Attachment 8.7

Operating Expenditure

Response to AER Draft Decision

January 2023

Contents

1 Operating Expenditure

We will spend $399 million operating and maintaining our Multinet network in the next AA period.

1.1 Overview

This attachment sets out our revised Final Plan operating expenditure (opex) proposal for the MGN Victorian gas distribution network over the next (2023/24 to 2027/28) Access Arrangement (AA) period in response to the AER's Draft Decision. In the next AA period we propose to spend $399 million, which is unchanged from the AER's Draft Decision and our Final Plan Gas Substitution Roadmap (GSR) Response.

The AER's Draft Decision approved opex (excluding ancillary reference services) of $399 million in the next AA period, which is the same as what we proposed in our GSR Response.

As part of its review of our opex, the AER produced its own alternative forecast. Although the AER's forecast did not include some of the items we proposed, the forecast was not materially different in quantum to our own, and therefore the Draft Decision was to accept our proposed opex forecast.

The AER's alternative opex estimate has:

- been updated for a more recent inflation forecast from the Reserve Bank of Australia (RBA);
- a higher base year opex due to a correction in the application of inflation when escalating to 2022/23 a dollars and a double count in the non-reference services opex to be removed (+$6.5 million);
- a lower final year increment due to the application of six months inflation for half year 2023 (-$11.1 million);
- higher price growth due to updated wage price forecasts (+$2.8 million); and
- excludes two step changes related to cyber security (-$3.6 million) and renewable gas communication and customer education (-$3.0 million).

We have accepted the AER's Draft Decision which accepted our forecast opex for the next AA period, however we provide further clarifications on our proposed cyber security step change and discuss further engagement on our priority services program (PSP).

The sections below discuss the AER's Draft Decision and our revised Final Plan on opex in more detail.

All numbers quoted throughout our revised Final Plan are dollars 2022/23, unless otherwise labelled.

1.2 Customer and stakeholder feedback

In preparing our revised Final Plan we have continued to engage with stakeholders, including through our Reference Groups and consideration of public submissions to the AER on our Final Plan and GSR Response. We have also undertaken additional engagement with our dedicated PSP Panel to respond to feedback in public submissions and the AER's Draft Decision.

Further, we have re-engaged with end use customers on our revised Final Plans to update them on changes since our series of customer workshops was completed in March 2022 and to receive further feedback.

A summary of customer and stakeholder feedback is provided in Table 1.1 below.

Table 1.1: Summary of submissions on operating expenditure

What we heard	Our response
Public submissions on our Final Plan and GSR Response	
On opex generally: • BSL stated that avoiding continued opex increases will be an important way to support affordability over the next period, and through the transition.[1] • Origin states the opex forecast methodologies appear reasonable and note the businesses have actively reduced expenditure in response to stakeholder feedback throughout the engagement process.[2] • Origin notes it may be necessary to revise opex forecasts within the AA period in response to policy developments.[3] • TRAC Partners asks the AER to ensure the cost allocation methodology between AGIG businesses is appropriate and Multinet customers are receiving benefits from this.[4]	The AER's Draft Decision found our opex forecast to be reasonable.
On base opex: • BSL considered current network-run rebate programs should be evaluated as in their view it is not responsible expenditure.[5] • BSL said it expected to see efficiency advantages for Multinet from joint ownership of the AGIG networks.[6]	The AER's Draft Decision accepts our base opex as efficient and has made only minor amendments to the application of inflation to 2022/23 dollars in its alternative forecast. We note the benefits for Multinet from joint ownership of the AGIG networks are embedded in our base opex and therefore are reflected in our opex forecast in the next AA period.

[1] Brotherhood of St Laurence, 2022 Victorian gas access arrangements, September 2022, p 24 (BSL Submission).
[2] Origin Energy, Submission to Victorian gas access arrangement proposals, September 2022, p 3 (Origin Submission).
[3] Origin Submission, p 3.
[4] TRAC Partners for BSL, Response to Vic DBs' 2023-28 Access Arrangement Proposals, September 2022, p 48 (TRAC for BSL Submission).
[5] BSL Submission, p 25.
[6] BSL Submission, p 26.

