

Attachment 8.2

Opex Business Cases

Final Plan 2023/24 – 2027/28

July 2022

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1 Opex V.25.CS – Base year adjustment for call centre onshoring

1.1 Project approvals

Table 1.1: Project approvals

Prepared by	Chris Fidler, Head of Customer and Market Services
Reviewed by	Kristen Pellew, Acting Executive General Manager Customer and Community
Approved by	Roxanne Smith, Executive General Manager Corporate and Regulation

1.2 Project overview

Table 1.2: Project overview

Description of the problem / opportunity	<p>In late 2021, Multinet Gas Networks (MGN) moved our customer call centre contract onshore. The onshore call centre has an ongoing annual cost of \$2.4 million, which is \$1.8 million higher than the offshore costs incurred under prior arrangements when our service provider [REDACTED] operated from Manila in The Philippines.</p> <p>In 2017, MGN was acquired by CKI Group and came together with AGN and DBP to form Australian Gas Infrastructure Group. The acquisition was approved by the Foreign Investment Review Board, with conditions that all bulk customer data, bulk personal information and data as to the quantum of gas delivered from or to any one or more sites relating to MGN's operations must remain in Australia. As [REDACTED] was providing combined contact centre and back of house Business Process Outsourcing services to MGN from the Philippines, an action plan was submitted to the Foreign Investment Review Board that MGN would run with the existing Probe contract until the contract termination on 31/12/2021.</p> <p>In 2020, we started planning for the onshoring of our customer call centre. The initial step involved determining onshore workforce requirements and a transition plan that would not negatively impact ongoing service delivery to MGN customers and market interactions. Options presented to AGIG's Executive Management Team (EMT) in September 2020 included (i) exercising a contract extension option with [REDACTED] to establish a contact centre onshore, (ii) insourcing front of house (FoH) and back office (BO) operations within MGN, (iii) transitioning MGN's FoH and BO operations to AGN, and (iv) establishing an onshore contract with a new service provider. The preferred option (i) exercising a contract extension option with [REDACTED] to establish a contact centre onshore was endorsed by the EMT.</p> <p>The transition plan agreed with the Foreign Investment Review Board included the following milestones:</p> <ul style="list-style-type: none"> • 30/09/2020 Evaluate options for transition to compliant service • 15/11/2020 Negotiate contract changes to transition to compliant service) • 28/02/2021 Transition planning to onshore vendor • 15/10/2021 Implementation of transition changes to onshore vendor • 15/11/2021 Parallel run/shadow [REDACTED] with onshore vendor • 1/12/2021 Onshore vendor to go live • 20/12/2021 Contingency for onshore vendor actioned • 20/12/2021 Removal of any non-compliant access rights <p>The onshoring project commenced in November 2020. Recruitment and training of new agents commenced from June through to September 2021. The onshore service</p>
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	<p>provider commenced full delivery of onshore services in October 2021. To ensure service continuity and a smooth transition, [REDACTED] continued to operate in the Philippines from January to November 2021, before full transfer to onshore operations was completed in November 2021.</p> <p>Our 2021 base year opex is not reflective of a full year of recurring onshore call centre costs and therefore requires adjustment. We have made an adjustment of \$1.2 million to reflect the efficient recurring costs of our new call centre arrangements. This adjustment is less than the \$1.8 million ongoing uplift in onshore contact centre operations as we have offset the uplift with the \$0.5 million one-off (non-recurrent) transition costs incurred in 2021.</p>																												
Untreated risk	As per risk matrix = Moderate																												
Options considered	<ul style="list-style-type: none">• Option 1 – Continue with [REDACTED] offshore customer call centre (no additional opex).• Option 2 – Insource customer call centre operations within MGN (additional \$3.7 million opex p.a.).• Option 3 – Continue with [REDACTED] with onshore customer call centre (additional \$1.8 million opex p.a.).																												
Proposed solution	<p>Option 3 is the proposed solution. This option involved:</p> <ul style="list-style-type: none">• Renegotiation with existing service provider and exercising contract extension option for the provision of FoH and BO services to MGN.• Establishing a project team to oversee the transition from offshore to onshore service provision.• Recruitment and training of Melbourne based FoH and BO agents.• Coordination between offshore resources and onshore resources to ensure knowledge transfer and a continuous provision of services to customers during transition. <p>Continuing with [REDACTED] with an onshore customer call centre is the most cost-efficient option to comply with our ongoing FIRB obligations that all customer data contained in MGN customer databases is only accessed from service providers located onshore within Australia. [REDACTED] has provided FoH and BO services to MGN for over 5 years and has multiple clients within the Australian Energy Industry. Its knowledge and expertise in servicing MGN customers, Retailers and providing B2B market transactions, meant it was also the preferred and most experienced service provider available to provide the same services from an onshore location for MGN.</p>																												
Estimated cost	<p>The forecast cost to customers during the next five-year period (2023/24 to 2027/28) is \$2.4 million p.a.</p> <table><tr><th>\$'000 real Jun 2021</th><th>2023/24</th><th>2024/25</th><th>2025/26</th><th>2026/27</th><th>2027/28</th><th>Total</th></tr><tr><td>Outsourced Australian customer call centre (A)</td><td>2,429</td><td>2,429</td><td>2,429</td><td>2,429</td><td>2,429</td><td>12,145</td></tr><tr><td>2021 customer call centre costs (B)</td><td>1,180</td><td>1,180</td><td>1,180</td><td>1,180</td><td>1,180</td><td>5,900</td></tr><tr><td>Base year adjustment (A-B)</td><td>1,249</td><td>1,249</td><td>1,249</td><td>1,249</td><td>1,249</td><td>6,245</td></tr></table>	\$'000 real Jun 2021	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Outsourced Australian customer call centre (A)	2,429	2,429	2,429	2,429	2,429	12,145	2021 customer call centre costs (B)	1,180	1,180	1,180	1,180	1,180	5,900	Base year adjustment (A-B)	1,249	1,249	1,249	1,249	1,249	6,245
\$'000 real Jun 2021	2023/24	2024/25	2025/26	2026/27	2027/28	Total																							
Outsourced Australian customer call centre (A)	2,429	2,429	2,429	2,429	2,429	12,145																							
2021 customer call centre costs (B)	1,180	1,180	1,180	1,180	1,180	5,900																							
Base year adjustment (A-B)	1,249	1,249	1,249	1,249	1,249	6,245																							

Basis of costs	All costs in this business case are expressed in real un-escalated dollars at June 2021 unless otherwise stated.
Alignment to our vision	Option 3 aligns with the following elements of our vision: <ul style="list-style-type: none"> • <i>Delivering for Customers</i> – ensures continuing strong customer service; • <i>Sustainably Cost Efficient</i> – meet our obligations in the most cost-effective manner.
Consistency with the National Gas Objective and Rules (NGO and NGR)	<p>The customer call centre is integral to our business and our customers, supporting inbound customer and retailer's customer service calls and emails, assisting customers and builders with new gas connections, managing B2B Service Orders and all management of meter data exceptions. They initiate distribution invoicing to retailers and assist retailers with any meter reading and billing disputes and therefore the service provision is consistent with the National Gas Objective (NGO) by promoting efficient use of and investment in the network through good customer service.</p> <p>Option 3 complies with the following National Gas Rules (NGR):</p> <p>NGR 91 – the proposed solution is consistent with good industry practice, several practicable options have been considered, and market rates have been tested to achieve the lowest sustainable cost of providing this service. The section of [REDACTED] for MGN onshore service provision achieves the test of prudent, efficient, consistent with accepted good industry practice and achieved the lowest sustainable cost of delivering services whilst minimizing risks associated with live transition from offshore to onshore location.</p> <p>NGR 74 – the forecast costs are based on the latest market rate testing and project options consider customer requirements. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.</p>
Treated risk	As per risk matrix = Low
Stakeholder engagement	<p>We are committed to operating our networks in a manner that is consistent with the long-term interests of our customers. To facilitate this, we conduct regular stakeholder engagement to understand and respond to the priorities of our customers and stakeholders. Feedback from stakeholders is built into our investment considerations and is an important input when developing and reviewing our expenditure programs.</p> <p>Our customer engagement found customers value being able to telephone and utilise emails for queries relating to network activities such as new connections, appointments with MGN service providers, meter reading activities, mains renewal and meter replacement activities.</p>
Other relevant documents	<ul style="list-style-type: none"> • Attachment 5.2 – MGN Customer Engagement Program

1.3 Background

The MGN natural gas distribution network delivers gas to over 700,000 customers across metropolitan Victoria and South Gippsland. We are committed to delivering for customers through public safety, reliability and customer service. Our customer call centre is an important touch point for delivery strong customer service.

[REDACTED] has provided MGN with Customer Service operations since October 2016 from its offshore location in Manila. The services include inbound customer call centre (FoH) and Market Interactions such as Service Desk, Meter Data Management, Invoicing to Retailers and Billing disputes (BO). The initial contract term with [REDACTED] expires on 31/12/2021.

In 2017, MGN was acquired by CKI Group and came together with AGN and DBP to form Australian Gas Infrastructure Group. AGIG is subject to Foreign Investment Review Board conditions that all bulk customer data, bulk personal information and data as to the quantum of gas delivered from or to any one or more sites relating to MGN's operations must remain in

Australia. As [REDACTED] was providing combined contact centre and back of house Business Process Outsourcing services to MGN from the Philippines MGN, an action plan was submitted to the Foreign Investment Review Board that MGN would run with the existing [REDACTED] contract until the contract termination on 31/12/2021.

In 2020, we completed assessment of options to ensure MGN complied with the Foreign Investment Review Board conditions and that we achieved the following transition plan that had been submitted to the Foreign Investment Review Board:

- 30/09/2020 Evaluate options for transition to compliant service
- 15/11/2020 Negotiate contract changes to transition to compliant service
- 28/02/2021 Transition planning to onshore vendor
- 15/10/2021 Implementation of transition changes to onshore vendor
- 15/11/2021 Parallel run/shadow [REDACTED] with onshore vendor
- 1/12/2021 Onshore vendor to go live
- 20/12/2021 Contingency for onshore vendor actioned
- 20/12/2021 Removal of any non-compliant access rights

Pursuant to MGN's work plan with FIRB, MGN was required to evaluate options for transition of [REDACTED] to a compliant vendor by 30 September 2020. Over a six month period MGN evaluated alternative options for on-shoring these functions.

The recommendation to proceed with the [REDACTED] was recommended and accepted by AGIG's Executive Management Team (EMT) in September 2020.

The options assessed included:

- (i) exercising a contract extension option with [REDACTED] to establish a contact centre onshore,
- (ii) insourcing front of house (FoH) and back office (BO) operations within MGN,
- (iii) transitioning MGN's FoH and BO operations to AGN, and
- (iv) establishing an onshore contract with a new service provider.

Each option was assessed based on overall cost of transition and ongoing operations as well as the risk associated with each option in both meeting the Foreign Investment Review Board conditions, delivering continued customer service and meeting MGN's National Gas Rules and Distribution Code obligations.

The onshoring project commenced in February 2021. The recruitment and training of onshore agents commenced from June 2021 to September 2021. During August 2021, onshore agents commenced some back office services under the direct supervision from their Manila based counterparts. Full transition to front of house services and back office services occurred in October 2021, with [REDACTED] in Manila on standby for two weeks to manage any overflow activity. This overflow support was not required as onshore resources managed all required work activity.

1.4 Risk assessment

Risk management is a constant cycle of identification, analysis, treatment, monitoring, reporting and then back to identification (as illustrated in Figure 1.1). When considering risk and determining the appropriate mitigation activities, we seek to balance the risk outcome with our delivery capabilities and cost implications. Consistent with stakeholder expectations, safety and reliability of supply are our highest priorities.

Our risk assessment approach focuses on understanding the potential severity of failure events associated with each asset and the likelihood that the event will occur. Based on these two key inputs, the risk assessment and derived risk rating then guides the actions required to reduce or manage the risk to an acceptable level.

Our risk management framework is based on:

- AS/NZS ISO 31000 Risk Management – Principles and Guidelines,
- AS 2885 Pipelines-Gas and Liquid Petroleum; and
- AS/NZS 4645 Gas Distribution Network Management.

The Gas Act 1997 and Gas Regulations 2012, through their incorporation of AS/NZS 4645 and the Work Health and Safety Act 2012, place a regulatory obligation and requirement on us to reduce risks rated high or extreme to low or negligible as soon as possible (immediately if extreme). If it is not possible to reduce the risk to low or negligible, then we must reduce the risk to as low as reasonably practicable (ALARP).

When assessing risk for the purpose of investment decisions, rather than analysing all conceivable risks associated with an asset, we look at a credible, primary risk event to test the level of investment required. Where that credible risk event has an overall risk rating of moderate or higher, we will undertake investment to reduce the risk.

Six consequence categories are considered for each type of risk:

- 1 **People** – injuries or illness to employees and contractors or members of the public
- 2 **Supply** – disruption in the provision of services/supply, impacting customers
- 3 **Environment** (including heritage) – impact on the surroundings in which the asset operates, including natural, built and Aboriginal cultural heritage, soil, water, vegetation, fauna, air and their interrelationships
- 4 **Reputation** – impact on stakeholders' opinion of MGN/AGIG, including personnel, customers, investors, security holders, regulators and the community
- 5 **Financial** – financial impact on MGN/AGIG
- 6 **Compliance** – the impact from non-compliance with operating licences, legal, regulatory, contractual obligations, debt financing covenants or reporting / disclosure requirements

A summary of our Risk Management Framework, including definitions, has been provided in Attachment 9.5 of the Final Plan.

Figure 1.1: Risk management principles



The risk event associated with not moving our customer call centre onshore is a breach of our FIRB conditions relating to storage of sensitive customer information leading to a breach of conditions of CKI Group's acquisition of MGN, AGN and DBP

The untreated risk¹ rating is presented in Table 1.3. Note that untreated risk in this case assumes that we will continue with the offshore customer call centre. The ratings therefore measure the risk associated with not moving the customer call centre and back office services back onshore.

Table 1.3: Risk rating – untreated risk


Untreated risk	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Occasional	Remote	Frequent	Extreme
Severity	Minor	Minor	Minor	Severe	Minor	Major	
Risk Level	Negligible	Negligible	Negligible	Intermediate	Negligible	Extreme	

The consequence of these risk events are reflected in the following risk categories:

- **Reputation & Customer:** The untreated risk in this case is rated as intermediate because there is a risk of customer and stakeholder complaints/adverse media coverage as a result of failing to respond in a timely manner with the required response to customers, retailers and stakeholders inbound telephone calls and email queries.
- **Compliance:** The untreated risk in this case is rated as extreme because there is a frequent risk of non-compliance with our FIRB obligations that could lead to significant fines, further conditions on our business, personal liability of directors (including gaol time), and other enforcement actions or orders. MGN also has compliance obligations under the National Gas Rules that are supported through front of house customer service obligations and market transaction with market participants including the provision and management of meter data.

1.5 Options considered

Options assessed for transitioning MGN FoH and BO service operations from The Philippines to Australia included:

- **Option 1** – Continue with offshore customer call centre (\$0.6 million ongoing opex p.a.)
- **Option 2** – Insource customer call centre operations to MGN at Pinewood (\$4.3 million ongoing opex p.a.)
- **Option 3** –  to transition existing services to onshore base (\$2.4 million opex p.a.)
- **Option 4** – Transition MGN's FoH & BO service delivery to AGN (\$5.0 million ongoing opex p.a.)
- **Option 5** – New BPO. Contract with a new onshore Service Provider (\$2.5-3.0 million ongoing opex p.a.)

Option 1, Option 4 and Option 5 were dismissed early in the process on the basis set out in Table 1.4 below.

¹ Untreated risk is the risk level assuming there are no risk controls currently in place. Also known as the 'absolute risk'.

Table 1.4: Summary of reasons for dismissed options

Option 1 – continue with offshore call centre	Option 4 – Transition MGN’s FoH & BO service delivery to AGN	Option 5 – New BPO. Contract with a new onshore Service Provider
<ul style="list-style-type: none"> Inconsistent with MGN’s work plan with FIRB Risk of breach of FIRB conditions associated with CKI’s acquisition of MGN, AGN and DBP 	<ul style="list-style-type: none"> 2 step transition – Onshore & new provider, increasing risk. Limited ability to replicate existing telephony services (call recordings & IVR surveys) and support services such as QA due to limitations of AGN infrastructure Remoteness for training & ongoing SME support Inability to utilise existing [REDACTED] resources during transition. Hard cut-over. AGN do not have SAP (ISU & CRM) system access or knowledge of system Unknown capacity to accommodate. Loss of economies of scale if FoH & BO physically remote (multiskilling agents) 	<ul style="list-style-type: none"> [REDACTED], which would have been two credible alternatives Any other Tier 2 provider would have similar ongoing costs to [REDACTED], plus upfront costs and risks due to: <ul style="list-style-type: none"> 2 step transition – Onshore & new provider, increasing risk. Unknown industry experience & capability Unknown working relationship Risk to customer service Limited BPO providers in Australia with capacity to deliver FoH & BO services

1.5.1 Option 2 – Insource customer call centre operations

Under this option, we would insource customer call centre operations within MGN.

1.5.1.1 Cost assessment

The implementation of this option is estimated to cost \$4.3 million per annum, or a total of \$21.3 million over the next AA period. This estimate is based on the following:

- leveraging our CRC team for provision of FoH services;
- recruit, employ & accommodate an additional 25 FTEs;
- invest in Telephony, Contact Centre IP and applications;
- invest in FoH and BO support areas, i.e. work force planning, quality assurance, reporting; and
- acquire additional office accommodation.

Table 1.5 below sets out the annual costs of this option over the next AA period. This option would also have required upfront investment of \$0.5 million related to fit out costs and a new telephony system on top of transition costs already incurred.

Table 1.5: Cost estimate – Option 2, \$2021

Option 2	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Staffing	3,750	3,750	3,750	3,750	3,750	18,750
Licensing	150	150	150	150	150	750
Overheads	350	350	350	350	350	1,750
Total	4,250	4,250	4,250	4,250	4,250	21,250

Tables may not sum due to rounding

The main benefits of this option are that it will:

- Meet our FIRB obligations around the storage of sensitive customer information;
- Maintain strong customer service levels;
- Utilise the high level of industry knowledge and MGN SAP systems (ISU & CRM); and
- Access to on-site support provision from MGN SMEs.

Table 1.6: Assessment of required base year adjustment

\$'000 real Jun 2021	2023/24	2024/25	2025/26	2026/27	2027/28	Total
MGN insourced customer call centre	4,250	4,250	4,250	4,250	4,250	21,250
2021 customer call centre costs	1,180	1,180	1,180	1,180	1,180	5,900
Base year adjustment	3,070	3,070	3,070	3,070	3,070	15,350


The base year adjustment required for Option 2 is \$3.1 million p.a.

