

- Customer Consultation Framework
- Capital Programs
- Demand Forecasting
- Pricing
- Services

Topics presented will consider the following principles to ensure effective communication and to create a forum for discussion:

- Presentation is contained to the agreed topic;
- Rationale for any direction made relating to the topic are detailed with the associated impact;
- Options considered by JGN are detailed with associated risks and benefits;
- Rationale for the direction;
- Customer impact of the direction, including:
  - Any legislative issues or considerations
  - Price/reliability trade-offs
  - Design of tariffs
  - Reliability targets and standards
  - Alternatives to capital investment.

## 11 Engagement framework

The Customer Council will apply an engagement framework similar to the IAP2 Public Participation Spectrum for the purposes of categorising the level of consultation on each topic. This is consistent with the AER's draft consumer engagement guideline.

Topics identified for consultation will be categorised by JGN (and agreed by the Council as part of the forward agenda) using the spectrum's framework below, and facilitated accordingly within the Council session by the independent facilitator.

### IAP2 Public Participation Spectrum

	INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PUBLIC PARTICIPATION GOAL	To provide the public with balanced and objective information to assist them in understanding the problems, alternatives and/or solutions.	To obtain public feedback on analysis, alternatives and/or decision.	To work directly with the public throughout the process to ensure that public issues and concerns are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision-making in the hands of the public.
PROMISE TO THE PUBLIC	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and issues are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.
EXAMPLE TOOLS	<ul style="list-style-type: none"> <li>▪ Fact sheets</li> <li>▪ Websites</li> <li>▪ Open houses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Public comment</li> <li>▪ Focus groups</li> <li>▪ Surveys</li> <li>▪ Public meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Workshops</li> <li>▪ Deliberate polling</li> </ul>	<ul style="list-style-type: none"> <li>▪ Citizen Advisory committees</li> <li>▪ Consensus-building</li> <li>▪ Participatory decision-making</li> </ul>	<ul style="list-style-type: none"> <li>▪ Citizen juries</li> <li>▪ Ballots</li> <li>▪ Delegated decisions</li> </ul>

Source: International Association for Public Participation [www.iap2.org](http://www.iap2.org)

All topics will be classified based on the engagement framework above and will be presented by a nominated subject matter expert from JGN. A facilitator will then control the feedback and discussion session to ensure:

- The discussion is relevant to the topic and does not get misled;
- The level of discussion and feedback is aligned to the agreed classification based on the engagement framework. At the start of the topic the facilitator will ensure the Council is aware of the engagement classification to ensure all feedback is managed at the appropriate level;
- An even spread of feedback is obtained across the Council members. The facilitator and Chair will ensure a good cross section of feedback is obtained so there is an even representation;
- The discussion stays focused on the topic and does not get diverted into other agendas. The role of the facilitator is to ensure the sessions stay within the scope of the topic and the agreed level of engagement;
- The discussion feedback is structured and documented correctly. All feedback will be captured in a feedback log as part of the minutes.

## 12 Funding and Resourcing of the Council

The Council will be fully resourced by JGN. JGN will provide secretary support, the meeting venue, organise additional logistics when requested and provide any other support needed to ensure the efficient and effective use of the Council members' expertise.

Members will be paid sitting fees for each meeting, and reimbursed for any out-of-pocket expenses agreed to by JGN.

## **13 Authority**

The Council's role is that of an information and engagement body. It does not have a formal decision making role or management responsibility.