



VOICE OF CUSTOMER PROGRAM

Re-Engage Phase | Residential Customers

20 February 2018

WELCOME



We would like to

- 1 Share key customer insights we have uncovered to date
- 2 Provide an update on components of our five year investment plan
- 3 Understand your views and preference on investment options we are considering

“

Is there anything you would like to share with respect to ATCO Gas that comes to mind since the last time we met?

”

PROGRAM RECAP & KEY INSIGHTS

<INSERT VIDEO HERE>

How natural gas is supplied to you



PRODUCTION

WA produced gas with approx. 15% reserved for domestic use



TRANSMISSION

1,600 km of pipeline that transports gas from Dampier to Bunbury



DISTRIBUTION

14,000 km of pipes that reticulate the gas to WA homes and businesses



RETAIL

A growing selection of retailers that you can choose to pay for your gas



YOUR BILL

Recap: What makes up your gas bill?

Average annual residential bill
\$660

PRODUCTION

TRANSMISSION

DISTRIBUTION

RETAILER

11%
OF YOUR BILL



3%
OF YOUR BILL



30%
OF YOUR BILL



56%
OF YOUR BILL



Recap: Four programs will allow us to operate and grow a safe and reliable network

Mains Replacement

On-going work required to replace aging mains pipelines and assets.

Network Expansion

Upgrade and new pipes to meet current and future demand.

Network Monitoring

Monitoring and remote control technology across the network.

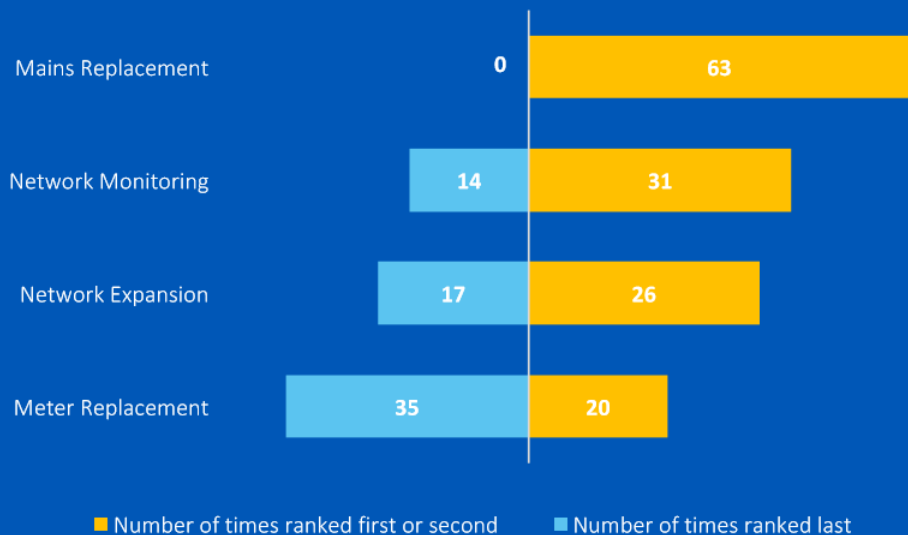
Meter Replacement

Routine exchange of aged domestic gas meters with new meters.