1.5.1.2 Risk assessment

This option reduces the risk from extreme to low. The residual risk outcomes are shown in Table 1.7.

Table 1.7: Residual risk – Option 2

Option 2	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Remote	Hypothetical	Low
Severity	Minor	Minor	Minor	Severe	Minor	Major	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Low	

The insourcing of FoH and BO services for MGN increases MGN employee numbers by  FTEs within our customer call centre and back office area. This reduces the likelihood of the Reputation & Customer and Compliance related risk events occurring from occasional (may occur occasionally every two years) and frequent (may occur every year) to remote (may occur if abnormal circumstances prevail) and hypothetical (such as an inability to access MGN site, system interruption or an event impacting availability of MGN resources to meet customer, retailer and market transaction's requirements). The risk consequence remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

1.5.1.3 Alignment with vision objectives

Table 1.8 shows how Option 2 aligns with our vision objectives.

Table 1.8: Alignment with vision – Option 2

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	N
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 2 is not as *Sustainably Cost Efficient*, as Option 3 because in housing our customer call centre would be more expensive than onshoring our customer call centre with an external Australian service provider.

1.5.2 Option 3 – ██████ to transition existing services to onshore base

Under this option, ██████ would transition existing services to an onshore base. ██████ has considerable experience in outsourced services and can leverage existing team intellectual property and resources during transition.

1.5.2.1 Cost assessment

The implementation of this option is estimated to cost \$2.4 million per annum, or a total of \$12.7 million over the next AA period. This estimate is based on the following:

- Utilise existing business model for Voice of Customer (VoC), Reporting & Quality Analysis
- Management of site location & set up, Telephony systems, interactive voice response (IVR), recruitment, technology, quality assurance processes, customer satisfaction surveying.
- ██████ ongoing FTEs
- Investigate Robotic Process Automation (RPA) implementation to establish potential to reduce the number of FTEs required compared to the number of FTEs utilised in Manila. Initial assessment has indicated the potential for 10% to 15% reduction in FTE numbers following investment in RPA design and implementation, which was built into the costing model.

Table 1.9: Cost estimate – Option 3, \$'000 2021

Option 3	2023/24	2024/25	2025/26	2026/27	2027/28	Total
service desk	2,363	2,363	2,363	2,363	2,363	11,815
ops management	66	66	66	66	66	330
Total	2,429	2,429	2,429	2,429	2,429	12,145

Tables may not sum due to rounding

The main benefits of this option are that it will:

- Meet our FIRB obligations around the storage of sensitive customer information;
- Maintain strong customer service levels;
- Leverages existing offshore team intellectual property, offshore team assists in onshore training, improved access to resources during the transition (therefore reduces total transition costs); and
- Is lower cost than in-housing our customer call centre.

Table 1.11 Assessment of required base year adjustment

\$'000 real Jun 2021	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Insourced customer call centre	2,429	2,429	2,429	2,429	2,429	12,145
2021 customer call centre costs	1,180	1,180	1,180	1,180	1,180	5,900
Base year adjustment	1,249	1,249	1,249	1,249	1,249	6,245

The base year adjustment required for Option 2 is \$1.3 million p.a. We note the \$1.1 million incurred in 2021 is inclusive of one-off transition costs incurred in that year. While these costs are not required on an ongoing basis, we note we have only adjusted for the amount of recurring costs each year that are above the total actual cost incurred in 2021, inclusive of transition costs. MGN incurred Manila costs from Jan to November 2021 and onshore costs from August to December 2021.

1.5.2.2 Risk assessment

In a similar manner to Option 2, Option 3 reduces the risk from extreme to low (see Table 1.10).

Table 1.10: Risk assessment – Option 3

Option 3	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Remote	Hypothetical	Low
Severity	Minor	Minor	Minor	Severe	Minor	Major	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Low	

The onshoring of our customer call centre to an external Australian service provider reduces the likelihood of the Reputation & Customer and Compliance related risk events occurring from

occasional (may occur occasionally every two years) and frequent (may occur every year) to remote (may occur if abnormal circumstances prevail) and hypothetical (loss of MGN system connectivity to [REDACTED] onshore site, or inability to access [REDACTED] site or inability of [REDACTED] to maintain required workforce numbers to meet MGN's requirements). The risk consequence remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

1.5.2.3 Alignment with vision objectives

Table 1.11 shows how Option 3 aligns with our vision objectives.

Table 1.11: Alignment with vision – Option 3

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	Y
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 3 would align with our objectives of *Delivering for Customers*, because it will maintain strong customer service levels. This option would also align with our objective of being *Sustainably Cost Efficient* because it would meet our obligations for the lowest sustainable cost.

Relative to the other options, Option 3 is expected to:

- Better meet customer expectations because [REDACTED] onshore has been established with a Quality Assurance program that is collaborated with MGN customer team, customer surveys post customer calls that measure customer satisfaction, if First Call Resolution was achieved and also measures Customer Effort. Customer feedback is reviewed with [REDACTED] agents to drive continuous improvement;
- Be more environmentally and socially responsible because it is a lower ongoing cost compared to Option 2.

1.6 Summary of costs and benefits

Table 1.14 presents a summary of how each option compares in terms of the estimated cost, the residual risk rating, and alignment with our vision objectives (these objectives encapsulate the benefits of the options).

Table 1.14: Comparison of options

Option	Required base year adjustment (\$ million 2022/23)	Treated residual risk rating	Alignment with vision objectives
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Option 2	3.1	Low	Aligns with <i>Delivering for Customers</i> , but is not the most <i>Sustainably Cost Efficient</i>
Option 3	1.2	Low	Aligns with <i>Delivering for Customers</i> , and is the most <i>Sustainably Cost Efficient</i>

1.7 Recommended option

Option 3 for [REDACTED] services to transition onshore is the proposed solution. This is the most cost-efficient option to comply with our ongoing FIRB obligations that all bulk customer data, bulk personal information and data as to the quantum of gas delivered from or to any one or more sites relating to MGN's operations must remain in Australia. [REDACTED] has considerable experience in outsourced services, over 5 years as MGN's service provider and minimised the risks associated with transition and was able to leverage existing team intellectual property and resources during the transition.

1.7.1 Why is the recommended option prudent?

Option 3 is the most prudent option because it is:

- A more cost-effective option to meet customer needs and reduce compliance risk to an acceptable level (i.e. from extreme to low);
- Consistent with our vision to deliver strong customer service levels;
- Presented to lowest risk to degradation of Customer Service and impact on CSAT;
- Allowed for retention of [REDACTED] agents in Manila prior to cut over;
- Supported accessibility for MGN SMEs to undertake transition and ensure BAU services delivery;
- Best managed Covid19 impacts on Knowledge Transfer from Manila to Melbourne;
- Allowed for retention of support services including Training & Quality Assurance resources; and
- [REDACTED] had the required IT capacity to 'stand up' a new service centre.

1.7.2 Estimating efficient costs

The forecast cost breakdown is shown in Table 1.15. All the expenditure related to this project is opex.

The external costs are based on recently incurred rates.

Table 1.12: Cost estimate – Option 3, \$'000 2021

Option 3	2023/24	2024/25	2025/26	2026/27	2027/28	Total
[REDACTED] centre management	378	378	378	378	378	1,891
Call centre & new connections	1,264	1,264	1,264	1,264	1,264	6,322
Meter Data Processing	750	750	750	750	750	3,752
Licensing	36	36	36	36	36	180

Total	2,429	2,429	2,429	2,429	2,429	12,145
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Table 1.13: 2021 actual costs incurred (\$'000 nominal)

2021 actual costs	\$'000
Manila ops costs and overheads	544
Implementation	203
Aust Operational costs	416
Licences	17
Total	1,180

Table 1.14: Assessment of required base year adjustment

\$'000 real Jun 2021	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Insourced customer call centre	2,429	2,429	2,429	2,429	2,429	12,145
2021 customer call centre costs	1,180	1,180	1,180	1,180	1,180	5,900
Base year adjustment	1,249	1,249	1,249	1,249	1,249	6,245

1.7.3 Consistency with National Gas Rules and National Gas Law

With regard to all projects, and as a prudent asset manager/network business, we give careful consideration to whether opex is prudent and efficient from a number of perspectives before committing to fund new programs. In particular, we had regard to Rule 91 and Rule 74 of the NGR. We have also had regard to the National Gas Objective and revenue and pricing principles in the NGL.

NGR 91

The proposed solution is prudent, efficient, consistent with accepted and good industry practice and will achieve the lowest sustainable cost of delivering pipeline services:

- **Prudent** – The recurrent expenditure on the onshore customer call centre is necessary in order to maintain strong customer service levels and continue to meet the customer service expectations and to ensure MGN meets all market transactions associated with the provision of meter data in the next AA period. The onshore customer call centre reduces the untreated risks associated with the Reputation & Customers and Compliance categories to low. The expenditure is also of a nature that a prudent service provider would incur, having regard to meeting any FIRB obligations it is subject to.
- **Efficient** – The onshoring of the customer call centre to an external Australian service provider is the most cost effective option to meet our FIRB compliance obligations that all bulk customer data, bulk personal information and data as to the quantum of gas delivered from or to any one or more sites relating to MGN's operations must remain in Australia. The expenditure is therefore of a nature that a prudent service provider acting efficiently would incur.

- **Consistent with accepted and good industry practice** – The external service provider is an experienced provider of the required services and the approach is consistent with that adopted for our other distribution networks across Australia. Therefore, onshoring of the customer call centre would be consistent with good industry practice.
- **To achieve the lowest sustainable cost of delivering pipeline services** – The proposed option is the most cost-effective solution to meet our obligations, ensure we maintain strong customer service levels and reduce our reputation and compliance risks.

NGR 74

The forecast costs for the customer call centre are based on market tested actual rates. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.

NGL

In addition to being consistent with rules 74 and 91, the option is consistent with the National Gas Objective as stated in the NGL as it relates to long term price, quality and reliability of gas distribution services.

Appendix A – Comparison of risk assessments for each option

Untreated risk	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Occasional	Remote	Frequent	Extreme
Severity	Minor	Minor	Minor	Severe	Minor	Major	
Risk Level	Negligible	Negligible	Negligible	Intermediate	Negligible	Extreme	

Option 2	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Remote	Hypothetical	Low
Severity	Minor	Minor	Minor	Severe	Minor	Major	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Low	

Option 3	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Remote	Hypothetical	Low
Severity	Minor	Minor	Minor	Severe	Minor	Major	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Low	

2 Opex V.27.CS – Renewable Gas Communications and Customer Education

2.1 Project approvals

Table 2.1: Business case – Project approvals

Prepared by	Chris Hewson, Head of Customer Growth
Reviewed by	Stephanie Judd, Acting Head of Stakeholder Engagement
Approved by	Kristen Pellew, Acting Executive General Manager Customer and Community

2.2 Project overview

Table 2.2: Business case – Project overview

Description of the problem / opportunity	<p>Customers expect us to reduce carbon emissions and told us we should be doing more to communicate our low carbon strategy, our renewable gas plans, and what this means for customers.</p> <p>90% of customers view climate change and reducing emissions as important or very important, but very few customers are aware of our decarbonisation plans, with only around 15% of Victorians having heard of renewable gas. Only 20% of customers consider our existing communication activities are adequate in terms of informing and engaging with customers on the future of gas. Customers expressed a strong desire for an uplift in activities to ensure information regarding the energy transition was more readily accessible to a broad range of customers.</p> <p>In response to potential options put forward to enhance our existing renewable gas related communications and education activities, 80% of customers supported an increased investment of between \$2 - \$3 per annum. Customers indicated that this increased level of communication and engagement would provide greater access to information to enable customers to make informed choices about energy in their homes and businesses. Customers noted that information regarding solar and batteries was comparably more readily available.</p> <p>MGN together with the gas industry² has a clear low carbon strategy which includes renewable gas blending targets between now and 2030. MGN is the best placed and the most credible voice to communicate the future of gas to customers.</p> <p>An enhanced renewable gas communications and customer education program:</p> <ul style="list-style-type: none"> • Ensures that customers are informed, involved and engaged in the energy transition as it relates to gas • Provides customers with the information they need to inform the choices they are making now for energy in their homes and businesses (e.g., appliances) that they will likely continue to use well into the 2030's. • Delivers against customer and stakeholder expectations that the future of gas is of critical importance to Victorians.
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² Energy Networks Australia, Gas Vision 2050, April 2022

	<ul style="list-style-type: none"> • Is an appropriate and prudent investment to compliment technical and operational investments to support our low carbon strategy and the energy transition. <p>Our proposed renewable gas communication and customer education program has three key aspects:</p> <ul style="list-style-type: none"> • Customer communications – increase levels of customer awareness of renewable gas and respond to key information our customers are seeking using television, radio and digital media, interactive social engagement channels and supporting online materials (to be funded by the business) • Community activities – expanded community engagement activities including presentations and forums with community groups including multicultural community organisations, site tours and presentations at renewable gas facilities, attendance at community events and regular communication through online resources (funded by customers) • Student learning and education – development of a school education program which would engage with around primary, secondary and tertiary students through a combination of in person and digital/online resources (funded by customers).
Untreated risk	As per risk matrix = Moderate
Options considered	<ul style="list-style-type: none"> • Option 1 – A standard communications and engagement program reaching 35% of customers which introduces the concept of renewable gas and includes two eight-week television campaigns. (A total cost of \$0.9 million per annum but with no additional cost to be funded by customers). • Option 2 – A medium communications and engagement program reaching 55% of customers which explains a renewable gas future, including two eight-week television campaigns and some community events. (A total cost of \$2.0 million per annum with \$1.1 million per annum to be funded by customers.) • Option 3 – A broad communication and education program which can be recalled by most Victorians, explains a renewable gas future, includes three 12-week television campaigns, media partnerships, community events and a schools education program. (A total cost of \$3.5 million per annum with \$2.6 million per annum to be funded by customers.)
Proposed solution	<p>A Modified Option 1 is the proposed solution. This option includes a standard program reaching 35% of customers, greater community engagement and a schools education program as outlined in Option 3, at a total cost of \$1.5 million per annum, with \$600,000 per annum to be funded by customers (the remaining \$900,000 to be funded from existing opex allowances). It involves:</p> <ul style="list-style-type: none"> • Television, radio and digital media awareness and educational information reaching over 35% of customers. • Social media activity as an interactive engagement channel for answering community questions and providing project updates. • Digital advertising on a range of new and high traffic websites. • Presentations and forums with community groups, including multicultural community organisations. • Site tours and presentations at MGN renewable gas facilities. • Attendance at community events including sustainability and environment events, home shows and Science Fairs. • Supporting online materials as a key source of information on renewable gas. • Regular communication through online resources, updates by way of regular newsletters and social media.

- A combination of in person and digital/online resources.
- Hands-on and interactive curriculum linked workshops through incursions and excursions.
- Professional learning opportunities for educators.
- Attendance at student events including sustainability and environment events and Science Fairs.
- Tailored activities for students where English is second language.

Together, the activities proposed under the Modified Option 1 improve levels of renewable gas awareness in the community by providing a combination of communication, engagement and education activities. It further responds to expectations and strong customers support that MGN does more to engage customer and the community on the future of gas. Improving accessibility to information regarding the future of gas is an important step in ensuring that customers are equipped with the information to make informed choices with confidence about energy solutions and appliance choice in their homes and businesses.

Modified option 1 is the preferred option because it will provide the level of information and education that our customers expect, while also reducing the untreated risk from moderate to low in a more cost-effective manner than the other options. It also represents a measured approach to renewable gas communications and customer education with more than half of the cost of the program to be funded through existing opex allowances. Further it aligns with our vision of delivering for customers and being sustainably cost efficient.

Finally, it is worth noting that we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the communications and customer education we provide is best practice, appropriately targeted and achieving its objectives.

Estimated cost

The forecast cost to customers during the next five-year period (2023/24 to 2027/28) averages \$600,000 per annum.

\$'000 real Jun 2021	23/24	24/25	25/26	26/27	27/28	Total
Communications	900	900	900	900	900	4,500
Expanded Community Engagement	240	240	240	240	240	1,200
Schools' education	360	360	360	360	360	1,800
Total business funded	900	900	900	900	900	4,500
Total customer funded	600	600	600	600	600	3,000

Basis of costs

All costs in this business case are expressed in real unescalated dollars at June 2023 unless otherwise stated.

Alignment to our vision

Modified Option 1 aligns with the following elements of our vision:

- *Delivering for Customers* – the option is consistent with our objective to provide top quartile customer service levels, including making customer awareness, engagement and education a key part of changes to our key products and services;
- *Sustainably Cost Efficient* – this option is consistent with our objective to behave in an environmentally and socially responsible manner.

Consistency with the National Gas

The renewable gas communications and customer education program furthers the National Gas Objective (NGO) by promoting efficient use of and investment

Objective and Rules (NGO and NGR)	<p>in the network through building customer awareness of renewable gas. It will provide an information base on renewable gas, and what it means for the gas network and customer appliances that customers can refer to in making any decisions about their own energy mix in their homes and businesses. This will ensure customers are well-informed of different renewable energy options and ensure sustainability of natural gas services for the long-term interest of consumers.</p> <p>Modified Option 1 complies with the following National Gas Rules (NGR):</p> <p>NGR 91 – the proposed solution is consistent with good industry practice, several practicable options have been considered, and market rates have been tested to achieve the lowest sustainable cost of providing this service. The test is prudent, efficient, consistent with accepted good industry practice and to achieve lowest sustainable cost of delivering services.</p> <p>NGR 74 – the forecast costs are based on the latest market rate testing and project options consider customer requirements informed by detailed engagement. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.</p>
Treated risk	As per risk matrix = Low
Stakeholder engagement	<p>We are committed to operating our networks in a manner that is consistent with the long-term interests of our customers. To facilitate this, we conduct regular stakeholder engagement to understand and respond to the priorities of our customers and stakeholders. Feedback from stakeholders is built into our investment considerations and is an important input when developing and reviewing our expenditure programs.</p> <p>Through three phases of iterative customer workshops, we tested and refined our plan as they relate to renewable gas communication and education plans. Customers were receptive to our renewable gas plans with 93% of MGN customers indicating their support for supportive of our plans for renewable gas communications and education.</p> <p>During further engagement with key stakeholder groups, some stakeholders questioned whether MGN were best placed to deliver/fund this type of program, whether it should be considered business as usual and if additional customer funding is justified. Some also highlighted any program would need to be co-designed with customers.</p>
Other relevant documents	<ul style="list-style-type: none"> Attachment 5.3 – KPMG Final Report –MGN Customer Engagement Program

2.3 Background

The MGN natural gas distribution network delivers gas to over 700,000 customers across Victoria and Albury. We are committed to sustainable gas delivery today, and tomorrow. Gas networks can decarbonise natural gas through the use of renewable gases like hydrogen and biomethane. Through Hydrogen Park Murray Valley and the Australian Hydrogen Centre we are laying a foundation for a strong zero emissions future so our customers in Victoria can continue to enjoy gas cooking and heating in their homes and businesses. In South Australia, AGN's Hydrogen Park South Australia is currently delivering blended renewable gas to around 600 customers on the network.

