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UE and MG Customer Engagement Strategy

Public

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Authorisation

	Title	Name	Date
Owner	General Manager, Corporate Affairs	Jai McDermott	29/03/2016
Reviewer	Media and Public Affairs Manager	Samantha Porter	29/03/2016
Approver	General Manager Regulatory and Corporate Affairs	Andrew Schille	29/03/2016

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Table of Contents

Executive Summary	iv
1. About this document	1
2. About us and our services	2
2.1 United Energy.....	2
2.2 Multinet Gas.....	2
2.3 Energy Distribution Chain.....	3
3. Our service area	4
3.1 Residential population.....	4
4. Our customers and other stakeholders	6
5. Our aims	7
6. Our strategy	8
7. Our engagement channels and outputs	9
8. What is there to talk about?	11
9. Implementing this strategy	13
9.1 Plan.....	13
9.2 Prepare.....	14
9.3 Implement.....	14
9.4 Act, review and improve.....	14

Executive Summary

We are proud to provide safe and reliable energy to more than 1.3 million customers in communities across Melbourne's south-eastern suburbs, down to the Mornington Peninsula, and across to South Gippsland and the Yarra Ranges.

Energy is an essential service that our community needs whether at work, rest or play. We're a business that is on every street across our network, helping to make our community tick, stay connected, light up, cool down or keep warm.

This strategy outlines our approach and commitment to listening and speaking to our community.

We provide electricity and gas under a distribution licence issued by the Essential Services Commission of Victoria. Our prices are approved and regulated by the Australian Energy Regulator.

We are just one part of a complex energy supply chain including generation, transmission, distribution – which is where we fit in through the poles, wires, and pipes in the street – and retail businesses, which have traditionally provided the link between the industry and its customers.

The community has begun to take a greater interest in the provision of energy, driven by concerns about the environment and cost.

For a long time, electricity and gas distributors have been comfortably anonymous. As long as the lights or heat stayed on no one really knew who we were, and no one seemed to care much either. Community expectations are changing and we welcome these changes.

The biggest changes to our industry going forward won't be driven by regulation. They'll be driven by customers, in concert with technology. There are enormous benefits, both to our community and to us as a business, from a deeper, genuine engagement with our stakeholders.

We recognise that to be meaningful, communication needs to be two-way. We have a responsibility to provide information about what we do, what drives our decision-making and what we are doing to plan for the future. Equally important is the need to seek the opinion of our community, take time to understand those views and incorporate them into our planning.

Our objective in developing this strategy is to start a conversation with our community. We are committed to listening to ways we can improve on it, to make our business easier to understand and more accessible to anyone who has an interest in what we do.

I look forward to working with you.

Tony Narvaez
Chief Executive
United Energy and Multinet Gas

1. About this document

This is United Energy and Multinet Gas' (UE and MG) customer and other stakeholder engagement strategy. Its purpose is to explain how we will communicate and consult on issues relating to our electricity and gas distribution services.

Our strategy incorporates views from some of our stakeholders and our employees. It has been developed with input from our senior management and will be provided to our Board for endorsement.

We see meaningful engagement as an investment in broader and deeper relationships with our stakeholders. We will review and update this strategy annually to ensure that it continues to meet the evolving needs of our stakeholders and our business.

Our strategy is structured as follows:

- Section 2 explains who we are and the services that we provide in the energy supply chain;
- Section 3 overviews our service area and our customer base;
- Section 4 identifies our stakeholders and segments them into groups to help identify the best engagement channels for them;
- Section 5 explains our vision, objectives and the outcomes we are seeking to achieve;
- Section 6 outlines our strategy in order to provide a high-level roadmap for our stakeholder engagement activity;
- Section 7 details the channels we will use to engage with our stakeholders;
- Section 8 outlines the issues that we propose engaging with our stakeholders about, although part of our engagement will also involve understanding what our stakeholders consider to be the most important issues;
- Section 9 explains how we will implement our strategy

2. About us and our services

2.1 United Energy

UE is an electricity distribution network service provider to more than 650,000 customers across east and south-east Melbourne and the Mornington Peninsula over an area of 1,472 square kilometres. Ninety per cent of our customers are residential:

- The northern part of our service area is a developed urban region in metropolitan Melbourne, comprising predominantly residential and commercial centres such as Box Hill, Caulfield, Doncaster and Glen Waverley, and light industrial centres such as Braeside, Clayton, Heatherton, Mulgrave and Scoresby.
- The central part of our service area is a mix of developed and undeveloped land and includes the industrial and commercial centre of Dandenong, which is Victoria's manufacturing heartland in the south-east of Melbourne. Dandenong and the adjacent suburb of Keysborough is our largest growth area for new residential and industrial development.
- The southern part of our service area comprises Frankston and the Mornington Peninsula. Frankston is one of the largest retail areas outside the Melbourne CBD. The Mornington Peninsula has a large retirement population and significant holiday use with a coastal boundary of over 190 kilometres.



