

Friday, 03 November 2017

Mr Adam Wilson
Chief Executive Officer
Essential Services Commission of South Australia
GPO 2605
Adelaide SA 5001

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

Dear Mr Wilson,

Strategic direction consultation 2017

Australian Gas Infrastructure Group (AGIG) welcomes the opportunity to make a submission to the Essential Services Commission of South Australia (the Commission) regarding its *Strategic Direction - Consultation*. We understand responses to this consultation will be used to inform the Commission's Strategic Plan for the upcoming three-year period July 2018 to July 2021.

We support the transparent and collaborative approach the Commission has taken to set its strategic priorities and value the opportunity to provide input into this process. We also support the commitments made by the Commission in its paper.

The Commission has asked for stakeholder views on:

- 1 What matters to consumers, now and over the coming three years, in terms of price, quality and reliability of essential services? How should the Commission take into account and balance those considerations?
- 2 What matters to providers of essential services, current and potential? How should the Commission take into account and balance those considerations in developing, implementing and reviewing the effectiveness of regulatory frameworks?
- 3 Given changing market structures and new and disruptive technologies (across all industries), what challenges and potential impacts are there for the Commission and its work?
- 4 How might the Commission better engage and communicate with the community and its stakeholders?

In relation to Question 1, insights gained through our South Australian stakeholder engagement include that:

- customers view gas as a reliable source of energy (and support initiatives that maintain the current standard of reliability);
- customers value initiatives that improve the safety of the networks;
- customers are concerned about rising energy costs;
- customers don't understand our role in or the regulatory model of the gas industry; and
- customers would like more communication from us through multiple channels.

These insights show we are delivering reliable services to our customers. Gas customers in South Australia currently benefit from relatively low energy prices, improved environmental performance and secure supply. However, it is important that our services, and the regulatory frameworks we operate within, continue to reflect the needs and expectations of our customers.

Customers want to participate in decision making processes and expect that we deliver services they value. Customers are also concerned about rising energy costs. We are pursuing initiatives to ensure we maintain our strong performance on safety and network reliability, are sustainably cost efficient and continue to improve the way we communicate and engage with our customers.

Consumer confidence in energy markets has been tested in recent times. The Australian Energy Regulator (AER), presenting at the *'Disruption & the Energy Industry Conference'* in September, stated:

*"it is essential that we foster confidence among stakeholders that the energy markets are working well for them, as levels of public trust now can have a long-term impact on consumer engagement and the effectiveness of competition."*¹

We consider that the Commission also has an important role to play in fostering consumer confidence and public trust. We consider there is opportunity to improve ongoing engagement, which could include through complementary engagement processes between regulators and business.

In relation to Questions 2 and 3, our goal is to be the leading gas infrastructure business in Australia. To achieve this, we are expanding our networks and taking action to ensure our customers have a sustainable and secure supply of natural gas. We're also responding to stakeholder feedback and we're focused on making a positive impact in the communities where our networks operate.

To this end, we have worked closely with Australia's five peak gas bodies (including Energy Networks Australia) to develop *Gas Vision 2050*. The Vision is a qualitative document that:

- highlights the importance of gas to Australia today;
- explains the low-emission transformational technologies of biogas, carbon capture and storage and hydrogen production; and
- describes an attainable future for gas across Australia in which renewables and gas (including hydrogen and biogas) can support each other to achieve a near zero-carbon energy sector by 2050.

We are committed to being a leader in the decarbonisation of Australia's energy supply and believe decarbonisation of the existing gas networks is key to achieving emission reduction targets. As this is a key focus for industry, it should also be a key focus for the Commission. We encourage the Commission to actively participate in this process to proactively ensure regulatory processes continue to be fit-for-purpose.

The Commission notes that changing market structures and new and disruptive technologies across all industries are likely to present challenges for industry. We encourage the Commission to consider an integrated, whole-of-system approach to

¹ AER, *'Regulation that supports innovation, demand and consumers'*, Disruption & the Energy Industry Conference, Sydney, 7 September 2017 (<https://www.aer.gov.au/news/regulation-that-supports-innovation-demand-and-consumers-presentation-to-disruption-the-energy-industry-conference-sydney-7-september-2017>).

regulatory decision making wherever possible, including by encourage technology neutral approaches.

We believe a whole-of-system approach will be key to protecting the long-term interests of energy consumers with respect to price, quality and reliability. We note other regulators, such as Ofgem, are also carefully considering these challenges, and see this approach aligning well with the Commission's commitment to better regulation.

A continued focus on better regulation reflects good regulatory practice. For example, the Commission's review of our service standards for 2016-20 contemplated what information is most important to customers, what information is required by the Commission and sought to eliminate duplication in reporting requirements. This type of review process should be periodic to ensure regulatory frameworks continue to deliver for customers.

In response to Question 4, we agree with the Commission in its commitment to continuous and ongoing improvement in stakeholder engagement. We feel strongly that effective stakeholder engagement is key to promoting improved customer outcomes, and as such, should underpin regulatory decision making processes.

Stakeholder engagement is an evolving area and effective engagement can take many forms. However, our recent learnings indicate that effective stakeholder engagement:

- provides stakeholders with multiple opportunities for feedback on a particular issue (an opportunity for repeat engagement);
- ensures feedback is received from a broad range of stakeholders, including the regulator in the case of industry driven engagement; and
- transparently reports on the feedback received and how it has been considered.

Some areas the Commission might consider for future improvements are:

- the opportunity for industry and regulators to undertake joint and complementary customer and stakeholder engagement programs; and
- reporting on effective stakeholder engagement processes to facilitate ongoing improvement across industries.

We would be happy to meet to discuss any of the views and issues raised in our submission. Please feel free to contact Peter Bucki on 8418 1112 if you would like to arrange a time for this discussion to occur.

Yours sincerely,



Craig de Laine
General Manager – Strategy and Regulation