What we heard	Our response
On proposed changes in capitalisation: • BSL do not consider expensing items that were previously capitalised (which increases tariffs in the near term) is in the interest on consumers in the current context of higher inflation and cost of living stress.[7] • Origin considers that changes to cost allocation should only occur in exceptional circumstances, highlighting consistent cost allocation is a fundamental component of regulatory accounts.[8] • TRAC Partners doesn't consider a sound case has been made for the expensing of overheads that were once capitalised.[9]	We note the AER's Draft Decision to accept our proposed changes in capitalisation of some overheads for the next AA period.
On cyber security step change: • EUAA support the concept of a step change to cover cyber security, noting the AER will assess the prudent value of this step change.[10] • TRAC Partners encourages the AER to review the proposed cyber spend to ensure it is efficient.[11]	We add some further comments on our proposed cyber security step change at 1.4.1 below.

[7] BSL Submission, p 26.
[8] Origin Submission, p 3.
[9] TRAC for BSL Submission, p 73.
[10] EUAA, Submission to Victorian Gas Access Arrangements Proposal 2023-28, September 2022, p 9 (EUAA Submission).
[11] TRAC for BSL Submission, p 46.

What we heard	Our response
On the Priority Service Program: • While BSL appreciate the initiative in exploring a PSP, they did not consider there to be a strong enough justification for additional spending for the PSP given the importance of delivering affordable energy costs to all customers in this AA.[12] • CCP28 note while networks have tested the extent customers were willing to pay for the PSP, they are concerned that customers' willingness to pay for a PSP has not been tested contextually in terms of who should be responsible, the implications of the Gas Substitution Roadmap and current economic conditions.[13] • EnergyAustralia admires the concept of supporting vulnerable customers through a PSP, but would like to see elements undertaken without additional funding and stresses the need for network activities not to duplicate those of energy retailers and community organisations.[14] • EUAA appreciates the effort networks have gone to in engaging on the PSP, however favour it being funded through base opex.[15] • Red Lumo consider the PSP activities should be part of business as usual (and require no additional funding).[16] • TRAC Partners suggests the Priority Services Program should not be approved raising questions around sharing of costs across AGIG, why a step change is required for internal labour costs, cost/benefit assessment of the proposed initiatives, duplication across services offered by other organisations, cost differences between the networks, whether networks are best placed to deliver these services and that the right initiatives are being targeted.[17] • Victorian Community Organisations appreciate the PSP initiative, but don't support additional funds, instead recommending the development of a zero-net-cost PSP program that focuses on improved BAU services.[18]	We are pleased with the AER's Draft Decision to accept our proposed priority services program. We reconvened the PSP Panel in November to consider the value of proposed services and will continue to engage closely with the community sector as we implement the program in the next AA period. We also checked in with customers at our January workshops and found there were still high levels of customer support for the PSP.

[12] BSL Submission, p 24.
[13] CCP28, Advice to the AER on Victorian Gas Distribution Network Access Arrangement 2023–28 Proposals, September 2022, p 19 (CCP28 Submission).
[14] EnergyAustralia, Gas Access Arrangement proposals 2023-28 for AusNet, Multinet and AGIG – 1 July 2022, September 2022, p 3 (EnergyAustralia Submission).
[15] EUAA Submission, p 9.
[16] Red Lumo, Victorian gas distributors access arrangements proposals 2023-28, September 2022, p 3.
[17] TRAC for BSL Submission, p 49.
[18] Victorian Community Organisations, Submission to gas distributors' initial proposals: 2023–2028 Access Arrangements, September 2022, p 2-3 (Victorian Community Organisations Submission).