Although our service area is geographically small (about one percent of Victoria's land area), it accounts for around one quarter of Victoria's population and one fifth of Victoria's electricity maximum demand.

2.2 Multinet Gas

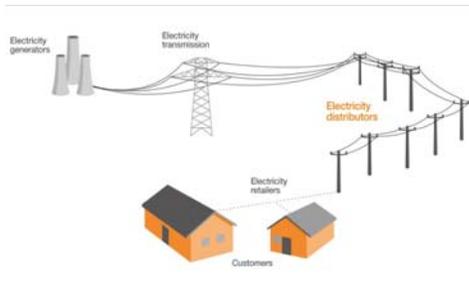
Multinet Gas distributes gas safely and efficiently to its 687,000 customers via a network covering 1,790km² across Melbourne's inner and outer east, the Yarra Ranges and South Gippsland.

- The Multinet Gas network includes the densely populated commercial zones of Mount Waverley and Port Melbourne and is made up of 10,300km of transmission and distribution gas mains, 687,000 end use meters, seven city gate pressure reduction stations, 121 field regulator sites and 144 district regulator sites
- One of three separate regulated gas distribution businesses in Victoria, Multinet Gas has a pipeline network covering about 43 per cent of the Melbourne metropolitan area.



As part of the State Government's natural gas extension program, Multinet Gas is continuing to connect customers in the South Gippsland and Yarra Ranges townships with reticulation in Warburton expected to be completed by the end 2016.

2.3 Energy Distribution Chain



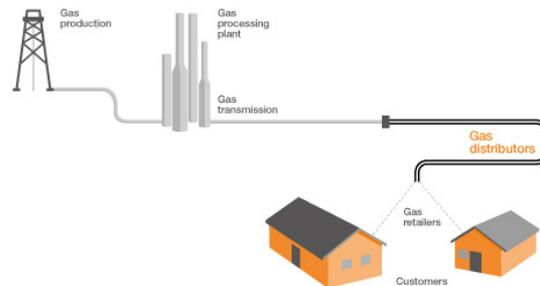
We do not generate electricity or gas. Nor do we retail it to customers.

Electricity is produced by generators in the National Electricity Market and is transported through the transmission network into our distribution network.

The distribution network we construct, operate and maintain transforms electricity from sub-transmission voltages to distribution voltages to supply our customers. Currently, our distribution network comprises 46 zone substations,

approximately 205,000 poles, 13,200 distribution substations, 10,200 kilometres of overhead power lines and 2,600 kilometres of underground cables.

Historically, distribution and retailing of gas was conducted by one company within each state, and gas customers had no choice of supplier. However, these activities are now separated so energy companies may now distribute gas on behalf of more than one retailer and can compete for customers in other states and territories.



The gas supply chain starts with the exploration and production of natural gas. Once produced, gas is transported at high pressure through pipelines, with pressure reduced before it enters local networks.

Distribution companies such as Multinet deliver gas through a network of low pressure, smaller diameter pipelines to customers.

We supply continuous energy to our customers but traditionally we have only communicated directly with them on an occasional basis. These interactions are generally about a limited number of matters such as connections to our network, specific service requests, supply interruptions, general inquiries and complaints. Our customers pay energy retailers for energy and these retailers, in turn, pay UE and MG for our distribution services that provide electricity or gas to customers. However, the relationship between distributors and customers is evolving. Ongoing stakeholder engagement is part of our response to these changes.

Many of the services that we provide have monopoly characteristics. As a result, the Australian Energy Regulator (AER) regulates the prices that we can charge for our services.

Every five years UE and MG submit proposals to the AER for the regulation of our services. These proposals include our forecasts of the capital and operating expenditure that we require to construct, operate and maintain our distribution network over the five year regulatory period.

Our regulatory proposals will need to obtain, consider and reflect to the extent possible our stakeholders' views and expectations. It is therefore important that we engage effectively with our stakeholders during its development and as part of our business going forward.

