



# GAAR – Multinet Gas Network Expenditure

*2018 to 2022*

# Agenda

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- Overview of MG Network
- Types of capex
- Current period capex allowance
- Revenue build up
- Actual capex versus AER allowance
- We are efficient
- 2018 to 2023 capex



# Types of Capex



Capex categories	Driver of expenditure	Nature of expenditure
Mains replacement	Safety, reliability, maintain service performance and service integrity	Replace low pressure mains with high pressure mains, replace assets at end of life or that demonstrate poor reliability or safety concerns
Residential and Commercial and industrial connections	Customers (new and existing)	Mains extension, customer installation capacity upgrades, new meters, service alterations
Meters	Regulatory requirements	Meter replacement
Augmentation	Demand, safety	Expand the capacity of the network
IT	Overall business needs	Relates to the network, customer service systems, corporate and IT infrastructure
SCADA	Safety, service integrity	Monitoring and control of network assets
Other	Safety, service integrity, maintain service performance	Property, accommodation, vehicles, pigging and services and service renewal

# Current period capex allowance

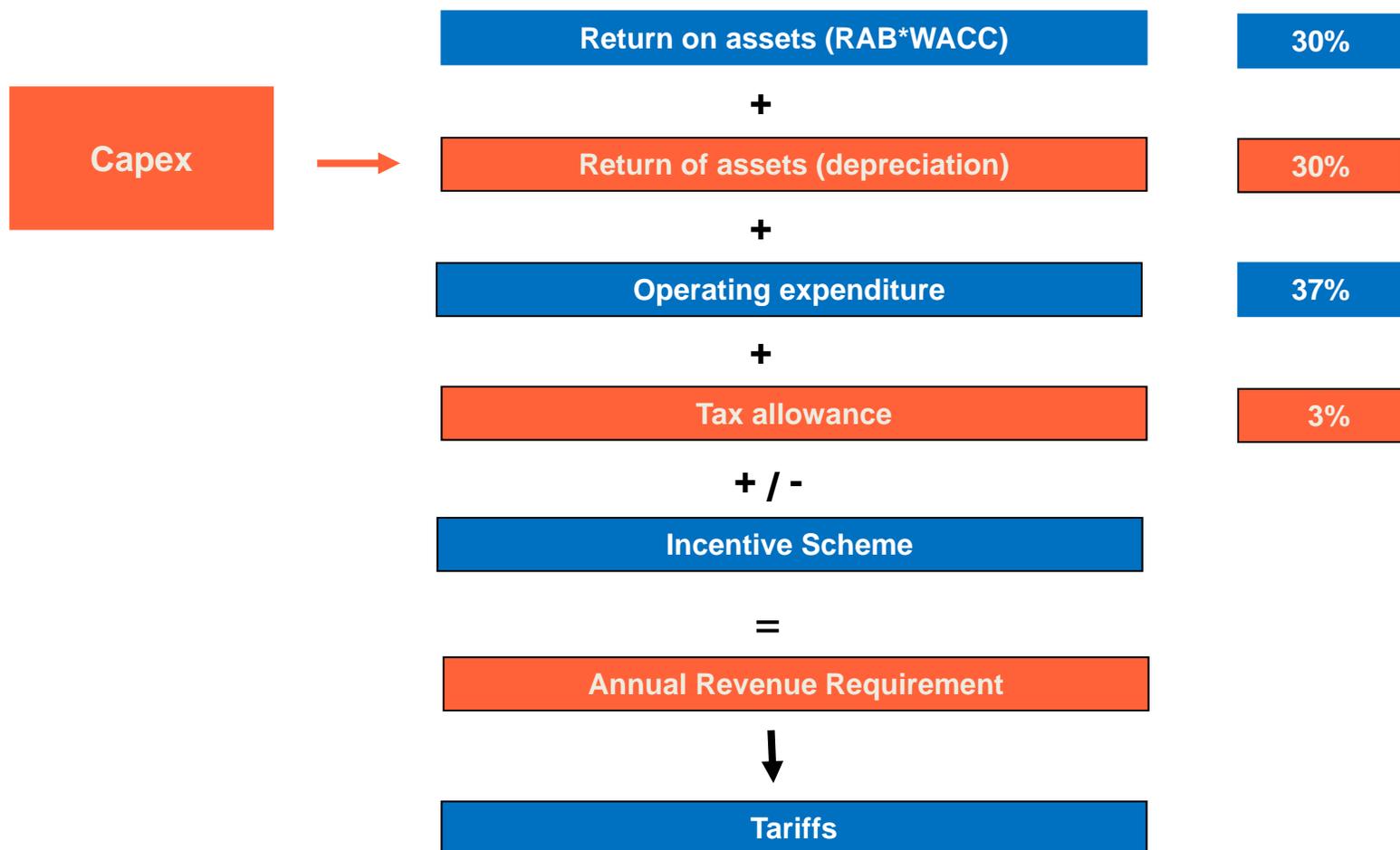
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## AER 2013 to 2017 capex allowance