What we heard	Our response
On the renewable gas communications and education program: • BSL strongly oppose network customer funded renewable gas education, noting the importance of independent information and no equivalent fund to promote electrification.[19] • CCP28 note while networks have tested the extent customers were willing to pay for the proposed renewable gas communications and education, they did not discuss who should fund this education, whether the networks' have a social responsibility, whether the networks' existing marketing allowances could be used for this purpose and whether it is reasonable for customers to pay through a step change for this service.[20] • DCAN submitted funds proposed to educate consumers about renewable gases (when the gas mix will be no more than 10% hydrogen) should be rejected.[21] • EnergyAustralia believes expenditure for renewable gas education should not be allowed until there is more certainty that hydrogen will be an economical and environmentally suitable alternative for natural gas.[22] • EUAA does not support customers contributing to the cost of a renewable gas education campaign, suggesting equity holders are better placed to bear the risk of renewable gas and the AER's decision a similar proposal should be funded by base opex for AGN SA.[23] • Friends of the Earth Melbourne support publicly funded education campaigns around energy use, not ones funded by the gas industry.[24] • TRAC Partners suggests the renewable gas communications and education program is outside the scope of responsibility for gas network businesses and should not be approved.[25] • Victorian Community Organisations don't support additional funding for renewable gas communications stating the importance of unbiased information (where gas networks are not disinterested parties) and no equivalent funding for marketing of electrification.[26]	We have accepted the AER's Draft Decision for opex. We consider informing our customers of the transition of the gas network is important, but we will work within the overall expenditure levels provided in the Draft Decision to fund this work.

[19] BSL Submission, p 24.
[20] CCP28 Submission, p 19.
[21] Darebin Climate Action Now, Submission to the Australian Energy Regulator Distributors' Access Arrangements 2023-2028, September 2022, p 3 (DCAN Submission).
[22] EnergyAustralia Submission, pp 1-2.
[23] EUAA Submission, p 9.
[24] Friends of the Earth Melbourne, Distributor's gas access arrangement proposals 2023-2028 From Ausnet and AGIG (owners of AGN and Multinet), September 2022, p 2.
[25] TRAC for BSL Submission, p 48.
[26] Victorian Community Organisations Submission, p 3.

What we heard	Our response
On the opex trend: • BSL disagrees that it is prudent to abandon productivity increases in the face of increased competition and the prospect for reduced market share, noting they have advocated for higher productivity targets than the networks have proposed.[27] • EnergyAustralia suggests the AER consider whether further reductions in proposed opex are required to accommodate for the forecast reductions outlined in the GSR.[28] • EUAA does not support productivity of zero, arguing its members operating in a competitive market environment are still incentivized to make productivity improvements no matter the demand for their product or asset base.[29] • Origin considers the reduction in productivity growth from 0.4 to 0 per cent per annum is a reasonable approach given the networks are no longer expected to grow.[30] • TRAC Partners state it is not clear why a 0% productivity growth rate should be adopted.[31]	We are comfortable with the approach the AER has applied in calculating the opex trend which is based on parameters from ACIL Allen's 2022 opex partial productivity study.
Priority Service Program Advisory Panel Meeting	
• Panel members asked whether networks could utilise existing customer data bases / registers as opposed to creating a new one for this program. • Members expressed their concerns with increasing financial pressure on vulnerable customers, with financial counsellors seeing an increase in cases recently. • Questions were asked about expected customer volumes and how the networks will promote these new services. Referral services will be important in getting the message out.	We are pleased with the AER's Draft Decision to accept our proposed priority services program. We will continue to work with the Advisory Panel in further refining the program and implementation to ensure that their concerns are addressed.

1.3 AER Draft Decision

The AER's Draft Decision approved opex (excluding ancillary reference services) of $399 million in the next AA period, which is the same as what we proposed in our GSR Response.

As part of its review of our opex, the AER produced its own alternative forecast. Although the AER's forecast did not include some of the items we proposed, the forecast was not materially different in quantum to our own, and therefore the Draft Decision was to accept our proposed opex forecast.

The AER's alternative opex estimate, which was not materially different from our own, has:

- been updated for a more recent inflation forecast from the Reserve Bank of Australia (RBA);

[27] BSL Submission, p 27.
[28] EnergyAustralia Submission, p 2.
[29] EUAA Submission, p 9.
[30] Origin Submission, p 3.
[31] TRAC Partners, p 74.