3. Our service area

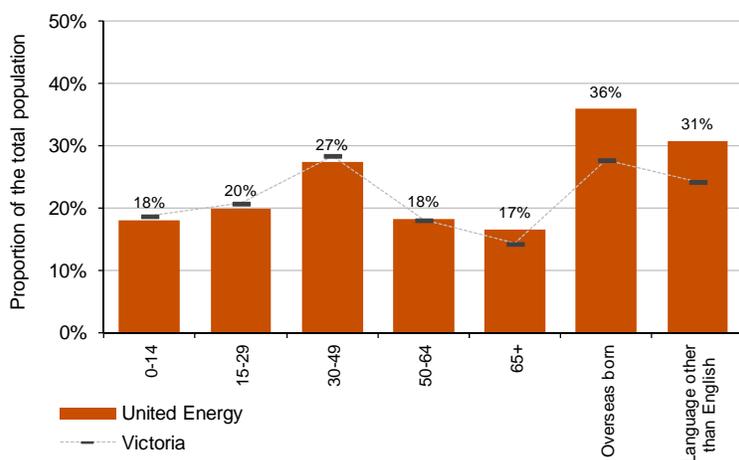
Our distribution area has a demographically diverse resident population and a broad mix of commerce and industry. Our strategy responds to this diversity and breadth and explains how we will engage with our residential and business customers and their representatives as important stakeholders.

3.1 Residential population

Ninety per cent of both our electricity and gas customers are residential, however, the demographic mix is different for both businesses.

United Energy has notable differences when benchmarked against Victorian averages:

- More older persons: 17 per cent of our resident population was 65 years of age or older compared to the Victorian average of 14 per cent. This difference may in part be attributed to the attractive retirement lifestyle on the Mornington Peninsula.
- Greater cultural diversity: 36 per cent of our resident population was born overseas compared to the Victorian average of 28 per cent. The cultural diversity of our distribution area is further highlighted by 31 per cent of people who spoke a language other than English at home compared to the Victorian average of 24 per cent.



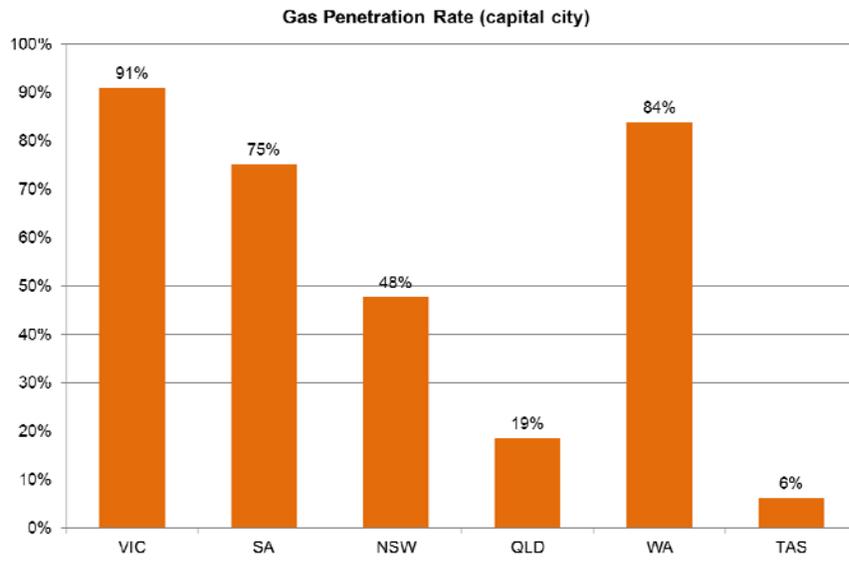
Attachment A provides further details about the demographic characteristics of our distribution area and shows how it has changed between 2006 and 2011, including against the Victorian average.

Gas penetration in the residential market in Victoria is high in comparison to other states.

High Victorian gas penetration in the residential market is due to a combination of a cool climate in Victoria and the competitive price of gas since the late 1960's.

Average residential consumption per connection is higher in Victoria than any other state by a long margin.

Penetration of gas central heating and gas hot water is high in the residential market in Victoria due to the above factors and the extensive marketing of these utilisations over a long period in the 1980s and 1990s. It is now the norm for new houses in gas reticulated areas of Victoria to install gas central heating and gas hot water systems which drives high average gas consumption rates.