In the next AA period it will be critical to establish a framework for the decarbonisation of our network. We strongly support the decarbonisation of Victoria's economy and the targets established by the State Government.

Our board has recently endorsed a low carbon strategy that includes targets to deliver a 10% renewable gas blend across our distribution networks by 2030, and a stretch target to achieve the full decarbonisation of our distribution networks by 2040, or 2050 at the latest.

These targets align with government policy and our expectations for future technological developments in renewable hydrogen and distributed energy technologies. We believe our network has a pivotal role in the energy sector of the future in delivering renewable gases like hydrogen to customers.

We engaged extensively with a diverse range of customers and stakeholders to understand their values, needs and expectations for the services we provide.

Customers are concerned about climate change and protecting the planet for future generations. They expect us to reduce carbon emissions and are keen to understand more about the steps we are taking to deliver a cleaner energy supply. In particular, our first phase of customer engagement found the following insights:

Engagement insights

- ✓ Customers consider gas as an essential service, especially for heating in the colder months in Victoria.
- ✓ 90% of customers view climate change and reducing carbon emissions as important or very important.
- ✓ Customers expect MGN to be on the journey towards a cleaner energy supply.
- ✓ Customers are keen to better understand the cost implications for transitioning to renewable gas, including the need to switch appliances.

In summary customers expect MGN to reduce carbon emissions and told us we should be doing more to communicate our renewable gas plans, and what this means for customers.

90% of customers view climate change and reducing emissions as important or very important, but very few customers are aware of our decarbonisation plans, with only around 15% of Victorians having heard of renewable gas.

In response to customer feedback that we should enhance our existing activities, we presented three potential options in our second round of workshops for customers consideration, these options included:

- A standard communication and education program reaching 35% of customers which introduces the concept of renewable gas and includes two eight-week television campaigns (no additional customer funding per year).
- A medium communication and education program reaching 55% of customers which explains a renewable gas future, includes a two eight-week television campaigns and some community events (~\$2 additional customer funding per year).
- A broad communication and education program which can be recalled by most Victorians, explains a renewable gas future, includes a three twelve-week television campaigns, media partnerships, community events and a schools education program (~\$4 additional customer funding per year).

In our engagement activities, 80% of customers supported increased investment (\$2 - \$3 per annum) beyond our existing activities on more renewable gas communications and customer education activities.

These insights shaped our Draft Plans, where we included plans for a renewable gas communications and customer education program (see Box 1.1). Undertaking a renewable gas communications and customer education program will help to build customers' confidence that renewable gas will be available in the future. This will also help to reduce demand risk that may arise from uncertainty about the role our gas networks will play in a net zero carbon future.

Our Draft Plan proposal incorporated customer feedback that a mix of community activities, school-based education and media and digital communications will enable us to reach most customers and provide engaging educational opportunities for all of our customers and the

community. We also leveraged our recent experience implementing enhanced communications on our South Australian network which has delivered very positive results.

Box 2.1: The Proposed Renewable Gas Communication and Education Program included in our Draft Plan

Customer communications

Our proposed communication campaigns would increase levels of customer awareness of renewable gas, and importantly, respond to key information our customers are seeking.

The communication campaign would include information relating to renewable gas including how it can be blended into the network, and what this means for customers. It would also provide further information on key issues of importance for customers, including the timing for introducing renewable gas, what it means for reliability and safety of the network, gas appliance compatibility, and a pathway for the low carbon transition.

The communication campaign would include:

- ✓ Television, radio and digital media awareness and educational information reaching over 80% of households in Victoria
- ✓ Social media activity and as an interactive engagement channel for answering community questions and providing project updates.
- ✓ Supporting online materials as a key source of information on renewable gas

Community Activities

In addition to broad customer communications, we are proposing to engage at a community level and deliver tailored communications activities.

The program would include:

- ✓ Presentations and forums with community groups, including multicultural community organisations
- ✓ Site tours and presentations at renewable gas facilities
- ✓ Attendance at community events including sustainability and environment events, home shows and Science Fairs
- ✓ Regular communication through online resources, updates by way of regular newsletters and social media

Student Learning and Education

We are proposing a school education program as a key component of our communications and education program. We are looking to support Victorian school and tertiary education through a series of events and learning resources for students and teachers. Designed to align to the Australian Curriculum, the program would provide learning through individual programs that raise awareness of the role of gas networks businesses in reducing emissions across the energy sector. The program would focus on providing education and information on the need to reduce emissions across the energy sector, benefits of renewable gas, how it is used, a greater understanding of the science behind renewable gas production, the roadmap for decarbonising natural gas networks and renewable gas projects.

The program would engage with around 160,000 Victorian primary and secondary school students across the more than 2000 schools, and 50000 tertiary students.

The program would include:

- ✓ A combination of in person and digital/online resources
- ✓ Hands-on and interactive curriculum linked workshops through incursions and excursions
- ✓ Professional learning opportunities for educators

Following the publication of our Draft Plan, we held a third round of workshops with customers. At these workshops we presented the above draft program for further testing and refinement with customers. We found that a majority of customers supported our proposed plan. Specifically, 93% customers support the plans for renewable gas communications and education. Elements that particularly resonated with customers include:

- Education in schools aligned to learning programs regarding sustainability and renewable energy
- Inclusion and targeting of ESL communities and students in engagement activities
- Engaging at community events to allow more meaningful engagement and discussion than traditional digital and print channels

- Community education activities which increase customer literacy and empowerment regarding the energy transition and builds customer confidence around fuel choice
- Educating society at large regarding environmental issues and impacts of choices for future generations *"Education is everything, all ages need to get what this means for the environment."*
- A sense of empowerment for younger generations: *"Give [the kids] something to feel empowered and positive by."*

The draft package presented in Phase 3 saw a portion of customers change their view and become in favour of greater investment in renewable gas communications and education compared to the early options presented in Phase 2. In fact, of identifiable responses across phases 2 and 3¹, the revised package at ~\$2 saw:

- 75% customers who voted 'standard campaign' (~\$1) in phase 2 workshops; and
- 100% customers who were originally opposed to renewable gas communications in phase 2 workshops

now support the revised renewable gas comms package in phase 3.

Customer feedback with respect to MGN's role in delivering the renewable gas communication and education program include:

- Aligning with educators to increase success of school programs.
- Emphasising their role as a distributor when delivering school programs.
- Providing information to address any potential to phase out gas.

We also presented our draft proposal to our stakeholder and retailer reference groups. Across these groups, there was lower support for our proposed renewable gas communication and customer education program with many questioning whether this is appropriately timed given the lack of policy certainty in Victoria. They also sought further justification for each of the program activities proposed, particularly in relation to any communication/marketing type activity.

We have considered this feedback and adapted our preferred option as presented in this business case, with media communications to be funded through existing opex allowances at a cost of \$900,000 per annum. This leaves the expanded community engagement activities and new schools' education program to be funded through an additional opex allowance.

We consider an enhanced renewable gas communications and customer education program is particularly important in the next AA period given the state of the energy transition. It is a high value proposition for customers as choice and accessibility to information is important during the energy transition. A prudent business informs customers of key changes to products and markets. As the gas distribution network, we are best placed to deliver this program because we supply all customers connected to the natural gas network, and customers support us doing so.

2.4 Risk assessment

Risk management is a constant cycle of identification, analysis, treatment, monitoring, reporting and then back to identification (as illustrated in Figure 1.1).

When considering risk and determining the appropriate mitigation activities, we seek to balance the risk outcome with our delivery capabilities and cost implications. Consistent with stakeholder expectations, safety and reliability of supply are our highest priorities.

Our risk assessment approach focuses on understanding the potential severity of failure events associated with each asset and the likelihood that the event will occur. Based on these two key inputs, the risk assessment and derived risk rating then guides the actions required to reduce or manage the risk to an acceptable level.

Our risk management framework is based on:

- AS/NZS ISO 31000 Risk Management – Principles and Guidelines,
- AS 2885 Pipelines-Gas and Liquid Petroleum; and
- AS/NZS 4645 Gas Distribution Network Management.

The Gas Act 1997 and Gas Regulations 2012, through their incorporation of AS/NZS 4645 and the Work Health and Safety Act 2012, place a regulatory obligation and requirement on us to reduce risks rated high or extreme to low or negligible as soon as possible (immediately if extreme). If it is not possible to reduce the risk to low or negligible, then we must reduce the risk to as low as reasonably practicable (ALARP).

When assessing risk for the purpose of investment decisions, rather than analysing all conceivable risks associated with an asset, we look at a credible, primary risk event to test the level of investment required. Where that credible risk event has an overall risk rating of moderate or higher, we will undertake investment to reduce the risk.

Six consequence categories are considered for each type of risk:

- 1 **People** – injuries or illness to employees and contractors or members of the public
- 2 **Supply** – disruption in the provision of services/supply, impacting customers
- 3 **Environment** (including heritage) – impact on the surroundings in which the asset operates, including natural, built and Aboriginal cultural heritage, soil, water, vegetation, fauna, air and their interrelationships
- 4 **Reputation** – impact on stakeholders' opinion of MGN/AGIG, including personnel, customers, investors, security holders, regulators and the community
- 5 **Financial** – financial impact on MGN/AGIG
- 6 **Compliance** – the impact from non-compliance with operating licences, legal, regulatory, contractual obligations, debt financing covenants or reporting / disclosure requirements

A summary of our Risk Management Framework, including definitions, has been provided in Attachment 9.5 of the Final Plan.

Figure 1.1: Risk management principles



The untreated risk³ rating is presented in Table 1.3. Note that untreated risk in this case assumes that we will continue with the current level of renewable gas communications which involves a television and digital campaign twice per year where we expect to reach 35% of Victorians who are able to recall our Renewable Gas communications, an increase from current awareness levels of 15%. The ratings therefore measure the risk associated with not implementing any of the measures in Options 2 or 3.

Table 2.3: Risk rating – untreated risk

Untreated risk	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	Intermediate
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	Intermediate	Negligible	

The risk events associated with not delivering an enhanced renewable gas communications and customer education program are reflected in the following risk categories:

- **People:** The untreated risk in this case is rated as Low because there is a risk that the business may face increased risk of retaining and recruiting staff if they do not understand the future of renewable gas and the key role that AGIG is playing in its development.
- **Reputation and Customer:** The untreated risk in this case is rated as Intermediate because there is a risk that:
 - many customers remain unaware of renewable gas and our plans for renewable gas; leading to customer dissatisfaction and negative sentiment that we are not listening to their concerns or needs for a cleaner energy future
 - there is lack of information available to customers about renewable pathways for gas and what it means for their appliances, potentially leading to inefficient investment decisions in their homes and businesses
- **Finance:** The untreated risk in this case is rated as Intermediate because there is a risk of reduced new connections rates and demand and associated revenue risk arising from uncertainty about the role our gas networks will play in a net zero carbon future.

2.5 Options considered

The following options have been identified to address the risks outlined above and enhance renewable gas communications and customer education:

- **Option 1** – A standard communication and education program reaching 35% of customers which introduces the concept of renewable gas and includes two eight-week television campaigns (a total cost \$0.9 million per annum).
- **Option 2** – A medium communication and education program reaching 55% of customers which explains a renewable gas future, includes three eight-week television campaigns and some community events (a total cost \$1.1 million per annum).
- **Option 3** – A broad communication and education program which can be recalled by most Victorians, explains a renewable gas future, includes three twelve-week television campaigns, media partnerships, community events and a schools education program (a total cost \$2.64 million per annum).

³ Untreated risk is the risk level assuming there are no risk controls currently in place. Also known as the 'absolute risk'.

2.5.1 Option 1 – Standard program reaching 35% of customers

Under this option, we would run a standard communication and education program which introduces the concept of renewable gas and includes two, eight-week television campaigns. This would extend a 4-week campaign which we undertook in 2021 which helped increase renewable gas awareness from 8% to 15% following the campaign. Specifically, the standard campaign would include:

- Renewable Gas advertisements on free-to-air television channels, introducing renewable gas and encouraging consumers to visit the MGN website to learn more (2 month campaign, twice yearly)
- Digital advertising on a range of news and high traffic websites, and
- Social media engagement on renewable gas.

2.5.1.1 Cost assessment

There would be no additional upfront costs associated with this option as the campaign would be funded from existing opex allowances.

2.5.1.2 Risk assessment

Option 1 will not result in any change to the risk assessment, which as noted in section 1.4 is measured on the basis that we implement our business-as-usual renewable gas communications with no enhancements, community or educational focus. The risk associated with this option is therefore still considered High (see Table 1.4 below), which is inconsistent with the requirements of our Risk Management Framework. It is also inconsistent with what one would expect of a prudent service provider.

Table 2.4: Risk assessment – Option 1

Option 1	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	Intermediate
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	Intermediate	Negligible	

2.5.1.3 Alignment with MGN vision objectives

Table 1.5 shows how Option 1 aligns with our vision objectives.

Table 2.5: Alignment with MGN vision – Option 1

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	Y
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	Partial
Sustainably Cost Efficient – Environmentally and Socially Responsible	N

As this table shows, Option 1 would align with our objective of Delivering for Customers as it continues our existing renewable gas communication and education efforts.

Option 1 may be considered *Sustainably Cost Efficient*, as the limited renewable gas communications and customer education will provide a basic level of improved customer awareness of the renewable gas future. As noted in section 1.3, we are going through an important energy transition in Victoria and it has become increasingly clear that customers expect us to decarbonise and are looking for renewable energy options now.

2.5.2 Option 2 – Medium program reaching 55% of customers

Under this option, we would run a medium communication and education program reaching 55% of customers. The campaign would explain the renewable gas future and includes three, eight-week television campaigns and some community events. Specifically, a medium program would include:

- Renewable gas advertisements on free-to-air television channels, radio, video on demand, digital channels and YouTube introducing the concept of renewable gas (2 month campaign 3 times a year)
- Digital advertising on a range of news and high traffic websites,
- Social Media promotion of Renewable gas developments, and
- Around 10 community engagement activities per annum, including events and tours.

2.5.2.1 Cost assessment

The implementation of this option is estimated to cost an additional \$1.1 million per annum, or a total of \$5.6 million over the next AA period. This estimate is based on the following communications in addition to Option 1:

- Free-to-Air television: Expected reach of at least 55% of customers with a minimum frequency of 4.5 views for our target audience of 24–64 year old's within the MGN distribution network
- Radio: Expected reach of at least 24% of customers with a minimum frequency of 6 times
- Digital communications: Utilising a broad range of online channels including news and other high-volume websites, regularly updated content on MGN and industry websites, key social media platforms (such as Facebook and Instagram),
- Community events: a range of events across the MGN network including presentations and forums with community groups, including multicultural community organisations, site tours and presentations at renewable gas facilities, attendance at community events including sustainability and environment events, home shows and Science Fairs.

Table 2.6: Cost estimate – Option 2

Option 2	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Television	\$790,000	\$790,000	\$790,000	\$790,000	\$790,000	\$3,950,000
Radio	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Digital	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$800,000
Community events	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$550,000
Total	\$1,110,000	\$1,110,000	\$1,110,000	\$1,110,000	\$1,110,000	\$5,550,000
				Cost per annum		\$1,110,000

The main benefits of this option are that it will:

- reach over half of our customers with a variety of engaging educational content aimed at increasing general awareness of renewable gas and encouraging consumers to learn more through community events and a range of online resources;
- provide for more community level engagement, something that was important and valued by customers;
- improve renewable gas awareness across the industry for potential staff at AGIG and more broadly within the industry to our stakeholder partners (such as gasfitters and appliance retailers) who play a key role in informing customers and meeting their service expectations.

2.5.2.2 Risk assessment

This option reduces the risk from Intermediate to Low. The residual risk outcomes are shown in Table 1.7.

Table 2.7: Residual risk – Option 2

Option 2	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Negligible	

The implementation of a medium campaign as listed above reduces the likelihood of the Reputation and People risk events occurring from occasional (may occur occasionally every two years) to remote (may occur every 20 years) and the Financial risk event from unlikely (every 5 years) to hypothetical (every 50 years). The risk consequence remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

2.5.2.3 Alignment with vision objectives

Table 1.8 shows how Option 2 aligns with our vision objectives.

Table 2.8: Alignment with vision – Option 2

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	Y
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	Y
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 2 would align with our objective of Delivering for Customers as it provides an uplift on our existing renewable gas communication and education efforts.

Option 2 could be considered *Sustainably Cost Efficient*, because an enhanced renewable gas communications and customer education program would be environmentally and socially responsible. As noted in section 1.3, we are going through an important energy transition in Victoria

and it has become increasingly clear that customers expect us to decarbonise and are looking for renewable energy options now. To ensure efficient decision making today about the energy mix in their homes and businesses in the future, customers need to be aware of their options and our plans for decarbonising the gas network. A medium campaign will raise levels of awareness for current and potential workforce in the industry and for over half of customers and provide some customer education needed to support this.

2.5.3 Option 3 – Broad campaign, recalled by most Victorians

Under this option, we would run a broad campaign explaining the renewable gas future which can be recalled by most Victorians, ongoing community engagement events and educational program;

- Renewable gas advertisements on free-to-air television channels, video on demand, digital channels and YouTube introducing renewable gas and encouraging customers to visit the MGN website to learn more (3 months, 3 times a year)
- Digital advertising on a range of news and high traffic websites,
- Media and TV partnerships (e.g. MasterChef)
- Social media promotion of renewable gas developments, and
- Around 20 community engagement activities per annum, including events and tours.
- A schools and tertiary education program with in-school education activities and online resource materials.