Key insight #1 – Key programs support

95% of residential and SME participants supported all programs

PREFERENCE ON KEY PROGRAM PRIORITY



WORKSHEET | INVESTMENT PRIORITIES

ATCO Gas AUSTRALIA

Name _____ Date _____

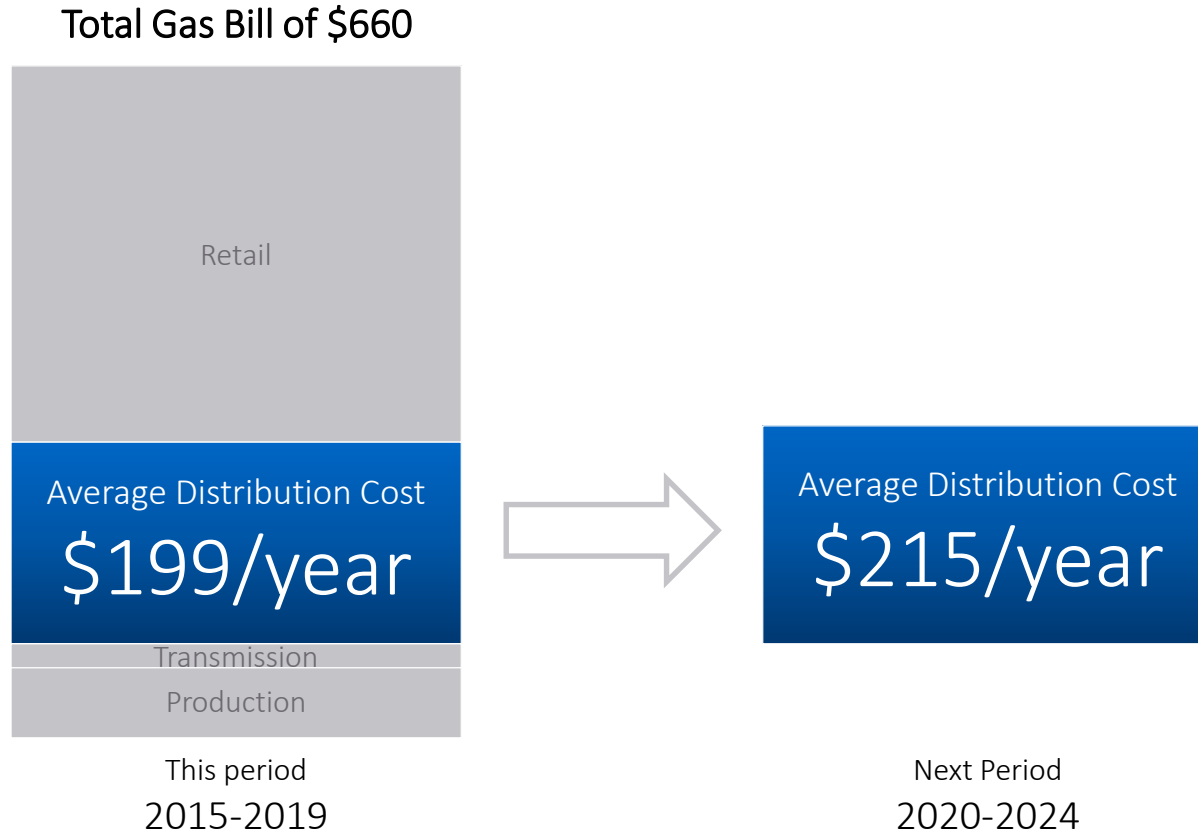
Have your say on our potential investments

Investment	Number of responses	Do you support this program?	Why?	Comments
Mains Replacement program Replaced old mains with modern technology improving safety and reliability	57 per customer per year	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Network Expansion program Upgrade and extend the network to meet future and future demand	52 per customer per year	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Network Monitoring program Monitoring and remote control technology to detect and respond to issues	55 per customer per year	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Meter Replacement program Replace old meters with smart meters to improve accuracy and security	54 per customer per year	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

- There was an overall program **support rate of 95%** across both segments and all programs.
- Mains replacement was ranked first and Meter Replacement fourth for both customer segments.
- 55% of participants prioritised Network Expansion and Network Monitoring equal to or higher than Meter Replacement.