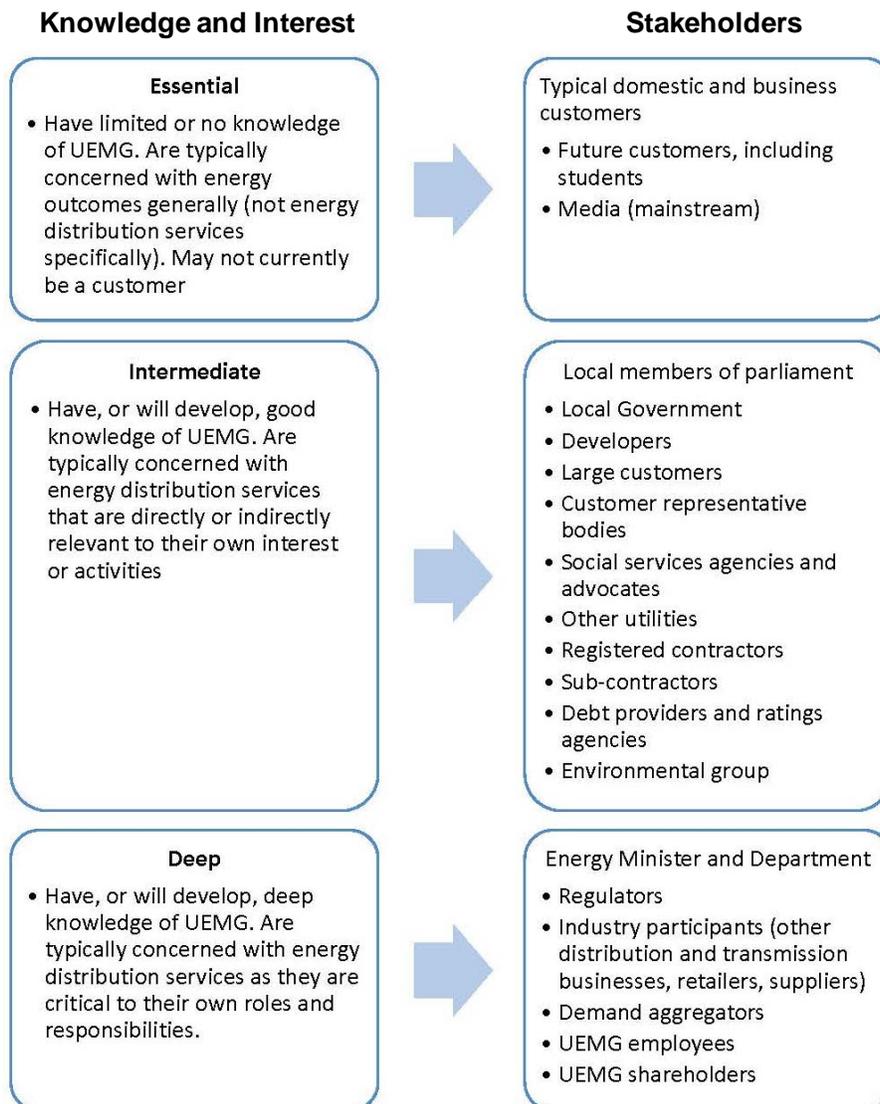


4. Our customers and other stakeholders

UE provides electricity distribution services to everyone who lives, studies, works in or transits through east and south east Melbourne and the Mornington Peninsula while MG customers are located in Melbourne's inner and outer east, the Yarra Ranges and South Gippsland.

We consider all individuals and organisations that have an interest in our services to be our stakeholders.

- Our stakeholders have different levels of interest and knowledge of our operations and services. With this in mind, we have segmented our stakeholders to help identify the best engagement channels for them. This segmentation is necessarily generalised and we will adapt our engagement based on what works best for our stakeholders.



5. Our aims

Our stakeholder engagement has traditionally been relatively limited in nature and scope, largely reflective of the electricity distribution sector which has had little customer interaction. As our relationship with stakeholders is evolving, so too is our approach to engaging with them.

Our objective is to lower the barriers to our stakeholders engaging with us and to increase the accessibility of our business to our stakeholders in the future, so that we can continually improve our services for the benefit of our customers.

Our stakeholder engagement is two way. It involves:

- Consultation, where we listen to our stakeholders, consider their views and opinions and, to the extent possible, reflect them in the future planning of our network.