2.5.3.1 Cost assessment

The implementation of this option is estimated to cost \$2.64 million per annum, or a total of \$13.18 million over the next AA period. This estimate is based on the following:

- A broad reaching campaign including renewable gas advertisements on free-to-air television channels, Video on Demand digital channels and YouTube designed to reach and sufficiently introduce Renewable Gas to most Victorians and encourage them to learn more at the MGN website.
- A radio campaign to further extend our target market reach, reinforce key Renewable Gas awareness messages and encouraging conversation on its development.
- Supporting digital advertising across a range of news and high traffic websites.
- Use of social media as an interactive engagement channel for answering community questions and providing Renewable Gas project promotion and updates and supporting engagement activities.
- Ongoing community engagement events:
 - Presentations and forums with community groups, including multicultural community organisations
 - Site tours and presentations at renewable gas facilities
 - Attendance at community events including sustainability and environment events, home shows and Science Fairs
 - Regular communication through online resources, updates by way of regular newsletters and social media
 - Supporting online materials as a key source of information on renewable gas.
- School educational program:
 - A combination of in person and online resources to educate students on the role of hydrogen as a future energy source and the science behind the creation of hydrogen

- Hands-on and interactive curriculum linked workshops through incursions and excursions including project site tours (either in person and virtually)
- Professional learning opportunities for educators
- Attendance at student events including sustainability and environment events and Science Fairs
- Tailored activities for students where English is second language

Table 2.9: Cost estimate – Option 3

Option 3	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Television	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$7,500,000
Radio	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$550,000
Digital	\$390,000	\$390,000	\$390,000	\$390,000	\$390,000	\$1,950,000
Community events	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000
Schools – Education resource development	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Schools – Tours and face-to-face activities	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,000,000
Schools – Teacher learning tools	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$175,000
Schools program administration	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Total	\$2,635,000	\$2,635,000	\$2,635,000	\$2,635,000	\$2,635,000	\$13,175,000
					Cost per annum	\$2,635,000

The main benefits of this option:

- In a short time frame, communicate and engage with the majority of customers on our network building confidence that gas has a renewable future and that they can make informed choices about energy solutions and appliance choices.
- Includes extensive community engagement as we continue through the energy transition process so that customers are involved in decision making processes that will impact how they use energy
- Include a schools education program which will support schools and teachers to integrate renewable gas into STEM (science, technology and mathematics) and other Australian curriculum modules
- Improve renewable gas awareness across the industry for potential staff at AGIG and more broadly within the industry to our stakeholder partners (such as gasfitters and appliance retailers) who play a key role in informing customers and meeting their service expectations.

2.5.3.2 Risk assessment

In a similar manner to Option 2, Option 3 reduced the risk from Intermediate to Low (see Table 1.10).

Table 1.10: Risk assessment – Option 3

Option 3	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Negligible	

The implementation of a medium campaign as listed above reduces the likelihood of the Reputation and People risk events occurring from occasional (may occur occasionally every two years) to remote (may occur every 20 years) and the Financial risk event from unlikely (every 5 years) to hypothetical (every 50 years). The risk consequence remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

2.5.3.3 Alignment with vision objectives

Table 1.11 shows how Option 3 aligns with our vision objectives.

Table 1.11: Alignment with vision – Option 3

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	-
A Good Employer – Employee Engagement	Y
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	Y
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 3 **does align** with our objective of *Delivering for Customers* as it provides the level of customer service expected by customers by keeping them advised of key changes to the products and services they purchase and rely on for safe reliable performance in their homes and businesses. It also provides for significant community engagement or school education, both of which were valued by customers. This option would also align with our objective of being *Sustainably Cost Efficient* because the investment is critical to maintaining customer confidence in the gas network.

As we continue through an important energy transition in Victoria and it has become increasingly clear that customers expect us to decarbonise and are looking for renewable energy options now. To ensure efficient decision making today about the energy mix in their homes and businesses in the future, customers need to be aware of their options and our plans for decarbonising the gas network.

Relative to the other options, Option 3 is expected to:

- Better meet customer expectations due to the higher level of knowledge and understanding of the future for the gas network and be better informed for any energy or appliances decisions they are considering
- Be more environmentally and socially responsible by extensively engaging with community so that they are part of the energy transition and can contribute to it.

2.6 Summary of costs and benefits

Table 1.12 presents a summary of how each option compares in terms of the estimated cost, the residual risk rating, and alignment with our vision objectives (these objectives encapsulate the benefits of the options).

Table 1.12: Comparison of options

Option	Total Annual cost (\$ million 2022/23)	Customer Funded Annual cost (\$ million 2022/23)	Treated residual risk rating	Alignment with vision objectives
Option 1	0.9	0.0	Moderate	Does not align with <i>Delivering for Customers</i> , or <i>Sustainably Cost Efficient</i>
Option 2	2.0	1.1	Low	Does not align with <i>Delivering for Customers</i> , but is <i>Sustainably Cost Efficient</i>
Option 3	3.5	2.6	Negligible	Aligns with <i>Delivering for Customers</i> , and <i>Sustainably Cost Efficient</i>

2.7 Recommended option

A Modified Option 1 is the proposed solution, combining the Option 1 standard campaign reaching 35% of customers, and the Option 3 ongoing community engagement events and educational program. This option involves:

- Renewable Gas advertisements on free-to-air television channels, introducing renewable gas and encouraging consumers to visit the MGN website to learn more (2 month campaign, twice yearly)
- Digital advertising on a range of news and high traffic websites, and
- Social media engagement on renewable gas
- Ongoing community engagement events:
 - Presentations and forums with community groups, including multicultural community organisations
 - Site tours and presentations at renewable gas facilities
 - Attendance at community events including sustainability and environment events, home shows and Science Fairs
 - Regular communication through online resources, updates by way of regular newsletters and social media
 - Supporting online materials as a key source of information on renewable gas.
- School educational program:
 - A combination of in person and online resources to educate students on the role of hydrogen as a future energy source and the science behind the creation of hydrogen

- Hands-on and interactive curriculum linked workshops through incursions and excursions including project site tours (either in person and virtually)
- Professional learning opportunities for educators
- Attendance at student events including sustainability and environment events and Science Fairs
- Tailored activities for students where English is second language

MGN will fund the communication (television and digital media) components of this option from existing opex allowances, at a cost of \$900,000 per annum. The remaining community engagement and education components of the modified Option 1 program is estimated to cost an additional \$600,000 per annum, or a total of \$3.0 million over the next AA period. These estimated are outlined in Table 1.13.

Table 2.13: Cost estimate – Modified Option 1

Modified Option 1	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Television & Digital Media	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$4,500,000
Community events	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000	\$1,200,000
Schools – Education resource development	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Schools – Tours and face-to-face activities	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$900,000
Schools – Teacher learning tools	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
Schools program administration	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Total program cost	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$7,500,000
Customer Funded Total	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$3,000,000
Cost per annum						\$600,000

Together the activities under modified Option 1:

- Improve levels of renewable gas awareness in the community by providing a combination of communication, engagement and education activities
- Responds to expectations and strong customer support that MGN does more to engage customers and the community on the future of gas
- Provides improved accessibility to information regarding the future of gas, allowing customers and communities to make informed choices with confidence about energy solutions and appliance choices in their homes and businesses
- Includes a school education program which was highly favoured by customers as important
- Responds to stakeholder feedback that MGN should consider funding from the business by delineating elements to be customer funded and business funded

In a similar way to Option 3, the Modified Option 1 reduces the risk from Intermediate to Low. The residual risk outcomes are shown in Table 1.714.

Table 2.14: Residual risk – Modified Option 1

Modified Option 1	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Negligible	

This option **does align** with our objective of *Delivering for Customers* and could be considered *Sustainably Cost Efficient*. Reducing the overall risk to low is consistent with our Risk Management Framework.

Finally, it is worth noting that we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the communications and customer education we provide is best practice, appropriately targeted and achieving its objectives.

This project will be delivered using a combination of internal and external resources, with internal resources used for the basis of our communications campaign, while external resources will be used to deliver the community events and schools program.

2.7.1 Why is the recommended option prudent?

The Modified Option 1 approach is the most prudent option because it is:

- the most cost-effective option that meets customer needs and reduces risk to an acceptable level (i.e., from moderate to low):
 - Option 1 would partially mitigate the risks associated with the People and Finance, but it does not meet the risks identified with Reputation & Customers.
 - Option 2 would reduce the risk rating from moderate to low, but it does not fully meet customer needs.
 - While Option 3 has the greatest reduction in risk to Negligible, the incremental benefits associated with the broader campaign, it is at a cost which exceeds the amount consumers believe is appropriate
- consistent with our vision that we will deliver for customers and customer and stakeholder expectations that we will do more to communicate our renewable gas plans and what it means for our customers, particularly when they are considering the future energy mix in their homes and businesses; and
- deliverable, as evidenced by similar work that we have done to engage with our customers, provide rebates for appliances and new connections and to work collaboratively with others to deliver aspects of the program.

The Modified Option 1 also represents a measured approach to responding to the energy transition and engaging customers as we move towards a net zero future. In particular, not enhancing our renewable gas communications and customer education could exacerbate feelings of uncertainty amongst our customers and mean there is an imbalance in the information available to them about renewable energy options for their homes and businesses in the future. Having clear and transparent information available is particularly important in aiding a better planned and more efficient transition to net zero. The forecast cost of the program, when expressed on a total cost per customer per annum basis of 83c MGN per annum is supported by strong customer sentiment.

Finally, it is worth noting that we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the communications and customer education we provide is best practice, appropriately targeted and achieving its objectives.

2.7.2 Consistency with National Gas Rules and National Gas Law

In developing the forecast expenditure on the proposed Renewable Gas Communication and Customer Education program (i.e. Modified Option 1), we have had regard to Rule 91 and Rule 74 of the NGR. With regard to all projects, and as a prudent asset manager/network business, we give careful consideration to whether opex is prudent and efficient from a number of perspectives before committing to fund new programs. We have also had regard to the National Gas Objective and revenue and pricing principles in the NGL.

NGR 91

The proposed solution is prudent, efficient, consistent with accepted and good industry practice and will achieve the lowest sustainable cost of delivering pipeline services:

- **Prudent** – The expenditure on the proposed Renewable Gas Communication and Customer Education program is necessary in order to meet customer expectation, support a planned and efficient energy transition and reduce the untreated risks associated with the Reputation & Customers and Financial categories to Negligible or Low. The expenditure is also of a nature that a prudent service provider would incur, particularly given the lack of awareness of renewable gas and our renewable gas plans, including how this impact the gas network and customer appliances.
- **Efficient** – The measures forming part of the proposed Renewable Gas Communication and Customer Education program are the most practical and effective measures to meet customer expectation, support a planned and efficient energy transition and to reduce the untreated risks from moderate to low. The additional costs of the proposed solution are small compared to the additional benefits of that option. The expenditure is therefore of a nature that a prudent service provider acting efficiently would incur.
- **Consistent with accepted and good industry practice** – Implementing the proposed Renewable Gas Communication and Customer Education program would be consistent with good service levels expected in any industry, whereby customers are kept up to date with changes that are planned to their products and/or services. The importance of customer and community engagement is well recognised in the energy networks industry as a mechanism to ensure customer expectations are met, now and in the future.
- **To achieve the lowest sustainable cost of delivering pipeline services** – The proposed Renewable Gas Communication and Customer Education program is necessary to give customers confidence that they can continue to rely on natural gas and renewable gas for key appliances in the home. Maintaining and growing our customer base, plays a key role in keeping the cost of natural gas down for our customers.

NGR 74

The forecast costs are based on the latest market rate testing and project options consider customer requirements informed by detailed engagement. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.

NGL

In addition to being consistent with rules 74 and 91, The renewable gas communications and customer education program furthers the National Gas Objective (NGO) by promoting efficient use

of and investment in the network through building customer awareness of renewable gas. It will provide an information base on renewable gas, and what it means for the gas network and customer appliances that customers can refer to in making any decisions about their own energy mix in their homes and businesses. This will ensure customers are well-informed of different renewable energy options and ensure long-term sustainability of natural gas services for the long-term interest of consumers.

Appendix A – Comparison of risk assessments for each option

Untreated risk	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	Intermediate
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	Intermediate	Negligible	

Option 1	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	Intermediate
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	Intermediate	Negligible	

Option 2	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Negligible	

Option 3	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Negligible	

Modified Option 1	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Severe	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Negligible	Negligible	

3 Opex V.26.CS – Priority Service Program

3.1 Project approvals

Table 3.1: Project approvals

Prepared by	Stephanie Judd, Acting Head of Stakeholder Engagement
Reviewed by	Chris Fidler, Head of Customer and Market Services
Approved by	Kristen Pellew, Acting EGM Customer and Community

3.2 Project overview

Table 3.2: Project overview

Description of the problem / opportunity	<p>Traditionally, the provision of assistance to customers experiencing vulnerability in the energy sector has been left to retailers, not-for-profit organisations and governments. It has, however, become clear through our stakeholder engagement process, the development of the Energy Charter, the Financial Services Royal Commission and the Consumer Policy Research Centre's (CPRC) work for the AER, that networks also have a role to play in supporting customers experiencing vulnerability and that this is becoming an increasingly important element of our social license to operate.</p> <p>In response to the CPRC's work, the AER published its Draft Consumer Vulnerability Strategy in December 2021. The Draft Strategy acknowledges the need for a whole of energy sector approach to addressing consumer vulnerability. Specifically, it outlines a range of outcomes, objectives and actions designed to achieve the AER's vision to '<i>see consumers experiencing vulnerability offered timely and effective supports that work for both consumers and energy businesses, improving energy affordability, helping consumers stay connected and reducing energy businesses' cost to serve</i>'.⁴ To achieve this, the AER is encouraging greater levels of energy system collaboration, innovation and leadership.</p> <p>This is further reflected in the feedback provided through our customer workshops, where 92% of customers felt that it is important or very important to have dedicated services for customers experiencing vulnerability. In explaining the importance, customers emphasised inclusivity, fairness, and MGN's duty of care to look after their most vulnerable. This is also reflected by feedback from other stakeholders, including members of the Victorian Gas Stakeholder Roundtable. Importantly, the provision of support to our customers experiencing vulnerability is not just part of our social licence to operate. Rather, it is embodied in the National Gas Objective and is also consistent with good industry practice and what would be expected of a prudent and efficient service provider. It is also required from a risk management perspective, with the untreated risks associated with the Reputation & Customers and People risk categories being rated as Moderate.</p> <p>To help inform the development of a holistic package of measures to support our customers experiencing vulnerability, we conducted collaborative workshops in late 2021 and early 2022. Representatives from a number of community organisations, peak bodies in the social service sector and the public sector attended and provided input into the design of the package. We also examined the measures that gas distribution networks in the UK have implemented to support their customers and have used that to inform our proposal.</p> <p>Through these two processes we have identified a package of measures that we could implement to support our customers experiencing vulnerability (our priority service customers), the objectives of which are to:</p>
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⁴ AER, Draft Consumer Vulnerability Strategy, December 2021, p. 6

	<ul style="list-style-type: none"> • develop a range of initiatives designed to provide financial support to priority service customers and ease affordability concerns; • improve the way in which we communicate with priority service customers to ensure that they are well informed and supported; and • ensure that our processes are simple and easily accessed by priority service customers to ensure that we do not create further barriers and exacerbate vulnerabilities. <p>More than half of the identified measures will be funded through our existing operating expenditure allowance (i.e., advice on efficient usage, additional training of customer service and field-crew staff to provide guidance and ensure empathetic experience and meter-self reads).</p> <p>This business case focuses on the remaining measures, which would require an increase in our opex, including to:</p> <ul style="list-style-type: none"> • provide financial support; • improve communications; and • simplify processes.
<p>Untreated risk</p> <p>Options considered</p>	<p>As per risk matrix = High</p> <ul style="list-style-type: none"> • Option 1 – Do not increase our expenditure to support our priority service customers • Option 2 – Implement all identified initiatives (\$1.2 million pa) • Option 3 – Implement only key initiatives (\$0.9 million pa) <p>The key difference between options 2 and 3 is the implementation of a dedicated culturally and linguistically diverse (CALD) community engagement program, and dedicated network resources (as opposed to shared resources across AGIG’s Victorian networks).</p>
<p>Proposed solution</p>	<p>Option 3 is the proposed solution. This option involves:</p> <ul style="list-style-type: none"> • the appointment of a dedicated priority service customer manager role within MGN (a shared resource with AGN), responsible for liaising with community organisations, developing referral programs for our customer service teams and other strategic aspects of the program; • the appointment of a dedicated priority service customer lead role within MGN, which will be responsible for the design and delivery of operational aspects of the program, including the trade panel and resolving complaints; • the development of a ‘Priority Service Register’ using the upgraded Customer Relationship Management (CRM) system (see Digital Customer Experience Business Case V.21.CS) – this register will form the basis for the provision of a range of priority services to our customers experiencing vulnerability, including advance notice of planned outages, priority support in an emergency and/or a dedicated liaison person where required; and • the provision of: <ul style="list-style-type: none"> • gas appliance safety checks and emergency appliance repairs; • improved CALD communications; and • check-in and emergency heaters and cookers during extended outages. <p>Together this package of measures will improve the customer experience for our priority service customers and will also reduce the financial barriers that some customers experiencing vulnerability may face in terms of utilising gas more efficiently and/or ensuring their appliances are operating in a safe and reliable manner.</p> <p>This option also reduces the risks associated with the Reputation & Customer, People and Finance risk categories to low or negligible as a result of:</p>

	<ul style="list-style-type: none">• addressing the inadvertent disadvantage customers experiencing vulnerability face, which should reduce the risk of customer dissatisfaction and maintain/improve our reputation in the broader community;• Reduce pressure our frontline staff are exposed to, which should result in a lower level of occupational health and safety (OH&S) issues; and• reduced compensation and/or incur other costs resolving complaints involving customers with higher needs and dealing with OH&S issues amongst our staff. <p>Option 3 is the preferred option because it will provide the support our priority service customers require, while also reducing the untreated risk from moderate to low in a more cost-effective manner than the other options. It also represents a measured approach to providing support to our customers experiencing vulnerability, with clear targets that can be realised in the next AA period that are consistent with our vision and our customers' expectations that we do more to support those in need.</p> <p>Finally, it is worth noting that we do not intend to 'go it alone' on the measures described above. Rather, we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the assistance we provide is best practice and appropriately targeted.</p>														
Estimated cost	<p>The forecast direct cost (excluding overhead) during the next access arrangement (AA) period (July 2023 to June 2028) is \$4.43 million (averaging \$0.9 million p.a).</p> <table><tr><th>\$'000 real Jun 2021</th><th>23/24</th><th>24/25</th><th>25/26</th><th>26/27</th><th>27/28</th><th>Total</th></tr><tr><td>Priority Service Program</td><td>1,081</td><td>825</td><td>851</td><td>825</td><td>851</td><td>4,433</td></tr></table> <p>Note that the forecast cost of developing the priority service register assumes that the proposed upgrade of the CRM system is approved (see Attachment 9.19). If this does not occur, then revisions to the forecast costs will be required to account for the system related costs associated with developing the register.</p>	\$'000 real Jun 2021	23/24	24/25	25/26	26/27	27/28	Total	Priority Service Program	1,081	825	851	825	851	4,433
\$'000 real Jun 2021	23/24	24/25	25/26	26/27	27/28	Total									
Priority Service Program	1,081	825	851	825	851	4,433									
Basis of costs	<p>All costs in this business case are expressed in real unescalated dollars at December 2021 unless otherwise stated.</p>														
Alignment to our vision	<p>Option 3 aligns with the following elements of our vision:</p> <ul style="list-style-type: none">• <i>Delivering for Customers</i> – the option will result in a more responsive customer environment and improvements in the customer experience for our priority service customers;• <i>A Good Employer</i> – the option will reduce the pressure and stress that our frontline staff may face; and• <i>Sustainably Cost Efficient</i> – this option is consistent with our objective to behave in a socially responsible manner.														
Consistency with the National Gas Objective and Rules (NGO and NGR)	<p>Option 3 complies with the following National Gas Rules (NGR):</p> <p>NGR 91 – the proposed solution is consistent with good industry practice, several practicable options have been considered, and market rates have been tested to achieve the lowest sustainable cost of providing this service.</p> <p>NGR 74 – the forecast costs deliver a targeted program of work supported by our customers and customer representatives. They are based on the latest market rate testing and project options consider the proposed program of work in the context of the overall IT program, and in particular the Digital Customer Experience project on which this program is dependent. We have considered deliverability and included project efficiencies where possible. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.</p>														