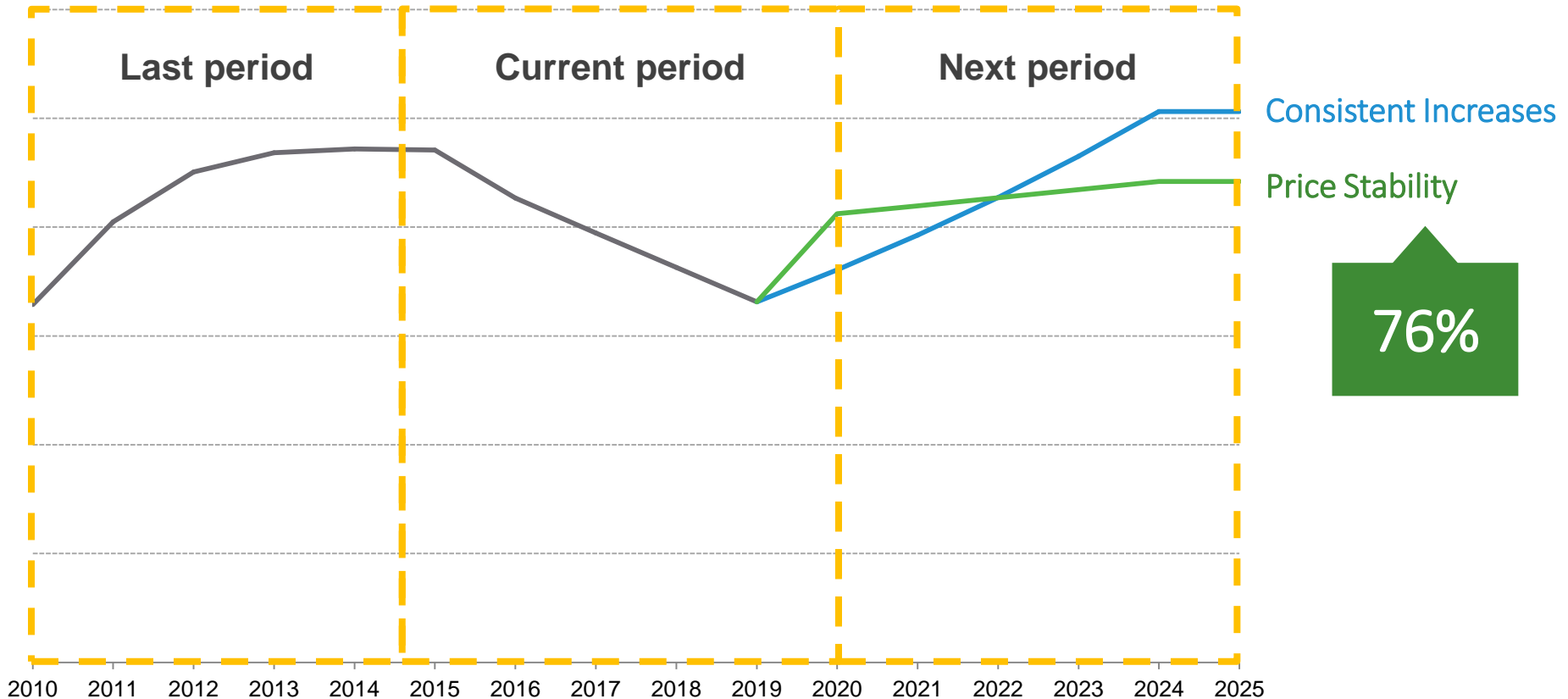
Key insight #2 – Distribution cost increases

General support for the average price increase in the next period



Key insight #3 – Price path

76% of participants across the three customer segments preferred price stability over consistent price increases in AA5.



- 4 Customers want to understand what makes up their bill**
- 5 Customers want to know more about ATCO Gas**
- 6 Those customers and stakeholders who have had the opportunity to interact with ATCO Gas have found the customer experience to be excellent**
- 7 A low carbon future was important to customers**

OUR ENERGY ENVIRONMENT IS CHANGING



DISRUPTION IN THE ELECTRICITY MARKET IS ALREADY UNDERWAY



Distributed Generation



Energy security issues



Cheaper Energy Storage

HYDROGEN IS PRESENTING AN OPPORTUNITY FOR GAS UTILITIES



Transportation



Hydrogen Production



Hydrogen Distribution

HYDROGEN INNOVATION IS OCCURRING ACROSS THE GLOBE



NORTH AMERICA

Hydrogen Vehicles and Rail Locomotives.