Communication, where we inform our stakeholders about our business and plans, building capacity and understanding that enables them to have valuable input into the future planning of our network. Our corporate vision, to create '*The Intelligent Utility*', means much more than engineering and IT innovation. It is also about genuine and effective engagement with internal and external stakeholders to deliver our services better and more efficiently than we have in the past, and to make ourselves accessible to anyone who has an interest in our business and the services that we provide.

Our corporate vision and values

We will create *The Intelligent Utility* by focussing on industry leadership and innovation and working in the best interests of all our stakeholders.

We will achieve this vision by living our values, which are: safety, accountability, collaboration, communication, empowerment and respect.

Our stakeholder engagement vision

We will be an outwardly focussed business. We will embed effective stakeholder engagement throughout our operations and develop mature relationships with our stakeholders based on effective two-way communication and understanding.

Our stakeholder engagement objectives

Listen to, understand and learn from our stakeholders.

Actively inform and educate our stakeholders about our industry and business.

Improve how we make and justify our decisions.

Improve our justification of our regulatory submissions.

Our desired stakeholder engagement outcomes

Our stakeholders feel that we listen, consider and value their views and expectations in making our decisions.

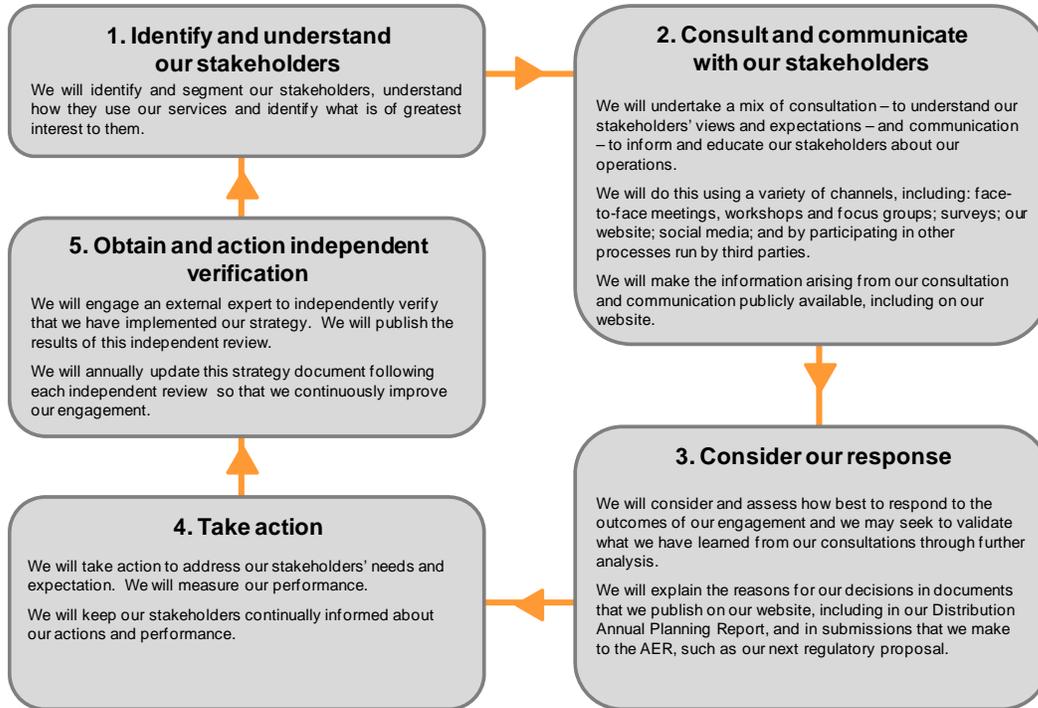
We improve our operations to achieve better service outcomes for the benefit of our customers.

Our customers feel that we provide high quality, value-for-money services that meet their needs.

Our stakeholders support, and the AER accepts, our public submissions, including our next regulatory proposal

6. Our strategy

Our stakeholder engagement strategy has five elements. Although they are represented here sequentially, in practice, these five elements will be part of an on-going process of engagement.



