



UNITED ENERGY



Multinet^{GAS}

2018 to 2022 GAAR – Reference Group

Meeting 3 – 11 August, 2016



Agenda

1. Outcomes from our focus groups
2. Digital Meters
3. Guaranteed Service Levels
4. Closing

1. Outcomes from our Focus Groups





Focus groups

- MG engaged Focus People to select the focus group attendees with representation of:
 - residents (Res) and small businesses (Bus) across MG’s distribution area
 - geography, socio economic and Culturally And Linguistically Diverse groups
- The dates, venues and number of attendees for the discussions were:

Response	G1 Bus	G2 Res	G3 Bus	G4 Res	G5 Bus	G6 Res	G7 Bus	G8 Res
	Tuesday 26 July, Clayton		Thursday 28 July, Windsor		Tuesday 2 August, Blackburn		Thursday 4 August, Croydon	
Number of attendees	10	9	10	10	8	10	9	11

- For all groups, most consumed gas for heating, with cooking the next most popular use for gas



Focus Groups

Each focus group commenced by exploring how much was known about MG, providing some background on MG and what it does, and how that differs from retailers and other supply chain participants, and then discussing the following MG GAAR topics

- Our network objectives
- Replacement of our main pipelines (mains replacement)
- Guaranteed service level (GSL) payments
- Incentives for us to reduce our costs
- Communications from us
- Technology innovation - digital meters



Network Overview

- There was generally very limited interaction over the last 12 months (and in fact last 2 to 3 years)
- As expected, any interaction was either planned outages (network maintenance or upgrade), meter replacement and connection
- On the whole MG exceeded expectations when there was interaction
- There was general discussion about the role of MG versus Retailers, and how do customers know what each party does:
 - > The network fault number on retail bills is difficult to find



Network Objectives

- Generally supported the objectives but thought they were written from an internal perspective and less clear what the intent was from an outside perspective, nor what the desired deliverables are
- Thought the objectives were ‘good solid things’ but all bit ‘motherhood’ statements
- There was general discussion on referring to MG’s customers when the primary relationship is with Retailers and not direct with customers connected to MG’s network and how do you increase customer base if you are geographically constrained.
- Not sourcing gas from fracking was mentioned a few times



Mains Replacement

- Customers like and support Pipeworks and MG's approach to the program and developing its forecasts:
 - > We trust the experts
 - > Safety obligations are very important
- MG should communicate the program to its customers
- Unanimous view that they do not like the idea of less investment in Pipeworks with an increased risk of lower reliability
 - > Only some attendees of G3 and G4 said they would benefit from information on trade-offs between less investment with increased risk of lower reliability



Guaranteed Service Levels

- Majority of participants have never heard of GSLs for gas but had for other services
- Generally didn't support changing the levels of GSL payments or thresholds to avoid people 'rorting' the system. However there was a comment that payments should be in line with today's dollars
- Support for greater communication of GSLs to drive cultural efficiencies within MG



Incentives

- Whilst not specifically asked, most attendees appeared to understand and support a move to a revenue cap
- G1 to G4 struggled to understand incentives, whereas G5 to G8 seemed to have a better understanding
- There was general overall support for having an incentive to reduce capital expenditure, provided that MG service is not compromised
 - > There was concern that reduction in capital can compromise reliability and necessitate catch-up expenditure, showing that customers were mindful of their long-term interests when answering
- There were some general comments on how do customers get assurances that Retailers pass through any cost reductions in network tariffs (noting they had a simplified view of how prices are set)