	Option 3 is also consistent with the National Gas Objective (NGO) because it promotes the long-term interests of our customers with respect to price, quality, safety and reliability.
Treated risk	As per risk matrix = Low
Stakeholder engagement	<p>We are committed to operating our networks in a manner that is consistent with the long-term interests of our customers. To facilitate this, we conduct regular stakeholder engagement to understand and respond to the priorities of our customers and stakeholders. Feedback from stakeholders is built into our asset management considerations and is an important input when developing and reviewing our expenditure programs.</p> <p>Customer preferences and expectations have been explored and assessed through a series of workshops. Our customers have told us their top three priorities are price/affordability, reliability of supply, and maintaining public safety. Insights from these workshops found customers expect us to help those in need and that they support us providing more support to customers experiencing vulnerability.</p> <p>The proposed Priority Service Program is a new initiative for the next AA period that will:</p> <ul style="list-style-type: none"> • improve the customer experience for our customers experiencing vulnerability, and minimise the risk that we inadvertently exacerbate the disadvantage they may face; and • reduce the financial barriers that some customers experiencing vulnerability face in terms of utilising gas more efficiently and therefore reducing their gas bill and/or ensuring their appliances are operating in a safe and reliable manner. <p>The proposed program is therefore consistent with what our customers value (i.e. helping those in need and affordability). The forecast cost of the program, when expressed on a total cost per customer per annum basis is \$1.34 per annum and is also in line with what our customers told us they would be prepared to pay to provide this support.</p>
Other relevant documents	<ul style="list-style-type: none"> • Attachment 5.3 – Victorian Workshops • Attachment 9.19 – Capex V.21.CS Digital Customer Experience

3.3 Background

The MGN natural gas distribution network currently delivers gas to over 700,000 customers in Victoria, a reasonable proportion of whom are experiencing vulnerabilities. The term 'vulnerable customer' is used in this context to refer to customers that are experiencing financial hardship, or that are susceptible to other harm, detriment or disadvantage because they are in vulnerable circumstances.

A customer may, for example, be considered to be in vulnerable circumstances because they are elderly, physically or intellectually disabled, chronically ill, suffering from mental health issues, experiencing domestic violence, have low levels of literacy, or are from lower socio-economic, cultural or linguistically diverse backgrounds. For some customers, the circumstances of vulnerability can be permanent (e.g., due to chronic health conditions, poverty or language barriers), while for others it may be transient (e.g. due to short-term unemployment, relationship breakdown).⁵

While it is difficult to know precisely how many of our Victorian customers are vulnerable, the Essential Services Commission (ESC) has estimated that at the end of March 2022, approximately 2.2% (47,458) of gas residential customers were receiving tailored assistance from their retailer

⁵ CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 21

to help pay their bills⁶. Vulnerability figures are likely to be higher among culturally and linguistically diverse (CALD) Victorians, with CALD people facing additional challenges navigating the energy market, accessing hardship support and finding an advocate to assist them⁷. Research undertaken by the Consumer Policy Research Centre (CPRC) for the AER on regulatory approaches to consumer vulnerability (see Box 1-1), further identified a range of energy market specific indicators of customer vulnerability, with current data across these indicators suggesting:

- 17% of Victorians are living with a disability⁸
- Close to 1 in 5 (18%) Victorians are experiencing high or very high levels of psychological distress⁹
- Nearly 1 in 5 Victorian adults (19.6%) reported being diagnosed with two or more of seven common chronic diseases⁴
- Fewer than half of the Victorian population (40.4%) reported being in excellent or very good health⁴
- 1 in 10 (9%) of Victorians feel socially isolated⁴ with this number higher among culturally and linguistically diverse adults
- 1 in 6 Australian women have experienced physical and/or sexual violence¹⁰

Box 1-1: Consumer Policy Research Centre - Exploring regulatory approaches to consumer vulnerability

In 2019, the AER commissioned a report on regulatory approaches to consumer vulnerability. The report, which was prepared by the CPRC, recommended the AER work with consumers, industry, community organisations and other regulators to develop a customer vulnerability strategy. In doing so, the CPRC noted that:¹¹

"Consumer vulnerability is in the spotlight following Australian and UK reviews of retail energy markets and other sectors, which revealed complex and strategically confusing or exploitative marketing practices, and egregious conduct in banking and insurance, as documented by the Financial Services Royal Commission.

Other inquiries (for example, the Victorian Family Violence Royal Commission) have also shown how essential service providers can exacerbate harm if they do not respond in an informed, sensitive way to the personal circumstances of their customers.

Vulnerability can be addressed at multiple stages of the customer journey. While many regulators and legal frameworks have traditionally focused on debt and payment difficulty, some are also looking more closely at the design of products and services, to help create inclusive markets where people can secure what they need at a fair price, without being excluded or taken advantage of. This approach has the potential to deliver deeper, more comprehensive market change and positive consumer outcomes."

Elaborating further on the steps that can be taken across the customer journey, the CPRC noted that:¹²

⁶ ESC, Victorian Energy market Update: June 2022, p. 15

⁷ Monash University, Consumer experiences following energy market reforms in Victoria, June 2021, p.10

⁸ ABS, disability, ageing and carers. Australia: summary of finding, Australian Government, 2018, Canberra

⁹ Victorian Population Health Survey, Victorian Government, 2020

¹⁰ AIWH, Family, domestic and sexual violence Australia, 2018, p.ix

¹¹ CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 3

¹² CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 8

"From a market-outcomes perspective, it is efficient and effective for regulators, government, community organisations and industry to prioritise early and pre-emptive interventions wherever possible, rather than focusing on 'bottom of the cliff' measures that wait for problems to emerge or become more advanced."

Traditionally, the provision of assistance to customers experiencing vulnerability in the energy sector has been left to retailers, not-for-profit organisations and governments. It has, however, become clear through our stakeholder engagement process, the development of the Energy Charter, the Financial Services Royal Commission and the CPRC's work for the AER, that networks also have a role to play in customers experiencing vulnerability and that this is becoming an increasingly important element of our social license to operate.

In response to the CPRC's work, the AER published its Draft Consumer Vulnerability Strategy in December 2021 (see Box 1-2). The strategy acknowledges the need for a whole of energy sector approach to addressing consumer vulnerability. Specifically, it outlines a range of outcomes, objectives and actions designed to achieve the AER's vision to *'see consumers experiencing vulnerability offered timely and effective supports that work for both consumers and energy businesses, improving energy affordability, helping consumers stay connected and reducing energy businesses' cost to serve'*¹. To achieve this, the AER is encouraging greater levels of energy system collaboration, innovation and leadership.

Box 1-2: The AER's Draft Consumer Vulnerability Strategy

The AER's Draft Consumer Vulnerability Strategy will help to¹:

- Improve support for consumers in vulnerable circumstances and to improve the way the way the market operates to boost consumer outcomes
- Bring a consistent, informed and evidence-based understanding of the lived experience of vulnerability to the AER's work and the energy market
- Prioritise or target projects and actions to address or prevent consumer harm
- Identify ways of reducing the costs of addressing vulnerability, and sharing risks across the sector, ultimately reducing cost to serve and therefore costs to all customers
- Identify opportunities to work together, influence or support others to improve consumer outcomes.

The Draft Strategy envisages 4 overarching *outcomes* for the energy market¹:

- Outcome 1: barriers to consumers engaging in the market are reduced and consumers can access the products and services that best meet their needs
- Outcome 2: consumers facing payment difficulty receive effective, tailored assistance
- Outcome 3: the transitioning and future energy market meets the needs of consumers
- Outcome 4: balance affordability is improved, including by reducing the cost to serve where possible.

To contribute to these outcomes, that AER has identified 5 key *objectives* which has been informed by a range of research inputs. They are to¹:

- Objective 1: improve the identification of vulnerability
- Objective 2: reduce complexity and enhance accessibility for energy consumers
- Objective 3: strengthen protections for consumers facing payment difficulty

- Objective 4: use the consumer voice and lived experience to inform regulatory design and change
- Objective 5: balance affordability and consumer protections by minimising the overall cost to serve.

Customers and stakeholders are also supportive of network businesses playing a role in better supporting customers experiencing vulnerable circumstances. Through the stakeholder engagement process conducted as part of the next AA, our stakeholders told us that we should be providing better support to vulnerable customers. Specifically, 92% of customers felt that it is important or very important to have dedicated services for customers experiencing vulnerability. In explaining the importance, customers emphasised inclusivity, fairness, and MGN's duty of care to look after their most vulnerable¹³. This is also reflected by feedback from other stakeholders, including members of the Victorian Gas Stakeholder Roundtable.

The importance that our customers and other stakeholders place on supporting customers in vulnerable circumstances is consistent with our vision and values and, in particular, our commitment to being socially responsible and delivering energy services accessible to all our customers. It is also consistent with many of the AER's consumer vulnerability objectives, as outlined above.

The importance of supporting customers experiencing vulnerability has become even clearer through the COVID-19 pandemic, with a greater number of our customers facing financial hardship and other vulnerable customers facing greater pressures. To help reduce the burden posed by the pandemic, MGN worked with other networks in Victoria, South Australia, and NSW to develop a relief package, which amongst other things provides for network charges to be deferred or rebated for residential customers that default as a result of COVID-19.¹⁴

The relief that we were able to provide our customers during that period highlights the important role that networks can play in supporting customers experiencing vulnerability, which as discussed in further detail below can take a variety of forms. It also highlights the responsibility for all parts of the supply chain to operate in a socially responsible manner and in the long-term interests of consumers, consistent with the National Gas Objective.

3.3.1 What support could MGN provide customers experiencing vulnerability?

MGN does not currently have any formal programs in place to support our customers in vulnerable circumstances; rather support is provided on a case-by-case basis when we become aware that additional support is needed for a customer (see section 1.3.4 for more details). This contrasts with a targeted stream of new services being developed for AGN SA network, following approval of the dedicated Vulnerable Customer Assistance Program as part of the last access arrangement submission (this program has since been renamed the 'Priority Service Program' in response to feedback on appropriate language). We would like to align our level of service delivery with this program of work, to ensure that our customers experiencing vulnerability are better supported across all our regulated networks.

To get a better understanding of vulnerable Victorians, and the type of support that might meet their specific needs, together with the other Victorian gas networks we conducted a series of workshops in late 2021/early 2022 and invited a range of stakeholders who have extensive experience working with vulnerable individuals and communities to participate.

¹³ KPMG, Final Report – MGN customer engagement program, April 2022

¹⁴ ENA, Energy network relief package announced, 2 April 2020

We have also spoken with, and reviewed the programs of, gas and electricity distribution companies in the UK to understand the types of services that they offer their most vulnerable customers. The key points emerging from the workshops and our review of what other networks are doing are outlined in the following sections.

3.3.1.1 Dedicated Advisory Panel workshops

To design a program that truly delivers on the needs of Victorian priority service customers, we established a PSP Advisory Panel comprising of key representatives from social services organisations with a national and/or Victorian focus.

Box 1-3. Priority Service Panel Advisory Panel

- The Brotherhood of St Laurence
- Ethnic Communities Council of Victoria (ECCV)
- Financial Counselling Victoria
- Safe Steps
- Energy Water Ombudsman Victoria (EWOV)
- Uniting Vic Tas
- Council of the Ageing (COTA)
- Victorian Council of Social Services (VCOSS)
- Consumer Action Law Centre
- St Vincent de Paul

In September 2021, we held the first 2-hour workshop with the PSP Advisory Panel. In the first workshop, we:

- provided an overview of a proposed priority service program and priority service customers;
- discussed circumstances of vulnerability that might be considered as part of the program;
- discussed the role of network business in the delivery of priority services;
- identified the appropriate principles to guide a priority service program; and
- explored gaps in existing support for Victorians, and opportunities for our program.

Through our first workshop, we heard:

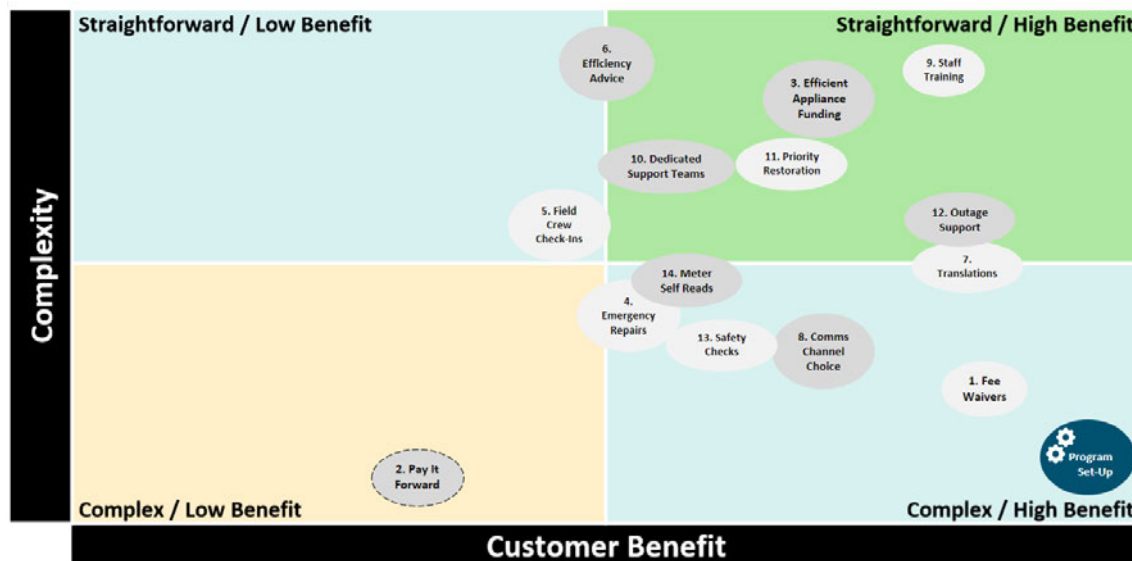
- ✓ *Low-income renters, elderly people, those facing medical hardship as well as people with a disability should be considered priority service customers*
- ✓ *We need to consider the transient/fluid circumstances of customers*
- ✓ *Addressing language and cultural barriers will be important*
- ✓ *Covid-19 has exacerbated affordability concerns and access to help*
- ✓ *Accessing the program needs to be as clear and simple as possible*
- ✓ *Individual situations will make it hard to design a universal program that fits the circumstances of all*

- ✓ *Advisory Panel members particularly liked initiatives that ensure people are able to make their own choices (i.e., self-meter reads) and incorporate field crew training*
- ✓ *Strong support for the program principles, with a strong preference for the program to complement/support existing support measures rather than duplicate*

The second workshop focused on prioritising potential priority service initiatives. In this session we discussed the customer benefits, complexity, implementation considerations and measures of success across a list of 14 initiatives as identified in gap analysis undertaken in the first workshop.

The 14 initiatives were then plotted on a complexity/customer benefit matrix, highlighting areas of prioritisation for the design of a priority service program (see Figure 3-1).

Figure 3-1 Prioritisation matrix from PSP Advisory Panel workshop 2



We held a third and final workshop with the panel in March 2022 to further refine our proposed program. We worked closely with the panel to prioritise and align the program across all Victorian gas networks and ensure that the program would deliver benefit to those experiencing vulnerability.

In the final session, we heard:

- ✓ *That the Advisory Panel liked the general direction of the proposed programs, but challenged the networks to consider how to best recruit people into the program without creating stigma that they are being labelled as 'vulnerable'*
- ✓ *It is critically important for the program to be a Victoria-wide program, as opposed to network specific, to ensure there is no confusion*
- ✓ *This program could be used to support customers during large scale emergency/weather events*
- ✓ *Some of the initiatives, such as meter self-reads, should be undertaken as business as usual activities*
- ✓ *Providing information in simple and accessible English is important as it not only supports CALD customers but also those with visual impairment and low levels of literacy*
- ✓ *Customers should be able to self-nominate into the program and there needs to be strong privacy protocols followed for the program (particularly if there is a register of some kind)*

- ✓ *That we need be open to learning as we go, keep talking to others and adopt lessons learned from similar programs*

3.3.1.2 What support have networks in other jurisdictions provided?

In contrast to Australia, gas and electricity networks in the UK have been providing specialised support to their vulnerable customers for some time, which is funded through their regulated price control mechanism and actively monitored by Ofgem.

The support provided by networks in the UK, is principally carried out through a priority service register, which is a network specific confidential register of customers requiring priority service. The priority services provided to the customers on this register are intended to help with access, safety and communication and, include, amongst others:¹⁵

- the provision of information in an accessible format, including information on how to understand and manage costs and consumption and how to switch to other retailers;
- advance notice of planned outages;
- priority support in an emergency (e.g. the provision of alternative heating and cooking facilities in the event of a supply interruption);
- meter reading services at more regular intervals; and
- free gas safety checks every 12 months.

In addition to priority services, gas networks such as Northern Gas Networks, have implemented a range of other initiatives to support vulnerable customers, including:¹⁶

- providing connections to fuel poor customers;
- conducting carbon monoxide and energy efficiency awareness campaigns and providing referrals for further help with in-house measures;
- providing funding to charities to provide services to hard-to-reach customers; and
- working with specialist organisations to train staff to help identify signs of vulnerability and to provide appropriate support and referrals.