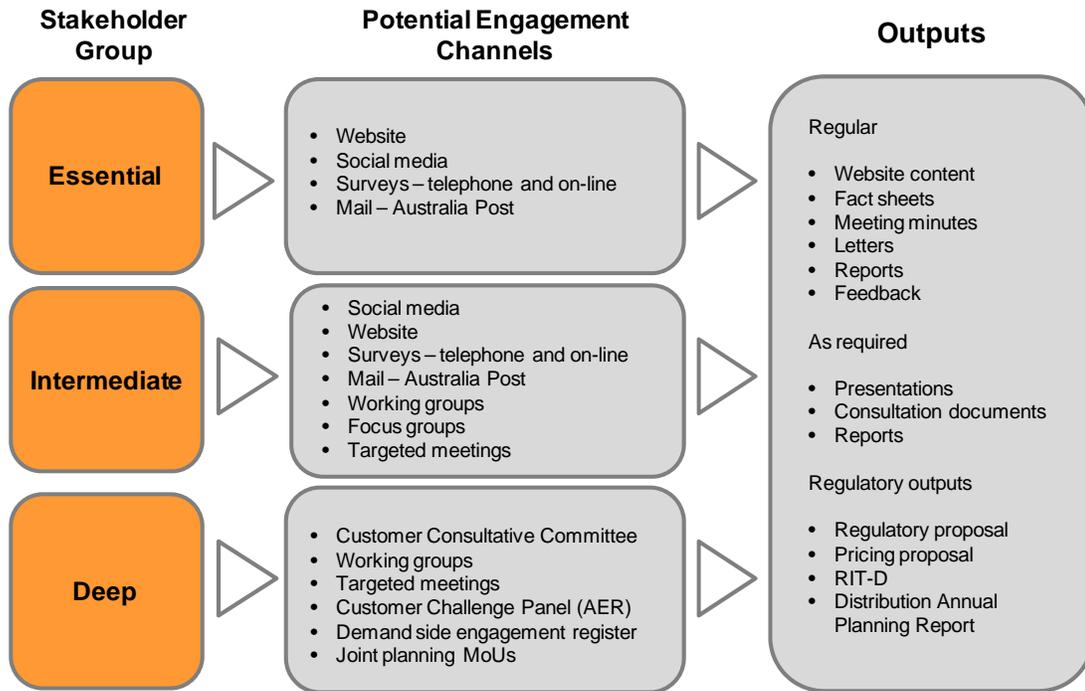
7. Our engagement channels and outputs

We will use a variety of channels to proactively engage with our stakeholders, reflecting the diversity and breadth of our distribution area as described in Section 3. Using a range of channels will also enable our stakeholders to choose how to engage with us, in a manner that works best for them.



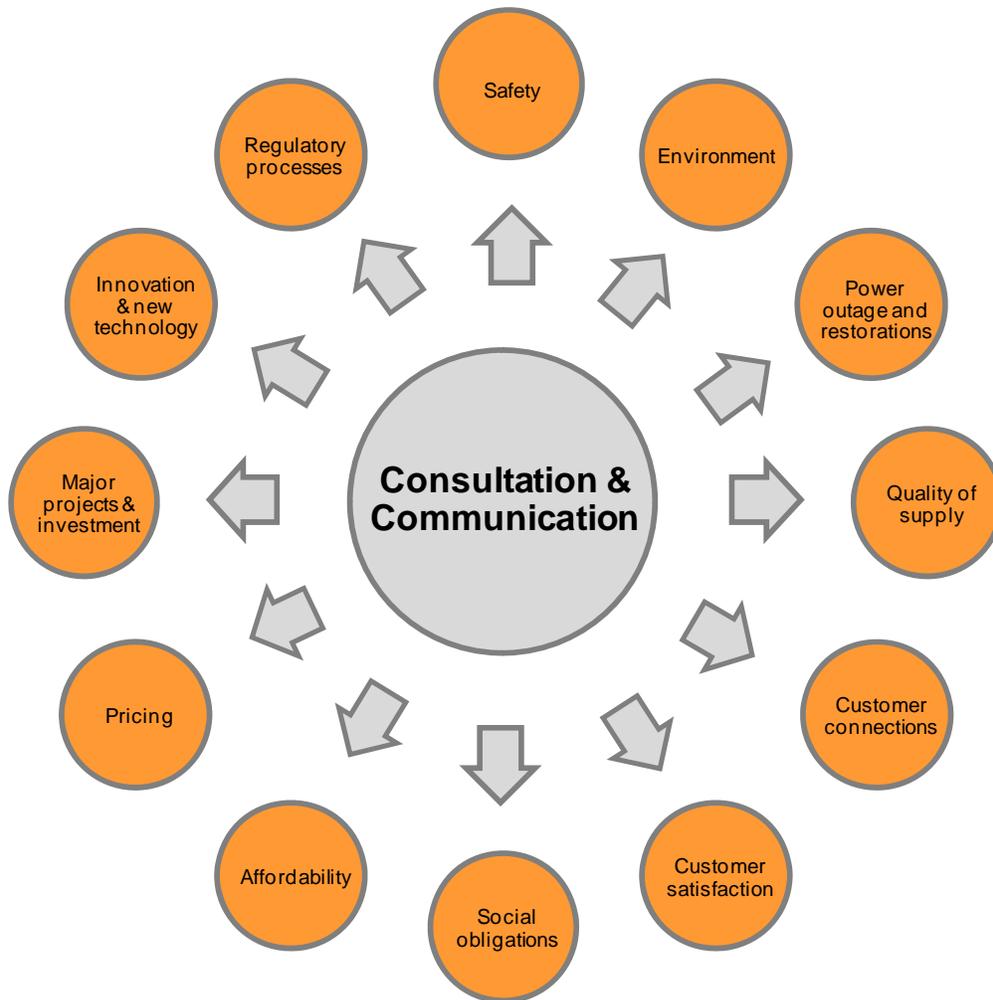
- We will use multiple channels of communication to suit our stakeholders' preferences. This will reduce barriers to engagement and make our business more accessible to our community.
- All of our written communication, whether provided by mail or on our website, will be in simple and accessible English, given the cultural diversity and variety of languages spoken in our service area. In some cases, we will also prepare our written materials in languages other than English.
- We will produce a range of outputs through our engagement channels. The figure below details:
- The engagement channels we propose using for each stakeholder segment, although we will use other channels if they can provide a better means of engaging with individual stakeholders; and
- The types of outputs that we intend producing through each engagement channel.