Communication

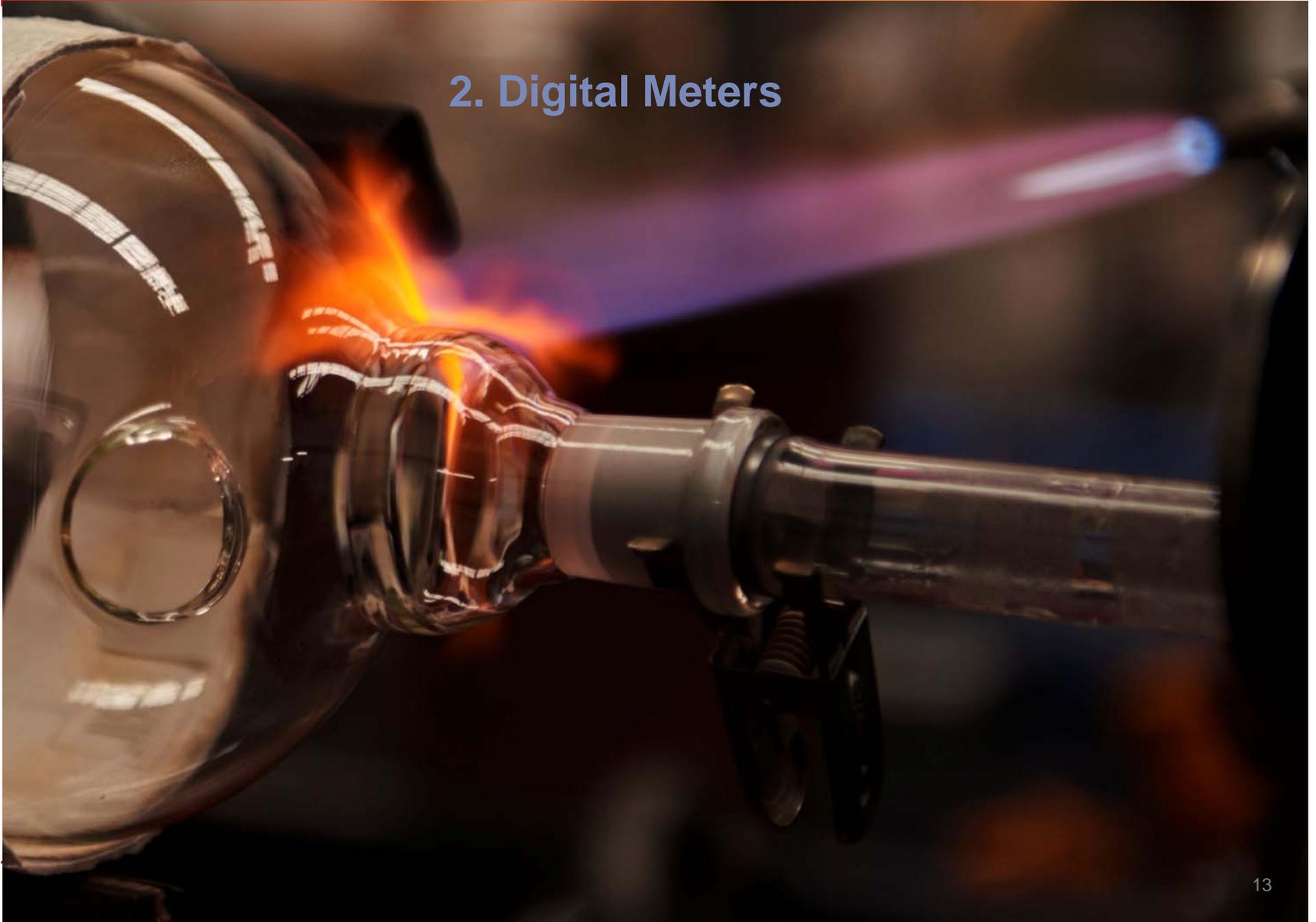
- There was strong support for information on GSLs, Pipeworks, and emergency matters otherwise communication should be minimised.
- There was general agreement that communication once every 12 months was enough with a focus on major projects, initiatives for operational efficiencies and cost reductions, communication should be simple and clear.
- For general communication, there was no clear winner with postal, website and email equally preferred, though with less support for social media.
- There was a clear preference for a call centre, rather than a digital self service call centre, that was knowledgeable and spoke clear English.
- There was mixed support for a web based call centre.



Technology innovation – digital meters

- General overall support for controlled pilot program, particularly one that focusses on replacement of faulty meters and new connections, that avoids costly Vic AMI problems and costs
- There was some recognition of potential retailer partnership, with G7 emphasising that it should be a large retailer
- Also, there was general recognition that digital meters are inevitable and that MG should get on with installing them

2. Digital Meters





2. Digital Meters

- Mandated roll out of digital meters in electricity is delivering significant benefits to consumers
- In the US, rollout commenced in around 2002 and around 2.5 million digital gas meters have been installed
- We recognize the potential benefits to our gas consumers. To better understand these benefits we propose to undertake:
 - A trial of 100 meters in the current period
 - A pilot study of 10,000 meters in the 2018 to 2022 period
- This will allow us to capture information on the functionality, costs, benefits and risks to undertake a full cost benefit assessment of a mass roll out commencing in the 2023.



Digital Meters – Pilot Study

Pilot study commencing 2018 would involve:

- Procuring and installing 10,000 digital meters to cross over customers in both UE's and MG distribution areas
- Modifying IT and Communications to support meter functionality
- Working with retailers to identify benefits
- Understanding the cost

While 10,000 meters is less than 2% of the meter population, it would provide sufficient evidence to assess the net benefits of a mass roll out with reasonable certainty.



Digital Meters - Potential Benefits

- We expect the benefits could include:
 - Eliminate manual and estimated reading
 - Greater flexibility for customers
 - Better information for customers
 - More efficient customer / retailer change process
 - Remote shut off / turn on
 - More efficient tariffs
 - Improved safety and leak reduction through automated leak detection
 - More accurate consumption data
 - Better network planning information



Digital Meters – Potential Costs

- Based on the initial trial, we expect the costs to be – albeit considerable uncertainty around costs:

Meter type	Expected cost
Digital meter with communications card	\$300
Conventional diaphragm meter (10 m ³)	\$113

- The potential costs and benefits of a mass rollout are significant.
- Therefore, the pilot study is critical to collecting information required to undertake a comprehensive cost benefit analysis of a mass rollout.

3. Guaranteed Service Levels (GSL)





Multinet Gas

Thank you