In its framework decision for the upcoming price control review (referred to as RIIO-2), Ofgem has reiterated the importance of networks supporting vulnerable customers:¹⁷

"Our objective for RIIO-2 is to ensure that regulated network companies deliver the value for money services that both existing and future consumers want. In particular, that the price controls:

- *Give due attention to mitigating the impact of networks on the environment*
- *Are designed so that networks play a full role in addressing consumer vulnerability issues."*

*"Our objectives also emphasise that networks must play a full role in addressing **consumer vulnerability** issues. We will achieve this by:*

- *Expecting network companies to set out in their business plans how they intend to assist consumers in vulnerable situations. Companies should develop these proposals using the*

¹⁵ <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/extra-help-energy-services/priority-services-register>

¹⁶ Northern Gas Networks, Customers in vulnerable situations strategy – A7 – NGN RIIO-2, 2019

¹⁷ Ofgem, RIIO-2 Framework Decision, 2018, pp. 4 and 7

insight that stakeholders can bring. We will take into account the quality of their proposals, and the views of stakeholders, in our assessment of business plans.

- *Identifying and developing appropriate output measures for each sector to ensure companies play a full role in addressing consumer vulnerability...*
- *Exploring how we can use the innovation funding we provide to support projects that deliver benefits across the system. In particular, where those benefits may be most valuable for vulnerable consumers."*

3.3.1.3 What support is already available to Victorians experiencing vulnerability?

As summarised below (Table 1-3), current gas focused support services available below largely focus supporting customers who may be facing financial hardship and require bill support.

Table 1-3. Support available in Victoria for those experiencing vulnerability

Victorian Government	Retailers	Community/ not for profit organisations
<ul style="list-style-type: none"> • Power saving bonus a one-off payment of \$250 to bill stressed households as a result of Covid-19 (planned end in June 2022) • Utility relief grant scheme can assist customers with up to \$1,300 to pay off overdue bills • Non-mains energy concession can refund some of the cost of buying firewood and bottled gas • Winter gas concession provides 17.5% off winter gas bills (May to October) • Excess gas concession gives 17.5% off gas bills > \$1,644 • Energy Saving Package which includes efficient appliance rebates, housing upgrades and new standards for rental properties. 	<ul style="list-style-type: none"> • Retailer financial hardship programs: <ul style="list-style-type: none"> • Payment plans & debt management • Deferral outside of credit management • Dedicated support teams • Training of call centre staff • Advice on energy efficiency/ audits • Referrals to financial counselling & other support services • Life Support Customer provisions 	<ul style="list-style-type: none"> • Financial counselling services such as the National Debt Helpline • Uniting Vic Tas and Jemena energy efficiency program (Power Changes) • Good Shepherd no interest loans for energy efficient appliances up to \$1,500 • Other broader social support programs

3.3.2 What are we considering for the next AA period?

As noted above, the provision of assistance to customers experiencing vulnerability has traditionally been the domain of retailers, not-for-profit organisations and government agencies. It is clear though from the feedback that our stakeholders have provided, the results of the workshops, the Energy Charter and the CPCR's recent work for the AER on customer vulnerability that, and the AER's endorsement of the business case for our dedicated program in AGN SA, we also have a role to play in supporting customers experiencing vulnerability.

We therefore intend to implement a Priority Service Program in the next AA period. At MGN, we consider vulnerable customers 'priority service' customers because they are more reliant on the safe, reliable and affordable delivery of our services when compared to other customers.

The objectives of this program will be to:

- (a) Develop a range of initiatives designed to provide financial support to priority service customers and ease affordability concerns. These initiatives could include:
 - providing funding for gas appliance safety checks
 - funding emergency appliance repairs
- (b) Improve the way in which we communicate with priority service customers to ensure that they are well informed and supported, including by:
 - creating dedicated priority service program strategic and operational roles with MGN, which would be responsible for all aspects of the Priority Service Program
 - developing energy efficiency materials aimed at improving the energy literacy of vulnerable customer groups
 - improving communications with our Culturally and Linguistically Diverse customers, to the benefit of all, including by:
 - providing information in an accessible format (easy English) and in multiple languages
 - developing demonstration videos in simple language that explain our role and processes, for example the purpose of meter reads and why we enter customers' properties
 - developing a program of targeted and bespoke engagement with CALD communities and their leaders to improve information dissemination and build trust
 - training our customer service and field-based staff (including contractors) (jointly referred to as 'frontline staff') to:
 - engage with vulnerable customers with sensitivity and empathy about the varied and underlying causes of vulnerability; and
 - refer our vulnerable customers to:
 - the priority service program and other initiatives available from MGN to support these customers
 - dedicated support services where required
- (c) Ensure that our processes are simple and easily accessed by priority service customers to ensure that we do not create further barriers and exacerbate vulnerabilities, by:
 - checking in on our priority service customers during extended gas outages to ensure their health and wellbeing, and providing temporary heating and cooking support if needed
 - provide the option of meter-self reads to customers who would prefer this, mitigating potential anxieties associated with field crews accessing their properties
 - developing a register that can be used to introduce a range of priority services for our vulnerable customers (e.g., providing advance notice of planned outages, providing priority support in an emergency and/or assigning a dedicated liaison person to a field team where required)

The table on the following page provides further detail on the measures that we could implement to achieve these objectives and the benefits they are expected to provide our customers experiencing vulnerability. Grey shading is used in this table to identify those measures that we intend to fund from our existing operating expenditure allowance. No shading, on the other hand, is used to identify those measures that we are proposing to be funded under the step-change, noting that that are delivering a material step up in the type and quality of services typically provided by a network business.

Table 1-4: Measures to support customers vulnerable in vulnerable circumstances

Objective	Potential initiatives	Benefit to vulnerable customers
Financial support and affordability	<p>Provide funding for:</p> <ul style="list-style-type: none"> gas appliance safety checks; and emergency appliance repairs, for priority service customers. 	<p>For priority service customers facing financial hardship, the cost of:</p> <ul style="list-style-type: none"> obtaining a gas appliance safety check may be prohibitive, which may expose them to a greater risk of carbon monoxide poisoning or other safety issues; and emergency repairs for hot water systems, stoves or heating may also be prohibitive, which may mean they are unable to use these appliances for a period and therefore experience further hardship or use it when it is not safe to do so and therefore face other safety issues. <p>The proposed measures would remove these financial barriers for priority service customers and, in so doing, improve the safety and reliability of our priority service customers gas appliances and gas use.</p>
Improving our communication	<p>Priority Service Program Manager</p> <p>The Manager role would oversee the MGN program. This role would be responsible for the strategic development and implementation of the program(s) including setting the inclusion criteria for the program through further engagement with the industry as well as working with the legal, regulatory, and operational teams to ensure the programs are designed and delivered properly. Tracking and monitoring the performance of the program would also be important for this role.</p>	<p>This strategic role will work on improving the overall customer experience for our priority services customers across the state. This oversight will ensure that our products, services and experiences meet the needs of vulnerable customers and there is a voice for vulnerable customers in our decision-making. They will also be responsible for establishing working relationships and programs with organisations that represent vulnerable customers.</p>
	<p>Priority Service Program Lead</p> <p>The Lead role would largely be responsible for the operational delivery of the program, in partnership with our Customer Care Team. This role would also manage external contractors and Trade Panels needed to deliver the proposed set of new services.</p>	<p>This role would ensure that all priority service customers get a more focused and personalised customer experience when concerns and complaints are raised. Having a single point of contact for priority service customers within the business will ensure issues and concerns are resolved more rapidly. They will also be responsible for the design and delivery of the appliance program.</p>

Objective	Potential initiatives	Benefit to vulnerable customers
	Advice on efficient usage	We understand that the energy sector is confusing for many, particularly around what constitutes efficient usage and practices when it comes to gas. This initiative is designed to remove this confusion and equip priority service customers with the knowledge to make effective changes in their home when it comes to efficient gas practices. It also raises awareness around the program and acts as a potential means to further engage with these priority customers.
	<p>CALD communications, including:</p> <ul style="list-style-type: none"> • Translation services (funded outside of step change) • Easy English review of the full communication suite • Translation of critical letters/communications into top 3 languages spoken on the network • Demonstration videos for key processes, including around meter reading and the need to enter a customer's property 	Improving the way that we communicate with CALD customers would improve their customer experience and reduce the risk that we inadvertently exacerbate their vulnerability through our interactions. Communicating in-language may also foster a greater sense of acceptance and build trust between CALD customers and MGN.
	<p>CALD Community Engagement Program</p> <p>A targeted program of community engagement activities designed to improve engagement levels among CALD communities in our network.</p>	We know that CALD customers face challenges when engaging with the energy market and are more likely than non-CALD customers to be experiencing vulnerability. A bespoke engagement program designed to educate and involve communities in the gas, and energy sector, would benefit customers by improving their trust and confidence in the sector and their ability to navigate it.
	Additional training of customer service and field-crew staff to provide guidance and ensure empathetic experience	Training our customer service and field staff in this manner would result in a more responsive customer environment, improve the customer experience and reduce the risk we inadvertently exacerbate our customers' vulnerability. It would also mean that our staff are better able to recognise the indicators of vulnerability and, where appropriate, refer customers to the priority service program we offer and other initiatives available from MGN to support these customers, and other dedicated support services, where required.

Objective	Potential initiatives	Benefit to vulnerable customers
		This form of training may also reduce the pressure our frontline staff face when interacting with priority service customers and reduce complaints, because it would improve their understanding of the underlying causes of vulnerability.
Simplifying our processes	Check-in and provide additional support during outages through providing and heating appliances. Customers will not have to return these donated appliances once gas supply is restored.	<p>Offering higher levels of support and care to priority service customers when facing an extended gas outage ensures that we maintain the health, safety and wellbeing of these customers at what is typically a challenging time. It also means that customers do not necessarily have to relocate from their homes.</p> <p>We will maintain an emergency supply of heaters and cooking appliances that field crews can gift to customers where they are impacted from gas supply interruptions.</p>
	Meter self-reads	In conjunction with retailers who already offer this service, we will further explore the opportunity for priority service customers to submit/provide a meter self-read means that they will have fewer estimated reads and ensures improved billing accuracy. It also limits the number of people accessing a customer's property which may cause concern for some customers experiencing vulnerable circumstances.
	Develop a priority service register using the upgraded CRM system that can then be used to provide priority services to our vulnerable customers (e.g., providing advance notice of planned outages, providing priority support in an emergency and/or assigning a dedicated liaison person to a field team where required). The upgraded CRM will also be used to implement and monitor the delivery of the priority services.	<p>This measure would benefit priority service customers because it would enable priority services to be delivered to vulnerable customers (e.g., providing advance notice of planned outages, providing priority support in an emergency and/or assigning a dedicated liaison person to a field team where required) and provide for a faster resolution of any complaints they may have, both of which will improve the customer experience.</p> <ul style="list-style-type: none"> The development of a register of priority service customers would also mean customers do not need to self-identify as vulnerable, which could reduce the stigma associated with asking for support.

Table 1-5: Business case: Additional measures to support customers in vulnerable circumstances

Objective	Potential initiatives
Financial support and affordability	a. Provide funding for: <ol style="list-style-type: none"> gas appliance safety checks; and emergency appliance repairs, for priority service customers.
Improving our communication	b. Appoint a Priority Service Program Manager that is either: <ol style="list-style-type: none"> a shared resource with the AGN Victoria and Albury wholly resourced to MGN c. Priority Service Program Lead d. CALD communications e. CALD community engagement program
Simplifying our processes	f. Check-in and provide additional support during outages through the cooking and heating appliances

3.3.3 Partnering with third parties in the delivery of the program will be critically important

It is important to note that we do not intend to 'go it alone' on the measures set out in Table 1.4. Rather, we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the assistance we provide is best practice and appropriately targeted. We intend, for example, to work collaboratively with others to:

- help identify those customers that would benefit from free gas appliance safety checks, appliance repairs or support during outages;
- develop our improved communications program, including energy efficiency information;
- develop and deliver a targeted and bespoke CALD engagement program; and
- deliver training to our front-line staff.

3.3.4 The program will deliver a materially higher level of service to customers experiencing vulnerability

Another important point to note about the measures in Table 1-4 is that they are not intended to replace or duplicate the support that is already available to customers experiencing vulnerability. Rather, they are intended to complement and supplement existing measures.

As outlined in Section 1.3.1.3, current gas focused support services available to gas via the government, retailers and community/not for profit organisations largely focus on supporting customers who may be facing financial hardship and require bill support.

We have also reviewed the current and planned work AGIG has underway to support customers experiencing vulnerability. The findings of our review are summarised in Table 1-6 below. The remainder of this section outlines these initiatives in more detail.

Table 1-6: Summary of the initiatives supporting customers experiencing vulnerability

Work underway	Planned work funded through existing opex allowances	PSP proposal forecast direct costs of \$0.9M p.a.
<ul style="list-style-type: none"> AGIG vulnerable customer strategy Priority Service Customer Satisfaction (C-SAT) measure Developing our Priority Service Program in South Australia Energy Charter initiatives, including 'knock before you disconnect' Volunteering Program for all staff allowing 1 days leave to pursue charitable activities Community Partnerships Program – funding to charitable and community organisations Support for vulnerable customers provided on a case-by-case basis 	<ul style="list-style-type: none"> Advice on energy efficient usage Additional training of frontline staff Meter self reads A priority service register using an upgraded CRM system 	<ul style="list-style-type: none"> A dedicated priority service customer Manager and Lead Provide gas appliance safety checks and emergency repairs Provide check-in and heating/cooking support to customers during extended outages Improve our communications and engagement with CALD customers. <div>The PSP program will cost \$1.34 per customer per annum</div>

3.3.4.1 Work underway

We currently do not have any formal programs in place to support our vulnerable customers; rather support is provided on a case-by-case basis when we become aware that customers may have specific needs.

In 2021 we developed a draft Vulnerable Customer Strategy under our commitment to the 2020 Energy Charter. This draft strategy has been developed around five principles:

- Build relationships with key stakeholders and grow AGIG's understanding of customers in vulnerable circumstances.
- Provide training to employees and service providers about customers in vulnerable situations.
- Improve AGIG processes to minimise negative impact on customers in vulnerable situations.
- Make use of AGIG's Community Partnership initiatives to assist vulnerable communities.
- Identify where further assistance may be required to provide direct support to customers

Having an AGIG vulnerable customer strategy in place allows us to take a strategic and coordinated approach in delivering for our priority service customers moving forward.

Other support we currently provide on a general basis include our commitment to the #bettertogether initiatives as part of the Energy Charter. Also, as part of our Community Partnerships Program we are providing annual funding and in-kind support to selected charitable and community organisations, projects, events and programs that are socially and environmentally responsible. Key areas of investment include supporting those who are vulnerable, promoting diversity, environmental sustainability, education and supporting local communities.¹⁸ We also offer our staff the opportunity to volunteer with any one of our community partners.

¹⁸ Information on our Community Partnership Program can be found here: <https://www.agiq.com.au/agiq-community-partnerships-program>

3.3.4.2 Planned work

In terms of the initiatives as part of our planned business as usual work program, these initiatives outlined in the table above were identified and recommended by participants from the Advisory Panel for us to progress. We intend to fund these initiatives through our existing operating expenditure allowance and will be undertaken by existing employees.

3.3.5 The program will be discrete and measurable

Consistent with the 'Vulnerable Customer Assistance Program' approved in our AGN South Australia AA, we are proposing to include this Priority Service Program as a category specific forecast so that the costs and activities delivered within this program can be separately tracked.

Earlier this year we introduced a series of measures into our regular customer satisfaction survey to determine a priority service customer specific score. Understanding this enables AGIG to better understand how our priority service customers experience our services and identify opportunities for improvement. We can apply this measure to any new services implemented as part of the proposed program.

In addition, we will provide timely and accurate reporting in a transparent manner on the costs of delivering the program which include reporting on our website, through our disclosure reporting under the Energy Charter and our Annual Reviews.

3.4 Risk assessment

Risk management is a constant cycle of identification, analysis, treatment, monitoring, reporting and then back to identification (as illustrated in Figure 1-2).

When considering risk and determining the appropriate mitigation activities, we seek to balance the risk outcome with our delivery capabilities and cost implications. Consistent with stakeholder expectations, safety and reliability of supply are our highest priorities.

Our risk assessment approach focuses on understanding the potential severity of failure events associated with each asset and the likelihood that the event will occur. Based on these two key inputs, the risk assessment and derived risk rating then guides the actions required to reduce or manage the risk to an acceptable level.

Our risk management framework is based on:

- AS/NZS ISO 31000 Risk Management – Principles and Guidelines,
- AS 2885 Pipelines-Gas and Liquid Petroleum; and
- AS/NZS 4645 Gas Distribution Network Management.

The Gas Act 1997 and Gas Regulations 2012, through their incorporation of AS/NZS 4645 and the Work Health and Safety Act 2012, place a regulatory obligation and requirement on us to reduce risks rated high or extreme to low or negligible as soon as possible (immediately if extreme). If it is not possible to reduce the risk to low or negligible, then we must reduce the risk to as low as reasonably practicable (ALARP).

Figure 1-2: Risk management principles



When assessing risk for the purpose of investment decisions, rather than analysing all conceivable risks associated with an asset, we look at a credible, primary risk event to test the level of investment required. Where that credible risk event has an overall risk rating of moderate or higher, we will undertake investment to reduce the risk.

Six consequence categories are considered for each type of risk:

- 7 **People** – injuries or illness to employees and contractors or members of the public
- 8 **Supply** – disruption in the provision of services/supply, impacting customers
- 9 **Environment** (including heritage) – impact on the surroundings in which the asset operates, including natural, built and Aboriginal cultural heritage, soil, water, vegetation, fauna, air and their interrelationships
- 10 **Reputation** – impact on stakeholders' opinion of MGN/AGIG, including personnel, customers, investors, security holders, regulators and the community
- 11 **Financial** – financial impact on MGN/AGIG
- 12 **Compliance** – the impact from non-compliance with operating licences, legal, regulatory, contractual obligations, debt financing covenants or reporting / disclosure requirements

A summary of our Risk Management Framework, including definitions, has been provided in Attachment 9.5 of the Final Plan.

The risk events associated with not implementing any of the vulnerable customer support measures set out in 1-5 are that we could inadvertently exacerbate the financial hardship, harm, detriment or disadvantage that our vulnerable customers face, which could, in turn result in:

- a deterioration in customer satisfaction and our reputation amongst other stakeholders, regulators, governments and the community more generally;
- our frontline staff being exposed to additional pressure and stress, which may in turn, contribute to a higher level of occupational health and safety (OH&S) issues; and
- compensation and/or other dispute resolution costs having to be paid to our vulnerable customers, as well as the costs associated with higher levels of OH&S issues amongst our staff.