The section below discusses the matters that we propose engaging our stakeholders about.



8. What is there to talk about?

We want to understand the most important issues that our stakeholders want to discuss with us. There are also certain issues that we already know that we want to engage our stakeholders on.



WHAT IS THERE TO TALK ABOUT?

The following tables explain the importance of each of these issues to our stakeholder engagement.

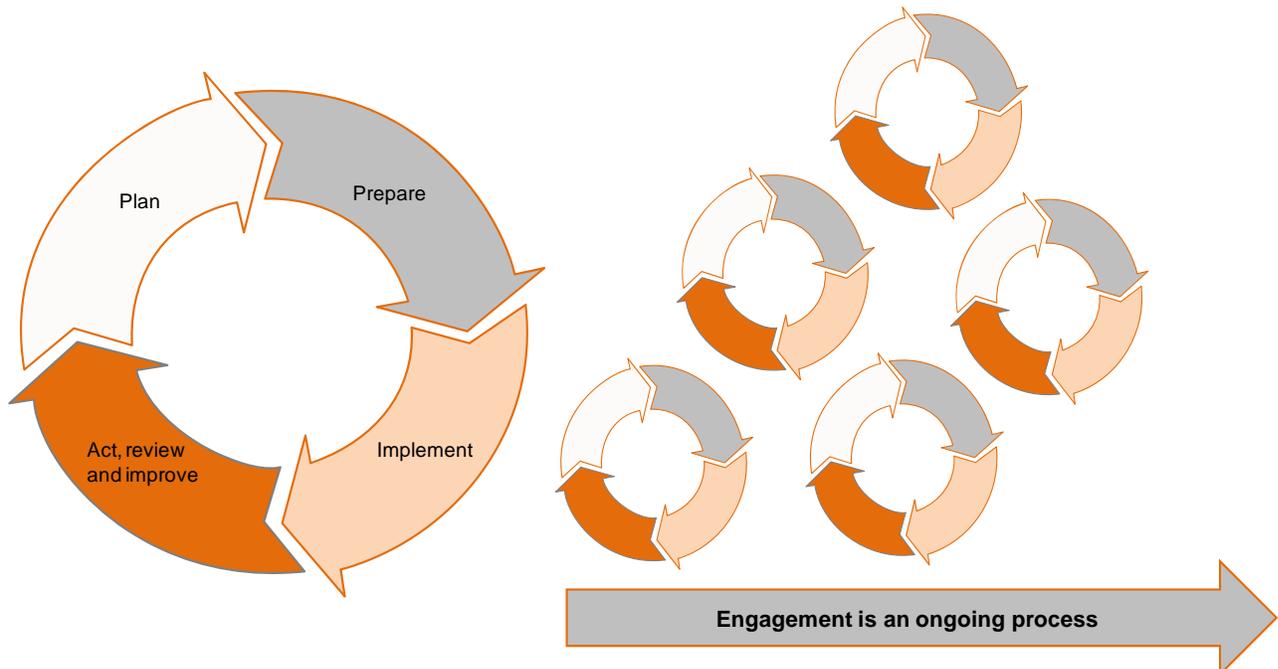
Issue	Importance to stakeholder engagement
Safety	Safety is our highest priority. We are committed to operating and maintaining safe networks in order both to meet our safety obligations and to be an employer of choice.
Environment	We are committed to reducing our environmental impacts and to contributing to the community's environmental targets so that we are a respected corporate citizen.
Supply reliability	We are committed to meeting or exceeding our customers' needs and expectations for the reliability of supply, having regard for what they are willing to pay for.
Quality of supply	We are committed to ensuring that the energy our customers receive is of a high quality that meets their needs.
Customer connections	We are committed to providing an efficient, high quality connection service that meets or exceeds customers and developers' needs and expectations.
Customer satisfaction	We are committed to providing our customers with a high quality on-going electricity service and to meeting their needs and expectations.
Social obligations	We aspire to be a respected corporate citizen by being positively involved in our community and helping customers in vulnerable situations.
Affordability	We are committed to providing our customers with sustainably cost-efficient, value-for-money services.
Pricing	We are committed to obtaining stakeholder input into the development of the prices that we charge for our services that we reflect in the annual pricing proposals that we submit to the AER.
Major projects and investment	We are committed to obtaining stakeholder input into the development of our capital and operating expenditure forecasts and to identifying the preferred investment options that maximise the benefits to all energy producers, consumers and transporters, whether through traditional or innovative network solutions.
Innovation & new technology	We are committed to innovating, and investing in new technology, where it can help us deliver better, or more efficient, services to our customers.
Regulatory processes	We are committed to ensuring our stakeholders' views and expectations are reflected in our regulatory submissions, including our up-coming regulatory proposal.