- a higher base year opex due to a correction in the application of inflation when escalating to 2022/23 dollars and a double count in the non-reference services opex to be removed (+$6.5 million);
- a lower final year increment due to application of six months inflation for half year 2023 (-$11.1 million);
- higher price growth due to updated wage price forecasts (+$2.8 million); and
- excludes two step changes related to cyber security (-$3.6 million) and renewable gas communication and customer education (-$3.0 million).

We have provided a summary of the AER's alternative estimate for opex in its Draft Decision for the next AA period in Table 1.2 below.

Table 1.2: Summary of the AER's Draft Decision on opex

	AER Draft Decision	AER Comment
Base year opex	Modify	The AER accepted our proposed base year opex as efficient, however made two amendments for the application of inflation when escalating to 2022/23 dollars and a double count in the non-reference services opex to be removed.
Change in capitalisation of some overheads	Accept	The AER accepted our proposed change in capitalisation of some overheads from 2023/24.
Call centre onshoring	Accept	The AER accepted our proposed base year adjustment for additional ongoing call centre onshoring costs not incurred in our base year.
Step change (renewable comms)	Reject	The AER did not include our proposed step change for renewable gas communications and customer education in its alternative opex forecast.
Step change (cyber uplift)	Reject	The AER did not include our proposed step change for cyber security in its alternative opex forecast.
Capex to opex activities	Accept	The AER accepted our proposed capex to opex activities.
Trend	Accept	The AER applied the same approach to calculating the opex trend as we did in our GSR Response and updated for more recent wage price forecasts.
Priority Service Program	Accept	The AER accepted our proposed Priority Service Program. The AER encouraged us to continue to work with customers and relevant stakeholders to potentially refine and revise the scope of the program, test customer support and demonstrate an efficient use of resources in our revised proposal.
Debt raising costs	Accept	The AER used its standard approach to forecast debt raising costs.

Note: In this 'traffic light' table, green shading represents the AER's acceptance of our GSR Response, orange represents the AER's modification of our GSR Response and red shading represents the AER's rejection of our GSR Response.

The following sections outline the reasons for the AER's alternative estimate for opex in its Draft Decision.

1.3.1 Base year opex

The AER also used 2021 as the base year in its alternative estimate but used a higher base year opex of $69.2 million or $345.8 million over five years. The AER's higher alternative estimate is largely due to an amendment for the application of inflation when escalating to 2022/23 dollars.[32]

Final year increment

The AER made an amendment to calculating the final year increment in escalating the base opex for the six-month extension period to apply only six months' worth of inflation and latest inflation forecasts.[33]

1.3.2 Change in capitalisation of some overheads

The AER was satisfied our proposed adjustment to base opex related to increased expensing of overheads was reasonable. In coming to this position, the AER reviewed our proposal and supporting information provided to justify these movements. Specifically, the AER noted the expensed overheads are consistent with the new CAM, can be seen as opex in nature, and the required offsetting changes to our capex forecast, which does not include any of the same overhead costs capitalised, had been made.[34]

1.3.3 Call centre onshoring

The AER accepted our base year adjustment for additional ongoing costs related to the onshoring of our call centre which were not incurred in the base year. The AER was satisfied we must comply with Foreign Investment Review Board (FIRB) regulatory obligations in relation to data control requirements and agreed our proposed costs to meet these obligations were prudent and efficient.[35]

1.3.4 Step change (renewable comms)

The AER did not include our proposed renewable gas communications and customer education step change in its alternative opex estimate. In coming to this position, the AER found the program expenditure is not driven by a new regulatory requirement, capex-opex trade off or a necessary response to an external change, but rather a level of customer support for these more discretionary actions.[36]

Despite not including the step change in its alternative forecast the AER's view is that we are open to use base opex to communicate with customers.[37]