The untreated risk¹⁹ rating is presented in Table 1-7. Note that untreated risk in this case assumes that we will implement the measures identified in Table 1-4 as being capable of being funded through our existing operating expenditure allowance (i.e., providing advice on energy efficient usage, undertaking additional training of frontline staff and allowing meter self reads). The ratings therefore measure the risk associated with not implementing any of the measures in Table 1-5.

Table 1-7: Risk rating – untreated risk

Untreated risk	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	High
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	High	Negligible	

¹⁹ Untreated risk is the risk level assuming there are no risk controls currently in place. Also known as the 'absolute risk'.

The consequence of these risk events are reflected in the following risk categories:

- **Reputation & Customer:** The untreated risk in this case is rated as Intermediate under the Risk Management Framework, because there is a risk that at least once every two years we will exacerbate the disadvantage faced by our vulnerable customers and would experience a sustained deterioration in customer satisfaction.
- **People:** The untreated risk in this case is rated as Low under the Risk Management Framework, because there is a risk that at least once every two years the exposure of our frontline staff to additional pressure and stress will contribute to higher levels of OH&S issues.
- **Finance:** The untreated risk in this case is rated as Low under the Risk Management Framework because while unlikely, it is possible when certain circumstances prevail that the costs associated with resolving complaints involving our vulnerable customers and dealing with higher levels of OH&S issues could be in the order of \$1-\$5 million.

3.5 Options considered

The following options have been identified to address the risks outlined above and to play our part in supporting our customers experiencing vulnerability:

- Option 1 – Do not increase our expenditure to support our priority service customers
- Option 2 – Implement all the vulnerable customer assistance measures
- Option 3 – Implement only key initiatives

The key difference between Option 2 and 3 is that Option 2 includes:

- a Priority Service Manager role wholly resourced by MGN, rather shared with AGN Victoria and Albury; and
- the development of a dedicated engagement program for CALD customers.

3.5.1 Option 1 – Do nothing additional

Under this option, none of the vulnerable customer assistance measures set out in Table 1.5 would be implemented. MGN would, however, still implement the following measures set out in Table 1.4, including:

- working with community organisations, government agencies and retailers to develop and deliver advice on energy efficient usage;
- training our frontline staff to engage with customers with empathy and sensitivity; and
- establish processes to enable priority service customers to submit meter-self reads should they prefer.

These initiatives would be funded from our existing opex allowance.

3.5.1.1 Cost assessment

There would be no additional upfront costs associated with this option. There may, however, be a range of indirect costs associated with this option for both our customers and our people. For example, not developing a priority service register and introducing priority services for our customers experiencing vulnerability could:

- inadvertently exacerbate the disadvantage faced by our customers experiencing vulnerability and therefore impose a cost on these customers; and/or
- expose our frontline staff to additional pressure and stress, which could result give rise to a range of OH&S issues.

While the first of these impacts will be borne by our customers experiencing vulnerability, the second will be borne by the network, the costs of which will be ultimately passed through to all users.

3.5.1.2 Risk assessment

Option 1 will not result in any change to the risk assessment, which as noted in section 1.4 is measured on the basis that MGN implements the improved energy efficiency information, self-meter reads and frontline training measures, but none of the additional measures in Table 1-5. The risk associated with this option is therefore still considered High (See Table 1-8), which is inconsistent with the requirements of our Risk Management Framework. It is also inconsistent with what one would expect of a prudent service provider.

Table 1-8: Risk assessment – Option 1

Option 1	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	High
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	High	Negligible	

3.5.1.3 Alignment with MGN vision objectives

Table 1.9 shows how Option 1 aligns with our vision objectives.

Table 1-9: Alignment with MGN vision – Option 1

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	N
A Good Employer – Health and Safety	N
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	N

As this table shows, Option 1 would **not** align with our objectives of *Delivering for Customers*, because it would not provide for the level of customer service that our vulnerable customers require and could result in lower levels of customer satisfaction and a greater number of complaints.

This option would also be inconsistent with our objective of being *A Good Employer*, because if, for example, we are not aware of the need to provide priority services to vulnerable customers in certain circumstances our frontline staff could be exposed to greater levels of pressure and stress. This could, in turn, expose them to a range of OH&S issues.

Option 1 would also be inconsistent with our objective of being *Sustainably Cost Efficient*, because the failure to implement specific measures to support our vulnerable customers would be socially irresponsible. As noted in section 1.3, it has become increasingly clear over the current AA period (including as a result of the AER's Draft Consumer Vulnerability Strategy, Financial Services Royal Commission, the work the CPRC has recently carried out for the AER on customer vulnerability and our work on the Energy Charter) that networks should be providing support to our vulnerable customers and the failure to do so would put our social licence to operate at risk.

3.5.2 Option 2 – Implement all the vulnerable customer assistance measures

Under this option, the priority service program would comprise all of the measures listed in Table 1.5, which are as follows:

- provide funding for (a):
 - gas appliance safety checks (i)
 - emergency appliance repairs for vulnerable customers (measure (ii))
- appoint a Priority Service Manager (measure (b)(ii)) and Lead role at MGN (measure (c))
- improve communications with CALD customers (measure (d))
- develop a targeted CALD engagement program (measure (e))
- check-in and provide cooking and heating assistance during extended outages (f)

3.5.2.1 Cost assessment

The implementation of this option is estimated to cost \$1.2 million per annum over the next AA period. This estimate is based on the following:

- The appointment of a Priority Service Program Manager is estimated to cost [REDACTED] over the period, which represents the cost of employing 1 full time (FTE) staff member at an annual cost of [REDACTED]
- The appointment of a Priority Service Program Lead is estimated to cost [REDACTED] over the period, which represents the cost of employing 1 full time (FTE) staff member at an annual cost of [REDACTED]
- The development of a priority service register is estimated to cost [REDACTED], which is the cost of employing an FTE staff member for a year to set up the register. Note that this cost estimate assumes that the proposed upgrade of the CRM system is approved (see Attachment 9.19). If this does not occur, then revisions to the forecast costs will be required to account for the system related costs associated with developing the register through a different system.
- The provision of funding for gas safety checks, emergency appliance repairs and appliances (i.e., heaters and cook tops) to support customers in extended outages is estimated to cost [REDACTED] per annum, which includes the cost of:
 - conducting the gas safety checks, which is estimated to cost [REDACTED] per annum (this estimate assumes that it costs [REDACTED] per safety check, and we will fund 800 checks each year)
 - providing funding for emergency appliance repairs, which is estimated to cost [REDACTED] per annum (this estimate assumes that it costs [REDACTED] per appliance repair and that 300 repairs are funded each year); and
 - provide temporary heating and cook tops to customers during extended outages, which is expected to cost [REDACTED] per heating unit and [REDACTED] per cooking unit and have 60 units available at any given time. It important to note that these appliances are gifted to customers not collected after the event.
- A number of improvements to our communication with CALD customers which is estimated to cost [REDACTED] over the 5-year period, and includes an easy English review of the entire communications/letter suite (this assumes that it costs [REDACTED] per review and that 36 communications/letters need to be reviewed in year 1), translation of critical communications/letters into the top 3 languages spoken on the MGN network (this assumes

that translation into 3 languages costs [REDACTED] per communication/letter and that 15 letters will be translated over the period) and the development of demonstration videos (this assumes that it costs [REDACTED] per video and we will create 9 videos over the period).

- The development of a dedicated CALD engagement program is estimated to cost [REDACTED] per annum, which is based on the cost of developing the program and associated collateral materials and a staff member to work on a part time basis (based on a 0.5 x FTE) to manage the program.

Under this option:

- Internal resources would be used for the priority service program Manager and Lead roles, the development of the priority service register, and the management of the CALD community engagement program. The labour related costs are based on the costs of hiring equivalent roles within AGIG and reflect the total cost of employing an FTE staff member (including salary, superannuation, training and other onboarding costs).
- Internal resources (field crew staff) would be responsible for the delivery of customer check-in and heater/cooker deliveries during extended gas outages.
- External resources would be used to deliver the CALD communication program (e.g., easy English review, translation, and demonstration videos). The costs related to these initiatives are based on pricing details and quotes provided by an independent expert communication agency.
- External resources would be used to deliver part of the appliance program (e.g., gas fitters would conduct safety checks and emergency appliance repairs). These costs are based on our knowledge of standard gas fitter rates and appliance costs in Victoria.

Table 1-10: Cost estimate – Option 2, \$2021/22

Option 2		2023/24	2024/25	2025/26	2026/27	2027/28	Total
Priority Service Program Manager role (VIC)							
Priority Service Program Lead role							
Development of Priority Service Register			\$0	\$0	\$0	\$0	
Emergency gas appliance repairs	Cost per repair						
	No. of repairs	300	300	300	300	300	
	Total cost						
CALD communications	<i>Easy English Review</i>						
	No. of letters	36	\$0	10	\$0	10	
	Total cost						
	<i>Translation (top 3 languages) per letter</i>						
	No. of letters	10	\$0	5	\$0	5	
	Total cost						
	<i>Demonstration video</i>						
	No. of videos	5	\$0	2	\$0	2	
	Total cost						
CALD Community Engagement Program							
Additional support during outages – heating	Cost per unit						
	No. of units	30	30	30	30	30	
	Total cost						
Additional support during outages – cooking	Cost per unit						
	No. of units	30	30	30	30	30	
	Total cost						
Gas appliance safety check	Cost per safety check						
	No. of repairs	800	800	800	800	800	
	Total cost						
		\$1,418,950	\$1,162,200	\$1,188,200	\$1,162,200	\$1,188,200	\$6,121,250
		Cost per annum					\$1,224,250

Tables may not sum due to rounding

Table 1-11: Cost estimate – Option 2, \$'000 real 2021

Option 2	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Capex	-	-	-	-	-	-
Opex	1,419	1,162	1,188	1,162	1,188	6,121
Total	1,419	1,162	1,188	1,162	1,188	6,121

The key driver for this option is the provision of support for our customers experiencing vulnerability. The main benefits of this option are that it will:

- result in a more responsive customer environment and improve the customer experience for our vulnerable customers through the provision of priority services;
- provide for a more rapid resolution of complaints by having a dedicated Manager and Lead to resolve the concerns and complaints raised by vulnerable customers, which will, in turn, reduce our financial related risks;
- reduce the financial barriers that some vulnerable customers face in terms of having access to safe, reliable and efficient appliances; and
- provide fit-for-purpose communications and engagement activities to CALD customers focused on building their knowledge of the role of gas distributors and the services that we provide.

The provision of priority services to customers experiencing vulnerability will also reduce the pressure and our frontline staff may otherwise face in the absence of these services, which will reduce the OH&S and financial related risks.

3.5.2.2 Risk assessment

This option reduces the risk from high to low. The residual risk outcomes are shown in Table 1.12.

Table 1.12: Residual risk – Option 2

Option 2	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Low	Negligible	

The implementation of all the measures in Table 1.5 reduces the likelihood of the Reputation and People risk events from occurring from occasional (may occur occasionally every two years) to remote (may occur every 20 years), and Financial risk events from unlikely (every 5 years) to hypothetical (every 50 years). The risk severity remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

3.5.2.3 Alignment with vision objectives

Table 1-13 shows how Option 2 aligns with our vision objectives.

Table 1-13: Alignment with vision – Option 2

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	Y
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 2 would align with our objectives of *Delivering for Customers*, because it would result in an improvement in customer service. Specifically:

- Providing financial support would reduce the financial barriers that some vulnerable customers face in terms of accessing services to ensure that their appliances are in a safe and reliable manner.
- Providing an MGN specific PSP manager and lead would result in a more responsive customer environment, improve the customer experience for our vulnerable customers and provide for a more rapid resolution of complaints.
- Improving our services for CALD customers would result in improved engagement with CALD communities on the network who often experience exacerbated vulnerability due to language barriers.
- Improved processes would ensure that our most vulnerable are safe and cared for when their gas supply is unavailable.

Option 2 would also be consistent with our objective of being *A Good Employer*, because the provision of priority services to our vulnerable customers should reduce the pressure and stress our frontline staff and, in particular, our field staff, may otherwise face.

This option would also align with our objective of being *Sustainably Cost Efficient* because, as highlighted by the AER's Draft Consumer Vulnerability Strategy, Financial Services Royal Commission, the CPRC's work on customer vulnerability and the Energy Charter, supporting vulnerable customers is becoming an increasingly important element of our social licence to operate. Undertaking the measures in this option would therefore be socially responsible.

Overall, when compared to Option 1, this option is expected to result in a higher level of:

- customer service provided to our vulnerable customers;
- health and safety for our employees; and
- social responsibility.

However, this program does not align with *Working Within Benchmarks*, as there is no attempt to leverage efficiencies that could be realised across the AGIG Victorian networks (AGN and MGN), for example by sharing resources. Further, this option includes a program of works which was not prioritised with our PSP Advisory Group.

3.5.3 Option 3 – Implement a sub-set of the priority customer assistance measures

Under this option, the priority service program would be delivered as per Option 2, but without:

- a dedicated AGN PSP Manager; and
- the CALD community engagement program.

3.5.3.1 Cost assessment

The implementation of this option is estimated to cost \$0.87 million per annum (real 2021) over the next AA period. This estimate is based on the following:

- The appointment of a Priority Service Program Manager, who will work across both the MGN and AGN Victoria and Albury priority service programs²⁰, is estimated to cost [REDACTED] over the period, which represents the cost of employing 0.5 full time (FTE) staff members at an annual cost of [REDACTED]
- The appointment of a Priority Service Program Lead is estimated to cost [REDACTED] over the period, which represents the cost of employing 1 full time (FTE) staff member at an annual cost of [REDACTED]
- The development of a priority service register is estimated to cost [REDACTED], which is the cost of employing an FTE staff member for a year to set up the register. Note that this cost estimate assumes that the proposed upgrade of the CRM system is approved (see Attachment 9.19). If this does not occur, then revisions to the forecast costs will be required to account for the system related costs associated with developing the register.
- The provision of funding for gas safety checks, emergency appliance repairs and appliances (i.e., heaters and cook tops) to support customers in extended outages is estimated to cost [REDACTED] per annum, which includes the cost of:
 - conducting the gas safety checks, which is estimated to cost [REDACTED] per annum (this estimate assumes that it costs [REDACTED] per safety check, and we will fund 800 checks each year)
 - providing funding for emergency appliance repairs, which is estimated to cost [REDACTED] per annum (this estimate assumes that it costs [REDACTED] per appliance repair and that 300 repairs are funded each year); and
 - provide temporary heating and cook tops to customers during extended outages, which is expected to cost [REDACTED] per heating unit and [REDACTED] per cooking unit and have 60 units available at any given time. It important to note that these appliances are gifted to customers not collected after the event.
- A number of improvements to our communication with CALD customers which is estimated to cost [REDACTED] over the 5-year period, and includes an easy English review of the entire communications/letter suite (this assumes that it costs [REDACTED] per review and that 36 communications/letters need to be reviewed in year 1), translation of critical communications/letters into the top 3 languages spoken on the MGN network (this assumes that translation into 3 languages costs [REDACTED] per communication/letter and that 15 letters will be translated over the period) and the development of demonstration videos (this assumes that it costs [REDACTED] per video and we will create 9 videos over the period).

Under this option:

²⁰ Under Option 2, we are proposing that the Priority Service Program Manager role be a shared role across our MGN and AGN Victoria and Albury networks. This means that the costs associated with the role will be shared evenly across both networks.

- Internal resources would be used for the priority service program Manager and Lead roles and the development of the priority service register. The labour related costs are based on the costs of hiring equivalent roles within AGIG and reflects the total cost of employing an FTE staff member (including salary, superannuation, training and other onboarding costs).
- Internal resources (field crew staff) would be responsible for the delivery of customer check-in and heater/cooker deliveries during extended gas outages.
- External resources would be used to deliver the CALD communication program (e.g., easy English review, translation, and demonstration videos). The costs related to these initiatives are based on pricing details and quotes provided by a reputable communication agency.
- External resources would be used to deliver part of the appliance program (e.g., gas fitters would conduct safety checks and emergency appliance repairs). These costs are based on our knowledge of standard gas fitter rates and appliance costs in Victoria.

Table 1-15: Cost estimate – Option 3, \$'000 real 2021

Option 3	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Capex	-	-	-	-	-	-
Opex	\$1,081.45	\$824.70	\$851.45	\$824.70	\$851.45	\$4,433.75
Total	\$1,081.45	\$824.70	\$851.45	\$824.70	\$851.45	\$4,433.75

The key driver for this option is the provision of support for our priority service customers. The main benefits of this option are that it will:

- result in a more responsive customer environment and improve the customer experience for our vulnerable customers through the provision of priority services
- provide for a more cost-effective method of addressing complaints by having a shared manager, but dedicated lead to resolve the concerns and complaints raised by vulnerable customers, which will, in turn, reduce our financial related risks and minimise the impact on customer bills in doing so
- reduce the financial barriers that some vulnerable customers face in terms of having access to safe, reliable and efficient appliances
- provide fit-for-purpose communications to CALD customers focused on building their knowledge of the role of gas distributors and the services that we provide.

The provision of priority services to vulnerable customers will also reduce the pressure and our frontline staff may otherwise face in the absence of these services, which will reduce the OH&S and financial related risks.

3.5.3.2 Risk assessment

In a similar manner to Option 2, Option 3 reduces the risk from high to low (see Table 1-16).

Table 1-16: Risk assessment – Option 3

Option 3	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Low	Negligible	

The implementation of a sub-set of vulnerable customer measures reduces the likelihood of the Reputation and People risk events from occurring from occasional (may occur occasionally every two years) to remote (may occur every 20 years), and Financial risk events from unlikely every 5 years) to hypothetical (every 50 years). The risk severity remains unchanged.

Reducing the overall risk to low is consistent with our Risk Management Framework.

3.5.3.3 Alignment with vision objectives

Table 1-17 shows how Option 3 aligns with our vision objectives.