9. Implementing this strategy

We will undertake our stakeholder engagement in four stages:

- Plan
- Prepare
- Implement
- Act, review and improve.

We are likely to be engaging with our stakeholders about a number of matters, for a number of purposes, at any given time.



This four-staged approach is consistent with the Australian Standard AA1000 Stakeholder Engagement Standard (2011).

9.1 Plan

Our stakeholder engagement will be:

- On-going – we will embed engagement throughout our operations;
- Two-way – we will use both consultation and communication;
- Accessible – we will tailor our engagement to our stakeholders' different needs and priorities;
- Timely – we will allow adequate time to undertake our engagement and to achieve our desired outcomes; and

- Transparent and accountable – we will publicly report the outcomes of our engagement in a timely and accessible manner.

We will establish a stakeholder engagement implementation plan that details:

- The roles and responsibilities within UE for engaging different stakeholders;
- The level, channels and focus areas for engaging different stakeholders; and
- The “boundaries for disclosure” of information arising from our engagement and how this disclosure will be managed.

Our implementation plan will also detail project management issues, such as: timelines; resource requirements; budget; technologies to be used; communications; performance indicators; and oversight, monitoring, evaluation and reporting.

9.2 Prepare

We will prepare for our engagement by mobilising the financial, human and technical resources required for effective engagement.

We will also identify and prepare for key potential risks arising from our engagement, such as:

- An unwillingness by some stakeholders to engage with us
- An imbalance between the stakeholders we engage with
- Certain stakeholders being relatively under-resourced or disempowered.

9.3 Implement

We will implement our engagement program by:

- Providing a range of avenues for stakeholders to engage with us on their terms
- Proactively inviting stakeholders to engage with us
- Providing necessary briefing material about our engagement
- Undertaking the engagement through the identified channels
- Documenting the engagement and its outcomes and outputs
- Developing an action plan to respond to the outputs of the engagement
- Communicating the engagement outputs and action plan to our stakeholders.

9.4 Act, review and improve

We will monitor the delivery of our engagement implementation plan, having regard for this strategy. We will identify and act on opportunities for improving our engagement.

We will fully consider the outcomes of our engagement in our future decision making. In the event that we do not act on our stakeholders’ feedback, we will explain why.

We will engage an independent party to conduct an annual review of the implementation of our stakeholder engagement strategy and our implementation plan. We will report on the outcomes of this review through our Customer Consultative Committee.