The AER states despite the support found when engaging with customers directly, there was strong stakeholder opposition to the step change and the associated additional costs which remained the case even after we removed the marketing costs from the step change in response to the feedback we received on our Draft Plan.[38]

On community engagement, the AER further states:

- it could be comparable to marketing, particularly where there is significant uncertainty, possible further policy changes and changing demands; and

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[32] AER, Attachment 6: Operating expenditure | Draft decision – Multinet Gas Networks Access Arrangement 2023–28, pp 13 (AER Draft Decision Opex).
[33] AER Draft Decision Opex, p 21.
[34] AER Draft Decision Opex, pp 17-18.
[35] AER Draft Decision Opex, p 17.
[36] AER Draft Decision Opex, p 28.
[37] AER Draft Decision Opex, p 29.
[38] AER Draft Decision Opex, pp 28.

- the costs (at $1.2 million) can likely be paid for within business-as-usual expenditure.[39]

On school education, the AER considers there to be insufficient evidence that it is an efficient means of meeting the program's objectives of providing customers with awareness and practical information they need now.[40]

On the program's objectives of offering customers with certainty and practical information about their energy and appliance choices, the AER notes there is currently uncertainty as to the viability of renewable gas in material volumes in the Victorian gas distribution network, the future Victorian government policy around gas substitution and appliance replacement requirements. As these matters become clearer within the next AA period, the AER considers it may be difficult for us to meet the stated program objectives.[41]

1.3.5 Step change (cyber uplift)

The AER did not include our proposed cyber security step change in its alternative opex estimate. In coming to this position, the AER considered that currently there is no new regulatory obligation. Further, the AER suggests that when the regulatory obligations are switched on, they may adopt a lower standard than we included in our step change proposal, consistent with the draft rules and the information presented by the Department of Home Affairs consultation on the risk management program.[42]

1.3.6 Capex to opex activities

The AER was satisfied that our proposed reclassification of activities is reasonable, and the costs are prudent and efficient. In coming to this position, the AER reviewed supporting information on the activities proposed for reclassification (such as sampling or repair and maintenance type activities) and concluded they are driven by safety and compliance obligations, occur every AA period and do not extend the life of our assets. The AER was also satisfied that no project costs have been counted in both capex and opex, and that all costs moved to opex have been removed from forecast capex.[43]

1.3.7 Trend

The AER made two amendments to the calculation of trend in its alternative forecast, including:

- updated labour price growth forecasts to include the more recent forecasts it received from KPMG; and
- different input price weights of 62% and 38% respectively for labour and non-labour based on the weights ACIL Allen used in its econometric analysis of output and productivity growth.[44]

1.3.8 Priority Service Program

The AER included our proposed PSP costs in its alternative estimate. The AER states this is an on-balance decision and reflects that while this proposed step up in costs is not driven by a new obligation or capex/opex trade off:

- the PSP is similar to the VCAP program approved for AGN SA, and the activities proposed result in a material increase in services;

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[39] AER Draft Decision Opex, p 28.
[40] AER Draft Decision Opex, pp 28-29.
[41] AER Draft Decision Opex, p 29.
[42] AER Draft Decision Opex, p 24-27.
[43] AER Draft Decision Opex, p 24.
[44] AER Draft Decision Opex, pp 19-20.

- there was genuine effort and processes undertaken to engage with customers in relation to the PSP to test their support or otherwise for it;
- we made efforts to research and minimise duplication of services, align with other networks for consistency and consult with relevant stakeholders to develop the program, and committed to ongoing consultation with these groups, as well as government agencies and other parts of the energy supply chain; and
- the AER has recognised the need to deliver better outcomes for customers experiencing vulnerability and avoid exacerbating harm (which is an objective of the PSP) in its Towards Energy Equity Strategy.

The AER further states the proposed costs do not appear to be inefficient, with the cost estimates for each activity proposed being provided and reflecting costs for similar activities undertaken elsewhere in our business or externally and/or being based on market-based quotes.