<b>\$M 2016 Real</b>	<b>AER Allowance 2013-2017</b>
Mains replacement	119.8
Residential connections	75.5
Commercial and industrial connections	7.0
Meters	13.2
Augmentation	25.6
IT	49.3
SCADA	1.0
Other	37.6
Internal Direct Overheads	13.7
<b>Gross Total</b>	<b>425.4</b>

# Revenue build-up



# Actual capex versus AER allowance



## Capex over the current period 2013 to 2017 – key categories

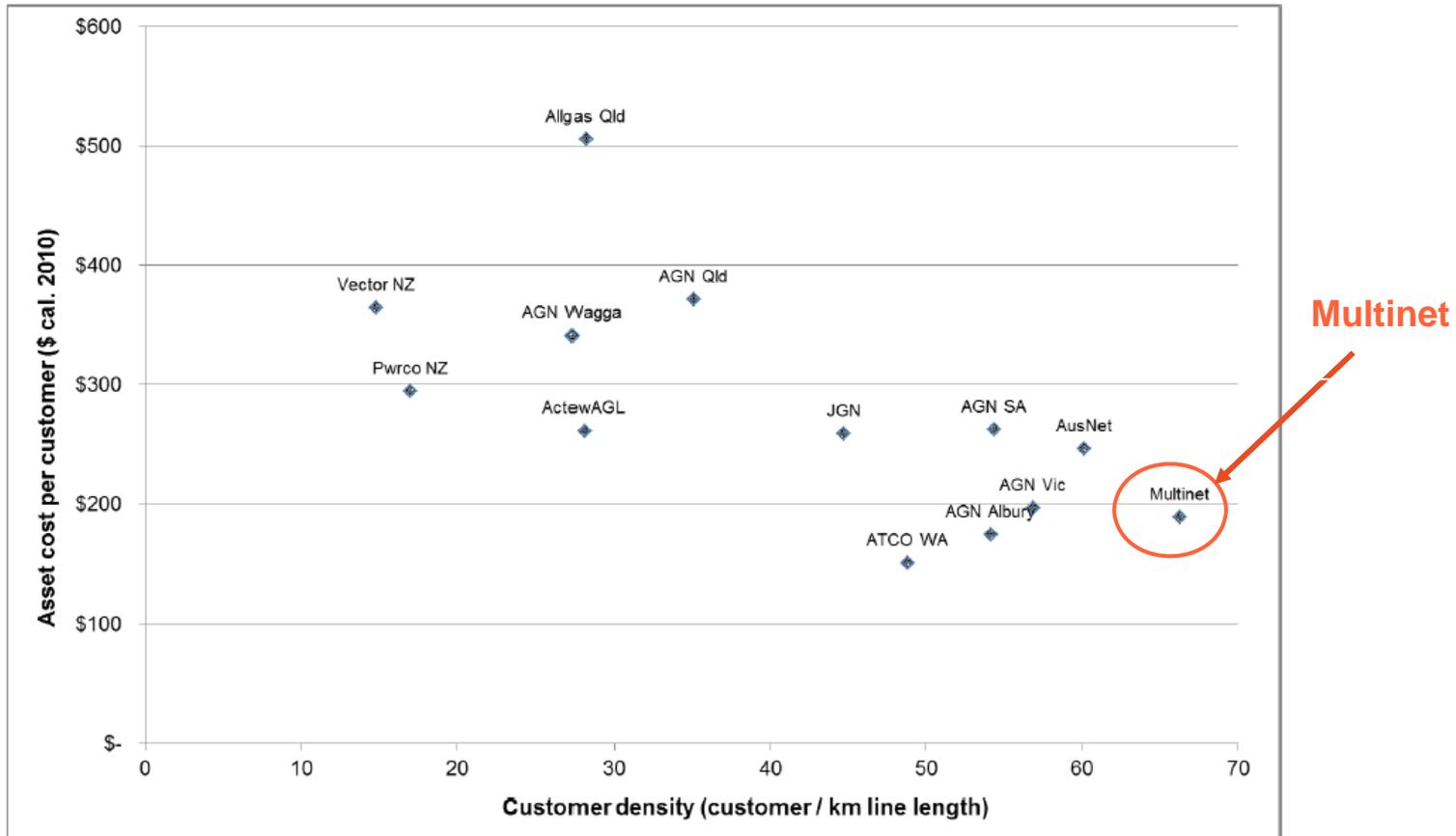
\$M Real 2016	AER Allowance 2013-2015	Actual capex 2013 -2015	Drivers of variance
Mains replacement	72.5	55.0	<ul style="list-style-type: none"> <li>Changes in investment priorities lead difference in timing of investment.</li> <li>Expect to spend full allowance by end of period</li> </ul>
Residential and C&I connections	49.4	66.4	<ul style="list-style-type: none"> <li>More customer connections than forecast</li> </ul>
Augmentation	19.3	7.2	<ul style="list-style-type: none"> <li>Managed network without need for significant augmentation expenditure</li> <li>Some investment not required due to mains replacement</li> </ul>
IT	41.9	34.7	<ul style="list-style-type: none"> <li>Changes in investment priorities lead difference in timing of investment.</li> <li>Expect to spend full allowance by end of period</li> </ul>
Other	25.5	15.1	<ul style="list-style-type: none"> <li>Changes to timing of key investment – expect projects to commence later in the period.</li> </ul>