SOUTH KOREA

Plans for 32,000 Hydrogen powered buses.



JAPAN

Kawasaki's 'Hydrogen Road' project – move to a 'hydrogen society'



EUROPE

H21 Project: conversion of network to Hydrogen. Hydrogen vehicles ↑.



AUSTRALIA

SA and Eastern States plans for hydrogen conversion.



HOW IS ATCO GAS PLANNING TO ADDRESS THE FUTURE ENERGY CHALLENGES AND OPPORTUNITIES?



VOICE OF CUSTOMER

Regular listening and engaging with our customers and stakeholders



H21 PROJECT

Investigating hydrogen opportunities, including network conversion and hydrogen production.



AA5 PROGRAM

Ensuring a credible, robust and competitive AA5 submission to the ERA.



ENERGY VISION 2030

Imagining and planning for future energy scenarios.

ATCO GAS STRATEGIC PLANNING AND BUSINESS DEVELOPMENT COVERS THREE BROAD HORIZONS



NEAR-TERM (1-2 YEARS)

- ★ Remove barriers to connecting to natural gas (new metering & regulation types, promote capital contribution model)
- ★ Educate decision makers and influencers on the value proposition of gas
- ★ Educate decision makers and influencers on gas appliances



MED-TERM (3-5 YEARS)

- ★ Distributed Energy (e.g. solar-gas hybrid)
- ★ Metering (Integration of Western Power or Water Corp metering)
- ★ Biogas / renewable gas
- ★ Albany (Tariff design to defend volumes, consider vertical integration, LNG/CNG)



LONG-TERM (+5 YEARS)

- ★ Hydrogen (test technology, influence regulation, large scale trial, eg Albany, Kalgoorlie, Collie)
- ★ Natural gas and renewable gas expansion to new locations
- ★ Bottled natural gas supply chain opportunities
- ★ Distributed energy supporting EV networks

CAPABILITIES REQUIRED TO DELIVER STRATEGY



UNDERSTAND THE CUSTOMER



BE AN EXPERT IN THE ECONOMICS AND CARBON SAVINGS OF GAS



EDUCATE, INFLUENCE, PROMOTE

REFINEMENTS
BASED ON YOUR
FEEDBACK

More efficient investment program



- **Key program** impacts detailed in slides to follow
- We have identified a potential cost savings of approx. \$30m over 5 years
- No impact on reliability or safety if removed or delayed
- **Non key program** removed:
 - Blue Flame Kitchen

KEY PROGRAMS

Mains replacement program



What we said we will do

- We will replace approx. 300 km of mains infrastructure
- Priority for replacement will be based on risk

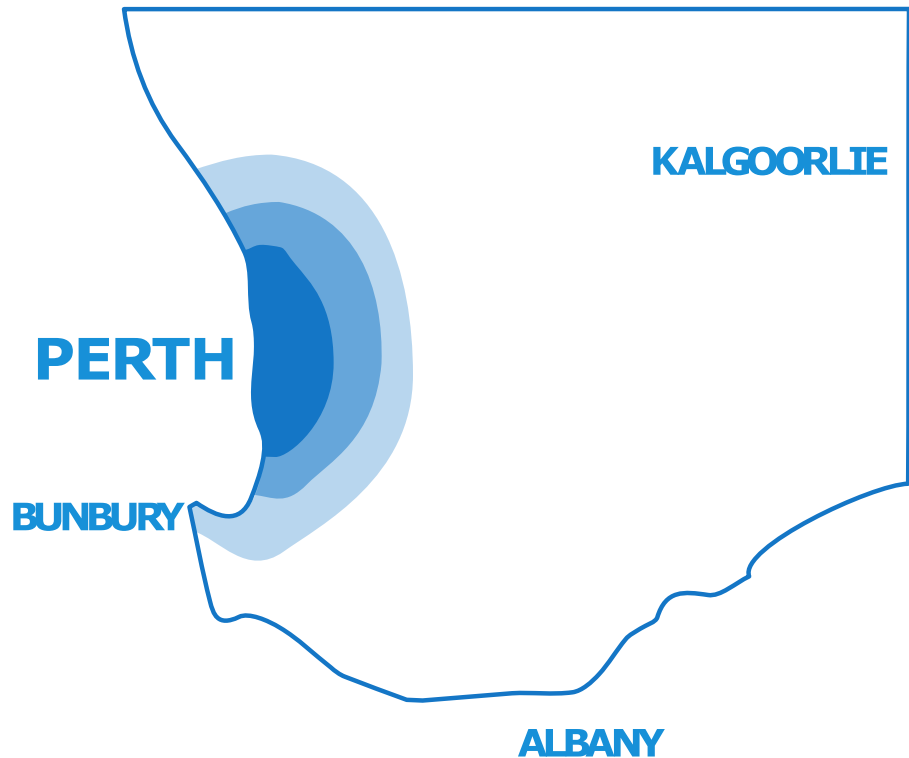
What has changed?