In preparing our revised Final Plan, the AER has also encouraged us to:

- continue to work with customers and relevant stakeholders to potentially refine and revise the scope of the program, test customer support and demonstrate an efficient use of resources as reasonable for the scale of the program; and
- consider how the program's costs are best funded, further exploring whether there are efficiencies that can be achieved via collaboration, or review, and addressing other specific stakeholder comments on the program particularly where there are differing views between customers and stakeholders.[45]

1.4 Our revised Final Plan

Our revised Final Plan forecast opex for the next AA period is $399 million, which is unchanged from the AER's Draft Decision and our GSR Response.

A summary of our response to the AER's Draft Decision is provided in Table 1.3 below.

[45] AER Draft Decision Opex, pp 30-33.

Table 1.3: Summary of our response to the AER's Draft Decision on opex

	AER Draft Decision	Our response	Our comment
Base year opex	Modify	Accept	We are pleased that the AER's Draft Decision has accepted our total opex forecast. We have included the same opex forecast in our revised Final Plan. We add some further comments below on: • our proposed cyber security step change; and • further engagement on our priority services program.
Change in capitalisation of some overheads	Accept	Accept	
Call centre onshoring	Accept	Accept	
Step change (renewable comms)	Reject	Accept	
Step change (cyber uplift)	Reject	Accept	
Capex to opex activities	Accept	Accept	
Trend	Modify	Accept	
Priority Service Program	Accept	Accept	
Debt raising costs	Accept	Accept	

Note: In this 'traffic light' table, green shading represents our acceptance of the AER's Draft Decision, orange represents our modification of the AER's Draft Decision and red shading represents our rejection of the AER's Draft Decision.

While we accept the AER's Draft Decision on opex and have included the same opex forecast in our revised Final Plan, the following sections provide some further comments on our proposed cyber security step change and further engagement on our priority services program.

1.4.1 Cyber Security

While we have accepted the AER's Draft Decision to accept our total proposed opex, we have a few comments to make in response to the AER's findings on our proposed cyber security opex step change, which was not included in the AER's alternative opex forecast for the next AA period.

As critical infrastructure owners, it is imperative that we continually take steps to increase our monitoring of threats and our cyber security capabilities, keeping pace with the external environment and reducing the impacts cyber attacks may have on our customers, assets and business. Therefore, we will proceed with our cyber security program as proposed.

The Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 and draft risk management program rules require our risk management program to comply with at least Security Profile 1 of the Australian Energy Sector Cyber Security Framework (AESCSF). However, our own risk assessment has determined MIL-3/SP3 as the required target state because:

- Cyber threats have heightened globally with high profile data breaches in recent months in Australia, highlighting the damage that can be caused by malicious cyber actors, as well as the cost to organisations in the wake of these incidents, which are expected to lead to regulatory reforms that include significantly increased penalties and enforcement measures for non-compliance; [46]

- Cyber security is our highest ranked strategic risk under our corporate risk management framework and our shareholders expect us to take all prudent actions to mitigate this risk;
- For our business a cyber incident resulting in a data breach could also amount to a breach of our FIRB data conditions (e.g. relating to access to customer or personal (including employee) information), with serious criminal and civil penalties applicable for breaches of the conditions under the Foreign Acquisitions and Takeovers Act 1975 (Cth);
- The cyber security regulatory compliance obligations aim to ensure a responsible entity:
  - takes a holistic and proactive approach toward identifying, preventing and mitigating risks from all hazards; and
  - seeks to minimise or eliminate material risk where it is reasonably able to do so, in order to secure its critical infrastructure asset; [47]
- We are reasonably able to minimise or eliminate material risk by targeting Security Profile 3, in line with the program we have developed, which is suggested as the required maturity level under the AESCSF for high criticality businesses like our Multinet distribution business (which is classified as high criticality under the gas criticality assessment tool[48]);
- In order to take a holistic approach toward identifying, preventing and mitigating risks from all hazards, all AGIG businesses must participate in our cyber security risk management program as cyber capabilities that are established are only as effective as the lowest capability exhibited across the whole environment;
- There will be further uplift to cyber security regulatory compliance obligations over the next AA period. The AESCSF was updated in 2022 to align with international standards and respond to the cyber threat landscape. AESCSF Version 2 is expected to be published in early 2023 and we understand this update includes additional requirements compared to previous versions; and
- A portion of the activities in the program are required to maintain and replace existing cyber investments. The total cost of maintenance activities over the next AA period is $4.3 million opex (an uplift of $1.8 million compared to the current AA period) and $0.2 million capex. The maintenance activities include:
  - 4 FTE in our AGIG cyber team;
  - Annual security testing and awareness programs;
  - Running our Security Operations Centre;
  - Ongoing licensing costs; and