# We are efficient



- Benchmarking shows that our capex is efficient

Figure 3.2: Asset cost per customer relative to customer density (avg. 2009–2013)



Source: Economic Insights gas utility database. Asset cost is defined as real revenue minus real opex.

# 2018 to 2023 Network Capex

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- No change to:
  - Expenditure categories
  - Drivers of expenditure
- MG to submit 2018 to 2023 forecast capex to AER by 30 December 2016
- We forecast capex using a range of bottom up forecasting techniques
- We are currently preparing our capex forecasts
- Overall, expect total capex to be in line with current period expenditure
- In developing our capital program, we will consult with our stakeholders to ensure it reflects a level of investments that stakeholders are willing to pay for
- The AER will only approve forecast capex if it is satisfied that it is conforming capex as specified in the National Gas Rules

# Consultation plan



<b>Element</b>	<b>Purpose</b>
<b>Increase Understanding</b>	Educating to ensure our customers are informed and can contribute positively to discussed topics
<b>Understanding consumers</b>	Understanding key principles that are important to them when developing options for consideration
<b>Providing opportunity to influence outcomes</b>	Option development, request more informed stakeholders contribute to develop options
<b>Creating a feedback loop</b>	Presenting options that have been developed for discussion to previously engaged focus groups
<b>Verification</b>	Feeding consultation outcomes back to the Reference Group and Multinet Gas' position for GAAR

- Hold informed qualitative discussions with stakeholders
- Carefully considered consultation approach – this involves omission
- Overcoming barriers to engagement
  - Limited knowledge interest in Gas distribution
  - Diverse target audience
  - Setting expectations concepts vs clear deliverables
  - No past engagement