CBD Metal Replacement – Deferred to AA6

- We believe PVC replacement is of higher priority based on the PVC risk profile, age and leak history.
- We will continue with routine inspection on this part of the network to ensure reliability and safety of gas supply

KEY PROGRAMS

Network expansion program



What we said we will do

- Install new pipes that connect gas from the transmission line to:
 - Two Rocks (67,000 dwellings)
 - Baldivis (36,000 dwellings)
 - Peel (22,000 dwellings)

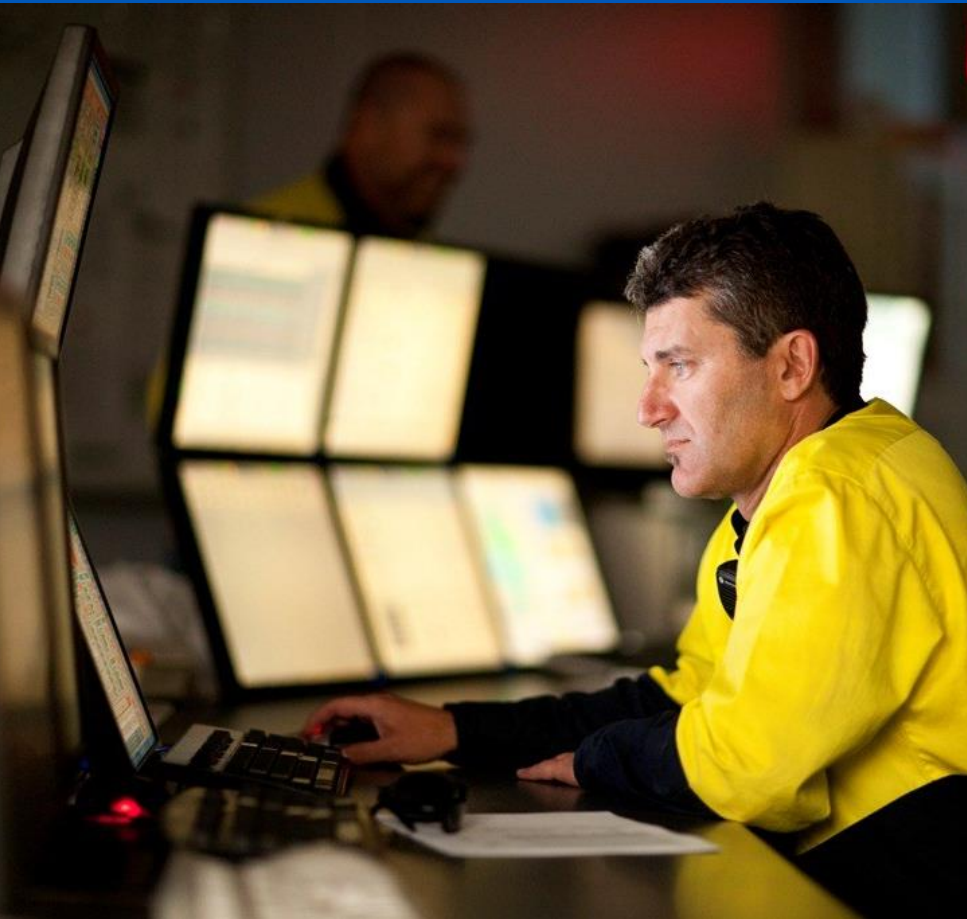
What has changed?