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[46] Johnson Winter Slattery, Privacy and cyber security imperatives – reactions to and lessons from the Optus data breach, October 2022, accessible at https://jws.com.au/en/insights/articles/2022-articles/privacy-and-cyber-security-imperatives.

[47] Cyber and Infrastructure Security Centre, Risk Management Program Factsheet, August 2022, p 2, available at https://www.cisc.gov.au/critical-infrastructure-centre-subsite/Files/cisc-factsheet-risk-management-program.pdf.

[48] We submitted our 2022 Criticality Assessment to the AER in September in response to a formal information request. The AESCSF gas criticality assessment tool (G-CAT) can be found here: https://aemo.com.au/-/media/files/initiatives/cyber-security/aescsf/aescsf-gas-criticality-assessment-tool-g-cat.pdf?la=en

  - Refresh of our Identity Access Management, Privileged Access Management and Vulnerability Management solutions.

Further our program reflects good industry practice, independent advice from Ernst & Young and efficient costs which have been allocated across our AGIG businesses in accordance with our allocation methodology (see our IT Business Cases provided in Attachment 9.19 to our Final Plan).

1.4.2 Priority Services Program

We held our fourth workshop with our PSP Panel on 17 November 2022. At this workshop we recapped where we've been over previous workshops, presented our Final Plan PSP proposal, discussed what has happened since we last met, retested the key features of the PSP and further considerations on implementation.

We found:

- Agreement across stakeholders that the energy landscape is continuing to change rapidly:
  - the gas sector is facing considerable uncertainty, placing the equity challenge front and centre of discussion;
  - we're in a cost of living crisis, energy prices are forecast to continue rising and remain volatile for some time;
  - customers' concerns around affordability and gas safety continue to grow, distrust in the sector is rising, and complexity and confusion re: energy matters is a persistent concern; and
  - a whole of sector approach is required in addressing consumer vulnerability.
- We will need to be flexible in the implementation of the program so that it can continue to adapt and respond to the needs of customers accessing it:
  - the volume of activities under each of the financial support and improving affordability initiatives may need to be tweaked, depending on which services customers are accessing;
  - we should look for ways for streamline/reduce costs to deliver the proposed initiatives, such as jointly undertaking initiatives around providing advice on efficient usage and additional training for customer facing staff;
  - we need to ensure that there are multiple pathways through which a customer in need can access the program and its services (i.e., do not make it too difficult to access).
- There was some apprehension among advisory panel members about the creation of a dedicated 'register' as part of the program. Members challenged us to consider leveraging existing registers in the sector to identify potential priority service customers. They also encouraged us to establish referral relationships with existing support systems to build trust and the priority service customer base.
- We are committed to ongoing engagement with social service organisations, customers and other relevant stakeholders to refine the program, test customer support and work through implementation considerations. As such, the Advisory Panel will continue as part of our BAU engagement program.

1.5 Summary

We have accepted the AER's Draft Decision which accepted our GSR Response opex forecast of $399 million (excluding ancillary reference services) for the next AA period. Our opex forecast in our revised Final Plan remains unchanged from the AER's Draft Decision and our GSR Response. We have also provided further comments on the need for us to incur additional opex for cyber security in the next AA period and have provided a summary of further engagement we have undertaken on our priority services program, as well as outlining our plans to continue engagement with customers and relevant stakeholders as we implement the program.