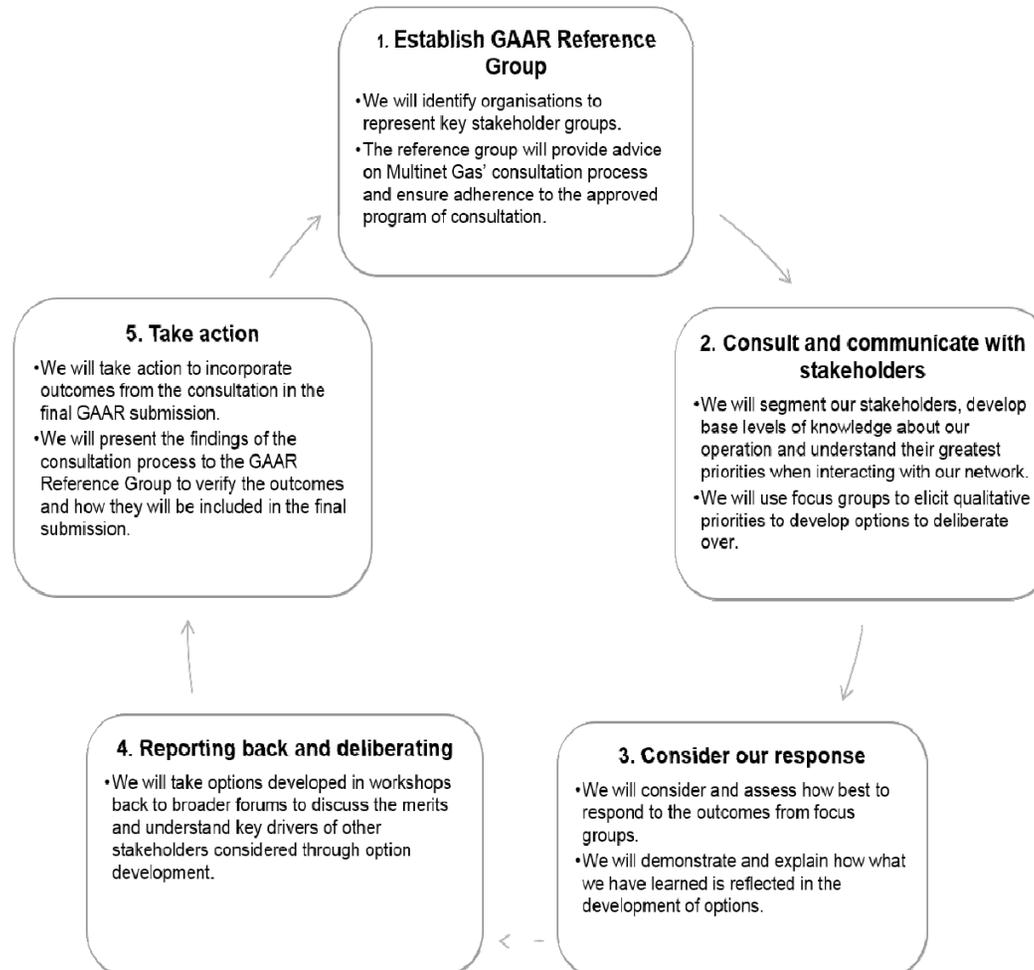
# Overview Approach

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- Grouping Stakeholders
  - Reference Group
  - Retailers
  - Large customers
  - Builders
  - Residential/Hard to reach groups
  - Small business
- Staged engagement process
  - Surveys
  - Focus groups
  - Working groups/Deliberative forum

# Consultation process



# Update on Engagement

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- Second reference group meeting
- Contact made with 20 of our largest consumers and commitment received to participate in surveys
- Residential and small business focus groups to commence mid to late June
  - Engaged 'Focus People' to assemble focus groups
- Retail meetings will start mid June
- Advice / assistance for 'hard to reach' groups

1. The GAAR Reference Group's (Reference Group) scope is limited to the business activities of Multinet Gas (MG).
2. External members of the Reference Group are empowered to provide MG with verbal and written information gathered from the constituents of their respective organisations or from other individuals or sources such as correspondence or published materials.
3. Reference Group members are free to seek information from MG on topics of interest to them, other than matters formally identified as "Commercial in Confidence". MG shall invite staff with specialist skills or knowledge to assist with specific issues as appropriate. MG accepts that it has a responsibility to consider and respond to all issues raised.
4. The Reference Group will meet a minimum of four times in the lead up to the submission of the Gas Access Arrangement Review plan (plan), either at MG offices or other nominated location from time to time. Additional meetings may be arranged at the request of either the Reference Group or MG.
5. The Reference Group Chair shall ensure that all issues are being addressed in a positive, timely and co-operative manner.
6. The Reference Group forms a key component of the organisation's community and stakeholder engagement activities and is designed to assist the business in how it can improve its understanding and management of stakeholder expectations and ensure the regulatory proposal reflects the long term needs of the community.
7. The Reference Group is an advisory group only. It can make recommendations, but has no decision making authority, unless specifically delegated by the Chair at his or her discretion.