Removing Baldivis and Peel – Deferred to AA6

- Growth in the region has not met expected forecast.
- We will continue to monitor the developments to ensure security of supply to existing gas customers and optimal timing to support any new growth.

KEY PROGRAMS

Network monitoring program



What we said we will do

- Install specialised devices to monitor the network and automatically collect information about gas pressure and quality
- Implement monitoring and control software / technology to remotely isolate and calibrate the network.

What has changed?

Network monitoring – reduced scope in AA5

- We will establish the foundations for success in AA5 using a phased delivery approach
- We will continue to implement the program in AA6 (post 2024).

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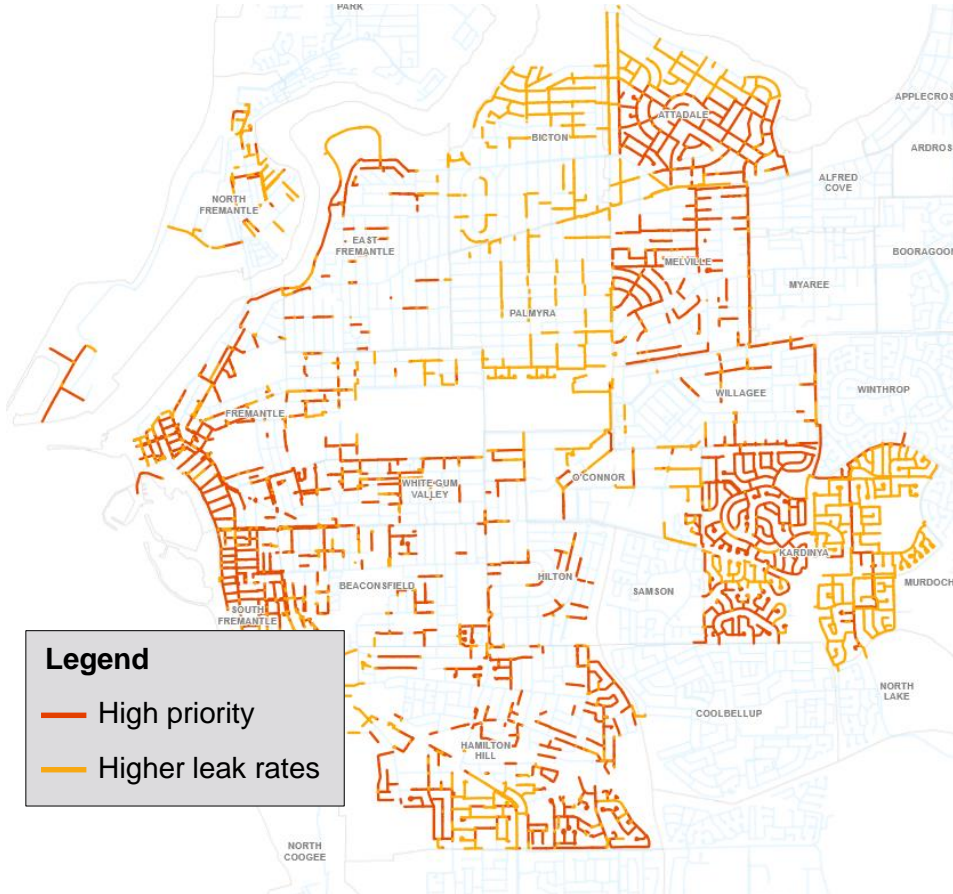
Do you have any concerns about the removal of these projects?

