

10 October 2016

Essential Services Commission of South Australia

GPO Box 2605
ADELAIDE SA 5001

Via email: escosa@escosa.sa.gov.au

To Whom It May Concern:

Australian Gas Networks Limited (AGN) welcomes the opportunity to make a submission to the Essential Services Commission of South Australia (the Commission) regarding its "*Strategic Direction Consultation*" (the paper) for 2016-2019. AGN understands that responses to this consultation will assist the Commission to develop and implement a clear strategic direction for the coming years.

AGN is supportive of the transparent and collaborative approach the Commission has taken in order to set its strategic priorities and values the opportunity to provide input into the strategic direction of the Commission. AGN supports both the key areas of focus and goals outlined by the Commission in its paper.

In particular, the Commission details the following Goals in its Strategic Plan:

- Goal 1 - to establish consumer protection frameworks to promote the delivery of service levels valued by consumers at an efficient cost.
- Goal 2 - to keep regulated businesses accountable by monitoring and publicly reporting on service standards and regulatory requirements.
- Goal 3 - to engage genuinely with our stakeholders to achieve the best possible decisions and build understanding of economic and regulatory issues.
- Goal 4 - to add value to South Australia by delivering impartial, credible and robust regulatory and economic advice.

In relation to Goal 3, AGN supports the Commission's focus on stakeholder engagement. We consider that effective stakeholder engagement is key to better promoting the long term interests of customers. We also consider that this view is supported by the Australian Energy Regulator (AER), who made the following comment at the 2016 Energy Networks Association (ENA) Seminar:

"We share a responsibility and an obligation to understand the needs and priorities of consumers to ensure that regulation and the services provided by network businesses adapt and continue to provide for the long-term interests of consumers. We must engage genuinely with consumers, and with each other, so

*that these interests are reflected in network businesses' spending proposals and in our decisions.*¹

As such, we are continuing to look for ways to improve our engagement program and believe that the release of our Draft Plan on 5 July 2016 in respect of our Victorian and Albury networks reflects a key step forward for industry.²

Our Draft Plan sets out our plans for the five year period beginning 1 January 2018 and provides draft views on all aspects of our AA Proposal, including the expenditure we expect to incur, our proposed rate of return and the prices we intend to charge. Our plan facilitates improved engagement by allowing stakeholders to consider the detail of any proposed initiative in the context of the overall price impact over the next AA period.

The Draft Plan was itself informed by a series of engagement activities. We received submissions on the Draft Plan but have also held several workshops on the plan with broad stakeholder groups and with the AER. We have most recently held further customer workshops in which we presented the key insights from customer workshops held prior to the release of our Draft Plan and our response to the feedback received.

Throughout this process, we have received constructive and informative feedback from our customers and stakeholders that has been transparently reported and acted on by management. This process is key to achieving our overarching objective to submit a final plan for our Victorian and Albury networks that delivers for customers, is underpinned by effective stakeholder engagement and is capable of being accepted by the AER.

Regarding the publication of our Draft Plan and our engagement program more broadly, the AER also noted at the ENA Seminar:

"AGN's overarching objective is to submit a proposal that delivers for its consumers, is underpinned by effective engagement, and is capable of being readily accepted..."

These processes should be encouraged and have the potential to deliver:

- *More preferable outcomes that reflect input from consumers from the earliest stage*
- *Smoother regulatory processes*
- *More open, constructive dialogue, and*
- *Opportunities to build shared knowledge: of business challenges, consumer concerns, the regulator's role and the framework under which we operate.*³

We agree with the Commission that regulated businesses are best placed to design and deliver stakeholder engagement programs. Given its importance, we do consider that there is an important role for regulators to assist businesses to design robust engagement programs. More importantly, we consider it vital that the regulator participates in this engagement so that this can also be factored into any proposals put forward by business.

To this end, we appreciate the Commission's ongoing participation as an observer on our South Australian Reference Group. We also value our regular updates with key Commission staff and consider this is an effective way of sharing information between organisations. We

¹ Australian Energy Regulator, "Engagement and energy regulation in a dynamic environment", June 2016, <http://www.aer.gov.au/news/engagement-and-energy-regulation-in-a-dynamic-environment>.

² Australian Gas Networks, "Draft Plan", July 2016, <https://www.australiangasnetworks.com.au/our-business/have-your-say>.

³ Australian Energy Regulator, "Engagement and energy regulation in a dynamic environment", June 2016, <http://www.aer.gov.au/news/engagement-and-energy-regulation-in-a-dynamic-environment>.

encourage this to continue through any relevant future work of the Commission, including its upcoming review of the compliance reporting requirements.

While the Commission is already familiar with our stakeholder engagement program, we would be happy to meet and discuss further our progress and views on this important matter. Please feel free to contact either Ashley Muldrew (08 8418 1115) or myself (08 8418 1129) if you would like to arrange a time for this discussion to occur.

Yours sincerely,



Craig de Laine
General Manager - Regulation