Table 1-17: Alignment with vision – Option 3

Vision objective	Alignment
Delivering for Customers – Public Safety	-
Delivering for Customers – Reliability	-
Delivering for Customers – Customer Service	Y
A Good Employer – Health and Safety	Y
A Good Employer – Employee Engagement	-
A Good Employer – Skills Development	-
Sustainably Cost Efficient – Working within Industry Benchmarks	-
Sustainably Cost Efficient – Delivering Profitable Growth	-
Sustainably Cost Efficient – Environmentally and Socially Responsible	Y

As this table shows, Option 3 would align with our objectives of *Delivering for Customers*, because it would result in an improvement in customer service. Specifically:

- Providing financial support would reduce the financial barriers that some vulnerable customers face in terms of accessing services to ensure that their appliances are in a safe and reliable manner.
- The introduction of a Victorian Manager and MGN PSP Lead role would result in a more responsive customer environment, and improve the customer experience for our vulnerable customers in the most cost efficient manner.
- Improved communications for CALD customers, targeted communications initiatives would provide a good first step to improve engagement with CALD communities on the network who often experience exacerbated vulnerability due to language barriers.
- Improved processes ensure that our most vulnerable are safe and cared for when their gas supply is unavailable.

Option 3 would also be consistent with our objective of being *A Good Employer*, because the provision of priority services to our vulnerable customers should reduce the pressure and stress our frontline staff and, in particular, our field staff, may otherwise face.

This option would also align with our objective of being *Sustainably Cost Efficient* because, as highlighted by the AER's Draft Consumer Vulnerability Strategy, Financial Services Royal Commission, the CPRC's work on customer vulnerability and the Energy Charter, supporting vulnerable customers is becoming an increasingly important element of our social licence to operate. Undertaking the measures in this option would therefore be socially responsible.

Relative to the other options, Option 3 is expected to:

- Result in the level of customer service provided to our vulnerable customers being higher than it is under Option 1 and marginally lower than what it is under Option 2. Customer service may be marginally lower under Option 3, because it involves a shared manager role to oversee AGIG's Victorian program, but that comes at a cost reduction for customers.

- Result in the health and safety of our employees being higher than they are under Option 1, but equivalent to the levels under Option 2.
- Result in our level of social responsibility being higher than it is under Option 1 and marginally lower than what it is under Option 2. Our social responsibility is expected to be marginally lower because it does not involve the development of a targeted CALD customer engagement program. It is unclear at this stage whether a targeted engagement program would give rise to significant additional benefits, relative to the delivery of community-based education programs and outreach initiatives, which we also intend to do in partnership with others within our current operating expenditure allowance. It is for this reason that the difference in social responsibility under the two options is only considered marginal.

3.6 Summary of costs and benefits

Table 1.18 presents a summary of how each option compares in terms of the estimated cost, the residual risk rating, and alignment with our vision objectives (these objectives encapsulate the benefits of the options).

Table 1.18: Comparison of options

Option	Estimated annual cost (\$ million 2021/22)	Treated residual risk rating	Alignment with vision objectives
Option 1	0	Moderate	Does not align with <i>Delivering for Customers, A Good Employer</i> or <i>Sustainably Cost Efficient</i>
Option 2	1.2	Low	Aligns with <i>Delivering for Customers, A Good Employer</i> or <i>Sustainably Cost Efficient</i>
Option 3	0.9	Low	Aligns with <i>Delivering for Customers, A Good Employer</i> or <i>Sustainably Cost Efficient</i>

3.7 Recommended option

Option 3 is the proposed solution. This solution involves:

- the appointment of a dedicated priority service customer manager role within MGN (a shared resource with AGN), responsible for liaising with community organisations, developing referral programs for our customer service teams and other strategic aspects of the program;
- the appointment of a dedicated priority service customer lead role within MGN, which will be responsible for the design and delivery of operational aspects of the program, including the trade panel and resolving complaints;
- the development of a 'Priority Service Register' using the upgraded Customer Relationship Management (CRM) system (see Attachment 9.19) – this register will form the basis for the provision of a range of priority services to our customers experiencing vulnerability, including advance notice of planned outages, priority support in an emergency and/or a dedicated liaison person where required; and
- the provision of:
 - gas appliance safety checks and emergency appliance repairs;
 - improved CALD communications; and
 - check-in and emergency heaters and cookers during extended outages.

Together the measures in this option will improve the customer experience for our customers experiencing vulnerability and will also reduce the financial barriers that some vulnerable customers may face in terms of ensuring their appliances are operating in a safe and reliable manner.

This option will also reduce the untreated risks associated with Reputation & Customer and Finance to low and the People risks to negligible, because it will reduce the risk that:

- we inadvertently exacerbate the financial hardship, harm, detriment or disadvantage that our vulnerable customers face;
- our frontline staff are exposed to additional pressure and stress, which could otherwise result in higher levels of OH&S issues; and
- that we have to pay compensation and/or incur other costs resolving complaints and dealing with higher levels of OH&S issues.

This project will be delivered using a combination of internal and external resources, with internal resources used for the priority service program manage and lead roles, development of the priority service register, and the management of the appliance program, while external resources will be used to deliver the appliance and CALD communication.

3.7.1 Why is the recommended option prudent?

Option 3 is the most prudent option because it is:

- the most cost-effective option that reduces risk to an acceptable level (i.e., from moderate to low):
 - Option 1 would not mitigate any of the risks associated with the Reputation & Customers, People and Financial categories identified in section 1.4.
 - Option 2 would also reduce the risk rating from moderate to low, but the costs of doing so are higher than they are under Option 3. Further, the incremental benefits associated with some of the additional measures in Option 2 (i.e., the appointment of a priority service manager solely for MGN (not shared with AGN Victoria and Albury) and the development targeted CALD engagement program) do not appear to be significant enough to justify the additional expenditure at this stage. While this could change in the future, it is prudent to focus on those measures that will deliver the greatest benefit to our vulnerable customers in the least cost manner.
- consistent with our vision that we will deliver for customers and customer and stakeholder expectations that we will do more to improve the customer experience for our vulnerable customers and provide other support to these customers; and
- deliverable, as evidenced by similar work that we have done to engage with our customers and work collaboratively with others to deliver aspects of the program.

Option 3 also represents a measured approach to providing support to our customers experiencing vulnerability, with clear objectives that can be realised in the next AA period. This approach is also consistent with the Priority Service Program being implemented in our AGN SA network, and ensures we leverage the learnings from the program. The forecast cost of the program, when expressed on a total cost per customer per annum basis (\$1.34 per annum) and is supported by strong customer sentiment.

Finally, it is worth reiterating that we don't intend to 'go it alone' on the measures described above. Rather, we intend to continue collaborating with community organisations, government agencies and other parts of the energy supply chain to ensure the assistance we provide is best practice and appropriately targeted.

3.7.2 Estimating efficient costs

The forecast cost breakdown is shown in Table 1-19, while Table 1-20 explains the basis for the forecast costs. All the expenditure related to this project is opex. As Table 1-20 highlights, the internal labour costs have been based on the costs of hiring equivalent roles within AGIG and reflects the total cost (salary and on cost) of employing an FTE staff member.

The external costs on the other hand (i.e., the costs of conducting gas safety checks, emergency appliance repairs, procuring and installing emergency heaters and cookers, CALD communications) are based on standard gas fitter rates and appliance costs as well as standard communication agency rates. We have applied the standard unit rates based on historical and quoted costs, however in implementing the program we will conduct a competitive tender to lock in these rates.

Table 1-19: Cost estimate – Option 3, \$2021/22

Option 3		2023/24	2024/25	2025/26	2026/27	2027/28	Total
Priority Service Program Manager role (50%)							
Priority Service Program Lead role							
Development of Priority Service Register			\$0	\$0	\$0	\$0	
Emergency gas appliance repairs	Cost per repair						
	No. of repairs	300	300	300	300	300	
	Total cost						
CALD communications	<i>Easy English Review</i>						
	No. of letters	36	\$0	10	\$0	10	
	Total cost						
	<i>Translation (top 3 languages) per letter</i>						
	No. of letters	10	\$0	5	\$0	5	
	Total cost						
	<i>Demonstration video</i>						
	No. of videos	5	\$0	2	\$0	2	
	Total cost						
Additional support during outages – heating	Cost per unit						
	No. of units	30	30	30	30	30	
	Total cost						
Additional support during outages – cooking	Cost per unit						
	No. of units	30	30	30	30	30	
	Total cost						
Gas appliance safety check	Cost per safety check						
	No. of repairs	800	800	800	800	800	
	Total cost						
		\$1,081,450	\$824,700	\$851,450	\$824,700	\$851,450	\$4,433,750
		Cost per annum					\$886,750

Tables may not sum due to rounding

Table 1-20: Basis for cost estimates – Option 3

Option 3	
Internal labour costs	The FTE related cost estimates are based on the costs of hiring equivalent roles within AGIG and reflects the total cost of employing a FTE staff member (including salary, superannuation, training and other onboarding costs).
Gas safety checks	The cost of a gas safety checks (████ per unit) is based on the standard cost for a gas fitter to carry out gas heater, hot water and oven services check in metropolitan Melbourne, these costs have not been adjusted to reflect higher call-out fees in regional areas because the majority of the MGN network is in metropolitan Melbourne.
Emergency appliance repairs	The cost of emergency appliance repairs (████) is based on the standard call out fees for plumbers and gas fitters in Victoria and includes an estimate of the cost of parts to undertake the repairs.
Emergency appliances	The cost of temporary heating (████) and cooking (████) units is based on the standard unit rates applied to recent purchases of these units in our MGN network.
No. of safety checks and appliance repairs and appliances	The number of gas safety checks (800), emergency appliance repairs (300), emergency heaters (30), cookers (30) that are assumed to be delivered / undertaken in each year is based on a conservative estimate of the number of priority service customers that may require this type of assistance as well as the expected frequency of extended gas outages on the network. In this regard, it is worth noting that according to estimates published by the ESC approximately 2.2% of Victorians (~47,000 people) were on a retailer hardship program in 2021.
CALD communications	The cost of the easy English review (████ per communication/letter), translation services (████ per communication/letter) and demonstration videos (████ per video) are based on pricing quotes supplied by a reputable communication agency for costing purposes.
No. of easy English review, translated comms/letter and demonstration videos	<p>The communications/letter suite at MGN totals 36 items. We are proposing to undertake an easy English review of the entire suite to ensure that they are simple and easy to understand. In years 3 and 5 of the program, as new letters enter the suite, we have budgeted for an additional 10 letters to be reviewed.</p> <p>We will target the top 10 communications/letters in terms of reach and frequency of dissemination for translation. As we do not expect the letter suite to change significantly each year, we have proposed to translate any new target communications in years 3 and 5 of the program (an additional 10 communications/letters).</p> <p>Finally, initial assessments suggest that 5 demonstration videos would be satisfactory to cover the key information needs of our CALD customers. We have budgeted for an additional 4 demonstration videos during the period as new information and processes emerge.</p>

3.7.3 Consistency with National Gas Rules and National Gas Law

In developing the forecast expenditure on the proposed Priority Service Program (i.e. Option 3), we have had regard to Rule 91 and Rule 74 of the NGR. With regard to all projects, and as a prudent asset manager/network business, we give careful consideration to whether opex is prudent and efficient from a number of perspectives before committing to fund new programs. We have also had regard to the National Gas Objective and revenue and pricing principles in the NGL.

NGR 91

The proposed solution is prudent, efficient, consistent with accepted and good industry practice and will achieve the lowest sustainable cost of delivering pipeline services:

- **Prudent** – The expenditure on the proposed Priority Service Program is necessary in order to support our vulnerable customers and reduce the untreated risks associated with the Reputation & Customers and Financial categories to low. The expenditure is also of a nature

that a prudent service provider would incur, particularly given the growing awareness of the need to support vulnerable customers, as evidenced by the AER's Draft Consumer Vulnerability Strategy, findings of the Financial Services Royal Commission, the CPRC's work for the AER on consumer vulnerability and the Energy Charter.

- **Efficient** – The measures forming part of the proposed Priority Service Program are the most practical and effective measures to support our vulnerable customers and to reduce the untreated risks from moderate to low. The proposed solution is also the most cost effective option. The expenditure is therefore of a nature that a prudent service provider acting efficiently would incur.
- **Consistent with accepted and good industry practice** – Implementing the proposed Priority Service Program would be consistent with good industry practice, as highlighted by:
 - a key element of the CPRC's advice to the AER on regulatory approaches to consumer vulnerability, which is that:²¹

"From a market-outcomes perspective, it is efficient and effective for regulators, government, community organisations and industry to prioritise early and pre-emptive interventions wherever possible, rather than focusing on 'bottom of the cliff' measures that wait for problems to emerge or become advanced."

- the activities undertaken by gas and electricity networks in the UK to support their vulnerable customers, which are being encouraged by Ofgem; and
- the Energy Charter, which MGN is a signatory to and which was developed in collaboration with consumer and customer representatives, including Energy Consumers Australia, and has as one of the five key principles supporting customers in vulnerable circumstances.
- **To achieve the lowest sustainable cost of delivering pipeline services** – The proposed Priority Service Program is necessary to provide the support our vulnerable customers require, which is in the long-term interests of all of our customers and our staff. Failure to implement this package could further exacerbate the vulnerability some of our customers face and give rise to a range of OH&S issues for our frontline staff. We may therefore incur additional costs over the longer term from not implementing the package. The project is therefore consistent with the objective of achieving the lowest sustainable cost of delivering services.

NGR 74

The forecast costs for the priority service program manager and lead roles, development of a priority register and management of the appliance program are based on internal labour costs. The costs of the appliance program are based on standard gas fitter rates and appliance costs. The costs of the CALD communication initiatives are based on pricing details and quotes provided by a reputable communication agency. The project options consider our vulnerable customer requirements, which have been informed by our stakeholder engagement process and the Advisory Panel workshop conducted with participants with extensive experience in this area. The estimate has therefore been arrived at on a reasonable basis and represents the best estimate possible in the circumstances.

NGL

In addition to being consistent with rules 74 and 91, implementing a Priority Service Program will promote the long term interests of our customers, consistent with the NGO, because it will result in improvements to the quality, safety, reliability and security of supply to our vulnerable customers.

²¹ CPRC, Exploring regulatory approaches to consumer vulnerability – A report for the AER, February 2020, p. 8.

Elements of the program (e.g. emergency appliance repairs) will also promote more efficient use of and, in turn, more efficient investment in the network. This is consistent with both the NGO and revenue and pricing principles in the NGL.²²

²² In particular, the principles set out in sections 24(3), (6) and (7).

Appendix A – Proposed Initiative for Priority Service Customers

A.1. Staffing requirements

The FTE requirements for our Priority Service Program would be:

- 0.5 FTE to manage the broader and strategic elements of the program across our Victorian networks. As we implement vulnerable customer initiatives, there will be a requirement to establish working relationships and programs with organisations that represent vulnerable customers. These organisations deal directly with customers in vulnerable situations and by increasing awareness of the proposed initiatives, they can refer customers to us for assistance. This role will also allow co-design to better understand where our field activities impact customers. This will provide us with insights and improvement opportunities where the maximum benefit to vulnerable customers can be actioned. This role will also establish referral programs from our customer contact teams to supporting agencies. Northern Gas Networks in the UK has built similar relationships with community service organisations across their geographic area. When an employee or contractor identifies a customer in a potential vulnerable situation (normally during a site visit to their premise), they have a referral group they can offer to the customer. Examples may be financial hardship, physical disabilities or mental health issues.
- 1 FTE to manage the operational elements of the program. This would involve initial design of the program, setting up a trade panel and negotiating supply and repair costs. They would be required to develop operating procedures and communicate internally and externally to ensure the program is directed to customer in vulnerable situations. This person would also run the program once implemented. Activities in the operational phase would include screening applications and referrals, liaising with Trade panel partners, works scheduling, auditing and reporting on program outcomes, customer feedback and process improvement

A.2. Business as usual activities – customers facing vulnerability

A number of activities to be implemented in the next AA period that are required to improve the support provided to customers in vulnerable situations will be undertaken by existing employees. These include:

- Provision of training to office and field-based customer service employees and service providers (contractors) in areas of identification of vulnerable customers, initiatives available from MGN to support customers, referral organisations for the provision of targeted services.
- Development of communication material targeted at providing advice on energy efficient research and improving energy literacy among priority service customers.
- Development and implementation of process to allow priority service customers to submit meter-self reads should that be their preference.

A.3. Proposed new services and initiatives for priority service customers

Safety Checks

Recommendation for gas appliances (i.e., heater, hot water system and oven) to be regularly checked by a licensed gas fitter.

Gas heater services in metro-Melbourne are quoted around [REDACTED], gas hot water system services are quoted at [REDACTED] and gas oven services between [REDACTED]. On this basis, we are proposing a budget of [REDACTED] per unit check. We have not accounted for higher call-out fees in regional areas, as we have in the AGN Victoria and Albury Business Case, as the MGN network is largely located in metro-Melbourne.

If we were to provide 800 checks per annum, this would be a total cost of [REDACTED] p.a.

Emergency Repairs

Call out fees and appliance repairs when an appliance fault is identified by our field crews. Call out fee, 2 hours on site and parts totals [REDACTED]

\$1000 per repair at 300 repairs pa totals [REDACTED] pa.

Emergency heaters for extended outages

Heaters and cookers supplied by our field crews when checking-in on priority service customers experiencing an extended gas outage.

Heating units cost [REDACTED] per unit

Cooking until cost [REDACTED] per unit

Having 30 heaters and 30 cookers available totals [REDACTED]

The costs associated with coordinating and scheduling field crews to go back to each property to collect the heaters and cookers are prohibitive, as such, we are proposing to gift the units to customers.

CALD communications

Recommendation to review all communication collateral to ensure it is communicated in easy English, translation our critical communications into the top 3 languages spoken on our network and develop a series of demonstration videos targeting CALD customers.

Easy English review per communication/letter is quoted at [REDACTED] and we will undertake this for all 36 communications/letter in our suite costing [REDACTED] in year 1. We will undertake the same reviews in years 3 and 5 of the program for 20 new communications/letters totaling [REDACTED]

Translation services into top 3 languages per communication/letter is quoted at [REDACTED] and will we translate the top 10 communications/letter in our suite in year 1 totaling [REDACTED]. We will translate an additional 10 letters in years 3 and 5 of the program totaling [REDACTED].

The design, filing and editing of demonstration videos is requested at [REDACTED] per video. We will develop 9 videos over the period totaling [REDACTED]

The total cost of this initiative would be [REDACTED] over the 5-year period.

Appendix B – Comparison of risk assessments for each option

Unrelated risk	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	High
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	High	Negligible	

Option 1	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Occasional	Remote	Remote	Occasional	Unlikely	Remote	High
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Low	Negligible	Negligible	Intermediate	High	Negligible	

Option 2	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Low	Negligible	

Option 3	People	Supply	Environment	Reputation	Financial	Compliance	Overall Risk
Frequency	Remote	Remote	Remote	Remote	Hypothetical	Remote	Low
Severity	Minor	Minor	Minor	Severe	Major	Minor	
Risk Level	Negligible	Negligible	Negligible	Low	Low	Negligible	