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NEW CONSIDERATIONS

Mains Replacement Program

Operational Considerations



The segment shown in **red** make up 62% of the proposed replacement program.

The red sections indicate high priority network segments.

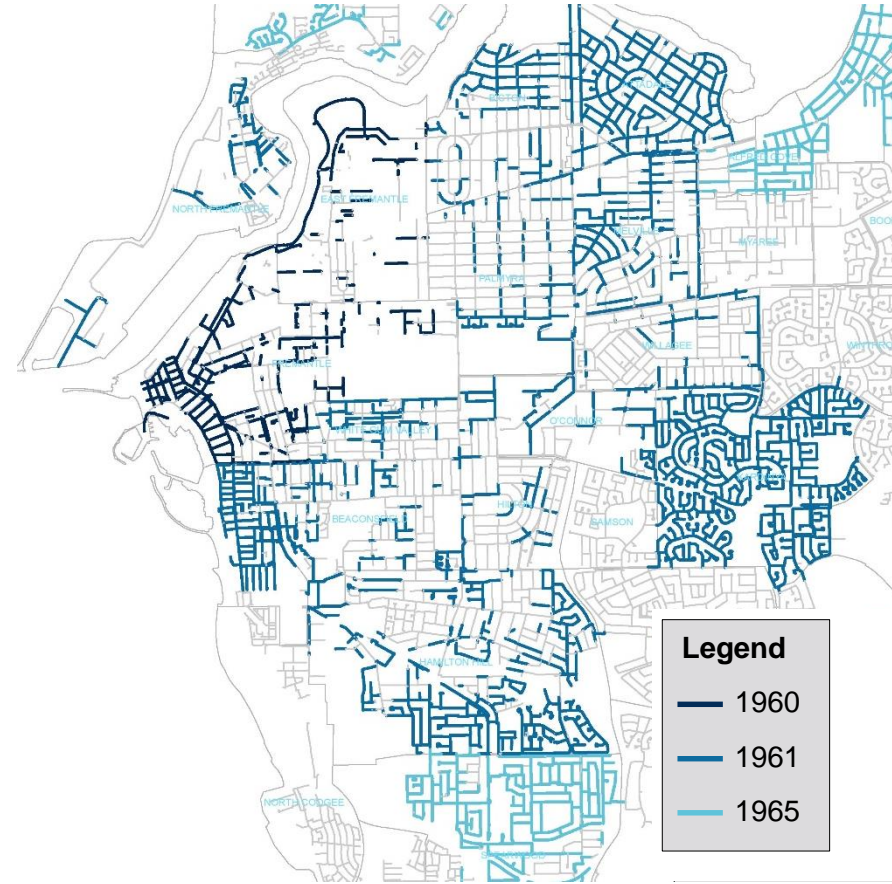
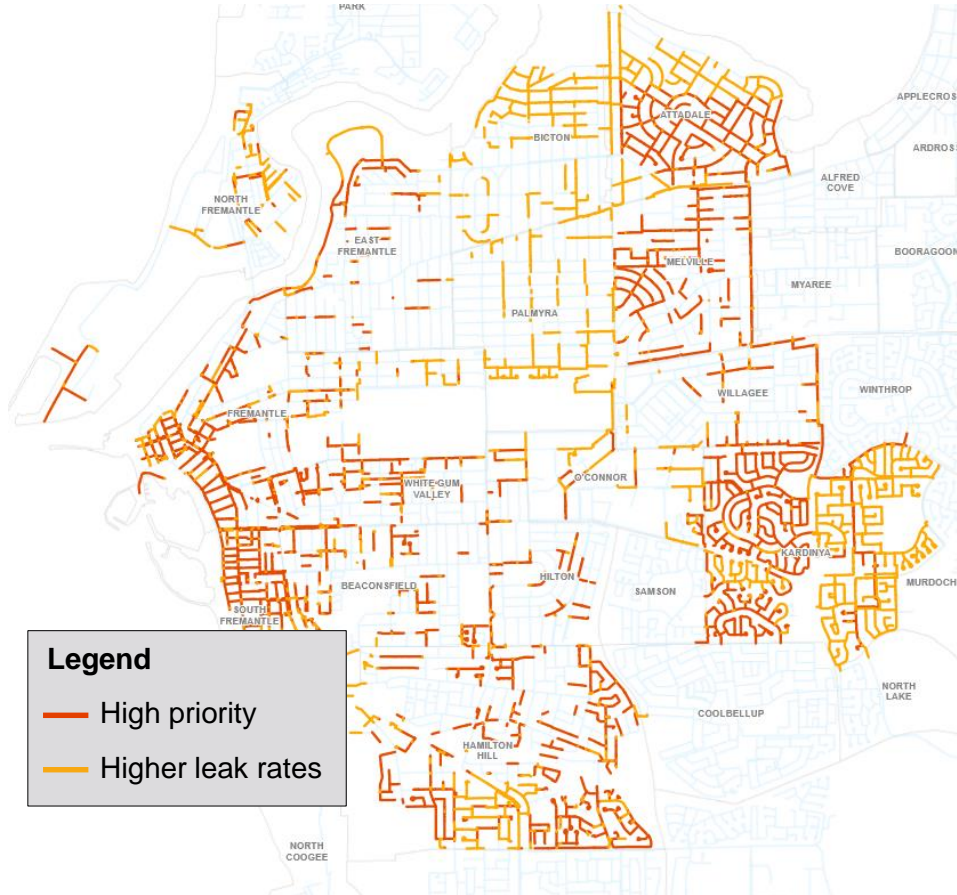
The segment shown in **yellow** make up 38% of the proposed replacement program.

The yellow sections typically experience higher leak rates. These pipe segments are likely interconnecting the segments selected for replacement based on risk, and will allow for replacement efficiencies.

This replacement strategy incorporates a **balance of risk, condition and program efficiencies** in order to **reduce the risk** to as low as reasonably practicable over the AA5 period.

Mains Replacement Program

Operational Considerations



Mains Replacement Program

We have identified two options when performing a mains replacement

Option 1 (Proposed)

What we will do

We will replace red sections of pipe and (where it makes sense) yellow sections of pipe at the same time

What this will cost you

Included in the \$215 distribution costs of your bill

What this means for you

When replacing, slightly elongated interruption times but reduces need to revisit your neighbourhood in near future.

Option 2 (Alternative)

What we will do

We will not replace any yellow sections of pipe and monitor them until either a failure (leak) or risk gets too high

What this will cost you

May result in a decrease of \$3 p.a. to the \$215/year distribution costs of your bill.

What this means for you


Piecemeal replacement of leaks becomes more costly. Increased disruption due to need for revisiting your neighbourhood in the near future for a (potentially) extended period.

WORKSHEET ACTIVITY

Your preference on mains replacement implementation option



Please vote for the implementation option you prefer.

WORKSHEET | MAINS REPLACEMENT OPTIONS



Name _____ Date _____

Please select the mains replacement option you prefer:

	 Option 1 Proposed	 Option 2 Alternative
What we will do for you	Replace green sections of pipe and (where it makes sense) red sections of pipe at the same time	Don't replace red sections of pipe until failure or risk gets too high
What this will cost you	Included in \$215/year distribution bill	May result in a decrease to the \$215/year distribution bill
What this means for you	When replacing, slightly elongated interruption times, but reduces future revisits	Increased disruption due revisiting in the near future for a (potentially) extended period

Why do you prefer this option

WHAT'S NEXT

Customer insights gathered today will be used to inform investment planning



ENGAGE

Oct 2017

Conduct engagement activities and capture insights



CONSIDER

Nov 2017 – Jan 2018

Integrate customer insights into business planning



RE-ENGAGE

Feb 2018 onwards

Validate plans and insights with sample customers



DRAFT

Apr – Aug 2018

Refine and publish our draft plans



SUBMIT

Sep 2018

Submit our final business plans to the regulator



Thank you